



H.U. Group Holdings, Inc.
Integrated Report 2021

Group Mission, Vision

Mission

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

Vision

With our deep involvement in human health, we aim to be a group that contributes to the development of healthcare through trust and innovation.

Values and Traits

Customer Centricity

- Respond to medical care and healthcare needs, exceed customer expectations

Creation of New Value

- Strive for global value creation first and foremost; take risks to challenge and innovate
- Think and execute with global perspective
- Lead with result-orientation, speed and efficiency

Sincerity and Trust

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

Mutual Respect

- Respect diverse values, experience, expertise and teamwork
- Praise and celebrate challenges and successes
- Grow and help others to grow

The Statement of H.U. Group

Healthcare for You

What we hold dear is
the starting point for the creation of a prosperous future.
That is, the health of each and every person.

Because we have been watching over people's health for many decades,
we are able to change the future of medical care
and create new possibilities in healthcare.

We will continue the challenge
to deliver optimal healthcare to each individual.

We will move forward, unceasingly.
Healthcare for You
For your health, for your future happiness.

Editorial Policy

This report consists of important information from the relevant fiscal periods on management strategy, its state of progress, and sustainability. It is intended for a wide range of H.U. Group stakeholders to help them understand the Group better. Please visit our website for more detailed information (Financial Results, reports on corporate governance, detailed sustainability information) as indicated on the right of this page.

Scope of report

The business performance data in this report includes consolidated Group companies. The information on sustainability includes some data from outside the scope of the rest of the report. All data are presented with an indication of the scope covered.

Time period covered by disclosed information

As this report is issued in October 2021, it contains mainly information on fiscal 2020 (ended March 31, 2021) and the first half of fiscal 2021 (ending March 31, 2022).

Forward-looking statements

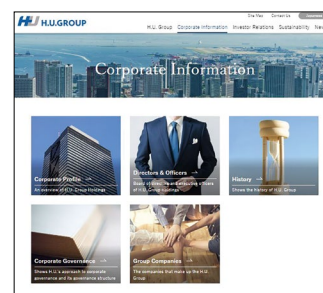
The predicted performance figures found within this integrated report are based on determinations made by our management team obtained from the information available at this point in time. They were prepared on the basis of numerous assumptions and opinions obtained based on information that includes enormous risks and uncertainty. Please note that our actual performance results may differ from these performance predictions due to a variety of different factors. Factors that could foreseeably impact our performance include, but are not limited to, a deterioration of the economic climate, exchange rate fluctuations, changes to legal or governance systems, delays in bringing new products to market, pressure resulting from the product strategies of our competitors, decreased selling power for our existing products, and the discontinuation of sales.

Website disclosure

Corporate website



Corporate Information



Basic corporate information including reports on corporate governance

Corporate governance

Investor Relations

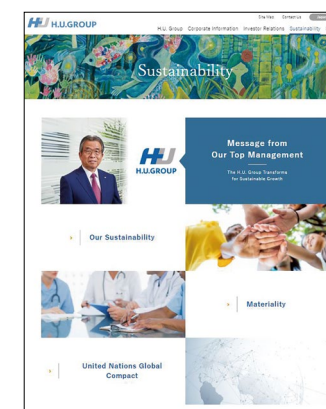


Securities report and other financial data



Integrated report (PDF)

Sustainability (environment/society)



Non-financial data on sustainability policies and initiatives, etc.

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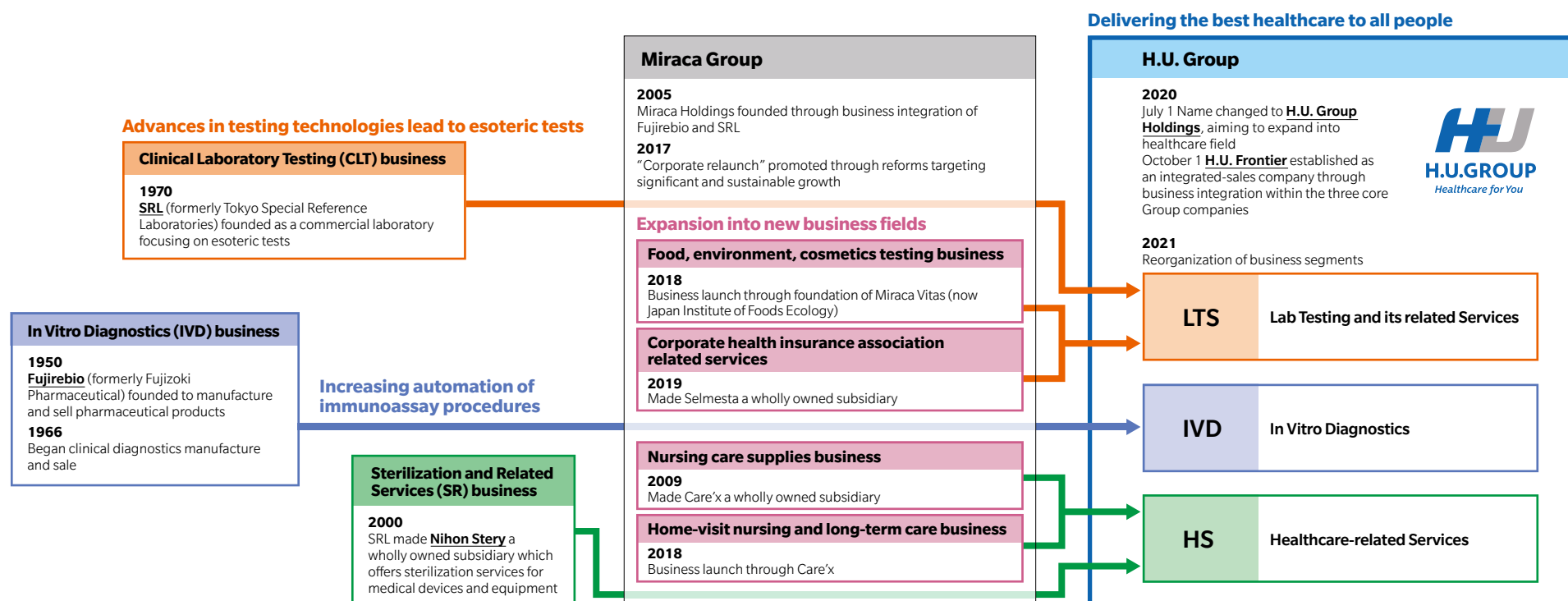
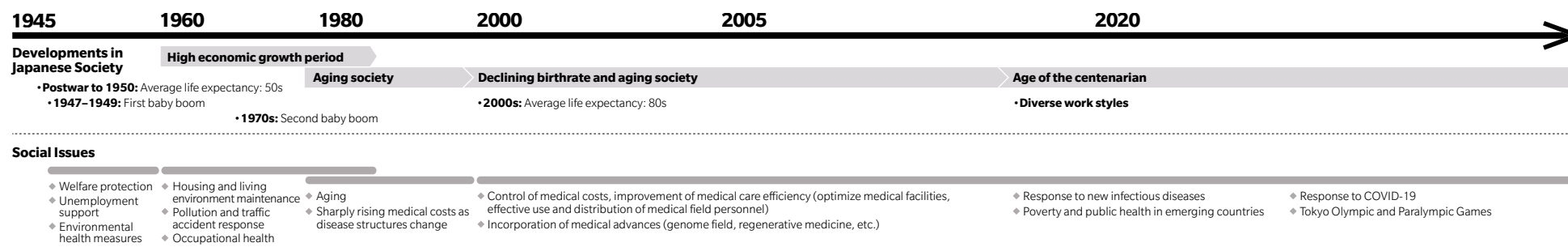


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The Evolution of the H.U. Group

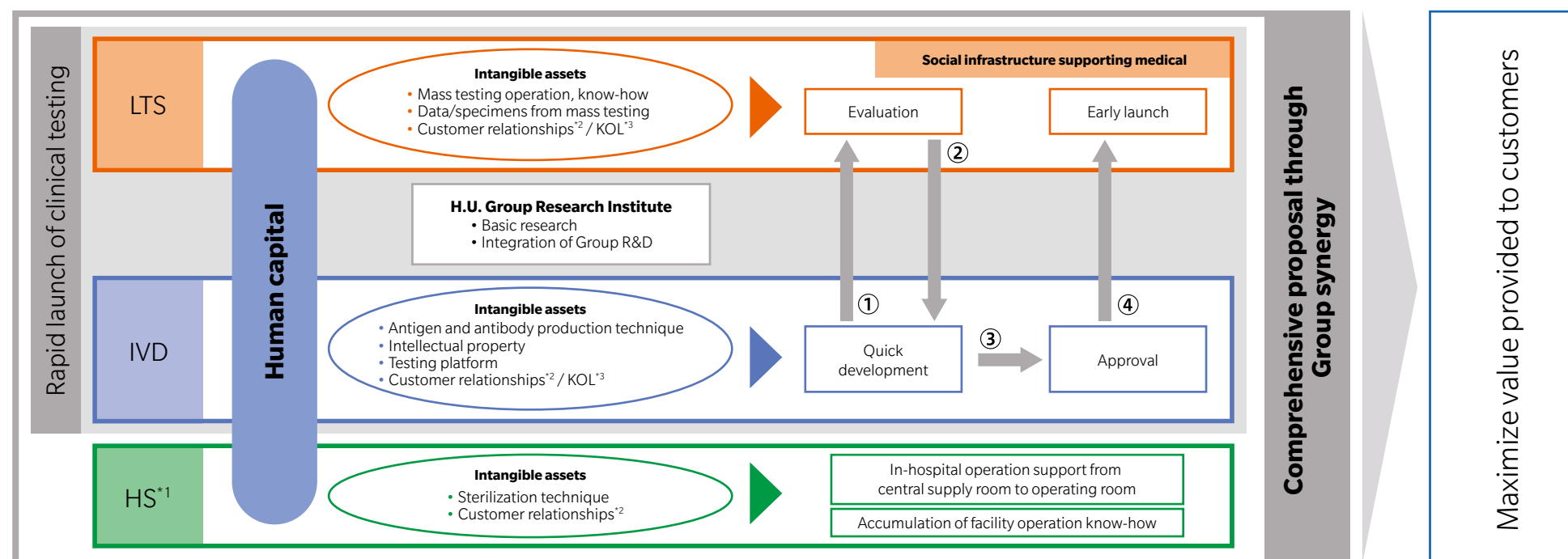


Strategy to Increase Corporate Value

The H.U. Group's value creation story

The H.U. Group is a unique enterprise even in world terms for its capabilities in both Lab Testing and its related Services (LTS) and In Vitro Diagnostics (IVD). In addition to these two business areas, we are working to develop across a broad front by expanding and strengthening our operations in a diverse range of healthcare-related businesses including sterilization and related services (SR) and home-visiting and welfare. We believe that creating high added value and new value through our business activities will increase the corporate value of the H.U. Group. Building on the intangible assets we hold, we will work to maximize the value provided to customers by exploiting Group synergies to the full.

In the LTS and IVD businesses, we will continue to leverage our Group's R&D functions to launch new clinical test items with short development lead times by coordinating activities across the Group for swift test development, evaluation, and regulatory approval. We believe that the effectiveness of our value creation model in these two businesses was demonstrated once again by our rapid launch of a novel coronavirus (SARS-CoV-2) antigen test and the resulting contribution to profit. We are confident that the COVID-19 pandemic has led to widespread public appreciation of the importance of testing and in turn to wide recognition of our LTS business as part of the social infrastructure that supports medical care. Going forward, we will coordinate with the SR business, which provides sterilization services to central supply rooms and operating rooms, to offer total solutions as a Group, thereby maximizing the value provided to customers and further increasing corporate value.



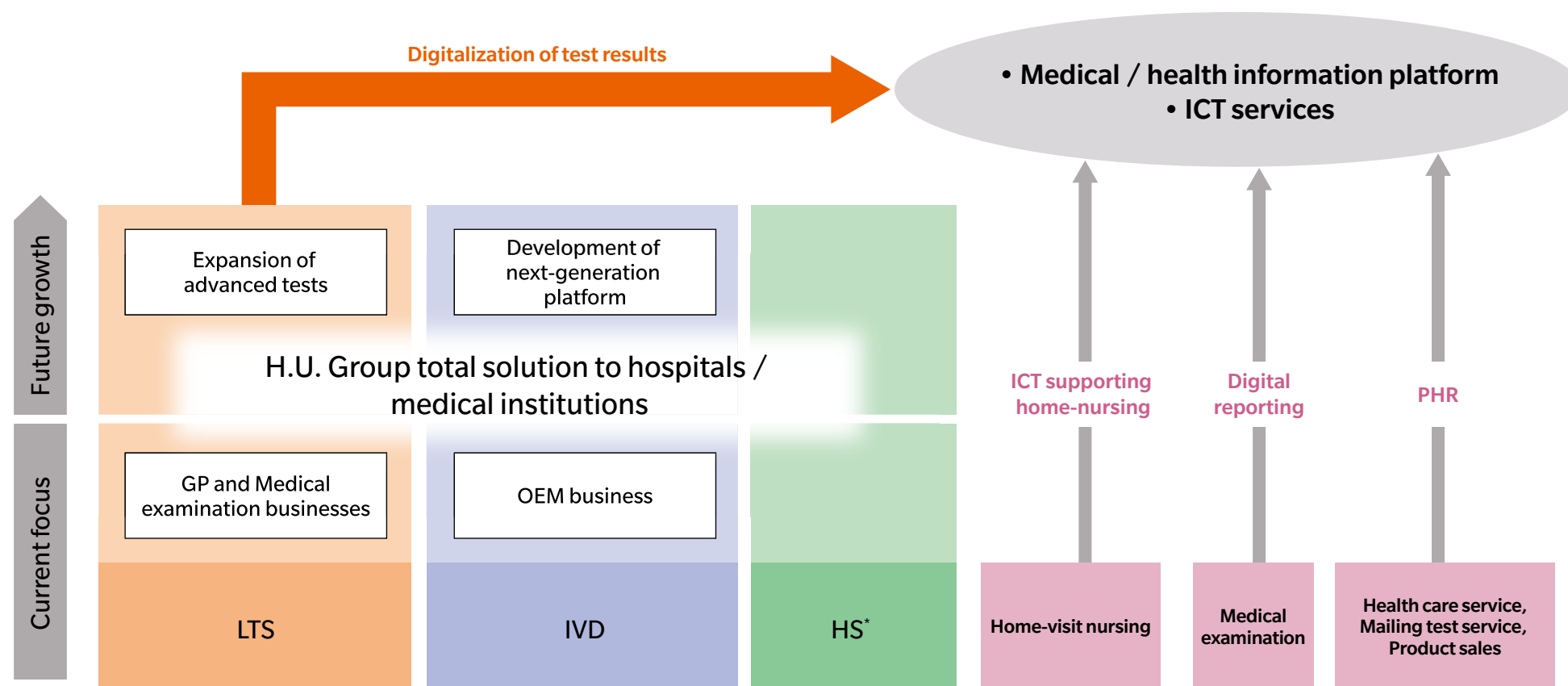
The information in the diagram above has been adjusted based on the new segmentation from the first quarter of the fiscal year ending March 31, 2022.

*1 Sterilization and related services in the Healthcare-related Services (HS) segment *2 Links with a diverse customer base and associated customer relationships *3 KOL: Key Opinion Leader

Business Expansion as a Group

We are achieving steady growth, notably by offering total solutions as a Group to hospitals and other medical institutions. Among measures to target further growth, we will work to expand advanced tests and develop next-generation platforms.

Meanwhile, in addition to progressing with the digitalization of test results, we will introduce and deploy ICT-based service tools, including personal health records (PHRs), which will enable us to utilize the wide range of data obtained through business activities and build a medical/health information platform to support business expansion into the Healthcare × ICT field. On July 1, 2021, the With Wellness® PHR app launched a new service enabling the recording of COVID-19 vaccination history and vaccination-related physical condition.



* Sterilization and related services in the Healthcare-related Services (HS) segment

Part I

Growth Strategies

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The new H.U. Bioness Complex (nicknamed AkirunoCube) is due to open in 2022 at Akiruno, Tokyo. This facility will include a state-of-the-art testing laboratory and will boast high-powered technology and efficiency driven to new levels of competitive excellence. Under a design concept expressed as “Connect, Exhibit, and Nurture,” the facilities and functions of the new complex were required to fulfill six conditions. As well as wide-ranging basic research and product and service development, it will also engage in social contribution activities in the form of environmental initiatives and business continuity planning (BCP).

Message from the CEO

To deliver optimal healthcare to all people, we aim to act as an innovator within the industry, embracing the challenge of new value creation to target sustainable growth in the medium to long term.



Shigekazu Takeuchi

Shigekazu Takeuchi

Director, President and Group CEO
H.U. Group Holdings, Inc.

Impact of the Pandemic and Outlook Going Forward

Hit by the outbreak of COVID-19 in early 2020, the medium-term plan whose first year was fiscal 2020, ended March 2021, was launched amid complete uncertainty over the future. As there is still no clear end to COVID-19 in sight, we have divided our performance outlook into a short-term and a medium- to long-term forecast.

In the short term, we naturally foresee positive and negative impacts of the pandemic. As a result of the reduction in patient footfall, postponement of health checkups, and other effects of the pandemic, profit from commissioned testing in April 2020 was almost 30% lower than in the same month of the previous year. As this coincided with the investment for the construction of the New Central Lab, we were reckoning with two or three years of challenging financial figures, but we have in fact seen an improvement in short-term profit due to COVID-19-related testing.

In the medium to long term, when the COVID-19 situation eventually ends, we will not be allowed the excuse that COVID-19 prevented us from taking any action. In our core businesses, we are aware that it would be wrong to be swayed by short-term impacts. Instead we must press ahead with the necessary measures based on the policies laid down in the medium-term plan. We will steer firmly ahead with business development in preventive medicine and medical ICT and with the reorganization of our nationwide laboratory functions. These areas have the potential to act as major growth engines.

Message from the CEO

Goals for the Next 10 Years

Backcasting from our vision for the year 2030, the H.U. Group divides its initiatives for the next ten years into a first and a second phase. What is crucial here is to drive Group integration in order to consolidate the profit base as a foundation for implementing planned measures and expanding profit.

The first five years is a consolidation phase focused on investment for future growth and other infrastructural measures. In the field of testing, specifically, this means starting operation of our three large-scale laboratories at Akiruno, Fukuoka, and Kansai and simultaneously reorganizing our nationwide laboratory network. In the test reagent field, we will carry out a major strategic reorientation with a significant shift to the OEM business.

The second five-year phase will be for achieving results on this foundation and targeting stable growth. We have set a target for market

capitalization of ¥800 billion by 2030 based on steady implementation of the above measures. In this way, we aim to achieve a major transformation of our company in the coming ten years.

Purpose of Company Name Change and Segment Change

In July 2020, we changed our name to H.U. Group Holdings, Inc. The H is for healthcare and the U for You. This is the meaning we give to the name H. U. The name change is a major opportunity for organizational reform. From being a company that has supported medical care mainly through clinical testing, we are taking a step forward to serve individuals directly and deliver optimal healthcare to everyone. That is the message of Healthcare for you.

Going forward, we will not only provide appropriate medical care based on testing after people become ill, but also focus on the new approach of doing what we can for people before they become ill. How can people live long and healthy lives? Can we train our bodies not to become ill? Or can we detect disease and suppress it an early stage? By shifting its focus to the fields of prevention and early detection and

treatment, we expect the H.U. Group's testing business to be able to make a still greater contribution to people's health.

Among the drivers of this shift are the great changes in the business environment, including the trend toward in-home healthcare services and pressure to limit medical care costs. After considering the role of the H.U. Group against this background, we decided to take our business forward to a new stage by expanding into the domain of Healthcare for you. One measure we took to realize this was the change in our business segments. Going forward, we will accelerate growth by examining factors such as the growth potential of each business and its links with existing businesses and by designating clearly the executive officer in charge of each segment.

Firstly, we created the Lab Testing and its related Services (LTS) segment, which is centered on the clinical testing business and also integrates the food, environment, and cosmetics testing businesses and the self-medication business and services through corporate health insurance associations. In the Healthcare × ICT field, we will roll out new services such as the continuous monitoring of people's health made possible by personal health records (PHR). Next, we established the Healthcare-related Services (HS) segment to bring together the sterilization and related services business and the home-visiting and

Medium-term Plan

"H.U. 2025—Hiyaku (significant growth) & United"

(Formulated in September 2020 with the fiscal year ending March 2025 as its final year)

Key themes

- Opening of the New Central Lab
- Enhancement of the OEM business
- Healthcare × ICT

Key measures

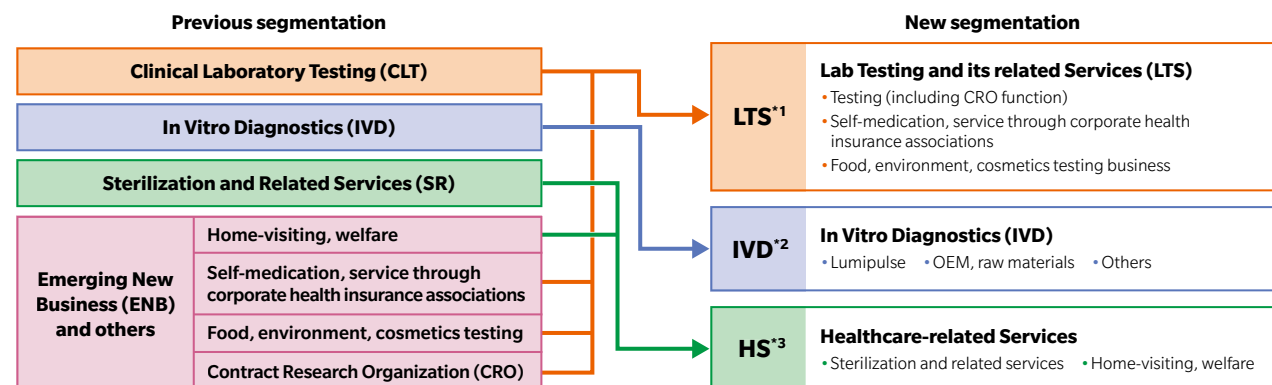
Cost-of-sales reduction through stable operations and automation at the New Central Lab

Fixed-cost reduction and enhanced profitability in the LTS segment

Implementation of Group integration strategy

Expansion of the OEM business within the IVD segment

The medium-term plan divides into two phases: the first to respond to COVID-19 and carry out structural reform ahead of the opening of the New Central Lab; and the second to recover investment the laboratory's operational start and to expand profits.



^{*1} LTS: Lab Testing and its related Services ^{*2} IVD: In Vitro Diagnostics ^{*3} HS: Healthcare-related Services

Message from the CEO

welfare business. We will nurture HS as the third pillar of our operations beside the LTS and the IVD businesses. We will leave the IVD segment unchanged, working to strengthen it continuously in collaboration with the LTS and HS segments.

In the past, we have experimented intensively with new business development. Going forward, we will apply the experience and expertise thus accumulated to identify promising new seeds of growth for active cultivation.

Driving the Integration Strategy Toward True Consolidated Group Management

The H.U. Group aims to achieve true consolidated Group management so as to derive the maximum Group synergy. True consolidated Group management means not merely adding together the net sales figures of the individual companies, but functional consolidation based on collaboration for maximum overall Group benefit and mutual optimization of resources.

Just as the effect of Group synergy had started to show in the last few years, we were hit by the COVID-19 pandemic, as I mentioned earlier. However, as a result of the H.U. Group having in the past developed products in response to the SARS virus, we had already made relevant advances in genome analysis and related areas. This was the foundation that allowed us to launch the rapid antigen testing kit ESPLINE® SARS-CoV-2 in May 2020 after a short development period. It was by establishing a cycle that makes test-verified data immediately available for reagent development that we were able to deliver the product ahead of our competitors. We followed this up in June by launching the high-sensitivity quantitative antigen test reagent Lumipulse® SARS-CoV-2 Ag. In August we began providing comprehensive testing support including support for antigen testing at airport quarantine stations. The speed of this response was unprecedented.

The resulting contribution to the H.U. Group's business is immeasurable. We are proud of the important role we have played in society, particularly when we remember the time when PCR testing was

the only option in the effort to contain COVID-19. The Group integration strategy has brought about collaboration in the true sense between the test and the reagent business and provided a valuable service to society, which is a source of great satisfaction to us.

Aspiration and Motivation Are the Driving Force of Growth

I think being able to unite as a Group and contribute to society in the response to COVID-19 has also had a great impact in terms of heightening employee motivation.

