



MEMBERSHIP

July 15, 2020

Financial Report First Quarter of Fiscal 2020

(April 1 – June 30, 2020)

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Notice Regarding Forward-Looking Statements

This presentation contains statements about the Company's plans, forecasts, strategies, and beliefs related to its future performance. Such forward-looking statements were prepared based on judgments of the Company's management according to information available when this presentation was prepared. Readers are asked not to rely completely on performance forecasts contained herein, and understand that actual results may differ from such forecasts.

Financial results reported herein have not been audited.

Overview

Fiscal 2020 – First Quarter Income Statements



(Unit: million yen, rounded down)	Fiscal 2019 First Quarter Results		Fiscal 2020 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	9,038		8,376		△661	92.7%
Operating income	1,335	14.8%	1,143	13.7%	△191	85.7%
Ordinary income	1,401	15.5%	1,251	14.9%	△149	89.3%
Profit attributable to owners of parent	986	10.9%	908	10.8%	△78	92.1%
EPS	32.66yen		30.04yen			

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■ Lower sales; lower income

Net sales:

- Decrease in number of surgeries (postponed) due to COVID-19; surgical kit products mostly affected
- Increase in demand for some products and items with uncertain supply
- Decrease in surgeries (postponed) bottomed in May; started improving in June

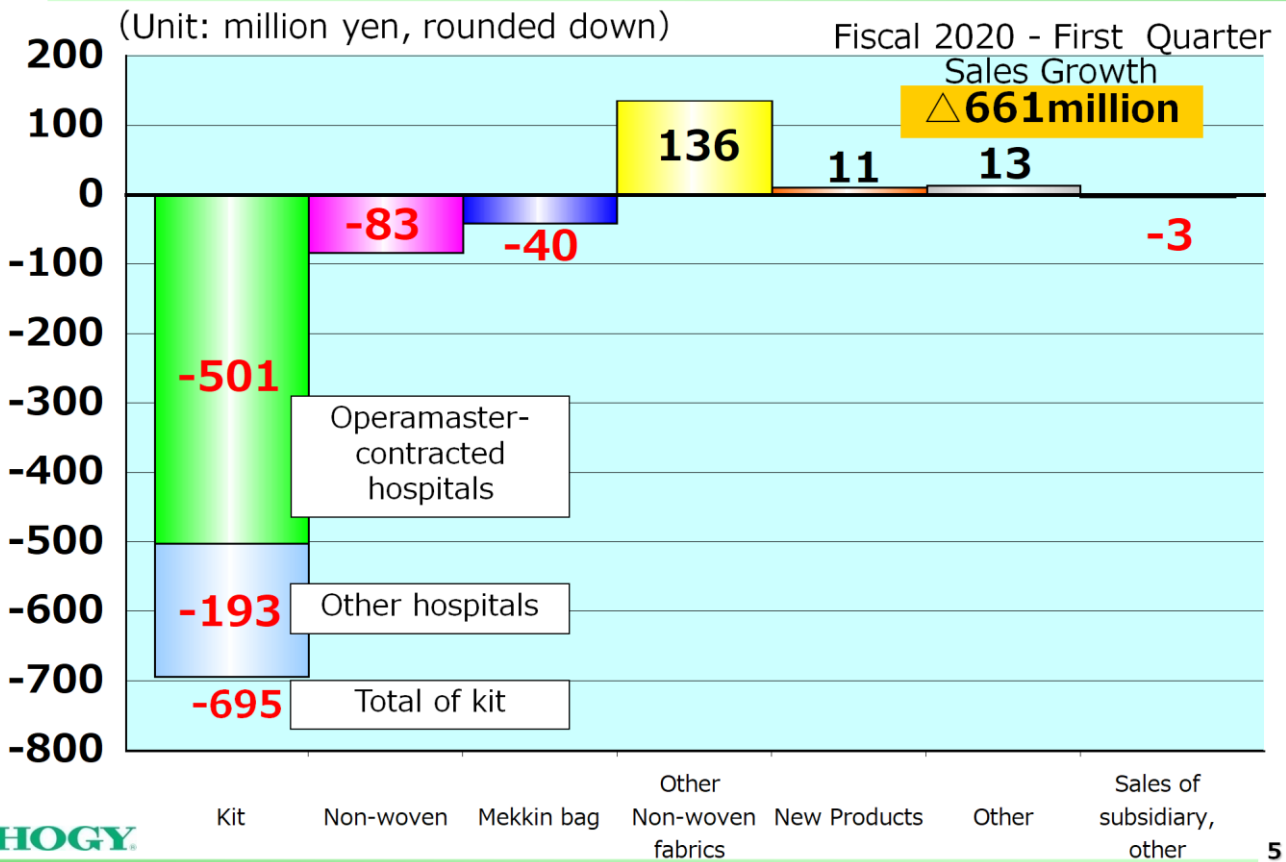
Cost of sales ratio:

- 58.2% (+0.2pt YoY; +1.3pt vs target)
- Ratio increased slightly as decline in depreciation expense offset impact on productivity from decrease in production volume.

