

Miraca Holdings Inc.

Business Results for The First Half of FY2018 (April 1, 2018 – September 30, 2018)

November 1, 2018

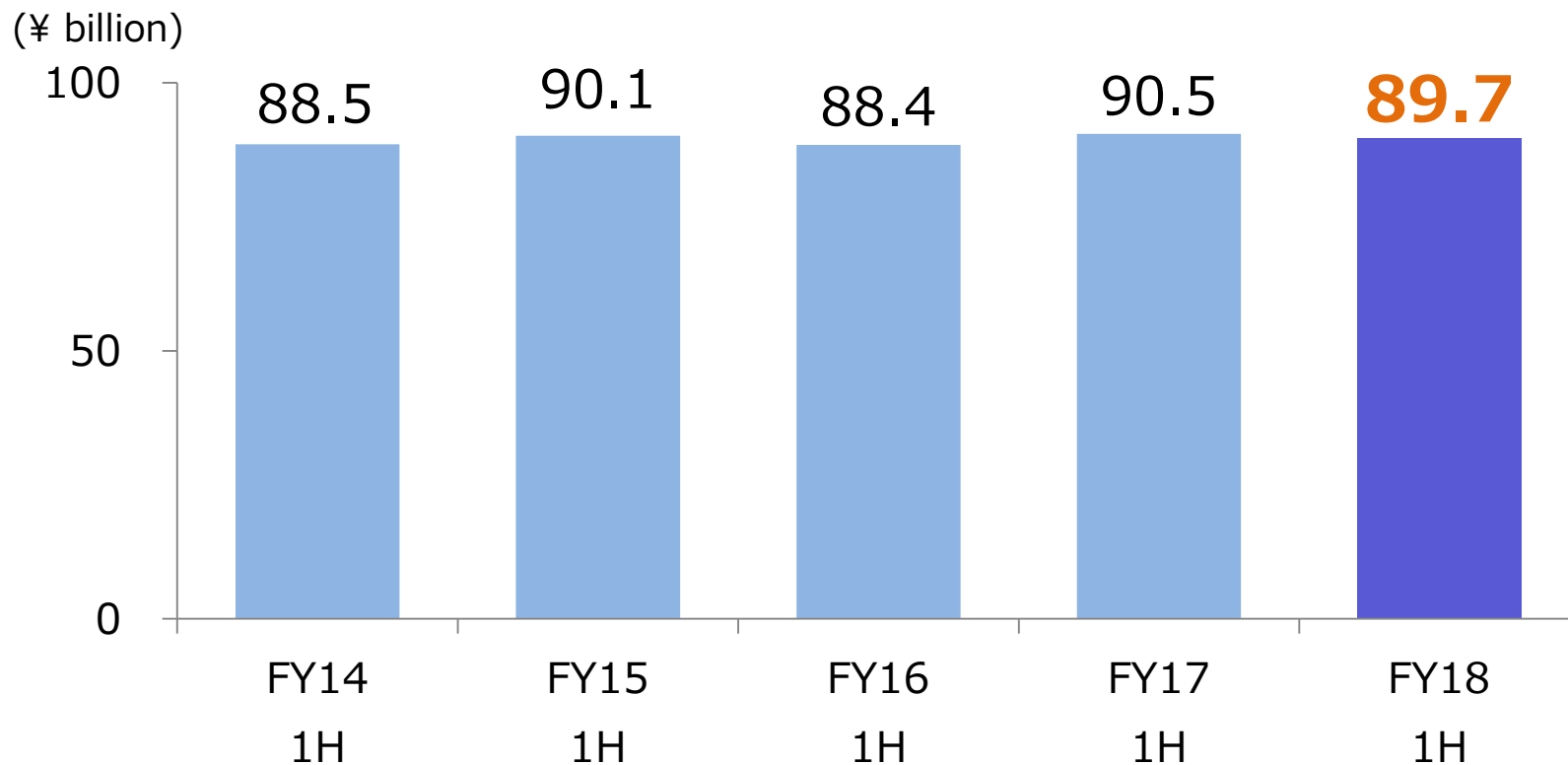
Please be aware of the following:

- * 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:
 - CLT: Clinical Laboratory Testing (business) IVD: In Vitro Diagnostics (business)
 - HR: Healthcare Related (business)
 - Op. income: Operating income Or. income: Ordinary income

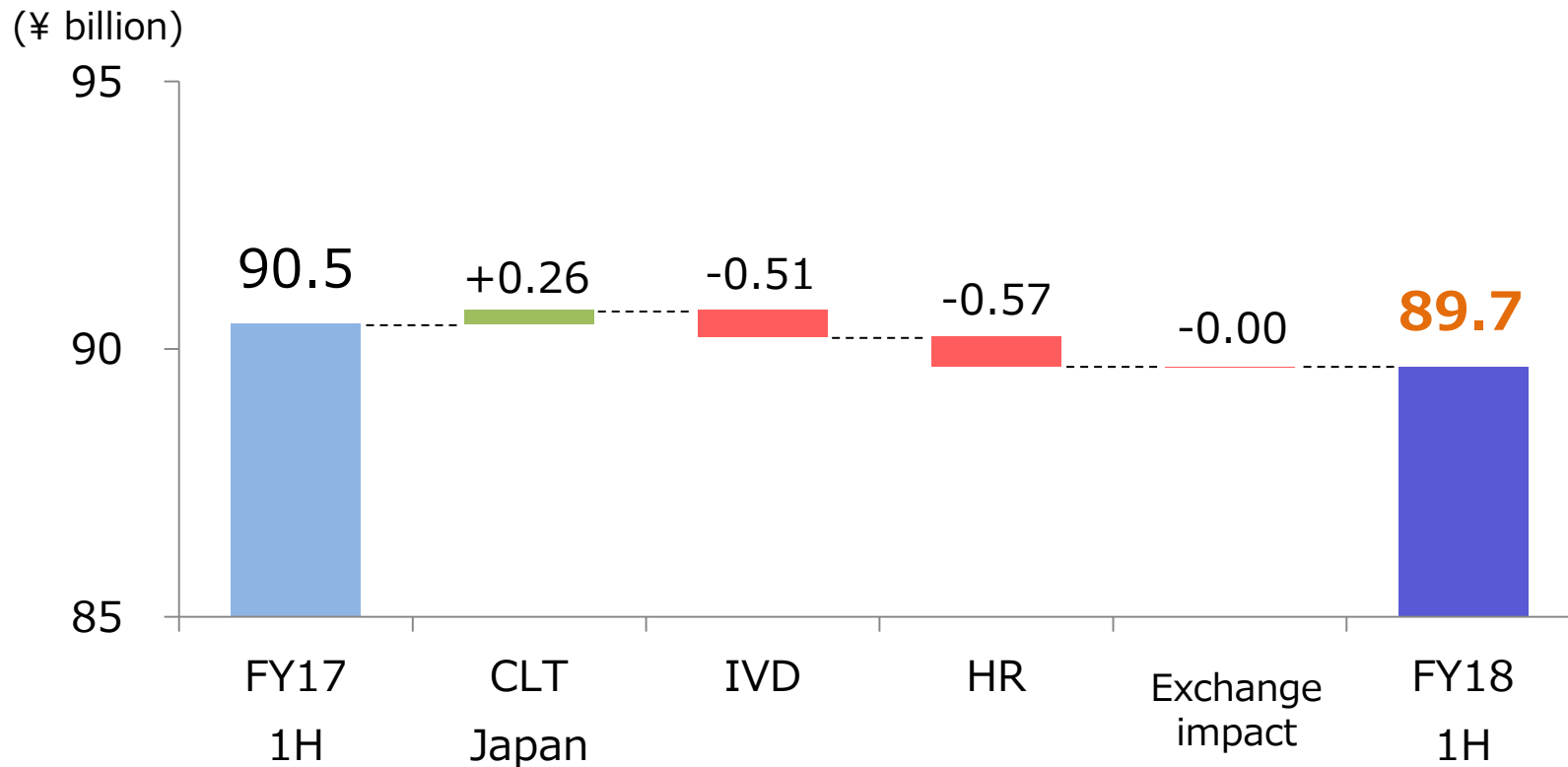
※ Exchange rate : FY2017 1H:1USD = 111.08JPY 1EURO = 126.31JPY
FY2018 1H:1USD = 110.28JPY 1EURO = 129.83JPY

