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

Securities Code: 4544
May 30, 2019

NOTICE OF
69TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder,

You are hereby requested to attend the 69th Ordinary General Meeting of Shareholders of Miraca Holdings Inc. (the "Company") that will be held as set forth below.

Please be informed that if you are not able to attend this meeting, you can exercise your voting right in writing or via the Internet. In such case, you are kindly requested to review the Reference Material for General Meeting of Shareholders listed below, and exercise your voting right by no later than 5:30 p.m. on Thursday, June 20, 2019 (JST), in accordance with the "Exercise of Voting Rights in Writing or Via the Internet." (page 2).

Yours faithfully,

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

1. Date and Time: Friday, June 21, 2019, at 10:00 a.m. (JST)
(Reception start time: 9:00 a.m.)

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

3. Agenda:

Items to be reported

1. Business Report, Consolidated Financial Statements, Results of Audits of Consolidated Financial Statements by Accounting Auditors and the Audit Committee for the 69th term (from April 1, 2018 to March 31, 2019)
2. Non-consolidated Financial Statements for the 69th term (from April 1, 2018 to March 31, 2019)

Items to be resolved

Item: Election of Seven (7) Directors

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* Shareholders who will attend the meeting are kindly requested to submit the appended voting form at the reception desk on the date of the meeting.
* Shareholders who will make a diverse exercise of voting rights are requested to notify the Company in writing of their intention to do so and state their reason for this no later than three (3) days before the meeting.
* The Company will publish any amendments to the reference material, the Business Report and the Consolidated and Non-consolidated Financial Statements on its website (https://www.miraca.com/).

Exercise of Voting Rights in Writing or Via the Internet

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

[Exercise of voting rights in writing]

Please indicate your approval or disapproval to the proposed item in the enclosed voting right form and return it so that it arrives no later than 5:30 p.m. on Thursday, June 20, 2019 (JST).

[Exercise of voting rights via the Internet]

Voting must be completed no later than 5:30 p.m. on Thursday, June 20, 2019 (JST).

I. Exercise of voting rights via the Internet

Scanning QR code®

You can simply log in to the website for exercise of voting rights for exercising voting rights without entering your login ID and temporary password presented on the voting instructions form.

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

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

Entering login ID and temporary password

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

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

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

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

II. Platform for proxy voting by electronic means

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

Reference Material for General Meeting of Shareholders

Item: Election of Seven (7) Directors

Since the term of office of all the incumbent Directors expires at the close of this General Meeting of Shareholders, we would like to hereby propose the election of seven (7) Directors.

The names and brief personal profiles of the candidates for Director are as follows:

No. 1 **Shigekazu Takeuchi**

(Born on October 11, 1953)

Reelection | Nominating Committee | Compensation Committee

Number of the Company's shares held
8,759 shares

Tenure as Director
3 years

Attendance rate at Board of Directors Meetings
100% (13/13 meetings)

Attendance rate at Meetings of Nominating Committee
100% (6/6 meetings)

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Director, SRL, Inc.
Director, Fujirebio Holdings, Inc.
Director, Fujirebio Inc.

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

Reason for nominating the candidate for Director:

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

Notes:

1. There are no conflicts of interests between Mr. Takeuchi and the Company.
2. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Takeuchi will be selected as a member of the Nominating Committee and Compensation Committee.

No. 2

Naoki Kitamura

(Born on November 28, 1970)

Reelection

Number of the Company's shares held
4,413 shares

Tenure as Director
1 year

Attendance rate at Board of Directors Meetings
100% (10/10 meetings)

* Figures shown for Director Naoki Kitamura's attendance in Board of Directors meetings reflect his attendance since becoming a Director on June 22, 2018.

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

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

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

Reason for nominating the candidate for Director:

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

Notes:

1. There are no conflicts of interests between Mr. Kitamura and the Company.

No. 3

Shigehiro Aoyama

(Born on April 1, 1947)

Reelection | Outside | Independent Director | Nominating Committee

Number of the Company's shares held
0 shares

Tenure as Director
1 year

Attendance rate at Board of Directors Meetings
90% (9/10 meetings)

Attendance rate at Meetings of Nominating Committee
80% (4/5 meetings)

* Figures shown for Director Shigehiro Aoyama's attendance in Board of Directors meetings and Nominating Committee meetings reflect his attendance since becoming a Director and joining the committee on June 22, 2018.

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

External Director, Takamatsu Construction Group Co., Ltd.
Outside Director, SUBARU CORPORATION
Chairman, the Distribution Economics Institute of Japan

Reason for nominating the candidate for Outside Director:

Mr. Shigehiro Aoyama has been involved in the management of Suntory Holdings Limited for many years. His abundant experience gained throughout his career in corporate management and suggestions based on his broad insight are valuable to the Company. Considering the above, Mr. Aoyama is appropriately suited to be an outside director of the Company, and accordingly has been appointed as a candidate for that position. His consecutive term of office as director has been one year at the close of this Ordinary General Meeting of Shareholders.

Notes:

1. There are no conflicts of interests between Mr. Aoyama and the Company.
2. Mr. Aoyama is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Mr. Aoyama satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 16).
4. Notification of Independent Directors

   The Company has appointed Mr. Aoyama as an independent director stipulated by the Tokyo Stock Exchange and has registered with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. Limited liability agreement with outside directors
   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in “Matters regarding limited liability agreements” on page 45 of this document.
6. Through the passing of a resolution at the Board of Directors’ Meeting to be held after this General Meeting of Shareholders, Mr. Aoyama will be selected as a member of the Nominating Committee.

No. 4

Futomichi Amano

(Born on August 31, 1953)

Reelection | Outside | Independent Director | Audit Committee

Number of the Company's shares held
0 shares

Tenure as Director
2 years

Attendance rate at Board of Directors Meetings
100% (13/13 meetings)

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

Brief personal profile, and position and duties in the Company

Nov.	1977	Joined Tohmatsu Awoki & Co. (Currently Deloitte Touche Tohmatsu LLC)
Jun.	1989	Promoted to Partner (Audit), Tohmatsu Awoki & Sanwa
Nov.	1995	Transferred to Los Angeles office of Deloitte & Touche LLP
Sep.	2002	Assumed Partner in charge of corporate planning of Tokyo office, Deloitte Touche Tohmatsu LLC
Jun.	2004	Assumed Managing Partner of corporate planning of Tokyo office, Deloitte Touche Tohmatsu LLC
Jun.	2007	Assumed Board member, Deloitte Touche Tohmatsu LLC Assumed Managing Partner of Eastern Japan & Tokyo office, Deloitte Touche Tohmatsu LLC
Nov.	2010	Assumed CEO of Deloitte Touche Tohmatsu LLC (Japan) Assumed Global executive committee member of Deloitte Touche Tohmatsu Limited (Global)
Dec.	2015	Retired Deloitte Touche Tohmatsu LLC
Jan.	2016	Started Futomichi Amano CPA office (incumbent)
Jun.	2017	Outside Director of the Company (incumbent)

Significant positions held at other companies

Futomichi Amano CPA office

Reason for nominating the candidate for Outside Director:

Mr. Futomichi Amano has been involved in the audit and management of Deloitte Touche Tohmatsu LLC for many years and has abundant knowledge as a certified public accountant. As his abundant knowledge as an accounting specialist, gained from the previously mentioned experience, is valuable to the Company, Mr. Amano is appropriately suited to be an outside director of the Company, and accordingly has been appointed as a candidate for that position. He currently serves as outside director of the Company and his consecutive term of office has been two years at the close of this Ordinary General Meeting of Shareholders.

Notes:

1. There are no conflicts of interests between Mr. Amano and the Company.
2. Mr. Amano is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Mr. Amano satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 16).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in "Matters regarding limited liability agreements" on page 45 of this document.
6. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Amano will be selected as a member of the Audit Committee.

No. 5 **Miyuki Ishiguro**

(Born on October 26, 1964)

Reelection | Outside | Compensation Committee | Audit Committee

Number of the Company's shares held
0 shares

Tenure as Director
6 years

Attendance rate at Board of Directors Meetings
100% (13/13 meetings)

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

Attendance rate at Meetings of Audit Committee
94% (17/18 meetings)

Brief personal profile, and position and duties in the Company

Apr.	1991	Registered as attorney-at-law (Tokyo Bar Association) Joined Tsunematsu Yanase & Sekine
Jan.	1999	Partner, Tsunematsu Yanase & Sekine
Jan.	2000	Partner, Nagashima Ohno & Tsunematsu (incumbent)
Jun.	2006	Director, Sony Communication Network Corporation (currently Sony Network Communications Inc.)
Jun.	2013	Outside Director of the Company (incumbent)
Feb.	2016	Council Member of Radio Regulatory Council
Apr.	2016	Council Member of Management Council, Hitotsubashi University (incumbent)
Sep.	2016	Outside Corporate Auditor, Lasertec Corporation (incumbent)
Jun.	2017	Outside Audit & Supervisory Board member, Benesse Holdings, Inc. (incumbent)
Apr.	2018	Vice President, Tokyo Bar Association

Significant positions held at other companies

Partner, Nagashima Ohno & Tsunematsu
Council Member of Management Council, Hitotsubashi University
Outside Corporate Auditor, Lasertec Corporation
Outside Audit & Supervisory Board member, Benesse Holdings, Inc.

Reason for nominating the candidate for Outside Director:

Ms. Miyuki Ishiguro is a partner of Nagashima Ohno & Tsunematsu, who is expected to provide advice to the management of the Company as an independent expert on corporate and business law. Considering the above, Ms. Ishiguro is appropriately suited to be an outside director of the Company, and accordingly has been appointed as a candidate for that position. She currently serves as outside director of the Company and her consecutive term of office has been six years at the close of this Ordinary General Meeting of Shareholders.

Notes:

1. There are no conflicts of interests between Ms. Ishiguro and the Company.
2. Ms. Ishiguro is a candidate for Outside Director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Ms. Ishiguro satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 16).
4. Notification of Independent Directors

   Ms. Ishiguro is considered to have a high level of independence for the reasons set forth in Note 3. However, Nagashima Ohno & Tsunematsu, where she is a partner, has a policy that its lawyers may not be registered as independent directors when they become outside directors, and accordingly the Company has not appointed and registered Ms. Ishiguro as independent director with the Tokyo Stock Exchange. She is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. Limited liability agreement with outside directors

   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in "Matters regarding limited liability agreements" on page 45 of this document.
6. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Ms. Ishiguro will be selected as a member of the Audit Committee and Compensation Committee.

No. 6

Ryoji Itoh

(Born on January 14, 1952)

Reelection	Outside	Independent Director	Nominating Committee	Compensation Committee

Number of the Company's shares held
200 shares

Tenure as Director
5 years

Attendance rate at Board of Directors Meetings
100% (13/13 meetings)

Attendance rate at Meetings of Nominating Committee
100% (6/6 meetings)

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Project Professor at Graduate School of Media and Governance, Keio University
Managing Director, Planetplan, Inc.
External Director, SATO HOLDINGS CORPORATION

Reason for nominating the candidate for Outside Director:

Mr. Ryoji Itoh is a professor teaching policy and media studies at Graduate School of Keio University, and has knowledge based on his extensive experience as a management consultant as well as a corporate manager. The Company believes that he is an expert whose knowledge can be used in the management of the Company. Considering the above, Mr. Itoh is appropriately suited to be an outside director of the Company, and accordingly has been appointed as a candidate for that position. He currently serves as outside director of the Company and his consecutive term of office has been five years at the close of this Ordinary General Meeting of Shareholders.

