

BML REPORT 2024

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

BML has always thought about how to be useful to medical care and patients, and has been striving to provide high-quality services nationwide, mainly through the clinical testing business, etc.

Moreover, we are expanding into non-insurance fields to address the health needs of our customers by applying the advanced and sophisticated technologies and know-how cultivated in the clinical testing business and our strengths in sales network, laboratory network, and system network.

“Dedication to creating a healthy and cultured society”

This unwavering aspiration has been the driving force behind BML’s Policy since its founding.

Even in these uncertain times, BML remains steadfast in this vision, fostering strong relationships with stakeholders, and passionately contributing to the evolution of medical care and the promotion of health.

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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 publishes 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

FY2023
(April 1, 2023 to March 31, 2024)
Note that some reports before and after FY2023 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



November 2004
 Completed construction of 5th Stage Building at BML General Laboratory



August 2024
 Completed construction of 6th Stage Building at BML General Laboratory

Founded the Company

Exceeded ¥10.0 billion

Commenced operations at BML General Laboratory

Listed its stock on the First Section of the Tokyo Stock Exchange

Trends in net sales

Category	Year	Event
Management	1955	Founded Sogo Blood Bank, Inc.
	1966	Shifted from blood bank business to clinical testing business
	1976	The corporate name was changed to Sogo Biomedical Laboratory (abbreviated name BML [BIO MEDICAL LABORATORIES])
	1985	Launched operations at BML General Laboratory
	1989	The corporate name was changed to BML, Inc.
	1990	Renewed logo mark
	1993	Head office was moved to Sendagaya, Shibuya-ku, Tokyo, where the Company was founded
	2001	Listed its stock on the First Section of the Tokyo Stock Exchange
	2002	Clinical Testing Division of Otsuka Pharmaceutical Co., Ltd. was assigned
	2005	BML General Laboratory acquired ISO 15189 accreditation (international standard for clinical laboratories)
Business activity	1971	Registered as a hygiene laboratory
	1975	Established the Hokuriku Branch Office in Toyama City as the first branch office
	1979	Introduced IBM S34 and brought 27 branch offices online
	1981	Commenced development of regional laboratories at main offices
	1984	Net sales exceeded ¥10.0 billion
	1987	Introduced the IBM 3090-150EL, a mainframe
	1988	Established regional laboratories in 10 cities nationwide
	1991	The "Frontier System," an automated specimen receiving, sorting, dispensing system, was launched
	1995	"Symphony Chemistry" and "Symphony Hematology," automated laboratory test line systems for biochemical and hematological tests, began operations
	2000	Released "Medical Station (MS)," an electronic patient chart system
	2003	Acquired shares of EAC Corporation (food and environmental testing) (wholly owned by BML)
	2006	The "New Symphony Chemistry," a new automated testing line, began operations
	2008	New Frontier System (automated dispensing system) began operations
	2011	Released the "QUALIS" electronic patient chart system
	2015	Net sales exceeded ¥100.0 billion
	2018	Established 30 serum separation laboratories nationwide
	2019	Achieved operating profit of ¥10.0 billion
	2020	Implemented responses to COVID-19
2022	Released the "Qualis Cloud," a cloud-based electronic patient chart system	
2024	Completed construction of 6th Stage Building and Labcorp Building at BML General Laboratory	

Business Domains (At a Glance)

BML engages in the clinical testing business as a core along with the medical informatics business and the related business.

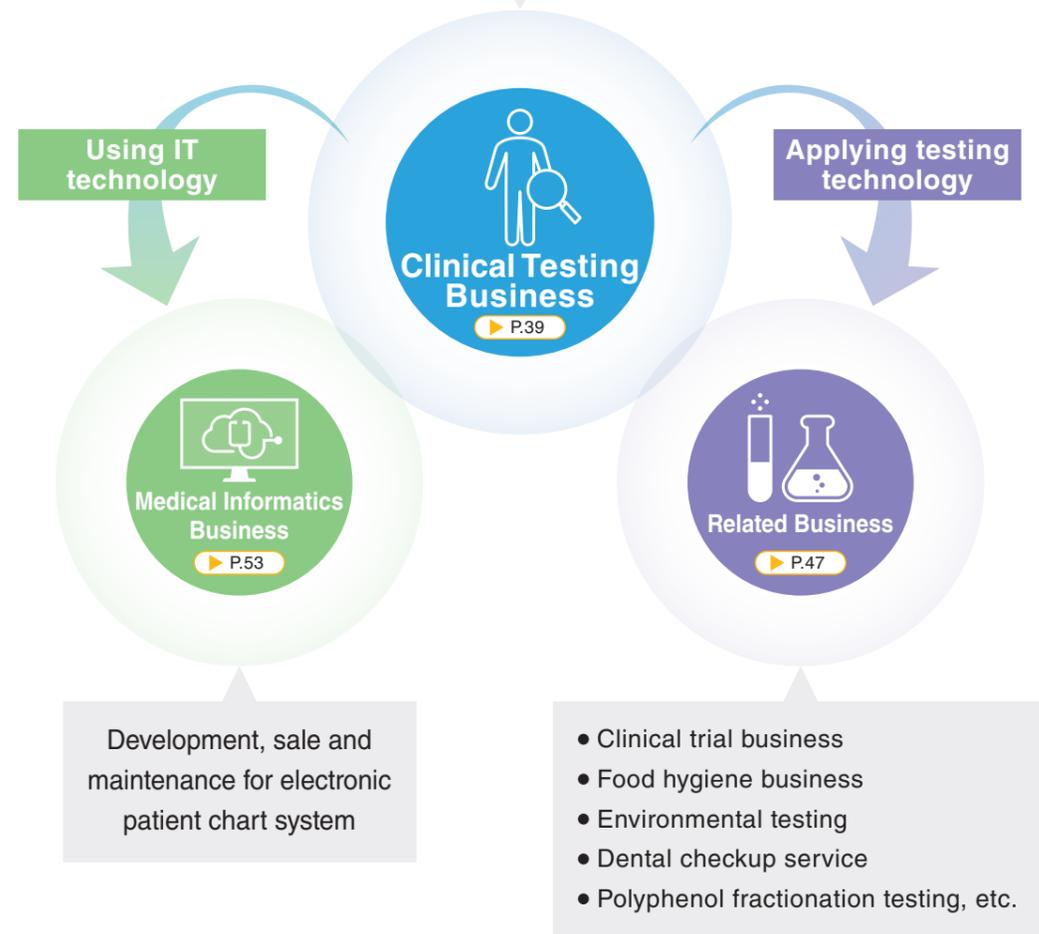
Since its establishment, BML has worked to improve medical care mainly through its clinical testing business, and has accumulated numerous achievements.

Today, we are highly regarded as a general laboratory covering all kinds of testing, including specialized testing and research testing.

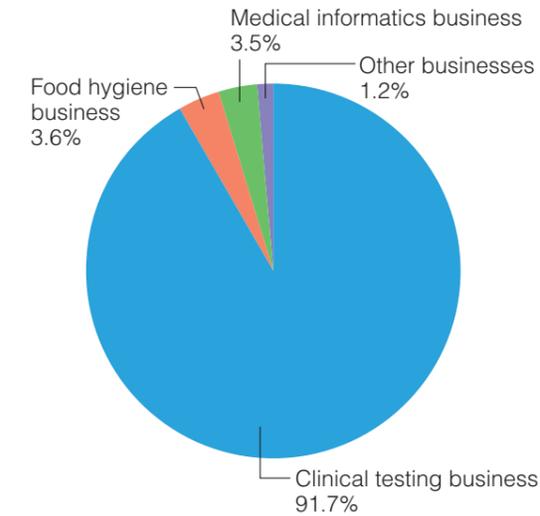
BML is actively expanding into a wide range of business domains, such as applying its advanced and sophisticated technologies and abundant know-how cultivated in clinical testing to testing services in related fields such as clinical trials and environmental and food testing, as well as developing and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

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

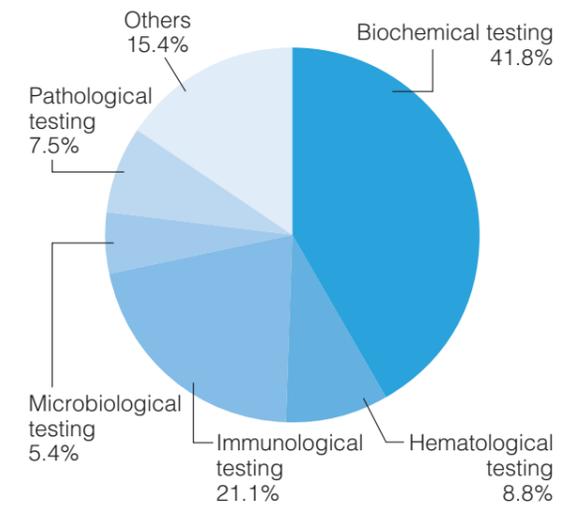
Biochemical testing	Hematological testing	Immunological testing
Microbiological testing	Pathological testing	Genetic testing



Ratio of net sales by business



Composition ratio of the clinical testing business



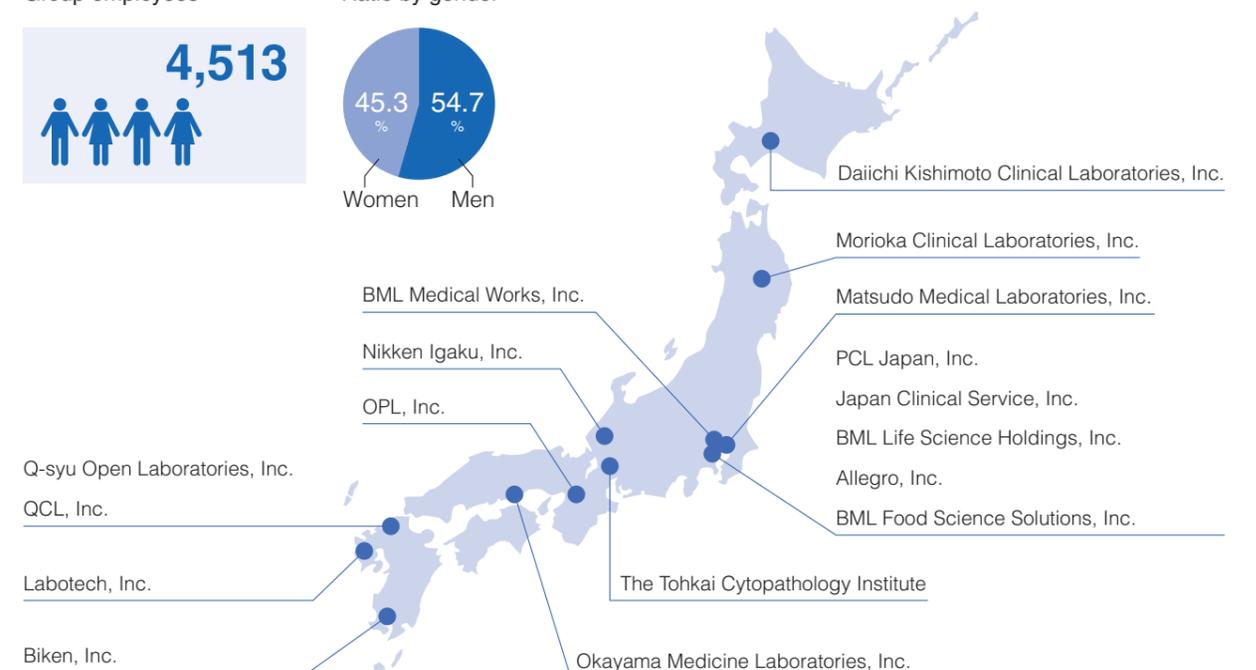
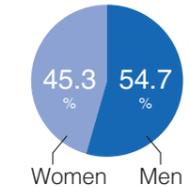
Numbers of offices and employees



Group employees



Ratio by gender



Value Creation Process (Business Model)

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

creation while contributing to the improvement of medical services and health network.



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 the related business.

Sales network



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

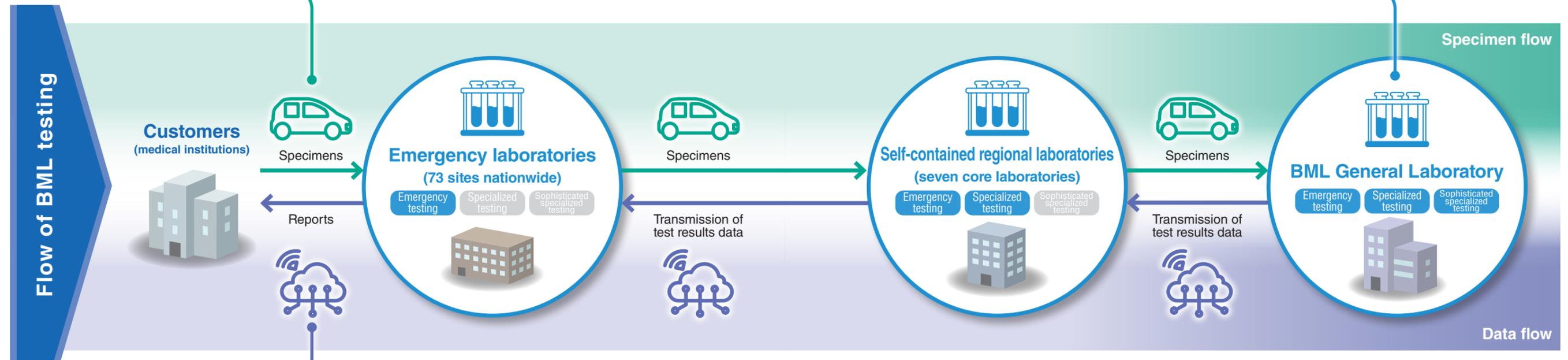
BML has a network of more than 100 business offices throughout Japan to provide prompt and accurate services. In addition, approximately 2,700 dedicated collection and delivery staff members ensure that requested specimens are promptly delivered to nearby laboratories, preventing changes in data over 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

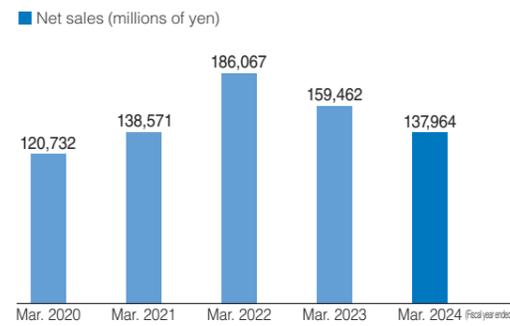
BML aspires to be a company that supports medical care in this era of increasingly sophisticated information technology. To this end, we are rolling out medical information services through state-of-the-art network computing that links the BML General Laboratory, regional laboratories, and branch offices. 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.

Financial and Non-financial Highlights

Financial Highlights

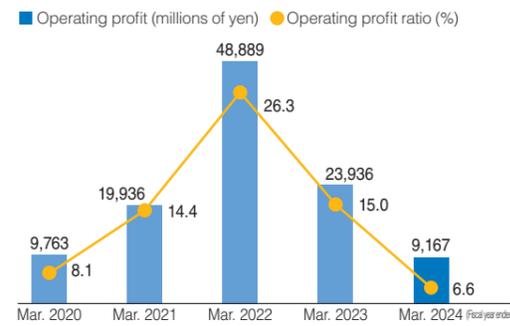
Net sales

¥137,964 million



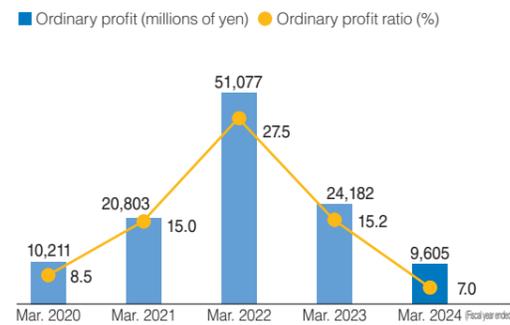
Operating profit

¥9,167 million



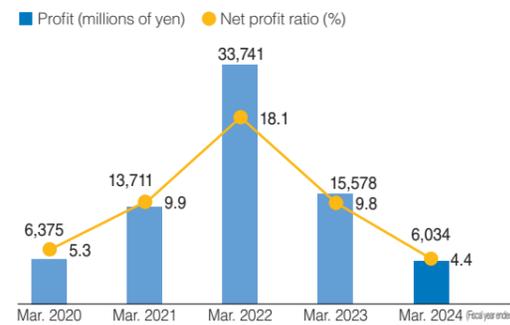
Ordinary profit

¥9,605 million



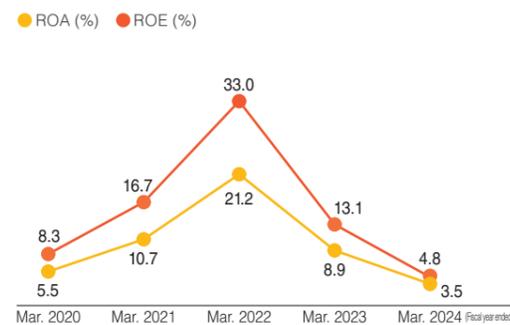
Profit attributable to owners of parent

¥6,034 million



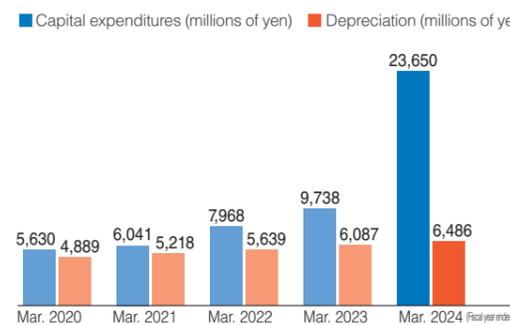
ROA/ROE

3.5%/4.8%



Capital expenditures/depreciation

¥23,650 million/¥6,486 million



Non-financial Highlights

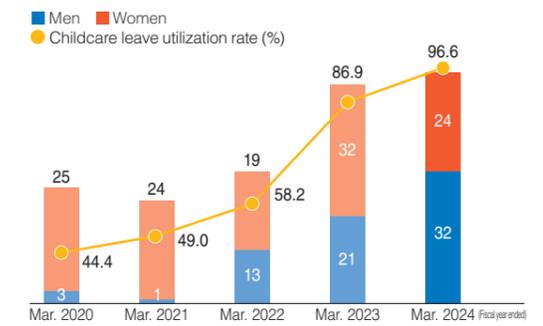
Female manager ratio

12.8%



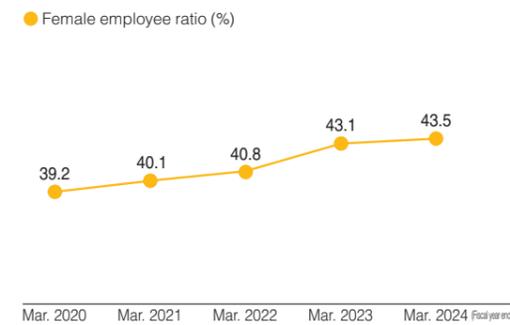
Childcare leave utilization rate

96.6%



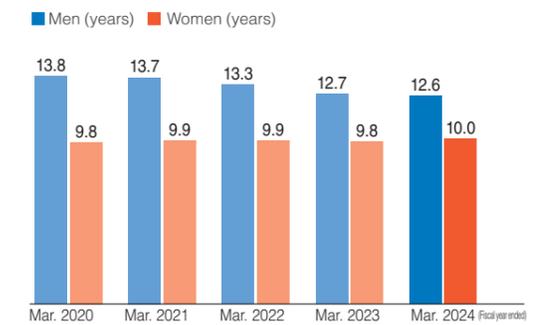
Female employee ratio

43.5%



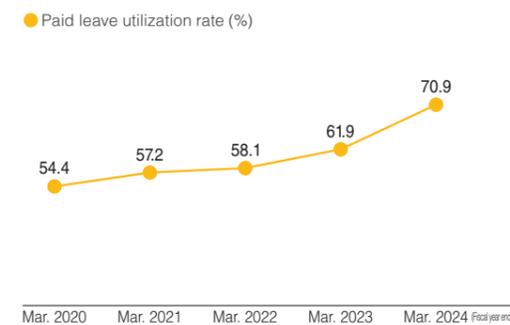
Average years of employment

12.6 years (men), 10.0 years (women)



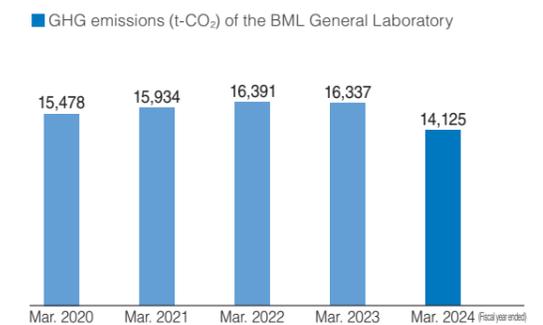
Paid leave utilization rate

70.9%



Greenhouse gas emissions

14,125 t-CO₂



Message from the President



Kensuke Kondo,
President and Representative Director

Pursuing the goals of the Ninth Medium-Term Management Plan with passion

External environment and management issues

Since the war broke out in Ukraine in February 2022, higher energy prices and increases in yen import costs have had a significant impact on the clinical testing industry, which accounts for about 90% of the BML Group's net sales. Specifically, rising energy prices are increasing the cost of transporting specimens and operating testing equipment, while the fact that most of our testing reagents and containers are imported means that import costs have risen, both of which have led directly to an increase in cost of sales.

Furthermore, the Japanese economy is currently in the middle of a transition from the "cost-cutting economy" of the past 30 years, which saw cuts to investment and wages, into a "new growth economy." The government is looking to fully break free from deflation so it is implementing various measures to increase incomes beyond rising prices and realize a virtuous cycle of growth. Within this, it is particularly focused on the two main initiatives of strengthening tax measures to promote wage increases and encouraging

the reflection of labor costs in pricing. It is thought that the rationalization behind these measures is that strengthening tax measures to promote wage increases will increase labor costs, so encouraging the reflection of labor costs in pricing will ensure that funding is secured to cover this increase. However, in BML's case, sales prices for clinical testing are set based on insurance points under the medical service fee system, which is revised every two years. Medical services fees were revised in FY2024, and although the medical service fees themselves were increased by 0.88% through this revision, within this, revisions limited to the medical science category, which includes clinical testing, saw an increase of just 0.52%. Furthermore, fees for the type of laboratory testing that we carry out were revised using a market pricing survey that reflected deflationary trends and looking at the revisions based on the impact on BML in terms of points reveals a negative effect of almost 1%. This makes it understandable that BML operates a type of business in which it is hard to reflect rising costs in pricing, as mentioned above, and requires difficulties to generate profits in this context.

The nature of this external environment is reflected in our business results compared to the final year targets of the Eighth Medium-Term Management Plan, our previous Medium-Term Management Plan. We achieved net sales of ¥137,964 million compared to the target of ¥135,000 million but an operating profit of ¥9,167 million compared to the target of ¥11,500 million. This meant that operating profit fell considerably short of our target. Therefore, going forward, we are recognizing the improvement of operating profit as one of our most important management issues, alongside enhancing corporate value with a view to contributing to medical care.

We have positioned enhancing corporate value with a view to contributing to medical care as the first of the issues in the Ninth Medium-Term Management Plan, which starts from this fiscal year. Based on our conviction that a service cannot be said to have value unless it contributes to medical care, we will continue to carry out activities that further enhance the quality and services that we achieved through the Sixth to Eighth Medium-Term Management Plans. The second issue is the improvement of operating profit, and I

personally intend to practice management with an unprecedented level of passion in order to reduce costs by appropriately standardizing all processes in all the services we provide and to ensure that these services are properly priced.

Summary of the previous Medium-Term Management Plan

In our Sixth to Eighth Medium-Term Management Plans, we positioned the enhancement of quality and services based on our vision "to become the most trusted choice in the medical world" as the core engine of efforts aimed at becoming No. 1 in the industry, both in reality and in name. As enhancing quality and services takes time, we formulated a plan to steadily achieve our targets over nine years, 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). In the previous Medium-Term Management Plan, which was the Period for Leaping Forward, the clinical

Message from the President

laboratory industry such as BML was not able to conduct sufficient activities due to PCR testing for the exponentially increasing number of COVID-19 infections. However, we can objectively evaluate the effects of these activities by comparing FY2014, the year before the start of the Sixth Medium-Term Management Plan when there were no COVID-19 effects, and FY2023, the final year of the Eighth Medium-Term Management Plan when the impact of the pandemic had largely subsided.

Looking at business results, net sales were ¥138.0 billion in FY2023, an increase of about 1.32 times the ¥104.4 billion recorded in FY2014. Operating profit was ¥9.2 billion in FY2023, an increase of about 1.33 times the ¥6.9 billion recorded in FY2014. These figures prove the plans had a certain amount of effect.

We have many targets related to the enhancement of quality and services, but I would like to discuss three points in particular.

First, I would like to explain our initiatives to make improvements regarding changes in blood serum testing samples over time. We worked to minimize these changes by establishing 30 serum separation laboratories that carry out just the centrifugation process to ensure it can be carried out as quickly as possible after the sample has been collected. By repeatedly verifying the effects of this measure and then making improvements, we were able to keep changes in samples over time at a minimum. As a result of establishing these laboratories, we are able to provide medical institutions and patients with more accurate test data.

Secondly, I will explain our initiatives to enhance the precision of pathological testing. As there is frequently trouble related to result determination in pathological testing, since FY2016 we have been double-checking the results of all pathological tests. As a result, even though net sales, which is an indicator for the number of tests conducted, have gradually risen, the number of incidents of trouble concerning test determinations has gradually fallen since its peak in FY2016, when the double-checking began, and since FY2020, this number has been around just one third of peak levels. In conclusion, over the last four years, we have been able to provide medical institutions and patients with test reports that have an accuracy rate of 99.999% (five nines) or above.

The third and final point I would like to touch on is our initiatives to improve the overall number of incidents of trouble. When a problem occurs, we submit an incident report and work to understand the number of these incidents. These incident reports put an emphasis on the sequence of events and strive to find the root cause by considering every process. If it only identifies ambiguous causes, such as negligence, then we carry out discussions on environmental factors to identify the essence behind the incident and take appropriate countermeasures. Additionally, if these countermeasures can be universally applied, then they are implemented across the organization. Since FY2021, we have been able to implement precise countermeasures to rapidly reduce the number of incidents and in FY2023, the number of incidents was at just 8% of peak levels, a remarkable result which is truly appropriate for the Period for Leaping Forward.

Currently, there are three major issues to address. The first is the need to continue measures tackling the issues that have already been addressed, as mentioned previously. The second is to fully resolve the issues that we started addressing in the previous Medium-Term Management Plan but are still being tackled. The third is to make sure our customers understand how these activities will enhance quality and services.

Naturally, even if an initiative related to quality and services has already been implemented, if we do not continue working to make improvements, then the quality or service we have worked hard to achieve will rapidly deteriorate. We must not forget this and continue to implement PDCA cycles as a fundamental part of our operations.

As I touched on earlier, there are still several issues that have not been fully addressed because our corporate activities were disrupted by the COVID-19 pandemic response. There are areas where I want to fully catch up, including the three issues outlined below.

The first is service optimization at core laboratories as part of efforts to enhance our laboratory network. To date, urgent bacteriological testing has been carried out through centralized testing at the General Laboratory, so we will enhance customer service by

transitioning to localized testing. By expanding testing capacity in local regions, we will reduce report turnaround time. We have already enhanced testing capacity in Nagoya by 139% and Okayama area by 120% of FY2019 levels and we are currently working to expand capacity in Osaka and the Kyushu area.

Next, as for strengthening the medical check-up business in the enhancement of sales capabilities, previously, sales in the medical check-up business were conducted by the preventative medicine division to customers specialized in medical check-up centers. On the other hand, sales targeting the check-up divisions belonging to hospitals were carried out by each branch office, and there was no cross-over between these sales activities. In order to improve on this issue, we first needed to clarify the composition of our net sales in the medical check-up field. In addition to this, we established the Medical Check-up Solutions Department at the headquarters to oversee the entire medical check-up business and developed promotions for optional tests, and we are getting back on track in this area.

Finally, in regard to the promotion of a digital reporting system (DRS) for renovating collection and delivery processes, we are developing a bar-coded specimen label named B-Label. By promoting customers to affix it, the risk of mislabeled patients due to mislabeling is greatly reduced. In addition, as B-Label makes specimen receipt unnecessary, it can reduce reception personnel, thus leading to cost cuts. Thus, significant cost reductions can be realized by increasing the number of B-Label introduction, improving specimen reception and processing efficiency, and reducing the number of personnel. This initiative is necessary to counter the rising costs driven by the external environment, as mentioned previously, so we will continue it going forward.

A matter of similar importance to these issues is that we have had few opportunities to explain the results of our various activities to customers, so I feel that currently, it is not understood that we provide testing that offers value that exceeds past prices. Going forward, we will make every effort to actively publicize and explain our activities so that we can deliver services with more appropriate pricing.

Formulation of the new Medium-Term Management Plan

When discussing the formulation of the Ninth Medium-Term Management Plan, our new Medium-Term Management Plan, we set two basic directions. The first was “enhancing corporate value with a view to contributing to medical care.” This reaffirms that the policies outlined in BML’s Policy of “Dedication to creating a healthy and cultured society” and the Group Vision “to become the most trusted choice in the medical world,” as a group that primarily engages in providing medical services, are a lifeline that must not

be compromised. The second basic direction is “promotion of management that is conscious of cost of capital and stock price.” Due to our contribution to the medical field by carrying out PCR testing during the COVID-19 pandemic, our equity has increased and PBR has fallen to levels below asset value. Also, due to factors in the external environment like the aforementioned increase in equity and a decline in the profit ratio, ROE is now lower than the cost of capital, while PBR is below asset value. Also, in regard to the internal environment, we are entering a period of focused investment which will create a depreciation burden that will have a temporary downward effect on profits. We understand that due to these three factors, we will have to work harder than ever before to gain the understanding of shareholders and investors through our management.