Summary of the first half of FY2018

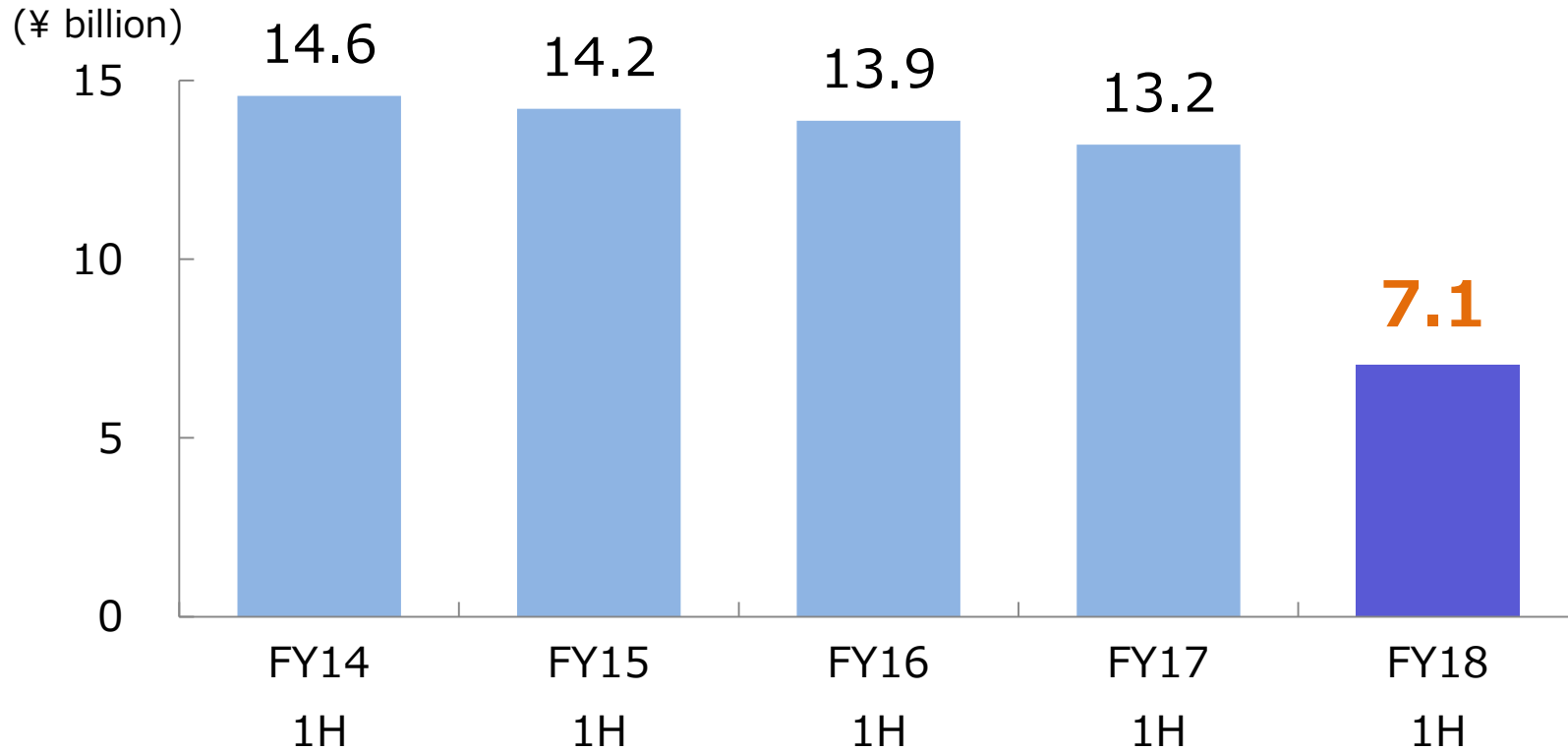
Transition of Consolidated Sales (excl. CLT Global)



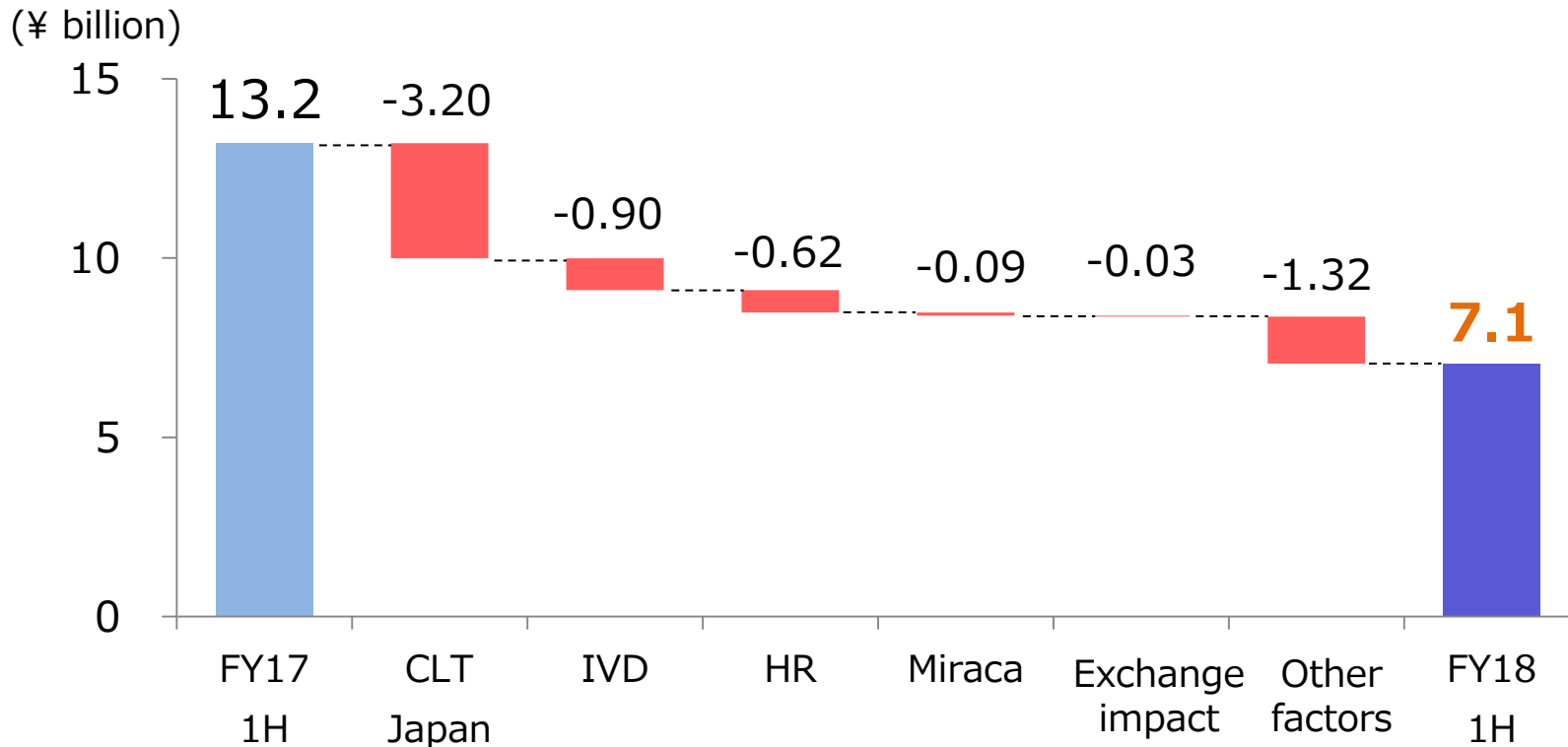
Breakdown of Sales (excl. CLT Global)



