



MEMBERSHIP  
April 14, 2022

# Financial Report of Fiscal 2021

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( April 1, 2021 – March 31, 2022 )

Hideki Kawakubo, Administration Div.

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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

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# Fiscal 2021 – Income Statements



| Unit: million yen,<br>rounded down         | Fiscal 2020<br>Results |               | Fiscal 2021<br>Results |               | Year-on-Year<br>Comparison |                   |
|--|------------------------|---------------|------------------------|---------------|----------------------------|-------------------|
|  | Amount                 | % of<br>Total | Amount                 | % of<br>Total | Amount                     | Rate Of<br>Change |
| Net sales                                  | 36,504                 |               | 36,778                 |               | 273                        | 100.8%            |
| Operating income                           | 5,632                  | 15.4%         | 6,135                  | 16.7%         | 502                        | 108.9%            |
| Ordinary income                            | 5,988                  | 16.4%         | 6,285                  | 17.1%         | 297                        | 105.0%            |
| Profit attributable to<br>owners of parent | 4,959                  | 13.6%         | 4,370                  | 11.9%         | -588                       | 88.1%             |
| EPS  | 164.03yen              |               | 153.00yen              |               |                            |                   |

**HOGY**

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## ■ Higher sales; lower income

### Net sales : +273 million yen (+0.8%)

- : 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 a rise in new sales
- : Impact of COVID-19 less severe than under previous state of emergency despite outbreak of Omicron strain in 4Q
- : Healthy sales of Premium Kit and Blister Kit
- : Downward recoil in sales of infection protection products (continued from 2Q)

### Operating income : +502 million yen (+8.9%)

Cost of sales – 58.1%( +0.1pt YoY)

- lower depreciation costs
- Wrote down inventories

SG&A expenses – -412 million yen (-4.3%)

- Decrease in Depreciation Expenses and Testing & research expenses

### Ordinary income : +297 million yen (+5.0%)

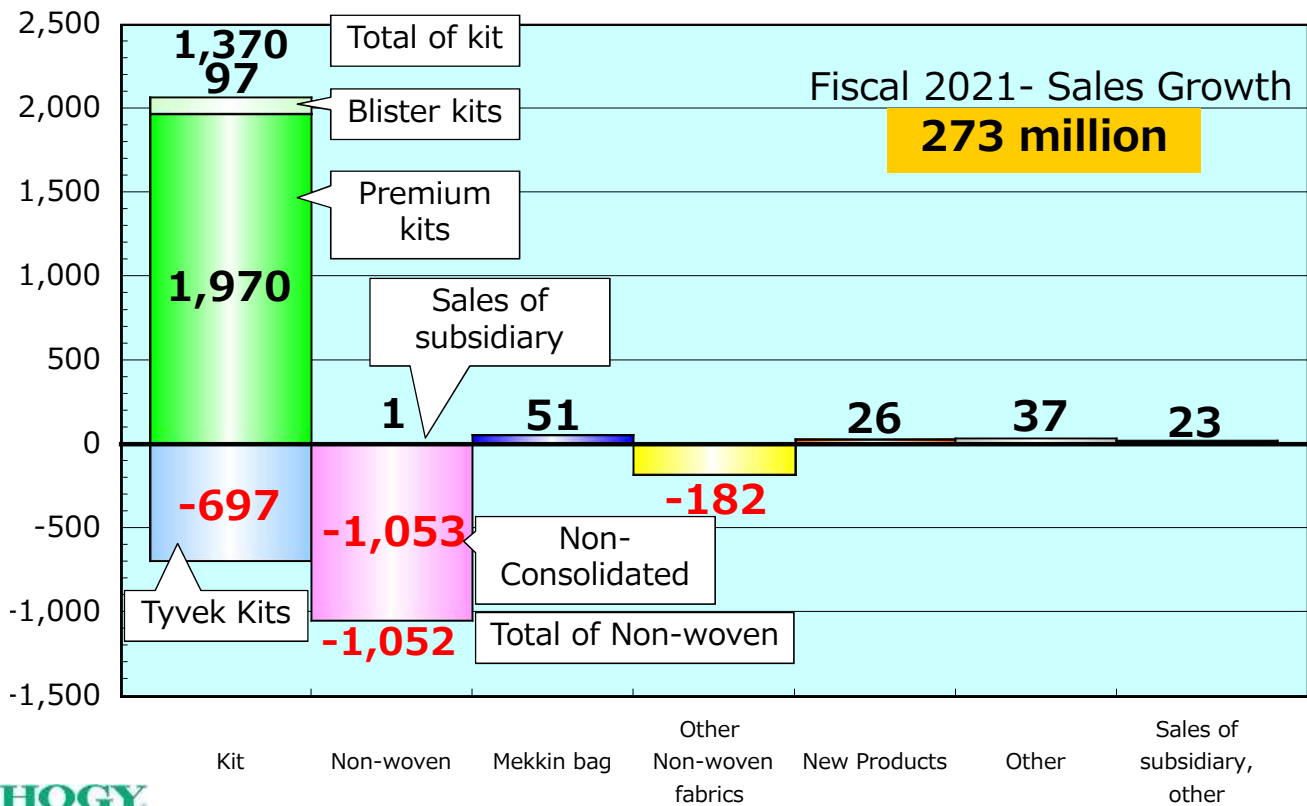
### Profit attributable to owners of parent

**: -588 million yen (-11.9%)**

# Fiscal 2021 Sales Growth by Major Products



(Unit: million yen, rounded down)



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- Sales increased 34.5% year on year thanks to our focus on selling Premium Kit (Fiscal 2021 :7,683 million yen)

