医療の現場に、未来に、安全を

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Financial Results Briefing for the Third Quarter of FY03/25

Tuesday, January 21, 2025

Taisuke Fujita, Director and CFO

HOGY MEDICAL CO., LTD.

Notes regarding future predictions

This document contains forward-looking statements regarding the Company's current plans, forecasts, and strategies, which pertain to future performance. These statements are based on management's assumptions and beliefs in light of information currently available. Readers are advised to refrain from solely relying on these statements, as actual results may differ due to various significant factors.

Note that the financial results presented in this document have not been audited by an independent auditing firm.

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Fundamentals
(Unstable)

- Domestic economy is gradually recovering, supported by wage increases
- Resource, energy, and raw material prices remain high
- Foreign exchange rates continue to be volatile

Customers
(Deteriorating hospital management)

- Challenging hospital management
  - The number of in- and outpatients has yet to return to the pre-pandemic levels
  - Public funding support for COVID-19 has ended
  - Personnel, utility, and other expenses have ballooned
- Necessary changes
  - Promoting task shifting through workstyle reform
  - Restructuring the healthcare delivery system

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Summary of Financial Results

Third Quarter of FY03/25: Statements of Income

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(¥ millions, rounded down)	Q3 FY03/24 Results		Q3 FY03/25 Results		Change	
	Amount	% of net sales	Amount	% of net sales	Amount	% change
Net sales	29,754	100.0%	30,016	100.0%	262	100.9%
Cost of sales	19,423	65.3%	20,119	67.0%	696	103.6%
Gross profit	10,331	34.7%	9,897	33.0%	△434	95.8%
SG&A expenses	6,844	23.0%	6,491	21.6%	△353	94.8%
Operating income	3,487	11.7%	3,406	11.3%	△80	97.7%
Other income/expenses	100		△136		△237	
Ordinary income	3,587	12.1%	3,269	10.9%	△318	91.1%
Extraordinary income/expenses	29		563		533	
Profit attributable to owners of parent	2,609	8.8%	2,736	9.1%	127	104.9%
EPS	107.54yen		120.90yen			

- **Net sales: Up**
  Sales of Premium Surgical Kit increased, but replacements led to a decline in sales of existing kits
- **Operating income: Down**
  An increase in the cost of sales ratio caused by the weak yen, along with the disposal and write-down of long-term stagnant inventory, weighed on income
- **Profit attributable to owners of parent: Up**

Cost of sales
: 67.0% (+1.7ppt)
<Reasons for deterioration>
: Depreciation of the yen
: Disposal and write-down of long-term stagnant inventory
<Reasons for improvement>
: Decrease in depreciation due to the commencement of Stage 2 operations at the new plant in April 2023

SG&A expenses
: -¥353 million (-5.2% YoY)
: Decrease in personnel expenses

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Third Quarter of FY03/25: Change in Sales of Main Products

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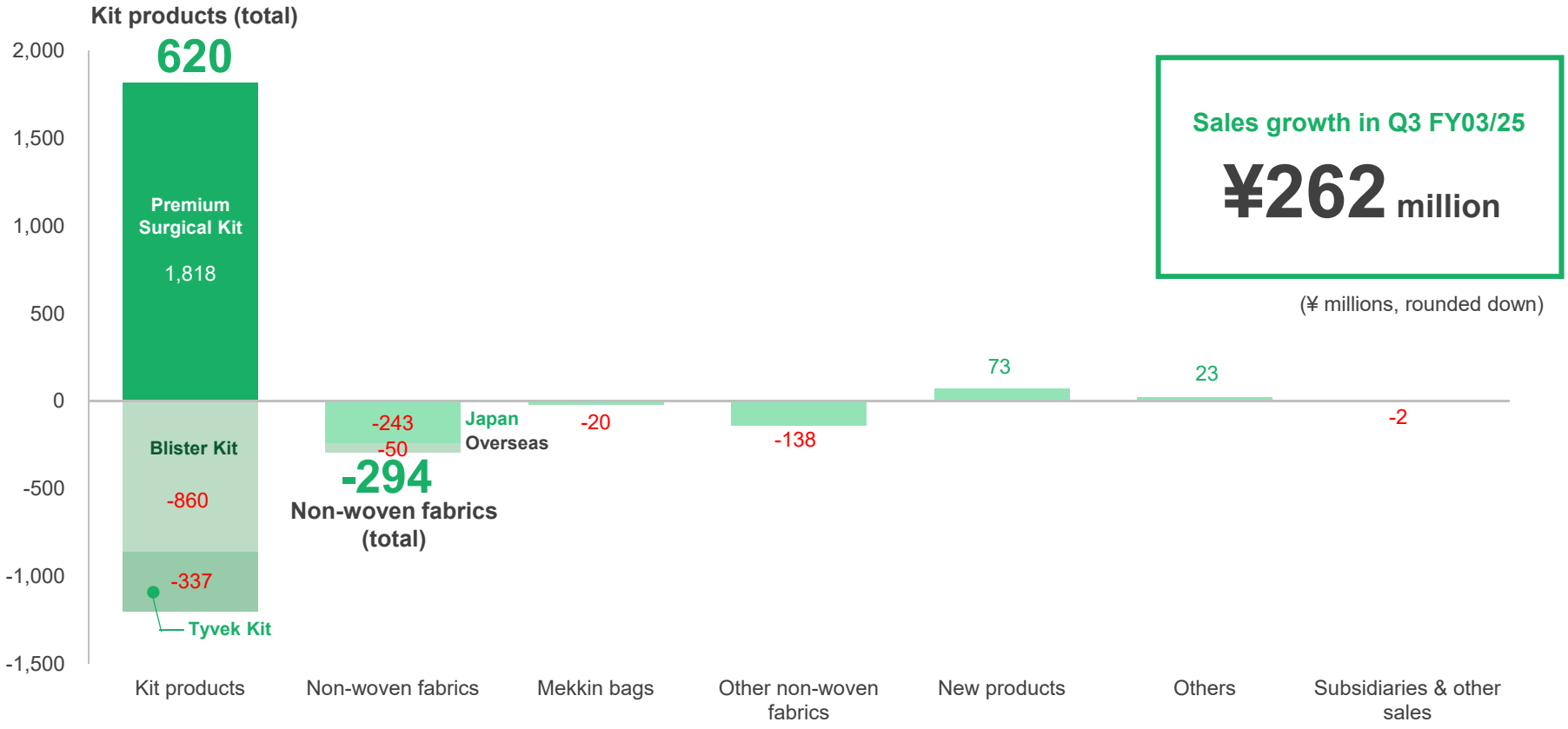