SG&A expenses:

- Decrease in travel expenses and prototype costs due to self-restraint in sales activities to address COVID-19

Fiscal 2020 – First Quarter Sales Growth by Major Products



- Decrease in sales, mainly of surgical kit products, due to decline in number of surgeries stemming from COVID-19

- Special demand for other non-wovens (masks) and non-woven fabrics (gowns)

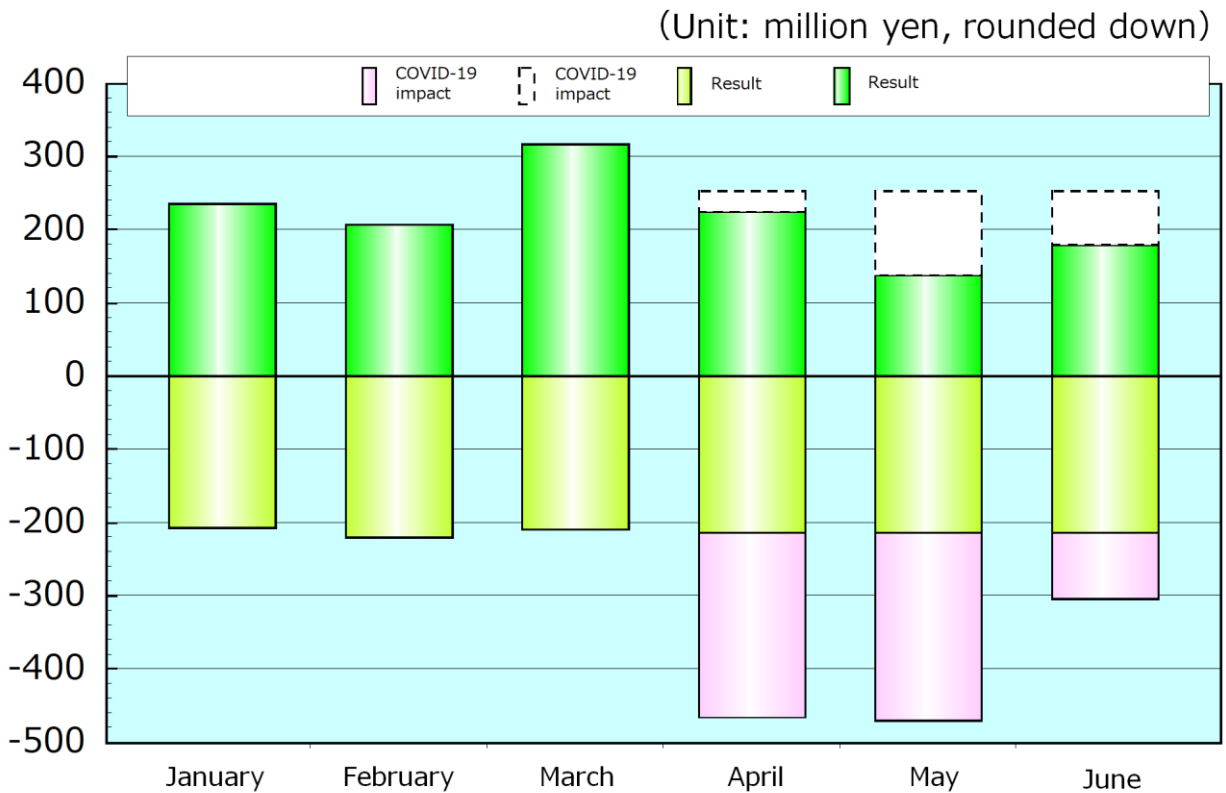
- Responded to shortages of medical materials at medical institutions

- Continued to restrain sales activities amid emergency declaration

- * Engaged in sales activities after confirming intentions of medical institutions

- Opera Master: 1 new contract; 1 cancellation

Surgical Kit Sales (By Consumer; Monthly Increase/Decrease; COVID-19 Impact)



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- Sales of surgical kit products started declining in April, bottomed in May, and started improving in June

■ Impact of COVID-19 on surgical kits

- Impact amount: -820 million yen

* April: -290 million yen; May: -370 million yen; June: -160 million yen

- Impact on volume (surgical kits): -76,000 units

* April: -23,000 units; May: -34,000 units; June: -19,000 units

- Number of cases tends not to decrease as surgery urgency increases

1Q Sales (By Product; COVID-19 Impact)