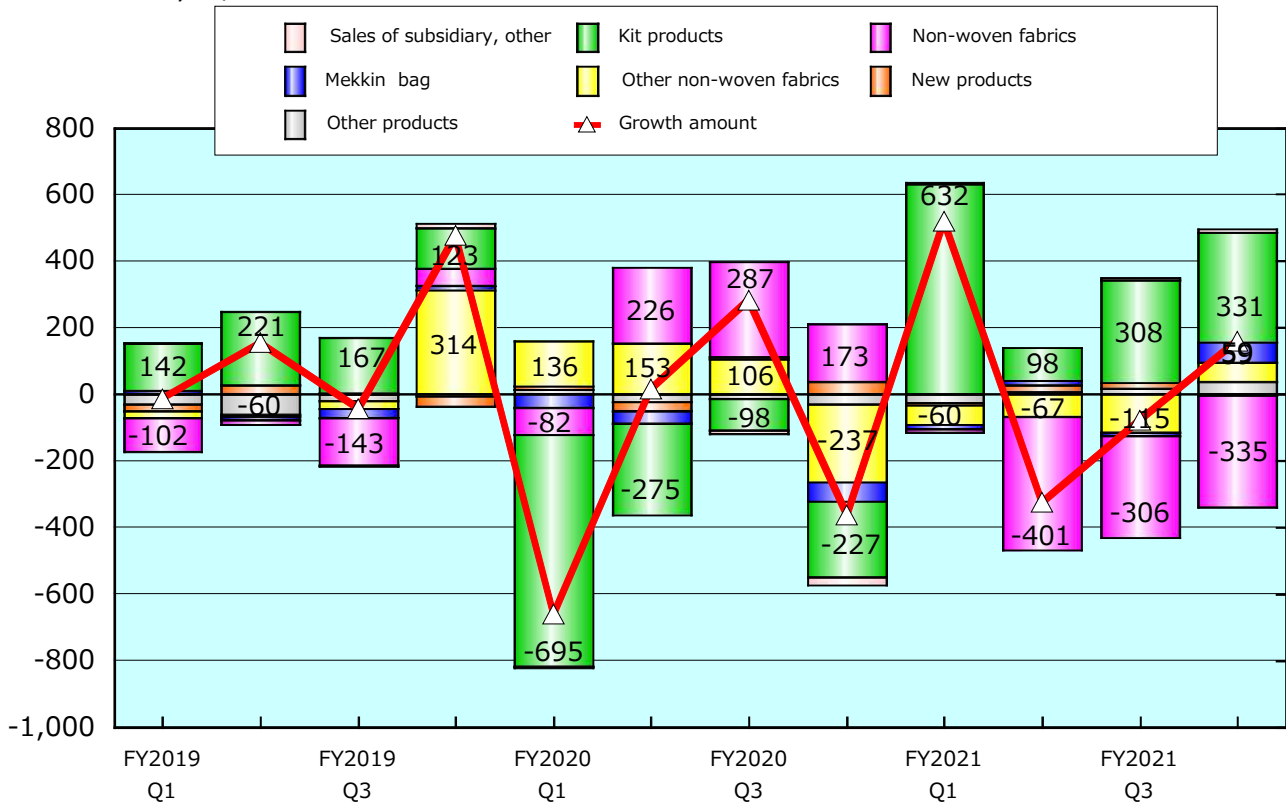
\* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

- 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 Sales Growth by Quarter



(Unit: million yen, rounded down)



HOGY

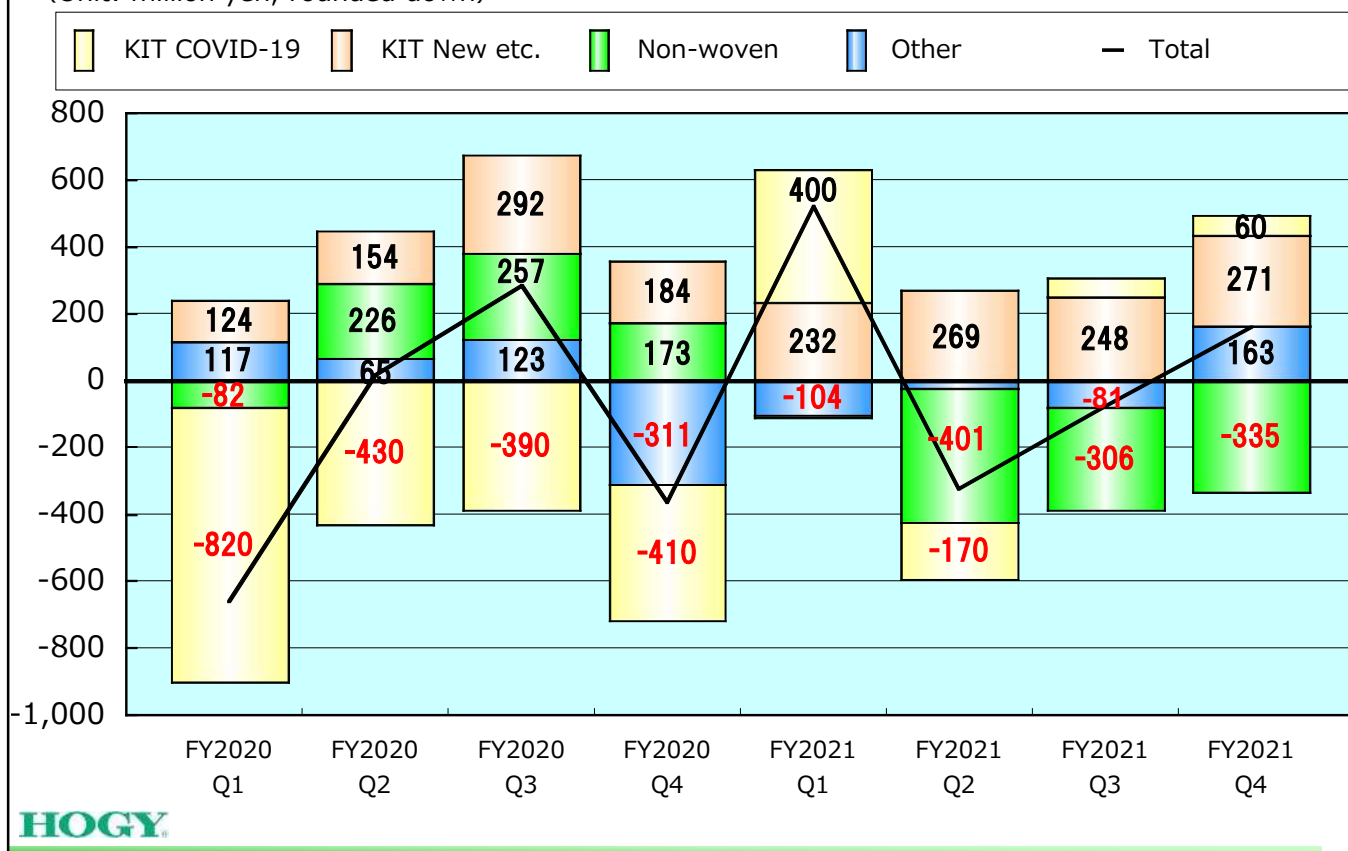
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- Downward recoil in sales of nonwoven fabrics compared with from FY2021 2Q corresponding period, when sales of precaution sets started
- Q4: Nationwide effort made to prevent spread of Omicron strain, which affected some medical facilities, but impact less severe than under previous state of emergency
- Increased sales of surgical kit products due to a rise in new sales
- Sales volume of other non-woven fabrics (masks) declined as the COVID pandemic subsided

