

FY2015 Business Results and Future Outlook

(April 28, 2016)

Miraca Holdings Inc.

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FY2015 Performance Overview

(Fiscal Year Ended March 31, 2016)

※ Exchange rate: FY2014: 1USD = 109.90JPY, 1EURO = 138.78JPY
FY2015: 1USD = 120.15JPY, 1EURO = 132.58JPY

Please be aware of the following:

- * The financial information provided on this material has been prepared in accordance with Japanese GAAP in principle.
- * 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

LP: Lumipulse

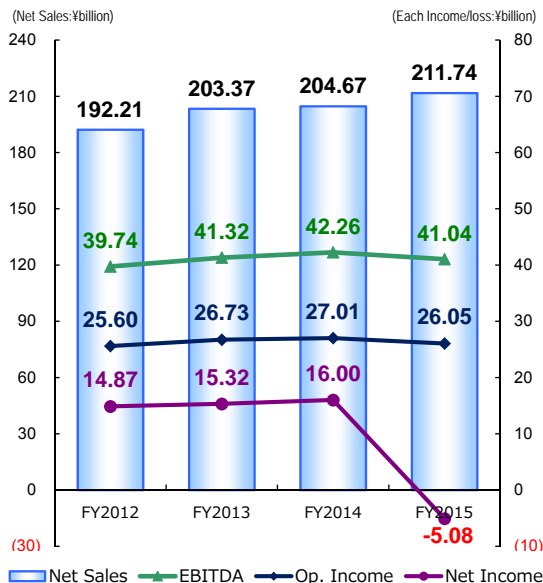
MLS: Miraca Life Sciences

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Summary of FY2015 Results

Net Loss due to MLS's Impairment Loss

	(¥ billion)		
	FY2014 Results	FY2015 Results	Y/Y Variation
Net Sales	204.67	211.74	+7.08 +3.5%
Op. Income	27.01 13.2%	26.05 12.3%	-0.96 -3.6%
Non-operating Income/Expenses	-0.45	-2.27	-1.82
Ord. Income	26.57 13.0%	23.78 11.2%	-2.78 -10.5%
Extraordinary Income/Loss	-2.24	-20.18	-17.95
Income before Income Taxes	24.33 11.9%	3.60 1.7%	-20.73 -85.2%
Income Taxes	8.33	8.68	+0.35 +4.2%
Net profit /loss	16.00 7.8%	-5.08 -2.4%	-21.08
Net profit excl. effect of MLS's Impairment Loss	—	16.27 7.7%	—



(*) Net profit/loss = Profit/loss attributable to owners of parent

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

【Factors of Y/Y variation】	
● Non-operating expenses	• Currency exchange loss (- ¥1.4 billion) • Shares of loss of entities accounted for using equity method (mainly BMGL)
● Extraordinary loss and Income taxes	• MLS's goodwill impairment (after adjustment of income tax effect : approx. ¥21.3 billion)

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FY2015 Results by Business Segment

Increase in Net sales, decrease in Op. income

	FY2014 Results	FY2015 Results		FY2015 Results (CER) ^{※1}	
			Y/Y Variation	Y/Y Variation	
Net Sales	204.67	211.74	+7.08 +3.5%	+3.40	+1.7%
IVD	43.46	45.79	+2.33 +5.4%		
CLT	132.85	137.13	+4.28 +3.2%		
HR	28.36	28.82	+0.46 +1.6%		
Op. Income	※2 27.01 13.2%	※2 26.05 12.3%	-0.96 -3.6%	-1.34	-5.0%
IVD	10.42 24.0%	10.99 24.0%	+0.57 +5.4%		
CLT	13.49 10.2%	11.94 8.7%	-1.55 -11.5%		
HR	2.93 10.3%	2.78 9.6%	-0.15 -5.1%		
Ord. Income	26.57 13.0%	23.78 11.2%	-2.78 -10.5%		
Net profit (loss)	16.00 7.8%	-5.08 -2.4%	-21.08		

※ Exchange rate: FY2014: 1USD = 109.90JPY, 1EURO = 138.78JPY
FY2015: 1USD = 120.15JPY, 1EURO = 132.58JPY

※1: CER: Constant Exchange Rate (FY2015 actual results calculated by FY2014 exchange rate)

