

July 10, 2024

Consolidated Financial Results

for the First Quarter of Fiscal 2024 [Japanese Standards]

Name: **Hogy Medical Co., Ltd.**
 Listing: **Prime Market, Tokyo Stock Exchange**
 Stock code number: **3593**
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 URL: **https://www.hogy.co.jp**
 Representative: **Hideki Kawakubo, President and CEO**
 Contact: **Taisuke Fujita, CFO**
 Start of cash dividend payments: **August 30, 2024**
 Preparation of supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results to be held: Yes

1. Fiscal 2024—First quarter (April 1–June 30, 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 quarter	¥9,725	+0.5%	¥1,335	+2.6%	¥1,405	+14.3%	¥1,006	+13.6%
Fiscal 2023—First quarter	9,679	+2.5%	1,302	-29.9%	1,230	-33.3%	886	-32.1%

Note: Comprehensive income

Fiscal 2024—1st quarter: ¥1,672 million (-17.2%)

Fiscal 2023—1st quarter: ¥2,020 million (+13.9%)

	Profit per share	Profit per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2024—First quarter	¥41.46	—
Fiscal 2023—First quarter	36.53	—

(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 quarter	¥100,728	¥87,305	86.7%	¥3,596.37
Fiscal 2023—Year-end	100,041	86,120	86.1%	3,547.47

Reference: Equity capital at term-end

Fiscal 2024—1st quarter: ¥87,297 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	—	—	—	—
Fiscal 2024 (est.)	—	20.00	20.00	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, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
First 2 quarters	¥20,110	+2.9%	¥1,940	−18.3%	¥2,030	−14.5%	¥1,440	−16.9%	¥ 59.32
Full year	40,850	+4.5%	4,690	+12.5%	4,800	+13.1%	¥3,310	+18.0%	136.36

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

4. Notes

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

(2) Application of special accounting method: Yes

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

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

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

(2) Other changes in accounting policies: No

(3) Changes in accounting estimates: No

(4) Restatements: No

Note: Quarterly financial reports are not subject to audits by certified public accountants or auditing companies.

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

1. Number of shares outstanding (including treasury stock)

Fiscal 2024–1st quarter: 25,256,963

Fiscal 2023: 25,256,963

2. Number of treasury shares outstanding

Fiscal 2024–1st quarter: 983,249

Fiscal 2023: 982,821

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

Fiscal 2024–1st quarter: 24,273,849

Fiscal 2023–1st quarter: 24,256,963

*Quarterly financial reports are not subject to audits by certified public accountants or auditing companies.

*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 5.

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1. Performance and Financial Position

(1) Performance

In the first quarter under review (April 1–June 30, 2024), the Japanese economy was projected to be on a recovery track due to increasing wage growth and inbound travel. However, the economic outlook remains uncertain due to persistent inflationary fears against the backdrop of the historically weak yen. By contrast, corporate capital investment continues to expand, backed by a favorable earnings environment and higher expected growth. Accordingly, the economy is on a growth trajectory, led by domestic demand and underpinned by investments in digitization and labor-saving measures as companies take measures to address labor shortages.

In the healthcare sector, as in other sectors, labor shortages become the norm. Moreover, responses to reforms of doctors' workstyles, which began in April 2024, is having a major impact on the sector. Medical institutions are now required to create environments allowing doctors to work within hours stipulated by the government, and the scope of labor management extends to the outside work of full-time doctors, highlighting the urgent need to address changes in working conditions on the medical frontlines. In addition, the weak yen has caused resource prices to rise, and the costs of electricity, transportation, and shipping remain high, making for an increasingly difficult environment for hospital management.

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 year-on-year sales growth as result. Growth in sales of Premium Kit, our most important strategic product, was particularly noteworthy. Premium Kit is a high-value-added offering that allows hospitals to reduce the time and effort required 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 steady increases in sales. In the first quarter under review, sales of Premium Kit grew significantly, but sales of conventional kit products declined as we focused on encouraging customers to switch to Premium Kit. Meanwhile, sales of nonwoven fabric products decreased mainly due to the ongoing impact of partial price revisions implemented in the fiscal year ended March 31, 2023, which led to a decline in sales volume.

As a result, consolidated net sales for the period amounted to ¥9,725 million, up 0.5% from the previous corresponding period. Sales of surgical kit products rose 2.3%, to ¥6,486 million, of which Premium Kit (including Blister Kit) sales climbed 6.5%, to ¥4,219 million. Recently, we enhanced the contents of Premium Kit to further increase the efficiency of our customers' worker. Accordingly, sales of Premium Kit only jumped 24.8%, to ¥3,200 million.

