



MEMBERSHIP

April 15, 2019

Financial Report of Fiscal 2019

(April 1, 2019 – March 31, 2020)

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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.

Performance overview

Fiscal 2019 – Income Statements



(Unit: million yen, rounded down)	Fiscal 2018 Results		Fiscal 2019 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	36,658		37,232		574	101.6%
Operating income	4,382	12.0%	5,307	14.3%	925	121.1%
Ordinary income	4,503	12.3%	5,791	15.6%	1,287	128.6%
Profit attributable to owners of parent	6,043	16.5%	5,529	14.9%	△513	91.5%
EPS	198.31yen		183.07yen			

HOGY

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■ Higher sales; lower income

Net sales: [Sales increase driven mainly by Premium](#)

[Kit](#)

: Special demand for some products due to
new coronavirus

Cost of sales ratio: Improved thanks to lower
depreciation costs and higher productivity

SG&A expenses: Declines in prototype costs and R&D expenses

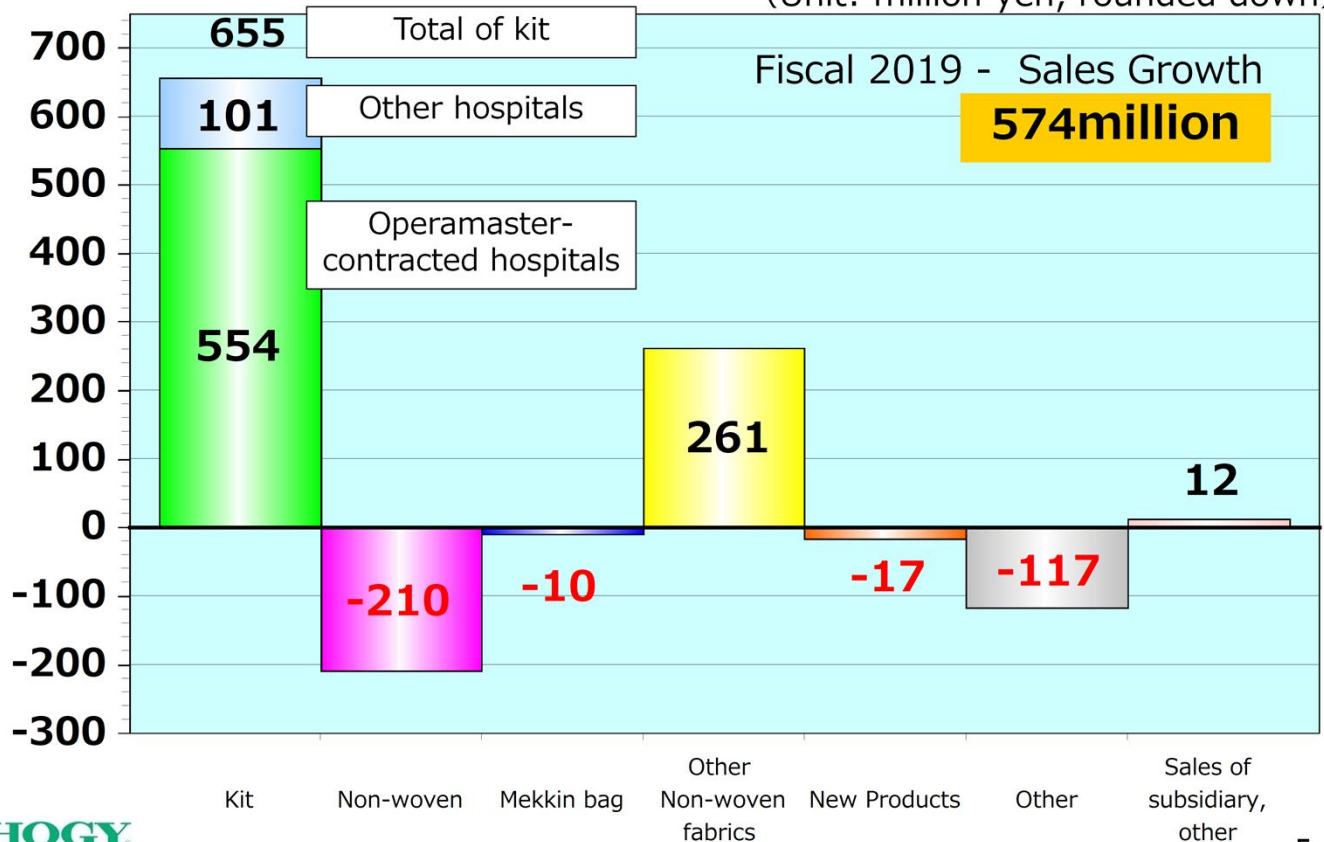
Extraordinary income: Gain on partial sale of equity holdings
(FY2018: 3,998 million yen ⇒ FY2019: 1,942 million yen)

Other: 3 R-SUD applications; 2.00 yen yoy dividend increase)

Fiscal 2019 Sales Growth by Major Products



(Unit: million yen, rounded down)



