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MEMBERSHIP
January 18, 2024

Financial Report Third Quarter of Fiscal 2023

(April 1 – December 31, 2023)

Hideki Kawakubo, Administration Div.
Yumiko Takahashi, Management Planning
Mao Sawada



Notice Regarding Forward-Looking Statements

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 of Third Quarter

Fiscal 2023 – Third Quarter Income Statements

Unit: million yen, rounded down	Fiscal 2022 Third Quarter Results		Fiscal 2023 Third Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate of Change
Net sales	29,535		29,754		219	100.7%
Cost of sales	17,539	59.4%	19,423	65.3%	1,883	110.7%
Gross profit	11,996	40.6%	10,331	34.7%	- 1,664	86.1%
SG & A expenses	6,932	23.5%	6,844	23.0%	- 87	98.7%
Operating income	5,064	17.1%	3,487	11.7%	- 1,577	68.9%
Non-operating income/loss	162		100		- 61	
Ordinary income	5,226	17.7%	3,587	12.1%	- 1,638	69.2%
Extraordinary income/loss	-0		29		30	
Profit attributable to owners of parent	3,710	12.6%	2,609	8.8%	- 1,101	70.3%
EPS	152.97yen		107.54yen			

Higher sales; lower income

Net sales : Higher sales

- : Premium kits expand sales
- : Nonwoven fabrics: Sales volume down due to price revision of gown products in previous year
- : Decrease in sales of infection prevention products compared with previous year, which saw special demand

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 : Cost rate 65.3%(+5.9pt YoY)
(Negative factors)
Depreciation costs increased due to the start of the new plant Phase II operation.
Cost of sales up due to yen's depreciation
- (Positive factors)
Price increases, Productivity improvement
- SG&A expenses : Cost reductions (except for expenditures related to sales activities)

Fiscal 2023 - Third Quarter Income Statements

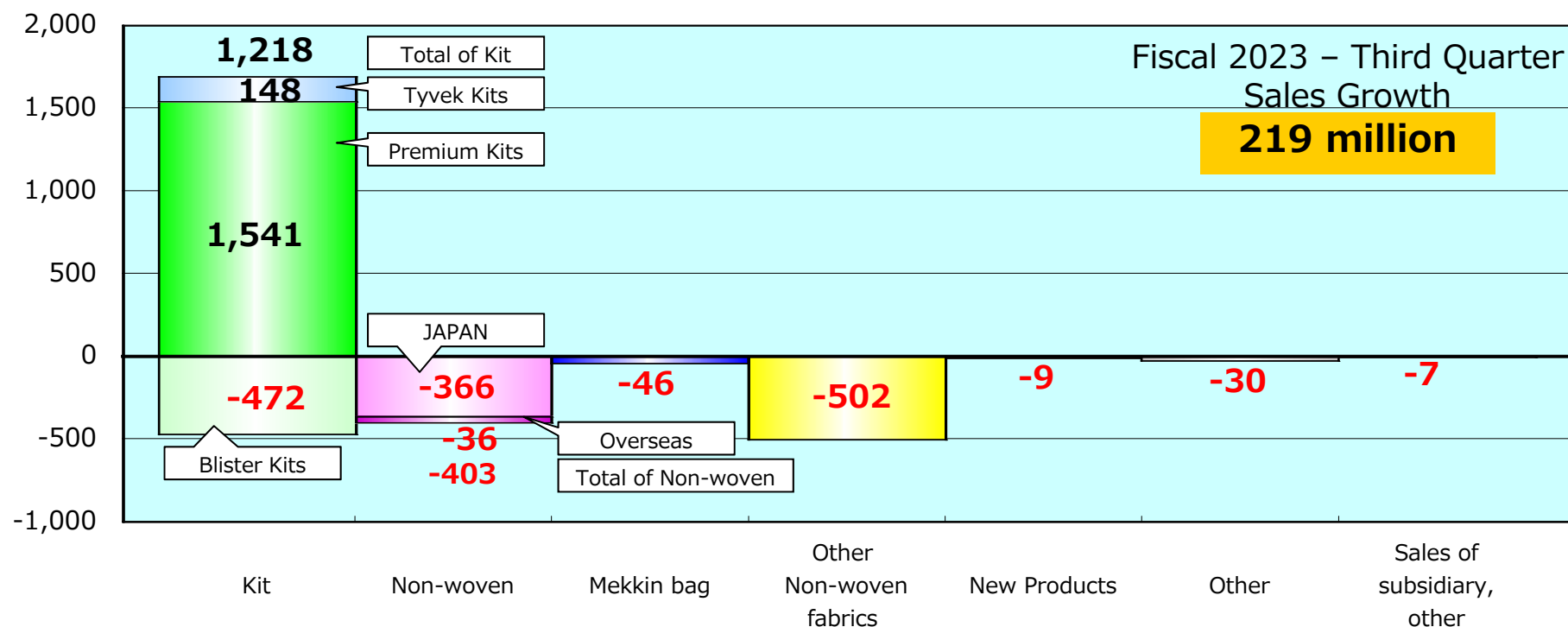
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Major increases/decreases	Year-on-Year Comparison
Sample costs	62
Personnel costs	21
Testing and research expenses	- 109
Depreciation	- 75

- SG&A expenses : 6,844 million yen (- 87 million yen)
 - ✓ Increase in Personnel costs and Sample costs.
 - ✓ Concentrate SG&A expenses on costs related to sales promotion activities
- Non-operating income/loss : (Other expenses) Loss on investment partnership
- Extraordinary income/loss : (Extraordinary income) Gain on sales of fixed assets
- Capex : 499 million yen (Total investment in plant and equipment maintenance and SG&A expenses)
- Third quarter cumulative Dividend : 60 yen (+7 yen YoY)

