



MEMBERSHIP  
July 15, 2022

# Financial Report First Quarter of Fiscal 2022

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( April 1 – June 30, 2022 )

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

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# Fiscal 2022 – First Quarter Income Statements



Unit: million yen, rounded down	Fiscal 2021 First Quarter Results		Fiscal 2022 First Quarter Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	8,895		9,447		551	106.2%
Operating income	1,492	16.8%	1,857	19.7%	365	124.5%
Ordinary income	1,495	16.8%	1,843	19.5%	348	123.3%
Profit attributable to owners of parent	1,089	12.2%	1,304	13.8%	214	119.7%
EPS	36.65yen		53.77yen			

**HOGY**

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## ■ Higher sales; higher income

### **Net sales : +551 million yen (+6.2%)**

- : Healthy sales of Premium Kit and Blister Kit
- : Increase in reaction to decrease in previous year stemming from COVID-19
- : End of downward recoil in special demand (for gowns, precaution sets, masks, etc.)

### **Operating income : +365 million yen (+24.5%)**

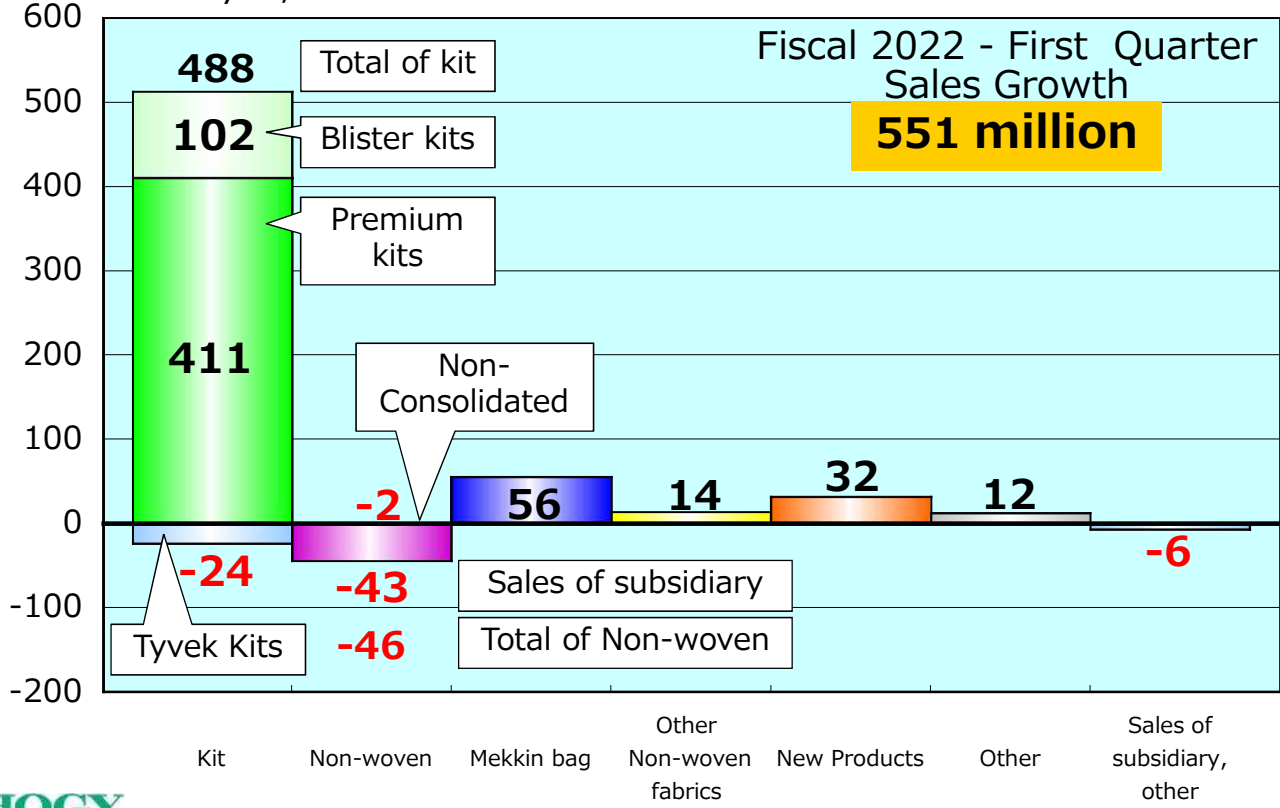
- Cost of sales – 56.7%(-0.8pt YoY)
  - Impacted by valuation of product inventories
  - Cost of sales up due to yen's depreciation (but impact negligible thanks to forward exchange contracts)
  - lower depreciation costs
- SG&A expenses – -55million yen (-2.4%)
  - Decrease in Depreciation Expenses and Testing & research expenses

### **Ordinary income : +348 million yen (+23.3%)**

# Fiscal 2022 – First Quarter Sales Growth by Major Products



(Unit: million yen, rounded down)



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## - Sales increased 23.5% year on year thanks to our focus on selling Premium Kit

