



HOGY MEDICAL
REPORT
2022

Since its founding in 1961, HOGY Medical Co., Ltd. has worked to develop products that contribute to enhancing medical safety and medical institutions' profits while developing relationships with medical professionals. With the launch of Mekkin Bags (Sterilization Pouches) designed to prevent in-hospital infections in 1964 as the beginning, HOGY has consistently offered surgical-use non-woven fabrics and surgical kits that help improve medical safety and working styles to stably supply safer products.

To curb rising national health expenditure, strict policies, such as significant revisions to medical service fees or drug prices, are likely to be implemented in Japan's healthcare industry in the future. In addition, given that realignment or elimination and integration of hospitals are expected to accelerate based on the 2025 model and functional differentiation of hospital beds is likely to proceed, hospitals will be called on to improve or streamline management even further going forward.

As just described, the environment surrounding healthcare faces great change. We thus believe it to be our mission to stably deliver high value-added products that contribute to improving medical safety and hospital management. HOGY Medical is determined to conduct business activities, giving the top priority to ensuring safety and security for those involved in healthcare and contributing to enhancing the quality of healthcare.

Editing Policy

HOGY MEDICAL Co., Ltd. has prepared "HOGY MEDICAL REPORT 2022" to allow all stakeholders to understand our efforts and initiatives for sustainable value creation. We will report our corporate philosophy, approach to ESG issues, and social involvement in an integrated manner.

Target period: April 1, 2021 - March 31, 2022

*(Information on other periods is partly included)

**"Premium Surgical Kit," Blister Kit, and Tyvek Kits are included in "general surgical kits" along with 14 other types.

*EMARO® is a registered trade name of Riverfield Inc.

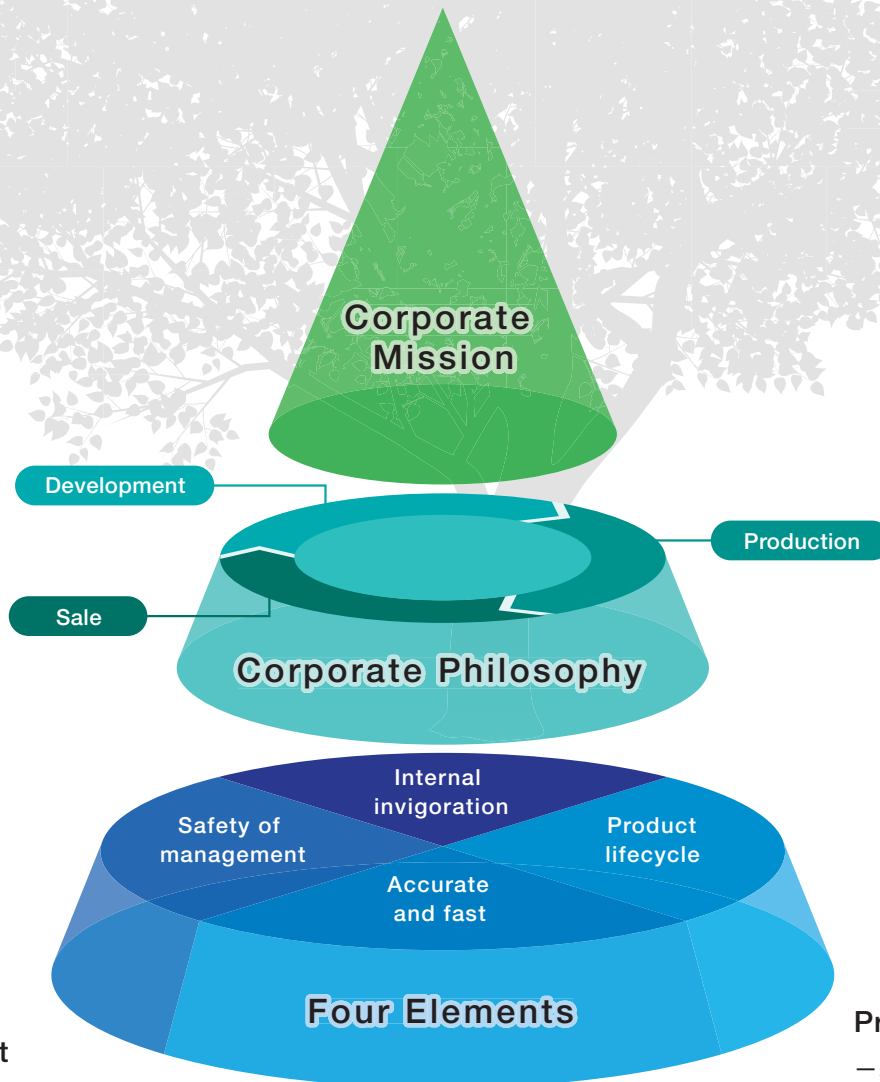


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Corporate Philosophy

Based on our corporate philosophy “to promote good health and prosperity through contributions to medical progress,” we offer solutions through products and systems that contribute to the safety of patients and healthcare professionals as well as to management improvement of medical institutions and other organizations.



Safety of management

—HOGY believes the basics of management lie in “safety.” Safe management is to continue growing sustainably and stably, thereby making it possible to develop and supply stable products.

Internal invigoration

—Internal invigoration is a key element related to the growth of the company. HOGY Medical aims to secure fair and equitable evaluation based on stringent criteria, create a free and vigorous atmosphere, and build a meaningful workplace.

Accurate and fast

—All figures related to business management need to be accurate. Accurate and fast information allows not only quick business decision-making but also prompt external disclosure as well.

Product lifecycle

—Any product goes through the phases of introduction to growth, maturity, and decline in the market. HOGY Medical formulates a strategy or improves products timely, thereby allowing them to make long-standing contributions. Meanwhile, we also strive to play a part in advancing healthcare by introducing products that meet the needs of the times.

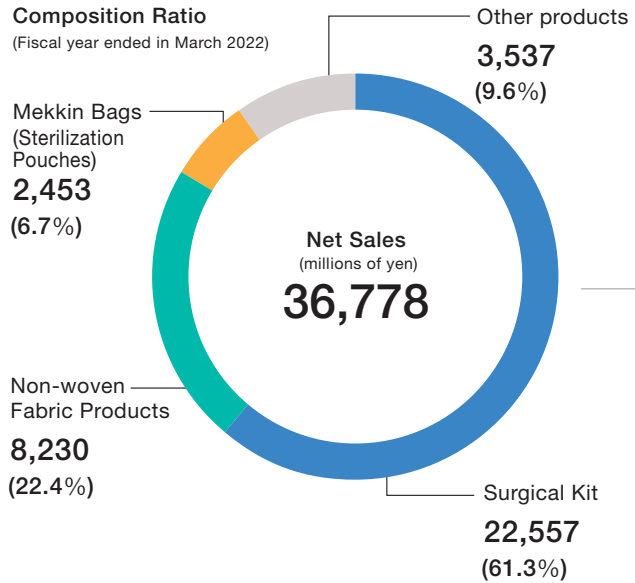


HOGY Medical's History

HOGY Medical started as Hoki Recording Paper Marketing, a company that sold recording paper for medical instruments founded by Masao Hoki in 1961. With Mekkin Bags (Sterilization Pouches), which were developed in 1964 as the first of many products based on experience in handling recording paper for medical instruments, the Company took a significant step into the area of infection prevention in operating rooms. In the 1980s, the Company promoted the switch from cotton cloth to surgical-use non-woven fabrics. In the 1990s, the Company launched Surgical Kit, a set of specific medical supplies used for surgery that previously had been collected piece by piece. Further, in the 2000s, the Company released OPERA MASTER, a system that contributes to management improvement for medical institutions, and in 2016, launched Premium Surgical Kit, the new form of kit products. In this way, HOGY Medical's products have constantly been evolving.

Main Products Sales Composition Ratio

(Fiscal year ended in March 2022)



Packaging bags for autoclave sterilization
Mekkin Bags
(dry heat/syringe type)

1964



Packaging bags for autoclave sterilization
Mekkin Bags
(roll type)

1970



Surgical-use non-woven fabrics (wet type)

Sterile gowns/drapes

1975

Non-woven fabrics using spun lace

MGY series gowns

1983

Packaging bags for sterilization

Hybrid Mekkin Bags

1984

1961-1970

HOGY Medical's History

Succeeded in developing the Mekkin Bags, based on its experience in developing recording paper for medical instruments

1971-1980

To enhance safety in the operating room, developed products to prevent in-hospital infections centered on non-woven fabrics

1981-1990

To prevent in-hospital infections, educated the public about the switch from cotton cloth to disposable non-woven fabrics

1961

Incorporation of Hoki Recording Paper Marketing



1967

Establishment of Kashiwa Plant in Kashiwa City



1978

Completion of Miho Plant No.1



1983

Completion of Miho Plant No.2

1987

Change of company name to the current "HOGY Medical"

1989

Completion of the fully automated Edosaki Distribution Center

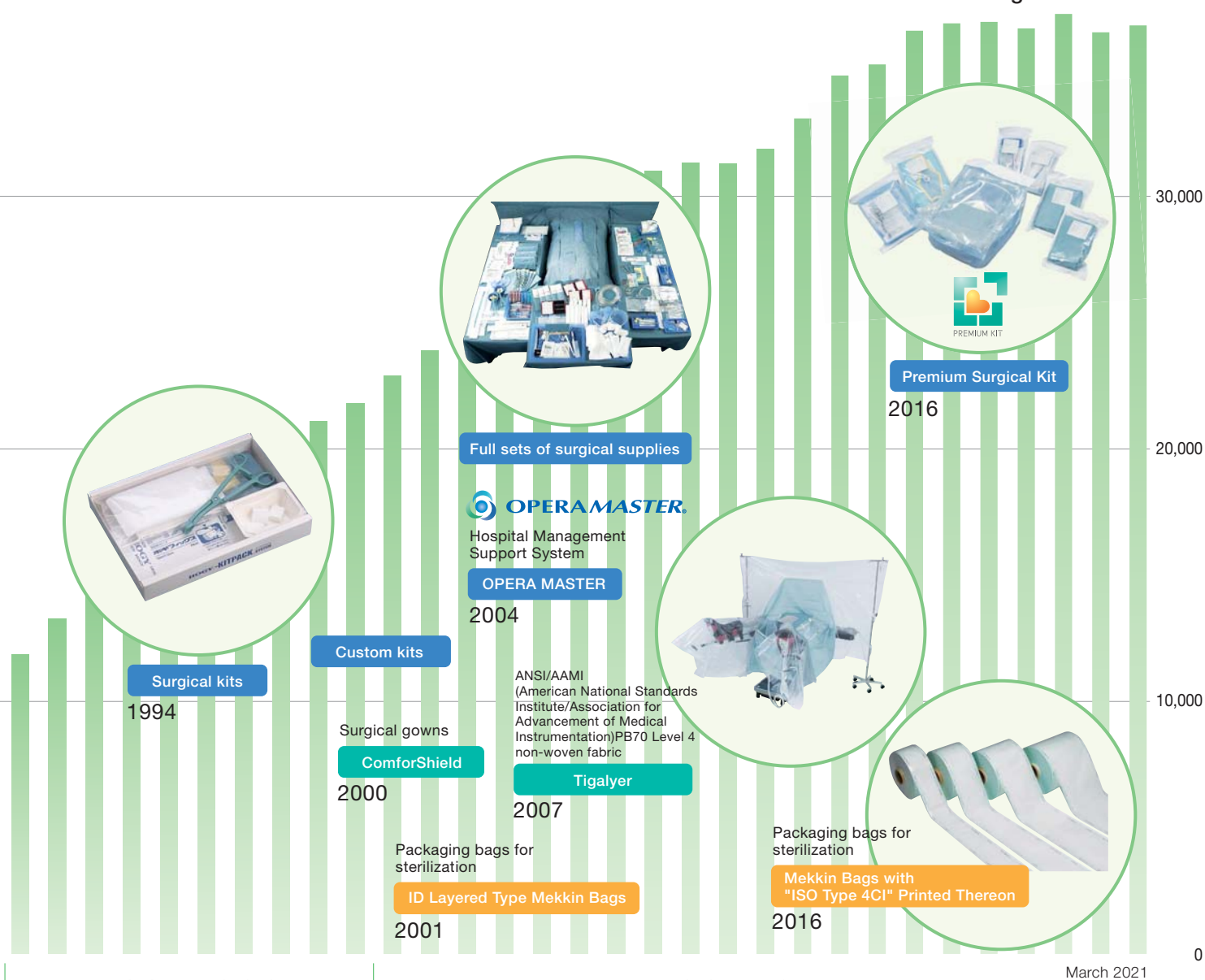


(millions of yen)

40,000

Note) Figures for 1996 and thereafter are on a consolidated basis.

Changes in Sales



1991-2000

Launched Surgical Kit consisting of surgical supplies
Established a production base overseas

2001-2022.3

Launched "Premium Surgical Kit," a product that contributes to enhanced efficiency on the medical front lines and improvement of the management of medical facilities.

1991

Company listed on the Second Section of the Tokyo Stock Exchange (TSE)

1992

Commencement of operations of the Edosaki Sterilization Center (electron-beam sterilization)

1994

Incorporation of P.T. HOGY Indonesia

1997

Completion of the fully automated Tsukuba Distribution Center

2000

Company listed on the First Section of the TSE

2002

Completion of the new head office building

2003

Commencement of operations of the Tsukuba Surgical Kit Plant

2006

Commencement of operations of the Tsukuba OPC



2011

50th Anniversary Incorporation of P.T. HOGY Medical Sales Indonesia (currently a consolidated sub-subsidiary)

2017

Commencement of operations of the Tsukuba New Surgical Kit Plant

2018

Incorporation of HOGY Medical Asia Pacific Pte. Ltd.

