

January 14, 2021

## Consolidated Financial Results

### for the First 3 Quarters of Fiscal 2020 [Japanese Standards]

Name: **Hogy Medical Co., Ltd.**  
 Listing: **First Section, Tokyo Stock Exchange**  
 Stock code number: **3593**  
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 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: **February 10, 2021**  
 Start of cash dividend payments: **February 26, 2021**  
 Preparation of supplementary materials for quarterly financial results: **Yes**  
 Information meeting for quarterly financial results to be held: **Yes**

#### 1. Fiscal 2020-First 3 quarters (April 1–December 31, 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 3 quarters | ¥27,696   | –1.3%                         | ¥4,508           | +9.8%      | ¥4,919          | +8.8%      | ¥4,296                                  | –6.1%      |
| Fiscal 2019–First 3 quarters | 28,060    | +0.3%                         | 4,104            | +4.6%      | 4,520           | +12.3%     | 4,576                                   | –18.7%     |

Note: Comprehensive income

Fiscal 2020—1st 3 quarters: ¥4,020 million (–5.5%)

Fiscal 2019—1st 3 quarters: ¥4,252 million (+37.0%)

|                              | Profit per share | Profit per share (fully diluted) |
|------------------------------|------------------|----------------------------------|
|                              | (Yen)            | (Yen)                            |
| Fiscal 2020–First 3 quarters | ¥142.11          | —                                |
| Fiscal 2019–First 3 quarters | 151.52           | —                                |

##### (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 3 quarters | ¥105,518     | ¥96,499    | 91.4%        | ¥3,187.48                  |
| Fiscal 2019–Year-end         | 106,664      | 93,921     | 88.0%        | 3,104.33                   |

Reference: Equity capital at term-end

Fiscal 2020—1st 3 quarters: ¥96,414 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                         | 17.00          | 17.00         | —        | —         |
| Fiscal 2020 (est.) | —                             | —              | —             | 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, 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 |       | Profit per share |
|-----------|-----------|-------|------------------|-------|-----------------|-------|---|-------|------------------|
| Full year | ¥36,310   | -2.5% | ¥5,490           | +3.4% | ¥5,930          | +2.4% | ¥4,980                                  | -9.9% | ¥164.64          |

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

## 4. Notes

(1) Important changes in scope of consolidation during period (presence/absence of 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“(4) 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 2020–1<sup>st</sup> 3 quarters: 32,682,310

Fiscal 2019: 32,682,310

2. Number of treasury shares outstanding

Fiscal 2020–1<sup>st</sup> 3 quarters: 2,434,377

Fiscal 2019: 2,460,787

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

Fiscal 2020–1<sup>st</sup> 3 quarters: 30,232,009

Fiscal 2019–1<sup>st</sup> 3 quarters: 30,200,684

**\* This quarterly financial results report is not subject to audits by certified public accountants or auditing companies.**

**\*Appropriate use of business forecasts; other special items**

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.

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## 1. Performance and Financial Position

### (1) Performance

In the first three quarters under review (April 1–December 31, 2020), the COVID-19 pandemic continued unabated, causing tremendous damage to the societies and economies of countries around the world. The number of infected people in Japan remained in a lull for a while, but since the end of 2020 the number of infections has sharply increased all over the nation, making it difficult to predict when the situation will return to normal.

In the healthcare sector, efforts are under way to establish systems for providing effective medical care even during the COVID-19 pandemic. However, many medical institutions are facing critical challenges, as the increasing number of infected patients places pressure on hospital beds, while the drastic increase in workload has exhausted medical personnel, resulting in a chronic shortage of staff. The number of surgeries, which had been recovering gradually, has trended downward especially since the end of 2020. The responses have been divided depending on the medical institution. Some institutions continue to postpone non-essential surgeries, while others are performing more surgeries than before the COVID-19 outbreak to make up for earlier postponements. Accordingly, the outlook for the industry, especially with respect to operating rooms, remains uncertain.

