H.U.GROUP

H.U. Group Holdings, Inc.

Integrated Report 2022

Group Mission, Vision

Mission

Create new value in healthcare and thereby contribute 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

The Statement of H.U. Group

Healthcare for You

What we hold dear is
the starting point for the creation of a prosperous future.
That is, the health of each and every person.

Because we have been watching over people's health for many decades,
we are able to change the future of medical care
and create new possibilities in healthcare.

We will continue the challenge
to deliver optimal healthcare to each individual.

We will move forward, unceasingly.
Healthcare for You
For your health, for your future happiness.

Editorial Policy

This report consists of important information from the relevant fiscal periods on management strategy, its state of progress, and sustainability. It is intended for a wide range of H.U. Group stakeholders to help them understand the Group better. Please visit our website for more detailed information (Financial Results, reports on corporate governance, detailed sustainability information) as indicated on the right of this page.

Scope of report
The business performance data in this report includes consolidated Group companies. The information on sustainability includes some data from outside the scope of the rest of the report. All data are presented with an indication of the scope covered.

Time period covered by disclosed information
As this report is issued in October 2022, it contains mainly information on fiscal 2021 (ended March 31, 2022) and the first half of fiscal 2022 (ending March 31, 2023).

Forward-looking statements
The predicted performance figures found within this integrated report are based on determinations made by our management team obtained from the information available at this point in time. They were prepared on the basis of numerous assumptions and opinions obtained based on information that includes enormous risks and uncertainty. Please note that our actual performance results may differ from these performance predictions due to a variety of different factors. Factors that could foreseeably impact our performance include, but are not limited to, a deterioration of the economic climate, exchange rate fluctuations, changes to legal or governance systems, delays in bringing new products to market, pressure resulting from the product strategies of our competitors, decreased selling power for our existing products, and the discontinuation of sales.

Website disclosure **https://www.hugp.com/en/**

H.U. Group
https://www.hugp.com/en/group/

Presents an overview of the H.U. Group

- Corporate Information
- Group Mission, Vision
- CEO Message, etc.

Sustainability
https://www.hugp.com/en/csr/

Presents the H.U. Group's sustainability initiatives

- Materiality
- Information on Subcommittees
- ESG Performance Data, etc.

Our Business
https://www.hugp.com/en/group/business/

Presents information on the H.U. Group's businesses

- Lab Testing and its related Services
- In Vitro Diagnostics
- Healthcare-related Services
- Research & Development, etc.

Investor Relations
https://www.hugp.com/en/ir/

Presents business plans, financial results, and financial highlights, etc.

- Medium-term Plan
- IR Presentation
- Securities Report, etc.

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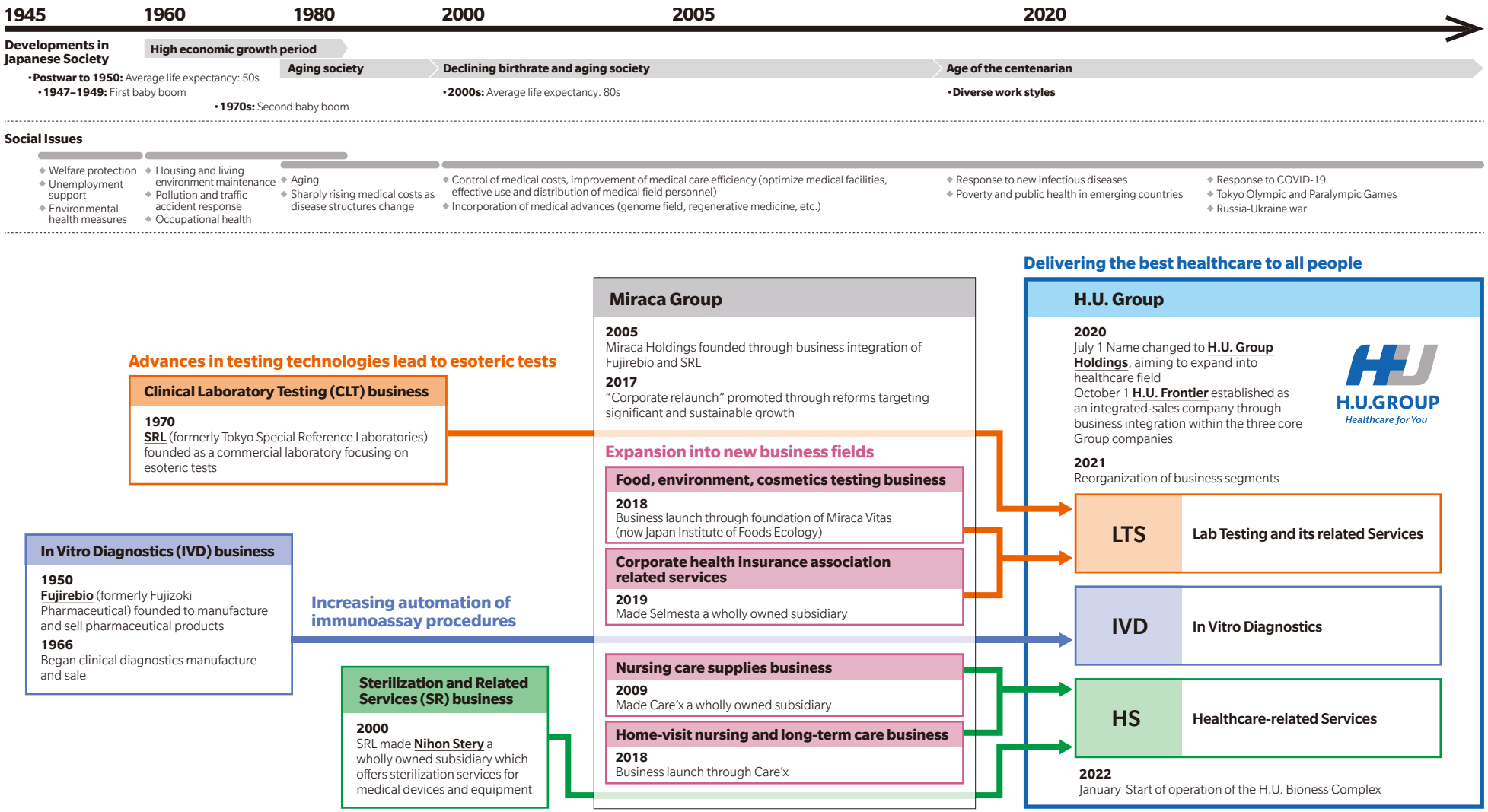
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The Evolution of the H.U. Group





Message from the CEO

Looking ahead to the post-COVID era, we will work for further growth by continuing initiatives to strengthen the business foundation and drive structural reform.

Shigekazu Takeuchi

Director, President and Group CEO
H.U. Group Holdings, Inc.

Future outlook following a year of drastic change in the business environment

The fiscal year ended March 2022 once again saw a major impact from the COVID-19 pandemic. Japan's first cases were discovered in January 2020, and we began providing PCR testing on February 12. From then on, we offered comprehensive testing support at airport quarantine stations and worked to enhance our range of products and services, which included developing antigen test reagents and improving user-friendliness. At first, we thought that the pandemic would be over within two years. However, with a new record peak in infections in July 2022, there is still no definitive end in sight. Our main goal in this situation is to make progress with our current medium-term plan without being impacted by fluctuation in the volume of testing caused by outside factors. Because of the prolonged pandemic situation, there have been some difficulties in securing the resources required for regular business operations. Nevertheless, we will continue working toward our targets with no change in the essentials of the current medium-term plan in terms of important themes and business expansion objectives. An important task going forward, as we anticipate the post-COVID era, is to reset the base business on the growth trajectory envisaged at the time when the medium-term plan was formulated. On the cost front, we will take active measures to gradually reduce the fixed costs made necessary by our COVID-19 response and to reform the cost structure across the corporate organization in line with our future growth and business strategies.

Progress to medium-term consolidated financial targets

	Medium-term Plan H.U.2025	FY2021 Performance	Progress
Net Sales CAGR	6% or more	20.3%*1	✓
EBITDA margin	18% or more	23.9%	✓
Operating profit margin	10% or more	18.5%	✓
ROE	12% or more	23.2%	✓
ROIC	8% or more	15.4%	✓
Net interest-bearing debt to EBITDA (excl. lease obligations)	End of FY2024: 1.3x or less (2.5x or less during the medium-term plan)	0.17 times	✓
Equity ratio (excl. real estate finance)	40% or more	48.9%	✓
Five-year cumulative operating cash flow	¥150 billion or more	¥90.8 billion*2	✓
Five-year cumulative free cash flow	¥50 billion or more	¥31.7 billion*2	✓

*1 CAGR vs. FY2019
*2 Two-year cumulative

Toward full-scale operation of the H.U. Bioness Complex

Our business environment has changed radically since the formulation of the medium-term plan in September 2020. We have responded with a course correction in our business activities where necessary in order to respond to the global economic stagnation arising from the protracted COVID-19 pandemic and the pressure on the energy supply created by

Change in medium-term plan assumptions

Initial assumption (September 2020)	Current assumption
1. COVID-19 impact limited to first half-year (not factored into plan from 2022 onward)	1. COVID-19 related tests continue to generate business due to the prolonged pandemic
2. Profit expansion phase centered on H.U. Bioness Complex to begin in latter half of plan period	2. H.U. Bioness Complex to have phased opening resulting in delayed recording of both the positive effect of improved profitability and the negative effect of depreciation expenses
3. Reorganization of laboratories including opening of New Kansai Laboratory to be completed during plan period	3. Revision of the New Kansai Laboratory plan due to steeply rising material prices

Message from the CEO

the situation in Ukraine.

At the time of its formulation, the medium-term plan envisaged that we would begin reaping the benefit of the H.U. Bioness Complex at Akiruno from January 2022, when it was due to start operating. However, technical adjustments became necessary on the automated conveyor line along with additional validation of some equipment. Coupled with the delay in all validation processes that arose as we sought to respond to COVID-19 testing needs, this meant that we were forced to switch to a phased operational start.

Our aim with the H.U. Bioness Complex is to automate the entire process from specimen receipt to specimen storage, so as to completely eliminate human manual input. Realizing the world's first fully automated advanced testing system was a high hurdle and the required adjustments consumed a large amount of time, but we were finally able to begin operating the automated conveyor line in July 2022. We have been proceeding in parallel with the resolution of other issues in order to perfect the system and bring all equipment on stream in October 2022. We envisage May 2023 as the completion date for all phases of the plan, including the transfer of the invoicing system.

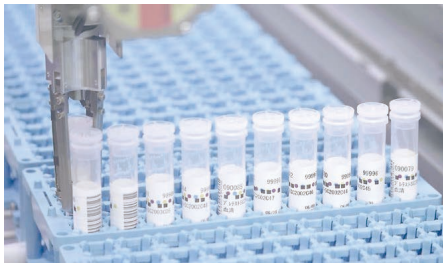
Revised timeline for H.U. Bioness Complex

Plans in progress toward full operation by the start of FY2023

FY2022 Q2	Start of operation of the automated conveyor line (Continuing validation and response to residual issues)
FY2022 Q3	Full operation of all equipment
	Start of system transfer operation (Successive transfer of invoicing and other systems from Hachioji to Akiruno)
FY2023 Q1	Full-scale operation including the systems (May)



One of the world's largest fully automated processing lines





Automated conveyor line

Acceleration of base business growth

The consolidated net sales target for the fiscal year ending March 2023 envisages a 7% year-on-year decrease due to a decline in the volume of COVID-19-related testing. However, we have set an 8% growth target for base business excluding this area of testing. In the LTS business, we will work to expand operations through gene-related testing, including cancer genome testing. We will also aim to increase the volume of on-site testing and attract business from general practitioners, which are the pillars of our strategy. In the IVD business, we will look to strengthen the contract development and manufacturing organization (CDMO) business and to expand the development, manufacture, and sale of reagents, concentrating on the Lumipulse brand. Going forward, we will accelerate base business growth in order to build a solid business foundation resilient to change in the operating environment.

1. Lab testing and its related services (LTS) business

In the LTS business, we will expand on-site testing and accelerate the securing of customers in the general practitioner market. On the sales front, to increase the demand for processing at the H.U. Bioness Complex, our integrated sales company H.U. Frontier, Inc. has put in place a structure for one-stop provision to medical institutions of the Group's combined capabilities in areas from testing to sterilization, thus enabling it to roll out a full-scale promotional campaign. The integration of sales functions is bringing increasingly clear benefits and can also be expected to contribute to base business expansion going forward.

Advanced tests have so far been a main factor in sales growth. As this is expected to offer a significant competitive edge going forward, we are putting in place a structure that can respond swiftly. Specifically, with rapid progress in the fields of cancer genome and other gene-related testing and regenerative medicine, the H.U. Group will support advances in these areas by developing structures able to respond to all testing needs.

Meanwhile, as part of our initiative for improved profitability, we are working in alliance with MEDIPAL HOLDINGS to promote shared logistics as a means of raising efficiency in collection and distribution operations. This will enable the two companies to reduce their combined vehicle fleet by approximately 20%. In addition to cutting management costs, we

Message from the CEO

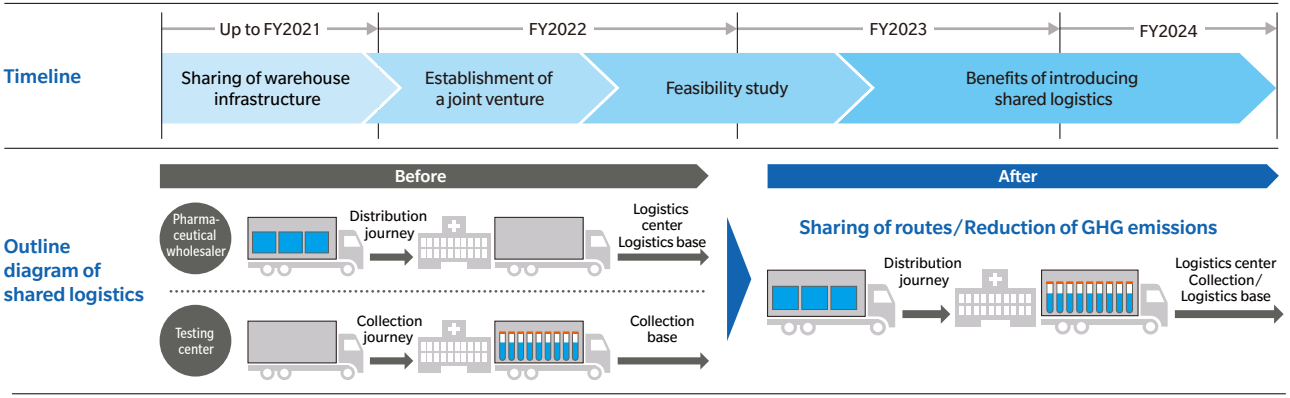
believe that this will also contribute to decreasing greenhouse gas emissions from transport operations. This alliance will also enable us to contribute to the building of a collection and distribution platform in the Japanese medical care industry.

2. In vitro diagnostics (IVD) business

In the last two years, the IVD business has seen significant growth in both net sales and profit as COVID-19 boosted the demand for qualitative antigen testing and high-sensitivity quantitative antigen testing. In addition, the launch of the medium-term plan three years ago brought a significant alteration in the strategic direction of the IVD business. In a major departure from the previous strategy of expanding Lumipulse sales on a global basis, we shifted our focus to strengthening the CDMO business, which develops and manufactures distinctive reagents with competitive potential that are compatible with other reagent manufacturers' equipment platforms and needs. As a result, we have been able to conclude contracts with numerous overseas partners and have successfully launched a development and manufacturing operation based on customer specifications. This strategic change of course has delivered tangible results.

Nevertheless, expansion of the Lumipulse business in the Japanese domestic market remains essential to the continued creation of new and distinctive reagents. The H.U. Group's portfolio of test items and our antibody purification technology are highly rated not only within Japan but also by overseas industry competitors. That reputation sets up a virtuous circle of business expansion, with high expectations in the development of new reagent items generating increasing numbers of CDMO-related inquiries from around the world. It will be important for future growth to establish this recurring pattern of first bringing the required new reagents swiftly to market and then supplying them widely to other companies through the CDMO business. Alzheimer's disease-related testing is one of the key initiatives of the IVD business. We believe that our acquisition in 2022 of ADx NeuroSciences NV, which supplies raw material resources and proprietary technologies in the neurological disease field, has strengthened our presence as a pioneer in this test market.

Alliance with MEDIPAL HOLDINGS



In the domestic Lumipulse business, we are steadily expanding customer contacts through H.U. Frontier, Inc., which was established to integrate Group sales functions. During the COVID-19 pandemic, the number of Lumipulse units installed for use in antigen testing has seen a large increase. Going forward, our task is to explore how we can leverage this equipment platform to drive increased sales of other reagents. In the fall of 2021, the ban on the sale of ESPLINE antigen test kits at pharmacies was lifted. We see this as a promising steppingstone to expanding the business-to-consumer sector, which is one of our objectives going forward.

3. Healthcare-related Services (HS) business

The HS business consists of the sterilization-related business and the home-visiting and welfare business. In the sterilization-related business, we will utilize the marketing capabilities of H.U. Frontier, Inc. to target further business growth, building on the strong market share we have maintained and on our strong reputation for service quality. The home-visiting and welfare business is centered on home-visit services provided by qualified nurses. For the aging society of the future, we see "home-visiting" as a keyword. We believe that we can achieve steady growth in the home-visit nursing business and the medical device and nursing care equipment leasing business. Specifically, based on the forecast of rapid expansion going forward for the home-visit nursing business, we will work in coordination with medical institutions to explore in greater depth the ideal profile for the home-based healthcare services that we deliver, thus pursuing new value creation.

Approach to human resource development and related initiatives

On sustainability, business enterprises need to lead the way in delivering value that anticipates social needs. At the same time, there can be no doubt that human resources are the most important factor in enabling business enterprises to achieve a sustained increase in their own corporate value. Business enterprises run on the combined abilities of the people who work for them. We believe that achieving future growth

Message from the CEO

requires an even greater focus on nurturing human resources.

To raise the level of knowledge and ability of each individual employee and thereby cultivate independently motivated and dynamic human resources, in January 2022, we established the H.U. Business College. Rather than universal employee training, we decided that the college would offer courses only to volunteers. The reality, however, was that we had approximately 140 applicants for a total of 40 training places. This underlines a change in the mindset of employees, who are now eager to improve their skills and achieve personal growth. Going forward we will continue the training activities of the H.U. Business College and offer previous course graduates the opportunity for further development by enhancing and expanding the educational program. In 2021, we enhanced our e-learning program, which enables employees to follow their desired course of training online at their own convenience. In 2022, we plan to introduce an educational program focusing on specialist expertise to allow employees to acquire the skills needed by laboratory testing professionals and sales professionals.

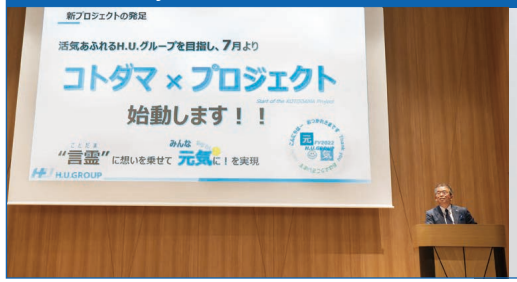
Another initiative in 2022 saw the launch of the Kotodama x Project to encourage employees to exchange proper daily greetings. The aim is to vitalize communication within the Company by asking all employees to take greater care in observing customary greetings. This means not merely uttering the greeting, but also using it to convey the meaning behind it based on the idea that words have inherent power (kotodama). In this way, the project also aims to change behavior by changing mindsets.

Enhancing corporate governance

1. Transparency of the governance and future management structure

We have adopted the structure of "a company with three committees." Accordingly, the Board of Directors consists of two internal and six outside directors, a highly progressive composition by Japanese standards. What is important is not the mere appearance of a separation between oversight and executive functions, but rather the effective functioning of a framework in which equitable discussion can take place between those of us whose dedicated role is to run the business and those who perform checks from an objective standpoint. In particular, I am happy to say that, where important matters are concerned, the Board always engages in open discussion and offers opinions from a wide range of viewpoints. We also hold strategy meetings with a medium- to long-term focus three times a year, at which we discuss with the outside directors the strategic direction the Company should take. The cultivation of leaders and creation of a management structure for the next generation are also important governance themes, which we have only just begun to discuss. Although these are not matters where an immediate conclusion can be reached, they are frequent subjects for exchange of opinions on the Nominating Committee.

Kotodama x Project



Our company president makes a personal presentation to all employees



Kotodama badges



2. Fulfilling our social mission through business activity

As a business enterprise coexisting with society, we have the mission of supporting medical care in Japan through testing. By testing the specimens entrusted to us and returning detailed information to the medical frontline, we make it possible for patients to receive the appropriate medical treatment. We therefore think that test data represent one of the most important elements in providing medical treatment. Precisely because we believe that our company plays an important role in the medical treatment process, we see it as our unchanging social responsibility to "never let testing stop."

To that end, the Testing Laboratory Building and R&D Building of the H.U. Bioness Complex have a quake-resistant structure able to withstand an earthquake of intensity level 7. Limiting the degree of indoor vibration protects precision equipment from damage so that testing operations are not impacted. The facility is additionally provided with electric power generating facilities and water tanks so that normal operations can be maintained for three days in the event of a power outage or interruption of the water supply. These are all important considerations in fulfilling our entrusted social mission.

Going forward, we will be restructuring our nationwide network of laboratories. As part of this, the H.U. Bioness Complex must be the one facility that does not sustain major damage in any kind of disaster. In the event of a major disaster that knocks out all domestic laboratories, we wanted to make sure that the H.U. Bioness Complex could continue operating to perform the necessary testing. We therefore took comprehensive measures to mitigate damage and facilitate recovery. To support medical care in Japan through testing, we also intend to make sure that our business continuity plan (BCP) is failsafe. I am confident that these measures will enable the H.U. Group to continue fulfilling its mission.

Part I
Growth Strategies

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Amyloid beta 1-40 (plasma) measuring reagent (IC)

Fully automated chemiluminescence enzyme immunoassay system LUMIPULSE® L2400



Rapid antigen test kit ESPLINE® SARS-CoV-2 N

Special Feature

Initiatives in the IVD business

We will accelerate growth by rolling out a new global strategy under a tripolar structure with bases in Japan, the United States, and Europe.

Europe



Fujirebio Europe N.V. (Belgium)

Japan



Sagamihara factory, Fujirebio, Inc.

United States



Fujirebio Diagnostics, Inc. (US)

The IVD business is implementing and managing its new global strategy through a global structure.

In 2017, we established Fujirebio Holdings, Inc., to form a global group uniting under its control subsidiaries including Fujirebio, Inc. in Japan, Fujirebio Diagnostics, Inc. in the United States, and Fujirebio Europe N.V.

Each month, we hold a management team meeting to bring together the three management poles in Japan, the United States, and Europe to discuss changes in the Group's business environment, strategic issues, and other relevant matters. Of the 15 management team members, seven are Japanese nationals, who are thus in the minority.

The management team meeting is the forum for discussion and decision-making on new business development, partnership management, and implementation of global projects based on an understanding of conditions in each country. This has resulted in steady progress with not only existing business but also the securing of new business opportunities.

In July 2022, we acquired all shares in the Belgian company ADx NeuroSciences NV (ADx), which thereby became a subsidiary.

ADx is a globally recognized biotechnology enterprise that, since its foundation in 2011, has developed biomarkers specific to the neurological disease field, including notably Alzheimer's disease. ADx provides a wide range of raw materials, technology, and other cutting-edge resources in the biomarker sector and has collaborated with pharmaceutical companies and IVD providers worldwide to develop and commercialize new product items. By gaining access to ADx's wide-ranging portfolio of raw materials, cutting-edge technologies, and other resources in the neurological disease field, we seek not only to accelerate the expansion of our dedicated reagent range for the in-house Lumipulse platform, but also to enhance the range of items we can supply to IVD providers worldwide through our contract development and manufacturing organization (CDMO) strategy.

Special Feature: Initiatives in the IVD business

We will accelerate growth by rolling out a new global strategy under a tripolar structure with bases in Japan, the United States, and Europe.

Post-COVID change in the global market environment

The H.U. Group envisages three trends driving change in the global IVD market environment after the end of the COVID-19 pandemic. These are (1) intense competition to gain customers, (2) acceleration of the horizontal division of labor, (3) reorganization of the testing sector.