- **Premium Surgical Kit: Sales were up 21.8% YoY, with sales volume up 23.4%**
  - ▶Blister Kit: Sales volume decreased due to the replacement of Blister Kit with Premium Surgical Kit
  - ▶Tyvek Kit: Overall sales volume continued to decline due to the replacement of Tyvek Kit with Premium Surgical Kit, but the Company acquired new customers in ophthalmology
- Sales volume of non-woven fabric products continued to decline, due to the price revision for gown products implemented in October 2022
- In new products, REVICE (remanufactured single-use device) and equipment for storing sterilization containers (in Q2) drove sales

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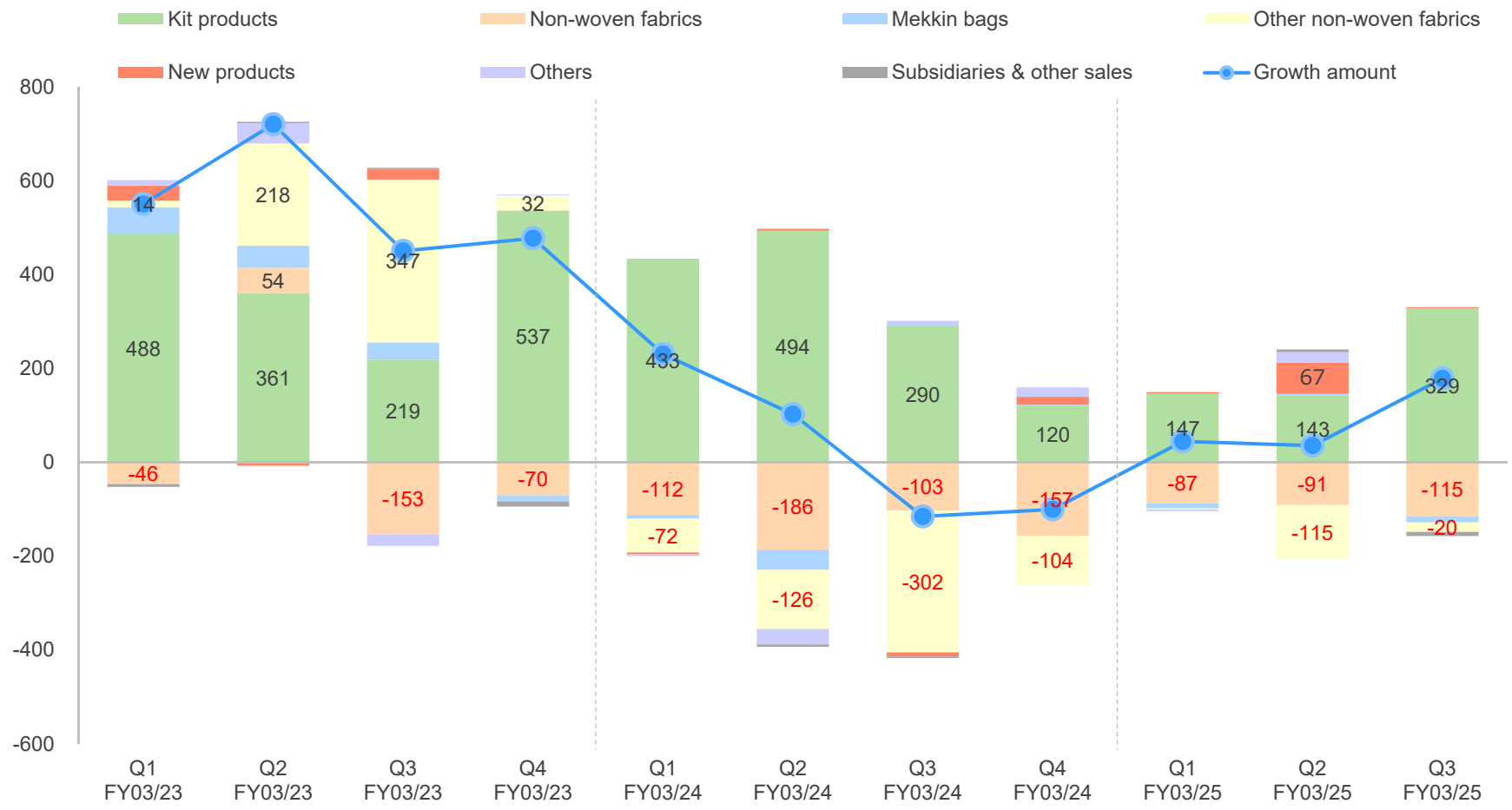
FY03/25: Breakdown of Sales Increase/Decrease by Quarter



