

January 16, 2025

Consolidated Financial Results

for the First 3 Quarters of Fiscal 2024 [Japanese Standards]

Name: **Hogy Medical Co., Ltd.**
Listing: **Prime Market, Tokyo Stock Exchange**
Stock code number: **3593**
Phone: **+81-3-6229-1300**
URL: **<https://www.hogy.co.jp>**
Representative: **Hideki Kawakubo, President and CEO**
Contact: **Taisuke Fujita, CFO**
Start of cash dividend payments: **February 28, 2025**
Preparation of supplementary materials for quarterly financial results: **Yes**
Information meeting for quarterly financial results to be held: **Yes**

1. Fiscal 2024-First 3 quarters (April 1–December 31, 2024)

(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 2024–First 3 quarters	¥30,016	+0.9%	¥3,406	–2.3%	¥3,269	–8.9%	¥2,736	+4.9%
Fiscal 2023–First 3 quarters	29,754	+0.7%	3,487	–31.1%	3,587	–31.4%	2,609	–29.7%

Note: Comprehensive income

Fiscal 2024—1st 3 quarters: ¥2,200 million (–52.7%)

Fiscal 2023—1st 3 quarters: ¥4,655 million (–13.5%)

	Profit per share	Profit per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2024–First 3 quarters	¥120.90	—
Fiscal 2023–First 3 quarters	107.54	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2024–First 3 quarters	¥ 98,618	¥75,329	76.4%	¥3,493.54
Fiscal 2023–Year-end	100,041	86,120	86.1%	3,547.47

Reference: Equity capital at term-end

Fiscal 2024—1st 3 quarters: ¥75,320 million

Fiscal 2023: ¥86,111 million

2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2023	¥20.00	¥20.00	¥20.00	¥20.00	¥80.00
Fiscal 2024	20.00	20.00	20.00	—	—
Fiscal 2024 (est.)	—	—	—	20.00	80.00

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

3. Forecast for fiscal 2024 (April 1, 2024–March 31, 2025)

(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	¥40,850	+4.5%	¥4,690	+12.5%	¥4,800	+13.1%	¥3,310	+18.0%	¥153.53

Note: Revision of most recently announced performance forecasts: None

***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 13 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

Note: For more details, please refer to “(4) Notes on Consolidated Financial Statements” on page 13 of this report.

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

1. Number of shares outstanding (including treasury stock)

Fiscal 2024—1st 3 quarters: 22,535,463

Fiscal 2023: 25,256,963

2. Number of treasury shares outstanding

Fiscal 2024—1st 3 quarters: 975,473

Fiscal 2023: 982,821

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

Fiscal 2024—1st 3 quarters: 22,635,124

Fiscal 2023—1st 3 quarters: 24,266,016

*** Review of consolidated financial statements by certified public accountant or auditing firm: None**

***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 2024” on page 7.

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1. Performance and Financial Position

(1) Performance

In the first three quarters under review (April 1–December 31, 2024), the Japanese economy continued expanding moderately, backed by small but ongoing positive growth in real GDP, steadily increasing workers' income, and rising demand for stockpiling in preparation for natural disasters. On the other hand, the future remains uncertain amid concerns that a continuation of strong upward pressure on prices stemming from increasing labor and logistics costs may cause restraint in consumer spending.

In the healthcare sector as well, conditions for hospital management remained increasingly difficult due to various factors. These included rising wages for healthcare professionals following a revision of medical fees implemented in June 2024, growing labor costs to address workstyle reforms, and soaring costs of pharmaceuticals, medical supplies, and energy.

Under these circumstances, the Hogy Medical Group aggressively developed proposals for products that contribute to medical safety, improved hospital operational efficiency, and workstyle reforms and posted steady sales as a result. Growth in sales of Premium Kit (including Blister Kit), our most important strategic product, was particularly noteworthy. Premium Kit is a high-value-added offering designed to streamline tasks before, during, and after surgery while ensuring medical safety during surgery. Since its launch, this flagship product has been highly evaluated by customers and generated increases in sales. On the other hand, sales of nonwoven fabric products continued decreasing due to ongoing declines in unit sales of medical gown products following price revisions for some items implemented in the previous fiscal year.

As a result, consolidated net sales for the period amounted to ¥30,016 million, up 0.9% from the previous corresponding period. Sales of surgical kit products rose 3.2%, to ¥19,994 million, of which Premium Kit (including Blister Kit) sales climbed 7.8%, to ¥13,208 million. Sales of Premium Kit only (excluding Blister Kit) jumped 21.8%, to ¥10,170 million.