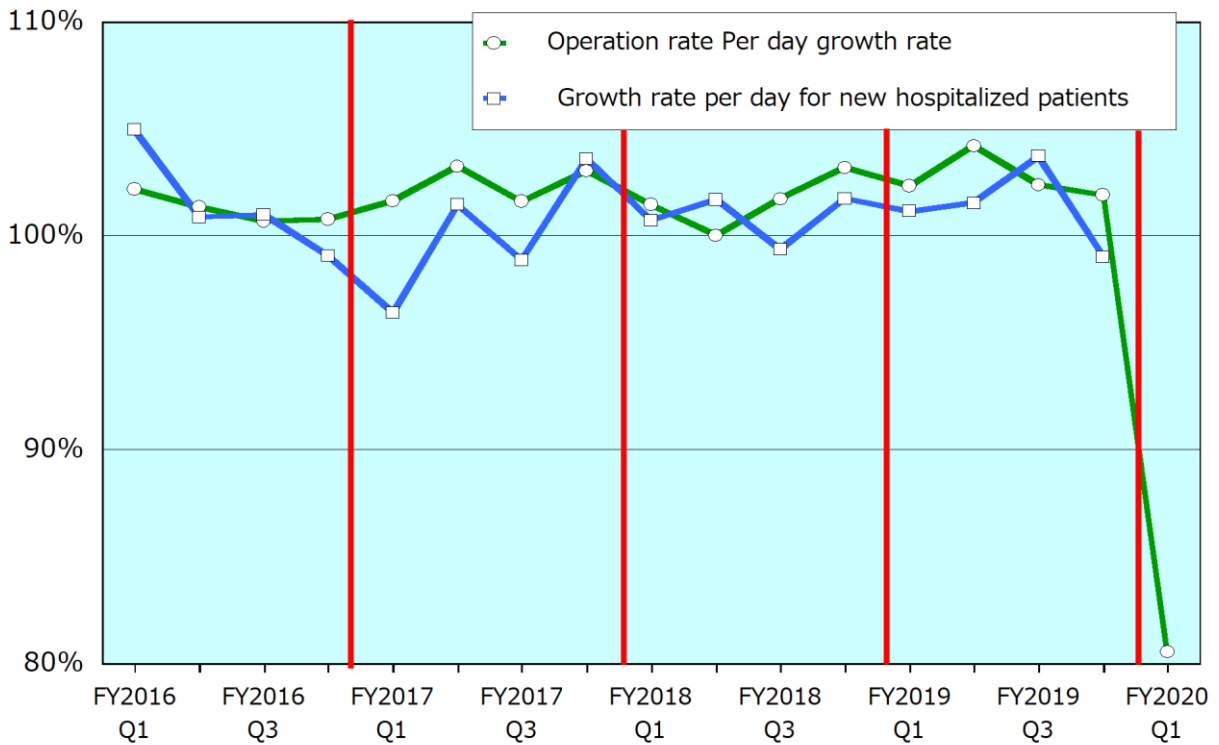


	Positive impact (special demand)	Negative impact (COVID-19)
KIT		△820million
Non-woven	120million	△160million
Mekkin bag		△40million
Other Non-woven fabrics	160million	
Other	20million	
Total	300million	△1,020million

Total: △720million

- Excluding COVID-19 impact, sales would have increased 58 million yen (0.6%) year-on-year (assumption)

Opera Master Hospital Increase rate of surgical cases Growth rate of new hospitalized patients / day



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- Around 20% decline in number of surgeries at Opera Master-contracted hospitals in first quarter
- Number of surgeries at around 1,700 hospitals estimated to have decreased 28% in April, 32% in May, and 22% in June (YoY figures; based on Hogy Medical research)
- Surgeries in July recovered to same level as previous year at time of this announcement.

Fiscal 2020 Outlook

Fiscal 2020 Income Forecasts

(Unit: million yen, rounded down)	Fiscal 2019 Results		Fiscal 2020 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	37,232		38,700		1,467	103.9%
Operating income	5,307	14.3%	6,400	16.5%	1,092	120.6%
Ordinary income	5,791	15.6%	6,830	17.6%	1,038	117.9%
Profit attributable to owners of parent	5,529	14.9%	5,300	13.7%	△229	95.8%
EPS	183.07yen		175.34yen			

■ Higher sales; lower income

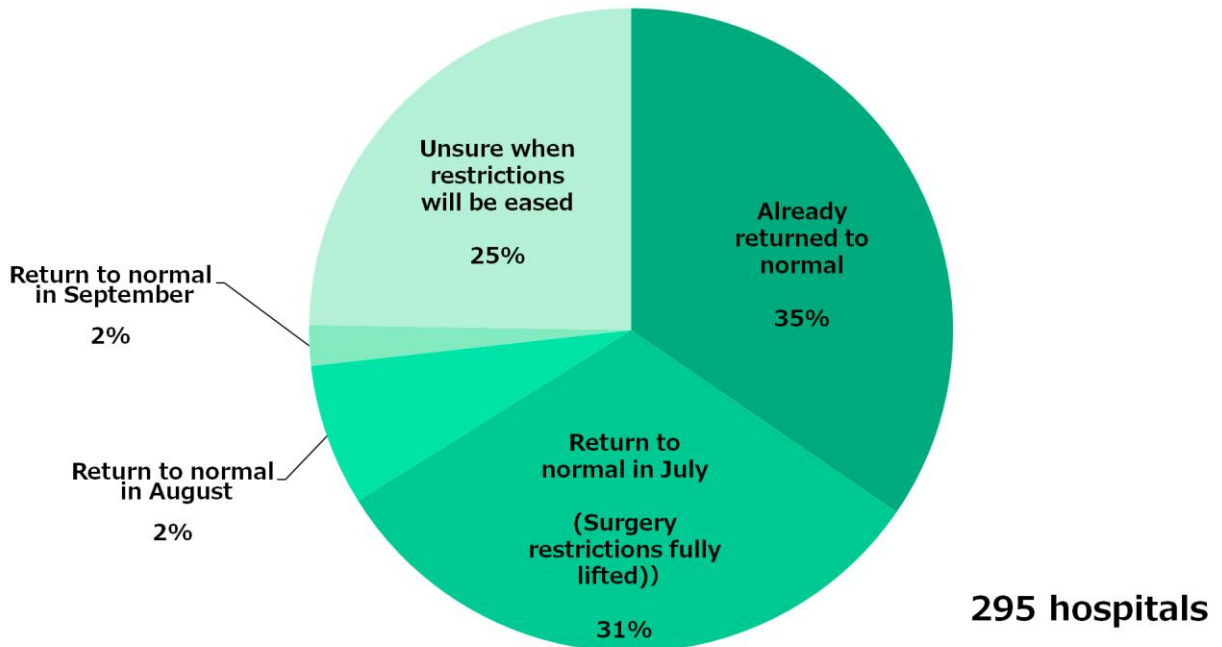
- Net sales : In addition to proposals related to “work-style reforms and medical safety,” we fulfilled our responsibility as a medical device manufacturer to ensure “**stable supply**”
 - : Enhanced lineup of infectious disease protection products
 - : Expansion of overseas business development
- Production (cost of sales ratio)
 - : lower depreciation costs
 - : Change in sales breakdown due to increased sales of surgical gowns