Transition of Consolidated Op. Income (excl. CLT Global)



Breakdown of Op. Income (excl. CLT Global)

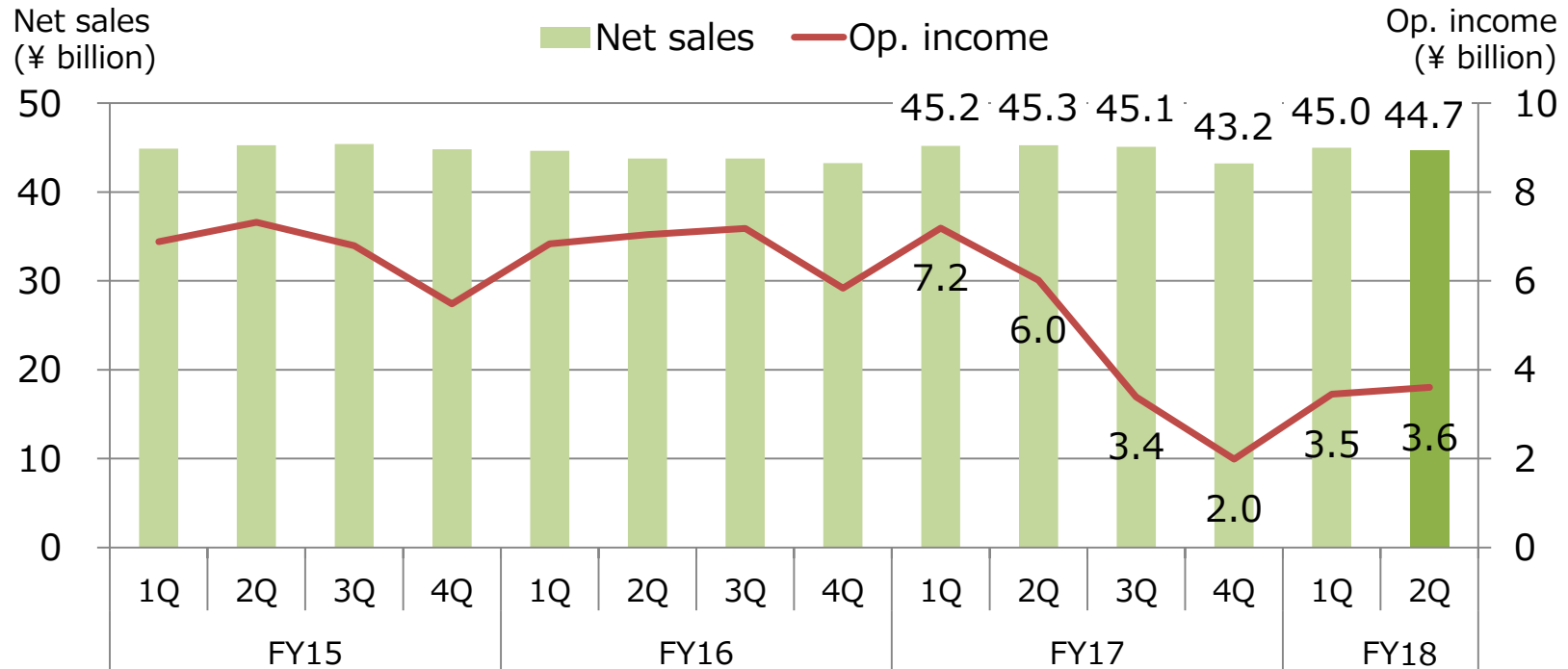


Other factors: Improvement of facilities, optimization of operations, consulting expenses, etc.

1Q: ¥0.93 billion, 2Q: ¥0.40 billion, 1H: ¥1.32 billion. Estimated as unlikely to occur after the second half of FY18

Quarterly Transition (excl. CLT Global)

Both net sales and Op. income are at the same level as the previous quarter (1Q/FY18)

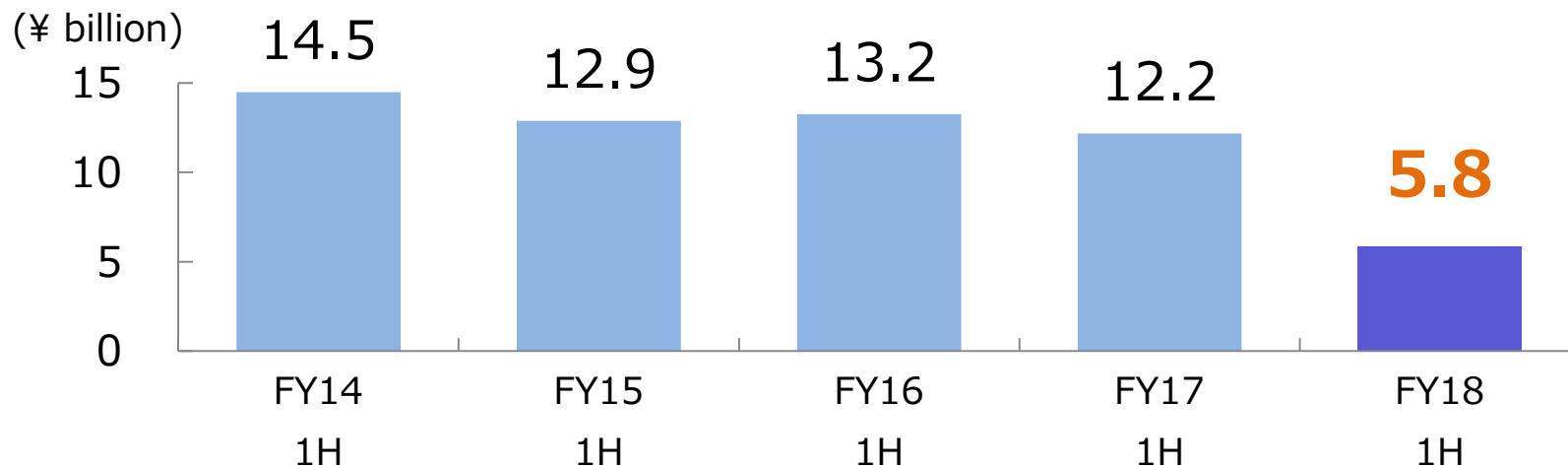


Transition of Consolidated EBITDA (excl. CLT Global)



