



MEMBERSHIP
July 15, 2021

Financial Report First Quarter of Fiscal 2021

(April 1 – June 30, 2021)

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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 2021 – First Quarter Income Statements



Unit: million yen, rounded down	Fiscal 2020 First Quarter Results		Fiscal 2021 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	8,376		8,895		519	106.2%
Operating income	1,143	13.7%	1,492	16.8%	348	130.5%
Ordinary income	1,251	14.9%	1,495	16.8%	243	119.5%
Profit attributable to owners of parent	908	10.8%	1,089	12.2%	181	120.0%
EPS	30.04yen		36.65yen			

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■ Higher sales; higher income

Net sales : +519 million yen (+6.2%)

: The number of surgeries improved year-on-year due to COVID-19, but has not returned to pre-pandemic levels

: Healthy sales of Premium Kit and Blister Kit

: Reactionary decline in sales after enjoying special demand

Operating income : +348 million yen (+30.5%)

- Cost of sales – 57.5%(-0.7pt YoY)
- Improvement in productivity due to Increase in production volume
- lower depreciation costs

- SG&A expenses – -70 million yen (-3.0%)
- Decrease in Personnel expenses and Testing & research expenses
- Increase in travel and transportation expenses for sales activities

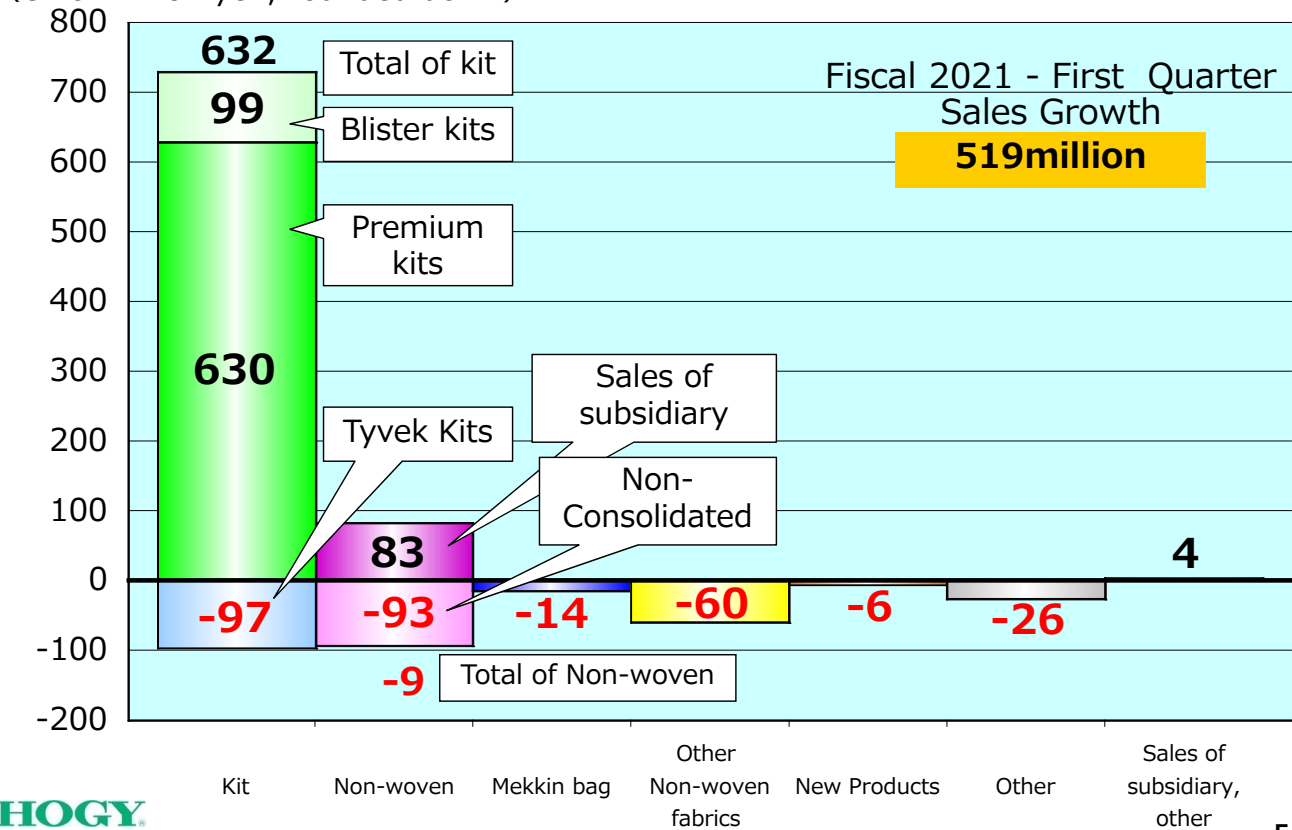
Ordinary income : +243 million yen (+19.5%)

: Exchange, etc.

