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Securities Code: 4544
May 27, 2024

NOTICE OF 74TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder,

You are hereby notified of the 74th 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 74th 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 17, 2024.

Yours faithfully,

Shigekazu Takeuchi
Director, Chairman,
President and CEO
H.U. Group Holdings, Inc.
1-8-1, Akasaka
Minato-ku, Tokyo

- 1. Date and Time:** Tuesday, June 18, 2024, at 10:00 a.m. (JST)
(Reception start time: 9:30 a.m.)
- 2. Venue:** “Orchard,” 2nd Floor, The Okura Prestige Tower, The Okura Tokyo
2-10-4 Toranomom, Minato-ku, Tokyo
*Please note that the venue is changed from the last year’s meeting.

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 74th term (from April 1, 2023 to March 31, 2024)
2. Non-consolidated Financial Statements for the 74th term (from April 1, 2023 to March 31, 2024)

Item to be resolved

Item: 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 shareholders who have not made a request for the delivery of paper-based documents, the Notice of General Meeting of Shareholders and Reference Material for General Meeting of Shareholders will be delivered. Paper-based documents stating matters for which measures for providing information in electronic format are to be taken will be delivered to shareholders who have made a request for the delivery of paper-based 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 18, 2024 (JST) to the end of the General Meeting of Shareholders (Can be accessed from 9:30 a.m.)

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://hugp.kabunushi-soukai.jp/>

ID	: Shareholder number presented on the voting rights exercise form
Password	: Postal code of the address recorded in the shareholder registry (7 numbers excluding the hyphen)



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/74pre-question.html>



QR code®

2. Period for receiving shareholder questions in advance

From 12:00 a.m. on Monday, May 27, 2024 to 5:00 p.m. on Wednesday, June 12, 2024 (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 74th 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 17, 2024 (JST).

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

Voting must be completed no later than 5:30 p.m. on Monday, June 17, 2024 (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. 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: Election of Nine (9) Directors

The term of office of all nine (9) 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)			
				Nominating Committee	Audit Committee	Compensation Committee
1	Shigekazu Takeuchi	Reelection	Director, Chairman, President and Group CEO	-	-	-
2	Naoki Kitamura	Reelection	Director, Managing Executive Officer	-	-	-
3	Shigehiro Aoyama	Reelection Outside	Director	◎	-	-
4	Futomichi Amano	Reelection Outside	Director	-	◎	-
5	Sachiko Awai	Reelection Outside	Director	-	-	○
6	Ryoji Itoh	Reelection Outside	Director	○	-	◎
7	Moegi Shirakawa	Reelection Outside	Director	-	○	-
8	Keiji Miyakawa	Reelection Outside	Director	-	○	○
9	Hitoshi Yoshida	Reelection Outside	Director	○	-	-

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)

Reason for nominating the candidate for Director:

Mr. Shigekazu Takeuchi was appointed as President and 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**
83,861 shares

Tenure as Director
8 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 and CEO of the Company Director, Fujirebio Inc. (incumbent)
Jun.	2000	Managing Director, Corporate Planning Department, Sony Music Entertainment (Japan) Inc.	Oct.	2016	Director, President and CEO of the Company 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.	Jun.	2023	Director, Chairman, President and CEO of the Company (incumbent)

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

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 a 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

28,380 shares

Tenure as Director

6 years

Brief personal profile, and position and duties in the Company

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

* The seven 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 “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.

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

(Born on April 1, 1947)

Reelection

Outside

Independent
DirectorNominating
Committee

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

Tenure as Director
6 years

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

Attendance rate at Meetings of Nominating Committee
100% (10/10 meetings)

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

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

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

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Aoyama and the Company.
2. Mr. Aoyama is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Aoyama satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).
4. **Notification of Independent Directors**
The Company has appointed Mr. Aoyama as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company has concluded a limitation of liability agreement with Mr. Aoyama. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the policy are as described in “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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 “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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
7 years

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

Attendance rate at Meetings of Audit Committee
100% (18/18 meetings)

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

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Futomichi Amano CPA office

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Amano and the Company.
2. Mr. Amano is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Amano satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).
4. **Notification of Independent Directors**
The Company has appointed Mr. Amano as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company has concluded a limitation of liability agreement with Mr. Amano. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the policy are as described in “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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 “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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)

Reelection

Outside

Independent
DirectorCompensation
Committee

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

Tenure as Director
1 year

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

Attendance rate at Meetings of Compensation Committee
100% (7/7 meetings)

*Ms. Sachiko Awai became a director and member of the Compensation Committee on June 20, 2023, and her attendance reflects the period after assuming office.

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. On the Board of Directors, she performs her 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, she furthermore conducts robust deliberations when it comes to the making decisions on the Company's compensation system for its directors and executive officers as well on compensation levels. Considering the above, Ms. Awai 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 continue performing the aforementioned roles upon election.

Brief personal profile, and position and duties in the Company

Jul. 1984	Joined Japan Office of U.S. Meat Export Federation	Jan. 2019	Part Time Adviser, Natural Water Business Department, Harves Co., Ltd.
Jan. 1991	Joined Estée Lauder Companies	Jun. 2019	Outside Director (who is an Audit & Supervisory Committee Member), A.D.Works Co., Ltd.
Mar. 1997	Joined NIHON L'ORÉAL K.K.	Apr. 2020	Outside Director (who is an Audit & Supervisory Committee Member), A.D.Works Group Co., Ltd. (incumbent)
Nov. 2004	Joined GUERLAIN (LVJ Group)	Jun. 2020	Outside Director, INFOCOM CORPORATION (incumbent)
May 2012	Joined fitfit, Inc.	Mar. 2022	Outside Director (who is an Audit & Supervisory Committee Member), BP Castrol K.K. (incumbent)
May 2013	President and Representative Director, La Prairie Japan	Jun. 2023	Outside Director of the Company (incumbent)
Jan. 2019	General Manager, INCOCO Business Department, Newport Ltd.		

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 26).
4. **Notification of Independent Directors**
The Company has appointed Ms. Awai 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. Awai. 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 policy are as described in “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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 “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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
10 years

Attendance rate at Board of Directors Meetings 100% (13/13 meetings)	Attendance rate at Meetings of Nominating Committee 100% (10/10 meetings)	Attendance rate at Meetings of Compensation Committee 100% (10/10 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)
Sep. 1999	Guest Professor at Faculty of Policy Management, Keio University		Outside Director of the Company (incumbent)
May 2000	Project Professor at Graduate School of Media and Governance, Keio University	Apr. 2020	Part-time Lecturer at Faculty of Policy Management, Keio University
Jan. 2001	Head of Japan Office, Bain & Company	Apr. 2021	Senior Researcher at Keio Research Institute at SFC, Keio University

Significant positions held at other companies

Managing Director, Planetplan, Inc.
Outside Director, SATO HOLDINGS CORPORATION

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Itoh and the Company.
2. Mr. Itoh is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Itoh satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).
4. **Notification of Independent Directors**
The Company has appointed Mr. Itoh as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company has concluded a limitation of liability agreement with Mr. Itoh. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the policy are as described in “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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 “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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
2 years

Attendance rate at Board of Directors Meetings	Attendance rate at Meetings of Audit Committee
100% (13/13 meetings)	100% (18/18 meetings)

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 26).
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 policy are as described in “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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 “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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**
1,700 shares

Tenure as Director
3 years

Attendance rate at Board of Directors Meetings	Attendance rate at Meetings of Audit Committee	Attendance rate at Meetings of Compensation Committee
100% (13/13 meetings)	100% (18/18 meetings)	100% (10/10 meetings)

