

The state of corporate governance of Shin Nippon Biomedical Laboratories, Ltd. (“the Company”) is described below.

I [Fundamental Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information](#)

1. Fundamental Views

The SNBL Group (“the Group”) comprises the Company, its 25 consolidated subsidiaries and 4 equity method affiliates. The Group is engaged in a variety of businesses, including pre-clinical trials commissioned by pharmaceutical companies and other entities, development support for pharmaceuticals through clinical trials and new drug approval applications, the development of proprietary drugs delivered transnasally, translational research projects that develop the fundamental knowledge and technologies of universities and bio-venture firms into businesses, the operation of accommodation facilities, and Medipolis projects involving geothermal power generation and fisheries.

The Company had adopted the fundamental policy of developing sound management practices, improving efficiency, enhancing transparency, strengthening its compliance framework and achieving effective corporate governance, in order to further enhance its corporate value.

Based on this fundamental policy, we have made our corporate mission “supporting drug discovery and improvements to medical technology to ease human suffering,” and have sought to strengthen our corporate governance to become a “needed company” that earns a high level of trust from all stakeholders, including shareholders, investors, customers, employees and society as a whole.

The Board of Directors, which is the body responsible for making management decisions, comprises nine directors (four of whom are external directors). The Board convenes once a month in principle and on an as-needed basis, during which all important matters concerning management are deliberated over and decided. Also note that directors serve for a term of one year, in order to improve agility in response to changes to the management environment. In terms of management monitoring functions, corporate auditors conduct audits to monitor for legal compliance. There are three corporate auditors, two of whom are external corporate auditors. The corporate auditors attend Board of Auditors meetings and other important meetings, and audit directors in the execution of their duties by examining the state of business operations and finances. The company also commissions KPMG AZSA LLC to conduct accounting audits and receives full explanations of reports describing the audit results and findings. The corporate auditors and accounting auditors exchange information as needed and enhance mutual coordination, including holding regular meetings on annual audit schedules and other matters.

[\[Reasons for Non-compliance with Principles of Japan’s Corporate Governance Code\]](#)

The Company implements each principle of Japan’s Corporate Governance Code.

[\[Disclosure Based on Principles of Japan’s Corporate Governance Code\]](#) Update

[Principle 1-4]

<Cross-Shareholdings>

The Company currently holds no listed shares for the purpose of cross-shareholding.

<Policy on Cross-Shareholding>

The Company believes that cooperative ties with a variety of companies is essential for business expansion and sustainable development, and from that perspective, we take a medium-to-long-term view to enhancing corporate value. Accordingly, if we do make a determination that strategic holdings are necessary after comprehensively taking into account their importance to business strategy and business ties with partners, we may hold listed shares.

As for whether we continue to hold shares of individual stocks, we undertake meticulous and detailed examinations of the core business activities and management status of the companies predicated on the expectation of business tie-ups or improved business relations as the purpose for the holdings, and make determinations as to whether holdings need to be reduced from the perspective of whether the benefits of owning the shares are commensurate with the burden of doing so. Moreover, with regard to highly specialized areas, we consult with outside experts including attorneys, patent attorneys and other consultants and conduct objective assessments.

In the future, we plan to conduct even more meticulous and detailed examinations regarding the significant of acquiring and holding shares in light of the recent harsh economic conditions.

<Standards for Exercising Voting Rights>

Regarding the exercising of voting rights in relation to cross-shareholdings, the Company has established standards for comprehensively considering our shareholding policy, the soundness of management at the companies whose shares we hold, and the perspectives of sustainable growth and enhancement of corporate value. We exercise voting rights in accordance with these standards.

[Principle 1-7]

<Procedures and Framework for Transactions between Related Parties>

The Company has established the following system to ensure that the common interests of the Company and its shareholders are not harmed when the Company conducts transactions with parties such as officers or major shareholders (translations between related parties).

(1) We have established the Compliance Conduct Guideline of Shin Nippon Biomedical Laboratories, Ltd. and thoroughly disseminate information on the guidelines including the prohibition of conflicts of interest. The department responsible for compliance checks the status of compliance periodically and on an as-needed basis. The representative director receives reports on a case-by-case basis and engages in monitoring. In accordance with the Board of Directors Regulations, competitive transactions and transactions with a conflict of interest involving directors are specified as matters requiring

Board of Directors approval, and supervision is exercised in the Board of Directors through the approval of actual individual transactions or the receipt of reports.

(2) When there are Board of Directors resolutions regarding transactions between directors and other related parties, a legal check is conducted by the Legal Department in advance. In addition, legal checks are also performed by the Legal Department as needed with regard to transactions between the Company and SNBL Group companies.

[Principle 2-3]

<Initiatives Aimed at the Enhancement of Health and Productivity Management>

As one of the strategic measures to materialize the corporate philosophy of “valuing the people”, the Company has been proactively engaged in the enhancement of health and productivity management. Along with the Company’s slogan “I’m happy, you are happy, and everyone is happy”, the Representative Chairman, President & CEO who is a qualified medical doctor, took up a role as Chief Health Officer in August, 2020, in order to promote various initiatives related to the health and productivity management. The Company discloses the historical data and KPIs set for the fiscal year ending March 2026 on a dedicated page of the Company’s website and its sustainability report.

[Principle 2-4]

<Initiatives Aimed at the Advancement of Women>

The Company has set a corporate philosophy stating that “we are a company that values the environment, life and people,” and has established the Compliance Conduct Guideline of Shin Nippon Biomedical Laboratories, Ltd. (which went into effect in June 2004) to serve as the code of conduct expected of members of the Company. The guideline states that “we will not discriminate against people on the basis of gender, age, educational background, wealth, race, ethnicity, language, nationality, birthplace, physical appearance, physical or mental handicaps, religious or political beliefs, other thoughts or beliefs or otherwise, will respect the dignity of others, and work together in the interests of mutual understanding.” Diversity at the Company is not limited to diversity of attributes such as race, religion, disability, gender or age; it also refers to respecting one another by adopting viewpoints in the second and third person, and striving toward mutual understanding. We have built an organization of mutual gratitude in which we can utilize each person’s strengths and make up for their weaknesses. This has resulted in the ongoing creation of innovations and promoted sustainable management, which we believe in turn contributes to society.