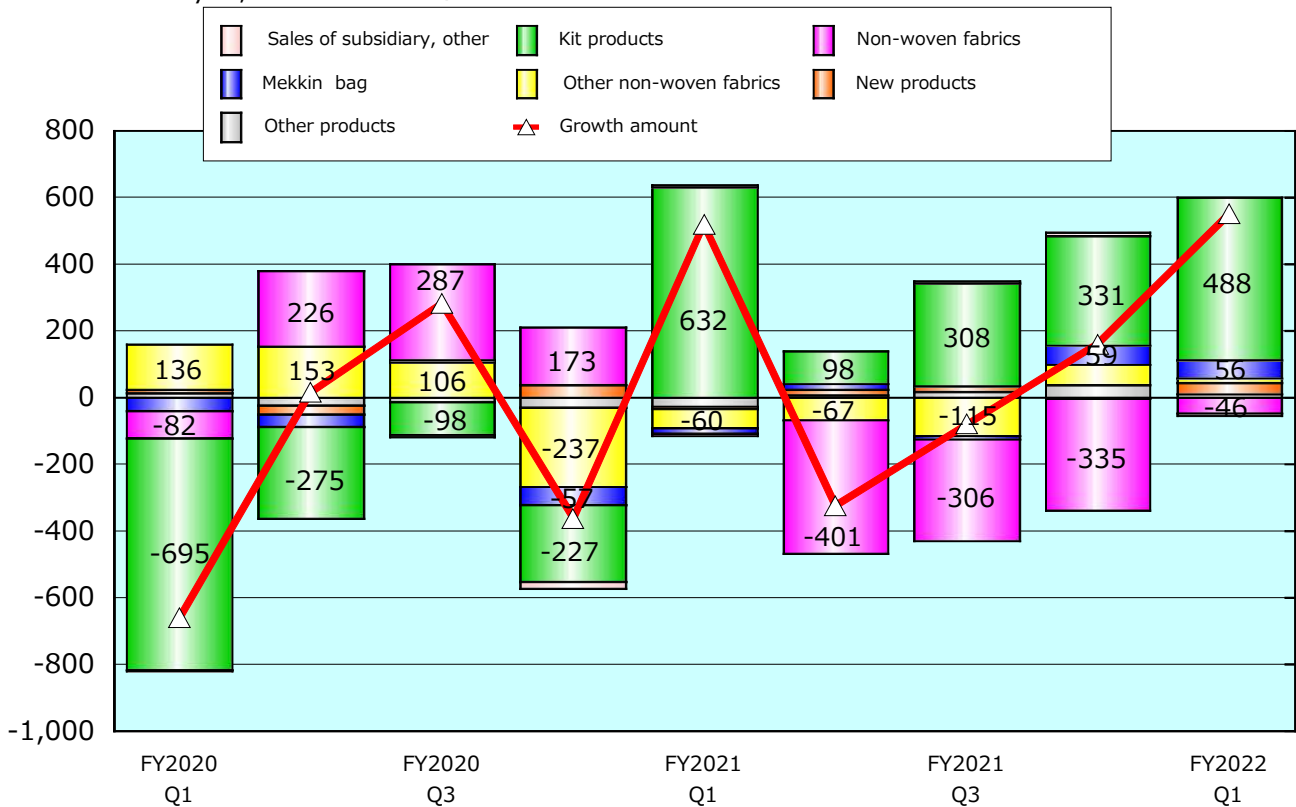
\* In our "Consolidated Financial Results" reports, sales figures for Premium Kits are the sum of sales of Premium Kits and Blister Kits.

- Upward recoil in sales of surgical kits following decrease in previous year stemming from COVID-19; (number of surgeries down (postponed) at some facilities when COVID-19 outbreaks occurred)
- Decline in sales of Tyvek Kit offset by sales of Premium Kit

# Fiscal 2022 – First Quarter Sales Growth by Quarter



(Unit: million yen, rounded down)