In the five years since I took office as president, one of my constant preoccupations has been to inspire the people who work at the H.U. Group. If our employees see the H.U. Group's name in the newspaper or in the media or around town and they think "that's our company" and are stirred by a sense of excitement and pride, that will help to further strengthen our feeling of unity.



H.U. Group staff provided comprehensive support including antigen testing at airport quarantine stations

The H.U. Bioness Complex, which we completed in December 2020, sends out the same message. When you drive past Akiruno Interchange on the Ken-O Expressway, you see a big sign on the left saying H.U. Group. That should make our employees feel like telling people "that's our laboratory!" I think that kind of thing has an important effect.

A salary or bonus rise will boost motivation temporarily, but that is not genuine motivation. Trust and loyalty to the company is inspired by

the awareness that it is working for the benefit of people and the world. I think that is how to enhance work satisfaction and motivation.

Corporate net sales and profit margin are important. But we depend on our human resources to achieve these figures. We could cut our staff to drive up profit, but that path would not lead to future growth. Instead of focusing on short-term figures, we should look instead at social trends and changing needs. That will enable us to realize sustainable growth while giving priority to fulfilling our social mission. I am firmly committed to honoring that principle as I take our business forward.

Our Foremost Priority Is Fulfilling Our Social Mission

As a company entrusted with social responsibilities, the social value of the H.U. Group is present in all its business activity, explicitly or implicitly.

The H.U. Bioness Complex symbolizes that. The Testing Laboratory Building and the R&D Building have a quake-resistant structure. This means that, even in the event of an earthquake of intensity level 7, the intensity would be limited to level 2 to 3 on the interior, preventing any damage to precision equipment so that testing operations are not impacted. The facility also encompasses electric power generating facilities, so that, even in the event of a 3-day power outage, all equipment will continue to operate normally. To supply the water required for testing, a 600-ton water tank is on standby that would allow the facility to withstand a three-day interruption of the water supply. Whatever the situation, we will carry on testing to support Japanese medical care and people's health. That is the social mission of the H.U. Group.

One message I repeat constantly to employees is this: profit is important to us as a commercial enterprise, but we must not sacrifice our social mission for the sake of profit. Instead, we earn an appropriate profit for fulfilling our social mission. We contribute to our customers, and we contribute to society, which includes our employees. Using these results, we contribute to our investors. We must never lose focus on these priorities.

Message from the CEO

| Now Is the Time to Invest for the Future

We are pressing ahead with the reorganization of our nationwide laboratory function that I mentioned earlier. In addition to our three main facilities at Fukuoka, which began operation in spring 2021, Akiruno, due to open in January 2022, and Kansai, which will come on stream in 2024, we are putting in place a nationwide network of 46 STAT laboratories, which undertake mainly commissioned urgent testing. One of the main aims of this strategy is to reduce running costs through automated and labor-saving operation and thereby dramatically improve productivity.

In a market environment where the price of general testing continues to fall as the operational input increases, it is clear that we cannot continue indefinitely to rely on manual procedures for all operations. If we do not take action now, our business will no longer be viable in the coming era. Of course, large investment involves large depreciation and amortization costs, which have a negative impact. However, if we use that as a reason for not acting, we will eventually find that we have left it too late to catch up. I think that this is a vital point in medium- to long-term management decision-making.

| The Essence of Sustainable Management

Medium- to long-term sustainable growth may be important, but that does not mean it is enough to simply go on increasing net sales and profit. We need to anticipate change in the business environment, carry out structural reform, and consolidate our profit base. That lays the foundation on which we can invest for the coming era and take our business forward to the next stage. That cycle creates the conditions for corporate growth. It is said that a management executive who is due to resign the next day should nevertheless be thinking 10 to 30 years into the future. This illustrates the point that, although it is important for management to increase profit, excessive concern with short-term financial results can lead to misjudgments about the company's future. I think that is the essential idea behind sustainable management.

In October 2021, the H.U. Group declared the long-term environmental target of achieving net zero in CO₂ emissions by 2050. To reach this target, we will drive Group-wide initiatives including active introduction of renewable energy at production bases and increased distribution efficiency through shared logistics. In parallel, we have become a signatory to the Business Ambition for 1.5°C campaign and are also a participant in the Race To Zero campaign organized by the United Nations.



| Becoming an Innovator That Can Change the Industry

With threats from new infectious diseases, natural disasters, and other eventualities, no-one can be sure of what is going to happen in the future. If major successes and growth are to be achieved amid this uncertainty, corporate management requires more than simply following conventional practice. What is important is knowing when and how far to go against convention. From the viewpoint of the H.U. Group's capacity, investing in new laboratories may well be an unconventional step.

However, unless we sometimes ignore convention and take unprecedented measures, we will not be able to compete successfully. It is essential to make bold decisions and see them through after carefully considering the risk. In this way, we discover unconventional approaches that becomes the convention of the future.

When competing in the market, it is also important to create new scope for competition. As the business environment becomes more challenging, clinging to old systems means you simply get left behind. In all areas, from testing systems and R&D to sales and collection and distribution, we need to move on from the old industry conventions. Genome- and cell-based medical care and regenerative medicine have

already captured the world's attention. With ICT recognized as essential for regional medical coordination, the testing industry will not achieve growth if it alone remains mired in the past.

To respond to social needs, we must take decisive action to rationalize operations and improve productivity in order to transform into a more creative business. Unless we change, we will not be able to invest for growth or generate innovation. It is from this sense of urgency that I earnestly want the H.U. Group to become an innovator within the industry.

The H.U. Group will change the conventions of testing, thereby changing the conventions of the industry and the industry itself. To do that, we must alter inefficient systems and practices. How can we change them? To gain people's understanding, the only way is to give careful and concrete explanations, one step at a time, of how we are going to change and what the benefits and conveniences will be.

For the H.U. Group to become a pioneering force, it must be prepared to change both company and industry conventions by placing simple faith in that approach. I am confident that that is the H.U. Group's path to fulfilling its social mission and achieving ongoing sustainable growth. We invite you to join us in looking forward to the Change & Challenge that the H.U. Group aspires to.

Special Feature

Provision of COVID-19 testing service at airports

In 2021, as novel coronavirus infection raged worldwide and variants made their way into Japan, the inflow of close to 100,000 people associated with the holding of the Tokyo Olympic and Paralympic Games was expected and border measures became a major focus.

We spoke to Kazunari Tanaka, Director of Narita Airport Quarantine Station. At a time when the world was still focused on PCR testing, Tanaka promoted the use of antigen testing, which allows high-sensitivity testing in a shorter period. Here he exchanges opinions with the H.U. Group staff members who led the testing and the quarantine station liaison operations.



Dr. Kazunari Tanaka M.D. Director, Narita Airport Quarantine Station, Ministry of Health, Labour and Welfare

Profile

Yamaguchi University Graduate School After entering the Ministry of Health and Welfare (now Ministry of Health, Labour and Welfare), Dr. Tanaka occupied senior posts in the Health Policy Bureau, Pharmaceutical Safety Bureau, and Pharmaceutical Safety and Environment Health Bureau, as well as in the Research Promotion Bureau of the Ministry of Education, Culture, Sports, Science and Technology. Served successively as Cabinet Office Councilor with responsibility for Life Innovation; Director of Kobe Quarantine Station; Director of Tokyo Quarantine Station; Director of the Hokkaido Regional Bureau of Health and Welfare; and Director of Narita Airport Quarantine Station. From October 1, 2021: Director of Shizuoka City Public Health and Welfare Bureau and Director of Shizuoka City Health Center.

H.U. Group staff



Kaori Wada
Managing Director
SRL, Inc.



Eriko Yamada
Deputy Director, Testing Division
SRL, Inc.



Hirofumi Enomoto
General Manager, In-Hospital
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General Manager, In-Hospital
Planning and Promotion Department
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Facilitator
Satoru Isago
Director
H.U. Frontier, Inc.

Professional positions and affiliations

The data shown are as of the time of the exchange on Monday, September 13, 2021.

Provision of COVID-19 testing service at airports

Review of the COVID-19 threat and initial challenges

Isago You have been at the frontline of Japan's border control in response to the unknown threat of COVID-19. I would be interested to hear again what it was like at the beginning.

Tanaka For people like us in the quarantine service, to put it briefly, COVID-19 was a nightmare disease. Our existing quarantine procedure had been to use a thermograph to identify individuals with fever symptoms and then test them as necessary. With COVID-19, however, there were symptomless individuals who were found to be positive. With the PCR test equipment we had to use initially for that kind of infection, testing took a total of eight hours: two hours to extract the genetic material and six hours to process on a PCR thermal cycler. As the quarantine station was designed for a quick through-flow of people entering the country, completing the necessary procedure, then going on their way, there was nowhere for people to sit and wait either. When you tell people that they have to wait eight hours, there is an immediate negative reaction. We tried a number of methods in the search for the optimal test procedure that would provide a speedy result while maintaining accuracy. Frontline staff were working flat-out under very difficult conditions, coping with the stringent demands of an unknown infectious disease, within the constraints of the airport environment, and with a quarantine and testing system that was inadequate at the time.

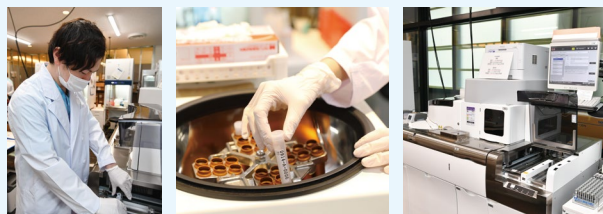


Quantitative antigen test introduced as first-line screening

Isago On July 27, 2020, the station introduced a system based on first-line screening using quantitative antigen testing, which allows a large number of specimens to be processed in a short time. This could then be used in conjunction with PCR testing. What was your feeling at the time?

Tanaka At the point when we switched to antigen testing, my honest reaction at first was to think "you've got to be kidding!" Because there was the accepted idea that PCR was the gold standard when it comes to testing for an unknown virus. As we proceeded to trial various test methods, we did consider antigen testing as an option, using a swab-type antigen qualitative test first as a general indicator and then following up with a PCR test. However, the swab-type antigen qualitative test did not produce stable results, so frankly our impression of antigen testing was not positive.

However, research by the Ministry of Health, Labour and Welfare comparing quantitative antigen testing with PCR testing confirmed its accuracy, so we took the decision to introduce it despite some remaining misgivings. Once we actually started using it, we found that it was pretty reliable in the high value range. With borderline values, we worked out that joint use with PCR testing made it viable as shown by the research mentioned above. Nowadays, when we receive external inquiries about our test method, we explain that we use duplicate testing to take advantage of the respective strong points of the two tests.



Physical flow of specimens after collection and measures to cope with summer heat

Isago In the initial introduction phase, I remember, Mr. Tanaka, that you took the lead as Director with a number of measures, for instance to deal with the physical flow of specimens and other materials and to cope with the summer heat. These included setting up a test laboratory in a restroom.

Tanaka When we were still using just the PCR test, there was only one test laboratory in the whole of Narita Airport, and we also had insufficient staff numbers, so moving specimens around was a big problem. Even after we managed to assign a number of staff to specimen transport duties, it was taking 30 minutes or an hour to bring the specimens from the test location. After the introduction of the new system by SRL, the number of test laboratories and testing staff increased and that was a great help logistically.

During summer, overheating became a problem, so we set up a row of air circulators to ventilate with cooler air from outside. Later on, we were able to use the existing air conditioning facilities and infrastructure. Looking back now, I wonder at our resourcefulness in maintaining operations.



Provision of COVID-19 testing service at airports

Crisis management during a large-scale event and bubble strategy

Isago The date of the Tokyo 2020 Olympics and Paralympics was approaching. Even when the holding of the Games was put in doubt, you as Director continued working on a quarantine system to quickly handle the arrival in Japan of large numbers of people and you showed leadership in that area.

Tanaka The whole world was in the grip of an unknown infectious disease of pandemic proportions, so the situation could definitely be called a crisis. We have of course experienced new infectious diseases before, such as the Hong Kong flu of the 1960s, but not at the same time as a major event such as the Olympics. This was an unprecedented situation. So as quarantine station director, I was dealing with the completely unique challenge of a health crisis of the kind that occurs once in a hundred years coinciding with the holding of the Olympics in Japan, which occurs once every fifty years.

In various different situations involving frontline crisis management, I have been told to take action rather than just wait and see. When you are making contingency plans, you cannot leave anything to chance. In other words you have to accept the situation as you find it and you cannot afford to cut corners.

For example, to prevent athletes and others associated with the Games from coming into contact with the outside, we had to put them in bubbles. That strategy can be rolled out in a number of different ways, such as bubbles separated by physical distance or bubbles separated by time. We needed as far as possible to use physically distanced bubbles because of public concern in the lead-up to the games, when infections were on the rise. At Narita Airport, there are three main lines of passenger flow in and around the test locations. That is very different to Haneda Airport, where there is a single line of movement. Spreading resources across three targets was a big drain, especially with the bubble system in force at the same time, which effectively doubled the number of targets to six. With resources already insufficient, we then had to stretch our fighting forces even further. With all that to cope with, SRL really supported us on the testing front by putting in place an effective system. That meant that I could leave it in

their hands and hardly needed to worry about it at all myself. I am really grateful for that.

SRL testing system, quality management, and accuracy control

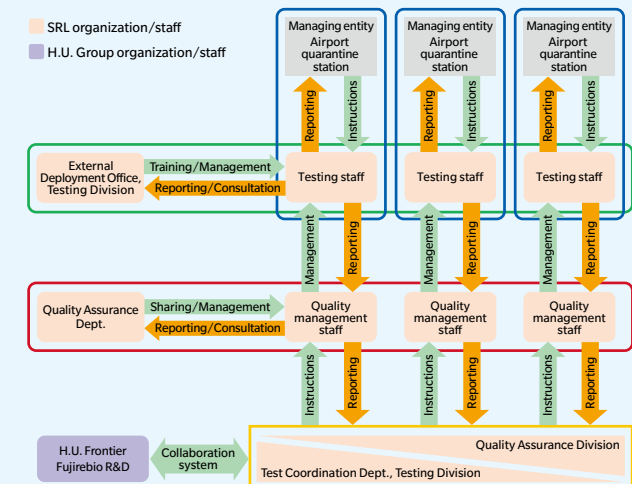
Isago I am very honored that you describe our testing system as effective. Would the H.U. Group like to comment on that?

Yamada I am in charge of everything from general quality and accuracy control to staff allocation, occupational safety, and education. In airport quarantine testing, the quarantine test laboratory is subject in principle to our ISO15189-compliant quality management system.

In quantitative antigen testing and PCR testing, we have worked together with the Quality Assurance Department and research and development departments to conduct repeated investigations and verifications. Additionally, we select inspectors internally to carry out internal audit and technical staff training with reference to Ministry of Health, Labour and Welfare manuals and JCCLS guidance as well as input from our accumulated corporate experience. In August, all testing staff attended an educational lecture on novel coronavirus testing. As testing is an operation carried out by human hand, operational risk cannot be completely excluded. Also, because of the idiosyncrasies of the test reagents and equipment, a negative test result does not inevitably mean the case is negative, and positive is not always necessarily positive. We are working on a daily basis with the united resources of the Group to enhance quality through repeated verification and improvement.

Tanaka This must be the first time in the H.U. Group's history that it has been so closely involved in government-commissioned testing. Up till now, I think your main role in the medical treatment process had been supporting decisions on surgery or other treatment for patients after a confirmed diagnosis. But with government-commissioned testing, if the test result is positive, it might be used ultimately to forcibly isolate that person. This involvement in the realm of human rights must make accuracy control even more important. People come to observe our testing and ask

SRL's ISO15189-compliant quality management system



questions, but it is hard to explain to them simply the accuracy control measures that we have in place. So once I simply said "SRL takes care of it for us" and the questioner was completely satisfied and just said "Oh, I see!" Because it is government-commissioned testing, a higher level of reliability is required. Looking back now, I think that having a partner company who we could entrust work to with confidence was a major factor in dealing successfully with the crisis situation that I mentioned earlier.



Special
Feature

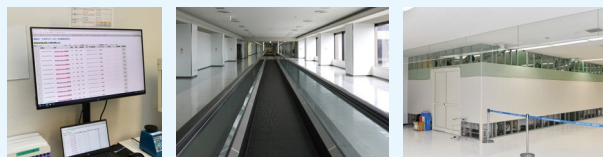
Provision of COVID-19 testing service at airports

Further issues: number of test laboratories and backup system

Enomoto As an adaptive measure to ensure stable operation, Mr. Tanaka suggested taking over some of the restrooms so that they could increase the number of test locations to more than ten. That was the kind of idea which would not have occurred to the rest of us. At the same time, Mr. Tanaka pointed out to us some of the issues we needed to consider, for instance how to report results within the framework of the airport's internal information system and how to reduce lead times. That encouraged our team to come up with useful ideas, so we worked around the clock to put a system together. In the end, the quarantine station introduced a system known as the integrated test information system. At the time, it was not possible to set up a LAN system within the airport, but with the Director's assistance, we were able to operate using Wi-Fi. Now that the system is in place, perhaps you could tell us about any further issues that need to be resolved going forward?

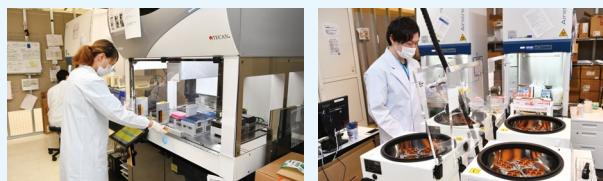
Tanaka Well, one such issue is the place where we do the tests, the test laboratory. We asked for quite a number of rooms. Narita Airport is a large site with multiple terminals, so we need to carry out quarantine tests at various locations. We still have difficulties with how to cover the physical distance between the test locations and the test laboratory. Another issue is the backup system. Once, a contamination incident occurred in the middle of a large number of PCR tests, and we had to suspend use of the test laboratory for a certain period, just when we were trying instead to reduce the test lead time. After experiencing that incident, we recognized the urgent need to put in place some kind of system to provide backup. As we are dealing with the airline business, we cannot just tell people to please wait a little while. Airplanes have to operate to a fixed schedule, so we are under pressure to let passengers disembark quickly, which is of course an inevitable part of being an airport quarantine station. In that context, testing was acting as a bottleneck. We wanted to make it dependable as soon as possible so we

asked SRL to put in place a still more exacting testing system. We really made some very tough demands.



Accuracy control in response to increased test volumes and prospects for improved system efficiency

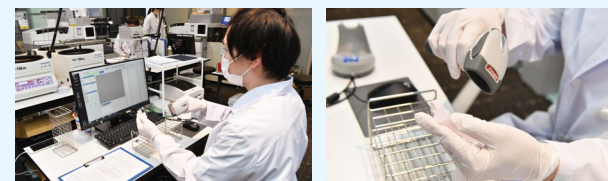
Wada Thinking back now on our work in airport quarantine, I see that although we may have been experienced professionals in matters of testing, we were still amateurs at first when it came to working under the specific conditions of an airport environment. As Director of the quarantine station, I think you must have noticed deficiencies in many areas when you saw the testing staff at the time. It is thanks to your strong commitment as Director and your guidance that we have managed to maintain a reliable testing system up to now. We really are indebted to you. We ourselves have done what we can to evolve the system in a number of ways, but we also look forward to hearing from you about any particular expectations you have or areas you would like us to concentrate on going forward.



Tanaka The area we need to respond to in future is handling larger test volumes. That is definitely a developing need, so my request to you would be to further reduce the time taken for testing while still maintaining strong accuracy control.

With the new automated analysis equipment that you have recently introduced, PCR re-testing, which used to be really time-consuming, can now be completed and the result delivered in around 20 minutes. That is a great step forward. Although I expect that balancing the costs will become even more challenging in the future, I look forward to further technological innovations of that kind from your side. In the past year, the pandemic has demonstrated the need for a whole range of technological innovations and progress has been made at an unprecedented pace. I hope that you will be able to benefit from these new insights to propose a system with increased accuracy and shorter lead times.

By attaching a seal with the specimen code number to the passport, we have been able to eliminate a source of error, one of the major pillars of our accuracy control operations. Additionally, the workload for our staff has been significantly reduced by a number of the H.U. Group's ideas, such as the introduction of equipment that automatically issues a seal to attach to the sampling tube and a seal to attach to the passport, and by having a black line pre-printed on the sampling tube to indicate the required amount of saliva. This goes beyond providing a test service and contributes to increased operational efficiency. In the future, I would like to continue hearing from your team if their experience of working in a hospital or other medical institution has given them an idea that could be usefully applied to frontline quarantine operations.



Message from Executive Officer in charge of LTS

Continuing to provide optimal testing to meet Japan's medical care needs



Shunichi Higashi
Executive Officer in charge of LTS
H.U. Group Holdings, Inc.

Differentiation Through H.U. Bioness Complex

The H.U. Bioness Complex, due to open in 2022, will be among the world's largest laboratory facilities. For general testing, its fully automated testing system, operating around the clock, will reduce the turnaround time from specimen arrival at the laboratory to reporting of the test result and will bring fundamental improvements in efficiency. In esoteric testing, processing samples from all over Japan, the facility will operate with the latest equipment integrating AI and robotic technology.

Full automation of all laboratory processes, from specimen receipt through testing and re-testing to specimen storage, will eliminate human error to realize high levels of both reliability and efficiency. As well as enhancing cost competitiveness, the new facility will allow differentiation from competitors through early introduction of advanced medical testing to accelerate customer acquisition.

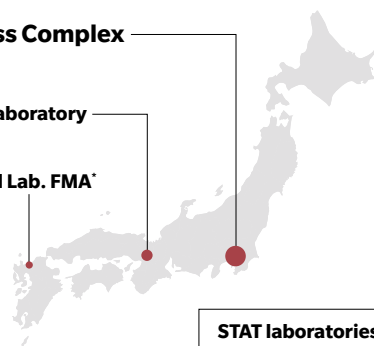
Continued Drive in Laboratory Restructuring

At the same time, we are reorganizing our nationwide laboratory functions to meet customer needs in line with regional demand for medical care services. Essentially, we will concentrate testing in three laboratory facilities at Akiruno, Fukuoka, and Kansai. To meet demand in each region, we will establish with our subsidiaries a network of 46 STAT laboratories to put in place a system able to respond to urgent testing demand. With this structure in place, we will strengthen alliances with regional medical associations and small and medium-sized testing companies for seamless coordination with regionally based testing provision systems.

H.U. Bioness Complex
(Tokyo)

New Kansai Laboratory
(Kyoto)

SRL Advanced Lab. FMA*
(Fukuoka)



STAT laboratories
46 locations nationwide

* Fukuoka city Medical Association

Action Essential for Long-Term Growth

1. Cost competitiveness

The full automation and labor-saving realized by the opening of the New Central Lab and the establishment of a nationwide laboratory network will not only reduce running costs but also raise productivity, allowing us to transition to a profitable basis amid a market environment where work volume is increasing but prices are falling. Elsewhere, we will fundamentally restructure distribution costs through alliances and measures to rationalize specimen collection and distribution. This will improve the productivity of collection operations and help to mitigate the cost increase associated with increasing work volume.

2. Advanced medical care

We will accelerate collaboration with universities and business enterprises to rapidly develop and launch original test items not offered by our competitors. Meanwhile, we will drive further business development in the fields of cancer, blood diseases, genomics, and infectious diseases and proceed with the introduction of test items for rare diseases and other cutting-edge items in areas of high demand. In parallel, we will expand into areas where demand is forecast to grow in the future, such as regenerative and cell-based medicine and the field of omics, which applies comprehensive data on biological molecules.

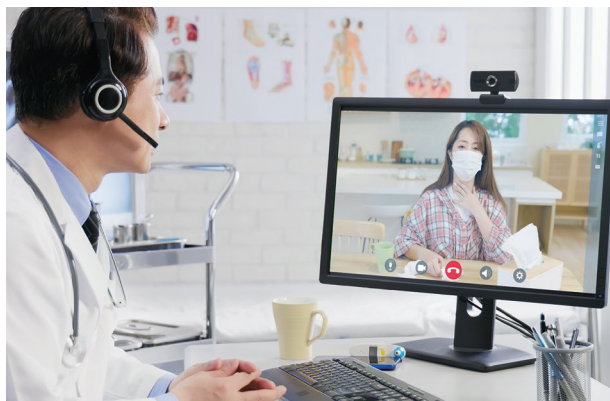


Message from Executive Officer in charge of LTS

3. Preventive medicine and medical ICT

Our marketing of ICT for medical institutions has so far been targeted mainly at large hospitals, but will now be expanded to medium-sized hospitals and clinics. By additionally introducing ICT tools for the consumer market, we will meet customer needs in each region. We will also grow the customer base by expanding our business domain to the fields of preventive medicine and in-home medical care. At the same time, we will accelerate collaboration within the Group and work to strengthen and differentiate services that utilize the digital and ICT tools developed by Ishinban, Inc., which we established in 2020.

