

HOGY MEDICAL REPORT **2020**





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As a Leading Provider of Medical Products, HOGY Medical Contributes to Medical Safety and Management Improvement of Medical Institutions with Products That Accurately Grasp Customer Needs and a Structure for Supplying Such Products in a Stable Manner.

Since its inception in 1961, HOGY Medical has consistently dedicated itself to developing close and excellent relationships with medical professionals while at the same time developing and stably supplying products that contribute to safety on the medical front lines and management improvement of medical institutions. HOGY Medical meticulously responds to the voices of people on the medical front lines, supplies products that contribute to the safety of patients and medical professionals, and makes proposals for optimizing the management of medical facilities. Along with quickly responding to the rapidly changing market environment and accurately grasping the latest customer needs, which are reflected in modifying and improving products, the management conditions of medical facilities are assessed and analyzed in aiming for increased efficiency in management of the operating theatre. The products, being manufactured in plants that implement extensive safety measures, ensure the safety of patients and medical professionals.

HOGY Medical's mainstay products have been evolving, starting from the Sterilization Pouch that it started selling in 1964 for prevention of in-hospital infections, followed by Medical-Use Non-Woven Fabric Products, Surgical Kit and OPERA MASTER, our comprehensive system of products, logistics, and information management. Notably, our Surgical Kit provides a set of certain medical supplies used for surgery, which had previously been collected piece by piece, so that they contribute to reducing workload and time required for surgery preparation. Moreover, our comprehensive service, OPERA MASTER, which is built on the three core elements of Surgical Kit, logistics and information management, aims to help medical institutions improve profits, secure safety and raise operating efficiency. With OPERA MASTER, HOGY Medical provides not only medical products but also solutions that contribute to enhanced efficiency on the medical front lines and streamlining of the management of medical facilities. On top of this, HOGY Medical has in recent years endeavored to expand sales of its new Premium Surgical Kit designed to provide maximum benefits to customers and significantly contribute to "Work-Style Reform and Medical Safety," while focusing on development and sales of other new products.

Corporate Philosophy

Based on our corporate philosophy “to promote good health and prosperity through contributions to medical progress,” we offer solutions through products and systems that contribute to the safety of patients and healthcare professionals as well as to management improvement of medical institutions and other organizations.

For More Safety and More Efficiency HOGY Medical's Business Domains

With a variety of products that meticulously respond to the needs of the medical front lines and a stable supply system, HOGY Medical supports the safe and efficient management of the operating theatre and ideal hospital management.



Business contributing to medical safety



Surgical Kit
Pursuit of safety and streamlining

▶ P.18



Sterilization Pouch
High functions and convenience of use

▶ P.18



Medical-Use Non-woven Fabric Products
Greater safety and functionality

▶ P.19



Medical Related Products
Supporting the medical front lines with a variety of tools

▶ P.19

R-SUD

R-SUD Business (remanufactured single-use medical devices)
Contributing to effective use of resources and protection of the environment

▶ P.12,25



SuReFlnD

More securely assisting precise excision of small-cell lung cancer

▶ P.23



Premium Surgical Kit
All-in-one kits enabling safe and smooth opening by anyone

▶ P.10,13,14,15,16,17



SCM Concept
(Supply Chain Management Concept)
Providing all supplies required for surgeries just in time

▶ P.17



Minimally Invasive Treatment

Enabling safer and more efficient minimally invasive treatment with small burden on the patient's body

Equipment for Minimally Invasive Treatment Surgery



Business contributing to medical management

Services and Systems



OPERA MASTER

Significantly contributing to hospitals requiring more advanced, more efficient operations

▶ P.20



OPERA Note

Provision of in-hospital information through cloud services

▶ P.22



Operating Room Management Service

Offering a more comprehensive and detailed analysis of management data

▶ P.21

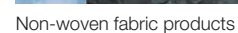
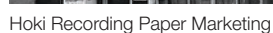


EMARO® (Endoscope Holder)

Realizing both a high level of safety and excellent operability

▶ P.23

For over half a century since its establishment, the Company has developed products required by the medical front line always in anticipation of its needs.



Note: Figures for 1996 and thereafter are on a consolidated basis.

1961-1990



Miho No. 1 Plant



Edosaki Distribution Center



Miho No. 2 Plant



Non-woven fabrics using spun lace

1978

Completion of Miho No. 1 Plant facility

1983

Completion of Miho No. 2 Plant facility

1982

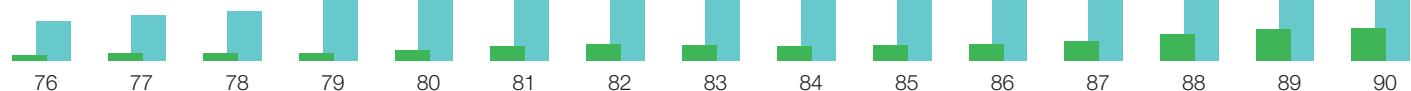
Launch of non-woven fabric products using spun lace non-woven fabrics

1987

Company name changed to the current HOGY Medical

1989

Completion of Automated Edosaki Distribution Center

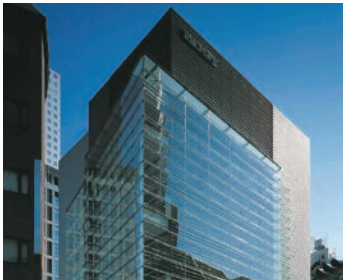




Edosaki Sterilization Center



TSUKUBA Sterilization Center



Headquarters Building



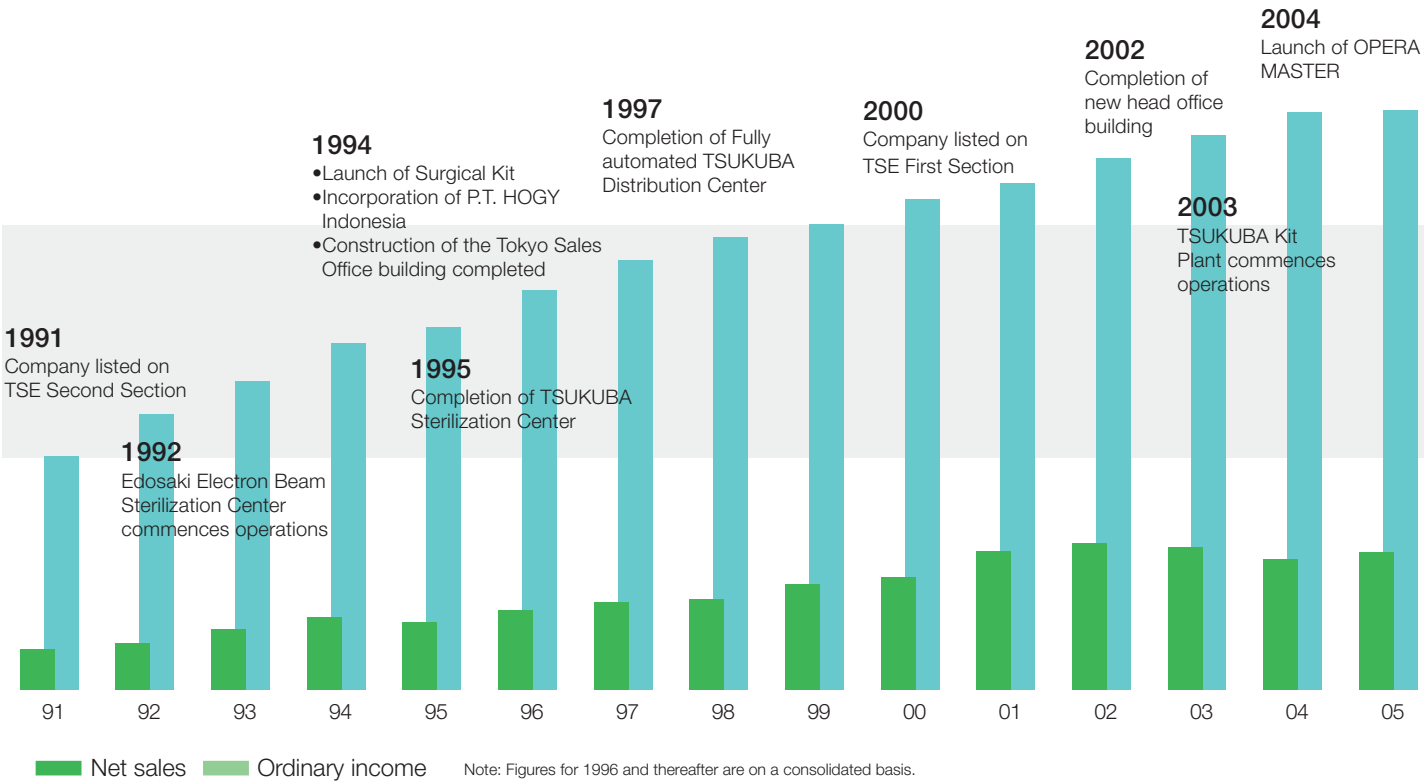
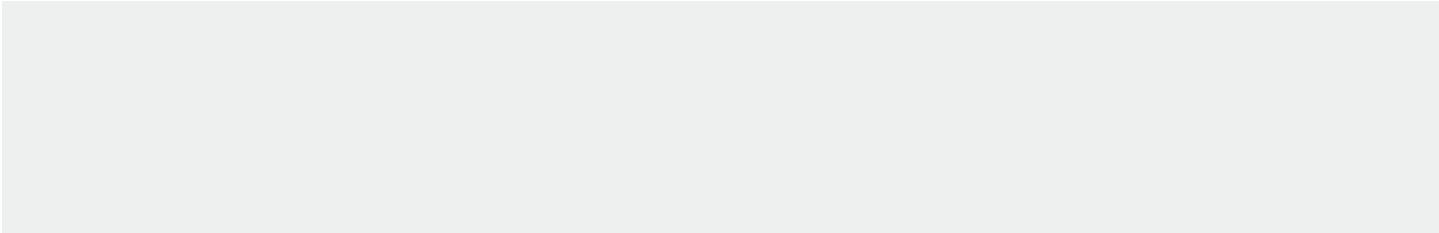
Tokyo Sales Office



P.T. HOGY Indonesia



TSUKUBA Kit Plant



1991-2020



Surgical Kit



EMARO®



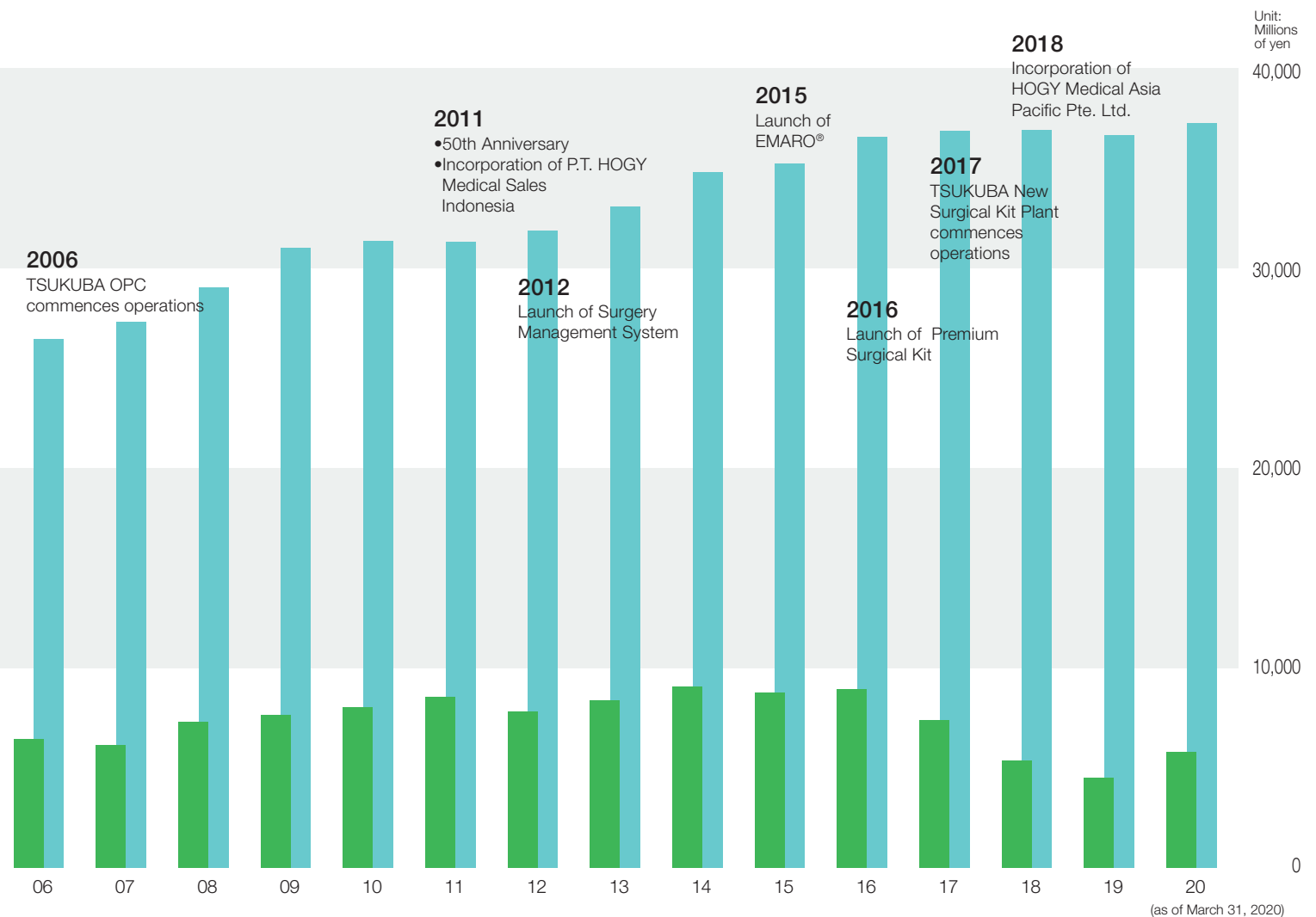
Premium Surgical Kit



Surgery Management System



New Surgical Kit Plant



President & CEO
Jun-ichi Hoki



In an Effort to Contribute to the Progress of Healthcare, HOGY Medical Will Continue to Make Proposals for the Safety of Patients and Medical Staff and Management Reform of Medical Institutions. Moreover, We Will Support Our Clients' "Work-Style Reform and Medical Safety" Through the Sale of "Premium Surgical Kit."

