



MEMBERSHIP

October 13, 2021

# Financial Report Second Quarter of Fiscal 2021

---

(April 1 – September 30, 2021)

Jun-ichi Hoki,	President and CEO
Hideki Kawakubo,	Administration Div.

## **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 – Second Quarter Income Statements



Unit: million yen, rounded down	Fiscal 2019 First Half Results		Fiscal 2020 First Half Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	17,734		17,928		193	101.1%
Operating income	2,671	15.1%	2,987	16.7%	316	111.8%
Ordinary income	2,806	15.8%	3,067	17.1%	261	109.3%
Profit attributable to owners of parent	2,776	15.7%	2,234	12.5%	△541	80.5%
EPS	91.84yen		75.83yen			

**HOGY**

4

## ■ Higher sales; lower income

### Net sales : +193 million yen (+1.1%)

- : Up due to rebound from 1Q, when COVID-19 caused surgery numbers to decline
- : Strongly affected by spread of infections in 2Q
- : Healthy sales of Premium Kit and Blister Kit
- : Downward recoil in sales of infection protection products

### Operating income : +316 million yen (+11.8%)

- Cost of sales – 57.7%(0.8pt YoY)
  - lower depreciation costs
- SG&A expenses – -92 million yen (-2.0%)
  - Decrease in Personnel expenses and Depreciation Expenses

### Ordinary income : +261 million yen (+9.3%)

### Profit attributable to owners of parent : -541 million yen (-19.5%)

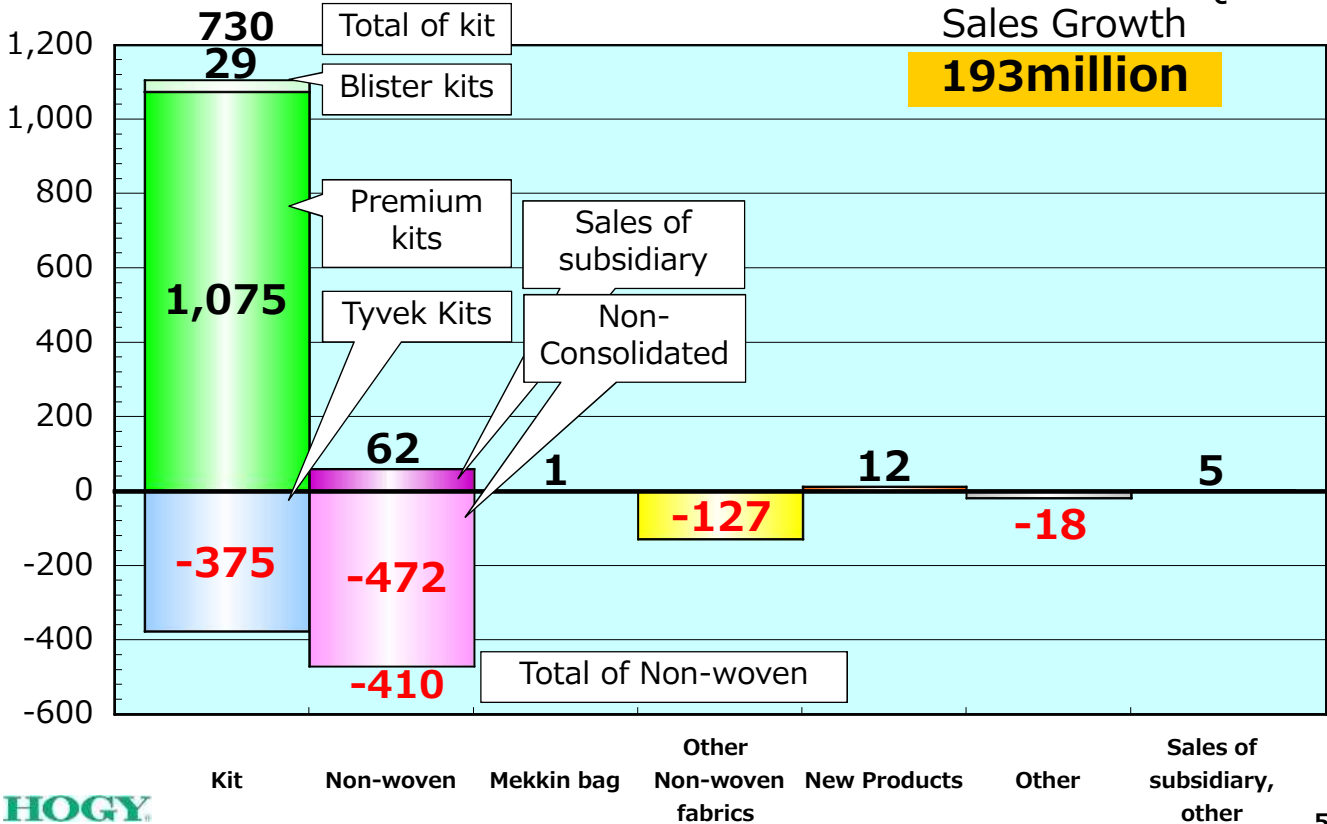
Extraordinary income : Recoil compared with previous corresponding period, when we posted a ¥1,028 million gain on partial sale of shares

## Fiscal 2021 – Second Quarter Sales Growth by Major Products



(Unit: million yen, rounded down)

