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MEMBERSHIP  
July 14, 2023

# Financial Report First Quarter of Fiscal 2023

(April 1 – June 30, 2023 )

Hideki Kawakubo, Administration Div.



## Notice Regarding Forward-Looking Statements

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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.

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# Overview of First Quarter

## Fiscal 2023 – First Quarter Income Statements

Unit: million yen, rounded down	Fiscal 2022 First Quarter Results		Fiscal 2023 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	9,447		9,679		231	102.5%
Cost of sales	5,357	56.7%	6,083	62.9%	726	113.6%
Gross profit	4,090	43.3%	3,595	37.1%	-494	87.9%
SG & A expenses	2,232	23.6%	2,293	23.7%	61	102.7%
Operating income	1,857	19.7%	1,302	13.5%	-555	70.1%
Non-operating income/loss	-14		-72		-58	
Ordinary income	1,843	19.5%	1,230	12.7%	-613	66.7%
Extraordinary income/loss	-0		-0		-0	
Profit attributable to owners of parent	1,304	13.8%	886	9.2%	-418	67.9%
EPS	53.77yen		36.53yen			

### Higher sales; lower income

#### **Net sales : Higher sales**

- : Healthy sales of Premium Kit
- : Decline in unit sales of non-woven fabric products due to price hikes of gauze products from October
- : Downward in sales of infection protection products

#### **Operating income : lower income**

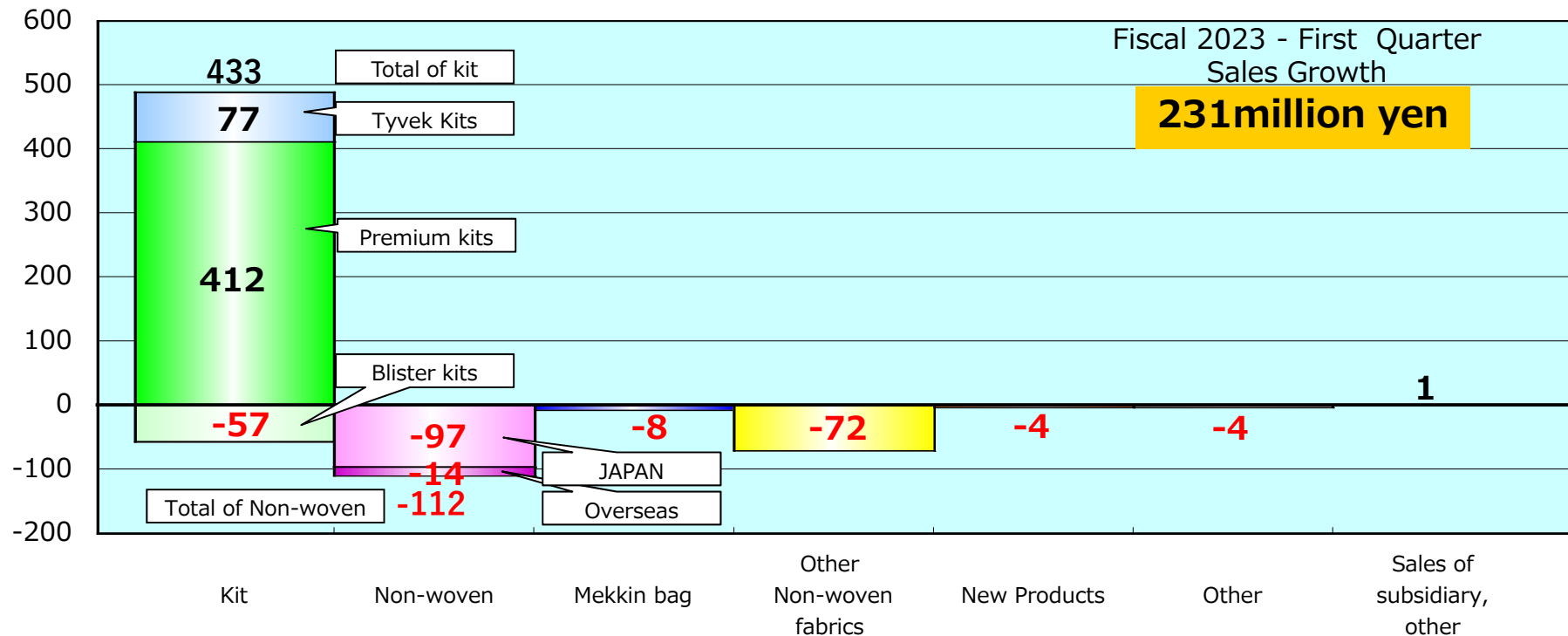
- : Cost of sales ratio up increased due to the start of the new plant Phase II operation depreciation costs and foreign exchange factors, etc., but led to partially covered by prices increases and Productivity improvement.

