

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 4544

May 30, 2022

NOTICE OF 72ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder,

You are hereby notified of the 72nd Ordinary General Meeting of Shareholders of H.U. Group Holdings, Inc. (the “Company”) that will be held as set forth below.

This year, you are strongly recommended to refrain from attending this meeting in person, and to exercise your voting rights beforehand in writing or via the Internet, etc. by no later than 5:30 p.m. on Monday, June 20, 2022 (JST), in accordance with the “Exercise of Voting Rights in Writing or Via the Internet, etc.” described on page 5.

Yours faithfully,

Shigekazu Takeuchi, President and CEO
H.U. Group Holdings, Inc.
1-1, Nishi-shinjuku 2-chome
Shinjuku-ku, Tokyo

- 1. Date and Time:** Tuesday, June 21, 2022, at 10:00 a.m. (JST)
(Reception start time: 9:30 a.m.)
- 2. Venue:** “Concord,” 5th Floor, Main Tower, Keio Plaza Hotel Tokyo
2-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo
- 3. Agenda:**
- Items to be reported*
1. Business Report, Consolidated Financial Statements, Results of Audits of Consolidated Financial Statements by Accounting Auditors and the Audit Committee for the 72nd term (from April 1, 2021 to March 31, 2022)
 2. Non-consolidated Financial Statements for the 72nd term (from April 1, 2021 to March 31, 2022)
- Items to be resolved*
- Item 1: Partial Amendments to the Articles of Incorporation
- Item 2: Election of Eight (8) Directors

* The Company will publish any amendments to the reference material, the Business Report and the Consolidated and Non-consolidated Financial Statements on its website (<https://www.hugp.com/>).

* At this year’s General Meeting of Shareholders, the Company will utilize a lottery system. Furthermore, the meeting will be live streamed via the Internet on the day exclusively for shareholders (in Japanese only). In addition, questions regarding the agenda items will be received prior to the meeting on the Company website. For details of the lottery system, please refer to pages 3 to 4.

Lottery System, Live Streaming via the Internet, and Submission of Shareholder Questions in Advance

The Company has decided to use a lottery system, placing top priority on the health and safety of all involved in the General Meeting of Shareholders. We will conduct a live streaming broadcast of the meeting on the day via the Internet, exclusively for shareholders (in Japanese only). Furthermore, we will accept questions regarding agenda items for the General Meeting of Shareholders in advance on the Company website. We will provide details of these measures below.

[Lottery System]

To ensure the safety of shareholders, we must secure adequate spacing between shareholders' seats. As a result, we expect to be able to accommodate 50 shareholders at the venue for the General Meeting of Shareholders. To prevent confusion at the venue on the day of the meeting, we have decided to use a lottery system this year.

As a precaution, we request that you avoid attending in person. However, for those who do wish to attend, please send the application postcard enclosed in this convocation notice. In the case of a large number of applications, we will hold an impartial lottery drawing. The shareholders who applied will be notified by postcard regarding the drawing results. Those who were drawn will be sent a postcard notifying them of this and are requested to present this notification postcard and voting rights exercise form on the day of the meeting at the reception.

If you have not applied, or if you were eliminated as a result of the drawing, you will not be granted permission to enter the meeting venue on the day.

The Company will make every effort to prevent the spread of infection and ensure safety at the venue. Please apply after careful consideration of your health and safety.

Application method: Fill out the required details on the enclosed application postcard and affix the enclosed protective sticker over the written side to protect your personal information before posting.

Application closing date: Applications must be received by June 8, 2022 (Wednesday)

* We will notify all applicants of the lottery drawing results by post at the address recorded in the shareholder registry (Dispatch scheduled on June 14).

Inquiries regarding the application form: Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency
Tel: 0120-232-711 (toll free within Japan)
Hours: 9:00 a.m. to 5:00 p.m. JST
(weekdays excluding weekends and holidays, etc.)

Shareholders who are permitted to attend as a result of the lottery drawing are asked to wear a mask at all times. Please understand that anyone not wearing a mask will be refused entry. Anyone found to have a high temperature by temperature check, or who appears unwell, may be refused entry.

The Company may take additional measures or change its measures depending on the status of the outbreak up to the day of the General Meeting of Shareholders. Please check the Company's website (<https://www.hugp.com/>) for updates on the latest information.

[Live streaming via the Internet]

1. Date and time

From 10:00 a.m. on Tuesday, June 21, 2022 (JST) to the end of the General Meeting of Shareholders

2. Please access the website portal for viewing the live-stream broadcast either by directly entering the URL shown below or by scanning the QR code®, then enter the ID and password.

URL https://d-broadcast.jp/01/220621_huhd/

ID	: Shareholder number presented on the voting rights exercise form
Password	: huhd20220621



QR code®

* Be sure to make a note of your shareholder number when mailing in your voting rights exercise form.

* Inquiries regarding the shareholder number:

Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency

Tel: 0120-232-711 (toll free within Japan)

Hours: 9:00 a.m. to 5:00 p.m. JST (weekdays excluding weekends and holidays, etc.)

Please note: The inquiry desk can respond only to inquiries regarding shareholder numbers (not inquiries about how to access or view the meeting).

3. Precautions about live streaming

- Viewing is restricted to shareholders only.
- The live stream does not enable participation in resolutions of the General Meeting of Shareholders on the day. Please exercise your voting rights beforehand in writing or by the Internet.
- Live streaming will be in Japanese only.
- We cannot receive statements or questions via the livestream.
- After the live stream has finished it will not be made available for on demand viewing.
- Footage of the live stream will be confined to the chairperson, director and executive officer seating area out of consideration for the privacy of shareholders in attendance.
- You may encounter issues in viewing the live stream due to factors involving your device or Internet connection environment or circumstances involving your network connection.
- Telecommunication fees and other such costs incurred for viewing the live-stream broadcast are to be borne by the shareholder.
- Please refrain from photographing, filming, recording the meeting proceedings, or posting it on social media.

[Submission of shareholder questions in advance]

We will accept questions regarding agenda items of the General Meeting of Shareholders in advance via the Company's website.

1. Form for submitting questions in advance

URL: <https://www.hugp.com/ir/stock/72pre-question.html>



QR code®

2. Period for receiving shareholder questions in advance

From 9:00 a.m. on Wednesday, May 25, 2022 to 5:00 p.m. on Wednesday, June 15, 2022 (JST)

3. Precautions about submission of questions in advance

- Questions from shareholders will be limited to the purposes related to items on the agenda of 72nd Ordinary General Meeting of Shareholders
- The Company will not answer all questions. Questions that were not answered at the meeting will be used as basis for later reference.

Exercise of Voting Rights in Writing or Via the Internet, etc.

If you exercise your voting rights in duplicate both in writing and via the Internet, etc. the vote exercised online shall prevail. Also, if you exercise your voting rights multiple times via the Internet, etc. the final vote shall prevail.

[Exercise of voting rights in writing]

Please indicate your approval or disapproval to the proposed item in the enclosed voting right form and return it so that it arrives no later than 5:30 p.m. on Monday, June 20, 2022 (JST).

[Exercise of voting rights via the Internet, etc.]

Voting must be completed no later than 5:30 p.m. on Monday, June 20, 2022 (JST).

I. Exercise of voting rights via the Internet

Scanning QR code®

You can simply log in to the website for exercise of voting rights without entering your login ID and temporary password presented on the voting instructions form.

1. Please scan the QR code® located on the right side of the voting instructions form.
* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.
2. Indicate your approval or disapproval by following the instructions shown on the screen.

Note that you can log in to the website only once by using QR code®.

If you wish to redo your vote or exercise your voting rights without using QR code®, please refer to the “Entering login ID and temporary password” below.

Entering login ID and temporary password

Website for exercise of voting rights: <https://evote.tr.mufg.jp/>

1. Please access the website for exercise of voting rights.
2. Log in by entering your “login ID” and “temporary password” presented on the voting instructions form.
3. Register a new password.
4. Please indicate your approval or disapproval by following the instructions shown on the screen.

In case you need instructions for how to operate your personal computer/smartphone/mobile phone in order to exercise your voting rights via the Internet, please contact:

Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency Help Desk

Tel: 0120-173-027 (Toll-free only from Japan / Hours: 9:00 a.m. to 9:00 p.m. JST)

II. Platform for proxy voting by electronic means

Institutional investors may apply in advance to use the platform for proxy voting by electronic means operated by ICJ. In this case, such shareholders can use the ICJ platform in addition to the proxy voting via the Internet in I. above as a means to exercise their voting right by electromagnetic means at General Meeting of Shareholders of the Company.

Reference Material for General Meeting of Shareholders

Item 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendment

Since the revised provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the “Act for Partially Amending the Companies Act” (Act No. 70 of 2019) will be effective from September 1, 2022, the Company proposes the following amendments to the Articles of Incorporation in preparation for the implementation of the system for electronic provision of materials for general meetings of shareholders.

- (1) Article 15, Paragraph 1 of the proposed amendments stipulates that information contained in the reference documents and other information for general meeting of shareholders, shall be provided by electronic means.
- (2) Article 15, Paragraph 2 of the proposed amendments stipulates that the scope of documents to be delivered to shareholders who have requested hardcopies of documents may be limited.
- (3) The provisions of Article 15 of the current Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents and Other Information for General Meeting of Shareholders) will become unnecessary and, shall be deleted.
- (4) Supplementary provisions shall be established concerning the effective date, etc., in line with the new establishments and deletions above.

2. Details of the amendments

Details of the amendments are as follows:

(Underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed Amendments
Chapter III General Meeting of Shareholders	Chapter III General Meeting of Shareholders
<u>Article 15 (Internet Disclosure and Deemed Provision of Reference Documents and Other Information for General Meeting of Shareholders.)</u> <u>When the Company convenes a general meeting of shareholders, if the Company discloses information concerning matters that must be stated or displayed in the reference documents for general meeting of shareholders, business report, non-consolidated financial statements, and consolidated financial statements via internet disclosure in accordance with the Ministry of Justice Order, it may be deemed that the Company has provided that information to shareholders.</u>	(Deleted)
(Newly established)	<u>Article 15 (Measures, for Provision of Information Electronically)</u> <u>1. When the Company convenes a general meeting of shareholders, the Company shall electronically provide information contained in the reference documents and other information for general meeting of shareholders.</u>

Current Articles of Incorporation	Proposed Amendments
	<p><u>2. Among information to be provided electronically, the Company reserves the right to exclude, in whole or in part, any or all of the information set forth by the Ministry of Justice Order in the documents to be delivered to shareholders who have requested delivery of hardcopies of documents by the record date of voting rights.</u></p>
(Newly established)	<p><u>(Supplementary Provisions)</u></p> <p><u>1. The deletion and new establishment of Article 15 shall become effective from September 1, 2022, which is the effective date of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Effective Date”).</u></p> <p><u>2. Notwithstanding the provisions of the previous paragraph, Article 15 (Internet Disclosure and Deemed Provision of Reference Documents and Other Information for General Meeting of Shareholders) of the Articles of Incorporation prior to amendment shall apply to any general meeting of shareholders held within six (6) months from the Effective Date.</u></p> <p><u>3. These supplementary provisions shall be deleted after six (6) months have elapsed from the Effective Date or after three (3) months have elapsed from the date of the general meeting of shareholders set forth in the previous paragraph, whichever comes later.</u></p>

Note: Some underlining does not coincide with the Japanese version because of translation adjustments.

Item 2: Election of Eight (8) Directors

Since the term of office of all eight (8) of the incumbent Directors expires at the close of this General Meeting of Shareholders, we would like to hereby propose the election of eight (8) Directors.

The names and brief personal profiles of the candidates for Director are as follows:

Candidate No.	Name	Attribute	Current position and duties in the Company (◎:Chairperson) (Note 1)			
				Nominating Committee	Audit Committee	Compensation Committee
1	Shigekazu Takeuchi	Reelection	Director, President & CEO	○	-	-
2	Naoki Kitamura	Reelection	Director, Managing Executive Officer	-	-	-
3	Shigehiro Aoyama	Reelection Outside	Director	◎	-	-
4	Futomichi Amano	Reelection Outside	Director	-	◎	-
5	Ryoji Itoh	Reelection Outside	Director	○	-	◎
6	Moegi Shirakawa	New election Outside	—	-	-	-
7	Keiji Miyakawa	Reelection Outside	Director	-	-	○
8	Susumu Yamauchi	Reelection Outside	Director	-	○	○

(Note)

1. The positions of the above listed candidates for Director are as of this General Meeting of Shareholders.

(Reference)

Expertise and experience, etc., of the candidates for Director

The expertise and experience etc. of the candidates for Director are as follows.

Name of candidate for Director	Business management	Global business	Compliance and risk management	Legal	Finance and accounting	M&A	Health-care	DX
Shigekazu Takeuchi (Male)	●	●			●	●	●	
Naoki Kitamura (Male)	●	●			●	●	●	
Shigehiro Aoyama (Male)	●	●				●	●	
Futomichi Amano (Male)	●	●	●		●			
Ryoji Itoh (Male)	●	●			●	●		●
Moegi Shirakawa (Female)		●	●	●		●		
Keiji Miyakawa (Male)	●	●			●	●		
Susumu Yamauchi (Male)	●	●	●	●				

No. **1****Shigekazu Takeuchi**

(Born on October 11, 1953)

Reelection

Nominating
Committee**Attendance rate at Board of
Directors Meetings**

100% (13/13 meetings)

**Attendance rate at Meetings of
Nominating Committee**

100% (6/6 meetings)

Reason for nominating the candidate for Director:

Mr. Shigekazu Takeuchi was appointed as President & CEO of the Company and Group CEO in 2016. Since then, he has overseen management of the Company and the Group. His leadership based on abundant experience and broad insight as a corporate manager is essential to realizing the growth of the Group. Considering the above, Mr. Takeuchi is appropriately suited to be a director of the Company, and accordingly has been appointed as a candidate for that position.

**Number of the
Company's shares held**
31,445 shares

Tenure as Director
6 years

Brief personal profile, and position and duties in the Company

Apr.	1976	Joined CBS Sony Inc. (currently Sony Music Entertainment (Japan) Inc.)	Oct.	2009	Joined Avex Group Holdings Inc. (currently Avex Inc.)
Feb.	1997	President, Sony Music Artists Inc.	Jun.	2010	Representative Director, CFO, Avex Group Holdings Inc. (currently Avex Inc.)
Feb.	2000	Executive Vice President, Corporate Planning Department, Sony Music Entertainment (Japan) Inc.	Jun.	2016	Vice President & CEO of the Company Director, Fujirebio Inc. (incumbent)
Jun.	2000	Managing Director, Corporate Planning Department, Sony Music Entertainment (Japan) Inc.	Oct.	2016	President & CEO of the Company (incumbent) Director, SRL, Inc. (incumbent)
Oct.	2002	President, SME Visual Works Inc. (currently Aniplex Inc.)	Apr.	2017	Director, Fujirebio Holdings, Inc. (incumbent)
Jun.	2006	Chairman, Sony Pictures Entertainment (Japan) Inc.	Sep.	2020	Director, H.U. Frontier, Inc. (incumbent)
Jun.	2007	Chairman, Sony Broadcast Media Co., Ltd.			

Significant positions held at other companies

Director, SRL, Inc.

Director, Fujirebio Holdings, Inc.

Director, Fujirebio Inc.

Director, H.U. Frontier, Inc.

*The four companies are all consolidated subsidiaries of the Company.

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Takeuchi and the Company.
2. Directors and officers liability insurance policy
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Takeuchi will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 64 of this document.
3. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Takeuchi will be appointed as a member of the Nominating Committee.

No. **2**

Naoki Kitamura

(Born on November 28, 1970)

Reelection



Attendance rate at Board of Directors Meetings

100% (13/13 meetings)

Reason for nominating the candidate for Director:

Mr. Naoki Kitamura joined the Company as General Manager of Strategic Planning Department in 2011, and became an Executive Officer in 2013. He has been involved in finance, corporate planning, and strategic planning for many years and he has abundant knowledge and broad experience from global perspective. Considering the above, Mr. Kitamura is appropriately suited to be a director of the Company, and accordingly has been appointed as a candidate for that position.

Number of the Company's shares held

11,368 shares

Tenure as Director

4 years

Brief personal profile, and position and duties in the Company

Apr.	1993	Joined Sony Corporation (currently Sony Group Corporation)	Jul.	2016	CEO, Miraca Life Sciences, Inc.
Jun.	1996	Sony International (Singapore) Pte. Ltd. (currently Sony Electronics (Singapore) Pte. Ltd.)	Apr.	2017	Statutory Auditor, Fujirebio Holdings, Inc.
Jul.	2004	Seconded to Sony Corporation of America	Jun.	2017	Director, SRL, Inc. (incumbent)
Apr.	2008	General Manager, Corporate Planning Department, So-net Entertainment Corporation (currently Sony Network Communications Inc.)	Oct.	2017	CEO, Miraca America, Inc. (currently H.U. America, Inc.) (incumbent)
Sep.	2011	Joined the Company General Manager, Strategic Planning Department	Jun.	2018	Director, SRL (Hong Kong) Limited (incumbent)
Nov.	2011	Director, SRL, Inc.	Jul.	2020	Director of the Company (incumbent)
Jun.	2013	Executive Officer of the Company	Jul.	2020	Director, Fujirebio Holdings, Inc. (incumbent)
Feb.	2015	Chairman and CEO, Baylor Miraca Genetics Laboratories, LLC	Sep.	2020	Director, Fujirebio Inc. (incumbent)
Jun.	2015	Chairman, Baylor Miraca Genetics Laboratories, LLC (incumbent)	Sep.	2020	Director, H.U. Frontier, Inc.
			Jun.	2021	Managing Executive Officer of the Company (incumbent)
					Chairman, Nihon Stery, Inc. (incumbent)
					Chairman, Care'x, Inc. (incumbent)

Significant positions held at other companies

Director, SRL, Inc.

Director, Fujirebio Holdings, Inc.

Director, Fujirebio Inc.

Chairman, Nihon Stery, Inc.

Chairman, Care'x, Inc.

Chairman, Baylor Miraca Genetics Laboratories, LLC

CEO, H.U. America, Inc.

