

ENVIRONMENT

Aiming for Coexistence of the Global Environment, Healthcare and the Economy

Commenced Distribution of R-SUDs to Offer Sustainable Medical Devices

Number of items approved rose to six. Two items to be launched in the fall of 2022.

*Approved items are as of the end of September 2022.



The R-SUD (remanufacturing of single-use medical devices) business is a business where expensive single-use devices (SUDs) of surgical supplies are collected by the manufacturers after use and, undergoing such processes as inspection, decomposition, cleaning and sterilization, are remanufactured and sold as SUDs of the same use. In Japan, it was launched as a business recommended by the Ministry of Health, Labour and Welfare in 2017 and currently, two companies distribute products domestically.

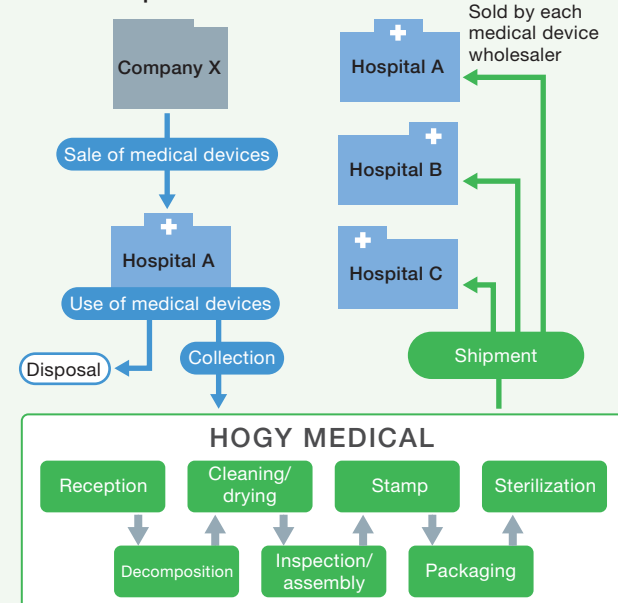
HOGY Medical will contribute to ensuring medical safety, the effective use of medical resources, the provision of sustainable medical device, reductions in medical expenses, and the curtailment of medical waste.

Further, it will inspect remanufactured products piece by piece to ensure quality so that customers may be able to use them with security.

Realizing the SCM Concept

HOGY Medical seeks to realize the SCM concept to provide customers with the optimal quantity of medical devices stably and continuously at the right time as part of our long-term plan. It will enhance and expand the R-SUD business as part of its initiatives.

R-SUD Operation



(Note) This remanufacturing process is an example and may vary according to products.

The Eco Project : Restoring Rice Paddies in Abandoned Fields

Environment preservation initiative continuing for 14 years



Since 2009, before the United Nations set the SDGs, HOGY Medical has been engaged in an environment preservation initiative called The Eco Project in collaboration with the Asaza Fund, an NPO, and the Ushiku City government.

We rent deserted farm land, or wetlands known as Yatsuda, of 6,700 m2 neighboring HOGY Medical's Tsukuba Plant from the city of Ushiku to cultivate pesticide-free rice and redevelop and restore the site as rice paddies. Over 2,500 employees and their family members have participated in the project to date. Today, the site has been restored as productive land to such an extent that one can identify hundreds of fireflies. Further, through an agricultural experience of planting and harvesting rice, employees can deepen their understanding of the SDGs and interact with the local community as well.



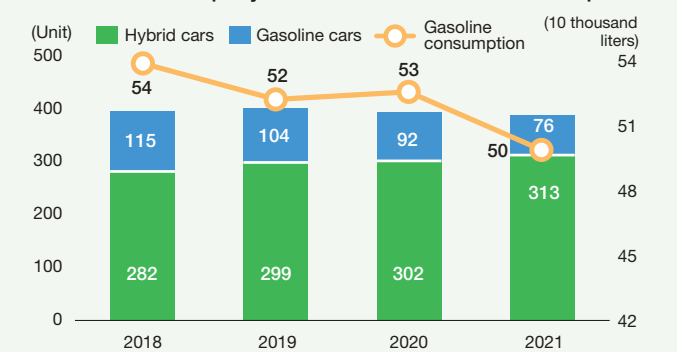
Replacing Company Vehicles with Hybrid Cars

80.5% of company vehicles replaced with hybrid cars (up 3.8 percentage points year on year)



HOGY Medical has replaced company vehicles with hybrid cars gradually over the past five years. This year, 11 company vehicles were replaced to boost the percentage of hybrid cars to 80.5% of the fleet. With this, gasoline consumption is on the decline. The Company will continue to choose environment-friendly means of transportation.