Fiscal 2023 – Third Quarter Sales Growth by Major Products

(Unit: million yen, rounded down)

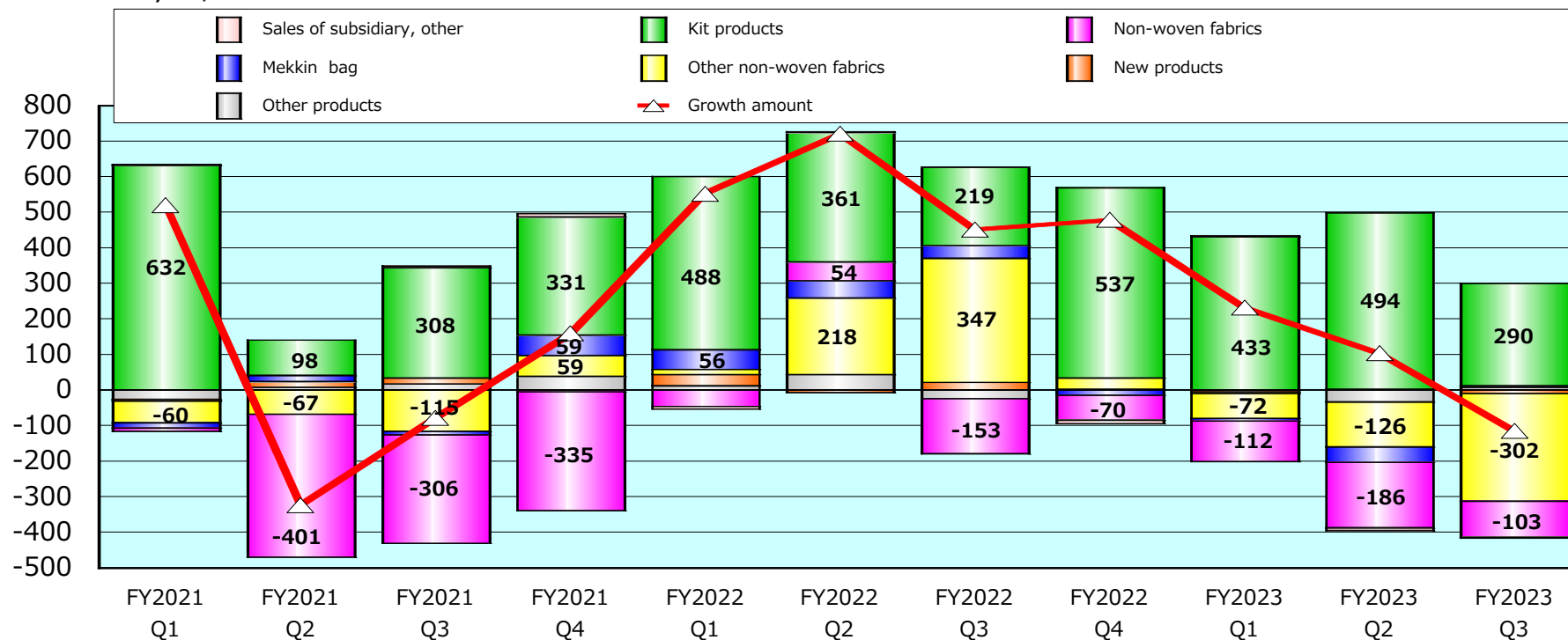


* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

- Premium Kits : **22.6% YoY increase due to new acquisitions; 19.3% increase in sales volume**
- Blister Kits : **Quantity decrease due to replacement with premium kits**
- Tyvek Kits : **Increase due to price revision implemented last year**
- Decrease in sales volume of nonwoven fabrics due to price revision of gown products in previous year and recapture of demand
- Other non-woven fabric products: Decrease in reaction to decline from the special demand of 8th COVID wave.

Fiscal 2023 – Third Quarter Sales Growth by Quarter

(Unit: million yen, rounded down)



- Premium kits expand sales
- Longer time taken to make new proposals (larger facilities; changing mindsets of sales staff)
- Decrease in sales of infection prevention products compared with previous year, which saw special demand

Fiscal 2023 – Third Quarter Highlights

■ Market environment

- ✓ Shortage of medical personnel now the norm
- ✓ Business conditions for hospital management remained difficult
- ✓ 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.) (additional fee for acute care enhancement)

■ Performance highlights

- ✓ Premium Kit sales up due to new sales 22.6% year on year
- ✓ Decrease in sales volume of nonwoven gowns in part due to reaction against price revisions
- ✓ Demand for other nonwoven products down due to weak demand for infection prevention products (reactionary decrease following 8th COVID wave in previous fiscal year)
- ✓ Increase in depreciation due to commissioning of Stage 2 of new plant in April 2023
- ✓ Cost of sales increased in yen's depreciation

Fiscal 2023 (Full Year): Revised Forecasts

Fiscal 2023 (Full Year): Statements of Income

Unit: million yen, rounded down	Fiscal 2022 Results		Fiscal 2023 Revised Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate of Change
Net sales	38,981		39,200		218	100.6%
Cost of sales	23,241	59.6%	26,080	66.5%	2,838	112.2%
Gross profit	15,740	40.4%	13,120	33.5%	-2,620	83.4%
SG & A expenses	9,105	23.4%	9,080	23.2%	-25	99.7%
Operating income	6,634	17.0%	4,040	10.3%	-2,594	60.9%
Non-operating income/loss	19		10			
Ordinary income	6,653	17.1%	4,050	10.3%	-2,603	60.9%
Extraordinary income/loss	-464		-160			
Profit attributable to owners of parent	4,316	11.1%	2,760	7.0%	-1,556	63.9%
EPS	177.95yen		113.70yen			

■ Focus on acquiring new premium kits

■ Net sales (+0.6% YoY)