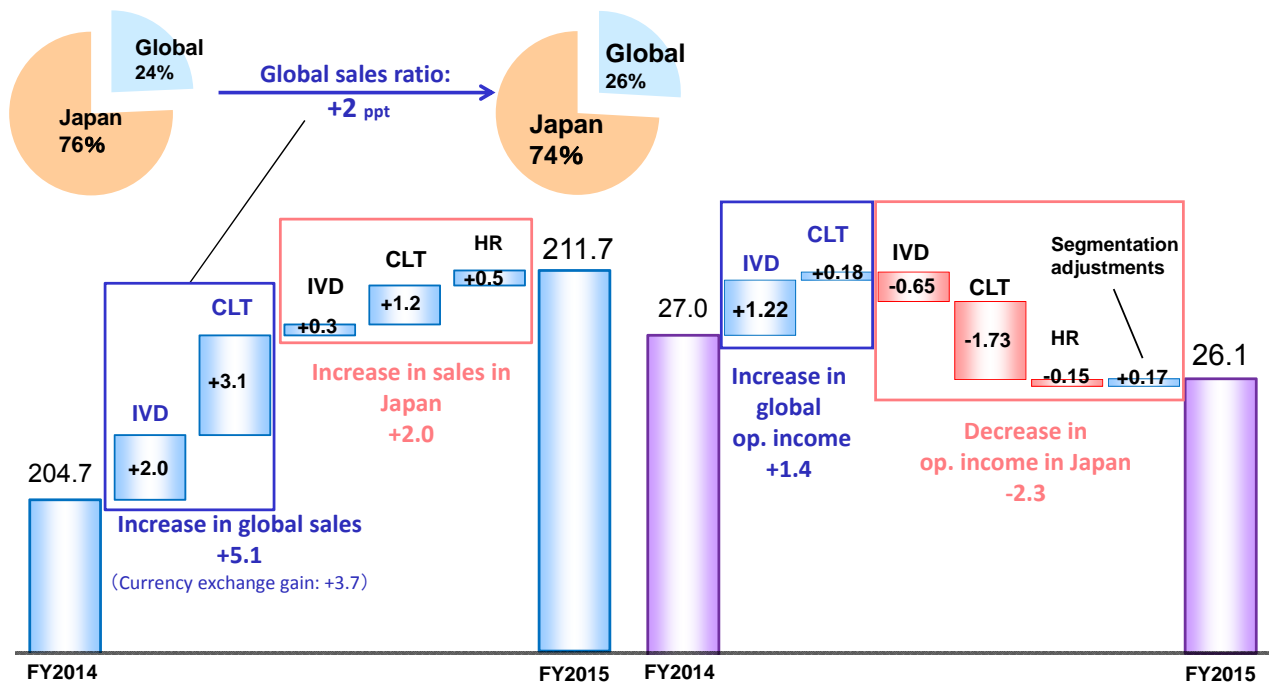
※2: Segmentation adjustments (¥ billion): 0.17 in FY2014, 0.34 in FY2015

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Net sales +7.1 bn yen (+3.5%), Op. income -0.96 bn yen (-3.6%)

■ Consolidated Net Sales (¥ billion)

■ Consolidated Op. Income (¥ billion)



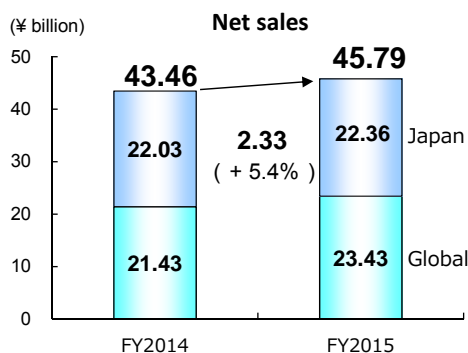
* Global sales does not include sales in Japan

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FY2015 Segment Performance (Y/Y comparison)

1. IVD Business

Net sales: +2.33 bn yen, Op. Income: +0.57 bn yen



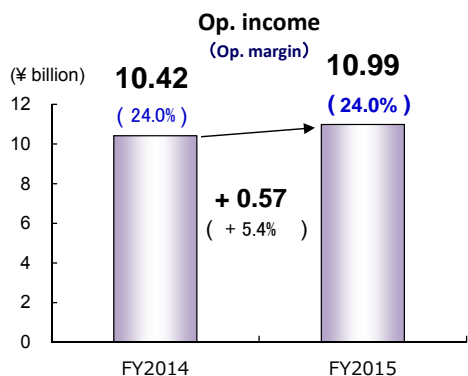
◆ Japan

◇ Increase in Net sales: +0.34

- LUMIPULSE (LP) business: +0.4 (Growth in reagent sales)
- Non-LP products: flat overall

◇ Decrease in Op. income: -0.65

- Decline in profitability due to replacement of testing instruments from LP-f to G1200 (one-time factor)
- Increase of R&D expenses for LP regional expansion



◆ Global (Non-Japan)

◇ Increase in Net sales: +2.00

- Growth in raw material supply and LP business
- One-time royalty income (2Q)
- Currency exchange gain: 1.0

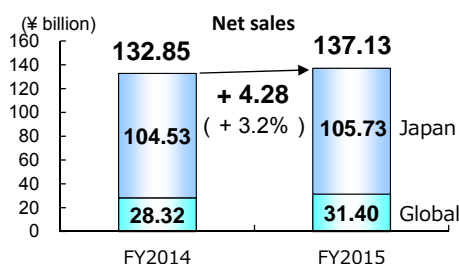
◇ Increase in Op. income: +1.22

- Increase in profit generated by sales increase: 0.6
- Currency exchange gain: 0.4
- Other one-time factors (royalty income etc.)

