



HOGY MEDICAL Co., Ltd.
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October 10, 2024

Consolidated Financial Results

for the First 2 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**
Submission of Quarterly Business Report: **November 13, 2024**
Start of cash dividend payments: **November 29, 2024**
Preparation of supplementary materials for quarterly financial results: Yes
Information meeting for quarterly financial results to be held: Yes

1. Fiscal 2024 First 2 quarters (April 1–September 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 2 quarters	¥19,619	+0.4%	¥2,083	–12.3%	¥2,036	–14.2%	¥1,867	+7.8%
Fiscal 2023–First 2 quarters	19,536	+1.7%	2,375	–25.4%	2,373	–25.0%	1,732	–22.4%

Note: Comprehensive income

Fiscal 2024—1st 2 quarters: ¥2,239 million (–38.3%)

Fiscal 2023—1st 2 quarters: ¥3,626 million (–10.8%)

	Profit per share	Profit per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2024–First 2 quarters	¥80.58	—
Fiscal 2023–First 2 quarters	71.40	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio
Fiscal 2024–First 2 quarters	¥ 99,492	¥75,799	76.2%
Fiscal 2023–Year-end	100,041	86,120	86.1%

Reference: Equity capital at term-end

Fiscal 2024—1st 2 quarters: ¥75,790 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			
Fiscal 2024 (est.)			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, 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%	¥153.52

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

4. 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 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

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

1. Number of shares outstanding (including treasury stock)

Fiscal 2024–1st 2 quarters: 22,535,463

Fiscal 2023: 25,256,963

2. Number of treasury shares outstanding

Fiscal 2024–1st 2 quarters: 975,381

Fiscal 2023: 982,821

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

Fiscal 2024–1st 2 quarters: 23,175,606

Fiscal 2023–1st 2 quarters: 24,261,879

*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 6.

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1. Performance and Financial Position

(1) Performance

In the first two quarters under review (April 1–September 30, 2024), the Japanese economy showed signs of gradual recovery as domestic demand turned positive. However, various uncertainties remain, including concerns about high prices, warnings about a potential Nankai Trough earthquake, and worries about flood damage caused by heavy rain and other abnormal weather events. On the foreign exchange market, the yen reached a historically low level in early July 2024. However, the market shifted towards a weaker dollar and stronger yen following intervention by Japan's financial authorities to buy yen, increasing expectations of additional interest rate hikes by the Bank of Japan, and projections of interest rate cuts in the United States.

In the healthcare sector, prices continued rising due to ongoing increases in resource prices, along with higher electricity, energy, and transportation and shipping costs. At the same time, while initial consultation fees were raised due to a revision of medical fees implemented in June 2024, hospitals continued facing significantly changing business conditions and urgent management challenges. These included wage increases for healthcare professionals, as well as the need to address labor shortages and workstyle reforms.

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 (including Blister Kit), our most important strategic product, was particularly noteworthy. Premium Kit is a high-value-added offering with enhanced contents that allows hospitals to enhance efficiency by reducing 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 increases in sales. On the other hand, sales of nonwoven fabric products decreased due to ongoing declines in unit sales of medical gown products following price revisions for some items implemented in the previous fiscal year. Sales of other nonwoven fabric products fell as the special demand for infection prevention-related items, such as high-performance masks, subsided.

As a result, consolidated net sales for the period amounted to ¥19,619 million, up 0.4% from the previous corresponding period. Sales of surgical kit products rose 2.3%, to ¥12,992 million, of which Premium Kit (including Blister Kit) sales climbed 6.6%, to ¥8,507 million. Sales of Premium Kit only (excluding Blister Kit) climbed 23.2%, to ¥6,510 million.

The cost of sales ratio increased 3.1 percentage points, to 67.5%, 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 declined 12.3%, to ¥2,083 million, and the operating margin was 10.6%. Ordinary income was down 14.2%, to ¥2,036 million, mainly due to provision of allowance for doubtful accounts for receivables related to the leasing business. To improve the efficiency of our asset holdings, we sold some of our equity holdings, resulting in an extraordinary gain of ¥1,097 million. By contrast, we posted an impairment loss of ¥532 million due to impairment of fixed assets related to the leasing business. Accordingly, profit attributable to owners of parent rose 7.8%, to ¥1,867 million.

(2) Financial Position

On September 30, 2024, total assets amounted to ¥99,492 million, down ¥549 million from March 31, 2024.

