



MEMBERSHIP

April 14, 2021

# Financial Report of Fiscal 2020

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( April 1, 2020 – March 31, 2021 )

**Jun-ichi Hoki,            President and CEO**

**Hideki Kawakubo,    Executive Officer, Management Planning Dept.**

# **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 2020 – Income Statements



Unit: million yen, rounded down	Fiscal 2019 Results		Fiscal 2020 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	37,232		36,504		△728	98.0%
Operating income	5,307	14.3%	5,632	15.4%	324	106.1%
Ordinary income	5,791	15.6%	5,988	16.4%	197	103.4%
Profit attributable to owners of parent	5,529	14.9%	4,959	13.6%	△570	89.7%
EPS	183.07yen		164.03yen			

**HOGY**

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### ■ Lower sales; lower income

#### Net sales :

- Surgery numbers significantly impacted by COVID-19, with surgical kit products being mostly affected

#### Cost of sales ratio :

58.0%(-0.5pt YoY)

- lower depreciation costs
- Productivity impacted by decline in production volume

#### SG&A expenses :

- Decrease in travel expenses and prototype costs due to self-restraint in sales activities to address COVID-19

#### Extraordinary income :

- Gain on sales of investment securities: 1,028 million yen (1,942 million yen in FY2019)

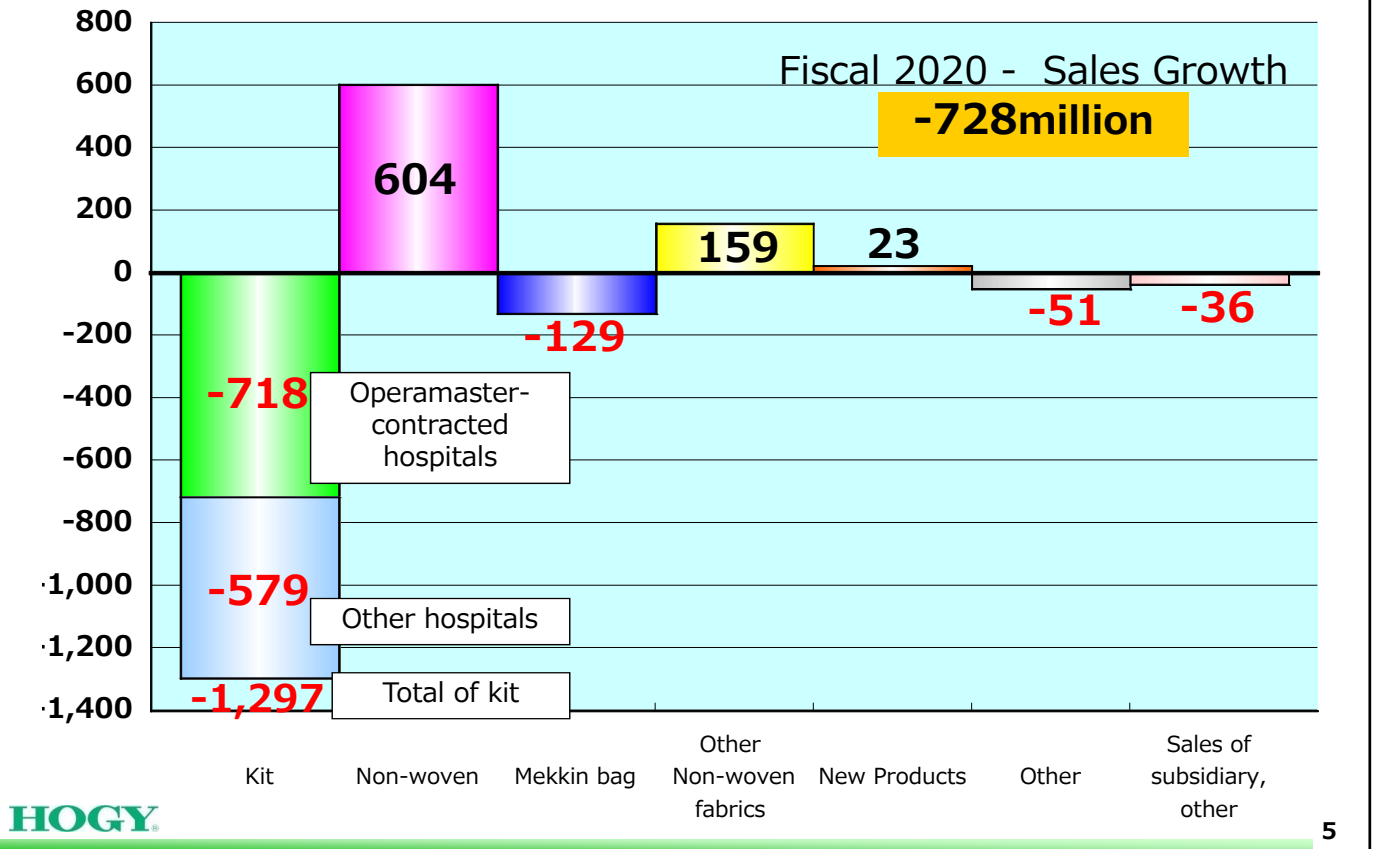
#### Other :

- 2.00 yen yoy dividend increase

# Fiscal 2020 Sales Growth by Major Products



(Unit: million yen, rounded down)