To respond to needs in the area of novel coronavirus infection, we will continue to enhance our nationwide systems for PCR and antigen testing and use our accumulated experience to provide testing systems for airport quarantine stations and large-scale events.



Creating growth opportunities by leveraging Group collaboration to the full

The recent change in our business segments will further strengthen Group collaboration. First, we will work to integrate ICT with healthcare. Next, we will pursue expansion into the fields of self-medication and preventive medicine.

Ishinban, Inc.

Established in 2020, Ishinban, Inc. started by launching E's Assist™, a software service providing operational support to clinics. It followed with the associated personal health record (PHR) app With Wellness, to which it added a COVID-19 Vaccination History feature in July 2021. Going forward, Ishinban will keep a close watch on changing social needs in order to continuously strengthen its ICT tool functions in response.



ウィズウェルネス

H.U. Wellness, Inc.

Formed in 2021 through the merger of two Group companies, H.U. Wellness Inc. engages in the development of new services in the field of preventive medicine and early detection and treatment, with its main focus on commissioned health checkups and coordinated services. H.U.

Wellness is expanding its services by exploiting opportunities to make business contacts through a wide range of channels, working at the same time to cultivate human resources.



MEP Minami Aoyama

The facility operates with a full range of advanced equipment for highly accurate endoscopic testing, leading to more accurate diagnosis and treatment of early-stage cancer, polyps, ulcers, and other conditions. The doctors responsible for testing are specialists and clinical lecturers certified by the Japan Gastroenterological Endoscopy Society. Working in a team with frontline doctors from university hospitals, the facility provides safe and reliable testing.

Japan Institute of Foods Ecology, Inc.

The institute undertakes testing of foodstuffs, cosmetics, and environmental items. Going forward, the company will pursue growth by accelerating Group collaboration, including through horizontal rollout of the H.U. Group's accumulated know-how in the field of medical testing.

SRL International, Inc.

This subsidiary is engaged in overseas operations in the Lab Testing and its related Services. It operates businesses in South Korea, China, and India and also in Thailand. The subsidiary is working to expand the hospital business in China, utilize the wide-ranging resources of the Ping An Insurance Group, and introduce test items from Japan to promote differentiation.

Message from Executive Officer in charge of IVD

Aiming to be the world's leading reagent brand



Goki Ishikawa

Executive Officer in charge of IVD
H.U. Group Holdings, Inc.

Toward Active Development of World-First Test Items

As set out clearly in the medium-term plan, we have undertaken a strategic reorientation of the IVD segment toward full-scale development of the OEM business. The aim is first to invest proactively in the research and development of unique test items and then to utilize our combined Group strength to demonstrate their value in the Japanese market. Based on that practical achievement, we will expand into the world market by strengthening collaboration with OEM clients and leading partner

enterprises in Europe and the United States.

In line with this plan, the Fujirebio Group, which manages the IVD segment, has declared internally and externally its aim of becoming the world's leading reagent brand. To implement this strategy and reap the results as soon as possible, it is important above all for the H.U. Group to rapidly develop and commercialize unique test items. Building on our strong base in the fields of cancer and infectious disease, we will expand our focus to include lifestyle-related diseases, Alzheimer's disease, and other areas where growth is forecast in the future.

Demonstrating Product Value in the Japanese Market for Rapid Rollout to the Global OEM Market

In 2020, we were among the first in the world to acquire manufacturing and sales licensing for a novel coronavirus antigen test and to bring the product to market, which was a great achievement. At first, PCR testing was the mainstream with little attention given to antigen testing. However, our introduction of a qualitative antigen test using Lumipulse at Japanese airport quarantine stations demonstrated its value. As well as proving a valuable experience for the H.U. Group, this also led to expanded profit through the subsequent widespread adoption of antigen testing.

In the field of point-of-care tests, since its approval in May 2020, the rapid antigen test kit Espline® SARS-CoV-2 has been used not only by medical institutions but also by ordinary families and educational institutions through distribution via local governments. As a rapid test kit for simultaneous influenza testing has been approved for the start of the 2021 fall season, prospects look good for the further expansion of Espline.

In the OEM business, the demand for testing slumped in fiscal 2020 due to COVID-19. From January 2021, however, the outlook switched to one of stable growth against the background of a worldwide recovery in demand. In addition to our existing OEM partners, we have initiated projects with a number of major global corporations, which has expanded the scale of our business. As a result we forecast stable growth from 2023.

Continued Strengthening of Communication Between Japan, Europe, and the United States

Going forward, the issues we need to tackle are global organizational management and communication. To promote collaboration with outside bodies including pharmaceutical companies, we have conducted repeated rounds of discussion between our operations in Japan, Europe, and the United States. To swiftly apprehend trends and changes in the various regions of the world, it is essential to hear directly from the leadership team at each of our business bases. By exchanging opinions on a frequent and regular basis within our global team, we explore solutions. The content of these exchanges is wide-ranging, from consultation on specific matters to broader themes such as the situation regarding COVID-19 infection and the progress of the vaccines, the situation of general testing, and trends in the rest of the industry. This kind of communication has become markedly more active compared to a few years ago and has led to fruitful discussions.

Another reason why the H.U. Group needs to strengthen internal collaboration is to derive maximum leverage from the Fujirebio Group's strengths as a global enterprise. In the process of change, it is vital to look ahead to new goals instead of becoming stuck in the past. With that aim, the 1,300-strong staff of the Fujirebio Group in Japan, Europe, and the United States will unite in the same direction, thus creating a supportive environment for joint efforts to implement corporate strategy against a background of changing conditions in each region. Meanwhile, with major capital investment in progress alongside research and development projects coordinated across multiple bases, we will allocate staff to new projects based on the principle of placing the right person in the right job, thus enhancing employee motivation. By looking ambitiously toward a future as the world's leading reagent brand, we are determined to achieve positive results. This proactive stance has increased the number of collaboration partners declaring a wish to work with the H.U. Group. Going forward, our great mission is to further strengthen the sense of unity of our global organization and thereby open the path to creating new value and maintaining sustainable growth. I will continue working with determination toward achieving that goal.

Message from Executive Officer in charge of HS

Using DX to uncover growth potential as a third business pillar



Naoki Kitamura
Director, Managing Executive Officer
H.U. Group Holdings, Inc.

Realizing Latent Capability as a New Segment

We have established HS as a new segment consisting of the sterilization and related services business operated by Nihon Stery, Inc., and the home-visiting and welfare business operated by Care'x, Inc. Over the last six years, I have observed these two businesses from the position of CFO and believe that they both have strong potential. I regard it as my mission to establish the Group's third business pillar by uncovering that potential to accelerate growth.

What these businesses have in common is "re-use." I think they will grow further in importance going forward because of their relevance to

the SDGs and sustainability. Likewise, a shared challenge for the two businesses is how to transform their current labor-intensive operations with DX to raise efficiency and grow. I believe that we need to bring a 'digital first' approach to all our activities so as to change not only business processes, but the whole business model. We will proceed to implement our strategy with an initial target of segment net sales in the region of ¥50 billion.

Sterilization and Related Services Realizing the Value Potential of Permanent Stationing in Hospitals

We will accelerate growth in sterilization and related services while carrying out structural reform. An intangible asset of this business lies in the value of being permanently stationed within hospitals, but we have not exploited this advantage of being integrated within the customer organization. The management of medical institutions will become increasingly rigorous going forward. As work style reform progresses among nurses and other healthcare professionals, Nihon Stery, which operates sterilization services stationed within hospitals, is likely to experience both increased demand and increased performance expectations. Downward pressure on prices is forecast to continue and that is another reason why structural reform is essential. Meanwhile, to prepare for the division of functions between hospitals under the government's regional medical care plan, our aim is to undertake sales of operating room equipment and related activities in hospitals with designated functions. Additionally, we are looking into developing advisory services for hospital management by gathering and analyzing data on surgical operations. We also think that we can make new business proposals based on treating central supply rooms and operating rooms as a single operational flow. Instead of simply fulfilling a function, we aim to offer optimal solutions that help to resolve issues for medical institutions, thereby winning further trust.

I also believe that if Nihon Stery can gain maximum leverage from the marketing capabilities of H.U. Frontier, which was created by integrating the sales functions of a number of Group companies, it will be able to significantly accelerate growth. Growth based on Group-wide business

propositions plays the central role in the implementation of medium-term strategy. Decisive reform of our business structure is required not only to reduce costs and match customer price requirements but also to strengthen organizational capabilities so that we can enhance education and work for further quality improvement and quality visualization. To promote DX, we will start by moving to paperless manuals by using videos instead to demonstrate operating procedures. We will use our Group sales capabilities to extend our activities to small and medium-sized hospitals, which we will target with a wide range of products and services including external sterilization services, SPS*, sales of medical supplies, and supply, processing and distribution (SPD) services.

*SPS (sanitary package systems): a leasing service for surgical gowns, overalls, office clothing, and other uniform items, also providing cleaning, repair, and other maintenance services and management on an individual user basis

Home-Visiting, Welfare Active Investment and DX Promotion

In both the home visiting and welfare businesses, market expansion is expected to continue until around 2040 as demographic aging progresses. In the welfare business, we will use active investment to increase our market share. Targeting delivery within the Tokyo region specifically, to meet needs in terms of product range and ultra-fast lead times, we will create a more flexible delivery system and strengthen our network of distribution bases. At the same time as strengthening our sale capabilities, we will increase operational efficiency by introducing automated cleaning equipment and other improvements and promote DX, including in customer communications such as orders and inquiries.

In the home-visiting business, we have finally begun to generate profit at some bases, from which know-how will be rolled out to other locations. We will then further intensify our strategy of establishing regional dominance. As recruiting and retaining nurses is a key area, we are using DX to enhance education. Having started with the use of chat services within each facility, this approach is gradually starting to show results. To prepare for upscaling of the business, we are exploring franchising and other expansion strategies.

Financial Strategy Report

Aiming for growth from a long-term perspective

Status of the Medium-Term Plan in Fiscal 2020 (Ended March 31, 2021)

H.U.2025, the medium-term plan announced by the H.U. Group in 2020, is based on our vision of the Group in 2030. Its three main points are emphasis on profit margin, improvement of cash flow, and financial discipline. In fiscal 2020, return on invested capital (ROIC) rose to 8.7% from 3.7% in fiscal 2019.

Return on equity (ROE) also improved, from -0.5% in the previous fiscal year to 16.0%, exceeding the fiscal 2024 target of 12% or more. In the short-term, business performance was supported by the sharp rise in testing demand due to COVID-19.

Actual results for FY2020 and numerical targets for FY2024

	FY2020 (actual results)	FY2024 (targets)
Net sales CAGR ^{*1}	18.2%	6% or more ^{*2}
EBITDA margin	17.0%	18% or more
Operating profit margin	11.4%	10% or more
ROE	16.0%	12% or more
ROIC	8.7%	8% or more

^{*1} Actual result for FY2020 shows year-on-year growth.

^{*2} Five-year CAGR during FY2019–FY2024

Actual results for FY2020 and cumulative numerical targets of the medium-term plan

	FY2020 (actual results)	5-year cumulative (targets)
Operating cash flow	¥35.6 billion	¥150.0 billion or more
Free cash flow	¥7.3 billion	¥50.0 billion or more

However, our aim is to achieve growth from a medium- to long-term perspective rather than short-term results. We have therefore also presented fundamental measures to lay the groundwork for the future.

As increased capital investment is planned going forward, including for the opening of new laboratories and other facilities, we have added to our financial strategy a commitment to emphasizing investing cash flows. Additionally, we have established an Investment Committee to carefully scrutinize individual investment projects.

The approach to financial discipline remains unchanged as set out below.

Financial discipline

Net interest-bearing debt to EBITDA (excl. lease obligations)

1.3x or less*

Equity ratio (%) (excl. real estate finance)

40% or more

* At the end of FY2024

Change in Business Segments

We changed our business segments in July 2021.

From a 4-segment structure, consisting of the three established businesses plus emerging new businesses and others, we switched to a 3-segment structure (LTS, IVD, and HS) organized according to their links with existing businesses. We also designated clearly the executive officer in charge of each of the three segments.

With growth drivers identified for each business, we have put in place a platform for implementing the medium-term plan.

Social Finance

The H.U. Group issued unsecured bonds in October 2019 and undertook long-term borrowing in March 2020 through an SDGs social loan. The allocation of procured funds as of the March 2021 fiscal year end is as shown below.

Cumulative allocation of procured funds (¥ million)

Item	New Central Lab
Amount procured (after deduction of expenses from social bonds and loans)	24,925
Expenditure in FY2019 and FY2020 (actual)	
New Central Lab IT Systems	11,071
Equipment	3,245
Subtotal	14,316
Balance as of the end of FY2020	10,609

Achieving Sustainable Growth in Partnership with Stakeholders

We have adopted consolidated dividend on equity (DOE) ratio as the new main KPI for dividends. With the DOE target set at 6%, we will deliver stable and continuous dividends based on comprehensive consideration of relevant factors including cash flow and maintenance of a sound financial base in the medium- to long-term.

The H.U. Group is committed to fulfilling its vital social responsibility of maintaining uninterrupted testing operations. At the same time, through future-oriented investment, it will continue to work for sustainable growth going forward in partnership with all stakeholders.

R&D and Intellectual Property

I Strengthening of Group R&D System

The H.U. Group is constantly looking ahead to the medical and healthcare needs of the future and engaged in R&D to provide new value. Since the establishment of the H.U. Group Research Institute G.K. (HRI) in 2017, we have continued to strengthen R&D activity with the aim of generating innovation through a wide range of activity not bound by conventional approaches.

HRI is the center of the Group's R&D activities. Aiming for growth in the medium-to-long term, HRI conducts the basic research needed to generate a steady stream of ideas for future business. Engaging in collaborative projects with enterprises and entities within and outside the Group, HRI contributes to the Group's medium- to long-term growth by generating business innovation and creating the new businesses and technologies of the next generation.

The H.U. Group's R&D departments work to upgrade and improve products and services by further evolving the technology platforms assembled since our foundation. To develop more competitive products and services, they also promote the rapid commercialization of new technologies through collaboration and integration with HRI.

H.U. Group R&D system



Innovation through R&D collaboration

I Innovation Based on Integrated Group R&D System

Technology development related to novel coronavirus (COVID-19)

By leveraging to the maximum the technologies and know-how accumulated by our various Group companies, we led our competitors in the successful development of a PCR testing system for COVID-19 and a range of associated antigen test reagents. Since then we have continued with other successful development projects. Among these have been the development of a fully automated influenza antigen test reagent and a novel coronavirus (SARS-CoV-2) antibody test reagent, genome analysis

of viral variants, and the development of new testing systems to enable the mass screening that is the key to resuming social and economic activity. These have also been used in a variety of contexts where testing is required, including at airports and public events in Japan and overseas.

The H.U. Group's R&D activity is not limited to its research centers. We are leading technology innovation in the provision and rollout of new technologies and solutions to test locations, thus contributing to the infrastructural and qualitative enhancement of testing systems.

Timeline of the development and rollout of COVID-19-related test technology—ongoing innovation

- | | | |
|-------------|----------|--|
| 2020 | February | • Start of commissioned SARS-CoV-2 PCR testing First in Japanese private sector |
| | May | • Approval received for manufacture and sale of ESPLINE® SARS-CoV-2 (qualitative antigen test) ^{*1} First in Japan |
| | June | • Approval received for manufacture and sale of Lumipulse® SARS-CoV-2 Ag (quantitative antigen test) ^{*2} First in world |
| | August | • Start of combined use of quantitative antigen test and PCR test at airport quarantine stations in Japan |
| | August | • Start of environmental swab testing for SARS-CoV-2 |
| 2021 | November | • Start of use of quantitative antigen test at overseas airport (Germany) |
| | | • Development and rollout of test system able to deliver PCR results in as little as 2 hours |
| | | • Approval received for manufacture and sale of fully automated influenza antigen reagent |
| | February | • Rollout of variant screening and viral genome analysis |
| | March | • Market launch of SARS-CoV-2 antibody reagent (reagent for research use only) |
| | July | • Development and rollout of new screening system for rapid, high-volume processing |



R&D and Intellectual Property

Development of technology for next-generation medical treatment and healthcare

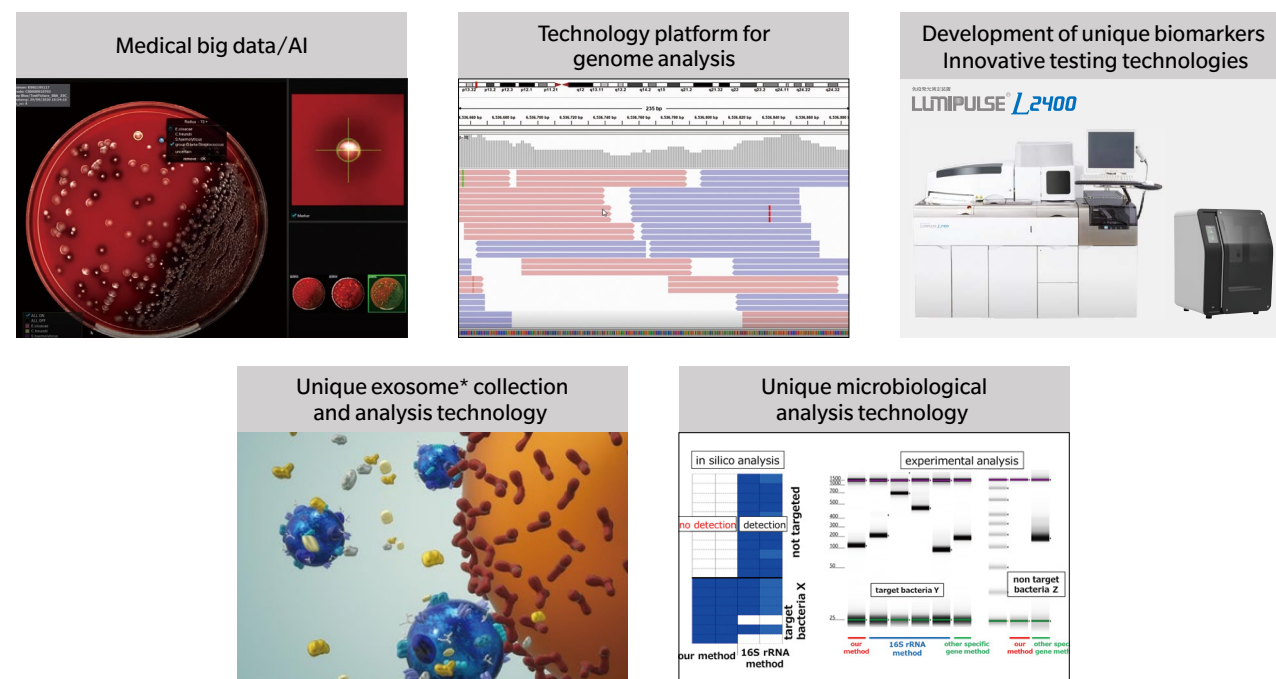
The medical and healthcare environment is changing rapidly and becoming increasingly complex due to factors such as the advent of personalized medicine, advances in digitalization and AI technology, and the restricted access to medical care following the outbreak of the pandemic.

The H.U. Group will put in place human resources and technology platforms in its R&D departments to allow swift response to major changes in the operating environment. To lead the change within the

industry, we will further intensify R&D activity across a diverse range of research fields.

Going forward, the H.U. Group will consolidate its R&D functions from basic research to product and service development. This will enable us to drive intensive R&D activity aimed at creating new medical and healthcare infrastructure and developing innovative test technologies. In this way, we will contribute to overcoming COVID-19 and resolving medical care issues.

Examples of the wide-ranging research carried out by H.U. Group R&D departments



* Extracellular vesicle. Small vesicles released from all of the body's cells, exosomes have recently attracted interest for their intercellular information transmission function

Topic Open innovation initiatives

Issuing of 2nd H.U. Group Call for Research Proposals to Accelerate Future Innovation

In 2019, as an open innovation event to identify diverse research seeds that will create new value in medical care, the H.U. Group issued the first Call for Research Proposals in Healthcare to Accelerate Future Innovation. We invited Japanese universities and public research institutes and researchers at corporate centers to submit proposals for joint research projects across a wide range, of which four were selected.

In 2021, under the title 2nd H.U. Group Call for Research Proposals to Accelerate Future Innovation, we expanded the range of research themes accepted. A total of 80 entries were submitted on innovative research themes, of which five were selected by an in-house process and joint research initiated.

Intellectual Properties

H.U. Group Holdings' Intellectual Property Department conducts the centralized management of the intellectual properties of Group subsidiaries, centered on Fujirebio and SRL, and related companies in Japan and overseas. Through this structure, the H.U. Group maximizes the internal use of its intellectual properties while minimizing the risk to the properties. In recent years, the Group has been actively supporting and protecting HRI's efforts to apply new technologies to generate innovation for research in an expanding range of areas.

Patents

The number of patents held by the H.U. Group as of March 31, 2021, was 737. The number of patent applications submitted in fiscal 2020 was 33, of which seven were for inventions related to AI or IoT.

Part II

Management Foundation

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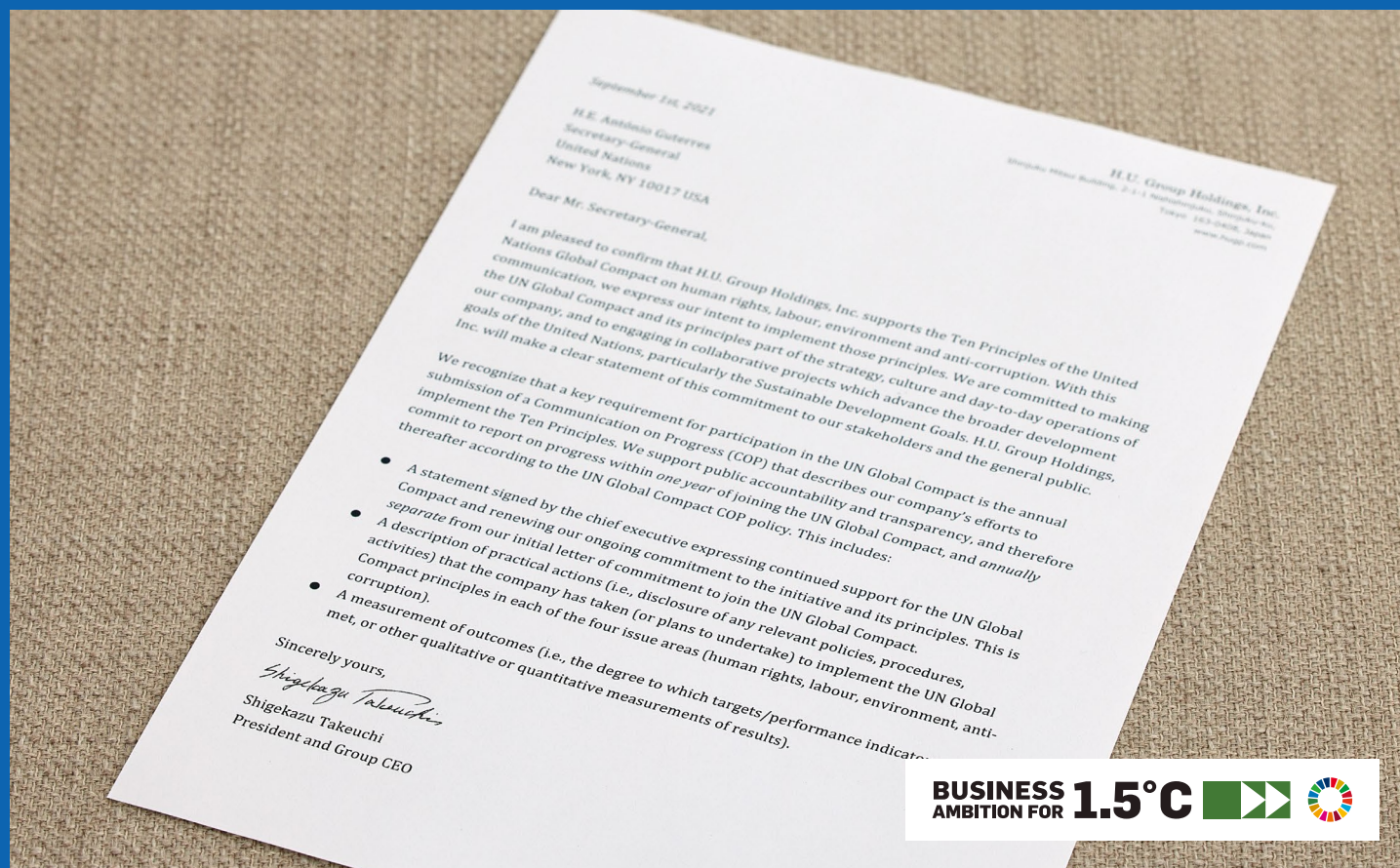
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WE SUPPORT



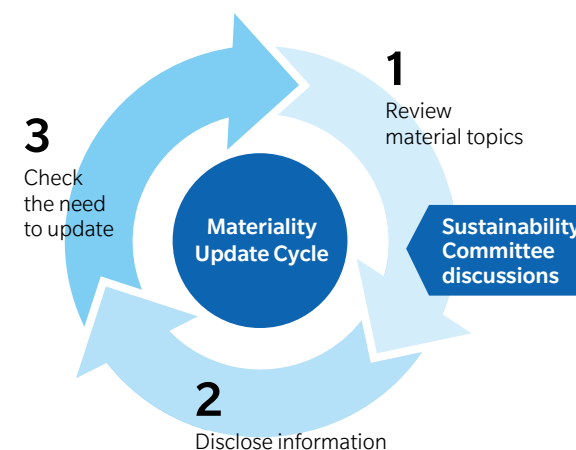
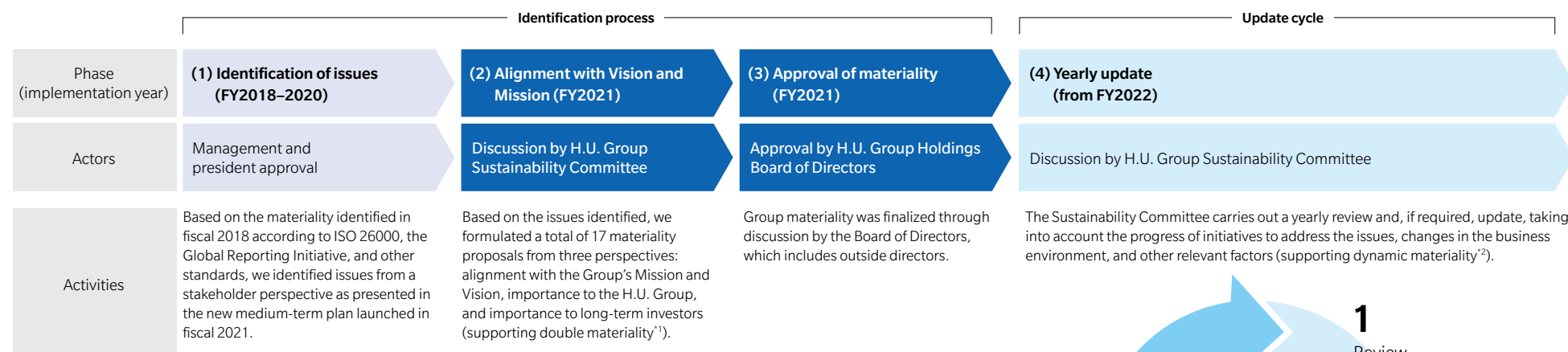
In March 2019, the H.U. Group became a signatory to the United Nations Global Compact. The Group supports the Ten Principles of the Global Compact and observes them in its activities for sustainability. In October 2021, the Group additionally became a signatory to the Business Ambition for 1.5°C and declared its commitment to achieving net-zero greenhouse gas emissions by 2050.

