



Business Results for the Nine Months ended December 31, 2015 (1-3Q/FY2015)

Miraca Holdings Inc.
(February 9th, 2016)

Please be aware of the following:

* Figures and ratio in this material are rounded to the appropriate unit in principle.

* The sums of the individual figures in each table do not always correspond to the total, because of rounding.

* Abbreviations:

IVD: In Vitro Diagnostics (business)

CLT: Clinical Laboratory Testing (business)

HR: Healthcare Related (business)

Op. income: Operating income

Ord. income: Ordinary income

MLS: Miraca Life Sciences, Inc.

BMGL: Baylor Miraca Genetics Laboratories, LLC



Consolidated Financial Results for 1-3Q/FY2015

Net Loss due to the effect of MLS's Impairment Loss

(¥ billion)

	1-3Q/FY2014 Results	1-3Q/FY2015 Results	Y/Y Variation	FY2015 Forecast (Rev. Jan. 2016)	Achievement to Forecast
Net Sales	154.11	159.38	+5.27 +3.4%	210.0	75.9%
Op. Income	21.40 13.9%	20.62 12.9%	-0.79 -3.7%	25.7 12.2%	80.2%
Non-operating Income/Expense	-0.05	-1.25	-1.20 -	-	-
Ord. Income	21.36 13.9%	19.37 12.2%	-1.99 -9.3%	24.5 11.7%	79.0%
Extraordinary Income/Loss	0.51	-19.71	-20.22 -	-	-
Income before Income Taxes	21.86 14.2%	-0.34 -0.2%	-22.21 -	-	-
Income Taxes	8.35	9.62	+1.27 +15.2%	-	-
Net Income/ Net Loss	13.51 8.8%	-9.96 -6.2%	-23.47 -	-5.8 -2.8%	-
Net Income excl. impairment loss on MLS's goodwill	—	12.40 7.8%	—	16.6 7.9%	74.7%

【Factors of Y/Y variation】

● Non-operating loss	<ul style="list-style-type: none"> • Shares of loss of entities accounted for using equity method (mainly BMGL)
● Extraordinary income/ loss and Income taxes	<ul style="list-style-type: none"> • MLS goodwill impairment (approx. ¥22.4 billion) • Provision of tax expenses related to a legal action against MLS (actual effect: approx. ¥0.5 billion, which decreased from 2Q estimation) 【1-3Q/FY2014】 <ul style="list-style-type: none"> • Gain on sales of non-current assets (approx. ¥1.48 billion yen) • Business structure improvement expenses (approx. ¥0.87 billion)

Consolidated Financial Results for 1-3Q/FY2015

Net sales reached **record-high** and Op. income decreased

(¥ billion)

	1-3Q/FY2014 Results	1-3Q/FY2015 Results	Y/Y Variation		FY2015 Forecast (Rev. Jan. 2016)	Achievement to Forecast
Net Sales	154.11	159.38	+5.27	+3.4%	210.0	75.9%
IVD	32.12	34.32	+2.20	+6.9%	46.3	74.1%
CLT	100.67	103.53	+2.86	+2.8%	135.6	76.4%
HR	21.32	21.53	+0.21	+1.0%	28.1	76.6%
Op. Income	(*) 21.40 13.9%	(*) 20.62 12.9%	-0.79	-3.7%	25.7 12.2%	80.2%
IVD	8.01 24.9%	8.73 25.4%	+0.72	+9.0%	10.9 23.5%	80.1%
CLT	10.97 10.9%	9.57 9.2%	-1.41	-12.8%	12.0 8.8%	79.7%
HR	2.35 11.0%	2.16 10.1%	-0.18	-7.9%	2.8 10.0%	77.3%
EBITDA (**)	32.59 21.2%	31.76 19.9%	-0.83	-2.6%	—	—

(*) Segmentation adjustments (¥ billion): 0.07 in 1-3Q/FY2014; 0.16 in 1-3Q/ FY2015