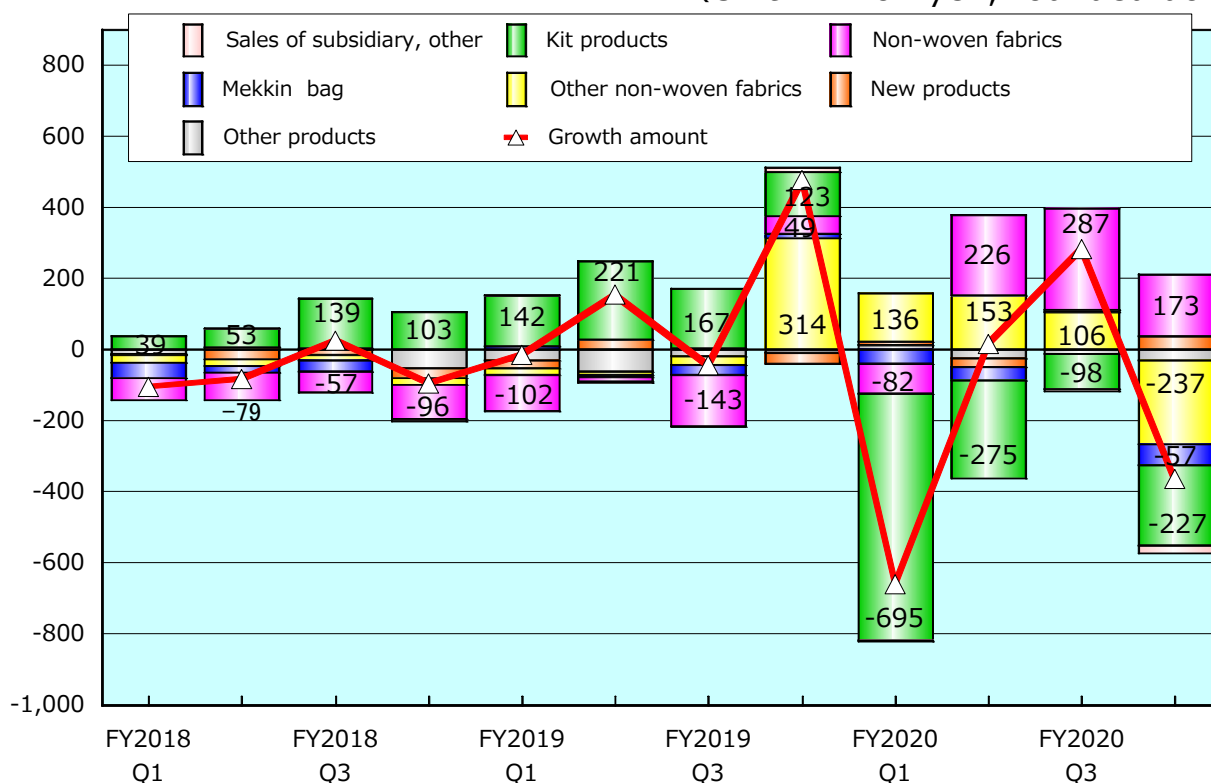


- Decrease in sales, mainly of surgical kit products, due to decline in number of surgeries stemming from COVID-19 (Greatest affected departments in order of magnitude: Ophthalmology, orthopedics, and day surgery)
- Premium Kit and Blister Kit sales up 9.1% year on year
- Special demand for non-woven fabrics (gowns & Precaution Set) and other non-wovens (masks)
- We continued conducting limited sales activities while monitoring the intentions of medical institutions (PCR tests of salespeople confirmed negative)  
16% of facilities: Visits prohibited; 60% of facilities: Visits by appointment only (as of March 31, 2021)
- Opera Master: 5 new contract; 12 cancellation

# Fiscal 2020 Sales Growth by Quarter



(Unit: million yen, rounded down)



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- Surgery numbers significantly impacted by COVID-19, with surgical kit products being mostly affected
- Recovered from the impact of COVID-19 thanks to new acquisitions
- COVID-19 impact led to special demand for some products, but demand for other non-woven fabrics (masks) ran its course in the fourth quarter

(Unit: million yen, rounded down)

