



# BML REPORT 2023





# BML Policy

## Corporate Mission

Dedication to creating a healthy and cultured society.

BML is committed to creating a culturally rich society by improving medical services and health through the latest technologies, systems, and service networks based on our extensive clinical laboratory experience.

## Management Objectives

Fulfilling expectations through creative technology and quality service.

- 1 Meeting client needs
- 2 Ensuring trust in BML through superior expertise and quality services
- 3 Developing a creative, energetic organization

## Corporate Commitments

### Pride

Having conviction in business and acting responsibly

### Commitment

Providing top service through strong commitment and sincerity

### Challenge

Meeting the challenge of ever higher objectives through total creativity

### Progress

Keeping an eye on social progress and improving and refining sensitivity

### Ethics

Maintaining self-disciplined moral standards as sensible members of society

## Contents

### About the BML Group

- 01 BML Policy
- 03 History of BML
- 05 Value Creation Process (Business Model)
- 07 Strengths of BML
- 09 Business Domains (At a Glance)
- 11 Financial and Non-financial Highlights

### Growth Strategy for Value Creation

- 13 Message from the President
- 19 Long-term Vision
- 20 Medium-Term Management Plan
- 25 DX Initiatives
- 29 Message from the Financial Officer
- 33 Materiality

### BML's Sustainability

- 39 Message from the Vice President
- 41 Sustainability Management
- 43 Environment
- 49 Society
- 55 Dialogue between Outside Directors
- 59 Corporate Governance

### Strategy by Business

- 69 Business Overview of Clinical Testing Business
- 73 Business Overview of Food Hygiene Business
- 77 Business Overview of Medical Informatics Business

### Data Section

- 81 Financial Data
- 83 Consolidated Financial Statements
- 87 Corporate Summary and Stock Information

## Information disclosure system



## Reference Guidelines

- International Integrated Reporting Framework of the IFRS Foundation
- The Guidance for Collaborative Value Creation 2.0 of the Ministry of Economy, Trade and Industry
- Final Report of the Task Force on Climate-related Financial Disclosures (TCFD)

## Editorial Policy

The BML Group has started publishing an integrated report in order to facilitate stakeholders' understanding of our efforts toward sustainable growth. This report intends to facilitate a comprehensive understanding of the social and economic value created by the BML Group through the reporting of management strategies and activities related to business and ESG. The report includes matters of particular importance to the management of the BML Group from among the financial and non-financial information disclosed on the corporate website.

## Period Covered

FY2022 (April 1, 2022 to March 31, 2023) Please note that some reports before and after FY2022 are included.

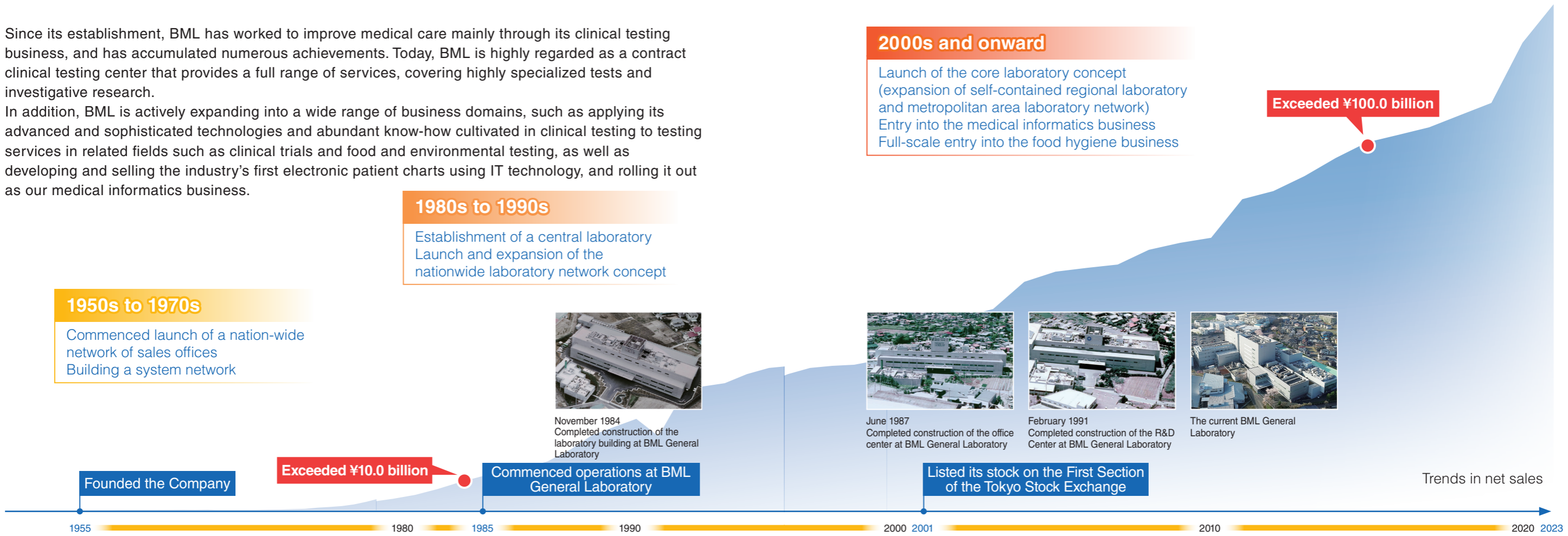
## Organizations Covered

All domestic group companies including BML, Inc.

# History of BML

Since its establishment, BML has worked to improve medical care mainly through its clinical testing business, and has accumulated numerous achievements. Today, BML is highly regarded as a contract clinical testing center that provides a full range of services, covering highly specialized tests and investigative research.

In addition, BML is actively expanding into a wide range of business domains, such as applying its advanced and sophisticated technologies and abundant know-how cultivated in clinical testing to testing services in related fields such as clinical trials and food and environmental testing, as well as developing and selling the industry's first electronic patient charts using IT technology, and rolling it out as our medical informatics business.



**1950s to 1970s**  
 Commenced launch of a nation-wide network of sales offices  
 Building a system network

**1980s to 1990s**  
 Establishment of a central laboratory  
 Launch and expansion of the nationwide laboratory network concept

**2000s and onward**  
 Launch of the core laboratory concept (expansion of self-contained regional laboratory and metropolitan area laboratory network)  
 Entry into the medical informatics business  
 Full-scale entry into the food hygiene business



November 1984  
 Completed construction of the laboratory building at BML General Laboratory



June 1987  
 Completed construction of the office center at BML General Laboratory



February 1991  
 Completed construction of the R&D Center at BML General Laboratory



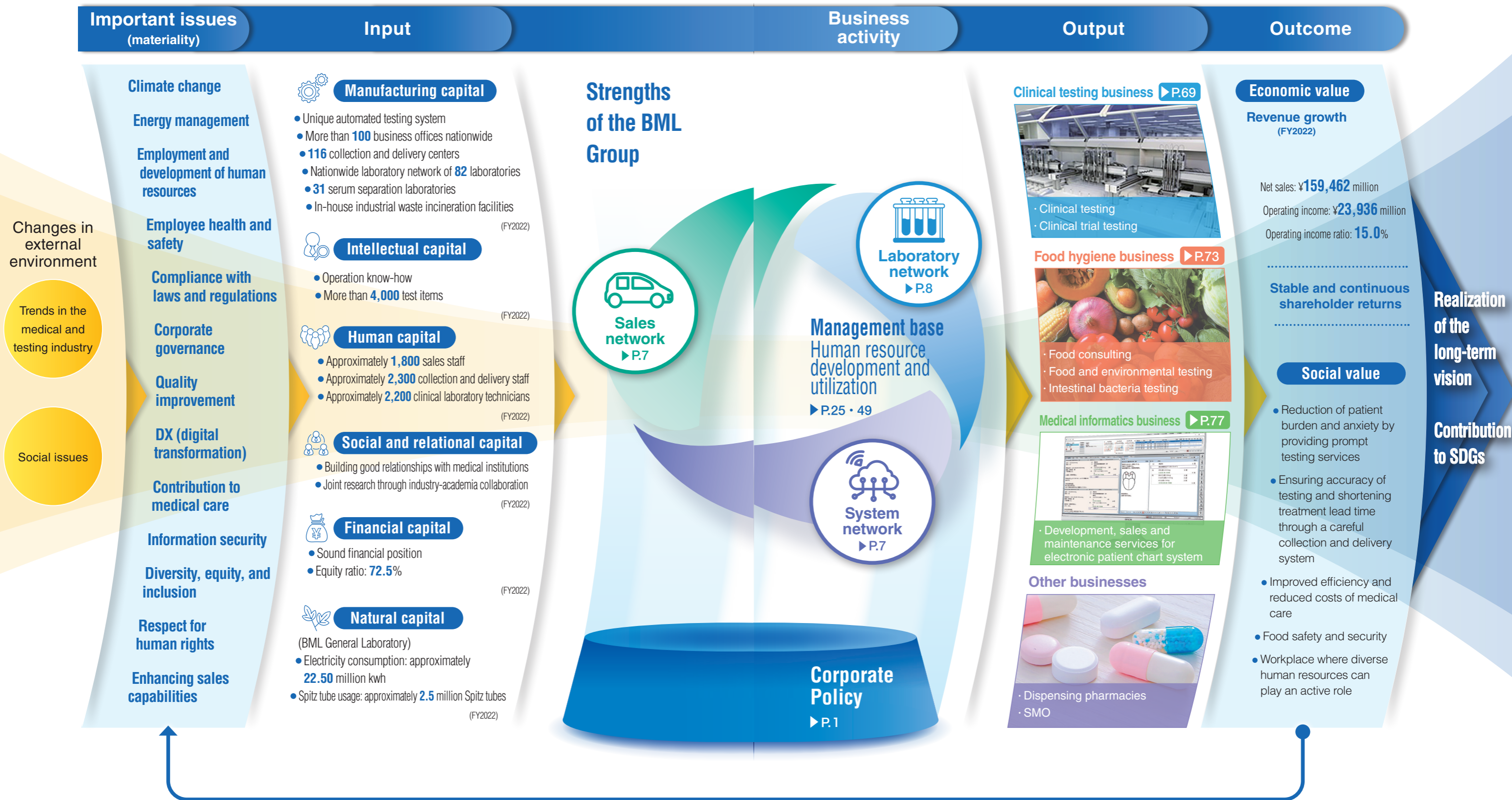
The current BML General Laboratory

Year	Management	Business Activities
1955	Founded Sogo Blood Bank, Inc.	
1966	Shifted from blood bank business to clinical testing business	1971 Registered as a hygiene laboratory
1976	The corporate name was changed to Sogo Biomedical Laboratory (abbreviated name BML [BIO MEDICAL LABORATORIES])	1975 Established the Hokuriku Branch Office in Toyama City as the first branch office
1985	Launched operations at BML General Laboratory	1979 Introduced IBM S34 and brought 27 branch offices online
1989	The corporate name was changed to BML, Inc.	1981 Commenced development of regional laboratories at main offices
1990	Renewed logo mark	1984 Net sales exceeded ¥10.0 billion
1993	Head office was moved to Sendagaya, Shibuya-ku, Tokyo, where the Company was founded	1987 Introduced the IBM 3090-150EL, a mainframe computer, and established a nationwide sales network
2001	Listed its stock on the First Section of the Tokyo Stock Exchange	1988 Established regional laboratories in 10 cities nationwide
2002	Clinical Testing Division of Otsuka Pharmaceutical Co., Ltd. was assigned	1991 The "Frontier System," an automated specimen receiving, sorting, dispensing system, was launched
2005	BML General Laboratory acquired ISO15189 accreditation (international standard for clinical laboratories)	1995 "Symphony Chemistry" and "Symphony Hematology," automated laboratory test line systems for biochemical and hematological tests, began operations
2010	Established a joint laboratory for international clinical trials in collaboration with U.S.-based Covance Inc. (currently Labcorp).	
2014	Kensuke Kondo appointed President (current President)	
2022	Transitioned to the Prime Market of the Tokyo Stock Exchange following the Exchange's reorganization of market segments	
2000		2000 Released "Medical Station (MS)," an electronic patient chart system
2003		2003 Acquired shares of EAC Corporation (food and environmental testing) (wholly owned by BML)
2006		2006 The "New Symphony Chemistry," a new automated testing line, began operations
2008		2008 New Frontier System (automated dispensing system) began operations
2011		2011 Released the "QUALIS" electronic patient chart system
2015		2015 Net sales exceeded ¥100.0 billion
2018		2018 Established 30 serum separation laboratories nationwide
2019		2019 Achieved operating income of ¥10.0 billion
2020		2020 Implemented responses to COVID-19
2022		2022 Released the "Qualis Cloud," a cloud-based electronic patient chart system

# Value Creation Process (Business Model)

The BML Group's Policy is "Dedication to creating a healthy and cultured society." We will continue to enhance the three strengths we have cultivated thus far, namely our sales network, system network, and laboratory network.

value creation while contributing to the improvement of medical services and health through



# Strengths of BML

## Three Networks Constituting Strengths of BML

BML has built up three strengths through the clinical testing business since its establishment. These strengths also

support our business in non-insurance fields.

### Sales network



We provide detailed support, from specimen consignment to information services, through the industry's largest sales network

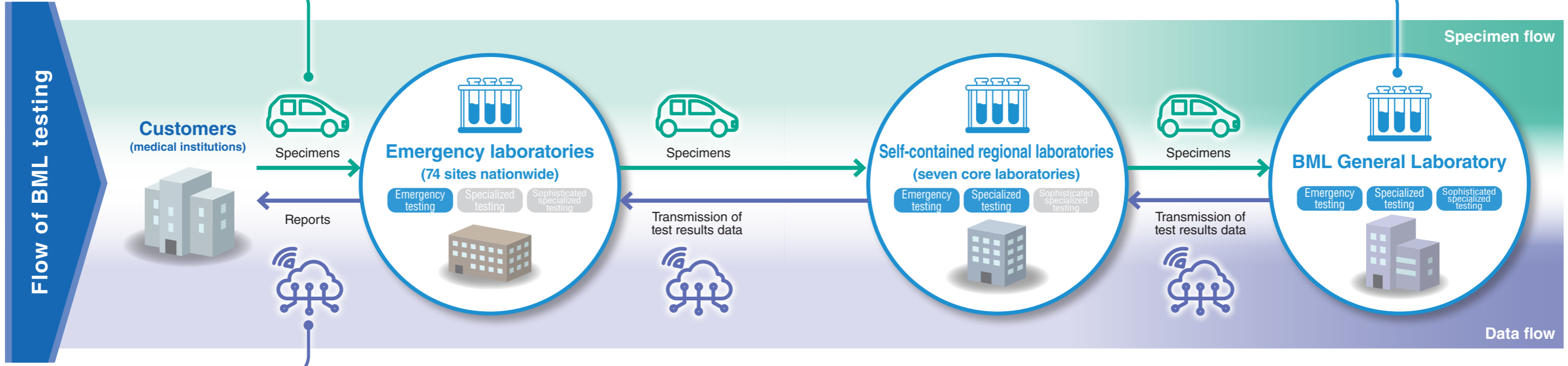
BML has a network of more than 100 business offices throughout Japan to provide prompt and accurate services. In addition, approximately 2,300 dedicated collection and delivery staff members ensure that requested specimens are promptly delivered to nearby laboratories, preventing changes in data over time and ensuring thorough quality and accuracy control. We aim to become an even better partner for our customers by using our foresight and outstanding drive to take action, through collaboration with laboratories, systems, and R&D to create new forms of service.

### Laboratory network



All regional laboratories provide prompt and uniform testing services in cooperation with BML General Laboratory

In order to provide the top-level testing technology of the BML General Laboratory to as many customers as possible, we have formed a laboratory network in cooperation with Group companies (regional laboratories). Through the standardization of work and the introduction of standardized equipment and facilities, we are able to provide homogeneous testing anywhere in Japan. By expanding regional laboratories, we will realize further community-based services to local clients. In addition, we will aim for further growth, including in related operations, by applying the know-how we have developed in clinical testing to food testing.



### System network



Providing a variety of system services that support daily medical care by leveraging knowledge and experience gained through more than 60 years of involvement in the medical field

BML aspires to be a company that supports medical care in this era of increasingly sophisticated information technology. To this end, we are rolling out medical information services through state-of-the-art network computing that links the BML General Laboratory, regional laboratories, and branch offices. BML also develops and provides electronic patient chart systems and in-hospital examination systems, which are solutions developed by BML to meet the needs of clinics, based on many years of experience in the medical field.

# Business Domains (At a Glance)

## Clinical Testing Business ▶P.69

We conduct over 4,000 types of tests ranging from routine testing to highly specialized tests.

- Business Description
- Clinical testing
  - Clinical trials testing



## Food Hygiene Business ▶P.73

We provide comprehensive sanitation control in the food environment and support the health of consumers and the safety of food.

- Business Description
- Food consulting
  - Food sanitation testing and environmental testing
  - Intestinal bacteria testing



## Medical Informatics Business ▶P.77

We are engaged in the sales and maintenance of "Qualis Cloud" and "Qualis," which are electronic patient chart systems for clinics, and "Medical Station."

- Business Description
- Electronic patient chart
    - Development and sales
    - Maintenance services



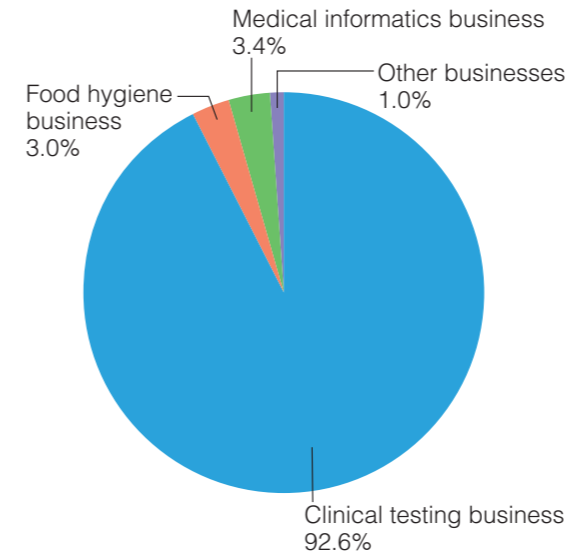
## Other businesses

We support pharmaceutical development through the dispensing pharmacy business and sophisticated laboratory tests.

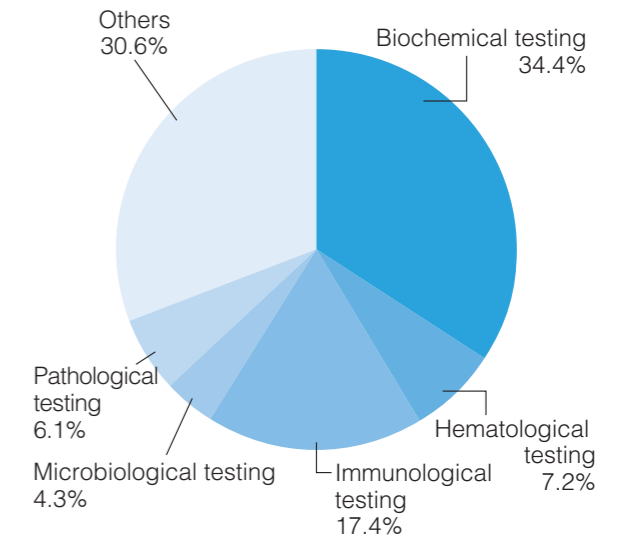
- Business Description
- Dispensing pharmacy
  - SMO



## Ratio of net sales by business



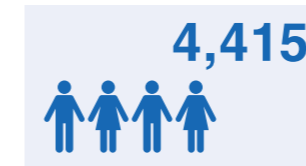
## Composition ratio of the clinical testing business



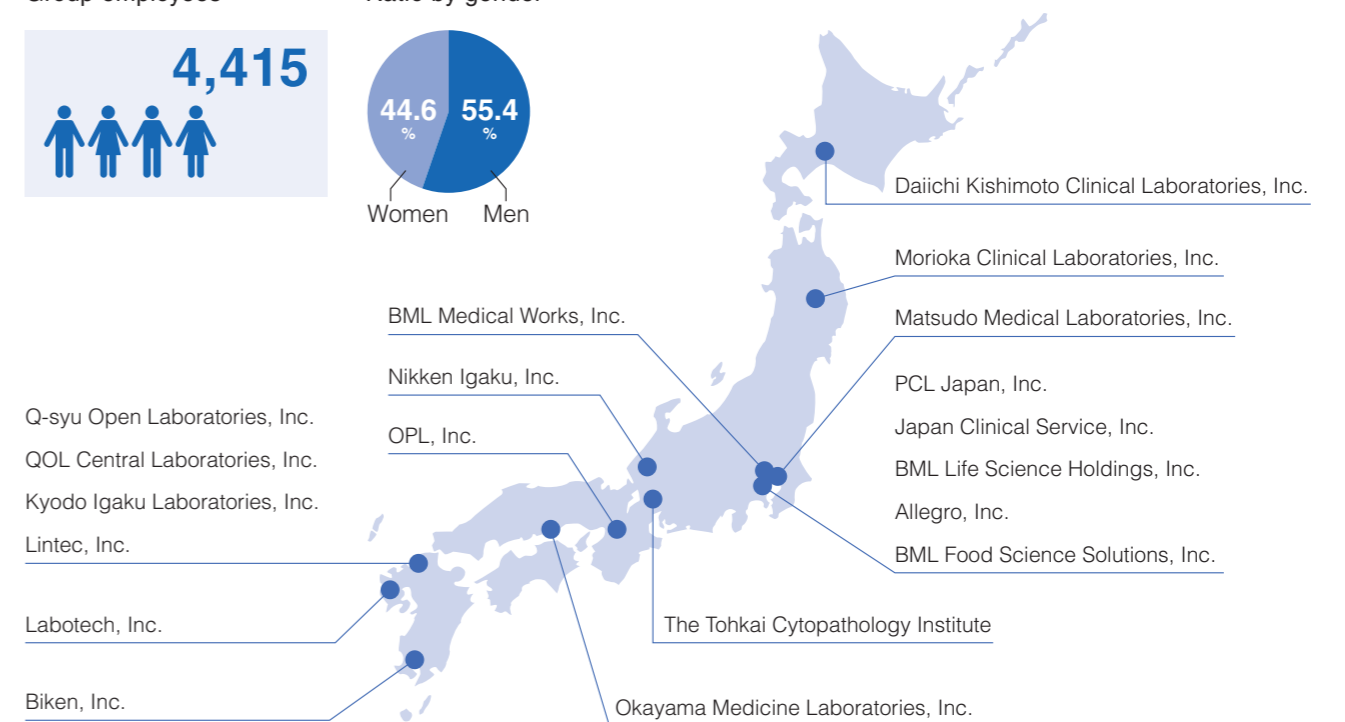
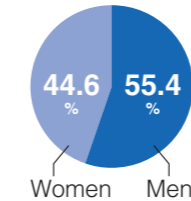
## Numbers of offices and employees



## Group employees



## Ratio by gender

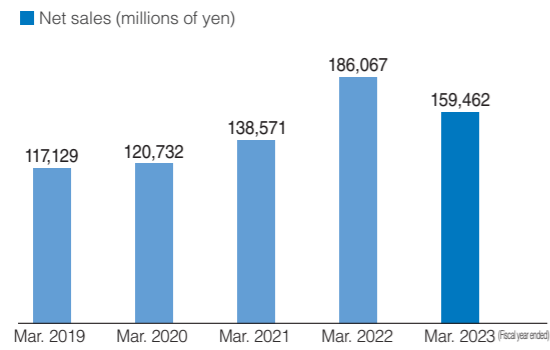


# Financial and Non-financial Highlights

## Financial Highlights

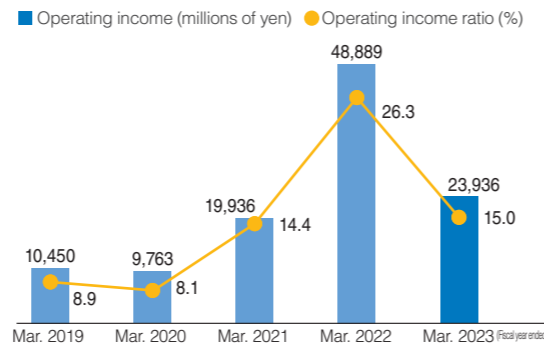
### Net sales

¥159,462 million



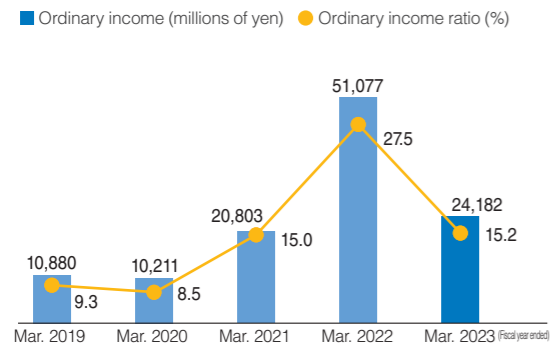
### Operating income

¥23,936 million



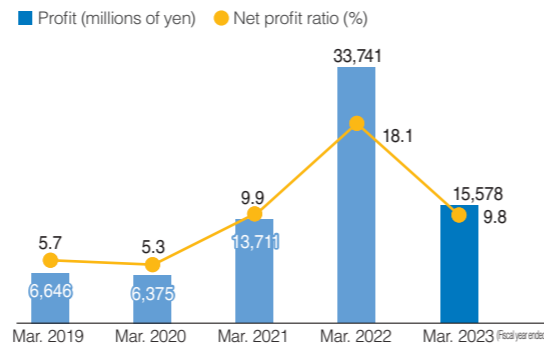
### Ordinary income

¥24,182 million



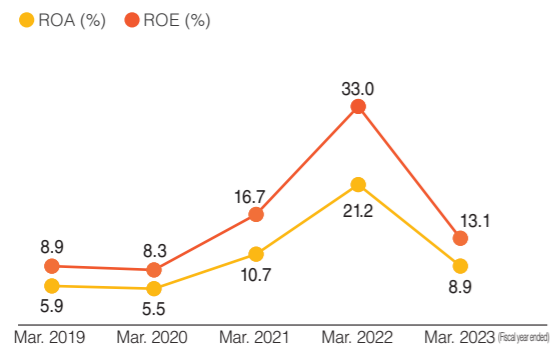
### Profit attributable to owners of parent

¥15,578 million



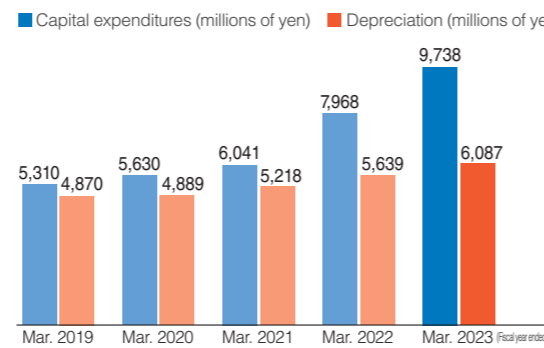
### ROA / ROE

8.9% / 13.1%



### Capital expenditures/depreciation

¥9,738 million / ¥6,087 million



## Non-financial Highlights

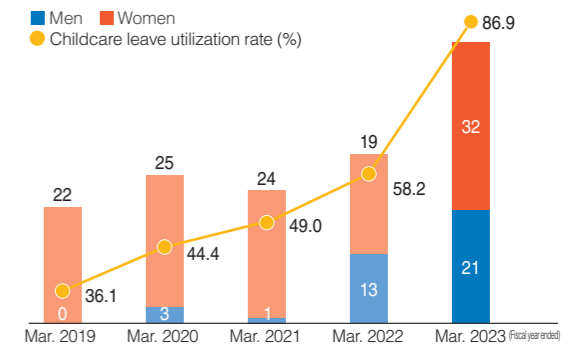
### Female manager ratio

11.2%



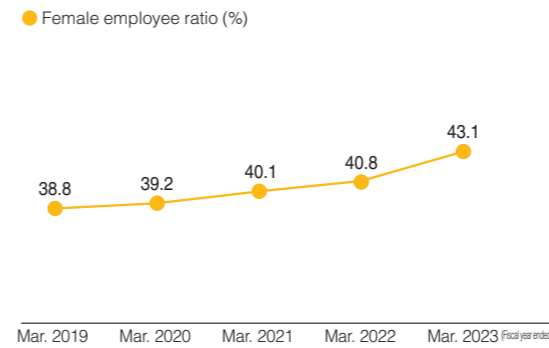
### Childcare leave utilization rate

86.9%



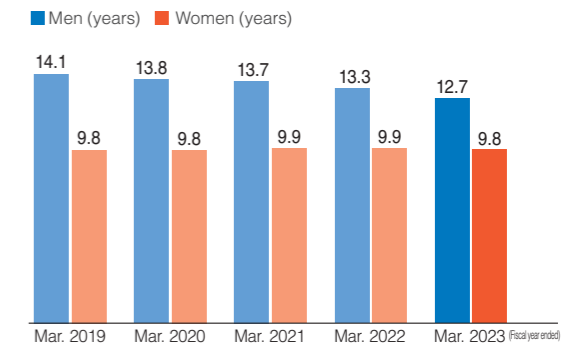
### Female employee ratio

43.1%



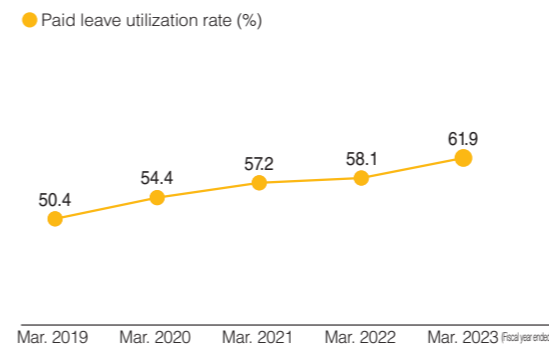
### Average years of employment

12.7 years (men), 9.8 years (women)



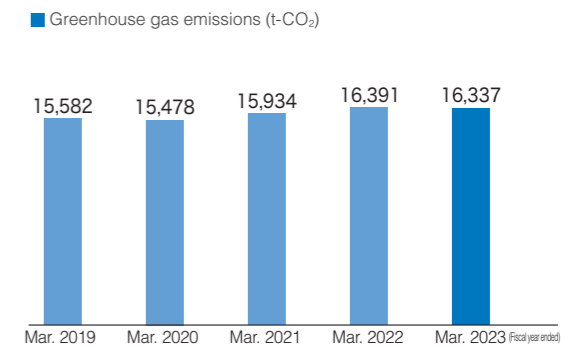
### Paid leave utilization rate

61.9%

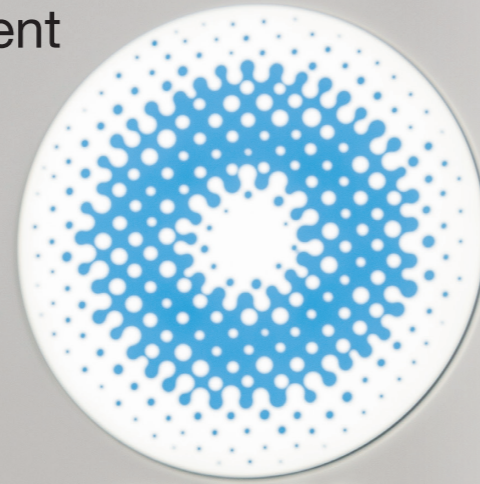


### Greenhouse gas emissions

16,337 t-CO<sub>2</sub>



## Message from the President



# BML

**Aiming to be number one  
in community service,  
test lineup, contribution  
to the medical community,  
and quality**

**Kensuke Kondo,**  
President and  
Representative Director



## Looking toward the new fiscal year

### ① A year of headwinds due to increased costs

Looking back on the past year, the clinical testing industry has been significantly affected by factors such as higher energy prices and increases in import costs due to the weaker yen since war broke out in Ukraine in February 2022. In addition to the increased costs of transporting specimens and operating testing equipment caused by higher energy prices, given that most of our testing reagents and containers are imported, increased import costs have led directly to an increase in cost of sales.

On the other hand, sales prices of clinical testing, which accounts for the majority of BML Group's revenues, are set on the basis of insurance points, which are revised every two years. This means that these cost increases cannot be directly passed on to sales prices, making them more difficult to resolve.

In response to these headwinds, BML will address these issues by promoting standardization and automation of testing processes at all laboratories nationwide, as an activity for "enhancing the laboratory network," and digital transformation (DX) using a digital reporting system (hereinafter, DRS) in "renovating collection and delivery processes," two of the Basic Strategic Frameworks that we have pursued to date in the Eighth Medium-Term Management Plan.

### ② Focusing on non-COVID-19-related tests even amid the pandemic

During the pandemic, the clinical testing industry was required to increase its capacity for COVID-19-related tests, such as PCR tests and antigen tests, which served as the foundation of measures to curb the exponential growth of COVID-19 cases. PCR testing for COVID-19 was given higher insurance points than PCR tests for ordinary infectious diseases, and as a result, reimbursement of medical service fees for clinical testing increased by about 20% from FY2019, when the pandemic had virtually no impact. For this reason, the clinical testing industry, which includes BML, conducted COVID-19-related tests, and achieved strong performances across the board.

However, demand for PCR tests for COVID-19 has rapidly declined since COVID-19 was downgraded to a Class 5 infectious disease from equivalent to Class 2 in May 2023 due to the end of the pandemic. In light of these circumstances, market size is predicted to eventually shrink to its pre-COVID-19 state. Given these external factors, it seems inevitable that the clinical testing industry will face a significant decline in net sales and profit this fiscal year.

Under such circumstances, during the pandemic, BML engaged in business with the aim of achieving a 3.8% increase per annum in sales of non-COVID-19-related clinical tests compared with FY2019, which was not affected by the pandemic, and we have largely achieved those goals. This shows that we have steadily increased our substantive market share in the clinical testing industry even during the pandemic, and I believe that this will become a competitive strength in terms of future business performance.

## Adapting to the challenges of healthcare

### ① Contribution to regional medical cooperation

As the population continues to age, close attention is being paid to the key challenge of how finite medical resources can be supplied efficiently. Regional medical cooperation is playing an extremely important role as a solution to this challenge.

Regional medical cooperation is an initiative for continuing treatment at regional clinics and convalescence at home through the cooperation of hospitals, regional clinics, family doctors, and clinics that support home support, so that patients can receive medical treatment seamlessly. This initiative will enable the provision of an environment in which patients can continue to live their everyday lives in the way that suits them.