(¥ millions, rounded down)

- Kit products: Sales of the Premium Surgical Kit, which showed signs of new customer acquisition, increased
- Other non-woven fabrics: The sales decline in Q2 was primarily due to extraordinary stockpiling demand seen in the previous fiscal year

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Sales of Surgical Kit Products by Quarter

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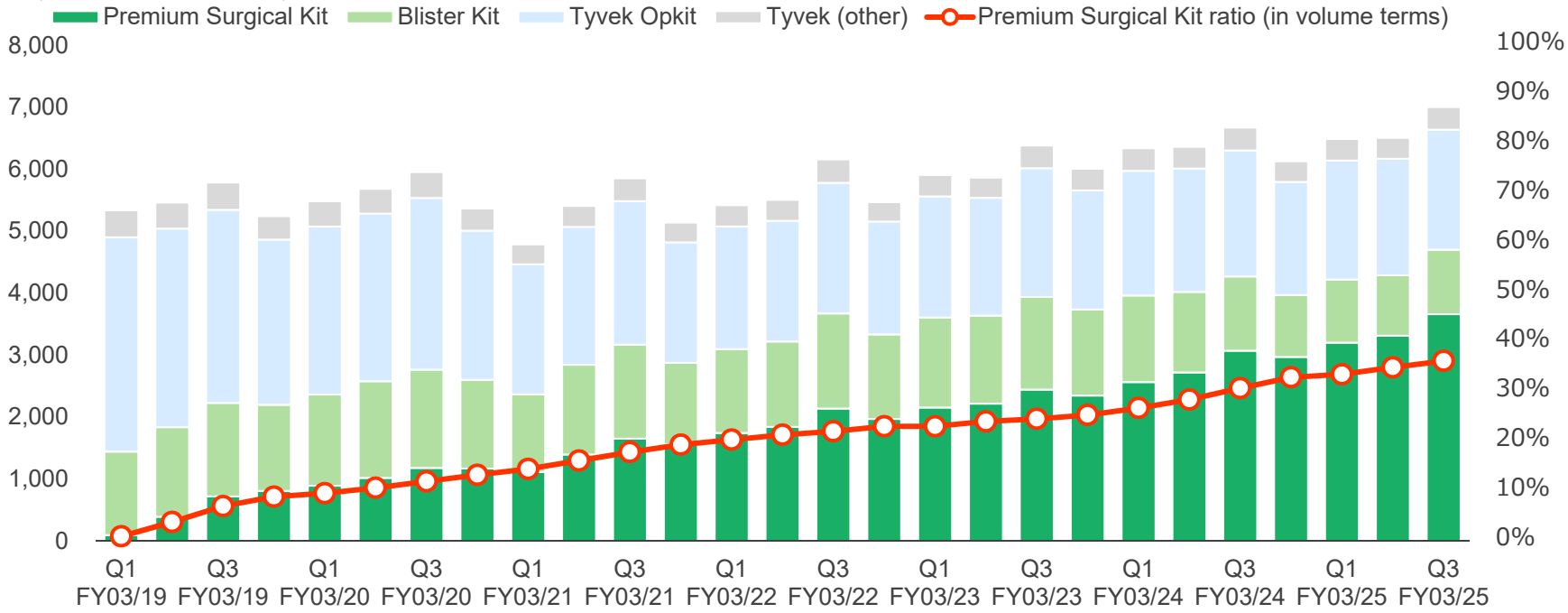
- Both sales and sales weighting (in volume terms) of Premium Surgical Kit reached record highs
- The decline in the sales volume of Blister and Tyvek Kits due to their replacement by the Premium Surgical Kit gradually lessened each quarter

