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

Securities Code: 4544
May 31, 2018

NOTICE OF
68TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder,

You are hereby requested to attend the 68th Ordinary General Meeting of Shareholders of Miraca Holdings Inc. (the "Company") that will be held as set forth below.

Please be informed that if you are not able to attend this meeting, you can exercise your voting right in writing or via the Internet. In such case, you are kindly requested to review the Reference Material for General Meeting of Shareholders listed below, and exercise your voting right by no later than 5:30 p.m. on Thursday, June 21, 2018 (JST), in accordance with the "Exercise of Voting Rights in Writing or Via the Internet." (pages 2 to 3).

Yours faithfully,

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

1. Date and Time: Friday, June 22, 2018, at 10:00 a.m. (JST)
(Reception start time: 9:00 a.m.)

2. Venue: "Ohgi," 4th Floor, South Tower, Keio Plaza Hotel Tokyo
2-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo

3. Agenda:

Items to be reported

1. Business Report, Consolidated Financial Statements, Results of Audits of Consolidated Financial Statements by Accounting Auditors and the Audit Committee for the 68th term (from April 1, 2017 to March 31, 2018)
2. Non-consolidated Financial Statements for the 68th term (from April 1, 2017 to March 31, 2018)

Items to be resolved

Item: Election of Seven (7) Directors

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* Shareholders who will attend the meeting are kindly requested to submit the appended voting form at the reception desk on the date of the meeting.

* Shareholders who will make a diverse exercise of voting rights are requested to notify the Company in writing of their intention to do so and state their reason for this no later than three (3) days before the meeting.

* The Company will publish any amendments to the reference material, the Business Report and the Consolidated and Non-consolidated Financial Statements on its website (https://www.miraca.com/).

Exercise of Voting Rights in Writing or Via the Internet

[Exercise of voting rights in writing]

Please indicate your approval or disapproval to the proposed item in the enclosed voting right form and return it so that it arrives no later than 5:30 p.m. on Thursday, June 21, 2018 (JST).

[Exercise of voting rights via the Internet]

I. Exercise of voting rights via the Internet

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

https://soukai.mizuho-tb.co.jp/ (Japanese only)

(2) Voting must be completed no later than 5:30 p.m. on Thursday, June 21, 2018 (JST). The Company kindly requests for voting to be carried out promptly.

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

(4) The password provided and passwords set by the shareholder are valid only for the current General Meeting of Shareholders. You will again be issued a new password before the next General Meeting of Shareholders.

(5) Shareholders shall assume all costs incurred with respect to Internet access.

(Important notes)

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

Contact information

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

(1) Inquiries specifically regarding access to the exercise of voting rights website
Toll-free 0120-768-524 (Japanese only, weekdays from 9:00 to 21:00)

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

II. Platform for proxy voting by electronic means

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

Reference Material for General Meeting of Shareholders

Item: Election of Seven (7) Directors

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

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

No. 1 **Shigekazu Takeuchi**

(Born on October 11, 1953)

Reelection | Nominating Committee | Compensation Committee



Number of the Company's shares held
3,494 shares

Tenure as Director
2 years

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

Attendance rate at Meetings of Nominating Committee
100% (5/5 meetings)

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Director, SRL, Inc.
Director, Fujirebio Holdings, Inc.
Director, Fujirebio Inc.
* The above three companies are all consolidated subsidiaries of the Company.

Reason for nominating the candidate for Director:

Mr. Shigekazu Takeuchi has been involved in the management of entertainment companies for many years and has abundant experience and broad insight as a corporate manager, which are valuable to Miraca Holdings (the Company). Considering the above, Mr. Takeuchi is appropriately suited to be a director of the Company, and accordingly has been appointed as a candidate for that position. His consecutive term of office as director has been two years at the close of this Ordinary General Meeting of Shareholders.

Notes:

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

No. **2**

Naoki Kitamura

(Born on November 28, 1970)

New election



Number of the Company's shares held
2,198 shares

Brief personal profile, and position and duties in the Company

Apr.	1993	Joined Sony Corporation
Jun.	1996	Seconded to Sony International (Singapore) Pte. Ltd. (currently Sony Electronics (Singapore) Pte. Ltd.)
Jul.	2004	Seconded to Sony Corporation of America
Apr.	2008	General Manager, Corporate Planning Department, So-net Entertainment Corporation (currently Sony Network Communications Inc.)
Sep.	2011	Joined the Company. General Manager, Strategic Planning Department
Nov.	2011	Director, SRL, Inc.
Jun.	2012	Director, Fujirebio America, Inc. (incumbent)
Jun.	2013	Executive Officer of the Company (incumbent)
Feb.	2015	Chairman and CEO, Baylor Miraca Genetics Laboratories, LLC
Jun.	2015	Chairman, Baylor Miraca Genetics Laboratories, LLC (incumbent)
Jul.	2016	CEO, Miraca Life Sciences, Inc.
Apr.	2017	Statutory Auditor, Fujirebio Holdings, Inc. (incumbent)
Jun.	2017	Director, SRL, Inc. (incumbent)
Oct.	2017	CEO, Miraca America, Inc.

Significant positions held at other companies

Director, SRL, Inc.
Statutory Auditor, Fujirebio Holdings, Inc.
Director, Fujirebio America, Inc.
Chairman, Baylor Miraca Genetics Laboratories, LLC
CEO, Miraca America, Inc.

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

Reason for nominating the candidate for Director:

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

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

No. 3

Miyuki Ishiguro

(Born on October 26, 1964)

Reelection | Outside | Audit Committee | Compensation Committee



Number of the Company's shares held
0 shares

Tenure as Director
5 years

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

Attendance rate at Meetings of Audit Committee
100% (25/25 meetings)

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Vice President, Tokyo Bar Association
Partner, Nagashima Ohno & Tsunematsu
Council Member of Radio Regulatory Council
Council Member of Management Council, Hitotsubashi University
Outside Corporate Auditor, Lasertec Corporation
Outside Audit & Supervisory Board member, Benesse Holdings, Inc.

