



MEMBERSHIP

January 18, 2021

Financial Report Third Quarter of Fiscal 2020

(April 1 – December 31, 2020)

Hideki Kawakubo, Administration Div.

Hiroshi Yamashita, Deputy manager of public relations

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 – Third Quarter Income Statements



(Unit: million yen, rounded down)	Fiscal 2019 Third Quarter Results		Fiscal 2020 Third Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	28,060		27,696		△363	98.7%
Operating income	4,104	14.6%	4,508	16.3%	403	109.8%
Ordinary income	4,520	16.1%	4,919	17.8%	399	108.8%
Profit attributable to owners of parent	4,576	16.3%	4,296	15.5%	△279	93.9%
EPS	151.52yen		142.11yen			

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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, mask, Precaution Set)
- Sales increased after the second quarter (due to decrease in COVID impact and emergence of special demand for infection prevention products)

Cost of sales ratio:

58.0%(-0.5pt YoY)

- lower depreciation costs
- Productivity impacted by decline in production volume

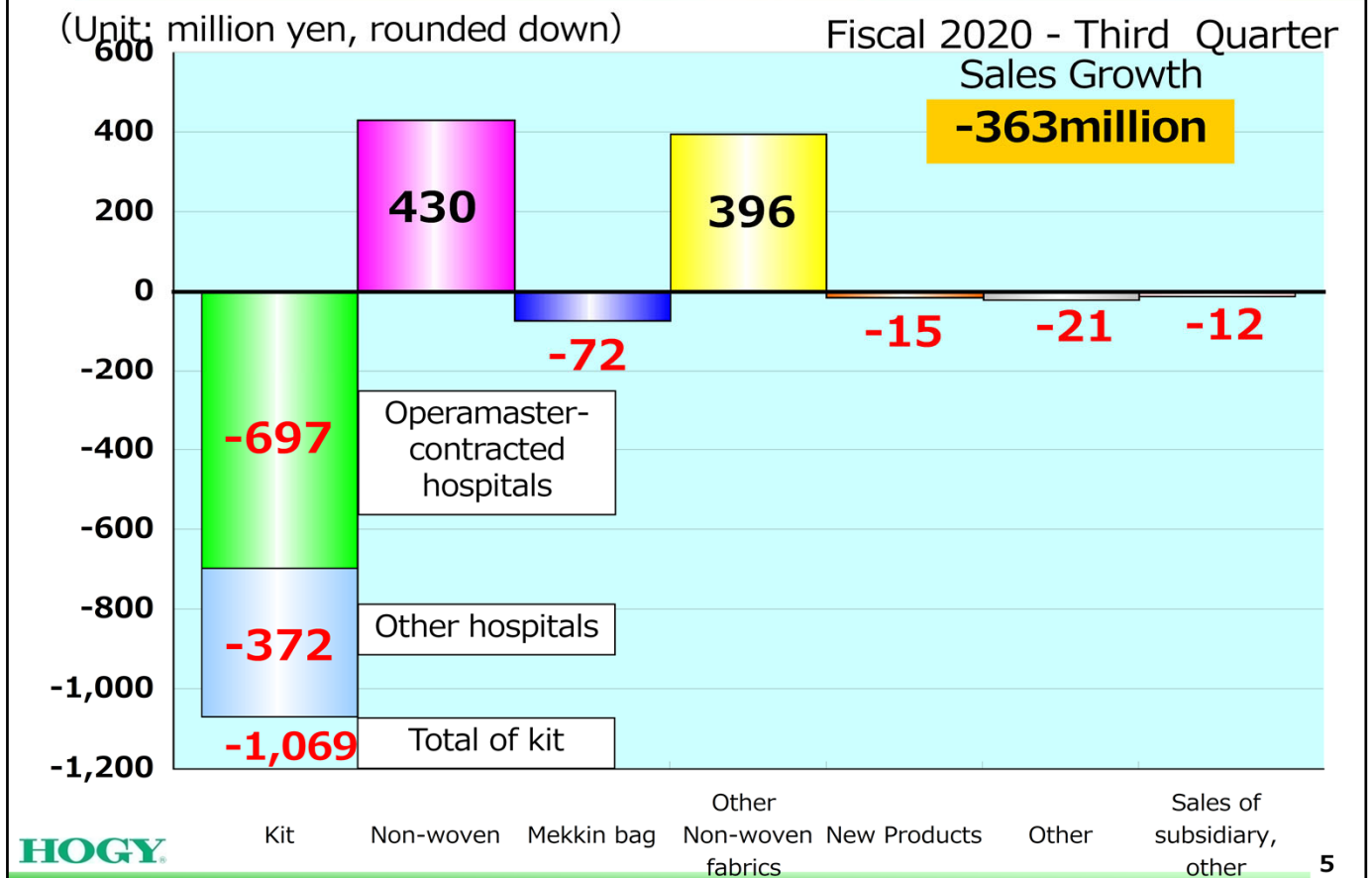
SG&A expenses:

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

Extraordinary income :

