

(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

June 2, 2017

**NOTICE OF  
67TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder,

You are hereby requested to attend the 67th 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 22, 2017 (JST), in accordance with the “Exercise of Voting Rights in Writing or Via the Internet.” (pages 2 to 3).

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 23, 2017, at 10:00 a.m. (JST)  
(Reception start time: 9:00 a.m.)
- 2. Venue:** “Ohgi,” 4<sup>th</sup> Floor, South 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 67th term (from April 1, 2016 to March 31, 2017)
  2. Non-consolidated Financial Statements for the 67th term (from April 1, 2016 to March 31, 2017)
- 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

### [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 22, 2017 (JST).

### [Exercise of voting rights via the Internet]

#### I. Exercise of voting rights via the Internet

- (1) Shareholders may exercise their voting rights via the Company designated “exercise of voting rights website” (URL below), in lieu of exercising such rights in writing. To do so, first log into the website using your voting rights code and password presented on the right hand side of the enclosed voting rights form, and then enter the required information following the instructions shown on the screen. For security reasons, you must update your password upon logging in for the first time.

<http://www.it-soukai.com> (Japanese only)

- (2) Voting must be completed no later than 5:30 p.m. on Thursday, June 22, 2017 (JST). The Company kindly requests for voting to be carried out promptly.
- (3) 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.
- (4) The password provided and passwords set by the shareholder are valid only for the current General Meeting of Shareholders. You will again be issued a new password before the next General Meeting of Shareholders.
- (5) Shareholders shall assume all costs incurred with respect to Internet access.

#### (Important notes)

- The Company uses passwords as a means of confirming individual identities of shareholders casting votes. The Company does not inquire about such passwords.
- Your account will become locked and the password rendered unusable if the password is entered incorrectly a certain number of times. If you find yourself locked out of your account, please follow the instructions shown on the screen.
- The voting rights website is verified under standard Internet access devices. However, it may not be accessible in case of incompatible devices.

#### Contact information

For inquiries in this regard, please contact the Stock Transfer Agency Department of Mizuho Trust & Banking Corporation, which acts as the administrator of the shareholder registry.

- (1) Inquiries specifically regarding access to the exercise of voting rights website  
Toll-free 0120-768-524 (Japanese only, weekdays from 9:00 to 21:00)
- (2) Inquiries regarding stock-related administrative matters other than access to the exercise of voting rights website  
Toll-free 0120-288-324 (Japanese only, weekdays from 9:00 to 17:00)

## 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:

Candidate No.	Name (Date of birth)	Brief personal profile, position and duties in the Company and positions in other companies	Number of the Company's shares held
1	Shigekazu Takeuchi (October 11, 1953)  <span style="border: 1px solid black; padding: 2px;">Reelection</span>	<p>Apr. 1976    Joined CBS Sony Inc. (currently Sony Music Entertainment (Japan) Inc.)</p> <p>Feb. 1997    President, Sony Music Artists Inc.</p> <p>Feb. 2000    Executive Vice President, Corporate Planning Department, Sony Music Entertainment (Japan) Inc.</p> <p>Jun. 2000    Managing Director, Corporate Planning Department, Sony Music Entertainment (Japan) Inc.</p> <p>Oct. 2002    President, SME Visual Works Inc. (currently Aniplex Inc.)</p> <p>Jun. 2006    Chairman, Sony Pictures Entertainment (Japan) Inc.</p> <p>Jun. 2007    Chairman, Sony Broadcast Media Co., Ltd.</p> <p>Oct. 2009    Joined Avex Group Holdings Inc.</p> <p>Jun. 2010    Representative Director, CFO, Avex Group Holdings Inc.</p> <p>Jun. 2016    Vice President &amp; CEO of the Company Director, Fujirebio Inc. (incumbent)</p> <p>Oct. 2016    President &amp; CEO of the Company (incumbent) Director, SRL, Inc. (incumbent)</p> <p>Apr. 2017    Director, Fujirebio Holdings, Inc. (incumbent)</p> <p>Reason for nominating the candidate for Director: Mr. Shigekazu Takeuchi has been involved in the management of entertainment companies for many years and has abundant experience and broad insight as a corporate manager, which are valuable to Miraca Holdings (the Company). Considering the above, Mr. Takeuchi is appropriate as director of the Company, and accordingly appointed as a candidate for that position.</p>	300
2	Hiromasa Suzuki (September 21, 1956)  <span style="border: 1px solid black; padding: 2px;">Reelection</span>	<p>Apr. 1981    Joined the Company</p> <p>Mar. 2001    Director, Strategic Planning Department, Corporate Planning Division of the Company</p> <p>Mar. 2001    Director, Fujirebio America, Inc.</p> <p>Feb. 2002    Managing Director of the Company</p> <p>Mar. 2003    President &amp; Chief Executive Officer (CEO) of the Company</p> <p>Jun. 2005    President &amp; CEO of the Company - Miraca Holdings, Inc.</p> <p>Jul. 2005    President &amp; CEO, Fujirebio Inc.</p> <p>Jun. 2006    Director, SRL, Inc.</p> <p>Jun. 2010    Chairman &amp; Representative Director, Fujirebio Inc.</p> <p>Jun. 2014    Chairman &amp; Director, Fujirebio Inc.</p> <p>Oct. 2016    Director, Fujirebio Inc. (incumbent) Director, Executive Officer of the Company (incumbent)</p> <p>Reason for nominating the candidate for Director: Mr. Hiromasa Suzuki joined the Company in 1981, and became President &amp; CEO in 2003. He led efforts to establish Miraca Holdings, Inc. in 2005, and served as President &amp; CEO of the Company. He has abundant knowledge regarding the domestic and international business environment, industry trends and technological developments, and has experience over many years engaging in management of the Company. Considering the above, Mr. Suzuki is appropriate as director of the Company, and accordingly appointed as a candidate for that position.</p>	56,700