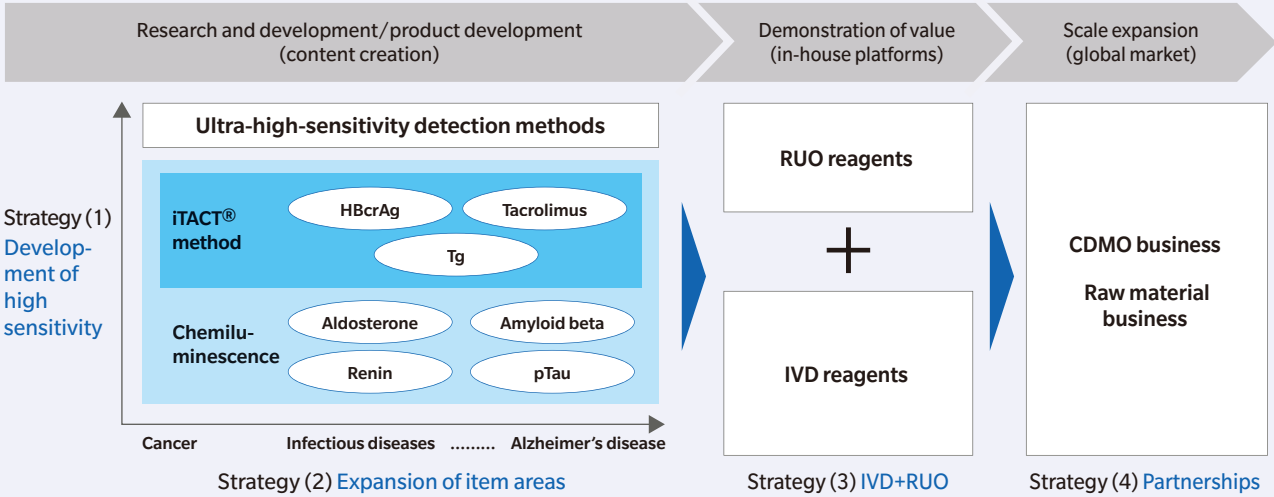
The background to the first of these, intense competition to gain customers, is that the provision of "total solutions" across multiple testing areas has become common practice, leading to consolidation among IVD providers. Additionally, increasingly complicated regulatory registration procedures in each national market have resulted in higher maintenance costs for existing products. Our strategic conclusion is that product range and scale will become key success factors for the industry.

The second trend, acceleration of the horizontal division of labor, is also apparent in the pharmaceutical industry. We believe that it will likewise progress globally in the diagnostic reagent industry. As companies globally face an increasing need to swiftly enhance their product range, we expect to see accelerated outsourcing of new marker research, reagent development, and manufacturing processes. Our strategic conclusion is that the reagent CDMO market is an area of expansion within the global diagnostic reagent industry, and there are signs of this expansion already.

The third trend is reorganization of the testing sector. Going forward, we believe that testing will become increasingly polarized between general and esoteric items and additionally that there will be new market entrants in the immunoassay sector. Due to lack of space for equipment installation and the cost of recruiting and training medical technologists, we foresee rising demand for the consolidation of multiple units into one. In the immunoassay sector, the demand for commercialization of new technology to complement current chemiluminescence will become a key point in each company's equipment platform strategy.

The following, we believe, are the three core strengths that we need to develop in the competitive environment of the future. (1) Ability to create "world-first" items and technologies, (2) ability to utilize raw materials for reagent development and commercialization, and (3) infrastructure to demonstrate the value of new items and technologies. We carry out R&D and reagent manufacture through a tripolar structure with bases in Japan, the United States, and Europe. We are working to enhance our core strengths by advancing with activities from new technology research to patent application and by expanding in-house manufacture of antigens, antibodies, particles, substrates, and other raw materials.

IVD business strategy



Key points of the new global strategy

Fujirebio benefits from the Group strength of being able to rapidly evaluate reagents developed for our Lumipulse and ESPLINE in-house platforms by supplying them to our subsidiary SRL, Inc. Through this activity, we are able to demonstrate in Japan the clinical value of products developed. Additionally, we have the ability to undertake customized development of reagents for other manufacturers' platforms and also the manufacturing quality and structure to supply them to the global market. In other words, one of our strengths is our capability in the upstream process of the diagnostic reagent business value chain. We believe that there are very few companies in the world that can match us on this point.

The new global strategy of the IVD business comprises three elements that leverage the strengths outlined above.

The first of these is content development and commercialization to create unique items unmatched by competitors through continuous R&D activity. The KPI is the number of items newly developed for the Lumipulse in-house platform.

The second is the demonstration of the clinical value of new items, which we pursue in Japan by expanding domestic sales of Lumipulse, and in Europe and the United States by collecting clinical data. The KPIs are the number of Lumipulse units installed in Japan and the number of items adopted by SRL.

The third and last element is the worldwide rollout through the CDMO business model of items whose value has been demonstrated on the in-house platform. To enhance access to the world's tens of thousands of immunoassay units, we have formed partnerships with IVD

Special Feature: Initiatives in the IVD business

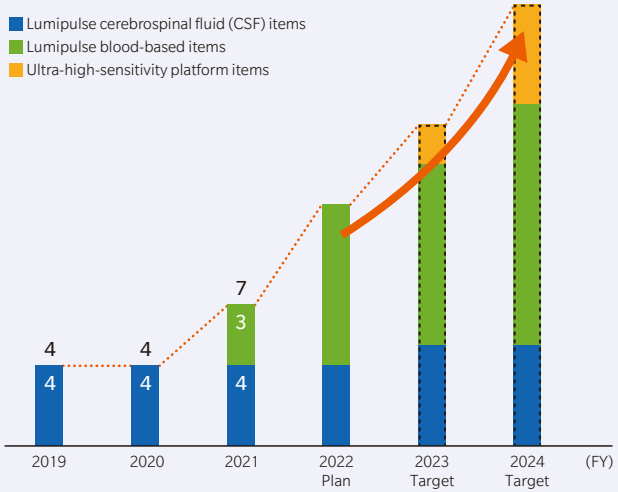
We will accelerate growth by rolling out a new global strategy under a tripolar structure with bases in Japan, the United States, and Europe.

providers worldwide, through which we also aim to increase the number of contracted development and manufacturing items. The main KPIs are the increase in the number of partners and in the cumulative number of contracted items.

Strengthening R&D activity in the Alzheimer's disease field

We have been utilizing the R&D findings for more than 25 years to determine potential shifts in testing in the Alzheimer's disease field and have pursued a range of related initiatives. They are (1) automation of cerebrospinal fluid (CSF) testing and use of IVD, (2) growing demand for blood testing as well as CSF testing, and (3) enhanced provision of ultra-high-sensitivity detection in blood testing, where the current chemiluminescence method has limitations.

Number of Alzheimer's disease-related test items launched to market



Regarding the first of these, we have successfully developed numerous dedicated Lumipulse reagents in the Alzheimer's disease field, while working to build a global development structure utilizing the assets of Innogenetics N.V. (now Fujirebio Europe N.V.), which we acquired in 2010. Currently, we have four cerebrospinal fluid (CSF) reagents: amyloid beta 1-42, amyloid beta 1-40, pTau 181, and total Tau. In May 2022, we received approval from the U.S. Food and Drug Administration (FDA) for a test reagent to measure the ratio of amyloid beta 1-42 and amyloid beta 1-40. This is the first in vitro diagnostic to be approved by the FDA to support the diagnosis of cognitive function deterioration in Alzheimer's disease and related conditions.

However, as CSF testing imposes a significant patient burden in the sampling process, there is strong demand for an alternative blood-based test. In addition to CSF reagents, we are progressing with the development of blood-based reagents and have commercialized a reagent for research use only (RUO) using blood plasma. We are now preparing its registration as an in vitro diagnostic. Following the successful market launch of three RUO reagent items in the fiscal year ended March 2022, we are preparing to expand the line-up from three to five items in the fiscal year ending March 2023.

In items where chemiluminescence has limited sensitivity, we are engaged in developing new platforms and reagents separate from the current Lumipulse platform. This means enhancing our line-up of blood tests based on ultra-high-sensitivity detection. We have already established the prospect of achieving detection sensitivity several tens of times greater than with Lumipulse. We aim for market launch of a relevant RUO by the end of fiscal 2023. After collecting clinical data in Japan, the United States, and the countries of Europe, we plan to proceed with registration as an in vitro diagnostic.



Christiaan De Wilde

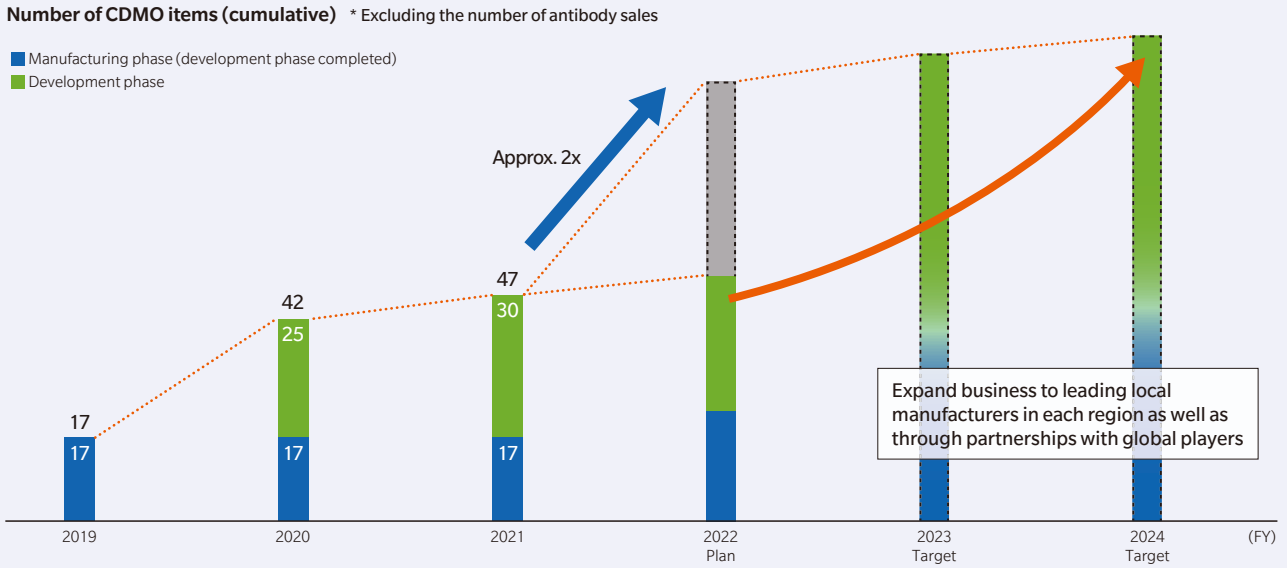
Director, Fujirebio Holdings, Inc.
President & CEO, Fujirebio Europe N.V.
In charge of Alzheimer's disease/neurology business

Special Feature: Initiatives in the IVD business

We will accelerate growth by rolling out a new global strategy under a tripolar structure with bases in Japan, the United States, and Europe.



Monte Wiltse
Director, Fujirebio Holdings, Inc.
President & CEO, Fujirebio Diagnostics, Inc.
In charge of CDMO/raw materials business



Establishing long-term relationships with partner enterprises as a basis for rapidly extending the value of new reagents worldwide

Looking back, we have undertaken a major reorientation of our global strategy since 2020 amid major change in the market environment of the global diagnostic reagent industry.

In the Japanese domestic market, in addition to investing continuously in R&D activity, we will make maximum use of Group strengths to demonstrate the value of successfully commercialized reagents. For overseas business development, in anticipation of the increasing horizontal division of labor expected in the global diagnostic reagent industry, our strategy will focus on the upstream process of reagent development and manufacture, which is one of our strengths. The CDMO strategy is a major pillar of this strategy.

The reorientation to the new global strategy has brought three major benefits in the last two years. Firstly, the number of CDMO contract projects has increased significantly. Secondly, the domestic Lumipulse business has achieved decisive growth. Lastly, we have achieved steady progress with the development and commercialization of Alzheimer's disease-related items.

Up to the fiscal year ended March 2020, net sales in the CDMO business were based on a total of 17 items. Under the new business structure and the new global strategy, we succeeded in securing contracts for an additional 25 items in the fiscal year ended March 2021. With these progressing well so far, we expect to successively complete the development phases in fiscal 2022 and fiscal 2023 and then proceed to regulatory registration and marketing. Going forward, we anticipate a further increase in the number of contracted items, and in fiscal 2022 we are engaged in fresh business discussions aimed at securing new items.

Based on this strategy, we aim to become a leading global enterprise in this field. We believe that this will enable us to attain the current medium-term plan targets for the net sales growth rate and operating profit in the IVD business. Under the next medium-term plan, likewise, we will maintain a rigorous business focus to achieve a sustained net sales growth rate of around 5% and an operating profit margin of 20% or above.

Message from Executive Officer in charge of IVD



Focus on key fields, speedy product development, and accelerated growth through the global teamwork

Goki Ishikawa
Executive Officer in charge of IVD, H.U. Group Holdings, Inc.
President & CEO, Fujirebio Holdings, Inc.

Review of the fiscal year and future outlook

In the fiscal year ended March 2022, in addition to strong sales of the COVID-19-related test products released on the market in the previous fiscal year, we achieved growth in non-COVID-related base businesses. The three growth fields among our base businesses are the globally based CDMO business, the Alzheimer's disease-related business, and the domestic Lumipulse business. Our success in growing these key fields, which are the pillars of our new global strategy, is highly significant in my view.

Although the situation with COVID-19 going forward is still uncertain, I believe that it is important to accelerate growth in our base businesses in anticipation of the post-COVID business environment. To that end, a major factor in achieving growth will be to focus on the three key fields and bring products to market at pace. Our global team can then collaborate to speed up their rollout to the global market.

Strengthening global R&D activity

The growth engine and source of vitality of the IVD business is its R&D capabilities. Developing products that keep us a step or two ahead of the competitors and delivering them to a wide market is the key to growth. To do that, it is important to continuously strengthen R&D and use technology unique to our company to create and swiftly commercialize high-performance products. Following successful commercialization of products and demonstration of their value in the Japanese domestic market, we work through the CDMO business to roll them out worldwide to overseas markets and partner businesses.

In July 2022, we acquired the Belgian biotechnology enterprise ADx NeuroSciences NV Besides strengthening our R&D capability, this move will be effective in building knowledge and networks in the research field of Alzheimer's disease, which is a pillar of our new business development. In this way, it represents a concrete success for our chosen strategy.

Acquiring regulatory approval for new test products takes time. As we work on new product development in the test sector and seek to accelerate the process, our policy for items whose approval requires time is to release them initially as research-use only (RUO) products. The aim is to deliver these products to the market at an early stage in order to have their value demonstrated more quickly. Our R&D staff are based in Japan, the United States, or Europe under our tripolar structure and work together to bring high-performance products swiftly to market. This is where the significance of a global R&D team lies.

Progress with measures to realize the medium-term plan

Our new global strategy sets out clear strategies for the Japanese domestic and overseas markets.

Within Japan, we will work to enhance growth potential and profitability. This will mean further reinforcing Group-based total solutions and marketing capabilities through H.U. Frontier, Inc., and promoting the in-house manufacturing and introduction of items for LTS business.

In overseas markets, we have undertaken a major reorientation of our business model to focus on the CDMO business. Our partners so far have mostly been IVD players with global operations, but in the fiscal year ending March 2023 we promoted collaboration with leading players in specific national and regional markets to increase the number of partners and the number of contracted items. We plan to expand the number of contracted items in the CDMO business to around 100 in the final fiscal year of the medium-term plan. We will first guide current contract development projects steadily through to the manufacturing phase to ensure stable supplies and then work to secure new partners and additional items.

In the Alzheimer's disease field, we have brought diagnostic agents to market not only in Europe and the United States but also in Japan, and sales are progressing. These agents have been highly rated by key opinion leaders and research institutions in various countries. Going forward, in order to devote resources to developing highly distinctive items including Alzheimer's disease-related items, we plan to practice selection and concentration in the other items as well as regions for overseas rollout of other existing products. This selection and concentration will allow us to direct personnel and other resources, particularly in R&D, production, and quality assurance, to growth sectors. By continuing with investment in growth fields and optimization of the cost structure, I believe that we can realize the desired restructuring of our portfolio by the middle of 2023.

Message from Executive Officer in charge of IVD

Nurturing and strengthening global human resources

Going forward, the H.U. Group needs to accelerate exchange among its global human resources in order to promote further value creation based on collaboration within the tripolar structure of bases in Japan, the United States, and Europe. As part of this, in the fiscal year ending March 2023, we have already started our plan to post a number of Japan-based employees to Europe and the United States, respectively. Our aim is to have them learn from cutting-edge research in Europe and the United States, where work in the Alzheimer's disease field is advanced, and contribute their insights to new reagent development.

As we seek to further expand our overseas business, I think there is great benefit for Japanese staff in not only working exclusively in their own country but also gaining professional experience overseas. I believe that acquiring a knowledge of world-leading technology and first-hand experience of market conditions will be a great asset both for these employees and for our company. Over and above this, sharing experience and technology accumulated in Japan directly with overseas staff will act as a stimulus to new business projects and make Japan's "dormant assets" available to the wider world through new business models. Strengthening this kind of human resource exchange is essential for sustainable growth, and I want to use it as a way to improve human capital and intellectual capital.

The way our LTS and IVD businesses have worked together during the COVID-19 pandemic to expand in the Japanese domestic market has been of great value to the H.U. Group. The items developed by our IVD business are supplied immediately to SRL, which evaluates them and flags points requiring improvement. I think that this fast feedback process is the greatest strength of our Group, as it has further reinforced Group synergy by firmly embedding a cycle for delivering better products faster.

This has enabled the H.U. Group to bring COVID-19-related reagents to market more quickly, for which we have received many expressions of thanks from staff at medical institutions. Our global employees drew great confidence as a team from having been able to fulfill an important role in society, and they are proud of having been part of the IVD business.

So that this sense of mission and motivation can be harnessed for new challenges and new growth, I am committed to ensuring that we continue to provide a stimulating work environment.

Fujirebio Holdings Global Meeting, October 2022



Growth Strategy for the LTS Business

Conditions in the domestic commissioned clinical testing market

Commissioned clinical testing in Japan has experienced major growth due to the demand for COVID-19-related testing since 2020. Conditions remain challenging, however, as this is a mature market affected by the changing situation in the healthcare industry.

Despite these challenging conditions, the H.U. Group achieved a compound annual growth rate (CAGR) in the three years preceding the COVID-19 pandemic of 3.9%, exceeding the market growth rate.

Although the future course of the pandemic remains uncertain, we have moved ahead with the preparation of a strategy to ensure that we continue on a steady growth path under post-COVID conditions. The strategy aims to realize a new era in clinical testing based on the launch of operations at the H.U. Bioness Complex and the reorganization of our nationwide laboratory function to achieve regional optimization. Going forward, we will reap the steady benefits of these reforms.

Contribution to advanced medical fields and healthcare x ICT

In addition to realizing a new era in clinical testing, the Group will unite in efforts for new value creation in the LTS business. The areas we are concentrating on are contribution to cancer genomics and other advanced medical fields, with the associated creation of business opportunities, and delivery of healthcare support services and comprehensive contributions to regional medical care through utilization of ICT. We will work to further strengthen the customer base and expand the LTS business through enhanced total solutions and hybrid solutions delivered by the Group's integrated sales operations through regional strategies and channel strategies.

In testing and related services, our strategy is to expand health checkups and the preventive medicine business and also to develop the food and environmental testing business.

By implementing these strategies, we aim to not only fulfill the medium-term plan's numerical targets for the LTS business in the fiscal year ending March 2025, but also achieve significant and sustained future growth as an enterprise acting to resolve social issues in the field of medical treatment and healthcare.

Meanwhile, we are seeking to address social issues by promoting cross-industry collaboration in shared logistics. This will contribute to environmental impact reduction, drive digitalization, and also promote reform of work styles in the distribution sector, an issue which the logistics industry needs to address ahead of legislative changes due in 2024.

Medium-term growth strategy for the LTS business

Reorganization and regional optimization of labs nationwide
- Improve cost competitiveness and quality through the consolidation and automation of testing and build optimal lab network

Optimization of logistics
- Alliance with MEDIPAL HOLDINGS by developing joint collection and distribution system

Contribution to advanced medical fields
- Expand testing services in advanced medical fields (cancer genome, etc.)
- Group business opportunities through test development by Group companies

Integration of sales forces
- H.U. Group integrated proposals
- Regional strategies and channel strategies

Promotion of healthcare × ICT
- Develop digital-based healthcare support services
- Deliver value and contributions to regional medical care

Expansion of customer base/testing services
- Expand medical examination/preventive business
- Expand food and environmental testing business

Goals of the medium-term plan

Resolve social issues in medical treatment and healthcare through LTS business

—significant and sustainable growth—

Fulfill numerical targets for the fiscal year ending March 2025
- **Net sales CAGR: 6% or more**
- **EBITDA margin: 17% or more**
- **OP margin: 9% or more**

Message from Executive Officer in charge of LTS



Accelerate growth through full operation of the H.U. Bioness Complex and expansion of testing in advanced medical fields

Shunichi Higashi
Executive Officer in charge of LTS
H.U. Group Holdings, Inc.

Review of the fiscal year and future outlook

Business performance in the fiscal year ended March 2022 received a major boost from commissioned testing related to COVID-19 and was also buoyed up by the provision of comprehensive testing support services at airport quarantine stations. Growth in gene-related testing, particularly in cancer genome, also made a significant contribution. On the other hand, profits decreased in our base business excluding COVID-19-related testing due to increased costs relating to the H.U. Bioness Complex and other factors.

In the fiscal year ending March 2023, our focus has been on progressing with the medium-term plan, with our foremost task being to achieve full operation of the H.U. Bioness Complex. While the future course of the COVID-19 pandemic remains uncertain, we expect a certain level of testing demand to continue. Using the H.U. Group's range of services, including E's Assist and WithWellness, we remain committed to providing value to society in diverse forms.

Toward realizing a new era of clinical testing

We have positioned the H.U. Bioness Complex as a facility that will realize a new era of clinical testing. Broadly speaking, the new facility has two aims: to drive digital transformation (DX) in order to raise testing efficiency and quality; and to develop more advanced testing technology in areas such as genome medicine and regenerative medicine. The general testing line makes extensive use of IT and robots to realize speedier testing and cost reduction based on fully automated operation on a 24-hour basis.

We will also strengthen competitiveness by devoting resources to technologies that support cutting-edge medical treatment, for instance, genome analysis to drive treatments for cancer and intractable diseases and Alzheimer's disease diagnosis through blood tests. The H.U. Bioness Complex began a phased operational start from January 2022, with the switchover of all systems including customer transfer scheduled for completion in May 2023. Following the full operational start, we will be in a position to accelerate net sales growth in our base business and strengthen the Group's profit base.

As part of the reorganization of our nationwide laboratory network, which is aimed at fixed cost reduction and improved profitability in the LTS business, we began operation of the SRL Advanced Lab. FMA in Fukuoka in May 2021 and JV laboratory between SAPPORO CLINICAL LABORATORY INC. and SRL, Inc. in March 2022. To put in place a laboratory system that optimally meets regional medical care needs, we have additionally completed the establishment of 46 satellite (STAT) laboratories nationwide to strengthen our response to demand for emergency testing.

Growth strategies in advanced medical domains

In current medical care, initiatives to improve the quality of treatment through personalized medicine are the mainstream. Going forward,

Strategy in advanced medical fields

Upgrading of technology base/ human resources/ organizational strength	Integration of Group R&D	• Promote unification of IVD/LTS activities and achieve simultaneous launch of IVD development products → Elimination of launch time lag through linkage of R&D start points
	Attraction and retention of strategic R&D human resources	• Develop more highly skilled diverse human resources through recruitment and training → Attract and retain human resources with next-generation sequencing (NGS) skills, develop informatics experts and programmers, and expand Dx/Lx* type human resources (AI, programming, informatics)
	Establishment of new organizations	• Establish specialist organizations for development of the testing technology base in advanced medical domains → Build up technology base/knowhow in relation to strategic analysis platform (NGS, MS, etc.), which is hugely important and essential for attracting and retaining specialists, and attract and retain human resources
Utilization and extension of COVID-19 experience		• Strengthen on-the-job training and agile development ability through in-house development in large-scale projects
Strengthening of open innovation		• Promote open-application research, the Scientific Advisory Board (SAB), and hold lecture meetings and seminars with outside experts

* Lx: Laboratory transformation

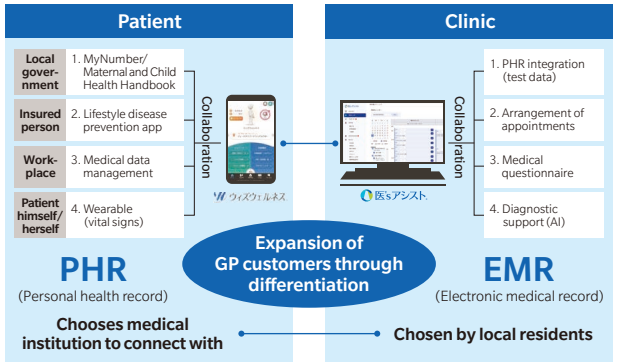
Message from Executive Officer in charge of LTS

however, there will be increasing demand in the field of "omics," which covers preventive and preemptive medicine and aims to improve the quality of prevention, diagnosis, treatment, and prognosis. Realizing that will require more advanced testing technology. In the field of testing in advanced medical domains, we will continue to leverage the H.U. Group's strengths for ongoing new product development and strengthening of the commissioned testing system. The start of operations at the H.U. Bioness Complex, which is one of Japan's largest sequencing centers, will enable us to introduce single-gene testing, multi-CDx testing,* and panel testing using next-generation sequencers. The new facility will also develop the ability to conduct genome sequencing and other large-scale genome analysis procedures at the level of quality required for clinical testing. This will allow it, for instance, to secure major government projects for whole-genome sequencing. In this way, the facility will drive expansion in the domestic market and promote the practical application of clinical testing.

