

Miraca Holdings Inc.

4544

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Summary

Creating new business opportunities through technological innovation and cutting-edge medical developments

Miraca Holdings Inc. <4544> (hereafter, also “the Company”) is a healthcare group with a focus on clinical laboratory testing that was established in 2005 through the business integration of FUJIREBIO INC., which manufactures and sells reagents and instruments used in in-vitro diagnostic testing field, and SRL, Inc., which provides clinical laboratory testing services. In October 2016, the Company appointed Mr. Shigekazu Takeuchi as the Director, President and Group CEO, and with the intention of radically reforming the Company’s businesses, from their structure through to the awareness of each employee, the Group came together to embark on structural reforms as a relaunch and made a new start in FY2017.

1. FY3/19 results overview

In the FY3/19 consolidated results, net sales were ¥181,415mn (down 7.2% year-on-year (YoY)), operating income was ¥14,648mn (down 17.0%), ordinary income was ¥11,524mn (down 30.4%), and profit attributable to owners of parent was ¥6,386mn (profit of ¥257mn in the previous fiscal year). Although sales in the domestic Clinical Laboratory Testing business grew and bottomed out, sales declined overall as Miraca Life Sciences, Inc. (pathological testing business in the US; hereafter, “MLS”) was removed from the scope of consolidation in November 2017. The reasons for the decline in profits were the upfront investment in order to build the foundations for growth in each business and the increase in depreciation resulting from the capital investment.

2. FY3/20 results forecasts

For the FY3/20 consolidated results, the Company is forecasting net sales of ¥191,000mn (up 5.3% YoY), operating income of ¥14,500mn (down 1.0%), ordinary income of ¥11,700mn (up 1.5%), and profit attributable to owners of parent of ¥7,600mn (up 19.0%). While progressing the mid-term plan’s basic policy, the Company will also accelerate various measures toward growing sales. It is progressing the construction of the New Central Laboratory with the main aims of improving processing capacity and operating efficiency, and it plans to review the current structure and actively establish a structural system and improve efficiency so that effects are generated simultaneously with the start of its operations in the spring of 2021.

3. FY3/20 business plan

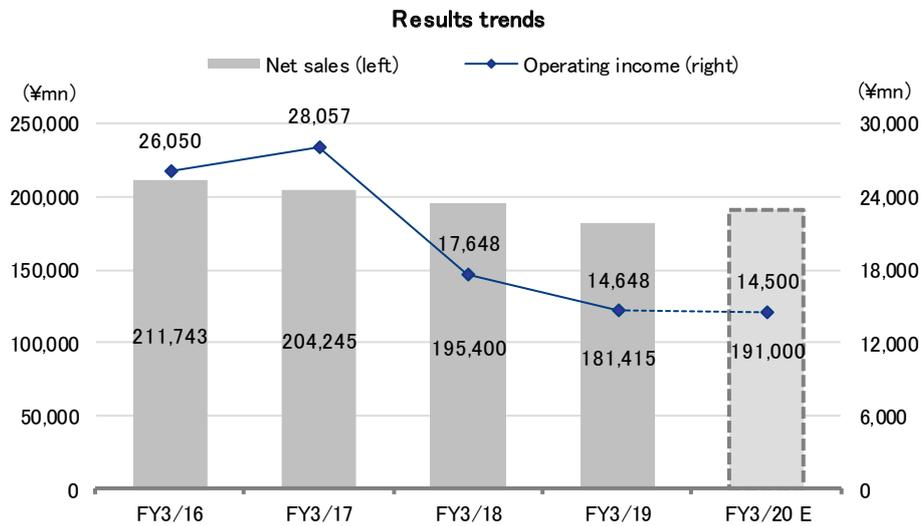
The Company will continue with the basic policy in the mid-term plan and further strengthen the existing businesses. On the other hand, up until now, it has been developing its businesses centered on clinical laboratory testing, which is a medical field covered by public insurance. However, in consideration of the new business opportunities created through technological innovation, cutting-edge medical developments and new policies in the social security field, the Company is actively working on open innovation, centered on the Miraca Central Laboratory, for R&D of new technologies. Also, in response to policy changes by the Japanese government, including the differentiation and collaboration of medical functions and promotion of the comprehensive community care system, it is currently focusing on expanding transactions with general practitioners and entering into the home medical services field. In terms of the horizontal development of technologies, it is aiming to expand its business to be a comprehensive testing company through re-entering the food, environment and cosmetics testing fields.

Summary

Furthermore, the Company is focusing on the wellness field. In the pre-symptomatic illness field, it has recognized the roles to be played, and in particular, it is actively working to expand services for self-medication (self-care to manage one's own health or to treat an illness) through corporate health insurance associations. For geographical expansion, it is aiming to expand its business in China through a joint venture with the Ping An Insurance Group. Centered on this geographical expansion, the expansion of fields, and the utilization and development of technologies, the Company is widening the scope of its business fields.

Key Points

- Results in the CLT business have bottomed out and it is entering a growth phase
- New business opportunities are being created through technological innovation, cutting-edge medical developments and changes to social security policies
- Generating synergies through a joint venture in China with the Ping An Insurance Group



Note: FY3/16, FY3/17 and FY3/18 include the CLT Global business, which was removed from the scope of consolidation in November 2017

Source: Prepared by FISCO from the Company's financial results

■ Business overview

Healthcare group with a focus on clinical laboratory testing starting structural reforms as relaunch of the Company

The Company is a healthcare group with a focus on clinical laboratory testing and manufacturing in-vitro diagnostic products that was established in 2005 through the business integration of SRL, Inc., which provides clinical laboratory testing services, and FUJIREBIO INC., which manufactures and sells reagents and instruments used in the in-vitro diagnostic testing field. In October 2016, the Company appointed Mr. Takeuchi as the Director, President and Group CEO, and with the intention of radically reforming the Company's businesses, from their structure through to the awareness of each employee, the Group came together to embark on structural reforms as a relaunch of the Company and made a new start in FY2017, including strengthening the healthcare business for consumers.

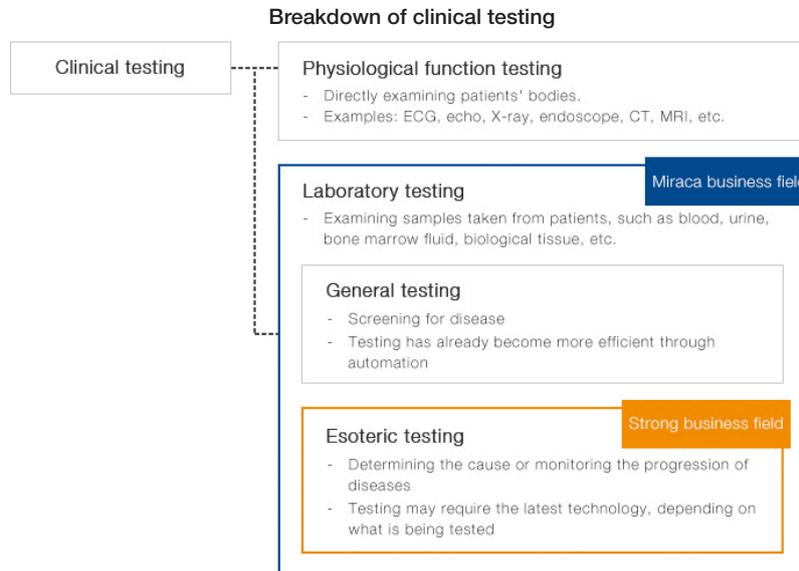
President Takeuchi joined Sony Music Entertainment Japan Inc. (at that time, CBS Sony Inc.) in 1976. After working as the Managing Director of this company's Corporate Planning Department and the Director of Aniplex Inc. (at that time, SME Visual Works Inc.), he became Chairman and Representative Director of Sony Pictures Entertainment (Japan) Inc. in 2006 and Representative Director, CFO of Avex Inc. (at that time Avex Group Holdings Inc.) and President of Avex Pictures, Inc. in 2009. In all of these positions, he has been a key person for management reforms, and has served as an executive for more than 30 years in the entertainment industry.

The Company is developing its businesses in the healthcare field, centered on clinical laboratory testing. It has three main businesses. In Clinical Laboratory Testing (hereafter, CLT), it provides the testing data used to diagnose the presence or absence of disease and the health status by taking specimens collected from patients in medical institutions. In In-Vitro Diagnostics (hereafter, IVD), it develops and manufactures the testing reagents and instruments used in testing and sells them in Japan and overseas. In Sterilization and Related Services (hereafter, SR), it provides services to support sterilizing and support hospital operations. To launch emerging businesses toward growth in the future, it established Emerging New Business and Others (hereafter, ENB) as a new business segment in April 2019.

