

Miraca Holdings Inc.

FY2016 Business Results and Future Outlook

May 11, 2017

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.

Please be aware of the following:

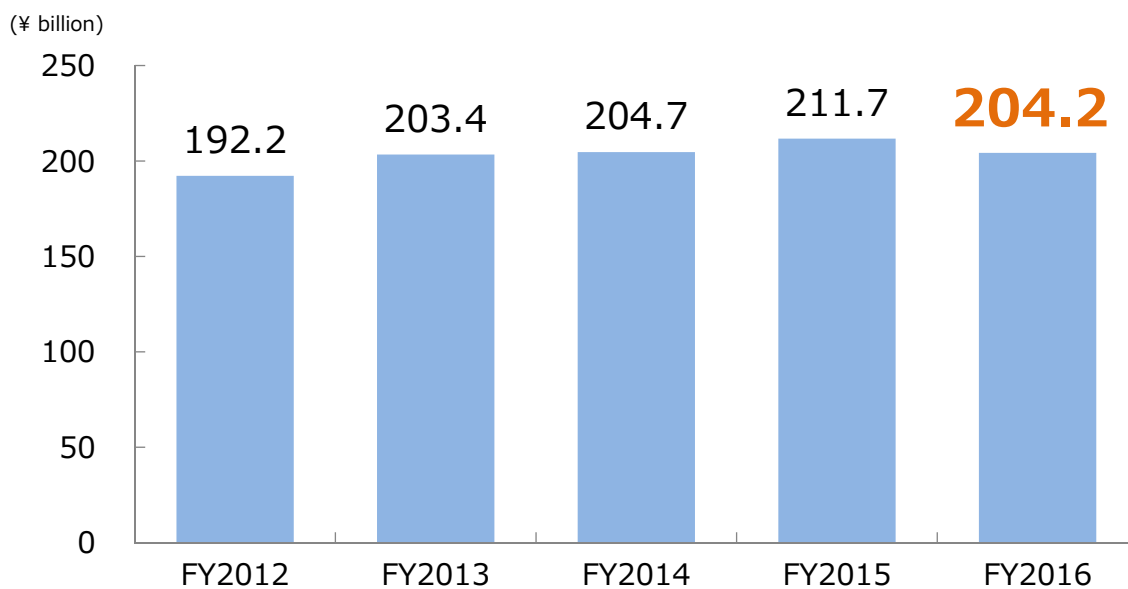
- * The financial information provided on this material has been prepared in accordance with Japanese GAAP in principle.
- * Figures and ratio in this material are rounded to the appropriate unit in principle, and the sums of the individual figures in each table do not always correspond to the total, because of rounding.
- * Abbreviations:
 - IVD: In Vitro Diagnostics (business) CLT: Clinical Laboratory Testing (business)
 - HR: Healthcare Related (business)
 - Op. income: Operating income Or. income: Ordinary income

※ Exchange rate : FY2015: 1USD = 120.15JPY, 1EURO = 132.58JPY
FY2016: 1USD = 108.40JPY, 1EURO = 118.83JPY
FY2017(forecast): 1USD = 110.00JPY, 1EURO = 120.00JPY

Summary of FY2016 Results

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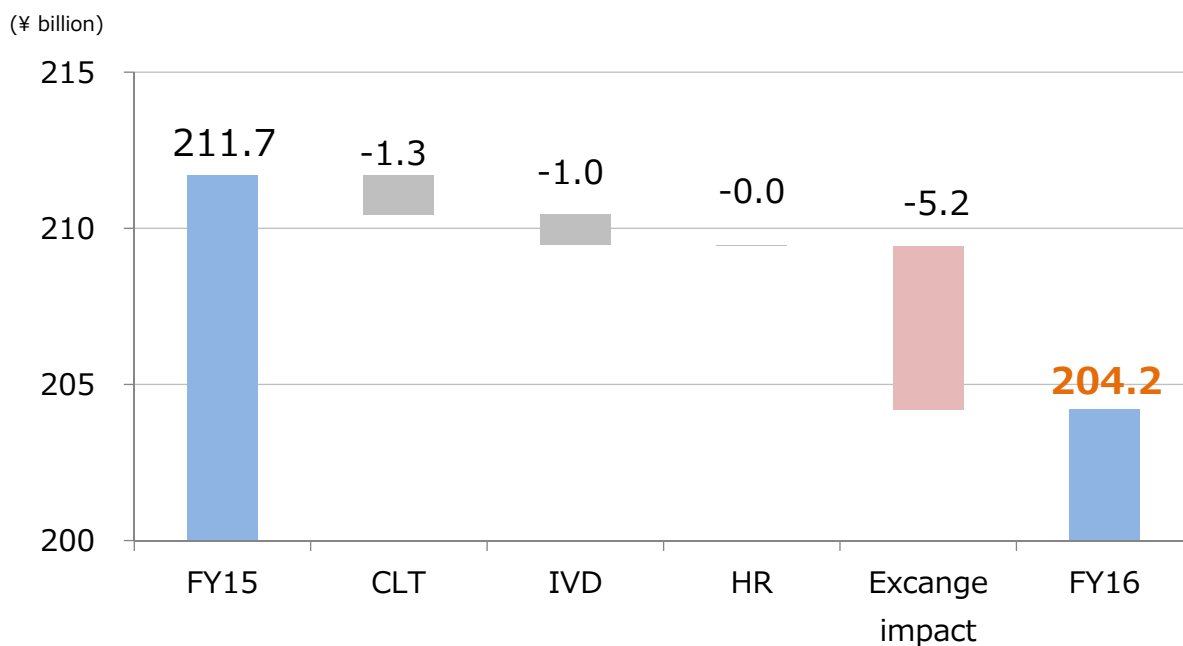
Transition of Consolidated Sales



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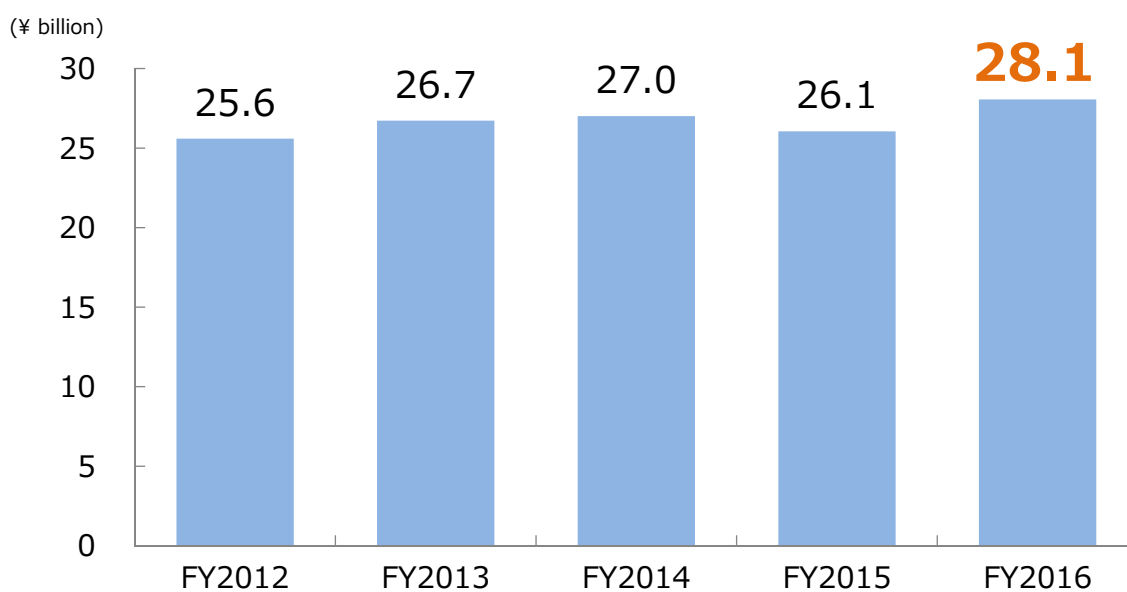
Consolidated Sales (vs. FY2015)