In order to mount a rapid response in advanced medical fields where market expansion is forecast, we are putting in place a new organizational structure spanning our R&D, testing, sales, and IT operations to concentrate intellectual talent and technology and promote the development of a testing technology base in these fields. We will also respond with ongoing proactive investment.

* Test based on analysis of DNA and RNA extracted from cancer tissue to determine patient suitability for treatment with a non-small-cell lung cancer drug

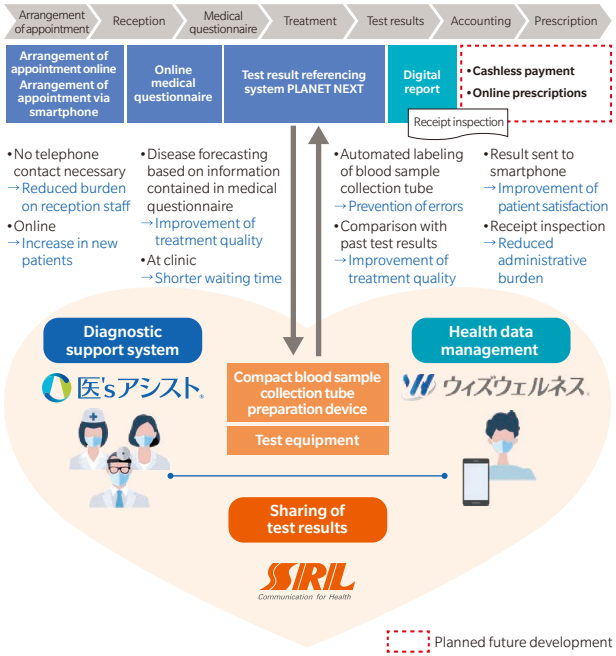
Promotion of ICT in healthcare



Growth acceleration through group synergy

In the fiscal year ended March 2022, Group synergy produced benefits, including enabling us to secure contracts for large-scale events, airport quarantine operations, and other projects. In the fiscal year ending March 2023, we have continued our efforts to accelerate net sales growth through a range of measures, including promoting total solutions and Lumipulse add-ons, expanding the medical supplies business through the ESPLINE brand, and implementing regional strategies through combination of healthcare with ICT. We have also continued with all-out customer attraction

Improvement of efficiency through cooperation of E's Assist® and WithWellness®
Smooth process from appointment booking to test result report



initiatives to secure the targeted volume of samples for processing at the H.U. Bioness Complex. Meanwhile, H.U. Frontier, Inc., has begun working to further strengthen its marketing capability to attract new customers, especially among general practitioners, and to accelerate the securing of large contracts through Group-based total solutions.

In the promotion of healthcare combined with ICT, one of our initiatives is to attract new business negotiation partners by expanding the services of Ishinban, Inc. At the same time, we are contributing to revitalizing regional medical care, for instance by proposing support tools for centers operated by regional medical associations. We are also seeking new customers by proposing solutions to meet the needs of hospital groups and other core hospitals and by strengthening these partnerships. E's Assist is a diagnostic support system for medical institutions, while WithWellness offers a portable framework for app-based access to test results and other medical data. Coordination with ICT services such as these contributes to improved quality, efficiency, and convenience in medical care.

Reform of the profit structure including collection and distribution operations

The task of profit structure reform is being addressed both by reorganizing collection and distribution operations and optimizing the cost structure.

Firstly, to reorganize collection and distribution operations, we joined with MEDIPAL HOLDINGS to establish in April 2022 Medisket, a joint venture intended to not only improve the efficiency of in-house collection and distribution but also expand the provision of collection services to other companies. Specifically, we are targeting a 15–20% reduction in collection costs compared to fiscal 2019, greenhouse gas reduction through journey sharing between our two companies, and a reduction of around 20% in our corporate vehicle fleet.

To additionally achieve strategic cost structure reform, we established the Strategic Cost Transformation (SCT) Team 2022. This new office is driving review in a number of areas including streamlining of procedures and services and conversion to paperless operation.

Implementing these measures will enable us to create new business as an industry leader. At the same time, by providing high-quality testing and improving cost competitiveness, we will work to further increase market share as the testing company that customers prefer.

Message from Executive Officer in charge of HS



Enhance employee engagement and reap steady benefits from digital transformation (DX) in the workplace

Naoki Kitamura
Director, Managing Executive Officer
H.U. Group Holdings. Inc.

Review of the fiscal year and future outlook

In the fiscal year ended March 2022, the sterilization and related services business expanded its operations, mainly in the sale of products and consumable supplies. Sales and profits, however, decreased due to factors including the withdrawal of a major customer from its deposit business for medical supplies, changes in accounting standards, and increased personnel costs. The home-visiting and welfare business also performed well, but profits fell, due mainly to increased purchasing costs for welfare equipment. In the fiscal year ending March 2023, our focus has been on net sales growth.

In both businesses, we forecast steady market growth on the increasing number of home-visiting service users and expanded demand for outsourcing due to work style reform in the medical professions. Going forward, we nevertheless need to raise customer value and establish a sustainable business model. In the progress of the medium-term plan, we aim to make fiscal 2024 the year for a major "jump" based on the groundwork laid since fiscal 2021. As part of this strategy, we have marked fiscal 2022 as a year for a significant "hop" toward fulfilling the plan.

Promoting DX in the workplace for a more supportive work environment

A common issue for both our businesses is how to achieve growth in a labor-intensive operation through reforms to raise efficiency. I believe that the essential requirements for this are effective human resource development and frontline productivity improvement. I am therefore devoting resources to DX in the workplace. One of our related initiatives is the introduction of electronic and video manuals. These tools not only raise the efficiency of workplace training but also enable sharing of the manual content with customers in electronic format, which we use to promote the quality of our services. Currently, many of our surgical support procedural manuals are in paper format. Converting to electronic and video formats will support skill acquisition and on-the-job training for the nursing staff who perform the procedures. As it will also facilitate work style reform in the medical professions, I think that it will contribute to establishing DX as a business in its own right. To enable cloud-based video recording, we have completed the installation of cameras at all our sterilization centers. In partnership with an AI venture business in which we have invested, we are currently engaged in pilot studies based on AI analysis of video footage to promote procedural modification and other improvements. We plan to apply the study findings to not only outsourced operations but also our commissioned operations at in-hospital central sterile supply rooms.

Raising employee engagement

Another important common issue is how to improve employee engagement. Our business is concerned with important work necessary to society, but it is also work that is done by human hands. Although we are promoting DX in the workplace to support staff, not all operations can be automated. We are therefore devoting energies to creating a work environment where each staff member understands the purpose of their work and can fulfill it with a sense of responsibility and pride.

As a first step in that process, Nihon Stery, Inc., which operates our sterilization business, set out a statement of purpose in July 2022, following a similar step by Care'x, Inc., which operates the home-visiting and welfare business, in November 2021. The content of the statement was determined through a process whereby young employees came together for a round of discussions whose themes were the significance of their work in our organization and what kind of company they wanted to become in the future. Their proposals were then submitted to the management team for the final decision.

The use of the word "smile" shows that this idea did not come out of a management meeting. In a busy workplace with its daily challenges, exchanging smiles with customers and colleagues creates a win-win situation, so this idea made me realize what an important keyword it is. Since the adoption of the statement of purpose, we have held face-to-face town hall meetings for direct dialogue between the management team and staff at each workplace. So that the statement of purpose does not end up as just a slogan, we will follow up with initiatives to link it to changes in behavior and practical action.

Management philosophy (Statement of purpose)

Next value for Smiles

—Spreading smiles as we support healthcare with sterilization as our core activity

(Nihon Stery, Inc.)

Better life with CARE

—Continuous commitment to high-quality services that help all people to live the life they choose

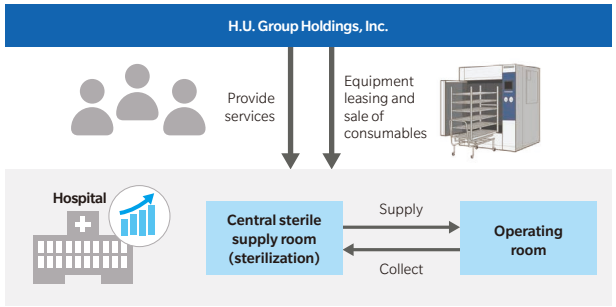
(Care'x, Inc.)

Message from Executive Officer in charge of HS

Sterilization and related services
Maximizing the advantage of permanent in-hospital stationing

With increasingly challenging conditions in the hospital business, our staff take advantage of permanent stationing in hospitals to form strong working relationships with medical professionals, enabling us to develop services that support medical institutions for instance through increased efficiency and cost reduction. Specifically, we are working to increase profit by delivering Group-based total solutions, providing comprehensive outsourcing solutions, including for operating rooms, and expanding our services. In the area of consumables and equipment leasing, we have focused thus far on sterilization equipment for sterile supply rooms, but in future we aim to take on a wider range of equipment including operating tables and beds by building strong relationships of trust with hospitals. The abovementioned introduction of electronic and video manuals is important to our differentiation strategy. At hospitals where we do not provide 24-hour service, nursing staff have to carry out sterilization work during holidays and at night. We think it essential for them to have electronic and video manuals instantly accessible using a 2D code. We will continue contributing to the DX of frontline medical care, including through the digitalization of the abovementioned surgical support procedural manuals.

Increased efficiency in hospital management achieved by providing service through permanent in-hospital stationing



Topic **Establishment of a training center equipped with real operating tables and other equipment**

In May 2022, we completed the NS Training Center Daiba. At the center, Group staff engaging in surgical operation support services receive advance training in a faithfully recreated operating room environment to enable them to work calmly and accurately when faced with a real surgical setting. The center is also used for graduate recruitment and for business negotiations.



Training covers the provision of an integrated service from preparation of the operating room before surgery to cleansing during and afterward.

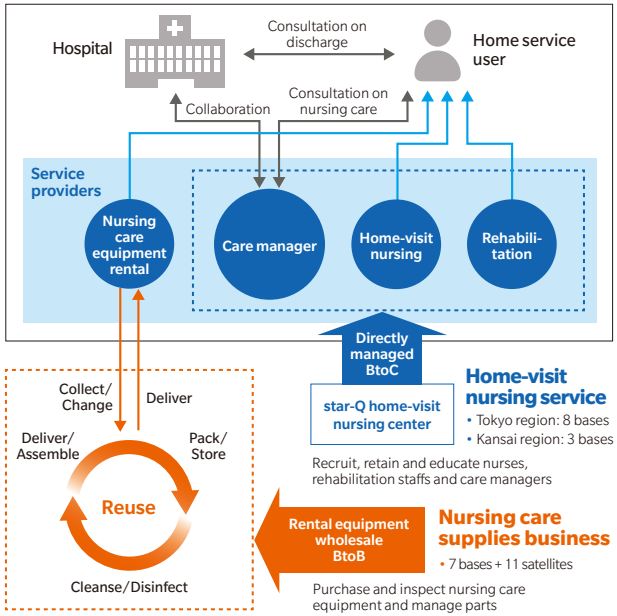
Home-visiting, welfare
Focus on expansion of business bases and upscaling of the home-visiting business

In the welfare business, our Tokyo branch, which provides maintenance and warehouse functions, is due to begin operation in 2022. We aim to speed up distribution operations and improve customer services by expanding our network of distribution bases nationwide so that we can deliver to a location close to the customer. We are also successively introducing multipurpose washer and other facilities to automate maintenance functions and save on labor.

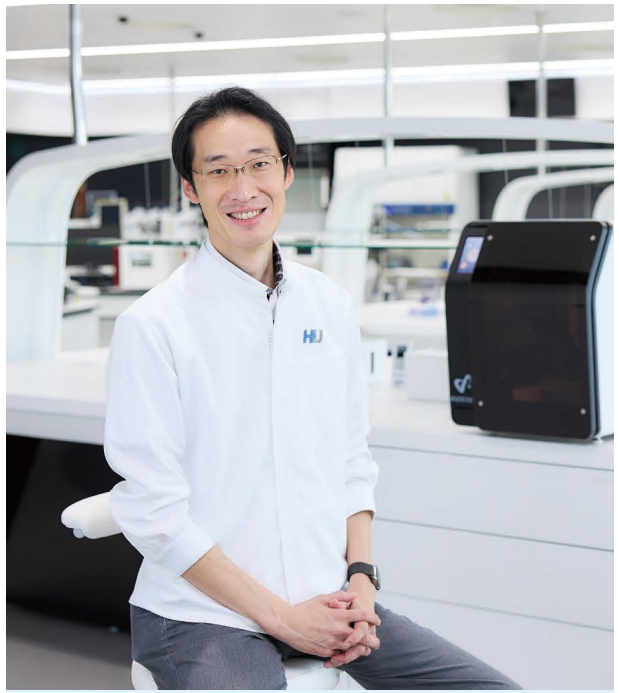
In the home-visiting business, in July 2022 we formed a capital and operational alliance with GAIA medicare Inc., under which we will engage in collaboration in recruitment, education, and training and human resource exchange. Through complementary operations in human resources and service provision, our two companies will put in place a system to cover the whole of the Tokyo region. In Tokyo's Edogawa ward, we have also opened the first of a series of facilities that will offer a self-pay rehabilitation service. Starting with this first facility, we will take on the challenge of DX in rehabilitation services.

Meanwhile, in December 2021 we began the rollout of home-visit blood sampling and testing services. The H.U. Group will promote differentiation from its competitors by providing new value of the kind uniquely possible for a company with laboratory testing as its core business.

Both business-to-business and business-to-customer support for the users of our home-visiting services



R&D Activities



Kazuya Omi
Executive Officer in charge of Research and Development
H.U. Group Holdings, Inc.

The H.U. Group is constantly looking ahead to the medical and healthcare needs of the future and engaged in R&D to provide new value.

To complement the technological and development capabilities in laboratory testing and diagnostics that we have accumulated since our foundation, in 2017 we established H.U. Group Research Institute G.K. (HRI). Since then we have worked to generate innovation through a diverse range of activities not bound by conventional approaches to R&D.

Strengthening the Group's R&D capabilities and the system

In fiscal 2020, we established the Research and Development Strategy Division to drive the Group-wide integration of our R&D functions. While the R&D departments of each business and our corporate R&D pursue their respective activities, the Research and Development Strategy Division promotes and strengthens organic Group-wide collaboration in strategy, issues, resources, and other areas to drive new value creation based on Group strengths.

The R&D division of the IVD business has built a solid technology platform in diagnostic reagent development, while the R&D division of the LTS business has know-how in new technology evaluation and introduction. By further strengthening and leveraging these abilities, we will be in a position to rapidly develop and bring to market highly distinctive new products. Meanwhile, adopting diverse new technologies at an early stage, mainly through corporate R&D, will enable us to engage in product and service development in new technologies and new fields. We believe that this will allow our technology platforms to make still greater contributions to society, medical treatment, and healthcare.

H.U. Group R&D system



HRI, which is the center of the corporate R&D functions, is responsible for medium- to long-term R&D activities. By actively promoting collaborative projects with enterprises and entities within and outside the Group, HRI drives medium- to long-term growth by creating new technologies and businesses to support future Group growth. Its activities are not limited to basic research and technology development, but also include activities in R&D and practical application that address medical and social issues. As the Group's core R&D base, it also engages in the development of unique platform technologies and human resource development. The organic collaboration of each of our Group businesses around the HRI hub facilitates speedy development and evaluation and accelerates R&D based on Group synergy. In the medium to long term, we aim to create new industries through innovation and integration of technologies and business models.

In addition to the solid technology platform it has built up over more than 50 years in immunoassay-related fields, the R&D division of the IVD business uses the iTACT method[*1] and other distinctive new technologies to develop unique and market-leading products of high clinical utility that contribute to advances in medical treatment. In recent years specifically, we have added to our traditional areas of technological strength in fields such as cancer and infectious diseases by actively promoting R&D in the field of neurological diseases, including Alzheimer's disease, and have succeeded in developing highly original reagents. Going forward, in addition to cancer, infectious diseases, and neurological diseases, we will proceed with the development of a diverse pipeline in areas including therapeutic drug monitoring and inflammatory diseases. We are also engaged in new platform development for ultra-high -sensitivity testing that will deliver new clinical utility.

The R&D division of the LTS business is working to swiftly develop and introduce unique test items in order to keep steady pace with the increasingly advanced and complex field of testing technology. Aiming specifically to put in place a system for delivering genome medicine and

R&D Activities

next-generation testing services in the fields of cancer and rare diseases, we have provided bioinformatics*2-based analysis capabilities at the H.U. Bioness Complex that will enable high-volume data processing. By putting in place a whole-genome sequencing system of clinical standard at the H.U. Bioness Complex, we have realized the ability to analyze clinical samples in high volumes, which we will use to support personalized medicine and genome medicine in the future. By collaborating with HRI in the active introduction of AI, robots, and other new technologies, we will realize high-quality, low-cost testing that will contribute to sustainable development in medical treatment.

* 1 iTACT (immunoassay for Total Antigen including Complex via pre-Treatment): A unique technology developed by Fujirebio that uses pre-processing of the sample to realize more accurate measurement of the target substance than conventional technology. To follow products such as Lumipulse Presto iTACT Tg, Lumipulse Presto iTACT HBcrAg, and Lumipulse Presto iTACT Tacrolimus, we have an extensive development pipeline that promises to produce more accurate diagnostic methods of high clinical utility.

*2 Bioinformatics: A field combining biology and informatics that uses methods from informatics, statistics, and other fields to analyze various forms of biological information such as DNA, RNA, and protein. As well as research, scientists in this field engage in the development of concrete analytical methods. As this is a technology essential to the realization of genome medicine and personalized medicine, we are progressing actively with the recruitment and training of related human resources.

Innovation generated by the new R&D system

Track record in COVID-19-related technology and service development

By leveraging to the maximum, the accumulated technologies and know-how of our R&D divisions, we led our competitors in the successful development of a PCR testing system for COVID-19 infection and a range of antigen test reagents. Since then, we have continued with other development projects, including a fully automated influenza antigen test reagent, a COVID-19 (SARS-CoV-2) antibody test reagent, and genome analysis of viral variants. With each R&D division contributing its particular strengths, we were able to organically combine high-sensitivity quantitative antigen testing and PCR testing methods in the successful development of the Dx-based testing system for pandemic response, which is able to perform mass screening for infectious disease within a short period of time. This system has been used in a wide variety of settings where stable testing at high volume is required, such as airport quarantine operations, major public events, and in mass screening projects. In this way, it is contributing to the resumption of normal social and economic activity.

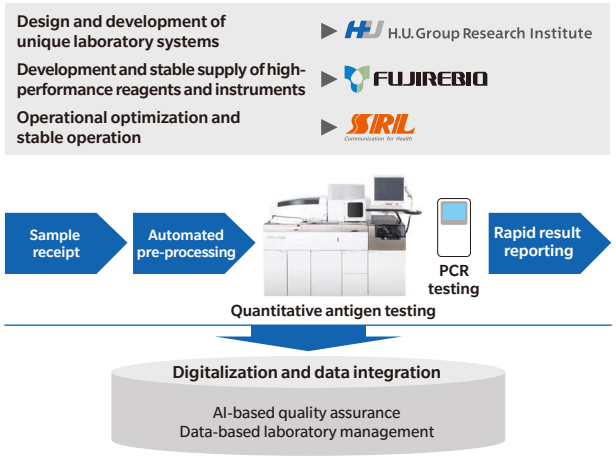
The H.U. Group's R&D activity is not limited to its research centers. We are leading innovation in the rollout of new technologies and solutions to medical treatment and healthcare settings and continuing to generate innovation in readiness for the next pandemic.

Promoting technology development for next-generation medical treatment and healthcare

The medical and healthcare environment is changing rapidly and becoming increasingly complex due to factors such as the advent of personalized medicine, advances in digitalization and AI technology, and the restricted access to medical care following the outbreak of the pandemic. The H.U. Group will put in place human resources and technology platforms to enable a swift response to these major changes in the operating environment. To lead the change within the industry, we are also actively promoting R&D activity and human resource development across a diverse range of research fields.

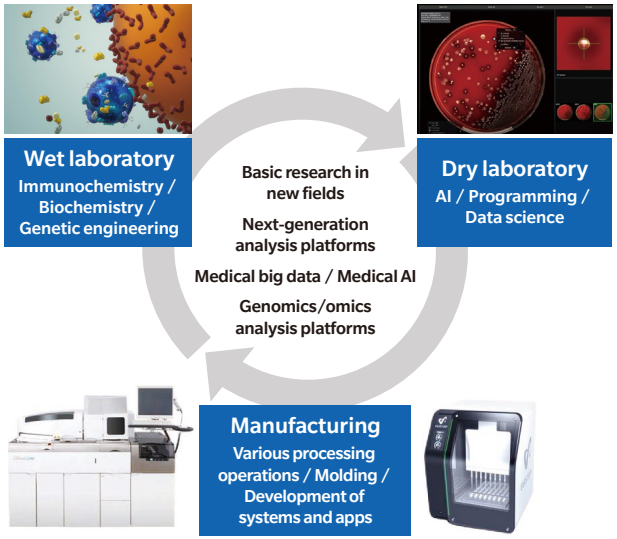
By also actively promoting mergers and acquisitions, business alliances, and open innovation, and by utilizing and adopting the technology and business platforms of universities, medical and research institutions, enterprises, and other external organizations in Japan and overseas, we aim to bring to market products and services of value in the shortest time possible.

Dx-based testing system for pandemic response



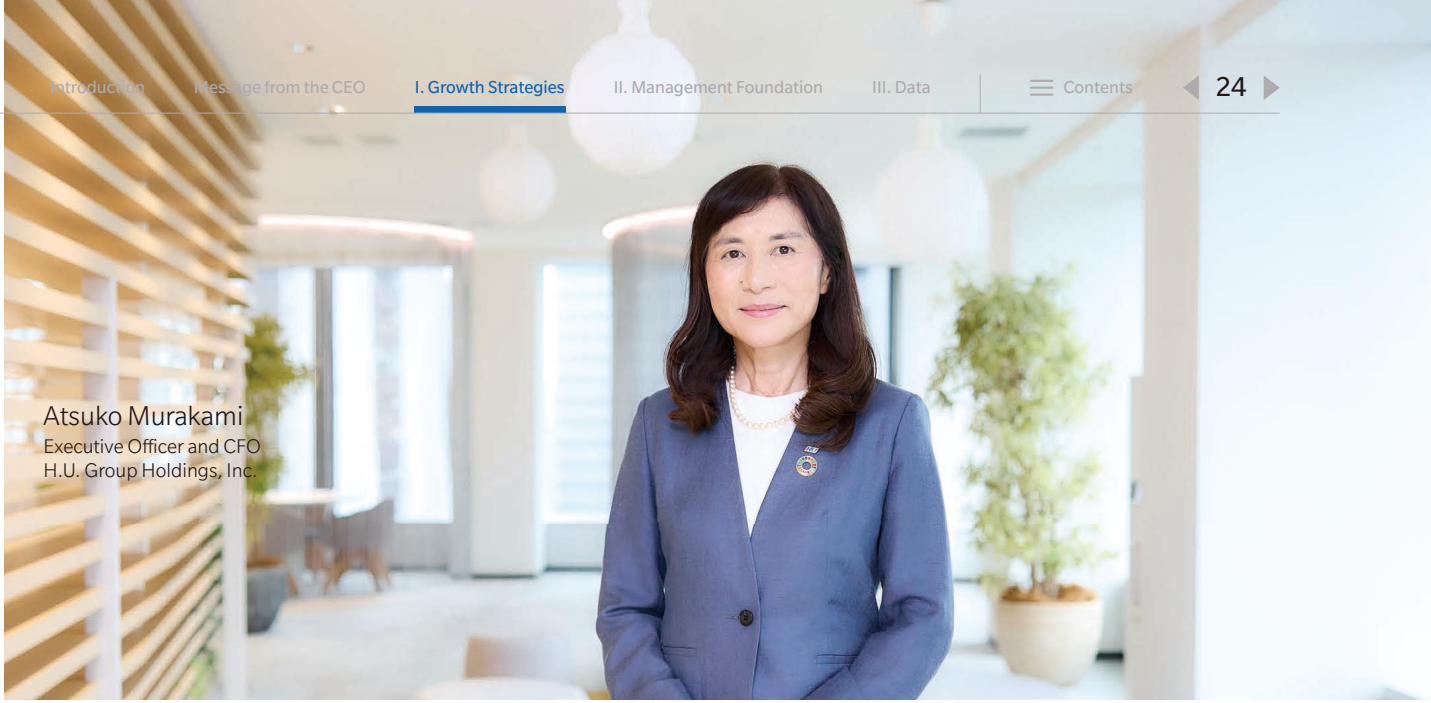
Dx testing system, made possible by Group R&D collaboration
Utilization of data and AI to create new testing systems with rapid, high-volume processing capacity for easy upscaling. Reporting of approximately 1,500 test results per hour with an average time of two hours from sample receipt (based on performance July–September 2021)

Unique and world-leading R&D based on diverse and highly qualified human resources



Message from the CFO

Financial Strategy Report



Atsuko Murakami
Executive Officer and CFO
H.U. Group Holdings, Inc.

