



MEMBERSHIP

May 14, 2025

Company name: Hoky Medical Co., Ltd.
President: Hideki Kawakubo, President and CEO
Securities code: 3593 (Tokyo Stock Exchange, Prime Market)
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Notice on the Opinion of the Board of Directors on the Shareholder Proposal

The Company received a written notice from Nippon Active Value Fund plc (the “**Proposing Shareholder**”) regarding a shareholder proposal (the “**Shareholder Proposal**”) concerning the election of directors at the 64th Annual General Meeting of Shareholders scheduled to be held on June 20, 2025 (the “**Annual General Meeting of Shareholders**”). At the meeting of the Board of Directors held today, the Board resolved to oppose the Shareholder Proposal. Accordingly, the Company hereby announces the following.

1. Details of the Shareholder Proposal

(1) Agenda Item

Election of Three Directors

(2) Outline of the Proposal

As described in Appendix 1. Excerpts from the Shareholder Proposal document submitted by the Proposing Shareholder are presented in their original form.

2. Opinion of the Board of Directors on the Shareholder Proposal

(1) Opinion of the Board of Directors

The Board of Directors **opposes the Shareholder Proposal** for the following reasons.

(2) Reason for Opposition

In the medium-term management plan announced in July 2024, the Company set forth its vision to become a unique, one-of-a-kind company that plays a key role in advancing healthcare in Japan and the ASEAN region, and to continue creating value as a solution

provider rooted in a customer-oriented perspective.

The three-year period through the fiscal year ending March 2027 has been positioned as a time for implementing structural reforms to build a robust management foundation. During this period, the Company is actively reviewing its management approach to support sustainable growth and enhance corporate value, without being bound by past management policies. At the same time, it is undertaking fundamental reforms of its sales organization and personnel systems, strengthening its corporate governance structure and investment discipline, and steadily advancing a shift away from management dependent on the leadership of the founding family toward a corporate culture centered on the Company's corporate philosophy.

The composition of the Board of Directors should be optimized to ensure the steady implementation of the medium-term management plan. In this regard, to enhance the independence, objectivity, and accountability of the Board of Directors with respect to the nomination of director candidates, the Company has established a Nomination Committee as a voluntary advisory body to the Board of Directors. The committee is chaired by an independent outside director and a majority of its members are independent outside directors. The Board of Directors consults the Nomination Committee regarding candidates for director to be proposed by the Board of Directors. With respect to the director candidates to be proposed by the Company at the Annual General Meeting of Shareholders, the Board of Directors has also consulted the Nomination Committee and made its decisions based on the committee's recommendations. The two director candidates to be proposed by the Board of Directors are both currently serving directors, and the composition of the directors proposed by the Board of Directors, which includes the three directors serving as Audit and Supervisory Committee Members who were elected at last year's Annual General Meeting of Shareholders, is considered optimal in terms of qualifications, experience, expertise, and other relevant factors. Please refer to Appendix 2 for the composition of the directors proposed by the Board of Directors.

The Board of Directors has also conducted a review and discussion regarding the three director candidates recommended by the Proposing Shareholder from the perspective of the role of the Board of Directors as well as factors such as the candidates' qualifications, experience, expertise, independence, and other relevant factors. As a result, the Board of Directors has determined that the optimal composition of the Board of Directors consists of the two director candidates proposed by the Board of Directors and the three current directors who serve as Audit and Supervisory Committee Members, and that it would be inappropriate to appoint as additional directors Mr. James B. Rosenwald III, Mr. Gifford Combs, and Mr. Paul ffolkes Davis, who are the candidates nominated in the Shareholder Proposal. The reasons for that determination are as follows.