Reason for nominating the candidate for Outside Director:

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

Notes:

1. There are no conflicts of interests between Ms. Ishiguro and the Company.
2. Ms. Ishiguro is a candidate for Outside Director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Ms. Ishiguro satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 17).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in “Matters regarding limited liability agreements” on page 30 of this document.
6. Through the passing of a resolution at the Board of Directors’ Meeting to be held after this General Meeting of Shareholders, Ms. Ishiguro will be selected as a member of the Audit Committee and Compensation Committee.

No. **4**

Ryoji Itoh

(Born on January 14, 1952)

Reelection | Outside | Independent Director | Nominating Committee | Compensation Committee



Number of the Company's shares held
100 shares

Tenure as Director
4 years

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

Attendance rate at Meetings of Nominating Committee
100% (5/5 meetings)

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

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

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

Reason for nominating the candidate for Outside Director:

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

Notes:

1. There are no conflicts of interests between Mr. Itoh and the Company.
2. Mr. Itoh is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Mr. Itoh satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 17).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in “Matters regarding limited liability agreements” on page 30 of this document.
6. Through the passing of a resolution at the Board of Directors’ Meeting to be held after this General Meeting of Shareholders, Mr. Itoh will be selected as a member of the Nominating Committee and Compensation Committee.

No. 5

Susumu Yamauchi

(Born on October 1, 1949)

Reelection | Outside | Independent Director | Audit Committee



Number of the Company's shares held
100 shares

Tenure as Director
1 year

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

Attendance rate at Meetings of Audit Committee
100% (20/20 meetings)

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Emeritus Professor, Hitotsubashi University
Board member of the Hori Sciences and Arts Foundation
Visiting Professor, Law School, Renmin University of China
Development Advisory Committee Member, Law School, Renmin University of China
Chairman, Textbook Approval and Research Council

Reason for nominating the candidate for Outside Director:

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

Notes:

1. There are no conflicts of interests between Mr. Yamauchi and the Company.
2. Mr. Yamauchi is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Mr. Yamauchi satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 17).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in “Matters regarding limited liability agreements” on page 30 of this document.
6. Through the passing of a resolution at the Board of Directors’ Meeting to be held after this General Meeting of Shareholders, Mr. Yamauchi will be selected as a member of the Audit Committee.

No. 6

Futomichi Amano

(Born on August 31, 1953)

Reelection | Outside | Independent Director | Audit Committee



Number of the Company's shares held
0 shares

Tenure as Director
1 year

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

Attendance rate at Meetings of Audit Committee
100% (20/20 meetings)

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Futomichi Amano CPA office

Reason for nominating the candidate for Outside Director:

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

Notes:

1. There are no conflicts of interests between Mr. Amano and the Company.
2. Mr. Amano is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Mr. Amano satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 17).
4. Notification of Independent Directors

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

   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in “Matters regarding limited liability agreements” on page 30 of this document.
6. Through the passing of a resolution at the Board of Directors’ Meeting to be held after this General Meeting of Shareholders, Mr. Amano will be selected as a member of the Audit Committee.

No. 7

Shigehiro Aoyama

(Born on April 1, 1947)

New election | Outside | Independent Director | Nominating Committee



Number of the Company's shares held
0 shares

Brief personal profile, and position and duties in the Company

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

Significant positions held at other companies

Special Advisor, Suntory Holdings Limited
External Director, Takamatsu Construction Group Co., Ltd.
Outside Director, SUBARU CORPORATION
Chairman, the Distribution Economics Institute of Japan

Reason for nominating the candidate for Outside Director:

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

Notes:

1. There are no conflicts of interests between Mr. Aoyama and the Company.
2. Mr. Aoyama is a candidate for outside director and satisfies the requirements regarding outside directors provided in Article 2, Item 15, of the Companies Act.
3. Mr. Aoyama satisfies the requirements for independence stipulated by the independence standards of the Company (described on page 17).
4. Notification of Independent Directors

   The Company will appoint Mr. Aoyama as an independent director stipulated by the Tokyo Stock Exchange and will register with the stock exchange accordingly. He is not deemed to fall into the category specified by the Tokyo Stock Exchange in which a conflict of interest is likely to arise between general shareholders and the person.
5. Limited liability agreement with outside directors
   The Company has concluded a limitation of liability agreement with each of the incumbent outside directors. Details of the agreement are as described in "Matters regarding limited liability agreements" on page 30 of this document. In addition, the Company intends to conclude a limitation of liability agreement of the same contents with Mr. Shigehiro Aoyama.
6. Through the passing of a resolution at the Board of Directors' Meeting to be held after this General Meeting of Shareholders, Mr. Aoyama will be selected as a member of the Nominating Committee.

(Reference) Independence standards for independent outside directors

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

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

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

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

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

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

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

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

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

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

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

Immateriality standards

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

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

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

(Attached documents)

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

Business Report

(From April 1, 2017 to March 31, 2018)

1. Matters regarding current status of corporate group

(1) Business progress and its results

In the fiscal year ended March 31, 2018, the global economy exhibited solid growth overall as it continued to be driven by business expansion in developed countries.

In Japan, economic recovery persisted amid rebounding personal consumption against a backdrop of firm corporate earnings and external demand.

In the clinical diagnostics and laboratory testing sector, the business environment continues to pose challenges, reflecting persisting downward pressure on prices and intensifying competition with sector peer companies. Under such circumstances, Miraca Group (the "Group") has been proactively implementing various management initiatives in order to achieve further growth.