Candidate No.	Name (Date of birth)	Brief personal profile, position and duties in the Company and positions in other companies	Number of the Company's shares held
3	Miyuki Ishiguro (October 26, 1964)  <u>Outside</u> <u>Reelection</u>	<p>Apr. 1991 Registered as Attorney at law (Tokyo Bar Association) Joined Tsunematsu Yanase &amp; Sekine</p> <p>Jan. 1999 Partner, Tsunematsu Yanase &amp; Sekine</p> <p>Jan. 2000 Partner, Nagashima Ohno &amp; Tsunematsu (incumbent)</p> <p>Jun. 2006 Director, Sony Communication Network Corporation (currently Sony Network Communications Inc.)</p> <p>Jun. 2013 Director of the Company (incumbent)</p> <p>Feb. 2016 Council Member of Radio Regulatory Council (incumbent)</p> <p>Apr. 2016 Council Member of Management Council, Hitotsubashi University (incumbent)</p> <p>Sep. 2016 Corporate Auditor, Lasertec Corporation (incumbent)</p> <p>Reason for nominating the candidate for Outside Director: Ms. Miyuki Ishiguro is a partner of Nagashima Ohno &amp; 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 appropriate as outside director of the Company, and accordingly appointed as a candidate for that position. She currently serves as outside director of the Company and her consecutive term of office has been four years at the close of this Ordinary General Meeting of Shareholders.</p>	0
4	Ryoji Itoh (January 14, 1952)  <u>Outside</u> <u>Reelection</u>	<p>Jul. 1979 Joined McKinsey &amp; Company</p> <p>Jan. 1984 Partner, McKinsey &amp; Company</p> <p>Apr. 1988 Director, UCC Ueshima Coffee Co., Ltd.</p> <p>Sep. 1990 Representative Director, Schroder Ventures</p> <p>Nov. 1997 Director, Bain &amp; Company</p> <p>Sep. 1999 Guest Professor at Faculty of Policy Management, Keio University</p> <p>May 2000 Project Professor at Graduate School of Media and Governance, Keio University (incumbent)</p> <p>Jan. 2001 Head of Japan Office, Bain &amp; Company</p> <p>Apr. 2006 Managing Director, Planetplan, Inc. (incumbent)</p> <p>Apr. 2010 Visiting Professor, Yokohama City University</p> <p>Jun. 2012 Director, Renown Incorporated</p> <p>Oct. 2012 Professor (part-time), BBT University</p> <p>Jun. 2014 Director, SATO HOLDINGS CORPORATION (incumbent) Director of the Company (incumbent)</p> <p>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 appropriate as outside director of the Company, and accordingly appointed as a candidate for that position. He currently serves as outside director of the Company and his consecutive term of office has been three years at the close of this Ordinary General Meeting of Shareholders.</p>	100

Candidate No.	Name (Date of birth)	Brief personal profile, position and duties in the Company and positions in other companies	Number of the Company's shares held
5	Kozo Takaoka (March 30, 1960)  <u>Outside</u> <u>Reelection</u>	<p>Apr. 1983    Joined Nestlé Japan Group (NJG) Key Account Sales representative in Tokyo branch</p> <p>Jan. 1986    Assistant Brand Manager of Cocoa, Milk &amp; Nutrition (NJG)</p> <p>Jan. 1988    Assistant Brand Manager of NESCAFÉ (Nestlé USA)</p> <p>Apr. 1989    Assistant Brand Manager of Cocoa, Milk &amp; Nutrition (NJG)</p> <p>Mar. 1991    Project Leader of Infant Nutrition business (NJG)</p> <p>Apr. 1994    Business Unit Manager of Cocoa, Milk &amp; Nutrition (NJG)</p> <p>Oct. 1999    Project Director at Nestlé Confectionery K.K.</p> <p>Apr. 2001    Marketing Director at Nestlé Confectionery K.K.</p> <p>Jan. 2005    Representative Director and President, Nestlé Confectionery K.K.</p> <p>Jan. 2010    Representative Director &amp; Executive Vice President, Beverage Business Group, Nestlé Japan Ltd.</p> <p>Nov. 2010    Representative Director, President &amp; CEO, Nestlé Japan Ltd. (incumbent)</p> <p>Jun. 2015    Director of the Company (incumbent)</p> <p>Apr. 2017    Management Advisory Committee Member, Recruit Holdings Co.,Ltd. (incumbent) Operating Executive, The Carlyle Group (incumbent)</p> <p>Reason for nominating the candidate for Outside Director: Mr. Kozo Takaoka has been involved in the management of Nestlé Japan Ltd. for many years, and has considerable experience and broad knowledge of management and marketing. As his advice based on such insight is valuable to the Company, Mr. Takaoka is appropriate as outside director of the Company, and accordingly 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.</p>	0
6	Susumu Yamauchi (October 1, 1949)  <u>Outside</u> <u>New election</u>	<p>Apr. 1977    Assistant Professor, Faculty of Law, Seijo University</p> <p>Apr. 1988    Professor, Faculty of Law, Seijo University</p> <p>Apr. 1990    Professor, Faculty of Law, Hitotsubashi University</p> <p>Apr. 2004    Dean of Graduate School of Law &amp; Dean of Faculty of Law, Hitotsubashi University</p> <p>Apr. 2005    Chairman, Society for the Study of Legal Culture</p> <p>Dec. 2006    Executive Vice President, Hitotsubashi University</p> <p>Dec. 2010    President, Hitotsubashi University</p> <p>May 2012    Member of the Roundtable for Human Resource Development through Industry-University Collaboration</p> <p>Dec. 2014    Emeritus Professor, Hitotsubashi University (incumbent)</p> <p>May 2015    Board member of the Hori Sciences and Arts Foundation (incumbent)</p> <p>Sep. 2015    Visiting Professor, Law School, Renmin University of China (incumbent) Development Advisory Committee Member, Law School, Renmin University of China (incumbent)</p> <p>Apr. 2017    Chairman, Textbook Approval and Research Council (incumbent)</p> <p>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 appropriate as outside director of the Company, and accordingly appointed as a candidate for that position.</p>	0