Fiscal 2021 – First Quarter Sales Growth by Major Products



(Unit: million yen, rounded down)

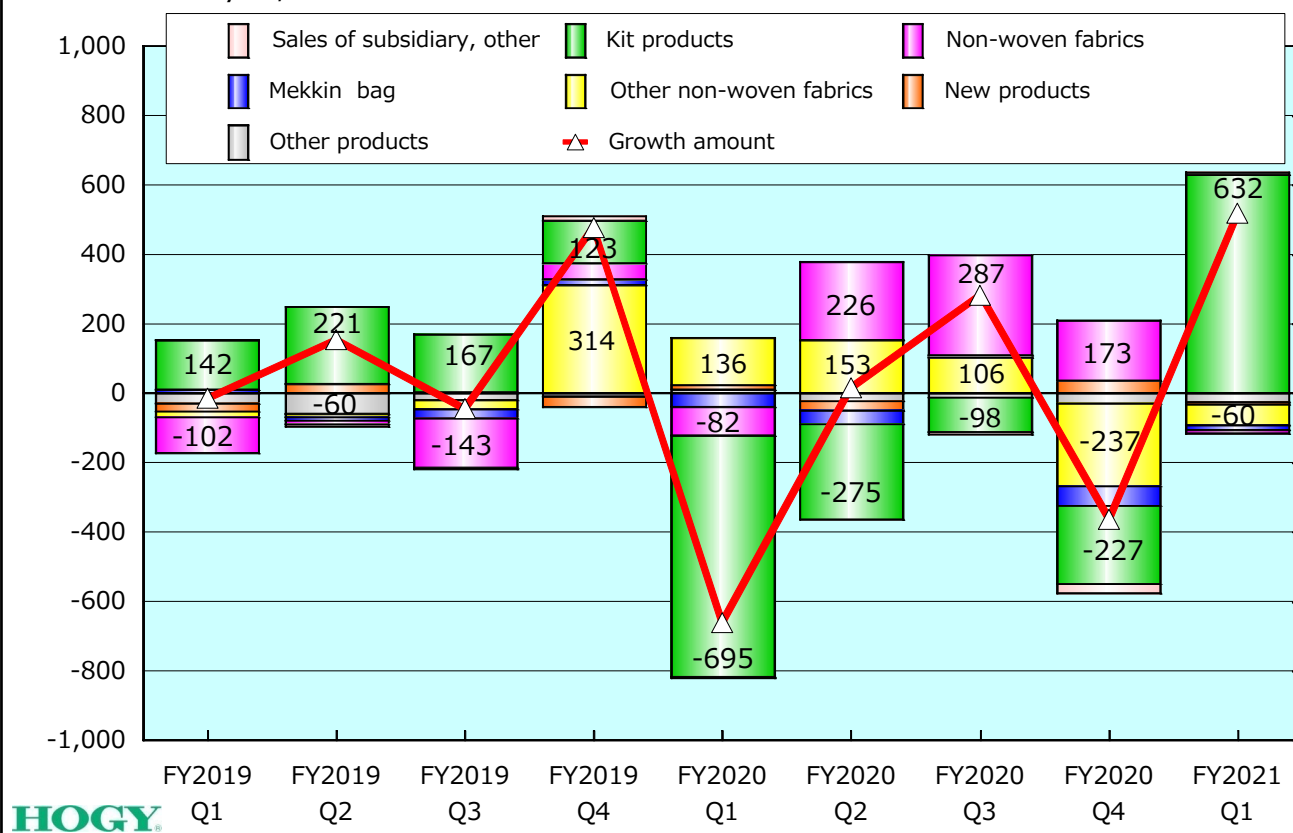


- Although the number of surgeries continued to decrease (postponed) due to COVID-19, there was a year-on-year improvement; sales of surgical kits also rebounded
- [Sales increased 56.7% year on year thanks to our focus on selling Premium Kit](#)
- Decline in sales of Tyvek Kit was offset by higher sales of Premium Kit
- Sales of nonwoven fabrics (gowns, masks, and other infection prevention-related products) declined from the previous corresponding period, which benefitted from special demand

Fiscal 2021 – First Quarter Sales Growth by Quarter



(Unit: million yen, rounded down)



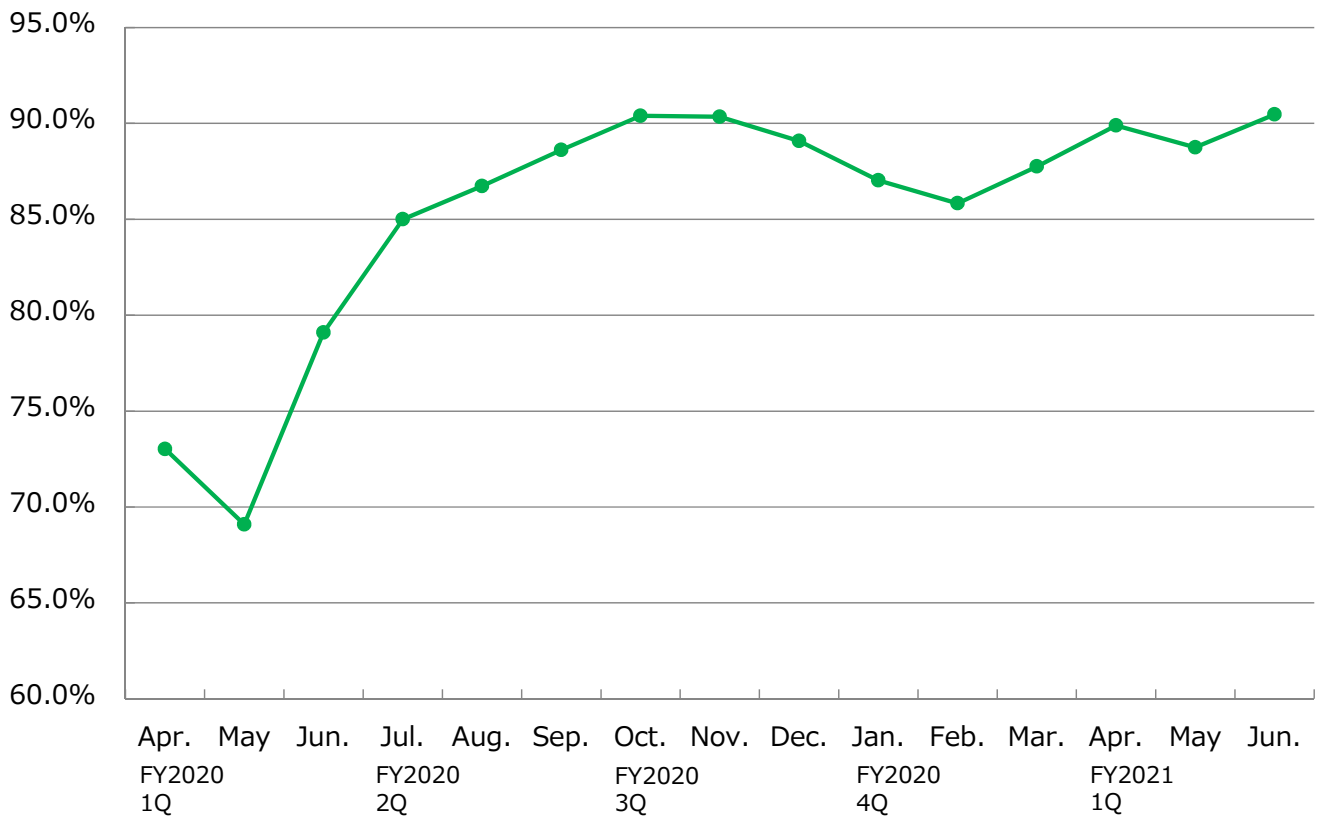
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(Unit: million yen, rounded down)