HOGY

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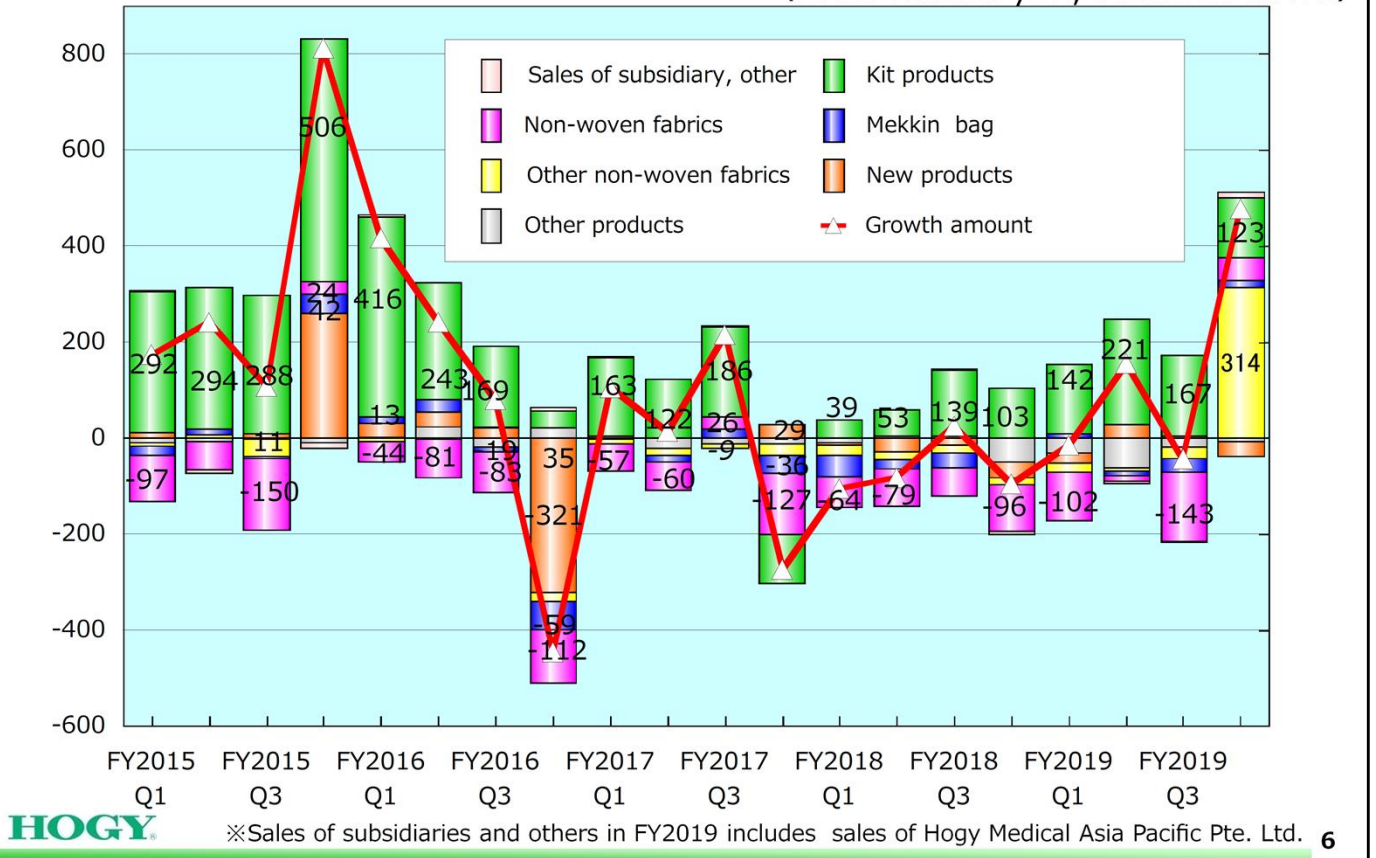
• Stepped up proposals for "work-style reforms" and "medical safety" to medical institutions

- ✓ Shift to overall sales growth trend for kit products (previously centered on Opera Master-contracted hospitals)
 - ✓ Made "work style reform" proposals to 2,000 hospitals using Premium Kit products
 - ✓ Made proposals for safety improvements, centered on orthopedic surgery
- Special demand for some products due to new coronavirus
- ✓ Other non-woven products: Approx. 300 million yen, mainly masks
 - ✓ Non-woven products: Approx. 100 million yen, mainly gowns
 - ✓ Since March: Restricting sales activities and addressing requests from medical institutions
- Opera Master: 14 new contracts; 10 cancellations

Fiscal 2019 Sales Growth by Quarter

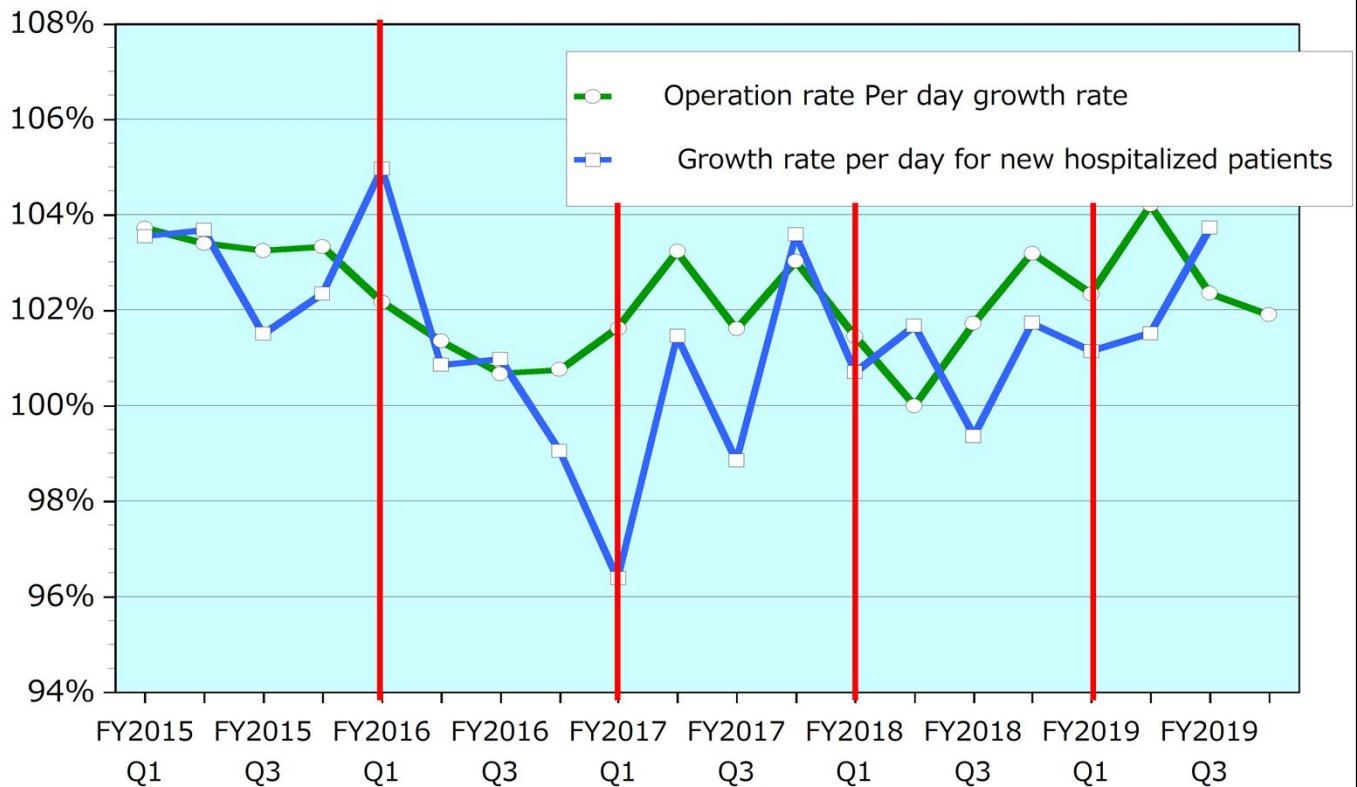


(Unit: million yen, rounded down)