The cost of sales ratio increased 2.2 percentage points due to surging costs of imported materials caused by the weak yen and other factors. This was despite a decrease in depreciation costs associated with the commissioning of Stage 2 of our new surgical in kit plant in April 2023. 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 rose 2.6%, to ¥1,335 million yen (up 2.6%), and ordinary income increased 14.3%, to ¥1,405 million due to a year-on-year decrease in loss on investment partnership that occurred in the previous year. Accordingly, profit attributable to owners of parent rose 13.6%, to ¥1,006 million.

(2) Financial Position

On June 30, 2024, total assets amounted to ¥100,728 million, up ¥686 million from March 31, 2024.

For the period, current assets rose ¥1,348 million, to ¥44,374 million. Factors included a ¥1,061 million increase in cash and bank deposits and a ¥258 increase in inventories. Within fixed assets, tangibles edged down ¥253 million, to ¥45,459 million, reflecting a ¥258 million decrease in buildings and structures stemming from depreciation, an ¥896 million decrease in machinery and equipment stemming from depreciation, and an ¥879

increase in construction in progress associated mainly with the extension of a factory P.T. Hogy Indonesia. Intangibles declined ¥55 million, to ¥439 million, due mainly to depreciation. Investments and other assets decreased ¥352 million, to ¥10,455 million, mainly due to a ¥243 million decrease in investment securities stemming from market valuation of our equity holdings. As a result, total fixed assets ended the period at ¥56,354 million.

At the end of the period, total liabilities amounted to ¥13,422 million, down ¥499 million. Current liabilities edged up ¥80 million, to ¥8,321 million, mainly reflecting a ¥546 million decrease in notes and accounts payable, a ¥651 million increase in accrued expenses, a ¥294 million increase in accrued income tax, and a ¥370 decrease in reserves. Long-term liabilities declined ¥579 million, to ¥5,100 million. This stemmed mainly from ¥499 million in repayments of long-term borrowings and a ¥71 million decrease in deferred tax liabilities related to the market valuation of equity holdings.

Net assets at the end of the period totaled ¥87,305 million, up ¥1,185 million. Main factors were ¥1,006 million in profit attributable to owners of parent, ¥485 million in distributions from retained earnings, an ¥836 million increase in translation adjustment, and a ¥167 million decrease in net unrealized gain or loss on securities

As a result, the equity ratio rose to 86.7%, from 86.1% on March 31, 2024.

Cash Flows

Cash and cash equivalents at the end of the period stood at ¥19,742 million, up ¥1,118 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 ¥2,558 million, from ¥755 million in the previous corresponding period. Factors in this result included ¥1,402 million in income before income taxes, ¥1,407 million in depreciation, a ¥614 million decrease in notes and accounts receivable, and ¥271 million in consumption taxes receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥768 million, from ¥1,608 million in the previous corresponding period. Main factors included ¥883 million in purchase of tangible fixed assets.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥986 million, from ¥936 million in the previous corresponding period. Main factors included ¥499 million in repayments of long-term borrowings and ¥485 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 ¥5,270 million, mainly due to purchases of tangible fixed assets; and net cash used in financing activities of around ¥4,000 million, mainly influenced by repayments of long-term borrowings and payments of dividends.

(3) Full-Year Forecasts for Fiscal 2024

In the domestic economy, expectations for a recovery in consumption are rising due to the high rate of wage growth. Nevertheless, the economic outlook is projected to remain uncertain amid continued high prices for resources and raw materials and the ongoing depreciation of the yen. In addition, the healthcare sector is facing difficult business conditions, as the number of patients and surgeries at some medical institutions have not recovered to pre-COVID-19 levels. Institutions are also facing pressure to address reforms in doctors' workstyles and improve compensation to medical personnel due to a revision of official prices for medical fees.

Under these circumstances, the Hogy Medical Group will actively make proposals to help resolve issues faced by its customers. For Premium Kit, our most important strategic product, we will aggressively focus on acquiring new contracts and encouraging customers to switch over from previous kit products. Through aggressive sales promotion activities, we will strive to ensure medical safety while thoroughly reducing the workload of our customers, who face challenging working environments.

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

On the production side, we expect manufacturing costs to increase due to soaring prices of imported materials caused by the yen's ongoing depreciation. This is despite 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 above, our consolidated forecasts for the fiscal year to March 2025 are shown below. (These are unchanged from the forecasts announced at the beginning of the year.)