For the period, current assets rose ¥2,306 million, to ¥45,332 million. Factors included a ¥3,244 million increase in cash and bank deposits, a ¥730 million decrease in notes and accounts receivable, a ¥522 increase in inventories, and a ¥675 million increase in consumption taxes receivable. Within fixed assets, tangibles declined ¥1,061 million, to ¥44,651 million, reflecting a ¥696 million decrease in buildings and structures stemming from

depreciation, a ¥1,761 million decrease in machinery and equipment stemming from depreciation, and an ¥1,311 million increase in construction in progress associated mainly with the extension of a factory P.T. Hogy Indonesia. Intangibles declined ¥71 million, to ¥423 million, due mainly to depreciation. Investments and other assets decreased ¥1,723 million, to ¥9,084 million, mainly due to a ¥1,270 million decrease in investment securities stemming from partial sale and market valuation of our equity holdings. As a result, total fixed assets ended the period at ¥54,159 million.

At the end of the period, total liabilities amounted to ¥23,692 million, up ¥9,771 million. Current liabilities rose ¥1,063 million, to ¥9,304 million, mainly reflecting a ¥633 million increase in accrued income tax and a ¥543 million increase in accrued consumption tax. Long-term liabilities increased ¥8,707 million, to ¥14,387 million. This stemmed mainly from a ¥9,000 million increase in long-term borrowings (¥10,000 million in new borrowings and ¥999 million in repayments) and a ¥376 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 ¥75,799 million, down ¥10,320 million. Main factors were ¥1,867 million in profit attributable to owners of parent, ¥970 million in distributions from retained earnings, an ¥830 million decrease in net unrealized gain or loss on securities due to the partial sale and market valuation of equity holdings, and a ¥1,258 million increase in translation adjustment. 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 76.2%, from 86.1% on March 31, 2024.

Cash Flows

Cash and cash equivalents at the end of the period stood at ¥21,830 million, up ¥3,206 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 ¥6,373 million, from ¥2,009 million in the previous corresponding period. Factors in this result included ¥2,601 million in income before income taxes, ¥2,831 million in depreciation, ¥1,097 million in proceeds from sales of investment securities, ¥529 million in impairment losses, an ¥867 million decrease in notes and accounts receivable, a ¥428 million decrease in notes and accounts payable, and a ¥675 million decrease in consumption taxes receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥218 million, from ¥1,873 million in the previous corresponding period. Main factors included ¥1,396 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 ¥3,592 million, from ¥1,921 million in the previous corresponding period. Main factors included ¥10,000 million in proceeds from long-term borrowings, ¥999 million in repayments of long-term borrowings, ¥11,622 million in purchase of treasury stock, and ¥970 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 domestic economy is recovering, the outlook will remain difficult to predict due to ongoing global instability and persistently high prices of resources and raw materials. In the healthcare sector, the number of patients at medical institutions is approaching pre-COVID-19 levels but has not fully recovered, making it difficult to secure medical business revenue, while labor and other expenses are rising, resulting in a difficult business climate.

Under these circumstances, 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, 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 pursue aggressive sales promotion activities 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-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 in the second half of the year, 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 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

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2023 (March 31, 2024)	Fiscal 2024– First 2 quarters (September 30, 2024)
ASSETS		
Current assets		
Cash and bank deposits	¥ 19,419	¥ 22,664
Notes and accounts receivable	8,459	7,690
Electronically recorded monetary claims	4,307	4,346
Goods and merchandise	4,502	4,825
Products in progress	390	379
Materials and supplies	4,563	4,775
Other	1,382	651
Allowance for doubtful accounts	–0	–0
Total current assets	43,025	45,332
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	19,534	18,837
Machinery and vehicles (net)	14,726	12,964
Land	9,728	9,804
Construction in progress	1,241	2,552
Other (net)	481	491
Total property, plant and equipment	45,712	44,651
Intangible fixed assets	495	423
Investments and other assets		
Investment securities	9,213	7,943
Other	1,602	1,314
Allowance for doubtful accounts	–8	–172
Total investments and other assets	10,807	9,084
Total fixed assets	57,015	54,159
Total assets	100,041	99,492
LIABILITIES		
Current liabilities		
Notes and accounts payable	4,834	4,542
Long-term borrowings due within 1 year	1,999	1,999
Accrued income tax	102	736
Reserves	534	556
Other current liabilities	770	1,470
Total current liabilities	8,241	9,304
Long-term liabilities		
Long-term borrowings	3,669	12,669
Liability related to employee's retirement benefits	509	536
Reserves	—	54
Other long-term liabilities	1,501	1,127
Total long-term liabilities	5,680	14,387
Total liabilities	13,921	23,692

(Millions of yen, rounded down)