On the basis of these results, net sales for the fiscal year under review were 195,400 million yen (down 4.3% from the previous fiscal year). The decrease in sales was largely a result of the scope of consolidation excluding Miraca Life Sciences, Inc., which engages in the anatomic pathology business in the U.S., as of November 2017, and despite growth in sales having been achieved by the domestic clinical laboratory testing and in vitro diagnostics businesses. With respect to profits, operating profit was 17,648 million yen (down 37.1% from the previous fiscal year) and ordinary profit was 16,567 million yen (down 37.2% from the previous fiscal year). The decrease in profits was largely due to upfront costs incurred for the sake of future growth in respective businesses, as well as lower revenues in the overseas clinical laboratory testing business, and despite a decrease in depreciation due to a change in the depreciation method to the straight-line method from the declining-balance method.

The Company recorded an impairment loss of 28,015 million yen and a loss on sales of shares of subsidiaries and associates of 12,787 million yen. The former was associated with having concluded a merger agreement involving transfer of shares of CDx Holdings, Inc., a parent company of Miraca Life Sciences, Inc. in September 2017, and the latter was associated with the conclusion and execution of an agreement stipulating changes particularly with respect to the transaction price regarding the merger in November 2017. The Company has recorded a reversal of foreign currency translation adjustment of 27,467 million yen, attributable to these transactions. In addition, the Company has recorded a

transfer of provision for compensation loss of 6,748 million yen, amid a situation where Miraca Life Sciences, Inc. agreed in principle to settle civil cases with the U.S. Department of Justice resulting in payment of an indemnity for settlement of contractual obligations pursuant to the merger agreement, made to the acquirer of Miraca Life Sciences, Inc. The Company has recorded business structure improvement expenses of 2,556 million yen associated with the voluntary retirement program carried out beginning in November 2017.

On the basis of these results, profit attributable to owners of parent was 257 million yen (down 22.8% from the previous fiscal year).

(millions of yen)

		Year-on-Year Change
Net Sales	195,400	(4.3%)
Operating Profit	17,648	(37.1%)
Ordinary Profit	16,567	(37.2%)
Profit Attributable to Owners of Parent	257	(22.8%)

An overview of each business segment is as follows.

[Clinical Laboratory Testing]
Revenues decreased as a result of lower revenues generated by Miraca Life Sciences, Inc. and as a result of having excluded that entity from the consolidation as of November 2017, and despite an increase in revenue in the domestic business. Meanwhile, profit decreased as a result of undergoing delays in achieving growth in sales, while upfront costs were incurred for the purpose of developing foundations for growth in the domestic business. As a result, net sales amounted to 121,958 million yen (down 8.3% from the previous fiscal year), and operating profit was 7,509 million yen (down 45.0% from the previous fiscal year).

[In Vitro Diagnostics]
Revenues increased largely as a result of U.S. subsidiaries achieving growth in product sales. Profit decreased due to having incurred expenses associated with installation of Lumipulse instruments and having incurred upfront costs for developing foundations for growth, and despite profit gains brought about by the increase in revenues. As a result, net sales were 45,311 million yen (up 6.1% from the previous fiscal year), and operating profit was 9,838 million yen (down 14.6% from the previous fiscal year).

[Healthcare Related]
Net sales in the healthcare related business were 28,130 million yen (down 1.7% from the previous fiscal year) and operating profit was 2,446 million yen (down 20.1% from the previous fiscal year), due to a decrease in revenues from the clinical trial support business, and despite favorable performance by the sterilizing business.

(2) Status of financing, etc.

i) Financing

The Company has concluded commitment line contracts with major financial institutions amounting to 50.0 billion yen in total, in order to facilitate consistent procurement of working capital. The Company has no borrowings outstanding on the basis of such contracts as of the end of the current period.

ii) Capital expenditure

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

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

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

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

Effective July 1, 2017, the Company's subsidiary Fujirebio Inc. carried out an absorption-type company split whereby all holdings of subsidiary shares were transferred to Fujirebio Holdings, Inc., a parent company of Fujirebio Inc. which was established by means of sole stock transfer effective April 3, 2017. As a result, all subsidiaries related to the Group's in vitro diagnostics business have been brought under the umbrella of Fujirebio Holdings, Inc.

Effective July 1, 2017, the Company's subsidiary SRL, Inc. carried out an absorption-type merger as the surviving company with Fornet, Inc.

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

The Company has transferred shares of CDx Holdings, Inc., a wholly-owning parent company of Miraca Life Sciences, Inc. which engages in the anatomic pathology business in the U.S. Accordingly, those entities are no longer consolidated subsidiaries of the Company as of November 20, 2017.

The Company's subsidiary SRL, Inc. previously held 100% of the shares of Asmo Clinical Pharmacology Laboratories Ltd. However, because all of those shares were transferred on March 30, 2018, Asmo Clinical Pharmacology Laboratories Ltd. is no longer a subsidiary of the Company.

As of July 1, 2017, the Company has established Miraca Research Institute G.K., as a wholly-owned subsidiary.

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

(millions of yen)

	65th term (FY 2014)	66th term (FY 2015)	67th term (FY 2016)	68th term (FY 2017)
Net Sales	204,667	211,743	204,245	195,400
Ordinary Profit	26,566	23,782	26,385	16,567
Profit (loss) Attributable to Owners of Parent	16,002	(5,081)	333	257
Basic Earnings (loss) per Share (yen)	274.82	(89.21)	5.84	4.51
Total Assets	262,203	237,296	213,926	176,068
Net Assets	171,851	155,700	148,087	113,225

(4) Issues to be addressed

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

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

In order to implement such strategies, in May 2017 the Company announced that it had drawn up its Medium-term Business Plan “Transform! 2020” (the “Medium-term Business Plan”), with its final fiscal year being the fiscal year ending March 31, 2020. Under the Medium-term Business Plan, we will focus on leveraging our synergies through Group integration, developing foundations for growth, and transforming the organization and operations. At the same time, the Group will combine its efforts with respect to implementing the priority measures of the Medium-term Business Plan in terms of enhancing existing businesses, fortifying R&D, strengthening overseas strategy, and promoting strategy for business alliances.