H.U. Group Materiality

Establishing a Materiality Update Cycle

The H.U. Group's definition of materiality covers, as the elements that impact the creation of corporate value in the medium term, general intangible assets including intellectual property and the brand, going beyond the standpoint of environment, society, and governance (ESG). In July 2021, the H.U. Group redefined its materiality. From fiscal 2022, a materiality update cycle will operate, with the H.U. Group Sustainability Committee deciding each year whether an update is required in response to changes in the external environment.

Materiality identification process and update cycle



^{*1} The approach that emphasizes materiality from the perspectives of both investors and stakeholders. It was proposed under the "Guidelines on Non-Financial Reporting (June 2019)" of the European Commission.

^{*2} The idea that materiality is a dynamic concept and can change over time or rapidly. The concept was proposed in a joint statement of the IIRC, SASB, CDP, CDSB, and GRI (September 11, 2020).

H.U. Group Materiality

Inclusion in Materiality of Quality Control and Innovation

The fiscal 2021 update examined whether there had been appropriate identification under the existing approach to materiality of intangible assets supporting the H.U. Group's value creation. The Group Mission and Vision feature the key phrases "new value creation" and "trust and innovation." SRL has acquired ISO 15189 certification and put in place a

quality management system in each department to ensure optimal operation in line with the scale of its business. Additionally, we have established a Group-wide Quality Assurance Committee to address quality issues across all departments. Fujirebio, meanwhile, conducts a yearly control survey* of medical institutions throughout Japan to ensure test accuracy. The present revisions were made to take account of these circumstances.

Content of fiscal 2021 revision

(1) Addition of "quality control"

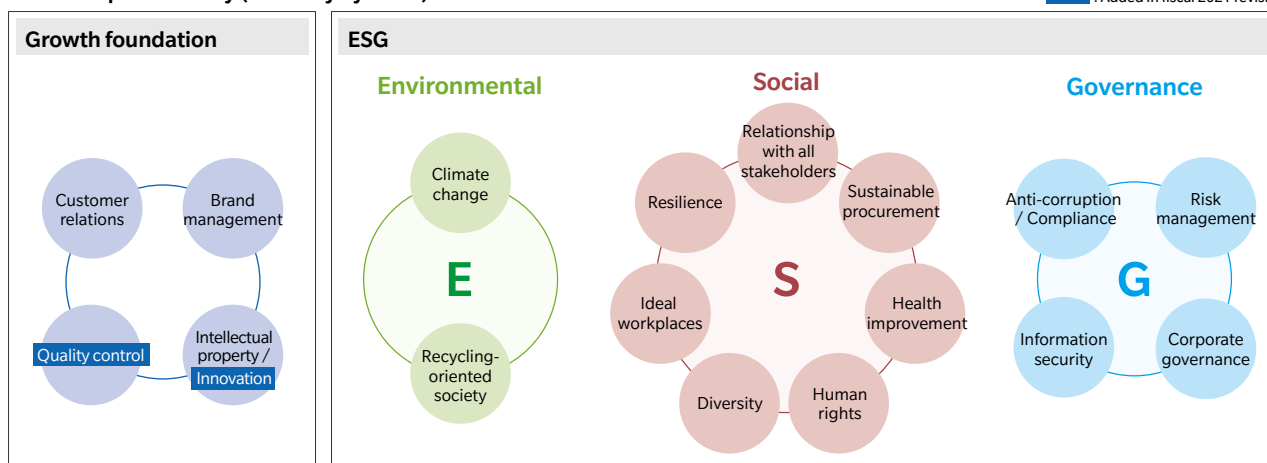
Quality control was judged to be an intangible asset embodying "trust" as part of the Group Vision and "creation of new value in healthcare" as part of the value provided under its Mission.

(2) "Innovation" placed alongside "Intellectual property"

It was decided to add "trust and innovation" as part of the value provided under the Group Vision.

H.U. Group materiality (revised July 2021)

■ : Added in fiscal 2021 revision



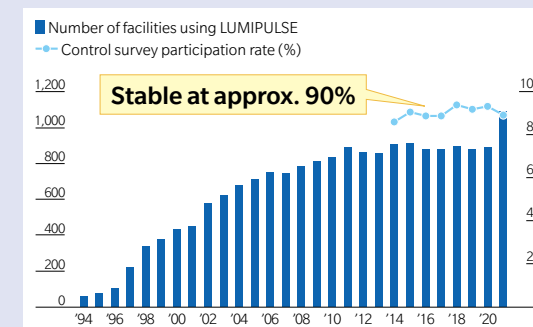
Note: A control survey is a form of external quality control to complement the internal quality control carried out within each facility. It is based on a comparative analysis of internal test data with data from external facilities. The aim is to improve the test accuracy of facilities where the manufacturer's equipment is installed.

Pick up Fujirebio control survey

Testing environments and conditions vary from laboratory to laboratory across different medical institutions and other facilities. The same test may therefore produce slightly differing results. To minimize any such discrepancy, external quality control (control survey) is required to compare data from different facilities as a basis for measures to create uniform testing environments and conditions.

Fujirebio's control surveys of its customer medical institutions nationwide have maintained a high standard compared to those of other manufacturers. Control surveys began in 1994 following the market release of LUMIPULSE in 1992. Since then Fujirebio has worked with medical institutions to increase the number of test items and the number of LUMIPULSE units installed. The control survey participation rate among all facilities using a LUMIPULSE system over the last ten years has risen to approximately 90%, thus putting in place an effective external quality control system.

Number of facilities using LUMIPULSE and control survey participation rate



Sustainability in a Changing Environment

Impact of COVID-19 on Sustainability Activity

Since fiscal 2020, ended March 2021, the negative impact of COVID-19 in terms of depressed economic activity has become clear. Before COVID, appropriate dialogue with stakeholders was seen as an important part of corporate sustainability activity. During the pandemic, however, there has been less opportunity for face-to-face meeting and, like other companies, we have seen an impact on our philanthropy activity in local

communities. We report here on this impact.

As a testing company tackling an unprecedented pandemic, we responded to urgent customer needs by manufacturing test reagents and equipment and providing PCR, antigen, and antibody tests and other testing-related services. The resulting increase in net sales also produced an environmental benefit in terms of a reduction in sales-based CO₂ emissions intensity.

On the other hand, due to the rapid expansion of our core business,

employees and suppliers were obliged to operate at close to capacity, which had a negative impact on the uptake rate of paid leave, the amount of overtime worked, and the completion rate of supplier assessment surveys.

We will reflect on these benefits and issues as we seek reliable dialogue with stakeholders during the ongoing pandemic and as we look ahead to the coming post-COVID era.

Activity themes and COVID-19 impacts by stakeholder group

Stakeholders	Pre-COVID (up to 2019)	During COVID (from 2020)
	Regular activity	Impact on H.U. Group
Customers (medical institutions/patients)	<ul style="list-style-type: none"> High quality Safety and reliability Contribution to resolving social issues 	<ul style="list-style-type: none"> Rapid expansion of COVID-19 testing-related operations
Employees	<ul style="list-style-type: none"> Work style reform Diversity Human resource development Occupational health and safety 	<ul style="list-style-type: none"> Decrease in paid holiday uptake rate and increase in overtime due to high work rate
Suppliers	<ul style="list-style-type: none"> Sustainable assessment Holding of dialogue 	<ul style="list-style-type: none"> Low response rate to sustainable assessment surveys especially in the United States and Europe
Local communities	<ul style="list-style-type: none"> Philanthropy activity 	<ul style="list-style-type: none"> Avoidance of non-essential and non-urgent activity
Environment (government/NGOs)	<ul style="list-style-type: none"> Reduction of environmental impact 	<ul style="list-style-type: none"> Reduction in CO₂ sales-based emissions intensity

■ Positive impact ■ Negative impact

Post-COVID
Envisaged activity
<ul style="list-style-type: none"> Continuation of some COVID-19-related testing, recovery of general and esoteric testing
<ul style="list-style-type: none"> Emphasis on maintenance of social functions and work-life balance
<ul style="list-style-type: none"> Implementation of human rights diligence
<ul style="list-style-type: none"> Resumption of philanthropy activity
<ul style="list-style-type: none"> Promotion of renewable energy

Sustainability Management

Implementation Structure and Activity Roadmap

Activities are rolled out under the direction of the Sustainability Committee, chaired by the President and CEO of H.U. Group Holdings, and its six subcommittees. The committee monitors the progress of activities toward meeting the KPI targets of the sustainability roadmap

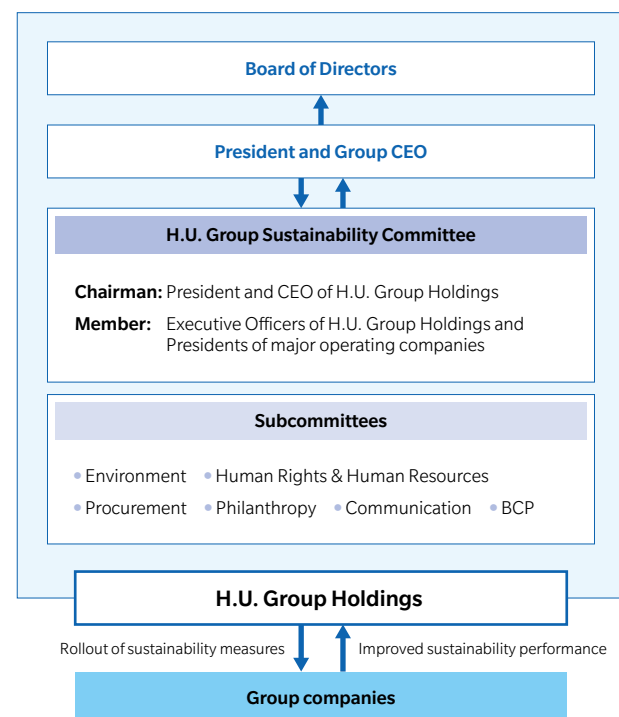
and the long-term environmental targets (see page 29). It also formulates activity plans and makes reports to the Board of Directors.

The Board of Directors meeting of July 2021 took the decision to change the key term used in Group policies and plans from CSR to sustainability. Under this new key term, we will move forward with sustainability activity to achieve growth of a more sustainable character.

Main changes in key terms

Former term	New term
Our Approach to CSR	> Our Approach to Sustainability
CSR Committee	> Sustainability Committee
CSR Roadmap	> Sustainability Roadmap

Promotion system



H.U. Group Sustainability Roadmap Three-Year Targets (FY2020–2022)

Quantitative targets

Environment

- CO₂ emissions -7% (Base: FY2017)
- Recycling rate +15% (Base: FY2017)
- CDP B plus



Human Rights & Human Resources

- Percentage of female managers 20%
- White 500 acquisition



Procurement

- Excellent response rate (A) 90% on UNGC Self Assessment tool



Qualitative targets

Philanthropy

- Continuous enlightenment of clinical testing for 40 years



Communication

- Holding of first ESG Briefing session



BCP

- Start-up of the H.U. Bioness Complex (Realization of high resilience)



Environment and Society

Environment

First Zero Target in the Laboratory Testing Industry

In October 2021, the H.U. Group was the first company in the laboratory testing and related services industry to become a signatory and participant in an initiative to achieve net zero in greenhouse gas emissions by 2050. In parallel, taking note of changing trends in the worldwide response to global warming, the H.U. Group revised its Long-Term Environmental Goals, which had previously been focused on reducing sales-based emissions intensity, to instead target net zero total emissions by 2050. Additionally, we have declared intermediate targets for fiscal 2030 of reducing Scope 1 and 2 emissions by 25% and Scope 3 emissions by 12.5% compared to fiscal 2020.

Signing of Business Ambition for 1.5°C

In October 2021, we became a signatory to Business Ambition for 1.5°C, a campaign led by the United Nations Global Compact, the We Mean Business Coalition^{*1}, and the Science Based Targets (SBT) initiative^{*2}, which calls for the setting of targets to limit atmospheric temperature rise to 1.5°C. Within the next two years, we plan to acquire validation based on the SBT initiative's 1.5°C target.

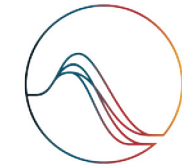
Participation in Race to Zero

Ahead of the 26th United Nations Climate Change Conference (COP26), which was held in Glasgow in the United Kingdom in November 2021, we responded to a call to show support for the conference by joining the JCI Race To Zero Circle. By doing so, we became a participant in the Race to Zero organized by the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC).

^{*1} An international platform made up of international organizations, think tanks, NGOs, and other bodies that promote global warming countermeasures among business enterprises and investors.

^{*2} An international initiative to certify the scientific basis of the greenhouse gas (GHG) reduction targets of business enterprises.

BUSINESS AMBITION FOR 1.5°C



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

RACE TO ZERO

H.U. Group Long-Term Environmental Goals (revised October 2021)

Intermediate targets: FY2020–2030

Total CO₂ (Scope 1 + 2)
emissions

Reduced by
25% (Base: FY2020)



Total CO₂ (Scope 3)
emissions

Reduced by
12.5% (Base: FY2020)



Waste plastic recycling rate at
major business locations

90%



Final target date: 2050

CO₂ (Scope 1 + 2)
emissions

Net Zero



Waste plastic recycling rate at
major business locations

100%



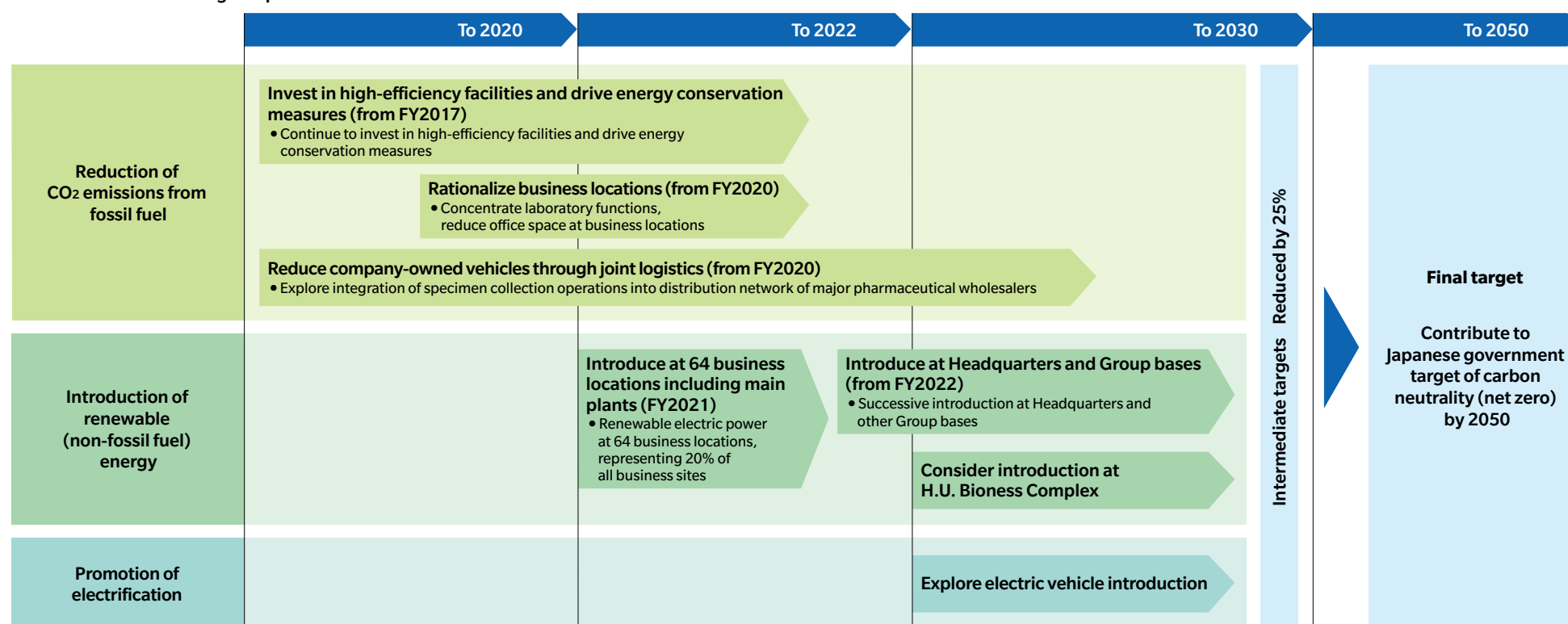
Environment and Society

Environment

Initiatives on Climate Change

Toward the Japanese government target of achieving carbon neutrality in 2050, we are implementing a range of measures based on medium- to long-term plans.

Timeline for climate change response



Environment and Society

Environment

I Response to TCFD Framework

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 have deepened our understanding of the world, where 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 also carry out quantitative analysis for each risk.

Scenario	TCFD Framework		Event	Time Horizon	Impact	Response	Risk	Opportunity
4°C scenario	Physical risk	Acute risk	Flooding of business locations	Short-term	<ul style="list-style-type: none"> Damages of equipment 	<ul style="list-style-type: none"> Formulates BCPs at the head office and field levels Purchase non-life insurance water damage rider 	Low	—
			Supply chain disruption	Short-term	<ul style="list-style-type: none"> Interruption of sample transportation and distribution network 	<ul style="list-style-type: none"> Use multiple modes of transportation Form business alliance for sample transportation 	Low	—
		Chronic risk	Temperature rise	Long-term	<ul style="list-style-type: none"> Increasing demand for products and tests for tropical diseases 	<ul style="list-style-type: none"> Consider R&D on relevant diseases and items 	—	○
2°C scenario	Transition risk	Policy and legal risk	Introduction of carbon tax and revision of ordinances	Medium-term	<ul style="list-style-type: none"> Carbon tax to be introduced in 2030 Potential violation of ordinances (emission cap) 	<ul style="list-style-type: none"> The H.U. Bioness Complex and company vehicle emissions simulation 	Low	○
		Technology risk	Installation of renewable energy facilities	Medium-term	<ul style="list-style-type: none"> Expanded capital investment in renewable energy 	<ul style="list-style-type: none"> Study such facilities for pilot or full-scale adoption to the Group 	Low	—
		Market risk	External pressures specific to the market and industry	Long-term	<ul style="list-style-type: none"> Market pressures to do something about GHG emission reductions 	<ul style="list-style-type: none"> Reorganize to use vehicles for logistics jointly with other companies 	—	○
		Reputation risk	ESG brand	Long-term	<ul style="list-style-type: none"> Dismissed as ESG-adverse 	<ul style="list-style-type: none"> Relations with long-term investors Improve the ESG ratings 	—	○
1.5°C scenario	(Severe) Transition risk	From fiscal 2022: look into information disclosure based on detailed analysis						

* Task Force on Climate-related Financial Disclosures. Established under the chairmanship of Michael Bloomberg by the Financial Stability Board at the request of the G20 to consider climate-related information disclosure and how financial institutions should respond.

Environment and Society

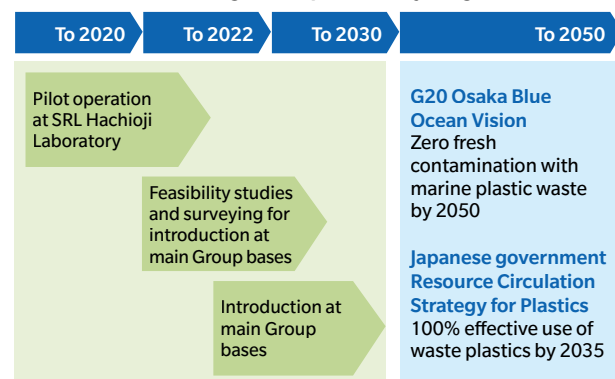
Environment

Initiatives for the Creation of a Recycling-Oriented Society

The H.U. Group is promoting waste plastic recycling, where we met our fiscal 2020 target of a 74% recycling rate.

However the systems of our existing waste disposal contractor offer limited scope for further reduction of landfill disposal. To continue reducing, we will therefore switch to contractors able to recycle a wider range of materials. The switch will take place progressively, starting from the bases with the highest waste volume, toward meeting the 2030 target.

