

Miraca Holdings Inc.

FY2019 Business Results (April 1, 2019 – March 31, 2020)

May 13, 2020

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
 - BMGL: Baylor Miraca Genetics Laboratories, LLC
- * Business segments has been changed from 1Q FY19. Past figures has been retroactively adjusted in accordance with the current segmentation.

※ Exchange rates used in this presentation material:

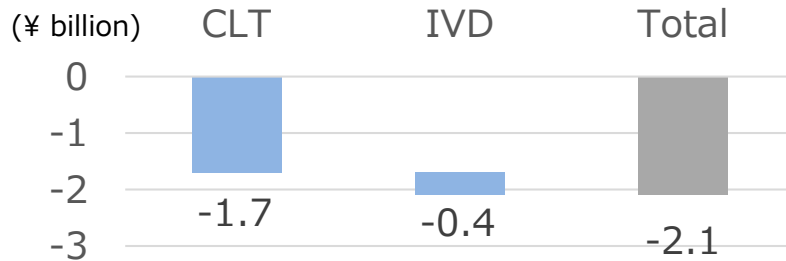
FY2018 : 1USD = 110.92 JPY 1EURO = 128.41 JPY

FY2019 : 1USD = 108.74 JPY 1EURO = 120.82 JPY

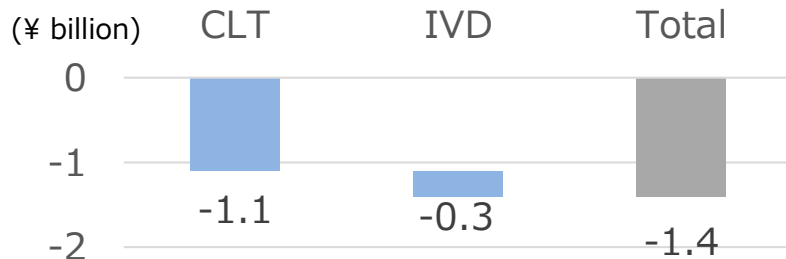
COVID-19 Impact during 4Q FY2019

Impact on performance

Net sales



Operating profit



- Impact emerged from mid-February
Net sales: ¥2.1 bn, OP: ¥1.4 bn

CLT

- ✓ Decline in # of patients at clinics and physicians largely due to Stay-at-home request
- ✓ Decline in # of tests from medical institutions

IVD (Lumipulse Japan, OEM/raw materials supply)

- ✓ Decline in testing demands
- ✓ Delay in global logistics (OEM)

Our contribution against COVID-19

CLT

- Launched PCR testing lines
(in collaboration with Miraca Research Institute)
Testing service started from Feb. 12
 - ✓ Testing capacity
 - 1,600 tests per day (as of May 13)
 - Conducting at labs in Tokyo (Hachioji), Kyoto, Sapporo, Fukuoka
- Increase testing capacity to 4,000 tests per day or more within May

IVD

- Development of ESPLINE SARS-CoV2
 - ✓ Japan's first antigen testing kit
 - ✓ Rapid development enabled through utilization of infectious disease related reagent know-hows
 - ✓ Performance evaluation in SRL
- Antigen/antibody test for Lumipulse platform are under development

- Provided test & product playing critical roles in preventing the spread of infection in short term
- Group's enhanced synergy effect resulted to agile outcomes

Rapid Diagnostic Test Kit for SARS-CoV-2 Antigen

Fujirebio received the manufacture and market authorization for a quick and simple test kit to detect the Novel Coronavirus (SARS-CoV-2) antigen. (Product name: ESPLINE® SARS-CoV-2)

- Enough sensitivity to identify patient with high amount of the virus
- Performance evaluated by external medical institution and SRL
- No cross reaction between general Coronavirus etc.
(within the limit of current study)
- Test result within 30 minutes after the reaction begins
(positive results: 10 - 30 minutes, negative results: 30 minutes)
- Manufacturing capacity will be 200,000 tests/week



Immediate patient identification and treatment are expected by providing test results to clinical sites quickly

Differences Between Revised Forecast and Results

	Revised forecast (as of Apr. 24)	Results (¥ billion)	
Operating profit	9.9	9.9	±0
Share of loss of entities accounted for using equity method	-4.3	-3.5	+0.8
BMGL	-2.4	-2.4	±0
Change in accounting standards	-1.2	-0.4	+0.8
JV with Ping An Insurance Group	-0.7	-0.7	±0
Ordinary profit	5.6	6.5	+0.9
Net loss	-1.3	-0.5	+0.8

Revised forecast (dated Apr. 24, 2020)
Taking the estimated utmost impact from change in accounting standards at BMGL



Results
The impact fell short of the expectation after the close consultation with BMGL's accounting auditor

Forecasts and outlook for FY2020

Earnings Forecast

- Unable to calculate appropriate and rational business impact from COVID-19
 - > Consolidated earnings forecasts for FY2020 is set as undetermined
 - > Promote measures in accordance with prior medium-term business plan "Transform! 2020" for the time being

Most recent circumstance and counteraction

- Monthly performance for April – Number of test IDs dropped approx. 30% YoY, but the Group secured profit on a consolidated basis
- Difficult to estimate the impact comes from testing capacity increase and antigen test kit
- Carry out continuous cost reduction initiatives for the time being

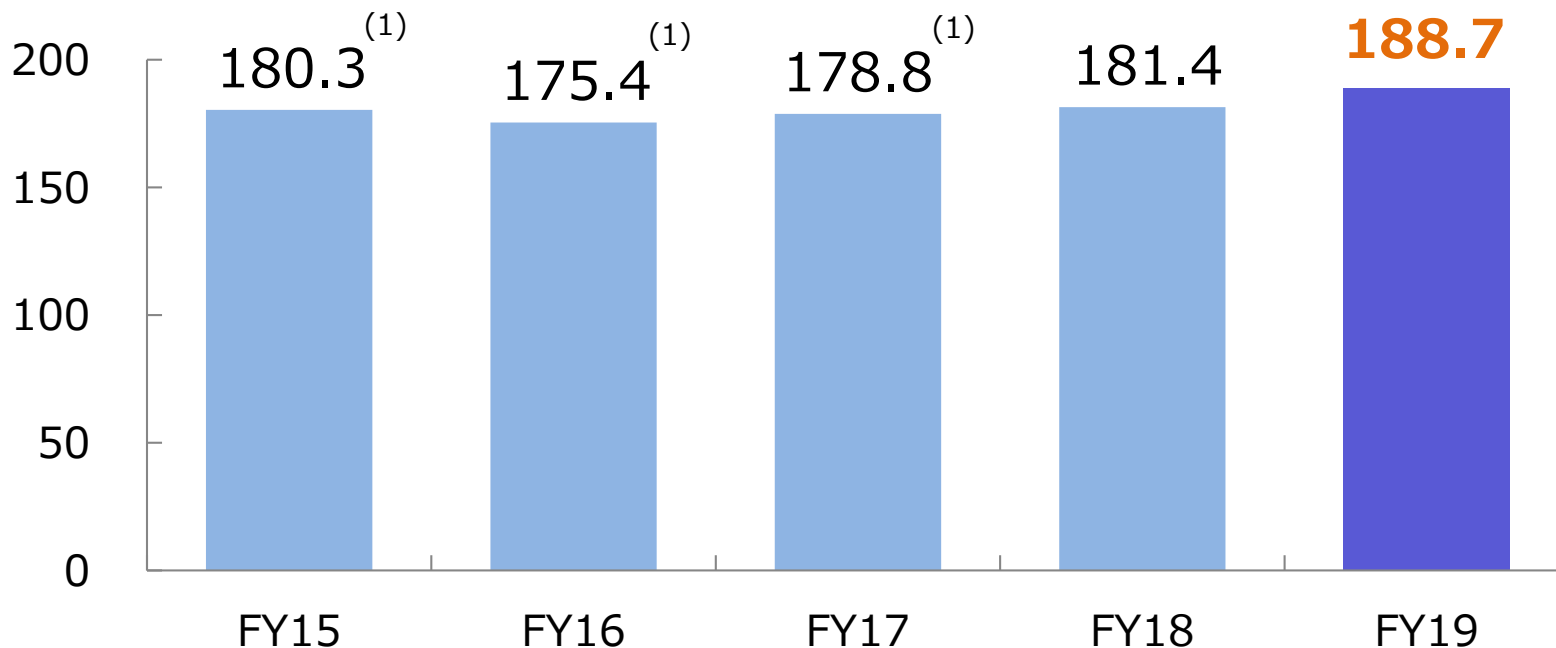
Dividend

- Dividend forecast for FY2020 is undetermined, but shareholder return policy is unchanged
 - > Shareholder return policy- Payout ratio of 50% or more of consolidated net profit excluding extraordinary factors