The basic strategic framework of the Ninth Medium-Term Management Plan, which was formulated based on these basic directions, pursues the three key concepts of enhanced quality, solutions, and mutual development, supported by a foundation of digital transformation (DX) and ESG. Its aim is to achieve six targets centered on the development of next-generation laboratories, which are expanding sales and market share, optimizing the business portfolio, improving profitability, development of high-performance tests, enhancing the level of service, and promoting standardization. As I explained earlier, in regard to the first concept of enhanced quality, we have had considerable success in enhancing quality and service through the Medium-Term Management Plans implemented over the last nine years. In this Medium-Term Management Plan, we think we need to further enhance quality and services and thoroughly promote these quality-related activities to customers. For the second concept of solutions, I think that to date, we have been able to fully cater to customer requests, but from here on, we should take a further step forward and offer proposals that provide solutions to the issues that customers face. The third concept is mutual development. BML was originally founded as Sogo Blood Bank (*Sogo* means “mutual” in Japanese). This shows how we have always valued the idea of developing together. In the Ninth Medium-Term Management Plan, we want to realize the concept of getting back to our roots by advancing mutual development. In line with developments in society, “mutual” in this case encompasses shareholders, employees, customers, and business partners, as well as wider society and the global environment. We aim to realize mutual development with these stakeholders.

The slogan for the Ninth Medium-Term Management Plan is “Expanding with Passion 2028.” This means that we will work passionately to expand our business toward achieving our targets for FY2028, the final year of the plan. Expansion can be broadly divided into two types, active and passive. Passion here does not refer to passive expansion, where growth is driven by



Message from the President

external sources, but only to active expansion in which we set a goal we want to achieve and then take the initiative to expand toward said goal. This is the spirit we will adopt when advancing the Ninth Medium-Term Management Plan.

Finally, I would like to touch on the business result targets for the Ninth Medium-Term Management Plan. We have set the final goals of the Ninth Medium-Term Management Plan in FY2028, five years from now. The reason for this, as I have just explained regarding the basic strategic framework, is that the development of next-generation laboratories will be the foundation for achieving our targets. Our efforts to develop next-generation laboratories will be led by the new wings of the BML General Laboratory in Kawagoe City, which were completed in August 2024. We expect that the establishment of efficient operations throughout the entire BML General Laboratory, including the new wings, will take at least five years.

Accordingly, the business result targets for FY2028, the final year of the Ninth Medium-Term Management Plan, reflect our desire to realize three things. These are a significant leap in profits due to the effects of the new wings, DX, and pricing strategies, stable sales growth, and a balance between growth investment and shareholder returns. In regard to stable sales growth in particular, we plan to achieve net sales of ¥160.0 billion in FY2028 by maintaining a compound annual growth rate (CAGR) of 4.0% or above. In regard to the balance between growth investment and shareholder returns, we would like to achieve a return on equity (ROE) of 8.0% or above.

To achieve these targets, it is essential that we build a sense of shared purpose and bonds of trust between all employees and practice management that is focused on process and that firmly understands the social significance of our work. As President, I will demonstrate leadership that is conscious of these matters when tackling the many issues we face so that we can realize our goals.

Vision for 10 years in the future

The current clinical testing market is being considerably impacted by a fall in contract unit prices following the revision of medical service fees. Within this environment, the market is seeing slight growth due to an increase in testing volume due to factors such as the growth of the elderly population, a rise in lifestyle-related diseases, and an increasing public awareness of preventive medicine. We are continuing to expand our share of this market through our sales activities and this growth is exceeding the market growth driven by rising test numbers. However, going forward, the Japanese population will shrink and the number of middle-aged and elderly people in particular is due to plateau, so there will be few factors encouraging market growth. Despite this, clinical testing itself is essential for maintaining the health of

the people, so we intend to demonstrate our presence in the medical care field by continuing activities that make an even greater contribution to medical care.

As part of these activities, we want to make a contribution to the regional medical care vision. 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. This 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 and in their familiar communities. 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 testing data will not change no matter which medical institution is conducting the testing. In BML, which has almost established a nationwide presence, I believe that we can contribute to the realization of regional medical cooperation by providing standardized tests so that the same specimens can be tested in each region and the same results can be reported no matter where the tests are performed.

However, this response and a portfolio focused on clinical testing will not be enough to realize the same growth as today in 10 years' time, when the population is smaller and the number of elderly has plateaued. Therefore, we will take steps to change the composition of our business portfolio by developing growth drivers in the non-insurance areas described below, which are not impacted by the medical service fee system. We will focus these growth drivers in the four business fields of 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 have worked on the enhancement of functions of the clinical testing system B-Liner. Although this 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 enable us to improve the precision of clinical testing and demonstrate effects on the operational aspects.

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 our comprehensive domestic network of laboratories and collection and delivery networks. In addition, we believe that we can enhance our competitiveness by advancing standardization activities 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, we think 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 testing field, 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.

Message to stakeholders

BML started as a blood bank under the name of Sogo Blood Bank before shifting to the clinical testing business, and we now engage in a wide range of different businesses, including a medical informatics business focused on the manufacture and sale of electronic patient chart systems and a comprehensive food hygiene management consulting business. Our Policy is "Dedication to creating a healthy and cultured society," which clarifies that we strive to be a company that always encourages people to be healthy. Furthermore, over almost 10 years since the start of

the Sixth Medium-Term Management Plan, BML Group Vision has been "to become the most trusted choice in the medical world," which shows how we continuously strive to realize the improvement of trustworthy quality and services in the medical care field, where peoples' lives are at stake.

While the external environment I mentioned at the start of this message is having a considerable impact on business results, we will stay true to our conviction that if we provide quality and services that make a great contribution to medical care at appropriate prices, then our corporate value will grow in due course, and we will be able to achieve the targets in the Ninth Medium-Term Management Plan through proper cost controls, beginning with the efficient operation of our new wings. To make this a reality, it is important that as President, I lead by example in tackling issues, alongside the rest of our management team. The slogan of the Ninth Medium-Term Management Plan is "Expanding with Passion 2028." We will incorporate passion befitting of this slogan into our efforts to grow the BML Group. We will also go back to our roots, as reflected by the *sogo* (mutual) in our name at the time of our founding, by putting all our effort into becoming a company that provides value to shareholders, employees, customers, and business partners, as well as wider society and the global environment. We look forward to receiving the support and understanding of all our stakeholders going forward.



Growth Strategy for Value Creation

Review of Past Medium-Term Management Plans

Based on our aim “to become the most trusted choice in the medical world,” under our Sixth to Eighth Medium-Term Management Plans, we implemented a wide range of measures to improve quality and services over three plan periods spanning nine years. Also, during the Eighth Medium-Term Management Plan period, we had to allocate time to responding to the COVID-19 pandemic and cope with rapid change in the economic environment, but we think we managed to achieve considerable results considering this situation.

Group Vision

To become the most trusted choice in the medical world

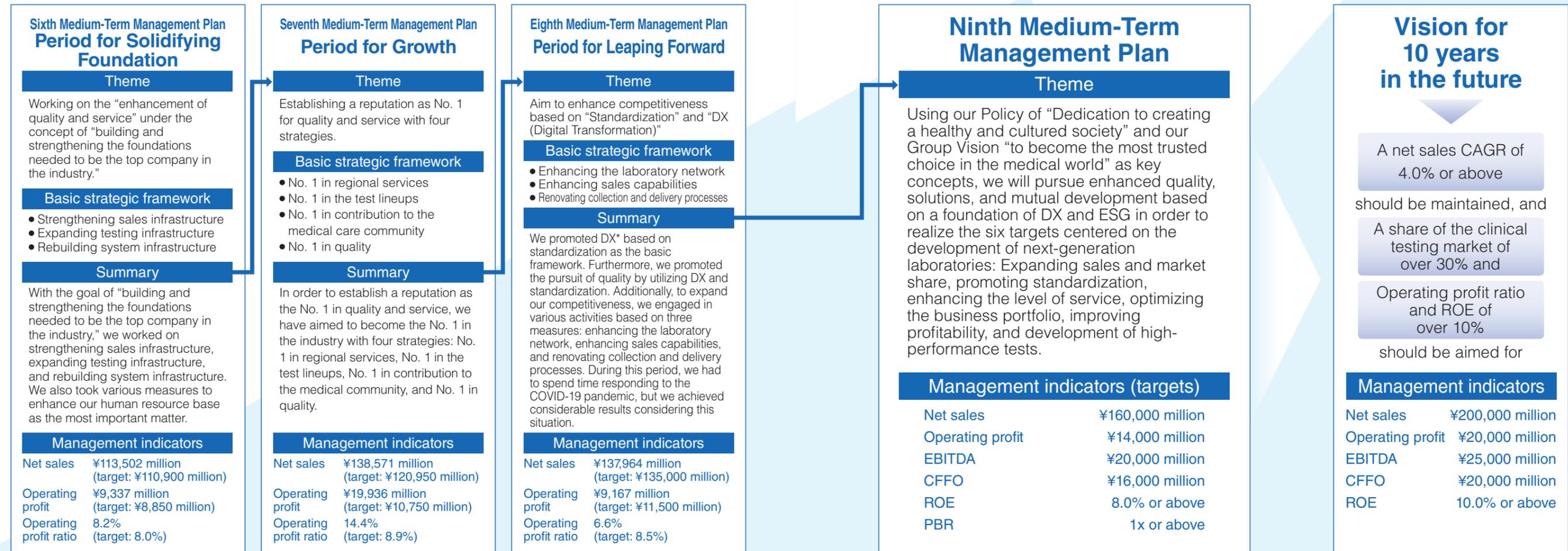


Ninth Medium-Term Management Plan

Becoming No. 1 in the industry, both in reality and in name

Establishment of No. 1 reputation for quality and service

Foundation improvement for the enhancement of quality and service



*Digital transformation

New Medium-Term Management Plan

Background of Formulating the Ninth Medium-Term Management Plan

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.

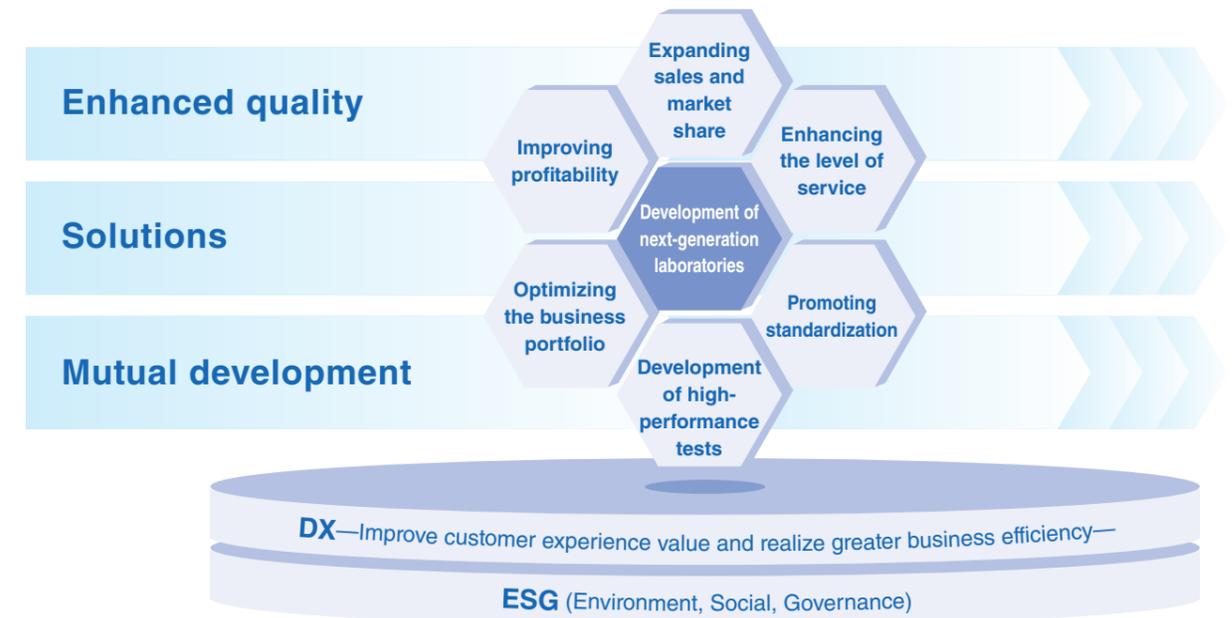
Recognition of current issues and direction of response

The external environment surrounding us is changing significantly and at an unprecedented speed. In addition to changes in the social environment, the global environment is also facing major challenges, and we are in a situation where we must work sincerely toward the realization of a sustainable society. The Japanese economy is entering a period of transition from the "cost-cutting economy" of the past 30 years into a "new growth economy" and various important policies are being implemented to help the country escape from a deflationary economy. Within this environment, sales

prices for contract clinical testing have been set based on medical service fees that are revised every two years, so reimbursement for medical service fees remains in line with deflationary trends. This results in a challenging environment in which it is difficult to raise sales prices despite increases in various costs. In response to these circumstances, in the Ninth Medium-Term Management Plan, which aims to expand business results and revenues, we will continue targeting a net sales CAGR of 4% or above and work to realize DX and pricing strategies.

Overview of the Ninth Medium-Term Management Plan

Based on our Policy and Group Vision, this Medium-Term Management Plan has been positioned as a period to "solidify business expansion for the next 10 years." We will work to maintain business growth while also considerably enhancing business foundations through focused investment. Within an unprecedentedly challenging business environment due to price rises and ongoing labor shortages, we will rally all officers and employees to passionately engage with the plan under the slogan of "Expanding with Passion 2028," with the aim of achieving its goals by bringing together the Group's collective capabilities.



Three key concepts



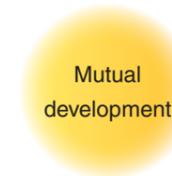
- Embed existing quality activities both internally and outside BML (testing precision, temperature control, collection and delivery reporting, etc.)

+

- Improve reception and response quality (call center, sales)
- Provide high-performance testing (genomic tests, etc.)
- Promote DX to improve customer experience value



- Go one step further to solve customer issues
 - Operational efficiency measures
 - Human resources shortage countermeasures
 - Revenue improvement measures



- Shareholders: Enhance investment value (PBR, shareholder returns)
- Employees: Job satisfaction, compensation, and performance
- Customers: Good service and customer loyalty
- Business partners: Industry stability and development through mutual assistance
- Local communities: Contribution to local communities and employment creation
- Global environment: Sustainability

New Medium-Term Management Plan

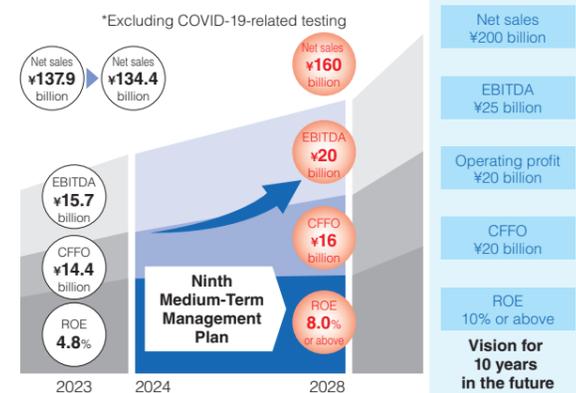
New Medium-Term Management Plan Targets

Financial targets

We set a net sales target of ¥160.0 billion with the aim of realizing stable growth represented by the maintaining of a CAGR (compound annual growth rate) of 4.0% or above. By doing this, we will expand our share of the clinical testing market to over 30% in the future. We will aim for an operating profit of ¥14.0 billion and an operating profit ratio of over 8.5% by realizing a

considerable leap in revenues through the effects of new buildings, digitalization, and pricing strategies, despite an increase in costs related to the new buildings. We will also target ROE of 8.0% or above through a balance of growth investment and shareholder returns.

Vision



Targets under the Ninth Medium-Term Management Plan

	FY2023 results	FY2028 targets
Net sales	¥137,964 million	¥160,000 million
Operating profit	¥9,167 million	¥14,000 million
EBITDA	¥15,745 million	¥20,000 million
CFFO	¥14,446 million	¥16,000 million
ROE	4.8%	8.0% or above
PBR	0.9x	1x or above

Shareholder returns policy

- Dividend payout ratio of 60% or above and an amount per share of ¥100 or more (basic policy to maintain the dividend payout ratio at 60% or above and to set ¥100 as a minimum amount based on anticipated future profit levels)

Non-financial targets

Achieving sustainable growth requires companies to fulfill their responsibilities regarding environmental and social issues. These days, managing risk and identifying strategic opportunities are essential, as is adapting to the tightening of various regulations and changes to reporting standards. By setting non-financial targets as KPIs, we will aim to reduce our environmental impact, fulfill our social responsibilities, strengthen our governance, and conduct sustainable business with transparency.

Achieve a workplace where employees can work comfortably and are rewarded for their efforts

Human capital KPI	Goals	Fiscal year by which to achieve goals	Major initiatives	
Diversity, equity, and inclusion (DE&I)	Female manager ratio	18%	FY2028	<ul style="list-style-type: none"> Affirmative action on female employees The percentage of women promoted to management positions of 30% or higher in every fiscal year Follow-ups with employees on administrative leave Interviews with reinstated employees, career seminars Encourage to male employees to take childcare leave Education for managers
	Rate of reinstatement after childcare leave	100%	Every year	
	Childcare leave utilization rate by gender	Female: 100% Male: 80%	FY2028	
Employment and development of human resources	Average annual education/training time (Managers: 25 hours)	15 hours	FY2027	<ul style="list-style-type: none"> Rank-based training Raise awareness through repeated training notifications Regular follow-ups for those who did not attend a training Encouragement to take successive five days of paid leave Introduce a system to allow the taking of paid leave in units of hours
	The rate of attendance at training	100%	FY2027	
Employee health and safety	Days of paid leave utilization	12.0 days	FY2025	<ul style="list-style-type: none"> Regular follow-ups by occupational physicians or nurses Communicate the necessity of grasping the state of one's health and level of stress repeatedly and continue to encourage employees to receive stress checks by department
	Percentage of employees receiving regular health checkups	100%	Every year	
	Percentage of employees who receive stress checks	80%	FY2025	

Environmental initiatives

KPI	Goals	Fiscal year by which to achieve goals	Major initiatives	
CO ₂ emissions indexed to FY2021	Reduction of Scope 1 + 2 emissions	Reduction of 25%	FY2030	<ul style="list-style-type: none"> Upgrade to highly efficient air-conditioning equipment Introduction of eco-cars as sales, collection, and delivery vehicles Adoption of power from renewable energy Introduction of CO₂-free solar power, etc.
	Reduction of Scope 3 emissions	Disclose emissions Set an emission reduction target	FY2025 FY2026	
Initiatives for carbon neutrality	Set medium-term targets	FY2025	<ul style="list-style-type: none"> Set medium- to long-term targets for achieving carbon neutrality by 2050 	
Waste recycling	Plastic recycling ratio 100%	FY2028	<ul style="list-style-type: none"> Chemical recycling of plastic waste (excluding medical waste) from the BML General Laboratory through a recycling enterprise 	
Supply chain management	Establishment of a SCM framework	FY2028	<ul style="list-style-type: none"> Establishment of various policies related to the supply chain Cooperation with suppliers to resolve environmental issues 	

Strengthening the governance structure with an awareness of revisions to Japan's Corporate Governance Code and the Company's policy on advice on the exercise of voting rights

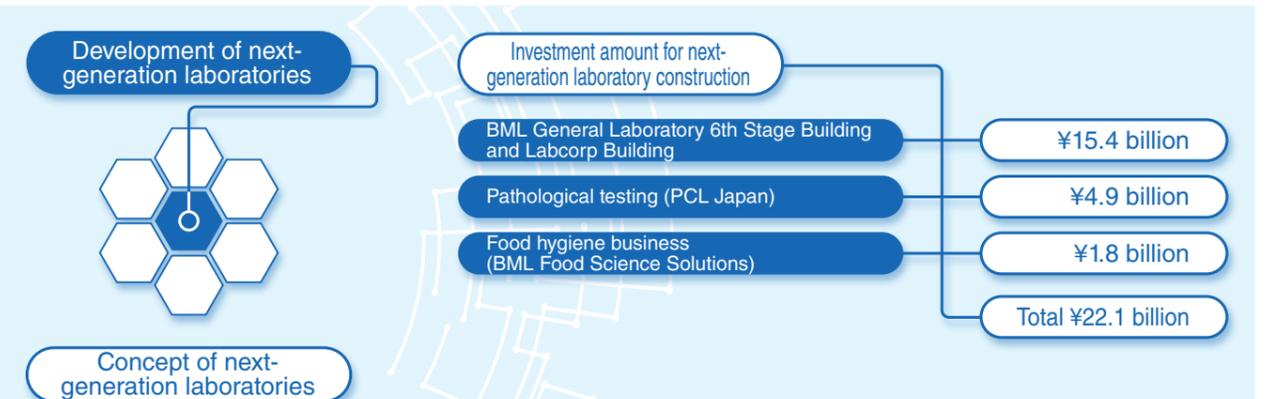
Theme	Major initiatives
Diversity	Female manager ratio: 20%
Strengthen the supervisory and executive structures	Remuneration system for directors and other officers
	Succession plan
Communication with shareholders	Investor briefings IR activities
	Capital policy

Six Targets Centered on the Concept of Next-Generation Laboratories

Concept of next-generation laboratories

In order to build a foundation for sustainable growth even after 10 years from now, we are constructing new buildings, including the 6th Stage Building and Labcorp Building at BML General Laboratory, the New Tokyo Laboratory for pathological testing provider PCL Japan, and a new building for BML Food Science Solutions in

the food hygiene business. These projects will expand our testing capacity by 125-200% compared to current levels. The 6th Stage Building at BML General Laboratory is expected to produce cost-cutting effects totaling ¥1.0 billion per year.



We are currently constructing (and operating) next-generation laboratories, including the 6th Stage Building and Labcorp Building at BML General Laboratory, the New Tokyo Laboratory for pathological testing service provider PCL Japan, and a new building for BML Food Science Solutions in the food hygiene business. These will expand testing capacity over the next decade.

- Labcorp Building**
 - Completion: August 2024
 - Scheduled start of operations: January 2025
 - Location: Kawagoe City, Saitama Prefecture
- BML General Laboratory 6th Stage Building**
 - Completion: August 2024
 - Scheduled start of operations: January 2025
 - Testing capacity: 140-150%
 - Location: Kawagoe City, Saitama Prefecture
- Food hygiene business (BML Food Science Solutions new building)**
 - Start of operations: May 2024
 - Testing capacity: 125%
 - Location: Kawagoe City, Saitama Prefecture
- Pathological testing (PCL Japan New Tokyo Laboratory)**
 - Scheduled completion: November 2024
 - Scheduled start of operations: January 2025
 - Testing capacity: 166-200%
 - Location: Shinjuku City, Tokyo

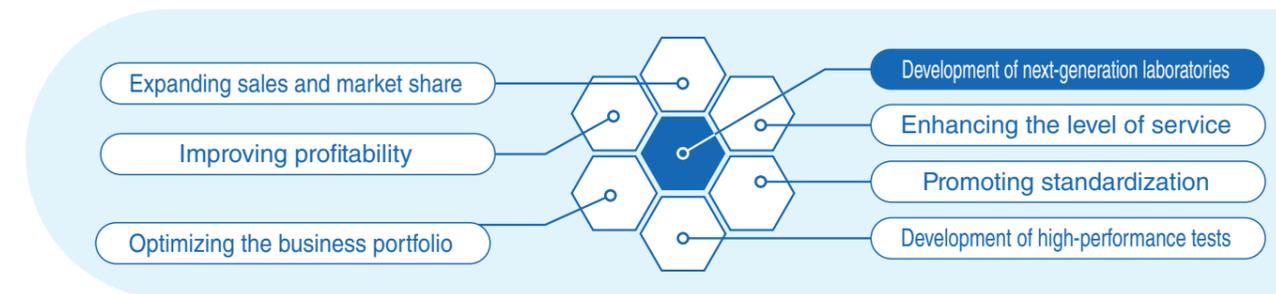
New Medium-Term Management Plan

Six Targets Centered on the Concept of Next-Generation Laboratories

Six targets

The development of next-generation laboratories at BML General Laboratory, PCL Japan New Tokyo Laboratory, and the BML Food Science Solutions new building will be central to efforts to pursue the six targets of

expanding sales and market share, improving profitability, optimizing the business portfolio, enhancing the level of service, promoting standardization, and development of high-performance tests.



Expanding sales and market share

We will allocate sales resources appropriately in accordance with market characteristics. This will enable us to respond swiftly and accurately to the needs of each market. We will also strengthen the head office solutions function and actively work to solve customer issues so we can build trust and grow transactions. Furthermore, we will develop new test items and additional functions to establish a framework for catering to the diverse needs of customers. Through these efforts, we will aim to raise customer satisfaction levels while expanding our market share.

- Promote the deployment of personnel to match the market scale
- Provide solutions to boost customer convenience and operational efficiency

Enhancing the level of service

We will enable results reports for bacteriological testing and pathological and cytological testing to be delivered more quickly by promoting the localization of such testing. Also, by enhancing call center functions related to testing and the electronic patient chart system, we will improve quality and enable a swifter response to patients queries and requests. Furthermore, we will realize more robust support by raising personnel numbers to strengthen maintenance response for customers using the electronic patient chart system.

- Deploy mass spectrometry equipment at bases across Japan and promote bacteriological testing in regional areas
- Progressively boost the pathological test processing capacity of each of our core laboratories
- Expand call centers and support centers

Improving profitability

We will improve profitability by raising recognition of the quality and service levels of BML and then setting prices commensurate with service value. Furthermore, we will carry out a fundamental review of collection of specimens, results reporting, and invoicing processes with a view to considerably reducing operating costs through automation and efficiency improvements. The completion of next-generation laboratories will also make testing procedures more efficient, reducing testing costs.

- Boost recognition of BML's quality and service level
- Promote the optimization of prices

Promoting standardization

We will categorize all our laboratories in Japan by scale and select and deploy standard equipment as appropriate for each category. This will make capital investment on each laboratory more efficient and ensure the uniformity of testing services provided. Additionally, we will establish unified standard operating procedures to improve quality through the standardization of testing operations. This will increase staff proficiency and improve overall productivity.

- Selection and deployment of standard equipment to match scale
- Establishment of unified standard operating procedures (SOP)

	Large scale	Medium scale	Small scale
Dispensing, biochemistry			
Hematology			
Specialized testing-related			—

Optimizing the business portfolio

We will continue to grow sales in the clinical testing business, food hygiene business, and medical informatics business, and in the clinical testing business in particular, we will work to considerably raise revenue and profit by reviewing the efficiency of operations related to collection and delivery and to actively reduce costs. In the food hygiene business and medical informatics business, we will focus on expanding our market share while cultivating new customers and raising the satisfaction of existing customers. The overall aim of these efforts will be to achieve a balanced improvement in revenue across business portfolio sectors.

- Grow each business while enhancing by-business ROE
- Radically improve the profitability of the clinical testing business, in particular

Development of high-performance tests

We will advance the introduction of advanced genomic analysis devices. This will enable high-precision genome testing using the latest technologies, providing customers with high added-value services. We will also strengthen collaboration with bioscience companies, universities, and research institutes to advance the development of various genome tests and other high-performance tests.