**Performance Report for
the Fiscal Year Ended March 2020**

In the fiscal year under review, the Japanese economy continued to show an uncertain outlook due to the increasing impact of the spread of the novel coronavirus (COVID-19) on the economy even amid a growing view of recession mainly within the manufacturing industry.

As for the healthcare industry, the outbreak of COVID-19 occurred when reorganization and integration of hospitals toward realizing the Regional Healthcare Vision started to emerge and the medical front lines were making progress in their work-style reform that was incorporated into revisions to medical service fees. At present, the industry is working to its full extent to prevent the spread of infection.

Under these circumstances, the Group has proactively made proposals on Premium Surgical Kit, which provides its value of contributing to work-style reform and medical safety, to acute-phase medical institutions that are forced to cope with the concentration and higher efficiency of surgeries under the basic policy of the Regional Healthcare Vision set by the government.

Since the fourth quarter of the fiscal year under review, in accordance with the spread of COVID-19, all of our employees have endeavored to prevent the spread of infection as our basic approach, placing top priority on supplying our products to medical institutions in a stable manner.

Sales of Premium Surgical Kit grew due to wider acceptance of our solution-proposal activities for reducing the work involved in the preparation and processes of surgical operations on top of product characteristics including high safety and cost performance.

Sales of Surgical Kit as a whole increased year on year despite new sales to planned medical institutions falling short and competition with other companies. As for Other Products, sales of some products increased temporarily due to the spread of COVID-19.

As a result, consolidated net sales for the fiscal year under review amounted to ¥37,232 million, up 1.6% from the previous fiscal year. Sales of Surgical Kit rose 3.0% to ¥22,485 million, of which sales of Premium Surgical Kit totaled ¥10,302 million or up 33.7%, both on a year-on-year basis. In terms of cost of sales, the cost-of-sales ratio improved from the previous fiscal year due to such factors as a decrease in depreciation. Selling, general and administrative expenses decreased from the previous fiscal year as the Company endeavored to use expenses efficiently, among other factors.

Consequently, operating income was ¥5,307 million, up 21.1% year on year. Ordinary income was ¥5,791 million yen, up 28.6% year on year, due to subsidy income for the new surgical kit plant from Ushiku City, among other factors. The Company also posted ¥1,942 million in extraordinary income on partial sales of shares (in contrast to ¥3,998 million in the previous fiscal year). Profit attributable to owners of parent was ¥5,529 million, down 8.5% from the previous fiscal year.

Furthermore, HOGY Medical Asia Pacific Pte. Ltd., which in the previous fiscal year was an unconsolidated sales subsidiary, was included in the scope of consolidation starting in the first quarter of the fiscal year under review.

With regard to the future outlook, it is difficult to discern how the situation will become going forward, as the impact of the spread of COVID-19 on the economy is unmeasurable.

Under such a business environment, despite the impact of the spread of COVID-19, the Group will work to contribute to hospital management reforms through sales of Premium Surgical Kit for the benefit of clients' work-style reform and medical safety, while continuing to take extensive hygiene measures for employees.

In addition, we will steadily promote the second-phase construction work of the new surgical kit plant in order to increase the production volume and enhance production efficiency of Premium Surgical Kit, for which demand is expected to continue growing going forward. At the same time, we will make further efforts to enhance management efficiency including cost reductions.

As for our overseas operations, HOGY Medical Asia Pacific Pte. Ltd., a sales subsidiary in Singapore, and P.T. HOGY Medical Sales Indonesia, a sub-subsidiary, are proactively conducting sales of the Company's products to major hospitals in ASEAN (Association of Southeast Asian Nations) countries. Moreover, we are continuing our endeavors to improve productivity at P.T. HOGY Indonesia, a manufacturing subsidiary, while promoting the internal manufacturing of materials.

In terms of the R-SUD (remanufacturing of single-use medical devices) business, a new business, we will work to streamline the inspection, testing, and remanufacturing processes and speed up the process from application for approval to authorization.

June 2020

Jun-ichi Hoki
President & CEO

Increase of Sales of Major Products in Fiscal 2019 (ended March 2020)

(Unit: Millions of yen, rounded down)



Increasing Production Volume and Enhancing Productivity of Premium Surgical Kit at the New Surgical Kit Plant

The new surgical kit plant, which started operations in 2017 to manufacture Premium Surgical Kit, has the functionality to produce high-quality products safely and in a stable manner both in terms of equipment and operational skills and know-how amid a decrease in workforce due to the progressing aging society with a low birthrate. The plant leverages the Company's long-cultivated know-how, including automation with advanced machines and robots and adoption of a seismic isolation structure as a risk control measure.

In the fiscal year under review, the Company started capital investment for second-phase construction work with an aim to increase the production volume and enhance production efficiency of Premium Surgical Kit for which demand is expected to continue growing going forward. By steadily conducting the second-phase construction work for the new surgical kit plant, HOGY Medical will endeavor to contribute to even higher efficiency and safety of medical institutions.



A panoramic view of Tsukuba Plant



Advanced machines and robots



Premium Surgical Kit

Expanding Overseas Operations in ASEAN Countries

HOGY Medical's global strategy has been implemented with a focus on Indonesia. P.T. HOGY Indonesia, a local subsidiary, is an important production base serving as the symbol of the Company's global strategy. The No. 1 Plant and No. 2 Plant have obtained ISO 13485:2016 certification, the international standard for quality assurance of medical devices by the International Organization for Standardization (ISO). As such, the subsidiary has established its presence as one of the world's leading production plants for surgical-use non-woven products. Given the increasing trend of labor costs, meanwhile, efforts are being made to improve productivity by continuously promoting labor-saving and automation of the plant. Internal manufacturing of medical supplies will also be further promoted to contribute to higher profits.

HOGY Medical Asia Pacific Pte. Ltd., a Singaporean joint venture with Mitsubishi Corporation established in August 2018, is working to obtain approval and authorization for such products as Premium Surgical Kit and SECUREA in ASEAN (Association of Southeast Asian Nations) countries. With such development as clinical trials of Premium Surgical Kit scheduled at large national hospitals in Singapore, etc., the company, together with P. T. HOGY Medical Sales Indonesia, a sales sub-subsidiary, will continue to conduct sales activities proactively for major hospitals in the ASEAN countries, aiming to expand the business.



HOGY Medical Asia Pacific Pte. Ltd.



P.T. HOGY Indonesia No.1 Plant and No.2 Plant

Applications for Approval Being Made for the R-SUD Business

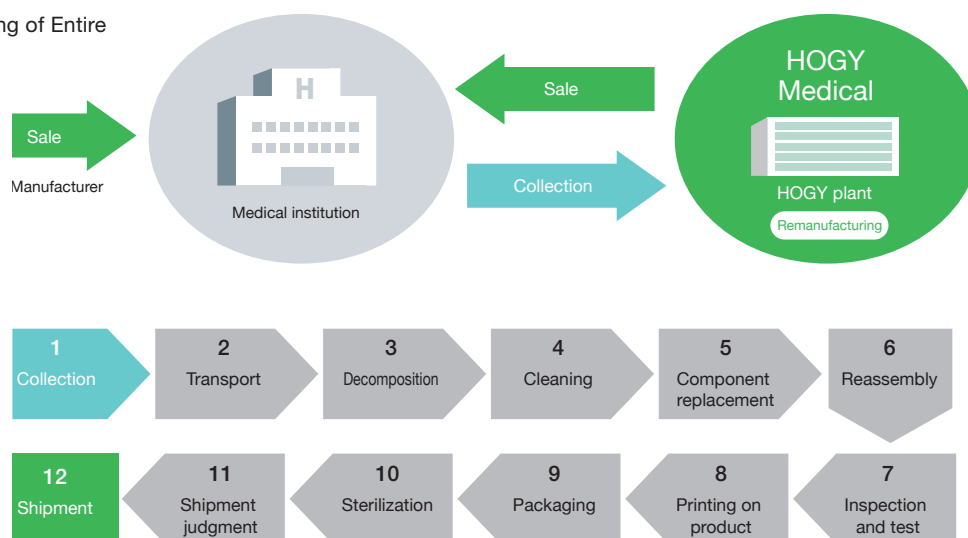
R-SUD (remanufacturing of single-use medical devices) business is a business where the expensive single-use devices (SUDs) of surgical supplies, which are designated to be used only once, are collected by the manufacturers after they are used and, undergoing such processes as inspection, decomposition, cleaning and sterilization, are remanufactured and sold as SUDs of the same use.

In Japan, the Ministry of Health, Labour and Welfare announced in July 2017 the creation of a new system regarding R-SUDs, and relevant laws and regulations were subsequently established. The Ministry has two reasons to promote R-SUD: reducing soaring medical expenses (coping with soaring costs of medical supplies and higher labor costs due to manpower shortage) and securing safety. R-SUDs will also lead to effective use of resources and protection of the environment. As such, demand for R-SUDs is projected to grow domestically.

HOGY Medical has undertaken partial refurbishment of Miho Plant No. 1 and is promoting streamlining of the inspection, test and remanufacturing processes and speeding up the process from application for approval to authorization. Application for approval is being made, starting with products for which preparations are completed. Three applications were made by the end of the fiscal year under review.

In response to the expected integration of advanced acute-phase hospitals and acute-phase hospitals and the accompanying concentration of surgical operations as well as labor force reduction, HOGY Medical will make proposals for further enhancement of the efficiency of hospital management in pursuit of its Supply Chain Management (SCM) concept in which all medical supplies required for surgeries, including Premium Surgical Kit and R-SUDs, are delivered just in time.

Illustrative Drawing of Entire R-SUD Business



Dividends for the Fiscal Year Ending March 2021 Planned to Be Another Record High

As its basic policy with respect to profit appropriation, HOGY Medical has focused on the dividend policy of returning profits to our shareholders actively and on a continual basis, taking into account our corporate motto of “ensuring harmonious coexistence with customers, shareholders, employees and corporations” that it has fostered since inception. Moreover, to ensure that the fruits of performance are swiftly returned to shareholders, HOGY Medical conducts payment of quarterly dividends.

As for dividends for the fiscal year ended March 2020, HOGY Medical paid ¥16.5 for each quarter, or ¥66 in total

for the entire year (up ¥2 year on year), achieving record-high dividends.

The consolidated performance forecasts for fiscal 2021 ending March 31, 2021, are net sales of ¥38,700 million (up 3.9% from the previous fiscal year), operating income of ¥6,400 million (up 20.6%), ordinary income of ¥6,830 million (up 17.9%) and profit attributable to owners of parent of ¥5,300 million (down 4.2%). As for dividends, we plan to pay ¥17.0 for each quarter, or ¥68 in total for the entire year, up ¥2 year on year.

Increases Sales of Premium Surgical Kit Planned by Making Proposals on Work-Style Reform and Medical Safety

At present, under the significant impact of the spread of COVID-19, medical institutions are obliged to cope with establishing and reinforcing the medical system for infection prevention measures. In this regard, a variety of problems have surfaced, including a worsened management environment, shortage of human resources, and concerns about stable purchase of materials.

In addition, reorganization and integration of hospitals have started to emerge for realizing the Regional Healthcare Vision toward 2025, when the baby boomer generation will become 75 years or older, as exemplified by the Ministry of Health, Labour and Welfare publicizing a list to call for the necessity to discuss reorganizing and integrating public hospitals, etc.

The fiscal 2020 revisions to medical service fees determined to decrease fees as a whole, partly impacted by the severe financial condition of the government. While pharmaceutical prices and materials took a downward turn, the main portion was raised by 0.55%, including the portion for promoting work-style reform. As such, it is presumed that expenses will be increasingly allocated to measures the government promotes.

Given such changes in the business environment, work volume will further increase going forward and surgeries will concentrate on certain hospitals. Accordingly, for acute-phase hospitals that are forced to respond to enhancing efficiency, HOGY Medical is proactively making proposals of Premium Surgical Kit, which increases efficiency of surgery-related work, as a tool contributing to work-style reform and medical safety.

HOGY Medical's Premium Surgical Kit is an all-in-one kit in which medical supplies necessary for different types of surgery are set in appropriate orders, allowing for surgery preparation to be carried out in an easy and consistent manner.

As it significantly reduces the picking work before surgery so that the preparation time can be shortened, Premium Surgical Kit greatly contributes to addressing the shortage of human resources and work-style reform at medical institutions, such as conducting surgeries with a smaller number of people and reducing overtime work.

In terms of safety, Premium Surgical Kit allows preparations to be made immediately before surgery, as necessary medical supplies are set in the order they are used. Accordingly, it can prevent opened medical supplies from being left unused for a long time.

Moreover, in terms of production, Premium Surgical Kit is manufactured as much as possible through automation by robots without human involvement so that

the number of adhesive bacteria and the risk of foreign matter are reduced and human errors can be prevented. As such, the product contributes to medical safety both in terms of use and production.

As for sales results in the fiscal year under review, the cumulative sales of Premium Surgical Kit and Blister kit totaled ¥10,308 million (in contrast to ¥2,604 million in the previous fiscal year), and they have become the mainstay products of the Group. This achievement resulted from making proposals on work-style reform and medical safety by using Premium Surgical Kit, and making proposals centering on the types of surgeries for which the product may prove particularly effective. In the fourth quarter of the fiscal year, the composition ratio of Premium Surgical Kit and Blister Kit within the Surgical Kit products was 48.5% by sale and 32.4% by volume, indicating steady growth.