- ✓ Increase sales through acquisition of new Premium Kits
- ✓ Revise Opera Master service
- ✓ Decrease in sales volume of nonwovens due to price revision of gown products in previous year
- ✓ Decline in sales of other nonwovens compared with previous year, which saw special demand

■ Increase sales efficiency and concentrate on new activities

■ Cost of sales ratio (+6.9 pts YoY)

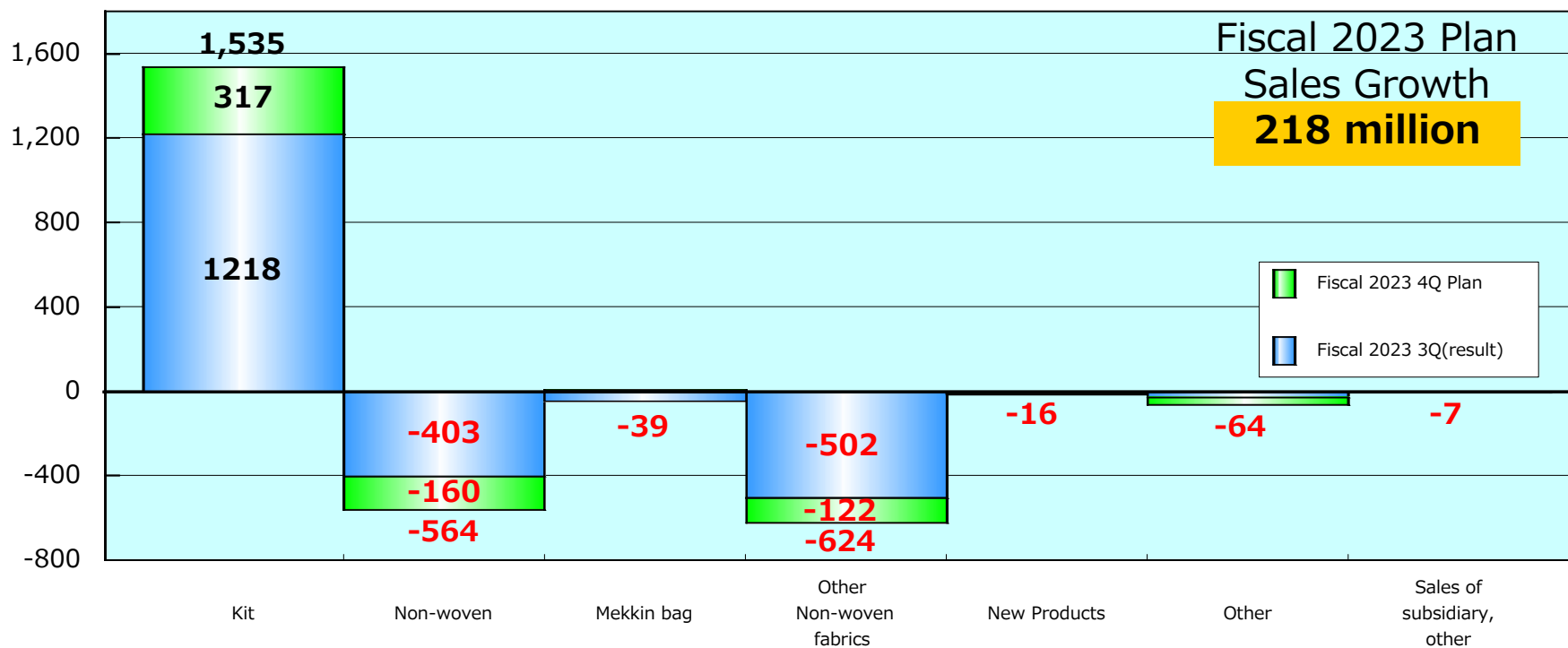
- ✓ [Increase in depreciation due to commissioning of Stage 2 plant in April 2023](#)
- ✓ [Ongoing depreciation of yen and price hikes of raw materials and materials](#)
- ✓ Increase prices, improve productivity, and reduce expenditures by cutting costs

■ Selling, general and administrative expenses (-0.3%)

- ✓ Concentrate on expenses related to sales promotion and reduce other expenses

Fiscal 2023 (Full Year): Sales Increases/Decreases for Main Products

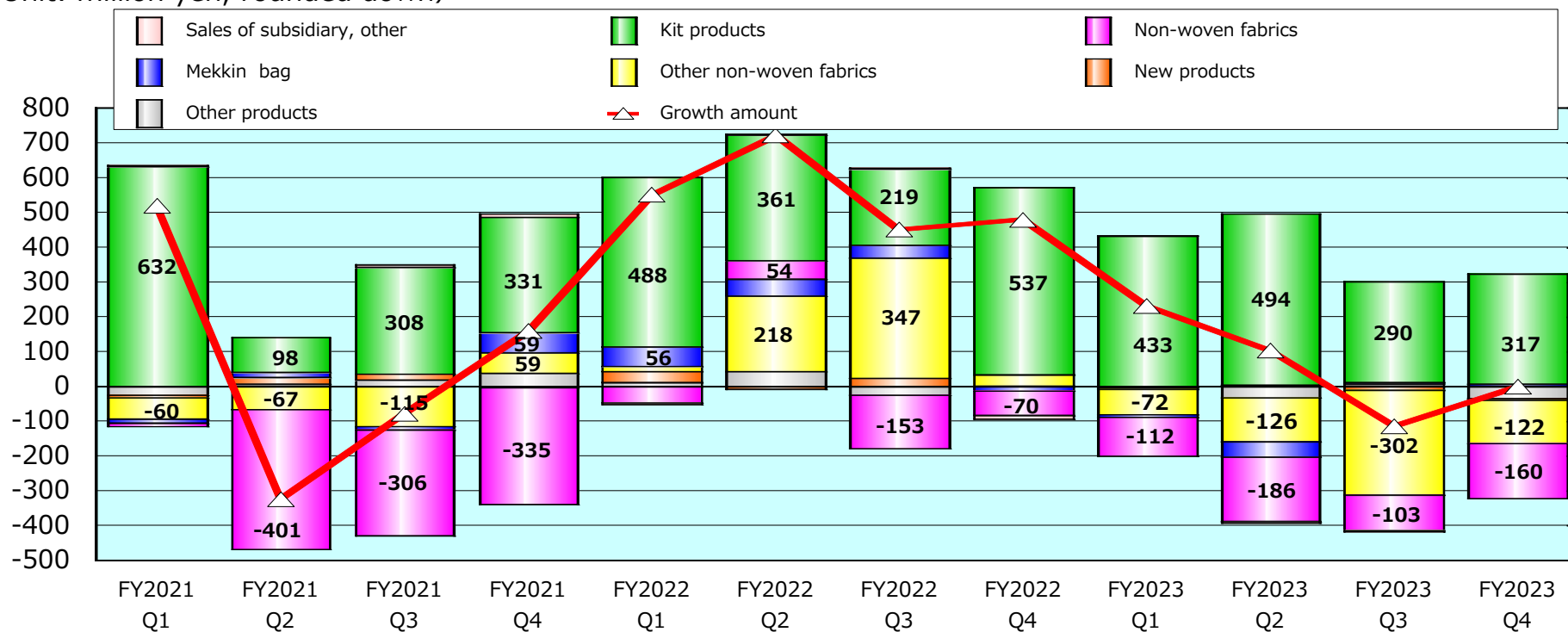
(Unit: million yen, rounded down)



