



MEMBERSHIP

January 19, 2022

Financial Report Third Quarter of Fiscal 2021

(April 1 – December 31, 2021)

Junichi 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 – Third Quarter Income Statements



Unit: million yen, rounded down	Fiscal 2020 Third Quarter Results		Fiscal 2021 Third Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	27,696		27,810		114	100.4%
Operating income	4,508	16.3%	4,802	17.3%	293	106.5%
Ordinary income	4,919	17.8%	5,072	18.2%	152	103.1%
Profit attributable to owners of parent	4,296	15.5%	3,692	13.3%	-603	86.0%
EPS	142.11yen		126.27yen			

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■ Higher sales; lower income

Net sales : +114million yen (+0.4%)

- : Up due to rebound from 1Q, when COVID-19 caused surgery numbers to decline
- : Strongly affected by spread of infections in 2Q
- : Increased sales of surgical kit products in 3Q due to new acquisition
- : Healthy sales of Premium Kit and Blister Kit
- : Downward recoil in sales of infection protection products (continued from 2Q)

Operating income : +293 million yen (+6.5%)

- Cost of sales – 57.6%(-0.4pt YoY)
 - lower depreciation costs
- SG&A expenses – -142 million yen (-2.0%)
 - Decrease in prototype costs and Depreciation Expenses

Ordinary income : +152 million yen (+3.1%)

Profit attributable to owners of parent

: -603 million yen (-14.0%)

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

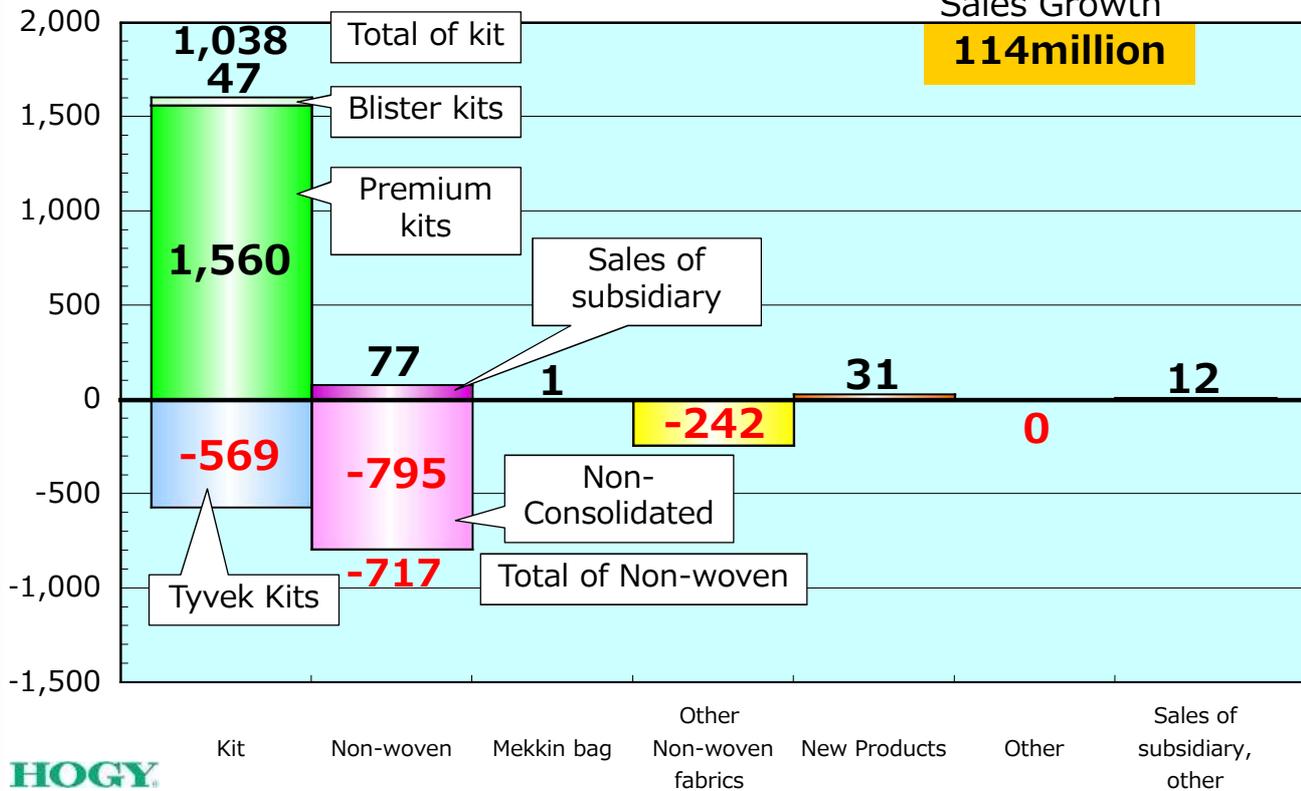
Fiscal 2021 – Third Quarter Sales Growth by Major Products



(Unit: million yen, rounded down)

Fiscal 2021 - Second Quarter
Sales Growth

114million



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- [Sales increased 37.5% year on year thanks to our focus on selling Premium Kit \(3Q : 5,716 million yen\)](#)

