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

Securities Code: 4544
May 31, 2021

# NOTICE OF
# 71ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder,

You are hereby notified of the 71st Ordinary General Meeting of Shareholders of H.U. Group Holdings, Inc. (the "Company") that will be held as set forth below.

This year, you are strongly recommended to refrain from attending this meeting in person, and to exercise your voting rights beforehand in writing or via the Internet by no later than 5:30 p.m. on Monday, June 21, 2021 (JST), in accordance with the "Exercise of Voting Rights in Writing or Via the Internet" described on page 5.

Yours faithfully,

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

**1. Date and Time:** Tuesday, June 22, 2021, at 10:00 a.m. (JST)
(Reception start time: 9:30 a.m.)

**2. Venue:** "Concord," 5th Floor, Main Tower, Keio Plaza Hotel Tokyo
2-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo

**3. Agenda:**

*Items to be reported*

1. Business Report, Consolidated Financial Statements, Results of Audits of Consolidated Financial Statements by Accounting Auditors and the Audit Committee for the 71st term (from April 1, 2020 to March 31, 2021)
2. Non-consolidated Financial Statements for the 71st term (from April 1, 2020 to March 31, 2021)

*Items to be resolved*

Item: Election of Eight (8) Directors

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

* At this year's General Meeting of Shareholders, the Company will utilize a lottery system. Furthermore, the meeting will be live streamed via the Internet on the day exclusively for shareholders (in Japanese only). In addition, questions regarding the agenda items will be received prior to the meeting on the Company website. For details of the lottery system, please refer to pages 2 to 4.

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

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

**[Lottery System]**

To ensure the safety of shareholders, we must secure adequate spacing between shareholders' seats. As a result, we expect to be able to accommodate 40 shareholders at the venue for the General Meeting of Shareholders. To prevent confusion at the venue on the day of the meeting, we have decided to use a lottery system this year.

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

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

The Company will make every effort to prevent the spread of infection and ensure safety at the venue. Please give careful consideration to health and safety before applying.

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

Application closing date: Applications must be received by June 9, 2021 (Wednesday)

* We will notify all applicants of the lottery drawing results by post at the address recorded in the shareholder registry (Dispatch scheduled for June 15).

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

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

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

**[Live streaming via the Internet]**

1. Date and time
   From 10:00 a.m. on Tuesday, June 22, 2021 to the end of the General Meeting of Shareholders

2. Please access the website portal for viewing the live-stream broadcast either by directly entering the URL shown below or by scanning the QR code®, then enter the ID and password.
   URL: https://lh.denon-eng.jp/live_ui/210622huhd

| | |
|---|---|
| ID | : Shareholder number presented on the voting rights exercise form |
| Password | : huhd20210622 |

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 the General Meeting of Shareholders on the day. Please exercise your voting rights beforehand in writing or by the Internet.
・Live streaming will be in Japanese only.
・We cannot receive statements or questions via the livestream.
・After the live stream has finished it will not be made available for on demand viewing.
・Footage of the live stream will be confined to the chairperson, director and executive officer seating area out of consideration for the privacy of shareholders in attendance.
・You may encounter issues in viewing the live stream due to factors involving your device or Internet connection environment or circumstances involving your network connection.
・Telecommunication fees and other such costs incurred for viewing the live-stream broadcast are to be borne by the shareholder.
・Please refrain from photographing the meeting proceedings or otherwise recording video or audio, or posting 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/71pre-question.html
2. Period for receiving shareholder questions in advance
   From Tuesday, May 25, 2021 to 5:00 p.m. on Monday, June 7, 2021

3. Precautions about submission of questions in advance

・Questions will only be accepted from the form for submitting questions in advance.

・The Company will not answer all questions.

## Exercise of Voting Rights in Writing or Via the Internet

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

**[Exercise of voting rights in writing]**

Please indicate your approval or disapproval to the proposed item in the enclosed voting right form and return it so that it arrives no later than 5:30 p.m. on Monday, June 21, 2021 (JST).

**[Exercise of voting rights via the Internet]**

Voting must be completed no later than 5:30 p.m. on Monday, June 21, 2021 (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 for exercising voting rights without entering your login ID and temporary password presented on the voting instructions form.

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

**Note that you can log in to the website only once by using QR code®.**
If you wish to redo your vote or exercise your voting rights without using QR code®, please refer to the "Entering login ID and temporary password" below.

**Entering login ID and temporary password**

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

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

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

**Mitsubishi UFJ Trust and Banking Corporation**
**Stock Transfer Agency Help Desk**
**Tel: 0120-173-027** (Toll-free only from Japan / Hours: 9:00 a.m. to 9:00 p.m. JST)

### II. Platform for proxy voting by electronic means

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

## Reference Material for General Meeting of Shareholders

## Proposal: Election of Eight (8) Directors

Since the term of office of all the incumbent Directors expires at the close of this General Meeting of Shareholders, we would like to hereby propose the election of eight (8) Directors.
The names and brief personal profiles of the candidates for Director are as follows:

| Candidate No. | Name | Attribute | Current position and duties in the Company (Note 1) | Tenure as Director | Attendance of Board of Directors' meetings |
|---|---|---|---|---|---|
| 1 | Shigekazu Takeuchi | Reelection | Director, President & CEO<br>Nominating Committee<br>Compensation Committee | 5 years | 100%<br>14/14 |
| 2 | Naoki Kitamura | Reelection | Director, Executive Officer<br>— | 3 years | 100%<br>14/14 |
| 3 | Shigehiro Aoyama | Reelection<br>Outside | Director<br>Chairman of Nominating Committee | 3 years | 100%<br>14/14 |
| 4 | Futomichi Amano | Reelection<br>Outside | Director<br>Chairman of Audit Committee | 4 years | 100%<br>14/14 |
| 5 | Ryoji Itoh | Reelection<br>Outside | Director<br>Nominating Committee<br>Chairman of Compensation Committee | 7 years | 100%<br>14/14 |
| 6 | Eriko Matsuno | Reelection<br>Outside | Director<br>Audit Committee | 1 year | 100%<br>11/11<br>(Note 2) |
| 7 | Keiji Miyakawa | New election<br>Outside | —<br>— | — | — |
| 8 | Susumu Yamauchi | Reelection<br>Outside | Director<br>Compensation Committee<br>Audit Committee | 4 years | 100%<br>14/14 |

(Notes)
1. The positions of the above listed candidates for Director are as of this General Meeting of Shareholders.
2. Ms. Eriko Matsuno was appointed as a Director on June 23, 2020, and her attendance status is from her appointment onward.

(Reference)
Expertise and experience, etc., of the candidates for outside Director

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

| Name of candidate for Director | Business manage-ment | Global business | Compliance and risk management | Legal | Finance and accounting | M&A | Healthcare | Diversity |
|---|---|---|---|---|---|---|---|---|
| Shigehiro Aoyama | ● | ● | | | | ● | ● | |
| Futomichi Amano | ● | ● | ● | | ● | | | |
| Ryoji Itoh | ● | ● | | | ● | ● | | |
| Eriko Matsuno | ● | | ● | ● | | | ● | ● |
| Keiji Miyakawa | ● | ● | | | ● | ● | | |
| Susumu Yamauchi | ● | ● | ● | ● | | | | |

No. **1**

# Shigekazu Takeuchi

(Born on October 11, 1953)

Reelection | Nominating Committee



**Number of the Company's shares held**
25,795 shares

**Tenure as Director**
5 years

**Attendance rate at Board of Directors Meetings**
100% (14/14 meetings)

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

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

**Brief personal profile, and position and duties in the Company**

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

**Significant positions held at other companies**

Director, SRL, Inc.
Director, Fujirebio Holdings, Inc.
Director, Fujirebio Inc.
Director, H.U. Frontier, Inc.

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

**Reason for nominating the candidate for Director:**

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

Notes:

1. There are no conflicts of interests between Mr. Takeuchi and the Company.
2. Directors and officers liability insurance policy
   The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Takeuchi will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 58 of the Business Report.
3. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Takeuchi will be appointed as a member of the Nominating Committee and Compensation Committee.

No. **2**

# Naoki Kitamura

(Born on November 28, 1970)

Reelection



**Number of the Company's shares held**
9,600 shares

**Tenure as Director**
3 years

**Attendance rate at Board of Directors Meetings**
100% (14/14 meetings)

**Brief personal profile, and position and duties in the Company**

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

**Significant positions held at other companies**

Director, SRL, Inc.
Director, Fujirebio Holdings, Inc.
Director, Fujirebio Inc.
Director, H.U. Frontier, Inc.
Chairman, Baylor Miraca Genetics Laboratories, LLC
CEO, H.U. America, Inc.
Director, SRL (Hong Kong) Limited

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

**Reason for nominating the candidate for Director:**

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

Notes:

1. There are no conflicts of interests between Mr. Kitamura and the Company.
2. Directors and officers liability insurance policy
   The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Kitamura will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 58 of the Business Report.

No. 3

# Shigehiro Aoyama

(Born on April 1, 1947)

Reelection | Outside | Independent Director | Nominating Committee



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

**Tenure as Director**
3 years

**Attendance rate at Board of Directors Meetings**
100% (14/14 meetings)

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

**Brief personal profile, and position and duties in the Company**

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

**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&As 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.

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 24).
4. Notification of Independent Directors

   The Company has appointed Mr. Aoyama as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. Limited liability agreement with outside directors
   The Company has concluded a limitation of liability agreement with Mr. Aoyama. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 57 of this document.
6. Directors and officers liability insurance policy
   The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Aoyama will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 58 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Aoyama will be appointed as a member of the Nominating Committee.

No. **4**

# Futomichi Amano

(Born on August 31, 1953)

Reelection | Outside | Independent Director | Audit Committee



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

**Tenure as Director**
4 years

**Attendance rate at Board of Directors Meetings**
100% (14/14 meetings)

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

**Brief personal profile, and position and duties in the Company**

| | | |
|---|---|---|
| Nov. | 1977 | Joined Tohmatsu Awoki & Co. (Currently Deloitte Touche Tohmatsu LLC) |
| Jun. | 1989 | Partner (Audit), Tohmatsu Awoki & Sanwa |
| Nov. | 1995 | Transferred to Los Angeles office of Deloitte & Touche LLP |
| Sep. | 2002 | Partner in charge of corporate planning of Tokyo office, Deloitte Touche Tohmatsu LLC |
| Jun. | 2004 | Managing Partner of corporate planning of Tokyo office, Deloitte Touche Tohmatsu LLC |
| Jun. | 2007 | Board member, Deloitte Touche Tohmatsu LLC<br>Managing Partner of Eastern Japan & Tokyo office, Deloitte Touche Tohmatsu LLC |
| Nov. | 2010 | CEO of Deloitte Touche Tohmatsu LLC (Japan)<br>Global executive committee member of Deloitte Touche Tohmatsu Limited (Global) |
| 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

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

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.

