

Value Creation Process

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Our Mission and Role

Addressing Changes in the Healthcare Environment

As Japan's aging society continues to advance and the healthcare environment undergoes significant change, ensuring the safety of healthcare professionals and reducing their workload have become critical priorities.

The continued rise in surgical demand, driven by demographic shifts, is further exacerbating the shortage of physicians and operating room nurses. In response to these growing challenges, our mission at HOGY MEDICAL is to support the safety of surgical care and contribute to improving the operational efficiency of healthcare facilities.

 Supporting the Safety
of Healthcare

 Supporting the Management
of Healthcare

Value Creation Process



Framework to Support Sustainable Healthcare



Supporting Safer and More Efficient Operating Room Management and Hospital Operations

Our mainstay product, the Premium Surgical Kit, contributes not only to medical safety—such as infection control and the prevention of medical accidents—but also creates value in the management of operating rooms and healthcare facilities. Among our products, the Premium Surgical Kit, which consolidates all surgical supplies required for a procedure, enables immediate preparation just before surgery, helping reduce both time and cost. It also supports the efficient handling of the growing number of surgical procedures and contributes to workstyle reforms centered on the operating room.



Bringing Innovation to the Medical Field



Driving Continuous Innovation as a Trusted Presence at the Medical Frontline

Healthcare is undergoing a significant transformation in response to changes in society. Our mission is to deliver products and services that are consistently needed at the medical frontline and widely trusted by society. Innovation is realized only when our core strengths come together: a commitment to product development through persistent, observation-driven trial and error; strong customer relationships built by more than 300 sales and marketing representatives; and manufacturing capabilities that ensure the stable supply of safe, high-quality products. We will continue to lead the way—serving as an indispensable presence in hospital management and operating rooms.

Delivering
safe products

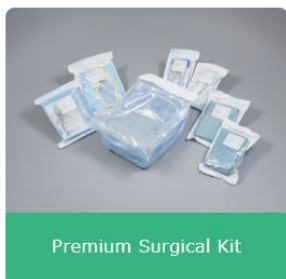


Creating value for
healthcare management
through **efficiency**

Core disposable products



Mekkin Bag
(Sterilization pouches)



Premium Surgical Kit

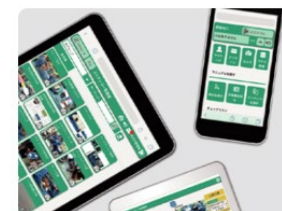


Non-woven fabric products

Systems and services



Opera Master



OPERA-Note



Sterilization container
Easy Fit System

Minimally invasive care



SuReFinD



Weaps

Remanufacturing



REVICE

Financial Capital: A financial foundation that supports stability and growth

◎ Financial Capital

A Financial Base That Supports Stability and Growth

Our financial foundation has been challenged by a persistent decline in ROE over the past 10 years. In response, the Medium-Term Business Plan sets forth three basic policies: improving capital probability to exceed the cost of capital, delivering stable and continuous shareholder returns, and enhancing ROI through strengthened investment discipline. Based on these policies, we will steadily carry out the capital investments necessary to maintain our production infrastructure, while actively promoting growth investments aimed at expanding our future earnings base.

Financial Position and Return on Capital Issues

- Declining ROE
- Conservative balance sheet structure
- Imbalance between capital investments and returns

Basic Policies for Resolving Management Issues

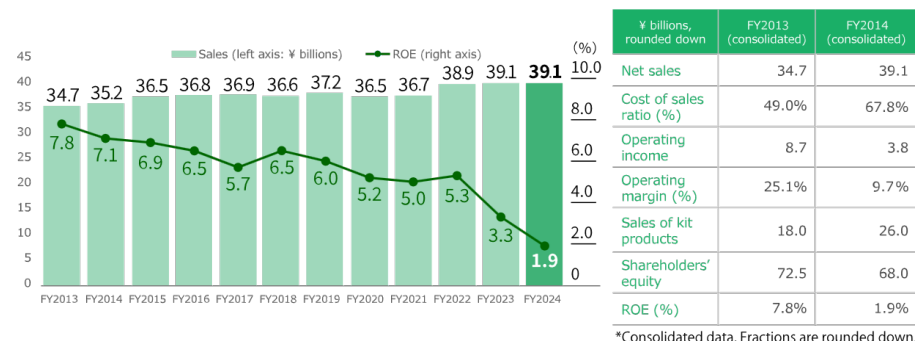
Improve capital profitability/efficiency with cost of capital in mind