1. CLT business

Since its establishment in 1970, one of SRL's strengths has been in special testing that requires advanced technologies, and it has expanded the market centered on large hospitals. As the leading special testing company, it has built relationships of trust with medical institutions through its advanced technological and academic capabilities. As a result, it has a record of doing business with about 80% of all major hospitals within Japan. It is also deepening collaborations with hospitals through planning and outsourcing for in-hospital testing laboratory operations.

Business overview



Source: The Company's website

More than 10,000 hospitals and clinics nationwide outsource more than 200,000 specimens every day to the Company, and the total number of outsourced tests annually is approaching 0.4 billion tests. This is equivalent to testing approximately three times the total population of Japan in one year, with the calculations being conducted by the Company's laboratories. It develops and manages its own systems, such as temperature-controlled sample transport boxes and an original laboratory automation system. Also, its testing facilities located in the main local regions are able to provide quick reports for general tests, and it has an outsourcing system in place for all the clinical laboratory testing fields, ranging from general and emergency tests to special and research tests. Moreover, in 2010, the Company became the first in Japan to introduce dual-arm robots into their testing laboratories. Using such robots has enabled it to improve the efficiency of the testing work, reduce the number of staff required, and improve the quality of the testing.

The global development of LUMIPULSE®, a fully automated chemiluminescent enzyme immunoassay system

2. IVD business

Centered on FUJIREBIO, the Group develops, manufactures, sells, imports and exports, and provides support for in vitro diagnostics and products, including both reagents and equipment used for the early detection and diagnosis of diseases at medical sites. FUJIREBIO succeeded in commercializing the world's first serodiagnostic test for syphilis and started selling the treponema pallidum hemagglutination assay (TPHA) test in 1966. Since its foundation in 1950, it has been providing a wide range of products, including testing reagents and instruments mainly for infectious diseases and tumors, to medical institutions and clinical testing centers. Also, in 1992 it started sales of the fully automated chemiluminescent enzyme immunoassay system LUMIPULSE®1200. It started selling the LUMIPULSE series in overseas markets since 2011, mainly LUMIPULSE G1200. Then in 2015, it launched sales of LUMIPULSE®L2400, which has advanced processing capabilities. LUMIPULSE®L2400 can also be connected to a biochemical automatic analyzer. Globally, including Japan, FUJIREBIO has sold more than 1500 units of the LUMIPULSE series in countries and regions including China, South Korea, Taiwan, Italy, Spain, France, and Germany, supporting the routine testing conducted at medical institutions and testing centers.

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Business overview

LUMIPULSE series



LUMIPULSE*G1200



LUMIPULSE*L2400



LUMIPULSE*G600 II

Source: The Company's website

In the reagents field, the Company has a wide lineup of reagents not only for infectious diseases such as hepatitis, but also including items used for testing related to tumor markers and endocrine (lifestyle-related diseases, etc.). In recent years, it has launched HBsAg-HQ, a highly sensitive HBs antigen measurement reagent, in Japan, and an Alzheimer's disease-related reagent in Europe, and it has been expanding its lineup of reagents, including its own proprietary items. Also, in its global development and quality assurance system, it has established a system in which the development functions located in Japan, the United States, and Europe are organically linked, and it is progressing product development. At the same time, it is managing a global marketing system in order to ascertain the different needs in each region around the world.

3. SR business

The Company provides total support for the sterilizing work process of recovery cleaning assembly sterilizing supply, conducted by the central sterilizing material departments in hospitals for the medical equipment used during medical treatment. It offers enhanced safety in operations and handling of various equipment, as well as improved efficiency in the work process, and moreover the creation of an environment in which nurses can concentrate on nursing work. NIHON STERY Co., Ltd., is developing this sterilizing business in the Kanto, Chubu, Kinki, Chugoku, and Kyushu regions.

4. ENB business

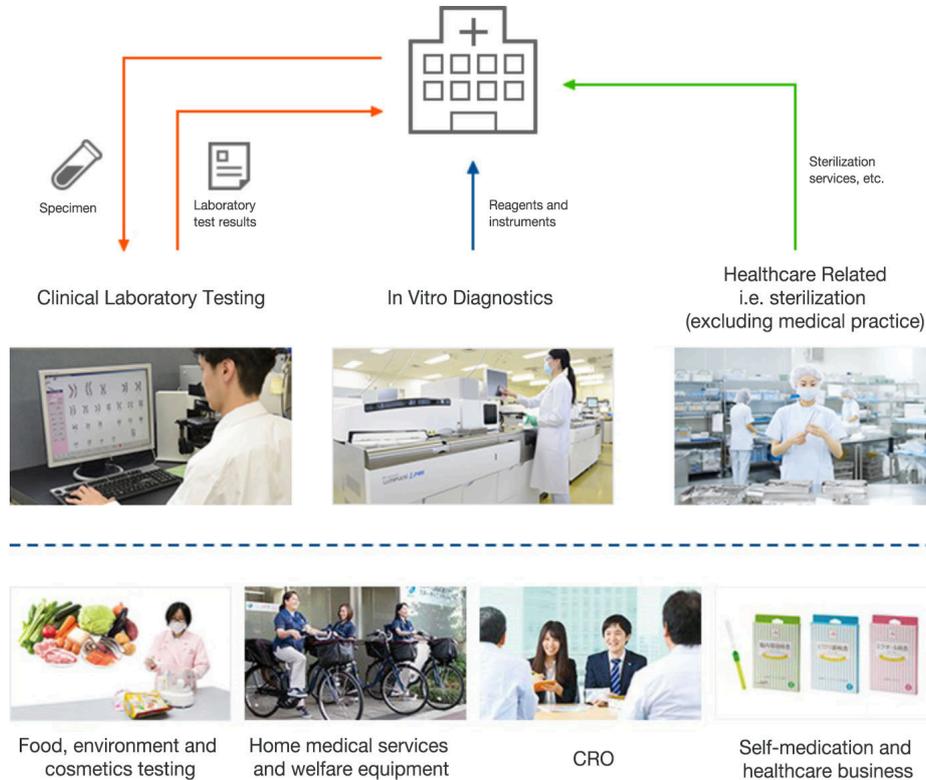
Up until now, the Company has been developing its business mainly in the medical fields covered by public insurance centered on clinical laboratory testing. More recently it is also cultivating new businesses toward growth in the future, leveraging the knowledge, technologies, and expertise from existing businesses. Specifically, it is developing a food, environment, and cosmetics testing business; a home medical services and welfare equipment business; a CRO business; and a self-medication and healthcare business.

5. Joint venture in US

In February 2015, the Company established Baylor Miraca Genetics Laboratories, LLC (US; hereafter, "BMGL"), a joint venture with the Baylor College of Medicine (US) to conduct genetic testing. It is able to access the Baylor College of Medicine's advanced gene analysis technologies (for DNA sequencing, etc.), and is promoting the commercialization of testing services using these technologies.

Business overview

Overview of the Company Group's businesses



Source: The Company's website

Results trends

Although sales and profits declined in FY3/19, domestic CLT sales saw steady growth. When excluding the effects of MLS being removed from the scope of consolidation, sales increased 1.5% YoY

1. FY3/19 results overview

In the FY3/19 consolidated results, net sales were ¥181,415mn (down 7.2% YoY), operating income was ¥14,648mn (down 17.0%), ordinary income was ¥11,524mn (down 30.4%), and profit attributable to owners of parent was ¥6,386mn (profit of ¥257mn in the previous fiscal year). Sales grew in domestic CLT business, but as MLS was removed from the scope of consolidation in November 2017, sales declined overall. The reasons for the decline in profits were upfront investment to build the foundations for growth in each business and the increase in depreciation resulting from the capital investment. Other than the above, BMGL, an equity-method affiliate, recorded an investment loss from the equity method due to the worsening of its results. Also, after comprehensively considering the results and the results forecasts, the Company reversed one part of its deferred tax assets, and profit attributable to owners of parent became ¥6,386mn (¥257mn in the previous fiscal year).