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 24).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with Mr. Amano. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 57 of this document.
6. Directors and officers liability insurance policy
   The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Amano will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 58 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Amano will be appointed as a member of the Audit Committee.

No. 5

# Ryoji Itoh

(Born on January 14, 1952)

Reelection | Outside | Independent Director | Nominating Committee | Compensation Committee



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

**Tenure as Director**
7 years

**Attendance rate at Board of Directors Meetings**
100% (14/14 meetings)

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

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

**Brief personal profile, and position and duties in the Company**

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

**Significant positions held at other companies**

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

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

Mr. Ryoji Itoh is an independent expert who provides advice to the Board of Directors enlisting differing perspectives based on his more than 20 years of experience in managing multinational human resources at international companies, in addition to his insight related to global business and M&As based on his abundant experience as a management consultant, fund manager and corporate manager. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As the Chairman of the Compensation Committee, he furthermore leads robust deliberations that involve reviewing the Company's compensation system for its directors and executive officers as well as making decisions on compensation levels. As a member of the Nominating Committee, he also conducts robust deliberations regarding the nomination of candidates for director in a manner that ensures membership balance and diversity of the Board of Directors overall. Considering the above, Mr. Itoh is capable of appropriately performing duties as an outside director, and accordingly has been appointed as a candidate for that position. We are confident that he will continue performing the aforementioned roles upon election.

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 24).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with Mr. Itoh. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 57 of this document.
6. Directors and officers liability insurance policy
   The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Itoh will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 58 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Itoh will be appointed as a member of the Nominating Committee and Compensation Committee.

No. 6

# Eriko Matsuno

(Born on January 10, 1969)

Reelection | Outside | Independent Director | Audit Committee



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

**Tenure as Director**
1 year

**Attendance rate at Board of Directors Meetings**
100% (11/11 meetings)

**Attendance rate at Meetings of Audit Committee**
100% (13/13 meetings)

* Figures shown for Director Eriko Matsuno's attendance in Board of Directors meetings and Audit Committee meetings reflect her attendance since becoming a director and joining the committee on June 23, 2020.

**Brief personal profile, and position and duties in the Company**

| | | |
|---|---|---|
| Apr. | 1992 | Joined Morgan Stanley Japan Limited (currently Morgan Stanley MUFG Securities Co., Ltd.) |
| Apr. | 2000 | Registered as attorney-at-law |
| Sep. | 2000 | Joined Nagashima Ohno & Tsunematsu |
| Jul. | 2010 | Established Tokyo J Law Office<br>Representation lawyer (incumbent) |
| Jul. | 2011 | Mediator, Non-Profit Organization, Financial Instruments Mediation Assistance Center (incumbent) |
| Dec. | 2014 | Outside Compliance Committee Member, Healthcare Asset Management Co., Ltd. (incumbent) |
| Oct. | 2015 | Auditor, WealthNavi Inc. (incumbent) |
| Jun. | 2020 | Outside Director of the Company (incumbent) |

**Significant positions held at other companies**

Representation lawyer, Tokyo J Law Office
Mediator, Non-Profit Organization, Financial Instruments Mediation Assistance Center
Outside Compliance Committee Member, Healthcare Asset Management Co., Ltd.
Auditor, WealthNavi Inc.

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

Ms. Eriko Matsuno is an independent expert who provides advice to the Board of Directors enlisting differing perspectives from the standpoint of diversity, in addition to perspectives as a legal practitioner who is well versed in corporate and business law and compliance as a lawyer. On the Board of Directors, she performs her role of seeking to ensure that the Board of Directors properly makes decisions serving as an outside director. In the Audit Committee, she furthermore audits and supervises Group management's execution of duties through meetings with management of the Company and its major subsidiaries as well as through regular meetings, etc., with auditors of the major subsidiaries, based on audit policy and audit plans. Considering the above, Ms. Matsuno 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.

Notes:

1. There are no conflicts of interests between Ms. Matsuno and the Company.
2. Ms. Matsuno 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. Matsuno satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 24).
4. Notification of Independent Directors

   The Company has appointed Ms. Matsuno 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 concluded a limitation of liability agreement with Ms. Matsuno. The Company will continue the said limited liability agreement with her if she is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 57 of this document.
6. Directors and officers liability insurance policy
   The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Ms. Matsuno will be included as an insured party under the insurance policy upon approval of her election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 58 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Ms. Matsuno will be appointed as a member of the Audit Committee.

No. 7

# Keiji Miyakawa

(Born on November 5, 1958)

New election | Outside | Independent Director | Compensation Committee



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

0 shares

**Brief personal profile, and position and duties in the Company**

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

**Significant positions held at other companies**

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

**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. Considering the above, Mr. Miyakawa is appropriately suited to be an outside director of the Company, and accordingly has been appointed as a candidate for that position. We are confident that he will appropriately perform his duties as an outside director upon election, and that as a member of the Compensation Committee, he will engage in active deliberation regarding the determination of Directors compensation systems and levels..

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 24).
4. Notification of Independent Directors

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

   The Company will enter into a limited liability agreement with Mr. Miyakawa if he is elected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 57 of this document.
6. Directors and officers liability insurance policy
   The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Miyakawa will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 58 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Miyakawa will be appointed as a member of the Compensation Committee.

No. **8** **Susumu Yamauchi**

(Born on October 1, 1949)

| Reelection | Outside | Independent Director | Audit Committee | Compensation Committee |
|---|---|---|---|---|



**Number of the Company's shares held**
1,400 shares

**Tenure as Director**
4 years

**Attendance rate at Board of Directors Meetings**
100% (14/14 meetings)

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

**Attendance rate at Meetings of Compensation Committee**
100% (4/4 meetings)

* Figures shown for Director Susumu Yamauchi's attendance in Compensation Committee meetings reflect his attendance since joining the committee on June 23, 2020.

**Brief personal profile, and position and duties in the Company**

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

**Significant positions held at other companies**

Emeritus Professor, Hitotsubashi University
Outside Director, Reading Skill Test Inc.
Auditor, National Institute of Technology
Specially Appointed Professor, Faculty of Law, Matsuyama University

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

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

Notes:

1. There are no conflicts of interests between Mr. Yamauchi and the Company.
2. Mr. Yamauchi is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15 of the Companies Act.
3. Mr. Yamauchi satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 24).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with Mr. Yamauchi. The Company will continue the said limited liability agreement with him if he is reelected as a director at this General Meeting of Shareholders. Details of the agreement are as described in the Business Report on page 57 of this document.
6. Directors and officers liability insurance policy
   The Company has concluded a directors and officers liability insurance policy with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. Mr. Yamauchi will be included as an insured party under the insurance policy upon approval of his election. Moreover, the Company intends to leave the content of the insurance policy unchanged upon its forthcoming renewal. Details of the policy are as described in the Business Report on page 58 of this document.
7. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Yamauchi will be appointed as a member of the Audit Committee and Compensation Committee.

**(Reference) Independence standards for independent outside directors**

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

(A) A party dealing with the Company as its major business partner, or an executive thereof;

(B) A major business partner of the Company or an executive thereof;

(C) A consultant, accounting expert or legal expert who receives a significant amount of money or other assets from the Company, apart from compensation for executive officers and directors (or a party who belongs to a corporation, association or other such body receiving such assets);

(D) A party to whom either of (A), (B) or (C) has recently applied; or

(E) A close relative of a party (excluding inconsequential persons) meeting any of the conditions from (a) to (c) below:

(a) A party described in aforementioned items (A) through (D);

(b) An executive of a subsidiary of the Company; or

(c) A party to whom aforementioned item (b) has recently applied, or a party who has recently served as an executive of the Company.

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

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

Immateriality standards

(i) Normal business transactions with the Company or its subsidiaries amount to less than 1% of the Company's net sales;

(ii) A consultant, accounting expert or legal expert that has received payment other than compensation for executive officers and directors of less than ¥10 million on average per year over the last three (3) years from the Company or its subsidiaries; and

(iii) Donations, etc. received from the Company or its subsidiaries have amounted to less than ¥10 million on average per year over the last three (3) years.

## (Attached documents)

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

# Business Report

(From April 1, 2020 to March 31, 2021)

### 1. Matters regarding current status of corporate group

(1) Business progress and its results

In the fiscal year ended March 31, 2021, the global economy was greatly affected by the proliferation of the novel corona virus disease (COVID-19) as nations imposed lockdowns on urban areas and placed restrictions on the international travel.

In Japan, following on a very tough situation at the outset of the fiscal year certain signs of recovery had begun to emerge amid a scenario of economic activity coming back to life as the government took action to prevent further spread of the virus. However, the nation continues to face uncertainties amid a number of state of emergency declaration and a fluctuating number of COVID-19 cases.

In the clinical diagnostics and laboratory testing sector, the number of tests performed remained below levels of the previous fiscal year particularly during the first half partially as a result of patients curtailing medical facility visits due to the proliferation of COVID-19. On the other hand, interest and expectations with respect to private sector testing companies has been greater than ever, particularly given calls to establish testing frameworks offering high quality and consistency to address emerging social challenges brought about by the proliferation of COVID-19.

Under such circumstances, the Company and its subsidiary (the "Group") has been strengthening its management infrastructure and improving operational efficiency with the aim of achieving consistency and business continuity, while also establishing a framework that will enable it to supply various products and services as well as ensuring stable supplies of products. For instance, the Group has been engaging in initiatives that help sustain social and economic activity by helping to ensure early detection and prompt treatment of patients who have contracted COVID-19. This has involved initiatives that include establishing a framework for handling polymerase chain reaction (PCR) testing and high-sensitivity quantitative antigen testing while upgrading testing services capacity, developing antigen test reagents and making them more convenient, and providing comprehensive testing support involving the provision of high-sensitivity quantitative antigen testing reagents at airport quarantine sites.

As a result of these initiatives, net sales for the fiscal year under review were 223,016 million yen (up 18.2% from the previous fiscal year). The increase in net sales is primarily

attributable to factors that include: the Clinical Laboratory Testing (CLT) business having undertaken testing involving COVID-19 and having provided comprehensive testing support at airport quarantine sites; the In Vitro Diagnostics (IVD) business having extended sales of high-sensitivity quantitative antigen testing reagents and rapid antigen test kits for COVID-19, and; the Sterilization and Related Services (SR) business contributing to results by serving major clients with its deposit inventory business of medical items launched in the third quarter of the previous fiscal year.

As for earnings, operating profit was 25,392 million yen (up 155.5% from the previous fiscal year), mainly due to an increase in gross profit associated with the gain in net sales.

Ordinary profit was 25,458 million yen (up 293.6% from the previous fiscal year) due to factors that include the increase in operating profit, diminishing share of loss of entities accounted for using equity method, and having recorded venture fund investment profits as gain on investments in capital.