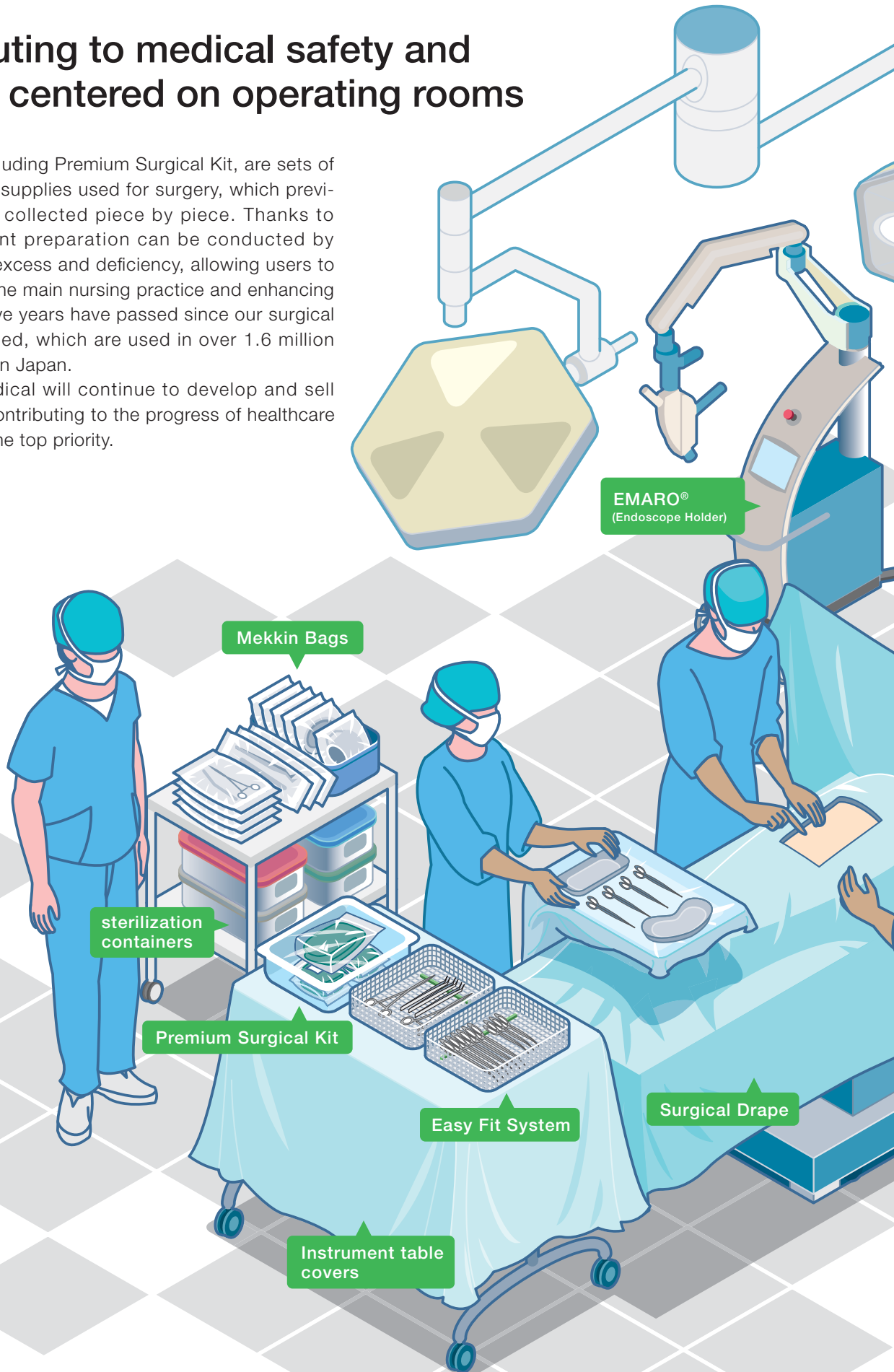


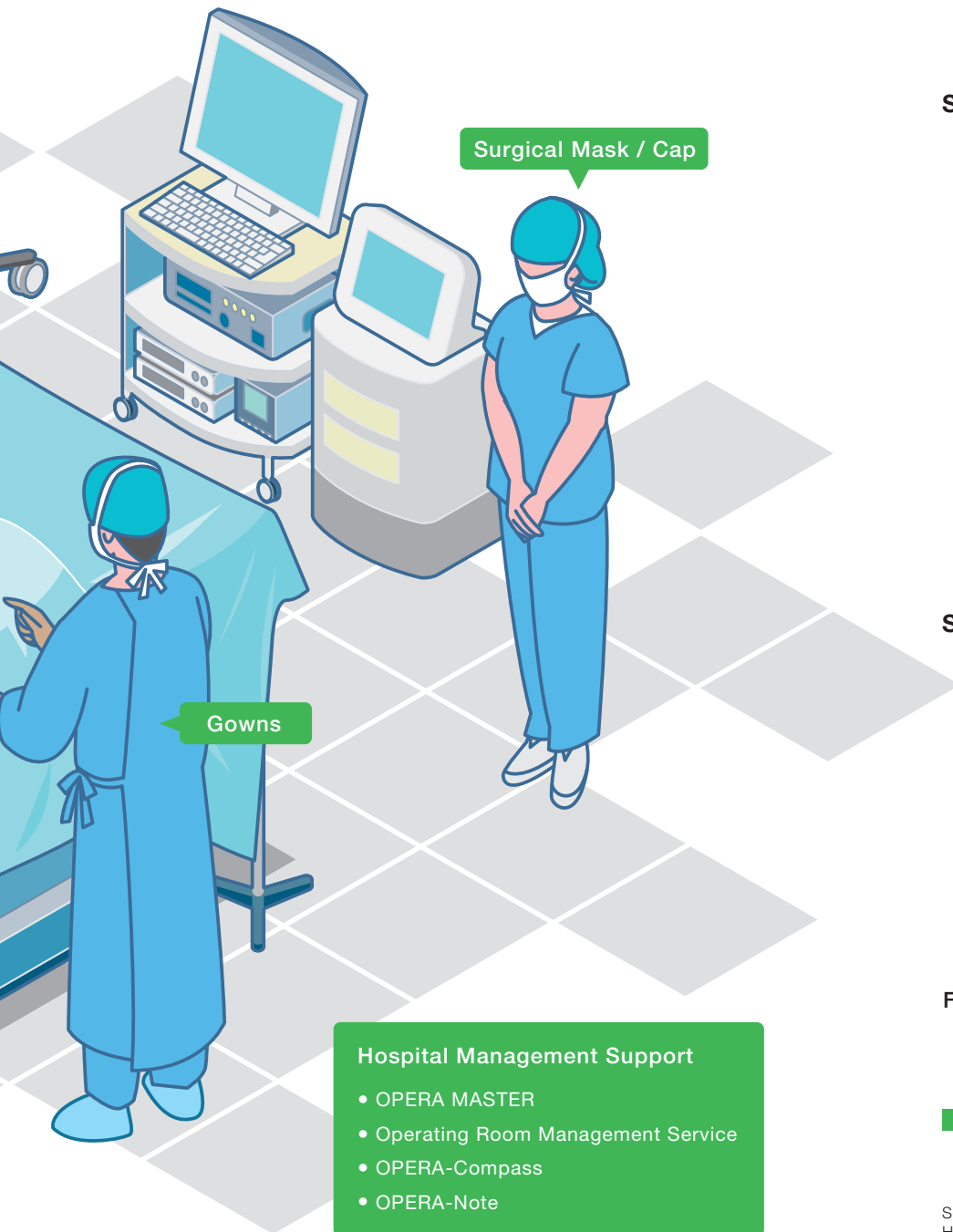
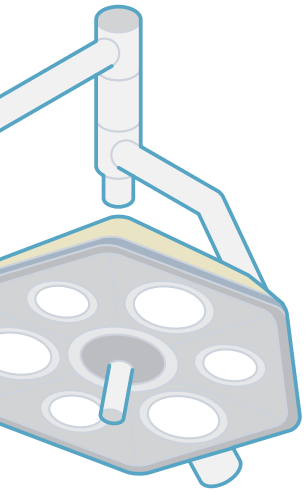


Contributing to medical safety and security centered on operating rooms

Surgical kits, including Premium Surgical Kit, are sets of specific medical supplies used for surgery, which previously had been collected piece by piece. Thanks to these, consistent preparation can be conducted by anyone without excess and deficiency, allowing users to concentrate on the main nursing practice and enhancing safety. Twenty-five years have passed since our surgical kits were launched, which are used in over 1.6 million surgeries a year in Japan.

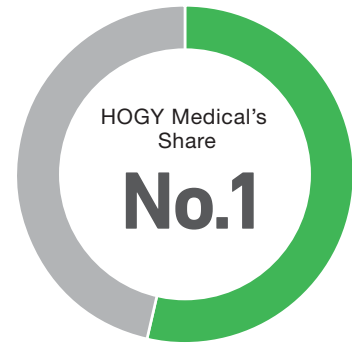
HOGY Medical will continue to develop and sell products, with contributing to the progress of healthcare in the future as the top priority.





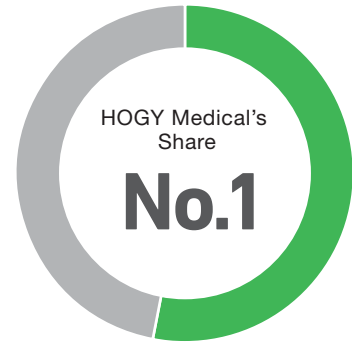
- Hospital Management Support**
- OPERA MASTER
 - Operating Room Management Service
 - OPERA-Compass
 - OPERA-Note

Surgical kits



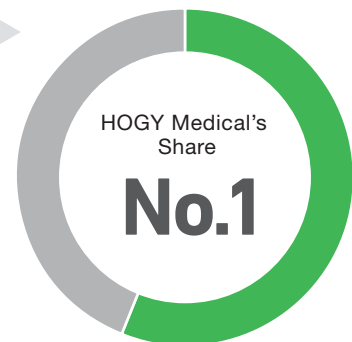
FY2020 Surgical Kit Market
(millions of yen)
39,390

Surgical Drape



FY2020 Surgical Drape Market
(millions of yen)
10,490

Sterilization Pouch



FY2020 Sterilization Pouch Market
(millions of yen)
4,060

■ HOGY Medical

Source: "FY 2020~2021 Actual Situation in Medical/Hygiene Product Market and Trends in Demand by Product" by Yano Research Institute Ltd.



Message from Top Management

To address business challenges facing advanced acute-phase hospitals and acute-phase hospitals, the Company will help ease shortage of labor and improve productivity by proposing our products, including the Premium Surgical Kit, which allow users to reduce workloads.

Junichi Hoki
President & CEO



Looking Back on the Fiscal Year Ended March 2022

In the fiscal year under review, the number of COVID-19 cases repeatedly rose and fell in Japan, which affected the economy and society.

Regarding government-driven vaccination and booster doses that began two years ago, vaccination rates have increased with the percentage of those who received a third shot exceeding 40% in all age groups. The efficacy and preventive effects of vaccines against COVID-19, including its variants, are being verified, and the current situation is unlikely to turn around immediately.

In the healthcare industry, patients refrain from visiting doctors and the number of operations and checkups fluctuates according to the number of COVID-19 cases. Medical institutions have worked tirelessly to secure the medical care system while taking thorough measures to prevent infection, but shortage of labor, including uneven distribution and a rising turnover rate among healthcare professionals, have become the norm, and the environment surrounding customers remains challenging.

Under these circumstances, the Company has offered proposals contributing to increasing efficiency in medical practice, with customer safety as the top priority. In the fiscal year under review we conducted sales activities flexibly, with prevention of the spread of infection as a top priority, according to rules for visitors by medical institutions and the number of COVID-19 cases. Furthermore, we had all employees who visit medical institutions regularly undergo PCR tests voluntarily in consideration of safety

for customers and employees also in the fiscal year under review.

As for sales performance in the fiscal year under review, as sales of the Premium Surgical Kit remained strong, those of Surgical Kit products increased. The Premium Surgical Kit is our most important strategic product and highly value-added product that can streamline operations from the preoperative preparatory phase to the perioperative and postoperative phases while ensuring safety of surgery. It has received high evaluation as it can contribute to improving operations in medical practice, which has increasingly grown challenging. As for medical-use non-woven fabric products, due to a negative impact of precaution sets, such as surgical gowns and infection prevention products, whose demand surged last year, sales decreased.

As a result, consolidated net sales for the fiscal year under review amounted to ¥36,778 million, up 0.8% from the previous fiscal year. Sales of surgical kits rose 6.5% year on year to ¥22,557 million, of which sales of Premium Surgical Kit totaled ¥13,314 million, up 18.4% from a year earlier. In terms of cost of sales, depreciation for the new factory decreased but due in part to inventory write-down, the cost-of sales ratio increased from the previous fiscal year. Selling, general and administrative expenses fell due in part to the effects of self-quarantine on the back of the COVID-19 pandemic.

Consequently, operating income was ¥6,135 million, up 8.9% from a year earlier. Ordinary income was ¥6,285 million, up 5.0% year on year, due to subsidy income for the new surgical kit plant from Ushiku City posted as non-

Statement of Income for the Fiscal Year Ended March 31, 2022

(Unit: Millions of yen, rounded down to the nearest indicated unit)	Fiscal Year Ended March 2021 (Actual)		Fiscal Year Ended March 2022 (Actual)		Year-on-year	
	Amount	Composition ratio	Amount	Composition ratio	Amount of increase/decrease	Ratio of increase/decrease
Net sales	36,504		36,778		273	100.8%
Operating income	5,632	15.4%	6,135	16.7%	502	108.9%
Ordinary income	5,988	16.4%	6,285	17.1%	297	105.0%
Profit attributable to owners of parent	4,959	13.6%	4,370	11.9%	-588	88.1%
EPS	164.03 yen		153.00 yen			

operating income as the previous fiscal year as well as the effect of commissions for the purchase of treasury stock during the fiscal year. Due to the impact of partial sales of shares for which extraordinary income was recorded in the previous fiscal year, extraordinary income fell ¥1,028 million year on year. As a result, profit attributable to owners of parent was ¥4,370 million, down 11.9% from the previous fiscal year.

Future Outlook and Initiatives

As for the future outlook, the impact of the spread of COVID-19 on society and the economy, which has become the norm, is expected to continue for now. Expectations for herd immunity as vaccinations increase and development and diffusion of oral drugs are growing while concerns over the emergence of new variants and the spread of infection are unlikely to be eliminated and the situation is unlikely to turn around promptly. The situation is expected to remain challenging for some time to come.

