

July 10, 2020

## Consolidated Financial Results

### for the First Quarter of Fiscal 2020 [Japanese Standards]

Name: **Hogy Medical Co., Ltd.**  
 Listing: **First Section, Tokyo Stock Exchange**  
 Stock code number: **3593**  
 Phone: **+81-3-6229-1300**  
 URL: **http://www.hogy.co.jp**  
 Representative: **Jun-ichi Hoki, President and CEO**  
 Contact: **Hideki Kawakubo, Executive Officer, Administration Div.**  
 Submission of Quarterly Business Report: **August 12, 2020**  
 Start of cash dividend payments: **August 31, 2020**  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Information meeting for quarterly financial results to be held: Yes

#### 1. Fiscal 2020—First quarter (April 1–June 30, 2020)

##### (1) Results of operations

(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2020—First quarter	¥8,376	-7.3%	¥1,143	-14.3%	¥1,251	-10.7%	¥908	-7.9%
Fiscal 2019—First quarter	9,038	-0.2%	1,335	+6.9%	1,401	+10.2%	986	+9.7%

Note: Comprehensive income

Fiscal 2020—1st quarter: ¥1,260 million (-2.8%)

Fiscal 2019—1st quarter: ¥1,297 million (+20.5%)

	Profit per share	Profit per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2020—First quarter	¥30.04	—
Fiscal 2019—First quarter	32.66	—

##### (2) Financial position

(Millions of yen, except per share data, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2020—First quarter	¥105,651	¥94,700	89.5%	¥3,129.84
Fiscal 2019—Year-end	106,664	93,921	88.0%	3,104.33

Reference: Equity capital at term-end

Fiscal 2020—1st quarter: ¥94,605 million

Fiscal 2019: ¥93,817 million

## 2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2019	¥16.50	¥16.50	¥16.50	¥16.50	¥66.00
Fiscal 2020	17.00				
Fiscal 2020 (est.)		17.00	17.00	17.00	68.00

Note: Revision of cash dividend forecast for quarter in review: None

## 3. Forecast for fiscal 2020 (April 1, 2020–March 31, 2021)

(Millions of yen, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
First 2 quarters	¥19,130	+4.1%	¥3,100	+19.4%	¥3,230	+18.6%	¥2,530	-22.5%	¥83.70
Full year	38,700	+3.9%	6,400	+20.6%	6,830	+17.9%	5,300	-4.2%	175.34

Note: Revision of consolidated forecasts for quarter in review: None

## 4. Notes

(1) Important changes in scope of consolidation during period (changes to specified subsidiaries accompanying changes in scope of consolidation): No

(2) Application of special accounting method: Yes

Note: For more details, please refer to “Notes on Consolidated Financial Statements” on page 12 of this report.

(3) Changes in accounting policies; changes in accounting estimates; restatements

(1) Changes in accounting policies due to amendment of accounting standards: No

(2) Other changes in accounting policies: No

(3) Changes in accounting estimates: No

(4) Restatements: No

(4) Shares outstanding (common stock) at term-end

1. Number of shares outstanding (including treasury stock)

Fiscal 2020–1st quarter: 32,682,310

Fiscal 2019: 32,682,310

2. Number of treasury shares outstanding

Fiscal 2020–1st quarter: 2,455,287

Fiscal 2019: 2,460,787

3. Average number of shares over period (consolidated total for quarter)

Fiscal 2020–1st quarter: 30,223,453

Fiscal 2019–1st quarter: 30,191,789

Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report’s release. Accordingly, the Company cannot make promises to achieve such forecasts. Due to various circumstances, however, actual results may differ significantly from such statements. For cautionary notes on assumptions underlying the Company’s forecasts and the usage of such forecasts, please refer to “(3) Full-Year Forecasts for Fiscal 2020” on page 6.

\* This quarterly financial results report is not subject to CPA or quarterly review procedures.

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## 1. Performance and Financial Position

### (1) Performance

In the first quarter under review (April 1–June 30, 2020), the global spread of COVID-19 had major impacts on societies and economies both in Japan and overseas. These included protectionist policies adopted by various national governments, extra fiscal spending on emergency measures, and emergency declarations that led to restrictions on going out, human mobility, and other economic activities, resulting in heightened uncertainty about the economic outlook.

The spread of COVID-19 also greatly affected the healthcare sector, forcing medical institutions to improve and strengthen their medical supply systems to prevent infections. In addition, patients refrained from receiving medical checkups, and medical institutions postponed low-urgency procedures in order to secure beds for COVID-infected patients, leading to a significant decline in surgeries during the period. However, the decline in high-urgency surgeries was less than that of low-urgency ones. By month, the greatest year-on-year decline was in May, especially among large-scale hospitals and regional core hospitals, but signs of recovery appeared in June.

