Bridging People to Healthcare

Our pursuit is to champion public health through products and services empowered by leading-edge technology. Often without recognition, we support and inspire patients, medical professionals, and society as a whole with daily medical solutions.

We envision a future that others can’t, through insights derived from data. Our unique perspective helps us provide innovative solutions that contribute to a thriving tomorrow.

We believe it’s our duty to contribute to a society where anyone can live a long and fruitful life, as we discover new possibilities for human health.

We’ve set revolution into motion, seeking meaningful answers to build trust and bridge humanity and healthcare services.

Even as we evolve, our promise remains steadfast as we strive to meet tomorrow’s ever-changing and diverse medical needs.
Mission
Create new value in Healthcare and contribute to the prosperity of people.

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

Values and Traits

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

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

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

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

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

Precaution concerning Monetary Amounts
The monetary amounts appearing in this integrated report are rounded when presented in billions and truncated when presented in millions. In addition, percentages are rounded off to the nearest percentage point.
Picking Up the Pace of Transformation to Achieve Our Vision

With the completion of fiscal 2018, I am pleased to present Miraca Holdings’ first integrated report. Our intention is to provide an overview of the Miraca Group’s businesses, our direction going forward, and our medium- to long-term plans to increase corporate value. We also hope to invite dialogue with our many stakeholders to bolster management’s ability to navigate the future.

Operating within the healthcare field we are acutely aware of our responsibility for human life and wellbeing. The Group’s business portfolio of high quality products and services is unique in Japan’s medical industry. One of these is clinical testing, which plays a critical role in determining diagnosis and treatment. Miraca also develops and manufactures test reagents and testing instruments, while performing services such as sterilization support at the front lines of medical practice. We are committed to continuously supplying consistently exceptional products and services under a vast variety of circumstances.

Faced with an ever-changing social and business environment, we must continue to transform and provide greater value. To that end, we positioned fiscal 2017 as the relaunch and initiated fundamental reforms to realize significant sustainable growth. “Business as usual” is no longer an option. It is imperative that we accelerate our transformation to reach our next goalposts.

The Group fulfills its corporate social responsibility by integrating SDGs and ESG initiatives into business activities aligned with our management philosophy. We signed the United Nations Global Compact in March 2019 to collaborate in building an international framework for sustainable growth. We will also focus on strengthening our non-financial assets with a view toward sustainably increasing corporate value.

The Miraca Group is dedicated to supporting human wellness and the health of society. While staying true to our unchanging mission, we are transforming ourselves to enhance competitiveness for tomorrow.

Shigekazu Takeuchi
Director, President and Group CEO
Miraca Holdings Inc.
The Evolution of the Miraca Group

Working with medical professionals to address the needs of society and expand our business

Advances in testing technologies lead to esoteric tests

- 1970: Clinical Laboratory Testing business
  - SRL, Inc. (formerly Tokyo Special Reference Laboratories, Inc.) founded as a commercial laboratory focusing on esoteric tests

- 1970: Launched global sales of clinical diagnostics

- 1972: In Vitro Diagnostics business
  - Began clinical diagnostics manufacture and sale
  - Launched the world’s first TPHA serodiagnostic test for syphilis

- 1987: Full-fledged genetic and chromosome testing operations
  - Established Japan’s first genetic testing laboratory

- 1987: Listed on the First Section of the Tokyo Stock Exchange

- 1988: Raw materials supply business in USA
  - Acquired the clinical diagnostics business division of Centor Diagnostics, Inc. (currently Fujirebio Diagnostics, Inc.)

- 1992: LUMIPULSE® business
  - Introduced “LUMIPULSE® 1300,” the first in the successful LUMIPULSE Series of fully automated chemiluminescent enzyme immunoassay (CLEIA) systems

- 2000: Sterilizing business
  - SRL acquired NIHON STERY CO., LTD.

- 2005: Miraca Holdings established

- 2010: Acquired Japan Clinical Laboratories, Inc.

- 2011: Acquired Tsuchiya Enterprise, Inc.
  - (currently HOKUSHIN Clinical Laboratory, Inc.)
  - Acquired JUNMA Clinical-Laboratory Information Center Inc. (currently SRL Kitakanto Laboratory, Inc.)

- 2010: Acquired Innogenetics N.V. (of Belgium)
  - (currently Fujirebio Europe N.V.)

- 2011: Launched “LUMIPULSE® L2400”

- 2015: Relaunch of the Miraca Group
  - Start of reform to generate significant and sustainable growth

- 2018: Fortified gene-related testing operations
  - Established the Cancer Genetics Strategy Office

- 2018: Home-visit nursing business

- 2018: Food, environment, cosmetics testing business
  - Established Miraca Vitae, Inc.

- 2019: Food, environment, cosmetics testing business
  - Established Miraca Vitae, Inc.

- 2019: Corporate health insurance association related services
  - Made Selmesta CO., LTD. a subsidiary

Social Issues

- Welfare protection
- Unemployment support
- Environmental health measures

Developments in Japanese Society

- Post-War to 1950: Average life expectancy: 50s
  - 1947–1949: First baby boom

- 1960s: Second baby boom

- 1970s: High economic growth period

- 1980s: Aging society

- 2000s: Declining birthrate and aging society

- 2010s: Average life expectancy: 80s

- Control of medical costs, improvement of medical care efficiency
  - (optimize medical facilities, effective use and distribution of medical field personnel)
  - Incorporation of medical advances (genome field, regenerative medicine), etc.

- Responses to new viruses (SARS, Ebola, etc.)

- Poverty and public health in emerging countries

- Care-related services
  - Nursing care supplies business
  - Made Care’s, Inc. a subsidiary

- Home-visit nursing business

- Food, environment, cosmetics testing business
  - Established Miraca Vitae, Inc.

- Corporate health insurance association related services
  - Made Selmesta CO., LTD. a subsidiary
The Miraca Group Today

Providing value to people through our products and services for medical institutions

Our Primary Businesses

**Clinical Laboratory Testing**
- Collection of specimens from across the country, testing in our laboratories, and reporting of results
- Contracted operations at in-hospital laboratories

**In Vitro Diagnostics**
- Clinical diagnostics and testing instruments provided to medical institutions in Japan and worldwide
- OEM supply of clinical diagnostics
- Raw material supply to global producers of clinical diagnostics

**Sterilization and Related Services**
- Sterilization services for medical equipment
- Support services for surgical operations

**Emerging New Business and others**
- Food, environment, cosmetics testing
- Home-visiting, welfare
- Contract research organization (CRO)
- Self-medication, service through corporate health insurance associations

**Research & Development Functions**

Value for People

- Medical checkups and on-site testing
- Early disease detection and treatment
- Personalized treatment based on test results
- Gene-related testing
- Access to advanced medical care

Healthy, Flourishing Lives

- Testing reagents supplied to over 100 countries
- Early disease detection and treatment
- High-quality, low-cost testing
- Companion diagnostics for more effective treatment and dosages
- Reduced medical care costs
- Hospital operation support
- Maintaining and raising the quality of medical care

Value for Society

- High-quality, low-cost testing
- Companion diagnostics for more effective treatment and dosages
- Reduced medical care costs
- Hospital operation support
- Maintaining and raising the quality of medical care

The Miraca Group Today

Providing value to people through our products and services for medical institutions
The Miraca Group’s Future

Our long-term strategy is to fortify our capital and contribute to addressing social issues

Financial capital
- Internal reserves, operating cash flow, borrowing, corporate bonds

Human capital
- Invest in cultivating our human resources

Intellectual capital
- Number of patents: Approximately 850

Manufacturing capital
- Invest in machinery and equipment

Society and related capital
- Business partnerships and M&A

Natural Capital
- LCA Design*

*Life Cycle Assessment (LCA) incorporates quantitative assessments of environmental impact at specific stages and throughout the lifecycles of products and services.

SDG targets

3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment


Our long-term strategy is to fortify our capital and contribute to addressing social issues.
Proactive investment for significant and sustainable growth

Existing businesses

- Proactively invest in R&D to achieve medium- to long-term growth
- Expand to emerging countries in addition to developed countries

R&D

- Proactively invest in R&D to achieve medium- to long-term growth

Global expansion

- Expand to emerging countries in addition to developed countries

Strategic alliances

- Promote Group integration and set the foundations for growth

Medium-term Plan “Transform! 2020” (April 2017 to March 2020)

Build foundation for significant and sustainable growth

Swift and sustainable growth strategy for strengthening current business areas and developing new domains

Shigekazu Takeuchi
Director, President and Group CEO
Miraca Holdings Inc.

Medium-term Plan “Transform! 2020” is Making Headway

The Medium-term Plan “Transform! 2020” reflects my ambition to transform the group by strengthening our foundation for swift and sustainable growth. This plan will reach completion in the fourth quarter of the fiscal year ending March 2020 (fiscal 2019).

Over the past two fiscal years, the Miraca Group has implemented many changes, bolstering existing businesses while investing in infrastructure and business foundation. This is spurring not only improved financial performance, but also Group synergies, organizational and operational reform, and employee motivation.

Since I took office as president, I have also tackled two problematic management issues. We canceled the IT project for our Clinical Laboratory Testing (CLT) business and sold our pathological testing operation in the United States. Meanwhile, we are fortifying our growth foundation through targeted investment and sweeping structural reforms in each of our business areas. I strongly believe that we are now progressing in the right direction despite a slow start that put us behind our initial schedule. I am committed to delivering material results to shareholders by reshaping the Group in a new corporate image.

In the fiscal year ended March 31, 2019 (fiscal 2018), sales declined due to divestment of the U.S. CLT operation, Miraca Life Sciences, Inc. If we discount that impact, however, it becomes clear that sales soared to a record high. This rise was driven by new customer acquisition and higher testing volume, despite greater-than-expected drops in CLT prices and delayed execution of measures in each business. The fruits of our investments and initiatives became particularly clear in the fourth quarter.

In our In Vitro Diagnostics (IVD) business, reagents sales are rising along with LUMIPULSE assay instrument deliveries in general, and of the large LUMIPULSE L2400 in particular. We also continue to expand in the OEM/raw materials (supply) business domains, as we solidify infrastructure to facilitate future sales growth.

Meanwhile, we began construction of New Central Laboratory which is vital for medium- to long-term Group growth. By building one of the world’s largest laboratories, we will have a framework to deliver the unrivaled value which customers desire in terms of cost and quality.

New possibilities are being born out of our other three key initiatives: R&D, strategic alliances, and global expansion. Basic research and open innovation, particularly at the Miraca Research Institute G.K. established in 2017, are already producing innovations with future growth potential. Overseas, our joint venture with Ping An Insurance (Group) Company of China, Ltd. is developing the Chinese CLT market while rapidly gaining ground in other projects.
The Miraca Group addresses four areas: human rights, labor, environment, and anti-corruption as stipulated in the UN Global Compact. The Miraca Group helps achieve the SDGs stipulated by the UN (p.12 and p.24).

Annual Dividend Payment (¥/share)

Japan's aging population and declining birthrate will demand increased social security expenditures in the national budget. Since the Miraca Group is currently engaged in business mainly within Japan's social security systems, I saw a clear need to change our business structure.

While executing our growth plan over the past two years I realized we could also provide value beyond the boundaries of institutionalized medicine. I decided to further expand the Group’s growth potential by strategically accessing and attracting this untapped market. The key would be leveraging our existing competencies and expertise in laboratory testing. By extending the functionality of our clinical testing technology we will become a comprehensive laboratory testing company. This will let us address needs in wellness and pre-symptomatic illness areas. At the same time, we will expand our overseas presence to grow in Asian markets in general and China in particular.

To realize this growth, we rely on employee engagement which we have worked to enhance over the past two years. Across the Group, this has engendered new enthusiasm, nimble responsiveness to changes in the market environment, and confidence in facing new challenges.

Going forward, we will leverage the Group’s unique strengths to meet the needs of the times. United with our employees, we will strive to bolster our existing businesses while nurturing new businesses to heighten corporate value.

CSR

In April 2019, we reviewed our CSR philosophy and affirmed our position of fulfilling our social responsibility through our business activities. To support this, I formed the Miraca Group CSR Committee, consisting mostly of Executive Officers, with myself as the chair. The Group’s businesses, particularly the CLT business which provides high-quality precision test results, plays an essential role in healthcare. We are committed to maintaining an uninterrupted supply of consistently excellent products and services, regardless of the circumstances.

The New Central Laboratory currently under construction is key to realizing this commitment. The building is designed to enhance efficiency, process optimization, and quality assurance. It is engineered for structural integrity and seismic isolation to maintain testing continuity in case of a major disaster.

In addition, the Group became a signatory to the United Nations Global Compact. This underlines our responsibility to meet fundamental responsibilities in four areas: human rights, labor, environment and anti-corruption. Going forward, we will continue to work toward creating sustainability and earning the trust of society by integrating SDGs into business activities.