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2. CLT Business

Net sales: +4.28 bn yen, Op. Income: -1.55 bn yen



◆ Japan

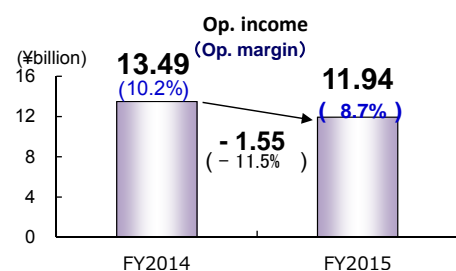
(¥ billion)

◇ Increase in Net sales: +1.20

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

◇ Decrease in Op. income: -1.73

- Decrease in marginal profit caused by test price decline and product mix change
- Cost increase related to Navi-lab; e.g. system depreciation and initial expenses for launch



◆ Global (USA)

Net sales: +3.08, Op. income: +0.18

- Currency exchange gain in sales: +2.7

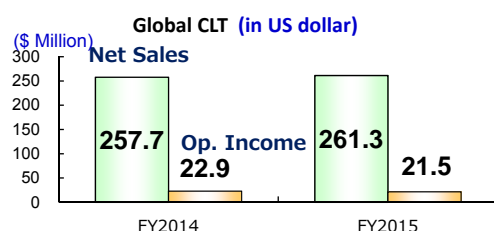
【MLS (JGAAP, before goodwill amortization)】 (\$ Million)

◇ Net sales:

- Decline in average unit price: -\$6M
- Test volume increase: +\$10M

◇ Op. income:

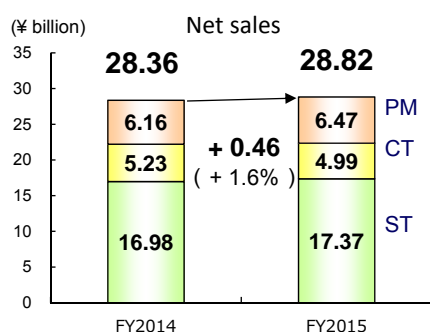
- Decrease in marginal profit caused by test menu/segment mix change and price decline



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3. HR Business

Net sales: +0.46 bn yen, Op. Income: -0.15 bn yen



◆ Sterilizing (ST) :

(¥ billion)

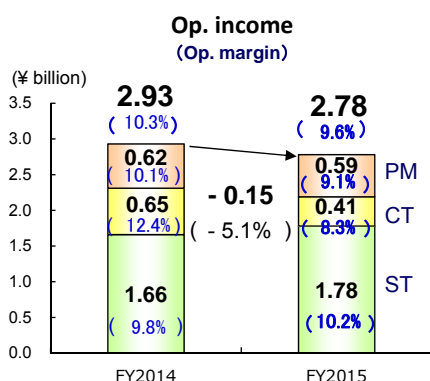
Net sales: +0.39, Op. income: +0.12

- Sales growth achieved mainly through growth in on-site business
- Profitability increase generated by service differentiation

◆ Clinical Trials (CT) :

Net sales: -0.24, Op. income: -0.24

- Decrease in net sales caused by decline in project price and number of potential project
- Effect of fixed cost reduction partially started from 4Q



◆ Preventive Medicine Related (PM):

Net sales: +0.32, Op. income: -0.03

- Nursing-care related business:
 - Stable sales growth
 - Decrease in Op. income due to rental assets investment
- Dispensing pharmacy business: Sales growth led by new drugs for hepatitis

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FY2015 Consolidated Balance Sheet

(¥ billion)

Current Assets 90.1	Current Liabilities 42.9	→	Current Assets 94.0	Current Liabilities 49.9
	Non-current Liabilities 47.5			Non-current Liabilities 31.7
Non-current Assets 172.1	Total Net Assets 171.9		Non-current Assets 143.3	Total Net Assets 155.7
	Treasury Stock -1.2			Treasury Stock -1.2
	Equity Ratio 65.5%			Equity Ratio 65.5%

Main factors for change

- ◆ **Current assets:**
 - Cash and cash equivalents: +4.5
- ◆ **Non-current assets:**
 - Goodwill: -27.7
 - Customer-related intangible assets: -4.0
 - Software: +3.4
- ◆ **Liabilities:**
 - Long-term loans payable: -5.9
- ◆ **Net assets:**
 - Cash dividends paid: -5.8
 - Net loss: -5.1
 - Foreign currency translation adjustment: -5.3

End of FY14 (Mar.31, 2015) → End of FY15 (Mar. 31, 2016)
 Total Assets: 262.2 bn yen → Total Assets: 237.3 bn yen
 (-24.9 bn yen)

Interest-bearing liabilities decreased by 5.9 bn yen to 22.3 bn yen

※ Exchange rate at the end of fiscal year: End of FY2014: 1USD=120.27JPY, End of FY2015: 1USD=112.69JPY

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FY2015 Consolidated Cash Flows

(¥ billion)

Consolidated Cash Flows

	FY2014	FY2015
Income before income taxes	24.3	3.6
Depreciation and amortization	11.2	11.3
Impairment loss	2.6	23.0
Income taxes payable	-12.0	-9.8
Other	3.1	1.3
Net cash provided by operating activities	29.3	29.3
Purchase of property, plant and equipment	-14.0	-12.3
Purchase of stocks for M&A	-16.0	-
Other	2.1	0.3
Net cash used in investment activities	-27.9	-12.0
Free cash flows	1.4	17.4
Net cash used in financing activities	-10.0	-12.1
Effect of exchange rate change on cash and cash equivalents	0.2	-0.8
Net increase/decrease in cash and cash equivalents	-8.4	4.5
Cash and cash equivalents at the end of financial period	27.3	31.7