Ensure stable and continuous shareholder returns

Strengthen investment discipline

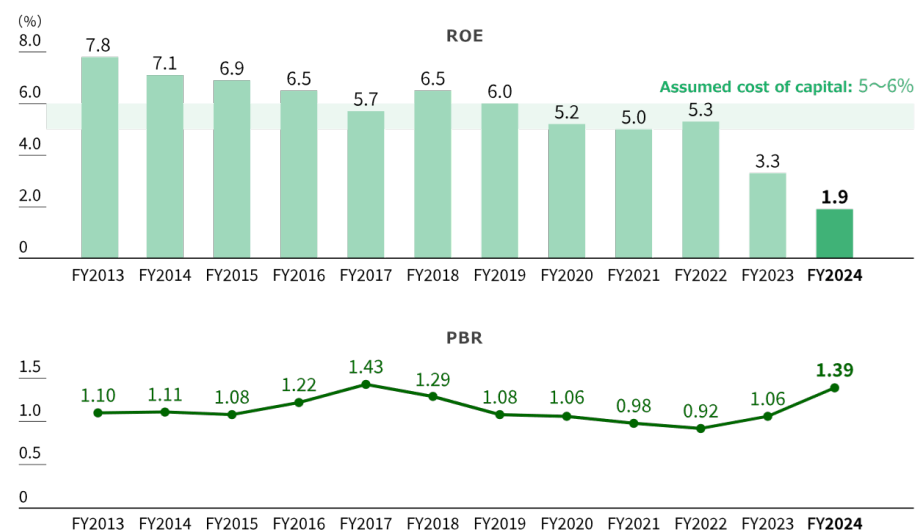
Analysis of Current Situation (1) (Trend of Past Capital Profitability)

While net sales have increased slightly over the past decade, the continuous decline in return on capital has been a challenge



Analysis of Current Situation (2) (Yearly Trends in ROE and PBR over the Past Decade)

Urgent need to restore market valuation by achieving return on capital in excess of cost of capital



Financial Capital: A financial foundation that supports stability and growth

Performance targets

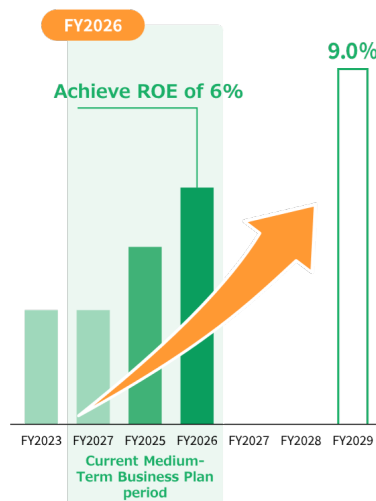
Aiming to Achieve ROE of 6.0% in FY2027

We aim to reinforce our organizational capabilities through structural reforms currently underway since FY2025, and to achieve stable growth of our core business, Premium Surgical Kits. At the same time, we will strengthen our production capacity and procurement capabilities for materials, whose prices continue to rise, thereby working to improve cost structure and restore profitability. We also plan to proactively invest in areas such as human resources and IT, in preparation for future growth.

Performance targets

- ◆ The period of this medium-term business plan is positioned as a period of bold implementation of structural reforms, and we will carry out our business strategies by conducting various measures.
- ◆ We will implement capital measures aimed at achieving an ROE of 6% in FY2026.

¥ billion; fractions rounded down	FY2023 results	FY2024 results	FY2025 plan	FY2026 targets
Net sales	39.1	39.1	41.8	46.7
Cost of sales ratio	66.6%	67.8%	65.1%	60.6%
Operating income	4.1	3.8	4.3	7.5
Operating margin	10.7%	9.7%	10.3%	16.1%
Profit	2.8	1.5	3.0	5.6



(Note) The CAGR figures represent average growth rates between FY2023 and FY2026.

Shareholder return policy

Progressive Dividend Policy Under the Current Medium-Term Business Plan

Under the current Medium-Term Business Plan phase of FY2025 to FY2027, we plan to implement progressive dividends by increasing dividends per share by approximately 15 yen each fiscal year, along with a large-scale share buyback, in order to achieve our ROE target of 6.0%. From FY2028 onward, we will consider shareholder returns based on a progressive dividend policy with a minimum DOE of 3% as the basic approach.

