

Message from the CEO

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Enhancing Human Capital
at the Core of Our Growth Strategy
Aiming to Become a Solution Provider
That Delivers Diverse Value
to the Medical Industry

President and CEO

Hideki Kawakubo



Our Determination Behind Entering a New Phase of Transformation— “The Second Founding Period”

Since its founding in 1961, HOGY MEDICAL has consistently developed and provided products and services that contribute to medical safety, operational efficiency, and improved hospital management. Beginning with the launch of the “Mekkin Bag” in 1964, aimed at preventing in-hospital infections, we have continued to support healthcare through the stable supply of medical-use non-woven fabric products and surgical kit products.

Under the leadership of the founding family, our employees have exercised creativity and ingenuity to drive significant growth. With my appointment as President in April 2024—the first from outside the founding family—we have begun shifting away from

top-down management driven by strong individual leadership, toward a management style centered on our corporate philosophy and purpose. To achieve further growth, we must develop self-reliant talent and transform into a sustainable organization. Guided by the principle of “inheriting what should be preserved, and changing what must be changed,” we have taken a major step toward reform and transformation.

Today, our company stands on a completely new stage. Creating new value will require bold challenges akin to those at the time of our founding—yet we also wish to honor our 65-year legacy. It is with this resolve that we have chosen the term “Second Founding Period” to express our commitment to this transformation.

HOGY MEDICAL’s Purpose —Contributing to Healthcare and to People

Our purpose lies in contributing to healthcare through our business. This has remained unchanged, even as we enter our Second Founding Period. This commitment was further reinforced by our experience during the COVID-19 pandemic. We produce non-woven fabric products at the Group factory in Indonesia and incorporate them into surgical kits in Japan. However, during the pandemic, global supply chains were severely disrupted, and critical items such as gowns and drapes became scarce worldwide. At that time, Indonesia imposed restrictions on imports and exports. Faced with the very real fear that surgeries in Japan might come to a halt, we felt a deep sense of urgency—and at the same time, a strong sense of mission arose within us:

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it is precisely in times like these that HOGY MEDICAL must ensure its products reach operating rooms without fail.

Surgery represents a critical moment in the lives of patients and their families. Our mission is to deliver products that enhance surgical safety, without interruption, in a stable and reliable manner. We believe there is no greater social value than fulfilling this responsibility.

Driving Organizational and Mindset Transformation to Execute the Medium -Term Business Plan

In July 2024, grounded in this strong sense of social mission, we formulated a three-year Medium-Term Business Plan starting from the fiscal year ended March 2025. The most pressing challenges we face are enhancing financial and capital profitability, business strategy, and governance structure. Addressing these issues requires structural reform to establish a solid management foundation. At the same time, it is critical to strengthen the capabilities of the people who will execute these reforms.



To ensure the stable delivery of high-value products to our customers, restoring top-line growth is essential—and serves as the foundation for our reforms. Taking a backcasting approach from our desired future state, we identified “sales organization reform” and “HR system reform” as top priorities. We began by reinforcing and appropriately assigning personnel in the Management department responsible for driving the reforms and strengthening the leadership layer. In parallel, we pushed forward with HR system reforms to enhance employee engagement. These new structures and systems have been in operation since April 2025. At the same time, we have worked to promote a shift in employee mindset. Previously, decisions were made top-down, and employees focused solely on execution. We have now shifted toward communicating our challenges, strategic direction, and management’s intentions to all employees. Since assuming the presidency, I have made every effort to convey these messages directly and in my own words—through town hall meetings and internal messaging via our intranet. Signs of mindset change are gradually emerging. For example, internal information sharing has accelerated, and communication has become far more dynamic. Through daily conversations, I sense a growing number of employees are consciously embracing transformation and taking the initiative to evolve. While this shift alone will not immediately restore top-line growth—and some challenges remain—I am confident that we are moving in the right direction.

Strengthening Organizational Structure and Human Capital to Deliver Results in the Execution Phase

Following the preparatory period, our medium-term business plan entered the execution phase in July 2025. This marks the time to activate previously idle projects and begin delivering tangible results.

In this phase, enhancing our execution framework with the right people in the right roles is essential, and building depth within our talent pool is key. To this end, we significantly increased the number of executive officers and expanded the diversity and specialization of skill sets. We also introduced a divisional structure to further clarify individual functions and responsibilities, facilitating better alignment with strategy execution.

In the sales division, we reinforced marketing functions to support regional sales activities and relocated key personnel to the head office. In the production division, we enhanced our quality and regulatory management framework with an eye toward expanding overseas sales. To strengthen production control, we brought in external experts in supply chain and quality management. In the procurement division, while the primary role had traditionally been securing stable supplies of raw materials, strategic upstream involvement is now crucial to driving cost reductions and improving margins. We therefore recruited external professionals with strong negotiation skills, cost analysis expertise, and language proficiency. Additionally, we hired new talent with global business experience, deep market knowledge, and management skills. HOGY MEDICAL already has many talented and distinctive employees. Going forward, we plan to further strengthen our communication strategy to highlight employee contributions and to share the facts of our business and management both inside and outside the company.

