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H.U. Group Holdings, Inc.

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Securities Code: 4544
https://www.hugp.com/en/

The corporate governance of H.U. Group Holdings, Inc. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views

On July 1, 2020, the Company changed its corporate name to H.U. Group Holdings, Inc. In line with a change in its corporate name, the Company brings about greater managerial efficiency based on its newly revised 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.

The "Corporate Governance Policy" of the Company is disclosed at the website below.
(Corporate Governance Policy) https://www.hugp.com/en/company/governance.html

[Disclosure Based on the Principles of Japan's Corporate Governance Code] Updated

1. Items to be disclosed in the Japan's Corporate Governance Code

[Principle 1.4 Shares Held as Cross-Shareholdings]
The Company's policy on cross-shareholdings of listed shares and the criteria for exercising voting rights on cross-shareholdings are described in "12. Strategic shareholdings" of the Corporate Governance Policy. Verification of the appropriateness of the holding is disclosed in the annual securities reports. The Company has defined the purpose of holding cross-shareholdings and has been working to reduce the number of such cross-shareholdings. In FY 2023, the Company held three listed shares (approximately 150 million yen) that were deemed suitable for holding as a result of the verifications.
(Annual Securities Reports) https://www.hugp.com/ir/library/yuho.html (in Japanese)

[Principle 1.7 Related Party Transactions]
The appropriate procedural framework depending on the materiality and nature of related party transactions is described in "13. Procedural framework regarding related party transactions" of the Corporate Governance Policy.

[Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources]
In order for the Group to realize the Mission and Vision, we believe it is important to change the awareness and behavior of "People (employees)," who are the "Drivers of innovation." To this end, we have established a "Human Rights Policy," "Diversity Policy," "Occupational Health and Safety Policy," and "Training and Development Policy," have set various KPIs tied to each policy, and have formulated medium-term targets for each fiscal year.
Based on these policies, the Company is striving to recruit and train core human resources and promote them to management positions with an emphasis on diversity, without making any distinction in nationality as well as between new graduates and midcareer hires.
As an example of this, related persons at each of the Group companies are committed to achieving these targets, led by an organization dedicated to diversity under the direct control of the President. Specifically, for FY 2023, initiatives that serve as the foundation for diversity and inclusion were put forward under the theme of "Knowing," such as basic diversity education geared toward employees, diversity management training for managers, and workplace communication improvement measures. In addition, we have set a target of 22% (by FY 2024) of female managers at the manager level or above at domestic and overseas locations. The ratio of female managers as of the end of FY 2023 is 22.2%. We will continue to promote the creation of a diverse, healthy, and activated organizational culture.
(Sustainability Roadmap for Human Rights and Human Resources Domain)
https://www.hugp.com/en/sustainable/humanrights.html
(ESG Performance Data) https://www.hugp.com/en/sustainable/esg.html

[Principle 2.6 Functioning as Asset Owner of Corporate Pension Funds]
In April 2019, the Company introduced a lump-sum retirement benefit program and defined contribution pension plan, while moving our previous defined benefit plan to a closed corporate pension fund. The corporate pension fund is an organization independent of the Company, and while the management of the reserve fund is left to the discretion of the fund, as a parent company, the Company also recognizes that the management of the reserve fund affects not only the stable asset formation of our employees but also our financial condition, and to ensure that the corporate pension fund enhances its investment expertise

and fulfills its expected functions as an asset owner, we allocate human resource with appropriate qualifications for investment and provide opportunities for regular investment reports.

[Principle 3.1 Enhancement of Information Disclosure]
The Company will actively disclose information in accordance with relevant laws and regulations, as well as information beyond that required by laws and regulations, concerning the Group's business plans, performance, financial standing, business risks, corporate governance, etc.
In light of the importance of information disclosure, the Company has established the Information Disclosure Rules to clearly define the Company's basic policy.

(1) Since its foundation in 1950, the Group has developed its business in the medical field, mainly in the area of clinical testing. Nevertheless, amidst the rapidly changing business environment, for future breakthrough growth, it is necessary to expand the scope of our business beyond the medical field into the broader healthcare business.
Therefore, we have changed the Company's corporate name to "H.U. Group Holdings, Inc." effective as of July 1, 2020, to embody our desire to move forward from "a company that has continued to support medical care with a focus on clinical testing," to provide optimal healthcare services to all by addressing each and every one of our customers individually. (In the new corporate name, "H.U." stands for "Healthcare for You.")
In conjunction with the change in the corporate name, we have also revised our Mission and Vision as follows.
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."
The medium-term plans and management strategies are disclosed in the annual securities reports, business reports, and our website, and the business plan for a single fiscal year is disclosed annually at the financial results briefing session for the previous fiscal year. In September 2020, we announced our five-year Medium-term Plan, "H.U. 2025: Hiyaku (significant growth) & United," which covers the period from FY 2020 (fiscal year ended March 31, 2021) to FY 2024 (fiscal year ending March 31, 2025).
(Medium-term Plans and Management Strategies) https://www.hugp.com/en/ir/management/plan.html
(Financial Results Briefing Materials) https://www.hugp.com/en/ir/library/presentation.html

(2) The Board of Directors has established the Corporate Governance Policy, which describes the Company's basic approach and policy on corporate governance, and the Company discloses this policy on its website.
(Corporate Governance Policy) https://www.hugp.com/en/company/governance.html

(3) Policies and procedures for determining compensation for directors and executive officers are disclosed in our annual securities reports.
(Annual Securities Report) https://www.hugp.com/ir/library/yuho.html (in Japanese)

(4) Policies and procedures for nominating candidates for Directors and appointing executive officers are described in "5. Balance, diversity and size of the Board of Directors and appointment of directors" and "10. Policies and procedures regarding appointment of executive officers" of the Corporate Governance Policy.

(5) The Company has elected and appointed executive officers for the following reasons and purposes. The reasons for the election of Directors are stated in the convocation notice of the ordinary general meeting of shareholders.

Shigekazu Takeuchi (Chairman, President and Group CEO)
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 suited to be an executive officer of the Company.

Naoki Kitamura (Managing Executive Officer and CFO, HS)
Mr. Naoki Kitamura worked for Sony Corporation and its group companies in Japan and overseas before joining the Company in 2011 as General Manager of Strategic Planning Department and having been serving as executive officer since 2013 (incumbent). 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 suited to be a director of the Company, and accordingly has been appointed as an executive officer for that position.

Goki Ishikawa (Executive Officer, IVD)
Mr. Goki Ishikawa joined the Company in 2012 after working for the Boston Consulting Group and Elsevier. After serving as Director of an overseas group company in the area of the In-Vitro Diagnostics since 2013, he became Director of Fujirebio Inc. in 2014 (incumbent), and after being appointed as President & CEO of the company in 2018, he was appointed as President & CEO of Fujirebio Holdings, Inc. in June 2020 (incumbent). He has knowledge of corporate management and business operation as well as extensive knowledge and experience in the In-Vitro Diagnostics and global business. Considering the above, Mr. Ishikawa is suited to be an executive officer of the Company.

