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Hogy Medical Co., Ltd.

Hideki Kawakubo, President and CEO

Contact: Corporate
Promotion
Department
+81-3-6229-1300

Securities code: 3593

<https://www.hogy.co.jp/english>

The corporate governance of Hogy Medical Co., Ltd. (the “Company”) is described below.

I. Basic on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information Views

1. Basic Views

The Company upholds both a customer-oriented and shareholder-oriented approach as fundamental management principles. It recognizes that the achievement of its management goals and the continuous enhancement of corporate value represent essential forms of shareholder return. To achieve these goals, the Company believes it is critical to pursue swift decision-making and appropriate execution of operations, while also strengthening governance functions that promote management transparency. In addition, based on active dialogue with stakeholders, the Company is committed to further strengthening its corporate governance framework.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company implements all principles of the Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code

Updated

The Company seeks to optimize shareholder capital and promote value sharing with shareholders by aligning returns with corporate performance. To this end, it pursues growth through business expansion with a focus on improving ROE (Return on Equity attributable to owners of the parent) and EPS (Basic Earnings per Share). Furthermore, strengthening shareholder returns is considered a key management priority linked to the enhancement of shareholder value. Dividend policy is determined comprehensively, taking into account consolidated earnings and other relevant factors. Retained earnings are allocated to capital necessary for maintaining business stability, investment in new businesses and other strategic growth initiatives, and company operations that ensure stable supply. If cash and deposits exceed the amount required for these purposes, the Company will proactively implement shareholder return measures. It will continue striving to improve shareholder value going forward.

[Principle 1-4: Policy Shareholdings]

The Company may hold shares for policy purposes when the Board of Directors determines that such holdings will facilitate smooth and sustained collaboration in areas such as sales, technology, and R&D, thereby contributing to the expansion and development of its business. Conversely, the Company will reduce holdings of shares for which the rationale for ownership is deemed weak.

The Board of Directors annually assesses the appropriateness of all policy shareholdings (including cross-shareholdings). As of the end of March 2025, the Company confirmed that all such holdings remained appropriate.

In principle, the Company votes in favor of proposals made by companies in which it holds policy shareholdings. However, if a proposal is deemed potentially detrimental to the common interests of shareholders (such as those that compromise financial soundness, involve serious misconduct, result in consecutive losses over a certain period, or concern organizational restructuring or takeover defense measures), the Company will assess the matter on a case-by-case basis and determine its vote accordingly.

[Principle 1-7: Related Party Transactions]

When conducting transactions with related parties, the Company ensures that such transactions do not harm, or raise concerns about harming, the interests of the Company or the common interests of shareholders. All such transactions are subject to deliberation and approval by the Board of Directors. In addition, Directors who are Audit and Supervisory Committee Members audit the decisions made in this regard.

[Supplementary Principle 2-4-1: Ensuring Diversity in the Appointment of Core Human Resources]

The Company appoints individuals with diverse experiences to managerial positions based on their character, ethics, and broad perspective. It also hires and promotes mid-career professionals with necessary skills as needed; approximately 40% of section manager-level employees and above are mid-career hires. With regard to foreign nationals and mid-career hires, the Company does not recognize any differences in promotion to managerial roles based on nationality or time of hiring, and will continue to maintain its current standards in this respect. As of March 2025, women accounted for 7.8% of all managers. The Company aims to increase this ratio to 10% or more by the end of fiscal 2030, primarily by supporting the autonomous development, accumulation of experience, and career awareness of female employees in the management pipeline (assistant managers, deputy section managers, and team leaders). The Company will also continue to hire women for 50% or more of new sales positions and, from a medium- to long-term perspective, work to create an environment in which women can thrive. Going forward, the Company will actively secure diversity by appointing suitable personnel based on merit, regardless of gender, nationality, career background, or the presence or absence of disabilities, in line with evolving business conditions.

<Human Resource Development Policy>

In anticipation of future global expansion, the Company will foster stronger management capabilities through training that cultivates an understanding of diverse values across cultures. It will implement structured, ongoing training programs—tailored by organizational level—to support the development of individuals capable of performing in a globally competitive environment, and ensure that all employees requiring training have access to the necessary programs regardless of gender or age.

<Workplace Environment Development Policy>

While the Company currently implements staggered work hours and initiatives to reduce long working hours, it is also committed to building a workplace that is both fulfilling and accommodating. To ensure that all employees can actively support diversity with a shared sense of understanding and agreement, and improve their individual work-life balance, the Company will continue to enhance career development support, childcare and nursing care leave systems, and other related measures.

[Principle 2-6: Roles of Corporate Pension Funds as Asset Owners]

The Company's retirement benefit plan is a defined contribution pension plan. Therefore, it does not involve the management of corporate pension reserves, nor does it impact the Company's financial position.