EBITDA = Operating income + Depreciation + Amortization of goodwill

Transition of Consolidated Ord. Income



Major items of non-operating losses

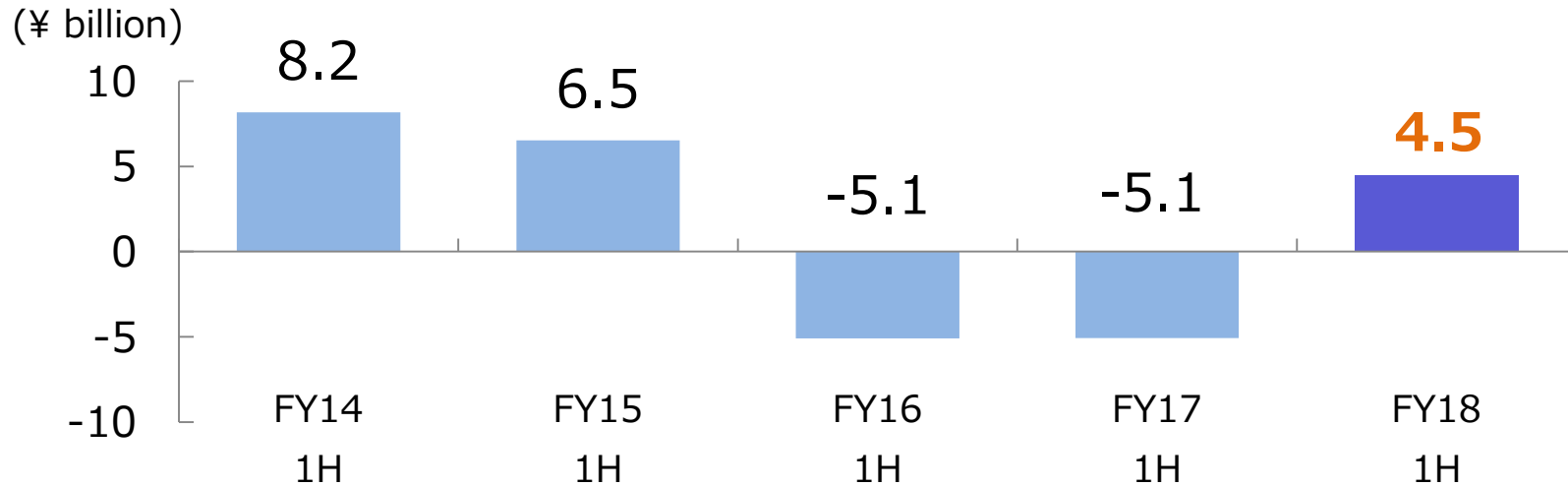
【FY2017 1H】

- Share of loss of entities accounted for using equity method -¥0.5 bn

【FY2018 1H】

- Share of loss of entities accounted for using equity method -¥1.2 bn

Transition of Consolidated Net Profit



Major items of extraordinary losses, etc.

【FY2017 1H】

- Impairment loss regarding divestment of CDxHD - ¥27.9 bn
- Income taxes + ¥10.7 bn

【FY2018 1H】

All shares related to CDxHD have been sold

* Income taxes: (+) positive impact, (-) Negative impact

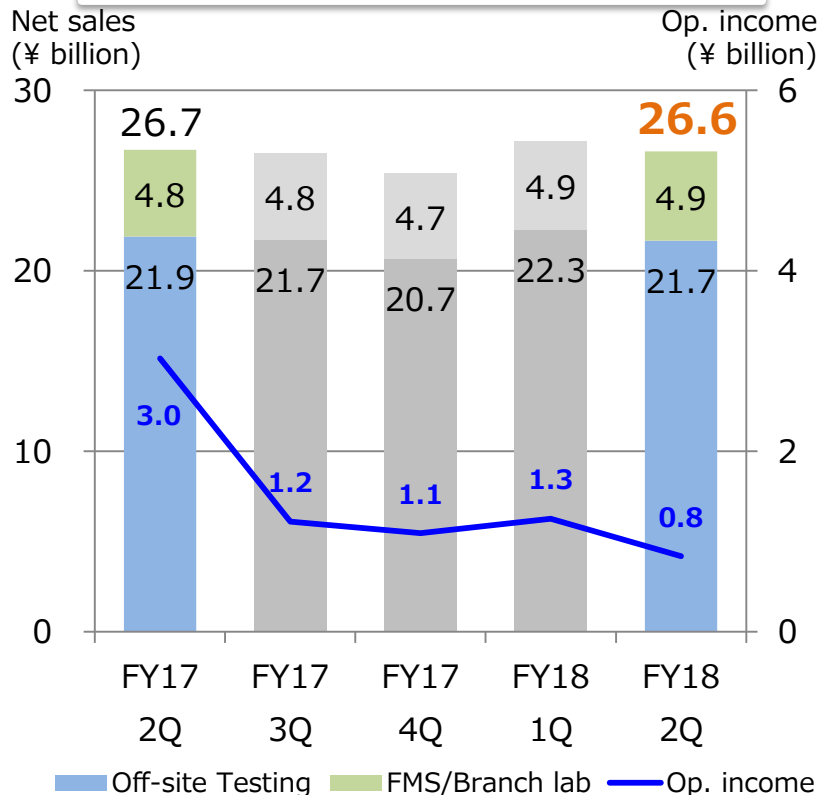
Comparison with 1H/FY2017 (excl. CLT Global)

(¥ billion)

	1H FY2017	1H FY2018	Variation	
Net Sales	90.5	89.7	-0.81	-0.9%
CLT Japan	53.5	53.8	+0.26	+0.5%
IVD	22.8	22.3	-0.51	-2.2%
HR	14.2	13.6	-0.57	-4.0%
Op. Income	¹ 13.2 14.6%	¹ 7.1 7.9%	-6.15	-46.6%
CLT Japan	6.1 11.5%	2.1 3.9%	-4.04	-65.9%
IVD	6.2 27.3%	4.9 22.0%	-1.32	-21.1%
HR	1.5 10.8%	0.9 6.7%	-0.63	-40.9%
EBITDA²	16.4 18.1%	11.6 12.9%	-4.83	-29.4%

- Op. income includes Miraca Holdings and Miraca Research institute, as well as segmentation adjustments
- EBITDA = Operating income + Depreciation + Amortization of goodwill
- Small blue figures shown in the upper right corners are the individual profit margins

Quarterly Transition



Comparison with 1H/FY2017

(¥ billion)

	1H FY2017	1H FY2018	Variation	
Net sales	53.5	53.8	+0.26	+0.5%
FMS/Branch	9.6	9.8	+0.27	+2.8%
Off-site	43.9	43.9	-0.00	-0.0%
Op. income	6.1	2.1	-4.04	-65.9%

Volume increase

- # of tests: +9.4%
- Acquisition of GP and medical checkup provider accounts

Price cut impact is the same level as 1Q

- -3.4%
- Annual forecast is also the same level

CLT Japan Key Strategy Sales Growth

The GP and FMS/Branch-lab business grew, while test prices were cut severely in the hospital market

1H Results

GP

- New accounts acquired in the Greater Tokyo Area
 - Establishment of satellite labs in major cities
 - Improves service by PLANET NEXT^{®*}

of clients

+357

FMS/ Branch

- Progress made in acquiring new accounts
- Sales contribution by clients acquired in FY17

of clients

+18

Medical checkup

- Increase in test volume due to acquisition of new accounts

Hospital

- Impact of price cut was bigger than original forecast
 - Price negotiation for FY18 almost finalized
- Sales promotion related to test items for oncology genome
 - Increase in testing menu, alliance with domestic research/medical institutes