(¥ millions, rounded down)



Q3 FY03/25: YoY sales change (¥ millions)

Premium Surgical Kit	Blister Kit	Tyvek Kit
+1,818	-860	-337
121.8%	77.9%	95.3%

Kit sales composition (Premium Surgical Kit/ Kit products)

	Q3 FY03/24	Q4 FY03/24	Q1 FY03/25	Q2 FY03/25	Q3 FY03/25	YoY Change
Sales	46.0%	48.4%	49.3%	50.9%	52.3%	+6.3%
Sales volume	30.8%	33.0%	33.6%	35.0%	36.3%	+5.4%

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Number of Surgeries at Opera Master-Contracted Hospitals

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Sales (kit products)

¥13,152 million

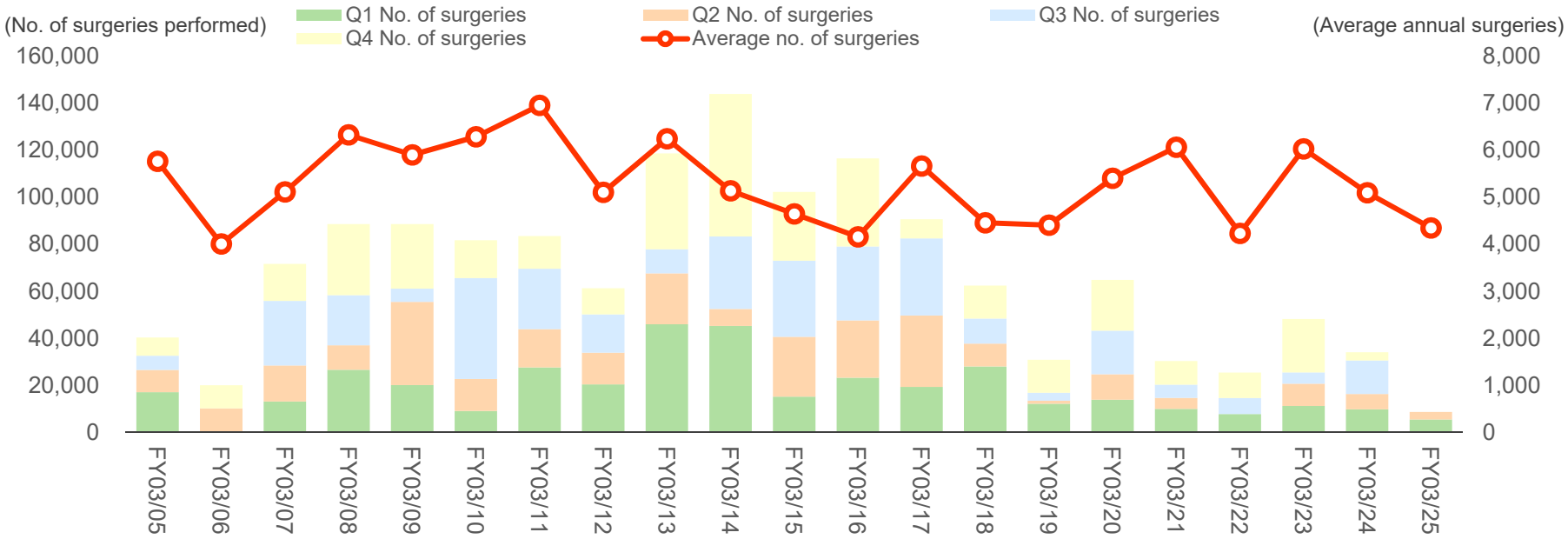
YoY change: +¥661 million (105.3%)
Sales weighting of Opera Master: 65.8%
(versus total kit sales)

No. of contracted hospitals (FY03/25)

New contracts: 2
Contract cancellation: 1

Cumulative no. of contracted hospitals

253



- Two newly contracted hospitals in FY03/25 (one DPC-specific hospital [former Group II] and one DPC-standard hospital [former Group III])
- Average annual number of surgeries at the newly contracted hospitals (FY03/25): Approximately 4,400
- Focused efforts to win new Opera Master contracts on regional hub hospitals where patients are concentrated
- Supporting customers with new services tailored to their evolving needs over time

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Third Quarter of FY03/25: Main Reasons for Changes in Cost of Sales Ratio