- Introduce advanced genomic analysis devices
- Collaborate with bioscience companies, universities, and research institutes

New Medium-Term Management Plan

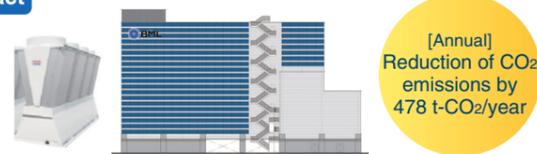
Construction of New Wings

Concept

Sustainability: Building a foundation for sustainable growth even after 10 years

Environment Consideration for reducing environmental impact

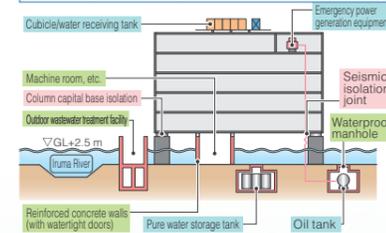
Installation of solar power generation equipment
 Installation of power generation panels on the entire south wall of the new wings to utilize natural energy
 Improved efficiency of air-conditioning equipment
 Improvement of energy efficiency with high-efficiency heat source equipment



Business continuity 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 a base isolation system
 Existing buildings are earthquake-resistant and seismic isolators for inspection equipment are installed
- Disaster countermeasures**: Backup power and water supply
 → Emergency power generation system (72-hour power supply for new wings)
 → Clean and pure water tanks (Ensure two to three days of supply for the entire BML General Laboratory)

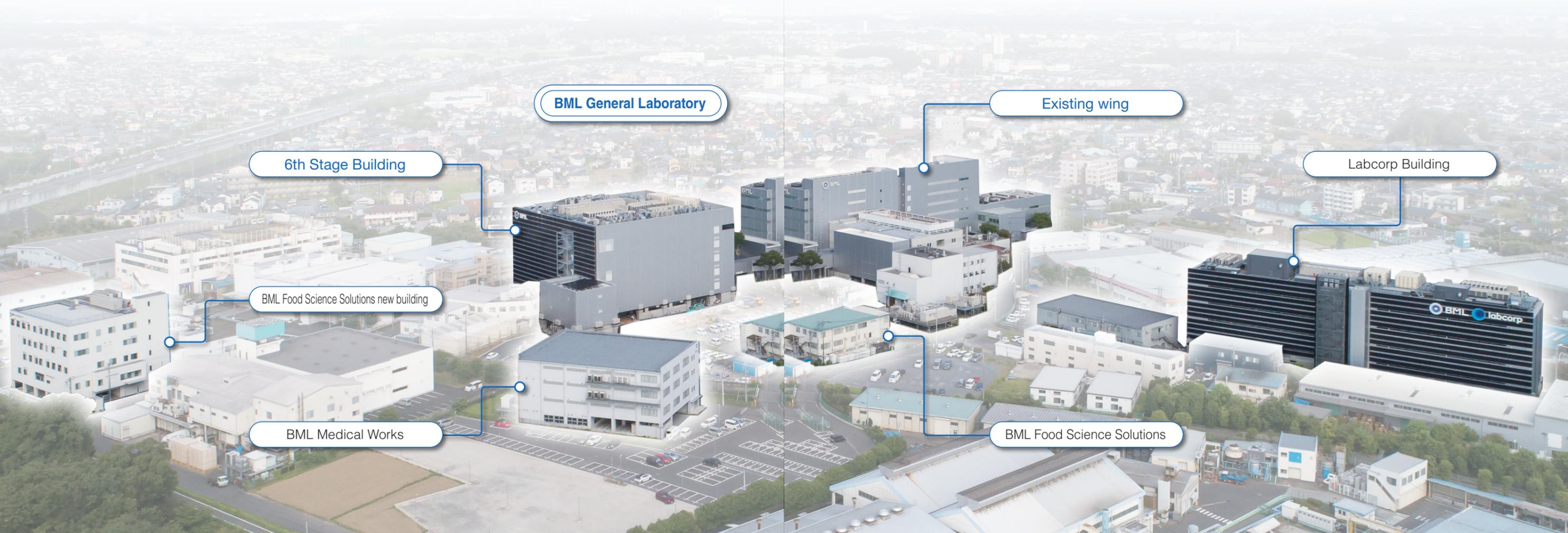
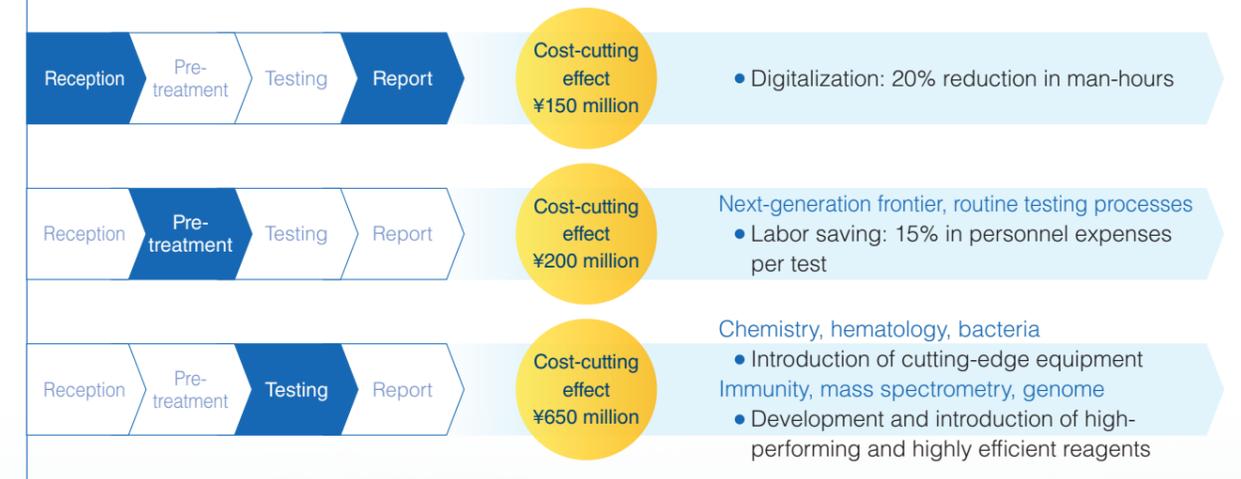
6th Stage Building and Labcorp Building



Development of Next-Generation Laboratories (Cost Reduction)

Cost-cutting effect: Reduction of ¥1.0 billion in total across all testing processes

Testing process



New Medium-Term Management Plan

DX— Improve Customer Experience Value and Realize Greater Business Efficiency—

DX vision

BML defines DX as “improvement of customer experience value” and “realization of greater business efficiency” and is working on DX solutions. We are already providing medical care support functions such as DRS and the electronic patient chart system, and we are further enhancing our lineup of IT products and

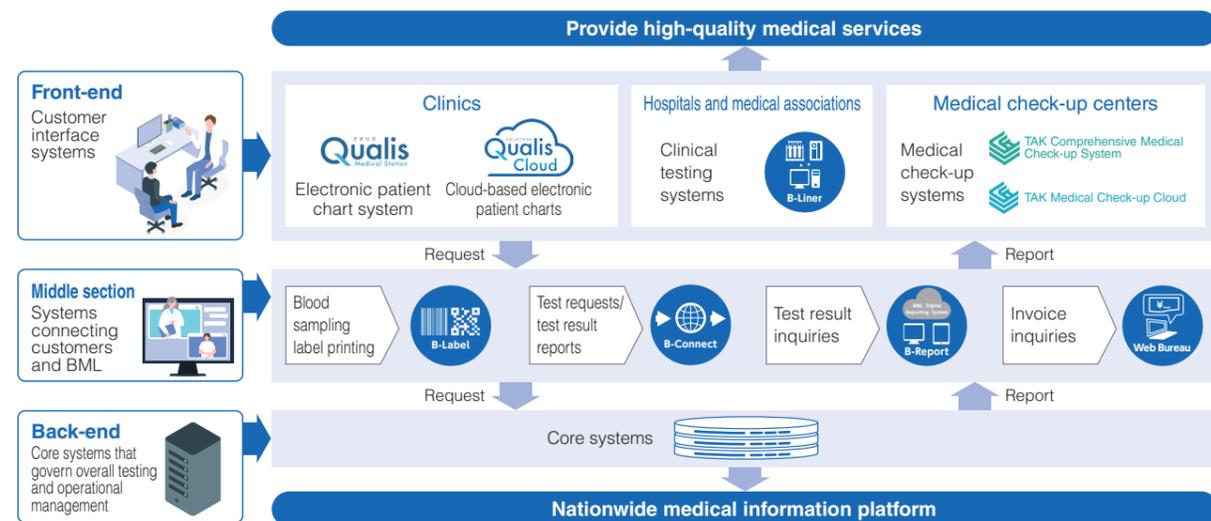
functions that contribute to operational efficiency, especially for customers.

Through these efforts, we will create new value by realizing the provision of high-quality medical services and our vision for medical DX.

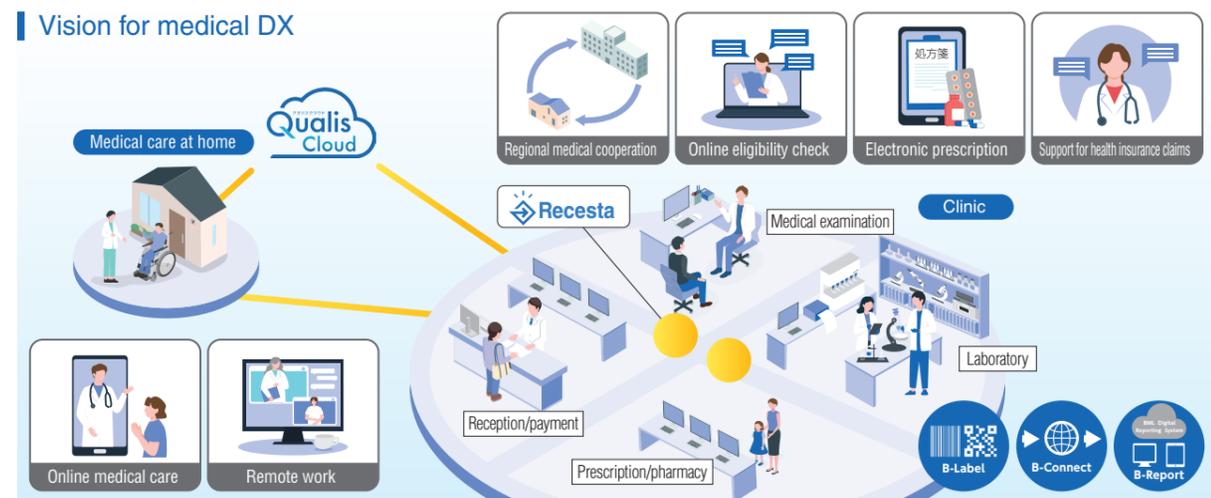
Vision—Aiming to create and evolve businesses and realize the DX of the entire medical industry—

The BML Group has been promoting digital transformation (DX) through BML DX solutions at various sites for medical care by extensively utilizing digital technology. We leverage our digital IT infrastructure to utilize huge volumes of data accumulated in back-end systems to provide front-end medical professionals with DX solutions via the middle section. In this way, we are contributing to the provision of high-quality medical services.

Furthermore, in order to enhance our lineup of DX functions, we are advancing co-creation with various companies in addition to the functions we are already developing in-house. This will enable us to provide an even fuller selection of IT solutions, particularly to clinics that are not so advanced in terms of IT capabilities, with the aim of realizing BML's vision for medical DX.



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.

TOPIC: Example DX initiatives

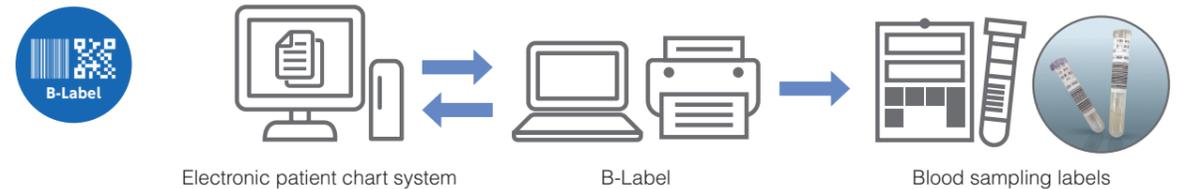
Digital Reporting System (DRS)

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-Report

Internet access to inquiries on test results



B-Connect

Internet access to test requests and test result reports



B-Liner (clinical testing system)

This system links hospital systems and analytical systems. Support in-hospital laboratories in managing data and outsourcing testing services



Web Bureau

Internet access to invoice inquiries



New Medium-Term Management Plan

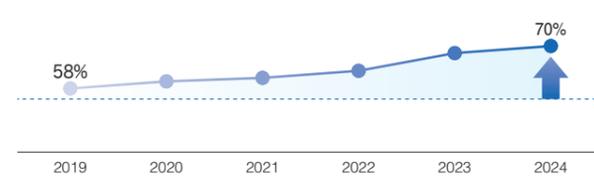
DX progress

Number of facilities using function



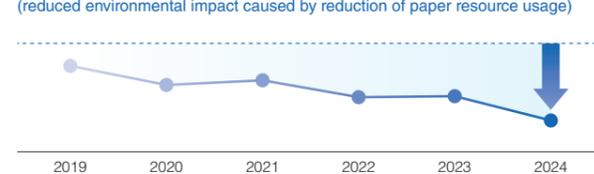
Progress and effects

Proportion of system-based test requests contracting

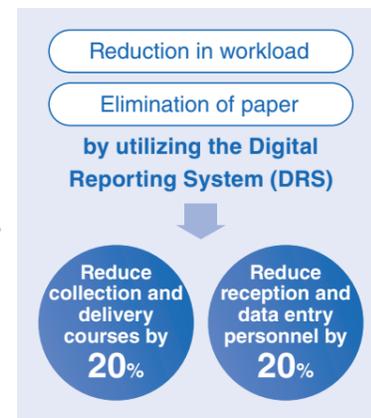


Increase of 12%

Elimination of paper: Reduction of paper requests



Approx. 1.90 million fewer paper requests



Encouraging investment in IT infrastructure and DX promotion

In regard to DX promotion, we manage our budget by categorizing it into "investment in IT infrastructure" and "investment in DX promotion." We ensure that investment in DX promotion spending does not overly affect the

overall DX investment budget by formulating short-term and long-term (10-year) investment plans and allocating and managing funds accordingly.

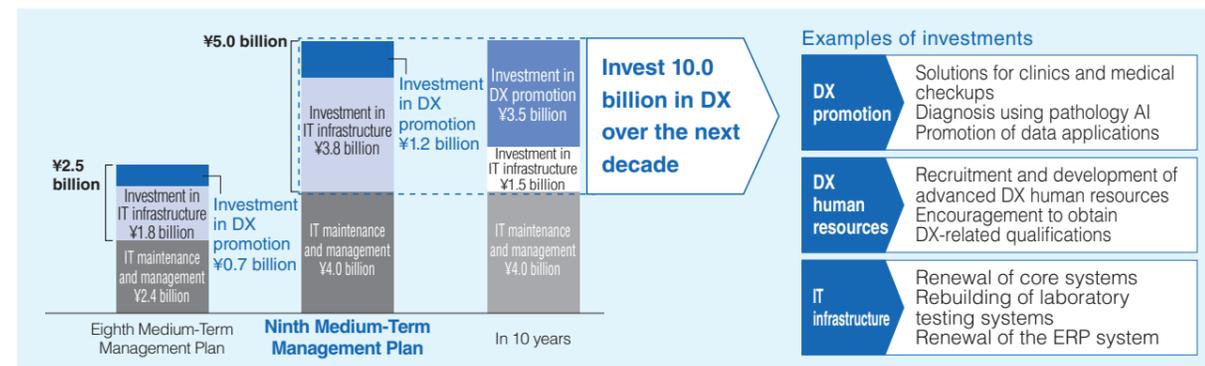
Investment plans for realizing our vision

We plan to spend ¥10.0 billion on DX investment over the next 10 years. In regard to investment in IT infrastructure, we plan to spend ¥3.8 billion over the new Medium-Term Management Plan period and then ¥1.5 billion over the following five years. For investment in DX promotion, we will spend ¥1.2 billion over the new Medium-Term Management Plan period and then ¥3.5 billion over the following five years.

We have positioned DX promotion through DX investment as a strategic priority, so we plan to improve

onsite operational efficiency and quality at medical workplaces with a focus on strengthening IT infrastructure, while also working to improve our own operational efficiency.

In this way, BML will lead the digitalization of the entire medical industry and build an environment where medical professionals can provide higher quality services more swiftly. This will ultimately contribute to enhancing both the health of patients and frameworks for providing medical care.



Digital human resource development plan

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 their comprehension of DX and enhance basic IT-related knowledge. Furthermore, we are encouraging personnel to improve their IT literacy by acquiring an IT Passport qualification* and in FY2023, 257 employees acquired the qualification, compared to our target of

200. Currently, a total of 432 employees hold the qualification which far exceeds our initial target.

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. This further strengthens the foundations of our DX promotion efforts and will accelerate future digital transformation initiatives.

*We aim to have 200 IT Passport holders in FY2024. By an annual increase of 200 holders in subsequent years, we aim to have 1,200 holders in FY2028.



The number of internal digital human resources: 237 (as of August 2024)

Manager	20	Engineer/programmer	163
Designer	21	Operator	33

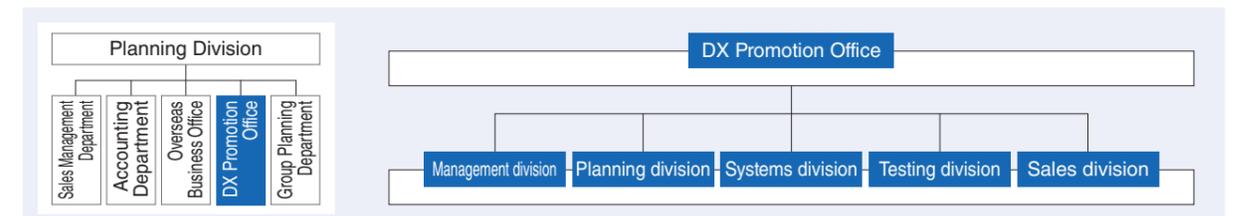
Qualification holders (as of August 2024)

Systems Architect	1	Information Security Specialist	1
Network Specialist	1	Information Security Management	9
Registered Information Security Specialist	2	Applied Information Technology Engineer	30
Data Scientist	2	Fundamental Information Technology Engineer	84
Database Specialist	3	IT Passport	432

Building a DX promotion system

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 the sustainable growth of the Group. It is establishing an organizational structure for advancing DX strategies that spans the entire 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.



New Medium-Term Management Plan

Interview with Business Officers



The BML Group's DX Vision

Yuji Yamashita
General Manager,
System Division

Koji Uno
General Manager,
DX Promotion Office

BML is a clinical testing company, but a large part of its operations rely on systems. Can you give us a simple explanation of the structure of these systems?

Yamashita: There are three categories of systems at BML, front-end, middle section, and back-end. Systems positioned as front-end include the Qualis and Qualis Cloud electronic patient chart systems and the B-Liner clinical testing system. These help improve the operational efficiency of the medical institutions that are our customers. Systems categorized as middle section are B-Connect, B-Report, and B-Label, which are systems that connect BML with customers. These can link up with not only BML's electronic patient chart system, but virtually all electronic patient chart products available in Japan. These systems are not just systems for digitalizing test requests and result reports, they can seamlessly connect processes on the customer side, from the preparation of blood sampling containers to the outsourcing of testing, with processes on the BML side, from specimen collection to results reporting. This realizes ground-breaking improvements in operational efficiency on both sides and enhances the quality of test requests. Finally, the back-end category comprises core systems and laboratory testing systems. These systems are tasked with the centralized management of customer information for the whole of Japan, so they cannot be allowed to halt. Therefore we use highly reliable, sturdy systems to support our internal operations.

Please tell us the strengths of each system.

Uno: BML defines DX as "improvement of customer experience value" and "realization of greater business efficiency." From this perspective, BML's strength is its ability to swiftly provide the large volumes of data accumulated by back-end systems to front-end doctors and patients via the middle section. In the middle section, we are improving the operational efficiency of both our customers and the Group by effectively using data accumulated by the back-end as solutions for

front-end customers. This is supported by robust back-end systems infrastructure, which further raises the value BML provides to its customers.

Yamashita: I think one of the main characteristics of BML systems is that front-end, middle section, and back-end systems are all developed in-house from start to finish. This realizes consistent system design, enabling effective operations without any wasted effort. This has been achieved through the work of over 250 systems departments personnel, and the fact that we have development divisions of this scale is one of BML's biggest strengths.

The front-end is a direct interface with customers so do you have any unique designs for this section in particular?

Uno: As the front-end is a direct interface for medical professional users (doctors, nurses, clinical laboratory technicians, etc.), user-friendliness is extremely important. We made a point to consider the needs and gather the opinions of users. As BML is a clinical testing company, salespeople and clinical laboratory technicians can listen to the needs of frontline users, which is one of our strengths. Furthermore, both our President and Vice President are doctors, so we have a structure in place for receiving direct opinions from a medical viewpoint.

Yamashita: We are leveraging this strength to create efficient systems by reflecting the opinions of users in real workplaces in our systems from the planning and design stage. These efforts have been highly evaluated by the medical institutions using the systems.

Uno: Furthermore, based on the customer opinions gathered by our salespeople, we have enabled linkage with other companies' systems to cater to diverse needs. For example, our systems can be linked with FALCO HOLDINGS Co., Ltd.'s Recesta and TAK Co., Ltd.'s TAK Comprehensive Medical Check-up System and TAK Medical Check-up Cloud to provide customers with systems that offer even greater added value.

The middle section connects the operations of BML and customers, so what is the current usage situation?

Yamashita: The number of customers connecting to BML systems is growing year on year. Currently, more than 21,000 facilities are using B-Connect, while over 6,500 use B-Report and 2,700 use B-Label. As a result, in FY2023, 64% of test requests and 81% of result reports were requested and reported as digital data.

Uno: The reduction in physical request forms realized a saving of around 1.90 million sheets of paper. There has also been a significant increase in the number of blood sampling labels with patient names compared to FY2019. B-Connect digitalizes all the processes from test requests to result reports, which massively enhances the efficiency of both customers' and BML's operations. Furthermore, B-Label streamlines the preparation of blood sampling labels and also provides a quality enhancing effect by preventing sample mix-ups. In addition to these, there is also a growing number of facilities adopting Web Bureau, a system that enables invoices to be viewed online. These initiatives are defined by BML as "improvement of customer experience value" and "realization of greater business efficiency" and will be further strengthened in the future.

The back-end comprises fairly sizeable systems, so what kind of difficulties do you face?

Yamashita: The point we pay the most attention to is making sure the huge volumes of testing data are processed without any delays. At peak busyness, we are processing eight million items of test data for 400,000 patients a day and then reporting the results to customers. Over a year, we accumulate 1.8 billion items of data for 90 million patients. This far exceeds the volume of information handled by the systems of a regional bank, so we build and operate large-scale systems to process this huge amount of data. If a system were to shut down, it would not only delay reporting to medical institutions, but also possibly impact a large number of patients, so we are fulfilling our responsibilities in this area by building a structure in which all systems division personnel are engaged in monitoring the operational status of our systems.

Please tell us about the initiatives and KPIs in the new Medium-Term Management Plan?

Uno: In the previous Medium-Term Management Plan, we worked to reduce workloads using DRS and to reduce reception and data entry personnel by 20% through paperless operations. In the new Medium-Term Management Plan, we will continue these initiatives and we are also targeting a 20% reduction in collection and delivery courses. We are conducting trials using DRS and expect to see a certain level of results this fiscal year. Based on these results, we will deploy the initiative nationwide with the aim of achieving our targets.

Yamashita: Under the previous Medium-Term Management Plan, our clinic-oriented solutions reached maturity through DX activities using DRS. Going forward, we will establish infrastructure for linking standardized electronic patient charts to further advance DX. The plan's ultimate targets are to raise the percentage of digital requests and reports to 80% of the total and to deploy DRS at 50% of digitalized customers.

Finally, please share your plans for investment and human resource development going forward.

Uno: We plan to spend ¥10.0 billion on IT investment over the next 10 years. For this investment, we will manage our budget by categorizing it into "regular IT investment" and "investment in DX promotion." We will ensure that investment in DX promotion spending does not overly affect the overall IT budget by formulating short-term and long-term (10-year) investment plans and allocating and managing funds accordingly.

Yamashita: In regard to investment in DX promotion, in the front-end system area we will realize links between the cloud-based nationwide medical information platform being built by the Japanese government and our own digital IT infrastructure so that we can advance development that contributes to the DX promotion of the entire medical industry. Next, we will develop new solutions functions for middle section systems. In our DRS activities to date, we have discovered DRS is not always a good fit for customers with operational styles that differ from regular clinics, such as health check facilities that request large volumes of tests or medical institutions that provide dialysis. For the customers that request large volumes of tests, we will increase the effectiveness of DRS by developing tailor-made solutions. Finally, the most important point regarding back-end systems is pursuing even greater quality. We are building new wings at the BML General Laboratory in Kawagoe City, and in conjunction with this, we are developing next-generation testing systems that pursue efficiency and quality. These will gradually be put into operation going forward. We will also considerably strengthen the precision control function for testing systems in order to eliminate human error, and this will be deployed at all Group laboratories. Furthermore, we will work to improve quality using cutting-edge technology, such as applying AI in pathology testing, while at the same time, we will facilitate the implementation of these efforts by renewing internal IT infrastructure.

Uno: The DX Promotion Office will oversee the advancement of these initiatives on a Group-wide basis and build a structure for cross-organizational implementation. Also, as a part of DX promotion, we will deploy educational programs aimed at improving the IT literacy of all employees. In particular, we will help regular employees gain basic IT knowledge through e-learning courses and strengthen the fundamental abilities of DX users by encouraging the acquisition of an IT Passport qualification. Furthermore, we will raise overall IT levels by enabling DX specialists and DX planners to gain advanced skills through participation in external training courses and seminars.

Yamashita: To realize our DX strategies, we think it is important to strengthen the structure of the systems divisions that are responsible for coordinating with customer systems in the front-end. We will facilitate the planning and development of new services by raising skill levels on a Group-wide basis. This will be achieved by working to strengthen internal education and expanding educational programs and training that aim to improve the specialist skills of current employees. Furthermore, we will actively recruit highly specialist human resources to strengthen the DX promotion system.

Message from the Financial Officer



Aiming to enhance corporate value by balancing growth investment for the next 10 years, shareholder returns, and the maintenance of financial soundness

Norihisa Takebe,

Representative Director and
Senior Executive Officer

Review of the Eighth Medium-Term Management Plan (previous Medium-Term Management Plan)

The three years of the previous Medium-Term Management Plan, which ended in FY2023, was a period where one of our main focuses was responding to the COVID-19 pandemic. The pandemic was a once-in-a-century event and the chaos it caused created a very difficult situation in regard to business operations. As a medical infrastructure company, we are proud to have been able to contribute to the medical care industry during this crisis by carrying out COVID-19 testing in addition to our regular testing operations. As a result, our overall profit for the three-year period exceeded forecasts. However, in the final year of the plan, we just about achieved our net sales target but fell short on the profit front. When we started formulating the previous Medium-Term Management Plan, the pandemic had already started and the future was impossible to predict, so our targets for the final year of the plan were set within a range that took into account two scenarios, one in which the pandemic continued and one in which it subsided. Both scenarios were based on the assumption that there would be no slowdown in pre-pandemic results growth trajectories, and we set targets for regular sales that excluded COVID-19 testing and profit targets that exceeded

pre-pandemic levels. In regard to net sales, our plan was to grow new business transactions over the Medium-Term Management Plan period while maintaining existing transactions, and our performance in terms of regular net sales, excluding COVID-19-related sales, was smooth. On the other hand, profits were heavily affected by cost increases due to factors including the shifts in logistics systems and personnel required to handle COVID-19 testing, growing personnel costs, and rising prices of various items. Costs that have risen over the three-year pandemic period include some temporary costs and some entrenched costs that are expected to continue into the future. Operational shifts carried out to produce faster result reports for COVID-19 tests ended in the second half of the previous fiscal year, and the winding down of this testing has also removed the need for testing personnel, thereby resolving temporary cost issues. However, there has been a considerable increase in personnel costs, particularly related to collection and delivery personnel, due to personnel shortages accompanying the new social norms of the post-pandemic society. We recognize that this is an ongoing issue that is unlikely to ease in the future, so we need to take sweeping measures to deal with it. One point we are focusing on in this area is to further strengthen the efficiency of collections and deliveries through a digital reporting system (hereinafter, DRS), which was started during the previous Medium-Term Management Plan.

Financial strategy in the Ninth Medium-Term Management Plan (new Medium-Term Management Plan)

Although we were unable to meet our profit targets for the final year of the previous Medium-Term Management Plan, we were able to achieve a considerable profit over the plan period due to the massive leap in demand for COVID-19 testing. As a result, we were able to provide shareholder returns including two special dividends and three acquisitions of treasury shares, and we also used this profit as funding to start the development of next-generation laboratories designed with a focus on 10 years from now. The new Medium-Term Management Plan is based on our vision for how we want BML to be in 10 years time. In addition to realizing stable sales and profit growth, we will work to quickly clear the burden of depreciation created by the large-scale investment we are currently engaged in. Our largest capital investment, the construction of new wings, relocation of testing functions, and renewal of testing equipment at the BML General Laboratory, will continue from the completion of construction at the end of August 2024 through to early 2027. During this period, we will start to gradually relocate laboratories, renew equipment, and recognize depreciation accompanying the introduction of new equipment. We use the fixed percentage method to recognize depreciation of testing equipment, excluding buildings, and we expect that the amount of depreciation will peak in FY2027 and then rapidly decline. Based on this, under the new Medium-Term Management Plan we will concentrate on net sales growth rate, operating profit, EBITDA, and net cash provided by operating activities as results indicators, with a particular focus on the trend of profit before depreciation. We also recognize that raising ROE and PBR by ensuring appropriate profit and equity levels is an important issue during the this Medium-Term Management Plan period.

Under the new Medium-Term Management Plan, we have set six measures as the main thrust of our efforts to develop next-generation laboratories. Within these, "expanding sales and market share" and "improving profitability" are two measures that will be important for meeting our financial targets.

We anticipate that the clinical testing industry, where we conduct our main business, will continue to see gradual growth at a similar pace to the past. Within this industry, our market share is in the low 20% range, which is by no means high. Therefore, in the new Medium-Term Management Plan we have positioned sales growth by increasing new transactions as one of our highest priorities. We will do this by effectively reallocating our business capabilities in accordance with market growth potential while also enhancing solutions functions that support these efforts. As specific solutions functions, we will strengthen in the areas of academic and medical information systems and medical check-ups, and clinical trials, and food hygiene consulting, with a focus on supporting customers' efforts to improve business results and increase operational efficiency. On the human resources side, we will

establish human resources systems for recruiting highly specialized personnel and work to hire specialists in each division. We will also invest in upskilling and reskilling to develop our internal human resources and allocate funds to securing human resources that can make a bigger contribution.

Furthermore, on the profit front, we will concentrate efforts on improving profitability, especially in the clinical testing business. Specifically, we will set prices in accordance with level of service, eliminate wasteful and overburdening practices in collections and deliveries, and make the operation of next-generation laboratories more efficient. In regard to testing prices, this April we started negotiating price revisions by test item. As medical service fees for the majority of items are already set, negotiating prices with medical institutions is not easy, but we will win the understanding of these institutions by properly explaining the situation in regard to the rising prices of various materials and increasing personnel costs and work to steadily raise prices to appropriate levels through the Medium-Term Management Plan period.

We are expecting that measures to make collections and deliveries more efficient will have the biggest impact in terms of cost reductions. We have approximately 2,000 delivery and collection routes throughout Japan, so in the new Medium-Term Management Plan we have set the target of reducing the number of routes by about 20%. Delivery and collection operations involve collecting specimens and delivering result reports, and we are making them more efficient by successively refining collection timing and adjusting the number of collections for each course and using a DRS that uses transmission requests, transmission reports, and barcodes on test labels. Currently we are implementing a pilot scheme to make collections and deliveries at our locations in the Tokyo metropolitan area more efficient, and we plan to apply the know-how we gain from this across Japan from the second half of the fiscal year.

In regard to raising efficiency through the operation of next-generation laboratories, in August 2024, construction started on the construction of new wings at the BML General Laboratory. As part of the operation of these new wings and relocation of laboratories in existing wings, we will gradually renew various items of testing equipment and next-generation dispensing systems in the period up to FY2027 to realize improved efficiency across the entire testing operation, from the pre-testing to post-testing processes. This is expected to reduce costs by ¥1.0 billion by the final year of the Medium-Term Management Plan.