The cost of sales ratio increased 1.7 percentage points, to 67.0%, due to surging costs of imported materials caused by the weak yen, as well as disposal and revaluation of long-held inventories, which resulted in an inventory valuation loss. Selling, general, and administrative (SG&A) expenses declined year on year due to our comprehensive efforts to allocate expenditures more efficiently.

As a result, operating income decreased 2.3%, to ¥3,406 million, and the operating margin was 11.3%. Ordinary income was down 8.9%, to ¥3,269 million. In September 2024, we sold some of our equity holdings, resulting in an extraordinary gain. Accordingly, profit attributable to owners of parent rose 4.9%, to ¥2,736 million.

(2) Financial Position

On December 31, 2024, total assets amounted to ¥98,618 million, down ¥1,423 million from March 31, 2024.

For the period, current assets rose ¥1,687 million, to ¥44,713 million. Factors included a ¥1,810 million increase in cash and bank deposits, a ¥765 million increase in notes and accounts receivable, a ¥273 decrease in inventories, and a ¥675 million decrease in consumption taxes receivable. Within fixed assets, tangibles declined ¥1,438 million, to ¥44,274 million, reflecting a ¥1,021 million decrease in buildings and structures stemming from depreciation and an impairment loss, a ¥2,612 million decrease in machinery and equipment stemming from depreciation, and a ¥2,197 million increase in construction in progress associated mainly with the extension of a factory at P.T. Hogy Indonesia. Intangibles declined ¥89 million, to ¥406 million, due mainly to depreciation. Investments and other assets decreased ¥1,583 million, to ¥9,224 million, mainly due to a ¥1,380 million decrease in investment securities stemming from the partial sale and market valuation of our equity holdings. As a result, total fixed assets ended the period at ¥53,904 million.

At the end of the period, total liabilities amounted to ¥23,288 million, up ¥9,367 million. Current liabilities rose ¥1,053 million, to ¥9,294 million, mainly reflecting a ¥780 million increase in accrued income tax and a ¥463 million increase in accrued consumption tax. Long-term liabilities increased ¥8,313 million, to ¥13,994 million. This stemmed mainly from an increase in long-term borrowings (¥10,000 million in new borrowings and ¥1,499 million in repayments) and a ¥213 million decrease in deferred tax liabilities related to the partial sale and market valuation of equity holdings.

Net assets at the end of the period totaled ¥75,329 million, down ¥10,790 million. Main factors were ¥2,736 million in profit attributable to owners of parent, ¥1,402 million in distributions from retained earnings, a ¥761 million decrease in net unrealized gain or loss on securities due to the partial sale and market valuation of equity holdings. In addition, the Company bought back and canceled 2,721,500 shares of treasury stock in accordance with the resolution of a Board of Directors' meeting held on July 17, 2024, resulting in a ¥10,899 million decrease in retained earnings.

As a result, the equity ratio fell to 76.4%, from 86.1% on March 31, 2024.

Cash Flows

Cash and cash equivalents at the end of the period stood at ¥20,488 million, up ¥1,864 million from March 31, 2024. This reflected cash flow factors described below.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥7,702 million, from ¥3,381 million in the previous corresponding period. Factors in this result included ¥3,832 million in income before income taxes, ¥4,245 million in depreciation, ¥1,097 million in proceeds from sales of investment securities, ¥529 million in impairment losses, a ¥758 million increase in notes and accounts receivable, a ¥291 million decrease in inventories, a ¥780 million increase in consumption taxes payable, and a ¥659 million in income taxes paid.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥1,357 million, from ¥2,087 million in the previous corresponding period. Main factors included ¥2,684 million in purchase of tangible fixed assets and ¥1,114 million in proceeds from sales of investment securities.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥4,524 million, from ¥2,906 million in the previous corresponding period. Main factors included ¥10,000 million in proceeds from long-term borrowings, ¥1,499 million in repayments of long-term borrowings, ¥11,622 million in purchase of treasury stock, and ¥1,401 million in dividends paid.

For the entire fiscal year, we expect net cash provided by operating activities to be around ¥9,800 million; net cash used in investing activities of around ¥4,160 million, mainly due to purchases of tangible fixed assets and sales of investment securities; and net cash used in financing activities of around ¥5,600 million, mainly influenced by proceeds from long-term borrowings, repayments of long-term borrowings, purchase of treasury stock, and payments of dividends.

(3) Full-Year Forecasts for Fiscal 2024

Although the Japanese economy is recovering, the outlook remains uncertain. If the second Trump administration steps up moves to encourage a return to domestic production through protectionist trade policies, for example, it could impact not only the U.S. and global economies but also Japan's economy and businesses. Additionally, failure to correct the yen's depreciation is causing resource and raw material prices to surge.