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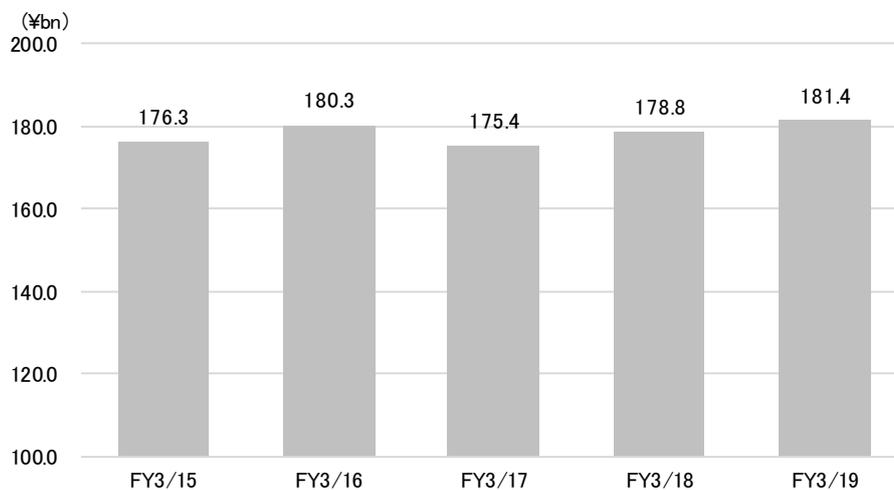
Results trends

Results overview

Fiscal period	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	¥mn	
					EPS (¥)	Dividend (¥)
FY3/18	195,400	17,648	16,567	257	4.51	130
FY3/19	181,415	14,648	11,524	6,386	111.94	130
FY3/20 E	191,000	14,500	11,700	7,600	133.43	130

Source: Prepared by FISCO from the Company's financial results

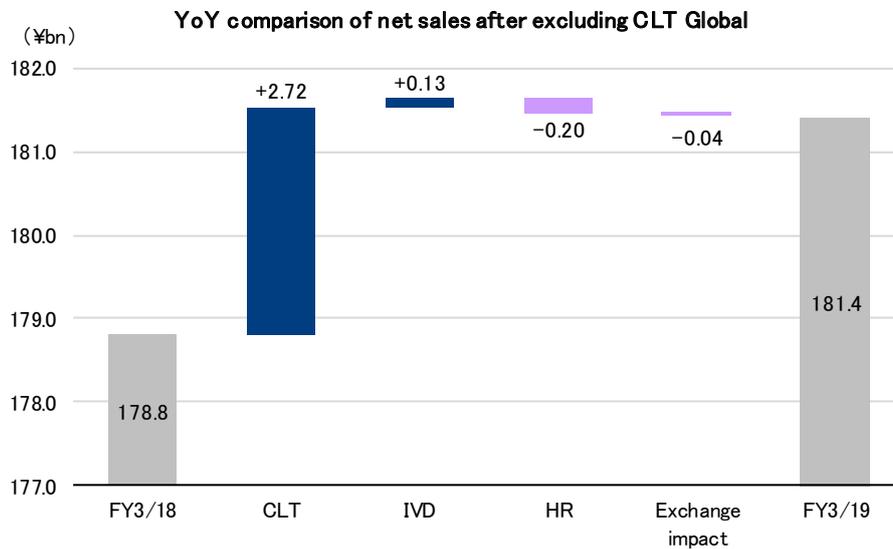
As the trend in consolidated net sales after excluding CLT Global, sales increased 1.5% YoY.

Trend in consolidated sales (excl. CLT Global)


Source: Prepared by FISCO from the Company's results briefing materials

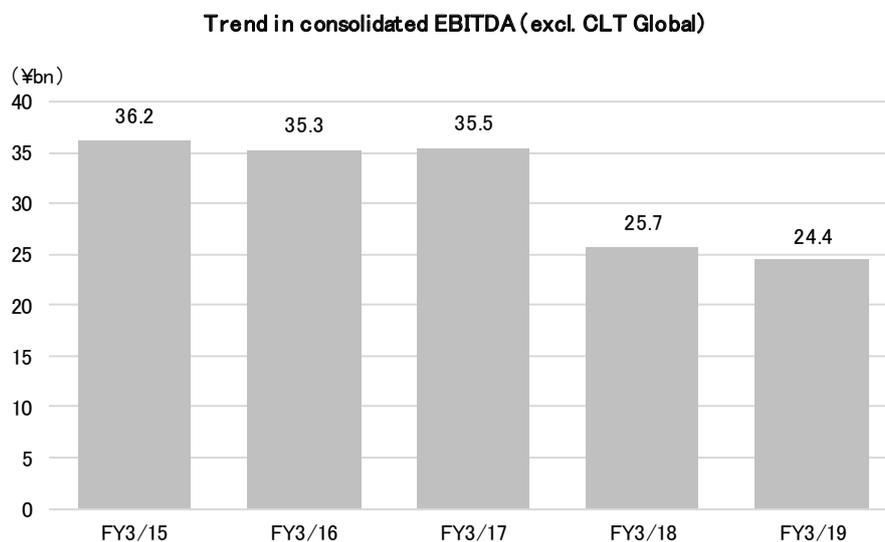
In the YoY comparison of net sales after excluding CLT Global, sales increased ¥2.72bn from CLT (Clinical Laboratory Testing) and ¥0.13bn from IVD, while they decreased ¥0.2bn from HR (Healthcare Related) and ¥0.04bn from the effects of exchange rates. The contribution of CLT was large, while the effects of IVD, HR, and exchange rates were basically unchanged.

Results trends



Source: Prepared by FISCO from the Company's results briefing materials

After excluding CLT Global, EBITDA (EBITDA = operating income + depreciation + amortization of goodwill) decreased to ¥24.4bn. Operating income decreased by only approximately ¥1.3bn, compared to a decrease of ¥4bn in the previous fiscal year. This was because the Company continued to actively invest in growth during these two years and the resulting increase in depreciation.



Note: EBITDA = Operating income + Depreciation + Amortization of goodwill
 Source: Prepared by FISCO from the Company's results briefing materials

Results trends

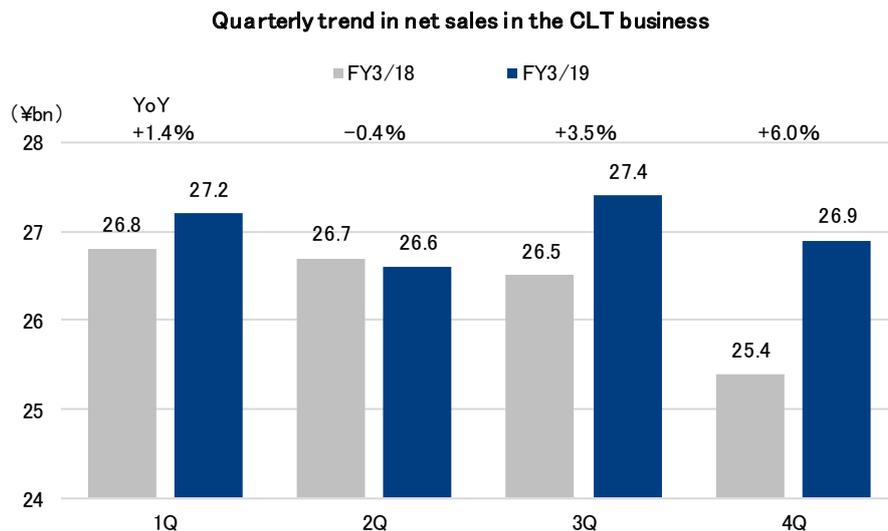
2. Segment overview

(1) CLT

In CLT, net sales were ¥108,084mn (down 11.4% YoY) and operating income was ¥4,637mn (down 38.2%). In the domestic business, growth was limited in the 1H, partly due to the impact of a natural disaster. From the 2H, sales increased, largely due to the acquisition of new customers, and sales rose for the full fiscal year in the domestic business. However, sales for the overall business segment decreased because MLS was removed from the scope of consolidation in November 2017. Profits also decreased, due to the effects of upfront investment to build the foundations for growth and the increase in depreciation due to the capital investment.

In the YoY comparison of the 4Q in the CLT business, net sales grew 6.0% YoY.

The extent of the growth accelerated month after month, and the Company expressed its opinion that the CLT business has bottomed out and is now in the middle of a growth process. Operating income declined 15.4% compared to the same quarter in the previous fiscal year, but EBITDA increased 16.1% YoY.