Product	Cause	1 Q	2 Q	3 Q	4 Q	FY2020	1 Q
KIT	New etc.	124	154	292	184	754	232
	COVID-19	-820	-430	-390	-410	-2,050	400
	KIT Total	-695	-275	-98	-227	-1,295	632
Non-woven	COVID-19 (gowns & Precaution Set)	120	340	310	240	1,010	-71
	overseas	23	101	99	120	343	83
	other (Including COVID-19 impact)	-225	-215	-121	-187	-748	-21
	Non-woven Total	-82	226	287	173	604	-9
Mekkin bag	COVID-19	-40	-40	0	0	-80	0
Other Non-woven fabrics	COVID-19	160	180	130	-240	230	-70
	other	-24	-27	-24	-7	-82	10
	Other Non-woven fabrics Total	136	153	106	-237	159	-60
other	-20	-89	-13	-73	-195	-44	
Total		-661	15	282	-364	-728	519

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



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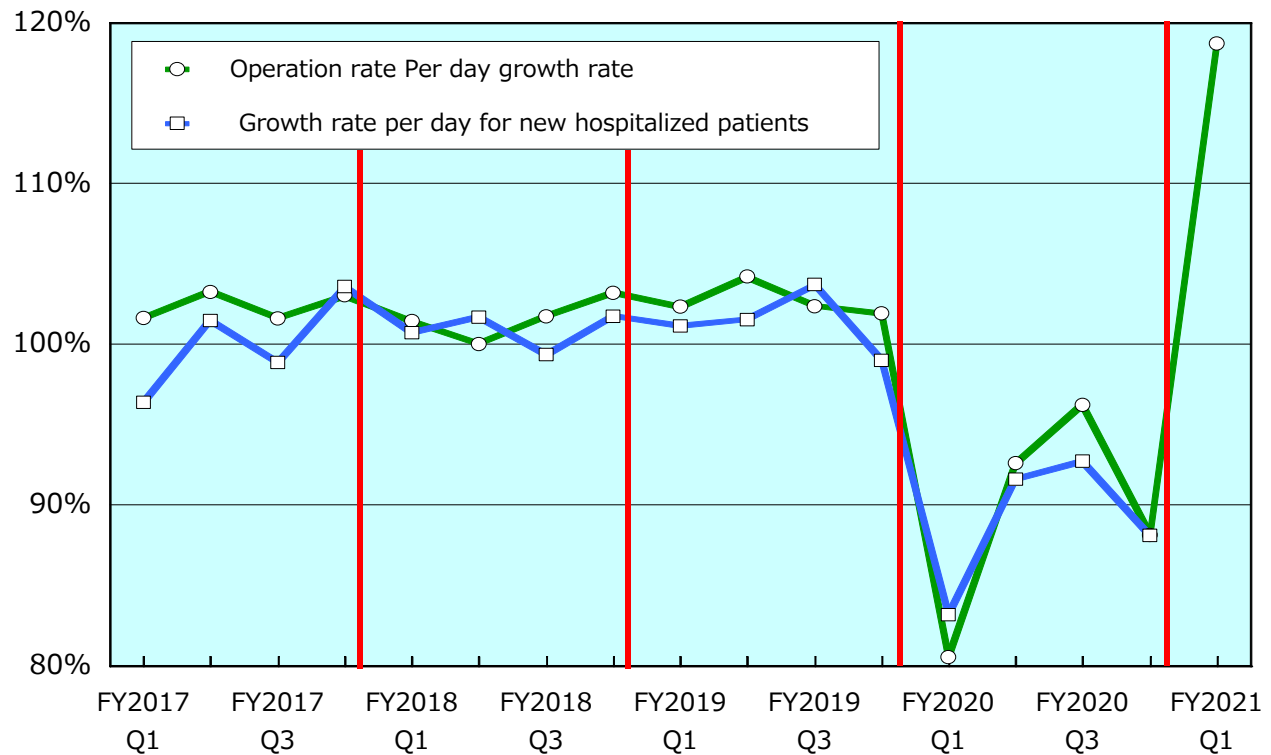
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- Impact of COVID-19 on surgery numbers at 2000 hospitals (research conducted by Hogy Medical salespeople)

FY2020 1 Q : 25% down , 2 Q : 13% down , 3 Q : 10% down , 4 Q : 13% down
 FY2021 1 Q : 10% down

- The more urgent the surgery, the stronger the tendency to recover

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



- Differing levels of recovery in surgery numbers depending on medical institution, leading to overall polarization trend

