

Miraca Holdings Inc.

Business Results for The First Half of FY2019 (April 1, 2019 – September 30, 2019)

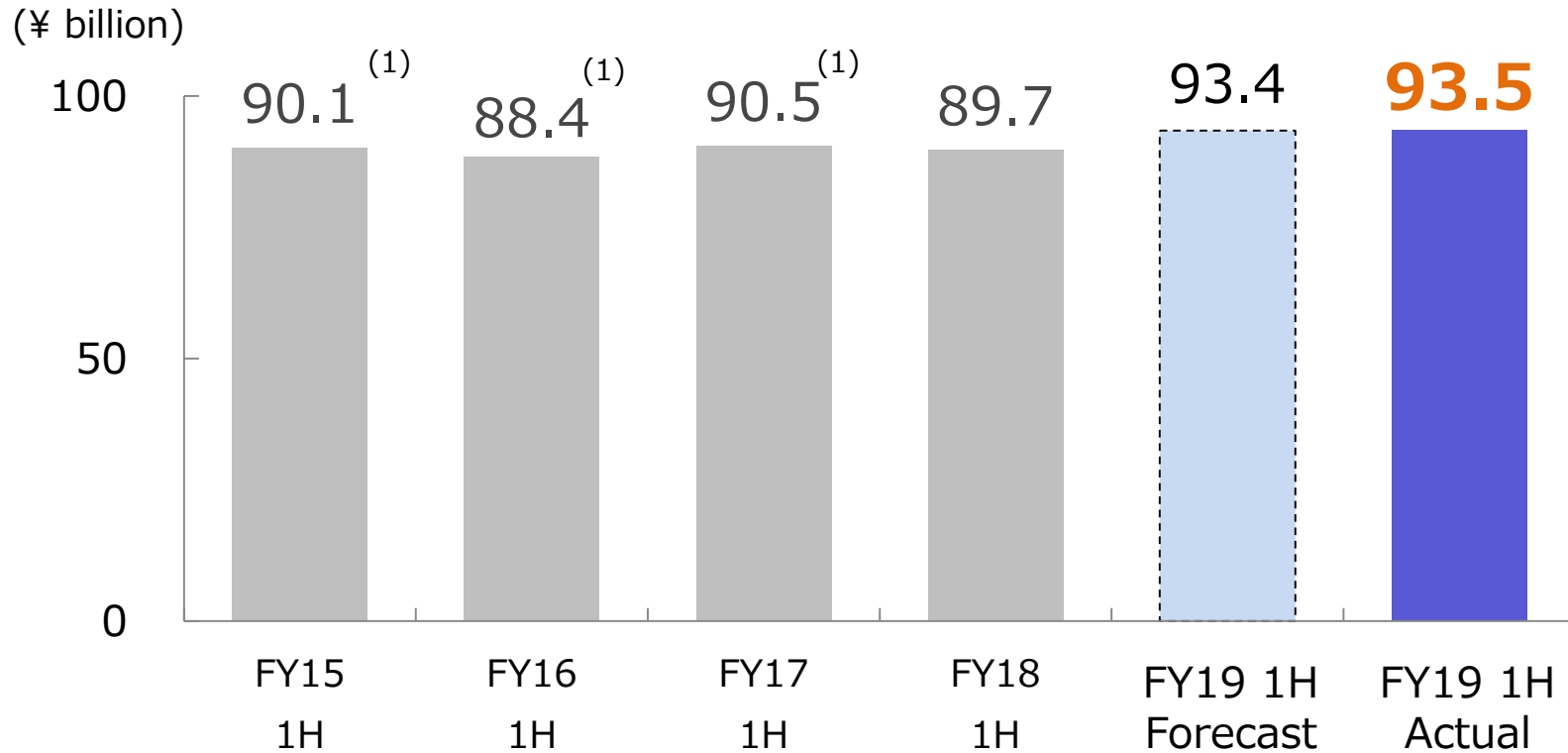
November 11, 2019

Notes & references:

- * The financial information provided on this material has been prepared in accordance with Japanese GAAP except for EBITDA which is a non-GAAP measure.
- * Profit/loss attributable to owners of parent may be mentioned as net profit/loss.
- * 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
 - SR: Sterilization and Related Services
 - FMS: Facility Management Service
 - Or. profit: Ordinary profit
 - IVD: In Vitro Diagnostics
 - ENB: Emerging New Business and others
 - OP: Operating profit

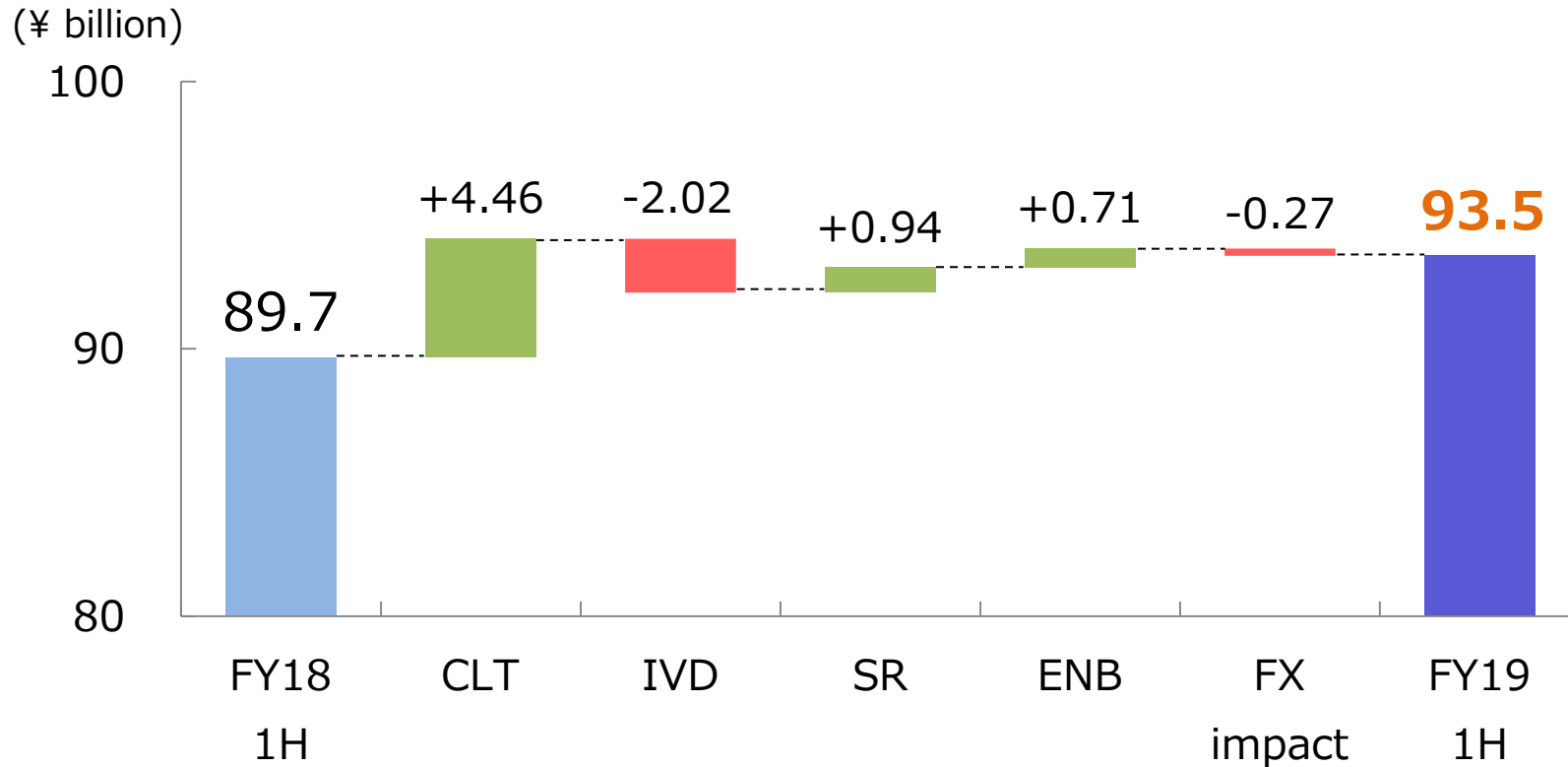
※ Exchange rate used in this presentation material:
FY2018 1H: 1USD = 110.28JPY 1EURO = 129.83JPY
FY2019 1H: 1USD = 108.62JPY 1EURO = 121.40JPY