Fiscal 2021 - Second Quarter  
Sales Growth

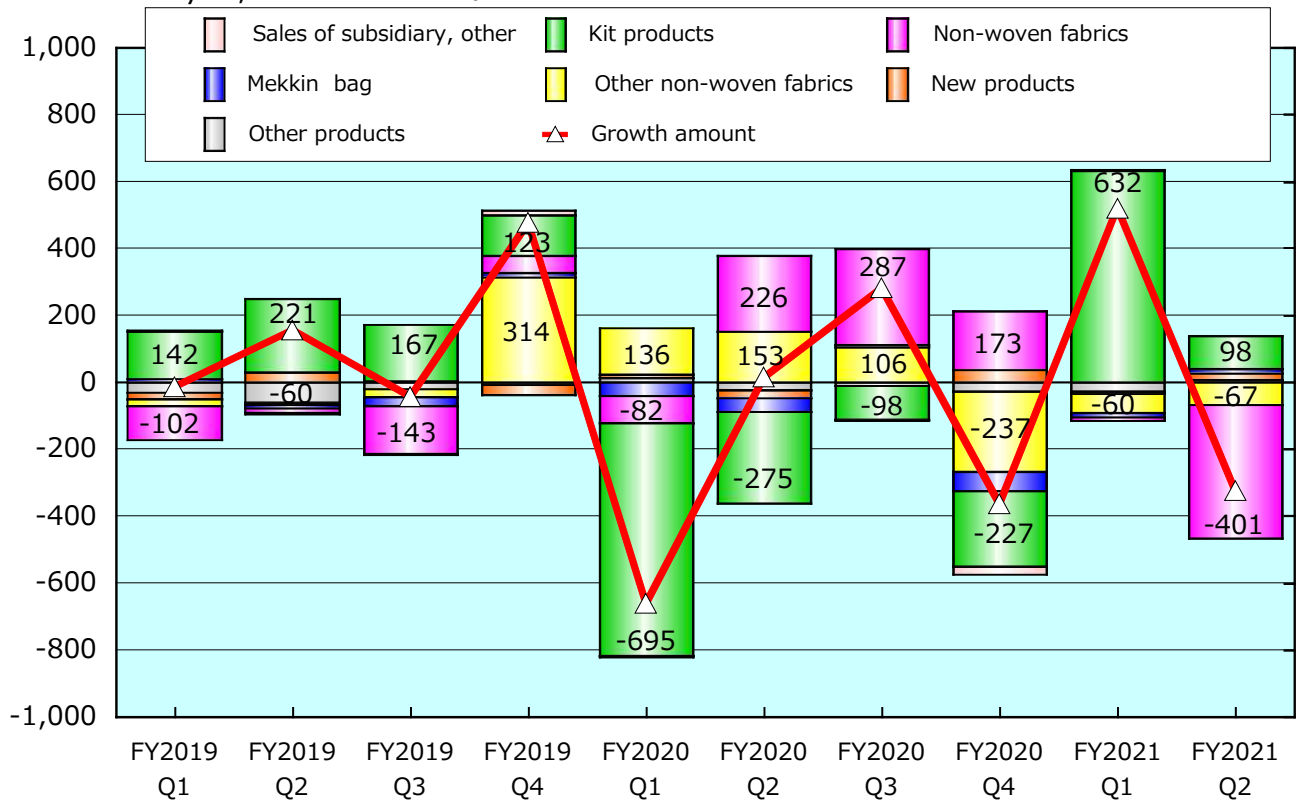


- Sales increased 43.0% year on year thanks to our focus on selling Premium Kit
- Tyvek Kit sales especially impacted by COVID-19
- Sales of nonwoven fabrics (gowns, precaution sets, and other infection prevention-related products) and Other Non-woven fabrics (masks) declined from the previous corresponding period, which benefitted from special demand

# Fiscal 2021 – Second Quarter Sales Growth by Quarter



(Unit: million yen, rounded down)



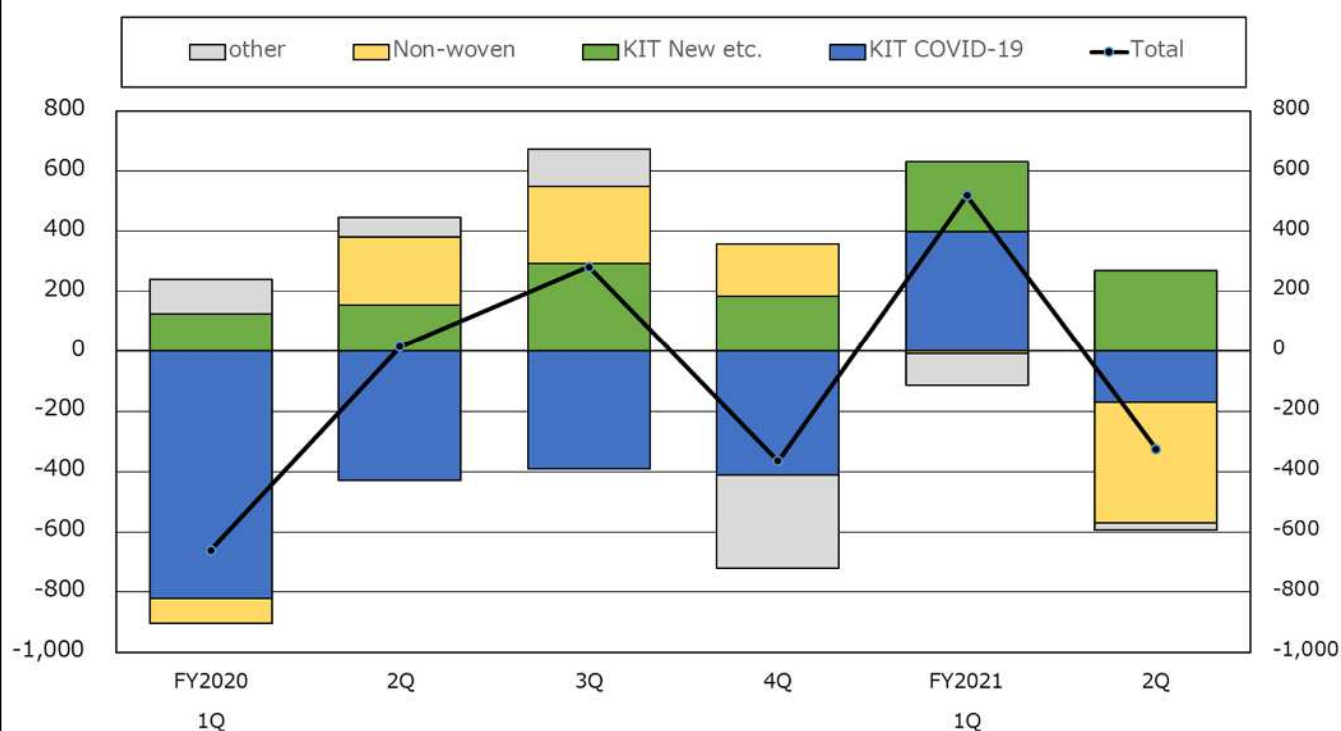
HOGY

6

- Impact of COVID-19 increased in 2Q compared with 1Q, which saw signs of improvement in pandemic
- Downward recoil in sales of nonwoven fabrics compared with previous corresponding period, when sales of precaution sets started