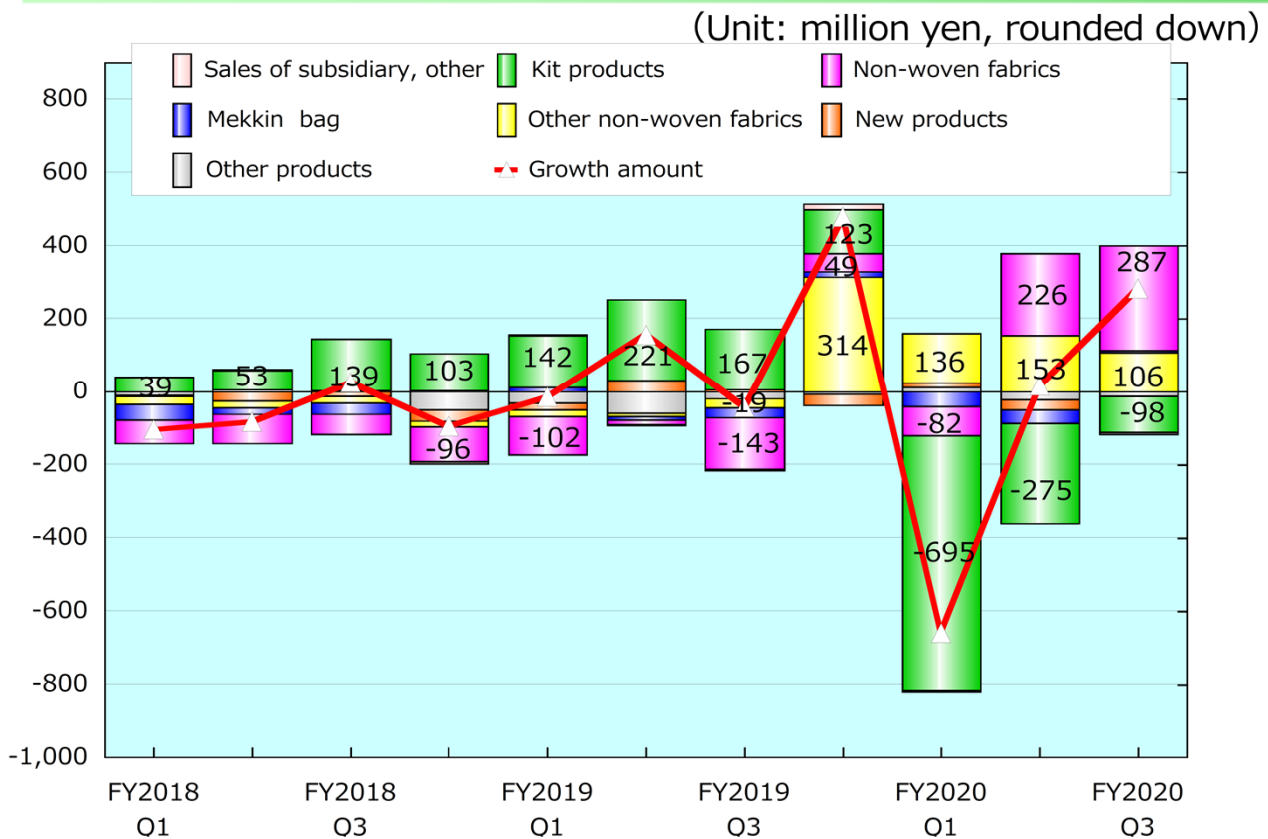
- Gain on sales of investment securities: 1,028 million yen (1,942 million yen in FY2019/2Q)

Fiscal 2020 – Third 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 (impact is decreasing)
- Premium Kit and Blister Kit sales up 8.7% year on year
- Special demand for non-woven fabrics (gowns & Precaution Set) and other non-wovens (masks)
- Responded to shortages of medical materials at medical institutions
- We continued conducting limited sales activities while monitoring the intentions of medical institutions (PCR tests of salespeople confirmed negative)
- Opera Master: 3 new contract; 5 cancellation

Fiscal 2020 Sales Growth by Quarter



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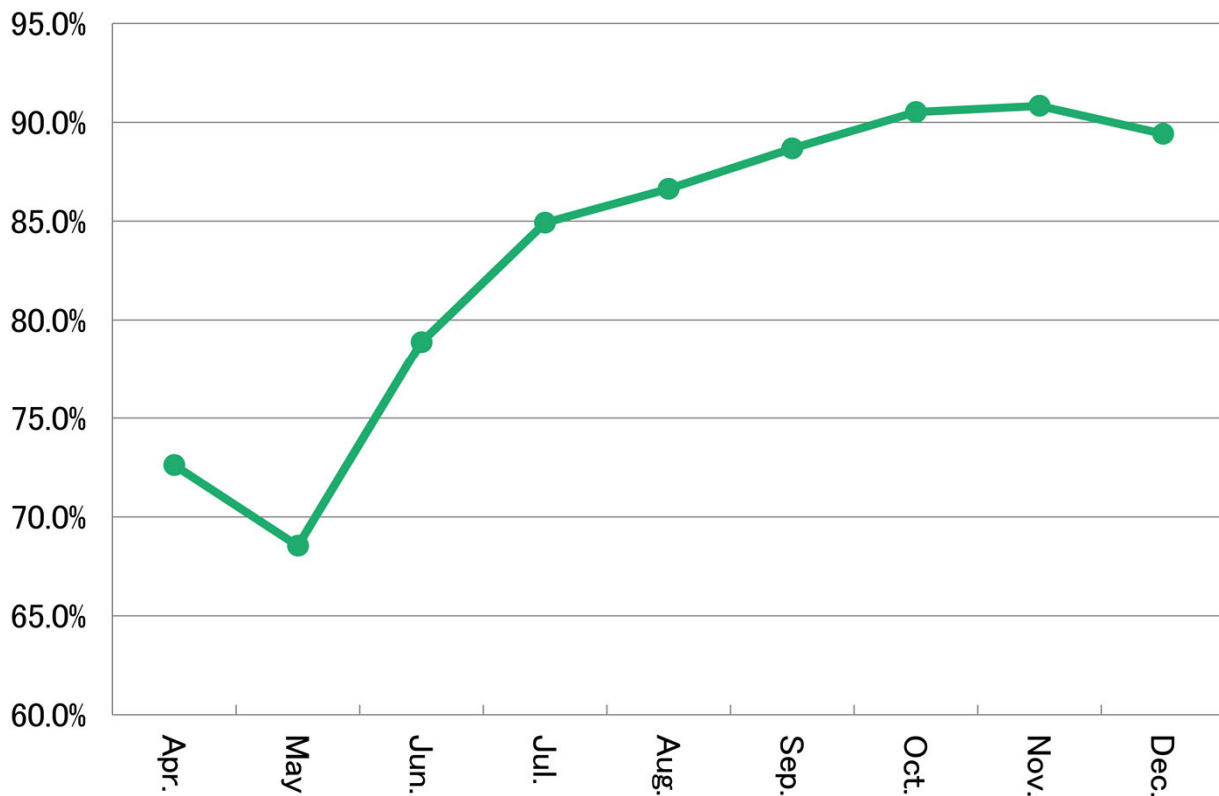
- Although the impact of COVID on surgical kits products remains, the number of surgeries has recovered and the magnitude of negative growth has shrunk
- Emergence of special demand for some products due to COVID impact

