Financial Results Briefing for FY03/25

Thursday, April 24, 2025

Hideki Kawakubo, Director, President and CEO
Taisuke Fujita, Director and CFO

HOGY MEDICAL CO., LTD.

Notes Regarding Future Predictions

Forward-looking statements regarding future performance included in this document—including the Company's plans, outlook, and strategies—are based on management's assumptions deemed reasonable in light of information currently available.

Please note that actual results may differ from these statements due to changes in various factors.

Summary of Financial Results

FY03/25: Consolidated Financial Summary

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- Net sales: Unchanged YoY
  While sales of Premium Surgical Kits grew, sales of existing kit products and others declined
- Cost of sales ratio: Deteriorated
  Despite a decline in depreciation associated with the start of Phase II operations at the new factory, the cost of sales ratio increased due to the impact of yen depreciation and disposal and revaluation of long-term stagnant inventory
- Profit attributable to owners of parent: Down
  We incurred non-operating expenses and extraordinary losses due to ongoing restructuring efforts.
  Due to an increase in the tax burden rate accompanying the recording of these write-downs and other factors, for which tax effects cannot be recognized.

(¥ billions)	FY03/24 Results	FY03/25 Results	Change	
			Amount	% change
Net sales	39.1	39.1	0.03	100.1%
Cost of sales ratio	66.6%	67.8%	-	+1.2pt.
Operating income	4.1	3.8	-0.35	91.4%
Operating margin	10.7%	9.7%	-	-0.9pt.
Profit attributable to owners of parent	2.8	1.5	-1.28	54.2%

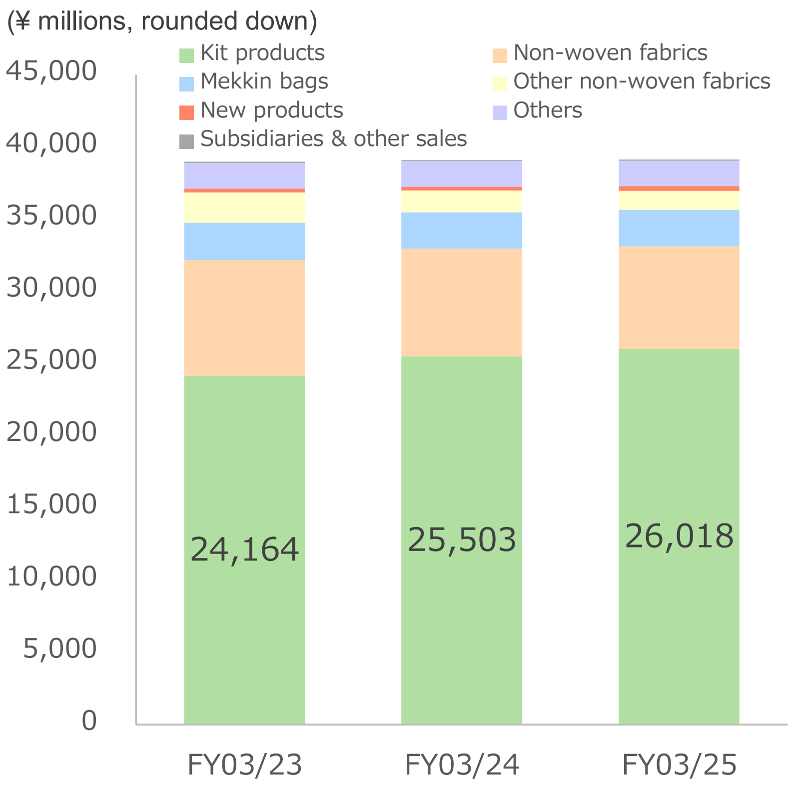
FY03/25: Sales of Main Products

- Sales of kit products grew, primarily driven by increased adoption of Premium Surgical Kits by major hospitals
- Sales volume of non-woven fabric products gradually declined
- Sales of other non-woven fabric products fell, due to the absence of previous year's extraordinary stockpiling demand, as well as a decline in sales volume
- Sales of new products were driven by REVICE (remanufactured single-use device) and equipment for storing sterilized container storage in Q2

(¥ millions, rounded down)

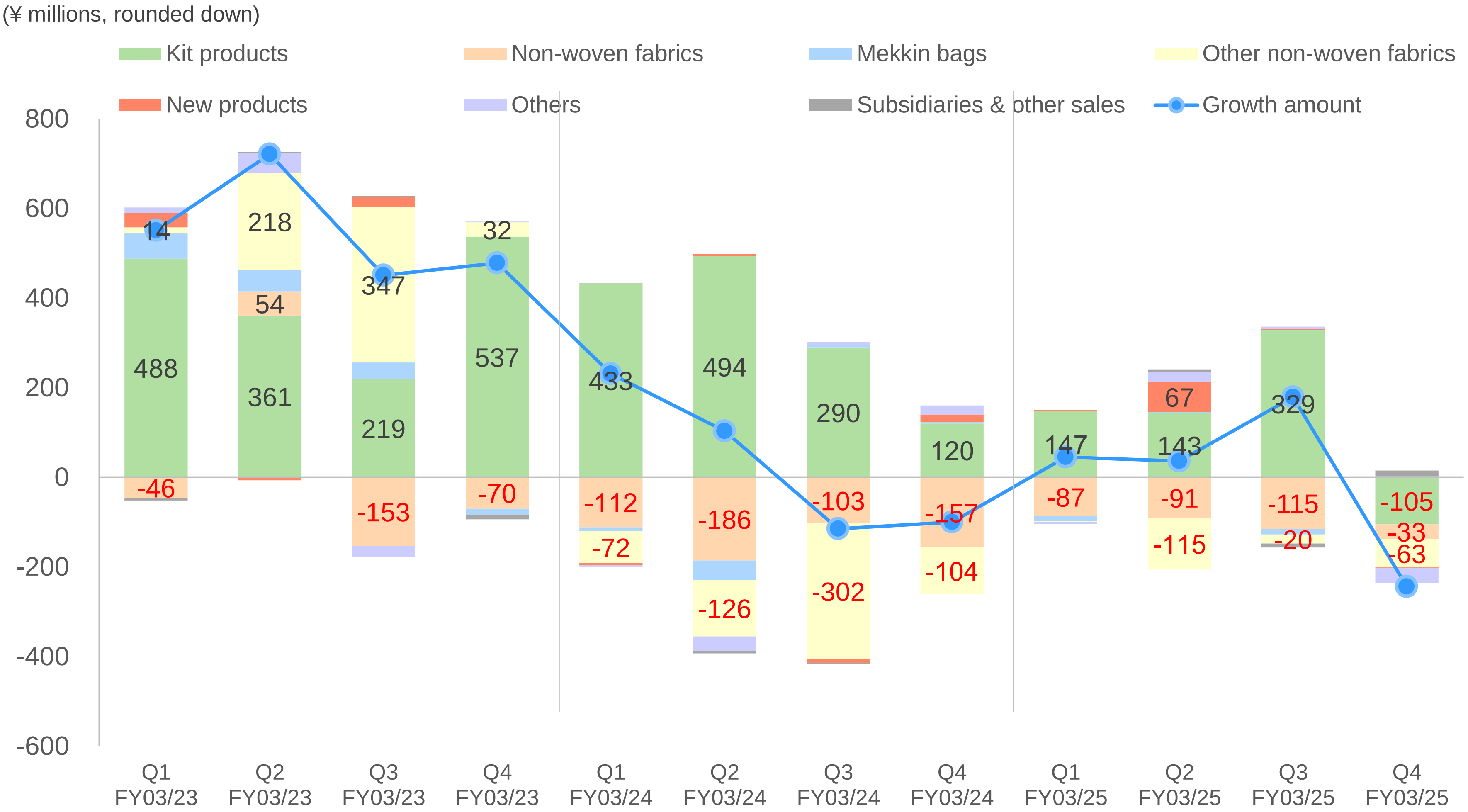
Products	FY03/24 Results	FY03/25 Results	YoY
Kit products	25,503	26,018	515 (+2.0%)
Of which, Premium Surgical Kits	11,320	13,326	2,006 (+17.7%)
Non-woven fabrics	7,452	7,124	-327 (-4.4%)
Mekkin bags	2,538	2,519	-18 (-0.7%)
Other non-woven fabrics	1,503	1,301	-201 (-13.4%)
New products	274	345	70 (+25.7%)
Others	1,761	1,750	-11 (-0.6%)
Subsidiaries & other sales	66	77	11 (+16.9%)
合計	39,100	39,138	37 (+0.1%)

Sales by product in the past three years



(Ref.) Breakdown of Sales Increase/Decrease by Quarter

- In Q4, sales declined YoY, primarily due to a surge in demand ahead of major year-end holidays



FY03/25: Consolidated Statements of Cash Flows

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(¥ billions, rounded down)

	FY03/23 Results	FY03/24 Results	FY03/25 Results	YoY	FY03/25 results Major factors	
Cash flows from operating activities	9.1	7.1	11.5	4.4	Profit attributable to owners of parent Depreciation Gain on sale of investment securities Decrease in trade receivables decrease in trade payables	2.9 5.7 -1.1 1.4 -0.1
Cash flows from investing activities	-1.9	-3.2	-3.9	-0.6	Proceeds from sale of securities Purchase of property, plant, and equipment	1.3 -5.2
Cash flows from financing activities	-3.1	-3.8	-5.4	-1.5	Proceeds from long-term borrowings Repayments of long-term borrowings Purchase of treasury shares Dividends paid	10.0 -1.9 -11.6 -1.8
Increase/decrease in cash and cash equivalents	4.5	0.2	2.7	2.4		
Year-end balance of cash and cash equivalents	18.3	18.6	21.3	2.7		