Notes:

1. There are no conflicts of interests between Mr. Itoh and the Company.
2. Mr. Itoh is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Mr. Itoh satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 16).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in "Matters regarding limited liability agreements" on page 45 of this document.
6. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Itoh will be selected as a member of the Nominating Committee and Compensation Committee.

No. 7

Susumu Yamauchi

(Born on October 1, 1949)

Reelection | Outside | Independent Director | Audit Committee

Number of the Company's shares held
500 shares

Tenure as Director
2 years

Attendance rate at Board of Directors Meetings
100% (13/13 meetings)

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

Brief personal profile, and position and duties in the Company

Apr.	1977	Assistant Professor, Faculty of Law, Seijo University
Apr.	1988	Professor, Faculty of Law, Seijo University
Apr.	1990	Professor, Faculty of Law, Hitotsubashi University
Apr.	2004	Dean of Graduate School of Law & Dean of Faculty of Law, Hitotsubashi University
Apr.	2005	Chairman, Society for the Study of Legal Culture
Dec.	2006	Executive Vice President, Hitotsubashi University
Dec.	2010	President, Hitotsubashi University
May	2012	Member of the Roundtable for Human Resource Development through Industry-University Collaboration
Dec.	2014	Emeritus Professor, Hitotsubashi University (incumbent)
May	2015	Board member of the Hori Sciences and Arts Foundation (incumbent)
Sep.	2015	Visiting Professor, Law School, Renmin University of China Development Advisory Committee Member, Law School, Renmin University of China (incumbent)
Apr.	2017	Chairman, Textbook Approval and Research Council (incumbent)
Jun.	2017	Outside Director of the Company (incumbent)
Dec.	2018	Outside Director, Reading Skill Test Inc. (incumbent)

Significant positions held at other companies

Emeritus Professor, Hitotsubashi University
Board member of the Hori Sciences and Arts Foundation
Development Advisory Committee Member, Law School, Renmin University of China
Chairman, Textbook Approval and Research Council
Outside Director, Reading Skill Test Inc.

Reason for nominating the candidate for Outside Director:

Mr. Susumu Yamauchi is a professor who has taught the history of Western legal systems at several universities over the years, and has abundant experience and broad knowledge as President of Hitotsubashi University. As his advice based on such experience and knowledge is valuable to the Company, Mr. Yamauchi is appropriately suited to be an outside director of the Company, and accordingly has been appointed as a candidate for that position. He currently serves as outside director of the Company and his consecutive term of office has been two years at the close of this Ordinary General Meeting of Shareholders.

Notes:

1. There are no conflicts of interests between Mr. Yamauchi and the Company.
2. Mr. Yamauchi is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Mr. Yamauchi satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 16).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in "Matters regarding limited liability agreements" on page 45 of this document.
6. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Yamauchi will be selected as a member of the Audit Committee.

(Reference) Independence standards for independent outside directors

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

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

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

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

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

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

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

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

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

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

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

Immateriality standards

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

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

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

(Attached documents)

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

Business Report

(From April 1, 2018 to March 31, 2019)

1. Matters regarding current status of corporate group

(1) Business progress and its results

In the fiscal year ended March 31, 2019, the global economy exhibited solid growth against a backdrop of firm domestic demand primarily in developed countries, despite concerns fueled by uncertainties particularly with respect to persisting effects of U.S.-China trade friction and a slowing Chinese economy and developments surrounding the United Kingdom’s decision to withdraw from the European Union.

In Japan, the economy continued to mount a moderate recovery underpinned by firm domestic demand against a backdrop of robust corporate earnings buoyed by aggressive capital expenditure along with an improving employment and income environment.

In the clinical diagnostics and laboratory testing sector, the business environment continues to pose challenges, reflecting persisting downward pressure on prices and intensifying competition with sector peer companies.

Under such circumstances, Miraca Group (the “Group”) has been proactively implementing various management initiatives in order to achieve tremendous and sustained growth in the future as described in its Medium-term Business Plan “Transform! 2020.”

Net sales for the fiscal year under review were 181,415 million yen (down 7.2% from the previous fiscal year). As a result of the scope of consolidation excluding Miraca Life Sciences, Inc. (the anatomic pathology business in the U.S.; the “MLS”), as of November 2017, sales decreased overall, despite growth in sales having been achieved by the domestic clinical laboratory testing business. With respect to profits, operating profit was 14,648 million yen (down 17.0% from the previous fiscal year). The decrease was largely due to upfront costs incurred for the purpose of developing foundations for growth in respective businesses, as well as increase in depreciation associated with capital expenditure.

Because the fair value of the Company’s equity-method affiliate Baylor Miraca Genetics Laboratories, LLC (U.S., “BMGL”) fell below its book value as a result of having overhauled future business plans, the Company recorded a share of loss of entities accounted for using equity method of 898 million yen, reflecting that difference. Ordinary profit was 11,524 million yen (down 30.4% from the previous fiscal year) due to the increase in share of loss of entities accounted for using equity method associated with

BMGL's deteriorating operating results, and also due to additional amounts recorded as share of loss of entities accounted for using equity method.

Moreover, the Company reversed a portion of its deferred tax assets in fiscal year under review as a result of having carefully considered the prospect of recovering such deferred tax assets upon having comprehensively taken into account operating results for the fiscal year under review and earnings forecasts going forward. On the basis of these results, profit attributable to owners of parent was 6,386 million yen (compared with profit attributable to owners of parent of 257 million yen for the previous fiscal year).

(millions of yen)

		Year-on-Year Change
Net Sales	181,415	(7.2%)
Operating Profit	14,648	(17.0%)
Ordinary Profit	11,524	(30.4%)
Profit Attributable to Owners of Parent	6,386	–

An overview of each business segment is as follows.

[Clinical Laboratory Testing]

Net sales increased for the full fiscal year due to increased revenues largely resulting from having gained new customers beginning in the second half, and despite growth having been limited partially amid effects of natural disasters in the first half with respect to the domestic business. Nevertheless, revenues decreased in the segment overall as a result of MLS having been excluded from the scope of consolidation in November 2017. Meanwhile, profit decreased as a result of undergoing delays in achieving growth in sales, while the cost has increased due to increases in upfront costs for the development of foundations for growth and depreciation associated with capital expenditure. As a result, net sales amounted to 108,084 million yen (down 11.4% from the previous fiscal year), and operating profit was 4,637 million yen (down 38.2% from the previous fiscal year).

[In Vitro Diagnostics]

Whereas sales of our mainstay Lumipulse reagent products increased, net sales remained on par with those of the previous fiscal year due to effects of factors such as a pull-back in the wake of one-off sales of the previous fiscal year with respect to overseas subsidiaries, and discontinued sales of existing overseas products in the domestic business. Profit increased mainly due to changes to the product mix. As a result, net sales were 45,399 million yen (up 0.2% from the previous fiscal year), and operating profit was 10,035 million yen (up 2.0% from the previous fiscal year).

[Healthcare Related]

Net sales were 27,931 million yen (down 0.7% from the previous fiscal year) despite favorable performance by the sterilizing business, due to factors that include a decrease in revenues from the clinical trial support business and the sale of pharmacy operator Community Medicine Support Center, Inc. Meanwhile, operating profit was 1,460 million yen (down 40.3% from the previous fiscal year) largely due to expenses for enhancing the business infrastructure in the sterilizing business, in addition to decreased profits associated with lower revenues.

(2) Status of financing, etc.

i) Financing

During the fiscal year ended March 31, 2019, the Company procured 21.6 billion yen as long-term loans payable and 10.0 billion yen as short-term loans payable through financial institutions for use with respect to funding requirements of the Group. The Company also issued Unsecured Straight Bonds No. 2 at a total amount of 15.0 billion yen. The Company has concluded commitment line contracts with major financial institutions amounting to 50.0 billion yen in total, in order to facilitate consistent financing. The Company has no borrowings outstanding on the basis of such contracts as of the end of the fiscal year under review.

ii) Capital expenditure

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

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

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

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

Effective November 1, 2018, the Company's subsidiary Fujirebio Diagnostics, Inc. carried out an absorption-type merger as the surviving company with Fujirebio America, Inc.

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

The Company made Selmesta Co., Ltd. its consolidated subsidiary upon acquisition of all the shares on February 1, 2019.

The Company's subsidiary Japan Clinical Laboratories, Inc. previously held 100% of the shares of Community Medicine Support Center, Inc. However, because all of those shares were transferred on October 31, 2018, Community Medicine Support Center, Inc. is no longer a subsidiary of the Company.

The Company's subsidiary SRL, Inc. has established SRL International, Inc. on June 1, 2018 and Clinical Network G.K. on February 6, 2019, as wholly-owned subsidiaries.

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

(millions of yen)

	66th term (FY 2015)	67th term (FY 2016)	68th term (FY 2017)	69th term (FY 2018)
Net Sales	211,743	204,245	195,400	181,415
Ordinary Profit	23,782	26,385	16,567	11,524
Profit (loss) Attributable to Owners of Parent	(5,081)	333	257	6,386
Basic Earnings (loss) per Share (yen)	(89.21)	5.84	4.51	111.94
Total Assets	237,296	213,926	176,068	201,234
Net Assets	155,700	148,087	113,225	112,973

(4) Issues to be addressed

I. Medium-term Business Plan “Transform! 2020”

The clinical diagnostics and laboratory testing sector has been experiencing a slowdown in growth associated with medical costs being curbed and decelerating economic growth in developed countries. On the other hand, the business environment in the sector has been rapidly undergoing drastic change which is giving rise to new growth opportunities brought about by factors such as the aging demographic, expansion of the domestic general practitioner market, growth in emerging markets, improvements in advanced medical technologies, and progress in IT technologies.

Amid such circumstances, in order to achieve tremendous and sustained growth in the future, in May 2017 the Company announced that it had drawn up its Medium-term Business Plan “Transform! 2020” (the “Medium-term Business Plan”), with its final fiscal year being the fiscal year ending March 31, 2020. Under the Medium-term Business Plan, we have focused on leveraging our synergies through Group integration, developing foundations for growth, and transforming the organization and operations. At the same time, the Group set enhancing existing businesses, fortifying R&D, strengthening overseas strategy, and promoting strategy for business alliances as its priority measures and has combined its efforts with respect to implementing them.

In May 2018, we revised our management numerical targets for the fiscal year ending March 31, 2020, which is the final fiscal year of the Medium-term Business Plan, upon having considered factors such as delayed progress in carrying out some measures and termination of contracts involving the Japanese Red Cross Society business.

