

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

Securities Code: 4544

May 29, 2023

NOTICE OF 73RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder,

You are hereby notified of the 73rd Ordinary General Meeting of Shareholders of H.U. Group Holdings, Inc. (the “Company”) that will be held as set forth below.

When convening this General Meeting of Shareholders, the Company takes measures for providing information that constitutes the content of Reference Documents for the General Meeting of Shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the website below. Please access the websites by using the Internet addresses shown below to review the information.

The Company’s website:

<https://www.hugp.com/ir/stock/meeting.html> (in Japanese)

(Access the above website to view the information presented in the 73rd Annual General Meeting of Shareholders.)

Website of informational materials of General Meeting of Shareholders:

<https://d.sokai.jp/4544/teiji/> (in Japanese)

Tokyo Stock Exchange website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

(in Japanese)

(Access the TSE website by using the Internet address shown above, enter “H.U.” in “Issue name (company name)” or the Company’s securities code “4544” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the Internet, etc. Please review the Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:30 p.m. on Monday, June 19, 2023.

Yours faithfully,

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

- 1. Date and Time:** Tuesday, June 20, 2023, at 10:00 a.m. (JST)
(Reception start time: 9:30 a.m.)
- 2. Venue:** “Concord,” 5th Floor, Main Tower, Keio Plaza Hotel Tokyo
2-1, Nishi-shinjuku 2-chome, Shinjuku-ku, Tokyo
- 3. Agenda:**
- Items to be reported*
1. Business Report, Consolidated Financial Statements, Results of Audits of Consolidated Financial Statements by Accounting Auditors and the Audit Committee for the 73rd term (from April 1, 2022 to March 31, 2023)
 2. Non-consolidated Financial Statements for the 73rd term (from April 1, 2022 to March 31, 2023)
- Items to be resolved*
- Item 1: Partial Amendments to the Articles of Incorporation
- Item 2: Election of Nine (9) Directors
- 4. Matters to Be Determined When Convening (Information on the Exercise of Voting Rights):**
- (1) If you exercise your voting rights in writing (by mail) and do not indicate your approval or disapproval of proposals on the voting form, it will be treated as if you indicated approval.
 - (2) If you exercise your voting rights more than once via the Internet, the last vote will be treated as valid.
 - (3) If you exercise your voting rights both via the Internet and in writing (by mail), your vote via the Internet will be treated as valid, regardless of the arrival date and time.
 - (4) If you exercise your voting rights by proxy, one other shareholder with voting rights may attend the General Meeting of Shareholders as your proxy. However, they must submit a document certifying the authority of proxy.
 - (5) If you wish to exercise your voting rights in a non-uniform manner, please notify the Company of your intention to exercise your voting rights in a non-uniform manner and the reason thereof at least three days prior to the date of the General Meeting of Shareholders.

* If revisions to the matters subject to measures for electronic provision arise, a notice of the revisions and the details of the matters before and after the revisions will be posted on the aforementioned websites.

* For this General Meeting of Shareholders, paper-based documents stating matters for which measures for providing information in electronic format are to be taken will be delivered regardless of whether they have made a request for delivery of such documents. Among the matters subject to measures for electronic provision, in accordance with the provisions of laws and regulations and Article 15 of the Articles of Incorporation, the “Notes to Consolidated Financial Statements” and “Notes to Non-Consolidated Financial Statements” in the financial statements are not provided in the paper-based documents to be sent.

* We will conduct a live streaming broadcast of the meeting on the day of the meeting via the Internet, exclusively for shareholders (in Japanese only). In addition, questions regarding the agenda items will be received prior to the meeting on the Company website. For details, please refer to pages 3 to 4.

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

We will conduct a live streaming broadcast of the meeting on the day of the meeting via the Internet, exclusively for shareholders (in Japanese only). Furthermore, we will accept questions regarding agenda items for the General Meeting of Shareholders in advance on the Company website. We will provide details of these measures below.

[Live streaming via the Internet]

1. Date and time

From 10:00 a.m. on Tuesday, June 20, 2023 (JST) to the end of the General Meeting of Shareholders

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

URL https://d-broadcast.jp/01/230620_huhd/

ID	: Shareholder number presented on the voting rights exercise form
Password	: huhd20230620



QR code®

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

* Inquiries regarding the shareholder number:

Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency

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

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

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

3. Precautions about live streaming

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

[Submission of shareholder questions in advance]

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

1. Form for submitting questions in advance

URL: <https://www.hugp.com/ir/stock/73pre-question.html>



QR code®

2. Period for receiving shareholder questions in advance

From 12:00 a.m. on Monday, May 29, 2023 to 5:00 p.m. on Wednesday, June 14, 2023 (JST)

3. Precautions about submission of questions in advance

- Questions from shareholders will be limited to the purposes related to items on the agenda of 73rd Ordinary General Meeting of Shareholders.
- The Company will not answer all questions. Questions that were not answered at the meeting will be used as basis for later reference.

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

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

[Exercise of voting rights in writing]

Please indicate your approval or disapproval to the proposed item in the voting right form and return it so that it arrives no later than 5:30 p.m. on Monday, June 19, 2023 (JST).

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

Voting must be completed no later than 5:30 p.m. on Monday, June 19, 2023 (JST).

I. Exercise of voting rights via the Internet

Scanning QR code®

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

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

Entering login ID and temporary password

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

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

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

Mitsubishi UFJ Trust and Banking Corporation

Stock Transfer Agency Help Desk

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

II. Platform for proxy voting by electronic means

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

Reference Material for General Meeting of Shareholders

Item 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendment

With the goal of further promoting the Group's integration strategy in May 2023, the Company relocated its head office functions from Shinjuku Ward to Minato Ward in Tokyo, and the location of the head office as stipulated in Article 3 of the current Articles of Incorporation will be changed to match the actual head office operations.

2. Details of the amendments

Details of the amendments are as follows:

(Underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed Amendments
Article 3 (Head office location) The Company's head office is located in <u>Shinjuku Ward</u> , Tokyo.	Article 3 (Head office location) The Company's head office is located in <u>Minato Ward</u> , Tokyo.

Item 2: Election of Nine (9) Directors

The term of office of all eight (8) of the incumbent Directors expires at the close of this General Meeting of Shareholders. Accordingly, we would like to hereby propose the election of nine (9) Directors based on the decision of the Nominating Committee.

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

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

Note: The positions and duties of the above listed candidates for Director are as of this General Meeting of Shareholders.

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

(Born on October 11, 1953)

Reelection

**Attendance rate at Board of Directors Meetings**

100% (13/13 meetings)

Attendance rate at Meetings of Nominating Committee

100% (8/8 meetings)

Reason for nominating the candidate for Director:

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

Number of the Company's shares held

36,861 shares

Tenure as Director

7 years

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Director, SRL, Inc.

Director, Fujirebio Holdings, Inc.

Director, Fujirebio Inc.

Director, H.U. Frontier, Inc.

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

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Takeuchi and the Company.
2. Directors and officers liability insurance policy
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Takeuchi will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on pages 64 to 65 of this document.

No. **2****Naoki Kitamura**

(Born on November 28, 1970)

Reelection

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

100% (13/13 meetings)

Reason for nominating the candidate for Director:

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

Number of the Company's shares held

12,980 shares

Tenure as Director

5 years

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Director, SRL, Inc.

Director, Fujirebio Holdings, Inc.

Director, Fujirebio Inc.

Chairman, Nihon Stery, Inc.

Chairman, Care'x, Inc.

Chairman, Baylor Miraca Genetics Laboratories, LLC

CEO, H.U. America, Inc.

Director, SRL (Hong Kong) Limited

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

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Kitamura and the Company.
2. Directors and officers liability insurance policy
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Kitamura will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on pages 64 to 65 of this document.

No. 3

Shigehiro Aoyama

(Born on April 1, 1947)

Reelection

Outside

Independent
DirectorNominating
Committee

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

Attendance rate at Meetings of Nominating Committee
100% (8/8 meetings)

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

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

Number of the Company's shares held
0 shares

Tenure as Director
5 years

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

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

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Aoyama and the Company.
2. Mr. Aoyama is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Aoyama satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 27).
4. **Notification of Independent Directors**
The Company has appointed Mr. Aoyama as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company has concluded a limitation of liability agreement with Mr. Aoyama. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 64 of this document.
6. **Directors and officers liability insurance policy**
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Aoyama will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on pages 64 to 65 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Aoyama will be appointed as a member of the Nominating Committee.

No. **4**

Futomichi Amano

(Born on August 31, 1953)

Reelection

Outside

Independent
Director

Audit
Committee



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

0 shares

Tenure as Director

6 years

Attendance rate at Board of Directors Meetings

100% (13/13 meetings)

**Attendance rate at Meetings
of Audit Committee**

100% (17/17 meetings)

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

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Futomichi Amano CPA office

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Amano and the Company.
2. Mr. Amano is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Amano satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 27).
4. **Notification of Independent Directors**
The Company has appointed Mr. Amano as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company has concluded a limitation of liability agreement with Mr. Amano. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 64 of this document.
6. **Directors and officers liability insurance policy**
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Amano will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on pages 64 to 65 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Amano will be appointed as a member of the Audit Committee.

No. 5

Sachiko Awai

(Born on May 21, 1957)

New
election

Outside

Independent
Director

Compensation
Committee



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

Ms. Sachiko Awai has broad insight based on her extensive experience as a business company manager and is deemed suitable as an outside director, and accordingly Ms. Awai has been nominated for this position. We are confident that she will properly perform her duties as an outside director and, as a member of the Compensation Committee, she will be involved in active discussions in determining the compensation structure and levels of compensation for Company directors and executive officers upon election.

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

0 shares

Tenure as Director

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Brief personal profile, and position and duties in the Company

Jul. 1984	Joined Japan Office of U.S. Meat Export Federation	Jan. 2019	General Manager, INCOCO Business Department, Newport Ltd.
Jan. 1991	Joined Estée Lauder Companies		Part Time Adviser, Natural Water Business Department, Harves Co., Ltd.
Mar. 1997	Joined NIHON L'ORÉAL K.K.	Jun. 2019	Outside Director (who is an Audit & Supervisory Committee Member), A.D.Works Co., Ltd.
Nov. 2004	Joined GUERLAIN (LVJ Group)	Apr. 2020	Outside Director (who is an Audit & Supervisory Committee Member), A.D.Works Group Co., Ltd. (incumbent)
May 2012	Joined fitfit, Inc.	Jun. 2020	Outside Director, INFOCOM CORPORATION (incumbent)
May 2013	President and Representative Director, La Prairie Japan	Mar. 2022	Outside Director (who is an Audit & Supervisory Committee Member), BP Castrol K.K. (incumbent)

Significant positions held at other companies

Outside Director (who is an Audit & Supervisory Committee Member), A.D.Works Group Co., Ltd.

Outside Director, INFOCOM CORPORATION

Outside Director (who is an Audit & Supervisory Committee Member), BP Castrol K.K.