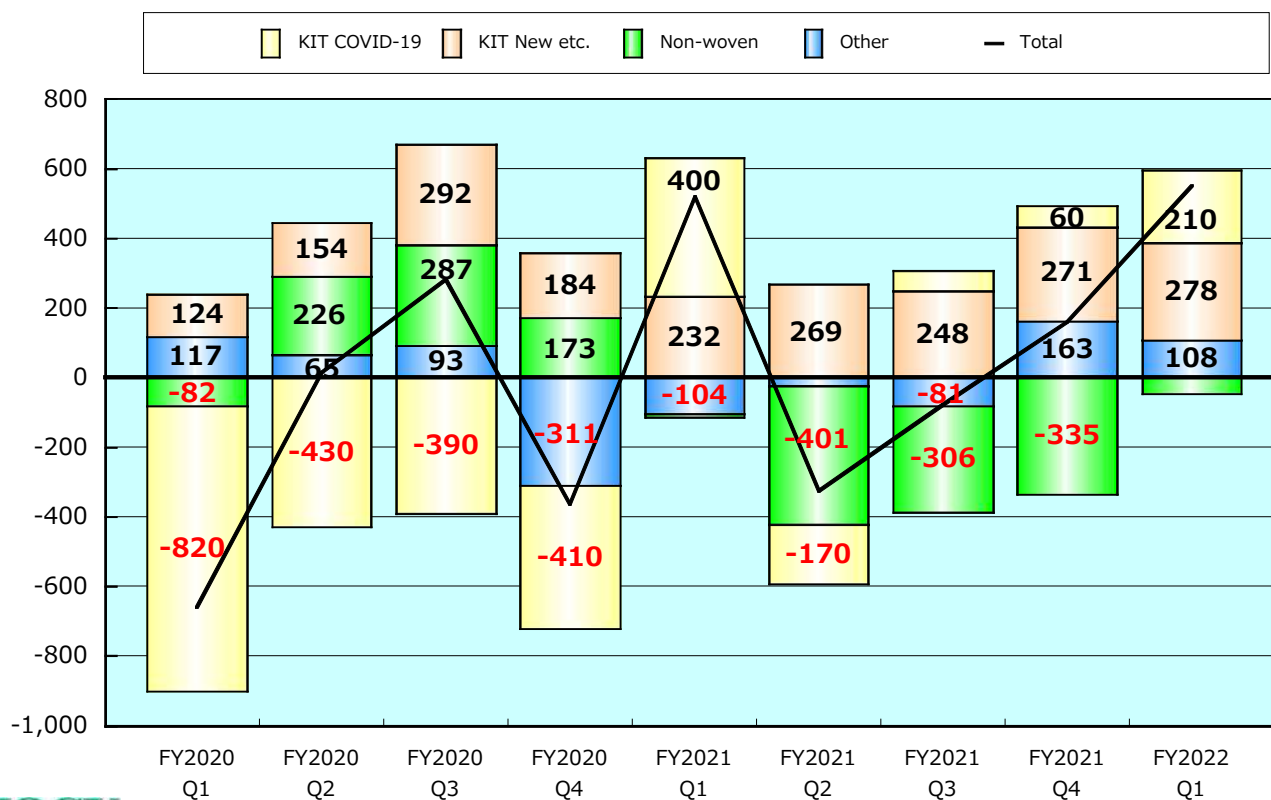
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- Increased sales of surgical kit products due to a rise in new sales
- Downward recoil in special demand for non-woven fabrics (gowns and other infection-prevention products) and other non-woven fabrics (masks) practically completed by previous fiscal year-end

# Breakdown of Growth by Quarter

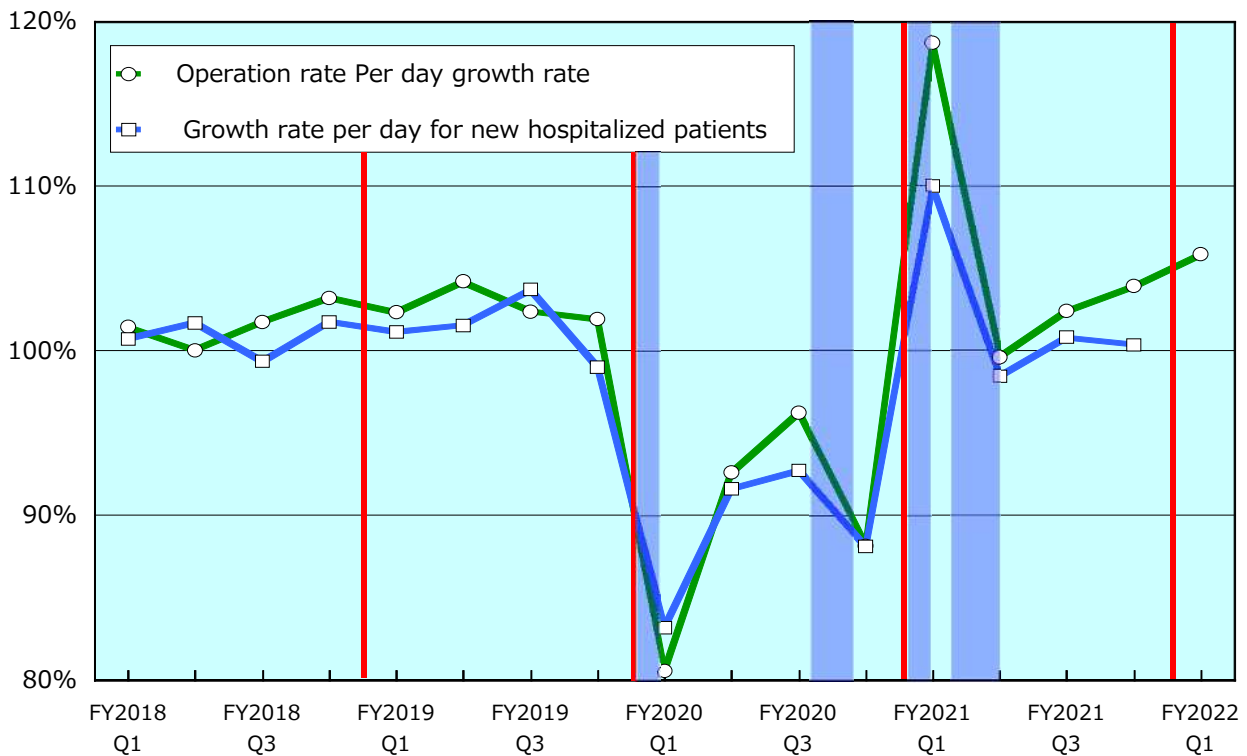
(Unit: million yen, rounded down)



(Unit: million yen, rounded down)