II. Progress of the Medium-term Business Plan

i) CLT (Clinical Laboratory Testing)

As for the whole CLT business, as a result of having excluded MLS, which engages in the anatomic pathology business in the U.S., from the scope of consolidation in November 2017, net sales in the segment for fiscal 2018 decreased by 13,874 million yen from the previous fiscal year to 108,084 million yen, while operating profit decreased by 2,871 million yen from the previous fiscal year to 4,637 million yen.

In Japan, we actively engaged in initiatives with respect to the Medium-term Business Plan's primary growth strategy of gaining new clients in the general practitioner, medical examinations, and in-hospital testing markets, thereby resulting in higher client numbers across the board. As for net sales, despite a higher-than-anticipated decrease in prices with respect to our existing clients in the first half of fiscal 2018, net sales were boosted by an increase in revenues due to factors that include higher workload volume from newly-gained clients and launch of new testing services in the genetic testing field and other realms. As such, net sales for fiscal 2018, the second year of the Medium-term Business Plan, increased by 2,720 million yen from the previous fiscal year to 108,084 million yen. Meanwhile, operating profit decreased by 3,749 million yen from the previous fiscal year to 4,690 million yen mainly due to factors that include effects of the aforementioned decrease in prices and an increase in depreciation associated with capital expenditure geared to achieving future growth, expanding the business platform and streamlining operations.

In comparison with targets for the fiscal year, net sales fell 4,215 million yen short of the target amount, which was 112,300 million yen, largely due to effects of the aforementioned decrease in prices and the number of new clients below target. Operating profit was below the target, which was 9,200 million yen, by 4,562 million yen mainly as a result of the shortfall in net sales.

Progress made in carrying out respective initiatives is reported as follows.

- Acquisition of General Practitioner Clients

General practitioners have been gaining in importance amid an environment where efforts are being taken with respect to differentiating and coordinating medical care functions, and promoting community-based integrated care systems. Accordingly, the Company has been providing services that deliver substantial added-value such as those that involve improving benefits to patients through coordination with external services (PHR* and online diagnosis and treatment), while also making contributions with respect to ensuring greater convenience for general practitioners and cutting costs by drawing on IT tools. In addition, we have been establishing satellite labs mainly around the Tokyo metropolitan area, and in May 2018 we opened the SRL Advanced Lab. Azabu, which is equipped with showroom capabilities and makes it possible to handle fully automated processing with respect to general testing.

In terms of organizational aspects, we are launching sales organizations that cater to the general practitioner market in Osaka and Fukuoka, following the Tokyo metropolitan area.

As a result, the number of general practitioner clients increased by 933 accounts in fiscal 2018. Although that constitutes substantial growth from the 516 client accounts in the previous fiscal year, it was fewer than anticipated under the Medium-term Business Plan. Net sales in the general practitioner market increased by 2.5% from the previous fiscal year, yet were at a level below that anticipated under the Medium-term Business Plan. This was partially due to the shortfall in the number of newly-gained clients and also because it has been taking time to generate sales with respect to some clients recently gained.

*PHR: Personal Health Record

- Aggressive Investment in the In-hospital Testing Business

  There has been mounting demand to achieve efficient operations of in-hospital testing amid increasing challenges with respect to hospital management. The Company has been working to gain new clients by redoubling its efforts involving proposal-based marketing carried out on the basis of standardized packages centered on products of the IVD business. We consequently gained substantial growth from the 15 client accounts of the previous fiscal year with an increase of 33 client accounts during the fiscal year under review in the in-hospital testing business, but that number was fewer than anticipated under the Medium-term Business Plan. Net sales in the in-hospital testing business increased by 3.0% from the previous fiscal year, yet were at a level below that anticipated under the Medium-term Business Plan partially due to the shortfall in the number of newly-gained clients.

  In the in-hospital testing business, we will establish stronger ties with medical institutions by upgrading our value-added services provided in hospitals, through which we will expand business dealings involving related outside-hospital esoteric testing. We will further enhance our strengths in that field going forward.

- Strengthening Esoteric Testing

  We have been working to further enhance our operations in the field of esoteric testing, a Company strength, by actively introducing advanced test items.

  Having launched the Cancer Genetics Strategy Office which specializes in cancer genomic medicine in January 2018, we have been able to speed up introductions of cancer genetic testing and have rolled out four new types of tests related to cancer genomics in fiscal 2018. We have also been focusing our efforts on gaining more sales involving esoteric testing in fields other than that of genetic testing.

  In addition, we have been redoubling new initiatives in the field of cancer genomics. This has involved establishing Kyoto Bridge for Breakthrough Medicine (KBBM, Inc.) jointly with National University Corporation Kyoto University and other entities in March 2018, establishing SRL & Shizuoka Cancer Center Collaborative Laboratories, Inc. jointly with Shizuoka Prefecture in September 2018, and engaging in joint research with the National Cancer Center Research Institute.

- Acquisition of New Accounts in the Domestic Medical Examinations Market

  We obtained new clients by providing them with solutions tailored to operational streamlining needs. Additionally, through collaboration between Selmesta Co., Ltd., which was made a consolidated subsidiary in February 2019, and respective companies of the CLT business, we have been enhancing our sales activities for corporate health insurance associations.

- Initiatives to Achieve Greater Efficiency in Collecting and Transporting Samples

  In February 2019, we established Clinical Network G.K. with the aim of separating operations pertaining to collecting and transporting samples and operations involving manufacturing of testing materials particularly used in medical examinations and clinical trials, which had previously been an in-house function of SRL.

  In doing this we aim to provide higher quality services relating to collecting and transporting samples, and also prepare for future changes in the business landscape by actively promoting efforts such as forming alliances with other industry players, establishing logistics services particularly in the regenerative medicine and cell therapy markets, which are poised for growth going forward, and strengthening peripheral businesses, such as testing material sales. In so doing, the Group will build a competitive distribution platform that will enable it to widely expand its business into the future.

- Entering Asian Markets

In February 2019, we established Ping An SRL Medical Laboratories as a joint venture with Ping An Healthcare Investment Management Co., Ltd. ("Ping An Healthcare") with the aim of entering China's clinical laboratory testing market. Ping An Healthcare is a group company within the medical and healthcare sector of the Ping An Insurance (Group) Company of China, Ltd. The joint venture is set to bring together the customer network and sales force that the Ping An Group has in China, with the technical skills and expertise pertaining to clinical laboratory testing that the Company has cultivated in the Japanese market. In so doing, we will provide consulting services to Chinese testing laboratories slated for expansion, while offering high quality clinical laboratory testing services to the Chinese market. Moreover, the Company intends to sell products of its IVD business to the joint venture and these testing laboratories.

ii) IVD (In Vitro Diagnostics)

As for the IVD business, net sales in the segment for fiscal 2018, the second year of the Medium-term Business Plan, increased by 87 million yen from the previous fiscal year to 45,399 million yen. The increase is attributable to gains in the Lumipulse business which is positioned as a growth business under the Medium-term Business Plan, and gains in the OEM and raw materials business, and despite revenues having decreased from the previous fiscal year mainly in other businesses consisting of manual testing products. Operating profit increased by 196 million yen from the previous fiscal year to 10,035 million yen, due to higher revenues and other factors such as changes to the product mix.

In comparison with targets for the fiscal year, net sales fell 2,200 million yen short of the target amount, which was 47,600 million yen, largely due to delays in equipment installations in the Lumipulse business and a shortfall in net sales of manual testing products. Operating profit exceeded the target, which was 9,500 million yen, by 535 million yen largely as a result of certain expenses not yet executed, and despite effects of the net sales shortfall.

Progress made in carrying out respective initiatives is reported as follows.

- Expansion of Lumipulse Business

We achieved growth in the number of commercially installed machines as a result of efforts taken to expand business of our mainstay Lumipulse product line in Japan and abroad. As such, net sales of the Lumipulse business increased by 613 million yen from the previous fiscal year to 19,460 million yen.

In Japan, we accelerated installations of large equipment leveraging synergies with the CLT business, thereby seizing opportunities in the markets with respect to next-generation upgrades of large equipment. As a result, the number of commercially installed machines increased by 30 units. Large equipment accounts for 31.2% of the number of commercially installed machines, which is an increase of 4.8% attained during the term of the Medium-term Business Plan. Meanwhile, we have been achieving sales growth with respect to highly profitable reagent products.

Overseas, the number of commercially installed machines has increased by 117 units from the previous fiscal year amid progress made with respect to installing units in Europe and Asia (China, India, etc.). Sales of reagent products have increased accordingly.

- Expansion of the OEM and Raw Materials Business

  In the OEM and raw materials business, net sales increased by 852 million yen from the previous fiscal year to 16,304 million yen, as a result of certain sales slated for the next fiscal year having been made ahead of schedule, in addition to having achieved the normal rate of business growth. We are moving ahead with respect to making necessary capital expenditures and recruiting talent with our sights set on achieving growth in the OEM business next fiscal year and beyond.

- Other Businesses

  In the other businesses, net sales decreased by 1,378 million yen from the previous fiscal year to 9,634 million yen, due to factors that include effects of discontinued sales of some overseas products and a decrease in revenue of manual testing products encompassing a pull-back in the wake of one-off sales generated in the previous fiscal year.

iii) HR (Healthcare Related)

As for the HR business, net sales in the segment for fiscal 2018, the second year of the Medium-term Business Plan, decreased by 199 million yen from the previous fiscal year to 27,931 million yen. The decrease is attributable to lower revenue in the clinical trial support business and the other businesses and a situation where it was not possible to make up for adverse effects from sales of operations, despite revenues having increased from the previous fiscal year in the sterilizing business. Operating profit decreased by 986 million yen from the previous fiscal year to 1,460 million yen largely due to decreased profit due to lower revenues and an increase in personnel costs in the sterilizing business.

In comparison with targets for the fiscal year, net sales fell 2,168 million yen short of the target amount, which was 30,100 million yen, and operating profit fell 139 million yen short of the target amount, which was 1,600 million yen.

- Sterilizing Business

  Net sales increased by 540 million yen from the previous fiscal year to 18,965 million yen due to growth in sales of goods to existing clients.

- Clinical Trial Support Business

  Net sales decreased by 575 million yen from the previous fiscal year to 3,596 million yen due to a decrease in revenues generated by clinical trial testing and as a result of having excluded Asmo Clinical Pharmacology Laboratories Ltd. from the scope of consolidation.

- Other Businesses

  Net sales decreased by 164 million yen from the previous fiscal year to 5,369 million yen amid a situation where all shares of Community Medicine Support Center, Inc. were sold and accordingly excluded from the scope of consolidation on the one hand, while Selmesta Co., Ltd. began contributing to operating results in February 2019 upon being made a wholly-owned subsidiary that month.

iv) Construction of New CLT Laboratory

As stated in the press release "Announcement of Construction of New CLT Laboratory" released on June 22, 2018, construction is underway of the new CLT laboratory which is to act as a pillar of medium- to long-term growth for the Group. It is slated for completion in June 2020 followed by start of operations at the beginning of fiscal 2021.

