

医療の現場に、未来に、安全を

HOGY[®]

Financial Results Briefing for First Quarter of FY2024

Tuesday, July 16, 2024

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Hogy Medical Co., Ltd.



Notes regarding future predictions

This document contains statements about the Company's current plans, forecasts, and strategies, which are forward-looking statements about future performance. These statements are based on management's assumptions and beliefs in light of the information currently available. Therefore, readers are asked to refrain from relying solely on such statements. Actual results may differ from the statements due to various important factors.

Financial results included in this document have not been audited by an auditing firm.

Summary of Financial Results

First Quarter of FY2024: Statements of Income

(¥ millions, rounded down)	FY2023 First Quarter Results		FY2024 First Quarter Results		Change	
	Amount	% of net sales	Amount	% of net sales	Amount	% change
Net sales	9,679		9,725		45	100.5%
Cost of sales	6,083	62.9%	6,322	65.0%	239	103.9%
Gross profit	3,595	37.1%	3,402	35.0%	-193	94.6%
SG&A expenses	2,293	23.7%	2,066	21.3%	-226	90.1%
Operating income	1,302	13.5%	1,335	13.7%	33	102.6%
Other income/expenses	-72		69		141	
Ordinary income	1,230	12.7%	1,405	14.5%	175	114.3%
Extraordinary income/expenses	-0		-3		-2	
Profit attributable to owners of parent	886	9.2%	1,006	10.3%	120	113.6%
EPS (¥)	36.53		41.46			

● Revenue up; income up

● Net sales: Up

Premium Kit sales rose but replacements led to decline for conventional kits

● Operating income: Up

Cost of sales rose on yen's depreciation but profit maintained on efficient use of expenses

● Profit attributable to owners of parent: Up

Cost of sales

: 65.0% (+2.2pts)

<Upside factors>

- : Effect from previous year's evaluations
- : Impact of FX

<Downside factor>

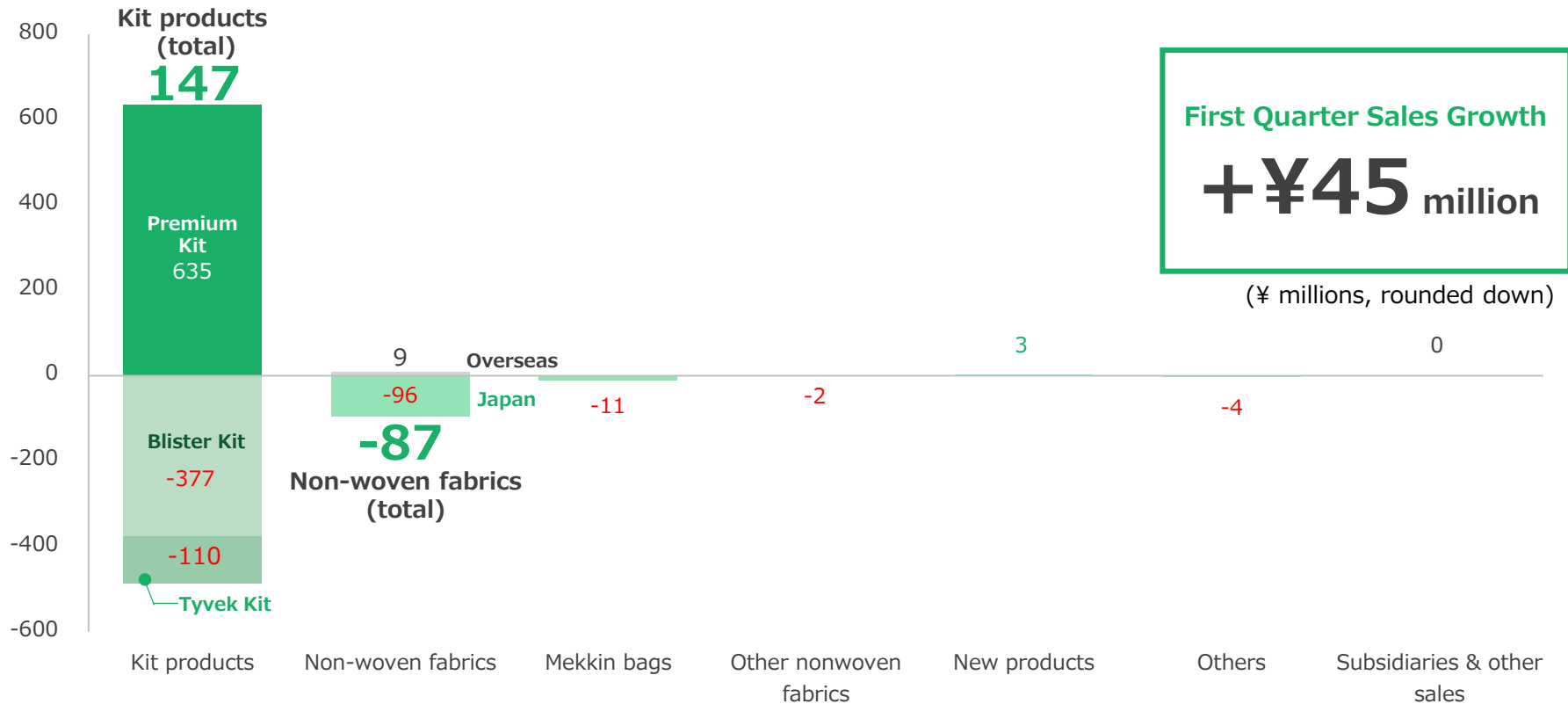
- : Decrease in depreciation expenses from commencement of operations at new plant Stage 2 in April 2023