2H

Strengthening sales initiatives

- Organization of specialist sales units for the GP market (Tokyo, Nagoya, Kansai, Fukuoka)
- Reinforcement of group synergy

Utilizing sales tools

- PLANET NEXT[®] as a facilitator for future business (collaboration with EHR vendors, Dx instruments manufacturers)

Promote sales of existing and new items, such as oncology genome tests

* An interface bringing together EHR, analytical devices and test results

Optimization of operations

- Drastic review of overall business operations
- Reform operations for optimization and to achieve targets
 - Reform of operation workflow and organization
- Utilization of IT including AI

Sales

Increase strategic sales activities

- Thorough utilization of CRM*¹
- Integrate and optimize administration by creating a sales support department
- Introduction of flexible working conditions

Testing

Efficient testing operations

- Pursue of automation and optimization by introducing AI
 - Image recognition (chromosomal tests)
- Further promotion of shift work (optimizing the # of employees)

Collection

Development of a unique collection management system (smartphone apps)

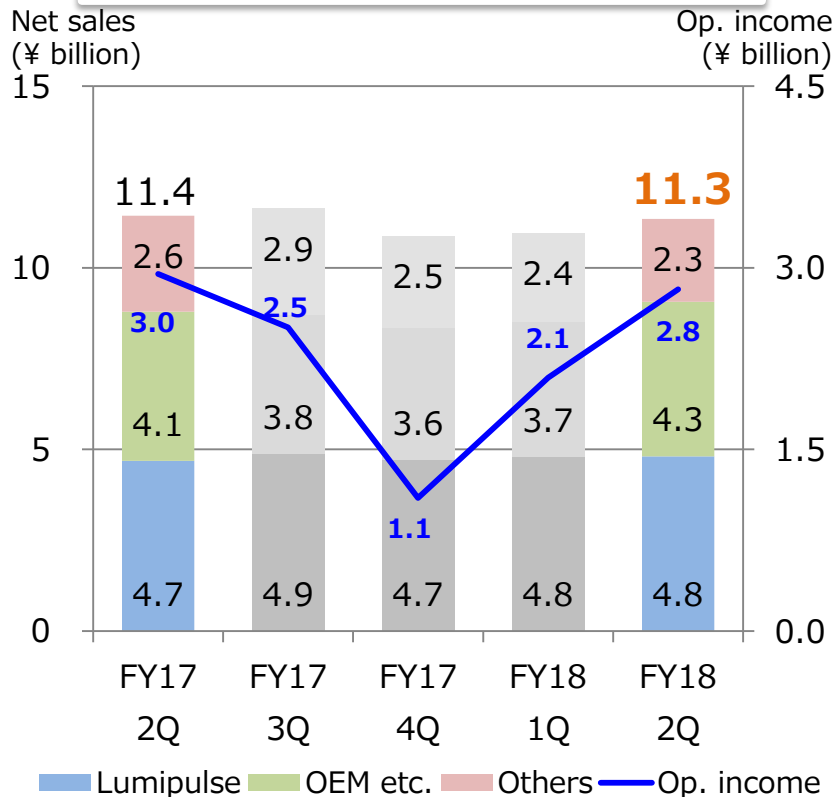
- Optimization of sample collection routes
- Introduction of a collection management system to prevent errors and accidents

- Results of operation optimization activities in 1H will be realized from 2H
 - # of employees in SRL*² : 5,336 (Apr. 2018) → 5,090 (Sep. 2018)
- Continue of optimization efforts working towards the launch of the new CLT central lab

* 1 CRM: Customer Relationship Management

* 2 Includes part-time, temporary or employees with a limited contract

Quarterly Transition



Comparison with 1H/FY2017

	1H FY2017	1H FY2018	Variation	
Net sales	22.8	22.3	-0.51	-2.2%
Lumipulse	9.2	9.6	+0.37	+4.0%
OEM etc.	8.0	8.0	-0.03	-0.4%
Others	5.6	4.7	-0.84	-15.2%
Op. income	6.2	4.9	-1.32	-21.1%

Factors for sales increase

- Lumipulse business growth both in Japan and Overseas: +4%

Factors for sales decrease

- Termination of existing overseas products
- Decrease in manual testing products in the European and American markets

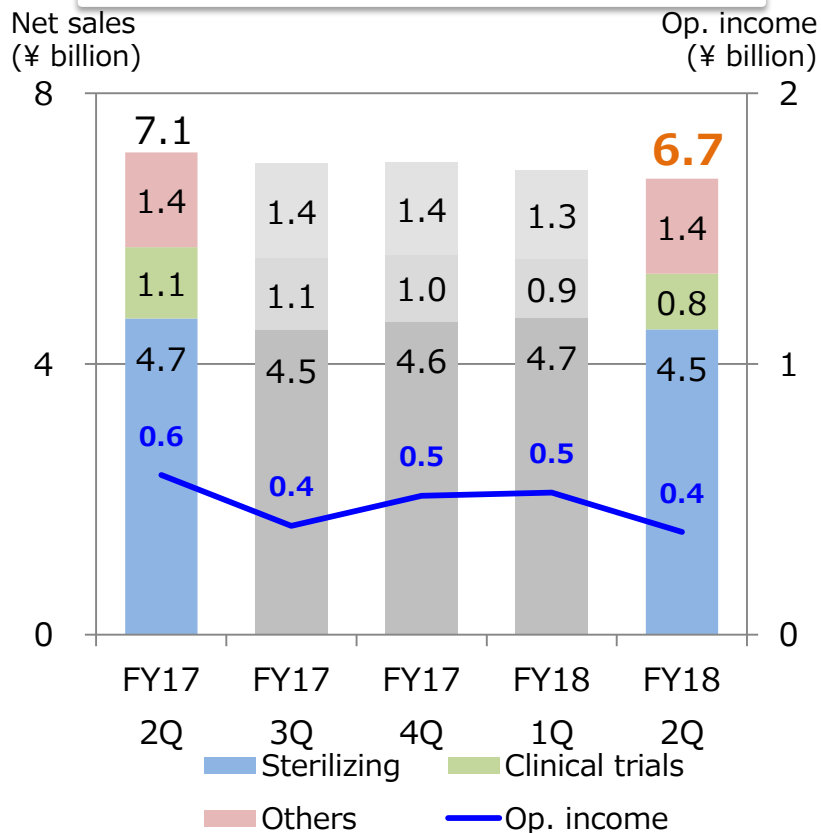
IVD Key Strategy

Lumipulse business grew in both in Japan and Globally

	1H Results	2H
Lumi-pulse	<p>Japan (excluding the Japan Red Cross business)</p> <ul style="list-style-type: none">Organic reagent sales: +4% (JRC business: sales declining trend continues due to decrease in # of donors) <p>Global</p> <ul style="list-style-type: none">Steadily grew, mainly in the EU and China	<ul style="list-style-type: none">Continue installation of large-sized instrumentsAcceleration of new item launchImprovement of instrument performance
OEM, Materials	<ul style="list-style-type: none">OEM business steadily growingSales increased excluding one-time factor in FY17 (approx. 0.29 billion yen)	<ul style="list-style-type: none">Steady growth is expectedAcquisition of new OEM project
Others	<ul style="list-style-type: none">Termination of overseas productsDecrease in manual testing products in Japan, EU and the USSales of manual testing products in emerging countries are progressing favorably	<ul style="list-style-type: none">Promote sales of manual testing products in emerging countries