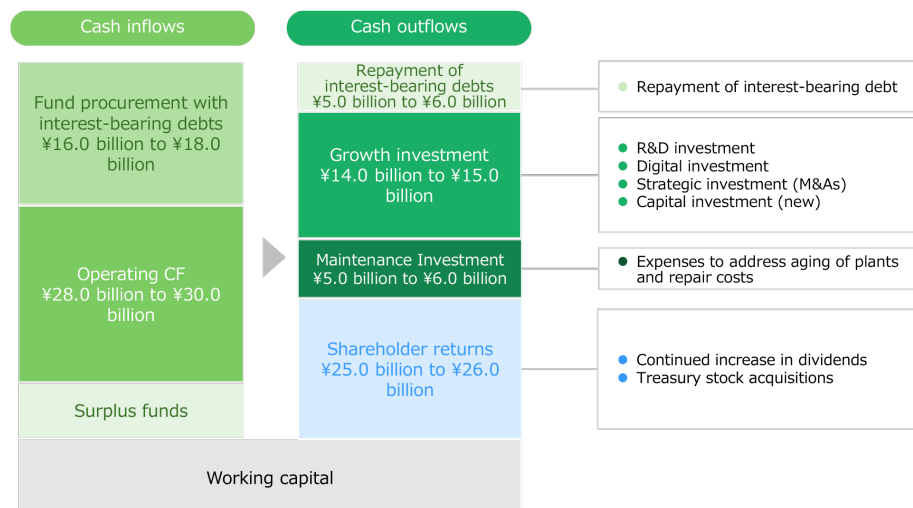
		Current Medium-Term Business Plan period				Next Medium-Term Business Plan period		
	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	
ROE	3.3%	6.0% in FY2026				9.0% in FY2029		
Dividend per share	¥80	¥80	¥95	¥80~¥110	Progressive dividends with minimum DOE of 3%			
Total payout (Dividends + treasury stock acquisition)	¥1.9 billion	¥25.0 billion to ¥26.0 billion (Forecast)						
Total payout ratio	69.2%	Total payout ratio at around 200% (FY2024 to FY2026)						

Financial Capital: A financial foundation that supports stability and growth

Cash allocation (FY2023-FY2026: three-year total)

Enhancing Capital Efficiency and Optimizing Growth and Shareholder Returns

With a focus on improving capital efficiency and conscious of capital costs, we will optimally allocate capital to growth investments and shareholder returns by utilizing operating cash flows generated through profit growth as well as external funding such as borrowings.



Supporting Challenges Through the Effective Use of Capital

Executive Officer General Manager of
Corporate Strategy Dept., Business
Administration Div.

Yoshihiko Tenbo

Capital allocation is not only about meeting the expectations of investors—it also creates opportunities for employees to take on new challenges, which in turn leads to greater customer satisfaction. To remain a company that effectively utilizes capital, we will continue to reexamine the significance of past, present, and future expenditures and investments, and promote their visualization and systemization.

Manufacturing Capital: Our manufacturing capabilities

◎ Manufacturing Capital

Our Manufacturing Capabilities

At HOGY MEDICAL, we are committed to manufacturing that safeguards medical safety and supports healthcare professionals. By transforming the needs of medical frontlines into products and services, we contribute to the advancement of medical care.

It All Begins with Understanding Each Frontline

Product Development Through Observation and Research

In Japan, more than 300 sales and marketing personnel carefully observe, study, and analyze operating room environments. Based on the issues and needs identified on-site, we work together with our customers to map out a roadmap toward ideal operating room management and support its realization through our products and services. These capabilities in field research and solution proposals are unique strengths that HOGY MEDICAL has cultivated through years of direct engagement with surgical care.

Physician-Specific Customization					
	Physician A	Physician B	Physician C	Physician D	Physician E
Stopcock Connector Filter Clamp		●	●	●	
Special needle	●	●	●	●	●
Suture needle	●	●	●	●	●
Suture thread	●	●	●	●	●
Tray/beakers	●	●	●	●	●
Syringes/injection needle	●	●	●	●	●
Gauze/cotton balls	●	●	●	●	●
Electrosurgical knife /scalpel/ replacement blades	●	●	●	●	●
Mekkin Gown	●	●	●	●	●
Full Drape	●	●	●	●	●

Products Co-Created with Customers

Pursuing the Ideal Kit

Surgical kits are developed through on-site observation, research, and analysis, in collaboration with our customers, to realize ideal operating room management. We carefully select materials and verify usage procedures to meet a wide range of needs across departments, surgical techniques, and individual physicians. More than 26,000 kits are manufactured annually. We also place great importance on each component, and work closely with frontline physicians and nurses to develop original items designed to enhance medical safety.