Based on these ideas, we advance the development and promotion of employees based on their motivation and abilities. On a non-consolidated basis, the percentage of female employees is 49.7%, the female employee hiring rate is 47.9%, and the percentage of female managers is 18.4%.

The percentage of female employees in the assistant manager class, which is one step below the managerial level, is 40.0%, and has risen more than 10% over the past few years. This suggests a definite rise in the number of motivated female employees, and moving forward we will continue to develop and promote female employees while also increasing the number of female employees who are candidates for officer positions by encouraging female participation in tiered management training and through other measures.

In recognition of the Company’s philosophy on respect for diversity and inclusion, its efforts to promote that philosophy and its organizational culture enabling employees to find success irrespective of attributes such as gender, in 2016 the company received the highest 3-star Eruboshi certification from the Ministry of Health, Labour and Welfare. Additionally, the Company as part of the 2018 Award for Leading Companies Where Women Shine organized by the Cabinet Office Gender Equality Bureau, the company won the Prime Minister’s Award (one of two companies to do so), and was also among two companies to win the Minister of Health, Labour and Welfare Award for Excellence in the Enterprises Promoting Equal Employment category as part of the Equal Employment / Work-Life Balance Awards organized by the Ministry of Health, Labour and Welfare.

Eruboshi:

Eruboshi certification is a system based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace and is given to companies with excellent situations related to the promotion of women’s participation that meet a certain standard.

Award for Leading Companies Where Women Shine: The award was established for promoting a working environment where women can actively participate and is given to companies that have made distinguished achievements in terms of policy, initiatives and performance related to the promotion of women to officers and managers, and the disclosure of information about them. The Prime Minister’s Award is given to companies recognized as having made extremely distinguished achievements.

Equal Employment / Work-Life Balance Awards:

The award is given to companies that promote exemplary efforts regarding proactive initiatives to promote the full utilization of female workers’ abilities and initiatives to help workers strike a balance between work, childcare and nursing care.

[Supplementary Principle 2-4(1)] The Company has established an in-house university-type program where the Representative Chairman, President & CEO personally teaches and lectures on management principles and the mindset of managers with the aim of developing future management personnel. The program consists of Nagata University, Nagata School (Nagata-juku) and Nagata Prep School (Nagata-juku Yoka). The Prep School is for candidate leaders around 30 years of age, while the Nagata School is for those around 40. For the Nagata University, candidate future managers are selected from among Director and Deputy Director level employees and above, with the aim of developing personnel who can lead the Group in the future. The program is not based on gender, nationality or employment timing such as mid-career hires, and equal opportunities for participation are provided.

[Principle 2-6]

The Company does not have a corporate pension fund plan.

[Principle 3-1]

<(i) Company objectives, business strategies and business plans>

Each and every employee of the Company takes pride in its mission, to “free patients from suffering by supporting drug development and improving medical technology.” That corporate mission is the basis for all business activities across the SNBL Group and serves as the driving force behind continued rapid progress. Check the Company website to learn more about our corporate and management philosophy (<https://www.snbl.co.jp/about/corporate-and-management-philosophy/>).

Check the summary of financial results for the fiscal year ended March 2021 for information about the Company’s medium-to-long-term management strategy (<https://www.snbl.co.jp/category/report/>).

<(ii) Basic corporate governance policy>

The Company had adopted the fundamental policy of developing sound management practices, improving efficiency, enhancing transparency, establishing a compliance framework and achieving effective corporate governance, in order to further enhance its corporate value. Based on this

fundamental policy, we have set the corporate mission of “supporting drug discovery and improvements to medical technology to ease human suffering,” and have strived to strengthen our corporate governance to become a “needed company” that earns a high level of trust from all stakeholders, including shareholders, investors, customers, employees and society as a whole. Please refer to I.1. Fundamental Views in this report for details.

<(iii) Policies and procedures for determining remuneration for directors>

Remuneration amounts for each director are determined in accordance with Company-designated procedures within the range of the total amount of remuneration for all directors set forth by resolution of the General Meeting of Shareholders. Specifically, the non-statutory Remuneration Committee prepares a draft which it submits to the Board of Directors. The President & CEO is delegated by the Board of Directors to determine the amount of remuneration for directors within the scope of the amount submitted by the Remuneration Committee. The remuneration of directors is determined after comprehensively taking various factors into account, including company business performance, economic conditions, and the responsibilities and achievements of each individual. Details are as listed in II.1. “Disclosure of policies for determining the amount of remuneration and methods for its calculation.”

<(iv) Policy on appointment of executive management and nomination of candidates for directors and auditors>

For its executive management, the Company seeks persons of excellent character and insight from inside and outside the Company, regardless of nationality, personal history or gender. In addition, regarding directors responsible for the execution of business, we regard persons with a wealth of expert business knowledge and experience as candidates, and consider those with extensive knowledge and experience in their chosen field as candidate external directors. The Company deliberates the nomination for candidate directors deemed to possess these qualities during Board of Directors meetings, which are also attended by external auditors, and candidates for directors are ultimately determined by resolution of the Board of Directors. In terms of procedures, the non-statutory Corporate Governance and Nomination Committee prepares a draft of candidates and the candidates are decided on by the Board of Directors and appointed at the General Meeting of Shareholders.

Also note that when it appears that a member of executive management is not fully performing their functions in light of the above appointment criteria, following deliberation by the Corporate Governance and Nomination Committee and Board of Directors as appropriate, the need to dismiss the individual will be considered, and if dismissal is deemed necessary, dismissal procedures are carried out in accordance with the Companies Act and internal regulations.

<(v) Explanation of individual appointments and nominations related to above section (iv)>

Please refer to the reasons for the appointment of directors and auditors disclosed in the Notice of Convocation of the 48th General Meeting of Shareholders (https://www.snbl.co.jp/ir/ir_information/stockholders-meeting/).

In addition, when a member of executive management is dismissed, the reason for dismissal is also disclosed in a timely fashion.

