



MEMBERSHIP

April 14, 2023

Financial Report of Fiscal 2022

(April 1, 2022 – March 31, 2023)

Junichi Hoki,

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HOGY MEDICAL Co., Ltd.



This presentation contains statements about the Company's plans, forecasts, strategies, and beliefs related to its future performance. Such forward-looking statements were prepared based on judgments of the Company's management according to information available when this presentation was prepared. Readers are asked not to rely completely on performance forecasts contained herein, and understand that actual results may differ from such forecasts.

Financial results reported herein have not been audited.



Overview

Fiscal 2022 Income Statements



Unit: million yen, rounded down	Fiscal 2021 Results		Fiscal 2022 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,778		38,981		2,202	106.0%
Operating income	6,135	16.7%	6,634	17.0%	499	108.1%
Ordinary income	6,285	17.1%	6,653	17.1%	367	105.8%
Profit attributable to owners of parent	4,370	11.9%	4,316	11.1%	-53	98.8%
EPS	153.00yen		177.95yen			

Higher sales; lower income

Net sales : **Higher sales**

: Healthy sales of Premium Kit

Operating income : **higher income**

: Cost of sales ratio up due to foreign exchange factors, etc.,
but higher sales and cost reductions led to secure profits

Net income : **lower income**

: Reported impairment loss on assets

Cost of sales : 59.6%(+1.5pt YoY)

**: Cost of sales up due to yen's depreciation
(+9.7 billion yen)**

: Up due to rising costs of raw materials,
prices of electricity, etc. (+5.0 billion yen)

: One-time factors (disposal of inventories)
(+1.8 billion yen)

: Price increases, enhanced product mix (-5.0 billion yen)

: lower depreciation costs (-3.4 billion yen)

SG&A expenses : -175 million yen (-1.9%)

: Decrease in Depreciation Expenses and Testing &
research expenses

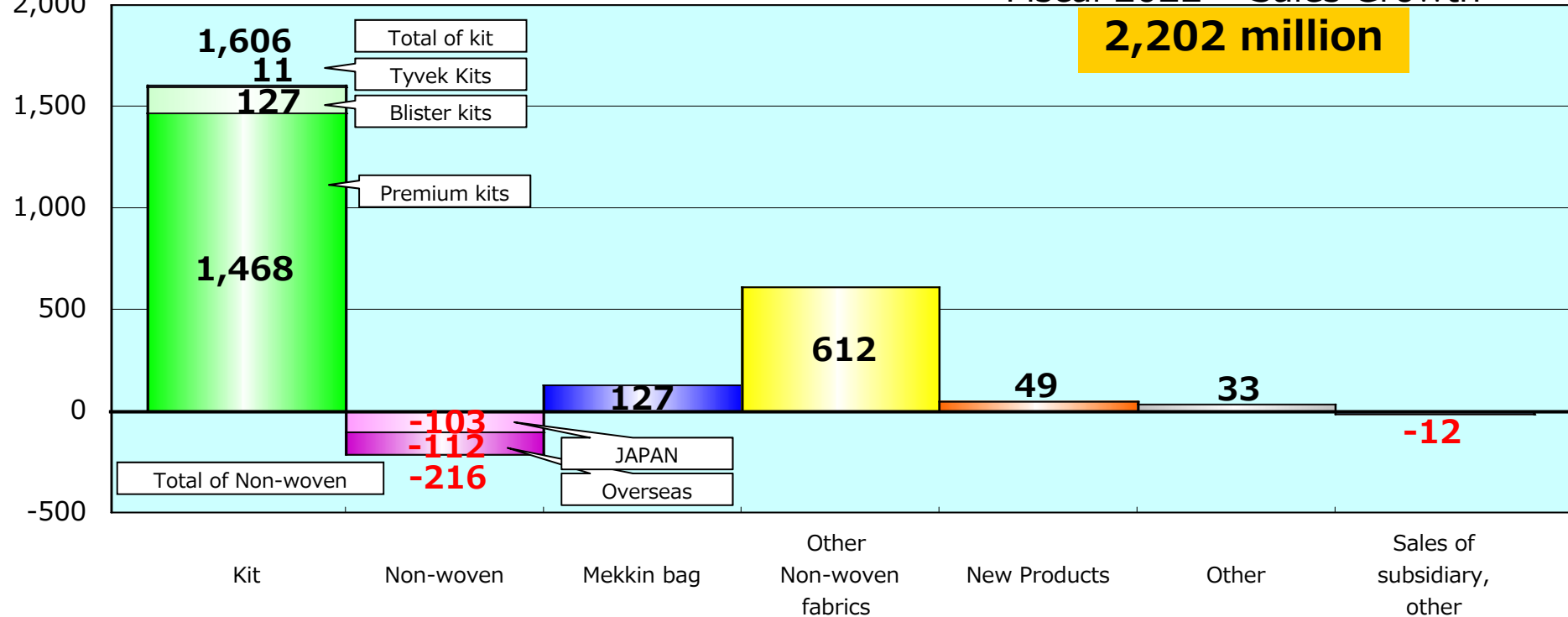
Fiscal 2022 Sales Growth by Major Products