More than **26,000**

surgical kit variants sold annually

Number of surgical kit product masters sold for
the fiscal year ended March 2025



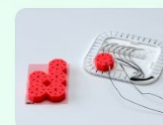
HOGY Original Components Developed from Frontline Feedback



Disinfection sponge
Toughtick



Endoscopic sponge
SECUREA



Suture needle counter
Double Checker



Cleaning syringe
Valve syringe



Hematoma prevention pad after
knee surgery
Knee Croissant



Fluid collection pouch
Current Bag



Labels
Identification labels
Drug solution labels



Suction tube with filter
Orthopedic suction



(1) Injury prevention item
Keyput



(2) Injury prevention item
Scalpel Holder



(3) Injury prevention item
Sharp Smart



(4) Injury prevention item
Nonslip sheet

Manufacturing Capital: Our manufacturing capabilities

Production Equipment Enabling the Stable Supply of Custom Products

High Production Capacity That Ensures Stable Supply

In response to Japan's declining working population, we are advancing the automation of our production facilities to ensure the stable supply of tens of thousands of custom products over the long term. To reliably and efficiently deliver high-quality products, we continue to strengthen our production capabilities through initiatives such as the use of proprietary robots that automatically place materials in designated positions within packaging containers and the adoption of large-scale electron-beam sterilization systems.



HOGY MEDICAL's Plants Are an Extension of the Hospital, and Our Employees Are Part of the Medical Team

Executive Officer General Manager of
Manufacturing Dept., Production Div.

Yoshinori Mochizuki

The mission of HOGY MEDICAL's plants is to ensure the stable supply of safe and reliable products. To enable the rapid and flexible production of small-lot, high-mix custom products, we continuously plan and monitor personnel allocation, production sites, and equipment with the aim of maintaining an optimal production structure at all times.

Social Capital: The future of healthcare

◎ Social Capital

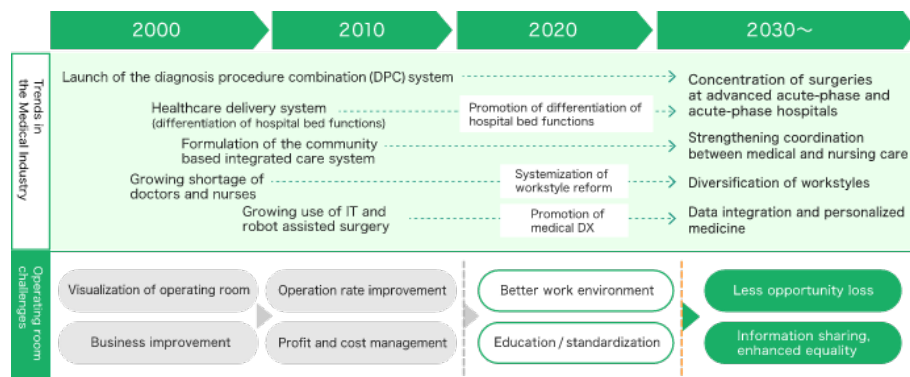
The Future of Healthcare

As medical technologies continue to evolve daily, the products and services required to support them are also changing day by day. More than 300 sales representatives, along with our marketing division, work at the forefront of healthcare to gather the latest information and swiftly capture changes and needs in the field. We remain focused on anticipating the solutions that will be needed next.

Responding to Changes in the Medical Environment and Customer Challenges

Always Delivering the Optimal Solution for Evolving Medical Needs

In Japan, efforts are underway to reform the healthcare delivery system to ensure that all people can continue to receive appropriate care while maintaining the strained universal healthcare system. As a result, it is expected that advanced medical care, such as surgeries, will become increasingly concentrated in certain medical institutions in the near future. At HOGY MEDICAL, we will continue to propose new, timely solutions that support operating rooms at those institutions and help as many patients as possible receive prompt treatment.