Director, SRL (Hong Kong) Limited

* The eight companies are all either consolidated subsidiaries or equity-method affiliates of the Company.

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Kitamura and the Company.
2. Directors and officers liability insurance policy
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Kitamura will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 64 of this document.

No. **3****Shigehiro Aoyama**

(Born on April 1, 1947)

Reelection

Outside

Independent
DirectorNominating
Committee

**Number of the
Company's shares held**
0 shares

Tenure as Director
4 years

Attendance rate at Board of Directors Meetings
100% (13/13 meetings)

Attendance rate at Meetings of Nominating Committee
100% (6/6 meetings)

Reason for nominating the candidate for Outside Director and overview of expected roles:

Mr. Shigehiro Aoyama has abundant experience and broad insight in the global business encompassing M&A and in the healthcare field, having been involved in the management of Suntory Holdings Limited for many years. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As the Chairman of the Nominating Committee, he furthermore leads deliberations seeking to adequately nominate candidates for director in a manner that ensures membership balance and diversity of the Board of Directors overall. Considering the above, Mr. Aoyama is capable of appropriately performing duties as an outside director, and accordingly has been appointed as a candidate for that position. We are confident that he will continue performing the aforementioned roles upon election.

Brief personal profile, and position and duties in the Company

Apr. 1969	Joined Suntory Limited	Mar. 2010	Executive Vice President, Chief Operating Officer, Member of the Board, Representative Director
Mar. 1994	Director, Member of the Board, Spirits Division	Oct. 2014	Vice Chairman of the Board, Representative Director
Mar. 1999	Managing Director, Member of the Board, Sales Development & Marketing Promotion Division	Apr. 2015	Supreme Advisor
Mar. 2001	Managing Director, Member of the Board, Corporate Planning Division	Jun. 2015	Chairman, the Distribution Economics Institute of Japan (incumbent)
Mar. 2003	Senior Managing Director, Member of the Board, Corporate Planning Division	Jun. 2016	Outside Director, Takamatsu Construction Group Co., Ltd. (incumbent)
Sep. 2005	Senior Managing Director, Member of the Board, President of Spirits, Wine & Beer Company		Outside Director, Fuji Heavy Industries Ltd. (currently SUBARU CORPORATION)
Mar. 2006	Executive Vice President, Chief Operating Officer, Member of the Board, President of Spirits, Wine & Beer Company	Apr. 2018	Special Advisor, Suntory Holdings Limited
Feb. 2009	Executive Vice President, Chief Operating Officer, Member of the Board, Suntory Holdings Limited	Jun. 2018	Outside Director of the Company (incumbent)

Significant positions held at other companies

Outside Director, Takamatsu Construction Group Co., Ltd.
Chairman, the Distribution Economics Institute of Japan

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Aoyama and the Company.
2. Mr. Aoyama is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Aoyama satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).
4. Notification of Independent Directors

The Company has appointed Mr. Aoyama as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. Limited liability agreement with outside directors

The Company has concluded a limitation of liability agreement with Mr. Aoyama. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on pages 63 to 64 of this document.
6. Directors and officers liability insurance policy

The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Aoyama will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 64 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Aoyama will be appointed as a member of the Nominating Committee.

No. **4**

Futomichi Amano

(Born on August 31, 1953)

Reelection

Outside

Independent
Director

Audit
Committee



**Number of the
Company's shares held**
0 shares

Tenure as Director
5 years

Attendance rate at Board of Directors Meetings

100% (13/13 meetings)

Attendance rate at Meetings of Audit Committee

100% (17/17 meetings)

Reason for nominating the candidate for Outside Director and overview of expected roles:

Mr. Futomichi Amano has broad insight in global business and abundant experience in the field of accounting, having been involved both in audits as a certified public accountant and in the management of Deloitte Touche Tohmatsu LLC for many years. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As the Chairman of the Audit Committee, he furthermore plays an important role in strengthening the supervisory function of the Board of Directors, which entails auditing and supervising Group management's execution of duties through meetings with management of the Company and its major subsidiaries, regular meetings with auditors of the major subsidiaries, etc. Considering the above, Mr. Amano is capable of appropriately performing duties as an outside director, and accordingly has been appointed as a candidate for that position. We are confident that he will continue performing the aforementioned roles upon election.

Brief personal profile, and position and duties in the Company

Nov. 1977	Joined Tohmatsu Awoki & Co. (Currently Deloitte Touche Tohmatsu LLC)	Jun. 2007	Board member, Deloitte Touche Tohmatsu LLC
Jun. 1989	Partner (Audit), Tohmatsu Awoki & Sanwa		Managing Partner of Eastern Japan & Tokyo office, Deloitte Touche Tohmatsu LLC
Nov. 1995	Transferred to Los Angeles office of Deloitte & Touche LLP	Nov. 2010	CEO, Deloitte Touche Tohmatsu LLC (Japan)
Sep. 2002	Partner in charge of corporate planning of Tokyo office, Deloitte Touche Tohmatsu LLC		Global executive committee member, Deloitte Touche Tohmatsu Limited (Global)
Jun. 2004	Managing Partner of corporate planning of Tokyo office, Deloitte Touche Tohmatsu LLC	Jan. 2016	Futomichi Amano CPA office (incumbent)
		Jun. 2017	Outside Director of the Company (incumbent)

Significant positions held at other companies

Futomichi Amano CPA office

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Amano and the Company.
2. Mr. Amano is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Amano satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).

4. Notification of Independent Directors

The Company has appointed Mr. Amano as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.

5. Limited liability agreement with outside directors

The Company has concluded a limitation of liability agreement with Mr. Amano. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on pages 63 to 64 of this document.

6. Directors and officers liability insurance policy

The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Amano will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 64 of this document.

7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Amano will be appointed as a member of the Audit Committee.

No. **5****Ryoji Itoh**

(Born on January 14, 1952)

Reelection

Outside

Independent
DirectorNominating
CommitteeCompensation
Committee

**Number of the
Company's shares held**
500 shares

Tenure as Director
8 years

Attendance rate at Board of Directors Meetings 100% (13/13 meetings)	Attendance rate at Meetings of Nominating Committee 100% (6/6 meetings)	Attendance rate at Meetings of Compensation Committee 100% (8/8 meetings)
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Reason for nominating the candidate for Outside Director and overview of expected roles:

Mr. Ryoji Itoh has broad insight related to global business, M&A, digital transformation, etc., based on his abundant experience as a management consultant, fund manager and corporate manager. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As the Chairman of the Compensation Committee, he furthermore leads robust deliberations that involve reviewing the Company's compensation system for its directors and executive officers as well as making decisions on compensation levels. As a member of the Nominating Committee, he also conducts robust deliberations regarding the nomination of candidates for director in a manner that ensures membership balance and diversity of the Board of Directors overall. Considering the above, Mr. Itoh is capable of appropriately performing duties as an outside director, and accordingly has been appointed as a candidate for that position. We are confident that he will continue performing the aforementioned roles upon election.

Brief personal profile, and position and duties in the Company

Jul. 1979	Joined McKinsey & Company	Apr. 2006	Managing Director, Planetplan, Inc. (incumbent)
Jan. 1984	Partner, McKinsey & Company	Apr. 2010	Visiting Professor, Yokohama City University
Jun. 1988	Director, UCC Ueshima Coffee Co., Ltd.	May 2012	Director, Renown Incorporated
Sep. 1990	Representative Director, Schroder Ventures	Oct. 2012	Professor, BBT University
Nov. 1997	Director, Bain & Company	Jun. 2014	Outside Director, SATO HOLDINGS CORPORATION (incumbent)
Sep. 1999	Guest Professor at Faculty of Policy Management, Keio University		Outside Director of the Company (incumbent)
May 2000	Project Professor at Graduate School of Media and Governance, Keio University	Apr. 2020	Part-time Lecturer at Faculty of Policy Management, Keio University
Jan. 2001	Head of Japan Office, Bain & Company	Apr. 2021	Senior Researcher at Keio Research Institute at SFC, Keio University (incumbent)

Significant positions held at other companies

Managing Director, Planetplan, Inc.
Outside Director, SATO HOLDINGS CORPORATION
Senior Researcher at Keio Research Institute at SFC, Keio University

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Itoh and the Company.
2. Mr. Itoh is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Itoh satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).
4. Notification of Independent Directors

The Company has appointed Mr. Itoh as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. Limited liability agreement with outside directors

The Company has concluded a limitation of liability agreement with Mr. Itoh. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on pages 63 to 64 of this document.
6. Directors and officers liability insurance policy

The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Itoh will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 64 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Itoh will be appointed as a member of the Nominating Committee and Compensation Committee.

No. **6**

Moegi Shirakawa

(Born on January 14, 1979)

New
election

Outside

Independent
Director

Audit
Committee



Reason for nominating the candidate for Outside Director and overview of expected roles:

Ms. Moegi Shirakawa is an independent expert who can provide advice enlisting differing perspectives as a lawyer and a legal practitioner who is well versed in finance, merger and acquisition, investment, corporate and business law, etc. Considering the above, Ms. Shirakawa is appropriately suited to be an outside director of the Company, and accordingly has been appointed as a candidate for that position. We are confident that she will appropriately perform duties as an outside director and roles as a member of the Audit Committee upon election.

**Number of the
Company's shares held**

0 shares

Tenure as Director

-

Brief personal profile, and position and duties in the Company

Oct.	2003	Admitted to bar Joined Anderson Mori & Tomotsune (former Tomotsune & Kimura)
Sep.	2008	Associated with Sullivan & Cromwell LLP, New York
Aug.	2009	Rejoined Anderson Mori & Tomotsune
Jan.	2013	Partner, Anderson Mori & Tomotsune (incumbent)
Feb.	2021	Member of the Business Accounting Council, Financial Services Agency (incumbent)

Significant positions held at other companies

Partner, Anderson Mori & Tomotsune
Member of the Business Accounting Council, Financial Services Agency

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Ms. Shirakawa and the Company.
2. Ms. Shirakawa is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Ms. Shirakawa satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).
4. Notification of Independent Directors

The Company will appoint Ms. Shirakawa as an independent director stipulated by the Tokyo Stock Exchange and will register with the stock exchange accordingly. She is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. Limited liability agreement with outside directors

The Company will enter into a limited liability agreement with Ms. Shirakawa if she is elected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on pages 63 to 64 of this document.
6. Directors and officers liability insurance policy

The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Ms. Shirakawa will be included as an insured party under the insurance policy upon approval of her election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 64 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Ms. Shirakawa will be appointed as a member of the Audit Committee.

No. 7

Keiji Miyakawa

(Born on November 5, 1958)

Reelection

Outside

Independent
DirectorAudit
CommitteeCompensation
Committee

**Number of the
Company's shares held**
100 shares

Tenure as Director
1 year

Attendance rate at Board of Directors Meetings
100% (10/10 meetings)

**Attendance rate at Meetings
of Compensation Committee**
100% (6/6 meetings)

* Figures shown for Director Keiji Miyakawa's attendance reflect his attendance since becoming a director and joining the committee on June 22, 2021.

Reason for nominating the candidate for Outside Director and overview of expected roles:

Mr. Keiji Miyakawa has abundant experience in the investment banking division of a major global securities firm and in M&A advisory companies, and also has broad insight as a financial service manager. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As a member of the Compensation Committee, he furthermore conducts robust deliberations when it comes to the making decisions on the Company's compensation system for its directors and executive officers as well on compensation levels. Considering the above, Mr. Miyakawa is capable of appropriately performing duties as an outside director, and accordingly has been appointed as a candidate for that position. We are confident that he will perform his duties as a member of the Audit Committee in addition to the aforementioned roles upon election.

Brief personal profile, and position and duties in the Company

Apr. 1982	Joined Japan External Trade Organization (JETRO)	Mar. 2016	Audit & Supervisory Board Member, ASICS Corporation
Jul. 1988	Joined Bankers Trust Company (currently Deutsche Securities Inc.)	Apr. 2016	Representative Director, N.I.Partners Ltd. (incumbent)
Jul. 1999	Managing Director, Head of M&A Division, Deutsche Securities Inc.	Mar. 2018	Outside Director, Member of the Board, GungHo Online Entertainment, Inc. (incumbent)
Oct. 2006	Vice Chairman, Global Banking, Deutsche Securities Inc.	Jan. 2019	Senior Advisor, Lincoln International Inc. (incumbent)
Sep. 2009	Chairman-Japan, Lincoln International Inc.	Sep. 2020	Executive Advisor, MASH Holdings Co., Ltd. (incumbent)
Jun. 2012	Outside Audit & Supervisory Board Member, ASICS Corporation	Jun. 2021	Outside Director of the Company (incumbent)
Jun. 2013	Outside Director, ASICS Corporation		

Significant positions held at other companies

Representative Director, N.I.Partners Ltd.	Senior Advisor, Lincoln International Inc.
Outside Director, Member of the Board, GungHo Online Entertainment, Inc.	Executive Advisor, MASH Holdings Co., Ltd.

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Miyakawa and the Company.
2. Mr. Miyakawa is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Miyakawa satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).
4. Notification of Independent Directors

The Company has appointed Mr. Miyakawa as an independent director stipulated by the Tokyo Stock Exchange has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. Limited liability agreement with outside directors

The Company has concluded a limitation of liability agreement with Mr. Miyakawa. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on pages 63 to 64 of this document.
6. Directors and officers liability insurance policy

The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Miyakawa will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 64 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Miyakawa will be appointed as a member of the Audit Committee and the Compensation Committee.

No. 8

Susumu Yamauchi

(Born on October 1, 1949)

Reelection

Outside

Independent
DirectorCompensation
Committee

**Number of the
Company's shares held**
1,800 shares

Tenure as Director
5 years

Attendance rate at Board of Directors Meetings 100% (13/13 meetings)	Attendance rate at Meetings of Audit Committee 100% (17/17 meetings)	Attendance rate at Meetings of Compensation Committee 100% (8/8 meetings)
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Reason for nominating the candidate for Outside Director and overview of expected roles:

Mr. Susumu Yamauchi is a professor who has taught the history of Western legal systems at several universities over the years, and has considerable insight related to organizational management based on his experience as President of Hitotsubashi University. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors properly makes decisions serving as an outside director. As a member of the Compensation Committee, he furthermore conducts robust deliberations when it comes to the making decisions on the Company's compensation system for its directors and executive officers as well as on compensation levels. In the Audit Committee, he audits and supervises Group management's execution of duties through meetings with management of the Company and its major subsidiaries, regular meetings with auditors of the major subsidiaries, etc., based on audit policy and audit plans. Considering the above, Mr. Yamauchi is capable of appropriately performing duties as an outside director, and accordingly has been appointed as a candidate for that position. We are confident that he will appropriately continue performing duties as an outside director and roles as a member of the Compensation Committee upon election.

Brief personal profile, and position and duties in the Company

Apr. 1977	Assistant Professor, Faculty of Law, Seijo University	Sep. 2015	Visiting Professor, Law School, Renmin University of China
Apr. 1988	Professor, Faculty of Law, Seijo University	Apr. 2017	Chairman, Textbook Approval and Research Council
Apr. 1990	Professor, Faculty of Law, Hitotsubashi University	Jun. 2017	Outside Director of the Company (incumbent)
Apr. 2004	Dean of Graduate School of Law & Dean of Faculty of Law, Hitotsubashi University	Dec. 2018	Outside Director, Reading Skill Test Inc. (incumbent)
Apr. 2005	Chairman, Society for the Study of Legal Culture	Sep. 2019	Auditor, National Institute of Technology (incumbent)
Dec. 2006	Executive Vice President, Hitotsubashi University	Apr. 2020	Specially Appointed Professor, Faculty of Law, Matsuyama University
Dec. 2010	President, Hitotsubashi University	Oct. 2020	Chairperson, Committee for National University Corporation Education and Research Evaluation, National Institution for Academic Degrees and Quality Enhancement of Higher Education (incumbent)
May 2012	Member of the Roundtable for Human Resource Development through Industry-University Collaboration		
Dec. 2014	Emeritus Professor, Hitotsubashi University (incumbent)		

Significant positions held at other companies

Emeritus Professor, Hitotsubashi University
Outside Director, Reading Skill Test Inc.

Auditor, National Institute of Technology
Chairperson, Committee for National University Corporation Education and Research Evaluation, National Institution for Academic Degrees and Quality Enhancement of Higher Education

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Yamauchi and the Company.
2. Mr. Yamauchi is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Yamauchi satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).
4. Notification of Independent Directors

The Company has appointed Mr. Yamauchi as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. Limited liability agreement with outside directors

The Company has concluded a limitation of liability agreement with Mr. Yamauchi. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on pages 63 to 64 of this document.
6. Directors and officers liability insurance policy

The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Yamauchi will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 64 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Yamauchi will be appointed as a member of the Compensation Committee.

(Reference) Independence standards for independent outside directors

The Company judges the independence of outside directors based on the independence criteria established by the Tokyo Stock Exchange. More specifically, the Company deems there to be potential for conflict of interest with its general shareholders in any case where one of the following applies, such the relationship with the Company is one of:

- (A) A party dealing with the Company as its major business partner, or an executive thereof;
- (B) A major business partner of the Company or an executive thereof;
- (C) A consultant, accounting expert or legal expert who receives a significant amount of money or other assets from the Company, apart from compensation for executive officers and directors (or a party who belongs to a corporation, association or other such body receiving such assets);
- (D) A party to whom either of (A), (B) or (C) has recently applied; or
- (E) A close relative of a party (excluding inconsequential persons) meeting any of the conditions from (a) to (c) below:
 - (a) A party described in aforementioned items (A) through (D);
 - (b) An executive of a subsidiary of the Company; or
 - (c) A party to whom aforementioned item (b) has recently applied, or a party who has recently served as an executive of the Company.

In some cases, we omit “information on outside director affiliations” * such that pertains to the written notification of independent directors that is filed with the Tokyo Stock Exchange. Accordingly, such information is omitted if the immateriality standards below are satisfied with respect to the outside director’s role as a business partner, donation recipient or other affiliation, based on the judgment that the foregoing are unlikely to affect shareholder decisions with respect to exercising their voting rights.

* This includes details of whether an outside director also acts as a business partner, donation recipient or otherwise, whether the outside director has formerly served such entities, and a brief description thereof.