Under these circumstances, the Hogy Medical Group promoted sales activities aimed at helping improve operational efficiency on the medical frontlines while giving top priority to the safety of its customers. In the period under review, especially in the first half, we pursued vigorous sales activities due to a relaxation of restrictions on visits to medical facilities. As a member of the medical community, we emphasized the safety of our customers and employees by conducting voluntary screening PCR tests on a regular basis for all employees who visit medical facilities.

On the product front, customer demand for stable supplies is increasing despite alleviation of the global supply–demand imbalance for personal protection products. Against this background, our non-woven fabric products, for which we maintained stable supplies even during the pandemic, performed steadily. We also posted increases in sales of masks and precaution sets, which are infectious disease protection products. Due to the slow speed in recovery of surgical operations and other factors, we reported a decrease in sales of surgical kit products. However, sales of Premium Kit, our most important strategic product, grew steadily. Premium Kit is 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. Accordingly, it has been warmly received among customers because it supports the operations of medical institutions even in challenging circumstances.

As a result, consolidated net sales for the period amounted to ¥27,696 million, down 1.3% year on year. Sales of surgical kit products declined 6.3%, to ¥16,048 million, of which Premium Kit sales rose 8.7%, to ¥8,376 million. In addition, the cost of sales ratio improved year on year due to a decrease in depreciation expenses. We also posted a decline in selling, general, and administrative (SG&A) expenses due to restraint of activities aimed at preventing the spread of infection. As a result, operating income increased 9.8%, to ¥4,508 million. Ordinary income rose 8.8%, to ¥4,919 million, partly due to subsidy income received from Ushiku City related to our new surgical kit factory (continued from the previous year), reported as non-operating income. We also posted ¥1,028 million in extraordinary income from the sale of some shareholdings (from ¥1,942 million in the previous year). Accordingly, profit attributable to owners of parent decreased 6.1%, to ¥4,296 million.

## (2) Financial Position

At December 31, 2020, total assets amounted to ¥105,518 million, down ¥1,145 million from March 31, 2020.

During the period, total current assets declined ¥803 million, to ¥42,425 million. This reflected a number of factors, including a ¥2,538 million decrease in cash and bank deposits and a ¥1,887 million increase in notes and accounts receivable.

Within fixed assets, tangibles edged down ¥315 million, to ¥51,535 million. This mainly reflected a ¥1,824 million increase in construction in progress—due to capital investments for Stage 2 construction of the new surgical kit plant—as well as an ¥817 million decrease in buildings and structures stemming from depreciation and a ¥1,161 million decrease in machinery and equipment stemming from depreciation. Intangibles decreased ¥244 million, to ¥2,055 million, due mainly to depreciation. Investments and other assets edged up ¥217 million, to ¥9,501 million, mainly reflecting a ¥418 million increase in investment securities stemming from the market valuation of equity holdings. As a result, total fixed assets ended the period at ¥63,092 million.

At term-end, total liabilities amounted to ¥9,018 million, down ¥3,724 million. Current liabilities fell ¥3,585 million, to ¥6,775 million, mainly reflecting a ¥2,330 million decrease in accrued payables and a ¥377 million decrease in income taxes payable. Long-term liabilities were down ¥138 million, to ¥2,243 million, due mainly to a ¥175 million transfer of long-term debt to current liabilities.

Net assets at term-end totaled ¥96,499 million, up ¥2,578 million. Main factors were ¥4,296 million in profit attributable to owners of parent, ¥1,529 million in distributions from retained earnings, and a ¥324 million decrease in translation adjustment.

As a result, the equity ratio increased from 88.0% to 91.4%.

### (Cash Flows)

Cash and cash equivalents at the end of the period stood at ¥20,156 million, down ¥2,501 million from the end of the previous fiscal year.

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

Net cash provided by operating activities amounted to ¥3,385 million, down ¥2,366 million from the previous corresponding period. Factors in this result included ¥5,945 million in income before income taxes, ¥3,395 million in depreciation, a ¥1,028 million gain on sales of investment securities, a ¥1,912 million increase in notes and accounts receivable, a ¥329 million decrease in accrued consumption tax, and ¥2,068 million in income taxes paid.

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

Net cash used in investing activities totaled ¥4,289 million, down ¥3,054 million from the previous corresponding period. Main factors included ¥1,409 million in proceeds from sales of investment securities, ¥5,111 million in purchase of tangible fixed assets related to Stage 2 construction of the new surgical kit plant, and ¥479 million in purchase of investment securities.