Using the new CLT laboratory we will pursue efforts geared to radically streamlining operations while achieving further quality improvements. To such ends, we will make use of the facility's fully automated general testing and mass-volume processing, while taking steps to optimize the laboratory network encompassing satellite labs. The laboratory also enlists AI, Robotic Process Automation (RPA) and other such technologies given that it is equipped with facilities and an environment for handling cutting-edge test items with respect to esoteric testing. The entire testing facility is equipped with a seismic isolation structure, thereby making it possible to sustain clinical testing services as a part of society's infrastructure, even in the event of a natural disaster. Meanwhile, we are also making progress in developing a new operating system for such testing.

We are also building a research and development facility on the same site for the purposes of conducting basic research linked to creating new businesses in the future, developing new test items, and engaging in development of next-generation testing platforms.

The new CLT laboratory's total project investment amounts to approximately 75.0 billion yen, of which 50.0 billion yen earmarked for land and buildings is being procured by means of real estate financing. As a result, the Company has budgeted capital expenditure of approximately 25.0 billion yen for testing instruments, information systems and other such outlays.

v) Fortifying R&D

In the field of basic research, the Group established Miraca Research Institute G.K. in July 2017, thereby integrating activities that previously had been dispersed throughout the Group. The Group will develop products and services that act as future drivers of growth by linking such efforts to "seeds" created through strengthening the basic research framework in-house and enhancing collaboration among Group companies and external organizations (open innovation).

III. Plan for the fiscal year ending March 31, 2020

i) Outlook for the Fiscal Year Ending March 31, 2020

As for operating results for the fiscal year ended March 31, 2019, the second year of the Medium-term Business Plan, the Company fell short of its targets in terms of both sales and profit despite evident growth in priority areas and progress made in gaining new clients by carrying out initiatives geared to achieving growth in sales, as is described in "II. Progress of the Medium-term Business Plan," previously in this document.

In the fiscal year ending March 31, 2020, we are likely to fall short of the numerical targets (revised on May 10, 2018) disclosed in the Medium-term Business Plan, despite a likelihood of achieving accelerated growth in sales amid ongoing efforts being taken with respect to the Medium-term Business Plan. This situation is mainly attributable to certain factors having an impact on net sales and operating profit. For instance, net sales are being affected by a situation where prices have fallen more than anticipated in the CLT business, along with delays being encountered in terms of gaining new clients in the CLT and IVD businesses. Meanwhile, operating profit is being affected by a situation where the shortfall in net sales is being compounded by delayed emergence of positive outcomes brought about by efforts to streamline operations in the CLT business coupled with the occurrence of a certain level of upfront investment made with the aims of expanding into the Asian market in the CLT business and enhancing OEM operations in the IVD business.

Unit: billions of yen (rounded)	Management numerical targets of the Medium-term Business Plan (Revised on May 10, 2018)	Single-year earnings forecasts (Disclosed on May 14, 2019)	Difference
Net sales	207.0	191.0	(16.0)
Operating profit	25.0	14.5	(10.5)
EBITDA*1	38.0	26.5	(11.5)
ROE	10% or more	6.8%	–
ROIC*2	8% or more	5.2%	–

*1 EBITDA = Operating profit + Depreciation + Amortization of goodwill

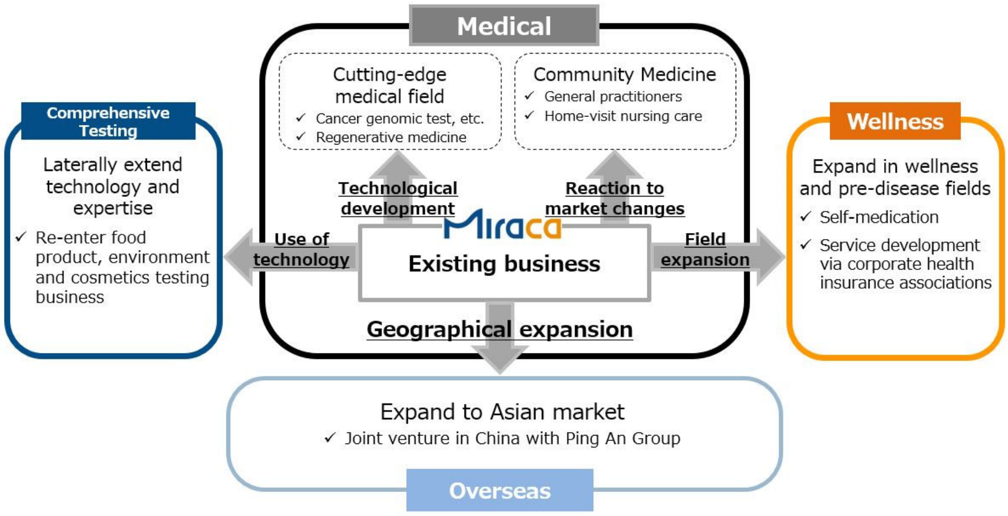
*2 ROIC = Net operating profit after tax (NOPAT): Operating profit - Estimated effective income tax) / Invested capital (Yearly average of [Net assets + Interest-bearing liabilities (including lease obligations) + Other non-current liabilities])

ii) Outline of Plans for the Fiscal Year Ending March 31, 2020, and Overhaul of Business Segments

• Outline of Plans for the Fiscal Year Ending March 31, 2020

During the fiscal year ending March 31, 2020, we aim to further enhance our existing businesses. This will involve implementing measures and improving operational efficiency with the aim of achieving growth in sales under the Medium-term Business Plan, and steadily carrying out construction of the new CLT laboratory. Moreover, we will engage in efforts to achieve dramatic and sustained growth into the future. This will involve accelerating our pace in launching new businesses laterally across the Group by establishing within the Company a new business promotion organizational framework whose purpose is to develop new business, while also making upfront investment geared to future growth such as by entering the clinical laboratory testing market in China and re-entering the fields of food product, environmental and cosmetics testing.

• Trajectory of Business Development Going Forward



The Group has been developing businesses centered on clinical testing mainly in areas of the medical field covered by public health insurance.

Going forward, we aim to further increase the Group's corporate value, which will involve enhancing our existing businesses while also developing new businesses, as follows. In so doing, we will take into account factors that include technological relevance of the clinical testing business and other existing operations, feasibility, and market changes.

First, in the medical field new business opportunities have been emerging amid development of cutting-edge medical treatments made possible due to technological innovation. As such, the Company will likewise attempt to develop new businesses particularly in the field of cancer genomics and regenerative medicine. In addition, the Company launched its home-visit nursing care business during the fiscal year under review, thereby venturing beyond expansion of business in the general practitioner market in view of efforts being taken with respect to differentiating and coordinating medical care functions, promoting community-based integrated care systems, and expanding in-home healthcare services.

Furthermore, overseas we aim to achieve business growth by expanding geographically, thereby entering China and other Asian markets with particularly large populations where the healthcare market is poised to experience substantial growth going forward.

Next, we will also take steps to expand business in areas other than the medical field. First, we aim to act as a comprehensive testing company which will involve providing high-quality testing services in the fields of food product, environmental and cosmetics testing by laterally extending the sophisticated expertise we have gained through clinical testing to other areas of business. Also, in the fields of presymptomatic disease and prevention at the pre-disease stage, we will work toward developing business in the field of wellness in areas such as self-medication independent of public health insurance.

- Overhaul of the Business Segments

In addition to enhancing its existing businesses going forward, the Company will also focus on cultivating new businesses with the aim of achieving dramatic and sustained growth into the future. Moreover, we have overhauled the Company's business segment structure with respect to our existing businesses in light of their business characteristics and respective size of operations. As a result, our new business segment framework consists of the four segments: CLT business (Clinical Laboratory Testing), IVD business (In Vitro Diagnostics), SR business (Sterilization & Related services), and ENB business (Emerging New Business & others).

iii) Per-segment Plans

- CLT (Clinical Laboratory Testing)

In Japan, we aim to further expand our customer base through efforts that involve making use of IT tools and new satellite labs in the general practitioner market, strengthening synergies with the IVD business in the in-hospital testing market, and drawing on points of contact with corporate health insurers in the medical examinations market.

Moreover, the decrease in prices is likely to result in a 1.5% decrease in sales involving our existing clients, given that there will be no revision made to standard medical fees in Japan in fiscal 2019, and given that multi-year contracts were concluded with some clients in the previous fiscal year.

In terms of costs, we will accelerate efforts geared to reducing costs of operations making use of AI, robotic process automation (RPA) and other aspects of IT, positioning the action as a period of recovering investment made so far with respect to cost-rationalization initiatives. We will also pursue efforts to drastically streamline operations involving collection and transportation of samples, in part by seeking ties with other companies.

In addition, in the realm of overseas expansion we are budgeting approximately 0.7 billion yen in funds for upfront investment for use in business expansion in Asia.

Accordingly, we estimate net sales of 119.5 billion yen and operating profit of 9.5 billion yen as a result of these initiatives.

- IVD (In Vitro Diagnostics)

In the IVD business, we will persist with efforts to expand our Lumipulse business in Japan and overseas, largely by strengthening synergies with the CLT business and developing new test items.

In fiscal 2019, whereas we plan to extend Lumipulse to the Chinese market through a joint venture with the Ping An Group, on the other hand developments such as the termination of contracts involving the Japanese Red Cross Society business will reduce net sales by approximately 4.0 billion yen from the previous fiscal year in the domestic IVD business.

We will also take steps to expand business in the OEM and raw materials business.

With respect to profits, in the domestic business profit is likely to decrease by approximately 3.0 billion yen from the previous fiscal year largely due to factors that include termination of contracts involving the Japanese Red Cross Society business and upfront investment associated with Lumipulse machine installations for major clients, against the likelihood of profit increases associated with growth in the domestic Lumipulse business. Personnel involved in the Japanese Red Cross Society business will be assigned to the task of fortifying our pharmaceutical capabilities needed for enhancing our domestic business and accelerating overseas expansion, with the aim of achieving further sales growth. Moreover, in order to expand our OEM business we plan to bolster our workforce and undertake capital expenditure with respect to our subsidiaries in the U.S. and Europe. Accordingly, we estimate net sales of 42.9 billion yen and operating profit of 6.3 billion yen as a result of these initiatives.

- SR (Sterilization & Related services)

  In the SR business, we aim to provide overall solutions with respect to challenges facing operating rooms and central supply departments, while also enhancing our sterilization operations, which have long been a core service. We will make drastic structural improvements to labor-intensive operations by establishing new sterilization centers outside of hospitals and automating tasks.

  Accordingly, we estimate net sales of 20.0 billion yen and operating profit of 1.3 billion yen as a result of these initiatives.

- ENB (Emerging New Business & others)

  As for our food product, environmental and cosmetics testing business, we established a new company in August 2018 and plan to launch full-scale business operations in June 2019.

  We will also work to expand operations in the home-visiting nursing care and welfare equipment business by continuing to open new business locations, upon having launched our home-visit nursing care business under the “star-Q” brand name in October 2018.

  In the CRO business, we will restructure the organization and invest funds to strengthen the CRO business, including efforts geared to upgrading the framework for addressing client needs.