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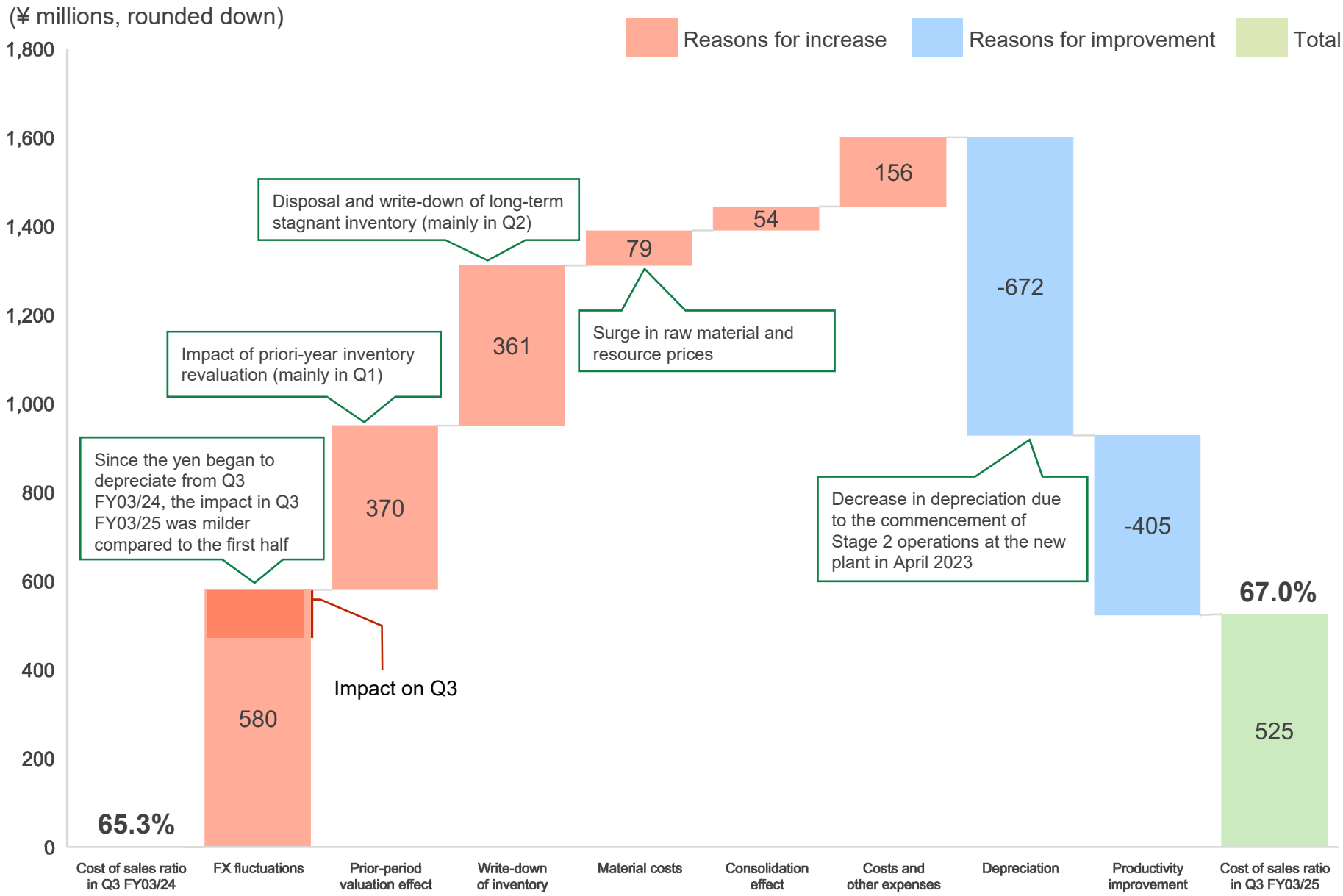

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Business Plan for FY03/25 (ending March 31, 2025)

FY03/25 Statements of Income (Forecast)

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(¥ millions, rounded down)	FY03/24 Results		FY03/25 Forecast		Change	
	Amount	% of net sales	Amount	% of net sales	Amount	% change
Net sales	39,100		40,850		1,749	104.5%
Cost of sales	26,037	66.6%	26,780	65.6%	742	102.9%
Gross profit	13,063	33.4%	14,070	34.4%	1,006	107.7%
SG&A expenses	8,894	22.7%	9,380	23.0%	485	105.5%
Operating income	4,169	10.7%	4,690	11.5%	520	112.5%
Other income/expenses	76		110		33	
Ordinary income	4,245	10.9%	4,800	11.8%	554	113.1%
Extraordinary income/expenses	△169		-		169	
Profit attributable to owners of parent	2,804	7.2%	3,310	8.1%	505	118.0%
EPS	115.57yen		153.53yen			

● Forecast higher sales and income

● Net sales

¥1,749 million (+4.5%)

- Project an increase in Premium Surgical Kit sales driven by the acquisition of new contracts

Expect to win new contracts for new product REVICE (remanufactured single-use devices) and others

Cost of sales
65.6%
-1.0ppt

: Project a decrease in depreciation associated with the Stage 2 operation of the new plant

: Aim to reduce costs by improving productivity

: Corporate FX rate set at ¥145/USD
(FY03/24: ¥135 in Q1–Q3, ¥150 in Q4)