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

Net cash used financing activities was ¥1,495 million, up ¥42 million from the previous corresponding period. Main factors included ¥1,529 million in dividends paid, ¥54 million in repayments of long-term debt associated with our trust-type employee stock ownership incentive plan (E-Ship®), and ¥88 million in proceeds from the disposal of treasury stock.

For the entire year, we expect net cash provided by operating activities to be around ¥8,200 million. We forecast net cash used in investing activities of around ¥4,700 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

With respect to our consolidated forecasts for fiscal 2020, we have made no changes to our revised forecasts announced on October 12, 2020. As the status of COVID-19 infections remains uncertain, we predict that medical institutions will continue placing restrictions on visits from outside vendors and on their own activities. Our performance forecasts take into account the impact of decreasing sales of products affected by the decline in the number of surgeries, as well as increasing demand for infection-prevention products. Cost of sales and SG&A expenses will also be influenced by these factors.

The Hogy Medical Group will continue working to ensure the safety and security of medical professionals and striving to improve the quality of medical care through the stable delivery of high-value-added products that contribute to medical safety and labor savings for customers.

Focusing on Premium Kit, a strategic product, we will provide solutions that contribute to operational efficiency at medical institutions, which are facing more and more difficulties. Taking pride in our position as the top domestic manufacturer of non-woven medical products, we will also strengthen our global production system to ensure stable supplies of high-quality products.

Regarding our new remanufactured single-use device (R-SUD) business, we will speed up the application and approval process and establish a sales process at an early stage. As of December 31, 2020, we had one application in progress and had received three approvals.

In our overseas business, we are taking various measures to prevent the spread of COVID-19 in Southeast Asia. Specifically, Hogy Medical Asia Pacific Pte. Ltd. (subsidiary in Singapore) and P.T. Hogy Medical Sales Indonesia (sub-subsidiary in Indonesia) will actively sell surgical kits and non-woven fabric products to major hospitals in various nations to swiftly achieve market penetration.

In light of the above, the Group set its full-year performance forecasts for fiscal 2020 as follows.

#### (Consolidated forecasts)

|   |                 |             |
|---|-----------------|-------------|
| Net sales                               | ¥36,310 million | (down 2.5%) |
| Operating income                        | ¥ 5,490 million | (up 3.4%)   |
| Ordinary income                         | ¥ 5,930 million | (up 2.4%)   |
| Profit attributable to owners of parent | ¥ 4,980 million | (down 9.9%) |

## 2. Consolidated Financial Statements and Notes

### (1) Balance Sheets

(Millions of yen, rounded down)

|   | Fiscal 2019<br>(March 31, 2020) | Fiscal 2020–<br>First 3 quarters<br>(December 31, 2020) |
|---|---------------------------------|---|
| <b>ASSETS</b>                                       |                                 |   |
| Current assets                                      |                                 |   |
| Cash and bank deposits                              | ¥ 23,377                        | ¥ 20,839  |
| Notes and accounts receivable                       | 11,352                          | 13,239  |
| Goods and merchandise                               | 3,823                           | 3,776   |
| Products in progress                                | 366                             | 407   |
| Materials and supplies                              | 3,678                           | 3,639   |
| Other   | 631                             | 524   |
| Allowance for doubtful accounts                     | –0                              | –0  |
| <b>Total current assets</b>                         | <b>43,229</b>                   | <b>42,425</b>   |
| Fixed assets  |                                 |   |
| Property, plant and equipment                       |                                 |   |
| Buildings and structures (net)                      | 23,173                          | 22,355  |
| Machinery and vehicles (net)                        | 8,765                           | 7,604   |
| Land  | 9,604                           | 9,589   |
| Construction in progress                            | 8,995                           | 10,820  |
| Other (net)   | 1,311                           | 1,166   |
| <b>Total property, plant and equipment</b>          | <b>51,851</b>                   | <b>51,535</b>   |
| Intangible fixed assets                             | 2,300                           | 2,055   |
| Investments and other assets                        |                                 |   |
| Investment securities                               | 7,941                           | 8,360   |
| Other   | 1,349                           | 1,148   |
| Allowance for doubtful accounts                     | –7                              | –7  |
| <b>Total investments and other assets</b>           | <b>9,283</b>                    | <b>9,501</b>  |
| <b>Total fixed assets</b>                           | <b>63,434</b>                   | <b>63,092</b>   |
| <b>Total assets</b>                                 | <b>106,664</b>                  | <b>105,518</b>  |
| <b>LIABILITIES</b>                                  |                                 |   |
| Current liabilities                                 |                                 |   |
| Notes and accounts payable                          | 4,675                           | 4,444   |
| Long-term debt due within one year                  | —                               | 121   |
| Accrued income tax                                  | 1,060                           | 683   |
| Reserves  | 466                             | 190   |
| Other current liabilities                           | 4,157                           | 1,336   |
| <b>Total current liabilities</b>                    | <b>10,360</b>                   | <b>6,775</b>  |
| Long-term liabilities                               |                                 |   |
| Long-term borrowings                                | 175                             | —   |
| Liability related to employees' retirement benefits | 468                             | 386   |
| Other long-term liabilities                         | 1,737                           | 1,856   |
| <b>Total long-term liabilities</b>                  | <b>2,381</b>                    | <b>2,243</b>  |
| <b>Total liabilities</b>                            | <b>12,742</b>                   | <b>9,018</b>  |