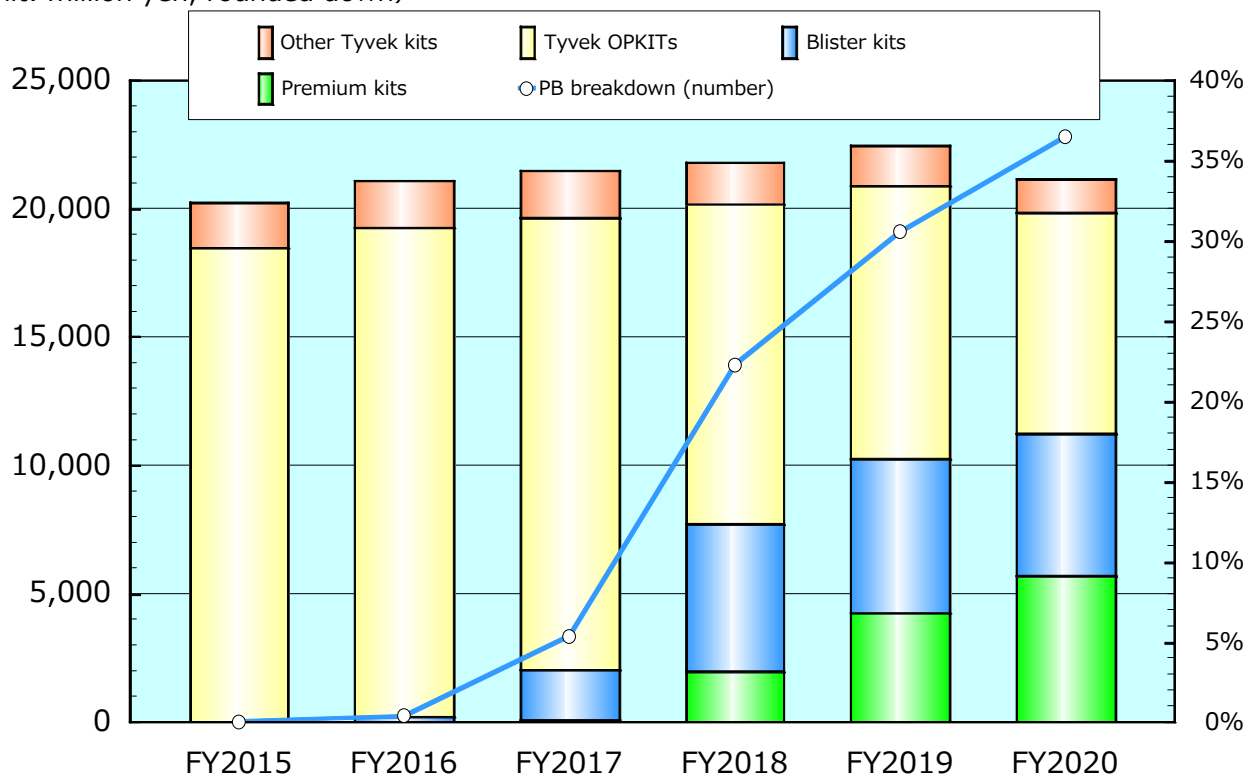
Product	Cause	1 Q	2 Q	3 Q	4 Q	FY2020
KIT	New etc.	124	154	292	184	754
	COVID-19	-820	-430	-390	-410	-2,050
	<b>KIT Total</b>	<b>-695</b>	<b>-275</b>	<b>-98</b>	<b>-227</b>	<b>-1,295</b>
Non-woven	COVID-19 (gowns & Precaution Set)	120	340	310	240	1,010
	overseas	23	101	99	120	343
	other (Including COVID-19 impact)	-225	-215	-121	-187	-748
	<b>Non-woven Total</b>	<b>-82</b>	<b>226</b>	<b>287</b>	<b>173</b>	<b>604</b>
Mekkin bag	COVID-19	-40	-40	0	0	-80
Other Non-woven fabrics	COVID-19	160	180	130	70	540
	other	-24	-27	-24	-307	-382
	<b>Other Non-woven fabrics Total</b>	<b>136</b>	<b>153</b>	<b>106</b>	<b>-237</b>	<b>159</b>
other		-20	-89	-13	-73	-195
<b>Total</b>		<b>-661</b>	<b>15</b>	<b>282</b>	<b>-364</b>	<b>-728</b>

Total COVID-19 impact in FY2020 -1,040

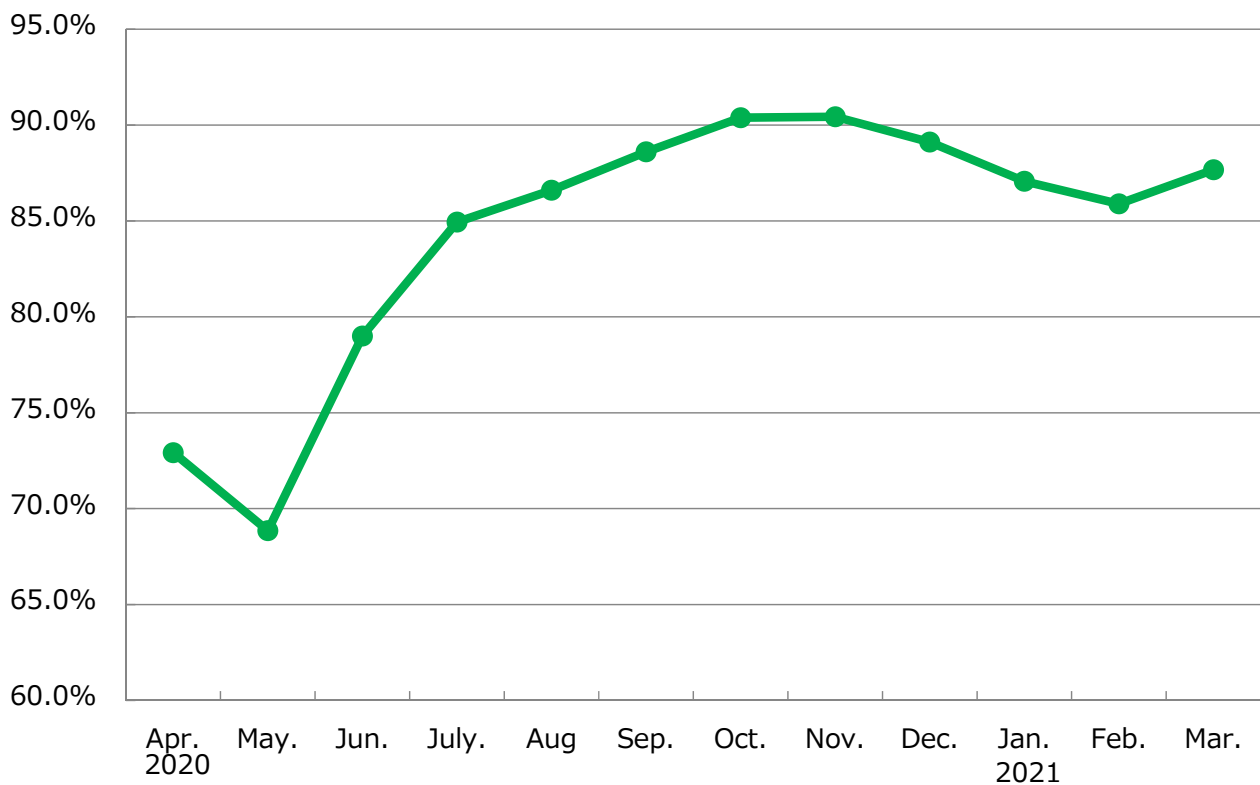
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# Sales of Kit

(Unit: million yen, rounded down)