FY2019 Business Results

Transition of Consolidated Sales

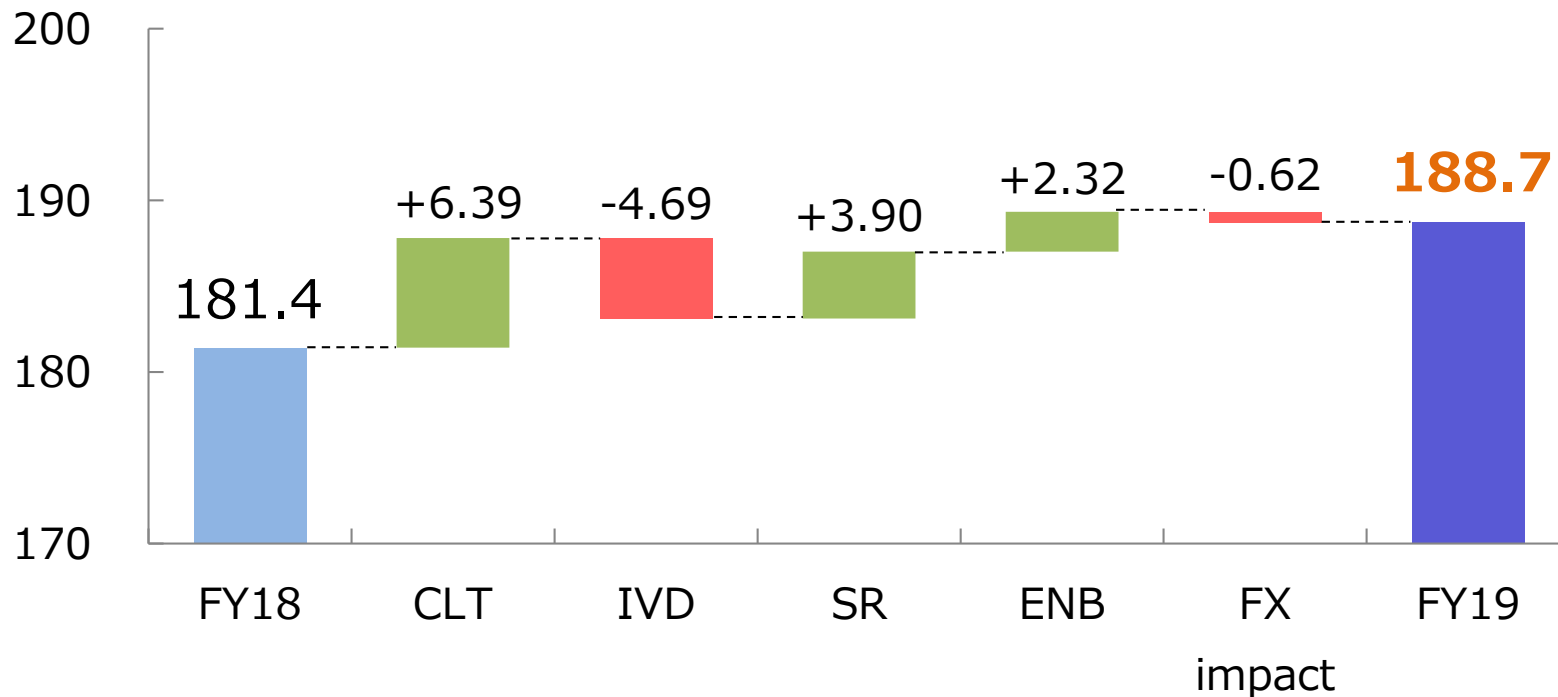
(¥ billion)



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

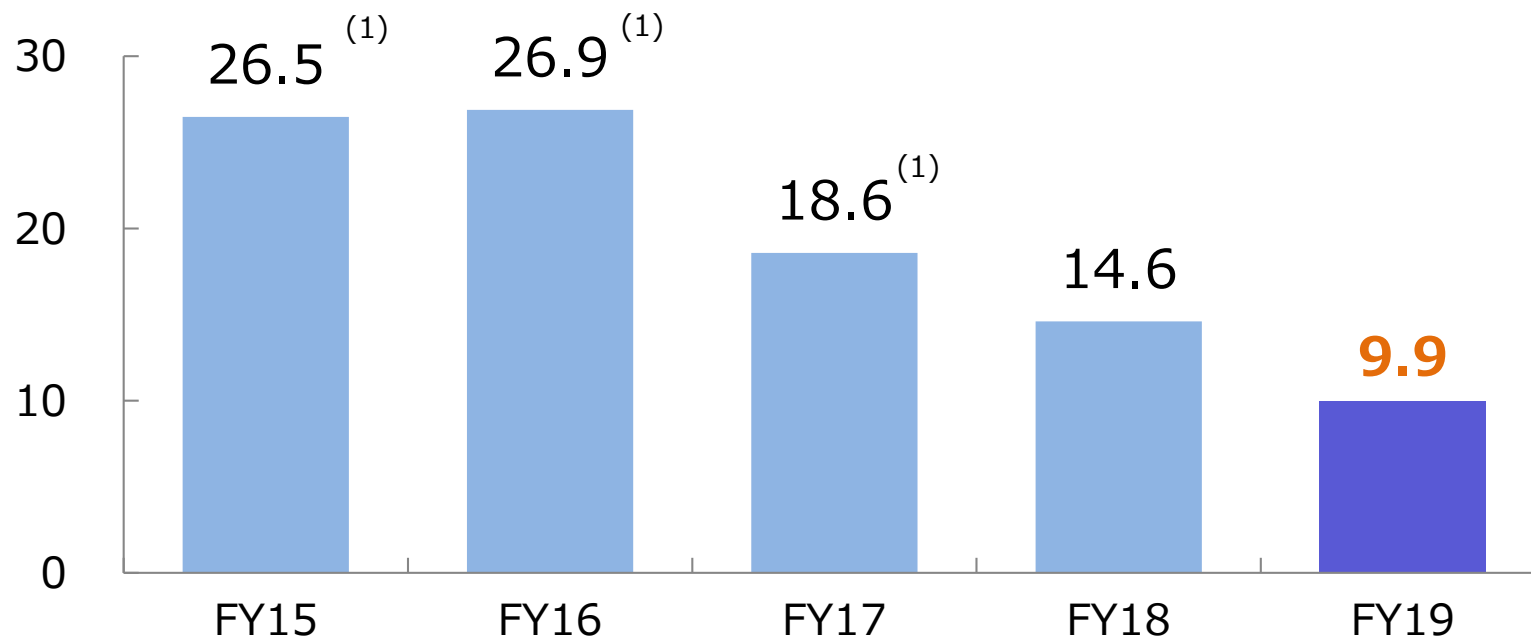
Consolidated Sales Waterfall

(¥ billion)



Transition of Consolidated Operating Profit

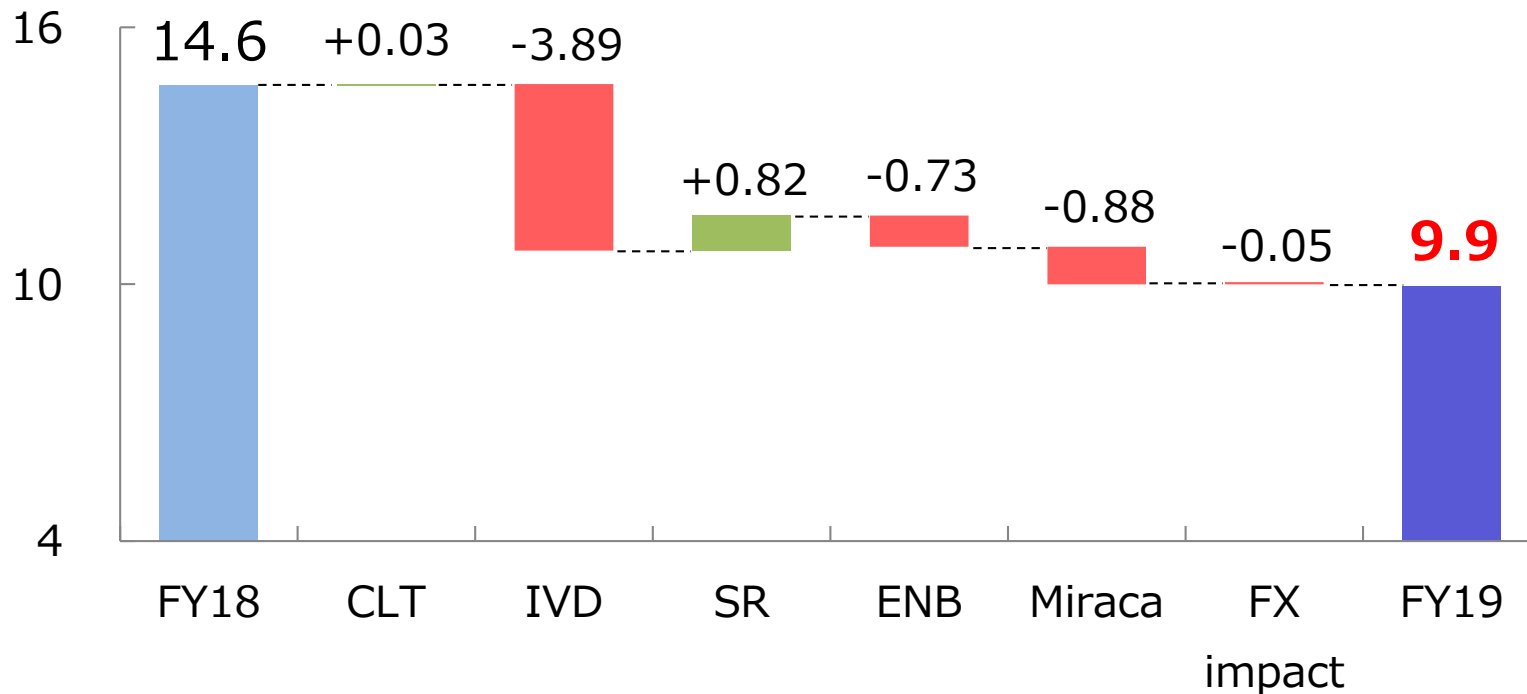
(¥ billion)