In addition, the need for medical materials is rapidly increasing globally, and major disruptions in the supply–demand balance have led to critical shortages of such materials. Accordingly, there is growing demand for suppliers to establish stable supply systems by securing access to raw materials and increasing production capacity.

In response, the Hogy Medical Group engaged in corporate activities with top priority on contributing to the medical field through the stable supply of products to customers while striving to protect all employees from the spreading infection. For the period, we reported a year-on-year decrease in sales, mainly of surgical kit products, due to a major decline in surgeries performed at medical institutions, as well as the restrained activities of our salespeople aimed at preventing the spread of infections. Despite the difficult business environment, we enjoyed healthy sales of Premium Kit, our most important strategic offering. Premium Kit is acclaimed as a high-value-added product that allows hospitals to streamline their operations—from the preparatory stage to the intraoperative and postoperative stages—while ensuring safety during surgery. Meanwhile, the spread of COVID-19 led to a temporary increase in sales of some other products.

As a result, consolidated net sales for the period amounted to ¥8,376 million, down 7.3% from the previous corresponding period. Sales of surgical kits fell 12.7%, to ¥4,786 million, of which Premium Kit sales edged up 0.1%, to ¥2,364 million.

The decrease in net sales led to an increase in the cost of sales ratio despite a decline in depreciation expenses. We also posted a decrease in selling, general, and administrative (SG&A) expenses due to restraint of activities aimed at preventing the spread of infection.

Consequently, operating income fell 14.3%, to ¥1,143 million, and ordinary income declined 10.7%, to ¥1,251 million (the latter included a foreign exchange gain as non-operating income). Profit attributable to owners of parent was down 7.9%, to ¥908 million.

### (2) Financial Position

At June 30, 2020, total assets amounted to ¥105,651 million, down ¥1,012 million from March 31, 2020. During the period, total current assets declined ¥1,648 million, to ¥41,580 million. This reflected a number of factors, including a ¥1,161 million decrease in cash and bank deposits and a ¥648 million decrease in notes and accounts receivable.

Within fixed assets, tangibles edged up ¥108 million, to ¥51,959 million. This mainly reflected a ¥968

million increase in construction in progress—due to capital investments for Stage 2 construction of the new surgical kit plant—as well as a ¥305 million decrease in buildings and structures stemming from depreciation and a ¥445 million decrease in machinery and equipment stemming from depreciation. Intangibles decreased ¥39 million, to ¥2,260 million, due mainly to depreciation. Investments and other assets rose ¥567 million, to ¥9,851 million, mainly reflecting a ¥661 million increase in investment securities stemming from market valuation of equity holdings. As a result, total fixed assets ended the period at ¥64,071 million.

At term-end, total liabilities amounted to ¥10,951 million, down ¥1,791 million. Current liabilities decreased ¥1,934, to ¥8,426 million, mainly reflecting a ¥1,457 million decrease in accrued payables and a ¥711 million decrease in accrued income taxes. Long-term liabilities were up ¥142 million, to ¥2,524 million, due mainly to a ¥227 million increase in deferred tax liabilities associated with the market valuation of equity holdings.

Net assets at term-end totaled ¥94,700 million, up ¥779 million. Main factors were ¥908 million in profit attributable to owners of parent, ¥499 million in distributions from retained earnings, and a ¥466 million increase in net unrealized gain or loss on securities stemming from market valuation of equity holdings. As a result, the equity ratio increased from 88.0% to 89.5%.

### **(Cash Flows)**

Cash and cash equivalents at the end of the period stood at ¥21,504 million, down ¥1,154 million from the end of the previous fiscal year.

#### ***(Cash Flows from Operating Activities)***

Net cash provided by operating activities amounted to ¥1,624 million, down ¥143 million from the previous corresponding period. Factors in this result included ¥1,251 million in income before income taxes, ¥1,112 million in depreciation, a ¥643 million decrease in notes and accounts receivable, a ¥256 million decrease in accrued consumption tax, and ¥989 million in income taxes paid.

#### ***(Cash Flows from Investing Activities)***

Net cash used in investing activities totaled ¥2,256 million, up ¥1,074 million from the previous corresponding period. Main factors included ¥2,234 million in purchase of tangible fixed assets related to Stage 2 construction of the new surgical kit plant and ¥27 million in purchase of intangibles.