Main factors for change

- **Net cash provided by operating activities:**
 - the same level as of FY2014
 - Influenced by MLS's impairment
 - Profit before income taxes: -20.7
 - Impairment loss: +20.4
- **Net cash used in investment activities:**
 - +15.9
 - Acquisition of stock (BMGL) in FY2014:
- **Net cash used in financing activities:**
 - the same level as of FY2014
 - Repayment of loans payable: -4.6

Cash and cash equivalents increased by 4.5 bn yen from the end of FY2014
 Net cash increased by 10.3 bn yen to 9.4 bn yen

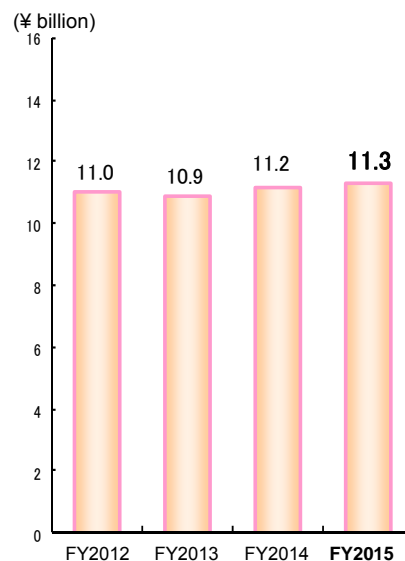
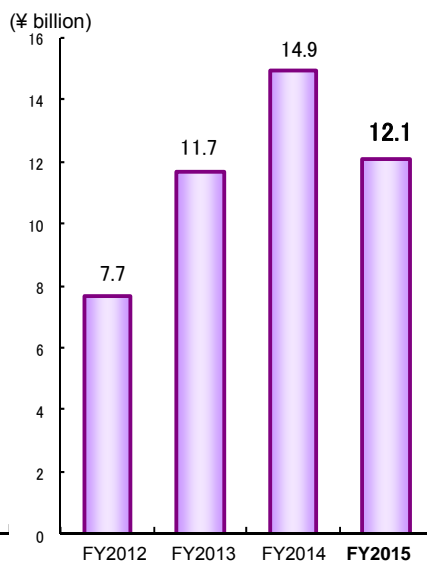
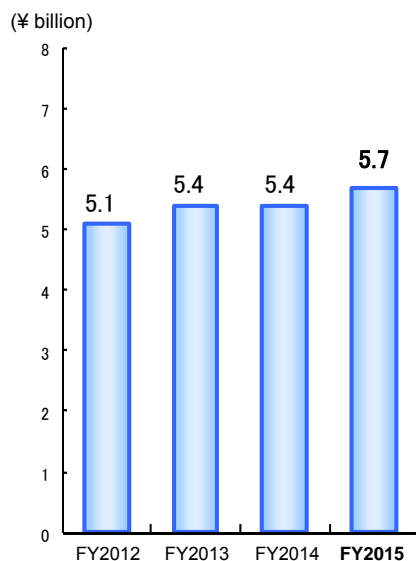
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Consolidated R&D Expenses, CAPEX, and D&A

■ R&D expenses

■ Capital expenditure (CAPEX)

■ Depreciation and Amortization (D&A)



Key points in FY2015

- Decrease in CAPEX for Navi-Lab by ¥1.9 billion
- D&A stayed flat due to delay in Navi-Lab operation

FY2016 Business Forecast

(Fiscal Year Ending March 31, 2017)

【Exchange Rate】 FY2015: 1USD=120.15JPY, 1EURO=132.58JPY
 FY2016(assumption): 1USD=110.00JPY, 1EURO=127.00JPY

FY2016 Forecast (Consolidated)

**Lower sales influenced by exchange rate
(CER: both Sales and Profit will increase)**

(¥ billion)

	FY2015 Actual	FY2016 Forecast (Based on FY16 Ex. Rate Assumption)		FY2016 Forecast (CER) ※1	
			Variation to FY2015	Variation to FY2015	Variation to FY2015
Net Sales	211.74	208.00	-3.74 -1.8%	+0.80 +0.4%	
IVD	45.79	44.80	-0.99 -2.2%		
CLT	137.13	134.75	-2.38 -1.7%		
HR	28.82	28.45	-0.37 -1.3%		
Op. income	26.05 ※2 12.3%	26.30 ※2 12.6%	+0.25 +1.0%	+0.74 +2.9%	
IVD	10.99 24.0%	11.40 25.4%	+0.41 +3.7%		
CLT	11.94 8.7%	11.85 8.8%	-0.09 -0.8%		
HR	2.78 9.6%	2.85 10.0%	+0.07 +2.5%		
Ord. Income	23.78 11.2%	24.85 11.9%	+1.07 +4.5%		
Net Profit/Loss	-5.08 -2.4%	13.50 6.5%	+18.58 —		