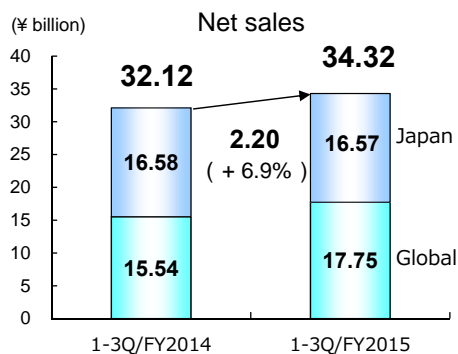
(**) EBITDA = Operating income + Depreciation + Amortization of goodwill

※ Exchange rate: 1-3Q/FY2014: 1USD=106.88JPY, 1EURO=140.30JPY
1-3Q/FY2015: 1USD=121.71JPY, 1EURO=134.38JPY

● **Increase in Net sales: Contribution of sales growth in global IVD and currency exchange gain**

● **Decrease in Op. income: Profit increase in IVD could not offset profit decline in CLT** 2

1-3Q/FY2015 Segment Performance Review 1. In Vitro Diagnostics



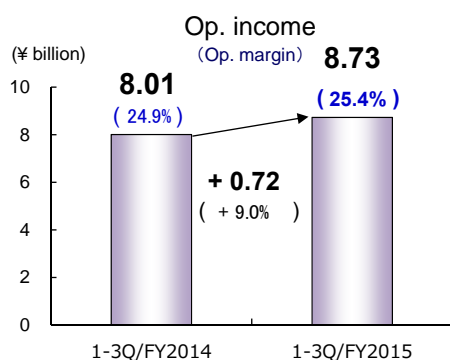
◆ Japan

◇ Net sales: flat

- LUMIPULSE (LP) reagent sales: flat
- Non-LP products: flat overall
(Decrease in flu test reagent sales)

◇ Decrease in Op. income: -0.77

- Increase of R&D expenses for LP launch in USA
- Decrease of marginal profit due to product mix change



◆ Global (Non-Japan)

◇ Increase in Net sales: +2.21

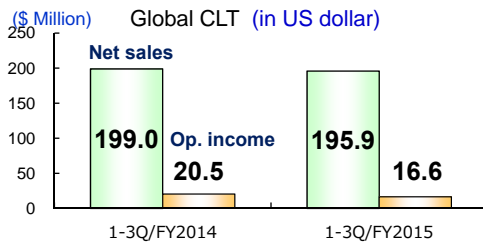
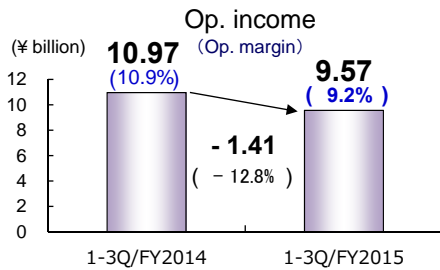
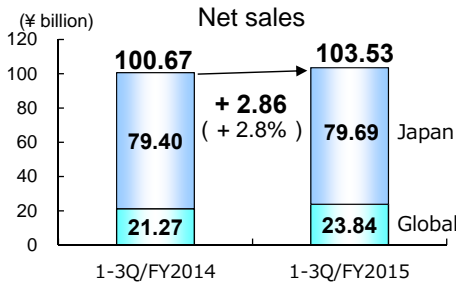
- Growth in raw material supply and LP business
- One-time royalty income (2Q)
- Currency exchange gain: 1.2

◇ Increase in Op. income: +1.49

- Increase in profit generated by sales increase: 0.6
- Currency exchange gain: 0.4
- Royalty income etc.