	FY2020 1Q	FY2020 2Q	FY2020 3Q	FY2020 4Q	FY2021 1Q	FY2021 2Q	FY2021 3Q	FY2021 4Q	FY2022 1Q
KIT COVID-19	-820	-430	-390	-410	400	-170	60	60	210
KIT New etc.	124	154	292	184	232	269	248	271	278
KIT Total	-696	-276	-98	-227	632	99	308	331	488
Non-woven	-82	226	287	173	-9	-401	-306	-335	-46
Other	117	65	93	-311	-104	-23	-81	163	108
Total	-661	15	282	-365	519	-325	-79	159	551

# 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)

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



## ■ Market environment

- ✓ 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.)
- ✓ Recovery in number of surgeries to pre-COVID level

## ■ Performance highlights

- ✓ Premium Kit sales up 23.5% year on year
- ✓ Sales up thanks to recovery in number of surgeries
- ✓ End of downward recoil in special demand for non-woven fabrics
- ✓ Started informing medical institutions about price increase
- ✓ Impact of inventory product valuation
- ✓ Cost of sales up due to yen's depreciation (but impact in first quarter negligible thanks to forward exchange contracts)
- ✓ Concentrated our resources on Premium Kit sales

# Fiscal 2022 Outlook

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## Fiscal 2022 Income Forecasts



Unit: million yen, rounded down	Fiscal 2021 Results		Fiscal 2022 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of 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 owners of parent	4,370	11.9%	4,570	11.8%	199	104.6%
EPS	153.00yen		188.40yen			

## 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

- ✓ Cost of sales up due to yen's depreciation (impact will increase in second quarter onward due to expiration of some forward exchange contracts)
- ✓ 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 ⇒ Partial operation of Stage 2 of new plant to start within current fiscal year
- ✓ 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

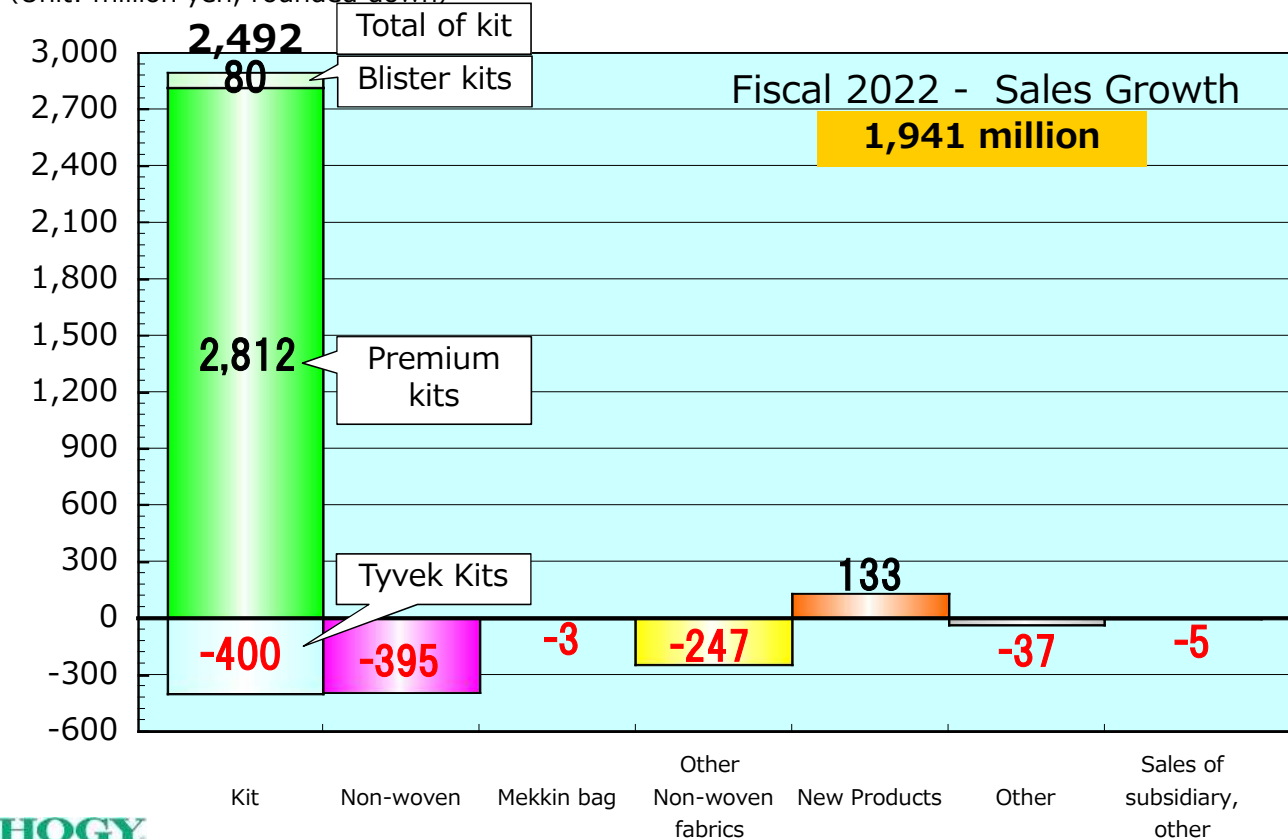
- ✓ dividend increase to 70 yen for the full year( +2.00 yen YoY )

# 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 high-performance mask, after enjoying special demand

(Unit: million yen, rounded down)

