

# Corporate Governance



## Basic Approach to Corporate Governance

We in the Miraca Group bring about greater managerial efficiency based on our stated Mission to “Create new value in Healthcare and contribute to the prosperity of people,” along with our Vision and Values. We fully recognize the vital importance of cooperation encompassing

a wide range of stakeholders both inside and outside the Group. Accordingly, we are committed to the establishment of a corporate governance structure that encourages greater managerial transparency and accelerates proper decision-making.

## Corporate Governance Structure

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

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

Following the adoption of a “company with committees” Japanese corporate governance system on June 27, 2005, the Company transitioned to a pure holding company structure that performs centralized oversight of the Group as of July 1, 2005. We adopted this management configuration with the aim of achieving clear separation of oversight and executive functions, while establishing an implementation structure capable of making decisions with greater speed and enhancing oversight of Group companies. In accordance with laws and ordinances, we have established three committees: the Nominating, Audit and Compensation committees.

At the Board of Directors meetings, board members receive reports from each committee and from the executive officers providing information on current corporate operations and target management achievements. The Board of Directors is thus able to provide timely comprehension and oversight of corporate management information. Among the seven

members of the Board of Directors, five are outside directors, each of whom is recognized as a leader in his or her respective field.

### The Board of Directors and appointment of directors

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

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

The Company appoints as candidate for outside director those who have been nominated by the

Nominating Committee upon having determined that they have the aforementioned experience, while also showing that they are capable of maintaining independence from management and possess character and insights befitting an outside director.

The Company appoints as candidate for internal director those who have been nominated by the Nominating Committee on the basis of the criteria listed below:

- Possess expertise related to the Company’s business operations;
- Exhibit outstanding capabilities for making business decisions and management execution;
- Exhibit outstanding capabilities in terms of leadership, decisiveness, foresight and planning; and
- Possess character and insights befitting a director.

As a basic rule, a majority of the Company’s directors are to be outside directors with high independency. The Company deems that no more than ten directors should serve on the Board of Directors in order to ensure lively and substantive discussion.

### Governance structure

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

The Audit Committee consists of three committee members and one secretariat. Each committee 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 the Accounting Auditor

by requesting auditors to explain and report the initial audit plan, status of audits during the term and results of the year-end audit.

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

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

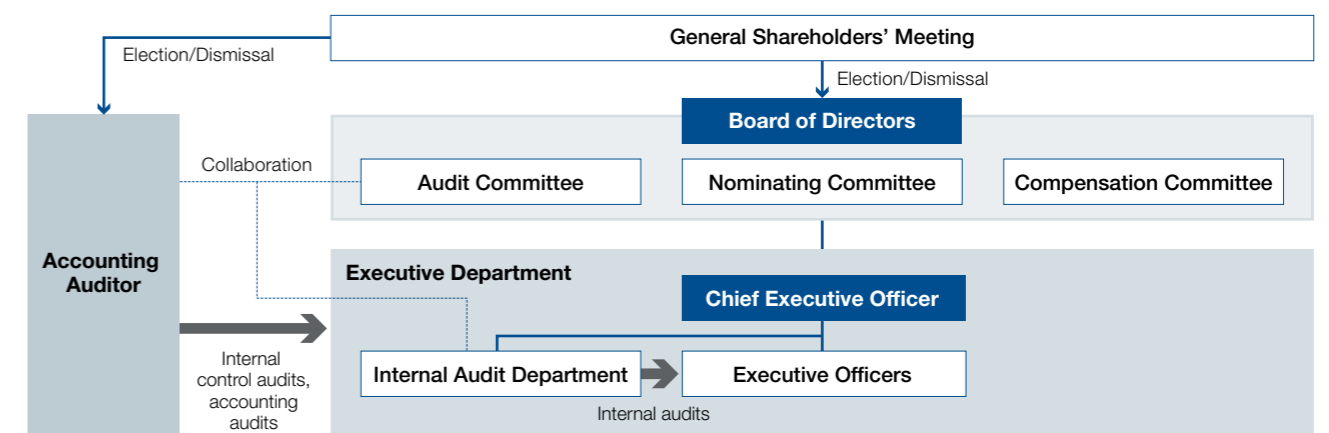
We ensure subsidiaries execute business operations appropriately by administering and managing subsidiaries pursuant to the management rules of the subsidiaries and affiliates and agreement on responsibilities and authorities of the officers of the subsidiaries.

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

- The structure covers the Company and its principle operating subsidiaries;
- The objective is the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations related to business activities;
- Promote risk management for the entire corporate Group based on the Risk Management Rules;
- Prepare a flowchart for principal operational processes including subsidiaries to standardize operations and carry out appropriate responses to risks;
- Internal Audit Department will conduct audits for the internal control system.

The Internal Audit Departments of the Group companies report and exchange opinions on a regular basis and hold an audit liaison conference regularly in order to enhance cooperation between the Audit Committee and auditors of the Group companies.

### Corporate Governance Structure



**Matters regarding management of risk of loss**

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.

**Matters regarding compliance**

The Internal Audit Department 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 the 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.

**Evaluating the Effectiveness of the Board of Directors**

The Board of Directors considers it important to adopt a third-party perspective in its processes for evaluating its own effectiveness, and this evaluation process is carried out once a year in order to verify said effectiveness. As such, in fiscal 2018, it brought on board an independent, third-party organization to serve as an advisor in performing evaluations related to a number of different matters. Said matters include the composition of the Board of Directors; its effectiveness (including monitoring how it carries out work); the effectiveness of the Nominating, Compensation, and Audit committees; the management of the Board of Directors, structures related to support and coordination by outside directors; and relations with shareholders and other stakeholders.

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

The evaluation results were discussed in May 2019 by every member of the Board of Directors, and efforts were made to deepen understanding regarding the Board's strengths and to share information regarding its effectiveness, the roles it should play, and coordination with how it carries out its work. Moving forward, we plan to continue making improvements based on discussions at the Board of Directors meeting in an effort to further improve its functionality.

**Status in fiscal 2018****Addressing the Corporate Governance Code**

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

In April 2019, we introduced a lump-sum retirement benefit program and defined contribution pension plan, while moving our previous defined benefit plan to a closed corporate pension fund. As the administrator of the corporate pension plan, we ensure the plan is operated using an appropriate structure and we have

established venues for periodic reporting of asset management results. However, decisions on the selection of investment targets and the exercising of voting rights is entrusted to an investment institution, and given our awareness that engagement is an issue in terms of stewardship, we provide an explanation regarding our non-compliance with this principle.

Miraca Holdings complies with all other principles of Japan's Corporate Governance Code.

**Reason for the selection of outside directors**

We have five outside directors at our company.

Shigehiro Aoyama has been involved in the management of Suntory Holdings Limited over a long period of time, and offers invaluable advice to our company based on his wealth of experience and widespread knowledge on corporate management cultivated through this. As such, we determined that he is qualified to serve as an outside director.

Futomichi Amano has been involved in auditing as a certified public accountant and the management of Deloitte Touche Tohmatsu LLC for a long period of time. He is an expert with a wealth of knowledge on accounting cultivated from this that he offers for the management of our company. As such, we determined that he is qualified to serve as an outside director.

Miyuki Ishiguro is a partner at the law offices of Nagashima, Ohno & Tsunematsu. She is an expert that can offer her opinions to our management team from her perspective as a lawyer who is well-versed in corporate legal affairs. As such, we determined that she is qualified to serve as an outside director.

Ryoji Itoh is a professor who teaches governance and media studies at a graduate school. He is also an expert who offers his knowledge cultivated through his wealth of experience as a business consultant and

corporate manager for the management of our company. As such, we determined that he is qualified to serve as an outside director.