[Principle 3-1: Full Disclosure]

- (i) The Company's corporate motto, which represents one of its guiding objectives, is disclosed in its Annual Securities Report (Section 4-3).
- (ii) The Company's basic approach and fundamental policies on corporate governance are disclosed in the Annual Securities Report (Section 4-4).
- (iii) The Company's policy and procedures for determining Directors' remuneration are disclosed in the Annual Securities Report (Section 4-4 (4)).
- (iv) With regard to the nomination and appointment of candidates for Director, the Board of Directors makes decisions based on deliberations and recommendations by the voluntary Nomination Committee. Candidates are evaluated to determine whether they possess the attributes necessary to fulfill their duty of care and duty of loyalty in an appropriate manner, contribute to the Company's sustainable profit growth and enhancement of corporate value, and are well-versed in the Group's businesses with the capability to manage the Company appropriately. In selecting Director candidates, the Board, with reference to the deliberations and recommendations of the Nomination Committee, considers the balance of each Director's knowledge and experience alongside the overall diversity of the Board to ensure its composition supports effective deliberation and decision-making. The Company sets forth the following requirements for Directors:

[All Directors]

- Strong commitment to the Company Group's management philosophy and a desire to contribute to its realization
- Outstanding character and insight, high ethical standards, and an understanding and respect for diversity
- Sound physical and mental health

[Inside Directors]

- Decision-making and execution capabilities that contribute to the Group's sustainable growth and enhancement of corporate value

[Outside Directors]

- Extensive knowledge and experience in management, international business, or the healthcare industry

[Directors who are Audit and Supervisory Committee Members]

- At least one individual with expertise in the legal or accounting fields

In addition, if a Director engages in conduct contrary to public order and morality, is unable to fulfill their duties for health reasons, causes significant damage to corporate value through negligence, or is otherwise deemed to lack the qualifications

established in the Company's policy and criteria for the appointment of Directors, the Board of Directors may, based on deliberations and recommendations by the Nomination Committee, resolve to submit a proposal for dismissal at the General Meeting of Shareholders.

(v) The reasons for the nomination and appointment of each Director candidate are disclosed in the Notice of Convocation of the General Meeting of Shareholders:

https://www.hogy.co.jp/pdf/ir/english/250527syousyuu_e

In addition, the reasons for the appointment of Outside Directors are disclosed in Section II-1 "Organizational Composition and Operation [Directors] – Relationship with the Company (2)" of this report.

[Supplementary Principle 3-1-3: Sustainability Initiatives]

〈Sustainability Initiatives〉

The Company's sustainability initiatives are disclosed on its website and in the Hoky Medical Report. In April 2022, the "Sustainability Committee" was established with the President & CEO serving as Chair. Since then, the Company has formulated its Sustainability Policy and announced activity targets toward 2030, which are being addressed through the business activities of each department.

<https://www.hogy.co.jp/company/sustainability.html> (Japanese)

<https://www.hogy.co.jp/english/company/sustainability.html> (English)

〈TCFD or Equivalent Initiatives〉

To advance disclosures aligned with the Task Force on Climate-related Financial Disclosures (TCFD), the Company calculates its direct emissions (Scope 1 and Scope 2 under the GHG Protocol) based on energy consumption data and discloses the results in its Annual Securities Report. Going forward, the Company will formalize its management of direct emissions and begin calculating Scope 3 emissions, including those across its supply chain. After identifying and quantifying such emissions, it will assess priority and high-impact reduction areas and set reduction measures and targets. With a view toward 2030, the Company has established a policy of reducing GHG emissions and is committed to achieving this through not only conventional energy-saving initiatives but also the more efficient use of energy and the development of environmentally conscious products.

〈Investment in Human Capital〉

As part of organizational development efforts to meet future needs, the Company is reforming its personnel systems to create structures and environments in which employees can fully exercise their capabilities.

〈Investment in Intellectual Property〉

The Company positions its know-how in building relationships with medical institutions and the insights gained from clinical settings as important intellectual property. It emphasizes the allocation of resources toward the transfer of this knowledge among employees as an intangible asset, while also protecting it as a trade secret. Furthermore, the Company works to obtain rights such as patents and design rights for the resulting products and services.

[Supplementary Principle 4-1-1: Extent of Authority Delegated to Management]

In addition to matters that require resolution by the Board of Directors under applicable laws and regulations, the Board also makes decisions regarding the Company's medium- to long-term management policies, business plans, and comprehensive budgets. Based on these, individual business judgments and operational execution are delegated to Directors and Executive Officers, who make decisions as appropriate.

[Principle 4-9: Independence Criteria and Qualifications for Independent Outside Directors]

The Company does not consider an individual to qualify as an Independent Outside Director (defined as an outside director with no risk of conflicts of interest with general shareholders) if any of the following apply, and such individuals are excluded from consideration as candidates:

1. Affiliation with the Company Group

Individuals who currently serve, or have served, as Executive Directors or employees (collectively, "Executive Personnel") of the Company or its subsidiaries (collectively, the "Company Group").

2. Affiliation with Major Shareholders

- (1) Current major shareholders of the Company (defined as shareholders holding 10% or more of voting rights).
- (2) If the major shareholder in (1) is a corporation, individuals who serve as directors, auditors, accounting advisors, executive officers, councilors, managers, or other employees (collectively, "Directors, etc.") of said corporation, its parent company, or any of its significant subsidiaries (collectively, "Relevant Entities").
- (3) Individuals who serve as Directors, etc., of Relevant Entities in which the Company currently holds a major shareholding.

3. Affiliation with Major Business Partners

- (1) Individuals whose organization regards the Company Group as a major business partner, or its Executive Personnel.
- (2) Individuals who are Executive Personnel of an entity that is a major business partner of the Company Group.
- (3) Executive Personnel of organizations that, on average over the past three fiscal years, have received donations or similar contributions from the Company Group exceeding either ¥10 million annually or 30% of the organization's average total

annual expenses, whichever is greater.

4. Affiliation with Entities with Interlocking Personnel Relationships

Any Officer, Audit & Supervisory Board Member, Accounting Advisor, or Executive Officer of Relevant Entities to which a Director (full-time or part-time) of the Company Group has been dispatched.