(Unit: million yen, rounded down)
2,000

Fiscal 2022 – Sales Growth

2,202 million

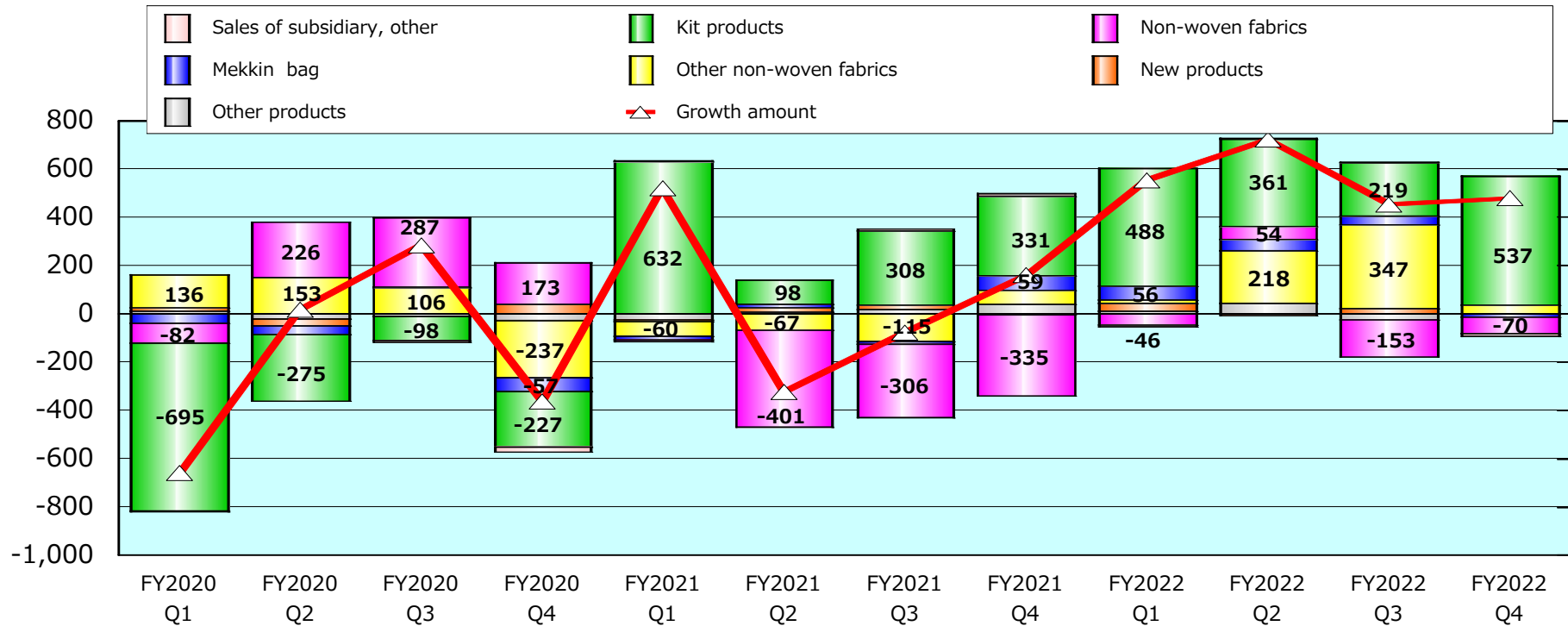


- **Sales increased 19.1% year on year thanks to our focus on selling Premium Kit, Unit sales +16.4%**
- Decline in unit sales of non-woven fabric products due to price hikes of some products from October
- Other non-woven fabric products: Decrease in demand due to COVID-19 and factors related to other companies
⇒ Demand returned to normal in 4th quarter

* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

Fiscal 2022 Sales Growth by Quarter

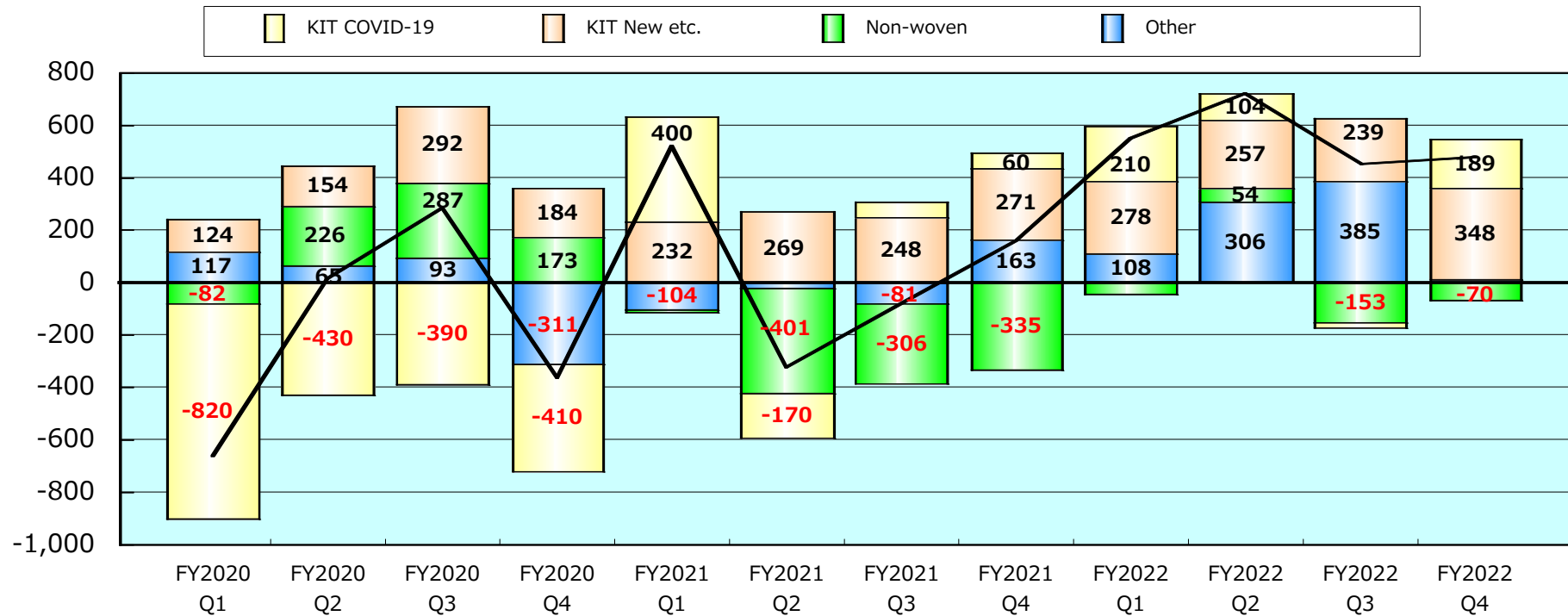
(Unit: million yen, rounded down)



- Increased sales of surgical kit products due to a rise in new sales centered on premium kits
- Other non-woven fabric products: Decrease in demand due to COVID-19 and factors related to other companies
⇒ Demand returned to normal in 4th quarter
- Non-woven fabric products: Decrease in unit sales due to price hikes of some products from October

Breakdown of Growth by Quarter

(Unit: million yen, rounded down)