- Slight changes in sales, mainly of existing products, due to consumption tax hike (2Q⇔3Q)
- Special demand for some products due to new coronavirus (4Q)
 - ✓ Other non-woven products: Approx. 300 million yen, mainly masks
 - ✓ Non-woven products: Approx. 100 million yen, mainly gowns

Number of Operamaster Contracts; Number of Surgical Operations

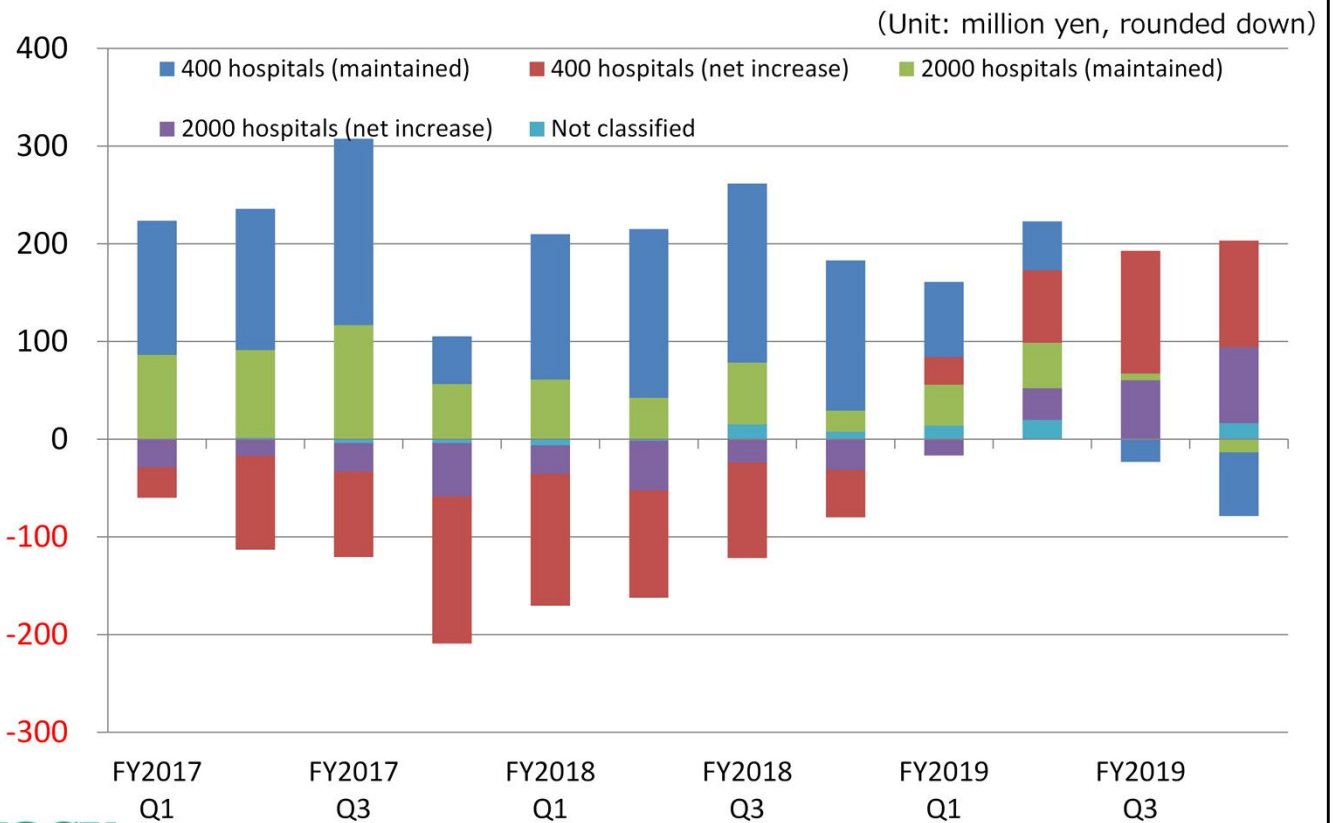


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- Average operations per day at Opera Master-contracted hospitals was steady until February, but has slowed slightly since March
- Signs that surgeries will decrease in April and thereafter (compared with March) as of date of results announcement
- Non-life-threatening surgeries to be postponed

Growth in kit product sales by strategic category



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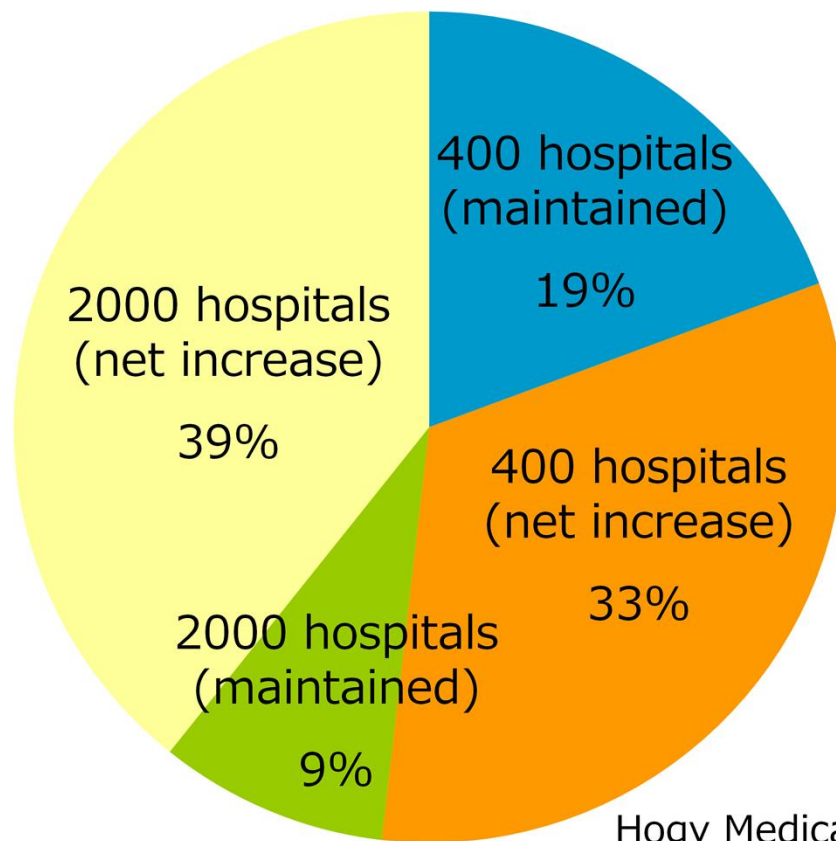
- Since 2Q of FY2019: [Significant increase in sales to hospitals that do not use our kits](#)

- [Increases in hospitals and departments using Premium Kit](#)