# Breakdown of Growth by Quarter



(Unit: million yen, rounded down)



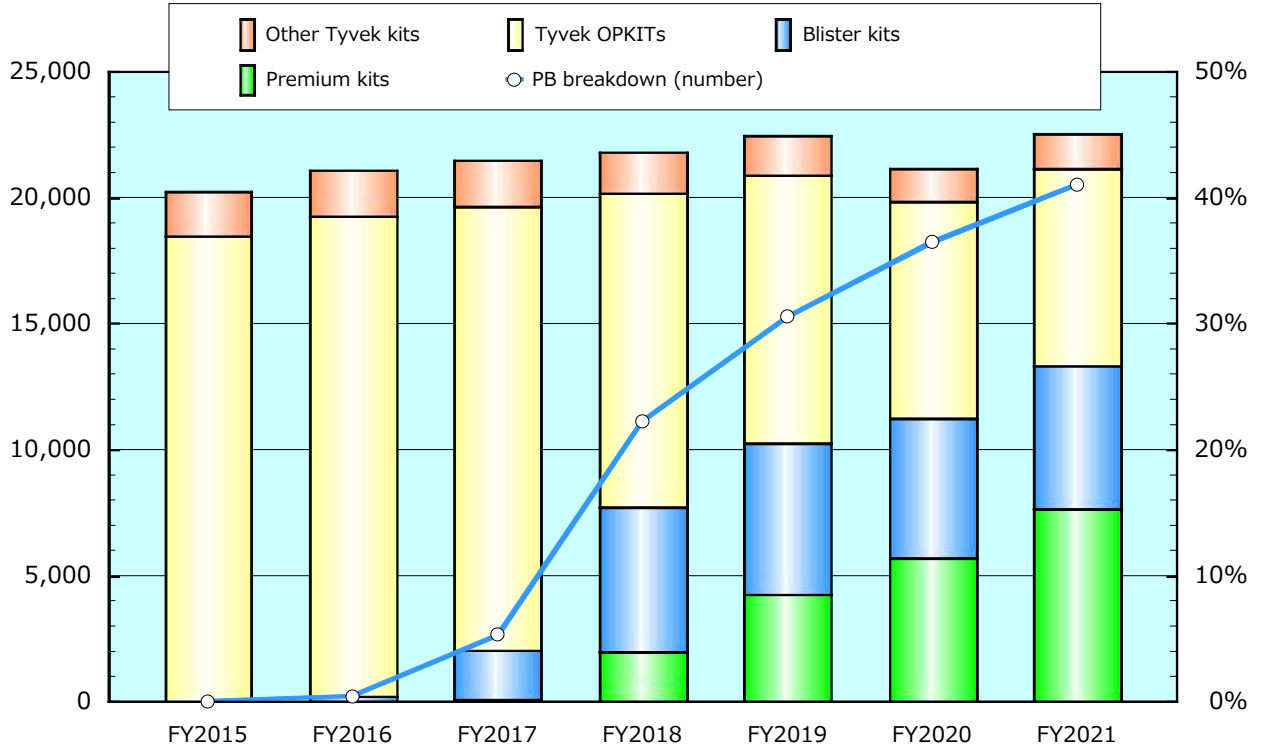
(Unit: million yen, rounded down)

|              | 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       | 271       |
| KIT Total    | -696      | -276      | -98       | -227      | 632       | 99        | 308       | 331       |
| Non-woven    | -82       | 226       | 287       | 173       | -9        | -401      | -306      | -335      |
| Other        | 117       | 65        | 93        | -311      | -104      | -23       | -81       | 163       |
| Total        | -661      | 15        | 282       | -365      | 519       | -325      | -79       | 159       |

# Sales of Kit

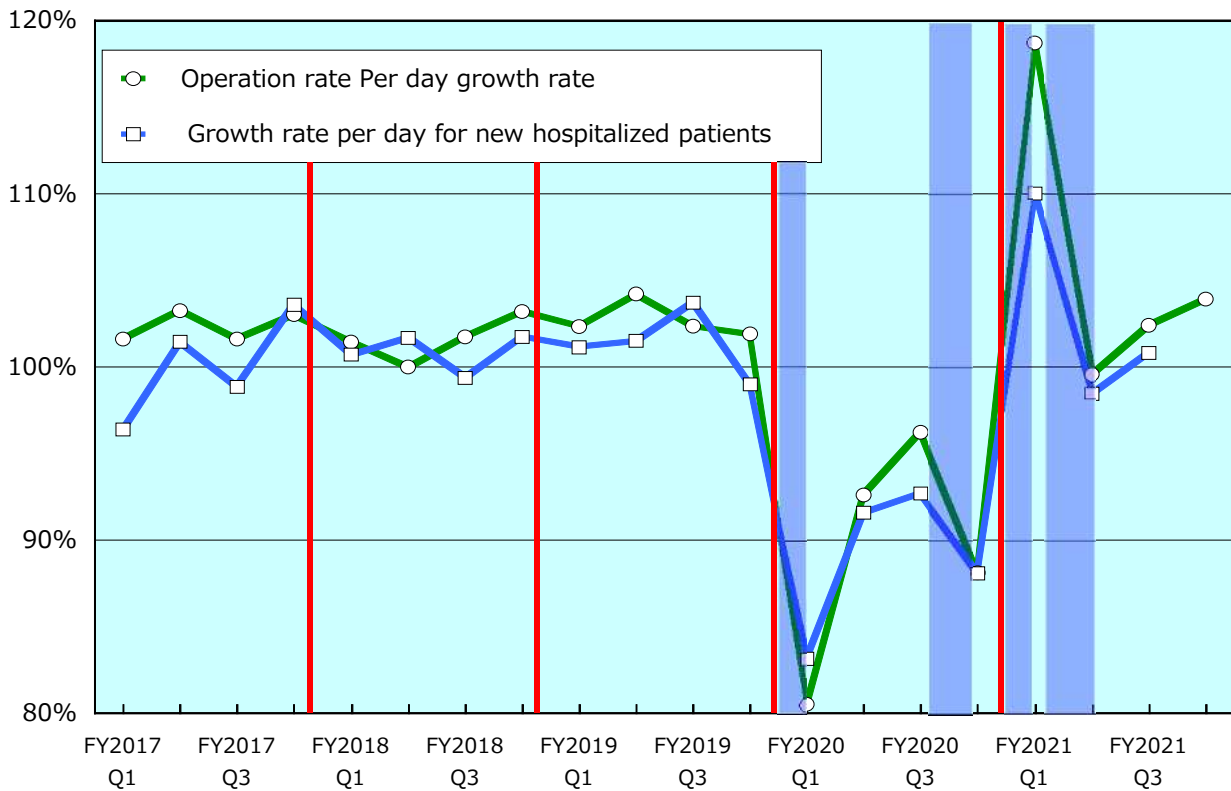


(Unit: million yen, rounded down)





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



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State of emergency period (declared by Tokyo Metropolitan Government)

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- Differing levels of recovery in surgery numbers depending on medical institution, leading to overall polarization trend
- Surgery numbers recovering, but not back to pre-COVID levels.