■ Increased production of surgical gowns in Indonesia to offset the shortage of medical materials at medical institutions

Full-Year Outlook

- Sense of uncertainty
 - ✓ Number of surgeries at medical institutions is recovering
 - ✓ Concerns remain, such as possibility of second wave and prolonged lull
- Potential increase in medical institutions considering raising number of surgeries in the future
 - ✓ Need to include surgeries that were postponed
 - ✓ Deterioration of business conditions due to fewer surgeries
- Shortage of personnel at medical institutions may accelerate; in response, we will step up proposals for Premium Kit, which helps ensure **stable supply** and contributes to **enhanced efficiency** and **improved safety** of surgical preparation

- Results of survey of large hospitals: 66% of medical institutions indicated that surgeries will returned to normal by the end of July.

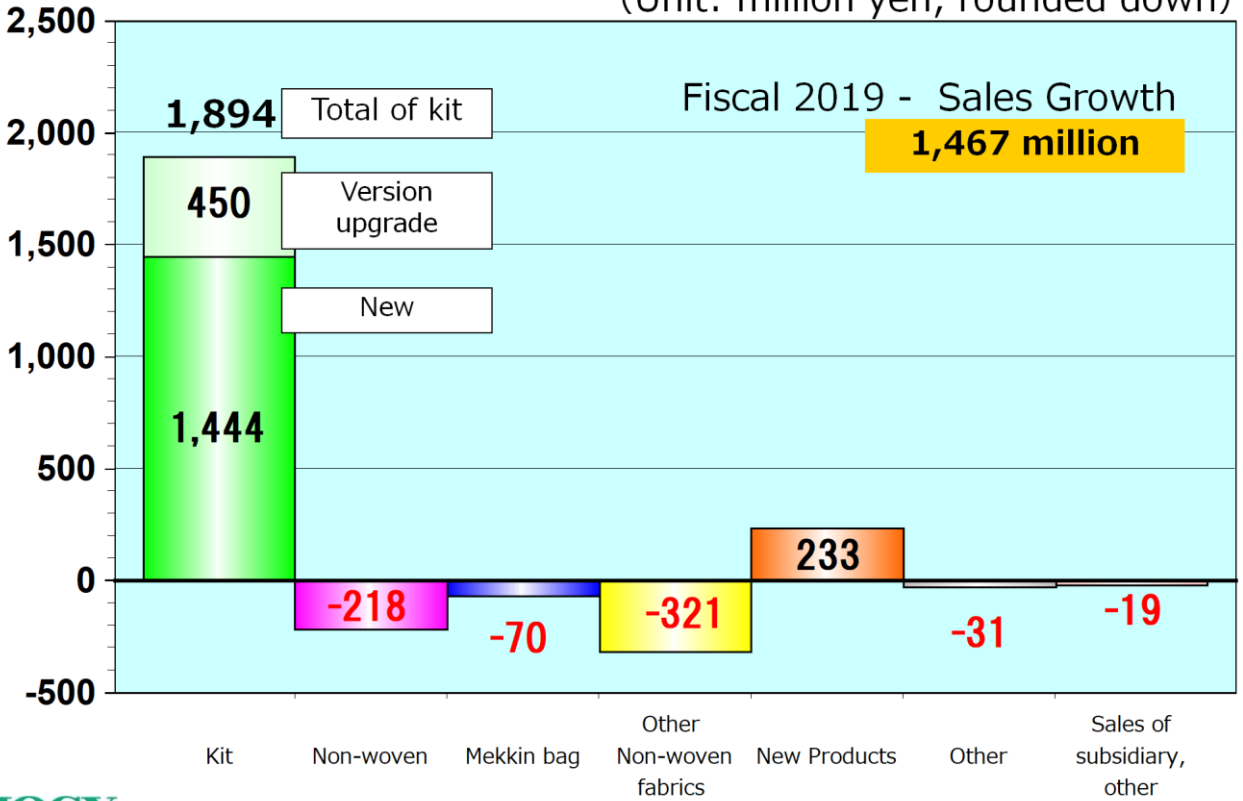


- Results of mid-June survey of 295 large-scale hospitals about future surgery room management conditions (conducted by Hogy Medical sales representatives)