#### **Net income : lower income**

- Cost of sales : 62.9%(+6.1pt YoY)
- : Depreciation costs increased due to the start of the new plant Phase II operation. (+750 million yen)
- : Cost of sales up due to yen's depreciation (+240 million yen)
- : Up due to rising costs of raw materials, prices of electricity, etc. (+140 million yen)
- : Price increases, Productivity improvement (-480 million yen)
- SG&A expenses: 61 million yen (+2.7%)
- : Increase in Personnel costs and Sample.

# Fiscal 2023 – First Quarter Sales Growth by Major Products

(Unit: million yen, rounded down)

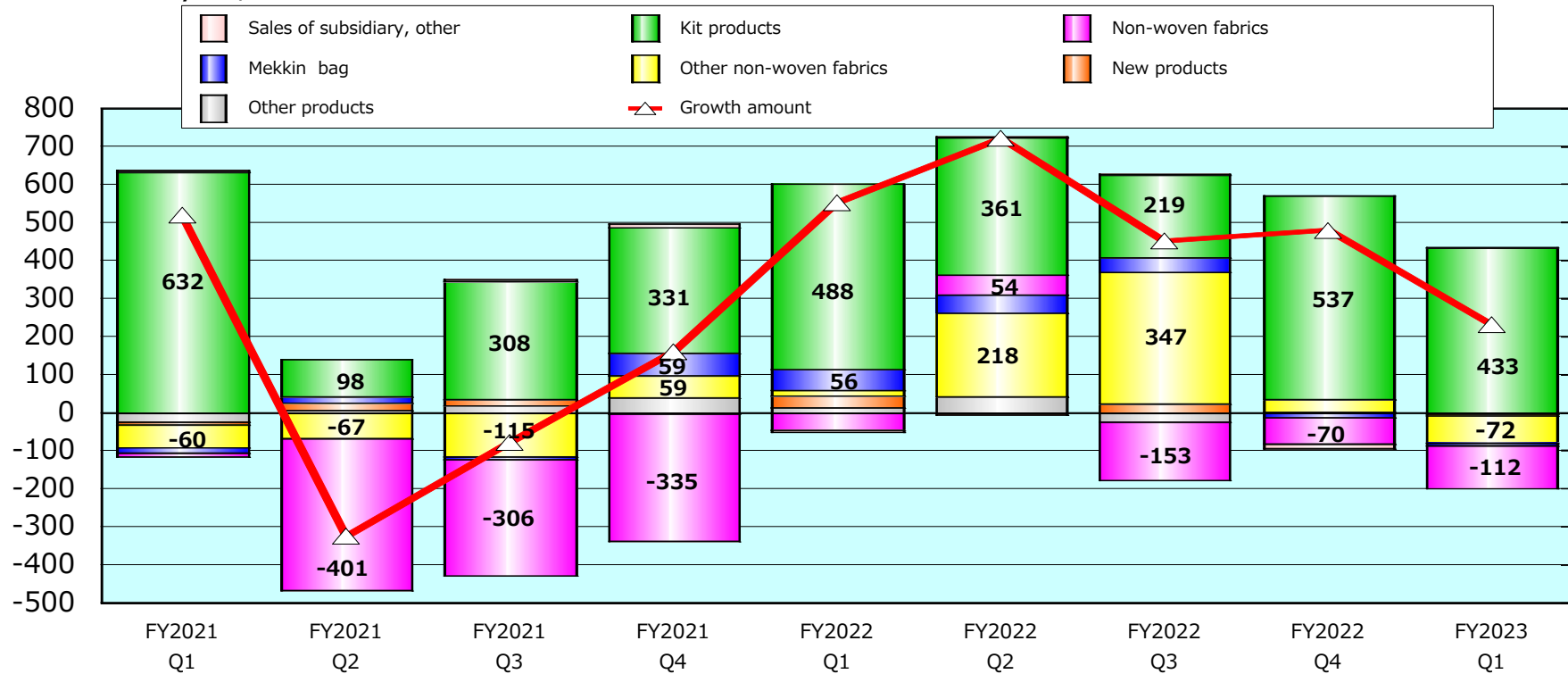


\* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

- Premium kits : **Sales increased 19.2% year on year thanks to our focus on selling ,Unit sales +16.2%**
- Blister kits : **Quantity decrease due to replacement with premium kits**
- Tyvek Kits : Increase due to price increases for low-margin products
- Decline in unit sales of non-woven fabric products due to price hikes of gauze products from October
- Other non-woven fabric products: Decrease in sales of infection protection products due to the calming down of COVID-19

