



MEMBERSHIP

October 14, 2020

Financial Report Second Quarter of Fiscal 2020

(April 1 – September 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 – Second Quarter Income Statements



(Unit: million yen, rounded down)	Fiscal 2019 Second Quarter Results		Fiscal 2020 Second Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	18,380		17,734		△645	96.5%
Operating income	2,596	14.1%	2,671	15.1%	74	102.9%
Ordinary income	2,724	14.8%	2,806	15.8%	81	103.0%
Profit attributable to owners of parent	3,265	17.8%	2,776	15.7%	△489	85.0%
EPS	108.14yen		91.84yen			

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■ Lower sales; lower income

Net sales:

- Sales of surgical kits most heavily impacted by COVID-19 despite improvement in overall surgical operation numbers
- Benefited from special demand for infection-prevention products (gowns, Precaution Set)
- Year-on-year decline in net sales (due to impact of COVID-19, despite special demand for infection-prevention products)

Cost of sales ratio:

- 58.5%(-0.3pt YoY)
- lower depreciation costs
- Productivity impacted by decline in production volume

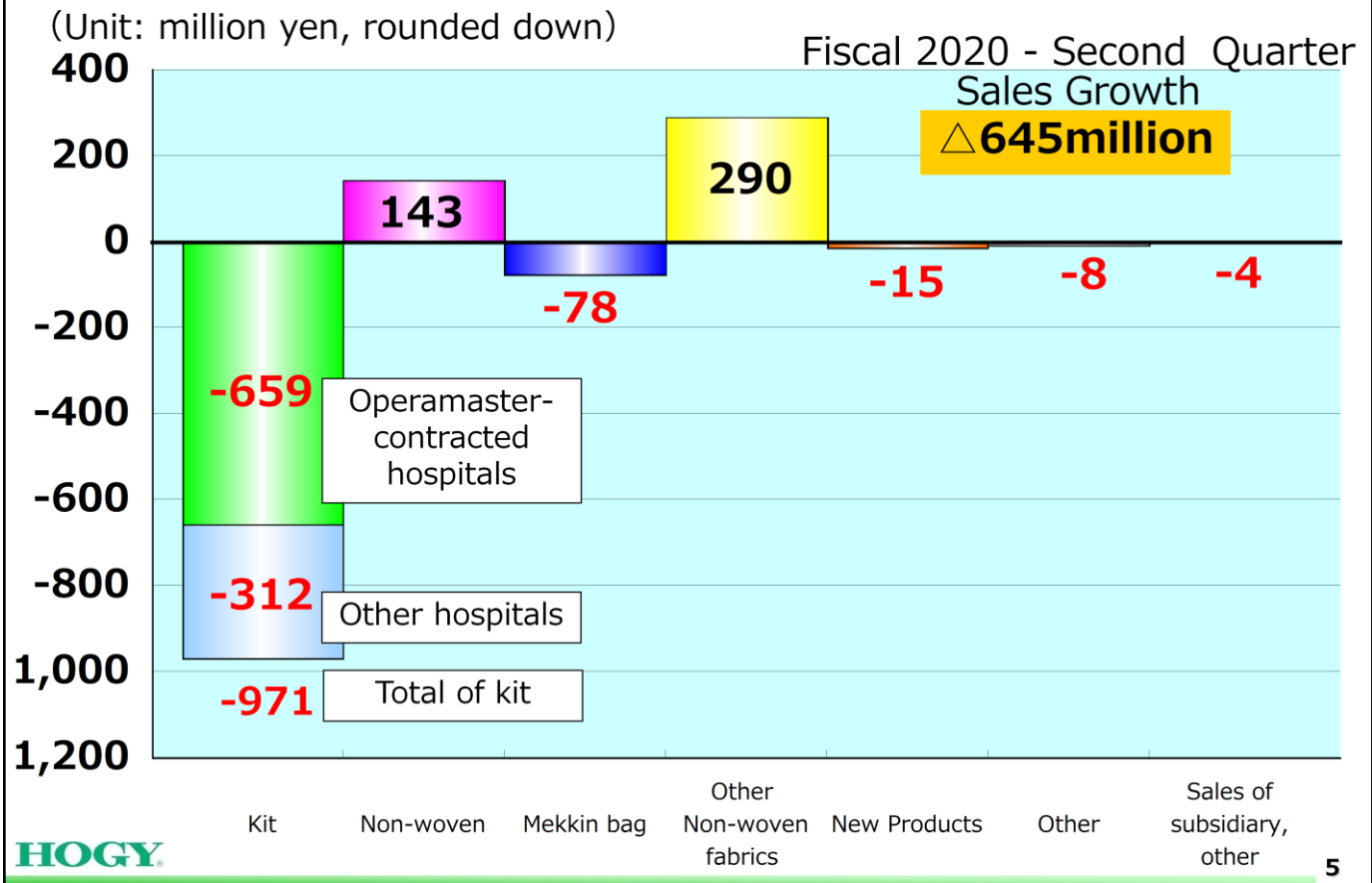
SG&A expenses:

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

Extraordinary income :