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)	Apr. 2016	Representative Director, N.I.Partners Ltd. (incumbent)
Jul. 1988	Joined Bankers Trust Company (currently Deutsche Securities Inc.)	Mar. 2018	Outside Director, Member of the Board, GungHo Online Entertainment, Inc. (incumbent)
Jul. 1999	Managing Director, Head of M&A Division, Deutsche Securities Inc.	Jan. 2019	Senior Advisor, Lincoln International Inc. (incumbent)
Oct. 2006	Vice Chairman, Global Banking, Deutsche Securities Inc.	Sep. 2020	Executive Advisor, MASH Holdings Co., Ltd.
Sep. 2009	Chairman-Japan, Lincoln International Inc.	Jun. 2021	Outside Director of the Company (incumbent)
Jun. 2012	Outside Audit & Supervisory Board Member, ASICS Corporation	Dec. 2023	Outside Director, ZENSHO INTERNATIONAL LIMITED (incumbent)
Jun. 2013	Outside Director, ASICS Corporation	Mar. 2024	Outside Auditor, MASH Holdings Co., Ltd. (incumbent)
Mar. 2016	Audit & Supervisory Board Member, ASICS Corporation		

Significant positions held at other companies

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

Matters regarding independence / Other matters

Notes:

1. There are no conflicts of interests between Mr. Miyakawa and the Company.
2. Mr. Miyakawa is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Miyakawa satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 26).
4. **Notification of Independent Directors**
The Company has appointed Mr. Miyakawa as an independent director stipulated by the Tokyo Stock Exchange has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. **Limited liability agreement with outside directors**
The Company has concluded a limitation of liability agreement with Mr. Miyakawa. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the policy are as described in “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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 “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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)

Reelection

Outside

Independent
DirectorNominating
Committee

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

Tenure as Director
1 year

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

Attendance rate at Meetings of Nominating Committee
100% (9/9 meetings)

*Mr. Hitoshi Yoshida became a director and member of the Nominating Committee on June 20, 2023, and his attendance reflects the period after assuming office.

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 and broad insight related to risk management and digital transformation. 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. Furthermore, 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. Yoshida is capable of appropriately performing duties as an outside director, and accordingly has been appointed as a candidate for that position. We are confident that he will continue performing the aforementioned roles upon election.

Brief personal profile, and position and duties in the Company

Apr. 1980	Joined Victoria Inc.	Jul. 2012	Executive Officer, Chief Operating Officer (COO), B-to-B Company, ASKUL Corporation
Dec. 2000	Joined ASKUL Corporation	Aug. 2012	Director, Chief Operating Officer (COO), B-to-B Company
Mar. 2004	Business Leader, Catalogue Planning Operation, Office Life Creation	Aug. 2017	Director, Chief Operating Officer (COO), B-to-B Company, Director in charge of risk management
Aug. 2006	Manager, Living Supplies Division, Office Life Creation	Mar. 2020	Director and Vice President, Director in charge of risk management
Mar. 2008	Chief General Manager, Office Life Creation	Aug. 2020	Director and Vice President
Aug. 2009	Executive Officer in charge of Products	Jun. 2023	Outside Director of the Company (incumbent)
Aug. 2011	Executive Officer in charge of ECR Representative Director and Chairman, Bizex Corporation (currently ASKUL LOGIST Corporation)		

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 26).
4. **Notification of Independent Directors**
The Company has appointed Mr. Yoshida 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. Yoshida. 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 policy are as described in “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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 “4. The System to Ensure the Appropriateness of Business Activities and the Operating Status of the System” of the Business Report.
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, 2023 to)
March 31, 2024)

1. Matters Regarding Current Status of Corporate Group

(1) Business progress and results

During the fiscal year under review, the outlook of the global economy was uncertain due to the prolonging of the situation in Ukraine and rising tensions in the Middle East.

In Japan, economic activity is heading towards normalization with the reclassification of COVID-19 to a Class 5 infectious disease from May 8, 2023, however the future continues to require close monitoring due to rising raw material costs and energy costs caused by growing tension in global affairs.

The business environment of the Company and its subsidiaries (the “Group”) has rapidly and greatly changed due to the worsening financial position of medical institutions and declining specimen testing fees, in addition to the swift decrease in demand for COVID-19-related tests.

Under such circumstances, the Group has focused on increasing profitability through improved operational efficiency based on the H.U. Bioness Complex and strengthening the management infrastructure to ensure business stability, as well as the growth of the Base Business in anticipation of a post-COVID-19 society.

Net sales for the fiscal year under review were 236,950 million yen (down 9.2% from the previous fiscal year). The main reason for lower net sales was a decrease in the number of COVID-19-related tests in the LTS business and IVD business.

As for earnings, profit decreased mainly due to lower sales of COVID-19-related tests in the LTS business and IVD business. As a result, operating loss was 4,043 million yen (operating profit was 23,381 million yen the previous fiscal year), ordinary loss was 7,241 million yen (ordinary profit was 22,010 million yen the previous fiscal year), and loss attributable to owners of parent was 7,553 million yen (profit attributable to owners of parent was 15,676 million yen the previous fiscal year).

An overview of each business segment is as follows.

[Lab Testing and its related Services (LTS)]

Sales decreased mainly due to lower sales of COVID-19-related testing, despite growth in the Base Business including cancer genome profiling and other forms of gene-related testing. As a result, net sales amounted to 146,730 million yen (down 10.0% from the previous fiscal year). In terms of earnings, operating loss was 12,512 million yen (operating profit was 279 million yen the previous fiscal year) due to a decrease in profit from lower sales in COVID-19-related tests and an increase in raw material costs, despite evident effects of profitability improvement measures.

[In Vitro Diagnostics (IVD)]

Sales decreased due to a decline in sales of COVID-19-related products, despite the growth of the Base Business centered on the CDMO and raw material business which was favorably affected by yen depreciation. As a result, net sales amounted to 61,908 million yen (down 11.6% from the previous fiscal year). In terms of earnings, operating profit was 12,915 million yen (down 51.3% from the previous fiscal year) due to decreased profit from lower sales of COVID-19-related products and a decline in internal Group transaction in addition to an increase in R&D expenses.

[Healthcare-related Services (HS)]

Net sales amounted to 28,311 million yen (up 2.0% from the previous fiscal year) as a result of the growth of the sterilization and related services business. In terms of earnings, operating profit was 1,337 million yen (up 26.5% from the previous fiscal year) mainly due to improvements in profitability of the home-visit nursing care and welfare equipment business despite an increase in labor costs.

(2) Status of financing, etc.

i) Financing

The Company has concluded a 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.

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

	71 st Fiscal year (FY 2020)	72 nd Fiscal year (FY 2021)	73 rd Fiscal year (FY 2022)	74 th Fiscal year (FY 2023)
Net Sales (million yen)	223,016	272,944	260,908	236,950
Ordinary Profit (Loss) (million yen)	25,458	47,422	22,010	(7,241)
Profit (Loss) Attributable to Owners of Parent (million yen)	17,468	29,599	15,676	(7,553)
Basic Earnings (Loss) per Share (yen)	306.38	519.55	275.52	(132.77)
Total Assets (million yen)	252,751	286,587	297,924	290,849
Net Assets (million yen)	115,298	140,178	150,047	142,505

(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, and medical and IT technologies continue to advance. Given these trends, the business environment is in a state of constant evolution.
- We are also faced with short-term changes—including the altered patterns of consumer behavior and slow recovery due to a falling trend in outpatient consultations since the COVID-19 pandemic—to which we need to find an appropriate response.