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

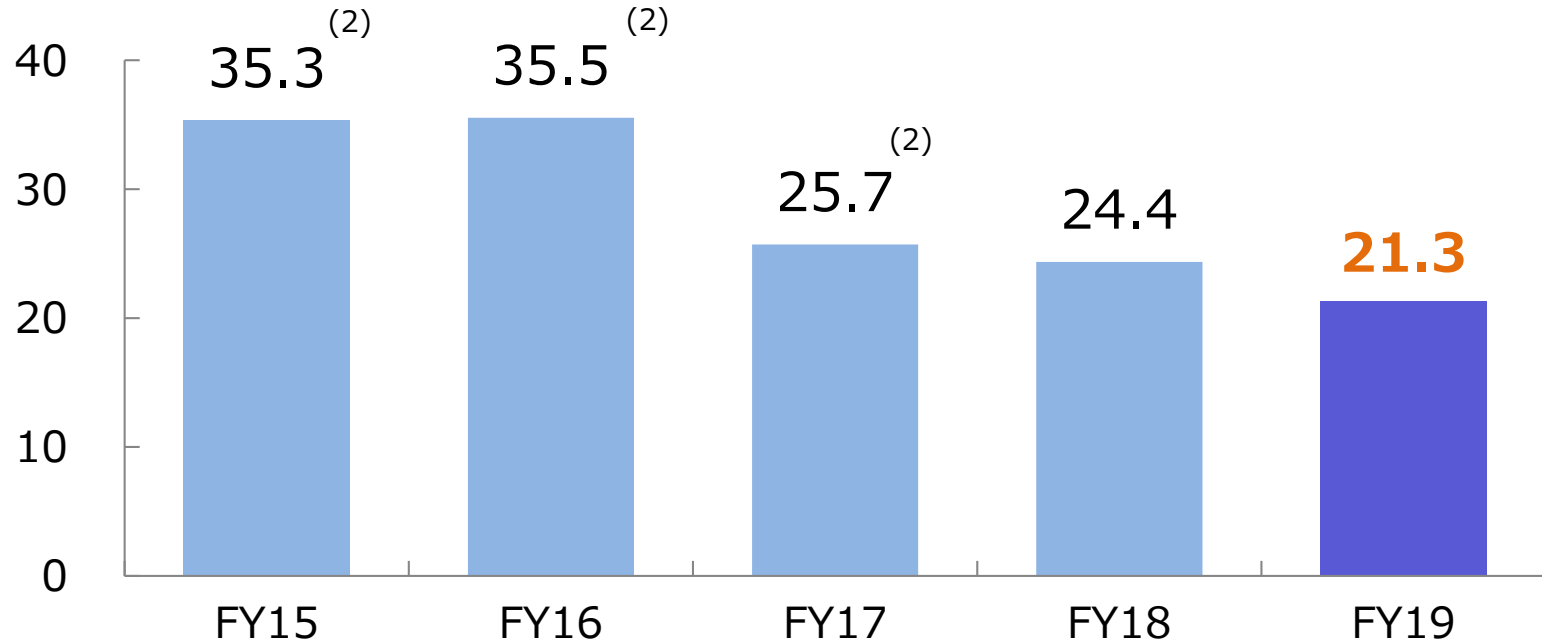
Consolidated Operating Profit Waterfall

(¥ billion)



Transition of Consolidated EBITDA⁽¹⁾

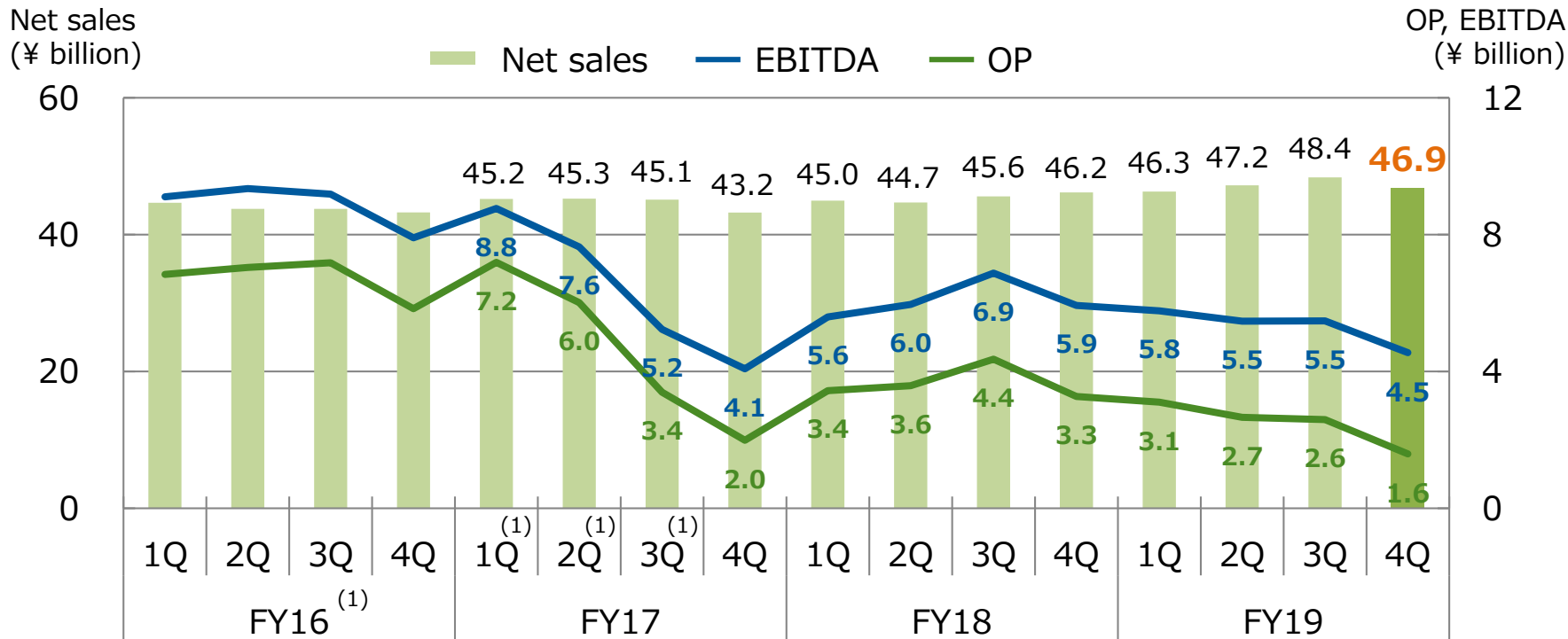
(¥ billion)



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

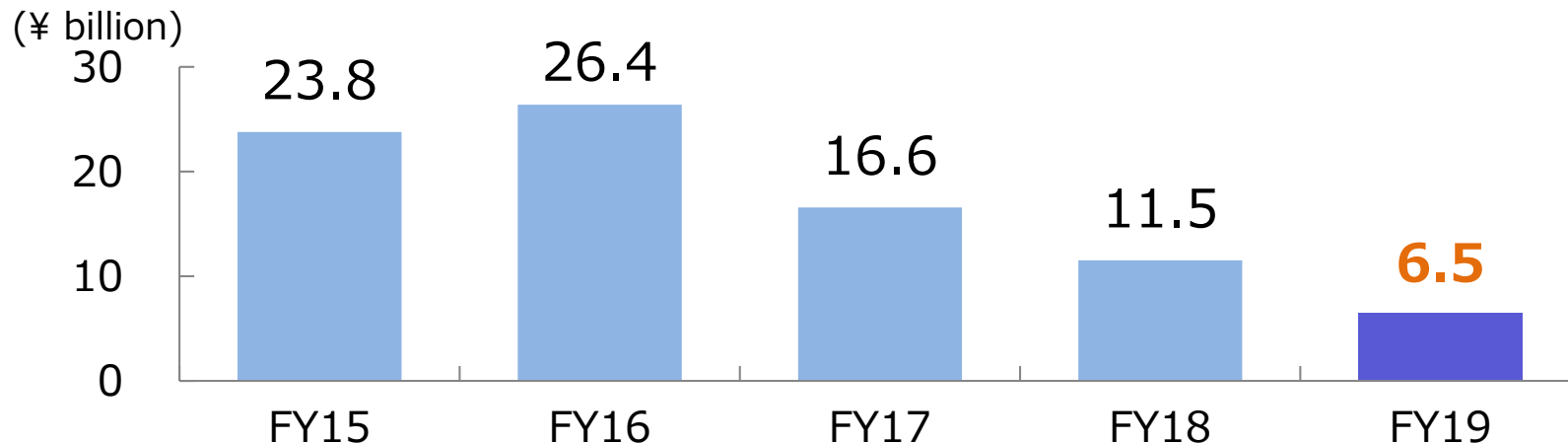
(2) Excluding CLT Global business, due to the business divestment taken place in November 2017.