Immateriality standards

- (i) Normal business transactions with the Company or its subsidiaries amount to less than 1% of the Company’s net sales;
- (ii) A consultant, accounting expert or legal expert that has received payment other than compensation for executive officers and directors of less than ¥10 million on average per year over the last three (3) years from the Company or its subsidiaries; and
- (iii) Donations, etc. received from the Company or its subsidiaries have amounted to less than ¥10 million on average per year over the last three (3) years.

(Attached documents)

(Note) The following sections have been translated from a part of the Japanese Business Report and are provided for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Business Report

(From April 1, 2021 to)
March 31, 2022)

1. Matters Regarding Current Status of Corporate Group

(1) Business progress and results

In the fiscal year ended March 31, 2022, the global economy was greatly affected by the proliferation of the Novel Coronavirus Disease (COVID-19) continuing from the previous fiscal year.

In Japan, with economic activity coming back to life as the government took action to prevent further spread of the virus, the number of new cases of COVID-19 temporarily decreased. However, the future situation continues to be uncertain due to the resumed spread of COVID-19 mainly resulting from the appearance of a new variant. The Group's business environment faces a very tough situation, such as the changing number of the various types of COVID-19 tests linked to the change of the number of cases of COVID-19. On the other hand, as the usefulness of the rapid antigen test kits for COVID-19 is recognized, awareness on the importance of testing is becoming more widespread, and the role which the companies involved in testing should play has become stronger.

Under such circumstances, the Company and its subsidiaries (the "Group") have been strengthening its management infrastructure and improving operational efficiency, and the New Central Lab ("H.U. Bioness Complex") has started operations in a step-by-step approach since January 2022. The Group has been engaging in initiatives that help sustain social and economic activity by helping to ensure early detection and prompt treatment of patients who have contracted COVID-19. This includes, for example, handling polymerase chain reaction (PCR) testing and high-sensitivity quantitative antigen testing, manufacturing, and sales of antigen test reagents, and providing comprehensive testing support involving the provision of high-sensitivity quantitative antigen testing reagents at airport quarantine stations. At large-scale events held in summer 2021, the Group conducted daily tests for the infection status of people working in those areas. In response to increasing demand for testing after the rapid spread of the Omicron variant, the Group increased the operating rates of test laboratories and factories for producing test reagent and test kits, addressing the issue from both sides by undertaking testing in accordance with the changing situation and manufacturing the testing reagents and rapid antigen test kits for detecting COVID-19.

As a result of these initiatives, net sales for the fiscal year under review were 272,944 million yen (up 22.4% from the previous fiscal year). The increase in net sales is primarily attributable to factors that include: the Lab Testing and its related Services (LTS) business

handling testing related to the detection of COVID-19 and providing comprehensive testing support at airport quarantine stations while seeing increased demand of cancer genome profiling and other forms of gene-related testing, and the In Vitro Diagnostics (IVD) business having extended sales of high-sensitivity quantitative antigen testing reagents and rapid antigen test kits for COVID-19.

As for earnings, operating profit was 50,490 million yen (up 98.8% from the previous fiscal year), mainly due to an increase in gross profit associated with the gain in net sales.

Ordinary profit was 47,422 million yen (up 86.3% from the previous fiscal year) due to the increase of operating profit, despite the increased share of loss of entities accounted for using equity method and the transfer of provision for loss on guarantees.

Profit attributable to owners of parent was 29,599 million yen (up 69.5% from the previous fiscal year) due to the increase in ordinary profit, despite having recorded impairment and loss on valuation of investment securities, etc.

An overview of each business segment is as follows.

[Lab Testing and its related Services (LTS)]

Sales increased due to factors that include gains achieved with respect to recovery in the fiscal year under review with respect to the number of tests performed, which experienced a slowdown in the previous fiscal year because of patients curtailing medical facility visits, etc., in addition to undertaking of testing for COVID-19 including large-scale events, providing comprehensive testing support involving the provision of high-sensitivity quantitative antigen testing reagents at airport quarantine stations, and increased demand of cancer genome profiling and other forms of gene-related testing. As a result, net sales amounted to 179,932 million yen (up 27.7% from the previous fiscal year). In terms of earnings, operating profit was 23,630 million yen (up 87.4% from the previous fiscal year), mainly due to an increase in gross profit associated with the gain in sales despite temporary expenses and depreciation related to the operation of H.U. Bioness Complex.

[In Vitro Diagnostics (IVD)]

Sales increased due to higher sales in Japan generated by “LUMIPULSE SARS-CoV-2 Ag” high-sensitivity quantitative antigen testing reagent and “ESPLINE SARS-CoV-2” rapid antigen test kit, and additionally due to growth in the CDMO and raw material business accompanying the recovery of demand for testing, which had been impacted by decreased demand in the previous fiscal year. As a result, net sales amounted to 64,335 million yen (up 28.6% from the previous fiscal year). In terms of earnings, operating profit was 26,732 million yen (up 109.1% from the previous fiscal year), mainly due to the increase in gross profit associated with the gain in sales. The name of “OEM and raw material business” has changed to “CDMO and raw material business” from the third quarter of the fiscal year under review considering business and product features.

[Healthcare-related Services (HS)]

Despite sales growth for merchandise in sterilization and related services and the growth of home-visit nursing care and welfare equipment business, sales decreased due to the impact from the adaption of revenue recognition criteria for the deposit for medical items relating to deposit inventory business in sterilization and related services, and contract termination with a large

customer. As a result, net sales amounted to 28,676 million yen (down 10.6% from the previous fiscal year). In terms of earnings, operating profit was 1,801 million yen (down 22.8% from the previous fiscal year) mainly due to an increase in labor cost and having recorded allowance for doubtful accounts.

(2) Status of financing, etc.

i) Financing

The Company has concluded commitment line contract with a major financial institution amounting to 50.0 billion yen in total, in order to ensure on-hand liquidity in case of emergencies, etc. The Company has no borrowings outstanding based on such contract as of the end of the fiscal year under review.

ii) Capital expenditure

a. Major facilities completed during the consolidated fiscal year under review

None in particular.

b. Ongoing establishment and expansion of major facilities during the fiscal year under review

None in particular.

c. Major facilities removed during the fiscal year under review

None in particular.

iii) Status of succession of rights and obligations regarding the business of other corporations due to absorption-type merger or absorption-type split

Effective July 1, 2021, the Company's subsidiaries Selmesta Co., Ltd. and SRL Wellness Promotion, Inc. merged in an absorption-type merger which the surviving company is Selmesta Co., Ltd. (the business name changed to H.U. Wellness, Inc. on the same day)

iv) Status of acquisition or disposal of equity interests (including shares) or share acquisition rights of other companies

None in particular.

(3) Status of assets and profit/loss for the last three fiscal years

	69 th Fiscal year (FY 2018)	70 th Fiscal year (FY 2019)	71 st Fiscal year (FY 2020)	72 nd Fiscal year (FY 2021)
Net Sales (million yen)	181,415	188,712	223,016	272,944
Ordinary Profit (million yen)	11,524	6,468	25,458	47,422
Profit (Loss) Attributable to Owners of Parent (million yen)	6,386	(516)	17,468	29,599
Basic Earnings (Loss) per Share (yen)	111.94	(9.06)	306.38	519.55
Total Assets (million yen)	201,234	219,403	252,751	286,587
Net Assets (million yen)	112,973	103,228	115,298	140,178

(4) Issues to be addressed

I. Outline of Medium-term Business Plan, “H.U. 2025—*Hiyaku* & United”

In September 2020, the Company formulated the Medium-term Business Plan, “H.U. 2025—*Hiyaku* (significant growth) & United” (the “Medium-term Business Plan”), with its final fiscal year being the fiscal year ending March 31, 2025, which aims to realize significant and sustainable future growth.

As of the time of formulating the Medium-term Business Plan, we anticipated that the COVID-19 pandemic would subside by the end of FY 2021, however, the proliferation of the COVID-19 vastly exceeded our assumption and prolonged for an extended period. We have been working with the united resources of the Group in providing testing support involving COVID-19 PCR tests and the provision of high-sensitivity quantitative antigen testing reagents at airport quarantine stations. Meanwhile, part of the Medium-term Business Plan was delayed mainly because the operation of the automated conveyer lines at H.U. Bioness Complex was launched later than originally planned. We have been holding continuous discussions on how to cope with this situation both inside and outside the Company, and our growth strategy after the end of COVID-19. We will continue to make an effort to achieve the Medium-term Business Plan without changing the main theme related to the Plan and the outline of business development.

The schedule for H.U. Bioness Complex is described under “(4) Issues to be addressed; III. Plan for the fiscal year ending March 31, 2023; ii) Outline of plans for the fiscal year ending March 31, 2023.”

- 1) The Group’s business environment and key themes of the Medium-term Business Plan
In the business environment where the Group operates, demographic aging and the introduction of advanced medical treatments are among the factors driving a projected increase in medical care costs. On the other hand, the worsening position of medical institutions and declining specimen testing fees, together with pressure to limit medical care costs, are expected to lead to continued difficult conditions for the Japanese clinical testing market. Nevertheless, new opportunities for growth have also arisen despite the policy of restricting medical costs. Reorganization resulting in a reduction

in the number of hospitals and hospital beds has led to growing demand for in-home healthcare services and preventive medicine, while medical and IT technologies continue to advance. Given these trends, the business environment is in a state of constant evolution.

We are also faced with fast-developing short-term changes—including the altered patterns of consumer behavior and the reduction in outpatient consultations due to the COVID-19 pandemic—to which we need to find an appropriate response.

The overseas clinical testing market is experiencing growth, mainly in emerging countries, but in developed countries the effort to limit social security costs continues to result in stagnant growth. Moreover, regulatory changes in individual countries have led to increased registration costs, contributing to a continuing challenging environment for business.

In response to these conditions, the Company will consolidate the growth foundations we laid under the previous Medium-term Business Plan “Transform! 2020” (the “Previous Medium-term Business Plan”), with its final fiscal year being the fiscal year ended March 31, 2020, and the associated organizational and operational reforms, thereby proceeding with concerted Group initiatives to promote the following three key themes set in the Medium-term Business Plan:

- Opening of H.U Bioness Complex
- Enhancement of the CDMO business
- Healthcare × ICT

2) Strategy to increase corporate value

With its LTS and IVD business operations, the Group is a unique enterprise even in world terms. In addition to our existing core business, we are working to develop across a broad front by expanding and strengthening business relating to various healthcare, such as the SR and the home-visit nursing care and welfare equipment business. We believe that continuously generating high added value and new value through these business activities will increase the corporate value of the Group.

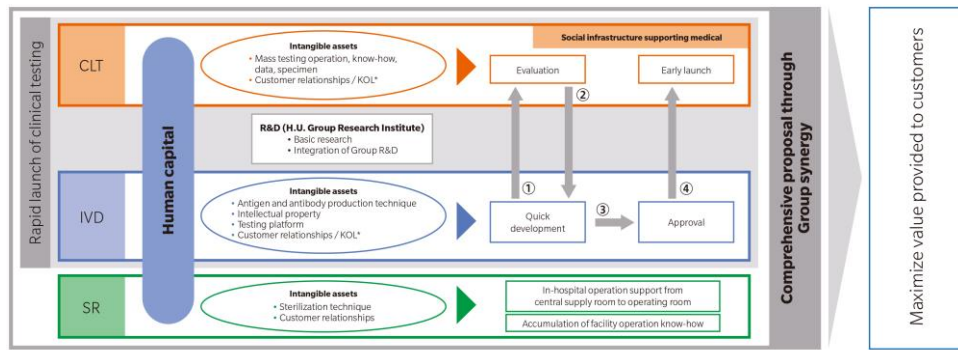
- Value creation story of the Group

Building on the foundation of the intangible assets held by the Group, we will work to maximize value provided to the customer by exploiting Group synergies to the full.

In the LTS and IVD businesses, we will launch new clinical tests with short lead times by coordinating activities across the Group, including its R&D functions, to swiftly develop, evaluate and gain regulatory approval for such tests. We believe that the effectiveness of our value creation model in the LTS and IVD businesses has been demonstrated once again by our recent rapid launch of the COVID-19 antigen test and the resulting contribution to profit. We are also confident that the spread of COVID-19 infection has led to widespread public appreciation of the importance of testing and wide recognition of the Group’s LTS business as part of the social infrastructure that supports medical care.

Going forward, we will coordinate with the sterilization and related services business, which provides sterilization services to central supply rooms and

operating rooms, to offer total solutions as a Group, thereby maximizing value provided to the customer and increasing the Group's corporate value.

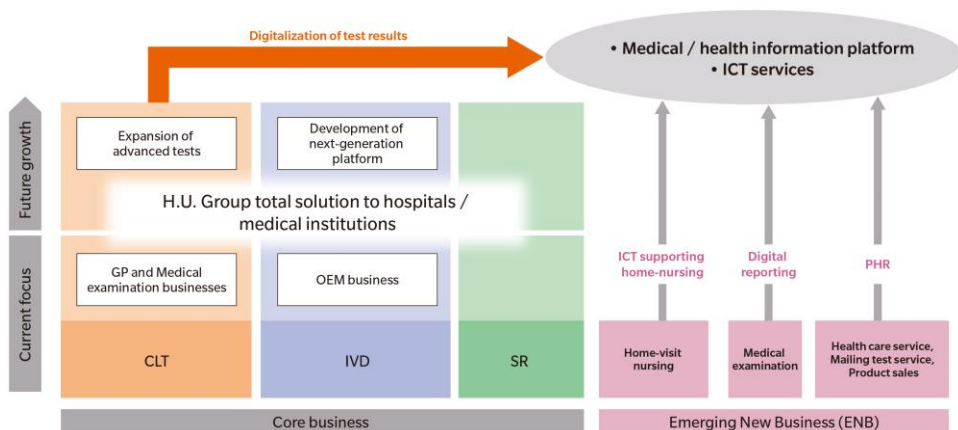


- *1 sterilization and related services in HS segment
- *2 Various customer relationships and these customer relations
- *3 KOL: Key Opinion Leader

• Business expansion as a Group

In our existing core business, we are achieving steady growth, notably by offering total solutions as a Group to hospitals and other medical institutions. Among measures to target further growth, we will work to expand advanced tests and develop next-generation platforms.

Meanwhile, in addition to progressing with the digitalization of test results in our existing core business, we will introduce and deploy ICT-based services, including personal health records (PHRs), which will enable us to utilize the wide range of data obtained through business activities and build a medical/health information platform to support business expansion into the Healthcare × ICT field.



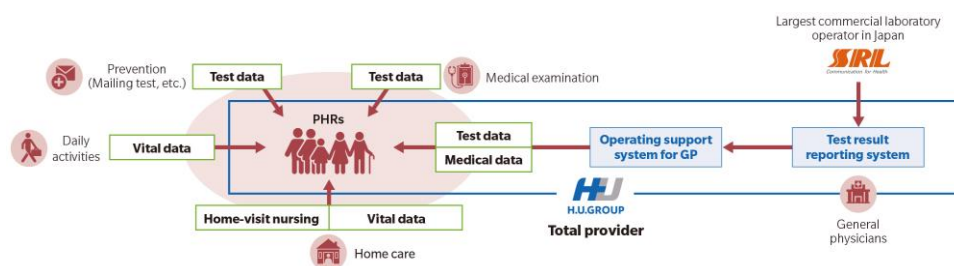
- *sterilization and related services in HS segment

• Development of healthcare × ICT services

In response to the demand for further enhancement of community-based medical care and preventive medicine, the Company is reinforcing its home-visit nursing business, self-medication/health-insurance business, and related business as

Emerging New Business and will develop new services by integrating these services with ICT.

Additionally, the Group will promote packages offering operating support for general practitioners through software as a service (SaaS) combined with PHRs for consumers. In this way, the Group will support enhanced utilization of test results in the clinical setting and provide increased added value in LTS business services to general practitioners.



3) Key initiatives under the Medium-term Business Plan

The Medium-term Business Plan divides into two phases: the first to respond to COVID-19 and carry out structural reform ahead of the opening of H.U. Bioness Complex; and the second to recover investment following H.U. Bioness Complex's operational start and to expand profits.

Within these frameworks, the Medium-term Business Plan identifies the following key initiatives for concerted Group action:

1. Cost-of-sales reduction through stable operations and automation at H.U. Bioness Complex
2. Fixed-cost reduction and enhanced profitability in the LTS business
3. Progress with the Group integration strategy
4. Expansion of the CDMO business within the IVD business

1. Cost-of-sales reduction through stable operations and automation at H.U. Bioness Complex

H.U. Bioness Complex, the most important of the key initiatives in the Medium-term Business Plan, started operations in January 2022.

H.U. Bioness Complex is designed to ensure the continued delivery of high-quality testing services even in the changed business environment of the future. In general testing, it will boost operational efficiency through full automation and maximize processing capacity through 24-hour operation, while in esoteric testing it will be equipped to handle the most advanced test items. By deploying AI, robotics and related technologies, the new facility will promote drastic improvement in operational efficiency and quality.

Through test automation and other improvements, we envisage cost-of-sales reductions of 15% in general testing and 7% in esoteric testing in fiscal 2024, compared to fiscal 2019 (figures for H.U. Bioness Complex only).

2. Fixed-cost reduction and enhanced profitability in the LTS business

While preparing for the opening of H.U. Bioness Complex, we are undertaking a nationwide reorganization of our laboratories. In March 2021, the SRL Fukuoka Laboratory was relocated, updated, and launched as SRL Advanced Lab. FMA. In parallel, to put in place a lab system that meets customer needs by reflecting regional medical demand, we will set up a short turn-around time (STAT) laboratory in each region, thus steadily responding to emergency testing needs.

With respect to the New Kansai Lab, we will continue to consider the scale of investment and timing of operation in view of the rise in prices of building materials.

Meanwhile, we will optimize logistics costs by establishing joint logistics operations in alliance with external operators, consolidating internal Group collection operations and amalgamating facilities. These measures will help us to provide not only high-quality testing but also improved cost-competitiveness and faster reporting of test results, enhancing our customer appeal as a testing company and further boosting our market share.