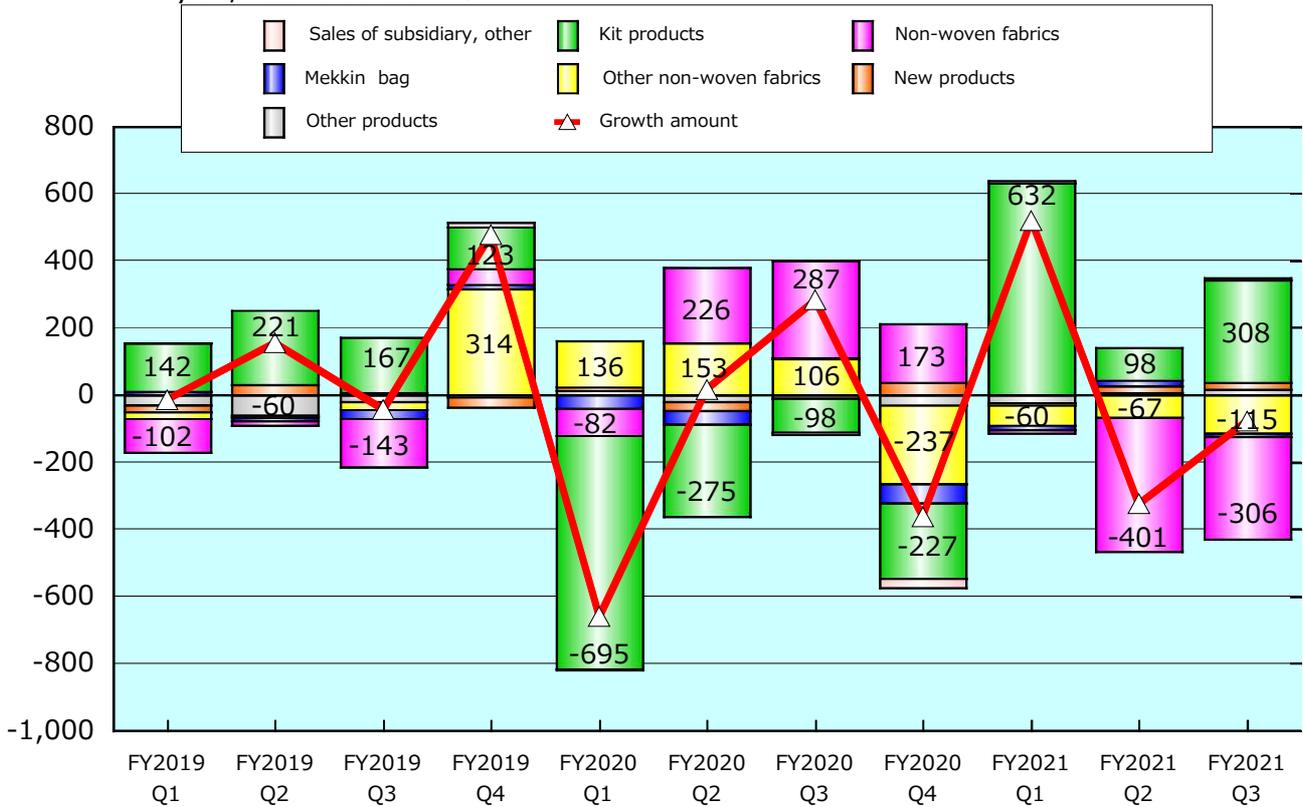
* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

- 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 – Third Quarter Sales Growth by Quarter



(Unit: million yen, rounded down)

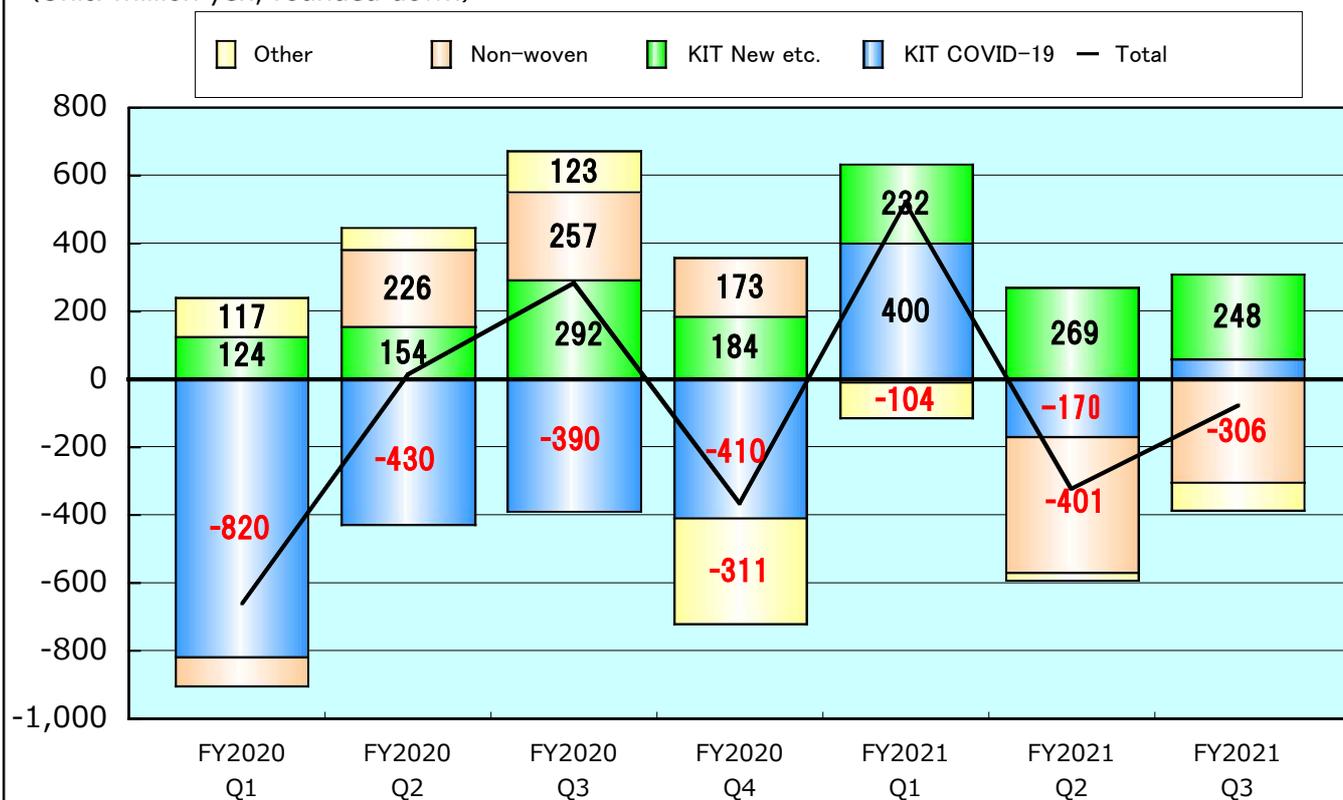


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- Impact of COVID-19 increased in 2Q compared with 1Q, which saw signs of improvement in pandemic
- Increased sales of surgical kit products due to new acquisition
- Downward recoil in sales of nonwoven fabrics compared with previous corresponding period, when sales of precaution sets started