In the healthcare sector, the number of patients at medical institutions has not fully recovered to pre-COVID-19 levels, making it difficult to secure medical business revenue, while labor and other expenses are rising, resulting in a difficult business climate.

Furthermore, the Japanese government is considering a new regional medical care vision, which will further accelerate the reassessment of hospital bed functions, while university hospitals are increasing the number of physicians. Therefore, we believe that conditions for hospital management will remain challenging, necessitating ongoing measures to address labor shortages and improve the working conditions of healthcare professionals.

Under these circumstances, we will pursue aggressive sales promotion activities for Premium Kit, our most important strategic product, to ensure medical safety while thoroughly reducing the workload of our customers, who face challenging working environments. We will also work closely with customers to address their management challenges, particularly the worsening labor shortages and declining productivity on the medical frontlines, as well as the need for workstyle reforms.

In our overseas business, Hogy Medical Asia Pacific Pte. Ltd. (sales subsidiary in Singapore) and P.T. Hogy Medical Sales Indonesia (sales sub-subsidiary in Indonesia) will actively introduce our products to key hospitals in Southeast Asia, centered on Singapore and Indonesia.

On the production side, we expect the cost of sales ratio to improve, mainly due to a decrease in depreciation costs associated with the commissioning of Stage 2 of our new surgical in kit plant in April 2023. Meanwhile, we will continue our corporate efforts to reduce expenses by cutting costs and improving productivity, and P.T. Hogy Indonesia, a manufacturing subsidiary, will also work to raise productivity and thus reduce costs.

In light of the above, our consolidated forecasts for the fiscal year to March 2025 are shown below.

(Consolidated performance forecasts)

Net sales	¥40,850 million	(up 4.5%)
Operating income	¥ 4,690 million	(up 12.5%)
Ordinary income	¥ 4,800 million	(up 13.1%)
Profit attributable to owners of parent	¥ 3,310 million	(up 18.0%)

2. Consolidated Financial Statements and Notes

(1) Balance Sheets

	(Millions of yen, rounded down)	
	Fiscal 2023 (March 31, 2024)	Fiscal 2024– First 3 quarters (December 31, 2024)
ASSETS		
Current assets		
Cash and bank deposits	¥ 19,419	¥21,229
Notes and accounts receivable	8,459	8,674
Electronically recorded monetary claims	4,307	4,857
Goods and merchandise	4,502	4,375
Products in progress	390	388
Materials and supplies	4,563	4,420
Other	1,382	767
Allowance for doubtful accounts	–0	–0
Total current assets	43,025	44,713
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	19,534	18,513
Machinery and vehicles (net)	14,726	12,114
Land	9,728	9,732
Construction in progress	1,241	3,438
Other (net)	481	475
Total property, plant and equipment	45,712	44,274
Intangible fixed assets	495	406
Investments and other assets		
Investment securities	9,213	7,832
Other	1,602	1,564
Allowance for doubtful accounts	–8	–172
Total investments and other assets	10,807	9,224
Total fixed assets	57,015	53,904
Total assets	100,041	98,618
LIABILITIES		
Current liabilities		
Notes and accounts payable	4,834	4,655
Long-term debt due within one year	1,999	1,999
Accrued income tax	102	566
Reserves	534	188
Other current liabilities	770	1,885
Total current liabilities	8,241	9,294
Long-term liabilities		
Long-term borrowings	3,669	12,169
Liability related to employees' retirement benefits	509	512
Reserves	—	49
Other long-term liabilities	1,501	1,262
Total long-term liabilities	5,680	13,994
Total liabilities	13,921	23,288

(Millions of yen, rounded down)

	Fiscal 2023 (March 31, 2024)	Fiscal 2024— First 3 quarters (December 31, 2024)
NET ASSETS		
Shareholders' equity		
Common stock	¥ 7,123	¥ 7,123
Capital surplus	8,294	8,294
Retained earnings	67,762	58,199
Treasury stock	-3,217	-3,908
Total shareholders' equity	79,962	69,708
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	3,418	2,657
Deferred hedging gain or loss	—	261
Translation adjustment	2,831	2,785
Cumulative adjustment related to employees' retirement benefits	-101	-92
Total valuation/translation gains or losses	6,148	5,612
Non-controlling interests	8	8
Total net assets	86,120	75,329
Total liabilities and net assets	100,041	98,618