3. Progress with the Group integration strategy

3-1 Integration of sales forces

In September 2020, H.U. Frontier, Inc. was established by the Company through the integration of the domestic sales departments and marketing departments of SRL, Inc., Fujirebio, Inc., and Nihon Stery, Inc., and began operation on October 1, 2020. Besides, the sales and marketing departments of each of the Company's consolidated subsidiaries Nihon Rinsho, Inc., HOKUSHIN Clinical Laboratory, Inc., and SRL Kitakanto Laboratory, Inc. were integrated into H.U. Frontier, Inc. on October 1, 2021.

The establishment of H.U. Frontier was aimed at further accelerating the intensification of Group synergies that the Group had already been promoting. Against the background of rapid changes in the medical environment, H.U. Frontier will provide a wide range of services and total solutions in response to customer needs across the full range of the Group's operations: from clinical testing services to manufacture and sale of IVD products, and sterilization related services for medical devices and equipment.

Moreover, through integrated access to the customer base of each company, H.U. Frontier will achieve expanded cross-selling among different segments and enhanced sales to existing customers, while leveraging the technological strength of each company to develop optimal new services and products. In this way, we will seek to maximize the value provided to the customer by the Group as a whole.

3-2 Expansion of inter-segment sales

We will continue to promote the expansion of inter-segment sales of LUMIPULSE products to our laboratories and Facility Management Service/Branch customers. We will also strive to develop and shift high cost

of sales ratio or high volume of use reagents to in-house manufacturing. In this way, we will reduce costs in the LTS business and improve overall Group cash flow.

3-3 Enhancement of R&D

As well as integrating R&D functions within the Group to promote sharing of knowledge resources, we will implement an optimal Group-wide R&D strategy, thus promoting flexible introduction of technology and accelerating development.

4. Expansion of the CDMO business within the IVD business

The overseas strategy of the IVD business has hitherto been focused on expanding sales of LUMIPULSE products, but it has proven extremely difficult as a late market entrant to expand the business in the face of competition from major global enterprises. Moreover, registration costs are rising mainly due to regulatory changes in individual countries. We will respond to these conditions with a policy of selection and concentration regarding the product items and regions targeted in our overseas LUMIPULSE strategy. Meanwhile, we will work to enhance and expand the CDMO business by leveraging the reliability and reputational advantage based on our successful track record for LUMIPULSE products in the LTS sector, and by utilizing our high-quality material and reagent development abilities in the immunoassay field, which is a strength of the IVD business.

4) Numerical targets for fiscal 2024 (consolidated)

The Medium-term Business Plan, which emphasizes not only steady net sales growth and profit margin but also the need to improve capital efficiency and generate stable cash flow, sets the following numerical targets:

- Actual results for FY 2020, FY 2021 and numerical targets for FY 2024

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	18.2%	20.3%	6% or more (*)
EBITDA margin	17.0%	23.9%	18% or more
Operating profit margin	11.4%	18.5%	10% or more
ROE	16.0%	23.2%	12% or more
ROIC	8.7%	15.4%	8% or more

(*) Five-year CAGR during FY 2019–FY 2024

- Actual results for FY 2020, FY 2021 and cumulative numerical targets of the Medium-term Business Plan

(billions of yen)

	FY 2020 (actual results)	FY 2020 to FY 2021 (cumulative actual results)	FY 2020 to FY 2024 (cumulative numerical targets)
Operating cash flow	35.6	90.8	150.0 or more
Free cash flow (*)	7.3	31.7	50.0 or more

(*) Lease excluded from investing cash flow

5) Plan details by segment

1. LTS business

In the LTS business, we recognize enhancement of profitability as the top priority. As stated in “3) Key initiatives under the Medium-term Business Plan,” we will radically improve profit structure through measures, including cost-of-sales reduction through stable operations and automation at H.U. Bioness Complex; nationwide reorganization of laboratories; rationalization of logistics functions; and provision of Group-wide total solutions through integration of sales forces.

The LTS business environment is constantly evolving in response to a range of influences, from advances in medical technologies to the rollout of community-based integrated care systems and the increasing importance of ICT tools in medical treatment. To enable the business to achieve significant growth by adapting to its changing environment, we have also identified the following key measures: product enhancement and introduction of ICT tools for medical institutions and consumers.

(Product enhancement)

As a clinical laboratory testing company with strength in esoteric testing, we will continue with the introduction of new test items in cutting-edge fields with high medical treatment demand, such as cancer genomics, blood diseases, infectious diseases and rare diseases. We will also work to enter the fields of regenerative medicine and cell-based therapies, where expansion of demand is expected in the future.

To improve profitability, we will seek to enhance cost-competitiveness by expanding the use of LUMIPULSE and the range of test items it can be used for, switching to in-house operation of currently outsourced test items, and finding alternatives for unprofitable product items.

(Introduction of ICT tools for medical institutions and consumers)

We will offer ICT tools that meet the needs of both general practitioners and consumers. To general practitioners, we will provide operating support systems in addition to the test result systems we have delivered so far, while for

consumers we will offer PHRs to enable integrated management of personal healthcare data.

By establishing links between the different ICT tools provided by the Group and creating new interfaces between general practitioners and consumers, we will create new value that contributes to improving medical consultation efficiency and patient services.

(LTS business actual results for FY 2020, FY 2021 and numerical targets for FY 2024)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	17.2%	22.3%	6% or more (*)
EBITDA margin	14.0%	18.0%	17% or more
Operating profit margin	9.0%	13.1%	9% or more

(*) Five-year CAGR during FY 2019–FY 2024

2. IVD business

As stated in “4. Expansion of the CDMO business within the IVD business” in “(3) Key initiatives under the Medium-term Business Plan,” in addition to leveraging the strengths of the IVD business, we will reinforce and expand the CDMO business through enhancement of production capacity, reallocation of in-house resources and other measures.

In our domestic business, we will work to boost growth and improve profitability by leveraging H.U. Frontier to offer Group-wide total solutions and enhance sales abilities, expanding external and inter-segment sales of LUMIPULSE reagent products, promoting in-house manufacture and launch of products for the LTS business, and driving fixed-cost optimization through “select and concentration” of manual product lines.

In our overseas LUMIPULSE business, we will make a selective review of target regions and focus on unique Alzheimer-related products.

Additionally, we will reinforce point-of-care testing (POCT) with ESPLINE and other products, for which there is renewed demand in connection with COVID-19. Specifically, we will enhance our products with an expanded range of specimen types (saliva, nasal, painless blood sampling, etc.) and product line-ups for infectious diseases. We will also promote sales to LTS business customers through H.U. Frontier and enhance production capacity.

Furthermore, we will maintain progress in the development of next-generation platforms.

(IVD business actual results for FY 2020, 2021 and numerical targets for FY 2024)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	24.8%	26.7%	4.5% or more (*)
EBITDA margin	31.8%	46.6%	25% or more
Operating profit margin	25.6%	41.6%	20% or more

(*) Five-year CAGR during FY 2019–FY 2024

3. HS business

In Sterilization, amid an increasingly challenging business environment for hospitals, we will respond to frontline care needs, actively promoting services that contribute to increasing efficiency and reducing costs in the clinical setting.

As key measures, we will offer Group-wide total solutions through integration of sales forces, intensify total support services including operating rooms, and pursue continuous operational improvement, thereby expanding profits. As this is a labor-intensive business, we will also focus on labor cost optimization.

(HS business actual results for FY 2020, FY 2021 and numerical targets for FY 2024)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	13.0%	0.5%	9% or more (*)
EBITDA margin	11.6%	11.5%	12% or more
Operating profit margin	7.3%	6.3%	9% or more

(*) Five-year CAGR during FY 2019–FY 2024

4. Equity method affiliates

(Baylor Miraca Genetics Laboratories, LLC)

In the fiscal year ended March 31, 2022, sales increased due to the factor of a higher number of genetic tests for cancer and congenital diseases mainly because of the acquisition of a new partnership. During the fiscal year ending March 31, 2023, we will prepare the business for a future public offering, while persisting with efforts to achieve sales growth.

(Joint venture with Ping An in China (Ping An SRL Medical Laboratories))

We will continue to promote a trinity model (medical examination clinics, imaging centers, and test laboratories) with a view to achieving a positive balance of profit in equity method investments, due to expanding of the Facility Management

Service/Branch lab business by utilizing Ping An Group's customer base and network and the introduction of esoteric test items.

(Sapporo Mirai Laboratory Co., Ltd. and Sapporo Medicarry Co., Ltd.)

On June 10, 2021, we established two joint ventures with SAPPORO CLINICAL LABORATORY INC. to collaborate on conducting specimen testing laboratory business operations in Sapporo, Hokkaido, and collection and logistics business operations relating to clinical laboratory testing in the same region. Operations were launched in FY 2021.

6) Financial strategy and financial discipline

The Medium-term Business Plan identifies generation of stable cash flow and maintenance of financial discipline as key themes and sets out the following financial strategies:

1. Maximization of operating cash flow especially through improvement of the cash conversion cycle
2. Finance lease and real estate financing
3. Sale of real estate

(Financial discipline)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2024 (targets)
Net interest-bearing debt to EBITDA (excl. lease liabilities)	0.6x	0.17x	1.3x or less (*) (2.5x or less during the medium-term plan)
Equity ratio (%) (excl. real estate finance)	45.6%	48.9%	40% or more

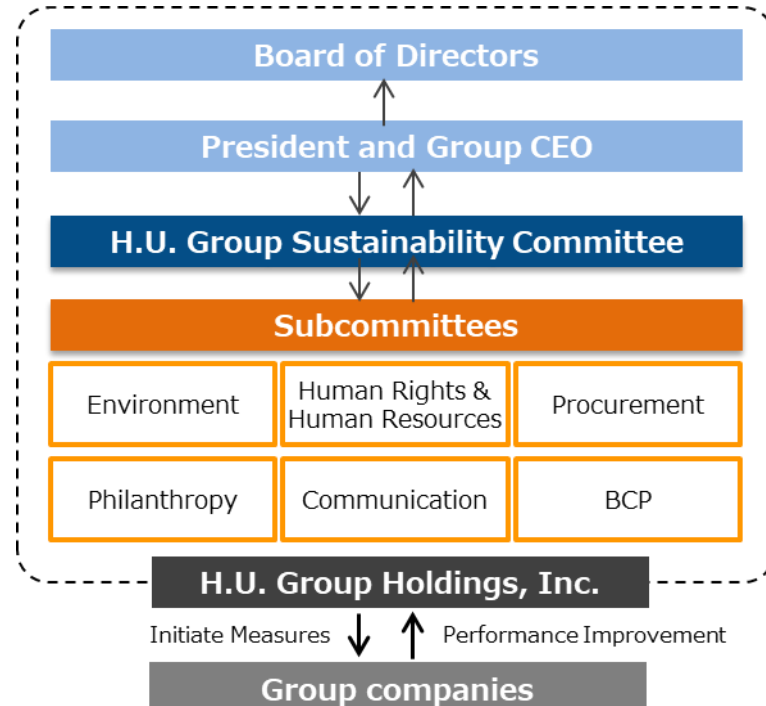
(*) FY 2024

II. Sustainability initiatives

i) Organizational Structure for Promoting Sustainability

The Group discuss basic policies and plans of action in relation to sustainability at the “H.U. Group Sustainability Committee” chaired by the President and Group CEO. The Committee monitor activities of each Group company for execution of the plans and play a role in gathering and sharing the latest information outside of the Company relating to sustainability. Under the committee, six subcommittees were established based on each policy chaired by the General Manager of the relevant department, and they implement sustainability activities in turn.

The Group’s Organizational Structure for Promoting Sustainability

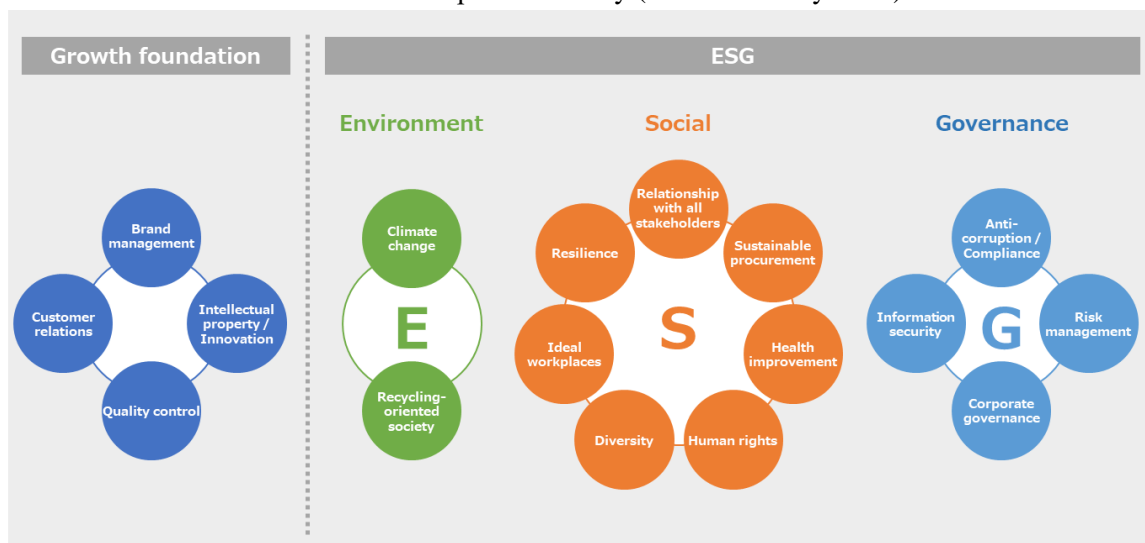


The Group, as a Company with Nominating Committee, etc., achieves clear separation of oversight and executive functions giving executive officers the authority to make decisions with greater speed, and implements sustainability activities under the corporate governance structure mentioned above.

ii) Medium- to Long-term Materiality and Targets in Sustainability

The Group defines 17 materialities (material issues) as those elements that impact corporate value in the medium- and long-term, encompassing general intangible assets including customer assets, intellectual property, and our brands, extending beyond the standpoint of environment, society and governance (ESG).

The Group’s Materiality (Revised in July 2021)



Furthermore, the Group released KPIs relating to sustainability activities within FY 2020 to FY 2022 and three-year targets as “H.U. Group Sustainability Roadmap” to prepare for resolving materiality.

The Group’s Sustainability Roadmap

Three-Year Targets (FY2020–2022)			
Quantitative targets		Qualitative targets	
Environment	<ul style="list-style-type: none"> ➢ CO₂ emissions: -7% (Base: FY2017) ➢ Waste plastic recycling rate: +15% (Base: FY2017) ➢ CDP: B plus 	Philanthropy	<ul style="list-style-type: none"> ➢ Continuous enlightenment of clinical testing for 40 years
Human Rights & Human Resources	<ul style="list-style-type: none"> ➢ Percentage of female managers 20% ➢ White 500 acquisition 	Communication	<ul style="list-style-type: none"> ➢ Holding of first ESG Conference
Procurement	<ul style="list-style-type: none"> ➢ Excellent response rate (A) 90% on UNGC Self Assessment tool 	BCP	<ul style="list-style-type: none"> ➢ Start-up of the H.U. Bioness Complex (Realization of high resilience)

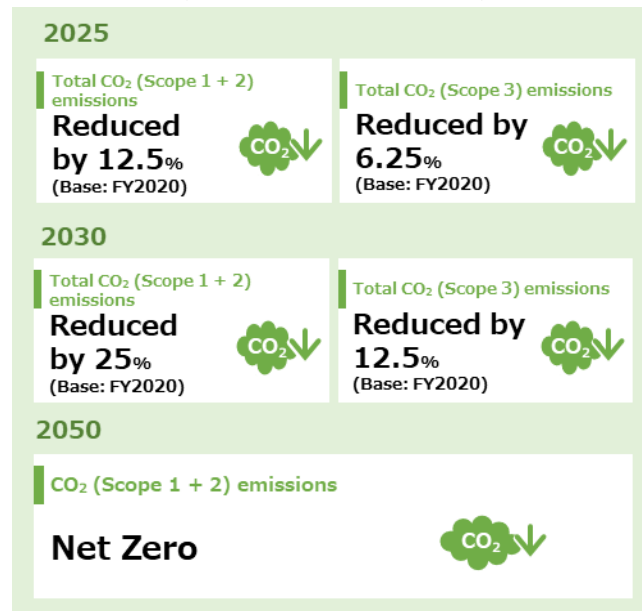
The Company was awarded a rating of A- in the CDP(Carbon Disclosure Project) Climate Change Report 2021 in December 2021. In January 2022, H.U. Bioness Complex opened, and in March of the same year, it was certified as “White 500” enterprises which are selected jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. In addition, the Company held the first ESG Meeting. Continuous enlightenment of clinical testing marked the 40th year since it started.

iii) Initiatives on Climate Change

Taking note of changing trends in the worldwide response to global warming, the Group accelerated initiatives for “climate change,” one of the Group’s defined

materialities. In October 2021, we revised its Long-Term Environment Goals that were established in October 2020, which had previously been focused on reducing emissions intensity, to instead target total emissions based on the global situation in recent years.

The Group’s Medium- to Long-term Targets of Reduction of CO₂ Emissions
(Revised in October 2021)



As disclosure of climate change-related risk and opportunity is getting more attention, the Group declared support for TCFD recommendation (TCFD:Task Force on Climate-related Financial Disclosures) in November 2021. To practice information disclosure in accordance with the TCFD recommendations, we take account of the highly unpredictable impact of climate change by carrying out scenario analysis and conducting qualitative evaluation of risks and opportunities. In considering our risk and opportunity responses, we estimated transition risks increase (1.5°C and 2°C) and where physical risks increase (4°C) and sorted out events that could take place under each scenario. To prepare for these potential events, we have set timelines of “Short term: 1 year,” “medium term: 5 years” and “long term: 10 years or more,” organized the potential business impact and our response measures and analyzed business risks and opportunities.