(Unit: million yen)

Product	Cause	1 Q	2 Q	3 Q	3Q Total
KIT	New etc.	124	154	292	570
	COVID-19	-820	-430	-390	-1,640
	KIT Total	-695	-275	-98	-1,069
Non-woven	COVID-19 (gowns & Precaution Set)	120	340	310	770
	overseas	23	101	99	223
	other	-204	-218	-121	-543
	Non-woven Total	-82	226	287	430
Mekkin bag	COVID-19	-40	-40	0	-80
Other Non-woven fabrics	COVID-19	160	180	130	470
other		-24	-72	-37	-133
Total		-661	15	282	-363

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



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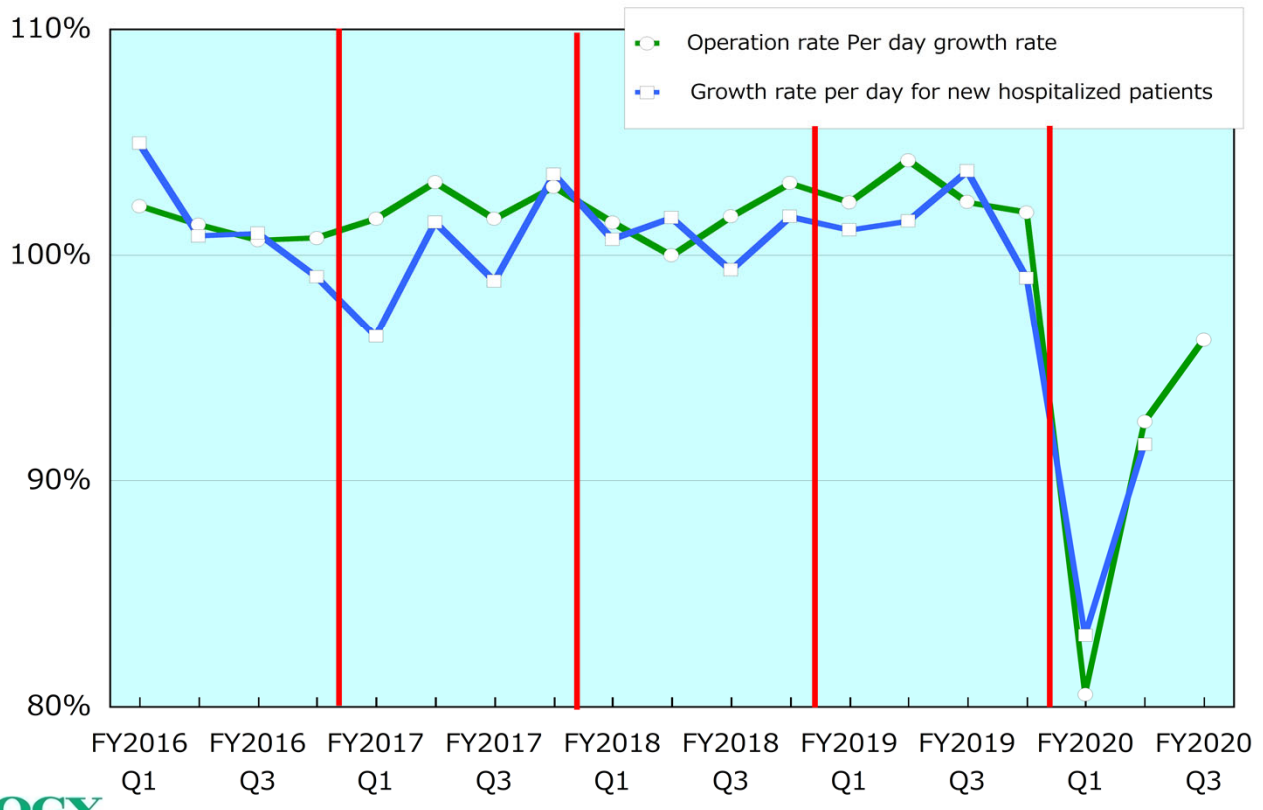
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- Impact of COVID-19 on surgery numbers at 2000 hospitals (research conducted by Hogy Medical salespeople)