Quarterly Performance Transition



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

Transition of Consolidated Ordinary Profit



Major factors

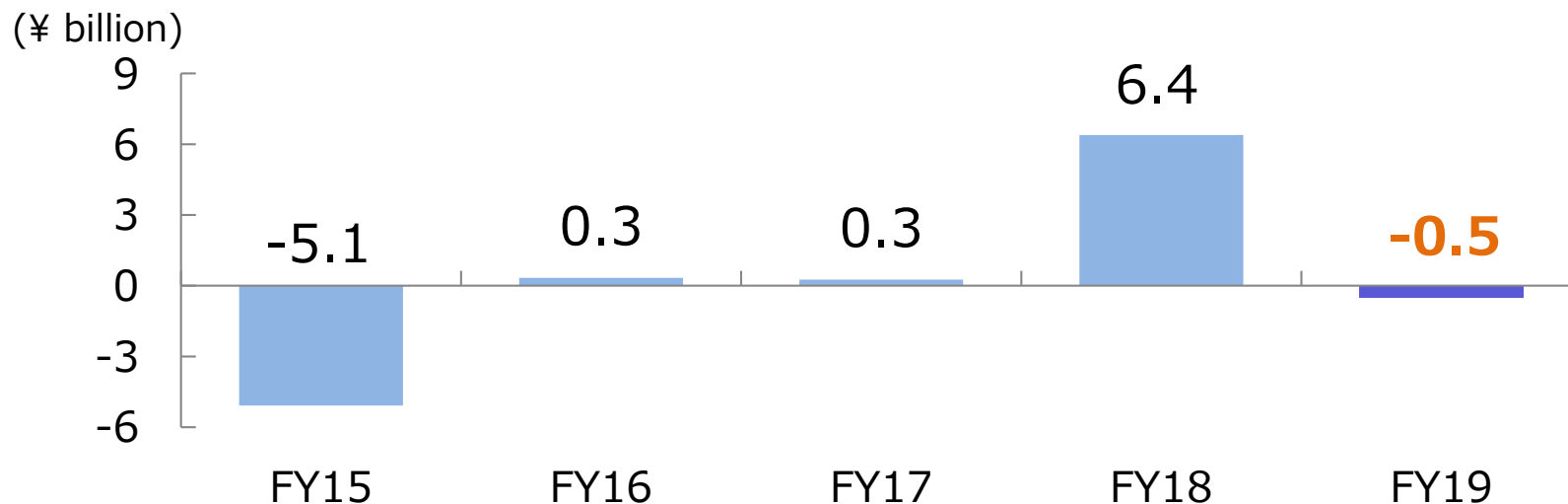
【FY18】

- Share of loss of entities accounted for using equity method -¥3.5 bn

【FY19】

- Share of loss of entities accounted for using equity method -¥3.5 bn
- Impact from BMGL: -¥2.8 bn
Impact from JV with Ping An Insurance Group: -¥0.7 bn

Transition of Consolidated Net Profit/Loss



Major factors

【FY18】

- Income taxes – deferred (incl. write down of deferred tax assets, etc.)
-¥3.4 bn

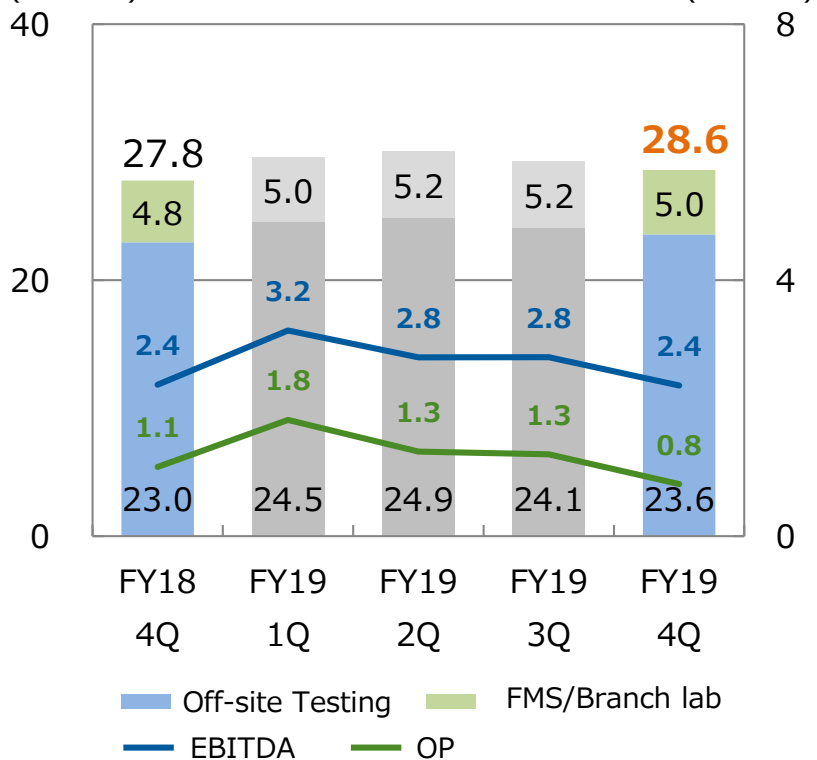
【FY19】

- Income taxes – deferred (incl. write down of deferred tax assets, etc.)
-¥5.8 bn

Quarterly Transition

Net sales
(¥ billion)

EBITDA, OP
(¥ billion)



YoY Comparison

(¥ billion)

	FY18	FY19	Variance	
Net sales	111.1	117.5	+6.39	+5.7%
FMS/Branch	19.6	20.5	+0.85	+4.3%
Off-site	91.5	97.0	+5.53	+6.0%
EBITDA	9.9	11.2	+1.29	+13.1%
OP	5.2	5.2	+0.03	+0.5%

Net sales

- # of tests: +5.2%
- Growth of test items related to genetic testing
- Acquisition of new customers

Operating profit

- EBITDA increased by ¥1.3 bn although minor margin improvement due to under-achievement of fixed cost reduction measures
- Increase in depreciation expenses (-¥1.3 bn)
- Upfront cost for expansion in Chinese market (-¥0.6 bn)

COVID-19 impact

- Net sales: -¥1.7 bn, OP: -¥1.1 bn

CLT: Key Strategy Achievements

FY19 accomplishments

GP

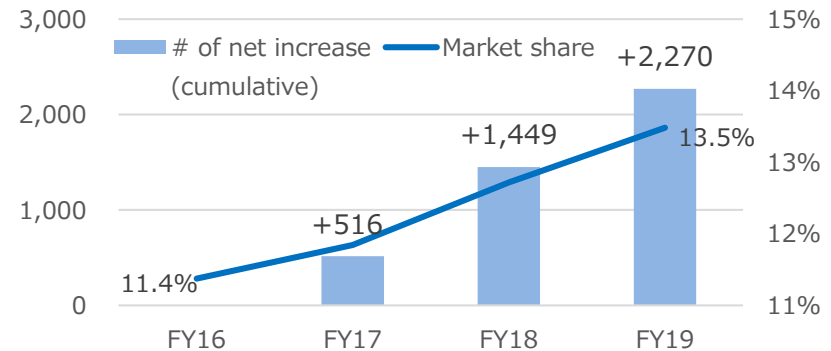
- Growth in #of customers due to newly opened satellite labs and IT related value-added services
 - # of customers steadily increased although 4Q slowed down from COVID-19 impact
 - ✓ +933 (FY18) → +821 (FY19)
 - Acceleration of sales growth rate
 - ✓ Sales growth compared to previous year
FY18: +2.5%, FY19: +3.8%

FMS/
Branch

- FMS/Branch customer # increased through a total package proposal utilizing Miraca-IVD products
 - ✓ +33 (FY18) → +50 (FY19)
 - Acceleration of sales growth rate
 - ✓ Sales growth compared to previous year
FY18: +3.0%, FY19: +4.3%

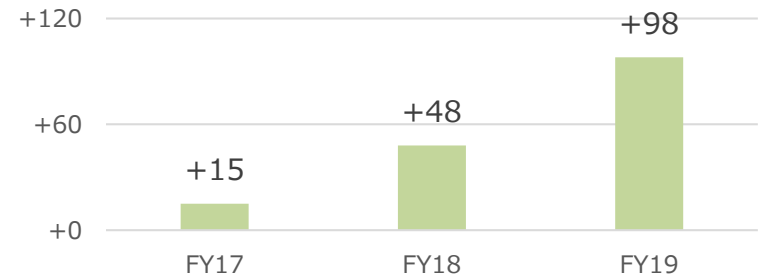
Key achievements in recent 3 years

Net increase # of GP clients (cumulative) and market share ⁽¹⁾

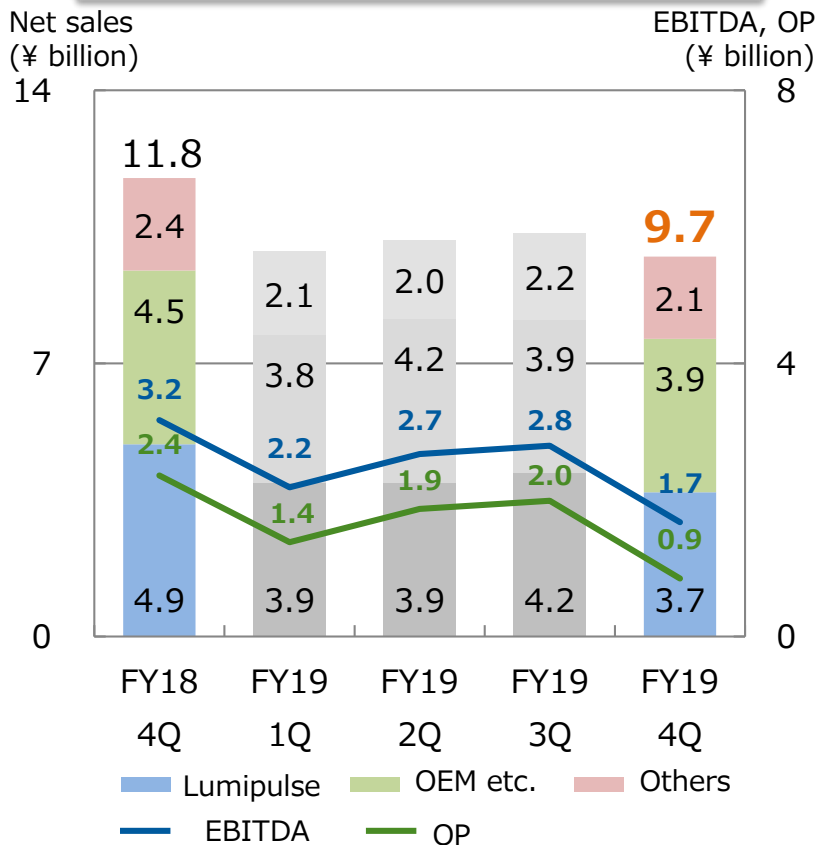


(1) References: Ministry of Health, Labor and Welfare

Net increase # of FMS/Branch clients (cumulative)