Source: Prepared by FISCO from the Company's results briefing materials

Also, in line with the quarterly trend in net sales in the CLT business, sales are growing from new customer acquisition, the increase in volume, and for new items including gene-related testing. In the 2Q, sales declined 0.4%, partly due to the effects of the declines in prices and a natural disaster, and as can be seen from the quarterly trend, growth accelerated across all of the periods, from which we can sense the response to the Company's efforts. The acquisition of the customer base and the accompanying increase in testing volume would seem to indicate that these efforts are connecting to sales. The trend looks set to continue and we can expect growth in the future.

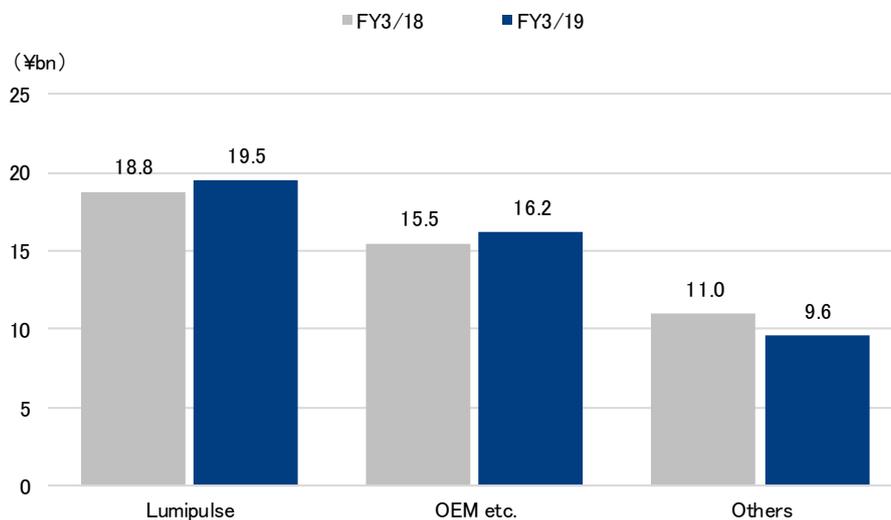
Results trends

(2) IVD

In IVD, sales and profits increased, with net sales of ¥45,399mn (up 0.2% YoY) and operating income of ¥10,035mn (up 2.0%). Sales grew of the mainstay products of LUMIPULSE reagents, but net sales growth was limited due to decreasing factors such as a rebound from the temporary sales by an overseas subsidiary in the previous fiscal year and the impact of the end of sales of an existing overseas product in the domestic business. Profits also increased alongside the improvement to the product mix.

In the comparison of net sales by sub-segments, LUMIPULSE sales grew both domestically and overseas and increased 3.3% YoY. OEM and raw materials sales also grew steadily, rising 5.1%, including due to the pushing forward of projects from FY3/20. However, sales of other products declined 12.5%, because of the end of sales of an existing overseas product and the fall in sales of manual products in the US and European markets.

Comparison of net sales by IVD business segment



Source: Prepared by FISCO from the Company's results briefing materials

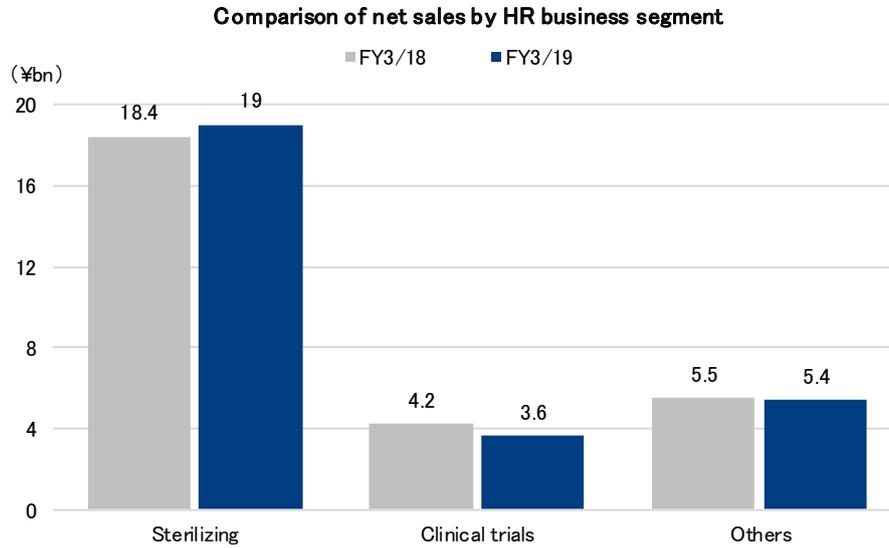
(3) Healthcare Related (HR)

Up until FY3/19, it was a healthcare-related business, including sterilizing, clinical trials, and nursing care equipment rental businesses.

In the HR business, net sales were ¥27,931mn (down 0.7% YoY) and operating income was ¥1,460mn (down 40.3%). The sterilizing business performed solidly, but sales declined in the clinical trials business. In addition, a factor causing sales to fall was the sale of Community Medicine Support Center, Inc., which manages dispensing pharmacies. In addition to the lower profits due to the decline in sales, operating income was impacted by the costs to strengthen the foundations of the sterilizing business.

In the comparison of net sales by HR business segment, sales in sterilizing increased 2.9% YoY, while they decreased 13.8% for clinical trials and 3.0% for others. Sterilizing was a factor in increasing sales through product sales to existing customers. Clinical trial was a factor in decreasing sales because of the decline in sales of outsourced clinical trial contracts and the removal of Asmo Clinical Pharmacology Laboratories Ltd. from the scope of consolidation. For others, Community Medicine Support Center was sold in October 2018, and the effect of this in terms of reducing sales was approximately ¥0.8bn.

Results trends



Source: Prepared by FISCO from the Company's results briefing materials

Focusing on increasing market share in the general practitioner market and the in-hospital testing business, which are steadily expanding

3. Progress of priority measures

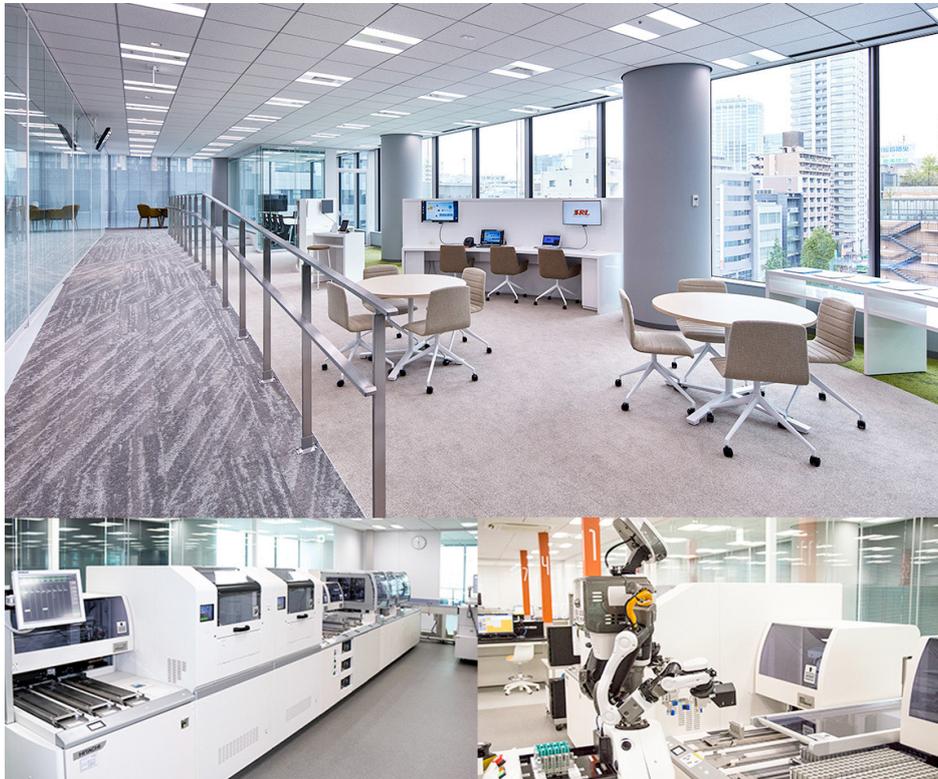
(1) Penetration into the GP market

The Company is actively working to acquire general practitioners by providing high-value-added services, and has established dedicated sales organizations for general practitioners in regions including Tokyo, Osaka, and Fukuoka. As a result, the net increase in the number of medical practitioner customers rose by 933 (516 in FY3/18). Compared to the previous fiscal year, the net sales growth rate grew from 0.7% in FY3/18 to 2.5% in FY3/19.