- The number of surgeries had been recovering but dipped in December from the previous month

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

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



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- Around 4% 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		164.64yen			

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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 stepped up proposals for Premium Kit, which fosters improvements in business efficiency and medical safety in this time of significant labor shortage

■ 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

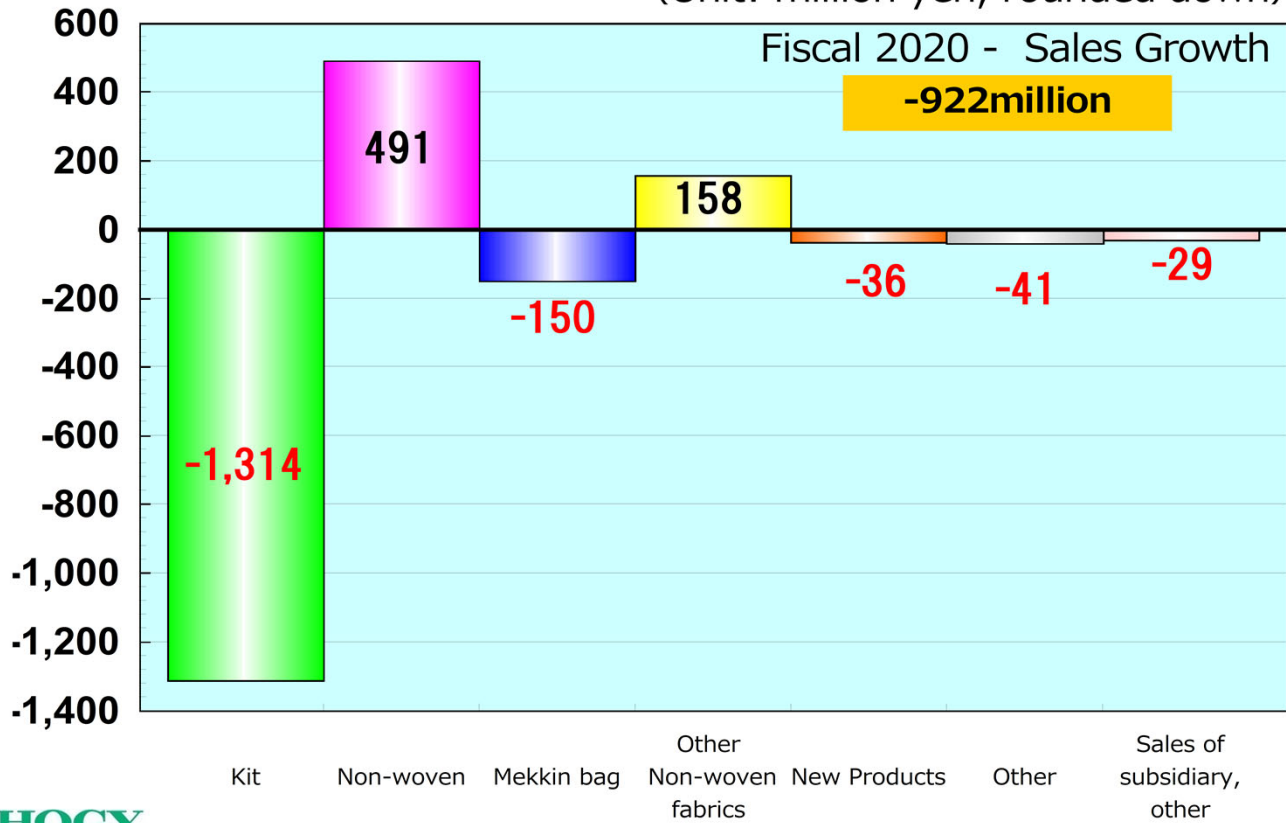
■ Extraordinary income

- ✓ Gain on sales of investment securities

Fiscal 2020 Plan Sales Growth by Major Products



(Unit: million yen, rounded down)



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



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

Impact of COVID by Quarter (Full Year)



(Unit: million yen, rounded down)

	1Q	2Q	3Q	4QPlan	Full-Year
KIT	-820	-430	-390	-320	-1,960
Other Non-woven fabrics	160	180	130	-250	220
Non-woven (gowns & Precaution Set)	120	340	310	130	900
Non-woven (Drape etc.)	-160	-150	-40	-250	-600
Mekkin bag	-40	-40	0	-70	-150
Total	-740	-100	10	-760	-1,590
Total Plus	280	520	440	130	1,370
Total Minus	-1,020	-620	-430	-890	-2,960

Future Responses

■ Market environment

- The number of surgeries at medical institutions may decrease due to the impact of the “third wave”
- Growing dichotomy in support for surgeries at medical institutions
 - ✓ Need to address backlog of postponed surgeries (more patients may emerge)
 - ✓ 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

■ Due to the **accelerating shortage** of personnel at medical institutions, we are stepping proposals of Premium Kit, which guarantees **stable supply** and fosters **improvements in business efficiency and medical safety**