[Supplementary Principle 3-1(3)] At the Board of Directors meeting held on August 27, 2021, the Company resolved to establish the SDGs Committee as a non-statutory advisory body to the Board of Directors with the aim of systematically enhancing SNBL Group-wide sustainability management from a medium-to-long-term perspective. External director of the Company Keiko Toya is the chair of this committee, which meets to conduct lively discussion on a monthly basis. In October 2021, the Company established the “Environment Committee” as a subordinate body to the SDGs Committee. The Company discloses a sustainability report that is produced based on the Company’s achievements regarding initiatives for SDGs/ESG, and each of the Company’s policies are disclosed on a dedicated page of the Company’s website (<https://www.snbl.co.jp/esg/policies/>). The Company expressed its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in October 2020. The estimated impacts on its business activities and performances caused by climate-related opportunities and risks are disclosed on a dedicated page titled “TCFD’s Recommended Disclosures” of the Company’s website (<https://www.snbl.co.jp/esg/tcfid/>).

[Supplementary Principle 4-1(1)]

<Scope of matters delegated to management>

The Board of Directors Regulations for the Company prescribe that the following matters must be resolved by the Board.

(1) Matters required by law, (2) Matters set forth in the Articles of Incorporation, (3) Matters concerning important business operations, and (4) Matters other than the preceding items deemed especially necessary

Of these matters, criteria for matters submitted for discussion that require special explanation are listed on the Company’s website as “Criteria for Submission” (see https://www.snbl.co.jp/category/gov_report/). Determinations and decisions regarding other matters are delegated to the non-statutory Corporate Governance and Nomination Committee, Remuneration Committee, various meeting bodies made up of executive management and to the officers in charge based on the purpose.

[Supplementary Principle 4-8(1)]

<Meetings consisting only of independent external directors>

The Company convenes a meeting fully attended by external directors and external corporate auditors once every three months in general, in an effort to exchange information and share recognition from an independent and objective standpoint.

[Principle 4-9]

<Criteria for determining independence>

In addition to the requirements set forth in the Companies Act, we have established independence criteria equivalent to the criteria for determining the independence of independent officers established by the Tokyo Stock Exchange. Based on these criteria, we appoint persons who can offer appropriate views to Company management from an objective viewpoint.

[Supplementary Principle 4-11(1)]

<Approach to the Board of Directors>

For its Board of Directors, the Company seeks persons of excellent character and insight from inside and outside the Company, regardless of nationality, personal history or gender. In addition, regarding directors responsible for the execution of business, we regard persons with a wealth of expert business knowledge and experience as candidates, and consider those with extensive knowledge and experience in their chosen field as candidate external directors. At the Company, the non-statutory Corporate Governance and Nominating Committee determines the policy on nominating the candidate directors deemed to possess these qualities and prepares drafts on specific candidates. Candidates for directors are ultimately determined by resolution of the Board of Directors.

At the Company, nine directors are appointed to the Board. To enhance the agility and flexibility of management regarding business execution other than matters for resolution, each of the five directors who are not external directors and 12 executive officers are responsible for the execution of their

respective business operations, and many of these directors and executive officers also serve as the managers of divisions under the organizational structure of the Company.

There are four external directors. We also recognize gender diversity as an important issue and actively consider the appointment of female directors from the perspective of effectiveness and appropriate size. At the 48th General Meeting of Shareholders held on June 29, 2021, Keiko Toya, who is an expert in business administration and possesses a wealth of management-related experience and knowledge, was appointed as an external director.

The Company has created a skill matrix which catalogues the expertise, experience and other qualities of each director. The skill matrix is included on the final page of this report.

[Supplementary Principle 4-11(2)]

<Directors and auditors holding concurrent positions at other companies>

Please refer to our securities report and the Notice of Convocation of the 48th General Meeting of Shareholders (https://www.snbl.co.jp/ir/ir_information/stockholders-meeting/) where information about concurrent positions held by the Company's directors and corporate auditors is disclosed.

[Supplementary Principle 4-11(3)]

<Effectiveness of the Board of Directors>

The Company has introduced individual interviews with each director conducted by the Representative Chairman, President & CEO regarding deliberations by the Board of Directors and the execution of business. The results of individual interviews are verified by the Representative Chairman, President & CEO facilitating the proceedings, and deliberated on by the non-statutory Corporate Governance and Nomination Committee. By driving improvements that help revitalize the deliberations conducted by the Board of Directors, its effectiveness is enhanced. In addition, to encourage lively discussions between Board of Directors meeting attendees, "Matters for Discussion" were established in the Board of Directors Regulations (amended April 1, 2018), separate from the matters for resolution and reporting matters dealt with in Board of Directors meetings. This system allows directors and executive officers to submit these matters for discussion as matters that should be discussed before the stage of being submitted as a matter for resolution, or matters that should be brought up so that opinions can be heard. Using this system further promotes discussion during Board of Directors meetings.

[Supplementary Principle 4-14(2)]

<Training of directors and auditors>

The Company conducts necessary training and provides information for directors and corporate auditors to appropriately carry out their roles and responsibilities.

When a director or corporate auditor is newly appointed, they receive training on legal matters and corporate governance as needed. In addition, ongoing training is provided to the Board of Directors and other bodies regarding management issues. Specifically, efforts are made to follow-up on topics related to management and other areas through lectures given by external directors or other speakers around once every three months.

In addition to the above activities, when an external director or external corporate auditor is newly appointed, they receive an explanation of the Company's business activities and tour key Company sites, etc. as needed.

Necessary information is provided to external directors and external corporate auditors on the Company's business issues and other matters.

[Principle 5-1]

<Dialogue with Shareholders>

The Company has established a system where the Corporate Communications Department endeavors to coordinate organically with related departments and has set up a dedicated IR telephone number to provide feedback to top management on the details of dialogue between shareholders and investors via IR personnel. The Company also holds financial results briefings for shareholders and investors once every six months, and discloses information about the Group, which is the basis for dialogue, in a timely, accurate and fair manner. Also note that thorough control over insider information is implemented during these activities.