Net sales excluding exchange impact decreased by 2.3 bn yen



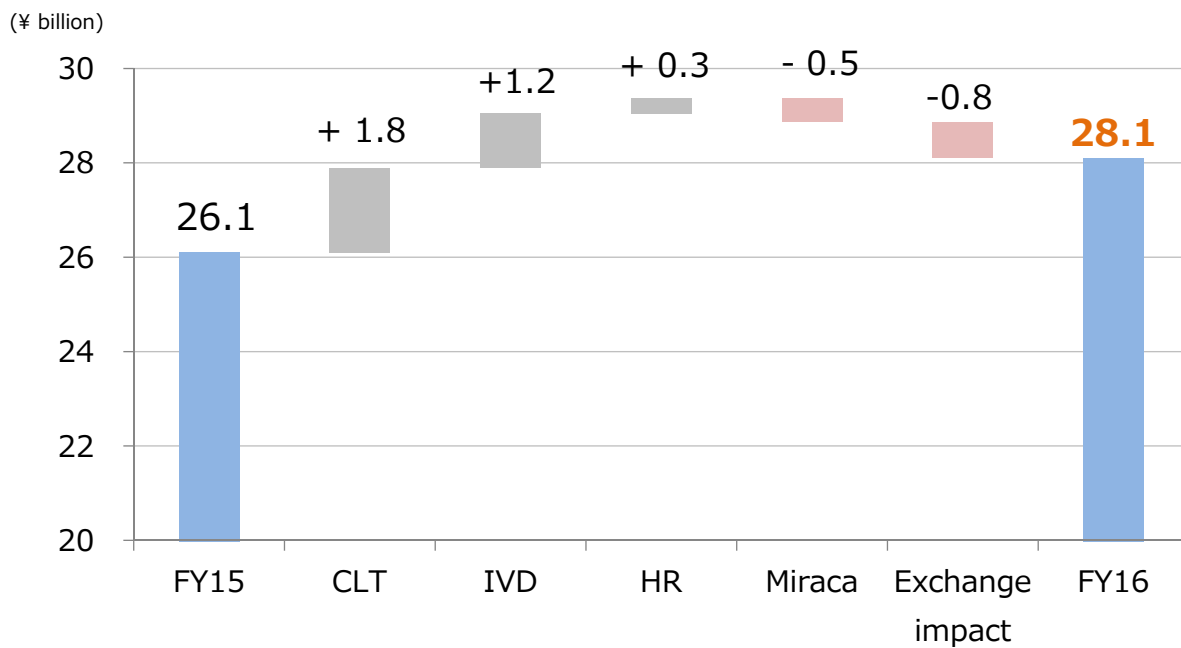
Transition of Consolidated Op. Income

Op. income reached a record high



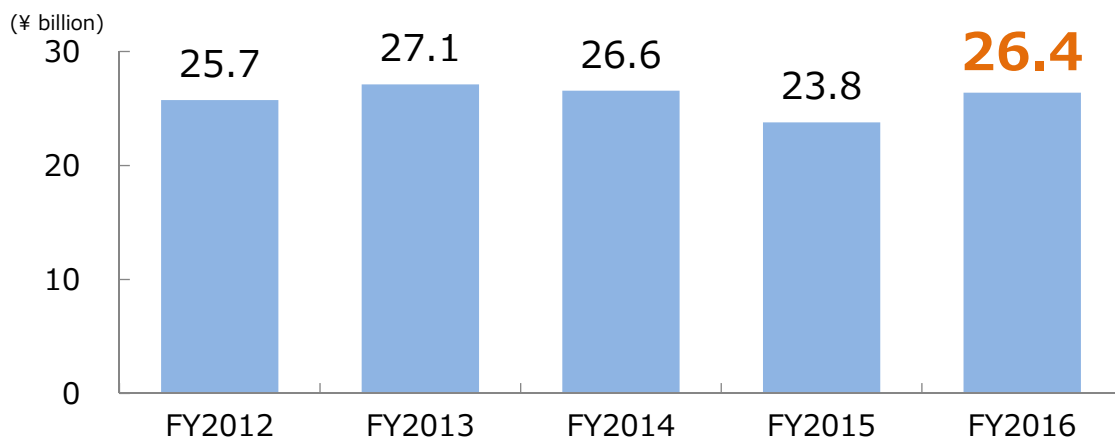
Consolidated Op. Income (vs. FY2015)

Op. income excluding exchange impact increased by 2.8 bn yen



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Transition of Consolidated Ord. Income



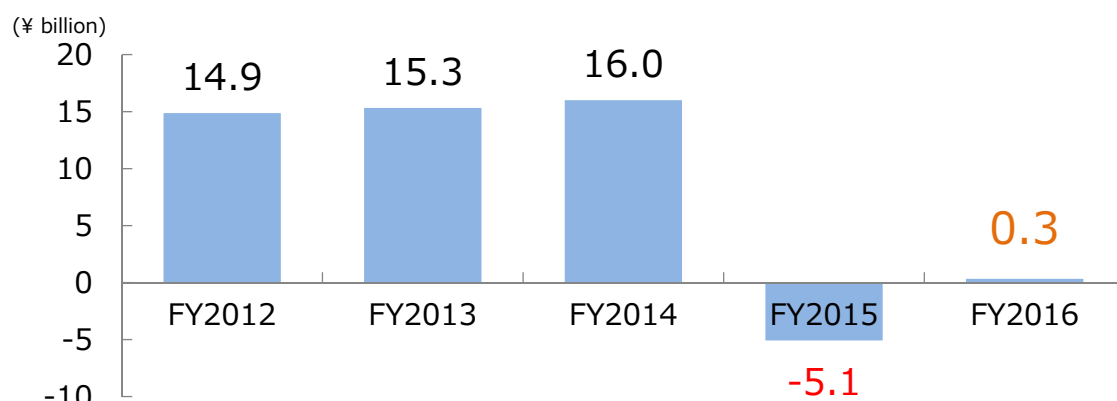
Major item of non-operating losses

【FY2015】		【FY2016】	
● Share of loss of entities accounted for using equity method	-¥1.4bn	● Share of loss of entities accounted for using equity method	-¥1.3bn
● Foreign exchange losses	-¥0.6bn	● Foreign exchange losses	-¥0.2bn

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Transition of Consolidated Net Profit

Net profit became profitable despite of extraordinary losses in a row



Major item of extraordinary losses

【FY2015】	【FY2016】
<ul style="list-style-type: none"> ● Impairment loss of goodwill (MLS) -¥22.1bn 	<ul style="list-style-type: none"> ● Loss on liquidation of project -¥14.6bn ● Impairment loss of goodwill(MLS) -¥3.3bn ● Extraordinary losses related to MLS -¥2.7bn

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FY2016 Results by Business Segment

(¥ billion)

	FY2015	FY2016	Y/Y variation
Net sales	211.7	204.2	- 7.5 -3.5%
CLT	137.3	132.9	- 4.4 -3.2%
IVD	45.8	42.7	- 3.1 -6.7%
HR	28.6	28.6	- 0.0 -0.1%
Op. income	※1 26.1 12.3%	※1 28.1 13.7%	+ 2.0 7.7%
CLT	12.0 8.7%	13.6 10.3%	+ 1.7 13.9%
IVD	11.0 24.0%	11.5 27.0%	+ 0.5 4.8%
HR	2.7 9.6%	3.1 10.7%	+ 0.3 11.7%
Ord. Income	23.8 11.2%	26.4 12.9%	+ 2.6 10.9%
Profit/loss attributable to owners of parent	-5.1 -2.4%	0.3 0.2%	+ 5.4 -
EBITDA ※2	41.0 19.4%	41.2 20.2%	+ 0.1 0.3%

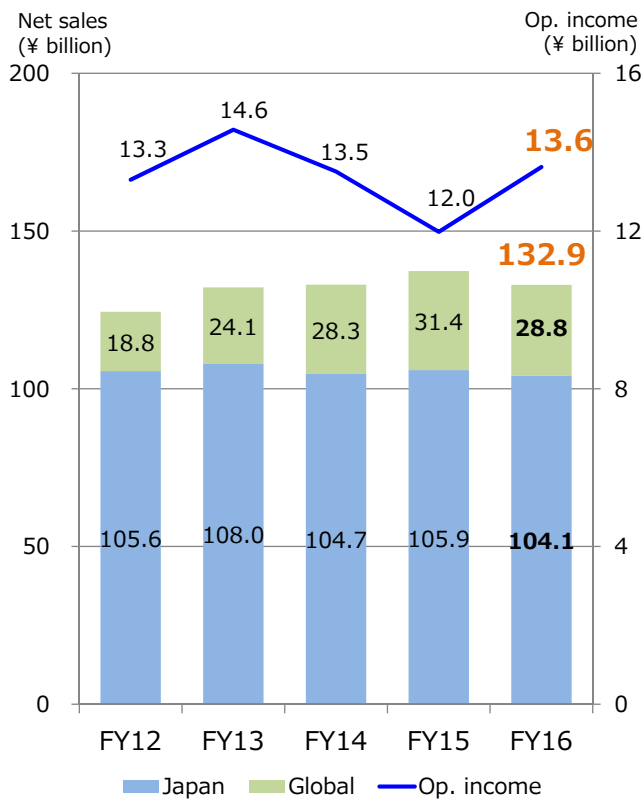
※1 Op. income includes Miraca Corporate (FY15 : +0.3, FY16 : -0.2)