Profit attributable to owners of parent was 17,468 million yen (in comparison with loss attributable to owners of parent of 516 million yen in the previous fiscal year) due to the increase in ordinary profit, despite having recorded loss on sale of non-current assets and business restructuring expenses as extraordinary losses.

An overview of each business segment is as follows.

**[Clinical Laboratory Testing (CLT)]**

Sales increased due to factors that include gains achieved with respect to PCR testing for COVID-19, comprehensive testing support that involved providing high-sensitivity quantitative antigen screening test at airport quarantine sites, as well as increased demand of cancer genome profiling and other forms of gene-related testing, despite a slowdown in growth with respect to number of tests performed amid a scenario of patients curtailing medical facility visits and undergoing fewer surgeries. As a result, net sales amounted to 136,091 million yen (up 16.4% from the previous fiscal year). In terms of earnings, operating profit was 14,006 million yen (up 168.2% from the previous fiscal year), mainly due to an increase in gross profit associated with the gain in sales.

**[In Vitro Diagnostics (IVD)]**

Sales increased due to higher sales in Japan generated by “LUMIPULSE SARS-CoV-2 Ag” high-sensitivity quantitative antigen testing reagent and “ESPLINE SARS-CoV-2” rapid antigen test kit, and additionally due to increased installations of the LUMIPULSE series particularly in medical institutions. Sales results also benefited from sales of test reagents pertaining to COVID-19 overseas as well as products related to COVID-19 in the OEM and raw materials business. As a result, net sales amounted to 50,030 million yen (up 24.8% from the previous fiscal year). In terms of earnings, operating profit was 12,782 million yen (up 109.9% from the previous fiscal year), mainly due to the increase in gross profit associated with the gain in sales, in addition to the growth in inter-segment transactions particularly involving reagents related to COVID-19.

**[Sterilization and Related Services (SR)]**

Sales increased largely due to a gain in revenues from the deposit inventory business of medical items serving major clients launched in the third quarter of the previous fiscal year. As result, net

sales amounted to 26,735 million yen (up 13.7% from the previous fiscal year). In terms of earnings, operating profit was 1,953 million yen (up 8.6% from the previous fiscal year) mainly due to a reduction in labor cost, despite having recorded one-time expenses with respect to selling, general and administrative expenses in the third quarter of the fiscal year under review.

**[Emerging New Business and others (ENB)]**

Sales increased partially due to growth both in the self-medication and related business and in the home-visit nursing care and welfare equipment business, and also because of a contribution over the full year in the food product, environmental and cosmetics testing business from net sales of Japan Institute of Foods Ecology, Inc. whose results became part of the consolidation beginning in the fourth quarter of the previous fiscal year. As a result, net sales amounted to 10,158 million yen (up 23.3% from the previous fiscal year). In terms of earnings, the ENB business posted an operating loss of 1,023 million yen (in comparison with an operating loss of 806 million yen in the previous fiscal year), which was partially a result of having recorded allowance for doubtful accounts in the fourth quarter of the fiscal year under review in addition to ongoing upfront costs.

(2) Status of financing, etc.

i) Financing

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

The Company has concluded commitment line contracts with major financial institutions amounting to 50.0 billion yen in total, in order to facilitate consistent financing. The Company has no borrowings outstanding on the basis of such contracts as of the end of the fiscal year under review.

ii) Capital expenditure

a. Major facilities whose construction was completed in the fiscal year under review
No item to report.

b. New construction and expansion of major facilities in progress in the fiscal year under review
No item to report.

c. Major facilities removed in the fiscal year under review
No item to report.

iii) Status of succession of rights and obligations of other companies' businesses due to absorption-type mergers and absorption-type company splits

Effective October 1, 2020, the Company's subsidiaries Japan Institute of Foods Ecology, Inc. and Miraca Vitas, Inc. carried out an absorption-type merger with Japan Institute of Foods Ecology, Inc. as the surviving company.

iv) Status of acquisition and disposal of other companies' stock, equity interests, share acquisition rights, etc.

On June 5, 2020, the Company established Ishinban, Inc.

On September 4, 2020, the Company established H.U. Frontier, Inc.

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

(millions of yen)

| | 68th term (FY 2017) | 69th term (FY 2018) | 70th term (FY 2019) | 71st term (FY 2020) |
|---|---|---|---|---|
| Net Sales | 195,400 | 181,415 | 188,712 | 223,016 |
| Ordinary Profit | 16,567 | 11,524 | 6,468 | 25,458 |
| Profit (Loss) Attributable to Owners of Parent | 257 | 6,386 | (516) | 17,468 |
| Basic Earnings (Loss) per Share (yen) | 4.51 | 111.94 | (9.06) | 306.38 |
| Total Assets | 176,068 | 201,234 | 219,403 | 252,751 |
| Net Assets | 113,225 | 112,973 | 103,228 | 115,298 |

(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.

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 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 CLT market. Nevertheless, new opportunities for growth have also arisen despite the policy of restricting medical costs. Reorganization resulting in a reduction in the number of hospitals and hospital beds has led to growing demand for in-home healthcare services and preventive medicine, while medical and IT technologies continue to advance. Given these trends, the business environment is in a state of constant evolution.

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

The overseas CLT 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 the New Central Lab
- Enhancement of the OEM business
- Healthcare × ICT

2) Strategy to increase corporate value

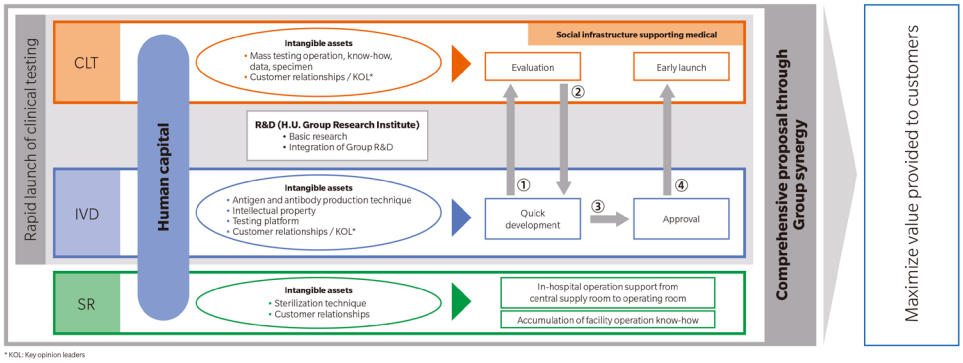
With its CLT and IVD business operations, the Group is a unique enterprise even in world terms. In addition to our existing core business, consisting of these two plus the Sterilization and Related (SR) business, we are working to develop across a broad front by expanding and strengthening the home-visiting, welfare business and other emerging new businesses (ENB). 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 our core business

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

  In the CLT 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 CLT and IVD businesses has been demonstrated once again by our recent rapid launch of the novel coronavirus (SARS-CoV-2) 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 CLT business as part of the social infrastructure that supports medical care.

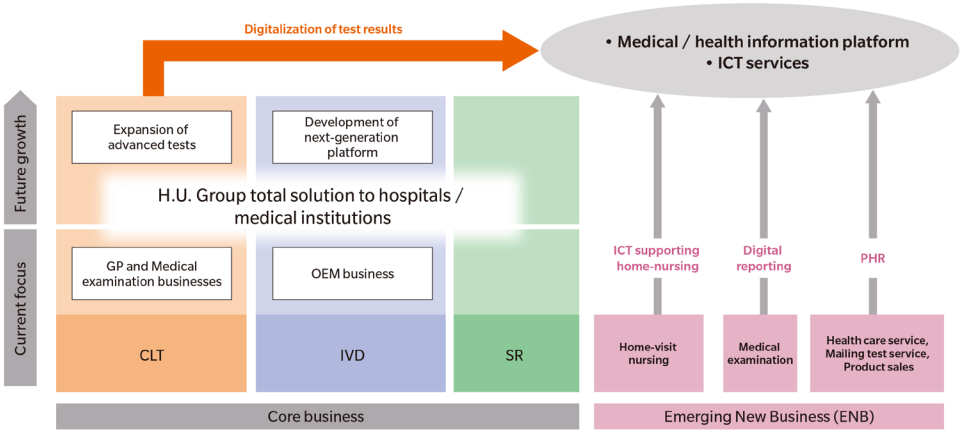
  Going forward, we will coordinate with the SR business, which provides sterilization services to central supply rooms and operating rooms, to offer total solutions as a Group, thereby maximizing value provided to the customer and increasing the Group's corporate value.



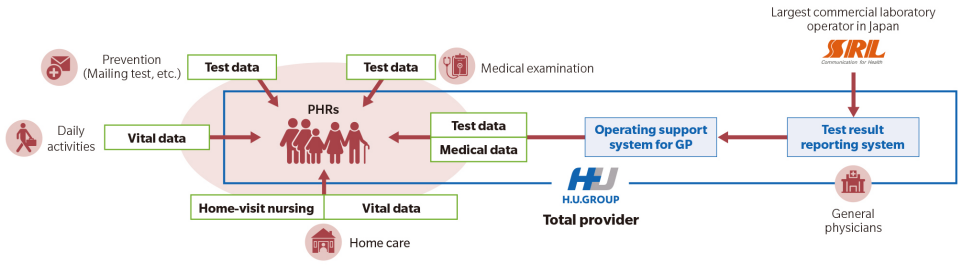

- Business expansion as a Group

  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.




・ 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 and long-term care business and self-medication and related business as ENB, 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 CLT 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 the New Central Lab; and the second to recover investment following the laboratory'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 the New Central Lab
2. Fixed-cost reduction and enhanced profitability in the CLT business
3. Progress with the Group integration strategy in our core business
4. Expansion of the OEM business within the IVD business
5. Monetization of ENB

1. Cost-of-sales reduction through stable operations and automation at the New Central Lab

   For the Company, the most important of the key initiatives in the Medium-term Business Plan is cost-of-sales reduction through stable operations and automation at the New Central Lab, due to start operation in January 2022.

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

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

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

   While preparing for the opening of the New Central Lab, we are undertaking a nationwide reorganization of our laboratories. In March 2021, the SRL Fukuoka Laboratory was relocated and launched as SRL Advanced Lab. FMA, an updated facility. Going forward, to join the New Central Lab, we will open our New Kansai Lab in fiscal 2023, thus establishing a tri-axis lab network to consolidate test operations. In parallel, to put in place a lab system that meets customer needs by reflecting regional medical demand, we will set up a short turn-around time (STAT) laboratory in each region, thus steadily responding to emergency testing needs.

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

   These measures will help us to provide not only high-quality testing but also improved cost-competitiveness and faster reporting of test results, enhancing our customer appeal as a testing company and further boosting our market share.

3. Progress with the Group integration strategy in our core business

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 Co., Ltd., and began operation on October 1, 2020.