# Fiscal 2023 – First Quarter Sales Growth by Quarter

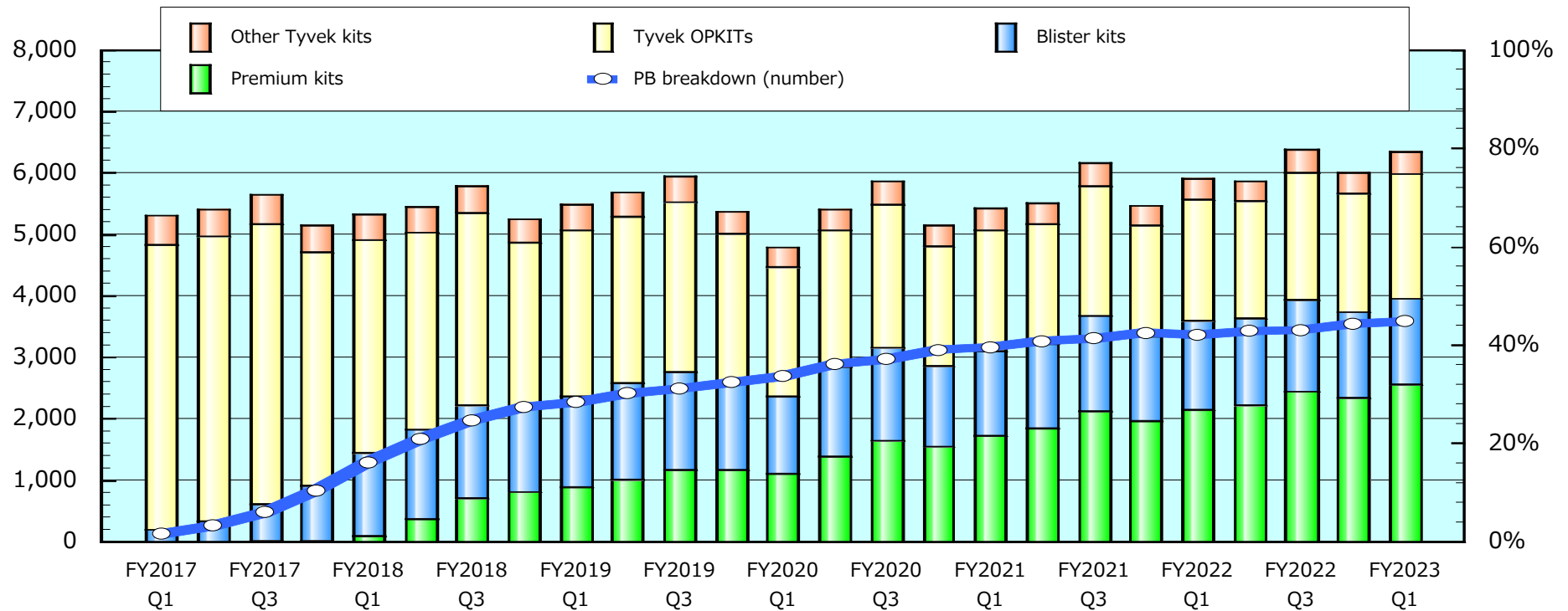
(Unit: million yen, rounded down)



- Increased sales of surgical kit products due to a rise in new sales centered on premium kits
- Decline in unit sales of non-woven fabric products due to price hikes of gaun products from October
- Other non-woven fabric products: Declining demand for infection protection products