On the other hand, 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

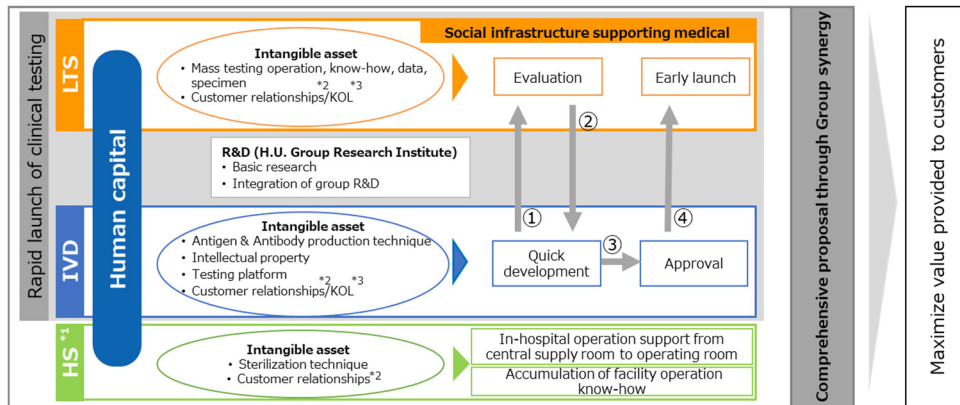
With its LTS and IVD business operations, the Group is a unique enterprise even in world terms. In addition to our existing core business, we are working to develop across a broad front by expanding and strengthening business relating to various healthcare, such as the SR and the home-visit nursing care 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.

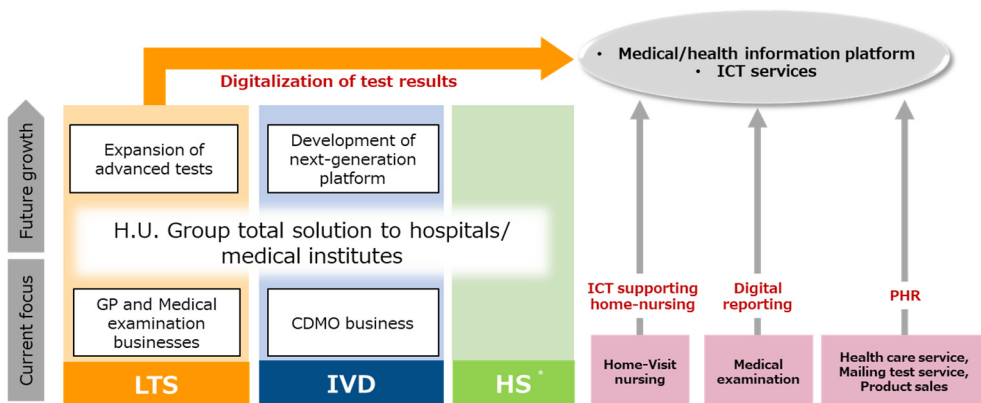


- *1 Sterilization and related services in HS segment
- *2 Various customer relationships and these customer relations
- *3 KOL: Key Opinion Leader

• 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.

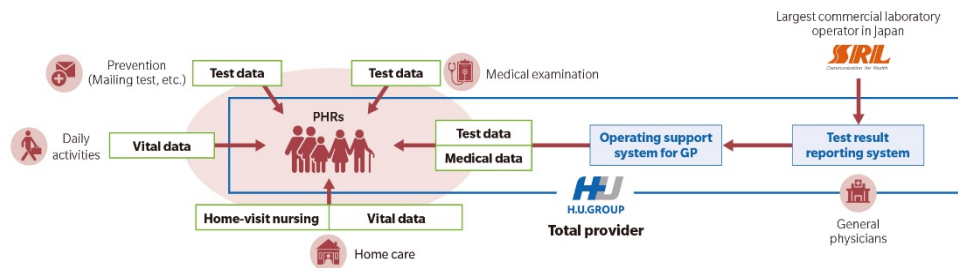


- *Sterilization and related services in HS segment

• 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

We are striving to improve profitability by building a stable testing framework based around the H.U. Bioness Complex.

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, FY 2022, and FY 2023 and numerical targets for FY 2024

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2022 (actual results)	FY 2023 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	18.2%	20.3%	11.4%	5.9%	6% or more (*)
EBITDA margin	17.0%	23.9%	16.5%	7.1%	18% or more
Operating profit margin	11.4%	18.5%	9.0%	(1.7)%	10% or more
ROE	16.0%	23.2%	10.8%	(5.2)%	12% or more
ROIC	8.7%	15.4%	7.0%	(1.2)%	8% or more

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

- Actual results for FY 2020, FY 2021, FY 2022, and FY 2023 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 2023 (cumulative actual results)	FY 2020 to FY 2024 (cumulative numerical targets)
Operating cash flow	35.6	90.8	123.4	139.9	150.0 or more
Free cash flow (*)	7.3	31.7	34.6	35.1	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, FY 2022, and FY 2023 and numerical targets for FY 2024)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2022 (actual results)	FY 2023 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	17.2%	22.3%	10.7%	5.1%	6% or more (*)
EBITDA margin	14.0%	18.0%	7.5%	(0.1)%	17% or more
Operating profit margin	9.0%	13.1%	0.2%	(8.5)%	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, FY 2022, and FY 2023 and numerical targets for FY 2024)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2022 (actual results)	FY 2023 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	24.8%	26.7%	20.5%	11.5%	4.5% or more (*)
EBITDA margin	31.8%	46.6%	44.0%	29.5%	25% or more
Operating profit margin	25.6%	41.6%	37.9%	20.9%	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, FY 2022, and FY 2023 and numerical targets for FY 2024)

	FY 2020 (actual results)	FY 2021 (actual results)	FY 2022 (actual results)	FY 2023 (actual results)	FY 2024 (targets)
Net sales CAGR (Actual result for FY 2020 shows year-on-year growth)	13.0%	0.5%	(0.8%)	(0.1)%	9% or more (*)
EBITDA margin	11.6%	11.5%	10.0%	10.7%	12% or more
Operating profit margin	7.3%	6.3%	3.8%	4.7%	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, 2024, 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, 2025, 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 2023 (actual results)	FY 2024 (targets)
Net interest-bearing debt to EBITDA (excl. lease liabilities)	0.6x	0.17x	0.45x	1.79x	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%	49.0%	40% or more

(*) FY 2024

II. Sustainability approach and initiatives

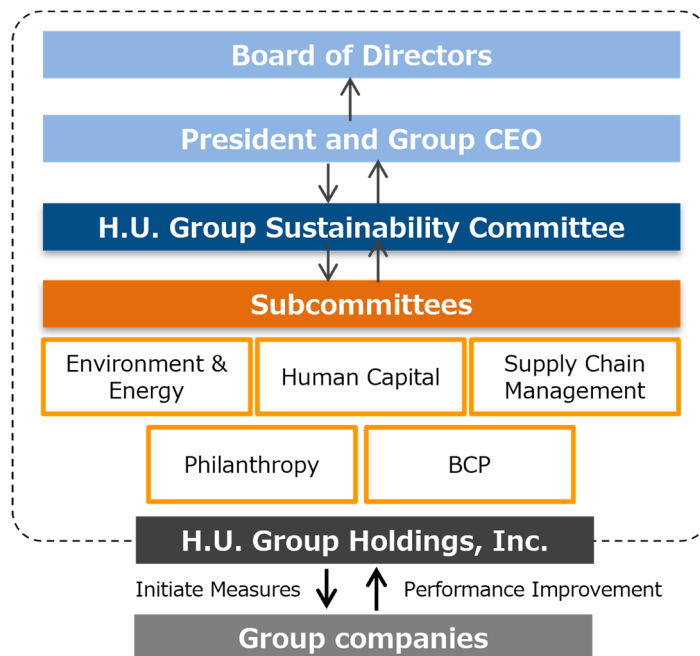
The following is a summary of the Group's approach to sustainability and the status of its initiatives.

(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, the 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 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) beyond the standpoint of environmental, social and governance (ESG), and extends to those elements that impact corporate value in the medium- and long-term, encompassing general intangible assets including customer assets, intellectual property, and our brands. 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.