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



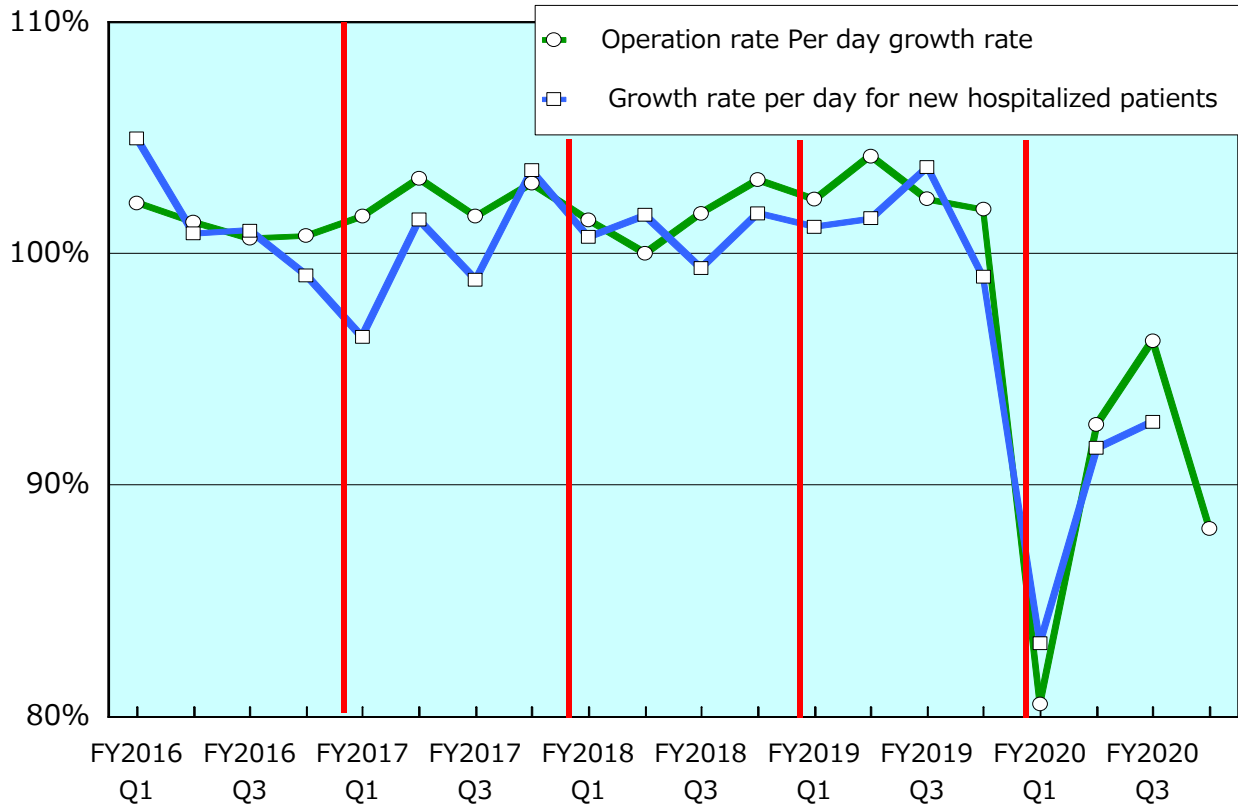
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- Impact of COVID-19 on surgery numbers at 2000 hospitals (research conducted by Hogy Medical salespeople)  
[Full year: 15.7% \(equivalent to around 780,000 surgeries nationwide\)](#)  
1Q: 25% down, 2Q: 13% down; 3Q: 10% down; 4Q: 13% down
- Surgery numbers (previously on a recovery trend) impacted in fourth quarter by third wave of pandemic
- Continuation of trend where magnitude of surgery declines shrinks as urgency level increases



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



## ■ Market environment

- ✓ Increase in number of (non-medical) operations that previously were not performed in medical institutions, due to COVID-19
- ✓ Increase in turnover of healthcare workers
- ✓ Decreases in consultations with medical institutions and number of surgeries, especially during state of emergency period
- ✓ Accelerated deterioration of hospital management conditions
- ✓ Functional differentiation in medical institutions encouraged
- ✓ Ongoing polarization between medical institutions working to increase surgery numbers (in COVID-19 environment) and those working to improve management

## ■ Internal environment

- ✓ Encouraged remote sales activities in response to restrictions on visits to medical institutions
- ✓ Conducted PCR screening tests on sales personnel
- ✓ Provided education for sales personnel
- ✓ Developed and sold products for protection against COVID-19
- ✓ Strengthened production system in Indonesia

# Fiscal 2021 Outlook

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## 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		156.69yen			

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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

■ 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**

# Fiscal 2021 Income Forecasts



## ■ Net sales

- ✓ We will **step up proposals for Premium Kit** to handle the work of nurses, due to endlessly increasing staff workloads, as well as understaffing of medical personnel (which has become a chronic problem)
- ✓ 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
- ✓ We will prepare to launch the R-SUD business (sales activities scheduled as soon as COVID-19 pandemic settles down)