  As for the self-medication and related business, together with corporate health insurance associations, we will take steps to expand operations by pursuing Group synergies in part by leveraging the customer base of Selmesta Co., Ltd., acquired in February 2019.

IV. Shareholder Returns and Investment in Growth

For profits produced from each business, the standard consolidated dividend payout ratio is 50% or more of profit attributable to owners of parent excluding special factors such as extraordinary income/losses and is paid out as a dividend to shareholders.

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

2. Matters regarding Directors and Executive Officers

(1) Directors (As of March 31, 2019)

Position in the Company	Name	Duties in the Company	Significant Concurrent Positions
Director	Shigekazu Takeuchi	Nominating Committee Member Compensation Committee Member	Director, SRL, Inc. Director, Fujirebio Holdings, Inc. Director, Fujirebio Inc.
Director	Naoki Kitamura	-	Director, SRL, Inc. Statutory Auditor, Fujirebio Holdings, Inc. Chairman, Baylor Miraca Genetics Laboratories, LLC CEO, Miraca America, Inc. Director, SRL (Hong Kong) Limited
Director	Shigehiro Aoyama	Nominating Committee Member	Special Advisor, Suntory Holdings Limited External Director, Takamatsu Construction Group Co., Ltd. Outside Director, SUBARU CORPORATION Chairman, the Distribution Economics Institute of Japan
Director	Futomichi Amano	Audit Committee Chairman	Futomichi Amano CPA office
Director	Miyuki Ishiguro	Compensation Committee Chairman Audit Committee Member	Vice President, Tokyo Bar Association Partner, Nagashima Ohno & Tsunematsu Council Member of Management Council, Hitotsubashi University Outside Corporate Auditor, Lasertec Corporation Outside Audit & Supervisory Board member, Benesse Holdings, Inc.
Director	Ryoji Itoh	Nominating Committee Chairman Compensation Committee Member	Project Professor at Graduate School of Media and Governance, Keio University Managing Director, Planetplan, Inc. External Director, SATO HOLDINGS CORPORATION
Director	Susumu Yamauchi	Audit Committee Member	Emeritus Professor, Hitotsubashi University Board member of the Hori Sciences and Arts Foundation Visiting Professor, Law School, Renmin University of China Development Advisory Committee Member, Law School, Renmin University of China Chairman, Textbook Approval and Research Council Outside Director, Reading Skill Test Inc.

Notes:

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

Nominating Committee	Chairman	Ryoji Itoh
	Members	Shigehiro Aoyama
		Shigekazu Takeuchi
Audit Committee	Chairman	Futomichi Amano
	Members	Miyuki Ishiguro
		Susumu Yamauchi
Compensation Committee	Chairman	Miyuki Ishiguro
	Members	Ryoji Itoh
		Shigekazu Takeuchi

5. All members of the Audit Committee are appointed from among the part-time outside directors, and full-time Audit Committee members are not appointed, given the view that members of the Audit Committee must maintain a high degree of independence.
   An employee, who is independent from executive officers, is assigned to support the duties of the Audit Committee in order to provide internal company information to the Audit Committee and in order to coordinate with the Accounting Auditor, and departments in charge of internal control systems.
6. At the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 22, 2018, Directors Hiromasa Suzuki and Kozo Takaoka retired due to expiration of term of office.

(2) Executive Officers (As of March 31, 2019)

Position in the Company	Name	Duties in the Company	Significant Concurrent Positions
Representative Executive Officer	Shigekazu Takeuchi	President	Refer to "(1) Directors" hereinabove
Executive Officer	Naoki Kitamura	CFO, Investor and Shareholder Relations, and Legal Affairs	Refer to "(1) Directors" hereinabove
Executive Officer	Shigeto Ohtsuki	Human Resources and CSR	Director, SRL, Inc.
Executive Officer	Hiroaki Kimura	General Affairs, Public Relations, and Information Technology	—
Executive Officer	Yoshihiro Ashihara	IVD	President and CEO, Fujirebio Holdings, Inc. Director, Fujirebio Inc.
Executive Officer	Shunichi Higashi	Domestic CLT Business	President and CEO, SRL, Inc.
Executive Officer	Tadashi Hasegawa	Corporate Planning and Management	Director, SRL, Inc. Director, Miraca America, Inc. Director, SRL (Hong Kong) Limited

Notes:
1. At the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 22, 2018, Executive Officer Hiromitsu Tazawa retired due to expiration of term of office.
2. Executive Officer Kazuyuki Hanyu retired on January 31, 2019.

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

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

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

i) Compensation system

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

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

ii) Directors' compensation

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

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

iii) Executive officers' compensation

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

1) Compensation system

Compensation received by directors and executive officers of the Company shall be determined by a resolution of the Compensation Committee in light of the economic situation, the Company's conditions and the duties of the respective directors and executive officers, and based on the "Miraca Group Officers' Compensation Rules," "Rules of Compensation for Directors Not Serving Concurrently as Executive Officers," and "Rules of Compensation for Outside Directors."

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

<table>
<tr><th rowspan="3">Title</th><th colspan="2">Fixed Compensation</th><th>Short-term Performance-based Compensation</th><th>Medium- to Long-term Performance-based Compensation</th></tr>
<tr><th>Money</th><th>Shares</th><th>Money</th><th>Shares</th></tr>
<tr><th>Basic Compensation</th><th>Restricted Stock Compensation</th><th>Performance-based Compensation</th><th>Trust-type Share-based Compensation</th></tr>
<tr><td>President & Representative Executive Officer</td><td>0.44</td><td>0.11</td><td>0.22</td><td>0.23</td></tr>
<tr><td>Executive Officer</td><td>0.56 to 0.66</td><td>0.07 to 0.09</td><td>0.20 to 0.23</td><td>0.07 to 0.13</td></tr>
<tr><td>Director (Excluding Directors Serving Concurrently as Executive Officers)</td><td>1.00</td><td>0.00</td><td>0.00</td><td>0.00</td></tr>
</table>

2) Basic compensation

Although the benchmark for compensation is their titles, compensation is paid to executive officers after taking into account how each of them has performed in their duties, etc.

In addition to the prescribed fixed compensation, compensation is paid to directors in accordance with the details of their supervisory activities.

3) Restricted stock compensation

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

i) Overview of restricted stock compensation scheme

- The Company grants monetary compensation claims to its executive officers, and the executive officers use these monetary compensation claims in their entirety to make an investment in kind in the Company, and are in turn issued with common shares of the Company (restricted stock).
- The amount of monetary compensation claims granted to each executive officer is determined by the Company's Compensation Committee. In addition, the details of issuance of restricted stock, etc. are determined by the Company's Board of Directors.
- The amount paid in per share of restricted stock is based on the closing price for the common shares of the Company on the Tokyo Stock Exchange on the business day before the day of the Board of Directors' resolution in relation to the details of the issuance of restricted stock, etc. (in the event that no transactions

were made on that day, the closing price on the most recent transaction day), and is determined by the Board of Directors of the Company within a range that does not offer a particularly advantageous amount to the executive officers receiving the stock.

ii) Main features of the restricted stock allotment agreement

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

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

4) Performance-based compensation

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

Evaluation of single-year performance will be based on the consolidated performance of the Group, but performance-based compensation for the executive officers in charge of domestic CLT and the IVD shall also take into account the evaluation of domestic CLT segment and IVD segment performance, respectively. The breakdown of performance-based compensation by titles is as follows.

Title	Performance Evaluation Items			
	Single-year Performance (Note 1)			Individual Evaluation (Note 2)
	Consolidated Group Performance	Domestic CLT Segment Performance	IVD Segment Performance	
President & Representative Executive Officer	100%	–	–	–
Executive Officer (excluding Executive Officers in charge of Domestic CLT and IVD)	80%	–	–	20%
Executive Officer in charge of Domestic CLT	40%	60%	–	–
Executive Officer in charge of IVD	40%	–	60%	–

Note 1: With regard to "single-year performance" among performance evaluation items, because net sales growth is a priority issue under the current Medium-term Business Plan the emphasis is on year-on-year growth rate in net sales. They also take into account the degree of progress towards targets for profit and operating profit, with a view to promoting management that is aligned with shareholder interests, in respect of which performance evaluation indicator for "single-year performance" have been set as follows. The setting of specific criteria for evaluation, changing of those criteria, and determining performance-based compensation shall be resolved by the Compensation Committee.

Note 2: With regard to "individual evaluation" among performance evaluation items, the President & Representative Executive Officer 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	70%	Year-on-year growth rate	0% to 200%
	Consolidated profit	30%	Absolute amount stipulated in advance	0% to No upper limit
Domestic CLT Segment Performance	Domestic CLT net sales	70%	Year-on-year growth rate	0% to 200%
	Domestic CLT operating profit	30%	Absolute amount stipulated in advance	0% to No upper limit
IVD Segment Performance	IVD net sales	70%	Year-on-year growth rate	0% to 200%
	IVD operating profit	30%	Absolute amount stipulated in advance	0% to No upper limit

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

The targets for performance evaluation indicator in the fiscal year under review were resolved at a meeting of the Compensation Committee held on August 24, 2018. The targets and the actual results are as follows.

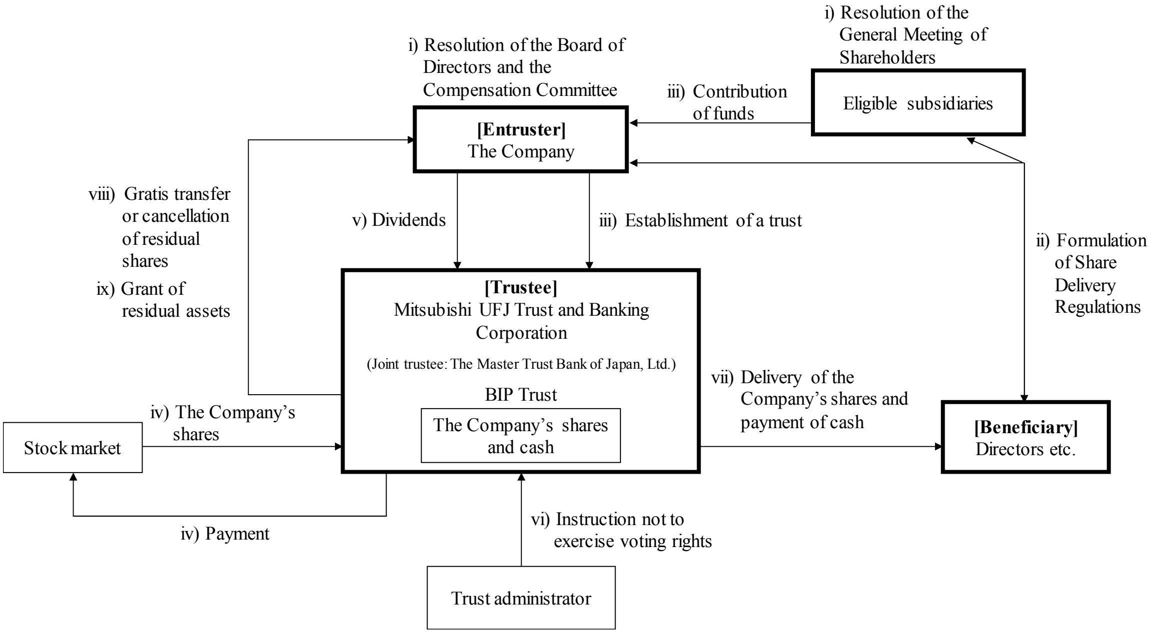
(Unit: Millions of yen)

Performance Evaluation Items	Performance Evaluation Indicator	Targets	Actual Results	Achievement Rate
Consolidated Group Performance	Consolidated net sales	178,806	181,415	101.5%
	Consolidated profit	10,930	6,386	58.4%
Domestic CLT Segment Performance	Domestic CLT net sales	106,403	109,077	102.5%
	Domestic CLT operating profit	9,200	4,680	50.9%
IVD Segment Performance	IVD net sales	48,423	48,851	100.9%
	IVD operating profit	9,527	10,076	105.8%

*The target for net sales in consolidated group performance (results for the previous fiscal year) does not include the results of MLS, which was deconsolidated in the previous fiscal year.