(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 quarter (June 30, 2024)
ASSETS		
Current assets		
Cash and bank deposits	¥19,419	¥20,481
Notes and accounts receivable	8,459	8,324
Electronically recorded monetary claims	4,307	4,527
Goods and merchandise	4,502	4,816
Products in progress	390	425
Materials and supplies	4,563	4,474
Other	1,382	1,325
Allowance for doubtful accounts	–0	–0
Total current assets	43,025	44,374
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	19,534	19,276
Machinery and vehicles (net)	14,726	13,829
Land	9,728	9,766
Construction in progress	1,241	2,121
Others (net)	481	465
Total property, plant and equipment	45,712	45,459
Intangible fixed assets	495	439
Investments and other assets		
Investment securities	9,213	8,970
Other	1,602	1,496
Allowance for doubtful accounts	–8	–11
Total investment and other assets	10,807	10,455
Total fixed assets	57,015	56,354
Total assets	100,041	100,728
LIABILITIES		
Current liabilities		
Notes and accounts payable	4,834	4,288
Long-term borrowings due within 1 year	1,999	1,999
Accrued income tax	102	396
Reserves	534	164
Other current liabilities	770	1,473
Total current liabilities	8,241	8,321
Long-term liabilities		
Long-term borrowings	3,669	3,169
Liability related to employees' retirement benefits	509	525
Other long-term liabilities	1,501	1,405
Total long-term liabilities	5,680	5,100
Total liabilities	13,921	13,422

(Millions of yen, rounded down)

	Fiscal 2023 (March 31, 2024)	Fiscal 2024—First quarter (June 30, 2024)
NET ASSETS		
Shareholders' equity		
Common stock	¥ 7,123	¥ 7,123
Capital surplus	8,294	8,294
Retained earnings	67,762	68,283
Treasury stock	-3,217	-3,218
Total shareholders' equity	79,962	80,482
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	3,418	3,251
Translation adjustment	2,831	3,667
Cumulative adjustment related to employees' retirement benefits	-101	-104
Total valuation/translation gains or losses	6,148	6,814
Non-controlling interests	8	8
Total net assets	86,120	87,305
Total liabilities and net assets	100,041	100,728

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

(Millions of yen, rounded down)

	Fiscal 2023–First quarter (April 1–June 30, 2023)	Fiscal 2024–First quarter (April 1–June 30, 2024)
Net sales	¥9,679	¥9,725
Cost of sales	6,083	6,322
Gross profit	3,595	3,402
Selling, general and administrative expenses	2,293	2,066
Operating income	1,302	1,335
Other income		
Interest income	55	65
Dividend income	17	22
Rental income	20	31
Other	29	9
Total other income	123	128
Other expenses		
Interest expense	6	6
Foreign exchange loss	84	21
Loss on investment partnership	80	1
Cost of rental income	19	28
Other	4	0
Total other expenses	195	58
Ordinary income	1,230	1,405
Extraordinary expenses		
Loss on disposal of fixed assets	0	3
Total extraordinary expenses	0	3
Income before income taxes	1,229	1,402
Income taxes	347	395
Profit	881	1,006
Profit attributable to non-controlling interests	–4	0
Profit attributable to owners of parent	886	1,006

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2023–First quarter (April 1–June 30, 2023)	Fiscal 2024–First quarter (April 1–June 30, 2024)
Profit	¥ 881	¥1,006
Other comprehensive income		
Net unrealized gain or loss on securities	871	–167
Deferred hedging gain or loss	9	—
Translation adjustment	249	836
Adjustment related to employees’ retirement benefits	6	–3
Total other comprehensive income	1,138	666
Comprehensive income	2,020	1,672
(Breakdown)		
Comprehensive income attributable to owners of parent	2,020	1,672
Comprehensive income attributable to non-controlling interests	0	0

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2023–First quarter (April 1–June 30, 2023)	Fiscal 2024–First quarter (April 1–June 30, 2024)
Operating activities		
Income before income taxes	¥ 1,229	¥ 1,402
Depreciation	1,637	1,407
Interest and dividend income	–73	–88
Interest expense	6	6
Loss (gain) on investment partnership	80	1
Foreign exchange loss (gain)	44	15
Changes in assets and liabilities:		
Notes and accounts receivable	–357	–16
Inventories	–608	–82
Notes and accounts payable	–322	–614
Other	174	501
Subtotal	1,810	2,533
Interest and dividends received	94	124
Interest paid	–6	–6
Incomes taxes paid	–1,142	–92
Net cash provided by operating activities	755	2,588
Investing activities		
Purchase of tangible fixed assets	–1,326	–883
Purchase of intangible fixed assets	–3	—
Other	–277	115
Net cash used in investing activities	–1,608	–768
Financing activities		
Proceeds from long-term borrowings	–499	–499
Purchase of treasury stock	—	–1
Cash dividends paid	–436	–485
Net cash used in financing activities	–936	–986
Effect of exchange rate changes on cash and cash equivalents	50	314
Net change in cash and cash equivalents	–1,738	1,118
Cash and cash equivalents at beginning of term	18,351	18,623
Cash and cash equivalents at end of term	16,612	19,742

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

Not applicable.

(Note of Significant Change in Shareholders' Equity)

Not applicable.

(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 first quarter 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.