In the new Medium-Term Management Plan, in addition to numerical targets for five years' time, we have also established a vision for 10 years into the future, including targets of ¥200.0 billion in net sales, ¥20.0 billion in operating profit, and an ROE of 10%. The Japanese population is already in decline, and taking a long-term perspective, the market size of the medical industry will also eventually shrink. However, factors such as increasing health-consciousness and food safety awareness of people and the increasing shift toward IT by medical institutions means that there will still be areas of growth within the scope of our operations. There is also plenty of room for us to

Message from the Financial Officer

increase our market share beyond current levels, so our vision for the next 10 years is based on the assumption that we can maintain an annual growth rate of 4%, which is around the level we have achieved in the past. We are investing in the development of next-generation laboratories as a measure to increase testing capacity in a way that will facilitate sales growth over the next 10 years, but as I mentioned before, this investment will finish in FY2027 and the depreciation burden will also peak in the same year before shrinking rapidly. Therefore, the effects of measures to improve profitability under the new Medium-Term Management Plan will manifest in 10 years time to realize an operating profit of ¥20.0 billion, and we also think it is fully possible to raise ROE to 10% or higher in this period through appropriate equity control.

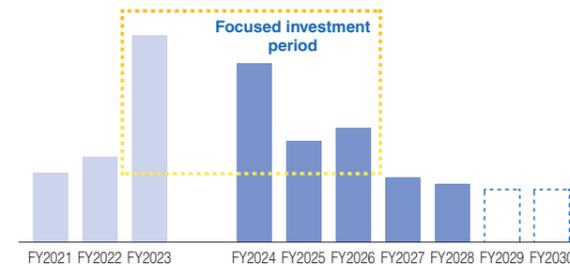
Under the new Medium-Term Management Plan we will take appropriate capital allocation into account and strive to sustainably enhance corporate value based on an optimal balance of growth investment, shareholder returns, and financial soundness.

The concept of next-generation laboratories, which is starting with the construction of new wings for the current BML General Laboratory, is a period of focused investment spanning both the previous and new Medium-Term Management Plans, and we plan to invest a total of approximately ¥43.0 billion. We also plan to allocate approximately ¥8.5 billion for digital transformation (DX) investment over the same period. This will result in a total investment in growth of over approximately ¥50.0 billion. In addition to this, the new Medium-Term Management Plan also includes the strengthening of investment in measures to support growth, such as the maintenance and upgrading of facilities, the standardization and development of regional laboratories, including core laboratories, and human capital investment. Regarding M&As, we will consider mergers that strengthen relationships within the industry as necessary to protect medical infrastructure, and we will also actively consider mergers that widen the scope of our business with a view to strengthening and developing in growth areas. I will go into more detail about shareholder returns later, but in addition to strengthening stable returns, we will flexibly consider the implementation of shareholder return measures in accordance with circumstances.

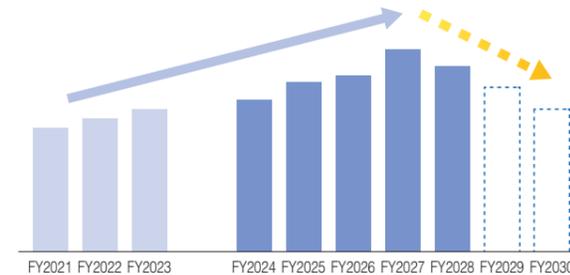
The new Medium-Term Management Plan also announces our plan to carry out DX investment over 10 years. At BML, we define DX as "improvement of customer experience value" and "realization of greater business efficiency." To realize this DX, we will invest in the front-end ("front"), the middle, and back-end ("back") sections of BML systems. Front refers to customer interface functions, such as the electronic patient chart system and the B-Liner testing system for customers. The middle refers to functions that connect customers and BML, such as B-Connect, B-Report, and B-Label. Back refers to the core systems that govern overall testing and operational management within BML. We plan to enhance the level of each of these by investing ¥10.0 billion over 10 years to successively add new functions. In the clinical testing business, we return test results to customers as data, so you could consider

it to be an information services business. Therefore, we recognize that DX investment is not only fundamental to supporting our future growth, but also an extremely important undertaking that will contribute to transforming the way medical institutions operate.

Visualization of capital investment amounts



Visualization of depreciation



Shareholder returns

We have always positioned stable shareholder returns as one of our most important management issues. In addition to stably increasing dividends before the pandemic, during the pandemic period we also paid special dividends in accordance with earnings and made three repurchases of treasury shares. As a result, we provided shareholder returns totaling ¥17.6 billion during the previous Medium-Term Management Plan period.

Our dividend policy under the new Medium-Term Management Plan is to achieve a dividend payout ratio of 60% or more and an amount per share of ¥100 or more. This allocation of more than half of our annual earnings to shareholder returns and setting of a minimum dividend amount are part of our measures for progressive dividends. We will also strive to raise the minimum amount from the next fiscal year onward. Additionally, we will flexibly consider acquiring treasury shares in accordance with the situation regarding the focused capital investment we are currently carrying out and business results for the relevant fiscal year.

In this fiscal year, the Company will also celebrate its 70th anniversary next July, so we plan to add a commemorative dividend of ¥20 to the ¥50 year-end dividend to give a total of ¥70. This means the dividend amount for the full fiscal year will be ¥120.

Cash allocation



Promotion of capital cost- and stock price-conscious management

In the new Medium-Term Management Plan, we have set final-year targets of an ROE of 8.0% or above and PBR of 1.0 or above. Our PBR is currently below 1.0 and to mitigate this, we need to raise ROE, which has declined since the pandemic. In our most recent financial statements, ROE was around 4.8%, which is a significant decline from the 8.3% we recorded in FY2019, before the pandemic. The reasons behind this involve both the profit levels that comprise the numerator and the equity levels that comprise the denominator of the equation. Regarding the numerator of profit levels in particular, our operating profit ratio has decreased compared to pre-pandemic levels up to FY2019, so we need to rectify this urgently. We will make steady progress on a response to this based on the measures for improving profitability in the new Medium-Term Management Plan, which I mentioned earlier, and in addition to these measures, we believe that the operating profit ratio will improve further from FY2028 onward, after the depreciation burden from our large scale investment has peaked.

On the other hand, there is an extraordinary situation in regard to the denominator of equity due to the rapid accumulation of profit accompanying demand for COVID-19 testing. Going forward, we need to respond to this by maintaining appropriate equity levels through the stable increase of dividends, like I touched on earlier, and by flexibly acquiring treasury shares if circumstances allow.

Dialogue with investors and shareholders

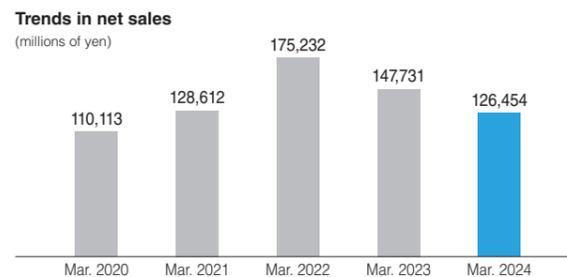
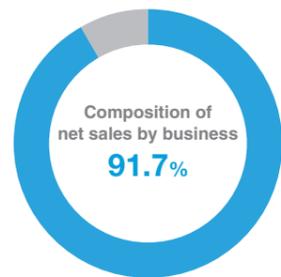
The clinical testing business, which accounts for about 90% of our net sales, undertakes testing as part of the medical services provided by medical institutions, which means that the business itself is part of the medical care field. This characteristic makes it essential that we provide investors with proper explanations so that they have an accurate understanding of our situation. A large proportion of test prices are set in accordance with national medical service fees, so testing is a stable source of net sales that are not affected by economic trends. On the other hand, this also makes it difficult to pass the cost burden caused by recent price rises on to customers, so carefully crafted measures are required to improve profitability. Our business operations can be broadly divided into collections and deliveries, testing, and reports. Collection and delivery operations require the transport of large numbers of specimens collected by medical institutions, including blood samples, to BML laboratories while ensuring they remain in an appropriate condition. This is a labor intensive process that is carried out entirely by specialist human resources. Also, depending on the test item, a mistake in testing operations can impact a patient's life so they have to be carried out with extreme precision. Furthermore, test results operations, which are managed almost entirely through systems from testing through to reporting, are provided to patients as data, so they can be defined as information systems operations. We think that understanding the distinctive characteristics of our business and our ability to carry out each type of operation is an important requirement for making investment decisions. Therefore, at financial results presentations and investor seminars, in addition to thoroughly discussing business results and trends regarding various financial indicators, we also provide explanations of our initiatives in accordance with the interests of each investor. We believe it is important to listen to the opinions of as many investors as possible as use these as a reference for management decisions. We will strive to deepen our mutual understanding through thorough dialogue and I hope we may rely on your continued support.



Business Overview of Clinical Testing Business

Clinical Testing Business

Based on the advanced and sophisticated clinical testing technologies and abundant know-how cultivated since its establishment, BML has built three networks of sales, systems, and laboratories that are the best in the industry. By ensuring that these networks are functioning effectively, we are able to meet a wide range of testing needs from medical institutions nationwide.



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.

Development Activities

We develop new tests and consider their introduction using methods such as genomic analysis and mass spectrometry techniques to contribute to genomic medicine and personalized precision medicine. In order to provide high added value testing to clinical medicine, we are involved in research and development using advanced technologies from molecular biology, genetic engineering, and metabolomics and proteomics in areas such as cancer, genetic diseases, infectious diseases, as well as lifestyle diseases, and auto-immune and allergic diseases. At the same time, we actively participate in joint research projects in collaboration with universities and public research institutions to improve medical services.

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.

Business Strengths

Business Strength 1 Wide range of advanced testing areas

Three related strengths



- Over 4,000 types of testing, widely ranging from routine testing to highly specialized tests
- Superior expertise supporting sophisticated specialized laboratory testing
- Microbiological testing that is among the best in Japan

Business Strength 2 Laboratory automation of the main lab BML General Laboratory

Three related strengths



- Automatic sorting using the automated dispensing system "Frontier"
- Establishment of a high-volume, high-speed testing system using the automated analysis systems "Symphony Chemistry" for biochemistry and "Symphony Hematology" for hematology.
- Introduction of Freeway Robot transfer system that automates specimen transport



Symphony Chemistry



Frontier automated dispensing system

Business Strength 3 Thorough quality and precision control

Three related strengths



- Strict control of the entire company and all its divisions through BML's unique quality assurance system, which utilizes an internal audit department and external accreditation organizations
- Quality in clinical testing requires both accuracy control to ensure the precision and correctness of test measurements and quality assurance of measured values. BML has obtained certifications, including ISO 15189*, and utilizes external audit programs in an effort to improve quality and accuracy. We have also built a thorough audit structure within the Company by establishing the Credit Guarantee Department as a quality control auditing department that is independent of each laboratory department.



* ISO 15189: An international standard that specifies requirements for medical laboratories in the two areas of quality and competence. BML obtained the accreditation in September 2005 for the BML General Laboratory.

Business Overview of Clinical Testing Business



Eliminating human error and further advancing high traceability

Kenji Shibata,
General Manager, BML Clinical Testing Headquarters

Business overview and business vision

The BML Group has established a system that enables us to provide accurate testing with consistent quality anywhere in Japan through our laboratory network centered on the BML General Laboratory. We also focus on the field of preventive medicine, such as medical check-ups and health screenings, and are working to expand the range of testing items. To enable highly reliable testing, we have been working to eliminate human error and ensure high traceability by managing specimens using barcodes and advancing automation. In the 1990s, we launched the "Frontier System," a high-speed specimen dispensing system that automatically dispenses specimens for testing. We also began operations of "Symphony Chemistry" and "Symphony Hematology," automated laboratory test line systems in the fields of biochemistry and hematology that are linked to the "Frontier System." We have also adopted various reliability standards such as ISO 15189 and CAP to further improve quality.

In the increasingly diverse clinical testing industry, eliminating human error and ensuring traceability are ever-present challenges that must be addressed in order for customers to use our products and services with confidence. To this end, we will continue to develop "Frontier & Symphony" to advance automation and create a cutting-edge system for specimen management.

Review of the previous Medium-Term Management Plan

Promoting standardized laboratories and strengthening the level of service through regional development of bacteriological testing

In the Eighth Medium-Term Management Plan, we aimed to improve the quality of laboratories throughout Japan by categorizing them as large-scale, medium-scale, or small-scale. We began standardizing laboratories according to their scale by establishing standard equipment for specimen pre-dispensing and biochemical, hematological, and immunological testing.

In addition to completing the deployment of this standardized equipment in the Ninth Medium-Term Management Plan, we will establish an education and training lab to train laboratory personnel who will operate the standardized laboratories, and develop an education system using uniform standard operating procedures. This standardized education system will increase staff proficiency and improve testing quality, as well as overall productivity.

In addition, as part of the Eighth Medium-Term Management Plan's efforts to optimize the services provided by our core laboratories, we have sped up results reporting by enhancing bacteriological testing at eight laboratories, including those of affiliated companies. Following this, the Ninth Medium-Term Management Plan aims to strengthen our services for bacteriological testing in each region through mass spectrometry identification for blood culture testing and the nationwide development of new drug susceptibility tests.

Business strategy centered on next-generation laboratories in the new Medium-Term Business Plan

With the COVID-19 pandemic coming to a close after wreaking havoc since FY2019, the contract clinical testing market is expected to return to its pre-FY2019 trend of slight growth, mainly in conventional clinical testing items. However, analyses of the business environment for contract clinical testing indicate that it is headed for a downturn in profitability. While there is a trend toward reducing healthcare costs, expenses continue to increase, with prices of materials and labor costs for testing rising over the past several years. In addition, it is becoming more difficult to secure labor due to the decrease in the working population and the number of working hours per person. According to the "Survey on Employment Trends" by the Ministry of Health, Labour and Welfare, the number of unfilled job vacancies increased to approximately 1.3 million in 2022. The medical, health care and welfare division accounts for the largest number of unfilled job vacancies of approximately 230,000, and inspection and testing services are feeling these effects strongly. From this perspective, we believe it is necessary to reorganize clinical testing with an emphasis on improved operational efficiency.

However, even in this environment, the most important theme for BML as a medical service provider is to provide accurate test results at the appropriate timing. We will continue to work hard to build an efficient and strong testing system that will enable us to continue to provide these services.

▶ Achieving highly efficient laboratories centered on the new wings

Our next-generation laboratories, primarily located in the new wings, will reorganize the testing system to achieve more reliable tests. In order to eliminate human error and further advance high traceability, we will increase automation and processing capacity with a particular focus on the new automated dispensing system. We will also improve coordination in specimen management and information management by utilizing radio frequency identification (RFID) in the new biochemical, immunological, and hematological testing systems that are linked to the new automated dispensing system. This will promote labor saving while enhancing quality control. In addition, automatic guided vehicles (AGVs) will be used to improve distribution efficiency to each laboratory in the expanded building. We also plan to expand and upgrade the automated post-test specimen storage unit, ensuring a stable operational structure through integrated process management.

▶ Provision of high-performance tests

Clinical testing played an important role during the COVID-19 pandemic. As infectious disease outbreaks are increasing, we will maintain BSL-2 and BSL-3 laboratories to fulfill our role in responding to possible future outbreaks.

With the aging population, the occurrence of chronic diseases and cancer is also on the rise. The provision of technologically advanced testing to offer more effective medical care for these diseases is expected to become indispensable, particularly with the growing demand for early diagnosis.

Advances in cancer genomics research have led to the development of drugs that target individual cancer genes, making it possible to administer drugs appropriate for each patient based on genetic information. In recent years, it is becoming more common to conduct cancer gene panel tests, which examine hundreds of genes simultaneously. BML will significantly expand these cancer gene panel laboratories and actively introduce new tests to enhance the field of high performance testing, which is more useful in clinical practice. In addition, we will contribute to medical care by focusing not only on the field of oncology but also on serious and rare diseases.

Business Overview of Clinical Testing Business

Business Strength 1 Wide range of advanced testing areas

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, endocrinological testing, 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.

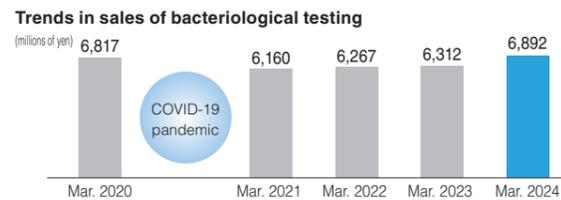
Going forward, the BML General Laboratory will expand testing capacity and improve testing efficiency by introducing new systems, such as a new automated dispensing system and a new biochemical and immunological testing system.

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.



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 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 FY2023

In the field of genetics, as a new test for congenital hearing loss, we began contracting of gene panel analysis by next-generation sequencers (NGS) for the syndromic hearing conditions Usher syndrome and branchio-oto-renal syndrome, as well as contracting of NGS gene panel analysis for heritable connective tissue disorders (HCTD). Both of these tests were developed through technical collaboration with Shinshu University School of Medicine. In addition to the existing genetic test for familial hypercholesterolemia (FH), we have developed our own dyslipidemia NGS gene panel analysis for five diseases, including abetalipoproteinemia, familial hypobetalipoproteinemia (FHBL) 1, primary hyperchylomicronemia, and Tangier disease. This panel analysis tests 20 different genetic variants for differential diagnosis of dyslipidemia covered by insurance.

Business Strength 2 Laboratory automation

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 laboratory 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		Global clinical trials
New microbiological testing system Specialized testing Cellular organisms Training laboratory	Genomic testing General testing Specimen management building	

Active participation of women



Yuko Okada,
Deputy General Manager,
General Laboratory Second
Clinical Testing Department

DE&I from a management perspective

BML is committed to contributing to the medical field by offering a wide range of testing and a stable supply of high-quality data. The key to achieving this lies in our people. As the working population declines, it is vital that people with diverse positions and experiences take advantage of their perspectives in order for testing to continue growing. Currently, the BML testing sites are also made up of a diverse group of people from various backgrounds.

We recognize that managers are responsible for helping staff members understand each other's situations and creating an environment in which each individual can make the most of his or her abilities. Whenever I see the smiling faces of staff working happily after solving a problem together, and when I witness their growth, I am reminded of how rewarding it is to be a manager. Someone I respect, who has since passed, once said "When everyone improves, so do I." Guided by these words, I continue to persevere each day.

Business Overview TOPIC

of Clinical Testing Business

One of Japan's Top Laboratories in Specimen Consignment Volume and Japan's No. 1 Test Results Reporting System

PCL Japan, Inc. is a testing company specializing in contract pathological testing services (histopathological and cytological testing), wholly owned by BML, Inc.

The annual number of specimens consigned is approximately 900,000 for histopathological testing and 2.7 million for cytological testing, boasting one of the largest specimen consignment volumes in Japan. In addition, in order to respond to the large number of specimens, it has invited a number of highly specialized pathologists and cytotechnologists from all over Japan to provide highly accurate test results. With more than 300 pathologists and 370 cytotechnologists on staff, it can be said that it has the number one test results reporting system in Japan.

As a frontrunner in the industry, PCL Japan is actively taking on the challenge of entering new domains such as companion diagnostics testing and cancer genome testing to meet the demands of the times.



Conceptual drawing of PCL Tokyo (Shinjuku-ku) to be opened in January 2025

Strengths of PCL Japan

High-level accuracy control

As the results of pathological testing (histopathological and cytological testing) often directly impact patients' lives, we recognize the need for a higher level of accuracy than for other specimen tests. Based on this awareness, PCL Japan is actively introducing automated equipment such as automatic sectioning machines and automatic platers to further enhance accuracy control, thereby improving the speed and quality of specimen preparation. In addition, to improve the accuracy of determining test results, it has implemented a double-check system by pathologists for histopathological testing and employed diagnostic decision support systems for cytological testing.

As a result of these efforts, PCL Japan has acquired various accreditations, including the College of American Pathologists (commonly known as CAP) accreditation.



CAP accreditation certificate

Strengths of PCL Japan

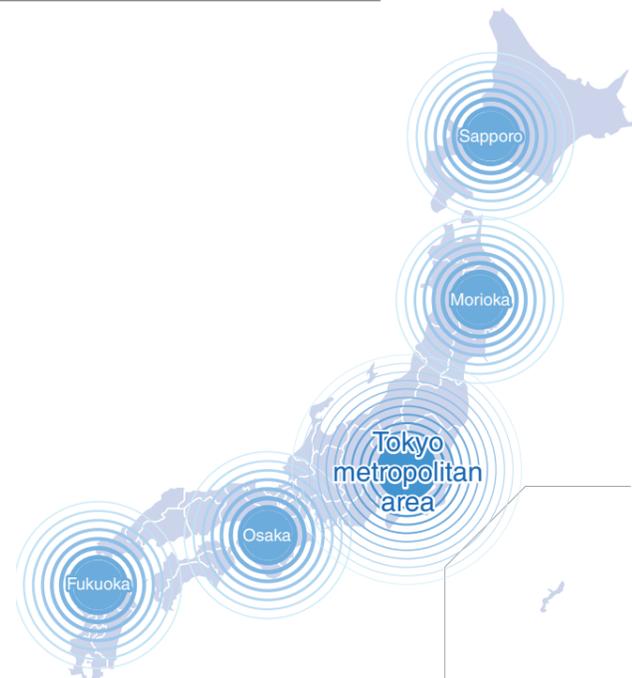
Nationwide laboratory network

PCL Japan handles and processes testing requests from medical institutions in all regions of Japan at 12 laboratories nationwide.

- Tokyo metropolitan area: PCL Japan (Kawagoe), PCL Omiya, PCL Shinagawa, PCL Tokyo (three locations in Suginami-ku), PCL Iidabashi
- Hokkaido region: PCL Sapporo
- Tohoku region: PCL Morioka
- Kansai region: PCL Osaka
- Kyushu region: PCL Fukuoka, PCL Kitakyushu

By establishing laboratories in various regions across the country, PCL Japan is able to respond to requests through a community-based system.

To handle the increasing specimen consignment volume, PCL Tokyo (three locations in Suginami-ku) and PCL Iidabashi will be consolidated and expanded, with plans to move to the new PCL Tokyo (Shinjuku-ku) to be opened in January 2025.



PCL Japan

Message from the President

Our future strategy

Toshiyuki Koreyasu, President of PCL Japan

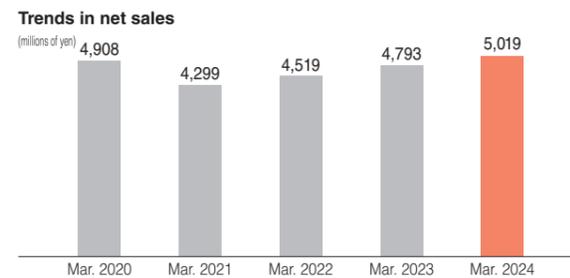
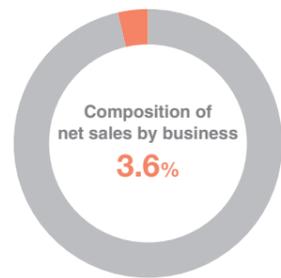
Pathological testing (histopathological and cytological testing) is mainly performed for cancer, and it is becoming increasingly important year by year with the evolution of cancer treatments such as molecularly targeted drugs. It is essential to have excellent specialists and technicians who can handle the increasing sophistication and demand for such tests, so we will continue to focus on expanding our system going forward. Since test results determine medical care, maintaining and ensuring accuracy is a top priority. We will continue the measures we have steadily implemented to improve test accuracy, such as double-checking histopathologic test results by pathologists and introducing a determination support device for cytological test results. In addition, we will continue to actively pursue digital transformation, including digitalization of pathology specimens and the utilization of AI.



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 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

Overview of 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.

Overview of 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.

<p>Hygiene inspections at restaurants</p> <p>Approximately 40,000 restaurants/year</p>	<p>Intestinal bacteria testing (stool testing)</p> <p>One of the largest volumes of specimen processing in Japan</p>	<p>Factory audits (second-party audits)</p> <p>Approximately 1,000 factories/year</p>	<p>Number of JFS standard certifications supported</p> <p>Approximately 500</p>	<p>Food Labeling Test and advanced certificate holders</p> <p>28</p>
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Business Strengths

Business Strength 1 Wide-ranging business domains



One-stop service

A wide range of food safety and hygiene services can be provided by a single company

Transactions with major companies in various businesses and industries



In addition to these, we have extensive experience working with many other companies.

Comparison of the BML Group and competitors' service areas

Consulting Business		Testing Business		
Store inspections	Factory audits, accreditations	Food labeling	Food testing	Intestinal bacteria testing
BML Group				
Company A			Company A	
Company C				
Company D				

Business Strength 2 Network covering all of Japan



Seven locations in major cities nationwide

Head Office and Tokyo Branch Office	Osaka Branch Office
Saitama Laboratory	Osaka Laboratory
Sapporo Branch Office	Fukuoka Branch Office
Nagoya Sales Office	

Hygiene inspections for approximately 40,000 restaurants/year

We are proud to have a leading track record in the industry for conducting restaurant hygiene inspections. We have the capacity to provide reliable services for food and beverage businesses operating multiple restaurants throughout Japan, backed by extensive know-how gained from our many inspections.

Playing active roles by highly specialized and qualified employees

28 employees hold qualifications for the highly difficult Food Labeling Test and other advanced certificates

Number of license and certificate holders

(As of July 1, 2024)

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	17	JFS-GM Program Auditor	8
Veterinarian	1	Food Sanitation Supervisor	30	Food Labeling Test (advanced)	28
Pharmacist	1	PCQI Lead Instructor	2	Food Labeling Test (intermediate)	154
Certified Environmental Measurer	1	ISO 9001 Auditor	2	Food Labeling Manager (advanced)	2
Public Health Laboratory Technician	7	ISO 9001 Provisional Auditor	16	Food Microbiology Laboratory Technician (Class 1)	32
Clinical Laboratory Technician	20	ISO 22000 Lead Auditor	6	Food Microbiology Laboratory Technician (Class 2)	28
Radiation Protection Supervisor	1	ISO 22000 Provisional Auditor	79	Food Microbiology Laboratory Technician (Class 3)	10
General Certified Measurer	2	HACCP Lead Instructor	6	Food Safety Kentei (Intermediate)	28
Textiles Evaluation Specialist	9	JFS-A/B Program Auditor and Reviewer	15	Food Safety Kentei (Elementary)	10
Textiles Advisor	5	JFS-A/B Program Auditor	33	Household Products Sanitation Inspector	1

Business Overview of Food Hygiene Business



One-stop support for food safety and security

Kiyotaka Kohinata,
President of BML Food Science Solutions

Review of the previous Medium-Term Management Plan

▶ Performance, analysis, results, and challenges of the previous Medium-Term Management Plan

The Eighth Medium-Term Management Plan was a three-year plan aimed at recovering from the significant drop in sales caused by COVID-19, which had started in the previous year. We were able to achieve a V-shaped recovery, increasing sales and profits for three consecutive years and reaching record-high sales and profits in the final year of the plan. The plan succeeded due to our efforts to strengthen sales capabilities, including aggressive actions to deepen relationships with existing customers and acquire new ones, along with detailed cost-reduction measures and a focus on human resource development to enhance the organization.

To strengthen our sales capabilities, we have been promoting comprehensive transaction proposals and establishing the use of customer relationship management (CRM). Furthermore, to expand customer touchpoints, we focused on improving the number of inquiries received by using the number of website hits as a benchmark.

For human resource development, our dedicated Education and Training Center systematically developed training programs for new graduate hires, as well as rank- and role-based training, to strengthen our ability to deliver high-quality services.

In addition to these activities, as part of our SDGs initiatives, we obtained the third highest level of "Eruboshi Certification" (a certification system that recognizes companies with outstanding efforts in promoting the active participation of women). We also held food hygiene seminars for operators of children's cafeterias nationwide through the Certified Nonprofit Corporation Nationwide Children's Cafeteria Support Center, Musubie.

Our business strategy in the new Medium-Term Management Plan

▶ Awareness of the current environment

After COVID-19 was reclassified as a Class 5 infectious disease, inbound and other flow of people have made a rapid comeback, bringing the retail, lodging, and food and beverage service industries closer to a full recovery of their former vigor. At the same time, consumers remain highly concerned about safety and security. It is also necessary to consider how corporate activities can be impacted by the growing ability of individuals to disseminate information through social media, which is becoming increasingly widespread. Companies are reevaluating the importance of measures to address foreseeable risks and prevent problems and accidents. Increasingly, companies view these actions not just as a cost but as an essential investment to maintain public trust, and are approaching them proactively and strategically.

The industry is also impacted by labor shortages, a challenge faced by Japanese society as a whole. In addition to a labor market that is actively recruiting non-native speakers of Japanese and inexperienced workers, the increase in part-time workers due to the diversification of employment types has further increased the importance of education and training. We also sense that our customers' needs for this business have entered a new stage.

▶ Vision of this business during the new Medium-Term Management Plan period and explanation of the business strategy

In the new Medium-Term Management Plan, we will continue to focus on growth investments and steady top-line growth in order to increase shareholder value. The construction and integration of the Saitama Laboratory were completed in May 2024, expanding our testing capacity. In addition, we will further strengthen our human resource development system by utilizing the laboratory's training facility that was scheduled for completion in October 2024.

▶ How to demonstrate our strengths against focused measures

We will focus on maintaining and strengthening relationships with existing customers while acquiring new customers by leveraging our comprehensive capabilities and nationwide network, which are the strengths of this business.

Taking advantage of the expanded testing capacity at the Saitama Laboratory, which will become a new strength, we will focus on increasing the number of tests processed, including food preservation tests and stool tests, where demand is growing.

▶ Commitment to achieving our strategies

The previous Medium-Term Management Plan covered a three-year period of unprecedented crisis for the food and beverage industry, including the spread of COVID-19 and the declaration of a state of emergency. However, even in the midst of such a crisis, many of our customers told us, "It is precisely because of this situation that we cannot afford any accidents." This made us keenly aware of the strong demand for food safety and security.

During the period of the new Medium-Term Management Plan, we expect the food and beverage industry to perform well, and anticipate that customers will increasingly seek higher standards in food hygiene management systems. By fully leveraging BML's strengths, we will continue working to meet our customers' needs with a strong sense of purpose.

▶ Organizational management and human resource development aimed as the head of the business division to realize the strategy

We believe that our business model is unique in the industry as it is consulting-based and does not involve the sale of goods. Therefore, we recognize that human resource development is the key to our business. In addition to ensuring that all staff members acquire broad and in-depth professional knowledge, we are placing particular emphasis on further developing the management team, who play a central role in organizational operations. Specifically, we will enhance training for managers and leaders, clarify the role of leaders with a *Leader's Handbook*, and focus on strengthening organizational capabilities by improving management skills.