## Breakdown of Growth by Quarter

(Unit: million yen, rounded down)



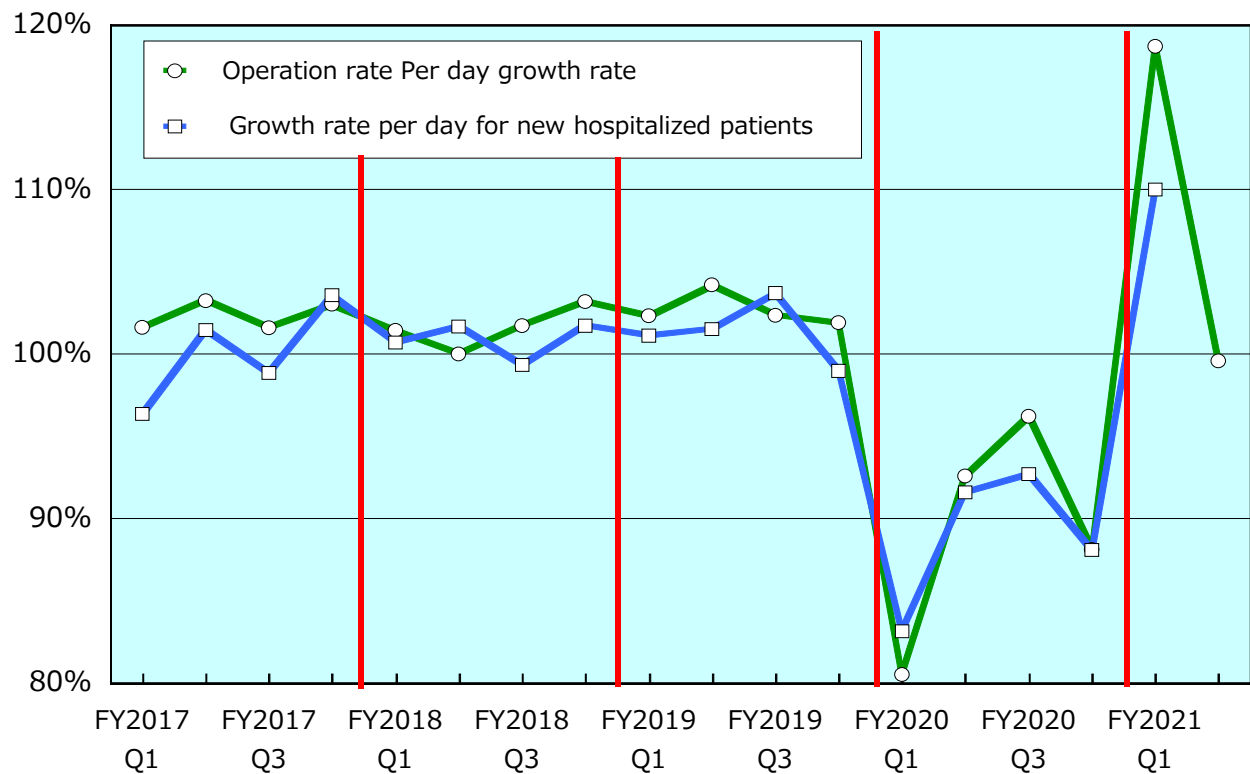
HOGY

7

(Unit: million yen, rounded down)

	FY2020 1Q	2Q	3Q	4Q	FY2021 1Q	2Q
KIT COVID-19	-820	-430	-390	-410	400	-170
KIT New etc.	124	154	292	184	232	269
KIT Total	-696	-276	-98	-227	632	99
Non-woven	-82	226	287	173	-9	-401
other	117	65	93	-311	-104	-23
Total	-661	15	282	-365	519	-325

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



HOGY

8

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



## ■ Market environmen

- ✓ Significantly changing business conditions as the spread of COVID-19 led to an emergency declaration in April 2021, mainly in major metropolitan areas; declaration lifted in May, then reinstated nationwide in July
- ✓ 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

- ✓ Number of surgeries up and down due to COVID-19; total number down from the previous corresponding period, despite being on a recovery trend in 1Q
- ✓ Premium Kit sales up 43.0% year on year
- ✓ Downward recoil in demand in 2Q for nonwoven fabric products (gowns and precaution sets), which attracted special demand in the previous corresponding period
- ✓ Ongoing restrictions on some sales activities
- ✓ Concentrated our resources on Premium Kit sales
- ✓ Expenses allocated as planned

# Fiscal 2021 Outlook

---

## Fiscal 2021 Income Forecasts



Unit: million yen, rounded down	Fiscal 2020 Results		Fiscal 2021 Revised Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,504		36,570		65	100.2%
Operating income	5,632	15.4%	5,790	15.8%	157	102.8%
Ordinary income	5,988	16.4%	6,050	16.5%	61	101.0%
Profit attributable to owners of parent	4,959	13.6%	4,300	11.8%	△659	86.7%
EPS	164.03yen		148.43yen			