Makoto Matsumoto (Executive Officer, LTS)
Mr. Makoto Matsumoto joined SRL, Inc. in 1991, and served as Director of the company in 2018. He then has been serving as President and CEO of H.U. Frontier, Inc. since 2020 and President and CEO of SRL, Inc. since June 2023. He has extensive experience and knowledge of the clinical laboratory testing. Considering the above, Mr. Matsumoto is suited to be an executive officer of the Company.

Kazuya Omi (Executive Officer and CTO)
Mr. Kazuya Omi joined the Company in 2015 and was appointed in 2017 as General Manager, Research & Development Strategy Department of the Company (incumbent) and President of Miraca Research Institute G.K. (currently H.U. Group Research Institute G.K.) (incumbent), and in 2020 as Director of SRL, Inc. (incumbent) and Director of Fujirebio Inc. (incumbent). He has broad experience and knowledge of research and development and open innovation in the area of clinical testing, as well as deep insight into cutting-edge technologies beyond this area. Considering the above, Mr. Omi is suited to be an executive officer of the Company.

Toshihiko Shimizu (Executive Officer and CIO)
Mr. Toshihiko Shimizu has many years of experience in the management of Tokyo Electric Power Company and Tokyo Electric Power Company Group. His extensive experience and broad insight in the IT field, developed throughout his career, will be a valuable asset to the Company. Considering the above, Mr. Shimizu is suited to be an executive Officer of the Company.

Tadashi Hasegawa (President's Special Assignments Officer)
Mr. Tadashi Hasegawa joined SRL, Inc. in 2000 and has been a Director of the company since 2017 (incumbent). He was appointed as General Manager, Corporate Management Department of the Company in 2011, Division Head, Corporate Management Division of the Company in 2017, Division Head, Corporate Planning & Management Division of the Company in 2018 (incumbent) and Director of Fujirebio Inc. in 2020 (incumbent). He has broad experience and knowledge in corporate planning and corporate management, as well as in group management. Considering the above, Mr. Hasegawa is suited to be an executive officer of the Company.

(Notice of Ordinary General Meeting of Shareholders) https://www.hugp.com/en/ir/stock/meeting.html

[Supplementary Principle 3.1.3 Sustainability Initiatives, Etc.]
The Group discusses basic policies and plans of action in relation to sustainability at the "H.U. Group Sustainability Committee" chaired by the President & CEO of the Company.
The Committee monitors activities of each Group company for execution of the plans and plays a role in gathering and sharing the latest information outside of the Company relating to sustainability. Under the committee, five subcommittees were established based on each policy chaired by the Division Head of the relevant division, and they implement sustainability activities in turn.
The Group, as a Company with Three Committees (Nomination, Audit and Remuneration), achieves clear separation of oversight and executive functions giving executive officers the authority to make decisions with greater speed, and implements sustainability activities under the corporate governance structure mentioned above. Matters discussed and resolved at the H.U. Group Sustainability Committee are reported to the Company's Board of Directors.
The Group released KPIs (Key Performance Indicators) related to sustainability activities and targets as an H.U. Group Sustainability Roadmap, and efforts are underway to achieve these goals.

Human Capital Initiatives
To realize the Group's Mission and Vision, we are required to innovate. The people, our employees, are able to become a driver of innovation. Changing their awareness and behavior leads to creating new values in healthcare. To this end, we have identified materialities related to human capital: human rights, diversity, ideal workplaces, health improvement, and human resource development, and are working to create a diverse, healthy, and energized organizational culture.
As one initiative for health improvement, we published the Health Management White Papers and are further strengthening our efforts. As a result, in addition to being recognized as a Certified Health & Productivity Management Outstanding Organization in the Large Enterprise Category for the fifth consecutive year, in March 2024 we were selected as a Health and Productivity Stock for the first time. Currently out of all companies of the Group, ten companies from the Group, including seven companies in the large enterprise category of the Certified Health & Productivity Management Outstanding Organizations Recognition Program (of which four group companies, including our company, have obtained White 500 certification for three consecutive years) and three companies in the small and medium enterprise category, have been recognized as Certified Health & Productivity Management Outstanding Organizations.

Environment Initiatives
As disclosure of climate change-related risk and opportunity is getting more attention, the Group declared support for TCFD (Task Force on Climate-related Financial Disclosures) recommendation in November 2021. To practice information disclosure in accordance with the TCFD recommendations, we take account of the highly unpredictable impact of climate change by carrying out scenario analysis and conducting qualitative evaluation of risks and opportunities. In considering our risk and opportunity responses, we estimated transition risks increase (1.5°C and 2°C) and where physical risks increase (4°C) and sorted out events that could take place under each scenario. To prepare for these potential events, we have set timelines of "Short term: 1 year," "Medium term: 5 years" and "Long term: 10 years or more," organized the potential business impact and our response measures and analyzed business risks and opportunities.
We will continue to work on solving social issues through our main business and build strong relationships with a wide range of stakeholders based on "Our Approach to Sustainability" of the Group.

For more information on the Group's sustainability activities including initiatives for human capital, intellectual capital, and the environment, see the Company's website.
(Sustainability Activities) https://www.hugp.com/en/sustainable/
(ESG Performance Data) https://www.hugp.com/en/sustainable/esg.html
(Integrated Report) https://www.hugp.com/en/ir/library/report/

Investment in Intellectual Property, Etc.
In our Medium-term Plan (from the fiscal year ended March 31, 2021 to the fiscal year ending March 31, 2025), we have set the strengthening of research and development (R&D) as a key measure, and we are actively investing in human resources and R&D expenses in order to promote the strengthening of R&D, and the acquisition of intellectual property rights derived from R&D activities. Actual and planned R&D expenses are disclosed in the Financial Results for FY 2023 (ended March 31, 2024). Inventions obtained from R&D, names which were conceived mainly as brands, and other outputs are protected as intellectual property, such as patent rights and trademark rights, and are utilized by the Group to ensure sustainable business competitiveness and to promote co-creation using intellectual property as a medium.
(Financial Results for FY 2023 (Ended March 31, 2024))
https://www.hugp.com/resources/file/pdf/en/20240510_presentation_E.pdf
(Intellectual Property) https://www.hugp.com/en/business/r_and_d/ip.html
(Integrated Report) https://www.hugp.com/en/ir/library/report/

[Supplementary Principle 4.1.1 Roles and Responsibilities of the Board of Directors (1)]
The scope of delegation by the Board of Directors to executive officers is described in "4. Overview of authority delegated by the Board of Directors to the management" of the Corporate Governance Policy.

[Principle 4.8 Effective Use of Independent Outside Directors]
Under "5. Balance, diversity and size of the Board of Directors and appointment of Directors" of the Corporate Governance Policy, the Company stipulates that the majority of Directors shall consist of highly independent outside directors. Of the nine Directors elected at the 74th Ordinary General Meeting of Shareholders, seven are highly independent outside directors, and all outside directors are registered with the Tokyo Stock Exchange as independent directors (the composition ratio of independent outside directors is 78%).