Breakdown of Growth by Quarter

(Unit: million yen, rounded down)



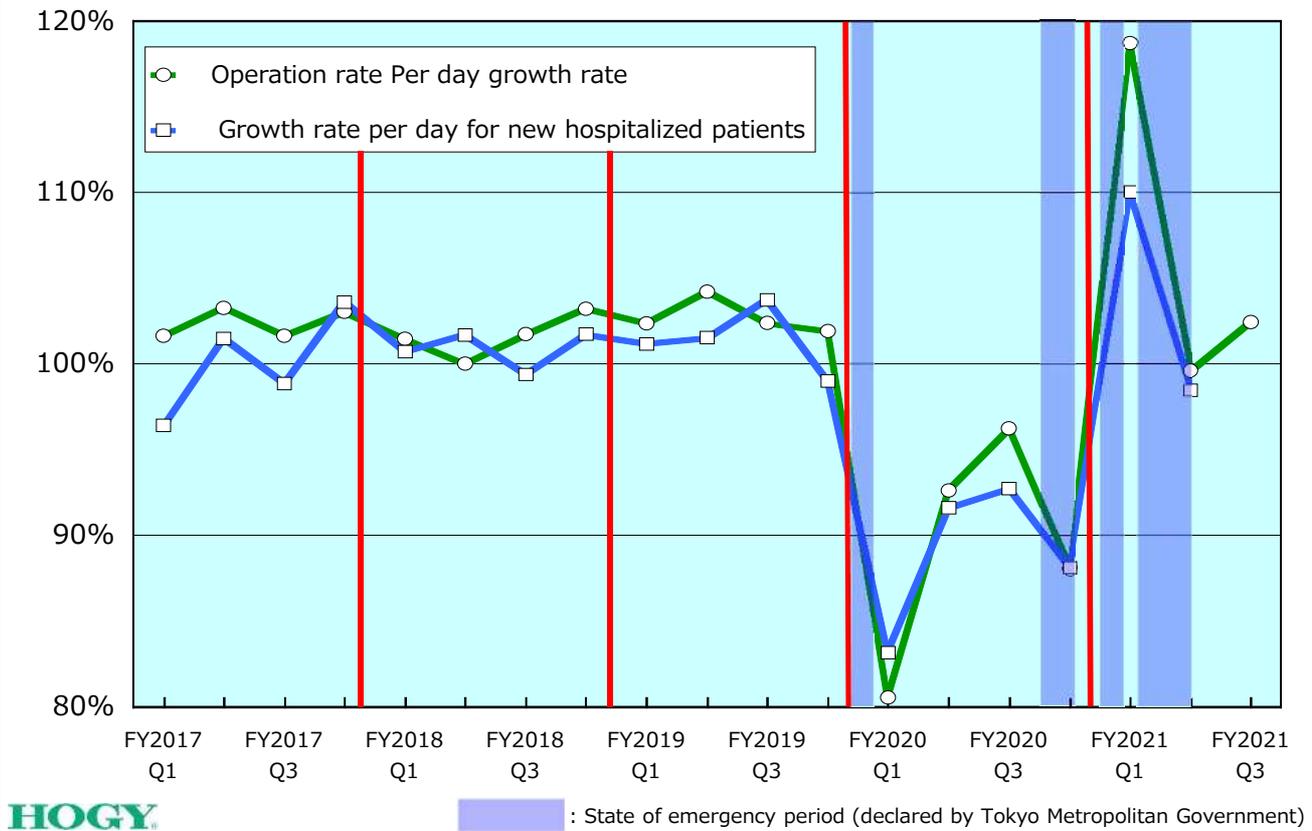
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(Unit: million yen, rounded down)

	FY2020 1Q	FY2020 2Q	FY2020 3Q	FY2020 4Q	FY2021 1Q	FY2021 2Q	FY2021 3Q
KIT COVID-19	-820	-430	-390	-410	400	-170	60
KIT New etc.	124	154	292	184	232	269	248
KIT Total	-696	-276	-98	-227	632	99	308
Non-woven	-82	226	287	173	-9	-401	-306
Other	117	65	93	-311	-104	-23	-81
Total	-661	15	282	-365	519	-325	-79

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
- December 2021: Surgery numbers recovered to pre-COVID level

Fiscal 2021 – Third Quarter Highlights



■ Market environment

- ✓ **Basic policy for 2022 medical fee revision announced**
 - ✓ Responses to COVID-19
 - ✓ **reforming the workstyles of doctors and promoting team medicine, as well as improving remuneration for nurses.**
 - ✓ The expansion of priority support areas to promote functional differentiation of hospital beds and intensive government support are expected to further boost efforts to realize the regional medical care concept.
 - ✓ **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, declaration lifted in October.**
- ✓ **Omicron strain goes global**
- ✓ **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** (Subsidies to support the reorganization of hospital beds by function are being used in different ways in different regions.)