In May 2018, we revised our management numerical targets for the fiscal year ending March 31, 2020, which is the final fiscal year of the Medium-term Business Plan, largely due to factors that include having faced delays in carrying out sales growth measures according to plan and having incurred upfront costs for achieving growth. However, we are continuing to implement the priority measures of the Medium-term Business Plan.

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

I. Management numerical targets (consolidated) for fiscal year ending March 31, 2020

Unit: billions of yen (rounded)	Before revision (Revised on November 28, 2017)		After revision (Revised on May 10, 2018)	
	FY ending March 31, 2020 Target	CAGR (%)*1	FY ending March 31, 2020 Target	CAGR (%)*1
Net sales	222.0	8%	207.0	5.7%
Operating profit	29.0	3%	25.0	(2.4%)
EBITDA*2	45.0	–	38.0	2.3%
ROE*3	10% or more	–	10% or more	–
ROIC*4	10% or more	–	8% or more	–

*1 CAGR: Compound annual growth rate; CAGR after the revision is calculated based on the results of the fiscal year ended March 31, 2017, subtracting the results of Miraca Life Sciences, Inc.

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

*3 ROE = Profit / Yearly average of equity

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

II. Overview of priority measures of the Medium-term Business Plan and plans by business segment

i) CLT (Clinical Laboratory Testing)

- Aggressive Investment in the In-hospital Testing Business

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

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

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

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

  In addition, the Group will embark on construction of a comprehensive central

laboratory that is geared to efficiently providing high-quality testing services at low cost, oriented to market needs.

- Acquisition of New Accounts in the Domestic Medical Examinations Market

  The Group will increase its share of the medical examinations market by providing solutions tailored to needs of corporate health insurance associations with respect to boosting efficiency of their operations, and also by providing platforms for blood collection geared to ensuring greater convenience.

- Development of New Testing Services

  The Group will further build its strengths in the field of esoteric testing. To that end, we will forge ahead with development in new fields such as testing that uses next-generation sequencers amid growing needs as well as applied technologies involving mass spectrometry, while also accelerating development of advanced testing services ahead of the competition through collaboration with medical institutions and key opinion leaders (KOL).

ii) IVD (In Vitro Diagnostics)

- Expansion of Domestic Market Share of Lumipulse Business

  We anticipate growing demand for installations associated with next-generation upgrades of large equipment going forward. As such, the Group will work toward enhancing its marketing strengths and accelerating equipment installations, while also heightening dominance of the LUMIPULSE L2400 by improving instruments and also more swiftly developing and enhancing reagent items.

- Reinforcing Overseas Expansion of Lumipulse Business

  In geographic regions such as Europe where in-house sales frameworks have already been developed, the Group will work to expand market share while accelerating development of items that are aligned with country-specific medical needs.

  Moreover, with respect to expansion into India and other emerging markets, the Group will determine orders of priority upon considering the extent of difficulties likely to be faced in obtaining approvals for drugs in the respective countries, and will hasten the speed of its geographic expansion by launching the LUMIPULSE G600II, a strategic product.

- Building Overseas Sales Channels through Partnerships with Other Companies

  The Group examined the results and challenges of overseas expansion thus far, and will accordingly begin building sales channels through partnerships with other companies in order to accelerate market penetration of Lumipulse products in respective countries.

- Development of Next-generation Platforms

  The Group will actively invest managerial resources in R&D in order to develop comprehensive next-generation platforms.

iii) HR (Healthcare Related)

- Sterilizing Business

  To achieve sustainable growth, the Group will proceed with automating and

standardizing operations, while also focusing its efforts on developing personnel and rebuilding the business structure.

- Clinical Trial Support Business

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

iv) Fortifying R&D

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

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

v) Shareholder Returns and Investment in Growth

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

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

2. Matters regarding Directors and Executive Officers

(1) Directors (As of March 31, 2018)

Position in the Company	Name	Duties in the Company	Significant Concurrent Positions
Director	Shigekazu Takeuchi	Nominating Committee Member Compensation Committee Member	Director, SRL, Inc. Director, Fujirebio Holdings, Inc. Director, Fujirebio Inc.
Director	Hiromasa Suzuki	-	
Director	Miyuki Ishiguro	Compensation Committee Chairman Audit Committee Member	Vice-President, Tokyo Bar Association Partner, Nagashima Ohno & Tsunematsu Council Member of Radio Regulatory Council Council Member of Management Council, Hitotsubashi University Outside Corporate Auditor, Lasertec Corporation Outside Audit & Supervisory Board member, Benesse Holdings, Inc.
Director	Ryoji Itoh	Nominating Committee Chairman Compensation Committee Member	Project Professor at Graduate School of Media and Governance, Keio University Managing Director, Planetplan, Inc. External Director, SATO HOLDINGS CORPORATION
Director	Kozo Takaoka	Nominating Committee Member	Representative Director, President & CEO, Nestlé Japan Ltd. Management Advisory Committee Member, Recruit Holdings Co., Ltd. International Advisory Board, Waseda Business School
Director	Susumu Yamauchi	Audit Committee Member	Emeritus Professor, Hitotsubashi University Board member of the Hori Sciences and Arts Foundation Visiting Professor, Law School, Renmin University of China Development Advisory Committee Member, Law School, Renmin University of China Chairman, Textbook Approval and Research Council
Director	Futomichi Amano	Audit Committee Chairman	Futomichi Amano CPA office

Notes: 1. Ms. Miyuki Ishiguro, Mr. Ryoji Itoh, Mr. Kozo Takaoka, Mr. Susumu Yamauchi and Mr. Futomichi Amano are outside directors prescribed in Article 2, Item 15 of the Companies Act.