Results trends

The testing outsourced from general practitioners is mainly general testing, and the numbers of medical fee calculation points have already been reduced to their lower limits, and the situation is that it is difficult to acquire customers at higher prices than these limits. In this sort of environment, the Company is aiming to increase customer numbers by providing general practitioner customers with high-value-added services, and as one part of this, it newly opened the SRL Advanced Lab. Azabu in Tokyo in May 2018. This laboratory is equipped with the latest instruments, such as to automate general testing, and it realizes high-quality testing services while also functioning as a showroom. The laboratory, which has a testing capacity for up to 3,000 specimens per day, supports testing of 111 items in the 5 fields of blood, biochemistry, urine, feces, and immunity. It realizes fully automated testing and can provide a test report in as little as 30 minutes (the standard is 2 hours) from the arrival of the specimen. It has a complete system in place, operating 24 hours a day, 365 days a year, and is able to respond in times of emergency. It effectively utilizes cooperative robots to automatically determine and process specimens which require retesting. In the showroom, general practitioners can actually observe testing up close and experience a collaboration demonstration with the various electronic medical record systems. Regarding data linkage and external support service coordination, it has become possible to collectively manage test results, including both tests outsourced to the Company and tests conducted within hospitals, by utilizing PLANET NEXT®, a test results reference system provided by the Company. Compared to the previous fiscal year, the number of customers acquired increased due to the expansion of value-added services from these measures. PLANET NEXT® is also able to link data on the smartphones of patients, not only for test results, but it can also link and automatically import data such as patient’s dietary habits and their weight measured at home. By sharing information between doctors and patients, it makes it possible to collectively manage health information.

A next-generation, fully automated laboratory equipped with the latest instruments



Source: The website of SRL, Inc.

Results trends

(2) Acquisition of in-hospital testing business

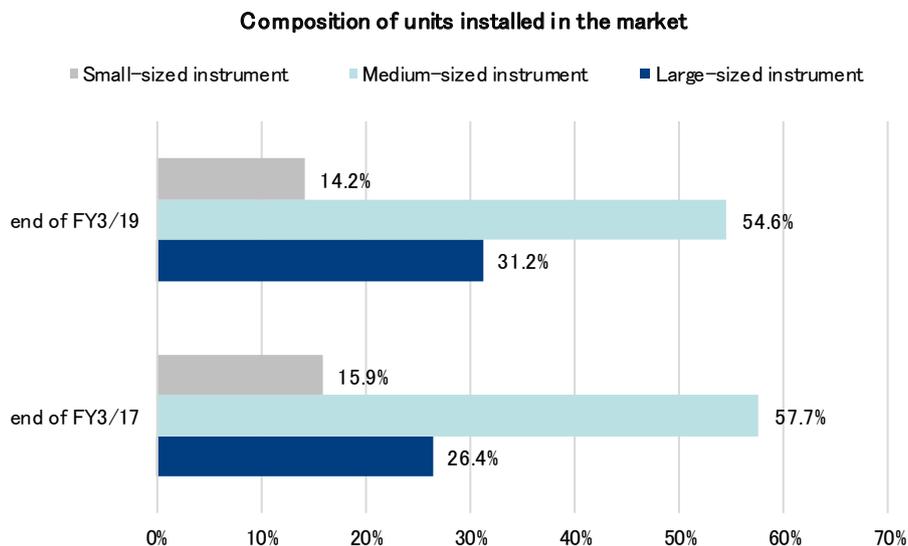
For acquisition of in-hospital testing business, the Company proposes a standard package centered on FUJIREBIO products. Based on this initiative, the net increase in in-hospital testing business customers was 33 (15 customers in FY3/18). Although it did not reach to the expected target, the number is increasing in every period indicating an upward trend. Compared to the previous fiscal year, the net sales growth rate increased from 2.5% in FY3/18 to 3.0% in FY3/19.

(3) LUMIPULSE business

The Japanese LUMIPULSE business focuses on installing large-sized instruments with high processing capabilities, namely LUMIPULSE @L2400. The annual number of installations of all models was 150 (147 in FY3/18), with a net increase of 30 units. As the net increase was only one unit in FY3/18, this showed major progress. Also, regarding the composition of instruments installed in the market, a shift from small- and medium-sized to large-sized instruments is taking place, and in two years, the percentage of large-sized instruments has increased by approximately 4.8%. Large-sized instruments have a high number of tests per unit and the gross profit of their dedicated reagents is also relatively high. Although the percentage of medium-sized machines has been declining, there will be a shift to large-sized instruments with high gross profit. The net increase in the number of units also raises expectations of an increase in sales of reagents in the future.

In the global LUMIPULSE business, sales of reagents are rising alongside the increase in the number of units installed. The number of annual installations of units is increasing in both Asia and Western countries, with 48 units (25 units in FY3/18) and 87 units (55 units), respectively. The net increases in the number of units were 44 in Asia and 75 in Western countries.

In the composition of units installed in the market, a shift from small- and medium-sized to large-sized instruments is taking place

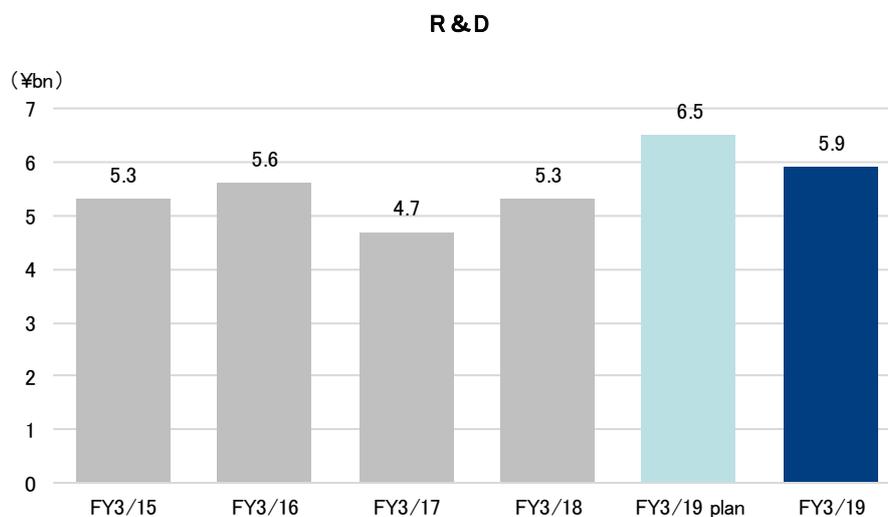


Source: Prepared by FISCO from the Company's results briefing materials

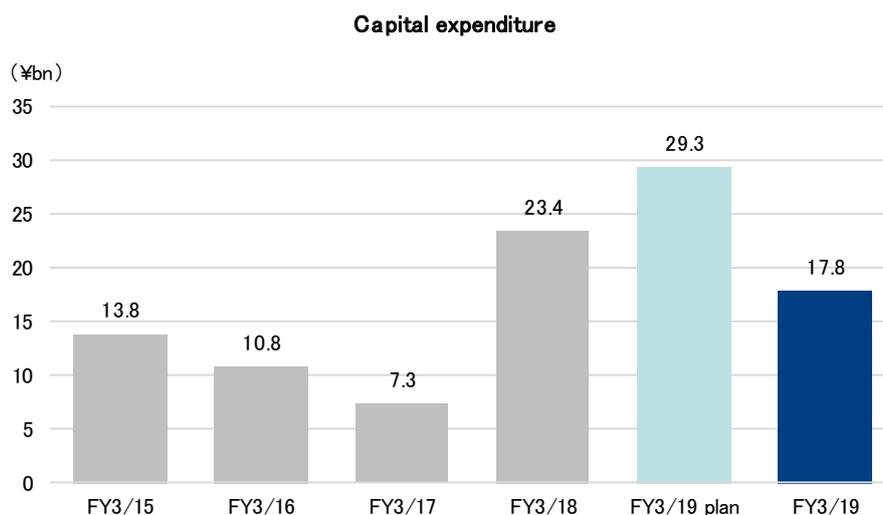
Results trends

R&D capital expenditure and depreciation

Spending on R&D was ¥5.9bn, which was ¥0.6bn less than planned, but still an increase of ¥0.6bn YoY. The Company strengthened fundamental research, centered on the Miraca Central Laboratory. Capital expenditure was ¥17.8bn, significantly less than it initially planned (¥29.3bn). This was impacted by receiving instruments and equipment purchased at the end of the previous fiscal year, in addition to completing a round of capital investment accompanying the establishment of the business infrastructure. Depreciation increased ¥2.6bn from the previous fiscal year due to active capital investment, continuing on from the previous fiscal period.