# Fiscal 2021 – Highlights

## ■ Market environment

- ✓ 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; priority measures implemented in January 2022 to prevent spread, then lifted in March
- ✓ 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 rise in new sales, but sales of nonwoven fabrics decreased due to a rebound from the previous corresponding period, when such products generated special demand.
- ✓ Q4: Nationwide effort made to prevent spread of Omicron strain, which affected some medical facilities, but impact less severe than under previous state of emergency
- ✓ Premium Kit sales up 34.5% year on year (Unit sales +32.8%)
- ✓ 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
- ✓ Partial acquisition schedule Stage 2 construction of new plant changed in January 2022 to FY2022

# Fiscal 2022 Outlook

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# Fiscal 2022 Income Forecasts



| Unit: million yen,<br>rounded down         | Fiscal 2021<br>Results |               | Fiscal 2022<br>Plan |               | Year-on-Year<br>Comparison |                   |
|--|------------------------|---------------|---------------------|---------------|----------------------------|-------------------|
|  | Amount                 | % of<br>Total | Amount              | % of<br>Total | Amount                     | Rate Of<br>Change |
| Net sales                                  | 36,778                 |               | 38,720              |               | 1,941                      | 105.3%            |
| Operating income                           | 6,135                  | 16.7%         | 6,510               | 16.8%         | 374                        | 106.1%            |
| Ordinary income                            | 6,285                  | 17.1%         | 6,570               | 17.0%         | 284                        | 104.5%            |
| Profit attributable to<br>owners of parent | 4,370                  | 11.9%         | 4,570               | 11.8%         | 199                        | 104.6%            |
| EPS  | 153.00yen              |               | 188.40yen           |               |                            |                   |

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## ■ Assumed business conditions

- ✓ Although surgery numbers will remain impacted by COVID-19, we expected recovery from the previous year
- ✓ Continued polarization among medical institutions
- Increase in turnover of healthcare workers

## ■ Summary of Medical Fee Revision

- ✓ Although the main body revision is positive, [it is a severe revision with the lowest-ever positive reimbursement rate](#)
- ✓ Includes improved compensation for nursing staff as a measure against COVID-19 (Subsidized until September, reimbursements from October)
- ✓ New “Additional fee for acute care” to be applied to [facilities that specialize more in surgeries and emergency care](#)
- ✓ Expansion of “Additional fee to protect regional healthcare systems” (as workstyle reform measure for healthcare professionals); addition of physician’s office assistant; reduced burden on working physicians; additions of items, such as collaboration with other professions
- [Recognition of facilities working on workstyle reforms and task shifting](#)
- ✓ Revision of evaluation of basic charges for short-stay surgeries, etc. ([to further shorten hospital stays](#) by expanding number of eligible cases where short-stay surgery payment method is used)

# Fiscal 2022 Income Forecasts



## ■ Higher sales; higher income plan

### ■ Net sales

- ✓ Concentrate sales efforts on facilities that perform large numbers of **general anesthesia surgeries** (main target of Premium Kit); step up approaches to hospitals with high potential to expand in scale into acute care hospitals
- ✓ **Enhance efficiency by changing workstyles and shifting tasks** in medical institutions

### ■ Cost of sales

- ✓ Soaring crude oil prices, successive price hikes of raw materials, and rising costs for logistics, utilities, etc.
- ✓ Unable to absorb all cost increase factors through corporate efforts alone, so plan to raise prices
- ✓ Partial operation of Stage 2 of new plant to start in July 2022
- ✓ Improvement in cost of sales ratio due to increase in production
- ✓ Improve productivity at P.T. HOGY Indonesia

### ■ SG&A expenses

- ✓ Concentrate SG&A expenses on costs related to sales promotion activities

### ■ Other

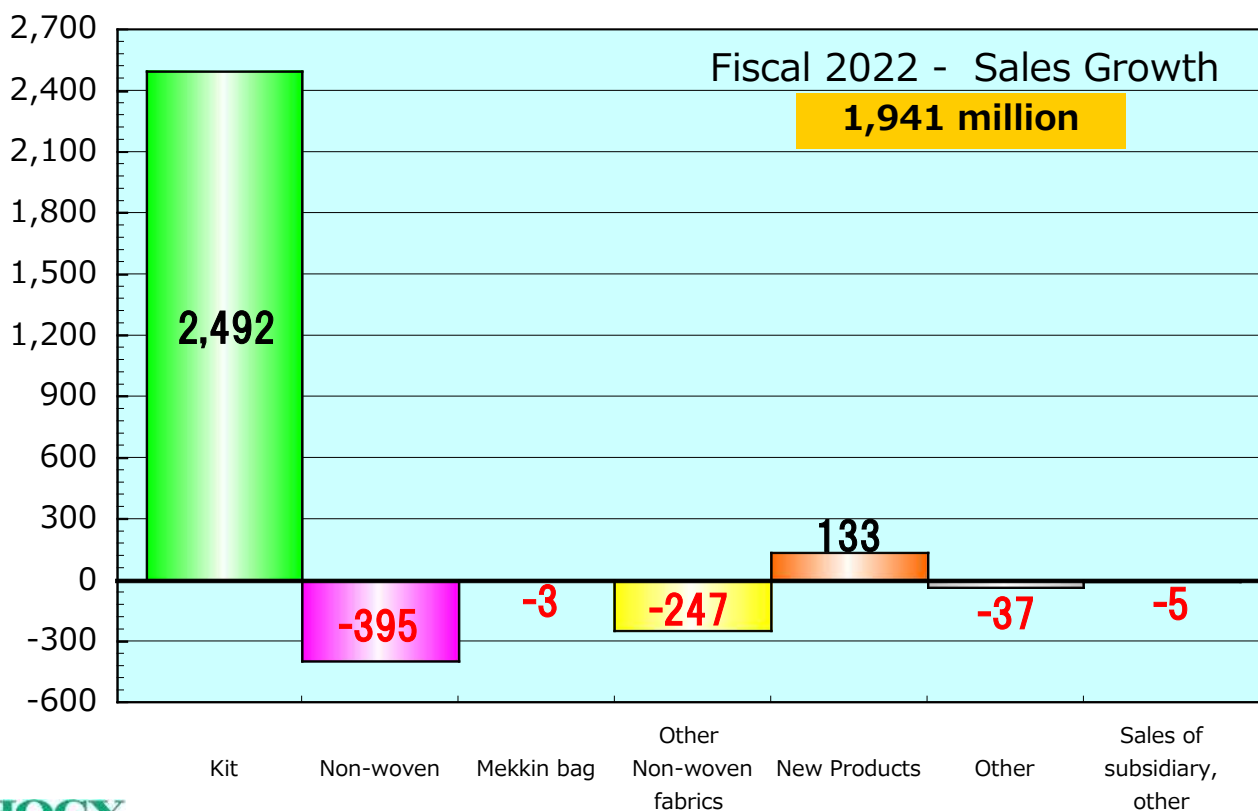
- ✓ dividend increase to 70 yen for the full year( +2.00 yen YoY )
- ✓ Increase number of outside directors to strengthen governance and enhance diversity