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Ms. Awai and the Company.
2. Ms. Awai is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Ms. Awai satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 27).
4. **Notification of Independent Directors**
The Company will appoint Ms. Awai as an independent director stipulated by the Tokyo Stock Exchange and will register with the stock exchange accordingly. She is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company will enter into a limited liability agreement with Ms. Awai if she is elected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 64 of this document.
6. **Directors and officers liability insurance policy**
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Ms. Awai will be included as an insured party under the insurance policy upon approval of her election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on pages 64 to 65 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Ms. Awai will be appointed as a member of the Compensation Committee.

No. **6****Ryoji Itoh**

(Born on January 14, 1952)

Reelection

Outside

Independent
DirectorNominating
CommitteeCompensation
Committee

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

Tenure as Director
9 years

Attendance rate at Board of Directors Meetings 100% (13/13 meetings)	Attendance rate at Meetings of Nominating Committee 100% (8/8 meetings)	Attendance rate at Meetings of Compensation Committee 100% (7/7 meetings)
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Reason for nominating the candidate for Outside Director and overview of expected roles:

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

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

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Itoh and the Company.
2. Mr. Itoh is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Itoh satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 27).
4. **Notification of Independent Directors**
The Company has appointed Mr. Itoh as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company has concluded a limitation of liability agreement with Mr. Itoh. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 64 of this document.
6. **Directors and officers liability insurance policy**
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Itoh will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on pages 64 to 65 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Itoh will be appointed as a member of the Nominating Committee and Compensation Committee.

No. 7

Moegi Shirakawa

(Born on January 14, 1979)

Reelection

Outside

Independent
Director

Audit
Committee



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

Tenure as Director
1 year

Attendance rate at Board of Directors Meetings	Attendance rate at Meetings of Audit Committee
100% (10/10 meetings)	100% (13/13 meetings)

*Ms. Moegi Shirakawa became a director and member of the Audit Committee on June 21, 2022, and her attendance reflects the period after assuming office.

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

Although Ms. Moegi Shirakawa does not have experience in corporate management other than being an outside director, she is an independent expert who can provide advice enlisting differing perspectives as a lawyer and a legal practitioner who is well versed in corporate and business law. As an outside director on the Board of Directors, she fulfills her role in ensuring the appropriate decision-making by the Board of Directors. In addition, on the Audit Committee, she audits and supervises the execution of duties by management of the Group through meetings with management of the Company and its major subsidiaries and regular meetings with corporate auditors of major subsidiaries, in accordance with the audit policy and audit plan. Considering the above, Ms. Shirakawa is capable of appropriately performing duties as an outside director, and accordingly has been appointed as a candidate for that position. We are confident that she will perform her duties in the aforementioned role upon election.

Brief personal profile, and position and duties in the Company

Oct. 2003	Admitted to bar Joined Anderson Mori & Tomotsune (former Tomotsune & Kimura)
Sep. 2008	Associated with Sullivan & Cromwell LLP, New York
Aug. 2009	Rejoined Anderson Mori & Tomotsune
Jan. 2013	Partner, Anderson Mori & Tomotsune (incumbent)
Feb. 2021	Member of the Business Accounting Council, Financial Services Agency (incumbent)
Jun. 2022	Outside Director of the Company (incumbent)

Significant positions held at other companies

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

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Ms. Shirakawa and the Company.
2. Ms. Shirakawa is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Ms. Shirakawa satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 27).
4. **Notification of Independent Directors**
The Company has appointed Ms. Shirakawa as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. She is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company has entered into a limited liability agreement with Ms. Shirakawa. The Company will continue the said limited liability agreement with her if she is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 64 of this document.
6. **Directors and officers liability insurance policy**
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Ms. Shirakawa will be included as an insured party under the insurance policy upon approval of her election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on pages 64 to 65 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Ms. Shirakawa will be appointed as a member of the Audit Committee.

No. 8

Keiji Miyakawa

(Born on November 5, 1958)

Reelection

Outside

Independent
DirectorAudit
CommitteeCompensation
Committee

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

Tenure as Director
2 years

Attendance rate at Board of Directors Meetings	Attendance rate at Meetings of Compensation Committee	Attendance rate at Meetings of Audit Committee
100% (13/13 meetings)	100% (7/7 meetings)	100% (13/13 meetings)

*Mr. Keiji Miyakawa became a member of the Audit Committee on June 21, 2022, and his attendance reflects the period after assuming office.

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

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Representative Director, N.I.Partners Ltd.
Outside Director, Member of the Board, GungHo Online Entertainment, Inc.

Senior Advisor, Lincoln International Inc.
Executive Advisor, MASH Holdings Co., Ltd.

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Miyakawa and the Company.
2. Mr. Miyakawa is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Miyakawa satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 27).
4. **Notification of Independent Directors**
The Company has appointed Mr. Miyakawa as an independent director stipulated by the Tokyo Stock Exchange has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company has concluded a limitation of liability agreement with Mr. Miyakawa. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 64 of this document.
6. **Directors and officers liability insurance policy**
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Miyakawa will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on pages 64 to 65 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Miyakawa will be appointed as a member of the Audit Committee and the Compensation Committee.

No. 9

Hitoshi Yoshida

(Born on January 20, 1958)

New
election

Outside

Independent
Director

Nominating
Committee



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

Mr. Hitoshi Yoshida has a track record of sustained company growth as a manager at ASKUL Corporation, broad insight related to risk management and digital transformation and is deemed suitable as an outside director, and accordingly Mr. Yoshida has been nominated for this position. We are confident that he will properly perform his duties as an outside director and, as a member of the Nominating Committee, he will be involved in active discussions in selecting candidates for director to ensure balance and diversity in the overall structure of the Board of Directors upon election.

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

Tenure as Director

-

Brief personal profile, and position and duties in the Company

Apr. 1980	Joined Victoria Inc.	Aug. 2011	Executive Officer in charge of ECR Representative Director and Chairman, Bizex Corporation (currently ASKUL LOGIST Corporation)
Dec. 2000	Joined ASKUL Corporation	Jul. 2012	Executive Officer, Chief Operating Officer (COO), B-to-B Company, ASKUL Corporation
Mar. 2004	Business Leader, Catalogue Planning Operation, Office Life Creation	Aug. 2012	Director, Chief Operating Officer (COO), B-to-B Company
Aug. 2006	Manager, Living Supplies Division, Office Life Creation	Aug. 2017	Director, Chief Operating Officer (COO), B-to-B Company, Director in charge of risk management
Mar. 2008	Chief General Manager, Office Life Creation	Mar. 2020	Director and Vice President, Director in charge of risk management
Aug. 2009	Executive Officer in charge of Products	Aug. 2020	Director and Vice President

Significant positions held at other companies

None

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Yoshida and the Company.
2. Mr. Yoshida is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Yoshida satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 27).
4. **Notification of Independent Directors**
The Company will appoint Mr. Yoshida as an independent director stipulated by the Tokyo Stock Exchange and will register with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company will enter into a limited liability agreement with Mr. Yoshida if he is elected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 64 of this document.
6. **Directors and officers liability insurance policy**
The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Yoshida will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on pages 64 to 65 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Yoshida will be appointed as a member of the Nominating Committee.

(Reference)

Knowledge, Experience, and Skills Expected of Candidates for Director

The Group aims to realize its mission of “creating new value in healthcare and thereby contributing to human health and the future of medical care” through enhancing corporate value over the medium to long term.

To achieve this, we have identified the following six areas of skills that the Board of Directors are particularly expected to demonstrate.

These key areas will be discussed and reviewed as appropriate by the Nominating Committee taking into account the Company’s management plan and the business environment of the Company.

Name of candidate for Director	Business management and management strategy	Legal affairs and risk management	Finance and accounting	Human resources and human resource development	Life sciences and healthcare	DX
Shigekazu Takeuchi (Male)	●			●	●	
Naoki Kitamura (Male)	●		●		●	
Shigehiro Aoyama (Male)	●			●	●	
Futomichi Amano (Male)		●	●			
Sachiko Awai (Female)	●			●	●	
Ryoji Itoh (Male)	●			●		●
Moegi Shirakawa (Female)		●				
Keiji Miyakawa (Male)	●	●	●			
Hitoshi Yoshida (Male)	●	●				●

Note: The above matrix does not indicate all of the skills of the candidates, and only a maximum of the top three skills the candidates are expected to demonstrate are indicated.

(Reference)

Independence standards for independent outside directors

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

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

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

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

Immateriality standards

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

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

Business Report

(From April 1, 2022 to)
March 31, 2023)

1. Matters Regarding Current Status of Corporate Group

(1) Business progress and results

During the fiscal year under review, the global economy generally showed signs of recovery partly due to progress in balancing economic activities with government measures to prevent the spread of COVID-19. In contrast, the situation remained uncertain due to the situation in Ukraine and the accompanying rise in energy costs, which required close monitoring.

The business environment of the Company and its subsidiaries (the “Group”) continues to require measures to prevent the spread of COVID-19, as the number of tests varies in conjunction with the fluctuation in the number of infected patients.

Under such circumstances, the Group began operating all equipment at the H.U. Bioness Complex in October 2022 to strengthen the management infrastructure to ensure business stability and improve operational efficiency. The Group continues to provide a variety of COVID-19-related testing products and services, and in anticipation of sustainable growth in the future, has acquired Tokyo Central Pathology Laboratory, Inc. in the Lab Testing and its related Services (LTS) business and ADx NeuroSciences N.V. and Fluxus, Inc. in the In Vitro Diagnostics (IVD) business.

As a result of these initiatives, net sales for the fiscal year under review were 260,908 million yen (down 4.4% from the previous fiscal year). While the Base Business excluding COVID-19-related business reported higher net sales, this was mainly due to lower net sales of COVID-19-related tests in the LTS business.

As for earnings, operating profit was 23,381 million yen (down 53.7% from the previous fiscal year). This was primarily due to lower profits stemming from lower sales of COVID-19-related tests in the LTS business along with higher temporary expenses, depreciation, and running costs associated with the operation of the H.U. Bioness Complex.

Ordinary profit was 22,010 million yen (down 53.6% from the previous fiscal year), mainly due to a decrease in operating profit.

Profit attributable to owners of the parent was 15,676 million yen (down 47.0% from the previous fiscal year), mainly due to a decrease in ordinary profit, despite a gain on sales of

non-current assets as extraordinary income.

An overview of each business segment is as follows.

[Lab Testing and its related Services (LTS)]

Sales decreased due to lower sales of PCR testing, comprehensive testing support at airport quarantine stations, and COVID-19-related testing, such as responses to large-scale events conducted in the previous fiscal year, despite growth in the Base Business, including cancer genome profiling and other forms of gene-related testing. As a result, net sales amounted to 163,093 million yen (down 9.4% from the previous fiscal year). In terms of earnings, operating profit was 279 million yen (down 98.8% from the previous fiscal year) due to temporary expenses and depreciation associated with the operation of the H.U. Bioness Complex, an increase in running costs, a decrease in profit due to lower sales in COVID-19-related tests, and an increase in energy costs.

[In Vitro Diagnostics (IVD)]

Sales increased due to growth in the Base Business, including the impact of yen depreciation, despite a slight decline in sales of COVID-19-related products. As a result, net sales amounted to 70,059 million yen (up 8.9% from the previous fiscal year). In terms of earnings, operating profit was 26,528 million yen (down 0.8% from the previous fiscal year) due to a decrease in profit resulting from a decline in internal Group transactions and an increase in R&D expenses, despite an increase in gross profit associated with higher sales and the impact of foreign exchange rates.