HOGY

11

### ■ Higher sales; lower income plan

### ■ Assumed business conditions

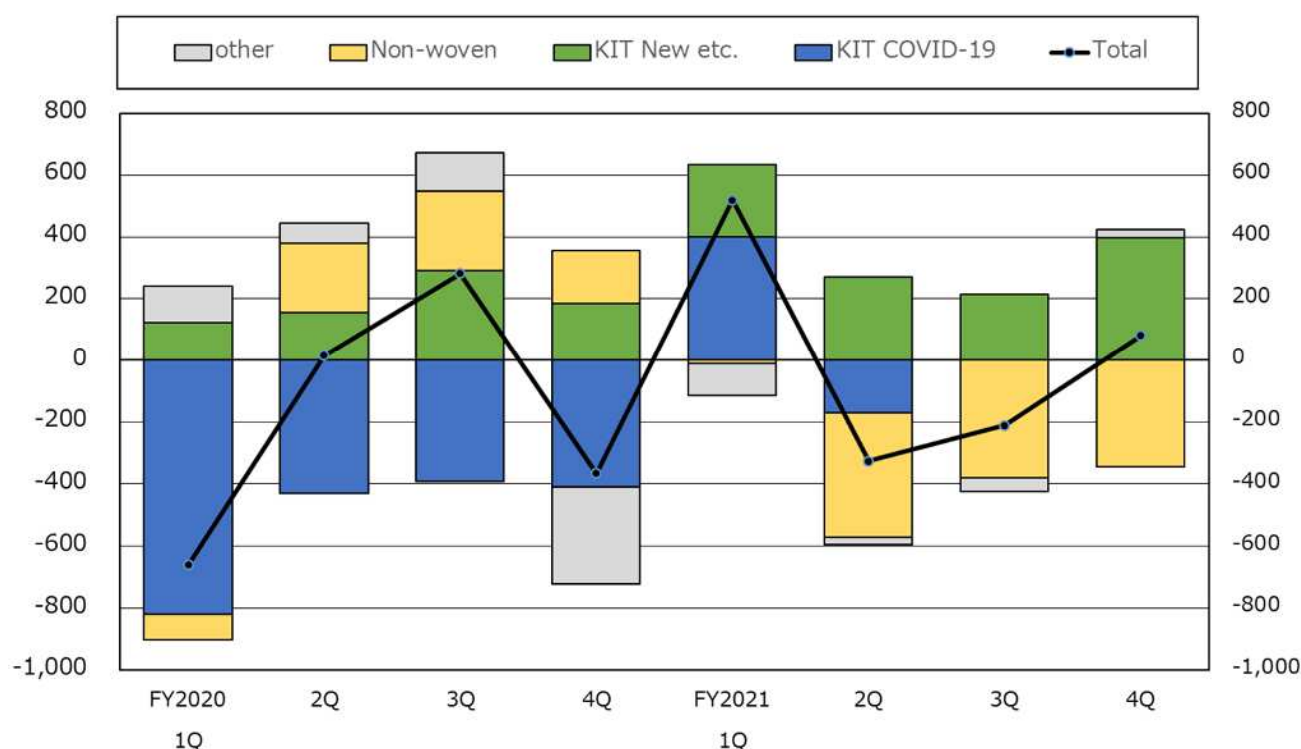
- ✓ Full-year impact expected to remain unchanged from previous year after considering multiple factors that would affect the pandemic status, such as vaccination rollouts and the spread of mutant strains
- ✓ Continued polarization among medical institutions
- Increased workload in medical institutions due to COVID-19 taking root
- Increase in turnover of healthcare workers

### ■ Main reasons for revision

- ✓ Revision of forecasts for sales and associated expenses

## Fiscal 2021 Sales Plan

(Unit: million yen, rounded down)



HOGY

12

- Impact of COVID-19 on surgical kit products in second half is expected to be mostly unchanged from the previous year
- New surgical kit plan to be adopted in Premium Kits
- Nonwoven fabric products: downward recoil in sales of special demand products (gowns and precautions sets) expected

(Unit: million yen, rounded down)

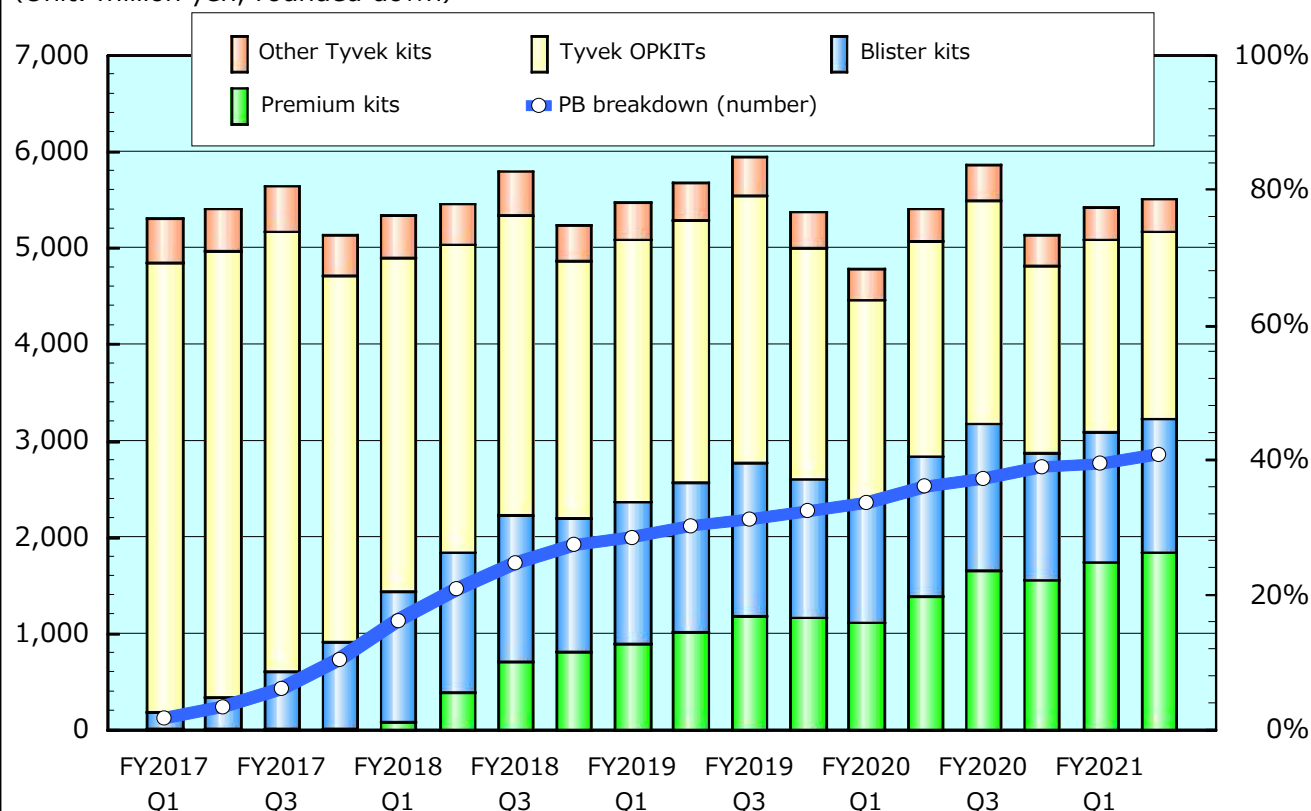
	FY2020 1Q	2Q	3Q	4Q	FY2021 1Q	2Q	3Q	4Q
KIT COVID-19	-820	-430	-390	-410	400	-170	0	0
KIT New etc.	124	154	292	184	232	269	215	396
KIT Total	-696	-276	-98	-227	632	99	215	396
Non-woven	-82	226	287	173	-9	-401	-379	-343
other	117	65	93	-311	-104	-23	-46	28
Total	-661	15	282	-365	519	-325	-210	81