- Kit products: Continue focusing on acquiring new Premium Kit products that help resolve hospital management issues
- Nonwoven products: Ongoing decline in sales volume due to price revision of gown products
- Other nonwovens: Decrease in reaction to the special demand for N95 masks during 8th COVID wave in previous year

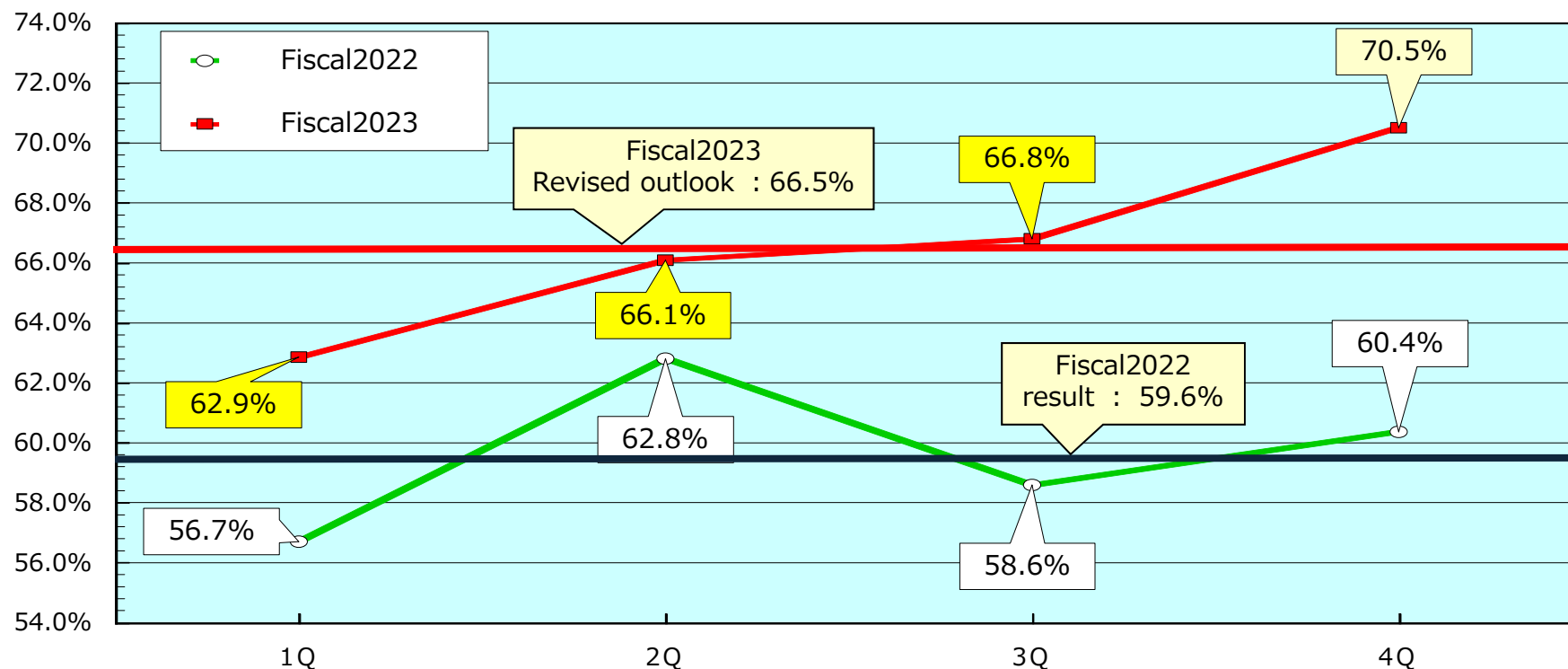
Fiscal 2023: Sales Growth Breakdown and Forecast by Quarter

(Unit: million yen, rounded down)



- Focus on acquiring new Premium Kits by streamlining sales resources
- Expect to acquire new Premium Kits at some facilities in 4Q

Fiscal 2023: Cost of Sales Ratio by Quarter



Cost of sales ratio under revised plan: 66.5% (+6.9 pts YoY)