Timeline for increasing waste plastic recycling rate



H.U. Group waste plastic recycling rate

	2017	2018	2019	2020
Total amount (t)	1,133	1,163	1,156	1,071
Recycled amount (t)	748	786	826	787
Recycling rate (%)	66	68	71	74

Expanding the Scope of Recycling

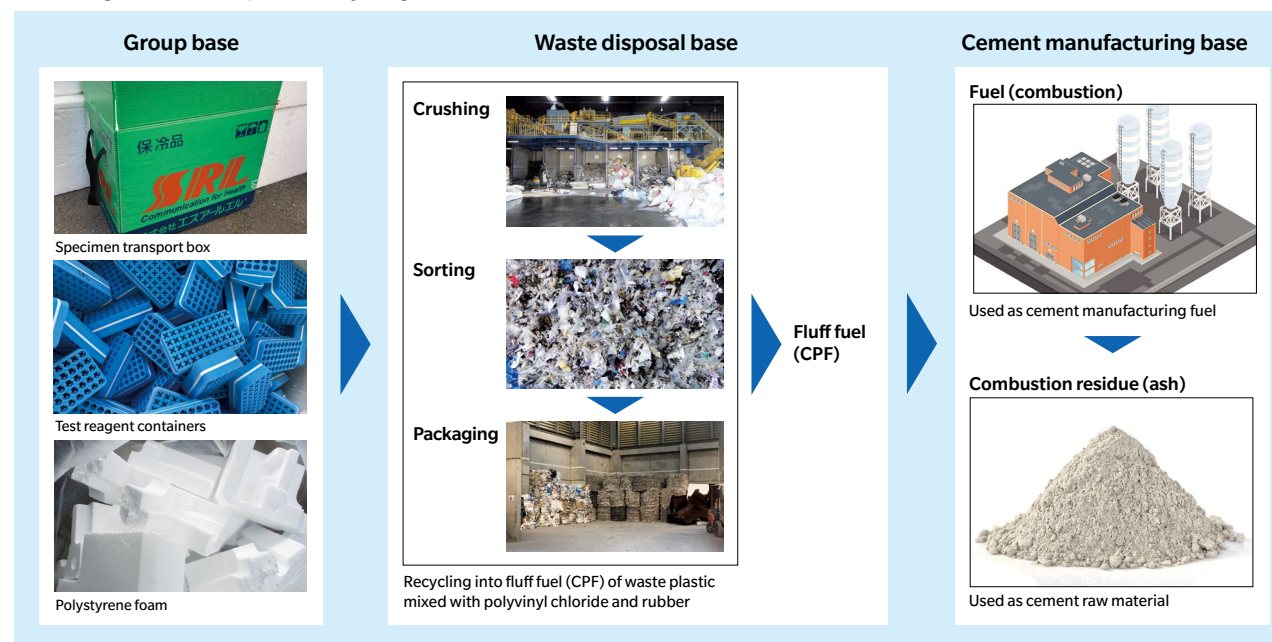
In fiscal 2020, SRL's Hachioji Laboratory started a pilot operation by switching to a waste disposal contractor able to recycle waste plastic that had previously been disposed of by landfill.

Many of the plastic materials used in its business activity, such as boxes for specimen transport, test reagent containers, polystyrene foam packaging, and office supplies, are considered unsuitable as raw material for refuse derived paper and plastics densified fuel (RPF) because they are mixed with polyvinyl chloride and rubber. As a result, the previous

contractor disposed of all such materials by incineration. The new disposal contractor is able to recycle this waste plastic into cube plastic fuel (CPF), also known as fluff fuel, at intermediate disposal sites. CPF is used as fuel for cement manufacture and the combustion residue is itself recycled into cement raw material.

Based on the results of the pilot operation at the Hachioji Laboratory, which produces a high volume of plastic waste, rollout to main Group bases from fiscal 2021 will be considered.

Flow diagram of waste plastic recycling



Environment and Society

Human Rights & Human Resources

FY2020 Performance

The H.U. Group pursues human-centric business activities based on its Human Rights Policy, Diversity Policy, Occupational Health and Safety Policy, and Training and Development Policy. For each of these policies, a range of KPIs has been established toward the fulfillment of intermediate targets set for fiscal 2022.

Human Rights & Human Resources Sustainability Roadmap (Three-Year Targets)

KPI				Performance			Forecast 2020		Target	
Major category	Subcategory	Item	Unit	2017	2018	2019	Target	Actual	2021	2022
Compliance with labor-related laws and human rights in the countries and regions where business is conducted	Violation of labor condition laws and regulations	—	Cases	0	0	0	0	0	0	0
	Forced labor / child labor	Number of forced labor reports	Cases	0	0	0	0	0	0	0
		Number of child labor reports	Cases	0	0	0	0	0	0	0
Promotion of work-life balance	Paid leave uptake rate	—	%	—	—	—	60	54.6	65	70
		Relevant Japanese companies	%	43.4	44.0	60.1	60	48.2	—	—
	Average overtime hours per month	—	Hours	—	—	—	10	16.9	5	5
		Relevant Japanese companies	Hours	21.5	19.0	20.7	10	17.1	—	—
Diversity promotion status	Percentage of persons with disabilities hired	Relevant Japanese companies	%	2.01	1.61	1.86	2.3	2.3	2.3	2.3
	Percentage of female managers (Managerial Grade 1 or above)	—	%	—	—	—	15	16.8	18	20
		Relevant Japanese companies	%	11.8	14.1	14.2	15	13.4	—	—
	Status of Kurumin certification acquisition promotion	Female employees taking maternity leave	People	—	—	—	170	234	185	200
		Relevant Japanese companies as above	People	66	84	173	170	219	—	—
		Percentage of female employees returning to work after family leave	%	—	—	—	100	97.9	100	100
		Relevant Japanese companies as above	%	100	90.6	96.8	100	97.7	—	—
Engagement survey promotion	Response rate	—	%	—	—	80%	—	—	90%	—
Promotion status of human resources development	Average annual training time per employee	Total time for group training, e-learning, distance education, etc.	Hours	—	9.5	7.8	15	23.4	20	25
Health management	White 500 listing	—	—	—	—	—	—	—	—	Acquired

Applicable range

FY2017-2018: 3 core companies

FY2019: Japanese group companies subject to internal control evaluation

FY2020: Japanese and overseas group companies subject to internal control evaluation

Human Rights

In addition to its Human Rights Policy, the H.U. Group has established the item (1) Respect for Human Rights in Section 4, Relationship with Society in its Code of Conduct, which states, the H.U. Group will respect internationally recognized human rights. The H.U. Group will respect the rights of all persons involved in the business activities of the Group and make its best efforts to ensure that such rights will not be infringed upon. This is in accordance with the stipulations of the Universal Declaration of Human Rights, which says that all human beings are born free and equal in dignity and rights, and with the United Nations' International Bill of Human Rights. In addition to complying with laws and regulations, we clearly state that discrimination, harassment, forced labor and child labor are prohibited in order to ensure a higher level of effectiveness, and we are increasing awareness among employees through various training programs.

In March 2019, we signed the United Nations Global Compact, demonstrating our corporate commitment to the Ten Principles, which encompass human rights, labor, environment, and anti-corruption. On this basis, we ensure compliance with labor-related laws and human rights in the countries and regions where we conduct our business.



Environment and Society

Human Rights & Human Resources

I Supportive Work Environment

We operate a Group-wide project under the title Structural Reforms of Workstyle/Organization/Infrastructure Corresponding to the Business Environment during the COVID-19 Epidemic and after Its Containment. In parallel, we have responded to the pandemic with a range of measures.

As part of that response, the Human Rights & Human Resources Subcommittee took the lead in the immediate company-wide introduction of working from home following the declaration of a state of emergency by the Japanese government in February 2020. After a trial period, the system's formal introduction was decided in October 2020. Accordingly, we formulated a set of telework rules and operating procedures which were communicated to all Group companies, mainly through internal notifications and the e-learning system. To adapt to the changes foreseen in the business environment after COVID-19, one reform which also supports prevention of infection and innovation in work styles is the move toward focus on quality of output rather than monitoring of hours worked.

Staff covered by teleworking, which excludes those working in frontline testing operations and similar roles, are generally expected to attend their workplace one to two days a week, selecting for the rest of the time to work either at home or at their own office facility. To enable monitoring of the system's operation and ensure adequate opportunities for communication, the following provisions are in place:

- (1) An upper limit on total working hours to prevent overwork
- (2) Health checks for staff working long hours
- (3) Checks that actual hours of work are appropriately recorded in the system
- (4) Regular meetings with line managers
- (5) Consultation and advice service for staff experiencing problems with working hours or related issues
- (6) Prohibition in principle of night-time working and working on public holidays

Source: H.U. Group telework rules

I Diversity

In addition to its Diversity Policy, the H.U. Group advocates respect for diverse values under the Mutual Respect section of the Values and Traits under its Group Philosophy system, ensuring diverse human resources regardless of nationality, age, or gender.

Promoting female advancement

Employees range in age from the late teens to 60s, and many new graduates hired in recent years are women. We are also focusing on promoting female advancement by setting high targets for the percentage of female managers and the ratio of women returning to work after childcare leave. Through such measures, we are striving to create an environment in which more women can play active roles.

Employment of people with disabilities

Through the activity of the specified subsidiary H.U. Cast, the percentage of persons with disabilities hired at Japanese Group companies increased from 1.8% on April 1, 2020, to 2.3% on April 1, 2021, thus reaching the legal requirement. At the H.U. Bioness Complex, due to open in 2022, we aim to expand the employment of people with disabilities.

Dealing with LGBTQ/SOGI-related harassment

We revised our terms of employment in fiscal 2021 and incorporated new clauses to address LGBTQ issues. Same-sex partnerships now have the same status under internal rules as marriage. To prevent harassment, the revised terms expressly forbid discriminatory language or behavior or physical violence motivated by sexual orientation or gender identity (SOGI). They also prohibit revealing the relevant status of an individual to a third party without consent.

I Training and Development

The H.U. Group clearly states in its Training and Development Policy that individual employee development is the most critical element in the Group's sustainable growth and ongoing contribution to society.

In response to the outbreak of COVID-19 at the end of 2019, the group training we had been implementing for all managerial staff was temporarily suspended, but was resumed as soon as possible in online format. In 2021 as in the previous year, we applied for the Platinum Career Award sponsored by Toyo Keizai Inc., ranking in 101st place out of 1,019 companies.

Increase in learning time through e-learning system

By switching from operations based mainly on face-to-face group training to e-learning, we were able to significantly increase learning time. However, there are functional limitations with the current system, which is unable for instance to handle simultaneous access by large numbers of employees across different Group companies. We therefore plan to introduce a new system with enhanced functions. It is envisaged that the new system will not only enable simultaneous access by a large number of users, but also offer content matched to individual interests and additionally be multilingual.

I Health Management

The H.U. Group regards improving the health of employees and their families as a management issue and implements a range of associated measures in both the mental and physical spheres. In 2019, we codified our position as a corporation oriented toward health in our Health Declaration and in 2020 we established the Health Management Promotion Office. In 2021, the Group was recognized for the second consecutive year in the large enterprise category of the Certified Health & Productivity Management Outstanding Organizations Recognition Program operated by the Japanese Ministry of Health, Labour and Welfare.

Environment and Society

Procurement

Basic Approach

The H.U. Group carries out purchasing activities based on its Procurement Policy. This policy incorporates the requirement for fair, stable, and sustainable procurement transactions. Meanwhile, to ensure that we meet our social responsibility throughout the purchasing supply chain, we provide comprehensive information regarding the areas that we ask suppliers to address through our Basic Policy on Business Partner Selection. These policies are available in three languages, Japanese, English and Chinese.

Initiatives

When initiating a business relationship, we share the Procurement Policy and Basic Policy on Business Partner Selection with the new partner. With existing business partners, meanwhile, approximately once every three years we investigate the status of their initiatives toward the realization of a sustainable society. Specifically, we utilize the United Nations Global Compact Self Assessment Tool (UNG SA) to check a wide range of items in an investigation that covers business partners accounting for 80% of the order amount of each Group company.

Targets and Results

In fiscal 2019, We accessed 89 business partners and collected the 100% of UNGC / SA results from them, which account for 80% of the annual procurement and purchase amount of each our group company that are subject to internal control evaluation in Japan.

In fiscal 2020, group companies subject to overseas internal control evaluations attempted to evaluate 61 target companies calculated from the same purchase price ratio, and UNGC / SA was selected from 33 companies, which corresponded to approximately 54.1%. We collected it and found that about half of them fall into class A. Based on the results, we will hold dialogues and engage in continuous improvement activities in order to improve the ratio of Class A business partners.

Procurement sustainability roadmap (three-year targets)

KPI				Performance	Performance 2020		Cumulative total 2019-2020		Target	
Major category	Subcategory	Item	Unit	2019	Target	Actual	Target	Actual	2021	2022
Promotion of CSR procurement for Tier 1	Questionnaire collection rate	Questionnaire collection rate	%	100	100	54.1	100	81.3	100	100
	UNG SA analysis	Class A rate (Score of 60% of total points or more)	%	84.3	Figures known	49.2	Figures known	70.0	Figures known	90
		Class B rate (Score of 40-60% of total GC self-assessment analysis points)	%	12.3	Figures known	5.0	Figures known	9.3	Figures known	8
		Class C rate (Score of 40% of total points or less)	%	3.4	Figures known	0	Figures known	2.0	Figures known	2
		Share of non-responses	%	0	Figures known	45.8	Figures known	18.7	Figures known	0

Number of business partners of overseas Group companies by assessment field and class

	Corporate governance	Human rights	Labor	Environment	Fair business practices
A	30	28	33	24	28
B	3	2	0	7	4
C	0	3	0	2	1
Total	33	33	33	33	33

	Quality and safety	Information security	Supply chain	Local communities
A	33	32	27	21
B	0	0	3	7
C	0	1	3	5
Total	33	33	33	33

Average score by item of overseas Group company business partners



Environment and Society

Procurement

I Assessment of Human Rights Items

An analysis of human rights assessments, including labor, at business partners of overseas group companies conducted in FY2020 revealed some issues in “4. Respect for the lives of indigenous peoples and local communities.” We will respond to this point in our continuous improvement activities.

Theme	Topic	Approach	Result	
			Ave.	Ratings
II. Human rights	1. Basic attitude toward human rights Companies should respect and protect human rights as declared in international standards and frameworks and ensure that they are not complicit in (or contributing to) human rights violations. Major international frameworks and norms: (7) Universal Declaration of Human Rights, (8) Ten Principles of the UN Global Compact, (9) UN Guiding Principles on Business and Human Rights, (10) OECD Guidelines for Multinational Enterprises, (11) UK Modern Slavery Act, etc.	Legal awareness	4.5	Outstanding
		Policy	4.2	Excellent
	2. Respect for human rights and prohibition of discrimination Companies should respect human rights and have a responsibility to conduct decision-making and business activities without discrimination based on race, nationality, gender, (14) sexual orientation, age, ancestry, religion, ethnicity, or immigration, etc., or against children, senior citizens, persons with disabilities, indigenous populations, the poor, or persons with HIV/AIDS, etc.	System / Responsibility	4.2	Excellent
		Checking initiative results	4.3	Excellent
	3. Avoidance of complicity in (or contribution to) human rights abuses Companies should ensure that the company's decision-making, business activities, and products and services do not lead to complicity in (or contributions to) human rights abuses of consumers or members of the local community.	Corrective actions	4.2	Excellent
		Checking initiative results	4.2	Excellent
	4. Respect for the lives of indigenous peoples and local communities It is important for companies that conduct business in regions where indigenous peoples and ethnic minorities live to respect their unique cultures and histories, to abide not only by local laws and ordinances but also international standards, and to give consideration to the rights of indigenous peoples. Also, beyond the issue of indigenous peoples, it is essential to conduct responsible business operations with sensitivity to local communities that are effected, in order to maintain the right to operate and to obtain permits and licenses.	Corrective actions	4.2	Excellent
		Checking initiative results	3.6	Low Risk
III. Labor	1. Basic attitude toward labor practices Companies should recognize and comply with the labor principles presented in international norms, etc., and to apply basic workplace principles as universal values. Main international frameworks and norms: (15) Universal Declaration of Human Rights, (8) Ten Principles of the UN Global Compact, (9) UN Guiding Principles on Business and Human Rights, (10) OECD Guidelines for Multinational Enterprises, (11) UK Modern Slavery Act, etc.	Corrective actions	3.5	Low Risk
		Legal awareness	4.8	Outstanding
		Policy	4.2	Excellent
	2. Prohibition of discrimination in the workplace Companies should not discriminate at the workplace, including during recruitment process, based on race, nationality, gender, sexual orientation, age, ancestry, religion, ethnicity, immigration, the existence of a disability, etc., or any factors other than factors such as the applicant's abilities and aptitude.	System / Responsibility	4.2	Excellent
		Checking initiative results	4.5	Outstanding
	3. Provision of equal opportunities to employees regarding human resources development and (16) career advancement, etc. Companies are expected to play a critical role in ensuring that opportunities, such as for promotion and training, are provided equally without undermining fairness on the grounds of race, nationality, gender, sexual orientation, age, ancestry, religion, ethnicity, immigration, the existence of a disability, marital status, or the condition of health, etc.	Corrective actions	4.6	Outstanding
		Checking initiative results	4.5	Outstanding
	4. Prohibition of inhumane treatment Companies should respect employees' human rights. Inhumane treatment, such as abuse, physical punishment and harassment, is prohibited.	Corrective actions	4.3	Excellent
		Checking initiative results	4.6	Outstanding
	5. Payment of fair wages Companies should abide by the legal minimum wage of the country and region in which they are operating, and ensure that an appropriate (17) collective agreement is concluded regarding matters such as overtime, and that extra pay and payment methods, etc., are applied fairly.	Corrective actions	4.6	Outstanding
		Checking initiative results	4.9	Outstanding
	6. Fair application of working hours, time off, and paid time off, etc. Companies should abide by working hours designated by law or agreed to in advance. They should ensure that employees' working hours are managed appropriately and that they are given the right to take paid time off. Employees should be given at least one day off per week.	Corrective actions	4.8	Outstanding
		Checking initiative results	4.9	Outstanding
	7. Prohibition of forced labor Companies should avoid making people work against their will and making people do work that restricts their freedom to leave their jobs. Work coercion using unjustified means of restraint and compulsion of overtime work, etc., should not be practiced. In addition, (18) unjustified retention of identification documents, etc., and unjustified collection of (19) deposit should not be practiced.	Corrective actions	4.6	Outstanding
		Checking initiative results	4.6	Outstanding
	8. Prohibition of child labor Companies should avoid employing children under the legal working age in that country or region. In addition, children should not be made to perform work that could harm their health, safety, or morals.	Corrective actions	4.5	Excellent
		Checking initiative results	4.8	Outstanding
	9. Respect for the religious traditions and customs of the country of operation Companies should respect the traditions and customs of the country and region in which they are operating, and respect their employees' religious traditions and customs. Care should be taken through uniform employment regulations, etc., to not hinder them.	Corrective actions	4.7	Outstanding
		Checking initiative results	4.4	Excellent
	10. Recognition of and respect for (20) freedom of association and the right to collective bargaining Companies should respect their employees' freedom of association, freedom to join a labor union, and freedom to protest without being subject to retribution, threats, or harassment and should provide opportunities for labor-management dialogue.	Corrective actions	4.3	Excellent
		Checking initiative results	4.2	Excellent
	11. Proper management of employee safety and health Companies should take steps so that the risk of accidents occurring during work and the risks of harmful chemical substances, noise, and odors on the human body are understood and that appropriate safety measures, etc., are taken (including statutory inspections, (21) safeguards, (22) danger signals, control of the handling of chemical substances, measures against dangerous work, and compliance with designations for protective equipment, etc.). In addition, measures that give consideration to employees' mental health should also be taken.	Corrective actions	4.2	Excellent
		Checking initiative results	4.8	Outstanding
		Corrective actions	4.9	Outstanding

Governance

Corporate Governance

I Basic Approach to Corporate Governance

We in the H.U. Group bring about greater managerial efficiency based on our stated Mission to “Create new value in healthcare and thereby contribute to human health and the future of medical care,” along with our Vision and Values. 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.

I Corporate Governance Structure

Overview of our corporate governance structure and the reason for its adoption

We fully recognize the importance of strong and thorough corporate governance, and are 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.

As such, following the adoption of a “company with committees” (now “a company with three committees”) system on June 27, 2005, the Company transitioned to a holding company structure that performs centralized oversight of the Group as of July 1, 2005. We adopted this management configuration with the aim of achieving clear separation of oversight and executive functions, establishing an implementation structure capable of operating with greater speed and enhancing oversight of Group companies.

Under this configuration, we have established three committees: the Nominating, Audit and Compensation committees, in accordance with laws and ordinances.

At the Board of Directors meetings, board members receive reports from each committee and from the executive officers providing

information on current corporate operations and target management achievements. The Board of Directors is thus able to provide timely comprehension and oversight of corporate management information. Among the eight members of the Board of Directors, six are outside directors, each of whom is recognized as a leader in his or her respective field.

The Board of Directors and appointment of directors

The Company appoints internal and outside director candidates irrespective of their 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, avoiding disproportionate emphasis on the interests of management or certain stakeholders, and 3) ability to properly oversee the management in the execution of its duties. Moreover, the Company appoints outside director candidates primarily from the following wide range of fields:

- 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 10 directors should serve on the Board of Directors in order to ensure lively and substantive discussion.

Governance structure

Outside directors are nominated to chair our Nominating Committee, Audit Committee, and Compensation Committee. Outside directors account for a majority of the members on each committee, with our Audit Committee in particular comprised entirely of outside directors.

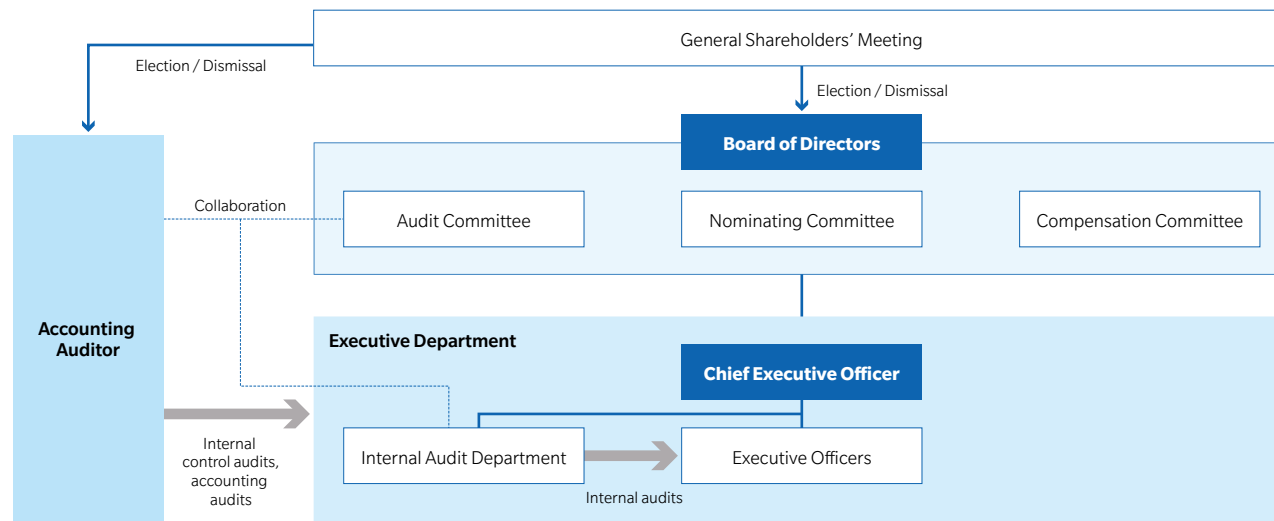
The Audit Committee consists of three committee members. Each committee member participates in major meetings of the Risk Management Committee, the Group Compliance Committee and other committees. Each member also holds a regular liaison conference with the Internal Audit Department and auditors of the relevant 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 Auditor by requesting them to explain and report the initial audit plan, status of audits during the term and results of the year-end audit.

Futomichi Amano, who is the chairman of the Audit Committee, is a qualified certified public accountant who has considerable knowledge when it comes to financial affairs and accounting.

Governance

Corporate Governance

Corporate Governance Structure



Matters regarding ensuring appropriate execution of business operations of the corporate Group

We ensure subsidiaries execute business operations appropriately by administering and managing subsidiaries pursuant to the management rules of the subsidiaries and affiliates and agreement on responsibilities and authorities of the officers of the subsidiaries.

In addition, we have established a management structure with the following framework to ensure the appropriate execution of business operations by the corporate Group:

- The structure covers the Company and its principal operating subsidiaries;
- The objective is the effectiveness and efficiency of operations, reliability

of financial reporting, and compliance with laws and regulations related to business activities;

- Promote risk management for the entire corporate Group based on the Risk Management Rules;
- Prepare a flowchart for principal operational processes including subsidiaries to standardize operations and carry out appropriate responses to risks;
- The Internal Audit Department will conduct audits for the internal control system.

The internal audit departments of the Group companies 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.

Matters regarding managing risk of loss

We have developed a risk management system based on the Risk Management Rules and the Rules of the Risk Management Committee. This system is used by the Risk Management Committee to manage the risk of loss.

Evaluating the Effectiveness of the Board of Directors

The Board of Directors considers it important to adopt a third-party perspective in its processes for evaluating its own effectiveness, and this evaluation process is carried out once a year in order to verify said effectiveness.

As such, in fiscal 2020, 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 monitoring how it carries out work); the effectiveness of the Nominating, Compensation, and Audit committees; the management of the Board of Directors, structures related to support and coordination by outside directors; and relations with shareholders and other stakeholders.

The evaluations were carried out by ensuring impartiality by following a process of having eight directors respond to questionnaires and having a third-party organization tabulate and analyze the responses under conditions in which anonymity was guaranteed.