# Performance details

---

## Sales of Kit

(Unit: million yen, rounded down)



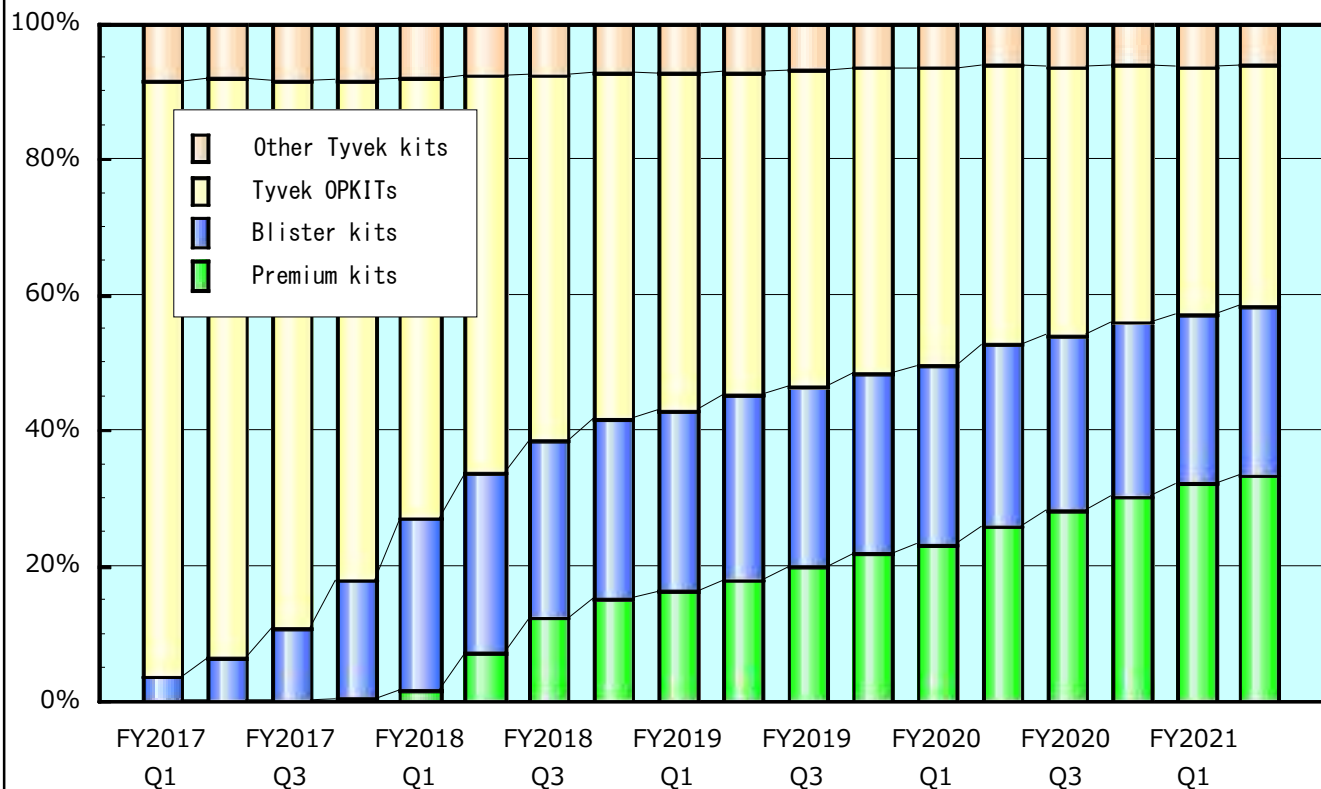
HOGY

\*In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

14

- Decrease in sales volume, mainly of Tyvek Kit, due to COVID-19
- Number of cases tends to decrease as surgery urgency increases
- Due to our focus on selling Premium Kits, combined sales of Premium Kits and Blister Kits now exceed 40% of total surgical kit sales
- Fiscal 2021: 2Q sales (YoY comparison)
  - ✓ Premium Kit & Blister Kit : +377 million yen (+13.3%)
  - ✓ Tyvek Kit : -278 million yen (-10.8%)