※2 EBITDA = Operating income + Depreciation + Amortization of goodwill

※3 Figures shown in the upper right corner in blue are each profit margin

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CLT Business



Net sales : -4.4
Op. income : +1.7

◆ **Japan**

Net sales : -1.8

Op. income : same level

- Impact of test volume decline
- Decrease in raw material cost
- Slight increase in depreciation related to Navi-Lab despite of project termination

◆ **Global**

Net sales : -2.6

Op. income : +1.6

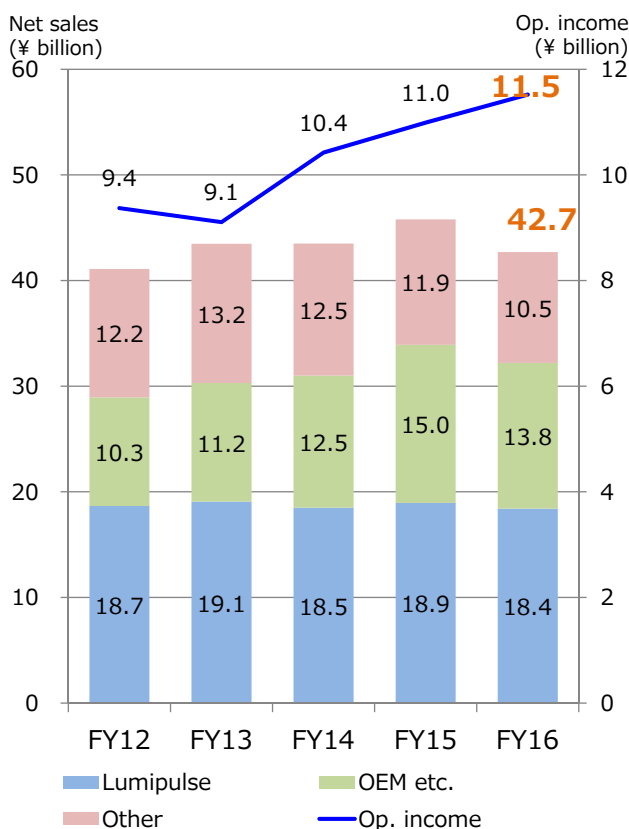
- Currency exchange impact (-3.1)
- Decrease in amortization of goodwill (+1.0)

【MLS (before goodwill amortization, J-GAAP)】

Net sales : +\$5M

Op. income : +\$7M

IVD Business



Net sales : -3.1
Op. income : +0.5

Net Sales

Currency exchange impact: -2.1

◆ **Lumipulse**

- Japan : Same level as FY2015
- Global: Decreased due to high instruments sales in FY2015

◆ **OEM & Raw Material Supply**

- Stable growth on a local currency basis

◆ **Other**

- Decreased by strategic termination

Op. income

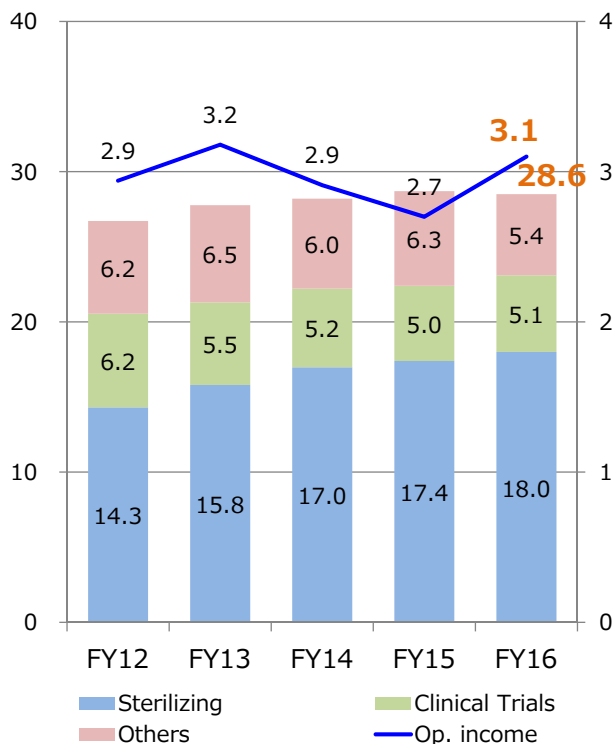
- ◆ Profitability improved by product mix change

- ◆ Decrease in SG&A

Net sales
(¥ billion)

Op. income
(¥ billion)

(¥ billion)



Net sales : remained flat
Op. income : +0.3

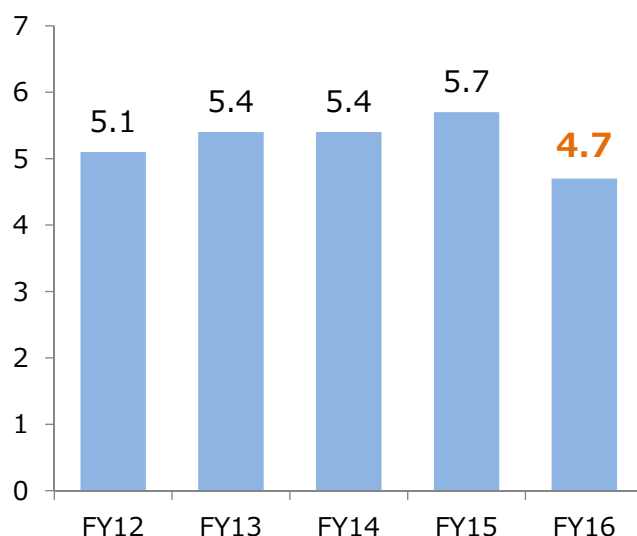
- ◆ Sterilizing
Net sales: +0.7, Op. income :+0.1
 - Sales growth achieved through development of new accounts
- ◆ Clinical Trials
Net sales: +0.2, Op. income :+0.3
 - Short term sales realization
 - Effect of cost structure change
- ◆ Others
Net sales: -0.9, Op. income :flat
 - Withdrawal of infection prevention products
 - Absence of one-time sales increase in FY2015

* Pharmaceutical and Cosmetics Analysis business has been transferred to CLT segment. The past results are adjusted accordingly.

Transition of R&D Expenses

(¥ billion)

R&D



- Integration of Lumipulse development function to Japan
- Delay in progress associated with R&D strategy review

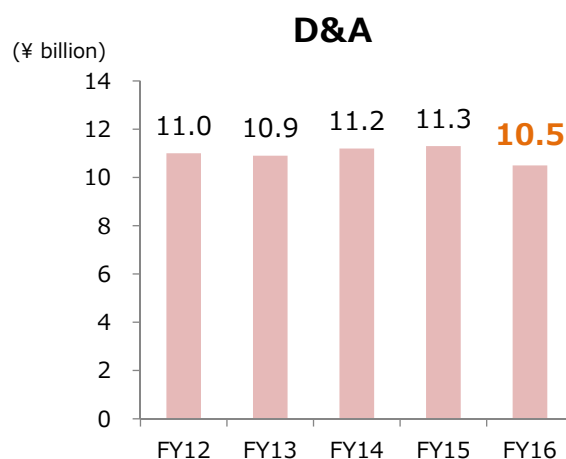
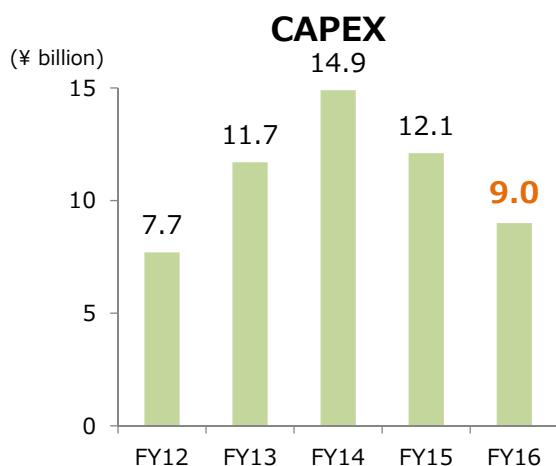
Transition of CAPEX and D&A