The evaluation results were discussed in May 2021 by every member of the Board of Directors, and efforts were made to deepen understanding regarding the Board's strengths and to share information regarding its effectiveness, the roles it should play, and coordination with how it carries out its work.

Governance

Corporate Governance

Evaluation results

The results of the tabulation and analysis were reported to the Board of Directors in May 2021. The evaluation found that the effectiveness of the Board of Directors had improved in areas including the management of the Board of Directors, the decision-making process, collaboration and communication particularly among outside directors, and discussion from the optimal Group-wide perspective and identification of business risk.

Initiatives in response to the evaluation results

We have 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 2020, we have implemented the following measures to improve the Board's effectiveness.

- (1) Ensuring of timely advance distribution of discussion materials relating to agenda items for Board of Directors meetings
- (2) Holding of advance briefing meetings on key agenda items for Board of Directors meetings
- (3) Holding of sessions for directors to discuss medium- to long-term strategy
- (4) Holding of opinion exchange meetings for outside directors to promote communication among them
- (5) Holding of regular opinion exchange meetings between outside directors and Group CEO and the officers in charge of each business

Addressing the Corporate Governance Code

We do not implement "Principle 2-6 Roles of Corporate Pension Funds as Asset Owners" of Japan's revised Corporate Governance Code published on June 1, 2018.

In April 2019, we 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.

As the administrator of the corporate pension plan, we ensure the plan is operated using an appropriate structure and we have established venues for periodic reporting of asset management results. However, decisions on the selection of investment targets and the exercising of voting rights are entrusted to an investment institution, and given our awareness that engagement is an issue in terms of stewardship, we provide an explanation regarding our non-compliance with this principle.

H.U. Group Holdings complies with all other principles of Japan's Corporate Governance Code.

Reason for the Selection of Outside Directors

We have six outside directors at our company.

Mr. Shigehiro Aoyama was active in management at Suntory Holdings Limited for many years and has made invaluable contributions based on his resulting extensive experience and wide-ranging knowledge of the healthcare field and global business, including M&A. He is therefore considered qualified to serve as an outside director of the Company.

Mr. Futomichi Amano was active for many years in auditing and management at Deloitte Touche Tohmatsu LLC as a certified public accountant, where he accumulated extensive experience in the accounting field and wide-ranging knowledge of global business. As a specialist who can thus make a positive contribution to its management, he is considered qualified to serve as an outside director of the Company.

Mr. Ryoji Itoh is an independent expert who provides advice to the Board of Directors enlisting differing perspectives based on his more than 20 years of experience in managing multinational human resources at international companies, in addition to his insight related to global business and M&As based on his abundant experience as a management

consultant, fund manager and corporate manager. He is therefore considered qualified to serve as an outside director of the Company.

Ms. Eriko Matsuno is an independent expert who provides advice to the Board of Directors enlisting differing perspectives from the standpoint of diversity, in addition to perspectives as a legal practitioner who is well versed in corporate and business law and compliance as a lawyer. She is therefore considered qualified to serve as an outside director of the Company.

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. He is therefore considered qualified to serve as an outside director of the Company.

Mr. Susumu Yamauchi is a professor who has taught the history of Western legal systems at several universities over the years, and has considerable insight related to organizational management based on his experience as President of Hitotsubashi University. He is therefore considered qualified to serve as an outside director of the Company.

Determining the independence of outside directors

We determine the independence of outside directors on the basis of criteria for independence established by the Tokyo Stock Exchange.

We emphasize objectivity, neutrality, and expertise in our outside directors, and recognize their role in supervision to ensure that management fairly recognizes the roles that the company plays in society and that managers carry out their professional duties in a reasonable and appropriate manner free from bias toward the interests of managers or specific shareholders. We appoint outside directors from the perspective of having them put their knowledge and experience in different fields to use in the Company's management and expect that the directors will play an independent role in governance.

Governance

Directors and Officers

(As of September 30, 2021)

Directors



Shigekazu Takeuchi
Director,
President and Group CEO



Naoki Kitamura
Director, Managing
Executive Officer

Outside Directors



Shigehiro Aoyama



Futomichi Amano



Ryoji Itoh



Eriko Matsuno



Keiji Miyakawa



Susumu Yamauchi

Areas of expertise and experience

Name	Business management	Global business	Compliance and risk management	Legal	Finance and accounting	M&A	Healthcare	Diversity
Shigehiro Aoyama	●	●				●	●	
Futomichi Amano	●	●	●		●			
Ryoji Itoh	●	●			●	●		
Eriko Matsuno	●		●	●			●	●
Keiji Miyakawa	●	●			●	●		
Susumu Yamauchi	●	●	●	●				

Executive Officers

Representative
Executive Officer

Shigekazu Takeuchi
President and Group CEO

Managing
Executive Officer

Naoki Kitamura

Executive Officers

Shunichi Higashi
LTS

Goki Ishikawa
IVD

Toshihiko Shimizu
CIO

Atsuko Murakami
CFO

Kazuya Omi
Research and Development

Tadashi Hasegawa
Corporate Planning and
Management

Hiroaki Kimura
General Affairs

Governance

Viewpoints of Outside Directors

Raising the transparency and effectiveness of the succession plan for smoother cultivation and selection of next-generation executives

Shigehiro Aoyama
Chairman of
Nominating Committee

It is the role of the Nominating Committee to formulate a highly transparent succession plan for the cultivation of next-generation executives. The replacement of executives needs to be carried out at the right time drawing on the right human resources. That requires the cultivation in advance of suitable candidates.

The cultivation process means creating training opportunities for succession candidates to acquire and enhance the knowledge and qualities required of executives. To develop the ability to manage from a Group-wide perspective, the candidates also need to undergo strategic rotation across business divisions and to experience challenging environments that will encourage transformation.

During the selection process, it is important for Nominating Committee members to seek communication with the candidates so as to gain a good understanding of their abilities and potential. The main criteria for further narrowing down the candidate group are 1. Track record of achievement; 2. Personal qualities and alignment with Company strategy; 3. Passion for business management. Additionally, I participate at a consistent level in the executive human resource interviews organized by the Audit Committee so as to gain insight into the personal qualities and ideas of the candidates and to follow the development of their thinking and growth.

The Corporate Governance Code emphasizes the importance of the Committee's role in dismissal as well as appointment. Taking due account of this point, we will work to further enhance the effectiveness of the succession plan.

Reform of the compensation system for directors and executive officers focusing on competitiveness and growth potential to promote proactive management

Ryoji Itoh
Chairman of
Compensation Committee

My understanding of the recent segment change is that it had two aims. The first was to separate out new businesses with differing rates of growth that had previously been grouped together and to then create synergies by integrating them into existing businesses. The other was to promote business growth by clearly designating the executive officer in charge of each segment.

The original purpose of new businesses was to respond to major changes in the business environment, such as the growth of in-home healthcare and preventive medicine, and to build healthcare platforms able to provide optimal medical services to everyone. By linking these new businesses with our existing core businesses, we expect not only to accelerate new business development but also to stimulate the evolution of the core businesses themselves.

In the reform of the compensation system for directors and executive officers, we have extended the range of upward and downward variation of the basic compensation to reinforce incentive effect and create a reward structure able to compete with those of other companies. In compensation linked to short-term performance, we are shifting from the previous system centered on net sales to one that also emphasizes securing profit by changing the relative weight of these two metrics. The medium- to long-term incentive of trust-type share-based compensation was previously decided based on the absolute figures for net sales and profit, but we have now introduced the additional indicator of year-on-year net sales growth rate. By giving weight to increasing top-line sales, our aim is to accelerate growth.

Progress of Group structural reform and integration strategy impacted by COVID-19 in the first two years of the medium-term plan

Futomichi Amano
Chairman of
Audit Committee

We entered the second year of the new medium-term plan in a state of heavy preoccupation with COVID-19 countermeasures. Our swift startup of a PCR testing service, our development of a range of antigen test reagents, and our rapid rollout of systems at airport quarantine stations and other locations were part of a response that ensured we met our social responsibility at the same time as posting solid profit. I believe that this success relied on the major benefits achieved by the Group integration strategy of Group CEO Shigekazu Takeuchi. Outside the response to COVID-19, we also made progress with initiatives for structural reform and Group synergy. The centerpiece of our structural reform is the new laboratory strategy. By driving test automation to improve productivity and quality, this strategy will strengthen competitiveness and enable us to move beyond the current labor-intensive business model. The pursuit of Group synergies is designed to enable us to present total solutions and offer new services based on integration of sales forces. The segment change, meanwhile, is aimed at accelerating the creation of a medical and healthcare ecosystem. We regard each of these initiatives as essential for our future growth.

New issues will arise from forthcoming changes in business approaches and business practices. We need to mount an appropriate response, from converting to solutions-based marketing and creating customer-focused teams to concentrating marketing functions and cultivating self-motivated human resources. Going forward, I will observe closely the steady progress with these medium-term plan tasks, drawing on the knowledge and experience of the Audit Committee to provide advice and support.

Governance

Compensation for Directors and Executive Officers, etc.

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

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

1) Approach to compensation for directors and executive officers, etc.

Compensation for directors and executive officers of the Company will be paid in the form of fixed-amount compensation based on official

responsibilities in consideration of the scope and degree of responsibility for group management and other aspects, and will not be paid in the form of retirement benefits at the time of retirement. The amount of performance-based compensation will be changed depending on business results, with net sales, operating profit, net profit and other figures employed as criteria for determining results.

Directors serving concurrently as executive officers will receive compensation as executive officers.

i) Directors' compensation

Directors' compensation will be determined as nil, or as a combination of fixed-amount compensation and share-based compensation in consideration of the duties of the respective directors. Reasonable upper limit will be set for the amount of payment in light of the

economic situation, the Company's conditions and the duties of the respective directors.

The Company will pay compensation to outside directors, based on the details of their supervision activities, in addition to the combination of prescribed fixed-amount compensation and share-based compensation.

ii) Executive officers' compensation

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

Classification	Type	Payment method	Payment standard	Evaluation weighting	The breakdown of standard compensation ratios		
					President and Group CEO	Executive officers (excluding President & Group CEO)	Outside directors
Fixed	Basic Compensation	Money	Executive officers: Although the benchmark for compensation is their titles, compensation is paid to executive officers after taking into account how each of them has performed in his or her duties, etc. Directors: In addition to the prescribed fixed compensation, compensation is paid to directors in accordance with the details of their supervisory activities.		0.48	0.52 to 0.67	1.00
	Restricted stock compensation	Shares	Executive officers: Granted according to position-based standard amount		0.09	0.06 to 0.10	—
Performance-based compensation	Short-term performance-based compensation	Money	Position based standard amount × Performance evaluation items (1) Consolidated group performance (net sales and profit) (2) Segment performance (net sales and operating profit) (3) Individual evaluation	Based on position	0.24	0.20 to 0.26	—
	Medium- to long-term performance-based compensation (Trust-type share-based compensation)	Shares 50% Money 50%	Position-based standard points × Performance-linked coefficient (1) Granted percentage for consolidated net sales (2) Granted percentage for consolidated operating profit (3) Granted percentage for year-on-year growth of consolidated net sales	40% 40% 20%	0.19	0 to 0.14	—

Governance

Compensation for Directors and Executive Officers, etc.

2) Compensation system

The compensation paid to the Company's directors and executive officers is determined by the Compensation Committee based on the relevant regulations as laid down by the Compensation Committee and taking account of economic conditions, the Company's situation, and the content of the duties of each director or executive officer.

Compensation for directors and executive officers consists of "basic compensation," which is fixed monetary compensation; "restricted stock compensation," which is fixed stock compensation; "performance-based compensation," in which the monetary compensation fluctuates in accordance with the degree of progress towards achieving performance targets over the short term; and "trust-type share-based compensation," which is stock compensation linked to performance targets over the medium to long term. The breakdown of standard compensation ratios by titles is generally as shown in the table on page 43.

i) Basic compensation

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

ii) Restricted stock compensation

As well as providing an incentive to seek sustainable improvements in Group corporate value, restricted stock compensation is provided to executive officers to further promote shared value with shareholders.

(1) Overview of restricted stock compensation scheme

- The Company grants monetary compensation claims to its executive officers, and the executive officers use these monetary compensation claims in their entirety to make an investment in kind in the Company, and are in turn issued with common shares of the Company (restricted stock).
- The amount of monetary compensation claims granted to each executive officer is determined by the Company's Compensation Committee. In addition, the details of issuance of restricted stock, etc., are determined by the Company's Board of Directors.
- The amount paid in per share of restricted stock is based on the closing price for the common shares of the Company on the Tokyo Stock Exchange on the business day before the day of the Board of Directors'

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

(2) Main features of the restricted stock allotment agreement

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

- Executive officers of the Company shall not, for a period of three years from the day on which they receive an issuance of restricted stock (hereafter, "the restricted period"), transfer, create a security interest on, or in any other way dispose of the restricted stock they have been allocated.

- In the event that certain grounds arise, the restricted stock allotted to the executive officers shall be acquired by the Company without contribution.
- In order to prevent the transfer, creation of security interest, or disposal in any other way of the restricted stock allocated to executive officers of the Company, during the restricted period the restricted stock shall be managed in dedicated accounts, opened by the executive officers, at a financial instruments business operator designated separately by the Company.

iii) Performance-based compensation

In terms of short-term performance-based compensation, performance-based compensation shall be paid based on single-year performance, and on individual evaluation.

Title	Performance evaluation items		
	Single-year performance*1		Individual evaluation*2
	Consolidated group performance	Segment performance	
President and Group CEO	100%	—	—
Executive officers (excluding President & Group CEO)	20 to 100%	0 to 60%	0 to 20%

*1 With regard to "single-year performance" among performance evaluation items, these take into account the degree of progress toward targets for profit attributable to owners of parent, with a view to promoting management that is aligned with shareholder interests, while balancing growth of net sales and operating profit, in respect of which performance evaluation indicator for "single-year performance" has been set, as shown below. The setting of specific criteria for evaluation, changing of those criteria, and determining performance-based compensation shall be resolved by the Compensation Committee.

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

Performance evaluation items	Performance evaluation indicator	Weight	Targets	Range of variation in payment
Consolidated group performance	Consolidated net sales	50%	Year-on-year growth rate	0 to 200%
	Consolidated profit	50%	Absolute amount stipulated in advance	0% to no upper limit
Segment performance	Net sales	50%	Year-on-year growth rate	0 to 200%
	Operating profit	50%	Absolute amount stipulated in advance	0% to no upper limit

* With regard to net sales indicators, if targets are 100% achieved then 100% of the standard amount will be paid, so that it fluctuates by 0% to 200%. With regard to profit and operating profit indicators, if targets are 100% achieved then 100% of the standard amount will be paid, fluctuating from 0% upwards, with no upper limit.

Governance

Compensation for Directors and Executive Officers, etc.

Evaluation of single-year performance is based on the consolidated performance of the Group, and evaluations of certain executive officers take into account segment performance based on their respective areas of responsibility. The breakdown of performance-based compensation by titles is as shown in the table on page 44.

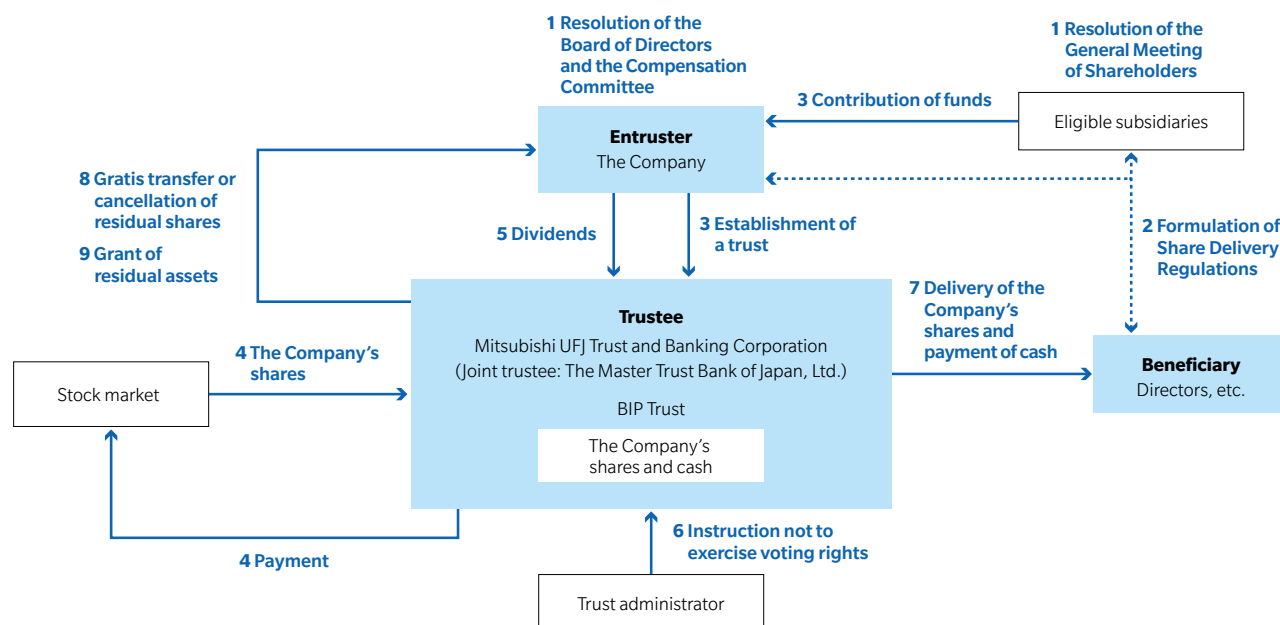
iv) Trust-type share-based compensation

By linking compensation for executive officers of the Company to the degree of progress toward targets set out in the medium-term plan, the Company aims to raise awareness of the need to contribute to improving performance over the medium- to long-term and enhancing corporate value, to which end it will provide trust-type share-based compensation.

(1) Overview of the trust-type share-based compensation scheme

As is the case with the performance-linked share-based compensation seen in the U.S. and Europe (performance shares), the trust-type share-based compensation is a scheme in which the shares of the Company or the amount of money equivalent to the converted value of the shares of the Company are delivered or provided, in accordance with their titles and the degree of progress toward performance targets.

Structure of the H.U. Group's trust-type share-based compensation scheme



1 The Company has obtained approval from the Board of Directors and the Compensation Committee for the introduction of the trust-type share-based compensation scheme and the compensation for directors and executive officers.

2 In relation to the introduction of the trust-type share-based compensation scheme, the Company has formulated "Share Delivery Regulations" regarding compensation for directors and executive officers at a meeting of the Compensation Committee.

3 The Company shall combine a sum of money, the value of which is within a range approved by a resolution of the Compensation Committee, with the monetary contributions received from each eligible subsidiary and entrust this to a trust bank (the "Trustees") in order to set up a trust ("the Trust"), the beneficiaries of which shall be directors, etc. of eligible companies (including executive officers of the Company; hereinafter the same shall apply) who satisfy the requirements for beneficiaries.

4 The Trustees of the Trust have, in accordance with the instructions of the trust administrator, obtained the Company's shares from the stock market using the money contributed as in **3** as funds.

5 Dividends shall be paid in relation to the Company's shares held within the Trust in the same way as for other shares of the Company.

6 For the Company's shares held within the Trust, voting rights shall not be exercised through the trust period.

7 During the trust period, a certain number of points shall be granted to directors, etc., in accordance with their titles and the degree of progress toward performance targets. For directors, etc. who satisfy a certain level of beneficiary requirements, shares of the Company, or the amount of money equivalent to the converted value of the shares of the Company, shall be delivered or provided in accordance with the number of points granted.

8 In the event that residual shares remain at the expiry of the trust period due to performance targets not being achieved or for some other reason, the Trust shall either continue to use them for a new stock compensation scheme as a result of a change in the trust agreement or additional trusts being made, or the Trust shall transfer the residual shares to the Company without contribution, after which acquisition, it is expected that they will be canceled by a resolution of the Board of Directors.

9 When the Trust comes to an end, any assets remaining after distributions to beneficiaries are expected to be vested in the Company (which is the holder of vested rights), within the scope of the reserve for trust expenses, which are calculated by deducting funds to purchase stock from trust money.

Governance

Compensation for Directors and Executive Officers, etc.

(2) Number of shares to be delivered, etc.

(including shares that are subject to conversion)

In principle, on June 1 for each year during the trust period, a certain number of points shall be granted to the executive officers of the Company in relation to the fiscal year that ended on March 31 of that year. The number of points shall be determined based on the individual's title and the degree of progress toward targets for consolidated net sales, consolidated operating profit and year-on-year growth in consolidated net sales for each fiscal year of the medium-term plan. Around the month of July after the ending of the target period (for the first time, this will be around July 2023), the number of shares, which is the basis for delivery, etc., of the Company's shares, etc. (hereinafter, "stock delivery points"), shall be determined based on the total number of points for the three years. The number of shares of the Company per point shall be one (1).

(3) Number of points granted per year

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

(Calculation formula)

Number of points granted (per year) = Standard points^{*1} ×

Performance-linked coefficient

Performance-linked coefficient = $\frac{\text{Granted percentage for consolidated net sales}^2}{100} \times 0.4 + \frac{\text{Granted percentage for consolidated operating profit}^2}{100} \times 0.4 +$

$\frac{\text{Granted percentage for year-on-year growth of consolidated net sales}^3}{100} \times 0.2$

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

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

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

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

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

Granted percentage for consolidated net sales		
Fiscal years covered by the medium-term plan	Consolidated net sales achievement ratio	Granted percentage for consolidated net sales (%)
FY2020 (Fiscal year under review) FY2021 FY2022	Less than 90%	0%
	90% to less than 100%	$15 \times \text{Consolidated net sales achievement ratio} - 1,350$
	100% to less than 107%	$21.43 \times \text{Consolidated net sales achievement ratio} - 1,993$
	107% or more	300%

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

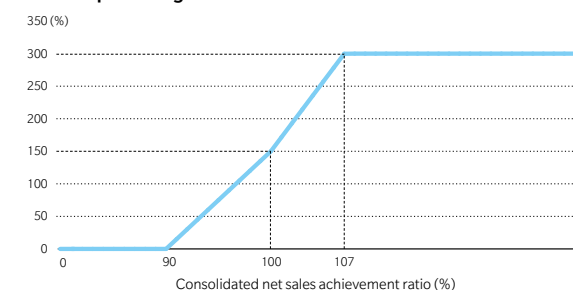
Granted percentage for consolidated operating profit		
Fiscal years covered by the medium-term plan	Consolidated operating profit achievement ratio	Granted percentage for consolidated operating profit (%)
FY2020 (Fiscal year under review) FY2021 FY2022	Less than 80%	0%
	80% to less than 100%	$5 \times \text{Consolidated operating profit achievement ratio} - 400$
	100% to less than 130%	$6.67 \times \text{Consolidated operating profit achievement ratio} - 567$
	130% or more	300%

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

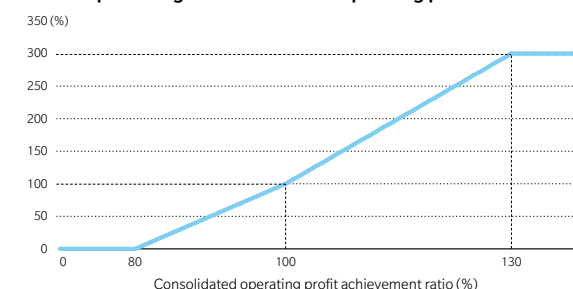
Granted percentage for year-on-year growth of consolidated net sales		
Fiscal years covered by the medium-term plan	Year-on-year growth rate of consolidated net sales	Granted percentage for year-on-year growth of consolidated net sales (%)
FY2020 (Fiscal year under review) FY2021 FY2022	Less than 95%	0%
	95% to less than 115%	$15 \times \text{Consolidated net sales Year-on-year growth rate} - 1,425$
	115% or more	300%

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

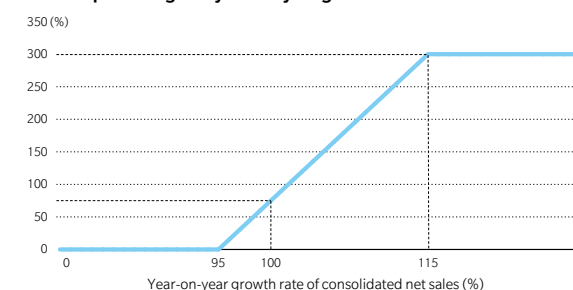
Granted percentage for consolidated net sales



Granted percentage for consolidated operating profit



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



Governance

Compensation for Directors and Executive Officers, etc.