## Transition of Sales Composition by types of Kits



HOGY

15

- 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



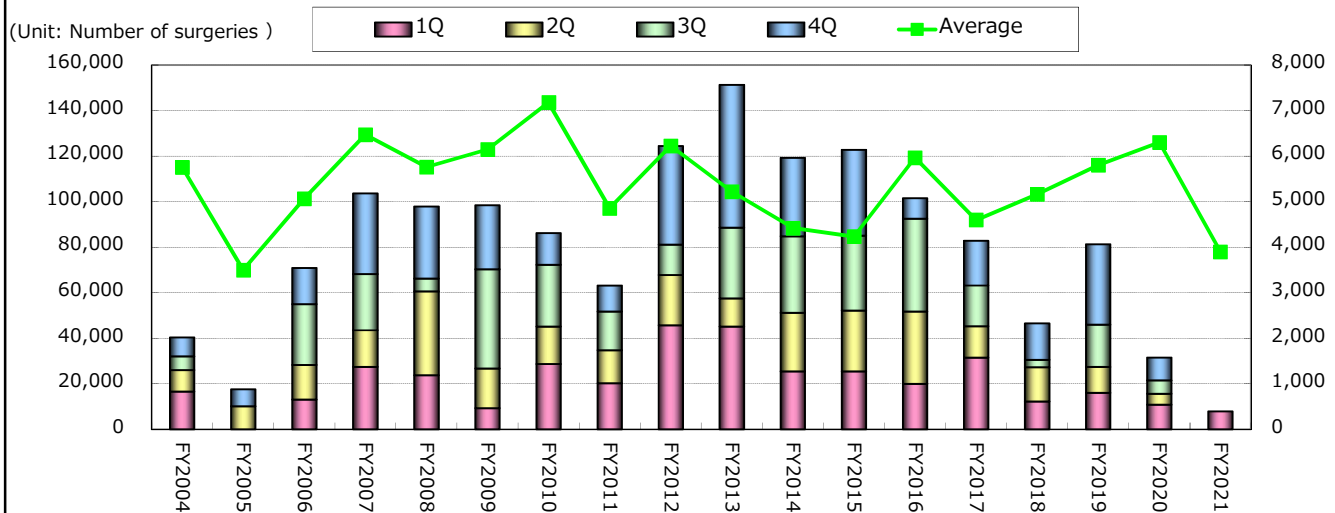
Net sales : 7,300million yen (+552 million yen : 108.2%)

Number of newly contracted institutions in FY2021 :

2 newly contracted institutions 3 cancellations

Cumulative contracted institutions at fiscal year-end : 270

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



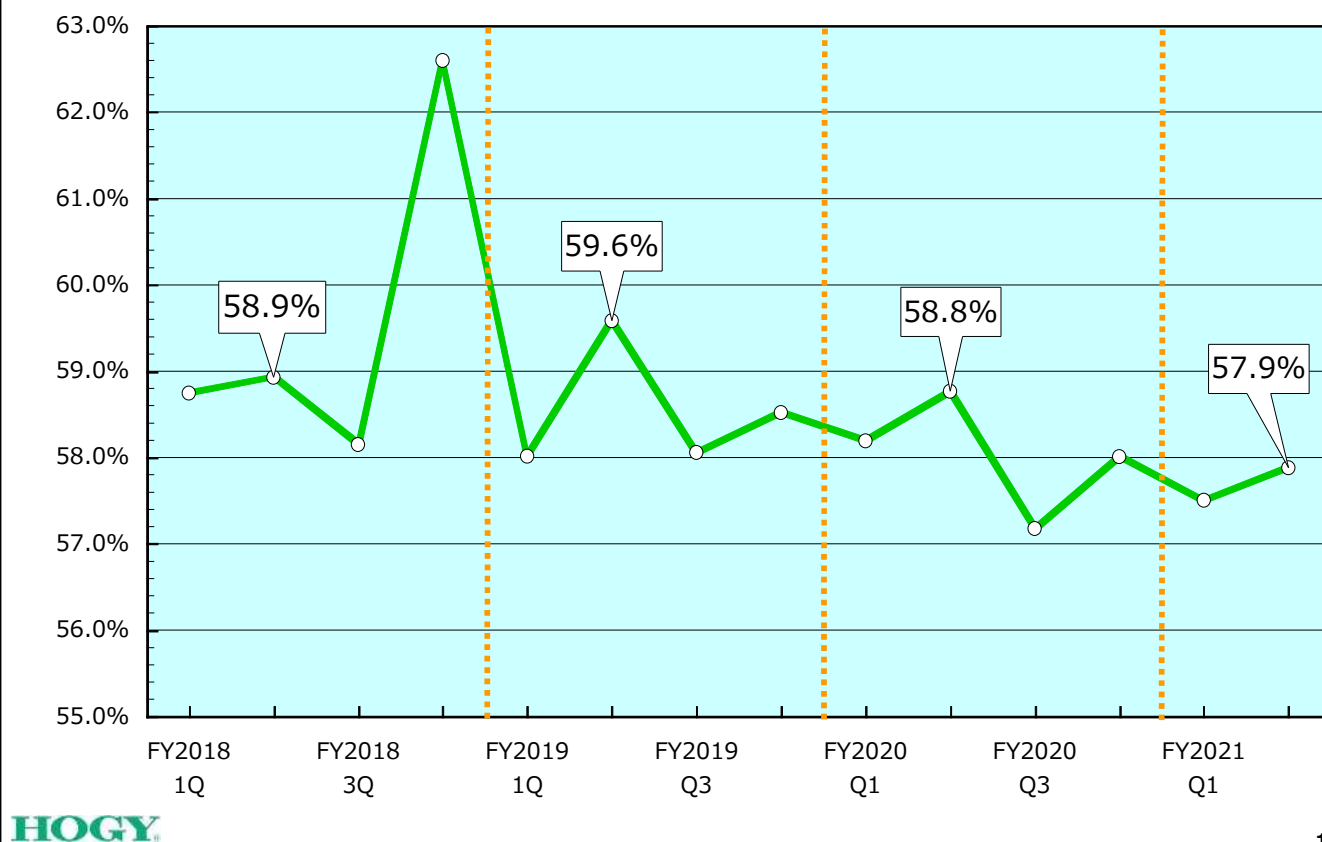
HOGY

16

- 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



17

- Decrease in new factory depreciation expense
  - Total depreciation: 1,029 million yen (-100 million yen)
  - Cost of sales: 825 million yen(- 80 million yen)
  - SG&A expenses: 203 million yen (- 20 million yen)