* Classifications of above table are as follows

Category	Number of surgeries per year	Percentage using our kits
400 hospitals (maintained)	4,000 or higher	60% or higher
400 hospitals (net increase)		Less than 60%
2000 hospitals (maintained)	Less than 4,000	60% or higher
2000 hospitals (net increase)		Less than 60%

Breakdown of surgeries by strategic category



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Hogy Medical (internal)

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- Since 2Q of FY2019: [Significant increase in sales to hospitals that do not use our kits](#)
- [Notable number of hospitals and departments using Premium Kit products](#)

* Classifications of above table are as follows

Category	Number of surgeries per year	Percentage using our kits	Percentage using our kits
400 hospitals (maintained)	4,000 or higher	60% or higher	86%
400 hospitals (net increase)		Less than 60%	17%
2000 hospitals (maintained)	Less than 4,000	60% or higher	86%
2000 hospitals (net increase)		Less than 60%	8%

Fiscal 2020 Outlook

Fiscal 2020 Income Forecasts



(Unit: million yen, rounded down)	Fiscal 2019 Results		Fiscal 2020 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	Rate Of Change
Net sales	37,232		38,700		1,467	103.9%
Operating income	5,307	14.3%	6,400	16.5%	1,092	120.6%
Ordinary income	5,791	15.6%	6,830	17.6%	1,038	117.9%
Profit attributable to owners of parent	5,529	14.9%	5,300	13.7%	△229	95.8%
EPS	183.07yen		175.37yen			

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■ Higher sales; lower income

• Net sales

- ✓ **Plan to increase Premium Kit sales** through proposals for "work-style reforms" and "medical safety"
- ✓ Some surgeries expected to be postponed due to new coronavirus, but any decline should return to normal for the full year.
- ✓ Expansion of overseas business development

• Cost of sales ratio

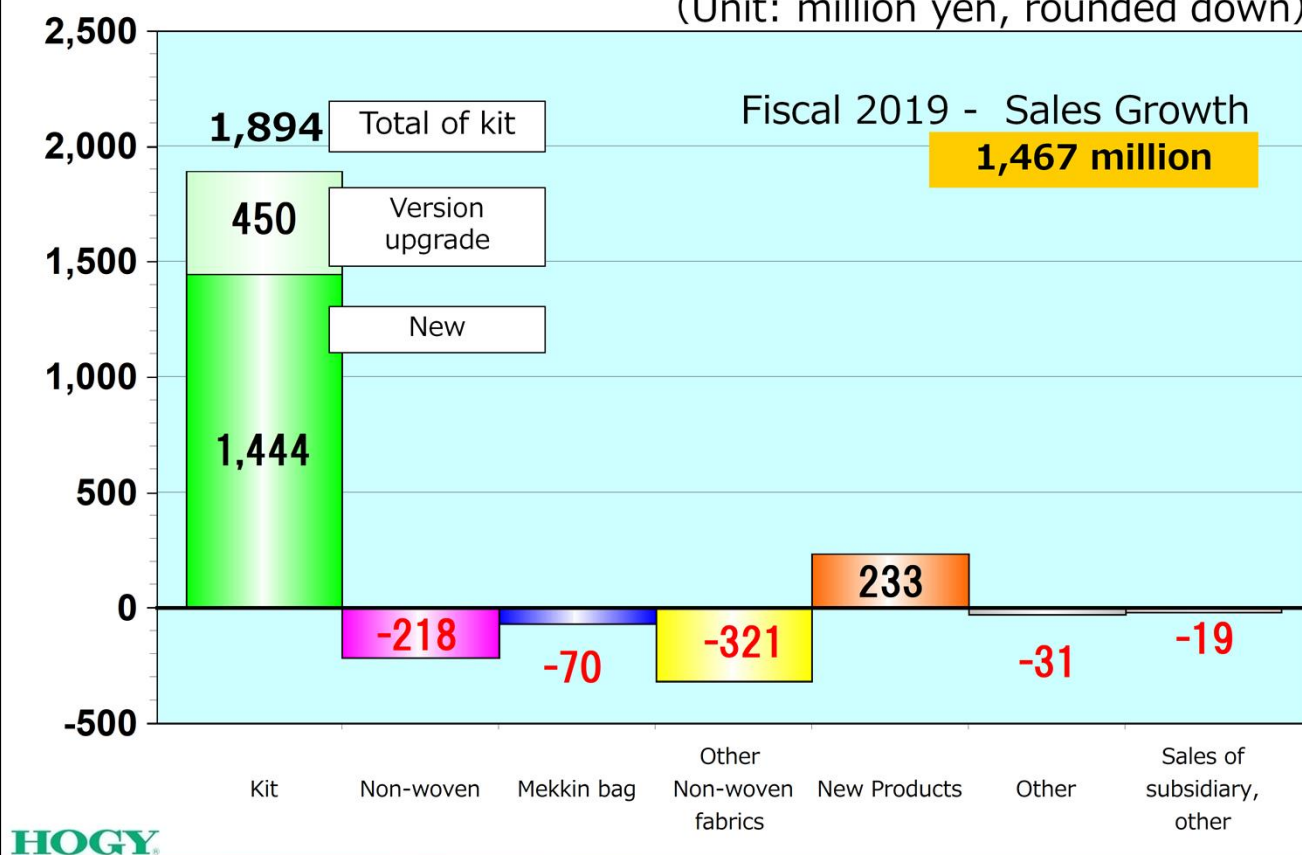
- : Will improve thanks to lower depreciation costs and higher productivity
- : Capital investment in Stage 2 construction of factory
- : Improve productivity and promote in-house production at P.T. Hogy Indonesia

- Prepare for R-SUD business and increase products for license application

Fiscal 2020 Plan Sales Growth by Major Products



(Unit: million yen, rounded down)



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■ Some surgeries expected to be postponed due to new coronavirus, but any decline should return to normal for the full year.