(*) Net profit/loss = Profit/loss attributable to owners of parent

【Exchange Rate】 FY2015: 1USD=120.15JPY, 1EURO=132.58JPY
 FY2016(assumption): 1USD=110.00JPY, 1EURO=127.00JPY

※1: CER: Constant Exchange Rate (FY16 forecast calculated by FY15 exchange rate)

※2: Segmentation adjustments (¥ billion): 0.34 in FY2015, 0.20 in FY2016

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FY2016 Forecast (Consolidated)

**Op. income will decline in the 1st Half
but will recover in the 2nd Half**

(¥ billion)

	1 st Half Forecast			2 nd Half Forecas			FY2016 Annual Forecast
		Ratio to Annual Budget	Variation to 1H/FY2015		Ratio to Annual Budget	Variation to 2H/FY2015	
Sales	104.00	50.0%	-1.98 -1.9%	104.00	50.0%	-1.76 -1.7%	208.00
Op. income	12.70 12.2%	48.3%	-1.07 -7.8%	13.60 13.1%	51.7%	+1.32 +10.7%	26.30 12.6%
Ord. income	11.75 11.3%	47.3%	-1.13 -8.8%	13.10 12.6%	52.7%	+2.19 +20.1%	24.85 11.9%
Net income	6.30 6.1%	46.7%	-0.23 -3.5%	7.20 6.9%	53.3%	+18.81 —	13.50 6.5%

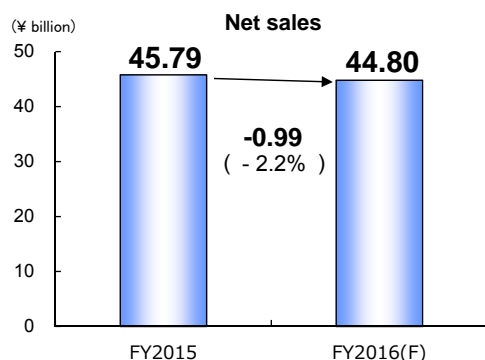
Profit is foreseen to increase gradually from 1st to 2nd Half as the result of profitability improvement actions in each business unit

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1. IVD Business

(¥ billion)

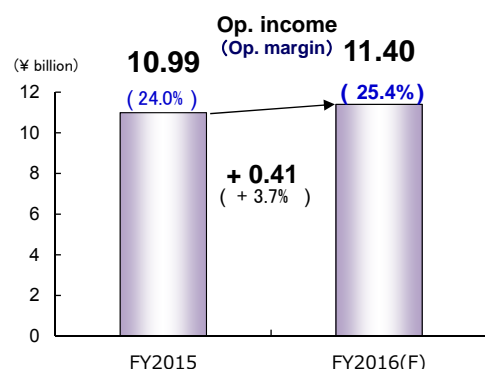
Decrease in Net sales (-0.99 bn yen), Increase in Op. income (+0.41 bn yen)



Net sales growth and profitability improvement in Japanese business

◆ Japan

- ◇ Continuous sales growth from LP products
 - Focus on obtaining new accounts
 - Launch new unique markers
- ◇ Expand business to non-immunoassay area
 - Distribute Blood Coagulation products



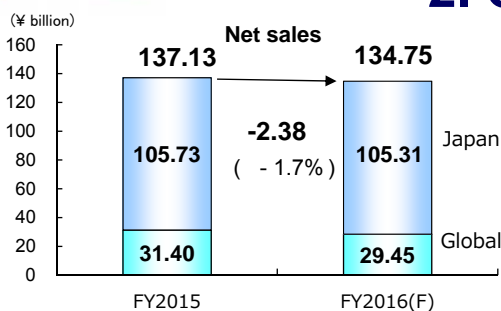
◆ Global

- ◇ Currency exchange loss in sales: -1.8
- ◇ LP Business
 - EU : Increase installation by utilizing new menu
 - Asia : More focus on profitability
 - US : Start full-scale sales activities
- ◇ Increase profitability by cost structure improvement
 - R&D costs will remain at the same level

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2. CLT Business

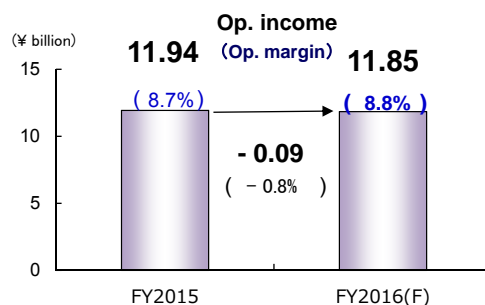
(¥ billion)



Decrease in both Net sales (-2.38bn yen) and Op. income (-0.09 bn yen)

◆ Japan: Less Sales and Op. income(-11.8%)

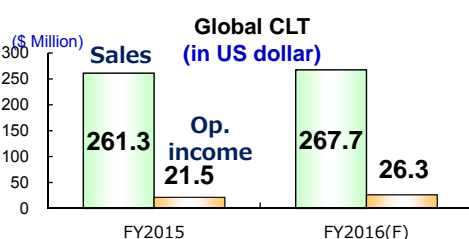
- ◇ Impact of test price decline (Y/Y basis): -3%
- ◇ Cost management has the top priority, while Navi-lab launch will be managed under such policy