# Fiscal 2021 – Second Quarter Income Statements



Unit: million yen, rounded down	Fiscal 2019 First Half Results		Fiscal 2020 First Half Results		Year-on-Year Comparison		Major increases/decreases	Year-on-Year Comparison
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change		
Net sales	17,734		17,928		193	101.1%	Personnel expenses	-47
Cost of sales	10,374	58.5%	10,344	57.7%	△30	99.7%	Travel expenses	24
Gross profit	7,360	41.5%	7,583	42.3%	223	103.0%	Depreciation	-33
SG & A expenses	4,689	26.4%	4,596	25.6%	△92	98.0%		
Operating income	2,671	15.1%	2,987	16.7%	316	111.8%		
Non-operating income/loss	134		79		△55			
Ordinary income	2,806	15.8%	3,067	17.1%	261	109.3%		
Extraordinary income/loss	1,027		△1		△1,028			
Profit attributable to owners of parent	2,776	15.7%	2,234	12.5%	△541	80.5%		
EPS	91.84yen		75.83yen					

**HOGY**

18

- SG&A expenses: 4,596 million yen (-92 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: 2,196 million yen (includes 1,601 million yen in new factory)

# Fiscal 2021 Full-Year Management Projections

---

# Fiscal 2021 Income Statements



Unit: million yen, rounded down	Fiscal 2020 Results		Fiscal 2021 Revised Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,504		36,570		65	100.2%
Cost of sales	21,177	58.0%	21,300	58.2%	122	100.6%
Gross profit	15,326	42.0%	15,270	41.8%	△56	99.6%
SG & A expenses	9,694	26.6%	9,480	25.9%	△214	97.8%
Operating income	5,632	15.4%	5,790	15.8%	157	102.8%
Non-operating income/loss	355		260		△95	
Ordinary income	5,988	16.4%	6,050	16.5%	61	101.0%
Extraordinary income/loss	1,001		△10		△1,011	
Profit attributable to owners of parent	4,959	13.6%	4,300	11.8%	△659	86.7%
EPS	164.03yen		148.43yen			

HOGY

20

## ■ Net sales

- ✓ The impact of COVID-19 is constantly changing, so we do not expect a reactionary increase in surgical kit products
- ✓ 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**
- ✓ New forecast for surgical kit sales not significantly changed from initial forecast
- ✓ We expect a reactionary decline in products that previously experienced special demand

## ■ Cost of sales

- ✓ 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

- ✓ Expenses to be allocated according to status of activities

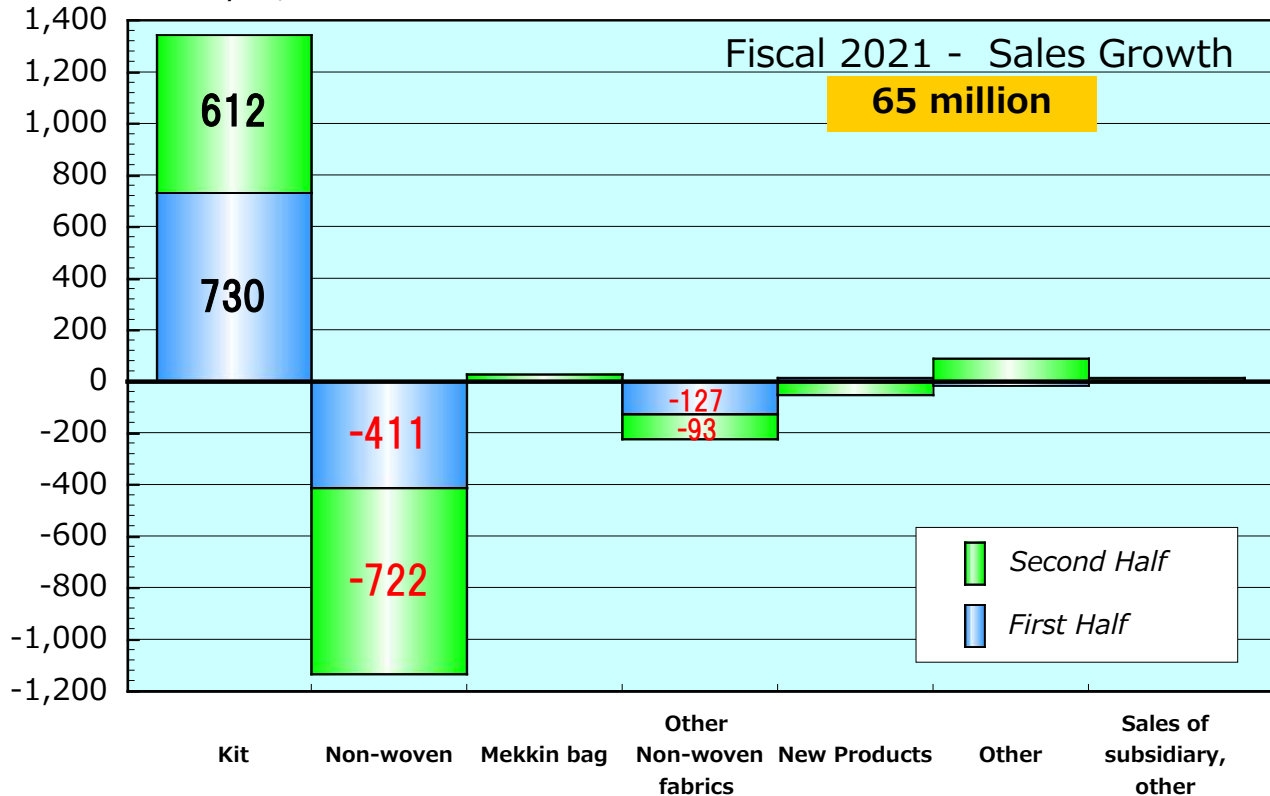
## ■ Extraordinary income

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

## Fiscal 2021 Plan Sales Growth by Major Products



(Unit: million yen, rounded down)