Number of Company Vehicles and Gasoline Consumption



Saving Resources as Individuals

We promote efforts to recycle waste, go paperless, and introduce green procurement.

We value the idea that employees consider the environment starting with things near at hand and act. The company-wide initiative by the 5S Committee incorporates a 3R (reduce, reuse, recycle) perspective into its activities and has successfully reduced paper consumption (printed sheets)

significantly by replacing it with its digital counterpart. Further, each department carries out 3R activities to the extent possible, including promoting the reuse of stationery and green procurement, or donating excess emergency supplies to NPOs.

SOCIAL

Devoting Ourselves to People's Good Health and Prosperity

Medical Practice Security Through Safe Products

By maintaining ISO 13485 certification, the Company puts in place the training system to provide safe products in the production department.



The production and head office departments obtained ISO 13485 certification that requires them to establish a quality control and management system specific to medical devices. By obtaining the organizational system and procedures required under ISO 13485, the Company has the system corresponding to the evolution and distribution of medical devices both at home and abroad. Furthermore,

we introduced the "skill ladder" system in the production department through which the skills needed in each process are clarified and the right people are assigned and trained. Particularly noted is the crafting of Surgical Kit, of which each set is different; accurate procedures and experience are indispensable. To offer safer products, we exert efforts to sharpen our skills on a daily basis.

Contribute to Medical Progress Through Joint Product Development with Doctors

New products are created based on customer feed back to roughly 330 salespersons



With customer feedback to roughly 330 salespersons at 23 bases across the nation, the Company jointly develops products in collaboration with doctors and nurses. The recently launched SuReFlnD® was developed through several years of joint development based on an idea of a doctor with our R&D team. It has now been covered in newspapers and at academic conferences, and doctors have commented high praise that it is cutting-edge technology, less burdensome for

the patient and safer surgery, it also leads to an early return to society.

Further, Weaps®, which we launched in fiscal 2022, was completed based on close surveys with doctors regarding their requests and meticulous attention to detail.

By taking advantage of our relationships with customers we have built over the years, we will continue to focus on developing new products.

Sharing Information on Efforts in Medical Practice Nationally

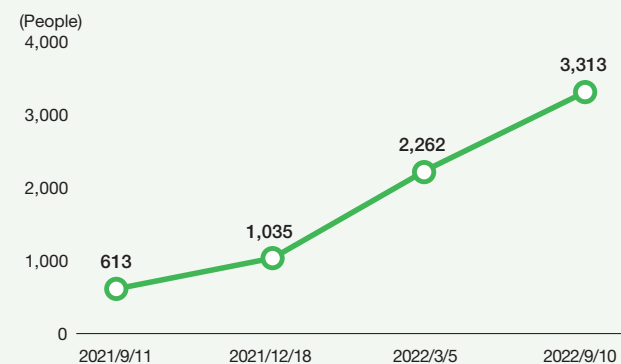
We disseminate the latest information and information about medical frontlines such as medical safety and work-style reform nationally.



HOGY Medical constantly shares topics about the medical frontlines and the latest information on medical devices in response to customer interests. We share information dedicated to hospital management and operating rooms in our newsletter OPERA Times, which we have published biannually for the past seven years. We also began organizing an online seminar last year by inviting institutions featured in the newsletter as speakers, and it has attracted many customers from across

the country. As of now, the number of viewers has topped 3,000, and we keep them updated via periodical e-newsletters, etc. We also plan to organize a seminar targeting the management of hospitals to provide them with opportunities to exchange information on hospital management nationwide down the road.