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

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



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

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

In principle, on June 1 for each year during the trust period, a certain number of points shall be granted to the executive officers of the Company in relation to the fiscal year that ended on March 31 of that year. The number of points shall be determined based on the individual's title and the degree of progress towards consolidated net sales and consolidated operating profit targets for each fiscal year of the Medium-term Business Plan. Around the month of July after the ending of the target period (for the first time, this will be around July 2020), the number of shares, which is the basis for delivery, etc. of the Company's shares, etc., shall be determined based on the total number of points for the three years (hereinafter, "stock delivery points"). The number of shares of the Company per point shall be one (1).

iii) Number of points granted per year

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

<Calculation formula>

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

Performance-linked coefficient = Granted percentage for consolidated net sales (Note 2) × 0.7 + Granted percentage for consolidated operating profit (Note 2) × 0.3

* The objectives of the Company's current Medium-term Business Plan are "growth in net sales," and "expansion of profits in existing businesses driven by growth in sales," and consolidated net sales and consolidated operating profit are used as indicators to show the degree of progress towards these objectives.

Moreover, taking into account the recent business environment and the conditions in which the Group operates, the term of the current Medium-term Business Plan has been positioned as a period for concentrating on initiatives to grow sales, which explains the setting of the performance-linked coefficient laid out above.

Note 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 5,010 yen on the day before July 21, 2017, the date on which the Compensation Committee resolved the details of the trust-type share-based compensation scheme.

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

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

<Granted percentage for consolidated net sales>

Fiscal Years Covered by the Medium-term Business Plan	Consolidated Net Sales Achievement Ratio	Granted Percentage for Consolidated Net Sales
FY 2017 FY 2018 (Fiscal year under review)	Less than 90%	0%
	90% to less than 106.7%	15 × Consolidated net sales achievement ratio − 1,350
	106.7% or more	250%
FY 2019	Less than 90%	0%
	90% to less than 102.5%	20 × Consolidated net sales achievement ratio − 1,800
	102.5% or more	250%

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

<Granted percentage for consolidated operating profit>

Fiscal Years Covered by the Medium-term Business Plan	Consolidated Operating Profit Achievement Ratio	Granted Percentage for Consolidated Operating Profit
FY 2017 FY 2018 (Fiscal year under review) FY 2019	Less than 80%	0%
	80% to less than 130%	5 × Consolidated operating profit achievement ratio − 400
	130% or more	250%

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

The targets for performance evaluation items in the fiscal year under review were resolved at a meeting of the Compensation Committee held on November 28, 2017. The targets and the actual results are as follows.

(Unit: Millions of yen)

Performance Evaluation Indicator	Targets	Actual Results	Achievement Rate
Consolidated net sales	195,960	181,415	92.6%
Consolidated operating profit	24,292	14,648	60.3%

* With regard to targets, assuming targets for each individual fiscal year within the Medium-term Business Plan, the impact of MLS, which was deconsolidated during the previous fiscal year, has been excluded.

iv) Conditions for delivering shares/providing money

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

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

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

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

b. Details of compensation for directors and executive officers, etc.

Details of compensation for directors and executive officers, etc. for the fiscal year under review are as follows:

A. Total amount of compensation, total amount of compensation by type, and number of payees by classification

Classification	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)					Number of Payees (persons)
		Non-performance-based Compensation		Short-term Performance-based Compensation	Medium- to Long-term Performance-based Compensation	Stock Options	
		Money	Shares	Money	Shares		
		Basic Compensation	Restricted Stock Compensation	Performance-based Compensation	Trust-type Share-based Compensation		
Executive Officer	265	164	16	52	31	0	7
Director [Outside Director]	100 [64]	98 [64]	– [–]	– [–]	– [–]	1 [–]	7 [6]

Notes: 1. The Company does not pay directors' compensation to directors serving concurrently as executive officers.

2. Two (2) executive officers, who serve concurrently as officers of business corporations that are the Company's subsidiaries, have received 85 million yen as officers' compensation from such business corporations in addition to the compensation stated in the above table.

3. At meetings of the Board of Directors and Compensation Committee held on May 11, 2017, resolutions were passed to introduce a share-based compensation scheme, and to abolish the previous stock option scheme for executive officers of the Company. The amounts in the table above were recorded as expenses during the fiscal year under review in relation to the 12th installment of the stock options, which was issued in 2015.

4. A trust agreement was concluded in relation to trust-type share-based compensation on November 20, 2018, with the expenses being recorded beginning in the fiscal year under review. Also, the amounts shown in the table above include 26 million yen in expenses recorded in relation to trust-type share-based compensation for the previous fiscal year.

B. Total amount of compensation of persons whose total amount of compensation exceeds 100 million yen, etc.

Name [Classification]	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)				
		Non-performance-based Compensation		Short-term Performance-based Compensation	Medium- to Long-term Performance-based Compensation	Stock Options
		Money	Shares	Money	Shares	
		Basic Compensation	Restricted Stock Compensation	Performance-based Compensation	Trust-type Share-based Compensation	
Shigekazu Takeuchi [Representative Executive Officer]	106	58	7	20	19	–

Note: A trust agreement was concluded in relation to trust-type share-based compensation on November 20, 2018, with the expenses being recorded beginning in the fiscal year under review. Also, the amounts shown in the table above include 16 million yen in expenses recorded in relation to trust-type share-based compensation for the previous fiscal year.

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

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

A. Details of the Compensation Committee's authority and scope of discretion

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

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

The Compensation Committee met at a frequency of about once every two months during the fiscal year under review.

On June 22, 2018 the Compensation Committee unanimously passed a resolution approving the “Miraca Group Officers’ Compensation Rules,” and the determining amounts for basic compensation of different individuals.

Next, in relation to restricted stock compensation the Committee unanimously passed a resolution on July 20, 2018 approving amounts to be granted to different individuals, and the number of shares to be allotted, in accordance with the “Miraca Group Officers’ Compensation Rules.”

Moreover, in relation to trust-type share-based compensation the Committee unanimously passed a resolution on November 30, 2018 approving points to be granted to different individuals in relation to results for the previous fiscal year, in accordance with the “Miraca Group Officers’ Compensation Rules” and achievement ratios of the performance achievement indicators.

With regard to performance-linked compensation, the Committee unanimously passed a resolution on May 14, 2019 approving payment amounts for different individuals, in accordance with the “Miraca Group Officers’ Compensation Rules” and achievement ratios of the performance achievement indicators.

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

(4) Main activities of outside directors

i) Attendance rate at Meetings of the Board of Directors and Committees (number of times of attendance/number of meetings held during the fiscal year)

Classification	Name	Board of Directors Meeting	Meeting of Nominating Committee	Meeting of Audit Committee	Meeting of Compensation Committee
Director	Shigehiro Aoyama	9/10	4/5	-	-
Director	Futomichi Amano	13/13	-	18/18	-
Director	Miyuki Ishiguro	13/13	-	17/18	7/7
Director	Ryoji Itoh	13/13	6/6	-	7/7
Director	Susumu Yamauchi	13/13	-	18/18	-

Note: Figures shown for Mr. Shigehiro Aoyama's attendance in Board of Directors meetings and Nominating Committee meetings reflect his attendance since becoming a Director and joining the committee on June 22, 2018.

ii) Main activities during the fiscal year

Classification	Name	Main Activities
Director	Shigehiro Aoyama	At meetings of the Board of Directors, he has made necessary remarks in connection with proposals and deliberations based on his abundant experience and broad insight in corporate management. Also, at the Nominating Committee, he has made necessary remarks as appropriate.
Director	Futomichi Amano	He has performed duties as chairman of the Audit Committee, and at meetings of the Board of Directors, he has made necessary remarks in connection with proposals and deliberations based on his abundant experience and broad insight as an accounting specialist.
Director	Miyuki Ishiguro	She has performed duties as chairman of the Compensation Committee, and at meetings of the Board of Directors, she has made necessary remarks in connection with proposals and deliberations from her perspective as a lawyer who is well-versed in corporate law. Also, at the Audit Committee, she has made necessary remarks as appropriate.
Director	Ryoji Itoh	He has performed duties as chairman of the Nominating Committee and, at meetings of the Board of Directors, he has made necessary remarks in connections with proposals and deliberations from his broad insight, which was developed through his extensive experience as a business consultant and corporate manager at a business operating company. Also, at the Compensation Committee, he has made necessary remarks as appropriate.
Director	Susumu Yamauchi	At meetings of the Board of Directors, he has made necessary remarks in connection with proposals and deliberations based on his abundant experience and broad insight as President of Hitotsubashi University. Also, at the Audit Committee, he has made necessary remarks as appropriate.

3. Matters regarding Accounting Auditor

(1) Name of Accounting Auditor
PricewaterhouseCoopers Aarata LLC

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

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

ii) Of i) above, the total amount of compensation the Company and its subsidiaries paid to Accounting Auditor in exchange for the work (audit certification work) stipulated by Article 2, Paragraph 1 of the Certified Public Accountants Act (Act No. 103 of 1948)
114 million yen

iii) Of ii) above, the amount of compensation the Company paid to Accounting Auditor for the work as an accounting auditor
43 million yen

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

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

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

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

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

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

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

(1) Fundamental idea on corporate governance

The Company brings about greater managerial efficiency based on its stated corporate mission to “create new value in Healthcare and contribute to the prosperity of people,” as well as its Vision, Values and Traits. We fully recognize the vital importance of cooperation encompassing a wide range of stakeholders both inside and outside the Group. Accordingly, we are committed to the establishment of a corporate governance structure that encourages greater managerial transparency and accelerates proper decision-making.

(2) Details of corporate organizations, system to ensure appropriate execution of business operations and implementation thereof

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

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

i) Corporate organizations

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

The Board of Directors receive reports from each committee and from the executive officers regarding information on current corporate operations and target management achievements. The Board is thus able to provide timely, comprehensive and pertinent corporate oversight. Among the seven (7) members of the Board of Directors, the Company appoints five (5) as outside directors, each of whom is recognized as a leader in his or her respective field.