In terms of governance and monitoring, I, as president, personally assess and verify the results and issues related to personnel placement. We have also established a structure in which outside directors oversee and monitor these efforts. Under this enhanced talent base and strengthened control functions, we will push forward with full commitment to executing our strategy.

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Aiming to Become a Solution Provider That Responds to Customer Needs with a Broad Range of Options

As our vision for 2035, we have set forth the goal of becoming “A company like none other, playing a part in the advancement of medical care in Japan and the ASEAN region” and “a solution provider, focusing on customers’ perspectives and creating new value.” By driving forward fundamental structural reforms during the execution phase of our business strategy, we aim to achieve sustainable growth and realize this vision.

A solution provider functions like a platform that integrates a variety of applications. Our goal is to refine a multi-vendor business model that combines both our own and third-party products and services to deliver value, and to offer optimal solutions—selected from a wide range of options—that meet customer needs related to hospital management and operating rooms.

Today, our products and services are widely adopted by hospitals throughout Japan, especially by core medical institutions supporting regional healthcare. As a result, we have already achieved strong brand recognition. Building on that recognition and the trust we have cultivated with customers over many years, we aim to become a company to turn to when seeking a solution.

To achieve this, it is essential to deliver products and services that accurately address customer needs. A key challenge now is to strengthen touchpoints with customers by leveraging existing accounts and to develop new products and services that meet their expectations. We view overcoming this challenge as a key factor for driving performance improvement.

At present, we are working to expand the services of “Opera Master,” our system designed to streamline

operating room efficiency. While this solution was originally intended to support cost management and ensure rapid supply of kit products, customer needs have evolved over time, such as the need to reduce workloads in response to workstyle reforms for healthcare professionals. We are updating our service lineup to address such new challenges through new solutions.

For example, we are enhancing the functions of “OPERA-Note,” which enables the creation of surgical procedure manuals that can be accessed anytime, anywhere via the cloud. While the current concept of this product has been well received, we plan to add new features that allow users to create educational videos using AI-based editing of surgical information. By integrating this with the procedure manual creation function, we can evolve the offering into an even more satisfying solution for our customers.

To ensure long-term growth of our healthcare-related business, expanding our market share and increasing the number of accounts at medical institutions nationwide will be essential. By advancing our services to address these challenges and strengthening customer touchpoints as a solution provider, we will pursue sustained growth over the medium to long term.

To Our Stakeholders, Including Shareholders and Investors

In our medium-term business plan, we have clearly defined our cash allocation policy for the next three years. Based on a foundation of stable growth, we will prioritize investments that enhance customer value and product added value. Surplus funds will be allocated to shareholder returns, including share buybacks. HOGY MEDICAL has consistently placed emphasis on enhancing shareholder returns, and this stance will be firmly maintained as we enter our Second Founding Period.

At the same time, we recognize improving capital efficiency—particularly return on equity (ROE)—as a critical management issue. While steadily generating profits through our core business, we will improve ROE through shareholder returns and work toward enhancing overall capital efficiency.

The key to executing our growth strategies—which form the foundation of profit generation—remains human capital. We believe that people are the driving force behind corporate development. Many employees have been positively influenced by the specialized talent we have recently recruited from outside the company as part of our organizational reform, resulting in noticeable shifts in mindset and behavior. We are experiencing the accelerating effects of organizational transformation through the fusion of diverse skills, akin to a catalytic reaction.

We expect that as employee vitality grows, a bright and forward-looking corporate culture will emerge, cross-functional collaboration will deepen, and creative thinking will be fostered. Indeed, we believe future growth will not be possible without such change. By enabling our employees to fully demonstrate their capabilities, we will generate high-value solutions for our customers and achieve sustainable enhancement of corporate value. We encourage all our stakeholders to take a close interest in the evolution of HOGY MEDICAL.



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Visualize Challenges and Drive
the Entire Organization
Toward a Growth Trajectory
to Further Enhance Corporate Value

Representative Director, Vice President, and CFO
Taisuke Fujita



Promoting Corporate Value Enhancement Through Management Visualization (Keiei-no-Mieruka)

In June 2022, I was appointed as an outside director at HOGY MEDICAL, providing external oversight of corporate management. Two years later, in June 2024, I took on the position of chief financial officer (CFO). In this capacity as an internal executive director, I am now responsible for financial strategy and internal management.

