

CSR for Sustainable Growth

Business foundations

Strong corporate governance

To enhance mid- to long-term corporate value and prevent reputational damage while helping create a sustainable society, the H.U. Group strengthens cooperation among various stakeholders and strives for proper decision-making, sound management and greater accountability.

Basic approach

With a mission to create new value in healthcare and contribute to the prosperity of people, the H.U. Group is working for more effective management based on our Vision and Value. Fully aware that corporate activities are based on cooperation and harmony among many stakeholders, we are committed to establishing

corporate governance practices that lead to greater managerial transparency and prompt and proper decision-making.

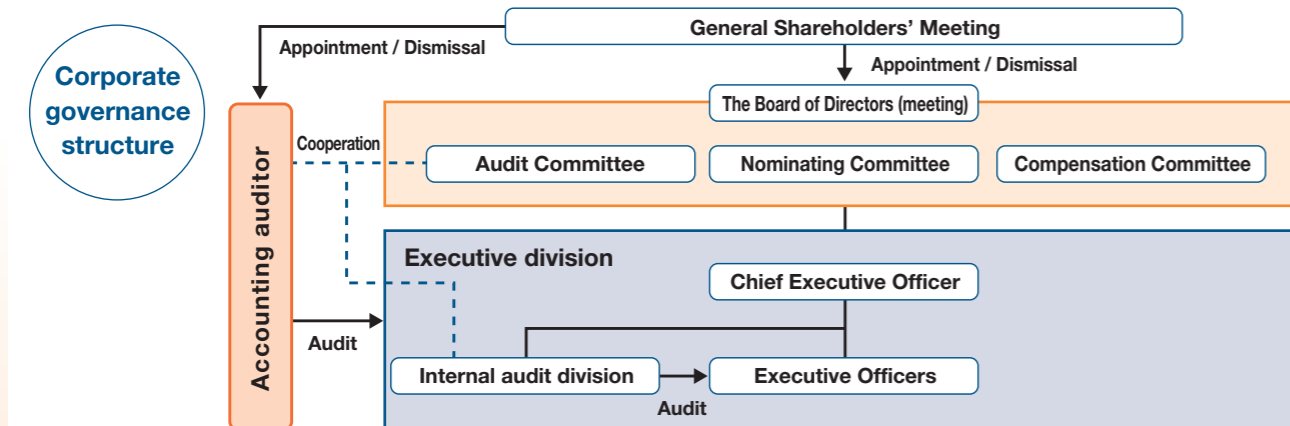
● The Corporate Governance Policy is published on the company website.
https://www.hugp.com/resources/file/pdf/en/20200701_CG_policy_e.pdf

Corporate governance

The Group management knows the importance of a strong, thorough corporate governance, and is committed to creating a governance structure that encourages greater managerial transparency and prompt and proper decision-making. To achieve clear separation of oversight and executive functions, give executive officers the authority to make decisions quickly and provide better management of Group companies, the “company with three committees” structure was adopted in June 27, 2005 and group control was transferred to a pure holding company in July 1, 2005.

The Board of Directors receives reports from each committee and from executive officers on current corporate operations and performance targets, so that the board can provide timely corporate oversight. Of the seven board directors,* five are outside directors appointed as leaders in their respective fields.

*According to Article 18 of the Articles of Incorporation of H.U. Group Holdings Inc., the Company shall have no more than ten directors.



Efforts to strengthen corporate governance

Making proper decisions promptly and with transparency is essential for sound business management. To achieve our mid-term plan, the H.U. Group must also have a sense of urgency and unite. To realize these, we standardized approval rules within the Group to pursue stronger group management. Actively promoting global expansion in In Vitro Diagnostics, we established Fujirebio Holdings to oversee the whole business, accelerate global management and strengthen governance.

We also set the framework for sharing information with overseas subsidiaries by translating the Group's management philosophy, brand message and corporate governance policy into English. Going forward, we will continue to build a much stronger governance system globally.

Internal control system

As maintaining good governance is important, we will continue to develop our practices and establish the basic policy for an internal control system, strengthen the Audit Committee's auditing system, promote management rules to all group companies, and create a system to ensure proper business practices.

Compliance with Japan's Corporate Governance Code

The H.U. Group agrees with the intent of the Corporate Governance Code set by the Tokyo Stock Exchange and complies with all its principles. We will submit a report based on the revised Corporate Governance Code dated June 1, 2018 by the end of December 2018.

● The Corporate Governance Code is published on the company website.
https://www.hugp.com/resources/file/pdf/CG_HUHD0701.pdf (Japanese)

Management compensation

With top priority on enhancing corporate value and the common interests of shareholders, a performance-based compensation plan for executive officers was adopted while the retirement bonus, which is not closely linked to performance, was abolished, and a stock compensation plan was introduced to share the interests of shareholders, management and other employees.