Quarterly Transition



YoY Comparison

(¥ billion)

	FY18	FY19	Variance	
Net sales	45.4	40.1	-5.31	-11.7%
Lumipulse	19.5	15.8	-3.68	-18.9%
Japan	18.0	13.6	-4.43	-24.6%
Overseas	1.5	2.2	+0.75	+51.6%
OEM etc.	16.3	15.8	-0.47	-2.9%
Others	9.6	8.5	-1.17	-12.1%
EBITDA	13.2	9.3	-3.82	-29.1%
OP	10.0	6.1	-3.95	-39.3%

Net sales

- Sales decreased by Contract completion with JRC⁽¹⁾
- Lumipulse Overseas grew
- OEM etc. grew if excluded FX and COVID-19 impact

Operating profit

- Profit decreased by Contract completion with JRC⁽¹⁾
- Upfront costs to win large customers

COVID-19 impact

- Net sales: -¥0.4 bn, OP: -¥0.3 bn

(1) Japan Red Cross

IVD: Key Strategy Achievements

FY19 accomplishments

Lumi-pulse

【Japan】

Installation of large-sized instruments continued through the group synergy

- ✓ Annual installation units :148
Annual net increased units: +2
- ✓ Large-sized instrument ratio increased
- ✓ Intra-group transaction increased

【Overseas】

Net sales increased

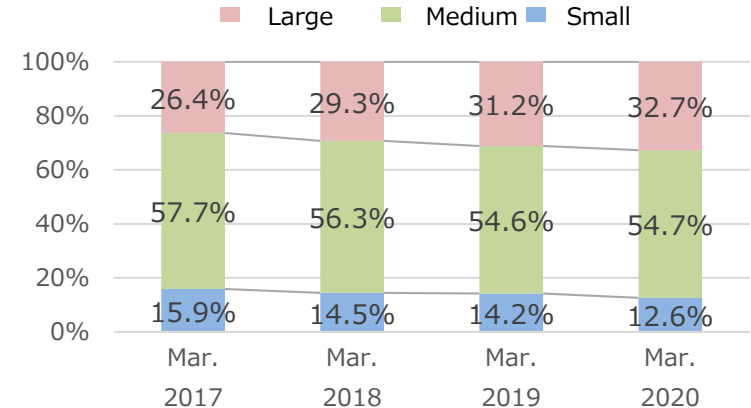
- ✓ Asia Installation :52, net increase: +48
- ✓ Europe and US Installation: 78, net increase: +54

OEM etc.

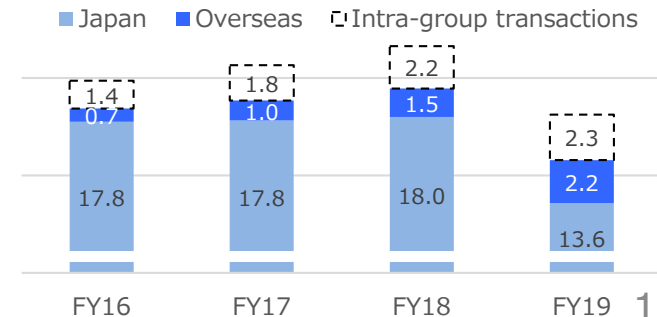
- Steady growth in FY19 despite of COVID-19 impact and slower demand from particular OEM client
- Enhancement of OEM business through establishment of FDJ (Fujirebio Diagnostics Japan)

Key achievements in recent 3 years

Breakdown of instruments installed in Japan by sizes



Lumipulse Sales breakdown (¥ billion)

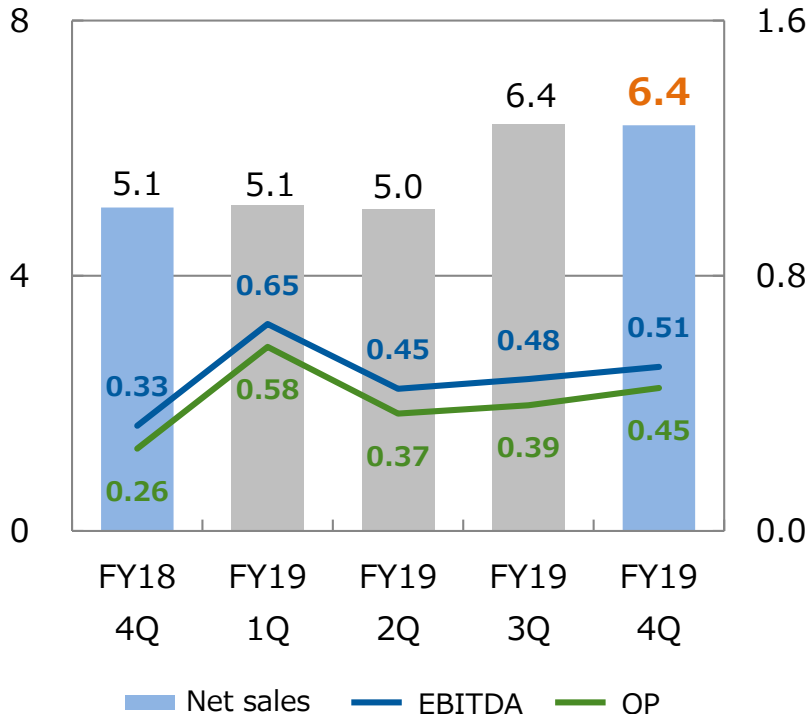


※ JRC business is included until FY18

Quarterly Transition

Net sales
(¥ billion)

EBITDA, OP
(¥ billion)



YoY Comparison

(¥ billion)

	FY18	FY19	Variance	
Net sales	19.0	22.9	+3.90	+20.6%
EBITDA	1.2	2.1	+0.84	+67.7%
OP	1.0	1.8	+0.82	+84.6%

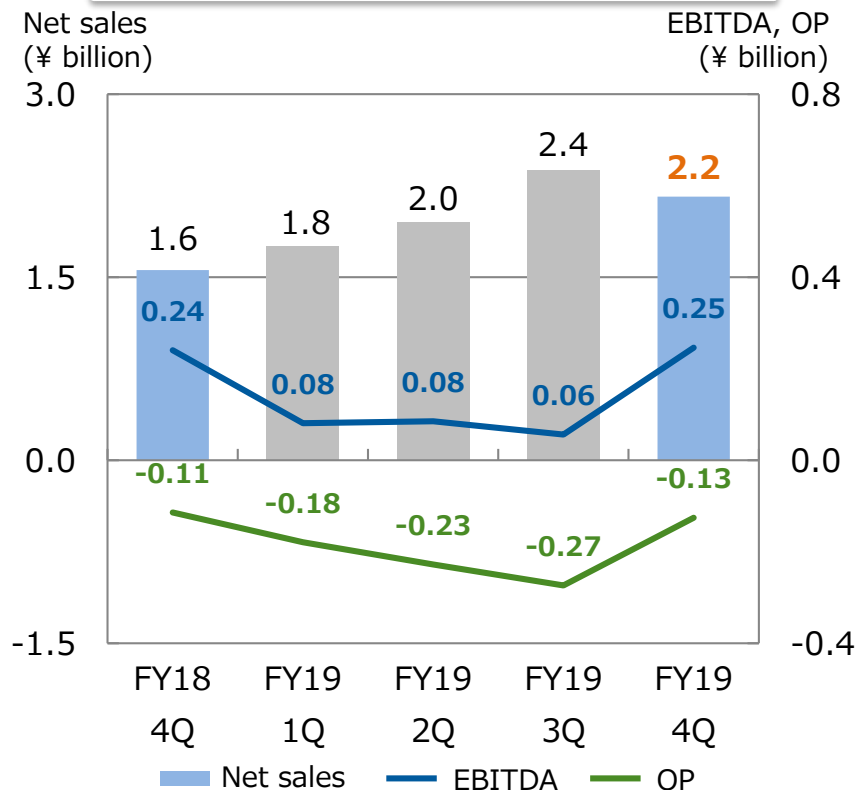
Net sales

- Growth from sale of equipment and consumables
- Commencement of deposit inventory business for medical items hiked sales growth
- Contract price upward revision

Operating profit

- Contract price upward revision

Quarterly Transition



YoY Comparison

	FY18	FY19	Variance	
Net sales	5.9	8.2	+2.32	+39.3%
EBITDA	1.1	0.5	-0.62	-56.9%
OP	-0.1	-0.8	-0.73	-

Net sales

- Growth in home-visiting, welfare business (+¥0.5 bn)
- Growth contribution from Selmesta (+¥2.0 bn)
- Downward impact from pharmacy business divestment (-¥0.6 bn)

Operating profit

- Profit margin improvement in 4Q

New business progress

- Food, environment, cosmetics testing business JIFE (Japan Institute of Foods Ecology) became a wholly owned subsidiary (as of Dec. 2019)

Consolidated results for FY19

	FY2018	FY2019	Variance	
Net Sales	181.4	188.7	+7.30	+4.0%
CLT	111.1	117.5	+6.39	+5.7%
IVD	45.4	40.1	-5.31	-11.7%
SR	19.0	22.9	+3.90	+20.6%
ENB	5.9	8.2	+2.32	+39.3%
OP⁽¹⁾	14.6 8.1%	9.9 5.3%	-4.71	-32.1%
CLT	5.2	5.2	+0.03	+0.5%
IVD	10.0	6.1	-3.95	-39.3%
SR	1.0	1.8	+0.82	+84.6%
ENB	-0.1	-0.8	-0.73	-
Or. Profit	11.5 6.4%	6.5 3.4%	-5.06	-43.9%
Profit/loss attributable to owners of parent	6.4 3.5%	-0.5 -0.3%	-6.90	-
EBITDA⁽²⁾	24.4 13.4%	21.3 11.3%	-3.08	-12.7%
ROE	5.7%	-0.5%	-6.1%	-
ROIC	6.3%	3.7%	-2.5%	-