Continuing our profit focus and optimization of the cost structure, we will lay the financial base for medium- to long-term growth.

Review of the fiscal year ended March 2022

In the fiscal year ended March 2022, consolidated net sales increased by 22.4% year on year to ¥272.9 billion. In the LTS segment, net sales saw a large rise, due among other factors to the increases in commissioned PCR testing and testing of overseas arrivals at airport quarantine stations, as well as to the growth of gene-related test items in the field of cancer genomics. Net sales grew also in the IVD segment, again due largely to expanded sales of Lumipulse and ESPLINE products in connection with COVID-19. The net sales breakdown shows that revenue from COVID-19-related testing increased by ¥36.3 billion to ¥66.6 billion, while net sales of the base business not related to COVID-19 also increased, by 7% or ¥13.6 billion.

Quarterly net sales, together with EBITDA and operating profit, reached high levels thanks to a significant recovery in profitability brought about by the net sales and profit contribution of COVID-19-related testing.

Operating profit in particular saw a 98.8% year-on-year rise to ¥50.5 billion, as increased sales from COVID-19-related testing in the LTS and IVD businesses drove profit growth. Ordinary profit rose by 86.3% year on year to ¥47.4 billion. This uplift was driven by the increase in operating profit, which offset negative factors including equity in losses of affiliates and provision for loss on guarantees. Net profit grew by 69.5% year on year to ¥29.6 billion. This increase, driven by the rise in ordinary profit, outweighed the recording of extraordinary losses, including impairment losses at H.U. Group subsidiaries and loss on valuation of investment securities and loss on valuation of other investments.

On the strength of these results, we were able to meet all our medium-term consolidated financial targets ahead of time. In consolidated terms, we achieved an operating profit margin of 18.5% and an EBITDA margin of 23.9%, while return on equity (ROE) and return on invested capital (ROIC) reached 23.2% and 15.4%, respectively. In all cases, these indicators exceeded the medium-term target.

Focus on cash flows and equity ratio

We have marked the fiscal year ending March 2023 as a year to prepare for the future by moving to a system that will continue to generate profit under post-COVID conditions. Among related initiatives, we will work to integrate IT systems, optimize material procurement and capital investment, and reduce collection and distribution costs. The central measure, however, will be cost-of-sales reduction through stable operation and automation of the H.U. Bioness Complex. Steady optimization of the cost structure and improvement of profitability will enable us to enter the profit expansion phase in the fiscal year ending March 2024.

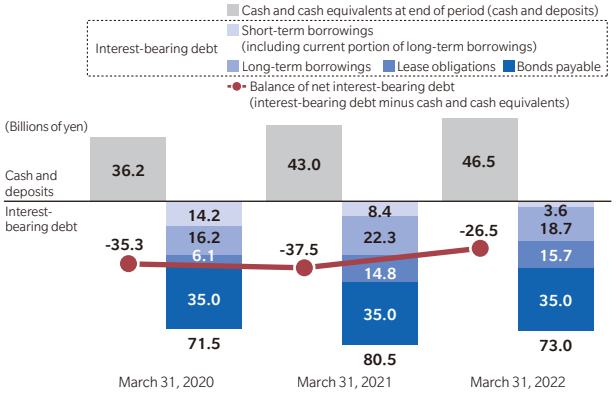
There are two financial indicators that I watch closely as CFO. These are cash flow and equity ratio. Taking cash flow first, our emphasis is particularly on the five-year cumulative figure, where we will be aiming for targets of ¥150.0 billion or more for operating cash flow and ¥50.0 billion or more for free cash flow.

To reach these targets, we will practice highly selective investment and continue with efforts to optimize the cash conversion cycle through closer inventory control to manage working capital.

Regarding the other indicator, our target is to maintain equity ratio at 40% or more. That does not indicate a final target, but the minimum level we wish to uphold. For a company to continue taking a positive approach to risk, it needs to have a solid financial base. That is why we intend to keep a careful watch on equity ratio to maintain a level of 40% or more, including by reducing interest-bearing debt.

At the end of March 2022, the balance of net interest-bearing debt, calculated by subtracting cash and cash equivalents from interest-bearing debt, was approximately ¥26.5 billion.

Cash and Deposits / Interest-bearing Debt



Message from the CFO

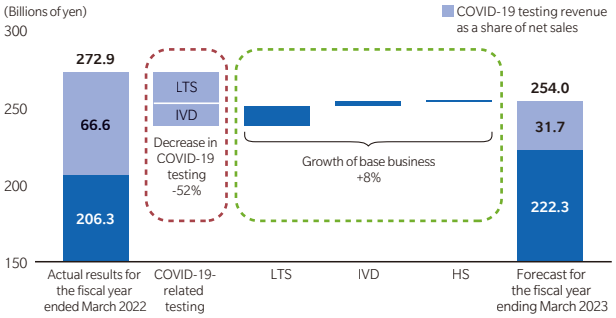
Financial Strategy Report

Financial strategy for medium- to long-term growth

Performance in the fiscal year ended March 2022 was inflated by income from COVID-19 testing, but this favorable situation is unlikely to continue. In our net sales forecast for the fiscal year ending March 2023, we foresee an overall 7% year-on-year reduction in net sales in view of the situation with COVID-19 and other factors. However, although we expect COVID-19 testing-related net sales to decrease by approximately 52%, we also forecast growth of approximately 8% in our base business.

Under our plan for medium- to long-term capital expenditure and depreciation, investment in the overall H.U. Bioness Complex project is due to be completed in the fiscal year ending March 2023 and the associated depreciation expenses are expected to peak in the fiscal year ending March 2024. We therefore plan total capital investment of ¥28.8 billion in the fiscal year ending March 2023, but investment is envisaged to fall to around ¥15.0 billion per year from the fiscal year ending March 2024. Meanwhile, as the five-year, straight-line depreciation of the investment in the H.U. Bioness Complex IT systems will be completed by the end of March 2027, we envisage that the associated burden of expenses will gradually lighten thereafter.

Net sales forecast for the fiscal year ending March 2023 (versus the previous fiscal year)



Under our plan for R&D expenses, to develop new items for Lumipulse and to commercialize ultra-high-sensitivity detection technology in the IVD business, we have set a rough target for ongoing investment of 10% or more of IVD net sales.

We also plan to continue strengthening our investment in basic research, which is undertaken mainly at H.U. Group Research Institute G.K.

For the fiscal year ending March 2023, we have published a summary forecast covering net sales, operating profit, and other profit metrics, ROE, and ROIC. As for the relative half-year figures and segmental forecast, these will be subject to the impacts of the pandemic situation thus far and going forward, as well as to the positive and negative effects of the operational start of the H.U. Bioness Complex. We plan to set the dividend per share at ¥125, the same as in the fiscal year ended March 2022.

Enhancing human capital

To follow the H.U. Group's corporate mission and fulfill its social responsibility to "never let testing stop," human resources are the key. To achieve corporate reform and growth by keeping pace with the changing times, we will support the self-directed growth of the people at the center of this process by creating a motivating work environment. I think that actively advertising this corporate approach and disclosing related initiatives will enable us to secure the human resources the H.U. Group needs. For example, our management team and managerial staff will take the lead in initiatives to improve internal communication, in order to nurture a self-starting culture that encourages individuals to think for themselves about their future career path. If employee engagement improves, we will have some indication as to whether the measures we are pursuing are appropriate, so this is another area I want to watch.

Social finance

The H.U. Group issued unsecured bonds in October 2019 and undertook long-term borrowing in March 2020 through an SDGs social loan. The allocation of procured funds as of the March 2022 fiscal year end is as shown below.

Allocation of procured funds (¥ million)

Item	New Central Lab
Amount procured (after deduction of expenses from social bonds and loans)	24,924
Expenditure in FY2019 to FY2021 (actual)	
New Central Lab IT Systems	15,334
Equipment	8,590
Total	23,924
Balance as of the end of FY2021	1,000

Output report (¥ million)

Newly installed equipment and IT systems	Investment sum	Operational start date
Reception equipment	531	FY2021
Testing machine	677	
Central specimen storage	1,118	
Software	12,465	

Note: We plan to carry out disclosure on output, outcome, and impact indicators following the full operational start of the H.U. Bioness Complex.

Message from the CIO

Creating platforms for technology innovation in the healthcare industry

Toshihiko Shimizu
Executive Officer and Chief Information Officer (CIO)
H.U. Group Holdings, Inc.

Role and initiatives of CIO

My duty as CIO is to support business growth by implementing an information strategy that harnesses new healthcare potential for the realization of the Group management vision. To do so, I believe it is important to promote IT-driven business reform by putting in place and operating IT systems that are focused on raising operational efficiency and ensuring stable operation.

Building platforms for technology innovation

As a social infrastructure enterprise providing vital services, particularly through its LTS and IVD businesses, the H.U. Group provides laboratory testing and related services without interruption, 24 hours a day, 365 days a year. To support businesses connected with patient health and life, we have built a highly reliable IT platform that we operate with a sense of mission.

It is also our important role to respond to the rapid advance in digital technologies such as the Cloud, IoT, and AI, by leveraging IT to achieve business reform through a fundamental review of operational processes. We will use digital technologies to strengthen and raise efficiency in all of our healthcare businesses and create an ICT platform to deliver optimal healthcare to all people.

Reorganization of nationwide laboratory network and seamless integration of systems

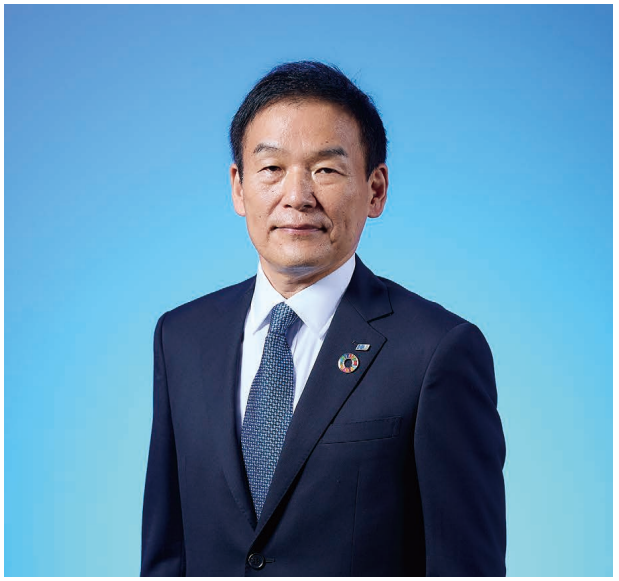
Our most important initiative for IT-driven business reform is the creation of the H.U. Bioness Complex and the reorganization of the nationwide laboratory network. The H.U. Bioness Complex will be the hub of a nationwide testing network realizing a fully automated 24-hour testing operation. This will be Japan's largest clinical testing platform, with processing capacity for more than 300,000 samples a day. The operation of a finely tuned system, critical to our social responsibility to "never let testing stop," will achieve a major productivity improvement and also ensure reliability.

In parallel, we will carry out a "DX declutter" to streamline operations and systems across the board, thereby transitioning to a more robust operational framework. This will create an environment that enables medical technologists and other highly skilled expert human resources to concentrate on their work in esoteric testing and analysis.

Driving further business reform

We are also engaged in two other major initiatives. The first is the expansion and upgrading of customer contact points. We have consolidated our call center operations at the H.U. Bioness Complex and deployed cloud-based call center technology and AI-based assist functions, through which expert staff are now able to provide remote-based customer services. Additionally, we have launched a one-stop service model for dealing with customer inquiries and requests by integrating our customer relationship management functions, which were previously handled separately for each product or service by our three main Group companies (SRL, Fujirebio, and Nihon Stery). In the future, we will further improve customer convenience by switching to omnichannel communication using not only telephone and e-mail but also media such as social networking sites and webchat.

The other major initiative is supply chain reform centered on the test reagent manufacturing line. This means linking the various systems from procurement and production to storage, distribution, and sales in order to adapt to fluctuating demand by realizing both flexibility of supply and



inventory optimization. This will result in cost reduction and improvement of the cash conversion cycle.

Most recently, we consolidated our distribution operations at our new logistics center in Atsugi near Tokyo, which is equipped with AI-based conveyor robots. This has doubled processing capacity while saving on labor input.

By also integrating the back-office systems of our Group companies, we are standardizing operations and raising maintenance efficiency.

Future direction of DX

There are two axes to the H.U. Group's business reform (DX). One is the drive toward a lean operation with greater efficiency and reduced costs through use of digital technologies for fundamental review of operational processes. The other targets innovation in customer services and the creation of new healthcare services and businesses through the use of digital technologies and data.

We aim to drive business reform (DX) by expanding the business model in both directions, with IT used to connect a series of highly efficient operational hubs across the Group and also to extend connections outside the Group.

Message from the CIO

Promotion and development of human resources in ICT/DX

We will devote energies to recruiting and developing creative human resources able to drive business reform through IT, focusing on project managers and expert IT engineers to support mission-critical systems. The following are the three elements of our DX human resources vision: Firstly, DX human resources for horizontal integration, able to coordinate businesses and operations from a Group-wide perspective. Secondly, DX human resources for data utilization, able to deploy data science, machine learning, and other specialist technologies to offer scientific solutions to operational issues. Thirdly, DX human resources for business reform, able to overview trends in the business environment and technology and make decisions with future business development in mind. Our ultimate vision is to cultivate human resources who will use IT to create business, deploying their entrepreneurial spirit within our organization.

Building a new digital healthcare

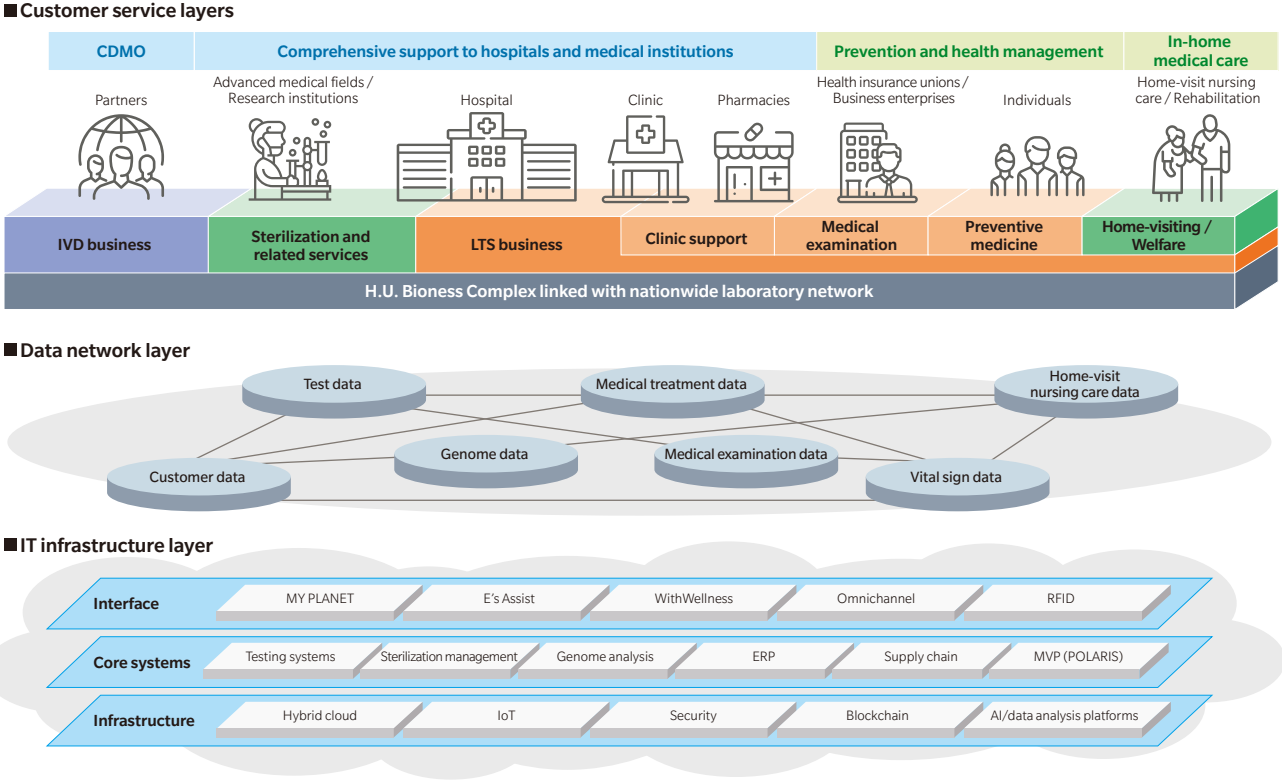
The healthcare domain is expanding in multiple directions with the development of advanced medical fields such as genomic and regenerative medicine and the growth of personalized medicine, preventive medicine, and online consultation. ICT is indispensable in order to coordinate these trends in operations going forward. Specifically, we need to create platforms for technology innovation to build a new digital healthcare. This will include, for instance, the processing of vast data volumes in genome analysis and the use of AI in diagnostic imaging.

As set out in the Japanese government's Data-based Health Management Initiatives Roadmap, data standardization in electronic records, electronic prescriptions, personal health records (PHRs) and other resources is under way to enable collation of individual healthcare data and data sharing between hospitals, medical institutions, and government organizations. The H.U. Group is proceeding rapidly with the rollout of individual and family health management services using the WithWellness personal health record operated by Ishinban, Inc. This system, which enables individual and family health status to be identified from the collated health data, can also link up with medical institutions.

To offer COVID-19 testing at airport quarantine stations, we were able to launch a testing service at short notice by developing an agile and highly reliable system based on a minimum viable product (MVP) approach. In the issue of negative test certificates for overseas travel, we used the WithWellness personal health record to provide a service that boosted convenience in the presentation and checking of test result certificates.

To realize reforms for better medical care services, we will continue to exploit to the maximum the potential of digital technology and ICT in order to create new value in the healthcare business and particularly in testing.

Healthcare x ICT platform



Part II
Management Foundation

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New recruit training



Poster inviting applications to H.U. Business College



E-learning

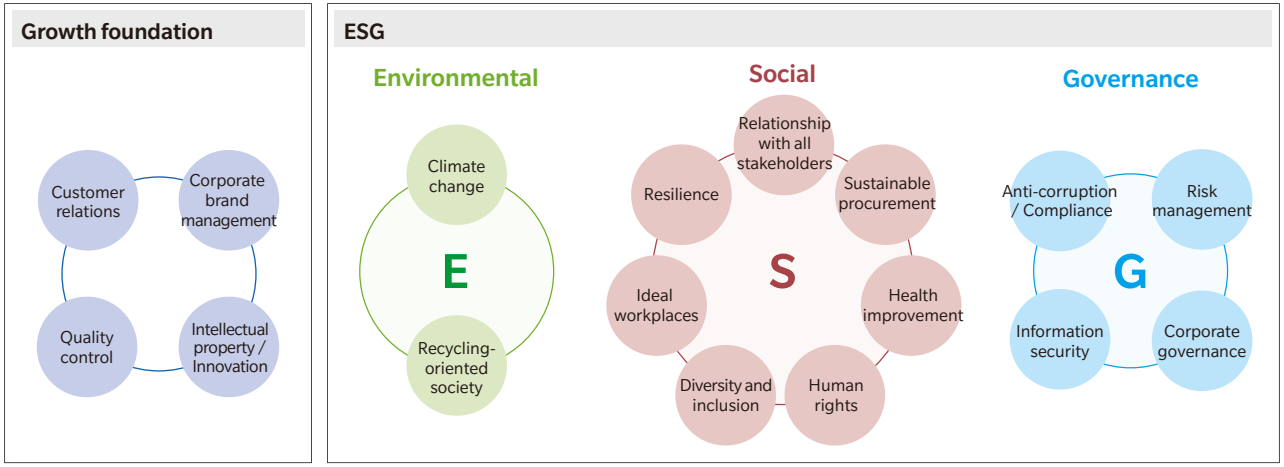
H.U. Group Materiality

In addition to environmental, social, and governance (ESG) considerations, the H.U. Group's definition of materiality includes the important factor of intangible assets such as customer assets, intellectual property, and the corporate brand, which also impact the creation of corporate value in the medium term. The H.U. Group's materiality, which was revised in July 2021, is identified based on the corporate mission, vision, and medium-term plan and on the ISO 26000 guidelines and other reference sources.

Materiality identification process

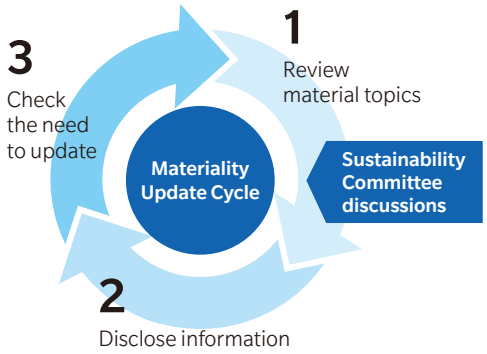
Based on the concept of dynamic materiality, the H.U. Group Sustainability Committee assesses the need for updating of the Group's materiality after taking account of changes in the external environment, the state of the Group's business, progress with initiatives on various sustainability-related issues, and other relevant factors. At the first fiscal 2022 meeting of the H.U. Group Sustainability Committee, held in July 2022, following discussion of a materiality update in response to geopolitical developments and the situation in society under the COVID-19 pandemic, it was decided that these matters currently had no major impact on the Group's strategic business direction and that the existing materiality content should be retained.

H.U. Group materiality (as of July 2022)



Materiality identification process to updating cycle

	Identification process			Updating cycle
Phase (implementation year)	(1) Identification of issues (FY2018 and FY2020)	(2) Alignment with Vision and Mission (FY2021)	(3) Approval of materiality (FY2021)	(4) Yearly update (from FY2022)
Actors	Management and president approval	Discussion by H.U. Group Sustainability Committee	Approval by H.U. Group Holdings Board of Directors	Discussion by H.U. Group Sustainability Committee



Sustainability Management

Sustainability promotion system

With the President and Group CEO of H.U. Group Holdings as chairman and the Group executive officers and the presidents of the main operating companies as members, the H.U. Group Sustainability Committee discusses basic policy and activity plans in the area of sustainability and monitors progress with related issues. In addition to promoting the activities of each Group company, the committee has the role of discussing and implementing measures for improvement based on gathering and sharing information on the latest external trends in sustainability.

Under the umbrella of the committee are a number of subcommittees, each covering a specific area of activity, through which the officers responsible for the relevant divisions take charge of related initiatives. The content of the committee's discussions and resolutions is reported to the Board of Directors.

System and role of the Sustainability Committee and its subcommittees

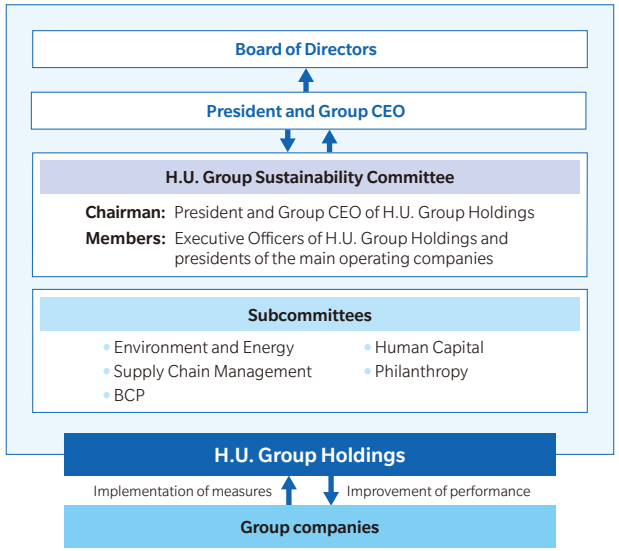
H.U. Group Sustainability Committee

Chairman: President and Group CEO of H.U. Group Holdings
Members: Executive Officers of H.U. Group Holdings and Presidents of the main operating companies
- Approves policies and plans
- Monitors activities

Subcommittees

Chairman: Relevant division head of H.U. Group Holdings
Members: Appointed by division head
Implements activity in line with policy
- Formulates activity plans
- Reports activity results

Promotion system



Sustainability Roadmap

In fiscal 2019, to coincide with the announcement of H.U.2025, our medium-term plan for the five-year period to fiscal 2024, we updated Our Approach to Sustainability to adjust our policies in the social and environmental domain. We also set out our key performance indicators (KPIs) and three-year targets for sustainability activity from fiscal 2020 to fiscal 2022 in a Sustainability Roadmap, which is now in progress.