1) Matters regarding limited liability agreements

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

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

• Limited liability agreements with outside directors

After execution of this agreement, the outside director shall, in the case of having performed his/her duties in good faith and without gross negligence with respect to the responsibility prescribed in Article 423, Paragraph 1 of the Companies Act, assume liability for damages up to the higher of 2 million yen or the minimum liability amount prescribed by law and regulations.

2) Number of directors

The Articles of Incorporation stipulate that the Company may have no more than ten (10) directors.

3) Requirement for resolutions to elect directors

The Company stipulates in its Articles of Incorporation that resolutions for election of directors are to be adopted by a majority of the voting rights of the shareholders present at a general meeting of shareholders where the shareholders holding at least one-third (1/3) of the voting rights of the shareholders who are entitled to exercise their voting rights are present, and not by cumulative voting.

4) Decision-making body for dividends of surplus

The Company stipulates in its Articles of Incorporation that matters involving dividends of surplus as prescribed in the items of Article 459, Paragraph 1 of the Companies Act may be determined by resolution of the Board of Directors, and that matters prescribed in the items of Article 459, Paragraph 1 of the Companies Act may not be determined by resolutions made at a general meeting of shareholders. The purpose of this is to ensure flexibility with respect to capital policy and return of profits to shareholders.

5) Exemption from liability as Director and Executive Officer

In accordance with Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation have a provision enabling the Company to exempt Directors (including former Directors) and Executive Officers (including former Executive Officers) from their liability in relation to actions stipulated under Article 423, Paragraph 1 of the same act within the limit provided by laws and regulations, upon a resolution of the Board of Directors. The provision is intended to create an environment in which Directors and Executive Officers can fully exercise their capabilities in performing their duties and fulfill their expected roles.

6) Requirement for a special resolution of the General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that resolutions of a general meeting of shareholders pursuant to Article 309, Paragraph 2 of the Companies Act are to be adopted by a majority of two-thirds (2/3) or more of the voting rights of the shareholders in attendance where the shareholders holding at least one-third (1/3) of the voting rights of the shareholders who are entitled to exercise their voting rights are present. This provision is intended to enable smooth operation of general meetings of shareholders.

ii) Overview of system to ensure appropriate execution of business operations

Based on the following basic policy, the Company ensures that business operations are executed appropriately.

1) Mission, Vision, and Values and Traits

<Mission>

Miraca Group creates new value in Healthcare and contributes to the prosperity of people.

<Vision>

Develop innovative diagnostic solutions to enhance trust in Healthcare and drive its evolution.

<Values and Traits>

[Customer Centricity]

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

[Sincerity and Trust]

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

[Creation of New Value]

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

[Mutual Respect]

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

2) Code of Conduct

The Company, as a corporate group, has established the Miraca Group Code of Conduct so that all officers and employees of the Group can embody the high ethical standards that they are expected to meet in the performance of their duties, and ensure that the officers and employees practice it in daily corporate activities.

3) Matters regarding directors and employee(s) who is assigned to support duties of the Audit Committee

The Company shall establish the Secretariat of the Audit Committee as an organization under the Audit Committee. Employee(s) who is assigned to support the duties of the Audit Committee belongs to the Secretariat of the Audit Committee.

4) Matters regarding independence of directors and employee(s) in 3) from executive officers

- Employee(s) of the Secretariat of the Audit Committee shall follow instructions of members of the Audit committee.
- For appointment and reassignment of the employee(s), treatment such as employee evaluation and transfer and budget allocation, the Secretariat of the Audit Committee shall give explanations to the Audit Committee in advance and obtain prior approval.

5) System of reporting from executive officers and employees to the Audit Committee and other systems of reporting to the Audit Committee

The Audit Committee may have people other than members participate in a meeting as necessary, and ask them to report on the following items, in addition to items stipulated by laws and regulations.

a) Overview of activities of departments involved in internal control of the Group
b) The Group's significant accounting policy, accounting standards and changes

thereof

c) Details of important disclosure documents

d) Other matters to be reported as stipulated by the Company's internal rules

6) Other systems to ensure effective audit by the Audit Committee

- Members of the Audit Committee have authorities stipulated in the following items.
  a) Authority to request other directors, executive officers, managers and other employees to report matters regarding execution of their duties
  b) Authority to examine the status of the Company's business operations and assets
  c) Authority to request the Company's subsidiaries or consolidated subsidiaries to report business operations or to examine the status of business operations and assets of the Company's subsidiaries or consolidated subsidiaries as necessary in order to exercise authorities of the Audit Committee
  d) Other authorities regarding audit deemed necessary by the Audit Committee within the scope of laws and regulations
- Directors, executive officers and employees who participate in a meeting of the Audit Committee by a request from the Committee are required to explain matters requested by the Committee.
- A committee member appointed by the Audit Committee may participate in important meetings of the Company including the Group companies as necessary.

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

- To ensure appropriate execution of business operations of the Company's subsidiaries by conducting operation and management of the subsidiaries based on the management rules of the subsidiaries and affiliates as well as the agreement on responsibilities and authorities of the officers of the subsidiaries.
- To establish a management structure based on the following rules and ensure appropriate execution of business operations of the corporate group.
  a) The company and major business subsidiaries shall be covered.
  b) The purpose shall be to comply with laws and regulations pertaining to effectiveness and efficiency of business operations, credibility of financial reporting and business activities.
  c) Based on the Risk Management Rules, risk management of the corporate group shall be promoted.
  d) A flow chart of major business processes shall be created including those of business subsidiaries to standardize business operations and conduct adequate risk management.
  e) The Internal Audit Department shall conduct an audit on the system of internal controls.
- The Internal Audit Departments of the Group companies shall report and exchange opinions on a regular basis and hold an audit liaison conference regularly in order to enhance cooperation between the Audit Committee and auditors of the Group companies.

8) System for storage and management of information on execution of duties by executive officers

   Each executive officer shall appropriately store and manage documents and other relevant information regarding execution of their duties in accordance with the Rules for Management of Documents for Execution of Duties.

9) Rules for management of risk of loss and other system

   Based on the "Risk Management Rules" and "Rules for the Risk Management Committee," a risk management system shall be established, and the Risk Management Committee shall promote it to manage the risk of loss.

10) System to ensure efficient execution of duties by executive officers
    - Each executive officer executes duties based on the Rules of Duties of Executive Officers.
    - Each executive officer holds discussions and makes a report as necessary at the Board of Executive Officers' meeting based on the Rules for the Board of Executive Officers.

11) System to ensure compliance of execution of duties by executive officers and employees with laws and regulations and the Articles of Incorporation
    - While the ethical standards that all the members of the Company are expected to meet are codified in the Miraca Group Code of Conduct, the Code of Conduct Committee implements necessary measures based on the Rules for Management of the Code of Conduct Committee to ensure compliance of execution of duties by executive officers and employees with laws and regulations, the Articles of Incorporation and the Miraca Group Code of Conduct.
    - The Code of Conduct Committee detects illegal activities of the Company at an early stage and establishes and operates an internal reporting system in order to respond to it.
    - The Internal Audit Department conducts internal audits based on the Rules for Internal Audit.

iii) Overview of implementation of system to ensure appropriate execution of business operations

The following subsection provides an overview regarding implementation of the system for ensuring appropriate execution of business operations, with respect to the fiscal year under review.

1) Matters regarding audits performed by the Audit Committee
   - The Audit Committee consists of three (3) committee members and one (1) secretariat. Each member participates in major meetings of the Board of Executive Officers and Risk Management Committee, or otherwise confirms content of the meetings. Each member also holds a regular liaison conference with the Internal Audit Department and auditors of the relevant subsidiaries and directly conducts audits on the execution of duties as necessary, and the results of such activities are regularly reported to the Board of Directors. The Audit Committee exchanges ideas regularly with Accounting Auditor by requesting them to explain and report the initial audit plan, status of audits during the term

and results of the year-end audit.

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

5. Basic policy on control of stock company

I. Basic Policy concerning Persons Controlling the Decision on the Financial and Operational Policy of the Company (Basic Policy concerning Persons Controlling the Decision on the Financial and Operational Policy of the Company as stipulated by Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act (Ordinance of the Ministry of Justice No. 12 of 2006))

The Board of Directors of the Company believes that the shareholders of the Company should make final decisions as to whether or not an offer to purchase shares is acceptable. In the event that the purchase of the shares of the Company is proposed, in order for the shareholders of the Company to make proper decisions, it is necessary for sufficient information to be provided to the shareholders of the Company through the Board of Directors of the Company. In particular, the shareholders of the Company should be given information regarding the terms and conditions of the purchase (including fairness of price), the influence the purchase has on the management of the Company and its group, the management policy and business plan that the purchaser intends to adopt, etc.

However, in the event that the purchase of the shares of the Company is proposed, the shareholder or the Company may not be given sufficient time or information necessary to consider the terms and conditions of the proposal or any alternative plan. The proposed structure may coerce the shareholders to accept the proposal of the purchase. The proposed purchase price may be inadequate or inappropriate in light of the Company’s intrinsic corporate value and the common interests of the shareholders. In such case, there will be a threat of severe damage to the Company’s corporate value and the common interests of the shareholders.

The Company believes that a person who conducts or proposes an inappropriate Large-scale Purchase which will raise a threat of severe damage to the Company’s corporate value and the common interest of the shareholders is not appropriate as a person in control of decisions on the financial and operational policy of the Company.

The Company decided, at a meeting of the Board of Directors held on May 23, 2007, to establish the above as our Basic Policy concerning Persons Controlling the Decision on the Financial and Operational Policy of the Company.

II. Efforts supporting achievement of the basic policy

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

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

   The clinical diagnostics and laboratory testing sector has been experiencing a slowdown in growth associated with medical costs being curbed and decelerating economic growth in developed countries. On the other hand, the business environment in the sector has been rapidly undergoing drastic change which is giving rise to new growth opportunities brought about by factors such as the aging demographic, expansion of the general practitioner market, growth in emerging markets, improvements in advanced medical technologies, and progress in IT technologies.

   Amid such circumstances, the Group has been placing top priority on considering measures that would help bring about tremendous growth into the future, and consequently has drastically transformed the growth and geographic strategies of its respective businesses.

   As the first phase of implementing such strategies, the Company announced that it had drawn up its Medium-term Business Plan (the "Medium-term Business Plan"), with its final fiscal year being the fiscal year ending March 31, 2020. Under the Medium-term Business Plan, we will move forward with a focus on building foundations and carrying out structural reforms in order to enhance our competitive strengths. In conjunction with such efforts, we will also successively introduce effective measures for achieving short-term growth. An overview of the plan is described in "(4) Issues to be addressed" of "1. Matters regarding current status of corporate group."

2. Efforts to Enhance the Company's Corporate Value and to Serve the Common Interests of Shareholders through Proactively Providing Returns to Shareholders

   The Company remains committed to the goal of actively returning profits to our shareholders mainly through dividends, while striving to attain the level of retained earnings needed for the Company to adequately address upcoming changes in the business environment and also to invest in M&As, R&D, and other future growth opportunities.