Further, coupled with the uncertain global situation, which stemmed from Russia's military invasion of Ukraine, soaring prices of crude oil, natural gas and other resources have led to surges in material prices and utilities. On top of these, given rising prices of materials procured from abroad due to foreign exchange rate fluctuations and container shortage and soaring ocean shipping costs that have persisted since the onset of the COVID-19 pandemic, raw material prices are on an upward trend globally, making it difficult to absorb higher costs with corporate efforts alone.

The Company plans to revise prices to meet the primary goal of supplying products stably and continuously to maximize customer value while continuing with business efforts to reduce costs and boost productivity. Considering measures to enhance high-level professional acute-phase medical care for emergency or critically ill patients were incorporated as part of the revision of medical service fees in fiscal 2022, functional differentiation or cooperation to realize the Community Healthcare Concept is expected to accelerate. To address these challenges facing advanced acute-phase hospitals and acute-phase hospitals where surgery will likely be concentrated, the Company will propose solutions proactively by calling attention to the value that its Premium Surgical Kit provides.



Premium Surgical Kit



Automatic manufacturing by robots

Further, while shortages and uneven distribution of medical professionals surface, discussions on measures to reform how doctors work, regulations for overtime work for nurses, and how to improve working practices and workplace environments are underway. For medical institutions, how to secure medical professionals is an issue. To help customers address these challenges, the Company will promote activities to propose its Premium Surgical Kit that helps reduce their workload thoroughly, thereby contributing to easing labor shortages and boosting productivity at medical institutions.

As for our overseas operations, centered on HOGY Medical Asia Pacific Pte. Ltd., a Singapore-based sales subsidiary, and P.T. HOGY Medical Sales Indonesia, a sales sub-subsidiary, the Company will actively introduce products at core hospitals in respective Association of Southeast Asian Nations (ASEAN) countries.

Regarding manufacturing costs, we will steadily promote the second phase construction work of the new surgical kit plant to increase production volume and enhance production efficiency of Premium Surgical Kit, for which

demand is expected to continue growing going forward. Though P.T. HOGY Indonesia, a manufacturing subsidiary, will also work on promoting the internal manufacturing of materials and boosting productivity to reduce costs, due to the aforementioned market environment, the cost-of-sales ratio is expected to rise.



HOGY Medical Asia Pacific Pte. Ltd.,

Regarding the R-SUD (remanufacturing of single-use medical devices) business, the Company promotes efforts to facilitate inspection, test, and remanufacturing processes as well as speed up process from application for approval to authorization while striving to operationalize it concurrently. Six approvals and permits were obtained and one application was filed as of the end of the fiscal year under review (*the items approved are as of the end of September 2022). The R-SUD business is a business in which the single-use devices (SUDs) of surgical supplies are collected after they are used and, undergoing such processes as inspection, decomposition, cleaning and sterilization, are re-manufactured and sold as SUDs of the same use. R-SUDs are expected to prove effective for reducing costs at medical institutions and will also lead to effective use of resources and protection of the environment. As such, demand for R-SUDs is projected to grow domestically.

Shareholder Returns and Earnings Forecast for the Fiscal Period Ending March 2023

As its basic policy with respect to profit appropriation, the Company puts emphasis on the dividend policy of returning profits to our shareholders actively and on a continuous basis, taking into account our corporate motto of “ensur-

ing harmonious coexistence with customers, shareholders, employees, and corporations” fostered since inception. Moreover, to ensure that the fruits of performance are swiftly returned to shareholders, HOGY Medical conducts payment of quarterly dividends.

As for dividends for the fiscal year ended March 2022, HOGY Medical paid ¥17 for each quarter, or ¥68 yen in total for the entire year, continuing to achieve record-high dividends.

The consolidated performance forecasts for the fiscal year ending March 31, 2023, are net sales of ¥38,720 million (up 5.3% from the previous fiscal year), operating income of ¥6,510 million (up 6.1%), ordinary income of ¥6,570 million (up 4.5%) and profit attributable to owners of parent of ¥4,570 million (down 4.6%). As for dividends, we plan to pay ¥17.50 for each quarter, or ¥70 in total for the entire year, up ¥2 year on year.

Selection to Tokyo Stock Exchange’s Prime Market



HOGY Medical transferred to the “Prime Market,” a new market segment of the Tokyo Stock Exchange, Inc. as of April 4, 2022. With the selection to the Prime Market, expectations for higher governance standards and sustainable growth are heightening.

Giving consideration to a balance of experience, knowledge, and capability expected of each director and increasing the number of outside board members from two to three, accounting for half of the board members, the Company will hold deeper, multifaceted, and objective discussions at the Board of Directors. Further, based on the belief that it is important for directors to express views and opinions from various angles, we put emphasis on the diversity of the board. Maintaining high-level governance leads to the Company’s sustainability, serving as the foundation for future growth.

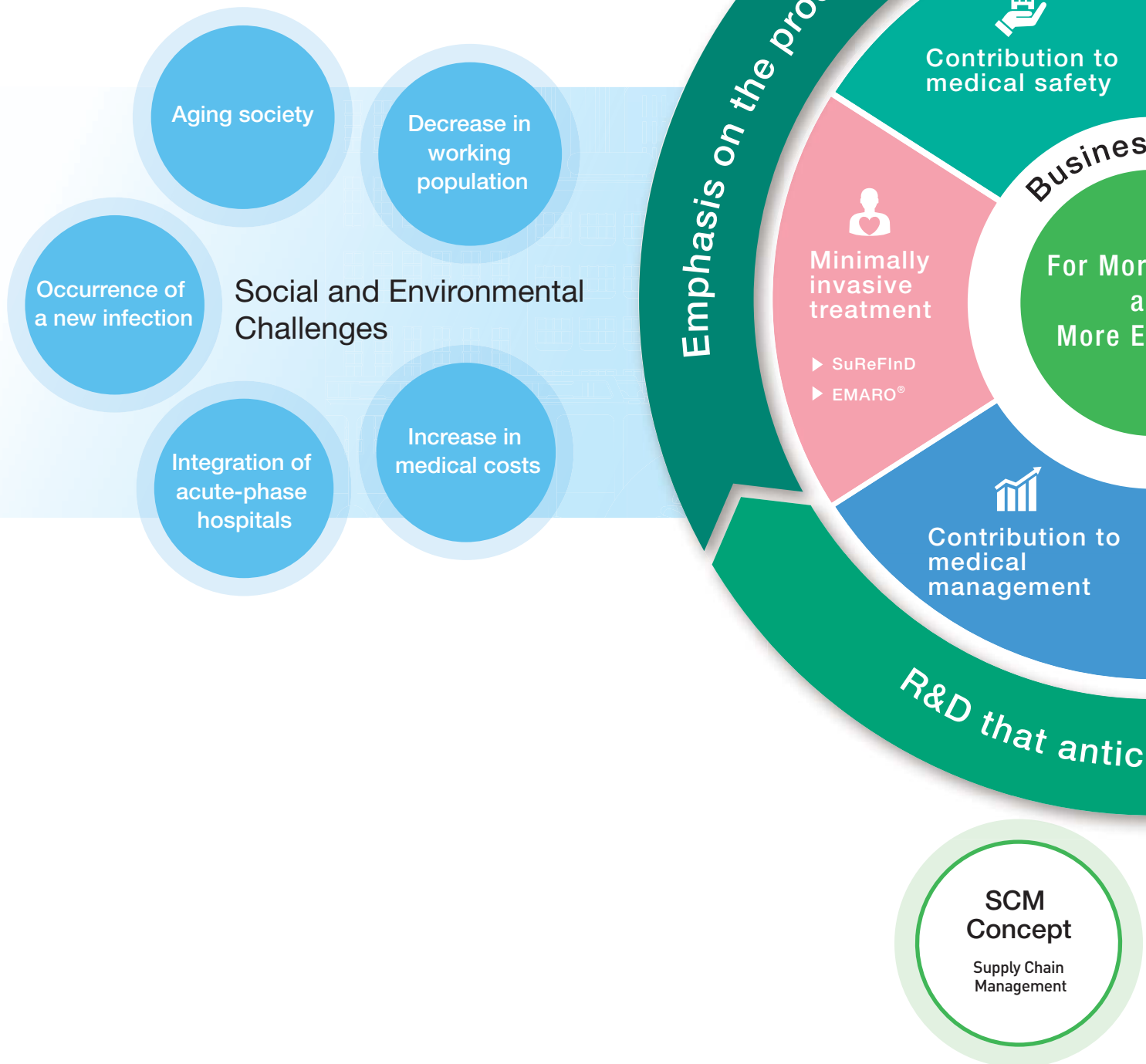
Circumstances surrounding the Company, including society, regions, and the global environment, keep changing and to continue to supply products that help customers stably, HOGY Medical will push forward with its work.



HOGY Medical's Growth Driver

Healthcare keeps evolving and changing with society. While issues and needs at medical front lines change, the Company develops products, always looking a step ahead, thereby contributing to increasing safety and streamlining of the management of medical facilities.

The essence of our growth strategy is to identify the lifecycle of a product across the introduction, growth and maturity phases and quickly capture needs at medical front lines while the mainstay product is in the maturity phase as well as respond meticulously, thereby developing products that always anticipate social needs, put the next strategic product on track, and create markets. To this end, we constantly focus on developing products in consideration of customers and producing highly safe and efficient products thanks to a production system that refuses to compromise.

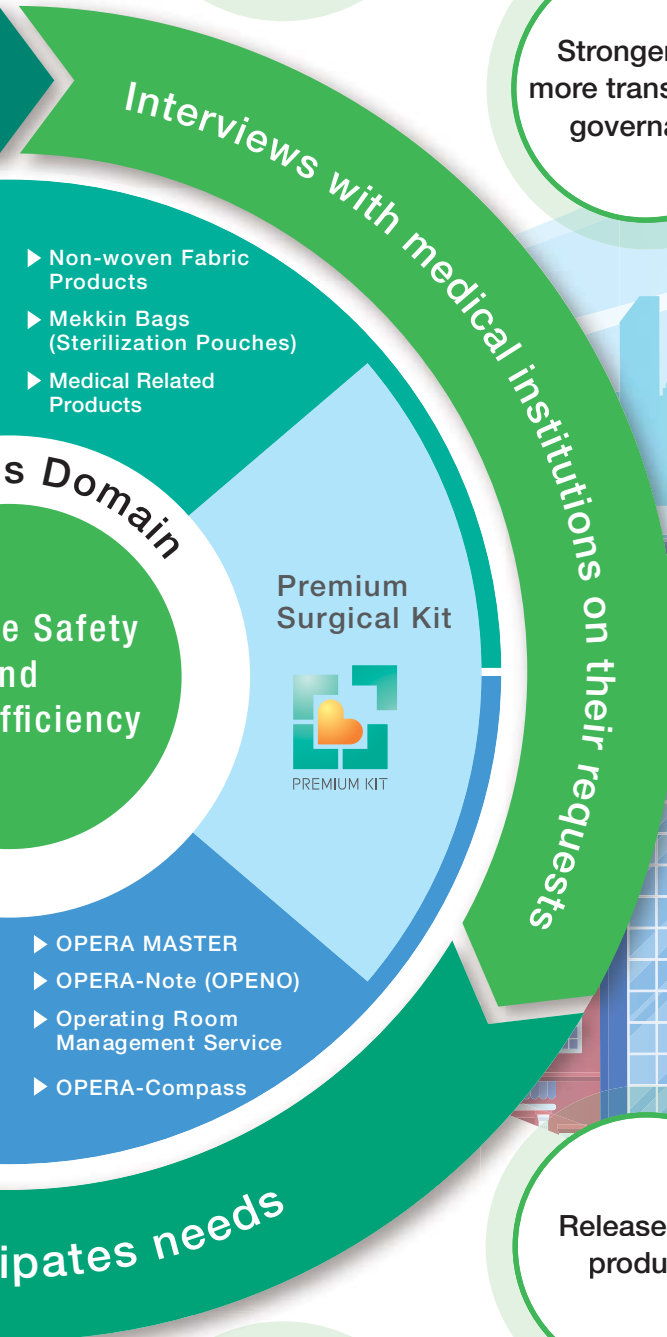


Develop diverse human resources

Stronger and more transparent governance



HOGY Medical will contribute to the development of healthcare through products and services.



Release new products

Expand overseas business



Research and Development

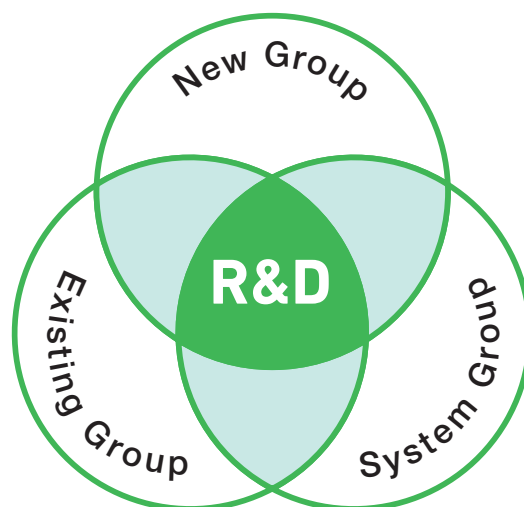
The R&D Department was reorganized into three groups in January 2022: a new group, the existing group, and a system group. Each group develops its expertise while strengthening cooperation among the groups to create new subjects and pursue existing ones.

As for R&D activities in the fiscal year under review, while enhancing components steadily to improve the mainstay Premium Surgical Kit further, the Company began working on developing products that practice environmental consideration and cost reduction. Further, it will further focus on developing components for internal manufacturing with a view to supplying the components of mainly surgical kits stably.

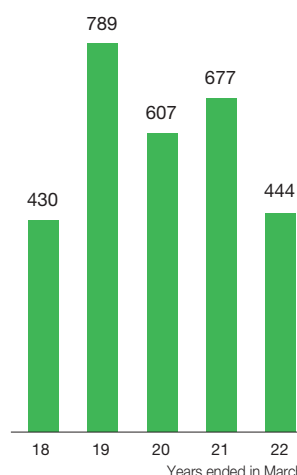
From a perspective of increasing safety and efficiency at medical front lines, we launched several proof-of-concept projects regarding artificial intelligence.

Specific results in the fiscal year under review include the addition of two new components of kits, replacement of four items with their internal manufacturing items, and addition of 12 existing components. Further, the Company launched the Weaps® 3D head mount display while obtaining regulatory approval for six R-SUD products (*the approved items are as of the end of September 2022). As for system products, the Company launched OPERA-Compass, which detects people and objects in operating rooms, manages equipment, and analyzes operations, and enhanced the functions of the OPERA-Note operating room information-sharing tool. HOGY Medical will continue to develop products that help customers.