As an illustration of our progress with the roadmap, in December 2021 we achieved a score of A minus in the CDP's Climate Change Report 2021. January 2022 saw the successful start of operation of the H.U. Bioness Complex, while in March of the same year we were selected for inclusion in the White 500 list, selected jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, and we also held our first ESG Briefing. The year 2021 also marked 40 years since we began our mission to promote and educate on clinical testing. With this and the abovementioned achievements, we fulfilled five of the roadmap's nine targets.

H.U. Group Sustainability Roadmap Three-Year Targets (FY2020–2022)

	Quantitative targets	FY2021
Environment and energy	• CO_2 emissions ····· -7% (vs. FY2017)	-36.2%
	• Waste plastic recycling rate: ····· +15% (vs. FY2017)	+14.7%
	• CDP ···· B plus	A–
Human capital	• Percentage of female managers ····· 20%	18.6%
	• White 500 acquisition	Selected in March 2022
Supply chain management	• Excellent response rate (A) ····· 90% on UNGC Self Assessment tool	69.9%

	Qualitative targets	FY2021
Philanthropy	• Continuous enlightenment of clinical testing for 40 years	40-year history of promoting and educating on clinical testing marked in 2021
Communication	• Implementation of first ESG Briefing session	Held in March 2022
BCP	• Start-up of the H.U. Bioness Complex (Realization of high resilience)	Operation started in January 2022

Note: Items in red indicate targets reached by the end of FY2021.

Enhancing non-financial capital 1

Intellectual Capital

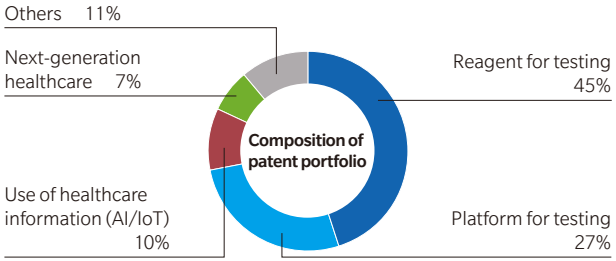
Basic policy and system for intellectual property activities

Regarding intellectual property as a main pillar of our business, the H.U. Group has constructed a system that encourages employees to create new intellectual property. By appropriately protecting created intellectual property and using it, we aim to ensure that our businesses continuously retain competitive strength, promote co-creation through intellectual property and thereby contribute to the development of healthcare.

The Intellectual Property Department performs centralized management of the intellectual property of the H.U. Group's domestic and overseas companies to maximize the utilization of intellectual property within the Group and minimize related risk. Additionally, we periodically hold meetings on intellectual property strategy to review our intellectual property portfolio.

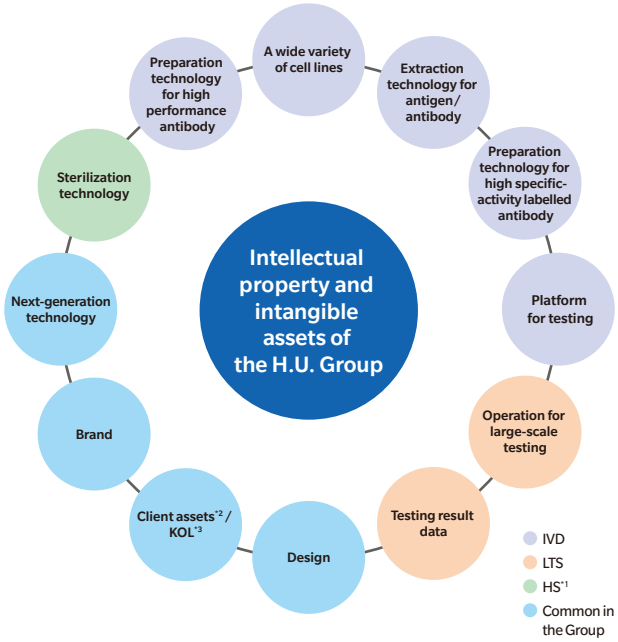
Patent applications (as of April 1, 2022)

The H.U. Group holds 593 patents. The number of patent applications submitted in fiscal 2021 was 25, of which six were for inventions related to AI or IoT.



Intellectual property and intangible assets of the H.U. Group

In addition to rights such as patents and trademarks, the H.U. Group holds the intellectual property and intangible assets shown on the right.



*1 Sterilization and related services in the Healthcare-related Services (HS) segment
*2 Links with a diverse customer base and associated customer relationships
*3 Key Opinion Leader

Initiatives for creation of intellectual property

Intellectual property education

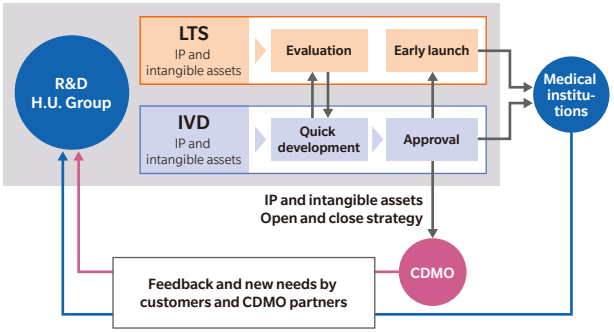
We need to create intellectual property strategically in order to increase competitive strength for our businesses and promote collaboration with internal and external partners. For this, the H.U. Group holds internal intellectual property training at different levels and intellectual property seminars mainly for researchers, inviting external lecturers.

Reward for inventions

The H.U. Group has an appropriate reward system in place for inventions by employees in accordance with the provision of the Japanese IP law. If employees create intellectual property that particularly contributes to our businesses, they will be additionally rewarded.

Strategy to increase corporate value

We will continue to leverage our group's intellectual properties and intangible assets to launch new clinical test items with short development lead times by coordinating activities across the group for swift test development. In addition, we will strengthen and expand the CDMO business, leveraging the credibility and appraisals based on approvals of IVD products in Japan.



Key initiatives (KPI)

	FY2019	FY2020	FY2021
Number of Alzheimer's disease-related test items (cumulative)	4	4	7
Number of CDMO contracted items (cumulative)	17	42	47

Enhancing non-financial capital 2

Human Capital

Approach to human capital

Basic approach to sustainability	• Respond to medical care and healthcare needs, exceed customer expectations • Enhance stakeholder trust
Embed approach in corporate organization by incorporating into the Values and Traits	
Change people's mindset and behavior	
Initiatives to create new value in healthcare	
Human capital-related materiality	• Human rights • Diversity • Ideal workplaces • Health improvement
Human capital policy	• Human Rights Policy • Diversity Policy • Occupational Health and Safety Policy • Training and Development Policy

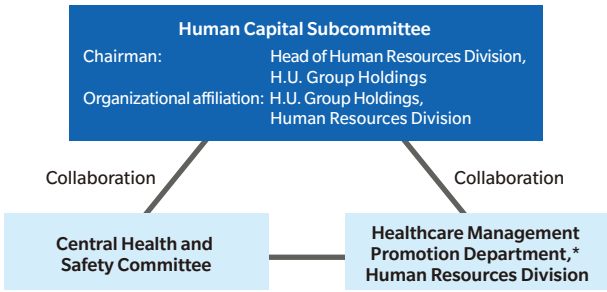
To realize the H.U. Group's mission and vision, we need to take on the challenge of change. The driver of that change is people, which means our employees. By changing their mindset and behavior, we believe that we can create new value in healthcare. To that end, we have identified four areas of materiality related to human capital (human rights, diversity, ideal workplaces, and health improvement), and are working to create a diverse, healthy, and energized corporate culture.

To embed it in our organization, we have codified our approach to these issues in our Human Rights Policy, Diversity Policy, Occupational Health and Safety Policy, and Training and Development Policy, which we implement systematically across the organization from an integrated standpoint.

Human capital management system

The H.U. Group regards human capital as an important management issue. In fiscal 2022, we changed the name of the relevant subcommittee so that overall Group policy in this area is now led by the Human Capital Subcommittee. The subcommittee is chaired by the head of the Human Resources Division. Working together with the Central Health and Safety Committee, in which the whole Group participates, and the Human Resources Division's Health Management Promotion Department, it maintains continuous monitoring of initiatives on each of the issues in the human capital roadmap and formulates and swiftly implements measures where necessary.

Human capital management and promotion system



* In October 2022, the Health Management Promotion Office was transferred to the Human Resources Division and renamed thus.

Human capital roadmap

As of the end of fiscal 2021, the roadmap had made good progress as measured by the main key performance indicators (KPIs) shown below. We have now accelerated initiatives to reach the targets of the roadmap's final year, fiscal 2022.

KPI				Performance*1			FY2021 performance		Target
Major category	Subcategory	Item	Unit	2018	2019	2020	Target	Actual	2022
Promotion status of human resources development	Average annual training time per employee	Total time for group training, e-learning, distance education, etc.	Hours	9.5	7.8	23.4	20	35.3	25
Diversity promotion status	Percentage of female managers (Managerial Grade 1 or above)		%	—	—	16.8	18	18.6	20
		Relevant Japanese companies*2	%	14.1	14.2	13.4		12.2	—
	Percentage of people with disabilities hired	Relevant Japanese companies*2 (Specified subsidiary*3)	%	1.61	1.86	2.3	2.3	2.24 (2.37*3)	2.3
Health management	White 500 listing	—	—	—	—	—	—	Acquired	Acquired

*1 Fiscal 2018 figures cover the three core companies only and fiscal 2019 figures six Japanese companies. *2 Relevant Japanese companies only
*3 Among the relevant Japanese companies, specified subsidiaries only (excluding Nihon Rinsho, Care'x)

Enhancing non-financial capital 2

Human Capital

Training and development

In line with its Training and Development Policy, the H.U. Group works to enhance its human resource development structure by promoting career development based on self-reliance, self-direction, and self-responsibility. As part of this approach, we seek mutual growth among employees by encouraging a mindset and environment whereby individuals actively seek to gain experience from their work duties in order to pursue career progression in diverse areas. The H.U. Group believes that employees should develop their own values and future ambitions, seek self-fulfillment through appropriate choices and action, and take responsibility for themselves. We have therefore put in place a structure which, in addition to grade-specific training, offers elective training and training specific to the individual Group company. In this way, we are working to develop the human resources required for our corporate vision.

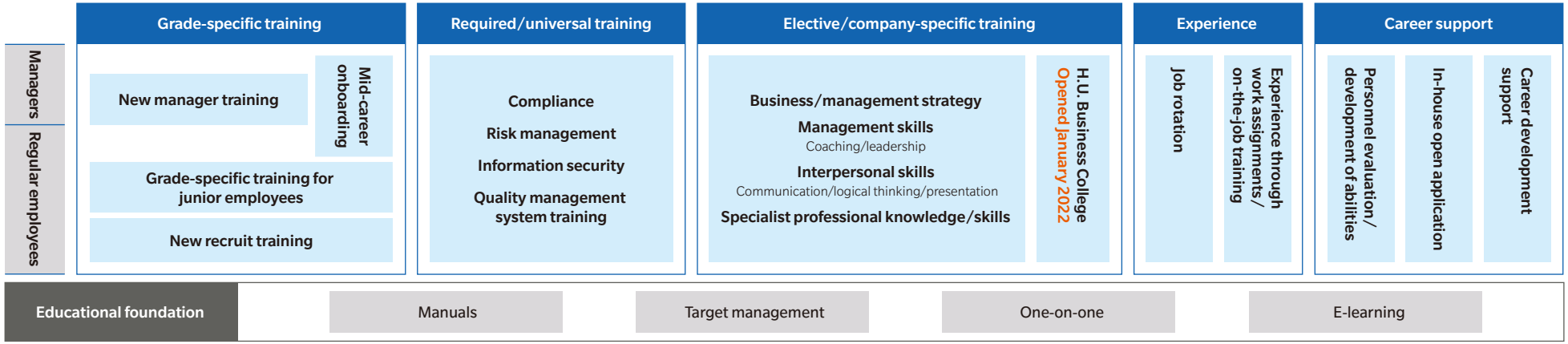
In January 2022, we opened the H.U. Business College with the objective of building the foundation for further advances by promoting the mindset of continuous learning. One of its programs, the business foundation program, is the first program open to all our employees, whose independent choices we respect. The course offers the chance to acquire basic business knowledge at first hand from a team of lecturers drawn from within the Group and outside who are at the forefront of their various fields. As well as practical skills and know-how, it presents the opportunity to network with highly ambitious fellow participants and to achieve growth toward career fulfillment. From some 140 applications, 45 participants were selected to follow the one-year course, with classes held every other week. Going forward, we will continue enhancing educational opportunities, giving consideration also to courses to cultivate future executive and managerial staff.

Enhanced learning efficiency through the e-learning system

Through active use of the e-learning system, the H.U. Group has created an environment that enables employees to pursue the programs of their choice whenever and wherever they wish and without being affected by the COVID-19 pandemic. In addition to the training required for their work duties, the system offers a wide range of content from the basic skills of business etiquette and computer skills to communication skills and leadership and management. These programs promote individually focused upskilling and growth in a way that supports the development of the employee's abilities and career. As a result of this advanced learning environment, the total training time per employee in fiscal 2021 exceeded the target of 20 hours to reach 35.3 hours. However, we are now planning the transfer to a new system with enhanced functions to respond to increasing in-house learning demand and the expansion of the system Group-wide.

In addition to addressing existing issues such as accessibility, it is envisaged that the new system will offer content matched to individual interests and additionally be multilingual.

Support for career development based on self-reliance, self-direction, and self-responsibility



Enhancing non-financial capital 2

Human Capital

Diversity

The H.U. Group's Diversity Policy states that we will generate innovation and create new value by enabling diverse human resources to develop their individual abilities to the maximum. To promote this strategy, we are pursuing initiatives toward the medium-term targets based on KPIs that include the percentage of female managers and the percentage of people with disabilities hired. In October 2022, we established a Diversity Promotion Section within the Human Resources Division to give further momentum to creating a workplace environment that empowers diverse human resources.

Promoting female advancement

In August 2021, we established a Women's Advancement Working Group within the Health Management Promotion Office (now the Healthcare Management Promotion Department, Human Resources Division). The working group is made up of representatives of the female employees of each Group company and of the H.U. Group health insurance association. With the aim of maintaining and improving women's health within the context of working life, the working group promotes female advancement by providing useful information, posting supporting videos, taking action to improve the workplace environment, and other activities. Through the cumulative effect of such initiatives, we aim by fiscal 2025 to reach a figure of 15% or more for the proportion of female managers. We have declared this as part of the action plan that general employers are required to draw up under the Act on the Promotion of Female Participation and Advancement in the Workplace issued by Japan's Ministry of Health, Labour and Welfare. As of the end of fiscal 2021, the H.U. Group's percentage of female managers was 18.6%, exceeding the target figure of 18%. These initiatives received recognition from the MSCI Japan Empowering Women Index (WIN), of which we were a selected constituent for four successive years from 2019.

Employment of people with disabilities

To enable people with disabilities to participate widely in the operations that support the H.U. Group's business, we established the specified subsidiary H.U. Cast in 2019, and commissioned office duties across the Group companies to around 20 people at the subsidiary. Since the number of employees for people with disabilities has been doubled with new employment at the H.U. Bioness Complex, which began operation in 2022. Going forward, we envisage to continue to expand employment throughout the Group.

Dealing with LGBTQ/SOGI-related harassment

The Group's Code of Conduct and Human Rights Policy prohibit discrimination based on sexual orientation, gender identity, or related grounds. We also undertake educational activities to promote understanding of LGBTQ issues and prohibit harassment based on sexual orientation or gender identity (SOGI). Under clauses to address LGBTQ issues in our terms of employment, same-sex partnerships are given the same status under internal rules as marriage. To prevent harassment, the terms of employment expressly forbid discriminatory language or behavior or physical violence motivated by SOGI. They also prohibit revealing the relevant status of an individual to a third party without consent.

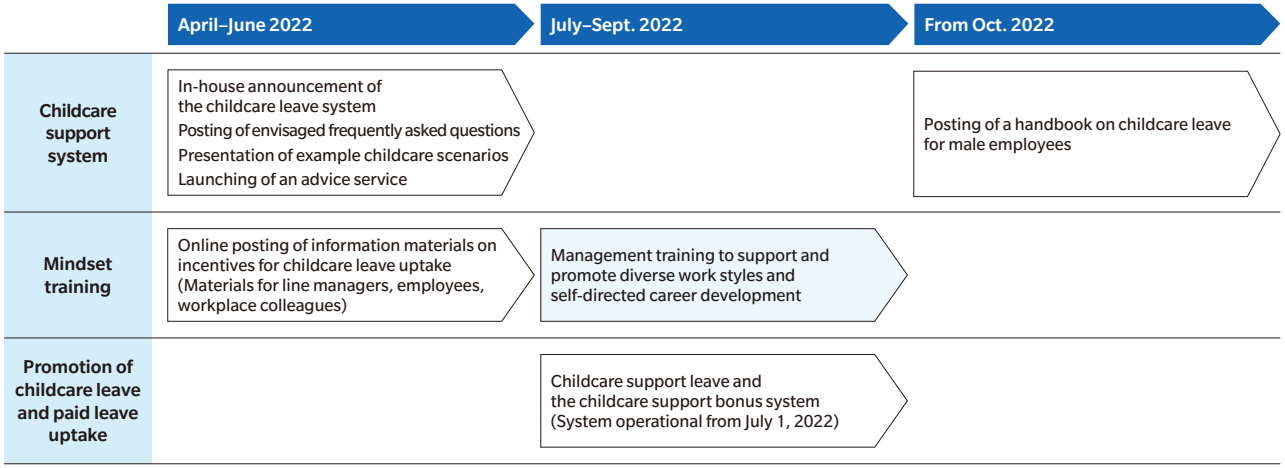
Empowering older employees

In fiscal 2021, we created a special employment system for older employees that offers them a dedicated role in the professional development of successors and junior employees, which also enhances our organizational capabilities.

Introduction of a system to promote childcare leave uptake

As incentives for the uptake of childcare leave, employees taking childcare leave now receive childcare support leave (14 continuous days of paid leave) in addition to the existing maternity leave, while employees starting childcare leave receive a childcare support bonus in addition to the maternity bonus.

Timeline for introduction of the childcare support system



Enhancing non-financial capital 2

Human Capital

Health management

The theme of health improvement is incorporated in the H.U. Group's name, "Healthcare for You," and is identified as one of our material issues. We engage in a range of measures to promote both the mental and the physical wellbeing of our employees and their families. In 2019, we issued our Health Declaration and in 2020 we reinforced initiatives by establishing the Health Management Promotion Office (now the Health Management Promotion Department, Human Resources Division). This resulted in our being recognized in 2021 for the second consecutive year in the large enterprise category of the Certified Health & Productivity Management Outstanding Organizations Recognition Program operated by the Japanese Ministry of Economy, Trade and Industry. Currently, eight Group companies are recognized in the large enterprise category of the program, with H.U. Group Holdings and three other Group companies having received White 500 listing. In the small and medium enterprise (SME) category, three Group companies are recognized, including one with Bright 500 certification. This means that a total of 11 Group companies are certified as Health & Productivity Management Outstanding Organizations.

Certification status of H.U. Group

Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category) White 500
- H.U. Group Holdings
- SRL
- Fujirebio
- H.U. Frontier

Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category)
- Nihon Stery
- Nihon Rinsho
- Care'x
- HOKUSHIN Clinical Laboratory

Health & Productivity Management Outstanding Organizations Recognition Program (SME category) Bright 500*
- H.U. Wellness

Health & Productivity Management Outstanding Organizations Recognition Program (SME category)
- SRL Kitakanto Laboratory
- Japan Institute of Foods Ecology

* Bright 500 is a listing of approximately the top 500. This is to recognize those among the enterprises certified in the SME category that are judged to have practiced particularly outstanding health management.

Improvements toward ideal workplaces

With the continuation of the COVID-19 pandemic, in fiscal 2021 we continued to recommend working from home across the Group based on our telework rules. However, the work burden on employees in fiscal 2021 grew considerably due to our contribution to the supply of COVID-19 test kits and the development of therapeutic drugs and also because of our testing operations at airport quarantine stations at a time when the number of overseas visitors increased dramatically due to the holding of the Olympic and Paralympic Games.

Given this situation, we took steps to prevent long working hours and overwork. This meant not only complying with relevant laws and regulations, but also declaring a target in August 2021 of a 20% reduction in standard working hours from fiscal 2020. This formed part of the action plan that general enterprises are required to submit by the Ministry of Health, Labour and Welfare. With comprehensive supervision and oversight, including checking by executives, we are taking measures to reduce overwork including utilization of flexible working hours and measures to ensure familiarity with e-mail utilization rules as part of efforts to raise operational efficiency.

Meanwhile, to further raise the paid leave uptake rate, we have introduced a system allowing unused annual paid leave to be accumulated up to a maximum of 60 days. This will also provide support to employees with childcare and nursing care responsibilities.

H.U. Group telework rules

1. An upper limit on total working hours to prevent overwork
2. Health checks for staff working long hours
3. Checks that actual hours of work are appropriately recorded in the system
4. Regular meetings with line managers
5. Consultation and advice service for staff experiencing problems with working hours or related issues
6. Prohibition in principle of night-time working and working on public holidays

Human rights

In addition to its Code of Conduct, the H.U. Group is progressing with activities under its Human Rights Policy. The H.U. Group will respect the rights of all people involved in its business activities and will give its best efforts to ensure that they are not violated. This commitment, which was formulated with reference to the OECD Guidelines for Multinational Enterprises, is in keeping with the Universal Declaration of Human Rights, which declares that "All human beings are born free and equal in dignity and rights," and with the Universal Declaration of Human Rights, International Covenants on Human Rights, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. In addition to complying with laws and regulations, we clearly state that discrimination, harassment, forced labor and child labor are prohibited in order to ensure a higher level of effectiveness in terms of respect for human rights. We are also working to increase awareness among employee through various training programs, including putting in place an environment in which all employees can check and add to their knowledge from any location using e-learning system materials. Since March 2019, the H.U. Group has been participated in the United Nations Global Compact, demonstrating our corporate commitment to the Ten Principles, which encompass human rights, labor, environment, and anti-corruption. On this basis, we ensure compliance with labor-related laws and human rights in the countries and regions where we conduct our business. To monitor the supply chain, we check on suppliers, including their human rights activity, using the self-assessment tool of the United Nations Global Compact. We have maintained a record of zero violations of laws and regulations relating to working conditions since 2017.

* Please see P. 40 for our report on human rights protection in the supply chain.

Enhancing non-financial capital 3

Environment and Energy

Approach and policy on environment and energy

The increasingly serious natural disasters caused by climate change pose the risk of damage to buildings and facilities and risk to the supply chain through interruption of distribution operations and other impacts. Increasingly stringent policies, laws, and regulations in response to climate change and the demand for related information disclosure from investors and other stakeholders are also expected to contribute to wide-ranging changes that will affect our business. Accordingly, we have identified climate change as one of our material issues. The H.U. Group recognizes effective energy use and greenhouse gas emissions reduction as important management issues and addresses them as part of comprehensive measures to combat climate change.

In October 2021, the H.U. Group was the first company in the laboratory testing and related services industry to become a signatory and participant in initiatives to achieve net zero in greenhouse gas emissions by 2050 such as the Business Ambition for 1.5°C initiative and the Japan Climate Initiative, through which we join in various webinars and other forms of advocacy. At the same time, we have aligned with changing trends in the worldwide response to global warming by upgrading the H.U. Group Long-Term Environmental Goals. Instead of reduction linked to sales-based emissions intensity, we have now adopted the goal of reducing total emissions to net zero by 2050, with an intermediate target for fiscal 2030 of reducing Scope 1+2 emissions by 25% and Scope 3 emissions by 12.5% compared to fiscal 2020.

Environmental Policy

The H.U. Group recognizes the connection between diverse business characteristics and the environment. We engage in environmental preservation, contributing to a sustainable society.