* L2400 and Presto II

Quarterly Transition



Comparison with 1H/FY2017

	1H FY2017	1H FY2018	Variation	
Net sales	14.2	13.6	-0.57	-4.0%
Sterilizing	9.3	9.2	-0.11	-1.2%
Clinical Trials	2.1	1.7	-0.40	-18.8%
Others	2.8	2.7	-0.06	-2.2%
Op. income	1.5	0.9	-0.63	-40.9%

Sterilizing: Sales decrease

- Product sales declined

Clinical Trials: Sales decrease

- Sales decrease in sales related to clinical trials
- Clinical research support business increased
- Deconsolidation of Asmo clinical Pharmacology Laboratories

Future growth

- Reviewing business portfolio
- Penetration to growing markets to make the most of Miraca Group's strengths and business base

Re-entry

Establishment of a company in the food, environment and cosmetics testing industry

- Develop business independent of the national health insurance system
- Utilization of Miraca group's know-how
- Promote company's strength of high quality products

New entry

Entry to the home-visit nursing care business market

- Compatible with community-based integrated care systems (aligned with government's policy)
- Entry to the BtoC market

Withdrawal

Divestment of the pharmacy business

- Deterioration of the pharmacy business market (revision of reimbursement in FY18)
* Net sales: 1.4 bn yen (FY17)

- Entry to new business fields, looking towards the Miraca group's mid-to long-term growth

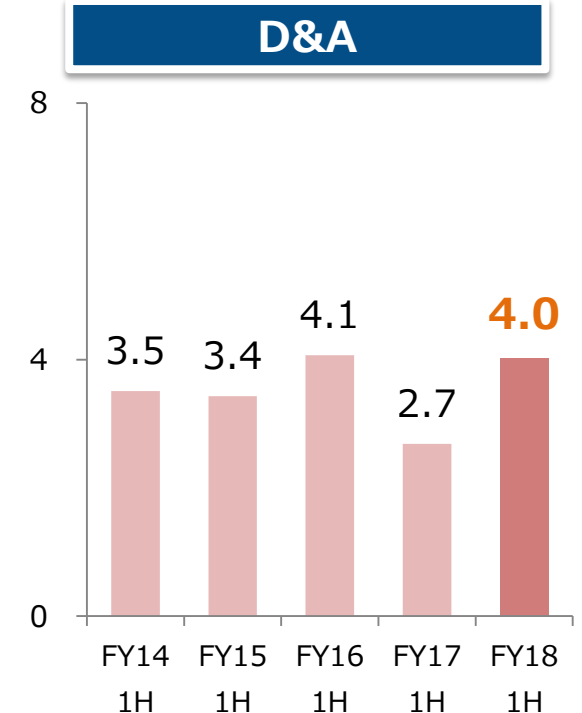
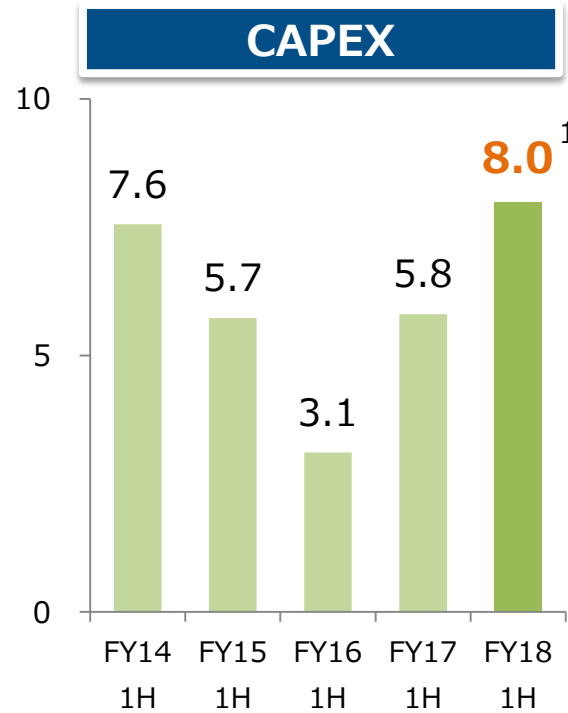
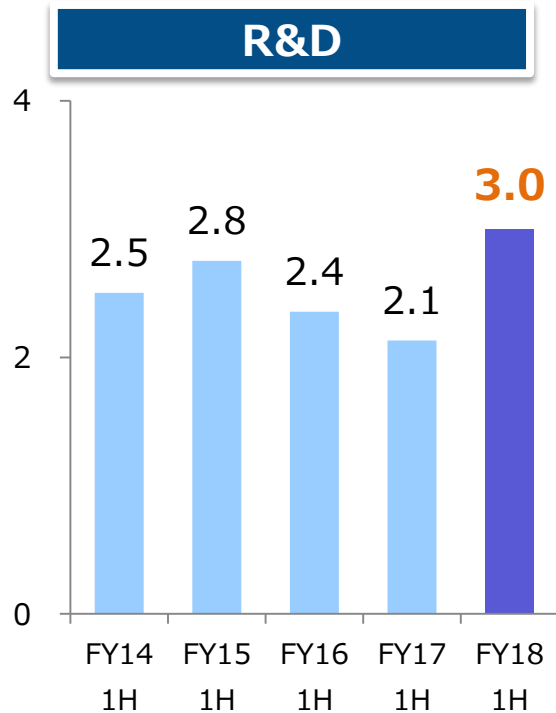
	FY2018 ¹ 1H	FY2017 Full year	
CLT business			
Net # of FMS/Branch lab clients	+18	+15	
Net # of GP clients	+357	+516	
IVD business			
Lumipulse (Net # of all kinds of instruments)	Japan ²	+5	+1
	Global	+41	+35
Intra-group transactions (billion yen)	+1.8	+4.0	

1 Each figure shows net increase/decrease at the end of quarter compared to the end of last fiscal year

2 Net increase/decrease # of instruments at sites of clients and group companies

Transition of R&D, CAPEX, D&A (excl. CLT Global)