(¥ billion)

Note: Small blue figures shown in the upper right corners are the individual profit margins

(1) OP includes Miraca Holdings and Miraca Research institute, as well as segmentation adjustments (FY18: -¥1.48 bn, FY19: -¥2.36 bn)

(2) EBITDA = Operating profit + Depreciation + Amortization of goodwill

Key Performance Indicators

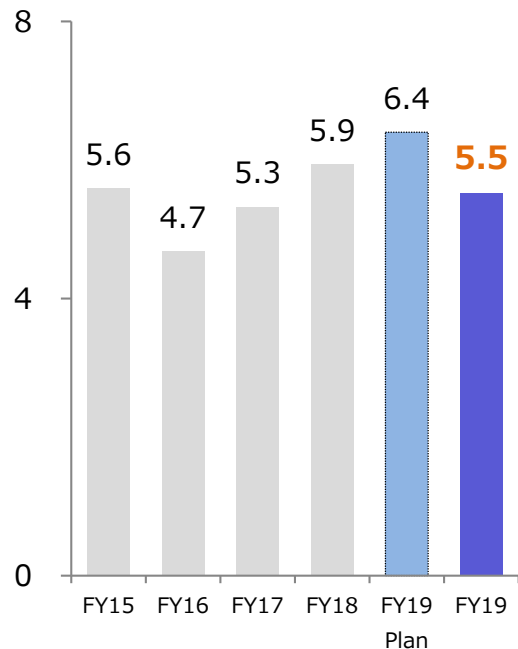
				FY19	FY18
CLT	Net # of increase/decrease for FMS/Branch lab clients			+ 50	+ 33
	Net # of increase/decrease for GP clients			+ 821	+ 933
IVD	Lumipulse (incl. all kinds of instruments)	Japan ⁽¹⁾	Installation #	148	150
			Net # of increase/decrease	+2	+ 30
		Over-seas	Installation #	130	135
			Net # of increase/decrease	+ 102	+ 117
Net amount of increase/decrease for intra-group transactions (billion yen)				+0.16	+0.34

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

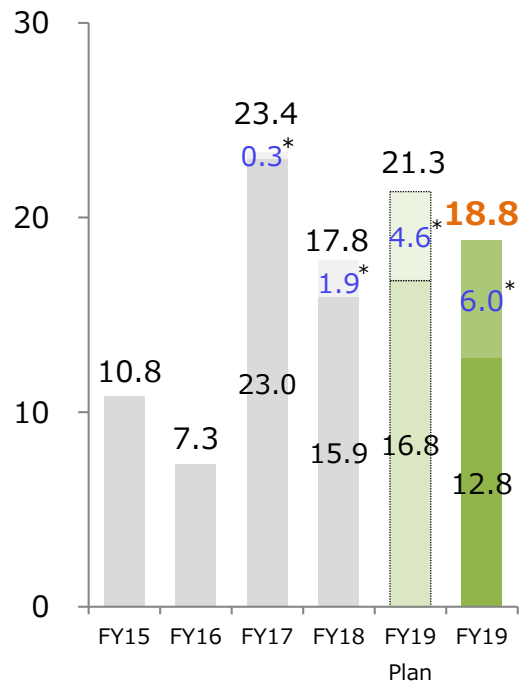
Transition of R&D, CAPEX, D&A (excl. CLT Global)

(¥ billion)

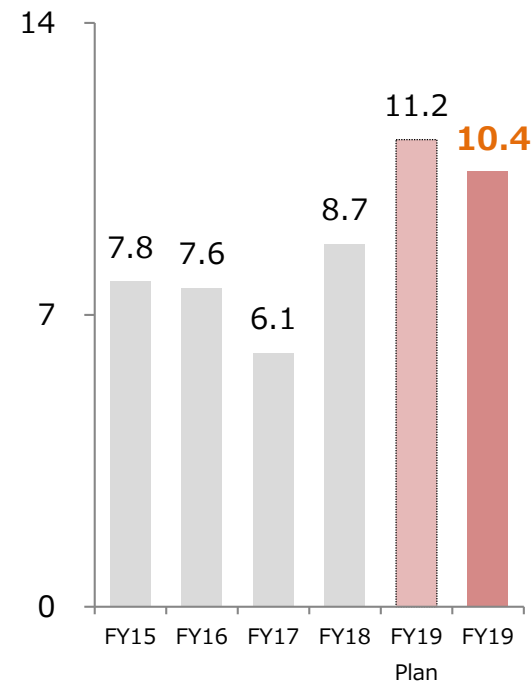
R&D



CAPEX



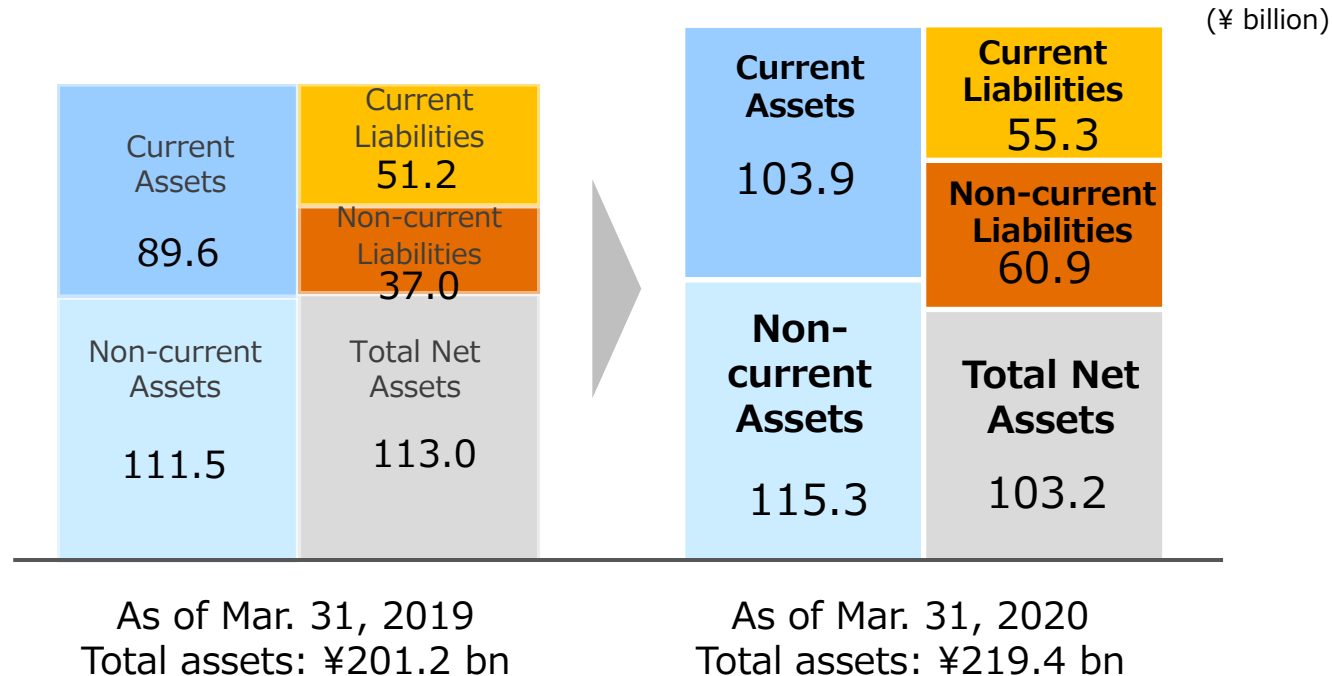
D&A



*CAPEX for New Central Lab

Consolidated Balance Sheet

- Capital for Akiruno Project procured through Social Finance Framework
- Financial discipline indicators
 - Capital adequacy ratio: 56.0% (March 2019) → 47.0% (March 2020)
 - Net debt to EBITDA ratio: 0.54x (March 2019) → 1.37x (March 2020)



Consolidated Cash Flow Statement

(¥ billion)

	FY18	FY19
Profit before income taxes	11.4	6.1
Depreciation	8.7	10.4
Others	-4.7	7.8
Subtotal	15.4	24.3
Interest and dividend income received	0.2	0.1
Interest expenses paid	-0.2	-0.2
Income taxes (paid) refund	0.8	-9.0
Cash flows from operating activities	16.2	15.2
Purchase of fixed assets	-26.7	-15.6
Others	-8.2	-6.2
Cash flows from investing activities	-34.9	-21.8
FCF	-18.7	-6.5
Proceeds from long-term loans payable and bonds	36.7	25.0
Repayment of long-term loans payable	-4.1	-7.9
Net increase (decrease) in short-term loans payable	8.5	-
Cash dividends paid	-7.4	-7.4
Others	-1.7	-1.5
Cash flows from financing activities	32.0	8.2
Cash and cash equivalents at end of period	33.7	36.2