Shareholder Returns

We are committed to consistent and stable dividends. For the duration of the current Medium-term Plan we are prioritizing growth-oriented investment, which necessitates temporarily lowering our profit forecast. Nevertheless, we plan to pay out an annual dividend of JPY 130 per share, the same as the last fiscal year. As called for by this Medium-term Plan, management is implementing measures to fortify our growth foundation dedicated to realizing greater corporate value and shareholder returns ahead. Carrying out this plan will, in turn, support the next Medium-term Plan, intended to increase sales and profits to sustain growth in corporate value. In this way, we will continue to do all in our power to earn the support and win the guidance of our shareholders and other stakeholders.
Message from the CFO

Enhancing corporate value by building on the momentum from our reforms and growth investment

Naoki Kitamura  
Director, Executive Officer and CFO  
Miraca Holdings Inc.

**Financial Policy**

In the first half of fiscal 2018, we completed our investment objectives to improve and update our equipment and facilities and have now pivoted to investing for growth. We are currently focusing on investing to grow the sales and streamline the operations of our existing businesses. Of particular note is that we have begun full-fledged investment in constructing the New Central Laboratory, which we aim to begin operating in spring 2021. Our investments in streamlining will include investment in IT, such as to incorporate AI and robotic process automation, that will not only make our operations more efficient but will also improve the quality of our products and services.

We procured funds for capital investment via loans, the issuance of straight bonds, and other methods in fiscal 2018. These resulted in a lower weighted average cost of capital (WACC). However, because we financed the land and construction for the New Central Laboratory through real estate loans rather than corporate finances, we still have significant borrowing capacity.

We will maintain strict financial discipline by considering our cash creation ability along with the ratio of net interest-bearing debt to EBITDA, while using the most appropriate methods to procure the funds needed to fulfill our growth investment objectives. Our policy remains to maintain a shareholders’ equity ratio of 50%.

**Key Financial Indicators**

We fell short of our performance targets for fiscal 2018, the second year of our current Medium-term Plan. However, signs are appearing that our momentum is starting to build. Results in the CLT business fell short of the plan but picked up in the fourth quarter and were up by over 6% year on year for the quarter. We are investing and applying strategies to keep this momentum going in fiscal 2019.

In fiscal 2019, sales and profit of the IVD business will be impacted by the recently ended contract with Japanese Red Cross Society. To prevent falling into a balanced contraction, we will strategically invest in areas aimed to expand earnings and promote business growth by allocating personnel to growth fields.

We will also continue strengthening our existing businesses and begin actively cultivating new businesses to drive earnings growth in fiscal 2020 and beyond. In these endeavors, we will put top priority on the sales growth rate with a focus on improving profits on an EBITDA base. We are also focused on steadily recovering ROE back above 10% from just over 5% in fiscal 2018.

Along with the sales growth rate, we will also use ROIC as a guide for raising corporate value. We plan to increase the economic value added (EVA) spread by raising ROIC while lowering WACC. We achieved positive EVA in fiscal 2018 and are aiming to further enhance EVA to increase our corporate value.

**To Our Shareholders**

Management views the slow progress toward fulfilling the targets in our Medium-term Plan with the utmost gravity. At the same time, I fully agree with our CEO’s decision to prioritize reform and to focus our direction. To achieve the corporate reform targeted in our Medium-term Plan, we have been aggressively investing to strengthen our existing businesses and lay the groundwork for future growth. We have also made significant progress in changing the Group’s overall mindset. I am confident that our efforts in each of these areas are starting to gain traction for the Group.

I aim to do my part to lead structural reform that will enable the Group to create a new dimension of value. I would like to ask for the continued understanding and support of our shareholders.
At our relaunch in fiscal 2017, the Miraca Group launched the Medium-term Plan “Transform! 2020” with various strategies aimed at generating significant and sustainable growth. In fiscal 2018, the Group procured capital to continue the previous year’s aggressive investing and spending to generate future growth and improved efficiency.

### Financial Status (Consolidated)

#### Assets

The Group’s assets as of the end of fiscal 2018 (March 31, 2019) amounted to ¥201.2 billion, an increase of ¥25.2 billion from the end of fiscal 2017 (March 31, 2018).

Current assets increased by ¥14.3 billion year on year to ¥89.6 billion, owing mainly to an increase in cash and cash on hand in anticipation of investments for further business growth.

Non-current assets increased by ¥10.8 billion year on year to ¥111.5 billion on the balance of declines from goodwill impairment associated with Miraca Life Sciences, Inc. (MLS), in fiscal 2015, the termination of an IT project in fiscal 2016, and the divestment of MLS in fiscal 2017, and increases from the aggressive capital investments in fiscal 2018 for future growth and to improve operating efficiency. As a result, compared to fiscal 2014, the amounts for intangible assets, such as goodwill, declined while property, plant and equipment, such as testing instruments, increased.

#### Intangible Assets / Property, Plant and Equipment

<table>
<thead>
<tr>
<th>Year</th>
<th>Intangible Assets</th>
<th>Property, Plant and Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>113.0</td>
<td>44.8</td>
</tr>
<tr>
<td>2015</td>
<td>111.6</td>
<td>44.1</td>
</tr>
<tr>
<td>2016</td>
<td>109.3</td>
<td>44.0</td>
</tr>
<tr>
<td>2017</td>
<td>107.4</td>
<td>42.8</td>
</tr>
<tr>
<td>2018</td>
<td>104.0</td>
<td>41.6</td>
</tr>
</tbody>
</table>

#### Liabilities

Liabilities increased by ¥25.4 billion to ¥88.3 billion in fiscal 2018 as a result of the several fund procurement activities conducted during the fiscal year. The Company procured funds through real estate financing for the ¥50.0 billion needed for the land and buildings for the New Central Laboratory and issued straight corporate bonds valued at ¥15.0 billion with the intention of using the funds for related guarantees and security deposits. The Company increased long-term loans by ¥17.6 billion and short-term loans by ¥10.0 billion to procure funds for investment to prepare a foundation for business growth and to foster new businesses aligned with the Medium-term Plan.

Regarding the investigation and lawsuit by the United States government, as per the contract concluded into at the time of divestment of MLS, the Company paid a civil settlement amount to the purchaser of MLS and recorded a decline in the provision for compensation loss of ¥9.9 billion from the previous fiscal year. The current ratio was 175.0%, and the fixed ratio was 98.7%.

#### Financial Discipline

At the end of fiscal 2018 (March 31, 2019), the equity ratio was 50.0%, and the ratio of net interest-bearing debt (excluding lease obligations) to EBITDA was 0.55. We will continue to use the equity ratio and net debt/EBITDA ratio as guidelines for financial decisions while seeking to maintain an equity ratio near 50%.
2 | Cash Flow

In fiscal 2018, cash flow from operating activities amounted to ¥16.2 billion. Net cash used in investing activities amounted to ¥34.9 billion, an increase of ¥13.3 billion from the previous fiscal year due to the acquisition of fixed assets, including IT investments, and a portion of the guarantee and security deposit payments related to the real estate financing for the New Central Laboratory. As a result, free cash flow was negative ¥18.7 billion.

Cash flow from financing activities amounted to ¥32.0 billion from the issuance of corporate bonds of funds free cash flow was negative ¥18.7 billion.

3 | Profit and Loss

Net sales amounted to ¥181.4 billion, a year on year decline of ¥14.0 billion largely due to the divestment of MLS in November 2017. Net sales increased by ¥2.6 billion when factoring out the impact of the divestment of MLS, which contributed ¥16.6 billion to sales in fiscal 2017. Operating profit amounted to ¥14.6 billion, a year on year decrease of ¥3.0 billion mainly due to equipment installation costs in the In Vitro Diagnostics business and increases in depreciation and R&D expenses. EBITDA*, which provides a more accurate indication of cash generation ability, was ¥24.4 billion, a year on year decline of ¥2.9 billion.

Net Sales

4 | ROE and ROIC

Profit attributable to owners of parent has remained at low levels for three years owing to extraordinary losses but improved to ¥6.4 billion in fiscal 2018, putting ROE at 5.7%. We will continue seeking to steadily recovering ROE back above 10%.

ROIC

The Company invested ¥5.9 billion in R&D in fiscal 2018. The R&D spending comprised primarily ¥4.8 billion in the In Vitro Diagnostics business centered on the development and commercialization of new reagent items for LUMIPULSE and ¥0.8 billion for basic research mainly at the Miraca Research Institute G.K. The Company will continue allocating funds to R&D as we consider it to be essential for the medium- and long-term business growth.

Research & Development

The current Medium-term Plan set an ROIC target of 8% for the plan’s final fiscal year of fiscal 2019; however, ROIC in fiscal 2018 was 6.3% as the decline in operating profit caused it to continue to decline. The profit decline was due to increased up-front spending aimed at generating growth in sales, and we expect the higher sales from these investments to boost profits and raise ROIC.

Research & Development Expenses
The Company established a social finance framework in July 2019 with the aim of using social financing as a method of procuring capital.

The framework, based on the Social Bond Principles of the International Capital Market Association, provides a structure for procuring funds to be used for projects seeking to provide solutions to social issues. Funds raised through the social financing were used to install equipment and IT systems for the Akiruno Project (see p. 35) and to fund R&D aimed at enhancing the quality of its testing services and advance the development of innovative technology.

Projects are selected to receive the funds upon a verification of the suitability by the Miraca Group CSR Committee and authorization by the Board of Directors. In addition, the Company received a third-party assessment to verify the appropriateness of the social finance framework by Rating & Investment Information, Inc., in what is referred to as the R&I Social Bond Opinion.

The Akiruno Project is a key facility to the Company’s medium- and long-term plans. We chose to use social financing for this project because using social financing to procure funds for a business activity like this raises stakeholder awareness of the social aspect of our operations and creates expectations that we will increase corporate value.

The Akiruno Project will engage in finding solutions to six social issues that are arising in Japan because of the changing demographic in the country’s population. 1. Demand to reduce social welfare costs (medical costs) 2. Demand to control clinical testing costs while maintaining the quality of medical care 3. Need for more comprehensive medical checkups, presymptomatic disease care (afflictions without symptoms but for which tests find abnormalities), and advanced medical care 4. Need for more comprehensive community-based healthcare 5. Disaster response (uninterrupted testing facility operations after earthquakes or other disasters) 6. Need for research and development that contributes to advanced medical care

**Contribution to Improving Society**

<table>
<thead>
<tr>
<th>Project</th>
<th>Contribution to improving society</th>
</tr>
</thead>
</table>
| Akiruno Project (New Central Laboratory) | • Reduced cost per test  
• Improved testing efficiency and 24-hour operations from automated general tests  
• Increased testing capacity with expanded processing capability  
• Higher testing quality  
• A facility and environment capable of handling testing for the latest medical care |
| Research & development         | • Establish new analytical techniques and minimally-invasive analysis technologies leading to improved and more varied testing technologies  
• R&D to improve advanced medical technology, such as in regenerative medicine and genetic testing  
• Establish technology bases to provide high-quality, low-cost advanced testing and medical care as technological advances make them available for practical application |

**The Akiruno Project’s Relation to SDGs**

<table>
<thead>
<tr>
<th>Goal</th>
<th>Summary of the most closely related SDG</th>
<th>Relation to the SDG</th>
</tr>
</thead>
</table>
| 3.8  | Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all | • Provide high-quality testing at low cost to contribute to controlled medical costs  
• Expand testing capacities associated with improved test processing capabilities  
• Control test costs for diagnostic tests of types not covered by insurance to increase the number of people receiving tests, contributing to improved access to tests  
• Create diversified tests and make preventive medical care more common through social participation/socially led research and development into minimally invasive/non-invasive testing, in-home testing, and de-hospitalizing |
| 5.2  | Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors | • Automate the patient receiving and testing process for greater productivity  
• Automation will reduce the risk of human error  
• Promote research and development contributing to advanced medical care and innovative testing technologies to contribute to optimal health care  
• Conduct research and development to further advance medical care technologies for regenerative medicine, genetic testing, etc. |
| 9.1  | Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all | • Adopt a base isolation structure for the New Central Laboratory to ensure uninterrupted services in the event of a natural disaster  
• Utilize scalable automated testing lines at the New Central Laboratory when business is interrupted in other regions to expand flexible testing capacity and provide an alternative testing structure (testing uninterrupted during natural disasters, contributing to the medical care infrastructure)  
• Build facility within five minutes of the Hinoke Interchange of the Metropolitan Inter-City Expressway, allowing multiple inbound/outbound routes for alternative routes if others are blocked during natural disasters) and ensuring good access for distribution in times of natural disaster  
• Create diversified tests and make preventive medical care more common through social participation/socially led research and development into minimally invasive/non-invasive testing, in-home testing, and de-hospitalizing (allow testing in a variety of locations) |

R&D and Intellectual Property

The rapidly changing medical and healthcare environment is making it increasingly vital to produce innovation that can contribute to realizing more effective medicines and treatments. The Miraca Group is constantly looking ahead to the medical and healthcare needs of the future and engaged in R&D to provide new value.

Group R&D Structure

Miraca Research Institute G.K. (MRI) is the center of the Group’s corporate R&D activities. Aiming for growth in the medium-to-long term, MRI conducts the basic research needed to generate a steady stream of ideas for future business. MRI also collaborates with entities both inside and outside the Group to stimulate innovation that will create the new businesses and technologies to drive the Group’s next-generation growth.