[Principle 4.9 Independence Standards and Qualifications for Independent Outside Directors]
Under "6. Independence standards for independent outside directors" of the Corporate Governance Policy, the Company states the criteria for determining the independence of independent outside directors.

[Supplementary Principle 4.10.1 Use of Optional Approaches]
The Company is a Company with three committees (nomination, audit and remuneration) under the Companies Act and a majority of Directors consist of independent outside directors.

[Supplementary Principle 4.11.1 Preconditions for Ensuring Effectiveness of the Board of Directors and Board of Auditors]
The balance, diversity and size of the Board of Directors and the appointment of Directors are described in "5. Balance, diversity and size of the Board of Directors and appointment of Directors" of the Corporate Governance Policy.
Please refer to the skill matrix, including expertise and experience, of the candidates for Director, as disclosed in the convocation notice of the general shareholders meeting.
(Expertise and Experience, Etc. of the Candidates for Director) https://www.hugp.com/en/ir/stock/meeting.html

[Supplementary Principle 4.11.2 Preconditions for Ensuring Effectiveness of the Board of Directors and Board of Auditors]
The status of concurrent positions of outside directors appointed at the 74th Ordinary General Meeting of Shareholders with officers of other listed companies is stated in the Notice of Convocation of the Ordinary General Meeting of Shareholders.
(Notice of Ordinary General Meeting of Shareholders) https://www.hugp.com/en/ir/stock/meeting.html

[Supplementary Principle 4.11.3 Assessment of the Effectiveness of the Board of Directors]
The Board of Directors of the Company considers it important to adopt a third-party perspective in its processes for evaluating its own effectiveness, which are carried out once a year, to effectively verify said effectiveness.
In FY 2023, it brought on board an independent, third-party organization to serve as an advisor in performing evaluations related to a number of different matters. Said matters include the composition of the Board of Directors; its effectiveness including supervision of business execution; the effectiveness of the Nominating, Compensation, and Audit Committees; the operation of the Board of Directors; structures to support and cooperate with outside directors; and relations with shareholders and other stakeholders.
The evaluation was carried out by ensuring fairness by following a process of having nine Directors respond to questionnaires under conditions in which anonymity was guaranteed and having a third-party organization tabulate and analyze the responses.

<Evaluation Results>
The results of the tabulation and analysis were reported to the Board of Directors in May 2024. It was found that, continuing from the previous fiscal year, the effectiveness of the Board of Directors of the Company was generally favorable mainly as the evaluation indicated improvement in terms of enhancement of discussion on medium- to long-term strategy.

<Initiatives in Response to the Evaluation Results>
The Company has evaluated the effectiveness of the Board of Directors continuously since April 2016 and implemented initiatives in line with the evaluation results to increase the Board's effectiveness.
Since the previous evaluation of effectiveness conducted in April 2023, we have implemented the following measures to improve the Board's effectiveness.
(i) Ensuring of timely advance distribution of discussion materials relating to agenda items for Board of Directors meetings
(ii) Holding of advance briefing meetings on key agenda items for Board of Directors meetings
(iii) Holding of sessions for Directors to discuss medium- to long-term strategy
(iv) Holding of opinion exchange meetings for outside directors to promote communication among them
(v) Holding of regular opinion exchange meetings between outside directors and Group CEO and the officers in charge of each business
(vi) Holding of discussions on the prioritization of material issues (materiality)

[Supplementary Principle 4.14.2 Director and Auditor Training]
The training policy for Directors is described in "7. Director training" in the Corporate Governance Policy.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]
Measures and organizational structures aimed at promoting constructive dialogue with shareholders are described in "2. Measures and organizational structures aimed at promoting constructive dialogue with shareholders" in the Corporate Governance Policy.
(Governance policy) https://www.hugp.com/resources/file/pdf/en/20200701_CG_policy_e.pdf

[Measures to Achieve Management with an Awareness of Cost of Capital and Share Price] [English disclosure available] [Updated on November 29, 2024]
The Group has established consolidated net sales, consolidated operating profit, and EBITDA as key performance indicators in terms of rapid future and sustainable growth and improvement of profitability; return on equity (ROE) as the key performance indicator in terms of efficient management of shareholder equity; and return on invested capital (ROIC) as the key performance indicator in terms of improvement of profitability on invested capital.
In addition, we place emphasis on disciplined balance-sheet management and for investment projects of 300 million yen or higher, we are strengthening the pre-screening function carried out prior to final decisions and performing post-investment monitoring. Examples include the validation and arrangement of key points for each project as performed by the Investment Committee, which is an advisory body to the CEO. In our evaluation of investment projects, we adopt a hurdle rate that is determined by reflecting certain business risks and country risks in a standardized cost of capital, accepting a hurdle rate range of within 8 to 24%. In addition to encouraging each business division to invest with an awareness of its cost of capital, emphasis is placed on contributing to the improvement of corporate value in the medium- and long-term by generating returns that exceed this.
In addition, the Company revised the compensation system for directors and executive officers in July 2023, and newly established the Basic Principles of Executive Officer Compensation. By appropriately reflecting the sustainability initiatives, relative TSR and other indicators in the assessment and by operating a compensation program in accordance with the principles, the Company aims for management with an awareness of share price.
(Integrated Report) https://www.hugp.com/en/ir/library/report/

[Principle 5.2 Formulation and Release of Management Strategy and Management Plan]
The medium-term plan and management strategy were released in our Annual Securities Report, Business Report, and website, and the Medium-term Business Plan "H.U. 2025—Hiyaku (significant growth) & United" for the five-year period from FY 2020 (ended March 31, 2021) to FY 2024 (ending March 31, 2025) was released in September 2020.
(Medium-term Business Plan) https://www.hugp.com/en/ir/management/plan.html

2. Supplementary Explanations

[General Principle 1 Securing the Rights and Equal Treatment of Shareholders]

- The Company implemented the following measures to secure the rights of our shareholders and ensure that they can properly exercise said rights at the 74th Ordinary General Meeting of Shareholders.
  (1) To ensure that our shareholders can properly exercise their voting rights, we sent convocation notices and attached documents three weeks prior to the Ordinary General Meeting of Shareholders. Ahead of this, we electronically disclosed said materials on the website of the Tokyo Stock Exchange and the Company's own website. We also disclosed English versions of the convocation notice together with this.
  (2) The shareholders' meeting schedule is set to avoid so-called "concentrated days" for shareholders' meetings. For shareholders who are unable to attend the meeting, we accept questions in advance and provide a live streaming broadcast via the Internet. We will continue our efforts to further vitalize the General Meeting of Shareholders by ensuring opportunities for active dialogue with our shareholders.
- All proposals made by the Company at the 74th Ordinary General Meeting of Shareholders were approved, and no proposals made by the Company received a number of negative votes that met the criteria set forth in the Corporate Governance Policy of the Company.
- For shares held as part of cross-shareholdings by the Company or our Group companies, we confirm their consistency with our strategic objectives based on the results of assessments and verifications performed by the Board of Directors of each company holding such shares.

- The Company has not adopted any anti-takeover measures.