Transition of Consolidated Sales

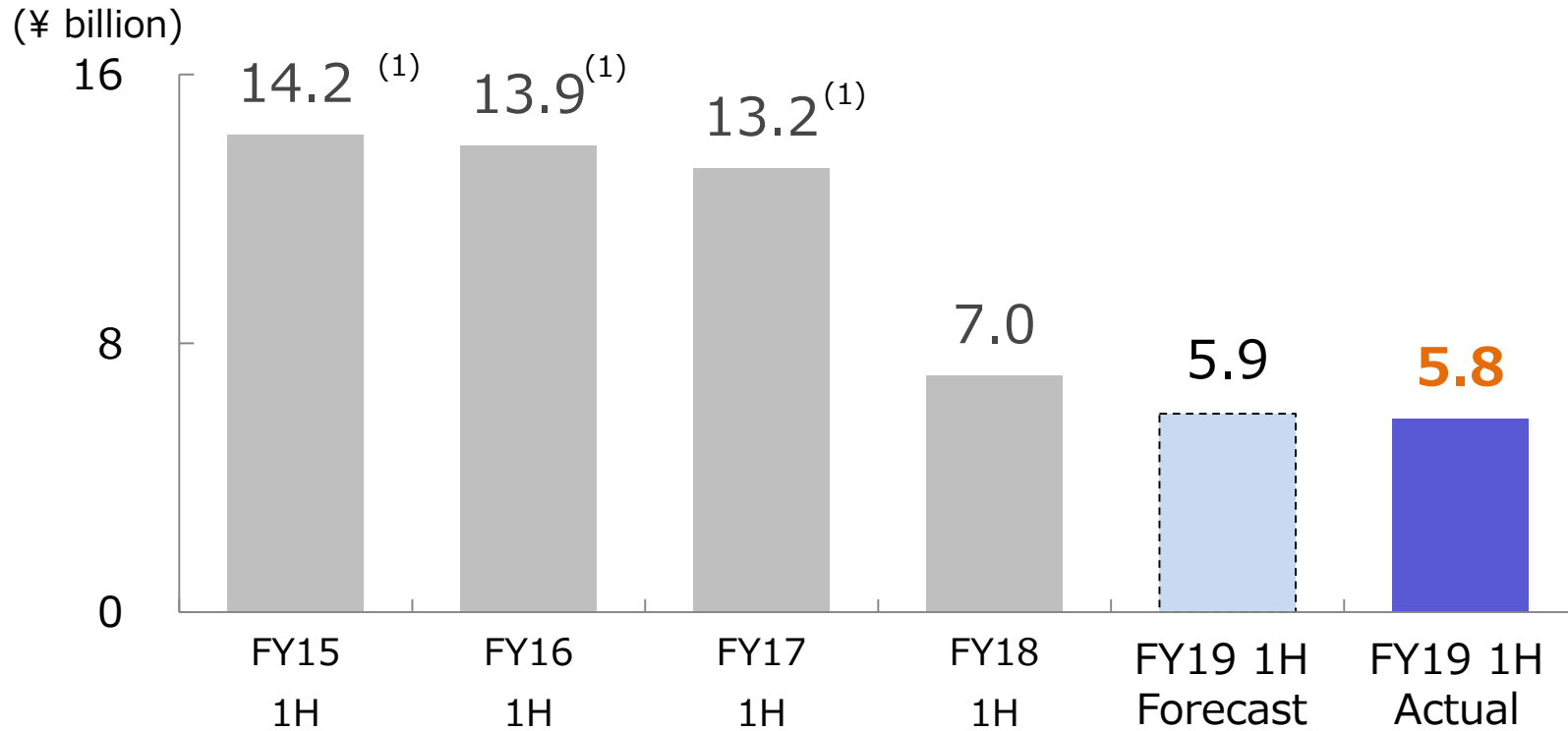


(1) Excluding CLT Global business, due to the business divestment taken place in November 2017.

Breakdown of Consolidated Sales



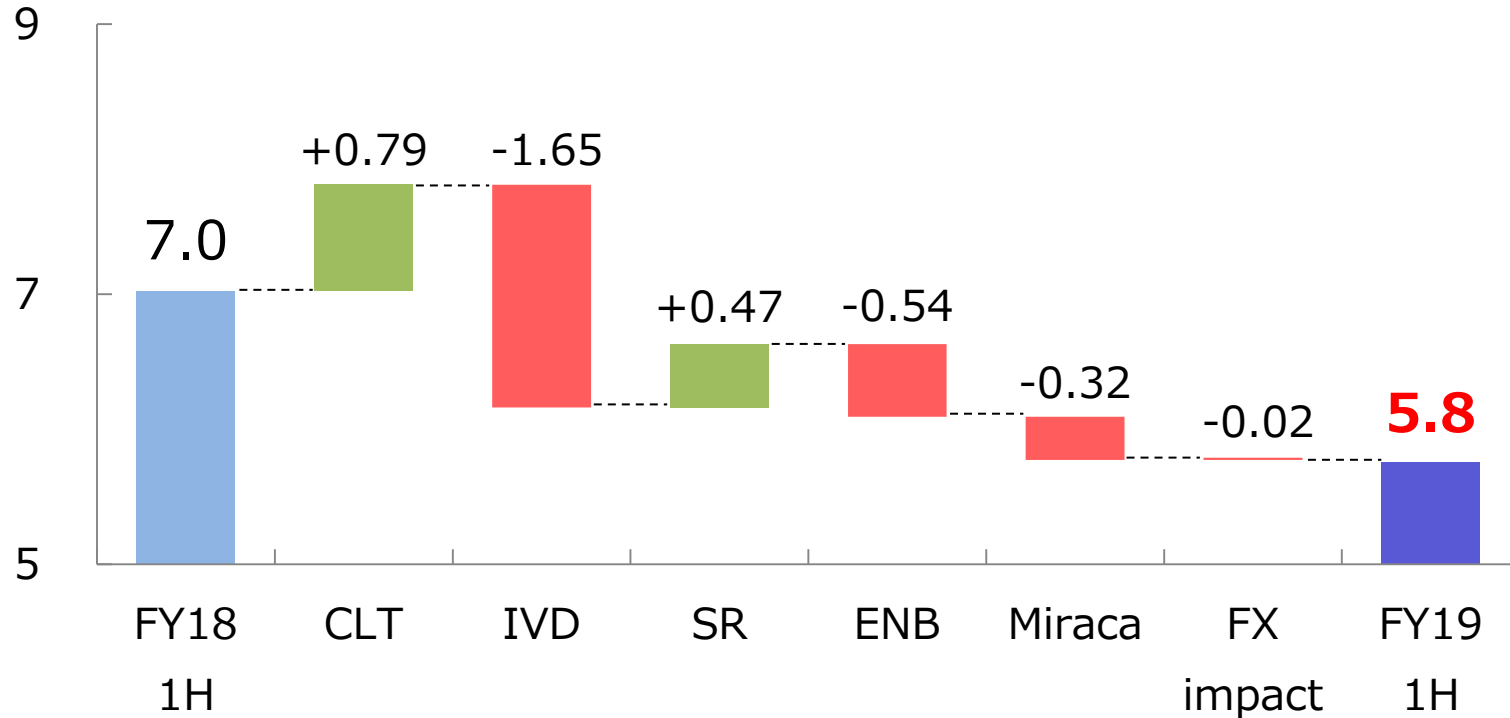
Transition of Consolidated Operating Profit