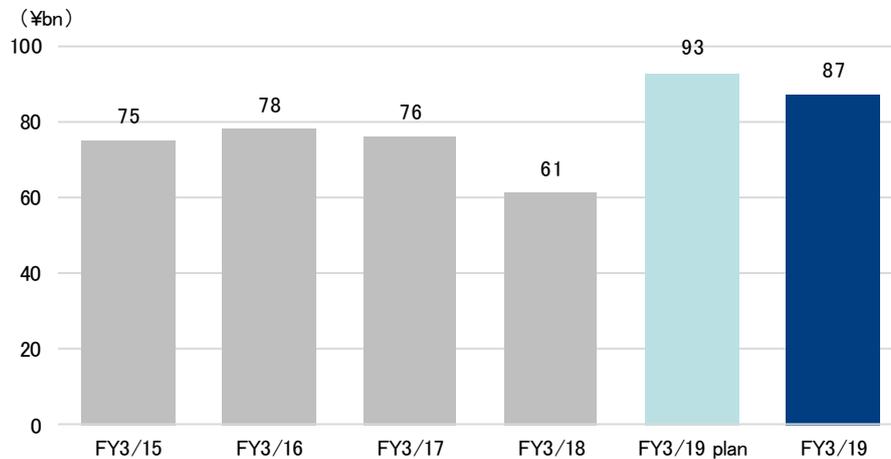


Source: Prepared by FISCO from the Company's results briefing materials



Source: Prepared by FISCO from the Company's results briefing materials

Results trends

Depreciation


Source: Prepared by FISCO from the Company's results briefing materials

Business outlook

Steering a course for growth in the future. In FY3/20, results will be driven by the CLT business

1. FY3/20 forecasts

For the FY3/20 consolidated results, the Company is forecasting net sales of ¥191,000mn (up 5.3% YoY), operating income of ¥14,500mn (down 1.0%), ordinary income of ¥11,700mn (up 1.5%), and profit attributable to owners of parent of ¥7,600mn (up 19.0%). Although FY3/20 is the final fiscal year of the mid-term plan, it is expected that the initial mid-term plan targets will not be achieved. For net sales, this is expected to be the result of a reduction in prices in the CLT business and shortfall of new customers acquired that missed the Company's target and had an adverse impact on both the CLT and IVD businesses. For profits, the lag was due to the delay in the rationalization measures and upfront investment for business development in Asia in CLT, and upfront investment to strengthen the OEM business in IVD.

In addition, the Company expects a negative impact from the deal completion with the Japanese Red Cross Society in the IVD business, but the plan is to offset the losses with the effects of sales growth from the CLT business. The Company will continue to strengthen the existing businesses concurrently while accelerating investment for growth towards new businesses. Excluding one-time issues affected in the past few years, such as termination of the new core business system Navi-Lab, divestiture of MLS, and recruitment of voluntary retirees, it is thought that the Company has in place the conditions to steer a course for growth in the future.

Business outlook

Comparison of the mid-term plan and the FY3/20 plan

	Mid-term plan numerical targets	FY3/20 forecasts	Difference
Net sales (¥bn)	207.0	191.0	-16.0
Operating income (¥bn)	25.0	14.5	-10.5
EBITDA (¥bn)	38.0	26.5	-11.5
ROE	10% or above	6.8%	-
ROIC	8% or above	5.2%	-

Source: Prepared by FISCO from the Company's results briefing materials

The outline of the FY3/20 plan is as follows.

(1) Further reinforcement of the existing businesses

While progressing the mid-term plan's basic policy, the Company will accelerate the various measures aimed at sales growth. It is constructing the New Central Laboratory, mainly in order to improve processing capabilities and operating efficiency. Up until the spring of 2021, when operation will commence, it plans to review the current structure and to actively work to establish a system and improve efficiency so that the effects can be immediately obtained at the stage of moving to the New Central Laboratory.

(2) Upfront investment for future growth

To seek business expansion opportunities in the clinical laboratory testing market in China, the Company has established Ping An SRL Medical Laboratories in Shenzhen, Guangdong Province, China in February 2019 as a joint venture company with Ping An Healthcare Investment Management Co., Ltd (hereafter, the "Ping An Insurance Group") through its consolidated subsidiary SRL (Hong Kong) Limited. Also, as part of its aim to be a comprehensive testing group, the Company will be entering into testing for the food, environment, and cosmetics fields. It has already received inquiries and is expanding the scope of its business from this new area as well.

(3) Business development

The Company is launching new businesses from a medium-term perspective and expanding measures for them. It has established a new business promotion organization to conduct the business development for this.

New business opportunities are being created through technological innovation and cutting-edge medical developments

2. Direction of future business expansion

The Company has been developing its business in fields covered by public insurance, centered on clinical testing. In this area, new business opportunities are being created through technological innovation and cutting-edge medical developments. For technological developments, it will actively work in the cancer genome and regenerative medicine fields, and endeavor new fields centered on the Miraca Research Institute. Also, in response to market changes, it is currently focusing on the acquisition and expansion of transactions with general practitioners and entering into the home medical services field, while actively responding to developments, such as the promotion of medical functions' differentiation and collaboration, the comprehensive community care system and the expansion of home medical services.

In terms of the utilization of technologies, it is expanding the scope of its horizontal business development through entering into the food, environment, and cosmetics testing fields.

Furthermore, the Company is focusing on the wellness field. In the pre-symptomatic field, it has confirmed the roles to be played, and in particular, it is actively working to expand services for self-medication (self-care to manage one's own health or to treat an illness) through corporate health insurance associations. For geographical expansion, it is aiming to expand its business in China, and with this as the core region, to also expand its business into other regions in Asia. Centered on this geographical expansion, the expansion of fields, and the utilization and development of technologies, the Company is expanding the scope of its business fields.

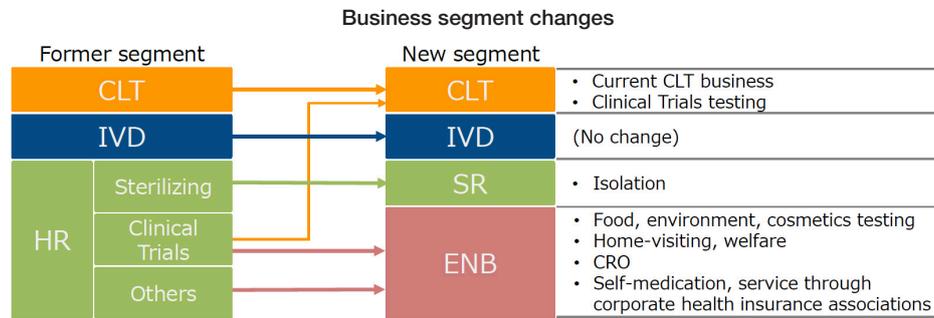


Source: The Company's results briefing materials

Business outlook

(1) Business segment change

The Company has changed its business segments at the start of FY3/20 to address the changing operating environment.. There have been no major changes to the CLT and the IVD. The sterilizing business, which was located within the Healthcare Related (HR) business, achieved sales growth of close to ¥20bn, this business has been separated and the Sterilization and Related Services (SR) business will become a stand-alone segment. Also, the clinical trials testing business, excluding the CRO business, will be moved to the CLT business, as it is compatible with clinical testing. The CRO business (clinical trials work by pharmaceutical companies for drug development (clinical development)) will be moved to Emerging New Business and Others (ENB), to which the food, environment and cosmetics testing; home-visiting services and welfare equipment; and self-medication and healthcare businesses have been added. Therefore, the previous three segments are to be divided to create four segments.