Candidate No.	Name (Date of birth)	Brief personal profile, position and duties in the Company and positions in other companies	Number of the Company's shares held
7	Futomichi Amano (August 31, 1953)  <u>Outside</u> <u>New election</u>	<p>Nov. 1977    Joined Tohmatsu Awoki &amp; Co. (Currently Deloitte Touche Tohmatsu LLC)</p> <p>Jun. 1989    Promoted to Partner (Audit), Tohmatsu Awoki &amp; Sanwa</p> <p>Nov. 1995    Transferred to Los Angeles office of Deloitte &amp; Touche LLP</p> <p>Sep. 2002    Assumed Partner in charge of corporate planning of Tokyo office, Deloitte Touche Tohmatsu LLC</p> <p>Jun. 2004    Assumed Managing Partner of corporate planning of Tokyo office, Deloitte Touche Tohmatsu LLC</p> <p>Jun. 2007    Assumed Board member, Deloitte Touche Tohmatsu LLC Assumed Managing Partner of Eastern Japan &amp; Tokyo office, Deloitte Touche Tohmatsu LLC</p> <p>Nov. 2010    Assumed CEO of Deloitte Touche Tohmatsu LLC (Japan) Assumed Global executive committee member of Deloitte Touche Tohmatsu Limited (Global)</p> <p>Dec. 2015    Retired Deloitte Touche Tohmatsu LLC</p> <p>Jan. 2016    Started Futomichi Amano CPA office (incumbent)</p> <p>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 appropriate as outside director of the Company, and accordingly appointed as a candidate for that position.</p>	0

Notes:

1. There are no conflicts of interests between the candidates and the Company.
2. Ms. Miyuki Ishiguro, Mr. Ryoji Itoh, Mr. Kozo Takaoka, Mr. Susumu Yamauchi and Mr. Futomichi Amano are all candidates for outside directors and satisfy the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Independence of candidates for outside directors
  - i) None of the candidates for outside directors has ever executed operations at the Company or its specified related business operations.
  - ii) None of the candidates for outside directors has ever received a large amount of money or other assets from the Company or its specified related business operations, nor will they do so in the future.
  - iii) None of the candidates for outside directors is a relative within the third degree of kinship to Directors or Executive Officers of the Company.
  - iv) There is no legal advisor contract/transaction with Nagashima Ohno & Tsunematsu, for which Ms. Miyuki Ishiguro, a candidate for outside director of the Company, works as a partner.
4. Independent directors

The Company has appointed Mr. Ryoji Itoh, Mr. Kozo Takaoka, Mr. Susumu Yamauchi and Mr. Futomichi Amano, candidates for outside directors of the Company, as independent directors stipulated by the Tokyo Stock Exchange and has registered with the Stock Exchange accordingly. Ms. Miyuki Ishiguro, a candidate for outside director of the Company, 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. None of the independent directors are 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 19 of this document. In addition, the Company intends to conclude a limitation of liability agreement of the same contents with Mr. Susumu Yamauchi and Mr. Futomichi Amano, candidates for new outside directors of the Company.

6. Under the resolution of the Board of Directors’ Meeting that is to be held after this General Meeting of Shareholders, members of the Nominating Committee, Audit Committee and Compensation Committee will be selected as follows:

Nominating Committee	Ryoji Itoh	(Chairman, Outside Director)
	Shigekazu Takeuchi	
	Kozo Takaoka	(Outside Director)
Audit Committee	Futomichi Amano	(Chairman, Outside Director)
	Miyuki Ishiguro	(Outside Director)
	Susumu Yamauchi	(Outside Director)
Compensation Committee	Miyuki Ishiguro	(Chairman, Outside Director)
	Shigekazu Takeuchi	
	Ryoji Itoh	(Outside Director)



**(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, 2016 to )  
March 31, 2017 )

**1. Matters regarding current status of corporate group**

(1) Business progress and its results

In the fiscal year ended March 31, 2017, the global economy endured a prolonged slowdown of growth in emerging economies, against moderate business expansion persisting in the U.S.

In Japan, the economy rebounded modestly against a backdrop of firm corporate earnings and capital expenditure, while personal consumption also showed signs of recovery.

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 further growth.

On the basis of these results, net sales for the fiscal year under review were 204,245 million yen (down 3.5% from the previous fiscal year). The decrease in sales was a result of effects of a strong yen coupled with lower revenues in domestic business, and despite having achieved growth in net sales among our major overseas subsidiaries. With respect to profits, operating profit was 28,057 million yen (up 7.7% from the previous fiscal year) and ordinary profit was 26,385 million yen (up 10.9% from the previous fiscal year), largely due to higher profit generated by our overseas subsidiaries along with higher profit associated with changing the product mix in the domestic in vitro diagnostics business.

Also in the fiscal year under review, the Company recorded profit attributable to owners of parent of 333 million yen (in comparison with loss attributable to owners of parent of 5,081 million yen for the previous fiscal year). This was due to factors that included the recording of extraordinary losses respectively based on loss on liquidation of project associated with suspension of a project involving development of software for internal use in the Company’s subsidiary SRL, Inc., and based on goodwill impairment loss pertaining to the Company’s U.S. subsidiary Miraca Life Sciences, Inc. (“MLS”).

An overview of each business segment is as follows.