- Around 66% of hospitals are expected to return to normal by the end of July

Sales Growth by Major Products

(Unit: million yen, rounded down)



■ Increase sales of Premium Kit to resolve staff shortages at medical institutions

■ Reinforce line of infectious disease protection products

- Launch of Precaution Set



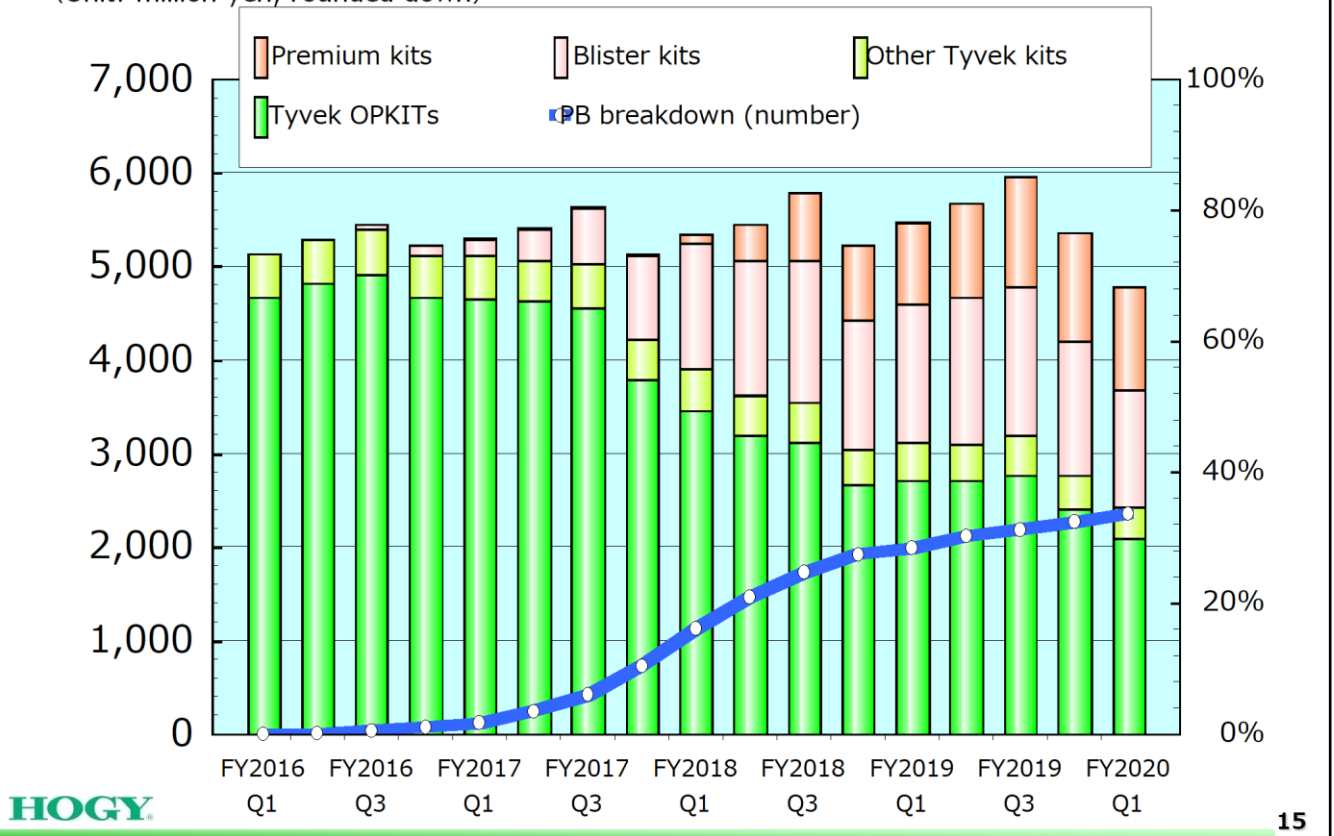
(Precaution Set contents)