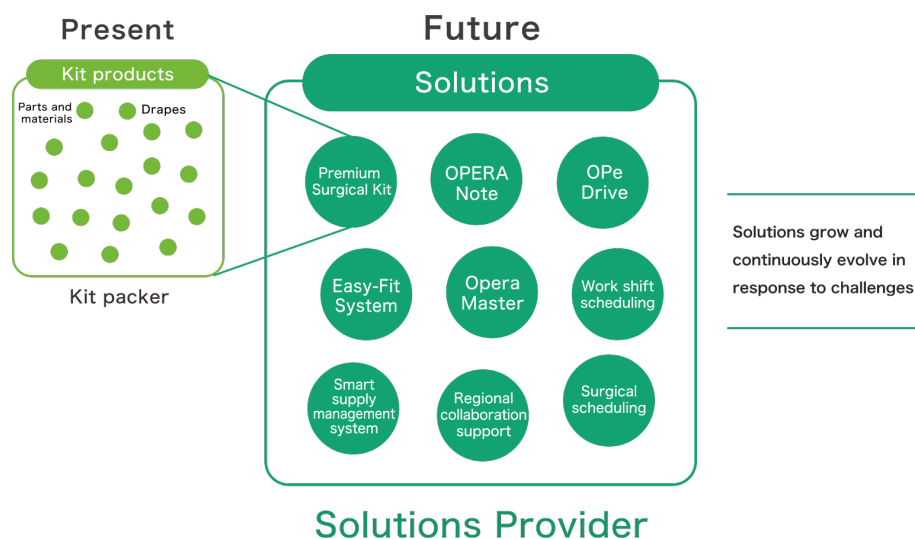


* From 2030 onward, HOGY MEDICAL's considerations are based on "Japan Vision : Health Care 2035" by the Ministry of Health, Labour and Welfare.
<https://www.mhlw.go.jp/seisakunitsuite/bunya/hokabunya/shakaihoshou/hokeniryou2035/future/> (Japanese only)

From "Operating Room Kit Packer" to "Solutions Provider"

Expanding Operating Room Support as a Solutions Provider

To address the diverse challenges faced in operating rooms, we are evolving from a supplier of internally manufactured and distributed surgical kits to a comprehensive solutions provider. In addition to our own offerings, we aim to flexibly combine and propose a wide range of solutions—such as products, technologies, information, and improvement methods provided by partner companies—tailored to the specific needs of each customer.



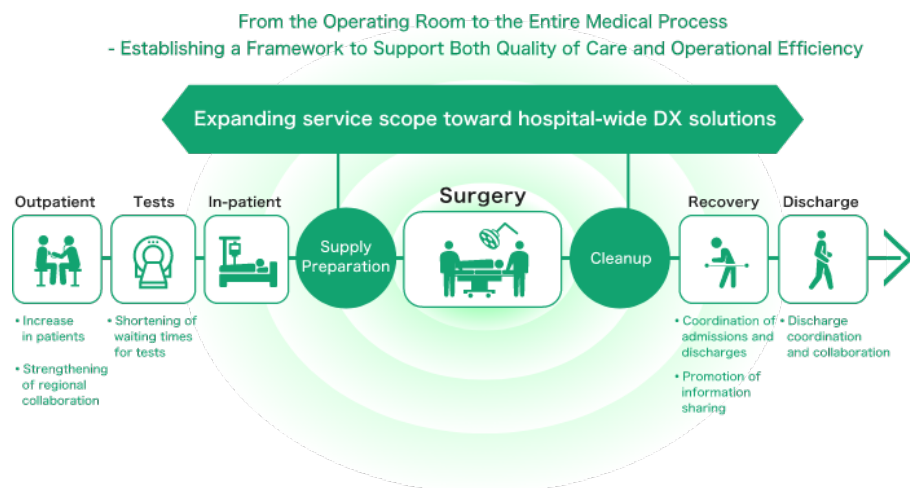
Solutions Provider

Social Capital: The future of healthcare

From the Operating Room to Supporting the Entire Medical Process

Supporting Medical Operations and Management from Diagnosis to Discharge

Our products are currently the most widely used in operating rooms. By linking the data obtained in the operating room with pre- and post-operative medical processes, we believe we can deliver greater value in healthcare management. We are exploring opportunities to provide support across the entire medical process—from outpatient care and testing to hospitalization, surgery, and discharge—and, having defined our aspirations in the current Medium-Term Business Plan, we will continue to expand our products and services beyond 2035 to contribute to both healthcare and society.



As a Solutions Provider for Operating Rooms, We Will Continue to Deliver Safety and Peace of Mind to Society

Executive Officer General Manager of Marketing Function, Commercial Div.