# Fiscal 2022 Plan

## Sales Growth by Major Products



(Unit: million yen, rounded down)



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- Surgical kit products: Increased sales of Premium Kit due to a rise in new sales and recoil due to COVID-19
- Non-woven fabric products: Return to pre-COVID state
- Other non-woven products: Reactionary decline in sales of N95 mask, after enjoying special demand

(Unit: million yen, rounded down)

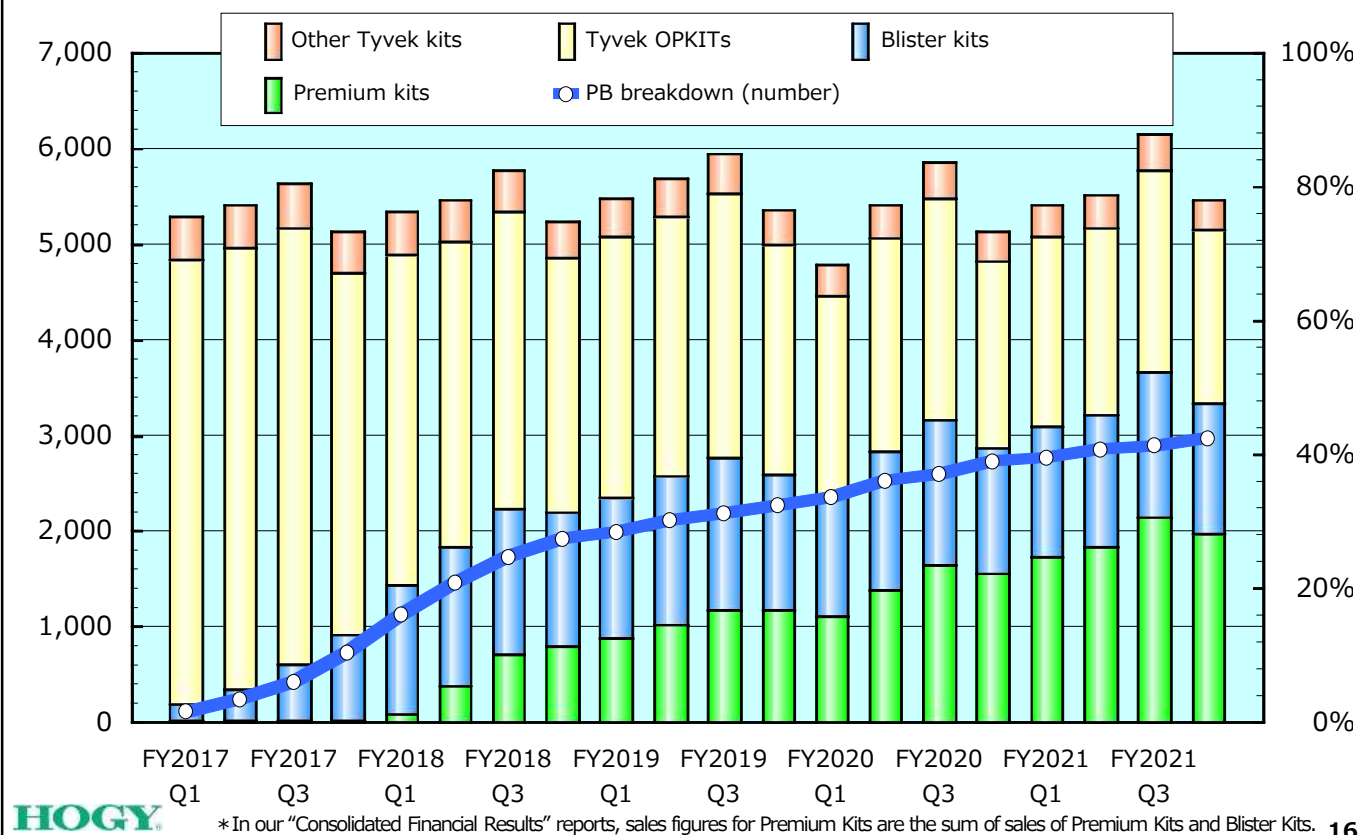
|                  | FY2021 Result | FY2022 Plan  |
|------------------|---------------|--------------|
| KIT COVID-19     | 350           | 550          |
| KIT New etc.     | 1,020         | 1,940        |
| <b>KIT Total</b> | <b>1,370</b>  | <b>2,492</b> |
| Non-woven        | -1,052        | -395         |
| Other            | -43           | -155         |
| <b>Total</b>     | <b>273</b>    | <b>1,941</b> |

# Performance details

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# Sales of Kit

(Unit: million yen, rounded down)