[General Principle 2 Appropriate Cooperation with Stakeholders Other Than Shareholders]

- The Company discloses the "H.U. Group Code of Conduct" on its website and translates the code into local languages as necessary to ensure compliance by its overseas subsidiaries. The Compliance Committee reports to the Board of Directors on the status of their compliance and implementation.
- The Group has established "Our Approach to Sustainability" and believes that sustainability can be achieved through corporate activities based on Mission, Vision, and Values and Traits. Through these activities, we will work to solve social issues and build good relationships with a wide range of stakeholders. In addition, we have established the Sustainability Committee of the Group consisting of the Company's executive officers and presidents of major operating companies to promote the sustainability activities of the entire Group.
- Based on its Medium-term Business Plan, the Group established the "Sustainability Roadmap" with KPIs and two-year targets for sustainability activities from FY 2023 to FY 2024, and has been working on the plan.
  In addition, in accordance with the Paris Agreement and the Osaka Blue Ocean Vision, the Group has established long-term targets for climate change and recycling-oriented society, both identified as materialities in the environmental field.
- The Company has developed internal rules on whistleblowing covering the entire Group, which clearly stipulate anonymous reporting, confidentiality of informants, and prohibition of disadvantageous treatment of informants.
- The operational status of whistleblowing is reported to and supervised by the Board of Directors through the Compliance Committee. The Company has outsourced to a third party the contact service for whistleblowing for the entire Group.

[General Principle 3 Ensuring Appropriate Information Disclosure and Transparency]

- The Company discloses its financial results on a quarterly basis. In cases where there is a difference between planned and actual results, the Company analyzes the difference semiannually and reports the reasons for the difference at financial results briefing sessions and other meetings.
- The Company prepares and publishes on its website English abstracts of financial results, notices of convocation, financial results briefing materials, and other documents.
- The Company has appointed PricewaterhouseCoopers Japan LLC as its Accounting Auditor. With respect to the 74th term of the Company, the Audit Committee of the Company monitored and verified whether the Accounting Auditor maintained an independent position and conducted an appropriate audit, and stated in its audit report that the audit methods and results of PricewaterhouseCoopers Japan LLC were fair and reasonable.
- With regard to the audit for the 74th term, we believe that we have provided sufficient time for the Accounting Auditor to conduct the audit, while balancing the prompt disclosure of information. The Company's CFO, Executive Officer in charge of accounting and finance, Audit Committee, and Internal Audit Department work in sufficient cooperation with the Accounting Auditor.

[General Principle 4 Responsibilities of the Board of Directors]

- Outside directors are appointed as chairpersons of the Nominating Committee, Audit Committee, and Compensation Committee, and all members of the committees consist of outside directors.
- Members of the Audit Committee attends major meetings such as the Risk Management Committee and the Compliance Committee, holds regular liaison meetings with the Internal Audit Department and with the auditors of major operating companies, 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 Auditors by requesting them to explain and report the initial audit plan, status of audits during the term and results of the year-end audit.
- The Secretariat of the Audit Committee is established as an organization under the direct control of the Audit Committee. The appointment, dismissal, performance evaluation, transfer and other treatment of employee(s) belonging to the Secretariat of the Audit Committee are explained to and approved in advance by the Audit Committee, thereby ensuring their independence.

[General Principle 5 Dialogue with Shareholders]

- The Company holds briefing sessions on its financial results four times a year chaired by the CEO and CFO and proactively holds interviews with institutional investors and analysts, with its IR/SR section serving as the point of contacts. In addition, the Company works to promote a better understanding of its business by proactively providing opportunities such as IR Day and small meetings for analysts and institutional investors. The materials used in these briefing sessions are disclosed via its website. We also hold briefing sessions for individual investors as needed. In preparing materials, we coordinate with relevant internal sections to collect appropriate information and ensure accuracy.
- Opinions obtained through discussions with investors and shareholders are reported to the Board of Directors, etc. on a quarterly basis, and the opinions are used to improve various measures.
- We limit the number of personnel who meet with shareholders and analysts, confirm the information to be disclosed in advance, and participate in external seminars and other events dealing with legal compliance, such as regulations against insider trading, every year as a general rule.
- The Company outsources surveys on its substantial shareholders on a regular basis in an effort to determine its shareholder structure.

2. Capital Structure

Foreign Shareholding Ratio	30% or more

[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,278,200	19.71
Custody Bank of Japan, Ltd. (Trust Account)	3,960,500	6.92
JP MORGAN CHASE BANK 380684	2,486,700	4.35
SSBTC CLIENT OMNIBUS ACCOUNT	2,205,336	3.85
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	1,705,400	2.98
Nippon Life Insurance Company	1,538,673	2.69
Meiji Yasuda Life Insurance Company	1,272,200	2.22
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS–UNITEDKINGDOM	1,129,200	1.97
STATE STREET BANK AND TRUST COMPANY 505103	1,054,438	1.84
THE BANK OF NEW YORK MELLON 140044	1,040,600	1.82

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	———
Name of Parent Company, if applicable	N/A

Supplementary Explanation

Supplementary Explanation on [Major Shareholders]

1. Shareholding ratio above is calculated based on the number of shares excluding 262,101 shares of treasury stock owned by the Company. Treasury stock does not include 392,718 shares held at the trust under the trust-type share-based compensation scheme.
2. The shares held by The Master Trust Bank of Japan, Ltd. and by Custody Bank of Japan, Ltd. are related to their trust services.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Business Sector	Services
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Three Committees (Nomination, Audit and Remuneration)

[Directors]

Number of Directors Stipulated in Articles of Incorporation	10
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9

[Outside Directors]

Number of Outside Directors	7
Number of Independent Directors	7

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shigehiro Aoyama	From another company											
Futomichi Amano	CPA											
Sachiko Awai	From another company											
Ryoji Itoh	Academic											
Moegi Shirakawa	Attorney at law											
Keiji Miyakawa	From another company											
Hitoshi Yoshida	From another company											

* Categories for "Relationship with the Company"
(Use "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past;
"●" when a close relative of the director presently falls or has recently fallen under the category; and
"▲" when a close relative of the director fell under the category in the past.)

a. Person who executes business for the Company or its subsidiary
b. Person who executes business for or a non-executive director of the Company's parent company
c. Person who executes business for a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
e. Major client of the Company or a person who executes business for said client
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/ Audit and Supervisory Board Member
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Committee			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Shigehiro Aoyama	○			○	———	Mr. Shigehiro Aoyama has abundant experience and broad insight in the global business encompassing M&A and in the healthcare field, having been involved in the management of Suntory Holdings Limited for many years. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As the Chairperson 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.
Futomichi Amano			○	○	———	Mr. Futomichi Amano has broad insight in global business and abundant experience in the field of accounting, having been involved both in audits as a certified public accountant and in the management of Deloitte Touche Tohmatsu LLC for many years. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As the Chairperson 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.
Sachiko Awai		○		○	———	Ms. Sachiko Awai has broad insight based on her extensive experience as a business company manager. On the Board of Directors, she performs her role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As a member of the Compensation Committee, she furthermore conducts robust deliberations when it comes to the making decisions on the Company's compensation system for its directors and executive officers as well on compensation levels. Considering the above, Ms. Awai is capable of appropriately performing duties as an outside director.