• Cumulative Viewership



| Date | Online Seminar Title |
|------------|---|
| 2021/9/11 | "How Perioperative Nursing in Minimally Invasive Surgery Should Be" - Let's review our roles again - |
| 2021/12/18 | Healthcare DX: Career Development for Operating Room Nurses Toward the Future - For building systems that allow safe surgery - |
| 2022/3/5 | Thinking Alongside Doctors: Understanding Hip Replacement Surgery and Applying It to Nursing - Cleanliness and passing instruments without relying on implant manufacturers - |
| 2022/9/10 | Thinking Alongside Doctors: Understanding Craniotomies and Applying it to Nursing - Smooth surgery preparation and points in passing instruments - |

Conducting PCR Tests Regularly

HOGY Medical has continued to have all employees take PCR tests since 2020.



In adopting thorough infection prevention measures, we have all officers and employees who visit medical institutions take PCR tests regularly. Additionally, we have been stringent on having them report their physical condition every morning,

reaching out to those who do not report it as necessary. We intend to have this practice take root not only as measures against COVID-19 but also for our employees' health management as well.

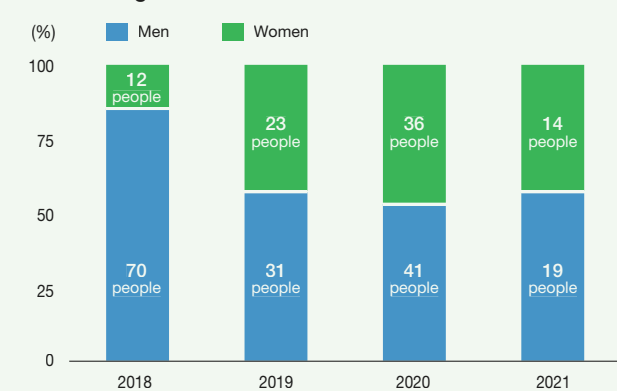
Promoting Women's Empowerment

HOGY Medical aims to raise the percentage of female managers to 10% by 2030.



We will promote women's empowerment, aiming to have the percentage of female managers, which stood at only 2% in 2021, increase in phases to 5% by 2025, 8% by 2028, and 10% or higher by 2030. We will implement a variety of initiatives, including hiring more women, establishing an employee-friendly environment regardless of gender, and providing women who aim to assume managerial positions with opportunities to improve their skills.

• Percentage of Men and Women Hired



Sustainability Training

Each individual employee thinks about the future.

We share information about sustainability to provide employees with opportunities to understand the SDGs and learn and think about the global environment and social challenges using in-house newsletters, videos, intranet and other measures. We will organize internal training or workshops to develop initiatives to allow employees to apply what they learned to their day-to-day business activities.



Excerpt from an in-house newsletter

Efforts to Create a Working Environment Where Employees Can Work Lively

Helping employees keep their mental and physical health and increasing performance



The Company not only promotes efforts to have all employees undergo medical or stress checks but also sends information about health management in cooperation with an occupational

physician once a month, sets up a desk to consult experts about mental health or harassment whether business or personal, and enhances the support system to facilitate their use.

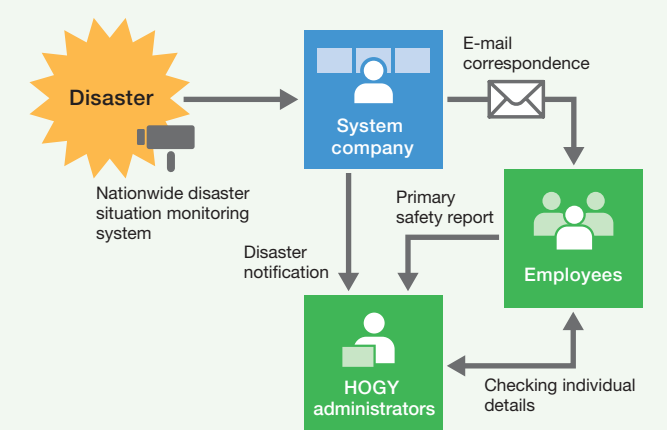
Thorough Preparations for Disaster and Accidents

We will ensure the safety of employees through a mechanism and drills.

HOGY Medical has deployed a personal safety confirmation system since 15 years ago to be used at the time of emergency to prepare for disaster. This enabled us to confirm the safety of employees promptly when the East Japan Great Earthquake and tsunami occurred in 2011, ensuring that responses were made smoothly. Further, we regularly conduct drills to confirm and report safety company-wide even in ordinary times, thereby raising awareness among employees.