5. Affiliation with Major Lenders

Executive Personnel of financial institutions from which the Company Group borrows funds, where the outstanding balance of such borrowings exceeds 2% of the Company's consolidated total assets.

6. Advisory and Professional Services

- (1) Consultants, certified public accountants, or legal professionals who—separately from officer compensation—have received monetary or other forms of property from the Company Group exceeding either: (i) for individuals, an average of ¥10 million or more annually over the past three fiscal years, or (ii) for organizations, an amount equivalent to 2% or more of the organization's consolidated annual revenue; (in cases where the recipient is a corporation, partnership, or other entity, this applies to individuals affiliated with that entity).
- (2) Certified public accountants, tax accountants, or employees, partners, or members of auditing or tax corporations who currently serve as the Company Group's Accounting Auditor or Accounting Advisor.
- (3) Certified public accountants, tax accountants, or employees, partners, or members of auditing or tax corporations who served as the Company Group's Accounting Auditor or Accounting Advisor within the past three years and were directly involved in auditing the Company Group (excluding individuals whose involvement was auxiliary or clerical), including those who have since retired or left the firm.

7. Former Affiliates

- (1) Individuals who fell under category 1 within the past 10 years.
- (2) Individuals who fell under category 2.(1) or 2.(2) within the past 5 years.
- (3) Individuals who fell under any of categories 3 through 6.(1) within the past 3 years.

8. Close Relatives

Individuals whose close relatives (defined as a spouse, a relative within the second degree of kinship, or a cohabiting relative) fall under either of the following categories (excluding those deemed immaterial):

- [1] Individuals falling under any of categories 2 through 6 above; or
- [2] Individuals who served as Executive Officers of the Company Group at any time within the past three fiscal years.

9. Other

Any individual not covered by categories 1 through 8 above, but who is deemed to present a substantive risk of conflict of interest with general shareholders due to other circumstances.

[Supplementary Principle 4-10-1: Authority and Roles of the Nomination and Compensation Committees]

To ensure transparency and objectivity in management, the Company has established a Nomination Committee and a Compensation Committee, each chaired by an Independent Outside Director and composed with a majority of Independent Outside Directors. The Nomination Committee is authorized to deliberate and decide on proposals for the appointment and dismissal of Directors and succession planning. The Compensation Committee is responsible for determining compensation proposals based on performance evaluations and for reviewing the executive compensation system.

[Supplementary Principle 4-11-1: Board Diversity and Core Principles for Board Composition]

The Company's basic policy is to ensure that the Board of Directors, as a whole, maintains an effective structure with appropriate size and balance of knowledge, experience, and diversity, taking into account the Company's business operations and management challenges. The Company promotes a clear separation between execution and oversight by delegating decisions on material business execution to Executive Directors, thereby enabling swift decision-making and agile business execution. At the same time, it enhances the effectiveness of the Board's oversight function by maintaining a majority composition of Outside Directors.

A skills matrix summarizing the knowledge, experience, and expertise of each Director is provided on the final page of this report and also available on the Company's website:

<https://www.hogy.co.jp/company/governance.html> (Japanese)

<https://www.hogy.co.jp/english/company/governance.html> (English)

[Supplementary Principle 4-11-2: Concurrent Positions Held by Directors]

Information on the concurrent positions held by Directors is disclosed in the Business Report, Annual Securities Report, and this Corporate Governance Report.

[Supplementary Principle 4-11-3: Evaluation of Board Effectiveness]

The Company's Board of Directors periodically evaluates its effectiveness through attendee surveys and subsequent Board discussions. The most recent evaluation and the issues recognized as priorities moving forward are as follows:

1. Conclusion

The Board of Directors is functioning effectively; however, it recognizes the need for deeper discussions on the Company's medium- to long-term management strategy and efforts to cultivate future top executives, including the Chief Executive Officer.

2. Basis for Evaluation

- (i) A culture of open, constructive discussion and active exchange of opinions has been fostered at Board meetings, with Directors, including Outside Directors, contributing proactively.
- (ii) Board diversity is ensured in terms of members' knowledge, experience, and capabilities.

3. Identified Issues

- (i) Deepening discussions on medium- to long-term management strategies
- (ii) Developing successors to the Chief Executive Officer and other top executives

[Supplementary Principle 4-14-2: Policy on Training for Directors]

To fulfill their expected roles and responsibilities as key members of the governance structure of a listed company, Directors must deepen their understanding of these responsibilities, acquire necessary knowledge, and pursue ongoing learning as appropriate. The Company provides or arranges training opportunities tailored to each Director's needs and supports related costs as necessary.

[Principle 5-1: Policy for Constructive Dialogue with Shareholders]

To promote constructive dialogue with shareholders and investors, the President & Representative Director and the CFO take the lead in such interactions, supported by the Company's IR Committee and IR Department.