R&D spending in the fiscal year under review totaled ¥444 million, including that related to production technology.

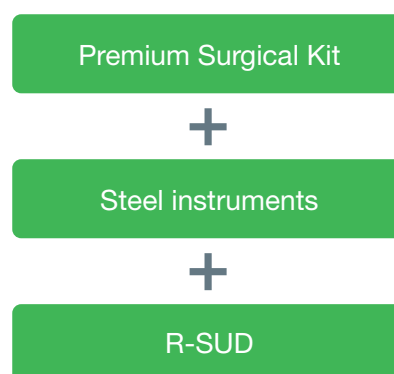


Changes in R&D Spending
(millions of yen)



SCM Concept

HOGY Medical seeks to realize its SCM concept in which all medical supplies required for surgeries, including the Premium Surgical Kit and R-SUDs, are delivered just in time to cope with the integration of advanced acute-phase hospitals and acute-phase hospitals based on the government's Community Healthcare Concept and the accompanying concentration of surgical operations as well as declining labor force.



Overseas Strategy

The Company aims to expand business in respective ASEAN countries that are potential medical device markets going forward. In these countries, due to the shift of disease patterns, reform of health insurance systems, and increased medical tourism on the back of rapid economic growth and aging societies, the numbers of both patients and surgeries are on the rise. Because of this, the medical device and consumables market has kept growing. Moreover, as the advancement of surgical technology and the increasing number of surgeries lead to growing demand for products and solutions that contribute to enhancing operational efficiency in the operating room at hospitals, demand for our products is expected to expand going forward.

P.T. HOGY Indonesia

(founded in Bekasi, Indonesia, in October 1994)

P.T. HOGY Indonesia was founded as a manufacturing subsidiary for surgical-use non-woven fabrics, etc. As labor costs are on the rise, it will seek to save labor and promote automation, thereby not only boosting productivity but also endeavoring to develop as many internal manufacturing medical supplies as possible.



P.T. HOGY Indonesia's Plant No. 1 and No. 2 acquired ISO 13485:2016 certification.

The International Organization for Standardization (ISO) develops international standards to facilitate the distribution of goods and services and ISO 13485 is an international quality management system (QMS) standard for medical devices.

P.T. HOGY Medical Sales Indonesia

(Founded in Jakarta, Indonesia in June 2011)

P.T. HOGY Medical Sales Indonesia, a sales sub-subsiary, proactively conducts sales activities for products centered on medical-use non-woven fabric products. While exploring ways to sell products that meet the requirements of hospitals in the country, the Company aims to expand sales across Southeast Asia going forward.

HOGY Medical Asia Pacific Pte. Ltd.

(Founded in Singapore in August 2018)

As part of our overseas expansion to distribute surgical supplies and other products, HOGY Medical established a joint venture, HOGY Medical Asia Pacific Pte. Ltd., in Singapore with Mitsubishi Corporation and launched business operations. Targeting main hospitals in the ASEAN region where medical demand is expected to grow, it conducts sales activities centered on Premium Surgical Kit.



P.T. HOGY Indonesia



HOGY Medical Asia Pacific Pte. Ltd



Premium Surgical Kit



Premium Surgical Kit is a priority product that responds to the era of transformation of the healthcare environment.

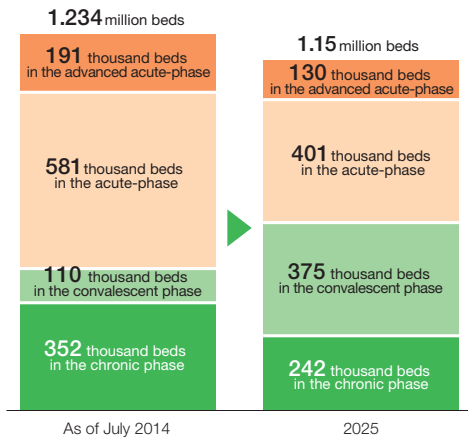
Three key phrases occupy the medical environment of 2025: "integration of acute-phase hospitals," "increase in the number of elderly people," and "decrease in working population." It is expected the number of acute-phase hospitals will decrease with a resulting concentration of patients, while the number of surgeries will increase due to the aging of the population. In addition, as the working population decreases due to the aging of society with a low birthrate, a labor shortage at the medical frontline is anticipated to occur and even higher efficiency will be required. To address these challenges, HOGY Medical developed the Premium Surgical Kit and built a new plant.



Acute-phase hospitals are required to enhance their management efficiency more than ever because of the "2025 Healthcare Model" and a rapid decrease in the working population, among other factors. Premium Surgical Kit is designed to further enhance the efficiency of surgery preparation and even lead to more efficient hospital management by significantly widening the components of conventional kit products. Here, we describe a variety of features of Premium Surgical Kit, including the proprietary packaging technology for reducing preparatory and opening work, superior safety, and cost effectiveness.

Impact of the healthcare system reform on hospital management in Japan

•Integration of Acute-Phase Hospitals by Medical Policy



Source: Fifth Special Study Group on the Promotion of Reform through Utilization of Healthcare/Nursing Care Information, June 15, 2015, Prime Minister's Office

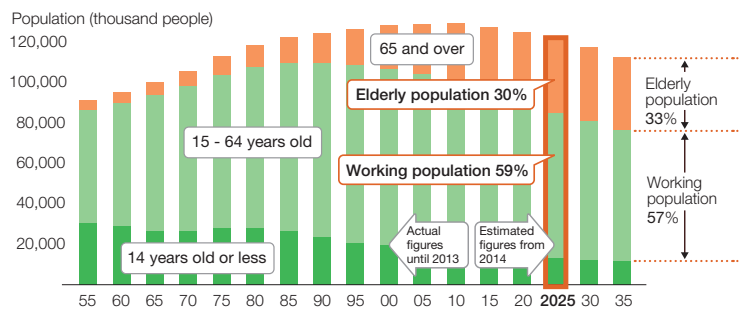
•Manpower Shortages at Hospitals Resulting from an Aging Society with a Low Birthrate

Rapid Progress of Aging Society with a Low Birthrate ▶ Decrease in Working Population

▶ With the parallel progression of aging and decline in birthrate, the ratio of elderly people will be 30% by 2025 and 40% by 2060.

The 2025 Problem ▶ Social Security Expenses Continue to Expand

▶ In 2025, when the entire baby-boomer generation has become latter-stage elderly, Japan will enter an era of a super-aged society where one in four persons is aged 75 years or older.



Source: "Demographic Statistics" announced in 2015 by the Ministry of Health, Labour and Welfare, "Population Census" and "Population Estimates" announced in 2015 by the Ministry of Internal Affairs and Communications, and "Population Projections for Japan" announced in 2012 by the National Institute of Population and Social Security Research. Estimates on national medical care expenditure (for fiscal 2014 and beyond) are prepared based on materials by the Ministry of Health, Labour and Welfare.

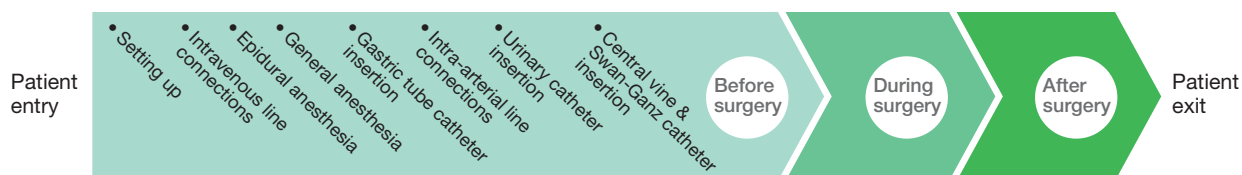
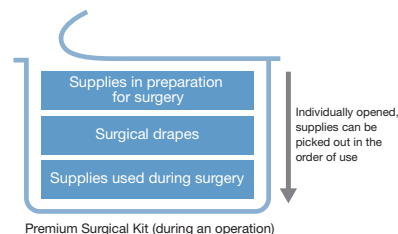
What Will Be Required for Acute-Phase Hospitals Going Forward

- Acute-phase hospitals will be required to strengthen the system to receive patients, and providing quality medical care and allowing them to leave hospitals early will be their mission.
- Division of roles among local hospitals, base hospitals, and convalescent-phase hospitals will progress while cooperation will be strengthened.
- Management of acute-phase hospitals will be required to enhance "medical safety" and "medical efficiency" due to the further integration of patients and concentration of surgical operations.

What Is the Premium Surgical Kit?

An all-in-one kit for before, during and after surgery

Premium Surgical Kit, which makes it possible to prepare for surgery safely and smoothly, is an all-in-one product that reduces picking work before surgery significantly, thereby shortening the preparation time. Consistent preparation can be conducted by anyone without excess and deficiency, allowing you to concentrate on the main nursing practice and enhancing safety. More efficient preparations for surgery contribute to hospital management on various fronts as well.

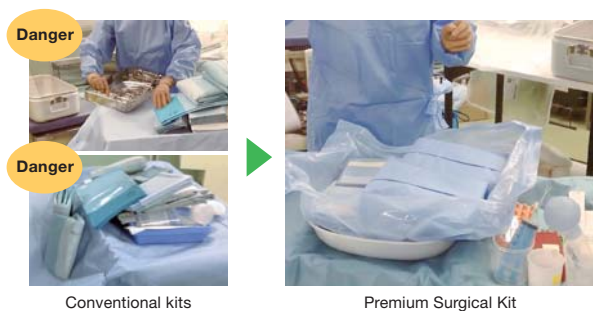


Example of the Benefits from Using the Premium Surgical Kit

1 Countermeasure against load shift

With conventional kits, there is frequent shifting whenever an instrument table cover wrapping materials is spread or materials pile up on the edge of a table for placing instruments.

Working while worried about load shift burdens nurses with enormous stress. This stress and waste of materials that fall on the floor can be reduced using blister packaging and Premium Surgical Kit, which packages materials in the order of use.



2 Designable order, from draping to setting

Premium Surgical Kit is custom-made to meet each individual medical institution's requirements. All items are packaged according to each medical institution's procedures, including the order of use or placement as well as the type or number of pieces of materials. Further, with blister packaging, not only drapes but also setting materials, such as those for absorption and light handle cover, can be designed.



3 Enable focus on surgery and reduce stress by leaving memorization of drapes to the kit

Similar to Premium Surgical Kit, conventional surgical kit products could be packaged according to order to a certain extent. However, an on-site survey revealed that the number of rearranged materials was immense and the order was different. For this reason, nurses had to memorize the order of draping and rearrange items.

The stress of this work falls heavily on nurses, which in turn affects the doctor who is performing surgery. The sense of security from using Premium Surgical Kit, which eliminates the need for memorization or rearrangement, translates into stable surgery.



Thanks to adequate and consistent preparation using Premium Surgical Kit, an environment where users can concentrate on the principle nursing services is put in place.

Electron-Beam(EB) Sterilization

Advantages of HOGY Medical's Electron-Beam(EB) Sterilization

We deploy environment-friendly electron-beam(EB) sterilization, which can be shipped in a short delivery period.

Currently, disposal medical equipment is sterilized mainly using three methods: electron-beam(EB) sterilization, ethylene oxide gas(EOG) sterilization, and gamma ray sterilization.

HOGY Medical mainly adopts electron-beam sterilization. We measure the number of adherent bacteria on each material and determines the sterilization conditions for each. For kit products, sterilization methods and conditions are set according to the materials that are difficult to sterilize among the materials used.

Our system for electron-beam sterilization is the backbone that supports the stable supply of disposable medical products manufactured by HOGY Medical.

This technology is used to achieve a safe & clean sterilization method that can sterilize a great quantity of items in shorter time than EOG sterilization or gamma ray sterilization, without any residual toxicity or environmental

pollution.

The Tsukuba Sterilization Center is the culmination of the sterilization and transport know-how developed by HOGY Medical and is computer controlled for full automation.

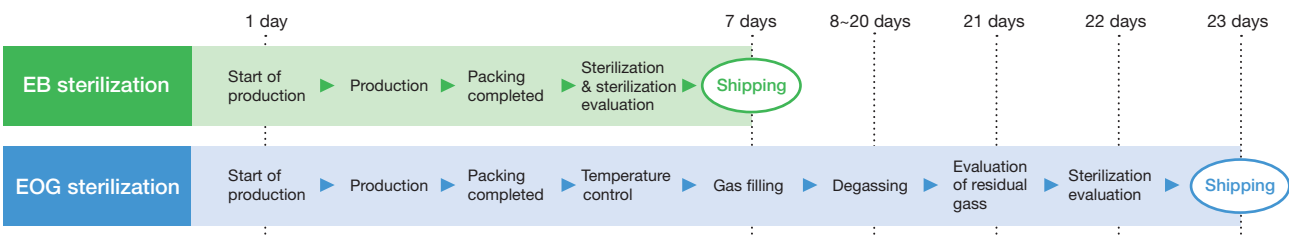
EB sterilization can sterilize objects that are already packaged and can sterilize anywhere from a small amount to a large quantity of products in the short time of several seconds to several tens of seconds, and can be made part of a continuously running operation to improve the efficiency of sterilization.

In addition, there is no environmental pollution or need for post-sterilization processing as with EOG sterilization and no need to dispose of radioactive waste as with gamma ray sterilization.

The Company takes great care to manufacture products that are safe and that can be used without worry.