(millions of yen)

		Year-on-Year Change
Net Sales	204,245	(3.5%)
Operating Profit	28,057	7.7%
Ordinary Profit	26,385	10.9%
Profit Attributable to Owners of Parent	333	—

**[In Vitro Diagnostics]**

Revenues decreased largely due to the effects of a strong yen coupled with lower revenues in the domestic business, and despite U.S. subsidiaries having achieved growth in product sales. Meanwhile, profit increased as a result of changes made to the product mix in the domestic business and also due to a decrease in expenses. As a result, net sales amounted to 42,703 million yen (down 6.7% from the previous fiscal year), and operating profit was 11,519 million yen (up 4.8% from the previous fiscal year).

**[Clinical Laboratory Testing]**

Revenues decreased due to effects of a strong yen coupled with lower revenues in the domestic business, and despite an increase in the number of tests performed in overseas business. Profit increased mainly due to higher earnings generated by overseas business and a decrease in amortization of goodwill. As a result, net sales were 132,935 million yen (down 3.1% from the previous fiscal year), and operating profit was 13,648 million yen (up 14.3% from the previous fiscal year).

**[Healthcare Related]**

In the sterilizing business, net sales were 18,024 million yen (up 3.8% from the previous fiscal year) as a result of our continuous efforts to acquire new customers.

In the clinical trials support business, net sales were 5,148 million yen (up 3.2% from the previous fiscal year), which was a result of our ongoing efforts to win new business.

The business involving sales of infection prevention products was concluded as of March 2016.

As a result, net sales of the healthcare related business were 28,606 million yen (down 0.8% from the previous fiscal year) and operating profit was 3,060 million yen (up 10.0% from the previous fiscal year).

(2) Status of financing, etc.

i) Financing

No item to report.

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

Suspension of a project involving development of software for internal use in the clinical laboratory testing business

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

No item to report.

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

SRL, Inc. previously held 49% of the shares of Asmo Clinical Pharmacology

Laboratories Ltd., but has since made the company a wholly-owned subsidiary upon acquisition of its remaining shares on April 1, 2016.

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

(millions of yen)

	64 <sup>th</sup> term (FY 2013)	65 <sup>th</sup> term (FY 2014)	66 <sup>th</sup> term (FY 2015)	67 <sup>th</sup> term (FY 2016)
Net Sales	203,371	204,667	211,743	204,245
Ordinary Profit	27,118	26,566	23,782	26,385
Profit (loss) Attributable to Owners of Parent	15,322	16,002	(5,081)	333
Basic Earnings (loss) per Share (yen)	261.48	274.82	(89.21)	5.84
Total Assets	242,159	262,203	237,296	213,926
Net Assets	157,348	171,851	155,700	148,087

(4) Issues to be addressed

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, the Group has been placing top priority on considering measures that would help bring about tremendous and sustained growth into the future, and has consequently made the decision to drastically overhaul the growth and geographic strategies of its respective businesses.

In order to implement such strategies, 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 will focus on leveraging our synergies through Group integration, developing foundations for growth, and transforming the organization and operations. At the same time, the Group will combine its efforts with respect to implementing the priority measures of the Medium-term Business Plan in terms of enhancing existing businesses, fortifying R&D, strengthening overseas strategy, and promoting strategy for business alliances.

The outline of the Medium-term Business Plan is as follows:

i) CLT (Clinical Laboratory Testing)

• Aggressive Investment in the In-hospital Testing Business

With respect to in-hospital testing, the Group will work to gain new clients by redoubling efforts involving proposal-based marketing carried out on the basis of standardized administration packages amid mounting demand for achieving efficient operations.

The Group will also establish stronger business dealings with medical institutions through opportunities resulting from handling in-hospital testing, and further enhance Company strengths with respect to the field of outside-hospital esoteric testing.

• Acquisition of New Accounts in the Domestic GP (General Practitioner) Market

In the Tokyo metropolitan area, the Group will acquire new accounts more rapidly in the general practitioner market drawing on efforts that involve upgrading service levels and improving marketing capabilities by sharing market development know-how and tools developed across entities of the Group. In order to shorten turnaround times (TAT), the Group will also move ahead in establishing satellite laboratories while also taking steps to achieve greater efficiency in collecting and transporting samples. In Japan’s Kinki region, the Group will hasten market development making use of Group company Japan Clinical Laboratories, Inc.

In addition, the Group will embark on construction of a comprehensive central laboratory that is geared to efficiently providing high-quality testing services at low cost, oriented to market needs.

- Acquisition of New Accounts in the Domestic Medical Examinations Market  
The Group will increase its share of the medical examinations market by providing solutions tailored to needs of corporate health insurance associations with respect to boosting efficiency of their operations, and also by providing platforms for blood collection geared to ensuring greater convenience.
  - Development of New Testing Services  
The Group will further build its strengths in the field of esoteric testing. To that end, we will forge ahead with development in new fields such as testing that uses next-generation sequencers amid growing needs as well as applied technologies involving mass spectrometry, while also accelerating development of advanced testing services ahead of the competition through collaboration with medical institutions and key opinion leaders (KOL).
- ii) IVD (In Vitro Diagnostics)
- Expansion of Domestic Market Share of Lumipulse Business  
We anticipate growing demand for installations associated with next-generation upgrades of large equipment going forward. As such, the Group will work toward enhancing its marketing strengths and accelerating equipment installations, while also heightening dominance of the LUMIPULSE L2400 by improving instruments and also more swiftly developing and enhancing reagent items.
  - Reinforcing Overseas Expansion of Lumipulse Business  
In geographic regions such as Europe where in-house sales frameworks have already been developed, the Group will work to expand market share while accelerating development of items that are aligned with country-specific medical needs. Moreover, with respect to expansion into India and other emerging markets, the Group will determine orders of priority upon considering the extent of difficulties likely to be faced in obtaining approvals for drugs in the respective countries, and will hasten the speed of its geographic expansion by launching the LUMIPULSE G600II, a strategic product.
  - Building Overseas Sales Channels through Partnerships with Other Companies  
The Group examined the results and challenges of overseas expansion thus far, and will accordingly begin building sales channels through partnerships with other companies in order to accelerate market penetration of Lumipulse products in respective countries.
  - Development of Next-generation Platforms  
The Group will actively invest managerial resources in R&D in order to develop comprehensive next-generation platforms.
- iii) HR (Healthcare Related)
- Sterilizing Business

To achieve sustainable growth, the Group will proceed with automating and standardizing operations, while also focusing its efforts on developing personnel and rebuilding the business structure.