The Public Relations & Human Capital Strategy Department, which functions as the IR Committee and IR Department, plays a central role in facilitating engagement with shareholders and investors, working in close coordination with the Corporate Planning, General Affairs, Finance & Accounting departments, and each business division. To ensure productive dialogue with shareholders, the Company undertakes the following initiatives, with the President & Representative Director and the CFO participating as necessary:

- (1) Hosting financial results briefings for analysts and institutional investors following each of the four quarterly earnings announcements
- (2) Holding individual meetings with domestic and overseas institutional investors following financial announcements
- (3) Conducting annual shareholder surveys to understand areas of interest or concern and implementing improvements based on the feedback

Opinions and requests received from major shareholders and investors during such dialogues are appropriately reported to management. The Company also strives to disclose information in a timely manner. Recognizing the importance of managing insider information that could affect investment decisions, the Company strictly controls such information to uphold market fairness and integrity. Furthermore, to ensure fairness in information disclosure, the Company observes a quiet period during which it refrains from engaging in dialogue related to earnings information.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update	January 9, 2025

Explanation of Actions

The Company recognizes that its current capital profitability remains below the level of capital cost expected by the market, and thus considers it a critical management issue to restore market valuation by improving ROE and securing a sufficient spread over the cost of equity. In its New Medium-Term Business Plan announced in July 2024, the Company set capital efficiency targets of 6.0% ROE over the three years through the fiscal year ending March 2027, and 9.0% ROE during the next medium-term business plan through the fiscal year ending March 2030. Toward achieving these targets, the Company will work to boost total operating profit output by concentrating management resources, including sales personnel, on growth products, while also pursuing structural reforms and optimization of production, administrative, and other operational functions that support those efforts.

During the current medium-term plan period, the Company intends to return value to shareholders through a combination of progressive dividends—increasing annual dividends by approximately ¥15 per share each fiscal year—and a large-scale share

repurchase program. In the subsequent medium-term plan period, the Company will adopt a progressive dividend policy with a minimum DOE (Dividend on Equity) of 3%, aiming to further improve ROE.

In order to stabilize the share price and achieve sustainable enhancement of corporate value, the Company has strengthened its governance structure and improved management quality by transitioning to a Company with an Audit and Supervisory Committee structure as of June 2024, and by increasing the number of Independent Outside Directors with broad knowledge and experience. The Board of Directors will continue to conduct analysis, evaluation, and improvement efforts to manage the Company with a firm understanding of capital cost and capital efficiency, thereby contributing to share price appreciation. To gain shareholder support for its future strategies and growth investments, the Company will also pursue active and constructive dialogue with shareholders.

• New Medium-Term Business Plan (FY2025-FY2027)

https://www.hogy.co.jp/pdf/ir/240716chukei_ir.pdf (Japanese)

https://www.hogy.co.jp/pdf/ir/english/240716chukei_e.pdf (English)

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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Status of Major Shareholders Updated

Name or Company Name	Number of Shares Owned	Percentage (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	3,487,800	15.47
NIPPON ACTIVE VALUE FUND PLC	1,883,700	8.35
STATE STREET BANK AND TRUST COMPANY 505025	1,572,900	6.97
STATE STREET BANK AND TRUST COMPANY 505012	1,282,300	5.69
STATE STREET BANK AND TRUST COMPANY 505103	1,005,506	4.46
HOGY MEDICAL CO., LTD.	975,831	4.33
STATE STREET BANK AND TRUST COMPANY 505001	974,062	4.32
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	751,100	3.33
MEDIPAL HOLDINGS CORPORATION	584,000	2.59
NAVF SELECT LLC	580,600	2.57

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	----
Name of Parent Company, if applicable	None

Supplementary Explanation	Updated
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The section “[Status of Major Shareholders]” is based on entries recorded in the shareholder registry as of March 31, 2025.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year End	March
Business Sector	Textile Products
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have a Material Impact on Corporate Governance Updated

The Company has implemented localization policies at its subsidiaries and sub-subsidiaries located in Indonesia and Singapore. All necessary materials, including financial data, are reported to the Company as the parent entity, and a structure is in place to allow for ongoing monitoring. Accordingly, the Company believes that it has established a functioning and adequate corporate governance framework for these subsidiaries and sub-subsidiaries.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	11
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors Updated	6
Election of Outside Directors	Elected
Number of Outside Directors Updated	4
Number of Outside Directors designated as Independent Directors Updated	3

Outside Directors' Relationship with the Company (1) Updated

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
James B. Rosenwald III	From another company							○				
Katsusuke Higuchi	Certified Public Accountant											
Yuji Takada	Attorney-at-law											
Mime Egami	From another company											

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. Executive of a listed company or its subsidiaries

b. Executive or non-executive director of the parent company of a listed company

c. Executive of a fellow subsidiary company of a listed company

d. A party whose major client or supplier is a listed company, or an executive thereof

e. Major client for supplier of a listed company, or an executive thereof

f. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from a listed company aside from executive compensation

g. Major shareholder of a listed company (or an executive of the said major shareholder when the shareholder is a corporate entity)

h. Executive of a client or supplier company of a listed company (which does not correspond to any of d, e, or f) (the said individual only)

i. Executive of a company between which external directors are mutually appointed (the said individual only)

j. Executive of a company or organization that receives a donation from a listed company (the said individual only)