## ■ 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

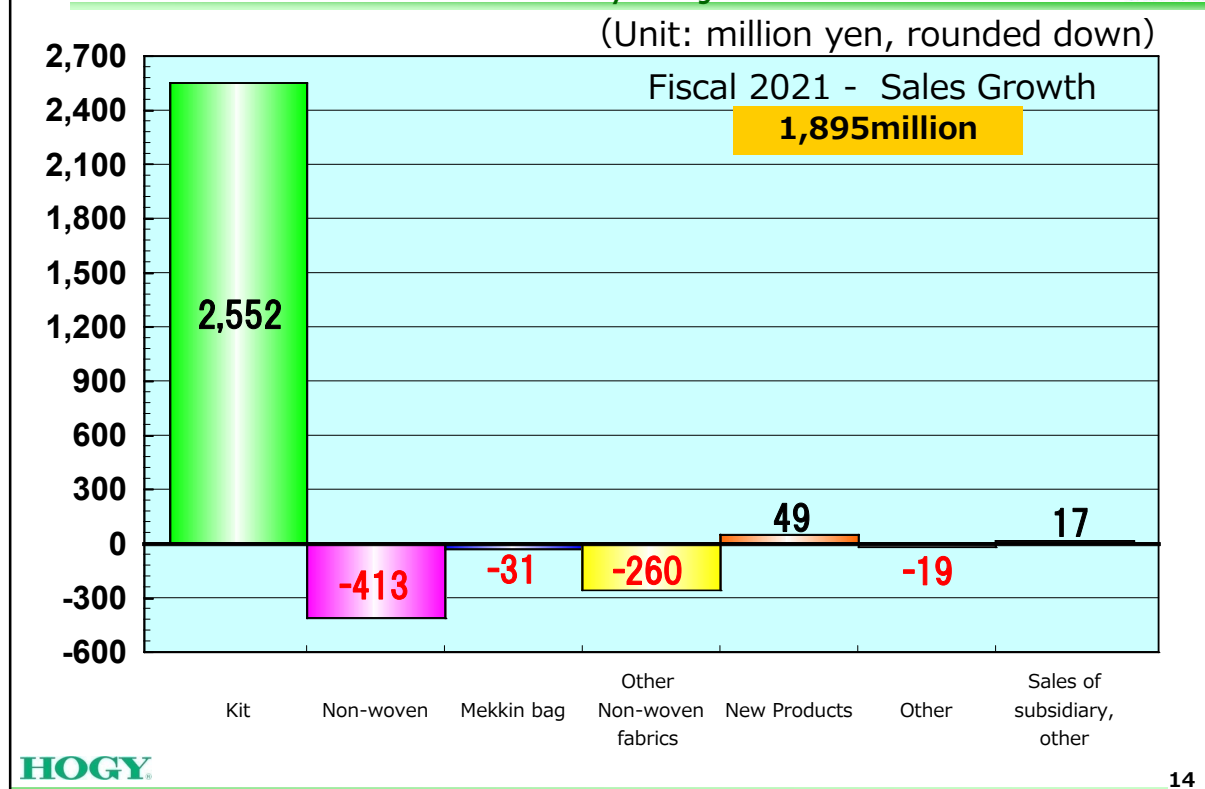
## ■ SG&A expenses

- ✓ 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



- 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 precaution sets after enjoying special demand
- Other non-woven products: Reactionary decline in sales of masks after enjoying special demand

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

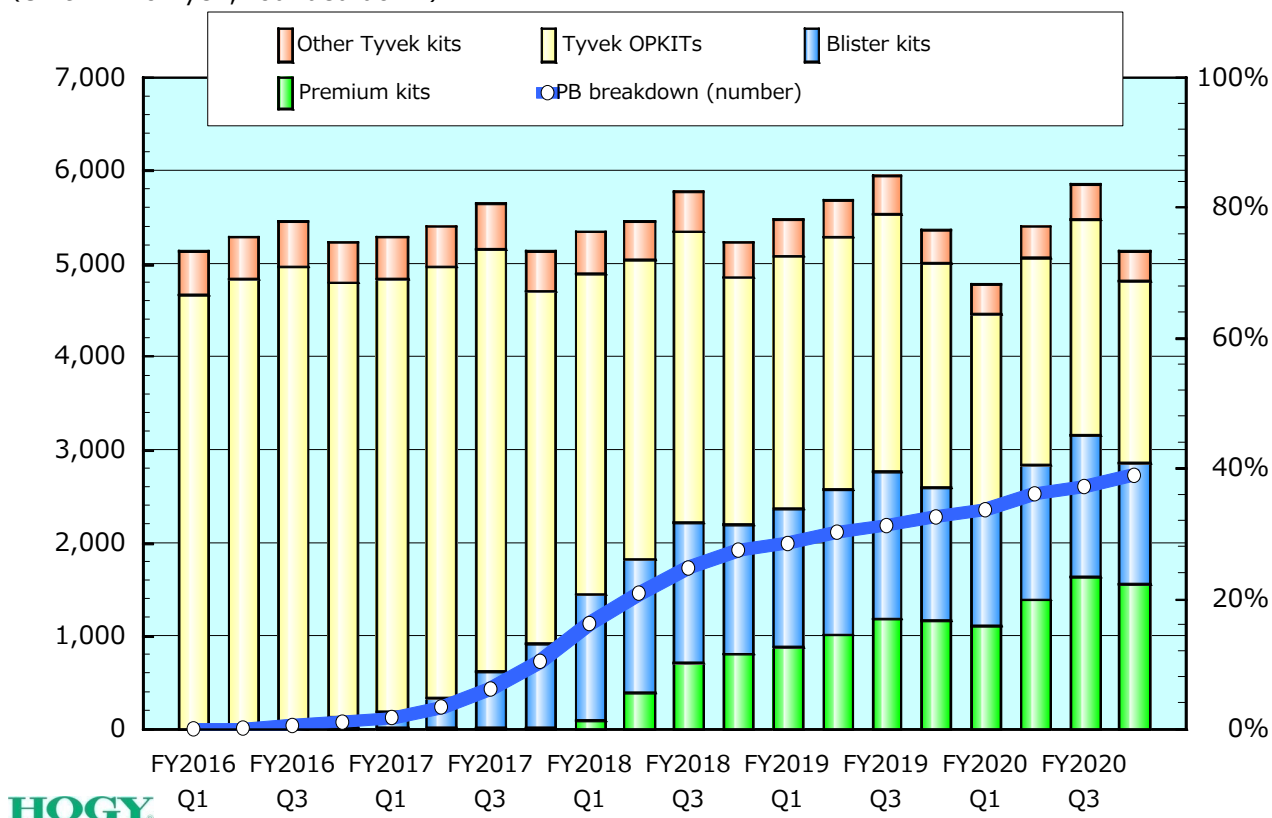
Product	Cause	FY2020 Result	FY2021 Forecast
KIT	New etc.	754	1,252
	COVID-19	-2,050	1,300
	<b>KIT Total</b>	<b>-1,295</b>	<b>2,552</b>
Non-woven	COVID-19 (gowns & Precaution Set)	1,010	-710
	overseas	343	27
	other (Including COVID-19 impact)	-748	260
	<b>Non-woven Total</b>	<b>604</b>	<b>-413</b>
other	-36	-244	
<b>Total</b>	<b>-728</b>	<b>1,895</b>	