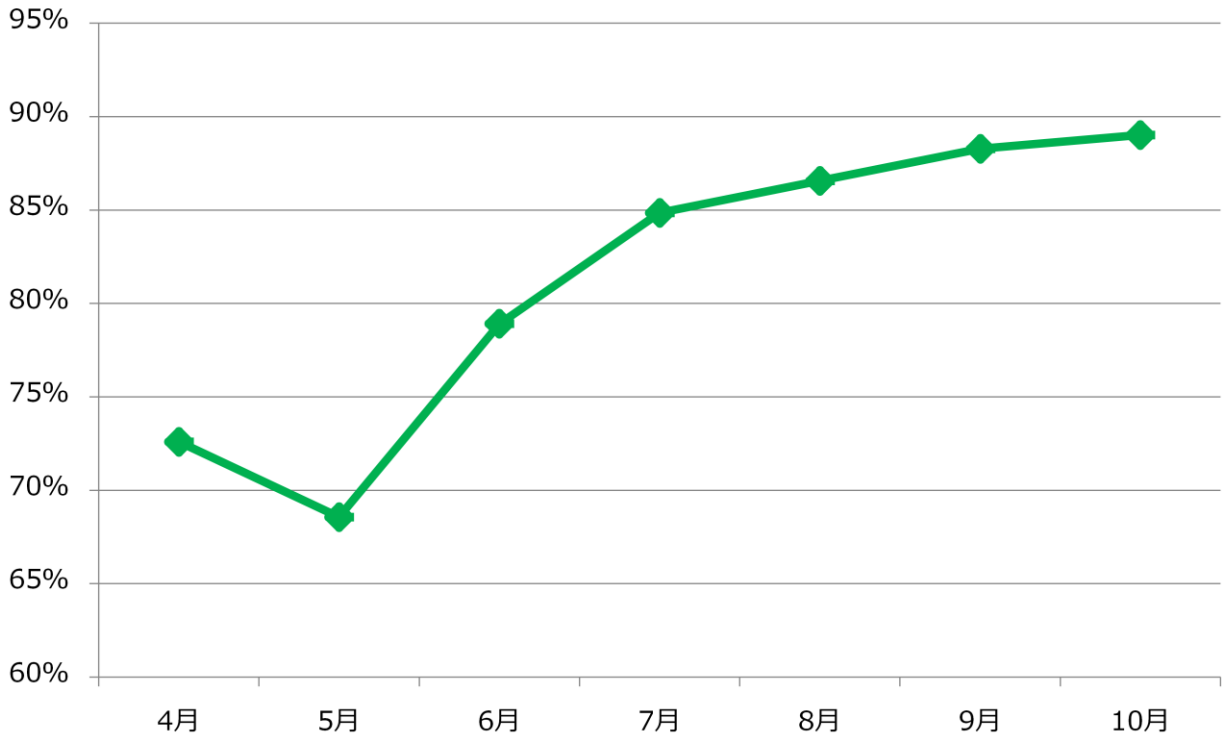
- Gain on sales of investment securities: ¥1,028 million (¥1,942 million in FY2019/2Q)

Fiscal 2020 – Second 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
- Premium Kit and Blister Kit sales up 5.3% year on year
- Special demand for other non-wovens (masks) and non-woven fabrics (gowns & Precaution Set)
- Responded to shortages of medical materials at medical institutions
- We continued conducting limited sales activities while monitoring the intentions of medical institutions
- Opera Master: 2 new contract; 5 cancellation

COVID-19 Impact on Surgery Numbers at 2000 Hospitals (Salespeople's Report)



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- Impact of COVID-19 on surgery numbers at 2000 hospitals (research conducted by Hogy Medical salespeople)
- Number of cases tends not to decrease as surgery urgency increases

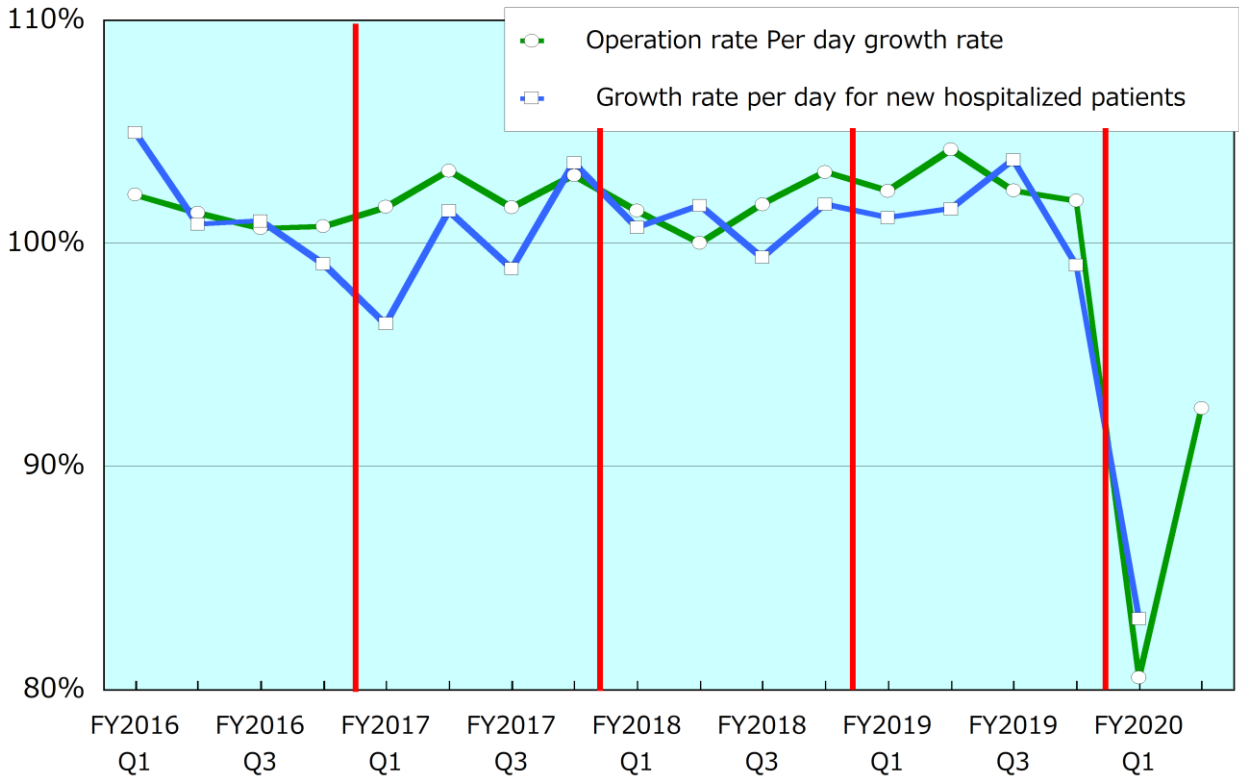
2Q Sales (By Product; COVID-19 Impact)