Climate Change Scenario Analysis Based on TCFD Recommendations

Scenario	TCFD Framework	Event	Time Horizon	Impact	Response	Risk	Opportunity	
4°C scenario	Physical risk	Acute risk	Flooding of business locations	Short-term	<ul style="list-style-type: none"> Damages of equipment 	<ul style="list-style-type: none"> Formulates BCPs at the head office and field levels Purchase non-life insurance water damage rider 	Low	-
			Supply chain disruption	Short-term	<ul style="list-style-type: none"> Interruption of sample transportation and distribution network 	<ul style="list-style-type: none"> Use multiple modes of transportation Form business alliance for sample transportation 	Low	-
		Chronic risk	Temperature rise	Long-term	<ul style="list-style-type: none"> Increasing demand for products and tests for tropical diseases 	<ul style="list-style-type: none"> Consider R&D on relevant diseases and items 	-	O
2°C scenario	Transition risk	Policy and legal risk	Introduction of carbon tax and revision of ordinances	Medium-term	<ul style="list-style-type: none"> Carbon tax to be introduced in 2030 Potential violation of ordinances (emission cap) 	<ul style="list-style-type: none"> The H.U. Bioness Complex and company vehicle emissions simulation 	Low	O
		Technology risk	Installation of renewable energy facilities	Medium-term	<ul style="list-style-type: none"> Expanded capital investment in renewable energy 	<ul style="list-style-type: none"> Study such facilities for pilot or full-scale adoption to the Group 	Low	-
		Market risk	External pressures specific to the market and industry	Long-term	<ul style="list-style-type: none"> Market pressures to do something about GHG emission reductions 	<ul style="list-style-type: none"> Reorganize to use vehicles for logistics jointly with other companies 	-	O
		Reputation risk	ESG brand	Long-term	<ul style="list-style-type: none"> Dismissed as ESG-adverse 	<ul style="list-style-type: none"> Relations with long-term investors Improve the ESG ratings 	-	O
1.5°C scenario	(Severe) Transition risk	From FY2022: Look into information disclosure based on detailed analysis						

iv) Human Rights & Human Resources Initiatives

To realize the Group Mission & Vision, we are required to innovate. The people, our employees, are able to become a driver of innovation. Changing their awareness and behavior leads to creating new values in healthcare. Following this policy, Human Rights & Human Resources is the most important theme, and we address four materialities related to Human Rights & Human Resource: Human rights, Diversity, Ideal workplaces, and Health improvement. We promote development of an organizational culture.

The Group established medium-term targets for the three years from FY 2020 to FY 2022, and is preparing initiatives to achieve the targets, based on materiality related to Human Rights & Human Resources.

The Group's Sustainability Roadmap related for Human Rights & Human Resources (Main part only)

Main themes	KPI	Main Initiatives	FY2022 targets
Diversity promotion	Percentage of female managers	HUHD Recruitment Section and President of each company are collaborating to implement initiatives	20% (Domestic and overseas)
	Percentage of persons with disabilities hired	Initiatives are being led by H.U. Cast, Inc. (special subsidiary company)	2.3% (Domestic)
Promotion of human resources development	Average annual training time per employee	Enhancing content of e-learning tools	25 hours (Domestic)
Health Management	White 500 listing	HUHD Health Management Promotion Office is implementing various initiatives, including measures to raise awareness of health management	Rank in top 500

The Company was certified as “White 500” enterprises which are selected jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, together with its subsidiaries, which are SRL, Inc., Fujirebio, Inc., and H.U. Frontier, Inc. in March 2022.

III. Plan for the fiscal year ending March 31, 2023

i) Outlook for the fiscal year ending March 31, 2023

With respect to the fiscal year ending March 31, 2023, we anticipate the following results from a decrease in PCR tests and other tests related to COVID-19, as well as increase in depreciation and operating expenses related to the H.U. Business Complex.

Unit: billions of yen (rounded)	Actual results for the fiscal year ended March 31, 2022	Forecasts for the fiscal year ending March 31, 2023
Net sales	272.9	254.0
EBITDA*1	65.1	41.0
Operating profit	50.5	21.0
ROE	23.2%	8.8%
ROIC*2	15.4%	6.0%

*1 EBITDA = Operating profit + Depreciation + Amortization of goodwill

*2 ROIC = Net operating profit after tax (NOPAT; Operating profit - Estimated effective income tax) / Invested capital (Yearly average of [Net assets + Interest-bearing liabilities (including lease liabilities) + Other non-current liabilities])

ii) Outline of plans for the fiscal year ending March 31, 2023

During the fiscal year ending March 31, 2023, the third year of the Medium-term Business Plan, we will take on key themes as described under “(4) Issues to be addressed; I. Outline of Medium-term Business Plan, ‘H.U. 2025—*Hiyaku* & United’.”

- Full-scale operation of the H.U. Bioness Complex

Following the acquisition of ISO 15189, an international standard for managing medical laboratories, we started operation of testing instruments, transport robots, reception systems, etc., in January 2022, and part of testing has begun to take place at H.U. Bioness Complex. Since then, we have been conducting various verifications for automated conveyer lines which are important elements of this project in concert, however we judged that it didn’t meet the criteria the Company required for the quality of automation at the time of acceptance in March of the same year. It is mainly because the validation process was insufficient due to the delivery delay of the automated conveyer lines. In the fiscal year ending March 31, 2023, we assume that additional expenses will be needed due to the manual work, verification of additional development, and expense associated with the parallel operation with Hachioji Lab complex in addition to additional development investment of the automated conveyer lines.

The Company will gradually expand the scope of operations toward full-scale deployment while conducting additional development and verification.

- Enhancement of the CDMO business
We will strengthen our production framework at our major locations worldwide with our sights set on tapping growing demand over the medium to long term in the CDMO business.
- Healthcare × ICT
With respect to our E's Assist[®], a software as a service (SaaS) solution offering operational support for clinics, we will upgrade our services and expand its customer base. With respect to our WithWellness[®], a personal health record (PHR) smartphone app, we will increase the user count by expanding our customer base and strengthening ties with health insurance associations.

IV. Shareholder returns and investment in growth

We are committed to paying out consistent dividends on an ongoing basis drawing on profits and funds generated by our respective businesses. We accordingly target a consolidated dividend on equity (DOE) ratio, our main key performance indicator for dividends, targeted at the 6% range and furthermore make decisions on dividends upon having comprehensively considered factors that include cash flows and the notion of maintaining a sound financial footing over the medium to long term.

In addition, retained earnings are allotted with priority to investments in medium- and long-term growth.

(5) Principal business (as of March 31, 2022)

The Group comprises H.U. Group Holdings, Inc., H.U. Frontier, Inc., SRL, Inc., Fujirebio Holdings, Inc., Nihon Stery, Inc., and their respective subsidiaries and affiliates. The Group's businesses are clinical laboratory testing, manufacture and sale of clinical testing reagents, and sterilization and related services, etc.

2. Matters Regarding Directors and Executive Officers

(1) Directors (As of March 31, 2022)

Position in the Company	Name	Responsibilities in the Company	Significant Concurrent Positions
Director	Shigekazu Takeuchi	Nominating Committee Member	Director, SRL, Inc. Director, Fujirebio Holdings, Inc. Director, Fujirebio Inc. Director, H.U. Frontier, Inc.
Director	Naoki Kitamura	—	Director, SRL, Inc. Director, Fujirebio Holdings, Inc. Director, Fujirebio Inc. Chairman, Nihon Stery, Inc. Chairman, Care'x, Inc. Chairman, Baylor Miraca Genetics Laboratories, LLC CEO, H.U. America, Inc. Director, SRL (Hong Kong) Limited
Director	Shigehiro Aoyama	Nominating Committee Chairman	External Director, Takamatsu Construction Group Co., Ltd. Chairman, the Distribution Economics Institute of Japan
Director	Futomichi Amano	Audit Committee Chairman	Futomichi Amano CPA office
Director	Ryoji Itoh	Compensation Committee Chairman Nominating Committee Member	Managing Director, Planetplan, Inc. External Director, SATO HOLDINGS CORPORATION Senior Researcher at Keio Research Institute at SFC, Keio University
Director	Eriko Matsuno	Audit Committee Member	Representation lawyer, Tokyo J Law Office Mediator, Non-Profit Organization, Financial Instruments Mediation Assistance Center Outside Compliance Committee Member, Healthcare Asset Management Co., Ltd. Outside Director, Audit & Supervisory Committee Member, WealthNavi Inc.
Director	Keiji Miyakawa	Compensation Committee Member	Representative Director, N.I.Partners Ltd. Outside Director, Member of the Board, GungHo Online Entertainment, Inc. Senior Advisor, Lincoln International Inc. Executive Advisor, MASH Holdings Co., Ltd.

Position in the Company	Name	Responsibilities in the Company	Significant Concurrent Positions
Director	Susumu Yamauchi	Audit Committee Member Compensation Committee Member	Emeritus Professor, Hitotsubashi University Outside Director, Reading Skill Test Inc. Auditor, National Institute of Technology Education and Research Evaluation, National Institution for Academic Degrees and Quality Enhancement of Higher Education

- Notes:
1. Mr. Shigehiro Aoyama, Mr. Futomichi Amano, Mr. Ryoji Itoh, Ms. Eriko Matsuno, Mr. Keiji Miyakawa and Mr. Susumu Yamauchi are outside directors prescribed in Article 2, Item 15 of the Companies Act.
 2. The Company has designated Mr. Shigehiro Aoyama, Mr. Futomichi Amano, Mr. Ryoji Itoh, Ms. Eriko Matsuno, Mr. Keiji Miyakawa and Mr. Susumu Yamauchi as independent directors as stipulated by the Tokyo Stock Exchange and has notified the Exchange accordingly.
 3. Mr. Futomichi Amano has a qualification of the certified public accountant and a considerable degree of knowledge on finance and accounting.
 4. The Company has the following committees:

Nominating Committee	Chairman	Shigehiro Aoyama
	Members	Ryoji Itoh Shigekazu Takeuchi

Audit Committee	Chairman	Futomichi Amano
	Members	Eriko Matsuno Susumu Yamauchi

Compensation Committee	Chairman	Ryoji Itoh
	Members	Susumu Yamauchi Keiji Miyakawa

5. All members of the Audit Committee are appointed from among the part-time outside directors, and full-time Audit Committee members are not appointed, given the view that members of the Audit Committee must maintain a high degree of independence.
An employee, who is independent from executive officers, is assigned to support the duties of the Audit Committee in order to provide internal company information to the Audit Committee and in order to coordinate with the Accounting Auditor, and departments in charge of internal control systems.

(2) Executive Officers (As of March 31, 2022)

Position in the Company	Name	Responsibilities in the Company	Significant Concurrent Positions
Representative Executive Officer	Shigekazu Takeuchi	President and Group CEO	Refer to “(1) Directors” hereinabove
Executive Officer	Naoki Kitamura	Managing Officer	Refer to “(1) Directors” hereinabove
Executive Officer	Shunichi Higashi	LTS	President and CEO, SRL, Inc. Chairman and CEO, H.U. Frontier, Inc.
Executive Officer	Goki Ishikawa	IVD	President and CEO, Fujirebio Holdings, Inc. Director, Fujirebio Inc.
Executive Officer	Toshihiko Shimizu	CIO	–
Executive Officer	Atsuko Murakami	CFO	Director, SRL, Inc. Director, Fujirebio Holdings, Inc. Director, Fujirebio Inc. Director, H.U. Frontier, Inc. Outside Director, IMAGICA GROUP Inc.
Executive Officer	Kazuya Omi	Research and Development	Director, SRL, Inc. Director, Fujirebio Inc. President, H.U. Group Research Institute G.K.
Executive Officer	Tadashi Hasegawa	Corporate Planning and Management	Director, SRL, Inc. Director, Fujirebio Inc. Director, H.U. Frontier, Inc. Director, H.U. America, Inc. Director, SRL (Hong Kong) Limited
Executive Officer	Hiroaki Kimura	General Affairs	–

Note: Toshihiko Shimizu was appointed to the position of Executive Officer on June 22, 2021.

- (3) Compensation for directors and executive officers, etc.
- a. Policy and determination methods on amounts of compensation for directors and executive officers or calculation method thereof

The Company, at the Compensation Committee, has established the following policies for determining compensation for respective directors and executive officers of the Company and determines the amounts and other conditions of compensation, etc. for respective directors and executive officers in accordance with these policies.

i) Compensation system

Compensation for directors and executive officers of the Company will be paid in the form of fixed-amount compensation based on official responsibilities in consideration of the scope and degree of responsibility for group management and other aspects and will not be paid in the form of retirement benefits at the time of retirement. The amount of performance-linked compensation will be changed depending on business results, with net sales, operating profit, net profit, and other figures employed as criteria for determining results.

Directors serving concurrently as executive officers will receive compensation as executive officers.

ii) Directors' compensation

Directors' compensation will be determined as nil, or as a combination of fixed-amount compensation and share-based compensation in consideration of the duties of the respective directors. Reasonable upper limit will be set for the amount of payment in light of the economic situation, the Company's conditions and the duties of the respective directors.

The Company will pay compensation to outside directors, based on the details of their supervision activities, in addition to the combination of prescribed fixed-amount compensation and share-based compensation.

iii) Executive officers' compensation

Executive officers' compensation will be determined in combination of fixed-amount compensation, performance-linked compensation and share-based compensation in consideration of the duties of the respective executive officers. Reasonable upper limit will be set for the amount of payment in light of the economic situation, the Company's conditions and the duties of the respective executive officers.

1) Compensation system

Compensation received by directors and executive officers of the Company shall be determined by a resolution of the Compensation Committee in light of the economic situation, the Company's conditions and the duties of the respective directors and executive officers and based on the "H.U. Group Officers' Executive Grades (EG) Compensation Rules," "Rules of Compensation for Directors Not Serving Concurrently as Executive Officers," and "Rules of Compensation for Outside Directors." Compensation for directors and executive officers consists of "basic compensation" which is fixed monetary compensation; "restricted stock compensation," which is fixed stock compensation; "performance-linked compensation," in which the monetary compensation fluctuates in accordance with the degree of progress towards achieving performance targets over the short term; and trust-type share-based compensation, which is stock compensation linked to performance targets over the medium to long term. The breakdown of standard compensation ratios by titles generally as follows.

2) Basic compensation

Although the benchmark for compensation is their titles, compensation is paid to executive officers after taking into account how each of them has performed in their duties, etc.

In addition to the prescribed fixed compensation, compensation is paid to directors in accordance with the details of their supervisory activities.

3) Restricted stock compensation

As well as providing an incentive to seek sustainable improvements in Group corporate value, restricted stock compensation is provided to executive officers to further promote shared value with shareholders.

i) Overview of restricted stock compensation scheme

- The Company grants monetary compensation claims to its executive officers, and the executive officers use these monetary compensation claims in their entirety to make an investment in kind in the Company and are in turn issued with common shares of the Company (restricted stock).
- The amount of monetary compensation claims granted to each executive officer is determined by the Company's Compensation Committee. In addition, the details of issuance of restricted stock, etc. are determined by the Company's Board of Directors.
- The amount paid in per share of restricted stock is based on the closing price for the common shares of the Company on the Tokyo Stock Exchange on the business

day before the day of the Board of Directors' resolution in relation to the details of the issuance of restricted stock, etc. (in the event that no transactions were made on that day, the closing price on the most recent transaction day), and is determined by the Board of Directors of the Company within a range that does not offer a particularly advantageous amount to the executive officers receiving the stock.

ii) Main features of the restricted stock allotment agreement

When issuing restricted stock, the Company and the executive officers of the Company enter into a restricted stock allotment agreement. The main features of the agreement are as follows.

- Executive officers of the Company shall not, for a period of three years from the day on which they receive an issuance of restricted stock (hereafter, "the restricted period"), transfer, create a security interest on, or in any other way dispose of the restricted stock they have been allocated.
- In the event that certain grounds arise, the restricted stock allotted to the executive officers shall be acquired by the Company without contribution.
- In order to prevent the transfer, creation of security interest, or disposal in any other way of the restricted stock allocated to executive officers of the Company, during the restricted period the restricted stock shall be managed in dedicated accounts, opened by the executive officers, at a financial instruments business operator designated separately by the Company.

4) Performance-linked compensation

In terms of short-term performance-linked compensation, performance-linked compensation shall be paid based on single-year performance, and on individual evaluation.

Evaluation of single-year performance is based on the consolidated performance of the Group, and evaluations of certain executive officers take into account segment performance based on their respective areas of responsibility. The breakdown of performance-linked compensation by titles is as follows.

Title	Performance Evaluation Items		
	Single-year Performance (Note 1)		Individual Evaluation (Note 2)
	Consolidated Group Performance	Segment Performance	
President & CEO	100%	–	–
Executive Officer (excluding President & CEO)	20 to 100%	0 to 60%	0 to 20%

Note 1: With regard to "single-year performance" among performance evaluation items, while balancing growth of net sales and operating profit, they also take into account the degree of progress towards a target for profit, with a view to promoting management that is aligned with shareholder interests, in respect of which performance evaluation indicator for "single-year performance" have been set as follows. The setting of specific criteria for evaluation, changing of those criteria, and determining performance-linked compensation shall be resolved by the Compensation Committee.

Note 2: With regard to "individual evaluation" among performance evaluation items, President & CEO will conduct a comprehensive evaluation of the status of execution of each executive officer's duties on a person-by-person basis and then create a draft proposal, with the Compensation Committee determining compensation within a range fluctuating from 0% to 200% of the standard payment amount for each title.

Performance Evaluation Items	Performance Evaluation Indicator	Weight	Targets	Range of Variation in Payment
Consolidated Group Performance	Consolidated net sales	50%	Year-on-year growth rate	0% to 200%
	Consolidated profit	50%	Absolute amount stipulated in advance	0% to No upper limit
Segment Performance	Net sales	50%	Year-on-year growth rate	0% to 200%
	Operating profit	50%	Absolute amount stipulated in advance	0% to No upper limit

* With regard to net sales indicators, if targets are 100% achieved then 100% of the standard amount will be paid, so that it fluctuates by 0% to 200%. With regard to profit and operating profit indicators, if targets are 100% achieved then 100% of the standard amount will be paid, fluctuating from 0% upwards, with no upper limit.

The targets for performance evaluation indicator in the fiscal year under review were resolved at a meeting of the Compensation Committee held on May 21, 2021. The targets and the actual results are as follows. At its meeting held on August 20, 2021, due to the change of reportable segments on July 1, 2021, the Compensation Committee resolved to adjust amounts set for LTS net sales and operating profit targets to ensure that target achievement ratios are calculated appropriately.