Susumu Yamauchi is a professor who has taught Western legal history at a university. He is also an expert who offers his wealth of experience and extensive knowledge as the President of Hitotsubashi University for the management of our company. As such, we determined that he is qualified to serve as an outside director.

**Determining the independence of outside directors**

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

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

**Compensation for Directors and Executive Officers, etc.****Policy and determination methods on amounts of compensation for directors and executive officers or calculation method thereof**

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

**(1) 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.

**(2) 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 limits 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.

**(3) 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 is generally as follows.

Title	Fixed compensation		Short-term performance-based compensation	Medium- to long-term performance-based compensation
	Monetary	Shares	Monetary	Shares
	Basic compensation	Restricted stock compensation	Performance-based compensation	Trust-type share-based compensation
President and CEO	0.44	0.11	0.22	0.23
Executive officer	0.56-0.66	0.07-0.09	0.20-0.23	0.07-0.13
Director (excluding directors serving concurrently as executive officer)	1.00	0.00	0.00	0.00

**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 his or her duties, etc. In addition to the prescribed fixed compensation, compensation is paid to directors in accordance with the details of their supervisory activities.

**3) Restricted stock compensation**

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

**(1) Overview of restricted stock compensation scheme**

- The Company grants monetary compensation claims to its executive officers, and the executive officers use these monetary compensation claims in their entirety to make an investment in kind in the Company, and are in turn issued with common shares of the Company (restricted stock).
- The amount of monetary compensation claims granted to each executive officer is determined by the Company's Compensation Committee. In addition, the details of issuance of restricted stock, etc., are determined by the Company's Board of Directors.
- The amount paid in per share of restricted stock is based on the closing price for the common shares of the Company on the Tokyo Stock Exchange on the business day before the day of the Board of Directors' resolution in relation to the details of the issuance of restricted stock, etc. (in the event that no transactions were made on that day, the closing price on the most recent transaction day), and is determined by the Board of Directors of the Company within a range that does not offer a particularly advantageous amount to the executive officers receiving the stock.

**(2) Main features of the restricted stock allotment agreement**

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

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

**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			Individual evaluation <sup>2</sup>
	Single-year performance <sup>1</sup>			
	Consolidated group performance	Domestic CLT segment performance	IVD segment performance	
President and CEO	100%	—	—	—
Executive officers (excluding executive officers in charge of CLT and IVD)	80%	—	—	20%
Executive officer in charge of CLT	40%	60%	—	—
Executive officer in charge of IVD	40%	—	60%	—

<sup>1</sup> With regard to "single-year performance" among performance evaluation items, because net sales growth is a priority issue under the current Medium-term 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" has 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.

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

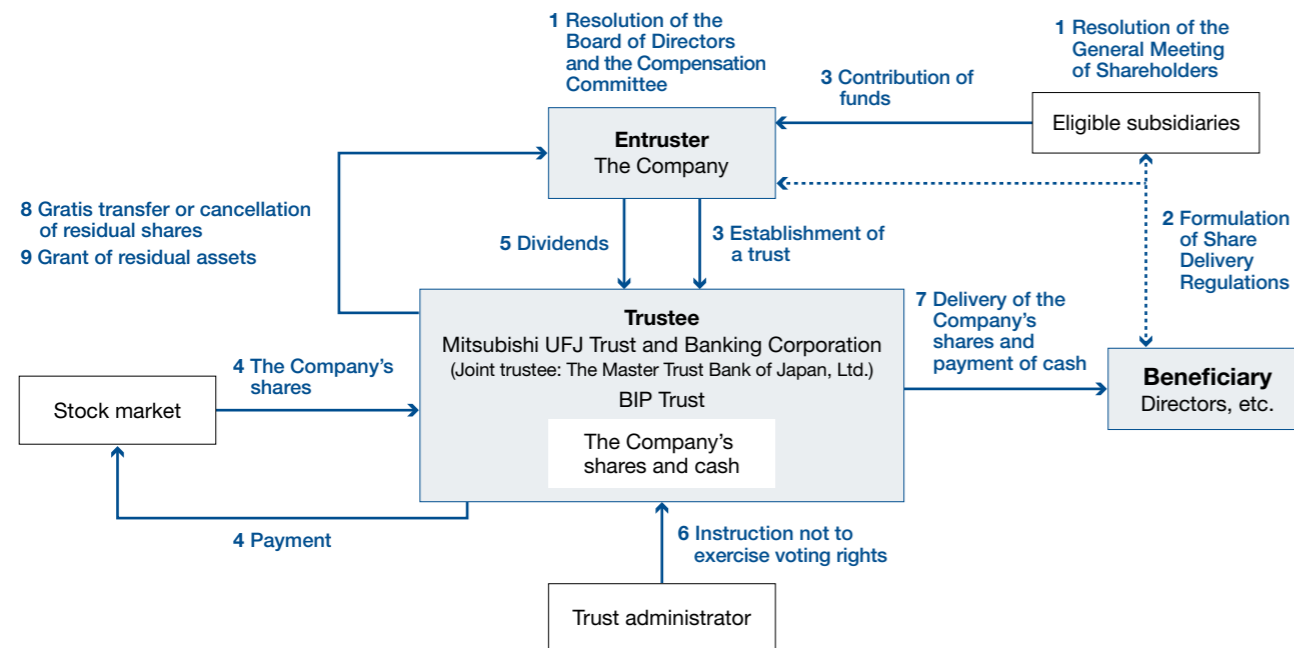
Performance evaluation items	Performance evaluation indicator	Weight	Targets	Range of variation in payment
Consolidated group performance	Consolidated net sales	70%	Year-on-year growth rate	0%–200%
	Consolidated profit	30%	Absolute amount stipulated in advance	0% to no upper limit
Domestic CLT segment performance	Domestic CLT net sales	70%	Year-on-year growth rate	0%–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%–200%
	IVD operating profit	30%	Absolute amount stipulated in advance	0% to no upper limit

Note: 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.

### 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 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.



- 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.
- 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.
- 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.
- 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.
- 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.

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

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

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

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

In principle, on June 1 for each year during the trust period, a certain number of points shall be granted to the executive officers of the Company in relation to the fiscal year that ended on March 31 of that year. The number of points shall be determined based on the individual's title and the degree of progress towards consolidated net sales and consolidated operating profit targets for each fiscal year of the Medium-term Plan. Around the month of July after the ending of the target period (for the first time, this will be around July 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).

### (3) 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<sup>1</sup> × Performance-linked coefficient

Performance-linked coefficient = Granted percentage for consolidated net sales<sup>2</sup> × 0.7 + Granted percentage for consolidated operating profit<sup>2</sup> × 0.3

Note: The objectives of the Company's current Medium-term 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 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.

<sup>1</sup> "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.

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

### (4) 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	
1	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")
2	Cases where, during the target period, the eligible officer resigns from the position for reasons such as the expiry of his or her term, retirement, or some other justifiable reason
3	Cases where the individual dies during the target period
4	Cases where the individual becomes a non-resident of Japan during the target period
5	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	
1	Cases where there have been material violations of the individual's responsibilities as an executive officer, or material violations of internal rules
2	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)
3	Cases where the individual is dismissed due to behavior corresponding to a reason for the dismissal of an executive officer
4	Cases where the individual takes up work at a competitor without the approval of the Company

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

Because the Company is a "Company with 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.

achieve technological development before us. Furthermore, there may be instances where we must give up on research and development due to reasons such as not fulfilling the required standards for drug approval in terms of efficacy and safety during the research and development process. This could result in the inability to recover the costs associated with this research and development or could force changes in our research and development policy.

#### 2) Intellectual property risks

The Group's products are protected for a certain period by multiple patents for substances and manufacturing method. The Group appropriately manages its intellectual property rights including patent rights, and constantly keeps watch for infringements by others. The Group's intellectual property management functions are consolidated at the Company to reinforce our management structure, including enhancing specialization.