- Clinical Trial Support Business

The Group will take steps that include transitioning its business structure from depending on clinical trial testing for new drugs to positioning its clinical research support business as a driver of net sales growth going forward, and bringing about growth by capturing business in new markets.

iv) Fortifying R&D

In the field of basic research, the Group will establish a new Miraca Central Laboratory, thereby integrating activities that have been dispersed throughout the Group thus far. The Group will develop products and services that act as future drivers of growth by linking such efforts to “seeds” created through open innovation which will entail strengthening the basic research framework in-house and enhancing collaboration among Group companies and external organizations.

Moreover, in the IVD business the Group will speed up initiatives geared to developing and improving new test items for Lumipulse products, filing drug approval applications necessary for overseas expansion, and developing next-generation platforms.

v) 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, 2017)

Position in the Company	Name	Duties in the Company	Significant Concurrent Positions
Director	Shigekazu Takeuchi	-	Director, Fujirebio Inc. Director, SRL, Inc.
Director	Hiromasa Suzuki	-	Director, Fujirebio Inc.
Director	Hisatsugu Nonaka	-	
Director	Naoki Iguchi	-	
Director	Miyuki Ishiguro	-	
Director	Ryoji Itoh	-	
Director	Kozo Takaoka	-	

Notes: 1. Mr. Hisatsugu Nonaka, Mr. Naoki Iguchi, Ms. Miyuki Ishiguro, Mr. Ryoji Itoh and Mr. Kozo Takaoka are outside directors prescribed in Article 2, Item 15 of the Companies Act.

2. The Company has designated Mr. Hisatsugu Nonaka, Mr. Naoki Iguchi, Mr. Ryoji Itoh and Mr. Kozo Takaoka as independent directors as stipulated by the Tokyo Stock Exchange and has notified the Exchange accordingly.

3. The Company has the following committees:

Nominating Committee	Chairman	Ryoji Itoh
	Members	Shigekazu Takeuchi Hisatsugu Nonaka
Audit Committee	Chairman	Hisatsugu Nonaka
	Members	Naoki Iguchi Miyuki Ishiguro
Compensation Committee	Chairman	Naoki Iguchi
	Members	Shigekazu Takeuchi Miyuki Ishiguro Ryoji Itoh Kozo Takaoka

4. 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.

5. Director Takeshi Koyama passed away on April 19, 2016, and thus retired from his office as Director.

6. At the conclusion of the 66th Ordinary General Meeting of Shareholders held on June 24, 2016, Directors Shinji Ogawa, Nobumichi Hattori and Yasunori Kaneko retired due to expiration of term of office.

## (2) Executive Officers (As of March 31, 2017)

Position in the Company	Name	Duties in the Company	Significant Concurrent Positions
Representative Executive Officer	Shigekazu Takeuchi	President and Group CEO	Refer to “(1) Directors” hereinabove
Executive Officer	Hiromasa Suzuki	-	Refer to “(1) Directors” hereinabove
Executive Officer	Hiromitsu Tazawa	External Relations	Director, SRL, Inc.
Executive Officer	Hiroaki Kimura	Investors and Public Relations, General Affairs, and Information Technology	
Executive Officer	Naoki Kitamura	CFO, Legal Affairs, and Overseas CLT	CEO, Miraca Life Sciences, Inc.
Executive Officer	Shigeto Ohtsuki	Human Resources and CSR	Director, SRL, Inc.
Executive Officer	Takaaki Hata	Corporate Strategy and Internal Audit	Director, SRL, Inc.

- Notes:
1. Executive Officer Takeshi Koyama passed away on April 19, 2016, and thus retired from his office as Executive Officer.
  2. At the conclusion of the 66th Ordinary General Meeting of Shareholders held on June 24, 2016, Representative Executive Officer Shinji Ogawa retired due to expiration of term of office.

## (3) Total amounts of compensation for directors and executive officers respectively for the fiscal year

Classification	Number (persons)	Amount of Compensation (millions of yen)	Remarks
Director	7	73	-
Executive Officer	9	252	-
Total	16	325	-

- Notes:
1. The data regarding directors in the above table do not include data of directors serving concurrently as executive officers since the Company does not pay directors' compensation to such directors.
  2. The compensation shown in the above table includes 59 million yen as performance-based compensation for executive officers.
  3. The sum of compensation for three (3) representative executive officers for the fiscal year included in the compensation stated in the above table is 93 million yen.
  4. Six (6) executive officers including representative executive officers, who serve concurrently as officers of business corporations, have received 34 million yen as officers' compensation of such business corporations in addition to the compensation stated in the above table.
  5. The compensation shown in the above table includes 22 million yen (22 million yen for seven (7) executive officers) in stock option compensation over the 10th, 11th, 12th and 13th installments thereof.



(4) Matters regarding determination of amounts of compensation or calculation method thereof

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.

(5) Main activities of outside directors

i) Attendance 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	Hisatsugu Nonaka	14/14	9/9	18/18	-
Director	Naoki Iguchi	14/14	-	18/18	6/6
Director	Miyuki Ishiguro	14/14	-	18/18	6/6
Director	Ryoji Itoh	14/14	9/9	-	6/6
Director	Kozo Takaoka	11/14	-	-	6/6

ii) Main activities during the fiscal year

Classification	Name	Main Activities
Director	Hisatsugu Nonaka	He has performed duties as chairman of the Audit Committee and, at meetings of the Board of Directors, made necessary remarks in connection with proposals and deliberations based on his abundant experience and broad insight as a corporate manager. Also, at meetings of the Audit Committee, he has made necessary remarks as appropriate.
Director	Naoki Iguchi	He has performed duties as chairman of the Compensation Committee and, at meetings of the Board of Directors, he has made necessary remarks in connection with proposals and deliberations from his broad insight, which was developed through his service in public administration in the insurance, pension and medical fields. Also, at meetings of the Audit Committee, he has made necessary remarks as appropriate.
Director	Miyuki Ishiguro	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.
Director	Kozo Takaoka	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 management and marketing.