Medium- to long-term business vision

▶ Medium- to long-term business vision

More and more of our customers in the retail, lodging, and food and beverage service industries are actively pursuing overseas expansion. As a new business, we will work diligently to establish ideal food hygiene management systems and provide services overseas. We also aim to further expand our services through the active use of digital technologies that are making remarkable progress every day.

Business Overview of Food Hygiene Business

Business Strength 1 Wide-ranging business domains

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.



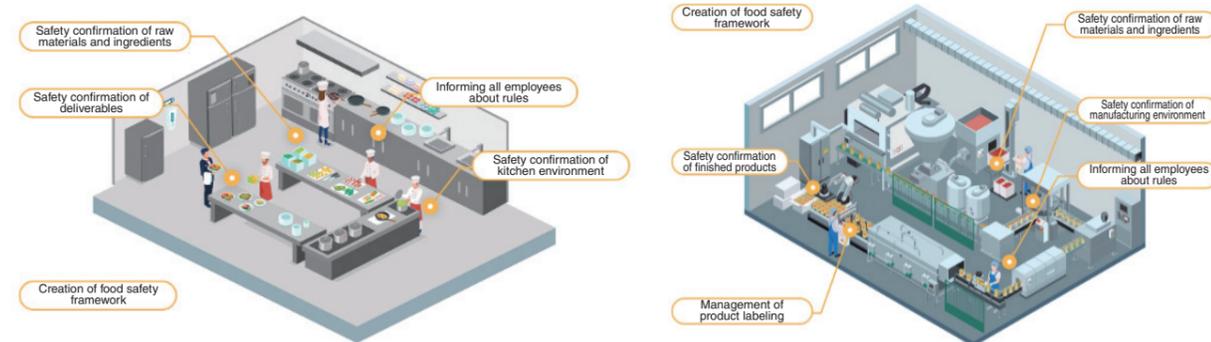
Covers all aspects of testing, store inspections, factory audits, accreditations, and food labeling

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.



Aiming to provide testing services in response to global changes

In recent years, society has undergone significant changes in many areas. As we operate in a field closely connected to food, a vital component of healthy lives, we must be highly responsive to global changes. In May 2024, we expanded our main laboratory in Kawagoe and started the new Saitama Laboratory. In order to respond to the requests of more customers at the new laboratory, we are promoting efficiency and labor-saving measures to conduct more tests every day. Furthermore, in addition to testing services, we have started providing technical consulting and skill verification services for our own laboratories in response to strong customer demand. Going forward, in order to respond to increasingly diverse requests, we will continue to provide services that contribute to food safety and, by extension, to the health of consumers through our testing technologies.

Message from the Business Manager



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

Business Strength 2 Network covering all of Japan

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



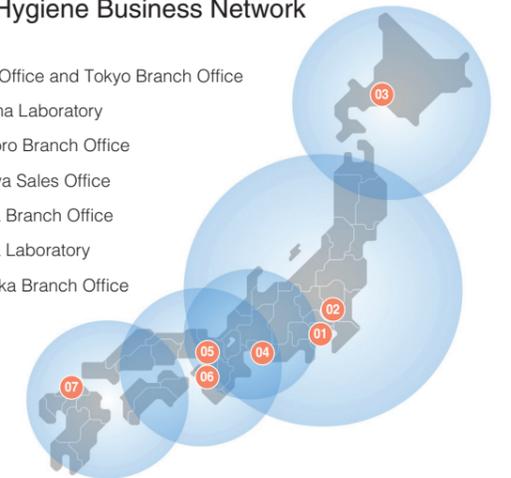
Food hygiene business locations in major cities

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 Laboratory
- 03 Sapporo Branch Office
- 04 Nagoya Sales Office
- 05 Osaka Branch Office
- 06 Osaka Laboratory
- 07 Fukuoka Branch Office



Obtained ISO/IEC 17025 laboratory accreditation

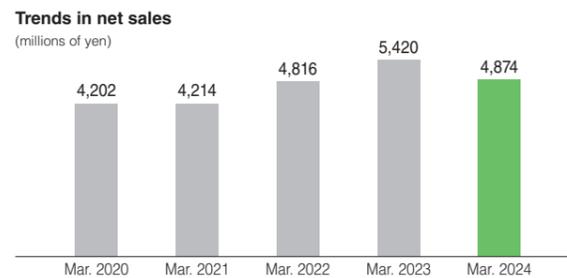
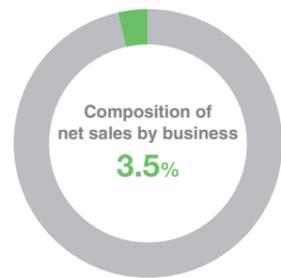
The Saitama Laboratory is accredited as a laboratory that complies with ISO/IEC 17025, an international standard for laboratory competence, in the fields of analytical testing for standard plate counts, coliforms, and nutrient analysis (including moisture, ash, protein, fat, carbohydrates, sodium, and caloric value) in food. BML conducts testing under a reliable quality control

system recognized by this accreditation system, from the time we receive the specimens to the time we report the results. In addition, results reports from ISO/IEC 17025 accredited laboratories can fulfill the requirements of FSSC 22000, and results from these accredited laboratories are internationally recognized as reliable.

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 digitalization.



Overview of Business

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

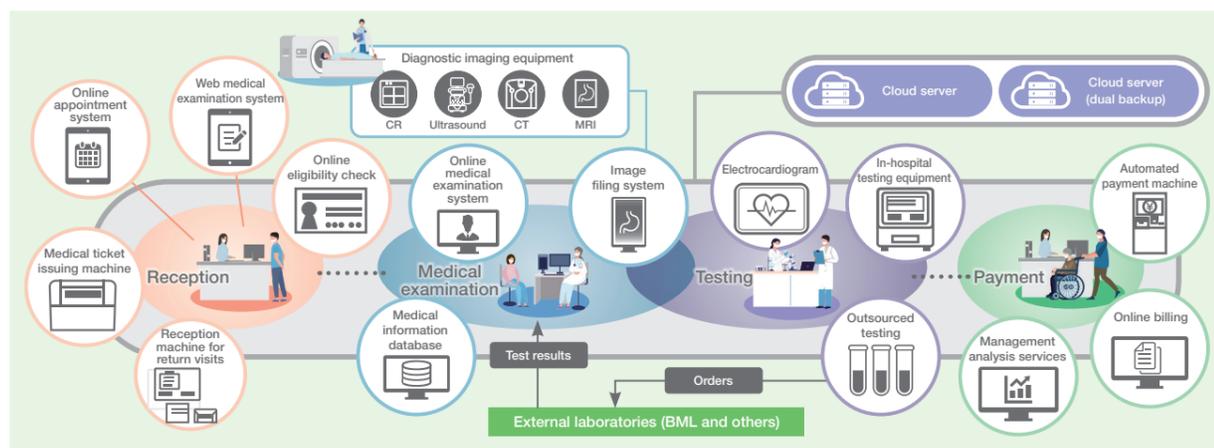
After the Ministry of Health, Labour and Welfare approved the electronic storage of patient charts in 1999, BML developed and launched Medical Station, an electronic patient chart system for clinics, in April 2000, and Qualis, an electronic patient chart system for clinics without beds, in April 2011.

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.



Qualis Cloud Strengths

Business Strength 1 Various functions made possible



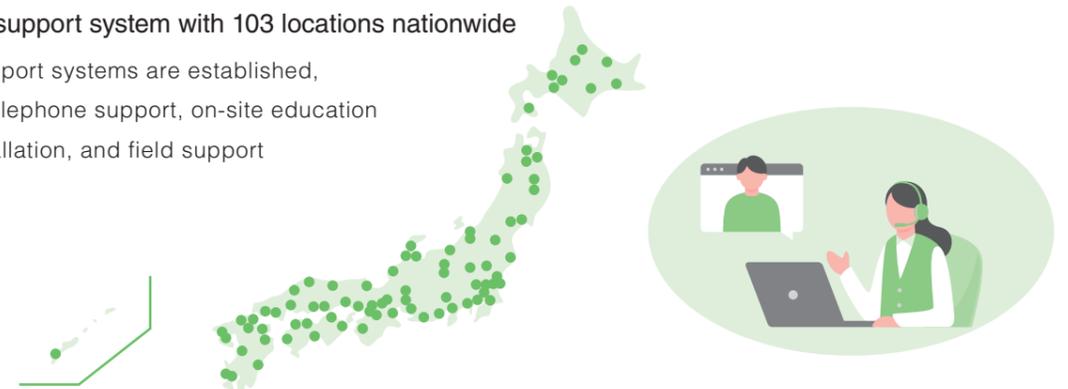
- Highly customizable
- Diverse support functions are installed
- More than 200 types of devices can be linked

Business Strength 2 Completion of support system by the support center



Extensive support system with 103 locations nationwide

Various support systems are established, including telephone support, on-site education during installation, and field support



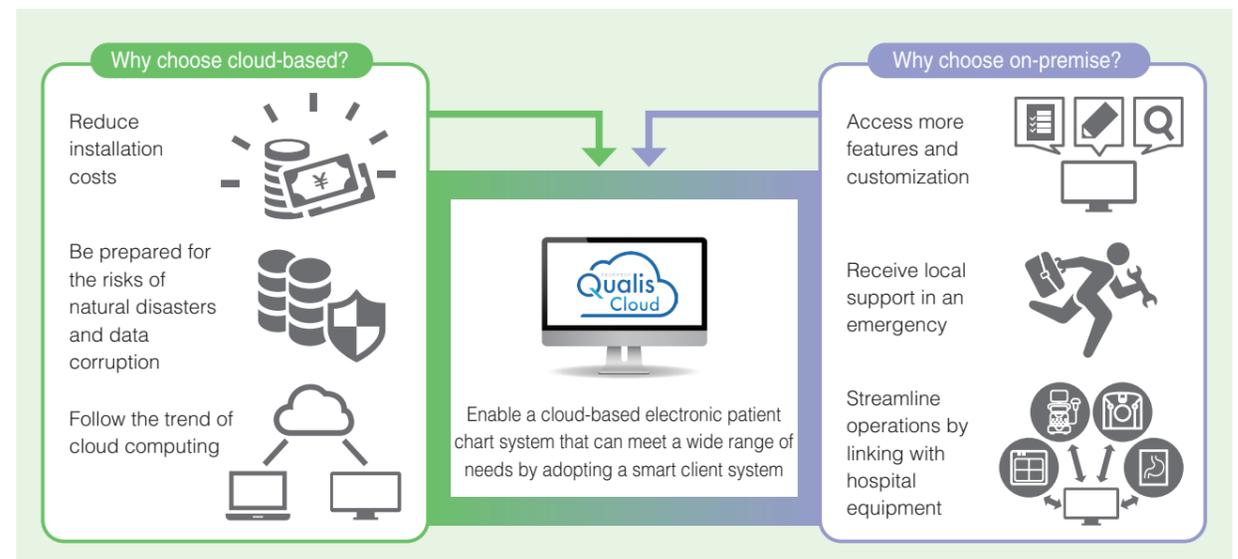
Business Strength 3 Makes thorough security measures possible



- Complies with government guidelines



- Acquisition of ISO 27017



Business Overview of Medical Informatics Business

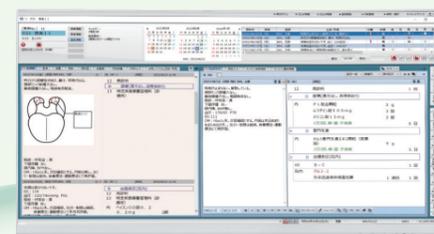


Driving solution sales activities in line with customer needs

Toshihiro Yanoma,
General Manager, Medical Informatics Sales Department

Overview and vision of the medical informatics business

In recent years, boosted by the Medical DX Vision 2030, a goal set by the 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," "digitization 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 likely to become increasingly important. As we mark the 25th year since the start of the business, we have built up trust and achievements through our core clinical testing business. From daily medical examination to the medical DX, platform, we will leverage this legacy, prioritize quality and trust, and provide products and services in order to further promote our brand philosophy.



クオリス
Qualis
Medical Station

クオリスクラウド
Qualis
Cloud

Medical Station
メディカルステーション クリニック
CLINIC

The previous Medium-Term Management Plan and recognition of challenges

In April 2022, BML began marketing the "Qualis Cloud," a cloud-based electronic patient chart system. This was the biggest event during the previous Medium-Term Management Plan period. In addition to seeking new orders to increase our 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 by strengthening cooperation with sales companies, enhance promotion activities through social media, and actively implement sales strategies including the development of non-contact sales in light of the COVID-19 pandemic, we achieved record-high results, thanks to special demand related to healthcare system reforms. On the other hand, the rapid expansion of business operations overshadowed the maintenance and support system for high quality and trust. We viewed this situation as a serious crisis and decided to temporarily stop receiving new orders for "Qualis Cloud" in the final year of the previous Medium-Term Management Plan, despite its popularity which far exceeded our expectations. It is our top priority to maintain a high level of quality and trust as well as provide support for all BML electronic patient chart system users, thus making the restructuring of our organizational structure and business operations paramount.

The new Medium-Term Management Plan and medium- to long-term business strategies

During FY2024, the initial year of the new Medium-Term Management Plan period, we will work to overcome the issues that emerged during the period of the previous plan, regain the maintenance and support system for high quality and trust, and resume sales of the "Qualis Cloud." The sales suspension period has taught us that there is a strong customer base for on-premise "Qualis." Depending on the type and scale of medical practice and other conditions, the on-premise version is more suitable for our customers. Our wide product lineup flexibly meets customer needs at the time of opening new businesses or expanding the type and scale of medical services, which allows stress-free transfer from one product to another. Going forward, we will build a sales system that can leverage these strengths to drive our solution sales activities in line with customer needs. To achieve sound business expansion backed by trust from our customers, we will further step up our efforts to solidify the appropriate organizational structure, manage business operations, and develop human resources who create such a corporate climate.

Message from a call center staff member

Introduction of the electronic patient chart system and efforts to ensure stable operation

The introduction of the electronic patient chart system can significantly reduce the time and burden of data entry and documentation, leading to increased work efficiency within medical institutions. Qualis is designed to be intuitive, but it may take some time for users to get used to the system. In addition, we are aware of the possibility of system failures, malfunctions, power outages, disasters, and other issues. Therefore, our support center is committed to remotely providing prompt and appropriate operational instructions and other services to make sure that customers fully benefit from what the electronic patient chart system can offer.

We also strive to improve our knowledge on a daily basis so that we can respond flexibly to new initiatives such as revisions to reimbursement for medical service fees and the promotion of medical digitalization.



Hiromi Kawaguchi
Support Section, Head Office

Business Overview of Medical Informatics Business

Evolving Electronic Patient Charts

Decline of resources for paper patient charts

At one time, the introduction of an electronic patient chart system 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.

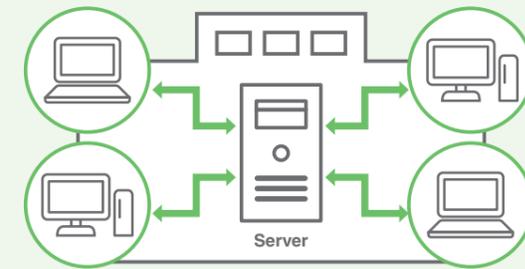


Transition from paper patient charts to electronic patient charts

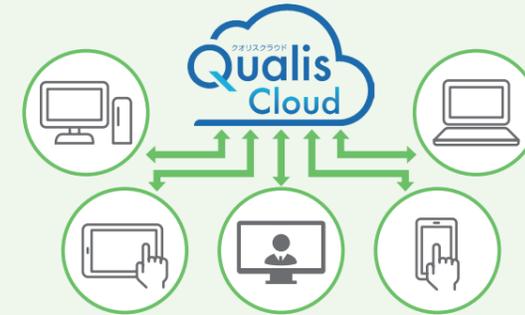
▶ Paper patient charts

- 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



Development of electronic patient charts that contribute to medical digitalization

BML began selling electronic patient chart systems for clinics in April 2000, and has developed various functions to date. In the past few years, various services have been introduced to Japanese medical service scenes based on the Medical DX Vision by the Ministry of Health, Labour and Welfare. The most well-known case is perhaps the system that verifies insurance using an Individual Number Card, but electronic prescription arrangements and systems to check prescriptions at other hospitals have also been released along with other features. In the future, healthcare information in general will be increasingly digitalized and more widely used, including in the area of preventive medicine such as the Maternal and Child Health Handbook and vaccinations.

Electronic patient chart systems are indispensable for medical institutions to provide medical care. As a development division, we will continue to develop functions that help drive medical digitalization not only in Japan as a nation but also at each local medical institution.

Message from a developer



Miwa Yuasa,
Deputy General Manager,
Electronic Patient Chart Department

Qualis Cloud Strength 1 Various functions made possible



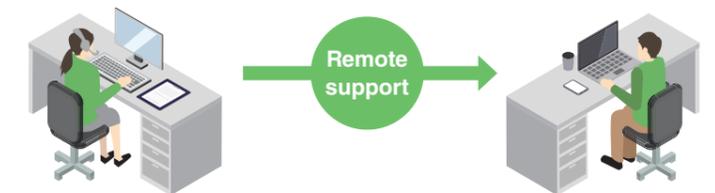
Various support functions are installed to provide an optimal user experience for each medical examination situation. From simple to complex operations, it is highly customizable, which was previously thought to be impossible with a cloud-based product.



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 ISO 27017

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.



Message from the Vice President

Accelerating sustainability management

Nobuki Arai,
Representative Director and Vice President



Revision of the Basic Sustainability Policy

Background and intent of the revision

In line with its Policy of “Dedication to creating a healthy and cultured society,” the BML Group is committed to realizing a sustainable society while enhancing corporate value. In September 2022, we established the Sustainability Committee and set forth our Basic Sustainability Policy, addressing areas like CO₂ reduction, TCFD endorsement and disclosure, and the identification of materiality alongside KPI setting. To further support our goals of realizing a sustainable society and creating corporate value, we recognized the need to update our Basic Sustainability Policy to better align with our Policy and materiality in light of the evolving external environment and societal challenges.

Details of the revision

In the review, we reaffirmed our desire to contribute to the missions that form the core of BML’s business activities: “creating a healthy and cultured society,” “medical laboratory experience,” and “improving medical services and health.” In contributing to society, we emphasized our intent to actively address societal needs and issues by leveraging our foundation in medical testing technology. For ESG, we structured the policy to reflect key materiality categories, ensuring consistency with our materiality framework. Finally, in response to rising social needs, we now also emphasize building partnerships within a sustainable supply chain.

Internal implementation measures

To bring the revised Basic Sustainability Policy into practice, it is crucial that this policy becomes ingrained within the company and inspires employees to act collectively and willingly. Internal awareness measures include using our in-house newsletter to feature multiple introductory messages from me on the importance of diversity and sustainable management. Additionally, we

are sharing information in various forms, such as a series of interviews with female managers as part of our initiatives to promote the active participation of women, and articles on environmental contributions, including BML’s donations for installing charging stations in local communities and the adoption of electric vehicles (EVs). In terms of training, we continue to offer regular sessions on diversity, human rights, and SDGs through both in-person and online formats. For directors, we are running workshops on the identification of materiality and setting of KPIs, and as of FY2024, we are linking non-financial KPI evaluations to director compensation to further accelerate our sustainability management efforts.

Setting non-financial KPI targets for the new Medium-Term Management Plan

Background to the setting of non-financial goals and KPIs

Today, achieving sustainable growth requires companies to fulfill responsibilities toward environmental and social issues. Additionally, managing risk and identifying strategic opportunities are essential, as is adapting to stricter regulations and reporting standards. By establishing non-financial goals and KPIs, we aim to reduce our environmental impact, fulfill our social responsibilities, strengthen our governance, and implement sustainable business with transparency.

Progress on our materiality initiatives

BML has identified 13 material issues, with nine directly related to ESG and four that address the characteristics of our business. Specific KPIs have been established for each material issue, along with the target fiscal years for achieving the objectives, to measure progress. The target fiscal years for achieving the objectives do not necessarily align with the final year of the new Medium-Term

Management Plan, but are managed individually in relation to their progress and relevance within the new Medium-Term Management Plan. Although some initiatives are slightly behind schedule at present, catch up efforts are underway, and we do not anticipate major issues.

Challenges and improvement measures for our materiality

As the previous fiscal year marked our first year of implementation, progress was steady, particularly against targets set for completion within the fiscal year itself. However, many targets are aligned with the final year of the five-year plan, making annual progress management essential. To address this, we are planning training to raise awareness of materiality among employees and, beginning in FY2024, will link non-financial KPI evaluations to director compensation, fostering progress through both bottom-up and top-down approaches.

On climate change

Climate change and energy management are listed as two material issues; however, as their content overlaps, we have consolidated them under climate change, with a total of four KPIs. The first is a 25% reduction in Scope 1+2 CO₂ emissions by 2030, compared to FY2021 levels, primarily driven by measures such as sourcing renewable energy, implementing solar power generation and high-efficiency heat sources, and transitioning fuel-driven vehicles to eco-friendly vehicles. Next, to support Scope 1+2 emissions disclosure and set Scope 3 emissions targets, we have begun securing third-party assurance. Finally, to achieve carbon neutrality by 2050, we are working on a medium- to long-term road map.

Supply chain management policy and future initiatives

At BML, supply chain management focuses on upstream procurement from suppliers, as downstream activities primarily involve data provision to clients. Based on this year’s Basic Sustainability Policy and the Ten Principles of the UN Global Compact, we have established the

BML Group Sustainable Procurement Policy along with sustainable procurement guidelines for both the BML Group and our business partners. Looking ahead, we plan to implement a Self-Assessment Questionnaire (SAQ) and will begin assessments gradually, starting with our primary suppliers.

Sustainability Committee

Agenda and initiatives for FY2023

The primary agenda items for the FY2023 committee included evaluating new measures and considering concrete proposals to reduce CO₂ emissions, addressing human rights, revising the Basic Sustainability Policy, and formulating a sustainability road map. Specific initiatives for CO₂ reduction included initiating the use of renewable energy, launching a pilot program for transitioning fuel-driven vehicles to EVs, developing and implementing a plan to transition to hybrid vehicles (HVs), and establishing a system for chemical recycling of plastic waste. We disclosed our human rights policy and our human rights issues and promotion system, and conducted training. As noted, we also formulated a road map for seven material issues to be addressed by 2030.

Challenges in FY2023 and key measures for FY2024

In FY2023, we initiated plastic recycling and obtained ISO 14001 certification. Key measures for FY2024 will include advancing our CO₂ reduction initiatives and exploring new measures, establishing sustainable procurement policies and guidelines as part of our supply chain management strategy, developing and implementing a Self-Assessment Questionnaire (SAQ) for suppliers, and preparing guidelines for price negotiations in response to directives from the Japan Fair Trade Commission. We have also begun coordinating with a certification body to secure third-party assurance for our CO₂ reduction volume.



Nami Takenaka
Chief of Sustainability
Secretariat

Dedicated to driving sustainability

The Sustainability Secretariat supports BML’s sustainability management from an operational standpoint. Its responsibilities include gathering sustainability-related information, analyzing and disclosing non-financial ESG data, and proposing and driving sustainability measures, such as reducing CO₂ emissions.

While the department, having only been established about two years ago, is in its infancy, the world’s values around sustainability have already undergone rapid change, and societal expectations around corporate sustainability initiatives have risen accordingly. With a firm commitment to keeping pace with this trend, we aim to elevate BML’s corporate value through our proactive sustainability efforts.

Message from the Chief

Sustainability Management

Rationale for Reviewing the Basic Sustainability Policy

In line with the Policy of “Dedication to creating a healthy and cultured society,” we, the BML Group, have been committed to realizing a sustainable society while enhancing corporate value. To further promote sustainability management, we have decided to review the Basic Sustainability Policy, following the identification of materiality and the establishment of KPIs for FY2023. As part of this review, we updated the content to reflect current times and needs, revisiting the BML Group Policy and considering changes in the external environment and social issues surrounding the BML Group, as well as social demands. Going forward, we will advance our sustainability initiatives with a specific focus on materiality to implement sustainability management in accordance with this Basic Sustainability Policy and other individual policies, while respecting dialogue with stakeholders.

Basic Sustainability Policy

In line with the Policy of “Dedication to creating a healthy and cultured society,” we, the BML Group, have sought to improve medical services and health through the latest technologies, systems, and service networks based on our extensive clinical laboratory experience. Under this Policy, we will strive to realize a sustainable society and enhance our corporate value. We will advance our sustainability initiatives in accordance with this Basic Sustainability Policy and other individual policies, while respecting dialogue with all stakeholders, including customers, business partners, shareholders and investors, employees, and local communities.

Sustainability education

Since the full implementation of sustainability management, we have offered various e-learning training programs on sustainability, in addition to sharing Group initiatives with employees through our in-house newsletter.

The main training agendas for FY2023 are outlined in the table below.

Main training agendas implemented in FY2023

Month	Agenda	Target
June	Health management training	Managers and general employees
September	Mental health training	Managers and general employees
	Line-care training	Managers, branch managers and laboratory directors
October	Nursing care training	Officers, managers, and general employees
	Line-care training	Managers, branch managers and laboratory directors
	Human rights training (1)	Officers, managers, and general employees
November	Human rights training (2)	Officers, managers, and general employees
	Diversity training	Officers, managers, and general employees
December	Ikubosu (family-friendly boss) training	Officers and managers
January	SDGs training	Managers and general employees

1 Commitment through the creation of a healthy and cultured society

- We contribute to the improvement of medical services and health by developing high-quality, high-value-added businesses based on our extensive clinical laboratory experience.
- We contribute to the development of regional medical services and communities by providing clinical testing anytime and anywhere, with accuracy.
- We boldly take on the challenge of creating new value by accurately understanding the diversifying needs of customers and social issues.

2 Preservation of the global environment

- We work to preserve the global environment in all stages of our business activities by providing testing services that address greenhouse gas emission reduction, water resources, biodiversity, and other environmental concerns, in order to realize sustainable society that cares for people and the earth.

3 Realization of a rewarding and dynamic organization

- We promote diversity, equity, and inclusion to create a workplace environment where employees can work in a fair setting while respecting and recognizing diversity.
- We strive to foster a corporate culture in which employees can work in good health, safety and comfort.
- We strive to develop human resources by providing educational and training opportunities, while valuing employees' ambition to improve, with the goal of nurturing a creative and dynamic organization.
- We respect the human rights of all people affected by our business activities.

4 Establishment of trust from stakeholders

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

Relevant materiality

- Development of high-quality, high-value-added business
- Contribution to medical care



- Response to climate change



- Realization of a rewarding workplace
- Respect for human rights



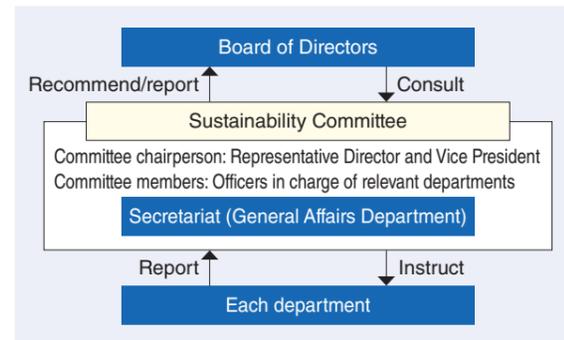
- Strengthening of governance



Sustainability Management

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 FY2023

	Major items	Contents
June	Environment	Consideration of specific measures for reducing CO ₂ emissions
	Business	Establishment of materiality KPIs
	Society	Formulation of human rights policy
September	Environment	Revision of environmental policy Consideration of specific measures for reducing CO ₂ emissions
	Society	Implementation of human rights training
December	Environment	Consideration of specific measures for reducing CO ₂ emissions (progress)
		Initiative to recycle waste plastic
		Progress on the deployment of ISO 14001
March	Business	Formulation of a road map
	Environment	Consideration of specific measures for reducing CO ₂ emissions (progress) Initiative to recycle waste plastic (progress)
	Society	Formulation of a road map (report on the results) Collaboration with local communities

SDGs initiatives

The BML Group will promote various initiatives for the development and growth of a sustainable society under the Group Vision to become the most trusted choice in the medical world.”

The BML Group's initiatives to contribute to the SDGs

3 GOOD HEALTH AND WELL-BEING <ul style="list-style-type: none"> Introduction of an ambulance through the use of donations to Kawagoe City 	4 QUALITY EDUCATION <ul style="list-style-type: none"> Supporting medical education through the use of donations to foundations Holding laboratory forums 	7 AFFORDABLE AND CLEAN ENERGY <ul style="list-style-type: none"> Replacing company vehicles with EVs/HEVs Introduction of EVs and EV charging stations through the use of donations to Kawagoe City
8 DECENT WORK AND ECONOMIC GROWTH <ul style="list-style-type: none"> Rollout of DRS Internalizing outsourced operations 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE <ul style="list-style-type: none"> Spreading cloud-based electronic patient charts Rollout of B-Liner 	11 SUSTAINABLE CITIES AND COMMUNITIES <ul style="list-style-type: none"> Opening daycare centers to the public Promoting environmental beautification activities in local communities
12 RESPONSIBLE CONSUMPTION AND PRODUCTION <ul style="list-style-type: none"> Recycling plastic 	13 CLIMATE ACTION <ul style="list-style-type: none"> Measures to enhance the resilience of the BML General Laboratory Installation of solar power generation systems 	17 PARTNERSHIPS FOR THE GOALS <ul style="list-style-type: none"> Strengthening alliances (lab operations and system development)

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. We will also promote various initiatives aimed at development and growth.