- Surgical gown, face shield, N95 mask, gloves, shoe covers, cap

Performance details

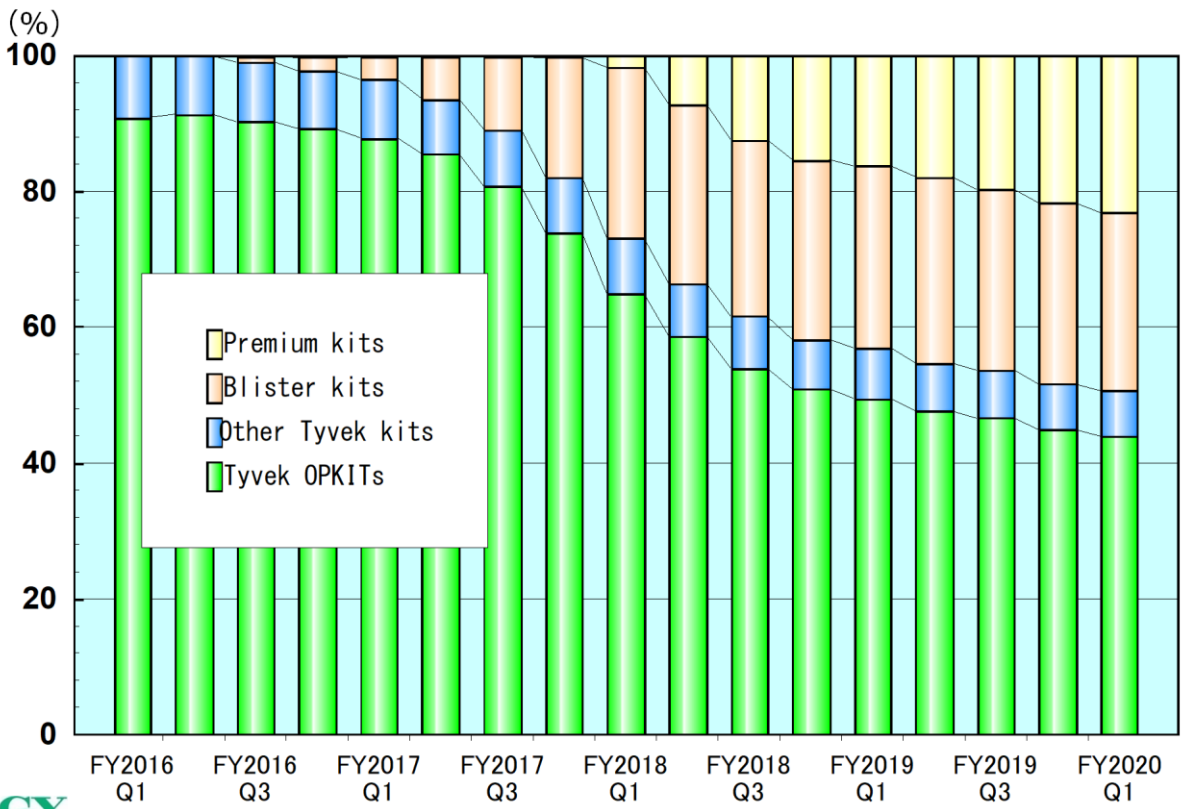
Sales of Kit

(Unit: million yen, rounded down)



- Decrease in sales volume, mainly of Tyvek Kit, due to COVID-19
- Number of cases tends to decrease as surgery urgency increases
- Fiscal 2020: 1Q sales (YoY comparison)
 - ✓ Premium Kit & Blister Kit: +1 million yen (+0.1%)
 - ✓ Tyvek Kit: -697 million yen (-22.4%)

Transition of Sales Composition by types of Kits



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- Increase in Premium Kit sales ratio due to decrease in Tyvek Kit sales stemming from COVID-19

Number of Operamaster Contracts; Number of Surgical Operations



Net sales : 3,167million (△501million : 86.3%)

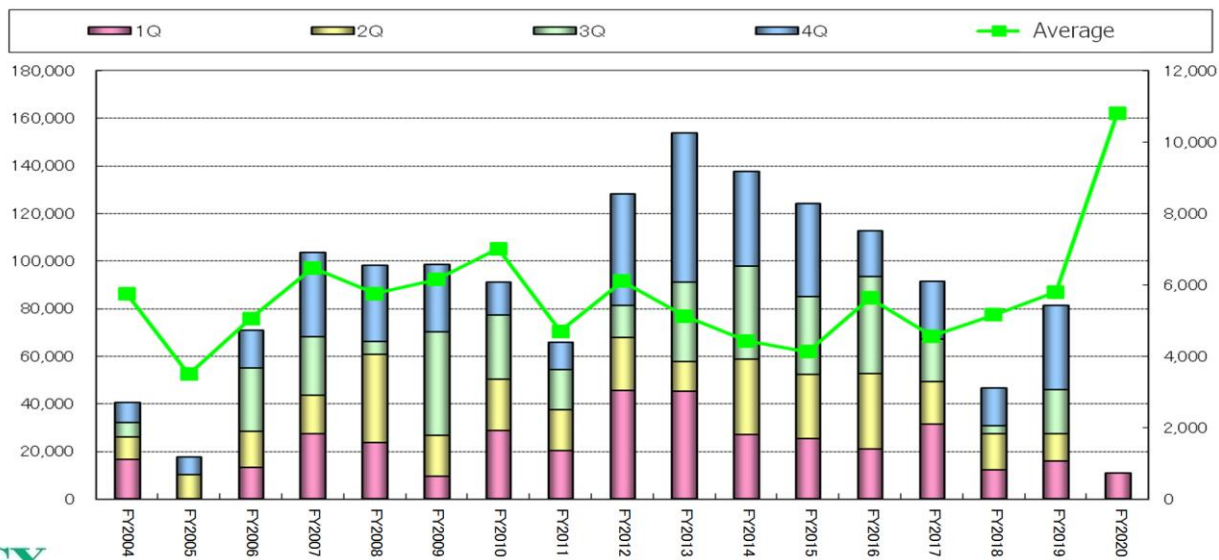
Number of newly contracted institutions in FY2020 :