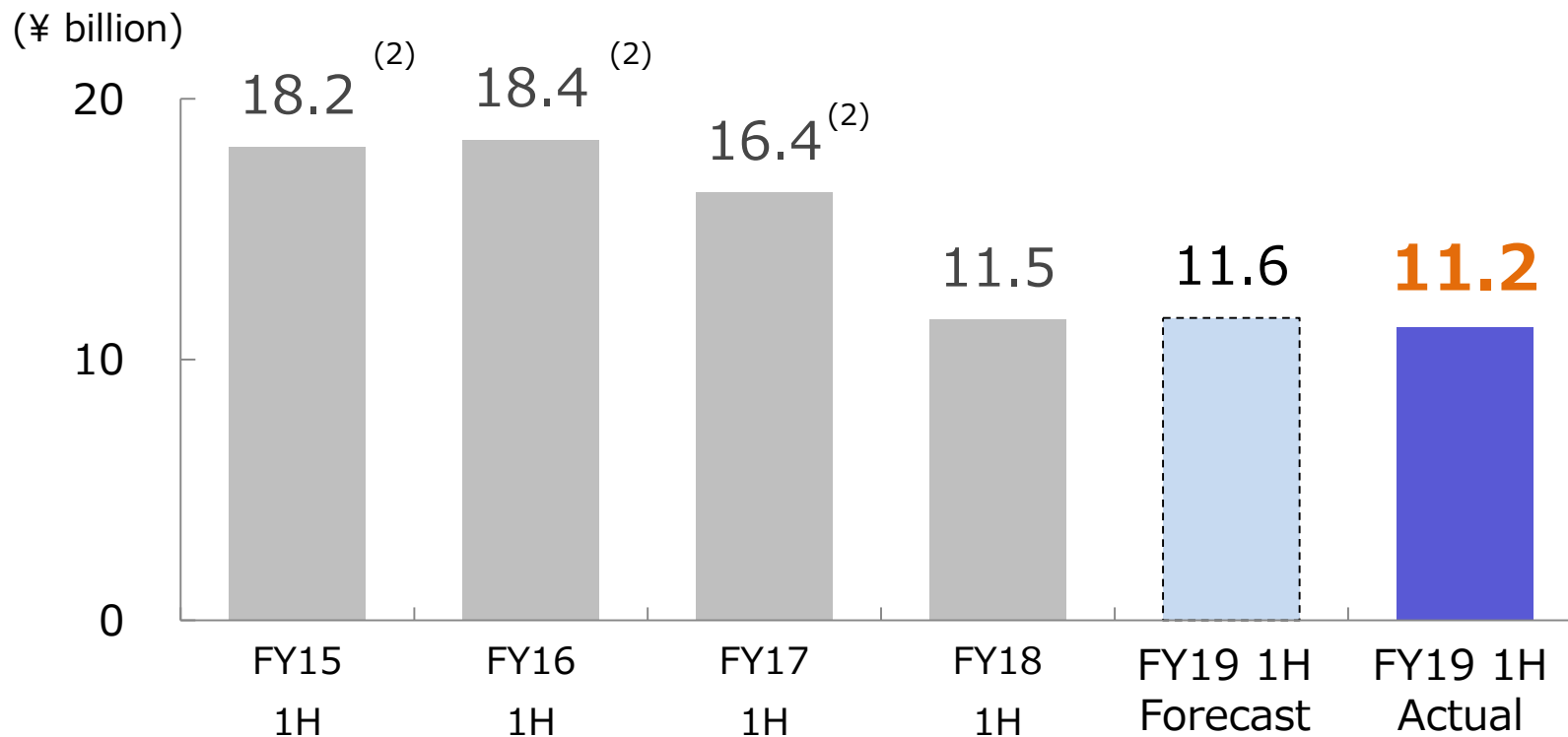
(1) Excluding CLT Global business, due to the business divestment taken place in November 2017.

Breakdown of Consolidated Op. Profit

(¥ billion)