SG&A:

: -¥226 million (-2.4%)

- : Decrease in personnel expenses

First Quarter of FY2024: Changes in sales of main products

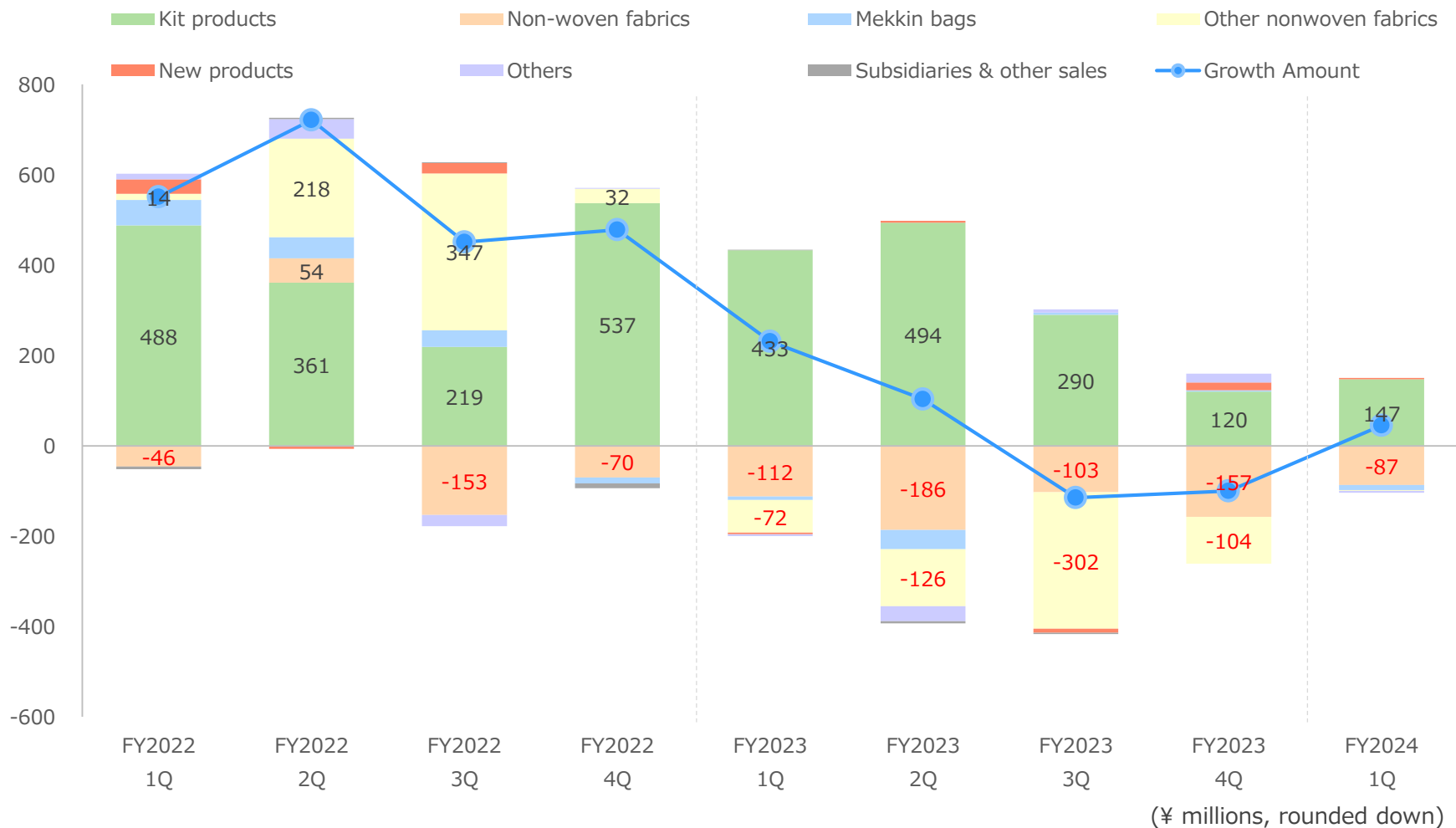


First Quarter Sales Growth
+¥45 million

(¥ millions, rounded down)

- **Premium Kit: Sales up 24.8% YoY (unit sales up 25.0%) due to new contract signings**
 - ▶ Blister Kit: Unit sales down due to replacement with Premium Kit
 - ▶ Tyvek Kit: Unit sales down due to decrease in absence of previous year's effect from price revisions implemented in FY2022 and replacement with Blister Kit and Premium Kit for which contents are to be enhanced
- Continued decline in sales volume of nonwoven fabrics from price revisions for gown products implemented in October 2022