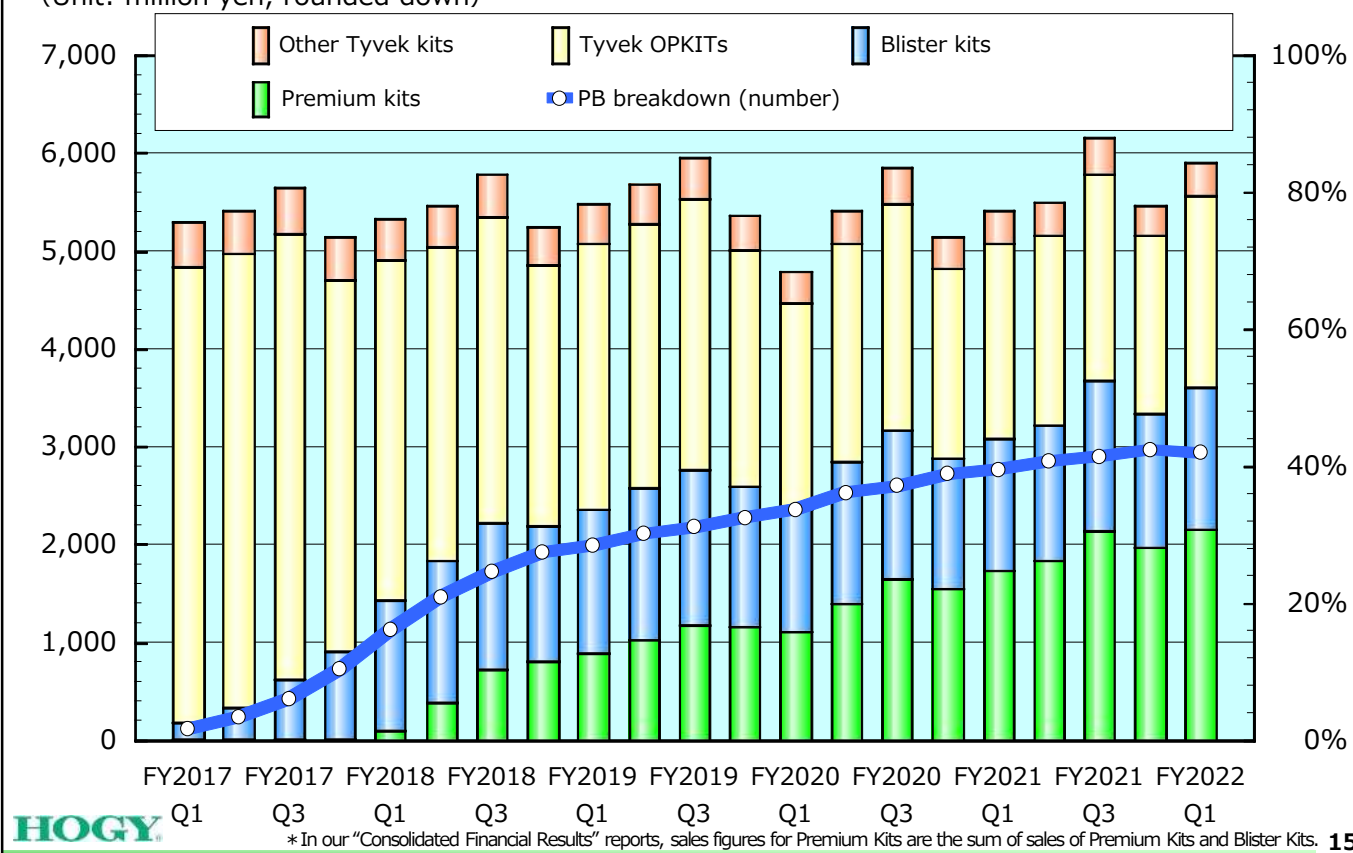
	FY2021 Result	FY2022 Plan
KIT COVID-19	350	550
KIT New etc.	1,020	1,940
KIT Total	1,370	2,492
Non-woven	-1,052	-395
Other	-43	-155
Total	273	1,941