The establishment of the company 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 CLT services to manufacture and sale of IVD, and SR 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 FMS/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 CLT 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 OEM 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 OEM business by leveraging the reliability and reputational advantage based on our successful track record for LUMIPULSE products in the Japanese CLT sector, and by utilizing our high-quality material and reagent development abilities in the immunoassay field, which is a strength of the IVD business.

5. Monetization of ENB

To further increase corporate value, the Company is accelerating the cultivation of new businesses with particular focus on the expanding preventive medicine and in-home healthcare service markets where we envisage technology tie-ups and synergies with our existing businesses.

Exercising strict control of the sums invested, we will look to achieve a profit (or profitability equivalent to that) in each business on a single-year basis in fiscal 2021. After around three years of the launch of each business, we will apply a process of selection and concentration based on a review of the growth potential and profitability of each business and its synergy with existing businesses.

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 and numerical targets for FY 2024

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

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

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

(billions of yen)

| | FY 2020 (actual results) | Cumulative numerical targets of Medium-term Business Plan (targets) |
|---|---|---|
| Operating cash flow | 35.6 | 150.0 or more |
| Free cash flow(*) | 7.3 | 50.0 or more |

(*) Lease excluded from investing cash flow

5) Plan details by segment

1. CLT business

In the CLT 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 the New Central Lab; nationwide reorganization of laboratories; rationalization of logistics functions;

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

(Product enhancement)

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

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

(Introduction of ICT tools for medical institutions and consumers)

We will offer ICT tools that meet the needs of both general practitioners and consumers. To general practitioners, we will provide operating support systems in addition to the test result systems we have delivered so far, while for consumers we will offer PHRs to enable integrated management of personal healthcare data. In March 2021, we implemented data integration between the CommonPass, a digital certificate for COVID-19 PCR tests, and the WithWellness™, a personal health record (PHR) smartphone app offered by the Group, with aims that included facilitating safe international travel for users and expediting procedures for issuance of certificates verifying negative PCR test results.

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.

(CLT business actual results for FY 2020 and numerical targets for FY 2024)

| | FY 2020 (actual results) | FY 2024 (targets) |
|---|---|---|
| Net sales CAGR (Actual result for FY 2020 shows year-on-year growth) | 16.4% | 5.5% or more (*) |
| EBITDA margin | 15.4% | 17% or more |
| Operating profit margin | 10.3% | 9% or more |

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

2. IVD business

As stated in "4. Expansion of the OEM 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 OEM business through enhancement of production capacity, reallocation of in-house resources and other measures.

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

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

Additionally, we will reinforce point-of-care testing (POCT) with ESPLINE and other products, for which there is renewed demand in connection with COVID-19. Specifically, we will enhance our products with an expanded range of specimen types (saliva, nasal, painless blood sampling, etc.) and product line-ups for infectious diseases. We will also promote sales to CLT business customers through H.U. Frontier and enhance production capacity. To such ends, the Fujirebio Asahikawa Factory commenced operation on January 2021.

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

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

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

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

3. SR business

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 to operating rooms, and pursue continuous operational improvement, thereby expanding profits. As this is a labor-intensive business, we will also focus on labor cost optimization.

(SR business actual results for FY 2020 and numerical targets for FY 2024)

| | FY 2020 (actual results) | FY 2024 (targets) |
|---|---|---|
| Net sales CAGR (Actual result for FY 2020 shows year-on-year growth) | 13.7% | 9% or more (*) |
| EBITDA margin | 8.6% | 12% or more |
| Operating profit margin | 7.3% | 9% or more |

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

4. ENB business

As stated in "5. Monetization of ENB" in "3) Key initiatives under the Medium-term Business Plan," we will apply a process of selection and concentration based on a review of the growth potential and profitability of each business and its synergy with existing businesses.

5. Equity method affiliates

(Baylor Miraca Genetics Laboratories, LLC)

In the fiscal year ended March 31, 2021, Baylor Miraca Genetics Laboratories generated positive results in terms of operating profit, having achieved revenue and earnings gains attributable to it having handled a higher number of genetic tests for cancer and congenital diseases, in addition to PCR testing for COVID-19. During the fiscal year ending March 31, 2022, we will raise capital through private placement and 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 in fiscal 2022 as per the original plan.

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 2024 (targets) |
|---|---|---|
| Net interest-bearing debt to EBITDA (excl. lease obligations) | 0.6x | 1.3x or less (*) (2.5x or less during the medium-term plan) |
| Equity ratio (%) (excl. real estate finance) | 45.6% | 40% or more |

(*) FY 2024

As of March 31, 2021, we have arranged for the transfer of land and buildings associated with a portion of the Hachioji Lab complex of the Company's subsidiary SRL, Inc. and associated with the Hachioji Office of Fujirebio, Inc., as one aspect of our initiatives to effectively use business resources and strengthen financial standing looking toward operations subsequent to opening of the New Central Lab.

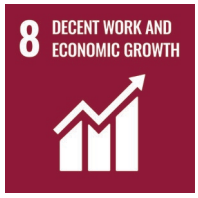
II. Sustainability initiatives

i) Contribution to SDGs

The Group will contribute to achieving the following four targets of the Sustainable Development Goals (SDGs) by seeking solutions to social challenges through its main businesses.




(3.8)




(8.2)




(9.1)




(12.4)

ii) Participation in the United Nations Global Compact

The Group became a signatory of the United Nations Global Compact (UNGC) in March 2019, and accordingly supports the Ten Principles of the UNGC in the four areas of human rights, labor, environment, and anti-corruption. Since then, we have retained the Global Compact Active level status with respect to our Communication on Progress report of annual activities.



iii) Identifying materiality

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

(Materiality revised in 2020)

| Major category | Subcategory | Materiality |
|---|---|---|
| Growth Foundation | - | Brand management<br>Customer relations<br>Intellectual property |
| ESG | Environmental | Climate change<br>Recycling-oriented society |
| | Social | Relationship with all stakeholders<br>CSR procurement<br>Health improvement<br>Human rights<br>Diversity<br>Ideal workplaces<br>Resilience |
| | Governance | Anti-corruption / Compliance<br>Risk management<br>Corporate governance<br>Information security |

iv) CSR Roadmap

In CSR activities, we renewed our approach to CSR in fiscal 2019, ended March 31, 2020, and established a total of 10 related policies in the environmental and social areas. Then, in October 2020, we announced CSR Roadmap with KPIs and three-year targets from the period of fiscal 2020 to fiscal 2022.

(CSR Roadmap (FY 2020 - FY 2022))

| | Category | Targets |
|---|---|---|
| Quantitative targets | Environment | $CO_2$ emissions: -7% (Base: FY 2017)<br>Recycling rate: +15% (Base: FY 2017)<br>CDP: B plus |
| | Human Rights & Human Resources | Percentage of female managers: 20%<br>White 500 acquisition |
| | Procurement | UNGC Self-Assessment tool:<br>Excellent response rate 90% |
| Qualitative targets | Philanthropy | Continuous enlightenment of clinical testing for 40 years |
| | Communication | Holding of first ESG Briefing session |
| | BCP | Start-up of the New Central Lab<br>(Realization of high resilience) |

v) Group Long-Term Environmental Goals

The Company has set Long-Term Environmental Goals for reducing intensity-basis $CO_2$ emissions and improving its plastic recycling rate looking ahead to 2030

(Group Long-Term Environmental Goals (FY 2020 - FY 2030))

| Item | Goals |
|---|---|
| $CO_2$ (Scope 1, 2) emissions Sales intensity basis | Reduced by 20% (Base: FY 2017) |
| Waste plastic recycling rate at major business locations | 90% |

III. Plan for the fiscal year ending March 31, 2022

i) Outlook for the fiscal year ending March 31, 2022

With respect to the fiscal year ending March 31, 2022, we anticipate the following results particularly given the likelihood of higher sales associated with an increase in PCR testing, high-sensitivity quantitative antigen testing at airport quarantine sites, and other forms of testing related to COVID-19.

| Unit: billions of yen (rounded) | Actual results for the fiscal year ended March 31, 2021 | | | Forecasts for the fiscal year ending March 31, 2022 | | |
|---|---|---|---|---|---|---|
| | First half | Second half | Full year | First half | Second half | Full year |
| Net sales | 98.6 | 124.5 | 223.0 | 121.0 | 121.0 | 242.0 |
| EBITDA*1 | 14.1 | 23.8 | 37.9 | 23.5 | 17.0 | 40.5 |
| Operating profit | 8.1 | 17.2 | 25.4 | 17.0 | 8.5 | 25.5 |
| ROE | - | - | 16.0% | - | - | 13.8% |
| ROIC*2 | - | - | 8.7% | - | - | 7.8% |

*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 obligations) + Other non-current liabilities])

ii) Outline of plans for the fiscal year ending March 31, 2022

During the fiscal year ending March 31, 2022, the second 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'."

・ Opening of the New Central Lab

We will begin verification aiming for the first phase of opening the New Central Lab in January 2022, followed by full-scale operation in May 2022. In addition, we have assigned an official name and a nickname to the new facility of the Akiruno Project, as follows.

Official name:

H.U. Bioness Complex

* We have coined the official name of the facility in hopes of conveying the

H.U. Group's "healthcare business complex" approach, with "Bioness" meant to convey the notion of "bio-business" in that the project will involve accumulating life-sciences data and harnessing creativity that gives rise to innovation in the industry.

Nickname:
AkirunoCube

* The nickname of the facilities combines "Akiruno" in reference to Akiruno City with "Cube" to convey the shape of the building.

・ Enhancement of the OEM business

We will strengthen our production framework at our major locations worldwide with our sights set on tapping growing demand over the medium to long term in the OEM business.

・ Healthcare × ICT

With respect to our E's Assist™, a software as a service (SaaS) solution offering operational support for clinics, we will upgrade our services and expand its customer base. With respect to our WithWellness™, a personal health record (PHR) smartphone app, we will increase the user count by expanding our customer base and strengthening ties with health insurance associations.