2. Capital Structure

Percentage of Foreign Shareholders	Less than 10%
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[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Percentage (%)
Nagata & Company, Ltd.	14,660,600	35.21
The Master Trust Bank of Japan, Ltd. (Trust account)	3,035,300	7.29
Takahisa Nagata	2,110,000	5.07
Medipolis Medical Research Institute	1,474,000	3.54
Ikue Nagata	1,024,000	2.46
Ichiro Nagata	1,024,000	2.46
Rie Umehara	1,024,000	2.46
The KAGOSHIMA BANK, LTD.	1,000,000	2.40
Custody Bank of Japan, Ltd. (Trust account)	812,200	1.95
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	654,974	1.57

Controlling Shareholder (except for Parent Company)	None
Parent Company	None

3. Corporate Attributes

Listed Exchange and Market Division	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Sector Classification	Services
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 500 to less than 1,000
Revenue (consolidated) for the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 subsidiaries to less than 50 subsidiaries

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Special Circumstances which may have Material Impact on Corporate Governance
Not applicable.

II Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Organization Form	Company with Auditors
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of External Directors	4
Number of Independent Directors/Auditors Designated from among External Directors	4

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Shinichi Fukumoto	Attorney-at-law													
Takashi Yamashita	CPA								△					
Tsuyoshi Hanada	Certified tax accountant													
Keiko Toya	Academic													

* Categories for "Relationship with the Company"

* "○" indicates that the director currently falls under the category, or did so recently, and "△" indicates that the director fell under the category in the past.

* "●" indicates that a close relation falls under the category, or did so recently, and "▲" indicates that a close relation fell under the category in the past.

a. Executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/auditor

g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a corporation)

h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Relationship with the Company (2)

Name	Designation as Independent Director/ Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Shinichi Fukumoto	○	-----	While Mr. Shinichi Fukumoto has no experience of being directly involved with corporate management other than as an External Director, the Company deems him capable of properly executing the duties of an External Director due to the insight and experience he possesses as a legal expert. He has been designated as an independent director as he is in a position independent of management in performing his duties as an External Director, and there is no risk of a conflict of interest with regular shareholders.
Takashi Yamashita	○	Mr. Takashi Yamashita was an employee of KPMG AZSA LLC, the Company's accounting auditor, from 1983 to 2014.	While Mr. Takashi Yamashita has no experience of being directly involved with corporate management other than as an External Director, the Company deems him capable of properly executing the duties of an External Director due to the insight and experience he possesses as an expert in finance, accounting and taxation matters. He has been designated as an independent director as he is in a position independent of management in performing his duties as an External Director, and there is no risk of a conflict of interest with regular shareholders.
Tsuyoshi Hanada	○	-----	The Company deems Mr. Tsuyoshi Hanada capable of properly executing the duties of an External Director due to the insight and experience he possesses as an expert in finance, accounting and taxation matters. He has been designated as an independent director as he is in a position independent of management in performing his duties as an External Director, and there is no risk of a conflict of interest with regular shareholders.
Keiko Toya	○	-----	The Company deems Professor Keiko Toya capable of properly executing the duties of an External Director due to the insight and experience she possesses as an expert in business administration. She has been designated as an independent director as she is in a position independent of management in performing her duties as an External Director, and there is no risk of a conflict of interest with regular shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Yes

Status of Voluntary Committee Establishment, Committee Composition, and Attributes of Chairperson

	Committee Name	All Committee Members	Full-time Members	Internal Directors	External Directors	External Experts	Others	Chairperson
Committee Corresponding to a Nomination Committee	Corporate Governance and Nomination Committee	5	0	2	3	0	0	Internal Directors
Committee Corresponding to Remuneration Committee	Remuneration Committee	5	0	2	3	0	0	Internal Directors

Supplementary Explanation

The Company has established two voluntary advisory bodies with the aim of strengthening independence, objectivity and accountability regarding the nomination of executive management (Directors, Executive Officers, etc.) and the determination of their remuneration. One is the Corporate Governance and Nomination Committee, and another is the Remuneration Committee. Both are advisory bodies of which Independent External Directors make up a majority of committee members.

The Corporate Governance and Nomination Committee deliberates over the draft of items brought up for discussion at the General Meeting of Shareholders regarding the appointment and dismissal of Directors and Auditors, drafts concerning the appointment or dismissal of the Representative Director (CEO) and Executive Directors brought up for discussion at Board of Directors meetings, drafts of candidates for other executive management positions (Executive Officers, Senior General Managers, Directors of subsidiaries) brought up for discussion at Board of Directors meetings. The Committee also determines Director, Auditor and executive management selection policy and procedures, considers matters regarding successor plans, and examines matters concerning effectiveness assessments of the Board of Directors.

The Remuneration Committee deliberates over matters concerning the remuneration of Directors and Auditors placed on the agenda of the General Meeting of Shareholders, and drafts on the amount of remuneration for Directors, Executive Officers, Senior General Managers and Directors of subsidiaries (including calculation methods). The Committee also determines policies including the composition of officer remuneration, as well as the procedures for determining officer remuneration.

[Auditors]

Establishment Board of Auditors	Established
Maximum number of Auditors stipulated in Articles of Incorporation	4
Number of Auditors	3

Cooperation among Auditors, Accounting Auditors and Internal Audit Departments

The auditors, accounting auditors and Internal Audit Departments at times exchange information on matters that need to be shared, including through regular discussions on matters such as annual schedules. Mutual coordination has been enhanced by establishing a system where auditors can request accounting auditors and the Internal Audit Departments to attend Board of Auditors meetings when required. Additionally, External Auditors perform auditing tasks in accordance with the auditing policies and plans set forth by the Board of Auditors, receive reports from each Auditor at Board of Auditors meetings and discuss them, and also attend Board of Directors meetings to express their opinions as appropriate.

Appointment of External Auditors	Appointed
Number of External Auditors	2
Number of External Auditors Designated as Independent Officers	2

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Koshin Tatarano	Attorney-at-law													
Zenichi Shigehisa	CPA													

* Categories for "Relationship with the Company"

* "○" indicates that the director currently falls under the category, or did so recently, and "△" indicates that the director fell under the category in the past.

* "●" indicates that a close relation falls under the category, or did so recently, and "▲" indicates that a close relation fell under the category in the past.

a. Executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Auditor of a parent company of the Company

e. Executive of a fellow subsidiary of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/auditor

i. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a corporation)

j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the director himself/herself only)

k. Executive of a company, between which and the Company external directors/auditors are mutually appointed (the director himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

m. Others

Relationship with the Company (2)

Name	Designation as Independent Director/ Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Koshin Tatarano	○	-----	He has been designated as an independent officer as he is in a position independent of management and there is no risk of a conflict of interest with regular shareholders.
Zenichi Shigehisa	○	-----	He has been designated as an independent officer as he is in a position independent of management and there is no risk of a conflict of interest with regular shareholders.