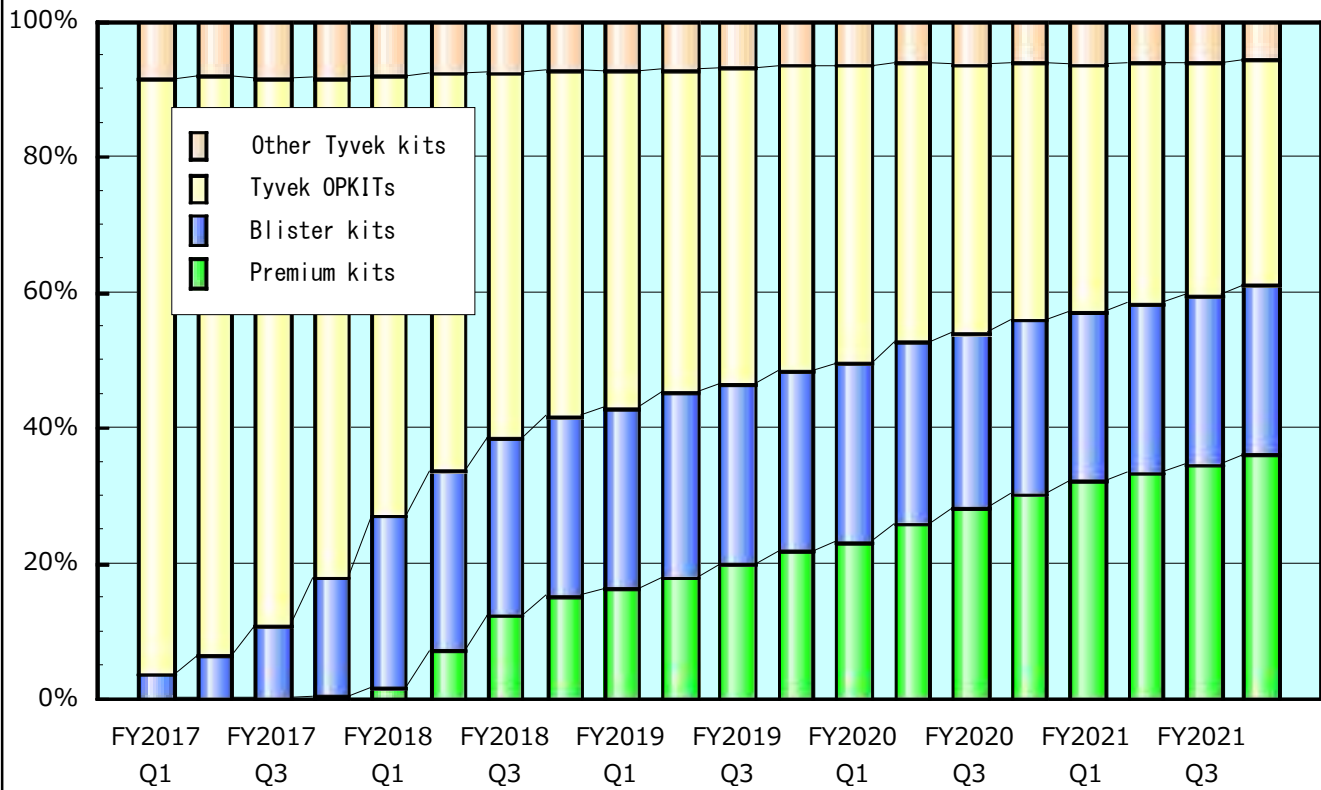


- Decrease in sales volume, mainly of Tyvek Kit, due to COVID-19
- Due to our focus on selling Premium Kits, combined sales of Premium Kits and Blister Kits now exceed 40% of total surgical kit sales
- Fiscal 2021: 4Q sales (YoY comparison)
  - ✓ Premium Kit & Blister Kit : +459 million yen(+16.0%)
  - ✓ Tyvek Kit : -128 million yen(-5.7%)
- FY2021 breakdown of surgical kit products
- ((Premium Kit + Blister Kit)/Kit)

|            | 1Q    | 2Q    | 3Q    | 4Q    | 4QYoY |
|------------|-------|-------|-------|-------|-------|
| Sales      | 57.1% | 58.5% | 59.6% | 60.9% | +5.0% |
| Unit sales | 39.5% | 40.7% | 41.3% | 42.4% | +3.5% |



# Transition of Sales Composition by types of Kits



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- Declining share occupied by Tyvek OPKit, but Premium Kit and Blister Kit sales and share on the rise

## Number of Operamaster Contracts; Number of Surgical Operations

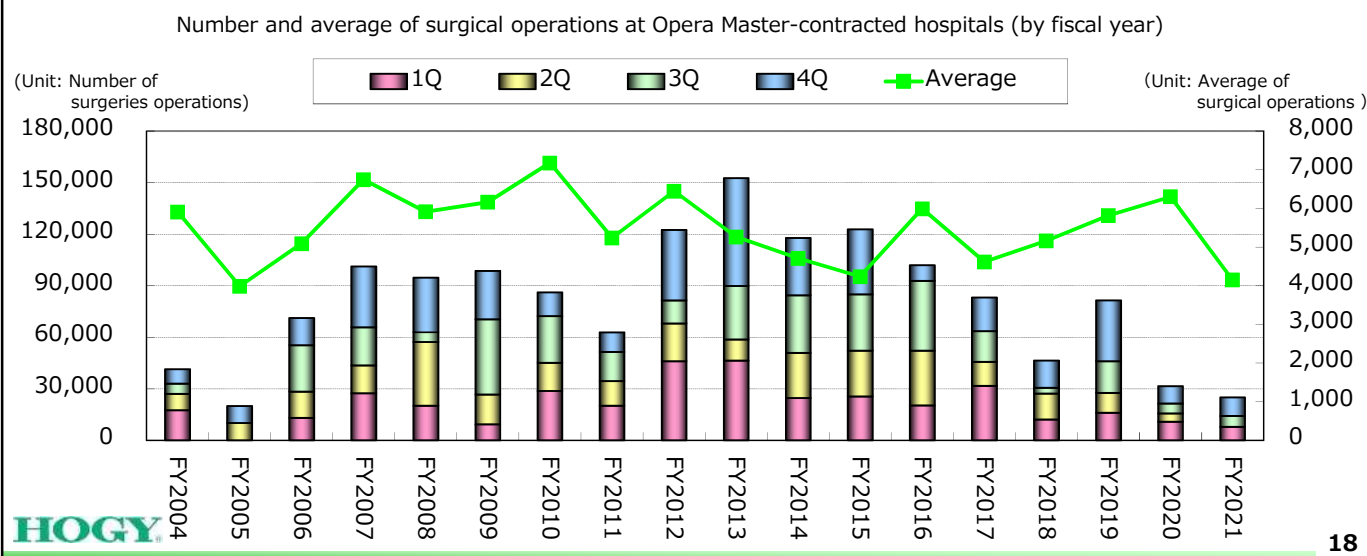


Net sales : 15,111 million yen (+1,011 million yen : 107.2%)

Number of newly contracted institutions in FY2021 :