Besides these, the production department not only puts a mechanism in place to allow employees to evacuate smoothly in the case of an earthquake or fire but also carries out emergency drills based on various assumptions.

• Responding to Disasters on a Round-the-clock Basis

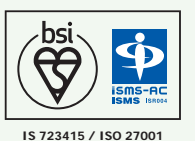


GOVERNANCE

Enhancing Speed, Transparency, and Diversity

Strengthen Information Security

Maintaining ISO 27001 certification



While in recent years, one has been able to obtain information efficiently by leveraging IT, its management is emphasized. The Company does not handle the personal information of customers in principle, but to make customers feel more secure

and comfortable, we obtained ISO 27001 certification designed to ensure an information security management system. Furthermore, we check information management and conduct training on a monthly basis to maintain quality.

► For further details about our corporate governance, please refer to Page 26.

To Continue to Be a Sustainable Company

Attendees: Hideki Kawakubo, Director/Kiyoshi Uesugi, Outside Board Member (Independent Director)
Taisuke Fujita, Outside Board Member (Independent Director)/Nguyen Viet Ha, Outside Board Member (Independent Director)

Working on the Sustainability of the Company, Society, and the Earth from Respective Standpoints

Kawakubo:To be a sustainable company, painting a vision of the future you target and back-casting to identify a path toward it is said to be necessary. To achieve this, you need to have a succinct understanding of your corporate philosophy or management philosophy to forge solid footing and simultaneously prepare a business foundation for the future. From this perspective, please share your views on the elements required for HOGY Medical to continue to be a sustainable company.

Uesugi:HOGY Medical is a company which since very early on has had to pursue measures with regard to the natural environment. Its biggest achievement is the replacement of EOG sterilization with EB sterilization, which is more environment-friendly. To the surprise of the industry, it was

quick to adopt EB sterilization. It was also among the first to introduce hybrid vehicles. Besides these, it has worked on an eco project to restore rice paddies called Eco Project for the Firefly since 14 years ago. In recent years, it has been tackling the R-SUD business ahead of other companies. All these can be attributed to the Company's forward-looking corporate culture. As business leaders, we should work to push this evolution further.

Kawakubo:As Mr. Uesugi just mentioned, promoting internal communication to clarify purposes or aims and explain "for what purpose" is necessary to let the Company evolve and develop.

Nguyen:From the perspective of a non-Japanese national, Japan is incredibly sustainable. I believe it is the most sustainable country in the world, actually. You may not know, but there are more companies that have existed for 500 years or longer

and also 200 years or longer in Japan than anywhere else. HOGY Medical is in its sixty-second year as company. How to make it to one hundred is a challenge.

When looking closely at the history of Japanese business management, we can pick out three key phrases. One is "written know-how," or in other words, education.

The second is "hospitality" towards others; that is, always thinking of what is best for the customer. Through its products, HOGY Medical has created numerous opportunities to solve the issues the healthcare industry faces. You can safely say this in itself is hospitality in a sense for end users. To further instill this spirit of hospitality, employees must have their motivation raised. Employees who are unhappy cannot pass on happiness to others. I believe everything is connected.

The third and final phrase is "systemizing a challenge, making it

a long-term one, and speed." This is extremely difficult to tackle and should be a challenge going forward. For example, it may be a good idea to draw a 100-year roadmap. Further, to compete against the world, if your company can mutually learn about the markets of the world by sharing know-how obtained in Indonesia or Singapore where it has sales departments with teams based in Japan, it may lead to an unexpected yet beneficial result.

Kawakubo:If things are organized that way, one can see how it becomes easier to identify what has been done and to what extent.

Fujita:Sustainability has two aspects: internal motivation and communicating the significance of our existence externally. As Ms. Nguyen said, we must first take inventory of our current activities. After that, unless you clarify which form of sustainability, i.e., that of the company, society, or for the earth, discussions will end up diffusing. After clarification, think and get involved from your respective standpoints. For instance, thinking of the company's sustainability is business management in itself. Developing a new product well, performing sales, developing human capital, and considering employees' wellbeing. This is what is must be done in business management.

Meanwhile, society's sustainability is in the domain of employees. The Company should define exactly how services employees offer are connected with the customer and patients' wellbeing and have them recognize that they are contributing to the sustainability of society. If this is instilled, it can lead to the next strategy or action spontaneously. You need to think and act by business unit.

