

FY2016

The First Half-year Results

(April 1, 2016 – September 30, 2016)

Miraca Holdings Inc.

November 1, 2016

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, and 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



Summary of 1H/FY2016 Consolidated Results (1)

Decrease in Net sales, Increase in Op. income (y/y) Net loss due to liquidation of Navi-Lab project

(¥ billion)

	1H/FY2015 Results	1H/FY2016 Results	Y/Y Variation		Progress to Full-year Forecast
Net Sales	105.98	102.65	-3.33	-3.1%	49.4%
Op. Income	13.77 <small>13.0%</small>	14.71 <small>14.3%</small>	+0.94	+6.9%	55.9%
Non-operating Income/Expense	-0.89	-1.47	-0.58	—	—
Ord. Income	12.88 <small>12.2%</small>	13.24 <small>12.9%</small>	+0.37	+2.8%	53.3%
Extraordinary Income/Loss	1.85	-18.18	-20.03	—	—
Income before Income Taxes	14.72 <small>13.9%</small>	-4.94 <small>-4.8%</small>	-19.66	—	—
Income Taxes	8.20	0.16	-8.04	-98.0%	—
Profit/loss attributable to owners of parent	6.53 <small>6.2%</small>	-5.10 <small>-5.0%</small>	-11.62	—	-37.8%
EBITDA ^(*1)	21.20 <small>20.0%</small>	21.53 <small>21.0%</small>	+0.33	+1.6%	—

Non-operating expenses:

- Currency exchange loss (¥0.8 billion)
- Shares of loss of entities accounted for using equity method (¥0.7 billion)

Extraordinary losses:

- Loss on liquidation of Navi-Lab project (¥14.7 billion)
- Provision for loss on a legal action against FDI (¥2.9 billion)

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

Summary of 1H/FY2016 Consolidated Results (2)

Net sales decreased in IVD and CLT (y/y)

(Increase in net sales excluding exchange impact)

Op. income increased in each segment

(¥ billion)