■ Promote Premium Kit as "work-style reform" solution and "safety improvement" tool at medical institutions

✓ Target the competition and step up new sales activities

✓ Promote improved safety in orthopedic and other surgical procedures

✓ Promote improved efficiency and safety by increasing number of materials in kits

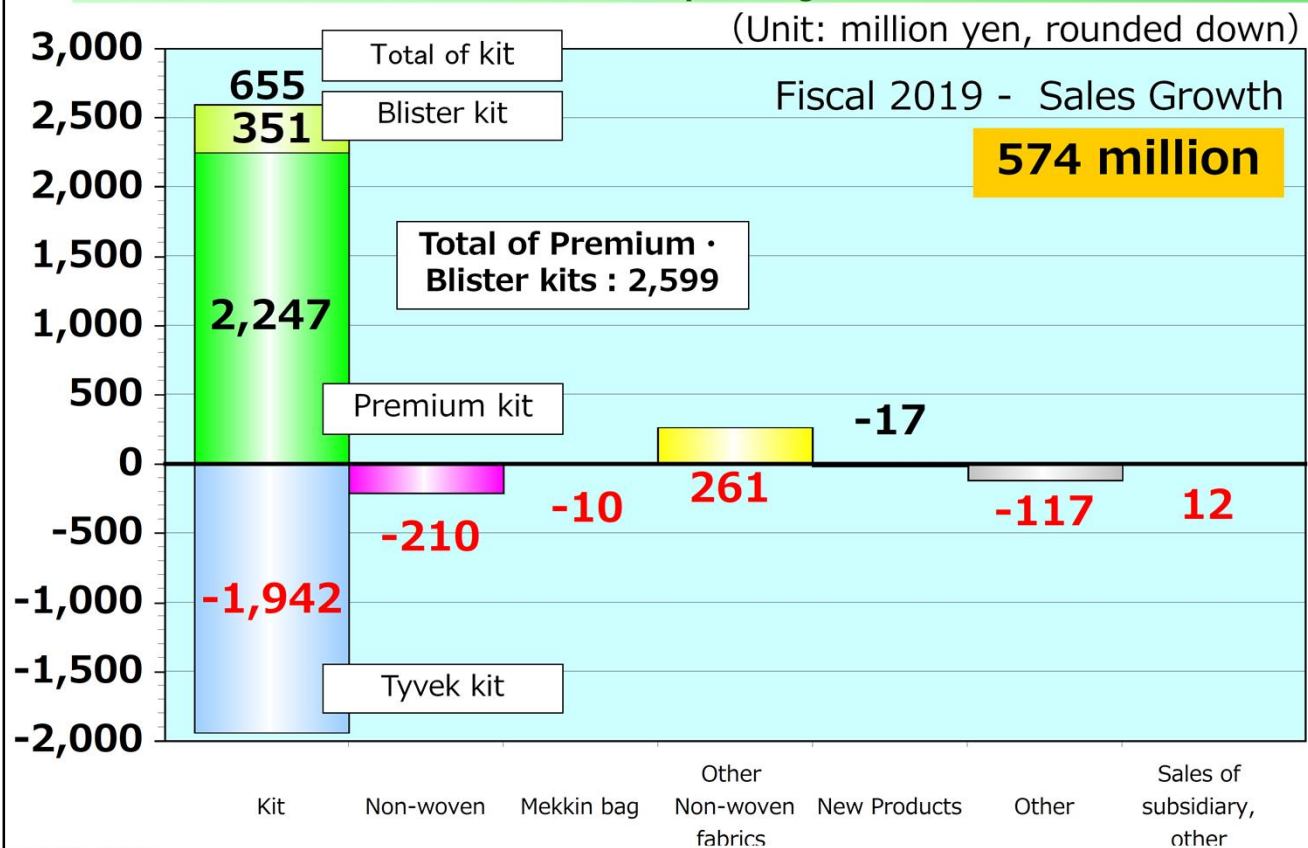
■ Decline in special demand due to new coronavirus

Performance details

Fiscal 2019



Sales Growth by Major Products



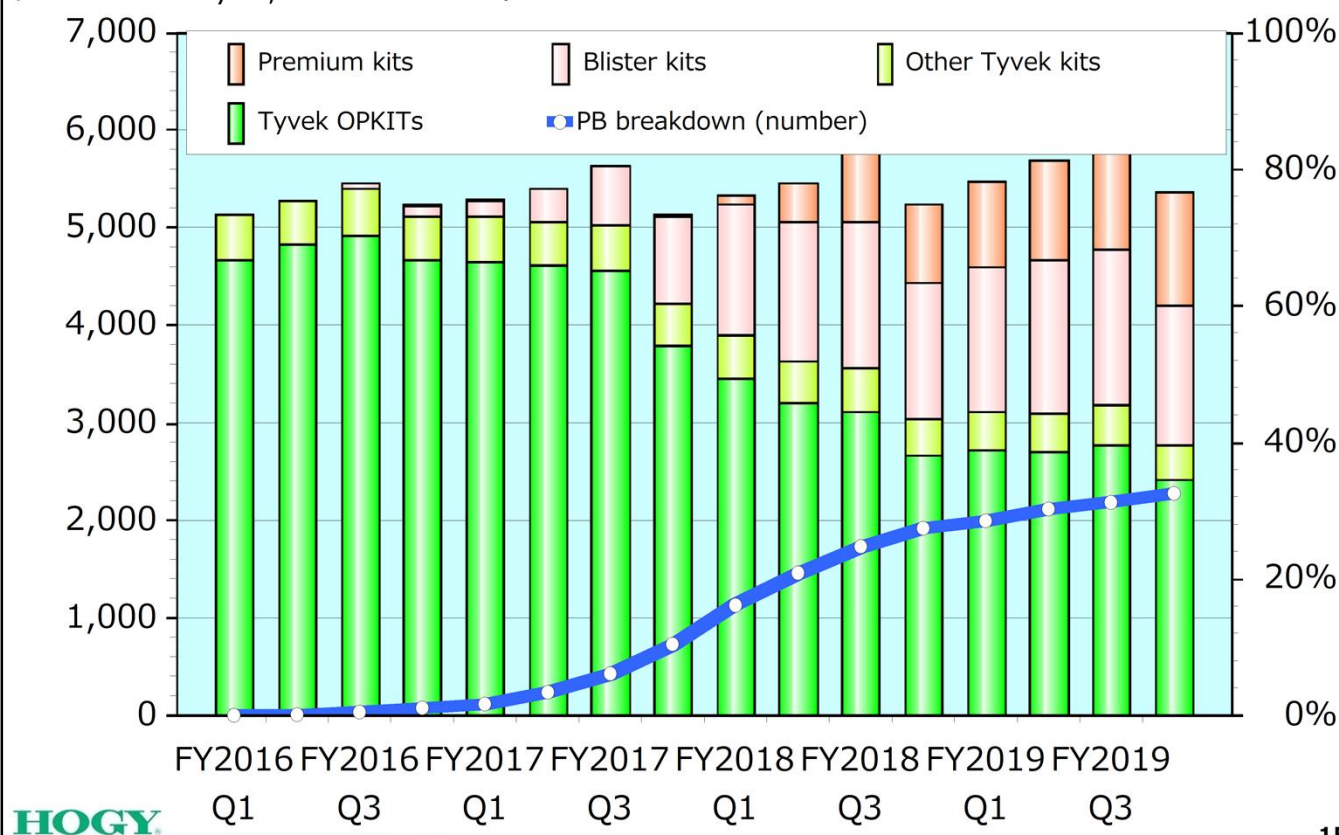
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- The shift in focus of sales to Premium Kit will result in new adoptions and version upgrades of Tyvek kits
- Tyvek kits remain in competition with other companies
- Special demand for some products due to new coronavirus
 - ✓ Other non-woven products: Approx. 300 million yen, mainly masks
 - ✓ Non-woven products: Approx. 100 million yen, mainly gowns