	Positive impact (special demand)	Negative impact (COVID-19)
KIT		-1,250 million
Non-woven	460 million	-310 million
Mekkin bag		-80 million
Other Non-woven fabrics	340 million	
Total	800 million	-1,640 million

Total : -840 million

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



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- Around 7% of Opera Master-contracted hospitals are still affected

Fiscal 2020 Outlook

Fiscal 2020 Income Forecasts



(Unit: million yen, rounded down)	Fiscal 2019 Results		Fiscal 2020 Revised Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	37,232		36,310		△922	97.5%
Operating income	5,307	14.3%	5,490	15.1%	182	103.4%
Ordinary income	5,791	15.6%	5,930	16.3%	138	102.4%
Profit attributable to owners of parent	5,529	14.9%	4,980	13.7%	△549	90.1%
EPS	183.07yen		164.70yen			

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■ Impact of COVID-19

- ✓ Expected impact of COVID-19 on number of surgeries (year-on-year):
- 1Q: -18%; 2Q: -10%; second half of FY2020: -9%

■ Net sales

- ✓ Decline in number of surgeries expected to drive down product sales; sales of masks and Precaution Set expected to increase thanks to special demand
- ✓ We will proposals for Premium Kits that contribute to operational efficiency and medical safety

■ Cost of sales

- ✓ Decrease in operating hours due to reduced production volume
- ✓ lower depreciation costs

■ SG&A expenses

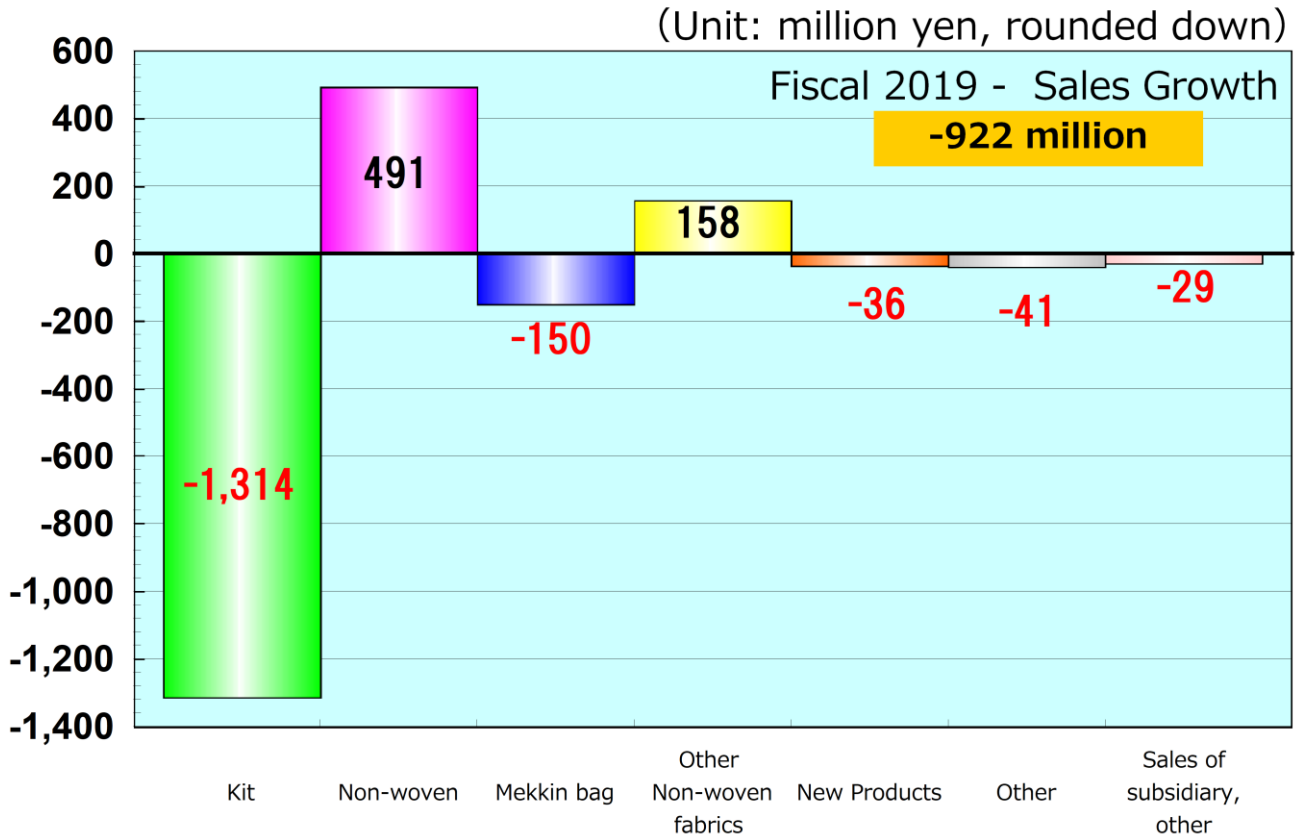
- ✓ Decrease in travel and prototype costs due to restrained sales activities