IV. Shareholder returns and investment in growth

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

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

(5) Principal business (as of March 31, 2021)

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

## 2. Matters regarding Directors and Executive Officers

(1) Directors (As of March 31, 2021)

| Position in the Company | Name | Duties in the Company | Significant Concurrent Positions |
|---|---|---|---|
| Director | Shigekazu Takeuchi | Nominating Committee Member<br>Compensation Committee Member | Director, SRL, Inc.<br>Director, Fujirebio Holdings, Inc.<br>Director, Fujirebio Inc.<br>Director, H.U. Frontier, Inc. |
| Director | Masaya Watanabe | – | Administrative Council Member, National Institute of Informatics, Research Organization of Information and Systems, Inter-University Research Institute Corporation<br>Advisory Board Member, Japan Agency for Medical Research and Development<br>Vice Chairman, The Japan Federation of Medical Devices Associations<br>Director, SRL, Inc.<br>Director, Fujirebio Holdings, Inc.<br>Director, Fujirebio Inc. |
| Director | Naoki Kitamura | – | Director, SRL, Inc.<br>Director, Fujirebio Holdings, Inc.<br>Director, Fujirebio Inc.<br>Director, H.U. Frontier, Inc.<br>Chairman, Baylor Miraca Genetics Laboratories, LLC<br>CEO, H.U. America, Inc.<br>Director, SRL (Hong Kong) Limited |
| Director | Shigehiro Aoyama | Nominating Committee Chairman | External Director, Takamatsu Construction Group Co., Ltd.<br>Chairman, the Distribution Economics Institute of Japan |
| Director | Futomichi Amano | Audit Committee Chairman | Futomichi Amano CPA office |
| Director | Ryoji Itoh | Compensation Committee Chairman<br>Nominating Committee Member | Managing Director, Planetplan, Inc.<br>External Director, SATO HOLDINGS CORPORATION<br>Senior Researcher at Keio Research Institute at SFC, Keio University |
| Director | Eriko Matsuno | Audit Committee Member | Representation lawyer, Tokyo J Law Office<br>Mediator, Non-Profit Organization, Financial Instruments Mediation Assistance Center<br>Outside Compliance Committee Member, Healthcare Asset Management Co., Ltd.<br>Auditor, WealthNavi Inc. |

| Position in the Company | Name | Duties in the Company | Significant Concurrent Positions |
|---|---|---|---|
| Director | Susumu Yamauchi | Audit Committee Member<br>Compensation Committee Member | Emeritus Professor, Hitotsubashi University<br>Outside Director, Reading Skill Test Inc.<br>Auditor, National Institute of Technology<br>Specially Appointed Professor, Faculty of Law, Matsuyama University |

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

| | | |
|---|---|---|
| Nominating Committee | Chairman | Shigehiro Aoyama |
| | Members | Ryoji Itoh |
| | | Shigekazu Takeuchi |
| Audit Committee | Chairman | Futomichi Amano |
| | Members | Eriko Matsuno |
| | | Susumu Yamauchi |
| Compensation Committee | Chairman | Ryoji Itoh |
| | Members | Susumu Yamauchi |
| | | Shigekazu Takeuchi |

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

(2) Executive Officers (As of March 31, 2021)

| Position in the Company | Name | Duties in the Company | Significant Concurrent Positions |
|---|---|---|---|
| Representative Executive Officer | Shigekazu Takeuchi | President and Group CEO | Refer to "(1) Directors" hereinabove |
| Representative Executive Officer | Masaya Watanabe | Executive Vice President and COO, CIO | Refer to "(1) Directors" hereinabove |
| Executive Officer | Naoki Kitamura | CFO | Refer to "(1) Directors" hereinabove |
| Executive Officer | Shunichi Higashi | CLT | President and CEO, SRL, Inc.<br>Chairman and CEO, H.U. Frontier, Inc. |
| Executive Officer | Goki Ishikawa | IVD | President and CEO, Fujirebio Holdings, Inc.<br>Director, Fujirebio Inc. |
| Executive Officer | Atsuko Murakami | Accounting and Finance | Auditor, Fujirebio Holdings, Inc.<br>Outside Director, IMAGICA GROUP Inc. |
| Executive Officer | Kazuya Omi | Research and Development | Director, SRL, Inc.<br>Director, Fujirebio Inc.<br>President, H.U. Group Research Institute G.K. |
| Executive Officer | Tadashi Hasegawa | Corporate Planning and Management | Director, SRL, Inc.<br>Director, Fujirebio Inc.<br>Director, H.U. Frontier, Inc.<br>Director, H.U. America, Inc.<br>Director, SRL (Hong Kong) Limited |
| Executive Officer | Hiroaki Kimura | General Affairs | – |

Note: Atsuko Murakami was appointed to the position of Executive Officer on July 1, 2020.

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

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

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

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

ii) Directors' compensation
Directors' compensation will be determined as nil, or as a combination of fixed-amount compensation and share-based compensation in consideration of the duties of the respective directors. Reasonable upper limit will be set for the amount of payment in light of the economic situation, the Company's conditions and the duties of the respective directors.
The Company will pay compensation to outside directors, based on the details of their supervision activities, in addition to the combination of prescribed fixed-amount compensation and share-based compensation.

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

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

| Classification | Type | Payment method | Payment standard | Evaluation weighting | The breakdown of standard compensation ratios: President & CEO | Executive Officer (excluding President & CEO) | Outside Director |
|---|---|---|---|---|---|---|---|
| Fixed | Basic compensation | Money | Executive officer: Although the benchmark for compensation is their titles, compensation is paid to executive officers after taking into account how each of them has performed in his or her duties, etc.<br>Director: In addition to the prescribed fixed compensation, compensation is paid to directors in accordance with the details of their supervisory activities. | | 0.45 | 0.50–0.67 | 1.00 |
| | Restricted stock compensation | Shares | Executive officer: Granted according to position-based standard amount | | 0.10 | 0.07–0.09 | – |
| Performance-based compensation | Short-term performance-based compensation | Money | Position-based standard amount × Performance evaluation items (1) Consolidated group performance (net sales and profit) (2) Segment performance (net sales and operating profit) (3) Individual evaluation | Based on position | 0.23 | 0.20–0.25 | – |
| | Medium- to long-term performance-based compensation | Shares 50% Money 50% | Position-based standard points × Performance-linked coefficient (1) Granted percentage for consolidated net sales (2) Granted percentage for consolidated operating profit (3) Granted percentage for year-on-year growth of consolidated net sales | 40% 40% 20% | 0.22 | 0.07–0.18 | – |

2) Basic compensation
Although the benchmark for compensation is their titles, compensation is paid to executive officers after taking into account how each of them has performed in their duties, etc.
In addition to the prescribed fixed compensation, compensation is paid to directors in accordance with the details of their supervisory activities.

3) Restricted stock compensation
As well as providing an incentive to seek sustainable improvements in Group corporate value, restricted stock compensation is provided to executive officers to further promote shared value with shareholders.
i) Overview of restricted stock compensation scheme
- The Company grants monetary compensation claims to its executive officers, and the executive officers use these monetary compensation claims in their entirety to make an investment in kind in the Company, and are in turn issued with common shares of the Company (restricted stock).
- The amount of monetary compensation claims granted to each executive officer is determined by the Company's Compensation Committee. In addition, the details of issuance of restricted stock, etc. are determined by the Company's Board of Directors.
- The amount paid in per share of restricted stock is based on the closing price for the common shares of the Company on the Tokyo Stock Exchange on the business

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

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

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

4) Performance-based compensation
In terms of short-term performance-based compensation, performance-based compensation shall be paid based on single-year performance, and on individual evaluation.
Evaluation of single-year performance is based on the consolidated performance of the Group, and evaluations of certain executive officers take into account segment performance based on their respective areas of responsibility. The breakdown of performance-based compensation by titles is as follows.

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

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

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

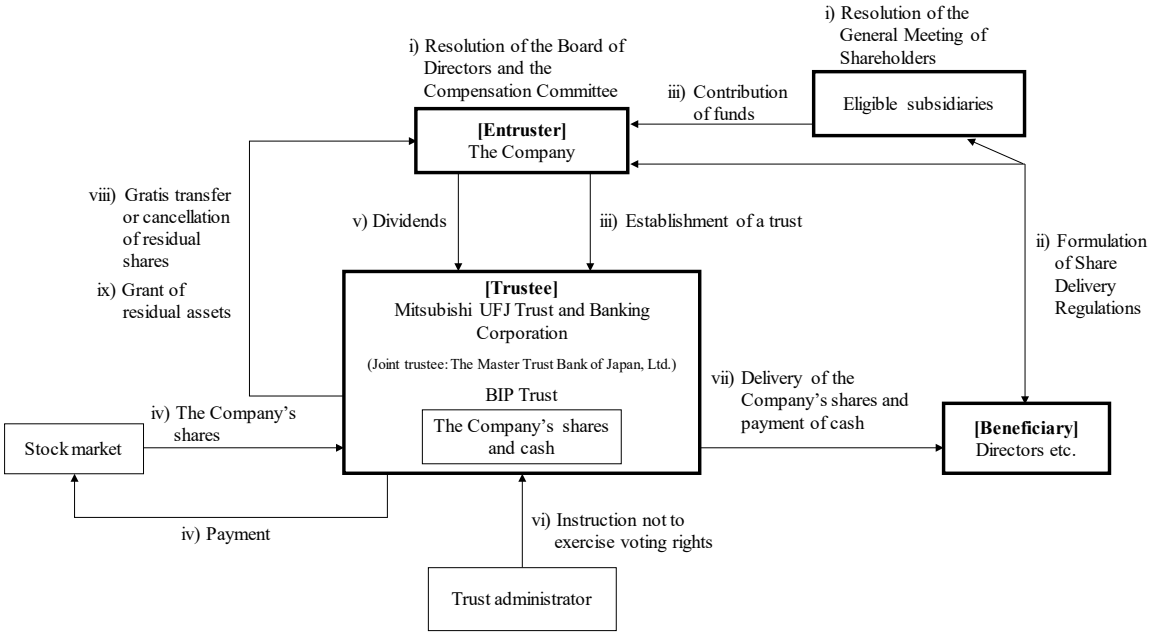
| Performance Evaluation Items | Performance Evaluation Indicator | Weight | Targets | Range of Variation in Payment |
|---|---|---|---|---|
| Consolidated Group Performance | Consolidated net sales | 50% | Year-on-year growth rate | 0% to 200% |
| | Consolidated profit | 50% | Absolute amount stipulated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

* With regard to net sales indicators, if targets are 100% achieved then 100% of the standard amount will be paid, so that it fluctuates by 0% to 200%. With regard to profit and operating profit indicators, if targets are 100% achieved then 100% of the standard amount will be paid, fluctuating from 0% upwards, with no upper limit.
The targets for performance evaluation indicator in the fiscal year under review were resolved at a meeting of the Compensation Committee held on September 18, 2020. The targets and the actual results are as follows. At its meeting held on May 14, 2021, the Compensation Committee resolved to adjust amounts set for CLT net sales targets to ensure that target achievement ratios are calculated appropriately.