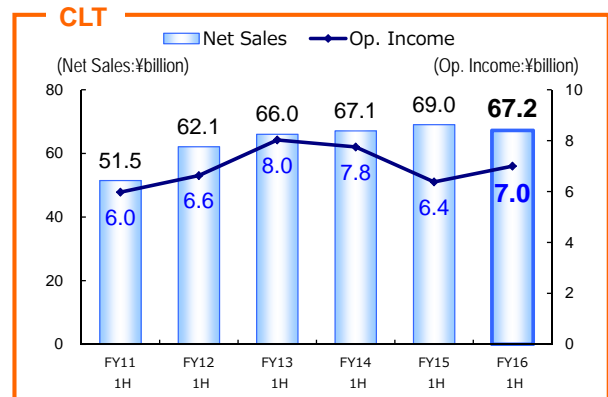
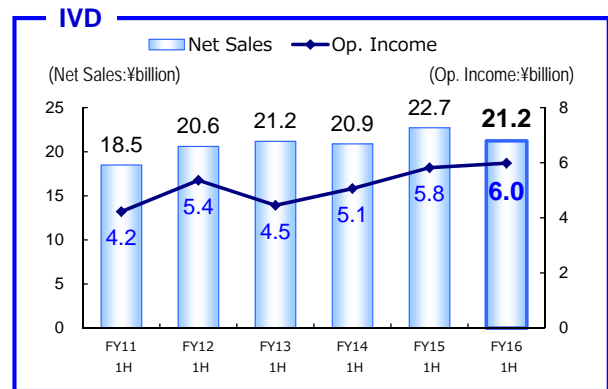
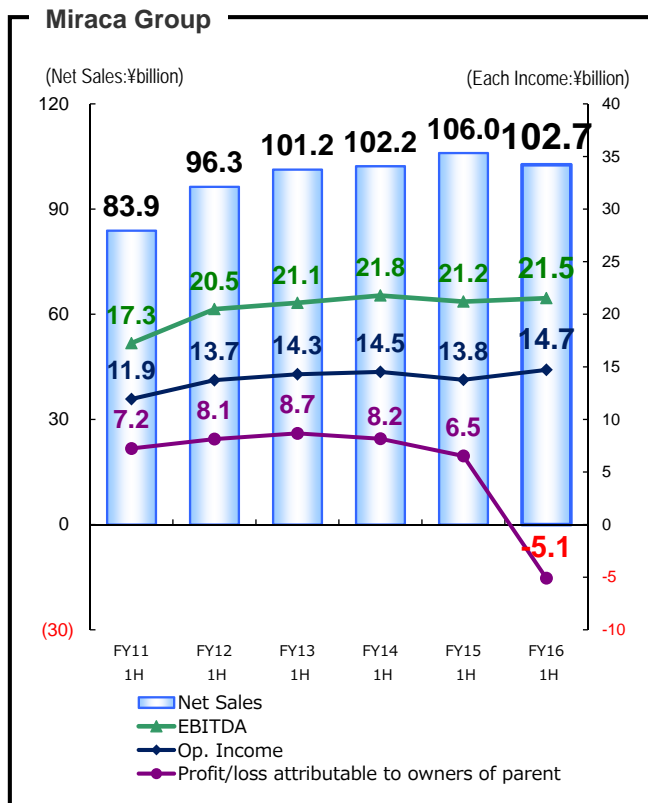
	1H/FY2015	1H/FY2016 Results (including exchange impact)		1H/FY2016 Results (CER) (*1)	
			Y/Y Variation		Y/Y Variation
Net Sales	105.98	102.65	-3.33 -3.1%	+0.38	+0.4%
IVD	22.73	21.24	-1.49 -6.6%		
CLT	69.03	67.23	-1.80 -2.6%		
HR	14.23	14.18	-0.04 -0.3%		
Op. Income (*2)	13.77 13.0%	14.71 14.3%	+0.94 +6.9%	+1.56	+11.4%
IVD	5.82 25.6%	5.99 28.2%	+0.16 +2.8%		
CLT	6.38 9.2%	7.00 10.4%	+0.62 +9.7%		
HR	1.48 10.4%	1.61 11.4%	+0.13 +9.1%		

*1: CER (Constant Exchange Rate): 1H/FY2016 actual results calculated by 1H/FY2015 exchange rate

*2: Segmentation adjustments (¥ billion): 0.09 in 1H/FY2015, 0.12 in 1H/FY2016

【Exchange rate】	1H/FY2015: 1USD=121.81JPY, 1EURO=135.08JPY 1H/FY2016: 1USD=105.34JPY, 1EURO=118.21JPY
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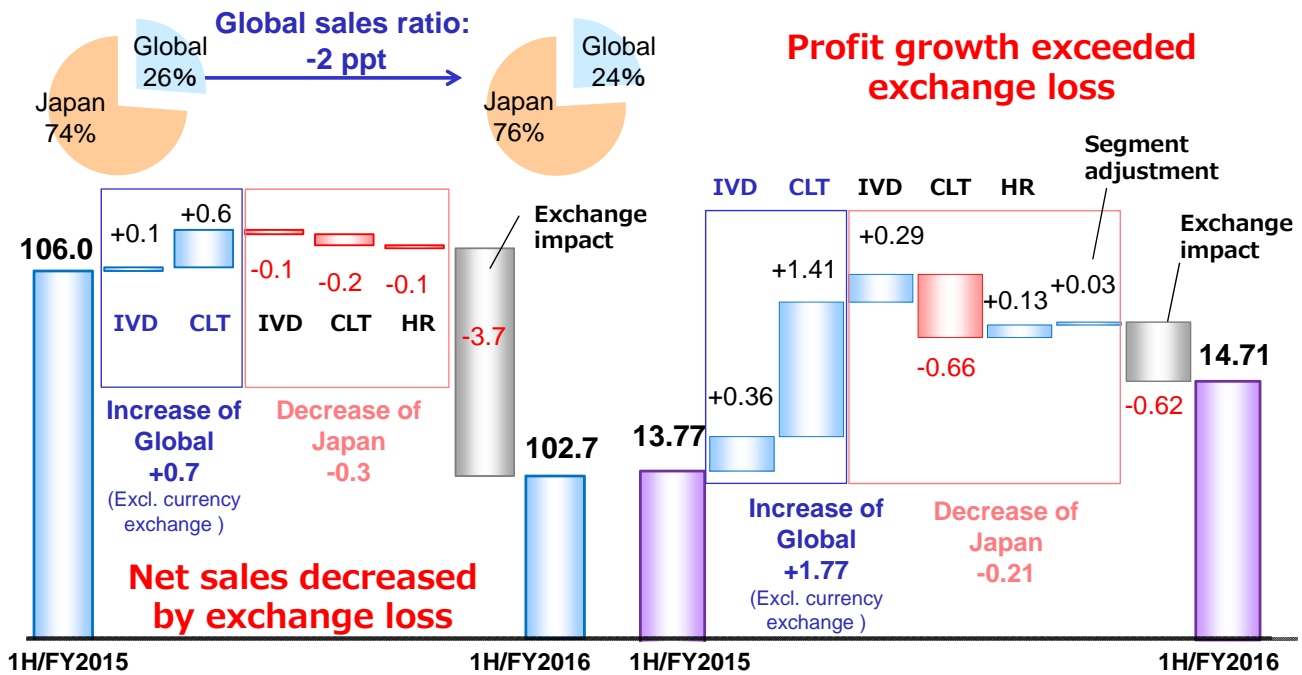
Change in 1H Results