Sales of Kit

(Unit: million yen, rounded down)



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- Growing sales of Premium Kit thanks to proposals for "work-style reforms" and "medical safety"

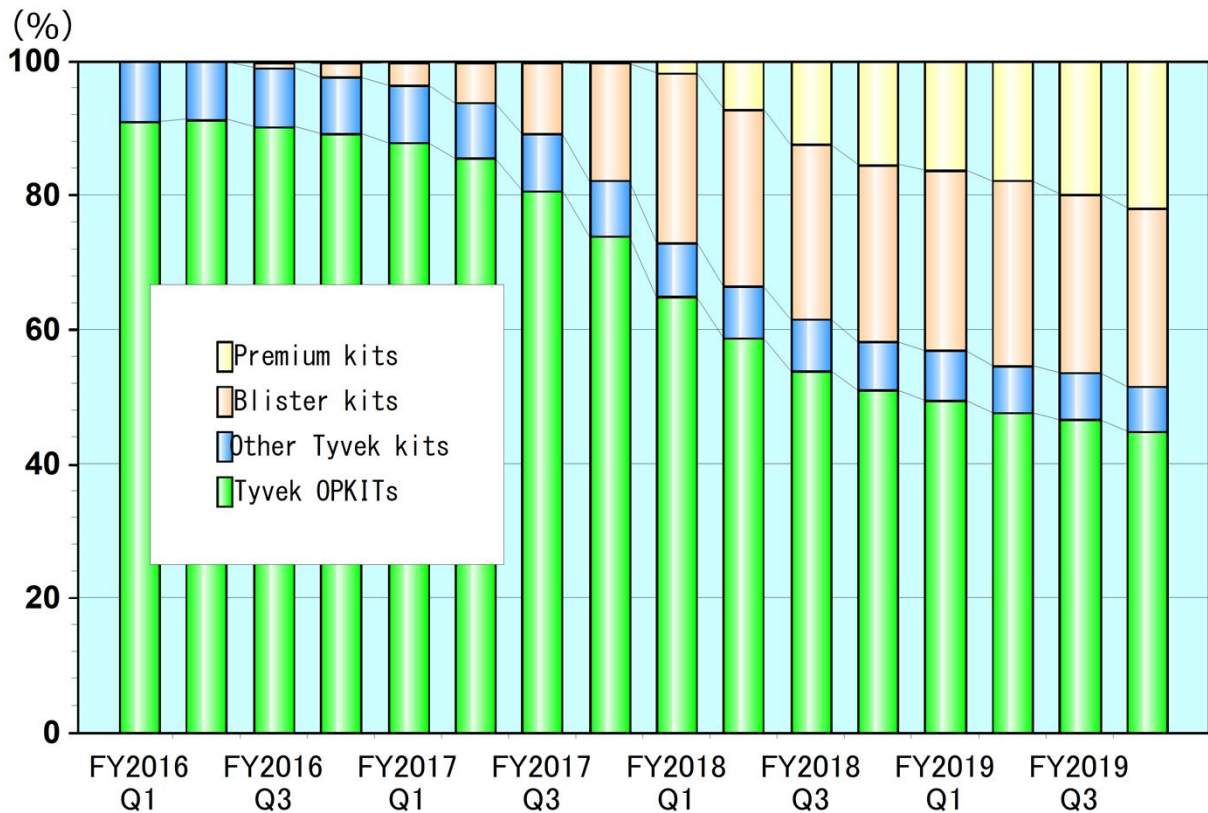
- ✓ FY2019 cumulative sales: (Premium Kit + Blister Kit):

- 10,308 million yen (+2,604 million yen)

- Kit products: Sales breakdown (Premium Kit + Blister Kit)
FY2019: 43.1% (1Q) ⇒ 45.3% ⇒ 46.4% ⇒ 48.5% (4Q)

- Kit products: Unit sales breakdown (Premium Kit + Blister Kit)
FY2019: 28.4% (1Q) ⇒ 30.2% ⇒ 31.2% ⇒ 32.4% (4Q)

Transition of Sales Composition by types of Kits



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- Breakdown of components of our kit products
- Sales growth spearheaded by Premium Kit (previously Blister Kit)
- Shift from Tyvek kits to Premium Kit will continue to some extent going forward

Number of Operamaster Contracts; Number of Surgical Operations



Net sales : 15,186 million (+554 million : 103.8%)

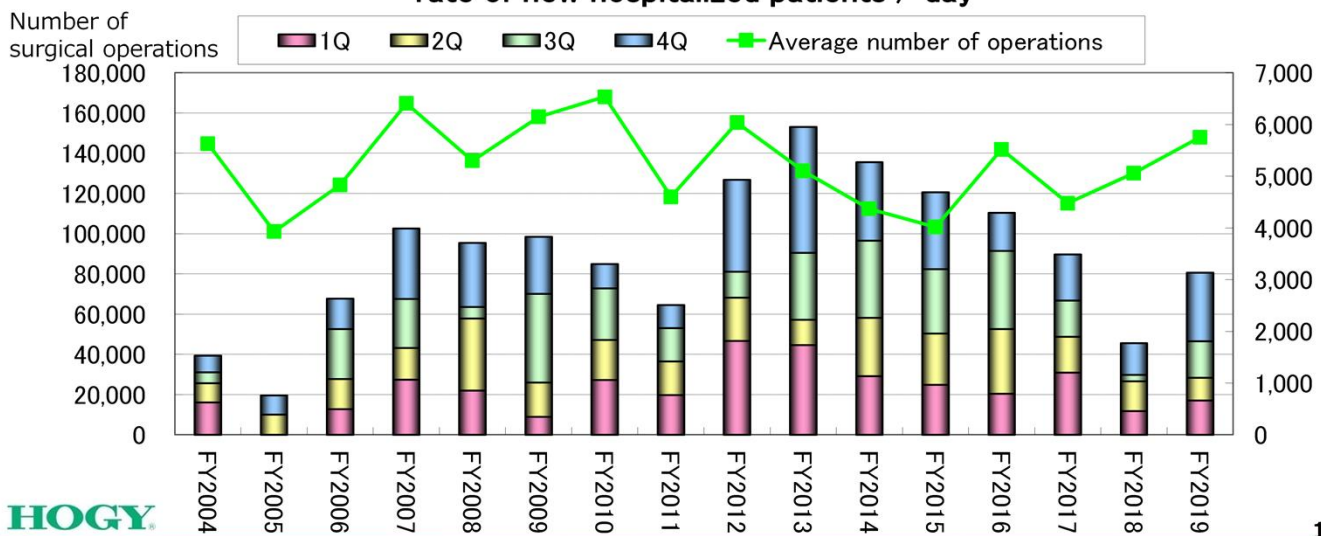
Number of newly contracted institutions in FY2019 :