(Millions of yen, rounded down)

|   | Fiscal 2019<br>(March 31, 2020) | Fiscal 2020–<br>First 3 quarters<br>(December 31, 2020) |
|---|---------------------------------|---|
| <b>NET ASSETS</b>   |                                 |   |
| Shareholders' equity  |                                 |   |
| Common stock  | ¥ 7,123                         | ¥ 7,123   |
| Capital surplus   | 8,336                           | 8,336   |
| Retained earnings   | 83,234                          | 86,001  |
| Treasury stock  | –8,557                          | –8,469  |
| Total shareholders' equity                                      | 90,136                          | 92,991  |
| Valuation/translation gains or losses                           |                                 |   |
| Net unrealized gain or loss on securities                       | 3,623                           | 3,860   |
| Deferred hedging gain or loss                                   | 189                             | –34   |
| Translation adjustment  | 9                               | –314  |
| Cumulative adjustment related to employees' retirement benefits | –141                            | –88   |
| Total valuation/translation gains or losses                     | 3,681                           | 3,423   |
| Non-controlling interests                                       | 103                             | 85  |
| Total net assets  | 93,921                          | 96,499  |
| Total liabilities and net assets                                | 106,664                         | 105,518   |

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

### (Statements of Income)

(Millions of yen, rounded down)

|  | Fiscal 2019–<br>First 3 quarters<br>(April 1–<br>December 31, 2019) | Fiscal 2020–<br>First 3 quarters<br>(April 1–<br>December 31, 2020) |
|--|---|---|
| Net sales  | ¥28,060   | ¥27,696   |
| Cost of sales                                    | 16,430  | 16,070  |
| Gross profit                                     | 11,629  | 11,626  |
| Selling, general and administrative expenses     | 7,525   | 7,118   |
| Operating income                                 | 4,104   | 4,508   |
| Other income                                     |   |   |
| Interest income                                  | 50  | 52  |
| Dividend income                                  | 70  | 60  |
| Foreign exchange gain                            | —   | 24  |
| Subsidy income                                   | 274   | 236   |
| Other  | 41  | 44  |
| Total other income                               | 436   | 417   |
| Other expenses                                   |   |   |
| Interest expense                                 | —   | 0   |
| Foreign exchange loss                            | 10  | —   |
| Loss on investment partnership                   | 6   | 5   |
| Other  | 4   | 0   |
| Total other expenses                             | 21  | 6   |
| Ordinary income                                  | 4,520   | 4,919   |
| Extraordinary income                             |   |   |
| Gain on sales of fixed assets                    | 1   | —   |
| Gain on sales of investment securities           | 1,942   | 1,028   |
| Total extraordinary income                       | 1,943   | 1,028   |
| Extraordinary expenses                           |   |   |
| Loss on disposal of fixed assets                 | 1   | 3   |
| Total extraordinary expenses                     | 1   | 3   |
| Income before income taxes                       | 6,461   | 5,945   |
| Income taxes                                     | 1,911   | 1,667   |
| Profit   | 4,550   | 4,278   |
| Profit attributable to non-controlling interests | –25   | –18   |
| Profit attributable to owners of parent          | 4,576   | 4,296   |