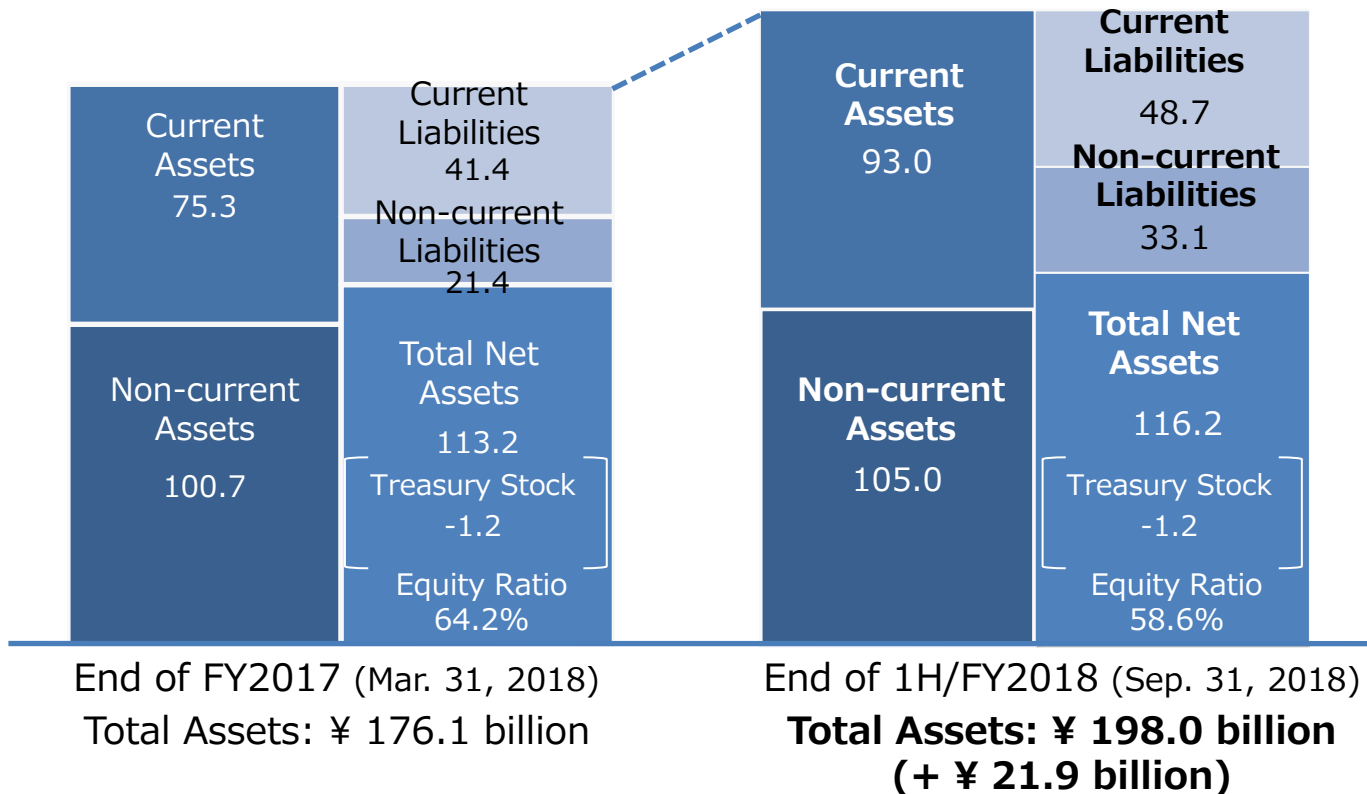
(¥ billion)



¹ Excluding new CLT central lab related investments (testing instruments and IT system): approx. 0.9 billion yen

Consolidated Balance Sheet

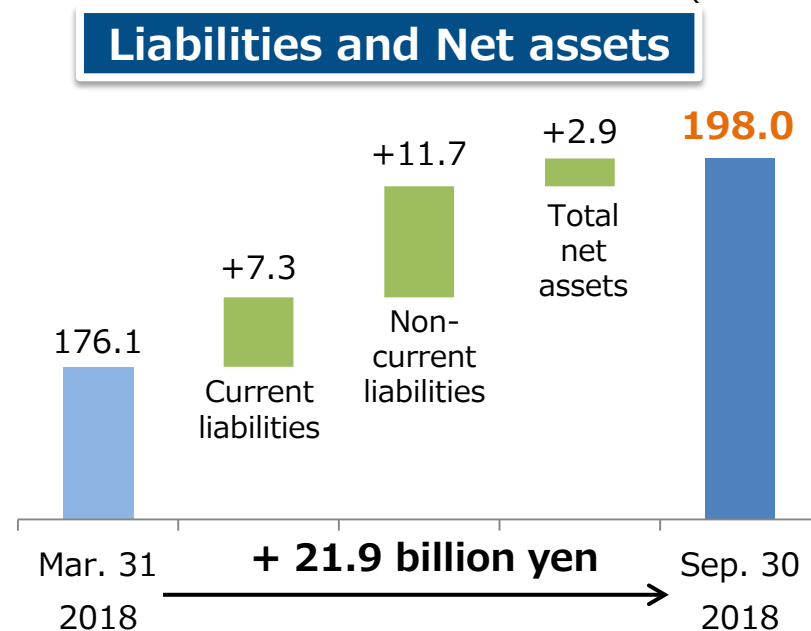
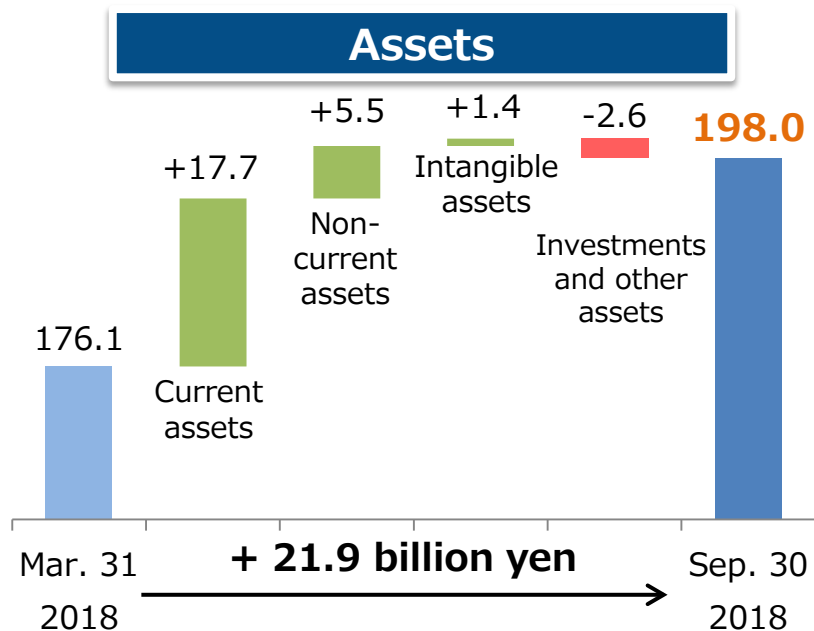
(¥ billion)



[Exchange rate] End of FY2017: 1USD = 106.27 JPY, End of 1H/FY2018: 1USD = 113.58 JPY

Factors for Variations on the Consolidated B/S

(¥ billion)



- ◆ Increase in cash and cash equivalents
- ◆ Acquired new testing instruments etc. (Japanese CLT Business)
- ◆ Acquired land and property (US OEM Business)

- ◆ Increase in debt

Consolidated Cash Flow (incl. CLT Global)

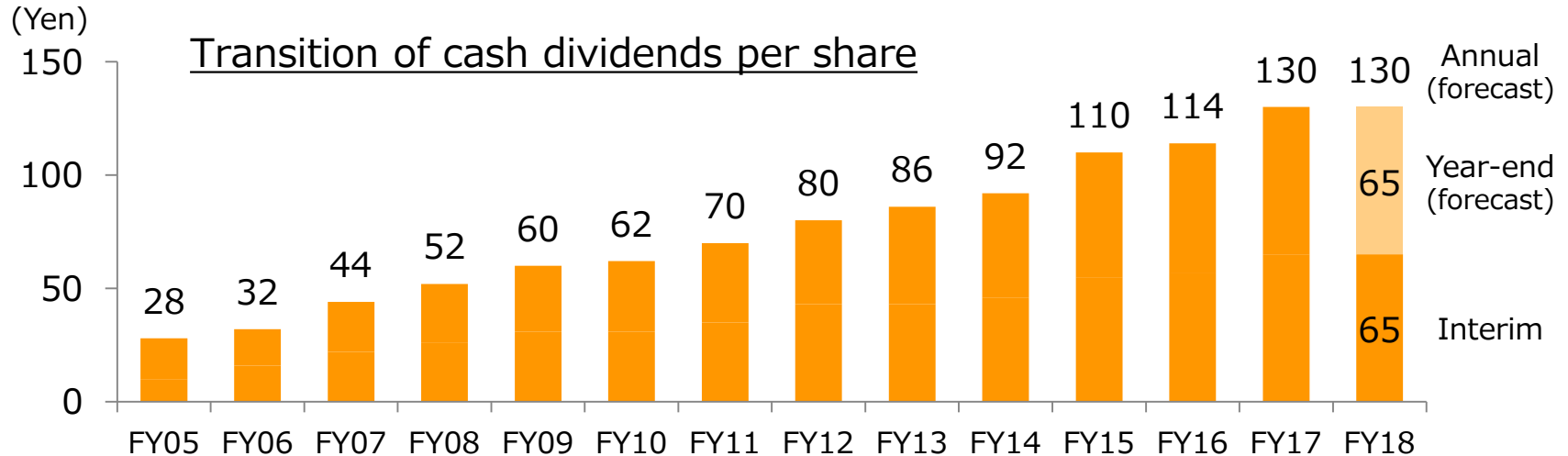
(¥ billion)