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. A two-year period starting from FY 2023 has been specified for the most recent roadmap, and we are promoting efforts to achieve our goals by the end of FY 2024.

The Group’s 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>*1 Including DX trainings *2 FY2022-FY2024</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

We have achieved in FY 2023 two governance-related targets by implementing three ESG indicators – MSCI ESG Ratings; certification as a “White 500” enterprise in the KENKO Investment for Health Outstanding Organization Recognition Program; and CDP scoring in the Climate category – into compensation for directors and executive officers, and further, by requiring the chairperson and all members of the Nominating Committee be outside directors.

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.

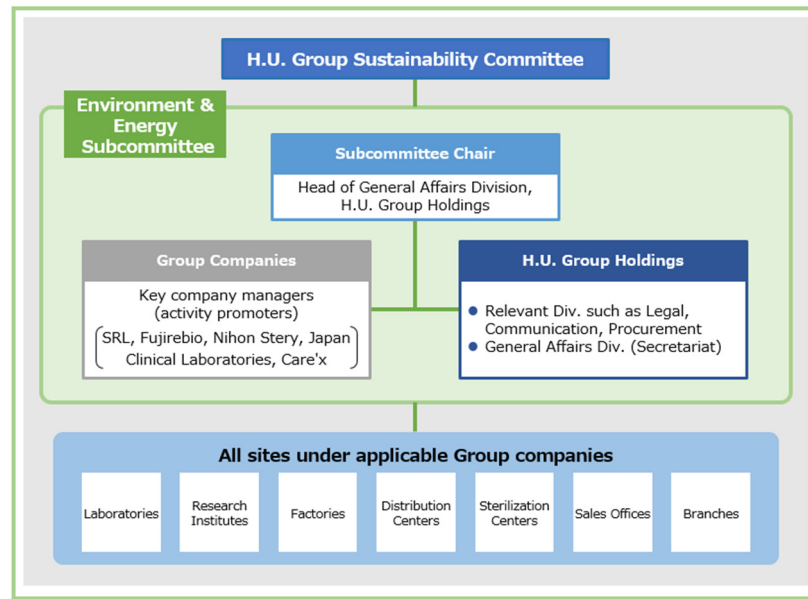
(2) Key strategies, indicators, and targets

i) Strategies

The Group identifies climate change as one of the materialities given the various changes that are expected in our group businesses, 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 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. As 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 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	• Damages of equipment	• Formulates BCPs at the head office and field levels • Purchase non-life insurance water damage rider	Low	-
			Supply chain disruption	Short-term	• Interruption of sample transportation and distribution network	• Use multiple modes of transportation • Form business alliance for sample transportation	Low	-
		Chronic risk	Temperature rise	Long-term	• Increasing demand for products and tests for tropical diseases	• Consider R&D on relevant diseases and items	-	○
2°C scenario	Transition risk	Policy and legal risk	Introduction of carbon tax and revision of ordinances	Medium-term	• Carbon tax to be introduced in 2030 • Potential violation of ordinances (emission cap)	• The H.U. Bioness Complex and company vehicle emissions simulation	Low	○
		Technology risk	Installation of renewable energy facilities	Medium-term	• Expanded capital investment in renewable energy	• Study such facilities for pilot or full-scale adoption to the Group	Low	-
		Market risk	External pressures specific to the market and industry	Long-term	• Market pressures to do something about GHG emission reductions	• Reorganize to use vehicles for logistics jointly with other companies	-	○
		Reputation risk	ESG brand	Long-term	• Dismissed as ESG-adverse	• Relations with long-term investors • Improve the ESG ratings	-	○
1.5°C scenario	(Severe) Transition risk	We will look into information disclosure based on detailed analysis						

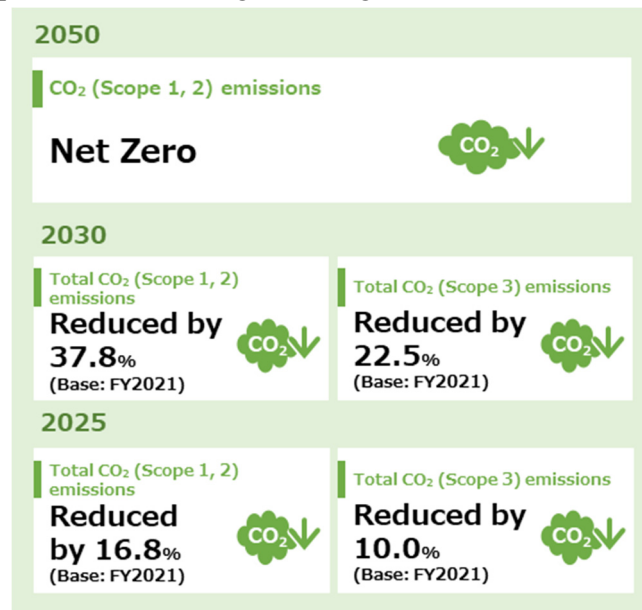
ii) Indicators and targets

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 announced a goal of achieving net zero in CO₂ (Scope 1, 2) emissions in 2050, and accelerating efforts to achieve this goal.

The Group's Medium- to Long-term Targets of Reduction of CO₂ Emissions



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 with the key phrase, “Thinking about People, Helping People Improve.”

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 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.

<Revision of Personnel Systems>

In anticipation of fundamental reforms to personnel systems starting from April 2024, in addition to clarifying expectations for employees through the establishment of multi-track careers and clarifying job descriptions and expected actions for each job class, the Group has implemented a system for evaluations and feedback of subordinates by managers and popularized the expansion of variable percentage for bonuses. As a result of such measures, starting from April 2024 we will manage a personnel system with a high degree of transparency that better rewards the contributions of each individual and can provide a sense of personal growth and assurance.

<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 diversity, 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. Led by an organization dedicated to diversity under the direct control of the President, related persons at each of the Group companies are committed to achieving these targets. For FY 2023, initiatives that serve as the foundation for diversity and inclusion were put forward under the theme of "Knowing" such as basic diversity education geared toward employees, diversity management training for managers, and workplace communication improvement measures. For FY 2024, through education on implicit bias, LGBTQ, and childcare and nursing care, we will be promoting the establishment of a workplace in which each and every employee can play an even more active role.

<Health Management>

In order to achieve the basis of the Company's name, "Healthcare for You" – providing optimal healthcare services to all by addressing each and every one of our customers individually – the Group has adopted health improvement as one of its materialities, 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, and in 2023 we published the Health Management White Papers to further strengthen our efforts. As a result, in addition to being recognized as part of the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category) for the fifth consecutive year, in 2024 we were selected as a Health and Productivity Stock for the first time. Currently out of all companies of the Group, ten companies from the Group, including seven 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 for three consecutive years) and three companies in the small and medium enterprise category, have been recognized as Certified Health & Productivity Management Outstanding Organizations.

ii) Indicators and targets

Based on materialities regarding human capital, 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. Each indicator has been on track to exceed targets for FY 2023.

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

Main themes	KPI	FY2023 targets	FY2023 actual result	FY2024 targets
Diversity promotion	Percentage of female managers	21% (Domestic and overseas)	22.2% (Domestic and overseas)	22% (Domestic and overseas)
	Percentage of male employees taking parental leave	75% (Domestic)	82.5% (Domestic)	90% (Domestic)
Workplaces	Percentage of employees answering "Satisfied with my job" to the questionnaire	52% (Domestic)	60.7% (Domestic)	55% (Domestic)
Health management	White 500	Maintaining White 500 status	Obtained White 500 status for 3 consecutive years	Maintaining White 500 status
Promotion of human resources development	Average annual training time per employee (including DX trainings)	Over30 hours (Domestic)	31.7 hours (Domestic)	Over30 hours (Domestic)

IV. Plan for the fiscal year ending March 31, 2025

i) Outlook for the fiscal year ending March 31, 2025

In the fiscal year ending March 31, 2025, although the Company expects a decrease in PCR testing and other tests related to COVID-19, the following is expected due to the growth the Base Business and enhanced profitability in the LTS business.