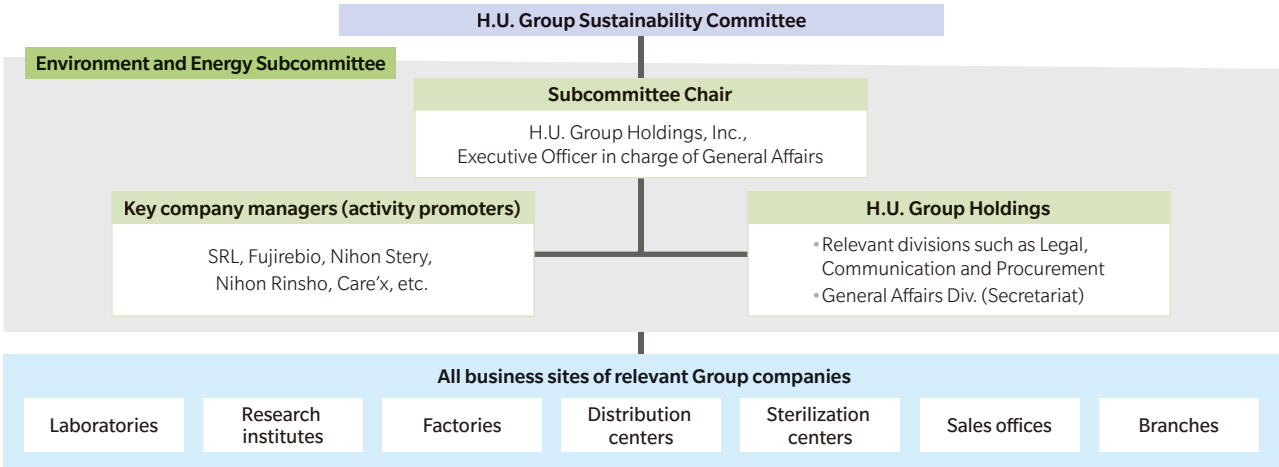
1. We strive for environmentally friendly business activities, providing services and products to society that are friendly to both people and the environment.
2. We engage in energy and resource conservation, the proper control of chemicals, reduced waste, recycling, and protection of water resources, striving to prevent environmental pollution.
3. We comply with laws, regulations, and agreements on the environment. We also strive for ongoing improvements in our environmental management systems and environmental performance.
4. We communicate our environmental policies and other environmental initiatives to employees and all others involved in our business activities. We also disclose these policies and initiatives externally.

Environment and energy management system

Based on its environmental management system (EMS), the H.U. Group plans and implements environmental activities in areas such as climate change and resource circulation. These activity plans and results are subject to PDCA cycle activity for regular progress monitoring, forward planning, and corrective action.

- Important matters, such as target setting and signing or participating in external initiatives, are discussed by the H.U. Group Sustainability Committee, which is chaired by the President and Group CEO, with activities subject to regular review and adjustment for improvement.
- We operate the Environment and Energy Subcommittee, attended by executives from core Group companies, which drives concrete activities toward meeting targets.

System diagram



Enhancing non-financial capital 3

Environment and Energy

The committee, which changed from the earlier Environment Subcommittee to its present title in fiscal 2022 in light of the current instability of global energy supplies, is responsible for information sharing, implementation of measures, and progress management in this area. Chaired by the executive officer in charge of the H.U. Group Holdings General Affairs Division, it is held quarterly with the attendance of executives of the core Group companies.

Meanwhile, our major business sites have acquired ISO 14001 certification and are subject to regular third-party inspection.

Important matters such as the setting of sustainability targets and participation in global initiatives are discussed by the Sustainability Committee and reported as appropriate to the Board of Directors.

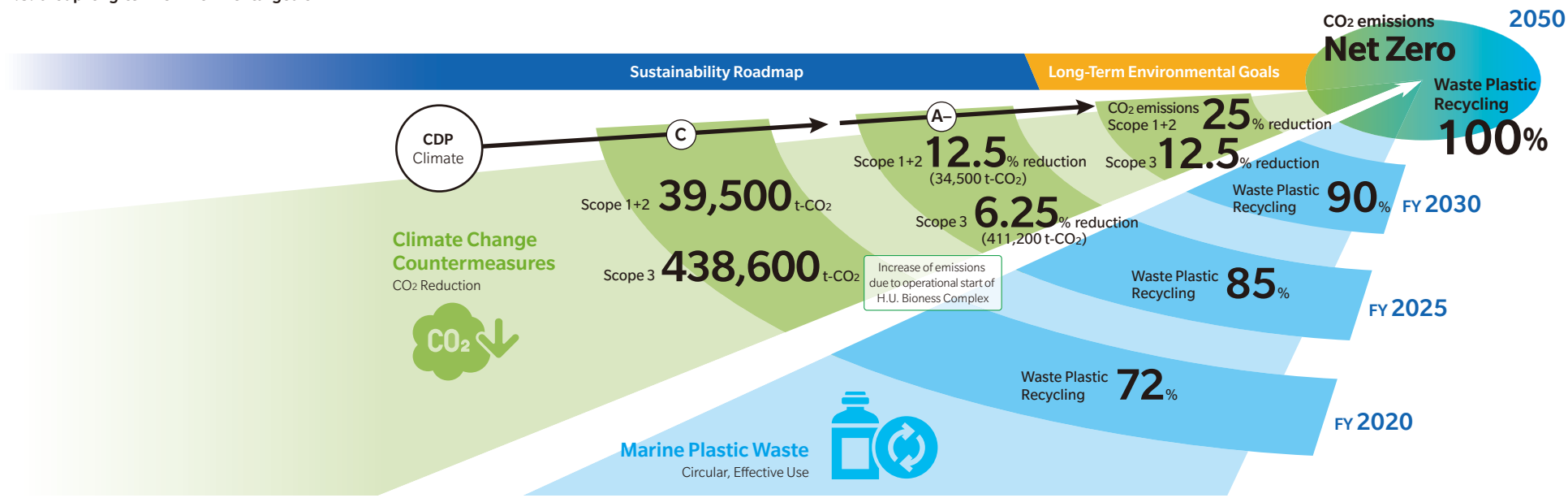
Medium- to long-term environment and energy targets

The H.U. Group has set H.U. Group Long-Term Environmental Goals for reducing CO_2 emissions and improving its plastic recycling rate looking ahead to fiscal 2030 based on the Paris Agreement, as well as on the Osaka Blue Ocean Vision. These targets concern the two environmental areas identified as Group materiality: climate change and the recycling-oriented society. In this connection, we published a Group-wide Sustainability Roadmap in 2020 with targets for the following three-year period that we are now working toward.

Our target to combat climate change is to reduce total CO_2 emissions. There is a growing sense of urgency worldwide over the increasingly serious threat of climate change. The H.U. Group is determined to play its part by intensifying action in response. Accordingly, in October 2021 we replaced our previous target linked to sales-based emissions intensity with a target based on total volume reduction. We have now set proactive targets of a 25% reduction in 2030 compared to fiscal 2020 and net zero CO_2 emissions in 2050. These are based on the target scenario of global warming limited to 1.5°C.

Meanwhile, in connection with the recycling-oriented society, the H.U. Group has set recycling targets of 90% in 2030 and 100% in 2050 for waste plastic, which accounts for more than 30% of its industrial waste emissions.

H.U. Group long-term environmental goals



Enhancing non-financial capital 3

Environment and Energy

Environment and energy sustainability roadmap

As part of measures toward reducing CO_2, we switched to LED lighting and high-efficiency facilities and improved efficiency by rationalizing business locations. However, the impact of COVID-19 meant that our energy consumption increased, mainly due to the sharp rise in the scale of operations and operating time of our test facilities. On the other hand, the increase in net sales allowed us to meet our targets comfortably in terms of sales-based emissions intensity.

We successfully met the target for increasing the waste plastic recycling rate in fiscal 2021 by switching from landfill disposal to recycling of waste plastic at the SRL Hachioji Laboratory, which accounts for a large proportion of the total volume. Going forward, we will be seeking further improvement, including potentially extending this approach to other laboratories.

Climate change countermeasures —Key issues for fulfilling the roadmap

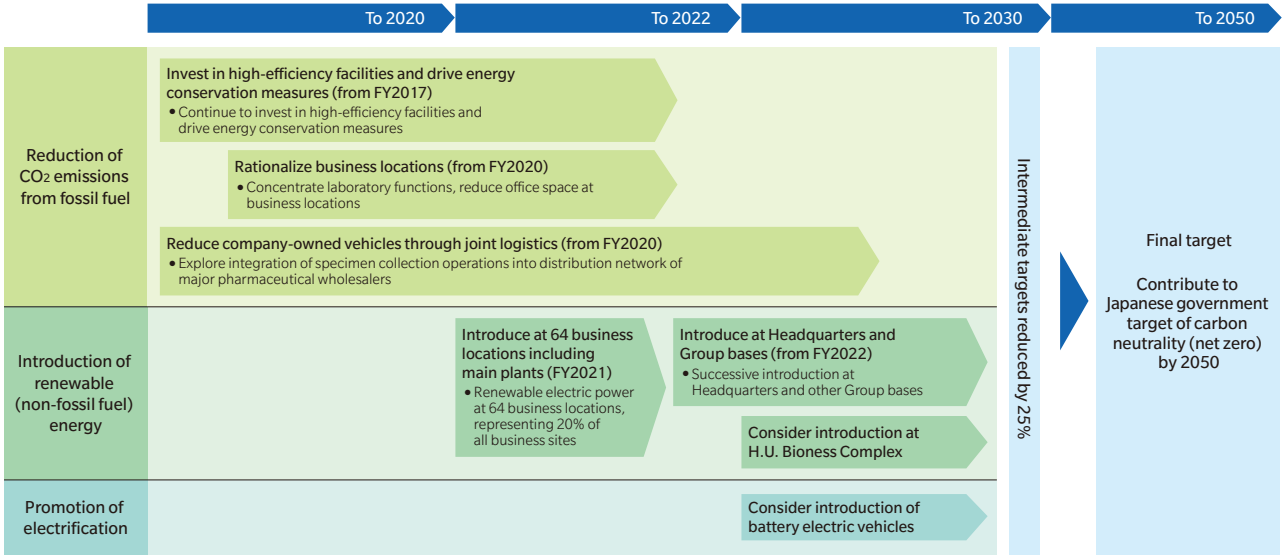
Guided in part by the Japanese government's Green Growth Strategy Through Achieving Carbon Neutrality in 2050, the H.U. Group has declared a target of reaching net zero CO_2 emissions in 2050. Among our initiatives toward the realization of a decarbonized society are energy conservation activities, increased use of renewable energy, and introduction of electric vehicles (EVs) and fuel-cell vehicles (FCVs).

Sustainability roadmap (three-year targets)

KPI				Performance*			FY2021 performance		Target
Major category	Subcategory	Item	Unit	2018	2019	2020	Target	Actual	2022
Climate change	CO_2 reduction	Total of Scopes 1 & 2 emissions (sales-based intensity)	t-CO_2/100 million yen	21.0	19.9	17.4	22	14.9	22
		(Ref.) Achievement vs. long-term targets (–20% in total volume)	%	9.8	14.6	25.3	7	—	7
Marine plastic waste (Formation of a recycling-oriented society)	Circular, effective use of resources	Total recycling rate of waste plastic	% (Recycled amount / total amount)	67.6	71.4	73.6	74	75.7	76
CDP	Climate change	—	Rank	F	C	C	B–	A–	A–

* FY2018–2019: Japanese group companies subject to internal control evaluation FY2020–2022: Japanese and overseas group companies subject to internal control evaluation

Toward net zero CO_2 emissions in 2050



Enhancing non-financial capital 3
Environment and Energy

Climate change —Response to TCFD[*1] framework

In response to the increasing demand for information disclosure on climate change-related risks and opportunities, in November 2021 the H.U. Group declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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 have deepened our understanding of the world, where 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: one year," "medium term: five years," and "long term: 10 years or more," organized the potential business impact and our response measures, and disclosed our analysis of business risks and opportunities. In fiscal 2022, we are progressing with a detailed analysis of the still more challenging scenario of global warming limited to 1.5°C.

Response to TCFD recommendations on financial disclosures

TCFD recommendations on financial disclosures	Response status
Governance The organization's governance around climate-related risks and opportunities	• The H.U. Group's Sustainability Committee, with the CEO as its chair, deliberates on climate change issues and implements CO_2 reduction targets and manages progress • The Executive Officer in charge of General Affairs and division head of General Affairs serves as chair of the Environment and Energy Subcommittee. Based on this subcommittee's decisions, the division promotes measures against climate change.
Strategy The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	• Through the H.U. Group Sustainability Committee, risks and opportunities (given the beyond two degrees scenario) are identified and impacts are anticipated
Risk Management The processes used by the organization to identify, assess, and manage climate-related risks	• At the H.U. Group Risk Management Committee selected natural disaster risk including impact of climate change as one of the significant risks
Metrics and Targets The metrics and targets used to assess and manage relevant climate-related risks and opportunities	• Have set long-term targets based on the B2DS[*2] CO_2 emission····· Net zero by 2050 Targets for FY2030: Scope 1-2 25% reduction (vs. FY2020) Scope 3 12.5% reduction (vs. FY2020)

*2 B2DS: Beyond 2°C Scenario, in which future rise in average temperature is limited to 1.75°C.

Analysis of climate change scenarios

Scenario	TCFD Framework		Event	Time Horizon	Impact	Response	Risk	Opportunity
4°C scenario	Physical risk	Acute risk	Flooding of business locations	Short-term	● Damages of equipment	● Formulates BCPs at the head office and field levels ● Purchase non-life insurance water damage rider	Low	—
			Supply chain disruption	Short-term	● Interruption of specimen transportation and distribution network	● Use multiple modes of transportation ● Form business alliance for sample transportation	Low	—
		Chronic risk	Temperature rise	Long-term	● Increasing demand for products and tests for tropical diseases	● Consider R&D on relevant diseases and items	—	○
2°C scenario	Transition risk	Policy and legal risk	Introduction of carbon tax and revision of ordinances	Medium-term	● Carbon tax to be introduced in 2030 ● Potential violation of ordinances (emission cap)	● The H.U. Bioness Complex and company vehicle emissions simulation	Low	○
		Technology risk	Installation of renewable energy facilities	Medium-term	● Expanded capital investment in renewable energy	● 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	● Market pressures to do something about GHG emission reductions	● Reorganize to use vehicles for logistics jointly with other companies	—	○
		Reputation risk	ESG brand	Long-term	● Dismissed as ESG-adverse	● Relations with long-term investors ● Improve the ESG ratings	—	○
1.5°C scenario	(Severe) Transition risk	From fiscal 2022: look into information disclosure based on detailed analysis/carry out detailed analysis of envisaged risks and impacts (in progress)						

* 1 Task Force on Climate-related Financial Disclosures. Established under the chairmanship of Michael Bloomberg by the Financial Stability Board at the request of the G20 to consider climate-related information disclosure and how financial institutions should respond.

Enhancing non-financial capital 4

Supply Chain Management

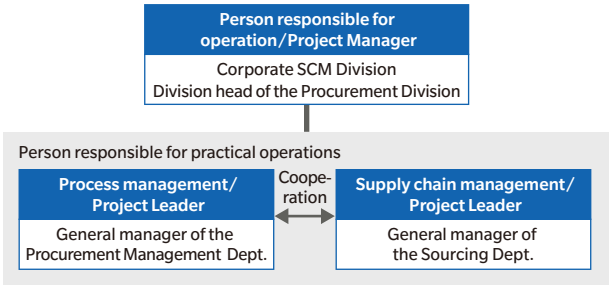
Basic approach

The H.U. Group carries out purchasing activities based on its Procurement Policy. This policy incorporates the requirement for fair, stable, and sustainable procurement transactions. Meanwhile, to ensure that we meet our social responsibility throughout the purchasing supply chain, we provide comprehensive information regarding the areas that we ask suppliers to address through our Basic Policy on Business Partner Selection. We have made these policies available in three languages, Japanese, English, and Chinese. Sharing this information with suppliers enables us to pursue sustainable procurement, which we have identified as our materiality.

Supply chain management system

- To enhance initiatives for sustainable procurement throughout the supply chain, in fiscal 2022 we changed the subcommittee's name to the Supply Chain Management Subcommittee. Chaired by the head of the H.U. Group Holdings Procurement Division, in the management framework of which it operates, the subcommittee formulates and executes plans for sustainable procurement.
- These activity plans and the results are subject to regular progress monitoring for forward planning and corrective action.

Operating system of the Supply Chain Management Subcommittee



Supplier assessment based on the roadmap (including human rights due diligence)

When initiating a business relationship, we ensure a shared understanding by communicating to the new partner the Procurement Policy and the Basic Policy on Business Partner Selection. With existing business partners, meanwhile, approximately once every three years we investigate the status of their initiatives toward the realization of a sustainable society.

Specifically, we utilize the United Nations Global Compact Self Assessment Tool to check a wide range of items covering the compact's 10 principles in four areas (human rights, labor, environment, and anti-corruption) in an investigation that covers business partners accounting for 80% of the order amount of each Group company.

Main self-assessment items of UNGC

1. Corporate governance
2. Human rights
3. Labor
4. Environment
5. Fair business practices
6. Quality and safety
7. Information security
8. Supply chain
9. Coexistence with local communities

Sustainability roadmap for supply chain management (three-year targets)

KPI				Performance		FY2021 performance		Cumulative total FY2019–2021		Target
Major category	Subcategory	Item	Unit	2019	2020	Target	Actual	Target	Actual	2022
Promotion of sustainable procurement for Tier 1	Questionnaire collection rate	Questionnaire collection rate	%	100	54.1	100	88.5	100	82.4	100
	UNGC SA analysis	Class A rate (Score of 60% of total points or more)	%	84.3	49.2	Figures known	69.2	Figures known	69.9	90
		Class B rate (Score of 40–60% of total points)	%	12.3	4.9	Figures known	11.5	Figures known	9.7	8
		Class C rate (Score of 40% of total points or less)	%	3.4	0	Figures known	7.7	Figures known	2.8	2
		Share of non-responses	%	0	45.9	Figures known	11.5	Figures known	17.6	0

Our Companies Subject to Survey
FY2019: (1st Survey) H.U. Group Holdings, SRL, Fujirebio, Nihon Stery, Nihon Rinsho, Care'x
FY2020: (1st Survey) Fujirebio Diagnostics (US), Fujirebio Europe (Belgium)
FY2021: (1st Survey) Non-domestic Group consolidated subsidiaries as of FY2019
FY2022: (2nd Survey) H.U. Group Holdings, SRL, Fujirebio, Nihon Stery, Nihon Rinsho, Care'x

Please see our website for further details. https://www.hugp.com/en/csr/procurement.html

Corporate Governance

Basic approach to corporate governance

We in the H.U. Group bring about greater managerial efficiency based on our stated Mission to "Create new value in healthcare and thereby contribute to human health and the future of medical care," along with our Vision and Values. 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.

Corporate governance structure

Overview of our corporate governance structure and the reason for its adoption

We fully recognize the importance of strong and thorough corporate governance, and are 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.

As such, following the adoption of a "company with committees" (now "a company with three committees") system on June 27, 2005, the Company transitioned to a holding company structure that performs centralized oversight of the Group as of July 1, 2005. We adopted this management configuration with the aim of achieving clear separation of oversight and executive functions, establishing an implementation structure capable of operating with greater speed and enhancing oversight of Group companies.

Under this configuration, we have established three committees: the Nominating, Audit and Compensation committees, in accordance with laws and ordinances.

At the Board of Directors meetings, board members receive reports from each committee and from the executive officers providing information on current corporate operations and target management achievements. The Board of Directors is thus able to provide timely comprehension and oversight of corporate management information. Among the eight members of the Board of Directors, six are outside directors, each of whom is recognized as a leader in his or her respective field.

The Board of Directors and appointment of directors

The Company appoints internal and outside director candidates irrespective of their gender, race, or nationality from the perspective of their: 1) capacity to manage based on knowledge and experience in wide ranging fields outside the scope of business experience gained within the Company, 2) due recognition of the role management should play in society, avoiding disproportionate emphasis on the interests of management or certain stakeholders, and 3) ability to properly oversee the management in the execution of its duties. Moreover, the Company appoints outside director candidates primarily from the following wide range of fields:

- Experience as managers of operating companies;
- Experts in public administration in the fields of medical services, insurance, etc.;
- Experts in corporate and business law, corporate accounting and corporate finance;
- Experts in providing advice and support to corporate management; and
- Experience as managers of global business operations

The Company appoints as candidate for outside director those who have been nominated by the Nominating Committee upon having determined that they have the aforementioned experience, while also showing that they are capable of maintaining independence from management and possess character and insights befitting an outside director.

The Company appoints as candidate for internal director those who have been nominated by the Nominating Committee on the basis of the criteria listed below:

- Possess expertise related to the Company's business operations;
- Exhibit outstanding capabilities for making business decisions and management execution;
- Exhibit outstanding capabilities in terms of leadership, decisiveness, foresight and planning; and
- Possess character and insights befitting a director

As a basic rule, a majority of the Company's directors are to be outside directors with high independency. The Company deems that no more than 10 directors should serve on the Board of Directors in order to ensure lively and substantive discussion.

Governance structure

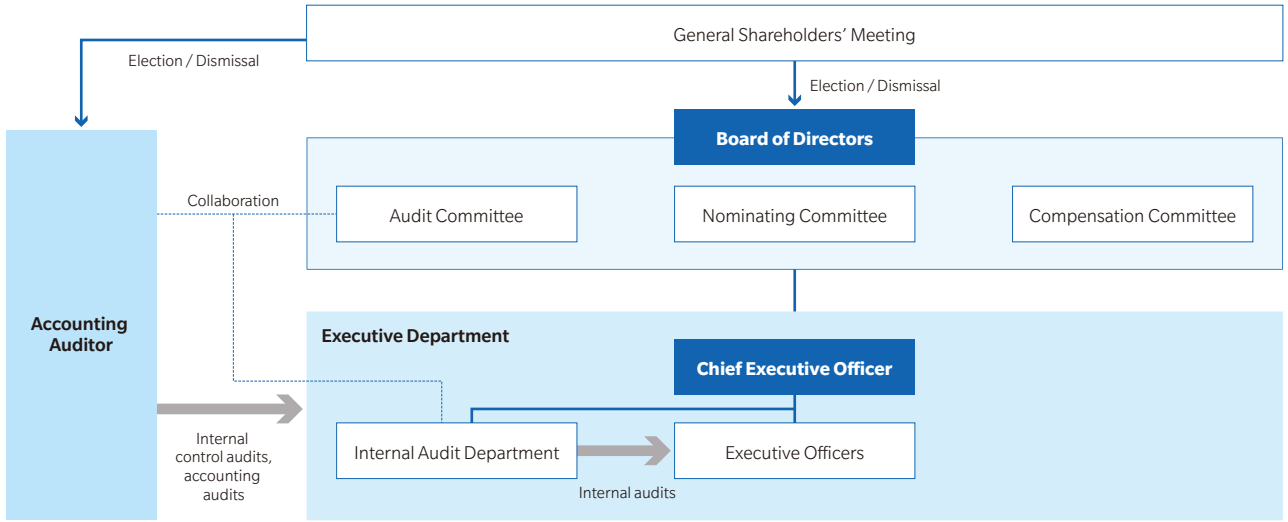
Outside directors are nominated to chair our Nominating Committee, Audit Committee, and Compensation Committee. Each committee has a majority of outside directors, with the Audit Committee and the Compensation Committee composed entirely of outside directors.

Members of the Audit Committee participate in major meetings of the Risk Management Committee, the Compliance Committee, and the other committees, hold regular liaison meetings with the Internal Audit Department and the auditors of the operating companies, and conduct direct audits of the execution of duties as necessary. The results of these 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.

We have established the Secretariat of the Audit Committee as a body under the direct control of the Audit Committee. The appointment and dismissal of the staff of the Secretariat of the Audit Committee and other details of their professional treatment, such as performance evaluation and interdepartmental transfer, are subject to prior approval by the Audit Committee based on advance briefing in order to ensure the independence of the staff.

Corporate Governance

Corporate governance structure



Matters regarding ensuring appropriate execution of business operations of the corporate Group

We ensure subsidiaries execute business operations appropriately by administering and managing subsidiaries pursuant to the management rules of the subsidiaries and affiliates and agreement on responsibilities and authorities of the officers of the subsidiaries.

In addition, we have established a management structure with the following framework to ensure the appropriate execution of business operations by the corporate Group:

- The structure covers the Company and its principal operating subsidiaries;
- The objective is the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations related to business activities;
- Promote risk management for the entire corporate Group based on the Risk Management Rules;
- Prepare a flowchart for principal operational processes including subsidiaries to standardize operations and carry out appropriate responses to risks; and
- The Internal Audit Department will conduct audits for the internal control system

The internal audit departments of the Group companies 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.