# Sales of Kits

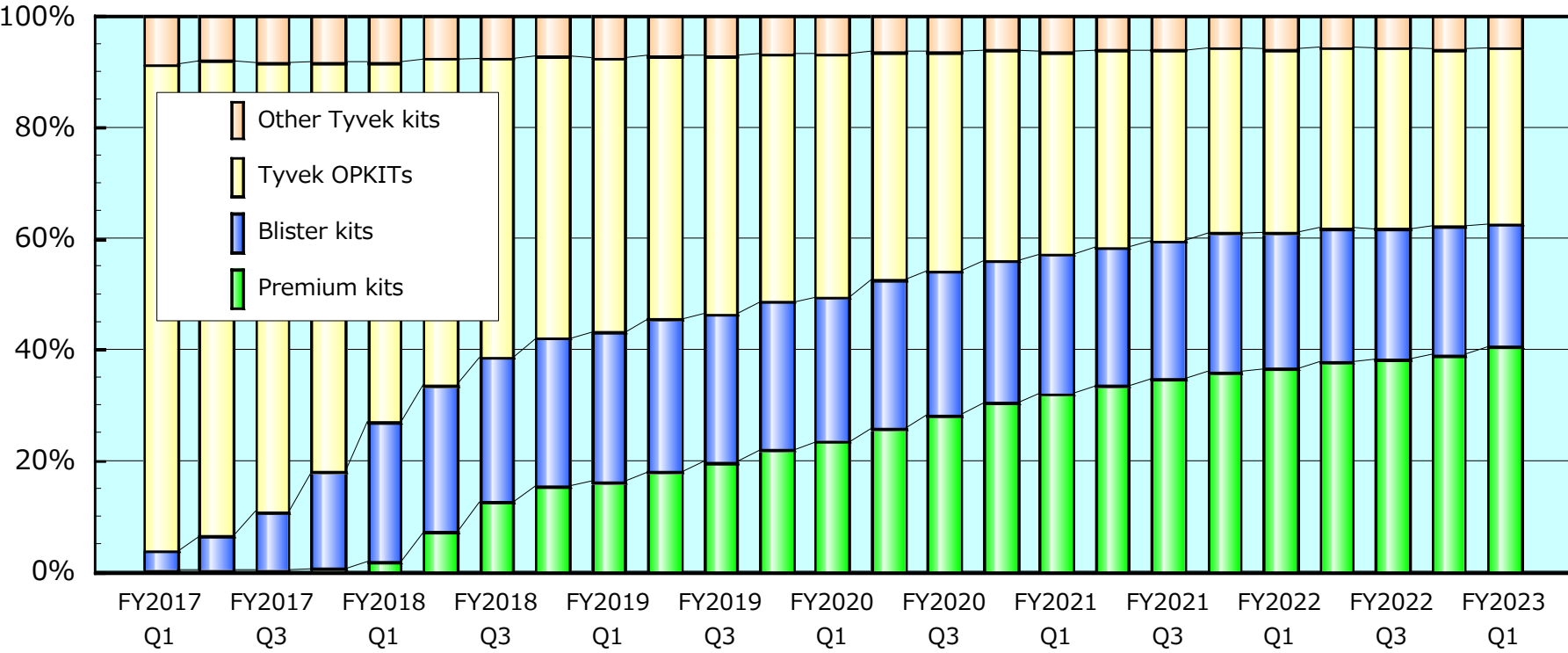
(Unit: million yen, rounded down)



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

- Due to our focus on selling Premium Kits, the volume composition ratio of the total of premium kits and blister kits is 44.9%
- Fiscal 2023: 1Q sales (YoY comparison)
  - Premium Kits & Blister Kits : +355 million yen (+9.8%)
  - Tyvek Kits : +77 million yen (+3.4%)