It is my belief that the clinical testing industry can help to achieve this goal by conducting testing based on uniform standards and establishing frameworks in which the numerical values of testing data will not change no matter which medical institution the testing is performed. With its network covering almost every part of Japan, BLM will strive to contribute to the realization of regional medical cooperation by providing each region with standardized testing that enables us to report the same result, no matter where the same specimen is tested.

### ② Introduction of high-performance tests

While Japan's universal healthcare system has achieved the highest level of insured medical care, the Japanese medical community faces the need to reduce healthcare costs in response to the depletion of financial resources due to soaring healthcare costs. The measures taken by the Japanese government to date in the field of clinical testing have been to reduce the number of insurance points for ordinary clinical tests, while increasing the number of points for high-performance tests connected to companion diagnostics related to personalized medicine. This action has been guided by the belief that



## Message from the President

testing a patient's genes will lead to a reduction in medical costs by reducing the scope of patients suitable for expensive treatments.

These high-performance tests are increasing, particularly in the area of cancer, due to advances in the development of molecularly targeted drugs\*. I believe that these measures will continue to be essential initiatives for the clinical testing industry due to the social need to provide the best treatment for patients.

For the very reason that BML is a company with a nationwide network, we will actively work to introduce these tests so that we can provide them to all citizens.

\*Drugs that act only on specific molecules

### ③ Online medical care

In 2022, online medical care and drug administration guidance became possible. This will reduce the waiting time for patients and allow them to receive medical care easily even when they have difficulty attending a clinic in person. The impact of the COVID-19 pandemic is expected to assist with the spread of online medical care.

Furthermore, in light of future demographic trends such as depopulation in regional areas and overconcentration in metropolitan areas, another advantage of online medical care is that it will contribute to the improvement of healthcare accessibility. We surmise, therefore, that online medical care could become the foundation of medical infrastructure in the near future.

The actual popularization of online medical care faces a number of issues, including security concerns and the suppression of reimbursement for medical service fees. However, as a manufacturer and distributor of electronic patient chart systems, BML will promote seamless collaboration with online medical care systems by actively taking measures such as adding functions that are compatible with online medical care to our electronic patient chart systems.

### ○ Long-term strategy Developing growth drivers in non-insurance fields

If BML is to achieve the expansion of its business, we must develop growth drivers in non-insurance areas as new businesses. In this context, BML is currently focusing on four business fields: medical informatics, medical check-ups, clinical trials, and food hygiene.

In medical informatics, we have Medical Station, Qualis, and Qualis Cloud in our lineup of electronic patient chart products. Furthermore, we are also currently working on the enhancement of functions of the clinical testing

system B-Liner. Although the clinical testing system is still in the evaluation stage and a decision has not yet been made on its commercialization, we believe that the in-house production of peripheral systems for clinical laboratories will help us to improve the efficiency of the operational aspects of clinical testing.

In the area of medical check-ups, the BML Group has the advantage of being able to meet the needs of large medical check-up centers, thanks to its comprehensive domestic network of laboratories and collection and delivery networks. In addition, we believe that we can enhance our competitiveness by promoting further standardization going forward, including achieving uniform accuracy among laboratories, and by improving risk assessment testing related to preventive medicine.

In clinical trials, we have formed a strategic partnership with Labcorp to provide joint clinical trial services for international clinical trials. Unlike domestic clinical trials, international clinical trials are an area where we can expect significant expansion, and strengthening this service will lead to solid growth.

In the food hygiene, Group company, BML Food Science Solutions, has the capacity to provide comprehensive food hygiene-related services in a broader range of areas than our competitors. For this reason, we will strive for the further expansion of our business by promoting our ability to provide comprehensive consulting functions for food quality controls.

## ○ Progress of the Eighth Medium-Term Management Plan

### ① Positioning of the Eighth Medium-Term Management Plan in the Group Vision

In May 2021, we announced our Eighth Medium-Term Management Plan, which covers the three-year period beginning in the same fiscal year. This plan is the final phase of a nine-year plan that began with the Sixth Medium-Term Management Plan in FY2015 and continued through the Seventh Medium-Term Management Plan, before culminating in the Eighth Medium-Term Management Plan. This nine-year plan sets the common target of realizing the Group Vision "to become the most trusted choice in the medical world" and aims to step up our commitment to quality and services as the foundation of this vision.

Initially, we considered setting separate targets for each of the three-year periods and achieving them one at a time. However, we decided that the foundation of the Company's growth all came down to high quality and service. Upon reflection of the actual state of the

Company's quality and services provided at each of the relevant points in time, we determined that it would take nearly ten years to realize these targets. Nevertheless, we considered that the plan would become monotonous if it were to be implemented over a single nine-year period and that such a state would be an obstacle to its realization. We therefore decided to divide the nine years of the common Group Vision into three-year periods, and set out a nine-year plan consisting of the Period for Solidifying Foundation (Sixth Medium-Term Management Plan), Period for Growth (Seventh Medium-Term Management Plan), and Period for Leaping Forward (Eighth Medium-Term Management Plan), as the vision of our three-step ramp-up.

Although we have just completed the eighth year of the nine-year plan, we believe that the method of evaluating a theme by dividing it into three-year periods was appropriate for increasing the certainty of achieving our targets.

There are three reasons for this. First, this method has allowed us to set an appropriate response period according to the scale of the issue. Second, it has enabled us to monitor progress at the end of each three-year period and make appropriate revisions. Third, working on the same theme increases our sensitivity to customer reactions to the issues we have addressed, which in turn has created a favorable environment for more efficient rotation of the PDCA cycle. In turn, the experience of success that this has brought has spurred our ambition to take on further challenges.

### ② Three missions and three internal action policies

Unlike the Sixth and Seventh Medium-Term Management Plans, the Eighth Medium-Term Management Plan is based on the three missions of customer satisfaction, synergy, and social responsibility and the three internal action policies to achieve these missions of "Consensus: consensus of all employees," "Soundness: soundness of all operations," and "Standardization: pursuit of standardization." We refer to these action policies by the abbreviation, "CSS."

The missions and the internal action policies are related to the targets to be achieved and the specific actions to be taken to achieve those targets, respectively. Therefore, BML Group employees always perform their duties with the three internal action policies in mind.

The policy "Consensus: consensus of all employees" means that any issue must be shared, discussed, and agreed upon with all relevant employees, based on all the information available. This allows us to guide us toward the best possible solution at that point in time. In addition, as all relevant parties are fully aware of the process, they can take appropriate action without any misunderstandings, which has the advantage of enabling us to overcome problems swiftly. I consciously make



efforts to summarize previous discussions and explain new issues, even partway through, in order to keep everyone engaged in the actual meeting and to lead to further discussions.

"Soundness: soundness of all operations" means taking action while asking ourselves what soundness is in order to realize BML's Policy of "Dedication to creating a healthy and cultured society." We believe that by doing so, BML, as a medical service provider, can grow into a company that is desired by medical institutions that support health.

"Standardization: pursuit of standardization" was originally intended to mean standardization limited to the scope of testing. BML has 82 laboratories nationwide, and there are also several hundred laboratories that perform testing in medical institutions. If standardization is promoted in these laboratories, it will enable the sharing of test information among laboratories, more accurate testing, and more precise support for medical practices. However, we have sensed that achieving standardization of testing operations alone is not sufficient to gain real trust. For this reason, we are now working to introduce standardization in all of our operations, including testing.

### ③ Standardization and DX to enhance laboratories, sales, and collection and delivery

In the Eighth Medium-Term Management Plan, we have further identified the following three Basic Strategic Frameworks based on standardization and digital transformation (DX): enhancing the laboratory network, enhancing sales capabilities, and renovating collection and delivery processes.

In "enhancing the laboratory network," we will make efforts to standardize testing processes and enhance test

## Message from the President

items in our nationwide laboratories. At the same time, we will commence preparations for the restructuring of the BML General Laboratory, which will serve as a pillar of the next-generation laboratory concept. In addition to the testing procedures based on the standard operating procedures, we plan to establish a system that can provide highly accurate testing under any circumstances by standardizing accuracy controls and specimen identification methods in laboratories.

Documentation of each work method is essential for such standardization, and we believe that not only can more efficient methods be devised by examining these documents, but also that functionality can be enhanced by establishing a system that enables the management of these deliverables on PCs and tablet devices.

We also intend to establish a system that enables appropriate evaluation of items to be performed in each laboratory, including the restructuring of the BML General Laboratory, based on indicators such as clinical needs, urgency, and profitability. Although BML's area of expertise to date has been automation, going forward, we will establish a more agile laboratory network through these standardizations and DX.

Among our group companies, we have expanded the laboratories of pathological and cytological testing center, PCL Japan. PCL's Fukuoka Laboratory has expanded its processing capacity by 120%, while its Osaka Laboratory has achieved a 260% increase. PCL is also considering

consolidating its various laboratories scattered throughout the Tokyo metropolitan area, and it has recently made a final decision on a property where the consolidated facilities will be located.

In terms of next-generation support, we are proceeding with the start of construction of a new building in Matoba in Kawagoe City. Currently, we are considering what testing equipment and systems will be installed after construction is completed.

For enhancing sales capabilities, we will implement coordinated marketing in the BML Group by using the methods of DX to expand and deepen our customer base, and we will work to develop sales through collaborations between headquarters, branches, and branch offices. Specifically, in the medical check-up business, we are working to strengthen our solutions capabilities, such as enhancing options and expanding sales of cancer-related testing.

For renovating collection and delivery processes, we will promote DRS, which will streamline the collection and delivery process, mainly by utilizing DX, to improve convenience and reduce workload. DRS is a generic term for functions to improve the efficiency of specimen collection and delivery, including the conversion of specimen labels used from the time of specimen collection to bar-coded labels, which will reduce the risk of specimen mix-ups and establish speedier operations compared with conventional specimen labels. Furthermore, we will work to establish temperature controls in pursuit of data quality.

### Continuing to pursue the improvement of quality and services and rebuilding the testing infrastructure under the Ninth Medium-Term Management Plan

In our next Medium-Term Management Plan, which starts in FY2024, we will continue our pursuit of quality and

services. We will also work to realize the rebuilding of our testing infrastructure with the new wings of the BML General Laboratory, which are currently under construction and will become the base for further expansion of business, and the expanded consolidation of PCL's Tokyo Testing Center, which conducts pathological testing.

In the pursuit of quality and services, we will concentrate on those parts of the Eighth Medium-Term Management Plan, our "Period for Leaping Forward," that were not achieved due to the delays in the progress of the Plan because it coincided with our responses to the COVID-19 pandemic. In particular, through conferences attended by all business units for discussions based on incident reports, we will analyze the substantive causes and implement countermeasures, and if the issue is something that requires horizontal roll-out of countermeasures, we will do so immediately. In this way, we will place emphasis on making improvements. In our activities under our Medium-term Management Plans to date, my impression is that we are finally hearing many opinions come out of the individual business units, and I believe that we will be able to have even more effective discussions than before. Because we will be able to extend such substantive discussions beyond clinical testing to the manufacture and distribution of electronic patient chart systems, I believe that this will lead to the realization of the effective provision of quality and services in both business areas.

In the rebuilding of our testing infrastructure, our main objectives are to ensure testing capacity that will be able to accommodate testing ten years from now, as estimated by the speed of growth to date, and to secure frameworks that will enable us to conduct testing even when faced with disasters such as earthquakes and flooding.

Given the many external factors that will impact negatively on revenue, such as rising infrastructure prices and population decline, by reinvigorating our standardization efforts to date and our use of DX, we want to become a company that supports the health of all citizens as provider of back-end support for medical institutions.

### Improvement of the internal environment for sustainable corporate growth

In accordance with our Policy of "Dedication to creating a healthy and cultured society," the BML Group provides a clinical testing business that is indispensable for maintaining medical care and health and a medical informatics business that focuses mainly on the manufacture and distribution of electronic patient chart

systems. In this sense, it is no exaggeration to say that the sustainable growth of the BML Group is a social mission.

In order to achieve our Policy, creating a more comfortable working environment is a key challenge. The most important aspect of the services we provide is quality. What is necessary for that quality is the steady improvement of each employee's technical skills. Therefore, we consider that the most important issue is to create an environment in which employees can maintain their ambition to improve and continue to contribute to society. For this reason, we are promoting the enhancement of in-house training, diversity, equity and inclusion (DE&I), and health management.

To enhance in-house training, We have planned three types of training: rank-based, selective, and voluntary, and we offer training opportunities to all employees.

With regard to DE&I, we strive to create a work environment where employees can work together while respecting each other and recognizing diversity by confronting unconscious bias and fostering a corporate culture that is compatible with the times.

In the promotion of health management, we support efforts to promote employees' work-life balance in order to maintain and improve their mental and physical health and to encourage each employee to voluntarily maintain and improve his or her own health. In recognition of these activities, BML has been selected as a "2023 Certified Health & Productivity Management Outstanding Organization (White 500)."

### Our aim is to be the most trusted choice in the medical world

The BML Group operates with the goal of realizing the Group Vision of the Sixth to Eighth Medium-Term Management Plans, "to become the most trusted choice in the medical world," as its top priority. To this end, we believe that it is important to conduct management that is always conscious of our role in healthcare.

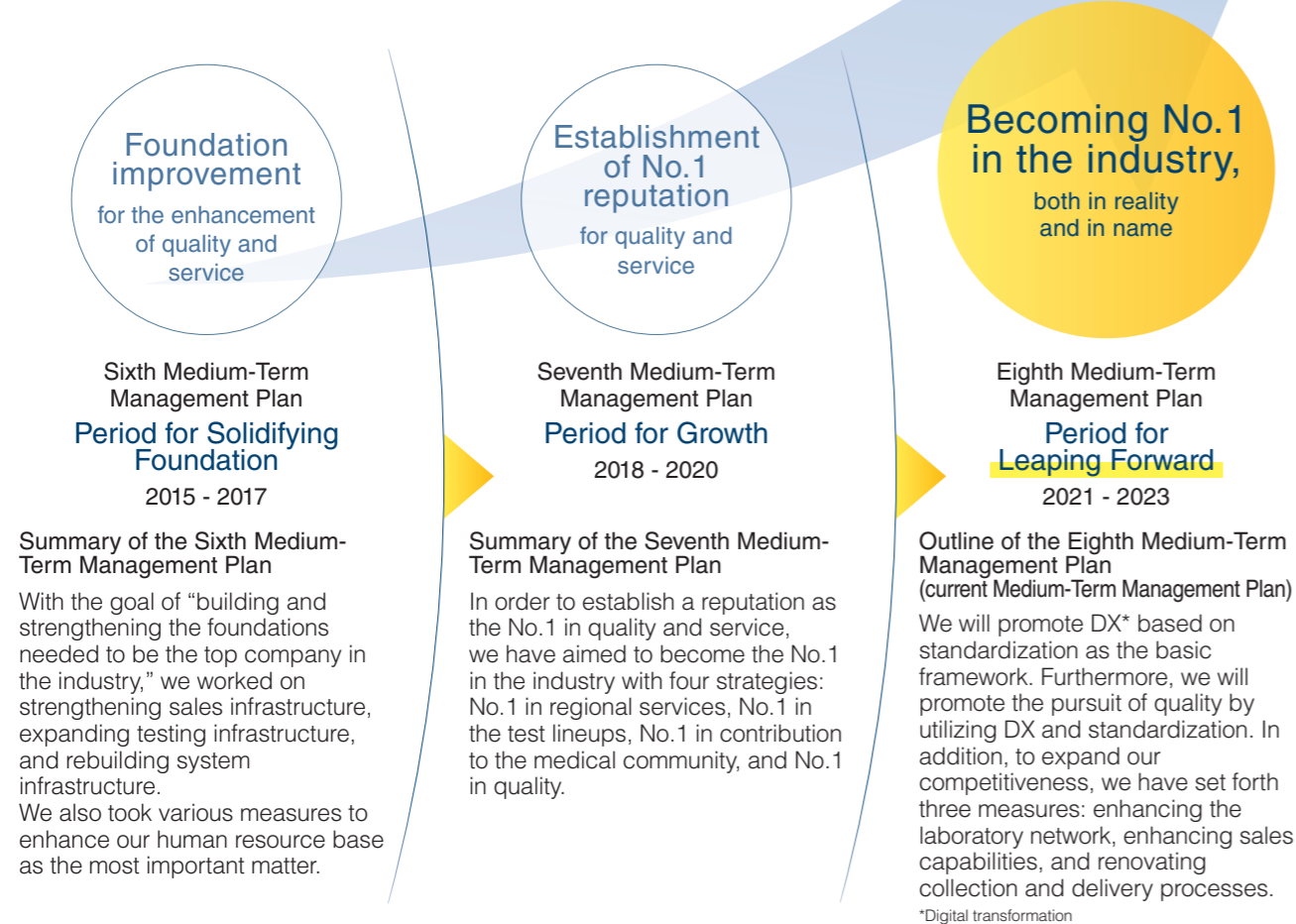
Both the President and Vice President, who are responsible for managing the BML Group, base their management on their more-than-ten years of experience in the healthcare field as physicians involved in the life and death of patients. Therefore, we believe that our understanding of the value of the services that BML provides in healthcare is close to the actual circumstances of the field. Making the most of this advantage, here at BML, we strive to be a company valued for creating better health while providing back-end support for healthcare services. We respectfully ask our stakeholders for their ongoing support and guidance.



# Long-term Vision

## Group Vision

To become the most trusted choice in the medical world



### External business environment

#### Social environment

The basic external business environment in Japan includes a declining population, falling birthrate, aging population, and increasing risk of various disasters. In this environment, it is necessary to respond to various social demands and changes in the environment, such as addressing work style reforms, promoting diversity, BCP measures, and the use of AI and big data through accelerated digitalization. In addition, although the end of the COVID-19 pandemic remains uncertain, the economy is expected to pick up going forward, due to the normalization of socioeconomic activities and the effects of various government policies, among other factors.

#### Trends in the medical and testing industry

In the contract clinical testing industry, the market size contracted due to a decrease in COVID-19-related tests. In addition, contract prices are expected to remain weak in the future due to the impact of the government's healthcare policies, including healthcare system reforms and revisions to reimbursement for medical service fees, and the fact that the market is mature, making it prone to price competition. Looking ahead in this environment, it will be necessary to respond to high-performance tests that contribute to personalized medicine, such as companion diagnosis (CDx) based on cancer genomic analysis, as well as online medical services. Further, it is expected that the environment will demand the streamlining and strengthening of the testing system in response to COVID-19.

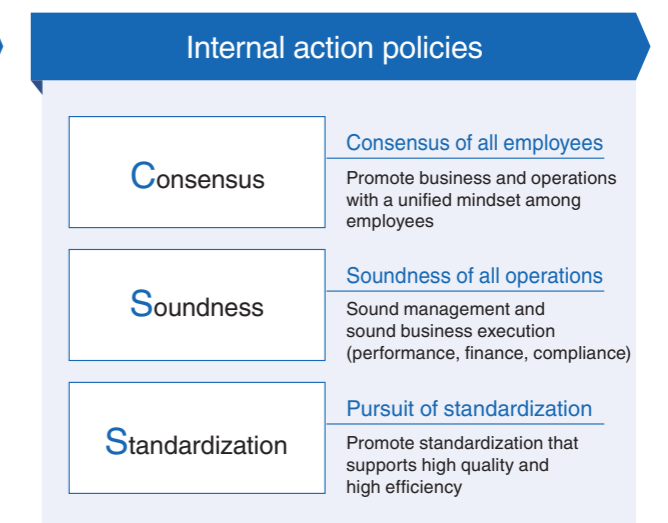
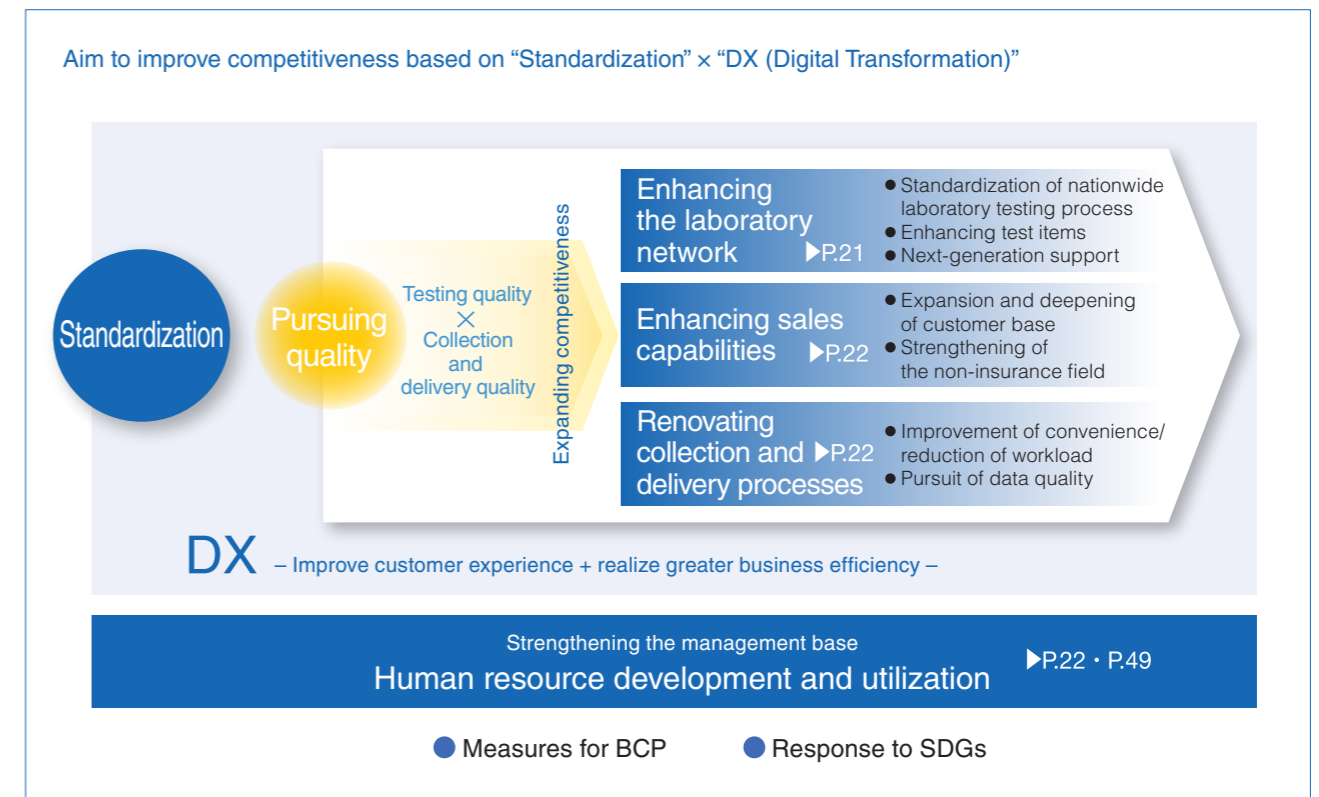
# Medium-Term Management Plan

## Eighth Medium-Term Management Plan (2021 - 2023)

In our current Medium-Term Management Plan, we have set our Mission and our internal action policies to achieve this Mission as "CSS." As a specific Basic Strategic Framework, we aim to expand our competitiveness based on standardization and DX (digital transformation).

Furthermore, to strengthen our management base, we will restructure our training system for the development and utilization of human resources, and work to create a system for the permanent development of the Company.

### Basic strategic framework



# Medium-Term Management Plan

## KPIs of the Eighth Medium-Term Management Plan

Net sales: up to ¥145,000 million expected depending on trends in COVID-19 tests

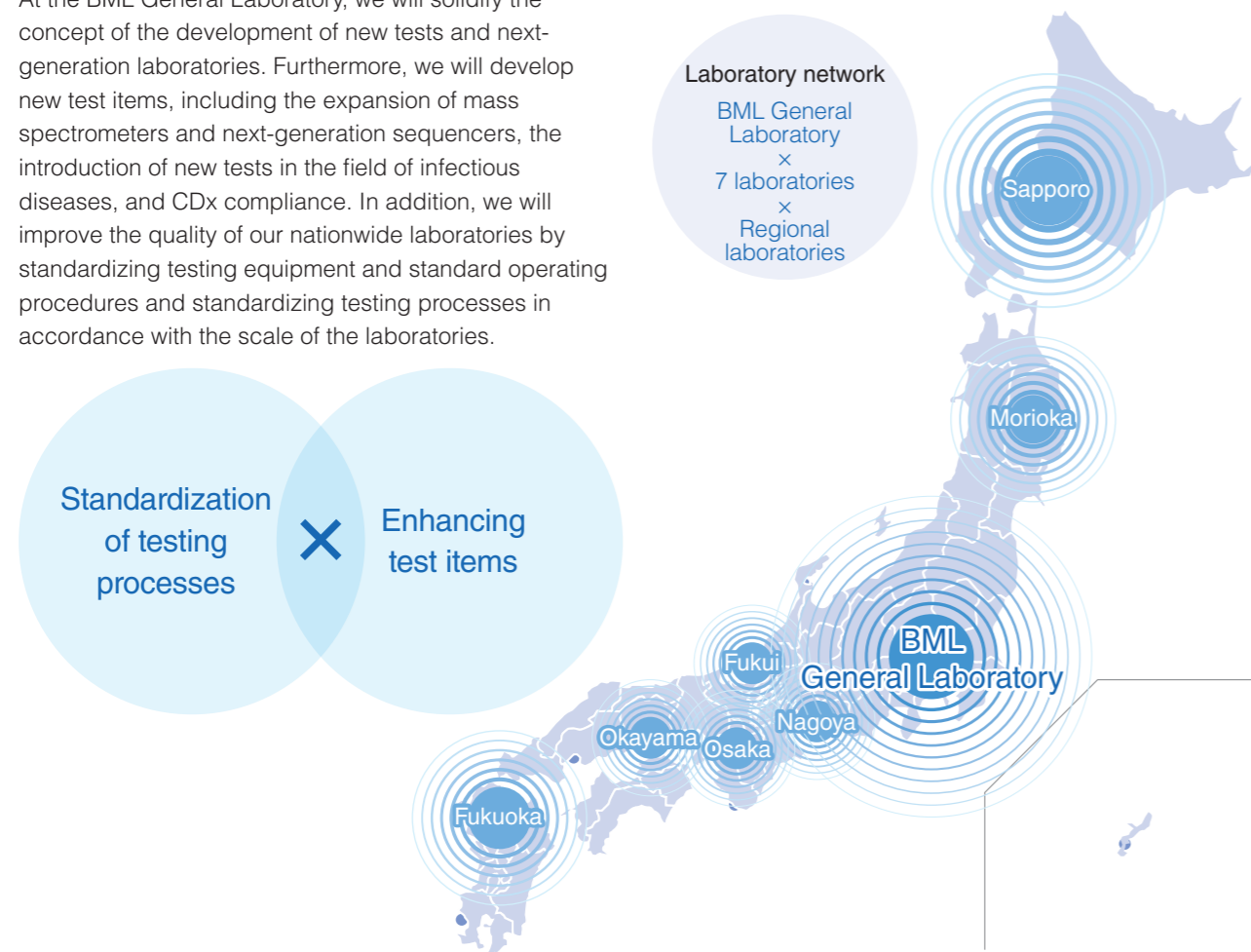
Operating income ratio: 8.5% or higher, exceeding the average of 8.3% for the past five years through FY2019

(Millions of yen)	FY2020	FY2021	FY2022	FY2023
Net sales	138,571	186,067	159,462	135,000 to 145,000
Operating income	19,936	48,889	23,936	11,500 to 12,500
Operating income ratio	14.4%	26.3%	15.0%	More than 8.5%

## Expanding competitiveness

### Enhancing the laboratory network

At the BML General Laboratory, we will solidify the concept of the development of new tests and next-generation laboratories. Furthermore, we will develop new test items, including the expansion of mass spectrometers and next-generation sequencers, the introduction of new tests in the field of infectious diseases, and CDx compliance. In addition, we will improve the quality of our nationwide laboratories by standardizing testing equipment and standard operating procedures and standardizing testing processes in accordance with the scale of the laboratories.



### Enhancing sales capabilities

We will focus on expanding and deepening our customer base by promoting coordinated marketing activities across the BML Group and deepening cooperation with local medical associations and other companies in the industry, as well as marketing activities targeting hospitals and clinics.

In addition, as measures to strengthen our non-insurance fields, in the medical informatics field, we will expand sales of cloud-based electronic patient charts (Qualis Cloud) and enhance the functions of our clinical testing system (B-Liner); in the preventive medicine field, we will implement new activities by utilizing our nationwide network collection system and expand optional items; and in the food testing field, we will expand our comprehensive consulting and certification and accreditation business for food quality management, thereby enhancing our sales capabilities.



### Renovating collection and delivery processes

One of the BML Group's strengths is its nationwide collection and delivery network. Although we visit customers and carefully collect specimens on a daily basis, we aim to further increase customer convenience and reduce the workload of collection and delivery staff by promoting DX.

In addition, we have been implementing temperature controls to improve the reliability of reported data, and we will ensure the accuracy of the data by promoting the instilling of these operations.



## Strengthening the management base

### Human resource development and utilization

To strengthen our management base, we have positioned the development and utilization of human resources as a priority issue, and will restructure our training system to create a framework for the permanent development of the Company.

In addition, in implementing the three strategies of enhancing the laboratory network, enhancing sales capabilities, and renovating collection and delivery processes, it will be essential to have our employees demonstrate their abilities and motivation to the fullest. To this end, we will promote work-life balance, and work to maintain and improve the mental and physical health of our employees and their families.



# Medium-Term Management Plan

## Investment in human capital

Based on the new education system established in April 2021, we are proceeding with the acquisition of rank-specific skills. We have designed education programs centered on technical skills based on a skills map for general employees and education programs centered on human skills and conceptual training for middle and senior management ranks, and conducting training with those programs. In particular, in terms of the diversity of our core human resources, we actively select female human resources and incorporate systematic, intensive training programs.

### Training agendas



\*Excludes training for new employees

## SDGs initiatives

### Company daycare center, Sakuranbo Nursery

A company daycare center with places for up to 50 children is next door to the BML General Laboratory in Kawagoe. In addition to supporting employees who are juggling work with raising their children, this facility also contributes to regional childcare support.



Number of employees' children enrolled	Number of children enrolled in the region	Total
15	8	23

## Donation to Kawagoe City and receipt of Good Conduct Award on the city's anniversary

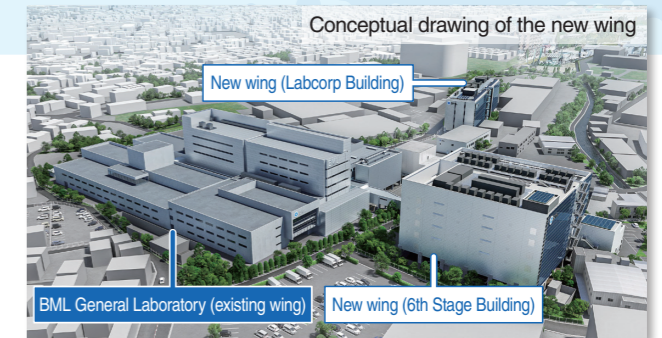
On Wednesday, November 9, 2022, we donated ¥100 million to Kawagoe City in Saitama. Kawagoe City, a central city and the core city of our operations, marked the 100th anniversary of its founding in 2022. By making a donation to the city in this milestone year, we hope to deepen our relationship with the local community and to grow and prosper together with it. It is BML's hope that this donation will assist the region's environmental actions through programs that contribute to the environment, including health and medical care.

Mr. Yoshiaki Kawai, Mayor of Kawagoe City expressed his appreciation, saying, "We are grateful for such a large donation. During the pandemic, BML accepted our PCR tests for cases of infection in city facilities. I hope you will continue to cooperate with the city into the future." At the 100th anniversary ceremony of Kawagoe City held on Thursday, December 1, 2022, BML was presented with a Good Conduct Award as a company that contributed to the growth and prosperity of the municipal government.



### [TOPIC]

## Construction of New Wings

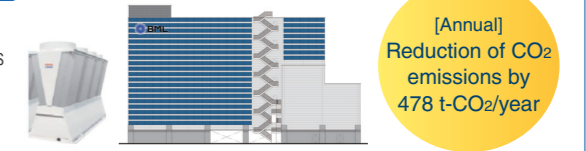


### Concept

**Sustainability**  
Building a foundation for sustainable growth even after ten years

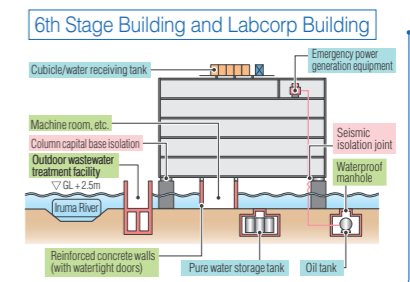
### Environment Consideration for reducing environmental impact

- Installation of solar power generation equipment
- Installation of power generation panels on the entire south wall of the new wings to utilize natural energy
- Improved efficiency of air-conditioning equipment
- Improvement of energy efficiency with high-efficiency heat source equipment



### BCP Respond to increasingly severe disasters

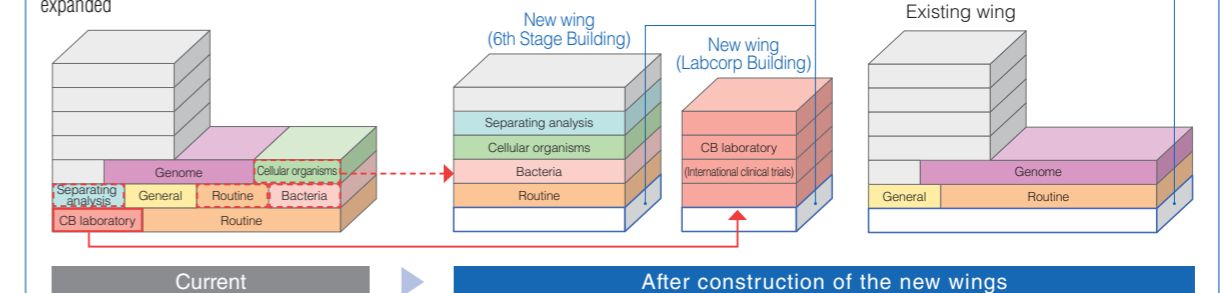
- Flooding countermeasures:** Relocation of inspection functions of the entire BML General Laboratory to the second floor or above
- Earthquake countermeasures:** New wings are constructed with base isolation system
- Disaster countermeasures:** Backup power and water supply
  - Emergency power generation system (72-hour power supply for new wings)
  - Clean and pure water tanks (Ensure 2 to 3 days of supply for the entire BML General Laboratory)



### Expansion Ensure scalability as business expands

Each laboratory in the existing wing will be relocated after the construction of the new wings. The total floor area of BML General Laboratory will be 185%, and each laboratory will be expanded.