1-3Q/FY2015 Segment Performance Review

2. Clinical Laboratory Testing



◆ Japan (¥ billion)

◇ Slight increase in Net sales: +0.3

- New test menu and volume increase by existing customers
- Impact of test price decline (Y/Y basis): -3%

◇ Decrease in Op. income: -1.08

- Decrease in marginal profit caused by test price decline
- Increase in initial expense related to Navi-Lab operation
- Initial investment for launch of new testing

◆ Global (USA)

Net sales: +2.57, Op. income: -0.33

- Currency exchange gain in sales: +2.9

【MLS (before goodwill amortization)】 (\$ million)

◇ Net sales: -\$3.2M

- Decline in average unit price: -\$9M
- Test volume increase: +\$6M

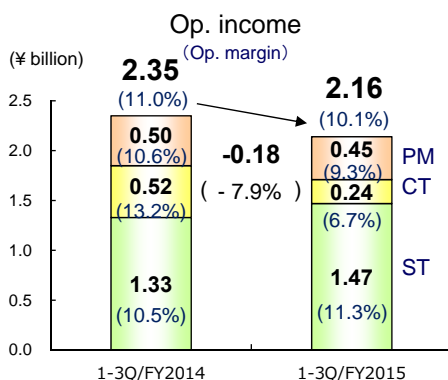
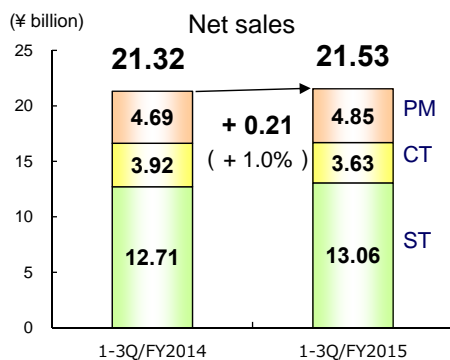
◇ Op. income: -\$3.9M

- Decrease in marginal profit caused by test menu/segment mix change and price decline

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1-3Q/FY2015 Segment Performance Review

3. Healthcare Related



◆ Sterilizing (ST) : (¥ billion)

Net sales: +0.34, Op. income: +0.14

- Sales growth achieved mainly through growth in on-site business and expansion of market area (new entry into Okinawa)

◆ Clinical Trials (CT) :

Net sales: -0.29, Op. income: -0.28

- Decrease in net sales caused by decline in project price and number of potential project
- Effect of fixed cost reduction was still small

◆ Preventive Medicine Related (PM):

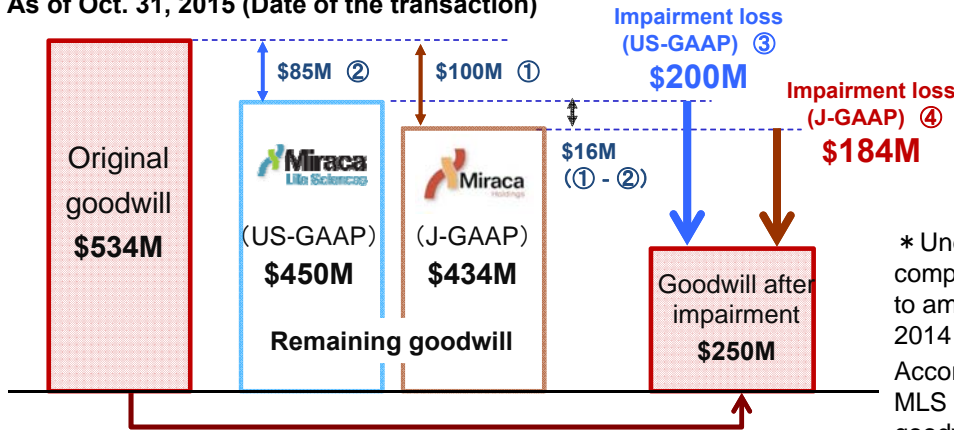
Net sales: +0.16, Op. income: -0.05

- Nursing-care related business:
 - Stable growth in sales
 - Decrease in Op. income due to investment for purchase of rental assets

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Accounting for Impairment of MLS's Goodwill

As of Oct. 31, 2015 (Date of the transaction)