The R&D departments of the Group companies are continuing to advance the technologies they have cultivated to improve and enhance their products and services. They also apply the research results of MRI to develop competitive products and services.

Status of Main R&D Activities

MRI introduces new technologies, makes best use of Group R&D assets, and engages in active collaboration both inside and outside the Group to formulate new technological foundations. MRI conducts wide-ranging basic research and serves as the main hub for Group R&D activities to develop and optimize medical care in the following domains.

1. Innovative analysis platforms
We are exploring new minimal and non-invasive testing technologies and establishing detection principles to enable small-scale and quick analysis that will be used to develop preventive medicine and personalized medical care.

2. Medical innovation base technology
We are directing our research into the new realms related to microbiomes*, exosomes*, and regenerative medicine with the aim of constructing the base technologies for the next-generation of life science research and advanced medical care.

3. Medical information, bioinformatics, AI
We utilize medical data acquired during joint research with medical institutions and also conduct research activities related to AI. We also research and implement our unique AI and robotics technologies using Big Data (operational information) accumulated by the various medical services we provide on a daily basis.

We have already begun using AI technology in some of our testing processes and operations, which is helping to simplify and standardize our business processes. We will continue advancing the use of AI and robotics to deliver new value and services to the sites of medical practice. We will also continue to apply the strengths of the Group to create new technology bases that will contribute to higher quality and improved productivity in medical processes.

4. Open innovation and personnel development
We are actively collaborating and conducting joint research with research institutions, academia, venture firms, and others to swiftly develop technological innovations both inside and outside the Group for practical application. We are also cultivating the highly skilled and diverse professional personnel that will lead the future development of the healthcare industry.

*1 A microbiota is the microorganisms that make up the microflora living inside all animals, including humans. The full purpose of the microbiota in mucous membranes and the intestinal tract is not yet known, but research indicates that these microorganisms are a significant factor in the health or sickness of living organisms. The human microbiome is currently the subject of much research as a potential therapeutic target and treatment material.

*2 Exosomes are vesicles as small as 100 nanometers produced by cells and that hold various liquid substances, such as urine, sweat, and saliva. The protein, nucleic acid, metabolites, and other biological materials in these substances can be used as biomarkers of physiological activity of the vesicle, cell, and the patient. Exosomes are currently the subject of much research as a potential therapeutic target and treatment material.
**Clinical Laboratory Testing**

Led by SRL, we are pursuing early introduction and development of technology focusing on new and unique test items to meet the steadily growing demand for more sophisticated and complex testing technologies, such as for genome and DNA analysis.

The content of testing for medical care has changed significantly in recent years as the industry is undergoing a paradigm shift from focusing on the histological (morphological) classifications of diseases to gene mutation and genome information classification for individual patients (personalized medical care, precision medicine).

SRL is taking the industry lead in developing and introducing esoteric tests, such as for IDH1/2 genetic analysis, which is expected to become key in the diagnosis of glomas, tumors of the brain and spinal cord. The company has also been authorized by associated academic institutions as a testing facility for cord. The company has also been authorized by associated academic institutions as a testing facility for cord.

SRL and MRI are also actively working together to integrate AI, robotics, and other emerging technologies to further raise the standards of testing quality and technological capabilities1. We will continue contributing to the ongoing development of medical care by working to realize high quality, low cost testing and analysis technologies.

1 *We are integrating artificial intelligence technology to chromosome analysis and a wide range of testing processes, which is helping to standardize our business operations and shorten the time needed to report test results.*

**In Vitro Diagnostics**

In the IVD business centered on Fujirebio, which has over 50 years of experience in immunoassay-related domains, we develop unique and brand-new products, including low molecular sandwich immunoassays11 and iTACT®1-2.

As for our LUMIPULSE Series, we are continuing to expand the reagent menu in various testing categories. Fujirebio and MRI are also working together to develop next-generation immunoassay platforms.

The IVD business has a global structure enabling integrated development functions through its bases in Japan, the United States, and Europe. Overseas subsidiaries are engaged in leading product development, including a subsidiary in the United States offering world-class cancer testing products and a subsidiary in Belgium developing Alzheimer-related products.

1 *Existing immunoassays using low molecular sandwich immunoassay methods (non-competitive format, using two or more antibodies), which often focus on hormones or vitamins, are becoming increasingly problematic. The Miraca Group has applied its sophisticated antibody production technology and assay (reagent)-expertise to create a technological platform that makes it possible to conduct low molecular immunoassay using the same principles as the current methods but producing more accurate and highly reproducible measurements. We are planning to launch various products for the market using the technology followed by LUMIPULSE®25-OH vitamin D (non-competitive sandwich assay) currently on the market.*

1 *ITACT® (immunoassay for total antigen including complex via pretreatment) is an innovative technology developed by the Group that incorporates preprocessed specimens to enable more accurate measurements of the target substances than existing technologies. The Group plans to launch sales beginning with LUMIPULSE Thyroglobulin in fiscal 2019 and is preparing an abundant pipeline of products to roll out in fiscal 2020 and beyond that will contribute to more accurate diagnoses.*

**An Abundant Development Pipeline of Products for Various Applications**

(Examples of reagents to be marketed for LUMIPULSE® L2400)

- **Infectious diseases**
  - HCVAg
  - HBcAg

- **Thyroid diseases**
  - Thyroglobulin

- **Heart disease**
  - Myoglobin, CK-MB

- **Other endocines**
  - Renin, aldosterone

- **Tumor markers**
  - SCC

- **Bone related**
  - 25-OH vitamin D

- **Other**
  - Type IV collagen 7S
  - PGE-MUM, AAM, TDM

**Intellectual Assets**

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

**Highlight 1**

**Joint Research in New Liquid Biopsy Technology**

MRI and equity-method subsidiary of Miraca Holdings, Baylor Miraca Genetics Laboratories (BMGL), are engaging in open innovation inside and outside the Group to create new businesses that will drive our future growth. As part of that, in 2019 we entered a contractual agreement for industry-academia collaboration with the Baylor College of Medicine in Texas of the United States to elucidate the clinical significance of extracellular vesicles (EVs1). EVs are attracting much attention as key targets for “liquid biopsies”2, promising next-generation minimally invasive testing method.

MRI successfully developed technology enabling consistent extraction and accurate analysis of highly pure EVs from blood, urine, and other substances, which had been beyond the capabilities of existing technologies. In the joint research, MRI is providing proprietary technology and expertise from its research in EVs to BMGL, which is combining them with the advanced genome analysis methods of BMGL, and the Baylor College of Medicine to search and identify cancer-related biomarkers.

Our objective for carrying out this research in the United States, which is at the forefront of clinical use of liquid biopsy, is to shorten the timespan from verifying the clinical benefits to practical use in society and bring this less invasive diagnosis method to patients as quickly as possible.

1 EVs are small particles of about 100 nanometers shed by cells in the blood with proteins, DNA, RNA, lipids, metabolites, and other substances either inside or attached to their outer surface. EVs play an important role communicating between cells and are known to contribute particularly to the occurrence, metastasis, and infiltration of cancer.

2 Liquid biopsy is a method of analyzing cancer-derived substances in the blood, such as circulating tumor DNA. EVs are biomarkers that can be used for early detection and diagnosis of cancer.

**Highlight 2**

**Medical Mathematical Modeling Course Presented with the University of Tokyo**

The Miraca Group brought together MRI, SRL, and the University of Tokyo to present a special social collaboration course entitled “Medical Mathematical Modeling.” The course, which is being offered for three years at the University of Tokyo Graduate School of Frontier Sciences, explores the potential to use mathematical modeling to elucidate cancers and form cancer treatment strategies.

The course will apply our current knowledge to create and analyze an evolutionary dynamic model representing the progression mechanisms of pathologic conditions representative of cancer and seek to establish a mathematical rendering of cancer development and progression mechanisms. The Group is also conducting joint research with advanced medical and research institutions, such as the nearby National Cancer Center Hospital East, and verifying clinical data with the aim to lead innovation that will enable more detailed and accurate personalized medicine.

We will continue to join in collaborative research and cultivate personnel specializing in medical mathematical modeling to contribute to the development of personalized medical care for cancer and other diseases.
Special Feature 1 Progress of the Medium-term Plan

Advancing various measures to establish a growth trajectory, and widening our business domains for a new stage in our history

Medium-term Plan and fiscal 2019 Status

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen existing businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital investment in existing businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unify the Miraca Group</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Invest for future growth</td>
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Review

The Medium-term Plan “Transform’2020” sets a three-year period for building the foundation for significant and sustainable business growth and with specific strategies aimed at increasing sales. These strategies, when excluding the divestiture of the Miraca Life Sciences in November 2017, led to record high sales. The strong sales in the CLT business were achieved through new customer acquisitions and increased testing volume, which overcame price contraction. Our efforts to boost sales and attract new customers have accelerated the pace of our earnings growth, which was particularly noticeable in the second half of fiscal 2018.

Profits declined year on year in fiscal 2018 owing to the increase in depreciation costs arising from the investment to update existing facilities and the upfront investments geared toward future growth. We have completed our facility updates and plan to continue with growth investment to further broaden our customer base.

Medium-term Plan Targets

<table>
<thead>
<tr>
<th></th>
<th>Target revised May 10, 2018</th>
<th>FY2019 forecast</th>
<th>Difference</th>
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<tr>
<td>Net sales</td>
<td>207.0</td>
<td>191.0</td>
<td>-16.0</td>
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<tr>
<td>Operating profit</td>
<td>25.0</td>
<td>24.5</td>
<td>-0.5</td>
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<tr>
<td>EBITDA</td>
<td>38.0</td>
<td>26.5</td>
<td>-11.5</td>
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<tr>
<td>ROE</td>
<td>10% or more</td>
<td>6.8%</td>
<td>-</td>
</tr>
<tr>
<td>ROIC</td>
<td>8% or more</td>
<td>5.2%</td>
<td>-</td>
</tr>
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</table>

To fulfill the Medium-term Plan to lay the foundation for business growth, we determined that it was essential to make the Group more unified and took steps to renew the Group philosophy and integrate the systems, structures, and infrastructures of the Group companies. These measures already started showing signs of gaining traction by the end of the plan’s second year of fiscal 2018.

We believe that changing the mindset of employees is key to making our corporate transformation a success. The company CEO held special meetings to explain our policies and direct dialogues with all employees at our regional offices and subsidiaries. We also took steps to make work environments more physically and mentally comfortable to create a work atmosphere conducive to communication among employees. Our aim with these measures is to create a corporate culture where employees can have a positive approach to taking chances. We will continue to facilitate smooth internal communications and foster a positive mindset throughout the Group.

In fiscal 2018, we also saw completion of our active capital investment to fully establish our internal infrastructure and install new testing instrument operations. The sales promotions in each business, including the aggressive customer acquisitions in CLT and promotion of LUMIPULSE installment in IVD, enabled us to set a strong business foundation for future growth. We are now commencing full-fledged investment in our New Central Laboratory to make our existing businesses more efficient and to generate rapid and sustained business growth.

Plan for fiscal 2019 and the Future Outlook

In fiscal 2019, the final year of the Medium-term Plan, we anticipate falling short of our performance targets, although we expect to accelerate sales growth. Nevertheless, our reform for growth is steadily moving forward overall and our strategies are starting to produce results. We are now turning our focus to growth investment, including in the New Central Laboratory, to develop and cultivate new businesses for future growth.

Medical care in Japan has an increasing need for community-based healthcare, and the role of general practitioners (GPs) is growing as the country establishes a primary care physician system to reduce the burden on hospitals. In these conditions, one focus of our Medium-term Plan is to broaden our service offerings and strengthen our connections with GPs who will play an important role in realizing a fully functioning community-based healthcare structure. We will also leverage the Group’s assets to offer services in the in-home healthcare services domain, including home-visit nursing care.

Meanwhile, the Miraca Group will continue developing business areas outside the medical field. By horizontally expanding the technology and expertise we have accumulated in the clinical testing area, we will create high-quality testing services in the food products, environmental, and cosmetic testing domains with the objective of becoming a comprehensive testing company. In the wellness field, the Group will begin offering services to respond to the increasing need for pre-symptomatic care and self-medication.

Our global strategy is to focus on Asia for business growth. We plan to establish a business model similar to that in Japan to enter the Asian markets, especially China with its large population. We established a joint venture with China’s largest insurance company, the Ping An Insurance Group in February 2019. We look forward to developing business by integrating the Ping An Insurance Group’s extensive customer base and sales force with our strength in clinical testing technologies and expertise.
Highlight 1 | Increasing Business with General Practitioners

SRL opened the new concept, cutting-edge laboratory SRL Advanced Lab. Azabu in May 2018 to provide support to GPs in Tokyo, which has the fastest growing number of new GP clinics in the country. The laboratory conducts fully automated general testing processes using automated conveyance lines, collaborative robots, and other technologies enabling it to provide highly accurate testing results to medical institutions. The high degree of automation allows the laboratory to operate with minimal use of human resources.