Matters regarding managing risk of loss

We have developed a risk management system based on the Risk Management Rules and the Rules of the Risk Management Committee. This system is used by the Risk Management Committee to manage the risk of loss.

Evaluating the effectiveness of the Board of Directors

The Board of Directors considers it important to adopt a third-party perspective in its processes for evaluating its own effectiveness, and this evaluation process is carried out once a year in order to verify said effectiveness.

As such, in fiscal 2021, it brought on board an independent, third-party organization to serve as an advisor in performing evaluations related to a number of different matters. Said matters include the composition of the Board of Directors; its effectiveness (including monitoring how it carries out work); the effectiveness of the Nominating, Compensation, and Audit committees; the management of the Board of Directors, structures related to support and coordination by outside directors; and relations with shareholders and other stakeholders.

The evaluations were carried out by ensuring impartiality by following a process of having eight directors respond to questionnaires and having a third-party organization tabulate and analyze the responses under conditions in which anonymity was guaranteed.

Corporate Governance

Evaluation results

The results of the tabulation and analysis were reported to the Board of Directors in May 2022. It was found that the effectiveness of the Board of Directors had improved in terms of its discussion of the prioritization of material issues (materiality), business strategy, capital policy, financial strategy, and other areas.

Initiatives in response to the evaluation results

We have evaluated the effectiveness of the Board of Directors continuously since April 2016 and implemented initiatives in line with the evaluation results to increase the Board's effectiveness.

Since the previous evaluation of effectiveness conducted in April 2021, we have implemented the following measures to improve the Board's effectiveness.

(1) Ensuring of timely advance distribution of discussion materials relating to agenda items for Board of Directors meetings
(2) Holding of advance briefing meetings on key agenda items for Board of Directors meetings
(3) Holding of sessions for directors to discuss medium- to long-term strategy
(4) Holding of opinion exchange meetings for outside directors to promote communication among them
(5) Holding of regular opinion exchange meetings between outside directors and Group CEO and the officers in charge of each business
(6) Holding of discussions on the prioritization of material issues (materiality)

Addressing the Corporate Governance Code

We do not implement "Principle 2-6 Roles of Corporate Pension Funds as Asset Owners" of Japan's revised Corporate Governance Code.

In April 2019, we introduced a lump-sum retirement benefit program and defined contribution pension plan, while moving our previous defined benefit plan to a closed corporate pension fund.

As the administrator of the corporate pension plan, we ensure the plan is operated using an appropriate structure and we have established venues for periodic reporting of asset management results. However, decisions on the selection of investment targets and the exercising of voting rights are entrusted to an investment institution, and given our awareness that engagement is an issue in terms of stewardship, we provide an explanation regarding our non-compliance with this principle.

H.U. Group Holdings complies with all other principles of Japan's Corporate Governance Code.

Reason for the selection of outside directors

We have six outside directors at our company.

Mr. Shigehiro Aoyama has abundant experience and broad insight in global business, including M&A, and in the healthcare field, having been involved in the management of Suntory Holdings Limited for many years. He is therefore considered qualified to serve as an outside director of the Company.

Mr. Futomichi Amano has broad insight in global business and abundant experience in the field of accounting, having been involved for many years both in audits as a certified public accountant and in the management of Deloitte Touche Tohmatsu LLC. He is therefore considered qualified to serve as an outside director of the Company.

Mr. Ryoji Itoh has broad insight related to global business, M&A, digital transformation, and other areas based on his abundant experience as a management consultant, fund manager, and corporate manager. He is therefore considered qualified to serve as an outside director of the Company.

Ms. Moegi Shirakawa is an independent expert who can provide advice from different perspectives as a lawyer and legal practitioner and is well versed in areas including finance, M&A, investment, and corporate and business law. She is therefore considered qualified to serve as an outside director of the Company.

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. He is therefore considered qualified to serve as an outside director of the Company.

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. He is therefore considered qualified to serve as an outside director of the Company.

Determining the independence of outside directors

We determine the independence of outside directors on the basis of criteria for independence established by the Tokyo Stock Exchange.

We emphasize objectivity, neutrality, and expertise in our outside directors, and recognize their role in supervision to ensure that management fairly recognizes the roles that the company plays in society and that managers carry out their professional duties in a reasonable and appropriate manner free from bias toward the interests of managers or specific shareholders. We appoint outside directors from the perspective of having them put their knowledge and experience in different fields to use in the Company's management and expect that the directors will play an independent role in governance.

Directors and Officers

Directors



Shigekazu Takeuchi
Director,
President and Group CEO



Naoki Kitamura
Director, Managing
Executive Officer

Outside Directors



Shigehiro
Aoyama



Futomichi
Amano



Ryoji Itoh



Moegi
Shirakawa



Keiji
Miyakawa



Susumu
Yamauchi

Areas of expertise and experience

Name	Business management	Global business	Compliance and risk management	Legal	Finance and accounting	M&A	Healthcare	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)	●	●	●	●				

Executive Officers

Representative Executive Officer
Shigekazu Takeuchi
Group CEO

Managing Executive Officer
Naoki Kitamura

Executive Officers
Shunichi Higashi
LTS

Goki Ishikawa
IVD

Toshihiko Shimizu
CIO

Atsuko Murakami
CFO

Kazuya Omi
Research and Development

Tadashi Hasegawa
Corporate Planning and Management

Hiroaki Kimura
General Affairs

Viewpoint of an Outside Director



Contribute to a sustainable increase in corporate value by monitoring management from the investors' perspective

Keiji Miyakawa Outside Director

Profile

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

My role as outside director

I have many years of professional experience at an overseas investment bank, where I dealt with the capital markets while gaining some knowledge of management strategy. During that time, I was involved in many global M&A deals and was also responsible for dealing with enterprises in the healthcare industry. As an outside director of H.U. Holdings, I want to draw on this background in order to play an effective role as a link between the Company and capital markets and investors.

Taking an overview of the current state of the Company, what is clear is that it needs to target growth outside the field of COVID-19-related testing, the demand for which has inflated profits to some extent. At the same time, the H.U. Bioness Complex is now entering the stage for return on investment. In order for the Company to present an accurate picture of its corporate value, the project needs to start delivering concrete results.

I recognize the CEO's vision for the benefits of the project and his vision for growth. To support him in presenting to the exterior his roadmap toward that vision, I want to draw on my expertise to offer objective advice at Board of Directors meetings.

Perceived issues for medium- to long-term growth

As I mentioned above, in LTS business, I think the success of the measures in its business strategy, which is centered on the H.U. Bioness Complex, is the key driver for the growth. The project has involved a large upfront investment, so now the Company needs to secure an appropriate return. My background as a business manager is in finance, and I am a great supporter of capital investment for medium- to long-term growth. We know of course that "cash does not create corporate value." I think instead that it is well-targeted capital investment that is the source of growth. I am committed to strict monitoring from the investors' perspective to ensure steady progress with the opening of the H.U. Bioness Complex and its contribution to profit.

Sustainable growth of the base business is also an important subject. The Company needs to keep a close watch on market conditions in the LTS business, as it lays a business foundation that can generate a stable profit independently of COVID or other external factors.

In the IVD business, meanwhile, it is essential that the Company presents a clear picture of its future growth potential. This business faces a global market completely different from the LTS market. Since it has adopted a strategy of promoting the CDMO business, the Company needs to vigorously follow through on that policy. In the global market of the future, I think it will be important for the IVD business to grow as a truly global player by intensifying the strategic move toward M&A and business alliances in order to achieve rapid and reliable expansion of scale.

For a sustainable increase in corporate value

Having completed my first year as outside director, my impression is that the Company has developed a very advanced governance system as one of only around 90 Japanese companies to have adopted the structure of a company with three committees. At Board of Directors meetings, we have active discussions in an atmosphere that encourages outside directors to offer their opinions too. I think this reflects a very admirable corporate culture. However, since the Company's business operations are very wide-ranging and highly specialized, it takes time for outsiders to gain a sufficient understanding. Having completed this year of preparation, I have now been appointed a member of the Audit Committee. From now on, rather than just taking an overview of management, I want to deepen my understanding by communicating more with the frontline, which will allow me to dig down into the real substance of the business. Through strict monitoring from an outsider perspective, I will continue working to contribute to the sustainable improvement of corporate value.

Compensation for Directors and Executive Officers, etc.

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.

Approach to compensation for directors and executive officers, etc.

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-based 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.

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.

Executive officers' compensation

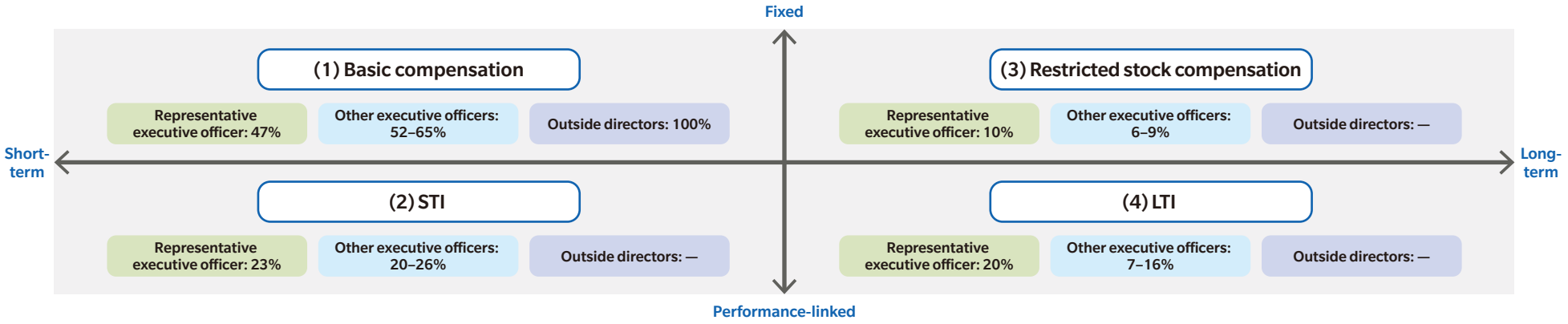
Executive officers' compensation will be determined in combination of fixed-amount compensation, performance-based compensation and share-based compensation in consideration of the duties of the respective executive officers. An upper limit that is considered reasonable in light of economic conditions,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

Compensation system

The compensation paid to the Company's directors and executive officers is determined by the Compensation Committee based on the relevant regulations as laid down by the Compensation Committee and taking account of economic conditions, the Company's situation, and the content of the duties of each director or executive officer.

Compensation for directors and executive officers consists of basic compensation, which is fixed monetary compensation; restricted stock compensation, which is fixed stock compensation; a short-term incentive (STI), which is a monetary amount that varies with the degree of progress toward achieving performance targets over the short term; and a long-term incentive (LTI), which is trust-type share-based compensation linked to medium- to long-term performance. The breakdown of these components by job title is as shown in the table below.

Compensation types and breakdown by job title



Compensation for Directors and Executive Officers, etc.

(1) Basic compensation
- In addition to the prescribed fixed compensation, compensation is paid to directors in accordance with the details of their supervisory activities.
- 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 his or her duties, etc.

(2) STI
- The amount paid is linked to performance based on single-year performance and 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.

Breakdown by job title	Single-year performance		(iii) Individual evaluation
	(i) Consolidated group performance	(ii) Segment performance	
Representative executive officer	100%	—	—
Other executive officers	20–100%	0–60%	0–20%

(i) Consolidated group performance

Performance evaluation indicator	Weight	Target	Range of variation in payment
Consolidated net sales	50%	Year-on-year growth rate	0–200%
Consolidated profit	50%	Absolute amount (as per plan)	0% to no upper limit

(ii) Segment performance

Performance evaluation indicator	Weight	Target	Range of variation in payment
Net sales	50%	Year-on-year growth rate	0–200%
Operating profit	50%	Absolute amount (as per plan)	0% to no upper limit

(iii) Individual evaluation

The amount paid varies within the range of 0–200% of the standard amount for the job title based on an overall evaluation of the individual's performance of duties.

(3) Restricted stock compensation
- The objectives are to provide an incentive to seek a sustainable increase in Group corporate value and to further promote shared value with shareholders.
- From the date of receipt of the issued restricted stock until the date on which the director or executive officer retires from their position with the Group, the transfer or other disposal of the allocated restricted stock is prohibited.

(4) LTI
- The main objective is to raise awareness of the need to contribute to improving medium- to long-term performance.
- 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 (50%) or the amount of money equivalent to the converted value of the shares of the Company (50%) are delivered or provided, in accordance with their titles and the degree of progress toward performance targets.
- In principle, a certain number of points is allocated on June 1 of each year of the trust period in respect of the fiscal year ended on March 31 of the same year.
- The number of shares of the Company per point shall be one (1).

The method of calculation for the number of points allocated each year = (1) standard no. of points x (2) performance-linked coefficient

(1) Standard no. of points

This is calculated by dividing the standard amount of trust-type share-based compensation for the job title by ¥2,449, the closing price of Company stock on the day before the meeting of the Compensation Committee of July 17, 2020.

(2) Performance-linked coefficient

Performance evaluation indicator	Weight	Target	Range of variation in payment
Granted percentage for consolidated net sales	40%	Absolute amount (as per plan)	0–300%
Granted percentage for consolidated operating profit	40%	Absolute amount (as per plan)	0–300%
Granted percentage for growth in consolidated net sales	20%	Consolidated net sales of previous fiscal year	0–300%

Risk Management

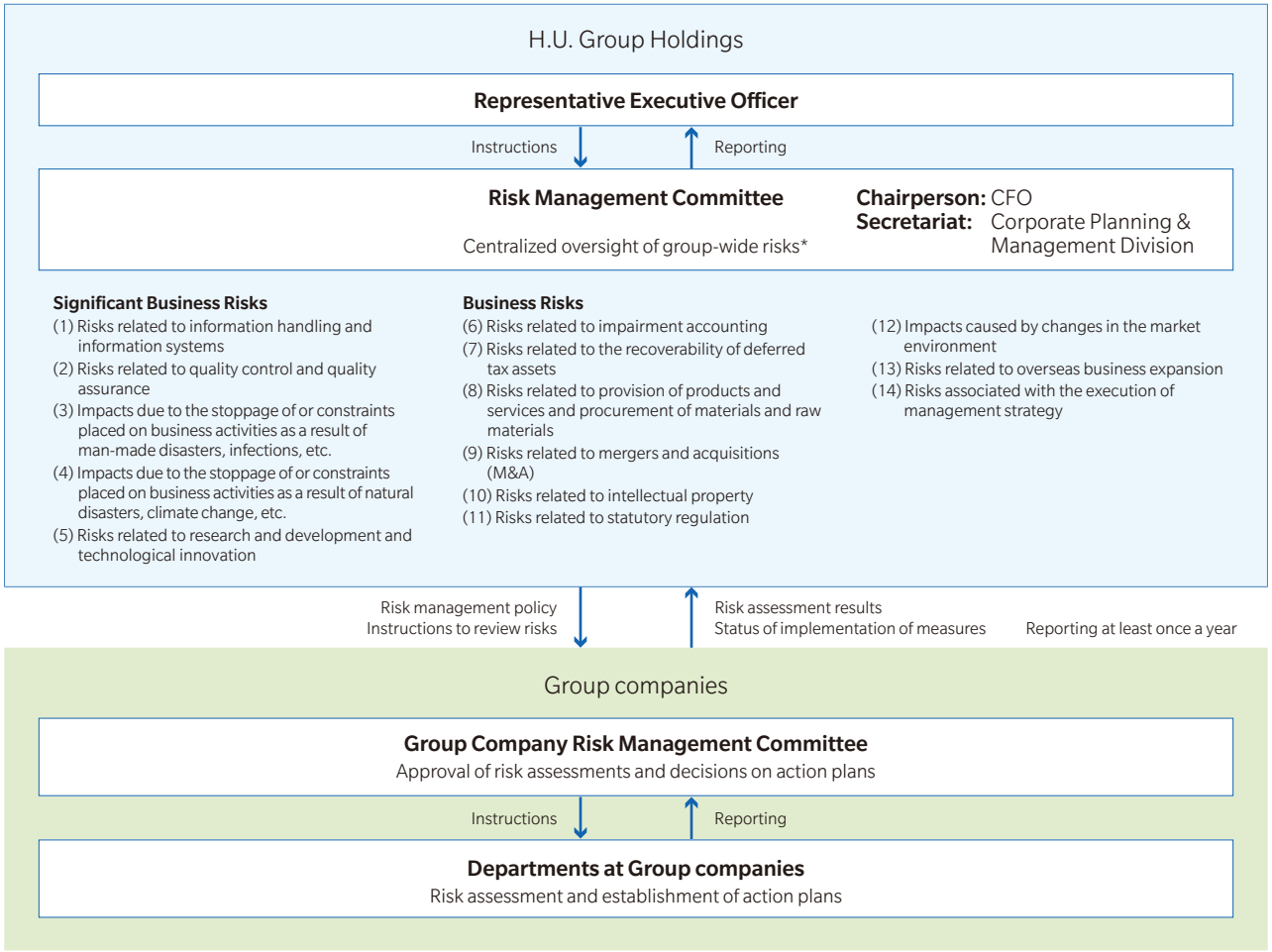
Basic approach to risk management and management structure

Risk is managed according to a uniform policy that applies to H.U. Group Holdings and its Group companies as defined in the risk management structure within the Risk Management Rules. The Risk Management Committee was established with the purpose of promoting risk management for the Company and the entire Group. The committee is chaired by the CFO and is composed of executive officers other than the representative executive officer. It meets at least once a year, with the results reported to the Board of Directors. The committee's detailed activities include:

(1) Centralized oversight of the risk management of each Group company;
(2) Identification of risks facing the entire Group and risks pertaining to the misconduct of management, as well as management of control execution;
(3) Identification of risks that should be disclosed and management of control execution; and
(4) Matters concerning the risk management of the Company

Scope of risk assessment and risk identification process
We identified and assessed the priority risks to be addressed for each company, including consolidated subsidiaries in principle, based on the specific risk for its business category, business scale, and other factors and risk severity. Taking account also of the individual company's own assessment, the Risk Management Committee as a whole then assessed each risk on a 5-level scale based on its probability, frequency, and degree of impact on a consolidated Group basis.

Framework of Group risk management



* Risk is subject to management using a risk control matrix, which consists of risk identification, risk analysis and assessment based on whether the risk applies Group-wide or to a single operational process, the probability of its materialization and degree of impact, and implementation of risk countermeasures.

Risk Management

Significant business risks

(1) Risks related to information handling and information systems

The Group retains vast quantities of data, including personal and patient's testing information. As a result, one important management task is to ensure the security of this information and build a corresponding structure that complies with Japan's Personal Information Protection Act. As part of these efforts, SRL, Inc. acquired PrivacyMark certification in February 2005. SRL has also acquired the ISMS and ISO/IEC 27001 certifications for security countermeasures in information systems. The Group also utilizes multiple information systems for the execution of business. It strives to operate these in a stable manner, and to modify and upgrade aging systems. Further, it works to build information systems that help to prevent data leakages and to ensure their operational rules are well-understood so that this purpose can be achieved.

However, information systems can fail to operate normally due to software or hardware problems, human errors, disasters, criminal activities, cyberattacks, infection by computer viruses, or terrorism. These failures could result in exposure of personal information, large-scale stoppage of services, wrongful billing, delayed test reports, or loss of data, leading to lost credibility of the Group and its products and services, and furthermore adversely affect the Group's business performance and financial situation .

The Group develops its own information systems for business execution. Efforts are being focused on reinforcing project management, including by obtaining third-party evaluation for system development as needed. However, if human resources cannot be secured as planned, development plans are delayed, development costs rise, or the planned functions cannot be realized, the Group's business execution could be inhibited, and the development costs may be unrecoverable.

(2) Risks related to quality control and quality assurance

Quality control in the Laboratory Testing and Related Services business is the most important element in maintaining the accuracy of test results.

The Group's primary testing and related services business companies participate regularly in surveys by the Japan Medical Association, Japanese Association of Medical Technologists, Japan Registered Clinical Laboratories Association, and other public institutions to ensure thorough quality control. In addition, the Company is focusing on establishing its own internal structure for improving testing quality, including acquiring certification for the service mark of the Japan Health Enterprise Foundation, College of American Pathologists (CAP), Clinical Laboratory Improvement Amendments (CLIA), and ISO 15189. In the Lab Testing and its related Services business, the Company strives to prevent mistakes by developing a structure that can quickly identify incidents and consider their causes and countermeasures. Other preventative efforts include improving procedures, implementing automation, and increasing rigor in employee training.

The In Vitro Diagnostics business has also put in place an internal quality assurance system to drive product quality improvement. The Group's primary in vitro diagnostics business companies have acquired certification under the ISO 13485 international quality management system standard.

In the sterilization-related business of the Healthcare-related Services segment, we are also working to improve the quality of the services we provide and our main sterilization centers have acquired certification under the ISO 9001 international quality management system standard.

However, if product and service quality cannot be guaranteed due to human error and unforeseen circumstances, the H.U. Group's performance and financial situation could be adversely affected due to loss of credibility.

(3) Impacts due to the stoppage of or constraints placed on business activities as a result of man-made disasters, infections, etc.

The Group's business performance and financial situation could be adversely affected by fires, labor disputes, facility accidents or other man-made disasters at the Group's business locations. The Group's business performance and financial situation could also be adversely affected by pandemics that interfere with our operations due to their high infectiousness and the serious health hazards they pose.

(4) Impacts due to the stoppage of or constraints placed on business activities as a result of natural disasters, climate change, etc.

In preparation for the event of a major typhoon, earthquake, or other natural disaster affecting its business sites or the medical institutions and other facilities that are its customers, the Group has put in place a business continuity plan (BCP) and taken measures such as securing emergency-use facilities and stockpiling supplies. Meanwhile, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Group is undertaking assessment and analysis of the business risks and business opportunities it faces in connection with climate change, which it will reflect in its business strategy and information disclosure, and is also progressing with initiatives to contribute to realizing a decarbonized society in 2050. However, the Group's business performance and financial situation could be adversely affected in the event of tremendous physical damages arising from natural disasters due to climate change, or in the case of an unforeseen degree of tightening of regulations on greenhouse gas emissions.

(5) Risks related to research and development and technological innovation

The Group continuously invests in research and development for the efficient and prompt development of new products and new technologies. Therefore, we established H.U. Group Research Institute G.K., where we streamline and accelerate basic research activities and centralize the handling of information. In addition, we actively gather information on market trends and technological developments by participating in academic societies inside and outside of Japan, as well as by incorporating the views of third parties as needed. Also, we reinforce our management system by conducting periodic reviews of internal R&D progress.

However, due to inability to secure the required human resources or other reasons, the expected R&D outcomes may be slow to reach or may be unattainable entirely. In addition, competitors may overtake us in technological development. Furthermore, there may be instances where we must give up on research and development due to reasons such as not fulfilling the required standards for drug approval in terms of efficacy and safety during the research and development process. This could result in the inability to recover the costs associated with this research and development or could force changes in our research and development policy. Moreover, if the Group's response to the rapid advances in technological innovation is delayed, the resulting marked decline in the competitiveness of its products and services and its business model could adversely affect its performance and financial situation.

Compliance

Formulation of the Code of Conduct

The H.U. Group has formulated a Code of Conduct to strengthen compliance Group-wide that has been adopted by all Group companies. In addition to the Japanese version, the Code is also available in English, Chinese, and Vietnamese.

Promotion of compliance awareness

To promote understanding of compliance, the H.U. Group has prepared a Compliance Handbook that is distributed to all employees, conducts compliance training once a year and an annual compliance survey, and sends out a monthly compliance-related email newsletter.

Since it was first issued in 2016, the Compliance Handbook has been updated to take account of the latest trends and social requirements. It is used to raise awareness of compliance, including through reading sessions in each corporate department. We also integrate compliance-related content across our range of training programs.

We carry out e-learning using shared tools available at each company as part of compliance training. Employees at workplaces that do not have access to the Internet take classes using paper-based materials.

We also send a monthly compliance e-mail magazine to all employees who have a company e-mail address and work further to instill compliance awareness by setting mini-tests and issuing other self-study materials.

FY	2018	2019	2020	2021
Percentage of employees completing a course to check compliance knowledge	95.4%	94.5%	86.6%	88.5%

Compliance promotion structure

The Group has put in place a system under which the H.U. Group Holdings Compliance Committee provides Group-wide guidance. The Committee, an advisory body to the representative executive officer chaired by the executive officer in charge of legal affairs, consists of all executive officers, excluding the President and Group CEO, and the general manager of the Legal Department. Meeting once a year, the Committee is responsible for educating and informing on laws and on the Code of Conduct and monitoring compliance, formulating related systems and measures, addressing violations of law and the Code and issuing relevant instructions, and carrying out independent surveys. Additionally, it receives reports from each Group company on compliance with law and the Code and provides appropriate guidance in response.