No laboratories will be located on the first floor



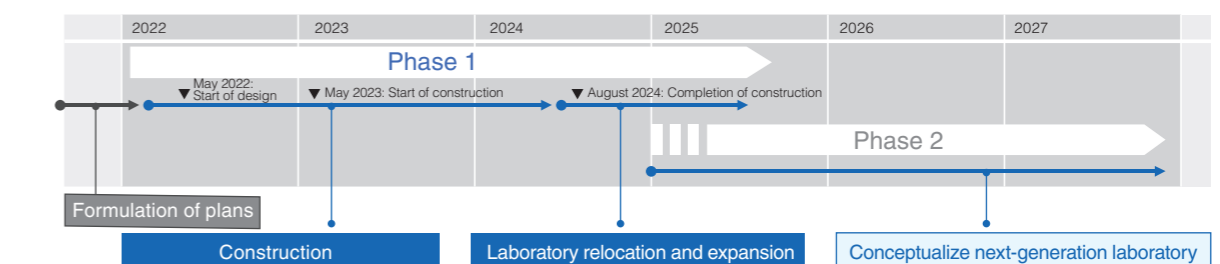
### Efficiency Improve processing capacity and efficiency

Under consideration (to be announced at the time of the detailed explanation of Phase 2)

## Roadmap

**Phase 1:** BCP/environmental measures and expansion of testing space by constructing new wings

**Phase 2:** Improve inspection processing capacity and efficiency to accommodate future business expansion



# DX Initiatives

## BML's initiatives for DX

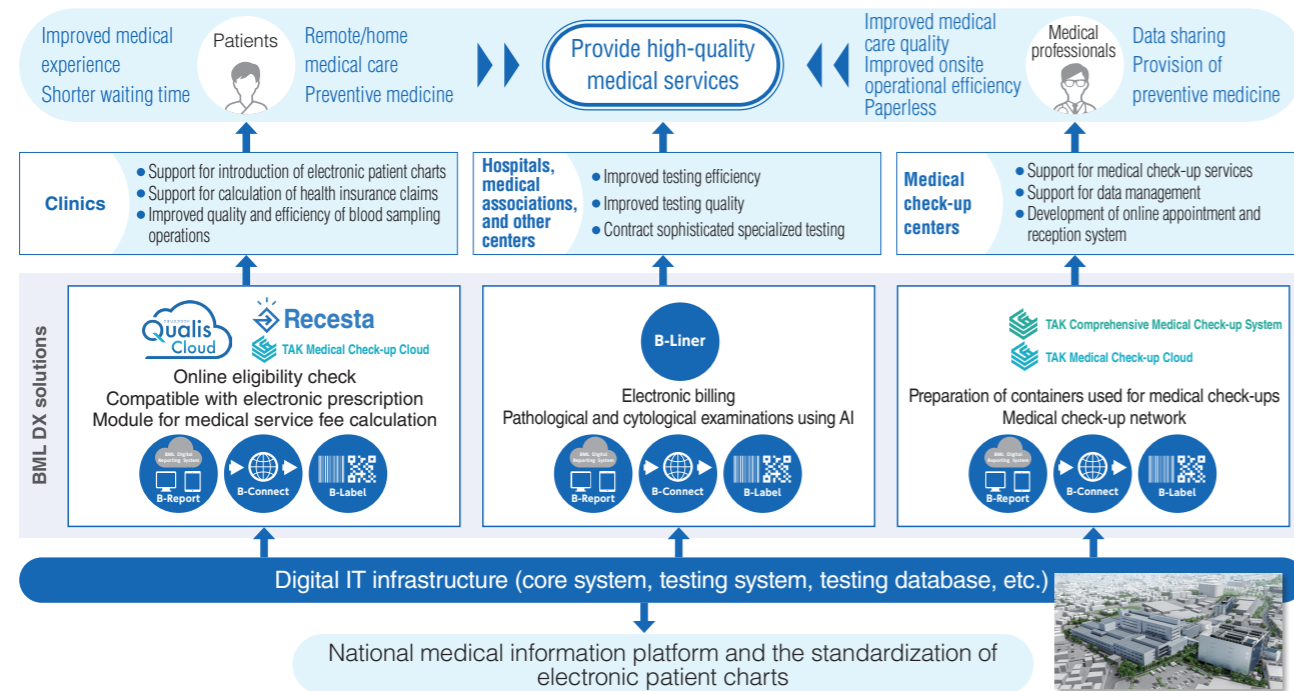
The BML Group has been promoting digital transformation (DX) through DX solutions at various sites for medical care by extensively utilizing digital technology. This initiative is aimed at enabling patients to have improved medical experience and receive medical care remotely or at home and producing benefits such as improvements in medical care quality and onsite operational efficiency for medical

professionals, with the aim of providing high-quality medical services.

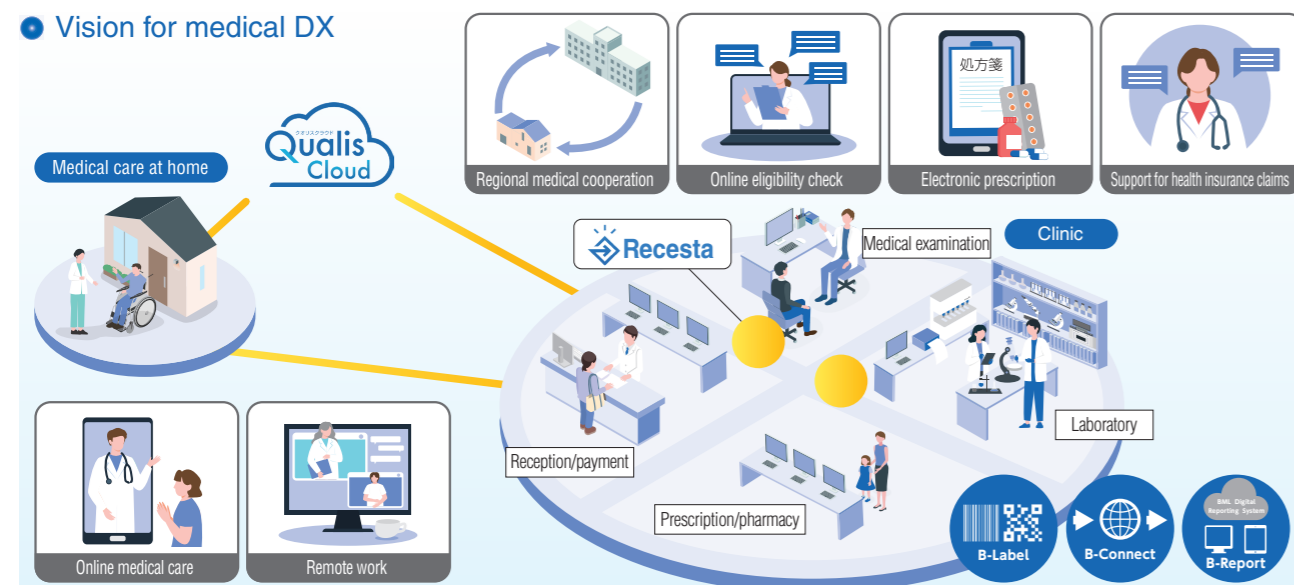
In addition, we are aiming for medical DX by jointly developing DX solutions with diverse companies rather than adhering to the framework of our in-house system.

Furthermore, the BML Group is working to take part in the construction of a national medical information platform and the standardization of electronic patient charts through the utilization of its own digital IT infrastructure.

## Utilization of digital technologies



## Vision for medical DX



\*Recesta is a registered trademark of FALCO HOLDINGS Co., Ltd.

\*TAK Comprehensive Medical Check-up System and TAK Medical Check-up Cloud are registered trademarks of TAK Co., Ltd.

## Developing human resources for DX promotion

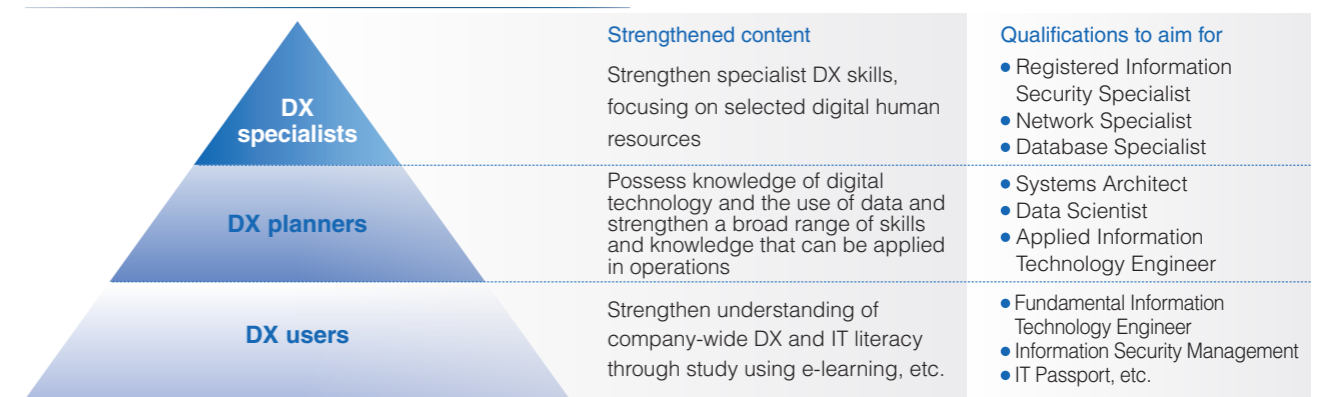
The BML Group is systematically developing human resources to promote DX by categorizing them into DX users, DX planners, and DX specialists.

To develop DX users, we provide e-learning and other education programs for all BML employees to help them deepen the comprehension of DX and enhance basic IT-related knowledge. We also encourage the acquisition of an IT Passport qualification\*, bolstering the enhancement of their IT literacy.

To develop DX planners and DX specialists, we focus on developing and securing human resources who possess specialized knowledge and skills concerning digital technology and the use of data.

\*BML aims to have 200 IT Passport holders in FY2023. By an annual increase of 200 holders in subsequent years, BML aims to have 1,200 holders in FY2028.

## Digital human resource development plan



## The number of internal digital human resources: 245 (as of October 2023)

Manager	16	Engineer/programmer	177
Designer	18	Operator	34

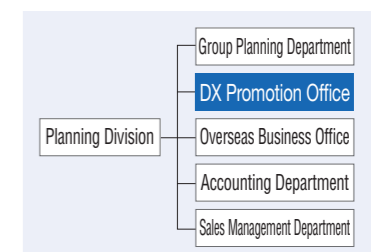
## Qualification holders (as of October 2023)

Systems Architect	1	Information Security Management	7
Network Specialist	1	Applied Information Technology Engineer	30
Registered Information Security Specialist	2	Fundamental Information Technology Engineer	85
Database Specialist	3	IT Passport	113

## Establishment of DX Promotion Office

As part of our growth strategies over the medium- to long-term, we have established the DX Promotion Office, a strategic department for DX promotion, to confront sophisticated and diverse challenges. Focusing on the formulation of DX strategies, development of DX human resources, and IT-based transformation of internal services, this department effectively oversees companywide DX promotion.

The DX Promotion Office is a key department that facilitates DX across the BML Group, fully derives DX benefits, enhances the Group's competitiveness, and contributes to sustainable growth of the Group.



## Acquisition of DX Certification

In January 2022, BML acquired a certification for DX Certified Business Operator established by the Ministry of Economy, Trade and Industry in recognition of BML's efforts such as the formulation of its management vision and the development and establishment of the DX strategies and system.



# DX Initiatives

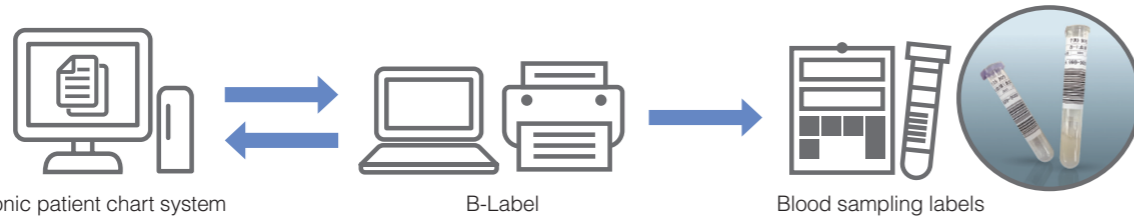
## Examples of BML's DX initiatives

### Digital Reporting System (DRS)

#### Support medical care by digitalization

DRS provides benefits including not only improved operational efficiency and convenience and paperless procedures for medical institutions but also improved quality brought by preventing specimen mix-ups.

**B-Label**  
Automatic printing of blood sampling labels with patient names by container and material



**B-Connect**  
Internet access to test requests and test result reports



**B-Report**  
Internet access to inquiries on test results

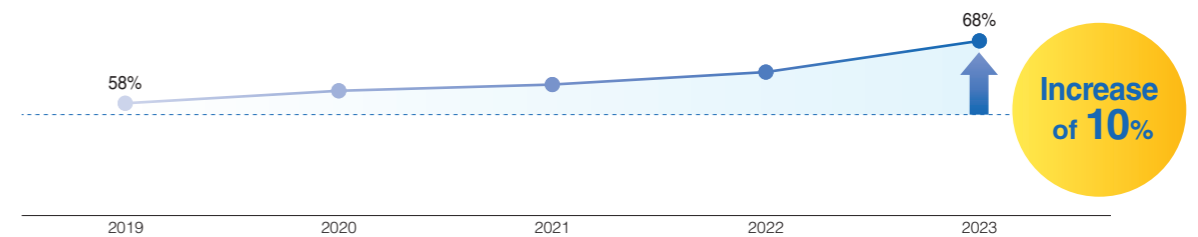


**B-Liner (clinical testing system)**  
This system links hospital systems and analytical systems. Support in-hospital laboratories in managing data and outsourcing testing services



## Progress

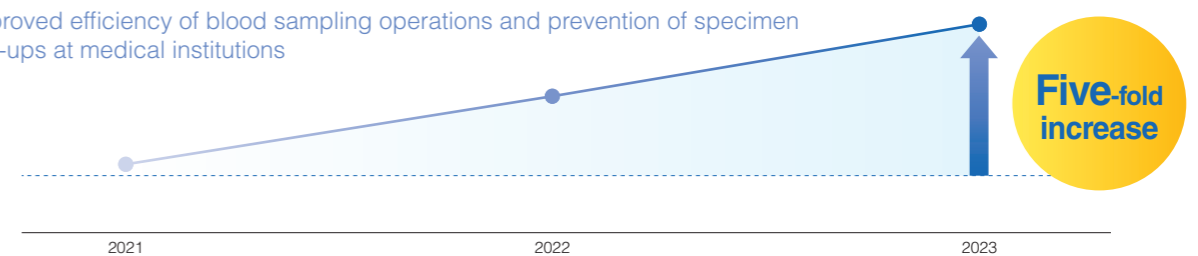
### Proportion of system-based test requests contracting



## Effect

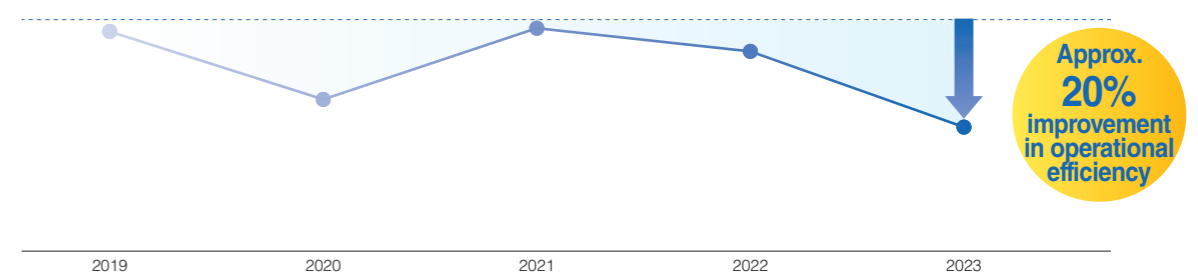
### Improved quality: Number of attached blood sampling labels with patient names

Improved efficiency of blood sampling operations and prevention of specimen mix-ups at medical institutions



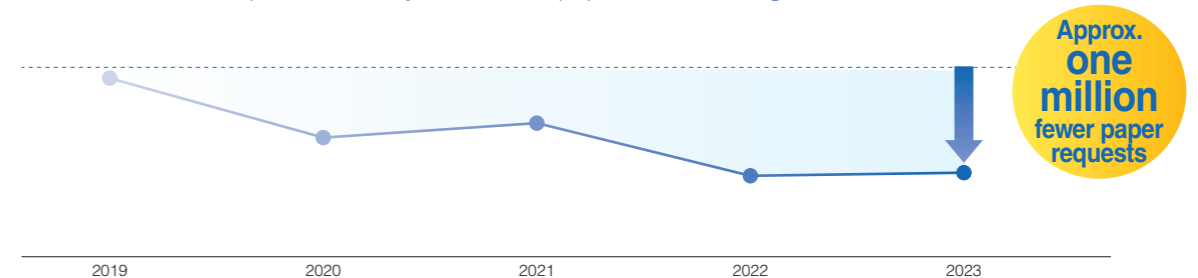
### Improved efficiency: Proportion of paper-based test requests contracting

Improved efficiency of internal test request reception work and streamlining of operations



### Elimination of paper: Reduction of paper requests

Reduced environmental impact caused by reduction of paper resource usage



\*Results in every graph were obtained by comparing figures between first-half periods of fiscal years.

## Message from the Financial Officer

Return to a stable growth trajectory and aggressive investment for the next generation

**Norihisa Takebe,**  
Representative Director and  
Senior Executive Officer



### Eighth Medium-Term Management Plan that launched with FY2019 as its base year

FY2023 is the final year of the Eighth Medium-Term Management Plan (that launched in FY2021).

We began formulating the Eighth Medium-Term Management Plan in 2020, around the time when COVID-19 cases were increasing. Our full-year business performance for FY2020 was ¥138.5 billion in net sales and ¥19.9 billion in operating income. Both of these figures were the highest on record. However, these results were largely due to demand for PCR testing performed during the COVID-19 pandemic, and sales in our main business (hereinafter, base sales), excluding COVID-19-related net sales, declined.

At the beginning of the spread of the COVID-19 pandemic, there was no way of predicting when the COVID-19 pandemic would end. We determined, therefore, that formulating numerical targets for the Eighth Medium-Term Management Plan for 2021 and beyond based on FY2020 results ran the risk of misdirecting the entire plan. For this reason, taking FY2019, which had not been affected by the pandemic,

as our base year, with the goal of growing pre-pandemic base sales by around 3.8% every year, regardless of the demand for PCR testing, we set targets of ¥135.0 billion in net sales and ¥11.5 billion in operating income for FY2023.

### Making FY2023 a year to return to our previous stable growth trajectory

Since the Medium-Term Management Plan began, the pandemic continued into 2021 and 2022, boosting demand for PCR testing significantly. As a result, net sales increased by far greater margins than expected, reaching ¥186.0 billion in FY2021 and ¥159.4 billion in FY2022. During this period, while also focusing on our response to the sharp growth in PCR testing, we concurrently endeavored to expand base sales as set out in the Medium-Term Management Plan. As demand for PCR testing has declined due to COVID-19's downgrade to a Class 5 infectious disease in May 2023, the results up to the first quarter of the current fiscal year, the last year of the Plan, show that sales have increased almost as planned, and we recognize that

sales are progressing smoothly. On the cost side, we are speeding up the withdrawal of the various special response operations that expanded due to the COVID-19 pandemic. In particular, since May, we have reduced the emergency collection and special transport systems for consignments of COVID-19 specimens, and we have been able to return almost to our pre-pandemic status. On the other hand, due to the increase in the prices of materials resulting from inflation and rising labor costs due to labor shortages, costs are rising at a higher rate than had been envisaged when the Plan was formulated. We are currently working on the implementation of new operational efficiency measures and thorough maintenance of appropriate sales prices.

Sales in the clinical testing business, BML's main business, tend to be linked to government healthcare costs and remain basically stable regardless of economic trends. Therefore, our key theme in FY2023 has been to normalize our business operations of testing, sales, and collection and delivery, and to return our business performance to a stable growth trajectory.

### Steady promotion of the Medium-Term Management Plan measures even during the COVID-19 pandemic

We set forth three measures under the Eighth Medium-Term Management Plan—enhancing the laboratory network, enhancing sales capabilities, and renovating collection and delivery processes—in our efforts to improve quality and services and expand our competitiveness. To implement the various measures, we have undertaken organizational reinforcement, product development, and capital investments, some of which are described below.

In “enhancing the laboratory network,” we have made progress in the standardization of operations in our laboratories around the country, the enhancement of bacteriological testing capacity in our core laboratories, and the expansion of our capacity for processing of pathological and cytological testing. Among our laboratories in the Tokyo metropolitan area, we undertook investment to increase the testing equipment at the Omiya and Korakuen laboratories to increase our processing capacity. In microbiological testing, we invested in equipment at our core laboratories in Osaka and Fukuoka, while promoting the uptake of testing in each region, including our laboratories in Nagoya and Okayama, which have surplus capacity due to past investments. In pathological testing, we have been able to enhance our testing capacity with laboratory expansions at the Tohkai Cytopathology Institute, which became part of the BML Group in 2019, and investments in the relocation and expansion of PCL Japan's laboratories in Fukuoka and Osaka.

Regarding “enhancing sales capabilities,” we are placing efforts into strengthening non-insurance fields, which do not rely on insurance points, in addition to the clinical testing business. In the medical informatics business, we released a new electronic patient chart,

Qualis Cloud. By providing a cloud-based product with the same operability as the conventional, on-premises-based Qualis system, we offer more options for customers, which is leading to increased sales. While we have begun provision of the clinical testing system, B-Liner Series, with enhanced functions, we will consider commercialization of the system going forward. In the medical check-up business, we restructured our sales organization and established a department that specializes in solutions for medical check-up centers nationwide, thereby establishing a system to assist customers in increasing sales and improving operational efficiency. In the clinical trial business, we have increased net sales by strengthening measurement functions for the development of vaccines for infectious diseases, focusing mainly on COVID-19, and providing them to domestic pharmaceutical manufacturers. We also have been able to steadily increase net sales from joint clinical trial services for international clinical trials with Labcorp (U.S.). Although the food hygiene business did feel the impact of the slump in the food and beverage industry caused by the pandemic, our performance in this business has since returned to pre-pandemic levels, thanks in part to the strengthening of our comprehensive consulting functions for food quality controls and the expansion of certification and accreditation operations.

Overall, during the current Medium-Term Management Plan, while we have focused on our responses to the COVID-19 pandemic in the clinical testing business, which is an insurance area, we have also steadily implemented measures in non-insurance fields, which has contributed to growth in base sales.

For renovating collection and delivery processes, we are pursuing initiatives with a focus on a digital reporting system (hereinafter, DRS). DRS is a collective term for three tools—“B-Connect” for the requesting of tests and reporting of test results via the internet, “B-Report” for inquiring about test results via the internet, and “B-Label” for automatic printing of blood sampling labels with patient names by container and material. While we have been working on the individual tools for some time, we are now making proposals to help customers introduce these three tools at once in a more efficient manner. These tools have facilitated the smooth transmission of requests and reports, resulting in reduced paper use and fewer operations, as well as the reduction of tasks such as labelling of specimens. This has led to the improvement of efficiency for both our customers and BML.

### Focus on development of functions from the customers' perspective and investment in human resources as a DX corporation

In 2021, BML became the first company in our industry to acquire the DX Certification. BML defines DX as the improvement of customer experience and the realization of greater business efficiency. In developing the various functions of our range of electronic patient chart systems, hospital testing systems, and the DRS that I mentioned above, we have considered usability for our



## Message from the Financial Officer

customers, namely the doctors and staff that use them on the ground in healthcare settings. Each of these systems is being steadily implemented, and we have gained a real sense that they have been well accepted by our customers. At the same time, our customers' use of these functions has led to the improvement of BML's own business performance and operational efficiency. In FY2023, we added two products from other companies to our DX product lineup. One is Recesta\*, a cloud-based comprehensive health insurance claim support service for clinics from FALCO HOLDINGS Co., Ltd., and the other is the TAK Comprehensive Medical Check-up System\* from TAK Co., Ltd.

Internally, we are proceeding with the expansion of our operations and the improvement of their speed and efficiency. This includes revamping testing-related systems and updating the host computers of BML General Laboratory. We plan to invest approximately ¥10 billion in internal and external systems, including these initiatives, over the next ten years.

The development of digital human resources is imperative for the promotion of DX. We repeatedly hold basic-level IT knowledge training through e-learning, a monthly online training program for all employees conducted by the Human Resources Department, and encourage all employees, including executives, to obtain IT Passport qualifications. We also provide support to the relevant departments to acquire higher-level qualifications such as data scientist and registered information security specialist qualifications. In addition, with the establishment of a HR system to recruit more advanced specialists, we are making efforts to enhance the level of IT knowledge across the entire company.

\*Recesta is a registered trademark of FALCO HOLDINGS Co., Ltd.

\*TAK Comprehensive Medical Check-up System is a registered trademark of TAK Co., Ltd.

### Aggressive growth investment for the next generation

In the next Medium-Term Management Plan, which will start in the next fiscal year, we will proceed with aggressive investments for future growth. As already announced, the construction of new wings at the BML General Laboratory in Kawagoe City has commenced. This construction work, which involves the construction of two new buildings and the extension and reconstruction of the existing buildings with the aims of relocating the laboratory and securing more space, will be completed in August 2024, and the new buildings will become operational in January 2025. We expect to invest ¥15.4 billion in buildings and auxiliary equipment in Phase 1, and about ¥15.0 billion in the introduction of next-generation testing equipment in Phase 2. This will enhance the facility's processing capacity for specialized and general testing to about 1.5 times its current capacity.

We will also continue to reinforce our ten laboratories in the Tokyo metropolitan area in anticipation of future growth in the market in that area. Following the expansion of the Omiya and Korakuen laboratories,

which I mentioned earlier, we plan to progressively develop and expand the other eight laboratories in the Tokyo metropolitan area, while examining the market situation in each district.

PCL Japan, the pathological testing service provider, will build the New Tokyo Laboratory in Ichigaya, Shinjuku-ku, Tokyo. The decision was made to establish the new laboratory in the center of Tokyo with the dual aims of improving efficiency by consolidating its laboratories that are scattered throughout the Tokyo area and securing specialists such as pathologists and cytotechnologists. With a total investment of about ¥5.0 billion, this new laboratory is scheduled to be completed and put into operation in November 2024.

Food hygiene business operator, BML Food Science Solutions, will work on enhancing its processing capacities of various types of testing, such as intestinal bacteria and food microbiology testing and physicochemical testing of food products, by building a new wing adjacent to its No. 2 laboratory in Kawagoe. In addition, by consolidating its No. 1 laboratory, which had existed separately in the same area, BML Food Science Solutions will integrate its testing department and improve operational efficiency. With a total investment of about ¥1.8 billion, this new laboratory is scheduled to be completed and put into operation in April 2024.

In addition to these moves, we will actively make growth investments over the next ten years, including the investments in systems that I mentioned earlier.

### Future alliance

In March 2023, BML concluded a capital and business alliance agreement with FALCO HOLDINGS Co., Ltd. This business alliance will allow the two companies to maintain independent management while holding small stakes in each other, and to complement the functions that each other lacks. In the past, M&As in our industry have been conducted in the form of a complete merger, in which the target company becomes a subsidiary or is merged. In this case, however, given that the markets in which the two companies have strengths are not completely aligned, BML and FALCO HOLDINGS formed their alliance based on the rational decision to take advantage of the functions that both companies could use while maintaining a competitive relationship. In this way, the two companies aim to strengthen their sales capabilities while curbing their investment burdens, through the development of BCP measures that mutually utilize the research laboratories of both companies, which are separately located in East and West Japan, the use of laboratories in non-core areas, and the mutual sale of ICT products.

As the pandemic draws to an end and business operations return to what they were in normal times, some companies in the clinical testing industry may reconsider how they continue their business. In addition, due partly to demographic changes caused by the declining birthrate and aging population, the market potential of the clinical testing business may become

a problem in some regions. We are happy to cooperate with other companies in the same industry in flexible ways in accordance with various circumstances.

### Stable growth as a medical infrastructure company and stable returns to shareholders are our responsibility

The clinical testing business is now an essential medical infrastructure for medical institutions. Based on solid financial foundations, BML intends to contribute to society by providing stable services, while properly maintaining our human resources, equipment, and systems. To this end, we will invest sufficient resources in the development of BCP measures to respond to natural disasters, in addition to growth investments. Based on deliberations by the Sustainability Committee, which was established within the company last year, we will also make the necessary investments for the development of ESG-related measures.

Even from before the pandemic, our intention has been to continue paying stable dividends to shareholders. In the two fiscal years until FY2022, we provided returns to shareholders in line with the favorable business performance stemming from the increase in demand for PCR testing. In FY2021, we paid a total of ¥120 in dividends per share, comprising a ¥70 ordinary dividend and a ¥50 special dividend, and spent ¥5.0 billion to acquire treasury shares. In FY2022, we paid a total of ¥100 in dividends per share, comprising a ¥80 ordinary dividend and a ¥20 special dividend, and spent ¥1.0 billion to acquire treasury shares. I believe that we have been able to provide returns to shareholders in a flexible manner by combining special dividends and the

acquisition of treasury shares, in line with our business performance over the two years of significant increases due to COVID-19. With dividends expected to be ¥80 per share for the full year, we intend to maintain our record level of ordinary dividends, following on from the previous fiscal year. Going forward, we will continue to maintain stable shareholder returns while improving the payout ratio, to meet the expectations of shareholders who have invested in BML based on their understanding of our business characteristics.

The first three years of the current Medium-Term Management Plan have been a period in which business performance was greatly affected by demand for PCR testing due to COVID-19. However, in this fiscal year, the final year of the Plan, our main theme is to return to a stable growth trajectory. Based on this theme, we believe it is important to formulate and execute profit plans for each business against the backdrop of large investments under the next Medium-Term Management Plan, which starts in FY2024, and to appropriately review the portfolios for each business segment in comparison with the cost of shareholder's equity. We will also pay attention to the improvement of ROE by balancing earnings, growth investment, and shareholder returns.

After the COVID-19 pandemic, social activity has returned to normal, and we are now able to hold direct dialogues with investors. In addition to the provision of proper explanations at financial results presentations and seminars for individual investors, we will also arrange individual, face-to-face meetings, to increase opportunities for dialogue with investors. We will use these opportunities to thoroughly explain BML's circumstances and to deepen mutual understanding by listening to the opinions of investors. I hope we may rely on your continued support.



# Materiality

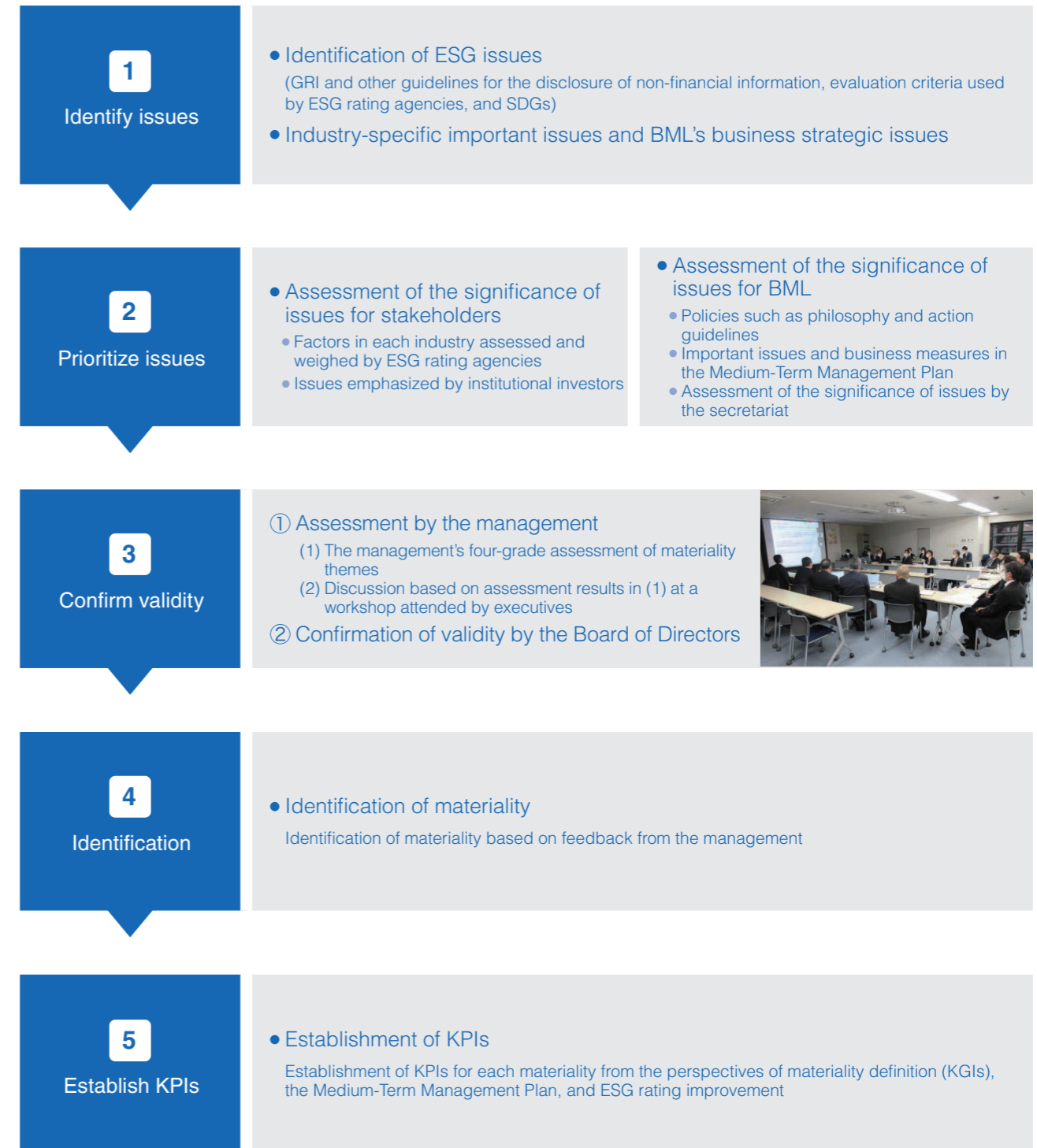
## BML's Materiality

In line with its Policy of "Dedication to creating a healthy and cultured society," the BML Group will pursue issues (materiality) in six categories to achieve sustainable growth with the society. Going forward, we will spread its business activities, the BML Group will enhance its corporate value, help to attain SDGs, and contribute to the

initiatives through its business activities to realize an affluent society. The BML Group has identified 13 material issues across the BML Group and establish KPIs. By working to solve these social issues through building of a sustainable society.