# 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

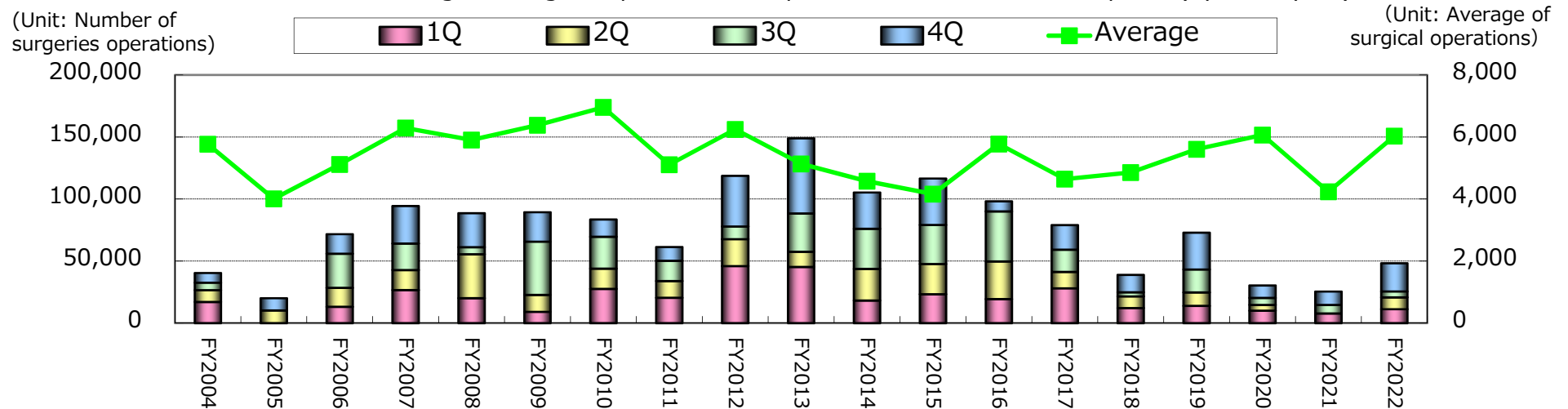
Net sales (KIT) : 4,232 million yen (+290 million yen YoY : +7.4%)

Number of newly contracted institutions in FY2023 :

3 newly contracted institutions 4 cancellations

Cumulative contracted institutions at fiscal year-end : 270

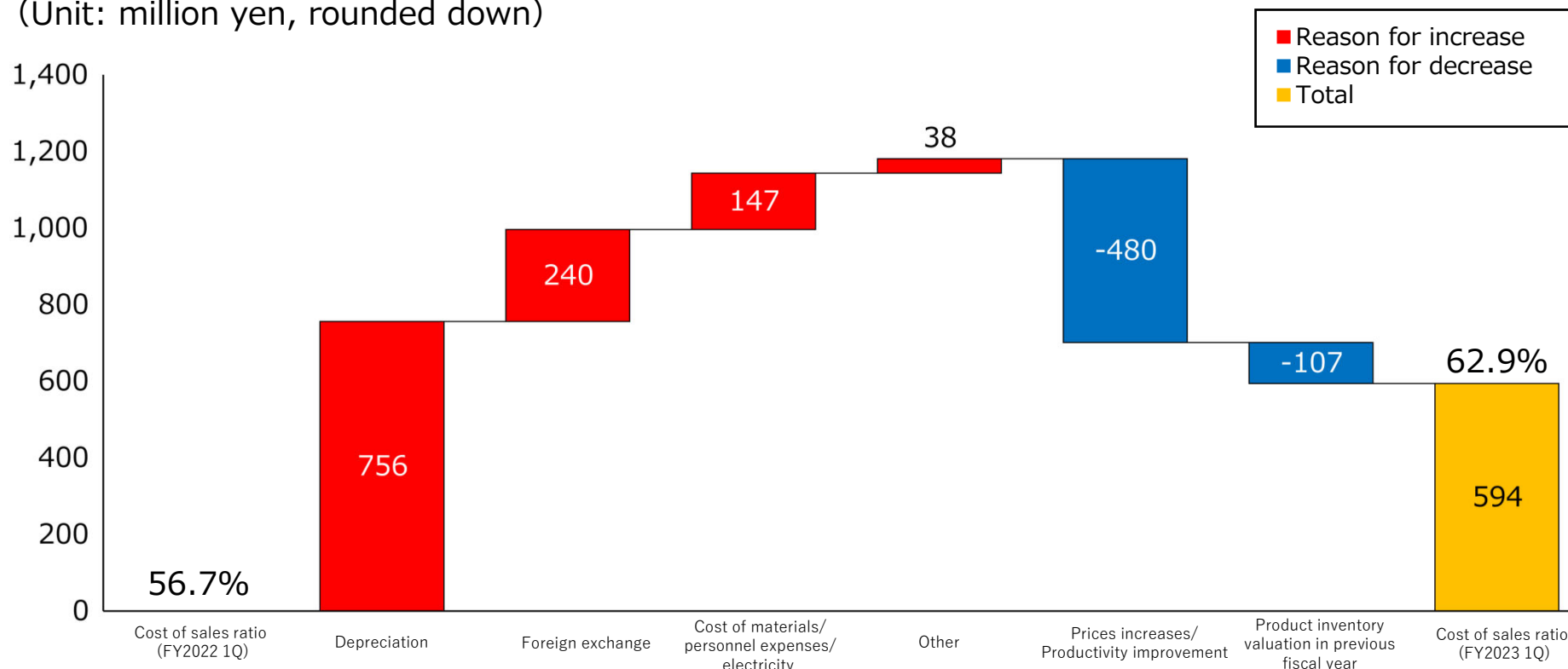
Number and average of surgical operations at Opera Master-contracted hospitals (by fiscal year)