Name	Membership of Committee			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Ryoji Itoh	○	○		○	———	Mr. Ryoji Itoh has a wide range of knowledge on corporate management, human resources development, and digital transformation based on his extensive global experience as a management consultant, fund manager, and business company manager. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As the Chairperson 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.
Moegi Shirakawa			○	○	———	Although Ms. Moegi Shirakawa does not have experience in corporate management other than being an outside director, she is an independent expert who can provide advice enlisting differing perspectives as a lawyer and a legal practitioner who is well versed in corporate and business law. On the Board of Directors, she performs her role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. In addition, on the Audit Committee, she audits and supervises the execution of duties by management of the Group through meetings with management of the Company and its major subsidiaries and regular meetings with corporate auditors of major subsidiaries, in accordance with the audit policy and audit plan. Considering the above, Ms. Shirakawa is capable of appropriately performing duties as an outside director.

Name	Membership of Committee			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Keiji Miyakawa		○	○	○	———	Mr. Keiji Miyakawa has abundant experience in the investment banking division of a major global securities firm and in M&A advisory companies, and also has broad insight as a financial service manager. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. As a member of the Compensation Committee, he furthermore conducts robust deliberations when it comes to making decisions on the Company's compensation system for its directors and executive officers as well on compensation levels. On the Audit Committee, he audits and supervises the execution of duties by management of the Group through meetings with management of the Company and its major subsidiaries and regular meetings with corporate auditors of major subsidiaries, in accordance with the audit policy and audit plan. Considering the above, Mr. Miyakawa is capable of appropriately performing duties as an outside director.
Hitoshi Yoshida	○			○	———	Mr. Hitoshi Yoshida has a track record of sustained company growth as a manager at ASKUL Corporation, broad insight related to risk management and digital transformation. On the Board of Directors, he performs his role of seeking to ensure that the Board of Directors appropriately makes decisions serving as an outside director. Furthermore, as a member of the Nominating Committee, he also conducts robust deliberations regarding the nomination of candidates for director in a manner that ensures membership balance and diversity of the Board of Directors overall. Considering the above, Mr. Yoshida is capable of appropriately performing duties as an outside director.

[Supervisory Committees]

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Nominating Committee	3	0	0	3	Outside director
Compensation Committee	3	0	0	3	Outside director
Audit Committee	3	0	0	3	Outside director

[Executive Officers]

Number of Executive Officers	7

Status of Concurrent Duties

Name	Representative Authority	Concurrent Position Held by Director			Concurrent Duties as Employee
			Nominating Committee Member	Compensation Committee Member	
Shigekazu Takeuchi	Yes	Yes	×	×	No
Naoki Kitamura	No	Yes	×	×	No
Goki Ishikawa	No	No	×	×	No
Makoto Matsumoto	No	No	×	×	No
Kazuya Omi	No	No	×	×	No
Toshihiko Shimizu	No	No	×	×	No
Tadashi Hasegawa	No	No	×	×	No

[Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed

Matters Related to the Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

The Secretariat of the Audit Committee is established as an organization under the direct control of the Audit Committee.
The Secretariat of the Audit Committee has one full-time secretariat staff member who does not concurrently perform duties related to the execution of the Company and the Group.
The secretariat staff member of the Audit Committee acts in accordance with the instructions of the Audit Committee members. The appointment, dismissal, performance evaluation, transfer, and other treatment of such employee shall be explained to and approved in advance by the Audit Committee, as stipulated in the basic policy of the internal control system, to ensure independence in the execution of his/her duties.

Cooperation among Audit Committee, Accounting Auditor and Internal Audit Department

The Internal Audit Department (the Company's Internal Audit Department (16 members) oversees the internal audit departments of each operating company) conducts internal audits in accordance with internal audit regulations and assesses internal control independently on a regular basis in accordance with these regulations 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.
The Audit Committee consists of three committee members, each of whom attends major meetings such as the Risk Management Committee and the Compliance Committee, holds regular liaison meetings with the Internal Audit Department and with the auditors of major operating companies, 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 Auditors by requesting them to explain and report the initial audit plan, status of audits during the term and results of the year-end audit.
The Accounting Auditor of the Company is PricewaterhouseCoopers Japan LLC, which performs accounting audit services in cooperation with the Audit Committee members, etc. of the Company in accordance with the Auditing Standards Committee Statement No. 260, Communication with Company Auditors of the Japanese Institute of Certified Public Accountants.

[Matters Concerning Independent Directors]

Number of Independent Directors	7

Other Matters Concerning Independent Directors

- There are no conflicts of interests between any of the independent directors and the Company.
- All of the independent directors satisfy the requirements for independence stipulated by the independence standards of the Company.

[Incentives]

Implementation Status of Measures Related to Incentives Granted to Directors and/or Executive Officers	Performance-linked compensation and other measures

Supplementary Explanation for Applicable Items

We regard the enhancement of corporate value for shareholders and the common interests of shareholders as an important issue, and have introduced the performance-based compensation system for executive officers, while abolishing the retirement benefits system at the time of retirement and introducing the share-based compensation system.
Compensation for executive officers is determined by a combination of fixed amount compensation, performance-based compensation, and share-based compensation, taking into account the nature of each executive officer's duties. The amount of performance-based compensation will be changed depending on business results, with net sales, operating profit, net income and other figures employed as criteria for determining results. The details are disclosed in the annual securities reports.
(Annual Securities Report) https://www.hugp.com/ir/library/yuho.html (in Japanese)

Persons Eligible for Stock Options	Employees, subsidiaries' directors, subsidiaries' employees

Supplementary Explanation for Applicable Items

Aiming mainly to provide further motivation for improving the Company's financial results and corporate value, we have included senior staff (management), who are in the position to lead medium- to long-term growth, subsidiaries' directors and subsidiaries' employees as the eligible persons.

[Remuneration for Directors and Executive Officers]

Status of Disclosure of Individual Director's Remuneration	No individual disclosure
Status of Disclosure of Individual Executive Officers' Remuneration	Selected directors

Supplementary Explanation for Applicable Items

The total amount of fixed and performance-based compensation as determined by a decision of the Compensation Committee is disclosed, separately for directors and executive officers.
We have disclosed the total amount of compensation, etc. for individuals whose compensation etc. exceeds 100 million yen in FY 2023.
(Annual Securities Report) https://www.hugp.com/ir/library/yuho.html (in Japanese)

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

H.U. Group Holdings, Inc., whose corporate name expresses "Healthcare for you," aims to make further progress as a corporate group that contributes to the development of healthcare based on our desire to provide optimal healthcare services to all by addressing each and every one of our customers individually. To realize this desire and to promote full-scale global management among other items, at the Company's Compensation Committee held on June 20, 2023, in addition to revising the compensation regulations and resolving to fundamentally revise the compensation system for directors and executive officers, the Company established the following "Basic Principles of Executive Officer Compensation" and has operated a compensation program.