【Capital expenditure】

- CAPEX decreased due to termination of Navi-Lab project

【Depreciation and Amortization】

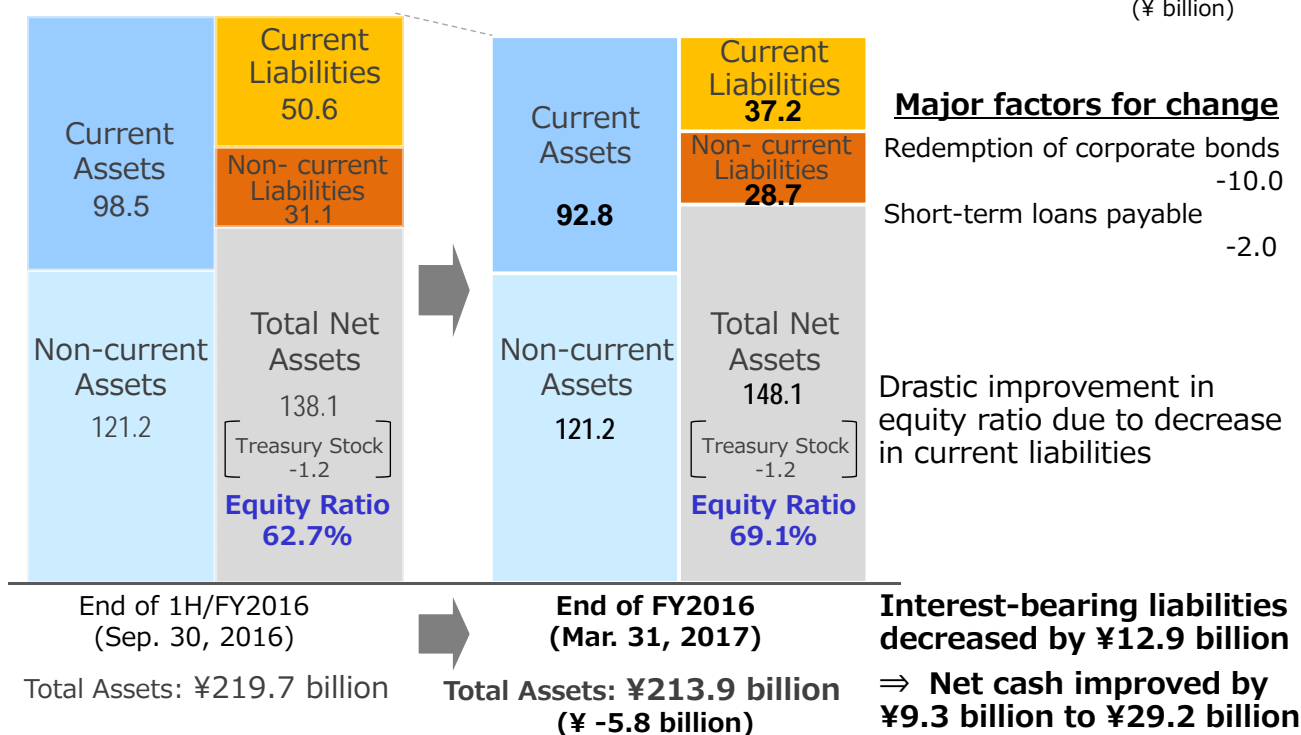
- Slight increase in depreciation related to Navi-Lab despite of project termination
- Decrease in D&A as a whole due to suppression of CAPEX other than Navi-Lab



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Consolidated Balance Sheet

(¥ billion)



【Exchange rate】 End of 1H/FY2016: 1USD=101.12 JPY, End of FY2016: 1USD=112.20 JPY

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Consolidated Cash Flows

(¥ billion)

	FY2015	FY2016
Income before income taxes	3.6	4.4
Depreciation and amortization	11.3	10.5
Impairment loss	23.0	3.3
Loss on liquidation of project	-	14.6
Income taxes payable	-9.8	-2.2
Other	1.3	5.7
Net cash provided by operating activities	29.3	36.4
Purchase of property, plant and equipment	-12.3	-8.2
Other	0.3	-0.4
Net cash used in investment activities	-12.0	-8.6
Free Cash Flows	17.4	27.8
Net cash used in financing activities	-12.1	-23.1
Effect of exchange rate change on cash and cash equivalents	-0.8	-0.9
Net increase/decrease in cash and cash equivalents	4.5	3.8
Cash and cash equivalents at the end of financial period	31.7	35.5

Major factors of change (y/y)

Net cash provided by operating activities
: Increased + 7.1

- Decrease in income taxes payable

Net cash used in investment activities
: Decreased + 3.4

▶ **FCF increased : +10.5**

Net cash used in financing activities
: Decreased - 11.0

- Redemption of corporate bonds

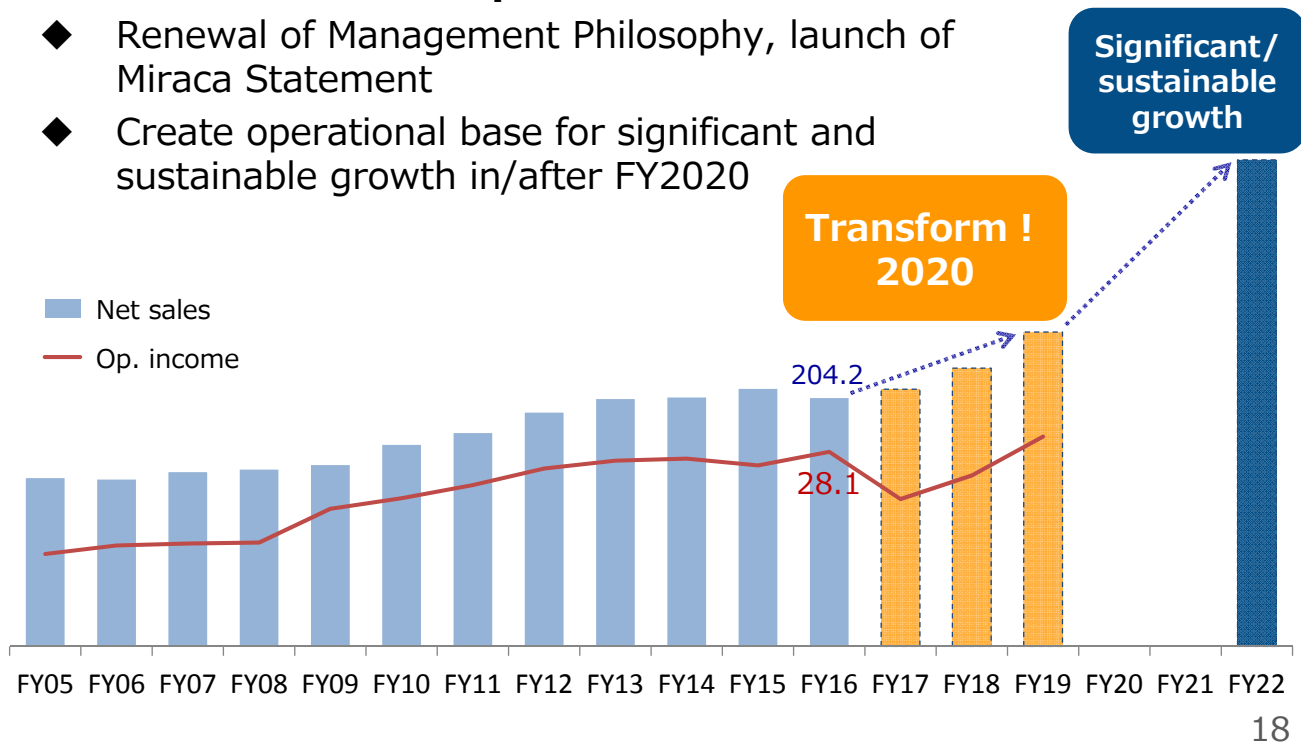
▶ **Cash and cash equivalents**
increased by ¥3.8 billion from
the beginning of financial period