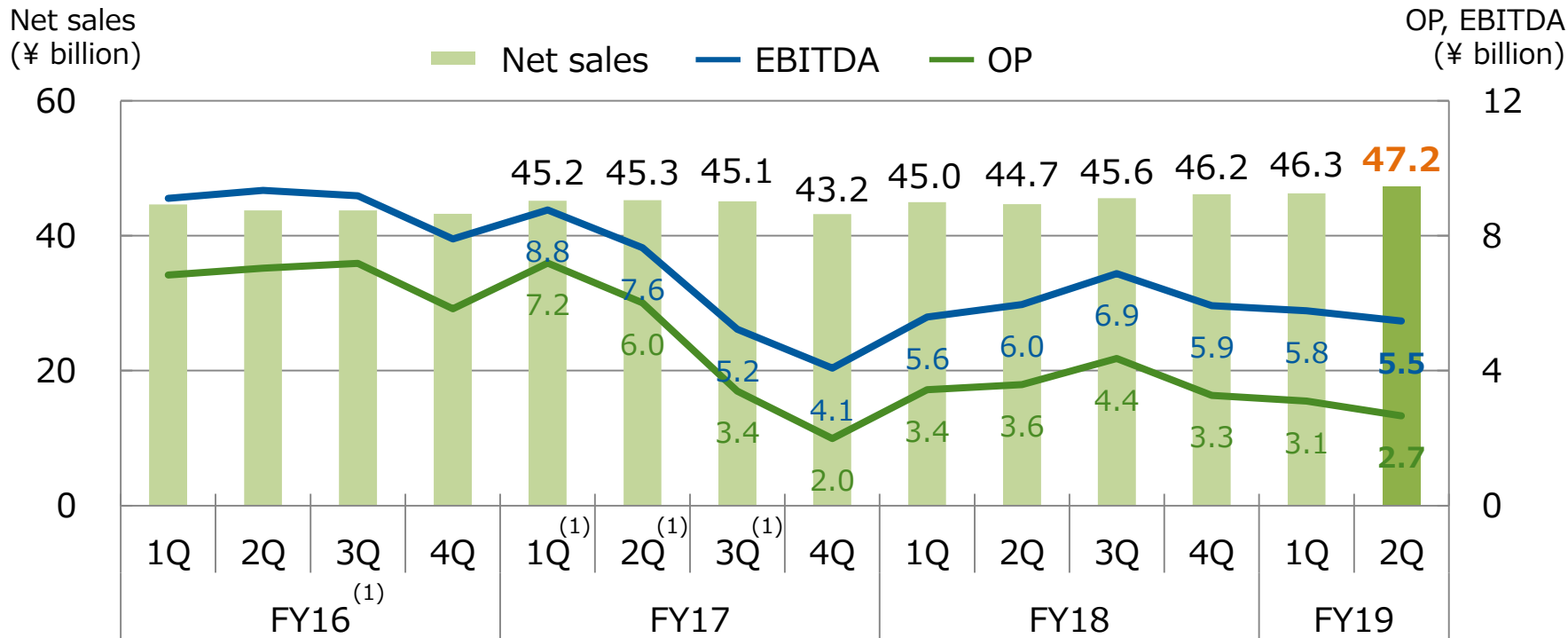
Transition of EBITDA ⁽¹⁾



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

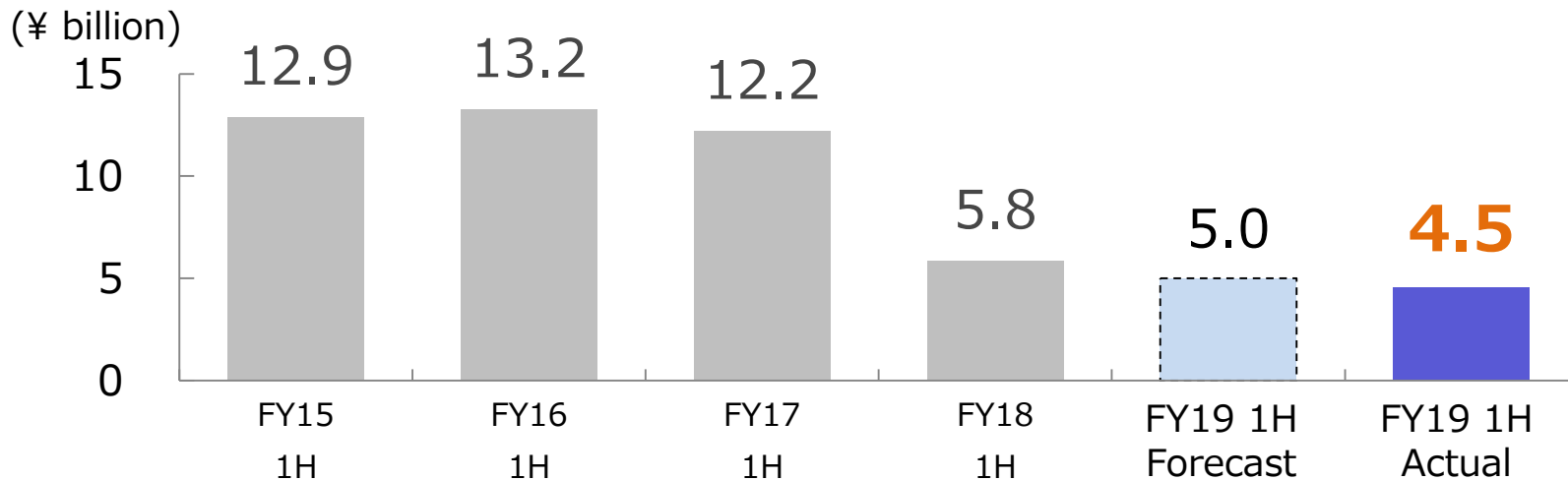
(2) Excluding CLT Global business, due to the business divestment taken place in November 2017.

Quarterly Performance Transition



(1) Excluding CLT Global business, due to the business divestment taken place in November 2017.

Transition of Consolidated Ordinary Profit



Major items of non-operating losses

【FY18 1H】

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

【FY19 1H】

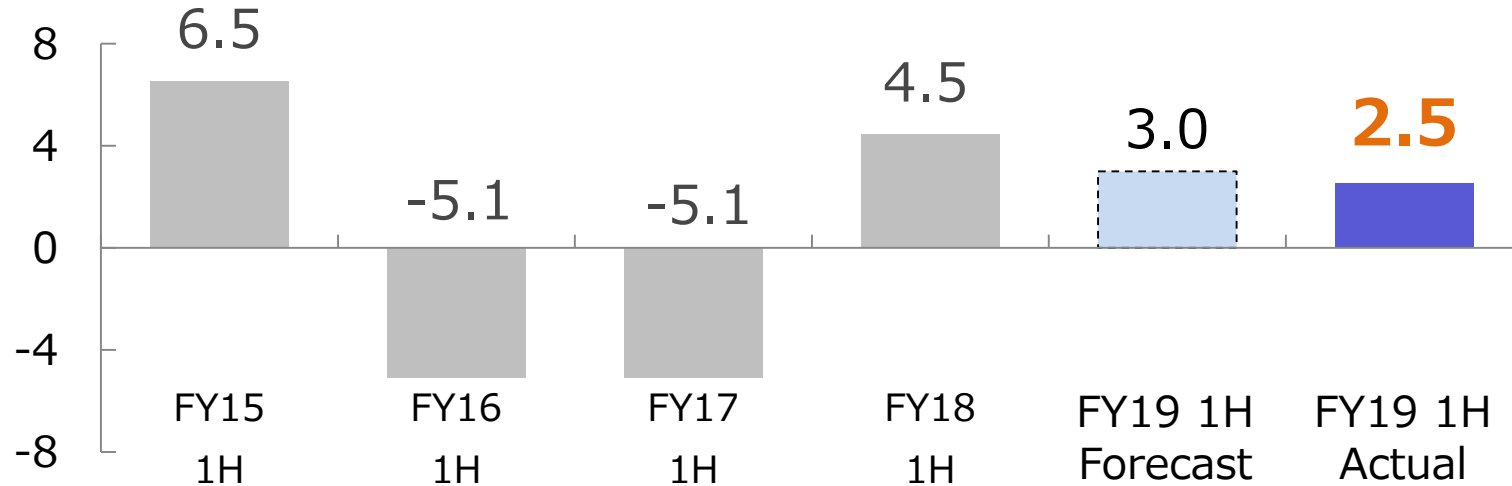
- Share of loss of entities accounted for using equity method -¥1.3 bn

Impact from BMGL: -¥1.2 bn

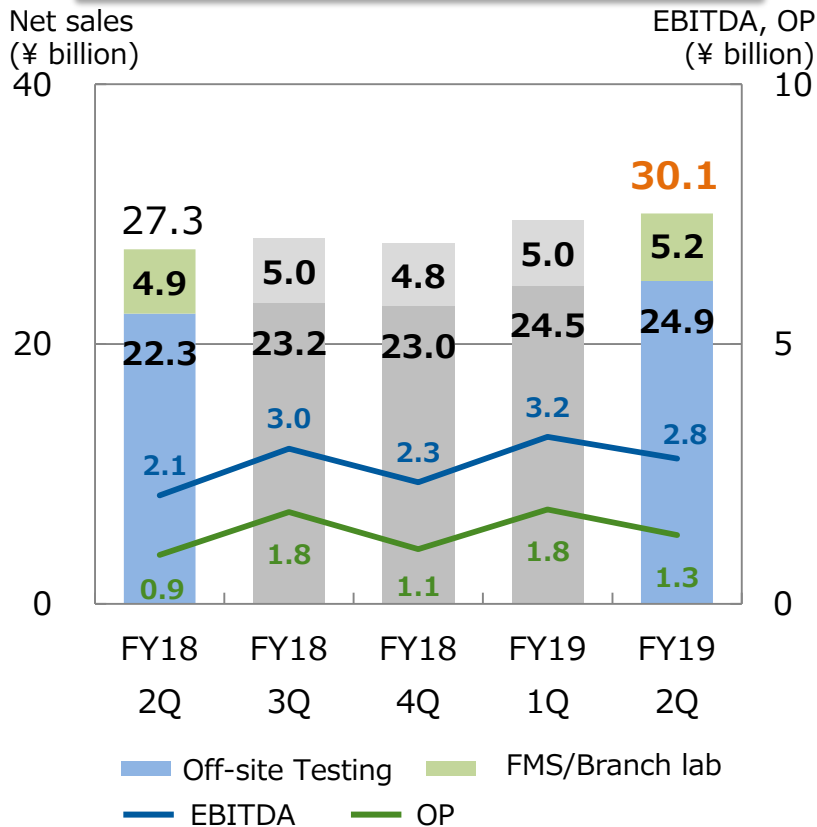
Impact from JV with Ping An Insurance Group: -¥0.1 bn