#### ***(Cash Flows from Financing Activities)***

Net cash used financing activities was ¥481 million, up ¥15 million from the previous corresponding period. Main factors included ¥499 million in dividends paid and ¥18 million in proceeds from disposal of treasury stock associated with our trust-type employee stock ownership incentive plan (E-Ship®).

For the entire year, we expect net cash provided by operating activities to be around ¥9,000 million. We forecast net cash used in investing activities of around ¥4,600 million. And we forecast net cash used in financing activities to be around ¥2,000 million, mainly influenced by payment of cash dividends.

### (3) Full-Year Forecasts for Fiscal 2020

The Hogy Medical Group will continue delivering high-value-added products in a reliable manner to assure the safety and security of all medical personnel and help improve the quality of medical care.

Key among our offerings is Premium Kit, a high-value-added product that facilitates more efficient hospital management by achieving both medical safety and labor savings. It is a solution to address the various changes affecting our customers, such as ongoing reductions in medical fees and reorganization of hospital beds.

The Group has provided surgical gowns and other high-quality non-woven products for many years. However, the spread of COVID-19 has led to a shortage of products that protect against infectious diseases and highlighted the important need for reliable supplies of such products. To fulfill our responsibility and role as a leading domestic manufacturer, we will increase production of surgical gowns to ensure more stable supplies. Meanwhile, we are preparing for further increases in demand for infectious disease protection products in the future. For this reason, we will update our Precaution Set—which combines protective clothing, face shield, mask, gloves, and shoe covers into a single package—and strengthen our overall lineup of protective products.

Compared with our assumption at the beginning of the period in review, the number of surgical operations performed at medical institutions has declined significantly due to COVID-19. However, the decline in high-urgency surgeries has been less than that of low-urgency ones, and the number of high-urgency surgeries is gradually showing signs of recovery, especially at large-scale hospitals and regional core hospitals. On the other hand, the current lull in infections may continue for a long time, and we cannot rule out the possibility that a “second wave” will lead to another outbreak of infections.

Going forward, we expect medical institutions to pursue different management policies. Some will move ahead with reduced surgeries, and some will continue applying certain restrictions.

We will closely monitor trends among medical institutions and promptly disclose our forecasts as soon as we can calculate the impacts of COVID-19 (such as long-term continuation of lull or second-wave outbreak) on our business.

#### (Consolidated performance forecasts)

Net sales	¥38,700 million	(up 3.9%)
Operating income	¥ 6,400 million	(up 20.6%)
Ordinary income	¥ 6,830 million	(up 17.9%)
Profit attributable to owners of parent	¥ 5,300 million	(down 4.2%)

## 2. Consolidated Financial Statements

### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2019 (March 31, 2020)	Fiscal 2020—First quarter (June 30, 2020)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 23,377	¥ 22,216
Notes and accounts receivable	11,352	10,704
Goods and merchandise	3,823	4,252
Products in progress	366	400
Materials and supplies	3,678	3,320
Other	631	687
Allowance for doubtful accounts	—0	—0
<b>Total current assets</b>	<b>43,229</b>	<b>41,580</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	23,173	22,868
Machinery and vehicles (net)	8,765	8,320
Land	9,604	9,601
Construction in progress	8,995	9,964
Others (net)	1,311	1,205
<b>Total property, plant and equipment</b>	<b>51,851</b>	<b>51,959</b>
Intangible fixed assets	2,300	2,260
Investments and other assets		
Investment securities	7,941	8,603
Other	1,349	1,255
Allowance for doubtful accounts	—7	—7
<b>Total investment and other assets</b>	<b>9,283</b>	<b>9,851</b>
<b>Total fixed assets</b>	<b>63,434</b>	<b>64,071</b>
<b>Total assets</b>	<b>106,664</b>	<b>105,651</b>
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	4,675	4,501
Accrued income tax	1,060	349
Reserves	466	155
Other current liabilities	4,157	3,419
<b>Total current liabilities</b>	<b>10,360</b>	<b>8,426</b>
Long-term liabilities		
Long-term borrowings	175	175
Liability related to employees' retirement benefits	468	394
Other long-term liabilities	1,737	1,954
<b>Total long-term liabilities</b>	<b>2,381</b>	<b>2,524</b>
<b>Total liabilities</b>	<b>12,742</b>	<b>10,951</b>

(Millions of yen, rounded down)