14 newly contracted institutions

19 cancellations

Cumulative contracted institutions at fiscal year-end: 278

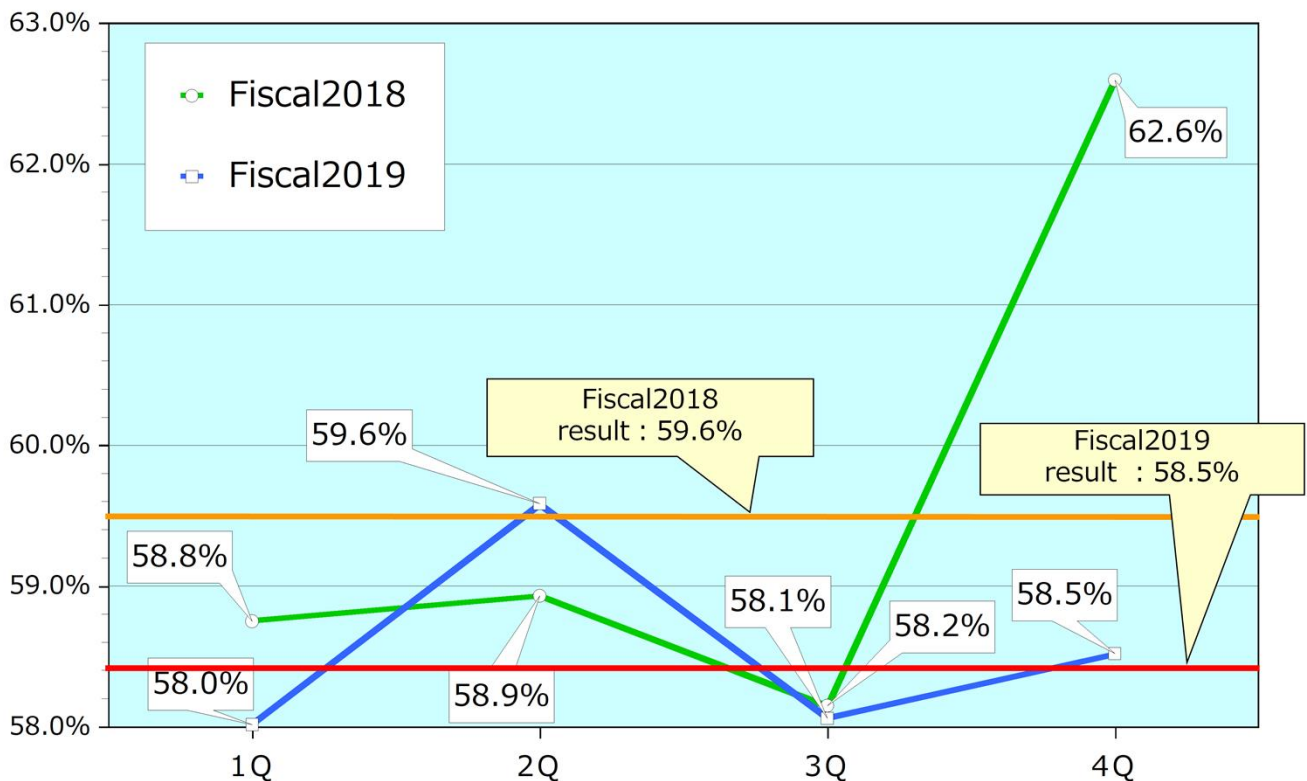
**Opera Master Hospital Increase rate of surgical cases Growth
rate of new hospitalized patients / day**



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- FY2019: 14 newly contracted hospitals (Group I: 3; Group II: 3)
- Average operations per hospital: 5,700
- Focusing on large Opera Master-contracted hospitals with high concentration of patients

Fiscal 2019 Cost of Sales Ratio



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- Decrease in new factory depreciation cost
Total depreciation: 5,283 million yen (-348 million yen)
 - Cost of sales: 4,213 million yen (-419 million yen)
 - SG&A expenses: 1,070 million yen (+72 million yen)
- Improved productivity thanks to opening of new factory

Fiscal 2019 Income Statements



(Unit: million yen, rounded down)	Fiscal 2019 Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	Rate Of Change
Net sales	37,232		574	101.6%
Cost of sales	21,798	58.5%	△32	99.8%
Gross profit	15,434	41.5%	607	104.1%
SG & A expenses	10,126	27.2%	△317	97.0%
Operating income	5,307	14.3%	925	121.1%
Non-operating income/loss	483		362	
Ordinary income	5,791	15.6%	1,287	128.6%
Extraordinary income/loss	1,934		△2,061	
Profit attributable to owners of parent	5,529	14.9%	△513	91.5%
EPS	183.07円			

Major increases/decreases	Year-on-Year Comparison
Prototype costs	△300
Testing & research expenses	△173
Depreciation	72
Personnel expenses	67

Ushiku City grant for new factory
construction
FY2019: 274 million yen

Gain on partial sale of shares
FY2018: 3,998 million yen
FY2019: 1,942 million yen