■ Extraordinary income

- ✓ Gain on sales of investment securities

Fiscal 2020 Plan

Sales Growth by Major Products



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- Expected COVID-19 impact on surgical kit sales: -¥1,960 million
- Premium Kit sales forecast to increase by ¥646 million
- Expected special demand among nonwovens for infection-prevention products (gowns, Precaution Set): ¥440 million



(Precaution Set contents)
 - Surgical gown, face shield, N95 mask, gloves, shoe covers, cap

Full-Year Sales (By Product; COVID-19 Impact)



	Positive impact (special demand)	Negative impact (COVID-19)
KIT		-1,960 million
Non-woven	900 million	-600 million
Mekkin bag		-150 million
Other Non-woven fabrics	220 million	
Total	1,120 million	-2,710 million

Total : -1,590 million

Major Sales Increases/Decreases by Product (Full Year)



(Unit: million yen)

Product	Cause	1 Q	2 Q	3 Q	4 Q	Full-Year
KIT	New	124	154	195	172	645
	COVID-19	-820	-430	-400	-310	-1,960
Non-woven	COVID-19 (gowns & Precaution Set)	120	340	220	220	900
	overseas	23	101	85	101	310
	other	-204	-218	-155	-130	-707
Mekkin bag	COVID-19	-40	-40	-40	-30	-150
Other Non-woven fabrics	COVID-19	160	180	80	-200	220
	other	-24	-72	-69	-15	-180
	Total	-661	15	-84	-192	-922

Future Responses

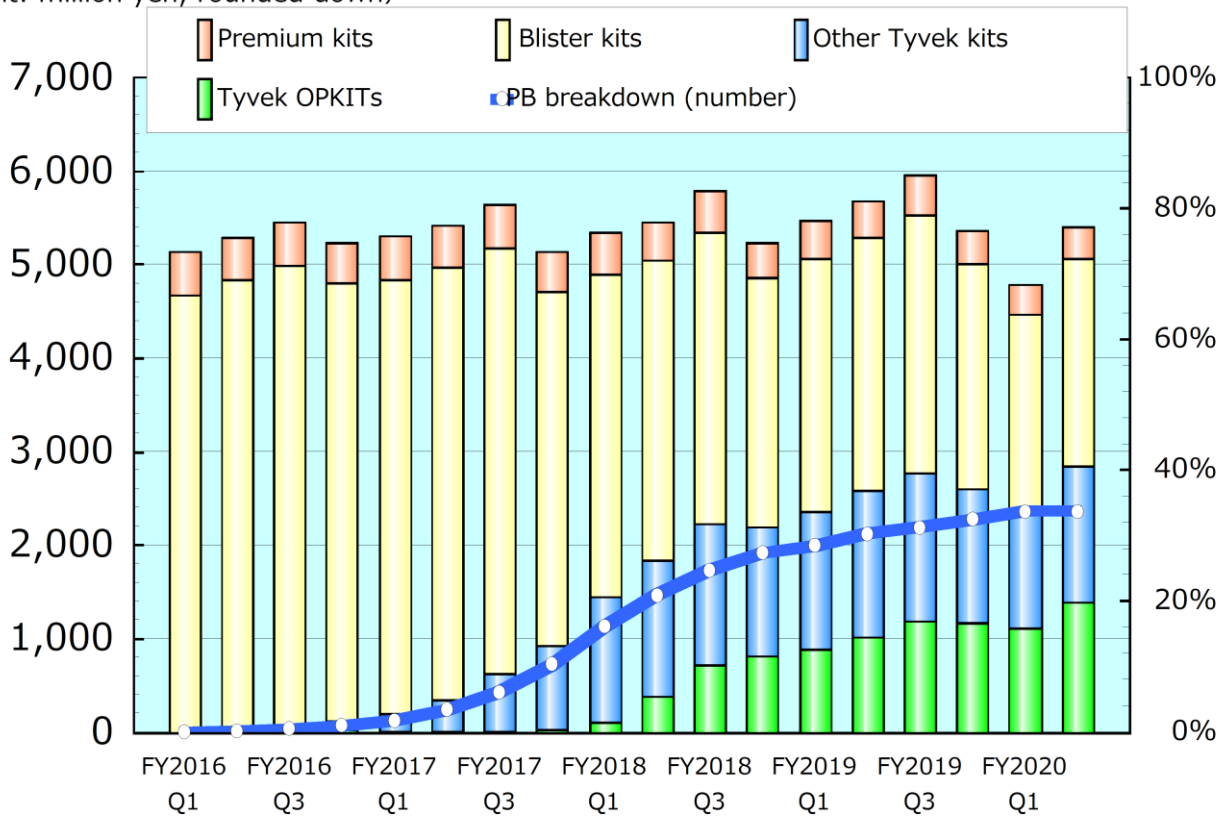
■ Market environment

- It is possible that the number of medical institutions considering increasing the number of surgeries will rise in fiscal 2020 and thereafter
 - ✓ Need to include surgeries that were postponed (new patients may also materialize)
 - ✓ Deterioration of business conditions due to fewer surgeries
 - Growing burden on doctors and nurses due to increase in procedures that were not required before COVID-19
 - It is possible that functional differentiation between medical institutions will accelerate
- 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