FY2024: Breakdown of sales increase/decrease by quarter



- Kit products: Although sales of Premium Kit rose, replacements resulted in lower sales of Blister Kit and Tyvek Kit
- Premium Kit: While there are some signs of new contract signings, mixed results due to differences by sales office
- Other nonwoven fabrics: Negative impact after recoil from 8th wave of special demand for high-performance masks ended in the end of FY2023

01

Market (Acute care)

- **Beginning of workstyle reforms for physicians**
 - ▶ Beginning to move toward realization of regional medical care concept including withdrawal of physicians from other locations
 - ▶ Promotion of team medical care is accelerating task shifting and task sharing
- **Business conditions for medical institutions remain difficult despite revision of official prices for medical fees**
 - ▶ Revenue decline from end of public outlays (subsidies) for COVID-19
 - ▶ Number of both inpatients and outpatients not returning to pre-COVID-19 levels
 - ▶ Higher hurdles set for acute system assessment requirements → Move toward concentration of surgical patients
 - ▶ Measures to reduce consecutive days spent in hospitals

02

Financial

- Premium Kit: Sales up 24.8% due to new contract signings and increased replacement activities
 - ▶ Although some results from sales strategy being seen, results vary by location
- Non-woven fabrics: Unit sales down due to continued partial separation of gowns stemming from price revision (October 2022)
- Increase in costs due to yen's depreciation
- Decrease in depreciation expenses from commencement of operations at new plant Stage 2 in April 2023

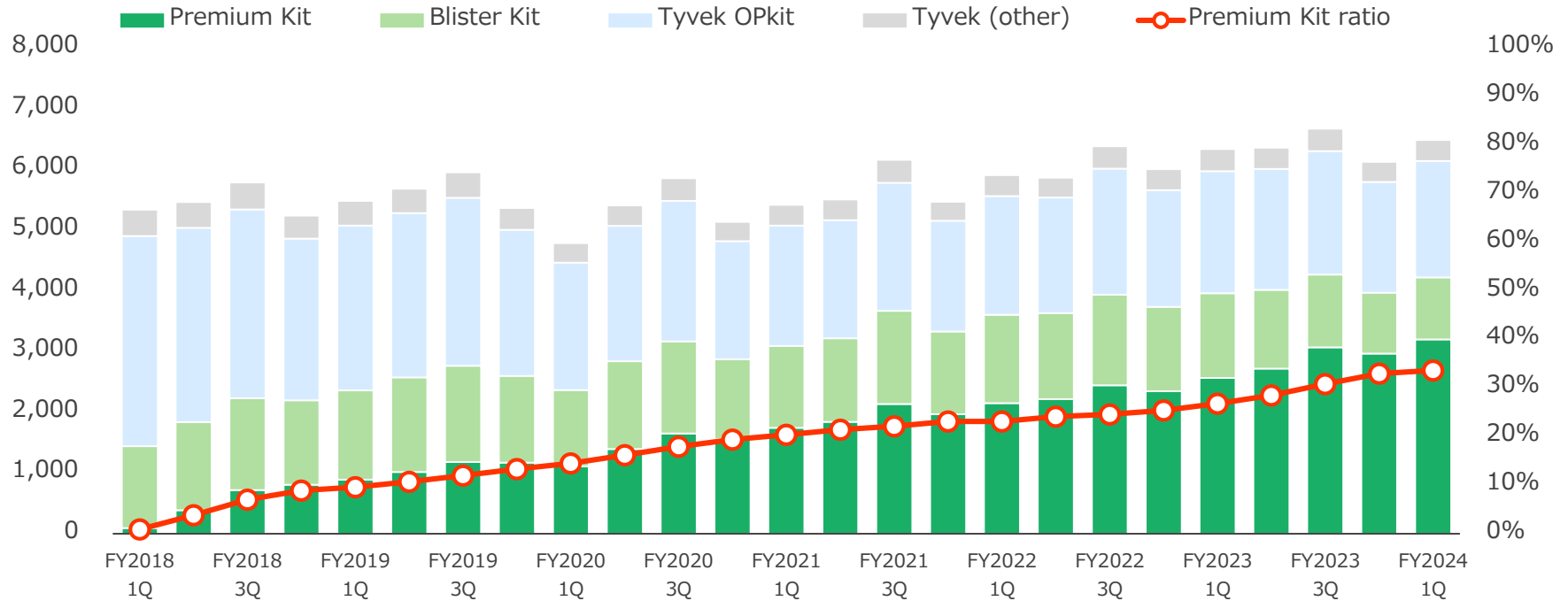
Performance Details



Sales of surgical kit products by quarter

● Both sales and sales ratio for Premium Kit at record high

(¥ millions, rounded down)



FY2024 (1Q): YoY sales change (¥ millions)

Premium

+635

124.8%

Blister

-377

73.0%

Tyvek

-110

95.4%

Kit sales composition (Premium Kit/Kit products)