(2) Statements of Income and Statements of Comprehensive Income

(Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2023– First 3 quarters (April 1– December 31, 2023)	Fiscal 2024– First 3 quarters (April 1– December 31, 2024)
Net sales	¥29,754	¥30,016
Cost of sales	19,423	20,119
Gross profit	10,331	9,897
Selling, general and administrative expenses	6,844	6,491
Operating income	3,487	3,406
Other income		
Interest income	181	156
Dividend income	58	70
Rental income	49	72
Other	69	46
Total other income	357	345
Other expenses		
Interest expense	18	44
Foreign exchange loss	22	13
Reversal of allowance for doubtful accounts	—	161
Loss on investment partnership	141	76
Cost of purchase of treasury stock	—	46
Cost of rental income	65	71
Provision for losses on rental contracts	—	68
Other	8	0
Total other expenses	256	482
Ordinary income	3,587	3,269
Extraordinary income		
Gain on sales of fixed assets	40	—
Gain on sales of investment securities	—	1,097
Total extraordinary income	40	1,097
Extraordinary expenses		
Loss on sales of fixed assets	—	1
Loss on disposal of fixed assets	10	4
Impairment loss	—	529
Total extraordinary expenses	10	534
Income before income taxes	3,617	3,832
Income taxes	1,019	1,095
Profit	2,598	2,736
Profit/loss attributable to non-controlling interests	–11	0
Profit attributable to owners of parent	2,609	2,736

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2023– First 3 quarters (April 1– December 31, 2023)	Fiscal 2024– First 3 quarters (April 1– December 31, 2024)
Profit	¥2,598	¥2,736
Other comprehensive income		
Net unrealized gain or loss on securities	830	–761
Deferred hedging gain or loss	–102	261
Translation adjustment	1,304	–45
Adjustment related to employees’ retirement benefits	25	9
Total other comprehensive income	2,057	–536
Comprehensive income	4,655	2,200
(Breakdown)		
Comprehensive income attributable to owners of parent	4,666	2,200
Comprehensive income attributable to non-controlling interests	–10	0

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2023— First 3 quarters (April 1— December 31, 2023)	Fiscal 2024— First 3 quarters (April 1— December 31, 2024)
Operating activities		
Income before income taxes	¥ 3,617	¥ 3,832
Depreciation	4,964	4,245
Interest and dividend income	–239	–227
Interest expense	18	44
Loss (gain) on investment partnership	141	76
Foreign exchange loss (gain)	47	28
Loss (gain) on sales of tangible fixed assets	–40	1
Gain on sales of investment securities	—	–1,097
Impairment losses	—	529
Changes in assets and liabilities:		
Notes and accounts receivable	–1,484	–758
Inventories	–684	291
Notes and accounts payable	–333	–186
Other	–673	1,345
Subtotal	5,334	8,124
Interest and dividends received	259	282
Interest paid	–18	–44
Incomes taxes paid	–2,194	–659
Net cash provided by operating activities	3,381	7,702
Investing activities		
Purchase of tangible fixed assets	–1,715	–2,684
Proceeds from sales of tangible fixed assets	43	3
Purchase of intangible fixed assets	–111	–61
Purchase of investment securities	–41	—
Proceeds from sales of investment securities	—	1,114
Other	–261	269
Net cash used in investing activities	–2,087	–1,357
Financing activities		
Proceeds from long-term borrowings	—	10,000
Repayment of long-term borrowings	–1,499	–1,499
Purchase of treasury stock	–0	–11,622
Cash dividends paid	–1,407	–1,401
Net cash used in financing activities	–2,906	–4,524
Effect of exchange rate changes on cash and cash equivalents	612	43
Net change in cash and cash equivalents	–1,000	1,864
Cash and cash equivalents at beginning of term	18,351	18,623
Cash and cash equivalents at end of term	17,351	20,488

(4) Notes on Consolidated Financial Statements

(Note Related to Ongoing Concern Assumption)

Not applicable.

(Note of Significant Change in Shareholders' Equity)

In accordance with a resolution of the Board of Directors' meeting held on July 17, 2024, the Company purchased and cancelled 2,721,500 shares of treasury stock in the period under review. As a result of the purchase, treasury stock increased by ¥11,620 million. As a result of the cancellation, retained earnings and treasury stock both decreased by ¥10,899 million. As of December 31, 2024, therefore, retained earnings amounted to ¥58,199 million and treasury stock totaled ¥3,908 million.

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

Corporate taxes

Corporate taxes are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes and minority interests for the consolidated fiscal year, including the period under review, and multiplying quarterly income before income taxes and minority interests by such estimated 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.