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

(1) Policy for determining the amount of compensation, etc. for directors and executive officers and its calculation method and the method for determining that policy
The Company complies with provisions of the Companies Act regarding companies with nominating committees, etc., and the Compensation Committee has determined the following policy for determining individual compensation for the Company's

directors and executive officers and has determined the amount of individual compensation to be received by the Company's directors and executive officers in accordance with this policy.
In addition, as the Company has a Company with Three Committees (Nomination, Audit and Remuneration) pursuant to the Companies Act, it has established a Compensation Committee fully constituted by outside directors, including the Chairperson, as stipulated by the Companies Act.

(i) Method for determining the policy for determining compensation, etc. for directors and executive officers
The Compensation Committee of the Company has built an operational process emphasizing objectivity and transparency based on the premise of promoting a high level of independence in determining the compensation system for directors and executive officers. In establishing a policy for determining the compensation for directors and executive officers, the Compensation Committee of the Company collects information, recommendations, etc. from outside compensation consultants and verifies the appropriateness of compensation for directors and executive officers each fiscal year based on objective and sufficient information including recent developments, trends in discussions, other companies' systems, etc. regarding compensation for directors and executive officers.
Regarding the involvement and participation of the outside compensation consultants on the Compensation Committee, they attend Compensation Committee meetings as necessary and only provide indirect support for effective deliberations and consensus building, but they do not make any recommendations, etc. on the appropriateness of compensation.

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

(iii) Directors' compensation
Directors' compensation will be determined as nil, or as a combination of fixed-amount compensation and share-based compensation in consideration of the duties of the respective directors. The Company will pay compensation to outside directors, based on the details of their supervision activities, in addition to the combination of prescribed fixed-amount compensation and share-based compensation.

(iv) Executive officers' compensation
Executive officers' compensation will be determined in combination of fixed-amount compensation, performance-linked compensation and share-based compensation in consideration of the duties of the respective executive officers.

(v) Shareholding guidelines
To ensure sustainable value sharing with all stakeholders, the Company has established shareholding guidelines for its top management.

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

(2) Compensation types and breakdown by job title
Compensation received by executive officers of the Company consists of basic compensation, which is fixed compensation, STI (short term performance-linked compensation) linked to the consolidated performance of the Group for a single fiscal year and achievement of targets for the segment for which they are responsible, RSUs, which promote value sharing with shareholders through shareholding, and PSUs linked to achievement of improving medium- to long-term corporate value of the Company. STI (short term performance-linked compensation), which is cash compensation, and RSUs and PSUs, which are non-monetary compensation (stock compensation), are both organized as variable compensation.

Details are provided in the annual securities reports.
(Annual Securities Report) https://www.hugp.com/ir/library/yuho.html (in Japanese)

[Support System for Outside Directors]

Outside directors have the freedom to participate in important internal and affiliate company meetings and access a broad range of management-related information. In addition, the Board of Directors and the sections in charge of the secretariat of each committee support the activities of outside directors.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Overview of Current Structure

The Company fully recognizes the importance of reinforcement and improvement of 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. The Company chose to adopt Company with Three Committees (Nomination, Audit and Remuneration) 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 laws and regulations, the Company has established three committees: the Nominating, Audit and Compensation Committees.

(1) Board of Directors (nine members: seven outside directors and two internal directors)

The Board of Directors, as the decision-making body for corporate management, resolves matters required by law, decides and approves basic management policies such as medium-term plans and single-year budgets, as well as important matters related to the execution of management operations, and supervises the duties of directors and executive officers.

The Company stipulates the balance, diversity, and size of the Board of Directors, etc. in the "H.U. Group Corporate Governance Policy." We appoint outside directors from a wide range of fields to reflect diverse opinions in the discussions of the Board of Directors and to strengthen the supervisory function.

The Board of Directors held 13 meetings in FY 2023.

a. Nominating Committee

The Nominating Committee has the authority to determine the content of proposals related to the appointment or dismissal of Directors to be submitted to the General Meeting of Shareholders, to recommend candidates for Representative Executive Officers and Executive Officers to the Board of Directors, and to make proposals for their dismissal. All members of the Nominating Committee are selected from part-time outside directors.

The Nominating Committee held ten meetings in FY 2023.

b. Audit Committee

The Audit Committee audits the execution of duties by directors and executive officers, prepares an audit report, and determines the content of proposals to be submitted to the General Meeting of Shareholders concerning the appointment and dismissal of Accounting Auditors as well as the non-reappointment of them. All members of the Audit Committee are appointed from among the part-time outside directors, given the view that members of the Audit Committee must maintain a high degree of independence.

The Audit Committee held 18 meetings in FY 2023.

c. Compensation Committee

The Compensation Committee has the authority to formulate and determine policies regarding the determination of the content of individual compensation received by directors and executive officers. All members of the Compensation Committee are appointed from among part-time outside directors.

The Compensation Committee held ten meetings in FY 2023.

(2) Execution of operations

Executive officers make decisions on matters related to their duties and execute their duties in accordance with basic management policies such as medium-term plans and single-year budgets resolved by the Board of Directors. The division of duties and decision-making authority of executive officers are determined by the Board of Directors.

2. Audits

(1) Audits performed by the Audit Committee

Members of the Audit Committee participates in, or otherwise confirms content of the important meetings including Risk Management Committee and the Compliance Committee, holds regular liaison meetings with the Internal Audit Department and with the auditors of major operating companies, 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 Auditors by requesting them to explain and report the initial audit plan, status of audits during the term and results of the year-end audit.

The status of the Audit Committee for FY 2023 is as follows.

The Audit Committee of the Company consists of three Audit Committee members. Mr. Futomichi Amano, the Audit Committee Chairperson, has a qualification of the certified public accountant and a considerable degree of knowledge on finance and accounting.

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. For this purpose, a full-time secretariat staff employee, independent of the execution of duties, is assigned to support the functions of the Audit Committee in providing internal information to the Audit Committee, coordinating with Accounting Auditors and departments in charge of the internal control, and adjusting matters with related departments.

Outlined below is a summary of the FY 2023 audits conducted by the Audit Committee, along with the key issues that were discussed.

- We pay attention to the effectiveness of the supervisory function of the Board of Directors, which is the core of governance, and upon that basis, in order to supplement the monitoring function of the Board of Directors in terms of execution of

business plans and strategies, etc., we actively conduct hearings with executive officers and persons responsible for business execution including those from our subsidiaries, etc., to exchange opinions, and if deemed necessary, we request that improvements be considered. The interviews will be conducted with a wide range of personnel, including the Group CEO, but will focus on those responsible for operations related to priority audit items determined at the beginning of the fiscal year. We also provide opportunities for outside directors other than the Audit Committee members to participate in the hearings to promote their understanding of the operations of the Company and to facilitate communication between outside directors and executive officers, etc.