(Unit: Millions of yen)

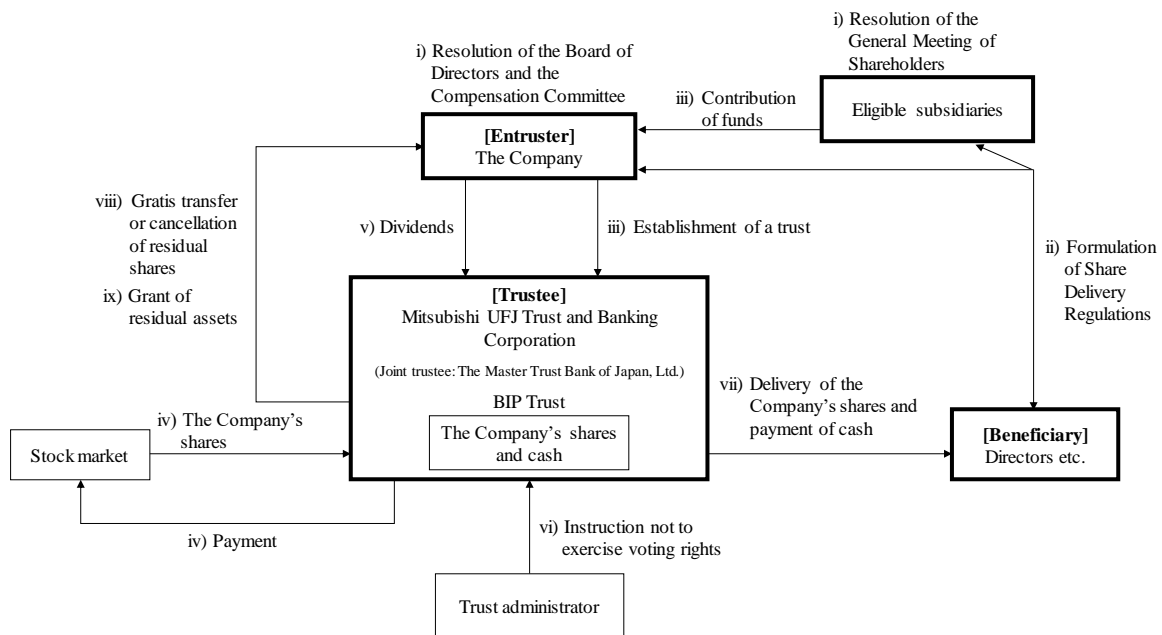
Performance Evaluation Items	Performance Evaluation Indicator	Targets	Actual Results	Achievement Rate
Consolidated Group Performance	Consolidated net sales	223,016	272,944	122.4%
	Consolidated profit	12,721	29,599	232.7%
LTS Segment Performance	LTS net sales	141,119	180,239	127.7%
	LTS operating profit	10,304	23,646	229.5%
IVD Segment Performance	IVD net sales	56,278	74,171	131.8%
	IVD operating profit	14,800	26,732	180.6%

5) Trust-type share-based compensation

By linking compensation for executive officers of the Company to the degree of progress towards targets set out in the Medium-term Business Plan, the Company aims to raise awareness of the need to contribute to improving performance over the medium to long term and enhancing corporate value, to which end it will provide trust-type share-based compensation.

i) Overview of the trust-type share-based compensation scheme

As is the case with the performance-linked share-based compensation seen in the U.S. and Europe (performance shares), the trust-type share-based compensation is a scheme in which the shares of the Company or the amount of money equivalent to the converted value of the shares of the Company are delivered or provided, in accordance with their titles and the degree of progress towards performance targets.



- i) The Company has obtained approval from the Board of Directors and the Compensation Committee for the introduction of the trust-type share-based compensation scheme and the compensation for directors and executive officers.
- ii) In relation to the introduction of the trust-type share-based compensation scheme, the Company has formulated “Share Delivery Regulations” regarding compensation for directors and executive officers at a meeting of the Compensation Committee.
- iii) The Company shall combine a sum of money, the value of which is within a range approved by a resolution of the Compensation Committee, with the monetary contributions received from each eligible subsidiary and entrust this to a trust bank (the “Trustees”) in order to set up a trust (“the Trust”), the beneficiaries of which shall be directors, etc. of eligible companies (including executive officers of the Company; hereinafter the same shall apply) who satisfy the requirements for beneficiaries.
- iv) The Trustees of the Trust have, in accordance with the instructions of the trust administrator, obtained the Company’s shares from the stock market using the money contributed as in 3) as funds.
- v) Dividends shall be paid in relation to the Company’s shares held within the Trust in the same way as for other shares of the Company.
- vi) For the Company’s shares held within the Trust, voting rights shall not be exercised through the trust period.
- vii) During the trust period, a certain number of points shall be granted to directors, etc., in accordance with their titles and the degree of progress towards performance targets. For directors, etc. who satisfy a certain level of beneficiary requirements, shares of the Company, or the amount of money equivalent to the converted value of the shares of the Company, shall be delivered or provided in accordance with the number of points granted.
- viii) In the event that residual shares remain at the expiry of the trust period due to performance targets not being achieved or for some other reason, the Trust shall either continue to use them for a new stock compensation scheme as a result of a change in the trust agreement or additional trusts being made, or the Trust shall transfer the residual shares to the Company without contribution, after which acquisition it is expected that they will be canceled by a resolution of the Board of Directors.
- ix) When the Trust comes to an end, any assets remaining after distributions to beneficiaries are expected to be vested in the Company (which is the holder of vested rights), within the scope of the reserve for trust expenses, which are calculated by deducting funds to purchase stock from trust money.

ii) Number of shares to be delivered, etc. (including shares that are subject to conversion)

In principle, on June 1 for each year during the trust period, a certain number of points shall be granted to the executive officers of the Company in relation to the fiscal year that ended on March 31 of that year. The number of points shall be determined based on the individual’s title and the degree of progress towards consolidated net sales and consolidated operating profit targets for each fiscal year of the Medium-term Business Plan. Around the month of July after the ending of the target period (for the first time, this will be around July 2023), the number of shares,

which is the basis for delivery, etc. of the Company's shares, etc., shall be determined based on the total number of points for the three years (hereinafter, "stock delivery points"). The number of shares of the Company per point shall be one (1).

iii) Number of points granted per year

The method used to calculate the number of points granted per year is as follows.

<Calculation formula>

$$\begin{aligned} \text{Points granted (per year)} &= \text{Standard points (Note 1)} \times \text{Performance-linked coefficient} \\ \text{Performance-linked coefficient} &= \frac{\text{Granted percentage for consolidated net sales (Note 2)}}{\text{Granted percentage for consolidated net sales (Note 2)}} \times 0.4 + \frac{\text{Granted percentage for consolidated operating profit (Note 2)}}{\text{Granted percentage for consolidated operating profit (Note 2)}} \times 0.4 \\ &+ \frac{\text{Granted percentage for year-on-year growth of consolidated net sales (Note 3)}}{\text{Granted percentage for year-on-year growth of consolidated net sales (Note 3)}} \times 0.2 \end{aligned}$$

* The objectives of the Company's Medium-term Business Plan are "to balance growth of net sales and operating profit," which explains the setting of the performance-linked coefficient laid out above.

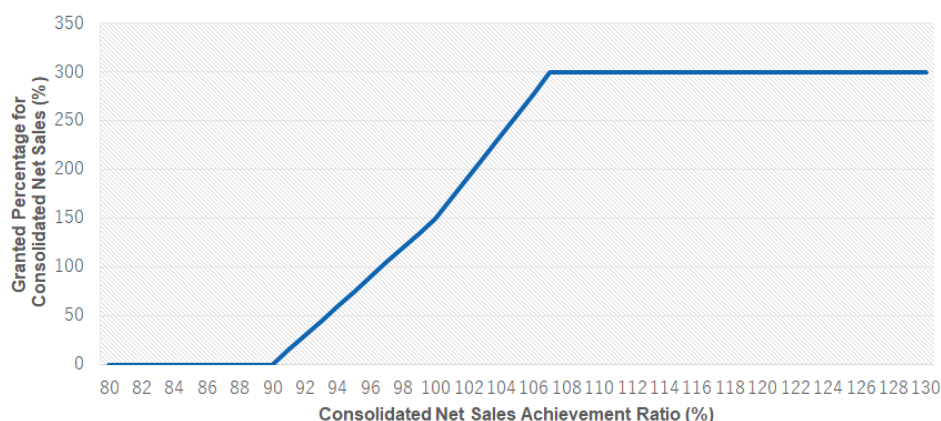
- Notes: 1. "Standard points" are calculated by dividing the standard amount of trust-type share-based compensation determined for each title, by the closing price of 2,449 yen on the day before July 17, 2020, the date on which the Compensation Committee resolved to revise the "Share Delivery Regulations."
2. Based on the "Share Delivery Regulations" set out beforehand as they relate to trust-type share-based compensation, the granted percentage is determined by dividing the consolidated group results for each fiscal year by the consolidated targets for each fiscal year of the Medium-term Business Plan.
3. Based on the "Share Delivery Regulations" set out beforehand as they relate to trust-type share-based compensation, the granted percentage is determined by dividing consolidated net sales for each fiscal year by the consolidated net sales of the previous fiscal year.

The granted percentages for consolidated net sales and consolidated operating profit for each fiscal year of the Medium-term Business Plan are as follows.

<Granted percentage for consolidated net sales>

Fiscal Years Covered by the Medium-term Business Plan	Consolidated Net Sales Achievement Ratio	Granted Percentage for Consolidated Net Sales (%)
FY 2020 FY 2021 (Fiscal year under review) FY 2022	Less than 90%	0%
	90% to less than 100%	15 × Consolidated net sales achievement ratio – 1,350
	100% to less than 107%	21.43 × Consolidated net sales achievement ratio – 1,993
	107% or more	300%

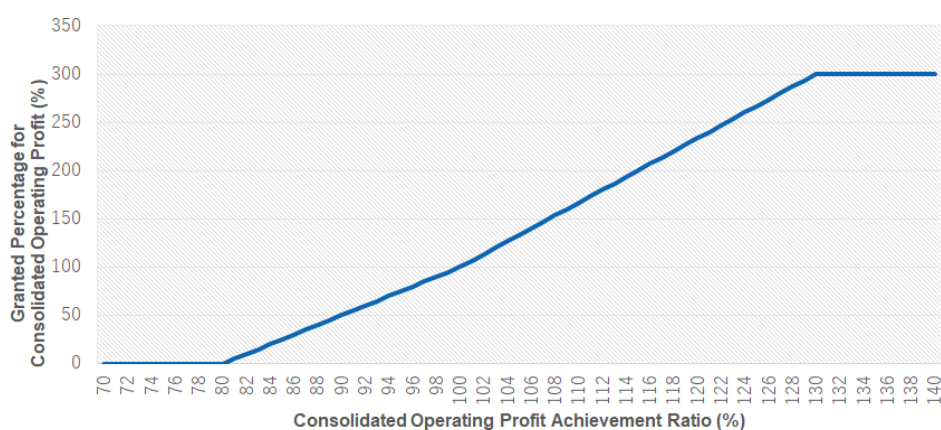
* Consolidated net sales achievement ratio (units are percentages, rounded down to one decimal place) = $\frac{\text{Consolidated net sales result for each fiscal year}}{\text{Consolidated net sales target for each fiscal year of the Medium-term Business Plan}} \div$



<Granted percentage for consolidated operating profit>

Fiscal Years Covered by the Medium-term Business Plan	Consolidated Operating Profit Achievement Ratio	Granted Percentage for Consolidated Operating Profit (%)
FY 2020 FY 2021 (Fiscal year under review) FY 2022	Less than 80%	0%
	80% to less than 100%	5 × Consolidated operating profit achievement ratio – 400
	100% to less than 130%	6.67 × Consolidated operating profit achievement ratio – 567
	130% or more	300%

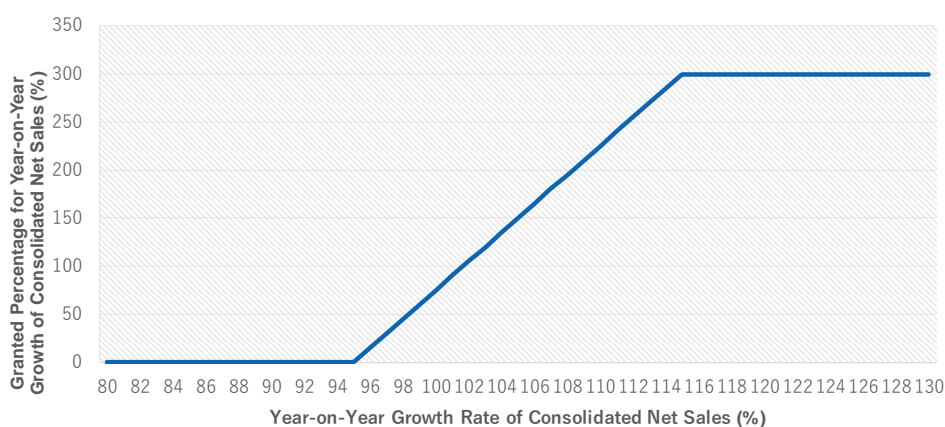
* Consolidated operating profit achievement ratio (units are percentages, rounded down to one decimal place) = Consolidated operating profit result for each fiscal year ÷ Consolidated operating profit target for each fiscal year of the Medium-term Business Plan



<Granted percentage for year-on-year growth of consolidated net sales>

Fiscal Years Covered by the Medium-term Business Plan	Year-on-Year Growth Rate of Consolidated Net Sales	Granted Percentage for Year-on-Year Growth of Consolidated Net Sales (%)
FY 2020 FY 2021 (Fiscal year under review) FY 2022	Less than 95%	0%
	95% to less than 115%	15 × Year-on-year growth rate of consolidated net sales – 1,425
	115% or more	300%

* Year-on-year growth rate of consolidated net sales (units are percentages, rounded down to one decimal place) = Consolidated net sales result for each fiscal year ÷ Consolidated net sales result for the previous fiscal year of each fiscal year



The targets for performance evaluation items in the fiscal year under review were resolved at a meeting of the Compensation Committee held on May 21, 2021. The targets and the actual results are as follows.

(Unit: Millions of yen)

Performance Evaluation Indicator	Targets	Actual Results	Achievement Rate
Consolidated net sales	241,926	272,944	112.8%
Consolidated operating profit	24,111	50,490	209.4%
Year-on-year growth rate of consolidated net sales	101.7%	122.4%	—

iv) Conditions for delivering shares/providing money

In the event that executive officers of the Company meet the conditions laid out below (hereinafter, “share delivery conditions”), the right to receive delivery of shares of the Company or provision of the proceeds of selling such shares, shall be settled on the record date for beneficial rights prescribed in the “Share Delivery Regulations.”

	Conditions for Delivering Shares
i	Cases where for the duration of the target period, the individual continuously holds the position as any Executive Grades prescribed in the provision (hereinafter “EG”)
ii	Cases where, during the target period, EG resigns from the position for reasons such as the expiry of their term, retirement, or some other justifiable reason.
iii	Cases where the individual dies during the target period
iv	Cases where the individual becomes a non-resident of Japan during the target period
v	Cases where, at the time the scheme is abolished, the individual is serving in any of the positions of EG

However, in cases where executive officers of the Company fall under any of the following categories before the record date for beneficial rights, or in any equivalent cases, the delivery of shares of the Company or the provision of proceeds of selling such shares, in accordance with the trust-type share-based compensation scheme, shall not be carried out.

	Details
i	Cases where there have been material violations of the individual’s responsibilities as EG, or material violations of internal rules
ii	Cases where the individual resigns from any and all the positions of EG regardless of the will of the Company, or for personal or some other unjustifiable reason (however, they shall exclude situations caused by unavoidable circumstances, such as sickness).
iii	Cases where the individual is dismissed due to behavior corresponding to a reason for the dismissal of EG
iv	Cases where the individual takes up work at a competitor without the approval of the Company.

b. Details of compensation for directors and executive officers, etc.

Details of compensation for directors and executive officers, etc. for the fiscal year under review are as follows:

Total amount of compensation, total amount of compensation by type, and number of payees by classification

Category	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)				Number of Payees (Persons)
		Non-performance-linked Compensation		Short-term Performance-linked Compensation	Medium- to Long-term Performance-linked Compensation	
		Money	Shares	Money	Shares	
		Basic Compensation	Restricted Stock Compensation	Performance-linked Compensation	Trust-type Share-based Compensation	
Executive Officer	685	228	31	269	156	8
Director	73	73	-	-	-	6
[Outside Director]	[73]	[73]	[-]	[-]	[-]	[6]

Note: The Company does not pay directors' compensation to directors serving concurrently as executive officers.

c. Persons with decision-making authority in relation to policy for determining the amount of compensation for directors and executive officers or calculation method thereof

Because the Company is a "Company with Nominating Committee, etc." under the Companies Act, it has set up a Compensation Committee as an organization based on the Companies Act, in which the committee chair is an outside director, and outside directors form a majority of committee members.

A. Details of the Compensation Committee's authority and scope of discretion

The Compensation Committee determines the amount of compensation, etc. for executive officers and directors of the Company based on laws and regulations, the Articles of Incorporation and relevant rules of the Company.

B. Details of Compensation Committee activities during the process of determining compensation, etc. for directors and executive officers in the fiscal year under review (The Compensation Committee met eight times during the fiscal year).