	FY2020 1Q	FY2020 2Q	FY2020 3Q	FY2020 4Q	FY2021 1Q	FY2021 2Q	FY2021 3Q	FY2020 1Q	FY2022 1Q	FY2022 2Q	FY2022 3Q	FY2022 4Q
KIT COVID-19	-820	-430	-390	-410	400	-170	60	60	210	104	-20	189
KIT New etc.	124	154	292	184	232	269	248	271	278	257	239	348
KIT Total	-696	-276	-98	-227	632	99	308	331	488	361	219	537
Non-woven	-82	226	287	173	-9	-401	-306	-335	-46	54	-153	-70
Other	117	65	93	-311	-104	-23	-81	163	108	306	385	11
Total	-661	15	282	-365	519	-325	-79	159	551	721	451	478

Fiscal 2022 Highlights



■ Market environment

- ✓ Burden on medical institutions rising and falling according to fluctuating numbers of infections
→ **Minimal impact on number of surgeries** compared with previous years
- ✓ **Shortage of medical personnel now the norm**
- ✓ Ongoing polarization between medical institutions working to increase surgery numbers (in COVID-19 environment) and those working to improve management
- ✓ **Functional differentiation in medical institutions encouraged** (Subsidies to support the reorganization of hospital beds by function are being used in different ways in different regions.) (Introduction of additional fee for acute care enhancement system)

■ Performance highlights

- ✓ Premium Kit sales up due to new sales 19.1% year on year
- ✓ Other non-woven fabric products benefited from special demand due to increased supply capacity of N95 masks, increased use in medical institutions, and factors related to other companies, but demand returned to the previous level in March
- ✓ Price increases for low-margin products
- ✓ **Cost of sales increased in yen's depreciation** (impact in first quarter negligible thanks to forward exchange contracts)
- ✓ Rising costs of raw materials, transportation, and prices of electricity
- ✓ Inventories written off at cost
- ✓ Changed the operation of new plant Phase II equipment (scheduled for July 2022) to April 2023
- ✓ Reported impairment loss on assets (as extraordinary loss)
- ✓ annual dividend 71 yen (+3 yen YoY)



Fiscal 2023 Outlook

Fiscal 2023 Income Forecasts



Unit: million yen, rounded down	Fiscal 2022 Results		Fiscal 2023 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	38,981		40,890		1,908	104.9%
Operating income	6,634	17.0%	4,720	11.5%	-1,914	71.1%
Ordinary income	6,653	17.1%	4,900	12.0%	-1,753	73.6%
Profit attributable to owners of parent	4,316	11.1%	3,430	8.4%	-886	79.5%
EPS	177.95yen		141.40yen			

■ Higher sales; lower income plan

■ Net sales (1,908 million yen,+4.9%)

- ✓ Increased sales of Premium Kit
- ✓ Reactionary decline in sales of Other non-woven products, after enjoying special demand

■ Cost of sales (5.6pt UP)

- ✓ [Increase in depreciation due to Stage 2 commissioning of new factory in April](#)
- ✓ Corporate rate set the at ¥135 yen (¥120 in previous year) with exchange rate level at the same level as previous year
- ✓ [Continuations of weak yen and increases in raw material prices and electricity costs](#)
- ✓ We reduced costs by raising prices, improving productivity, cutting expenses, etc.

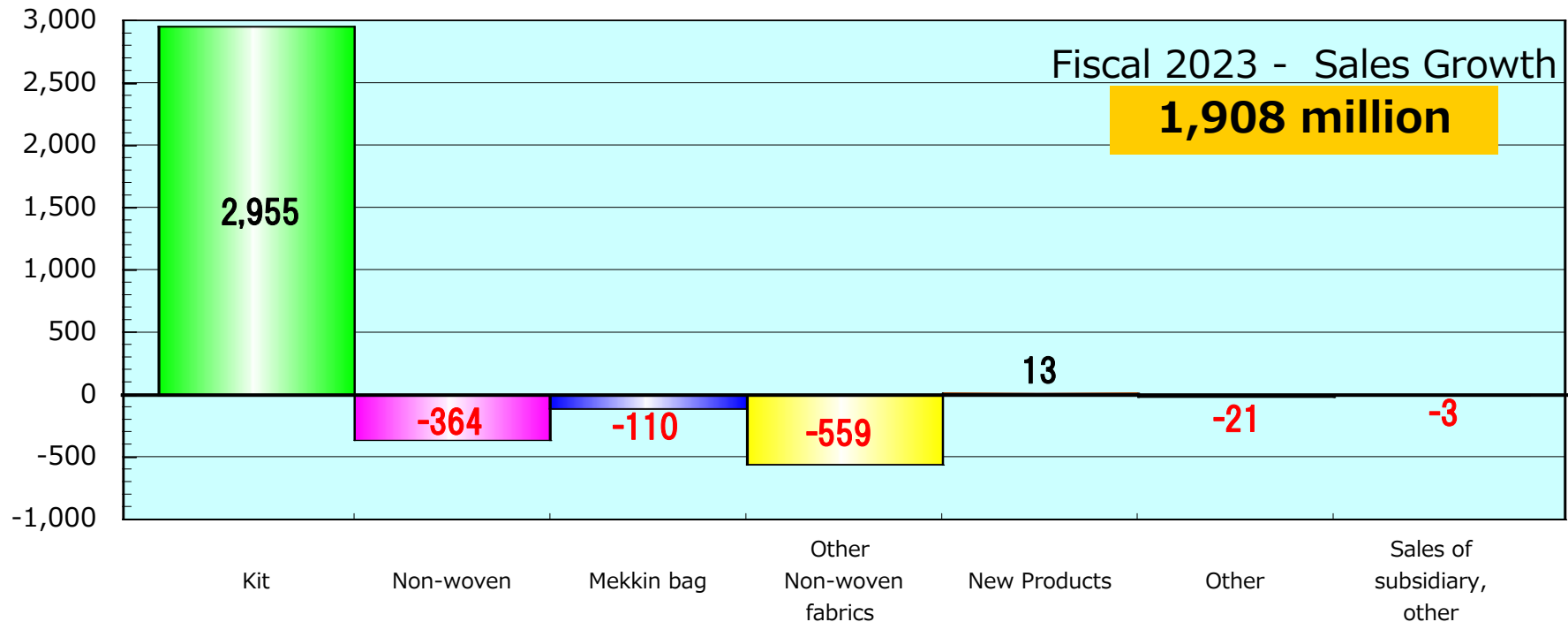
■ SG&A expenses (384 million yen,+4.2%)