Even prior to my appointment as an outside director three years ago, a primary concern among shareholders was the Company's suboptimal return on equity (ROE). While our profit margins were reasonably healthy, our asset turnover and financial

leverage were inadequate. Specifically, revenue growth relative to total assets was weak, and our equity ratio was comparatively high—both factors contributing to the suppressed ROE. The only way to improve ROE is to grow sales. The challenge, therefore, lies in achieving this growth while sustaining an appropriate level of profitability. Our strategic response has been: strategic investment and improved management visibility.

Driving revenue growth is a challenge. The financial health of our clients, primarily hospital management, remains a concern, and we are consistently presented with diverse requests. However, short-sighted measures alone will not ensure the long-term stability of either our operations or those of the hospitals we serve. Therefore, we are committed to strategic investments, even those requiring a longer time horizon, while simultaneously enhancing management visibility.

Under the current management team led by President Kawakubo, who has declared this a "Second Founding Period," more proactive approach to business development is required. While our investments have historically focused on enhancing production capabilities, to ensure Hogy Medical continues to provide solutions tailored to the needs of acute-care hospitals, we must strengthen our human capital and information infrastructure and actively invest in adjacent business domains.

To facilitate these strategic investments, "visualization of management (keiei-no-mieruka)" is critical. We must thoroughly evaluate the financial impact of our initiatives and investments before execution. Effective allocation of resources entrusted to us by our shareholders is our responsibility.

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By advancing the “visualization of management”, we also aim to improve our balance sheet. We have already reduced underutilized assets. Furthermore, we are strengthening the monitoring of how existing resources are utilized, and are also strengthening greater discipline in the selection of new investment targets, in order to improve capital efficiency. To institutionalize disciplined investment, we established an Investment Committee and strengthened the investment evaluation functions of our Corporate Planning and Finance departments. Investment proposals are thoroughly discussed internally, and after the deliberation by the Investment Committee, important projects are further discussed and approved by the Board of Directors with a strong sense of commitment.

To promote this initiative, it is also necessary to develop talent capable of investment evaluation. It is not sufficient to simply formulate financial plans—what is required is the ability to accurately understand the business models behind the numbers. To this end, we are strengthening financial planning and analysis (FP&A) functions, especially within our corporate planning and finance divisions, in order to develop personnel capable of managing budgets and evaluating investment opportunities. Financial specialists are essential infrastructure for advancing management visualization, and we will continue to prioritize their development.



Strengthening the Human Capital Foundation to Drive Business Strategy Execution

As CFO, my primary focus is to enhance visibility across all our commercial activities, ensuring data-driven decision-making at every level. Within the Commercial Division, which reports directly to the President, we are actively implementing initiatives to drive revenue growth. These include sales organization reforms, product strategy realignment, and, looking ahead, strategic investments in R&D to foster technological innovation.

My role as CFO is to ensure that all these activities are underpinned by clear, accessible data. We are building a mechanism to capture leading indicators of future sales and potential losses directly from the field. This data will be analyzed and fed back into the organization for management decision making. Our goal extends beyond mere data management. We aim to create an environment where each layer of our commercial organization—front-line sales teams, branch managers, and department heads—can effectively implement PDCA cycles. This will involve using data insights to refine sales activities, optimize talent allocation, and enhance promotional strategies.

Achieving this requires a shift in mindset, particularly among our front-line employees. We are committed to fostering this change through ongoing engagement and education. While this will take time, we believe that embedding this data-driven approach throughout the organization is essential for sustainable growth and success.

It is the corporate planning and finance divisions that will take the lead in promoting these front-line improvement efforts through PDCA. In Corporate Planning, we are focusing on developing talent who can engage in data-driven discussions with business units such as Sales and Production. To deepen discussions and derive clear conclusions based on an accurate understanding of the causal relationship

between business activities and financial data, coordination between corporate planning and finance is essential. Hence, in the finance division, we are working to develop professionals who can engage in financial discussions with business units and provide support from a financial perspective. In Procurement, a more proactive approach is required in identifying and negotiating with suppliers. What matters is not simply minimizing costs, but building sustainable, mutually beneficial relationships. To strengthen the procurement strategy, I have placed newly hired sourcing specialists under my direct oversight. In our factories, our focus is to optimize costs and improve productivity. This requires collecting a range of data—from production costs and personnel allocation to downtime. This data will enable us to set and monitor KPIs at the floor level, empowering each team member to make autonomous, data-driven decisions.