2. The Company has designated Mr. Ryoji Itoh, Mr. Kozo Takaoka, Mr. Susumu Yamauchi and Mr. Futomichi Amano as independent directors as stipulated by the Tokyo Stock Exchange and has notified the Exchange accordingly.

3. The Company has the following committees:

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

4. All members of the Audit Committee are appointed from among the part-time outside directors, and full-time Audit Committee members are not appointed, given the view that members of the Audit Committee must maintain a high degree of independence.
An employee, who is independent from executive officers, is assigned to support the duties of the Audit Committee in order to provide internal company information to the Audit Committee and in order to coordinate with the Accounting Auditor, and departments in charge of internal control systems.

5. At the conclusion of the 67th Ordinary General Meeting of Shareholders held on June 23, 2017, Directors Hisatsugu Nonaka and Naoki Iguchi retired due to expiration of term of office.

(2) Executive Officers (As of March 31, 2018)

Position in the Company	Name	Duties in the Company	Significant Concurrent Positions
Representative Executive Officer	Shigekazu Takeuchi	President	Refer to "(1) Directors" hereinabove
Executive Officer	Naoki Kitamura	CFO, Legal Affairs, and Overseas CLT	Director, SRL, Inc. Statutory Auditor, Fujirebio Holdings, Inc. Director, Fujirebio America, Inc. Chairman, Baylor Miraca Genetics Laboratories, LLC CEO, Miraca America, Inc.
Executive Officer	Shigeto Ohtsuki	Human Resources, CSR and General Affairs	Director, SRL, Inc.
Executive Officer	Hiroaki Kimura	Investors and Public Relations and Information Technology	
Executive Officer	Hiromitsu Tazawa	Special Assignments	
Executive Officer	Kazuyuki Hanyu	Corporate Strategy	

Note: At the conclusion of the 67th Ordinary General Meeting of Shareholders held on June 23, 2017, Executive Officer Hiromasa Suzuki and Takaaki Hata retired due to expiration of term of office.

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

Classification	Number (persons)	Amount of Compensation (millions of yen)	Remarks
Director	8	89	-
Executive Officer	8	259	-
Total	16	349	-

Notes:
1. The data regarding directors in the above table do not include data of directors serving concurrently as executive officers since the Company does not pay directors' compensation to such directors.
2. The compensation shown in the above table includes 79 million yen as performance-based compensation for executive officers.
3. The compensation shown in the above table includes 6 million yen as restricted stock compensation for executive officers.
4. Four (4) executive officers including representative executive officers, who serve concurrently as officers of business corporations, have received 10 million yen as officers' compensation of such business corporations in addition to the compensation stated in the above table.
5. The compensation shown in the above table includes 14 million yen (14 million yen for six (6) executive officers) in stock option compensation over the 10th, 12th and 13th installments thereof.

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

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

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

ii) Directors' compensation
Directors' compensation will be determined as nil, or as a combination of fixed-amount compensation and share-based compensation in consideration of the duties of the respective directors. Reasonable upper limit will be set for the amount of payment in light of the economic situation, the Company's conditions and the duties of the respective directors.
The Company will pay compensation to outside directors, based on the details of their supervision activities, in addition to the combination of prescribed fixed-amount compensation and share-based compensation.

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

(5) Main activities of outside directors

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

Classification	Name	Board of Directors Meeting	Meeting of Nominating Committee	Meeting of Audit Committee	Meeting of Compensation Committee
Director	Miyuki Ishiguro	13/13	-	25/25	6/6
Director	Ryoji Itoh	13/13	5/5	-	6/6
Director	Kozo Takaoka	12/13	4/4	-	1/2
Director	Susumu Yamauchi	10/10	-	20/20	-
Director	Futomichi Amano	10/10	-	20/20	-

Notes:
1. Figures shown for Director Kozo Takaoka's attendance in Nominating Committee meetings reflect his attendance since joining the committee on June 23, 2017. Moreover, figures shown for his attendance in Compensation Committee meetings reflect his attendance up to the date of his resignation from that committee on June 23, 2017.
2. Figures shown for Director Susumu Yamauchi's attendance in Board of Directors meetings and Audit Committee meetings reflect his attendance since becoming a Director and joining the committee on June 23, 2017.
3. Figures shown for Director Futomichi Amano's attendance in Board of Directors meetings and Audit Committee meetings reflect his attendance since becoming a Director and joining the committee as a chairman on June 23, 2017.

ii) Main activities during the fiscal year

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

(6) Matters regarding limited liability agreements

The Company amended the Articles of Incorporation at the 56th Ordinary General Meeting of Shareholders held on June 27, 2006, establishing provisions regarding limited liability agreements with outside directors.
An outline of the limited liability agreements entered into by the Company with all outside directors under the Articles of Incorporation is as follows:

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

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

Classification	Number (persons)	Amount of Compensation (millions of yen)
Outside Director	7	65

3. Matters regarding Accounting Auditor

(1) Name of Accounting Auditor
PricewaterhouseCoopers Aarata LLC

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

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

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

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

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

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

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

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

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

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

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

(1) Fundamental idea on corporate governance

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

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

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

i) Corporate organizations

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

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

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

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

1) Mission, Vision, and Values and Traits

<Mission>

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

<Vision>

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

<Values and Traits>

[Customer Centricity]

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

[Sincerity and Trust]

- Be sincere and trustworthy, act with transparency
- Communicate openly and constructively, beyond the boundaries

• Gain and maintain trust from all stakeholders

[Creation of New Value]

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

[Mutual Respect]

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

2) Code of Conduct

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

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

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

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

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

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

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

a) Overview of activities of departments involved in internal control of the Group
b) The Group's significant accounting policy, accounting standards and changes thereof
c) Details of important disclosure documents
d) Other matters to be reported as stipulated by the Company's internal rules