■ 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
- ✓ Sales of kit products increased in the 3Q due to a new business acquisition, but sales of nonwoven fabrics decreased due to a rebound from the previous corresponding period, when such products generated special demand.
- ✓ Premium Kit sales up 37.5% 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
- ✓ Concentrated our resources on Premium Kit sales

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		149.29yen			

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■ Higher sales; lower income plan

■ Assumed business conditions

- ✓ We believe that the full-year impact of COVID-19 will remain mostly unchanged from the previous year due to variable factors caused by the global outbreak of the Omicron strain and the spread of infections in Japan.
- ✓ Continued polarization among medical institutions

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

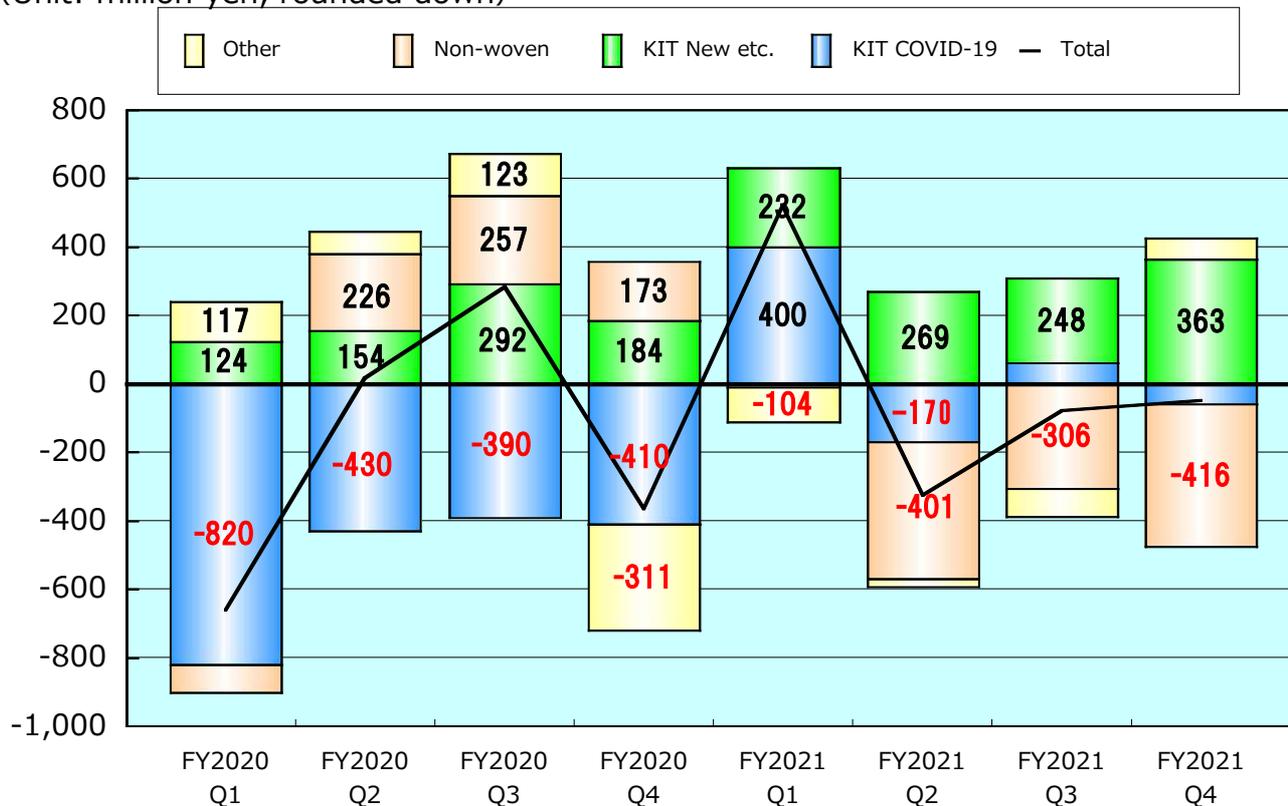
■ Increase in turnover of healthcare workers

■ Main reasons for highlights

- ✓ Both sales and income are expected to end up as planned
- ✓ Risk of increase or decrease in income due to exchange rate fluctuations
- ✓ Partial acquisition related to Stage 2 construction of the new surgical kit plant in line with our sales plan (acquisition scheduled for January 2022 but moved to April)

Fiscal 2021 Sales Plan

(Unit: million yen, rounded down)



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■ 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)