- In relation to the governance function for protection, we receive reports and exchange opinions on a regular basis, such as quarterly, on the status of execution of risk management and internal control systems appropriate to the size and conditions of the Group from divisions responsible for headquarter system (such as the Corporate Management Division, Accounting and Finance Division, Internal Audit Department, and Legal and Contracts Division) to ensure that such systems are maintained and functioning properly. If any inadequacies are found, we will request that they be considered for improvement. In particular, with regard to internal audits, the scope and effectiveness of their implementation are discussed and opinions are exchanged during the planning stage, and the results of their implementation are reported on a regular basis.

- From the same perspective, members attend meeting bodies that perform important functions of the Group's governance system, such as the Risk Management Committee and the Compliance Committee, to share the general report of the fiscal year and policies for the next fiscal year, and to exchange opinions. The Audit Committee members reflect the actions to address certain material risks in the priority audit items and follow up on the implementation status of these actions at hearings with executive officers and others, and internal audits confirm that follow-up and confirmation procedures are carried out.

- We share the audit plans with the auditors of major operating companies and hold joint meetings on a regular basis to share issues and strengthen cooperation. Auditors companies attend hearings with Directors and other personnel of the major operating companies to which the auditors belong, and a summary of the activity reports of the auditors of the major operating companies is shared with the Audit Committee.

- We regularly exchange opinions with Accounting Auditors eight to nine times a year, including reviews of quarterly reports, by requesting a series of reports in line with the workflow of financial statement audits and internal control audits. The Audit Committee examines the appropriateness of the Accounting Auditor's auditing methods in the series of audit processes, from the formulation of audit plans to the implementation of audits and KAM review process, and whether there are any problems with the quality of their audit.

- For important meetings such as management policy briefing sessions and meetings of the Boards of Directors of important subsidiaries, the Audit Committee members or secretariat staff attend or review related materials, and share a summary of the meeting with the Audit Committee for follow-up as deemed necessary.

- In FY 2023, the Audit Committee held at least one meeting per month, and the status of attendance of individual Audit Committee members is as follows.
  Futomichi Amano: Number of times of attendance: 18 / Number of meetings held: 18
  Moegi Shirakawa: Number of times of attendance: 18 / Number of meetings held: 18
  Keiji Miyakawa: Number of times of attendance: 18 / Number of meetings held: 18
  The activities of the Audit Committee are reported monthly to the Board of Directors.

(2) Internal audits
Audits within the Group are conducted to ensure 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 (16 members) conducts internal audits of the Company and its major subsidiaries and assesses internal control independently on a regular basis in order to ensure 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.

(3) Accounting audits
The Company has entered into an audit contract with PricewaterhouseCoopers Japan LLC and entrusts accounting audit services to the said auditing firm.
The names of the certified public accountants who performed accounting audit services in FY 2023 are as follows.

- Name of the certified public accountants who performed the services (years of continuous auditing)
  Ms. Chie Ukai (three years) and Mr. Toshihiro Taniguchi (five years)

3. Reasons for Adoption of Current Corporate Governance System

The purpose is to clearly separate the supervisory and executive functions, to establish an executive structure that enables rapid business development, and to enhance the governance of group companies.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	Notices are dispatched three weeks prior to the date of the General Meeting of Shareholders. Prior to the dispatch, the information is also made available on the websites of the Tokyo Stock Exchange and the Company.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The General Meeting of Shareholders is held on a schedule that avoids busy dates as much as possible.
Electronic Exercise of Voting Rights	Voting rights can be exercised electronically via the voting website designated by the Company and the electronic voting system platform operated by ICJ, Inc.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	Nominee shareholders (including standing proxies) such as custodian banks may apply in advance to use the electronic voting system platform operated by ICJ, Inc. In this case, such shareholders can use the ICJ platform to exercise voting rights, in addition to exercising voting rights via the Internet, as a means to exercise their voting rights by electromagnetic means at General Meeting of Shareholders of the Company.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The notice of convocation (narrowly defined) and a part of the attached documents are made available in English on the websites of the Tokyo Stock Exchange and the Company.
Other	The notice of convocation, voting right exercise form and dividend-related documents are sent to our shareholders at the same time. A notice of resolutions is published on the Company's website after the ordinary general meeting of shareholders.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	IR policy is presented on the Company's website.	
Regular Investor Briefings held for Individual Investors	We participate in IR seminars for individual investors organized by securities firms and others to provide an overview of the Company, its business performance, and future policies.	No
Regular Investor Briefings held for Analysts and Institutional Investors	Briefing sessions on its financial results for analysts and institutional investors are held four times a year. We also hold individual meetings and participate in information sessions hosted by securities firms.	Yes
Regular Investor Briefings held for Overseas Investors	Individual meetings and conferences are held via the web and other means.	Yes
Online Disclosure of IR Information	We post on the Company's website without delay financial results, financial results briefing materials, supplementary materials, annual securities reports, notices of convocation of general meetings of shareholders, integrated reports, and other timely disclosure materials in accordance with the listing rules of securities exchanges.	
Establishment of Department and/or Placement of a Manager in Charge of IR	IR activities are conducted by five full-time employees.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Corporate Governance Policy defines appropriate relationships with stakeholders and others.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Group has established "Our Approach to Sustainability" and believes that sustainability can be achieved through corporate activities based on Mission, Vision, and Values and Traits. Through these activities, we will work to solve social issues and build good relationships with a wide range of stakeholders. In the environment field, the Environment and Energy Subcommittee, which is under the Sustainability Committee and managed by the Division Head of

	General Affairs of the Company, develops the environmental management system (EMS), plans and implements environmental activities in areas such as our response to climate change, and discloses the contents of the related activities, data, etc. on the Company's website.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The basic policy for information disclosure is set forth in the IR policy.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

Based on the following basic policy, the Company maintains internal controls.

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 has established the H.U. Group Code of Conduct as a set of guidelines to be followed by all officers and employees working for the Group, and we will endeavor to ensure that all officers and employees practice these guidelines in their 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.
   (1) Overview of activities of departments involved in internal control of the Group
   (2) The Group's significant accounting policy, accounting standards and changes thereof
   (3) Details of important disclosure documents
   (4) 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.

   (1) Authority to request other directors, executive officers, managers and other employees to report matters regarding execution of their duties
   (2) Authority to examine the status of the Company's business operations and assets

(3) 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
(4) Other authorities regarding audit deemed necessary by the Audit Committee within the scope of laws and regulations

- Directors, executive officers and employees who participate in a meeting of the Audit Committee by a request from the Committee are required to explain matters requested by the Committee.
- A committee member appointed by the Audit Committee may participate in important meetings of the Company including the Group companies as necessary.

7. The system to ensure appropriateness of business activities of the company and the corporate group consisting of its parent company and subsidiaries

- To ensure appropriateness of business activities of the Company's subsidiaries by conducting operation and management of the subsidiaries based on the management rules of the subsidiaries and affiliates as well as the agreement on responsibilities and authorities of the officers of the subsidiaries.
- To establish a management structure based on the following rules and ensure appropriateness of business activities of the corporate group.