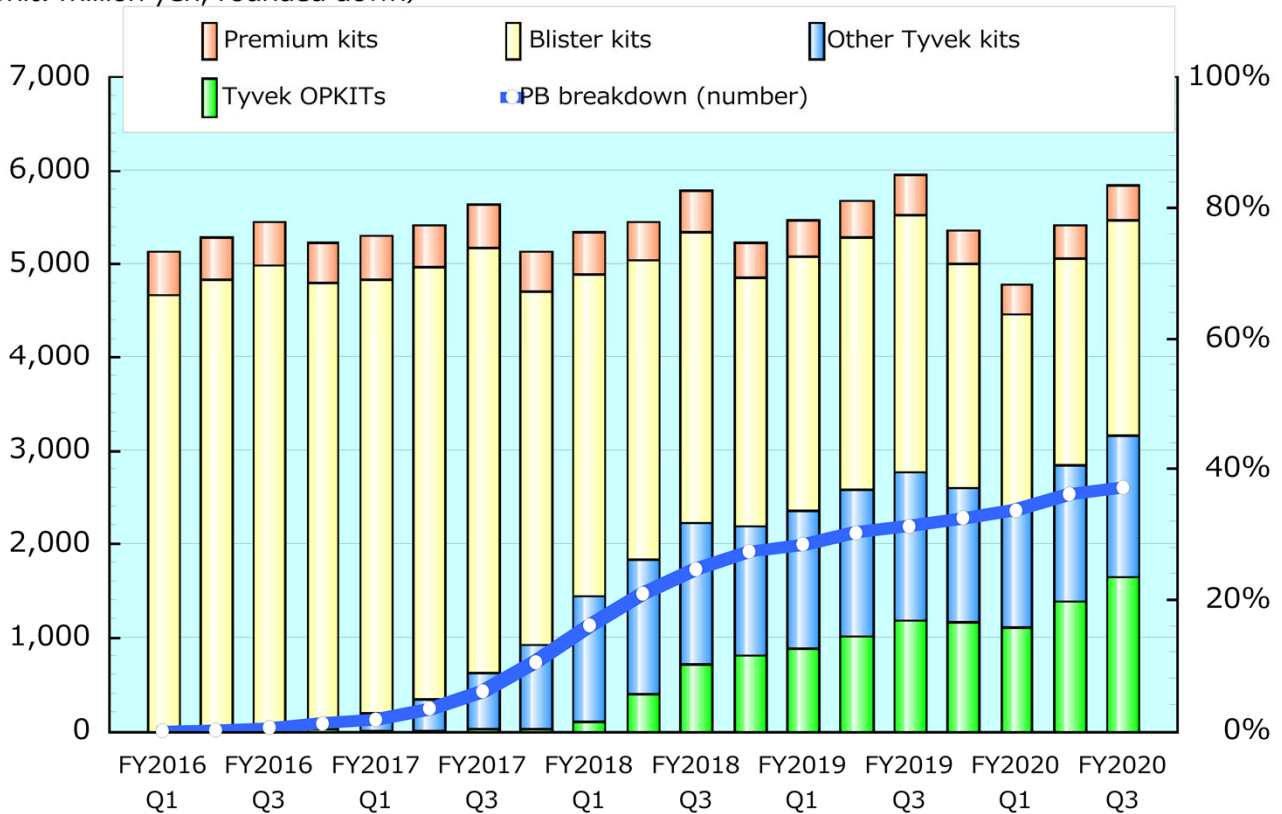
■ Obtained 3 R-SUD licenses; currently preparing for sales launch

Performance details

Sales of Kit



(Unit: million yen, rounded down)



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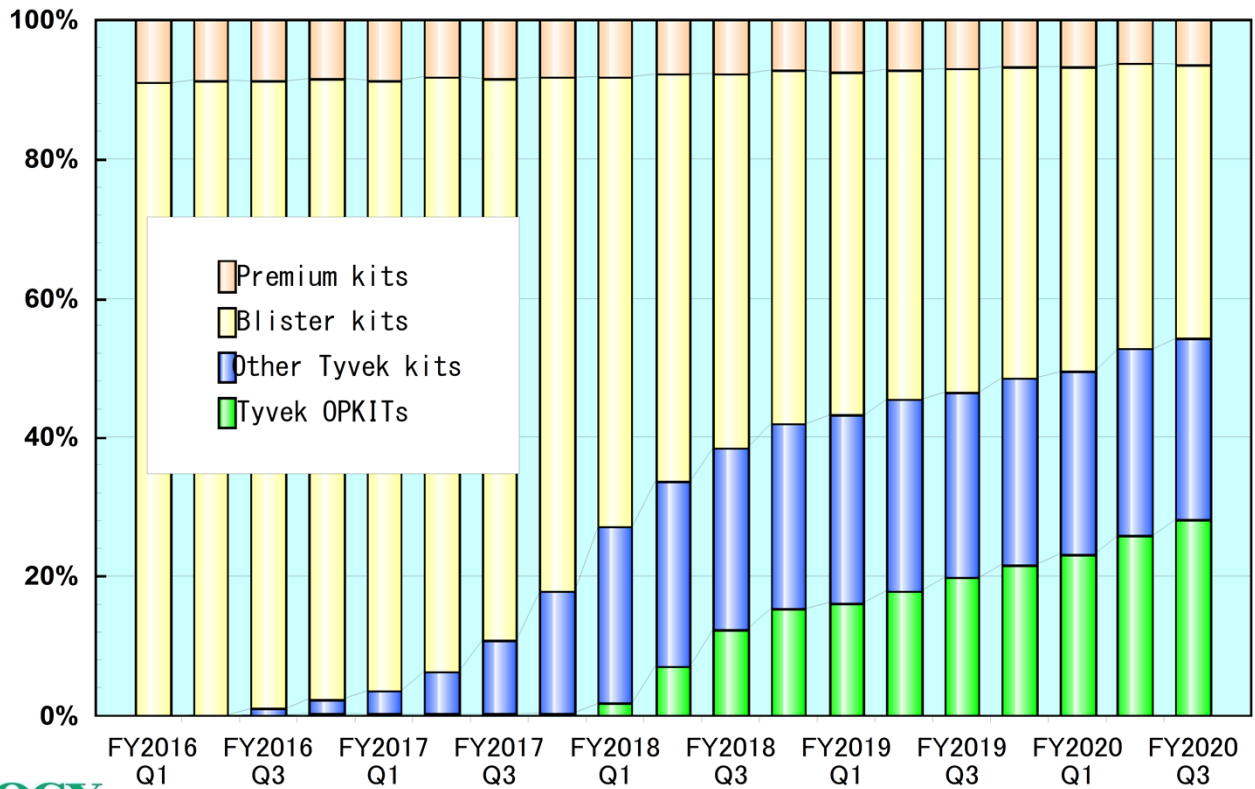
-Decrease in sales volume, mainly of Tyvek Kit, due to COVID-19