■ Market environmen

- ✓ Increased turnover of healthcare workers
- ✓ Renewed debate about work-style reforms for healthcare workers
- ✓ Ongoing polarization between medical institutions working to increase surgery numbers (in COVID-19 environment) and those working to improve management
- ✓ **Functional differentiation in medical institutions encouraged**

■ Performance highlights

- ✓ Although the number of surgeries continued to decrease (postponed) due to COVID-19, there was a year-on-year improvement; sales of surgical kits also rebounded
- ✓ Premium Kit sales up 56.7% year on year
- ✓ Start of recoil in sales of nonwoven products, which benefitted from special demand in the previous corresponding period
- ✓ Ongoing restrictions on some sales activities
- ✓ Concentrated our resources on Premium Kit sales
- ✓ Improvement in productivity due to increase in production volume

Fiscal 2021 Outlook

Fiscal 2021 Income Forecasts



Unit: million yen, rounded down	Fiscal 2020 Results		Fiscal 2021 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,504		38,400		1,895	105.2%
Operating income	5,632	15.4%	6,350	16.5%	717	112.7%
Ordinary income	5,988	16.4%	6,620	17.2%	631	110.6%
Profit attributable to owners of parent	4,959	13.6%	4,720	12.3%	△239	95.2%
EPS	164.03yen		160.41yen			

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■ Higher sales; lower income plan

■ Assumed business conditions

- ✓ The situation will remain uncertain according to vaccination rollout progress, spread of mutant strains, and factors that could greatly change the infection status
- ✓ We expect the situation to improve from the previous year, but some impact will remain (The negative impact of COVID-19 will be about half that of the previous year)
- ✓ Continued polarization among medical institutions

■ Increased workload in medical institutions due to COVID-19 taking root

■ Increase in turnover of healthcare workers

Fiscal 2021 Income Forecasts



■ Net sales

- ✓ 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**
- ✓ We expect a reactionary increase in sales of products that were negatively affected by number of surgeries, and a reactionary decrease in sales products that enjoyed special demand

■ Cost of sales

- ✓ Improvement in productivity due to increase in production volume
- ✓ Decrease in depreciation cost (partial commissioning of equipment in Stage 2 construction of new surgical kit plant)
- ✓ Increase in costs due to yen's depreciation
- ✓ Establishment of production system to meet demand in Indonesia

■ SG&A expenses

- ✓ Increase in travel expenses, transportation costs, prototype costs, etc. due to increased sales activities

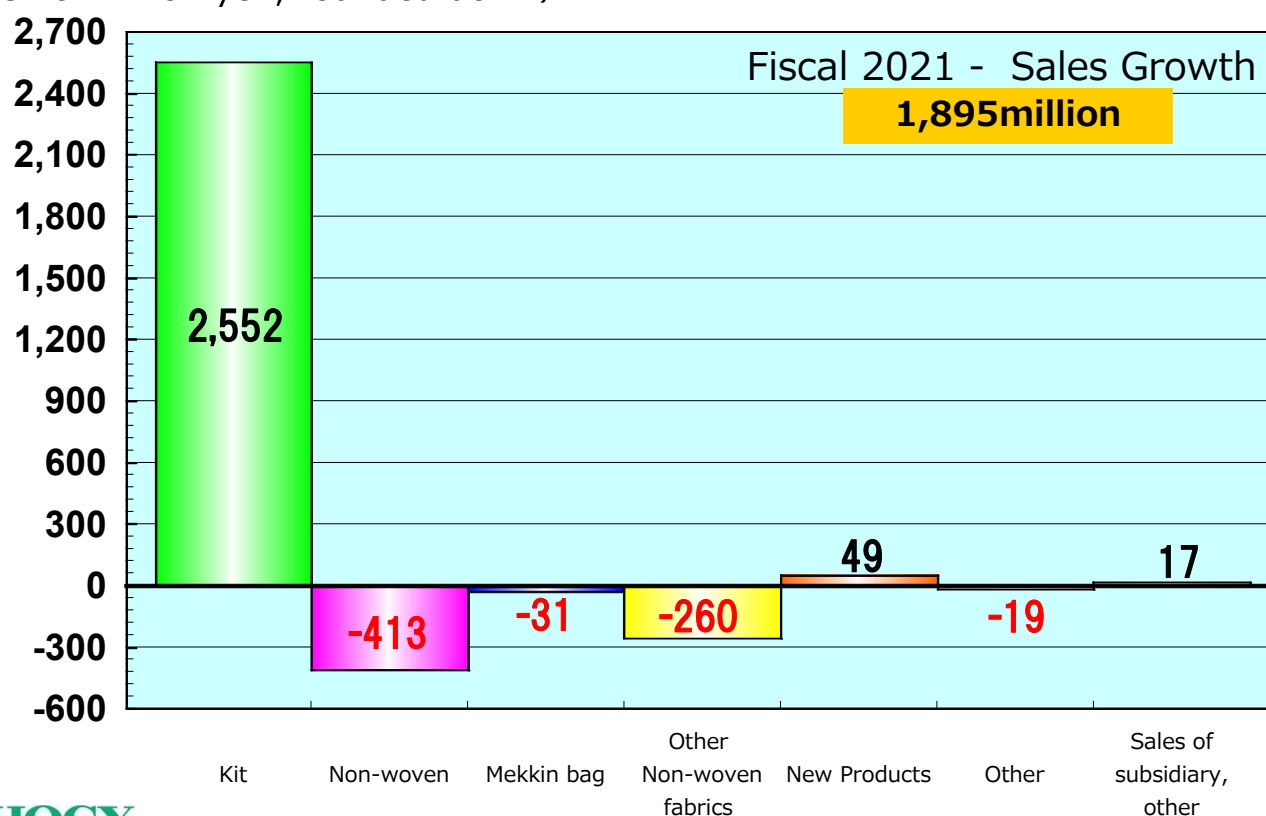
■ Extraordinary income

- ✓ Recorded gain on sale of shares in the previous year

Fiscal 2021 Plan Sales Growth by Major Products



(Unit: million yen, rounded down)