Analysis of Changes (Y/Y) in Consolidated Net sales and Op. income

■ Net sales: -¥3.33 billion (-3.1%)

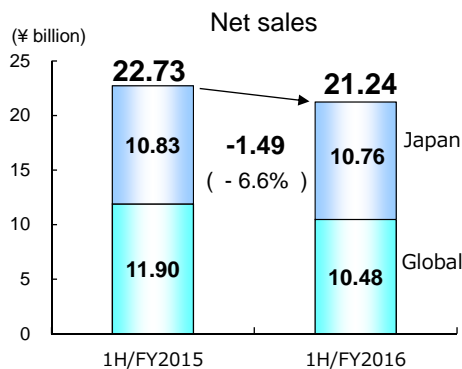
■ Op. income: +¥0.94 billion (+6.9%)



1H/FY2016 Segment Performance Review

1. IVD

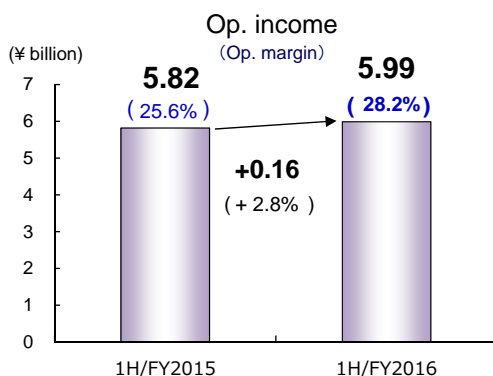
Decrease in Net sales and Increase in Op. income



◆ Net sales: -1.49

(¥ billion)

- Increase in LP reagent sales in Japan
- Growth in raw material supply in US
- Currency exchange impact: -1.5

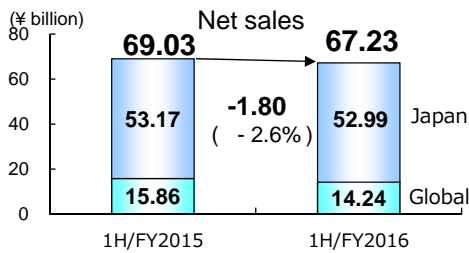


◆ Op. income: +0.16

- Profitability improved by product mix change
- Growth in high-profit segments (LP reagents, raw material supply, etc.)
- Decrease in SG&A
 - Decrease in personnel expenses
 - Decrease in R&D expenses (Higher level of R&D expenses in 1H/FY2015)