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

- Members of the Audit Committee have authorities stipulated in the following items.
  a) Authority to request other directors, executive officers, managers and other employees to report matters regarding execution of their duties

b) Authority to examine the status of the Company's business operations and assets
c) Authority to request the Company's subsidiaries or consolidated subsidiaries to report business operations or to examine the status of business operations and assets of the Company's subsidiaries or consolidated subsidiaries as necessary in order to exercise authorities of the Audit Committee
d) Other authorities regarding audit deemed necessary by the Audit Committee within the scope of laws and regulations

- Directors, executive officers and employees who participate in a meeting of the Audit Committee by a request from the Committee are required to explain matters requested by the Committee.
- A committee member appointed by the Audit Committee may participate in important meetings of the Company including the Group companies as necessary.

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

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

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

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

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

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

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

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

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

2) Matters regarding ensuring appropriate execution of business operations of the corporate group
- Management within the Group is conducted in a manner ensuring that business

operations are executed appropriately on the basis of the "Rules of Duties of Executive Officers," "management rules of the subsidiaries and affiliates," "agreement on responsibilities and authorities of the officers of the subsidiaries" and other internal rules of the Company.

- The Internal Audit Department reviews internal control system. Moreover, the Internal Audit Departments of respective Group companies report and exchange opinions on a regular basis.

3) Matters regarding management of risk of loss
   - Meetings of the Risk Management Committee are held regularly, in accordance with the "Risk Management Rules" and "Rules for the Risk Management Committee." Moreover, risk assessment results and policies for addressing substantial risks faced by the Company and its major subsidiaries are reported to the Board of Directors.
4) Matters regarding compliance
   - The Internal Audit Department (ten (10) members) conducts internal audits of the Company and its major subsidiaries and assesses internal control independently on a regular basis in order to ensure legality, accuracy and efficiency of management and business operations. The Department reports the audit results and status of follow-up to the Board of Directors and the Audit Committee.
   - Meetings of the Code of Conduct Committee are held regularly, in accordance with "Miraca Group Code of Conduct."
   - As part of its efforts to develop an internal reporting system, the Company has established the "Miraca Group Hotline" to report ethics and compliance concerns, and shares information regarding its operations with the Audit Committee. In addition, the Company also raises awareness of its rules for ensuring confidentiality of those reporting concerns and furthermore prohibiting disadvantageous treatment of such individuals.

5. Basic policy on control of stock company

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

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

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

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

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

II. Efforts supporting achievement of the basic policy

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

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

   The clinical diagnostics and laboratory testing sector has been experiencing a slowdown in growth associated with medical costs being curbed and decelerating economic growth in developed countries. On the other hand, the business environment in the sector has been rapidly undergoing drastic change which is giving rise to new growth opportunities brought about by factors such as the aging demographic, expansion of the general practitioner market, growth in emerging markets, improvements in advanced medical technologies, and progress in IT technologies.
   Amid such circumstances, the Group has been placing top priority on considering measures that would help bring about tremendous growth into the future, and consequently has drastically transformed the growth and geographic strategies of its respective businesses.
   As the first phase of implementing such strategies, the Company announced that it had drawn up its Medium-term Business Plan (the "Medium-term Business Plan"), with its final fiscal year being the fiscal year ending March 31, 2020. Under the Medium-term Business Plan, we will move forward with a focus on building foundations and carrying out structural reforms in order to enhance our competitive strengths. In conjunction with such efforts, we will also successively introduce effective measures for achieving short-term growth. An overview of the plan is described in "(4) Issues to be addressed" of "1. Matters regarding current status of corporate group."

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

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

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

   The Company has adopted a "Company with Committees" (currently "Company with Nominating Committee, etc.") corporate governance system in June 2005, leading to clear separation of the monitoring and execution functions as well as the establishment of an execution structure which allows for speedy operational implementation. From a corporate governance perspective, five (5) of the seven (7) board members are outside directors with high independency. Furthermore, we have established three committees: the Nominating, Audit and Compensation Committees in accordance with laws and regulations, and continued efforts aimed at promoting fairness and transparency are being implemented. With respect to incentives and compensation, we have positioned the enhancement of corporate value and the common interests of our shareholders as our highest priorities, and have adopted a performance-based compensation plan for

executive officers, while eliminating the retirement benefits system which was not highly correlated with performance and introducing a share-based compensation plan aimed to align interest between our shareholders and the officers and employees of the Company. Compensation provided to such officers and directors are disclosed in our annual securities reports, and business reports. We have further implemented various measures to stimulate activity at shareholders' meetings and to facilitate the exercise of voting rights, such as sending notice of shareholders' meetings at least 3 weeks in advance in order to secure sufficient time for our shareholders to appropriately exercise their voting rights and changing the date of shareholders' meetings to avoid the major concentration of shareholders' meetings at the end of June. Realizing the importance of maintaining and strengthening an appropriate governance structure, we have also established a basic policy for our internal control system, and have established an infrastructure to ensure proper business operations as a corporate group by reinforcing the framework for audits by the Audit Committee and by creating control guidelines for the entire group, including subsidiaries and affiliates.