In addition to the state-of-the-art testing processes, the laboratory also serves as a showroom so visiting GPs and other medical service providers can directly observe our clinical testing processes while also being introduced to our various services. Visitors can see the use of electronic medical records, the full process from a test request through results reporting, our IT-integrated testing instruments, Personal Health Record software, and online medical care tools supplied by the Miraca Group. The laboratory also provides opportunities for business discussions with medical device makers, electronic medical record suppliers, and pharmaceutical wholesalers. The laboratory’s technology and diverse capabilities are garnering strong praise from many visitors.

We will continue to build our customer base and expand our business by providing high-value-added services that increase convenience for both doctors and patients.

Highlight 2 | Broadening our Genetic Testing Services

The technical innovation and advances in leading medical care are creating new business opportunities for SRL in its field of specialty of esoteric testing on virtually a daily basis. The mission of the Miraca Group is to meet the growing need for supporting businesses related to cancer genome sequencing, new businesses in the regenerative medicine field, and other advancing and emerging areas in the medical industry.

In October 2018, SRL and the Shizuoka Cancer Center jointly established SRL & Shizuoka Cancer Center Collaborative Laboratories, Inc. in the clinical cancer sequence business. SRL also has an internal Cancer Genetics Strategy Office to ascertain medical and research institution needs and quickly organize a business operation to meet those needs. Examples of new operations include two types of cancer gene panel testing that became eligible under Japanese National Health Insurance in 2019. In addition, SRL started testing services for medical institutions through partnership agreements with Chugai Pharmaceutical Co., Ltd. for its FoundationOne®CDx Cancer Genome Profile and with Sysmex Corporation for its OncoGuide™ NCC OncpanelSystem for cancer genome profiling.

We will continue to increase earnings by expanding the clinical testing business, including through alliances with testing and pharmaceutical firms offering gene-related tests and analysis systems and programs, while contributing to advances in cancer treatment.

Highlight 3 | Launch of the Home-visit Nursing Business

The Miraca Group launched the home-visit nursing business through Care’x Inc. in October 2018 to meet the growing need for in-home support services accompanying government efforts to create a community-based integrated care system.

Under the Star-Q brand, the company provides home-visit nursing, home-visit long-term care, home care support from bases in the greater Tokyo and Osaka metropolitan areas. Each base’s home-visit nursing station and care plan center use information and communications technology to immediately share data between nurses and home caregivers as well as with non-medical service providers. A full suite of nurse education and training programs enables the company to improve its service quality and respond to a wide variety of patient needs.

The Group has expanded its business primarily by providing clinical testing services for medical institutions and testing centers. The home-visit nursing business is the Group’s first foray into a business-to-consumer (B2C) operation and seeks to provide high-quality services using its own approach and system to ensure quality and safety. We will also combine our medical care and nursing activities to provide new services that can only be realized under Group’s first foray into a business-to-consumer (B2C) operation and seeks to provide high-quality services using its own approach and system to ensure quality and safety. We will also combine our medical care and nursing activities to provide new services that can only be realized under Group’s first foray into a business-to-consumer (B2C) operation and seeks to provide high-quality services using its own approach and system to ensure quality and safety. 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Re-entering the Food, Environment, Cosmetics Testing Business

The Miraca Group has decided to re-enter the food, environment, and cosmetics testing business. Applying the technology and expertise we have accumulated in clinical laboratory testing, we aim to become a comprehensive testing company across a broader range of industries.

Although the specimens or samples to be tested are different, our testing expertise is ideally suited to analysis and reporting processes for quality management in these fields. In addition, the business operating efficiency provided by our Group infrastructure will allow us to immediately differentiate our services for testing speed and automation.

Miraca Vitas, Inc., a newly established subsidiary, started operations in June 2019 in this new field. We plan to use our strengths to expand the business with an initial focus on food product testing where we anticipate growing demand for gene and allergen testing.

Joint Venture with the Ping An Insurance Group of China

In February 2019, the Miraca Group established a clinical laboratory testing joint venture with China’s largest insurance company, the Ping An Insurance (Group) Company of China, Ltd.

The JV seeks to merge the Miraca Group’s technologies and expertise from its CLT business with the Ping An Insurance Group’s customer assets and sales capabilities to offer high-quality clinical testing services in the Chinese markets. The JV will also serve as a conduit for the Miraca Group to provide consulting and support services to the nationwide network of testing laboratories planned to be opened by the Ping An Insurance Group.

We provide our testing instruments and reagents for their laboratories, which will generate growing profits for the Miraca Group. This is part of our medium- to long-term business expansion plan to broaden the geographic base of our operations through partnerships and expand our business development centered on Asia.
The Miraca Group commenced full-fledged construction of a new central facility in Akiruno, Tokyo, in February 2019. Originally announced in June 2018, the Akiruno Project calls for building a cutting edge facility complex centered on the New Central Laboratory. When completed, the complex will vastly boost the Group’s technical capabilities and efficiency, and serve as a new base for general testing for the greater Tokyo area and esoteric testing for clients nationwide. We plan to make steady progress toward a launch of operations in spring 2021.

**Six Conditions for Construction**

The corporate mission of the Miraca Group is to “Create new value in Healthcare and contribute to the prosperity of people,” and we are taking steps to remain a company that society depends on well into the future. The Group is uniting to construct this state-of-the-art testing laboratory to realize the full force of our technical capabilities and operations. We will be able to conduct a wide range of basic research and develop products and services while fulfilling our social responsibilities to run environmentally sound operations and maintain a resilient business continuity plan (BCP).

The current SRL Hachioji Laboratory, which was built in 1980, has been expanded several times and is now at its limit in terms of space, and each addition has diminished its operating efficiency. Taking into account all factors, including the inefficiency of having laboratories scattered in various areas as well as the aging facilities and outdated core operating systems, management determined that the existing facility would not be able to sufficiently support the Group’s continuing growth and could hinder our ability to respond to changing business conditions. To ensure the new facility would be able to fulfill our needs in the new era, management set “Six Conditions” for the facility design.

*All images are artist renderings of the completed building

The Akiruno Project is a major undertaking for the Group with a total outlay of some ¥75 billion. The primary reason for choosing Akiruno in outer Tokyo as the site of the project is its close proximity to the Hinode Interchange of the Metropolitan Inter-City Expressway, enabling convenient access to the greater Tokyo area, including Tokyo International Airport (Haneda), and other major cities. The location thus offers the excellent accessibility to major air and land routes that is essential for delivering or receiving test specimens, which is key to the Group’s business. The recently completed major expressway is also designed with the latest engineering technology to be resilient in the event of a major disaster.

The laboratory grounds are an expansive 120,000 square meters surrounded by trees, providing a spacious setting for separate buildings housing the testing laboratories, R&D operations, administrative, and welfare activities. The Testing Laboratory Building will be able to handle more than double the testing volume of the current Hachioji laboratories, and the new operating system will support both general tests and esoteric tests. The basic research and development of products and services for the Group’s future business will be conducted in the R&D Building. The Administrative and Welfare Buildings will be part of an open facility allowing a greater number of visitors to observe not just our testing and research activities, but also visit our large multipurpose hall and conference rooms as well as a restaurant, and showroom.
Creating the World's Most Advanced Testing Laboratory

Design Concept
The design of the New Central Laboratory was guided by three concepts: connect, exhibit, and nurture. These reflect core qualities that the Miraca Group will be pursuing in its new businesses.

The new site will connect with people who visit the labs, with local communities, and with medical facilities, and it will connect technologies and ideas. It will be a place to exhibit our state-of-the-art laboratory and display technologies in the multipurpose hall and showroom. Finally, the site will provide a rich research environment and several training facilities to generate and nurture new ideas and the people that will shape our future. More than a testing facility, the new site will be a highly versatile research complex for a wide variety of activities.

In addition to these three concepts, we also considered the flow of the various processes that will occur at the site. The facility layouts are designed to promote efficient workflow for our personnel, but they are also devised to encourage laboratory workers and visitors to naturally engage in dialogue and stimulate ideas that could spark new concepts and products. We are seeking to create an overall environment that will inspire inventiveness and open doors to new possibilities.

The buildings are also designed to be resilient in the event of a disaster. The Group has a mission to be able to maintain uninterrupted testing operations for our clients in any circumstances, and we have taken every precaution to ensure our business continuity plan (BCP) initiatives are prepared for any circumstance. The Testing Laboratory Building and the R&D Building will be seismically isolated structures, and the Administrative and Welfare Buildings will be seismic structures equipped with emergency water storage tanks. The facility building will be engineered to have minimal shaking when earthquakes occur so testing operations can continue without interruption.

Building Data

<table>
<thead>
<tr>
<th>Facility</th>
<th>Testing Laboratory Building</th>
<th>R&amp;D Building</th>
<th>Administrative and Welfare Buildings</th>
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<tbody>
<tr>
<td>Size</td>
<td>46,000 m²</td>
<td>10,000 m²</td>
<td>10,000 m²</td>
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<td>Site area</td>
<td>122,000 m²/Total floor space: 66,000 m²</td>
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</table>

Addressing Social Issues
The New Central Laboratory will have a common integrat-ed system for all laboratories and a new core system with the latest technologies, including AI and IoT. This will vastly improve operating efficiency and quality over the current independent systems of each SRL laboratory.

- **The Future of Testing**
  With the R&D Building, we are seeking to create a new hot spot for the creation of research culture and innovation. To date, each Group company has carried out its own R&D, but we will concentrate the Group’s R&D functions into a single location. This will enable agile response to the changing industry structure and rapid technological advances and conduct the basic research needed to strengthen and broaden the Group’s technological foundation for the future. The R&D Building is designed to be where the Group’s corporate culture of research and innovation will take root so we can continuously sow seeds for future businesses. The building will also be a center where Group companies and outside institutions can join in open innovation to help address pressing medical and social problems. The facility will enable us to contribute in all aspects of the life sciences from biochemistry research to AI, information science, and manufacturing to meet the Group’s present needs and drive new business-es 10 years in the future.

- **A State-of-the-art Testing Facility**
  Our objective is for the new Testing Laboratory Building to house the most up-to-date testing labs with preeminent technical capabilities and efficiency.

  The most outstanding feature will be the full automation of our general testing operations. The complete process from specimen receipt, testing, and storage will be automated, which will not only increase efficiency, but will also eliminate human error and improve the quality of the tests. Full automation will enable 24-hour operation and next-day result reporting to clients. In addition, the increased testing capacity will enable us to accept more specimens from customers throughout the greater Tokyo area while the ability to handle a larger volume of tests will reduce costs.

  The architectural design will also give us scalability to add new technologies and swiftly pivot to meet esoteric testing needs in new domains. We will continue to develop the automation, robot, and AI technologies we have accumulated to further enhance the quality and improve the exceptional efficiency of the testing operations.
Business Segment Changes in Fiscal 2019

We newly established the Emerging New Business segment while revising the composition of the three existing segments based on their characteristics and scales in order to promote rapid and sustainable future growth. The Emerging New Business segment will focus on technology application and services development in areas other than our previous core focus of healthcare.

**Results for fiscal 2018**

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Net Sales (¥ billion)</th>
<th>Operating Profit (¥ billion)</th>
<th>Operating Profit Margin</th>
<th>Number of Employees (Perm.)</th>
<th>Number of Employees (Temp.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical Laboratory Testing</td>
<td>111.1</td>
<td>61.3%</td>
<td>181.4</td>
<td>14.6%</td>
<td>5,957</td>
</tr>
<tr>
<td>In Vitro Diagnostics</td>
<td>45.4</td>
<td>25.0%</td>
<td></td>
<td></td>
<td>1,116</td>
</tr>
<tr>
<td>Sterilization and Related Services</td>
<td>19.0</td>
<td>10.5%</td>
<td></td>
<td></td>
<td>1,181</td>
</tr>
<tr>
<td>Emerging New Business and others</td>
<td>5.9</td>
<td>3.3%</td>
<td></td>
<td></td>
<td>304</td>
</tr>
</tbody>
</table>

Note: Amounts have been rounded to the nearest ¥100 million.
1. Includes corporate expenses and intersegment eliminations.
2. Includes employees of Miraca Holdings Inc. and Miraca Research Institute G.K. The number of temporary employees indicates average personnel per year.
3. Ratio of operating profit to net sales for each business.
Clinical Laboratory Testing (CLT)

In our Clinical Laboratory Testing business, we analyze more than 200,000 specimens every day for medical institutions. We receive samples from hospitals, clinics, and other institutions, which are tested at Group laboratories as our Off-site testing business. Our In-hospital testing business not only runs testing laboratories within hospitals, but also handles everything from improving the efficiency of those operations, to offering training and high-value-added comprehensive consulting.

Results for Fiscal 2018

In terms of top line performance, as of November 2017, net sales declined as a result of divestment of Miraca Life Sciences, which performs anatomic pathology tests in the United States. Domestic net sales in the first half saw limited growth partly due to natural disasters. However, sales gradually increased from the second half thanks to sales gained from newly acquired customers, leading to an overall increase in revenue for the year.

As for bottom line performance, profits declined overall due to increased expenses, including the outlay of upfront costs for establishing a growth foundation and increased depreciation of capital investment, as well as a late onset of sales growth.