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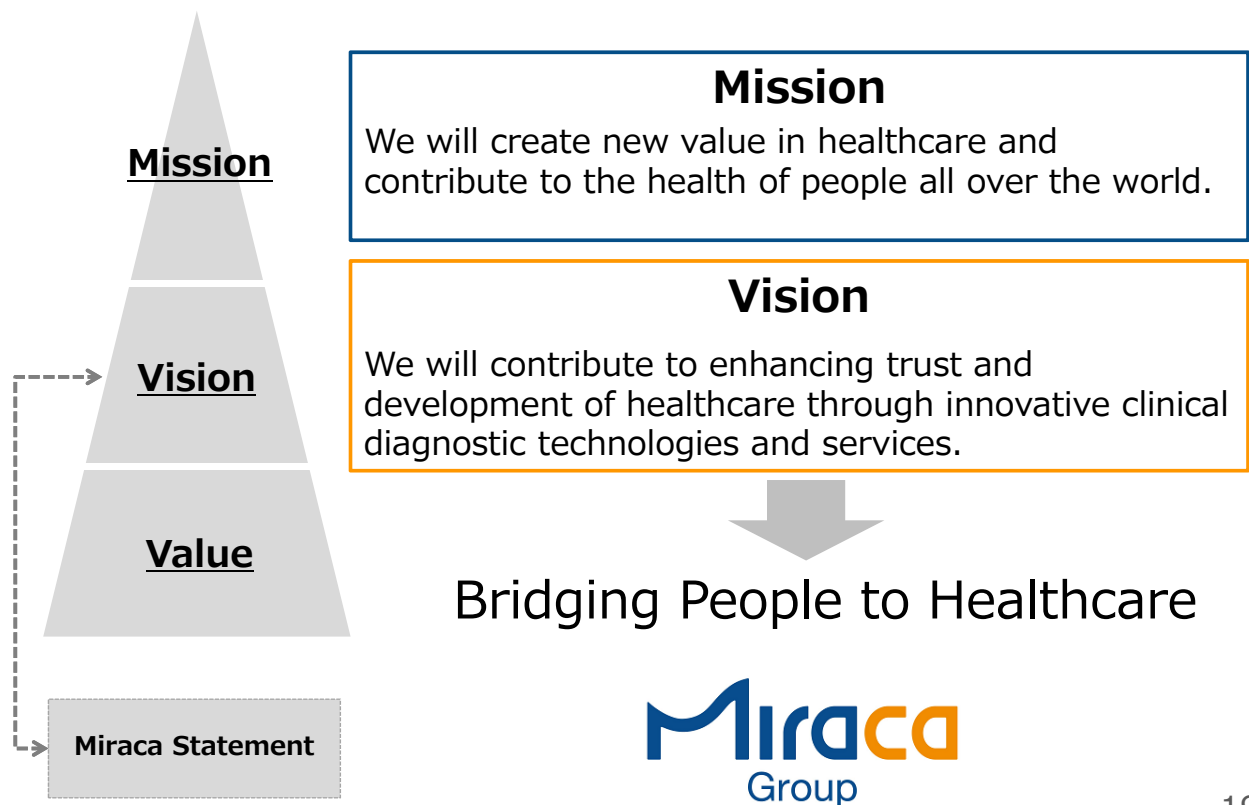
Medium-term Plan (2017.4-2020.3)
“Transform! 2020”

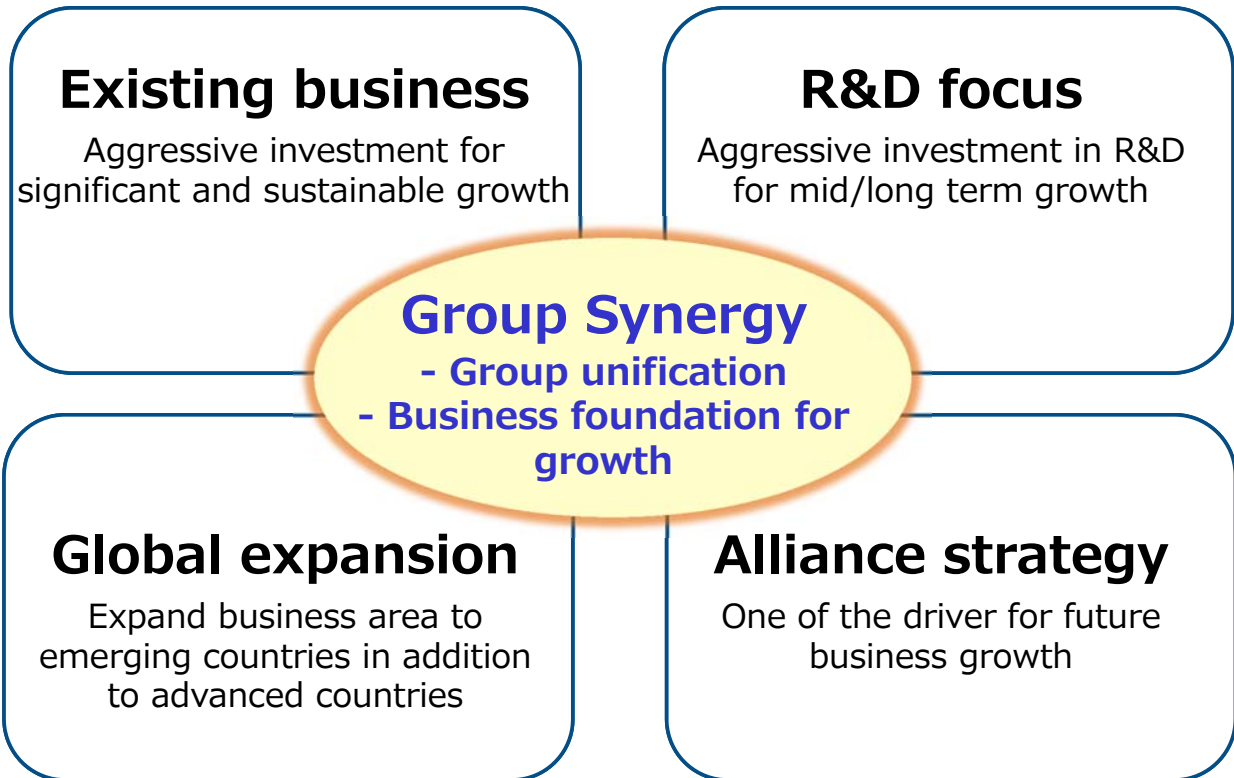
The Second Start-up

- ◆ Renewal of Management Philosophy, launch of Miraca Statement
- ◆ Create operational base for significant and sustainable growth in/after FY2020



Miraca Group Management Philosophy

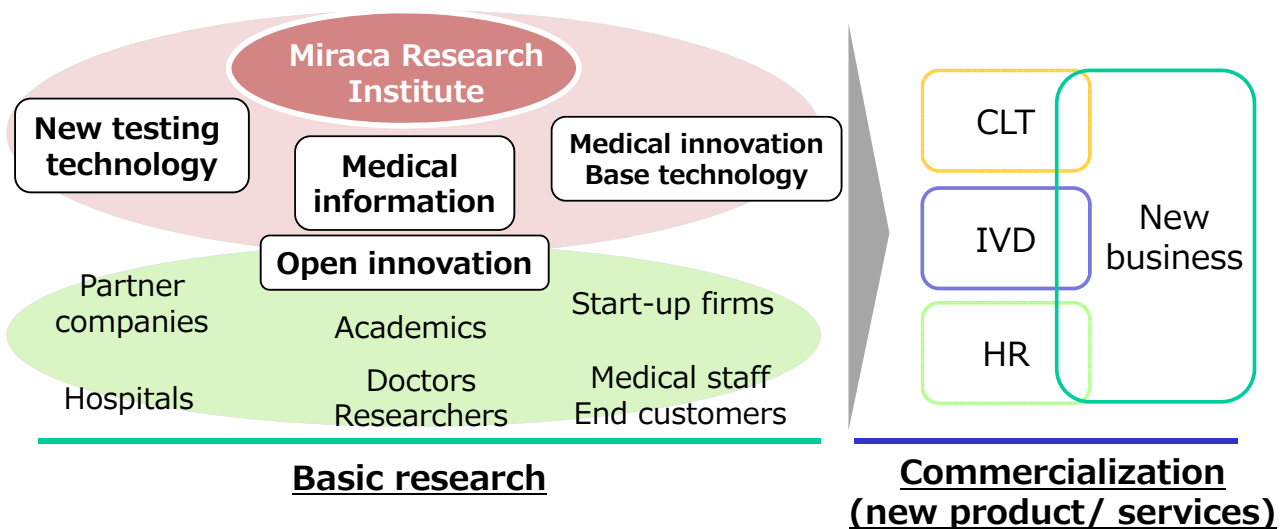




R&D Focus

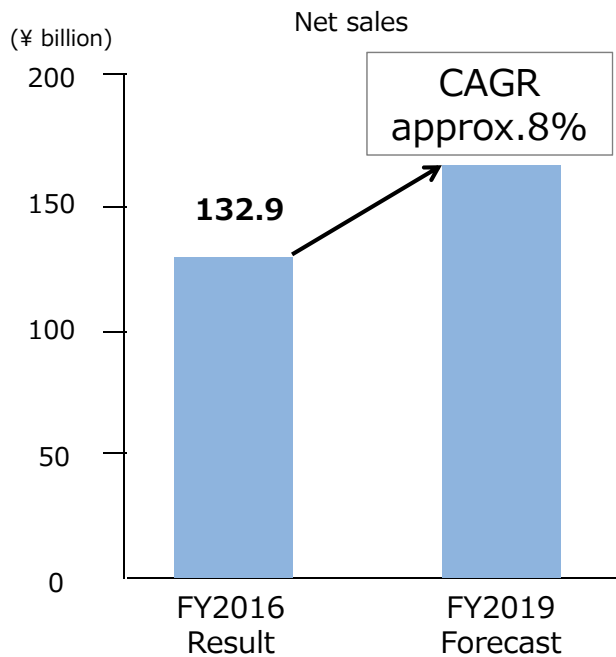
Miraca Research Institute (establishment planned in Jul/17)