	1H FY2017	1H FY2018	Variation	
Profit/Loss before income taxes	-15.7	5.8	+21.5	
Amortization of goodwill	1.3	0.5	-0.8	
Impairment losses	27.9	-	-27.9	
Others	-3.1	4.5	+7.6	
Net cash provided by operating activities	10.4	10.8	+0.5	Same level as FY2017
Net cash used in investment activities	-7.1	-19.1	-12.0	Increased by 12.0 billion yen
Free cash flow	3.3	-8.3	-11.6	Decreased by 11.6 billion yen
Net cash used in financing activities	-4.6	26.1	+30.6	
Effect of exchange rate change on cash and cash equivalents	0.9	0.3	-0.6	
Net increase (decrease) in cash and cash equivalents	-0.4	18.0	+18.4	
Cash and cash equivalents at the end of financial period	35.2	38.5	+3.3	Increased by 3.3 billion yen

Policy on Shareholders' Return

Basic policy

- ◆ Payout ratio : over 50%
 - ※ Payout ratio based on net profit excluding exceptional factors (e.g. extraordinary income/losses)
- ◆ No change in dividend forecast
Interim : 65 yen, Year-end : 65 yen (forecast)



New CLT Central Lab

New CLT Central Lab (real estate & CAPEX)

Real estate **¥ 50 billion**

Land **¥ 13 billion**

Buildings **¥ 37 billion**

Real estate financing scheme

- Rent expenses: Approx. ¥ 2.2 billion/year
(Before tax. However, includes taxes and public dues such as property taxes and fire insurance premiums)
- Deposits: ¥ 15 billion
 - Plans to issue straight corporate bonds (10 years)

Instrument and Core IT system **¥ 25 billion**

Instrument **¥ 17 billion**

Core It system **¥ 8 billion**

CAPEX

- Depreciation costs:
Approx. ¥3.7 billion/year
(After reaching full operations)

Improvement will be made to cost structure through offset of the above fixed costs' increase by reducing costs below;

- 1) maintenance fees cut of the existing laboratory,
- 2) less fixed and labor costs expected for the new laboratory, and;
- 3) by the effects of automation

Appendix

Comparison with 1H/FY2017 (incl. CLT Global)

(¥ billion)

	1H/FY2017	1H/FY2018	Variation	
Net Sales	103.9	89.7	-14.24	-13.7%
CLT	66.9	53.8	-13.17	-19.7%
IVD	22.8	22.3	-0.51	-2.2%
HR	14.2	13.6	-0.57	-4.0%
Op. Income	12.9 12.4%	7.0 7.8%	-5.89	-45.6%
CLT	5.8 8.7%	2.1 3.8%	-3.78	-64.8%
IVD	6.2 27.3%	4.9 22.0%	-1.32	-21.1%
HR	1.5 10.8%	0.9 6.7%	-0.63	-40.9%
Ord. Income	12.2 11.7%	5.8 6.5%	-6.34	-52.1%
Profit/loss attributable to owners of parent	-5.1 -4.9%	4.5 5.0%	+9.54	-
EBITDA	18.2 17.5%	11.5 12.9%	-6.68	-36.7%

1. Op. income includes Miraca Holdings and Miraca Research institute, and segmentation adjustments
2. EBITDA = Operating income + Depreciation + Amortization of goodwill
3. Small blue figures shown in the upper right corners are the individual profit margins

Segment Information (CLT) (incl. CLT Global)

(¥ billion)

	FY2017 1H	FY2018 1H	Variation	
CLT net sales by business category	66.9	53.8	-13.17	-19.7%
Japan	53.5	53.8	+0.26	+0.5%
FMS/Branch Lab	9.6	9.8	+0.27	+2.8%
Off-site Testing	43.9	43.9	-0.00	-0.0%
Overseas (USA)	13.4	-	-13.43	-100.0%

Segment Information (IVD)

(¥ billion)

	FY2017 1H	FY2018 1H	Variation	
IVD net sales by product category	22.8	22.3	- 0.51	-2.2%
Products	14.8	14.3	- 0.47	-3.2%
Automated immunoassay (Lumipulse)	9.2	9.6	+ 0.37	4.0%
Non-automated immunoassay (HA·PA, EIA, etc.)	3.6	3.2	- 0.39	-11.0%
Rapid assay kits (EL, POCT)	0.5	0.4	- 0.10	-20.6%
Other products	1.5	1.2	- 0.36	-23.2%
OEM, raw materials, partly-finished products, license, and etc.	8.0	8.0	- 0.03	-0.4%

	FY2017 1H	FY2018 1H	Variation	
IVD net sales by sales destination *	22.8	22.3	- 0.51	-2.2%
Overseas	12.3	11.8	- 0.47	-3.9%
Americas	6.1	5.7	- 0.41	-6.7%
Europe	4.7	4.7	+ 0.00	+0.1%
Asia/Pacific	1.4	1.3	- 0.07	-4.9%
Japan	10.6	10.5	- 0.03	-0.3%

R&D, CAPEX, D&A (incl. CLT Global)

(¥ million)

	FY2017 1H	FY2018 1H	Variation	
R&D Expenses	2,161	3,002	+842	+38.9%
CLT	129	176	+47	+36.2%
IVD	1,965	2,439	+475	+24.2%
HR	-	-	-	-
MHD, etc.	66	386	+320	+482.6%
Capital Expenditure	6,457	7,988¹	+1,531	+23.7%
CLT	3,260	5,395	+2,135	+65.5%
IVD	2,129	1,300	-829	-38.9%
HR	596	693	+97	+16.3%
MHD, etc.	471	598	+127	+27.0%
Depreciation and Amortization	4,060	4,023	-38	-0.9%
CLT	2,394	1,985	-409	-17.1%
IVD	1,061	1,278	+216	+20.3%
HR	534	543	+9	+1.7%
MHD, etc.	70	216	+146	+208.1%

1 Excluding new CLT central lab related investments (testing instruments and IT system)
Approx. 0.9 billion yen

Number of Employees

	End of Mar. 2018		End of Sep. 2018		Variation	
	Regular	Contractor	Regular	Contractor	Regular	Contractor
Total	5,541	6,600	5,988	6,543	+447	- 57
CLT	2,741	3,173	2,937	3,150	+196	- 23
IVD	1,059	129	1,109	123	+50	- 6
HR	1,417	3,280	1,545	3,246	+128	- 34
Sterilizing	1,096	3,185	1,214	3,168	+118	- 17
Clinical Trials	156	4	156	3	+0	- 1
Others	165	91	175	75	+10	- 16
MHD, etc.	324	18	397	24	+73	+ 6

Regular: refers to a permanent, fully-fledged employee with no end date to their employment

Contract: refers to part-time, temporary or employees with a limited contract

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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.