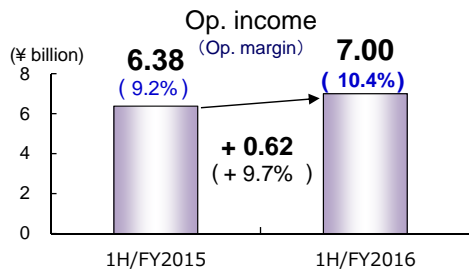
2. CLT

Decrease in Net sales and Increase in Op. income



◆ Japan

- Net sales: -0.18 (about the same level y/y)
 - Impact of test price decline was small
- Decrease in Op. income: -0.66
 - Increase in D&A and other expenses for Navi-Lab project

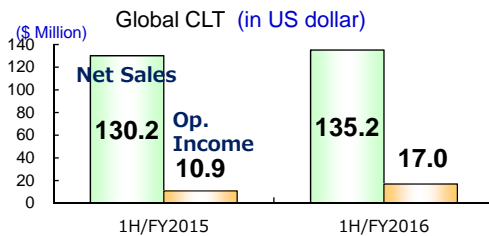


◆ Global (MLS)

- Net sales: -1.62, Op. income: +1.27
 - Exchange impact: -2.2
 - Profit increased by decrease of goodwill amortization: +0.8

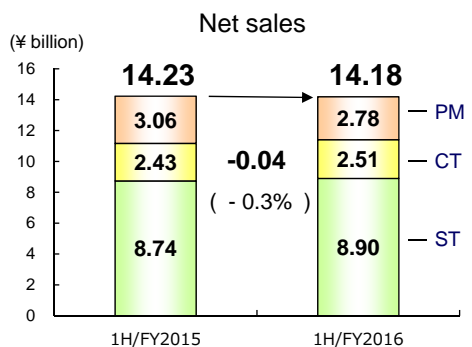
[MLS (before goodwill amortization, J-GAAP)]

- Net sales: +\$5.0M (+3.8%)
 - Increase of testing volume
- Op. income: +\$6.1M (+56.1%)
 - Profit increased by increase of sales



3. HR

Slight decrease in Net sales and Increase in Op. income



◆ Net sales: -0.04, Op. income: +0.13

● Sterilizing (ST)

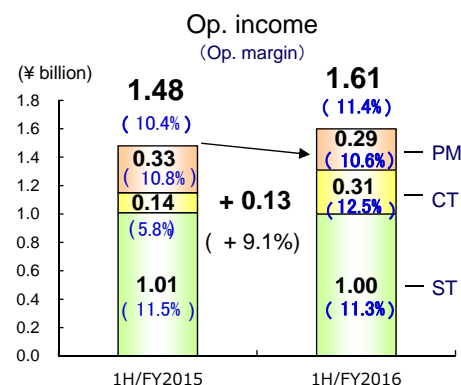
- Net sales: +0.16, Op income: the same level as 1H/2015
- Sales growth achieved through development of new accounts

● Clinical Trials (CT)