(6) 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.

(7) Total amount of compensation for outside directors for the fiscal year

Classification	Number (persons)	Amount of Compensation (millions of yen)
Outside Director	7	73

### 3. Matters regarding Accounting Auditor

(1) Name of Accounting Auditor

PricewaterhouseCoopers Arata

Note: PricewaterhouseCoopers Arata was converted to a limited liability audit corporation on July 1, 2016, and was accordingly renamed PricewaterhouseCoopers Arata LLC.

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

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

106 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)

106 million yen

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

40 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) 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 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.

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

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.

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) Basic management policy

The Company’s basic policy for corporate management consists of the following corporate philosophy and management policy.

<Corporate philosophy>

Miraca Group contributes to create a healthy and prosperous society and promotes global healthcare through the provision of novel, value-added products and services.

<Management policy>

- a) We place top priority on meeting our customers’ needs and providing them with highly reliable products, information and services.
- b) We strive to protect the environment and maintain good relationships with local communities.

- c) We encourage our employees to develop their individual talents and expertise by providing a challenging and rewarding workplace environment that ensures equal employment opportunities and fair performance evaluations.
  - d) We endeavor to live up to the trust of shareholders through soundness and integrity of management.
- 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, the Disclosure Committee and Risk Management Committee, holds a regular liaison conference with the Internal Audit Department and the Board of Corporate Auditors 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 (fourteen (14) 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 through the responsible executive officer.
  - 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, in May 2017 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, 2017)

(Unit: Millions of yen)

Item	Amount	Item	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>92,763</b>	<b>Current liabilities</b>	<b>37,179</b>
Cash and deposits	26,558	Notes and accounts payable - trade	9,273
Notes and accounts receivable - trade	36,565	Electronically recorded obligations - operating	1,086
Lease investment assets	486	Current portion of long-term loans payable	1,999
Securities	9,000	Lease obligations	641
Merchandise and finished goods	4,764	Accounts payable - other	7,410
Work in process	4,875	Income taxes payable	2,821
Raw materials and supplies	4,638	Deferred tax liabilities	40
Deferred tax assets	2,268	Provision for bonuses	5,128
Other	5,383	Other	8,775
Allowance for doubtful accounts	(1,776)		
<b>Non-current assets</b>	<b>121,163</b>	<b>Non-current liabilities</b>	<b>28,659</b>
<b>Property, plant and equipment</b>	<b>38,055</b>	Long-term loans payable	4,299
Buildings and structures	15,785	Lease obligations	3,311
Machinery, equipment and vehicles	2,663	Deferred tax liabilities	7,962
Tools, furniture and fixtures	4,383	Net defined benefit liability	2,555
Land	9,065	Asset retirement obligations	615
Leased assets	3,527	Other	9,914
Construction in progress	2,630		
		<b>Total liabilities</b>	<b>65,839</b>
		<b>NET ASSETS</b>	
<b>Intangible assets</b>	<b>56,716</b>	<b>Shareholders' equity</b>	<b>120,761</b>
Goodwill	25,347	Capital stock	8,962
Customer-related intangible assets	25,203	Capital surplus	24,684
Software	1,693	Retained earnings	88,341
Leased assets	116	Treasury shares	(1,226)
Other	4,354	<b>Accumulated other comprehensive income</b>	<b>27,077</b>
<b>Investments and other assets</b>	<b>26,391</b>	Valuation difference on available-for-sale securities	278
Investment securities	13,118	Foreign currency translation adjustment	27,138
Deferred tax assets	6,500	Remeasurements of defined benefit plans	(339)
Other	6,787	<b>Subscription rights to shares</b>	<b>248</b>
Allowance for doubtful accounts	(15)	<b>Total net assets</b>	<b>148,087</b>
<b>Total assets</b>	<b>213,926</b>	<b>Total liabilities and net assets</b>	<b>213,926</b>

**CONSOLIDATED STATEMENT OF INCOME**

( From: April 1, 2016  
To: March 31, 2017 )

(Unit: Millions of yen)

<b>Net sales</b>		<b>204,245</b>
<b>Cost of sales</b>		<b>124,561</b>
<b>Gross profit</b>		<b>79,683</b>
<b>Selling, general and administrative expenses</b>		<b>51,625</b>
<b>Operating profit</b>		<b>28,057</b>
<b>Non-operating income</b>		
Interest income	45	
Dividend income	27	
Dividend income of insurance	144	
Rent income	44	
Fiduciary obligation fee	131	
Other	203	<b>596</b>
<b>Non-operating expenses</b>		
Interest expenses	484	
Rent expenses	46	
Share of loss of entities accounted for using equity method	1,346	
Other	390	<b>2,267</b>
<b>Ordinary profit</b>		<b>26,385</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	36	
Gain on sales of investment securities	127	
Gain on reversal of subscription rights to shares	10	
Compensation income	114	
Other	7	<b>296</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	1,311	
Impairment loss	3,332	
Loss on liquidation of project	14,587	
Other	3,013	<b>22,244</b>
<b>Profit before income taxes</b>		<b>4,438</b>
Income taxes - current	6,236	
Income taxes - deferred	(2,131)	4,105
<b>Profit</b>		<b>333</b>
<b>Profit attributable to owners of parent</b>		<b>333</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

( From: April 1, 2016  
To: March 31, 2017 )