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- Surgical kit products: Increase in sales thanks to new Premium Kit contracts and turnaround from decline caused by COVID-19
- Non-woven fabric products: Reactionary decline in sales of gowns and precaution sets after enjoying special demand
- Other non-woven products: Reactionary decline in sales of masks after enjoying special demand
- Market for infection prevention products to return to pre-COVID state, leading to stiffer competition

▼ Year-on-year changes in sales of surgical kits and non-woven fabric products, by cause

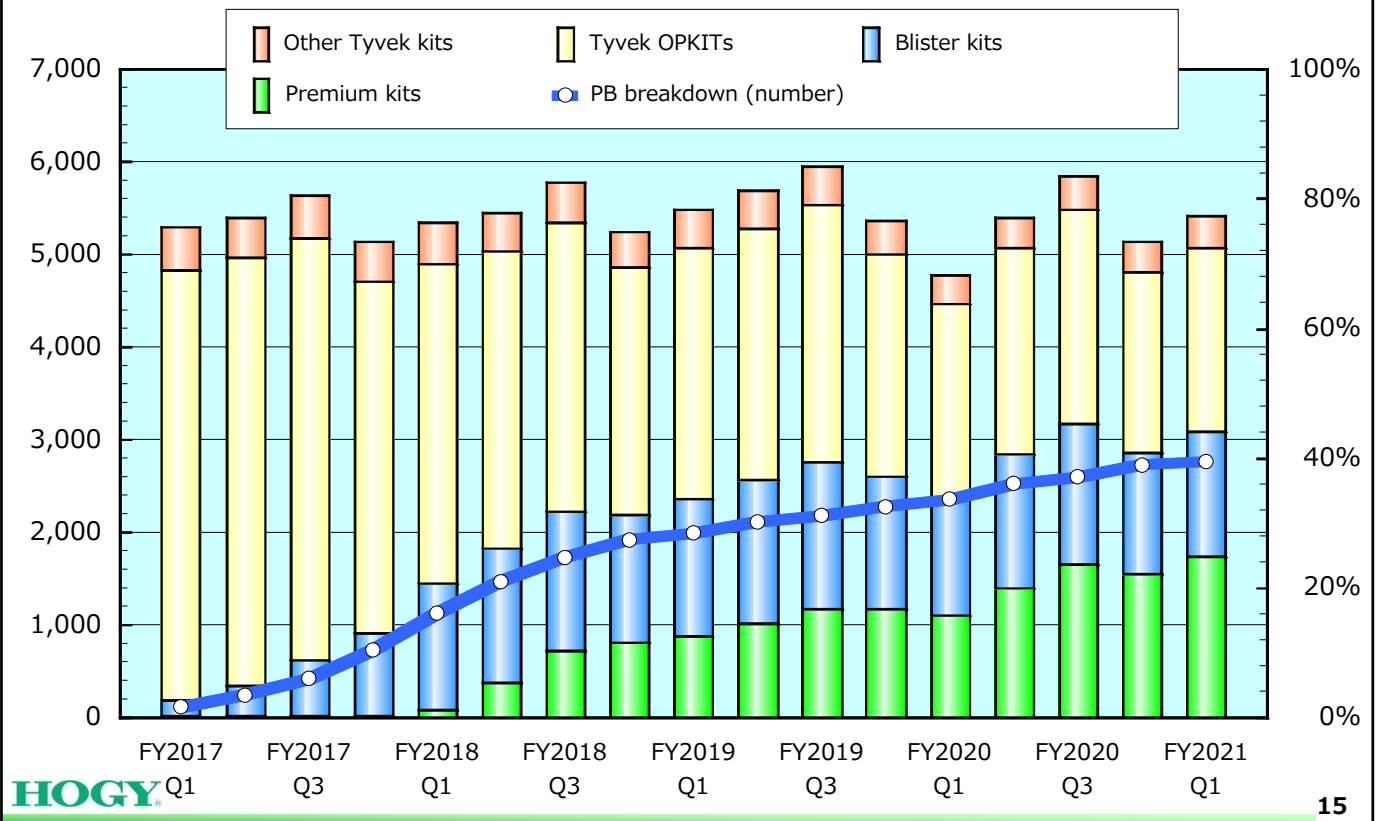
Product	Cause	FY2020 Result	FY2021 Forecast
KIT	New etc.	754	1,252
	COVID-19	-2,050	1,300
	KIT Total	-1,295	2,552
Non-woven	COVID-19 (gowns & Precaution Set)	1,010	-710
	overseas	343	27
	other (Including COVID-19 impact)	-748	260
	Non-woven Total	604	-413
other		-36	-244