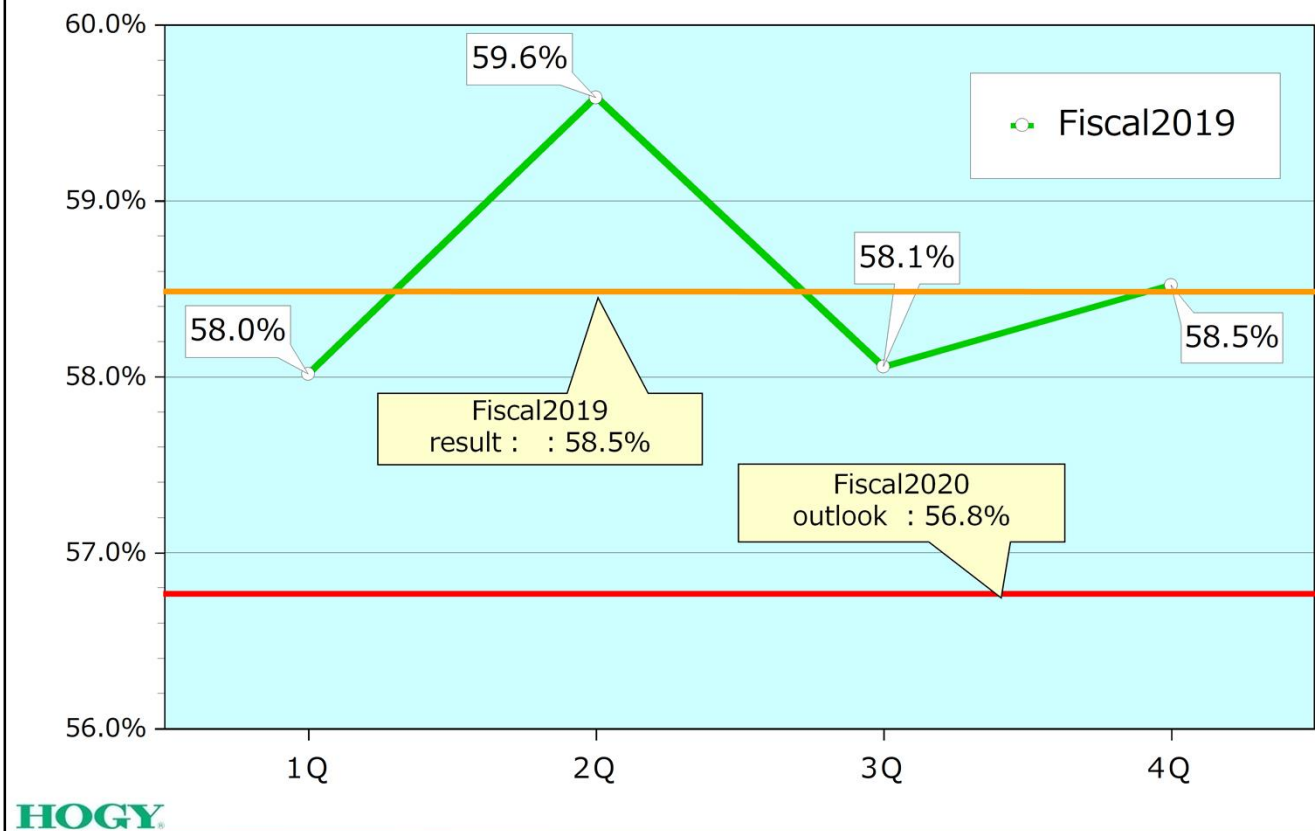
HOGY

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- SG&A expenses: 10,126 million yen (–¥317 million yen)
 - ✓ Prototype costs: Downturn from previous year, when we reported increase in sample usage at many hospitals due to Premium Kit sales promotion
 - ✓ Testing & research expenses: Decrease on R-SUD costs
 - ✓ Depreciation: Purchase of equipment for R-SUD business
- Non-operating item: Grant from Ushiku City for new factory construction
- Extraordinary income: Gain on partial sale of equity holdings
- Capex: 10,904 million yen (includes 9,512 million yen in new factory)

Fiscal 2020 Full-Year Management Projections

Fiscal 2020 Income Statements



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- Decrease in new factory depreciation cost
Total depreciation: 4,510 million yen (-773 million yen)
 - [Cost of sales: 3,700 million yen \(-513 million yen\)](#)
 - SG&A expenses: 810 million yen (-260 million yen)
- Improved productivity thanks to opening of new factory
- Corporate rate: 115 yen (unchanged)

Fiscal 2020 Income Statements



(Unit: million yen, rounded down)	Fiscal 2020 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	Rate Of Change
Net sales	38,700		1,467	103.9%
Cost of sales	22,000	56.8%	201	100.9%
Gross profit	16,700	43.2%	1,265	108.2%
SG & A expenses	10,300	26.6%	173	101.7%
Operating income	6,400	16.5%	1,092	120.6%
Non-operating income/loss	430		△53	
Ordinary income	6,830	17.6%	1,038	117.9%
Extraordinary income/loss	600		△1,334	
Profit attributable to owners of parent	5,300	13.7%	△229	95.8%
EPS	175.37yen			

Major increases/decreases	Year-on-Year Comparison
Depreciation	△ 260
Personnel expenses	247
Rental costs	42
Prototype costs	36
Advertising expenses	32

Gain on partial sale of shares
 FY2019: 1,942 million yen
 FY2020: 600 million yen

Dividend payments
 FY2020: 68.00 yen per share
 (up 2.00 yen yoy)

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- SG&A expenses: 10,300 million yen (+173 million yen)
 - ✓ Depreciation: Decrease in system depreciation
 - ✓ Personnel expenses: Increase accompanying income growth
 - ✓ Other expenses: Increase due to stepped-up sales
- Extraordinary income: Gain on partial sale of equity holdings
- Capex: 5,200 million yen (includes 3,660 million yen in new factory)

Assumed impacts of new coronavirus spread



- Low-urgency surgeries expected to be postponed in near term, but decline in surgeries should return to normal for the full year.
- We will continue restricting sales activities to a certain extent.
- We will make prompt disclosures if we identify impacts stemming from risks to product manufacturing, procurement, and the like (country risk, infections at factories of partner companies, etc.).

Reference materials

Impact on surgeries

■ The Japan Surgical Society classifies timing of surgeries into three stages

Stage	Definition	Surgery examples	Response
1	Non-fatal illnesses, urgent outpatient procedures, etc.	<ul style="list-style-type: none"> • Carpal tunnel syndrome surgery • Medical examinations, endoscopies, etc. 	Postpone
2	Non-fatal (but potentially life-threatening) diseases; severe diseases that require hospitalization	<ul style="list-style-type: none"> • Low-grade cancer • Non-urgent orthopedic surgery (hip/knee replacement, non-paralysis spinal disorder) • Ureteral stones (stable condition) • Wait-listed angioplasty, etc. 	Postpone if possible
3	Diseases that can be fatal or leave serious disability if not addressed within days or months	<ul style="list-style-type: none"> • External wounds • Most cancer surgeries • Spinal disorders with paralysis, trauma • Organ transplant surgery • Heart surgery • Vascular surgery for severe lower-limb ischemia, etc. 	Take proper infection prevention measures in accordance with recommendations, and proceed carefully

Japan Surgical Society: Recommendations on procedures for new coronavirus-positive and suspected new coronavirus-positive patients

These recommendations are provisional and may be reviewed depending on extent of spread of new coronavirus infections, progress of identifying condition of the disease, and development status of therapeutic drugs and preventive vaccines.