k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
James B. Rosenwald III			----	With extensive experience in investment, management, and capital markets governance, Mr. Rosenwald is expected to further strengthen oversight of the Company's management from a different perspective than the three current Independent Outside Directors (Audit and Supervisory Committee Members). He has therefore been appointed as an Outside Director.
Katsusuke Higuchi	○	○	----	Mr. Higuchi is well-versed in corporate accounting as a Certified Public Accountant (CPA) and possesses sufficient insight to oversee corporate management. He has been appointed as an Outside Director based on the belief that he can apply his accounting expertise gained through his work as a CPA. Additionally, as he satisfies the independence criteria stipulated by the Tokyo Stock Exchange, the Company has designated him as an independent director, concluding that no conflict of interest exists with general shareholders.
Yuji Takada	○	○	----	Mr. Takada is highly knowledgeable in corporate legal affairs as an Attorney-at-law and has sufficient insight into corporate governance. He has been appointed as an Outside Director because the Company believes his legal expertise, cultivated through legal practice, will be beneficial to the Company. Additionally, as he satisfies the independence criteria stipulated by the Tokyo Stock Exchange, the Company has designated him as an independent director, concluding that no conflict of interest exists with general shareholders.
Mime Egami	○	○	OBIC Co., Ltd., where Ms. Egami serves as an outside director, has no personal or capital relationship with the Company.	Ms. Egami possesses extensive expertise in international finance and advanced medical technologies, along with broad insight into corporate governance cultivated through her experience as a corporate auditor. The Company has determined that her knowledge and experience will contribute meaningfully to the Company's governance and has therefore appointed her as an outside director. Additionally, as she satisfies the independence criteria stipulated by the Tokyo Stock Exchange, the Company has designated her as an independent director, concluding that no conflict of interest exists with general shareholders.

Audit and Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

Updated

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Audit and Supervisory Committee	3	1	0	3	Outside Director

Appointment of Directors and Employees to Support the Committee's Duties

Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers

To ensure the proper functioning of the Audit and Supervisory Committee's audits, the Company assigns employees to assist with the duties of the Committee. In order to secure their independence from Directors (excluding those serving as Audit and Supervisory Committee Members), these employees operate under the direction and supervision of the Audit and Supervisory Committee Members in matters related to their support roles. Personnel transfers and other changes affecting these employees are carried out only after obtaining the consent of the Committee.

Coordination Between the Audit and Supervisory Committee, Accounting Auditor, and Internal Audit Department

The Audit and Supervisory Committee and the Accounting Auditor strengthen their coordination by holding regular meetings, such as those concerning annual plans and performance reports, and exchanging information as needed. The Company has established the Internal Audit Office as its internal audit department. The Internal Audit Office assists with audits conducted by the Audit and Supervisory Committee and, similarly, enhances coordination through regular meetings, including those on annual plans and performance reports, and timely information exchange as necessary.

Voluntary Established Committee(s)

Existence of Voluntary Committees Equivalent to the Nomination or Compensation Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

Updated

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntary Committee Equivalent to the Nomination Committee	Nomination Committee	5	0	1	4	0	0	Outside Director
Voluntary Committee Equivalent to the Compensation Committee	Compensation Committee	5	0	1	4	0	0	Outside Director

Supplementary Explanation

Updated

Nomination Committee

To strengthen the independence, objectivity, and accountability of the Board of Directors in matters concerning the nomination of Representative Directors and Directors, the Company has established a voluntary Nomination Committee. Based on consultations from the Board of Directors, the Nomination Committee deliberates on proposals for the appointment and dismissal of Directors, succession plans, and other related matters, and submits its recommendations to the Board. Committee members are appointed by resolution of the Board of Directors and consist of four Outside Directors (including the Chairperson) and one Inside Director.

Chairperson: Yuji Takada (Outside Director)

Members: Katsusuke Higuchi (Outside Director), Mime Egami (Outside Director), James B. Rosenwald III (Outside Director), Taisuke Fujita (Inside Director)

Compensation Committee

To strengthen the independence, objectivity, and accountability of the Board of Directors in matters concerning the remuneration of Directors, the Company has established a voluntary Compensation Committee. Based on consultations from the Board of Directors, the Compensation Committee deliberates on remuneration policies, remuneration systems, and individual compensation, and submits its recommendations to the Board. Committee members are appointed by resolution of the Board of Directors and consist of four Outside Directors (including the Chairperson) and one Inside Director.

Chairperson: Mime Egami (Outside Director)

Members: Katsusuke Higuchi (Outside Director), Yuji Takada (Outside Director), James B. Rosenwald III (Outside Director), Taisuke Fujita (Inside Director)

Matters Concerning Independent Directors

Number of Independent Directors

Updated

3

Other Matters Concerning Independent Directors

Three Outside Directors of the Company satisfy the requirements for Independent Directors and are accordingly designated as such.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduced a performance-linked compensation system, among other incentive systems

Supplementary Explanation for Applicable Items

The performance metric for bonuses (performance-linked compensation) is profit attributable to owners of the parent, which is adopted to increase management's awareness of improving performance in each fiscal year. The bonus amount is determined by multiplying profit attributable to owners of the parent by a specified coefficient (serving as an upper limit), with actual payouts based on a comprehensive assessment of the Company's overall performance. Furthermore, with the aim of providing incentives to Directors (excluding Outside Directors) to achieve sustainable improvement in corporate value and promote greater value sharing with shareholders, the Company resolved at the 63rd Annual General Meeting of Shareholders held on June 20, 2024, to introduce a compensation plan involving the grant of restricted stock.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

Director Remuneration

Status of Disclosure of Individual Director's Remuneration

Updated

No Disclosure for any Directors

Other Matters Concerning Independent Directors

Updated

In fiscal year 2024, total remuneration for 10 Directors amounted to ¥221 million, of which ¥43 million was paid to Outside Directors.