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

Materiality

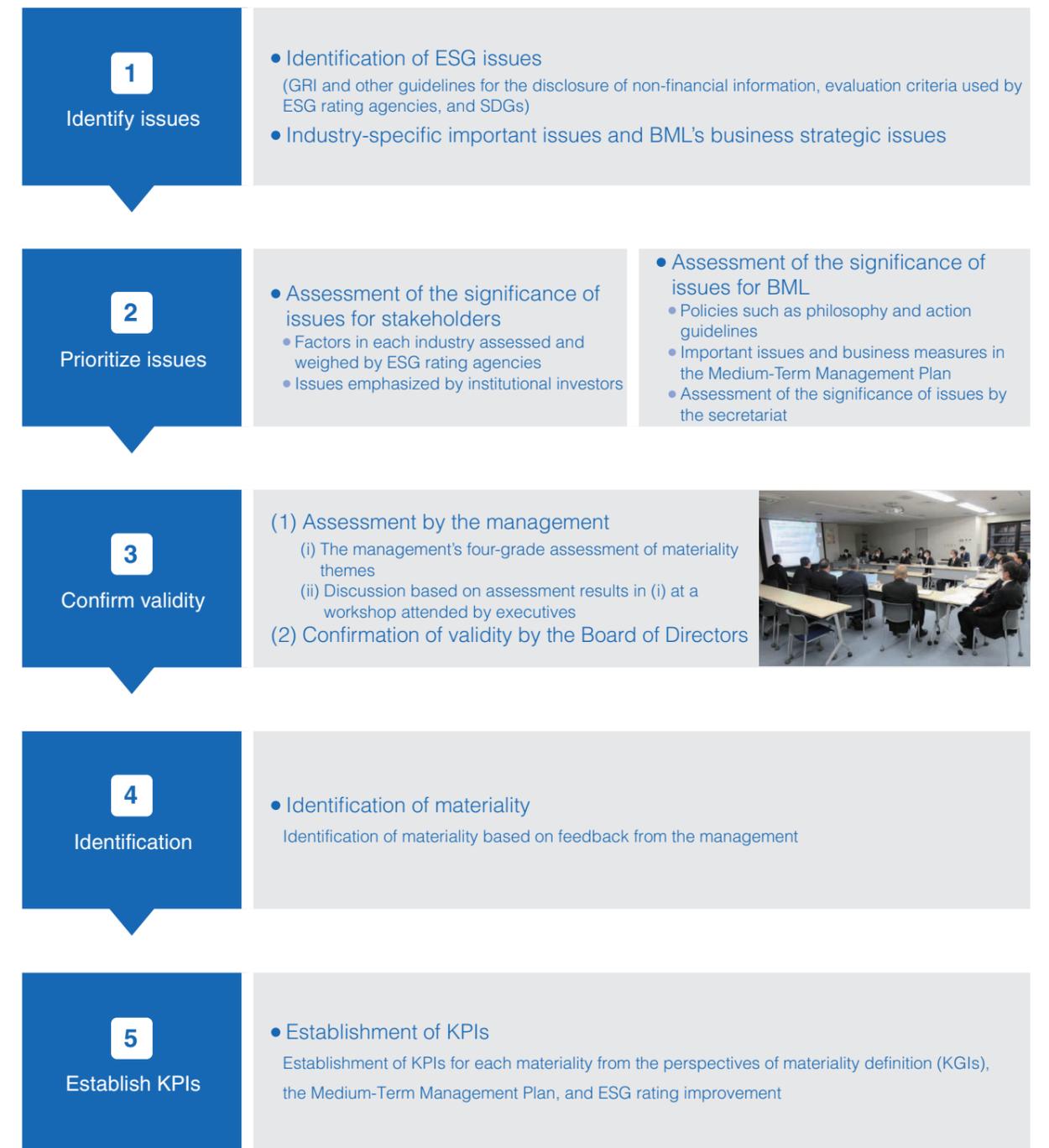
BML's Materiality

In line with its Policy of "Dedication to creating a healthy and cultured society," the BML Group pursues initiatives in six categories to achieve sustainable growth with the society. Each materiality theme has a target and its enhance its corporate value, contribute to the achievement of the SDGs, and contribute to the building of a

through its business activities to realize an affluent society. In 2022, it has identified 13 material issues (materiality) progress is monitored. Going forward, we will continue to work to solve social issues through its business, 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	Diversity, equity, and inclusion	Embracing the diversity of all employees with diverse personalities and backgrounds in gender, nationality, age, culture, and belief to create a comfortable working environment	5, 10, 16	
	Realization of a rewarding workplace	Employment and development of human resources Pursuing 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	8	
	Employee health and safety	Promoting initiatives to manage labor safety based on laws and regulations and improve the health of employees so that employees who support the root of business activities can continue to work safely and with peace of mind	3	
G Governance	Respect for human rights	Respecting the human rights of all relevant people including employees and business partners, and through this initiative, creating a comfortable working environment	10, 16	
	Strengthening of governance	Compliance with laws and regulations, collecting information on the enactment or revision of them, and promptly comprehend entailed risks and devise countermeasures to continue to gain trust from society With the strengthening of corporate governance positioned as an important management issue, enhancing the transparency and speed of decision-making, strengthening management functions, and promptly responding to changes in the business environment to realize "the most trusted choice in the medical world." Strengthening protection and management of customer information and taking thoroughgoing measures against an infringement on individual customers' privacy	16, 16, 12	
Business	Development of high-quality, high-value-added business	Quality Improvement Working to bolster and improve quality control to provide services that customers and patients consider safe and reliable	3, 12	
	DX (digital transformation)	Enhancing sales capabilities	Strengthening the development of "sales human resources" who seek to foster communication with people involved in medical care in an effort to expand and deepen its customer base	3, 9, 17
		Contribution to medical care	By building a resilient infrastructure in addition to carrying out improvement and reform using IT technology toward continuous corporate growth, aiming to be a sustainable and highly competitive company	9
	Contribution to medical care	Contribution to medical care Contributing to the development of medical services and healthy lifestyles for people by addressing challenges existing in medical services and responding to customer needs	3, 9	



Materiality

List of materiality and KPIs

Materiality categories	Materiality	Definition	KPIs	Goals (quantitative/qualitative)	Fiscal year by which to achieve goals	Progress in FY2023	Main initiatives	Related SDGs
E Environment 	Response to climate change	Climate change 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.	Reference CO ₂ emissions in FY2021 Reduction of Scope 1 + 2 emissions	A reduction of 25%	FY2030	<ul style="list-style-type: none"> Switched 30% of the electricity consumption in the BML General Laboratory to renewable energy-derived electricity Replaced 20% of the vehicles for sales, collection, and delivery with HEVs and PHEVs Introduced two EVs; convenience currently under evaluation 	<ul style="list-style-type: none"> Increase the ratio of renewable energy-derived electricity introduced at our main BML General Laboratory to 70% by 2030 Increase the ratio of renewable energy-derived electricity introduced at core laboratories to 4.4% by 2030 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 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 	  
			Reference CO ₂ emissions in FY2021 Reduction of Scope 3 emissions	Disclose emissions Set an emissions reduction target	FY2025 FY2026	Calculated Scope 3 emissions for FY2021–FY2023 Planned to calculate Scope 3 emissions for FY2024 and disclose the results following third-party verification	<ul style="list-style-type: none"> Consider a target range and approaches, and disclose emissions Set a medium-term Scope 3 target 	
		Energy management Energy sources such as coal, oil, and natural gas, which humans have relied on until now, can lead to the emission of GHGs, 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.	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	Completed a draft road map; details and investment costs currently under discussion	<ul style="list-style-type: none"> Set medium- to long-term targets and formulate a road map for achieving carbon neutrality by 2050 and disclose them 	
S 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	12.8%	<ul style="list-style-type: none"> Affirmative action for female employees who are candidates for management positions (selective education + promotion to management positions) Enhance the development of human resources for the next generation irrespective of gender The percentage of women promoted to management positions is 30% or higher in every fiscal year 	  
			Rate of reinstatement after childcare leave	Keep it at 100%	Every year	100%	<ul style="list-style-type: none"> Follow-ups to employees on administrative leave Interviews with those reinstated, career seminars 	
			Childcare leave utilization rate by gender	Women: Keep it at 100% Men: 80%	Women: Every year Men: FY2029	Women: 109.0% Men: 88.9%	<ul style="list-style-type: none"> Encourage men to take childcare leave Education for managers 	
	Realization of a rewarding workplace	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	Full-time employees: 13.5 hours/year Managers: 19.1 hours/year	<ul style="list-style-type: none"> Rank-based training 	
			The rate of attendance at training	100%	FY2027	99.3%	<ul style="list-style-type: none"> Follow-ups to those who have not attended 	
		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	12.0 days or more	FY2025	12.3 days	<ul style="list-style-type: none"> Encouragement to take successive five days of paid leave Introduce a system to allow the taking of paid leave in units of hours 	
	Realization of a rewarding workplace	Employee health and safety	Percentage of employees receiving regular health check-ups	Keep it at 100%	Every year	100%	<ul style="list-style-type: none"> Regular follow-ups by occupational physicians or nurses 	
			Percentage of employees receiving stress checks	80%	FY2025	87.4%	<ul style="list-style-type: none"> 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 	
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	Establish Sustainable Procurement and the Sustainable Procurement Guidelines, which incorporate human rights considerations Planned to conduct supplier compliance assessments and monitoring once the promotion system is in place	<ul style="list-style-type: none"> Investigation regarding human rights in the Company and supply chain 	 	
The rate of attendance at training in human rights	100%	FY2025	Conduct human rights training for all employees (e-learning)	<ul style="list-style-type: none"> Scrutinize training levels and contents, select trainees, and conduct training in FY2023 Conduct training every year going forward 				

Materiality

Materiality categories	Materiality	Definition	KPIs	Goals (quantitative/qualitative)	Fiscal year by which to achieve goals	Progress in FY2023	Main initiatives	Related SDGs
G 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"> Conduct compliance training every six months Keep the rate of attendance at 100% (except employees on administrative leave and employees on leave) 	Every year	Conducted twice a year, with sessions scheduled for August and February in FY2024 Completed all sessions in previous fiscal years	<ul style="list-style-type: none"> The Risk Management Department collects information on the enactment or revision of laws and regulations and comprehends contents Comprehend entailed risks posed to BML and consider countermeasures Create training contents containing enacted or revised laws and regulations to help raise employees' awareness of compliance 	
			Conducting compliance self-audits	<ul style="list-style-type: none"> Conduct compliance self-audits every quarter Report to and deliberate with the Compliance Committee 	Every year	Conducted four times a year Implementation rate: 100%	<ul style="list-style-type: none"> 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 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 Report the status of compliance to the Compliance Committee and conduct deliberations 	
	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.	—	—	—	Under consideration: strengthening supervisory capabilities (strengthening the governance structure), including ensuring that a majority of the Board of Directors consists of Outside Directors	<ul style="list-style-type: none"> Strengthen supervision capability of the Board of Directors by multiple Outside Directors Strengthen supervision capability of the Board of Corporate Auditors by multiple Outside Corporate Auditors 	
	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	Completed in FY2023	<ul style="list-style-type: none"> Introduce EDR on all PCs in the Company Build a system to periodically conduct targeted email attack training Stop using the PPAP transmission method for email attachments 	
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	On track for completion by FY2024 As of July 2024, 64% of data exchange systems using USB memory have transitioned to online platforms, 15% have adopted highly encrypted USB memory, and the remaining 21% are in negotiations.	<ul style="list-style-type: none"> Change to online data exchange to the extent possible If USB memory is used for customer's convenience, only highly-encrypted USB memory is permitted 		
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 services 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	Achievement rate in FY2023: 15.8%	<ul style="list-style-type: none"> Select manufacturers by field Make a five-year introduction plan Update equipment based on the introduction plan, aiming to reach the plan execution rate 	 
			The number of after-graduation qualification holders (technologist and others)	20% or more in 2026 30% or more in 2028	FY2028	31.5% in FY2023	<ul style="list-style-type: none"> Encourage laboratory personnel who has been at BML (nonconsolidated) for no more than three years since joining the Company to obtain an after-graduation qualification Establish a training system to promote the attainment of qualifications 	 
	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	In FY2023, nine persons in the Division obtained the certification In FY2024, we expanded the range of designated personnel, setting a target of two persons in the Division and five in the Kanto and Kansai regions, aiming for the certification.	<ul style="list-style-type: none"> Increase the number of qualification holders by 15 or more every year In FY2023, as a trial, eight persons in the Division are designated to aim at obtaining the certification In FY2024, we will expand the range of designated personnel and designate persons in the Division as well as new employees 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 	  
			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	Reinforced 14 telephone support and ten maintenance personnel in FY2023 Implemented interactive voice response (IVR) and an automated response history recording tool on a test basis, while assessing their cost-effectiveness Adopted measures to limit the number of incoming calls as a regular responsibility of the instructor position	<ul style="list-style-type: none"> Reinforce telephone support and maintenance personnel within FY2023 Improve operational efficiency by adopting interactive voice response (IVR) and an automated response history recording tool Seek measures to reduce the number of incoming calls 	  
			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	Conducted 25 training sessions in FY2023 and five in FY2024 Sales and testing knowledge improvement training: not conducted as per the set goal for the year	<ul style="list-style-type: none"> 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 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 	 
	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	Introduced B-Label at 51.3% of the facilities served by the seven sites by the end of FY2023 Added three sites to advance the initiative in FY2024	<ul style="list-style-type: none"> Introduce B-Label to customers who use electronic patient chart systems B-Label should be equipped as standard at facilities where Qualis is newly placed into service 	
			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	Achieved 31.4% label attachment at facilities served by the seven sites by the end of FY2023 Added three sites to advance the initiative in FY2024	<ul style="list-style-type: none"> 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) 	
The number of employees who have obtained the IT Passport			200 employees per year	FY2029	257 employees certified in FY2023			
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	As a result of the development of multi-gene panel testing, we released as a new contract item a heritable connective tissue disorder panel (13 diseases) in May 2023, a syndromic hearing loss panel (two diseases) in March 2024, and a dyslipidemia panel (five diseases) in May 2024.	<ul style="list-style-type: none"> Independently develop a multi-gene panel test on genes responsible for serious or rare diseases using NGS Constantly release it as a new contract item every year 	 	
		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)	—	—	No progress made at 17 local facilities in FY2023 No progress in FY2024 so far	<ul style="list-style-type: none"> 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 	 	

* DMR (Diagnostics Medical Information Representatives)

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 have installed solar power generation equipment and adopted energy-efficient, high-efficiency heat source equipment for air-conditioning systems in the BML General Laboratory's new wings 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.

Initiatives to Address Climate Change

Road map for achieving carbon neutrality by 2050

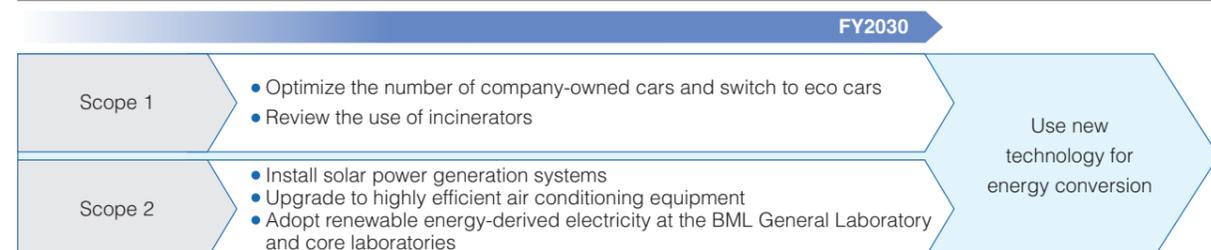
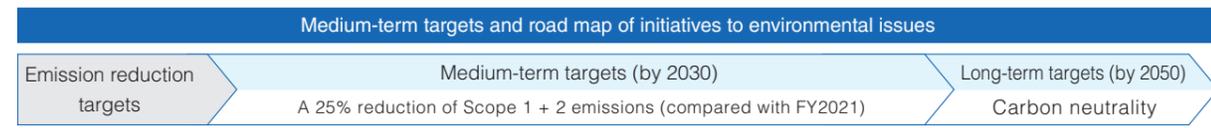
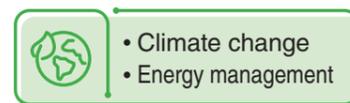
The BML Group positions initiatives to "environmental issues," which are represented by rapid climate change and changes in ecosystems, as important management issues.

We have recently formulated a road map for achieving "a 25% reduction of Scope 1 + 2 emissions" (compared with FY2021), which is our medium-term target by 2030. We will steadily address environmental themes one by one through reviewing fuel and power and actively utilizing new technology, particularly at the BML General

Laboratory that emits more CO₂ within the Group due to the scale of its operation.

Additionally, based on the belief that cooperation with supply chain is essential to reduce emissions in Scope 3, we will strengthen our supply chain management system and work together with business partners. Through these measures, we will push forward our initiatives to achieve carbon neutrality by 2050.

Relevant materiality



* Targets for Scope 3 is under consideration. We plan to begin with disclosing the calculation of its emissions.

Specific Initiatives for Achieving Carbon Neutrality by 2050

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. If this results in a rise in the room temperature, 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 CO₂ emissions by 1,200 tons per year.

Furthermore, we introduced high-efficiency heat source air-conditioning systems using a heat pump in the BML General Laboratory's new wings completed in August 2024. By minimizing energy use, we will reduce CO₂ emissions and electricity use. The combination of these measures will reduce CO₂ by approximately 478 tons and electricity by 1,060,000 kWh per year.

We have worked on switching to LED lights as well, with all lights of office buildings of the Company now changed to LED.



High-efficiency heat source air-conditioning systems

Initiative 2 Utilization of renewable energy

At the BML General Laboratory, which uses larger amounts of electricity, we are working hard to utilize renewable energy.

We have installed solar panels on the south wall of the BML General Laboratory's new wings to utilize renewable energy. Electric power generation by the solar panels is estimated to be 291,000 kWh annually and CO₂ reduction is expected to be approximately 123 t-CO₂.

Electricity used in the BML General Laboratory has partially been switched to electricity from renewable energy sources, which also contributes to CO₂ emission reduction.



Solar panels

Initiative 3 Introduction of eco cars

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 HVs or PHEVs and have implemented the plan gradually. This will be one of the measures we take to achieve the CO₂ reduction target for FY2030.

We see potential in EVs, which emit lower CO₂, and have introduced them to some sales offices in advance.

In addition, four quick chargers for EVs are installed in the BML General Laboratory's new wings to prepare infrastructure environments for EVs, with a view to the spread of EVs in the future. Given this, we plan to partly introduce EVs into vehicles for collection and delivery, which we saw difficulty in replacing because of their high frequency in use, by the end of FY2024. Using know-how acquired by this measure, we will further

advance switching to EVs in consideration of the purpose of use, regional characteristics, and other factors.

We intend to roll out this policy across BML Group companies that use vehicles.



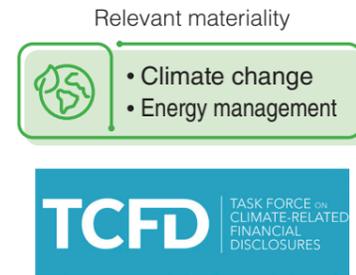
Quick charger for EVs

Eco car

Environment

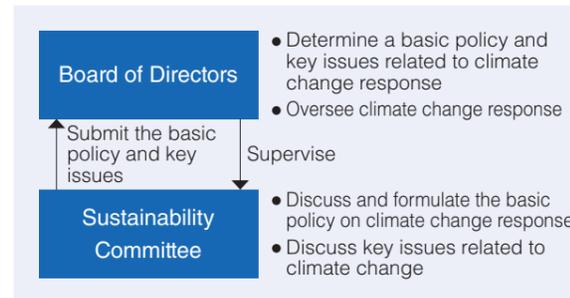
Information Disclosure Based on TCFD Recommendations

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

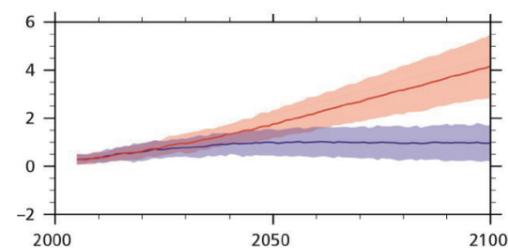
The BML Group has established the Sustainability Committee, chaired by the Representative Director and Vice President. The Committee recognizes that addressing climate change is a high priority issue and conducts climate change scenario analyses (risks and opportunities). The Committee also identifies 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.



Strategy

The BML Group recognizes that strict measures, including a fundamental system transition, are necessary to address the rapid progress of global warming. Based on this recognition, we use the 1.5–2°C/4°C scenarios published by the IEA (International Energy Agency) and others to analyze risks and opportunities that may be caused by climate change.

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.



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

Indicators and targets

The BML Group has set a target of "a 25% reduction of Scope 1 + 2 emissions" (compared with FY2021) as a medium-term target by 2030 to achieve carbon neutrality by 2050.

We have also formulated a road map for achieving the target and implemented specific measures to reduce CO₂ emissions.

As we recognize the importance of Scope 3 as an indicator, we will also work toward the disclosure and set targets of Scope 3 emissions.

GHG emissions (t-CO₂) of the BML Group

	FY2021	FY2022	FY2023
Scope 1	12,797	13,007	13,157
Scope 2	18,271	19,182	17,231
Total	31,069	32,190	30,388

Risks and Opportunities of Climate Change

Key risks and opportunities identified	Potential Impacts 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	Electricity expenses	[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	• Reduce electricity consumption and strengthen self-charging capacity by switching to LED lights and installing solar panels
		Renewable energy procurement costs	[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	[Risks] • Increased costs due to taxation on plastics [Opportunities] • Increased sales opportunities through the introduction of low-carbon 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	[Risks] • Cost increase of approximately ¥400 million per year due to conversion of transportation vehicles to EVs and introduction of recharging facilities [Opportunities] • 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
Reputation	Changes in reputation from stakeholders	Reputation	[Risks] • Increased customer defection and financing costs due to stronger pressure on companies that do not implement environmental management [Opportunities] • Favored by customers due to the implementation of environmental management • Sustainable finance enabled, resulting in low-interest-rate financing	(Impact is assumed to be insignificant)	• Continue with appropriate information disclosure and dialogue
		Changes in precipitation and weather patterns	Water shortages	[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) [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 [Opportunities] • Enhanced competitiveness and decreased water use costs due to the introduction of dried testing
Physical risks and opportunities	Changes in weather		Changes in weather	[Risks] • Loss of sales opportunities and increased cost of disaster countermeasures due to logistics and specimen delivery route disruptions, and testing suspensions and delays at laboratories, resulting from disasters (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 cost of disaster countermeasures due to logistics and specimen delivery route disruptions, and testing suspensions and delays at laboratories, resulting from disasters (minor compared to the 4°C scenario) [Opportunities] • Increased competitiveness and reputation from stakeholders through disaster responses
		Rising average temperatures	Air-conditioning load	[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
	Demand for various tests		[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	Flood damage	[Risks] • Loss of some sales opportunities due to 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 business continuity for collection, delivery, and transportation functions, laboratory functions, etc. • Strengthening of relationships with suppliers through inventory adjustments and other measures	[Risks] • Loss of some sales opportunities due to 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

* Categories assessed as "low" at the level of impact: carbon tax, changes in working environment, rising sea levels, lighting, and insurance premiums

Environment

BML's Initiatives to Address Environmental Issues

Chemical recycling of used plastic

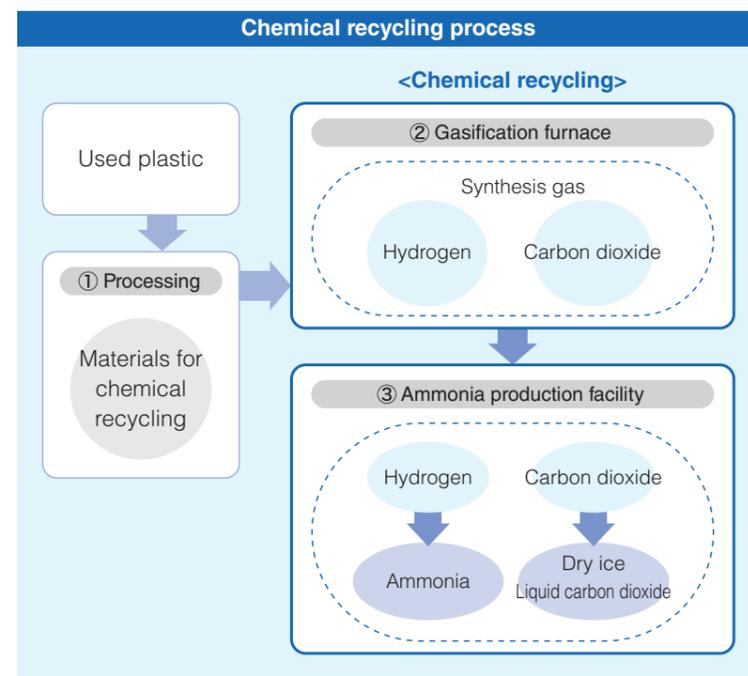
We started chemical recycling of used plastic at the BML General Laboratory.

Chemical recycling is one of the waste recycling methods, in which collected used resources are chemically decomposed using various technique and reused as materials for another products, etc. This method has gained great attention in recent years, because it allows us to use limited resources effectively and emits lower CO₂ in the recycling process than other methods.

Most of the reagent bottles and supplies used by BML in the testing process are made of plastic, but many of them cannot be reused due to concerns about their impact on testing accuracy, resulting in a large amount of waste. In the face of this situation, we focused on chemical recycling as measures to contribute to CO₂ emission reduction and resource recycling, and started to operate it at the BML General Laboratory.

Used plastic collected from BML is processed to a material for gasification furnaces at recycling facilities. The processed material is then regenerated to synthesis gas composed of hydrogen and carbon dioxide in gasification furnaces of Resonac Corporation. The synthesis gas is delivered to ammonia production facilities, where hydrogen is extracted from the synthesis gas, and ammonia is produced using the hydrogen. Carbon dioxide is turned into dry ice and liquid carbon dioxide. In the gasification process, CO₂ is not emitted.

Since the start of chemical recycling, the recycling ratio of plastic in the BML General Laboratory has reached 76%. We plan to further increase the recycling ratio and expand the recycling system to neighboring laboratories and the Group companies.



Gasification furnace
(Image provided by Resonac Corporation)

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 m². 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 2002. 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 2023. Overall, an annual total of 695 employees from 27 companies took part and collected approximately 148 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 construction works for flooding countermeasures were completed in December 2023. This has made the

current BML General Laboratory resistant to flood up to one meter above ground level.

In addition, we prepared a thoroughgoing system to flooding by installing drainage pumps in the underground pit to cope with underground spring water.



Water stop door



Shutter with water stop plate

Collaboration with local communities

Since November 2023, we have been working on environmental measures in the local communities in cooperation with Kawagoe City in Saitama, where the BML General Laboratory is located.

Aiming to reduce the environment load, six EVs and three charging stations for EVs have been introduced in the Kawagoe City using donations from BML to the City.

We will continue to contribute to achieving a sustainable society including efforts for environmental issues through collaboration with local communities.



EVs



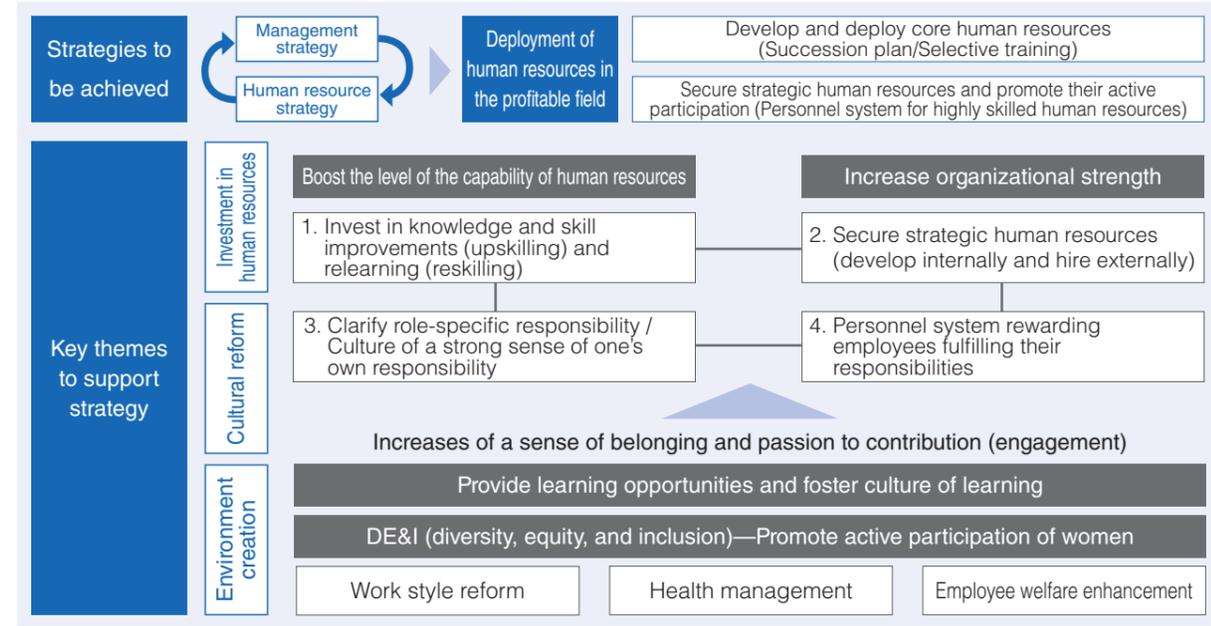
Charging station for EVs

Society

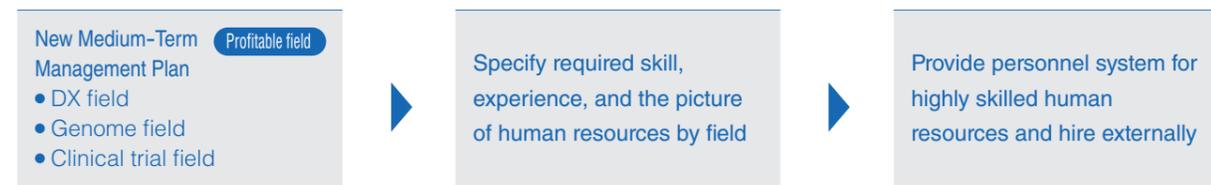
Human Resource Strategy Linked to Management Strategy

We have been acting on developing core human resources and securing strategic human resources to get hold of personnel required to achieve management strategy. We set “investment in human resources,” “cultural reform,” and “environment creation” as key themes to support personnel strategy. Through efforts for creating a more comfortable working environment, we aim to raise employees’ engagement (passion to contribution) while boosting the level of the capability of human resources and increasing organizational strength.