However, if our intellectual property rights are infringed upon by a third party, the expected profits may be lost. In addition, if one of the Group's products infringes upon the intellectual property rights of another party, we could be required to pay damages.

#### 3) Impacts caused by changes in market environment

As Japan's medical system continues to undergo major reforms, the Group's business climate is becoming increasingly severe due to competition from other companies in the market and other factors. The Group continues to gather information on markets and competitors as well as conduct analysis and evaluation. This information is utilized for measures to reinforce the competitiveness of existing businesses and for the expansion of new businesses. Changes in business climate as well as stricter policies in each country for curtailing medical spending, and stricter regulations related to development, manufacturing and distribution, influence market prices and this trend is expected to continue going forward. As a result, the Group's business performance and financial condition could be adversely affected.

#### 4) Statutory regulation risks

The Group's business activities abide by the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices and other relevant laws in Japan and the statutory regulations of the FDA and others outside of Japan. The Group strives to constantly and actively gather information on revisions to these laws and regulations and examines timely countermeasures. Future revisions to laws or stricter regulations could restrict the Group's business activities or increase costs related to business administration.

#### 5) Risks related to overseas business expansion and foreign exchange rate volatility

The Group actively engages in business not only in Japan, but also North America, Europe, Asia and other regions. As a result, our overseas business operations occupy a growing strategic importance, which increasingly exposes us to the impacts of foreign exchange rate volatility.

To address foreign exchange rate volatility, we rationalize our holdings of foreign currency and implement some measures to maintain a balance of foreign currency denominated assets and liabilities to minimize foreign exchange gains or losses. These measures do not guarantee that we will avoid all foreign exchange rate volatility risks and there is a possibility our business performance, assets, liabilities, and net assets could be adversely affected by foreign exchange rates.

In addition, local business sites and the Company's departments in charge of these sites work together to ensure immediate responses are possible by regularly gathering information on market changes in these overseas regions, economic downturns, policy changes,

invocation of economic sanctions, labor issues, cultural and business practice differences, other political and social factors, industrial base vulnerability, public hygiene issues, changes in laws and regulations, changes in tax systems, terrorism and conflicts, pandemics, and disasters. If these events were to occur, they could have an adverse affect on our business performance.

#### 6) M&A risks

The Group considers and executes M&A deals in the fields of its existing businesses both inside and outside Japan as part of its growth strategy to enhance corporate value.

When executing M&A deals, each operating company along with the Company's specialized departments investigate and consider profitability and investment recoverability in advance. The Company also seeks the advice of outside experts such as lawyers and accountants when needed.

However, there is a possibility the acquired business does not achieve the expected targets due to sudden changes in business climate or unforeseen circumstances post acquisition, which could have an adverse affect on the Group's business performance and financial condition.

#### 7) Accuracy control risks

The Group's accuracy controls are an extremely important element for maintaining the accuracy of testing results. The Group's primary CLT business companies participate in surveys of the Japan Medical Association, Japanese Association of Medical Technologists, Japan Registered Clinical Laboratories Association, and other public institutions to ensure thorough accuracy controls. In addition, the Company is focusing on establishing an internal structure, including acquiring certification for the service mark of the Japan Health Enterprise Foundation, College of American Pathologists (CAP), Clinical Laboratory Improvement Amendments (CLIA), and ISO 15189. The Company strives to prevent mistakes in the CLT business by developing a structure that can quickly identify events and consider the causes and countermeasures, as well as thoroughly improving procedures, implementing automation and providing employee training.

However, if appropriate testing is not possible due to human error or unforeseen circumstances, the Group's business performance could be adversely affected due to declining test accuracy and loss of credibility.

#### 8) Risks concerning information handling and information systems

The Group retains vast quantities of personal information on patients as well as their testing data. As a result,

## Business Risks

Among the matters related to the conditions of business and the status of accounting, etc., which have been stated in the Annual Securities Report, the following matters may substantially affect the judgment of investors.

Furthermore, forward-looking statements appearing below are based on information available to the Group as of March 31, 2019.

#### 1) Research and development risks

The Group continuously invests in research and development for the efficient and prompt development of new products and new technologies. Therefore, we established Miraca Research Institute G.K., where we have streamlined and sped up basic research activities and centralized the handling of information. In addition, we actively gather information on market trends and technological developments by participating in academic societies inside and outside of Japan along with incorporating the views of third parties as needed. Also, we are reinforcing our management system by conducting periodic reviews of the progress of research and development internally. However, the possibility exists that the expected outcomes will not materialize fully or in a speedy manner, or that competitors may

ensuring the security of this information and building a structure for compliance with Japan's Personal Information Protection Act are considered important tasks of management. As part of these efforts, SRL acquired privacy mark certification in February 2005. In addition, we have acquired ISMS and ISO/IEC 27001 certification as security countermeasures for information systems. The Group also utilizes multiple information systems for the execution of business and strives to operate these systems in a stable manner. This includes building information systems that help to prevent information leakages, including modifying and upgrading aging systems, etc., and making operational rules known to all.

However, if these information systems do not operate normally due to software or hardware problems, human errors, disasters, criminal activities, cyberattacks, computer virus infiltration, or terrorism, resulting in the leak of personal information, large-scale stoppage of services, wrongful billing, delayed test reports, or loss of data, it could cause a loss of the credibility of the Group and its products and services, and as a result, adversely affect the Group's business performance.

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

### 9) Risks of impairment accounting

The Group owns tangible and intangible fixed assets including goodwill as well as investment securities. Impairment will be required in case the value of these assets declines or if the expected future cash flows are likely not to materialize. This could adversely affect the Group's business performance and financial condition.

### 10) Risks related to the recoverability of deferred tax assets

The Group has recorded deferred tax assets related to loss carried forward and deductible temporary differences, and the recoverability of which is evaluated. The calculation of deferred tax assets is based on various forecasts and assumptions including estimates of taxable income pursuant to the business plan covering a certain period in the future. Actual results may vary from these forecasts and assumptions. If these estimates need to be reviewed due to the level of achievement of the business plan or other factors and there are reasons present that will make it impossible to recover deferred tax assets,

deferred tax assets will need to be reversed and tax expenses booked, which could adversely affect the Group's business performance and financial condition.

### 11) Impacts due to the stoppage of or constraints placed on business activities due to disasters or accidents

The Group has established a business continuity plan (BCP) and allocated emergency-use facilities and stockpiled supplies in preparation for a large-scale disaster. The Group's business performance could be adversely affected in the event the Group's business sites or its customers such as medical institutions suffer damage from a large-scale typhoon, earthquake or other natural disaster that impede their operations. In addition, the Group's business performance could also be adversely affected by fires, labor disputes, or facility accidents resulting in the stoppage of, or constraints placed on, its business activities.

### 12) Risks associated with the execution of management strategy

The Company formulated a Medium-term Plan spanning from fiscal 2017 (the fiscal year ended March 31, 2018) to fiscal 2019 (the fiscal year ending March 31, 2020), after fundamentally reviewing the growth strategy and regional strategy of each business based on priority consideration of measures contributing to significant and sustainable future growth, considering changes in the business climate. Under this Medium-term Plan, the Group aims to realize dramatic medium- to long-term growth by reinforcing existing businesses, enhancing R&D, strengthening the overseas strategy, and promoting an alliance strategy. The progress of the Medium-term Plan is presented in "Special Feature 1 Progress of the Medium-term Plan."

However, the targets set for each fiscal year during the term of this Medium-term Plan represent future forecasts expressing the Company's management targets. The ability of the Group to implement these initiatives and achieve these targets could be affected by the risks outlined in 1) to 11) above, and uncertainty, especially greater than expected competition and declining market prices as a result, failures of research and development investments, changing customer needs, poor performing alliances, greater than expected changes in medical systems in Japan and overseas, as well as the emergence of risk concerning overseas business expansion and foreign exchange rate volatility.