Enhancing Profitability at Overseas Subsidiaries

A key factor in achieving sustainable growth in the future is improving the management indicators of our subsidiaries in Southeast Asia. In both the Sales and Production departments, we are working to improve visibility of business conditions by identifying and leveraging leading indicators. For the Sales Division, we have been visiting local operations, listening directly to feedback from the field. This enables us to develop budget planning and monitoring systems to effectively drive our strategies. In the Manufacturing Division, the challenge lies in enhancing profitability. Our Indonesian factory produces non-woven fabrics and plastic molded components for surgical kits. However, global price competition is intensifying. Historically, our business model in Southeast Asia has centered on selling long-standing best-selling products in Japan, as well as the latest kit products. However, to further evolve this model, we must identify niche markets where we can leverage our

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strengths and shift our production focus towards higher value-added products. We are also exploring alternative strategies, such as localized kit manufacturing tailored to regional needs and contract manufacturing for other companies. Overcoming these challenges will improve profitability and facilitate the shift toward a sustainable business model.

We are also considering personnel exchange programs between our Japan-based sites and overseas subsidiaries. We hope that employees at overseas subsidiaries will gain a deeper understanding of the philosophies behind our manufacturing in Japan, and learn how products manufactured in Indonesia are used in Japanese hospitals—so they can apply the knowledge and perspectives gained in Japan to their local production activities. Similarly, we expect our Japanese employees gain valuable experience through the challenges of teaching manufacturing from the ground up, which will, in turn, deepen their product knowledge and enhance their leadership skills.

Challenges for Future Growth and Initiatives Toward New Value Creation

Our strength lies in our ability to consistently stay abreast of the latest information on surgical components and other essential materials, and to reflect improvement requests we hear from healthcare professionals in our product development. To maintain insights up-to-date, our sales representatives visit medical institutions daily, and maintain close contact with the front-line operations. This field-oriented approach has earned the trust of our customers—some of our representatives are even consulted on fundamental hospital management issues, such as improving profitability through better operating room efficiency or ways to train nurses. These deep touchpoints with medical front-lines and our ability to propose timely solutions to the challenges originated as part of our sales activities.

However, they hold potential to evolve into new, monetizable service—and we are confident that these services will be highly valued by our customers. Digital Transformation (DX) is crucial for the development of the new services. For example, while the data from “Opera Master”—our system that supports hospital management improvement—is currently managed and utilized individually by each hospital, analyzing the aggregated data may bring value not only to individual hospitals but also to the entire regional healthcare systems. HOGY MEDICAL is no longer just a manufacturer of medical components—we have become an essential partner supporting the management of healthcare institutions. We are committed to fostering a shift in mindset among our employees, encouraging them to recognize and embrace the value they provide at a higher level.

As we enter our Second Founding Period, discussions aimed at creating new value have begun to gain momentum across various areas. I firmly believe that pursuing a top-down approach during this period of transformation would stifle the initiative of our middle management. Our middle management, with their passion and flexible thinking, generate ideas and propose concrete business plans at management meetings, focusing on what services we can offer to address our customers’ challenges. The management team then evaluates their level of commitment, allocates resources, and support them. Building this kind of relationship is what I believe is essential during this period of transformation.

Advancing Strategic Investment Alongside Enhanced Shareholder Returns to Drive Further Growth

To our shareholders and investors, we are committed to enhancing shareholder value through increased dividends and executing share buybacks. At the same time, we recognize that growth of the Company itself is essential for sustained stock price appreciation. While prioritizing shareholder returns, we intend to allocate existing cash and future

earnings to growth investments aimed at our business expansion. We are committed to providing clear explanations to our shareholders and investors to ensure a thorough understanding of our intent and approach of these investments. Our investment focus has been on hardware, such as production facilities. Moving forward, we are considering shifting our focus to enhancement of services and products, supply chain reforms, and strategic partnerships—including M&A. By fostering a more open corporate culture and strengthening collaboration with external partners, we aim to further enhance the value we deliver to our customers. Our goal is to embark on bold, strategic investments while simultaneously steadily accumulate short-term results.

We are embarking on our Second Founding Period—a time of transition and transformation. Our medium-term management plan outlines our Vision for 2035, but I believe the specific path to achieving that Vision should not be determined solely by the management team. Instead, it should be shaped by the collective will and passion of our employees, who are committed to realizing that Vision. I want to emphasize that we are focusing our efforts to foster that passion. We are currently in a phase of promoting sales reform and culture transformation, to create mechanisms that encourage employees to generate creative ideas. While the resolution of our Vision may still be low at this point, we are confident that as employee awareness grows, a clearer strategic direction will come into view.

Our mission to continuously provide high-value products and solutions to the healthcare industry remains unchanged. As hospitals face increasingly challenging environment healthcare system reforms, labor shortages, and inflation—cost reduction alone is no longer a sufficient response. Our true value lies in providing fundamental solutions to these issues. This is our challenge. HOGY MEDICAL is uniquely positioned—where we can confidently say, “If we don’t, who will?” By fully leveraging our capabilities and elevating our perspective, we will continue to accelerate our transformation.