Source: The Company's results briefing materials

3. FY3/20 business forecasts by segment

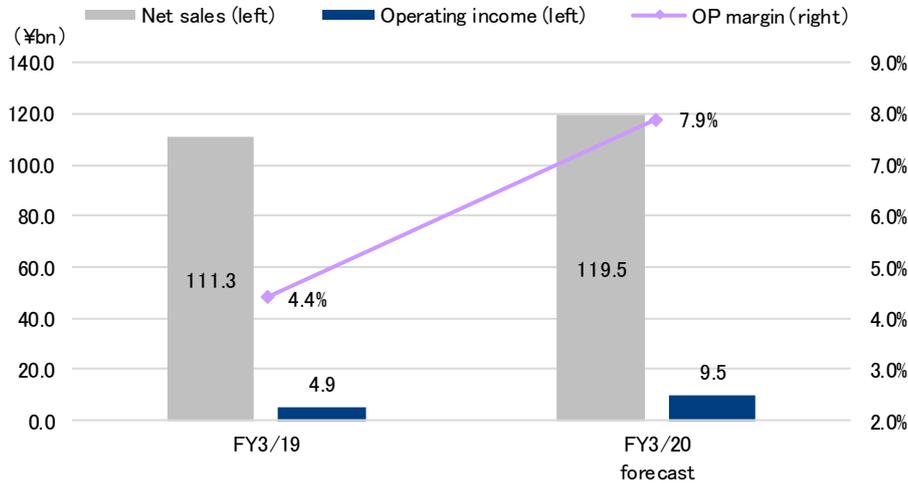
(1) CLT

In the CLT business segment, the forecasts are for net sales of ¥119.5bn and operating income of ¥9.5bn. For sales, assuming a pricing decline of 1.5%, the Company aims to expand genetic testing, promote the introduction of new test items, and strengthen sales of existing items. For new measures, it will provide general practitioners with value-added services that utilize IT, strengthen collaborations with external services, and expand regional bases toward improving customers' services. For in-hospital business, it will continue to provide joint proposals with FUJIREBIO, while for health check-up business, it will expand its customer base by utilizing contact points with corporate health insurance associations.

For profits, the Company will accelerate rationalization through utilizing AI (Artificial Intelligence) and RPA (Robotic Processing Automation) and by conducting a sweeping review of operations. It will also seek collaborations with other companies by separating the Company's logistic functions mainly to collect specimens from medical institution. Conversely, a decreasing factor of approximately ¥0.7bn in profit is expected from the impact of upfront investment for business development in Asia.

Business outlook

Clinical Laboratory Testing (CLT) business plan



Source: Prepared by FISCO from the Company's results briefing materials

(2) IVD

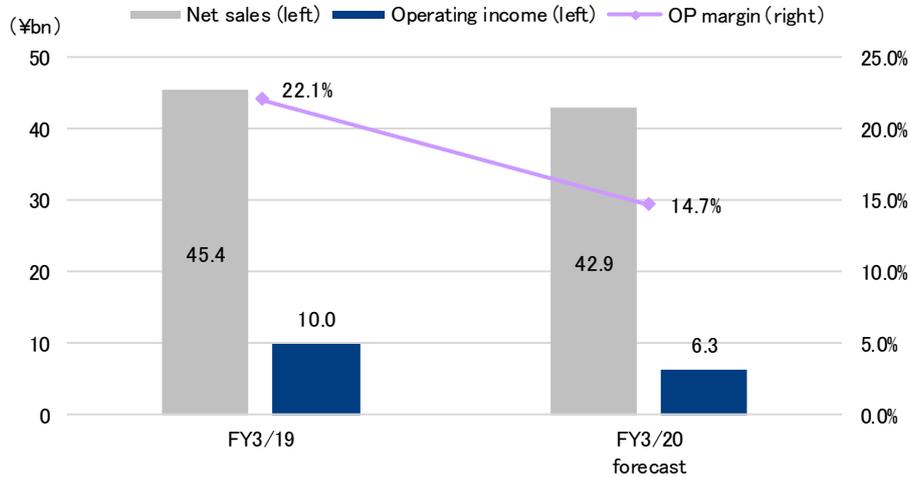
In the IVD business segment, the forecasts are for net sales of ¥42.9bn and operating income of ¥6.3bn. For sales, the Company will continue to work to expand the domestic LUMIPULSE business and to newly install large-sized instruments, while also accelerating the development of new test items. On the other hand, due to the completion of the contract with the Japanese Red Cross Society, sales in the domestic LUMIPULSE business are expected to fall by around ¥4bn.

For the global LUMIPULSE business, the Company will strengthen its sales system, particularly for Asia. It will expand in the Chinese market through the joint venture with the Ping An Insurance Group of China. In addition, to expand the OEM and raw materials business, its subsidiaries in the United States and Europe will strengthen the recruitment of personnel and conduct capital investment.

Profits are expected to increase from the rise in sales in the domestic LUMIPULSE business, but on the other hand, the contract with the Japanese Red Cross Society will end and there will be upfront investment to acquire major customers. Thus, profits in the domestic business will decline by approximately ¥3bn. The personnel that conducted the work for the Japanese Red Cross Society will be absorbed by relocating them to the domestic business and to strengthen pharmaceutical registration operations. Other than these factors, profits are expected to decline by around ¥0.7bn in order to strengthen the OEM business in the subsidiaries in Europe and the United States.

Business outlook

In Vitro Diagnostics (IVD) business plan

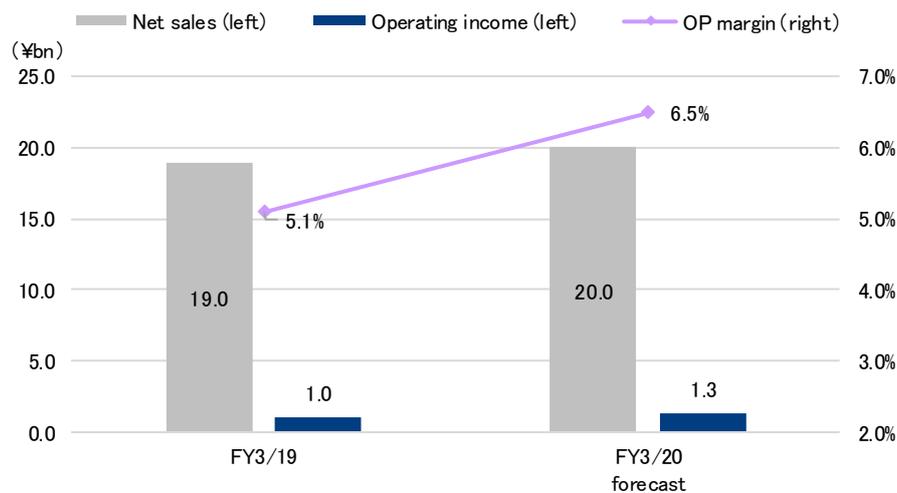


Source: Prepared by FISCO from the Company's results briefing materials

(3) SR

In the SR business segment, the forecasts are for net sales of ¥20bn and operating income of ¥1.3bn. For sales, the Company will promote a comprehensive outsourcing service and enhance efficiency by appropriately managing the business scale and number of employees, while working to expand the operations of sterilization centers. For profits, in addition to measures taken following sweeping reviews of operations in sterilization centers, the Company will invest in improving profitability through operational efficiency and by establishing new off-site facilities.

Sterilization and Related Services (SR) business plan

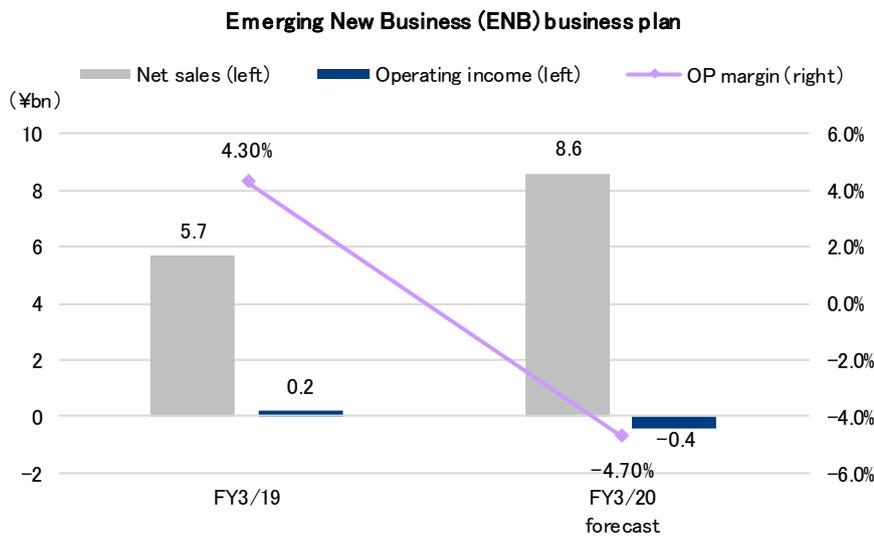


Source: Prepared by FISCO from the Company's results briefing materials

Business outlook

(4) ENB

In the ENB business segment, the forecasts are for net sales of ¥8.6bn and an operating loss of ¥0.4bn. The food, environment, and cosmetics testing business started operations from June, and aims for a vertical launch through a collaboration with Japan Institute of Foods Ecology, Inc. For the home-visit services and welfare equipment business, the Company will accelerate the development of the home visit nursing business. For the CRO business, it will conduct reorganization and investment to strengthen the business and establish a system that can respond to customer needs. For the self-medication and healthcare business, it intends to pursue Group synergies by utilizing the customer base (corporate health insurance associations) within the Group.