- FY2023:3 newly contracted hospitals  
 DPC specified hospital group(Former Group II) : 1  
 DPC standard hospital group(Former Group III) : 2
- Average of surgical operations per Opera Master-contracted hospitals at FY2023: approx.3,300
- Focusing on large Opera Master-contracted hospitals with high concentration of patients

## Fiscal 2023 – First Quarter Cost of sales ratio: Main reasons for increases/decreases

(Unit: million yen, rounded down)



- Depreciation costs increased due to the start of the new plant Phase II operation at the new factory in April.
- Cost of sales increased in yen's depreciation
- Rising costs of raw materials, personnel expenses, and prices of electricity
- Improved profits due to the impact of price hikes on low-margin products in the previous fiscal year

Total depreciation : 1,637 million yen (+733 million yen YoY)

- Cost of sales : 1,495 million yen (+756 million yen YoY) (Includes 784 million yen due to the operation of new plant Phase II operation)
- SG&A expenses : 142 million yen (-23 million yen YoY)

# Fiscal 2023 – First Quarter Highlights

## ■ Market environment

- ✓ 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 19.2% year on year
- ✓ Other non-woven fabric products: Declining demand for infection control products
- ✓ Depreciation costs increased due to the start of new plant Phase II in April 2023.
- ✓ Cost of sales increased in yen's depreciation
- ✓ Rising costs of raw materials, personnel expenses, and prices of electricity
- ✓ Improved profits due to the impact of price hikes on low-margin products in the previous
- ✓ Dividend 20 yen (+2.5 yen YoY)

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# 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%
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			

### ■ 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)

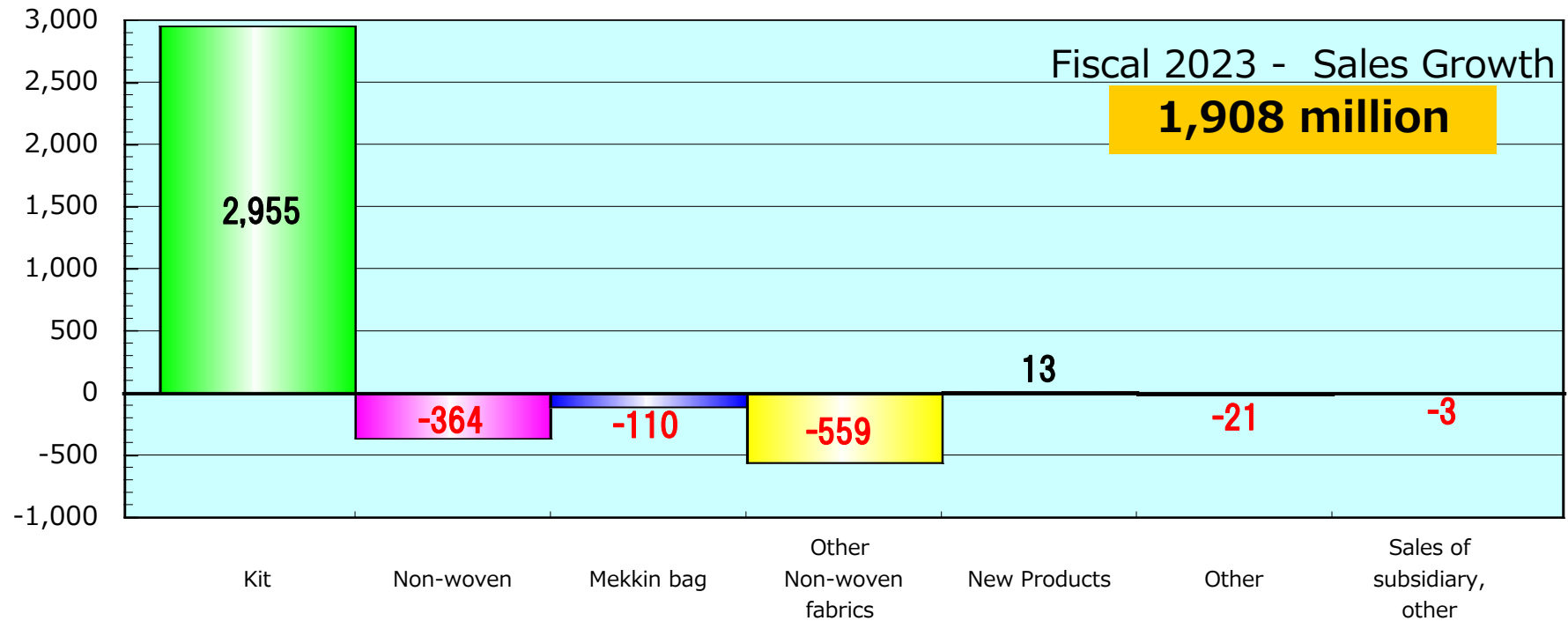
- ✓ [Increase in depreciation due to Stage 2 commissioning of new factory in April](#)
- ✓ Corporate rate set the at ¥135 yen (¥120 in previous year) with exchange rate level at the same level as previous year
- ✓ [Continuations of weak yen and increases in raw material prices and electricity costs](#)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