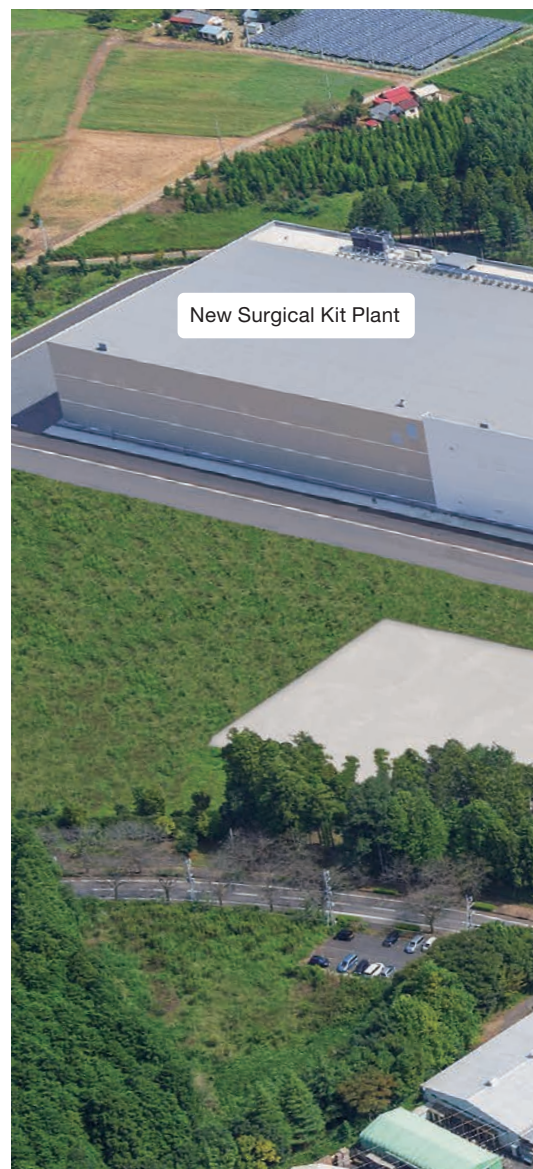
Going forward, HOGY Medical will continue to focus on making proposals on management improvement through the introduction of Surgical Kit centering on Premium Surgical Kit, especially for advanced acute-phase hospitals and acute-phase hospitals, in an effort to contribute to work-style reform and medical safety at medical institutions. Moreover, taking into account the possibility of manpower shortage accelerating at medical institutions, HOGY Medical will proactively reinforce and expand proposals of Premium Surgical Kit as a solution for enhancing management efficiency, contributing to stable supply, more efficient preparation of surgeries and improved safety. In addition, the Company will take the trend of hospital reorganization and integration based on the Regional Healthcare Vision as a major opportunity and work on a variety of measures with an approach of anticipating changes and always taking the initiative.

Response to Stable Supply of Infectious Disease Protection Products

The Group has continued to provide non-woven fabric products for a long time. Under the impact of COVID-19, the importance of stable supply of infectious disease protection products, which have been inadequate globally, is recognized again. With this in mind, in an effort to fulfill its responsibility and role as Japan's leading manufacturer and especially to solve the shortage of medical supplies at medical institutions, HOGY Medical will expand and increase production of non-woven fabric products, including surgical gowns, at P.T. HOGY Indonesia to realize more stable supply.

New Surgical Kit Plant Supplies High-Quality Premium Surgical Kit in a Safe and Stable Manner

The Tsukuba Plant aims for a higher level of safety, “no product defects” through full automation, and speedy shipment and delivery to reduce the inventory load of our customers. The already fully automated sterilization center and distribution depot have been connected to the new plant to create an integrated production and shipping line. Moreover, HOGY Medical has constructed a new plant in order to stably supply Premium Surgical Kit with higher safety and quality. Leveraging our long-cultivated know-how, we have automated most of the plant with advanced machines and robots. It is a plant equipped with facilities, equipment and processes to safely and stably produce high-quality products that support the medical front lines that are in a stage of reform. Production by advanced robots reduces artificial mistakes, such as errors in placing supplies into kits, and lowers the possibility of bacterial adhesion and foreign matter contamination that may occur through manual work. The building adopted a seismic isolation design that is expected to withstand earthquakes with a seismic intensity of 7 and under which tremors caused by earthquakes are less likely to be transmitted. This is expected to help prevent robots from falling over or other accidents, securing a situation in which production can be conducted even immediately after an earthquake.

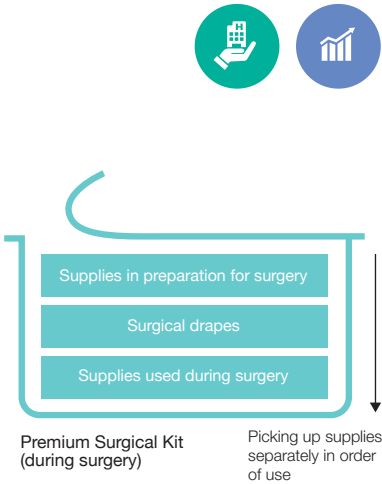




Premium Surgical Kit

All-in-One Surgical Kit Significantly Contributes to Enhanced Efficiency and Safety

Conventional Surgical Kit is compiled with only the medical supplies needed during surgery, and the supplies needed before and after surgery have to be picked separately. In contrast, HOGY Medical's Premium Surgical Kit is an all-in-one kit product that contains all the medical supplies needed before, during and after surgery in one package, enabling safe and smooth opening by anyone. This allows the Premium Surgical Kit to significantly contribute to enhancing efficiency and safety through work-style reform by greatly reducing the preparation work before surgery and through the standardization of work procedures. Moreover, it also contributes to an increase in the number of surgeries by saving time as well as greater earnings in accordance with the time saved.



Comparison Between Regular Surgical Kit and Premium Surgical Kit

	Regular Surgical Kit		Premium Surgical Kit
Production	Manual picking and packaging		Production by robots <ul style="list-style-type: none">• Reduce risks of foreign matter inclusion• Prevent human errors• High level of cleanliness
Delivery period	14 to 30 days after receiving order		5 days after receiving order <ul style="list-style-type: none">• Reduce inventory• Shorten the period for detail changes
Counter-earthquake measures	Earthquake-resistant structure		Seismic isolation structure <ul style="list-style-type: none">• Stable supply possible immediately after occurrence of earthquake
Packaging form	Entirely covered with non-woven fabrics		Transparent packaging <ul style="list-style-type: none">• What is contained can be checked before opening
	All contained supplies can be opened at a time		Individual packaging in accordance with the use sequence <ul style="list-style-type: none">• Can be opened in a wide space
	Sequence of surgical drapes can be designated		Sequence of surgical drapes and position of setting materials can be designated <ul style="list-style-type: none">• Keeps cleanliness at a higher level• Surgical drapes can be deployed without considering their sequence
Flattening of preparation procedures	Need to transfer on the equipment stand several times		Clean supplies are taken out after setting the equipment <ul style="list-style-type: none">• No risk of the sequence of surgical drapes changed• No need to remember the sequence of surgical drapes• Reduce stress of doctors and nurses during surgery
Countermeasures against load shifting	There were risks of load shift when opening		Adopted packaging less prone to load shifting <ul style="list-style-type: none">• Reduce the need to care contamination• Reduce losses in supplies and time
Opening efficiency	5 processes		3 processes <ul style="list-style-type: none">• Reduce preparation time by 8 minutes on average per case
Expansion of coverage	Packaging that puts the kit contents together as one		Individual packaging subdivided by scene <ul style="list-style-type: none">• Reduce preparation time• Review SPD and other operations• Can be managed by a small number of people

Major Characteristics of Blister Containers

Improving the packaging form using blister containers provides enhanced convenience.

- Transparent package makes it easy to check the contents
- To be opened easily by adopting the easy-peel method
- Designed not to collapse easily when it is opened
- Can be moved in bulk with the supplies kept in packages
- Adopts a tough film that is soft but cannot be split by hand
- Empty blister containers can be used as trays

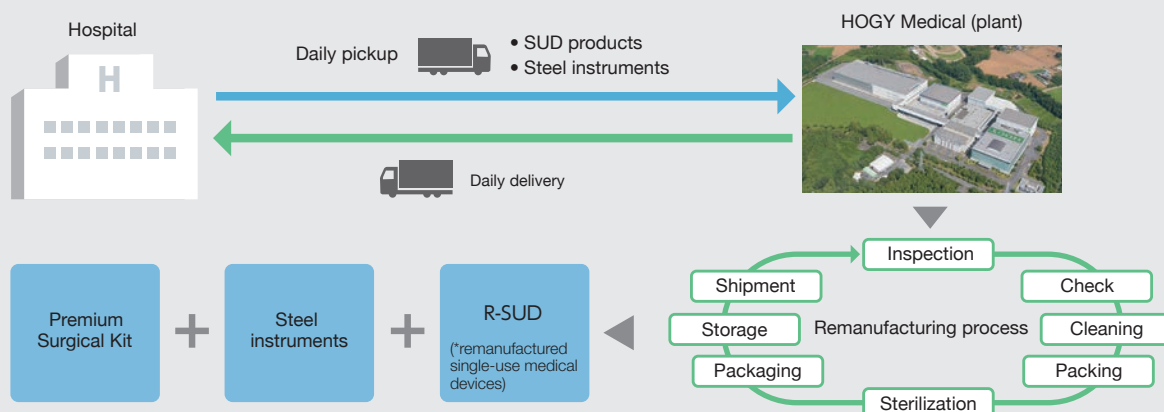


What the Premium Surgical Kit Can Provide

- ☑ Contribution to “work-style reform” at medical institutions by decreasing duties and reducing overtime and early morning work of medical staff.
- ☑ Increase in surgical profit margin can be expected as more time can be spent on surgeries by reviewing the loss of inventory and the time for indirect operations.
- ☑ Products can be used safely because the number of adhesive bacteria and the risk of foreign matter are reduced since production is done only by robots.

Aim for Medium- to Long-Term Strategical Supply Chain Management (SCM) Concept

We aim to make proposals for further hospital management reform to advanced acute-phase hospitals and general acute-phase hospitals where the number of surgeries is expected to increase in the future. These are conducted with the goal of our Supply Chain Management (SCM) concept in which all the medical supplies required for surgeries, including Premium Surgical Kit and R-SUDs (remanufactured single-use medical devices), are delivered just in time.

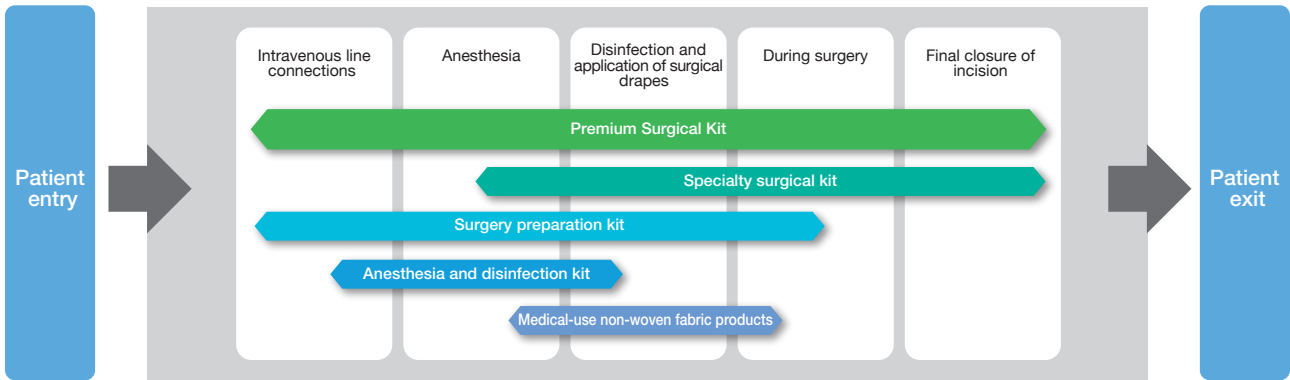


Surgical Kit



Offering Full Sets of Surgical Supplies for Use in Operating Rooms, “Surgical Kit” Pursues Safety and Rationality

With HOGY Medical's Surgical Kit products, once the kit package is opened, surgery preparation can be started immediately, thus greatly reducing preparation labor and time. Introducing the Surgical Kit products also makes it possible to reduce workload and mitigate risks, including prevention of human errors and prevention of in-hospital infections.



Sterilization Pouch



Our Sterilization Pouch Known as the “Mekkin Bag” is the Recognized Name Among Sterilization Pouch Products.

The material used for sterilization pouches must be permeable to the sterilizing steam or gas while also being able to keep the contents of the pouch sterile for long periods of time. HOGY Medical developed a paper with a special micro-structure to achieve these diametrically opposed objectives, and launched the Sterilization Pouch in 1964. It became a major contributor to the prevention of in-hospital infections. The high sterilization characteristics and the convenience of use led to a rapid rise in demand. Our Sterilization Pouch known as the “Mekkin Bag” is presently the name recognized among sterilization pouch products in Japan. The history of the Sterilization Pouch may be called the history of HOGY Medical.



Medical-Use Non-woven Fabric Products



Non-woven Fabric Products Featuring Both Greater Safety and Functionality

Since the launch of sales in 1972, we have endeavored to improve and evolve our medical-use non-woven fabric products in order to contribute to preventing hospital-acquired infections. The products are light enough to support surgery without impediment, withstand intensity for a length of time and easily aerate with high barrier performance, and maintain all these features at a high level. Our production lines not only make it possible to supply customized medical-use non-woven fabric products that meet the demand of medical centers, but also provide a guarantee of better functionality and safety to medical centers.



Healthcare-related Products



Providing Various New Products and Tools to Support Healthcare Operations

HOGY Medical has a track record and history of starting with the manufacturing and sale of recording paper for medical instruments. Even now, the Company is developing and providing a variety of new products and tools that support healthcare operations, including containers for steel instruments, SECUREA™ (a sponge for endoscopic surgery) and HOGY PGA Suture (synthetic absorbable suture threads), in an effort to achieve functions that are sought on the medical front lines.