### Materiality list

Materiality categories	Materiality	Definition (summary)	Related SDGs
E Environment	Response to climate change	Promoting initiatives to reduce greenhouse gas (GHG) emissions, a driver of climate change, and realize a decarbonized society	7, 12, 13
	Energy management	Using energy consumed for various purposes with increased efficiency Further, working to reduce environmental impact and curb climate change by selecting sustainable renewable energy	7, 12, 13
S Social	Realization of a rewarding workplace	Diversity, equity, and inclusion Employment and development of human resources	5, 8, 10, 16
	Respect for human rights	Employee health and safety	3, 8
		Respect for human rights	10, 16
	G Governance	Strengthening of governance	Compliance with laws and regulations
Corporate governance			16
Information security			12
Business	Development of high-quality, high-value-added business	Quality improvement	3, 12
		Enhancing sales capabilities	3, 9, 17
		DX (digital transformation)	9
	Contribution to medical care	Contribution to medical care	3, 9



# Materiality

## List of materiality and KPIs

Materiality categories	Materiality	Definition	KPIs	Goals (qualitative/quantitative)	Fiscal year by which to achieve goals	Main initiatives	Departments in charge	Related SDGs	
<b>E</b> Environment 	Response to climate change Climate change Energy management	Increased occurrence of extreme weather events caused by climate change has the potential to create natural disasters such as global warming and drought and bring problems such as the spread of a latent infectious disease, a food shortage, and a water shortage. With this theme identified to reduce the occurrence of such extreme weather events, we will promote initiatives to reduce the factitious emission of greenhouse gas (GHG), a driver of climate change, and realize a decarbonized society, in addition to strengthening our resilience to natural disasters caused by climate change.  Energy sources such as coal, oil, and natural gas, which humans have relied on until now, can lead to the emission of greenhouse gas, a contributor to climate change, thus resulting in the acceleration of climate change. This theme has been identified to reduce environmental impact and curb climate change by using energy, which is consumed by companies for various purposes, with increased efficiency and selecting renewable energy sources.	Reference CO <sub>2</sub> emissions in FY2021 Reduction of Scope 1 + 2 emissions	a reduction of 25%	FY2030	<ul style="list-style-type: none"> <li>Increase the ratio of renewable energy-derived electricity introduced at our main BML General Laboratory to 70% by 2030</li> <li>Increase the ratio of renewable energy-derived electricity introduced at core laboratories to 4.4% by 2030</li> <li>Generate power in-house from solar energy at the BML General Laboratory so that solar energy-derived electricity accounts for 0.3% of the total electricity consumption</li> <li>Replace vehicles for sales, collection, and delivery with hybrid vehicles. By preparing an infrastructure environment, introduce EVs so that the EVs accounts for 2.7% of the total replaced vehicles</li> </ul>	General Affairs Department		
			Reference CO <sub>2</sub> emissions in FY2021 Reduction of Scope 3 emissions	Disclose emissions Set an emissions reduction target	FY2025 FY2026	<ul style="list-style-type: none"> <li>Consider a target range and approaches, and disclose emissions</li> <li>Set a medium-term Scope 3 target</li> </ul>			
			Setting medium- to long-term targets and formulating a road map for achieving carbon neutrality by 2050	Set medium- to long-term targets Formulate a road map	FY2024	<ul style="list-style-type: none"> <li>Set medium- to long-term targets and formulate a road map for achieving carbon neutrality by 2050 and disclose them</li> </ul>			
<b>S</b> Social 	Realization of a rewarding workplace Diversity, equity, and inclusion	Companies where human resources with diverse personalities and backgrounds in gender, nationality, age, culture, and belief work are required to accept the diversity of their employees and embrace new values of their employees. This theme has been identified to facilitate the acceptance of diversity so that a company provides a comfortable working environment for employees with diverse personalities and backgrounds.	Female manager (section chief or higher positions) ratio	20%	FY2029	<ul style="list-style-type: none"> <li>Affirmative action on female employees who are candidates for management positions (selective education + promotion to management positions)</li> <li>Enhance the development of human resources for the next generation irrespective of gender</li> <li>The percentage of women promoted to management positions is 25% or higher in every fiscal year</li> </ul>	Human Resources Department		
			Rate of reinstatement after childcare leave	Keep it at 100%	Every year	<ul style="list-style-type: none"> <li>Follow-ups to employees on administrative leave</li> <li>Interviews with those reinstated, career seminars</li> </ul>			
			Childcare leave utilization rate by gender	Women: Keep it at 100% Men: 80%	Women: Every year Men: FY2029	<ul style="list-style-type: none"> <li>Encourage men to take childcare leave</li> <li>Education for managers</li> </ul>			
	Employment and development of human resources	Employees support the root of business activities. A shortage of human resources and poor performance of employees are linked directly with a crisis of a company's ability to operate as a going concern. This theme has been identified to pursue initiatives such as hiring, assessment, and skill and career development to promote the active participation of employees over the medium- to long-term, aiming to secure, develop, and retain human resources consistently.	Average education/training time	Full-time employees: 15 hours/year Managers: 25 hours/year	FY2027	<ul style="list-style-type: none"> <li>Rank-based training</li> </ul>			
			The rate of attendance at training	100%	FY2027	<ul style="list-style-type: none"> <li>Follow-ups to those who have not attended</li> </ul>			
	Employee health and safety	Companies are required to create safe workplaces where accidents are prevented and protect employees from mental disorders such as ill mental health. With this theme identified to attain sustainable corporate growth, we will create an environment in which employees can work comfortably through initiatives seeking to manage labor safety based on laws and regulations instituted in countries and regions and improve the health of employees.	Days of paid leave utilization	Average 12.0 days or more	FY2025	<ul style="list-style-type: none"> <li>Encouragement to take successive five days of paid leave</li> <li>Introduce a system to allow the taking of paid leave in units of hours</li> </ul>			
			Percentage of employees receiving regular health checkups	Keep it at 100%	Every year	<ul style="list-style-type: none"> <li>Regular follow-ups by occupational physicians or nurses</li> </ul>			
			Percentage of employees receiving stress checks	80%	FY2025	<ul style="list-style-type: none"> <li>Communicate the necessity of grasping the state of one's health and a level of stress repeatedly and continue to encourage employees to receive stress checks by department</li> </ul>			
Respect for human rights	The individuality of every human should be respected and equally treated, and everyone has the universal right to live according to his or her wish. Companies are required to respect the human rights of employees and business partners and be considerate of them. With this theme identified to attain continuous corporate growth, we will create an environment in which employees can work comfortably through initiatives seeking to promote respect for the human rights of employees and business partners.	Implementation of human rights due diligence assessment	Build a human rights due diligence framework	FY2025	<ul style="list-style-type: none"> <li>Investigation regarding human rights in the Company and supply chain</li> </ul>	Sustainability Committee			
		The rate of attendance at training in human rights	100%	FY2025	<ul style="list-style-type: none"> <li>Scrutinize training levels and contents, select trainees, and conduct training in FY2023</li> <li>Conduct training every year going forward</li> </ul>				
<b>G</b> Governance 	Strengthening of governance Compliance with laws and regulations	Companies are required to comply with various laws and regulations including laws that general companies are universally required to follow and laws and regulations established industry by industry and respond to business environment changes caused by revisions to laws and regulations. With this theme identified for the Company to comply with laws and regulations and respond to changes, we will collect information on the enactment or revision of laws and regulations and comprehend entailed risks and devise countermeasures to continue to gain trust from our stakeholders. In addition to complying with laws and regulations, we will conduct corporate activities sensibly in accordance with the Company's values and Corporate Commitments.	Conducting compliance training	<ul style="list-style-type: none"> <li>Conduct compliance training every six months</li> <li>Keep the rate of attendance at 100% (except employees on administrative leave and employees on leave)</li> </ul>	Every year	<ul style="list-style-type: none"> <li>The Risk Management Department collects information on the enactment or revision of laws and regulations and comprehends contents</li> <li>Comprehend entailed risks posed to BML and consider countermeasures</li> <li>Create training contents containing enacted or revised laws and regulations to help raise employees' awareness of compliance</li> </ul>	Risk Management Department		
			Conducting compliance self-audits	<ul style="list-style-type: none"> <li>Conduct compliance self-audits every quarter</li> <li>Report to and deliberate with the Compliance Committee</li> </ul>	Every year	<ul style="list-style-type: none"> <li>The Risk Management Department collects information on the enactment or revision of laws and regulations, amends self-audit items to suit enacted or revised contents, and periodically conducts self-audits</li> <li>Consider remedial measures against compliance violations in cases reported through self-audits and implement such measures to ensure compliance with the BML Group's legal obligations</li> <li>Report the status of compliance to the Compliance Committee and conduct deliberations</li> </ul>			
	Corporate governance	Companies are required to build a governance structure designed to determine their course of action and monitor their corporate activities to continuously provide value to society and customers while securing profits for their shareholders, the owner of companies. With this theme identified to enable continuous provision of corporate value, the Company will strengthen functions of the Board of Directors based on a diverse range of knowledge and experience through the use of Outside Directors and enhance management through the establishment of various committees.	—	—	—	—	<ul style="list-style-type: none"> <li>Strengthen supervision capability of the Board of Directors by multiple Outside Directors</li> <li>Strengthen supervision capability of the Board of Corporate Auditors by multiple Outside Corporate Auditors</li> </ul>	Group Planning Department	
	Information security	Companies that have a vast amount of customers' personal information are expected to take thoroughgoing measures against an infringement on individual customers' privacy committed particularly through the leakage of personal information due to cyber attacks and improper internal use of personal information. With this theme identified to continue to gain trust from customers, the Company will properly protect and store customers' personal information by enhancing its management of information.	Measures against cyber attacks	Introduction of Endpoint Detection and Response (EDR): 100% Conduct targeted email attack training 12 times per year	FY2023	<ul style="list-style-type: none"> <li>Introduce EDR on all PCs in the Company</li> <li>Build a system to periodically conduct targeted email attack training</li> <li>Stop using the PPAP transmission method for email attachments</li> </ul>	System Division		
Measures to reduce the use of USB memory	(Quantitative) Reduce the use of USB memory by 30% (Qualitative) Accomplish the shift to highly-encrypted USB memory	FY2024	<ul style="list-style-type: none"> <li>Change to online data exchange to the extent possible</li> <li>If USB memory is used for customer's convenience, only highly-encrypted USB memory is permitted</li> </ul>						

# Materiality

Materiality categories	Materiality	Definition	KPIs	Goals (qualitative/quantitative)	Fiscal year by which to achieve goals	Main initiatives	Departments in charge	Related SDGs
Business Development of high-quality, high-value-added business	Quality improvement	It is important for companies that provide various products or services to ensure the quality and safety of their products or service so that customers and patients can consider the products or services safe and reliable. With this theme identified to maintain and improve customer and patient satisfaction and continue to be a trusted company, we will work to bolster and improve quality control.	Standardization of analyzers	Plan execution rate to be 50% or more in 2026 90% more in 2028	FY2028	<ul style="list-style-type: none"> <li>Select manufacturers by field</li> <li>Make a five-year introduction plan</li> <li>Update equipment based on the introduction plan, aiming to reach the plan execution rate</li> </ul>	Credit Guarantee Department, BML Clinical Testing Headquarters, and In-hospital Examination Division	
			The number of after-graduation qualification holders (technologist and others)	20% more in 2026 30% more in 2028	FY2028	<ul style="list-style-type: none"> <li>Encourage laboratory personnel who has been at BML (non-consolidated) for no more than three years since joining the Company to obtain an after-graduation qualification</li> <li>Establish a training system to promote the obtainment of qualifications</li> </ul>		
	Enhancing sales capabilities	To enhance sales capabilities of the Company, it is important to strengthen the development of both sales human resources who have professional knowledge of the industry and sales strategies. This theme has been identified to strengthen the development of sales human resources who seek to foster communication with people involved in medical care in order for the Company to expand and deepen its customer base and enhance its capacity further in non-insurance fields.	Obtainment of DMR*	30% of total sales personnel to obtain it	FY2030	<ul style="list-style-type: none"> <li>Increase the number of qualification holders by 15 or more every year</li> <li>In FY2023, as a trial, eight persons in the Division are designated to aim at obtaining the certification</li> <li>In FY2024, we will expand the range of designated personnel and designate persons in the Division as well as new employees</li> <li>In and after FY2025, we will expand the range of designated personnel and designate persons in the Division, new employees, and other sales personnel to aim at obtaining it</li> </ul>	Sales Division	
			Improvement in the response rate of electronic patient chart support and service quality	Response rate: 90% or above Service quality: Response within 90 seconds	FY2023	<ul style="list-style-type: none"> <li>Reinforce telephone support and maintenance personnel within FY2023</li> <li>Improve operational efficiency by adopting interactive voice response (IVR) and an automated response history recording tool</li> <li>Seek measures to reduce the number of incoming calls</li> </ul>		
			Enhancement of each type of training	Test items sales training: twice a month Sales and testing knowledge improvement training: once a year	Every fiscal year	<ul style="list-style-type: none"> <li>Conduct sales training (including manufacturer study meetings) twice a month, focusing on deepening and cultivation items as well as new items, with the aim of improving skills</li> <li>In the sales and testing knowledge improvement training, each branch office selects one item from strategy items, trainees make presentations in a role-playing format, and grades are given to them</li> </ul>		
	DX (digital transformation)	The development of IT technology has brought about the systemization of work that has only been carried out by humans until now and the creation of new and advanced services, and implementation of such services is expected to introduce reform and strengthen competitiveness. This theme has been identified for the Company to aim to be a sustainable and highly competitive company by building a resilient infrastructure in addition to carrying out improvement and reform using IT technology toward continuous corporate growth.	System introduction ratio/cost reduction amount	Introduce B-Label at 50% of facilities that use electronic patient chart systems	FY2026	<ul style="list-style-type: none"> <li>Introduce B-Label to customers who use electronic patient chart systems</li> <li>B-Label should be equipped as standard at facilities where Qualis is newly placed into service</li> </ul>	System Division	
			Cost reduction due to lightened collection and delivery workload (collection and delivery, reception, and input) caused by the rollout of B-Label	B-Label attached rate: 30%	FY2026			
			The number of employees who have obtained the IT Passport	200 employees per year	FY2029	<ul style="list-style-type: none"> <li>Provide education about IT for all employees and aim to help 200 employees per year to obtain the IT Passport to create a foundation for the continuous promotion of DX. (half of the full-time employees to obtain it six years later)</li> </ul>	Group Planning Department and Human Resources Department	
	Contribution to medical care	When patients need medical services, it is important that medical services are provided for them at proper prices irrespective of region. This theme has been identified for the Company to contribute to the development of medical services, the enhancement of its corporate value, and healthy lifestyles for people by addressing challenges existing in medical services and responding to customer needs.	The number of cases where genomic medicine analyses are conducted (types of genes that can be analyzed)	Contract at least three new items of multi-gene panel testing	Every year	<ul style="list-style-type: none"> <li>Independently develop a multi-gene panel test on genes responsible for serious or rare diseases using NGS</li> <li>Constantly release it as a new contract item every year</li> </ul>	Advanced Technology & Development Division	
			Operation and deployment of branches targeted at hospitals in regions where the population is severely declining and securing laboratory technicians is getting difficult (Number of assigned technicians relative to deployment of branches)	—	—	<ul style="list-style-type: none"> <li>In the operation of laboratories, we will suitably target local hospitals for acute care and medical check-up centers that have difficulty in securing laboratory technicians (17 facilities in FY2023) and manage progress</li> </ul>	Sales Division	

\*DMR (Diagnostics Medical Information Representatives)

## Comments from experts on materiality

Voice

BML's operations are linked directly with social contribution. I appreciate the Company's initiatives seeking to simultaneously improve quality and productivity of the identified operations through DX and heighten its sales sensitivity to latent demand in the medical care industry as a driving force for social contribution.

Going forward, it is desired that BML will flexibly adjust and improve the KPIs and targets in response to changes in social demand, associate them with its daily pursuits, and enhance the effectiveness and concreteness of its approaches to the issues.



Shigeru Osawa

- BML must contribute to medical care particularly to realize its Policy of "Dedication to creating a healthy and cultured society." At the same time, the Company is required to surely address environmental issues such as climate change.
- BML is requested to focus especially on the development of human resources responsible for sustainable growth and the material issue of diversity, equity, and inclusion.



Yukiko Yoritaka

- BML is a company that plays an important part in supporting medical care services for saving people's lives, and so I think it is imperative for the Company to surely address global environment issues, especially climate change.
- "Compliance" and "maintenance and improvement of quality" are credentials that companies must have to operate as going concerns. I expect that each and every employee performs his or her duties with the highest sense of ethics and a strong sense of responsibility for quality.



Tatsuharu Arai

## Message from the Vice President



**Nobuki Arai,**  
Representative Director and  
Vice President

### Identification of 13 material issues Company-wide discussion on sustainable growth in the Sustainability Committee

#### Four material issues from business perspectives

The BML Group has identified 13 material issues (materiality) in six categories, namely "Response to climate change," "Realization of a rewarding workplace," "Respect for human rights," "Strengthening of governance," "Development of high-quality, high-value-added business," and "Contribution to medical care," to achieve sustainable growth.

In an era that requires consideration of the impacts on environment and society, such as responses to global warming and diversity, equity, and inclusion, identifying important issues for stakeholders and BML as our materiality and setting KPIs for them have the effect of encouraging the selection and concentration of management resources, and by extension, enhances the effectiveness of various activities. While BML has been engaged in various initiatives for environmental response and human resource development for some time, I also believe that focusing on specific themes as materiality will encourage more concrete actions.

In the materiality development process, we asked the executive team to complete a questionnaire about materiality identification, after which we held a workshop

with them on the topic. In that process, from "business" perspectives, we identified two categories, the aforementioned "Development of high-quality, high-value-added business" and "Contribution to medical care," and four material issues corresponding to those two categories, specifically, "Quality improvement," "Enhancing sales capabilities," "DX (digital transformation)," and "Contribution to medical care." I find it highly significant that we were able to identify, through the executive team workshop in this way, our original material issues related to "business," in addition to those related to "environment," "society," and "governance." We also set KPI achievement targets for each materiality as a part of the target management incentives for our operating officers, which I believe will raise the effectiveness of our business.

#### Standardization of testing and improvement of sales staff quality

As a specific initiative, in the area of "Quality improvement," partly as a result of past M&As, different labs had different testing equipment, with each model requiring different SOPs. As such, standardization of equipment had become an issue from the perspective

of preventing problems. To this end, we are working on initiatives for selecting standardized equipment in accordance with the scale of the lab and replacing them at the appropriate time of equipment renewal.

For "enhancing sales capabilities," we will encourage our sales staff to obtain the qualification of Diagnostics Medical information Representative (DMR). As many of our sales staff have not studied clinical testing formally, we believe that improving their qualities in that area will enhance their sales capabilities, which will help to increase the trust of our customers.

"B-Label" is one of our initiatives for DX. This is a system that automatically prints blood sampling labels with patient names by container and material with the aims of improving the efficiency of blood sampling operations, preventing specimen mix-ups, and improving the efficiency of specimen receipt confirmation. We expect this to provide the impetus for the promotion of DX.

One other initiative is "contribution to medical care." With the growing attention being focused on genetic testing in recent years, we have established a gene panel test in which multiple genes are analyzed simultaneously, rather than a single gene being analyzed, for the diagnosis of genetic disorders. By increasing the possibility of gaining more accurate diagnosis with a single test, we believe that we will be able to contribute to the diagnosis and treatment of patients with unknown causes. This fiscal year, we plan to release gene panel tests for three disease groups, including familial hypercholesterolemia.

#### Specific ESG initiatives

As initiatives for climate change, to increase the sophistication of our TCFD, we have newly conducted a risk and opportunity assessment based on the "1.5°C scenario." In addition, while we have previously looked at the single-year effects in the target year, we are now examining the cumulative impact up to and including the target year.

Solar panels will be installed on the walls of the BML General Laboratory's new buildings in Kawagoe, which is scheduled for completion in August 2024, to reduce CO<sub>2</sub> emissions. We also completed major repairs of the existing building several years ago, and we have upgraded the heat source used for air conditioning. With these initiatives, we expect to reduce CO<sub>2</sub> emissions by 1,269 tons in 2029.

We are also working to replace our fleet of approximately 3,000 vehicles, which are currently used for sales and specimen collection and delivery operations nationwide, with electric vehicles. In addition to starting the introduction of EVs for part of our sales fleet this fiscal year, given that EVs suitable for collection and delivery operations are scheduled for launch next fiscal year,

we plan to install EV charging facilities in conjunction with the construction of the new buildings to start switching to EVs for collection and delivery vehicles.

We will also encourage relevant facilities to obtain ISO14000 certification, an international standard for environmental management systems. The BML General Laboratory has been ISO14000 certified since 2000, and two affiliated company facilities are preparing to obtain this certification next fiscal year.

For "respect for human rights," BML established its human rights policy in April 2023. In terms of human rights due diligence, acknowledging the need to deepen our employees' awareness of human rights, we will commence human rights training for our employees in the second half of FY2023. As supply chain management is an issue for preventive/corrective action against negative impacts, we plan to consider specific measures while communicating with suppliers, including reagent manufacturers.

#### Discussions with revision in mind given changes in the business environment

In September 2022, the BML Group established the Sustainability Committee, an organization to discuss and decide on approaches and plans for our activities, with the aim of promotion of sustainability management. The Committee meets on a quarterly basis and reports the results of those meetings to the Board of Directors. Based on feedback from the Board and other considerations, the Committee works to improve the systems and update implementation plans as necessary. In the past, environmental issues and ESG issues such as diversity, equity, and inclusion were mainly discussed within each relevant department. However, after the establishment of this committee, I believe that we are now better able to discuss these issues from a company-wide perspective by gathering the opinions of officers and similar ranks of people from each department.

As the next Medium-Term Management Plan commences in FY2024, in addition to the financial targets, we intend to incorporate non-financial KPIs, including sustainability perspectives, into our targets. Going forward, with regard to sustainability, it is predicted that the number of new issues to be addressed, as well as external demands for information disclosure, will increase. In our sustainability activities, we realize that even a single target, such as penetration of diversity, equity, and inclusion within the company, cannot be achieved overnight. I believe that it is important for us to continue to work on sustainability activities, while constantly reviewing our approach to business as a company, looking ahead to changes in the environment in society.

# Sustainability Management

In accordance with our Policy, basic sustainability policy, environmental policy, and compliance manual, we, the BML Group, will respect dialogue with all stakeholders, including customers, business partners, shareholders and investors, employees, and local communities, and will play an active role in building a sustainable society and strive to enhance our corporate value.

## Basic Sustainability Policy

### 1. Contribution to society

BML is committed to improving medical services and health through the latest technologies, systems, and service networks based on our extensive clinical laboratory experience.

### 2. Addressing environmental issues

We will work to protect the global environment in all stages of our business activities and provide testing services related to the environment and health, in order to realize a sustainable society that cares for people and the earth.

### 3. Respect for human rights

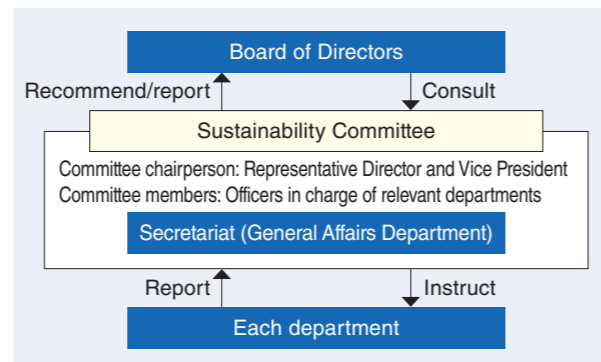
We respect the human rights of all people affected by our business activities. We will also promote diversity, equity, and inclusion, and strive to foster a corporate culture in which employees can work safely and comfortably.

### 4. Establishment of trust from society

We will achieve management that earns a high level of trust from society by conducting sincere and fair corporate activities, including compliance with laws and regulations, fair and free competition, and appropriate information disclosure.

## Sustainability promotion system

The BML Group has established a Sustainability Committee chaired by the Representative Director and Vice President. The Committee aims to promote sustainability of the entire BML Group, and discusses and decides on the approach and plans for sustainability. The Committee meets quarterly to regularly discuss the approach and evaluate activities, and works on improving the system and updating the implementation plan as necessary. The Committee members consist of officers and general managers of the relevant divisions, and the General Affairs Department serves as the secretariat.



## Major agendas at the Sustainability Committee in FY2022

	Major items	Medium items
September	Business	<ul style="list-style-type: none"> <li>Formulation of materiality</li> <li>International initiatives and response to rating agencies</li> <li>Building sustainability training and e-learning systems</li> </ul>
	Environment	<ul style="list-style-type: none"> <li>Response to TCFD recommendations and CDP questionnaire</li> <li>Process for establishing GHG emission reduction targets</li> <li>Strict implementation of environmental management system (ISO14001) and its deployment to Group companies</li> </ul>
	Society	<ul style="list-style-type: none"> <li>Development of human rights policy</li> <li>Support for social contribution activities</li> </ul>
	Governance	<ul style="list-style-type: none"> <li>Initiatives to date</li> </ul>
December	Business	<ul style="list-style-type: none"> <li>Materiality identification</li> <li>Progress toward signing the UN Global Compact</li> <li>Progress on the refinement of TCFD response</li> </ul>
	Environment	<ul style="list-style-type: none"> <li>Initiative to reduce GHG (CO<sub>2</sub>) emissions (reduction targets, specific strategies)</li> <li>Deployment of ISO14001 to Group companies</li> </ul>
April	Business	<ul style="list-style-type: none"> <li>Setting non-financial KPIs for materiality identification</li> <li>Signing the UN Global Compact</li> </ul>
	Environment	<ul style="list-style-type: none"> <li>Progress on the refinement of TCFD response</li> <li>Initiative to reduce GHG (CO<sub>2</sub>) emissions</li> <li>Deployment of ISO14001 to Group companies</li> </ul>
	Society	<ul style="list-style-type: none"> <li>Human rights initiatives</li> </ul>

## SDGs initiatives

The BML Group will promote various initiatives for the development and growth of a sustainable society under

the Group Vision of "Becoming the most trusted choice in the medical world."

## The BML Group's initiatives to contribute to the SDGs

The Group's main business areas	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION
[Clinical testing] [Environmental testing] [Food testing]		
<b>4 QUALITY EDUCATION</b> <ul style="list-style-type: none"> <li>Supporting medical education foundations</li> <li>Holding laboratory forums</li> </ul>	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> <ul style="list-style-type: none"> <li>Spreading cloud-based electronic patient charts</li> <li>Rollout of B-Liner</li> </ul>	<b>13 CLIMATE ACTION</b> <ul style="list-style-type: none"> <li>Measures to enhance the resilience of the BML General Laboratory</li> <li>Installation of solar power generation systems</li> </ul>
<b>8 DECENT WORK AND ECONOMIC GROWTH</b> <ul style="list-style-type: none"> <li>Rollout of DRS</li> <li>Internalizing outsourced operations</li> </ul>	<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> <ul style="list-style-type: none"> <li>Opening daycare centers to the public</li> </ul>	<b>17 PARTNERSHIPS FOR THE GOALS</b> <ul style="list-style-type: none"> <li>Strengthening alliances (lab operations and system development)</li> </ul>

## Stakeholder engagement

In order to achieve sustainable growth and enhance corporate value over the medium to long term, the BML Group strives to maintain positive and smooth relationships with not only shareholders but also customers, business partners, employees, and various other stakeholders, while taking their interests into consideration. We hold financial results presentations for securities analysts and institutional investors (twice a

year), participate in conferences sponsored by securities firms, and hold individual interviews and send reports to shareholders to promote understanding of the Company, including business strategies and company introductions. In addition, we will continue to provide social value to our customers by holding laboratory forums and participating in various academic conferences.

Stakeholders	Dialogue means and opportunities	
Customers	<ul style="list-style-type: none"> <li>Website</li> <li>Various events and lectures</li> <li>Laboratory forums</li> </ul>	<ul style="list-style-type: none"> <li>Sales activities</li> <li>Accepting visitors to BML General Laboratory</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>Policy briefings and opinion-exchange meetings</li> <li>Training sessions</li> <li>Accepting visitors to BML General Laboratory</li> </ul>	<ul style="list-style-type: none"> <li>Participating in exhibitions</li> <li>Visiting business partners</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>IR website</li> <li>Briefing sessions for analysts</li> <li>Issuing reports to shareholders</li> <li>Small meetings for investors and analysts</li> </ul>	<ul style="list-style-type: none"> <li>Financial results presentations (twice a year)</li> <li>General Meeting of Shareholders</li> <li>Issuing integrated reports</li> <li>Company presentations for individual investors</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Intranet</li> <li>Human resources training</li> <li>Whistleblower system</li> </ul>	<ul style="list-style-type: none"> <li>In-house newsletter</li> <li>Employee interviews</li> <li>Exchange events</li> </ul>
Government/local governments/industry organization	<ul style="list-style-type: none"> <li>Sponsoring and participating in regional events</li> <li>Briefing sessions for local residents on construction projects</li> </ul>	<ul style="list-style-type: none"> <li>Accepting visitors to BML General Laboratory</li> </ul>
Academic organizations/research institutions	<ul style="list-style-type: none"> <li>Open innovation (joint research)</li> </ul>	
Local communities	<ul style="list-style-type: none"> <li>Sponsoring and participating in regional events</li> <li>Briefing sessions for local residents on construction projects</li> <li>Opening corporate daycare centers to the public</li> </ul>	<ul style="list-style-type: none"> <li>Accepting visitors to BML General Laboratory</li> <li>Providing workplace experience</li> </ul>

# Environment

## Environmental Initiatives

The BML Group is working to reduce its environmental impact in accordance with the BML Group Environmental Policy. We recognize that reducing our environmental impact to solve environmental issues is an important management issue. We will install solar power generation equipment and adopt energy-efficient, high-efficiency heat source equipment for air-conditioning systems in the BML General Laboratory's new wings to be completed in August 2024. In addition, we are working to reduce GHG emissions by switching part of electricity we use to that from renewable energy sources.

### BML Group Environmental Policy

#### Basic philosophy

We will provide testing services related to the environment and health, as well as work to protect the global environment in all stages of our business activities, in order to realize a sustainable society that cares for people and the earth.

#### Action guidelines

1. Helping prevent global warming by conserving energy and resources.
2. We are working to prevent pollution, reduce waste, and recycle waste products.
3. We continuously consider the environment and resources in our products and services.
4. We continue to preserve the environment in accordance with our environmental management system.
5. We respect and comply with laws, regulations, and industrial standards related to environment preservation.
6. We work to enhance environmental awareness among employees by promoting education about the environment.
7. We actively disclose environment-related information.
8. We promote environment preservation activities in the supply chain by collaborating with business partners.

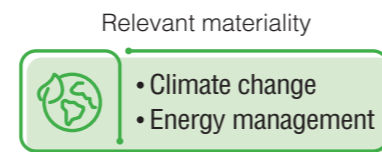


[Annual] Reduction of CO<sub>2</sub> emissions by

478 t-CO<sub>2</sub> /year

## Initiatives to Address Climate Change

The BML Group, which has the Policy of “Dedication to creating a healthy and cultured society,” considers environmental initiatives as the starting point for maintaining and improving people’s health and actively works to reduce its environmental impact.



### Reduction of electricity consumption

To minimize the electricity needed for stable operation of testing equipment, the BML General Laboratory in Kawagoe is upgrading its air-conditioning systems and reviewing all piping.

### Reduction of water use

The BML General Laboratory makes effective use of finite water resources by sourcing part of the water it uses from groundwater.

### Safe management of waste

We strive to prevent the contamination and emission of infectious substances, organic solvents, and poisonous substances, which the nature of our business forces us to handle. Some of our departments use organic solvent reclamation equipment to extract organic solvents from liquid waste and reuse them. We thoroughly ensure that infectious substances are treated in the BML General Laboratory to eliminate their infectivity before disposal.

### Initiative (1) Reduction of electricity use in laboratories

We consider the reduction of electricity use in laboratories, including the BML General Laboratory, as one of the most important issues. In particular, testing equipment used in laboratories emits a considerable amount of heat, and if the room temperature rises as a result, problems arise in the operation of testing equipment. For this reason, air-conditioning systems are extremely important, and increased electricity consumption has been an issue. Therefore, we have been working on the renovation of air-conditioning systems and reviewing piping since 2020. This is

expected to reduce CO<sub>2</sub> emissions by 1,200 tons per year. Furthermore, solar panels will be installed on the south wall of the BML General Laboratory's new wings, which are to be completed in August 2024, to utilize renewable energy. Introduction of high-efficiency heat source air-conditioning systems is also planned. By minimizing energy use, we will reduce CO<sub>2</sub> emissions and electricity use. The combination of these measures will reduce CO<sub>2</sub> by approximately 478 tons and electricity by 1,060,000 kw/h per year.