1newly contracted institutions

1cancellations

Cumulative contracted institutions at fiscal year-end: 278

(Unit: Number of surgeries)

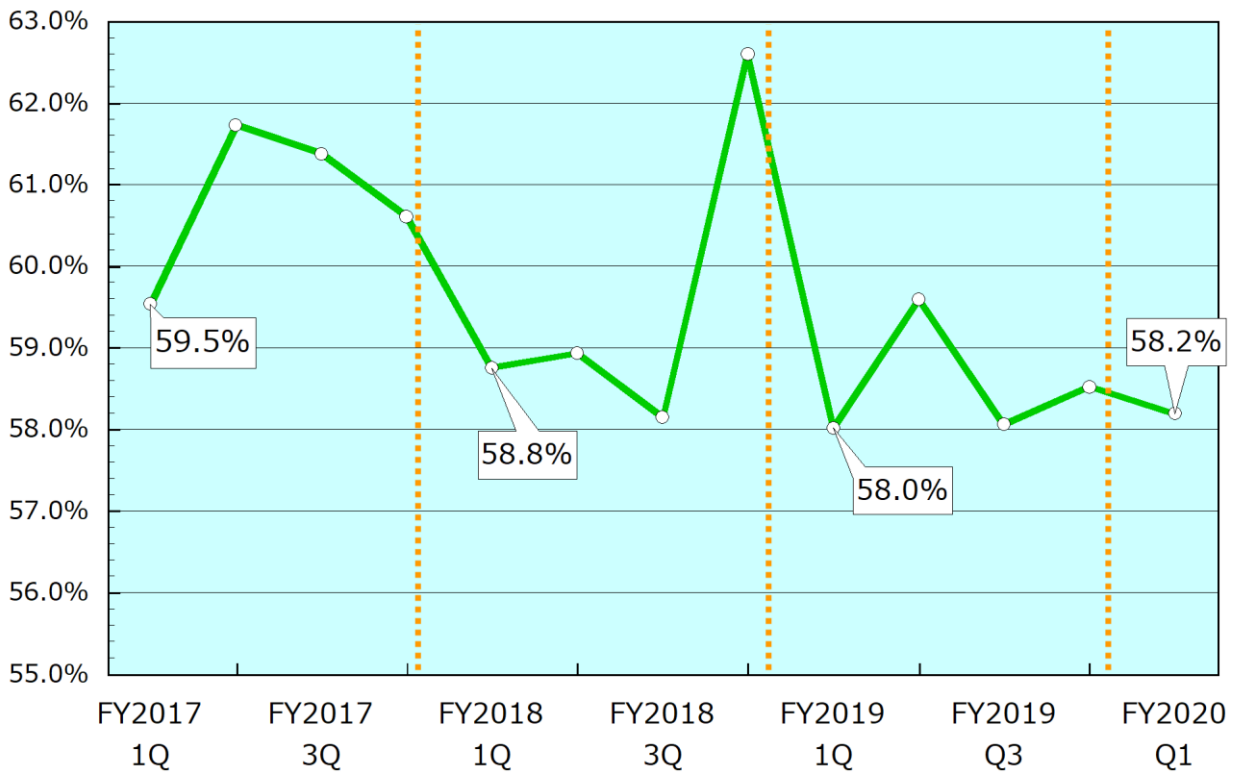


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- FY2020: 1newly contracted hospitals (Group I: 1)

- Focusing on large Opera Master-contracted hospitals with high concentration of patients

Cost of Sales Ratio



- Impact on productivity due to decrease in production volume (approx. 150 million yen)
- Decrease in new factory depreciation expense
 - Total depreciation: 1,112 million yen (-177 million yen)
 - Cost of sales: 897 million yen (-131 million yen)
 - SG&A expenses: 214 million yen (-45 million yen)

Fiscal 2020 – First Quarter Income Statements



(Unit: million yen, rounded down)	Fiscal 2019 First Quarter Results		Fiscal 2020 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	9,038		8,376		△661	92.7%
Cost of sales	5,243	58.0%	4,874	58.2%	△368	93.0%
Gross profit	3,794	42.0%	3,502	41.8%	△292	92.3%
SG & A expenses	2,459	27.2%	2,358	28.2%	△101	95.9%
Operating income	1,335	14.8%	1,143	13.7%	△191	85.7%
Non-operating income/loss	66		107		41	
Ordinary income	1,401	15.5%	1,251	14.9%	△149	89.3%
Extraordinary income/loss	△0		-		0	
Profit attributable to owners of parent	986	10.9%	908	10.8%	△78	92.1%
EPS	32.66 yen		30.04 yen			

Major increases/decreases	Year-on-Year Comparison
Personnel expenses	98
Travel expenses	△70
Prototype costs	△51
Depreciation	△45

- SG&A expenses: 2,358 million yen (-101 million yen)