- Centralize and focus basic research function of group companies
- Strengthen in-group research
- Proceed alliance with group companies (BMGL, etc.) and external institutions
- Commercialize the seeds of research (potential mid-term growth driver)



Promote group unification and build foundation for growth

Reorganize business structure	Consolidate back-office function	<ul style="list-style-type: none"> • Cost-cut through optimization of back-office function • Scale merit through group purchasing • Streamlining/strengthening of IT function
	Unify system and rules	<ul style="list-style-type: none"> • Unify personnel system, corporate rules, etc. • Create/penetrate new management philosophy
	Deliver brand message	<ul style="list-style-type: none"> • Strengthen PR/ media relations
Build infra- structure	Build IT system	<ul style="list-style-type: none"> • Smooth in-group communication • Unify internal communication platform
	Enhancement of human resource	<ul style="list-style-type: none"> • Training and educating of executive-level employees • Strengthen recruiting

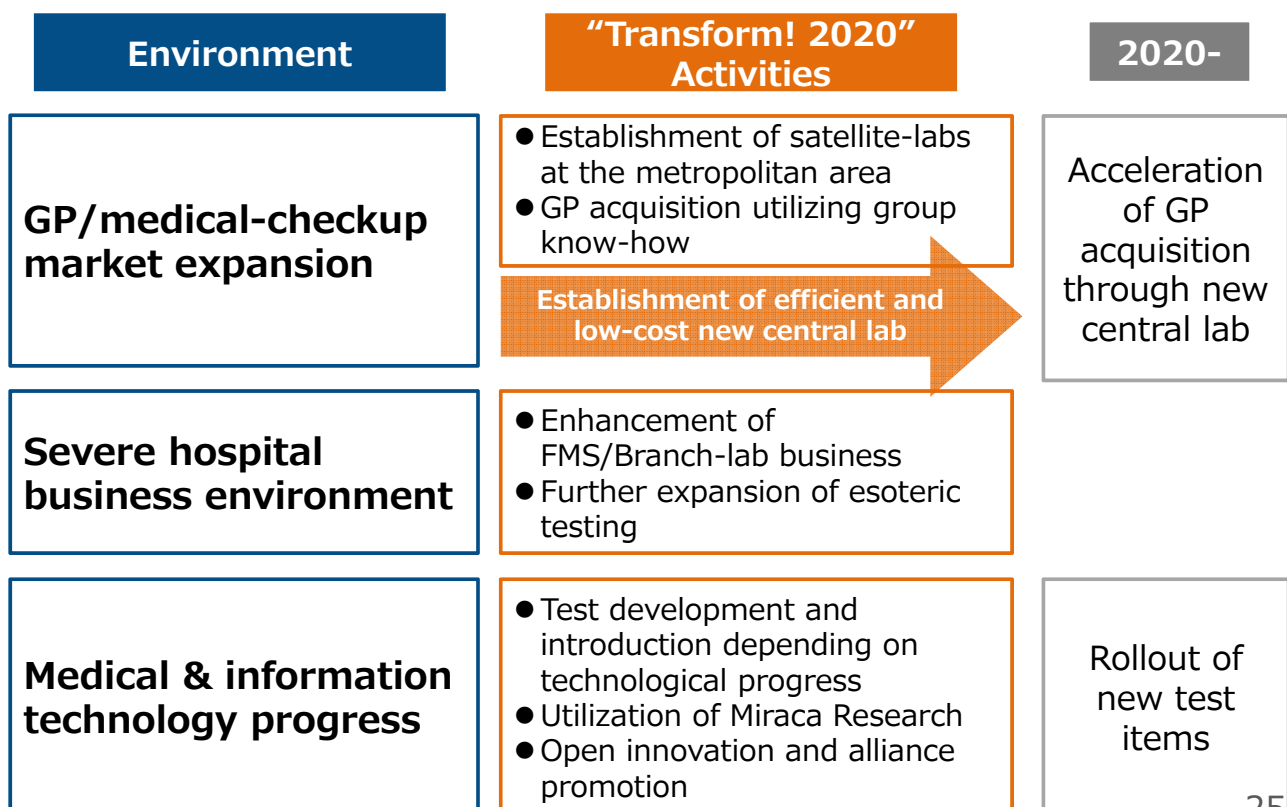


CLT (Domestic)

- ◆ Enhancement of FMS/Branch-lab business
- ◆ Further expansion of esoteric testing
- ◆ Acquisition of GP/medical-checkup market

※ Consideration of strategic option regarding Global CLT business (MLS)

Environment and Activities in CLT



Aggressive investment for FMS/Branch lab business

- ◆ Cost competitiveness improvement
 - Standard package proposal utilizing Miraca-IVD products as an axis

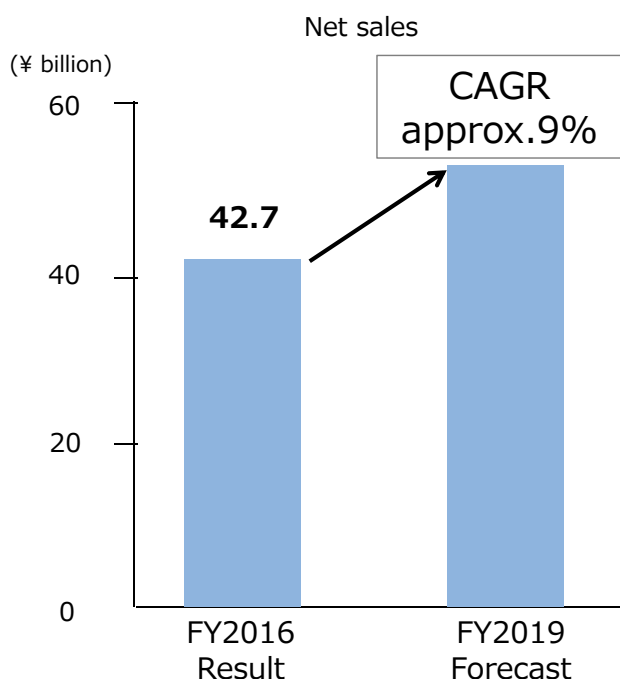
Strengthen cost competitiveness by group synergy

- ◆ Off-site testing expansion
 - Off-site testing increase triggered by FMS/Branch-lab business commencement

Acquisition of GP/medical-checkup market

- ◆ Establishment of satellite-labs at the metropolitan area
 - Shorter TAT
 - ◆ In-group know-how
 - Share know-how owned by subsidiaries that have strength in GP market
 - ◆ Medical-checkup market acquisition
 - Association with corporate health insurance society
- ※ Acceleration of GP market acquisition after central lab establishment (next mid-term plan)

