

H.U. Group Corporate Governance Policy

At the H.U. Group, we bring about greater managerial efficiency based on our Mission, Vision and Values as set forth below. Moreover, we fully recognize the vital importance of cooperation encompassing a wide range of stakeholders both inside and outside the Group and harmony with them with respect to our corporate activities. Accordingly, we are committed to establishing corporate governance practices that encourage greater managerial transparency and accelerate proper decision-making.

Mission

Create new value in healthcare and thereby contribute to human health and the future of medical care.

Vision

Solve global social issues through “Collaboration”, “Challenge”, and “Innovation” leveraging H.U. Group assets and resources.

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

The Company’s medium-term business plans are disclosed in its annual securities reports and business reports.

1. Securing the rights of shareholders

- We will implement various measures to stimulate activity at general meetings of shareholders and to facilitate the exercise of voting rights, such as sending notice of ordinary general meeting of shareholders at least 3 weeks in advance in order to secure sufficient time for our shareholders to appropriately exercise their voting rights and arranging the date of general meetings of shareholders to avoid the most concentrated day for general meetings of shareholders.
- In the event that a proposal made by the Company has been approved at a general meeting of shareholders despite 20% or more of votes cast against it, the Board of Directors of the Company will consider the need for engaging in shareholder dialogue and taking other measures upon analyzing the reasons behind the opposition and assessing causes underpinning the dissenting votes.
- In cases where institutional investors or others holding shares in “street name” request that they exercise voting rights in lieu of the respective trust bank or custodial institutions, the Company will hold discussions with the respective trust bank or custodial institutions.

2. Measures and organizational structures aimed at promoting constructive dialogue with shareholders

- An executive officer in charge of Investor Relations and Shareholder Relations oversees matters

regarding overall dialogue with shareholders, and takes appropriate action to ensure constructive dialogue.

- To facilitate dialogue with our shareholders, departments in charge of Investor Relations and Shareholder Relations, Corporate Strategy, General Affairs, Accounting and Finance, Legal Affairs and other such operations organically coordinate among themselves by exchanging views internally, holding meetings when necessary and pursuing other such initiatives.
- We endeavor to enhance opportunities for dialogue with our shareholders through means that include holding briefing sessions for individual investors and taking part in joint briefing sessions for investors.
- Shareholder views and concerns that we learn of through dialogue with them are reported to senior management and the Board of Directors, via an executive officer in charge of Investor Relations and Shareholder Relations.
- To ensure that insider information is not divulged to certain shareholders when we engage in dialogue with them, we implement proper information management practices and also provide training as necessary with respect to legal and regulatory compliance to those in charge of holding meetings with shareholders.

3. Roles, etc. of the Board of Directors

- Through the Company with Three Committees corporate governance system, the Company endeavors to establish a framework that enables clear separation of the oversight and executive functions giving executive officers the authority to make decisions rapidly.
- The Board of Directors secures sufficient time to discuss each agenda item and strives to obtain timely management information and provide timely supervision through reports from each committee and from the executive officers regarding information on current corporate operations and target management achievements.
- The Company regularly has respective directors perform self-evaluations of the Board of Directors.

4. Overview of authority delegated by the Board of Directors to the management

The Company delegates decisions on executing important business operations to the executive officers by resolution of the Board of Directors. This is done on the basis of the Articles of Incorporation and the Rules for the Board of Directors, and from the perspective of speeding up managerial decision-making and enhancing the function of oversight by the Board of Directors. However, the following are not delegated:

- Matters deemed as requiring a resolution of the Board of Directors, as per laws, regulations, the Articles of Incorporation and/or the Rules for the Board of Directors; and
- Important decisions to be made by the Company and its subsidiaries (M&As, capital policy, etc.).

5. Balance, diversity and size of the Board of Directors and appointment of directors

- The Company appoints outside directors regardless of gender, race, or nationality, from the perspective of their: 1) capacity to manage based on knowledge and experience in wide ranging fields outside the scope of business experience gained within the Company, 2) due recognition of the role management should play in society, while not placing disproportionate emphasis on interests of management or certain stakeholders, and 3) ability to properly oversee the management in the execution of its duties. Moreover, the Company appoints candidates for outside director primarily from a wide range of fields, as follows:

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

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

- The Company appoints as candidate for internal director those who have been nominated by the Nominating Committee on the basis of the criteria listed below:
 - Possess expertise related to the Company's business operations;
 - Exhibit outstanding capabilities for making business decisions and management execution;
 - Exhibit outstanding capabilities in terms of leadership, decisiveness, foresight and planning; and

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

When candidates for outside director are appointed/nominated by the Board of Directors and the Nominating Committee on the basis of the aforementioned policy, explanations of their respective appointments/nominations and details of their status with respect to other listed companies where they concurrently serve as executives are provided in the notice of ordinary general meeting of shareholders. Likewise, when candidates for internal director are similarly appointed/nominated, explanations of their respective appointments/nominations are provided in the Corporate Governance Report.

6. 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.