Source: Prepared by FISCO from the Company's results briefing materials

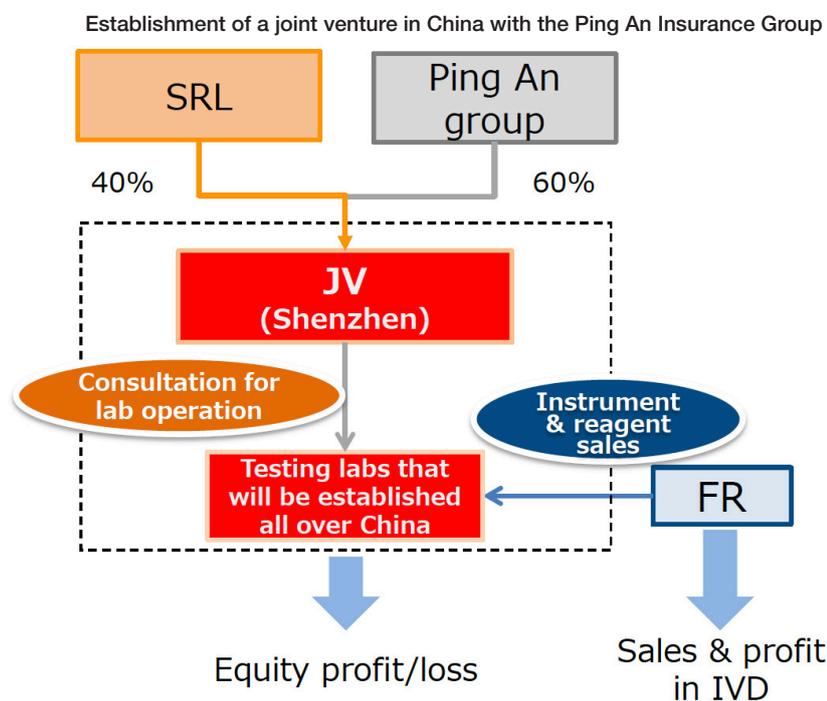
4. Synergies from establishing a joint venture in China with the Ping An Insurance Group

Through its consolidated subsidiary SRL (Hong Kong) Limited, the Company established Ping An SRL Medical Laboratories in Shenzhen, Guangdong Province, China as a joint venture with the Ping An Insurance Group in February 2019.

Since the joint venture started providing services from the summer of 2019, the Company plans to expand the business through utilizing the Ping An Insurance Group's approximately 0.3bn policyholders as its business platform. It aims to launch the business as early as possible and expects to open nine laboratories by the end of the year. The plan is for business development nationwide in China, so it is actively conducting measures with agility. In addition, FUJIREBIO will supply these laboratories with LUMIPULSE instruments and reagents.

The Ping An Insurance Group is one of China's leading corporate groups. The partnership with Ping An Insurance Group is expected to spread out to peripheral Southeast Asian countries and become a foothold for the Group's overseas business expansion. Also, in addition to instruments and reagents, the Company plans to dispatch human resources, and train the staff who will conduct testing in the laboratories operated by Ping An Insurance Group.

Business outlook



Source: The Company's results briefing materials

Shareholder return policy

Both the interim and period-end dividends sustained

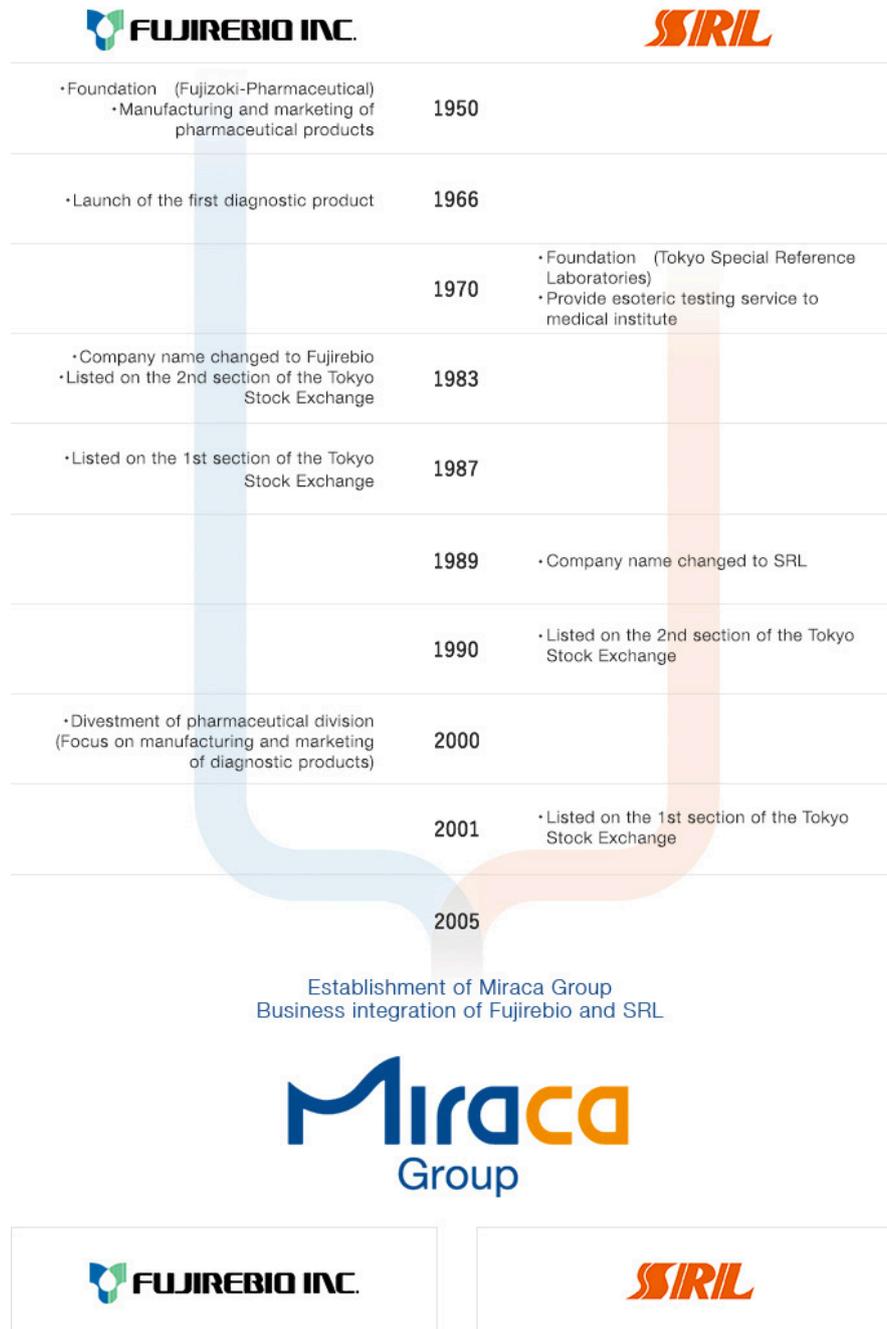
There has been no change to the Company's shareholder return policy, and it plans to continue to pay an annual dividend of ¥130 per share in FY3/20.

Trend in cash dividends per share

	(¥)		
	Interim	Period-end	Annual
FY3/19	65	65	130
FY3/18	65	65	130
FY3/17	57	57	114
FY3/16	55	55	110
FY3/15	46	46	92
FY3/14	43	43	86
FY3/13	37	43	80
FY3/12	35	35	70
FY3/11	31	31	62
FY3/10	29	31	60
FY3/09	26	26	52
FY3/08	22	22	44

Source: Prepared by FISCO from the Company's financial results

History



Source: The Company's website



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