Cash flows from operating activities decreased by ¥1.0 bn

- Operating CF excluding impact of income taxes (subtotal) increased by ¥8.9 bn

Cash flows from investing activities decreased by ¥13.1 bn

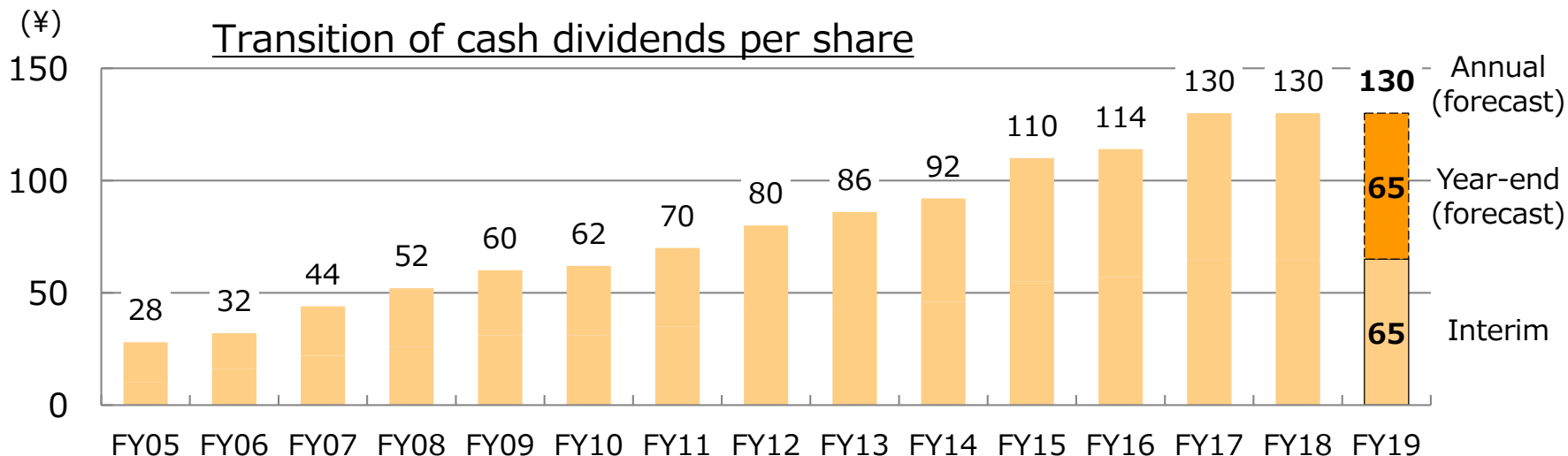
Free cash flows improved compared to previous year

Cash flows from financing activities decreased by ¥23.7 bn

- Procured ¥25.0 bn through Social Finance
 - ✓ Social Bonds: ¥20.0 bn
 - ✓ Social Loans: ¥5.0 bn

Dividend Policy

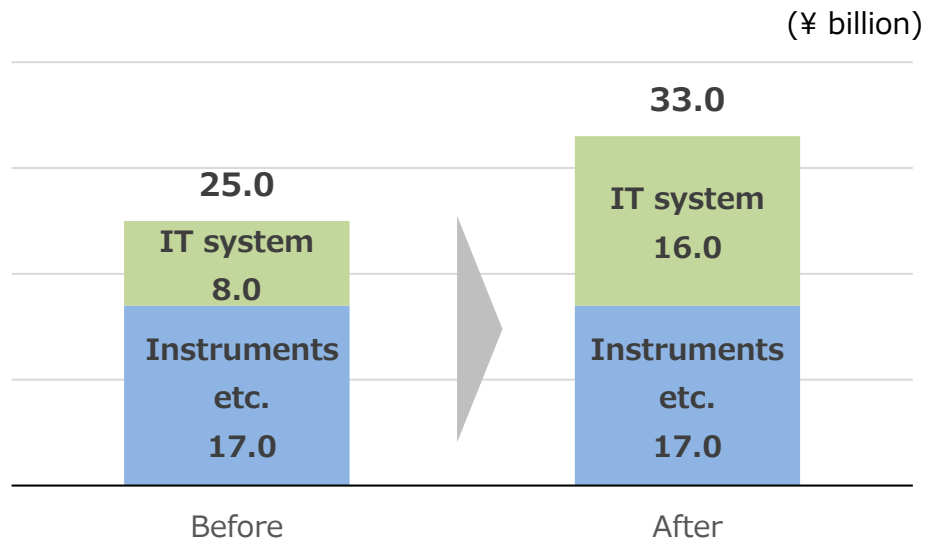
- Shareholder return policy unchanged
- Forecast 130 yen annual dividend per share for FY19



Update on Akiruno Project

Increase in CAPEX

After a close re-examination of IT system development validation process, the necessity for additional investment has emerged in order to fully secure the full automated operation in general testing labs.



**Total
CAPEX**

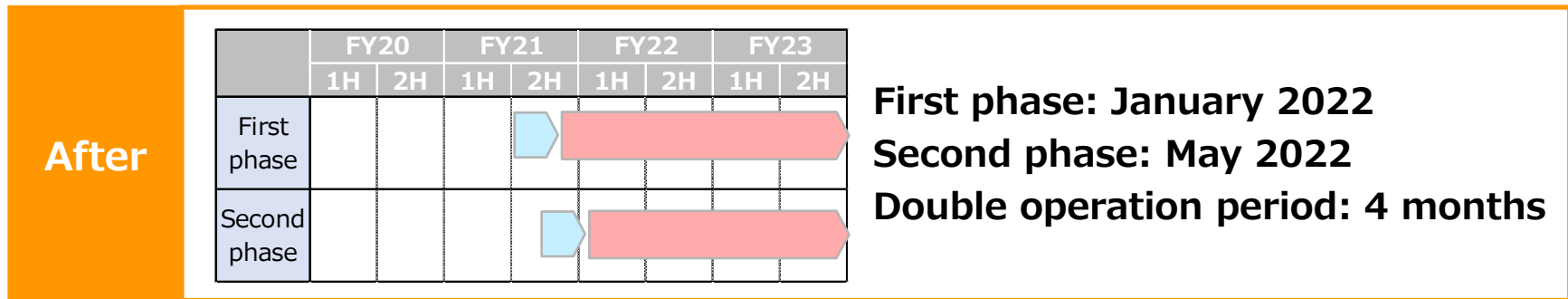
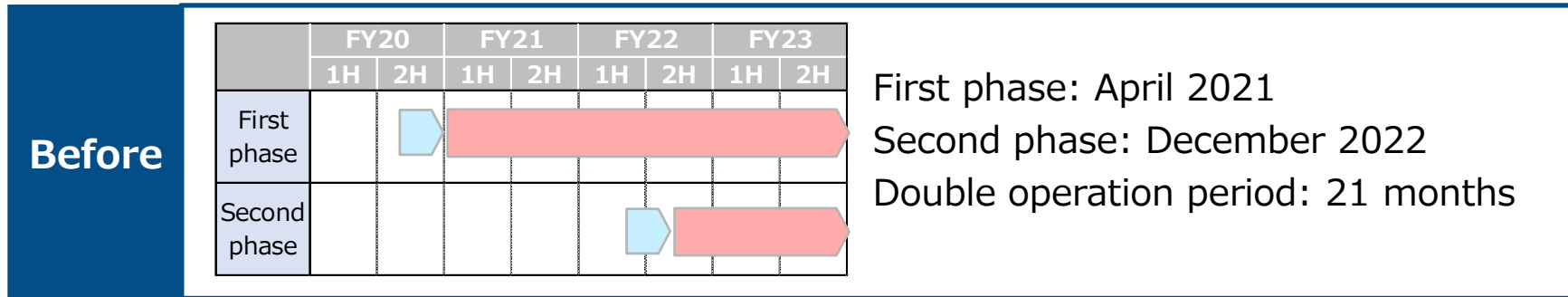
**¥33.0 bn
(+¥8.0 bn)**

**Depreciation
(Post full operation)**

¥5.3 bn/year

Timing to Commence Operation

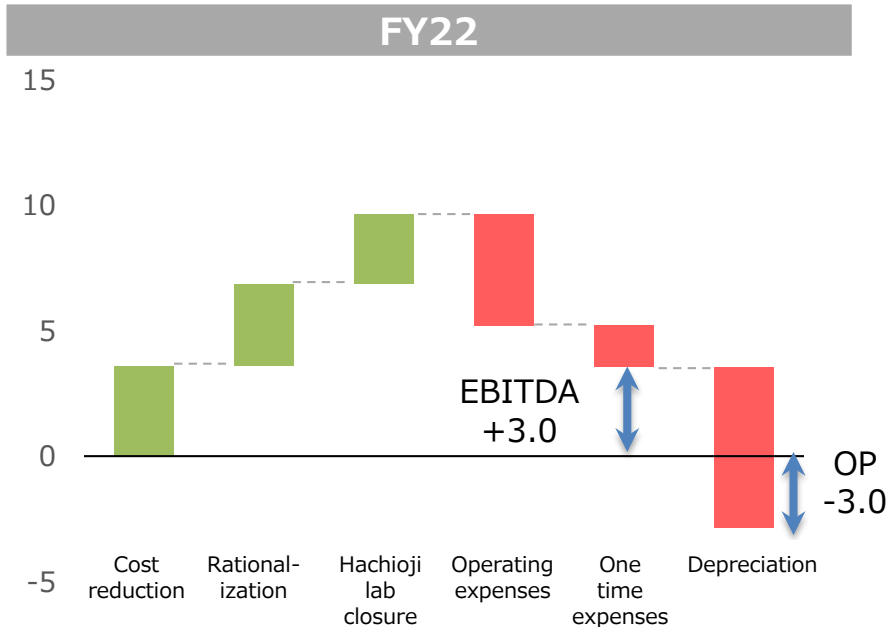
- Minimize costly double operation transition period among New CLT Lab and the existing Hachioji Lab by postponing commencement of the first phase operation while moving forward the second phase commencement
- The double operation period will be shortened 21 months to as short as 4 months