	Fiscal 2023 (March 31, 2024)	Fiscal 2024– First 2 quarters (September 30, 2024)
NET ASSETS		
Shareholders' equity		
Common stock	¥ 7,123	¥ 7,123
Capital surplus	8,294	8,296
Retained earnings	67,762	57,759
Treasury stock	–3,217	–3,908
Total shareholders' equity	79,962	69,270
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	3,418	2,588
Deferred hedging gain or loss	—	–50
Translation adjustment	2,831	4,089
Cumulative adjustment related to employees' retirement benefits	–101	–107
Total valuation/translation gains or losses	6,148	6,520
Non-controlling interests	8	8
Total net assets	86,120	75,799
Total liabilities and net assets	100,041	99,492

(2) Statements of Income and Statements of Comprehensive Income

(Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2023– First 2 quarters (April 1– September 30, 2023)	Fiscal 2024– First 2 quarters (April 1– September 30, 2024)
Net sales	¥19,536	¥19,619
Cost of sales	12,597	13,260
Gross profit	6,938	6,358
Selling, general and administrative expenses	4,563	4,275
Operating income	2,375	2,083
Other income		
Interest income	118	123
Dividend income	36	49
Foreign exchange gain	—	87
Rental income	35	56
Other	48	45
Total other income	239	363
Other expenses		
Interest expense	12	23
Foreign exchange loss	45	—
Reversal of allowance for doubtful accounts	—	161
Loss on investment partnership	135	52
Cost of purchase of treasury stock	—	46
Cost of rental income	39	58
Provision for losses on rental contracts	—	68
Other	8	0
Total other expenses	241	410
Ordinary income	2,373	2,036
Extraordinary income		
Gain on sales of tangible fixed assets	40	—
Gain on sales of investment securities	—	1,097
Total extraordinary income	40	1,097
Extraordinary expenses		
Loss on disposal of fixed assets	0	3
Impairment loss	—	529
Total extraordinary expenses	0	532
Income before income taxes	2,413	2,601
Income taxes	689	733
Profit	1,724	1,867
Profit attributable to non-controlling interests	–8	0
Profit attributable to owners of parent	1,732	1,867

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2023– First 2 quarters (April 1– September 30, 2023)	Fiscal 2024– First 2 quarters (April 1– September 30, 2024)
Profit	¥1,724	¥1,867
Other comprehensive income		
Net unrealized gain or loss on securities	851	–830
Deferred hedging gain or loss	–91	–50
Translation adjustment	1,123	1,258
Adjustment related to employees’ retirement benefits	19	–6
Total other comprehensive income	1,902	371
Comprehensive income	3,626	2,239
(Breakdown)		
Comprehensive income attributable to owners of parent	3,624	2,238
Comprehensive income attributable to non-controlling interests	2	0

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2023– First 2 quarters (April 1– September 30, 2023)	Fiscal 2024– First 2 quarters (April 1– September 30, 2024)
Operating activities		
Income before income taxes	¥ 2,413	¥2,601
Depreciation	3,295	2,831
Interest and dividend income	–155	–173
Interest expense	12	23
Loss (gain) on investment partnership	135	52
Foreign exchange loss (gain)	17	–25
Loss (gain) on sales of tangible fixed assets	–40	—
Gain on sales of investment securities	—	–1,097
Impairment losses	—	529
Changes in assets and liabilities:		
Notes and accounts receivable	–1,096	867
Inventories	–797	–168
Notes and accounts payable	–389	–428
Other	–316	1,373
Subtotal	3,079	6,384
Interest and dividends received	149	189
Interest paid	–12	–23
Incomes taxes paid	–1,206	–177
Net cash provided by operating activities	2,009	6,373
Investing activities		
Purchase of tangible fixed assets	–1,612	–1,396
Proceeds from sales of tangible fixed assets	43	—
Purchase of intangible fixed assets	–65	–34
Proceeds from sales of investment securities	—	1,114
Other	–239	97
Net cash used in investing activities	–1,873	–218
Financing activities		
Proceeds from long-term borrowings	—	10,000
Repayment of long-term borrowings	–999	–999
Purchase of treasury stock	—	–11,622
Cash dividends paid	–921	–970
Net cash used in financing activities	–1,921	–3,592
Effect of exchange rate changes on cash and cash equivalents	468	644
Net change in cash and cash equivalents	–1,316	3,206
Cash and cash equivalents at beginning of term	18,351	18,623
Cash and cash equivalents at end of term	17,034	21,830

(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 September 30, 2024, therefore, retained earnings amounted to ¥57,759 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.