Performance details

Sales of Kit

(Unit: million yen, rounded down)



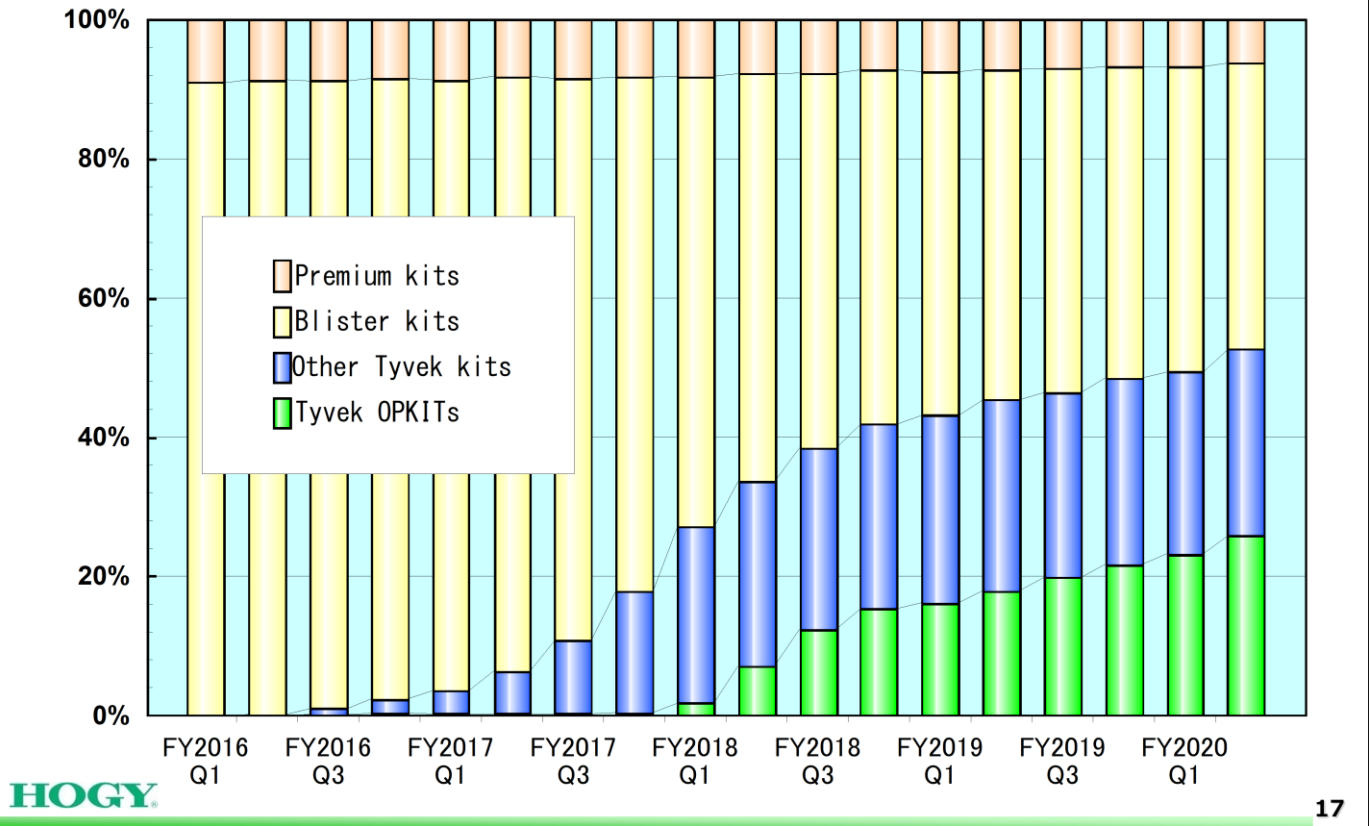
-Decrease in sales volume, mainly of Tyvek Kit, due to COVID-19

- Number of cases tends to decrease as surgery urgency increases

- Fiscal 2020: 2Q sales (YoY comparison)

- ✓ Premium Kit & Blister Kit: +264 million yen (+10.2%)
- ✓ Tyvek Kit: -541 million yen(-17.4%)