◆ Global (MLS) : Decline in sales, growth in profit

- ◇ Currency exchange loss in sales: -2.7
- ◇ Less Goodwill amortization : +\$6.6M

【MLS (JGAAP, before goodwill amortization)】



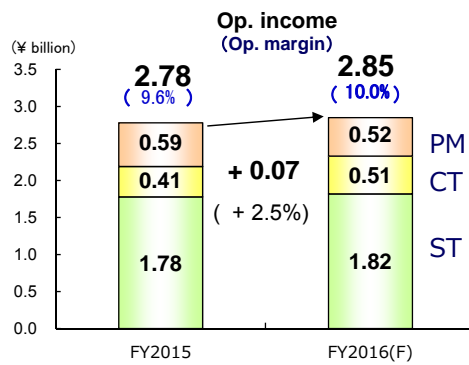
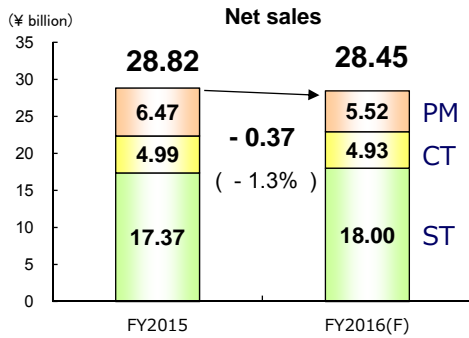
- ◇ Net sales
 - Price decline impact : -\$2.2M
 - Test volume increase : \$8.6M
- ◇ Growth in Profit
 - Operation improvement and cost reduction: +\$4.8M

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3. HR Business

(¥ billion)

Decrease in Net sales (-0.37bn yen), Slight increase in Op. income (+0.07 bn yen)



◆ **Sterilizing:**

Net sales +0.63, Op. income +0.04

- Sales increase from new accounts
- Higher personnel according to business growth
⇒ relatively limited profitability growth

◆ **Clinical Trials**

Net sales -0.06, Op. income +0.1

- Sales is positively influenced by SMO^{※1} company (sales: 0.25), which became wholly-owned subsidiary
- Cost reduction activities started in 2H/FY2015 will continue
⇒ profitability improvement

◆ **Preventive Medicine Related:**

Net sales -0.95, Op. income -0.07

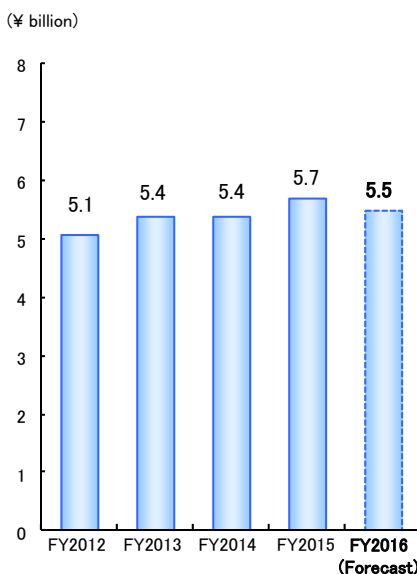
- ◇ Nursing-care related : stable sales growth
- ◇ Others

- Termination of infection preventive products
- Reimbursement revision will negatively impact dispensing pharmacy sales

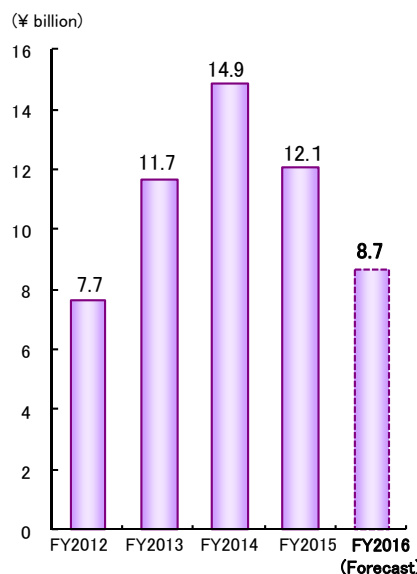
※1 SMO: Site Management Organization

Consolidated R&D Expenses, CAPEX and D&A

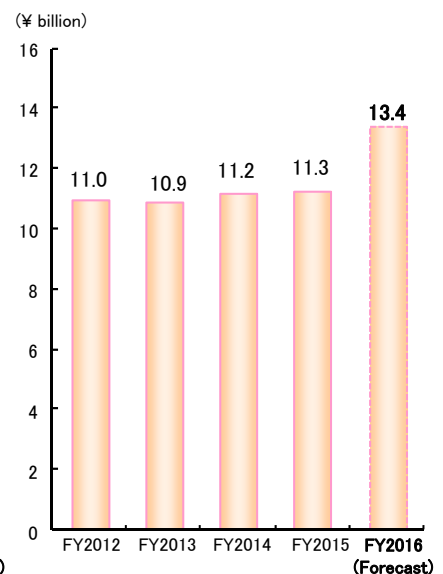
■ **R&D expenses**



■ **CAPEX**



■ **D&A**



Key points in FY2015

【R&D】 Costs in IVD (mainly LP regional expansion) will become stable

【CAPEX】 Navi-Lab related CAPEX in CLT will decrease

【D&A】 Navi-Lab related D&A will increase (approx. ¥1.6 billion)