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at beginning of current period</b>	<b>8,877</b>	<b>24,599</b>	<b>94,392</b>	<b>(1,221)</b>	<b>126,646</b>
<b>Changes of items during period</b>					
Issuance of new shares - exercise of subscription rights to shares	85	85			171
Dividends of surplus			(6,384)		(6,384)
Profit attributable to owners of parent			333		333
Purchase of treasury shares				(4)	(4)
Net changes of items other than shareholders' equity					
<b>Total changes of items during period</b>	<b>85</b>	<b>85</b>	<b>(6,051)</b>	<b>(4)</b>	<b>(5,884)</b>
<b>Balance at end of current period</b>	<b>8,962</b>	<b>24,684</b>	<b>88,341</b>	<b>(1,226)</b>	<b>120,761</b>

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at beginning of current period</b>	<b>397</b>	<b>28,921</b>	<b>(490)</b>	<b>28,828</b>	<b>225</b>	<b>155,700</b>
<b>Changes of items during period</b>						
Issuance of new shares - exercise of subscription rights to shares						171
Dividends of surplus						(6,384)
Profit attributable to owners of parent						333
Purchase of treasury shares						(4)
Net changes of items other than shareholders' equity	(119)	(1,782)	150	(1,751)	22	(1,728)
<b>Total changes of items during period</b>	<b>(119)</b>	<b>(1,782)</b>	<b>150</b>	<b>(1,751)</b>	<b>22</b>	<b>(7,613)</b>
<b>Balance at end of current period</b>	<b>278</b>	<b>27,138</b>	<b>(339)</b>	<b>27,077</b>	<b>248</b>	<b>148,087</b>

**NON-CONSOLIDATED BALANCE SHEET**

(As of March 31, 2017)

(Unit: Millions of yen)

Item	Amount	Item	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>34,177</b>	<b>Current liabilities</b>	<b>41,530</b>
Cash and deposits	19,813	Current portion of long-term loans payable	1,999
Accounts receivable - trade	426	Accounts payable - other	251
Securities	9,000	Accrued expenses	94
Prepaid expenses	65	Income taxes payable	1,487
Deferred tax assets	28	Deposits received	37,454
Short-term loans receivable from subsidiaries and associates	1,626	Unearned revenue	112
Accounts receivable - other	3,137	Provision for bonuses	40
Other	79	Other	88
<b>Non-current assets</b>	<b>106,736</b>	<b>Non-current liabilities</b>	<b>4,469</b>
<b>Property, plant and equipment</b>	<b>230</b>	Long-term loans payable	4,299
Buildings	193	Long-term unearned revenue	73
Tools, furniture and fixtures	36	Deferred tax liabilities	93
		Other	2
		<b>Total liabilities</b>	<b>45,999</b>
		<b>NET ASSETS</b>	
<b>Intangible assets</b>	<b>310</b>	<b>Shareholders' equity</b>	<b>94,385</b>
Software	134	<b>Capital stock</b>	<b>8,962</b>
Other	175	<b>Capital surplus</b>	<b>24,684</b>
		Legal capital surplus	24,684
<b>Investments and other assets</b>	<b>106,195</b>	Other capital surplus	0
Investment securities	678	<b>Retained earnings</b>	<b>61,965</b>
Shares of subsidiaries and associates	104,654	Legal retained earnings	928
Investments in capital	230	Other retained earnings	61,037
Other	631	General reserve	13,250
		Retained earnings brought forward	47,787
		<b>Treasury shares</b>	<b>(1,227)</b>
		<b>Valuation and translation adjustments</b>	<b>279</b>
		Valuation difference on available-for-sale securities	279
		<b>Subscription rights to shares</b>	<b>248</b>
		<b>Total net assets</b>	<b>94,913</b>
<b>Total assets</b>	<b>140,913</b>	<b>Total liabilities and net assets</b>	<b>140,913</b>



**NON-CONSOLIDATED STATEMENT OF INCOME**

〔 From: April 1, 2016  
To: March 31, 2017 〕

(Unit: Millions of yen)

<b>Operating revenue</b>		
Dividend income	7,707	
Consulting fee income	1,588	
Service revenue	543	<b>9,840</b>
<b>Operating expenses</b>		<b>2,299</b>
<b>Operating profit</b>		<b>7,540</b>
<b>Non-operating income</b>		
Interest income	106	
Rent income	337	
Other	93	<b>536</b>
<b>Non-operating expenses</b>		
Interest expenses	53	
Interest on bonds	48	
Rent expenses	301	
Foreign exchange losses	323	
Other	61	<b>788</b>
<b>Ordinary profit</b>		<b>7,288</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	5	
Gain on reversal of subscription rights to shares	10	<b>16</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	0	<b>0</b>
<b>Profit before income taxes</b>		<b>7,303</b>
Income taxes—current	(52)	
Income taxes—deferred	15	<b>(36)</b>
<b>Profit</b>		<b>7,340</b>

**NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

〔 From: April 1, 2016  
To: March 31, 2017 〕

(Unit: Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						General reserve	Retained earnings brought forward			
<b>Balance at beginning of current period</b>	8,877	24,599	0	24,599	928	13,250	46,831	61,009	(1,222)	93,262
<b>Changes of items during period</b>										
Issuance of new shares - exercise of subscription rights to shares	85	85		85						171
Dividends of surplus							(6,384)	(6,384)		(6,384)
Profit							7,340	7,340		7,340
Purchase of treasury shares									(4)	(4)
Net changes of items other than shareholders' equity										
<b>Total changes of items during period</b>	85	85	-	85	-	-	956	956	(4)	1,122
<b>Balance at end of current period</b>	8,962	24,684	0	24,684	928	13,250	47,787	61,965	(1,227)	94,385

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments		
<b>Balance at beginning of current period</b>	(0)	(0)	225	93,488
<b>Changes of items during period</b>				
Issuance of new shares - exercise of subscription rights to shares				171
Dividends of surplus				(6,384)
Profit				7,340
Purchase of treasury shares				(4)
Net changes of items other than shareholders' equity	280	280	22	302
<b>Total changes of items during period</b>	280	280	22	1,425
<b>Balance at end of current period</b>	279	279	248	94,913

## Supplemental Information

The Company described certain risk factors relating to the Group and its business etc. as below in the Annual Securities Report (Yuukasyouken-Houkokusyo) for the fiscal year ended March 31, 2016, in which matters regarding the future were assessed based on the situation as of March 31, 2016.