[Healthcare-related Services (HS)]

Despite growth in the home-visit nursing care and welfare equipment business, sales decreased mainly due to a decline in sales of medical items relating to deposit inventory business in sterilization and related services. As a result, net sales amounted to 27,755 million yen (down 3.2% from the previous fiscal year). In terms of earnings, operating profit was 1,057 million yen (down 41.3% from the previous fiscal year) mainly due to an increase in labor costs and up-front expenses for future growth.

(2) Status of financing, etc.

i) Financing

The Company procured 10.0 billion yen as long-term borrowings through financial institutions, as funds for capital expenditure.

The Company has concluded commitment line contract with a major financial institution amounting to 20.0 billion yen in total, in order to ensure on-hand liquidity in case of emergencies, etc. The Company has no borrowings outstanding based on such contract as of the end of the fiscal year under review.

ii) Capital expenditure

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

None in particular.

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

None in particular.

c. Major facilities removed during the fiscal year under review

None in particular.

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

In July 2022, Fujirebio Europe N.V. acquired all shares of ADx NeuroSciences N.V., making it a wholly owned subsidiary.

In July 2022, Fujirebio Holdings, Inc. acquired all shares of Fluxus, Inc., making it a wholly owned subsidiary.

In January 2023, SRL Inc. acquired all shares of Tokyo Central Pathology Laboratory, Inc., making it a wholly owned subsidiary.

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

	70 th Fiscal year (FY 2019)	71 st Fiscal year (FY 2020)	72 nd Fiscal year (FY 2021)	73 rd Fiscal year (FY 2022)
Net Sales (million yen)	188,712	223,016	272,944	260,908
Ordinary Profit (million yen)	6,468	25,458	47,422	22,010
Profit (Loss) Attributable to Owners of Parent (million yen)	(516)	17,468	29,599	15,676
Basic Earnings (Loss) per Share (yen)	(9.06)	306.38	519.55	275.52
Total Assets (million yen)	219,403	252,751	286,587	297,924
Net Assets (million yen)	103,228	115,298	140,178	150,047

(4) Issues to be addressed

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

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

In response to the spread and prolonged duration of the COVID-19 pandemic, which greatly exceeded the forecasts made at the time this Medium-term Business Plan was formulated, the Group has made concerted efforts to respond to the situation, including COVID-19 PCR testing and high-sensitivity quantitative antigen testing at airport quarantine stations. Despite some delays, the H.U. Bioness Complex began full operation in May 2023, and this Medium-term Business Plan is progressing steadily. The Company will remain committed to the achievement of this Medium-term Business Plan and will continue to hold discussions on medium- to long-term growth strategies that address the changes in the business environment.

- 1) The Group’s business environment and key themes of the Medium-term Business Plan
- In the business environment where the Group operates, demographic aging and the introduction of advanced medical treatments are among the factors driving a projected increase in medical care costs. On the other hand, the worsening position of medical institutions and declining specimen testing fees, together with pressure to limit medical care costs, are expected to lead to continued difficult conditions for the Japanese clinical testing market. Nevertheless, new opportunities for growth have also arisen despite the policy of restricting medical costs. Reorganization resulting in a reduction in the number of hospitals and hospital beds has led to growing demand for in-home healthcare services and preventive medicine; medical and IT technologies continue to advance; and the demands for test kits, equipment, and reagents that can provide test results simply and promptly continue to grow. Given these trends, the business environment is in a state of constant evolution.
- We are also faced with fast-developing short-term changes—including the altered

patterns of consumer behavior and the reduction in outpatient consultations due to the COVID-19 pandemic—to which we need to find an appropriate response.

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

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

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

2) Strategy to increase corporate value

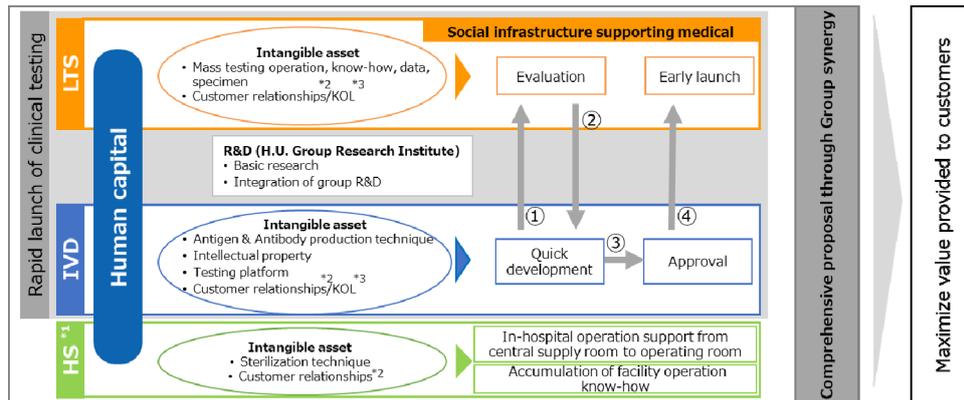
With its LTS and IVD business operations, the Group is a unique enterprise even in world terms. In addition to our existing core business, we are working to develop across a broad front by expanding and strengthening business relating to various healthcare, such as the SR and the home-visit nursing care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

- Value creation story of the Group

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

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

Going forward, we will coordinate with the sterilization and related services business, which provides sterilization services to central supply rooms and operating rooms, to offer total solutions as a Group, thereby maximizing value provided to the customer and increasing the Group’s corporate value.

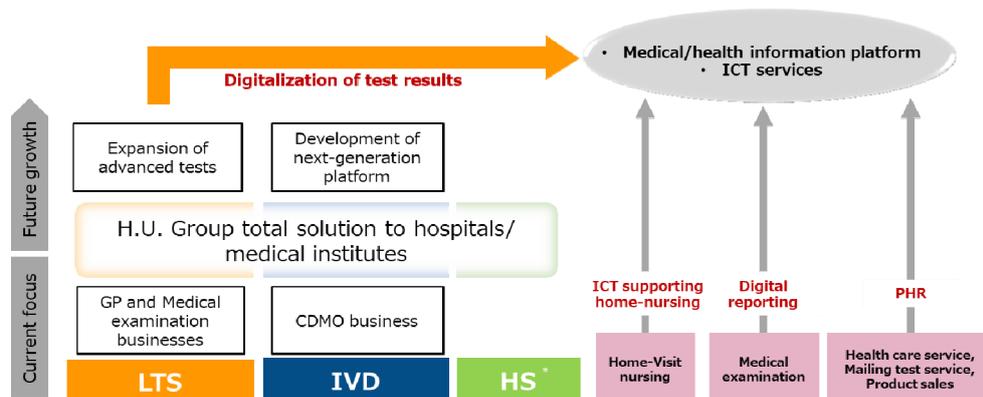


- *1 Sterilization and related services in HS segment
- *2 Various customer relationships and these customer relations
- *3 KOL: Key Opinion Leader

- Business expansion as a Group

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

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

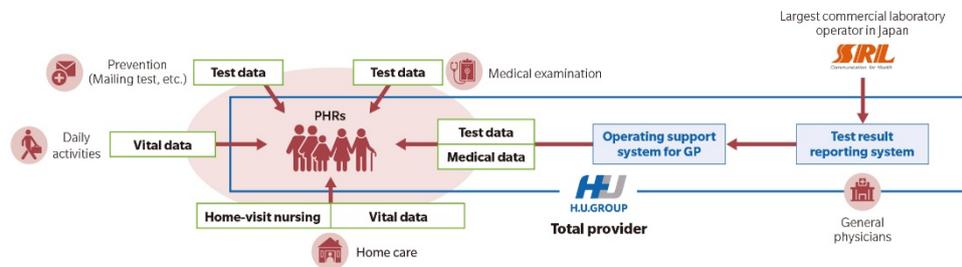


- *Sterilization and related services in HS segment

- Development of healthcare × ICT services

In response to the demand for further enhancement of community-based medical care and preventive medicine, the Company is reinforcing its home-visit nursing business, self-medication/health-insurance business, and related business as Emerging New Business and will develop new services by integrating these services with ICT.

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



3) Key initiatives under the Medium-term Business Plan

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

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

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

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

H.U. Bioness Complex, the most important of the key initiatives in the Medium-term Business Plan, started operation in January 2022, and became fully operational in May 2023.

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

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

2. Enhanced profitability in the LTS business

Based on the operation of the H.U. Bioness Complex, in March 2021, the SRL Fukuoka Laboratory was relocated, updated, and launched as SRL Advanced Lab. FMA. In FY 2026, following the H.U. Bioness Complex and Fukuoka FMA, we plan to open a new Kansai Laboratory in Kameoka City, Kyoto Prefecture. Consolidating testing around these three bases will allow us to build a stable testing framework and improve profitability.

Meanwhile, we will optimize logistics costs by establishing joint logistics operations in alliance with external operators, consolidating internal Group collection operations and amalgamating facilities.

These measures will help us provide high-quality testing and improve our cost competitiveness to enhance our customer appeal as a testing company and further boost our market share.

3. Progress with the Group integration strategy

3-1 Integration of sales forces

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

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

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

3-2 Expansion of inter-segment sales

We will continue to promote the expansion of inter-segment sales of LUMIPULSE products to our laboratories and Facility Management Service/Branch customers. We will also strive to develop and shift high cost of sales ratio or high volume of use reagents to in-house manufacturing. In this way, we will reduce costs in the LTS business and improve overall Group cash flow.

3-3 Enhancement of R&D

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

4. Expansion of the CDMO business within the IVD business

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

4) Numerical targets for fiscal 2024 (consolidated)

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

- Actual results for FY 2020, FY 2021, and FY 2022 and numerical targets for FY 2024

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2022 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	18.2%	20.3%	11.4%	6% or more (*)
EBITDA margin	17.0%	23.9%	16.5%	18% or more
Operating profit margin	11.4%	18.5%	9.0%	10% or more
ROE	16.0%	23.2%	10.8%	12% or more
ROIC	8.7%	15.4%	7.0%	8% or more

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

- Actual results for FY 2020, FY 2021, and FY 2022 and cumulative numerical targets in this Medium-term Business Plan

(billions of yen)

	FY 2020 (actual results)	FY 2020 to FY 2021 (cumulative actual results)	FY 2020 to FY 2022 (cumulative actual results)	FY 2020 to FY 2024 (cumulative numerical targets)
Operating cash flow	35.6	90.8	123.4	150.0 or more
Free cash flow (*)	7.3	31.7	34.6	50.0 or more

(*) Lease excluded from investing cash flow

5) Plan details by segment

1. LTS business

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

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

(Product enhancement)

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

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

(Introduction of ICT tools for medical institutions and consumers)

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

healthcare data.

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

(LTS business actual results for FY 2020, FY 2021, and FY 2022 and numerical targets for FY 2024)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2022 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	17.2%	22.3%	10.7%	6% or more (*)
EBITDA margin	14.0%	18.0%	7.5%	17% or more
Operating profit margin	9.0%	13.1%	0.2%	9% or more

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

2. IVD business

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

Under the new global strategy, we will first develop and commercialize contents that no other company possesses through continuous R&D activities. Sales expansion will then be pursued in Japan, while clinical data will be obtained in Europe and the United States to demonstrate the clinical value of new products.