	FY2023 1Q	FY2023 2Q	FY2023 3Q	FY2023 4Q	FY2024 1Q	YoY change
Sales	40.5%	42.7%	46.0%	48.4%	49.3%	+8.9%
Unit sales	26.8%	28.5%	30.8%	33.0%	33.6%	+6.8%

No. of surgeries at Opera Master-contracted hospitals

Sales (kits)

¥4,239 million

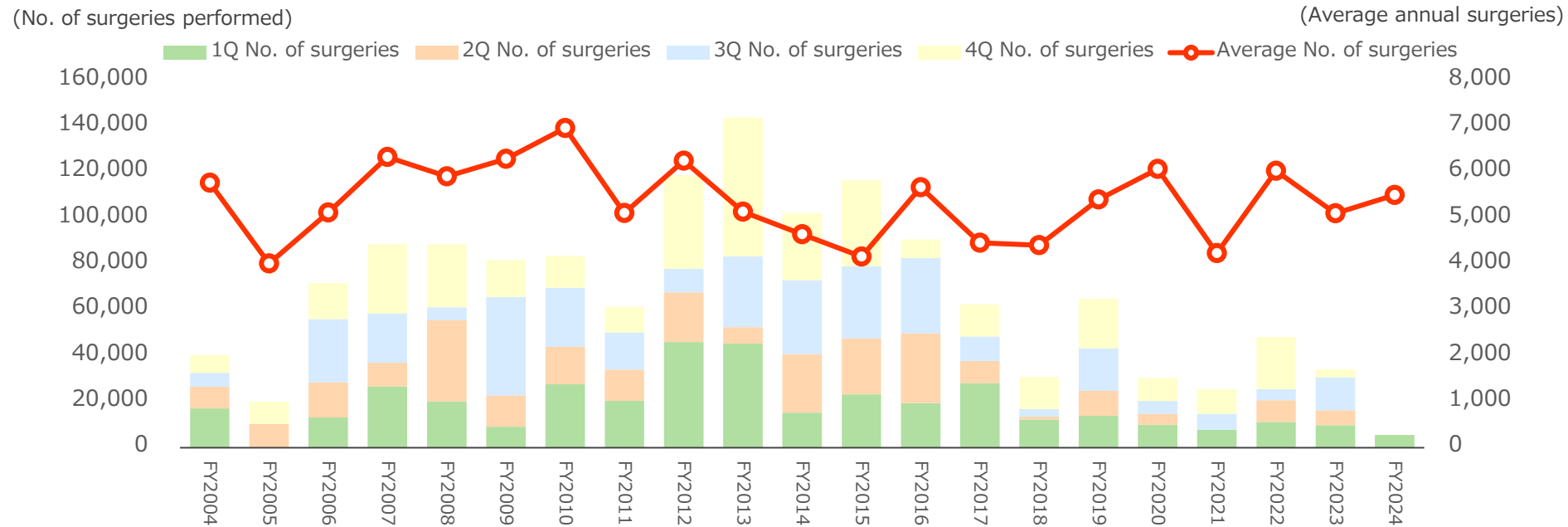
YoY change: +¥149 million (+103.7%)

Number of contracted hospitals (FY2024)

New contract: 1

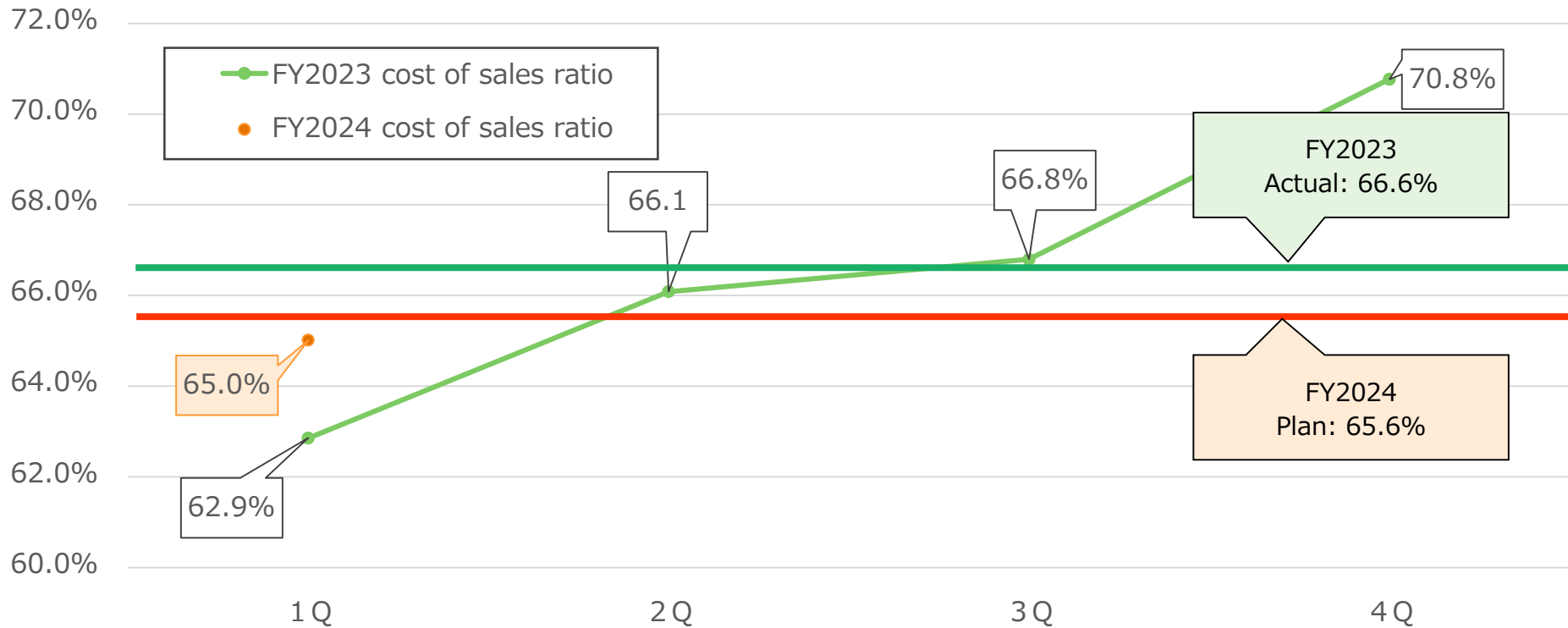
Cumulative number of contracted hospitals