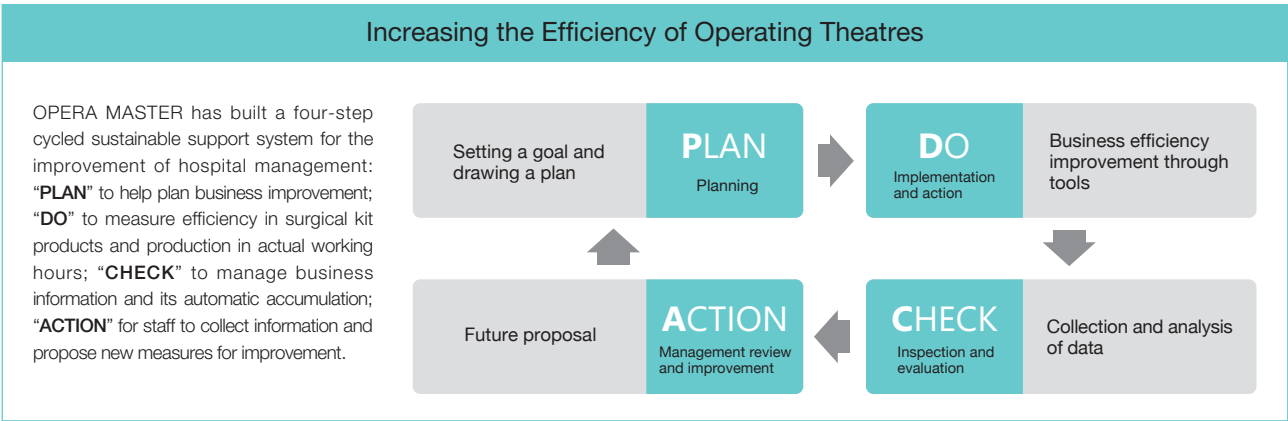
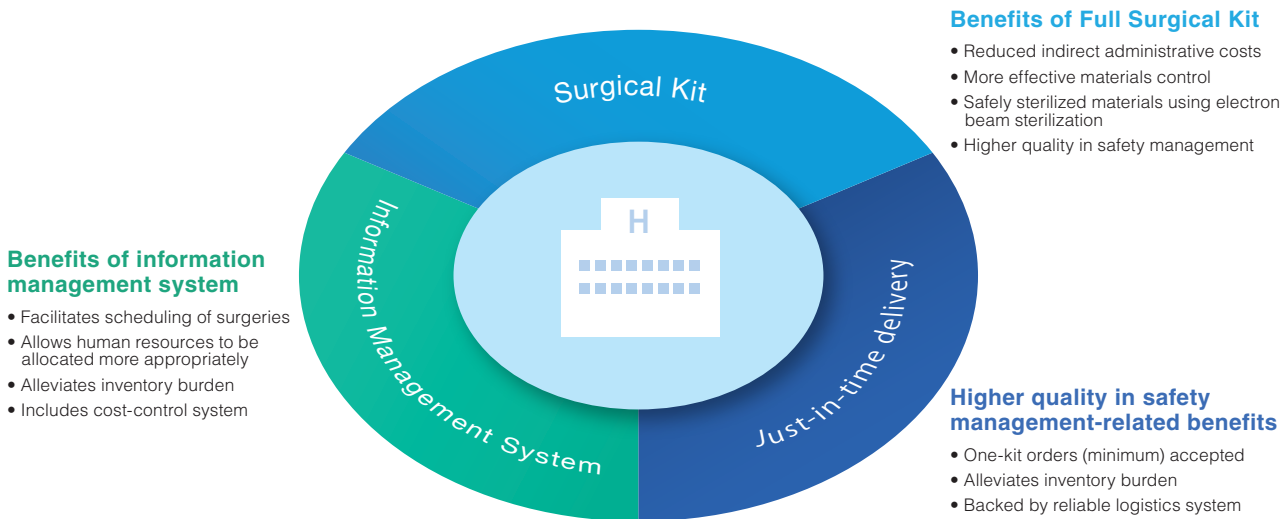


OPERA MASTER



A Comprehensive System of Surgical Kit, Logistics and Information Management Aiming to Enhance Profits and Security and Raise Operating Efficiency

Launched in April 2004, OPERA MASTER is a unique system based on Surgical Kit, logistics, and information management. Surgical Kit, which constitutes the core of the system, is of benefit to surgeons as it helps raise efficiency and save labor in the operating theatre while boosting the safety of surgical procedures. Eliminating the need to control materials in single units, OPERA MASTER also contributes to higher operating efficiency of hospitals. On the logistics side, the system of delivery by the day before surgical procedures helps alleviate the inventory burdens of medical institutions. Moreover, through OPERA MASTER, we provide useful information about controlling costs in the operating theatre. As a result, complex cost accounting is simplified, and operating theatre productivity is enhanced.



Operating Room Management Service



Realizing More Efficient Cost Management by Continuously Collecting Information and Reducing Workloads

“Operating Room Management Service,” a new service, adds various data collection tools to the existing OPERA MASTER and provides a mechanism whereby the data collected is used to grasp the status of operating theatre staff as well as the cost of surgical procedures comprehensively and accurately. Moreover, suggestions are offered based on the accumulation and analysis of the obtained data to increase the efficiency of the operating theatre.

A major feature is the function of analyzing actual records stored by the hardware system. By visualizing operating theatres, the service aims to thoroughly eliminate waste and irregularities to achieve more efficient management. It realizes more efficient cost management by continuously collecting information and reducing workloads. This enables operations while grasping the status of revenues.



Time Management

Time management of operating theatre by standardizing procedure plans and appropriately arranging staff shift schedules. Creates a system that enables anyone to prep for surgical procedures accurately, securely and quickly.



Tag



ME Machine Management Function

Inventory Management

Reduces time and effort in inventory management with a system that accurately manages receipt and payment of materials. Supports the prevention of claim errors through collective management of purchases, usage and claims.



Digital picking system



Surgical Kit

Cost Management

Collects data from each surgical procedure and thoroughly covers cost management. Analyzes and proposes improvement directly connected to the improvement of management.



Various analysis tools

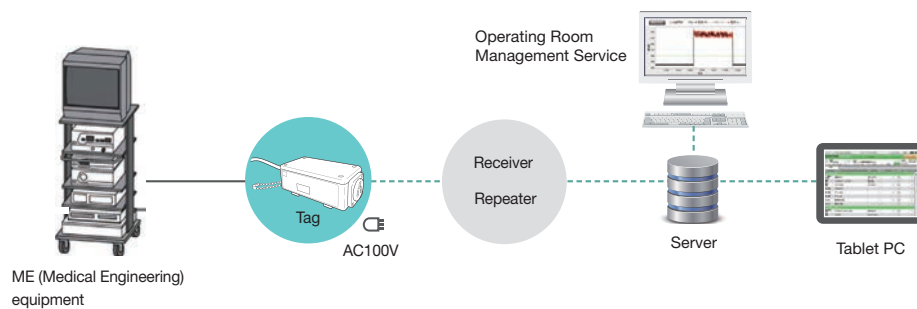


ME Machine Management Function



Enhancing Safety Management of ME (Medical Engineering) Equipment and Contributing to Strategic Implementation of Management

The ME (Medical Engineering) Equipment Management Function, a function of the Operating Room Management Service, has been developed to automatically collect and analyze information on the use and maintenance of medical engineering equipment so that the results can be utilized in hospital management. Dedicated BLE tags record the status of operations and positions of medical equipment within the hospital. The collected information is accumulated in the dedicated server of the Operating Room Management Service, making it possible to produce a variety of reports. The ME Equipment Management Function manages and apprehends the status of hundreds of ME devices used in a hospital by monitoring their use status and locations around the clock, assisting in the conducting of strategic hospital management.



OPERA-Note (OPENO)



Contributing to Medical Safety by Using a Cloud Service to Quickly Share In-Hospital Information

OPERA-Note (OPENO) is a tool that enables the sharing, arrangement and management of nursing knowledge in the context of surgery, utilizing a cloud service to gather information. By facilitating access via smartphones and tablets, it enables information sharing in accordance with each staff member's lifestyle regardless of time or place. OPENO not only decreases the burdens associated with organizing information and communication, but also makes it possible for nurses to share visual information through photographs and videos. In addition, it makes it easier to update and manage documents, as well as record and analyze in an educational context. It provides many benefits to the medical field including the streamlining of operations, visualization of steps, enhancement of education, and medical safety.



OPERA-Note

EMARO® (Endoscope Holder)



The Endoscope Holder Achieves a High Level of Safety and Superior Operability

In endoscopic surgery currently conducted at medical institutions, the camera assistant (scope operator) operates the endoscope according to verbal instructions from the surgeon. This not only requires the assistant to fully understand the details of the surgery and be highly skilled, but to be able to smoothly communicate with the surgeon. EMARO® enables the endoscope to be operated intuitively by installing a gyro sensor on the head of the surgeon to detect the head's movements. This allows the surgeon to perform surgery with his or her hands free and without having to give verbal instructions to the camera assistant. The pneumatic drive system has achieved high flexibility and controllability by the holder. As shocks are absorbed even if a force is applied from outside to the equipment, surgery can be conducted safely. Moreover, the endoscope holder is superior in safety and operability, as it can move the endoscope at any angle the surgeon desires, allowing it to move vertically and horizontally as well as to rotate and enlarge or reduce the size of the images around the affected areas.



“SuReFlnd”



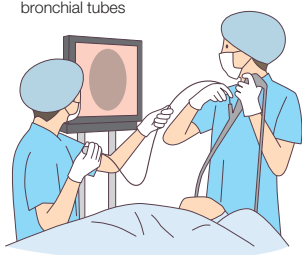
Assisting in More Secure Execution of Precise Excision of Small-Cell Lung Cancer

“SuReFlnd” has been developed to assist in the precise excision of small-cell lung cancer in pneumonectomy operations. A microscopic IC tag applying RFID (Radio Frequency Identification) technology is placed on the area with cancer via the bronchoscope channel. The positioning of the IC tag is registered along with an ID number using an app. During operation, the IC tag can be detected on the lung surface using a surgical antenna and it can help surgeons to determine the extent of resection. As the performance of diagnostic devices has improved, the detection of small-cell lung cancer has also increased. “SuReFlnd” will solve issues related to treating lung cancer that are expected to increase in the future.



Placement before surgery

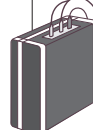
Placement IC tag in the bronchial tubes



Detection during surgery

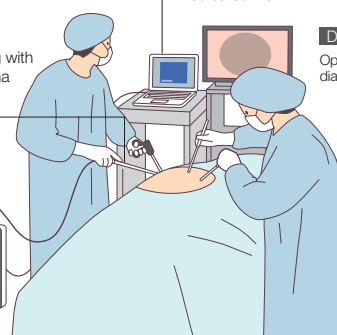
Doctor
Detect the IC tag with a surgical antenna

Antenna for surgery
Tag reader for surgery



Dedicated PC

Doctor
Operation with the diagnostic devices



Environmental Friendliness, Commitment to Society and Corporate Governance of HOGY Medical

As stated in its corporate mission of “fostering medical progress and promoting the health and happiness of people through its business activities, thus contributing to social prosperity,” the Company makes it the basis of its management policy to contribute to medical care through its business operations and eventually make society better. In order to fulfill its social responsibilities, HOGY Medical will conduct environmental preservation activities and contribute to society through its business operations, as well as enhance the transparency of management by always enhancing corporate governance.



Reduction of Medical Expenses, Protection of the Environment and Effective Use of Resources

R-SUD Business (remanufactured single-use medical devices)

The R-SUD business is a business where the single-use devices (SUDs) of surgical supplies are collected after they are used and, undergoing such processes as inspection, decomposition, cleaning and sterilization, are remanufactured and sold as SUDs of the same use.

In Japan, the Ministry of Health, Labour and Welfare announced creation of a new system regarding R-SUDs on July 31, 2017, and relevant laws and regulations were established subsequently. R-SUDs are expected to prove effective for reducing costs at medical institutions, and will also lead to effective use of resources and protection of the

environment. As such, demand for R-SUDs is projected to grow domestically.

As part of its medium-term strategy, the Company is undertaking inspections and tests to apply for approval and authorization of the R-SUD business, which should make significant contributions to reduction of medical expenses, medical safety, protection of the environment and effective use of resources, in line with the Premium Surgical Kit sales it currently pursues.

Environmental Preservation Activities for Local Communities

Eco Project for the Firefly

HOGY Medical is also dedicating efforts to environmental conservation activities. Since 2009, the Company has been engaged in the “Eco Project for the Firefly” initiative to redevelop and restore deserted farm land, or wetlands known as yatsuda, as rice paddies in collaboration with the Asaza Fund, an NPO, and the Ushiku City government. Yatsuda serves the important role of water purification as the Ushikunuma water source along with the neighboring satoyama (managed woodlands or grasslands near human settlements). A variety of living things, such as killifish and frogs, are still found there today. However, much of the area has been abandoned due to its location being between low mountains and due to farming cost issues and acreage reduction.

It is under such circumstances that the Company commenced the project to rent 1.7 hectares neighboring its Tsukuba Plant from the City of Ushiku to cultivate pesticide-free rice and restore the deserted farm land to what used to be a rice paddy landscape. Asaza Fund provides guidance for supplying water through a channel, cultivating rice, etc., and HOGY Medical's employees and their families are participating to provide the labor. While aiming to restore and preserve the ecosystem, the project offers a good venue of exchange with the local community through the agricultural experience of planting and harvesting rice.



Basic Approach to Corporate Governance

Placing emphasis on its shareholders and always considering their interests, HOGY Medical has established a system to ensure that corporate governance functions sufficiently.

1 Overview of Corporate Governance System

HOGY Medical has a six-member Board of Directors, two being outside directors, to make quick business decisions under the management of a select number of people. The Board of Directors holds a meeting once a month on the sixth business day as a general rule, at which important matters are always on the agenda. Business progress is also discussed and measures, etc. are considered.