(Unit: Millions of yen)

| Performance Evaluation Items | Performance Evaluation Indicator | Targets | Actual Results | Achievement Rate |
|---|---|---|---|---|
| Consolidated Group Performance | Consolidated net sales | 188,712 | 223,016 | 118.2% |
| | Consolidated profit | 9,360 | 17,425 | 186.2% |
| CLT Segment Performance | CLT net sales | 116,918 | 136,192 | 116.5% |
| | CLT operating profit | 10,010 | 14,039 | 140.3% |
| IVD Segment Performance | IVD net sales | 43,700 | 56,278 | 128.8% |
| | IVD operating profit | 7,064 | 12,782 | 181.0% |

5) Trust-type share-based compensation
By linking compensation for executive officers of the Company to the degree of progress towards targets set out in the Medium-term Business Plan, the Company aims to raise awareness of the need to contribute to improving performance over the medium to long term and enhancing corporate value, to which end it will provide trust-type share-based compensation.
i) Overview of the trust-type share-based compensation scheme
As is the case with the performance-linked share-based compensation seen in the U.S. and Europe (performance shares), the trust-type share-based compensation is a scheme in which the shares of the Company or the amount of money equivalent to the converted value of the shares of the Company are delivered or provided, in accordance with their titles and the degree of progress towards performance targets.




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

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

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

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

iii) Number of points granted per year

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

<Calculation formula>

Points granted (per year) = Standard points (Note 1) × Performance-linked coefficient

Performance-linked coefficient = Granted percentage for consolidated net sales (Note 2) × 0.4 + Granted percentage for consolidated operating profit (Note 2) × 0.4 + Granted percentage for year-on-year growth of consolidated net sales (Note 3) × 0.2

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

Notes: 1. "Standard points" are calculated by dividing the standard amount of trust-type share-based compensation determined for each title, by the closing price of 2,449 yen on the day before July 17, 2020, the date on which the Compensation Committee resolved to revise the "Share Delivery Regulations."

2. Based on the "Share Delivery Regulations" set out beforehand as they relate to trust-type share-based compensation, the granted percentage is determined by dividing the consolidated group results for each fiscal year by the consolidated targets for each fiscal year of the Medium-term Business Plan.

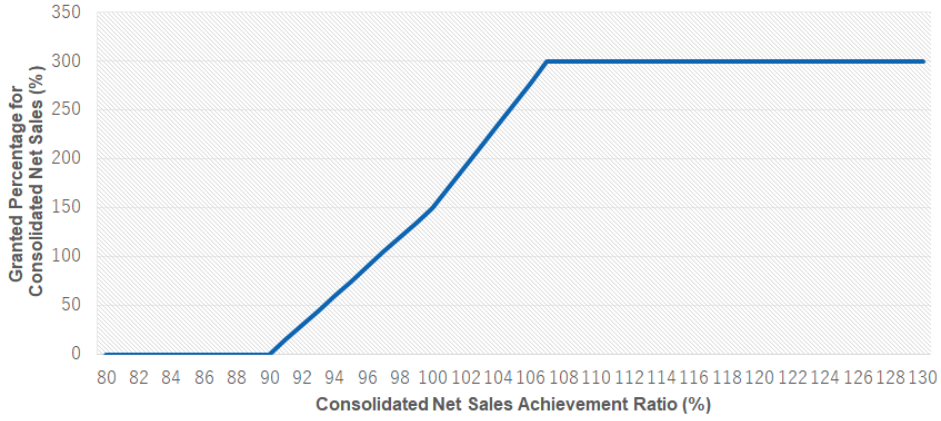
3. Based on the "Share Delivery Regulations" set out beforehand as they relate to trust-type share-based compensation, the granted percentage is determined by dividing consolidated net sales for each fiscal year by the consolidated net sales of the previous fiscal year.

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

<Granted percentage for consolidated net sales>

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

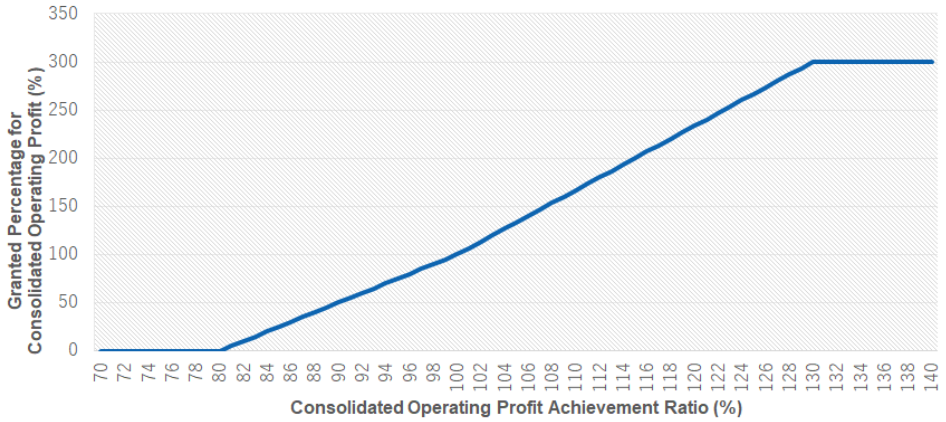
* Consolidated net sales achievement ratio (units are percentages, rounded down to one decimal place) = Consolidated net sales result for each fiscal year ÷ Consolidated net sales target for each fiscal year of the Medium-term Business Plan



<Granted percentage for consolidated operating profit>

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

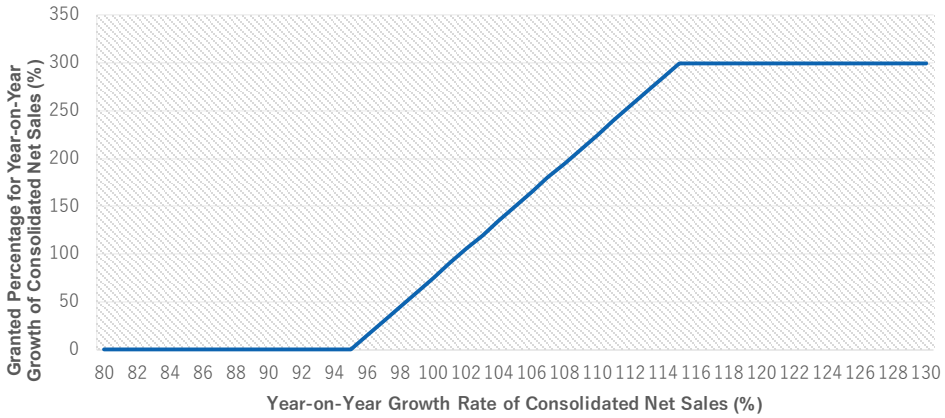
* Consolidated operating profit achievement ratio (units are percentages, rounded down to one decimal place) = Consolidated operating profit result for each fiscal year ÷ Consolidated operating profit target for each fiscal year of the Medium-term Business Plan




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

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

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



The targets for performance evaluation items in the fiscal year under review were resolved at a meeting of the Compensation Committee held on September 18, 2020. The targets and the actual results are as follows.

(Unit: Millions of yen)

| Performance Evaluation Indicator | Targets | Actual Results | Achievement Rate |
|---|---|---|---|
| Consolidated net sales | 206,016 | 223,016 | 108.3% |
| Consolidated operating profit | 16,250 | 25,392 | 156.3% |
| Year-on-year growth rate of consolidated net sales | 101.7% | 118.2% | – |

iv) Conditions for delivering shares/providing money

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

| | Conditions for Delivering Shares |
|---|---|
| i | Cases where for the duration of the target period, the individual continuously holds the position as either a director (excluding outside director), an executive officer of the Company, or as a director (excluding outside director) of a domestic subsidiary of the Company (hereinafter "eligible officers") |
| ii | Cases where, during the target period, the eligible officer resigns from the position for reasons such as the expiry of their term, retirement, or some other justifiable reason. |
| iii | Cases where the individual dies during the target period |
| iv | Cases where the individual becomes a non-resident of Japan during the target period |
| v | Cases where, at the time the scheme is abolished, the individual is serving in any of the positions of an eligible officer |

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

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

b. Details of compensation for directors and executive officers, etc.
Details of compensation for directors and executive officers, etc. for the fiscal year under review are as follows:
Total amount of compensation, total amount of compensation by type, and number of payees by classification

| Classification | Total Amount of Compensation (Millions of yen) | Total Amount of Compensation by Type (Millions of yen) | | | | Number of Payees (Persons) |
|---|---|---|---|---|---|---|
| | | Non-performance-based Compensation | | Short-term Performance-based Compensation | Medium- to Long-term Performance-based Compensation | |
| | | Money | Shares | Money | Shares | |
| | | Basic Compensation | Restricted Stock Compensation | Performance-based Compensation | Trust-type Share-based Compensation | |
| Executive Officer | 580 | 206 | 27 | 172 | 174 | 7 |
| Director | 64 | 64 | – | – | – | 6 |
| [Outside Director] | [64] | [64] | [–] | [–] | [–] | [6] |

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

c. Persons with decision-making authority in relation to policy for determining the amount of compensation for directors and executive officers or calculation method thereof
Because the Company is a "Company with Nominating Committee, etc." under the Companies Act, it has set up a Compensation Committee as an organization based on the Companies Act, in which the committee chair is an outside director, and outside directors form a majority of committee members.
A. Details of the Compensation Committee's authority and scope of discretion
The Compensation Committee determines the amount of compensation, etc. for executive officers and directors of the Company based on laws and regulations, the Articles of Incorporation and relevant rules of the Company.

B. Details of Compensation Committee activities during the process of determining compensation, etc. for directors and executive officers in the fiscal year under review
The Compensation Committee met at a frequency of about once every two months during the fiscal year under review (met seven times during the fiscal year).

| | Date of meeting | Details |
|---|---|---|
| 1st meeting | April 24, 2020 | i) Adopted resolution on partial revision of the compensation scheme for directors and executive officers<br>ii) Reported on short-term performance-based compensation and policy for granting Board Incentive Plan (BIP) Trust points |
| 2nd meeting | May 12, 2020 | i) Adopted resolution on individual performance evaluations for FY 2019<br>ii) Deliberated on structure of the BIP Trust |
| 3rd meeting | May 26, 2020 | i) Adopted resolution on amounts of performance-based compensation granted to individual executive officers for FY 2019<br>ii) Adopted resolution on BIP Trust points awarded individually on the basis of the actual performance in FY 2019<br>iii) Adopted resolution on revision of the Miraca Group Officers' Compensation Rules (tentative)<br>iv) Adopted resolution on individual fixed-amount compensation for FY 2020 pertaining to executive officer candidates for the next fiscal year (tentative)<br>v) Adopted resolution on postponing establishment of performance targets for short-term performance-based compensation for FY 2020 |
| 4th meeting | June 23, 2020 | i) Adopted resolution on appointment of the Compensation Committee Chairman<br>ii) Adopted resolution on revision of the Miraca Group Officers' Compensation Rules<br>iii) Adopted resolution on structure of the BIP Trust<br>iv) Adopted resolution on individual fixed-amount compensation |
| 5th meeting | July 17, 2020 | i) Adopted resolution on the Compensation Committee's schedule of activities<br>ii) Adopted resolution on revision of the H.U. Group Officers' Compensation Rules accompanying corporate name change<br>iii) Adopted resolution on amendment to details of remuneration regarding the trust-type share-based compensation scheme and amendment of the Share Delivery Regulations<br>iv) Adopted resolution on individual compensation regarding the restricted stock compensation scheme<br>v) Adopted resolution on treatment of an executive officer subsequent to his retirement for FY 2020 |
| 6th meeting | September 18, 2020 | i) Adopted resolution on performance targets for short-term performance-based compensation for FY 2020<br>ii) Adopted resolution on performance targets for BIP Trust compensation for FY 2020 |
| 7th meeting | November 24, 2020 | i) Reported and deliberated on benchmarks pertaining to compensation for executive officers and directors at domestic companies |