(4) Criteria for receipt of shares or cash payments

Executive officers of the Company who meet any of the criteria laid out below (hereinafter, “share receipt criteria”) shall enjoy the right to receipt of shares of the Company or payment of the proceeds of the sale of such shares, shall be settled on the record date for beneficial rights prescribed in the “Share Delivery Regulations.”

Shares receipt criteria	
1	Where the individual has occupied a position at one of the Executive Grades (EG) specified in the relevant regulations continuously for the whole of the target period
2	Where the individual withdraws from any and all EG positions during the target period due to retirement or other justifiable reason
3	Where the individual dies during the target period
4	Where the individual becomes a non-resident of Japan during the target period
5	Where the individual is in occupation of an EG position at the time of abolition of the scheme

However, where the executive officer of the Company triggers any of the following criteria before the record date for beneficial rights, or in any equivalent case, the receipt of shares of the Company or the payment of the proceeds of the sale of such shares shall, in accordance with the trust-type share-based compensation scheme, not proceed.

Details	
1	Where there have been material violations of the individual’s EG-related responsibilities, or material violations of internal rules
2	Where the individual resigns from any and all EG positions regardless of the will of the Company, or for personal or some other unjustifiable reason (however, they shall exclude situations caused by unavoidable circumstances, such as sickness)
3	Where the individual is dismissed due to behavior corresponding to a reason for dismissal from an EG position
4	Where the individual takes up work at a competitor without the approval of the Company

Persons with decision-making authority in relation to policy for determining the amount of compensation for directors and executive officers or calculation method thereof

Because the Company is a “company with three committees” under the Companies Act, it has set up a Compensation Committee as an organization based on the Companies Act, in which the committee chair is an outside director, and outside directors form a majority of committee members.

1) Details of the Compensation Committee’s authority and scope of discretion

The Compensation Committee determines the amount of compensation, etc. for executive officers and directors of the Company based on laws and regulations, the Articles of Incorporation and relevant rules of the Company.

2) Details of Compensation Committee activities during the process of determining compensation, etc. for directors and executive officers in the fiscal year under review

During fiscal 2020, the Compensation Committee met seven times or approximately once every two months.

Governance

Risk Management

Basic Approach to Risk Management and Management Structure

Risk is managed according to a uniform policy that applies to the entire H.U. Group as defined in the risk management structure within the Risk Management Rules. The Risk Management Committee was established with the purpose of promoting risk management for the Company and the entire Group.

The committee is chaired by the CFO and comprises executive officers other than the representative executive officer. It meets at least twice a year, with the results reported to the Board of Directors. The committee's detailed activities include:

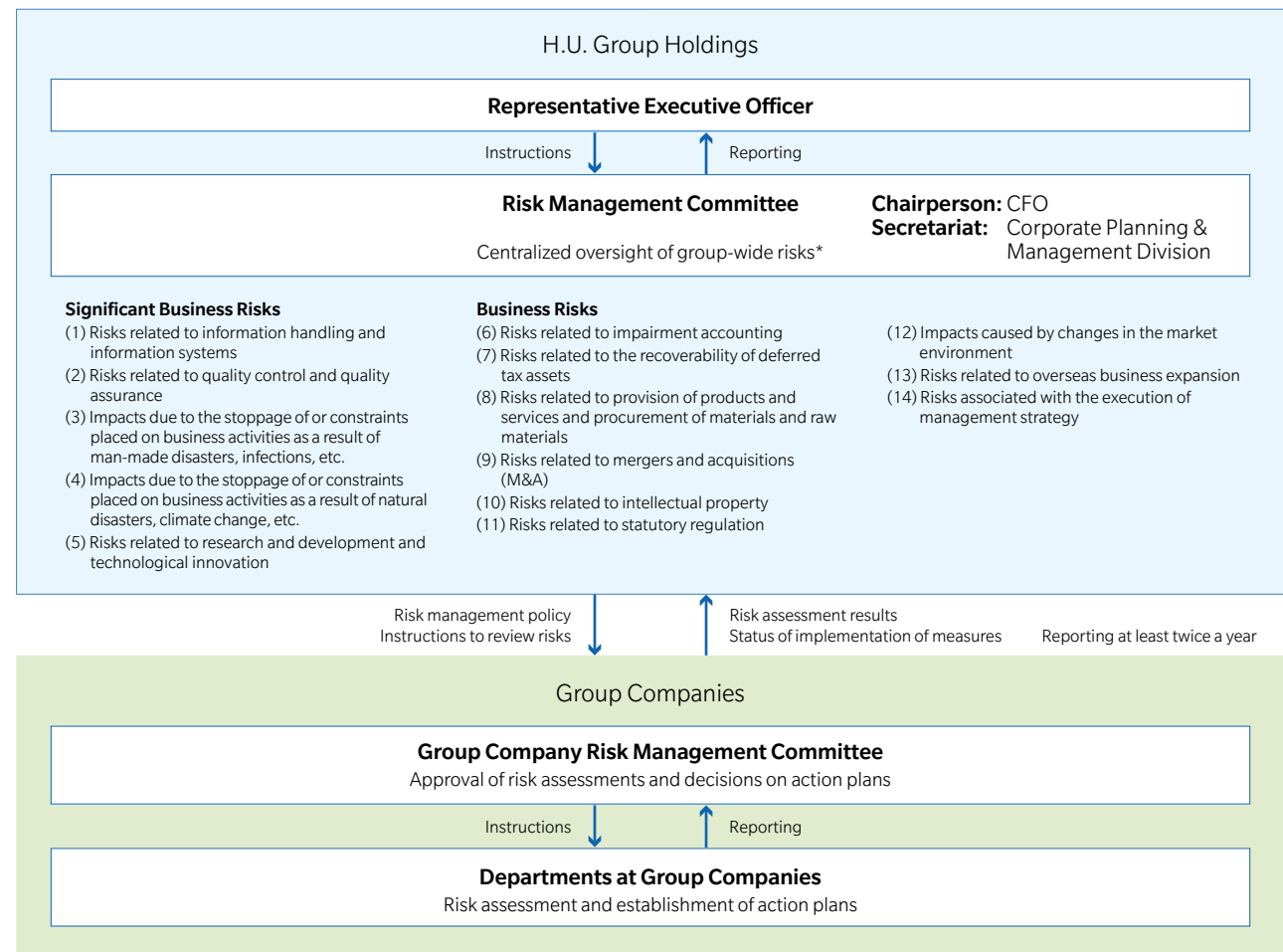
- (1) Centralized oversight of the risk management of each Group company;
- (2) Identification of risks facing the entire Group and risks pertaining to the misconduct of management, as well as management of control execution;
- (3) Identification of risks that should be disclosed and management of control execution; and
- (4) Matters concerning the risk management of the Company.

In March 2020, we specified business risks including significant business risks, but revised these in 2021 in response to subsequent changes in the internal and external environment. On the next page, we report on significant business risks.

Scope of risk assessment and risk identification process

We identified and assessed the priority risks to be addressed for each company, including consolidated subsidiaries in principle, based on the specific risk for its business category, business scale, and other factors and risk severity. Taking account also of the individual company's own assessment, the Risk Management Committee as a whole then assessed each risk on a 5-level scale based on its probability, frequency, and degree of impact on a consolidated Group basis.

Framework of Group risk management



* Risk is subject to management using a risk control matrix, which consists of risk identification, risk analysis and assessment based on the probability of its materialization and degree of impact, and implementation of risk countermeasures.

Governance

Risk Management

I Significant Business Risks

Taking account of internal and external environmental change and the opening of the H.U. Bioness Complex in 2022, we have raised item (1) below to the highest level of risk as part of a process of revising risk priority and content relative to the risk identified in fiscal 2020.

(1) Risks related to information handling and information systems

The Group retains vast quantities of data, including personal and patient's testing information. As a result, one important management task is to ensure the security of this information and build a corresponding structure that complies with Japan's Personal Information Protection Act. As part of these efforts, SRL, Inc. acquired PrivacyMark certification in February 2005. SRL has also acquired the ISMS and ISO/IEC 27001 certifications for security countermeasures in information systems. The Group also utilizes multiple information systems for the execution of business. It strives to operate these in a stable manner, and to modify and upgrade aging systems. Further, it works to build information systems that help to prevent data leakages and to ensure their operational rules are well-understood so that this purpose can be achieved.

However, information systems can fail to operate normally due to software or hardware problems, human errors, disasters, criminal activities, cyberattacks, infection by computer viruses, or terrorism. These failures could result in exposure of personal information, large-scale stoppage of services, wrongful billing, delayed test reports, or loss of data, leading to lost credibility of the Group and its products and services, and furthermore adversely affect the Group's business performance and financial situation.

The Group develops its own information systems for business execution. Efforts are being focused on reinforcing project management, including obtaining outside evaluations for system development by a third-party as needed. If development plans are delayed, development costs rise, or the planned functions cannot be implemented, the Group's business execution could be inhibited, and development costs may be unrecoverable.

(2) Risks related to quality control and quality assurance

Quality control in the Laboratory Testing and Related Services business is the most important element in maintaining the accuracy of test results. The Group's primary testing and related services business companies participate regularly in surveys by the Japan Medical Association, Japanese Association of Medical Technologists, Japan Registered Clinical Laboratories Association, and other public institutions to ensure thorough quality control. In addition, the Company is focusing on establishing its own internal structure for improving testing quality, including acquiring certification for the service mark of the Japan Health Enterprise Foundation, College of American Pathologists (CAP), Clinical Laboratory Improvement Amendments (CLIA), and ISO 15189. The Company strives to prevent mistakes by developing a structure that can quickly identify events and consider their causes and countermeasures. Other preventative efforts include improving procedures, implementing automation, and increasing rigor in employee training.

The In Vitro Diagnostics business has also put in place an internal quality assurance system to drive product quality improvement. The Group's primary in vitro diagnostics business companies have acquired certification under the ISO13485 international quality assurance standard.

In the sterilization-related business of the Healthcare-related Services segment, we are also working to improve the quality of the services we provide and our main sterilization centers have acquired certification under the ISO9001 international quality assurance standard.

However, if product and service quality cannot be guaranteed due to human error and unforeseen circumstances, the H.U. Group's performance and financial situation could be adversely affected due to loss of credibility.

(3) Impacts due to the stoppage of or constraints placed on business activities as a result of man-made disasters, infections, etc.

The Group's business performance and financial situation could be adversely affected by fires, labor disputes, facility accidents or other man-made disasters at the Group's business locations. The Group's business performance and financial situation could also be adversely affected by pandemics that interfere with our operations due to their high infectiousness and the serious health hazards they pose.

(4) Impacts due to the stoppage of or constraints placed on business activities as a result of natural disasters, climate change, etc.

The Group has established a business continuity plan (BCP) and allocated emergency-use facilities and stockpiled supplies in preparation for a large-scale natural disaster. However, the Group's business performance and financial situation could be adversely affected in the event the Group's business sites or its customers such as medical institutions suffer damage from a large-scale typhoon, earthquake or other natural disaster. The Group's business performance and financial situation could also be adversely affected in the event of tremendous physical damages arising from natural disasters due to climate change or the tightening of regulations on greenhouse gas emissions.

(5) Risks related to research and development and technological innovation

The Group continuously invests in research and development for the efficient and prompt development of new products and new technologies. Therefore, we established H.U. Group Research Institute G.K., where we streamline and accelerate basic research activities and centralize the handling of information. In addition, we actively gather information on market trends and technological developments by participating in academic societies inside and outside of Japan, as well as by incorporating the views of third parties as needed. Also, we reinforce our management system by conducting periodic reviews of internal R&D progress.

However, expected R&D outcomes may either be slow to reach or may be unattainable entirely. In addition, competitors may overtake us in a technological development. Furthermore, there may be instances where we must give up on research and development due to reasons such as not fulfilling the required standards for drug approval in terms of efficacy and safety during the research and development process. This could result in the inability to recover the costs associated with this research and development or could force changes in our research and development policy. Moreover, if the Group's response to the rapid advances in technological innovation is delayed, the resulting marked decline in the competitiveness of its products and services and its business model could adversely affect its performance and financial situation.

Governance

Compliance

Formulation of the Code of Conduct

The H.U. Group has formulated a Code of Conduct to strengthen compliance Group-wide that has been adopted by all Group companies. In addition to the Japanese version, the Code is also available in English, Chinese, and Vietnamese.

Promotion of Compliance Awareness

To promote understanding of compliance, the H.U. Group has prepared a Compliance Handbook that is distributed to all employees, conducts compliance training once a year and an annual compliance survey, and sends out a monthly compliance-related email newsletter.

Since it was first issued in 2016, the Compliance Handbook has been updated to take account of the latest trends and social requirements. It is used to raise awareness of compliance, including through reading sessions in each corporate department. We also integrate compliance-related content across our range of training programs.

We carry out e-Learning using shared tools available at each company as part of compliance training. Employees at workplaces that do not have access to the Internet take classes using paper-based materials.

Moreover, we send a compliance newsletter to all employees who are provided with company e-mail addresses. In fiscal 2020, we distributed materials on the Power Harassment Prevention Act, which became law in June.

	2017	2018	2019	2020
Compliance comprehension test-taking percentage	99.0%	95.4%	94.5%	86.6%

Compliance Promotion Structure

The Group has put in place a system under which the H.U. Group Holdings Compliance Committee gathers information and provides Group-wide guidance. The Committee, an advisory body to the representative executive officer chaired by the executive officer in charge of legal affairs, consists of all executive officers, excluding the President and Group CEO, and the general manager of the Legal Department. Meeting once a year, the Committee is responsible for educating and informing on laws and on the Code of Conduct and monitoring compliance, formulating related systems and measures, addressing violations of law and the Code and issuing relevant instructions, and carrying out independent surveys. Additionally, it receives reports from each Group company on compliance with law and the Code and provides appropriate guidance in response.

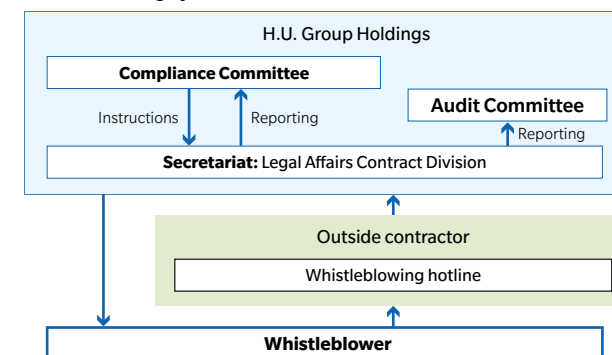
Whistleblowing System

Since 2013, the Group has operated the H.U. Group Hotline, a whistleblowing service to enable us to detect and address compliance issues at an early stage. All Japanese Group companies are covered by this system, which provides access to advice from external consultants, to whom reports can be made anonymously. Where serious incidents come to light, they may be reported if appropriate to senior management. The Legal Department reports regularly on the status of whistleblowing to the Audit Committee, which consists of three outside directors.

Steps are taken to ensure that employees are aware of the system and understand its purpose and how it operates, for instance by displaying posters in the workplace giving the hotline's details.

	2016	2017	2018	2019	2020
Number of reports made through the H.U. Group Hotline	59	104	109	125	134

Whistleblowing system



Preventing Corruption and Bribery

The H.U. Group sets out an anti-corruption and anti-bribery policy in its Code of Conduct and ensures that employees are familiar with it. In fiscal 2020, we worked to raise awareness by distributing to all employees a monthly email newsletter of compliance-related information.

Research Ethics

The H.U. Group has established the H.U. Group Research Ethics Committee as an independent body for neutral and fair review of the clinical tests and research conducted at each Group company from an ethical and scientific standpoint. The committee rules, the list of members, and a summary of discussions are published on our website.

Message from the CFO

We seek dialogue with all stakeholders as a way toward sustainable increase in corporate value



Atsuko Murakami
Executive Officer and CFO
H.U. Group Holdings, Inc.

Strong Commitment to Medium- to Long-term Growth

My mission as CFO is to increase corporate value in the medium- to long-term. For this reason especially, it is important that all stakeholders should have a correct appreciation of the H.U. Group's potential. To coincide with the recent change in our business segments, we designated clearly the executive officer in charge of each business.

I want to take advantage of this new system to increase opportunities for the executives responsible for each business to interface directly with capital markets.

That means creating forums where the executives and technology officers of each business can speak directly to investors about our business approach, our strategies, our R&D policy, and so on, and then answer investors' questions. For the Lab Testing and its related Services (LTS) business, for example, that could mean explaining what kind of testing we want to do going forward, while for the In Vitro Diagnostics (IVD) business, it could be about outlining what kind of test reagents we want to develop, and for the Healthcare-related Services (HS) business showing what kind of value we want to deliver.

Ensuring that prospective investors have a firm grasp of the H.U. Group's potential will raise their future expectations and enable them to invest with confidence. This insight makes it vital for us to focus on still more intensive communication.

Key Investment in R&D and Human Resources

For the H.U. Group to achieve medium- to long-term growth, research and development and human resources development are especially important. In line with our policy of highly selective investment, I aim to follow an investment strategy that creates future growth opportunities on a continuous basis while minimizing unproductive investment and costs. Looking ahead over the next 20 to 30 years, we can expect to see the evolution of regenerative medicine and genome medicine and further advances in the application of technologies such as AI and healthcare IoT, as well as innovation in testing. It is important for us to strengthen our corporate culture so that the younger generation is further empowered to take the lead in thinking about such a future, initiate innovation, and take action.

I think that our response so far to COVID-19 has demonstrated the value of the technology resources that the H.U. Group accumulated through its earlier R&D experience with SARS test reagents. I also think that it has confirmed our crisis management abilities. Meanwhile, the importance of testing has for the first time been widely recognized. Terms such as PCR test and antigen test, previously known only to healthcare

professionals, have become familiar to the general public. This period has been an important chance for all employees to reaffirm the mission of the H.U. Group. Even after the novel coronavirus pandemic is passed, it is possible that worldwide outbreaks of infectious disease will recur in a cyclical pattern. In the face of such unknown risks, the H.U. Group must be a company able to contribute to society. I believe that research and development and human resources development are a kind of investment for that purpose.

Developing as a Company Trusted for Its ESG Initiatives

In October 2020, the H.U. Group established non-financial targets for the first time. Having announced more than 20 KPIs and three-year targets in six areas, we launched related initiatives. Meanwhile, we have received highly positive assessments from rating organizations in Japan and overseas, including an AA rating from MSCI. Going forward, we will pursue active initiatives in ESG and sustainability promotion to increase our recognition as a company that can be trusted.

Regarding the important issue of climate change countermeasures, we became the first in the laboratory testing and related services industry to announce a target of net zero carbon emissions for 2050, responding thus to the Japanese government's declaration of carbon neutrality by 2050 and associated targets. Future tasks for us are to improve our CDP Climate rating and declare support for TCFD. We have already begun disclosure of climate-related information in line with TCFD recommendations and are committed to putting in place the necessary structure for becoming a supporter in the near future. We will also steadily implement our financial strategy toward the targets set (see page 21).



Part III
















Data

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Business Segments

Actual results for the fiscal year ended March 31, 2021	Net Sales (¥ billion)	EBITDA* ¹ (¥ billion)	Operating Profit (¥ billion)	Number of Employees	
				(Permanent)	(Temporary)
	223.0	37.9* ²	25.4* ²	5,897* ³	6,484* ³
LTS Lab Testing and its related Services	 140.9 63.2%	 19.8 52.1%	 12.6 49.7%	2,450 	3,131 
IVD In Vitro Diagnostics	 50.0 22.4%	 15.9 42.0%	 12.8 50.3%	1,043 	122 
HS Healthcare-related Services	 32.1 14.4%	 3.7 9.8%	 2.3 9.2%	1,391 	3,146 

Note: Amounts have been rounded to the nearest ¥100 million.

*1 EBITDA = Operating profit + Depreciation + Amortization of goodwill *2 Includes corporate expenses and intersegment eliminations.

*3 Includes employees of H.U. Group Holdings Inc., H.U. Frontier, Inc., H.U. Group Research Institute G.K. and H.U. Cast, Inc. The number of temporary employees indicates average personnel per year.

Consolidated Management Indicators

(Amounts have been rounded down to the nearest ¥1 million)

Financial Indicators

		FY2016	FY2017	FY2018	FY2019	FY2020
Net sales	(¥ million)	204,245	195,400	181,415	188,712	223,016
EBITDA*	(¥ million)	41,181	27,287	24,353	21,270	37,887
Operating profit	(¥ million)	28,057	17,648	14,648	9,939	25,392
Ordinary profit	(¥ million)	26,385	16,567	11,524	6,468	25,458
Profit (loss) attributable to owners of parent	(¥ million)	333	257	6,386	-516	17,468
Total assets	(¥ million)	213,926	176,068	201,234	219,403	252,751
Net assets	(¥ million)	148,087	113,225	112,973	103,228	115,298
Net cash	(¥ million)	29,247	16,144	-13,187	-29,156	-22,769
Cash flows from operating activities	(¥ million)	36,436	15,767	16,244	15,229	35,588
Cash flows from investing activities	(¥ million)	-8,599	-21,552	-34,902	-21,761	-28,273
Cash flows from financing activities	(¥ million)	-23,138	-9,635	31,973	8,234	-1,566
Cash and cash equivalents at end of period	(¥ million)	35,547	20,444	33,688	36,226	42,950
Operating margin	(%)	13.7	9.0	8.1	5.3	11.4
ROE	(%)	0.2	0.2	5.7	-0.5	16.0
ROA	(%)	11.7	8.5	6.1	3.1	10.8
ROIC	(%)	9.5	7.2	6.3	3.7	8.7
Equity ratio	(%)	69.1	64.2	56.0	47.0	45.6
Basic earnings (loss) per share	(¥)	5.84	4.51	111.94	-9.06	306.38
Net assets per share	(¥)	2,592.04	1,979.78	1,980.27	1,809.18	2,020.01
Research & development expenses	(¥ million)	4,748	5,365	5,937	5,514	5,944
Capital expenditure	(¥ million)	9,017	26,221	17,768	18,833	27,375
Depreciation	(¥ million)	10,499	7,842	8,692	10,432	12,091
Dividend payout ratio	(%)	1,952.1	2,882.5	116.1	—	47.1
Dividends per share	(¥)	114	130	130	130	144
Number of shares issued	(Shares)	57,287,166	57,334,183	57,361,385	57,387,861	57,416,407
Number of treasury shares at end of period	(Shares)	251,376	253,080	404,381	408,064	389,287

* EBITDA = Operating profit + Depreciation + Amortization of goodwill

Consolidated Management Indicators

Non-Financial Indicators

			FY2016	FY2017	FY2018	FY2019	FY2020
Environment	Greenhouse gas (GHG) emissions (Scope 1, Scope 2 and Scope 3) ^{*1}	(t-CO ₂)	247,180	370,809	388,459	364,653	478,054
	Scope 1	(t-CO ₂)	9,141	11,221	10,712	11,162	13,199
	Scope 2	(t-CO ₂)	22,217	24,912	22,822	22,088	26,295
	Scope 3 ^{*2}	(t-CO ₂)	215,822	334,676	354,925	331,403	438,560
	Energy use ^{*3}	(GJ)	591,624	692,643	661,788	672,231	841,186
	Electricity use ^{*3}	(GJ)	436,526	501,821	481,095	484,820	620,826
	Gasoline use ^{*3}	(GJ)	66,063	87,042	86,654	92,596	111,830
	Amount of waste generated	(t)	2,307	3,467	3,581	3,494	3,452
	Total recycling rate of waste plastic ^{*4}	(%)	—	66	68	71	74
	Water used	(1,000 m ³)	223	392	374	399	392
	CDP climate change score ^{*5}	—	F	F	F	C	C
Business partners	Number of suppliers performing risk assessment ^{*6}	(Companies)	—	—	—	89	33
	Percentage of suppliers performing risk assessment ^{*6}	(%)	—	—	—	100	54.1
	Reported cases of child labor at suppliers	(Number)	0	0	0	0	0
	Reported cases of forced labor at suppliers	(Number)	0	0	0	0	0
Social	Average age	(Years old)	44.6	42.9	42.5	40.0	41.2
	Average employment year (male/female)	(Years)	—	14.2/10.6	14.3/11.1	13.0/10.0	13.5/11.2
	Gender ratio (male/female)	(%)	63:37	63:37	64:36	57:43	55:45
	Percentage of female managers ^{*8}	(%)	—	—	—	—	16.8
	Employees ^{*7}						
	Japan	(%)	10.0	11.8	14.1	14.2	13.4
	Percentage of females in new graduate hires	(%)	60.3	57.6	62.6	69.8	64.2
	Percentage of employees returning to work after maternity / parental leave	(%)	100	100	90.6	97.0	97.9
	Average monthly overtime hours	(Hours)	17.8	21.5	19.0	21.0	16.9

•Applicable range

Environment: Aggregated the results of the three core companies in fiscal 2016, Japanese Group companies subject to internal control evaluation from fiscal 2017 to 2019, and Japanese and overseas Group companies subject to internal control evaluation in fiscal 2020.