Hiroyuki Yoshidome

We are advancing our transformation from a “kit packer,” focused on assembling surgical components, to a “solutions provider” that supports a wide range of challenges in medical settings—including education, data analysis, and operational consulting—by integrating digital technologies. We are also working to strengthen partnerships with external companies to build new supply chains and deliver a broader array of solution tools. Through these efforts, we aim to help realize more efficient, high-quality healthcare and contribute to shaping the future of medicine.

Human Capital: Individuals and organizations that anticipate change and embrace challenges

◎ Human Capital

Anticipating Change — A Culture and Organization that Embrace Challenge

At HOGY MEDICAL, we believe that the determination and growth of each individual employee forms the foundation of corporate development. In an era of rapid change and increasing uncertainties, our human capital strategy centers on cultivating “individuals and organizations that anticipate change and take on challenges.” We are committed to developing talent who recognizes their social mission and contribute to the realization of our management and business strategies.

Ideal Talent Profile

- Individuals who proactively anticipate change and take initiative with passion and a sense of ownership
- Individuals who understand, respect, and embrace diversity, and are capable of creating new value
- Individuals who make autonomous career decisions and contribute to society through continuous personal growth



Human Capital Strategy

Revamping Our HR System to Support Challenge and Growth — Toward Greater Engagement and Workability —

At HOGY MEDICAL, we are implementing a human resources system that supports each employee's willingness to take on challenges and grow, with the goal of developing talent that contributes to the execution of our management and business strategies. We are clarifying individual roles and evaluation criteria to create an environment in which employees can maximize their performance, while enhancing training programs that support autonomous career development. We are also advancing a range of initiatives to support diverse workstyles tailored to employees' life stages.



Toward a Workplace That Fosters Engagement and Unity

- ◆ Promote work-life balance through measures (staggered work hours, remote work, and encouragement of paternity leave)
- ◆ Clarify career paths
- ◆ Facilitate internal communication through tools such as the company intranet and informal roundtable discussions
- ◆ Provide open, cross-functional forums such as HOGYcamp to foster free and open dialogue across departments



Human Capital: Individuals and organizations that anticipate change and embrace challenges

Internal Job Posting System

To provide opportunities for employees with a strong desire to take on new challenges, we have implemented an internal job posting system. Open to all employees regardless of years of service, this system broadens access to internal advancement. As of April 1, 2025, a total of 34 applications were received for 14 positions across eight departments. The program is designed to connect the skill sets sought by departments engaged in new business development or function expansion with the motivation of employees who proactively raise their hands for new challenges.

Idea Proposal Exchange Program

On the frontlines of departments such as sales and production, latent needs and insights often emerge—statements like “this could work better” or “I’d like to try this” are common. To give shape to such ideas, we regularly conduct the Idea Proposal Exchange Program, a platform for employees to present improvement suggestions and new concepts. In FY2024, around 100 proposals were submitted, and the top 10 outstanding ideas were formally recognized. A project led by the employee who proposed the top-ranked idea has already been launched to bring it to implementation.

Outstanding Employee Recognition

We conduct an annual company-wide recognition to honor employees who have achieved outstanding results by fulfilling their individual missions. Stories of these employees’ challenges and achievements are widely shared through internal communication channels, fostering passion for work and the horizontal sharing of success cases. These efforts contribute to enhancing engagement across the entire organization.



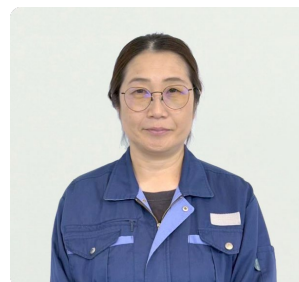
Trust from Our Customers Drives Us Forward

East Japan Sales Dept. Tokyo Branch Manager

Akira Uchida

The medical field is one where lives are at stake every day. The trust I have built over many years through sincere engagement with our customers is my greatest asset—and that trust gives me the confidence to take on new challenges.

I believe it is the mission of HOGY MEDICAL employees to continue taking on challenges together with healthcare professionals, working to solve issues in the medical field, and contributing to its advancement.