## Risk Management Structure

Risk is managed according to a uniform policy that applies to the entire Group as defined in the risk management structure within the Risk Management Rules.

The Risk Management Committee was established with the purpose of promoting risk management for the Company and the entire Group. The committee is chaired by the CFO and comprises executive officers excluding the President and Group CEO as members. It meets at least annually, with the results reported to the Board of Directors. The committee's detailed activities include:

- (1) Centralized oversight of the risk management of each Group company;
- (2) Identification of risks facing the entire Group and risks pertaining to the misconduct of management, as well

- as management of control execution;
- (3) Identification of risks that should be disclosed and management of control execution; and
- (4) Matters concerning the risk management of the Company.

The Company and its Group companies also conduct risk management through the Risk Management Committee or Executive Committee. This process involves risk identification, categorization of company-wide or business process risks, risk analysis and evaluation based on the possibility and degree of impacts, and risk response. Specifically, risks are managed using a Risk Control Matrix (RCM) and reported at least annually to the Risk Management Committee.

## Securing Shareholder Rights and Equality

We implement the following measures to secure the rights of our shareholders and ensure that they can properly exercise said rights at regular general meetings of shareholders.

- (1) To ensure that our shareholders can properly exercise their voting rights, we send convocation notices and attached documents three weeks prior to regular general meetings of shareholders. Ahead of this, we electronically disclose said materials on the website of the Tokyo Stock Exchange and our own website. We also disclose English versions of the convocation notice together with this.

- (2) The schedule for general meetings of shareholders is set by avoiding busy dates on which many companies hold meetings to limit disruptions. In addition, we have adopted an electronic voting system and provide detailed e-voting guidance in convocation notices.

For shares held as part of cross-shareholdings by Miraca or our Group companies, we confirm their consistency with our strategic objectives based on the results of assessments performed by our Board of Directors on each company share held. We have not adopted any anti-takeover measures.

## Dialogue with Shareholders

For institutional investors and analysts, the Company holds financial results briefings after the first half and at the end of each fiscal year and holds conference calls during the first and third quarters.

The Company actively engages with investors through investor relations (IR) activities to build trusted relationships and mutual understanding.

In addition, we identify the composition of shareholders on the shareholder registry quarterly and outsource a survey to better understand beneficial shareholders. For our primary beneficial shareholders, the Company conducts shareholder relations (SR) activities to share the Company's management situation, and provides updates on business performance from both financial and non-financial points of view.

These IR and SR activities are promoted and overseen by the executive officer responsible for corporate communications. Requests for dialogue from shareholders and investors are handled through proactive communication by our IR/SR Department as well as through direct dialogue with the CEO and CFO. Feedback and insight obtained through dialogue are reported to executive management and the Board of Directors for further corporate value improvement, and management structure enhancement.

Furthermore, in order to earn trust and fair evaluations from equities markets, the Company has established disclosure regulations and an IR policy to avoid selective disclosure of material information.

## Director



**Shigekazu Takeuchi**

Director, President and Group CEO

1) October 11, 1953; 2) 8,759 shares; 3) 3 years;  
4) Board of Directors meetings: 100% (13/13)  
Meetings of Nominating Committee: 100% (6/6)  
Meetings of Compensation Committee: 100% (7/7)

Apr. 1976 Joined CBS Sony Inc. (current: 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. (current: 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, the Company  
Director, Fujirebio Inc. (incumbent)  
Oct. 2016 President & CEO, the Company (incumbent)  
Director, SRL, Inc. (incumbent)  
Apr. 2017 Director, Fujirebio Holdings, Inc. (incumbent)



**Naoki Kitamura**

Director, Executive Officer and CFO

1) November 28, 1970; 2) 4,413 shares; 3) 1 year;  
4) Board of Directors meetings: 100% (10/10)

Apr. 1993 Joined Sony Corporation  
Jun. 1996 Seconded to Sony International (Singapore) Pte. Ltd. (current: Sony Electronics (Singapore) Pte. Ltd.)  
Jul. 2004 Seconded to Sony Corporation of America  
Apr. 2008 General Manager, Corporate Planning Department, So-net Entertainment Corporation (current: Sony Network Communications Inc.)  
Sep. 2011 Joined the Company.  
General Manager, Strategic Planning Department  
Nov. 2011 Director, SRL, Inc.  
Jun. 2013 Executive Officer, 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, the Company (incumbent)



**Miyuki Ishiguro**

1) October 26, 1964; 2) 0 share; 3) 6 years;  
4) Board of Directors meetings: 100% (13/13)  
Meetings of Compensation Committee: 100% (7/7)  
Meetings of Audit Committee: 94% (17/18)

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 (current: Sony Network Communications Inc.)  
Jun. 2013 Outside Director, 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



**Ryoji Itoh**

1) January 14, 1952; 2) 200 shares; 3) 5 years;  
4) Board of Directors meetings: 100% (13/13)  
Meetings of Nominating Committee: 100% (6/6)  
Meetings of Compensation Committee: 100% (7/7)

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, the Company (incumbent)

## Outside Director



**Shigehiro Aoyama**

1) April 1, 1947; 2) 0 share; 3) 1 year;  
4) Board of Directors meetings: 90% (9/10)  
Meetings of Nominating Committee: 80% (4/5)

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. (current: SUBARU CORPORATION) (incumbent)  
Apr. 2018 Special Advisor, Suntory Holdings Limited  
Jun. 2018 Outside Director, the Company (incumbent)



**Futomichi Amano**

1) August 31, 1953; 2) 0 share; 3) 2 years;  
4) Board of Directors meetings: 100% (13/13)  
Meetings of Audit Committee: 100% (18/18)

Nov. 1977 Joined Tohmatsu Awoki & Co. (Current: 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, the Company (incumbent)



**Susumu Yamauchi**

1) October 1, 1949; 2) 500 shares; 3) 2 years;  
4) Board of Directors meetings: 100% (13/13)  
Meetings of Audit Committee: 100% (18/18)

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, the Company (incumbent)  
Dec. 2018 Outside Director, Reading Skill Test Inc. (incumbent)

\*The number of Company shares held is as of March 31, 2019. The meeting attendance rate is for the year ended March 31, 2019.

## Executive Officer

### Shigekazu Takeuchi

President and Group CEO



### Yoshihiro Ashihara

Executive Officer (IVD)

Born on April 11, 1954

Apr. 1979 Joined Fujirebio, Inc.  
 Feb. 2001 General Manager, Frontier Research Division, Frontier Business Department and Fundamental Research Department, Fujirebio, Inc.  
 Mar. 2003 Director, Fujirebio, Inc.  
 Sep. 2008 President, Advanced Life Science Institute, Inc.  
 Jun. 2009 Managing Director, Fujirebio, Inc.  
 Jun. 2010 Executive Officer, the Company  
 Sep. 2010 Director, Innogenetics N.V. (current: Fujirebio Europe N.V.)  
 Jun. 2014 Representative Senior Managing Director, Fujirebio, Inc.  
 Apr. 2016 President & CEO, Fujirebio, Inc.  
 Apr. 2017 President & CEO, Fujirebio Holdings, Inc. (incumbent)  
 Jun. 2018 Director, Fujirebio, Inc. (incumbent), Executive Officer, the Company (incumbent)

### Naoki Kitamura

Executive Officer and CFO  
 Legal Affairs and Corporate Communications



### Shunichi Higashi

Executive Officer (CLT)