Performance details

Sales of Kit

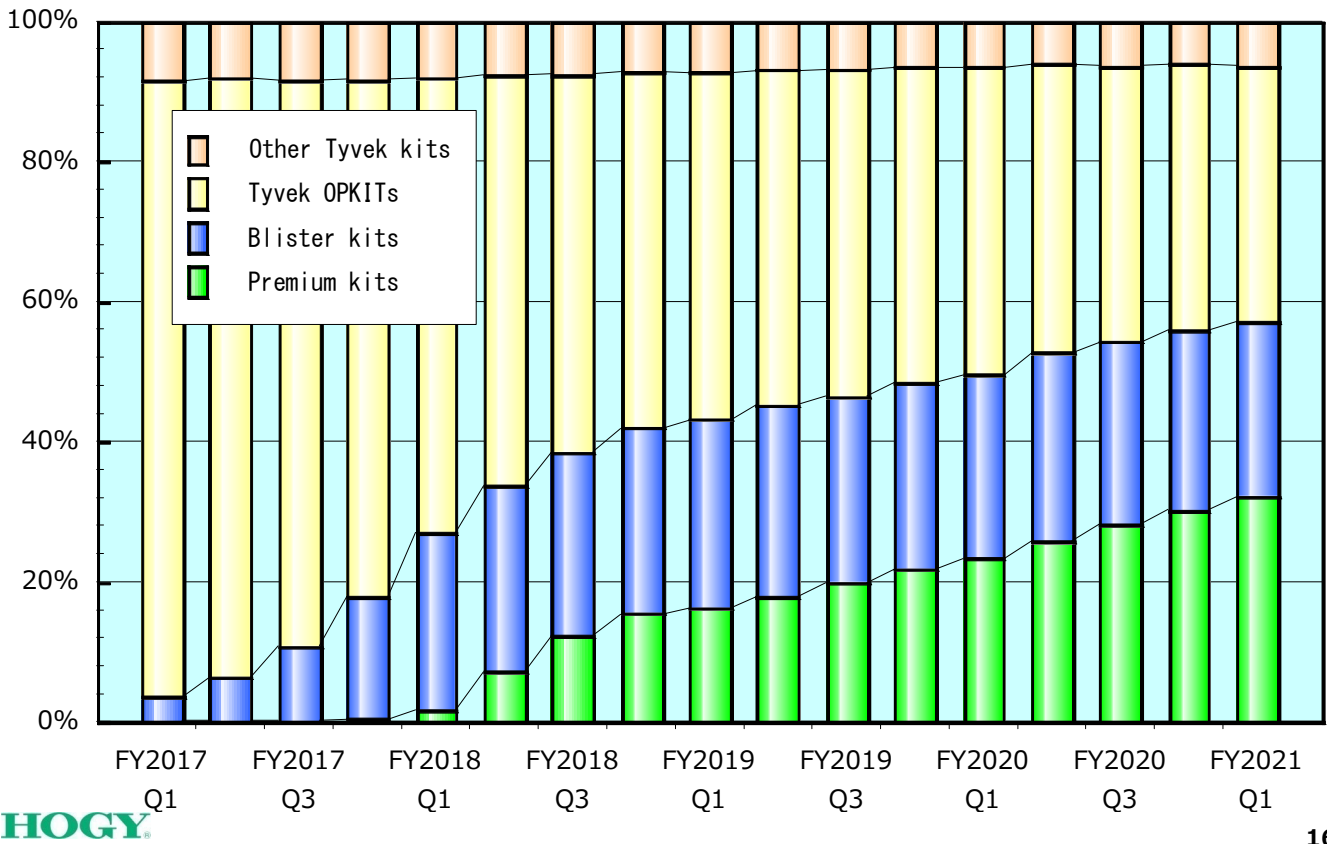


(Unit: million yen, rounded down)



- Decrease in sales volume, mainly of Tyvek Kit, due to COVID-19
- Number of cases tends to decrease as surgery urgency increases
- Fiscal 2021: 1Q sales (YoY comparison)
 - ✓ Premium Kit & Blister Kit : +730 million yen (+30.9%)
 - ✓ Tyvek Kit : -97 million yen (-4.0%)

Transition of Sales Composition by types of Kits



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- Increase in sales thanks to our focus on selling Premium Kit, which now accounts for more than 30% of surgical kit sales

Number of Operamaster Contracts; Number of Surgical Operations



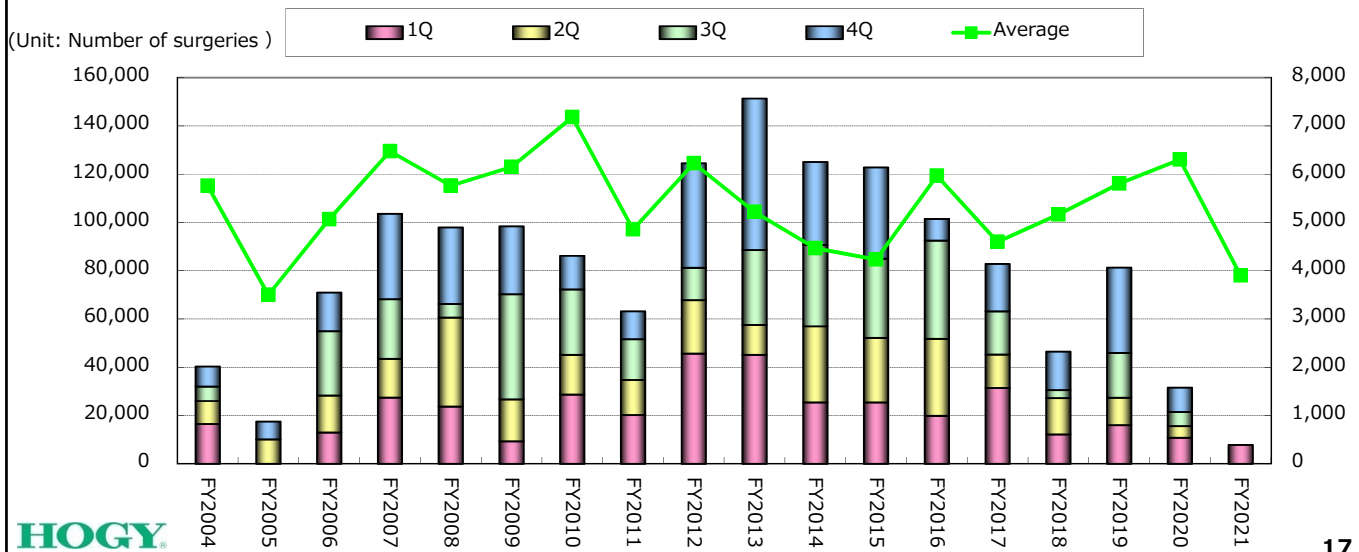
Net sales : 3,614million (+493 million : 115.8%)