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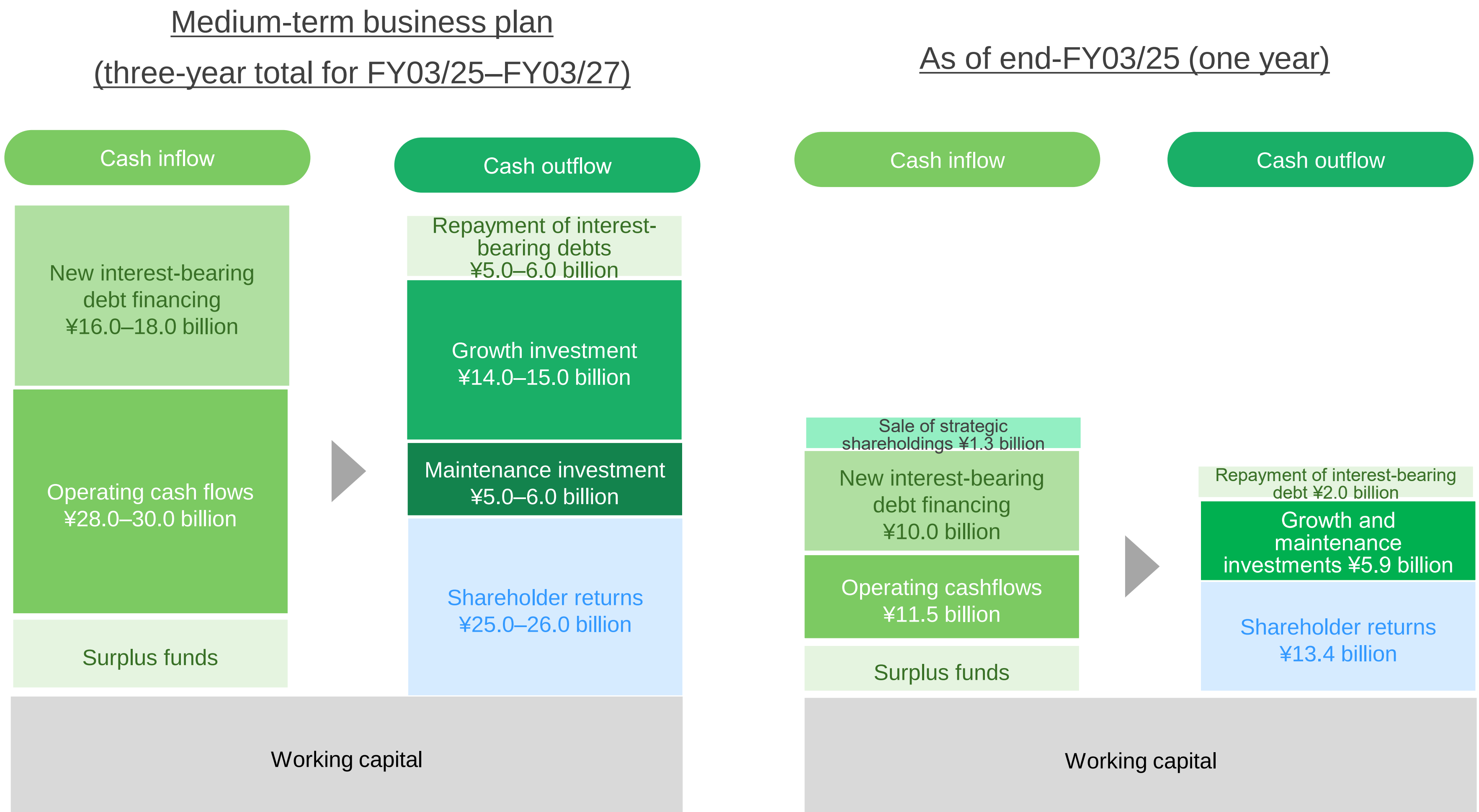
- We are actively making growth-oriented investments with the aim of delivering results during the next medium-term business plan period and beyond



FY03/25: Key Changes in Balance Sheet

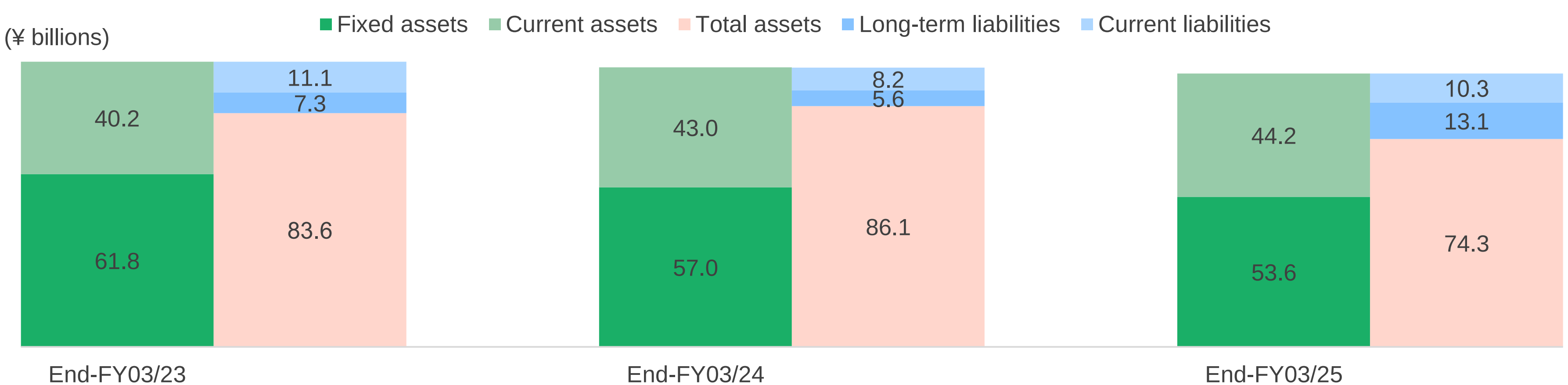
(¥ billions, rounded down)

		End-FY03/24	End-FY03/25	Change
	Cash and bank deposits	19.4	22.0	2.5
	Other current assets	23.6	22.1	-1.4
	Current assets	43.0	44.2	1.1
	Fixed assets	57.0	53.6	-3.3
Total assets		100.0	97.8	-2.1
	Current liabilities	8.2	10.3	2.1
	Long-term liabilities	5.6	13.1	7.5
	Total liabilities	13.9	23.5	9.6
	Total net assets	86.1	74.3	-11.7
Total liabilities and net assets		100.0	97.8	-2.1
Equity ratio		86.1%	75.9%	

- Buildings and structures: Declined due to depreciation; acquired buildings for PT. HOGY Indonesia buildings (Dec. 2024)

- Increase in long-term borrowings

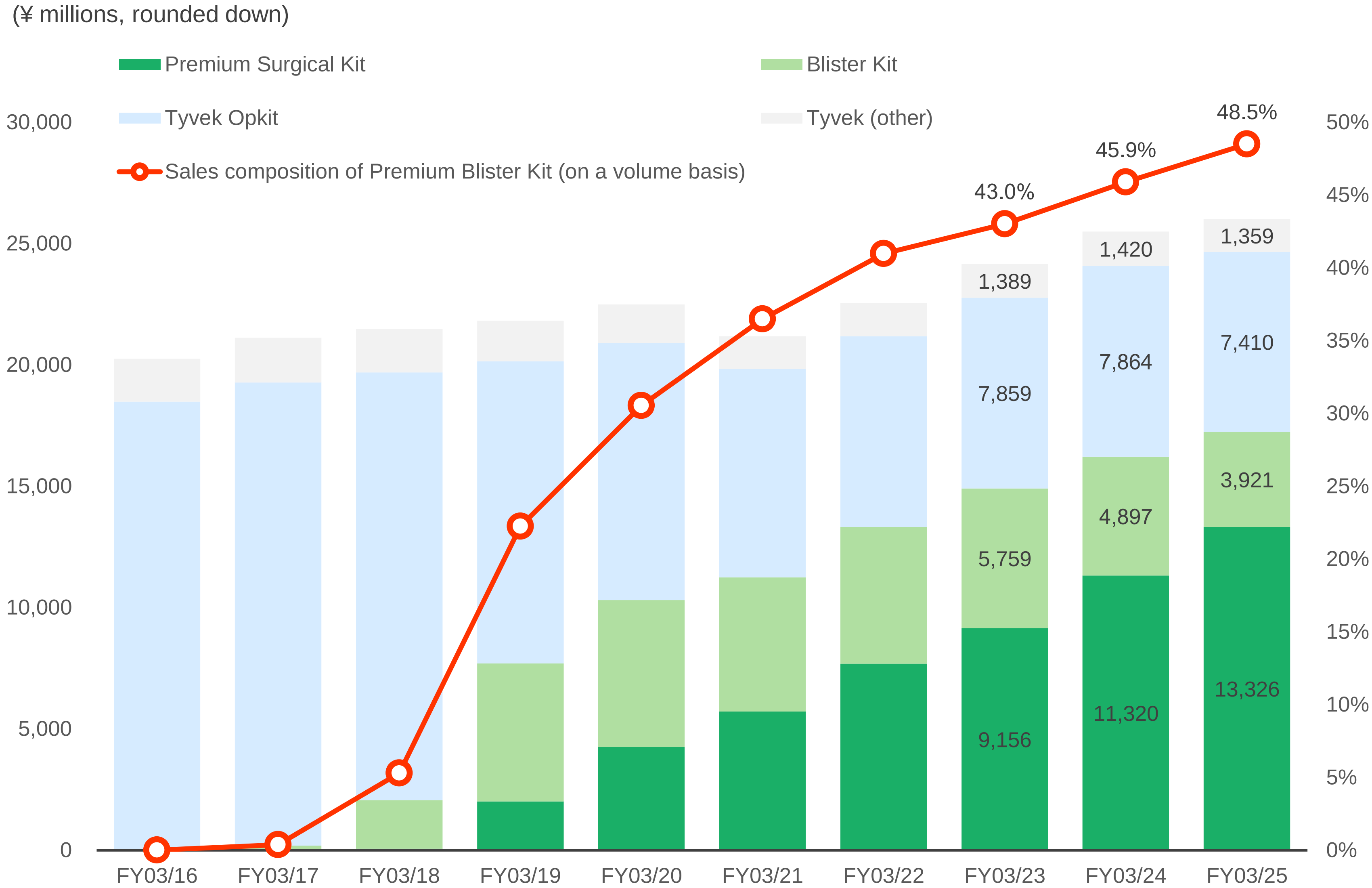
- Acquisition and cancellation of own shares
- Sale of some strategic shareholdings



Performance Details

Sales of Surgical Kit Products by Fiscal Year

- Sales of Premium Surgical Kits steadily increased, primarily driven by demand from major hospitals