CSR for Sustainable Growth

Business foundations | Compliance

Along with developing and enforcing a compliance system, all officers and employees strive to comply with laws, enhance awareness of global codes of conduct and ensure transparency in relationships with medical providers and institutions.

Basic approach

Being involved in healthcare, the H.U. Group considers thorough compliance as vital to corporate survival. In 2013, the H.U. Group Code of Conduct was formulated to provide basic guidelines. It sets the standard for all decisions on business and other corporate activities for all officers and employees working in the Group. English and Chinese language editions are also available for overseas subsidiaries. Further, H.U. Group Holdings set up Code of Conduct Committees at each group company to investigate facts when compliance-related issues arise and create the system to properly address the situation. Also, the Legal Affairs Division include members with required knowledge and experience, including qualified lawyers and patent attorneys, to provide a system for dealing with complex laws and intellectual property issues.

Compliance training

The H.U. Group issued the Compliance Handbook in 2016, which contains easily understandable information on compliance in Q&A format. Reading sessions are held at each department to raise employee awareness. We plan to update the handbook in fiscal 2018 to reflect the latest trends and social needs, as well as incorporate compliance topics in various trainings, including harassment training, to build awareness across the entire Group.



Compliance Handbook

Whistleblower system

The H.U. Group Hotline is provided for subsidiaries in Japan and receives information, anonymous or not, on legal, company rule or code violations. Outside counselors are available online or over the phone. Serious matters are reported to management as necessary. Hotline contact cards are distributed to disseminate the whistleblower system to employees.

Intellectual property activities

The H.U. Group actively acquires intellectual property rights worldwide, such as patents and trademarks, to protect Group products and services. We are committed to providing incentives to inventors through fair and transparent incentive schemes. To avoid intellectual property rights infringement, we employ third-party patent searches during the R&D process and conduct intellectual property training for research department employees.

Anti-corruption efforts

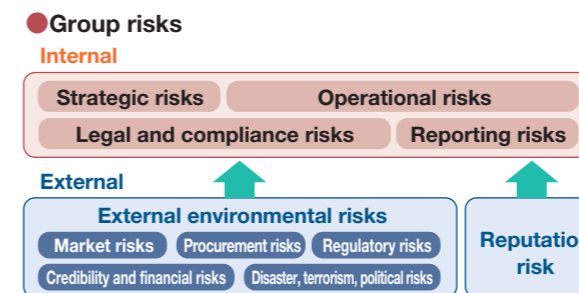
As the H.U. Group encourages collaboration with medical and research institutions to improve healthcare and clinical testing techniques, we strive to build trust and transparency by acting with high ethical standards. We actively work to ensure transparency by following the Promotion Code for promotional activities.

Business foundations | Risk management

We aim to build an extensive risk management system by identifying, assessing, reducing, avoiding and monitoring management risks, including strategic risks, to prevent reputational damage to corporate value and take preventive measures with swift and appropriate response to incidents.

Basic approach

The H.U. Group set up the Risk Management Committee to perceive and manage the various risks involved in business activities and promote risk management. Every year, H.U. Group Holdings and its operating companies assess the possible risks that may affect management according to a common group standard, and then identify the critical risks to formulate a contingency plan and engage in risk reduction activities.



BCP efforts

The H.U. Group conducts business with around 80% of major hospitals in Japan. Service disruptions due to large-scale disasters and such can wreak havoc on the entire healthcare system in Japan. Our mission is to prevent operation downtime even in disasters and other emergencies. The current business continuity plan (BCP) in operation was formulated by each operating company in 2011. We are now restructuring the BCP as a Group to consider the recent frequency of natural disasters. To ensure service during emergencies, the new plan will consider outcomes of events and will include actual training and exercises along with the rules. The new central laboratory under construction was also designed for business continuity in the event of disasters with the use of facilities and equipment that minimize their impact.

Business foundations | Information security and privacy protection

We are committed to strengthening security against leaks by providing a better IT security system and group-wide employee education to safeguard the personal data of patients, customers, business partners and employees obtained and stored in the course of business.

Strengthening information security

Since the H.U. Group keeps huge amounts of specimens and personal information mainly from medical institutions, we consider security and creating a system to comply with the Personal Information Protection Act of Japan as a major management issue. SRL obtained the PrivacyMark certification^{*1} in February 2005, as well as the ISMS and ISO/IEC27001^{*2} for information system security in some areas of the Hachioji Office. Through these certifications, we have built a management system against information leaks.



*1 Certification for the entire company

*2 Certification for the SRL Hachioji Office (part of Hino Administration Building and Information & Distribution Center)

Creating a secure environment

The remote work program developed as part of work style reforms, while convenient, increases the risk of leaks. To address this, the IT Division of H.U. Group Holdings is developing a system to create a safer environment through data encryption, remote account locking, among others. Group companies also conduct company-wide training every year to enhance employee IT literacy via e-learning.

E-learning contents (partial)

- Handling smartphones
- Managing passwords
- Clean desk policy