Unit: billions of yen (rounded)	Actual results for the fiscal year ended March 31, 2024	Forecasts for the fiscal year ending March 31, 2025
Net sales	237.0	241.0
EBITDA*1	16.8	31.0
Operating profit	(4.0)	10.0
ROE	(5.2)%	4.9%
ROIC*2	(1.2)%	2.9%

*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, 2025

During the fiscal year ending March 31, 2025, the final 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

The Company will see the effects of cost improvement through drastic streamlining of inspection operations, centered on the H.U. Bioness Complex. 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 continue to 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.

2. Matters Regarding Directors and Executive Officers

(1) Directors (As of March 31, 2024)

Position in the Company	Name	Responsibilities in the Company	Significant Concurrent Positions
Director	Shigekazu Takeuchi	–	Director, SRL, Inc. Director, Fujirebio Holdings, Inc. Director, Fujirebio Inc. Director, H.U. Frontier, Inc.
Director	Naoki Kitamura	–	Director, SRL, Inc. Director, Fujirebio Holdings, Inc. Director, Fujirebio Inc. Chairman, Nihon Stery, Inc. Chairman, Care’x, Inc. Chairman, Baylor Miraca Genetics Laboratories, LLC CEO, H.U. America, Inc.
Director	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	Sachiko Awai	Compensation Committee Member	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.
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. Outside Director, ZENSHO INTERNATIONAL LIMITED Outside Auditor, MASH Holdings Co., Ltd.

Position in the Company	Name	Responsibilities in the Company	Significant Concurrent Positions
Director	Hitoshi Yoshida	Nominating Committee Member	

- Notes:
1. Mr. Shigehiro Aoyama, Mr. Futomichi Amano, Ms. Sachiko Awai, Mr. Ryoji Itoh, Ms. Moegi Shirakawa, Mr. Keiji Miyakawa, and Mr. Hitoshi Yoshida 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, Ms. Sachiko Awai, Mr. Ryoji Itoh, Ms. Moegi Shirakawa, Mr. Keiji Miyakawa, and Mr. Hitoshi Yoshida 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 Hitoshi Yoshida
Audit Committee	Chairman	Futomichi Amano
	Members	Moegi Shirakawa Keiji Miyakawa
Compensation Committee	Chairman	Ryoji Itoh
	Members	Sachiko Awai Keiji Miyakawa
 5. All members of the Audit Committee are appointed from among the part-time outside directors, and full-time Audit Committee members are not appointed, given the view that members of the Audit Committee must maintain a high degree of independence. An employee, who is independent from executive officers, is assigned to support the duties of the Audit Committee in order to provide internal company information to the Audit Committee and in order to coordinate with the Accounting Auditor, and departments in charge of internal control systems.
 6. For significant concurrent positions, concurrent positions within the Group are only listed if the position is that of representative director (including Chairman, CEO, and President), or director at Fujirebio Holdings, Inc., Fujirebio Inc., SRL, Inc., H.U. Frontier, Inc., or Nihon Stery, Inc.

(2) Executive Officers (As of March 31, 2024)

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	Goki Ishikawa	IVD	President and CEO, Fujirebio Holdings, Inc. Director, Fujirebio Inc. Director, SRL, Inc. President and CEO, Fujirebio US Inc.
Executive Officer	Shunichi Higashi	Sales	President and CEO, SRL, Inc. Chairman and CEO, H.U. Frontier, Inc.
Executive Officer	Makoto Matsumoto	LTS	President and CEO, SRL, Inc. Director, Fujirebio Inc. Director, H.U. Frontier, Inc.
Executive Officer	Kazuya Omi	CTO	Director, SRL, Inc. Director, Fujirebio Inc. President, H.U. Group Research Institute G.K. Representative Director and President, H.U. Cells, Inc.
Executive Officer	Toshihiko Shimizu	CIO	–
Executive Officer	Tadashi Hasegawa	Corporate Planning and Management	Director, SRL, Inc. Director, Fujirebio Inc. Director, H.U. Frontier, Inc.
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	Hiroaki Kimura	General Affairs	–

Note: For significant concurrent positions, concurrent positions within the Group are only listed if the position is that of representative director (including Chairman, CEO, and President), or director at Fujirebio Holdings, Inc., Fujirebio Inc., SRL, Inc., H.U. Frontier, Inc., or Nihon Stery, Inc.

(3) Compensation for directors and executive officers, etc.

The Company, whose corporate name expresses “Healthcare for you,” aims to make further progress as a corporate group that contributes to the development of healthcare based on our desire to provide optimal healthcare services to all by addressing each and every one of our customers individually. To realize this desire and to promote full-scale global management among other items, we established the following “Basic Principles of Executive Officer Compensation” and decided to operate a compensation program.

<Basic Principles of Executive Officer Compensation>

- Encourage all executive officers to work together to develop and implement measures to sustainably increase the Company’s market capitalization
- Strongly motivate executive officers to aggressively expand business on the premise of global expansion by emphasizing the concept of pay-for-performance in the compensation system, system design, and operation
- Appropriately reflect the assessment of non-financial initiatives in contributing to the realization of a healthy and prosperous society through our business, which is the cornerstone of the Company’s sustainability
- Continually deepen shared interests with all stakeholders and enhance long term trust in the Company by strengthening continued ownership of the Company’s share

a. Policy and determination methods on amounts of compensation for directors and executive officers or calculation method thereof

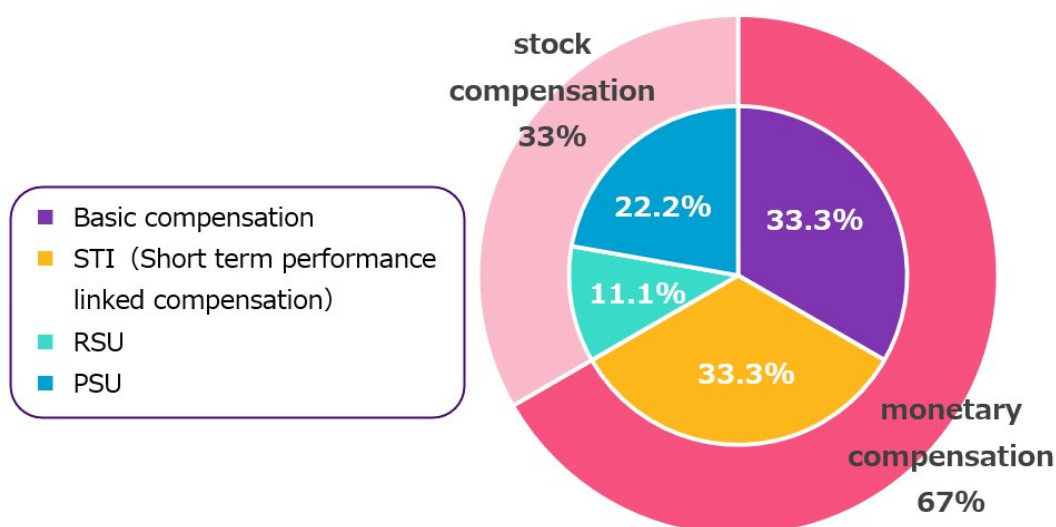
The Company complies with provisions of the Companies Act regarding companies with nominating committees, etc., and the Compensation Committee has established the following policies for determining compensation for respective directors and executive officers of the Company and determines the amounts and other conditions of compensation, etc. for respective directors and executive officers in accordance with these policies. In addition, as the Company is a Company with Three Committees (Nomination, Audit and Remuneration) pursuant to the Companies Act, it has established a Compensation Committee fully constituted by outside directors, including the Chairperson, as stipulated by the Companies Act.

i) Method for determining the policy for determining compensation, etc. for directors and executive officers

The Compensation Committee of the Company has built an operational process emphasizing objectivity and transparency based on the premise of promoting a high level of independence in determining the compensation system for directors and executive officers. In establishing a policy for determining the compensation for directors and executive officers, the Compensation Committee of the Company collects information, recommendations, etc. from outside compensation consultants and verifies the appropriateness of compensation for directors and executive officers each fiscal year based on objective and sufficient information including recent developments, trends in discussions, other companies’ systems, etc. regarding compensation for directors and executive officers.