#### Installation of solar power generation equipment

Installation of power generation panels on the entire south wall of the new wing to utilize natural energy

#### Improved efficiency of air-conditioning equipment

Improvement of energy efficiency with high-efficiency heat source equipment



[Annual] Reduction of CO<sub>2</sub> emissions by

478 t-CO<sub>2</sub> /year

### Initiative (2) Introduction of EVs

The BML Group constantly operates approximately 3,000 vehicles for sales, collection, and delivery. While we mainly use gasoline-powered vehicles at the moment, we plan to switch all these vehicles to either EVs, PHVs, or HVs, according to the purpose of use, regional characteristics, and other factors. This will be one of the measures we take to achieve the CO<sub>2</sub> reduction target for FY2030. Branch offices in Tokyo

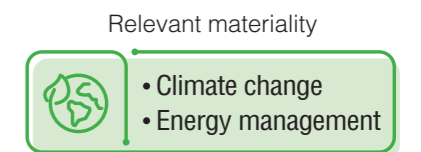
have adopted EVs ahead of other areas. Taking advantage of the know-how gained from their experience, branch offices across Japan will adopt EVs in phases from FY2024. We intend to roll out this policy across BML Group companies that use vehicles.

CO<sub>2</sub> reduction from the above initiative

▶ 896t-CO<sub>2</sub>

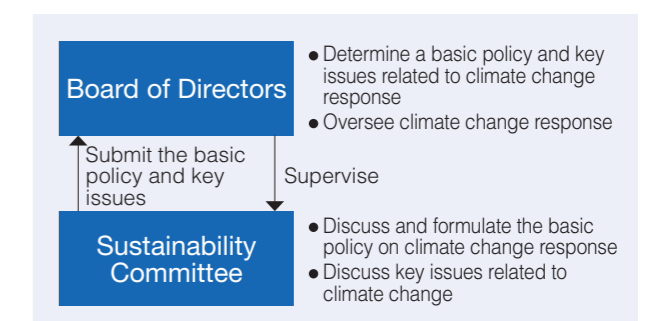
## Information Disclosure Based on TCFD Recommendations

In June 2022, the BML Group expressed its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (hereinafter, “TCFD”). We will continue to actively engage in information disclosure based on the recommendations of TCFD.



### Governance and risk management

The BML Group has established the Sustainability Committee, chaired by the Representative Director and Vice President. The Committee recognizes that addressing climate change is a high priority issue and conducts climate change scenario analyses (risks and opportunities). The Committee also identifies those risks that have a particularly large impact on management in terms of financial impact and the likelihood of occurrence as critical risks. Risks and opportunities related to climate change as well as our targets and progress are discussed at the Committee and reported to the Board of Directors on a quarterly basis.

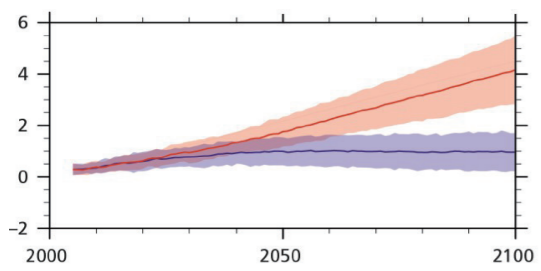


# Environment

## Strategy

We analyze the impact of climate change as of 2050, in reference to the climate change scenarios published by the IEA (International Energy Agency). BML has selected the 1.5–2°C/4°C scenarios, based on the

recognition that strict measures, including a fundamental system transition, are necessary to address the rapid progress of global warming.



**4°C scenario (equivalent to RCP 8.5)**  
If global warming countermeasures beyond the current level are not taken, the temperature will rise 3.2°C to 5.4°C compared to the levels during the Industrial Revolution

**2°C scenario**  
If strict measures are taken, the temperature will rise 0.9°C to 2.3°C compared to the levels during the Industrial Revolution

**1.5°C scenario (equivalent to RCP 2.6)**  
If a fundamental system transition is achieved, it is highly likely that the temperature rise will be below 1.5°C compared to the levels during the Industrial Revolution

### Analysis process



- Gather information on climate change risks and opportunities related to healthcare and clinical testing
- Identify transition and physical risks and opportunities that may occur in the Company
- Assess the significance of risks and opportunities from the perspective of its impact on the Company's business
- Gather external forecast data with a high degree of reliability regarding the key risks and opportunities identified
- Project the future in 2050 under 1.5–2°C/4°C scenarios
- Estimate the financial impact on business for each scenario caused by the highly significant risks and opportunities using the forecast data gathered and the Company's own figures
- Consider measures to respond to climate change risks and opportunities that have particularly large business impacts
- Establish an implementation system, as necessary

### Estimate of business impact in 2050

On the basis of external information, the BML Group outlined major climate change risks and opportunities in Japan, where the Group engages in its clinical testing business, and collected future projection data for each risk and opportunity identified. In accordance with the data, we have examined the risks and opportunities associated with the transition to a decarbonized society and the physical risks and opportunities arising from climate change, and have identified key risks and opportunities that could impact our business by 2050.

identified the risk of lost sales opportunities, such as flooding of key sites and delivery delays or destruction of specimens due to supply chain disruptions, while at the same time identifying opportunities in which appropriate capital investment to make sites more resilient from a BCP perspective will lead to differentiation from competitors and positively affect sales opportunities.

The results of the analysis confirmed that no significant business continuity risks are expected under any of the scenarios, and that the Company's business has a certain level of resilience to climate change.

For example, under a hypothetical scenario in which extreme weather events become more severe, we have

Key risks and opportunities identified	Potential timeframes for emergence	Level of impact	Potential impact		Examples of possible response measures	
			1.5–2°C scenario	4°C scenario		
Transition risks and opportunities Carbon prices, national carbon emission targets and policies	Carbon tax	Medium term	Low	[Risks] • In the case where a carbon tax is imposed on CO <sub>2</sub> emissions from business activities, the cost will increase by up to ¥100 million per year (assuming a carbon price of \$250/t-CO <sub>2</sub> in 2050). [Opportunities] • Increased sales opportunities due to implementation of low-carbon inspection processes • Decreased carbon tax costs due to conversion of transportation vehicles to EVs	(Impact is assumed to be insignificant)	• No significant financial impact, but adapt to a decarbonized society and turn it into an opportunity • Take advantage of tax benefits, emissions trading, and other systems and lower carbon emissions
	Electricity expenses	Medium term	Medium	[Risks] • Increased test costs and other expenses due to higher electricity retail unit prices	[Opportunities] • Decreased test costs and other expenses due to lower electricity retail unit prices	• Cost increase in 1.5–2°C scenario is within absorbable range and impact is low, but we will continue to improve energy efficiency • Reduce electricity consumption and strengthen self-charging capacity by switching to LED lights and installing solar panels
	Renewable energy procurement costs	Medium term	Medium	[Risks] • Introduction of renewable energy facilities Increased costs due to green power purchases and other measures	[Risks] • Increased costs due to a certain level of renewable energy (minor compared to the 1.5–2°C scenario)	• Consider all options for fossil fuel phase-out (including gas)
	Plastic tax	Medium term	Medium	[Risks] • Increased costs due to taxation on plastics [Opportunities] • Expand sales opportunities through the introduction of biomass-derived containers, low-carbon glass containers, etc.	(Assuming no plastic tax is applied)	• Consider all options, including the reduction of plastic use, recycling of waste, use of non-plastic products, and collaboration with suppliers
Spread of low-carbon, next-generation technologies	Cost of switching existing facilities	Medium term	Medium	[Risks] • Cost increase of approximately ¥400 million per year due to conversion of transportation vehicles to EVs and introduction of recharging facilities • Increased costs due to the introduction of energy saving and renewable energy facilities and other measures [Opportunities] • Enhanced environmental reputation from customers due to the introduction of low-carbon logistics networks and energy saving and renewable energy facilities	[Risks] • Cost increase of approximately ¥200 million per year due to conversion of some vehicles to EVs (minor compared to the 1.5–2°C scenario)	• Utilize public subsidies to replace collection and delivery vehicles and introduce low-carbon facilities • Transport specimens more efficiently by optimizing collection and delivery routes, reducing the number of vehicles, and other measures

Key risks and opportunities identified	Potential timeframes for emergence	Level of impact	Potential impact		Examples of possible response measures		
			1.5–2°C scenario	4°C scenario			
Transition risks and opportunities	Reputation	Changes in reputation from client companies	Long term	Medium	[Risks] • Failure to respond to more-than-expected increase in client companies' demand for environmentally friendly measures, resulting in decreased orders due to a reputation as a company lagging behind in environmental measures [Opportunities] • Appropriate response to increase in client companies' demand for environmentally friendly measures, resulting in increased orders due to a reputation as a company that takes progressive environmental measures	(Impact is assumed to be insignificant)	• Continue with appropriate information disclosure and dialogue
		Changes in reputation from investors	Long term	Medium	[Risks] • Increased financing, disclosure, and engagement costs due to the acceleration of divestment trends and stronger pressure on companies that do not implement environmental management [Opportunities] • Sustainable finance enabled by the implementation of environmental management, resulting in low-interest-rate financing	(Impact is assumed to be insignificant)	• Continue with appropriate information disclosure and dialogue
Physical risks and opportunities	Changes in precipitation and weather patterns	Water shortages	Medium term	Medium	[Risks] • Decreased credibility and loss of sales opportunities due to testing suspensions and delays at laboratories resulting from water shortages (minor compared to the 4°C scenario) • Increased water procurement costs (minor compared to the 4°C scenario) [Opportunities] • Enhanced competitiveness and decreased water use costs due to the introduction of dried testing (minor compared to the 4°C scenario)	[Risks] • Decreased credibility and loss of sales opportunities due to testing suspensions and delays at laboratories resulting from water shortages • Increased water procurement costs [Opportunities] • Enhanced competitiveness and decreased water use costs due to the introduction of dried testing	• Conduct water risk assessment at each site • Reduce water use by recycling wastewater • Invest in larger water storage tanks for pure water equipment
		Changes in weather	Medium term	Medium	[Risks] • Loss of sales opportunities due to logistics route disruptions, specimen delivery delays and suspensions, and testing suspensions and delays at laboratories, resulting from weather changes and disasters (minor compared to the 4°C scenario) • Increased costs of disaster countermeasures (minor compared to the 4°C scenario) [Opportunities] • Increased competitiveness and reputation from stakeholders through disaster responses (minor compared to the 4°C scenario)	[Risks] • Loss of sales opportunities and increased costs of disaster countermeasures due to logistics route disruptions, specimen delivery delays and suspensions, and testing suspensions and delays at laboratories, resulting from weather changes and disasters [Opportunities] • Increased competitiveness and reputation from stakeholders through disaster responses	Enhance resilience against weather pattern changes by introducing road heating systems and uninterruptible power supply devices and taking other measures
	Rising average temperatures	Air-conditioning load	Long term	Medium	[Risks] • Increased temperature control costs during transportation and storage of specimens, as well as increased capital investment in and repair costs for air-conditioning equipment (approximately ¥200 million) • Decreased sales opportunities due to higher risk of specimens being untestable and lower test accuracy	[Risks] • Increased temperature control costs during transportation and storage of specimens, as well as increased capital investment in and repair costs for air-conditioning equipment (approximately ¥500 million) • Decreased sales opportunities due to higher risk of specimens being untestable and lower test accuracy	• Costs are within the absorbable range and impact is low, but we will continue to strive to improve energy efficiency • Work on reducing load by installing high-efficiency heat source equipment and facilities • Strengthen temperature control in laboratories and select testing equipment based on the premise that it will be used under high temperatures
		Demand for various tests	Medium term	Medium	[Risks] • Decrease in flow of people and increased refraining from medical examinations due to rising temperatures (minor compared to the 4°C scenario) • Increased costs for dealing with new tests [Opportunities] • Expansion of sales opportunities due to increased demand for new tests and food testing, associated with increases in patients with infectious diseases and food poisoning (minor compared to the 4°C scenario)	[Risks] • Decrease in flow of people and increased refraining from medical examinations due to rising temperatures • Increased costs for dealing with new tests [Opportunities] • Expansion of sales opportunities due to increased demand for new tests and food testing, associated with increases in patients with infectious diseases and food poisoning	• Strengthen response to the infectious disease market in association with rising temperatures
	Extreme weather events	Changes in working environment	Short term	Low	[Risks] • Increased costs of employee health management (minor compared to the 4°C scenario)	[Risks] • Increased costs of employee health management	• Create a working environment that is viable under high temperatures
		Rising sea levels	Long term	Low	(Impact is assumed to be insignificant)	[Risks] • Transportation delays due to port damage, as well as damage and specimen supply delays at coastal sites • Increased costs of laboratory and office relocation associated with flood control measures	• Continue to consider strengthening the resilience of and optimizing logistics networks and sites from a BCP perspective
Extreme weather events	Lightning	Long term	Low	[Risks] • Impact of slowdown of power, logistics, and other infrastructure due to lightning (minor compared to the 4°C scenario) • Increased equipment repair and retesting costs associated with lightning damage to laboratories (nearly ¥10 million)	[Risks] • Impact of slowdown of power, logistics, and other infrastructure due to lightning • Increased equipment repair and retesting costs associated with lightning damage to laboratories (approximately ¥10 million)	• Strengthen resilience of sites in anticipation of lightning and power outage	
	Flood damage	Long term	High	[Risks] • Loss of some sales opportunities due to wind and water damage, decreased credibility from customers, and increased costs for securing inventories, keeping logistics networks in place, and finding laboratory personnel and other workers • Loss of income (approximately ¥700 million) due to damage to supplier sites, as well as damage to equipment and suspension of inspection lines caused by flooding in test labs [Opportunities] • Improvement of market competitiveness and creation of new business transactions by strengthening BCP for collection, delivery, and transportation functions, laboratory functions, etc. • Strengthening of relationships with suppliers through inventory adjustments and other measures	[Risks] • Loss of sales opportunities due to specimen delivery delays and other issues caused by wind and water damage, decreased credibility from customers, and increased costs for securing inventories, keeping logistics networks in place, and finding laboratory personnel and other workers • Loss of income (approximately ¥1,200 million) due to damage to supplier sites, as well as damage to equipment and suspension of inspection lines caused by flooding in test labs [Opportunities] • Improvement of market competitiveness and creation of new business transactions by strengthening BCP for collection, delivery, and transportation functions, laboratory functions, etc. • Strengthening of relationships with suppliers through inventory adjustments and other measures	• Continue to consider strengthening the resilience of and optimizing logistics networks and sites from a BCP perspective • Accelerate the establishment of a system to secure personnel in emergencies and strengthen collaboration with suppliers	
Extreme weather events	Insurance premiums	Short term	Low	[Risks] • Increase in insurance premiums (approximately ¥10 million) in line with the risk of damage to sites	[Risks] • Increase in insurance premiums (approximately ¥20 million) in line with the risk of damage to sites	• Costs are within absorbable range and impact is low	

### Indicators and targets

The BML Group calculates its GHG emissions (total amount, Scope 1 and 2) and works toward the achievement of GHG emissions reduction targets. Going forward, we will also work toward the calculation and disclosure of Scope 3 emissions.

[GHG emissions (t-CO<sub>2</sub>) of the BML General Laboratory]

	2020	2021	2022
Scope 1	5,497	5,627	5,165
Scope 2	10,437	10,764	11,172



# Environment

## BML's Initiatives to Address Environmental Issues

### Dry distillation gasification combustion system (incinerator)

BML started before others to handle infectious waste, which is said to be difficult to treat. In June 2006, we installed a dry distillation gasification combustion incinerator in the BML General Laboratory. This has enabled us to treat 12 tons of infectious waste per day within the Company.

A conventional incinerator combusts waste in one chamber, with the waste put into the incinerator itself. Meanwhile, a dry distillation gasification combustion system has a dry distillation furnace (gas generation furnace where waste is thermally decomposed), where waste is put into, and a separate combustion furnace, where generated gas is combusted.

When a conventional incinerator is used, maintaining a high temperature in the incinerator is difficult, due to the unstable combustion temperature resulting from the cycle of putting in waste and combusting it taking place in one chamber. For this reason, the operation depends on auxiliary combustion equipment (burners), consuming a large volume of fossil fuels.

On the other hand, a dry distillation gasification combustion system has a gas generation furnace and a separate combustion furnace as mentioned above, and the volume of gas generated is controlled to maintain a stable temperature in the combustion chamber.

The temperature in the combustion chamber remains stable as gas generation is controlled. This enables self-sustaining combustion using energy from waste only, without depending on auxiliary combustion equipment.

In addition, to curb dioxins, it is a legal obligation that the temperature should be 800°C or higher, gas should remain in the combustion chamber for two seconds, and the structure should allow gas agitation. The combustion temperature of BML's incinerator is controlled to remain at 1,050°C during operation, achieving effective operation against dioxins.

Compared with conventional incinerators, our incinerator uses substantially less fossil fuels to maintain stable combustion at a high temperature. Even though we are incinerating the same waste, we have been able to achieve drastically lower levels of carbon dioxide emissions from the chimney.

While recycling infectious waste can be difficult due to legal regulations, we will continue to consider measures toward decarbonization.

Comparison with a conventional incinerator **Reduction of emissions by 372t-CO<sub>2</sub>/YEAR**



Dry distillation gasification incinerator

### Rooftop greening initiative

Since 2012, the BML General Laboratory has been working on rooftop greening by taking advantage of the rooftop space of approximately 600 m<sup>2</sup>. This has served as a countermeasure against the urban heat island phenomenon, as well as provided better insulation and better views. Working toward the construction of the new wings, we will continue to strive to create a workplace with rich greenery.



Rooftop greening

### Environmental beautification initiative

As part of its environmental beautification activities, the BML General Laboratory has taken part in a clean campaign (zero garbage campaign) since FY2002. This is an activity to pick up trash in cooperation with companies in the Matoba Industrial Park (Matoba, Kawagoe City, Saitama), where the BML Research Institute is located. This is a free-participation activity that takes place during the lunch break and lasts about 20 minutes. The cleaning took place in May and October for FY2022, and an annual total of 54 employees participated from the BML Group. Overall, an annual total of 766 employees from 27 companies took part and collected approximately 193 kg of garbage. We will continue to work on environmental beautification in cooperation with regional companies.



Zero garbage campaign

### Flooding countermeasures

We plan to relocate testing equipment and other facilities on the first floor of the BML General Laboratory to the second floor or above after the construction of the new wings. As a temporary measure until then, the first-phase construction works for flooding countermeasures were completed in August 2023.

This has made the current General Laboratory resistant to flood up to one meter above ground level.

In addition, drainage pumps will be installed in the underground pit by December 2023 to cope with underground spring water.



Water stop door




Shutter with water stop plate

# Society

## Human Resource Development

BML has been working on the development of human resources who can independently and proactively fulfill role-specific responsibilities in the organization. A new education system was established in April 2021. We offer mindset training to instill a shared understanding of role-specific responsibilities and behaviors required at each level, as well as training programs that equip employees with necessary skills and knowledge. We also conduct selective training to sustainably develop future executives. To ensure diversity, we actively select and develop female human resources.

Relevant materiality



• Employment and development of human resources

1. Systematic, medium- to long-term rank-based training to develop core human resources that support the Company's sustainable development
  - Mindset training to instill a shared understanding of role-specific responsibilities at each level (at the time of promotion)
  - Selective training to develop future executives and managers
  - Skill and knowledge training, ESG training, and IT literacy training that take advantage of e-learning
2. Creation of an environment where learning has taken root and each employee keeps learning voluntarily
  - Regular and continued learning practices through e-learning training
  - Provision of self-learning opportunities through correspondence courses and online content
  - Payment of examination fees, incentives, and other benefits to encourage employees to obtain qualifications

### Implementation of human resource development training

Target	Training name	Contents	Results
All levels	e-learning training	Mental health/Diversity / Communication OJT / Labor management / Health management /Engagement <i>Ikubosu</i> (family-friendly boss) /Childcare and nursing care / Compliance / Human rights	Held a total of 19 sessions
	IT literacy enhancement training	Information security / IoT / Network Computer configuration / Social media risks / Targeted email attack Microsoft Office hacks	Held a total of 23 sessions
General manager and deputy general manager level / Assistant general manager and section chief level / Chief and deputy chief level	Rank-based training	Role recognition training	Held a total of 25 sessions (employees attend once for each level)
Next executive level candidates Next management level candidates	Selective training	Systematic role and skill training to ensure diversity in core human resources	Next executive level / Held a total of 11 sessions Next management level / Held a total of 8 sessions

Message from a female employee

### Attending the next management candidate training

The training changed the way I interact with the section members. There are employees with different values in my workplace. Attending the training and equipping myself with management skills and knowledge has enabled me to handle the actual cases that arise in the field from an objective standpoint, thinking "I will try this," or "What if I try this?" By doing so, I feel that my colleagues have come to open up more.




Tamie Yamamoto

## Diversity Promotion

The BML Group is working to advance diversity, and is particularly focused on promoting the active participation of women. To produce next generation core human resources from women, who account for about half of all employees, we are pressing ahead with initiatives to select and train women and promote them to management positions. In addition, a working group comprised of women only has been established to take up specific views from women's perspectives and reflect them in our measures. We are reviewing personnel systems and other frameworks based on the recommendations from the working group. Other initiatives include diversity training and ikubosu (family-friendly boss) training, conducted every fiscal year to raise awareness of all employees. By pressing ahead with the above diversity promotion policies, we strive to achieve a workplace where women can work comfortably and are rewarded for their efforts.

Relevant materiality



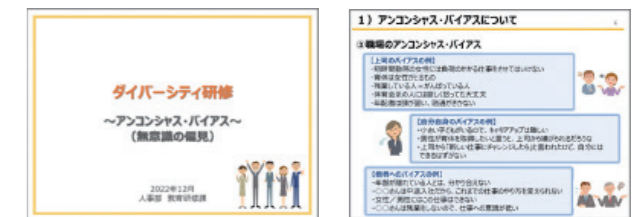
• Diversity, equity, and inclusion

### Five-year diversity promotion plan (April 2021 to March 2026)

Target 1	Increase the percentage of women in management positions to about 13%
Target 2	Increase the percentage of female candidates for next management positions to about 32%
Target 3	Increase the percentage of men taking childcare leave to about 10%

### Conducting diversity training

Diversity training for all BML employees is conducted regularly for awareness reforms throughout the Company. We are working to create a workplace environment in which employees can work comfortably by eliminating unconscious bias of each employee and equipping employees in management positions with diversity management skills.



### Women's Working Group

To reflect views of women, who account for about half of all employees, in company measures, the Women's Working Group was established in April 2021 to actively exchange opinions.

To create an environment that facilitates women's advancement, the working group makes recommendations for the improvement of both the systems and how they are implemented. The recommendations have led to various measures being made into systems.

New members (of different ages and job categories) are invited to join every fiscal year. Helpful recommendations from them will advance the creation of a workplace environment where women can work comfortably.

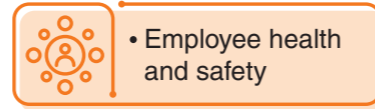


# Society

## Promotion of Health Management

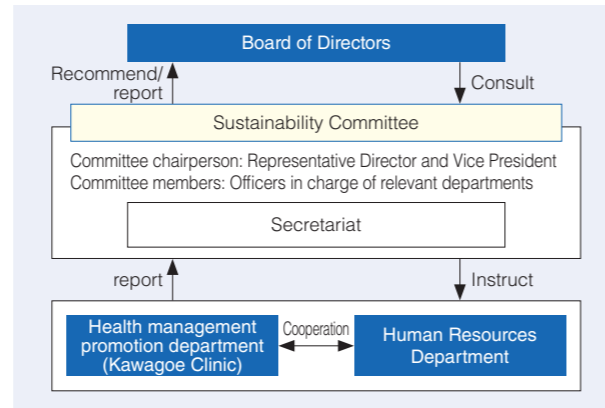
To achieve our Policy of “Dedication to creating a healthy and cultured society,” we increase all employees’ awareness toward health and create a workplace environment where each employee maintain and improve health independently. We will increase corporate value by enhancing employee engagement and performance.

Relevant materiality



### Health management promotion system

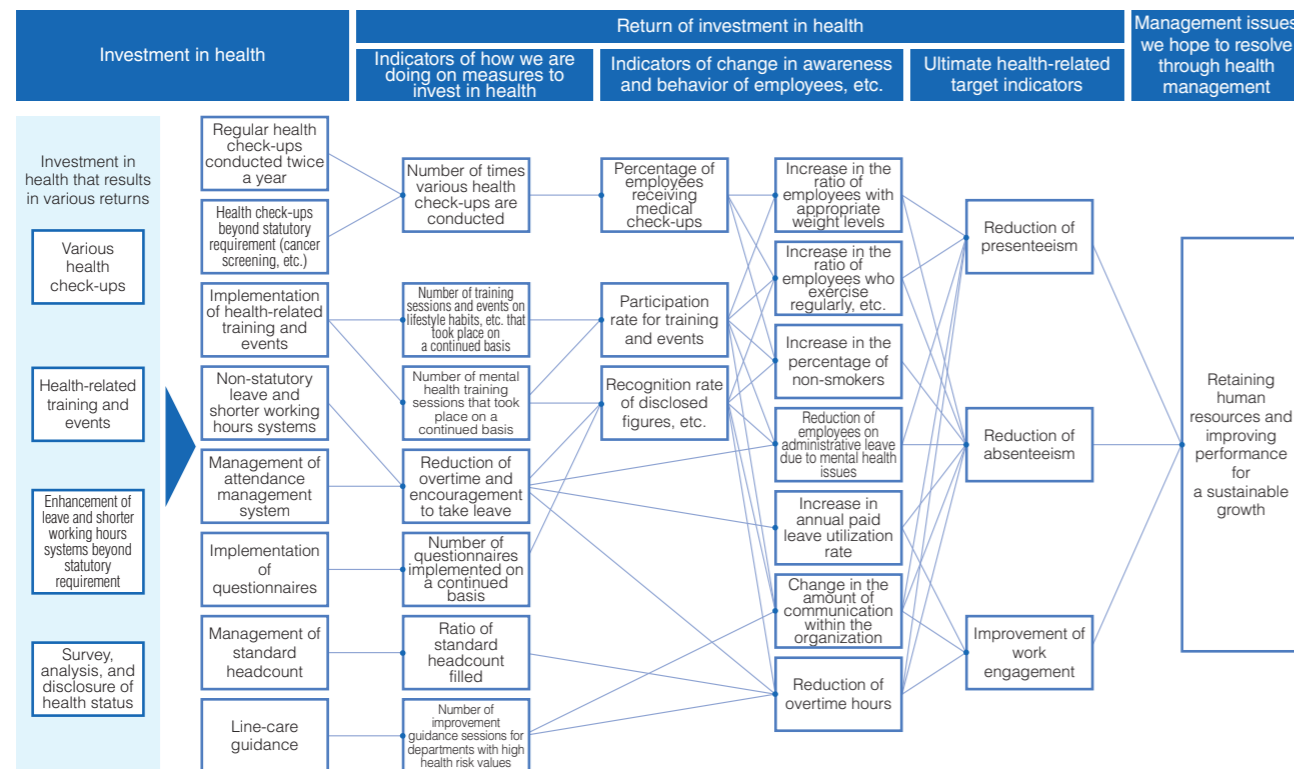
- BML has established a health management promotion system chaired by the Representative Director and Vice President, who is a doctor.
- We have seven occupational physicians and three nurses as specialist staff to manage the health of employees across Japan. In addition, the nurses have health management advisor and health master (expert) qualifications, and give health advice to employees.
- Kawagoe Clinic has been set up as the health management promotion department. It plans and implements various health promotion initiatives in cooperation with the Human Resources Department.



### Formulation of a strategy map

BML considers retaining human resources and improving performance for a sustainable growth as a management issue which we hope to resolve by

promoting health management. We have formulated a strategy map as shown below to work on the issue.



### Indicators and targets

Under the supervision of our occupational physicians, we have set KPIs and target values for them, and have been working to achieve the targets.

Item	FY2020	FY2021	FY2022	Target for FY2025	
Percentage of employees receiving regular health check-ups	100.0%	100.0%	100.0%	100.0%	
Ratio of employees with appropriate weight levels (BMI 18.5 to less than 25.0)	Men	60.9%	61.2%	64.7%	63.0%
	Women	66.0%	64.9%	69.2%	67.0%
Percentage of non-smokers	77.7%	78.1%	78.8%	82.0%	
Employees who exercise regularly	15.9%	15.4%	16.2%	17.0%	
Percentage of employees receiving stress checks	78.4%	71.7%	86.6%	80.0%	
Monthly overtime hours (including managers)	18.4 hours	21.0 hours	16.8 hours	18.3 hours	
Days of annual paid leave utilization	11.8 days	10.9 days	12.1 days	12.0 days	
Participation rate for health promotion training	—	98.2%	99.5%	100.0%	
Mental health training	98.0%	97.0%	100.0%	100.0%	
Presenteeism	—	—	80.8%	83.0%	
Absenteeism	—	—	2.4 days	2.3 days	
Work engagement (Utrecht Work Engagement Scale)	—	—	3.0	3.2	

\*Targets have been set based on the national average in the Ministry of Health, Labour and Welfare’s survey and the current state of affairs in BML.

\*Presenteeism: A state where an employee is at work but cannot demonstrate full work performance due to health issues

Absenteeism: Absence from work due to injury or sickness

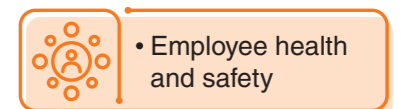
Work engagement: Vitality, passion, and devotion toward work

### Main initiatives

- We regularly publish in-house newsletters (*Rashinban* (Compass)), health management news, and other newsletters to increase health awareness and knowledge.
- We promote lifestyle improvement through a health app, which encourages users to exercise regularly, stop smoking, drink responsibly, and take other actions.
- Specific health challenges are set based on questionnaire surveys implemented regularly. We share the challenges with employees, and use e-learning and other means to provide information on day-to-day measures that can be taken.

## Occupational Health and Safety

Relevant materiality



### 1. Preventing long working hours

To achieve work-life balance and maintain and improve employees’ health, we strive to prevent long working hours.

- Our fundamental principle is to manage labor based on BML’s prescribed working hours (7.5 hours/day).
- We strictly enforce an internal rule where prior round robin approval is needed when an employee’s monthly overtime hours may exceed the threshold set by the Company.

### 2. Addressing mental health issues

We strive to promote self-care by providing stress checks to all employees, regardless of the size of business locations. Systematic line-care measures are taken for departments whose stress values are found to

- After the approval, the Human Resources Department and each field take measures promptly to prevent long working hours from becoming chronic.

be high as a result of group analysis. We raise awareness toward mental health care by providing information widely and on a continued basis, along with information on the engagement survey.

# Society

## Quality Control

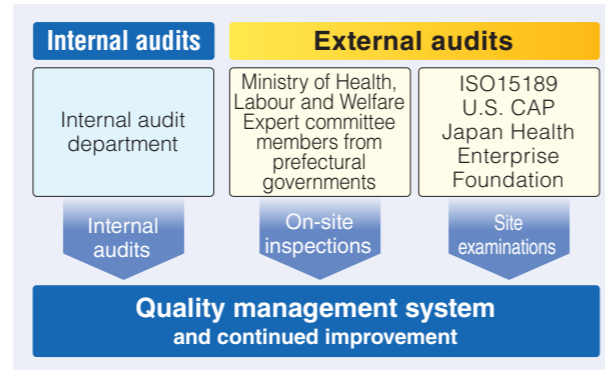
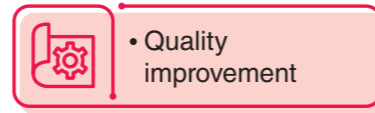
BML's unique quality assurance system, which utilizes an internal audit department and external accreditation organizations, strictly audits and supervises all departments.

### Quality assurance system

Precision control is the most important challenge for us, who receive specimens and carry out testing. We have therefore established the Testing Quality Section, an in-house precision control department, to implement strict checks. To ensure thorough quality control, we have also established the Credit Guarantee Department as a quality control auditing department, which is independent of each laboratory department and gives instructions from an objective standpoint for improvement.

In addition, we undergo on-site inspections by expert committee members from prefectural governments and site examinations by external accreditation organizations, creating a thorough quality assurance system.

Relevant materiality



### Major accreditations and registrations that indicate trust in our quality control

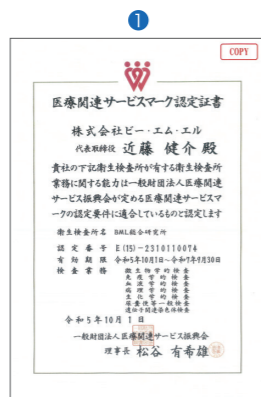
Being ISO15189 accredited means that a quality management system that meets an international standard for clinical testing is in place. ISO15189 was first issued in 2003 as an international standard applied solely to clinical laboratories. In Japan, pilot accreditation reviews started from October 2004. BML obtained the accreditation in September 2005 for the BML General Laboratory.



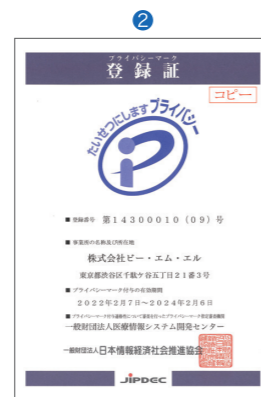
CAP accreditation is a system that certifies the quality and performance of clinical testing. The BML General Laboratory obtained the U.S. CAP accreditation in 1991, and guarantees precision by conducting surveys for a wide range of testing items.



1 Japan Health Enterprise Foundation sets necessary requirements for high-quality health-related services, and through on-site inspections, accredits services, products, and businesses that meet the criteria.



2 The PrivacyMark certifies that a system to handle personal information appropriately is in place.



3 We meet an international standard for information security management.



## Quality Improvement

BML strives to strengthen and improve quality control so that customers and patients find our services safe and reliable.

### Major measures for quality improvement

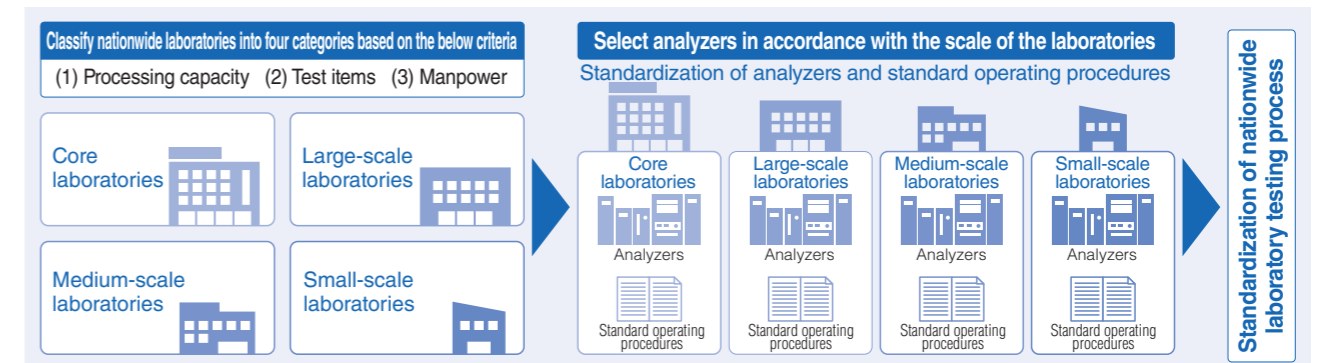
- 1. Standardization of analyzers
2. Encouragement to obtain external qualifications

We set KPIs (key performance indicators) for each of the above measures and advance toward the achievement of targets.