255



- FY2024: 1 new contracted hospital (DPC-specific hospital (former Group II))
- Surgeries at the newly contracted hospital (FY2024): Approx. 5,500
- New Opera Master contracts: Focus on regional hub hospitals where patients are concentrated
- Policy changed to help hospitals “improve workstyles and quality of medical care” by proposing new services according to changes in customer issues

FY2024: Cost of sales ratio by quarter



1Q FY2024 cost of sales ratio: 65.0%

FY2023 (full year) cost of sales ratio: 66.6%

→1Q FY2024 cost of sales ratio is on plan.

● Reasons for 2.2 percentage point change from 1Q FY2023

- ⊖ Valuation effect in previous year: Effect from revaluation of standard cost of inventory at end of previous year
- ⊖ Foreign exchange effect: Even though the actual rate was above the corporate rate of ¥145/USD, the adverse impact was partially offset by reduced volumes purchased from Indonesian subsidiary
- ⊕ Depreciation effect: Reduction in depreciation expenses from progress on new plant Stage 2 that commenced operations in April 2024

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EPS (¥)	36.53		41.46			

Main factors	Change
Personnel expenses	-150
Experimental research costs	-37
Depreciation	-22

- SG&A: ¥2,066 million (-¥226 million)
 - ▶ Personnel expenses: Decrease in total amount of performance-linked bonuses paid
- **Total depreciation: ¥1,407 million (-¥229 million)**
 - Cost of sales: ¥1,288 million (-¥207 million) (including ¥1,035 million for new plant Stage 2 operation)
 - SG&A: ¥119 million (-¥22 million)
- Capex: ¥922 million
- First-quarter dividend: ¥20
 - ▶ **Total dividends: ¥485 million**

Business Plan for FY2024 (ending March 31, 2025)



FY2024 Statements of Income (Forecasts)

(¥ millions, rounded down)	FY2023		FY2024		Change	
	Amount	% of net sales	Amount	% of net sales	Amount	% change
Net sales	39,100		40,850		1,749	+4.5%
Cost of sales	26,037	66.6%	26,780	65.6%	742	+2.9%
Gross profit	13,063	33.4%	14,070	34.4%	1,006	+7.7%
SG&A expenses	8,894	22.7%	9,380	23.0%	485	+5.5%
Operating income	4,169	10.7%	4,690	11.5%	520	+12.5%
Other income/expenses	76		110		33	
Ordinary income	4,245	10.9%	4,800	11.8%	554	+13.1%
Extraordinary income/expenses	-169		-		169	
Profit attributable to owners of parent	2,804	7.2%	3,310	8.1%	505	+18.0%
EPS (¥)	115.57		136.36			

● Increases in both sales and income

● Net sales:

¥1,749 million (+4.5%)

- Increase in Premium Kit sales due to new contracts
- Expect sales of new products, such as REVICE (single-use medical device remanufacturing business)

Cost of sales

65.6%
-1.0pt

: Decrease in depreciation associated with new plant Stage 2 operation

: Aim to reduce costs by improving productivity

: Corporate FX rate set at ¥145/USD

(FY2022/1-3Q: ¥135; 4Q: ¥150)