[Linkage between management strategy and human resource strategy and overview of human resource strategy]



Deployment of human resources to the profitable field



Key themes to support strategy

(1) Investment in human resources / Cultural reform

We have been striving for increasing the level of organizational strength to achieve sustainable growth of organization. To this end, we promote all employees’ self-driven development by encouraging them to work on upskilling and reskilling, while we help them understand their role-specific responsibilities according to their positions. Going forward, we will foster the culture of a strong sense of one’s own responsibility by linking employees’ contributions to their roles with an employee performance evaluation and grapple with raising employees’ role recognition. Through these measures, we aim to enhance our organizational strength.

(2) Environment creation

We have been striving to create a working environment where all employees can work fairly and impartially through proactive measures to develop comfortable workplace. To create a workplace where diverse human resources, particularly women, can play an active role, we have been working toward reducing overtime work and increasing the utilization rate of annual paid leave and the percentage of men taking childcare leave. We will promote DE&I and enhance employees’ engagement by pursuing their job satisfaction and comfort to work.

Diversity, Equity, and Inclusion (DE&I) Promotion

Relevant materiality



The BML Group is working to advance DE&I 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 promising personnel from the individual divisions and promote them to management positions. We hold seminars on career design for female employees to provide opportunities to think about work styles looking toward the future as well as work styles compatible with life events. In addition, a working group comprised of women only has been established since FY2021, in which they exchange views and consider about workplace comfortable for women to work.

As a result of efforts above, an environment where women can work actively has expanded, as shown in the increased female manager ratio of 14.2% (as of April 2024) from 9.3% at the end of FY2020. We target the female manager ratio for 18% (at the end of FY2028) in the Ninth Medium-Term Management Plan to accelerate the current trend.

Additionally, we are working on measures to encourage male employees to take childcare leave. Specifically, we have endeavored to change in consciousness across the company through various training including e-learning training. Furthermore, we have encouraged managers of male employees who have just had a child to discuss plans to take childcare leave between them. These efforts resulted in a

significant increase in childcare leave utilization rate from 3.1% as of the end of FY2020 to 88.9%. This shows we are approaching to an environment where it is common to take childcare leave.

We currently position support to balancing work and nursing care as one of our issues. Accordingly, we have conducted a questionnaire survey to understand employees’ current situations and e-learning training, and dispatched information useful to balancing work and nursing care. We will be committed to achieve a workplace where all employees can work comfortably and are rewarded for their efforts regardless of various circumstances that employees have regarding childcare or nursing care.

Human capital KPI	Target	Fiscal year by which to achieve goals	Main initiatives	
Diversity, equity, and inclusion (DE&I)	Female manager ratio	18%	FY2028	<ul style="list-style-type: none"> Affirmative action on female employees The percentage of women promoted to management positions is 30% or higher in every fiscal year
	Rate of reinstatement after childcare leave	100%	Every year	<ul style="list-style-type: none"> Follow-ups with employees on administrative leave Interviews with those reinstated, career seminars
	Childcare leave utilization rate by gender	Women: 100% Men: 80%	FY2028	<ul style="list-style-type: none"> Encourage men to take childcare leave Education for managers

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.



Seminars on career design for women

We conduct training and group working about balancing work and life events to female employees expected to play active roles as next leaders, thereby raising awareness of career.



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. We offer mindset training of core human resources (who are in manager position) to instill role-specific responsibilities and behaviors required at each level based on an education system, as well as training programs that equip employees with necessary skills and knowledge. We also conduct selective training to develop future executives. We have been offering opportunities for upskilling and reskilling to all employees, with positioning FY2023 as the first year of relearning. As a result of all employees' efforts to enhance IT literacy, the number of employees who obtained the IT Passport exceeded 400 employees (as of the end of August 2024).

Relevant materiality



1. Rank-based training to develop core human resources that support the Company's sustainable growth
 - Mindset training to instill a shared understanding of role-specific responsibilities at each level (at the time of promotion)
 - Skill and knowledge training, ESG training, and IT literacy training
 - Selective training to develop future executives and managers
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

Human resource development training

Target	Training name	Contents	Results
Manager/Chief and deputy chief level	Rank-based training	Role recognition training	Held at the time of promotion (once a year for each level)
Manager	Management training	Line-care/Labor management/ <i>Ikubosu</i> (family-friendly manager)/Appraiser	Held a total of 4 sessions
Next executive level candidates Next management level candidates	Selective training	Systematic role and skill training to ensure diversity in core human resources by outside instructors	Next executive level/ Held a total of 12 sessions Next management level/ Held a total of 8 sessions
All levels	Skill and knowledge training ESG training	Mental health/Health management/ Childcare and nursing care Diversity/Engagement Communication/OJT/Target management Compliance/Human rights/Business etiquette	Held a total of 20 sessions
	IT literacy enhancement training	Information security (targeted e-mail attack, malware, etc.) Knowledge of network and computer configuration IoT/Cloud/Generative AI Social media risks/MOS skills acquisition	Held a total of 23 sessions



Akane Izumi
Section chief, Operation and Accounting Section

Perspective as a manager

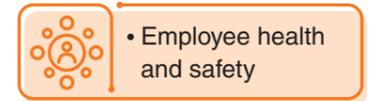
I am mainly engaged in making out bills and managing accounts receivable in the section I belong to. Even as a manager, I have an area in charge just like staff in the section. Under this circumstance, I have experienced the same hardships as the section staff and, for this reason, I think I have been able to share problems and other issues with them. Additionally, I, as a manager, perform interviews with the section staff once a week in efforts to share various information and understand their troubles. In this way, I communicate with the staff and struggle to create a better working environment every day. I would like to make efforts to develop my juniors as well, as a way of repaying the favor to the Company who developed me.

Message from a female employee

Promotion of Health Management

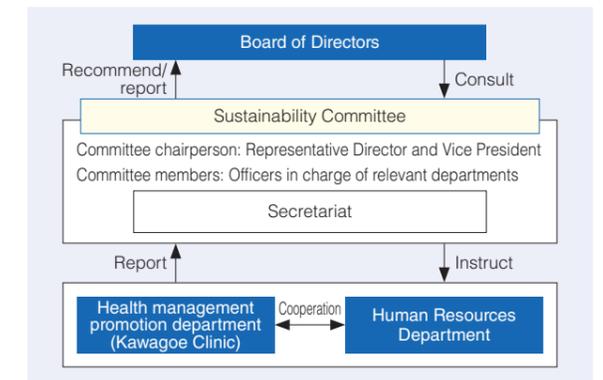
To achieve BML Policy of "Dedication to creating a healthy and cultured society," we increase all employees' awareness toward health and create a workplace environment where each employee maintain and improve health independently. We will increase corporate value by enhancing employee engagement and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

Relevant materiality



Health management promotion system

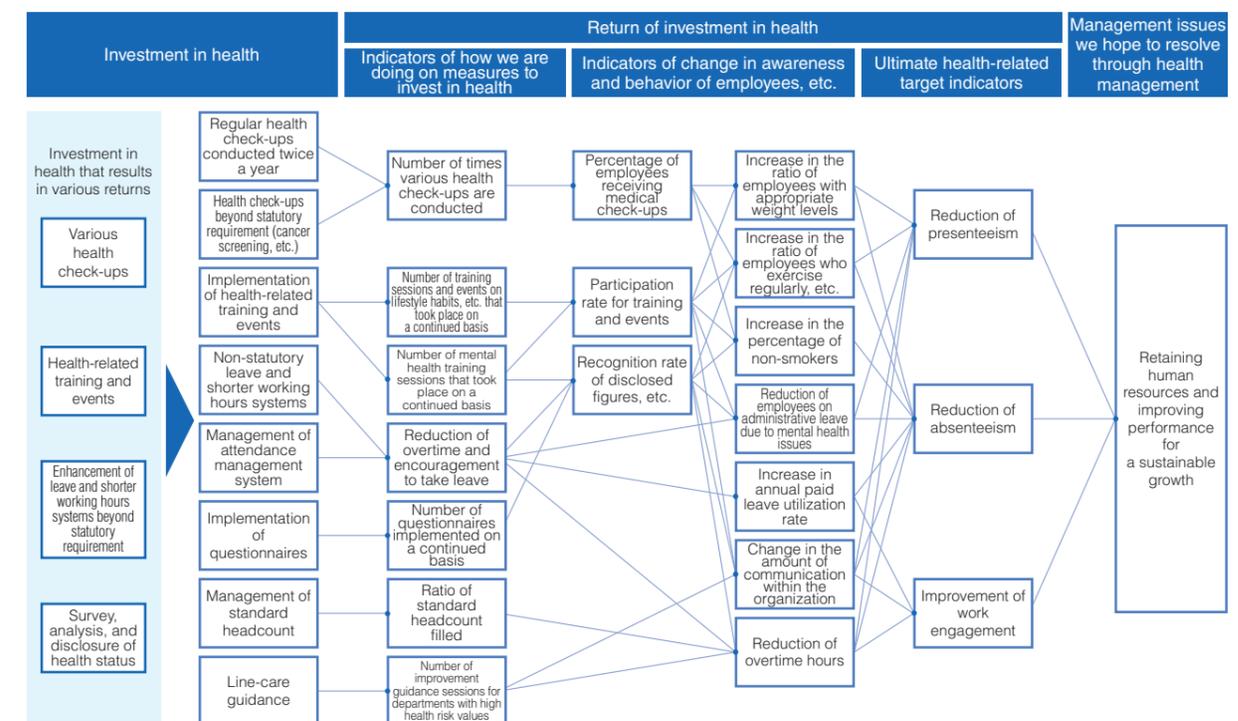
- ① BML has established a health management promotion system chaired by the Representative Director and Vice President, who is a doctor.
- ② We have seven occupational physicians and three nurses as specialist staff to manage the health of employees across Japan. In addition, the nurses have health management advisor and health master (expert) qualifications, and give health advice to employees.
- ③ 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.



Society/Sustainable Procurement

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.

Assessment indicators		FY2020	FY2021	FY2022	FY2023	Target for FY2025
Percentage of employees receiving regular health check-ups		100%	100%	100%	100%	100%
Ratio of employees with appropriate weight levels (BMI 18.5 to less than 25.0)	Men	60.9%	61.2%	64.7%	63.1%	63.0%
	Women	66.0%	64.9%	69.2%	65.1%	67.0%
Percentage of non-smokers		77.7%	78.1%	78.8%	79.6%	82.0%
Employees who exercise regularly		15.9%	15.4%	16.2%	14.7%	17.0%
Percentage of employees receiving stress checks		78.4%	71.7%	86.6%	87.4%	80.0%
Monthly overtime hours (including managers)		18.4 hours	21.0 hours	16.8 hours	16.2 hours	18.3 hours
Days of annual paid leave utilization		11.8 days	10.9 days	12.1 days	12.3 days	12.0 days
Participation rate for health promotion training		—	98.2%	99.5%	98.9%	100%
Mental health training		98.0%	97.0%	100%	100%	100%
Presenteeism ^{*1}		—	—	80.8%	80.2%	83.0%
Absenteeism ^{*2}		—	—	2.4 days	2.6 days	2.3 days
Work engagement ^{*3} (Utrecht Work Engagement Scale)		—	—	3.02	3.01	3.20

*1 Presenteeism: A state where an employee is at work but cannot demonstrate full work performance due to health issues
 *2 Absenteeism: Absence from work due to injury or sickness *3 Work engagement: Vitality, passion, and devotion toward work

Main initiatives

1. We have been carrying on a "Movement of + 1H (plus one hour) to sleeping hours" aiming at improving issues related to sleep, which were identified through questionnaire about health we conduct every year. Under the movement, we take measures such as the dispatch of information useful for improving the quality and the amount of sleep.
2. We have introduced a new health service using an app to improve employees' eating habits and raise

- their awareness of health. By linking points awarded for the health service to employee welfare system, we are making efforts to enhance employees' participation rate for the service .
3. We are working on the improvement of employees' regular exercise habits through measures including the addition of a room for THP (Total Health promotion Plan) and supporting the Koedo Marathon taken place in Kawagoe City.

Occupational Health and Safety

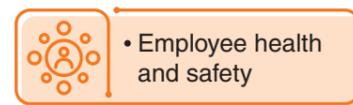
(1) Initiatives to improve work-life balance

Due to increased PCR tests associated with the spread of COVID-19 infection, overtime work tended to increase in FY2020 and FY2021. Since FY2022, we have been pushing forward the work style reform across the company aiming to improve work-life balance. This resulted in a 37,000 hours reduction of overtime work in FY2023 compared with the previous fiscal year. We will

(2) Addressing mental health issues

Addressing mental health issues among employees has become more important under the circumstance where diverse human resources play active roles. We require all employees, including executives, to take training such as e-learning. In addition, we provide stress checks across the company regardless of the size of workplace. Following group analysis, the results of analysis are fed back to departments whose health risk

Relevant materiality



continue to work on the work style reform to create a working environment where everyone can work comfortably.

values are found to be exceeding a certain level. We promote such departments to take reform measures in the department as a whole. In this way, under the leadership of managers, we are making efforts to develop and implement action plans with working the whole organization as one team, to make our organization more vibrant.

Sustainable Procurement

The BML Group has newly established a policy and guidelines on sustainable procurement. The policy provides that we will, together with our business partners, promote sustainable procurement based on the Ten Principles of the UN Global Compact, etc. The guidelines describe the points to be considered in procurement, such as human rights, labor practices, and the environment, as well as the matters that our business partners are requested to comply with. The BML Group will contribute to the development of sustainable society through sustainable procurement in harmony with our business partners.

BML Group Sustainable Procurement Policy

I	Compliance with laws and regulations and social norms	We comply with the laws, regulations and rules of each country and region, and respect ethics, international codes of conduct, and social norms as we conduct our transactions.
II	Human rights	We respect fundamental human rights, and thoroughly eliminate forced labor, child labor, harassment, and discrimination, as well as ensure that we do not engage in any form of human rights violation.
III	Labor practice / health and safety	We create a working environment that ensures the safety and health of our employees. We also respect the freedom of association and collective bargaining as workers' rights, and ensure that the legal minimum wage and legal working hours are strictly observed.
IV	Environment	We strive to preserve the global environment in the course of our procurement activities, with efforts to prevent pollution and reduce the environmental impact, prevent global warming, and build a circular society.
V	Fair business environment	We ensure fair and transparent supplier selection and transactions, and thoroughly prevent corruption and avoid relationships with antisocial forces. Additionally, we will appropriately manage intellectual property.
VI	Safety and quality	We maintain the quality of goods we procure and ensure their effectiveness, safety and stable supply. To this end, we will collect the necessary information on a timely basis and make appropriate disclosures.

* For the guidelines, please see Supply Chain Management on our website.

Sustainable procurement promotion system

At BML, the General Affairs Department centrally manages the procurement of materials necessary for testing and other activities. Therefore, the BML's General Affairs Department is designated as the division in charge of sustainable procurement. The General Affairs Department consults with suppliers and

disseminates information internally in cooperation with the relevant divisions.

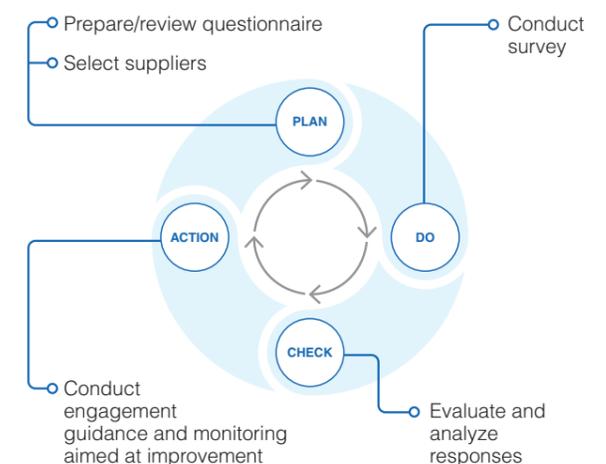
The status and progress of initiatives are reported to the Sustainability Committee for evaluation and discussions.

Future initiatives

Under the system we have established, we will conduct fact-finding surveys and evaluation and monitoring related to the surveys, mainly targeting suppliers that account for top shares of our annual procurement amount.

The survey asks suppliers to answer a questionnaire on sustainable procurement, including their compliance with the sustainable procurement policy and guidelines. We will evaluate and analyze the responses according to BML's criteria, and conduct engagement guidance and monitoring aimed at improvement through repeated dialogues with each supplier based on the evaluation results.

By following this PDCA cycle, we build a collaborative structure between BML and suppliers, thereby working to achieve sustainable procurement.



Quality Control and Quality Improvement

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

• ISO 15189 is an international standard for quality management systems in clinical laboratories.

Accreditation to this standard is proof of the capability to provide accurate and precise test results. In Japan, pilot accreditation reviews started from October 2004, and 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.



4 We meet an international standard for information security for cloud services.



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

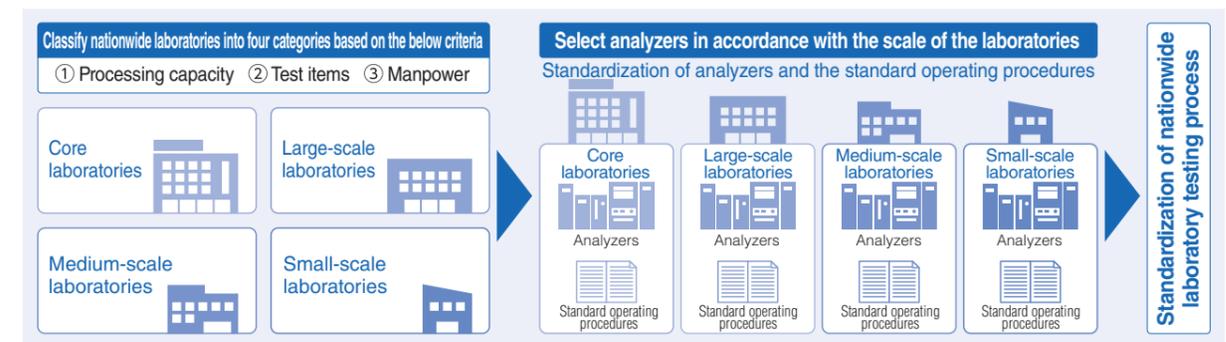
1. Standardization of analyzers
2. Encouragement to obtain external qualifications

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.

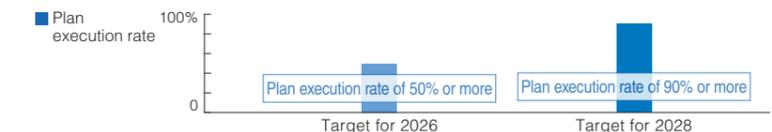
We will strengthen and improve quality control at our nationwide laboratories by standardizing analyzers and the standard operating procedures and standardizing testing processes in accordance with the scale of the laboratories.



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)

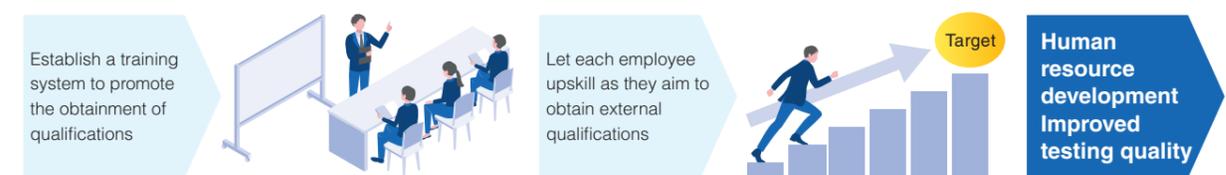
- 2026: Plan execution rate of 50% or more
- 2028: Plan execution rate of 90% or more



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 have established 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.

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		16 out of 16 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		16/16 (100%)	Dr. Nobuki Arai has abundant experience and deep insight on overall medical industry from his experience as a doctor. Since assuming position as a Director of BML 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 overall business of BML 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		16/16 (100%)	Mr. Norihisa Takebe has knowledge and experience of financial business. Since joining BML, he has been involved mainly in accounting, corporate planning and group company management divisions and has abundant experience and deep insight into the BML'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		16/16 (100%)	Since joining BML, 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 BML'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		16/16 (100%)	Since joining BML, Mr. Kenji Shibata has been involved mainly in inspection division and has abundant experience and deep insight into BML'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		16/16 (100%)	Since joining BML, Mr. Yuji Yamashita has been involved mainly in the systems division and has abundant experience and deep insight into BML'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)	○	16/16 (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)	○	16/16 (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)	○	16/16 (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 BML, Mr. Kenichi Morishita has been involved in its human resources division, group company management division, and the administration department of the clinical testing subsidiary, and has abundant experience and a high level of insight into BML's overall business. The Company has judged that he will be able to utilize his experience to enhance the audit structure of BML.
	Nobushige Tokuono	Outside Corporate Auditor (Independent Auditor)	○	The Company has judged that Mr. Nobushige Tokuono 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 and abundant experience 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 Officers	General Manager, Credit Guarantee Department
Hiroyuki Kigoshi	Executive Officer	General Manager, Management Division	Toshihiro Yanoma	Operating Officers	General Manager, Medical Informatics Sales Department
Satoshi Enomoto	Operating Officer	In charge of Establishment of Next-generation BML General Laboratories	Hiromi Nakahara	Operating Officers	General Manager, Risk Management Department
Toshikazu Yamaguchi	Operating Officer	In charge of Advanced Technology & Development Division	Yutaka Sakamaki	Operating Officers	General Manager, General Affairs Department
Katsuaki Takei	Operating Officers	Deputy General Manager, BML Clinical Testing Headquarters	Kazuhiro Yamashita	Operating Officers	General Manager, Electronic Patient Chart Department

Corporate Governance

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

Name	Positions in BML	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 BML	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

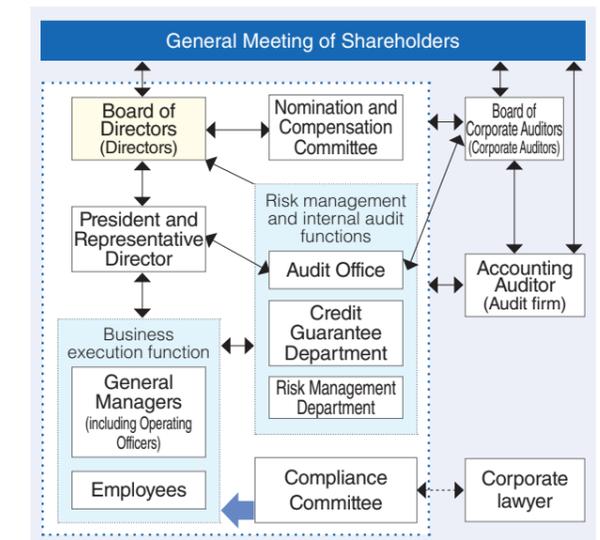
transparent corporate activities, the Company has set forth Compliance Regulations and is also working to raise awareness by conducting training and seminars for its employees in accordance with the BML Group Compliance Manual, which illustrates the code of conduct to be observed by the employees and 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 BML'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 BML and the Group Planning Department serves as its secretariat. The members of the Committee

include the General Managers of each division of BML 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 BML 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	Number of meetings held in FY2023
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.	16
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.	5
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.	13
Compliance Committee	The Compliance Committee oversees the cross-sectional compliance structure including the Group companies and operates the whistleblowing system, Compliance Post.	4
Sustainability Committee	The Sustainability Committee aims to promote sustainability of the entire BML Group, and discusses and decides on the approach and plans for sustainability. It regularly discusses the approaches and evaluates activities and other matters, and reports the results to the Board of Directors. In addition, it establishes systems and updates promotion plans as needed.	4

Major agenda of the Board of Directors

Proposals to be resolved:		Matters to be reported:	
Matters related to shareholder returns	Interim dividends Approval of the outline of convocation of the Annual General Meeting of Shareholders	Matters related to sustainability	Reports from the Sustainability Committee
Matters related to financial statements and business performance	Financial statements Budget	Matters related to corporate governance	Reports on the results and plans of internal control assessments Status of risk management initiatives
Matters related to corporate governance	Compliance with Japan's Corporate Governance Code	Matters related to investments in and the disposal of important assets	New building construction plan
Matters related to investments in and the disposal of important assets	Renewal and installation of testing equipment at BML General Laboratory Major renovation of the BML General Laboratory Conclusion of annual maintenance agreements for testing equipment Replacement of ITS integrated AP server Core system renewal for the electronic patient Chart systems business Capital investment in labs, branches and FMS Flooding countermeasures at the BML General Laboratory	Matters related to Directors, Operating Officers, and the Board of Directors	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)
Matters related to personnel and organization	Appointment of officers Changes to in-house rules and regulations (retirement allowance, approval procedure)	Other matters	Policy for audits by the Board of Corporate Auditors Electronic patient chart systems business Progress at laboratories
Matters related to reorganization	Organizational change		
Important matters of BML and affiliated companies	Absorption-type merger of Ehime Medical Laboratories, Inc. Mergers between QOL subsidiaries Loan of funds Matters on 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	Group Vision To become the most trusted choice in the medical world	
2016	Sixth Medium-Term Management Plan (FY2015 –FY2017) Concept Building and strengthening the foundations needed to be the top company in the industry Goals ● Improvement of quality and services Strengthening sales infrastructure, rebuilding system infrastructure, and expanding testing infrastructure ● Enhancing human resource infrastructure ● Enhancing management quality and functions	Adoption of the restricted stock compensation system
2017		
2018	Seventh Medium-Term Management Plan (FY2018 –FY2020) Concept Becoming No. 1 in quality and service Framework ● "No. 1 in regional services" ● "No. 1 in the test lineups" ● "No. 1 in contributions to the medical care industry" ● "No. 1 in quality" ● "Business management"	Establishment and announcement of the independence criteria for Outside Directors Establishment and announcement of the basic policy on cross-shareholdings 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 Director Adoption of the officer bonus system as a short-term incentive
2019		
2020		Appointment of the (first) female Director
2021	Eighth Medium-Term Management Plan (FY2021 –FY2023) Mission Customer satisfaction, synergies, and social responsibility Internal Code of Conduct Consensus of employees, soundness of all operations, and pursuit of standardization Basic Strategic Framework Aim to enhance competitiveness based on "Standardization" × "Digital transformation (DX)" Framework ● Standardization: Enhancement of competitiveness Enhancing the laboratory network and sales capabilities Renovating collection and delivery processes ● DX Improvement of the customer experience value and realization of greater business efficiency ● Strengthening the management foundation, and 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		Establishment of the Sustainability Committee Identification of 13 material issues
2023		Formulation of human rights policy
2028	Ninth Medium-Term Management Plan (FY2024 –FY2028) Key Concept ● Enhanced quality ● Solutions ● Mutual development Framework Centered on "development of next-generation laboratories," we aim to: ● Expand sales and market share ● Promote standardization ● Optimize the business portfolio ● Improve profitability ● Develop high-performance tests ● Enhance the level of service	



Corporate Governance

Assessment of the effectiveness of the Board of Directors

BML 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. In light of the other opinions voiced in the questionnaire, we will strive to further improve the deliberations by the Board of Directors and enhance its effectiveness.

Assessment results and measures taken for FY2022	Assessment results and measures taken for FY2023
<p>Assessment results</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>Measures taken</p> <ul style="list-style-type: none"> To facilitate operations, the agenda and operation method should be improved. To invigorate the discussions and improve the quality of deliberations at the Board of Directors meetings, information should be provided early. 	<p>Assessment results</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. (16 out of 16 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>Measures taken</p> <ul style="list-style-type: none"> To increase opportunities for dialogue with shareholders, briefings for individual shareholders and investors should be held, and directors and officers should be encouraged to proactively participate in meetings with stakeholders. To achieve sustainable growth, initiatives should be promoted such as investment in human capital and capital investment, while being fully aware of the cost of capital and capital profitability. To enhance discussions about the succession of Directors.

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, BML 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:

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

By formulating selection criteria, education programs, and transfer strategies for employees to enhance their leadership skills, we achieve sustainable growth and stable governance.

Succession planning

BML's plan for developing the next generation of executive-rank employees is regularly discussed at the Nomination and Compensation Committee, the majority of which comprises Outside Directors. The Committee reviews the qualifications of candidates for directors, arranges interview opportunities, and also works to improve effectiveness of the planning.

Compensation and other benefits of Directors and Corporate Auditors

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

1) Determination of policy on compensation and other benefits

BML has established a policy on the details of compensation of Directors and Operating Officers ("Directors, etc.") by a resolution of the Board of Directors, after deliberation by the Nomination and Compensation Committee, the majority of which comprises Outside Directors. The Nomination and Compensation Committee comprises five members: two Representative Directors and three Outside Directors of BML.

2) Details of the policy on compensation and other benefits

To ensure the fairness and objectivity of compensation for Directors, etc., the Nomination and Compensation Committee, while considering and comparing officer compensation of domestic listed companies that are comparable in size with BML, considers and constitutes the officer compensation system with following three components.

- Monthly compensation
 - Officer's bonus (short-term incentive)
 - Restricted stock compensation (long-term incentive)
- Of i) to iii), ii) is determined by comprehensively considering the key performance indicators (KPIs) for each fiscal year and the results of the execution of duties in the area of responsibility. Reflecting the responsibilities for roles and performance at each position, compensation is more closely linked to performance at higher-level positions.

Outside Directors, who are independent of the execution of business operations, are excluded from the eligibility for long-term and short-term incentives, in respect of their independence.

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.

Monetary compensation		Stock compensation
Base (Base compensation) ● Monthly compensation	STI (Short-term incentive) ● Officer's bonus	LTI (Long-term incentive) ● Stock compensation

3) Specific details of the policy on compensation and other benefits for Internal Directors and Operating Officers

- Ratio of monthly compensation and officer's bonus
Reflecting the responsibilities for roles and performance at each position, compensation is

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 the monthly fixed compensation. As the basis for calculating performance-linked compensation, amount of compensation is calculated according to a payment ratio corresponding to the degree of achievement of the

more closely linked to performance at higher-level positions, and the ratio of monthly compensation to officer's bonus is varied for each position. The ratio is as follows.