	Fiscal 2019 (March 31, 2020)	Fiscal 2020—First quarter (June 30, 2020)
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	¥7,123	¥7,123
Capital surplus	8,336	8,336
Retained earnings	83,234	83,642
Treasury stock	-8,557	-8,539
Total shareholders' equity	90,136	90,562
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	3,623	4,089
Deferred hedging gain or loss	189	165
Translation adjustment	9	-71
Cumulative adjustment related to employees' retirement benefits	-141	-140
Total valuation/translation gains or losses	3,681	4,042
Non-controlling interests	103	94
Total net assets	93,921	94,700
Total liabilities and net assets	106,664	105,651

**(2) Statements of Income and Statements of Comprehensive Income  
(Statements of Income)**

(Millions of yen, rounded down)

	Fiscal 2019—First quarter (April 1—June 30, 2019)	Fiscal 2020—First quarter (April 1—June 30, 2020)
Net sales	¥9,038	¥8,376
Cost of sales	5,243	4,874
Gross profit	3,794	3,502
Selling, general and administrative expenses	2,459	2,358
Operating income	1,335	1,143
Other income		
Interest income	15	19
Dividend income	38	29
Foreign exchange gain	6	43
Other	10	17
Total other income	69	109
Other expenses		
Interest expense	—	0
Loss on investment partnership	3	1
Other	0	0
Total other expenses	3	1
Ordinary income	1,401	1,251
Extraordinary expenses		
Loss on disposal of fixed assets	0	—
Total extraordinary expenses	0	—
Income before income taxes	1,401	1,251
Income taxes	422	352
Profit	978	899
Profit attributable to non-controlling interests	-7	-8
Profit attributable to owners of parent	986	908

**(Statements of Comprehensive Income)**

(Millions of yen, rounded down)

	Fiscal 2019–First quarter (April 1–June 30, 2019)	Fiscal 2020–First quarter (April 1–June 30, 2020)
<b>Profit</b>	¥ 978	¥ 899
<b>Other comprehensive income</b>		
Net unrealized gain or loss on securities	435	466
Deferred hedging gain or loss	–83	–24
Translation adjustment	–32	–81
Adjustment related to employees retirement benefits	–0	1
Total other comprehensive income	318	361
<b>Comprehensive income</b>	1,297	1,260
(Breakdown)		
Comprehensive income attributable to owners of parent	1,304	1,269
Comprehensive income attributable to non-controlling interests	–7	–8

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2019—First quarter (April 1–June 30, 2019)	Fiscal 2020—First quarter (April 1–June 30, 2020)
<b>Operating activities</b>		
Income before income taxes	¥ 1,401	¥ 1,251
Depreciation	1,289	1,112
Increase (decrease) in allowance for doubtful accounts	0	0
Interest and dividend income	–53	–48
Interest expense	—	0
Loss (gain) on investment partnership	3	1
Foreign exchange loss (gain)	–11	–5
Changes in assets and liabilities:		
Notes and accounts receivable	–307	643
Inventories	301	–118
Notes and accounts payable	–222	–170
Other	657	–106
<b>Subtotal</b>	<b>3,058</b>	<b>2,559</b>
Interest and dividends received	58	54
Interest paid	—	–0
Incomes taxes paid	–1,348	–989
<b>Net cash provided by operating activities</b>	<b>1,767</b>	<b>1,624</b>
<b>Investing activities</b>		
Purchase of tangible fixed assets	–1,025	–2,234
Purchase of intangible fixed assets	–105	–27
Purchase of investment securities	–44	—
Payment for loans advanced	–0	—
Collection of loans receivable	0	—
Other	–6	5
<b>Net cash used in investing activities</b>	<b>–1,181</b>	<b>–2,256</b>
<b>Financing activities</b>		
Proceeds from disposal of treasury stock	18	18
Cash dividends paid	–484	–499
<b>Net cash used in financing activities</b>	<b>–466</b>	<b>–481</b>
Effect of exchange rate changes on cash and cash equivalents	13	–41
<b>Net change in cash and cash equivalents</b>	<b>133</b>	<b>–1,154</b>
Cash and cash equivalents at beginning of term	22,903	22,658
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	580	—
<b>Cash and cash equivalents at end of term</b>	<b>23,617</b>	<b>21,504</b>

**(4) Notes on Consolidated Financial Statements****(Note Related to Ongoing Concern Assumption)**

Not applicable.

**(Changes in Significant Subsidiaries during Period)**

Not applicable.

**(Application of Special Accounting Treatment in Preparation of Consolidated Financial Statements)*****Corporate taxes***

Calculated according to the annual expected tax rate based on the statutory effective tax rate.

**(Segment Information)**

The Company and its consolidated subsidiaries are engaged in the manufacture and sales of medical-use consumables and in peripheral activities, which together are regarded as a single business. Accordingly, there are no classified segments for disclosure purposes.