Transition of Consolidated Net Profit

(¥ billion)



Quarterly Transition



Comparison with 1H/FY18

(¥ billion)

	FY18 1H	FY19 1H	Variance	
Net sales	55.2	59.6	+4.46	+8.1%
FMS/Branch	9.8	10.2	+0.41	+4.1%
Off-site	45.4	49.4	+4.05	+8.9%
EBITDA	4.5	6.0	+1.50	+33.3%
OP	2.4	3.1	+0.79	+33.4%

Net sales

- # of tests: +6.2%
- Growth of test items related to genetic testing
- Acquisition of new customers

Operating profit

- Increased Sales
- Increase in depreciation expenses (-¥0.7 bn)
- Upfront cost for expansion in Chinese market (-¥0.2 bn)

CLT: Progress on key strategy

Sales	GP	<ul style="list-style-type: none">Steady growth in # of customers due to IT related value-added services and newly opened satellite lab
	FMS/ Branch	<ul style="list-style-type: none"># of customers grew from joint proposal strategy with Fujirebio
	Medical checkup	<ul style="list-style-type: none">Expanded customer base
	Hospital	<ul style="list-style-type: none">Growth driven by genetic testing
Profit	<ul style="list-style-type: none">Operation optimization through AI/RPA ⁽¹⁾ ⁽²⁾ (cost reduction contribution is expected from 2H)Spinning off sample collection and logistics function, and aim for further optimizationUpfront cost for business expansion in China is on track	

Achieved record high Sales for the 1H

- Sales grew from increased # of tests including genetic testing
- Price impact was within the projected range (-1.5%)

【Tasks in progress】

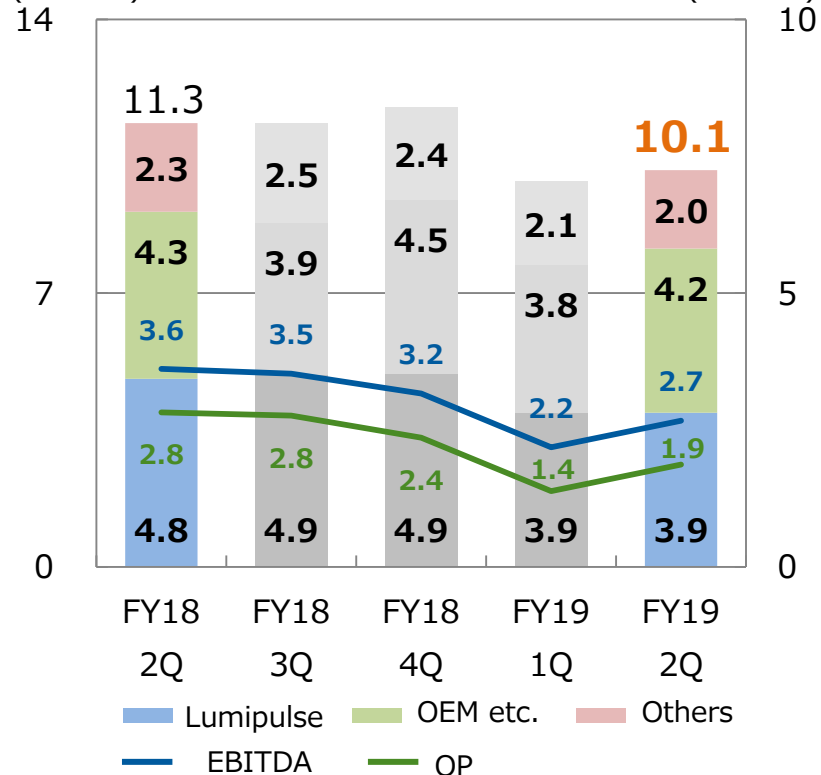
- Further operational optimization
- Promote sales of high-margin test items

(1) Artificial Intelligence (2) Robotic Process Automation

Quarterly Transition

Net sales
(¥ billion)

EBITDA, OP
(¥ billion)



Comparison with 1H/FY18

(¥ billion)

	FY18 1H	FY19 1H	Variance	
Net sales	22.3	20.0	-2.30	-10.3%
LUMIPULSE	9.6	7.9	-1.73	-18.0%
Japan	8.9	7.0	-1.95	-21.8%
Overseas	0.7	0.9	+0.22	+32.4%
OEM etc.	8.0	8.0	+0.01	+0.1%
Others	4.7	4.1	-0.57	-12.2%
EBITDA	6.5	4.9	-1.60	-24.7%
OP	4.9	3.3	-1.66	-33.9%

Net sales

- Lumipulse: Both Japan (w/o JRC⁽¹⁾) and Overseas grew
- OEM etc.: Grew steadily as expected
- Contract completion with JRC

Operating profit

- Contract completion with JRC
- Upfront costs to win large customers

(1) Japan Red Cross

IVD: progress on key strategy

Sales

Lumipulse Japan

- Promoting the installation of large-sized instrument
- Accelerating the development of new test items
- Impact from contract completion with JRC

Lumipulse Overseas

- Steady business development mainly in Europe
- Promoting installation in China through JV with Ping An Insurance group

OEM, etc.

- Reinforcement of OEM production with new partners

Profit

Factors for profit increase

- Increased # of large-sized instrument in Lumipulse Japan

Factors for profit decrease

- Contract completion with JRC
- Upfront cost to win large customers
- Upfront investment for reinforcement of OEM production in the US and EU subsidiaries

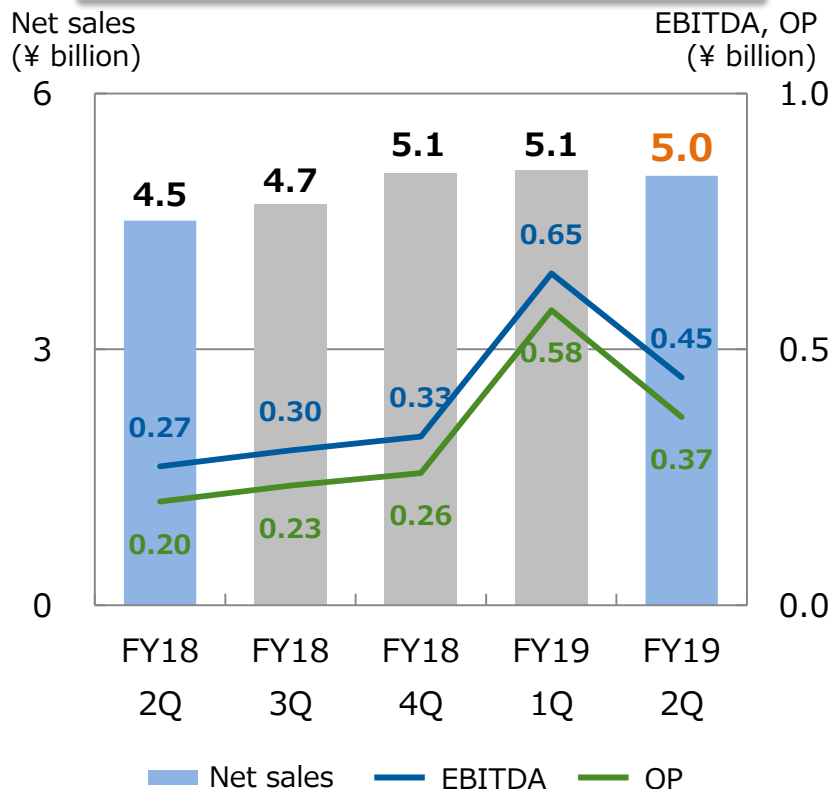
- Reagent sales increased in Japan (w/o JRC)
 - ✓ Instrument installation through group synergy
 - ✓ Launch of new test items (TDM⁽¹⁾, PGE-MUM, renin, aldosterone)
- Impact from JRC contract completion was within the scope of projection