- ✓ Concentrate SG&A expenses on costs related to sales promotion activities
- ✓ Rising labor costs in line with rising prices

Fiscal 2023 Plan Sales Growth by Major Products



(Unit: million yen, rounded down)



- Surgical kit products : New purchases of Premium Kit, which can help address hospital management issues
- Non-woven fabric products: : Continued decrease in unit sales due to price hikes of some products
- Other non-woven products: Reactionary decline in sales of N95 mask, after enjoying special demand

Basic Policy on Profit Distribution, Cash Dividends



■ Basic policy

The Hogy Medical Group believes that enhancing shareholder returns is one of the most important ways for management to increase shareholder value. Details of how we provide shareholder returns are determined based on comprehensive consideration of our consolidated performance and other factors. Our basic policy is to pay dividends from retained earnings in a stable manner, but if, after a certain period of time, **cash and cash equivalents exceed working capital and funds required for future investments, our policy is to return profits to shareholders.**

■ Dividend for Fiscal 2023

- **Annual dividend 80 yen (+9 yen YoY)**

■ Approach to treasury stock ownership

- If we hold any treasury stock that is not expected to be used, our policy is to cancel such stock
- **Total number of shares to be cancelled: 7,425,347 shares** (22.7% of total shares issued and outstanding before cancellation) Resolved on April 12; to be implemented on April 21
- With regard to treasury stock, we plan to introduce a stock-based compensation plan as part of compensation for directors .

■ Basic policy on executive compensation

- **Directors hold a certain amount of Company shares**
- By allowing directors to own a certain amount of the Company's shares, we aim to incentivize them to continuously improve corporate value and further promote value-sharing with shareholders.
- Of total compensation for directors, we are considering a breakdown of around **50% for basic compensation, 30% for performance-linked compensation (in the form of bonuses), and 20% for performance-linked compensation (in the form of stock-based compensation).**

***The introduction is subject to approval at the General Meeting of Shareholders scheduled for June 2023.**

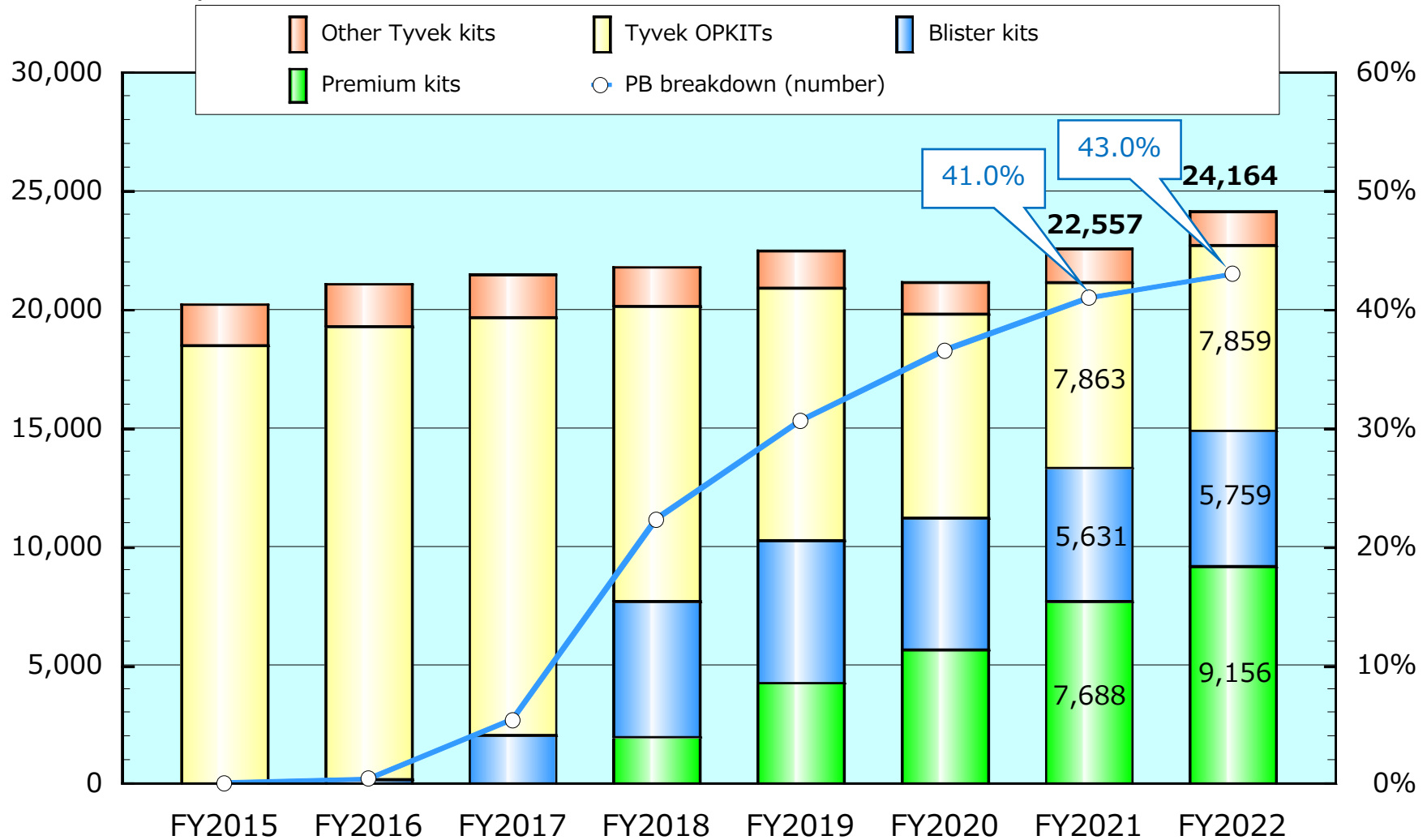
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Performance details

Sales of Kit

(Unit: million yen, rounded down)