In accordance to the above, net sales totaled 108,084 million yen, an 11.4% decrease from last year, and operating profit came in at 4,637 million yen, down 38.2% over last year.

Plan for Fiscal 2019

We aim to increase net sales through efforts that involve making use of IT tools and the new satellite labs in the general practitioner market, and enhancing synergies with the IVD business in the in-hospital testing market. Moreover, we will expand our customer base and increase sales through connections with corporate health insurance associations within the medical checkup market.

In terms of transactions with existing customers, the average price contraction is expected to be 1.5% (3.5% contraction last year) as fiscal 2019 is not subject to medical fee revision that occurs every two years, while some customers have already signed multi-year contracts in the last year.

In terms of profits, upfront investment (expenses) to expand business in Asia totals around 700 million yen. We expect to see a recovery period for investments thus far in rationalization and aim to increase profits by accelerating operational optimization and fundamentally improving efficiency with the use of IT including AI and Robotic Process Automation (RPA).

Progress of Key Measures

Acquire General Practitioner Clients
The role of general practitioners is becoming increasingly important amid the trend toward differentiation of medical functions, linkages between healthcare and nursing care, and promotion of community-based integrated care systems. At the same time, as medical fees for general tests mainly conducted by general practitioners have already been reduced close to the lower limit, it is becoming harder to acquire customers by lowering prices. Given this background, we began offering IT tools which enhance convenience and cost reduction to differentiate ourselves while providing services in collaboration with outside parties with high-added value to both patients and physicians.

In addition, the development of satellite laboratories in the Greater Tokyo area is underway. In May 2018, we opened SRL Advanced Lab. Azabu, which functions as a show room, and makes it possible to handle fully automat ed processing with respect to general testing.

In terms of organizational aspects, we also launched sales organizations that target the general practitioner markets in Osaka and Fukuoka, following the Greater Tokyo area.

As a result, the net increase of general practitioner customers was 933 and the total sales in the same market increased by 2.5% year on year in fiscal 2018.

Proactive Investment in In-hospital Testing Business

As hospital management is becoming increasingly challenging, there has been mounting demand to achieve efficient operations of in-hospital testing. In light of this, we have acquired customers by offering proposal-based marketing on the basis of standardized packages centered on products of the IVD business. As a result, the net increase in customers was 33, and net sales increased by 3.0% year on year in fiscal 2018.

Going forward, we will enhance our relationship with customers and expand transactions of the off-site esoteric tests.

In-hospital Customers

Net Increase of General Practitioner Customers

Net Increase of In-hospital Customers

Plan for 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>(FY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>33</td>
<td></td>
</tr>
</tbody>
</table>

*Figures are for new business segment
As for top line performance, sales were on par with the previous year thanks to growth in mainstay Lumipulse reagents and robust growth in the OEM/raw materials supply business, despite the end of sales of certain overseas products and impact from fewer sales of manual products, including the drop in transient sales compared to last year.

In terms of bottom line performance, we posted higher profits compared to the previous year owing to changes in the product mix and other factors.

As a result, net sales increased 0.2% year on year to 45,399 million yen and operating profit rose 2.0% to 10,035 million yen.

Sales from our Lumipulse business increased 613 million yen to 19,460 million yen thanks to efforts to expand sales of our mainstay Lumipulse products.

In Japan, we mainly accelerated installations of Lumipulse L2400, the large-sized model, by collaborating with the CLT business, taking advantage of the opportunity presented by moves to upgrade large testing instruments in the hospital market. As a result, the Lumipulse series saw a net increase in installed instruments of 30 units in the Japan market. In addition, the percentage of large instruments to total installed instruments for the entire series in Japan was 31.2%, marking a 4.8% increase over the past two years.

Overseas, we saw a number of products installed in Europe as well as Asia, including China and India. This resulted in a net increase in installed Lumipulse series products of 117 units.

In our In Vitro Diagnostics business, we develop and manufacture in vitro diagnostic reagents and testing instruments, which we sell to medical institutions and clinical laboratories all over the world. Our Lumipulse series of flagship products features a fully automated chemiluminescent enzyme immunoassay system, and have been an integral part of clinical testing sites for more than a quarter century with its high quality and superior performance. In addition, our U.S. subsidiary supplies OEM reagents and raw materials (antibodies) to global diagnostic manufacturers.

Results for Fiscal 2018

Expand LUMIPULSE Business

Sales from our LUMIPULSE business increased 613 million yen to 19,460 million yen thanks to efforts to expand sales of our mainstay LUMIPULSE products.

In Japan, we mainly accelerated installations of LUMIPULSE L2400, the large-sized model, by collaborating with the CLT business, taking advantage of the opportunity presented by moves to upgrade large testing instruments in the hospital market. As a result, the LUMIPULSE series saw a net increase in installed instruments of 30 units in the Japan market. In addition, the percentage of large instruments to total installed instruments for the entire series in Japan was 31.2%, marking a 4.8% increase over the past two years.

Overseas, we saw a number of products installed in Europe as well as Asia, including China and India. This resulted in a net increase in installed LUMIPULSE series products of 117 units.

As for the LUMIPULSE business in Japan, in fiscal 2019, we expect to see a drop in sales of around 4,000 million yen and in profits of around 3,000 million yen over the previous year due to the completion of the agreement with the Japanese Red Cross Society for product sales and other factors. Following the completion, we will reallocate personnel toward reinforcement of our business in Japan and the pharmaceutical registration functions needed to speed up overseas expansion.

In the OEM/raw materials supply business, we expect to increase the workforce at our subsidiaries in the United States and Europe and outlay upfront costs as capital investments, aimed at further growth.

Progress of Key Measures

Expand OEM/Raw Materials Supply Business

The OEM/raw materials supply business saw net sales increase 852 million yen to 16,304 million yen thanks to normal business growth as well as some sales planned for fiscal 2019 that were brought forward.

With an eye on the future growth of the OEM business, we will promote the necessary capital investments and recruitment of talent.

Breakdown of LUMIPULSE Series Instruments Installed in Japan

Net Sales/Operating Profit

*Figures are for new business segment

Plan for Fiscal 2019

In the LUMIPULSE business, we will continue to focus on business growth both inside Japan and overseas. This includes development and launch of new reagents, promotion of packaged proposals with the CLT business, and sales expansion of LUMIPULSE in the China market through our joint venture with Ping An Insurance Group.

As for the LUMIPULSE business in Japan, in fiscal 2019, we expect to see a drop in sales of around 4,000 million yen and in profits of around 3,000 million yen over the previous year due to the completion of the agreement with the Japanese Red Cross Society for product sales and other factors. Following the completion, we will reallocate personnel toward reinforcement of our business in Japan and the pharmaceutical registration functions needed to speed up overseas expansion.

In the OEM/raw materials supply business, we expect to increase the workforce at our subsidiaries in the United States and Europe and outlay upfront costs as capital investments, aimed at further growth.

Net Sales/Operating Profit

*Figures are for new business segment
We decided to establish Sterilization and Related Services, which had been a part of the Healthcare Related Business segment, as an independent segment beginning in fiscal 2019, given the size of its sales and expectations for steady growth in the future.

We will realize sales growth by providing overall solutions with respect to challenges medical institutions are facing, with a focus on not only operating rooms but also central supply departments, while also enhancing our sterilization operations, which have long been a core service.

In addition, we will aim to increase profitability and make fundamental improvements to our labor-intensive business structure, by promoting the establishment of sterilization centers outside of hospitals and the automation of operations.

**Results for Fiscal 2018**

Net sales totaled 18,965 million yen (up 2.9% over the previous year) driven by the increase in sales from SPD operations and others. However, operating profit declined year over year owing to rising payroll costs.

**Plan for Fiscal 2019**

We will realize sales growth by providing overall solutions with respect to challenges medical institutions are facing, with a focus on not only operating rooms but also central supply departments, while also enhancing our sterilization operations, which have long been a core service.

In addition, we will aim to increase profitability and make fundamental improvements to our labor-intensive business structure, by promoting the establishment of sterilization centers outside of hospitals and the automation of operations.

<table>
<thead>
<tr>
<th>Net Sales/Operating Profit (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>Plan for 2019 (FY)</td>
</tr>
</tbody>
</table>

*Figures are for new business segment

*SPD: Supply, Processing, Distribution

The Sterilization and Related Services business provides a host of services that help to make hospital operations more efficient and support operational improvements by aiding surgery work and endoscopic rooms and product sales for existing customers (SPD*), with a focus on sterilization services for medical devices and equipment inside and outside hospitals.

**Establishment of the Emerging New Business Segment**

The Miraca Group has mainly engaged in businesses centered on clinical testing in healthcare domains covered by public health insurance. Starting from fiscal 2019, we will speed up our development of businesses, given the correlation with our long-standing expertise, technology and know-how as well as the growth potential of and changes in markets.

**Plan for Fiscal 2019**

We have re-entered the Food, environment, cosmetics testing business as a domain where we can apply the Group’s strengths of technology and know-how. We newly established Miraca Vitas, which commenced operations in June 2019.

To address such market changes as differentiation of medical care functions, promotion of community-based integrated care systems, and expanding in-home health-care services, we launched a Home-visiting nursing business under the brand named star-Q in October 2018. Looking ahead, we will accelerate business expansion in this domain by opening new offices.

In addition, we will reinforce the CRO business by investing in structural improvements that address the needs of customers.

Furthermore, we will expand into the wellness and pre-symptomatic illness domains. We will also aim for growth by harnessing group synergies with the CLT business and customer base of Selmesta, which we acquired in February 2019.

<table>
<thead>
<tr>
<th>Net Sales/Operating Profit (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>Plan for 2019 (FY)</td>
</tr>
</tbody>
</table>

*Figures are for new business segment
Compensation Committee

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 outside 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 independence. 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

General Shareholders' Meeting

Election/Dismissal

Board of Directors

Nominating Committee

Compensation Committee

Executive Officers

Chief Executive Officer

Executive Department

Internal Audit Department

Audit Committee

Accounting Auditor

Collaboration

Internal control audits, accounting audits

Internal audits

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Integrated Report 2019
Matters regarding management of risk of loss
Based on 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 Arisaka 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.

Fumitomi Arimura 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.

Naohiro 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.

Ryo Ito 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.

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.

<table>
<thead>
<tr>
<th>Title</th>
<th>Monetary Title</th>
<th>Shares</th>
<th>Monetary Title</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>President and CEO</td>
<td>0.44</td>
<td>0.11</td>
<td>0.22</td>
<td>0.00</td>
</tr>
<tr>
<td>Executive officer</td>
<td>0.56–0.66</td>
<td>0.07–0.09</td>
<td>0.20–0.23</td>
<td>0.07–0.13</td>
</tr>
<tr>
<td>Director (excluding directors serving concurrently as executive officer)</td>
<td>1.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

2) Basic compensation

Although the benchmark for compensation is their titles, compensation is paid to executive officers after taking into account how each of them has performed in 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 allotted 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 IVDb shall also take into account the evaluation of domestic CLT segment and IVDb segment performance, respectively. The breakdown of performance-based compensation by titles is as follows.

<table>
<thead>
<tr>
<th>Title</th>
<th>Consolidated group performance</th>
<th>Domestic CLT segment performance</th>
<th>IVDb segment performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>President and CEO</td>
<td>100%</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Executive officer</td>
<td>80%</td>
<td>60%</td>
<td>20%</td>
</tr>
<tr>
<td>Executive officer in charge of CLT</td>
<td>40%</td>
<td>60%</td>
<td>–</td>
</tr>
<tr>
<td>Executive officer in charge of IVDb</td>
<td>40%</td>
<td>–</td>
<td>60%</td>
</tr>
</tbody>
</table>

*1 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 reserved by the Board of Directors.

*2 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.

<table>
<thead>
<tr>
<th>Performance evaluation items</th>
<th>Performance evaluation indicator</th>
<th>Weight</th>
<th>Targets</th>
<th>Range of variation to payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated group performance</td>
<td>Consolidated net sales</td>
<td>70%</td>
<td>Year-on-year growth rate</td>
<td>0%–200%</td>
</tr>
<tr>
<td></td>
<td>Consolidated profit</td>
<td>30%</td>
<td>Absolute amount stipulated in advance</td>
<td>0% to no upper limit</td>
</tr>
<tr>
<td>Domestic CLT segment performance</td>
<td>Domestic CLT net sales</td>
<td>70%</td>
<td>Year-on-year growth rate</td>
<td>0%–200%</td>
</tr>
<tr>
<td></td>
<td>Domestic CLT operating profit</td>
<td>30%</td>
<td>Absolute amount stipulated in advance</td>
<td>0% to no upper limit</td>
</tr>
<tr>
<td>IVDb segment performance</td>
<td>IVDb net sales</td>
<td>70%</td>
<td>Year-on-year growth rate</td>
<td>0%–200%</td>
</tr>
<tr>
<td></td>
<td>IVDb operating profit</td>
<td>30%</td>
<td>Absolute amount stipulated in advance</td>
<td>0% to no upper limit</td>
</tr>
</tbody>
</table>

Note: With regard to net sales indicators, if targets are 100% achieved then 100% of the standard amount will be paid, so that if 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.