The earth's sustainability is hard to notice for management and employees alike. Because of this, an organization like the Sustainability Committee established this year should identify global trends and to what extent the company's activities burden the environment and communicate such to the Board of Directors and employees. From there, these initiatives may lead to actual businesses that attempt to reduce the allocation of plastics further. At any rate, organizing the respective aspects of the company, society, and the earth should allow employees to understand and act better.

Going Back to the Corporate Philosophy and Thinking About Sustainability in That Context

Uesugi:Using long-established businesses in Kyoto as an example, Japanese long-lived businesses have

solid family precepts or corporate philosophies. Those who do not deviate from family precepts will survive, and those who do not will peter out. In the era of the bubble economy, there were many cases where businesses deviated from family precepts to seek immediate gain and failed. Given this, we should reaffirm the fact that none other than the corporate philosophy is fundamental.

Fujita:I agree. If we think about sustainability in the context of HOGY Medical's corporate philosophy: "Playing a part in facilitating the progress of medicine through the company's business to devote itself to people's health and wellbeing, thereby contributing to social prosperity," we are able to discuss this subject more comfortably. From the very beginning, HOGY Medical has been a company that provides products and services that prevent the healthcare system from collapsing, thereby realizing sustainability.

Uesugi:Work-style reform and reducing nurse workloads is an example, isn't it?

Fujita:Yes. Kit products were created particularly because they always focus on challenges customers face. Employees should be proud of the fact that a corporate posture such as this stems from their company's corporate philosophy.





Outside Board Member
(Independent Director)

Kiyoshi Uesugi

Uesugi:This works to help raise employee motivation as well. For example, I want all employees, including those in the production department, to have a strong awareness that “should there be a stock-out or defect, it would be life-threatening for patients.” I believe the understanding and permeation of the corporate philosophy has to do with raising employee awareness as well.

Nguyen:All organizational activities are connected, centering on the corporate philosophy. It is essential for the production department to have in-depth knowledge about activities at the sales site to boost sales and it is necessary to forge a sense of unity by exchanging information about the details of work or problems mutually.

Uesugi:That is true. The linchpin to forge a sense of unity or understanding lies in HOGY Medical’s corporate philosophy. Whereas a normal corporate philosophy might simply read as “Contributing to medicine” in many cases, the founder of the Company made our corporate philosophy “Contributing to the ‘progress’ of medicine.” Constantly keeping in mind his intention or aim in putting the word “progress” in is a key point.

Fujita:There must be innovation there.

Uesugi:Exactly. After realizing this, although it is important to maintain commodity products, more than that, the Company’s stance of “focusing on developing and distributing new products that contribute to ‘progress’”

may come across as fully convincing and you may be able to understand its significance.

Nguyen:That’s true. Such an understanding leads to investment in new products, such as R-SUD, and taking on the challenge of launching new businesses.

Fujita:I also think that what is important is the satisfaction salespersons feel when they play a part in promoting the progress of medicine through products. How many opportunities are made available for salespersons to be thanked by customers and how a parameter like the extent of contribution is measured count toward realizing the corporate philosophy.

Developing Human Resources for Globalization Is an Urgent Issue

Uesugi:In considering growth going forward, we must work, eyeing overseas markets. What do you think about this?

Fujita:I agree. We, the management, mostly hold discussions focusing on hospitals in Japan. However, it is necessary to send a message for globalization both at home and abroad and make preparations, including the personnel system, going forward.

Uesugi:I agree. It is essential to develop human resources from a long-term perspective. Further, to enhance sustainability through globalization, we need to have peers in the medium term. The flow of the times will become increasingly fast. Regarding overseas expansion, unless you find a business partner with which you have good chemistry and cooperate through mutual strengths, it will not come to fruition. I assume if you are a maverick, it would be more challenging to cope with changes in society.

Fujita:The ability to make friends like that is indispensable. Management must develop human resources that can respond to that consciously. I consider it one of the major business challenges.

Nguyen:Creating a community with “peers” is important. People may not be aware but a great thing about Japan can be seen in how people seek assistance to ensure safety at

the time of disaster from the order of “yourself,” the “community,” the “industry,” and finally the “government.”