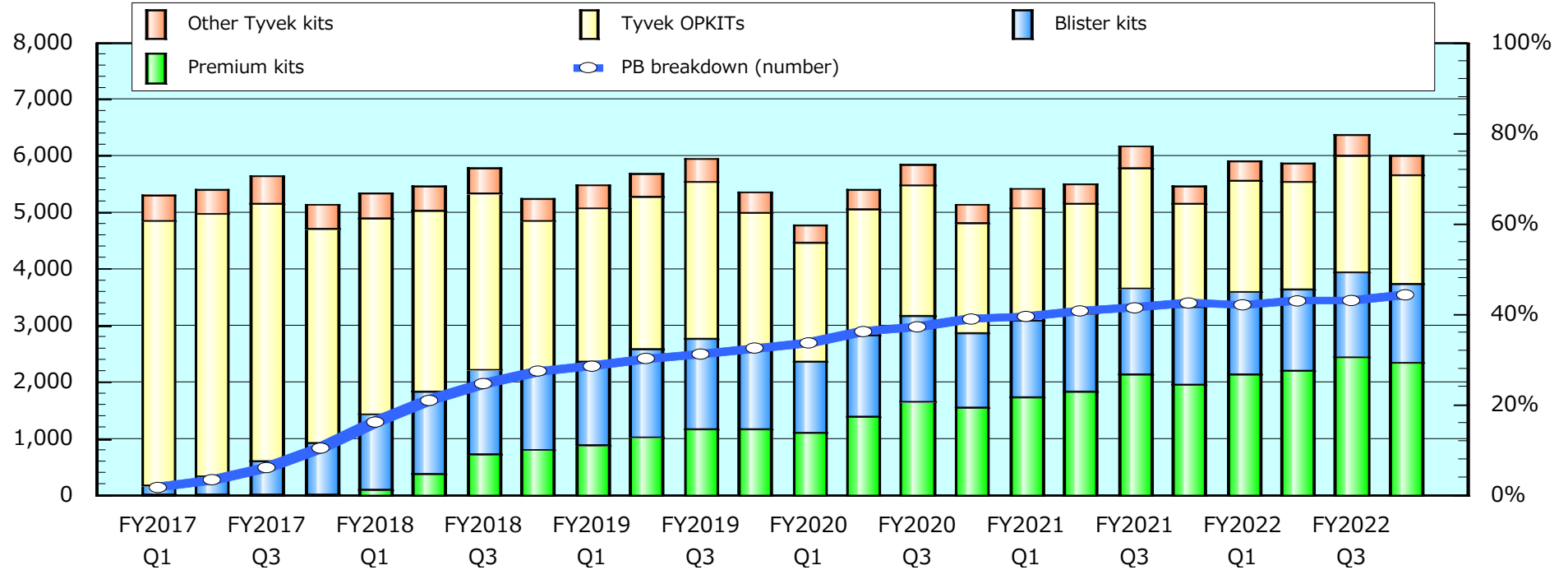


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Sales of Kit

(Unit: million yen, rounded down)

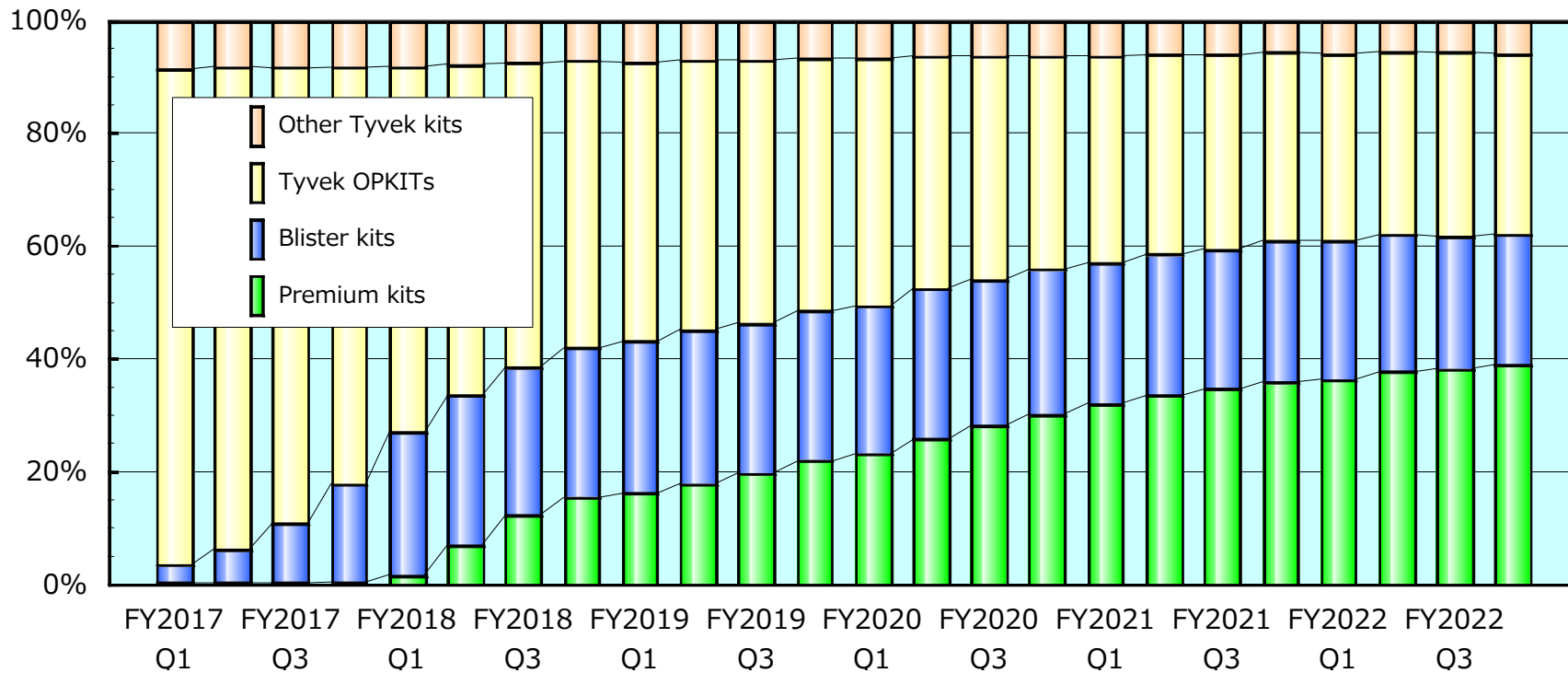


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- Fiscal 2022: 4Q sales (YoY comparison)
 - ✓ Premium Kit & Blister Kit : +402 million yen(+ 12.1 %)
 - ✓ Tyvek Kit : +135 million yen(+ 6.3%)
- FY2022 breakdown of surgical kit products((Premium Kit + Blister Kit)/Kit)