# Performance details

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## Sales of Kit

(Unit: million yen, rounded down)



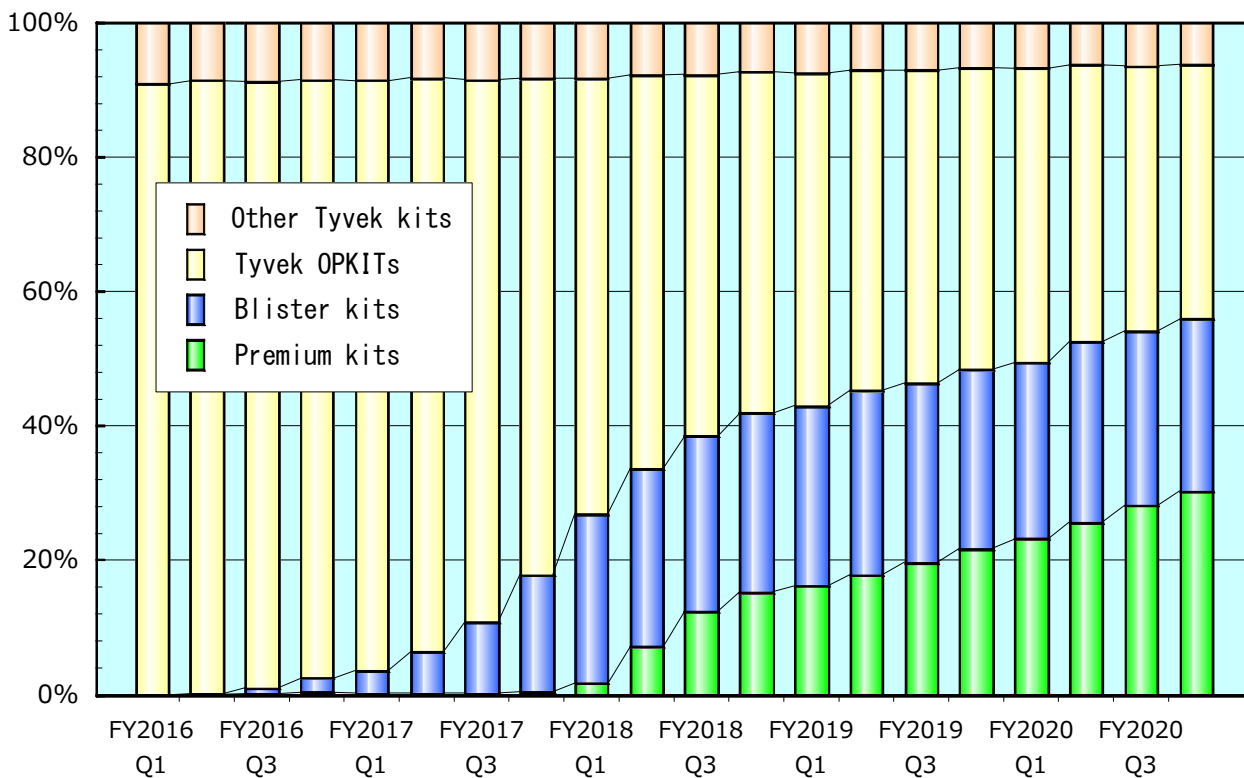
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- Decrease in sales volume, mainly of Tyvek Kit, due to COVID-19
- Number of cases tends to decrease as surgery urgency increases
- Fiscal 2020: 4Q sales (YoY comparison)
  - ✓ Premium Kit & Blister Kit : +271 million yen(+10.5%)
  - ✓ Tyvek Kit : -499 million yen(-18.1%)
- FY2020 breakdown of surgical kit products ((Premium Kit + Blister Kit)/Kit)

	1Q	2Q	3Q	4Q	4QYoY
Sales	49.4%	52.6%	54.1%	55.9%	+7.4%
Unit sales	33.6%	36.1%	37.1%	38.9%	+6.5%



# Transition of Sales Composition by types of Kits



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- Increase in Premium Kit sales ratio due to decrease in Tyvek Kit sales stemming from COVID-19