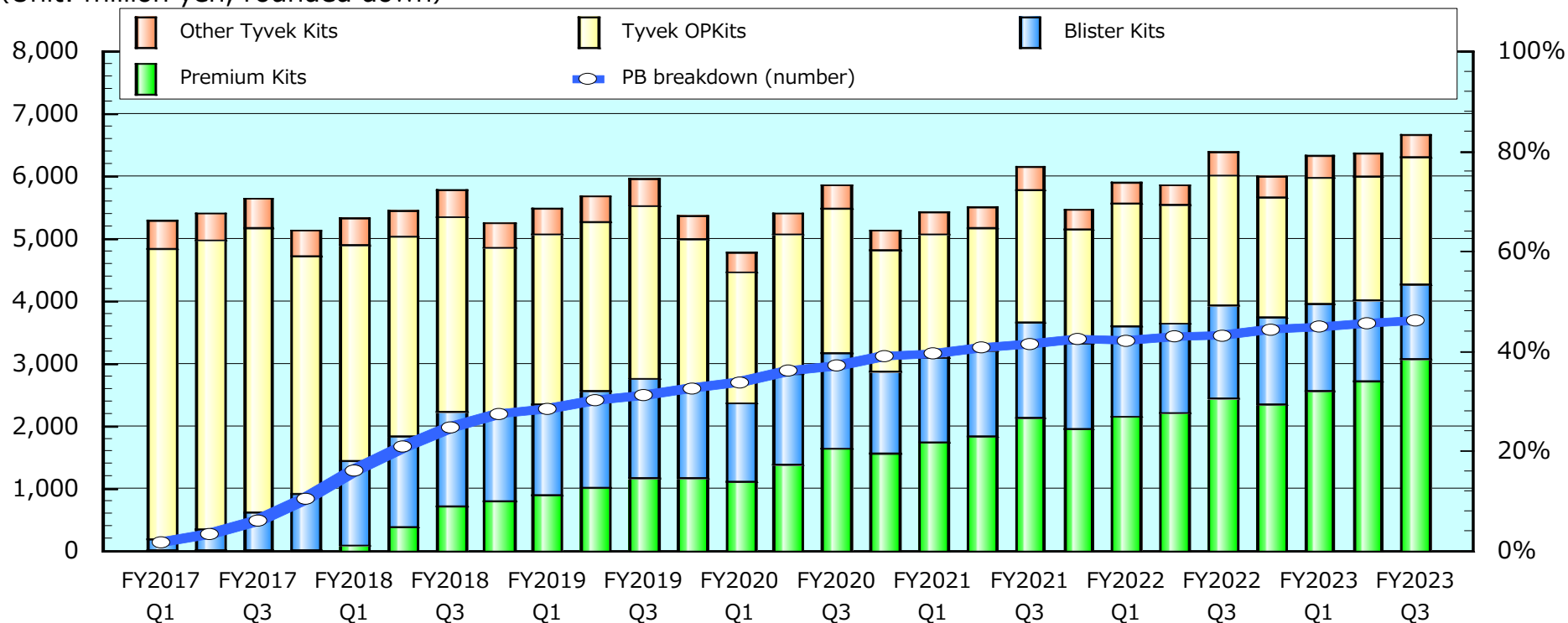
- Unchanged from the initial assumption but depreciation associated with Stage 2 of new plant to have significant impact
- Reasons for 3.7-pt increase in cost of sales ratio from 3Q (66.8%) to 4Q (70.5%)
 - ✓ Absence of foreign exchange forward contracts
 - ✓ Partial disposal of inventories expected in 4Q
 - ✓ Impact of consolidation

Performance Details

- Details of performance in FY2023
- Cost of sales ratio: Major reasons for increase/decrease

Kit Products: Sales by Kit Type

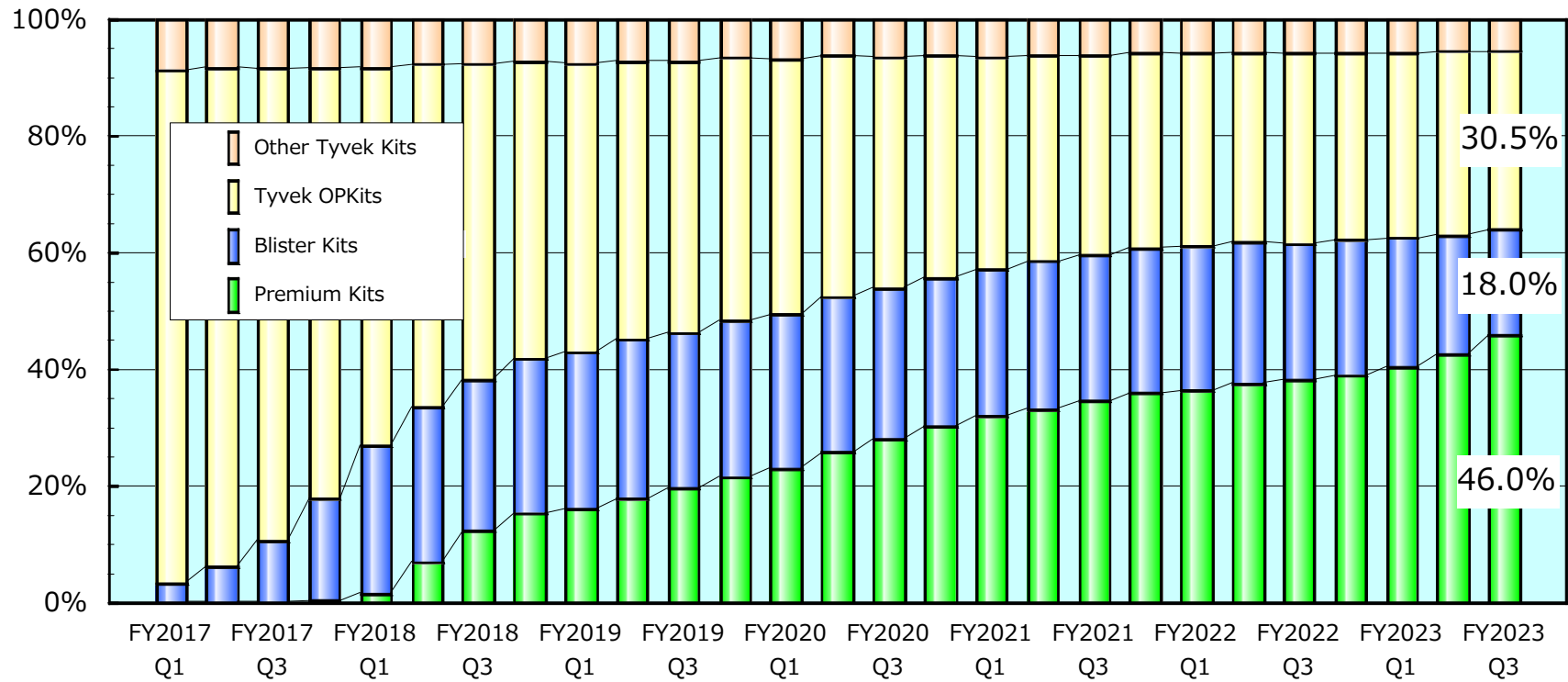
(Unit: million yen, rounded down)