Born on January 12, 1957

Jan. 1982 Joined SRL, Inc.  
 Jul. 1999 Manager, Tachikawa Sales Office, SRL, Inc.  
 Aug. 2005 General Manager, Kyushu Sales Department, SRL, Inc.  
 Jun. 2008 General Manager, Shutoken Sales Department 1, SRL, Inc.  
 Jun. 2010 Director, Deputy Division Head, Clinical Laboratory Business Sales Division, SRL Inc.; President, WELL Clinics Inc.  
 Dec. 2011 President, Gunma Clinical Investigation Center (current: SRL Kitakanto Laboratory, Inc.)  
 Jun. 2013 President, Japan Clinical Laboratories, Inc.  
 Mar. 2016 President, Community Medicine Support Center, Inc.  
 Jan. 2017 President & CEO, SRL Inc. (incumbent)  
 Jun. 2018 Executive Officer, the Company (incumbent)



### Tadashi Hasegawa

Executive Officer  
 (Corporate Planning and Management)

Born on January 28, 1970

Apr. 1994 Joined the Tokyo Regional Taxation Bureau  
 Aug. 2000 Joined SRL, Inc.  
 Jul. 2006 Manager, Corporate Management Group, the Company  
 Jul. 2011 General Manager, Corporate Management Department, the Company  
 Jan. 2017 Division Head, Corporate Management Division, the Company  
 Jun. 2017 Director, SRL, Inc.  
 Oct. 2017 Director, Miraca America, Inc. (incumbent); Director, SRL (Hong Kong) Limited (incumbent)  
 Jan. 2018 Division Head, Corporate Planning & Management Division, the Company (incumbent)  
 Mar. 2018 Director, Division Head, Corporate Planning & Management Division, SRL, Inc. (incumbent)  
 Jun. 2018 Executive Officer, the Company (incumbent)



### Kazuya Omi

Executive Officer  
 (Research and Development)

Born on February 28, 1979

Apr. 2007 Joined Fujirebio, Inc.  
 Oct. 2009 Manager, Biotechnology Research Group, Fundamental Research Department, Fujirebio, Inc.  
 Nov. 2013 Joined Eli Lilly Japan K.K.  
 Apr. 2015 Joined the Company  
 Jan. 2017 General Manager, Research & Development Strategy Department, the Company (incumbent)  
 Jul. 2017 President, Miraca Research Institute G.K. (incumbent)  
 Dec. 2017 Division Head, Research and Development Division, SRL, Inc. (incumbent)  
 Apr. 2019 Division Head, Advanced Medical Solutions Business Development Division, the Company (incumbent)  
 Jun. 2019 Executive Officer, the Company (incumbent)



### Shigeto Ohtsuki

Executive Officer  
 (Human Resources)

Born on November 12, 1961

Apr. 1984 Joined Hitachi, Ltd.  
 Sep. 1991 Manager, Hitachi America, Ltd.  
 Jun. 1999 Manager, General Electric Japan, Ltd.  
 Jan. 2001 Corporate Officer, HR Administration Director, GE Fleet Services, Ltd.  
 Feb. 2003 Corporate Officer, HR Director, GE Yokogawa Medical Systems, Ltd.  
 Jan. 2005 HR General Manager, GE Healthcare Japan, Ltd.  
 Jun. 2008 Executive Officer, HR Director, Hewlett-Packard Japan, Ltd.  
 May 2010 HR Director, Hewlett-Packard Asia Pacific Enterprise Service  
 Apr. 2011 Corporate Officer, HR Director, Shiseido Company, Limited  
 Apr. 2015 Joined the Company, Officer  
 Jun. 2015 Executive Officer, the Company (incumbent)  
 Jun. 2016 Director, SRL, Inc.  
 Apr. 2019 President, Miraca Cast, Inc. (incumbent)



### Hiroaki Kimura

Executive Officer  
 (General Affairs  
 and Information Technology)

Born on June 25, 1961

Apr. 1984 Joined Fujirebio, Inc.  
 Jul. 2001 Manager, Corporate Financial Planning Group, Fujirebio, Inc.  
 Apr. 2003 General Manager, Corporate Planning Department, Fujirebio, Inc.  
 Apr. 2005 General Manager, Corporate Planning Department, General Manager, Strategy Planning Department, Fujirebio, Inc.  
 Apr. 2006 General Manager, Corporate Planning Department, the Company  
 Jun. 2009 Director, Fujirebio, Inc.  
 Jun. 2010 Director, Advanced Life Science Institute, Inc.; Director, Fujirebio Taiwan Inc.  
 Jul. 2011 General Manager, IR & Advertising Department General Manager, Business Strategy Department, the Company  
 Nov. 2011 Director, Innogenetics N.V. (current: Fujirebio Europe N.V.)  
 Jun. 2012 Executive Officer, the Company (incumbent)



# The Miraca Group's Corporate Governance as Seen by the Committee Chairs

As stated in the Miraca Group Corporate Governance Policy, the Company appoints outside directors regardless of gender, race, or nationality, from the perspectives of their: 1) capacity to manage based on knowledge and experience in wide ranging fields outside the scope of business experience gained within the Company, 2) due recognition of the role management should place in society, while not placing disproportionate emphasis on interests of management or certain stakeholders, and 3) ability to properly oversee the management in the execution of its duties.

A majority (five) of the seven directors elected at the 69th Ordinary General Meeting of Shareholders are independent outside directors and four have been reported as independent directors pursuant to the rules of the Tokyo Stock Exchange. They have varying backgrounds including experience working for other companies or as a certified public accountant, attorney-at-law, or in academia. They are

expected to carry out the supervision of management from an objective standpoint.

Outside directors are also appointed as the chairs of the Nominating, Compensation and Audit committees. For this report, we asked the chair of each committee about the status of the Group's corporate governance today and any challenges they may foresee.

Member Composition and Chair Attributes for Each Committee

	Total members	Inside directors	Outside directors	Chairman
Nominating Committee	3	1	2	Outside director
Compensation Committee	3	1	2	Outside director
Audit Committee	3	0	3	Outside director



## Contributing to the realization of our vision while ensuring impartiality and transparency

Ryoji Itoh  
Chairman of Nominating Committee

The Miraca Group was among the first companies in Japan to reinforce corporate governance, by adopting a "Company with Committees" Japanese governance system in 2005 (currently, "Company with a Nominating Committee, etc."). In terms of board management, we go beyond just having outside directors occupy a majority of the positions; we select candidates with wide ranging specialist knowledge and ensure board effectiveness so that board discussions on an array of topics fully incorporate outside views.

Our business operations directly affect the lives of all people, meaning even the slightest mistake cannot be tolerated. Our extreme focus on the frontlines of our businesses ensures mistake-free operations, which is

underpinned by our rigorous governance system that considers changes in the times. In a sense, governance is more than just a goal, it forms an integral part of our enduring mission.

The Nominating Committee is responsible for selecting candidates for director and executive officer and examining the Company's succession plan. Currently, we are moving ahead with the establishment of the Miraca Institute of Leadership (MIL) for grooming candidates for the next generation of management. Outside directors are also involved in this selection process. As chairman of the Nominating Committee, I hope to contribute to the realization of our future vision while ensuring impartiality and transparency.



## Supporting new growth under a culture where even people from outside the company can freely speak their mind

Miyuki Ishiguro  
Chairman of Compensation Committee

The Miraca Group gets the most out of its outside directors. In addition to people from various backgrounds, we have a corporate culture where even people from outside the company can freely speak their mind. For example, in the previous fiscal year (ended March 31, 2018), the board decided to sell a subsidiary following sizeable extraordinary losses, and this was brought to light by an outside director. Even for the subsequent business restructuring, impairment and divestment, we were able to move things forward in a manner where all involved were satisfied with the outcome by fully communicating with the business execution side.

The Company's executive compensation is a combination of monetary compensation and stock compensation. Each form of compensation has been

uniquely developed to include a fixed component and performance-linked component. Under this balanced compensation system, we emphasize maintaining a compensation level commensurate with the duties and responsibilities of each executive officer. This is also another result from a proposal from an outside director.