	1Q	2Q	3Q	4Q	4Q YoY
Sales	61.1%	62.0%	61.7%	62.2%	+1.2%
Unit sales	42.0%	42.9%	43.0%	44.3%	+1.9%

Transition of Sales Composition by types of Kits



* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

- Declining share occupied by Tyvek OPKit, but Premium Kit and Blister Kit sales and share on the rise

Number of Operamaster Contracts; Number of Surgical Operations

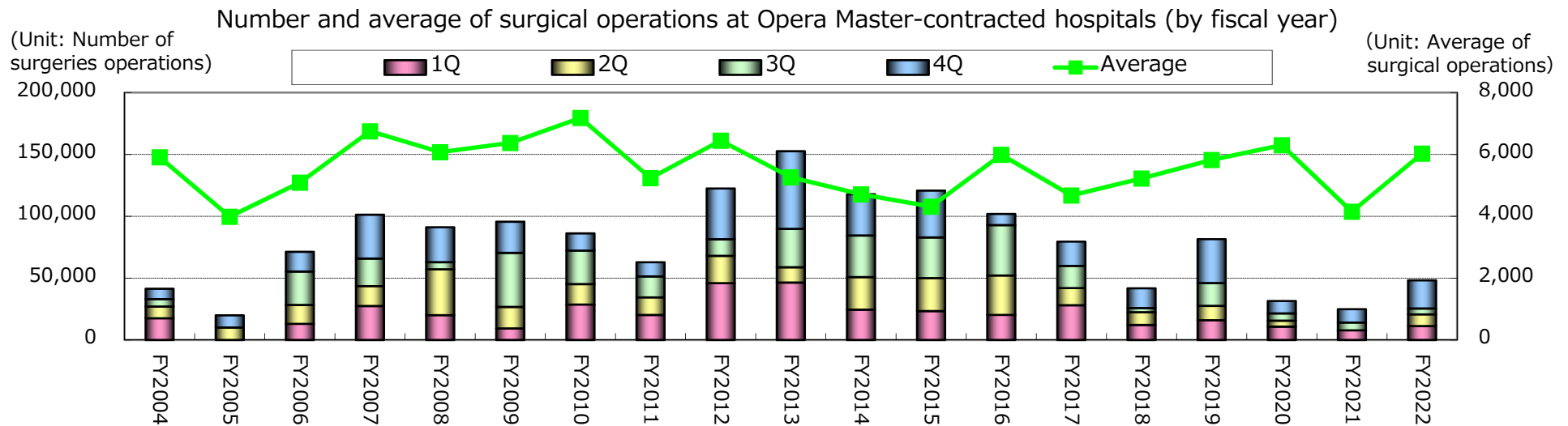


Net sales (KIT) : 16,074 million yen (+ 1,004 million yen : +6.7%)

Number of newly contracted institutions in FY2022 :

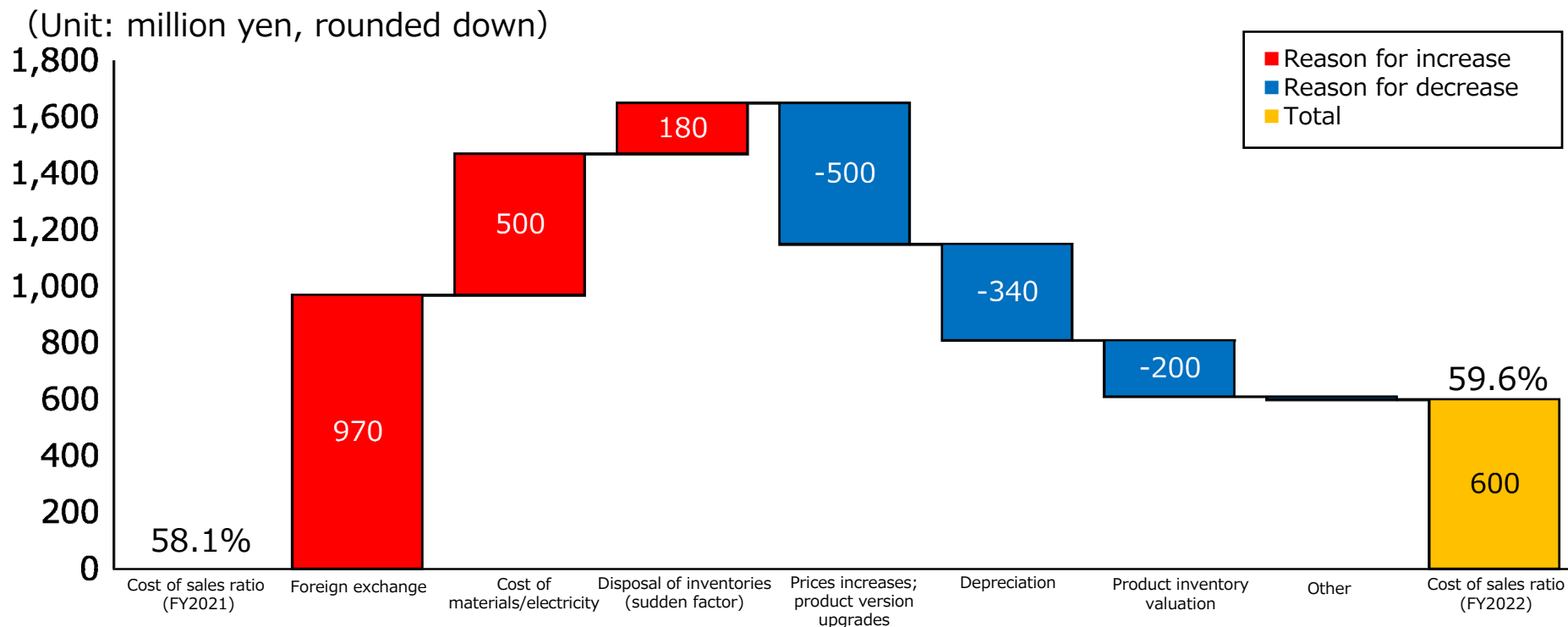
8 newly contracted institutions 5 cancellations