Once items and products have proven their value through our platform, we will extend them globally through the CDMO business model.

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

In our overseas LUMIPULSE business, we will selectively review target regions and items and focus on unique Alzheimer-related products. Furthermore, through the acquisition of ADx NeuroSciences N.V., which specializes in developing biomarkers for Alzheimer’s disease and other neurological diseases, we aim to expand our portfolio of Alzheimer’s disease-related products by leveraging the broad range of raw materials and the latest technologies possessed by ADx NeuroSciences N.V.

To complement and advance the functionality of LUMIPULSE, we will also accelerate the development of the next platform by integrating the ultra-high sensitivity detection technology currently under development with Fluxus, Inc. We will also reinforce POCT (Point Of Care Testing) with ESPLINE, for which there is renewed demand brought about by COVID-19. Specifically, we will enhance our products with an expanded range of specimen types (saliva, nasal, painless blood sampling, etc.) and product line-ups for infectious diseases. We will also promote sales to LTS business customers through H.U. Frontier and enhance production capacity.

(IVD business actual results for FY 2020, FY 2021, and FY 2022 and numerical targets for FY 2024)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2022 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	24.8%	26.7%	20.5%	4.5% or more (*)
EBITDA margin	31.8%	46.6%	44.0%	25% or more
Operating profit margin	25.6%	41.6%	37.9%	20% or more

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

3. HS business

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

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

(HS business actual results for FY 2020, FY 2021, and FY 2022 and numerical targets for FY 2024)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2022 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	13.0%	0.5%	(0.8%)	9% or more (*)
EBITDA margin	11.6%	11.5%	10.0%	12% or more
Operating profit margin	7.3%	6.3%	3.8%	9% or more

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

4. Equity method affiliates

(Baylor Miraca Genetics Laboratories, LLC)

In the fiscal year ended March 31, 2023, while the number of COVID-19-related tests received declined, sales increased due to factors such as higher numbers of genetic tests for cancer and congenital diseases, mainly due to increased sales from existing partnerships and acquisition of new partnerships. During the fiscal year ending March 31, 2024, we will prepare the business for a future public offering, while persisting with efforts to achieve sales growth.

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

We will continue to promote a trinity model (medical examination clinics, imaging centers, and test laboratories) with a view to achieving a positive balance of profit in equity method investments, due to expanding of the Facility Management Service/Branch lab business by utilizing Ping An Group's customer base and network and the introduction of esoteric test items.

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

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

(MEDISKET CORPORATION)

As of April 1, 2022, the Company established a logistics joint venture with MEDIPAL HOLDINGS CORPORATION to build a logistics platform in the medical and healthcare field, aiming not only to improve the collection and logistics efficiency of the Company but also to expand provision of collection services to other companies. Specifically, the goal is to reduce the cost of collection and greenhouse gas emissions by employing common routes and vehicles between the two companies.

(GAIA medicare Inc.)

In connection with the company's home-visit nursing care business, Care'x Inc., a subsidiary of the Company, signed a business alliance agreement with GAIA medicare Inc., which also operates a home-visit nursing care business, and has acquired 33.4% of the total outstanding shares of GAIA medicare Inc. GAIA medicare has become an equity method affiliate of the Company. The two companies will build a framework that covers the Tokyo metropolitan district through collaboration and personnel exchanges in recruitment, education, and training and by complementing each other's human resources and service areas.

6) Financial strategy and financial discipline

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

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

(Financial discipline)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2022 (actual results)	FY 2024 (targets)
Net interest-bearing debt to EBITDA (excl. lease liabilities)	0.6x	0.17x	0.45x	1.3x or less (*) (2.5x or less during the medium-term plan)
Equity ratio (%) (excl. real estate finance)	45.6%	48.9%	50.3%	40% or more

(*) FY 2024

II. Sustainability approach and initiatives

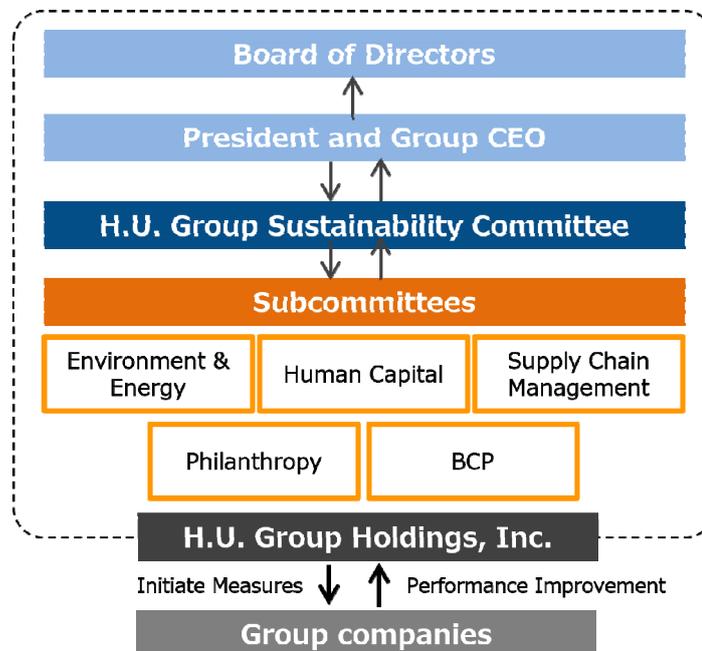
The following is a summary of the Group's approach to sustainability and the status of its initiatives.

(1) Governance and risk management

i) Governance

1) Organizational Structure for Promoting Sustainability

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



The Group, as a Company with Nominating Committee, etc., achieves clear separation of oversight and executive functions giving executive officers the authority to make decisions with greater speed, and implements sustainability activities under the corporate governance structure mentioned above. Matters discussed and resolved at the H.U. Group Sustainability Committee are reported to the Company's Board of Directors.

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

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

accordance with the idea of dynamic materiality, the H.U. Group Sustainability Committee reviews the materialities and determines whether or not to update them while taking into account changes in the external environment, the state of our business, and the progress of our efforts to address each issue. Based on the recognition that it is more essential than ever to focus on human resource development and training for sustainable growth, a revision was made in April 2023 to add Human Resource Development to the materialities.

The Group's Materiality (Revised in April 2023)

Foundation	ESG	Item	Materiality
Materiality related to business growth foundation			<ul style="list-style-type: none"> Brand management Intellectual property / Innovation Quality control Customer relations
	Materiality related to foundation for Business and management	E	Environment
Human capital			<ul style="list-style-type: none"> Human rights Diversity Ideal workplaces Health improvement Human resource development
S		Supply chain	<ul style="list-style-type: none"> Sustainable procurement
		BCP	<ul style="list-style-type: none"> Resilience
		Communication	<ul style="list-style-type: none"> Relationship with all stakeholders
G		Governance	<ul style="list-style-type: none"> Corporate governance Information security Risk management
		Compliance	<ul style="list-style-type: none"> Anti-corruption / Compliance

Furthermore, the Group released KPIs (Key Performance Indicators) related to sustainability activities and targets as an H.U. Group Sustainability Roadmap in order to resolve material issues, thereby promoting efforts over the three-year period from FY 2020 to FY 2022.

The Group's Sustainability Roadmap

Three-Year Targets (FY2020–2022)					
	Quantitative targets	FY2022 Results		Qualitative targets	FY2022 Results
Environment & Energy	<ul style="list-style-type: none"> CO₂ emissions: -7% (Base: FY2017) Waste plastic recycling rate: +15% (Base: FY2017) CDP: B plus 	<ul style="list-style-type: none"> >-24.2% >+29.9% >A minus in FY2021 and FY2022 	Philanthropy	<ul style="list-style-type: none"> Continuous enlightenment of clinical testing for 40 years 	<ul style="list-style-type: none"> >40-year history marked in 2021
Human Capital	<ul style="list-style-type: none"> Percentage of female managers: 20% White 500 acquisition 	<ul style="list-style-type: none"> >20.2% >Acquired in FY2021 and FY2022 	Communication	<ul style="list-style-type: none"> Holding of first ESG Conference 	<ul style="list-style-type: none"> >Held in Mar. 2022
Supply Chain Management	<ul style="list-style-type: none"> Excellent response rate (A) 90% on UNGC Self Assessment tool 	<ul style="list-style-type: none"> >70.3% 	BCP	<ul style="list-style-type: none"> Start-up of the H.U. Bioness Complex (Realization of high resilience) 	<ul style="list-style-type: none"> >Started up in Jan. 2022

As of FY 2023, we have announced a new H.U. Group Sustainability Roadmap, a two-

year target to be achieved by FY 2024, aiming to strengthen our sustainability activities further to continue resolving material issues.

The Group's New Sustainability Roadmap

Two-Year Targets (FY2023–2024)	
Environmental	<ul style="list-style-type: none"> CO₂ emissions : -12.6% (base: FY2021) Waste plastic recycling rate : 82%
Social	<ul style="list-style-type: none"> Percentage of female managers : 22% Percentage of male employees taking parental leave : 90% Percentage of employees answering "Satisfied with my jobs" to the questionnaire : 55% Maintaining White 500 status Average annual training*¹ time per employee : Over 30 hours Excellent response rate (A) on UNGC Self Assessment tool : 75%*² Meetings with our suppliers to exchange opinions on sustainability : 30 companies*² <p><small>*1 Including DX trainings *2 FY2022-FY2024</small></p>
Governance	<ul style="list-style-type: none"> Incorporation of non-financial indicators into compensation for directors and executive officers Internal directors will not have a dual role on the Nominating Committee

ii) Risk management

The Group has established a Risk Management Committee to promote integrated risk management for the Company and the Group as a whole, encompassing sustainability-related risks, and to ensure that the Group is protected against risk. Furthermore, we have identified "impacts due to the stoppage of or constraints placed on business activities as a result of natural disasters, climate change, etc." as one of the significant business risks.

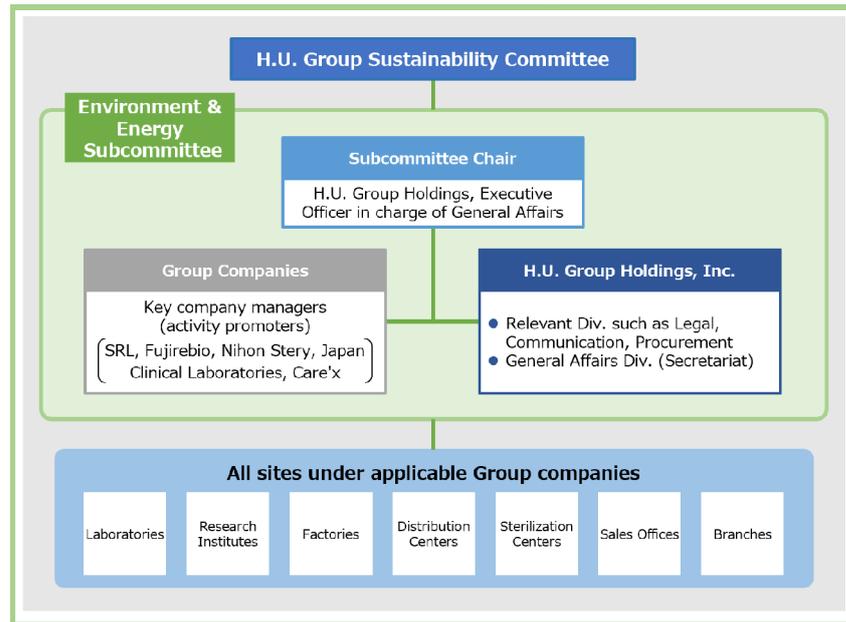
(2) Key strategies, indicators, and targets

i) Strategies

The Group identifies climate change as one of the materialities given the various changes that are expected in our business, including the risk of damage to buildings and facilities due to the severity of natural disasters brought about by climate change, supply chain risks such as distribution disruptions, stricter policies and regulations, and information disclosure requirements from investors and other stakeholders.