Two Methods of Sterilization Adopted by the Company

	EB sterilization	EOG sterilization
Processing method	Continuous type	Furnace type
Processing time	Several sec. to min.	Several hours
Processing unit	Continuous processing in large volume	Furnace capacity unit
Post-processing	Not necessary	Left several weeks to degas
Environmental measures	None	Regulations on carcinogenicity and environmental pollution



List of Products and Services



Contribution to medical safety



Surgical-use non-woven fabrics

Greater safety and functionality



Sterilization Pouch

High functions and convenience of use



Medical Related Products

Supporting the medical front lines with a variety of tools



R-SUD Business (remanufactured single-use medical devices)

Contributing to effective use of resources and protection of the environment



SuReFinD

More securely assisting precise excision of small-cell lung cancer



Minimally Invasive Treatment

Enabling safer and more efficient minimally invasive treatment with small burden on the patient's body

Equipment for Minimally Invasive Treatment Surgery



Premium Surgical Kit

An all-in-one kit that can be deployed safely and smoothly



SCM Concept

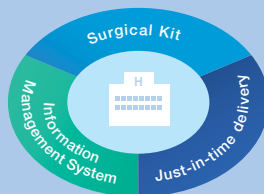
(Supply Chain Management Concept)

Providing all supplies required for surgeries just in time



Contribution to medical management

Services and Systems



OPERA MASTER

Significantly contributing to hospitals requiring more advanced, more efficient operations



OPERA Note

Provision of in-hospital information through cloud services



Operating Room Management Service

Offering a more comprehensive and detailed analysis of management data



OPERA-Compass

(a system to control operations of medical engineering equipment (ME))

Visualizing the state of operating medical equipment and making strategic investment plans possible.



EMARO® (Endoscope Holder)

Realizing both a high level of safety and excellent operability

For further information on our products and services, please refer to our website. ▶ <https://www.hogy.co.jp/english/>



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 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

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.

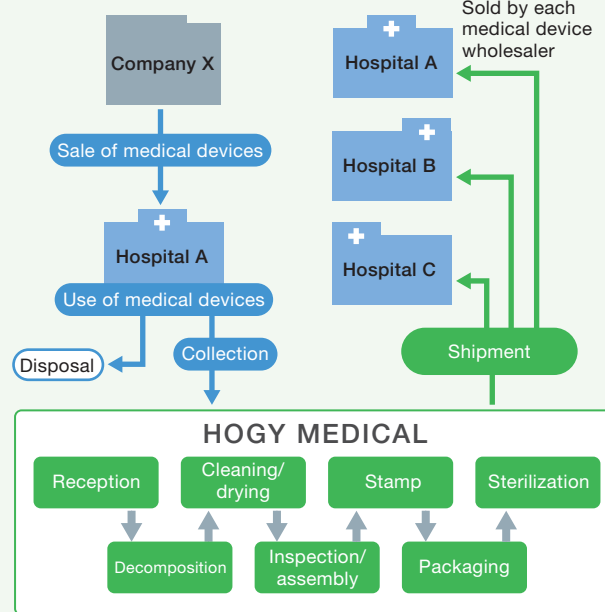
HOGY Medical will contribute to ensuring medical safety, the effective use of medical resources, the provision of sustainable medical device, reductions in medical expenses, and the curtailment of medical waste.

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.



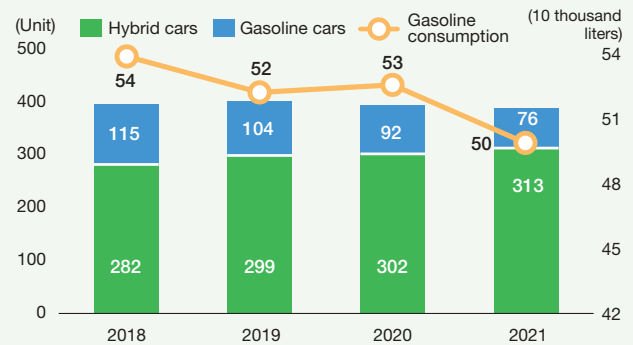
Replacing Company Vehicles with Hybrid Cars

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.

S O C I A L

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 feedback 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

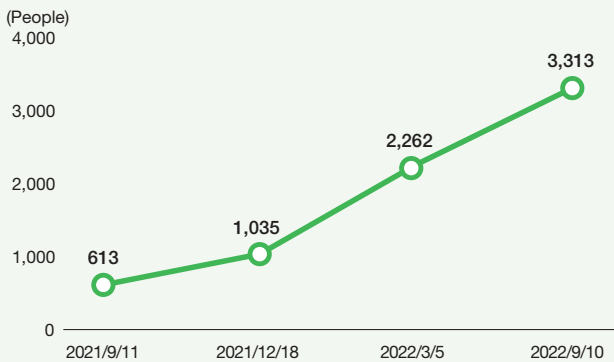
We disseminate the latest information and information about medical frontlines such as medical safety and work-style reform nationally.



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.

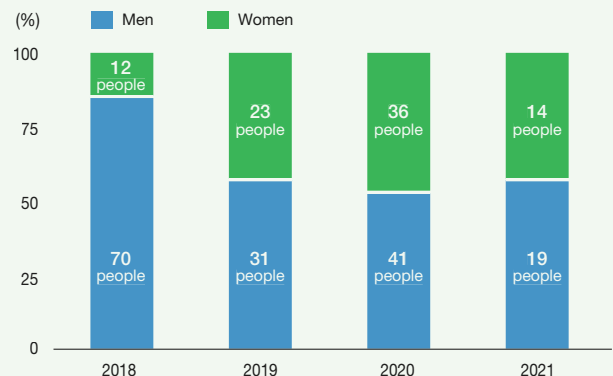
Promoting Women's Empowerment

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.



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.

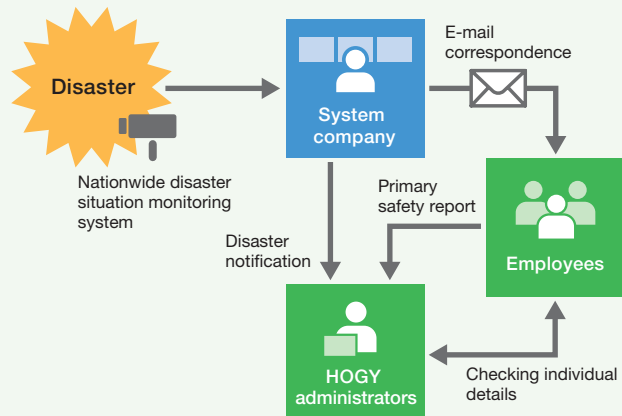
Thorough Preparations for Disaster and Accidents

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



IS 723415 / ISO 27001

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.

With Placing Emphasis on Our Customers and Shareholders as a Basic Company Policy, HOGY Medical Constantly Considers Their Interests and Has a System to Ensure That Corporate Governance Functions Sufficiently.

Basic Policy

HOGY Medical has established being customer- and shareholder-oriented as the basic policy of the Company and is aware that meeting management targets and continuously increasing corporate value are an important means for providing a return to shareholders. To achieve these requires quick decision-making and effective execution of operations while strengthening corporate governance through stronger management monitoring functions to improve management transparency.

Summary of the Corporate Governance System

Board of Directors

HOGY Medical has a six-member board of directors (including three outside directors), so as to make business decisions rapidly via management involving a small number of people. In addition, the Company introduced an executive officer system to clearly separate management decision-making and operation auditing from the operation execution function of the executive officers, etc., so as to create an organization that can respond rapidly to changes in the business environment.

Board of Auditors

HOGY Medical has a three-member Board of Auditors (including two outside auditors), which performs audits of the directors' execution of duties. Each auditor attends important meetings, peruses important approval documents, and conducts investigation of subsidiaries, etc.

Executive Board

The Board of Auditors, which comprises all auditors, determines the audit policy, etc. and receives reports on audit situations from each auditor. The board also strengthens mutual coordination with the Independent Accounting Auditor, such as receiving reports on audits from the latter at any time and exchanging information as necessary.

The Executive Board, which consists of six directors, seven executive officers, and appointed department managers, gives reports on the execution of the operations of each department based on the basic policies set by the Board of Directors and then decides what specific measures to take based on discussions about the issues at hand.

Nominating Committee

To strengthen the independence, objectivity, and accountability of the functions of the Board of Directors related to the appointment of the representative director and directors, the Company has established a voluntary nominating committee. Based on inquiries from the Board of Directors, the Nominating Committee deliberates on proposals for appointing or dismissing directors, succession planning, etc. and advises the board. The committee is made up of three outside directors (one serves as chairperson) and one internal director, who are elected based on a resolution of the Board of Directors.

Compensation Committee

To strengthen the independence, objectivity, and accountability of the functions of the Board of Directors related to directors' compensation, etc., the Company has established a voluntary compensation committee. Based on inquiries from the Board of Directors, the Compensation Committee deliberates on remuneration policies or systems, individual remuneration, etc. and advises the board. The committee is made up of three outside directors (one serves as chairperson) and one internal director, who are elected based on a resolution of the Board of Directors.

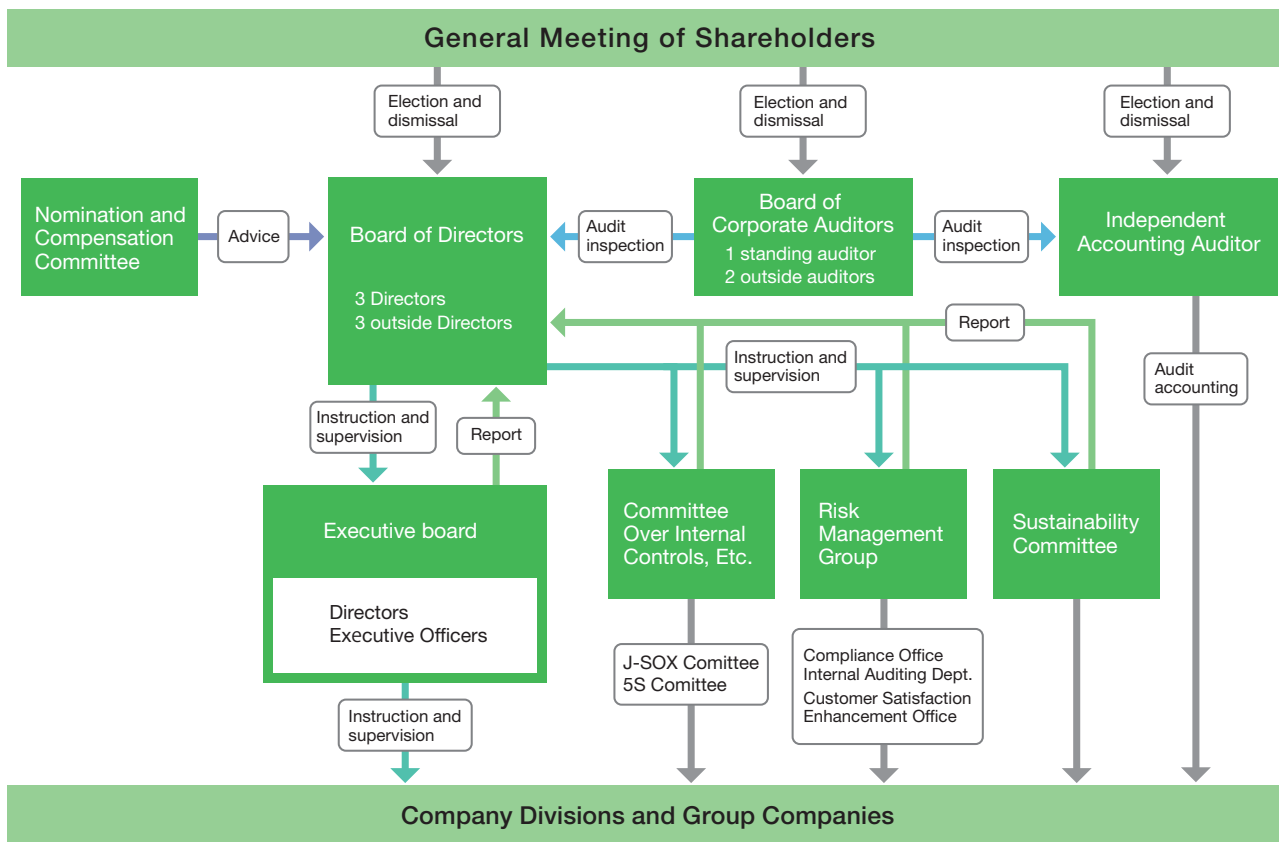
Internal Control System

HOGY Medical has an internal control system to ensure the appropriate execution of business by clarifying the authority and responsibility of each duty, while also incorporating a mutual check-and-balance system into the business process for the appropriate division of duties. The Company also recognizes the necessity to review the system as it thinks fit and endeavors to improve and reinforce it.

The Board of Directors has established the Committee Over Internal Controls and the Risk Management Group (organizations that are responsible for establishing a system for internal control, compliance, and risk management, and for examining, improving, etc. this system; the same applies hereinafter) to operate a system for ensuring that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation. The Committee Over Internal Controls is chaired by the President of HOGY Medical, and the J-SOX Committee and the 5S Committee have been established under the Committee Over Internal Controls and hold meetings regularly, and all activities are reported to the Board of Directors.

Risk Management System

Concerning risk management, HOGY Medical recognizes the importance of preventing damage from occurring or expanding by appropriately analyzing and managing the risks surrounding HOGY Medical and also maintaining and strengthening the trust that clients, investors, etc. have in HOGY Medical in order to enhance corporate value in a rapidly changing environment. The Board of Directors identifies and assesses the risks that could impact the operating performance, stock price, financial position, etc. of HOGY Medical and takes measures against such, and also maintains a system of prevention in ordinary circumstances. The Committee Over Internal Controls and the Risk Management Group work together with the Board of Directors to maintain a system for preventing risks. Should a tangible risk arise, we have taken measures to prevent such from expanding and recurring. Specifically, the Committee Over Internal Controls and the Risk Management System assist the directors and the Board of Directors in building a risk management system for each department and, where needed, formulate and thoroughly provide information about regulations, etc. In addition, risks are extracted from each department and reported to the Board of Directors, and measures are also taken to reduce such risks. Furthermore, the Company has a whistleblowing system for preventing illegal or wrongful acts by those employed by the Company as well as detecting them early and taking necessary measures.



- Organizational design Company with board of company auditors
- Number of board members (number of outside board members) 6 (3)
- Number of corporate auditors (number of outside corporate auditors) 3 (2)
- Board members' term of office 1 year
- Adoption of executive officer system Available
- Arbitrary advisory body of directors Compensation Advisory Committee
- Independent Accounting Auditor Ernst & Young ShinNihon LLC

Directors' Skills Matrix

Director	Main Position	Committees		Skills and areas of expertise that are particularly expected					
		Nominating committee	Compensation committee	Corporate management	Research and development, production, logistics	Sales marketing	Overseas business	Governance, risk management	Finance, accounting
Junichi Hoki	President and CEO	●	●	●	●	●			
Hideki Kawakubo	Director, General Manager of Administration Div.							●	●
Kou Ishikawa	Director, General Manager of Research & Development Div.				●				
Kiyoshi Uesugi	Outside Board Member Independent Director	● Chairman	●			●			
Taisuke Fujita	Outside Board Member Independent Director	●	● Chairman				●	●	●
Nguyen Viet Ha	Outside Board Member Independent Director	●	●				●		●

*The above table shows skills and areas of expertise that are particularly expected of each director and does not represent all of the skills and areas expertise of each director.