Cumulative contracted institutions at fiscal year-end : 271



- FY2022:8 newly contracted hospitals
(Major university hospital group (Former Group I) : 1, DPC specified hospital Group(Former Group II) : 5, DPC standard hospital group (Former Group III) : 2)
- Average of surgical operations per Opera Master-contracted hospitals at FY2022: approx.6,000
- Focusing on large Opera Master-contracted hospitals with high concentration of patients

Fiscal 2022 Cost of sales ratio: Main reasons for increases/decreases



- 1Q : Impacted by inventory valuation; effect of yen's depreciation negligible thanks to forward exchange contracts
- 2Q : Cost of sales up due to yen's depreciation, [One-time factors \(disposal of inventories, changes in accounting treatment of subsidiaries\)](#)
- 3Q : Cost of sales up due to yen's depreciation but partially alleviated by price increases and product version upgrades
- 4Q : Cost of sales up due to yen's depreciation but partially alleviated by price increases and product version upgrades, Write-down of long-term product backlog
- FY2022 : Soaring prices of electricity and raw materials

Fiscal 2022: Total depreciation : 3,635 million yen (-479 million yen)
 - [Cost of sale](#) : 2,966 million yen (-343 million yen)
 - SG&A expenses : 669 million yen (-136 million yen)

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	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,778		38,981		2,202	106.0%
Cost of sales	21,361	58.1%	23,241	59.6%	1,879	108.8%
Gross profit	15,416	41.9%	15,740	40.4%	323	102.1%
SG & A expenses	9,281	25.2%	9,105	23.4%	-175	98.1%
Operating income	6,135	16.7%	6,634	17.0%	499	108.1%
Non-operating income/loss	150		19		-131	
Ordinary income	6,285	17.1%	6,653	17.1%	367	105.8%
Extraordinary income/loss	0		-464		-464	
Profit attributable to owners of parent	4,370	11.9%	4,316	11.1%	-53	98.8%
EPS	153.00yen		177.95yen			

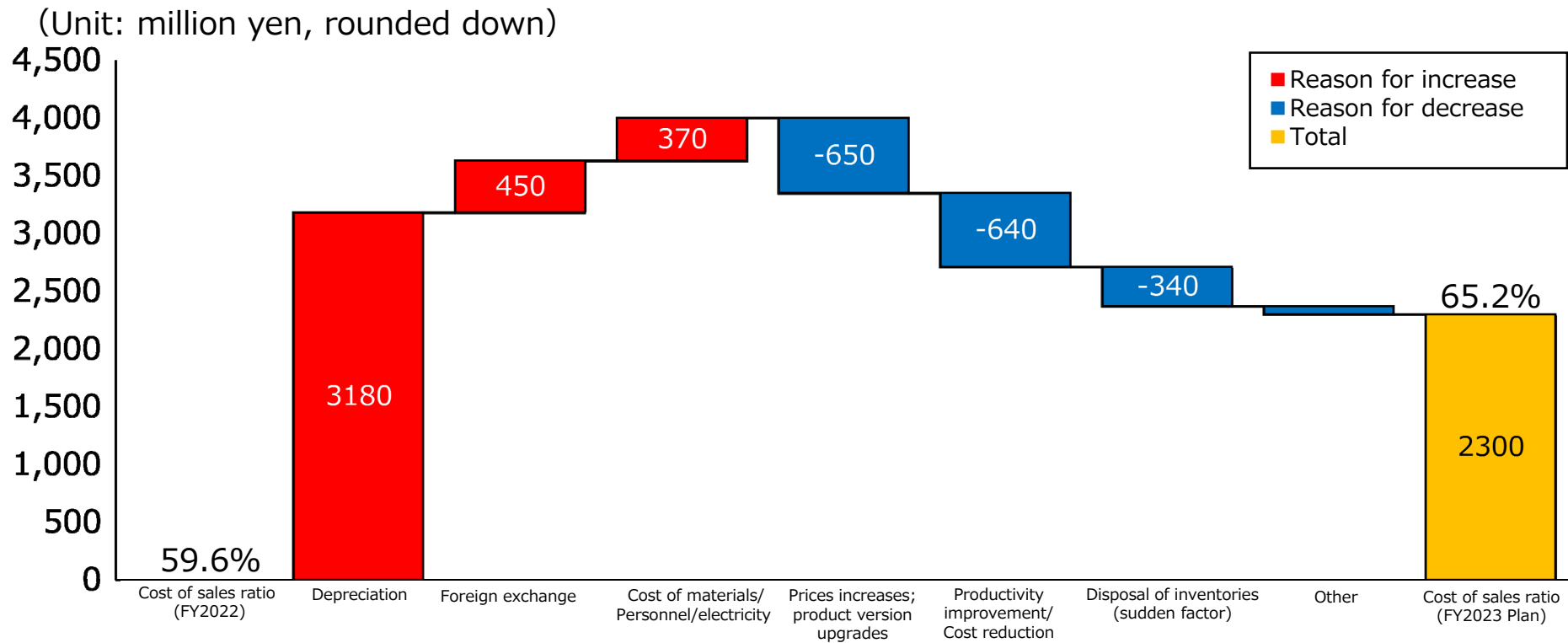
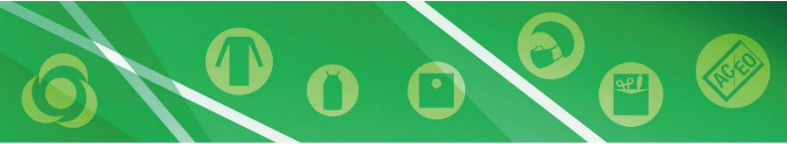
Major increases/decreases	Year-on-Year Comparison
Packing and transportation costs	55
Travel expenses	27
Testing and research	-64
Depreciation	-136

- SG&A expenses: 9,105 million yen (-175 million yen)
 - ✓ Packing and transportation costs : Up due to net sales increase and fuel surcharge
 - ✓ Travel expenses : Impact of increased sales activities
 - ✓ Testing and research : Impact of timing of expense recording
- Capex: 1,458 million yen (includes 899 million yen in new factory)



Fiscal 2023 Full-Year Management Projections

Fiscal 2023 Plan Cost of sales ratio: Main reasons for increases/decreases



- Cost of sales up due to yen's depreciation (Corporate rate: 135 yen)