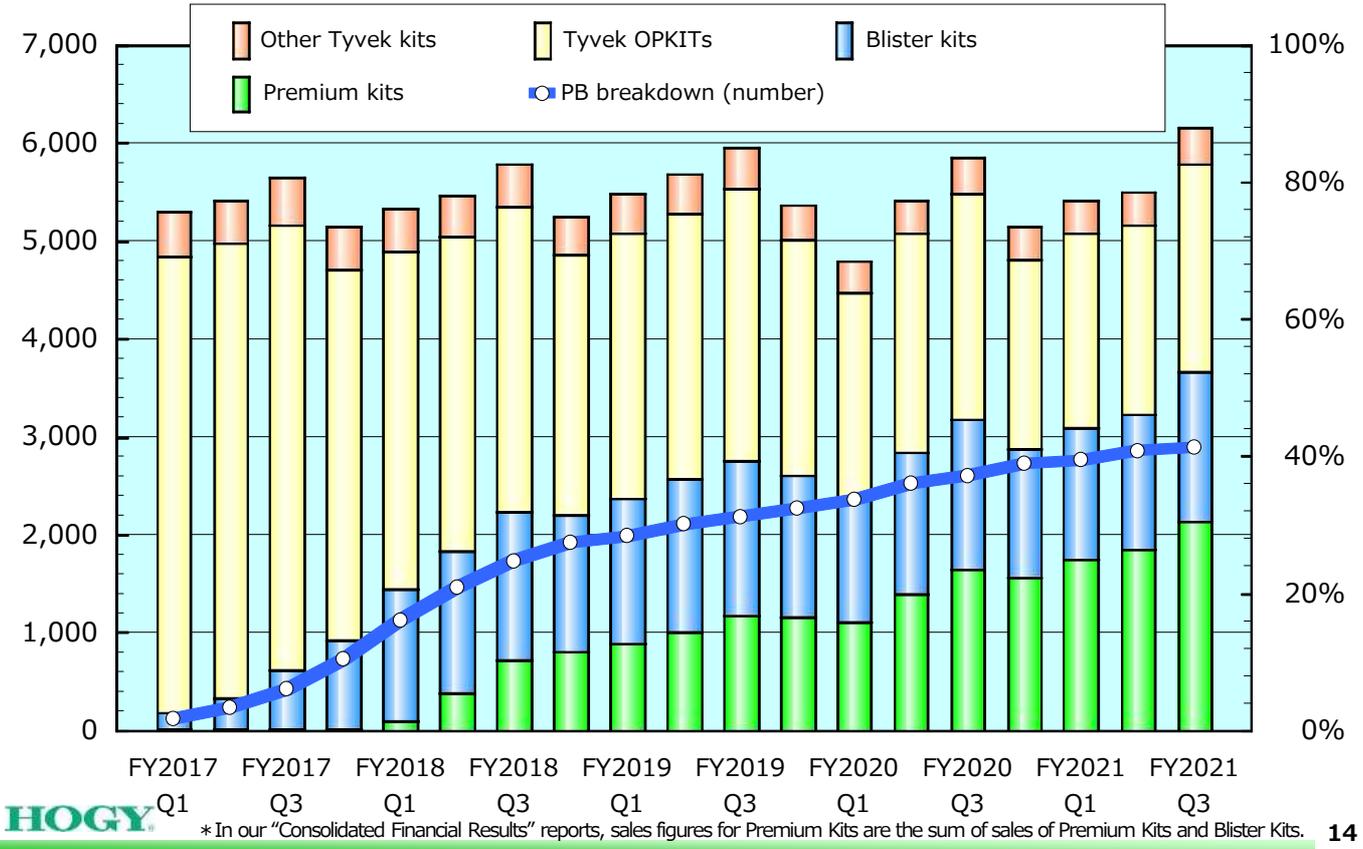
	FY2020 1Q	FY2020 2Q	FY2020 3Q	FY2020 4Q	FY2021 1Q	FY2021 2Q	FY2021 3Q	FY2021 4Q
KIT COVID-19	-820	-430	-390	-410	400	-170	60	-60
KIT New etc.	124	154	292	184	232	269	248	363
KIT Total	-696	-276	-98	-227	632	99	308	303
Non-woven	-82	226	287	173	-9	-401	-306	-416
Other	117	65	93	-311	-104	-23	-81	63
Total	-661	15	282	-365	519	-325	-79	-50

Performance details

Sales of Kit

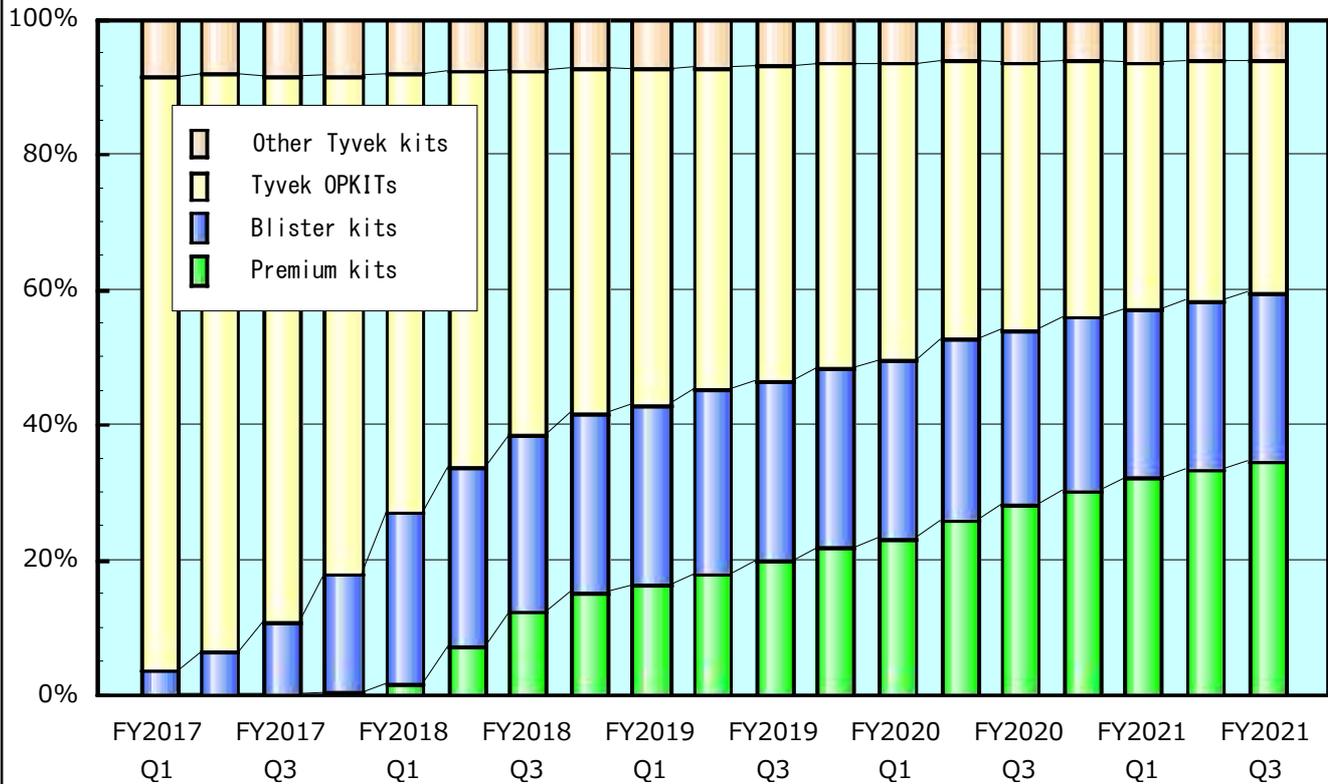


(Unit: million yen, rounded down)