SG&A expenses
¥485 million, +5.5%

: Anticipate increases in sales-related and R&D expenses

: Expect to incur repair costs for the maintenance of distribution centers and other facilities

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Summary

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Continuously challenging business environment	● Deterioration in hospital management directly impacts the Company's operations — Slowing growth in the number of surgeries — Demand for price revisions
Initiatives	● Make value-added proposals to support hospital management — Acquire new contracts by making value-added proposals to address issues facing customers — Expand sales at Opera Mater-contracted facilities
Strengthening the business foundation	● To accelerate the above initiatives, focus efforts on the current medium-term plan period as a phrase of structural reforms — Restructure the sales organization — Steadily advance initiatives, such as the revision of the HR system

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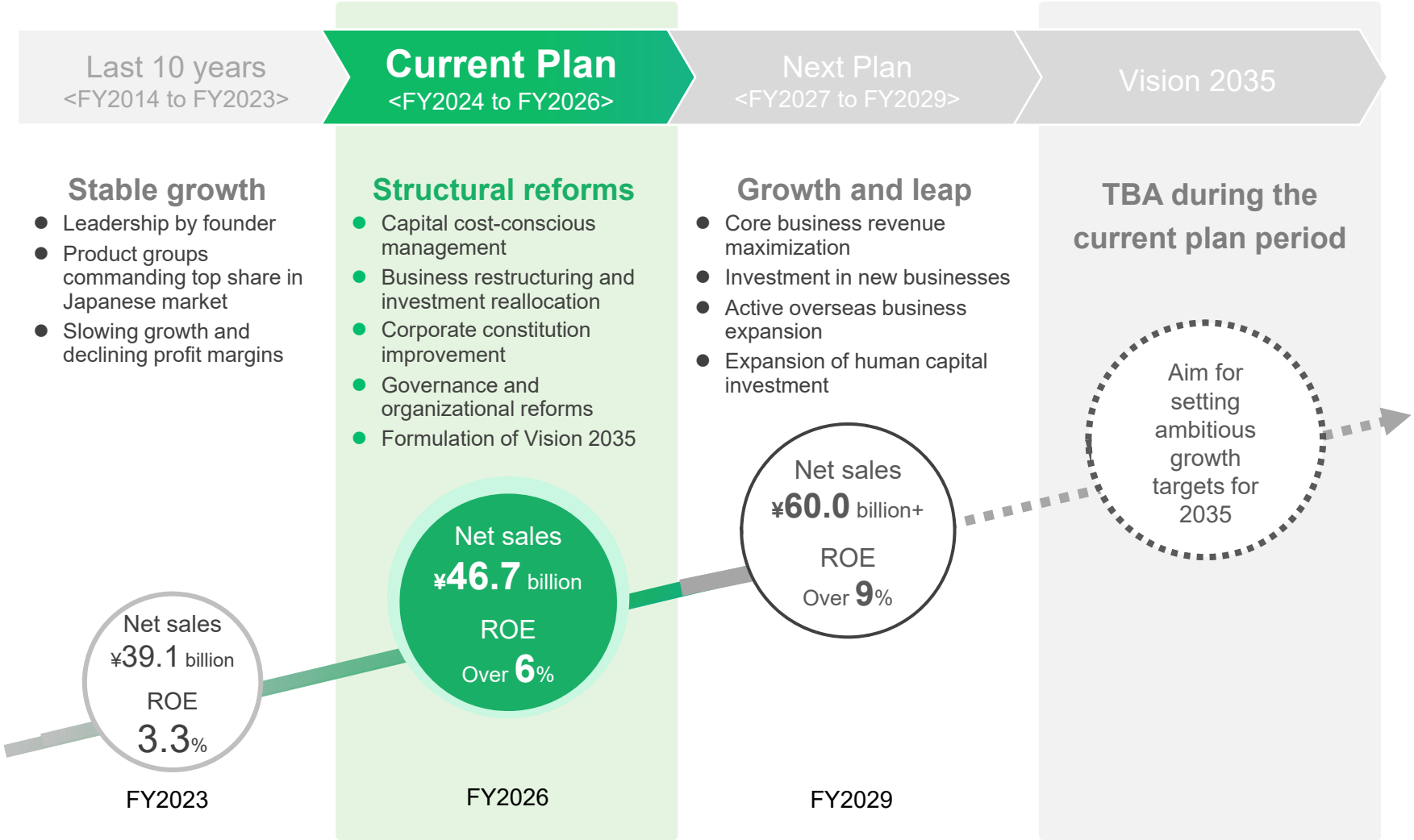
Position of the Medium-Term Business Plan

This Medium-Term Business Plan period is positioned as a period of implementing sweeping structural reforms to create a solid business platform that will serve as the foundation for the formulation and achievement of Vision 2035.