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

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

CONSOLIDATED BALANCE SHEET

(As of March 31, 2018)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current assets	**77,761**	**Current liabilities**	**41,517**
Cash and deposits	20,455	Notes and accounts payable - trade	9,368
Notes and accounts receivable - trade	31,896	Electronically recorded obligations - operating	1,194
Lease investment assets	574		
Merchandise and finished goods	4,881	Current portion of long-term loans payable	1,999
Work in process	4,573	Lease obligations	644
Raw materials and supplies	5,087	Accounts payable - other	14,834
Deferred tax assets	2,427	Income taxes payable	1,122
Other	8,025	Deferred tax liabilities	78
Allowance for doubtful accounts	(160)	Provision for bonuses	5,237
Non-current assets	**98,306**	Other	7,037
Property, plant and equipment	**48,807**	**Non-current liabilities**	**21,324**
Buildings and structures	13,326	Long-term loans payable	2,299
Machinery, equipment and vehicles	2,838	Lease obligations	3,160
Tools, furniture and fixtures	12,579	Deferred tax liabilities	46
Land	9,710	Net defined benefit liability	3,117
Leased assets	3,243	Asset retirement obligations	618
Construction in progress	7,108	Provision for compensation loss	10,395
		Other	1,686
Intangible assets	**11,368**	**Total liabilities**	**62,842**
Goodwill	2,192	**NET ASSETS**	
Customer-related intangible	1,249	**Shareholders' equity**	**114,257**
Software	2,641	Capital stock	9,066
Leased assets	183	Capital surplus	24,788
Other	5,100	Retained earnings	81,637
Investments and other assets	**38,130**	Treasury shares	(1,235)
Investment securities	14,274	**Accumulated other comprehensive income**	**(1,248)**
Deferred tax assets	15,339	Valuation difference on available-for-sale securities	310
Other	8,540	Foreign currency translation adjustment	(756)
Allowance for doubtful accounts	(22)		
		Remeasurements of defined benefit plans	(803)
		Share acquisition rights	**217**
		Total net assets	**113,225**
Total assets	**176,068**	**Total liabilities and net assets**	**176,068**

CONSOLIDATED STATEMENT OF INCOME

From: April l, 2017
To: March 31, 2018

(Unit: Millions of yen)

Net sales		**195,400**
Cost of sales		**122,948**
Gross profit		**72,452**
Selling, general and administrative expenses		**54,804**
Operating profit		**17,648**
Non-operating income		
Interest income	62	
Dividend income	16	
Dividend income of insurance	157	
Rent income	43	
Fiduciary obligation fee	82	
Other	222	**584**
Non-operating expenses		
Interest expenses	334	
Rent expenses	63	
Share of loss of entities accounted for using equity method	1,091	
Other	175	**1,665**
Ordinary profit		**16,567**
Extraordinary income		
Gain on sales of non-current assets	13	
Gain on reversal of share acquisition rights	7	
Reversal of foreign currency translation adjustment	27,467	
Other	77	**27,565**
Extraordinary losses		
Loss on retirement of non-current assets	148	
Impairment loss	28,076	
Loss on sales of shares of subsidiaries and associates	12,875	
Business structure improvement expenses	2,556	
Provision for compensation loss	6,748	
Other	811	**51,216**
Loss before income taxes		**7,083**
Income taxes - current	1,639	
Income taxes - deferred	(8,980)	(7,341)
Profit		**257**
Profit attributable to owners of parent		**257**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From: April l, 2017
To: March 31, 2018

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	**8,962**	**24,684**	**88,341**	**(1,226)**	**120,761**
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	77	77			154
Issuance of new shares - restricted stock	26	26			52
Dividends of surplus			(6,960)		(6,960)
Profit attributable to owners of parent			257		257
Purchase of treasury shares				(8)	(8)
Net changes of items other than shareholders' equity					
Total changes of items during period	**103**	**103**	**(6,703)**	**(8)**	**(6,504)**
Balance at end of current period	**9,066**	**24,788**	**81,637**	**(1,235)**	**114,257**

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	**278**	**27,138**	**(339)**	**27,077**	**248**	**148,087**
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						154
Issuance of new shares - restricted stock						52
Dividends of surplus						(6,960)
Profit attributable to owners of parent						257
Purchase of treasury shares						(8)
Net changes of items other than shareholders' equity	32	(27,894)	(464)	(28,326)	(30)	(28,356)
Total changes of items during period	**32**	**(27,894)**	**(464)**	**(28,326)**	**(30)**	**(34,861)**
Balance at end of current period	**310**	**(756)**	**(803)**	**(1,248)**	**217**	**113,225**

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2018)

(Unit: Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current assets	**24,946**	**Current liabilities**	**37,010**
Cash and deposits	14,595	Current portion of long-term loans payable	1,999
Accounts receivable - trade	3,547		
Prepaid expenses	291	Accounts payable - other	1,377
Deferred tax assets	52	Accrued expenses	224
Accounts receivable - other	6,011	Income taxes payable	27
Other	448	Deposits received	33,135
		Unearned revenue	67
		Provision for bonuses	18
		Other	158
Non-current assets	**77,005**	**Non-current liabilities**	**12,712**
Property, plant and equipment	**2,175**	Long-term loans payable	2,299
Buildings	372	Provision for compensation loss	10,395
Tools, furniture and fixtures	101	Other	17
Construction in progress	1,700	**Total liabilities**	**49,722**
		NET ASSETS	
Intangible assets	**742**	**Shareholders' equity**	**51,704**
Software	369	**Capital stock**	**9,066**
Other	373	**Capital surplus**	**24,788**
		Legal capital surplus	24,788
		Other capital surplus	0
Investments and other assets	**74,087**	**Retained earnings**	**19,085**
Investment securities	1,264	Legal retained earnings	928
Shares of subsidiaries and associates	57,697	Other retained earnings	18,157
Investments in capital	530	General reserve	13,250
Investments in capital of subsidiaries and associates	1,500	Retained earnings brought forward	4,907
Deferred tax assets	9,370	**Treasury shares**	**(1,235)**
Other	3,724	**Valuation and translation adjustments**	**307**
		Valuation difference on available-for-sale securities	307
		Share acquisition rights	**217**
		Total net assets	**52,229**
Total assets	**101,952**	**Total liabilities and net assets**	**101,952**