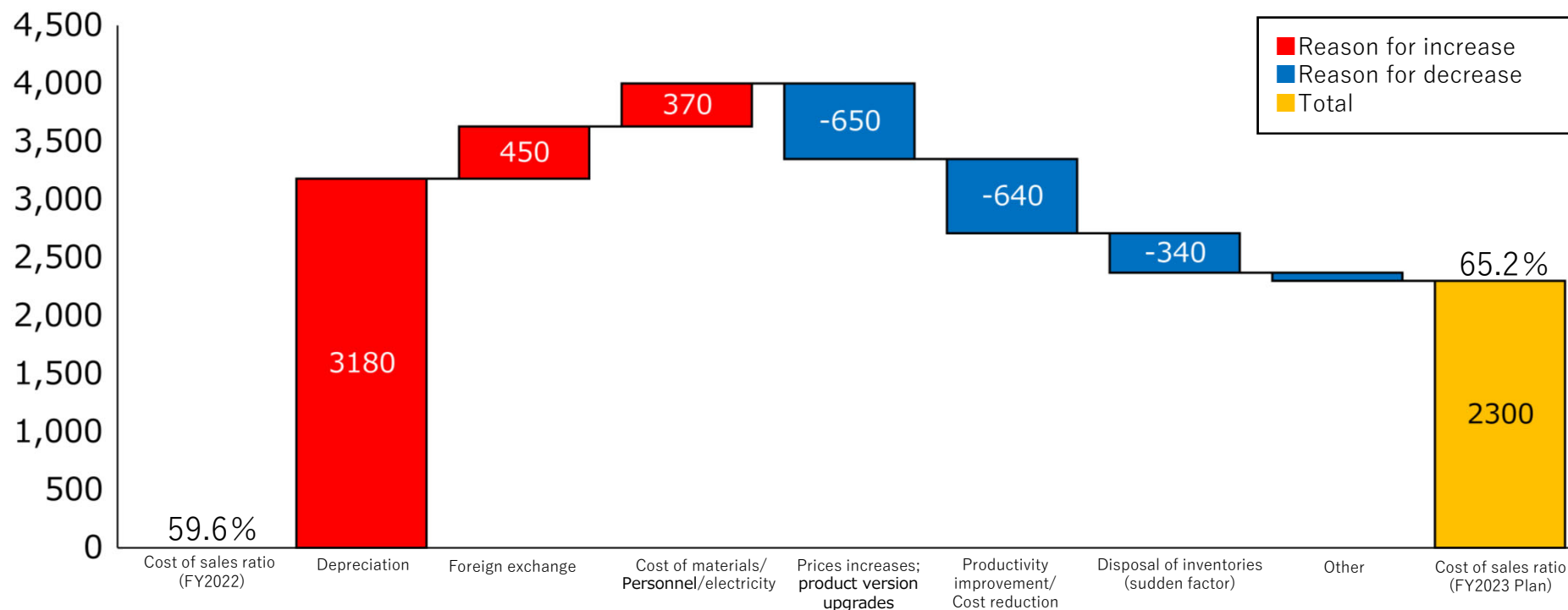
(Unit: million yen, rounded down)



- Kit products : New purchases of Premium Kits, 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

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

(Unit: million yen, rounded down)



