

New CLT Central Lab. Project Outline Meeting Q&A

June 25th, 2018, 13:00-14:00

Q-1

- Will the increased number of samples at the new CLT central lab lead to a further reduction in the fixed cost amount per sample? Will the test pricing be affected by the fixed cost reduction?

A-1

- A 30% reduction in the fixed costs of general tests was calculated based on the number of samples for general testing currently processed at the Hachioji lab complex. As the number of samples increase through the achievement of targeted numbers in our mid-term plan, further fixed cost reductions per sample are expected.
- Investment for the reinforcement of competitiveness will be a priority for cash generated by the cost reductions.

Q-2

- What does the “scalability of esoteric testing” mean?

A-2

- The layout and spacing of Esoteric testing floors have been designed to allow for further increases in the volume of testing, as well as automation by utilizing robots.

Q-3

- Do the 300,000 samples per day include esoteric testing?

A-3

- This figure is an approximate estimation of the potential capacity for samples per day including both general and esoteric testing, which is around double the current figures. This may be exceeded when new test items are developed.

Q-4

- What do local depots and STAT labs mean? How much is the investment when new local depots are established?

A-4

- Pre-processing, including blood serum separation, will be conducted at the local depots. This standardizes all sample types so that testing can begin immediately once they arrive at the new CLT central lab.
- Local depots will be newly established or converted from current satellite labs. Some satellite labs will remain to manage emergency testing (called STAT lab) to be able to process sudden orders from neighboring medical institutions or those outside of standard business hours.
- Combination of emergency testing at STAT labs and low-cost testing at the new CLT central lab provides an overall flexible system that can meet the various needs of clients.
- Limited investment for new local depots is expected, as they carry out preparatory functions (only sample admissions and blood serum separation).

Q-5

- How will Miraca's CLT lab network throughout Japan be optimized?

A-5

- General tests collected from the Kanto region (within a 2-3 hour drive to the new CLT central lab) and esoteric tests from throughout Japan will be conducted at the new CLT central lab.
- Outside of the Kanto region, no significant changes are planned for the testing workflow, although there is a possibility to establish some new satellite labs. General tests should be processed at the appropriate local labs, thus, we do not aim to centralize all the general samples throughout Japan to the new CLT central lab.

Q-6

- What are the impacts on SG&A expenses by the real estate financing (off balance sheet) scheme?

A-6

- Under the real estate financing scheme, rent expenses will occur instead of depreciation expenses. The scheme will be disclosed at the first half closing.

Q-7

- What is the concept of the new operating system and what are the differences with Navi-Lab?

A-7

- The concept of Navi-Lab was to comprehensively connect clients' system to our lab system, which meant adjustments/modifications were required on our side for compatibility with some clients' systems.
- Our new operating system will be limited to our internal operations side, with no change to the interface with our clients' systems. The new core system will be developed based on the "SAP S4/HANA" software, while testing operations and related systems will be developed using off-the-shelf software. Therefore, its development is considered low-risk.

Q-8

- What is the future of the current Hachioji lab complex?

A-8

- During development, parallel operations will be held at the new CLT central lab and Hachioji, and gradually transferred over to the newer facility. When it is able to operate smoothly, operations will no longer be necessary to continue at Hachioji. However, there is potential for the Hachioji property to be used by other Miraca businesses.

Q-9

- What is being done for BCP?

A-9

- The new CLT central lab is designed with strongly reinforced structures to be able to continue operations even if severe natural disasters occur.
- In the case of severe natural disasters, the samples of other satellite labs can be transferred to the new CLT central lab to be processed. This option will allow Miraca to continue its testing operation under such circumstances.