In addition, an executive officer system has been introduced to clearly separate the strategic decision-making and operation supervisory functions of the Board of Directors from the operation execution function of the executive officers and thereby form a structure that enables quick response to changes in the business environment. A management meeting with the executive officers is held on the business day following a meeting of the Board of Directors as a general rule, at which each department provides a status report, and concrete measures, etc. are decided through discussion.

HOGY Medical has a three-member Board of Auditors, two being outside auditors, and conducts audits of execution of duties by the directors. Each auditor attends important meetings, receives reports from the directors, etc., peruses important approval documents and conducts investigations of subsidiaries, etc. The Board of Auditors, which comprises all auditors, determines the audit policy, etc. and receives reports on audit situations from each auditor. The Board also strengthens mutual coordination with the Independent Accounting Auditor, such as receiving reports on audits from the latter at any time and exchange information, as necessary.

The subsidiaries located in Indonesia have implemented policies tailored to the region from the beginning, and are managed by seven directors consisting of three members from Japan and four members from Indonesia. Financial data and other required materials are fully reported to HOGY Medical to ensure that audits can be carried out as needed.

2 Reason to Adopt the Corporate Governance System

HOGY Medical has adopted the ongoing system in order to quicken decision-making for executing operations as well as to secure corporate governance.

3 Status of Maintenance of Internal Control System

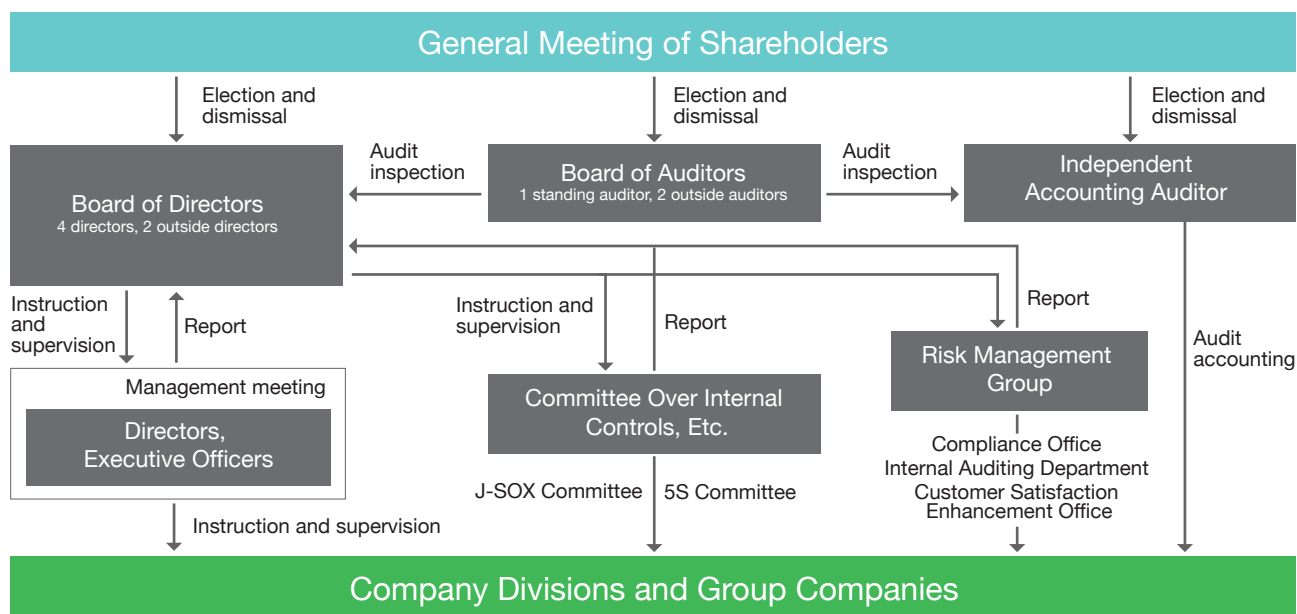
HOGY Medical has an internal control system as a system for ensuring the appropriate execution of business by clarifying the authority and responsibility of each duty, while also incorporating a mutual check-and-balance system into the business process to implement appropriate division of duties. The Company also recognizes the necessity to review the system as appropriately and endeavor to improve and reinforce it. The Board of Directors has established the Committee Over Internal Controls, Etc. and the Risk Management Group (the organizations responsible for establishing a system for internal control, compliance and risk management, and for examining, improving, etc. this system; the same applies hereinafter). The Committee Over Internal Controls, Etc. is chaired by the President of HOGY Medical, and the J-SOX Committee and the 5S Committee have been set up under the Committee Over Internal Controls, Etc. A regular meeting is held once a month and all activities are reported to the Board of Directors.

4 Status of Maintenance of Risk Management System

Concerning risk management, HOGY Medical recognizes the importance of preventing damage from occurring or expanding by appropriately analyzing and managing the risks surrounding the Company, and also maintaining and strengthening the trust that clients and investors, etc. have in the Company, in order to enhance corporate value in a rapidly changing environment. The Board of Directors identifies and assesses the risks that could impact the operating performance, stock prices and financial position, etc. of HOGY Medical and takes measures against such, and also maintains a system of prevention in ordinary circumstances. The Committee Over Internal Controls, Etc. and the Risk Management Group work together with the Board of Directors to maintain a system of prevention of risks and, in the event that a certain risk does occur, prevent such from expanding and take measures to prevent recurrence. Specifically, the Committee Over Internal Controls, Etc. and the Risk Management Group assist the directors and the Board of Directors to build a risk management system in each department and, where needed, formulate and thoroughly inform about the regulations, etc. In addition, risks are extracted from each department and reported to the Board of Directors, and measures are also taken to reduce such risks. Furthermore, the Company has a whistleblowing system for prevention of illegal or wrongful acts by those employed by the Company, and also for early detection and necessary measures to be taken.

5 Status of Maintenance of the System to Secure Appropriate Operations by Subsidiaries

- The Board of Directors shall establish the basic policy and operation policy to secure appropriateness of operations by HOGY Medical's subsidiaries and execution of duties by the subsidiaries' directors through regulations and other measures.
- The Board of Directors shall establish a system within the Group to secure appropriateness of operations by HOGY Medical's subsidiaries and execution of duties by the subsidiaries' directors. The Board of Directors shall receive monthly reports from the subsidiaries and, as needed, provide guidance to them.
- The auditors and the Board of Auditors shall establish a system of close coordination between HOGY Medical's subsidiaries and the Independent Accounting Auditor to ensure that audits regarding the consolidated management of the Group including subsidiaries are conducted effectively and appropriately.



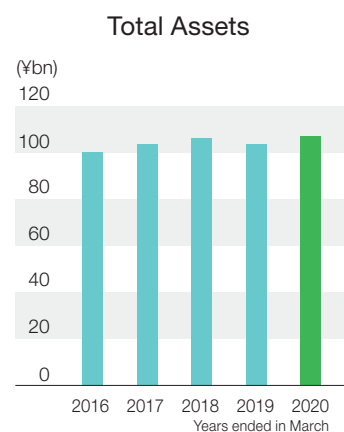
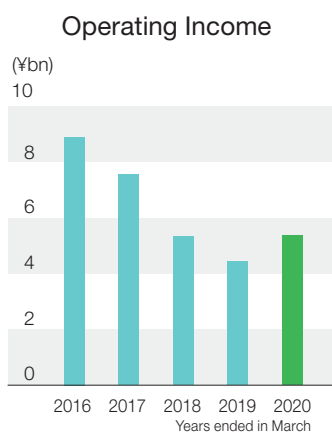
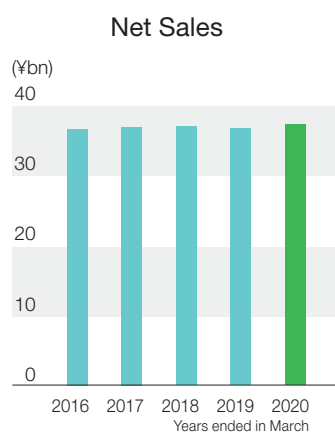
*As of June 23, 2020

	Years ended March 31,					
	2020	2019	2018	2017	2016	2020
			(Millions of yen unless indicated otherwise)			(Thousands of U.S. dollars)
Income Statement Data						
Net sales	37,232	36,658	36,918	36,859	36,568	342,119
Operating income	5,307	4,382	5,273	7,443	8,784	48,771
Profit before income taxes	7,725	8,499	7,583	8,422	8,743	70,984
Profit attributable to owners of parent	5,529	6,043	5,262	5,786	5,910	50,440
Balance Sheet Data						
Common stock	7,123	7,123	7,123	7,123	7,123	65,453
Additional paid-in capital	8,336	8,336	8,336	8,336	8,336	76,597
Total net assets	93,921	91,404	94,063	89,629	87,610	863,008
Total liabilities and net assets	106,664	103,327	106,153	103,196	99,963	980,097
Property, plant and equipment, net	51,851	45,944	47,891	51,986	49,742	476,440
Cash Flow Data						
Net cash provided by operating activities	10,295	7,446	8,367	10,066	6,809	94,601
Net cash used in investing activities	(9,194)	1,627	(1,807)	(3,868)	(15,669)	(84,487)
Net cash used in financing activities	(1,989)	(6,958)	(1,945)	(1,877)	(1,811)	(18,281)
Cash and cash equivalents at end of year	22,658	22,903	20,840	16,244	11,993	208,201
(yen)						
(U.S. dollars)						
Per Share Data						
Profit attributable to owners of parent:						
Basic	183.07	198.31	168.04	184.53	187.90	1.68
Diluted	—	—	—	—	—	—
Net assets	3,104.33	3,027.43	3,002.44	2,863.12	2,784.89	28.52
(Millions of yen, unless indicated otherwise)						
(Thousands of U.S. dollars)						
Key Financial Data						
Capital expenditures	10,144	1,913	4,077	5,844	15,784	93,210
Depreciation expenses	5,283	5,631	6,235	4,409	3,376	48,544
R&D expenses	607	789	430	485	403	5,578
Equity ratio (%)	87.96	88.45	88.36	86.85	87.64	—
Return on equity (%)	5.97	6.52	5.73	6.53	6.92	—
Price/earnings ratio (times)	18.38	19.69	25.56	18.99	16.07	—
Number of shares issued (thousands)	32,682	32,682	32,682	32,682	32,682	—
Number of employees at year-end*	1,538	1,502	1,472	1,489	1,521	—
	(518)	(581)	(680)	(716)	(668)	

Note: 1. The U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥ 108.83 = U.S.\$1.00, the rate of exchange on March 31, 2020.

2. The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, profit per share and net assets per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2016.

* The number of employees is the size of the employed population. The annual average number of employees who are on fixed-term employment contracts with consolidated subsidiaries are indicated in parentheses.



Financial Review (Consolidated)

Business Status

Outline of Financial Position, Business Results and Cash Flows

Business Results

In the fiscal year under review, the Japanese economy has continued to show an uncertain outlook due to the increasing impact of the spread of COVID-19 on the economy even amid a growing view of a recession mainly within the manufacturing industry.

As for the healthcare industry, the COVID-19 problem arose when reorganization and integration of hospitals toward realizing the Regional Healthcare Vision started to emerge and the medical front lines were making progress in their work-style reform that was incorporated into revisions to medical service fees. The industry is currently working to its full extent to cope with the spread of the infection that is expanding each day.

Under these circumstances, the Group has proactively made proposals on Premium Surgical Kit, which provides its value of contributing to work-style reform and medical safety, to acute-phase medical institutions that are forced to cope with concentration and higher efficiency of surgeries under the basic policy of the Regional Healthcare Vision set by the government. Since the fourth quarter of the fiscal year under review, in accordance with the spread of COVID-19, all of our employees have endeavored to prevent the spread of infection as our basic approach, placing top priority on stably supplying our products to medical institutions.

Sales of Premium Surgical Kit grew due to wider acceptance of our solution-proposal activities for reducing the work involved in the preparation and process of surgical operations on top of product characteristics including high safety and cost performance. Sales of Surgical Kit as a whole increased year on year despite new sales to planned medical institutions falling short and competition with other companies. As for Other Products, sales of some products increased temporarily due to the spread of COVID-19.

As a result, consolidated net sales for the fiscal year under review amounted to ¥37,232 million, up 1.6% from the previous fiscal year. Sales of Surgical Kit rose 3.0% to ¥22,485 million, of which sales of Premium Surgical Kit totaled ¥10,302 million or up 33.7%, both on a year-on-year basis. In terms of cost of sales, the cost-of-sales ratio improved from the previous fiscal year due to such factors as a decrease in depreciation. Selling, general and administrative expenses decreased from the previous fiscal year as the Company endeavored to use expenses efficiently, among other factors. Consequently, operating income was ¥5,307 million, up 21.1% year on year. Ordinary income was ¥5,791 million yen, up 28.6% year on year, due to subsidy income for the new surgical kit plant from Ushiku City, among other factors. The Company also posted ¥1,942 million in extraordinary income on partial sales of shares (in contrast to ¥3,998 million in the previous fiscal year). Profit attributable to owners of parent was ¥5,529 million, down 8.5% from the previous fiscal year.

Furthermore, HOGY Medical Asia Pacific Pte. Ltd., which in the previous fiscal year was an unconsolidated sales subsidiary, was included in the scope of consolidation, starting in the first quarter of the fiscal year under review.

The presentation of information by reportable segment has been omitted because HOGY Medical is engaged in manufacturing and sale of expendable medical supplies, which are considered to be a single business segment.

Financial Position

At the end of the fiscal year under review, total assets amounted to ¥106,664 million, down ¥3,336 million from the previous fiscal year.