Regarding the involvement and participation of the outside compensation consultants on the Compensation Committee, they attend Compensation Committee meetings as necessary and only provide indirect support for effective deliberations and consensus building, but they do not make any recommendations, etc. on the appropriateness of

- compensation.
- ii) 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 income, relative TSR (TOPIX growth rate, which includes dividends, against the Company's TSR(Total Shareholder Return)), and other figures employed as performance indicators.
Directors serving concurrently as executive officers will receive compensation as executive officers.
- iii) 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.
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.
- iv) Executive officers' compensation
Compensation received by executive officers of the Company comprises (1) basic compensation as fixed compensation; (2) STI (short term performance-linked compensation) linked to the consolidated performance of the Group for a single fiscal year and achievement of targets for the segment for which they are responsible; (3) RSUs (Restricted Stock Units), which promote value sharing with shareholders through shareholding; and (4) PSUs (Performance Share Units) linked to achievement of improving medium- to long-term corporate value of the Company. STI (short term performance-linked compensation), which is cash compensation, and RSUs and PSUs, which are non-monetary compensation (stock compensation), are both organized as variable compensation.
When determining the compensation ratio by type for compensation for the Company's executive officers, the Company reflects the weight of management responsibilities in the compensation composition by position by increasing the ratio of variable compensation as the position of the executive officer gets higher, while taking into consideration market compensation data for companies that are similar in scale to the Company based on officer compensation surveys carried out by external research institutions. Furthermore, to ensure that compensation is set at a level commensurate with the capabilities and responsibilities, etc. required of the management of the Company, the Compensation Committee conducts a verification of its appropriateness using compensation benchmarks and so forth every year. The composition ratio for compensation in the event that variable compensation is considered a single-year standard amount for Director, Chairman, President and Group CEO of the Company is as follows.



Basic compensation is paid monthly, while STI (short term performance-linked compensation), RSUs, and PSUs are either paid yearly at a certain period or basic points are granted.

v) Shareholding guidelines

To ensure sustainable value sharing with all stakeholders, the Company has established shareholding guidelines for EG6, its top management. Specifically, including basic points granted through potential RSUs held, the Company's EG6 will aim for a standard holding value equivalent to twice that of annual basic compensation, and after achieving such standard will, at minimum, be obligated to their continued ownership above standard value during their tenure.

vi) Malus clause and clawback clause

To prevent the Company's executive officer compensation from becoming an incentive to encourage excessive risk-taking and to ensure the soundness of executive officer compensation, the Company established a malus clause whereby, when the Company's Board of Directors recognizes that certain reasons such as illegal acts, etc. have occurred, at the discretion of the Compensation Committee, all compensation (base points) related to RSUs prior to delivery of shares or performance in money and PSUs shall be confiscated, and a clawback clause whereby all or part of compensation (shares or money) related to RSUs and PSUs after delivery of shares or performance in money shall be returned or confiscated. This provision shall apply to RSUs and PSUs granted in FY 2023 onwards.

[Details of each type of compensation]

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)

Regarding KPIs (key performance indicators) for STI (short term performance-linked

compensation), KPIs for the consolidated performance of the Group are single-year consolidated net sales and profit attributed to owners of parent (hereinafter “consolidated profit”). The reason for selecting each of these consolidated Group performance KPIs are that they are respectively the source of corporate activities, and that by clarifying the responsibility of attributing results to our shareholders, makes it easy to explain the rationality of the amount paid. The weight of both KPIs is distributed evenly where consolidated net sales : consolidated profit=50:50.

Furthermore, evaluations of certain executive officers will take into account KPIs for segment performance based on their respective areas of responsibility (segment net sales, segment operating profit). The reason for selecting each of these segment performance KPIs is that they are indicators that represent the growth and results of each segment. The consolidated performance of LTS and related businesses (domestic) is applied for the President and CEO of SRL, Inc., and the consolidated performance of IVD and related businesses are applied for the President and CEO of Fujirebio Holdings, Inc. as segment performance.

Regarding performance evaluations, the amount to be paid is determined after deliberation and verification on appropriateness by the Compensation Committee, based on a formula established in advance upon calculation of such amount and evaluation by the Compensation Committee at the end of the period. For STIs (short term performance-linked compensation), the single-year standard amount determined individually will vary within a range of 0% to 200%. However, in calculating and evaluate the amount to be paid, the Company’s Compensation Committee may deliberate on whether performance numbers were greatly affected by events, etc. that were unforeseeable at the time of establishing the formula and make qualitative adjustments to the amount paid as necessary.

[Percentage of achievement, related to STI (short term performance-linked compensation)]

The percentage of achievement, related to performance-linked compensation for the fiscal year ended March 31, 2024, is as follows.

<STI (short term performance-linked compensation)>

Performance Evaluation Items	Performance Evaluation Indicator	Targets (million yen)	Actual Results (million yen)	Achievement Rate
Consolidated Group Performance	Net sales	245,000	236,950	96.7%
	Profit	6,000	(7,553)	(125.9)%
LTS Segment Performance	LTS net sales	163,387	146,988	90.0%
	LTS operating profit	3,300	(12,512)	(379.2)%
IVD Segment Performance	IVD net sales	77,666	67,515	86.9%
	IVD operating profit	15,050	12,915	85.8%

Notes: 1. Of STIs (short term performance-linked compensation), there is no amount paid for consolidated Group performance results because consolidated profit was negative.

2. Results for the previous fiscal year are applied for net sales targets for both LTS and IVD segment performance, and achievement rate is compared to the growth rate for the previous fiscal year.

<Evaluation Weight>

Consolidated Group Performance	Segment Performance
60% to 100%	0% to 40%

<Performance Evaluation Items>

Performance Evaluation Items	KPI	Weight	Targets	Range of Variation in Payment
Consolidated Group Performance	Net sales	50%	Predetermined absolute amount	0% to 200%
	Profit	50%	Predetermined absolute amount	0% to 200%
Segment Performance	Net sales	50%	Year-on-year growth rate	0% to 200%
	Operating profit	50%	Predetermined absolute amount	0% to 200%

iii) RSU

RSUs are share-based compensation in which the Company allocates RSU points (1 point = one share of the Company) for the year of service in July each year, then grants money corresponding to the Company's common shares and the tax amount three years after the allocation of points. The number of RSU points allocated is calculated as the standard RSU compensation amount for each individual, as determined by the Company's stock compensation regulations, divided by the average closing price of the Company's stock for the month of May each year (hereinafter the "set stock price"). In granting the shares, shares of the Company's common stock (hereinafter the "Company's shares") corresponding to the allocated RSU points are granted.