[Independent Directors/Auditors]

Number of Independent Directors/Auditors 6

Matters Related to Independent Directors/Auditors

Director Fukumoto and Director Yamashita each attended all 13 (100% attendance rate) of the Board of Directors meetings convened in the latest fiscal year. Director Hanada attended all ten (100% attendance rate) Board of Directors meetings convened after taking up his post in the latest fiscal year. In addition, Auditor Tatarano and Auditor Shigehisa each attended all 13 (100% attendance rate) of the Board of Directors meetings convened in the latest fiscal year, and each attended all 13 (100% attendance rate) of the Board of Auditors meetings convened in the latest fiscal year.

[Incentives]

Implementation of Measures to Provide Incentives to Directors Other

Supplementary Explanation

The Shin Nippon Biomedical Laboratories Officers' Stock Ownership Association has been established for the Group's officers (Directors and Auditors) and those equivalent to officers.

Recipients of Stock Options

Supplementary Explanation

[Remuneration for Directors]

Disclosure of Individual Directors' Remuneration No individual disclosure

Supplementary Explanation

The remuneration of Directors of the Company in the latest fiscal year is as follows.

Remuneration paid to Directors: JPY176,206,000

Note that there are no persons whose total amount of consolidated remuneration is JPY100 million or more.

Policy on Determining Remuneration Amounts and Calculation Methods Yes

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

a. Basic policy

Regarding the remuneration, etc. of Company Directors (including External Directors in addition to Executive Directors; hereinafter the same), the monthly remuneration of Directors was set to no greater than JPY40,000,000 per month (not including the amount paid as employee salary for those Directors serving concurrently as employees) by resolution of the General Meeting of Shareholders held on June 25, 2003.

Based on this resolution, the Company's basic policy is to set an appropriate level based on each Director's duties when determining the remuneration, etc. of individual Directors.

Specifically, the remuneration of the Company's Directors is only base remuneration as a fixed amount.

b. Policy for the determination of the amount of basic compensation (monetary compensation) for individual Directors (including a policy for the determination of time or conditions for giving compensation, etc.)

The base remuneration of the Company's Directors is a fixed monthly remuneration determined after comprehensively taking various factors into account including Company business performance, economic conditions and the responsibilities and achievements of each individual.

c. Matters concerning decisions on the details of the remuneration paid individually to Directors

Regarding amounts of remuneration, etc. for individual Directors, the Remuneration Committee, of which the majority of members are External Directors, receives consultation from the Board of Directors, reviews Company business performance, economic conditions and the responsibilities and achievements of each Director, prepares a draft and submits it to the Board of Directors.

The President and Representative Director is delegated by the Board of Directors to determine the amounts of remuneration, etc. for individual Directors, and makes the determination within the scope of the details submitted from the Remuneration Committee.

[Supporting System for External Directors (and External Auditors)]

Currently no sections or personnel designed to assist External Directors or External Auditors have been put in place, but personnel are assigned within reasonable limits when requested.

In addition, decisions on matters related to sections responsible for assisting External Auditors and personnel rights such as the appointment and transfer of their personnel are made after obtaining prior consent from the Board of Auditors, in order to ensure independence from Directors.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System)

The Company has introduced an executive officer system to facilitate further revitalization of the Board of Directors, clearly separate the Board of Directors' decision-making and business execution supervisory functions from the business execution system of each business division, and to enhance management efficiency. In addition, management progress meetings are held once a month in principle for each business division including the Preclinical Business and Translational Research Business. This system is in place to communicate and disseminate the decisions made by the Board of Directors to executive officers and other high-ranking staff, and to ensure prompt and accurate business execution.

The Company oversees business execution through the Board of Directors and Board of Auditors. The Board of Directors consists of nine Directors (four of whom are External Directors). The Board makes decisions on important business execution and other matters prescribed by law, and also oversees business execution. The Board of Auditors consists of 3 Auditors (two of whom are External Auditors). Each Auditor follows the auditing policy and segregations of duties determined by the Board of Auditors and audits Directors' execution of business through attendance at Board of Directors meetings and investigations, etc. into the state of business and finance.

Regarding the nomination of Directors and Auditors, the non-statutory Corporate Governance and Nomination Committee, which is an advisory body to the Board of Directors with a majority of Independent External Directors as members, prepares a draft of agenda items for the General Meeting of Shareholders regarding the appointment of Directors and Auditors, which is resolved at a meeting of the Board of Directors. Regarding remuneration of Directors and Auditors, the non-statutory Remuneration Committee, which is an advisory body to the Board of Directors with a majority of Independent External Directors as members, prepares a draft of agenda items for the General Meeting of Shareholders regarding the remuneration of Directors and Auditors and decides on the procedures for determining officer remuneration. In addition, regarding sustainability initiatives, the non-statutory SDGs Committee, which is an advisory body to the Board of Directors made up of Directors and Executive Officers including External Directors, has started to discuss and examine the Sustainable Development Goals (SDGs) the Company should tackle and the direction of those efforts from the perspective of the SNBL Group overall.

Regarding internal audits, the Internal Audit Departments conducts objective periodic audits of the Company and its consolidated subsidiaries in accordance with the Internal Audit Regulations from the perspectives of risk management, the effectiveness and efficiency of business operations, compliance and appropriate financial reporting.