Notes:

1. The total amount of Director remuneration does not include salaries paid to Directors also serving as employees in their capacity as employees.
2. The total amount includes ¥35 million in accrued director bonuses for the current fiscal year (applicable to two Directors).
3. The following compensation limits were resolved at the 63rd Annual General Meeting of Shareholders held on June 20, 2024. As of the close of the meeting, the number of Directors (excluding those who serve as Audit and Supervisory Committee Members) was four (including two Outside Directors).
 - Annual base remuneration ceiling: Up to 4% of profit attributable to owners of the parent in the previous fiscal year (provided, however, that if this amount is less than ¥110 million, the limit shall be ¥110 million; the amount allocable to Outside Directors is capped at ¥50 million)

- Annual bonus ceiling: Up to 2.5% of profit attributable to owners of the parent in the previous fiscal year
- Restricted stock compensation (non-cash compensation, etc.):

Annual cap of up to 1.5% of profit attributable to owners of the parent in the previous fiscal year and a maximum of 30,000 shares

Note: Remuneration for Outside Directors consists solely of fixed monthly base compensation.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The policy for determining the details of remuneration, etc., for Directors (excluding Directors who are Audit and Supervisory Committee Members) is as follows.

1. Basic Policy

The Company's remuneration system for Directors (excluding those who serve as Audit and Supervisory Committee Members; the same shall apply hereinafter) is designed to function as an effective incentive for the sustainable enhancement of corporate value and to align the interests of Directors with those of shareholders. Individual remuneration levels are set appropriately in consideration of the respective roles and responsibilities of each Director.

2. Overview of the Policy for Determining Individual Remuneration, etc.

Remuneration for Directors consists of base remuneration (monthly fixed remuneration), performance-linked bonuses, and restricted stock compensation as a form of non-monetary compensation. The total amount is determined within the maximum limits resolved at the General Meeting of Shareholders, taking into account the Director's title, role, and Company performance. Outside Directors, who are not involved in the execution of business operations and instead provide oversight and advice, receive base remuneration only, which is fixed.

(i) Base Remuneration

Base remuneration is capped at an amount calculated by applying a fixed percentage to the Company's profit attributable to owners of the parent for each fiscal year, in order to incentivize performance improvement. Based on a recommendation by the Compensation Committee, a majority of whose members are Independent Outside Directors, the specific amount is determined by the President & CEO, delegated by the Board of Directors, and paid in equal monthly installments.

(ii) Bonuses

Bonuses are also capped at a fixed percentage of profit attributable to owners of the parent for each fiscal year and are intended to enhance awareness of annual performance goals. Following the Compensation Committee's recommendation, the President & CEO, under delegation from the Board, determines the amount in consideration of the Company's performance and pays it at a fixed time each year.

(iii) Restricted Stock Compensation (Non-Monetary Compensation)

Restricted stock compensation is granted annually at a fixed time to heighten awareness of medium- to long-term performance improvement. Taking into account the Company's performance and based on recommendations from the Compensation Committee, the majority of which consists of Independent Outside Directors, the number of shares to be allotted and the amount of monetary claims to be contributed in kind are determined by the President & CEO, who has been delegated this authority by the Board of Directors, within the scope approved in advance by the General Meeting of Shareholders. (The total amount of monetary claims is capped at a fixed percentage of profit attributable to owners of the parent for each fiscal year.) This compensation is provided annually at a fixed time. As a general rule, transfer restrictions are lifted immediately upon resignation or retirement, provided that the Director has continuously served in a position, designated in advance by the Board of Directors, at the Company or one of its subsidiaries for the entire duration of the period also specified by the Board.

3. Policy on the Ratio of Each Type of Remuneration

The ratio of base remuneration, bonuses, and restricted stock compensation is structured with base remuneration as the foundation, and is designed to function as a sound incentive that reflects contributions to performance and the enhancement of corporate value over the medium to long term. The Compensation Committee, composed of a majority of Independent Outside Directors, deliberates on this matter, and the Board of Directors determines the appropriate allocation ratios with due respect to the Committee's recommendations.

4. Decision-Making Process for Individual Director Remuneration

The remuneration for each Director is determined by the President & CEO, who is delegated this authority by the Board of Directors. Based on a resolution by the Board and a recommendation from the Compensation Committee (which is composed of

a majority of Independent Outside Directors), the President & CEO sets the amount of base remuneration and bonuses, as well as the number of shares and monetary claims granted as restricted stock compensation (a form of non-monetary remuneration). In doing so, the President & CEO gives the highest possible regard to the Committee's recommendations.

Support System for Outside Directors

Updated

The Company provides Outside Directors with regular operational reports at scheduled Board meetings, enabling them to grasp the status of business execution. Additionally, individual opinion exchange sessions are held as needed with each Director, ensuring a system in which sufficient information is available for effective oversight.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

Updated

To further strengthen the Board of Directors' supervisory functions and enhance the corporate governance system for sustainable growth and the improvement of corporate value over the medium to long term, the Company has adopted the structure of a Company with Audit and Supervisory Committee. This allows important decisions on business execution to be delegated to Executive Directors, thereby facilitating quicker decision-making and more agile business execution. The key roles of the Board of Directors, the Audit and Supervisory Committee, and other relevant committees are outlined below.

Board of Directors

The Board of Directors comprises six members, including four Outside Directors. The small and strategic composition of the Board is designed to facilitate strategic and agile decision-making on key matters such as management policies and the medium-term business plan. Matters related to business execution are delegated to Executive Directors, enabling the Company to respond swiftly to changes in the business environment, while allowing the Board to exercise effective oversight over execution.

Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three Directors who serve as committee members, all of whom are Outside Directors. This structure reinforces the Company's supervisory function, ensuring that oversight is conducted with a high degree of objectivity and transparency.