# Number of Operamaster Contracts; Number of Surgical Operations

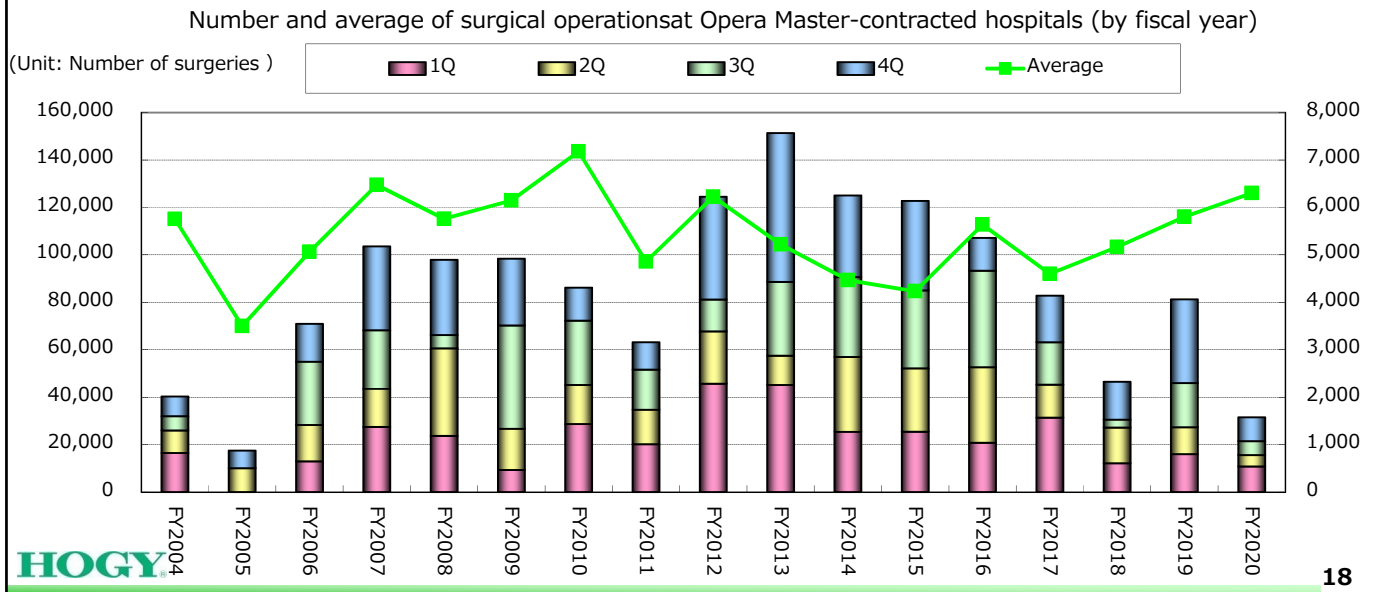


Net sales : 14,154million (-718 million : 95.2%)

Number of newly contracted institutions in FY2020 :

5 newly contracted institutions 12 cancellations

Cumulative contracted institutions at fiscal year-end : 271

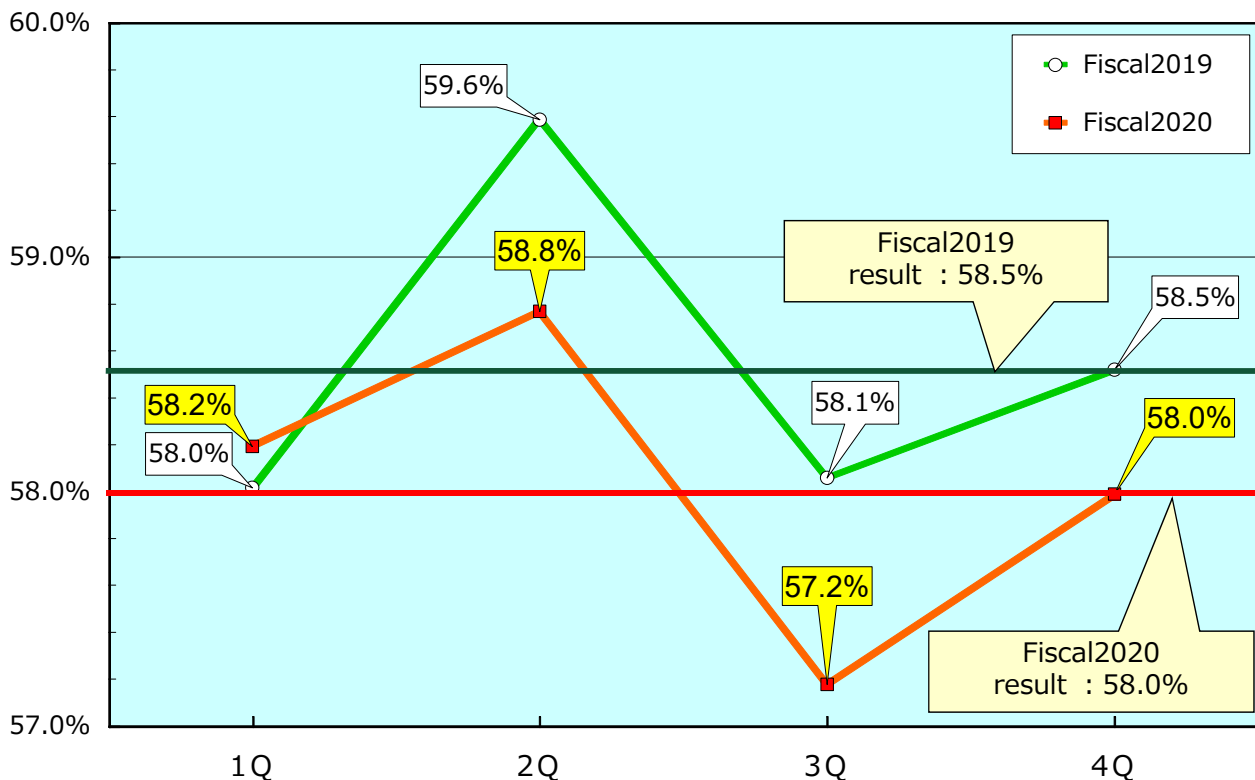


- FY2020: 5 newly contracted hospitals  
(Group I: 3, Group III: 2)

- Average operations per hospital: 6,300

- Focusing on large Opera Master-contracted hospitals with high concentration of patients

# Fiscal 2020 Cost of Sales Ratio



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- Decrease in new factory depreciation cost  
 Total depreciation : 4,549 million yen (-733 million yen)
  - Cost of sales : 3,643 million yen (-569million yen)
  - SG&A expenses : 906 million yen (-164 million yen)
- Cost of sales ratio expected to increase due to decline in production volume
- Corporate rate: 110 yen