- Number of cases tends to decrease as surgery urgency increases

- Fiscal 2020: 3Q sales (YoY comparison)

- ✓ Premium Kit & Blister Kit: +403 million yen (+14.6%)
- ✓ Tyvek Kit: -502 million yen (-15.8%)

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 : 10,771million (△697million : 93.9%)

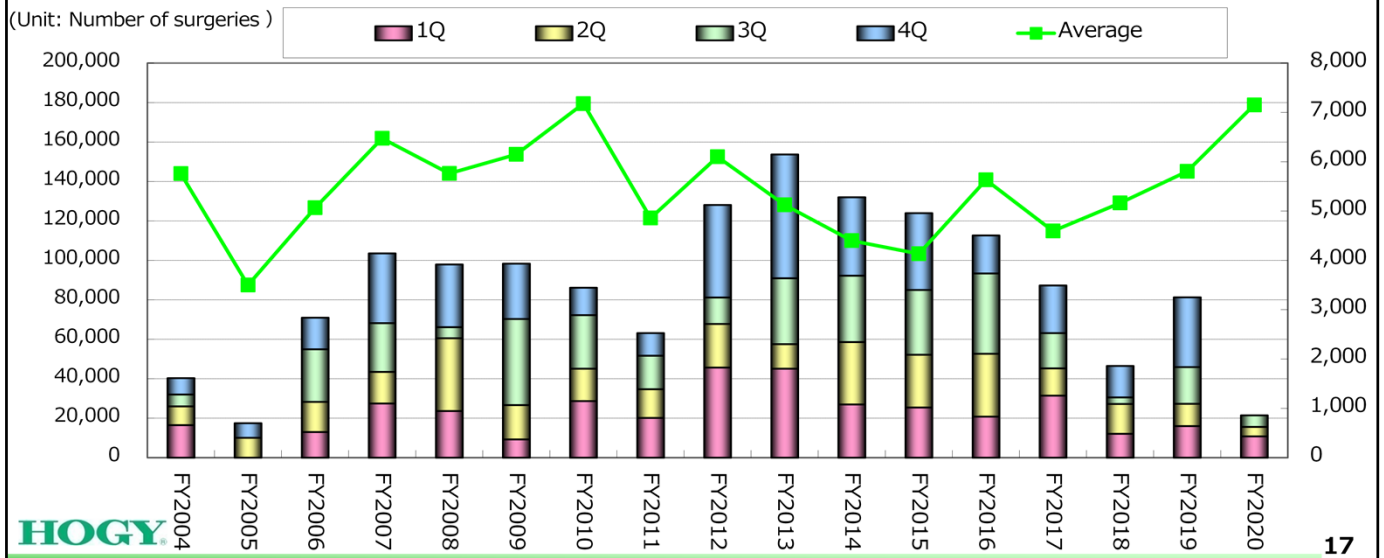
Number of newly contracted institutions in FY2020