The Company stated in its Quarterly Securities Report (Shihanki-Houkokusyo) for the quarter ended December 31, 2016 that there were no new risk factors recognized or any material changes in the risk factors described in the above-mentioned Annual Securities Report during the nine months ended December 31, 2016.

This information is not included in the notice of 67<sup>th</sup> Ordinary General Meeting of Shareholders.

### Risk Factors Relating to the Group and its Business etc.

(1) Risk associated with research and development

The Group focuses on efficient and speedy research and development of new products as well as new technologies. However, in some cases, we are forced to terminate research and development because it fails to meet the standards on efficacy and safety required for drug approval along the way. As a result, the Group may not be able to recover the costs incurred, or forced to re-examine the research and development policy.

(2) Risk associated with intellectual property rights

The Group's products are protected by multiple patents on their materials and manufacturing processes for a specified period of time. The Group strictly manages the intellectual property rights including patent rights and always pays close attention to a possible infringement of these rights by others. But when the intellectual property rights the Group owns are infringed by a third party, the expected revenue may be lost. Also, if the Group's product infringes other company's intellectual property right, the Group may be asked for compensation.

(3) Impact of changes in market environment

Amid the continuous drastic reform of the healthcare system in Japan, the Group's business environment is getting tougher combined with the market competition with other companies. Such changes in the market environment may negatively affect the market price and have an influence on the Group's operating results and financial condition.

(4) Risk associated with legal regulations and others

The Group is subject to the Pharmaceutical and Medical Device Law and the related laws and regulations in Japan and to legal regulations imposed by FDA and others overseas.

When such laws and regulations are revised or strengthened in the future, it may lead to a restriction on the Group's business activities or an increase in business operation costs.

(5) Risk associated with overseas business and exchange fluctuations

The Group has business operations not only in Japan but also overseas such as North America and Europe. Accordingly, the share of overseas sales in the Company's

consolidated net sales as well as the share of overseas assets in the consolidated total assets is increasing, leading to increased exposure to exchange rate fluctuations.

The Company takes certain measures such as forward exchange contracts to mitigate the risk of exchange fluctuations, but these measures do not avoid the entire risk. So the Company's operating results, assets and liabilities, and net assets may be negatively affected by exchange fluctuations.

In addition, when a recession, changes in the political situation, changes in laws or regulations, changes in the tax system, terrorism or conflicts, spread of infectious diseases or a disaster arise in the countries where the Company has business operations, the Company's operating results may be negatively affected.

(6) Risk associated with corporate acquisition (M&As), etc.

As one of the strategies for growth, the Group considers and implements M&As in the areas relevant to the existing businesses, at home and abroad, and aims to improve the corporate value through it.

In implementing M&As, the Group conducts sufficient research and review in advance on the profitability and investment collectability, but the business acquired may fail to achieve the initial target due to sudden changes in the business environment or unexpected circumstances after the M&A. In such cases, the Group's operating results and financial condition may be negatively affected.

(7) Risk associated with accuracy management

Accuracy management is the most important matter for the Group to maintain the accuracy of testing results. The Group's major business companies in clinical laboratory testing business regularly participate in surveys conducted by public institutions such as the Japan Medical Association and conduct thorough accuracy management. In addition, the Group focuses on establishing an internal accuracy management system by obtaining the service mark certification issued by the Association for Promotion of Health Care Service and ISO15189 certification.

However, testing accuracy may be lower when appropriate testing could not be conducted due to unforeseen circumstances, and this may lead to a loss of the Company's credibility. Consequently, this may negatively affect the Group's operating results.

(8) Risk associated with handling information and information systems

The Group holds an enormous volume of confidential information on patients and their testing data, and it is one of the important management issues to ensure its security and establish a compliance structure with the Personal Information Protection Act. As part of this effort, SRL, Inc. obtained the PrivacyMark certification in February 2005. SRL also obtained ISMS and ISO/IEC 27001 certification as security measures for information systems.

However, if personal information is leaked due to criminal acts, cyber-attack, computer virus, information system malfunction, human error or any other negative development, the Group's credibility may fall, and this may affect the operating results of the Group.

Moreover, the Group utilizes information systems for conducting business. Although the Group strives to ensure stable operations of such information systems, if a

scenario occurs such as large-scale service suspension, invoicing error, delay in testing report, or loss of data as a consequence of software or hardware malfunction, human error, disaster, criminal acts, cyber-attack, computer virus, terrorism or any other such negative development, the Group may lose credibility with respect to its products or services, and this may affect the operating results of the Group.

(9) Risk associated with application of accounting of impairment assets

The Group owns non-current assets consisting of property, plant and equipment and intangible assets including goodwill.

If the values of these assets fall or if the expected future cash flow cannot be attained, the Group is required to book impairment loss, and this may negatively affect the operating results and financial condition of the Group.

(10) Effects of suspension or restriction of business activities due to disaster, accident, etc.

If the Group's operations are obstructed because its various places of business or medical institutions, which are the Group's customers, are struck by a natural disaster such as a large-scale typhoon or earthquake, this may negatively affect the Group's operating results. Furthermore, if there is an incident such as an industrial accident or accident with equipment, causing a restriction or suspension of business activities or similar event, this may also negatively affect the Group's operating results.