The Company has selected KPMG AZSA LLC as its accounting auditor pursuant to the Companies Act and as its auditor pursuant to the Financial Instruments and Exchange Act. The three certified public accountants performing accounting auditing work are Yoshinao Abe, Masaru Miura and Toru Miyoshi, and each have been engaged in seven years or less of continuous auditing related to the Company. In addition, there are no particular conflicts of interest between the Company, KPMG AZSA LLC, and its managing partners engaged in the auditing of the Company. Additionally, assistants who are involved with the auditing work include five certified public accountants and four other people.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted a system in which the Board of Directors coordinates with the Board of Auditors and other bodies from the two major aspects expected of corporate governance, namely the appropriate and efficient execution of business, and appropriate supervisory functions. On the aspect of the appropriate and efficient execution of business, the Company has determined that its efficiency is high in terms of the ability of the Board of Directors to make decisions swiftly. On the aspect of appropriate supervisory functions, in addition to Internal Auditors, by appointing Auditors with extensive knowledge as attorneys and Auditors with a wealth of experience as certified public accountants and certified public tax accountants each as External Auditors, the Company has determined that the supervisory functions are high in terms of functions to supervise organizations involved in business execution from the outside being sufficiently effective.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholders Meeting and Smooth Exercise of Voting Rights Update

	Supplementary Explanations
Early Notification of General Shareholders Meeting	The Company sends out notifications at least three days prior to the deadline specified in the Companies Act.
Scheduling Annual General Meeting of Shareholders to Avoid Peak Days	The meeting is scheduled after giving consideration to the audit schedule and allowing a sufficient schedule to prepare for the General Meeting of Shareholders, and every effort is also made to avoid peak days.
Allowing Electronic Exercise of Voting Rights	Shareholders are given the opportunity to exercise their voting rights online from the 49 th General Meeting of Shareholders in June 2022 and onwards.
Participation in Electronic Voting Platform	The Company has participated in the Tokyo Stock Exchange's electronic voting rights platform since December 2021 and such platform shall become available to shareholders from the 49 th General Meeting of Shareholders in June 2022 and onwards to provide nonresident investors and institutional investors with the opportunity to optimally exercise their voting rights.
Other	Before convocation notices are sent out, the information is disclosed on the Company website to facilitate the smooth exercise of voting rights. Regarding the operation of the General Meeting of Shareholders venue, the Company endeavors to make the details of the agenda easy for shareholders to understand, such as by delivering business reports visually through the use of video.

2. IR Activities Update

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company has established a Disclosure Policy which is posted to the Company website, and makes every effort to disseminate this policy among stakeholders. The main details of the policy are (1) the Company's basic approach to information disclosure and its disclosure standards, (2) the methods of information disclosure, (3) disclosure quiet periods, and (4) cautionary information about the Company website.	
Regular Investor Briefings for Individual Investors	The Company has held investor briefings for individual investors twice in the fiscal year ending March 31, 2022. The Company plans to hold the investor briefings more than once from the next fiscal year and onwards.	No
Regular Investor Briefings for Analysts and Institutional Investors	Briefings are held for analysts, etc. twice a year (Briefing on first half of the year: November, Briefing on full year: May). Main details of the briefing are a description of the Company's priority initiatives by the Representative Chairman, President & CEO, and a report on financial results by the CFO. In addition, visits by institutional investors, etc. are accommodated as needed.	Yes
Posting of IR Materials on Website	Information materials for investors published on the Company's website are written in both Japanese and English in principle. These include financial results, briefing materials, timely disclosure information and related press releases.	
Establishment of Department and/or Manager in Charge of IR	In June 2021, the Company created the Corporate Communications Department as a dedicated IR-related department and assigned personnel to the department.	
Other	A blog was launched by the Head of the Corporate Communications Department. Shareholder Newsletter is disclosed on a dedicated page of the Company's website.	

3. Measures to Ensure Due Respect for Stakeholders

Supplementary Explanations

<p>Stipulation of Internal Rules for Respecting the Position of Stakeholders</p>	<p>The Company has established the Compliance Conduct Guideline of Shin Nippon Biomedical Laboratories, Ltd, which stipulates standards of conduct for compliance with laws and regulations, respect for human rights, fair trade, management of Company assets, information disclosure and relationships with external groups.</p>
<p>Implementation of Environmental Activities, CSR Activities etc.</p>	<p>The Company owns a large tract of land of 340 hectares (840 acres) in the highlands of Ibusuki City, Kagoshima Prefecture called Medipolis Ibusuki. Making use of this natural asset (approximately 90% forest), the Company engages in various businesses which serve as environmentally friendly social enterprises. In October 2020, the Company expressed support for the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations.</p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>The Company has established the Compliance Conduct Guideline of Shin Nippon Biomedical Laboratories, Ltd and has stipulated policies and other requirements regarding the provision of information to stakeholders.</p>

IV Matters Related to the Internal Control System

1. Fundamental Views on Internal Control System and the Progress of System Development

At a meeting of the Board of Directors held on May 15, 2006, the Board made the following resolution concerning the basic policy on the development of an internal control system (partially revised on June 25, 2015).