(1) The Company and major business subsidiaries shall be covered.
(2) 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.
(3) Based on the Risk Management Rules, risk management of the corporate group shall be promoted.
(4) A flow chart of major business processes shall be created including those of business subsidiaries to standardize business operations and conduct adequate risk management.
(5) 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.

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 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 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.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

Basic Policy toward the Elimination of Anti-Social Forces
In the "H.U. Group Code of Conduct," the Company has established the following guidelines, and we endeavor to ensure that our employees and officers practice these in their daily corporate activities.

<Exclusion of Anti-Social Forces>
We reject any relationship with any groups or individuals that may undermine social order or hinder sound corporate activities, and we respond to such groups or individuals in a resolute attitude. In the event that such groups or individuals attempt to become involved with us or extort money or other benefits from us, we will take systematic measures to firmly reject their unreasonable demands, and if necessary, we will report the matter to the relevant government authorities.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted

Supplementary Explanation

Basic Policies Regarding Way a Person Is to Control the Determination of Financial and Business Policies of the Company
(Basic Policies Regarding Way a Person Is to Control the Determination of Financial and Business Policies of the Company as stipulated by Article 118, item (iii) of the Regulations for Enforcement of the Companies Act (Ministry of Justice Order 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 the Company's shares is acceptable. In the event that the purchase of the Company's shares is to be made, 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, we believe that the shareholders of the Company should fully understand the terms and conditions of the purchase (including fairness of price), the influence the purchase has on the management of the Group, and the details of the management policy and business plan of the Group that the purchaser intends to adopt, etc.
However, in the event that the purchase of the shares of the Company is proposed, the shareholders or the Company may not be given sufficient time or information necessary to consider the details of the proposed purchase or any alternative plan. The proposed structure may coerce the shareholders to accept the proposal of the purchase. The terms and conditions of the purchase 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 may raise a threat of severe damage to its 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 Policies Regarding Way a Person Is to Control the Determination of Financial and Business Policies of the Company.

2. Other Matters Concerning Corporate Governance System

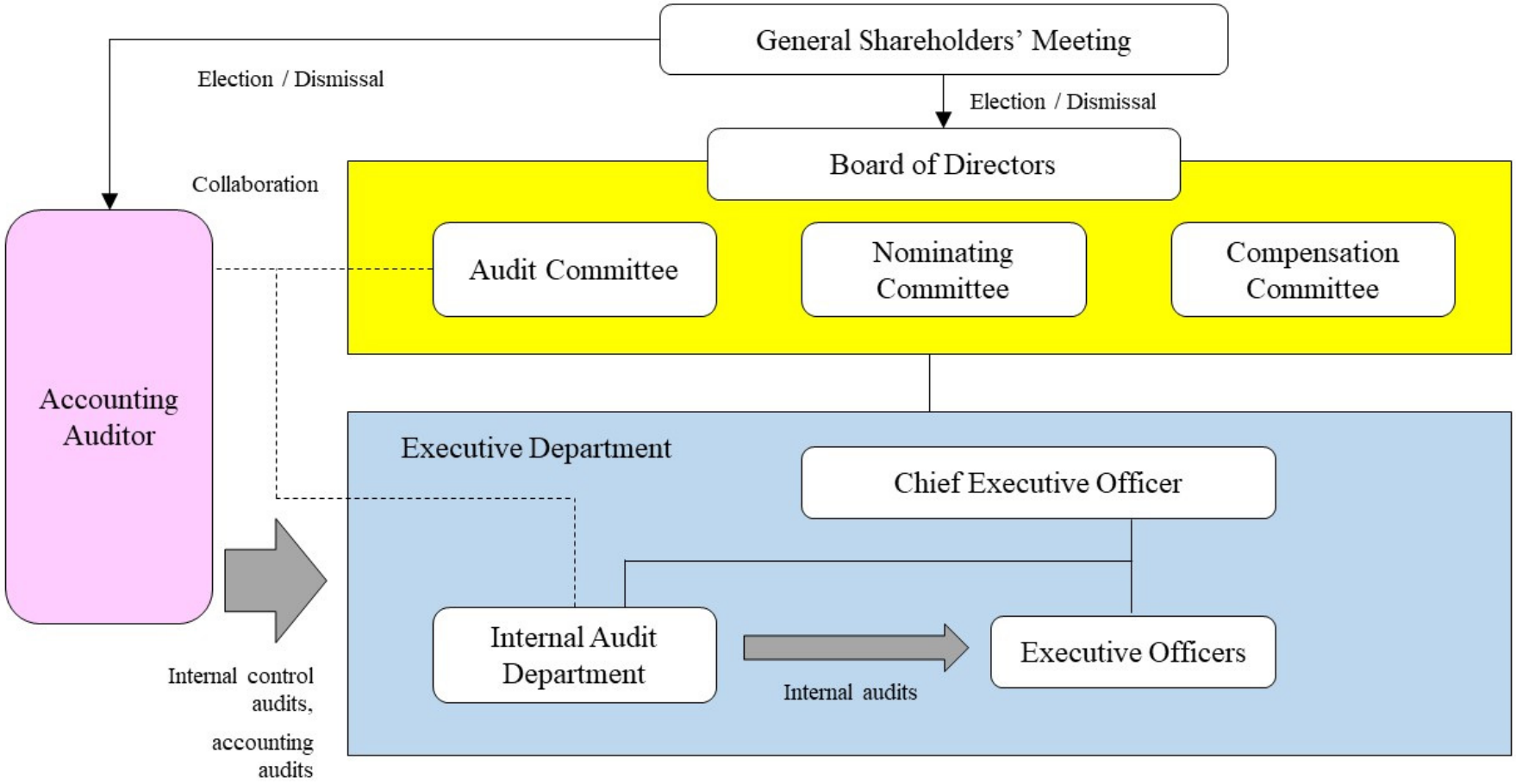
Internal System for Timely Disclosure

The Company is committed to fair disclosure to investors based on its basic stance of timely disclosure with thorough management of material facts in its corporate information.
In accordance with internal rules, we handle information to be disclosed in a timely manner as follows.

1. Section in Charge of Timely Disclosure
   - CFO is responsible for the centralization and management of the information.
   - The IR staff make disclosures under the direction of the CFO.
2. Internal System for Management and Timely Disclosure of Corporate Information
   (1) CFO is responsible for information disclosure.
   (2) The person in charge of information disclosure is responsible for assessing and determining the materiality and appropriateness of information disclosed for statutory disclosure and timely disclosure on the Company's consolidated basis.
   (3) President & CEO makes a decision on the appropriateness of disclosure in light of opinions from the person in charge of information disclosure.
3. Timely Disclosure to the Tokyo Stock Exchange, Etc.
   - We promptly and appropriately disclose not only important information required to be disclosed in a timely manner by the Financial Instruments and Exchange Act and Securities Listing Regulations, etc., but also information that may affect investors' investment decisions.
   - Disclosed information is also posted on the intranet and website of the Company to ensure that such information is thoroughly known to the public.

   The flow of timely disclosure is as shown in [Overview of Timely Disclosure System].

Corporate Governance Structure



Overview of Timely Disclosure System