Sales of Surgical Kit Products by Quarter

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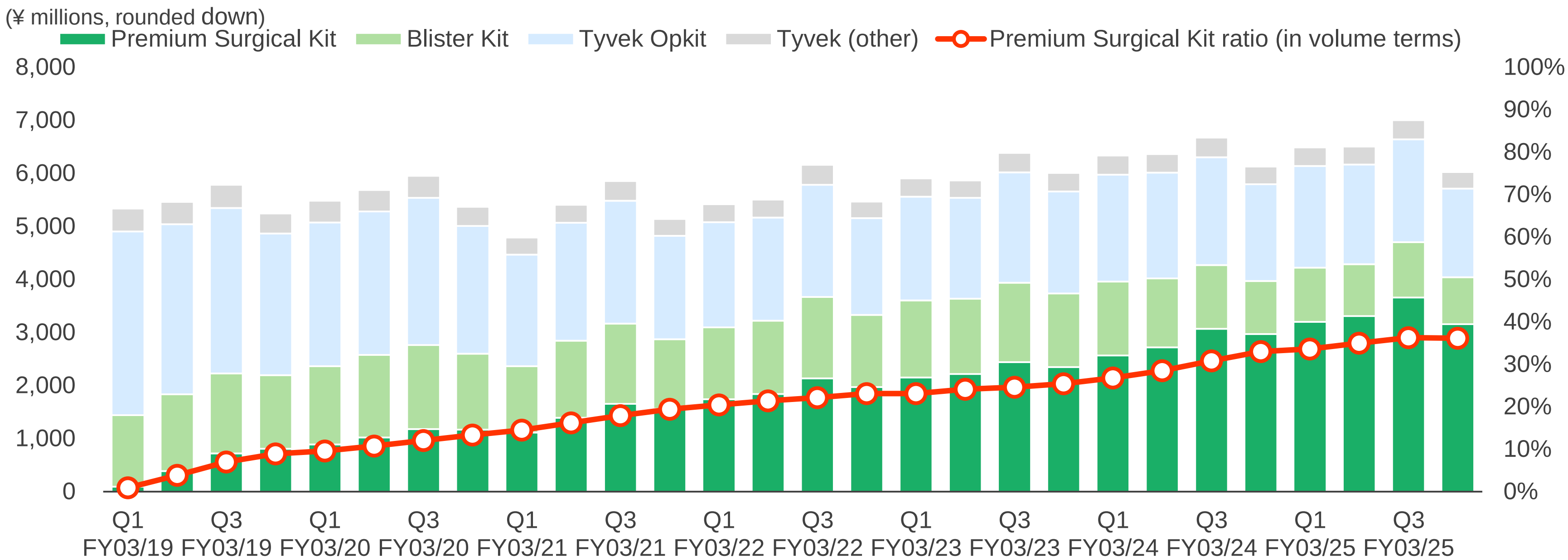
- The sales composition of Premium Surgical Kit (in volume terms) declined in Q4, due to orders brought forward in Q3 ahead of the year-end and New Year holidays
- The decline in sales volume of Blister and Tyvek Kits, caused by their replacement with Premium Surgical Kits, gradually lessened each quarter



FY03/25: YoY sales change (¥ millions)

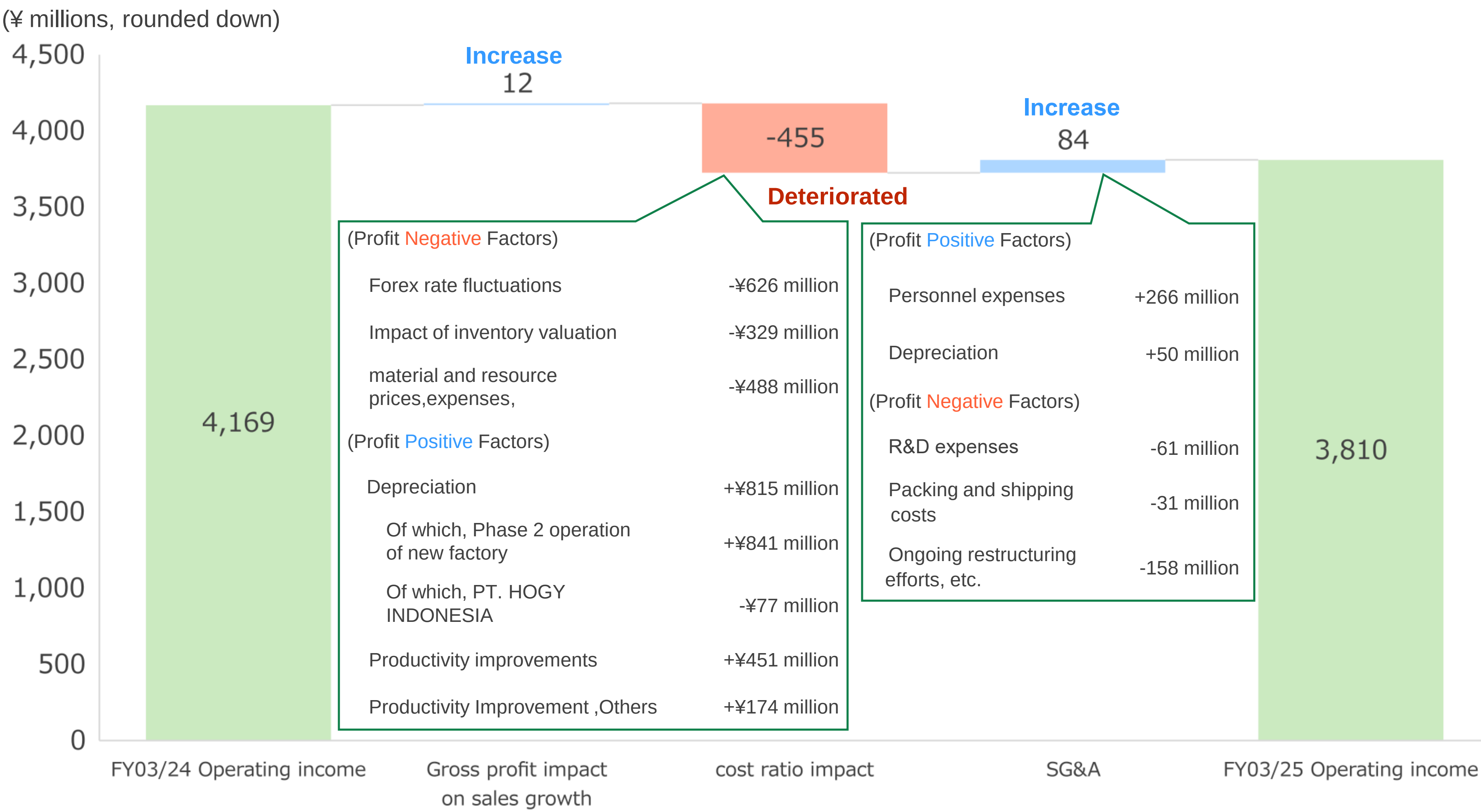
Premium Surgical Kit	Blister Kit	Tyvek Kit
+2,006	-976	-514
117.7%	80.1%	94.5%

Kit sales composition (Premium Surgical Kit/ Kit products)

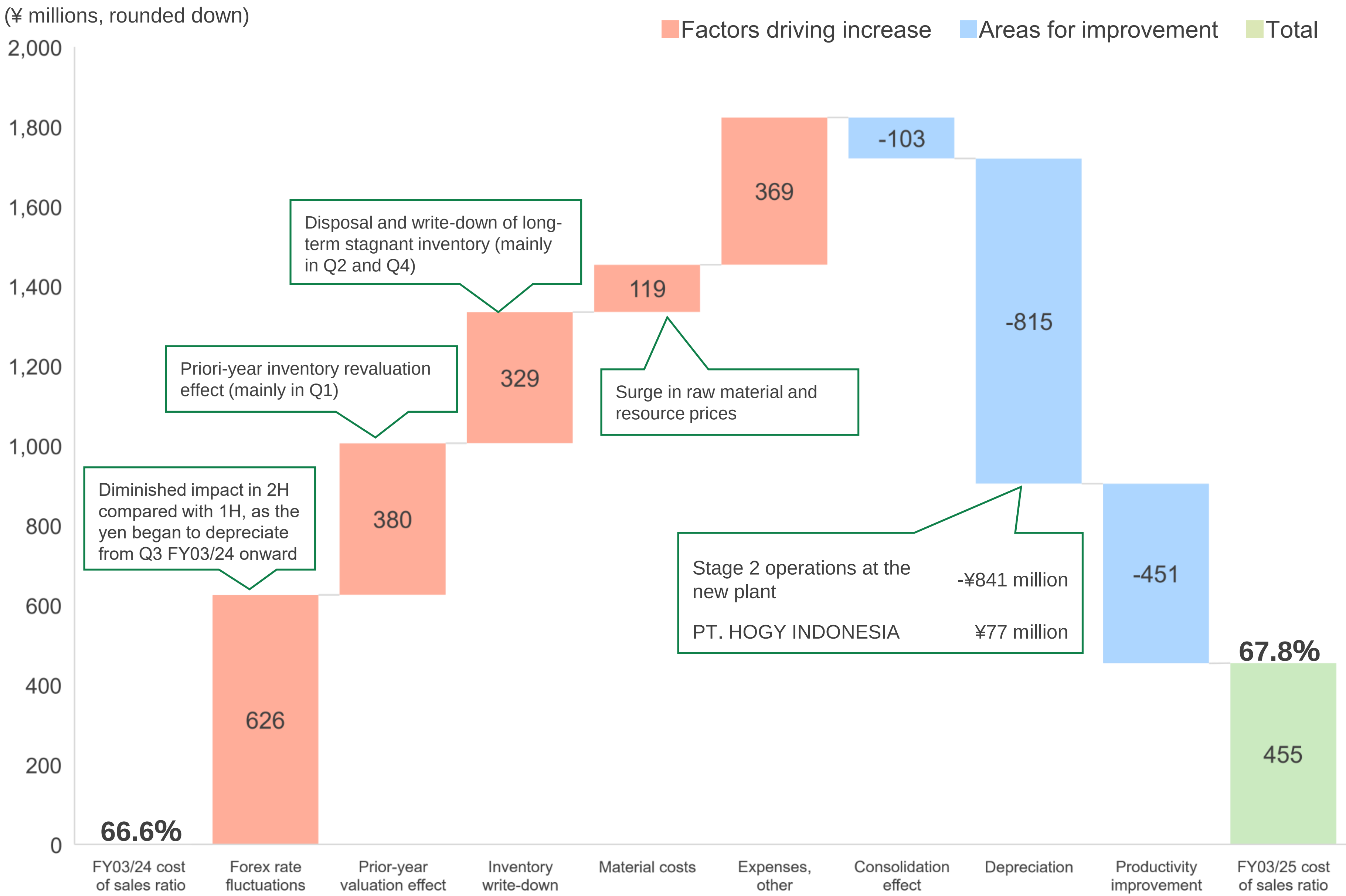
	Q4 FY03/24	Q1 FY03/25	Q2 FY03/25	Q3 FY03/25	Q4 FY03/25	YoY Change
Sales	48.4%	49.3%	50.9%	52.3%	52.4%	+4.0%
Sales volume	33.0%	33.6%	35.0%	36.3%	36.1%	+3.1%