Nomination Committee

Please refer to section "II-1. Organizational Composition and Operation [Voluntary Established Committee(s)] – Nomination Committee" of this report.

Compensation Committee

Please refer to section "II-1. Organizational Composition and Operation [Voluntary Established Committee(s)] – Compensation Committee" of this report.

3. Reasons for Adoption of Current Corporate Governance System

To further strengthen the Board of Directors' supervisory functions and enhance the corporate governance system for sustainable growth and the improvement of corporate value over the medium to long term, the Company has adopted the structure of a Company with Audit and Supervisory Committee. This allows important decisions on business execution to be delegated to Executive Directors, thereby facilitating quicker decision-making and more agile business execution.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	As a general rule, the Notice of Convocation is sent approximately three weeks prior to the date of the General Meeting of Shareholders.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	To encourage shareholder attendance, the meeting is scheduled to avoid peak days.
Electronic Exercise of Voting Rights	Shareholders may exercise their voting rights via electronic means over the internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has adopted the electronic voting platform operated by ICJ, Inc. for institutional investors.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The English-language version of the Notice of Convocation is posted on the Tokyo Stock Exchange, the ICJ voting platform, and the Company's website on the same day as the Japanese version.
Other	To facilitate the early disclosure of information to shareholders, the Notice of Convocation is posted on the Company's website prior to its dispatch.

2. Status of IR-related Activities

Updated

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	Please refer to “I. Basic on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information Views – 1. Basic Views – Principle 5-1: Policy for Constructive Dialogue with Shareholders” of this report.	
Regular Investor Briefings held for Individual Investors	Under consideration. The Company distributes recorded versions of earnings briefings held for analysts and institutional investors, making them accessible to individual investors and ensuring equitable access to information.	Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	Earnings briefings are held quarterly for analysts and institutional investors, where the Company provides explanations regarding the Group’s performance and management strategies. In addition, individual meetings are held with analysts and institutional investors as needed.	Held
Regular Investor Briefings held for Overseas Investors	Individual meetings and other forms of communication are held with institutional investors primarily in the U.S., Europe, and Asia to explain the Group’s performance and management strategies.	Held
Online Disclosure of IR Information	Materials for briefing sessions, supplementary materials, financial results summaries, press releases, securities reports, the Hogy Medical Report, Group reports, and IR schedules are posted online. Some materials are also available in English. https://www.hogy.co.jp/ir/index.html (Japanese) https://www.hogy.co.jp/english/ir/index.html (English)	
Establishment of Department and/or Placement of a Manager in Charge of IR	IR Committee; Public Relations & Human Capital Strategy Department	
Other	<ul style="list-style-type: none"> • The Company engages in dialogue with analysts and institutional investors to improve information disclosure and IR activities. • A shareholder benefit program has been introduced, allowing shareholders to choose from a selection of benefit options presented by the Company. 	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Based on the corporate philosophy of “To promote good health and prosperity through contribution to medical progress,” the Company upholds a policy of “customer-oriented” and “shareholder-oriented” management and respects the position of all stakeholders.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	On land adjacent to the Tsukuba Plant leased from the city, the Company grows pesticide-free rice and is undertaking a project to restore the traditional rural landscape. In addition to promoting ecosystem restoration and conservation, the Company facilitates interaction with local residents through agricultural experiences such as rice planting and harvesting.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Company strives to disclose timely information, including decisions, events, financial results, and other PR content, and is committed to providing accurate and fair disclosure of corporate information.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The Company ensures the proper execution of business operations by clearly defining authority and responsibility, incorporating mutual checks and balances into business processes, and establishing appropriate segregation of duties. At the same time, the Company recognizes the need for periodic reviews and continual improvement and enhancement of these systems.

To ensure that the execution of duties by Directors complies with laws and regulations as well as the Articles of Incorporation, the Board of Directors has established the “Committee on Internal Controls, Etc.,” an organization tasked with building systems for internal control, compliance, and risk management, and undertaking reviews and improvements of such systems.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Company maintains a firm stance of having no relationships whatsoever with anti-social forces that threaten social order and safety, and conducts no transactions with companies, organizations, or individuals associated with such groups. This policy is thoroughly communicated throughout the Company, from the President and CEO to all officers and employees. In addition, the Company continuously gathers information from relevant government authorities and other sources and has established a system that enables prompt, company-wide responses through close coordination with relevant government agencies and external experts such as legal counsel in the event such a situation arises.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation for Applicable Items	
No special takeover defense measures have been introduced as of the current date.	

2. Other Matters Concerning the Corporate Governance System

Updated

The Company ensures the proper execution of business operations by clearly defining authority and responsibility, incorporating mutual checks and balances into business processes, and establishing appropriate segregation of duties. At the same time, the Company recognizes the need for periodic reviews and continual improvement and enhancement of these systems. The Company’s internal system for timely disclosure of corporate information is as follows:

The Company adheres to the principle of disclosing corporate information in a timely and appropriate manner to investors and has established the following systems depending on the nature of the information to be disclosed. The officer responsible for information handling is the Executive Officer in charge of the Corporate Promotion Department, and the department in charge of disclosure is the Public Relations & Human Capital Strategy Department.

1) Decisions

For material decision matters, resolutions are made at regular meetings of the Board of Directors or at management meetings that include Executive Officers. Extraordinary Board meetings are convened as necessary to facilitate prompt decision-making. The Information Handling Officer, in coordination with relevant parties, determines whether disclosure is required, and if so, works to ensure timely disclosure. Internal audits, external audits by accounting auditors, and legal advice are sought as needed to ensure accurate and fair disclosure of corporate information.