Transition of Sales Composition by types of Kits



- 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



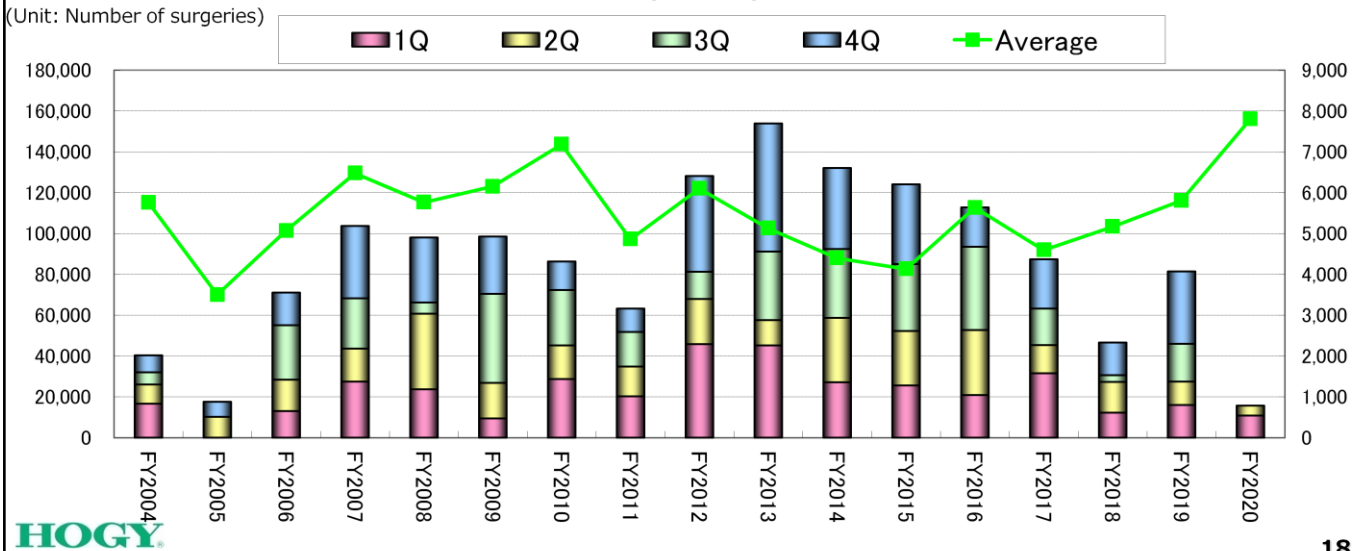
Net sales : 6,815million (△659million : 91.1%)

Number of newly contracted institutions in FY2020

2newly contracted institutions 5cancellations

Cumulative contracted institutions at fiscal year-end: : 275

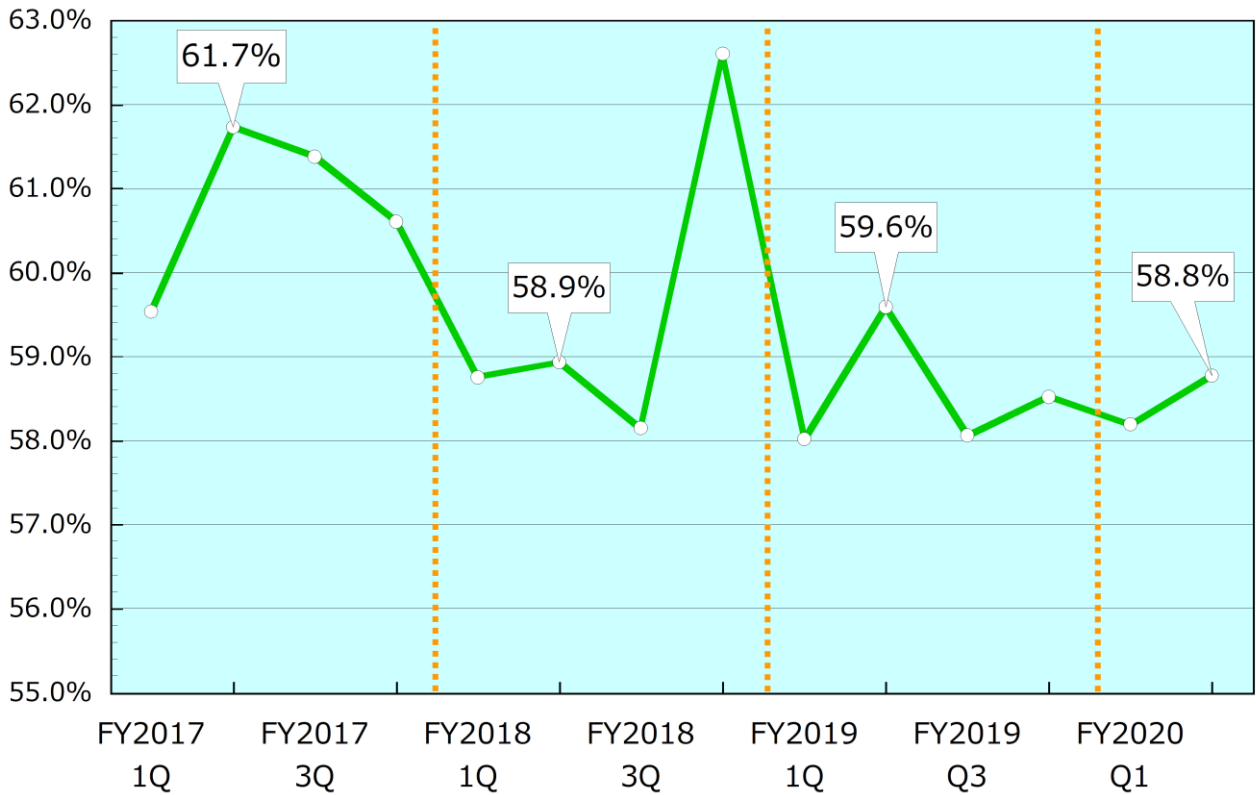
Number and average of surgical operations at Opera Master–contracted hospitals
(by fiscal year)



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- FY2020: 2newly contracted hospitals (Group I: 1,Group III:1)
- Average operations per hospital: 7,800
- 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. 290 million yen)

- Impacted by spot purchases of gowns at premium prices in the second quarter

- Decrease in new factory depreciation expense

- Total depreciation: 2,242 million yen (-344 million yen)