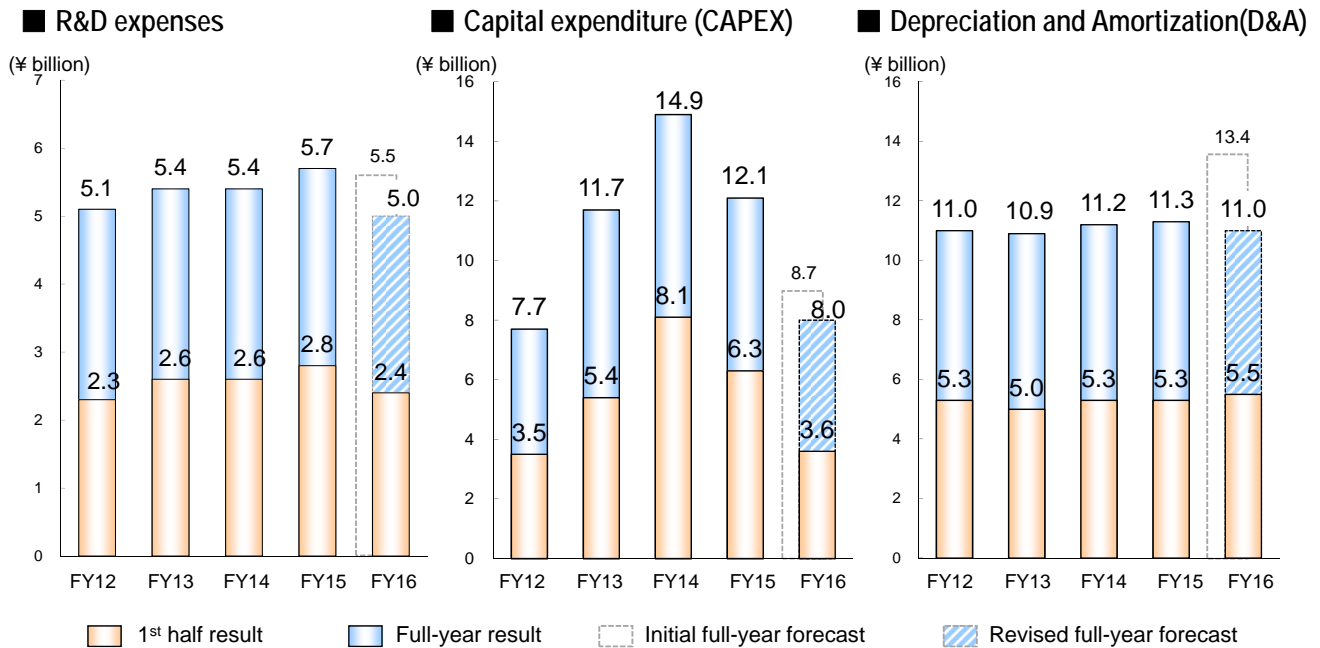
- Net sales: +0.08, Op income: +0.17
- Effect of cost structure change started from last year

● Preventive Medicine Related (PM)

- Net sales: -0.28, Op income: -0.04
- Withdrawal of infection prevention products



1H/FY2016 Consolidated R&D Expenses, CAPEX, and D&A

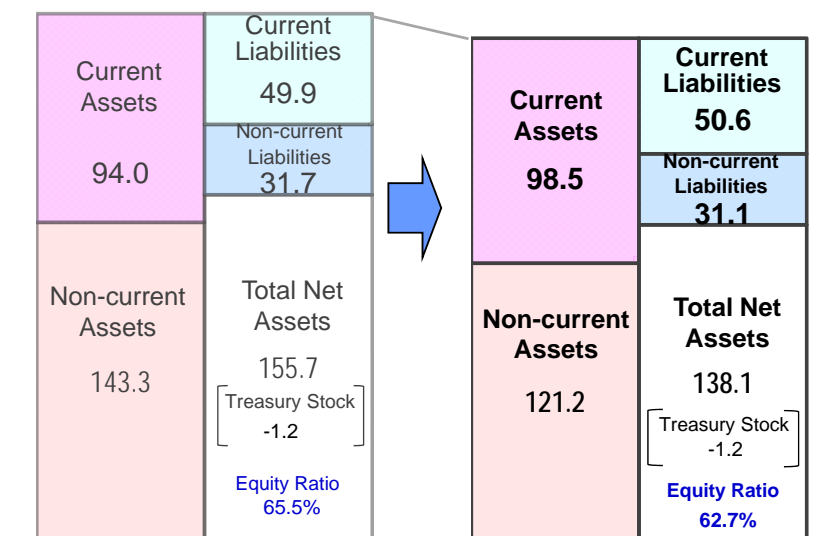


Key points on FY2016

- R&D expenses decreased (y/y) due to one-time R&D expenses for testing platform development in FY2015
- CAPEX decreased (y/y) due to liquidation of Navi-Lab project
- Full-year D&A will decrease from initial forecast due to impairment of Navi-Lab related assets (loss on liquidation of Navi-Lab project)