* In principle, approximately 50% of the Company's shares that are granted through RSUs are sold on the stock market and paid in cash to secure funds for tax payments.

iv) PSU

PSUs are share-based compensation in which the Company allocates PSU points (1 point = one share of the Company) for the year of service in July each year, then grants money corresponding to the Company's common shares and the tax amount three years after the allocation of points, having multiplied the number of points by a performance-linked coefficient in accordance with the degree of achievement of KPIs. The number of PSU points allocated is calculated as the standard PSU compensation amount for each individual, as determined by the Company's stock compensation regulations, divided by the set stock price. In granting the shares, the Company's shares corresponding to the confirmed PSU points, calculated as the allocated PSU points multiplied by the performance-linked coefficient, are granted.

KPIs for PSUs are relative TSR and ESG indicators. ESG indicators are MSCI ESG Ratings, certification as a "White 500" enterprise in the KENKO Investment for Health Outstanding Organization Recognition Program; and CDP scoring in the Climate category. The reason for selecting both KPIs is that both are consistent with the basic principles of EG compensation, including the sustained increase of the Company's market capitalization. The evaluation weight of both KPIs is relative TSR : ESG indicators=90:10. For the calculation method for the portion linked to relative TSR, the share delivery ratio will vary from 0% to 200%. Performance evaluation for ESG indicators will establish standard values for each of the indicators in advance, and the share delivery ratio will vary from 0% to 200% based on status of achievement after every three years. Finally, the share delivery ratio calculated for each KPI will be totaled according to evaluation weight in order to calculate the performance-linked coefficient for the PSU as a whole.

* In principle, approximately 50% of the Company's shares that are granted through PSUs are sold on the stock market and paid in cash to secure funds for tax payments.

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	Trust-type Share-based Compensation	Performance-linked Compensation	Trust-type Share-based Compensation	
Executive Officer	376	249	22	13	39	50	7
Director	85	85	–	–	–	–	8
[Outside Director]	[85]	[85]	[–]	[–]	[–]	[–]	[8]

Notes: 1. The Company does not pay directors' compensation to directors serving concurrently as executive officers.

2. The amount listed in short-term performance-linked compensation is the amount recorded as a result of performance for FY 2022.

3. The amount listed in medium- to long-term performance-linked compensation include trust-type share-based compensation based on performance from FY 2020 to FY 2022.

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 outsider directors form the entirety of committee members, including the committee chair.

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 activities of the Compensation Committee in the fiscal year under review are as follows.

The Compensation Committee met ten times during the fiscal year.

	Date of meeting	Details
1st meeting	April 21, 2023	i) Reported on status of review for compensation system for directors and executive officers
2nd meeting	May 12, 2023	i) Decision on individual short-term performance-linked compensation amount for executive officers in FY 2022 ii) Regarding BIP Trust points awarded individually based on the actual performance in FY 2022
3rd meeting	May 26, 2023	i) Review of compensation for directors and executive officers (tentative) ii) Confirmation of targets for FY 2023 short-term performance-linked compensation (tentative) iii) Individual fixed-amount compensation pertaining to executive officer candidates for the next fiscal year (tentative)
4th meeting	June 20, 2023	i) Selection of Compensation Committee Chairperson ii) Review of compensation for directors and executive officers iii) Confirmation of targets for FY 2023 short-term performance-linked compensation

	Date of meeting	Details
		iv) Decision on individual fixed-amount compensation v) Points determination for individual RSUs for FY 2023
5th meeting	July 14, 2023	i) Compensation Committee's schedule of activities
6th meeting	August 25, 2023	i) Revised amount for individual short-term performance-linked compensation for executive officers for FY 2022 ii) Reported on granting of stock compensation points
7th meeting	September 29, 2023	i) Revised amount for individual fixed-amount compensation associated with partial EG grade changes
8th meeting	December 22, 2023	i) Developments to governance and manager compensation ii) Benchmark analysis of compensation levels and compensation mix iii) Confirmation of principles for compensation, etc. in preparation for FY 2024
9th meeting	February 16, 2024	i) Revised rules pertaining to directors and executive officers ii) Revised internal rules pertaining to the appointment and treatment of advisors after retirement of directors and executive officers who assume such position
10th meeting	March 29, 2024	i) Policy on revisions to rules pertaining to compensation for directors and executive officers associated with changes to application method for White 500 ii) Revised compensation for senior management of Group subsidiaries

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	10/10	–	–
Director	Futomichi Amano	13/13	–	18/18	–
Director	Sachiko Awai	10/10	–	–	7/7
Director	Ryoji Itoh	13/13	10/10	–	10/10
Director	Moegi Shirakawa	13/13	–	18/18	–
Director	Keiji Miyakawa	13/13	–	18/18	10/10
Director	Hitoshi Yoshida	10/10	9/9	–	–

Notes: 1. Figures shown for Sachiko Awai's attendance in the Board of Directors meetings and Compensation Committee meetings reflect her attendance since becoming a director and member of the Compensation Committee and joining the committee on June 20, 2023.

2. Figures shown for Hitoshi Yoshida's attendance in the Board of Directors meetings and Nominating Committee meetings reflect his attendance since becoming a director and member of the Nominating Committee and joining the committee on June 20, 2023.

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	Sachiko Awai	<p>At meetings of the Board of Directors, she has made proactive remarks in connections with proposals and deliberations based on her broad insight based on her extensive experience as a business company manager. 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>As a member of the Compensation Committee, she has also conducted robust deliberations that involve making decisions on the Company's compensation system and compensation levels for its directors and executive officers.</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 corporate management, human resources development, digital transformation, etc., based on his abundant experience on the global stage 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 perspective as a legal practitioner well versed in a wide range of fields and corporate legal affairs 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 a member of the Compensation Committee, he has also conducted robust deliberations that involve making decisions on the Company's compensation system and compensation levels for its directors and executive officers.</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	Hitoshi Yoshida	<p>At meetings of the Board of Directors, he has made proactive remarks in connection with proposals and deliberations based on his track record of sustained company growth as a manager at ASKUL Corporation and broad insight related to risk management and digital transformation. 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 conducted robust deliberations regarding the nomination of candidates for director in a manner that ensure membership balance and diversity of the Board of Directors overall.</p>

3. Matters Regarding Accounting Auditor

(1) Name of Accounting Auditor

PricewaterhouseCoopers Japan LLC

Note: PricewaterhouseCoopers Japan LLC merged with PricewaterhouseCoopers Kyoto on December 1, 2023, changing its name from 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

149 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)

146 million yen

iii) Of ii) above, the amount of compensation the Company paid to Accounting Auditor for the work as an accounting auditor

67 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 appropriateness, validity and other aspects of the audit plan, 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 to be paid to the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act.

3. Other than the work stipulated by Article 2, Paragraph 1 of the Certified Public Accountants Act, the Company outsourced to the Accounting Auditor the preparation of comfort letters for the issuance of bonds.

(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, the 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 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, the 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 nine (9) members of the Board of Directors, the Company appoints seven (7) 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 all outside directors as stipulated by the Company Act. The Nominating Committee held ten

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 (sixteen (16) 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, and medical and IT technologies continue to advance. Given these trends, the business environment is in a state of constant evolution.