Building My Career by Valuing What I Love and Embracing New Challenges

Manufacturing Dept., Miho Plant Manager

Rie Matsui

I always enjoyed working on the production floor, assembling and packaging surgical kits. Spending the day immersed in work I loved, and sharing a sense of accomplishment with trusted colleagues, remains one of the most valuable experiences in my career. Now, as the first female plant manager at HOGY MEDICAL, I strive to drive improvement by applying perspectives I have gained after stepping away from frontline operations, along with subtle insights through a female point of view. I hope that my challenge will help open the door for greater representation of women in management—and that I can lead by example with confidence and positivity. I will continue to approach manufacturing with care and sincerity.

Natural Capital: Environmentally conscious product development and resource utilization through remanufacturing

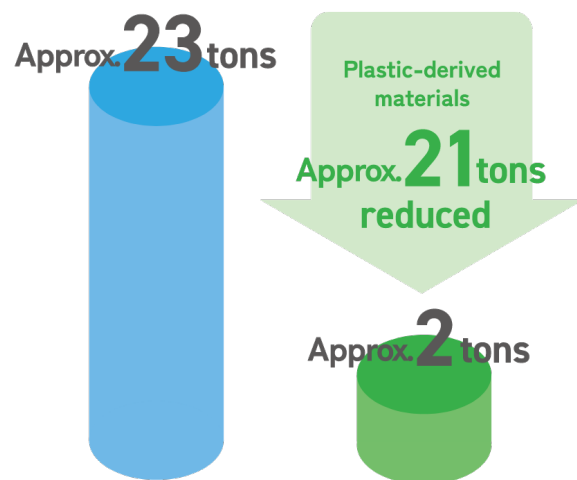
◎ Natural Capital Environmentally Conscious Product Development and Resource Efficiency Through Remanufacturing

While prioritizing our responsibility to improve product quality and ensure a stable supply, we actively engage in environmentally conscious product development and environmental contribution initiatives.

Environmentally Conscious Product Development

Environmental Consideration Across All Business Processes

With the cooperation of our business partners, we strive to develop environmentally conscious products by reviewing raw materials, usage volumes, and manufacturing processes. Our commitment to the environment extends beyond the products themselves to include packaging methods, transportation, and all aspects of our business processes.



Estimated annual reduction in plastic-derived raw material usage through packaging changes
(Based on FY2022 shipment volume; Company estimate)

Market Adoption of Remanufactured Single-Use Medical Devices (R-SUD)

R-SUD refers to remanufactured single-use medical devices (Single Use Devices: SUDs) that are collected from medical institutions by licensed medical device manufacturers, then processed, inspected, cleaned, and sterilized to enable safe reuse. As of the fiscal year ending March 2025, a cumulative total of 12 product types have been launched.

We view the expansion of this business not only as a means to ensure a stable and continuous supply of medical devices, but also as an opportunity to accumulate know-how related to medical device remanufacturing and to drive the creation of new businesses.

Main lineup of products



Remanufactured flowtrons

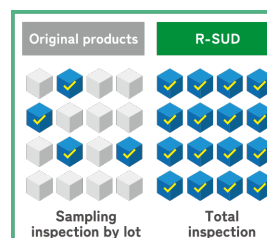


Remanufactured trocars

What is expected from the spread of R-SUDs

Ensuring medical safety

Total inspection is fully performed on R-SUDs, which reduces defect rates.



Effective utilization of medical resources

By remanufacturing SUDs that are discarded after a single use, we contribute to the reduction of medical and welfare waste.

Amount of waste in the medical and welfare industries

545,000 tonnes

Ministry of the Environment: Municipal solid waste generation and disposal in FY2021
https://www.env.go.jp/press/110498_00001.html

Provision of sustainable medical care

Manufacturing in Japan can expect to help address the risk of disruption in the global supply chain.



Natural Capital: Environmentally conscious product development and resource utilization through remanufacturing

Initiatives to Reduce Greenhouse Gas(GHG) Emissions

In our Medium-Term Business Plan, the Group has identified the reduction of greenhouse gas (GHG) emissions as a key environmental initiative toward FY2035. We are focusing on reducing emissions through efficient energy use and by reviewing product designs and packaging materials.