Current assets decreased ¥879 million to ¥43,229 million, due in part to a ¥652 million decrease in notes and accounts receivable

and a ¥226 million decrease in materials and supplies. Of fixed assets, property, plant and equipment increased ¥5,906 million to ¥51,851 million. This was due in part to a ¥8,073 million increase in construction in progress as a result of capital investment in the second-phase construction work of the new surgical kit plant, etc., a ¥270 million increase in buildings and structures, and a ¥2,401 million decrease in machinery, equipment and vehicles net of depreciation. Intangible assets amounted to ¥2,300 million due to a ¥300 million decrease net of depreciation, etc. Investments and other assets decreased ¥1,390 million to ¥9,283 million due in part to a ¥1,334 million decrease in investment securities on mark-to-market valuation. As a result, fixed assets amounted to ¥63,434 million.

At the end of the fiscal year under review, total liabilities amounted to ¥12,742 million, up ¥820 million from the previous fiscal year. Current liabilities increased ¥1,173 million to ¥10,360 million due in part to a ¥1,624 million increase in accounts payable - other with the capital investment in the second-phase construction work of the new surgical kit plant, etc. Long-term liabilities decreased ¥352 million to ¥2,381 million from the end of the previous fiscal year. This was due in part to a ¥370 million decrease in deferred tax liabilities associated with mark-to-market valuation of shares held, etc.

At the end of the fiscal year under review, net assets amounted to ¥93,921 million, up ¥2,516 million from the end of the previous fiscal year. This was due in part to an increase on posting ¥5,529 million in profit attributable to owners of parent, a ¥1,983 million decrease in appropriation of retained earnings and a ¥1,070 million decrease in unrealized gain on other securities on mark-to-market valuation of investment securities, etc.

As a result, the equity ratio decreased from 88.45% at the end of the previous fiscal year to 87.96%. Earnings per share (EPS) decreased from ¥198.31 for the previous fiscal year to ¥183.07. Return on equity (ROE) decreased from 6.52% for the previous fiscal year to 5.97%.

Cash Flows

Cash and cash equivalents at the end of the fiscal year under review was ¥22,658 million, down ¥245 million from the end of the previous fiscal year, due to the following cash flows and an increase in cash and cash equivalents associated with new consolidations:

(Cash Flows from Operating Activities)

Cash flows from operating activities included posting ¥7,725 million in profit before income taxes, ¥5,283 million in depreciation, and ¥1,942 million in gain on sales of investment securities, as well as ¥535 million in increase in accrued consumption taxes and other, ¥641 million in decrease in notes and accounts receivable, and ¥2,590 million in income taxes paid. As a result, net cash provided by operating activities amounted to ¥10,295 million, up ¥2,849 million from the previous fiscal year.

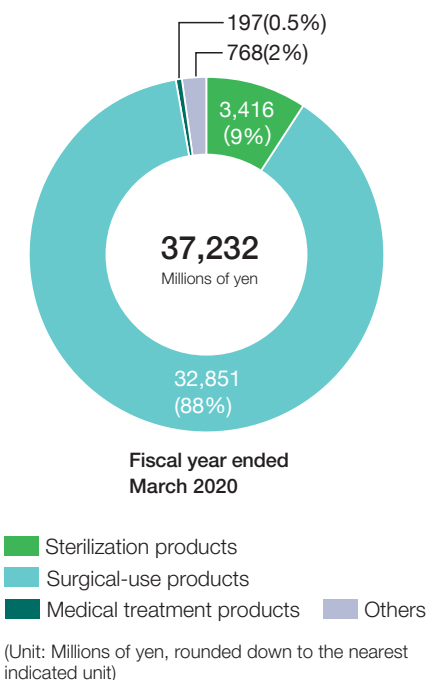
(Cash Flows from Investing Activities)

Cash flows from investing activities included ¥9,767 million in payments for purchase of property, plant and equipment due to capital investment in the second-phase construction work of the new surgical kit plant, etc., ¥1,163 million in payments for purchases of investment securities, and ¥2,356 million in proceeds from partial sales of investment securities. As a result, net cash used in investing activities amounted to ¥9,194 million (in contrast to net cash provided by investing activities of ¥1,627 million for the previous fiscal year).

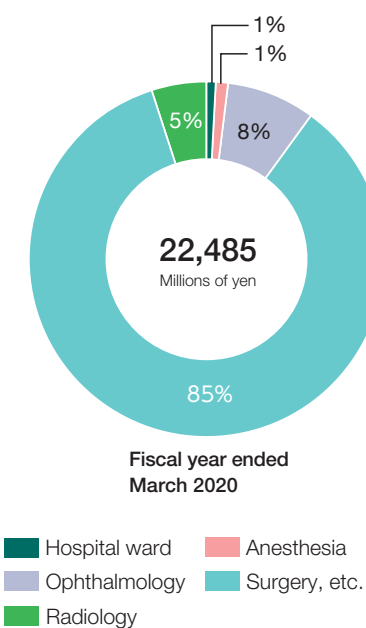
(Cash Flows from Financing Activities)

Cash flows from financing activities included ¥1,984 million in cash dividend paid, ¥110 million in repayments of long-term debt for the trust-type Employee Shareholding Incentive Plan (E-Ship®), and ¥106 million in proceeds from disposition of treasury stock. As a result, net cash used in financing activities amounted to ¥1,989 million, down ¥4,969 million from the previous fiscal year.

Sales Results by Product Category (Entire Fiscal Year)

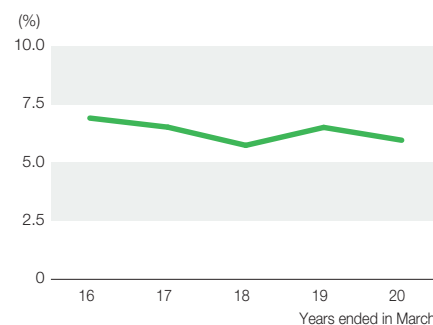


Kit Products Sales Composition Ratio by Clinical Department



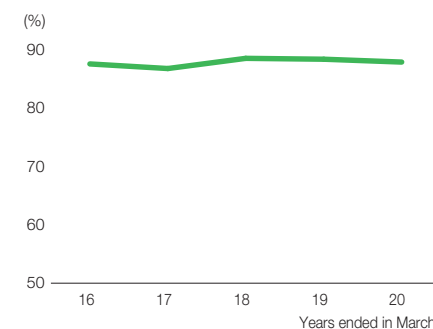
Profitability

Return on Equity (ROE)



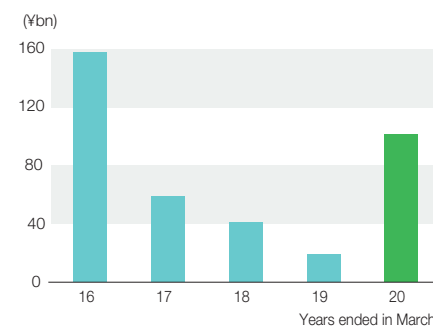
Stability

Equity Ratio



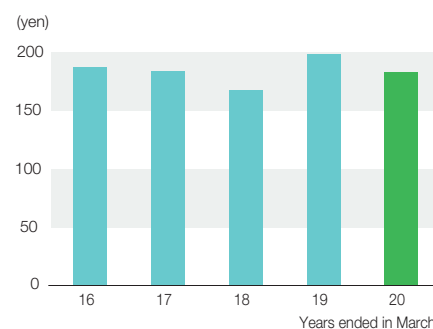
Capital Expenditures and Related Data

Capital Expenditures



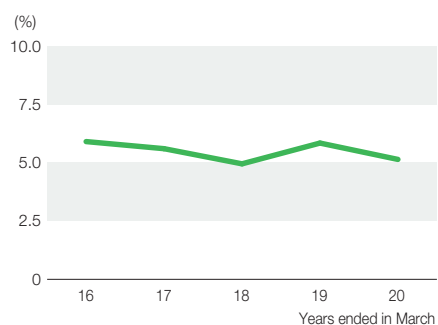
Per Share Data

Earnings per Share (EPS)

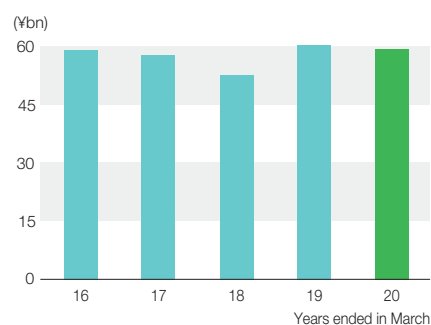


(Note) The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, profit per share is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2016.

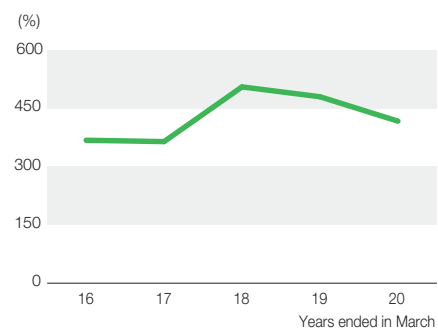
Return on Assets (ROA)



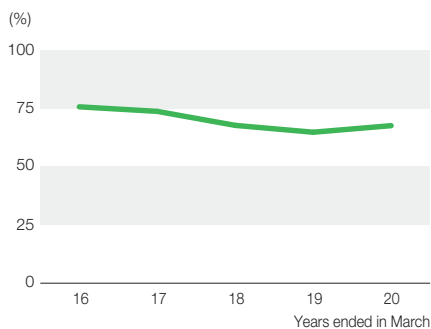
Profit Attributable to Owners of Parent



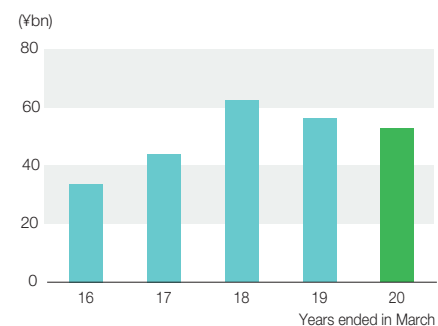
Current Ratio



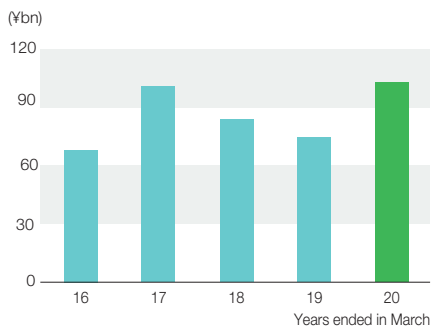
Fixed Ratio



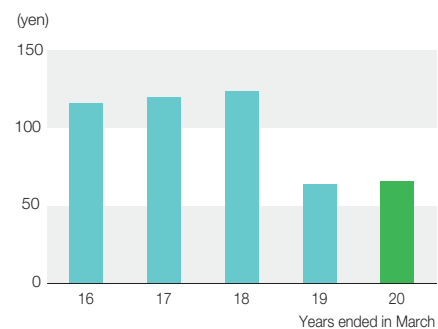
Depreciation Expenses



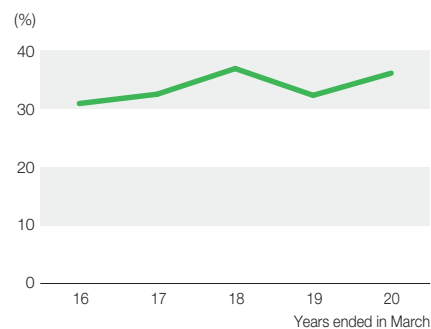
Cash Flows (Operating Activities)



Dividends per Share



Payout Ratio



(Note) The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, the dividends for the fiscal year ended March 31, 2018, was calculated based on the figures before the stock split.

HOGY Medical Co., Ltd. and Subsidiaries
Consolidated Balance Sheet

	As of March 31,		
	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Assets			
Current assets:			
Cash and bank deposits	¥ 23,377	¥ 23,336	\$ 214,806
Notes and accounts receivable	11,352	12,004	104,313
Inventories	7,868	8,290	72,296
Other current assets	631	476	5,802
Allowance for doubtful accounts	(0)	—	(1)
Total current assets	43,229	44,108	397,217
 Property, plant and equipment, at cost:			
Buildings and structures	46,188	44,668	424,408
Machinery, equipment and vehicles	43,289	42,977	397,768
Land	9,604	9,609	88,251
Construction in progress	8,995	922	82,658
Other	5,692	5,340	52,301
	113,769	103,518	1,045,389
Less: Accumulated depreciation	(61,918)	(57,574)	(568,948)
Property, plant and equipment, net	51,851	45,944	476,440
 Investments and other assets:			
Investment securities	7,941	9,275	72,972
Intangible assets	2,300	2,600	21,135
Guarantee deposits	356	350	3,279
Deferred tax assets	168	138	1,547
Other assets	816	908	7,502
Total investments and other assets	11,583	13,274	106,438
 Total assets	¥106,664	¥103,327	\$ 980,097

As of March 31,			
	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable:			
Trade	¥ 4,675	¥ 4,584	\$ 42,961
Construction	572	1,352	5,260
Income taxes payable	1,060	1,394	9,747
Accounts payable – other	2,575	951	23,664
Other current liabilities	1,476	904	13,568
Total current liabilities	10,360	9,187	95,202
Long-term liabilities:			
Long-term debt	175	285	1,613
Deferred tax liabilities	1,232	1,603	11,325
Liability for retirement benefits	468	349	4,306
Long-term accounts payable – other	36	36	331
Other long-term liabilities	468	459	4,309
Total long-term liabilities	2,381	2,734	21,886
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized – 130,000,000 shares			
Issued – 32,682,310 shares	7,123	7,123	65,453
Additional paid-in capital	8,336	8,336	76,597
Retained earnings	83,234	79,770	764,814
Treasury stock, at cost			
2,460,787 shares in 2020 and 2,492,372 shares in 2019	(8,557)	(8,663)	(78,634)
Total shareholders' equity	90,136	86,566	828,230
Accumulated other comprehensive income:			
Unrealized gain on other securities	3,623	4,693	33,292
Deferred gain on hedges	189	127	1,742
Translation adjustments	9	110	90
Retirement benefit liability adjustments	(141)	(101)	(1,299)
Total accumulated other comprehensive income	3,681	4,830	33,825
Non-controlling interests	103	7	952
Total net assets	93,921	91,404	863,008
Total liabilities and net assets	¥106,664	¥103,327	\$980,097