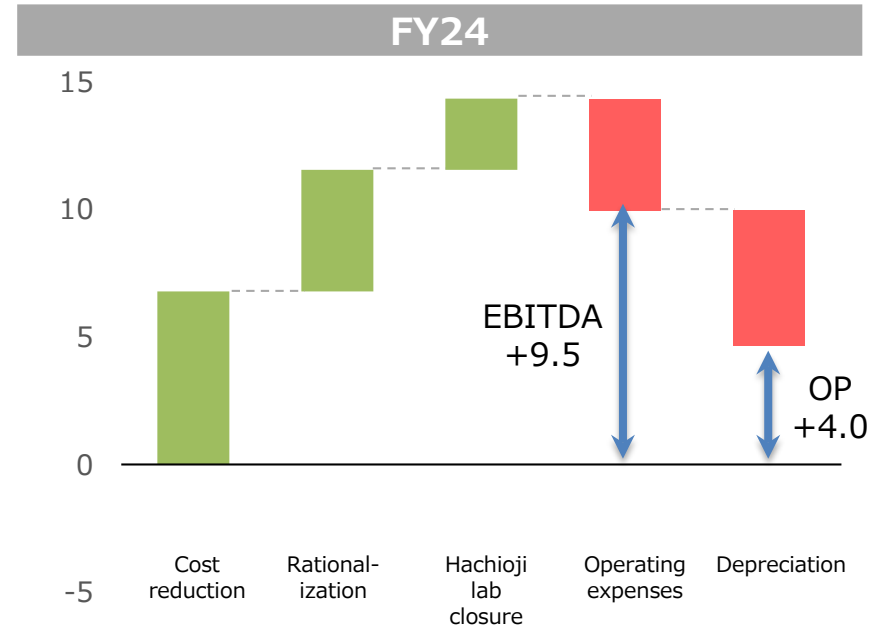
Validation period  In operation 

Cost Reduction Impact Through New Central Lab

Profitability will significantly improve in FY2024 (OP: +¥4.0 bn, EBITDA: +¥9.5 bn) (¥ billion)



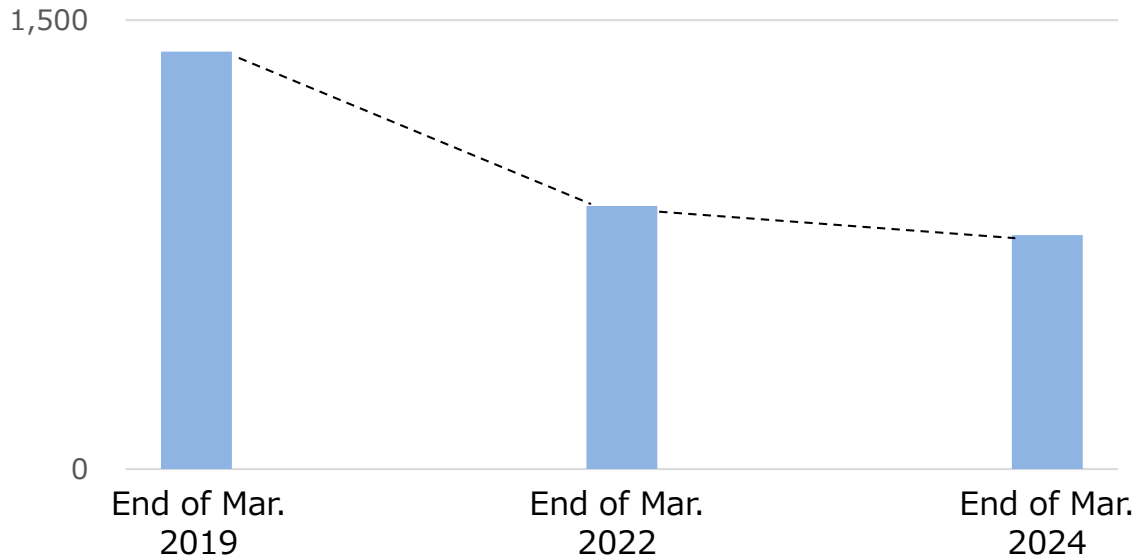
- Cost reduction impact through automation, etc. is limited
- Additional one time expenses



- Impact of cost reduction through automation of specimen reception/testing, IT system integration and rationalization exceeds operating expenses (incl. rent expenses) and depreciation

Transition of Head Counts

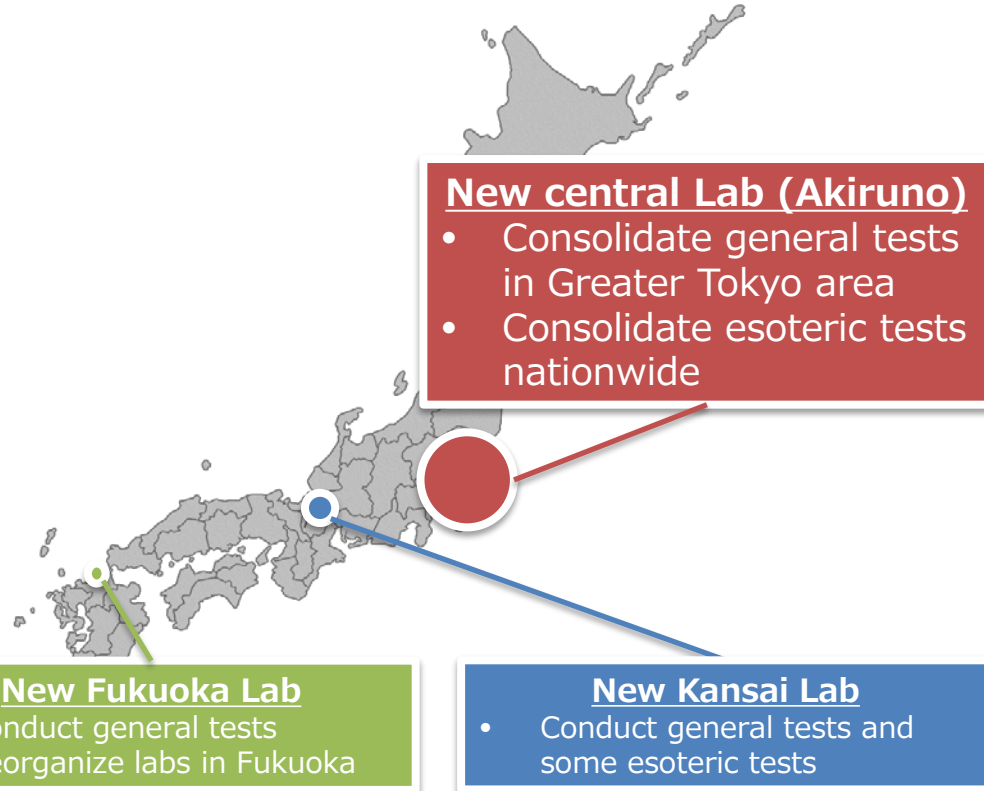
Forecast of head counts at Hachioji/Akiruno (employees dedicated to testing and acceptance)



Proceed reorganization of labs nationwide, in parallel with commencement of operation in Akiruno

Reorganization of Labs

Establish efficient lab network nationwide, pivoted on New Central Lab in Akiruno



Establish tri-axis lab network (New Central, New Kansai, New Fukuoka)

- Secure mutual supplementation capability for common test items as a BCP measure
- Optimize logistics costs

Convert satellite labs and regional labs (except for Fukuoka) into STAT labs⁽¹⁾

- Dedicated to regional urgent tests operated by smaller number of employees
- Winning clients while achieving both faster TAT (turn around time) and profitability

(1) Labs offering urgent tests only

Corporate Name Change

New Corporate Name



H.U. Group Holdings, Inc.

H.U. = Healthcare for You

- “Healthcare” : Expand business domain from “Medical” to “Healthcare”
- “for You” : Provide healthcare to individual (B2C)

Move one step forward from “Support medical mainly by providing clinical tests” to “Provide best healthcare to all people by facing each individual”

Appendix

Segment Information (IVD)

(¥ billion)

	FY2018	FY2019	Variance	
IVD net sales by sales destination	45.4	40.1	- 5.31	-11.7%
Overseas	24.1	23.7	- 0.44	-1.8%
Americas	12.0	11.6	- 0.34	-2.8%
Europe	9.7	9.5	- 0.18	-1.8%
Asia/Pacific	2.5	2.5	+ 0.07	+3.0%
Japan	21.3	16.4	- 4.87	-22.9%

R&D, CAPEX, D&A

(¥ million)

	FY2018	FY2019	Variance	
R&D Expenses	5,937	5,514	-423	-7.1%
CLT	320	355	+35	+10.9%
IVD	4,845	4,227	-618	-12.8%
SR	-	-	-	-
ENB	-	1	-	-
MHD, etc.	771	931	+160	+20.7%
Capital Expenditure	17,768⁽¹⁾	18,833⁽¹⁾	+1,065	+6.0%
CLT	11,638	13,333	+1,695	+14.6%
IVD	3,146	2,286	-861	-27.3%
SR	258	1,014	+757	+293.1%
ENB	1,130	1,474	+344	+30.4%
MHD, etc.	1,594	724	-870	-54.5%
Depreciation and Amortization	8,692	10,432	+1,741	+20.0%
CLT	4,384	5,680	+1,296	+29.6%
IVD	2,598	2,763	+165	+6.3%
SR	226	261	+35	+15.5%
ENB	989	1,129	+140	+14.2%
MHD, etc.	493	598	+105	+21.2%

(1) Including CAPEX for New Central Lab (FY18: approx. ¥1.9 bn, FY19: approx. ¥6.0 bn)

Number of Employees

	End of Mar. 2019		End of Sep. 2019		Variance	
	Regular	Contractor	Regular	Contractor	Regular	Contractor
Total	5,957	6,452	5,968	6,622	+11	+ 170
CLT	2,986	3,115	2,926	3,112	-60	- 3
IVD	1,116	121	1,129	118	+13	- 3
HR	1,181	3,118	1,161	3,152	-20	+ 34
ENB	304	73	393	188	+89	+ 115
MHD, etc.	370	25	359	52	-11	+ 27

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.