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1H/FY2016 Consolidated Balance Sheet (¥ billion)



Main factors for change

- **Non-current assets: -22**
 - Goodwill -4.3
 - Customer-related intangible assets -3.8
 - Software -7.0
 - Software in progress -2.9

Interest-bearing liabilities decreased by ¥3.0 billion
⇒ Net cash improved by ¥10.5 billion to ¥19.9 billion

End of FY2015 (Mar.31, 2016) Total Assets: ¥ 237.3 billion
 End of 1H/FY2016 (Sep. 30, 2016) Total Assets: ¥ 219.7 billion (¥ -17.6 billion)

※ Exchange rate at the end of financial period:
 End of FY2015: 1USD=112.69JPY, End of 1H/FY2016: 1USD=101.12JPY

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1H/FY2016 Consolidated Cash Flows (¥ billion)

	1H/FY2015	1H/FY2016
Income before income taxes	14.7	-4.9
Depreciation and amortization	5.3	5.5
Loss on liquidation of project	-	14.7
Amortization of goodwill	2.2	1.3
Other	-6.5	3.2
Net cash provided by operating activities	15.7	19.7
Purchase of property, plant and equipment and intangible assets	-6.1	-3.7
Other	-0.0	-0.1
Net cash used in investment activities	-6.2	-3.8
Free cash flows	9.6	15.9
Net cash used in financing activities	-5.6	-6.6
Effect of exchange rate change on cash and cash equivalents	0.1	-1.9
Net increase in cash and cash equivalents	4.1	7.5
Cash and cash equivalents at the beginning of financial period	27.3	31.7
Cash and cash equivalents at the end of financial period	31.4	39.2

Main Factors of Change

- **Net cash provided by operating activities increased by ¥4.0 billion**
(Not affected by loss on liquidation of Navi-Lab project)
- **Net cash used in investment activities decreased by ¥2.3 billion**
(Investment in IT system development in 1H/FY2015)
- ⇒ **FCF increased by ¥6.3 billion**
- **Net cash used in financing activities was similar level with 1H/FY2015**
(Repayment of loans payable, cash dividends paid, etc.)
- ⇒ **Cash and cash equivalents increased by ¥7.5 billion from the beginning of financial period**

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Navi-Lab Project Termination

Navi-Lab Project termination

Initial goal of Navi-Lab project

- Operating system integration
- Operating efficiency improvement
- Customer satisfaction improvement (Web reporting, shorter TAT, traceability)

Sales & Profitability improvement by Navi-Lab system

Reasons for termination

- Additional development cost had been spent several times
- The system is partially operated in a few satellite labs, however, adopted customers are limited and implementation to central lab is delayed

Additional development costs & risks for full operation was evaluated

Project termination due to low possibility of the initial target achievement

■ Future direction of CLT domestic business

- Continuous expansion to GP market
⇒ Satellite lab installation will continue as planned
- Establishment of a new nationwide lab plan
⇒ Zero-based discussion including establishment of a new central lab (high priority on customer/operation needs)
- Legacy system replacement is mandatory (countermeasure for obsolescence, IT system integration)
⇒ Establish sophisticated IT system for the new lab plan

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Loss & depreciation related to Navi-Lab

Non-current & intangible assets

- Software
- Facilities attached to buildings etc.

Depreciation will decrease from 2H/FY2016 (approx. ¥2.0 billion/year)

Expenses related to project cancellation

- Stock disposal
- Maintenance fee until operation suspended
- Cancellation penalty