Currently, we are in the process of rebuilding our business model. Although profits will not materialize immediately due to the large number of upfront investments, such as the Akiruno Project, I believe we will begin a new growth stage once new businesses are up and running in two to three years' time. I ask that shareholders support this approach to growth with a medium- to long-term perspective.



## Reinforcing the supervision function of the Board of Directors with a third-party perspective

Futomichi Amano  
Chairman of Audit Committee

My impression in the two years since I was elected outside director is that the Miraca Group's governance has certainly improved, considering the evaluation of board effectiveness by a third party. The Company is committed to reinforcing governance in a practical manner, not just in form alone, while following Japan's Corporate Governance Code.

The Audit Committee is mindful of reinforcing supervision of the Board of Directors on the implementation side. In order to check whether important strategies and measures are being formulated and implemented, we do more than just receive reports from executive officers, we actively hold interviews with relevant parties

as needed. We also pay close attention to the defensive side as well, including internal control, compliance and information management. We take particular notice of the three defense lines of risk management, which involves whether frontline escalation processes, important head office cross functional processes, and internal audits are functioning.

I believe supervision functions include strong encouragement of management from the perspective of sustainable growth and increasing medium- to long-term value. I will continue to provide support while maintaining the independent views of a third party to realize our shared goals for the future as soon as possible.



## New Miraca Group CSR Committee Created to Coordinate CSR Activities

The Miraca Group announced an updated CSR philosophy and policy in April 2019 that clearly conveys our commitment to integrating efforts to address social issues through our corporate activities. The newly created Miraca Group CSR Committee comprises six subcommittees each dedicated to specific environmental and social fields.

### Our Approach to CSR

The Miraca Group Management Philosophy consists of three main declarations: Mission, Vision and Values. We believe we can fulfill our CSR through our business activities, which we base on our management philosophy. By means of this framework, we create strong relationships with a wide range of stakeholders, engaging in initiatives to solve social issues through our business activities.

 [The Miraca Group Management Philosophy](https://www.miraca.com/en/group/philosophy.html)  
<https://www.miraca.com/en/group/philosophy.html>

### CSR Materiality

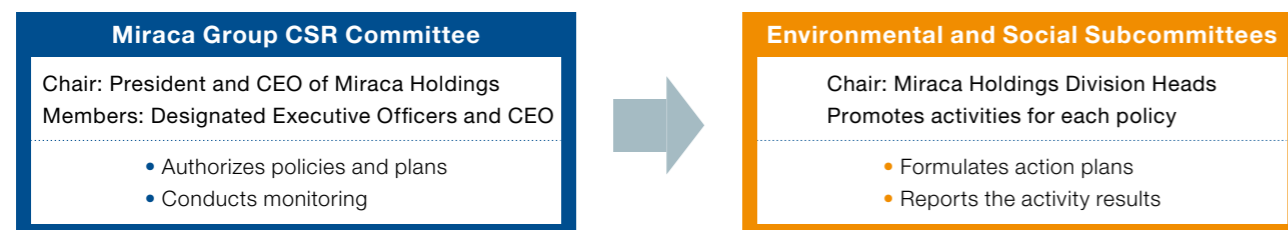
In fiscal 2018, we have CSR issues that are material to our operations and which we believe the Miraca Group should prioritize addressing. By doing our part to help resolve these local and global social issues, the Group

can contribute to realizing a sustainable society and environment while also generating sustained growth for the Group.

### CSR Promotion Structure

The new Miraca Group CSR Committee, which is chaired by the Miraca Holdings CEO, discusses the Group's basic CSR policy and CSR action plans. The committee monitors the progress of the action plans at each Group company and also gathers and shares

information about the latest activities conducted by other companies. The committee also sets up subcommittees led by the Division Heads of related operations to execute the CSR action plan.



## Policy and Materiality of Environmental and Social Subcommittees



## Group CSR Policies (as of August 2019)

The environment and social subcommittees will set and promote the key risk indicators, activity content, targets, and other items based on each Group policy for the second half of fiscal 2019.

### Environmental Policy

The Miraca Group recognizes the connection between diverse business characteristics and the environment. We engage in environmental preservation, contributing to a sustainable society.

1. We strive for environmentally friendly business activities, to providing services and products to society that are friendly to both people and the environment.
2. We engage in energy and resource conservation, the proper control of chemicals, reduced waste, recycling, and protection of water resources, striving to prevent environmental pollution.
3. We comply with laws, regulations, and agreements on the environment. We also strive for ongoing improvements in our environmental management systems and environmental performance.
4. We communicate our environmental policies and other environmental initiatives to employees and all others involved in our business activities. We also disclose these policies and initiatives externally.

### Procurement Policy

The Miraca Group engages in fair, stable, and sustainable procurement in order to contribute to human health through the creation of new value. We value our relationship with suppliers, pursuing the following basic approach to procurement in establishing mutual trust.

1. We comply with the laws and social norms of every country in which we conduct business, striving to engage in procurement activities that consider respect for basic human rights, labor environments, occupational health and safety, child labor, and other related factors.
2. We provide opportunities for free and transparent procurement with suppliers around the world, working to improve our competitive capabilities through active due diligence, including procurement from new business partners.
3. We procure from excellent, highly trustworthy suppliers, selected based on a comprehensive list of factors including quality, price, delivery, technological capacity, CSR/EMS initiatives, business continuity, local procurement, and other factors.

### Human Rights Policy

The Miraca Group respects internationally recognized human rights. We pursue initiatives that reflect our belief in respecting the human rights of all people involved in our business and in taking responsibility to protect the rights of workers.

1. We respect human rights and do our utmost to avoid and reduce any negative impact on human rights in all processes related to group activities.
2. We never discriminate unfairly on the grounds of age, gender, sexual orientation, gender identity, origin, nationality, race, color of skin, presence or absence of disability, religion, or political beliefs.
3. We comply with labor laws and regulations related to employment, wages, and other matters related to working conditions in the countries in which we conduct business.
4. We forbid child labor, forced labor, or human trafficking of any type.
5. We will work to remedy the situation through appropriate internal and external procedures if it becomes clear that the Miraca Group has caused or contributed to a negative impact on human rights.
6. We provide appropriate education and enlightenment to ensure this policy is incorporated into all activities of the Miraca Group.

### Occupational Health and Safety Policy

To embody the corporate philosophy of the Miraca Group, we must provide employees with an environment in which they can participate in a healthy and active manner. We create work environments that incorporate considerations of labor, safety, and hygiene, resulting in workplaces in which our people can work comfortably and with peace of mind.

1. We comply with relevant laws and regulations, as well as internal rules, concerning occupational health and safety.
2. We have established a health and safety system to ensure a healthy working environment in which employees can work safely and securely.
3. We pursue measures against the risk of dangers and hazards, including disasters, accidents, and infectious diseases. We respond promptly to any occurrence, and we implement detailed measures to prevent recurrence.
4. We continue to enhance and strengthen workplace accident prevention education for employees to ensure compliance with the preceding policies.

### Philanthropy Policy

The Miraca Group promotes philanthropy that creates a healthy and prosperous society and goes beyond our business domain. We will effectively utilize available resources and serve as a member of the global community while continuously disclosing our outcomes quantitatively and qualitatively.

1. We aim to resolve social issues related to health, human resources, the environment, local communities and disasters, in collaboration with NPOs, patients associations and other organizations advancing innovative activities. We address care-related issues over the long term in particular.
2. We offer various support programs and seek to run them effectively so that the voluntary involvement of employees in philanthropic activities leads to their personal growth and sense of fulfillment and pride as a group employee.
3. We strive to create novel ideas that merge the knowledge and issue awareness gained through philanthropic activities and the technological expertise cultivated through our business, and to develop philanthropic programs that leverage the various skills and problem awareness of each employee, to continually redefine our corporate identity.