- 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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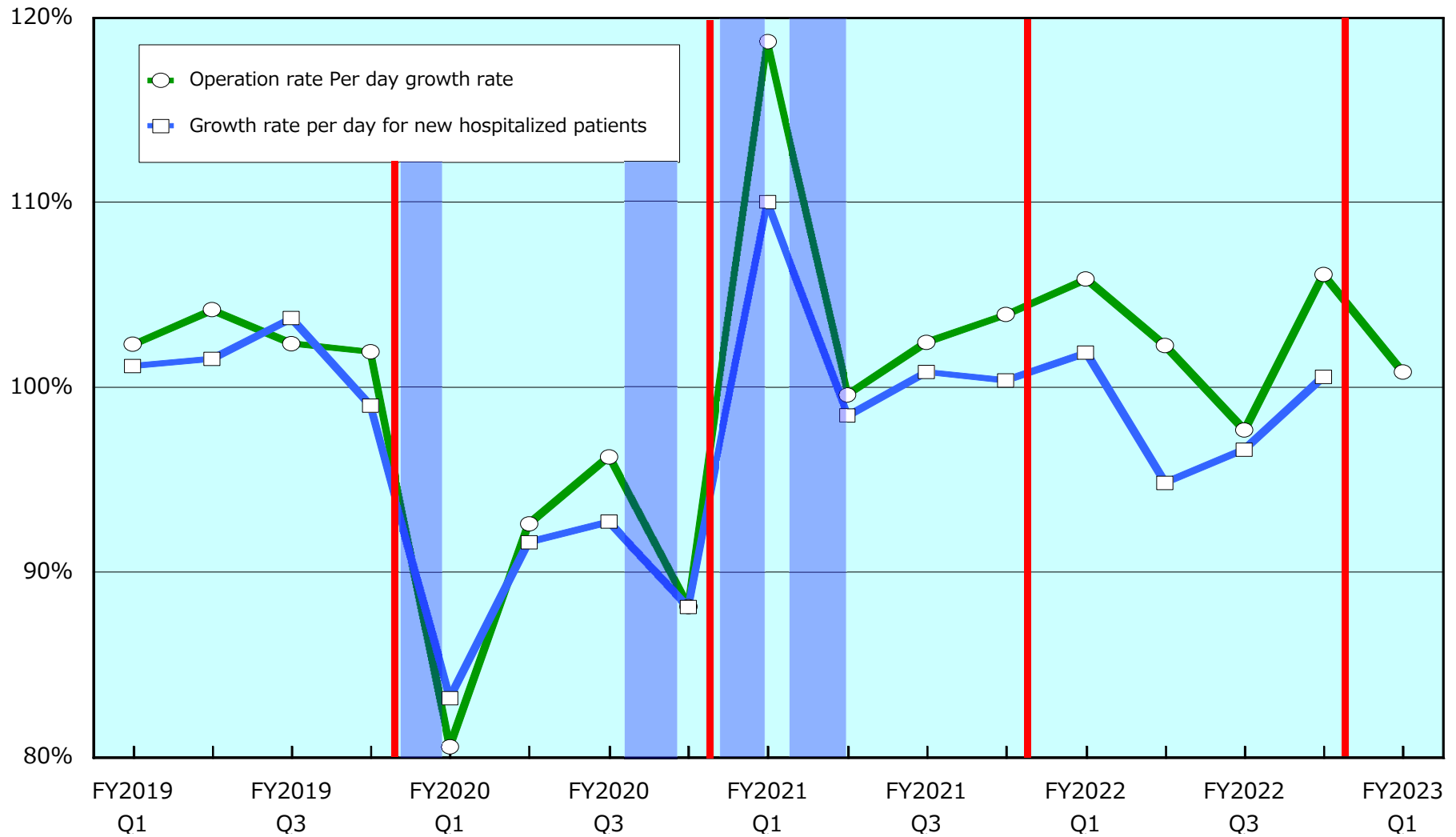
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# Reference materials

# The Definition of Each Kits

	Premium Kits	Blister Kits	Tyvek Kits (Conventional kits)
Where to produce	New Surgical Kit Plant, Tsukuba <b>(Multi)</b>		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: <b>80% or more</b>	Kit template materials: <b>30% to 80%</b>	Cases where small amounts of materials used Kit template materials: 30% or less

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



State of emergency period (declared by Tokyo Metropolitan Government)