The Environment and Energy Subcommittee, managed by the Executive Officer/division head of General Affairs of the Company, formulates and executes plans for environmental activities in climate change. Goal setting and other important matters are discussed by the H.U. Group Sustainability Committee and reported to the Board of Directors as necessary.

System for Environment and Energy Management



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

Climate Change Scenario Analysis Based on TCFD Recommendations

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

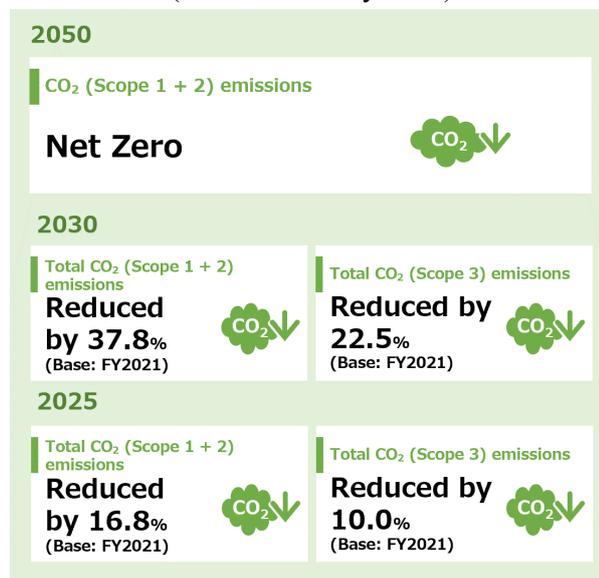
ii) Indicators and targets

In accordance with the Paris Agreement and the Osaka Blue Ocean Vision, the Group

has established long-term targets for climate change and recycling-oriented society, both identified as materialities in the environmental field and are promoting initiatives in these areas.

Our goal for climate change is to reduce total CO₂ emissions. Responding to growing global awareness of the increasing seriousness of the climate change crisis, the Group has decided to address this challenge even more aggressively. In May 2023, we announced a revision of our targets to a more ambitious goal. As a result, we have set a target of 37.8% reduction (compared to FY 2021) for FY 2030 and strive to further accelerate our efforts.

The Group’s Medium- to Long-term Targets of Reduction of CO₂ Emissions
(Announced May 2023)



III. Strategies, indicators, and targets for Human Capital

i) Strategies

To realize the H.U. Group Mission & Vision, we are required to innovate. The people, our employees, are able to become a driver of innovation. Changing their awareness and behavior leads to creating new values in healthcare. To this end, we have identified materialities related to human capital: human rights, diversity, ideal workplaces, health improvement, and human resource development, and are working to create a diverse, healthy, and energized organizational culture.

To ensure that these policies are firmly established in our organization, we have formulated them as our Human Rights Policy, Diversity Policy, Occupational Health and Safety Policy, and Training and Development Policy, thereby promoting these policies in an organized and systematic manner based on a unified recognition thereof.

For more information on these policies, please refer to our website.

<https://www.hugp.com/en/sustainable/humanrights.html>

[Examples of initiatives to enhance the Company’s human resources development]

Pursuant to the Training and Development Policy, we are enhancing our human

resource development system based on the pillar of support for self-reliance, self-direction, and self-responsibility in career development, thereby supporting employee growth by providing more opportunities to learn and gain experience.

In January 2022, we opened the H.U. Business College, aiming to develop an attitude of continuous learning and to solidify the foundation needed for further advancement. The business foundation program is the first program of its kind that respects employees' autonomy and offers them the opportunity to learn basic business knowledge directly from lecturers, both internally and externally, who are active on the front lines of their respective fields. In addition to practical skills and expertise, the program provides opportunities to network with highly motivated colleagues and promote growth toward achieving their career goals.

[Examples of initiatives to enhance the Company's internal environment]

The Group is committed to creating an environment in which each individual in our diverse workforce can work in a healthy and motivated manner.

<Diversity>

The Group's Diversity Policy states that it will generate innovation and create new value by maximizing the capabilities of each of its diverse base of human resources. As part of the promotion of these activities, we have set KPIs for the ratio of female managers at the manager level and above, as well as the ratio of male employees taking parental leave. We are committed to achieving these medium-term targets. In October 2022, the Diversity Promotion Section was newly established within the Human Resources Division to further promote the establishment of a workplace environment in which diverse human resources can play an active role.

<Health Management>

The Group has adopted health improvement as one of its materialities, as expressed in the Company's name, and pursues various measures for its employees and their families from both mental and physical health perspectives. In 2019, we codified our position as a corporation oriented toward health in our Health Declaration, and in 2020 we established the Health Management Promotion Office. In 2022 we established the Health Management Promotion Department to strengthen our efforts, which led to our recognition as part of the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category) in 2023 for the fourth consecutive year. Eleven companies from the Group, including eight companies in the large enterprise category of the Certified Health & Productivity Management Outstanding Organizations Recognition Program (of which four group companies, including our company, have obtained White 500 certification) and three companies in the small and medium enterprise category, have been recognized as Certified Health & Productivity Management Outstanding Organizations.

ii) Indicators and targets

The Group established medium-term targets for the three years from FY 2020 to FY 2022 based on materialities regarding human capital and has been working to achieve these targets.

The Group's Sustainability Roadmap for Human Capital (Main part only)
(FY 2020 to FY 2022)

Main themes	KPI	FY2022 targets	FY2022 actual result
Diversity promotion	Percentage of female managers	20% (Domestic and overseas)	20.2% (Domestic and overseas)
	Percentage of persons with disabilities hired	2.3% (Domestic)	2.3% (Domestic)
Promotion of human resources development	Average annual training time per employee	25 hours (Domestic)	32.1 hours (Domestic)
Health management	White 500 listing	Rank in top 500	Rank in top 500

Effective from FY 2023, based on the revised materialities with the addition of Human Resource Development, we have set a two-year target to be achieved by FY 2024 and are furthering our efforts.

The Group's Sustainability Roadmap for Human Capital (Main part only)
(FY 2023 to FY 2024)

Main themes	KPI	FY2024 targets
Diversity promotion	Percentage of female managers	22% (Domestic and overseas)
	Percentage of male employees taking parental leave	90% (Domestic)
Workplaces	Percentage of employees answering "Satisfied with my job" to the questionnaire	55% (Domestic)
Health management	White 500	Maintaining White 500 status
Promotion of human resources development	Average annual training time per employee (including DX trainings)	Over 30 hours (Domestic)

IV. Plan for the fiscal year ending March 31, 2024

i) Outlook for the fiscal year ending March 31, 2024

In the fiscal year ending March 31, 2024, the Company expects the following due to a decrease in PCR testing and other tests related to COVID-19.

Unit: billions of yen (rounded)	Actual results for the fiscal year ended March 31, 2023	Forecasts for the fiscal year ending March 31, 2024
Net sales	260.9	245.0
EBITDA*1	43.1	36.0
Operating profit	23.4	14.0
ROE	10.8%	4.0%
ROIC*2	7.0%	4.1%

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

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

ii) Outline of plans for the fiscal year ending March 31, 2024

During the fiscal year ending March 31, 2024, the fourth year of the Medium-term Business Plan, we will take on key themes as described under “(4) Issues to be addressed; I. Outline of Medium-term Business Plan, ‘H.U. 2025—*Hiyaku* & United’”

- Enhanced profitability in the LTS business

With the H.U. Bioness Complex fully operational from May 2023, the Company will see the effects of cost improvement through drastic streamlining of inspection operations, especially towards the second half of the fiscal year. By promoting sharing of logistics operated by MEDISKET CORPORATION, a joint venture with MEDIPAL HOLDINGS CORPORATION, we will expedite cost optimization effects related to collection and logistics.

- Enhancement of the CDMO business

We will strengthen the production framework at our major locations worldwide and promote development initiatives with our partners in anticipation of medium- to long-term demand growth in the CDMO business.

V. Shareholder returns and investment in growth

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

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

(5) Principal business (as of March 31, 2023)

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

2. Matters Regarding Directors and Executive Officers

(1) Directors (As of March 31, 2023)

Position in the Company	Name	Responsibilities in the Company	Significant Concurrent Positions
Director	Shigekazu Takeuchi	Nominating Committee Member	Director, SRL, Inc. Director, Fujirebio Holdings, Inc. Director, Fujirebio Inc. Director, H.U. Frontier, Inc.
Director	Naoki Kitamura	–	Director, SRL, Inc. Director, Fujirebio Holdings, Inc. Director, Fujirebio Inc. Chairman, Nihon Stery, Inc. Chairman, Care’x, Inc. Director of SRL International, Inc. Chairman, Baylor Miraca Genetics Laboratories, LLC CEO, H.U. America, Inc. Director, SRL (Hong Kong) Limited
Director	Shigehiro Aoyama	Nominating Committee Chairman	External Director, Takamatsu Construction Group Co., Ltd. Chairman, the Distribution Economics Institute of Japan
Director	Futomichi Amano	Audit Committee Chairman	Futomichi Amano CPA office
Director	Ryoji Itoh	Compensation Committee Chairman Nominating Committee Member	Managing Director, Planetplan, Inc. External Director, SATO HOLDINGS CORPORATION Senior Researcher at Keio Research Institute at SFC, Keio University
Director	Moegi Shirakawa	Audit Committee Member	Partner, Anderson Mori & Tomotsune Member of the Business Accounting Council, Financial Services Agency
Director	Keiji Miyakawa	Audit Committee Member Compensation Committee Member	Representative Director, N.I.Partners Ltd. Outside Director, Member of the Board, GungHo Online Entertainment, Inc. Senior Advisor, Lincoln International Inc. Executive Advisor, MASH Holdings Co., Ltd.

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

Notes: 1. Mr. Shigehiro Aoyama, Mr. Futomichi Amano, Mr. Ryoji Itoh, Ms. Moegi Shirakawa, Mr. Keiji Miyakawa, and Mr. Susumu Yamauchi are outside directors as prescribed in Article 2, Item 15 of the Companies Act.

2. The Company has designated Mr. Shigehiro Aoyama, Mr. Futomichi Amano, Mr. Ryoji Itoh, Ms. Moegi Shirakawa, Mr. Keiji Miyakawa, and Mr. Susumu Yamauchi as independent directors as stipulated by the Tokyo Stock Exchange and has notified the Exchange accordingly.