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Reference Materials

Kit Products Lineup

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	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

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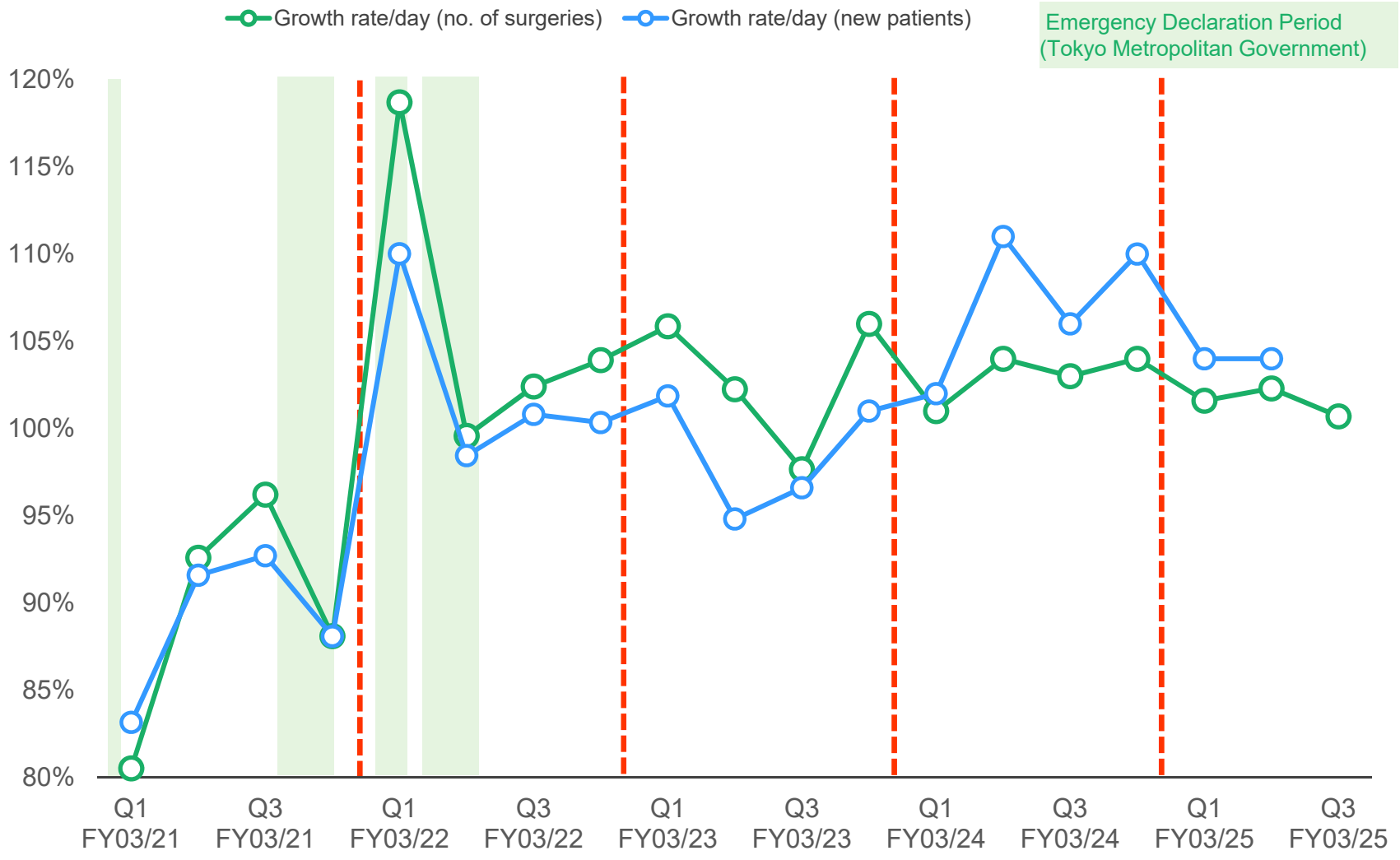
Opera Master: Growth in the No. of Surgeries and Daily New Inpatients



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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, 2024)
Number of employees	727 (parent), 1,408 (consolidated) (as of March 31, 2024)
Branch/ sales office	23 bases; 26 sales offices
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 July 31, 2024)
Fiscal year-end	March 31