2) Occurrence of Events

In the event of material incidents, the division that becomes aware of the incident promptly reports the information to the Corporate Promotion Department, which then notifies the Directors. The Information Handling Officer leads the process of evaluating the nature of the information and determining whether it must be disclosed in accordance with timely disclosure regulations. If disclosure is deemed necessary, it is carried out promptly. Internal audits, external audits by accounting auditors, and legal advice are sought as needed to ensure accurate and fair disclosure of corporate information.

3) Financial Results

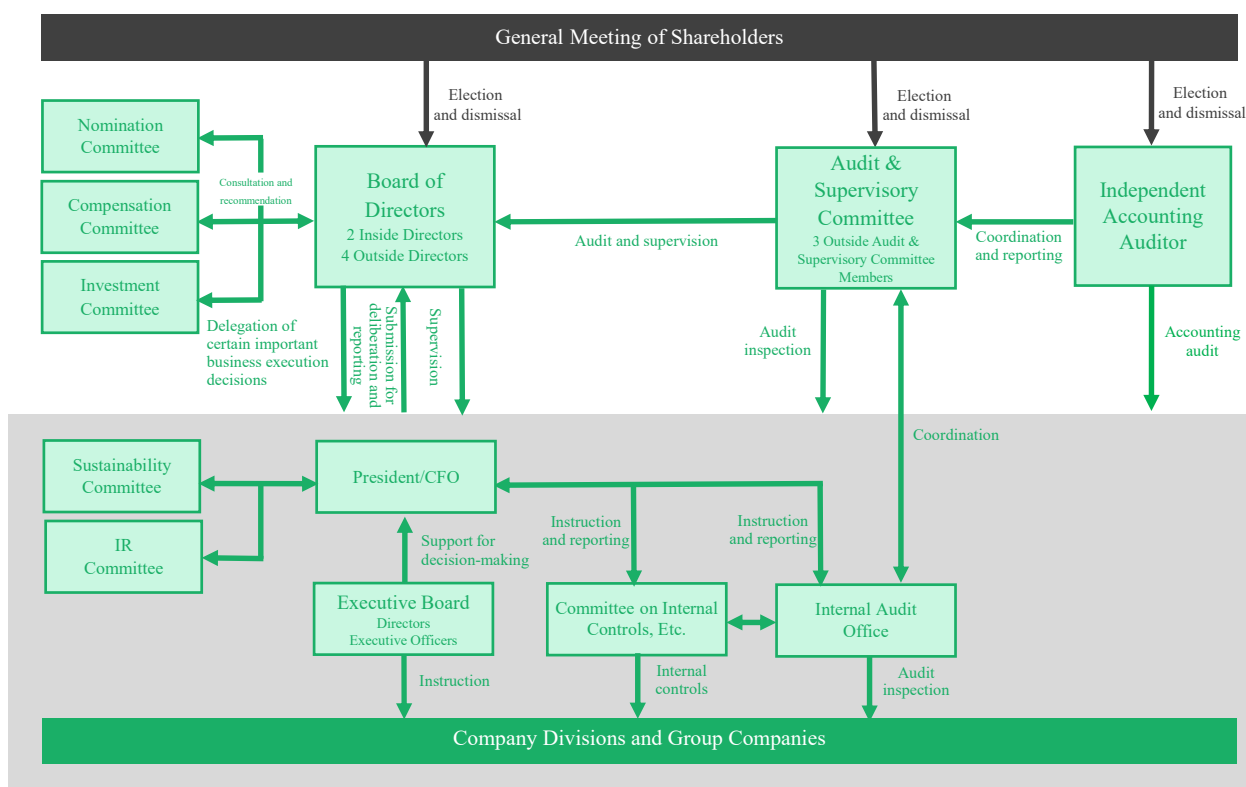
Regarding financial information, financial statements are prepared by the Corporate Strategy Department in the month following the fiscal year-end, audited by the accounting auditor, approved at the Board of Directors meeting concerning financial results, and disclosed on the same day. In addition, both the Audit & Supervisory Committee and the Internal Audit Office maintain ongoing oversight of in-period transactions, and the accounting audit is conducted in a balanced manner throughout the fiscal

year, rather than being concentrated solely at the year-end. Through these efforts, the Company strives to ensure that its financial disclosures are prompt, accurate, and impartial.

4) Other PR Information

The Public Relations & Human Capital Strategy Department drafts PR-related information, which is disclosed after review by the Information Handling Officer and Directors.

Hogy Medical Corporate Governance System Diagram



Director Skills Matrix

		Main Position	Committees		Skills and areas of expertise that are particularly expected				
			Nomination committee	Compensation committee	Corporate management	Medical industry	Overseas business	Governance	Finance, accounting
Director	Hideki Kawakubo	President and CEO (Chief Executive Officer)			●	●		●	●
	Taisuke Fujita	Executive Vice President and CFO (Chief Financial Officer)	●	●	●		●		●
	James B. Rosenwald III	Outside Director	●	●	●				
	Katsusuke Higuchi	Outside Director (Audit & Supervisory Committee Member) Independent Director	●	●				●	●
	Yuji Takada	Outside Director (Audit & Supervisory Committee Member) Independent Director	● Chairman	●				●	
	Mime Egami	Outside Director (Audit & Supervisory Committee Member) Independent Director	●	● Chairman	●	●	●	●	

* 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 of expertise of each director.

END