3. Mr. Futomichi Amano has a qualification of the certified public accountant and a considerable degree of knowledge on finance and accounting.

4. The Company has the following committees:

Nominating Committee	Chairman	Shigehiro Aoyama
	Members	Ryoji Itoh Shigekazu Takeuchi

Audit Committee	Chairman	Futomichi Amano
	Members	Moegi Shirakawa Keiji Miyakawa

Compensation Committee	Chairman	Ryoji Itoh
	Members	Keiji Miyakawa Susumu Yamauchi

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

(2) Executive Officers (As of March 31, 2023)

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

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

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

i) Compensation system

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

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

ii) Directors' compensation

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

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

iii) Executive officers' compensation

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

1) Compensation system

Compensation received by the directors and executive officers of the Company shall be determined by a resolution of the Compensation Committee in light of the economic situation, the Company's conditions, and the duties of the respective directors and executive officers, in accordance with the relevant rules and regulations established by a resolution of the Compensation Committee.

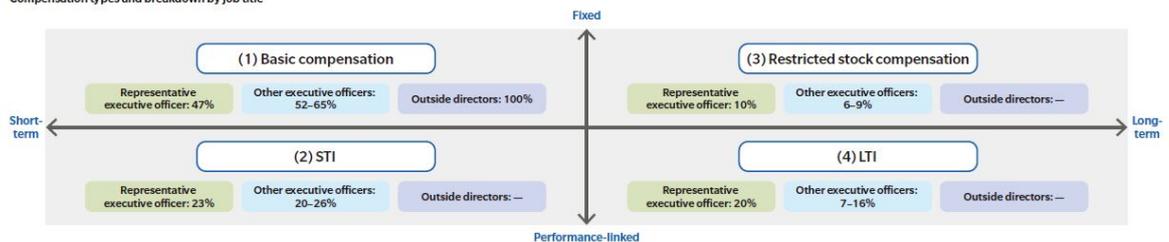
Compensation for directors and executive officers consists of "basic compensation" which is fixed monetary compensation; "restricted stock compensation," which is fixed stock compensation; "STI"^{*1} short term performance-linked compensation, in which the monetary compensation fluctuates in accordance with the degree of progress towards achieving performance targets over the short term; and LTI^{*2} trust-type share-based compensation, which is stock compensation linked to performance targets over the medium to long term. The breakdown of standard compensation ratios by titles is generally as follows.

*1 STI Short Term Incentive

*2 LTI Long Term Incentive

2) Compensation Types and Breakdown by Job Title

Compensation types and breakdown by job title



i) Basic compensation

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

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

ii) STI (Short term performance linked compensation)

- Performance-linked compensation shall be paid 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.
- Performance indicators for a single fiscal year are set according to both sales and operating income growth, while factoring in the achievement of the net income target from the perspective of promoting management consistent with shareholder returns. The Compensation Committee determines the specific evaluation standards and their modification, together with the amount of performance-linked compensation.

Breakdown by Title	Single-year Performance		iii) Individual Evaluation
	i) Consolidated Group Performance	ii) Segment Performance	
President & CEO	100%	–	–
Other Executive Officer	20 to 100%	0 to 60%	0 to 20%

i) Consolidated Group Performance

Performance Evaluation Indicator	Weight	Targets	Range of Variation in Payment
Consolidated net sales	50%	Year-on-year growth rate	0% to 200%
Consolidated profit	50%	Absolute amount (estimated value)	0% to No upper limit

ii) Segment Performance

Performance Evaluation Indicator	Weight	Targets	Range of Variation in Payment
Net sales	50%	Year-on-year growth rate	0% to 200%
Operating profit	50%	Absolute amount (estimated value)	0% to No upper limit

iii) Individual evaluation

- Based on a comprehensive evaluation of the individual's work situation, the amount shall be paid within a variable range of 0% to 200% of the standard amount for each position.

iii) Restricted stock compensation

- In addition to providing an incentive to sustainably enhance the Group's corporate value, it also aims to further promote shared value with shareholders.
- From the day the restricted stock is issued until the day they retire from the Group's directors, they are prohibited from transferring or otherwise disposing of the restricted stock allocated to them.

iv) LTI (Trust type share based compensation)

- The purpose is, among others, to raise awareness of the need to contribute to improving performance over the medium to long term.
- As in the case of performance-linked share-based compensation seen in Europe and the United States (Performance Share), trust-type share-based compensation is a scheme in which the Company's shares (50%) and an amount of money equivalent to the conversion price of the Company's shares (50%) are delivered or provided in accordance with the level of position and degree of progress towards performance targets.
- In principle, on June 1 of each year during the trust period, a certain number of points will be granted for the fiscal year ending March 31 of the same year.
- The number of shares of the Company per point shall be one (1).

Calculation of points awarded per year = i) Standard points x ii) Performance-linked coefficient
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i) Standard points

Calculated by dividing the standard amount of trust-type share-based compensation determined for each position by the closing price of 2,449 yen on the day before the Compensation Committee meeting on July 17, 2020.

ii) Performance-linked coefficient

Performance-linked Coefficient	Weight	Targets	Range of Variation in Payment
Granted Percentage for Consolidated Net Sales	40%	Absolute amount (estimated value)	0% to 300%
Granted Percentage for Consolidated Operating Profit	40%	Absolute amount (estimated value)	0% to 300%
Granted Percentage of Consolidated Net Sales Growth	20%	Consolidated net sales for the previous year	0% to 300%

* The Company has set the performance-linked coefficients specified above, as the Company's target this Medium-Term Business Plan is "to achieve both sales and operating income growth."

3) Percentage of achievement, related to performance-linked compensation

The percentage of achievement, related to performance-linked compensation for the fiscal year ended March 31, 2023, is as follows.

<STI (Short term performance linked compensation)>

(Unit: Millions of yen)

Performance Evaluation Items	Performance Evaluation Indicator	Targets	Actual Results	Achievement Rate
Consolidated Group Performance	Consolidated net sales	272,944	260,908	95.6%
	Consolidated profit	12,693	15,676	123.5%
LTS Segment Performance	LTS net sales	180,239	163,387	90.7%
	LTS operating profit	6,996	279	4.0%
IVD Segment Performance	IVD net sales	74,171	77,666	104.7%
	IVD operating profit	16,925	26,528	156.7%

<LTI (Trust type share based compensation)>

(Unit: Millions of yen)

Performance Evaluation Indicator	Targets	Actual Results	Achievement Rate
Consolidated net sales	254,183	260,908	102.7%
Consolidated operating profit	21,117	23,381	110.7%
Year-on-year growth rate of consolidated net sales	101.7%	95.6%	—

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

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

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

Category	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)				Number of Payees (Persons)
		Non-performance-linked Compensation		Short-term Performance-linked Compensation	Medium- to Long-term Performance-linked Compensation	
		Money	Shares	Money	Shares	
		Basic Compensation	Restricted Stock Compensation	Performance-linked Compensation	Trust-type Share-based Compensation	
Executive Officer	521	236	31	138	115	7
Director	76	76	—	—	—	7
[Outside Director]	[76]	[76]	[—]	[—]	[—]	[7]

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

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

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

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

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

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

	Date of meeting	Details
1st meeting	May 12, 2022	i) Adopted resolution on amounts of short-term performance-linked compensation granted to individual officers for FY 2021 ii) Adopted resolution on BIP Trust points awarded individually based on the actual performance in FY 2021
2nd meeting	May 20, 2022	i) Adopted resolution on individual fixed-amount compensation for FY 2022 pertaining to executive officer candidates for the next fiscal year (tentative) ii) Adopted resolution on performance targets for short-term performance-linked compensation for FY 2022 iii) Adopted resolution on performance targets for BIP Trust compensation for FY 2022
3rd meeting	June 21, 2022	i) Adopted resolution on appointment of the Compensation Committee Chairman ii) Adopted resolution on individual fixed-amount compensation
4th meeting	July 15, 2022	i) Adopted resolution on the Compensation Committee's schedule of activities ii) Adopted resolution on individual compensation regarding the restricted stock compensation scheme, etc.
5th meeting	August 26, 2022	i) Reported on granting Board Incentive Plan (BIP) Trust points
6th meeting	December 23, 2022	i) Reported and discussed on benchmarks pertaining to compensation for executive officers and directors at domestic companies
7th meeting	March 2, 2023	i) Discussion on revision of executive compensation scheme

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

- (4) Status of main activities of outside directors
i) Attendance rate at meetings of the Board of Directors and Committees (number of times of attendance/number of meetings held during the fiscal year)

Position	Name	Board of Directors Meeting	Meeting of Nominating Committee	Meeting of Audit Committee	Meeting of Compensation Committee
Director	Shigehiro Aoyama	13/13	8/8	–	–
Director	Futomichi Amano	13/13	–	17/17	–
Director	Ryoji Itoh	13/13	8/8	–	7/7
Director	Moegi Shirakawa	10/10	–	13/13	–
Director	Keiji Miyakawa	13/13	–	13/13	7/7
Director	Susumu Yamauchi	13/13	–	4/4	7/7

- Notes: 1. Figures shown for Moegi Shirakawa's attendance in the Board of Directors meetings and Audit Committee meetings reflect her attendance since becoming a director and member of the Audit Committee and joining the committee on June 21, 2022.
2. Figures shown for Keiji Miyakawa's attendance in the Audit Committee meetings reflect his attendance since becoming a member of the Audit Committee and joining the committee on June 21, 2022.
3. Figures shown for Susumu Yamauchi's attendance in the Audit Committee meetings reflect his attendance before resigning as a member of the Audit Committee on June 21, 2022.

ii) Main activities during the fiscal year

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

Position	Name	Status of Main Activities
Director	Moegi Shirakawa	<p>At meetings of the Board of Directors, she has made proactive remarks on proposals and deliberations, enlisting differing perspectives from the standpoint of diversity, in addition to the perspective as a legal practitioner well versed in a wide range of fields, including finance, mergers and acquisitions, investment, and corporate legal affairs in Japan and abroad as an attorney-at-law. Through such remarks, she has performed her role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.</p> <p>At meetings of the Audit Committee, she has audited and supervised the Group management's execution of duties after grasping issues and risks related to management and businesses of the Group through meetings with management of the Company and its major subsidiaries, regular meetings with auditors of the major subsidiaries, etc., based on audit policy and audit plans.</p>
Director	Keiji Miyakawa	<p>At meetings of the Board of Directors, he has made proactive remarks in connection with proposals and deliberations based on his abundant experience in the investment banking division of a major global securities firm and in M&A advisory companies, and also has broad insight as a financial service manager. Through such remarks, he has performed his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.</p> <p>As the Member of the Compensation Committee, he conducts robust deliberations that involve reviewing the Company's compensation system for its directors and executive officers as well as making decisions on compensation levels.</p> <p>At meetings of the Audit Committee, he has audited and supervised the Group management's execution of duties after grasping issues and risks related to the management and businesses of the Group through meetings with the management of the Company and its major subsidiaries, regular meetings with auditors of the major subsidiaries, etc., based on the audit policy and audit plans.</p>
Director	Susumu Yamauchi	<p>At meetings of the Board of Directors, he has made proactive remarks in connection with proposals and deliberations based on his abundant insight as a professor who has taught the history of Western legal systems at several universities over the years as well as considerable insight related to organizational management based on his experience as President of Hitotsubashi University. Through such remarks, he has performed his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.</p> <p>As a member of the Compensation Committee, he has conducted robust deliberations when it comes to making decisions on the Company's compensation system and compensation levels for its directors and executive officer. At meetings of the Audit Committee, he audited and supervised the Group management's execution of duties after grasping issues and risks related to the management and businesses of the Group through meetings with the management of the Company and its major subsidiaries, regular meetings with auditors of the major subsidiaries, etc., based on the audit policy and audit plans.</p>

3. Matters Regarding Accounting Auditor

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

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

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

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

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

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

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

(1) Basic idea on corporate governance

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

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

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

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

i) Corporate organizations

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

[Composition and activities of the Board of Directors]

The Board of Directors receives reports from each committee and from the executive officers regarding information on current corporate operations and target management achievements. The Board is thus able to provide timely, comprehensive, and pertinent corporate oversight. Among the eight (8) members of the Board of Directors, the Company appoints six (6) as outside directors, each of whom is recognized as a leader in their respective field. The Board of Directors met 13 times during the fiscal year under review to discuss key investment proposals, business plans, and other important management matters.