Board of directors, board of corporate auditors



President & CEO
Junichi Hoki



Director, General Manager, Administration
Div. Management Planning Dept.
Administration Dept.
Hideki Kawakubo



Director, General Manager, Research and
Development Div. Production Div.
Kou Ishikawa



Outside Board Member
Kiyoshi Uesugi



Outside Board Member
Taisuke Fujita



Outside Board Member
Nguyen Viet Ha



Full-time Corporate Auditor
Ikuo Fuse



Outside Corporate Auditor
Shuji Yanase



Outside Corporate Auditor
Noboru Iizuka

Executive Officers

Senior Managing Executive
Officers, Sales Div.

Katsuo Sasaki

Executive Officer, General Manager,
Head Office Sales Dept.

Takuya Kobayashi

Executive Officer, General Manager,
Head Office Sales Dept.

Wataru Fujimoto

Executive Officer, General Manager,
Production Div. Procurement Dept.,
Manufacturing Dept. Manager of
Tsukuba Plant

Akira Koizumi

Executive Officer, General Manager,
Sales Dept.2 and Tokyo Branch

Yutaka Wada

Executive Officer, General Manager,
Sales Administration Dept.

Hiroyuki Yoshidome



Messages from Outside Board Members



Outside Board Member
Kiyoshi Uesugi

Born on May 1, 1950

- Apr. 1968 Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Corporation)
- Jun. 1980 Joined Terumo Corporation
- Jun. 2002 Executive Officer, Head of Sales Policy Office
- Jul. 2003 Executive Officer, General Manager of Kansai Block and Branch Manager of Osaka Branch
- Oct. 2006 Executive Officer and President of Medical Device Company
- Apr. 2010 Corporate Auditor at SEAOS, Inc.
- Mar. 2013 Director and Vice President of Medi-Barx Inc. (present position)
- Jun. 2016 Outside board member, HOGY Medical (present position)

HOGY Medical has a remarkable corporate philosophy. I want the company to develop human resources and enhance brand power so that it may be implemented properly.

I have been involved in the healthcare industry for over half a century. I knew of HOGY Medical before joining the company and it was one of the sector peer companies that I had benchmarked. Further, we had known each other as we were in the same industry.

What I'm most keenly aware of right now is the role of outside board members. They represent shareholders, certainly, but that's not enough. I try my best not to forget the perspectives of customers and investors as we exchange views with the president and directors from the industry's perspective. Further, I believe the medical perspective; that is the perspectives of the therapeutic market or health services, which is my area of specialty, is critical.

Unlike other markets, when it comes to healthcare, the administration determines the direction as well as the landing point.



Outside Board Member
Taisuke Fujita

Born on July 1, 1970

- Oct. 1991 Joined Tohmatsu & Co. (currently, Deloitte Touche Tohmatsu LLC)
- Nov. 2000 Joined Morgan Stanley Securities (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
- Jun. 2002 Joined Sparx Asset Management Investment Trust Co., Ltd. (currently Sparx Asset Management Co., Ltd.) Value Creation Investment Group Manager
- Mar. 2006 Joined Taiyo Pacific Partners LP Portfolio Management Group Director
- Feb. 2012 CEO, Unleash Capital Pte. Ltd.
- Dec. 2012 Joined Orbis Investments Management Ltd. Leader of the Project to Enter the Japanese Market
- Sept. 2014 COO, Asian Energy Investments, Pte. Ltd.
- May. 2016 Joined Amundi Japan Ltd., General Manager, Equity Management Div
- Jun. 2020 Representative, Office Fujita Co., Ltd. (present position)
- Jun. 2022 Outside board member, HOGY Medical (present position)

The Company holds enormous potential. However, it faces challenges on the financial and sustainability fronts in the medium to long term, so I want to deepen discussions further.

I was involved in the world of engagement investment since around 2002. I had stuck to an investment style through talking with business people as an investor while looking at how businesses are run and sharing visions to communicate what shareholders seek clearly before making an investment decision. In the three months since my appointment, my impression is that the Company has highly value-added products and a service foundation for hospitals. The product and service foundation that helps boost the efficiency of hospital management or provides nurses with a pleasant work environment makes the Company capable of offering various proposals, and for that reason it has tremendous potential.

However, there is still room for improvement. On the financial front, it is not efficient at the moment. The profit margin exceeds



Outside Board Member
Nguyen Viet Ha

Born July 2, 1981

- Feb. 2008 Joined News Securities Co Ltd.
- Dec. 2011 Joined Knowledge Company Inc., Executive Officer (present position)
- Jan. 2014 Joined the Japan Indochina Association
- Jul. 2016 President of Kennet Company Ltd. (present position)
- Jul. 2019 President of KENNET VIETNAM EDUCATION & CONSULTING LTD. (present position)
- Apr. 2020 General Manager, Investment Promotion Div., Japan Indochina Association (present position)
- Jun. 2022 Outside board member, HOGY Medical (present position)

With an exciting atmosphere, I expect HOGY Medical to become more eager to taken on new challenges.

What surprised me here was that the President himself understood every single detail and followed it. There may be both good and bad aspects to it, but it was so new to me. That must be the power of this company and stimulating to its employees. I learned a lot about wonderful products, and it is amazing that the Company has boosted production efficiency to manage the production aspect well.

However, to what extent the quality control system and the plant system are independent of each other is not yet in sight. Not much time has passed since I assumed the role of an outside board member and there's a lot that I have to learn going forward. The Company offers products that have to do with healthcare, so I must raise my awareness in that sense. This company has a lot of good materials but it needs to increase excellent human resources

Thus, unless you foresee the administration's direction or moves correctly, your business would end up going in the wrong direction.

I hope to express views from that standpoint and make recommendations on the trends or moves in the administration, customers and sector peer companies.

Based on a wealth of experience in working in high- and low-performing companies and workplaces, what I felt keenly at the respective job sites was that there was more to business than sales. After all, the most important thing is trust and confidence based on the corporate philosophy. This includes engagement.

From the viewpoint of diversity, the places where women can demonstrate their ability at HOGY Medical are too few. At hospitals, our customers, more than half of employees centered on nurses are women. Also, more than half of patients are women. Unless we utilize and hire women more strategically, we could become insensitive to customer needs. Like a medium-term capital investment plan, unless you draw a medium- to long-term

vision under a medium-term human resources investment plan, efforts to strengthen human resources development won't gain speed. Thinking 10 years from now, we have to hire new recruits strategically as well. To do so, though IR and PR are certainly needed, we need to take measures to increase the visibility of the HOGY brand. In recent years, excellent students have been drawn to companies because of their brand power or degree of social contribution. We should enhance brand value steadily, and publicizing that we contribute to society this much to hospitals and investors is one of the important elements.

Given that the corporate philosophy is defined this explicitly, what I hope is to have it take root thoroughly among all employees. We should keep improving product development and service skills further. Finally, I hope the Company keeps motivating its employees to take on challenges each day with pride, live more affluently, and contribute to healthcare continuously.

10% on a net profit basis, and that is not a poor level, but given the size of assets, the Company does poorly in sales. Consequently, the size of ROE still stands at around 5%. In this sense, you need to boost sales commensurate with the size of assets. In terms of advance investment in automation, sales haven't caught up with it. I think you need to change the stage from this point onward. Unless you call customers' attention to the value of products and services and push an idea of changing ways of managing hospitals together, I am afraid that sales won't grow smoothly to a size that is recognized by shareholders or the stock market.

Another challenge lies in medium- to long-term sustainability. Unless you make preparations for the next generation, I'm a bit concerned about the BCP (business continuity plan) front. It is important for all employees to acquire the manager's mindset to change the current management style. The Company is in a transition period when it thinks about the present. Without reading between the lines, I'd like to discuss various subjects.

What I expect of the company going forward are increases or improvements in indexes, such as stock price, market capitalization, or ROE. From a financial perspective, that's first and foremost. These are created as a result. To achieve financial results, I expect the Company to foster a culture that grows. I want it to become an entity where employees are happy and willing to come up with ideas without reservation, so that they can all move with the manager's mindset in a sense. Further, you should be keenly aware of stakeholders. You should be aware of local communities and students, not to mention your customers, such as hospitals, and investors, who are shareholders. I want HOGY Medical to become a company that comes across as attractive also on the ESG front for students who may join it, thinking it to be interesting or a good company. I'd like to deepen discussions on how to build the Company's infrastructure to that end further.

aggressively and control the system and structure down the road.

Further, hiring more women is a good idea. While women such as obstetrician-gynecologists increasingly play a role on the end user side, having women among members should help bring in empathy from hospitals and make it easier to open up other information.

I have high expectations going forward and am happy to work with the Company personally. There are many challenges, also, so I'm excited about sending this message, and if young employees communicate the exciting atmosphere company-wide, HOGY Medical will become an even better company. I want everyone to have inner fortitude and never forget to take on challenges, namely, what you can do in the industry, in pursuit of medical progress as well as innovation. I'd like to place huge expectations on an environment where things new are created. As a member of society, each person has his/her responsibility, distress at work, or problems. As the first step, we should identify our own challenges and debate how to address them, which will lead to growth. The word

"challenge" connotes not only things negative but also those thrilling and exciting.

Toward becoming a centennial company, the people at HOGY Medical should have pride and look to becoming more global. With such a splendid foundation comprised of a great product portfolio, there will be opportunities to accumulate know-how, so further growth overseas can be expected. It will be better to increase diversity, boost employee desire to take on new challenges, and raise awareness of the new structure. If each of us has awareness and aims not only for selling goods but also for seeking things that lie ahead of sales while respecting others' values, we will be able to identify an array of customers which are changing rapidly. That's exactly the path or success that goes through diversity.

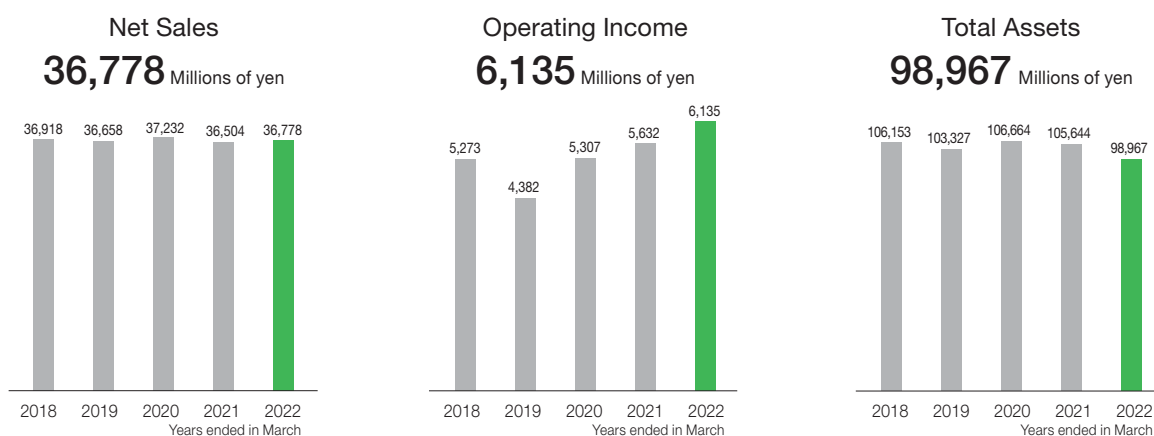
Data: Financial Highlights

	Years ended March 31,					2022
	2022	2021	2020	2019	2018	
	(Millions of yen unless indicated otherwise)					(Thousands of U.S. dollars)
Income Statement Data						
Net sales	36,778	36,504	37,232	36,658	36,918	300,453
Operating income	6,135	5,632	5,307	4,382	5,273	50,118
Profit before income taxes	6,286	6,989	7,725	8,499	7,583	51,352
Profit attributable to owners of parent	4,370	4,959	5,529	6,043	5,262	35,701
Balance Sheet Data						
Common stock	7,123	7,123	7,123	7,123	7,123	58,191
Additional paid-in capital	8,336	8,336	8,336	8,336	8,336	68,100
Total net assets	79,996	95,951	93,921	91,404	94,063	653,513
Total liabilities and net assets	98,967	105,644	106,664	103,327	106,153	808,491
Property, plant and equipment, net	52,759	52,794	51,851	45,944	47,891	431,005
Cash Flow Data						
Net cash provided by operating activities	8,501	6,854	10,295	7,446	8,367	69,451
Net cash used in investing activities	(3,812)	(6,950)	(9,194)	1,627	(1,807)	(31,147)
Net cash used in financing activities	(11,049)	(2,500)	(1,989)	(6,958)	(1,945)	(90,268)
Cash and cash equivalents at end of year	13,820	19,911	22,658	22,903	20,840	112,900
	(yen)					(U.S. dollars)
Per Share Data						
Profit attributable to owners of parent:						
Basic	153.00	164.03	183.07	198.31	168.04	1.14
Diluted	—	—	—	—	—	—
Net assets	3,296.32	3,182.97	3,104.33	3,027.43	3,002.44	24.54
	(Millions of yen, unless indicated otherwise)					(Thousands of U.S. dollars)
Key Financial Data						
Capital expenditures	3,201	7,540	10,144	1,913	4,077	41,955
Depreciation expenses	4,115	4,549	5,283	5,631	6,235	32,636
R&D expenses	444	677	607	789	430	3,306
Equity ratio (%)	80.79	90.76	87.96	88.45	88.36	—
Return on equity (%)	4.97	5.23	5.97	6.52	5.73	—
Price/earnings ratio (times)	21.18	20.57	18.38	19.69	25.56	—
Number of shares issued (thousands)	32,682	32,682	32,682	32,682	32,682	—
Number of employees at year-end*	1,476	1,559	1,538	1,502	1,472	—
	(507)	(756)	(518)	(581)	(680)	

Note: 1. Fractions are rounded down.

2. The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, profit per share and net assets per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2017.

