

## **Q&A Highlights: First Half FY2019 Business Results**

November 11, 2019

Q-1

- Did you have any price impact related to the consumption tax increases on your CLT business? Was there a rush in demand for your IVD business ahead of the consumption tax increase?

A-1

- To date, we have not seen any significant impact.

Q-2

- Tell us about the profitability of your materials for genetic testing, which contributed significantly to sales growth.

A-2

- Genetic testing involves higher variable expenses, notably outsourcing fees. Therefore, profit contribution is limited compared to our traditional esoteric tests.
- We will devote even greater efforts to promote sales of traditional tests with higher margins during the second half as a means to improve CLT business profit margins.

Q-3

- CLT business profit growth seems weak in comparison to sales growth. Are there factors other than an increase in depreciation and costs incurred to expand in China?

A-3

- Our lower profit genetic testing drove sales growth, which was the main factor influencing profit margins. We recognize that lower profit margins due to sales mix is one of the key issues, and we will be working to improve sales mix.
- We spun off the sample collection and logistics functions as one measure to improve our cost structure. We expect to see a gradual cost reduction effect from more efficient shipment and logistics due to this spin-off from the second half.

Q-4

- Will you be able to compensate for the impact of the completion of your contract with the Japanese Red Cross Society on your IVD business from other major customers?

A-4

- We expect to compensate for the impact of the completion of the Japanese Red Cross Society agreement through overall growth, rather than through any single customer. We intend to move forward with continued installations of mainly large instruments, growing sales of reagents in our LUMIPULSE business. In addition, we will work further in our OEM and raw materials business as pillars supporting future growth.

Q-5

- It appears that the immunological equipment market is seeing oligopolization towards the global players, particularly overseas. What is Miraca's outlook over the medium and long term?

A-5

- We plan to continue our focus for opportunities in Europe and China. At the same time, we will aim for growth by raising our global presence as an OEM supplier of reagents.

Q-6

- Is your joint venture with the Ping An Insurance Group seeing installations of LUMIPULSE in test labs being opened throughout China? Also, will you be able to grow reagent sales there?

A-6

- LUMIPULSE is installed in every test lab opened by the Ping An Insurance Group.
- While we are selling reagents, there are some items that have yet to be approved for the Chinese market at this time. We will continue to make efforts to secure registration for reagents.