# Fiscal 2020 Income Statements



Unit: million yen, rounded down	Fiscal 2019 Results		Fiscal 2020 Results		Year-on-Year Comparison		Major increases/decreases	Year-on-Year Comparison
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change		
Net sales	37,232		36,504		△728	98.0%	Travel expenses	△219
Cost of sales	21,798	58.5%	21,177	58.0%	△620	97.2%	Depreciation	△164
Gross profit	15,434	41.5%	15,326	42.0%	△107	99.3%	Prototype costs	△135
SG & A expenses	10,126	27.2%	9,694	26.6%	△432	95.7%	Personnel expenses	189
Operating income	5,307	14.3%	5,632	15.4%	324	106.1%		
Non-operating income/loss	483		355		△127			
Ordinary income	5,791	15.6%	5,988	16.4%	197	103.4%		
Extraordinary income/loss	1,934		1,001		△933			Gain on partial sale of shares FY2019: 1,942 million yen → FY2020: 1,028 million yen
Profit attributable to owners of parent	5,529	14.9%	4,959	13.6%	△570	89.7%		
EPS	183.07yen		164.03yen					

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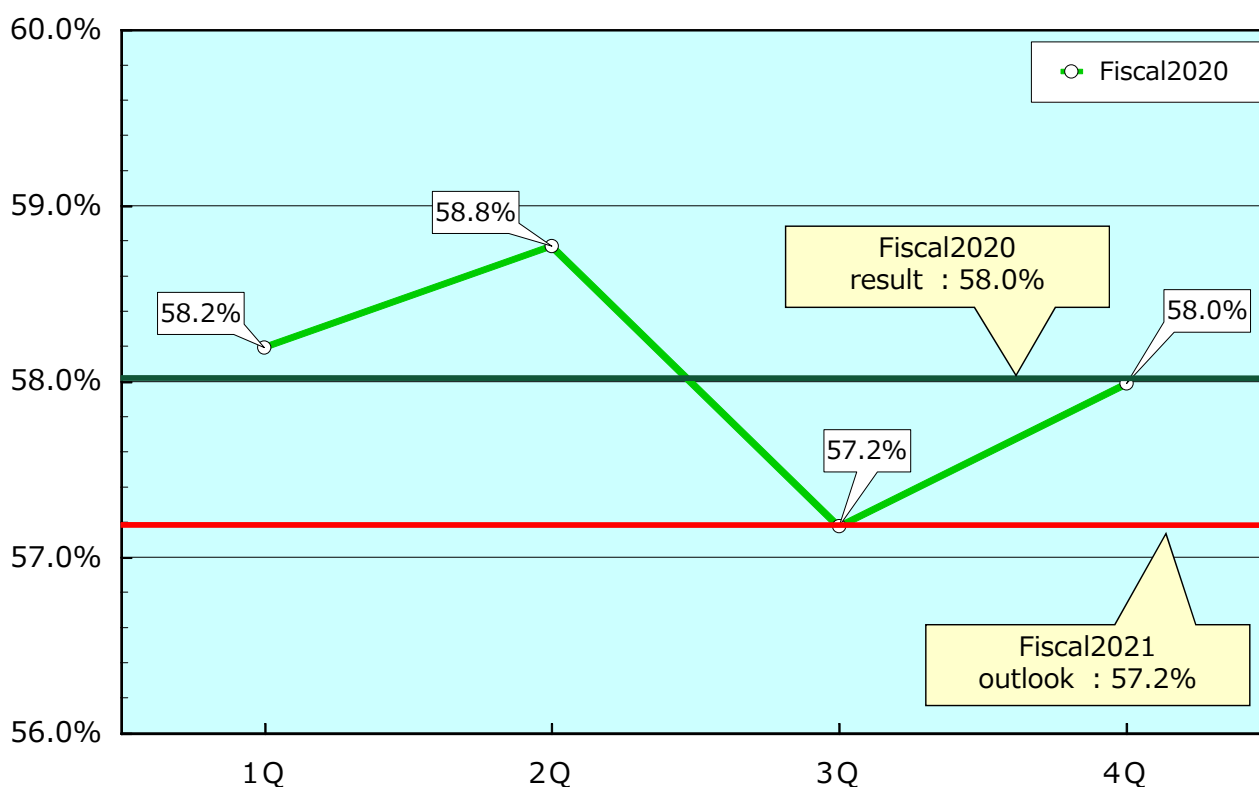
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- SG&A expenses : 9,694 million yen (-432 million yen )
  - ✓ Personnel expenses : Increase in profit in previous year led to rise in personnel costs
  - ✓ Travel and prototype costs : Impacted by restraint in sales activities
- Non-operating item: Grant from Ushiku City for new factory construction
- Extraordinary income: Gain on sales of investment securities
- Capex: 5,261 million yen (includes 3,644 million yen in new factory)

# Fiscal 2021 Full-Year Management Projections

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## Fiscal 2021 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	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,504		38,400		1,895	105.2%
Cost of sales	21,177	58.0%	21,980	57.2%	802	103.8%
Gross profit	15,326	42.0%	16,420	42.8%	1,093	107.1%
SG & A expenses	9,694	26.6%	10,070	26.2%	375	103.9%
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%
Profit attributable to owners of parent	4,959	13.6%	4,720	12.3%	△239	95.2%
EPS	163.03yen		156.69yen			

Major increases/decreases	Year-on-Year Comparison
Personnel expenses	308
Travel expenses	139
Prototype costs	86
Testing & research expenses	△146
Gain on partial sale of shares FY2020: 1,028 million yen	

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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)



MEMBERSHIP

April 14, 2021

# Financial Report of Fiscal 2020

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( April 1, 2020 – March 31, 2021 )

**Jun-ichi Hoki,            President and CEO**

**Hideki Kawakubo,    Executive Officer, Management Planning Dept.**