【 Tasks in progress 】

- Further Lumipulse growth in both Japan and Overseas
- Enhancement of OEM business to reinforce the presence in global market
- Application/registration function reinforcement
- Swift recovery from loss of JRC business

(1) Therapeutic Drug Monitoring

Quarterly Transition



Comparison with 1H/FY18

	FY18 1H	FY19 1H	Variance	
Net sales	9.2	10.1	+0.94	+10.3%
EBITDA	0.61	1.09	+0.48	+79.1%
OP	0.48	0.94	+0.47	+98.5%

Net sales

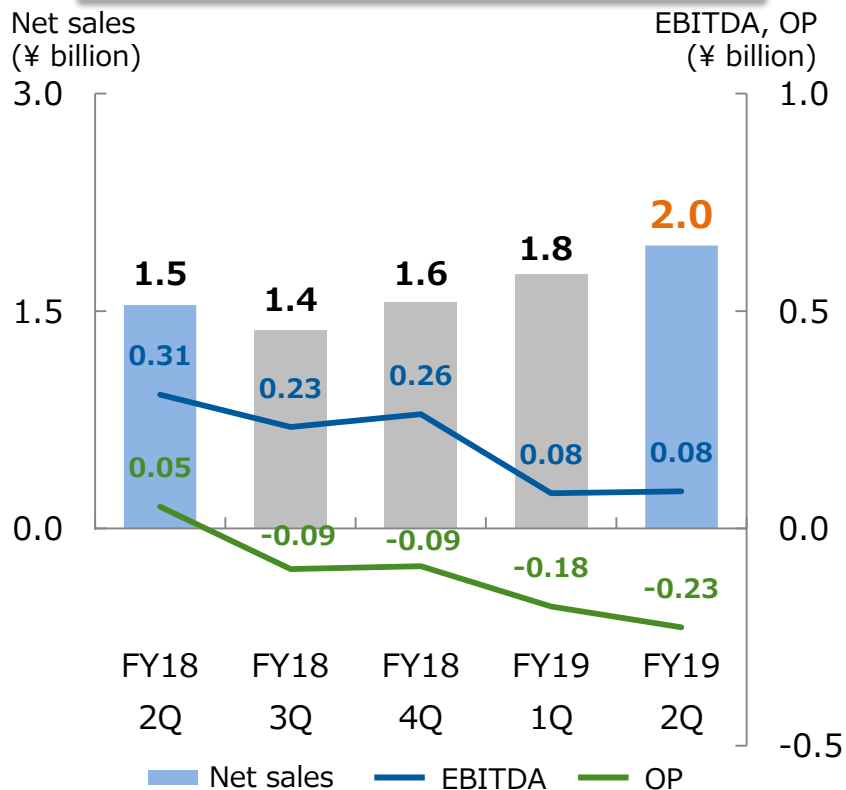
- Contract price upward revision
- Equipment and consumables sales growth
 - ✓ Comprehensive support solution
 - ✓ Full service for central sterile supply department

Operating profit

- Contract price upward revision

New Hinode sterilization center opened in September

Quarterly Transition



Comparison with 1H/FY18

	FY18 1H	FY19 1H	Variance	
Net sales	3.0	3.7	+0.71	+23.8%
EBITDA	0.61	0.17	-0.45	-72.9%
OP	0.13	-0.41	-0.54	-

Net sales

- Growth contribution from Selmesta (+¥0.9 bn compared to the previous year)
- Downward impact from pharmacy business divestment (-¥0.5 bn compared to the previous year)
- Growth in home-visiting, welfare business

New business progress

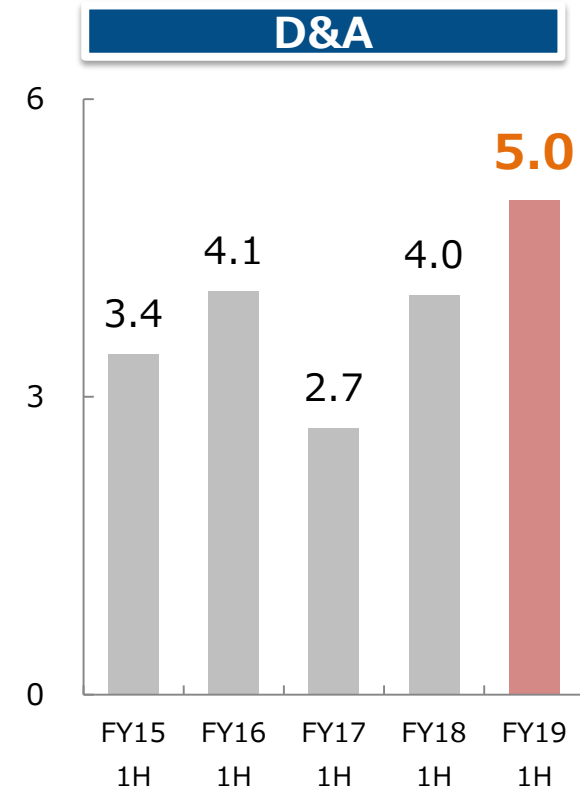
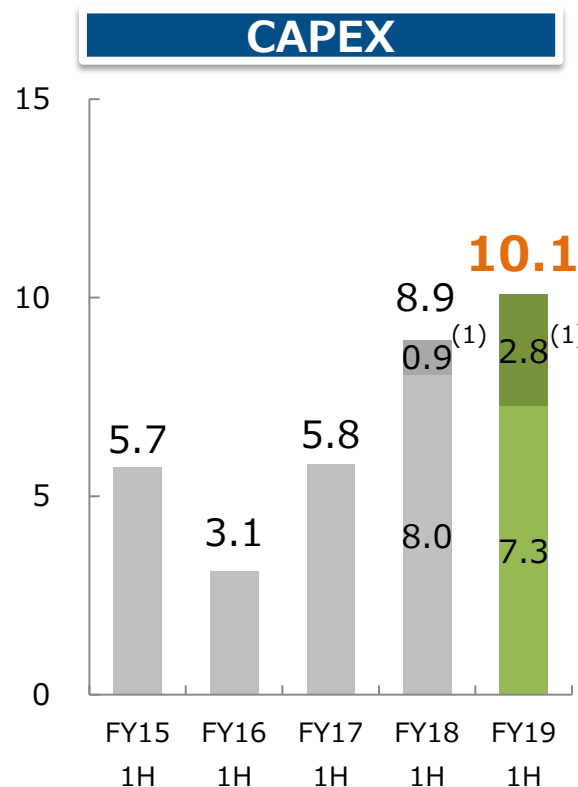
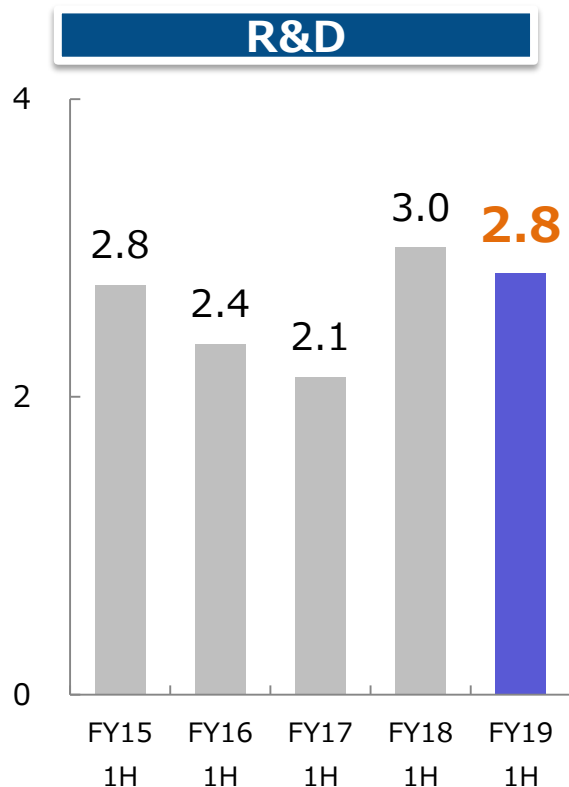
- Miraca Vitas started the food, environment, cosmetics testing business operation