3. Efforts to Enhance the Company's Corporate Value and to Serve the Common Interests of Shareholders through the Further Strengthening of the Corporate Governance Structure

   The Company has adopted a "Company with Committees" (currently "Company with Nominating Committee, etc.") corporate governance system in June 2005, leading to clear separation of the monitoring and execution functions as well as the establishment of an execution structure which allows for speedy operational implementation. From a corporate governance perspective, five (5) of the seven (7) board members are outside directors with high independency. Furthermore, we have established three committees: the Nominating, Audit and Compensation Committees in accordance with laws and regulations, and continued efforts aimed at promoting fairness and transparency are being implemented. With respect to incentives and compensation, we have positioned the enhancement of corporate value and the common interests of our shareholders as our highest priorities, and have adopted a performance-based compensation plan for executive officers, while eliminating the retirement benefits system which was not highly correlated with performance and introducing a share-based compensation plan aimed to align interest between our shareholders and the officers and employees of the Company. Compensation provided to such officers and directors are disclosed in our annual securities reports, and business reports. We have further implemented various measures to stimulate activity at shareholders' meetings and to facilitate the exercise of voting rights, such as sending notice of shareholders' meetings at least 3 weeks in advance in order to secure sufficient time for our shareholders to appropriately exercise their voting rights and changing the date of shareholders' meetings to avoid the major concentration of shareholders' meetings at the end of June. Realizing the importance of maintaining and strengthening an appropriate governance structure, we have also established a basic policy for our internal control system, and have established an infrastructure to ensure proper business operations as a corporate group by reinforcing the framework for audits by the Audit Committee and by creating control guidelines for the entire group, including subsidiaries and affiliates.

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

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

CONSOLIDATED BALANCE SHEET

(As of March 31, 2019)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current assets	**89,649**	**Current liabilities**	**51,242**
Cash and deposits	33,699	Notes and accounts payable - trade	10,396
Notes and accounts receivable - trade	34,145	Electronically recorded obligations - operating	1,278
Lease investment assets	737		
Merchandise and finished goods	5,302	Short-term loans payable	10,000
Work in process	5,429	Current portion of long-term loans payable	6,477
Raw materials and supplies	5,212	Lease obligations	816
Other	5,250	Accounts payable - other	7,880
Allowance for doubtful accounts	(128)	Income taxes payable	1,066
		Provision for bonuses	6,054
		Other	7,272
Non-current assets	**111,505**	**Non-current liabilities**	**37,018**
Property, plant and equipment	**54,753**	Bonds payable	15,000
Buildings and structures	16,714	Long-term loans payable	15,398
Machinery, equipment and vehicles	3,159	Lease obligations	2,225
		Deferred tax liabilities	85
Tools, furniture and fixtures	19,346	Retirement benefit liability	2,284
Land	11,008	Asset retirement obligations	649
Leased assets	2,417	Provision for stocks payment	52
Construction in progress	2,107	Provision for compensation loss	481
		Other	840
Intangible assets	**15,098**	**Total liabilities**	**88,261**
Goodwill	2,029	**NET ASSETS**	
Customer-related intangible assets	1,105	**Shareholders' equity**	**112,920**
Software	5,445	Capital stock	9,113
Leased assets	431	Capital surplus	24,835
Other	6,086	Retained earnings	80,601
Investments and other assets	**41,653**	Treasury shares	(1,631)
Investment securities	14,598	**Accumulated other comprehensive income**	**(129)**
Deferred tax assets	14,251	Valuation difference on available-for-sale securities	345
Other	12,825		
Allowance for doubtful accounts	(22)	Foreign currency translation adjustment	(81)
Deferred assets	**80**	Remeasurements of defined benefit plans	(393)
Bond issuance cost	80	**Share acquisition rights**	**182**
		Total net assets	**112,973**
Total assets	**201,234**	**Total liabilities and net assets**	**201,234**

CONSOLIDATED STATEMENT OF INCOME

From: April l, 2018
To: March 31, 2019

(Unit: Millions of yen)

Net sales		**181,415**
Cost of sales		**119,462**
Gross profit		**61,952**
Selling, general and administrative expenses		**47,303**
Operating profit		**14,648**
Non-operating income		
Interest income	88	
Dividend income	25	
Dividend income of insurance	38	
Gain on investments in capital	376	
Rent income	59	
Fiduciary obligation fee	51	
Other	181	**820**
Non-operating expenses		
Interest expenses	195	
Rent expenses	39	
Share of loss of entities accounted for using equity method	3,471	
Other	239	**3,945**
Ordinary profit		**11,524**
Extraordinary income		
Gain on sales of non-current assets	1	
Gain on sales of investment securities	237	
Gain on sales of shares of subsidiaries and associates	166	
Gain on reversal of share acquisition rights	24	
Reversal of provision for compensation loss	656	
Gain on revision of retirement benefit plan	211	
Other	4	**1,302**
Extraordinary losses		
Loss on retirement of non-current assets	157	
Loss on valuation of investment securities	273	
Provision for compensation loss	855	
Other	164	**1,451**
Profit before income taxes		**11,375**
Income taxes - current	1,590	
Income taxes - deferred	3,398	4,989
Profit		**6,386**
Profit attributable to owners of parent		**6,386**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April 1, 2018
To: March 31, 2019

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	**9,066**	**24,788**	**81,637**	**(1,235)**	**114,257**
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	17	17			34
Issuance of new shares - restricted stock	30	30			60
Dividends of surplus			(7,422)		(7,422)
Profit attributable to owners of parent			6,386		6,386
Purchase of treasury shares				(395)	(395)
Net changes of items other than shareholders' equity					
Total changes of items during period	**47**	**47**	**(1,035)**	**(395)**	**(1,336)**
Balance at end of current period	**9,113**	**24,835**	**80,601**	**(1,631)**	**112,920**

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	**310**	**(756)**	**(803)**	**(1,248)**	**217**	**113,225**
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						34
Issuance of new shares - restricted stock						60
Dividends of surplus						(7,422)
Profit attributable to owners of parent						6,386
Purchase of treasury shares						(395)
Net changes of items other than shareholders' equity	34	674	410	1,118	(34)	1,084
Total changes of items during period	**34**	**674**	**410**	**1,118**	**(34)**	**(252)**
Balance at end of current period	**345**	**(81)**	**(393)**	**(129)**	**182**	**112,973**

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2019)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current assets	**32,164**	**Current liabilities**	**39,111**
Cash and deposits	27,155	Short-term loans payable	10,000
Accounts receivable - trade	562	Current portion of long-term loans payable	6,477
Prepaid expenses	390		
Short-term loans receivable from subsidiaries and associates	555	Accounts payable - other	1,609
		Accrued expenses	199
Accounts receivable - other	3,404	Income taxes payable	46
Other	95	Deposits received	20,390
		Unearned revenue	6
		Provision for bonuses	20
		Other	362
Non-current assets	**84,826**	**Non-current liabilities**	**30,942**
Property, plant and equipment	**562**	Bonds payable	15,000
Buildings	365	Long-term loans payable	15,398
Tools, furniture and fixtures	197	Provision for stocks payment	52
		Provision for compensation loss	481
		Other	9
Intangible assets	**1,480**	**Total liabilities**	**70,053**
Software	1,335	**NET ASSETS**	
Other	145	**Shareholders' equity**	**46,446**
Investments and other assets	**82,783**	**Capital stock**	**9,113**
Investment securities	1,176	**Capital surplus**	**24,835**
Shares of subsidiaries and associates	58,983	Legal capital surplus	24,835
		Other capital surplus	0
Investments in capital	1,105	**Retained earnings**	**14,127**
Investments in capital of subsidiaries and associates	2,500	Legal retained earnings	928
		Other retained earnings	13,199
Long-term loans receivable from subsidiaries and associates	3,382	General reserve	13,250
		Retained earnings brought forward	(50)
Guarantee deposits	8,024	**Treasury shares**	**(1,631)**
Deferred tax assets	7,554	**Valuation and translation adjustments**	**388**
Other	54	Valuation difference on available-for-sale securities	388
Deferred assets	**80**	**Share acquisition rights**	**182**
Bond issuance cost	80	**Total net assets**	**47,017**
Total assets	**117,070**	**Total liabilities and net assets**	**117,070**

NON-CONSOLIDATED STATEMENT OF INCOME

From: April l, 2018
To: March 31, 2019

(Unit: Millions of yen)

Operating revenue		
Dividend income	3,380	
Service revenue	5,911	**9,292**
Operating expenses		**6,603**
Operating profit		**2,688**
Non-operating income		
Interest income	62	
Rent income	418	
Gain on investments in capital	376	
Other	36	**892**
Non-operating expenses		
Interest expenses	139	
Interest on bonds	24	
Rent expenses	353	
Other	107	**625**
Ordinary profit		**2,955**
Extraordinary income		
Gain on sales of investment securities	8	
Gain on reversal of share acquisition rights	24	
Reversal of provision for compensation loss	656	**690**
Extraordinary losses		
Loss on retirement of non-current assets	0	
Loss on valuation of investment securities	273	
Provision for compensation loss	855	
Other	3	**1,132**
Profit before income taxes		**2,513**
Income taxes - current	(1,832)	
Income taxes - deferred	2,714	881
Profit		**1,631**

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April l, 2018
To: March 31, 2019

(Unit: Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of current period	**9,066**	**24,788**	**0**	**24,788**	**928**	**13,250**	**4,907**	**19,085**	**(1,235)**	**51,704**
Cumulative effects of changes in accounting policies							**832**	**832**		**832**
Balance after retrospective application	**9,066**	**24,788**	**0**	**24,788**	**928**	**13,250**	**5,740**	**19,918**	**(1,235)**	**52,537**
Changes of items during period										
Issuance of new shares - exercise of share acquisition rights	17	17		17						34
Issuance of new shares - restricted stock	30	30		30						60
Dividends of surplus							(7,422)	(7,422)		(7,422)
Profit							1,631	1,631		1,631
Purchase of treasury shares									(395)	(395)
Net changes of items other than shareholders' equity										
Total changes of items during period	**47**	**47**	**–**	**47**	**–**	**–**	**(5,790)**	**(5,790)**	**(395)**	**(6,091)**
Balance at end of current period	**9,113**	**24,835**	**0**	**24,835**	**928**	**13,250**	**(50)**	**14,127**	**(1,631)**	**46,446**

(Unit: Millions of yen)

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	**307**	**307**	**217**	**52,229**
Cumulative effects of changes in accounting policies				**832**
Balance after retrospective application	**307**	**307**	**217**	**53,062**
Changes of items during period				
Issuance of new shares - exercise of share acquisition rights				34
Issuance of new shares - restricted stock				60
Dividends of surplus				(7,422)
Profit				1,631
Purchase of treasury shares				(395)
Net changes of items other than shareholders' equity	80	80	(34)	45
Total changes of items during period	**80**	**80**	**(34)**	**(6,045)**
Balance at end of current period	**388**	**388**	**182**	**47,017**