- ✓ Personnel expenses: Increase due to profit increase in the previous year

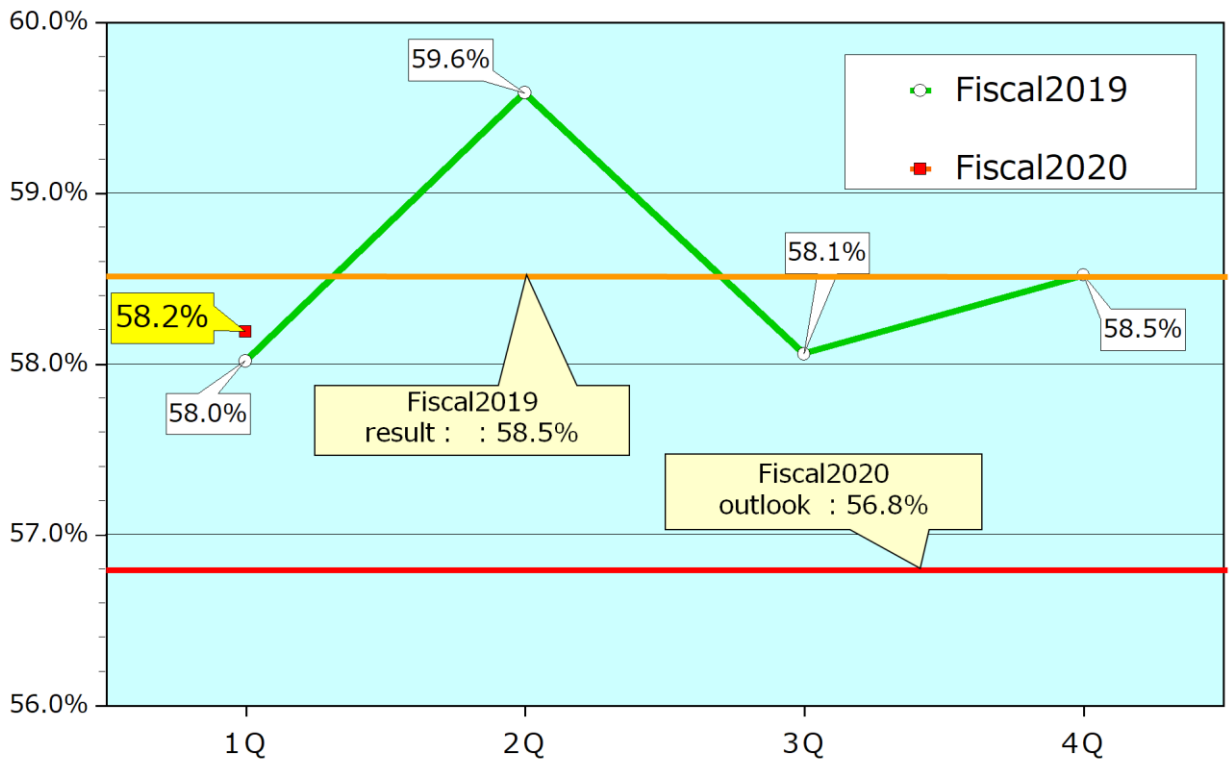
- ✓ Travel expenses & prototype costs: Impacted by self-restraint in sales activities

- Non-operating item: Foreign exchange gain on foreign currency deposits

- Capex: 1,190 million yen (includes 981 million yen in new factory)

Fiscal 2020 Full-Year Management Projections

Fiscal 2020 Income Statements



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- Decrease in new factory depreciation cost
Total depreciation: 4,510 million yen (-773 million yen)
 - Cost of sales : 3,700 million yen
(-513 million yen)
 - SG&A expenses: 810 million yen
(-260 million yen)
- Improved productivity thanks to opening of new factory
- Corporate rate: 115 yen (unchanged)

Fiscal 2020 Income Statements

(Unit: million yen, rounded down)	Fiscal 2020 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	Rate Of Change
Net sales	38,700		1,467	103.9%
Cost of sales	22,000	56.8%	201	100.9%
Gross profit	16,700	43.2%	1,265	108.2%
SG & A expenses	10,300	26.6%	173	101.7%
Operating income	6,400	16.5%	1,092	120.6%
Non-operating income/loss	430		△53	
Ordinary income	6,830	17.6%	1,038	117.9%
Extraordinary income/loss	600		△1,334	
Profit attributable to owners of parent	5,300	13.7%	△229	95.8%
EPS	175.34yen			

Major increases/decreases	Year-on-Year Comparison
Depreciation	△ 260
Personnel expenses	247
Rental costs	42
Prototype costs	36
Advertising expenses	32

Gain on partial sale of shares
 FY2019: 1,942 million yen
 FY2020: 600 million yen

Dividend payments
 FY2020: 68.00 yen per share
 (up 2.00 yen yoy)

- SG&A expenses: 10,300 million yen (+173 million yen)
 - ✓ Depreciation: Decrease in system depreciation
 - ✓ Personnel expenses: Increase accompanying income growth
 - ✓ Other expenses: Increase due to stepped-up sales
- Extraordinary income: Gain on partial sale of equity holdings
- Capex: 5,200 million yen (includes 3,660 million yen in new factory)



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