FY03/25: Main Factors Behind Change in Operating Income

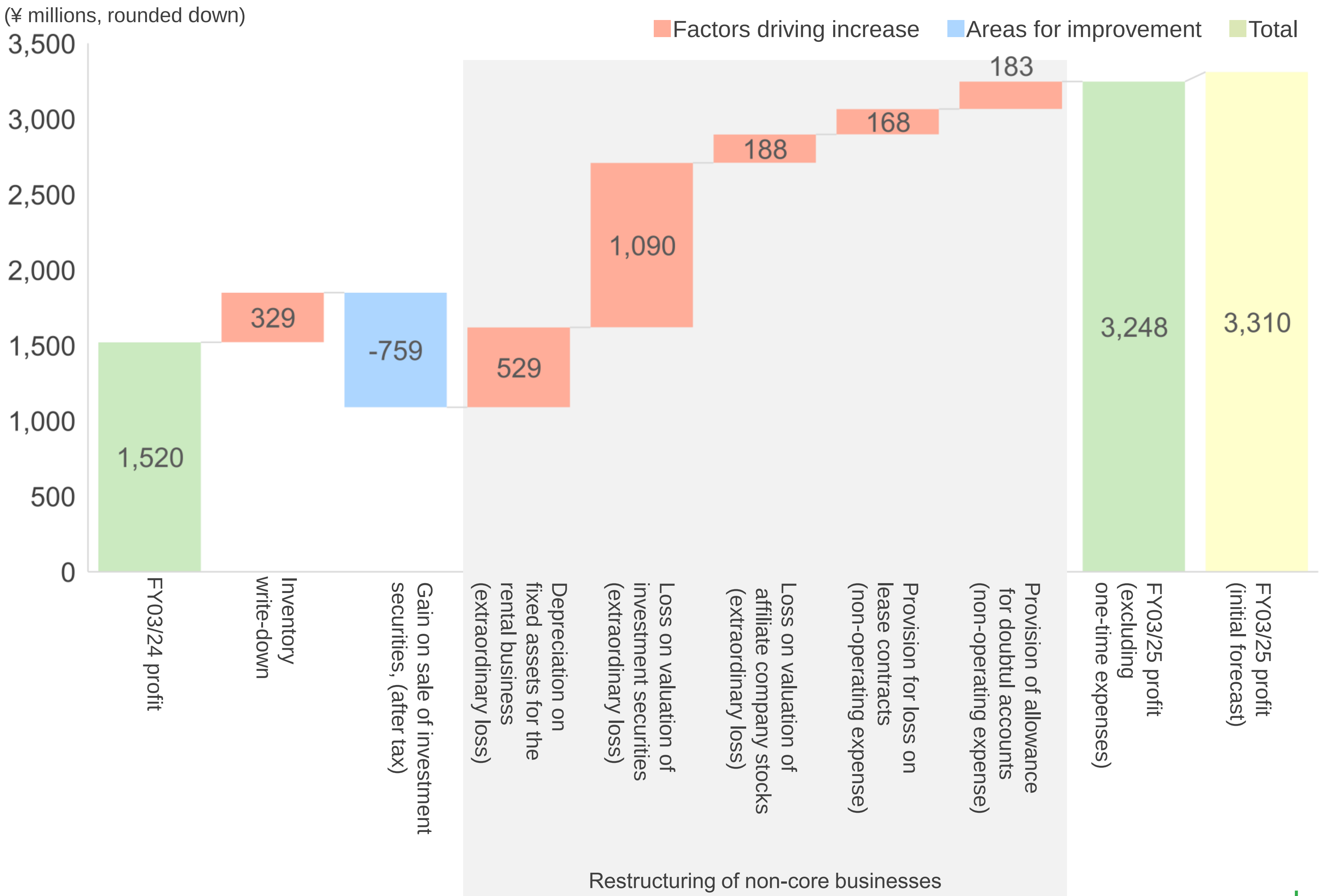
- Although depreciation expense declined, the cost of sales ratio deteriorated due to foreign exchange fluctuations and inventory valuation effects.



(Ref.) FY03/25: Main Factors Behind Change in Cost of Sales Ratio



(Ref.) FY03/25: Restructuring Expenses



Business Plan for FY03/26 (ending March 31, 2026)

Fundamentals
(Unstable)

- The Japanese economy is gradually recovering, supported by wage growth
- Prices of resources, energy, and raw materials remain elevated
- Foreign exchange rates continue to be volatile

Customers
(Deteriorating hospital management environment)

- Challenging hospital management environment
  - — Both inpatient and outpatient numbers have yet to return to pre-pandemic levels
  - — Public funding for COVID-19-related operations has ended
  - — Personnel, utility, and other expenses have increased
- Necessary responses
  - — Promote task shifting through workstyle reforms
  - — Restructure the healthcare delivery system

Outline of FY03/26 Business Plan

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Execution and acceleration of ongoing restructuring efforts

- Consolidated net sales target of ¥41.8 billion, up 106.8% YoY
  - Create customer value by enhancing surgical kit materials and strengthening information, sales, and service capabilities (V-UP Strategy)
- Consolidated operating income target of ¥4.3 billion, up 112.8% YoY
  - Lower the cost of sales ratio even amid soaring material costs (67.8% in FY03/25 to 65.1% in FY03/26)
  - Excluding one-time expenses, e.g., additional repair and renovation costs, operating income is projected to recover to ¥4.6 billion (operating margin of 11%)

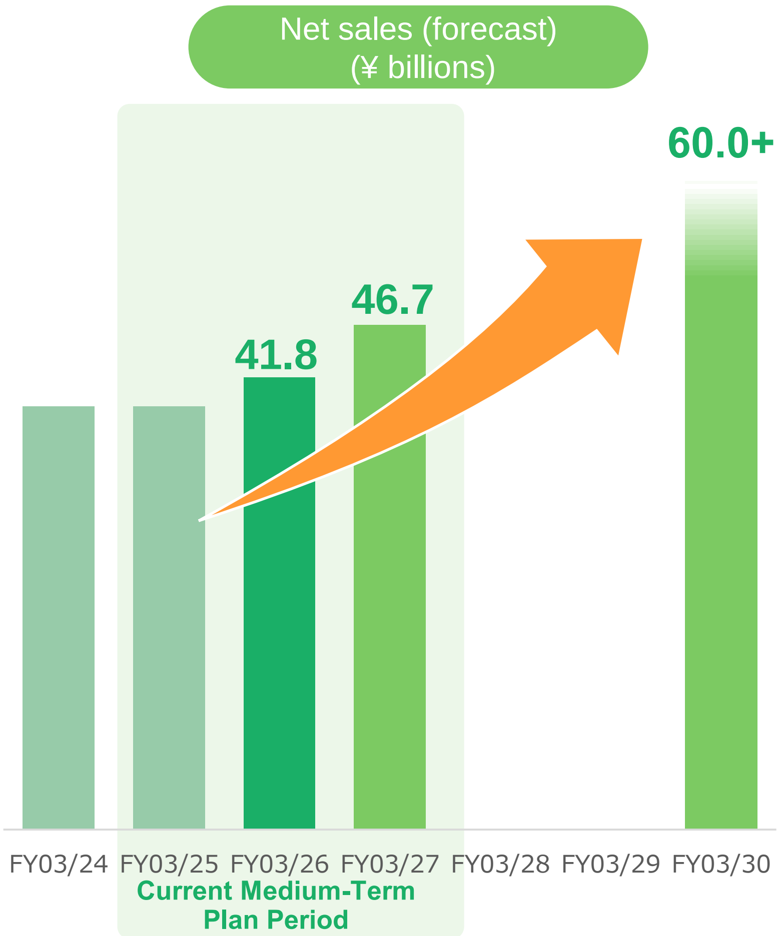
Achieve the new medium-term plan targets in FY03/27 and prepare for years ahead

- Execute medium-term business plan initiatives
  - Enhance productivity and strengthen management through aggressive investments in personnel and IT
  - Control rising material costs by reforming the procurement system
  - Increase R&D spending for product development, the foundation for future earnings

FY03/26: Consolidated Financial (Forecast)

- We project net sales of ¥41.8 billion and operating income of ¥4.3 billion
- Of total expenses, ¥300 million in repair and renovation costs are one-time expenses associated with ongoing restructuring efforts. Excluding these one-time expenses, the projected operating income is ¥4.6 billion

(¥ billions)	FY03/25 Results	FY03/26 Forecast	Change	
			Amount	% Change
Net sales	39.1	41.8	2.65	106.8%
Cost of sales ratio	67.8%	65.1%	-	-2.7pt.
Operating income	3.8	4.3	0.48	112.8%
Operating margin	9.7%	10.3%	-	+0.6pt.
Profit attributable to owners of parent	1.5	3.0	1.49	198.6%



FY03/26: Changes in Sales of Main Products (Forecast)

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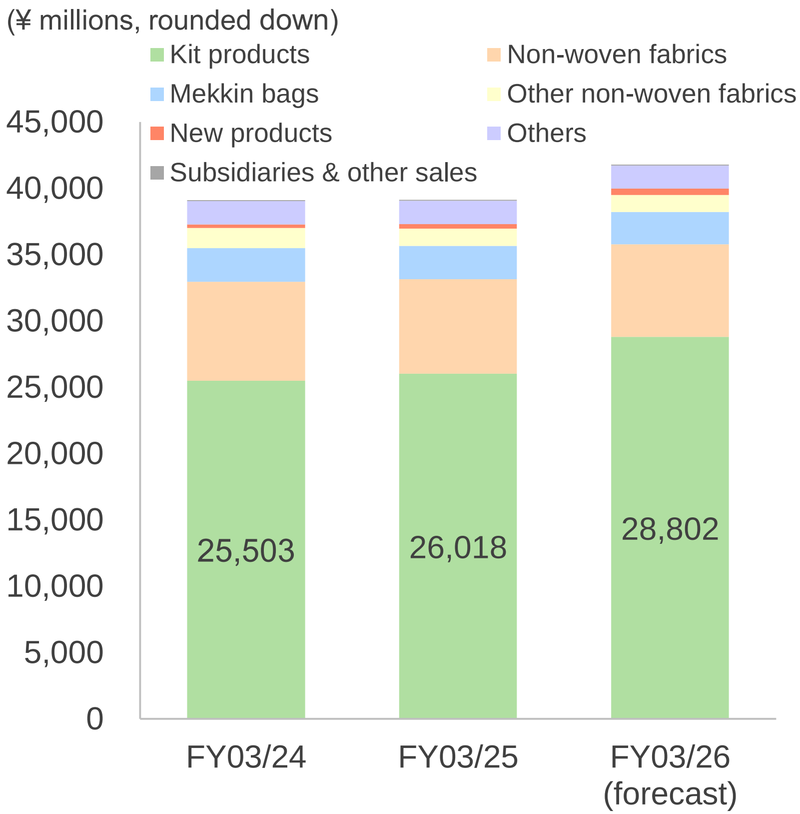
- Project kit product sales to grow, primarily driven by increased adoption of Premium Surgical Kits by major hospitals
- Expect sales volume of non-woven fabric products and Mekkin Bags (sterilization pouches) to continue declining gradually

(¥ millions, rounded down)