**(Statements of Comprehensive Income)**

(Millions of yen, rounded down)

|  | Fiscal 2019–<br>First 3 quarters<br>(April 1–<br>December 31, 2019) | Fiscal 2020–<br>First 3 quarters<br>(April 1–<br>December 31, 2020) |
|--|---|---|
| <b>Profit</b>  | ¥4,550  | ¥4,278  |
| <b>Other comprehensive income</b>                              |   |   |
| Net unrealized gain or loss on securities                      | –151  | 237   |
| Deferred hedging gain or loss                                  | 63  | –224  |
| Translation adjustment   | –192  | –324  |
| Adjustment related to employees' retirement benefits           | –17   | 52  |
| <b>Total other comprehensive income</b>                        | –298  | –257  |
| <b>Comprehensive income</b>                                    | 4,252   | 4,020   |
| (Breakdown)  |   |   |
| Comprehensive income attributable to owners of parent          | 4,277   | 4,038   |
| Comprehensive income attributable to non-controlling interests | –25   | –18   |

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

|  | Fiscal 2019–<br>First 3 quarters<br>(April 1–<br>December 31, 2019) | Fiscal 2020–<br>First 3 quarters<br>(April 1–<br>December 31, 2020) |
|--|---|---|
| <b>Operating activities</b>  |   |   |
| Income before income taxes and minority interests  | ¥6,461  | ¥5,945  |
| Depreciation   | 3,900   | 3,395   |
| Increase (decrease) in allowance for doubtful accounts                                   | 0   | 0   |
| Interest and dividend income   | –120  | –112  |
| Interest expense   | —   | 0   |
| Loss (gain) on investment partnership  | 6   | 5   |
| Foreign exchange loss (gain)   | –2  | –7  |
| Loss (gain) on sales of tangible fixed assets  | –1  | —   |
| Loss (gain) on sales of investment securities  | –1,942  | –1,028  |
| Changes in assets and liabilities:   |   |   |
| Notes and accounts receivable  | –838  | –1,912  |
| Inventories  | 832   | –25   |
| Notes and accounts payable   | –392  | –210  |
| Other  | 233   | –712  |
| Subtotal   | 8,136   | 5,336   |
| Interest and dividends received  | 125   | 119   |
| Interest paid  | —   | –0  |
| Incomes taxes paid   | –2,510  | –2,068  |
| Net cash provided by operating activities  | 5,751   | 3,385   |
| <b>Investing activities</b>  |   |   |
| Purchase of tangible fixed assets  | –8,039  | –5,111  |
| Proceeds from sales of tangible fixed assets   | 1   | 2   |
| Purchase of intangible fixed assets  | –248  | –157  |
| Purchase of investment securities  | –1,163  | –479  |
| Proceeds from sales of investment securities   | 2,356   | 1,409   |
| Expenditures by loans receivable   | –0  | –0  |
| Collection of loans receivable   | 0   | 0   |
| Other  | –250  | 47  |
| Net cash used in investing activities  | –7,343  | –4,289  |
| <b>Financing activities</b>  |   |   |
| Repayment of long-term borrowings  | –55   | –54   |
| Proceeds from disposal of treasury stock   | 87  | 88  |
| Purchase of treasury stock   | –0  | –0  |
| Cash dividends paid  | –1,484  | –1,529  |
| Net cash used in financing activities  | –1,452  | –1,495  |
| Effect of exchange rate changes on cash and cash equivalents                             | 16  | –102  |
| Net change in cash and cash equivalents  | –3,027  | –2,501  |
| 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   | —   |
| Cash and cash equivalents at end of term   | 20,455  | 20,156  |

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

Not applicable.

**(Note in the event of a significant change in shareholders' equity)**

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.