HOGY Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Income

	Years ended March 31,		
	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Net sales	¥37,232	¥36,658	\$342,119
Cost of sales	21,798	21,831	200,298
Gross profit	15,434	14,827	141,820
Selling, general and administrative expenses	10,126	10,444	93,049
Operating income	5,307	4,382	48,771
Other income (expenses):			
Interest income	70	45	647
Interest expense	(1)	—	(9)
Dividend income	70	85	649
Foreign exchange gain (loss), net	36	25	336
Subsidy income	274	—	2,518
Gain (loss) on investments in partnership	(18)	(26)	(168)
Commission for purchase of treasury stock	—	(58)	—
Gain on sales of investment securities	1,942	3,998	17,847
Loss on disposal of property, plant and equipment	(5)	(2)	(47)
Loss on valuation of golf club membership	(4)	—	(38)
Other, net	51	48	476
Other income (expenses), net	2,417	4,116	22,212
Profit before income taxes	7,725	8,499	70,984
Income taxes :			
Current	2,194	2,512	20,167
Deferred	40	(56)	376
Total income taxes	2,235	2,456	20,543
Profit	5,489	6,043	50,440
Profit attributable to non-controlling interests	40	(0)	369
Profit attributable to owners of parent	¥ 5,529	¥ 6,043	\$ 50,810

HOGY Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income

	Years ended March 31,		
	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Profit	¥ 5,489	¥ 6,043	\$ 50,440
Other comprehensive income:			
Unrealized gain (loss) on other securities	(1,070)	(1,881)	(9,838)
Deferred gain (loss) on hedges	61	65	567
Translation adjustments	(100)	(43)	(927)
Retirement benefits liability adjustments	(39)	13	(366)
Total other comprehensive income	(1,149)	(1,846)	(10,564)
Comprehensive income	¥ 4,339	¥ 4,196	\$ 39,875
Total comprehensive income attributable to:			
Owners of parent	¥ 4,379	¥ 4,196	\$ 40,245
Non-controlling interests	¥ (40)	¥ 0	\$ (369)

HOGY Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Net Assets

	Shareholders' equity					
	Common stock		Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	Number of shares	Amount				
	(Millions of yen)					
Balance at April 1, 2018	32,682,310	¥7,123	¥8,336	¥75,680	¥(3,759)	¥87,379
Cash dividends paid	—	—	—	(1,952)	—	(1,952)
Profit attributable to owners of parent	—	—	—	6,043	—	6,043
Purchases of treasury stock	—	—	—	—	(5,001)	(5,001)
Disposal of treasury stock	—	—	—	—	97	97
Other, net change	—	—	—	—	—	—
Net changes during the year	—	—	—	4,090	(4,903)	(812)
Balance at March 31, 2019	32,682,310	7,123	8,336	79,770	(8,663)	86,566
Balance at April 1, 2019	32,682,310	7,123	8,336	79,770	(8,663)	86,566
Cash dividends paid	—	—	—	(1,983)	—	(1,983)
Profit attributable to owners of parent	—	—	—	5,529	—	5,529
Purchases of treasury stock	—	—	—	—	(1)	(1)
Disposal of treasury stock	—	—	—	—	106	106
Change in scope of consolidation	—	—	—	(81)	—	(81)
Other, net change	—	—	—	—	—	—
Net changes during the year	—	—	—	3,463	105	3,569
Balance at March 31, 2020	32,682,310	¥7,123	¥8,336	¥83,234	¥(8,557)	¥90,136

	Accumulated other comprehensive income						
	Unrealized gain on other securities	Deferred gain on hedges	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interest	Total net assets
	(Millions of yen)						
Balance at April 1, 2018	¥ 6,575	¥ 62	¥ 154	¥(114)	¥ 6,677	¥ 6	¥94,063
Cash dividends paid	—	—	—	—	—	—	(1,952)
Profit attributable to owners of parent	—	—	—	—	—	—	6,043
Purchases of treasury stock	—	—	—	—	—	—	(5,001)
Disposal of treasury stock	—	—	—	—	—	—	97
Other, net change	(1,881)	65	(43)	13	(1,846)	0	(1,846)
Net changes during the year	(1,881)	65	(43)	13	(1,846)	0	(2,658)
Balance at March 31, 2019	4,693	127	110	(101)	4,830	7	91,404
Balance at April 1, 2019	4,693	127	110	(101)	4,830	7	91,404
Cash dividends paid	—	—	—	—	—	—	(1,983)
Profit attributable to owners of parent	—	—	—	—	—	—	5,529
Purchases of treasury stock	—	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	—	—	—	—	106
Change in scope of consolidation	—	—	—	—	—	—	(81)
Other, net change	(1,070)	61	(100)	(39)	(1,149)	97	(1,053)
Net changes during the year	(1,070)	61	(100)	(39)	(1,149)	97	(2,516)
Balance at March 31, 2020	¥ 3,623	¥189	¥ 9	¥(141)	¥ 3,681	¥103	¥93,921

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	<i>(Thousands of U.S. dollars)</i>				
Balance at April 1, 2019	\$65,453	\$76,597	\$732,984	\$(79,602)	\$795,432
Cash dividends paid	—	—	(18,229)	—	(18,229)
Profit attributable to owners of parent	—	—	50,810	—	50,810
Purchases of treasury stock	—	—	—	(10)	(10)
Disposition of treasury stock	—	—	—	978	978
Change in scope of consolidation	—	—	(751)	—	(751)
Other, net change	—	—	—	—	—
Net changes during the year	—	—	31,829	968	32,797
Balance at March 31, 2020	\$65,453	\$76,597	\$764,814	\$(78,634)	\$828,230

	Accumulated other comprehensive income					
	Unrealized gain on other securities	Deferred gain on hedges	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interest
	<i>(Thousands of U.S. dollars)</i>					
Balance at April 1, 2019	\$43,130	\$1,174	\$1,017	\$ (933)	\$ 44,390	\$ 64
Cash dividends paid	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	—	—
Disposition of treasury stock	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—
Other, net change	(9,838)	567	(927)	(366)	(10,564)	888
Net changes during the year	(9,838)	567	(927)	(366)	(10,564)	888
Balance at March 31, 2020	\$33,292	\$1,742	\$ 90	\$(1,299)	\$ 33,825	\$952

HOGY Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows

	Years ended March 31,		
	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Operating activities			
Profit before income taxes	¥ 7,725	¥ 8,499	\$ 70,984
Depreciation	5,283	5,631	48,545
Changes in liability for retirement benefits, net	69	12	635
(Decrease) increase in allowance for doubtful accounts	0	(42)	1
Interest and dividend income	(141)	(131)	(1,297)
Interest expense	1	—	9
Loss on investments in partnership	18	26	168
Foreign exchange loss (gain)	(53)	(6)	(487)
Gain on sales of investment securities	(1,942)	(3,998)	(17,847)
Gain on sales of property, plant and equipment	(1)	—	(10)
Loss on disposal of property, plant and equipment	5	2	47
Loss on valuation of golf club membership	4	—	38
Changes in assets and liabilities:			
Notes and accounts receivable	641	95	5,895
Inventories	399	370	3,667
Notes and accounts payable	96	(411)	886
Accrued consumption taxes and other	535	(930)	4,920
Consumption taxes refund receivable and other	21	(21)	198
Other current assets	(104)	(81)	(959)
Other current liabilities	94	165	871
Other investments	106	114	975
Other liabilities	9	(8)	85
Other	(21)	104	(193)
Subtotal	12,747	9,390	117,134
Interest and dividends received	139	131	1,283
Interest paid	(1)	—	(9)
Income taxes paid	(2,590)	(2,075)	(23,806)
Net cash provided by operating activities	10,295	7,446	94,601
Investing activities			
Increase in time deposits	(289)	(6)	(2,657)
Proceeds from time deposits	3	7	31
Purchases of investment securities	(1,163)	(538)	(10,687)
Proceeds from sales of investment securities	2,356	4,073	21,650
Purchase of property, plant and equipment	(9,767)	(1,552)	(89,753)
Proceeds from sales of property, plant and equipment	1	—	10
Purchases of intangible assets	(377)	(360)	(3,464)
Proceeds from distribution of investments in partnership	44	23	408
Payments for loans receivable	(0)	(0)	(2)
Collection of loans receivable	0	0	2
Decrease (increase) in other investments	(2)	(20)	(27)
Net cash used in investing activities	(9,194)	1,627	(84,487)
Financing activities			
Repayment of long-term debt	(110)	(113)	(1,012)
Proceeds from sales of treasury stock	106	108	976
Purchases of treasury stock	(1)	(5,001)	(10)
Cash dividend paid	(1,984)	(1,952)	(18,235)
Net cash used in financing activities	(1,989)	(6,958)	(18,281)
Effect of exchange rate changes on cash and cash equivalents	63	(51)	585
Net increase in cash and cash equivalents	(825)	2,063	(7,582)
Cash and cash equivalents at beginning of year	22,903	20,840	210,454
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	580	—	5,329
Cash and cash equivalents at end of year	¥22,658	¥22,903	\$208,201

Sales Offices

1 Sapporo Sales Office

14F, 3-1, Kita 3-jo Nishi, Chuo-ku, Sapporo-shi,
Hokkaido 060-0003
Phone: +(81)11-251-2730 Fax: +(81)11-251-2731

2 Morioka Sales Office

59-1, Hosoyachi Mukainakano, Morioka-shi,
Iwate 020-0851
Phone: +(81)19-656-9660 Fax: +(81)19-656-9661

3 Sendai Sales Office

1, Okadanishimachi 3-chome,
Miyagino-ku, Sendai-shi, Miyagi 983-0004
Phone: +(81)22-287-5333 Fax: +(81)22-287-5335

4 Utsunomiya Sales Office

13-46, Futaba 1-chome, Utsunomiya-shi,
Tochigi 321-0164
Phone: +(81)28-684-1715 Fax: +(81)28-658-6164

5 Omiya Sales Office

14F, 10-16, Sakuragi-cho 1-chome, Omiya-ku,
Saitama-shi, Saitama 330-0854
Phone: +(81)48-788-3230 Fax: +(81)48-788-3232

6 Chiba Sales Office

12-12, Tsuga 2-chome, Wakaba-ku,
Chiba-shi, Chiba 264-0025
Phone: +(81)43-232-1411 Fax: +(81)43-232-1285

7 Tokyo Branch Office

20-9, Hongo 3-chome, Bunkyo-ku,
Tokyo 113-0033
Phone: +(81)3-3813-8141 Fax: +(81)3-3813-8140

8 Tama Sales Office

49-16, Tokura 4-chome,
Kokubunji-shi, Tokyo 185-0003
Phone: +(81)42-320-5511 Fax: +(81)42-320-5513

9 Yokohama Sales Office

482-1, Toriyama-cho, Kohoku-ku,
Yokohama-shi, Kanagawa 222-0035
Phone: +(81)45-471-7701 Fax: +(81)45-471-7704

10 Niigata Sales Office

9-3, Bentenbashi-dori 3-chome, Chuo-ku
Niigata-shi, Niigata 950-0925
Phone: +(81)25-287-7110 Fax: +(81)25-287-7116

11 Kanazawa Sales Office

1-16-22, Ekinishi-shinmachi,
Kanazawa-shi, Ishikawa 920-0027
Phone: +(81)76-223-2351 Fax: +(81)76-223-5505

12 Shizuoka Sales Office

241 Mise, Suruga-ku, Shizuoka-shi,
Shizuoka 422-8057
Phone: +(81)54-284-6688 Fax: +(81)54-284-6855

13 Matsumoto Sales Office

2-10-7, Muraimachi-minami,
Matsumoto-shi, Nagano 399-0036
Phone: +(81)263-85-3280 Fax: +(81)263-86-7847

14 Nagoya Branch Office

1-508, Bunkyo-dai, Meito-ku,
Nagoya-shi, Aichi 465-0012
Phone: +(81)52-778-2711 Fax: +(81)52-778-2720

15 Kyoto Sales Office

69, Takedanishidangawara-cho, Fushimi-ku,
Kyoto-shi, Kyoto 612-8429
Phone: +(81)75-606-1411 Fax: +(81)75-606-1499

16 Osaka Branch Office

13F, 1-1, Edobori 2-chome,
Nishi-ku, Osaka-shi, Osaka 550-0002
Phone: +(81)6-6445-8655 Fax: +(81)6-6445-8670

17 Kobe Sales Office

2-15, Ekimae-dori, 2-chome,
Hyogo-ku, Kobe-shi, Hyogo 652-0898
Phone: +(81)78-579-8611 Fax: +(81)78-579-8612

18 Okayama Sales Office

6-28, Okudanishimachi, Kita-ku,
Okayama-shi, Okayama 700-0931
Phone: +(81)86-803-2007 Fax: +(81)86-803-2005

19 Hiroshima Sales Office

17-23, Nakasuji 2-chome, Asaminami-ku,
Hiroshima-shi, Hiroshima 731-0122
Phone: +(81)82-879-3901 Fax: +(81)82-879-3903

20 Matsuyama Sales Office

1188-1, Kishimachi, Matsuyama-shi,
Ehime 791-1102
Phone: +(81)89-976-2021 Fax: +(81)89-976-1822

21 Fukuoka Sales Office

22-22, Toko 2-chome, Hakata-ku,
Fukuoka-shi, Fukuoka 812-0008
Phone: +(81)92-475-1861 Fax: +(81)92-475-1864

22 Kumamoto Sales Office

107-12 Koga, Mashikimachi,
Kamimashiki-gun, Kumamoto 861-2234
Phone: +(81)96-286-1331 Fax: +(81)96-286-1425

23 Kagoshima Sales Office

3-1, Gionnosu-cho, Kagoshima-shi,
Kagoshima 892-0803
Phone: +(81)99-248-5040 Fax: +(81)99-247-2330