	Date of meeting	Details
1st meeting	May 14, 2021	<ul style="list-style-type: none"> i) Adopted resolution on adjustment of performance targets for short-term performance-linked compensation for FY 2020 ii) Adopted resolution on amounts of short-term performance-linked compensation granted to individual officers for FY 2020 iii) Adopted resolution on individual fixed-amount compensation for FY 2021 pertaining to executive officer candidates for the next fiscal year (tentative)
2nd meeting	May 21, 2021	<ul style="list-style-type: none"> i) Adopted resolution on performance targets for short-term performance-linked compensation for FY 2021 ii) Adopted resolution on BIP Trust points awarded individually based on the actual performance in FY 2020 iii) Adopted resolution on revision of Share Delivery Regulations iv) Adopted resolution on performance targets for BIP Trust compensation for FY 2021 v) Discussed on issues of BIP Trust compensation and future revision policy
3rd meeting	June 22, 2021	<ul style="list-style-type: none"> i) Adopted resolution on appointment of the Compensation Committee Chairman ii) Adopted resolution on revision of Share Delivery Regulations iii) Adopted resolution on H.U. Group Compensation Rules (current H.U. Group Officers' Executive Grades (EG) Compensation Rules) iv) Adopted resolution on individual fixed-amount compensation
4th meeting	July 16, 2021	<ul style="list-style-type: none"> i) Adopted resolution on the Compensation Committee's schedule of activities ii) Adopted resolution on individual compensation regarding the restricted stock compensation scheme, etc.
5th meeting	August 20, 2021	<ul style="list-style-type: none"> i) Adopted resolution on H.U. Group Executive Grades (EG) Compensation Rules due to the change of business segments ii) Adopted resolution on revision of performance targets for short-term performance-linked compensation for FY 2021 due to the change of business segments
6th meeting	September 17, 2021	<ul style="list-style-type: none"> i) Reported on granting Board Incentive Plan (BIP) Trust points based on the actual performance in FY 2020
7th meeting	December 24, 2021	<ul style="list-style-type: none"> i) Reported and discussed on benchmarks pertaining to compensation for executive officers and directors at domestic companies
8th meeting	March 25, 2022	<ul style="list-style-type: none"> i) Discussed on future issues of special bonus for executive officers and directors with retirement

In addition, all resolutions of the Compensation Committee are made after excluding any persons having a relationship of special interest.

(4) Status of main activities of outside directors

i) Attendance rate at meetings of the Board of Directors and Committees (number of times of attendance/number of meetings held during the fiscal year)

Position	Name	Board of Directors Meeting	Meeting of Nominating Committee	Meeting of Audit Committee	Meeting of Compensation Committee
Director	Shigehiro Aoyama	13/13	6/6	–	–
Director	Futomichi Amano	13/13	–	17/17	–
Director	Ryoji Itoh	13/13	6/6	–	8/8
Director	Eriko Matsuno	13/13	–	17/17	–
Director	Keiji Miyakawa	10/10	–	–	6/6
Director	Susumu Yamauchi	13/13	–	17/17	8/8

Note: Figures shown for Keiji Miyakawa's attendance in the Board of Directors meetings and Compensation Committee meetings reflect his attendance since becoming a director and joining the committee on June 22, 2021.

ii) Main activities during the fiscal year

Position	Name	Status of Main Activities
Director	Shigehiro Aoyama	<p>At meetings of the Board of Directors, he has made proactive remarks in connection with proposals and deliberations based on his experience in corporate management at Suntory Holdings Limited for many years, and abundant experience and broad insight in the global business encompassing M&A and in the healthcare field. Through such remarks, he has performed his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.</p> <p>As the Chairman of the Nominating Committee, he has led deliberations seeking to adequately nominate candidates for director in a manner that ensures membership balance and diversity of the Board of Directors overall.</p>
Director	Futomichi Amano	<p>At meetings of the Board of Directors, he has made proactive remarks in connection with proposals and deliberations based on his experience in audits as a certified public accountant and in the management of Deloitte Touche Tohmatsu LLC for many years, abundant experience in the field of accounting, and broad insight in the global business. Through such remarks, he has performed his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.</p> <p>At meetings of the Audit Committee, he has audited and supervised the Group management's execution of duties after grasping issues and risks related to management and businesses of the Group through meetings with management of the Company and its major subsidiaries, regular meetings with auditors of the major subsidiaries, etc., based on audit policy and audit plans. As the Chairman of the Audit Committee, he has furthermore played an important role in strengthening the audit and supervisory function, which includes taking initiative in regular meetings with the Internal Audit Department as well as those with the Accounting Auditor.</p>

Position	Name	Status of Main Activities
Director	Ryoji Itoh	<p>At meetings of the Board of Directors, he has made proactive remarks in connection with proposals and deliberations, enlisting differing perspectives based on his insight related to global business, M&As, digital transformation, etc., based on his abundant experience as a management consultant, fund manager and corporate manager. Through such remarks, he has performed his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.</p> <p>As a member of the Nominating Committee, he has also conducted robust deliberations regarding the nomination of candidates for director in a manner that ensures membership balance and diversity of the Board of Directors overall.</p> <p>As the Chairman of the Compensation Committee, he has led robust deliberations that involve making decisions on the Company's compensation system and compensation levels for its directors and executive officers.</p>
Director	Eriko Matsuno	<p>At meetings of the Board of Directors, she has made proactive remarks in connection with proposals and deliberations, enlisting differing perspectives from the standpoint of diversity, in addition to perspectives as a legal practitioner who is well versed in corporate and business law and compliance as a lawyer. Through such remarks, she has performed her role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.</p> <p>At meetings of the Audit Committee, she has audited and supervised the Group management's execution of duties after grasping issues and risks related to management and businesses of the Group through meetings with management of the Company and its major subsidiaries, regular meetings with auditors of the major subsidiaries, etc., based on audit policy and audit plans.</p>
Director	Keiji Miyakawa	<p>At meetings of the Board of Directors, he has made proactive remarks in connection with proposals and deliberations based on his abundant experience in the investment banking division of a major global securities firm and in M&A advisory companies, and also has broad insight as a financial service manager. Through such remarks, he has performed his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.</p> <p>As the Member of the Compensation Committee, he conducts robust deliberations that involve reviewing the Company's compensation system for its directors and executive officers as well as making decisions on compensation levels.</p>
Director	Susumu Yamauchi	<p>At meetings of the Board of Directors, he has made proactive remarks in connection with proposals and deliberations based on his abundant insight as a professor who has taught the history of Western legal systems at several universities over the years as well as considerable insight related to organizational management based on his experience as President of Hitotsubashi University. Through such remarks, he has performed his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.</p> <p>As a member of the Compensation Committee, he has conducted robust deliberations when it comes to making decisions on the Company's compensation system and compensation levels for its directors and executive officer.</p> <p>At meetings of the Audit Committee, he has audited and supervised the Group management's execution of duties after grasping issues and risks related to management and businesses of the Group through meetings with management of the Company and its major subsidiaries, regular meetings</p>

Position	Name	Status of Main Activities
		with auditors of the major subsidiaries, etc., based on audit policy and audit plans.

3. Matters Regarding Accounting Auditor

- (1) Name of Accounting Auditor
PricewaterhouseCoopers Aarata LLC
- (2) Amount of compensation, etc. of Accounting Auditor
 - i) Total amount of compensation the Company and its subsidiaries paid to Accounting Auditor
161 million yen
 - ii) Of i) above, the total amount of compensation the Company and its subsidiaries paid to Accounting Auditor in exchange for the work (audit certification work) stipulated by Article 2, Paragraph 1 of the Certified Public Accountants Act (Act No. 103 of 1948)
161 million yen
 - iii) Of ii) above, the amount of compensation the Company paid to Accounting Auditor for the work as an accounting auditor
51 million yen

Notes: 1. The audit agreement between the Company and Accounting Auditor does not and cannot practically distinguish between compensation for audit in accordance with the Companies Act and those in accordance with the Financial Instruments and Exchange Act. Therefore, the figures of iii) above represent total amount.

2. The Company's Audit Committee has checked the audit plan in terms of its appropriateness, validity and other aspects of its content, the basis for calculating audit compensation estimates, and details in that regard, taking into account the "Practical Guidelines for Cooperation with Accounting Auditors" released by the Japan Audit & Supervisory Board Members Association ("JASBA"), and upon review the committee has agreed on matters such as the compensation paid to the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act.

3. Of the Company's significant subsidiaries, H.U. America, Inc. is audited by certified public accountants or audit corporations (including those who possess equivalent qualifications in foreign countries) other than the Company's Accounting Auditor.

- (3) Policies for determination of dismissal or refusal of reelection

When Accounting Auditor is recognized as falling under the category stipulated by each Item of Article 340, Paragraph 1 of the Companies Act, the Audit Committee dismisses the Accounting Auditor based on the consensus of all the committee members. In this case, a committee member appointed by the Audit Committee reports the dismissal of the Accounting Auditor and the reason therefor at the first General Meeting of Shareholders to be held after the dismissal.

With taking the quality, effectiveness and efficiency of audits conducted by Accounting Auditor into the consideration, the Audit Committee also discusses reappointment or non-reappointment of Accounting Auditor every year. When details of the item to be resolved at General Meeting of Shareholders on non-reappointment of the Accounting Auditor are determined, a committee member appointed by the Audit Committee provides necessary explanation about the item at General Meeting of Shareholders.

4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System

(1) Basic idea on corporate governance

The Company brings about greater managerial efficiency based on its stated Mission to “Create new value in healthcare and thereby contribute to human health and the future of medical care,” as well as its Vision, Values and Traits. We fully recognize the vital importance of cooperation encompassing a wide range of stakeholders both inside and outside the Group. Accordingly, we are committed to the establishment of a corporate governance structure that encourages greater managerial transparency and accelerates proper decision-making.

(2) Details of corporate organizations, the system to ensure the appropriateness of business activities and the operating status of the system

The Company fully recognizes the importance of strong and thorough corporate governance and is committed to the establishment of a governance structure that encourages greater transparency and accelerates proper decision-making at all levels of oversight, management and operation.

Therefore, the Company adopted the “Company with Committees” corporate governance system (currently the “Company with Nominating Committee, etc.”) under the Companies Act on June 27, 2005, and moved to a holding company structure that controls the Group on July 1, 2005.

i) Corporate organizations

The Company chose to adopt Company with Nominating Committee, etc. with the aim of achieving clear separation of oversight and executive functions giving executive officers the authority to make decisions with greater speed and provide more effective management for the operation of the Group companies. In addition, in accordance with the Companies Act and the committee system, the Company has established three committees: the Nominating, Audit and Compensation Committees.

The Board of Directors receive reports from each committee and from the executive officers regarding information on current corporate operations and target management achievements. The Board is thus able to provide timely, comprehensive, and pertinent corporate oversight. Among the eight (8) members of the Board of Directors, the Company appoints six (6) as outside directors, each of whom is recognized as a leader in his or her respective field.

1) Matters regarding limited liability agreements

The Company amended the Articles of Incorporation at the 70th Ordinary General Meeting of Shareholders held on June 23, 2020, establishing provisions regarding limited liability agreements with directors (excluding directors who are an executive director, etc. stipulated in the Companies Act; hereinafter, “non-executive directors”).

An outline of the limited liability agreements entered into by the Company with all non-executive directors under the Articles of Incorporation is as follows:

- Limited liability agreements with non-executive directors

After execution of this agreement, the non-executive director shall, in the case of having performed his/her duties in good faith and without gross negligence with respect to the responsibility prescribed in Article 423, Paragraph 1 of the Companies Act, assume liability for damages up to the higher of 2 million yen or the minimum liability amount prescribed by law and regulations.

2) Outline, etc. of details of directors and officers liability insurance policy

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The scope of insureds under the insurance policy includes directors, executive officers, auditors, etc. of the Company and its subsidiaries, and the insureds do not bear any of the premiums. The insurance policy covers the legally mandated amount of indemnification, litigation expenses, etc. to be assumed by the insureds. However, in order that the proper performance of duties of the insureds is not impaired, losses arising from actions by the insureds such as breach of faith, criminal acts and fraudulent acts (including inaction) are not covered by the policy.

3) Number of directors

The Articles of Incorporation stipulate that the Company may have no more than ten (10) directors.

4) Requirement for resolutions to elect directors

The Company stipulates in its Articles of Incorporation that resolutions for election of directors are to be adopted by a majority of the voting rights of the shareholders present at a general meeting of shareholders where the shareholders holding at least one-third (1/3) of the voting rights of the shareholders who are entitled to exercise their voting rights are present, and not by cumulative voting.

5) Decision-making body for dividends of surplus

The Company stipulates in its Articles of Incorporation that matters involving dividends of surplus as prescribed in the items of Article 459, Paragraph 1 of the Companies Act may be determined by resolution of the Board of Directors, and that matters prescribed in the items of Article 459, Paragraph 1 of the Companies Act may not be determined by resolutions made at a general meeting of shareholders. The purpose of this is to ensure flexibility with respect to capital policy and return of profits to shareholders.

6) Exemption from liability as Director and Executive Officer

In accordance with Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation have a provision enabling the Company to exempt Directors (including former Directors) and Executive Officers (including former Executive Officers) from their liability in relation to actions stipulated under Article 423, Paragraph 1 of the same act within the limit provided by laws and regulations, upon a resolution of the Board of Directors. The provision is intended to create an environment in which Directors and Executive Officers can fully exercise their capabilities in performing their duties and fulfill their expected roles.

7) Requirement for a special resolution of the General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that resolutions of a general

meeting of shareholders pursuant to Article 309, Paragraph 2 of the Companies Act are to be adopted by a majority of two-thirds (2/3) or more of the voting rights of the shareholders in attendance where the shareholders holding at least one-third (1/3) of the voting rights of the shareholders who are entitled to exercise their voting rights are present. This provision is intended to enable smooth operation of general meetings of shareholders.

ii) Outline of the system to ensure the appropriateness of business activities

Based on the following basic policy, the Company ensures that business activities are executed appropriately.

1) Mission, Vision, and Values and Traits

<Mission>

H.U. Group creates new value in healthcare and thereby contributes to human health and the future of medical care.

<Vision>

With our deep involvement in human health, we aim to be a group that contributes to the development of healthcare through trust and innovation.

<Values and Traits>

[Customer Centricity]

- Respond to medical care and healthcare needs, exceed customer expectations

[Creation of New Value]

- Strive for global value creation first and foremost; take risks to challenge and innovate
- Think and execute with global perspective
- Lead with result-orientation, speed and efficiency

[Sincerity and Trust]

- Be sincere and trustworthy, act with transparency
- Communicate openly and constructively, beyond the boundaries
- Gain and maintain trust from all stakeholders

[Mutual Respect]

- Respect diverse values, experience, expertise and teamwork
- Praise and celebrate challenges and successes
- Grow and help others to grow

2) Code of Conduct

The Company, as a corporate group, has established the H.U. Group Code of Conduct so that all officers and employees of the Group can embody the high ethical standards that they are expected to meet in the performance of their duties, and ensure that the officers and employees practice it in daily corporate activities.

3) Matters regarding directors and employee(s) who is assigned to support duties of the Audit Committee

The Company shall establish the Secretariat of the Audit Committee as an organization under the Audit Committee. Employee(s) who is assigned to support the duties of the Audit Committee belongs to the Secretariat of the Audit Committee.

4) Matters regarding independence of directors and employee(s) in 3) from executive

officers

- Employee(s) of the Secretariat of the Audit Committee shall follow instructions of members of the Audit committee.
 - For appointment and reassignment of the employee(s) of the Secretariat of the Audit Committee and treatment such as evaluation and transfer of the employee(s), the Company shall give explanations to the Audit Committee in advance and obtain prior approval.
- 5) System of reporting from executive officers and employees to the Audit Committee and other systems of reporting to the Audit Committee
- The Audit Committee may have people other than members participate in a meeting as necessary, and ask them to report on the following items, in addition to items stipulated by laws and regulations.
- a) Overview of activities of departments involved in internal control of the Group
 - b) The Group's significant accounting policy, accounting standards and changes thereof
 - c) Details of important disclosure documents
 - d) Other matters to be reported as stipulated by the Company's internal rules
- 6) Other systems to ensure effective audit by the Audit Committee
- Members of the Audit Committee have authorities stipulated in the following items.
 - a) Authority to request other directors, executive officers, managers and other employees to report matters regarding execution of their duties
 - b) Authority to examine the status of the Company's business operations and assets
 - c) Authority to request the Company's subsidiaries or consolidated subsidiaries to report business operations or to examine the status of business operations and assets of the Company's subsidiaries or consolidated subsidiaries as necessary in order to exercise authorities of the Audit Committee
 - d) Other authorities regarding audit deemed necessary by the Audit Committee within the scope of laws and regulations
 - Directors, executive officers and employees who participate in a meeting of the Audit Committee by a request from the Committee are required to explain matters requested by the Committee.
 - A committee member appointed by the Audit Committee may participate in important meetings of the Company including the Group companies as necessary.
- 7) The system to ensure appropriateness of business activities of the company and the corporate group consisting of its parent company and subsidiaries
- To ensure appropriateness of business activities of the Company's subsidiaries by conducting operation and management of the subsidiaries based on the management rules of the subsidiaries and affiliates as well as the agreement on responsibilities and authorities of the officers of the subsidiaries.
 - To establish a management structure based on the following rules and ensure appropriateness of business activities of the corporate group.

- a) The company and major business subsidiaries shall be covered.
 - b) The purpose shall be to comply with laws and regulations pertaining to effectiveness and efficiency of business operations, credibility of financial reporting and business activities.
 - c) Based on the Risk Management Rules, risk management of the corporate group shall be promoted.
 - d) A flow chart of major business processes shall be created including those of business subsidiaries to standardize business operations and conduct adequate risk management.
 - e) The Internal Audit Department shall conduct an audit on the system of internal controls.
- The Internal Audit Departments of the Group companies shall report and exchange opinions on a regular basis and hold an audit liaison conference regularly in order to enhance cooperation between the Audit Committee and auditors of the Group companies.
- 8) System for storage and management of information on execution of duties by executive officers
- Each executive officer shall appropriately store and manage documents and other relevant information regarding execution of their duties in accordance with the Rules for Management of Documents for Execution of Duties.
- 9) Rules for management of risk of loss and other system
- Based on the “Risk Management Rules” and “Rules for the Risk Management Committee,” a risk management system shall be established, and the Risk Management Committee shall promote it to manage the risk of loss.
- 10) System to ensure efficient execution of duties by executive officers
- Each executive officer executes duties based on the Rules of Duties of Executive Officers.
 - Each executive officer holds discussions and makes a report as necessary at the Board of Executive Officers’ meeting based on the Rules for the Board of Executive Officers.
- 11) System to ensure compliance of execution of duties by executive officers and employees with laws and regulations and the Articles of Incorporation
- While the ethical standards that all the members of the Company are expected to meet are codified in the H.U. Group Code of Conduct, the H.U. Group Compliance Committee implements necessary measures based on the Rules for Management of the Compliance Committee to ensure compliance of execution of duties by executive officers and employees with laws and regulations, the Articles of Incorporation and the H.U. Group Code of Conduct.
 - The H.U. Group Compliance Committee detects illegal activities of the Company at an early stage and establishes and operates an internal reporting system in order to respond to it.
 - The Internal Audit Department conducts internal audits based on the Rules for Internal Audit.

iii) Outline of operational status of system to ensure appropriate execution of business operations

The following subsection provides an overview regarding implementation of the system for ensuring appropriate execution of business operations, with respect to the fiscal year under review.