Progress in the Management of Business

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Summary of FY2015 (2nd year of the 4th Mid-term Plan)

	FY15 Actual	FY17 Target
Sales	211.7bn yen	246.0bn yen
Operating Profit	26.1bn yen	34.0bn yen

→ **Big gap between recent results and FY17 target**

Management Topics according to FY15 Results

- 1 IVD : Profit level is aligned with the Mid-term Plan (Contribution from Oversea Non-LP business)
→ **Improvement of domestic business is required for stable growth**
- 2 Domestic CLT : Immediate actions are mandatory to manage profit decline which continued during past 2 years
【Main Factors】 1) Marginal Profit decline due to lower price
2) Delay of fixed costs reduction (Higher workload due to Navi-Lab launch)
→ **1st priority on profit structure improvement**
→ **Navi-Lab launch will be managed under cost control**
- 3 Oversea CLT : 1st priority on cost structure improvement
→ **Focus on priority structure improvement in FY16**

Actions for the future will be taken according to the status of the above topics

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Management Plan Status

IVD Domestic Business

FY2015

- ◆ End of service of old instrument system
- ◆ Focus on current customer retention
- Finished sales of LP-f reagent (launched in 1996)
- Promote transference to current generation instrument (G1200)

Current Status

FY2016~

- Focus on Sales and GP growth**
- 1 Increase instruments in the market (obtain new accounts)
 - Higher installation numbers in new accounts (mainly G1200)
 - Connecting function with biochemistry analyzer will be available
 - 2 Reagent sales growth
 - Launch new unique markers

FY2015

FY2016

Japan

Instruments
S/600II, G1200, Presto/L2400

Reagent Menu
50items mainly in infectious and oncology disease area



- LP2400
- L-FABP (High sensitivity marker of kidney injury)
- B•R•A•H•M•S PCT (Septicemia identification)

- Complement marker in infectious area
- Cardiac markers

- [Non-Lumipulse]
- Blood Coagulation products (France STAGO)

Management Plan Status

IVD Global Lumipulse Business

FY2015

- ◆ Focus on Market Entry (EU, Asia)
- LP instrument installation by utilizing originality and capability advantage
- Good relationship with KOL
- Brand establishment "FUJIREBIO", "LUMIPULSE"

Current Status

FY2016~

- Profitability focus in EU and Asia**
- 1 Additional test items on installed instruments
 - Continuous launch of new menu items
 - Increase sales per instrument
 - 2 Full-scale entry in US market
 - Target large-scale hospitals/labs
 - Instrument (G1200) was approved by FDA in FY15
 - Launch unique menu items

FY2015

FY2016

EU

Instrument
G1200, G600II

Reagent
approx. 40items
(Italy, Spain, France, Germany, Benelux)

- β2M-N (renal tubule marker)
- HE4 (ovarian cancer marker)
- Pepsinogen I, II (gastric cancer risk prediction marker)
- B•R•A•H•M•S PCT
- BNP

- Alzheimer related items
- Cardiac markers

Asia

Instrument
G1200

Reagent :mainly PIVKAI
China : approx. 10items
South Korea : approx. 30items

- KL-6 (China) (Interstitial pneumonia)

US

Market entry preparation

Obtain FDA approval (510K)
(Instrument :G1200, Reagent :CA125, HE4, V.D)

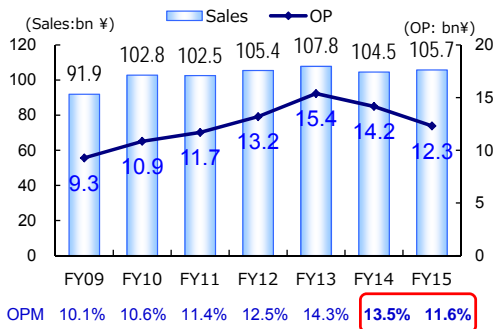
Management Plan Status

CLT Domestic Business

FY2015

Profitability declined continuously

- Both sales and OP grew until FY13; ⇔ despite price dropped 1-2%/yr
 - OP declined in FY14 and FY15
- 【Reasons】**
- Wider degree of test price drop ⇒ 3%/yr
 - Less fixed costs reduction ⇒ Navi-lab preparation, etc.