### Basic Policy on Business Partner Selection

The Miraca Group selects excellent business partners based on our procurement policy and through the following assumed conditions.

1. Compliance with laws, basic human rights, and corporate ethics in every country in which the entity conducts business activities
2. Stable, healthy business infrastructure
3. Quality, pricing, delivery are at appropriate levels and based on rational economics
4. Compliance with non-disclosure agreements
5. Ongoing activities that consider environmental preservation
6. Capable of uninterrupted delivery activities, even in emergency situations

### Diversity Policy

The Miraca Group promotes diversity to strengthen ongoing corporate growth and global competitiveness in a society of declining birthrates, aging populations, and rapid globalization. We give rise to innovation and create new value as each individual in our diverse base of human resources maximizes their skills, contributing to our corporate activities.

1. We create systems that provide career path support and reward employees according to their contributions to ensure every employee can express his or her full potential, regardless of personality or personal attributes.
2. We will provide an environment that hires, promotes to management, improves rates of return from childcare leave, and engages in other measures to encourage women to work longer careers within the Miraca Group to create a society in which women can express their individuality and demonstrate their abilities (promoting women's participation and advancement).
3. We engage in creating rewarding work for people with disabilities, actively hiring such individuals and providing a comfortable working environment that respects individuality.

### Health Declaration

As a corporation engaged in promoting the health of individuals, the Miraca Group believes that the most important way that it contributes to society for a wide-range of stakeholders is by supporting the mental and physical health of its employees and their families. The Group conducts various activities to preserve and promote health to help our employees and their families enjoy healthy, flourishing lives.

#### Key Measures

1. We offer comprehensive employee education and a health consultation office to support the mental health of employees in the four areas of prevention, reduction, early discovery, and prompt treatment.
2. We help employees maintain and improve their health with measures to increase the participation rates in health and stress-level checkups, non-smoking campaigns, and health awareness programs.
3. We support a healthy balance of work and personal life by supporting efforts to improve work efficiency, organize smooth work flow, and reduce overtime work as well as by encouraging employees to use planned leave programs and supporting childcare and nursing needs.

## The Miraca Group Engages in Group-wide Environmental Activities

The Miraca Group companies have each been conducting their own environmental activities, including both SRL and Fujirebio earning ISO 14001 certification. In April 2019, we created a dedicated Environmental Subcommittee of the newly established Group CSR Committee to oversee the Group's environmental activities. Comprised of the division heads of the Group's core companies, the subcommittee brings together and unifies the Group's wealth of experience in environmental action.

### Environmental Activities

#### Fiscal 2018 Environmental Performance and Status of Current Activities

The Miraca Group fully understands the importance of protecting and improving our natural environment and conducts various environmental activities based on the ISO 14001 accredited environmental management systems of the Group companies SRL and Fujirebio.

One of our key activities is to use electricity more efficiently and reduce our energy consumption, and we have set a target to cut the amount of electricity we use by 1% each year. In fiscal 2018, we reduced electricity consumption by approximately 2,250,000 kWh and overall energy consumption by a crude oil equivalent of

roughly 830 kL. These reductions enabled us to reduce carbon dioxide emissions by roughly 2,400 t-CO<sub>2</sub>.

We also have started construction of the New Central Laboratory that will substantially reduce our overall environmental impact and are in the process of reorganizing our Group logistics operations into a single separate company to improve the efficiency of our specimen delivery and logistics operations.

#### Main Environmental Activities in fiscal 2018

- Installed LED lighting
- Replaced equipment with energy-efficient models
- Converted to non-CFC and CFC-substitute freezers and cold storage facilities
- Improved the fuel efficiency of company vehicles

#### TOPIC Eco-friendly Driving

SRL is working to improve vehicle fuel efficiency to achieve the logistics and sales divisions common goal to improve fuel efficiency by 1% each year. We participate in the "Eco-Drive Activity Competition" organized by the Foundation for Promoting Personal Mobility and Ecological Transportation to help boost our drivers' fuel-efficient driving skills. In fiscal 2018 awards, SRL received an Outstanding Performance Award and



An electric car at SRL

Fujirebio received an Excellence Award. The Miraca Group will continue raising employee awareness of environmental issues related to all of our activities.

#### Vehicle Fuel Efficiency at SRL

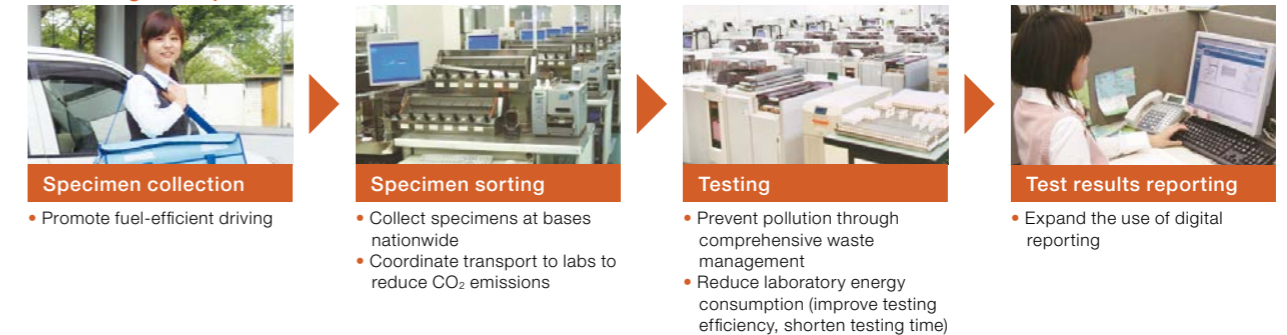
	FY2016	FY2017	FY2018
Fuel efficiency	16.0km/L	16.4km/L	16.8km/L
Year on year improvement	+1.9%	+2.5%	+2.4%
Assessment	Achieved	Achieved	Achieved

## Core Group Company Business Characteristics and Environmental Impact

### SRL

We take steps to monitor the overall greenhouse gas emissions of our business activities, encompassing the environmental impacts of each of our sites and their supply chains (material purchases, transport, testing, reporting, waste disposal, etc.), and endeavor to develop activities that preserve the environment. Some of the waste products from our businesses include infectious substances. We treat this with special care with sterilization and crushing processes inside our facilities and, to the extent possible, by having intermediate disposal facilities convert them to solid refuse paper & plastic fuel (RPF).

#### Minimizing the Impact from our Core Business Processes



#### Key Environmental Performance Results in fiscal 2018 (Year on year change)

**Energy**  
 Electricity consumption: -9.0%  
 Fuel consumption: -2.4%

**Greenhouse gas emissions**  
 Scope 1: -512 t-CO<sub>2</sub>  
 Scope 2: -1,379 t-CO<sub>2</sub>

#### Material Balance (fiscal 2018)

Input		Output	
Electricity	28,971,000 kWh	General waste	170 t
Municipal gas	845,000 m <sup>3</sup>	Industrial waste	1,326 t
LPG (propane gas)	976 kg	Specially controlled industrial waste	820 t
Gasoline	1,520 kL	CO <sub>2</sub> emissions	19,531 t-CO <sub>2</sub>
Kerosene	77 kL	Drainage amount	167,000 m <sup>3</sup>
Fuel oil	13 kL		
Water resource usage	168,000 m <sup>3</sup>		

### Fujirebio

Fujirebio's has over 1,700 units of its flagship LUMIPULSE instrument in operation around the world (as of March 31, 2019). The company considers the environmental performance of each of the operating processes through the whole lifecycle of its products. The company recycles all of the recyclable materials in its equipment products, which include steel and base materials.