- 1) Matters regarding audits performed by the Audit Committee
 - The Audit Committee consists of three (3) committee members and one (1) staff member. Each member participates in, or otherwise confirms content of the important meetings including Risk Management Committee. The Audit Committee also holds regular meetings with the Internal Audit Department and with the auditors of the major subsidiaries and directly conducts audits on the execution of duties as necessary, and the results of such activities are regularly reported to the Board of Directors. The Audit Committee exchanges ideas regularly with Accounting Auditor by requesting them to explain and report the initial audit plan, status of audits during the term and results of the year-end audit.
- 2) Matters regarding ensuring appropriate execution of business operations of the corporate group
 - Management within the Group is conducted in a manner ensuring that business operations are executed appropriately based on the “Rules of Duties of Executive Officers,” “management rules of the subsidiaries and affiliates,” “agreement on responsibilities and authorities of the officers of the subsidiaries” and other internal rules of the Company.
 - The Internal Audit Department reviews internal control system. Moreover, the Internal Audit Departments of respective Group companies report and exchange opinions on a regular basis.
- 3) Matters regarding management of risk of loss
 - Meetings of the Risk Management Committee are held regularly, in accordance with the “Risk Management Rules” and “Rules for the Risk Management Committee.” Moreover, risk assessment results and policies for addressing substantial risks faced by the Company and its major subsidiaries are reported to the Board of Directors.
- 4) Matters regarding compliance
 - The Internal Audit Department (eleven (11) members) conducts internal audits of the Company and its major subsidiaries and assesses internal control independently on a regular basis in order to ensure legality, accuracy and efficiency of management and business operations. The Department reports the audit results and status of follow-up to the Board of Directors and the Audit Committee.
 - Meetings of the H.U. Group Compliance Committee are held regularly, in accordance with “H.U. Group Code of Conduct.”
 - As part of its efforts to develop an internal reporting system, the Company has established the “H.U. Group Hotline” to report ethics and compliance concerns, and shares information regarding its operations with the Audit Committee. In

addition, the Company also raises awareness of its rules for ensuring confidentiality of those reporting concerns and furthermore prohibiting disadvantageous treatment of such individuals.

5. Basic Policy Regarding Control of the Company

- I. Basic Policy concerning Persons Controlling the Decision on the Financial and Operational Policy of the Company (Basic Policy concerning Persons Controlling the Decision on the Financial and Operational Policy of the Company as stipulated by Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act (Ordinance of the Ministry of Justice No. 12 of 2006))

The Board of Directors of the Company believes that the shareholders of the Company should make final decisions as to whether an offer to purchase shares is acceptable. In the event that the purchase of the shares of the Company is proposed, in order for the shareholders of the Company to make proper decisions, it is necessary for sufficient information to be provided to the shareholders of the Company through the Board of Directors of the Company.

In particular, the shareholders of the Company should be given information regarding the terms and conditions of the purchase (including fairness of price), the influence the purchase has on the management of the Company and its group, the management policy and business plan that the purchaser intends to adopt, etc.

However, in the event that the purchase of the shares of the Company is proposed, the shareholder or the Company may not be given sufficient time or information necessary to consider the terms and conditions of the proposal or any alternative plan. The proposed structure may coerce the shareholders to accept the proposal of the purchase. The proposed purchase price may be inadequate or inappropriate in light of the Company's intrinsic corporate value and the common interests of the shareholders. In such case, there will be a threat of severe damage to the Company's corporate value and the common interests of the shareholders.

The Company believes that a person who conducts or proposes an inappropriate Large-scale Purchase which will raise a threat of severe damage to the Company's corporate value and the common interest of the shareholders is not appropriate as a person in control of decisions on the financial and operational policy of the Company.

The Company decided, at a meeting of the Board of Directors held on May 23, 2007, to establish the above as our Basic Policy concerning Persons Controlling the Decision on the Financial and Operational Policy of the Company.

II. Efforts supporting achievement of the basic policy

We are making efforts to enhance the Company's corporate value and to serve the common interests of our shareholders through the sound execution of the Medium-term Business Plan by proactively providing returns to shareholders and further strengthening the Company's corporate governance structure. We believe that the measures explained below will support the achievement of our basic policy described in Section I above. We believe it is obvious that the following initiatives, considering the details, do not undermine common interests of our shareholders and are not intended to maintain the status of company directors and officers.

1. Efforts to enhance the Company's corporate value and to serve the common interests of shareholders through execution of the Medium-term Business Plan

In the business environment where the Group operates, demographic aging and the introduction of advanced medical treatments are among the factors driving a projected increase in medical care costs. On the other hand, the worsening financial position of medical institutions and declining specimen testing fees, together with pressure to limit medical care costs, are expected to lead to continued difficult conditions for the Japanese clinical testing market. Nevertheless, new opportunities for growth have also arisen despite the policy of restricting medical costs. Reorganization resulting in a reduction in the number of hospitals and hospital beds has led to growing demand for in-home healthcare services and preventive medicine, while medical and IT technologies continue to advance. Given these trends, the business environment is in a state of constant evolution.

We are also faced with fast-developing short-term changes—including the altered patterns of consumer behavior and the reduction in outpatient consultations due to the COVID-19 pandemic—to which we need to find an appropriate response.

The overseas clinical testing market is experiencing growth, mainly in emerging countries, but in developed countries the effort to limit social security costs continues to result in stagnant growth. Moreover, regulatory changes in individual countries have led to increased registration costs, contributing to a continuing challenging environment for business.

In response to these trends in the business environment, the Company have formulated its Medium-term Business Plan, with its final fiscal year being the fiscal year ending March 31, 2025, in September 2020. An overview of the plan is described in “Outline of Medium-term Business Plan, ‘H.U. 2025—*Hiyaku* & United’,” “(4) Issues to be addressed” of “1. Matters regarding current status of corporate group.”

2. Efforts to enhance the Company's corporate value and to serve the common interests of shareholders through proactively providing returns to shareholders

The Company remains committed to the goal of actively returning profits to our shareholders mainly through dividends, while striving to attain the level of retained earnings needed for the Company to adequately address upcoming changes in the business environment and also to invest in M&A, R&D, and other future growth opportunities.

3. Efforts to enhance the Company's corporate value and to serve the common interests of shareholders through the further strengthening of the corporate governance structure

The Company has adopted a “Company with Committees” (currently “Company with Nominating Committee, etc.”) corporate governance system in June 2005, leading to clear separation of the monitoring and execution functions as well as the establishment of an execution structure which allows for speedy operational implementation. From a corporate governance perspective, six (6) of the eight (8) board members are outside directors with high independency. Furthermore, we have established three committees:

the Nominating, Audit and Compensation Committees in accordance with laws and regulations, and continued efforts aimed at promoting fairness and transparency are being implemented. With respect to incentives and compensation, we have positioned the enhancement of corporate value and the common interests of our shareholders as our top priorities and have adopted a performance-linked compensation plan for executive officers, while eliminating the retirement benefits system which was not highly correlated with performance and introducing a share-based compensation plan aimed to align interest between our shareholders and the officers and employees of the Company. Compensation provided to such officers and directors are disclosed in our annual securities reports, and business reports. We have further implemented various measures to stimulate activity at shareholders' meetings and to facilitate the exercise of voting rights, such as sending notice of shareholders' meetings at least 3 weeks in advance in order to secure sufficient time for our shareholders to appropriately exercise their voting rights and changing the date of shareholders' meetings to avoid the major concentration of shareholders' meetings at the end of June. Amid the persisting risk of further COVID-19 transmission, we are placing top priority on ensuring the health and safety of our shareholders in holding the 72nd Ordinary General Meeting of Shareholders and have accordingly taken measures that include using a lottery system again at this year's meeting, taking shareholder questions in advance, and streaming the proceedings of the meeting live online. Realizing the importance of maintaining and strengthening an appropriate governance structure, we have also established a basic policy for our internal control system and have established an infrastructure to ensure proper business operations as a corporate group by reinforcing the framework for audits by the Audit Committee and by creating control guidelines for the entire group, including subsidiaries and affiliates.

- III. Efforts above being in line with the basic policy of I above and not undermining the common interests of shareholders, nor being intended to maintain the status of the company directors and officers and reasons thereof

The abovementioned efforts are for making maximum use of the Company's assets, making appropriate allocations of profits for securing retained earnings required to maintain and improve revenue and providing returns to our shareholders and maintaining and enhancing the adequate corporate governance system, thus contributing to enhancement of the Company's corporate value, and serving the common interests of shareholders of the Company. Therefore, the efforts above are in line with the basic policy and do not undermine the common interests of shareholders, nor are they intended to maintain the status of the Company's directors and officers.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2022)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	132,542	Current liabilities	70,755
Cash and deposits	46,490	Notes and accounts payable - trade	21,307
Notes and accounts receivable - trade, and contract assets	59,238	Electronically recorded obligations - operating	1,025
Investments in leases	221	Current portion of long-term borrowings	3,621
Merchandise and finished goods	5,148	Lease liabilities	4,029
Work in process	6,605	Accounts payable – other	14,921
Raw materials and supplies	7,731	Income taxes payable	5,834
Other	7,781	Provision for bonuses	6,870
Allowance for doubtful accounts	(675)	Other	13,144
Non-current assets	153,923	Non-current liabilities	75,653
Property, plant and equipment	76,520	Bonds payable	35,000
Buildings and structures	21,227	Long-term borrowings	18,700
Machinery, equipment and vehicles	5,017	Lease liabilities	11,649
Tools, furniture and fixtures	14,777	Retirement benefit liability	5,470
Land	10,488	Asset retirement obligations	1,046
Leased assets	13,645	Provision for share awards	572
Construction in progress	11,363	Provision for compensation loss	709
Intangible assets	34,406	Provision for loss on guarantees	1,414
Goodwill	201	Other	1,089
Customer-related intangible assets	897	Total liabilities	146,408
Software	22,250	NET ASSETS	
Leased assets	779	Shareholders' equity	136,060
Software in progress	8,088	Share capital	9,231
Other	2,188	Capital surplus	24,953
Investments and other assets	42,996	Retained earnings	103,957
Investment securities	8,300	Treasury shares	(2,081)
Long-term loans receivable	4,212	Accumulated other comprehensive income	4,045
Guarantee deposits	18,286	Valuation difference on available-for-sale securities	1,620
Deferred tax assets	7,387	Foreign currency translation adjustment	3,997
Other	4,975	Remeasurements of defined benefit plans	(1,573)
Allowance for doubtful accounts	(165)	Share acquisition rights	72
Deferred assets	121	Total net assets	140,178
Bond issuance costs	121	Total liabilities and net assets	286,587
Total assets	286,587		

CONSOLIDATED STATEMENT OF INCOME

From: April 1, 2021
To: March 31, 2022

(Unit: Millions of yen)

Net sales		272,944
Cost of sales		161,145
Gross profit		111,799
Selling, general and administrative expenses		61,308
Operating profit		50,490
Non-operating income		
Interest income	45	
Dividend income	31	
Dividend income of insurance	27	
Rental income	66	
Outsourcing service income	14	
Foreign exchange gains	335	
Gain on investments in capital	1,009	
Other	161	1,693
Non-operating expenses		
Interest expenses	395	
Rental expenses	36	
Share of loss of entities accounted for using equity method	2,342	
Provision for loss on guarantees	1,414	
Other	571	4,761
Ordinary profit		47,422
Extraordinary income		
Gain on sale of non-current assets	174	
Gain on reversal of share acquisition rights	40	
Other	59	274
Extraordinary losses		
Loss on retirement of non-current assets	347	
Loss on sale of non-current assets	447	
Impairment losses	2,173	
Loss on valuation of investment securities	676	
Loss on valuation of other investments	782	
Business restructuring expenses	680	
Other	1,265	6,373
Profit before income taxes		41,323
Income taxes - current	9,904	
Income taxes - deferred	1,806	11,710
Profit		29,612
Profit attributable to non-controlling interests		13
Profit attributable to owners of parent		29,599

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April 1, 2021

To: March 31, 2022

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,184	24,906	83,269	(1,583)	115,775
Cumulative effects of changes in accounting policies			6		6
Restated balance	9,184	24,906	83,275	(1,583)	115,781
Changes during period					
Issuance of new shares - exercise of share acquisition rights	14	14			29
Issuance of new shares - restricted stock	32	32			65
Dividends of surplus			(8,917)		(8,917)
Profit attributable to owners of parent			29,599		29,599
Purchase of treasury shares				(498)	(498)
Net changes in items other than shareholders' equity					
Total changes during period	47	47	20,681	(498)	20,279
Balance at end of period	9,231	24,953	103,957	(2,081)	136,060

(Unit: Millions of yen)

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(152)	400	(828)	(579)	116	(13)	115,298
Cumulative effects of changes in accounting policies							6
Restated balance	(152)	400	(828)	(579)	(116)	(13)	115,305
Changes during period							
Issuance of new shares - exercise of share acquisition rights							29
Issuance of new shares - restricted stock							65
Dividends of surplus							(8,917)
Profit attributable to owners of parent							29,599
Purchase of treasury shares							(498)
Net changes in items other than shareholders' equity	1,773	3,597	(744)	4,625	(44)	13	4,594
Total changes during period	1,773	3,597	(744)	4,625	(44)	13	24,873
Balance at end of period	1,620	3,997	(1,573)	4,045	72	-	140,178

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2022)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	51,979	Current liabilities	56,703
Cash and deposits	38,340	Current portion of long-term borrowings	3,621
Accounts receivable - trade	449	Accounts payable - other	2,359
Prepaid expenses	456	Accrued expenses	412
Short-term loans receivable from subsidiaries and associates	725	Income taxes payable	1,904
Accounts receivable - other	11,866	Deposits received	47,263
Other	346	Unearned revenue	1
Allowance for doubtful accounts	(206)	Provision for bonuses	928
Non-current assets	121,644	Other	211
Property, plant and equipment	4,743	Non-current liabilities	58,224
Buildings	1,546	Bonds payable	35,000
Tools, furniture and fixtures	978	Long-term borrowings	18,700
Land	1,706	Provision for share awards	572
Leased assets	412	Provision for retirement benefits	559
Construction in progress	99	Provision for compensation loss	709
Intangible assets	1,427	Provision for loss on guarantees	2,157
Software	1,082	Other	525
Leased assets	153	Total liabilities	114,928
Other	191	NET ASSETS	
Investments and other assets	115,473	Shareholders' equity	56,966
Investment securities	1,218	Share capital	9,231
Shares of subsidiaries and associates	48,107	Capital surplus	24,953
Bonds of subsidiaries and associates	38,500	Legal capital surplus	24,953
Investments in capital	3,598	Other capital surplus	0
Investments in capital of subsidiaries and associates	1,140	Retained earnings	24,863
Long-term loans receivable from subsidiaries and associates	8,716	Legal retained earnings	928
Guarantee deposits	16,634	Other retained earnings	23,935
Deferred tax assets	1,493	Retained earnings brought forward	23,935
Other	175	Treasury shares	(2,082)
Allowance for doubtful accounts	(4,112)	Valuation and translation adjustments	1,777
Deferred assets	121	Valuation difference on available-for-sale securities	1,777
Bond issuance costs	121	Share acquisition rights	72
Total assets	173,744	Total net assets	58,816
		Total liabilities and net assets	173,744

NON-CONSOLIDATED STATEMENT OF INCOME

From: April 1, 2021
To: March 31, 2022

(Unit: Millions of yen)

Operating revenue		
Dividend income	12,206	
Service revenue	4,926	17,132
Operating expenses		8,389
Operating profit		8,743
Non-operating income		
Interest income	217	
Gain on investments in capital	1,009	
Foreign exchange gains	179	
Other	55	1,461
Non-operating expenses		
Interest expenses	108	
Interest on bonds	115	
Provision of allowance for doubtful accounts	3,462	
Provision for loss on guarantees	2,157	
Other	138	5,982
Ordinary profit		4,223
Extraordinary income		
Gain on reversal of share acquisition rights	40	40
Extraordinary losses		
Loss on retirement of non-current assets	0	
Loss on valuation of investment securities	676	
Loss on valuation of shares of subsidiaries and associates	502	
Provision for compensation loss	193	
Other	120	1,493
Profit before income taxes		2,769
Income taxes - current	(5,324)	
Income taxes - deferred	2,221	(3,103)
Profit		5,872

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April 1, 2021
To: March 31, 2022

(Unit: Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
					Retained earnings brought forward				
Balance at beginning of period	9,184	24,906	0	24,906	928	26,980	27,908	(1,584)	60,414
Changes during period									
Issuance of new shares - exercise of share acquisition rights	14	14		14					29
Issuance of new shares - restricted stock	32	32		32					65
Dividends of surplus						(8,917)	(8,917)		(8,917)
Profit						5,872	5,872		5,872
Purchase of treasury shares								(498)	(498)
Net changes in items other than shareholders' equity									
Total changes during period	47	47	—	47	—	(3,045)	(3,045)	(498)	(3,447)
Balance at end of period	9,231	24,953	0	24,953	928	23,935	24,863	(2,082)	56,966

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(35)	(35)	116	60,494
Changes during period				
Issuance of new shares - exercise of share acquisition rights				29
Issuance of new shares - restricted stock				65
Dividends of surplus				(8,917)
Profit				5,872
Purchase of treasury shares				(498)
Net changes in items other than shareholders' equity	1,813	1,813	(44)	1,769
Total changes during period	1,813	1,813	(44)	(1,678)
Balance at end of period	1,777	1,777	72	58,816