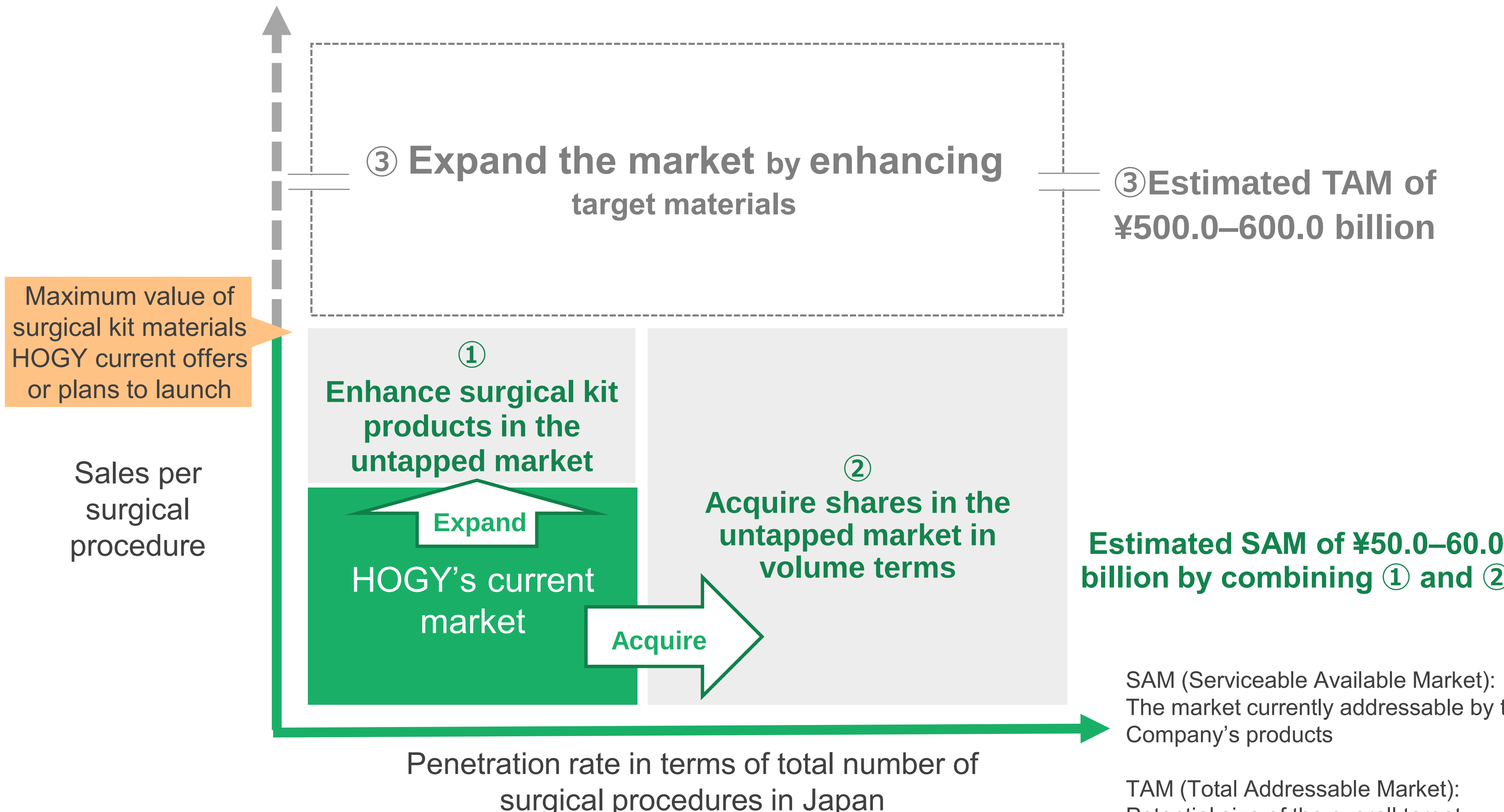
	FY03/25 Results	03/26 Forecast	Vs. forecast
Kit products	26,018	28,802	2,783 (+10.7%)
Non-woven fabrics	7,124	6,974	-150 (-2.1%)
Mekkin bags	2,519	2,450	-69 (-2.8%)
Other non-woven fabrics	1,301	1,263	-38 (-3.0%)
New products	345	491	145 (42.1%)
Others	1,750	1,736	-14 (-0.8%)
Subsidiaries & other sales	77	74	-3 (-4.7%)
Total	39,138	41,790	2,651 (+6.8%)

Sales by product (forecast)



Surgical Kit Market in Japan

- The market size for the surgical kit materials we currently offer or plan to launch is estimated at ¥50.0–60.0 billion (maximum)
- By expanding our materials lineup, we envision a domestic TAM of approximately ¥500.0–600.0 billion

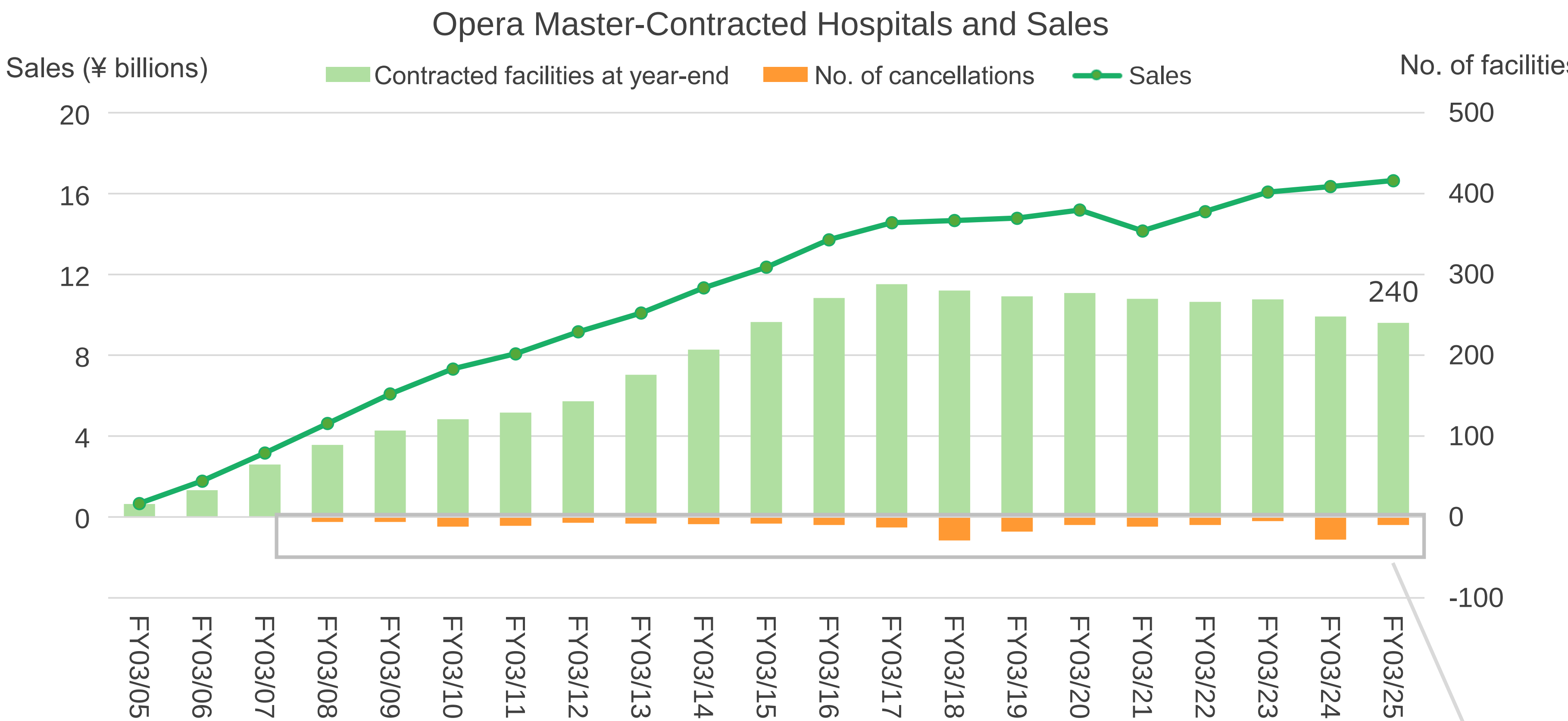


SAM (Serviceable Available Market): The market currently addressable by the Company's products

TAM (Total Addressable Market): Potential size of the overall target market

Net Sales at Opera Master-Contracted Hospitals

- Opera Master contracts are concentrated among large hospitals and help increase customer spend through value-added proposals. As a result, even if the number of contracted facilities declines, sales from these facilities continues to grow.
- A certain number of cancellations occur each year, primarily at hospitals with weaker customer relationships—highlighting room for improvement in sales and service activities



Average annual cancellation rate for the last 10 years: 5.35%
(No. of cancellations/no. of facilities as of the previous year-end)

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- In addition to top-line recovery, we aim to accelerate restructuring to achieve the operating income target set forth in the medium-term plan and ensure sustainable growth thereafter

Initiatives to achieve medium-term business plan targets
(11 such initiatives, including others, are under way)

Sales reform	✓ Starting with the sales organization restructuring implemented on April 1, reform sales structure to boost sales productivity and strengthen marketing functions to maximize customer value
Product strategy	✓ Reinforce the development framework and assets to enhance customer value, including expanding the materials lineup
Digital transformation	✓ Build communication infrastructure to accelerate in-house information sharing ✓ Overhaul data accumulation and BI tools
Procurement reform	✓ Strengthen sourcing functions, and control rising material costs ✓ Create value-added by getting involved from the product development stage
Human resource strategy	✓ Promote the adoption and use of new HR system and invest in personnel training ✓ Hire executive personnel and specialists

- Renewed top-line growth
- Sustained improvement in the cost of sales ratio
- Continued enhancement in companywide productivity
- Establish a system for data-driven, speedy decision-making

FY03/26: Main Factors Driving Change in Operating Income (Forecast)