7. Director training

The Company organizes lectures by experts and other such forums as necessary for its internal directors to ensure that they gain knowledge of laws, regulations, managerial approaches and other matters that they must know in order to execute their duties as directors. Moreover, we regularly hold opinion exchange sessions for our outside directors involving the outside directors and executive officers and have them conduct inspections of our business locations so that they can gain a more extensive understanding of the Company's operations and related challenges.

8. Ensuring proper execution of audits by external accounting auditor

- The Audit Committee establishes standards for the appropriate appointment of external accounting auditor candidates and proper evaluation of external accounting auditor.
- The Audit Committee checks to ensure that the external accounting auditor maintains independence and expertise.
- The Board of Directors and the Audit Committee ensure appropriateness of audits by:
 - Ensuring that time to perform audits is sufficient to enable high-quality audits;
 - Ensuring that the external accounting auditor has access to the CEO, CFO and other members of senior management, through meetings and other such contact;
 - Ensuring adequate coordination between the external accounting auditor and the members of the Audit Committee (including attendance at Audit Committee meetings), the Internal Audit Department and outside directors; and
 - Establishing systems within the Company for responding to any improprieties, inadequacies or concerns that have been identified by the external accounting auditor, when an adequate response has been called for.

9. CEO's succession plan, dismissal / non-re-appointment

- The Company defines development plan of CEO's successor as below and select the candidate.
 - As for the development plan of the CEO, the Nominating Committee clarifies requirements for the Company's CEO, establishes the development plan, and supervises the administration.
 - The Nominating Committee selects a candidate of CEO's successor through multiple evaluations of internal/external candidates, including the results of the development plan, and report to the Board of Directors. Based on the report, the Board of Directors decides the candidate of CEO's successor.
- The Company defines dismissal/non-re-appointment policy and procedure as below.
 - If need arises to consider the removal or non-reappointment of the CEO, the Nominating Committee will initiate discussions.
 - The Nominating Committee reports the discussion results to the Board of Directors.
 - The Board of Directors decides the dismissal/non-re-appointment policy based on the report.

10. Policies and procedures regarding appointment of executive officers

The Company appoints executive officers upon considering results of deliberations by the Board of Directors, on the basis of the following standards. Accordingly, executive officers must:

- Possess expertise related to the duties they are to manage;
- Have a career background suggesting that they will achieve positive results with respect to the duties they are to manage;
- Exhibit outstanding capabilities for making business decisions and management execution;
- Exhibit outstanding capabilities in terms of leadership, decisiveness, foresight and planning; and
- Possess character and insights befitting an executive officer.

When executive officers are elected by the Board of Directors on the basis of the aforementioned policy, explanations of their respective elections are provided in the Corporate Governance Report.

11. Policies and procedures for determining compensation of directors, executive officers and senior management

We disclose our policies and procedures for determining compensation of directors and executive officers in our business reports.

Executive officer and senior management compensation schemes are managed from the standpoint of providing such individuals with incentives to improve corporate value and common interests of shareholders. Accordingly, performance-based monetary compensation plans are managed for executive officers, and stock compensation plans are managed for executive officers and senior management.

12. Strategic shareholdings

- The Company and its subsidiaries do not own cross-holding stocks in order to obtain stable shareholders. However, the Company may maintain strategic holdings of other listed company shares to strengthen business partnership or our business activities with the third parties, as strategic alliance is one of the growth strategies of the group.
- Boards of Directors of the Company and its subsidiaries conduct verification of each strategic shareholding on an annual basis considering the management environment and business alliance. The Company discloses the verification results.

- In exercising voting rights of strategic shareholdings of the Company and its subsidiaries, we comprehensively make decision whether each proposal contribute to the partner company value. However, we do not vote in favor of proposals that threaten to impair the Company's value or shareholder value.

13. Procedural framework regarding related party transactions

- To ensure that important transactions with major shareholders of the Company inflict harm on neither the interests of the Company nor the common interests of shareholders, decisions in that regard are made after sufficient deliberation by the Board of Directors with respect to the appropriateness of the terms and conditions of the respective transaction, and the decision-making process thereof.
- To ensure that transactions with directors and executive officers of the Company inflict harm on neither the interests of the Company nor the common interests of shareholders, decisions in that regard are made after sufficient deliberation by the Board of Directors with respect to the appropriateness of the terms and conditions of the respective transaction, and the decision-making process thereof.

14. Full disclosure

The Company discloses information pertaining to matters such as the H.U. Group's business plans, operating results and financial position, business risk and corporate governance on the basis of relevant laws and regulations, and furthermore actively discloses information beyond that which is disclosed on the basis of laws and regulations.

Considering the importance of information disclosure, we also establish the Rules for Information Disclosure, explicitly state the Company's basic policies.

15. Ensuring workforce diversity

- The Company actively ensures and promotes workforce diversity by recruiting employees with diverse backgrounds and actively drawing on their capabilities, thereby enabling the Company to come up with new ideas, generate value and achieve sustainable growth.
- The Company promotes efforts to empower its female employees by implementing measures to:
 - Develop female-friendly workplace environments and provide ample opportunities for education and training; and
 - Increase the percentage of women in management and other such positions.

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