#### Core Business Processes and Steps to Minimize Negative Impacts



#### Key Environmental Performance Results in fiscal 2018 (Year on year change)

**Energy**  
 Consumption: -1.3% (Energy: electricity, municipal gas, kerosene)

**Waste Products**  
 General waste: -48 tons  
 Industrial waste: +98 tons  
 (Industrial waste increased from laboratory layout changes and equipment replacement)

#### Material Balance (fiscal 2018)

Input		Output	
Electricity	11,938,000 kWh	General waste	69 t
Municipal gas	713,000 m <sup>3</sup>	Industrial waste	176 t
LPG (propane gas)	120 kg	Specially controlled industrial waste	20 t
Gasoline	177 kL	CO <sub>2</sub> emissions	7,752 t-CO <sub>2</sub>
Kerosene	98 kL	Drainage amount	35,000 m <sup>3</sup>
Fuel oil	0 kL		
Water resource usage	41,000 m <sup>3</sup>		



## Creating a Meaningful and Rewarding Work Environment

The Miraca Group seeks to create a corporate culture where all of its employees feel they are engaged in meaningful and rewarding work. We support the activities and growth aspirations and provide a comfortable work environment for our diverse workforce while also helping all personnel maintain a healthy work-life balance.

### Respecting Diversity

The Miraca Group seeks to maintain a diverse staff of people of any nationality, age, and gender that respects the personal values of each individual and embodies the Group's Management Philosophy. The number of different nationalities on our staff is increasing, and the ages of people on our staff range from the upper teens to late sixties. In recent years, the majority of our new hires, over 60%, have been women.

We offer systems and create an environment enabling different ways of working to promote a good work-life balance and support working women.

The Miraca Group is introducing a remote work system enabling videoconferences and external access to the intranet via company issued laptops and smartphones. The system will allow employees to continue their careers at different stages of life when they have other personal responsibilities such as childcare or nursing care. Our efforts with this and other programs were recognized with selection to the MSCI Japan Empowering Women Index (WIN) in June 2019.

#### Strong female presence in the testing labs

The Clinical Laboratory Testing business boasts a large number of women in its testing laboratories who are government-certified medical technologists. Female employees take the initiative to encourage and help other team members to take the difficult challenge to earn the certification and advance their careers.



Women at work in a testing lab

#### Special subsidiary providing employment opportunities for people with disabilities

The Miraca Group established the consolidated subsidiary, Miraca Cast on April 1, 2019, to expand the diversity of our workforce and provide employment opportunities to people with disabilities. On May 28, the company was certified as a special subsidiary under the Act on Employment Promotion of Persons with Disabilities. This certification will now allow us to broaden the scope of the company's business content and create more opportunities for people with disabilities.



Celebration at the founding of Miraca Cast

### Building Employee Skills and Putting People in Positions to Succeed

#### The Miraca Talent Review

The Miraca Group has been conducting the Miraca Talent Review every year since fiscal 2015. The review process entails discussing with each individual their growth and their aspirations for growth as an employee so we can match the right people to the right jobs. Identifying and nurturing talent and reviewing our status of our human resources helps with individual career planning for each employee, ability assessment, and individual development.



#### Strengthening Management

The Miraca Management Development Program (MMDP) is an annual training program for administrative managers to deepen understanding the Group's Management Philosophy. The program is designed to foster a management corps that demonstrates leadership with the aim of providing training to augment their management knowledge, mindset, and skills while deepening the common values of our corporate culture.



A group discussion at the MMDP

### Workstyle Reform

The Miraca Group is implementing management-led workstyle reform at all Group companies. The Group has launched measures including reorganizing the work content and duties at all work sites so employees are better able to leave their jobs at the appointed time and a work efficiency initiative to raise productivity. The reform initiative included 15 workshops at the four core companies including Miraca Holdings during fiscal

years 2017 and 2018. We have formulated improvement methods and tools to be used throughout the Group and share actual success stories at management meetings and via the Group email newsletter. These business reforms have enabled our employees to work more efficiently while maintaining the quality of work and have successfully reduced the average amount of overtime worked.



A workshop on business reform



## Our Approach to Contributing to Society

In 1981, the Miraca Group initiated an open symposium on medical issues geared for the general public, training and research grants for future medical technologists, as well as the predecessor to the local community project at the Hachioji Office. As we pursue our established programs and community initiatives, we began the Miraca Philanthropy in 2018 in conjunction with the Group's CSR initiatives. After a successful inaugural year, we will continuously refine our unique Miraca approach to facing the social issues of our times through the process of trial and error.

### Medicopia Educational Symposium

Fujirebio has been presenting the Medicopia Educational Symposium since 1981 to provide a forum for exchange between the clinical and preclinical medical fields. The annual event attracts some 1,000 participants from the medical and other fields to lectures and discussions covering a broad range of medical issues. The content of the symposium is also published in the academic journal *Medicopia*.



The 38th Medicopia Educational Symposium

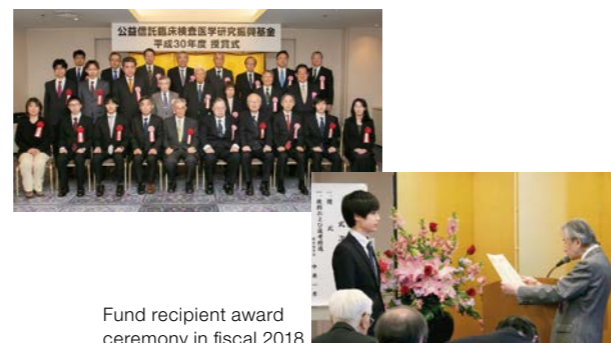
### Charitable Trust Fund for the Medical Industry

For nearly 40 years, SRL and Fujirebio have been running the Charitable Trust Laboratory Medicine Research Foundation of Japan to support young researchers and contribute to advances in medicine and medical technology. Since 1981, the foundation has provided unconditional funds to a wide range of

hospitals and researchers with the aim of raising standards in the medical industry. The Koichiro Fujita Award and Nozomu Kosakai Award recognize people with long careers in the clinical testing industry. These activities promote healthcare locally in Japan and support global health.

#### Charitable Trust Fund Total Financial Assistance

Award category	Year started	Number of recipients	Amount awarded (¥ million)
Research subsidies	FY1981	306	220
Koichiro Fujita Award	FY2003	15	7
Nozomu Kosakai Award	FY1990	29	10



Fund recipient award ceremony in fiscal 2018

### Bone Marrow Donor Collaboration and Promotion at the Hachioji Summer Festival

SRL participates in bone marrow donor programs as a way to make the best use of the technology and expertise it has accumulated to contribute to a healthy and flourishing society. SRL provides blood collection equipment and conducts the testing for human leukocyte antigen (HLA) and infectious diseases. The company also participates in activities to help raise awareness about the donor program. Its Hachioji office operates a booth at the annual neighborhood summer festival to provide information to some 3,000 festivalgoers while also collecting money donations and recruiting donors for the Japan Marrow Donor Program.



The bone marrow information booth at the Hachioji summer festival

### Hosting Overseas Interns

SRL operates an intern program to share its testing technology with lab technicians and their supervisors from developing countries through the Japan International Cooperation Agency (JICA).



Interns from around the world at SRL

#### Employee Volunteer Activities in Fiscal 2018

##### Japan



Hair donation events for cancer and alopecia areata patients



Housekeeping for families of hospitalized pediatric patients



Events to raise awareness of rare diseases



Disaster response support in areas hit by torrential rains in Western Japan

##### Overseas



Autism Speaks Walk and matching employee donations (USA)



Philabundance Annual Holiday Food Drive (USA)



Donation to Think Pink through a company charity festival (Belgium)



Evening Session with Genetics organized by the Texas Children's Hospital (USA)



Further details about our philanthropy activities in fiscal 2018 are available at <https://www.miraca.com/en/csr/philanthropy/activity.html>