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- Premium Kits and Blister Kits together accounted for 46.1% of total volume due to focus on Premium Kits
- Fiscal 2023: 3Q sales (YoY comparison)
 - ✓ Premium Kits : +626 million yen (+25.6%)
 - ✓ Blister Kits : -293 million yen (-19.6%)
 - ✓ Tyvek Kits : -41 million yen (-1.7%)

Kit Products: Sales Composition



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

- Increases in sales and sales ratio due to new Premium Kit acquisitions
- Increase in replacement of Tyvek Kits and Blister Kits with Premium Kits

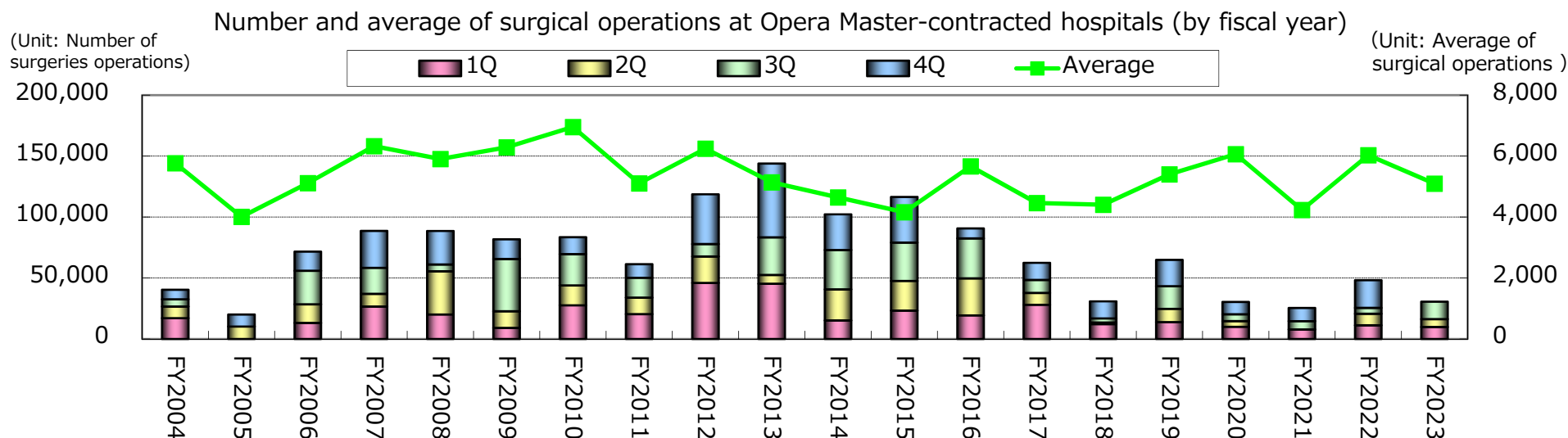
Number of Opera Master Contracts; Number of Surgical Operations

Sales of kit products: 12,741 million yen (+850 million, or 7.2% YoY)

Number of Opera Master-contracted hospitals in FY2023:

6 new contracts, 14 cancellations

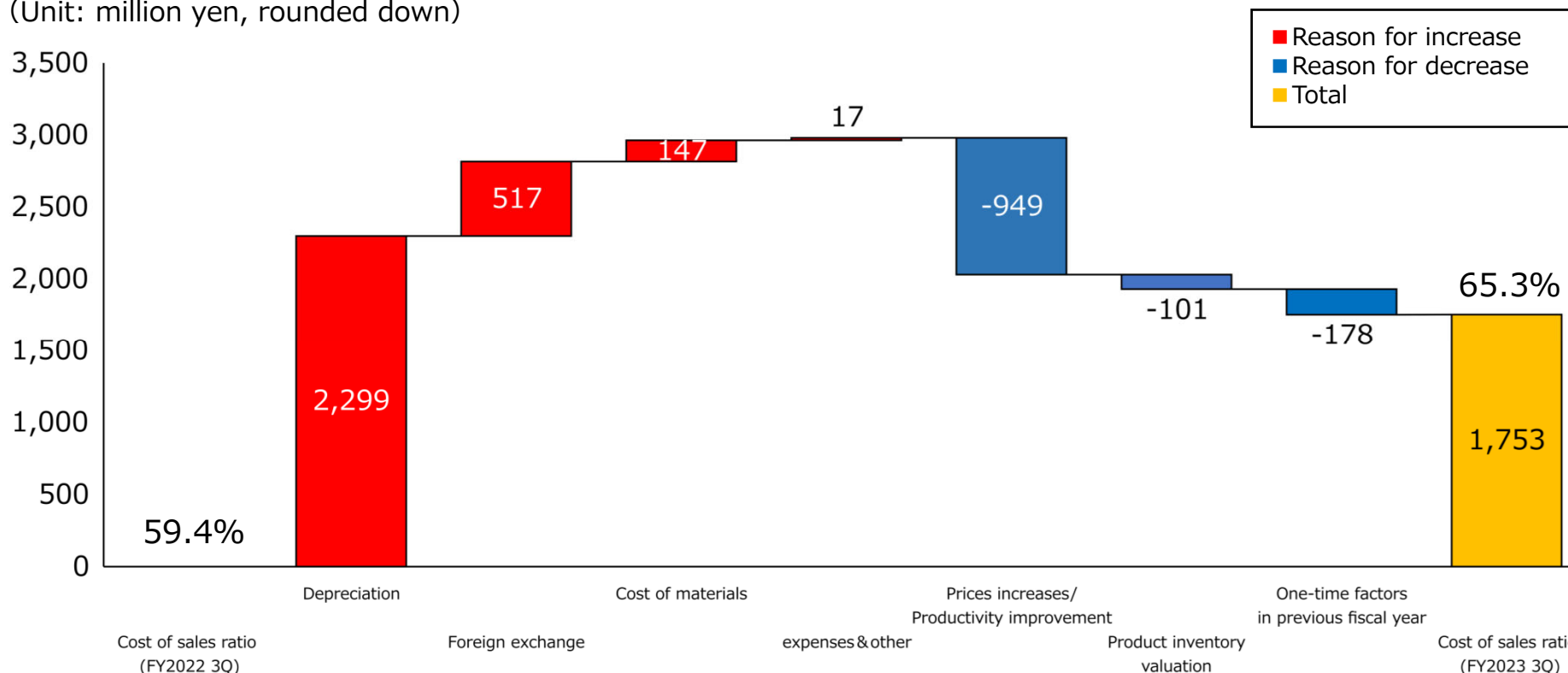
Total number of contracted hospitals: 263



- FY2023:6 newly contracted hospitals
 Main university hospital group (Former Group I) : 1
 DPC specified hospital group(Former Group II) : 2
 DPC standard hospital group(Former Group III) : 3
- Average surgical operations per Opera Master-contracted hospital (FY2023): Approx. 5,100
- Focus on acquiring new Opera Master contracts with regional hub hospitals with high patient concentration
- Propose new services in response to changes in customer issues and shift support to improve workstyles and quality of medical care

Fiscal 2023 (3Q Cumulative): Main Reasons for Increase/Decrease in Cost of Sales

(Unit: million yen, rounded down)



- Increase in depreciation due to commissioning of Stage 2 plant in April 2023
- Cost of sales up due to yen's depreciation
- Increases in raw materials prices
- Improvement in profitability due to price revisions in previous fiscal year

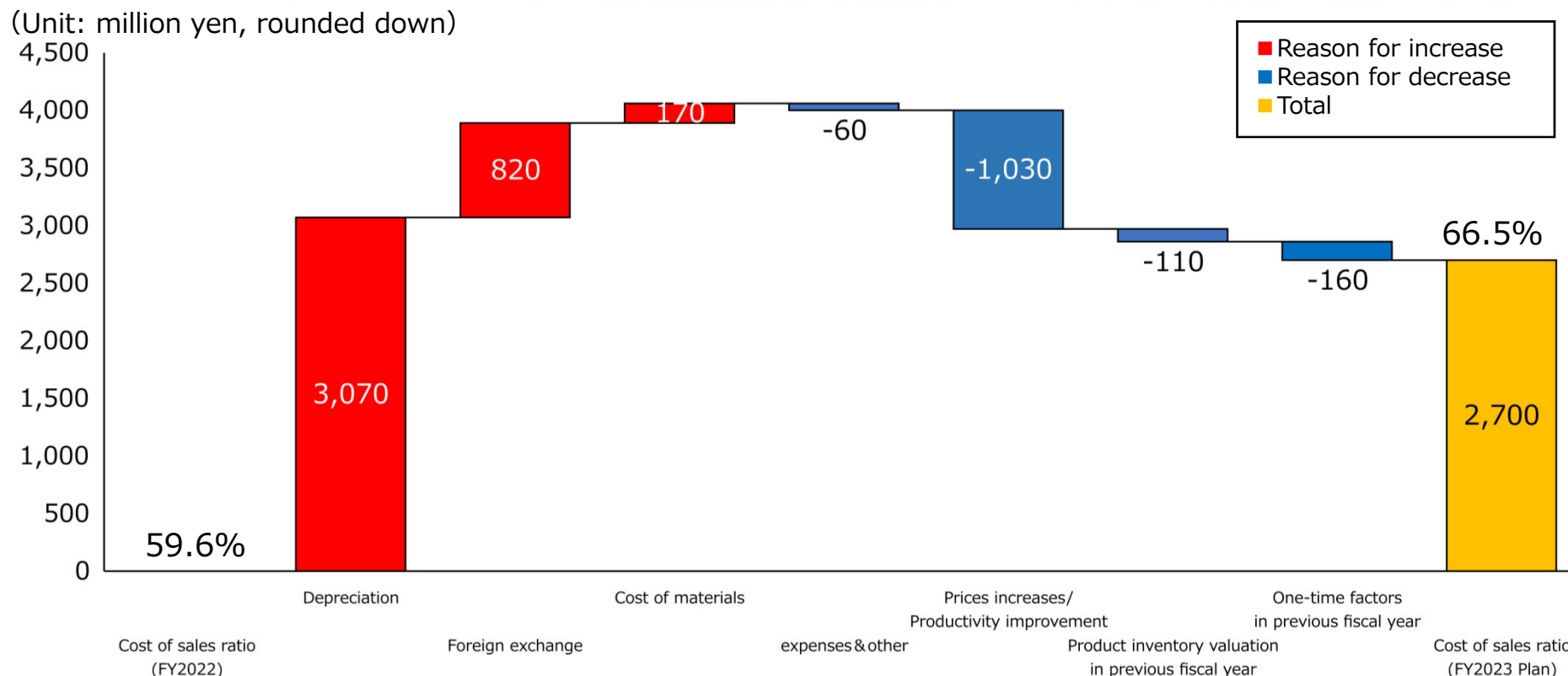
Total depreciation : 4,964 million yen (+2,223 million yen YoY)