FY2016~

Priority : Profit structure improvement

- Strengthen price strategy**
 - Pricing policy and its implementation will be managed by HQ
 - Ensure attention to “profitability”
- Enhancement of cost competitiveness**
 - Purchase price optimization corresponding to procurement power
- Operation efficiency improvement**
 - Re-assess lab operation process
 - Optimization of personnel

◆Navi-lab Launch

Step-wise operation in a systematic way is planned under cost management

- Start operation per lab/test area
- Switch accounts from legacy system to Navi-lab
 - Data linkage is the key for smooth switch
 - Approx. 7,000accounts require data linkage

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Management Plan Status

CLT Global Business -MLS-

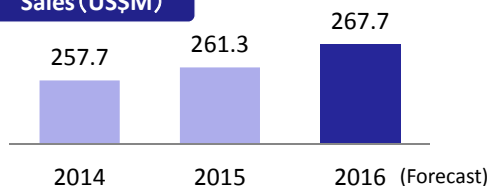
FY2015

Business Environment Change

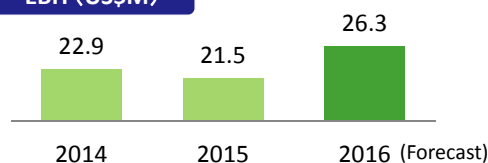
- Loss to POL^{※1}
- Loss to hospital lab (acquisition of clients by hospital)
- Test number limitation per sample

Goodwill impairment(\$184M)
• Less amortization from 3Q

Sales (US\$M)



EBIT (US\$M)



FY2016~

Priority: Profitability improvement in short-term

- Limited sales growth is foreseen
- Decrease fixed costs
 - optimization of personnel allocation
 - efficiency improvement of lab operation

Enhance cost competitiveness by reassessing all costs through the whole company

Continuous Actions

- Retain business with current customers (improve IT service quality)
- Obtain customers through collaboration with IT vendor
- Install new LIS^{※2} for lab operation

(※1) POL: Physician Office Laboratory
(※2) LIS: Laboratory Information System

FY2015

Environment Change

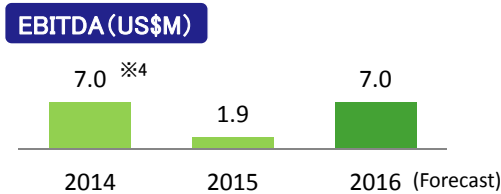
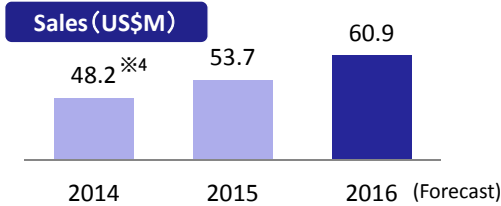
- NGS^{*1} test market, including our major test service, WES^{*2}
- insurance system change and market competition
- ⇒ Price decrease

8M delay of new test (CST^{*3})

- potential to become major test service
- prior-investment

Corporate function

- transform from academic to commercial lab



FY2016~

Priority : establishment of the future growth platform

- 1 Focus on the area with growth potential**

 - Sales expansion from current customers
 - Expand CST partnership
- 2 Profit growth by cost structure change**

 - Decrease the costs of testing materials
 - Focus and reduce the test menu based on our strategy
 - Improve lab operation efficiency

Strengthen collaboration with Baylor in R&D
Systematic sales force

Move to growing phase

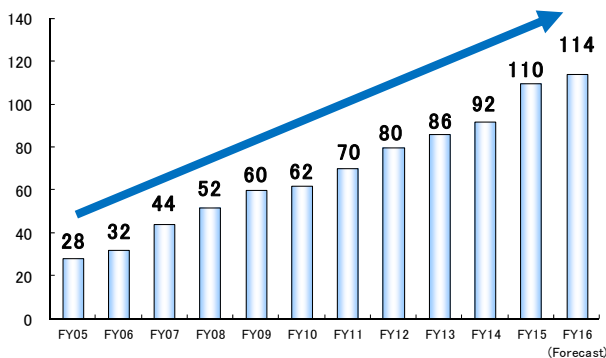
(※1) NGS: Next Generation Sequencer
(※2) WES: Whole Exome Sequencing
(※3) CST: Carrier Screening Test
(※4) FY2014 results are pro-forma

Policy on Return to Shareholders

To increase dividend continuously and stably

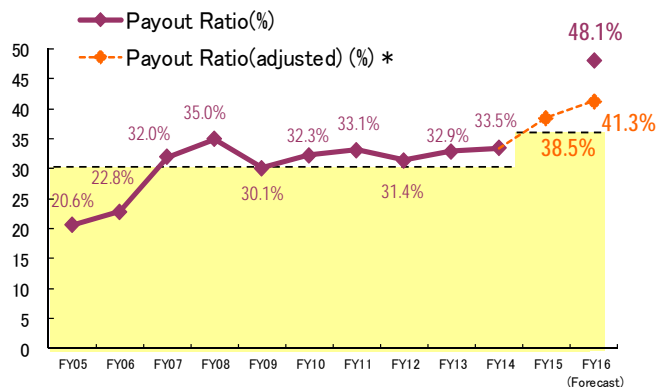
Annual cash dividend is 110JPY in FY15 as initially planned

■ Cash dividends per share



Dividend has been increasing stably with payout ratio over 35% from FY15

■ Payout ratio



* Payout ratio after excluding extraordinary factors (loss)

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Disclaimer regarding forward-looking statement:

The performance forecast provided in this document is prepared by the management based on currently available information and various hypotheses and ideas including significant risks or uncertainties. Please be aware that the actual performance may turn out to be different from the forecast as a result of various contributing factors.

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.