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

As is the case with the performance-linked share-based compensation scheme 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, 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 × Performance-linked coefficient

Performance-linked coefficient

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

Note: The objectives of the Company’s current Medium-term Plan are “growth in net sales,” “reappraisal of profit 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 prolonged as a period for performance targets. Therefore, this explains the setting of the performance-linked coefficient laid out above.

1) Standard points are calculated by dividing the standard amount of trust-type share-based compensation determined for each title, by the exchange ratios of 3,090 per share on the day before July 21, 2017, the data on which the Compensation Committee realized the details of the trust-type share-based compensation scheme.

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

(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

<table>
<thead>
<tr>
<th>Condition</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>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”).</td>
</tr>
<tr>
<td>2</td>
<td>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.</td>
</tr>
<tr>
<td>3</td>
<td>Cases where the individual dies during the target period</td>
</tr>
<tr>
<td>4</td>
<td>Cases where the individual becomes a non-resident of Japan during the target period</td>
</tr>
<tr>
<td>5</td>
<td>Cases where, at the time the scheme is abolished, the individual is serving in any of the positions of an eligible officer</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Condition</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cases where there have been material violations of the individual’s responsibilities as an executive officer, or material violations of internal rules.</td>
</tr>
<tr>
<td>2</td>
<td>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).</td>
</tr>
<tr>
<td>3</td>
<td>Cases where the individual is dismissed due to behavior corresponding to a reason for the dismissal of an executive officer</td>
</tr>
<tr>
<td>4</td>
<td>Cases where the individual takes up work at a competitor without the approval of the Company</td>
</tr>
</tbody>
</table>
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 decision

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.

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.

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 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 the 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 CLTs 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,
securing the safety 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 creditability 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 process 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 equity markets, the Company has established disclosure regulations and an IR policy to avoid selective disclosure of material information.
**ESG Information**

**Directors and Officers (As of June 21, 2019)**

### Director

**Shigekazu Takeuchi**
Director, President and Group CEO

1. October 11, 1953; 2) 8,759 shares; 3) 5 years;
4) Board of Directors meetings: 100% (13/13); Meetings of Nominating Committee: 100% (7/7); Meetings of Compensation Committee: 100% (7/7)

**Naoki Kitamura**
Director, Executive Officer and CFO

1. November 28, 1970; 2) 4,413 shares; 3) 1 year;
4) Board of Directors meetings: 100% (13/13)

**Miyuki Ishiguro**

1. October 28, 1964; 2) 0 shares; 3) 6 years;
4) Board of Directors meetings: 100% (13/13); Meetings of Audit Committee: 100% (7/7); Meetings of Compensation Committee: 100% (7/7)

**Ryoji Itoh**

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

### Outside Director

**Shigehiro Aoyama**

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

**Futomichi Amano**

1. August 35, 1953; 2) 0 shares; 3) 2 years;
4) Board of Directors meetings: 100% (13/13); Meetings of Audit Committee: 100% (7/7)

**Sessumu Yamauchi**

1. October 1, 1946; 2) 500 shares; 3) 3 years;
4) Board of Directors meetings: 100% (13/13); Meetings of Audit Committee: 100% (7/7)

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

(As of June 21, 2019)

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**Executive Officer**

**Shigekazu Takeuchi**  
President and Group CEO

**Yoshihiro Ashihara**  
Executive Officer (IVD)

**Shunichi Higashi**  
Executive Officer (CLT)

**Naoki Kitamura**  
Executive Officer and CFO

**Legal Affairs and Corporate Communications**

**Hiroaki Kimura**  
Executive Officer (General Affairs and Information Technology)

**Legal Affairs and Corporate Communications**

**Kazuya Omi**  
Executive Officer (Research and Development)

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**Shigeto Ohtsuki**  
Executive Officer (Human Resources)

**Tadashi Hasegawa**  
Executive Officer (Corporate Planning and Management)

**Executive Officer**

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. 2012 Executive Officer, the Company (incumbent)
- Nov. 2011 Director, Innogenetics N.V. (current: Fujirebio Europe N.V.)
- Jun. 2013 Director, Corporate Management Division, the Company (incumbent)
- Jan. 2017 General Manager, Business Strategy Department, the Company
- Jan. 2017 Division Head, Corporate Management Division, the Company (incumbent)
- Mar. 2018 Director, Division Head, Corporate Planning & Management Division, the Company (incumbent)
- Jun. 2018 Executive Officer, the Company (incumbent)

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Born on November 12, 1961

- Apr. 1994 Joined Fujirebio, Inc.
- Sep. 1991 Manager, Hitachi America, Ltd.
- Jun. 1999 Manager, General Electric Japan, Ltd.
- Jan. 2001 Corporate Officer, HR Administration Director, GE Flex 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)

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Born on December 25, 1961

- Apr. 1994 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

<table>
<thead>
<tr>
<th>Committee</th>
<th>Total members</th>
<th>Inside directors</th>
<th>Outside directors</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominating Committee</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>Outside</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>Outside</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>Outside</td>
</tr>
</tbody>
</table>

### 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.

### 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.

### 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.
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.

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.

The 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.

### 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 CSR Committee comprises six subcommittees:

- **Environmental Subcommittee**
  - Environmental Policy
  - Policies connected to each company’s Environmental Management System
  - Product life cycle assessment
  - Environmentally responsible operations

- **Human Rights & Human Resources Subcommittee**
  - Human Rights Policy
  - Diversity Policy
  - Occupational Health and Safety Policy
  - Health Declaration
  - Comfortable work environment
  - Employee development
  - Human rights and diversity

- **Procurement Subcommittee**
  - Procurement Policy
  - Basic Policy on Business Partner Selection
  - Supply chain management

- **Communication Subcommittee**
  - Communication Policy
  - Appropriate product and service information disclosure

- **Philanthropy Subcommittee**
  - Philanthropy Policy
  - Social health and well-being
  - Partnership with communities

- **BCP Subcommittee**
  - BCP Policy
  - Stable and responsive supply, reinforced testing systems

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The Miraca Group Management Philosophy
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, 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 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.

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.

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.

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.

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.

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.

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.
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-CO2.

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

Environmental Performance

Vehicle Fuel Efficiency at SRL

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel efficiency</td>
<td>16.0km/L</td>
<td>16.4km/L</td>
<td>16.8km/L</td>
</tr>
<tr>
<td>Year on year improvement</td>
<td>+1.9%</td>
<td>+2.5%</td>
<td>+2.4%</td>
</tr>
<tr>
<td>Assessment</td>
<td>Achieved</td>
<td>Achieved</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

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

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

- Development, marketing: Promote fuel-efficient driving
- Production: Developed environmentally-friendly products
- Logistics: Reduce laboratory energy consumption
- Sales: Prevent pollution through comprehensive waste management
- Test results reporting: Expand the use of digital reporting

Material Balance (fiscal 2018)

<table>
<thead>
<tr>
<th></th>
<th>Input</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specially controlled material</td>
<td>1,640 t</td>
<td>0 t</td>
</tr>
<tr>
<td>Industrial waste</td>
<td>1,241 t</td>
<td>334 t</td>
</tr>
<tr>
<td>Waste disposal</td>
<td>1,094 t</td>
<td>293 t</td>
</tr>
<tr>
<td>Industrial waste</td>
<td>1,094 t</td>
<td>293 t</td>
</tr>
<tr>
<td>Industrial waste</td>
<td>1,094 t</td>
<td>293 t</td>
</tr>
<tr>
<td>Water resource usage</td>
<td>1,350,000 m3</td>
<td>5,800,000 m3</td>
</tr>
</tbody>
</table>

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

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.

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.
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.

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

<table>
<thead>
<tr>
<th>Award category</th>
<th>Year started</th>
<th>Number of recipients</th>
<th>Amount awarded (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research subsidies</td>
<td>FY1981</td>
<td>306</td>
<td>220</td>
</tr>
<tr>
<td>Koichiro Fujita Award</td>
<td>FY2003</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>Nozomu Kosakai Award</td>
<td>FY1990</td>
<td>29</td>
<td>10</td>
</tr>
</tbody>
</table>

Employee Volunteer Activities in Fiscal 2018

- 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
- 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)


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.

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).
Consolidated Management Indicators (Numbers less than one million yen omitted)

### Financial Indicators

<table>
<thead>
<tr>
<th>Financial Indicators</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (¥ million)</td>
<td>204,667</td>
<td>211,743</td>
<td>204,245</td>
<td>195,400</td>
<td>181,419</td>
</tr>
<tr>
<td>EBITDA(^1) (¥ million)</td>
<td>42,255</td>
<td>41,044</td>
<td>41,181</td>
<td>27,287</td>
<td>24,353</td>
</tr>
<tr>
<td>Operating profit (¥ million)</td>
<td>27,012</td>
<td>26,050</td>
<td>28,057</td>
<td>17,648</td>
<td>14,648</td>
</tr>
<tr>
<td>Ordinary profit (¥ million)</td>
<td>26,566</td>
<td>23,782</td>
<td>26,385</td>
<td>16,567</td>
<td>11,524</td>
</tr>
<tr>
<td>Profit (loss) attributable to owners of parent (¥ million)</td>
<td>16,002</td>
<td>-5,081</td>
<td>333</td>
<td>257</td>
<td>6,386</td>
</tr>
<tr>
<td>Total assets (¥ million)</td>
<td>262,203</td>
<td>237,296</td>
<td>213,926</td>
<td>176,068</td>
<td>201,234</td>
</tr>
<tr>
<td>Net assets (¥ million)</td>
<td>171,851</td>
<td>155,700</td>
<td>148,087</td>
<td>113,225</td>
<td>112,973</td>
</tr>
<tr>
<td>Net cash (debt) (¥ million)</td>
<td>296</td>
<td>9,445</td>
<td>29,247</td>
<td>16,144</td>
<td>-13,187</td>
</tr>
<tr>
<td>Cash flows from operating activities (¥ million)</td>
<td>29,261</td>
<td>29,316</td>
<td>36,436</td>
<td>15,767</td>
<td>16,244</td>
</tr>
<tr>
<td>Cash flows from investing activities (¥ million)</td>
<td>-27,974</td>
<td>-11,965</td>
<td>-8,539</td>
<td>-21,502</td>
<td>-34,902</td>
</tr>
<tr>
<td>Cash flows from financing activities (¥ million)</td>
<td>-9,980</td>
<td>-12,115</td>
<td>-23,158</td>
<td>-9,636</td>
<td>31,973</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period (¥ million)</td>
<td>27,286</td>
<td>31,745</td>
<td>35,047</td>
<td>20,444</td>
<td>33,688</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>10.2</td>
<td>12.3</td>
<td>13.7</td>
<td>9.0</td>
<td>8.1</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>9.7</td>
<td>-3.1</td>
<td>0.2</td>
<td>0.2</td>
<td>5.7</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>10.5</td>
<td>9.5</td>
<td>11.7</td>
<td>8.5</td>
<td>6.1</td>
</tr>
<tr>
<td>ROIC (%)</td>
<td>7.9</td>
<td>7.9</td>
<td>9.5</td>
<td>7.2</td>
<td>6.3</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>65.5</td>
<td>65.5</td>
<td>69.1</td>
<td>64.2</td>
<td>56.0</td>
</tr>
<tr>
<td>Basic earnings (loss) per share (¥ million)</td>
<td>274.82</td>
<td>-89.21</td>
<td>5.84</td>
<td>4.51</td>
<td>111.34</td>
</tr>
<tr>
<td>Net assets per share (¥)</td>
<td>3,016.78</td>
<td>2,727.81</td>
<td>2,592.04</td>
<td>1,797.78</td>
<td>1,980.27</td>
</tr>
<tr>
<td>Research &amp; development expenses (¥ million)</td>
<td>5,384</td>
<td>5,702</td>
<td>4,748</td>
<td>5,365</td>
<td>5,937</td>
</tr>
<tr>
<td>Capital expenditure (¥ million)</td>
<td>14,916</td>
<td>12,117</td>
<td>9,017</td>
<td>26,221</td>
<td>17,768</td>
</tr>
<tr>
<td>Depreciation (¥ million)</td>
<td>11,203</td>
<td>11,287</td>
<td>10,499</td>
<td>7,842</td>
<td>8,692</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>33.5</td>
<td>—</td>
<td>1,952.1</td>
<td>2,882.5</td>
<td>116.1</td>
</tr>
<tr>
<td>Dividends per share (¥)</td>
<td>92</td>
<td>110</td>
<td>114</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>Number of shares issued              (Share)</td>
<td>57,137,966</td>
<td>57,246,866</td>
<td>57,287,166</td>
<td>57,334,183</td>
<td>57,361,385</td>
</tr>
<tr>
<td>Number of treasury shares at end of period (Share)</td>
<td>248,069</td>
<td>250,435</td>
<td>251,376</td>
<td>253,080</td>
<td>404,381</td>
</tr>
</tbody>
</table>