3newly contracted institutions 5cancellations

Cumulative contracted institutions at fiscal year-end: : 276

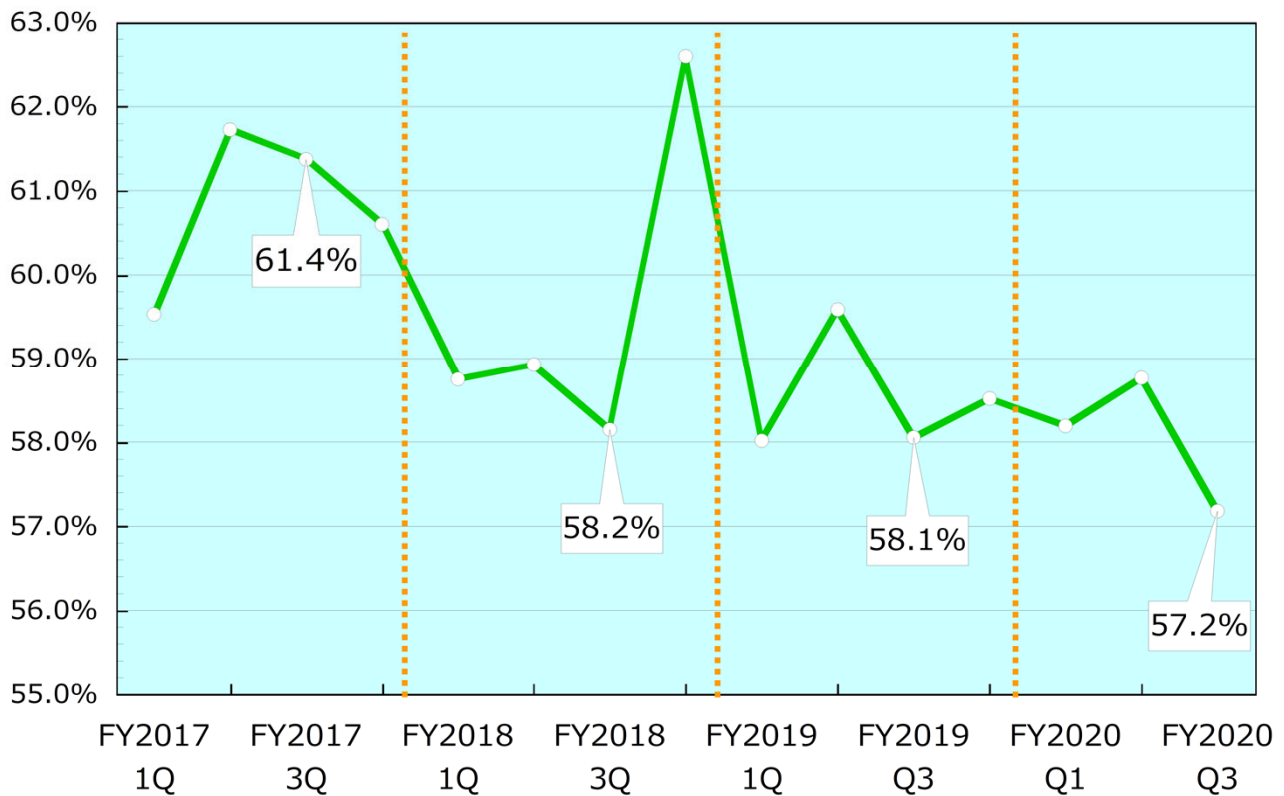
Number and average of surgical operations at Opera Master-contracted hospitals

(by fiscal year)



- FY2020: 3newly contracted hospitals (Group I: 2,Group III:1)
- Average operations per hospital: 7,100
- 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. 430 million yen)
- Impacted by spot purchases of gowns at premium prices in the second quarter
- Decrease in new factory depreciation expense
 - Total depreciation: 3,395 million yen (-505million yen)
 - Cost of sales: 2,719million yen (-408million yen)
 - SG&A expenses: 675 million yen (-97 million yen)

Fiscal 2020 – Third Quarter Income Statements



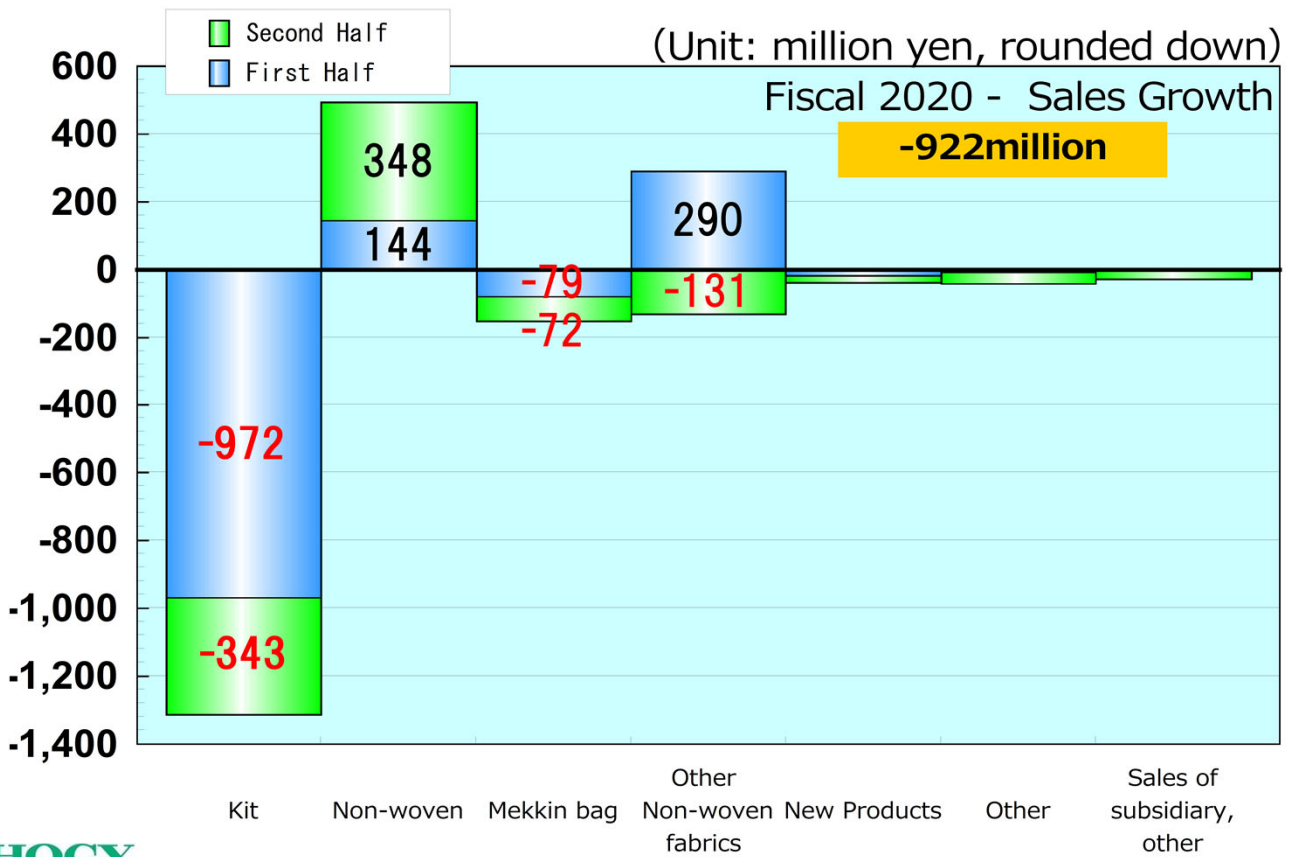
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	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change		
Net sales	28,060		27,696		△363	98.7%	Travel expenses	△181
Cost of sales	16,430	58.6%	16,070	58.0%	△360	97.8%	Depreciation	△97
Gross profit	11,629	41.4%	11,626	42.0%	△3	100.0%	Prototype costs	△95
SG & A expenses	7,525	26.8%	7,118	25.7%	△407	94.6%	Personnel expenses	95
Operating income	4,104	14.6%	4,508	16.3%	403	109.8%		
Non-operating income/loss	415		411		4		Gain on partial sale of shares	
Ordinary income	4,520	16.1%	4,919	17.8%	399	108.8%	FY2019: 1,942 million yen	
Extraordinary income/loss	1,941		1,025		△915		FY2020: 1,028 million yen	
Profit attributable to owners of parent	4,576	16.3%	4,296	15.5%	△279	93.9%		
EPS	151.52yen		142.11yen					