- Cost of sales : 4,533 million yen (+2,299 million yen YoY)

(Includes 2,355 million yen due to the operation of new plant Phase II operation)

- SG&A expenses : 430 million yen (- 75 million yen YoY)

Fiscal 2023 (Full Year): Main Reasons for Increase/Decrease in Cost of Sales Ratio



Cost of sales: 2,700 million yen YoY increase due to revised full-year forecasts

- Foreign exchange impact to be stronger compared with 3Q cumulative result
- Electricity subsidies to alleviate impact of costs and other expenses
- Benefits of price hikes and productivity improvements to gradually diminish
- Total depreciation: 6,611 million yen (+2,975 million yen YoY)
- [Cost of sales: 6,036 million yen \(+3,070 million yen; includes 3.1 billion yen for Stage 2 plant operation\)](#)
- SG&A expenses: 574 million yen (-94 million yen)

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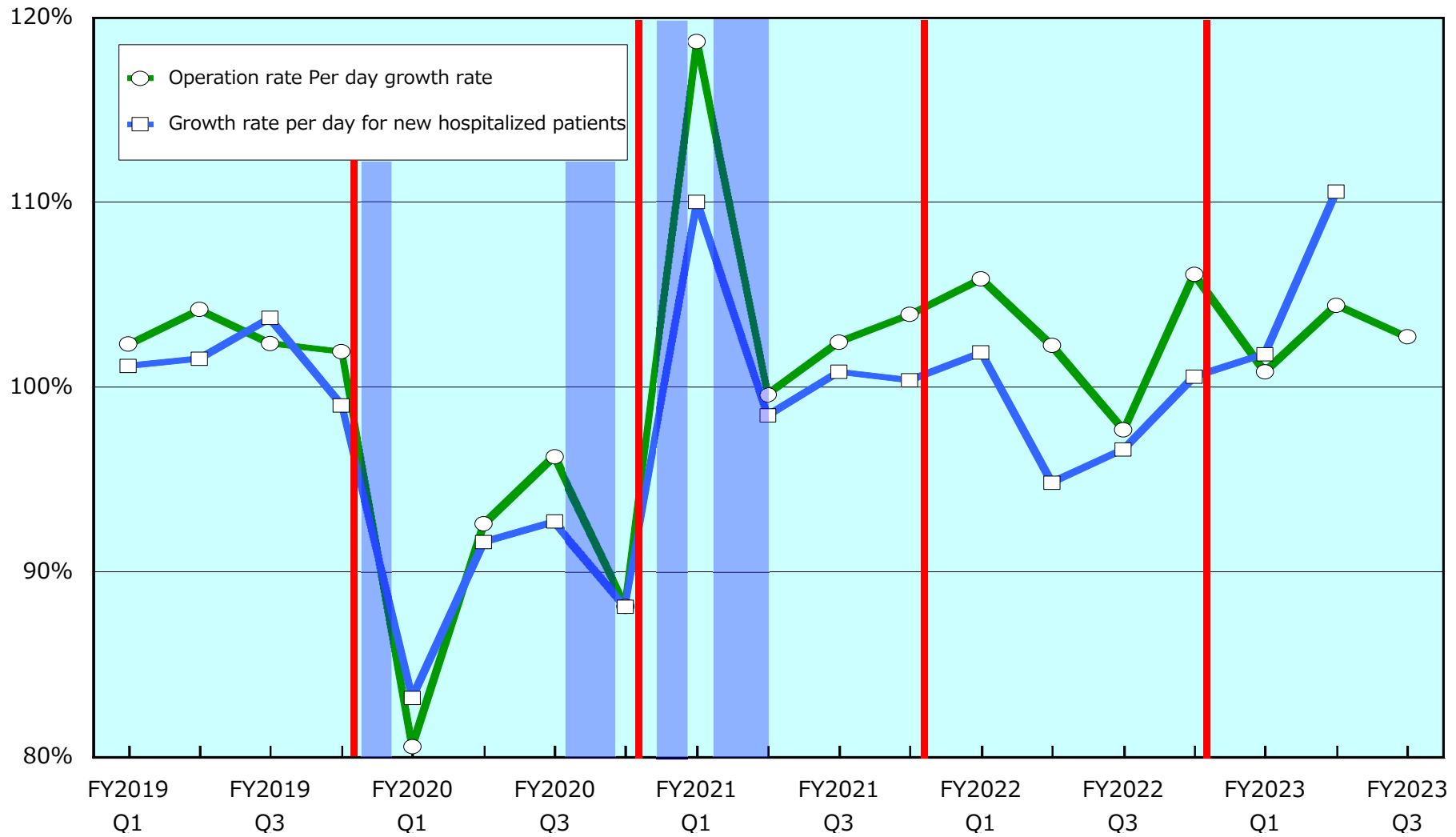


Reference materials

The Definition of Each Kits

	Premium Kits	Blister Kits	Tyvek Kits (Conventional kits)
Where to produce	New Surgical Kit Plant, Tsukuba (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

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



State of emergency period (declared by Tokyo Metropolitan Government)