In the rest of the world, while there are many countries that think “the government should do something for now,” Japanese people are marked by prioritizing “peers” and “communities.” This may lead to ESG-based management.

Kawakubo:Sustainability fits into Japanese people’s sentiments essentially, so we should be clearly aware of it and utilize it. In other words, it leads to clearly defining the respective sustainability of the company, society, and the earth. As for the company, the management thinks and indicates the direction. As for society, based on the corporate philosophy, each individual employee applies the concept to products and services. As for the earth, we share challenges associated with the earth’s sustainability, such as decarbonization or biodiversity, and the Sustainability Committee promotes efforts and initiatives. In each aspect, however, education and measures to increase motivation will be needed. This is a quick rundown of what we have discussed thus far.

Promoting DX Strategically, Based on the Potential and Risk of Digitization

Kawakubo:Finally, I’d like to ask you to share your views on digital transformation (DX). In the medical field as well, various changes leveraging



Outside Board Member
(Independent Director)

Nguyen Viet Ha



Outside Board Member
(Independent Director)

Taisuke Fujita

digital technologies are expected to arise going forward. Assuming that these trends will accelerate, please share your opinions from the perspective of risks or opportunities for the Company.

Uesugi:There are numerous opportunities. Given that DX has advanced significantly in terms of information, such as digital medical charts and telemedicine, or hardware like IoT devices, I assume it will turn next to software development. Regarding software development, however, it is necessary to find your peers. In doing so, an in-house connoisseur is indispensable, and how to develop digital human resources is a challenge. You also need to team up with a company that has expertise and advanced technology.

As the Company is not experienced in digitization, this is an area it has to tackle going forward.

Unfortunately, though it has made inroads in users this much, it has not been able to utilize customer information fully. Thus, to catch up with DX technologies, nothing is more important than developing discerning human resources quickly and teaming up with new peers in moving things forward. Lagging behind in DX poses a huge risk.

Fujita:Regarding digitization, it is necessary to think about it in conjunction with the structure of healthcare. A challenge of assigning nurses efficiently lies behind selling kits used in operating rooms. If you consider things beyond that, you would need to take a comprehensive view of how to let patients enter an operating room in a stress-free manner. In that case, digitization would come into play. So, going that far is our business model. Unless we all do so, we would not be able to feel patient wellbeing or how light their burden is. You can’t reduce burden on nurses or doctors, either. Furthermore, employee burden won’t lessen, either. Unless you think about creating a world where everyone’s burden lessens, digitization might end up as something superficial.

Nguyen:I think DX is merely a tool. The task is how to identify the customer or the Company’s issues and solve them using that tool. For example, the progress of work in the respective departments is reported as a whole and as necessary at the Company, but we have yet to build a system for checking an individual employee’s progress timely. Going forward, to make forays overseas in particular, digitization to share the op-

erational situation is an essential tool. If you visualize the situation of a plant at a glance to allow the head office to constantly identify the production and quality control status, you would be able to solve a problem associated with delivery time or quality smoothly and quickly.

Kawakubo:Digitization enables you to identify both risks and opportunities and is twofold: digitization for products and services and internal digitization. Digitization for products and services has yet to start but as for internal digitization, a team to promote enterprise resource planning (ERP), including the mission-critical system, has started up and made progress step by step. Quality and speed will be increasingly required in this field going forward, so we hope to drive it forward strategically in the context of possibilities and risks.



Director
Hideki Kawakubo

Sustainability Policy

“Through our business, we will foster the advancement of medical care and the health and happiness of people, thereby contributing to the prosperity of society.” With this as our corporate motto, we will establish, implement, and maintain the following policies in order to protect the safety and security of medical care and pass to the next generation a sustainable society filled with health and happiness.

1. We will formulate a medium- to long-term business plan, under which we will grow existing businesses and embrace new challenges in order to foster the resolution of medical issues and the advancement of medical care.
2. We will work to resolve environmental and social issues by developing and manufacturing safe, high-quality products and services and supplying them in a stable manner into the future.
3. As a company listed on the Prime Market of the Tokyo Stock Exchange, we will strive to maintain a high level of governance, engage in highly transparent management practices, promote constructive dialogue with stakeholders, and sustainably increase corporate value.

Junichi Hoki, President and CEO, HOGY Medical Co., Ltd.
Formulated on April 8, 2022