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

(4) 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)

| Classification | Name | Board of Directors Meeting | Meeting of Nominating Committee | Meeting of Audit Committee | Meeting of Compensation Committee |
|---|---|---|---|---|---|
| Director | Shigehiro Aoyama | 14/14 | 8/8 | – | – |
| Director | Futomichi Amano | 14/14 | – | 18/18 | – |
| Director | Ryoji Itoh | 14/14 | 8/8 | – | 7/7 |
| Director | Eriko Matsuno | 11/11 | – | 13/13 | – |
| Director | Susumu Yamauchi | 14/14 | – | 18/18 | 4/4 |

Note: Figures shown for Eriko Matsuno's attendance in the Board of Directors meetings and Audit Committee meetings reflect her attendance since becoming a director and joining the committee on June 23, 2020. Furthermore, figures shown for Susumu Yamauchi's attendance in Compensation Committee meetings reflect his attendance since joining the committee on June 23, 2020.

ii) Main activities during the fiscal year

| Classification | Name | Main Activities |
|---|---|---|
| Director | Shigehiro Aoyama | 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&As 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.<br>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. |
| Director | Futomichi Amano | 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.<br>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. |

| Classification | Name | Main Activities |
|---|---|---|
| Director | Ryoji Itoh | At meetings of the Board of Directors, he has made proactive remarks in connection with proposals and deliberations, enlisting differing perspectives based on his more than 20 years of experience in managing multinational human resources at international companies, in addition to his insight related to global business and M&As based on his abundant experience as a management consultant, fund manager and corporate manager. Through such remarks, he has performed his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.<br>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.<br>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. |
| Director | Eriko Matsuno | At meetings of the Board of Directors, she has made proactive remarks in connection with proposals and deliberations, enlisting differing perspectives from the standpoint of diversity, in addition to perspectives as a legal practitioner who is well versed in corporate and business law and compliance as a lawyer. Through such remarks, she has performed her role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.<br>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. |
| Director | Susumu Yamauchi | At meetings of the Board of Directors, he has made proactive remarks based on his abundant insight as a professor who has taught the history of Western legal systems at several universities over the years as well as considerable insight related to organizational management based on his experience as President of Hitotsubashi University. Through such remarks, he has performed his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director.<br>As a member of the Compensation Committee, he has conducted robust deliberations when it comes to making decisions on the Company's compensation system and compensation levels for its directors and executive officer.<br>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. |

## 3. Matters regarding Accounting Auditor

(1) Name of Accounting Auditor
PricewaterhouseCoopers Aarata LLC

(2) Amount of compensation, etc. to Accounting Auditor

i) Total amount of compensation the Company and its subsidiaries paid to Accounting Auditor
146 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
50 million yen

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

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

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

(3) Policy for determining dismissal or non-reappointment of Accounting Auditor

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

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

## 4. System to ensure appropriate execution of business operations and implementation thereof

(1) Fundamental 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, system to ensure appropriate execution of business operations and implementation thereof

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

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

i) Corporate organizations

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

The Board of Directors receive reports from each committee and from the executive officers regarding information on current corporate operations and target management achievements. The Board is thus able to provide timely, comprehensive and pertinent corporate oversight. Among the eight (8) members of the Board of Directors, the Company appoints five (5) as outside directors, each of whom is recognized as a leader in his or her respective field.

1) Matters regarding limited liability agreements

The Company amended the Articles of Incorporation at the 56th Ordinary General Meeting of Shareholders held on June 27, 2006, establishing provisions regarding limited liability agreements with outside directors.

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

• Limited liability agreements with outside directors

After execution of this agreement, the outside 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) Overview of system to ensure appropriate execution of business operations

Based on the following basic policy, the Company ensures that business operations 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

[Sincerity and Trust]

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

[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

[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) System to ensure appropriate execution of business operations of the stock company and the corporate group consisting of its parent company and subsidiaries

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

## 5. Basic policy on control of stock 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 or not an offer to purchase shares is acceptable. In the event that the purchase of the shares of the Company is proposed, in order for the shareholders of the Company to make proper decisions, it is necessary for sufficient information to be provided to the shareholders of the Company through the Board of Directors of the Company.
In particular, the shareholders of the Company should be given information regarding the terms and conditions of the purchase (including fairness of price), the influence the purchase has on the management of the Company and its group, the management policy and business plan that the purchaser intends to adopt, etc.
However, in the event that the purchase of the shares of the Company is proposed, the shareholder or the Company may not be given sufficient time or information necessary to consider the terms and conditions of the proposal or any alternative plan. The proposed structure may coerce the shareholders to accept the proposal of the purchase. The proposed purchase price may be inadequate or inappropriate in light of the Company's intrinsic corporate value and the common interests of the shareholders. In such case, there will be a threat of severe damage to the Company's corporate value and the common interests of the shareholders.
The Company believes that a person who conducts or proposes an inappropriate Large-scale Purchase which will raise a threat of severe damage to the Company's corporate value and the common interest of the shareholders is not appropriate as a person in control of decisions on the financial and operational policy of the Company.
The Company decided, at a meeting of the Board of Directors held on May 23, 2007, to establish the above as our Basic Policy concerning Persons Controlling the Decision on the Financial and Operational Policy of the Company.

II. Efforts supporting achievement of the basic policy

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

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

   In the business environment where the Group operates, demographic aging and the introduction of advanced medical treatments are among the factors driving a projected increase in medical care costs. On the other hand, the worsening financial position of medical institutions and declining specimen testing fees, together with pressure to limit medical care costs, are expected to lead to continued difficult conditions for the Japanese CLT market. Nevertheless, new opportunities for growth have also arisen despite the policy of restricting medical costs. Reorganization resulting in a reduction in the number of hospitals and hospital beds has led to growing demand for in-home healthcare services and preventive medicine, while medical and IT technologies continue to advance. Given these trends, the business environment is in a state of constant evolution.
   We are also faced with fast-developing short-term changes—including the altered patterns of consumer behavior and the reduction in outpatient consultations due to the COVID-19 pandemic—to which we need to find an appropriate response.
   The overseas CLT market is experiencing growth, mainly in emerging countries, but in developed countries the effort to limit social security costs continues to result in stagnant growth. Moreover, regulatory changes in individual countries have led to increased registration costs, contributing to a continuing challenging environment for business.
   In response to these trends in the business environment, the Company have formulated its Medium-term Business Plan, with its final fiscal year being the fiscal year ending March 31, 2025, in September 2020. An overview of the plan is described in "Outline of Medium-term Business Plan, 'H.U. 2025—*Hiyaku* & United'," "(4) Issues to be addressed" of "1. Matters regarding current status of corporate group."

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

   The Company remains committed to the goal of actively returning profits to our shareholders mainly through dividends, while striving to attain the level of retained earnings needed for the Company to adequately address upcoming changes in the business environment and also to invest in M&As, 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, five (5) of the eight (8) board members are outside directors with high independency. Furthermore, we have established three committees: the Nominating, Audit and Compensation Committees in accordance with laws and regulations, and continued efforts aimed at promoting fairness and transparency are being

implemented. With respect to incentives and compensation, we have positioned the enhancement of corporate value and the common interests of our shareholders as our highest priorities, and have adopted a performance-based compensation plan for executive officers, while eliminating the retirement benefits system which was not highly correlated with performance and introducing a share-based compensation plan aimed to align interest between our shareholders and the officers and employees of the Company. Compensation provided to such officers and directors are disclosed in our annual securities reports, and business reports. We have further implemented various measures to stimulate activity at shareholders' meetings and to facilitate the exercise of voting rights, such as sending notice of shareholders' meetings at least 3 weeks in advance in order to secure sufficient time for our shareholders to appropriately exercise their voting rights and changing the date of shareholders' meetings to avoid the major concentration of shareholders' meetings at the end of June. Amid the persisting risk of further COVID-19 transmission, we are placing top priority on ensuring the health and safety of our shareholders in holding the 71st Ordinary General Meeting of Shareholders, and have accordingly taken measures that include using a lottery system again at this year's meeting, taking shareholder questions in advance, and streaming the proceedings of the meeting live online. Realizing the importance of maintaining and strengthening an appropriate governance structure, we have also established a basic policy for our internal control system, and have established an infrastructure to ensure proper business operations as a corporate group by reinforcing the framework for audits by the Audit Committee and by creating control guidelines for the entire group, including subsidiaries and affiliates.

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

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

## CONSOLIDATED BALANCE SHEET

(As of March 31, 2021)

(Unit: Millions of yen)

| Item | Amount | Item | Amount |
|---|---|---|---|
| **ASSETS** | | **LIABILITIES** | |
| **Current assets** | **118,013** | **Current liabilities** | **62,918** |
| Cash and deposits | 42,961 | Notes and accounts payable - trade | 18,150 |
| Notes and accounts receivable - trade | 46,619 | Electronically recorded obligations - operating | 2,115 |
| Investments in leases | 801 | | |
| Merchandise and finished goods | 5,756 | Short-term borrowings | 4,500 |
| Work in process | 6,392 | Current portion of long-term borrowings | 3,899 |
| Raw materials and supplies | 6,654 | Lease obligations | 3,444 |
| Other | 9,401 | Accounts payable - other | 12,407 |
| Allowance for doubtful accounts | (574) | Income taxes payable | 2,374 |
| | | Provision for bonuses | 7,104 |
| **Non-current assets** | **134,591** | Other | 8,922 |
| **Property, plant and equipment** | **61,162** | **Non-current liabilities** | **74,534** |
| Buildings and structures | 15,431 | Bonds payable | 35,000 |
| Machinery, equipment and vehicles | 4,720 | Long-term borrowings | 22,321 |
| | | Lease obligations | 11,291 |
| Tools, furniture and fixtures | 12,036 | Deferred tax liabilities | 1 |
| Land | 9,691 | Retirement benefit liability | 3,801 |
| Leased assets | 13,079 | Asset retirement obligations | 1,053 |
| Construction in progress | 6,203 | Provision for share awards | 279 |
| **Intangible assets** | **27,462** | Provision for compensation loss | 466 |
| Goodwill | 760 | Other | 318 |
| Customer-related intangible assets | 947 | **Total liabilities** | **137,452** |
| | | **NET ASSETS** | |
| Software | 7,827 | **Shareholders' equity** | **115,775** |
| Leased assets | 1,019 | Share capital | 9,184 |
| Software in progress | 14,610 | Capital surplus | 24,906 |
| Other | 2,297 | Retained earnings | 83,269 |
| **Investments and other assets** | **45,966** | Treasury shares | (1,583) |
| Investment securities | 10,388 | **Accumulated other comprehensive income** | **(579)** |
| Long-term loans receivable | 4,003 | Valuation difference on available-for-sale securities | (152) |
| Guarantee deposits | 18,260 | | |
| Deferred tax assets | 9,458 | Foreign currency translation adjustment | 400 |
| Other | 3,997 | Remeasurements of defined benefit plans | (828) |
| Allowance for doubtful accounts | (140) | **Share acquisition rights** | **116** |
| **Deferred assets** | **146** | **Non-controlling interests** | **(13)** |
| Bond issuance costs | 146 | **Total net assets** | **115,298** |
| **Total assets** | **252,751** | **Total liabilities and net assets** | **252,751** |