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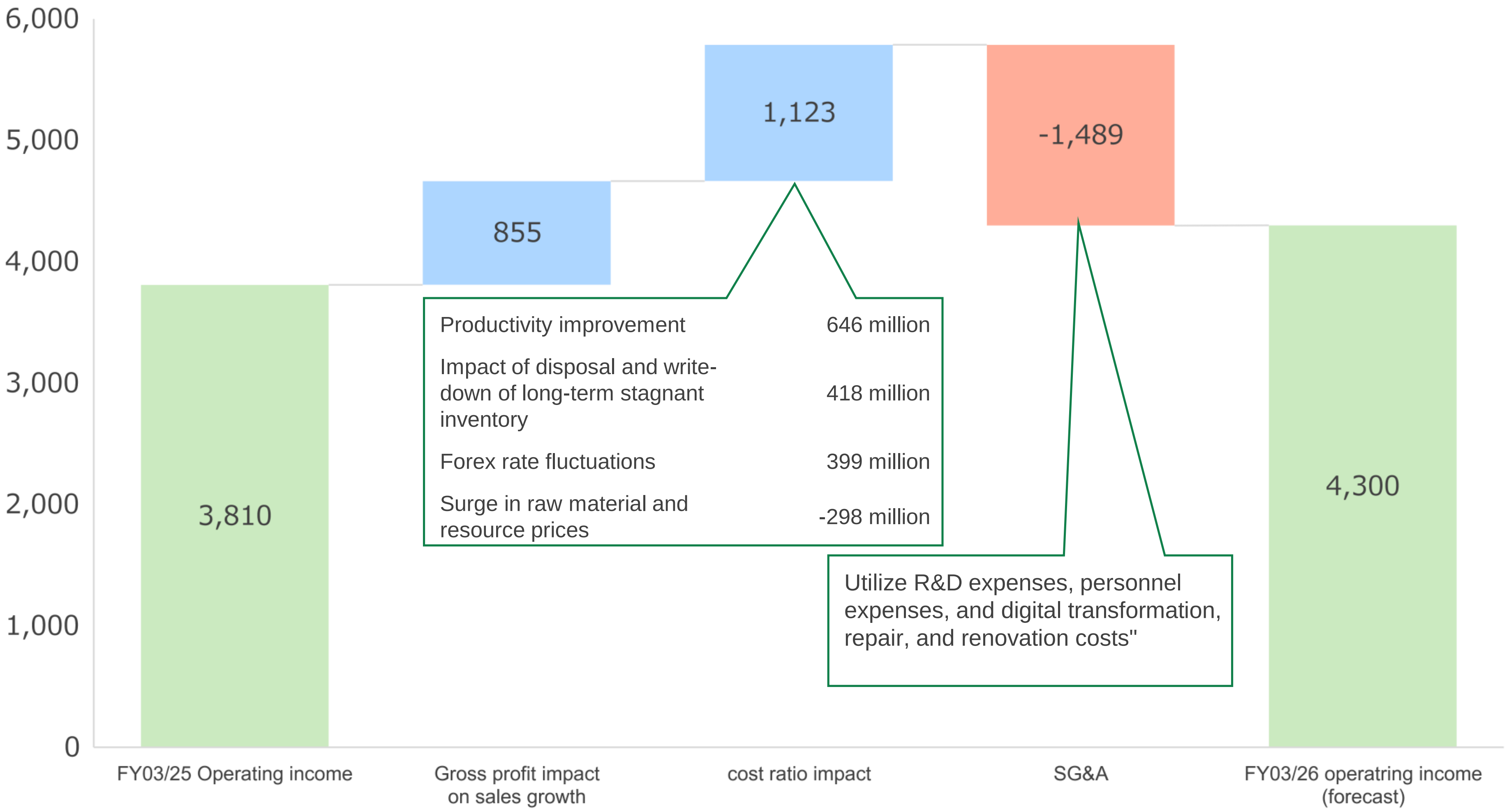
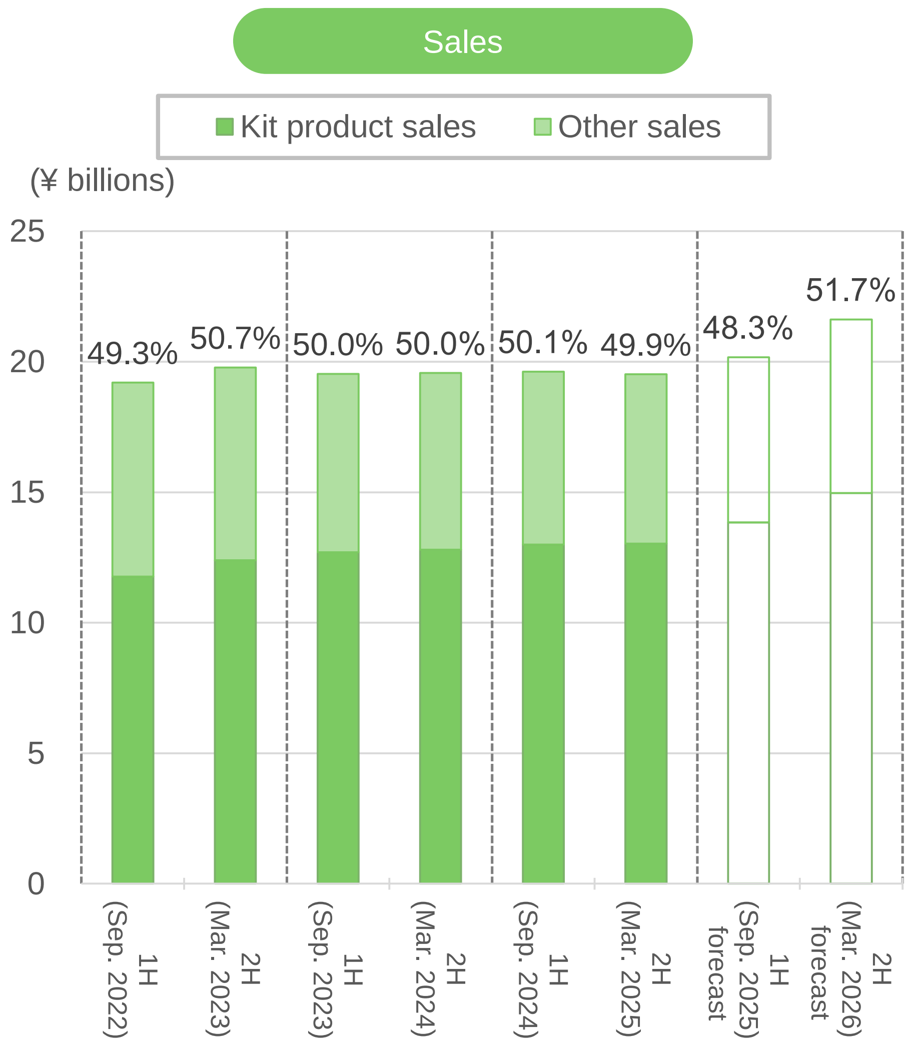
- We expect improvements in the cost of sales ratio to offset higher SG&A expenses, leading to growth in operating income and operating margin
- The assumed exchange rate is JPY150/USD

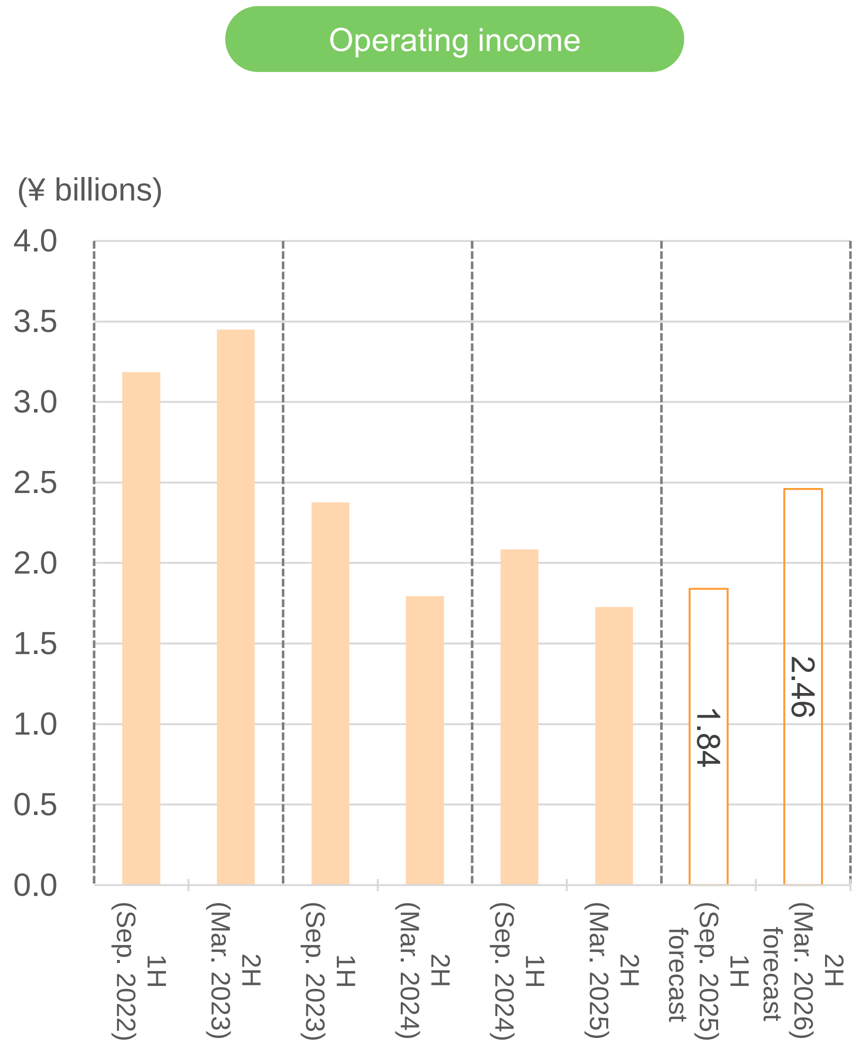
(¥ millions, rounded down)