Number of newly contracted institutions in FY2021 :

2 newly contracted institutions 2 cancellations

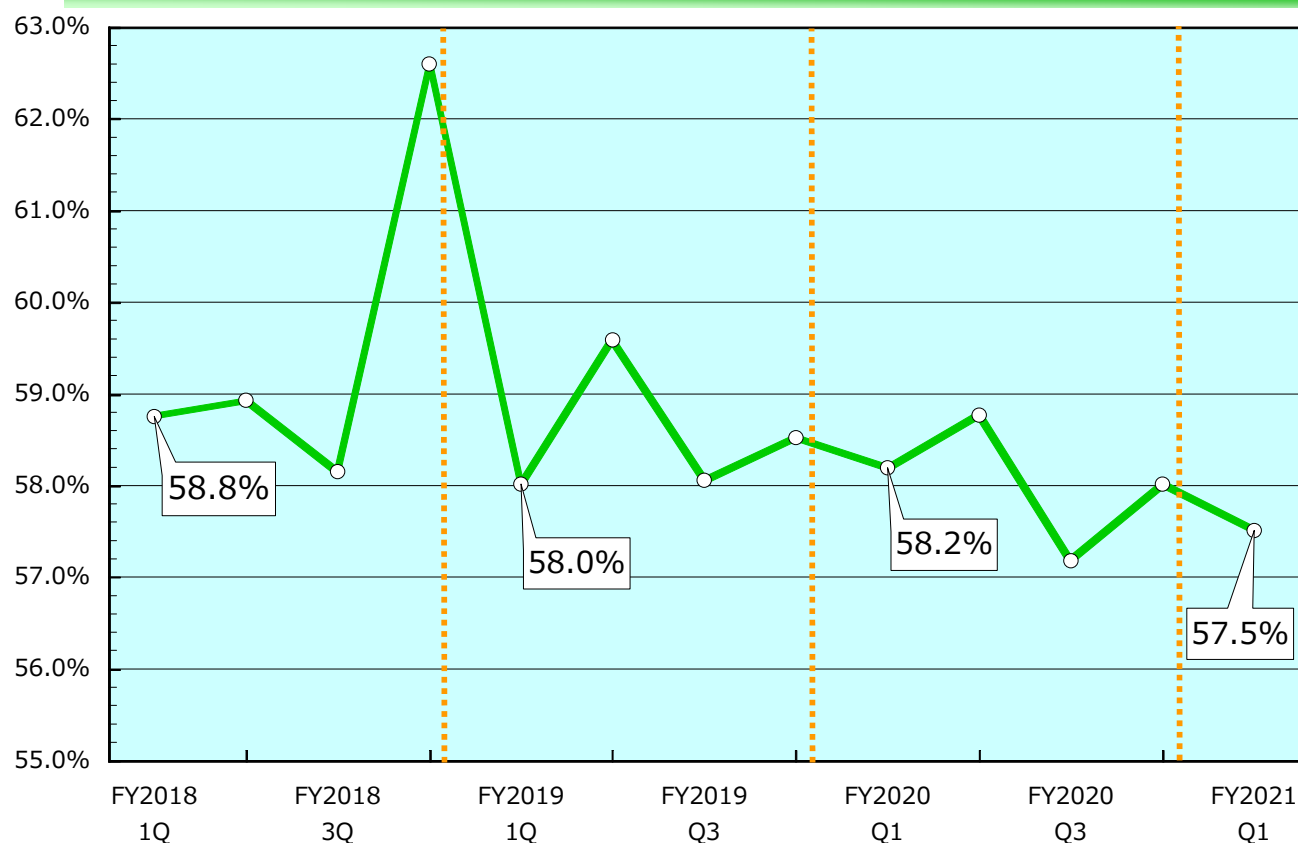
Cumulative contracted institutions at fiscal year-end : 271

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



- FY2021: 2 newly contracted hospitals (Group III : 2)
- Average operations per hospital: 3,900
- Focusing on large Opera Master-contracted hospitals with high concentration of patients

Cost of Sales Ratio



- Decrease in new factory depreciation expense
 - Total depreciation: 1,009 million yen (-102 million yen)
 - Cost of sales: 807 million yen (- 89 million yen)
 - SG&A expenses: 201 million yen (- 12 million yen)

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	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	8,376		8,895		519	106.2%
Cost of sales	4,874	58.2%	5,115	57.5%	241	105.0%
Gross profit	3,502	41.8%	3,780	42.5%	277	107.9%
SG & A expenses	2,358	28.2%	2,287	25.7%	△70	97.0%
Operating income	1,143	13.7%	1,492	16.8%	348	130.5%
Non-operating income/loss	107		2		△105	
Ordinary income	1,251	14.9%	1,495	16.8%	243	119.5%
Extraordinary income/loss	-		△1		△1	
Profit attributable to owners of parent	908	10.8%	1,089	12.2%	181	120.0%
EPS	30.04yen		36.65yen			

Major increases/decreases	Year-on-Year Comparison
Personnel expenses	-55
Travel expenses	22
Depreciation	-12