- (i) The Company determines director candidates based on a comprehensive assessment of the overall balance of knowledge, experience, capabilities, and diversity within the Board of Directors. In the composition of the Board of Directors proposed by the Board of Directors, candidates have been selected for their insight and experience in management, finance, accounting, capital markets, healthcare industry and corporate governance, etc. in order to enhance financial and capital efficiency, review and implement business strategies, and strengthen the corporate governance structure, which are key priorities during the structural reform period. Those areas of knowledge and experience of the candidates nominated in the Shareholder Proposal overlap with the knowledge and experience of the candidates proposed by the Board of Directors. Furthermore, the Company has doubts as to whether the candidates nominated in the Shareholder Proposal possess sufficient understanding of Japan's healthcare industry's characteristics, and the Company's businesses and products. In contrast, the candidates proposed by the Board of Directors are thoroughly familiar with the healthcare industry as well as the Company's businesses, products, and organizational characteristics, etc. They appropriately understand the management issues faced by the Company and possesses the insight, experience, determination, and leadership to contribute to the promotion of structural reforms and their execution plans. The current outside directors supervise and advise appropriately based on their respective expertise and extensive experience, and engage in active discussions within the Board of Directors to address a wide range of issues in a complementary manner. The composition of directors, consisting of the current outside directors and the candidates proposed by the Board of Directors, is optimal and capable of achieving long-term enhancement of corporate value.
- (ii) The Board of Directors has maintained a structure in which the majority of its members are independent outside directors, thereby ensuring that the Board of Directors effectively performs its oversight function over management and that transparency and objectivity in management are ensured. The Company basically selects candidates as independent outside directors based on their specialized knowledge, broad experience, and their ability to fulfill their roles and responsibilities from an objective and neutral standpoint. The Company's independent outside directors fully perform the roles and responsibilities required under Principle 4.7 of the Corporate Governance Code. The three current outside directors who serve as Audit and Supervisory Committee Members and were elected at last year's Annual General Meeting of Shareholders are not only capable of continuing to fully fulfill their roles and responsibilities, but have also, through the performance of their duties as outside directors to date, developed a deeper understanding of the Company, including its business, characteristics, and challenges. Accordingly, they are able to provide advice on the Company's management policies and business improvements based on their own expertise, with a view to promoting sustainable growth and enhancing corporate value over the medium to long term more appropriately than the candidates nominated in the Shareholder

Proposal. Therefore, appropriate oversight of management can be ensured without appointing the candidates nominated in the Shareholder Proposal as outside directors.

- (iii) Mr. James B. Rosenwald III, Mr. Gifford Combs, and Mr. Paul ffolkes Davis, the candidates nominated in the Shareholder Proposal, all serve as officers or employees of Dalton Investments, Inc. which is a major shareholder of the Company, or its related entities, both affiliated with the same investment group as the Proposing Shareholder. They do not meet the independence criteria established by the Company and might act as representatives of the interests of a specific shareholder, which could give rise to situations involving conflicts of interest with the general shareholders of the Company. Therefore, appointing these three candidates as outside directors does not necessarily contribute to the appropriate oversight of the Company's management.

As explained above, the Board of Directors has determined that the composition of the Board of Directors proposed by the Company is the most appropriate from the perspective of enhancing the Company's corporate value and shareholder value, and that it ensures the effective functioning of the oversight of management by the Board of Directors. In contrast, the appointment of the three candidates nominated in the Shareholder Proposal as additional outside directors is considered inappropriate in light of the concerns regarding their independence and potential conflicts of interest, as described above. The Board of Directors therefore opposes the Shareholder Proposal.

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I. Proposed Agenda Item

1. Election of Three Directors

II. Outline of and Reasons for the Proposal

1. Election of Three Directors

- (1) Outline of the Proposal

We propose electing the following three individuals as directors.

1. James B. Rosenwald III
2. Gifford Combs
3. Paul ffolkes Davis

- (2) Reason for the Proposal

The Company announced its medium-term management plan in July 2024, but the target set in that plan, an ROE of 6% or higher for the fiscal year ending March 2027, does not significantly exceed the cost of shareholders' equity. Although the Company has a strong management foundation in its core surgical kit products business, it will be difficult to fulfill its responsibilities as a listed company by simply continuing along the path of past management practices due to pressures on the healthcare insurance system and a decline in operating rates resulting from excessive capital investment in the past. We believe that the Company should review all options regarding management policies, including those involving going private, and that it is desirable to further strengthen oversight of management by outside directors to facilitate such a review. We believe that each of the director candidates we have proposed has many years of experience in investment, management, and capital markets governance, and will be able to contribute to the Company's review of its management policies.