[Activities of the three committees]

· Nominating Committee

As the Company has a Nominating Committee pursuant to the Company Law, it has established a Nominating Committee chaired by an outside director and constituted by a

majority of outside directors as stipulated by the Company Act. The Nominating Committee held eight meetings during the fiscal year under review to facilitate discussions on the management structure for the next fiscal year and the medium-to-long-term management framework, to elect candidates for the Board of Directors of the Company, and to nominate candidates for the executive officers to the Board of Directors.

- Audit Committee

The status of activities of the Audit Committee is described in 4. The System to Ensure Appropriateness of Business Activities and the Operating Status of the System, (2) Details of corporate organizations, the system to ensure the appropriateness of business activities and the operating status of the system, iii) Outline of operational status of system to ensure appropriate execution of business operations, 1) Matters regarding audits performed by the Audit Committee.

- Compensation Committee

The activities of the Compensation Committee are described in “2. Matters Regarding Directors and Executive Officers,” “(3) Compensation for directors and executive officers, etc.,” “c. Persons with decision-making authority in relation to policy for determining the amount of compensation for directors and executive officers or calculation method thereof,” “B. Details of Compensation Committee activities during the process of determining compensation, etc. for directors and executive officers in the fiscal year under review.”

Furthermore, the activities of the outside directors in each committee are described in 2. Matters regarding Directors and Executive Officers, (4) Status of main activities of outside directors.

- 1) Matters regarding limited liability agreements

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

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

- Limited liability agreements with non-executive directors

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

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

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The scope of insureds under the insurance policy includes directors, executive officers, auditors, etc. of the Company and its subsidiaries, and the

insureds do not bear any of the premiums. The insurance policy covers the legally mandated amount of indemnification, litigation expenses, etc. to be assumed by the insureds. However, in order that the proper performance of duties of the insureds is not impaired, losses arising from actions by the insureds such as breach of faith, criminal acts and fraudulent acts (including inaction) are not covered by the policy.

- 3) Number of directors
The Articles of Incorporation stipulate that the Company may have no more than ten (10) directors.
 - 4) Requirement for resolutions to elect directors
The Company stipulates in its Articles of Incorporation that resolutions for election of directors are to be adopted by a majority of the voting rights of the shareholders present at a general meeting of shareholders where the shareholders holding at least one-third (1/3) of the voting rights of the shareholders who are entitled to exercise their voting rights are present, and not by cumulative voting.
 - 5) Decision-making body for dividends of surplus
The Company stipulates in its Articles of Incorporation that matters involving dividends of surplus as prescribed in the items of Article 459, Paragraph 1 of the Companies Act may be determined by resolution of the Board of Directors, and that matters prescribed in the items of Article 459, Paragraph 1 of the Companies Act may not be determined by resolutions made at a general meeting of shareholders. The purpose of this is to ensure flexibility with respect to capital policy and return of profits to shareholders.
 - 6) Exemption from liability as Director and Executive Officer
In accordance with Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation have a provision enabling the Company to exempt Directors (including former Directors) and Executive Officers (including former Executive Officers) from their liability in relation to actions stipulated under Article 423, Paragraph 1 of the same act within the limit provided by laws and regulations, upon a resolution of the Board of Directors. The provision is intended to create an environment in which Directors and Executive Officers can fully exercise their capabilities in performing their duties and fulfill their expected roles.
 - 7) Requirement for a special resolution of the General Meeting of Shareholders
The Company stipulates in its Articles of Incorporation that resolutions of a general meeting of shareholders pursuant to Article 309, Paragraph 2 of the Companies Act are to be adopted by a majority of two-thirds (2/3) or more of the voting rights of the shareholders in attendance where the shareholders holding at least one-third (1/3) of the voting rights of the shareholders who are entitled to exercise their voting rights are present. This provision is intended to enable smooth operation of general meetings of shareholders.
- ii) Outline of the system to ensure the appropriateness of business activities
Based on the following basic policy, the Company ensures that business activities are executed appropriately.

1) Mission, Vision, and Values and Traits

<Mission>

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

<Vision>

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

<Values and Traits>

[Customer Centricity]

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

[Creation of New Value]

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

[Sincerity and Trust]

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

[Mutual Respect]

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

2) Code of Conduct

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

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

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

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

- Employee(s) of the Secretariat of the Audit Committee shall follow instructions of members of the Audit committee.
- For appointment and reassignment of the employee(s) of the Secretariat of the Audit Committee and treatment such as evaluation and transfer of the employee(s), the Company shall give explanations to the Audit Committee in advance and obtain prior approval.

5) System of reporting from executive officers and employees to the Audit Committee and other systems of reporting to the Audit Committee

The Audit Committee may have people other than members participate in a meeting

as necessary, and ask them to report on the following items, in addition to items stipulated by laws and regulations.

- a) Overview of activities of departments involved in internal control of the Group
 - b) The Group's significant accounting policy, accounting standards and changes thereof
 - c) Details of important disclosure documents
 - d) Other matters to be reported as stipulated by the Company's internal rules
- 6) Other systems to ensure effective audit by the Audit Committee
- Members of the Audit Committee have authorities stipulated in the following items.
 - a) Authority to request other directors, executive officers, managers and other employees to report matters regarding execution of their duties
 - b) Authority to examine the status of the Company's business operations and assets
 - c) Authority to request the Company's subsidiaries or consolidated subsidiaries to report business operations or to examine the status of business operations and assets of the Company's subsidiaries or consolidated subsidiaries as necessary in order to exercise authorities of the Audit Committee
 - d) Other authorities regarding audit deemed necessary by the Audit Committee within the scope of laws and regulations
 - Directors, executive officers and employees who participate in a meeting of the Audit Committee by a request from the Committee are required to explain matters requested by the Committee.
 - A committee member appointed by the Audit Committee may participate in important meetings of the Company including the Group companies as necessary.
- 7) The system to ensure appropriateness of business activities of the company and the corporate group consisting of its parent company and subsidiaries
- To ensure appropriateness of business activities of the Company's subsidiaries by conducting operation and management of the subsidiaries based on the management rules of the subsidiaries and affiliates as well as the agreement on responsibilities and authorities of the officers of the subsidiaries.
 - To establish a management structure based on the following rules and ensure appropriateness of business activities of the corporate group.
 - a) The company and major business subsidiaries shall be covered.
 - b) The purpose shall be to comply with laws and regulations pertaining to effectiveness and efficiency of business operations, credibility of financial reporting and business activities.
 - c) Based on the Risk Management Rules, risk management of the corporate group shall be promoted.
 - d) A flow chart of major business processes shall be created including those of business subsidiaries to standardize business operations and conduct adequate risk management.
 - e) The Internal Audit Department shall conduct an audit on the system of internal controls.

- The Internal Audit Departments of the Group companies shall report and exchange opinions on a regular basis and hold an audit liaison conference regularly in order to enhance cooperation between the Audit Committee and auditors of the Group companies.
- 8) System for storage and management of information on execution of duties by executive officers
- Each executive officer shall appropriately store and manage documents and other relevant information regarding execution of their duties in accordance with the Rules for Management of Documents for Execution of Duties.
- 9) Rules for management of risk of loss and other system
- Based on the “Risk Management Rules” and “Rules for the Risk Management Committee,” a risk management system shall be established, and the Risk Management Committee shall promote it to manage the risk of loss.
- 10) System to ensure efficient execution of duties by executive officers
- Each executive officer executes duties based on the Rules of Duties of Executive Officers.
 - Each executive officer holds discussions and makes a report as necessary at the Board of Executive Officers’ meeting based on the Rules for the Board of Executive Officers.
- 11) System to ensure compliance of execution of duties by executive officers and employees with laws and regulations and the Articles of Incorporation
- While the ethical standards that all the members of the Company are expected to meet are codified in the H.U. Group Code of Conduct, the H.U. Group Compliance Committee implements necessary measures based on the Rules for Management of the Compliance Committee to ensure compliance of execution of duties by executive officers and employees with laws and regulations, the Articles of Incorporation and the H.U. Group Code of Conduct.
 - The H.U. Group Compliance Committee detects illegal activities of the Company at an early stage and establishes and operates an internal reporting system in order to respond to it.
 - The Internal Audit Department conducts internal audits based on the Rules for Internal Audit.
- iii) Outline of operational status of system to ensure appropriate execution of business operations
- The following subsection provides an overview regarding implementation of the system for ensuring appropriate execution of business operations, with respect to the fiscal year under review.
- 1) Matters regarding audits performed by the Audit Committee
- The Audit Committee consists of three (3) committee members and one (1) staff member. Each member participates in, or otherwise confirms content of the important meetings including Risk Management Committee. The Audit Committee also holds regular meetings with the Internal Audit Department and

with the auditors of the major subsidiaries and directly conducts audits on the execution of duties as necessary, and the results of such activities are regularly reported to the Board of Directors. The Audit Committee exchanges ideas regularly with Accounting Auditor by requesting them to explain and report the initial audit plan, status of audits during the term and results of the year-end audit.

- 2) Matters regarding ensuring appropriate execution of business operations of the corporate group
 - Management within the Group is conducted in a manner ensuring that business operations are executed appropriately based on the “Rules of Duties of Executive Officers,” “management rules of the subsidiaries and affiliates,” “agreement on responsibilities and authorities of the officers of the subsidiaries” and other internal rules of the Company.
 - The Internal Audit Department reviews internal control system. Moreover, the Internal Audit Departments of respective Group companies report and exchange opinions on a regular basis.
- 3) Matters regarding management of risk of loss
 - Meetings of the Risk Management Committee are held regularly, in accordance with the “Risk Management Rules” and “Rules for the Risk Management Committee.” Moreover, risk assessment results and policies for addressing substantial risks faced by the Company and its major subsidiaries are reported to the Board of Directors.
- 4) Matters regarding compliance
 - The Internal Audit Department (thirteen (13) members) conducts internal audits of the Company and its major subsidiaries and assesses internal control independently on a regular basis in order to ensure the legality, accuracy and efficiency of management and business operations. The Department reports the audit results and status of follow-up to both the Board of Directors and the Audit Committee to ensure the effectiveness of internal audits.
 - Meetings of the H.U. Group Compliance Committee are held regularly, in accordance with “H.U. Group Code of Conduct.”
 - As part of its efforts to develop an internal reporting system, the Company has established the “H.U. Group Hotline” to report ethics and compliance concerns, and shares information regarding its operations with the Audit Committee. In addition, the Company also raises awareness of its rules for ensuring confidentiality of those reporting concerns and furthermore prohibiting disadvantageous treatment of such individuals.