#### 1. Standardization of analyzers

As part of major measures for quality improvement, we are standardizing analyzers.

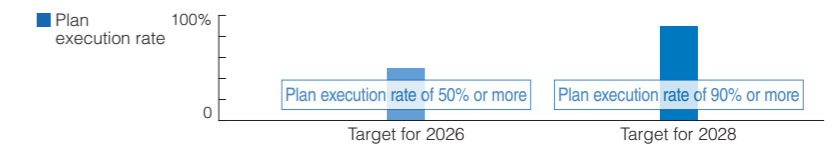
We will strengthen and improve quality control at our nationwide laboratories by standardizing analyzers and standard operating procedures and standardizing testing processes in accordance with the scale of the laboratories.



We have selected manufacturers for each field and formulated a five-year introduction plan, covering the entire BML Group. We will update equipment based on the introduction plan. As KPIs, we aim to achieve the plan execution rates shown below.

#### KPIs (key performance indicators)

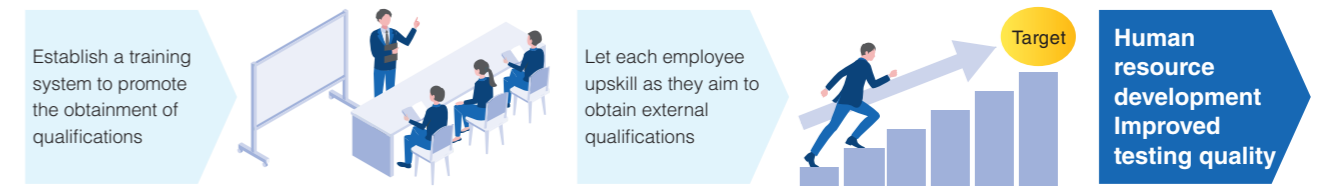
- 2026: Plan execution rate of 50% or more
2028: Plan execution rate of 90% or more



#### 2. Encouragement to obtain external qualifications

As part of quality improvement and human resource development measures, we encourage our laboratory personnel to obtain after-graduation qualifications.

By letting each of them upskill as they aim to obtain external qualifications, we will improve testing quality.



We encourage BML Inc.'s laboratory personnel, especially those who have been with the Company for not more than three years, to obtain after-graduation qualifications.

To promote the obtaining of qualifications, we will establish a training system. As KPIs, we aim to achieve the below figures for the ratio of laboratory personnel who have obtained after-graduation qualifications.

#### KPIs (key performance indicators)

- 2026: 20% or more have obtained after-graduation qualifications
2028: 30% or more have obtained after-graduation qualifications

#### Eligible qualifications

- Technologist
Technologist in Emergency Laboratory
Operator in POCT, etc.

## Dialogue Between Outside Directors



**Tatsuharu Arai,**  
Outside Director  
(Independent Director)



**Yukiko Yoritaka,**  
Outside Director  
(Independent Director)



**Shigeru Osawa,**  
Outside Director  
(Independent Director)

### Based on your professional career, what advice would you give to the Board of Directors and the executive team?

**Yoritaka:** In my work at a financial institution for many years, I have observed the management of many companies. I have also worked in the human resources department and have been involved in human resource development and the promotion of diversity.

I have been serving as an Outside Director of BML since 2020, and I believe that my role is to offer a variety of perspectives, such as the management expertise and information of other companies and a woman's perspective, and to make recommendations about issues regarding human resource development and organizational culture. I hope to contribute to companies' sustainable growth as a result of the active performance of diverse human resources.

Specifically, the advice I offer focuses mainly on the promotion of diversity and human capital investment, as well as BCP measures and sustainability strategies.

**Arai:** This is my third year as an Outside Director. Previously, I worked for a general chemical company for just over 40 years, where I was involved primarily in the

engineering and production departments. In more recent years, I oversaw the entire business as a division general manager, and I also served as the president of an affiliated company.

As an Outside Director, I intend to offer recommendations in my own way about capital investment. Capital investment at chemical companies aims to increase profits by manufacturing new products and enhancing manufacturing capacity. At BML, however, the ultimate aim is to protect human life by upgrading the facilities to increase testing capabilities with steady progress. Instead of being only about making a profit, it is closer to being investment for social contribution. However, with capital investment, recouping the money that has been invested is important. The approach from such a perspective is common to both chemistry and clinical testing, so I believe that my advice will be of some service.

While the improvement of quality in clinical testing entails the standardization of tests and accuracy of procedures and reports, the objective is fundamentally the same as for a chemical company, namely gaining the trust of customers. To this end, I will continue to actively give advice on risk management in the area of quality, based on my own experience.

**Osawa:** I was appointed as an Outside Director in 2022. Before that, I had worked for a bank for 20 years and in the construction industry for 18 years. Although I do not have any particular expertise regarding finance or construction, I have expanded my knowledge by observing several thousand company managers over my years working at the bank. You could say that I have learned how to look for the strengths, weaknesses, directions, and culture of companies by valuing general perceptions, not so much as a financial professional.

In the construction industry, I have pointed out contradictions with the common sense of the industry and encouraged discussion. In that respect, while I was also an officer at my previous company, I looked at its management from similar perspectives to that of an outside director.

In my view, the role of an outside director varies from company to company. I hope to participate in the management of BML while considering what role is most required of me, based on my observations of BML's current status. I hope I can act less a supervisor and more as a companion and advisor to the executive management, to help them steer the company properly.

### What is your assessment of BML's governance structure and the effectiveness of the Board of Directors?

**Yoritaka:** This is my fourth year in office, and my sense is that the effectiveness of the Board of Directors is improving year by year. In my effectiveness evaluations, I have asked for the early provision of information, training for Directors, site visits, and well-balanced management, and these points are being improved year-by-year.

**Arai:** I believe that I have established my own axis of skills by learning from my seniors and through my own studies. From my observations, BML is engaging very seriously in employee training, and there is actually much that I can learn from them about human resource development. My view is that in work involving the operation of testing equipment and assessment of the results, BML's educational methods and skills improvement are exceptional. Legal qualifications are also properly addressed. Observing their efforts in human resource education and quality improvement, my view is that internal governance is functioning well.

**Osawa:** The first thing that I have noticed in a year of observation is that they do not manage the company in a way that clings to the status quo. They take risks that are necessary for the company, such as business reforms, investment, responses to COVID-19, and M&As, without hesitation.

Secondly, they do not show an attitude of pursuing short-term profits. Although there has been a drop in sales and profits after the significant increases due to the COVID-19 pandemic, they continue to manage the

company without panicking. As their greatest focus is on quality improvement, I believe that they are managing the company with long-term, substantive perspectives.

They also give us Outside Directors extremely careful explanations of their bold management decisions. For example, when undertaking an M&A, they brief us on the matter prior to the Board of Directors meetings. I recognize this as a sign of their respect for business decisions made in the Board of Directors.

Generally speaking, if there were to be a situation in which we would have to play a role in governance, it would be by speaking up about an owner-manager acting arbitrarily without consultation. In BML's case, however, I cannot imagine that kind of situation ever occurring.

### BML has recently set its materiality. What are your thoughts on the ESG issues set as materiality and how they will be realized?

**Yoritaka:** As for materiality, we had several discussions in the process of the identification. There was also a great deal of discussion within the Company before they were identified.

I have a strong interest in issues such as climate change, human resource development, and diversity, and I believe that these are issues that BML should address seriously. Climate change, in particular, may be an issue that has not been given much attention to date. However, I believe that BML should address the issue of climate change seriously to realize the BML Policy of "Dedication to creating a healthy and cultured society."

While I would like to see the Company actively address this issue as a company that promotes the environment, instead of doing so alone, it should address it together with all its stakeholders. Educating employees and talking to and cooperating with business partners will also become important in the future.

**Arai:** I am most interested in climate change and CO<sub>2</sub> reduction. The target of reducing CO<sub>2</sub> emission by 30% by 2030 is an extremely difficult challenge, not least because different countries have different views on this issue.

In addition to CO<sub>2</sub> reductions, recycling of waste plastics is another issue. To improve effectiveness by addressing these issues, the Company will need to come up with concrete responses, and I would like to think seriously about this together with management.

**Osawa:** I have a positive view of the identification of materiality.

The challenge will be to improve effectiveness and specificity as much as possible for the sake of setting targets and overcoming challenges. Tying those things to day-to-day operations will be the most crucial aspect.

BML has been putting a great deal of effort into human resource development, and I believe that

## Dialogue Between Outside Directors

the current executive team recognizes the importance of developing the next generation of executive-rank employees as well. It is quite common for human resources to be evaluated from a single perspective alone. It is difficult to assess candidates accurately and objectively after considering them as potential executive candidates, so I am happy to give advice in this regard when necessary.

While improving productivity is one of BML's challenges, they have no precedents to follow in their line of business in terms of IT utilization and technology evolution. For this reason, BML will need to stand at the forefront of the industry and address this issue in creative ways. At the same time, it is also important to develop people who are highly sensitive to the needs of the patients on the other side of our customers.

### What is your assessment of the achievements and challenges of the Eighth Medium-Term Management Plan, which will have its final year in 2023?

**Yoritaka:** The impact of the COVID-19 pandemic has been strongly reflected in the Medium-Term Management Plan. Even during the period when demand for PCR testing was strong due to the pandemic, the company has been taking measures to ensure that it could grow steadily with non-COVID-19-related tests, so I believe that its efforts are steadily producing results.

In terms of the key strategy of "Improvement of quality and services," as Mr. Arai and Mr. Osawa mentioned, I also think that the company is seriously addressing quality issues. At BML, the President himself is committed to quality improvement by taking leadership as the chair of the Quality Improvement Committee, and a system has been established that enables him to have thorough discussions with other attendees. As such, my sense is



that quality improvement efforts have advanced during the period of the Medium-Term Management Plan.

As part of such efforts, the Company has been promoting the standardization of testing. However, standardization will take time for BML, partly because of its history of M&As of various Group companies, so they will need to keep addressing this issue going forward.

The Company's human resource strategy is taking shape, and steady results have been achieved during the period of the Medium-Term Management Plan. Regarding promotion of the active participation of women, for example, the percentage of female managers, which was less than 10% in the past, has now reached 12.9%, and the target of 13% in the five-year plan is expected to be achieved. The percentage of eligible male employees taking childcare leave has risen from just 3% three years ago to 72% today. Rather than this figure of 72% itself, I am focusing on the fact that at BML, the average number of childcare leave days taken by male employees is now 68.9 days, which is more than two months. This is quite revolutionary. Even at companies that have a high percentage of male employees taking childcare leave, at many of those companies, the actual number of days leave taken is actually quite small. It is because BML is working on this issue in earnest that it has achieved this figure of 68.9 days. I commend BML highly for transforming into a company where both male and female employees are able to balance work and childcare.

**Arai:** Due to the effects of COVID-19, profits built up in 2021 and 2022, but the company is firmly cognizant of the fact that its profits from the pandemic and the profits from its existing businesses are two separate things. It set a target of increasing the growth rate of its existing businesses by 3.8% per year compared with 2019 levels, and in its third year, it has increased by just under 12%. I think BML is not only happy that their performance has improved because of COVID-19, but they realize that the pandemic is an irregular event, and they have a firm understanding of where the root of their profits lies. This company is not only working on profit, but also on human resource development and quality improvement, and I believe that there have been no problems with the Medium-Term Management Plan.

I hope that, when they develop their new business plans in the Ninth Medium-Term Management Plan from next year, they will not let the past three years go to waste. Basically, I believe that they will continue to work on business expansion and cost reduction as they have done before.

**Osawa:** I think the Medium-Term Management Plan was well developed. I appreciate that the company has set down-to-earth targets and is making steady progress toward meeting them, rather than being concerned about immediate sales profits. In addition, during the period of the Medium-Term Management Plan, in its management of the Company, the executive team has thought about investment in its main laboratories, regional



complementary M&As, and investment and amortization from the perspective of sustainability, so my assessment is that the management of this company is stable.

With the aim of suppressing COVID-19 by producing testing results rapidly, the Company has rolled out testing laboratories nationwide over the past three years. These efforts have resulted in higher profits. Furthermore, in addition to profit, these efforts have greatly contributed to society. While it claims to have been pushed and pulled by COVID-19, these results may have been the outcome of BML's unique culture and decision-making systems.

### What role will you play as an Outside Director for the sustainable growth of the Company?

**Yoritaka:** My view is that human capital management will be the key in the future. To this end, management strategy needs to be linked to human resource strategy. I would like to have discussions about the human resource portfolio, that is, how many and what kinds of people the Company needs based on its management strategy and to contribute to evolving those discussions into a personnel strategy based on that management strategy.

DX promotion is another important topic. To attract specialist human resources from outside, the company has changed its personnel system and established a strategic field expert (SX) course, but it will also need to engage in the reskilling of its internal human resources. I would like to offer advice about the creation of mechanisms for the recruitment and development of human resources for the promotion of DX.

My view is that human resource strategy, workstyle reforms, and diversity are all a part of human resource development. These things are all inter-connected, so to pursue each of them, the organizational culture will be

key. Cultural reforms will be important, so I would like to help the Company foster a culture that encourages employees' autonomous growth, one that diverse human resources find pleasant to work in and in which they are able to demonstrate their capabilities.

**Arai:** The basis of BML's sustainable growth will be, as I mentioned earlier, the elevation of customers' trust in the Company. For BML, the basis of customers' trust is that it must not generate quality abnormalities and that it must respond with certainty to erroneous determinations, reporting delays, and the amendment and establishment of manuals. To this end, I believe that it will be able to realize risk mitigation by steadily conducting horizontal communication of cases across the company and implementing countermeasures to the causes of abnormalities.

Actually, I have heard that there are test items that BML does not yet perform. In that respect, this is an opportunity to embark on new products, so there is still plenty of room for new testing and specification improvements with a combination of people and testing equipment.

To grow the company, I would love IBM to become a company that engages in things that it has no experience in and makes forward progress, one step at a time, to make it a high-standard organization both technologically and in terms of quality. To that end, I hope that I can offer advice that takes advantage of my own past experiences.

**Osawa:** In my amateur observations at normal times, I have thought that the accepted wisdom of the medical industry is outside the accepted wisdom of general society, and the accepted wisdom of the testing industry is beyond the common knowledge of patients. My sense is that President Kondo has accepted this view of mine in a positive manner. I hope to contribute to BML's growth by voicing my opinions from such a perspective.





# Corporate Governance




## List of Directors

### Directors

Name	Position	Independent	Attendance at meetings of the Board of Directors	Reasons for nomination
	Kensuke Kondo President and Representative Director		17 out of 17 meetings (100%)	Dr. Kensuke Kondo has abundant experience and deep insight on overall medical industry from his experience as a doctor. Since assuming position as Representative Director in January 2014, he has been leading the BML Group's management. Based on his wealth of achievement from his excellent leadership, the Company has judged that he is personnel necessary to increase the future corporate value of the BML Group.
	Nobuki Arai Representative Director and Vice President		17/17 (100%)	Dr. Kensuke Kondo has abundant experience and deep insight on overall medical industry from his experience as a doctor. Since assuming position as a Director in June 2009, he has served in inspection, sales, planning and quality divisions, and after assuming position as Representative Director in June 2017, he has been involved in the Company's overall business including overseas and management divisions. By utilizing such achievements, expertise as well as insights on management, the Company has judged that he is personnel necessary to increase the future corporate value of the BML Group.
	Norihisa Takebe Representative Director; Senior Executive Officer; General Manager, Planning Division		17/17 (100%)	Mr. Norihisa Takebe has knowledge and experience of financial business. Since joining the Company, he has been involved mainly in accounting, corporate planning and group company management divisions and has abundant experience and deep insight into the Company's overall business. By utilizing such achievements, expertise as well as insights on management, the Company has judged that he is personnel necessary to increase the future corporate value of the BML Group.
	Hideaki Osawa Director; Operating Officer; General Manager, Sales Division		17/17 (100%)	Since joining the Company, Mr. Hideaki Osawa has been involved mainly in sales division and also served as Representative Director at a collection and delivery-related subsidiary, and he has abundant experience and deep insight into the Company's overall business. By utilizing such achievements, expertise as well as insights on management, the Company has judged that he is personnel necessary to increase the future corporate value of the BML Group.
	Kenji Shibata Director; Operating Officer; General Manager, BML Clinical Testing Headquarters		13/13 (100%)	Since joining the Company, Mr. Kenji Shibata has been involved mainly in inspection division and has abundant experience and deep insight into the Company's overall business. By utilizing such achievements, expertise as well as insights on strategy planning, the Company has judged that he is personnel necessary to increase the future corporate value of the BML Group.
	Yuji Yamashita Director; Operating Officer; General Manager, System Division		13/13 (100%)	Since joining the Company, Mr. Yuji Yamashita has been involved mainly in the systems division and has abundant experience and deep insight into the Company's overall business. By utilizing such achievements, expertise as well as insights on strategy planning, the Company has judged that he is personnel necessary to increase the future corporate value of the BML Group.
	Yukiko Yoritaka Outside Director (Independent Director)	○	17/17 (100%)	Ms. Yukiko Yoritaka has abundant experience and deep insights into finance and human resources fields. By utilizing such achievements, expertise as well as insights on management, the Company judged that she is personnel necessary to increase the future corporate value of the BML Group through giving opinions and making judgements from an objective standpoint when making decisions for the management of BML, and through playing a role of monitoring and supervising Directors' execution of duties. The Company expects her to fulfill her role of supervising the management from a position independent from executive officers in BML by utilizing her wealth of experience in finance and human resources fields.

Name	Position	Independent	Attendance at meetings of the Board of Directors	Reasons for nomination
	Tatsuharu Arai Outside Director (Independent Director)	○	17/17 (100%)	Mr. Tatsuharu Arai has many years of abundant experience and deep insights into corporate management in the chemical industry. By utilizing such achievements, expertise as well as insights on management, the Company judged that he is personnel necessary to increase the future corporate value of the BML Group through giving opinions and making judgements from an objective standpoint when making decisions for the management of BML, and through playing a role of monitoring and supervising Directors' execution of duties. The Company expects him to fulfill his role of supervising the management from a position independent from executive officers in BML by utilizing his wealth of experience in the chemical field.
	Shigeru Osawa Outside Director (Independent Director)	○	13/13 (100%)	Mr. Shigeru Osawa has abundant experience and deep insights in the financial and construction fields. By utilizing such achievements, expertise as well as insights on management, the Company judged that he is personnel necessary to increase the future corporate value of the BML Group through giving opinions and making judgements from an objective standpoint when making decisions for the management of BML, and through playing a role of monitoring and supervising Directors' execution of duties. The Company expects him to fulfill his role of supervising the management from a position independent from executive officers in BML by utilizing his wealth of experience in the construction field.

### Corporate Auditors

Name	Position	Independent	Reasons for nomination
	Kenichi Morishita Standing Corporate Auditor		Since joining the Company, Mr. Kenichi Morishita has been involved in the Company's human resources department, Group company administration departments, and the administration department of the clinical testing subsidiary, and has abundant experience and a high level of insight into the Company's overall business. The Company has judged that he will be able to utilize his experience to enhance the audit structure of BML.
	Nobushige Tokuno Outside Corporate Auditor (Independent Auditor)	○	The Company has judged that he will be able to utilize his professional knowledge as a certified tax accountant and his abundant experience at the Tokyo Regional Taxation Bureau to enhance the audit structure of BML.
	Masato Denawa Outside Corporate Auditor (Independent Auditor)	○	The Company judged that the expertise of Mr. Masato Denawa as an attorney at law can be used for enhancing the audit structure of BML, even though he has never been involved in corporate management.

### Operating Officers

Name	Position	Responsibilities	Name	Position	Responsibilities
Masami Kondo	Executive Officer	General Manager, In-hospital Examination Division	Michihiro Aono	Operating Officer	General Manager, Credit Guarantee Department
Hiroyuki Kigoshi	Executive Officer	General Manager, Management Division	Toshihiro Yanoma	Operating Officer	General Manager, Medical Informatics Sales Department
Satoshi Enomoto	Operating Officer	In charge of Establishment of Next-generation General Laboratories	Hiromi Nakahara	Operating Officer	General Manager, Risk Management Department
Toshikazu Yamaguchi	Operating Officer	In charge of Advanced Technology & Development Division	Yutaka Sakamaki	Operating Officer	General Manager, General Affairs Department
Katsuaki Takei	Operating Officer	Deputy General Manager, BML Clinical Testing Headquarters	Kazuhiro Yamashita	Operating Officer	General Manager, Electronic Patient Chart Department

# Corporate Governance

## Skill Matrix (Areas which the Company specifically expects Directors to cover)

Name	Positions in the Company	Areas which the Company specifically expects Directors to cover							
		Management Experience	Medical Experience	Inspection/Engineering	Information Technology	Strategy Planning	Finance/Accounting	Personnel/Labor	Risk/Legal Affairs
Kensuke Kondo	President and Representative Director	○	○	○		○			○
Nobuki Arai	Representative Director; Vice President	○	○	○		○		○	
Norihisa Takebe	Representative Director; Senior Executive Officer	○				○	○		○
Hideaki Osawa	Director; Operating Officer					○			
Kenji Shibata	Director; Operating Officer			○		○			
Yuji Yamashita	Director; Operating Officer			○	○	○			
Yukiko Yoritaka	Outside Director (Independent Director)						○	○	○
Tatsuharu Arai	Outside Director (Independent Director)	○		○					
Shigeru Osawa	Outside Director (Independent Director)	○		○		○	○		

## Skill Matrix (Areas which the Company specifically expects Corporate Auditors to cover)

Name	Positions in the Company	Areas which the Company specifically expects Corporate Auditors to cover							
		Management Experience	Medical Experience	Inspection/Engineering	Information Technology	Strategy Planning	Finance/Accounting	Personnel/Labor	Risk/Legal Affairs
Kenichi Morishita	Standing Corporate Auditor						○	○	○
Nobushige Tokuono	Outside Corporate Auditor (Independent Auditor)						○	○	
Masato Denawa	Outside Corporate Auditor (Independent Auditor)							○	○

## Basic Approach toward Corporate Governance

The Company promotes initiatives to fully comply with each of the principles of Japan's Corporate Governance Code of the Tokyo Stock Exchange. The Company has disclosed its Corporate Governance Report, which includes the table on the implementation status of 83 items submitted to the Tokyo Stock Exchange, on the BML website. Additionally, to execute fair and

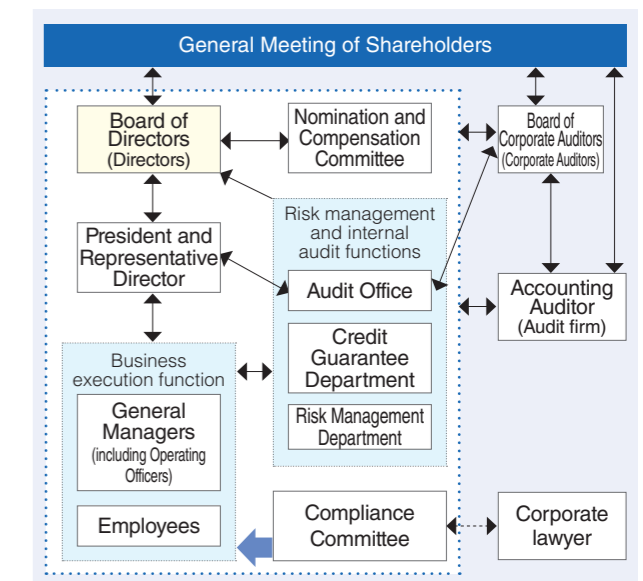
transparent corporate activities, the Company has set forth Compliance Regulations and is also working to raise awareness by conducting training and seminars for its employees in accordance with the BML Group Compliance Manual, which illustrates the code of conduct to be observed by the employees and other persons.

## Corporate Governance Structure

The Audit Office, which reports directly to the President, has been established as a department to conduct internal audits on all divisions including the Company's affiliated companies and conducts audits on the effectiveness of internal controls and the status of business execution. Additionally, internal audits are conducted by the Credit Guarantee Department mainly on the inspection divisions, our specialty field, to assess and provide instructions on compliance with laws and regulations, internal control system, risk management, quality, environment, and other matters.

Corporate Auditors conduct rigorous audits mainly by attending important internal meetings including the Board of Directors meetings, inspecting important approval documents and other documents, and investigating the status of business and assets at the head office and the major business locations. Furthermore, as part of the cooperation between the Corporate Auditors and the Audit Office, the results of internal audits are reported to the Board of Corporate Auditors, joint audits are conducted, and information is shared when necessary. The Audit Office also periodically reports the status of internal controls to the Board of Directors.

## Corporate Governance Structure Chart



## Group Governance

The Company has established the Regulations on the Management of Affiliated Companies, which set forth a comprehensive management policy and a management organization of the affiliated companies to facilitate proper operations for smooth business management. The Affiliated Company Meetings are also held periodically as a venue for the exchange of information. The compliance and risk management structures have been established to encompass the corporate group as a whole, in accordance with the Company's rules. The Internal Control Committee (hereinafter, the "Committee") comprising BML Group companies conducts the establishment, operation, and assessment of internal controls. The Committee is chaired by the President of the Company and the Group Planning Department serves as its secretariat. The members of

the Committee include the General Managers of each division of the Company and the Presidents of the subject companies of the BML Group, while other members are appointed by the President, as necessary. The Committee engages in the following activities:

- (1) Discussions and deliberations on the direction to be taken and the measures concerning the Group's internal controls; and
- (2) Instructions on the preparation of the necessary documentation for the development and review of internal controls of the divisions of the Company and the subject companies of the BML Group.

The affiliated companies of the Group, mentioned above, are audited by the internal audit divisions of BML.



# Corporate Governance

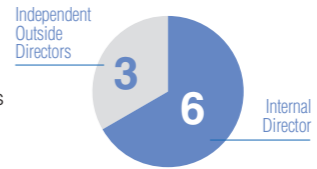
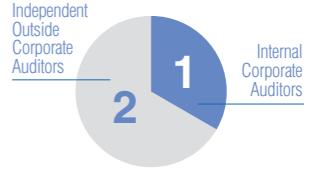
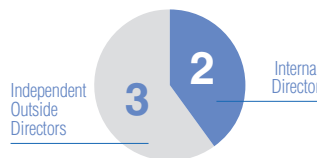
## The Role of Each Committee

Committee	Role
Board of Directors	The Board of Directors determines statutory matters, the formulation of management policies, budgets, and other crucial management matters, discusses the analyses, measures, and assessments of monthly business performance, and conducts deliberations from the standpoint of compliance with laws, regulations, and the Articles of Incorporation and the appropriateness of business.
Nomination and Compensation Committee	The Nomination and Compensation Committee deliberates, forms an opinion, and reports to the Board of Directors on the draft proposals to the General Meeting of Shareholders on the appointment or dismissal of Directors and Corporate Auditors and the draft proposals to the General Meeting of Shareholders on the compensation of Directors and Corporate Auditors, and other matters for which advice is requested from the Board of Directors.
Board of Corporate Auditors	The Board of Corporate Auditors discusses and determines the audit policy and the audit plan, attends important internal meetings, audits the status of business and assets, and audits the business execution of Directors and their compliance with laws, regulations, the Articles of Incorporation, and other rules.
Compliance Committee	The Compliance Committee oversees the cross-sectional compliance structure including the Group companies and operates the whistleblowing system, Compliance Post.

## Major Agenda of the Board of Directors

Proposals to be resolved:		Matters to be reported:	
Matters related to shareholder returns	Shareholder returns Interim dividends Approval of the outline of convocation of the Annual General Meeting of Shareholders	Matters related to Directors, Operating Officers, and the Board of Directors	Appointment of Operating Officers Appointment of Operating Officers with special titles and determination of their delegated duties Determination of the order of Directors acting on behalf of the President Officers of the Company serving concurrently as officers of affiliated companies Approval of competitive transactions and direct transactions for third parties undertaken by the Company's Directors Amount of compensation for Directors Payment of monetary compensation receivables related to restricted stock Disposal of treasury shares as restricted stock Payment of officers' bonuses Changes to duties assigned to officers Renewal of the directors and officers liability insurance contract Donations Financial plans and limits of short-term borrowings Changes to the Ethics Committee
Matters related to financial statements and business performance	Financial statements Budget	Other matters	
Matters related to corporate governance	Compliance with Japan's Corporate Governance Code	Matters related to the Sustainability Committee	Reports from the Sustainability Committee
Matters related to investments in and the disposal of important assets	Adoption and expansion of facilities related to COVID-19 Major renovation of the BML General Laboratory Conclusion of annual maintenance agreements for testing equipment Replacement of the integrated ITS system Replacement of ERP Upgrading of the clinical testing system Core system renewal for the medical informatics business Acquisition of real estate Matters related to testing equipment for the new wings Capital investment associated with the FMS contract renewal Flooding countermeasures at the BML General Laboratory	Matters related to corporate governance	Reports on the results and plans of internal control assessments Status of risk management initiatives
Matters related to personnel and organization	Appointment of officers Establishment of the new strategic field expert (SX) course Changes to in-house rules and regulations (shares, childcare, nursing care, retirement allowance, leave of absence, reinstatement)	Matters related to investments in and the disposal of important assets	New building construction plan Long-term budget and new building construction plan
Matters related to reorganization	Changes to the name of the organization	Other matters	Personnel matters related to the officers of affiliated companies Proposals to be submitted to the annual general meeting of shareholders of affiliated companies (financial statements and appropriation of surplus) Policy for audits by the Board of Corporate Auditors Systems for in-house management of electronic patient charts Measures to address work volumes that exceed processing capacity Progress at laboratories
Important matters of the Company and affiliated companies	Full ownership of BLH Capital and business alliance agreement with FALCO HOLDINGS		
Matters related to Directors, Operating Officers, and the Board of Directors	Appointment of Directors with special titles Appointment of Representative Directors		

## Trends in Governance

Year	Medium-Term Management Plan of the BML Group	Trends in Strengthening Governance
2015	<b>Group Vision</b> To become the most trusted choice in the medical world	
2016	<b>Sixth Medium-Term Management Plan (FY2015 –FY2017)</b> <b>Concept</b> Building and strengthening the foundations needed to be the top company in the industry <b>Goals</b> • Improvement of quality and services Strengthening sales infrastructure Rebuilding system infrastructure Expanding testing infrastructure • Enhancing human resource infrastructure • Enhancing management quality and functions	
2017	<b>Seventh Medium-Term Management Plan (FY2018 –FY2020)</b> <b>Concept</b> Becoming No. 1 in quality and service <b>Framework</b> • "No. 1 in regional services" → Provide optimal services for each region • "No. 1 in the test lineups" → Pursue new testing technology • "No. 1 in contributions to the medical care industry" → Contribute to the development of the industry as a member of the medical care industry • "No. 1 in quality" → Aim for a higher rank in quality • "Business management" → Strengthen business development, risk management, IR activities, personnel and general affairs, and governance	Adoption of the restricted stock compensation system
2018		Establishment and announcement of the independence criteria for Outside Directors Establishment and announcement of the Basic Policy on Cross-shareholdings
2019		Establishment of the Nomination and Compensation Advisory Committee Adoption of the electronic platform for the exercise of voting rights Publishing an English version of the Notice of the General Meeting of Shareholders Introduction and announcement of the results of the self-assessment system concerning the effectiveness of the Board of Directors Adoption of the officer bonus system as a short-term incentive
2020		Appointment of the (first) female Director
2021	<b>Eighth Medium-Term Management Plan (FY2021 –FY2023)</b> <b>Mission</b> (1) Customer Satisfaction (2) Synergy (3) Social Responsibility <b>Internal Code of Conduct</b> (1) Consensus: consensus of employees (2) Soundness: soundness of all operations (3) Standardization: pursuit of standardization <b>Basic Strategic Framework</b> Aim to enhance competitiveness based on "Standardization" × "DX (Digital Transformation)" <b>Framework</b> • Standardization: Enhancement of competitiveness Enhancing the laboratory network Enhancing sales capabilities Renovating collection and delivery processes • DX Improvement of the customer experience and realization of greater business efficiency • Strengthening the management foundation, human capital development and its effective utilization	Announcement of the Action Plan for the Advancement of Women (From April 1, 2021 to March 31, 2026) Name Change of the Nomination and Compensation Advisory Committee to the Nomination and Compensation Committee Composition of the Board in which 1/3 are Outside Directors (3 out of the 9 Directors are Outside Directors) Disclosure of the Directors' Skill Matrix Announcement of the Message on Diversity, Equity & Inclusion by the President
2022		<b>Composition of the Board of Directors</b> (as of June 2023) → One-third of the Board of Directors consists of Independent Outside Directors 
2023		<b>Composition of the Board of Corporate Auditors</b> (as of June 2023) → Two-thirds of the Board of Corporate Auditors consists of Outside Corporate Auditors  <b>Composition of the Nomination and Compensation Committee</b> (as of June 2023) → More than half of the committee members comprise Independent Outside Directors 

# Corporate Governance

## Assessment of the effectiveness of the Board of Directors

The Company conducts analyses and assessments of the overall effectiveness of the Board of Directors based on the assessments and opinions of each Director on the composition, operation, agenda, support system, and other matters of the Board of Directors. To analyze and assess the effectiveness of the Board of Directors, a questionnaire was conducted as part of the self-

assessment process and the results indicated that the Board of Directors had been mostly developed appropriately and ensured of its appropriateness. However, in light of the other opinions voiced in the questionnaire, the Company will strive to further improve the deliberations by the Board of Directors and enhance its effectiveness.