# Performance details

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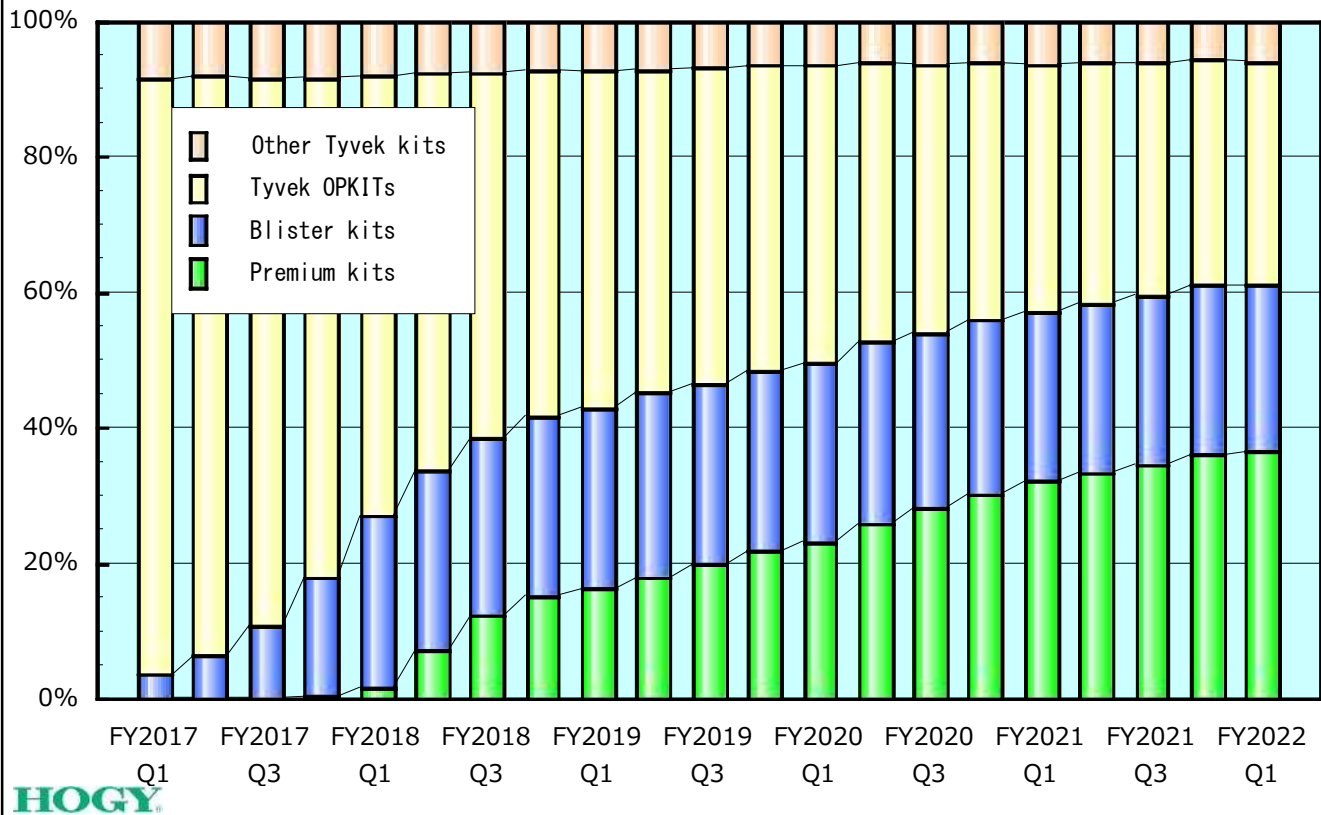
# Sales of Kit

(Unit: million yen, rounded down)



- 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 2022: 1Q sales (YoY comparison)
  - ✓ Premium Kit & Blister Kit : + 512 million yen (+16.5%)
  - ✓ Tyvek Kit : - 24 million yen (-1.1%)

# 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



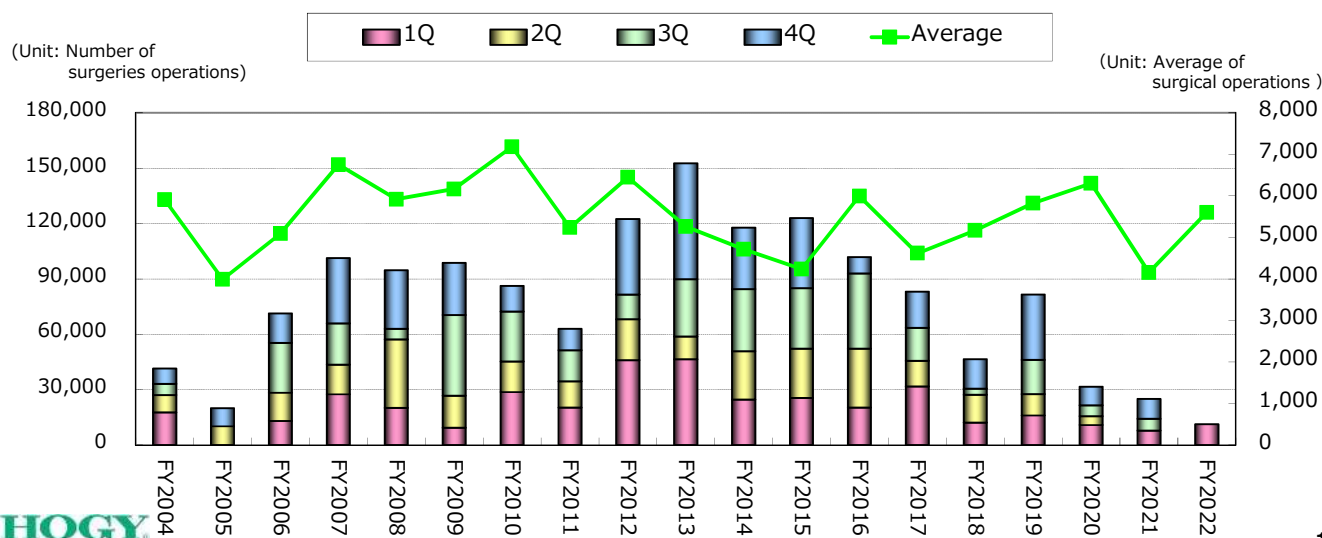
Net sales : 3,947 million yen (+332 million yen : +9.2%)

Number of newly contracted institutions in FY2022 :