HOGY MEDICAL website

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

HOGY MEDICAL Search

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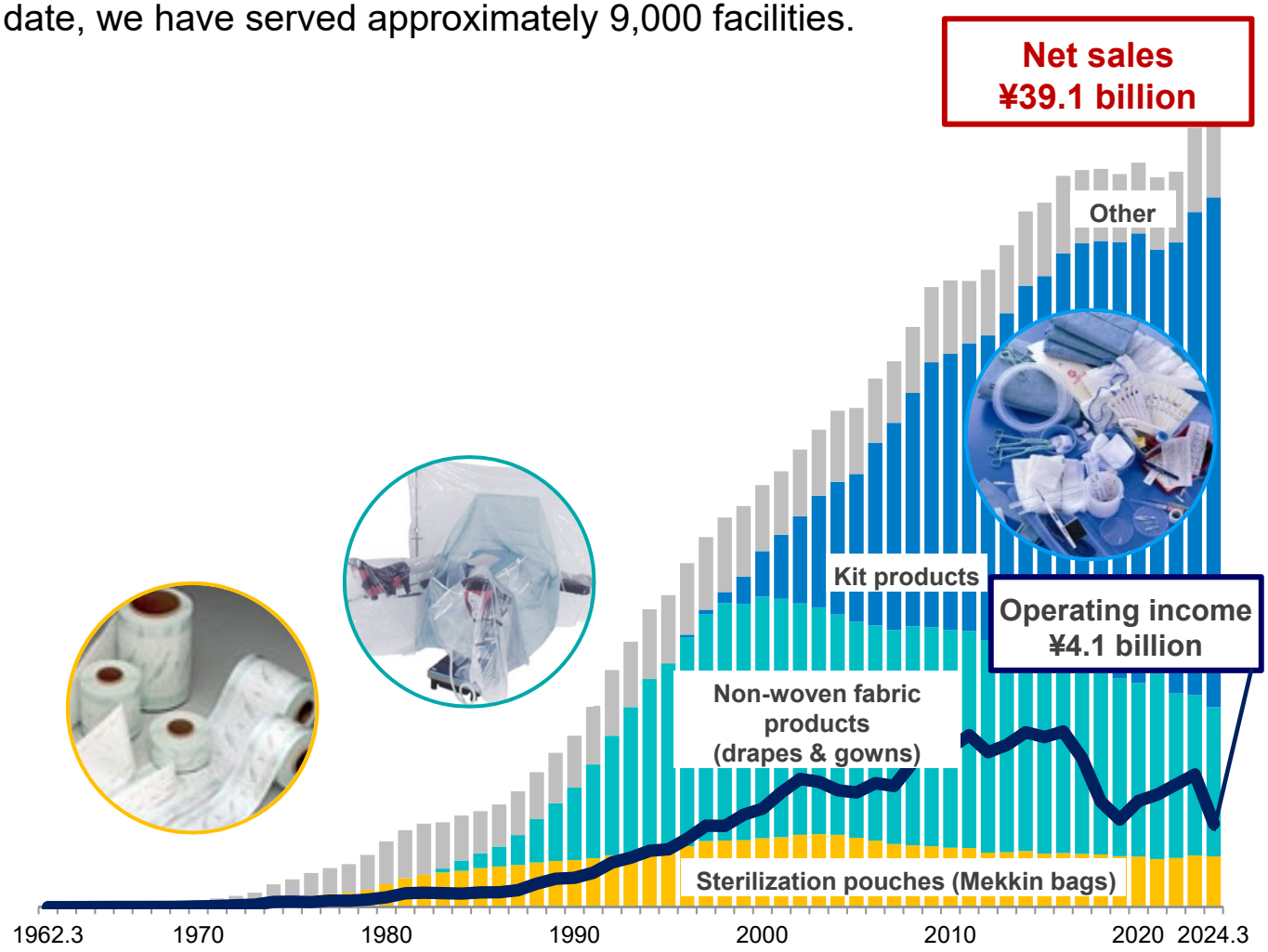
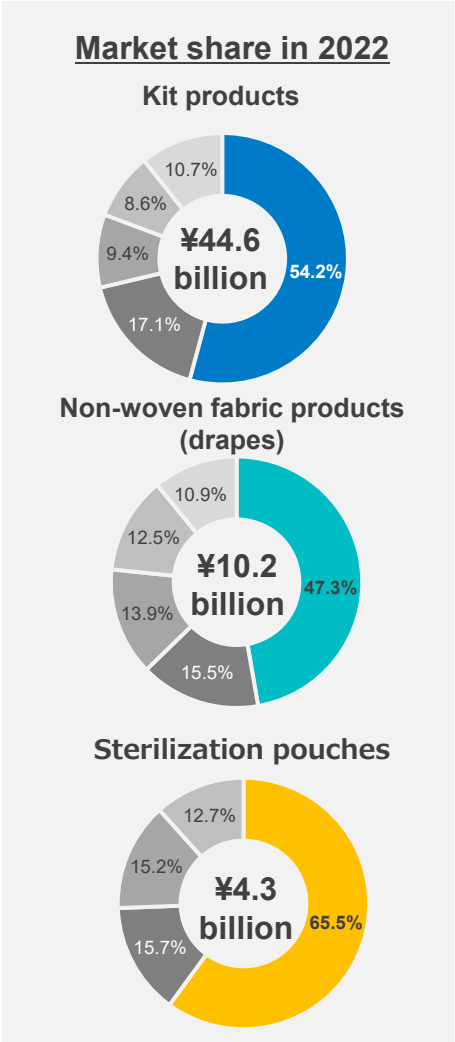
History Since Founding: Market Size and Share of Main Products

For 64 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.

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History

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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

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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

SuReFInD®

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

Minimally invasive treatment

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

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

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