- Cost of sales: 1,804million yen (-271million yen)

- SG&A expenses: 438 million yen (- 72 million yen)

Fiscal 2020 – Second Quarter Income Statements



(Unit: million yen, rounded down)	Fiscal 2019 Second Quarter Results		Fiscal 2020 Second Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	18,380		17,734		△645	96.5%
Cost of sales	10,810	58.8%	10,374	58.5%	△436	96.0%
Gross profit	7,570	42.0%	7,360	41.5%	△209	97.2%
SG & A expenses	4,973	27.1%	4,689	26.4%	△284	94.3%
Operating income	2,596	14.1%	2,671	15.1%	74	102.9%
Non-operating income/loss	127		134		7	
Ordinary income	2,724	14.8%	2,806	15.8%	81	103.0%
Extraordinary income/loss	1,943		1,028		△914	
Profit attributable to owners of parent	3,265	17.8%	2,776	15.7%	△489	85.0%
EPS	108.14yen		91.84yen			

Major increases/decreases	Year-on-Year Comparison
Personnel expenses	137
Travel expenses	△139
Prototype costs	△77
Depreciation	△72

Gain on partial sale of shares
 FY2019: 1,942 million yen
 FY2020: 1,028 million yen

- SG&A expenses: 4,689 million yen (-284 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
- Extraordinary income: Gain on sales of investment securities
- Capex: 2,291 million yen (includes 1,697 million yen in new factory)

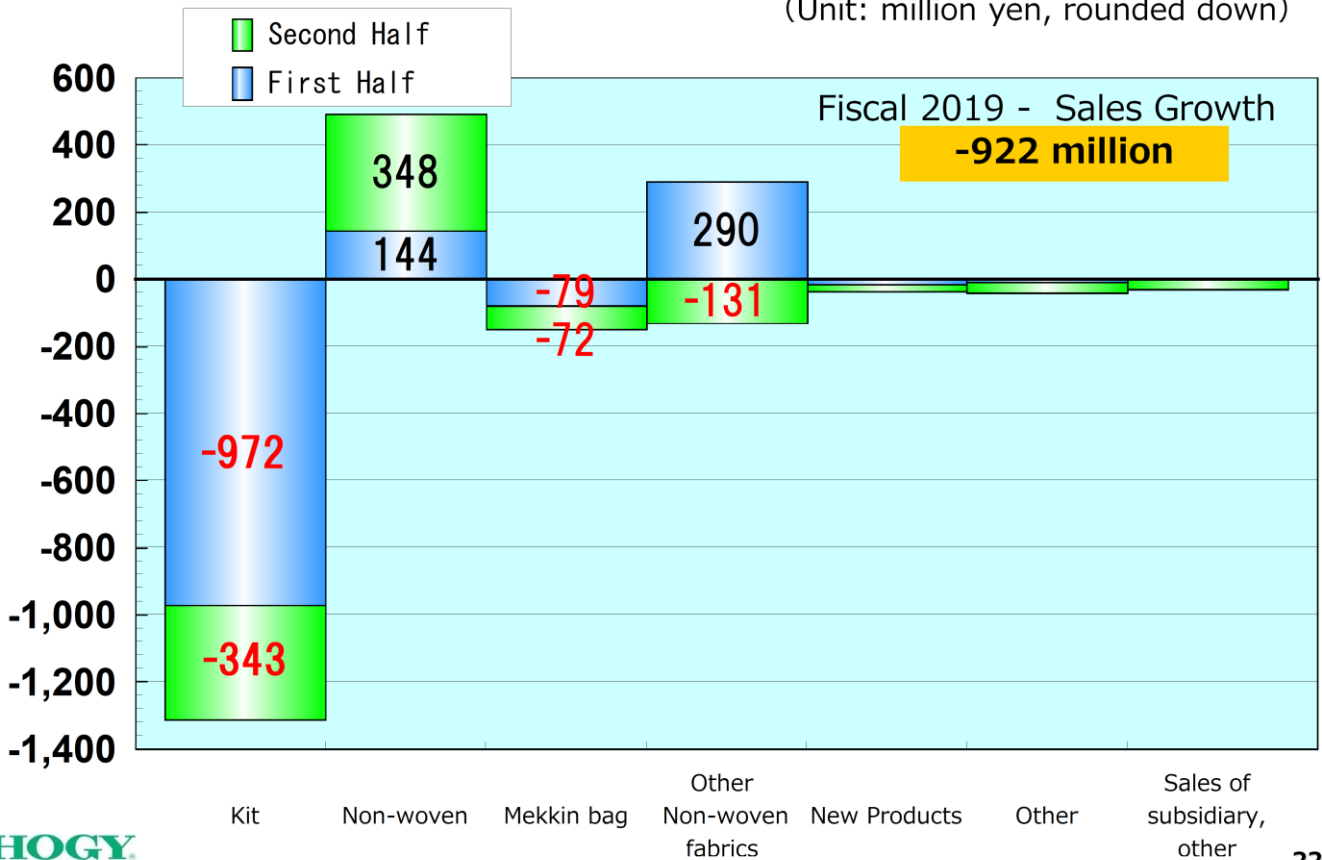
Fiscal 2020 Full-Year Management Projections

Fiscal 2020 Plan

Sales Growth by Major Products



(Unit: million yen, rounded down)