NON-CONSOLIDATED STATEMENT OF INCOME

From: April l, 2017
To: March 31, 2018

(Unit: Millions of yen)

Operating revenue		
Dividend income	8,685	
Consulting fee income	401	
Service revenue	4,046	**13,133**
Operating expenses		**6,792**
Operating profit		**6,341**
Non-operating income		
Interest income	12	
Rent income	411	
Other	73	**496**
Non-operating expenses		
Interest expenses	26	
Rent expenses	333	
Other	11	**372**
Ordinary profit		**6,465**
Extraordinary income		
Gain on sales of investment securities	1	
Gain on reversal of share acquisition rights	7	**9**
Extraordinary losses		
Loss on retirement of non-current assets	2	
Loss on liquidation of subsidiaries and associates	47,177	
Provision for compensation loss	7,387	
Other	11	**54,578**
Loss before income taxes		**48,103**
Income taxes–current	(2,638)	
Income taxes–deferred	(9,546)	(12,184)
Loss		**35,919**

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From: April l, 2017 To: March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of current period	**8,962**	**24,684**	**0**	**24,684**	**928**	**13,250**	**47,787**	**61,965**	**(1,227)**	**94,385**
Changes of items during period										
Issuance of new shares - exercise of share acquisition rights	77	77		77						154
Issuance of new shares - restricted stock	26	26		26						52
Dividends of surplus							(6,960)	(6,960)		(6,960)
Loss							(35,919)	(35,919)		(35,919)
Purchase of treasury shares									(8)	(8)
Net changes of items other than shareholders' equity										
Total changes of items during period	**103**	**103**	**–**	**103**	**–**	**–**	**(42,880)**	**(42,880)**	**(8)**	**(42,681)**
Balance at end of current period	**9,066**	**24,788**	**0**	**24,788**	**928**	**13,250**	**4,907**	**19,085**	**(1,235)**	**51,704**

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments		
Balance at beginning of current period	**279**	**279**	**248**	**94,913**
Changes of items during period				
Issuance of new shares - exercise of share acquisition rights				154
Issuance of new shares - restricted stock				52
Dividends of surplus				(6,960)
Loss				(35,919)
Purchase of treasury shares				(8)
Net changes of items other than shareholders' equity	27	27	(30)	(2)
Total changes of items during period	**27**	**27**	**(30)**	**(42,684)**
Balance at end of current period	**307**	**307**	**217**	**52,229**

Supplemental Information

The Company described certain risk factors relating to the Group and its business etc. as below in the Annual Securities Report (Yuukasyouken-Houkokusyo) for the fiscal year ended March 31, 2017, in which matters regarding the future were assessed based on the situation as of March 31, 2017.

The Company stated in its Quarterly Securities Report (Shihanki-Houkokusyo) for the quarter ended December 31, 2017 that there were no new risk factors recognized or any material changes in the risk factors described in the above-mentioned Annual Securities Report during the nine months ended December 31, 2017.

This information is not included in the notice of 68th Ordinary General Meeting of Shareholders.

Risk Factors Relating to the Group and its Business etc.

(1) Risk associated with research and development

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

(2) Risk associated with intellectual property rights

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

(3) Impact of changes in market environment

Amid the continuous drastic reform of the healthcare system in Japan, the Group's business environment is getting tougher combined with the market competition with other companies. Whereas such changes in the market environment have already affected the market price, the trend is likely to persist going forward which may negatively influence the Group's operating results and financial condition.

(4) Risk associated with legal regulations and others

The Group's business activities are subject to the Pharmaceutical and Medical Device Law and the related laws and regulations in Japan and to legal regulations imposed by FDA and others overseas.

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

(5) Risk associated with overseas business and exchange fluctuations

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

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

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

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

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

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

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

(7) Risk associated with accuracy management

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

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

(8) Risk associated with handling information and information systems

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

Moreover, the Group utilizes information systems for conducting business. Although the Group strives to ensure stable operations of such information systems, if a scenario occurs such as leakage of personal information, large-scale service suspension, invoicing error, delay in testing report, or loss of data as a consequence of software or hardware malfunction, human error, disaster, criminal acts, cyber-attack, computer virus, terrorism or any other such negative development, the Group may

lose credibility with respect to the Group itself and its products or services, and this may affect the operating results of the Group.

Furthermore, the Group develops information systems in relation to performing business operations. Although the Group focuses on enhancing project management with respect to system development, it may encounter situations such as delayed progress in development planning, escalating development costs or circumstances where systems don't function as planned. Any such situation could interfere with the Group's performance of business operations, and could make it impossible to recover costs associated with development.

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

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

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

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

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

(11) Risk associated with implementing corporate strategy

Given the changing business environment, the Company has been placing top priority on considering measures that would help bring about tremendous and sustained growth into the future, and has consequently made the decision to drastically overhaul the growth and geographic strategies of its respective businesses. Accordingly, in May 2018, the Company drew up a new Medium-term Business Plan targeting the period from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2020. Under the Medium-term Business Plan, the Group aims to achieve dramatic growth over the medium to long term, while achieving its consolidated management benchmarks which act as targets for the plans in the final fiscal year, by pursuing the measures in terms of enhancing existing businesses, fortifying R&D, strengthening overseas strategy, and promoting strategy for business alliances.

The initiatives and targets of the Medium-term Business Plan constitute future expectations that the Company has expressed as management targets. Therefore, as our capacity to implement such initiatives and achieve such targets is prone to the risks and uncertainties stated in items (1) to (10) above, the Group may find it difficult to achieve the targets of its new Medium-term Business Plan. In particular, we could become subject to effects of developments that materialize in terms of intensifying competition beyond expectations and declining market prices associated with such developments, unsuccessful investment in R&D, changing customer needs, dysfunctional business alliances, changing medical systems beyond expectations in Japan or abroad, or risk associated with overseas business and exchange fluctuations.