6 newly contracted institutions 9 cancellations

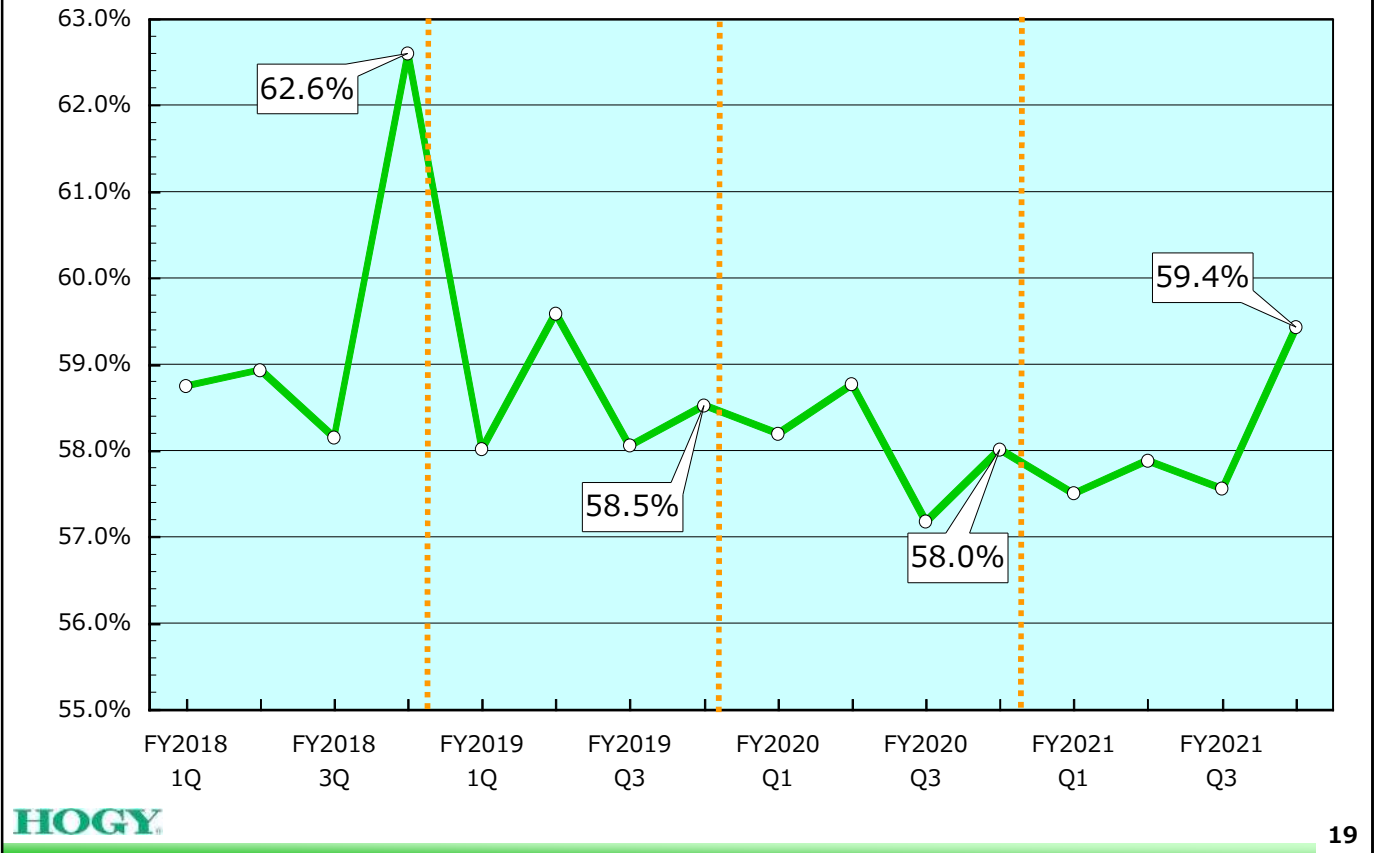
Cumulative contracted institutions at fiscal year-end : 268



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- FY2021:6 newly contracted hospitals (Group II : 1, Group III :5)
- Average of surgical operations per Opera Master-contracted hospitals at FY2021: 4,150
- Focusing on large Opera Master-contracted hospitals with high concentration of patients

# Cost of Sales Ratio



- Decrease in new factory depreciation expense
  - Total depreciation : 4,115 million yen (-434 million yen)
  - Cost of sales : 3,309 million yen (-333 million yen)
  - SG&A expenses : 805 million yen (-100 million yen)

# Fiscal 2020 Income Statements



| Unit: million yen,<br>rounded down         | Fiscal 2020<br>Results |               | Fiscal 2021<br>Results |               | Year-on-Year<br>Comparison |                   | Major<br>increases/decreases | Year-on-Year<br>Comparison |
|--|------------------------|---------------|------------------------|---------------|----------------------------|-------------------|------------------------------|----------------------------|
|  | Amount                 | % of<br>Total | Amount                 | % of<br>Total | Amount                     | Rate Of<br>Change |                              |                            |
| Net sales                                  | 36,504                 |               | 36,778                 |               | 273                        | 100.8%            | Testing and<br>research      | -230                       |
| Cost of sales                              | 21,177                 | 58.0%         | 21,361                 | 58.1%         | 183                        | 100.9%            | Depreciation                 | -100                       |
| Gross profit                               | 15,326                 | 42.0%         | 15,416                 | 41.9%         | 89                         | 100.6%            | Miscellaneous                | -93                        |
| SG & A expenses                            | 9,694                  | 26.6%         | 9,281                  | 25.2%         | -412                       | 95.7%             | Prototype costs              | -56                        |
| Operating income                           | 5,632                  | 15.4%         | 6,135                  | 16.7%         | 502                        | 108.9%            | Travel expenses              | 35                         |
| Non-operating<br>income/loss               | 355                    |               | 150                    |               | -205                       |                   |                              |                            |
| Ordinary income                            | 5,988                  | 16.4%         | 6,285                  | 17.1%         | 297                        | 105.0%            |                              |                            |
| Extraordinary<br>income/loss               | 1,001                  |               | 0                      |               | -1,000                     |                   |                              |                            |
| Profit attributable<br>to owners of parent | 4,959                  | 13.6%         | 4,370                  | 11.9%         | -588                       | 88.1%             |                              |                            |
| EPS  | 164.03yen              |               | 153.00yen              |               |                            |                   |                              |                            |