Assessment results and measures taken for FY2021	Assessment results and measures taken for FY2022
<p><b>Assessment results</b></p> <p>(1) Composition of the Board of Directors The Board of Directors has mostly been developed and maintained appropriately. (5 out of 5 items)</p> <p>(2) Operation of the Board of Directors The Board of Directors mostly operates appropriately. (9 out of 9 items)</p> <p>(3) Agenda of the Board of Directors meetings The composition of the agenda is mostly appropriate. (10 out of 10 items)</p> <p>(4) System to support the Board of Directors The system has been mostly developed appropriately. (6 out of 6 items)</p> <p><b>Measures taken</b></p> <ul style="list-style-type: none"> <li>To facilitate operations, the agenda and operation method should be improved.</li> <li>To invigorate the discussions and improve the quality of deliberations at the Board of Directors meetings, information should be provided early.</li> <li>To encourage a greater understanding of the roles and responsibilities, training suited to each Director and Corporate Auditor should be conducted, and onsite inspections should be enhanced.</li> </ul>	<p><b>Assessment results</b></p> <p>(1) Composition of the Board of Directors The Board of Directors has mostly been developed and maintained appropriately. (6 out of 6 items)</p> <p>(2) Operation of the Board of Directors The Board of Directors mostly operates appropriately. (9 out of 9 items)</p> <p>(3) Agenda of the Board of Directors meetings The composition of the agenda is mostly appropriate. (13 out of 13 items)</p> <p>(4) System to support the Board of Directors The system has been mostly developed appropriately. (6 out of 6 items)</p> <p><b>Measures taken</b></p> <ul style="list-style-type: none"> <li>To facilitate operations, the agenda and operation method should be improved.</li> <li>To invigorate the discussions and improve the quality of deliberations at the Board of Directors meetings, information should be provided early.</li> </ul>

## Cross-shareholdings

### Basic approach

BML has set forth its Basic Policy regarding Cross-shareholdings and holds a limited quantity of cross-shareholdings and exercises voting rights in accordance with the policy.

Additionally, the appropriateness of holding individual issues in a cross-shareholding is periodically verified by the Board of Directors.

### 1. Policy on Cross-shareholdings

- (1) Cross-shareholdings are held to a limited extent, only in cases where factors such as maintaining and strengthening long-term and stable relationships with the counterparty and enjoying benefits from a business strategy perspective are expected and such cross-shareholdings are determined to contribute to the enhancement of the corporate value of both the counterparty and the BML Group.
- (2) Each year, considering the medium- to long-term economic rationale and the future outlook of the shareholding, a comprehensive verification of the individual issues of the cross-shareholdings is conducted on the risks and returns entailed by the shareholding and the significance of the shareholding from the perspective of business strategies, such as business relationships and business partnerships, and the decision whether to continue the shareholding is made.

- (3) If, as a result of the verification, the shareholding is found to be unjustified, the Company proceeds with the disposal of such shares, with the understanding of the counterparty. Even in cases where the shareholding is found to be justified, such shares may be disposed of, in light of the market environment, BML's management and financial strategies, and other factors.

### 2. Policy on the Exercise of Voting Rights

The exercise of voting rights concerning the shares in cross-shareholdings is considered in a comprehensive manner for each agenda upon confirming the following points:

- (1) Whether it will enhance the corporate value of the business partner company in the medium to long term and contribute to its sustained growth.
- (2) Whether it will contribute to the policy of increasing the BML Group's profits in the medium to long term.

## Compensation and other benefits of Directors and Corporate Auditors

### Basic approach

BML has established a policy on determining the details of compensation and other benefits of individual Directors by a resolution of the Board of Directors, upon deliberation by and receiving the recommendations of the Nomination and Compensation Committee, the majority of which comprises Outside Directors.

### Matters regarding the policy on determining the details of compensation and other benefits of individual Directors

To ensure the fairness and objectivity of compensation and other benefits of Directors, the Nomination and Compensation Committee considers and compares officer compensation of domestic listed companies that are comparable in size with BML, and deliberates the amounts of fixed compensation, performance-linked compensation, and restricted stock compensation, by taking into account such factors as BML's business performance. Additionally, the components of the compensation of individual Directors are determined

through comprehensive consideration of such factors as the business performance of each fiscal year, the duties for which each Director is responsible, and the extent of the individual's contribution to the sustainable enhancement of corporate value.

Compensation for Corporate Auditors comprises exclusively of fixed compensation, in light of their independence from management and their objectivity, and the amount of compensation of each Corporate Auditor is determined by the Board of Corporate Auditors.

### Matters regarding the delegation of authority to determine the compensation and other benefits of individual Directors

BML's Representative Directors, who have been delegated by a resolution of the Board of Directors the authority to calculate the specific amounts of compensation of individual Directors, ultimately make the decision on individual compensation.

In determining the detailed amounts of compensation of individual Directors, the Nomination and Compensation Committee, the majority of which comprises Outside Directors, conducts multilateral deliberations, including whether the draft proposals prepared by the President and Representative Director are consistent with the determination policy. The Nomination and Compensation Committee offers recommendations on the draft proposal and the President and Representative Director ultimately makes a decision in accordance with these recommendations. Thus, measures have been taken to prevent arbitrary decisions and to ensure that the authority is exercised appropriately. As the amounts of compensation of

individual Directors are determined by completing these procedures, the Board of Directors has determined that the details of the compensation are in line with the determination policy and therefore, appropriate.

The reason why the authority to determine the compensation of the individual Directors has been delegated to the President and Representative Director is that the President and Representative Director is most suited to viewing the business performance of the BML Group overall while at the same time evaluating the responsibilities and the areas for which each Director is responsible. Nevertheless, when determining the amounts of compensation and other benefits of individual Directors, the President and Representative Director makes such a decision, upon receiving recommendations from the Nomination and Compensation Committee, the majority of which comprises Outside Directors.

### Matters regarding performance-linked compensation

To provide incentives to Directors to strive for the improvement of business performance and the enhancement of corporate value, BML has introduced performance-linked compensation in addition to fixed compensation. Compensation amounts are calculated according to a payment ratio corresponding to the degree of achievement of the business plan such as the amount of

net sales, as the basis for the calculation of performance-linked compensation. This indicator was selected because it comprehensively and objectively illustrates the results of business execution for the fiscal year under review, and the indicator has also been determined to be appropriate from the standpoint of focusing on the degree of achievement of performance growth.

### Total amount of compensation and other benefits by officer category, total amount of compensation and other benefits by type, and the number of eligible recipients

Officer category	Total amount of compensation and other benefits (millions of yen)	Total amount of compensation and other benefits by type (millions of yen)			Number of eligible recipients
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors (Outside Directors)	216 (15)	164 (15)	46 (-)	4 (-)	12 (4)
Corporate Auditors (Outside Corporate Auditors)	20 (6)	20 (6)	-	-	3 (2)

# Corporate Governance

## Risk Management

### Basic Policy on Risk Management

The BML Group has established the Basic Policy on Risk Management to articulate its basic approach to risk management and the structure and the method of actions to be taken so that risk management functions effectively, and to ensure the sound and stable management of the entire Group through the practice of appropriate risk management.

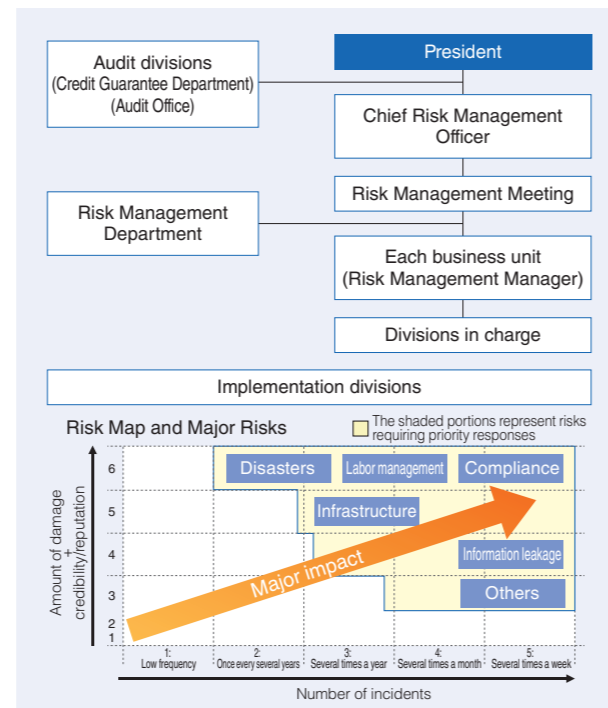
The basic policy consists of the basic objective and the code of conduct. The basic objective is to prevent risks before they materialize, as well as swiftly and

appropriately deal with crises in the unlikely event that they occur. It also includes keeping the impact of risks on management resources to a minimum by swift recovery measures and maintaining the functions of the organization. Matters set forth in the code of conduct include the preservation of the safety and health of employees, as well as the preservation of management resources, and swift and appropriate recovery in the event that management resources are damaged.

### Risk Management Promotion Structure

As regards the risk management promotion structure, the BML Group's basic policy on risk management has been established and to implement the basic policy, a risk management system has been built in accordance with the Basic Rules on Risk Management. Through the effective functioning of the risk management system and the continuous monitoring of individual risks, the Company has established a system capable of swiftly and appropriately dealing with emergencies in the unlikely event that they occur.

Additionally, the Risk Management Department has been established as a department that centrally manages all risks and engages in the prevention and analysis of risks.



### Risk Assessment

To understand the types of risks that face the BML Group and their impact, the Risk Management Department covers various risks and clarifies the "amount of damage," "impact on credibility and reputation," and "occurrence coefficient" for each risk and assesses their impact. The divisions in charge cooperate with the Risk Management Department and carry out risk countermeasures.

### Major Risks and Countermeasures

Category	Summary of risk	Countermeasures
Labor management	Overwork	To prevent overwork, the Company is conducting training for managers, carrying out early detection and countermeasures by strengthening the labor management system, and conducting appropriate labor management based on laws and regulations.
Compliance	Violation of compliance with relevant laws and regulations Fraud and scandals of employees	To spread the compliance mindset, the Company conducts periodic training for the employees. To enable the early detection and prevention of law violations, the Company conducts compliance self-audits every quarter. The Company has established the whistleblowing system, the "Compliance Post."
Information leakage	Leakage of personal information including information on customers' patients Leakage of internal confidential information	The Company conducts training on the protection of personal information for its employees every year. Review meetings on the protection of personal information are held each month, and deliberations are conducted on the investigation of causes and the formulation of measures to prevent recurrences in the event that an information leakage occurs.
Disasters	Disasters due to heavy rains, earthquakes or other events	To continue its business even in times of disaster due to heavy rains, earthquakes or other events, the Company is implementing measures to prevent the flooding of important facilities. Additionally, the Company plans to adopt the base isolation system for the new building construction plan.
Infrastructure	Suspension of public infrastructure	The Company has adopted in-house power generators so that, even during outages, it can continue its business until services resume for suspended power and water. Additionally, in the new building construction plan, the Company plans to install emergency power generators (to generate power for 72 hours) and clean/pure water tanks (enough for 2 to 3 days).

### Crisis Management System

The BML Group has established the Crisis Management Committee, to enable business continuity even in the midst of increasing crises, such as climate change, which has resulted in intensified natural disasters around the world.

The Crisis Management Committee has defined eight incidents including major natural disasters and threats

to life and health as a result of unexpected incidents and accidents as crises. When a major crisis that could significantly impact management occurs, the Crisis Management Committee convenes and immediately responds through cross-organizational actions to stabilize the situation.

## Compliance

The BML Group defines compliance as "not only compliance with laws and regulations but also respect for fundamental human rights, compliance with corporate ethics and social norms, and the practice thereof," and the code of conduct for its employees stipulates that

employees must practice compliance through fair business operations while proactively striving to contribute to society. To achieve compliance, the BML Group takes actions in accordance with the following rules set forth in the code of conduct mentioned above:

- Prohibition of acts that are in violation of compliance, and the prohibition of instructing, aiding and abetting, and tacitly approving such actions
- Prohibition of discrimination, harassment, and similar acts as part of respect for human rights
- Recognition of the dignity of life as the primary goal, and the execution of various businesses in accordance with laws, regulations and rules and with the highest sense of ethics and social norms, etc.

Additionally, the Compliance Committee has been established as an organization to oversee compliance within the Company and engages in actions to raise awareness of compliance and prevent violations before

they have a chance to occur. The results of these actions are reported at the Compliance Committee meetings which are held quarterly.

### Initiatives to Thoroughly Enforce Compliance

As initiatives to thoroughly enforce compliance, the BML Group conducts periodic training and self-audits.

#### 1. Compliance training

To instill a compliance mindset in its employees, the BML Group conducts compliance training. Compliance training is conducted twice a year for its employees on contemporary agendas involving compliance concerns. Additionally, training for new employees is conducted in April each year mainly on

matters that new employees should be cautious of in executing business, including the prevention of compliance violations that new employees are prone to.

- |                  |  |
|------------------|--|
| Training agendas | <ul style="list-style-type: none"> <li>• Prevention of power harassment</li> <li>• Antimonopoly Act</li> <li>• Entertainment and gifts</li> <li>• The meaning of compliance for new employees, etc.</li> </ul> |
|------------------|--|

#### 2. Self-audits

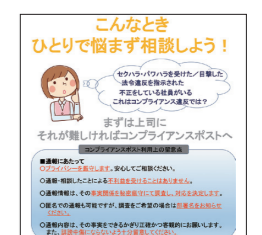
Quarterly compliance self-audits are conducted at each department (business offices and testing departments) including the affiliated companies from the standpoint of early detection and prevention of compliance violations. Self-audit items include sexual harassment acts, power harassment acts, unpaid overtime, and acts violating relevant medical laws and regulations. Inspections of compliance violations are performed at each

department and reported to the Risk Management Department. The reported details are investigated by the departments in charge and other divisions and remediation is implemented. Compliance self-audits provide important opportunities for each department to become aware of compliance and have been functioning as part of measures to prevent compliance violations.

### Whistleblowing System

The BML Group has established the "Compliance Post" as a reporting system in the event of compliance violations. The system provides reporting methods such as the Intranet and writing letters to the offices of the corporate lawyers, and when a report is issued, it is received by the secretariat of the Compliance

Committee, which quickly addresses the incident by cooperating with the relevant divisions depending on the content of the report.

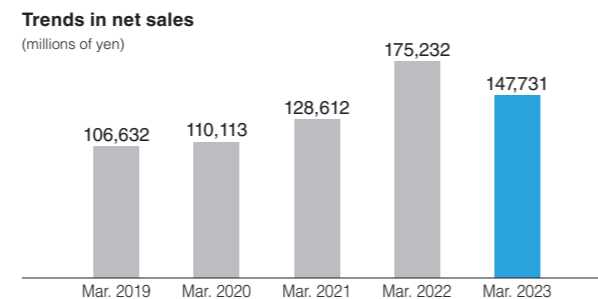
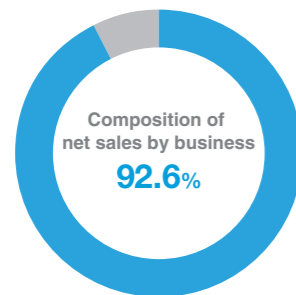


Compliance poster

# Business Overview of Clinical Testing Business

## Clinical Testing Business

Net sales and profit declined last year due to a large reduction in COVID-19 PCR testing fees. In addition, this was a year for revision of medical service fees, which caused prices to decline by almost 1%. With the reclassification of COVID-19 to a Class 5 infectious disease, demand is expected to further decrease year over year. Considering that net sales excluding COVID-19-related tests increased last year owing to sales activities such as new customer acquisition and expanded sales to existing customers, BML aims to increase net sales again this year even more than last year by implementing the same activities.



### Overview of Business

#### Overview of Clinical Testing

Biochemical, immunological, serological, and other testing comprise a large ratio of net sales, and we will continue activities to develop sales while enhancing the testing systems. Genomic medicine has spread remarkably recently and is expected to continue developing at an accelerated pace. Therefore, we intend to focus on enhancing genomic testing and expand in the areas of cancer genomics and genetic diseases.



Symphony Chemistry

#### Overview of Clinical Trials Testing

The development and commercialization of cancer-related drugs, particularly antibody drugs, is expected to continue increasing.

BML has established clinical trial laboratories that comply with GLP (Good Laboratory Practice) and GCP (Good Clinical Practice), conduct tests by specialized staff, and contracts and develops clinical trials at the request of pharmaceutical manufacturers.



Frontier automated dispensing system

### Message



**Kenji Shibata,**  
Director, Operating Officer, and General Manager,  
BML Clinical Testing Headquarters

### Initiatives for quality

Clinical testing plays an important and essential role in modern-day medical care, and high quality is a constant demand. Our main laboratory, the BML General Laboratory, was the first in Japan to obtain ISO15189 certification, the international standard for clinical laboratories. It is also accredited for numerous other reliability standards, including CAP Accreditation, the laboratory accreditation program of the College of American Pathologists. Recognizing the immense importance of traceability that connects patients to their test results, we developed a new automated dispensing system (Frontier) ahead of other companies, and we are working to eliminate human error via the full automation of pre-testing processes. Upon these foundations, we strive every day to achieve higher quality.

### FY2022 results and initiatives for the post-COVID-19 era

While demand for PCR tests for COVID-19 has declined as the pandemic has come to an end, demand for existing clinical tests is returning to the regular levels of up to 2019. On the other hand, the emergence of COVID-19 had led to the development of many new vaccine formulations and therapeutic drugs, and BML is responding to this trend with a variety of tests. Among them, a neutralization test to determine the biological activity of antibodies against viruses is a service that only BML provides in Japan as a commercial laboratory. It is used for the assessment of drug product performance. We will continue to enhance this neutralization testing system to support new drug development.

With the further aging of the population, the enhancement of early detection and diagnosis of diseases, monitoring, and quality of medical care management are needed to ensure medical care of better quality and to reduce financial burdens. To this end, it is expected that demand for clinical testing will continue to grow. We believe that many more drugs will be developed, particularly in areas such as diabetes, cardiovascular disease, and cancer, and companion diagnostics and monitoring testing will become more widespread. With the rise in health awareness, demand is growing for clinical testing in the area of medical check-ups. Under these circumstances, we will establish highly efficient systems to provide more accurate testing at appropriate cost levels.

# Business Overview of Clinical Testing Business

## Business Strength 1 Wide range of advanced testing areas

Three related strengths



We have a system in place to meet the needs of medical institutions nationwide, in all areas of clinical testing.

### Wide range of testing areas

Over 4,000 types of testing, widely ranging from routine testing to highly specialized tests

Top-level laboratory testing ranges from routine biochemical and hematological testing to specialized testing for tumor markers, infectious diseases, hormones, cellular immunity, DNA, and microbiological testing. This testing meets the clinical needs of medical institutions. BML serves over 300,000 clients a day through laboratory testing for hospitals and clinics nationwide.

Going forward, the BML General Laboratory will expand testing capacity and improve testing efficiency by introducing new systems, such as a new automated dispensing system and a new biochemical and immunological testing system.

Microbiological testing that boasts one of the world's largest number of tests (hereinafter, bacteriological testing)

BML's bacteriological testing, among the many tests that BML conducts, boasts one of the world's largest number of tests, and we have promoted the introduction of an automated system, with the aim of improving efficiency.

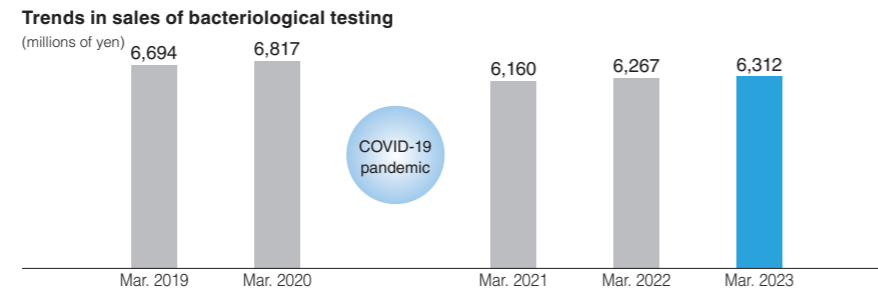
In conjunction with relocation to a new wing, the BML General Laboratory will construct a new bacteriological testing system, contribute to clinical testing through the introduction of new technology, and work to improve quality.

Additionally, we are developing core laboratories for bacteriological testing, with the aim of standardizing bacteriological testing and improving clinical services nationwide.

**Testing area**

**BML's testing areas**

- Biochemical testing
- Microbiological testing
- Hematological testing, etc.



### Superior expertise supporting sophisticated specialized laboratory testing

#### Strengths in specialized laboratory testing

At BML, the Advanced Technology & Development Division, an independent research and development unit, develops new tests using methods such as genomic analysis and mass spectrometry techniques to contribute to genomic medicine and personalized precision medicine. We are involved in research and development using advanced technologies from molecular biology, genetic engineering, and metabolomics and proteomics, to provide high added value testing to clinical medicine, with an eye toward targeting areas such as cancer, genetic diseases, infectious diseases, as well as lifestyle diseases, and auto-immune and allergic diseases.



#### New test items in FY2022

In the field of genetics, we have used next-generation sequencers (NGS) to upgrade existing genetic testing for congenital hearing loss (panel of 19 genes and 154 mutations) to a panel of 50 genes and 1,135 mutations. Additionally, in response to the revision of diagnostic criteria for genetic testing for juvenile-onset bilateral sensorineural hearing loss, we upgraded analysis from 7 genes to 11 genes. In the field of mass spectrometry, we independently developed and began contracting of LC-MS/MS testing that measures sitosterol, campesterol and cholesterol in the blood as a marker for diagnosing dyslipidemia. In the field of hematopoietic organ tumors, we began contracting of SF3B1 mutation analysis, which is useful for diagnosis, disease type classification, and prognosis prediction in myelodysplastic syndromes with ringed sideroblasts (MDS-RS).

## Business Strength 2 Laboratory automation

Three related strengths



BML's unique automated testing systems, Frontier and Symphony, enable rapid and highly reliable testing

BML has led other companies in pioneering laboratory automation since 1995. As BML's eternal themes, we are constantly working to speed up, automate, and improve laboratory testing accuracy and credibility.

One of the answers to this is BML General Laboratory's automated dispensing system (Frontier), biochemical and immunological testing system (Symphony Chemistry), and hematological test system

(Symphony Hematology). This is the industry's first automated testing system, and it consists of an automated dispensing system, which automates the pre-test process from specimen sorting to dispensing, and a biochemical and immunological testing system and hematological test system, which automate the subsequent testing process.

#### Laboratory concept for the next generation

In May 2023, BML General Laboratory started construction on an extension of new testing buildings. Under the themes of reconfiguration, functionality enhancement, and efficiency improvement as a laboratory concept for the next generation, including the existing laboratory, we will make capital investments in automated dispensing systems, biochemical and immunological testing systems, hematological test systems, and AGV\* transfer to promote further laboratory automation.

\*Automatic Guided Vehicle

#### Reconfiguration, functionality enhancement, efficiency improvement

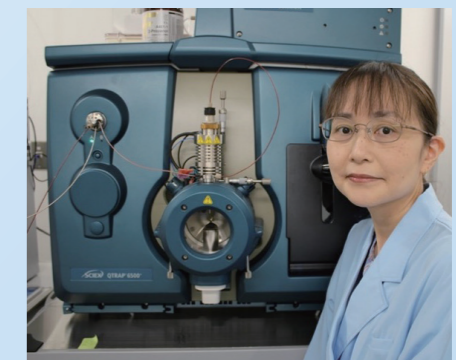
BML General Laboratory		
6th Stage Building (new wing)	Existing wing	Labcorp Building (new wing)
New automated dispensing system New biochemical and immunological testing system New hematological test system AGV transfer	Genomic testing General testing Specimen management building	Global clinical trials
New microbiological testing system Specialized testing Cellular organisms Training laboratory		

### Active participation of women

#### Efforts in the development of diagnostic markers for dyslipidemia

I have been involved in the development of testing in the Advanced Technology & Development Division. In addition to conventional immunoassays such as ELISA, I am in charge of the introduction of new mass spectrometry techniques. It was difficult to reach the point of being able to get stable measurements in the existing laboratory environment, because while very highly sensitive, delicate machine adjustments were required. Last year, in the area of dyslipidemia, I was able to develop and begin contracting of new testing that is useful for diagnosis of sitosterolemia and cerebrotendinous xanthomatosis through LC-MS/MS. Currently, I am pursuing the clinical evaluation of lipid metabolism related substances in joint research with a university, and I am thinking about taking on the challenge of developing testing that will continue to contribute to medical practice.

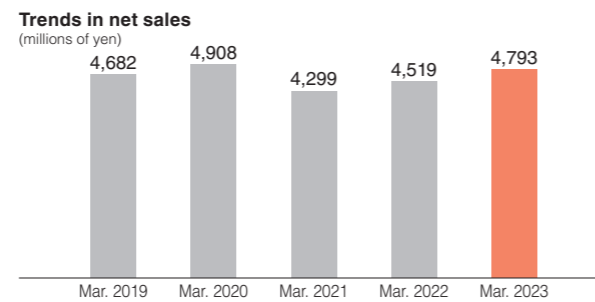
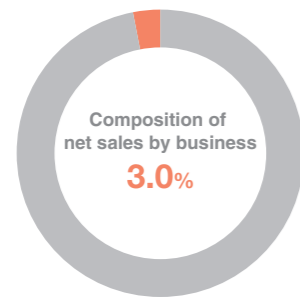
**Kaori Ito,**  
Deputy Chief, Advanced Medicine and Development Division



# Business Overview of Food Hygiene Business

## Food Hygiene Business

The BML Group provides one-stop services ranging from kitchen hygiene inspections at restaurants, food factory audits, the establishment of hygiene and quality management systems, support for obtaining food safety accreditations, household goods label verification and quality management support, microbiological and physicochemical testing of food products, and intestinal bacteria testing.



### Overview of Business

#### Consulting Business

We offer restaurants, hotels, food manufacturers, and other food-related companies a wide range of consulting on food hygiene and quality, such as the development of quality control systems, kitchen hygiene inspections, factory audits, food labeling, and quality control of household goods. We also have experience in consulting for acquisition of accreditations under international food safety standards and as an audit company for Japanese JFS standard conformity certification.

#### Testing Business

We provide various testing services that support food and beverage-related companies, such as microbiological testing and nutrient analysis of food, physicochemical testing of food additives, microbiological testing of kitchen environments and intestinal bacteria testing for employees, and testing for foreign materials in foods. Additionally, we offer contract testing to verify the quality of household goods and clothing, including strength and physical property tests.

### Number of license and certificate holders

(As of July 1, 2023)

Name of license or certificate	Number of persons	Name of license or certificate	Number of persons	Name of license or certificate	Number of persons
Doctor of Medicine	1	Class-1 Health Supervisor	18	Food Labeling Test (advanced)	27
Veterinarian License	1	Food Sanitation Supervisor	27	Food Labeling Test (intermediate)	157
Pharmacist	1	PCQI Lead Instructor	2	Food Labeling Manager (advanced)	2
Certified Environmental Measurer	1	ISO9001 Auditor	1	Food Labeling Manager (intermediate)	1
Public Health Laboratory Technician	8	ISO9001 Provisional Auditor	15	Food Microbiology Laboratory Technician (Class 1)	30
Clinical Laboratory Technician	20	ISO22000 Lead Auditor	2	Food Microbiology Laboratory Technician (Class 2)	33
Radiation Protection Supervisor	1	ISO22000 Provisional Auditor	92	Food Microbiology Laboratory Technician (Class 3)	11
General Certified Measurer	3	HACCP Lead Instructor	5	Food Safety Kentei (Intermediate)	29
Textiles Evaluation Specialist	9	JFS-A/B Program Auditor and Reviewer	12	Food Safety Kentei (Elementary)	9
Textiles Advisor	5	JFS-A/B Program Auditor	26	Household Products Sanitation Inspector	1

### Message



**Kiyotaka Kohinata,**  
President and Representative Director,  
BML Food Science Solutions, Inc.

### Strengths and risks of the food hygiene business

BML's establishment of a one-stop support system with wide-ranging business domains, supported by the two pillars of testing and consulting, has received high praise from many companies. Based on our advanced testing technology and know-how developed over many years, we provide high-quality consulting and a variety of testing systems in a speedy manner, using our network that covers the whole of Japan.

We have long enjoyed the custom of major corporations in various businesses and industries, and our employees take great pride in being able to help so many consumers through these customers.

Among the risk factors that are currently emerging, it is forecast that testing reagent costs and transportation costs will increase, due to the Russia-Ukraine situation and labor costs associated with the decline in the domestic population.

### Review of business performance for FY2022

Last fiscal year, our business showed signs of improvement in the market environment. For example, as society has started living with COVID-19, the restaurant and hotel industries, which had experienced a downturn during the COVID-19 pandemic, began to recover, leading to the resumption of kitchen inspections and an increase in the number of stool tests for kitchen workers we have been contracted to perform.

Starting with free seminars and email newsletters, BML actively expanded its points of contact with customers other than face-to-face meetings. The attendees of these free seminars gave them exceptionally high satisfaction ratings, and many of the seminars were fully booked in a very short time. The number of subscribers to our email newsletter has also steadily increased, and we are now sending out information monthly to approximately 20,000 subscribers.

To enhance our services in the certification business, which has great potential for growth, we obtained accreditation from CQI/IRCA Japan, an organization that evaluates and registers auditors/lead auditors of world-standard management systems. As one of the few accredited training institutions in Japan, we have begun providing accreditation seminars.

### Future strategy

While the flow of people is returning to normal due to the downgrading of COVID-19 to a Class 5 infectious disease, there have been considerable changes in the environment, particularly in the area of food hygiene management, as consumers have become increasingly concerned about food safety and security. This includes the spread of information in the event of food-related accidents due to the popularity of social media and an increase in the employment of workers who need to be trained in food hygiene awareness, as a result of labor shortages.

For these reasons, companies that place high importance on their brand image are focusing on hygiene management in particular. To respond to these kinds of changes in our customers' circumstances, we will continue to deepen our one-stop service strategy, which is our strength, and strive to enhance the range and quality of our services.

Specifically, we will focus on increasing the range of service contents, such as the development of rapid listeria testing methods, registration as an audit company for the JFS Standard (Food Service/Multisite) Sector: GM, the standard for foodservice operators such as restaurants, ready-made meal manufacturers, and mass meal providers, and the business of creating tailored training video materials to meet customer needs. We have also begun construction of a dedicated test building to enhance test processing capacity, which is scheduled to begin operation in May 2024.

# Business Overview of Food Hygiene Business

Business Strength 1

## Wide-ranging business domains

Three related strengths



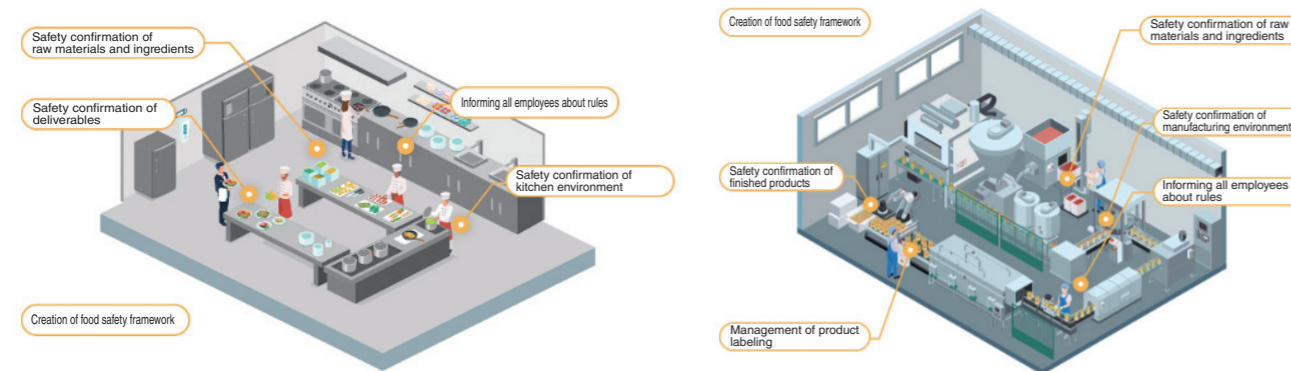
We provide customers in various industries with one-stop services ranging from microbiological and physicochemical testing of food products, product quality testing, kitchen hygiene inspections at restaurants, food factory audits, the establishment of hygiene and quality management systems, and support for obtaining food safety accreditations.

Covers all aspects of testing, store inspections, factory audits, accreditations, and food labeling

BML's business features the ability to provide a wide range of services relating to food and product testing and hygiene consulting by one company. In addition to one-off requests for testing, inspections, and audits, the Company can also partner with customers and provide support from a comprehensive and long-term perspective to create a framework for hygiene measures and quality control, thus increasing the value of products and services. Customers can save time searching for a service provider every time they conduct testing, inspections, and so forth, and consult BML regarding all types of concerns and questions relating to hygiene measures and quality control.

Additionally, BML has provided a wide range of services to customers in diverse industries, including restaurants, hotels, wedding venues, contract services, developers, food manufacturers, convenience stores, and department stores. Because we have a wealth of experience that enables us to provide services while considering the characteristics regardless of specific business type, we respond based on our abundant knowledge in all situations, including new development of takeout products by restaurant managers and contract manufacturing of PB products by hotel operators.

### Scope of services provided



\*Food testing and stool testing services are included in each category.

Business Strength 2

## Network covering all of Japan

Three related strengths



BML has locations throughout Japan and can conduct inspections uniformly nationwide from Hokkaido to Okinawa. Comprehensively covers management of customers that operate multiple stores

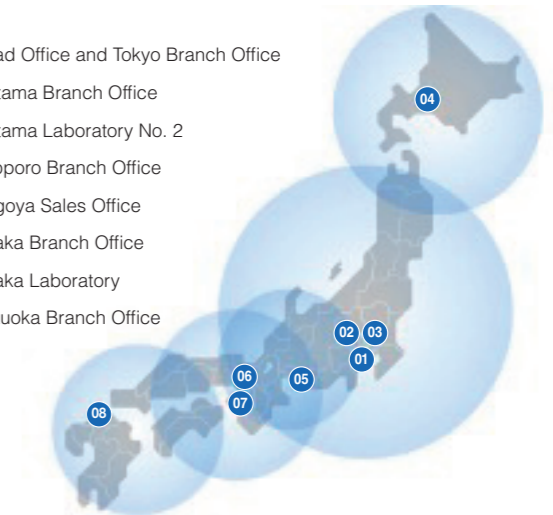
Food hygiene business locations in major cities

BML has five branch offices (Sapporo, Tokyo, Nagoya, Osaka, Fukuoka) and four testing locations (Sapporo, Saitama, Osaka, Fukuoka) in Japan, which makes it possible to provide services to customers that operate in each region, as well as to customers that are developing their business with multiple stores throughout Japan.