1. System to Ensure that Execution of Duties by Directors and Employees Conform to Laws, Regulations, and the Articles of Incorporation
 - The Company promotes systems to ensure that Directors and employees comply with laws, regulations, the Articles of Incorporation, social norms and other requirements in accordance with the Compliance Conduct Guideline of Shin Nippon Biomedical Laboratories, Ltd.
 - The Compliance Conduct Guideline of Shin Nippon Biomedical Laboratories, Ltd. established by the Company equally applies to the Group's domestic and overseas subsidiaries, in an effort to strengthen the Group-wide compliance system.
 - The Company has created an Internal Audit Department as an organization directly under the jurisdiction of the President & CEO, which is independent of other operating departments.
 - The Company has established an internal reporting system as a way to enable Directors and employees to provide information directly regarding conduct that is suspicious in terms of laws or regulations.
 - The Company avoids all ties with antisocial forces. The entire organization will take a firm stance against unreasonable demands, in accordance with internal regulations.
2. System for the Storage and Management of Information on the Execution of Duties by the Directors
 - Board of Directors meeting minutes, circular approval memos, various contractual documents and other documents related to the execution status of business affairs are appropriately stored and managed in accordance with internal regulations (document management regulations, circular approval regulations, etc.).
3. Regulations Concerning the Management of Risk of Loss and Other Systems
 - Rule and guidelines are established for each department responsible with regard to risks (compliance, finance, the environment, natural disasters, business quality, import and export, etc.), training is conducted, and manuals are prepared and distributed, etc.
 - Directors promptly inform the Board of Directors should any risk materialize or a significant crisis or damage be expected.
4. Systems for Ensuring the Efficient Execution of Duties by Directors
 - Internal rules are established based on Segregation of Duties Regulations and Administrative Authority Regulations, and the responsibilities of each responsible department, director and employee are clearly established.
 - Regarding the execution of business, systems are in place to only move to implementation after obtaining the necessary approval from a person with authority based on Administrative Authority Regulations.
5. Systems Necessary to Ensure the Properness of Operations of the Corporate Group Consisting of the Company Concerned and Its Parent Company and Subsidiaries
 - The departments responsible at the parent company provide guidance or supervision on the compliance systems and risk management systems at subsidiaries as needed, and systems to ensure appropriate transactions between the Company and its subsidiaries are established in accordance with Affiliate Company Management Regulations.
 - When determining the operational policies of a subsidiary or making decisions about important research and development, capital expenditure, loans or investment, sufficient consideration is given to the purposes and risks in terms of business strategy at a business strategy meeting.
 - Auditors and the Internal Audit Department audit and investigate subsidiaries as necessary.
 - The Company endeavors to thoroughly disseminate its management philosophy and code of conduct at subsidiaries, and thoroughly ensures legal compliance and the observances of corporate ethics on the part of subsidiaries.
 - Risks such as compliance, finance, the environment, natural disasters, business quality, imports and exports at subsidiaries are managed, and systems to properly deal with those risks are put in place.
 - The Company shall request reports on the subsidiary directors' execution of duties as necessary.
 - Regarding the execution of business at subsidiaries, systems are in place to only move to implementation after obtaining the necessary approval from a person with administrative authority based on the relevant regulations.
6. Matters concerning employees who are required by auditors to assist auditors in the performance of their duties
 - When auditors require employees to assist in the performance of their duties, employees shall be put in place upon consultation with the Board of Directors.
7. Matters Concerning the Independence of the Employees Specified in the Preceding Item from the Board of Directors and Matters Intended to Ensure the Effectiveness of Instructions Given to Employees from Auditors
 - The Board of Directors considers the independence of the employees specified in the preceding item and determines matters concerning the appointment, dismissal, reassignment, transfer or other employment conditions of the relevant employee after obtaining consent from the Board of Auditors.
 - A relevant employee who has received the orders necessary to perform auditing work from an Auditor shall not receive orders or commends from a Director, the Internal Audit Department or otherwise.
8. Systems of Reporting to Auditors by Directors and Employees and Other Systems Regarding Reporting to Auditors
 - Directors shall establish systems to report to Auditors about any violations of laws or regulations and for the Directors and employees of the Company or its subsidiaries (including those who have received reports from such persons; hereinafter the same in this section) to report any fact that may cause significant damage to the Company or its subsidiaries to Auditors. The timing and methods of reports are determined in consultation with the Board of Auditors.
 - The Company does not permit the Directors or employees of the Company or its subsidiaries who have made reports to the Company's Auditors to be treated disadvantageously for having done so, and this is made widely known to the Directors and employees of the Company and its subsidiaries.
9. Other Systems for Ensuring the Effectiveness of Audits Performed by Auditors
 - Auditors may conduct individual interviews or other discussions with Directors or employees as necessary, and hold meetings with External Directors, the Internal Audit Department and accounting auditors to exchange opinions.

- The Company ensures that Auditors have opportunities to receive advice from lawyers, accountants and other professionals as necessary for auditing operations.
- Directors provide cooperation so that the exchange of information between Auditors and the Directors and Auditors of subsidiaries takes place appropriately so that Auditors can properly execute their duties.
- The Company promptly processes expenses that an Auditor requires in order to perform their duties.

2. Fundamental Approach to Eliminating Anti-Social Forces and State of Related Efforts

The basic policy on internal control systems established at the Board of Directors meeting held on May 15, 2006 (partially revised on June 25, 2015) prescribes that the Company “avoids all ties with antisocial forces. The entire organization will take a firm stance against unreasonable demands, in accordance with internal regulations.” The Company has formulated regulations and manuals, and established systems to deal with antisocial forces on an organization-wide basis by appointing the Representative Chairman, President & CEO as the person responsible for the overall response to antisocial forces, assigning the General Affairs and Personnel Management Department to be the department in charge of responding to antisocial forces, and by establishing a cross-organizational compliance promotion committee. Additionally, as the department in charge of responding to antisocial forces, the General Affairs and Personnel Management Department makes efforts to collect and manage information regarding antisocial forces on a regular basis and works to strengthen its systems in the event of a situation by coordinating with governmental bodies such as police forces with jurisdiction and external professional entities such as attorneys.

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

2. Other Matters Concerning Corporate Governance System

Refer below for an overview of the Company’s corporate governance and internal control systems.

[Overview of Timely Disclosure System]

1 Decision-making Facts

The Corporate Communications Department coordinates with the Finance and Accounting Department and Legal Department to analyze information reported from other Company departments and Group subsidiaries, and considers the need for, details of and method of disclosure while consulting Timely Disclosure Regulations and other materials. When a matter is determined to be an important matter falling under timely disclosure requirements as a result, the matter is promptly disclosed upon resolution by the Board of Directors.