\(^1\) EBITDA = Operating profit + Depreciation + Amortization of goodwill

### Non-Financial Indicators

#### Greenhouse gas (GHG) emissions (Scope 1, 2, and 3) \(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(t-CO(_2))</td>
<td>289,809</td>
<td>323,984</td>
<td>350,464</td>
</tr>
<tr>
<td>(1,000 kWh)</td>
<td>43,784</td>
<td>43,164</td>
<td>40,909</td>
</tr>
<tr>
<td>(L)</td>
<td>1,909</td>
<td>1,784</td>
<td>1,697</td>
</tr>
<tr>
<td>(1,000 m(^3))</td>
<td>223</td>
<td>217</td>
<td>209</td>
</tr>
<tr>
<td>(years old)</td>
<td>44.6</td>
<td>42.9</td>
<td>42.5</td>
</tr>
<tr>
<td>(Years)</td>
<td>14.2-10.6</td>
<td>14.3-11.1</td>
<td></td>
</tr>
</tbody>
</table>

#### Gender ratio \(^3\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>63.37</td>
<td>36.63</td>
</tr>
<tr>
<td>FY2017</td>
<td>63.97</td>
<td>36.13</td>
</tr>
<tr>
<td>FY2018</td>
<td>64.36</td>
<td>35.64</td>
</tr>
</tbody>
</table>

#### Ratio of female managers \(^3\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>10.0</td>
</tr>
<tr>
<td>FY2017</td>
<td>11.8</td>
</tr>
<tr>
<td>FY2018</td>
<td>14.1</td>
</tr>
</tbody>
</table>

#### Ratio of females in new graduate hires \(^3\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>60.0</td>
</tr>
<tr>
<td>FY2017</td>
<td>57.6</td>
</tr>
<tr>
<td>FY2018</td>
<td>62.4</td>
</tr>
</tbody>
</table>

#### Ratio of employees returning to work after maternity or parental leave \(^3\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>10.0</td>
</tr>
<tr>
<td>FY2017</td>
<td>10.0</td>
</tr>
<tr>
<td>FY2018</td>
<td>10.0</td>
</tr>
</tbody>
</table>

#### Average monthly overtime work \(^3\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>21.5</td>
</tr>
<tr>
<td>FY2017</td>
<td>19.0</td>
</tr>
</tbody>
</table>

\(^2\) Total for Fujitsu and SRL

\(^3\) Permanent employees of Miraca Holdings, Fujitsu, and SRL
## Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of March 31, 2018</th>
<th>As of March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>20,455</td>
<td>33,699</td>
</tr>
<tr>
<td>Notes and accounts receivable – trade</td>
<td>31,896</td>
<td>34,145</td>
</tr>
<tr>
<td>Lease investment assets</td>
<td>974</td>
<td>737</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>4,881</td>
<td>5,302</td>
</tr>
<tr>
<td>Work in process</td>
<td>4,573</td>
<td>5,429</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>5,087</td>
<td>5,212</td>
</tr>
<tr>
<td>Other</td>
<td>8,025</td>
<td>5,260</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>-160</td>
<td>-128</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>75,334</td>
<td>89,649</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>48,794</td>
<td>53,146</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-35,468</td>
<td>-36,432</td>
</tr>
<tr>
<td>Buildings and structures, net</td>
<td>13,326</td>
<td>16,714</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>14,663</td>
<td>14,875</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-11,824</td>
<td>-11,716</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles, net</td>
<td>2,838</td>
<td>3,159</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>41,933</td>
<td>46,711</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-29,353</td>
<td>-27,364</td>
</tr>
<tr>
<td>Tools, furniture and fixtures, net</td>
<td>12,579</td>
<td>19,346</td>
</tr>
<tr>
<td>Land</td>
<td>9,710</td>
<td>11,008</td>
</tr>
<tr>
<td>Leased assets</td>
<td>8,744</td>
<td>7,194</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-5,301</td>
<td>-4,776</td>
</tr>
<tr>
<td>Leased assets, net</td>
<td>3,243</td>
<td>2,417</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>7,108</td>
<td>2,107</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment</strong></td>
<td>48,807</td>
<td>54,753</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>2,192</td>
<td>2,029</td>
</tr>
<tr>
<td>Customer-related intangible assets</td>
<td>1,249</td>
<td>1,105</td>
</tr>
<tr>
<td>Software</td>
<td>2,641</td>
<td>5,445</td>
</tr>
<tr>
<td>Leased assets</td>
<td>183</td>
<td>431</td>
</tr>
<tr>
<td>Other</td>
<td>5,100</td>
<td>6,086</td>
</tr>
<tr>
<td><strong>Total intangible assets</strong></td>
<td>11,368</td>
<td>15,098</td>
</tr>
<tr>
<td><strong>Investments and other assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>14,274</td>
<td>14,598</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>17,766</td>
<td>14,251</td>
</tr>
<tr>
<td>Other</td>
<td>8,540</td>
<td>12,825</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>-22</td>
<td>-22</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>40,558</td>
<td>41,653</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>100,733</td>
<td>111,506</td>
</tr>
<tr>
<td><strong>Deferred assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond issuance cost</td>
<td>—</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total deferred assets</strong></td>
<td>—</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>176,068</td>
<td>201,234</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>As of March 31, 2018</th>
<th>As of March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable – trade</td>
<td>9,368</td>
<td>10,396</td>
</tr>
<tr>
<td>Electronically recorded obligations – operating</td>
<td>1,194</td>
<td>1,278</td>
</tr>
<tr>
<td>Short-term loans payable</td>
<td>—</td>
<td>10,000</td>
</tr>
<tr>
<td>Current portion of long-term loans payable</td>
<td>1,999</td>
<td>6,477</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>644</td>
<td>816</td>
</tr>
<tr>
<td>Accounts payable – other</td>
<td>14,834</td>
<td>7,880</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>1,122</td>
<td>1,066</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>5,237</td>
<td>6,054</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>41,439</td>
<td>51,242</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>—</td>
<td>15,000</td>
</tr>
<tr>
<td>Long-term loans payable</td>
<td>2,299</td>
<td>15,398</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>3,160</td>
<td>2,225</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>125</td>
<td>85</td>
</tr>
<tr>
<td>Retirement benefit liability</td>
<td>3,117</td>
<td>2,284</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>618</td>
<td>649</td>
</tr>
<tr>
<td>Provision for stocks payment</td>
<td>—</td>
<td>52</td>
</tr>
<tr>
<td>Provision for compensation loss</td>
<td>10,395</td>
<td>481</td>
</tr>
<tr>
<td>Other</td>
<td>1,686</td>
<td>840</td>
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<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>21,403</td>
<td>37,018</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>62,842</td>
<td>88,261</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>9,066</td>
<td>9,113</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>24,785</td>
<td>24,835</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>81,637</td>
<td>80,601</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>-1,235</td>
<td>-1,631</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>114,257</td>
<td>112,920</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>310</td>
<td>345</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>-756</td>
<td>-81</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>-803</td>
<td>-393</td>
</tr>
<tr>
<td><strong>Total accumulated other comprehensive income</strong></td>
<td>-1,248</td>
<td>-129</td>
</tr>
<tr>
<td><strong>Share acquisition rights</strong></td>
<td>217</td>
<td>182</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>113,225</td>
<td>111,913</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>176,068</td>
<td>201,234</td>
</tr>
</tbody>
</table>
### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th>Fiscal year ended March 31, 2018</th>
<th>Fiscal year ended March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>195,400</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>122,948</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>72,452</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>54,854</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>17,646</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>62</td>
</tr>
<tr>
<td>Dividend income</td>
<td>16</td>
</tr>
<tr>
<td>Dividend income of insurance</td>
<td>157</td>
</tr>
<tr>
<td>Gain on investments in capital</td>
<td></td>
</tr>
<tr>
<td>Rent income</td>
<td>43</td>
</tr>
<tr>
<td>Fiduciary obligation fee</td>
<td>82</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>222</td>
</tr>
<tr>
<td><strong>Total non-operating income</strong></td>
<td>584</td>
</tr>
<tr>
<td><strong>Ordinary profit</strong></td>
<td>16,567</td>
</tr>
<tr>
<td><strong>Extraordinary income</strong></td>
<td></td>
</tr>
<tr>
<td>Gain on sales of non-current assets</td>
<td>13</td>
</tr>
<tr>
<td>Gain on sales of investment securities</td>
<td>5</td>
</tr>
<tr>
<td>Gain on sales of shares of subsidiaries and associates</td>
<td>—</td>
</tr>
<tr>
<td>Gain on reversal of share acquisition rights</td>
<td>7</td>
</tr>
<tr>
<td>Reversal of provision for compensation loss</td>
<td>—</td>
</tr>
<tr>
<td>Gain on revision of retirement benefit plan</td>
<td>21</td>
</tr>
<tr>
<td>Reversal of foreign currency translation adjustment</td>
<td>27,467</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>71</td>
</tr>
<tr>
<td><strong>Total extraordinary income</strong></td>
<td>21,045</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34,112</td>
</tr>
<tr>
<td><strong>Income taxes – deferred</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total income before taxes</strong></td>
<td>7,092</td>
</tr>
<tr>
<td><strong>Income taxes – current</strong></td>
<td>1,839</td>
</tr>
<tr>
<td><strong>Income taxes – deferred</strong></td>
<td>5,380</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td>7,219</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>257</td>
</tr>
<tr>
<td><strong>Profit attributable to owners of parent</strong></td>
<td>257</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Changes in Equity

<table>
<thead>
<tr>
<th>Fiscal year ended March 31, 2018</th>
<th>Fiscal year ended March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>16,371</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>16,371</td>
</tr>
<tr>
<td><strong>Dividends of surplus</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Issuance of excess shares</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Issuance of new shares</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Issuance of new shares</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total changes of items during period</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net changes of items other than shareholders’ equity</strong></td>
<td>6,386</td>
</tr>
<tr>
<td><strong>Balance at end of current period</strong></td>
<td>182,761</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th>Fiscal year ended March 31, 2018</th>
<th>Fiscal year ended March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>195,400</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>122,948</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>72,452</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>54,854</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>17,646</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>62</td>
</tr>
<tr>
<td>Dividend income</td>
<td>16</td>
</tr>
<tr>
<td>Dividend income of insurance</td>
<td>157</td>
</tr>
<tr>
<td>Gain on investments in capital</td>
<td></td>
</tr>
<tr>
<td>Rent income</td>
<td>43</td>
</tr>
<tr>
<td>Fiduciary obligation fee</td>
<td>82</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>222</td>
</tr>
<tr>
<td><strong>Total non-operating income</strong></td>
<td>584</td>
</tr>
<tr>
<td><strong>Ordinary profit</strong></td>
<td>16,567</td>
</tr>
<tr>
<td><strong>Extraordinary income</strong></td>
<td></td>
</tr>
<tr>
<td>Gain on sales of non-current assets</td>
<td>13</td>
</tr>
<tr>
<td>Gain on sales of investment securities</td>
<td>5</td>
</tr>
<tr>
<td>Gain on sales of shares of subsidiaries and associates</td>
<td>—</td>
</tr>
<tr>
<td>Gain on reversal of share acquisition rights</td>
<td>7</td>
</tr>
<tr>
<td>Reversal of provision for compensation loss</td>
<td>—</td>
</tr>
<tr>
<td>Gain on revision of retirement benefit plan</td>
<td>21</td>
</tr>
<tr>
<td>Reversal of foreign currency translation adjustment</td>
<td>27,467</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>71</td>
</tr>
<tr>
<td><strong>Total extraordinary income</strong></td>
<td>21,045</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34,112</td>
</tr>
<tr>
<td><strong>Income taxes – deferred</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total income before taxes</strong></td>
<td>7,092</td>
</tr>
<tr>
<td><strong>Income taxes – current</strong></td>
<td>1,839</td>
</tr>
<tr>
<td><strong>Income taxes – deferred</strong></td>
<td>5,380</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td>7,219</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>257</td>
</tr>
<tr>
<td><strong>Profit attributable to owners of parent</strong></td>
<td>257</td>
</tr>
</tbody>
</table>
## Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th>Fiscal year ended March 31, 2018</th>
<th>Fiscal year ended March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before income taxes</td>
<td>-7,083</td>
</tr>
<tr>
<td>Depreciation</td>
<td>7,842</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>28,076</td>
</tr>
<tr>
<td>Gain on investments in capital</td>
<td>-589</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>1,706</td>
</tr>
<tr>
<td>Reversal of foreign currency translation adjustment</td>
<td>-27,467</td>
</tr>
<tr>
<td>Increase (decrease) in provision for bonuses</td>
<td>460</td>
</tr>
<tr>
<td>Increase (decrease) in provision for compensation loss</td>
<td>6,748</td>
</tr>
<tr>
<td>Increase (decrease) in retirement benefit liability</td>
<td>-114</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>-78</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>334</td>
</tr>
<tr>
<td>Foreign exchange losses (gains)</td>
<td>374</td>
</tr>
<tr>
<td>Share of loss (profit) of entities accounted for using equity method</td>
<td>1,091</td>
</tr>
<tr>
<td>Decrease (increase) in notes and accounts receivable – trade</td>
<td>-1,706</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>-894</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable – trade</td>
<td>333</td>
</tr>
<tr>
<td>Increase (decrease) in accrued consumption taxes</td>
<td>-1,111</td>
</tr>
<tr>
<td>Increase (decrease) in non-current liabilities</td>
<td>-252</td>
</tr>
<tr>
<td>Other, net</td>
<td>15,446</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>23,046</td>
</tr>
<tr>
<td>Interest and dividend income received</td>
<td>-26</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>-334</td>
</tr>
<tr>
<td>Income taxes (paid) refund</td>
<td>-6,971</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>16,767</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>-14,757</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>-2,537</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>-874</td>
</tr>
<tr>
<td>Proceeds from sales of investment securities</td>
<td>7</td>
</tr>
<tr>
<td>Payments of loans receivable</td>
<td>-1,200</td>
</tr>
<tr>
<td>Collection of loans receivable</td>
<td>-4</td>
</tr>
<tr>
<td>Payments for acquisition of businesses</td>
<td>-70</td>
</tr>
<tr>
<td>Payments for guarantee deposits</td>
<td>-425</td>
</tr>
<tr>
<td>Purchase of shares of subsidiaries</td>
<td>-1,035</td>
</tr>
<tr>
<td>Payments for sales of subsidiaries resulting in change in scope of consolidation</td>
<td>-1,242</td>
</tr>
<tr>
<td>Income from settlement</td>
<td>-2,261</td>
</tr>
<tr>
<td>Other, net</td>
<td>-668</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>-21,552</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from long-term loans payable</td>
<td>-1,999</td>
</tr>
<tr>
<td>Repayments of long-term loans payable</td>
<td>-4,104</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td>-15,000</td>
</tr>
<tr>
<td>Proceeds from issuance of common shares</td>
<td>141</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>-8</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>-6,951</td>
</tr>
<tr>
<td>Net increase (decrease) in short-term loans payable</td>
<td>-14,773</td>
</tr>
<tr>
<td>Repayments of finance lease obligations</td>
<td>-750</td>
</tr>
<tr>
<td>Other, net</td>
<td>-65</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>-26,655</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>317</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>317</td>
</tr>
<tr>
<td><strong>Consolidated Statements of Cash Flows</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>8,102</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period</strong></td>
<td>13,243</td>
</tr>
<tr>
<td><strong>Net change in cash and cash equivalents</strong></td>
<td>-5,141</td>
</tr>
</tbody>
</table>