Social: Aggregated the results of the three core companies before fiscal 2018, Japanese Group companies subject to internal control evaluation in fiscal 2019, and Japanese and overseas Group companies subject to internal control evaluation in fiscal 2020.

^{*1} Based on Japan's Ministry of the Environment's emission source unit database (ver. 2.5) for calculating greenhouse gas emissions throughout the supply chain (March 2018)

^{*2} Target items calculated based on Scope3 items of GHG Protocol.

^{*3} Calculated by converting to crude oil

^{*4} Item specialized in Japan

^{*5} Answered for the first time in fiscal 2019

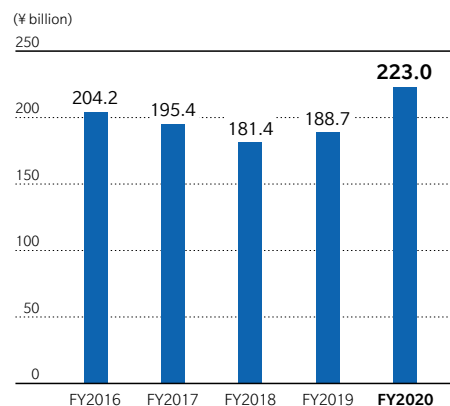
^{*6} Suppliers at 80% sales coverage of each of the applicable ranges

^{*7} Full-time employees

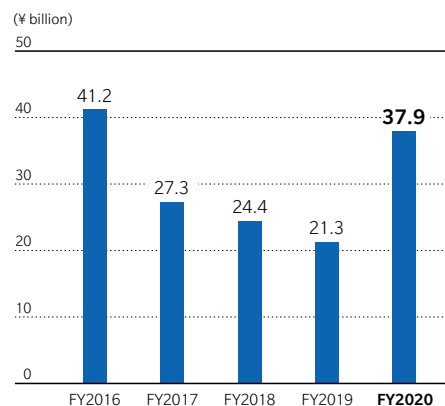
^{*8} Managers & above

Consolidated Management Indicators

Net sales

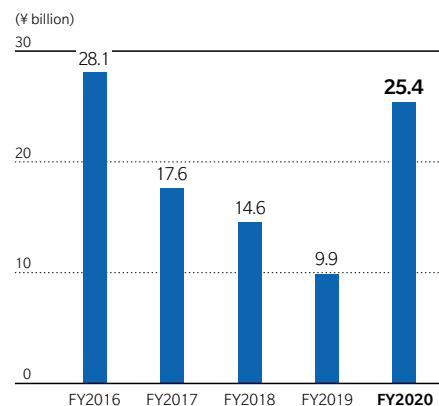


EBITDA*

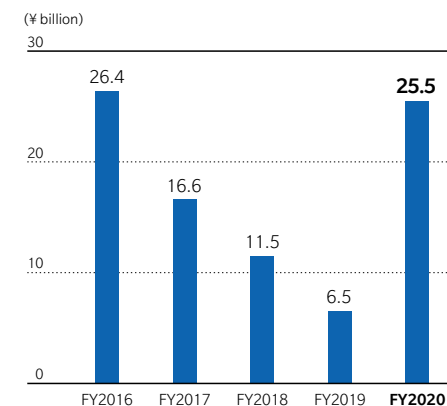


* EBITDA = Operating profit + Depreciation + Amortization of goodwill

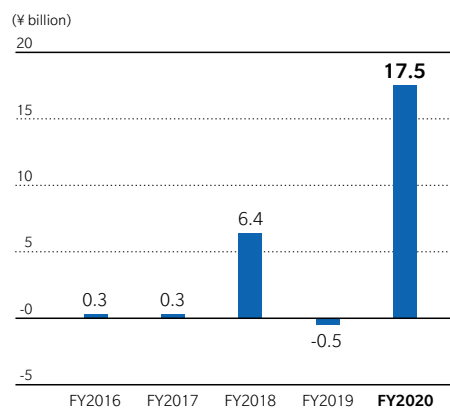
Operating profit



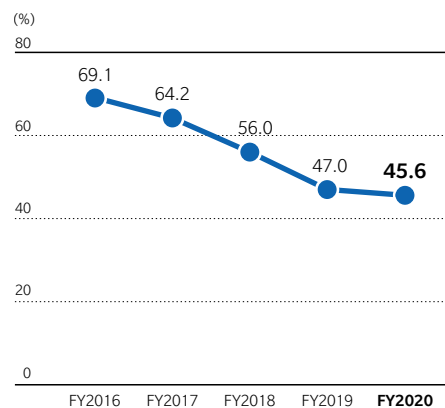
Ordinary profit



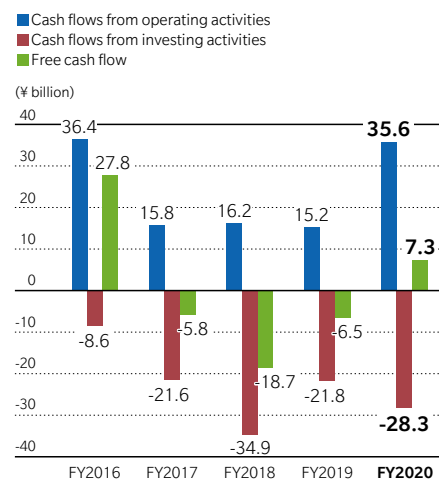
Profit (loss) attributable to owners of parent



Equity ratio



Cash flows



Consolidated Financial Statements

(Amounts have been rounded down to the nearest ¥1 million)

Consolidated Balance Sheets (¥ million)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	36,357	42,961
Notes and accounts receivable – trade	32,737	46,619
Investments in leases	750	801
Merchandise and finished goods	6,796	5,756
Work in process	5,325	6,392
Raw materials and supplies	5,829	6,654
Other	16,193	9,401
Allowance for doubtful accounts	-90	-574
Total current assets	103,899	118,013
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,102	40,428
Accumulated depreciation	-37,729	-24,996
Buildings and structures, net	17,372	15,431
Machinery, equipment and vehicles	15,544	18,047
Accumulated depreciation	-12,284	-13,327
Machinery, equipment and vehicles, net	3,259	4,720
Tools, furniture and fixtures	47,882	39,873
Accumulated depreciation	-29,309	-27,836
Tools, furniture and fixtures, net	18,572	12,036
Land	11,670	9,691
Leased assets	10,007	20,111
Accumulated depreciation	-5,241	-7,032
Leased assets, net	4,765	13,079

	As of March 31, 2020	As of March 31, 2021
Construction in progress	2,689	6,203
Total property, plant and equipment	58,330	61,162
Intangible assets		
Goodwill	1,514	760
Customer-related intangible assets	970	947
Software	5,904	7,827
Leased assets	930	1,019
Software in progress	8,906	14,610
Other	2,800	2,297
Total intangible assets	21,027	27,462
Investments and other assets		
Investment securities	11,394	10,388
Long-term loans receivable	3,935	4,003
Guarantee deposits	9,874	18,260
Deferred tax assets	8,565	9,458
Other	2,232	3,997
Allowance for doubtful accounts	-27	-140
Total investments and other assets	35,975	45,966
Total non-current assets	115,332	134,591
Deferred assets		
Bond issuance cost	171	146
Total deferred assets	171	146
Total assets	219,403	252,751

Consolidated Financial Statements

(Amounts have been rounded down to the nearest ¥1 million)

Consolidated Balance Sheets (¥ million)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	12,318	18,150
Electronically recorded obligations – operating	1,290	2,115
Short-term borrowings	10,000	4,500
Current portion of long-term borrowings	4,166	3,899
Lease obligations	1,471	3,444
Accounts payable – other	7,107	12,407
Income taxes payable	1,050	2,374
Provision for bonuses	6,235	7,104
Other	11,659	8,922
Total current liabilities	55,299	62,918
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term borrowings	16,216	22,321
Lease obligations	4,671	11,291
Deferred tax liabilities	69	1
Retirement benefit liability	3,167	3,801
Asset retirement obligations	709	1,053
Provision for share-based remuneration	51	279
Provision for compensation loss	458	466
Other	531	318
Total non-current liabilities	60,875	74,534
Total liabilities	116,175	137,452

	As of March 31, 2020	As of March 31, 2021
Net assets		
Shareholders' equity		
Share capital	9,147	9,184
Capital surplus	24,869	24,906
Retained earnings	72,772	83,269
Treasury shares	-1,633	-1,583
Total shareholders' equity	105,156	115,775
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-117	-152
Foreign currency translation adjustment	-1,204	400
Remeasurements of defined benefit plans	-747	-828
Total accumulated other comprehensive income	-2,069	-579
Share acquisition rights	141	116
Non-controlling interests	—	-13
Total net assets	103,228	115,298
Total liabilities and net assets	219,403	252,751

Consolidated Financial Statements

(Amounts have been rounded down to the nearest ¥1 million)

Consolidated Statements of Income (¥ million)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	188,712	223,016
Cost of sales	131,135	146,808
Gross profit	57,577	76,208
Selling, general and administrative expenses	47,637	50,815
Operating profit	9,939	25,392
Non-operating income		
Interest income	109	150
Dividend income	38	23
Dividend income of insurance	35	20
Rental income	108	85
Outsourcing service income	28	17
Gain on investments in capital	3	1,298
Consumption taxes variance	—	816
Other	234	210
Total non-operating income	558	2,622
Non-operating expenses		
Interest expenses	230	309
Rental expenses	43	41
Share of loss of entities accounted for using equity method	3,473	1,671
Other	282	534
Total non-operating expenses	4,029	2,557
Ordinary profit	6,468	25,458

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Extraordinary income		
Gain on sales of non-current assets	2	109
Gain on reversal of share acquisition rights	43	33
Gain on step acquisitions	283	—
Other	878	10
Total extraordinary income	1,207	152
Extraordinary losses		
Loss on retirement of non-current assets	98	226
Loss on sale of non-current assets	—	1,540
Loss on liquidation of subsidiaries and associates	—	322
Impairment losses	209	773
Loss on cancellation of leases	335	—
Loss on termination of contracts	321	—
Business restructuring expenses	6	1,504
Other	590	420
Total extraordinary losses	1,562	4,787
Profit before income taxes	6,113	20,823
Income taxes – current	829	4,415
Income taxes – deferred	5,800	-1,016
Total income taxes	6,629	3,398
Profit (loss)	-516	17,425
Loss attributable to non-controlling interests	—	-42
Profit (loss) attributable to owners of parent	-516	17,468

Consolidated Financial Statements

(Amounts have been rounded down to the nearest ¥1 million)

Consolidated Statements of Comprehensive Income (¥ million)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit (loss)	-516	17,425
Other comprehensive income		
Valuation difference on available-for-sale securities	-463	-34
Foreign currency translation adjustment	-1,122	1,605
Remeasurements of defined benefit plans, net of tax	-353	-80
Total other comprehensive income	-1,939	1,489
Comprehensive income	-2,455	18,914
Comprehensive income attributable to:		
Owners of parent	-2,455	18,957
Non-controlling interests	—	-42

Consolidated Financial Statements

(Amounts have been rounded down to the nearest ¥1 million)

Consolidated Statements of Changes in Equity (¥ million)

	Shareholders' equity					Accumulated other comprehensive income						Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	
Fiscal year ended March 31, 2020												
Balance at beginning of period	9,113	24,835	80,601	-1,631	112,920	345	-81	-393	-129	182		112,973
Cumulative effects of changes in accounting policies			628		628							628
Restated balance	9,113	24,835	81,230	-1,631	113,549	345	-81	-393	-129	182		113,602
Changes during period												
Issuance of new shares – exercise of share acquisition rights	2	2			4							4
Issuance of new shares – restricted stock	31	31			63							63
Dividends of surplus			-7,425		-7,425							-7,425
Loss attributable to owners of parent			-516		-516							-516
Purchase of treasury shares				-2	-2							-2
Change in scope of consolidation			-199		-199							-199
Change in scope of equity method			-317		-317							-317
Net changes in items other than shareholders' equity						-463	-1,122	-353	-1,939	-41		-1,981
Total changes during period	34	34	-8,458	-2	-8,392	-463	-1,122	-353	-1,939	-41		-10,374
Balance at end of period	9,147	24,869	72,772	-1,633	105,156	-117	-1,204	-747	-2,069	141		103,228
Fiscal year ended March 31, 2021												
Balance at beginning of period	9,147	24,869	72,772	-1,633	105,156	-117	-1,204	-747	-2,069	141	—	103,228
Changes during period												
Issuance of new shares – exercise of share acquisition rights	2	2			5							5
Issuance of new shares – restricted stock	33	33			66							66
Dividends of surplus			-6,571		-6,571							-6,571
Profit attributable to owners of parent			17,468		17,468							17,468
Purchase of treasury shares				-2	-2							-2
Disposal of treasury shares				51	51							51
Change in scope of consolidation			-399		-399							-399
Net changes in items other than shareholders' equity						-34	1,605	-80	1,489	-24	-13	1,451
Total changes during period	36	36	10,497	49	10,618	-34	1,605	-80	1,489	-24	-13	12,070
Balance at end of period	9,184	24,906	83,269	-1,583	115,775	-152	400	-828	-579	116	-13	115,298

Consolidated Financial Statements

(Amounts have been rounded down to the nearest ¥1 million)

Consolidated Statements of Cash Flows (¥ million)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	6,113	20,823
Depreciation	10,432	12,091
Amortization of goodwill	898	403
Impairment losses	209	773
Loss on liquidation of subsidiaries and associates	—	322
Loss (gain) on step acquisitions	-283	—
Loss on cancellation of leases	335	—
Loss on termination of contracts	321	—
Loss on sale of non-current assets	—	1,540
Loss (gain) on investments in capital	-3	-1,298
Increase (decrease) in allowance for doubtful accounts	-31	583
Increase (decrease) in retirement benefit liability	399	435
Increase (decrease) in provision for bonuses	180	826
Interest and dividend income	-148	-174
Interest expenses	230	309
Share of loss (profit) of entities accounted for using equity method	3,473	1,671
Decrease (increase) in trade receivables	881	-13,933
Decrease (increase) in inventories	-2,908	-637
Increase (decrease) in trade payables	1,909	6,580
Increase (decrease) in accrued consumption taxes	1,095	1,230
Decrease (increase) in other current assets	-1,616	-1,482
Other, net	2,815	146
Subtotal	24,305	30,212
Interest and dividends received	147	173
Interest paid	-223	-306
Income taxes (paid) refund	-8,999	5,509
Net cash provided by (used in) operating activities	15,229	35,588

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from investing activities		
Purchase of property, plant and equipment	-8,095	-11,530
Proceeds from sale of property, plant and equipment	4	3,721
Purchase of intangible assets	-7,470	-9,658
Purchase of investment securities	-1,632	-1,865
Loan advances	-3,286	-567
Collection of loans receivable	427	504
Payments of guarantee deposits	-323	-8,793
Purchase of shares of subsidiaries	-2,065	—
Other, net	679	-84
Net cash provided by (used in) investing activities	-21,761	-28,273
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	-5,500
Proceeds from long-term borrowings	5,000	10,000
Repayments of long-term borrowings	-7,896	-4,150
Proceeds from issuance of bonds	20,000	—
Proceeds from sale and leaseback transactions	—	6,812
Repayments of finance lease obligations	-1,223	-2,264
Dividends paid	-7,417	-6,561
Other, net	-228	97
Net cash provided by (used in) financing activities	8,234	-1,566
Effect of exchange rate change on cash and cash equivalents	-295	862
Net increase (decrease) in cash and cash equivalents	1,406	6,610
Cash and cash equivalents at beginning of period	33,688	36,226
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	1,131	113
Cash and cash equivalents at end of period	36,226	42,950

Company Recognition

ESG Index Selection

MSCI Japan ESG Select Leaders Index*

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

The index is composed of stocks of companies with superior ESG performance relative to their peers, with the top 700 stocks in Japan of the MSCI Japan IMI covering Japanese stocks as the parent index. The H.U. Group has been selected as a constituent for five consecutive years since 2017.

MSCI Japan Empowering Women Index (WIN)*

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WII)

The index is composed of stocks of companies with excellent gender diversity scores, with the top 500 stocks in Japan of the MSCI Japan IMI covering Japanese stocks as the parent index. The H.U. Group has been selected as a constituent for three consecutive years since 2019.

S&P/JPX Carbon Efficient Index



The H.U. Group has been listed in the four consecutive years since 2018 in the S&P/JPX Carbon Efficient Index, which assigns to companies a weighting based on the status of their environmental information disclosure and their level of carbon efficiency (carbon emissions intensity based on net sales).

SOMPO Sustainability Index



Sompo Sustainability Index

The index is composed of some 300 stocks with strong reputations for environmental, social, and corporate governance (ESGs), selected based on the results of an ESG management survey conducted by SOMPO Risk Management Inc. The H.U. Group was selected as a member for the first time in 2021.

ESG Ratings

MSCI ESG Ratings*



An MSCI ESG Rating rates companies on a scale of “AAA to CCC” according to their exposure to ESG risks and how well they manage those risks relative to peers. The H.U. Group earned a rating of AA, the second highest, in 2020.

Sustainalytics’ ESG Risk Ratings

The ratings focus on ESG issues that pose significant risks to corporate performance and rate companies on three aspects of corporate governance, material ESG issues, and industry-specific issues. The H.U. Group has earned a rating of “Low Risk,” the second highest, for two consecutive years since 2020.

CDP Climate

We respond to the questionnaire on environmental transparency and action from CDP, and disclose the scores assigned by this global not-for-profit charity to leading investors around the world. The H.U. Group received the following scores in 2021.

- CDP Climate: C
- SER: A-

Toyo Keizai CSR Company Ranking, etc.

The ranking evaluates Japanese companies from four aspects of CSR initiatives (human resources and utilization, environment, corporate governance, and social responsibility) and financial aspects. The H.U. Group was rated as follows in the 15th survey in 2020.

(1,614 companies surveyed)

- CSR Company Ranking: 241st overall, 3rd in three-year average growth rate
- SDGs Company Ranking: 109th overall, 3rd by industry

Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi Certified Health and Productivity Management Outstanding Organizations Recognition Program Large Enterprise Category



Nippon Kenko Kaigi, jointly with the METI, presents awards to large and small and medium-sized enterprises that have implemented particularly excellent health management based on their efforts to meet local health issues and the health promotion initiatives of the organization. The H.U. Group has been recognized in the large enterprise category of this recognition program for two consecutive years.

Other Ratings

Nikko Investor Relations Website Ranking



The Company's website was awarded Grade A in the All Japanese Listed Companies' Website Ranking in 2020 by Nikko Investor Relations Co., Ltd.

Rating by Credit Rating Agencies

(as of October 1, 2021)

Ratings Agency	Rating
Rating and Investment Information Center (R&I)	A (Stable)

* The inclusion of H.U. Group Holdings, Inc. in MSCI indexes and the use of any MSCI logo, trademark, service mark or index name does not constitute sponsorship, endorsement, or promotion of H.U. Group Holdings, Inc. by MSCI or any of its affiliates. MSCI indexes are the exclusive property of MSCI. MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Main Group Companies and Bases

(As of September 2021)

● LTS (Lab Testing and its related Services) ● IVD (In Vitro Diagnostics) ● HS (Healthcare-related Services) ○ Cross-segmental

Japan

H.U. Group Holdings, Inc.

- H.U. Frontier, Inc.
- H.U. Group Research Institute G.K.
- H.U. Cast, Inc.
- Medicofrontier G.K.
- MSF Capital Partners G.K.
- SRL, Inc.
- Nihon Rinsho, Inc.
- HOKUSHIN Clinical Laboratory, Inc.
- SRL Kitakanto Laboratory, Inc.
- SRL International, Inc.
- Clinical Network G.K.
- H.U. Wellness, Inc.
- Ishinban, Inc.
- Japan Institute of Foods Ecology, Inc.
- SRL Medisearch, Inc.
- H.U. Cells, Inc.
- KBBM, Inc.
- SRL & Shizuoka Cancer Center Collaborative Laboratories, Inc.
- St. Luke's SRL Advanced Clinical Research Center, Inc.

- Fujirebio Holdings, Inc.
- Fujirebio, Inc.
- Advanced Life Science Institute, Inc.
- Fujirebio Diagnostics Japan, Inc.
- Nihon Stery, Inc.
- Care'x, Inc.



Americas

- ① Fujirebio Diagnostics, Inc. (U.S.)
- ① Fujirebio US, Inc.
- ② H.U. America, Inc.
- ② Baylor Miraca Genetics Laboratories, LLC (U.S.)

Europe

- ③ Fujirebio Europe N.V. (Belgium)
- ④ Fujirebio Diagnostics AB (Sweden)
- ⑤ Fujirebio Italia S.r.L.
- ⑥ Fujirebio Germany GmbH
- ⑦ Fujirebio Iberia SL (Spain)
- ⑧ Fujirebio France SARL

Asia

- ⑨ SRL (Hong Kong) Limited
- ⑩ Ping An SRL Medical Laboratories (China)
- ⑪ CanAg Diagnostics (Beijing) Co., Ltd.
- ⑫ Fujirebio China Co., Ltd.
- ⑬ Fujirebio Taiwan Inc.

Corporate Overview and Investor Information

(As of March 31, 2021)

Corporate Profile

Corporate Name

H.U. Group Holdings, Inc.

Headquarters

Shinjuku Mitsui Building
2-1-1 Nishishinjuku, Shinjuku-ku, Tokyo 163-0408, Japan
Tel: +81-3-5909-3335

Director, President and Group CEO

Shigekazu Takeuchi

Established

December 18, 1950

Capital Stock

¥9,184 million

Permanent Employees (Consolidated)

5,897

Management Structure

Company with three committees

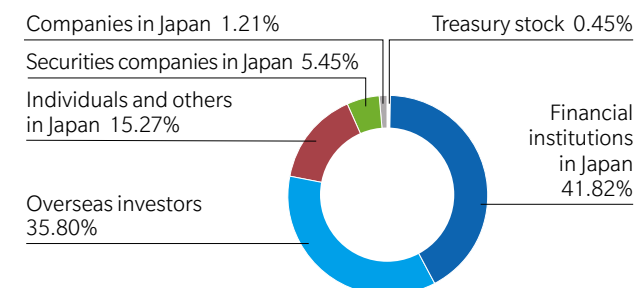
Main Subsidiaries

SRL, Inc., Fujirebio, Inc. and Nihon Stery, Inc.

Share Information

Number of shares authorized:	200,000,000
Number of shares issued and outstanding:	57,416,407
One share unit:	100
Number of shareholders:	16,529

Shareholders Based on the Shareholding Percentage



Major Shareholders

Name of shareholders	Number of shares held (thousands)	Shareholding ratio (%) ^{*1}
The Master Trust Bank of Japan, Ltd. (Trust Account) ^{*2}	6,196.3	10.84
CUSTODY BANK OF JAPAN, LTD (TRUST ACCOUNT)	3,426.7	6.00
Mizuho Bank, Ltd. ^{*3}	2,132.1	3.73
The Dai-ichi Life Insurance Company, Limited	2,000.7	3.50
NIPPON LIFE INSURANCE COMPANY, LTD.	1,538.6	2.69
J.P. Morgan Bank Luxembourg S.A. 380578	1,349.4	2.36
Meiji Yasuda Life Insurance Company	1,272.2	2.23
JPMC GOLDMAN SACHS TRUST JASDEC LENDING ACCOUNT	910.5	1.59
CUSTODY BANK OF JAPAN, LTD (TRUST ACCOUNT 7)	840.0	1.47
STATE STREET BANK AND TRUST COMPANY 505103	825.4	1.44

^{*1} The Company holds 259,715 shares of treasury stock, which is excluded from the major shareholders listed above.

Furthermore, treasury stock does not include the 129,572 shares held in the Board Incentive Plan (BIP) trust under the trust-type share-based compensation scheme.

^{*2} Shares owned by The Master Trust Bank of Japan, Ltd. and by Custody Bank of Japan, Ltd. are held at their trust accounts.

^{*3} The shares owned by Mizuho Bank, Ltd. include 2,131.5 thousand shares being trust assets of the Retirement Benefits Trust Account of Mizuho Bank, Ltd. (shareholding ratio of 3.73%).

The name recorded on the registry of shareholders is Custody Bank of Japan, Ltd., re-trust trustee of Mizuho Bank, Ltd. Retirement Benefits Trust Account of Mizuho Trust and Banking Co., Ltd.