				FY19 1H	FY18 1H
CLT	Net # of increase/decrease for FMS/Branch lab clients			+ 29	+ 18
	Net # of increase/decrease for GP clients			+ 484	+ 357
IVD	Lumipulse (incl. all kinds of instruments)	Japan ⁽¹⁾	Installation #	81	56
			Net # of increase/decrease	-3	+ 5
		Over-seas	Installation #	61	52
			Net # of increase/decrease	+ 38	+ 41
Net amount of increase/decrease for intra-group transactions (billion yen)				+0.26	+0.18

(1) Number of installed instruments at sites of both customers and group companies (incl. FMS/Branch-labs)

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

(¥ billion)

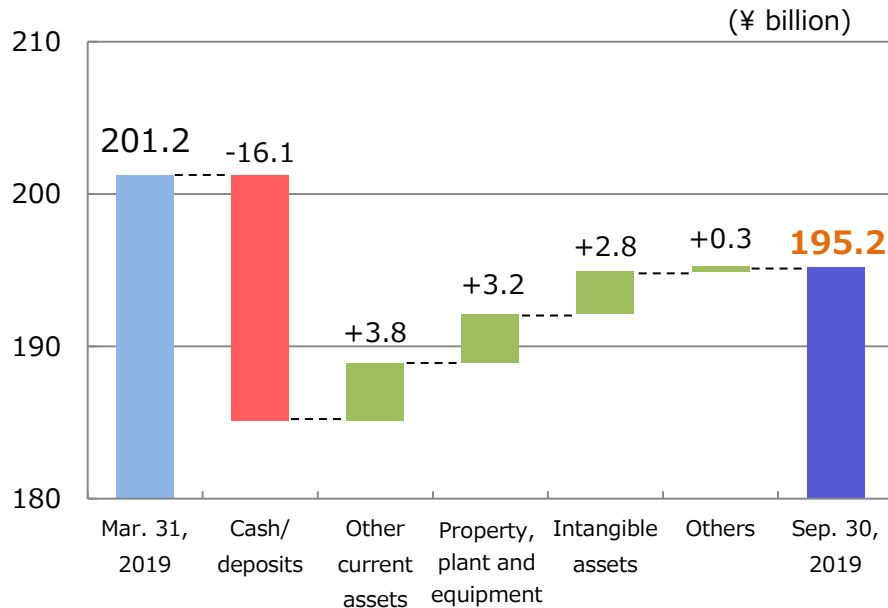


(1) CAPEX for New Central Lab

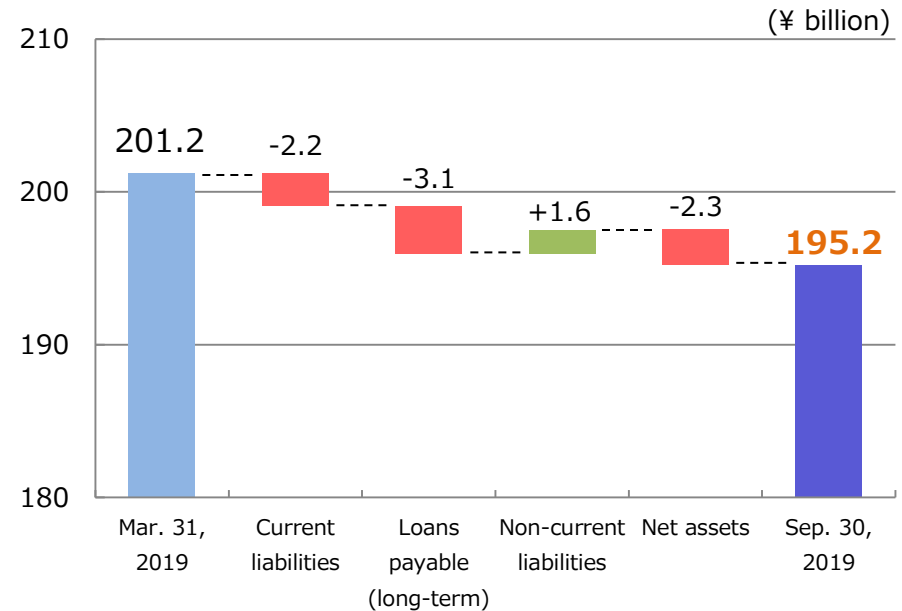
Consolidated Balance Sheet

- ◆ Equity ratio: 56.0% (as of Mar.31, 2019) → 56.6% (as of Sep. 30, 2019)

Net assets



Liabilities and net assets



Consolidated Cash Flow

(¥ billion)

	FY2018 1H	FY2019 1H	Variance	
Profit before income taxes	5.8	4.0	-1.8	
Depreciation	4.0	5.0	+1.0	
Amortization of goodwill	0.5	0.5	+0.0	
Share of loss of entities accounted for using equity method	1.2	1.3	+0.1	
Income taxes paid	1.7	-4.0	-5.7	
Others	-2.4	-1.9	+0.5	
Net cash provided by operating activities	10.8	4.9	-5.9	Decreased by income taxes paid
Net cash used in investment activities	-19.1	-12.6	+6.5	Continue upfront investment for future growth
Free cash flow	-8.3	-7.7	+0.6	Same level as the previous year
Net cash used in financing activities	26.1	-8.8	-34.9	FY18: funded cash via loans, FY19: partial repayment
Effect of exchange rate change on cash and cash equivalents	0.3	-0.7	-1.0	
Net increase (decrease) in cash and cash equivalents	18.0	-17.2	-35.3	
Cash and cash equivalents at the end of financial period	38.5	17.6	-20.9	Decreased by ¥20.9 bn

Baylor Miraca Genetics Laboratories (BMGL)

Establishment of BMGL

2015

(Miraca 60%, Baylor College of Medicine 40%)

BCM

- Brand power
- Accuracy & quality
- R&D capability

+

Miraca Group

- Expertise in commercial lab operation

- BMGL retains first option rights to commercialize BCM's latest R&D outcome
- Aims for consistent growth

About Baylor College of Medicine (BCM)

- Played a leading role in Human Genome Project
- Top-class track record in Molecular & Human Genetics in the US