## Investor Relations and Shareholder Relations Activities

The Company actively discloses corporate information including management strategy and financial condition to shareholders, investors and other stakeholders in a timely, impartial and accurate manner. Through these disclosures, we strive to improve two-way communication with stakeholders as well as increase the transparency of management. At the same time, all of the Miraca Group’s officers promote organized investor relations activities and engage in shareholder relations activities, as the key contributors of enhancing corporate value, under the leadership of top management, in order to earn credibility and an appropriate evaluation of the Company from stakeholders.

### IR/SR activities in fiscal 2018

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>Earnings release</td>
</tr>
<tr>
<td>May</td>
<td>Briefings for individual investors</td>
</tr>
<tr>
<td>June</td>
<td>Brieings for institutional investors</td>
</tr>
<tr>
<td>July</td>
<td>Ordinary General Meeting of Shareholders</td>
</tr>
<tr>
<td>Aug.</td>
<td>Annual report</td>
</tr>
<tr>
<td>Sept.</td>
<td>10Q</td>
</tr>
<tr>
<td>Oct.</td>
<td>2Q</td>
</tr>
<tr>
<td>Nov.</td>
<td>Small</td>
</tr>
<tr>
<td>Dec.</td>
<td>Large</td>
</tr>
<tr>
<td>Jan.</td>
<td>For individual investors</td>
</tr>
<tr>
<td>Feb.</td>
<td>For institutional investors and analysts</td>
</tr>
<tr>
<td>Mar.</td>
<td>MSCI Japan ESG Select Leaders Index</td>
</tr>
<tr>
<td>IR (Japan)</td>
<td>MSCI Japan Empowering Women Index</td>
</tr>
</tbody>
</table>

### Company Recognition

- **MSCI Japan ESG Select Leaders Index**
- **MSCI Japan Empowering Women Index (WIN)**

The inclusion of Miraca Holdings in MSCI indices as well as the use of the MSCI logos, trademark, service mark and index names on this page does not constitute an endorsement, recommendation or promotion of Miraca Holdings by MSCI or its affiliates. MSCI indices are the exclusive property of MSCI and the name and logos of MSCI and its indices represent the trademark or service mark of MSCI or its affiliates.

- **Nikko Investor Relations Website Ranking**

The Company’s website was selected as one of the excellent site (Grade AA) in the All Japanese Listed Companies’ Website Ranking in 2018 by Nikko Investor Relations Co., Ltd.
Main Group Companies and Bases (As of June 30, 2019)

Japan
- Miraca Holdings Inc.
- Fujirebio Holdings, Inc.
- Fujirebio, Inc.
- Advanced Life Science Institute, Inc.
- Fujirebio Diagnostics Japan, Inc.
- SRL, Inc.
- Japan Clinical Laboratories, Inc.
- HOKUSHIN Clinical Laboratory, Inc.
- SRL Kitakanto Laboratory, Inc.
- SRL Medisearch, Inc.
- SRL International, Inc.
- Clinical Network G.K.
- KIBIM, Inc.
- SRL & Shizuoka Cancer Center Collaborative Laboratories, Inc.
- MSW Co., Ltd.

- Miraca Research Institute G.K.
- Medico frontier G.K.
- Miraca Cast, Inc.

Americas
- Fujirebio Diagnostics, Inc. (US)
- Miraca America, Inc. (US)
- Baylor Miraca Genetics Laboratories, LLC (US)
- Fujirebio Diagnostics do Brasil Ltda (Brazil)

- Fujirebio Diagnostics, Inc.
- Miraca America, Inc.
- SFRL Kitakanto Laboratory, Inc.
- SRL Medisearch, Inc.
- SRL International, Inc.
- Clinical Network G.K.
- KIBIM, Inc.
- SRL & Shizuoka Cancer Center Collaborative Laboratories, Inc.
- MSW Co., Ltd.

Asia
- Fujirebio Taiwan Inc. (Taiwan)
- SRL (Hong Kong) Limited (China)
- Fujirebio Diagnostics (Beijing) Co., Ltd. (China)
- Fujirebio India Private Limited (India)
- Fujirebio Asia Pacific Pte.Ltd. (Singapore)

Europe
- Fujirebio Europe N.V. (Belgium)
- Fujirebio Diagnostics AB (Sweden)
- Fujirebio Italia S.r.l. (Italy)
- Fujirebio Germany GmbH (Germany)
- Fujirebio Iberia SL (Spain)
- Fujirebio France SARL (France)

- Miraca Vitas, Inc.
- Carex, Inc.
- Selmesta CO., LTD.
- SRL Wellness Promotion Inc.
Corporate Overview and Investor Information (As of March 31, 2019)

Corporate Profile

Corporate Name
Miraca Holdings Inc.

Headquarters
Shinjuku Mitsui Building
2-1-1 Shinjuku-ku, Shinjuku-ku, Tokyo 163-0048

Director, President and Group CEO
Shigekazu Takeuchi
Tel: +81-3-5909-3335

Established
December 18, 1950
(Corporate name changed from Fujirebio, Inc. and transition to a holding company structure through a corporate split on July 1, 2005)

Capital stock
9,113 million yen

Employees (Consolidated)
5,995

Management Structure
“Company with committees” Japanese corporate governance system

Main Subsidiaries
SRL Inc., Fujirebio, Inc. and NIHON STERY Co., Ltd.

Major Shareholders

<table>
<thead>
<tr>
<th>Name of shareholders</th>
<th>Number of shares held (thousand)</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSBTC CLIENT (MINIBUS ACCOUNT)</td>
<td>8,325,965</td>
<td>11.08</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>4,452,000</td>
<td>7.80</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>3,050,958</td>
<td>7.13</td>
</tr>
<tr>
<td>JPMorgan Chase Bank, N.A.</td>
<td>2,131,500</td>
<td>2.60</td>
</tr>
<tr>
<td>National Life Insurance Company, Ltd.</td>
<td>1,816,096</td>
<td>2.85</td>
</tr>
<tr>
<td>Nomura Life Insurance Company, Ltd.</td>
<td>1,558,873</td>
<td>2.69</td>
</tr>
<tr>
<td>State Street Client Omnibus Account OM44</td>
<td>1,028,850</td>
<td>2.68</td>
</tr>
<tr>
<td>Northern Trust Co. (AVFC) RE HSDBC</td>
<td>1,403,350</td>
<td>2.46</td>
</tr>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>1,272,200</td>
<td>2.23</td>
</tr>
</tbody>
</table>

Notes: 1. The Company holds 255,919 shares of treasury stock, which is excluded from this major shareholder list above. Furthermore, treasury stock does not include the 149,200 shares held in the Brazil Incentive Plan (BIP) trust under the trust type share-based compensation scheme.
2. Shares owned by The Master Trust Bank of Japan, Ltd. and Japan Trustee Services Bank, Ltd. are held at their trust accounts.
3. Shares owned by Mizuho Bank, Ltd. include 2,131.5 thousand shares held at trust assets of Retirement Benefits Trust Accounts of Mizuho Bank, Ltd. (marking ratio of 0.73%)

Number of shares authorized: 200,000,000
Number of shares issued and standing: 57,361,385
One share unit: 100
Number of shareholders: 8,160

Shareholders Based on the Shareholding Percentage

| Securities companies in Japan | 39.11% |
| Financial institutions in Japan | 39.66% |
| Individuals and others in Japan | 3.50% |
| Overseas investors | 11.08% |

Share Information

Ratings Information (As of September 30, 2019)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>A (Stable)</td>
</tr>
</tbody>
</table>

Notes:
1. "LUMIPULSE" and "STAR-Q" are registered trademarks of Fujirebio Inc. in Japan and in other countries.
2. "PLANET NEXT" and "SIRIUS-NEXT" are registered trademarks of SRL, Inc. and its subsidiary in Japan.
3. "star-Q" is a trademark of Care’x, Inc.
2. "PLANET NEXT" and "SIRIUS-NEXT" are registered trademarks of SRL, Inc. and its subsidiary in Japan.
3. "star-Q" is a trademark of Care’x, Inc.

Healthcare system-related

Medical fees (in Japan)
Medical fees refer to fees calculated as compensation for medical services received under insured medical care. It includes technical fees, drug costs, testing costs, and other expenses that are compensation for medical services administered by physicians, nurses, or other healthcare professionals, and is calculated based on medical fee point tables (which are revised once every two years). With insured medical care, patients are responsible for a portion of the amount of medical fees (75~30%) with the rest paid by public medical insurance (patients pay the full amount of medical expenses for elective treatments not covered by insurance).

Primary care physician system
This system provides readily accessible, reliable physicians with whom patients can consult concerning any health-related matter and who will offer referrals to specialized medical institutions when necessary. The system divides the roles of the medical institutions with the initial local physician visited by the patient serving as the primary care physician.

Community-based integrated care systems
This system provides comprehensive support and services in local areas so patients can continue living the lifestyle they are used to as long as possible where they feel the most comfortable. Cities nationwide are preparing these systems with the aim of having the infrastructure ready by the year 2035 when the first wave of baby boomers will all be 75 or older.

Testing, business/product-related

Clinical testing
Clinical testing is divided into physiological testing and laboratory testing. Physiological testing involves direct contact with the patient, such as ultrasounds or electrocardiograms. Laboratory testing is performed on samples obtained from a patient, such as blood or urine.

General tests
General tests mainly consist of items tested in physical examinations and other general tests (example: blood sugar, neutral lipids, red blood cell count, etc.).

Exotic tests
Representative test items include gene-related factors and chromosomes. In many cases these tests require sophisticated technology or equipment and even large hospitals frequently outsource exotic testing to commercial laboratories like the Miraca Group.

Off-site testing business
A business in which specimens from a hospital or clinic are sent to the Miraca Group laboratory and the results are returned after testing.

In-hospital testing business
A business in which the Miraca Group operates a testing laboratory within a hospital. There are two types: a Branch type which handles all aspects of the operation, including dispatching personnel, and a Facility Management System (FMS) type where we provide the equipment and testing reagents.

Tumor markers (cancer markers)
Tumor markers are substances in blood that increase as a cancer progresses. These substances are measured and the results are used to confirm whether or not a cancer has relapsed or for medical treatment follow-ups, or other treatment.

Financial indicators

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>Operating profit</th>
<th>Depreciation</th>
<th>Amortization of goodwill</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;DIC</td>
<td>ROE</td>
<td>R&amp;DIC is an indicator of how much profit a company has generated versus its equity.</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>Profit</td>
<td>Yearly average of equity</td>
<td></td>
</tr>
</tbody>
</table>

ROC (return on invested capital)
ROC is an indicator of how much profit a company has generated using capital invested for business activities.

RCIC / NOPT (Operating profit – Estimated effective income tax) / Invested capital [Yearly average of Net assets + Interest-bearing liabilities (including lease obligations) + Other non-current liabilities]