*1: The number of employees is the size of the employed population. The annual average number of employees who are on fixed-term employment contracts with consolidated subsidiaries are indicated in parentheses.



Financial Review (Consolidated)

Business Status

Outline of Financial Position, Business Results and Cash Flows

Business Results

In the fiscal year under review, the number of COVID-19 cases repeatedly rose and fell in Japan, which affected the economy and society. In the first half of the fiscal year under review, COVID-19 infections surged centered on the larger cities, which then declined. Meanwhile, in the latter half, due in part to growing infections with Omicron variants, local governments took semi-emergency coronavirus measures while the situation of infections and its impact varied widely according to the time of occurrence and regions.

Regarding the government-led vaccination and booster shot since two years ago, the percentage of those who had the 3rd shots exceeded 40% in all age groups but the vaccines' efficacy and protective effect against COVID-19, including its variants, are being verified and a quick turnaround of the situation has yet to come in sight.

In the healthcare community, patients refrain from visiting doctors and the number of operations and checkups fluctuates according to the number of COVID-19 cases. Medical institutions have worked tirelessly to secure the medical care system while taking thorough measures to prevent infection, but shortage of labor, including uneven distribution and a rising turnover rate among healthcare professionals, have become the norm, and the environment surrounding customers remains challenging.

Under these circumstances, the Company has given proposals contributing to increasing efficiency in medical practice, with customer safety as the top priority. We carried out business operations in the period under review flexibly, giving top priority to preventing the spread of infection, according to visitation rules and regulations at respective medical institutions and the infection status in various regions. Furthermore, we had all employees who visit medical institutions regularly undergo PCR tests voluntarily in consideration of safety for customers and employees also in the fiscal year under review.

Regarding the sales situation in the fiscal year under review, as sales of the Premium Surgical Kit remained strong, those of Surgical Kit products increased. The Premium Surgical Kit is our most important strategic product and highly value-added product that can streamline operations from the preoperative preparatory phase to the perioperative and postoperative phases while ensuring safety of surgery. It has received high evaluation as it can contribute to improving operations in medical practice, which has increasingly grown challenging. As for medical-use non-woven fabric products, due to a negative impact of precaution sets, such as surgical gowns and personal protective equipment, whose demand surged last year, sales decreased.

As a result, consolidated net sales for the fiscal year under review amounted to ¥36,778 million, up 0.8% from the previous fiscal year. Sales of Surgical Kits rose 6.5% year-on-year to ¥22,557 million, of which sales of Premium Surgical Kit totaled ¥13,314 million, up 18.4% from a year earlier. In terms of cost of sales, depreciation for the new plant decreased but due in part to inventory write-down, the cost-of-sales ratio increased over the previous fiscal year. Selling, general and administrative expenses fell due in part to the effects of self-quarantine on the back of the COVID-19 pandemic. Consequently, operating income was ¥6,135 million, up 8.9% from a year earlier. Ordinary income was ¥6,285 million, up 5.0% year on year, due to subsidy income for the new surgical kit plant from Ushiku City posted as non-operating income as the previous fiscal year as well as the effect of commissions for the purchase of treasury stock during the fiscal year. Due to the impact of partial sales of shares for which extraordinary income was recorded in the previous fiscal year, extraordinary income fell ¥1,028 million year on year. As a result, profit attributable to owners of parent was ¥4,370 million, down 11.9% from the previous fiscal year.

The presentation of information by reportable segment has been omitted because HOGY Medical is engaged in manufacturing and selling expendable medical supplies, which is a single business segment.

Financial Position

At the end of the fiscal year under review, total assets amounted to ¥98,967 million, down ¥6,677 million from the previous fiscal year.

Current assets decreased ¥6,031 million to ¥35,290 million due in part to a decrease in cash and bank deposits of ¥6,185 million and an increase in currency swap of ¥213 million. Of fixed assets, property, plant and equipment decreased ¥35 million to ¥52,759 million. This was due in part to an increase in construction in progress of ¥2,078 million resulting from capital investment in the second phase construction work of the new surgical kit plant, etc., a decrease of ¥755 million in depreciation of buildings and structures, and a decrease of ¥1,094 million in depreciation of machinery, equipment and vehicles. Intangible assets amounted to ¥1,536 million due to a decrease of ¥415 million in depreciation, etc. Investments and other assets decreased ¥194 million to ¥9,381 million, due in part to a ¥118 million increase in purchase of investment securities and market valuation of investment securities and a ¥134 million decrease in insurance funds. As a result, fixed assets amounted to ¥63,676 million.

At the end of the fiscal year under review, total liabilities amounted to ¥18,970 million, up ¥9,278 million from the end of the previous fiscal year. Current liabilities increased ¥1,758 million from a year earlier to ¥9,348 million due in part to an increase of ¥1,934 million in current portion of long-term debt for purchase of treasury stock and a decrease of ¥278 million in notes and accounts payable. Fixed liabilities increased ¥7,519 million year-on-year to ¥9,622 million due in part to an increase of ¥7,667 million in long-term debt for purchases of treasury stock and a decrease of ¥218 million in deferred tax liabilities.

At the end of the fiscal year under review, net assets amounted to ¥79,996 million, down ¥15,955 million from the end of the previous fiscal year. This was due in part to an increase of ¥18,658 million in treasury stock based on the resolution made at the Board of Directors' meetings on March 8, 2021 and February 8, 2022, an increase of ¥4,370 million in profit attributable to owners of parent, and a decrease of ¥1,995 million in appropriation of retained earnings.

As a result, the equity ratio decreased from 90.76% at the end of the previous fiscal year to 80.79%. Earnings per share (EPS) decreased from ¥164.03 for the previous fiscal year to ¥153.00. Return on equity (ROE) decreased from 5.23% for the previous fiscal year to 4.97%.

Cash Flows

Cash and cash equivalents at the end of the fiscal year under review was ¥13,820 million, down ¥6,091 million from the previous fiscal year, due to the following cash flows:

(Cash Flows from Operating Activities)

Cash flows from operating activities mainly included posting ¥6,286 million in profit before income taxes, ¥4,115 million in depreciation, a decrease of ¥337 million in notes and accounts payable, a decrease of ¥212 million in inventory, and ¥2,089 million in income taxes paid. As a result, net cash provided by operating activities amounted to ¥8,501 million, up ¥1,647 million from the previous fiscal year.

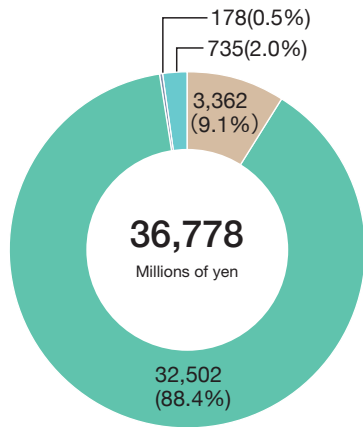
(Cash Flows from Investing Activities)

Cash flows from investing activities mainly included ¥3,048 million in payments for purchases of property, plant, and equipment, ¥946 million in payments for purchases of investment securities, and ¥153 million in payments for purchases of intangible fixed assets. As a result, net cash used in investing activities amounted to ¥3,812 million, down ¥3,138 million from the previous fiscal year.

(Cash Flows from Financing Activities)

Cash flows from financing activities mainly included ¥18,773 million in payments for purchases of treasury stock based on the resolution made at the Board of Directors' meetings on March 8, 2021 and February 8, 2022, ¥10,000 million in proceeds from long-term debt based on the resolution made at the Board of Directors' meeting on February 8, 2022, ¥1,995 million in payments for dividends, and ¥117 million in proceeds from disposition of treasury stock under the trust-type Employee Shareholding Incentive Plan (E-Ship®). As a result, net cash used in financing activities amounted to ¥11,049 million, up ¥8,549 million from the previous fiscal year.

Sales Results by Product Category
(Entire Fiscal Year)

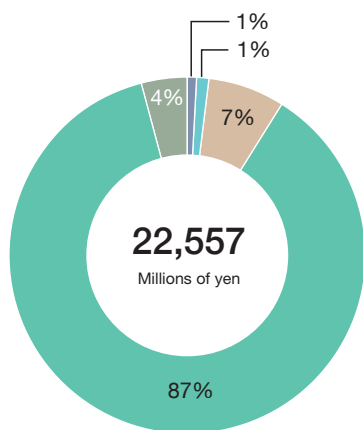


Fiscal year ended
March 2022

- Sterilization products
- Surgical-use products
- Medical treatment products
- Others

(Unit: Millions of yen, rounded down to the nearest indicated unit)

Kit Products Sales Composition Ratio by Clinical Department



Fiscal year ended
March 2022

- Hospital ward
- Anesthesia
- Ophthalmology
- Surgery, etc.
- Radiology

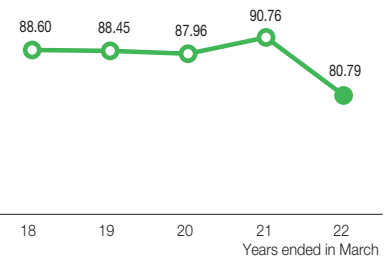
Profitability

Return on Equity (ROE) **4.97%**



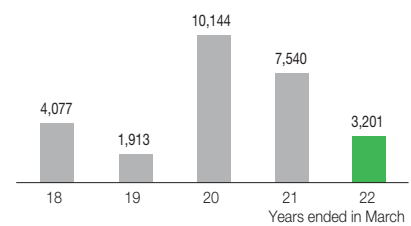
Stability

Equity Ratio **80.79%**



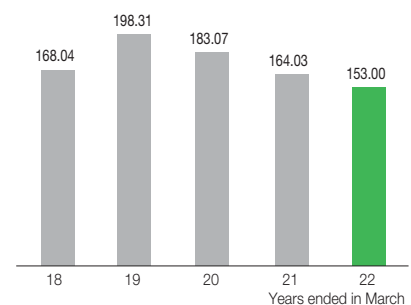
Capital Expenditures and Related Data

Capital Expenditures **3,201** Millions of yen



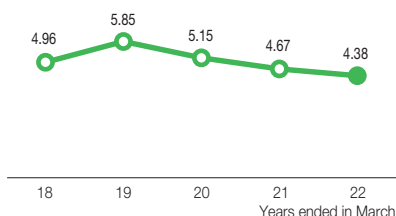
Per Share Data

Earnings per Share (EPS) **153.00** yen

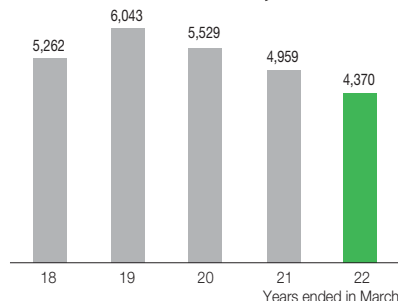


(Note) The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, profit per share is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2016.

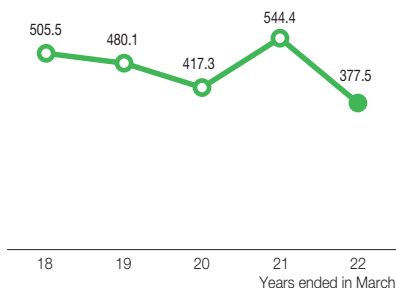
Return on Assets (ROA) **4.38%**



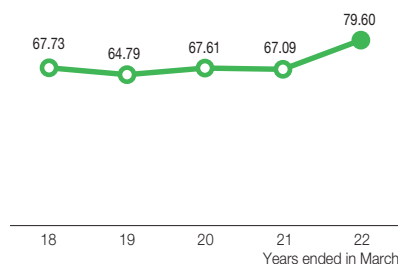
Profit Attributable to Owners of Parent **4,370** Millions of yen



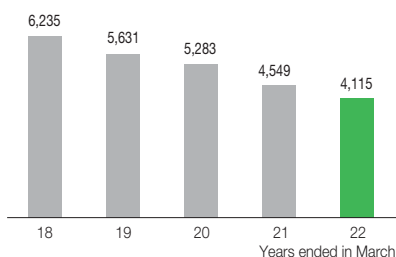
Current Ratio **377.5%**



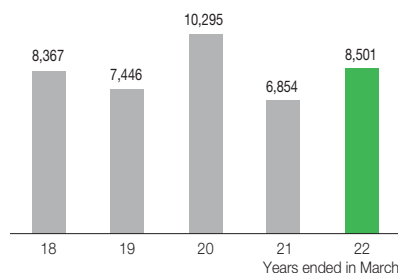
Fixed Ratio **79.60%**



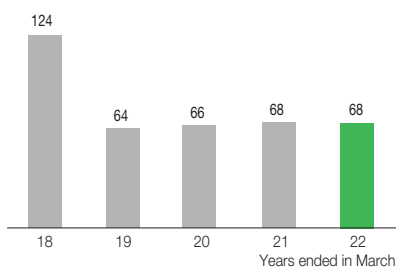
Depreciation Expenses **4,115** Millions of yen



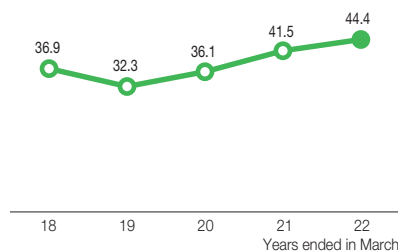
Cash Flows (Operating Activities) **8,501** Millions of yen



Dividends per Share **68** yen



Payout Ratio **44.4%**



(Note) The Company conducted a 2-for-1 split of its common stock as of April 1, 2018. Accordingly, the dividends for the fiscal year ended March 31, 2018, was calculated based on the figures before the stock split.