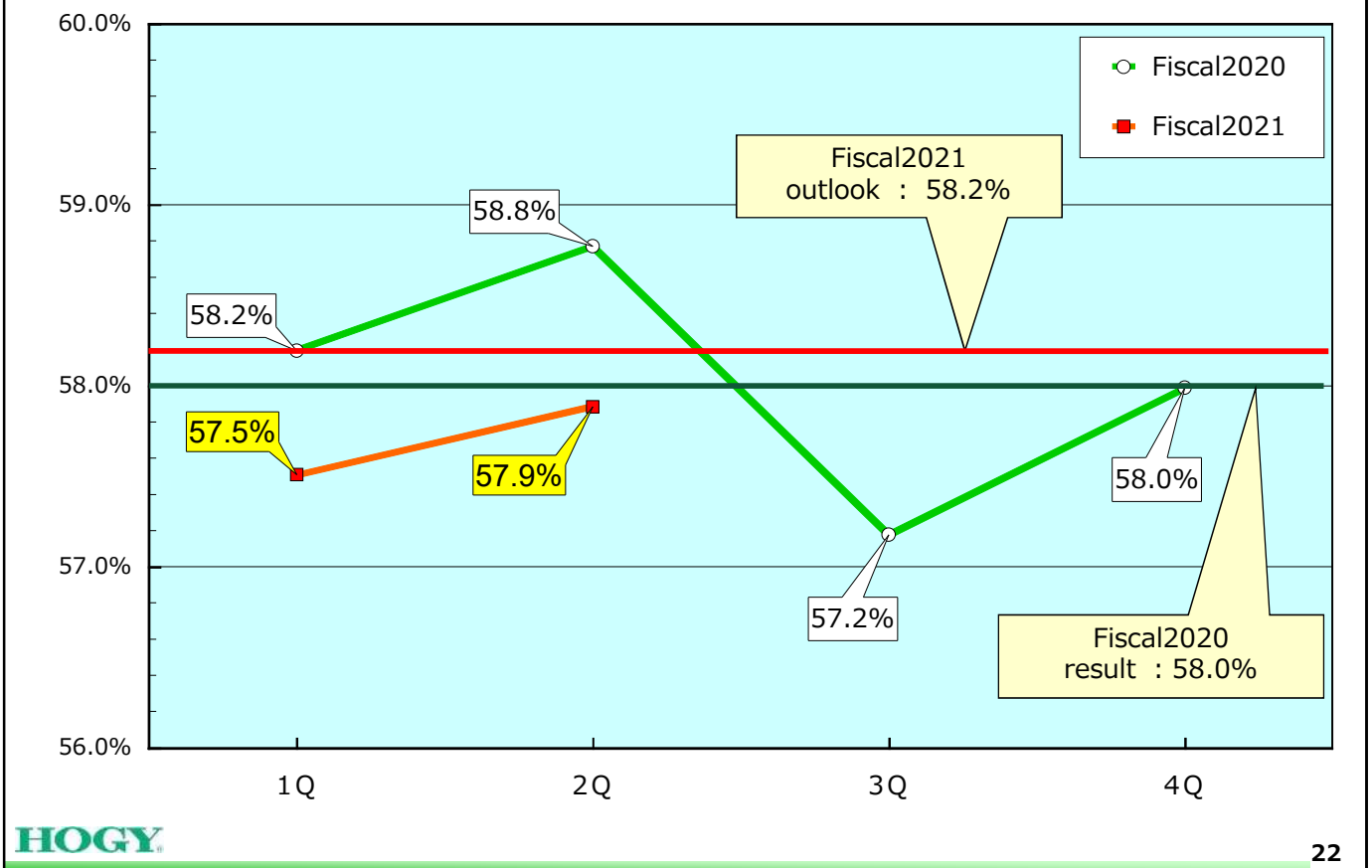


HOGY

21

- Surgical kit products: Increase in sales thanks to new Premium Kit contracts
- 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

# Fiscal 2022 Income Statements



22

- Decrease in new factory depreciation cost
  - Total depreciation : 4,460million yen (-89 million yen)
  - Cost of sales : 3,600 million yen (-43million yen)
  - SG&A expenses : 860 million yen ( -46 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 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	36,504		36,570		65	100.2%	Travel expenses	61
Cost of sales	21,177	58.0%	21,300	58.2%	122	100.6%	Personnel expenses	16
Gross profit	15,326	42.0%	15,270	41.8%	△56	99.6%	Testing & research expenses	-165
SG & A expenses	9,694	26.6%	9,480	25.9%	△214	97.8%	Depreciation	-46
Operating income	5,632	15.4%	5,790	15.8%	157	102.8%		
Non-operating income/loss	355		260		△95			
Ordinary income	5,988	16.4%	6,050	16.5%	61	101.0%		
Extraordinary income/loss	1,001		△10		△1,011		→ Gain on partial sale of shares FY2020: 1,028 million yen	
Profit attributable to owners of parent	4,959	13.6%	4,300	11.8%	△659	86.7%		
EPS	164.03yen		148.43yen					

HOGY

23

- SG&A expenses : 9,480 million yen (-214 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)



MEMBERSHIP

October 13, 2021

# Financial Report Second Quarter of Fiscal 2021

---

(April 1 – September 30, 2021)

Jun-ichi Hoki,	President and CEO
Hideki Kawakubo,	Administration Div.