Changes in the competitive landscape

2019

- Fast-growing market driven by advanced technology
 - ✓ Liquid biopsy, precision medicine
- New bio-venture entrants heating up the competitive landscape
 - ✓ Well-funded by capital market, competitors are making aggressive investment

Commence prep. for IPO

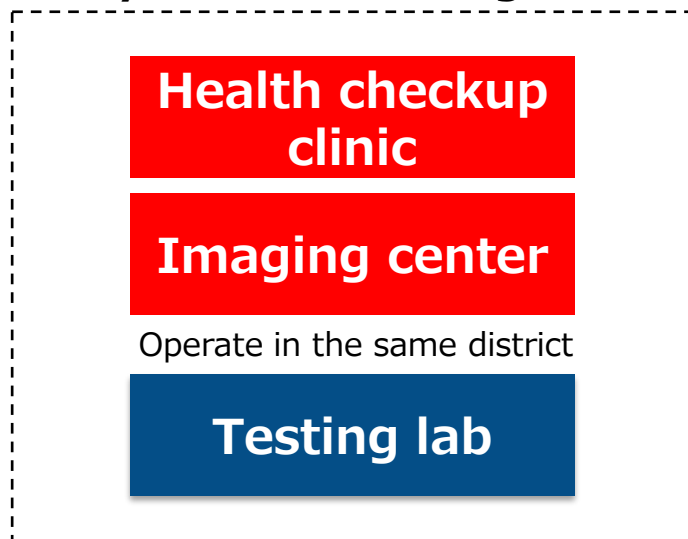
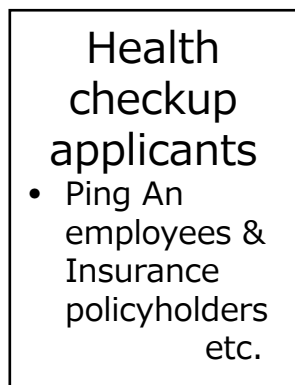
Plans to raise fund from a third-party prior to the IPO

Update on JV with Ping An Insurance Group

Progress and forecast

1. Aug. : JV lab had opened in Shenzhen and begun equity method consolidation
2. Sep. : Total of 5 testing labs had opened including the JV lab in Shenzhen
3. Plans to open 4 more testing labs (total of 9 labs) by the end of FY2019

A trinity model with Ping An Group



Key factors

- Opening labs in periphery of Ping An's health checkup clinics and imaging centers
- Establishing testing labs in tandem with Ping An Group

Update on New Central Lab

◆ The construction is on track

Feb. 2019 Groundbreaking

Oct. 2019 Topping out ceremony

Jun. 2020 Completion (planned)



Social financing

Instrument and
Core IT system

¥ 25.0 billion

¥ 20.0 billion

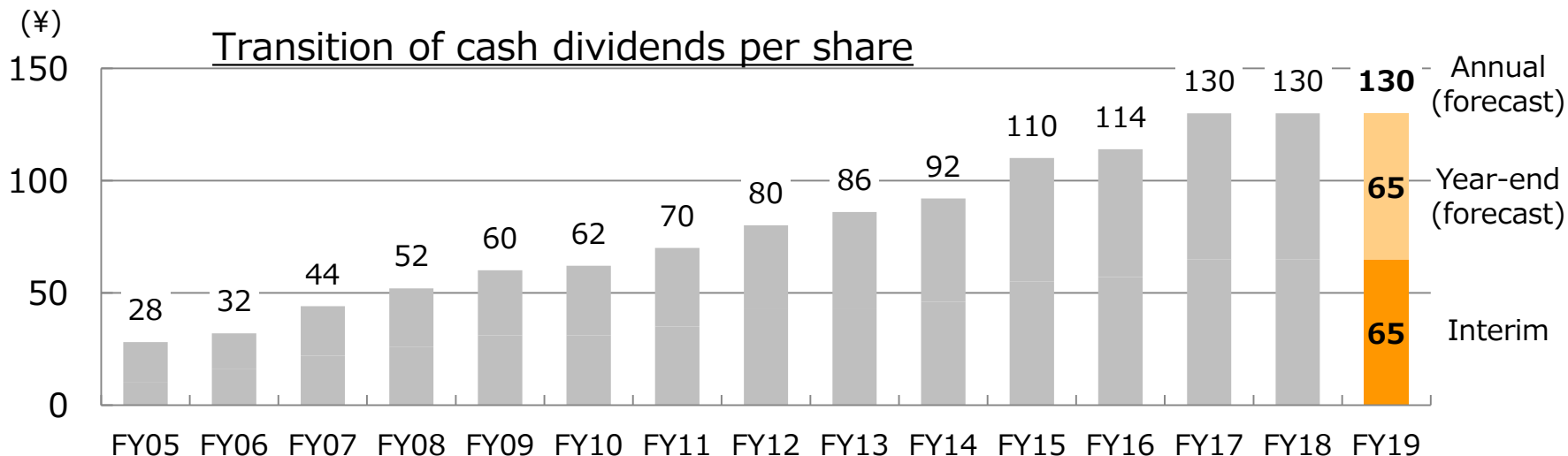
Raised by Social Bonds
(Issued on Oct. 25, 2019)

¥ 5.0 billion

To be raised by Social Loan
(Scheduled within FY2019)

Dividend policy

- Shareholder return policy unchanged
- Sustain 130 yen annual dividend per share for FY19
 - ✓ Interim: 65 yen, Year-end: 65 yen (forecast)



Appendix

Segment Information (IVD)

(¥ billion)

	FY2018 1H	FY2019 1H	Variance	
IVD net sales by sales destination	22.3	20.0	- 2.30	-10.3%
Overseas	11.8	11.5	- 0.28	-2.4%
Americas	5.7	5.7	- 0.04	-0.8%
Europe	4.7	4.8	+ 0.09	+1.9%
Asia/Pacific	1.3	1.0	- 0.32	-24.0%
Japan	10.5	8.5	- 2.02	-19.2%

R&D, CAPEX, D&A

	FY2018 1H	FY2019 1H	Variance	
R&D Expenses	3,002	2,829	-173	-5.8%
CLT	176	159	-17	-9.4%
IVD	2,439	2,157	-282	-11.6%
SR	0	0	-	-
ENB	0	0	-	-
MHD, etc.	386	512	+126	+32.6%
Capital Expenditure	⁽¹⁾ 8,912	⁽¹⁾ 10,092	+1,180	+13.2%
CLT	6,057	7,190	+1,133	+18.7%
IVD	1,300	1,095	-205	-15.8%
SR	79	694	+615	+771.2%
ENB	560	845	+286	+51.0%
MHD, etc.	914	267	-648	-70.8%
Depreciation and Amortization	4,023	4,979	+957	+23.8%
CLT	2,016	2,731	+715	+35.5%
IVD	1,278	1,369	+91	+7.1%
SR	110	124	+15	+13.2%
ENB	402	466	+64	+15.9%
MHD, etc.	216	287	+72	+33.1%

(¥ million)

(1) Including CAPEX for New Central Lab (FY18 1H: approx. ¥0.9 bn, FY19 1H: approx. ¥2.8 bn)

Number of Employees

	End of Mar. 2019		End of Sep. 2019		Variance	
	Regular	Contractor	Regular	Contractor	Regular	Contractor
Total	5,957	6,452	5,959	6,555	+2	+ 103
CLT	2,986	3,115	2,988	3,104	+2	- 11
IVD	1,116	121	1,103	115	-13	- 6
HR	1,181	3,118	1,171	3,149	-10	+ 31
ENB	304	73	328	137	+24	+ 64
MHD, etc.	370	25	369	50	-1	+ 25

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

【Contact information】

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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.