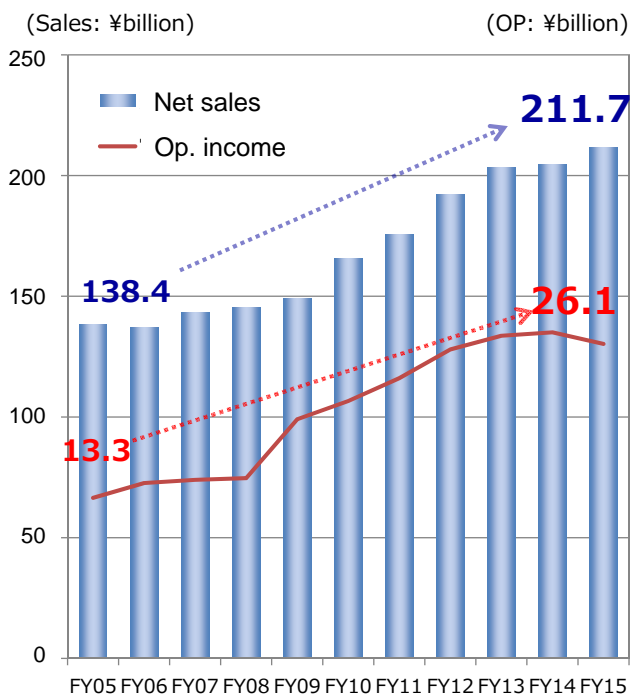
		(¥ billion)
Loss on non-current assets	Tax effect	4.4
11.2	Net loss recorded in FY16 2Q	10.3
Other loss		
3.5		
		Extraordinary losses recorded in 2Q/FY2016 (14.7)

- Loss on non-current assets (¥11.2 billion) will influence future depreciation (approximately ¥2.0 billion/year less)
- ¥10.3 billion is recorded in 2Q/FY2016 as net loss

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Direction of New Management

Stable business foundation



1st decade

- Steadily growth in both sales & OP under reliable management
- Robust business & financial foundation are established



Recent years

- Sales growth slowdown
- Flat OP growth

Business environment & issues

Business environment

- Suppress in social security costs
- Aging society
- Progress in IT infrastructure
- Globalization
- Increase in HR cost

Severe environment
Environmental change
could also be our
opportunity

Miraca's issues

- Difficulty to achieve existing mid-term plan target
- Unrealized group synergy

Establish new growth
strategy
Put Miraca group on
growth path swiftly

Second phase growth during the next decade

New management direction

Existing business

Added value pursuit, differentiation

- IVD: Accelerate LP installation
- CLT: Reform domestic lab structure

Global expansion strategy

- IVD: Re-establish LP global strategy
- CLT: Promote regional strategy



R&D focus

- Integrate R&D function (establish foundation)
- Reinforce basic research

Alliance strategy promotion

- Seek relationships between major players in new business area

Put Miraca on growth path utilizing robust
management/business foundation

Concrete measures of each strategy will be revealed at....

Next Mid-Term Plan

**...planned to be disclosed at
FY2016 financial closing meeting**

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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.

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Appendix

FY2016 Revised Forecast

	FY2016 Revised Forecast (Rev. Oct. 13, 2016)	FY2016 Initial Forecast	Y/Y Variation		2H/FY2015 Results	Y/Y Variation		
Net Sales	204.5	208.0	-3.5	-1.7%	211.7	-7.2	-3.4%	
IVD	43.1	44.8	-1.7	-3.8%	45.8	-2.7	-5.9%	
CLT	132.7	134.8	-2.1	-1.5%	137.1	-4.4	-3.2%	
HR	28.7	28.5	0.3	+0.9%	28.8	-0.1	-0.4%	
Op. Income	27.8	26.3	12.6%	1.5	26.1	12.3%	1.8	+6.7%
IVD	10.8	11.4	25.4%	-0.6	11.0	24.0%	-0.2	-1.5%
CLT	14.0	11.9	8.8%	2.1	11.9	8.7%	2.0	+16.8%
HR	3.0	2.9	10.0%	0.2	2.8	9.6%	0.2	+7.9%
Ord. Income	25.5	24.9	11.9%	0.7	23.8	11.2%	1.7	+7.2%
Profit/loss attributable to owners of parent	3.0	13.5	6.5%	-10.5	-5.1	-2.4%	8.1	-