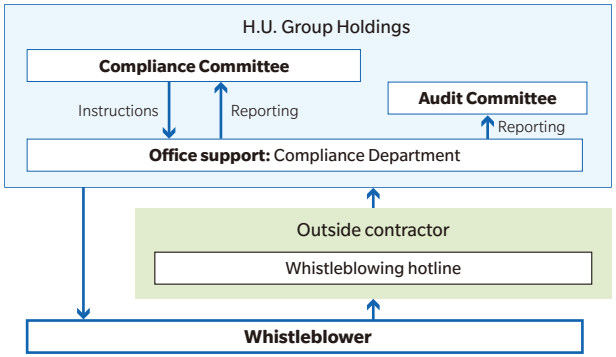
Whistleblowing system

Since 2013, the Group has operated the H.U. Group Hotline, a whistleblowing service to enable us to detect and address compliance issues at an early stage. All Japanese Group companies are covered by this system, which provides access to advice from external consultants, to whom reports can be made anonymously. Where serious incidents come to light, they may be reported if appropriate to senior management. The Compliance Department reports regularly on the status of whistleblowing to the Audit Committee, which consists of three outside directors. From August 1, 2022, the Compliance Department took over responsibility for the whistleblowing system from the Legal Department's Compliance Section. This organizational reform was designed to further strengthen efforts to uncover and address hidden risk across the Group.

Steps are taken to ensure that employees are aware of the system and understand its purpose and how it operates, for instance by displaying posters in the workplace giving the hotline's details.

FY	2017	2018	2019	2020	2021
Number of reports made through the H.U. Group Hotline	104	109	125	134	116

Whistleblowing system



Whistleblower protection act

In response to the amended Whistleblower Protection Act enacted in June 2022, the H.U. Group has put in place a structure for appropriate handling of whistleblower reports. In addition to reformulating our Whistleblower Report Handling Rules, we have designated staff to deal with whistleblower reports and have imposed a duty of confidentiality regarding information that could identify the whistleblower.

Research ethics

The H.U. Group has established the H.U. Group Research Ethics Committee as an independent body for neutral and fair review of the clinical tests and research conducted at each Group company from an ethical and scientific standpoint. The committee rules, the list of members, and a summary of discussions are published on our website.

Part III
Data

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58 Main Group Companies and Bases
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Business Segments

Actual results for the fiscal year ended March 31, 2022	Net Sales (¥ billion)	EBITDA*1 (¥ billion)	Operating Profit (¥ billion)	Number of Employees (Permanent)	Number of Employees (Temporary)
	272.9	65.1*2	50.5*2	5,444*3	6,495*3
LTS Lab Testing and its related Services	179.9 (65.9%)	32.2 (49.5%)	23.6 (46.8%)	2,178	3,007
IVD In Vitro Diagnostics	64.3 (23.6%)	30.0 (46.1%)	26.7 (52.9%)	1,034	111
HS Healthcare-related Services	28.7 (10.5%)	3.4 (5.2%)	1.8 (3.6%)	1,128	3,256

Note: Amounts have been rounded to the nearest ¥100 million.
*1 EBITDA = Operating profit + Depreciation + Amortization of goodwill *2 Includes corporate expenses and intersegment eliminations.
*3 Includes employees of H.U. Group Holdings Inc., H.U. Frontier, Inc., H.U. Group Research Institute G.K. and H.U. Cast, Inc. The number of temporary employees indicates average personnel per year.

Consolidated Management Indicators

(Amounts have been rounded down to the nearest ¥1 million)

Financial Indicators

		FY2017	FY2018	FY2019	FY2020	**FY2021**
Net sales	(¥ million)	195,400	181,415	188,712	223,016	**272,944**
EBITDA*	(¥ million)	27,287	24,353	21,270	37,887	**65,118**
Operating profit	(¥ million)	17,648	14,648	9,939	25,392	**50,490**
Ordinary profit	(¥ million)	16,567	11,524	6,468	25,458	**47,422**
Profit (loss) attributable to owners of parent	(¥ million)	257	6,386	-516	17,468	**29,599**
Total assets	(¥ million)	176,068	201,234	219,403	252,751	**286,587**
Net assets	(¥ million)	113,225	112,973	103,228	115,298	**140,178**
Net cash	(¥ million)	16,144	-13,187	-29,156	-22,769	**-10,841**
Cash flows from operating activities	(¥ million)	15,767	16,244	15,229	35,588	**55,229**
Cash flows from investing activities	(¥ million)	-21,552	-34,902	-21,761	-28,273	**-30,862**
Cash flows from financing activities	(¥ million)	-9,635	31,973	8,234	-1,566	**-21,725**
Cash and cash equivalents at end of period	(¥ million)	20,444	33,688	36,226	42,950	**46,479**
Operating margin	(%)	9.0	8.1	5.3	11.4	**18.5**
ROE	(%)	0.2	5.7	-0.5	16.0	**23.2**
ROA	(%)	8.5	6.1	3.1	10.8	**17.6**
ROIC	(%)	7.2	6.3	3.7	8.7	**15.4**
Equity ratio	(%)	64.2	56.0	47.0	45.6	**48.9**
Basic earnings (loss) per share	(¥)	4.51	111.94	-9.06	306.38	**519.55**
Net assets per share	(¥)	1,979.78	1,980.27	1,809.18	2,020.01	**2,463.33**
Research & development expenses	(¥ million)	5,365	5,937	5,514	5,944	**7,281**
Capital expenditure	(¥ million)	26,221	17,768	18,833	27,375	**41,654**
Depreciation	(¥ million)	7,842	8,692	10,432	12,091	**14,527**
Dividend payout ratio	(%)	2,882.5	116.1	—	47.1	**24.1**
Dividends per share	(¥)	130	130	130	144	**125**
Number of shares issued	(Shares)	57,334,183	57,361,385	57,387,861	57,416,407	**57,446,657**
Number of treasury shares at end of period	(Shares)	253,080	404,381	408,064	389,287	**569,941**

* EBITDA = Operating profit + Depreciation + Amortization of goodwill

Consolidated Management Indicators

Non-Financial Indicators

				FY2017	FY2018	FY2019	FY2020	FY2021
Environment		Greenhouse gas (GHG) emissions (Scope 1, Scope 2 and Scope 3)[*1]	(t-CO_2)	370,809	388,459	364,653	478,054	**497,811**
		Scope 1	(t-CO_2)	11,221	10,712	11,162	13,199	**13,880**
		Scope 2	(t-CO_2)	24,912	22,822	22,088	26,295	**27,571**
		Scope 3[*2]	(t-CO_2)	334,676	354,925	331,403	438,560	**456,360**
		Energy use[*3]	(GJ)	692,643	661,788	672,231	841,186	**977,461**
		Electricity use[*3]	(GJ)	501,821	481,095	484,820	620,826	**740,279**
		Gasoline use[*3]	(GJ)	87,042	86,654	92,596	111,830	**112,362**
		Amount of waste generated	(t)	3,467	3,581	3,494	3,452	**3,755**
		Total recycling rate of waste plastic[*4]	(%)	66	68	71	74	**76**
		Water used	(1,000 m^3)	392	374	399	392	**390**
		CDP climate change score[*5]	—	F	F	C	C	**A-**
Social	Business partners	Number of suppliers performing risk assessment[*6]	(Companies)	—	—	89	33	**23**
		Percentage of suppliers performing risk assessment[*6]	(%)	—	—	100	54.1	**88.5**
		Reported cases of child labor at suppliers	(Number)	0	0	0	0	**0**
		Reported cases of forced labor at suppliers	(Number)	0	0	0	0	**0**
	Employees[*7]	Average age	(Years old)	42.9	42.5	40.0	41.2	**41.9**
		Average employment year (male/female)	(Years)	14.2/10.6	14.3/11.1	13.0/10.0	13.5/11.2	**13.0/11.3**
		Gender ratio (male:female)	(%)	63:37	64:36	57:43	55:45	**56:44**
		Percentage of female managers[*8]	(%)	—	—	—	16.8	**18.6**
		Japan	(%)	11.8	14.1	14.2	13.4	**12.2**
		Percentage of females in new graduate hires	(%)	57.6	62.6	69.8	64.2	**45.3**
		Percentage of employees returning to work after maternity / parental leave	(%)	100	90.6	97.0	97.9	**98.8**
		Average monthly overtime hours	(Hours)	21.5	19.0	21.0	16.9	**20.4**

•Applicable range

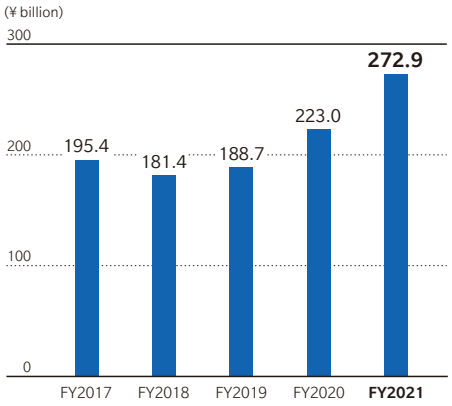
Environment: Aggregated results of Japanese Group companies subject to internal control evaluation up to fiscal 2019; and of Japanese and overseas Group companies subject to internal control evaluation from fiscal 2020.

Social: Aggregated results of the three core companies up to fiscal 2018; of Japanese Group companies subject to internal control evaluation in fiscal 2019; and of Japanese and overseas Group companies subject to internal control evaluation from fiscal 2020.

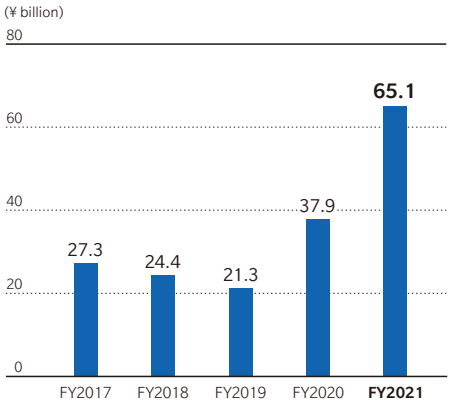
*1 Based on Ministry of the Environment database: Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain
*2 Target items calculated based on Scope 3 items of the GHG protocol
*3 Calculated by converting to crude oil
*4 Item specialized in Japan
*5 Answers submitted since fiscal 2019
*6 Suppliers at 80% sales coverage of each of the applicable ranges
*7 Full-time employees
*8 Managers & above

Consolidated Management Indicators

Net sales

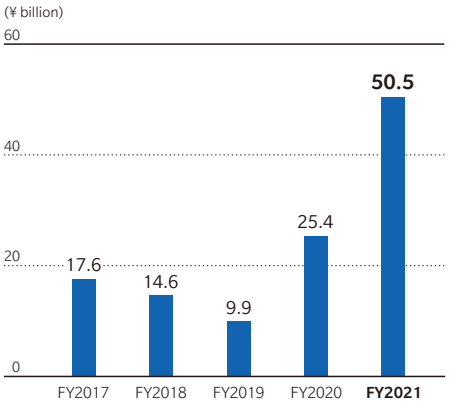


EBITDA*

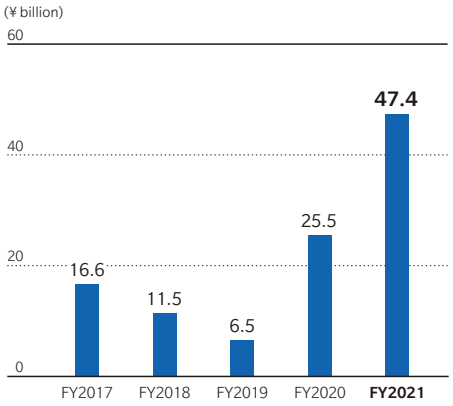


* EBITDA = Operating profit + Depreciation + Amortization of goodwill

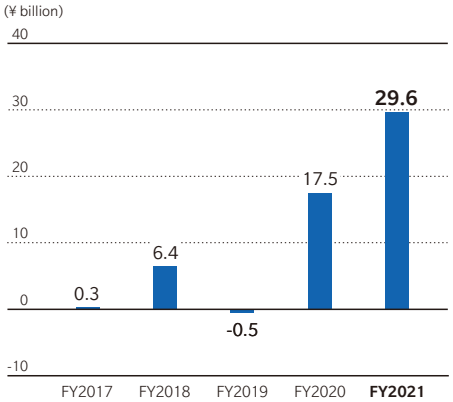
Operating profit



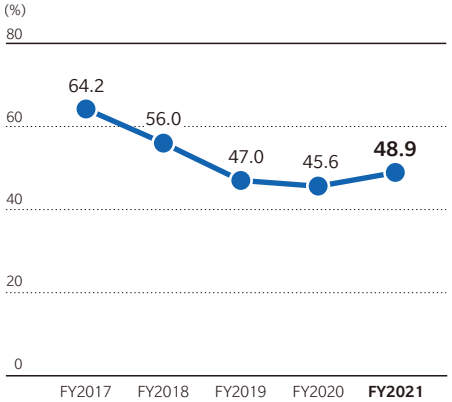
Ordinary profit



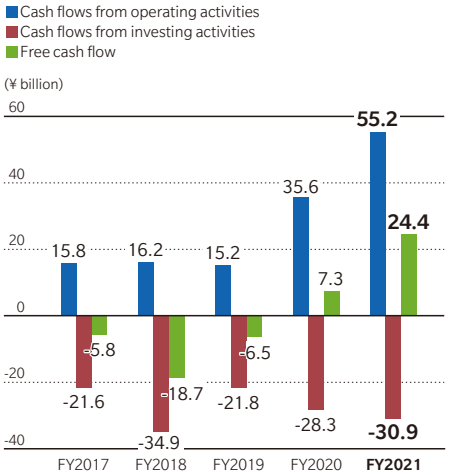
Profit (loss) attributable to owners of parent



Equity ratio



Cash flows



Company Recognition/Participation in Initiatives

ESG index selection

MSCI Japan ESG Select Leaders Index[*1]

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

The index is composed of stocks of companies with superior ESG performance relative to their peers, with the top 700 stocks in Japan of the MSCI Japan IMI covering Japanese stocks as the parent index. The H.U Group has been selected as a constituent for six consecutive years since 2017.

MSCI Japan Empowering Women Index (WIN)[*1]

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

The index is composed of stocks of companies with excellent gender diversity scores, with the top 700 stocks in Japan of the MSCI Japan IMI covering Japanese stocks as the parent index. The H.U Group has been selected as a constituent for four consecutive years since 2019.

FTSE Blossom Japan Sector Relative Index[*2]

FTSE Blossom Japan Sector Relative Index

The index is composed of around 500 stocks with excellent ESG activity selected from among companies with relatively high scores for their industry in FTSE Russell's ESG Rating. The H.U. Group was selected as a constituent in 2022, the first year of the index.

S&P/JPX Carbon Efficient Index

S&P/JPX Carbon Efficient Index

This index scores according to environmental information disclosure and carbon efficiency level (sales-based carbon emissions intensity). The H.U. Group has been selected as a constituent stock in the five consecutive years since 2018.

SOMPO Sustainability Index

2022
Sompo Sustainability Index

The index is composed of some 300 stocks with strong reputations for environmental, social, and corporate governance (ESGs), selected based on the results of an ESG management survey conducted by SOMPO Risk Management Inc. The H.U Group has been selected as a constituent for two consecutive years since 2021.

*1 The inclusion of H.U. Group Holdings, Inc. in MSCI indexes and the use of any MSCI logo, trademark, service mark or index name does not constitute sponsorship, endorsement, or promotion of H.U. Group Holdings, Inc. by MSCI or any of its affiliates. MSCI indexes are the exclusive property of MSCI. MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

*2 FTSE Russell (registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that H.U. Group Holdings, Inc. has qualified for inclusion in the FTSE Blossom Japan Sector Relative Index as a result of independent research. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.

ESG ratings

MSCI ESG Ratings[*3]

MSCI ESG RATINGS AAA
CCC B BB BBB A AA AAA

An MSCI ESG Rating rates companies on a scale of "AAA to CCC" according to their exposure to ESG risks and how well they manage those risks relative to peers. In 2022, the H.U. Group received the top AAA rating.

Sustainalytics: ESG Risk Ratings

The ratings focus on ESG issues that pose significant risks to corporate performance and rate companies on three aspects of corporate governance, material ESG issues, and industry-specific issues. In 2022, the H.U. Group received the second-highest rating of Low Risk for the third consecutive year.

CDP

CDP is an international NGO that requests business enterprises and other institutions to complete a questionnaire on global environmental issues. CDP allocates a score based on the answers and discloses relevant information. In fiscal 2021, the H.U. Group received the following ratings:

- Climate: A–
- Supplier engagement: A–

*3 The use by H.U. Group Holdings, Inc. of any data of MSCI ESG Research LLC or its affiliates ("MSCI") and the use of MSCI logos, trademarks, service marks, or index names herein do not constitute a sponsorship, endorsement, recommendation, or promotion of H.U. Group Holdings, Inc. by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided "as is" and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

Company Recognition/Participation in Initiatives

Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi Certified Health and Productivity Management Outstanding Organizations Recognition Program: White 500

2022 健康経営優良法人 Health and productivity ホワイト500

This program recognizes enterprises that practice excellent health management based on their response to local health issues and the health promotion initiatives of Nippon Kenko Kaigi. The H.U. Group is included in the program's White 500 category, which recognizes organizations with particularly outstanding achievement in health and productivity management.

Toyo Keizai CSR Company Ranking

The ranking evaluates Japanese companies from four aspects of CSR initiatives (human resources and utilization, environment, corporate governance, and social responsibility) and financial aspects. The H.U. Group received the following ratings in the 2021 survey:
(1,631 companies surveyed)

- 234th overall, 4th in three-year average growth rate

Rating by credit rating agencies

Ratings Agency	Rating
Rating and Investment Information Center (R&I)	A (Stable)

Other ratings

Nikko Investor Relations Website Ranking

WITH GRADE A Corporate Websites 2021 Nikko Investor Relations Co.,Ltd Ranking in all listed companies in Japan

The Company's website was awarded Grade A in the All Japanese Listed Companies' Website Ranking in 2021 by Nikko Investor Relations Co., Ltd.

JPX-Nikkei Index 400

JPX-NIKKEI 400

The JPX-Nikkei Index 400 is a stock index listing companies with strong investor appeal based on meeting a range of global investment standard requirements, such as efficient use of capital and investor-focused management. The index is administered jointly by JPX Market Innovation & Research, Inc., and Nikkei Inc. The H.U. Group is a constituent stock of the JPX-Nikkei Index 400.

Participation in initiatives

Signing of UNGC

WE SUPPORT UN GLOBAL COMPACT

In March 2019, we signed in support of the Ten Principles of the United Nations Global Compact (UNGC) and declared our commitment to ongoing efforts to fulfill them.

Supporting Business Ambition for 1.5°C

BUSINESS AMBITION FOR 1.5°C SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

In October 2021, we joined this campaign, led by UNGC, the We Mean Business Coalition, and the Science Based Targets (SBT) Initiative, which calls for the setting of targets to limit global atmospheric temperature rise to 1.5°C.

Supporting JCI and the Race to Zero

JAPAN CLIMATE INITIATIVE RACE TO ZERO

We support the Japan Climate Initiative (JCI)'s call to "join the front line of the global push for decarbonization from Japan." We also participate through JCI in the Race to Zero,* which targets net-zero greenhouse gas emissions by 2050.

* An international campaign promoted by the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC). It calls on business enterprises, local governments, and other organizations worldwide to commit to targeting net-zero greenhouse gas emissions by 2050 and to begin taking relevant action immediately.

Main Group Companies and Bases

(As of March 31, 2022)

● LTS (Lab Testing and its related Services) ● IVD (In Vitro Diagnostics) ● HS (Healthcare-related Services) ○ Cross-segmental

Japan

H.U. Group Holdings, Inc.

○ H.U. Frontier, Inc.
○ H.U. Group Research Institute G.K.
○ H.U. Cast, Inc.
○ Medicofrontier G.K.
○ MSF Capital Partners G.K.

● SRL, Inc.
● Nihon Rinsho, Inc.
● HOKUSHIN Clinical Laboratory, Inc.
● SRL Kitakanto Laboratory, Inc.
● SRL International, Inc.
● Clinical Network G.K.
● H.U. Wellness, Inc.
● Ishinban, Inc.
● Japan Institute of Foods Ecology, Inc.
● SRL Medisearch, Inc.
● H.U. Cells, Inc.
● KBBM, Inc.
● SRL & Shizuoka Cancer Center Collaborative Laboratories, Inc.
● St. Luke's SRL Advanced Clinical Research Center, Inc.
● SAPPORO MIRAI LABORATORY Co., Ltd.
● SAPPORO MEDICARRY Co., Ltd.

● Fujirebio Holdings, Inc.
● Fujirebio, Inc.
● Advanced Life Science Institute, Inc.
● Fujirebio Diagnostics Japan, Inc.

● Nihon Stery, Inc.
● Care'x, Inc.



Americas

❶ Fujirebio Diagnostics, Inc. (U.S.)
❶ Fujirebio US, Inc.
❷ H.U. America, Inc.
❷ Baylor Miraca Genetics Laboratories, LLC (U.S.)

Europe

❸ Fujirebio Europe N.V. (Belgium)
❹ Fujirebio Diagnostics AB (Sweden)
❺ Fujirebio Italia S.r.L.
❻ Fujirebio Germany GmBH
❼ Fujirebio Iberia SL (Spain)
❽ Fujirebio France SARL

Asia

❾ SRL (Hong Kong) Limited
❿ Ping An SRL Medical Laboratories (China)
⓫ CanAg Diagnostics (Beijing) Co., Ltd.
⓬ Fujirebio China Co., Ltd.

Corporate Overview and Investor Information

(As of March 31, 2022)

Corporate profile

Corporate Name
H.U. Group Holdings, Inc.

Headquarters
Shinjuku Mitsui Building
2-1-1 Nishishinjuku, Shinjuku-ku, Tokyo 163-0408, Japan
Tel: +81-3-5909-3335

Director, President and Group CEO
Shigekazu Takeuchi

Established
December 18, 1950

Capital Stock
¥9,231 million

Permanent Employees (Consolidated)
5,444

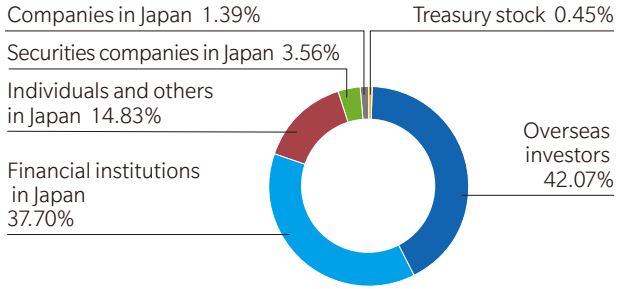
Management Structure
Company with three committees

Main Subsidiaries
SRL, Inc., Fujirebio, Inc. and Nihon Stery, Inc.

Share information

Number of shares authorized:	200,000,000
Number of shares issued and outstanding:	57,446,657
One share unit:	100
Number of shareholders:	18,253

Shareholders based on the shareholding percentage



Major shareholders

Name of shareholders	Number of shares held (thousands)	Shareholding ratio (%)*1
The Master Trust Bank of Japan, Ltd. (Trust Account)*2	9,347.9	16.35
CUSTODY BANK OF JAPAN, LTD (TRUST ACCOUNT)*2	3,416.0	5.97
J.P. Morgan Bank Luxembourg S.A. 381572	2,109.9	3.69
The Dai-ichi Life Insurance Company, Limited	1,700.6	2.97
J.P. MORGAN CHASE BANK 380684	1,592.2	2.78
NIPPON LIFE INSURANCE COMPANY, LTD.	1,538.6	2.69
Meiji Yasuda Life Insurance Company	1,272.2	2.22
THE BANK OF NEW YORK 133972	1,186.2	2.07
Mizuho Bank, Ltd.*3	1,051.4	1.84
JPMorgan Securities Japan Co., Ltd.	736.4	1.29

*1 The Company holds 260,592 shares of treasury stock, which is excluded from the major shareholders listed above.
Furthermore, treasury stock does not include the 309,349 shares held in the Board Incentive Plan (BIP) trust under the trust-type share-based compensation scheme.
*2 Shares owned by The Master Trust Bank of Japan, Ltd. and by Custody Bank of Japan, Ltd. are held at their trust accounts.
*3 The shares owned by Mizuho Bank, Ltd. include 1,050.8 thousand shares being trust assets of the Retirement Benefits Trust Account of Mizuho Bank, Ltd. (shareholding ratio of 1.84%).
The name recorded on the registry of shareholders is Custody Bank of Japan, Ltd., re-trust trustee of Mizuho Bank, Ltd. Retirement Benefits Trust Account of Mizuho Trust and Banking Co., Ltd.