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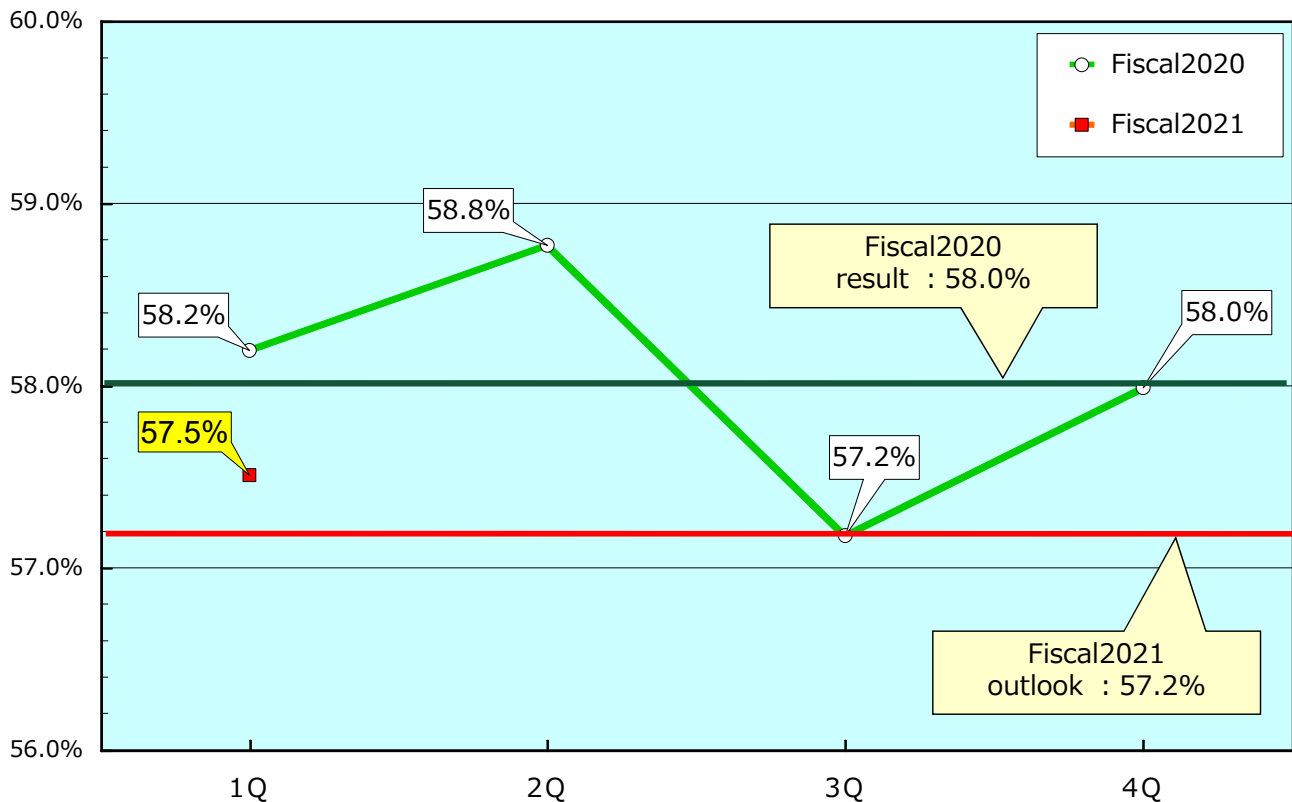
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- SG&A expenses: 2,287 million yen (-70 million yen)
 - Personnel expenses : Impact of bonuses, etc.
 - Travel expenses : Increase in reaction to voluntary restraint on sales activities in the previous corresponding period

- Capex: 719 million yen (includes 598 million yen in new factory)

Fiscal 2021 Full-Year Management Projections

Fiscal 2022 Income Statements



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- Decrease in new factory depreciation cost
 - Total depreciation : 4,500 million yen (-49 million yen)
 - Cost of sales : 3,600 million yen (-43million yen)
 - SG&A expenses : 900 million yen (-6 million yen)
- Stage 2 construction of new plant: Will start purchasing some equipment
- Improvement in cost of sales ratio due to increase in production
- Corporate rate: 115 yen

Fiscal 2021 Income Statements



Unit: million yen, rounded down	Fiscal 2020 Results		Fiscal 2021 Plan		Year-on-Year Comparison		Major increases/decreases	Year-on-Year Comparison
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change		
Net sales	36,504		38,400		1,895	105.2%	Personnel expenses	308
Cost of sales	21,177	58.0%	21,980	57.2%	802	103.8%	Travel expenses	139
Gross profit	15,326	42.0%	16,420	42.8%	1,093	107.1%	Prototype costs	86
SG & A expenses	9,694	26.6%	10,070	26.2%	375	103.9%	Testing & research expenses	△146
Operating income	5,632	15.4%	6,350	16.5%	717	112.7%		
Non-operating income/loss	355		270		△85	75.9%		
Ordinary income	5,988	16.4%	6,620	17.2%	631	110.6%		
Extraordinary income/loss	1,001		0		△1001	0%	Gain on partial sale of shares FY2020: 1,028 million yen	
Profit attributable to owners of parent	4,959	13.6%	4,720	12.3%	△239	95.2%		
EPS	164.03yen		160.41yen					

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- SG&A expenses : 10,070 million yen (+375 million yen)
 - ✓ Personnel expenses : Regular salary increases; rise in personnel numbers
 - ✓ Travel and prototype costs : Recoil due to COVID-19
 - ✓ Depreciation: Decrease in system depreciation
- Extraordinary income: Recorded gain on sale of shares in the previous year
- Capex: 3,700 million yen (includes 1,800 million yen in new factory)



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July 15, 2021

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(April 1 – June 30, 2021)

Jun-ichi Hoki, President and CEO
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