2 newly contracted institutions

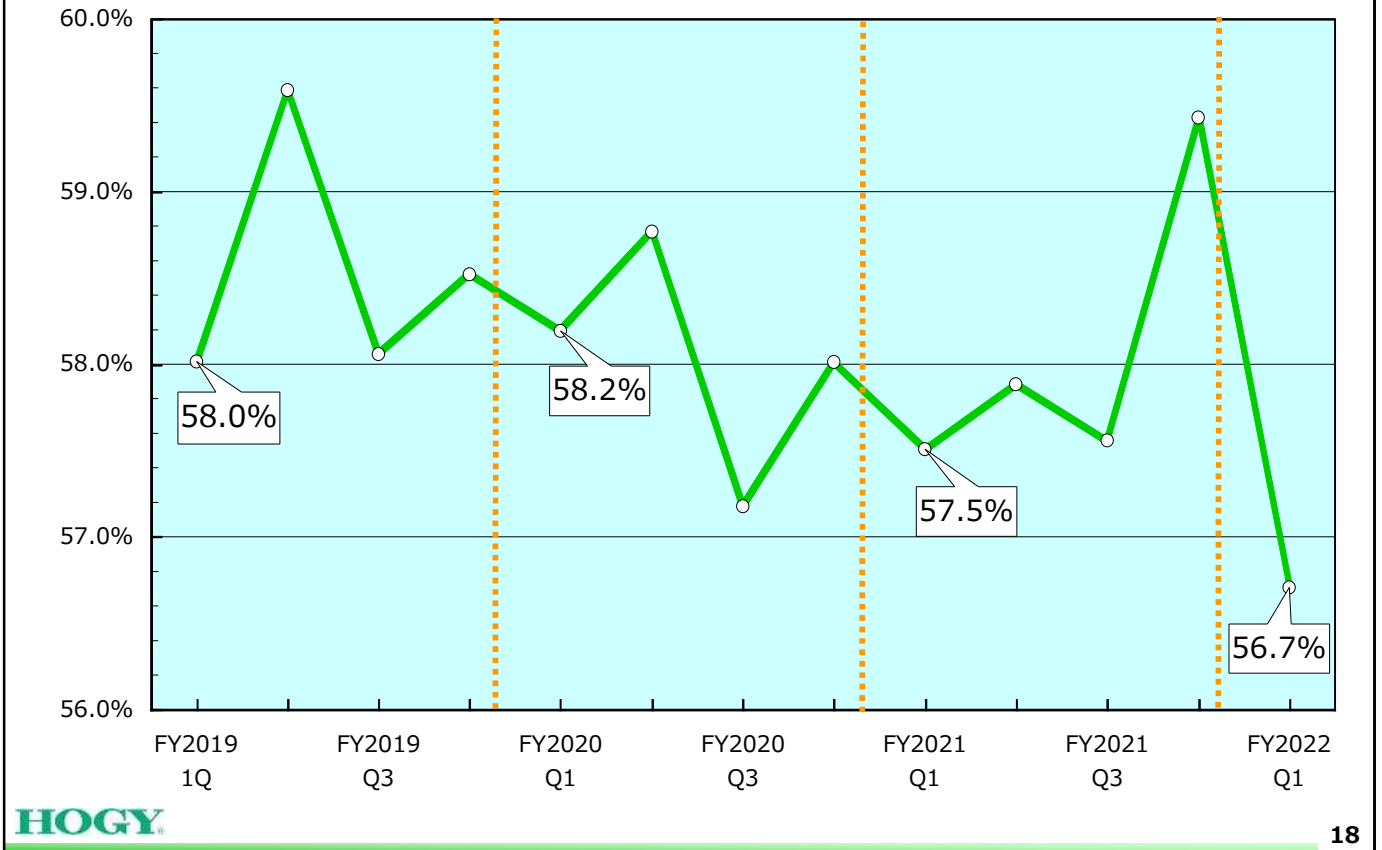
Cumulative contracted institutions at fiscal year-end : 270

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



- FY2022: 2 newly contracted hospitals  
(DPC specified hospital Group (Former Group II) : 2)
- Average of surgical operations per Opera Master-contracted hospitals at FY2022: 5,600
- Focusing on large Opera Master-contracted hospitals with high concentration of patients

## Cost of Sales Ratio



- Impact of inventory product valuation
- Negligible foreign exchange impact (since half of US dollar purchases in first quarter were made through forward exchange contracts, such contracts will decline from second quarter)
- Decrease in new factory depreciation expense
  - Total depreciation : 904 million yen (-105 million yen)
  - Cost of sales : 739 million yen (- 68 million yen)
  - SG&A expenses : 165 million yen (- 36 million yen)

# Fiscal 2022 – First Quarter Income Statements



Unit: million yen, rounded down	Fiscal 2021 First Quarter Results		Fiscal 2022 First 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	8,895		9,447		551	106.2%	Personnel expenses	19
Cost of sales	5,115	57.5%	5,357	56.7%	241	104.7%	Travel expenses	9
Gross profit	3,780	42.5%	4,090	43.3%	310	108.2%	Depreciation	-36
SG & A expenses	2,287	25.7%	2,232	23.6%	-55	97.6%	Testing and research	-41
Operating income	1,492	16.8%	1,857	19.7%	365	124.5%		
Non-operating income/loss	2		-14		-16			
Ordinary income	1,495	16.8%	1,843	19.5%	348	123.3%		
Extraordinary income/loss	-1		-0		1			
Profit attributable to owners of parent	1,089	12.2%	1,304	13.8%	214	119.7%		
EPS	36.65yen		53.77yen					