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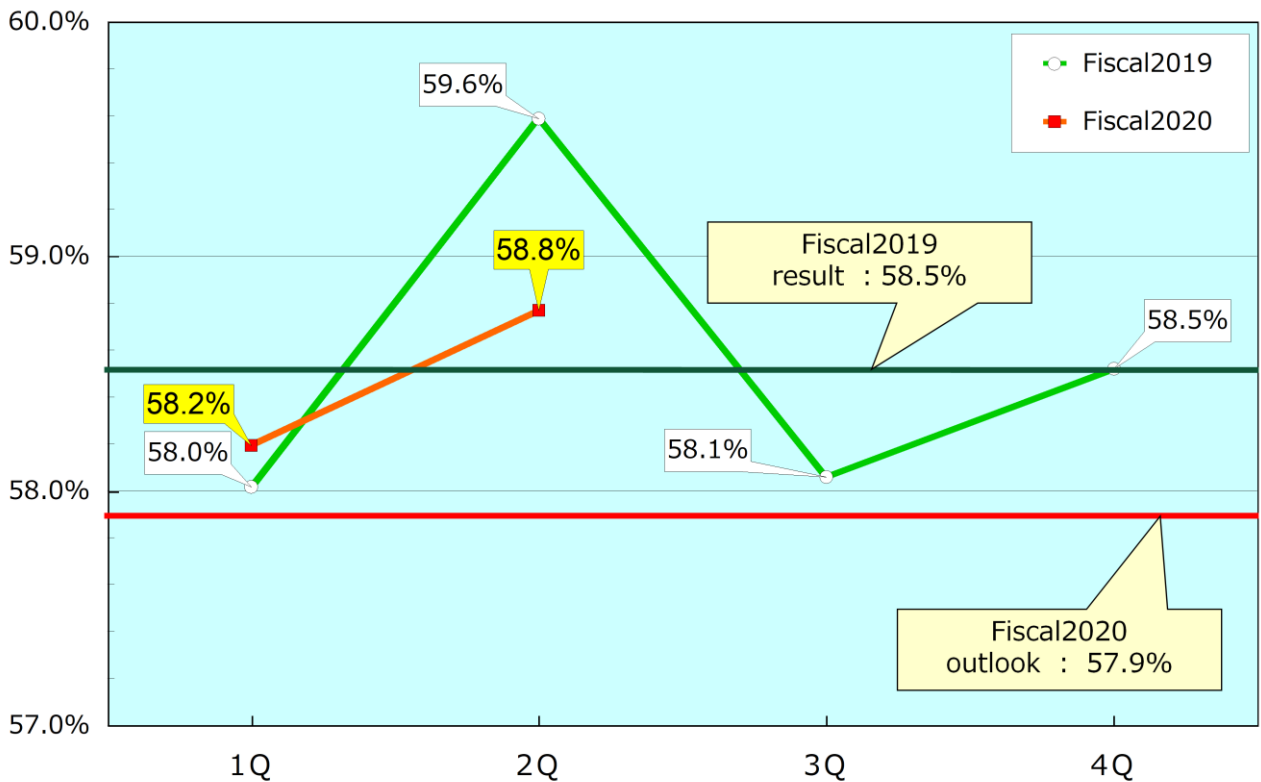
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- Expected COVID-19 impact on surgical kit sales: -¥1,960 million
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- Expected special demand among nonwovens for infection-prevention products (gowns, Precaution Set): ¥440 million



(Precaution Set contents)
 - Surgical gown, face shield,
 N95 mask, gloves, shoe covers,
 cap

Fiscal 2020 Income Statements



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- Decrease in new factory depreciation cost
Total depreciation: 4,620 million yen (-663million yen)
- Cost of sales : 3,690 million yen
(-522 million yen)
- SG&A expenses: 930 million yen
(-140 million yen)
- Cost of sales ratio expected to increase due to decline in production volume
- Corporate rate: 110 yen

Fiscal 2020 Income Statements



(Unit: million yen, rounded down)	Fiscal 2019 Results		Fiscal 2020 Revised Plan		Year-on-Year Comparison		Major increases/decreases	Year-on-Year Comparison
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change		
Net sales	37,232		36,310		△922	97.5%		
Cost of sales	21,798	56.8%	21,010	57.9%	△788	96.4%	Travel expenses	△198
Gross profit	15,434	43.2%	15,300	42.1%	△134	99.1%	Depreciation	△140
SG & A expenses	10,126	26.6%	9,810	27.0%	△316	96.9%	Prototype costs	△105
Operating income	5,307	16.5%	5,490	15.1%	182	103.4%	Personnel expenses	235
Non-operating income/loss	483		440		△43	91.0%		
Ordinary income	5,791	17.6%	5,930	16.3%	138	102.4%	Gain on partial sale of shares	
Extraordinary income/loss	1,934		1,020		△912	52.7%	FY2019: 1,942 million yen FY2020: 1,028 million yen	
Profit attributable to owners of parent	5,529	13.7%	4,980	13.7%	△549	90.1%	Dividend payments	
EPS	183.07yen		164.70yen				FY2020: 68.00 yen per share (up 2.00 yen yoy)	

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- SG&A expenses: 9,810 million yen (-316 million yen)
 - ✓ Travel and prototype costs: COVID-19 will continue impacting our sales activities
 - ✓ Depreciation: Decrease in system depreciation
 - ✓ Personnel expenses: Increase accompanying income growth
- Extraordinary income: Gain on partial sale of equity holdings
- Capex: 5,200 million yen (includes 3,660 million yen in new factory)



MEMBERSHIP

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