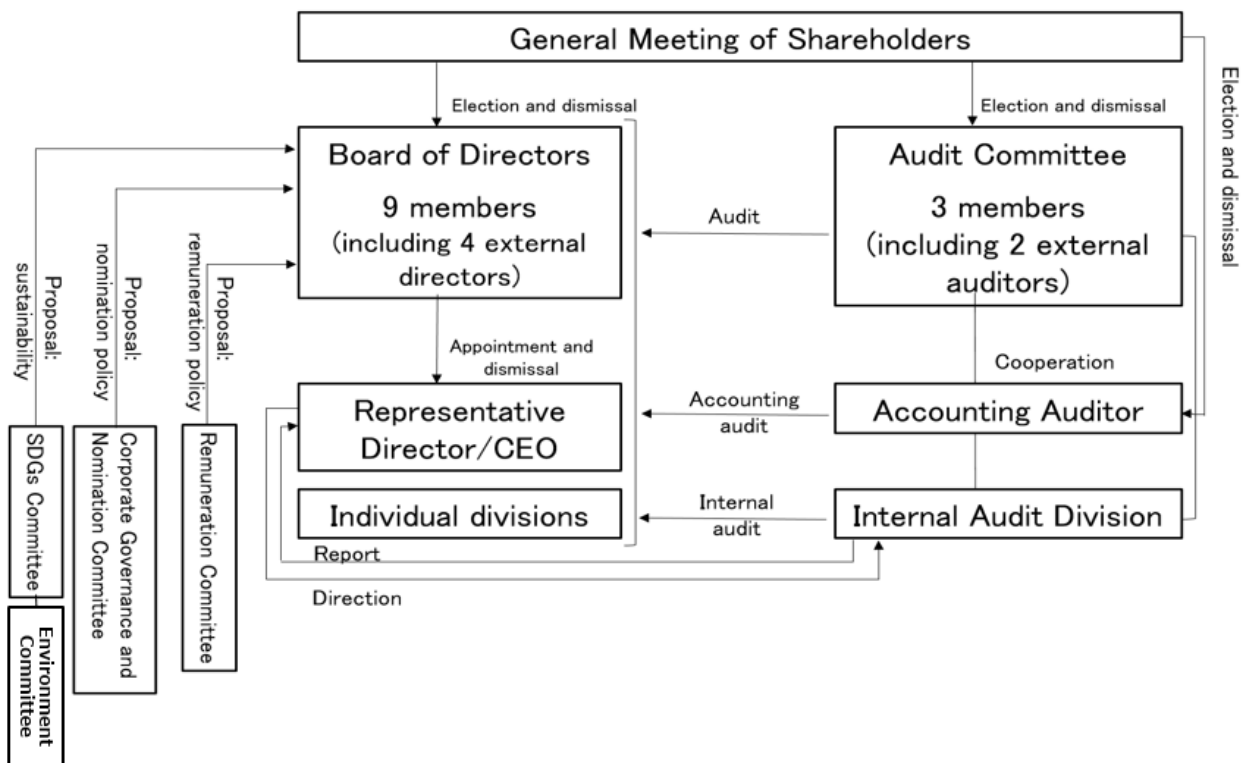
2 Occurrence-type Facts

The Corporate Communications Department collects information from other Company departments and Group subsidiaries regarding occurrence-type facts, coordinates with the Finance and Accounting Department and Legal Department to carefully examine the contents of the information, and promptly discloses the matter after confirming with the President & CEO.

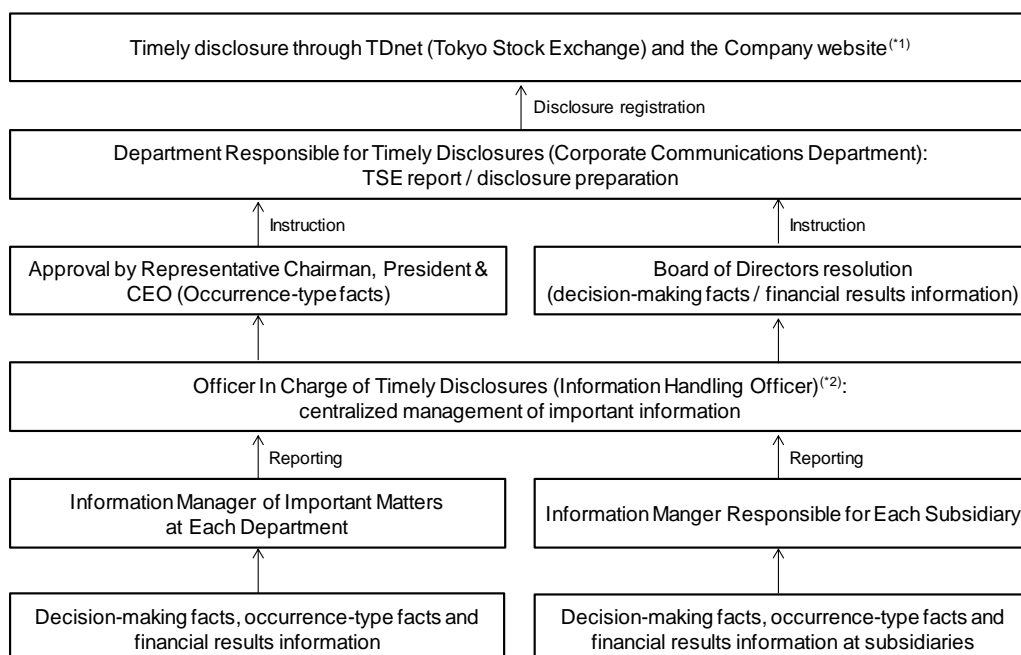
3 Information Concerning Financial Results

Regarding financial results information, the Finance and Accounting Department engages in discussions with accounting auditors and outside experts as needed, the Corporate Communications Department undertakes a detailed examination of the financial results materials to be disclosed, and prompt disclosure is made upon resolution of the Board of Directors.

【SNBL’s Sustainability and Corporate Governance System Overview】



[Overview of Timely Disclosure System]



*1: Press conferences and email distribution are also carried out depending on the contents.

*2: The person registered with the Tokyo Stock Exchange

Expertise and experience of Company Directors and External Directors (skills matrix)

Directors	Current Position and Responsibilities at the Company	Skills									(Reference)
		Corporate management	Global business	Technology / research and development	Financial affairs and accounting	Personnel affairs, labor and human resource development	Legal affairs and risk management	The environment	Society	Internal control and governance	Main Qualifications
Ryoichi Nagata	Representative Chairman, President, CEO & CHO	○	○	○		○		○		○	Physician
Ken Takanashi	Executive Vice President & COO	○	○		○		○		○	○	U.S. Certified Public Accountant
Shinji Nitanda	Senior Executive Director & CFO	○			○	○	○			○	
Hideshi Tsusaki	Senior Executive Director, Preclinical Company President & Head of Global BD	○	○	○				○		○	Veterinarian
Ichiro Nagata	Managing Director, Head of President's Office & Hospitality Business	○	○	○		○				○	Physician
Shinichi Fukumoto	Independent External Director (Part-Time)					○	○		○	○	Attorney-at-law
Takashi Yamashita	Independent External Director (Part-Time)				○	○	○			○	CPA
Tsuyoshi Hanada	Independent External Director (Part-Time)				○	○			○	○	Certified Tax Accountant
Keiko Toya	Independent External Director (Part-Time)	○	○					○	○	○	Scholar (Global Business)