- Decrease in sales volume, mainly of Tyvek Kit, due to COVID-19
- Number of cases tends to decrease as surgery urgency increases
- 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: 3Q sales (YoY comparison)
 - ✓ Premium Kit & Blister Kit : +502 million yen (+15.9%)
 - ✓ Tyvek Kit : -196 million yen (-7.3%)

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



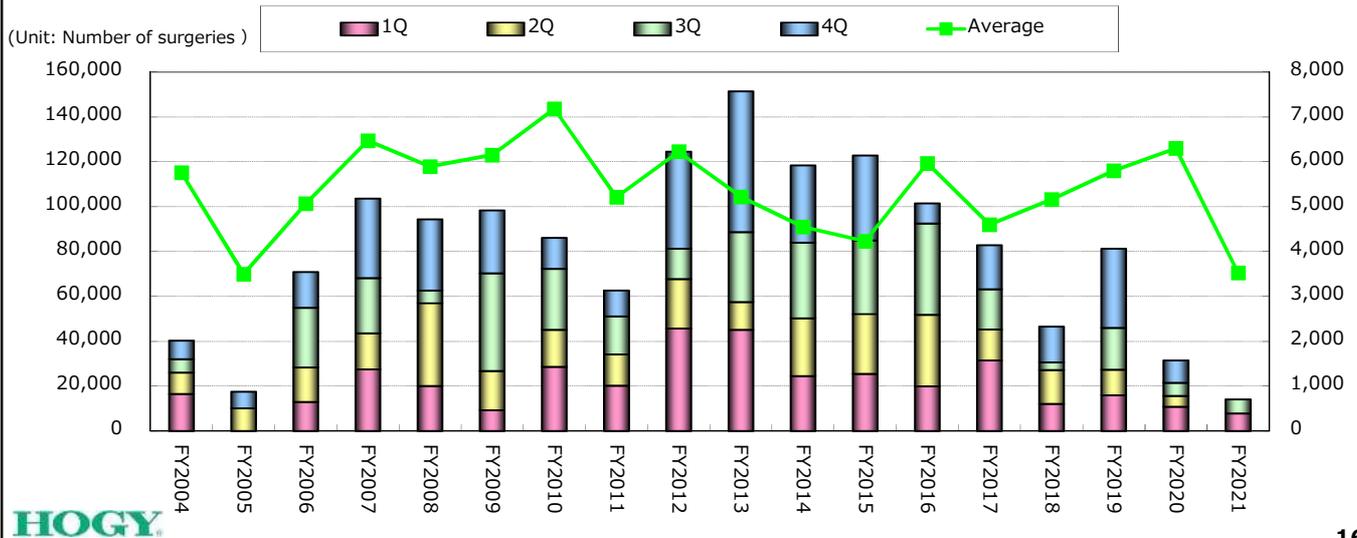
Net sales : 11,424 million yen (+772 million yen : 107.2%)

Number of newly contracted institutions in FY2021 :

4 newly contracted institutions 6 cancellations

Cumulative contracted institutions at fiscal year-end : 269

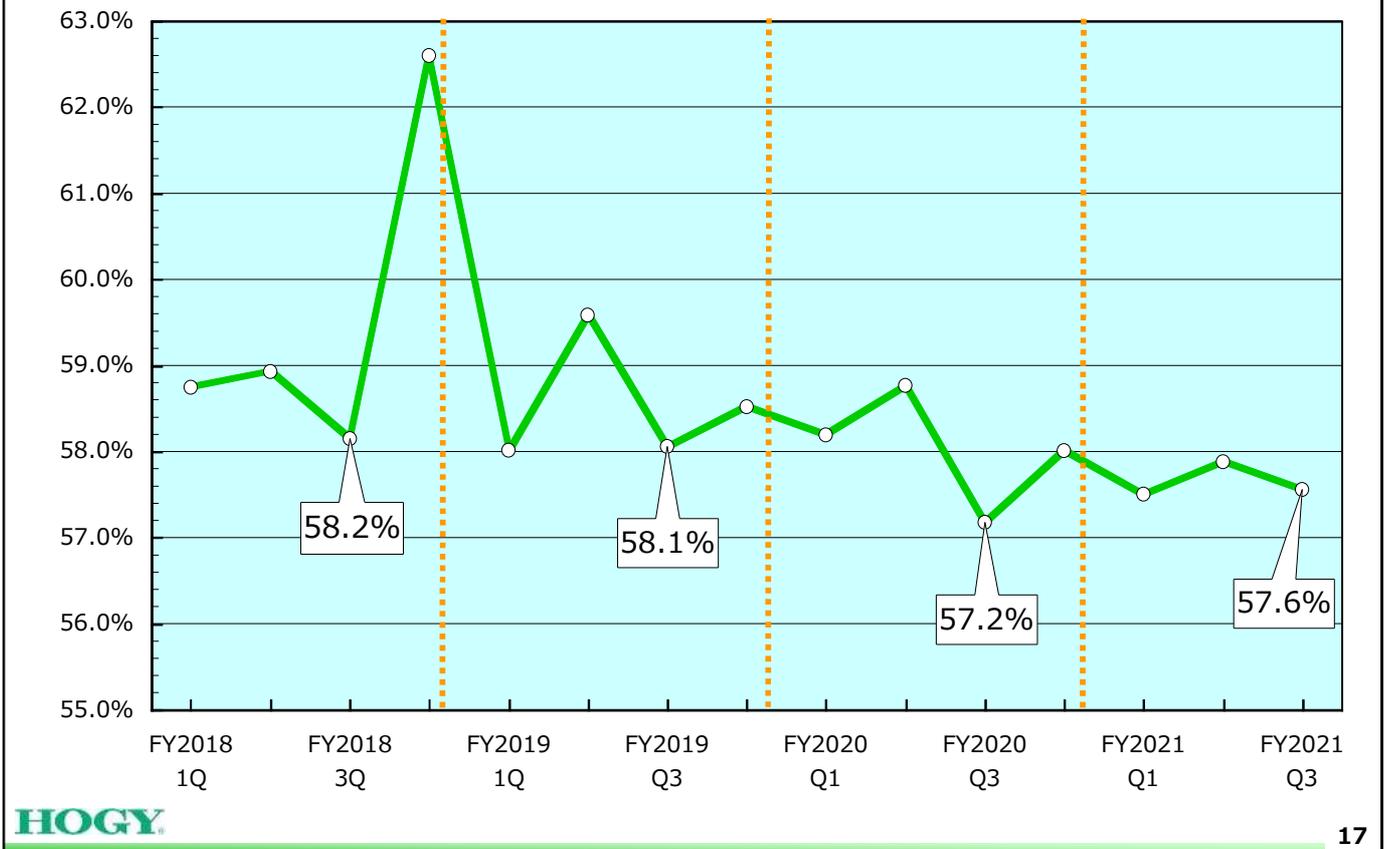
Number and average of surgical operations at Opera Master-contracted hospitals (by fiscal year)