**HOGY**

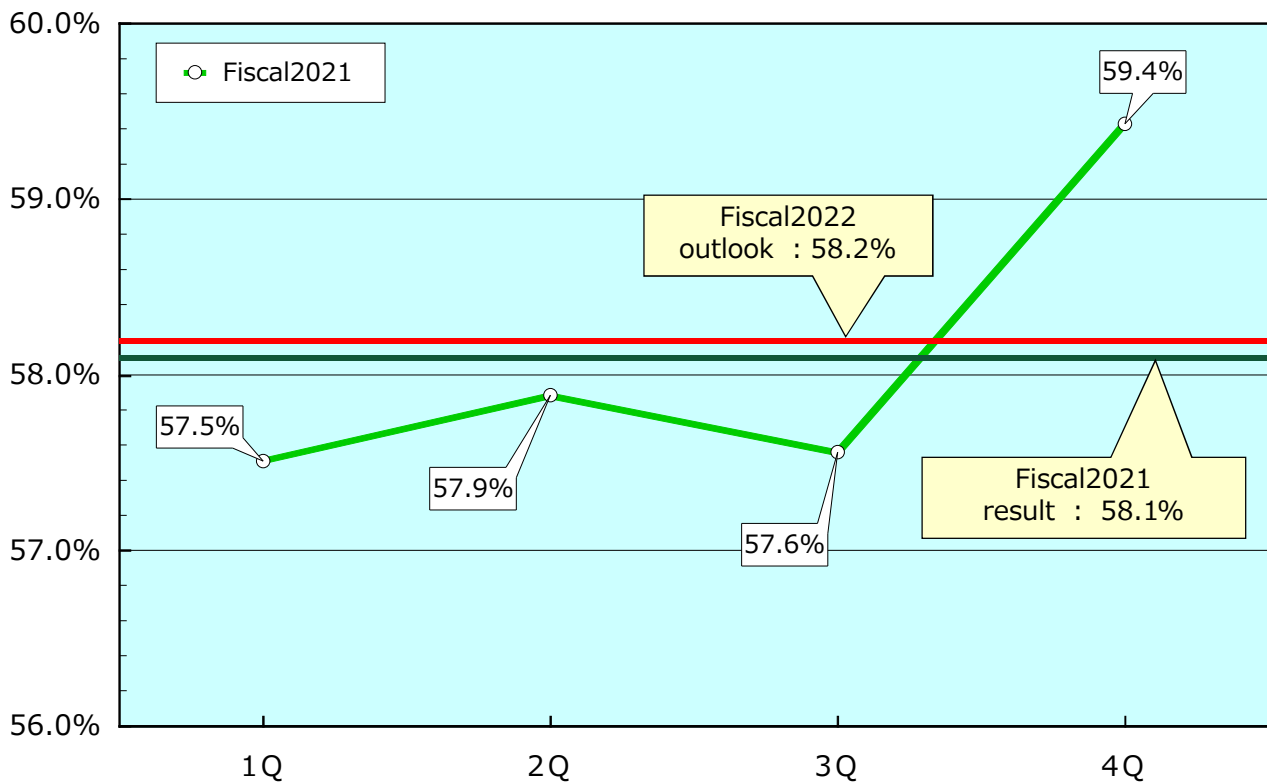
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- SG&A expenses: 9,281 million yen (- 412 million yen)
  - ✓ Testing and research : Expenses related to new business in previous fiscal year
  - ✓ Miscellaneous : Previous year's software license renewed
  - ✓ Travel expenses : Increased sales activities and higher gasoline prices
- Capex: 3,489 million yen (includes 1,830 million yen in new factory)

# Fiscal 2022 Full-Year Management Projections

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# Fiscal 2022 Income Statements



HOGY

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- increase in new factory depreciation cost
  - Total depreciation : 4,449 million yen (+334 million yen)
  - Cost of sales : 3,590 million yen (+281million yen)
  - SG&A expenses : 859 million yen ( +53 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: 120 yen(FY2021:115 yen)

# Fiscal 2022 Income Statements



| Unit: million yen,<br>rounded down         | Fiscal 2021<br>Results |               | Fiscal 2022<br>Plan |               | Year-on-Year<br>Comparison |                   | Major<br>increases/decreases        | Year-on-Year<br>Comparison |
|--|------------------------|---------------|---------------------|---------------|----------------------------|-------------------|-------------------------------------|----------------------------|
|  | Amount                 | % of<br>Total | Amount              | % of<br>Total | Amount                     | Rate Of<br>Change |                                     |                            |
| Net sales                                  | 36,778                 |               | 38,720              |               | 1,941                      | 105.3%            | Prototype costs                     | 62                         |
| Cost of sales                              | 21,361                 | 58.1%         | 22,540              | 58.2%         | 1,178                      | 105.5%            | Depreciation                        | 53                         |
| Gross profit                               | 15,416                 | 41.9%         | 16,118              | 41.8%         | 763                        | 105.0%            | Packing and<br>transportation costs | 47                         |
| SG & A expenses                            | 9,281                  | 25.2%         | 9,670               | 25.0%         | 388                        | 104.2%            | Testing & research<br>expenses      | 41                         |
| Operating income                           | 6,135                  | 16.7%         | 6,510               | 16.8%         | 374                        | 106.1%            | Travel expenses                     | 34                         |
| Non-operating<br>income/loss               | 150                    |               | 60                  |               | -90                        |                   |                                     |                            |
| Ordinary income                            | 6,285                  | 17.1%         | 6,570               | 17.0%         | 284                        | 104.5%            |                                     |                            |
| Extraordinary<br>income/loss               | 0                      |               | -                   |               | -0                         |                   |                                     |                            |
| Profit attributable<br>to owners of parent | 4,370                  | 11.9%         | 4,570               | 11.8%         | 199                        | 104.6%            |                                     |                            |
| EPS  | 153.00yen              |               | 188.40yen           |               |                            |                   |                                     |                            |

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- SG&A expenses : 9,670 million yen (+388 million yen )  
 ✓ Travel and prototype costs : Increase in activities

- Capex: 2,520 million yen (includes 1,410 million yen in new factory)



# Reference materials

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# The Definition of Each Kit



|                  | Premium Kit   | Blister Kit                           | Tyvek Kit<br>(Conventional kit)  |
|------------------|---|---------------------------------------|--|
| Where to produce | New plant (Multi)<br>              |                                       | Tsukuba, Miho<br> |
| Product Style    | Packed with small Multi packages in order to use in an operation  |                                       | Wrapped with a non-woven fabric and packed with a sterilization pouch                                |
| Safety           | Benefits of automated production<br>Elimination of human error (major declines in input mistakes and contamination) |                                       | As before  |
| Criteria         | Kit template materials:<br>80% or more  | Kit template materials:<br>30% to 80% | Cases where small amounts of materials used<br>Kit template materials: 30% or less                   |



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