◆ Accumulated amortization

- ① \$100M (J-GAAP) (amortized since the acquisition by straight line method over 20 years)
- ② \$85M (US-GAAP) (amortized since April 2014 by straight line method over 10 years)

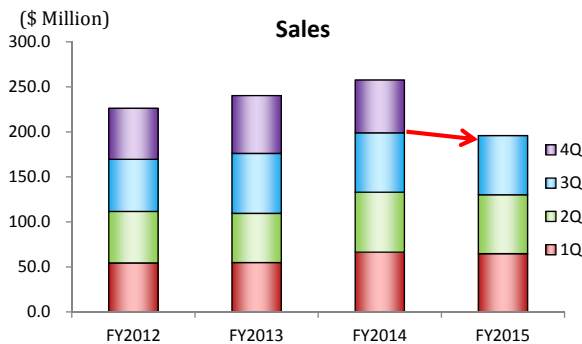
◆ Impairment loss on MLS's goodwill

- ③ \$200M (US-GAAP)
- ④ \$184M (J-GAAP) (After the deduction of \$16M, the difference of J-GAAP① and US-GAAP②)

◆ Impact to Miraca Consolidation (J-GAAP)

- Impairment loss of approx. \$184M (approx. ¥22.4B) is posted as extraordinary loss
- Goodwill amortization will decrease after impairment by approx. \$11M/ year (decrease of \$5M in FY2015)

Background of MLS Impairment



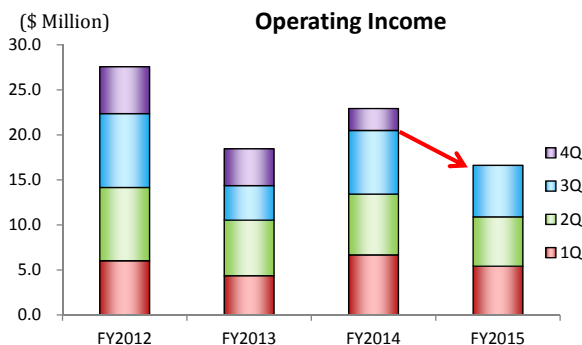
【Acquisition ~ FY2014】

- ◆ Sales showed stable growth, however, profitability went down due to increased price pressure influenced by Medicare reimbursement revision
- Actions to improve profitability structure were taken and profitability improved in FY14

【FY2015】

- ◆ Business environment got worse since 1st-Half
 - Customer loss to POL^{*1}
 - Customer loss to hospital lab
- ◆ Op. income for 1-3Q was down approx. 20% (y/y)
 - One of MACs^{*2} started to limit number of test per sample from Oct.

Trigger event has been recognized and impairment test was conducted
 → **Goodwill impairment**



*1: Physician Owned Laboratory
 *2: MAC: Medicare Administrative Contractors

◆ Market Environment Forecast

- Test price: Positive reimbursement revision in 2016
- Test volume: Negative impact from limited pathology tests per sample, which has been influenced by MAC's new policy
- Sample volume: 3% per year growth

◆ Full Year Forecast

Current trend (2Q & 3Q) is forecasted to continue during 4Q
(Sales: similar with previous year, OP: approximately 80% of previous year)

◆ Future Direction

1) Implement Business Improvement Plans

- GI : Customer retention and manage profit level by operation improvement
- Derm : Sample volume in 1-3Q/FY2015 increased by 24.6% (y/y)
Success collaboration with IT vendor shows continuous growth
- Others :Stable growth

2) Focus on Profit Structure Improvement

- Introduce new LIS, consolidate lab facilities, promote lab automation, etc.

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Disclaimer regarding forward-looking statement:

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Factors affecting the performance include, among others, aggravation of the economic situation, fluctuation of the exchange rate, change of regulatory, statutory, and administrative requirements, delayed launch of new products, pressures from the product strategies of competitive companies, and decline of the sales potential of existing products.