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- FY2021:4 newly contracted hospitals (Group III:4)
- Average operations per hospital: 3,500
- Focusing on large Opera Master-contracted hospitals with high concentration of patients

Cost of Sales Ratio



- Decrease in new factory depreciation expense
 - Total depreciation : 1,034 million yen (-118 million yen)
 - Cost of sales : 830 million yen (-84 million yen)
 - SG&A expenses : 203 million yen (-33 million yen)

Fiscal 2021 – Third Quarter Income Statements



Unit: million yen, rounded down	Fiscal 2020 Third Quarter Results		Fiscal 2021 Third Quarter Results		Year-on-Year Comparison		Major increases/decreases	Year-on-Year Comparison
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change		
Net sales	27,696		27,810		114	100.4%	Miscellaneous	-87
Cost of sales	16,070	58.0%	16,032	57.6%	-37	99.8%	Depreciation	-67
Gross profit	11,626	42.0%	11,778	42.4%	151	101.3%	Samples	-44
SG & A expenses	7,118	25.7%	6,976	25.1%	-142	98.0%	Testing and research	-39
Operating income	4,508	16.3%	4,802	17.3%	293	106.5%	Travel expenses	26
Non-operating income/loss	411		269		-141			
Ordinary income	4,919	17.8%	5,072	18.2%	152	103.1%		
Extraordinary income/loss	1,025		0		-1,025			
Profit attributable to owners of parent	4,296	15.5%	3,692	13.3%	-603	86.0%		
EPS	142.11yen		126.27yen					

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- SG&A expenses: 6,976 million yen (-142 million yen)
 - Miscellaneous : Previous year's software license renewed
 - Travel expenses : Increase in reaction to voluntary restraint on sales activities in the previous corresponding period

- Capex: 2,504 million yen (includes 1,620 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		149.29yen			

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■ 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