- SG&A expenses: 7,118 million yen (– 407 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: 2,893 million yen (includes 2,096 million yen in new factory)

Fiscal 2020 Full-Year Management Projections

Fiscal 2020 Plan

Sales Growth by Major Products



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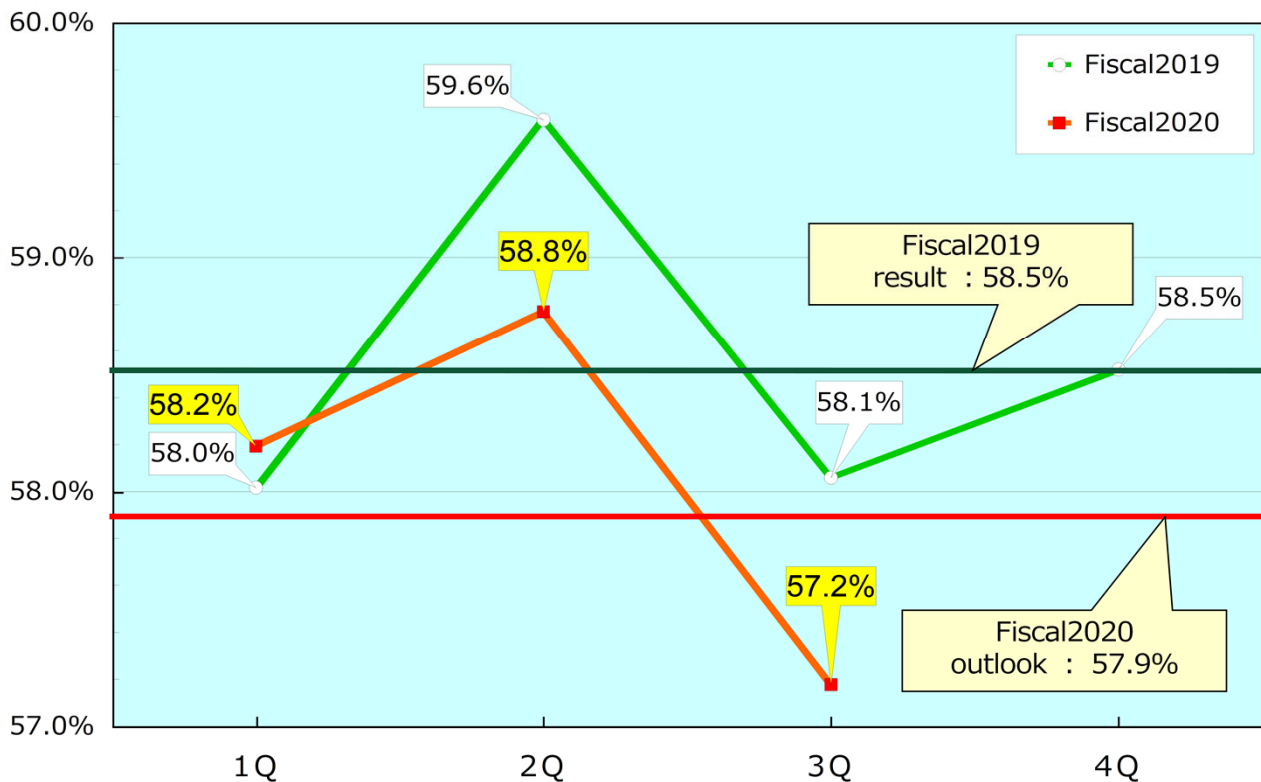
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- Premium Kit sales forecast to increase by 646 million yen
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(Precaution Set contents)
 - Surgical gown, face shield, N95 mask, gloves, shoe covers, cap

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%	Personnel expenses	235
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%		
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		164.64yen				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)



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