(Ref.) Half-Year Consolidated Earnings Forecast for FY03/26

- We expect to enter a full-scale growth phase from the second half of FY03/26

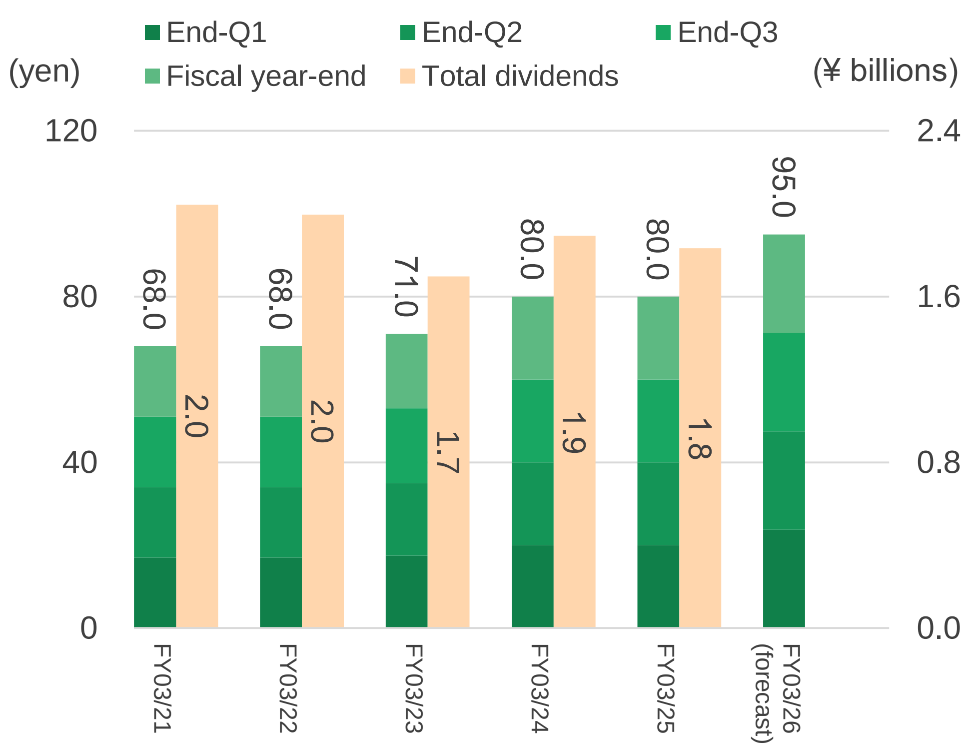




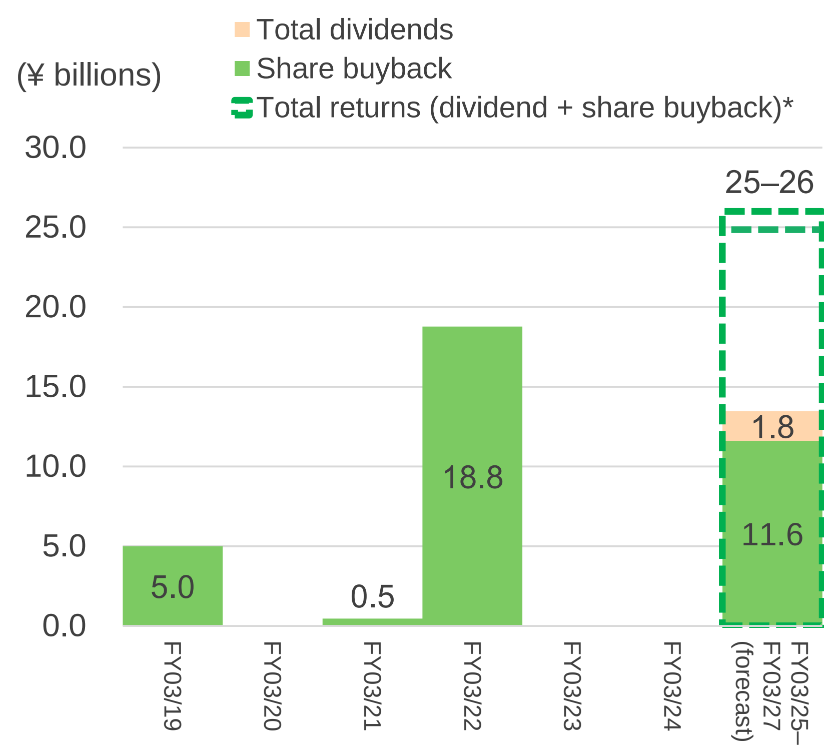
Shareholder Return Policy

- Under the current medium-term business plan, we aim to achieve an ROE target of 6.0% by steadily increasing dividend payouts—raising dividends by approximately ¥15.00 each fiscal year—and conducting a substantial share buyback
- During the next medium-term business plan period, we will review our shareholder return policy with the aim of achieving an ROE target of 9.0% by FY03/30. The basic approach will be to adopt progressive dividends, with a minimum DOE of 3%

Dividends



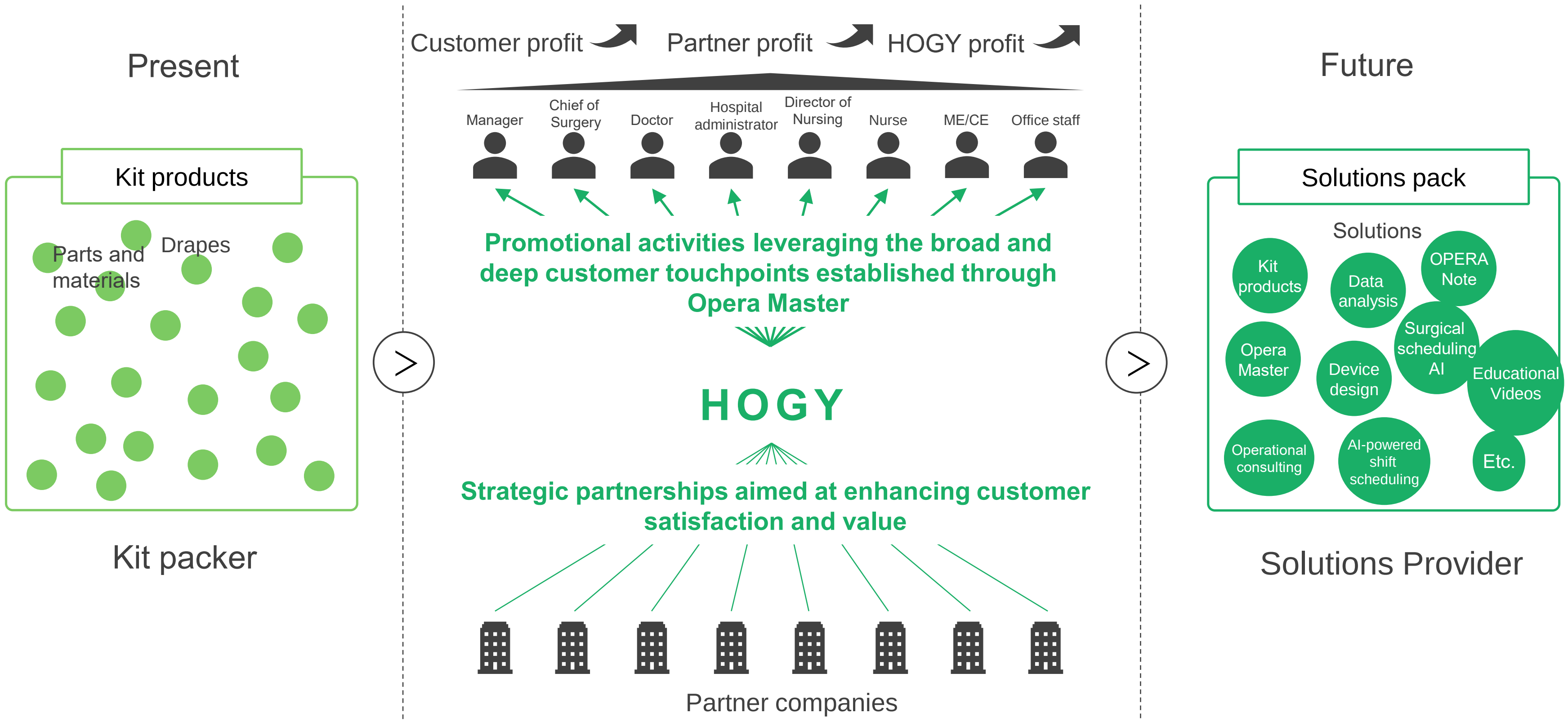
Share buyback



*Three-year forecast based on the Shareholder Return Policy outlined in the medium-term business plan released Tuesday, July 16, 2024

Our Vision as a Solutions Provider

We aim to evolve into a **Solutions Provider** by leveraging our strong customer touchpoints established through Opera Master contracts to deliver a comprehensive range of solutions—not only our own, but also those offered by partner companies



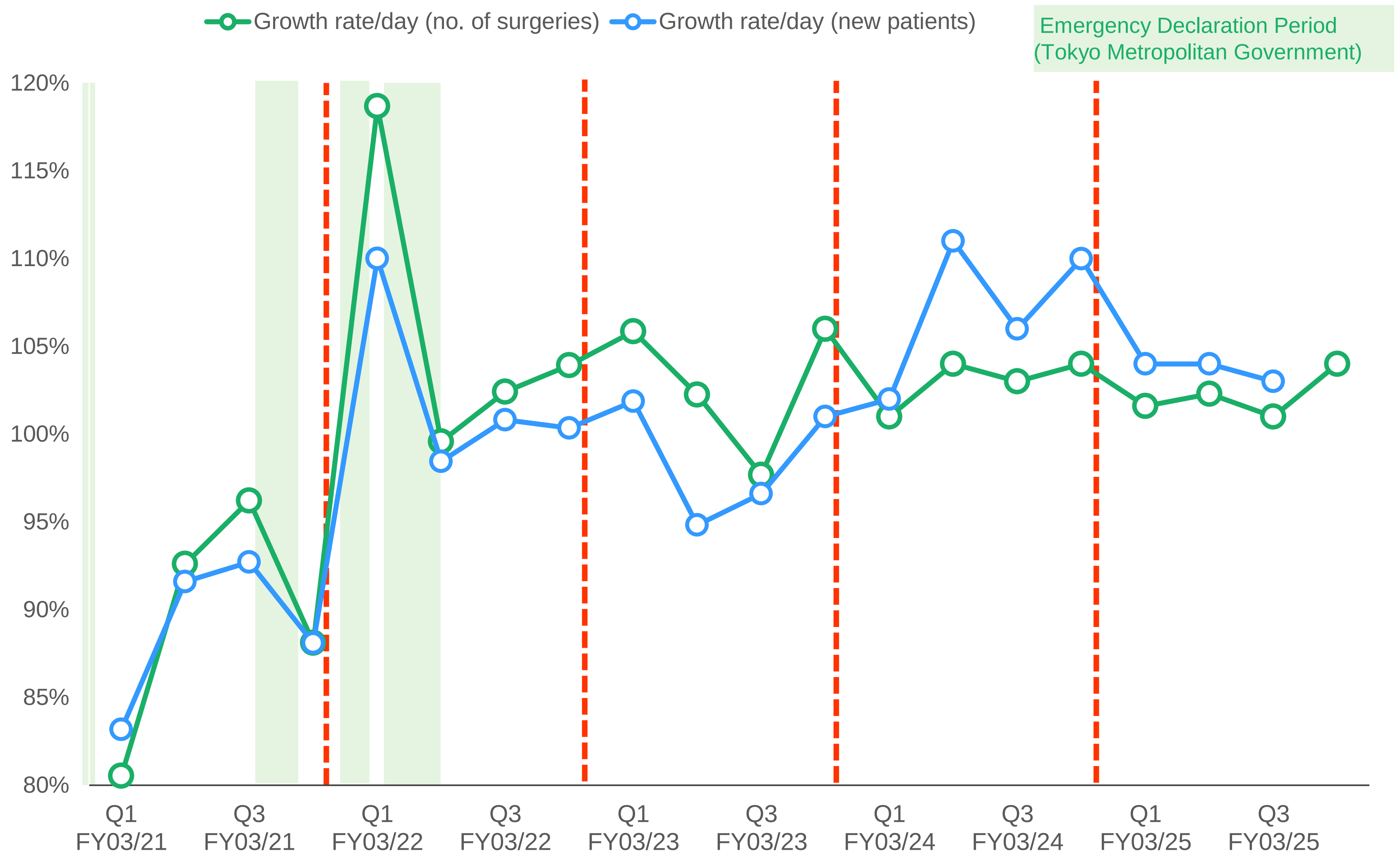
Reference Materials

Kit Products Lineup

	Tyvek Kit	Blister Kit	Premium Surgical Kit
Production location	Tsukuba Plant, Miho Plant 	New Tsukuba Plant 	
Product style	Packed in a non-woven fabric Mekkin Bag	Multiple items packed in small packages according to procedure	
Characteristics	Manual production	Automated production (major reduction in input mistakes and contamination)	
Criteria *Number of items supplied based on in-house templates for each procedure	-	Less than 80%	80% or more
Main therapeutic targets	Ophthalmic & plastic surgery	General anesthesia cases	
No. of supplies	Few		Many
Price	Low		High