- Monthly compensation: Bonus = 5.8:4.2 to 8.5:1.5
- Proportion of stock compensation
In FY2023, the ratio of stock compensation to total compensation was increased (from 10% to 20%) except for the President and Representative Director.

Position	Fixed		Variable		
	Monthly compensation	Stock compensation	Bonus	Payment range	
High	60%	55%	5%	40%	0.20-5.00
Low	88%	68%	20%	12%	0.64-1.44

The range is determined based on the following:

- KPI
- Appraisal by the management

iii) Calculation method for officer's bonus

The amount of the bonus is determined by adjusting the base bonus amount according to the following factors.

- Performance-linked: By indexing the achievement rate of net sales and operating profit against the annual plan, the base bonus amount set for each position is adjusted within a range of 5.0x (max.) to 0.2x (min.), with the higher the position, the greater the performance-linkage.
- Management evaluation: The President and Representative Director evaluates the achievement level of targets set for each fiscal year for Internal Directors and Operating Officers (excluding the President and Representative Director), and makes adjustments to the base bonus amount.
- Achievements: Additional amount is granted for Directors, etc. who have made outstanding achievements during the fiscal year.
- Significant incidents: A deduction is made for Directors, etc. who significantly have affected the management of the fiscal year.

iv) Determination of compensation policy for Directors, etc.

The Board of Directors makes resolutions on officers' bonuses for the current fiscal year and policy on officers' compensations for the following fiscal year, after checking the officer compensation system, etc., deliberated by the Nomination and Compensation Committee.

business plan such as the amount of net sales. 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.

Message from the Outside Directors

Yukiko Yoritaka, Outside Director



<Toward realization of important issues (materiality)>

In an effort to achieve more advanced sustainability management, we revised our Basic Sustainability Policy in December last year. This updated policy prominently features our "Contribution through dedication to creating a healthy and cultured society." Underpinned by the Group Policy, it declares our intention to realize a sustainable society and enhance corporate value. It is a basic policy that feels distinctly BML. Through our core business of clinical testing, we contribute to the advancement of medical care and the improvement of people's health. This is the cornerstone of the BML Group's sustainability management. I look forward to its sustained commitment to providing high-quality, value-added services.

The BML Group has identified 13 important issues (materiality), and I would like to see priority given to "climate change," "diversity, equity, and inclusion," and "employment and development of human resources." Given the frequent occurrence of extreme weather events, climate change is a pressing issue. BML has already been exploring and initiating various measures, such as installing high-efficiency air conditioning systems and solar power generation systems on the walls of the new BML General Laboratory building.

<Evaluation of the new Medium-Term Management Plan and challenges toward realization >

In formulating the Medium-Term Management Plan, the Board of Directors engaged in extensive discussions. We envisioned where we want to be ten years from now and identified three essential concepts to serve as the foundation for realizing this vision—"Quality," "Solutions," and "Mutual Development." I hold BML's commitment to "Quality" in especially high regard and look forward to seeing this dedication evolve into an even greater enhancement of corporate value in the future. "Solutions" represents the effort required to establish BML as a company truly preferred by customers. I believe that the challenge is to develop human resources capable of solution sales in addition to switching mindsets. Although initiatives such as collaborative sales with personnel experienced in testing have already begun, I look forward to seeing further staff

However, achieving our goals will require continued effort and ingenuity. Addressing climate change is a challenge that must be tackled across the entire supply chain. I hope to see BML engaging in continuous dialogue with stakeholders and working collaboratively with them on this crucial issue.

Additionally, I consider "diversity, equity, and inclusion" and "employment and development of human resources" to be indispensable priority areas for raising corporate value through the delivery of high-quality, value-added services. The female manager ratio has reached 14.2% thanks to initiatives such as awareness campaigns and selective training, achieving the Company's five-year target ahead of schedule. However, efforts now need to be accelerated to promote more women into director and department head level positions. In terms of human resource development, we are committed to enhancing its training programs, professional certification incentives, and IT literacy, as well as to intensifying the development of future executive leaders. I would like to continue contributing to foster a framework for growth that encourages self-driven development, enabling a diverse range of human resources to fully harness their abilities and thrive.

mobility across testing, digital transformation (DX), and sales divisions to foster human resources skilled in identifying customers' underlying needs, developing and proposing sophisticated solutions.

The human resource strategy is designed to promote environmental improvement, culture reform, and investment in human resources with the aim of "realization of a workplace where people can work comfortably and are rewarded for their efforts" and "realization of vibrant human resources and organization." I have always emphasized the necessity of aligning management strategy with personnel strategy. In formulating the Medium-Term Management Plan, we incorporated this viewpoint by prioritizing the development and placement of core human resources as well as the securing and active engagement of

strategic human resources. We also formulated a plan outlining how many highly specialized human resources with which necessary skills will be hired and trained in strategic fields such as genome analysis, DX, and clinical trials. I see this as a meaningful step toward building a human resources portfolio closely aligned with our management strategy.

I believe that it is each and every employee who will realize the Medium-Term Management Plan, and that the growth of our people will lead to the growth of the company. Going forward, I'd like to draw on my experience and expertise in the field of personnel and human resources development to flexibly refine and enhance our human resources portfolio and diversity strategies, contributing to their continued evolution.

Tatsuharu Arai, Outside Director



<Efforts to strengthen governance effectiveness>

(1) Assessment of the effectiveness of the Board of Directors and Challenges

The effectiveness of the Board of Directors is assessed across four areas: composition, operations, agenda, and the supporting structure. The evaluation has found no significant issues with these areas, having analyzed them in detail. As shown in the assessment results, improvements have been made on the previous challenges to date:

- Routine reports have been streamlined to prioritize discussions on important agenda items, with adequate time allocated for their consideration;
- Opportunities are provided for detailed explanations in response to questions, enhancing overall understanding; and
- For important matters such as resolutions, prior explanations are provided to allow adequate time for review and deliberation.

My request to the Board of Directors is to consider:

- Providing regular reports on the progress and deviations from initial plans and the factors contributing to those deviations, following the implementation of key agenda items, such as capital investment projects; and
- Departmental performance reports should include overviews and progress updates on key initiatives for the fiscal year on an ad-hoc basis.

(2) Role in enhancing effectiveness

As a director, my role is to contribute to the "continued growth" of the BML Group. This involves leveraging my technical expertise, knowledge, and networks as well as sharing my opinions.

<Evaluation of the new Medium-Term Management Plan and challenges to be addressed>

(1) Evaluation of the new Medium-Term Management Plan

1-1 Net sales (excluding COVID 19-related)

Net sales for 2023 were ¥134.4 billion, reflecting a growth of +11.3% compared to 2019 (an average annual growth rate of +2.9%). To meet the net sales target of ¥160 billion for the final year of the Ninth Medium-Term Management Plan (2028), +19.0% growth from FY2023 levels (an average annual growth rate of +3.8%) is essential. If the growth rate from the previous Medium-Term Management Plan continues, net sales in

2028 will be ¥150.7 billion, falling short by ¥9.3 billion. However, I expect that this gap can be bridged by thoroughly implementing our basic strategies.

1-2 Management strategy

To achieve the Group Vision, three key concepts—"Enhanced Quality," "Solutions," and "Mutual Development"—have been adopted as guiding principles. Six basic strategies underpin this approach, focused on the construction of next-generation laboratories (to ensure sustainable testing capacity expansion over the next 10 years): "Expanding sales

Message from the Outside Directors

and market share," "Improving profitability," "Optimizing the business portfolio," "Enhancing the level of service," "Promoting standardization," and "Development of high-performance tests."

In particular, measures are being taken based on core strategies to address challenges from the previous fiscal year, including:

- Reduced profit margins caused by rising costs of testing and demands for lower pricing;
- Escalating costs in the Specimen Collection and Delivery business due to insufficient oversight;
- Inefficiencies in sample intake processes resulting in higher costs;
- Constraints on growth in the electronic patient chart systems business due to diminished service levels;
- Constraints on business expansion due to an inability to subcontract advanced testing that cannot be performed in-house; and
- Loss of trust, reduced efficiency and increased costs due to testing quality abnormalities.

Specifically, the following measures are expected and these challenges are considered to be resolvable:

- Building stronger customer trust through quality improvements and enhanced service delivery, alongside setting appropriate pricing and increasing market share and profitability;
- Reducing costs by innovation of inefficient workflows and elimination of operational waste;
- Enhancing quality and aiming for "zero" quality abnormalities through collaboration between the testing and systems divisions; and
- Expanding testing capacity to drive growth in business scale.

I believe that the objectives outlined in the Medium-Term Management Plan, including business scale

expansion (net sales and market share) and profit growth, are achievable.

(2) Efforts for the challenges of the new Medium-Term Management Plan

Although quality abnormalities may not directly impact measurable revenue, they are a pressing issue as they lead to increased costs, diminished customer trust, and decreased market share. Repeated occurrences of quality abnormalities are particularly problematic.

Some of the causes of these are thought to be:

- Insufficient knowledge and lack of accountability among laboratory personnel;
- Insufficient guidance and oversight from supervisors; and
- Deficiencies in or the absence of enacted standard operating procedures (SOPs).

As countermeasures, I would like to see the following implemented:

- Enhancing the testing certification system and conducting periodic technical checks;
- Clarifying and implementing the steps outlined in the "promoting standardization" process;
- Developing laboratory personnel capable of communicating results through numerical data;
- Compiling a quality abnormality casebook and using it in pre-shift training sessions (one case per day); and
- Extracting the "implicit knowledge" of Meister-level laboratory personnel.

I would like the company to constantly recognize that "safety lies within danger" (potential causes of quality abnormalities always exist around quality and safety), and strive to "foster a culture of quality and safety."

operating profit falling short. Nonetheless, during this period, we expanded testing capacity in regional areas, transitioning to a local production for local consumption model and achieving shorter reporting lead times. Our proactive response to societal demands led to a dominant market share in testing and contributed significantly to mitigating the impact of the pandemic on public life. I appreciate that this has been a period of development of the Group, with the accumulation of unappropriated retained earnings as compensation.

The accumulated capital was directed toward forward-looking investments, such as the concept of next-generation laboratories, the redevelopment of the BML General Laboratory, and M&A opportunities. This decisive approach to investment and risk-taking was acknowledged and praised, with high regard given to the governance aspects as well. Furthermore, through the discussions of the Board of Directors, it is apparent that the Company maintained a consistent focus on quality improvement without being swayed by short-term fluctuations in financial performance. From an external perspective, this demonstrates a sense of stability and a long-term strategic approach to management.

What discussions were held regarding the formulation process for the new Medium-Term Management Plan, its evaluation, and the challenges to be addressed to ensure its successful implementation?

During the Medium-Term Management Plan period, with the heavy depreciation burden of investments for growth over the next 10 years such as the new building for the BML General Laboratory, and seemingly challenging outlook for both sales and profits, the discussion centered on how to control this situation and build a foundation for growth while at the same time realizing shareholder returns. In the previous Medium-Term

Management Plan, declining profit margins emerged as a significant issue, driven by major external changes such as the shift from prolonged deflation to inflation and labor shortages, necessitating a shift in the Company's approach. Specifically, we conclude that it is necessary to review pricing and pickup and delivery in sales, and to shift from a sales-centric corporate culture to one that prioritizes profitability and efficiency in order to improve productivity, efficiency, and cost reduction measures in each testing process.

What advice did you offer as an Outside Director, and was it acted upon by the executive team?

When formulating numerical targets, I advised that setting overly ambitious goals based on predetermined figures could create excessive pressure on the organization amid challenging business environments and periods of intensive investment, potentially leading to less-than-satisfactory outcomes on both quantitative and qualitative levels. Instead, I stressed the importance of setting achievable numerical targets, underpinned by concrete measures, to ensure the sustainable enhancement of long-term shareholder value. This recommendation has been reflected in the Company's fundamental approach to formulating numerical targets, strategies, and tactics, with careful consideration given to balancing appropriate shareholder returns with improvements in ROE.

Regarding the challenge of optimizing the business portfolio, I proposed using this period as an initial phase for developing a second pillar of management, alongside the clinical testing business, with a long-term vision of ten to twenty years. However, given the current external and internal conditions, it is not feasible to incorporate this into numerical plans at this stage, and I recommend deferring its concrete development to the next Medium-Term Management Plan.

<Evaluation of the new Medium-Term Management Plan and challenges to realization>

Evaluation of the new Medium-Term Management Plan as an Outside Director and recognition of challenges toward realization

From an external perspective, I commend the concrete initiatives outlined to improve ROE, reflecting a management approach mindful of capital costs and stock price. Although the current Medium-Term Management Plan marks a period of focused investment, with many challenges to address, it also offers substantial growth potential. I believe that iteratively testing and refining hypotheses during the implementation of specific measures will make this phase a highly productive one. Moreover, the objectives of the plan are linked to long-term growth targets, and it also emphasizes a continued focus on quality improvement, a crucial driver in the clinical testing industry.

How will you leverage your own expertise and specialist knowledge to support the Group's growth and the attainment of the Medium-Term Management Plan's goals?

Among the specific measures to realize the Medium-Term Management Plan, there are new challenges of rational logistics and pricing, as well as the issue of shifting to a profit-oriented corporate culture. I have personal experience in corporate reform through the management restructuring of business entities and in driving the transition to profit-oriented management within the general contracting (construction) industry. The formulation of the new Medium-Term Management Plan included extensive discussions within the Board of Directors. I plan to utilize my expertise to actively contribute to discussions during the intermediate stages of its implementation and management as well.



Shigeru Osawa, Outside Director

<Review of the previous Medium-Term Management Plan>

As the formulation of the previous Medium-Term Management Plan overlapped with the escalation of the COVID-19 pandemic, I can imagine it posed the challenge of integrating immediate response to the pandemic with medium- and long-term management priorities. While the initial fiscal year of the plan saw

significant growth in net sales and operating profit due to our response to the pandemic, these figures declined sharply as the virus' impact subsided, and the period, like its implementation, proved difficult to evaluate in terms of performance. The results for the final year of the plan show that net sales almost met target, with

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.

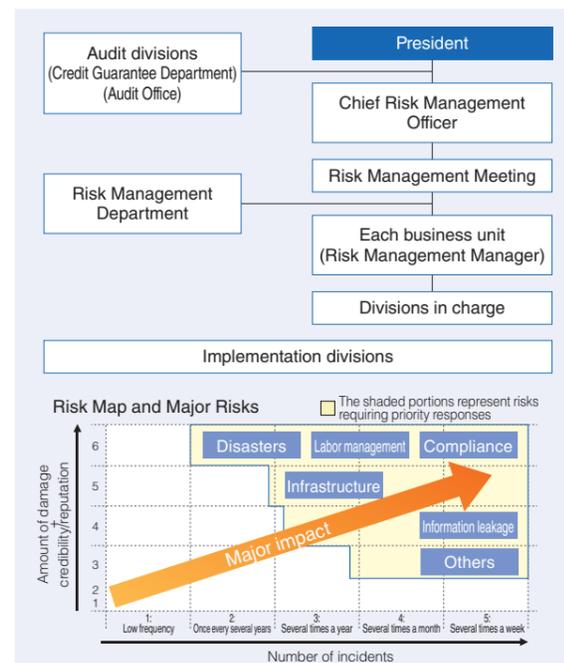
The basic policy consists of the basic objective and the code of conduct. The basic objective is to prevent risks before they materialize, as well as swiftly and

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, BML 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	Risks	Countermeasures for risks
Labor management	Overwork	To prevent overwork, the Company conducts training for managers, carries out early detection and countermeasures by strengthening the labor management system, and conducts appropriate labor management based on laws and regulations.
Compliance	Violation of relevant laws and regulations Fraud and scandals of employees	To spread a 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 implements measures to prevent the flooding of important facilities. In addition, the new building, completed in August 2024, employs an earthquake-absorbing structure.
Infrastructure	Disruption 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 supply. Additionally, in the new building, the Company has installed 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"> • Harassments • Importance of the Compliance Post • Trade secrets, etc.

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 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. 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

Information Security

Cyber attacks via the internet have become more sophisticated across the world, posing growing threats of system shutdowns and information leakage caused by unauthorized access.

As a company that handles medical data, personal information that requires a higher level of security, BML strives to strengthen its information security.

Basic Policy on Information Security

Guided by its Policy of "Dedication to creating a healthy and cultured society," BML operates as a medical information company capitalizing on its system service network.

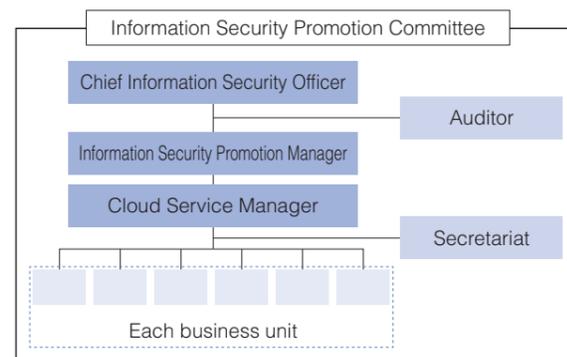
As the internet becomes ubiquitous in our lives, companies are increasingly required to ensure

information security. As a company that handles a large amount of personal information, BML deems ensuring information security to be one of its important social responsibilities. As such, we declare the following as our basic policy on information security.

1. We establish internal regulations on information security based on the policy, and properly manage the necessary information.
2. We build an information security system to protect information assets from any form of threat and to ensure and maintain their confidentiality, integrity and availability.
3. Employees must observe and act in accordance with relevant laws, regulations and industry norms. To promote awareness of their own responsibilities in ensuring information security, we will provide employees with thorough education and training.
4. We continuously improve our information security activities to keep up with changes in the social environment, legal regulations and information technology, and to respond to emerging risks.

Information security promotion structure

Under the Chief Information Security Officer, BML has established the following information security promotion structure (Information Security Promotion Committee) and is working on information security activities.



Information security measures

- Organizational measures
We are ISO 27001 and PrivacyMark certified. By following the PDCA cycle, we are working to control and maintain an appropriate level of security. As part of these activities, we periodically conduct security assessment by third-party organizations.

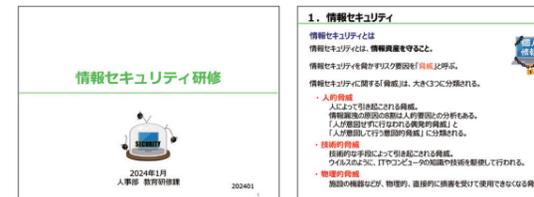
- Technical measures
All access via the internet is monitored, and only authorized terminals are allowed to access our information assets. Additionally, we have a third-party security specialist organization providing 24/7 monitoring against cyber attacks.

- Physical measures
To safeguard confidential information, we have specified the controlled areas in and control systems for the information security area. By restricting access by unauthorized persons, we aim to prevent information leakage. In addition, we inspect the records of entries/exits to restricted areas.

Information security education

It is critical to have a strong awareness of information security in order to protect information assets. Therefore, we provide the following two types of educational training to all employees.

- Regular training on information security and the protection of personal information
In order to prevent incidents and violations related to the handling of personal information, we believe it is important for each and every employee to have the correct knowledge and a keen awareness when handling personal information in their day-to-day operations. For this reason, we provide all employees with e-learning training every year on information security and personal information protection.



- Progress of initiatives to achieve materiality KPIs
In FY2023, we introduced EDR on all PCs in the Company. We also built a system to periodically conduct drills on targeted email attacks, and conducted 12 drills during the year.

Relevant materiality



• Information security

- Drills and training on targeted email attack
When applying to use email for the first time, employees are required to complete training on targeted email attacks as a way of raising awareness of the risks involved in using email. In addition, we conduct cyber-attack simulation training for email users 12 times a year, and restrict the use of email for those who open the test emails.



Information security certifications

- ISO 27017
In December 2022, BML acquired ISO 27017, an international standard for information security management systems (ISMS), for its electronic patient chart service (Qualis Cloud, a cloud-based electronic patient chart system). Cloud services have been spreading rapidly in recent years because of their convenience, scalability, cost benefits, and other advantages. As BML handles highly confidential medical data in such operating environment, we have acquired this certification aiming to improve and strengthen our security management system. We acquired this certification in December 2021 also for B-Report, our test result inquiry service.



- ISO 27001
ISO 27001 is an international standard for information security management. (In computer system center operations for the clinical testing business, development of electronic patient chart system, and development, operation, and maintenance of cloud services)



Financial Data

11-Year Summary of Financial Data

Financial data

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Status of Profit and Loss (millions of yen)											
Net sales	99,047	104,404	109,024	111,243	113,502	117,129	120,732	138,571	186,067	159,462	137,964
Gross profit	36,441	37,038	38,855	39,799	40,463	42,227	42,250	54,768	86,951	61,446	45,628
Selling, general and administrative expenses	28,253	30,063	30,426	30,470	31,126	31,777	32,487	34,831	38,061	37,509	36,461
Operating income	8,188	6,974	8,429	9,329	9,337	10,450	9,763	19,936	48,889	23,936	9,167
Ordinary income	8,582	7,527	8,830	9,711	9,811	10,880	10,211	20,803	51,077	24,182	9,605
Profit attributable to owners of parent	4,990	3,874	5,424	5,948	5,988	6,646	6,375	13,711	33,741	15,578	6,034
Financial Condition (millions of yen)											
Net assets	57,657	61,968	65,206	70,647	76,222	81,127	80,422	93,123	121,684	126,751	130,140
Total assets	88,525	93,595	99,394	104,244	109,438	115,972	116,273	139,174	179,200	168,943	170,991
Equity	55,188	59,213	62,123	67,199	72,520	77,072	76,099	88,377	116,163	122,467	125,843
Cash Flow Position (millions of yen)											
Cash flows from operating activities	10,931	11,495	11,978	11,307	12,079	12,507	12,771	19,574	45,603	11,742	14,446
Cash flows from investing activities	(1,762)	(4,586)	(3,234)	(5,239)	(3,538)	(3,940)	(5,213)	(4,584)	(7,297)	(7,627)	(21,137)
Cash flows from financing activities	(2,622)	(2,806)	(2,916)	(2,856)	(2,983)	(3,041)	(8,784)	(3,382)	(9,828)	(9,715)	(5,733)
Cash and cash equivalents at end of period	24,649	29,061	34,910	38,122	43,679	49,204	48,246	59,853	88,360	82,760	70,338
Per Share Information (yen)											
Net assets per share	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	3,138.63	3,228.06
Profit attributable to owners of parent per share	234.98	182.45	255.40	140.03*	140.83	156.07	151.27	337.44	833.24	395.84	154.81
Annual dividends per share	50.00	60.00	60.00	35.00*	35.00	38.00	45.00	70.00	120.00	100.00	80.00
Financial Indicators (%)											
Gross profit to net sales ratio	36.8	35.5	35.6	35.8	35.6	36.1	35.0	39.5	46.7	38.5	33.1
Operating income to sales ratio	8.3	6.7	7.7	8.4	8.2	8.9	8.1	14.4	26.3	15.0	6.6
Ordinary income to net sales ratio	8.7	7.2	8.1	8.7	8.6	9.3	8.5	15.0	27.5	15.2	7.0
ROE	9.4	6.8	8.9	9.2	8.6	8.9	8.3	16.7	33.0	13.1	4.8
ROA	5.8	4.3	5.6	5.9	5.6	5.9	5.5	10.7	21.2	8.9	3.5
Equity ratio	62.3	63.3	62.5	64.5	66.3	66.5	65.4	63.5	64.8	72.5	73.6
Dividend payout ratio	21.3	32.9	23.5	25.0	24.9	24.3	29.7	20.7	14.4	25.3	51.7

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

Corporate Summary and Stock Information

Corporate Summary (as of March 31, 2024)

Corporate Information

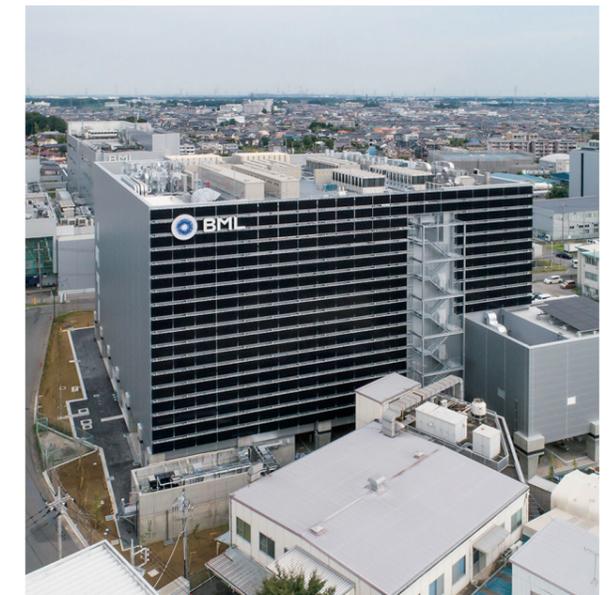
Trade name	BML, INC.
Place of Head Office	5-21-3 Sendagaya, Shibuya-ku, Tokyo, Japan Tel: +81-3-3350-0111 (main) https://www.bml.co.jp/eng/
BML General Laboratory	1361-1 Matoba, Kawagoe City, Saitama, Japan Tel: +81-49-232-3131 (main)
Date Founded	July 1955
Share Capital	6,045 million yen
Number of Employees	4,513 (consolidated basis)
Business Description	Laboratory testing services and related services



Stock Information (as of March 31, 2024)

Major Shareholders

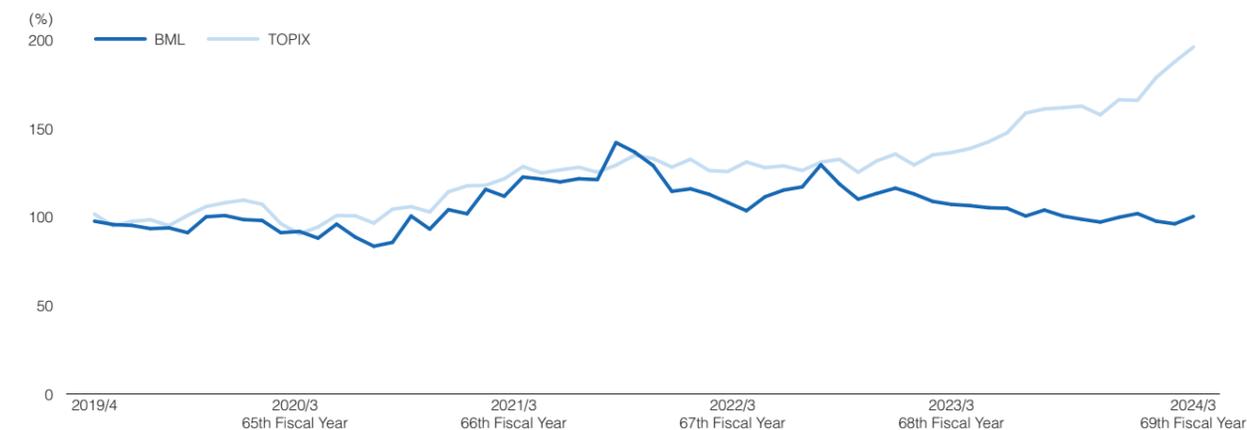
Shareholder name	Number of shares held (1,000 shares)	Shareholding ratio (%)
BML Planning, Inc.	10,154	26.0
The Master Trust Bank of Japan, Ltd. (trust account)	3,222	8.3
Kensuke Kondo	3,171	8.1
SSBTC CLIENT OMNIBUS ACCOUNT	1,425	3.7
Shige Kondo	1,080	2.8



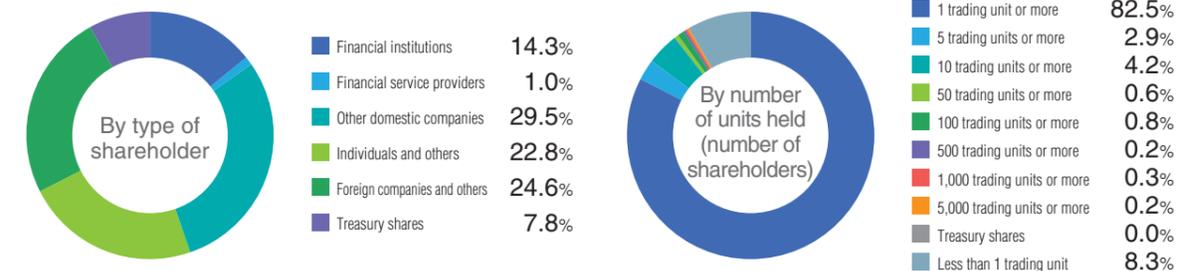
BML General Laboratory(6th Stage Building)

*1. Although the Company holds 3,310 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.

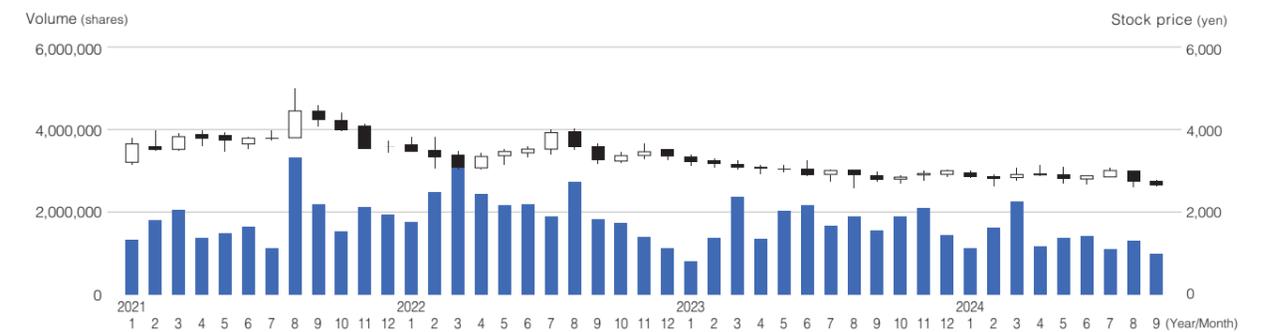
Stock Price Information and Trend in Total Shareholder Return



Shareholder Distribution



Stock Price Chart





BML

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/>



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