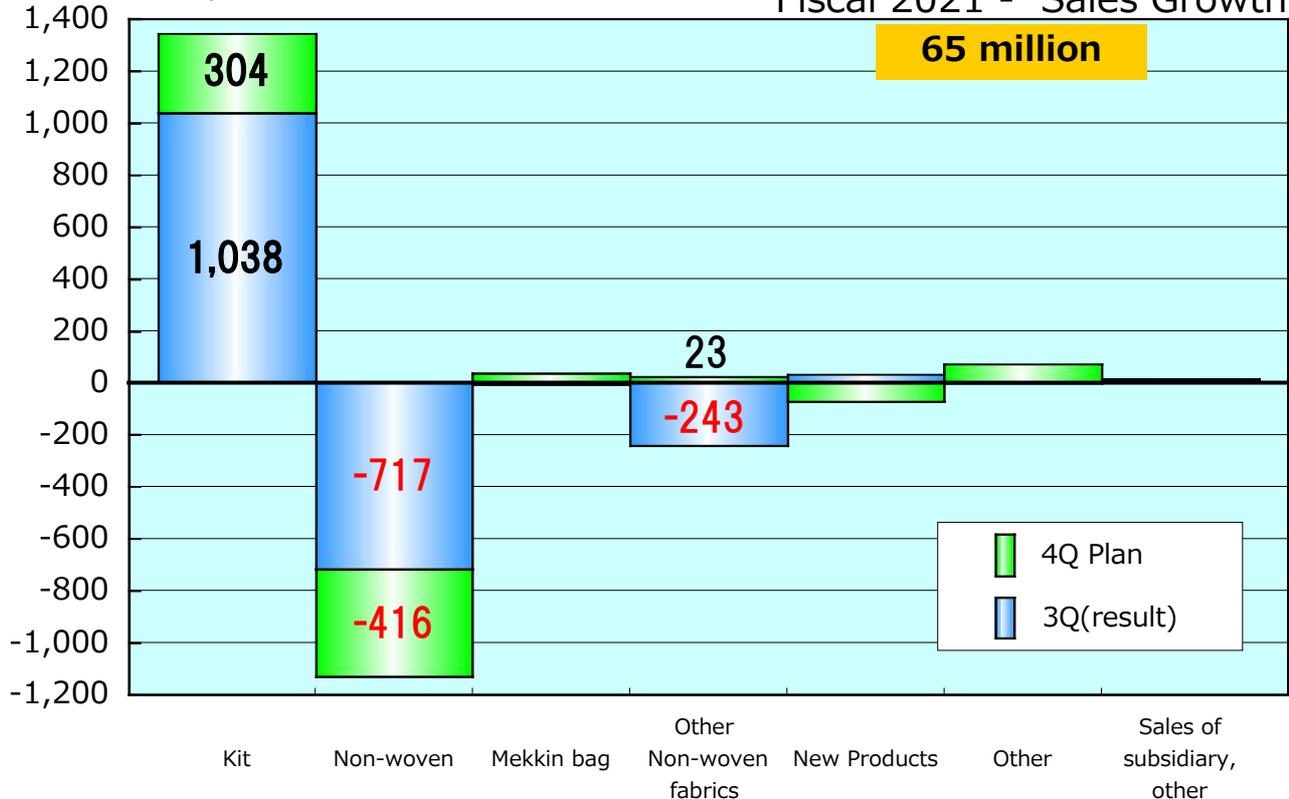
Fiscal 2021 Plan

Sales Growth by Major Products



(Unit: million yen, rounded down)

Fiscal 2021 - Sales Growth

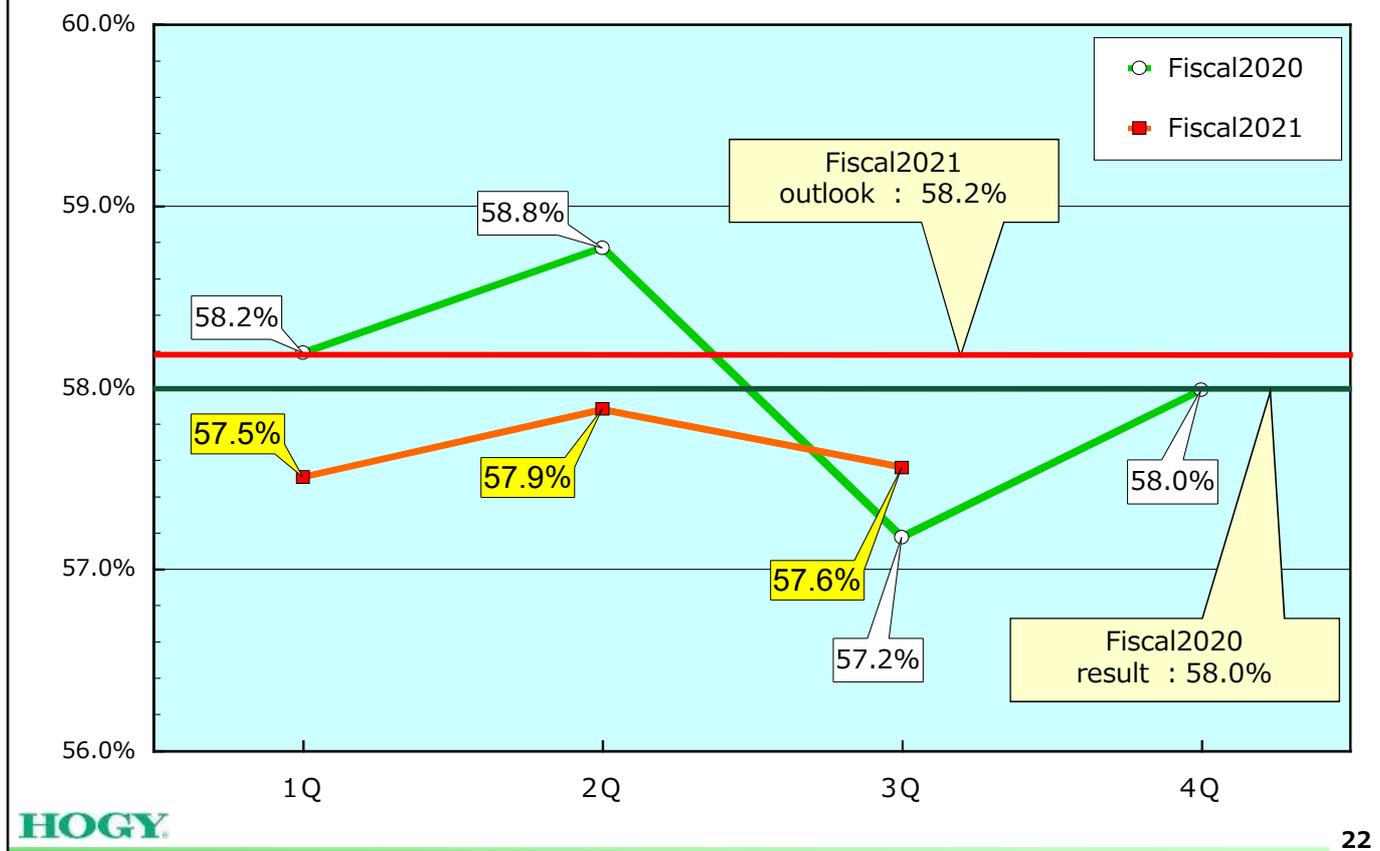


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- Surgical kit products: Increase in sales thanks to new Premium Kit contracts
- Non-woven fabric products: Reactionary decline in sales of gowns and precaution sets after enjoying special demand
- Other non-woven products: Reactionary decline in sales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

Fiscal 2021 Income Statements



- Decrease in new factory depreciation cost
 - Total depreciation : 4,460million yen (-89 million yen)
 - Cost of sales : 3,600 million yen (-43 million yen)
 - SG&A expenses : 860 million yen (-46 million yen)
 - ※ Change from the above plan:
 - Partial acquisition related to Stage 2 construction of the new surgical kit plant in line with our sales plan
 - (Acquisition scheduled for January 2022 but moved to April)
- 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%	Testing & research expenses	-165
Gross profit	15,326	42.0%	15,270	41.8%	-56	99.6%	Depreciation	-46
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		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		149.29yen					

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

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