Overseas Subsidiaries

29 P.T. HOGY Indonesia

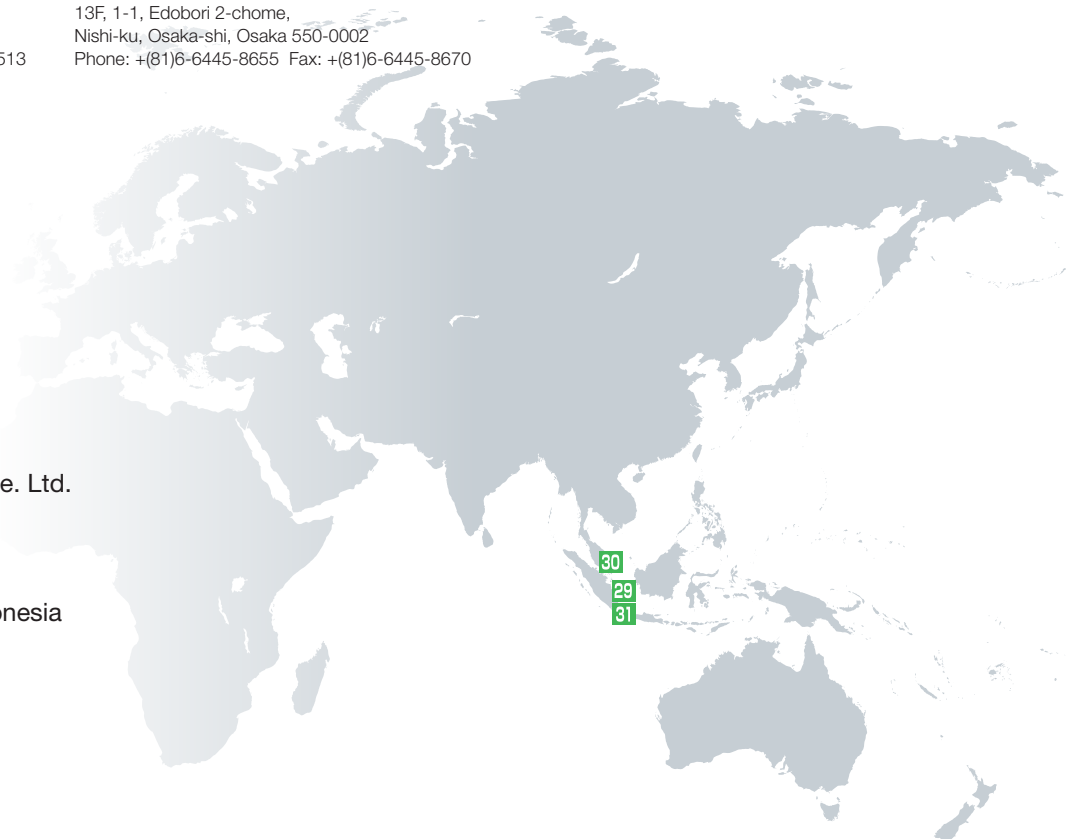
MM2100 Industrial Town, EPZ.,
Block M-3-1, Cikarang Barat,
Bekasi 17520, West Java, Indonesia

30 HOGY Medical Asia Pacific Pte. Ltd.

PSA Building #14-01A,
460 Alexandra Road Singapore 119963,
Singapore

31 P.T. HOGY Medical Sales Indonesia

Jl. Dr. Saharjo No. 45 Blok A 57,
Kelurahan Manggaral, Kecamatan Tebet,
Jakarta Selatan 12850, Indonesia



Facilities

24 Tsukuba Plant

1650-30, Okubara-cho, Ushiku-shi, Ibaraki 300-1283

Kit Plant

Phone: +(81)29-830-9700 Fax: +(81)29-830-9710

Sterilization Center

Phone: +(81)29-830-9725 Fax: +(81)29-830-9726

Distribution Center

Phone: +(81)29-830-9100 Fax: +(81)29-830-9101

OPC

Phone: +(81)29-830-9735 Fax: +(81)29-830-9736

25 Miho Plant No.1

1873-1 Fusa, Miho-mura, Inashiki-gun,
Ibaraki 300-0427
Phone: +(81)29-885-2981 Fax: +(81)29-885-6800

26 Miho Plant No.2

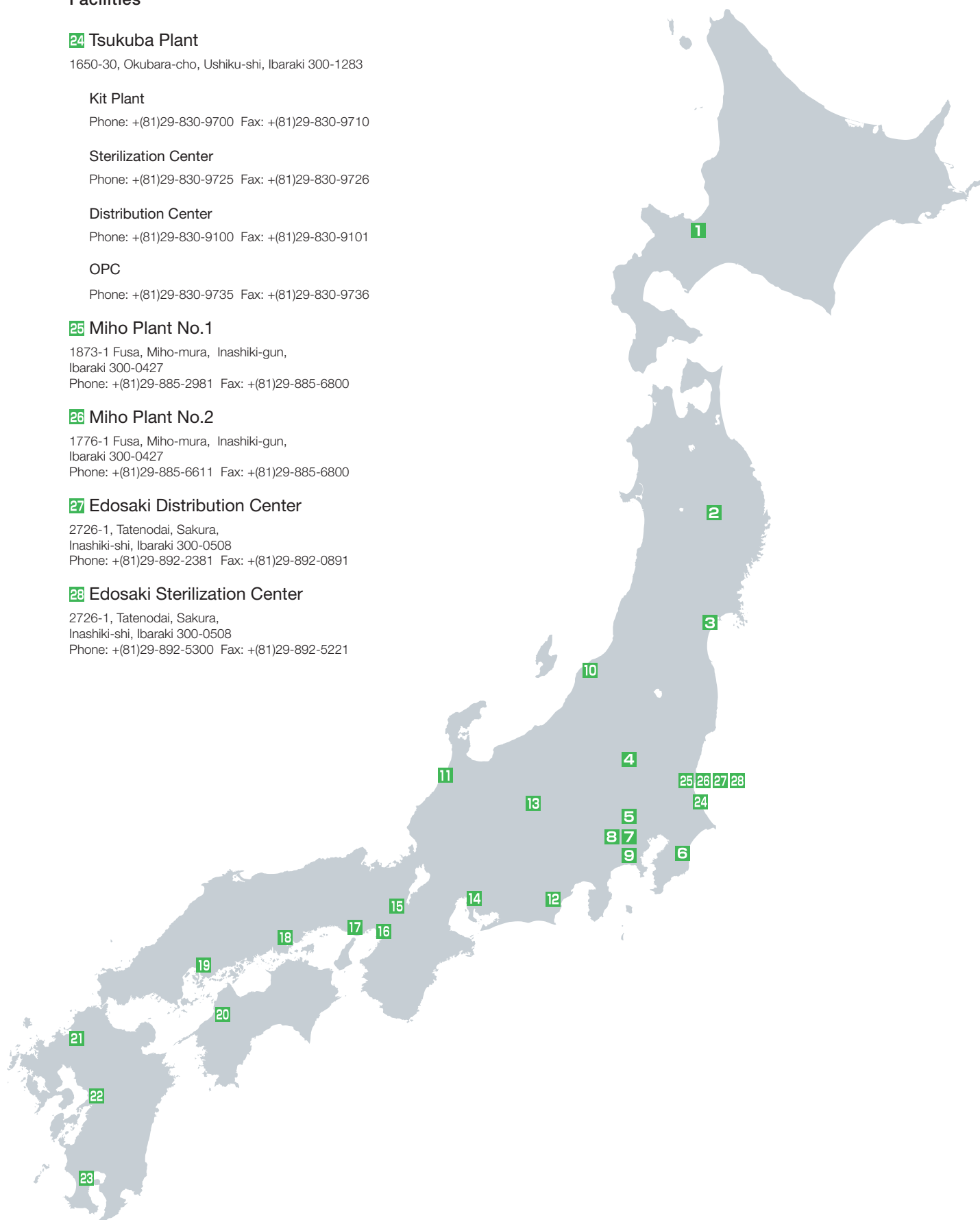
1776-1 Fusa, Miho-mura, Inashiki-gun,
Ibaraki 300-0427
Phone: +(81)29-885-6611 Fax: +(81)29-885-6800

27 Edosaki Distribution Center

2726-1, Tatenodai, Sakura,
Inashiki-shi, Ibaraki 300-0508
Phone: +(81)29-892-2381 Fax: +(81)29-892-0891

28 Edosaki Sterilization Center

2726-1, Tatenodai, Sakura,
Inashiki-shi, Ibaraki 300-0508
Phone: +(81)29-892-5300 Fax: +(81)29-892-5221





Jun-ichi Hoki



Katsuo Sasaki



Takuya Kobayashi



Wataru Fujimoto



Kiyoshi Uesugi



Ichiro Inoue



Ikuo Fuse



Shuji Yanase



Noboru Iizuka

Board of Directors, Corporate Auditors
and Executive Officers (as of July 19, 2020)

President & CEO

Jun-ichi Hoki

Directors

Katsuo Sasaki (Production Div.)

Takuya Kobayashi (Sales Dept. 1 / Group 1)

Wataru Fujimoto (Sales Dept. 2 / Group 6)

Outside Board Member

Kiyoshi Uesugi

Ichiro Inoue

Full-time Corporate Auditor

Ikuo Fuse

Outside Corporate Auditors

Shuji Yanase

Noboru Iizuka

Executive Officers

Akira Koizumi (Production Div. / Procurement Dept.)

Hisato Komatsu (Global Business Div.)

(Administration Div. /
Management Planning Dept. /
Sales Administration Dept. /
Administration Dept.)

Hideki Kawakubo

Masato Iwasaki (Sales Dept. 2 / Group 4 & 5)

Kou Ishikawa (Research & Development Div.)

Yutaka Wada (Sales Dept. 1 / Group 3)

Corporate Data (as of March 31, 2020)

Incorporated:

April 3, 1961

Paid-in capital:

¥7,123 million

Number of employees:

1,538 (Consolidated)

Number of sales offices:

23

Listing:

The Tokyo Stock Exchange
First Section

Code number:

3593

Number of shareholders:

6,670

**Shares of common stock issued
and outstanding:**

32,682,310

Financial year:

April 1 to March 31

Annual general meeting:

June

Transfer agent:

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

1-1 Nikkocho, Fuchu,

Tokyo 183-0044

Tel: 0120-232-711

Independent auditor:

Ernst & Young ShinNihon LLC

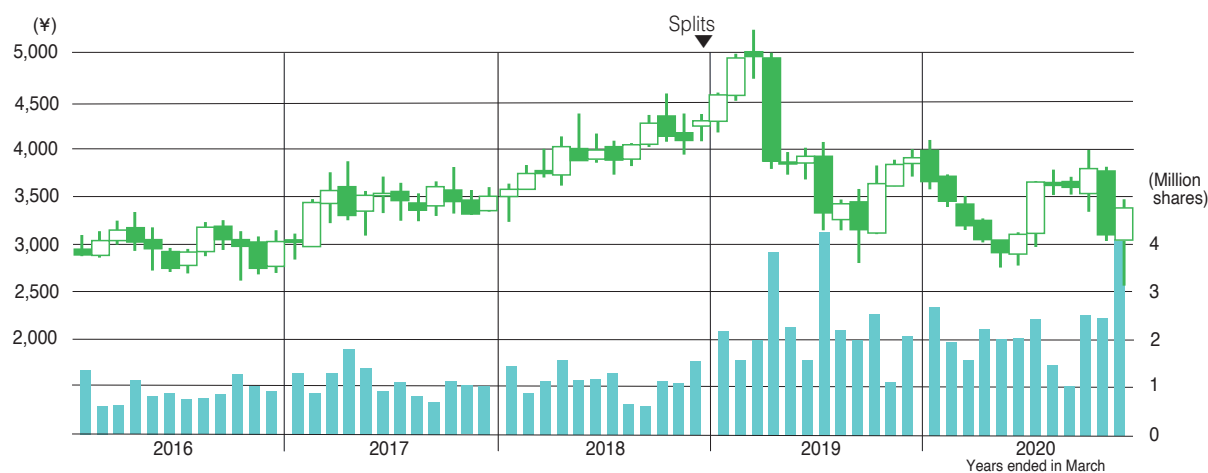
Hibiya Mitsui Tower, Tokyo Midtown Hibiya

1-1-2 Yuraku-cho, Chiyoda-ku,

Tokyo 100-0006

Tel: 03-3506-2411

Common Stock Price Range & Trading Volume



	2016	2017	2018	2019	2020 Years ended in March
High (yen)	3,325	3,835	4,570	5,220	4,090
Low (yen)	2,625	2,825	3,240	2,804	2,583

The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, the highest prices and the lowest prices are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2015.

Major Shareholders

	Number of shares	Percentage of total (%)
● Masao Hoki	4,746,046	14.52
● The Master Trust Bank of Japan, Ltd. (Trust Account)	1,682,300	5.14
● STATE STREET CLIENT OMNIBUS ACCOUNT OM44 (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	1,210,900	3.70
● Hoki Museum Co., Ltd.	1,135,448	3.47
● STATE STREET BANK AND TRUST COMPANY 505025 (Permanent representative: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1,101,600	3.37
● Japan Trustee Services Bank, Ltd. (Trust Account)	1,051,200	3.21
● THE BANK OF NEW YORK 134105 (Permanent representative: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	930,740	2.84
● SSBTC CLIENT OMNIBUS ACCOUNT (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	923,575	2.82
● Jun-ichi Hoki	874,200	2.67
● Japan Trustee Services Bank, Ltd. (Trust Account 9)	666,900	2.04

Our company owns 2,460,787 treasury stock.
(as of March 31, 2020)

Shareholder Composition

	Number of shareholders	Number of shares	Proportion (%)
Individuals	6,352	9,081,540	27.79
Financial institutions	34	6,199,140	18.97
Financial products trading firms	30	177,099	0.54
Foreign investors and others	175	12,736,886	38.97
Others (including treasury stock)	79	4,487,645	13.73
Total	6,670	32,682,310	100.00

HOGY MEDICAL Co., Ltd.