Growth in IVD Business

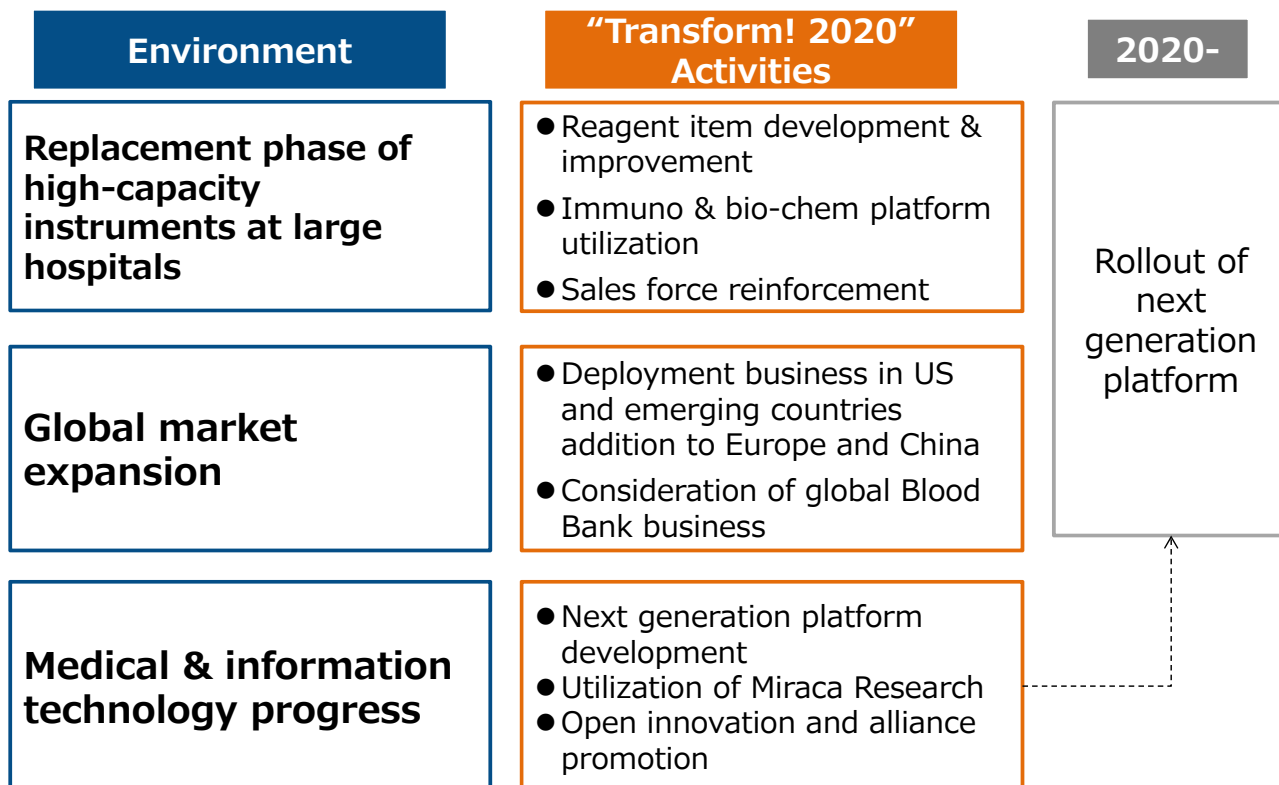


Lumipulse business

- ◆ Japan
 - Sales force reinforcement
 - Product line-up improvement
- ◆ Global
 - Enter into emerging countries

OEM & Raw Materials Supply

- ◆ Stable growth according to global market expansion



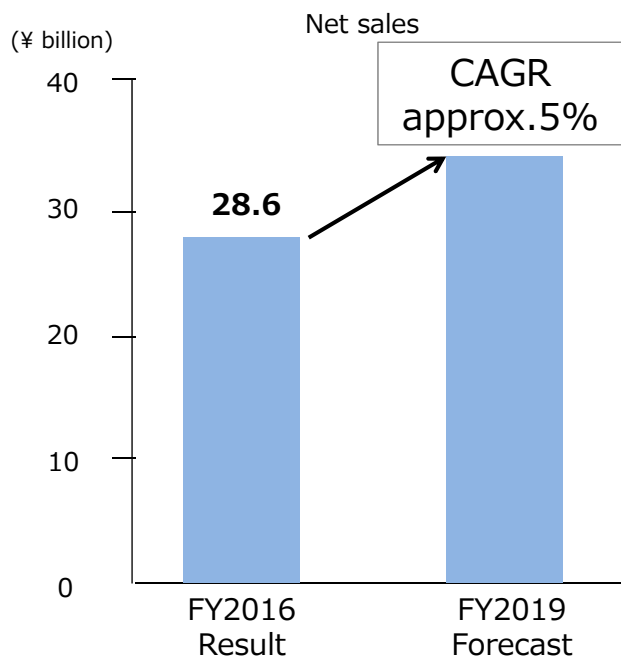
Domestic Lumipulse business Back to strong growth

- ◆ Installation promotion
 - Focus on mid/long term growth
 - Increase sales staff and offices
- ◆ Item development acceleration
 - R&D reinforcement including regulatory application
- ◆ L2400 improvement for better competitiveness



Global Lumipulse business Regional expansion

- ◆ Growth in region launched
 - Re-establish sales channel through alliance
 - Increase item line-up corresponding to market needs
- ◆ Penetration to emerging countries
 - Swift penetration utilizing relatively easier application regulatory approval
 - Aim at high-level growth taking market growth
- ◆ Consideration of global Blood Bank business (mainly in Asia)



◆ Sterilization

- Re-establishment of business structure for sustainable growth
- Automation & optimization of on-site sterilization
- Promote off-site sterilization business

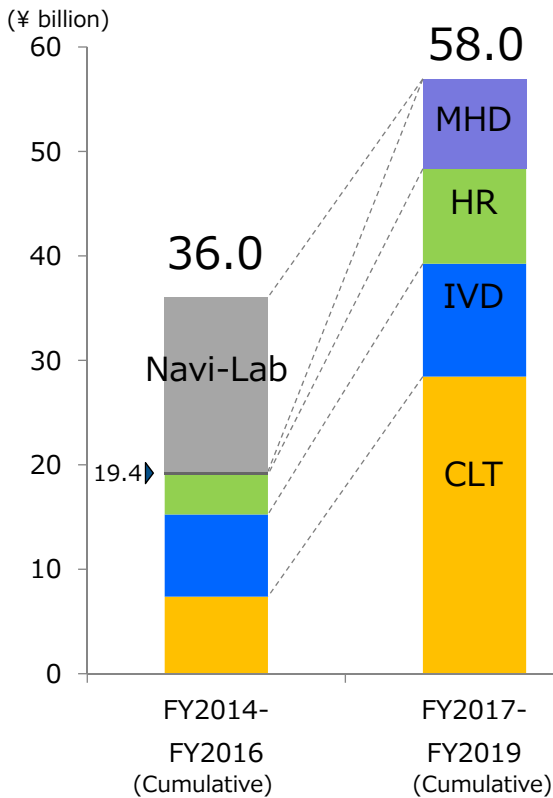
◆ Clinical Trials

- Business structure conversion to clinical research support focus as a future growth driver

Medium-term Plan (2017.4-2020.3)

“Transform! 2020” Financial Forecast

Implementation of Aggressive Investment



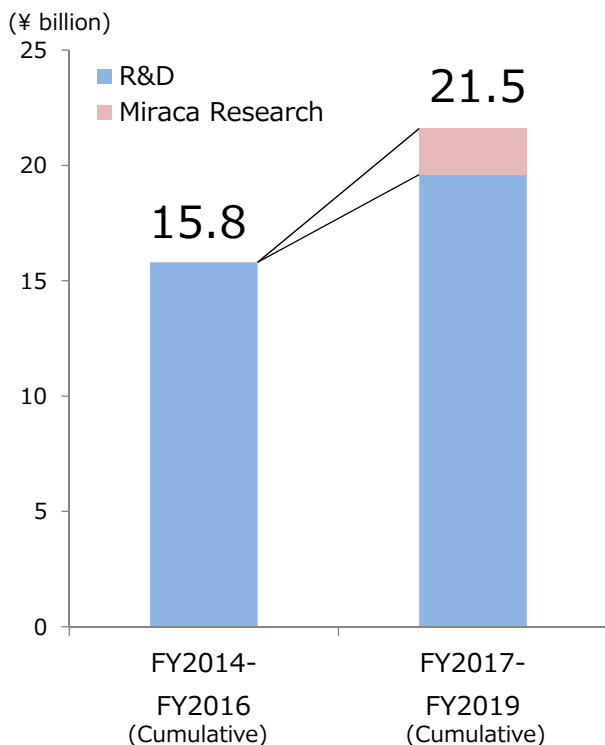
- Aggressive investment on each segment for existing business growth
 - 【MHD】 Business foundation reinforcement (investment for IT etc.)
 - 【CLT】 Aggressive investment for FMS/Branch-lab business
 - 【IVD】 Instrument installation acceleration
 - 【HR】 Off-site sterilization business promotion

- Investment regarding new central lab establishment will be disclosed when the forecast becomes visible

(mid-term plan may be revised if required)

Reinforcement of R&D

Aggressive activities in both basic research and development



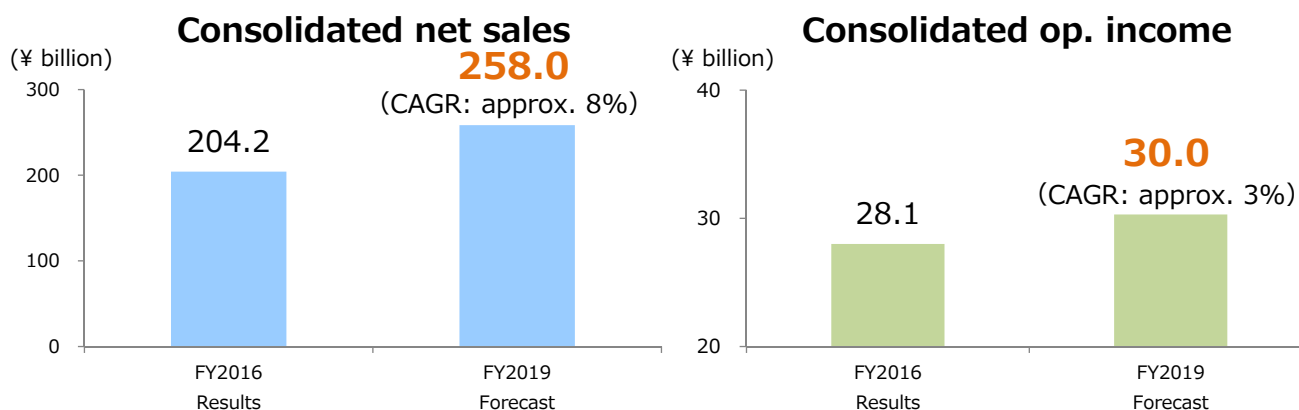
Basic research

- Foundation of Miraca Research Institute and integration of basic research
- Rollout of next generation products/services