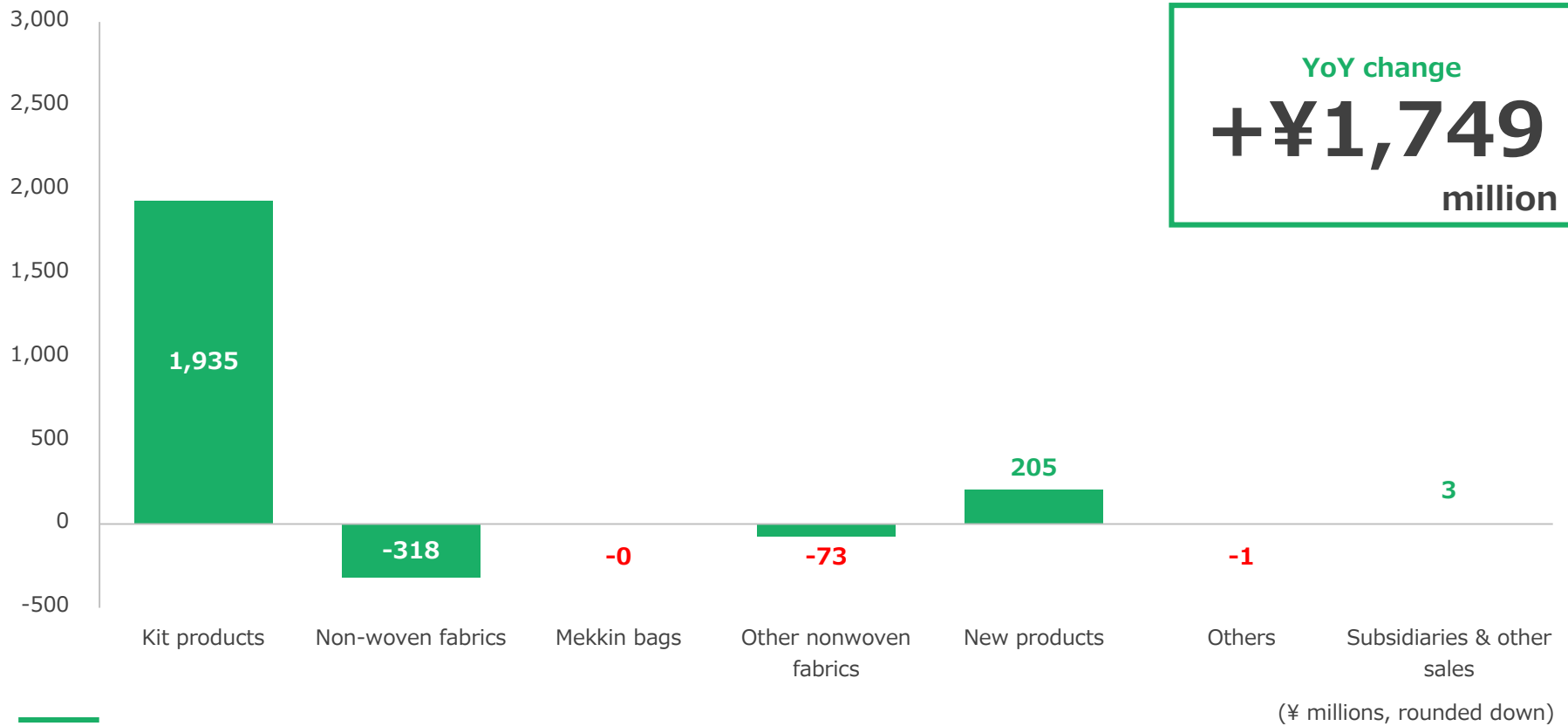
SG&A:

¥485 million
+5.5%

: Increases in operating expenses and R&D expenses

: Repair costs for maintenance of distribution centers and other facilities

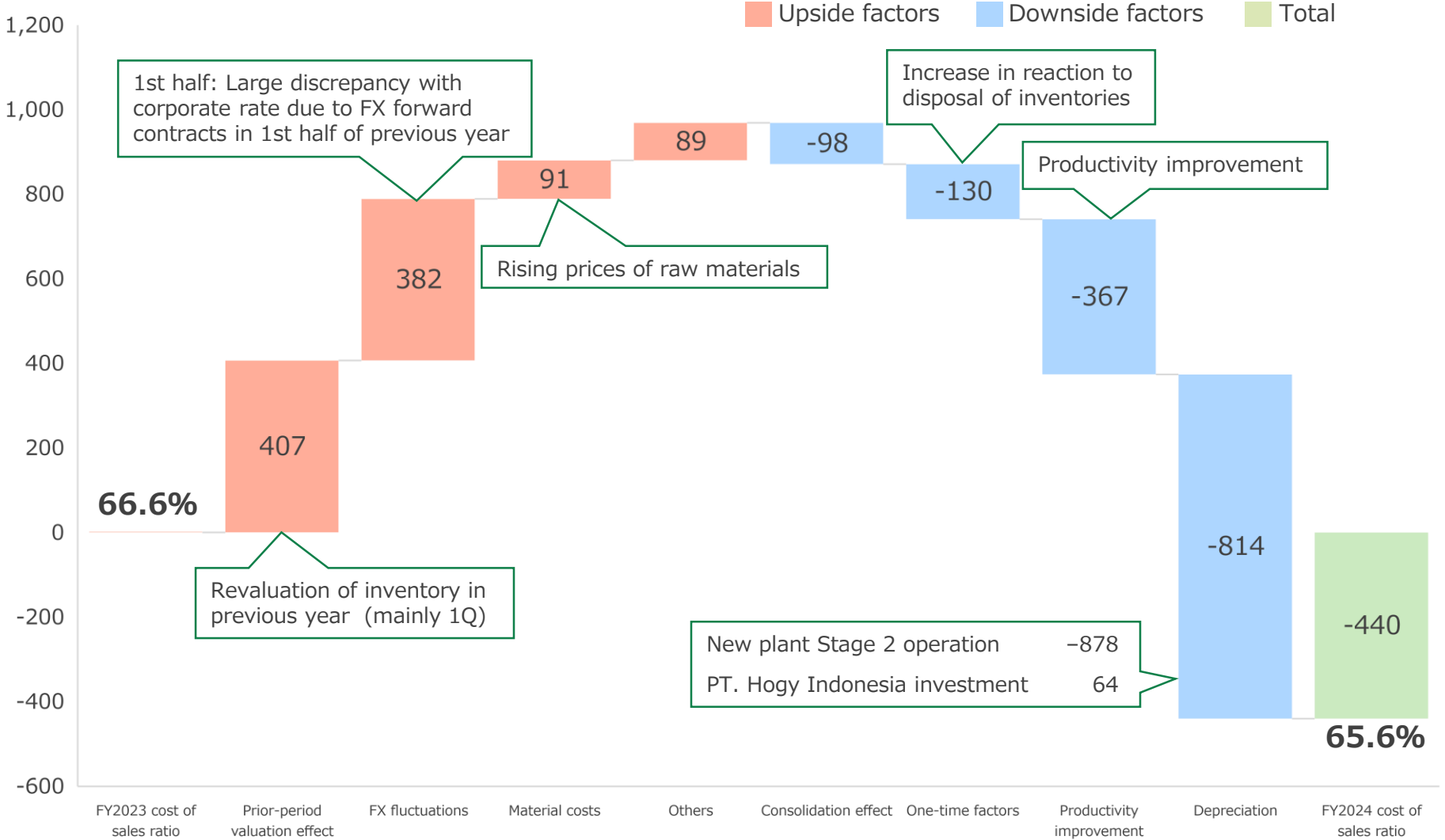
FY2024: Changes in sales of main products (Forecasts)



- **Kit products: New contracts for Premium Kit, which helps resolve hospital management issues**
- Non-woven fabrics: Units sales down slightly due to defection caused by price revision of gown products
- Other nonwoven fabrics: Reactionary decline in 2Q following special demand for high-performance masks
- New products: Expect sales of new products, such as REVICE (single-use medical device remanufacturing business)

FY2024: Main reasons for changes in cost of sales ratio (Forecasts) **HOGY**

(¥ millions, rounded down)



● Corporate rate set at ¥145/USD

FY2024 Statements of Income (Forecasts)

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Main factors	Change
R&D expenses	+173
Packing/transportation costs	+72
Personnel expenses	+32
Sample costs	+26
Depreciation	-15

- SG&A: ¥9,380 million (+¥485 million)

Increase in **sales-related expenses and R&D expenses to strengthen product competitiveness**

- **Total depreciation: ¥5,777 million (-¥830 million)**


- Cost of sales: ¥5,220 million (-¥814 million) (including ¥2.6 billion for new plant Stage 2 operation; FY2023: ¥3.3 billion)
- SG&A: ¥557 million (-¥15 million)