## CONSOLIDATED STATEMENT OF INCOME

From: April l, 2020
To: March 31, 2021

(Unit: Millions of yen)

| | | |
|---|---|---|
| **Net sales** | | **223,016** |
| **Cost of sales** | | **146,808** |
| **Gross profit** | | **76,208** |
| **Selling, general and administrative expenses** | | **50,815** |
| **Operating profit** | | **25,392** |
| **Non-operating income** | | |
| Interest income | 150 | |
| Dividend income | 23 | |
| Dividend income of insurance | 20 | |
| Rental income | 85 | |
| Outsourcing service income | 17 | |
| Gain on investments in capital | 1,298 | |
| Consumption taxes variance | 816 | |
| Other | 210 | **2,622** |
| **Non-operating expenses** | | |
| Interest expenses | 309 | |
| Rental expenses | 41 | |
| Share of loss of entities accounted for using equity method | 1,671 | |
| Other | 534 | **2,557** |
| **Ordinary profit** | | **25,458** |
| **Extraordinary income** | | |
| Gain on sale of non-current assets | 109 | |
| Gain on reversal of share acquisition rights | 33 | |
| Other | 10 | **152** |
| **Extraordinary losses** | | |
| Loss on retirement of non-current assets | 226 | |
| Loss on sale of non-current assets | 1,540 | |
| Loss on liquidation of subsidiaries and associates | 322 | |
| Impairment losses | 773 | |
| Business restructuring expenses | 1,504 | |
| Other | 420 | **4,787** |
| **Profit before income taxes** | | **20,823** |
| Income taxes - current | 4,415 | |
| Income taxes - deferred | (1,016) | **3,398** |
| **Profit** | | **17,425** |
| **Loss attributable to non-controlling interests** | | **42** |
| **Profit attributable to owners of parent** | | **17,468** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April l, 2020
To: March 31, 2021

(Unit: Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| **Balance at beginning of period** | **9,147** | **24,869** | **72,772** | **(1,633)** | **105,156** |
| **Changes during period** | | | | | |
| Issuance of new shares - exercise of share acquisition rights | 2 | 2 | | | 5 |
| Issuance of new shares - restricted stock | 33 | 33 | | | 66 |
| Dividends of surplus | | | (6,571) | | (6,571) |
| Profit attributable to owners of parent | | | 17,468 | | 17,468 |
| Purchase of treasury shares | | | | (2) | (2) |
| Disposal of treasury shares | | | | 51 | 51 |
| Change in scope of consolidation | | | (399) | | (399) |
| Net changes in items other than shareholders' equity | | | | | |
| **Total changes during period** | **36** | **36** | **10,497** | **49** | **10,618** |
| **Balance at end of period** | **9,184** | **24,906** | **83,269** | **(1,583)** | **115,775** |

(Unit: Millions of yen)

| | Accumulated other comprehensive income | | | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasure-ments of defined benefit plans | Total accumulated other comprehen-sive income | | | |
| **Balance at beginning of period** | **(117)** | **(1,204)** | **(747)** | **(2,069)** | **141** | **–** | **103,228** |
| **Changes during period** | | | | | | | |
| Issuance of new shares - exercise of share acquisition rights | | | | | | | 5 |
| Issuance of new shares - restricted stock | | | | | | | 66 |
| Dividends of surplus | | | | | | | (6,571) |
| Profit attributable to owners of parent | | | | | | | 17,468 |
| Purchase of treasury shares | | | | | | | (2) |
| Disposal of treasury shares | | | | | | | 51 |
| Change in scope of consolidation | | | | | | | (399) |
| Net changes in items other than shareholders' equity | (34) | 1,605 | (80) | 1,489 | (24) | (13) | 1,451 |
| **Total changes during period** | **(34)** | **1,605** | **(80)** | **1,489** | **(24)** | **(13)** | **12,070** |
| **Balance at end of period** | **(152)** | **400** | **(828)** | **(579)** | **116** | **(13)** | **115,298** |

## NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2021)

(Unit: Millions of yen)

| Item | Amount | Item | Amount |
|---|---|---|---|
| **ASSETS** | | **LIABILITIES** | |
| **Current assets** | **46,056** | **Current liabilities** | **48,617** |
| Cash and deposits | 36,826 | Short-term borrowings | 4,500 |
| Accounts receivable - trade | 555 | Current portion of long-term borrowings | 3,899 |
| Prepaid expenses | 191 | | |
| Short-term loans receivable from subsidiaries and associates | 1,778 | Accounts payable - other | 2,677 |
| | | Accrued expenses | 318 |
| Accounts receivable - other | 6,557 | Income taxes payable | 170 |
| Other | 210 | Deposits received | 36,216 |
| Allowance for doubtful accounts | (63) | Unearned revenue | 2 |
| **Non-current assets** | **121,455** | Provision for bonuses | 574 |
| **Property, plant and equipment** | **1,427** | Other | 257 |
| Buildings | 306 | **Non-current liabilities** | **58,546** |
| Tools, furniture and fixtures | 130 | Bonds payable | 35,000 |
| Leased assets | 68 | Long-term borrowings | 22,321 |
| Construction in progress | 922 | Provision for share awards | 279 |
| **Intangible assets** | **1,541** | Provision for retirement benefits | 246 |
| Software | 1,192 | Provision for compensation loss | 466 |
| Leased assets | 199 | Other | 232 |
| Other | 149 | **Total liabilities** | **107,164** |
| **Investments and other assets** | **118,486** | **NET ASSETS** | |
| Investment securities | 2,031 | **Shareholders' equity** | **60,414** |
| Shares of subsidiaries and associates | 48,609 | **Share capital** | **9,184** |
| | | **Capital surplus** | **24,906** |
| Bonds of subsidiaries and associates | 38,250 | Legal capital surplus | 24,906 |
| | | Other capital surplus | 0 |
| Investments in capital | 2,553 | **Retained earnings** | **27,908** |
| Investments in capital of subsidiaries and associates | 891 | Legal retained earnings | 928 |
| | | Other retained earnings | 26,980 |
| Long-term loans receivable from subsidiaries and associates | 5,777 | Retained earnings brought forward | 26,980 |
| Guarantee deposits | 16,596 | **Treasury shares** | **(1,584)** |
| Deferred tax assets | 4,481 | **Valuation and translation adjustments** | **(35)** |
| Other | 88 | Valuation difference on available-for-sale securities | (35) |
| Allowance for doubtful accounts | (792) | | |
| **Deferred assets** | **146** | **Share acquisition rights** | **116** |
| Bond issuance costs | 146 | **Total net assets** | **60,494** |
| **Total assets** | **167,659** | **Total liabilities and net assets** | **167,659** |

## NON-CONSOLIDATED STATEMENT OF INCOME

From: April l, 2020
To: March 31, 2021

(Unit: Millions of yen)

| | | |
|---|---|---|
| **Operating revenue** | | |
| Dividend income | 8,938 | |
| Service revenue | 6,111 | **15,049** |
| **Operating expenses** | | **8,183** |
| **Operating profit** | | **6,866** |
| **Non-operating income** | | |
| Interest income | 232 | |
| Rental income | 255 | |
| Gain on investments in capital | 1,298 | |
| Other | 203 | **1,990** |
| **Non-operating expenses** | | |
| Interest expenses | 115 | |
| Interest on bonds | 115 | |
| Rental expenses | 289 | |
| Provision of allowance for doubtful accounts | 486 | |
| Other | 130 | **1,137** |
| **Ordinary profit** | | **7,720** |
| **Extraordinary income** | | |
| Gain on reversal of share acquisition rights | 33 | **33** |
| **Extraordinary losses** | | |
| Loss on retirement of non-current assets | 2 | |
| Loss on valuation of shares of subsidiaries and associates | 10,550 | |
| Other | 407 | **10,960** |
| **Loss before income taxes** | | **3,206** |
| Income taxes - current | (2,624) | |
| Income taxes - deferred | (697) | **(3,321)** |
| **Profit** | | **115** |

## NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April l, 2020
To: March 31, 2021

(Unit: Millions of yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | |
| | Share capital | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings<br>Retained earnings brought forward | Total retained earnings | Treasury shares | Total share-holders' equity |
| **Balance at beginning of period** | **9,147** | **24,869** | **0** | **24,869** | **928** | **33,436** | **34,364** | **(1,633)** | **66,748** |
| **Changes during period** | | | | | | | | | |
| Issuance of new shares - exercise of share acquisition rights | 2 | 2 | | 2 | | | | | 5 |
| Issuance of new shares - restricted stock | 33 | 33 | | 33 | | | | | 66 |
| Dividends of surplus | | | | | | (6,571) | (6,571) | | (6,571) |
| Profit | | | | | | 115 | 115 | | 115 |
| Purchase of treasury shares | | | | | | | | (2) | (2) |
| Disposal of treasury shares | | | | | | | | 51 | 51 |
| Net changes in items other than shareholders' equity | | | | | | | | | |
| **Total changes during period** | **36** | **36** | **–** | **36** | **–** | **(6,456)** | **(6,456)** | **49** | **(6,334)** |
| **Balance at end of period** | **9,184** | **24,906** | **0** | **24,906** | **928** | **26,980** | **27,908** | **(1,584)** | **60,414** |

| | 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** | **(11)** | **(11)** | **141** | **66,877** |
| **Changes during period** | | | | |
| Issuance of new shares - exercise of share acquisition rights | | | | 5 |
| Issuance of new shares - restricted stock | | | | 66 |
| Dividends of surplus | | | | (6,571) |
| Profit | | | | 115 |
| Purchase of treasury shares | | | | (2) |
| Disposal of treasury shares | | | | 51 |
| Net changes in items other than shareholders' equity | (23) | (23) | (24) | (48) |
| **Total changes during period** | **(23)** | **(23)** | **(24)** | **(6,382)** |
| **Balance at end of period** | **(35)** | **(35)** | **116** | **60,494** |