5. Basic Policy Regarding Control of the Company

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

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

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

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

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

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

II. Efforts supporting achievement of the basic policy

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

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

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

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

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

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

2. Efforts to enhance the Company's corporate value and to serve the common interests of shareholders by providing stable and continuous returns to shareholders

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

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

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

directors with high independency. Furthermore, we have established three committees: the Nominating, Audit and Compensation Committees in accordance with laws and regulations, and continued efforts aimed at promoting fairness and transparency are being implemented. With respect to incentives and compensation, we have positioned the enhancement of corporate value and the common interests of our shareholders as our top priorities and have adopted a performance-linked compensation plan for executive officers, while eliminating the retirement benefits system which was not highly correlated with performance and introducing a share-based compensation plan aimed to align interest between our shareholders and the officers and employees of the Company. Compensation provided to such officers and directors are disclosed in our annual securities reports, and business reports. We have further implemented various measures to stimulate activity at shareholders' meetings and to facilitate the exercise of voting rights, such as sending notice of shareholders' meetings at least 3 weeks in advance to secure sufficient time for our shareholders to appropriately exercise their voting rights, implementing an electronic voting system for the electronic exercise of voting rights, and introducing a platform for the electronic exercise of voting rights. The shareholders' meeting schedule is set to avoid so-called "concentrated days" for shareholders' meetings. For shareholders who are unable to attend the meeting, we accept questions in advance and provide a live streaming broadcast via the Internet. In light of the latest situation regarding the spread of COVID-19, we have decided to hold the 73rd Ordinary General Meeting of Shareholders as a non-restricted ordinary meeting instead of the previous system of lottery for applications. Realizing the importance of maintaining and strengthening an appropriate governance structure, we have also established a basic policy for our internal control system and have established an infrastructure to ensure proper business operations as a corporate group by reinforcing the framework for audits by the Audit Committee and by creating control guidelines for the entire group, including subsidiaries and affiliates.

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

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

CONSOLIDATED BALANCE SHEET

(As of March 31, 2023)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	131,851	Current liabilities	64,371
Cash and deposits	44,186	Notes and accounts payable - trade	20,512
Notes and accounts receivable - trade, and contract assets	46,946	Electronically recorded obligations - operating	1,800
Investments in leases	226	Current portion of long-term borrowings	3,700
Merchandise and finished goods	6,469	Lease liabilities	4,103
Work in process	7,072	Accounts payable - other	12,368
Raw materials and supplies	8,587	Income taxes payable	1,782
Other	19,132	Provision for bonuses	6,256
Allowance for doubtful accounts	(770)	Other	13,846
Non-current assets	165,977	Non-current liabilities	83,506
Property, plant and equipment	80,214	Bonds payable	35,000
Buildings and structures	24,062	Long-term borrowings	25,000
Machinery, equipment and vehicles	6,821	Lease liabilities	9,361
Tools, furniture and fixtures	21,846	Retirement benefit liability	6,609
Land	10,836	Asset retirement obligations	1,576
Leased assets	11,601	Provision for share awards	743
Construction in progress	5,044	Provision for compensation loss	562
Intangible assets	45,373	Provision for loss on guarantees	264
Goodwill	4,453	Other	4,389
Customer-related intangible assets	1,956	Total liabilities	147,877
Software	22,186	NET ASSETS	
Leased assets	510	Shareholders' equity	144,633
Software in progress	8,269	Share capital	9,274
Other	7,996	Capital surplus	24,996
Investments and other assets	40,390	Retained earnings	112,422
Investment securities	6,997	Treasury shares	(2,060)
Long-term loans receivable	4,493	Accumulated other comprehensive income	5,339
Guarantee deposits	18,471	Valuation difference on available-for-sale securities	118
Deferred tax assets	6,918	Foreign currency translation adjustment	7,140
Other	3,675	Remeasurements of defined benefit plans	(1,919)
Allowance for doubtful accounts	(165)	Share acquisition rights	74
Deferred assets	95	Total net assets	150,047
Bond issuance costs	95	Total liabilities and net assets	297,924
Total assets	297,924		

CONSOLIDATED STATEMENT OF INCOME

From: April 1, 2022
To: March 31, 2023

(Unit: Millions of yen)

Net sales		260,908
Cost of sales		170,984
Gross profit		89,924
Selling, general and administrative expenses		66,543
Operating profit		23,381
Non-operating income		
Interest income	242	
Dividend income	55	
Dividend income of insurance	35	
Rental income	77	
Outsourcing service income	14	
Foreign exchange gains	490	
Gain on investments in capital	268	
Other	242	
		1,426
Non-operating expenses		
Interest expenses	369	
Rental expenses	24	
Share of loss of entities accounted for using equity method	1,953	
Other	450	
		2,797
Ordinary profit		22,010
Extraordinary income		
Gain on sale of non-current assets	2,637	
Gain on step acquisitions	758	
Other	26	
		3,422
Extraordinary losses		
Loss on retirement of non-current assets	104	
Impairment losses	221	
Loss on valuation of investment securities	970	
Loss on valuation of other investments	349	
Business restructuring expenses	321	
Retirement benefit expenses	268	
Other	288	
		2,525
Profit before income taxes		22,907
Income taxes - current	5,869	
Income taxes - deferred	1,361	
		7,230
Profit		15,676
Profit attributable to owners of parent		15,676

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April 1, 2022
To: March 31, 2023

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,231	24,953	103,957	(2,081)	136,060
Changes during period					
Issuance of new shares - exercise of share acquisition rights	10	10			21
Issuance of new shares - Restricted Stock	31	31			63
Dividends of surplus			(7,149)		(7,149)
Profit attributable to owners of parent			15,676		15,676
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				23	23
Decrease by merger			(62)		(62)
Net changes in items other than shareholders' equity					
Total changes during period	42	42	8,464	21	8,572
Balance at end of period	9,274	24,996	112,422	(2,060)	144,633

(Unit: Millions of yen)

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,620	3,997	(1,573)	4,045	72	140,178
Changes during period						
Issuance of new shares - exercise of share acquisition rights						21
Issuance of new shares - Restricted Stock						63
Dividends of surplus						(7,149)
Profit attributable to owners of parent						15,676
Purchase of treasury shares						(1)
Disposal of treasury shares						23
Decrease by merger						(62)
Net changes in items other than shareholders' equity	(1,502)	3,142	(346)	1,293	2	1,296
Total changes during period	(1,502)	3,142	(346)	1,293	2	9,868
Balance at end of period	118	7,140	(1,919)	5,339	74	150,047

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2023)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	69,683	Current liabilities	54,121
Cash and deposits	37,446	Current portion of long-term borrowings	3,700
Accounts receivable - trade	411	Accounts payable - other	1,911
Prepaid expenses	461	Accrued expenses	298
Short-term loans receivable from subsidiaries and associates	22,506	Income taxes payable	10
Accounts receivable - other	9,385	Deposits received	47,088
Other	427	Unearned revenue	0
Allowance for doubtful accounts	(956)	Provision for bonuses	817
Non-current assets	112,609	Other	295
Property, plant and equipment	3,919	Non-current liabilities	65,129
Buildings	853	Bonds payable	35,000
Tools, furniture and fixtures	882	Long-term borrowings	25,000
Land	1,706	Provision for share awards	743
Leased assets	356	Provision for retirement benefits	661
Construction in progress	120	Provision for compensation loss	562
Intangible assets	1,070	Provision for loss on guarantees	2,747
Software	872	Other	414
Leased assets	107	Total liabilities	119,251
Other	89	NET ASSETS	
Investments and other assets	107,619	Shareholders' equity	62,781
Investment securities	504	Share capital	9,274
Shares of subsidiaries and associates	48,147	Capital surplus	24,996
Bonds of subsidiaries and associates	33,650	Legal capital surplus	24,996
Investments in capital	2,150	Other capital surplus	0
Investments in capital of subsidiaries and associates	1,240	Retained earnings	30,571
Long-term loans receivable from subsidiaries and associates	8,608	Legal retained earnings	928
Guarantee deposits	16,910	Other retained earnings	29,643
Deferred tax assets	414	Retained earnings brought forward	29,643
Other	664	Treasury shares	(2,060)
Allowance for doubtful accounts	(4,672)	Valuation and translation adjustments	280
Deferred assets	95	Valuation difference on available-for-sale securities	280
Bond issuance costs	95	Share acquisition rights	74
Total assets	182,388	Total net assets	63,137
		Total liabilities and net assets	182,388

NON-CONSOLIDATED STATEMENT OF INCOME

From: April 1, 2022

To: March 31, 2023

(Unit: Millions of yen)

Operating revenue		
Dividend income	19,203	
Service revenue	5,487	24,690
Operating expenses		11,026
Operating profit		13,664
Non-operating income		
Interest income	459	
Gain on investments in capital	268	
Foreign exchange gains	178	
Other	68	973
Non-operating expenses		
Interest expenses	221	
Interest on bonds	115	
Provision of allowance for doubtful accounts	1,311	
Provision for loss on guarantees	590	
Other	32	2,270
Ordinary profit		12,368
Extraordinary income		
Gain on sales of investment securities	0	0
Extraordinary losses		
Loss on retirement of non-current assets	6	
Loss on valuation of investment securities	970	
Other	68	1,045
Profit before income taxes		11,322
Income taxes - current	(3,269)	
Income taxes - deferred	1,734	(1,535)
Profit		12,857

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April 1, 2022
To: March 31, 2023

(Unit: Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
						Retained earnings brought forward			
Balance at beginning of period	9,231	24,953	0	24,953	928	23,935	24,863	(2,082)	56,966
Changes during period									
Issuance of new shares - exercise of share acquisition rights	10	10		10					21
Issuance of new shares - Restricted Stock	31	31		31					63
Dividends of surplus						(7,149)	(7,149)		(7,149)
Profit						12,857	12,857		12,857
Purchase of treasury shares								(1)	(1)
Disposal of treasury shares								23	23
Net changes in items other than shareholders' equity									
Total changes during period	42	42	-	42	-	5,708	5,708	21	5,815
Balance at end of period	9,274	24,996	0	24,996	928	29,643	30,571	(2,060)	62,781

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	1,777	1,777	72	58,816
Changes during period				
Issuance of new shares - exercise of share acquisition rights				21
Issuance of new shares - Restricted Stock				63
Dividends of surplus				(7,149)
Profit				12,857
Purchase of treasury shares				(1)
Disposal of treasury shares				23
Net changes in items other than shareholders' equity	(1,497)	(1,497)	2	(1,494)
Total changes during period	(1,497)	(1,497)	2	4,321
Balance at end of period	280	280	74	63,137