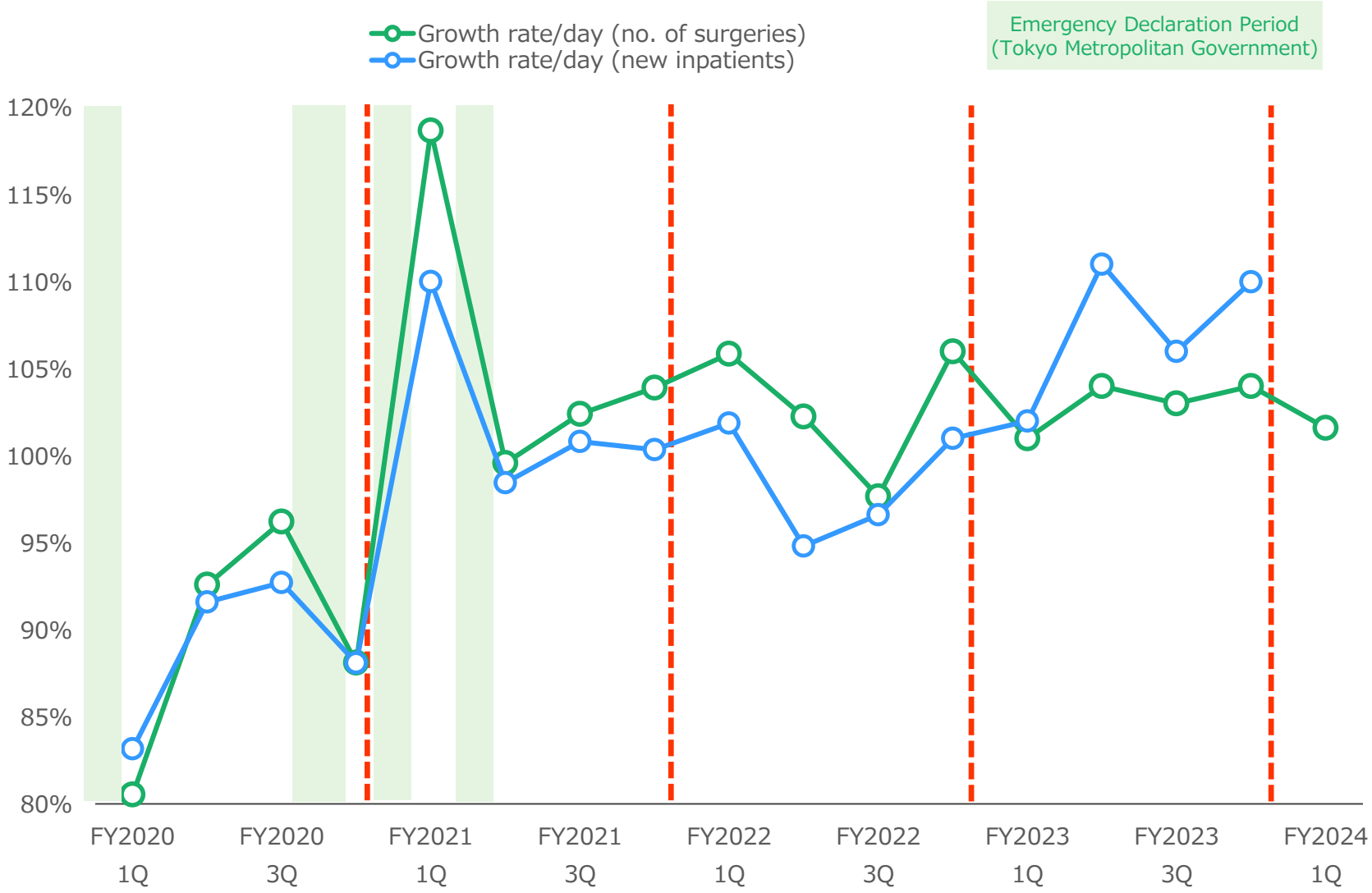
- Capex: ¥5,270 million

- Annual dividends: ¥80/share (¥20/quarter)

Reference Materials



	Premium Kit	Blister Kit	Tyvek Kit (conventional kit)
Where to produce	<p>New Surgical Kit Plant, Tsukuba (multi)</p> 		<p>Tsukuba, Miho</p> 
Product style	<p>Packed with small multi packages in order to use in an operation</p>		<p>Wrapped with a non-woven fabric and packed with a sterilization pouch</p>
Safety	<p>Benefits of automated production Elimination of human error (major declines in input mistakes and contamination)</p>		<p>As before</p>
Criteria	<p>Kit template materials: 80% or more</p>	<p>Kit template materials: 30% to 80%</p>	<p>Cases where small amounts of materials used Kit template materials: 30% or less</p>



Impacts of medical fee revision in 2024

Core portion of revision

+0.88% (Previous revision (2022) **+0.43%**)

* Below is Hogy Medical's summary of key points of acute inpatient care from the Ministry of Health, Labour and Welfare's revised medical fee schedule.

Classification		Aims of revision	Client	Impact on Company
Raise wages, base rates, etc. <ul style="list-style-type: none"> Revision of evaluation of initial and repeat consultation fees, etc. 		Positive revision to anticipate cost of wage increases for physicians under 40, nursing staff, etc.	△	Cannot be called a positive revision that covers increases in hospital labor costs, but we will continue proposing ways to improve management efficiency
Acute care system evaluation	Highly acute inpatient care	<ul style="list-style-type: none"> Working arrangements (night shifts, team system, etc.) Use of specified-practice nurses 	△	We will advocate for highly productive working arrangements suited to acute care , including assignment of physicians to ICUs and other highly acute care settings, establishment of day/night shifts, and scheduled and emergency surgeries
	Review of fees for acute stage enhancement	For a more advanced medical system <ul style="list-style-type: none"> Less than 300 beds abolished Additional requirements for cardiac macrovascular surgery 	Stricter	
	Comprehensive hospitalization system addition review	Narrowing down to optimal facilities <ul style="list-style-type: none"> General anesthesia: 800 cases → 2,000 cases (addition 1) 	Stricter	
New: 10 to 1	Establishment of community-based integrated care beds <ul style="list-style-type: none"> Hospitalization charge: 3,050 points 	Promote transition to new 10-to-1 system; newly established as measure for immediate aging of the population with a view to transitioning to a convalescent phase after 2040	New	We can consider new management strategies for dealing with elderly emergency transport and emergency hospitalization patients.
7 to 1	Review of average length of required hospital stay <ul style="list-style-type: none"> Facility standard 18 → 16 days or less (shortened by 2 days) 	Intention to raise treatment position to highly acute care (rather than acute care)	Stricter	Advanced medical care is a reform aimed at building a safer and higher-quality medical care delivery system.

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