We are also faced with fast-developing short-term changes—including the altered patterns of consumer behavior and slow recovery due to a falling trend in outpatient consultations since 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 “I. 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, seven (7) of the nine (9) 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. 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, 2024)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	123,220	Current liabilities	64,070
Cash and deposits	39,947	Notes and accounts payable - trade	19,729
Notes and accounts receivable - trade, and contract assets	47,425	Electronically recorded obligations - operating	1,091
Investments in leases	188	Current portion of bonds payable	10,000
Merchandise and finished goods	6,093	Lease liabilities	3,849
Work in process	7,929	Accounts payable - other	16,027
Raw materials and supplies	8,439	Income taxes payable	785
Other	13,875	Provision for bonuses	6,109
Allowance for doubtful accounts	(678)	Other	6,475
Non-current assets	167,530	Non-current liabilities	84,274
Property, plant and equipment	81,400	Bonds payable	31,100
Buildings and structures	28,441	Long-term borrowings	29,000
Machinery, equipment and vehicles	13,338	Lease liabilities	7,996
Tools, furniture and fixtures	16,847	Retirement benefit liability	7,174
Land	10,129	Asset retirement obligations	1,571
Leased assets	10,465	Provision for share awards	75
Construction in progress	2,179	Provision for compensation loss	637
Intangible assets	45,832	Provision for loss on guarantees	699
Goodwill	7,399	Other	6,020
Customer-related intangible assets	1,968	Total liabilities	148,344
Software	17,825	NET ASSETS	
Leased assets	316	Shareholders' equity	129,724
Software in progress	10,401	Share capital	9,279
Other	7,920	Capital surplus	25,001
Investments and other assets	40,297	Retained earnings	97,700
Investment securities	6,438	Treasury shares	(2,256)
Long-term loans receivable	52	Accumulated other comprehensive income	12,692
Guarantee deposits	18,065	Valuation difference on available-for-sale securities	1,498
Deferred tax assets	10,450	Foreign currency translation adjustment	13,209
Other	5,701	Remeasurements of defined benefit plans	(2,014)
Allowance for doubtful accounts	(411)	Share acquisition rights	88
Deferred assets	99	Total net assets	142,505
Bond issuance costs	99		
Total assets	290,849	Total liabilities and net assets	290,849

CONSOLIDATED STATEMENT OF INCOME

From: April 1, 2023
To: March 31, 2024

(Unit: Millions of yen)

Net sales		236,950
Cost of sales		173,715
Gross profit		63,235
Selling, general and administrative expenses		67,279
Operating loss		(4,043)
Non-operating income		
Interest income	454	
Dividend income	90	
Dividend income of insurance	29	
Rental income	94	
Outsourcing service income	19	
Foreign exchange gains	976	
Other	223	1,889
Non-operating expenses		
Interest expenses	399	
Share of loss of entities accounted for using equity method	2,788	
Loss on investments in capital	650	
Other	1,247	5,086
Ordinary loss		(7,241)
Extraordinary income		
Gain on sale of non-current assets	433	
Gain on sale of businesses	377	
Compensation income	771	
Gain on reversal of foreign currency translation adjustment	200	
Other	69	1,853
Extraordinary losses		
Loss on retirement of non-current assets	916	
Impairment losses	712	
Loss on valuation of investment securities	285	
Loss on valuation of other investments	223	
Other	93	2,231
Loss before income taxes		(7,619)
Income taxes - current	3,824	
Income taxes - deferred	(3,890)	(66)
Loss		(7,553)
Loss attributable to owners of parent		(7,553)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April 1, 2023
To: March 31, 2024

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,274	24,996	112,422	(2,060)	144,633
Changes during period					
Issuance of new shares - exercise of share acquisition rights	4	4			9
Dividends of surplus			(7,151)		(7,151)
Loss attributable to owners of parent			(7,553)		(7,553)
Purchase of treasury shares				(987)	(987)
Disposal of treasury shares				791	791
Change in scope of consolidation			(17)		(17)
Net changes in items other than shareholders' equity					
Total changes during period	4	4	(14,722)	(196)	(14,909)
Balance at end of period	9,279	25,001	97,700	(2,256)	129,724

	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	118	7,140	(1,919)	5,339	74	150,047
Changes during period						
Issuance of new shares - exercise of share acquisition rights						9
Dividends of surplus						(7,151)
Loss attributable to owners of parent						(7,553)
Purchase of treasury shares						(987)
Disposal of treasury shares						791
Change in scope of consolidation						(17)
Net changes in items other than shareholders' equity	1,379	6,069	(94)	7,353	13	7,366
Total changes during period	1,379	6,069	(94)	7,353	13	(7,542)
Balance at end of period	1,498	13,209	(2,014)	12,692	88	142,505

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2024)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	65,850	Current liabilities	44,698
Cash and deposits	35,668	Current portion of bonds payable	10,000
Accounts receivable - trade	524	Accounts payable - other	2,839
Prepaid expenses	526	Accrued expenses	263
Short-term loans receivable from subsidiaries and associates	27,047	Income taxes payable	38
Accounts receivable - other	3,433	Deposits received	30,617
Other	443	Provision for bonuses	719
Allowance for doubtful accounts	(1,794)	Other	220
Non-current assets	112,276	Non-current liabilities	66,802
Property, plant and equipment	4,004	Bonds payable	31,100
Buildings	1,072	Long-term borrowings	29,000
Tools, furniture and fixtures	968	Provision for share awards	75
Land	1,662	Provision for retirement benefits	806
Leased assets	301	Provision for compensation loss	637
Intangible assets	770	Provision for loss on guarantees	4,882
Software	693	Other	300
Leased assets	61	Total liabilities	111,501
Other	15		
Investments and other assets	107,501	NET ASSETS	
Investment securities	416	Shareholders' equity	65,136
Shares of subsidiaries and associates	48,147	Share capital	9,279
Bonds of subsidiaries and associates	33,650	Capital surplus	25,001
Investments in capital	3,933	Legal capital surplus	25,001
Investments in capital of subsidiaries and associates	1,390	Other capital surplus	0
Long-term loans receivable from subsidiaries and associates	7,288	Retained earnings	33,113
Guarantee deposits	16,567	Legal retained earnings	928
Deferred tax assets	525	Other retained earnings	32,185
Other	670	Retained earnings brought forward	32,185
Allowance for doubtful accounts	(5,088)	Treasury shares	(2,257)
Deferred assets	99	Valuation and translation adjustments	1,500
Bond issuance costs	99	Valuation difference on available-for-sale securities	1,500
Total assets	178,226	Share acquisition rights	88
		Total net assets	66,724
		Total liabilities and net assets	178,226

NON-CONSOLIDATED STATEMENT OF INCOME

From: April 1, 2023
To: March 31, 2024

(Unit: Millions of yen)

Operating revenue		
Dividend income	17,788	
Service revenue	5,662	23,450
Operating expenses		11,763
Operating profit		11,686
Non-operating income		
Interest income	937	
Foreign exchange gains	791	
Other	91	1,820
Non-operating expenses		
Interest expenses	615	
Interest on bonds	129	
Provision of allowance for doubtful accounts	1,252	
Provision for loss on guarantees	2,134	
Loss on investments in capital	650	
Other	352	5,136
Ordinary profit		8,370
Extraordinary losses		
Loss on retirement of non-current assets	0	
Impairment losses	43	
Loss on valuation of investment securities	95	
Other	0	139
Profit before income taxes		8,231
Income taxes - current	(808)	
Income taxes - deferred	(653)	(1,462)
Profit		9,693

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April 1, 2023
To: March 31, 2024

(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	9,274	24,996	0	24,996	928	29,643	30,571	(2,060)	62,781
Changes during period									
Issuance of new shares - exercise of share acquisition rights	4	4		4					9
Dividends of surplus						(7,151)	(7,151)		(7,151)
Profit						9,693	9,693		9,693
Purchase of treasury shares								(987)	(987)
Disposal of treasury shares								791	791
Net changes in items other than shareholders' equity									
Total changes during period	4	4	-	4	-	2,541	2,541	(196)	2,354
Balance at end of period	9,279	25,001	0	25,001	928	32,185	33,113	(2,257)	65,136

	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	280	280	74	63,137
Changes during period				
Issuance of new shares - exercise of share acquisition rights				9
Dividends of surplus				(7,151)
Profit				9,693
Purchase of treasury shares				(987)
Disposal of treasury shares				791
Net changes in items other than shareholders' equity	1,219	1,219	13	1,232
Total changes during period	1,219	1,219	13	3,587
Balance at end of period	1,500	1,500	88	66,724