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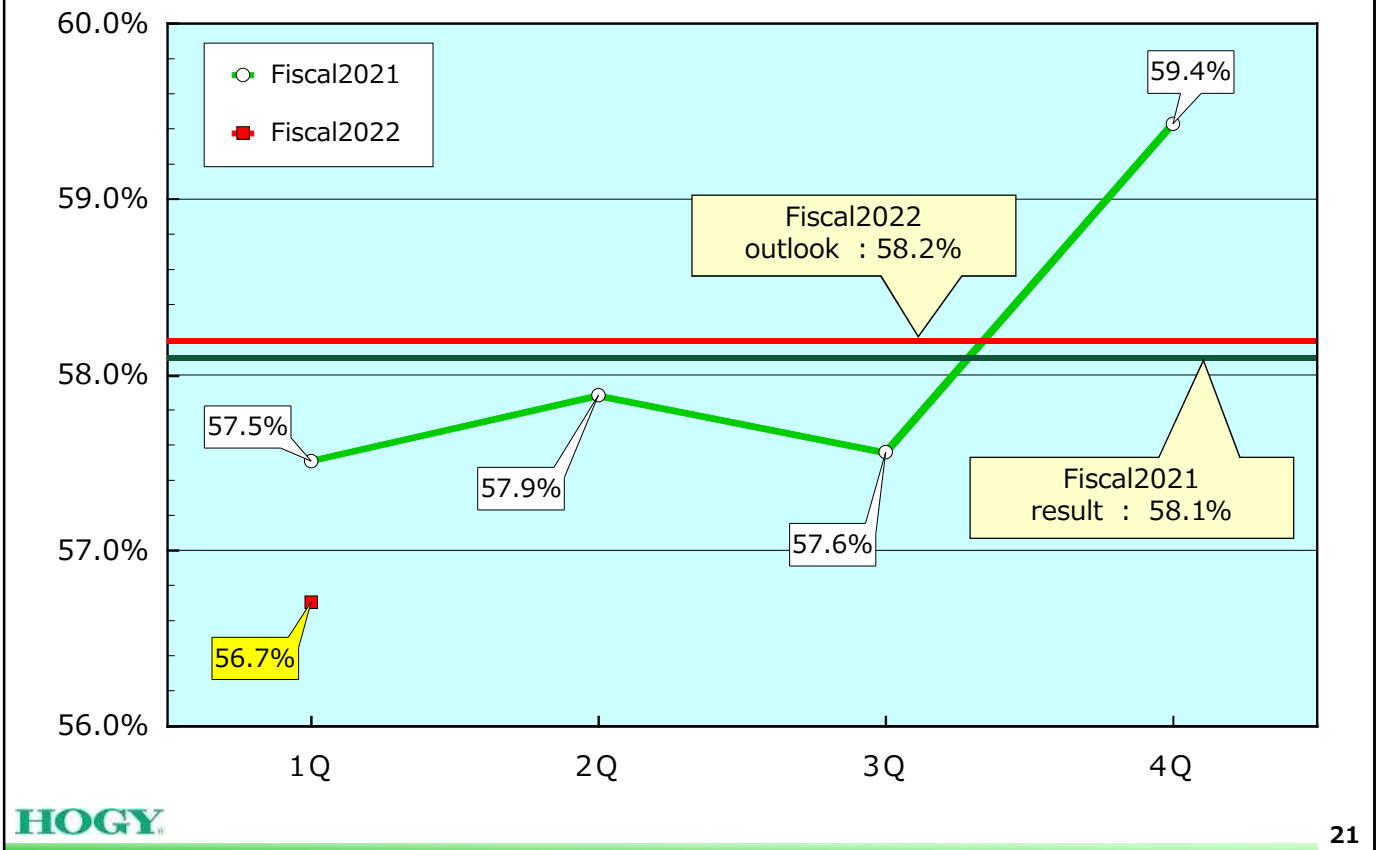
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- SG&A expenses: 2,232 million yen (- 55 million yen)
  - ✓ Testing and research : : Impact of timing of expense recording
- Capex: 354 million yen (includes 33 million yen in new factory)

# Fiscal 2022 Full-Year Management Projections

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## Fiscal 2022 Income Statements



- 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

# Fiscal 2022 Income Statements



Unit: million yen, rounded down	Fiscal 2021 Results		Fiscal 2022 Plan		Year-on-Year Comparison		Major increases/decreases	Year-on-Year Comparison
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change		
Net sales	36,778		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 transportation costs	47
SG & A expenses	9,281	25.2%	9,670	25.0%	388	104.2%	Testing & research expenses	41
Operating income	6,135	16.7%	6,510	16.8%	374	106.1%	Travel expenses	34
Non-operating income/loss	150		60		-90			
Ordinary income	6,285	17.1%	6,570	17.0%	284	104.5%		
Extraordinary income/loss	0		-		-0			
Profit attributable 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 (Conventional kit)
Where to produce	New plant (Multi) 		Tsukuba, Miho 
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 Elimination of human error (major declines in input mistakes and contamination)		As before
Criteria	Kit template materials: 80% or more	Kit template materials: 30% to 80%	Cases where small amounts of materials used Kit template materials: 30% or less





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