Total depreciation : 6,750 million yen (+3,114 million yen)

- Cost of sales : 6,147 million yen (+3,180 million yen) (Includes ¥3,100 million due to the operation of new plant)

- SG&A expenses : 603 million yen (-66 million yen)

- Rising costs of raw materials, material prices, and prices of electricity continue to rise

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Net sales	38,981		40,890		1,908	104.9%
Cost of sales	23,241	59.6%	26,680	65.2%	3,438	114.8%
Gross profit	15,740	40.4%	14,210	34.8%	-1,530	90.3%
SG & A expenses	9,105	23.4%	9,490	23.2%	384	104.2%
Operating income	6,634	17.0%	4,720	11.5%	-1,914	71.1%
Non-operating income/loss	19		180		160	
Ordinary income	6,653	17.1%	4,900	12.0%	-1,753	73.6%
Extraordinary income/loss	-464		-		464	
Profit attributable to owners of parent	4,316	11.1%	3,430	8.4%	-886	79.5%
EPS	177.95yen		141.40yen			

Major increases/decreases	Year-on-Year Comparison
Personnel expenses	187
Packing and transportation costs	56
Advertising	29
Depreciation	-66

- SG&A expenses : 9,490 million yen (+384 million yen)
 - ✓ Increase in sales activities
- Extraordinary expenses : Rebound from asset impairment losses in previous fiscal year
- Capex: 1,500 million yen
- Annual dividend 80 yen (+9 yen YoY)



MEMBERSHIP

April 14, 2023

Financial Report of Fiscal 2022

(April 1, 2022 – March 31, 2023)

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Management Planning



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Reference materials

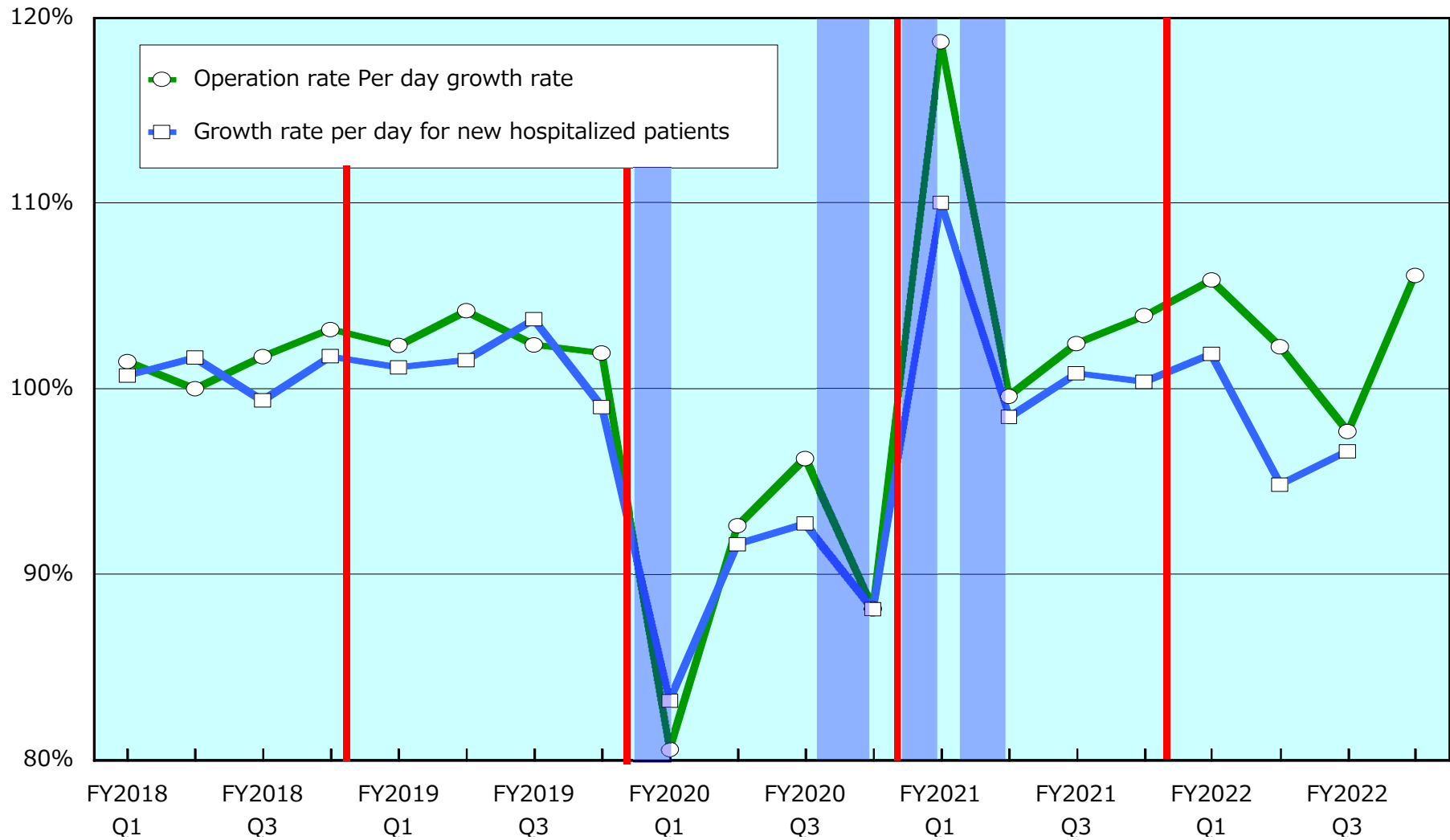
The Definition of Each Kit



	Premium Kit	Blister Kit	Tyvek Kit (Conventional kit)
Where to produce	New plant (Multi)		Tsukuba, Miho
			
Product Style	Packed with small Multi packages in order to use in an operation		Wrapped with a non-woven fabric and packed with a sterilization pouch
Safety	Benefits of automated production Elimination of human error (major declines in input mistakes and contamination)		As before
Criteria	Kit template materials: 80% or more	Kit template materials: 30% to 80%	Cases where small amounts of materials used Kit template materials: 30% or less

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Opera Master Hospital Increase rate of surgical cases Growth rate of new hospitalized patients / day



State of emergency period (declared by Tokyo Metropolitan Government)

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