Product development

- Reagent item development & improvement
- Regulatory application for global expansion
- Next generation platform development

Performance Target



Management target (FY2019) (¥ billion)			
Net sales:	258.0	EBITDA:	50.0
Op. income:	30.0	ROE:	Over 10%
		ROIC:	Over 10%

* ROIC = Net operating profit after tax (NOPAT) / Invested capital

NOPAT: Operating income - Estimated effective income tax

Invested capital: Yearly average of [Net assets + Interest-bearing liabilities (incl. lease obligation) + other fixed liabilities]

FY2017 Performance Target

(¥ billion)

	FY2016 Result	FY2017 Forecast	Y/Y variation	
Net sales	204.2	※1 211.5	7.3	3.6%
CLT	132.9	136.8	3.9	2.9%
IVD	42.7	44.9	2.2	5.1%
HR	28.6	29.6	1.0	3.5%
Op. income	※2 28.1 13.7% ※3	※2 21.3 10.1%	- 6.8	-24.1%
CLT	13.6 10.3%	9.7 7.1%	- 3.9	-28.9%
IVD	11.5 27.0%	9.8 21.8%	- 1.7	-14.9%
HR	3.1 10.7%	2.4 8.1%	- 0.7	-21.6%
Ord. income	26.4 12.9%	20.2 9.6%	- 6.2	-23.4%
Profit/loss attributable to owners of parent	0.3 0.2%	10.0 4.7%	9.5	-

※1 Total amounts of net sales include net sales of Miraca Corporate (FY17: +0.2)

※2 Total amounts of operating income include operating income of Miraca Corporate (FY16: -0.2, FY17: -0.8)

※3 Figures shown in the upper right corner in blue are each profit margin

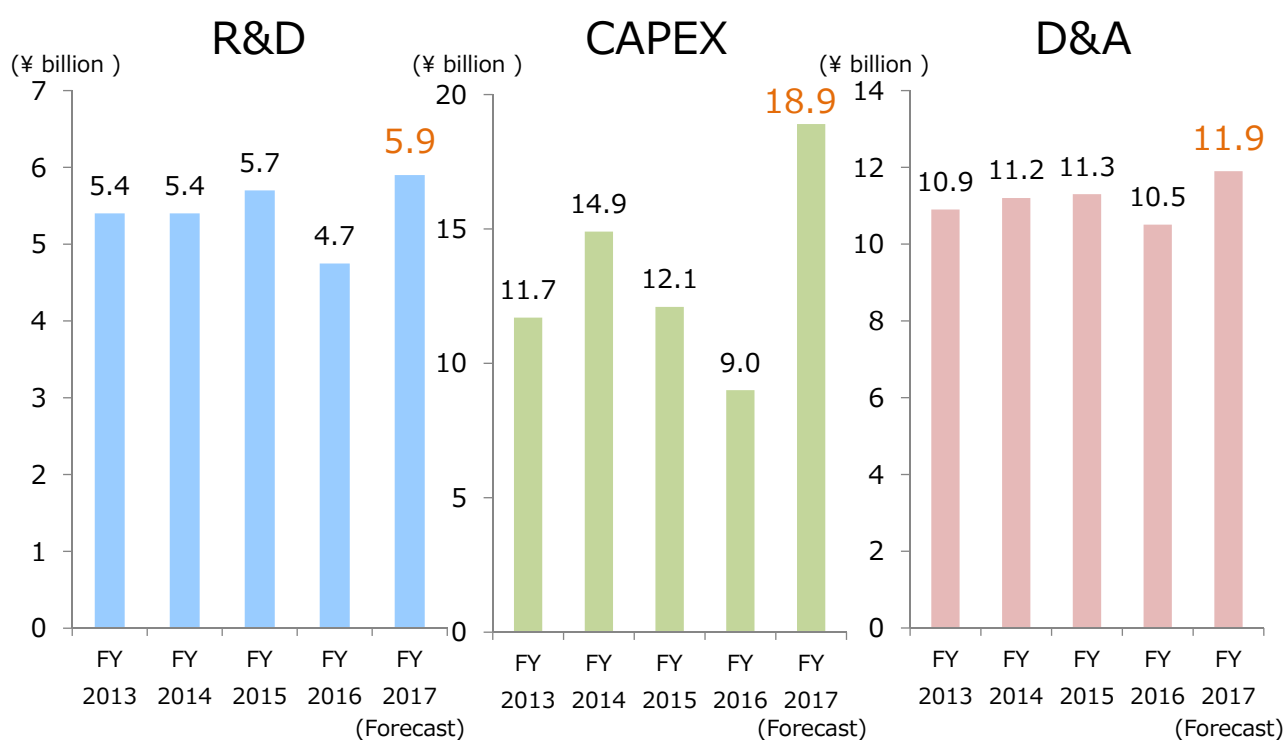
FY2017 Performance Target (1H/2H)

(¥ billion)

		1H Forecast			2H Forecast				FY2017 Forecast
		Progress	Y/Y variation		Progress	Y/Y variation			
Net sales	105.5	50%	+ 2.8	3%	106.0	50%	+ 4.4	4%	211.5
Op. income	11.1	52%	- 3.6	-25%	10.2	48%	- 3.1	-24%	21.3 10.1%
Ord. income	10.6	52%	- 2.6	-20%	9.6	48%	- 3.5	-27%	20.2 9.6%
Profit/loss attributable to owners of parent	6.7	67%	+ 11.8	-	3.3	33%	- 2.1	-39%	10.0 4.7%

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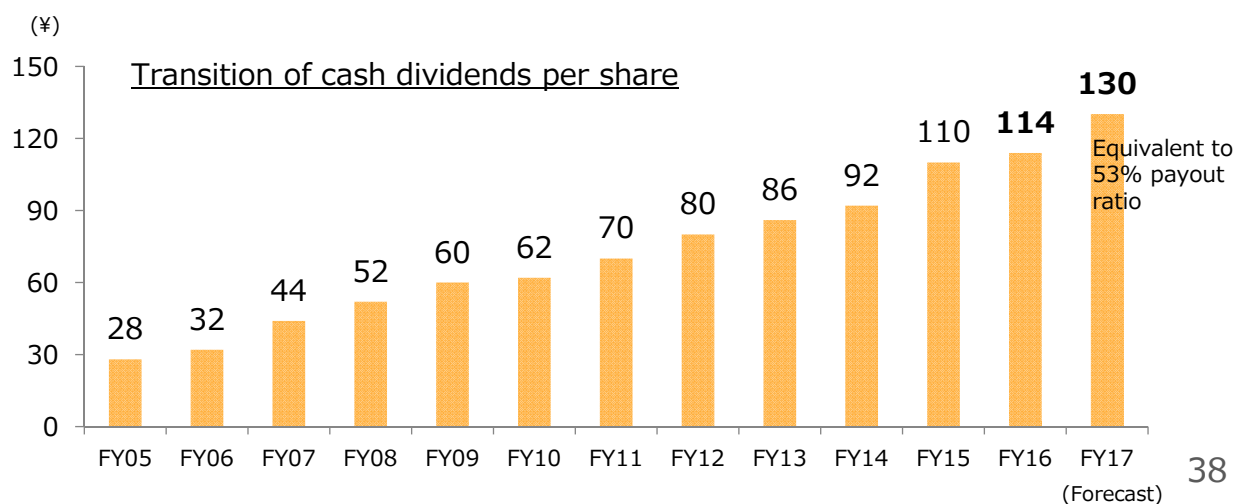
Forecast (R&D, CAPEX, D&A)



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Basic policy

- ◆ Payout ratio : over 50%
 - ※ Payout ratio based on net profit excluding exceptional factors (e.g. extraordinary income/losses)
- First priority during “Transform! 2020”: investment for mid/long term growth



【Contact information】

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