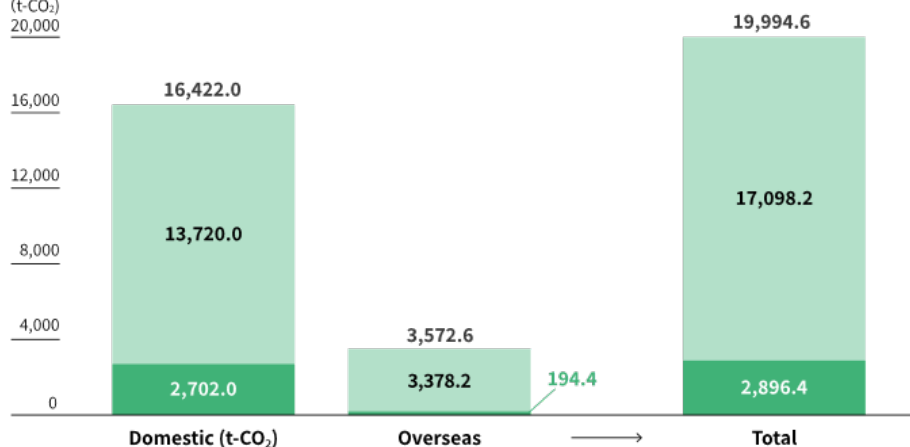
Our Scope 1 and Scope 2 GHG emissions for the fiscal year ending March 2025 are shown below.

Going forward we will begin calculating Scope 3 emissions. By assessing emissions across the entire supply chain, we will identify priority areas for reduction and formulate concrete targets and measures accordingly.

GHG Emissions

■ Scope1 ■ Scope2

(t-CO₂)
20,000



(Notes)

1. The calculation boundary for GHG emissions includes the Company and its consolidated subsidiaries (excluding Hogy Medical Asia Pacific Pte. Ltd.).

2. Scope categories are reported in accordance with the GHG Protocol as follows:

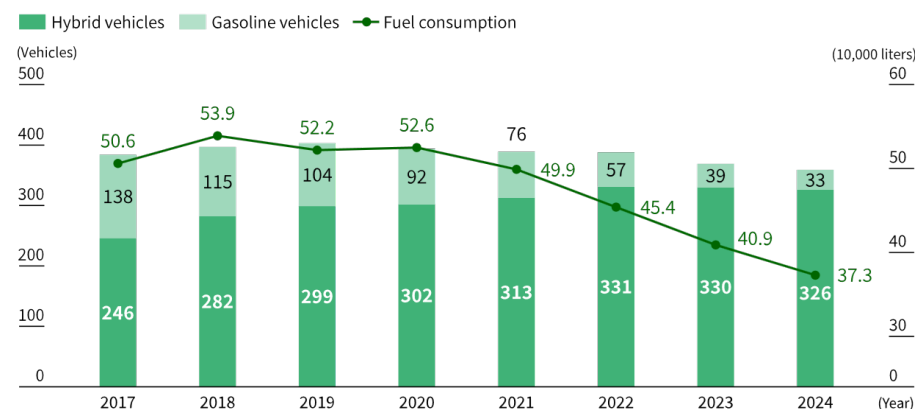
Scope 1: Direct emissions of greenhouse gases from the company's own operations

Scope 2: Indirect emissions from the use of energy, such as electricity supplied by other entities

Promoting the Transition from Gasoline Vehicles to Hybrid Vehicles

We are steadily transitioning our company fleet from gasoline-powered vehicles to hybrid models. As of March 2025, more than 90.1% of all company vehicles are hybrid. Looking ahead, we are also considering the introduction of electric vehicles (EVs) as we continue to adopt more environmentally responsible modes of transportation.

Hybrid Vehicles vs. Gasoline Vehicles – Trend in Composition Ratio



Continuing a Sustainable Nature Restoration Project for 16 Years

Since 2009, we have been engaged in the “Yatsuda Restoration Project” in partnership with the nonprofit organization Asaza Fund. This initiative aims to restore a 6,700 m² abandoned paddy field adjacent to our Tsukuba Plant as a rice field, and we have continued to cultivate rice without the use of pesticides. More than 2,500 employees and their family members have participated to date, contributing to the creation of communities that coexist in harmony with nature.



Natural Capital: Environmentally conscious product development and resource utilization through remanufacturing



Creating Better Products for Both the Environment and Our Business

Executive Officer General Manager of
Research and Development Div.

Ko Ishikawa

In the R-SUD (Single-Use Remanufacturing) business, we are contributing to the reduction of medical waste while also establishing an environmentally conscious production system—for example, by discharging wastewater only after advanced purification during the cleaning process. For each material used in our kit products, we emphasize environmentally responsible selection and design from the prototyping and development stages. Going forward, we will continue to pursue research and development that supports the sustainability of both the global environment and our business.