Opera Master: Growth in the No. of Surgeries and Daily New Inpatients

HOGY®



Corporate Information

Company Profile

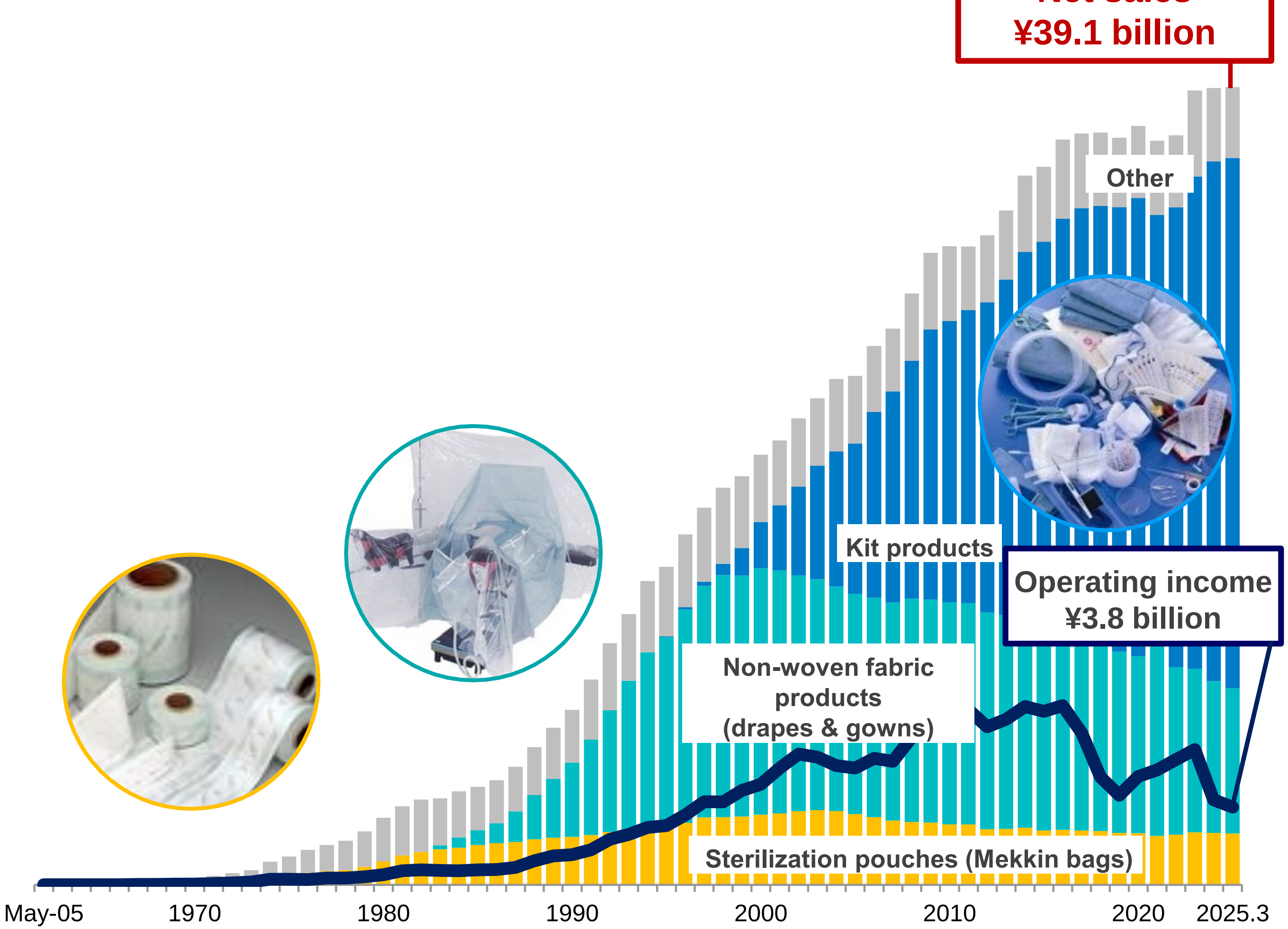
Corporate name	HOGY MEDICAL CO., LTD.
Head office	7-7, Akasaka 2-chome, Minato-ku, Tokyo 107-8615 Phone: +(81) 3-6229-1300
Founded	April 3, 1961
Capital	¥7,123 million (as of March 31, 2025)
Number of employees	748 (parent), 1,409 (consolidated) (as of March 31, 2025)
sales office	15 branches nationwide
Subsidiary	P.T. HOGY Indonesia HOGY Medical Asia Pacific PTE. LTD.
Sub-subsidiary	P.T. HOGY Medical Sales Indonesia P.T.
Listing	Tokyo Stock Exchange, Prime Market
Code number	3593
Number of shares outstanding	22,535,463 (as of March 31, 2025)
Fiscal year-end	March 31

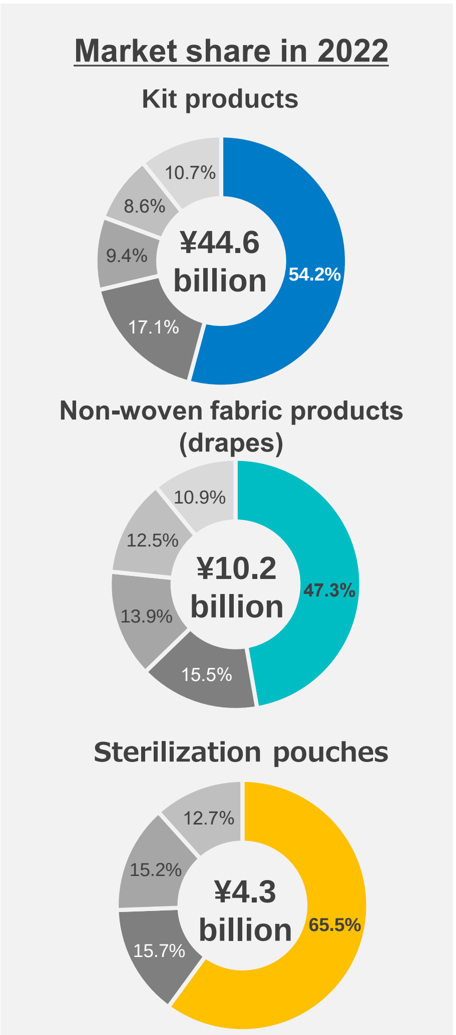
HOGY MEDICAL website

https://www.hogy.co.jp/

HOGY MEDICAL | **Search**

For 65 years since our founding, we have dedicated ourselves to solving customer challenges and contributing to the ‘safety and security’ of medical frontlines by offering a wide range of products. To date, we have served approximately 9,000 facilities.





Note: Financial results for 1996 and later are consolidated results

Source: “Medical Hygiene Products Market and Demand Trends by Product 2022–2023,” Yano Research Institute Ltd.

HOGY

Management

- **1961** Incorporation of Hoki Recording Paper Marketing
- **1970** Company name changed to "HOGY"
- **1987** Company name changed to the current "HOGY MEDICAL"
- **1991** Listed on the Second section of the Tokyo Stock Exchange (TSE)
- **1994** Incorporation of P.T. HOGY INDONESIA
- **2000** Listed on the First Section of the TSE
- **2011** Incorporation of P.T. HOGY Medical Sales Indonesia
- **2018** Incorporation of HOGY Medical Asia Pacific Pte. Ltd.
- **2022** Listing changed from the First Section to the Prime Market of the TSE

Products

- **1964** Launch of Mekkin Bags (sterilization pouches)
- **1972** Launch of medical-use non-woven fabric products
- **1994** Launch of surgical kit products
- **2004** Launch of Opera Master
- **2016** Launch of Premium Surgical Kit

Production

Manufacturing

- **1978** Completion of Miho Plant No. 1 Commencement of Mekkin Bag production

- **1983** Completion of Miho Plant No. 2 (Plant dedicated to the production of non-woven fabric products)

- **1993** Expansion of Miho Plant No. 2
- **2003** Commencement of operations of the Tsukuba Surgical Kit Plant

- **2005** Commencement of operations of the Opera Master production line at the Tsukuba Surgical Kit Plant
- **2017** Commencement of operations of the Tsukuba New Plant (Premium Surgical Kit plant)

Sterilization

- **1992** Commencement of operations of the Edosaki Sterilization Center (electron-beam sterilization)
- **1995** Completion of the Tsukuba Sterilization Center
- **2011** Expansion of the Tsukuba Sterilization Center

Distribution

- **1989** Completion of the Edosaki Distribution Center
- **1997** Commencement of operations of the Tsukuba Distribution Center
- **2006** Commencement of operations of the Tsukuba OPC (fully automated warehouse)

Facilities in red are those where automation has progressed

HOGY

Greater safety and efficiency
HOGI MEDICAL’s Business Domains

With a variety of products that meticulously respond to the needs of medical frontlines and a stable supply system, HOGY MEDICAL supports the safe and efficient management of operating rooms and ideal hospital management.

Contribution to medical safety

Medical-use non-woven fabrics
Offer greater safety and functionality

Sterilization pouches
Provide advanced functions and convenience

Medical products
Support the medical frontlines with a variety of tools

OPERA-Note
Enables in-hospital information sharing through cloud services

R-SUD Business
(remanufactured single-use devices)
Contributes to effective resource utilization and environmental conservation

Premium Surgical Kit
All-in-one kit that can be safely and smoothly deployed

Supply Chain Management (SCM) concept
Ensure just-in-time delivery of all necessary medical supplies for surgeries

Contribution to medical management

OPERA MASTER®
Significantly contributes to hospitals requiring more advanced and efficient operations

Operating Room Management Service®
Provides a more comprehensive and detailed analysis of management data

OPERA-Compass
(ME equipment operation management system)
Enables visualization of the operating status of medical equipment for strategic investment planning

Minimally invasive treatment

Enable safer and more efficient minimally invasive treatments with minimal burden on the patient’s body
(devices for minimally invasive surgery)

SuReFInD®
Provides more reliable support for the excision of small-cell lung cancer in pneumonectomy operations

WEAPS
An easy-to-use head-mounted display that provides high-quality endoscopic surgical images

医療の現場に、未来に、安全を

HOGY®