Additionally, at BML, highly specialized and qualified employees handle kitchen inspections and factory audits, and customers highly value the fact that BML performs inspections and audits with uniformly high quality throughout Japan. In the testing business, Saitama handles special testing as the main testing location, and tests that must be done quickly can be handled at any testing location.

### Food Hygiene Business Network

- 01 Head Office and Tokyo Branch Office
- 02 Saitama Branch Office
- 03 Saitama Laboratory No. 2
- 04 Sapporo Branch Office
- 05 Nagoya Sales Office
- 06 Osaka Branch Office
- 07 Osaka Laboratory
- 08 Fukuoka Branch Office



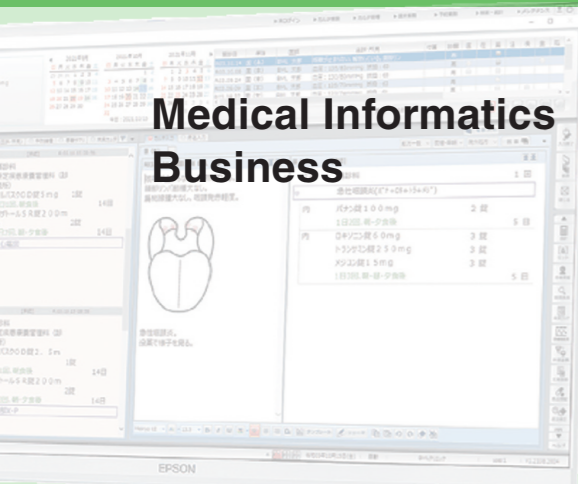
### Message from the Testing Business Manager | Responding to customer needs

In the Clinical Testing Headquarters, we provide scientific, objective, accurate data through testing, to contribute to customers' hygiene management, quality improvement, product development. At testing sites, we are working to systematize and automatize testing, with the goal of increased efficiency and speed. At the same time, we are proactively developing new outside-the-box services so that we can anticipate the ever-changing business environments and needs of our customers. For example, we have recently begun to provide rapid testing methods for listeria and providing educational content for foreign employees whose numbers are increasing at food manufacturers, convenience stores, and other workplaces. Additionally, in response to global changes and customers' needs, we are making efforts to strengthen the organizational power of Clinical Testing Headquarters and to strengthen ties with Consulting Headquarters, which interacts directly with customers. We are devoted not only to business activities, but also to activities based on various approaches such as information dissemination.



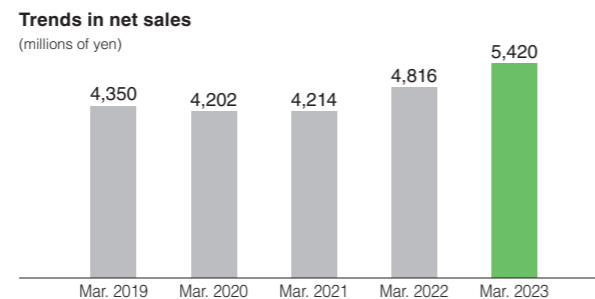
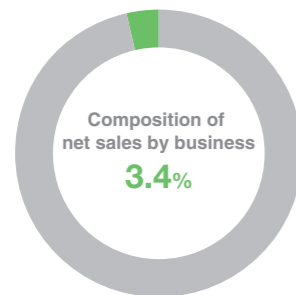
**Kazumi Saeki,**  
General Manager,  
BML Food  
Science Solutions,  
Inc., Clinical  
Testing  
Headquarters

# Business Overview of Medical Informatics Business



## Medical Informatics Business

Electronic patient charts, indispensable for IT in the era of medical information networks. The revision of the insurance system and the flow of management and business innovations based on the Internet are drastically changing the conventional medical care system. The introduction of electronic patient charts in medical institutions is expected to have a significant effect on the reengineering of medical institutions and the establishment of information systems in the midst of these changes in the healthcare system. They are also indispensable to management analysis, informed consent, and in-hospital DX.



### Overview of Business

The electronic patient charts system Qualis Cloud is a solution developed by BML in response to requests from clinics, based on many years of experience in the medical field.

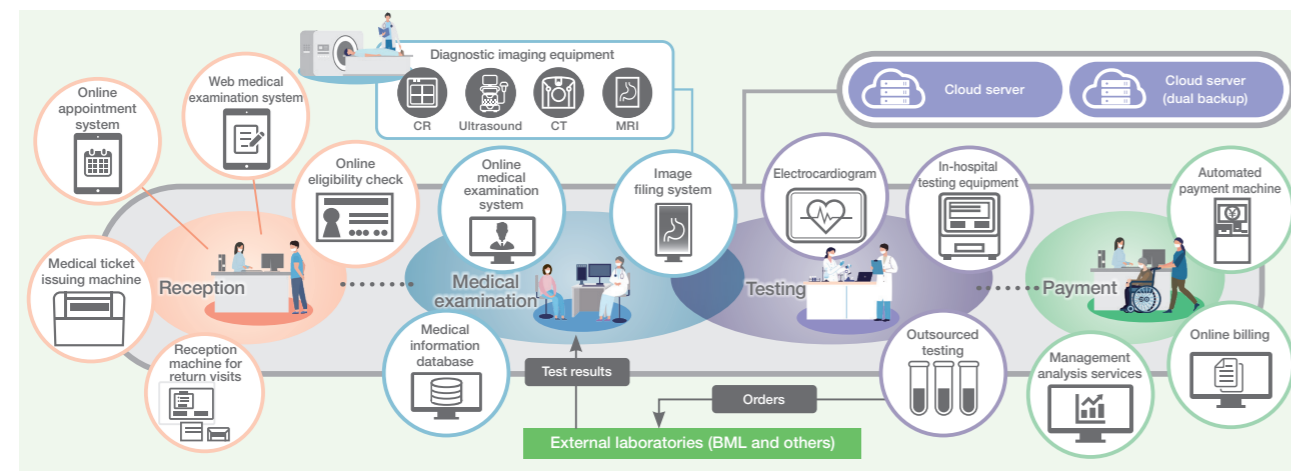
After the Ministry of Health, Labour and Welfare approved the electronic storage of patient charts in 1999, BML developed and launched Medical Station, an electronic patient chart system for clinics, in April 2000, and Qualis, an electronic patient chart system for clinics without beds, in April 2011.

In April 2022, we released Qualis Cloud, a cloud-based electronic patient chart system. Qualis Cloud fully

maintains the Qualis system that has been popular for many years.

Typically, cloud-based electronic patient charts have been browser-based. However, Qualis Cloud is a cloud-based electronic patient chart that adopts a smart client system, and has the unique advantages of on-premise systems that have not been realized so far with browser-based systems, including the ability to connect with a wide range of devices.

Qualis Cloud will continue to grow further as we respond to feedback from the medical community.



### Message

**Toshihiro Yanoma,**  
Operating Officer, General Manager,  
Medical Informatics Sales Department

### Strengths and risks of the medical informatics business

In recent years, boosted by the Medical DX Vision 2030 proposed by the Japanese government, there has been a further acceleration in the introduction of electronic patient chart systems at medical institutions. Given that all three processes required to promote medical DX, namely, "infrastructure development," "digitalization of information," and "popularization and promotion of digitalization," as well as online eligibility checks (mandatory) and electronic prescriptions (recommended), are based on electronic patient chart systems, BML's medical informatics business is expected to become increasingly important. The digitalization of electronic patient chart systems is resulting in the standardization and effective use of medical data. On the other hand, it is essential to build security systems that will ensure the protection of that data from falsification due to malicious viruses, information leaks, and loss of data due to disasters. From day-to-day diagnosis and treatment, we will make further efforts to provide products and services in which quality and reliability are the top priority, as a platform for medical DX.

### Review of business performance for FY2022

In April 2022, BML began marketing the "Qualis Cloud," a cloud-based electronic patient chart system.

As we have positioned this system as our main product for the future, in addition to seeking new sales to increase market share, we have also focused our efforts on system updates (replacements) for customers who use our original products. As a result of efforts to expand our sales channels, strengthen cooperation with sales companies, and review our overall marketing through new promotions, including the development of non-contact sales in light of the COVID-19 pandemic, we achieved record-high results, thanks to new sales, in addition to special demand resulting from healthcare system reforms. On the other hand, the rapid expansion of business operations has led to the emergence of situations in which that expansion has adversely affected quality and trust, which are our business philosophy. As such, the restructuring of sound business operations that put the customer first has become an issue.

### Future strategy

FY2023 is the final year of the Eighth Medium-Term Management Plan, which declares quality as our top priority in the Group Vision "to become the most trusted choice in the medical world." We will place top priority on overcoming the quality and service challenges that have become apparent in the electronic patient chart systems business. To make a leap forward into the next fiscal year and beyond, we will make steady progress toward achieving sound business management and business expansion, backed by the trust of our customers.



# Business Overview of Medical Informatics Business

## Evolving electronic patient charts

### Decline of resources for paper patient charts

At one time, the introduction of electronic patient chart was a challenge. However, now their usefulness is widely recognized, and it can be said that we have progressed to a point in which electronic patient charts are ubiquitous.

Electronic patient charts save space and make it possible to digitalize and manage all of the medical data of many patients. Therefore, by eliminating the use of paper patient charts heavily utilized in the past, we can also reduce paper consumption and contribute to the protection of resources.

Additionally, going paperless leads to more efficient in-hospital information management and is effective for providing medical services that accurately address patient conditions.

### Electronic patient charts increase efficiency to improve client working environments

By introducing electronic patient charts, medical institutions can improve their working environments.

In addition to sharing necessary information in a timely manner, understanding patient conditions by looking at a computer terminal, and improving the work efficiency of doctors, nurses, and staff, including treatment and accounting immediately upon finishing medical examinations, electronic patient charts can eliminate human errors such as transcription errors that have been a concern with paper patient charts.

Medical examination efficiency also leads to shorter wait times for patients and helps to improve patient services and the quality of medical care by making it possible to explain clearly by showing test results and so forth in graph format and showing photographs of drugs.

Three related strengths

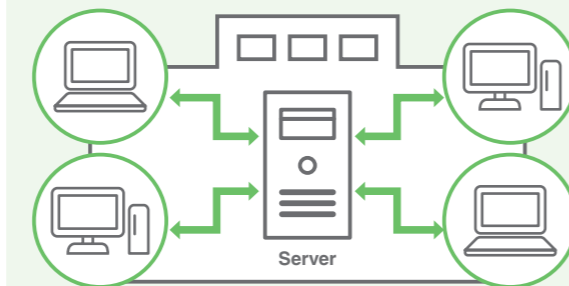


### Transition from paper patient charts to electronic patient charts

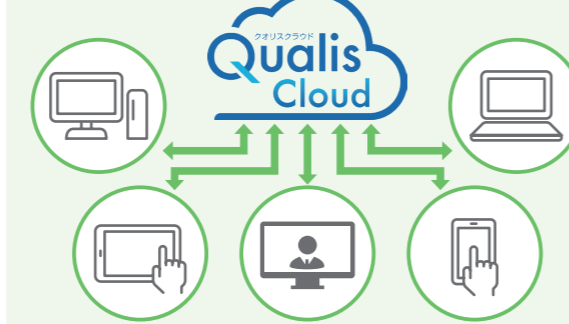
#### Paper patient charts

- Work load involved in searching for, transferring, and storing patient charts, voucher posting, and pasting
- Securing space to store patient charts
- Work load involved in inputting into receipt computer and risk of transcription errors
- Risk of losing patient charts, etc.

#### 1 On-premise electronic patient charts



#### 2 Cloud-based electronic patient charts



Message from a developer

## Development of electronic patient charts that can be used by customers for a long time

Since the approval of electronic storage in 1999, BML has developed various functions aiming to improve daily medical examination efficiency for clinics that are customers of BML and the patients that visit these clinics. In April 2022, we released a cloud-based electronic patient chart system, which expands the possibilities of using data. Electronic patient charts are a tool used in daily medical examinations, and we are developing these daily with attention to quality and ease of use. When customers report during visits that they are happy to be using BML electronic patient charts, we feel a sense of fulfillment toward being able to help provide quality medical services. We will continue to work together as a team on developing electronic patient charts that can be used by customers long-term.



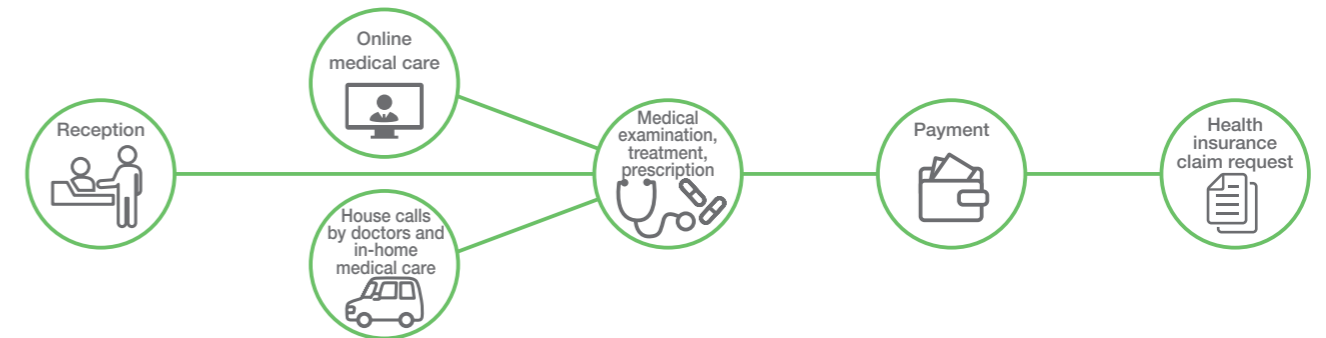
Miwa Yuasa,  
Deputy General Manager, Electronic Patient Chart Department

## Qualis Cloud Strength 1 Various functions made possible

Three related strengths

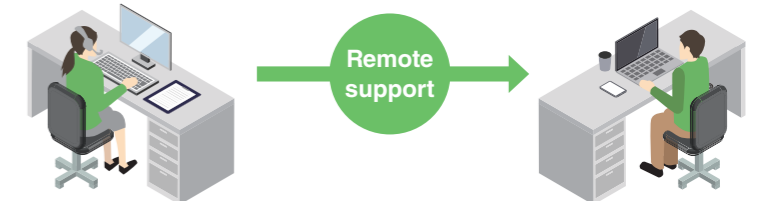


Various support functions are installed to provide an optimal user experience for each medical examination situation. From simple to complex operations, it is highly customizable, which was previously thought to be impossible with a cloud-based product.



## Qualis Cloud Strength 2 Completion of support system by the support center

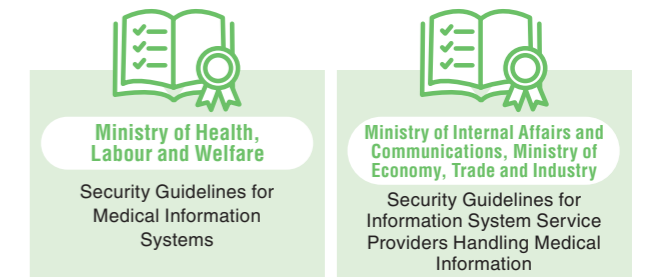
Even with cloud products, we continue to provide the support and quality that have been BML's strengths for over 20 years. In addition to telephone support by expert operators, we have various support systems, including on-site education by instructors during installation and field support from our office locations.



## Qualis Cloud Strength 3 Makes thorough security measures possible

### Complies with government guidelines

We implement security measures that comply with the Security Guidelines for Medical Information Systems by the Ministry of Health, Labour and Welfare and the Security Guidelines for Information System Service Providers Handling Medical Information by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry.



### Acquisition of ISO27017

We have obtained accreditation under the Conformity Assessment Scheme for Information Security Management Systems (ISMS) to prevent risks such as falsification, interception, and leaking of important information.



# Financial Data

## 11-Year Summary of Financial Data

### Financial data

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Status of Profit and Loss (millions of yen)</b>											
Net sales	94,608	99,047	104,404	109,024	111,243	113,502	117,129	120,732	138,571	186,067	<b>159,462</b>
Gross profit	34,655	36,441	37,038	38,855	39,799	40,463	42,227	42,250	54,768	86,951	<b>61,446</b>
Selling, general and administrative expenses	28,017	28,253	30,063	30,426	30,470	31,126	31,777	32,487	34,831	38,061	<b>37,509</b>
Operating income	6,637	8,188	6,974	8,429	9,329	9,337	10,450	9,763	19,936	48,889	<b>23,936</b>
Ordinary income	6,979	8,582	7,527	8,830	9,711	9,811	10,880	10,211	20,803	51,077	<b>24,182</b>
Profit attributable to owners of parent	3,708	4,990	3,874	5,424	5,948	5,988	6,646	6,375	13,711	33,741	<b>15,578</b>
<b>Financial Condition (millions of yen)</b>											
Net assets	52,943	57,657	61,968	65,206	70,647	76,222	81,127	80,422	93,123	121,684	<b>126,751</b>
Total assets	83,047	88,525	93,595	99,394	104,244	109,438	115,972	116,273	139,174	179,200	<b>168,943</b>
Equity	50,754	55,188	59,213	62,123	67,199	72,520	77,072	76,099	88,377	116,163	<b>122,467</b>
<b>Cash Flow Position (millions of yen)</b>											
Cash flows from operating activities	9,792	10,931	11,495	11,978	11,307	12,079	12,507	12,771	19,574	45,603	<b>11,742</b>
Cash flows from investing activities	(6,974)	(1,762)	(4,586)	(3,234)	(5,239)	(3,538)	(3,940)	(5,213)	(4,584)	(7,297)	<b>(7,627)</b>
Cash flows from financing activities	(2,370)	(2,622)	(2,806)	(2,916)	(2,856)	(2,983)	(3,041)	(8,784)	(3,382)	(9,828)	<b>(9,715)</b>
Cash and cash equivalents at end of period	18,102	24,649	29,061	34,910	38,122	43,679	49,204	48,246	59,853	88,360	<b>82,760</b>
<b>Per Share Information (yen)</b>											
Net assets per share	2,389.83	2,598.60	2,787.90	2,924.69	1,581.60	1,703.27	1,809.34	1,873.36	2,174.27	2,909.29	<b>3,138.63</b>
Profit attributable to owners of parent per share	174.65	234.98	182.45	255.40	140.03	140.83	156.07	151.27	337.44	833.24	<b>395.84</b>
Annual dividends per share	40.00	50.00	60.00	60.00	35.00*	35.00	38.00	45.00	70.00	120.00	<b>100.00</b>
<b>Financial Indicators (%)</b>											
Gross profit to net sales ratio	36.6	36.8	35.5	35.6	35.8	35.6	36.1	35.0	39.5	46.7	<b>38.5</b>
Operating income to sales ratio	7.0	8.3	6.7	7.7	8.4	8.2	8.9	8.1	14.4	26.3	<b>15.0</b>
Ordinary income to net sales ratio	7.4	8.7	7.2	8.1	8.7	8.6	9.3	8.5	15.0	27.5	<b>15.2</b>
ROE	7.5	9.4	6.8	8.9	9.2	8.6	8.9	8.3	16.7	33.0	<b>13.1</b>
ROA	4.6	5.8	4.3	5.6	5.9	5.6	5.9	5.5	10.7	21.2	<b>8.9</b>
Equity ratio	61.1	62.3	63.3	62.5	64.5	66.3	66.5	65.4	63.5	64.8	<b>72.5</b>
Dividend payout ratio	22.9	21.3	32.9	23.5	25.0	24.9	24.3	29.7	20.7	14.4	<b>25.3</b>

\*Effective September 1, 2016, the Company implemented a two-for-one split of its common stock.

# Consolidated Financial Statements

## Consolidated balance sheets

	(millions of yen)	
	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	92,126	<b>86,521</b>
Notes and accounts receivable–trade	36,405	<b>26,783</b>
Merchandise and finished goods	467	<b>359</b>
Work in process	749	<b>800</b>
Raw materials and supplies	3,659	<b>3,624</b>
Other current assets	3,737	<b>4,835</b>
Allowance for doubtful accounts	(75)	<b>(47)</b>
<b>Total current assets</b>	<b>137,070</b>	<b>122,877</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	9,844	<b>10,353</b>
Land	13,342	<b>13,341</b>
Leased assets, net	2,969	<b>3,721</b>
Others, net	6,180	<b>7,733</b>
<b>Total property, plant and equipment</b>	<b>32,337</b>	<b>35,150</b>
Intangible assets		
Other intangible assets	3,973	<b>4,542</b>
<b>Total intangible assets</b>	<b>3,973</b>	<b>4,542</b>
Investments and other assets		
Investment securities	1,701	<b>2,673</b>
Deferred tax assets	2,566	<b>2,058</b>
Other	1,635	<b>1,757</b>
Allowance for doubtful accounts	(83)	<b>(116)</b>
<b>Total investments and other assets</b>	<b>5,819</b>	<b>6,373</b>
<b>Total non-current assets</b>	<b>42,130</b>	<b>46,066</b>
<b>Total assets</b>	<b>179,200</b>	<b>168,943</b>

	(millions of yen)	
	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable–trade	21,672	<b>20,094</b>
Lease obligations	1,194	<b>1,363</b>
Income taxes payable	12,600	<b>609</b>
Provision for bonuses	3,616	<b>3,720</b>
Accounts payable–other	10,150	<b>7,146</b>
Other current liabilities	2,787	<b>2,448</b>
<b>Total current liabilities</b>	<b>52,022</b>	<b>35,383</b>
<b>Non-current liabilities</b>		
Lease obligations	2,136	<b>2,787</b>
Provision for retirement benefits for directors (and other officers)	214	<b>223</b>
Retirement benefit liability	2,616	<b>3,244</b>
Other non-current liabilities	525	<b>553</b>
<b>Total non-current liabilities</b>	<b>5,494</b>	<b>6,809</b>
<b>Total liabilities</b>	<b>57,516</b>	<b>42,192</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	6,045	<b>6,045</b>
Capital surplus	6,646	<b>6,646</b>
Retained earnings	110,458	<b>118,378</b>
Treasury shares	(8,057)	<b>(8,902)</b>
<b>Total shareholders' equity</b>	<b>115,094</b>	<b>122,169</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	453	<b>268</b>
Remeasurements of defined benefit plans	616	<b>29</b>
<b>Total accumulated other comprehensive income</b>	<b>1,069</b>	<b>298</b>
<b>Share acquisition rights</b>	<b>35</b>	<b>23</b>
<b>Non-controlling interests</b>	<b>5,485</b>	<b>4,260</b>
<b>Total net assets</b>	<b>121,684</b>	<b>126,751</b>
<b>Total liabilities and net assets</b>	<b>179,200</b>	<b>168,943</b>

# Consolidated Financial Statements

## Consolidated statements of income

(millions of yen)

	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
Net sales	186,067	<b>159,462</b>
Cost of sales	99,116	<b>98,016</b>
Gross profit	86,951	<b>61,446</b>
Selling, general and administrative expenses	38,061	<b>37,509</b>
Operating income	48,889	<b>23,936</b>
<b>Non-operating income</b>		
Rental income from real estate	60	<b>65</b>
Subsidy income	1,887	<b>171</b>
Other	343	<b>263</b>
Total non-operating income	2,292	<b>500</b>
<b>Non-operating expenses</b>		
Interest expenses	36	<b>40</b>
Cost of real estate lease revenue	44	<b>27</b>
Refund of subsidy	10	<b>162</b>
Other	13	<b>23</b>
Total non-operating expenses	104	<b>254</b>
Ordinary income	51,077	<b>24,182</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	6	<b>215</b>
Gain on extinguishment of tie-in shares	20	<b>—</b>
Other	1	<b>6</b>
Total extraordinary income	29	<b>221</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	449	<b>158</b>
Impairment losses	327	<b>47</b>
Other	0	<b>14</b>
Total extraordinary losses	777	<b>219</b>
Profit before income taxes	50,328	<b>24,184</b>
Income taxes—current	15,845	<b>7,181</b>
Income taxes—deferred	(195)	<b>846</b>
Total income taxes	15,650	<b>8,027</b>
Profit	34,678	<b>16,156</b>
Profit attributable to non-controlling interests	937	<b>578</b>
Profit attributable to owners of parent	33,741	<b>15,578</b>

## Consolidated statements of comprehensive income

	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
Profit	34,678	<b>16,156</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(43)	<b>(185)</b>
Remeasurements of defined benefit plans, net of tax	54	<b>(589)</b>
Total other comprehensive income	11	<b>(774)</b>
Comprehensive income	34,689	<b>15,382</b>
<b>Breakdown</b>		
Comprehensive income attributable to owners of parent	33,754	<b>14,806</b>
Comprehensive income attributable to non-controlling interests	935	<b>575</b>

## Consolidated statements of cash flows

(millions of yen)

	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	50,328	<b>24,184</b>
Depreciation	5,801	<b>6,257</b>
Impairment losses	327	<b>47</b>
Loss on retirement of non-current assets	449	<b>158</b>
Loss (gain) on sale of investment securities	(6)	<b>(215)</b>
Interest expenses	36	<b>40</b>
Decrease (increase) in trade receivables	(5,996)	<b>9,589</b>
Decrease (increase) in inventories	(836)	<b>88</b>
Increase (decrease) in trade payables	1,365	<b>(1,577)</b>
Increase (decrease) in provision for bonuses	196	<b>103</b>
Subsidy income	(1,887)	<b>(171)</b>
Refund of subsidies	10	<b>162</b>
Decrease (increase) in income taxes refund receivable	(74)	<b>(2,051)</b>
Increase (decrease) in accrued consumption taxes	1,512	<b>(3,599)</b>
Decrease (increase) in consumption taxes refund receivable	—	<b>(1,243)</b>
Other, net	1,581	<b>(1,294)</b>
Sub-total	52,807	<b>30,480</b>
Interest paid	(36)	<b>(40)</b>
Income taxes paid	(9,220)	<b>(18,793)</b>
Subsidies received	1,919	<b>146</b>
Refund of subsidy paid	(10)	<b>(162)</b>
Other proceeds	143	<b>112</b>
Net cash provided by (used in) operating activities	45,603	<b>11,742</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(5,388)	<b>(5,628)</b>
Proceeds from withdrawal of time deposits	5,248	<b>5,633</b>
Purchases of property, plant and equipment	(5,694)	<b>(4,562)</b>
Purchases of intangible assets	(1,391)	<b>(1,898)</b>
Purchase of investment securities	(1)	<b>(1,428)</b>
Proceeds from sale of investment securities	32	<b>404</b>
Other, net	(102)	<b>(147)</b>
Net cash provided by (used in) investing activities	(7,297)	<b>(7,627)</b>
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(1,378)	<b>(1,423)</b>
Dividends paid	(3,455)	<b>(4,964)</b>
Dividends paid to non-controlling interests	(151)	<b>(211)</b>
Purchase of treasury shares	(4,818)	<b>(1,000)</b>
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	<b>(2,100)</b>
Other, net	(23)	<b>(13)</b>
Net cash provided by (used in) financing activities	(9,828)	<b>(9,715)</b>
Net increase (decrease) in cash and cash equivalents	28,477	<b>(5,599)</b>
Cash and cash equivalents at beginning of period	59,853	<b>88,360</b>
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	28	<b>—</b>
Cash and cash equivalents at end of period	88,360	<b>82,760</b>

# Corporate Summary and Stock Information

## Corporate Summary (as of March 31, 2023)

### Corporate Information

Trade name	BML, INC.
Place of Head Office	5-21-3 Sendagaya, Shibuya-ku, Tokyo, Japan Tel: +81-3-3350-0111 (main) <a href="https://www.bml.co.jp/eng/">https://www.bml.co.jp/eng/</a>
BML General Laboratory	1361-1 Matoba, Kawagoe City, Saitama, Japan Tel: +81-49-232-3131 (main)
Date Founded	July 1955
Share Capital	6,045 million yen
Number of Employees	4,415 (consolidated basis)
Business Description	Laboratory testing services and related services



## Stock Information (as of March 31, 2023)

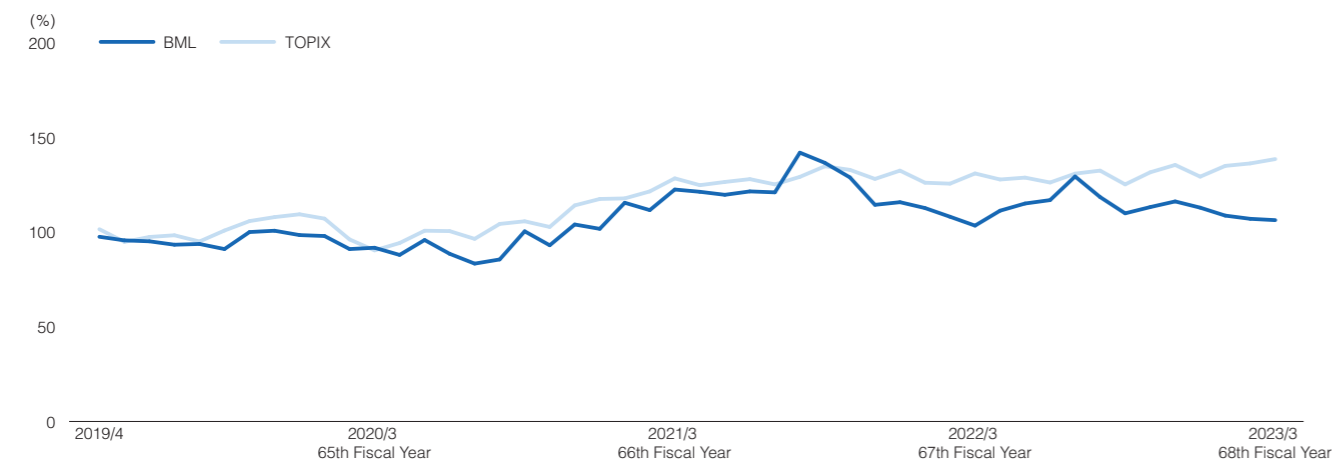
### Major Shareholders

Shareholder name	Number of shares held (1,000 shares)	Shareholding ratio (%)
BML Planning, Inc.	10,154	26.02
The Master Trust Bank of Japan, Ltd. (trust account)	3,829	9.81
Kensuke Kondo	3,169	8.12
SSBTC CLIENT OMNIBUS ACCOUNT	1,107	2.83
Shige Kondo	1,080	2.76



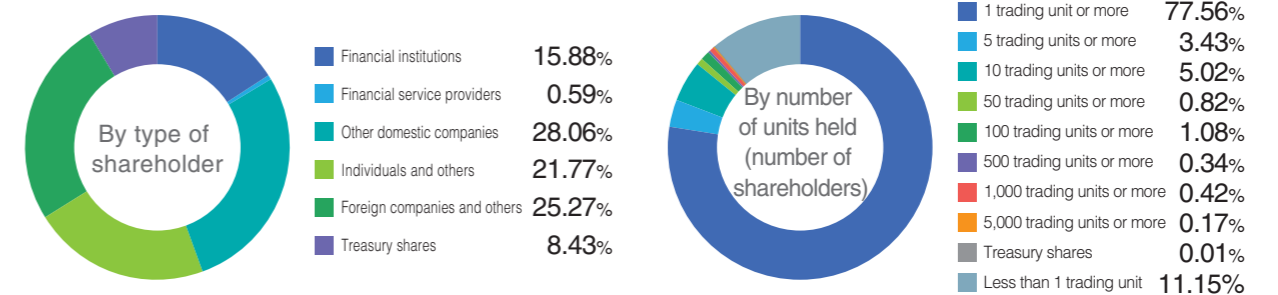
\*1. Although the Company holds 3,594 thousand shares of treasury shares, it has been excluded from the above list of major shareholders.  
\*2. The shares held by The Master Trust Bank of Japan, Ltd. are all related to trust operations.

### Stock Price Information and Trend in Total Shareholder Return

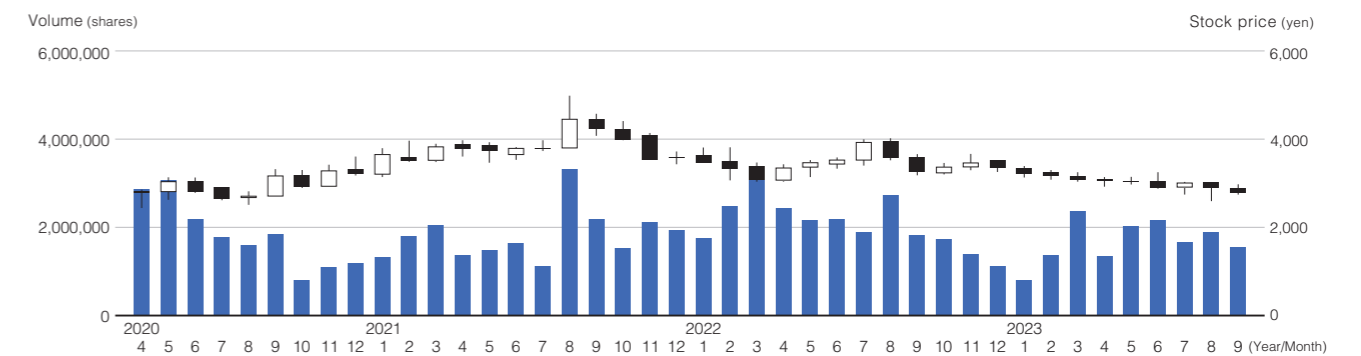


\*Rebased to 100 as of 2019/4.

### Shareholder Distribution



### Stock Price Chart





## **BML, INC.**

Head Office

5-21-3 Sendagaya, Shibuya-ku, Tokyo 151-0051, Japan

Tel. +81-3-3350-0111 (main)

BML General Laboratory

1361-1 Matoba, Kawagoe City, Saitama 350-1101, Japan

Tel. +81-49-232-3131 (main)

Website: <https://www.bml.co.jp/eng/>



This report was printed  
on eco-friendly FSC®-  
certified paper using  
vegetable oil ink.