- (3) Candidate Number, Name, Brief Biography, etc.

1. James B. Rosenwald III, Born January 19, 1958	
■ Brief Biography, Position, Responsibilities, and Significant Concurrent Positions	
1981	Oliver R. Grace & Family, Senior Investment Advisor/Portfolio Manager
1984	Rosenwald Capital Management, Inc., Founder, Chairman and Chief Executive Officer (current)

1996	Beach Front Properties LLC, Co-Founder, Managing Partner (current)
1999	Dalton Investments LLC, Co-Founder, Chief Investment Officer (current)
2012	New York University, Adjunct Professor, Leonard N. Stern School of Business (current)
2019	Rising Sun Management Ltd., Chief Investment Officer (current)
	<Significant Concurrent Positions> Dalton Investments, Inc., Chief Investment Officer Rising Sun Management Ltd., Chief Investment Officer
■ Number of Company Shares Owned: 0 shares	
■ Reason for Nomination as Director Candidate and Overview of Expected Role As stated in the reason for the proposal above.	
■ Existence of Special Interest Not applicable	

2. Gifford Combs, Born January 17, 1959	
■ Brief Biography, Position, Responsibilities, and Significant Concurrent Positions	
1993	Pacific Financial Research, Inc., Portfolio Manager
1994	Pacific and General Investments, Portfolio Manager (current)
1999	Dalton Investments LLC, Co-Founder, Portfolio Manager
2019	Dalton Investments, Inc., Director, Portfolio Manager (current)
2019	Rising Sun Management Ltd., Director (current)
	<Significant Concurrent Positions> Dalton Investments, Inc., Director, Portfolio Manager Rising Sun Management Ltd., Director
■ Number of Company Shares Owned: 0 shares	
■ Reason for Nomination as Director Candidate and Overview of Expected Role As stated in the reason for the proposal above.	
■ Existence of Special Interest Not applicable	

3. Paul folkes Davis, Born December 1, 1954	
■ Brief Biography, Position, Responsibilities, and Significant Concurrent Positions	
1978	Chemical Bank International, Eurobond Sales
1979	Lombardfin Securities, Head of Fixed Income and Portfolio Manager
1981	Citicorp International Bank Limited, Head of Eurobond Sales
1983	NM Rothschild & Sons Limited, Director, Head of International Capital Markets (ICM)
1995	NatWest Markets Ltd, Managing Director, Head of Global Equity Capital Markets (ECM)

1998	Rabobank International, Managing Director, Global Head of ECM
2000	Euro IB Ltd, Partner
2004	Trinity Hall, University of Cambridge, Senior Bursar
2012	Cambridge & Counties Bank, Leicester, Founder and Chairman
2020	Rising Sun Management Ltd., Chairman and Partner (current)
	<Significant Concurrent Positions> Rising Sun Management Ltd., Chairman and Partner
■ Number of Company Shares Owned: 0 shares	
■ Reason for Nomination as Director Candidate and Overview of Expected Role As stated in the reason for the proposal above.	
■ Existence of Special Interest Not applicable	

(Notes)

- (1) Mr. James B. Rosenwald III, Mr. Gifford Combs, and Mr. Paul ffolkes Davis are candidates for outside director.
- (2) If Mr. James B. Rosenwald III, Mr. Gifford Combs, and Mr. Paul ffolkes Davis are elected as outside directors, it is expected the Company will enter into agreements limiting liability with each of them. Further, the limit on the amount of liability for damages under those agreements will be the minimum amount of liability prescribed by laws and regulations.

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Appendix 2

Reference: Director Structure (as of June 20, 2025) if Proposal 1 (Company Proposal) to Be Submitted at the Annual General Meeting of Shareholders is Approved

Representative Director and President	Hideki Kawakubo
Representative Director and Vice President (Note)	Taisuke Fujita
Director (Outside Director, Audit and Supervisory Committee Member)	Yuji Takada
Director (Outside Director, Audit and Supervisory Committee Member)	Mime Egami
Director (Outside Director, Audit and Supervisory Committee Member)	Katsusuke Higuchi

(Note) The Company has released today the “Notice Regarding Changes in Representative Director and Directors”