HOGY Medical Co., Ltd. and Subsidiaries
Consolidated Balance Sheet

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		(Thousands of U.S. dollars)
Assets			
Current assets:			
Cash and bank deposits	¥ 14,364	¥ 20,549	\$ 117,348
Notes and accounts receivable	11,341	11,390	92,649
Inventories	8,811	8,805	71,983
Other current assets	773	576	6,319
Allowance for doubtful accounts	(0)	(0)	(2)
Total current assets	35,290	41,322	288,297
Property, plant and equipment, at cost:			
Buildings and structures	47,131	46,372	385,031
Machinery, equipment and vehicles	44,445	43,551	363,088
Land	9,625	9,580	78,637
Construction in progress	14,775	12,697	120,708
Other	5,781	5,813	47,228
	121,760	118,015	994,694
Less: Accumulated depreciation	(69,001)	(65,221)	(563,689)
Property, plant and equipment, net	52,759	52,794	431,005
Investments and other assets:			
Investment securities	8,105	7,987	66,219
Intangible assets	1,536	1,951	12,549
Guarantee deposits	388	357	3,177
Deferred tax assets	204	175	1,670
Other assets	681	1,056	5,570
Total investments and other assets	10,917	11,527	89,188
Total assets	¥ 98,967	¥105,644	\$ 808,491

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		(Thousands of U.S. dollars)
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable:			
Trade	¥ 4,336	¥ 4,615	\$ 35,426
Construction	337	266	2,758
Current portion of long-term debt	1,999	64	16,331
Income taxes payable	980	1,107	8,009
Accounts payable – other	628	363	5,136
Other current liabilities	1,065	1,172	8,708
Total current liabilities	9,348	7,590	76,371
Long-term liabilities:			
Long-term debt	7,667	—	62,638
Deferred tax liabilities	927	1,145	7,576
Liability for retirement benefits	478	449	3,905
Long-term accounts payable – other	32	36	268
Other long-term liabilities	516	471	4,217
Total long-term liabilities	9,622	2,102	78,606
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized – 130,000,000 shares			
Issued – 32,682,310 shares	7,123	7,123	58,191
Additional paid-in capital	8,336	8,336	68,100
Retained earnings	88,523	86,149	723,176
Treasury stock, at cost			
8,425,207 shares in 2022 and 2,559,982 shares in 2021	(27,561)	(8,902)	(225,154)
Total shareholders' equity	76,422	92,706	624,313
Accumulated other comprehensive income:			
Unrealized gain on other securities	2,831	3,340	23,134
Deferred gain on hedges	261	262	2,138
Translation adjustments	608	(326)	4,968
Retirement benefit liability adjustments	(164)	(104)	(1,346)
Total accumulated other comprehensive income	3,537	3,172	28,894
Non-controlling interests	37	73	305
Total net assets	79,996	95,951	653,513
Total liabilities and net assets	¥ 98,967	¥ 105,644	\$ 808,491

HOGY Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Income

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		(Thousands of U.S. dollars)
Net sales	¥ 36,778	¥ 36,504	\$ 300,453
Cost of sales	21,361	21,177	174,510
Gross profit	15,416	15,326	125,942
Selling, general and administrative expenses	9,281	9,694	75,824
Operating income	6,135	5,632	50,118
Other income (expenses):			
Interest income	39	63	319
Interest expense	(6)	(2)	(53)
Dividend income	45	60	374
Foreign exchange gain (loss), net	(43)	10	(351)
Subsidy income	207	236	1,694
Gain (loss) on investments in partnership	(90)	(61)	(737)
Commission for purchase of treasury stock	(112)	(1)	(916)
Gain on sales of investment securities	—	1,028	—
Loss on disposal of property, plant and equipment	(1)	(28)	(13)
Insurance claim income	73	2	600
Other, net	38	48	318
Other income (expenses), net	151	1,357	1,233
Profit before income taxes	6,286	6,989	51,352
Income taxes :			
Current	1,952	2,081	15,953
Deferred	(0)	(21)	(8)
Total income taxes	1,951	2,060	15,944
Profit	4,334	4,928	35,407
Profit attributable to non-controlling interests	35	30	293
Profit attributable to owners of parent	¥ 4,370	¥ 4,959	\$ 35,701

HOGY Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		(Thousands of U.S. dollars)
Profit	¥ 4,334	¥ 4,928	\$ 35,407
Other comprehensive income:			
Unrealized gain (loss) on other securities	(508)	(282)	(4,157)
Deferred gain (loss) on hedges	(1)	73	(9)
Translation adjustments	935	(336)	7,640
Retirement benefits liability adjustments	(60)	36	(491)
Total other comprehensive income	364	(509)	2,981
Comprehensive income	¥ 4,699	¥ 4,419	\$ 38,388
Total comprehensive income attributable to:			
Owners of parent	¥ 4,734	¥ 4,450	\$ 38,680
Non-controlling interests	¥ (35)	¥ (30)	\$ (291)

HOGY Medical Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows

	Years ended March 31,		
	2022	2021	2022
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Operating activities			
Profit before income taxes	¥ 6,286	¥ 6,989	\$ 51,352
Depreciation	4,115	4,549	33,620
Changes in liability for retirement benefits, net	(83)	43	(684)
(Decrease) increase in allowance for doubtful accounts	0	0	0
Interest and dividend income	(84)	(124)	(693)
Interest expense	6	2	53
Loss on investments in partnership	90	61	737
Foreign exchange loss (gain)	49	(0)	403
Gain on sales of investment securities	—	(1,028)	—
Gain on sales of property, plant and equipment	(1)	(1)	(15)
Loss on disposal of property, plant and equipment	1	28	13
Changes in assets and liabilities:			
Notes and accounts receivable	160	(79)	1,312
Inventories	212	(1,050)	1,736
Notes and accounts payable	(337)	(28)	(2,753)
Accrued consumption taxes and other	0	(380)	0
Other current assets	67	115	553
Other current liabilities	(60)	(153)	(494)
Other investments	124	(188)	1,018
Other liabilities	38	3	312
Other	(70)	(0)	(578)
Subtotal	10,514	8,758	85,894
Interest and dividends received	83	124	684
Interest paid	(6)	(2)	53
Income taxes paid	(2,089)	(2,025)	(17,073)
Net cash provided by operating activities	8,501	6,854	69,451
Investing activities			
Increase in time deposits	(25)	(12)	(208)
Proceeds from time deposits	141	78	1,152
Purchases of investment securities	(946)	(929)	(7,730)
Proceeds from sales of investment securities	—	1,409	—
Purchase of property, plant and equipment	(3,048)	(7,350)	(24,905)
Proceeds from sales of property, plant and equipment	2	3	16
Purchases of intangible assets	(153)	(190)	(1,251)
Proceeds from distribution of investments in partnership	11	38	93
Payments for loans receivable	(0)	(0)	(6)
Collection of loans receivable	0	0	6
Proceeds from maturity of insurance funds	271	—	2,219
Decrease (increase) in other investments	(65)	3	(534)
Net cash used in investing activities	(3,812)	(6,950)	(31,147)
Financing activities			
Proceeds from long-term borrowings	10,000	—	81,692
Repayment of long-term debt	(398)	(110)	(3,252)
Proceeds from sales of treasury stock	117	108	962
Purchases of treasury stock	(18,773)	(453)	(153,367)
Cash dividend paid	(1,995)	(2,044)	(16,302)
Other	(0)	—	(1)
Net cash used in financing activities	(11,049)	(2,500)	(90,268)
Effect of exchange rate changes on cash and cash equivalents	269	(150)	2,200
Net increase in cash and cash equivalents	(6,091)	(2,746)	(49,763)
Cash and cash equivalents at beginning of year	19,911	22,658	162,664
Cash and cash equivalents at end of year	¥ 13,820	¥ 19,911	\$ 112,900

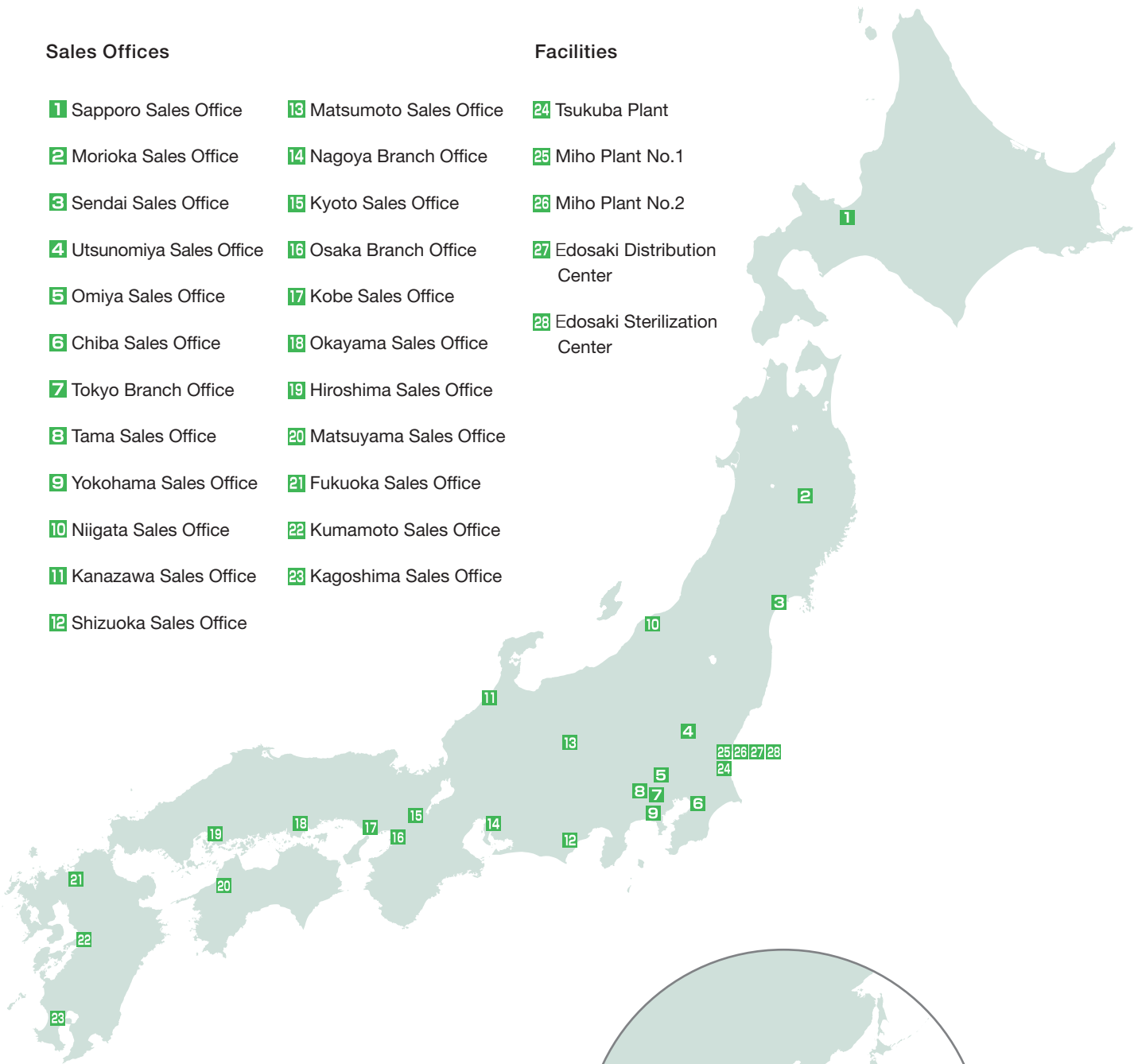
Network (as of August 3, 2022)

Sales Offices

- 1 Sapporo Sales Office
- 2 Morioka Sales Office
- 3 Sendai Sales Office
- 4 Utsunomiya Sales Office
- 5 Omiya Sales Office
- 6 Chiba Sales Office
- 7 Tokyo Branch Office
- 8 Tama Sales Office
- 9 Yokohama Sales Office
- 10 Niigata Sales Office
- 11 Kanazawa Sales Office
- 12 Shizuoka Sales Office
- 13 Matsumoto Sales Office
- 14 Nagoya Branch Office
- 15 Kyoto Sales Office
- 16 Osaka Branch Office
- 17 Kobe Sales Office
- 18 Okayama Sales Office
- 19 Hiroshima Sales Office
- 20 Matsuyama Sales Office
- 21 Fukuoka Sales Office
- 22 Kumamoto Sales Office
- 23 Kagoshima Sales Office

Facilities

- 24 Tsukuba Plant
- 25 Miho Plant No.1
- 26 Miho Plant No.2
- 27 Edosaki Distribution Center
- 28 Edosaki Sterilization Center



Overseas Subsidiaries

- 29 P.T. HOGY Indonesia (Subsidiary)
- 30 HOGY Medical Asia Pacific Pte. Ltd. (Subsidiary)
- 31 P.T. HOGY Medical Sales Indonesia (Sub-subsidiary)



Corporate Profile (as of March 31, 2022)

Corporate name: HOGY MEDICAL CO., LTD	Number of sales offices: 23	Annual general meeting: June
Head office: 7-7, Akasaka 2-chome, Minato-ku, Tokyo 107-8615 Phone: +(81)3-6229-1300 https://www.hogy.co.jp/english/	Listing: Prime Market, Tokyo Stock Exchange	Transfer agent: Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 1-1 Nikkocho, Fuchu, Tokyo 183-0044 Phone: +(81)42-204-0303
Incorporated: April 3, 1961	Code number: 3593	Independent auditor: Ernst & Young ShinNihon LLC Hibiya Mitsui Tower, Tokyo Midtown Hibiya 1-1-2 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006 Phone: +(81)3-3506-2411
Paid-in capital: ¥7,123 million	Number of shareholders: 8,244	
Number of employees: 1,476 (Consolidated)	Shares of common stock issued and outstanding: 32,682,310	
	Financial year: April 1 to March 31	

Major Shareholders

• The Master Trust Bank of Japan, Ltd. (Trust Account)	4,415,800	13.51%
• STATE STREET BANK AND TRUST COMPANY 505025 (Permanent representative: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1,614,800	4.94%
• Custody Bank of Japan, Ltd. (Trust Account)	899,600	2.75%
• NORTHERN TRUST CO. (AVFC) RE 009-016064-326 CLT (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	839,300	2.56%
• SSBTC CLIENT OMNIBUS ACCOUNT (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	813,718	2.48%
• Junichi Hoki	728,183	2.22%
• STATE STREET CLIENT OMNIBUS ACCOUNT OM44 (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	671,900	2.05%
• THE BANK OF NEW YORK 134105 (Permanent representative: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	624,040	1.90%
• NORTHERN TRUST CO. (AVFC) RE TOWERS WATSON COMMON CONTRACTUAL FUND (TTF) (Permanent representative: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	610,660	1.86%
• MEDIPAL HOLDINGS CORPORATION	584,000	1.78%

Our company owns 8,425,207 treasury stock.
(as of March 31, 2022)

HOGY MEDICAL Co., Ltd.