※ Exchange rate for 2H/FY2016 (assumption) : 1USD=100.0JPY, 1EURO=110.0JPY

2nd Half (2H)/FY2016 Revised Forecast

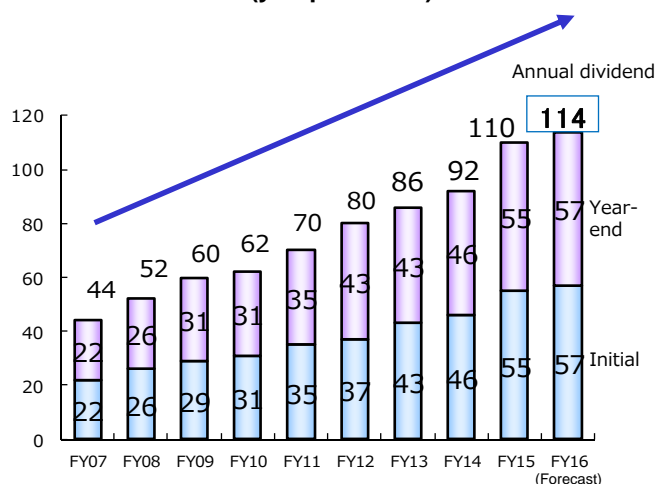
	2H/FY2016 Revised Forecast (Rev. Oct. 24, 2016)	2H/FY2016 Initial Forecast	Y/Y Variation	2H/FY2015 Results	Y/Y Variation
Net Sales	101.8	104.0	-2.2 -2.1%	105.8	-4.0 -3.7%
IVD	21.8	22.9	-1.1 -4.9%	23.1	-1.3 -5.5%
CLT	65.5	66.7	-1.2 -1.7%	68.1	-2.6 -3.8%
HR	14.5	14.4	0.1 +0.6%	14.6	-0.1 -0.6%
Op. Income	13.1	13.6 13.1%	-0.5 -3.7%	12.3 11.6%	0.8 +6.7%
IVD	4.8	5.7 24.8%	-0.9 -15.5%	5.2 22.4%	-0.4 -7.1%
CLT	7.0	6.4 9.6%	0.6 +9.9%	5.6 8.2%	1.4 +25.9%
HR	1.4	1.4 9.9%	-0.0 -2.1%	1.3 8.9%	0.1 +7.3%
Ord. Income	12.3	13.1 12.6%	-0.8 -6.1%	10.9 10.3%	1.4 +12.8%
Profit/loss attributable to owners of parent	8.1	7.2 6.9%	0.9 +12.5%	-11.6 -11.0%	19.7 -

※ Exchange rate for 2H/FY2016 (assumption) : 1USD=100.0JPY, 1EURO=110.0JPY

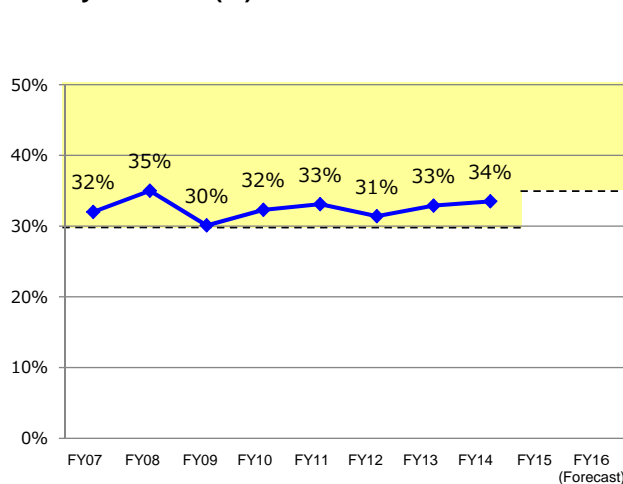
Forecast of Cash Dividends

Interim dividend per share increased by ¥2, to ¥57.
Annual dividend per share is planned to increase to ¥114.
 (No change from initial forecast)

◆ Cash dividends (yen per share)



◆ Payout Ratio (%)



※Payout ratio for FY2015 and FY2016 are not disclosed due to the effect of extraordinary losses.