



# Acquisition of US Anatomic Pathology Business

(October 6<sup>th</sup>, 2011)

**Miraca** Holdings Inc.

\* Figures and ratio in this material are rounded to the appropriate unit in principle.

*1*



## Purpose of the Acquisition

### The First-ever Acquisition of Clinical Lab Testing (CLT) Business by a Japanese Firm

#### **【1】 A solid platform to enter US CLT market**

- Attractive US CLT/ Anatomic Pathology (AP) market (Giant and Growing market)
- Able to take advantage of management experience/knowhow of Miraca Group (Experience/knowledge of laboratory testing business and FDI, a US subsidiary)

#### **【2】 Appreciation of the business to be acquired**

- Business model: differentiated by high-quality service (Short turnaround time, leading pathologists, and well-established support system for operation)
- Excellent management skill and achievements by the current Chairman & CEO (former CEO of Advanced PCS)

#### **【3】 Re-emphasis of CLT business as a core segment in Miraca Group**

- The first initiative toward globalization of CLT business: potential of another growth scenario (In addition to IVD business growth through globalization)

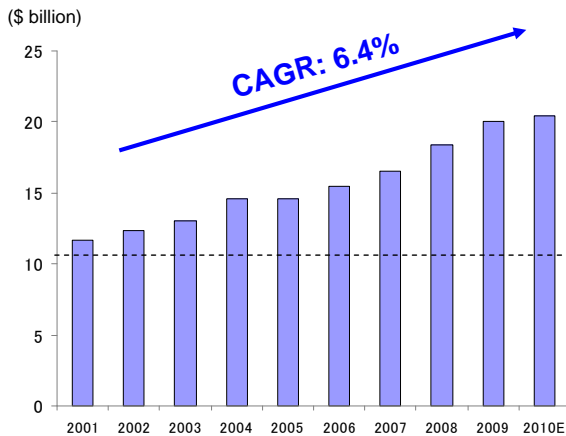
*2*

# Clinical Laboratory Testing market Comparison of US with Japan

In US, CLT market has been growing steady  
(About three times as large as that of Japan in 2010)

## US CLT market (US\$ billion)

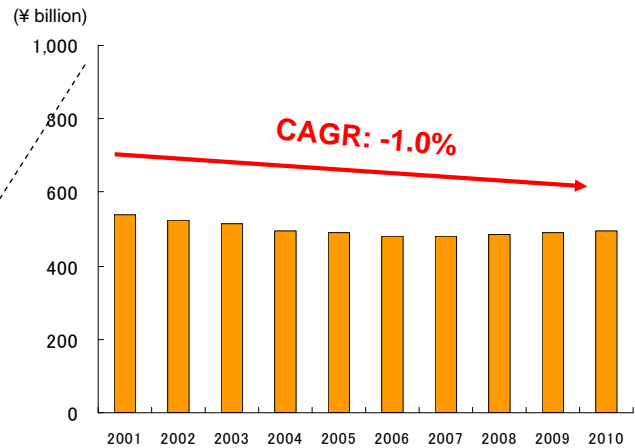
- High growth rate over the past 10 years
- Development of new methodology for early diagnosis/treatment
- Highly profitable business based on cutting-edge expertise and knowledge



Source: Lab Industry Strategic Outlook 2011: Market Trends and Analysis, G2 Intelligence

## Japan CLT market (JP¥ billion)

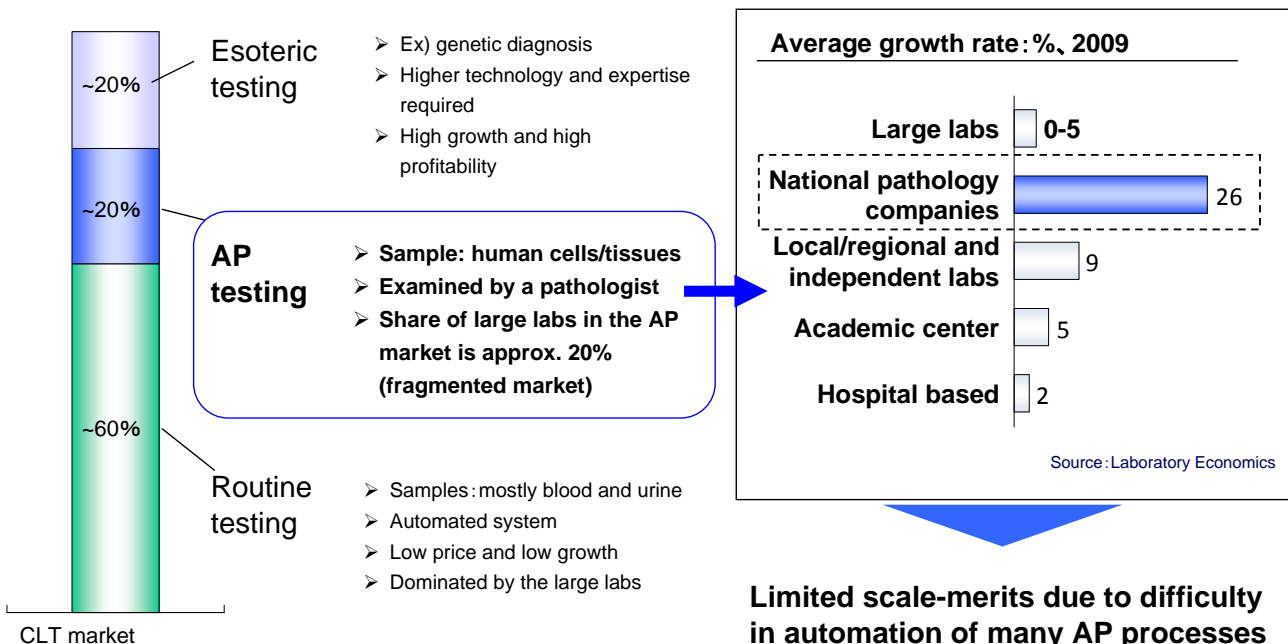
- Susceptible market to the revision of the medical reimbursement fee by the Japanese government
- Slightly declining trend over the years (remaining flat in the past few years)



Source: Marketing report by Yano Research Institute Ltd.

# Business Opportunity in US AP market

In US AP market, while the market shares by the major labs are relatively small, middle sized AP-specialized labs are increasing their sales

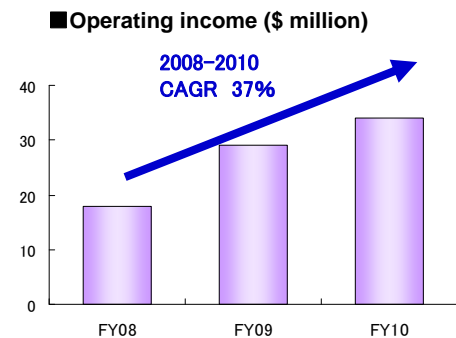
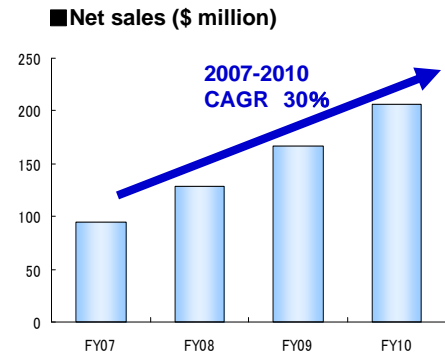


Limited scale-merits due to difficulty in automation of many AP processes

Source: Washington G-2 Report

## Caris Diagnostics Inc.

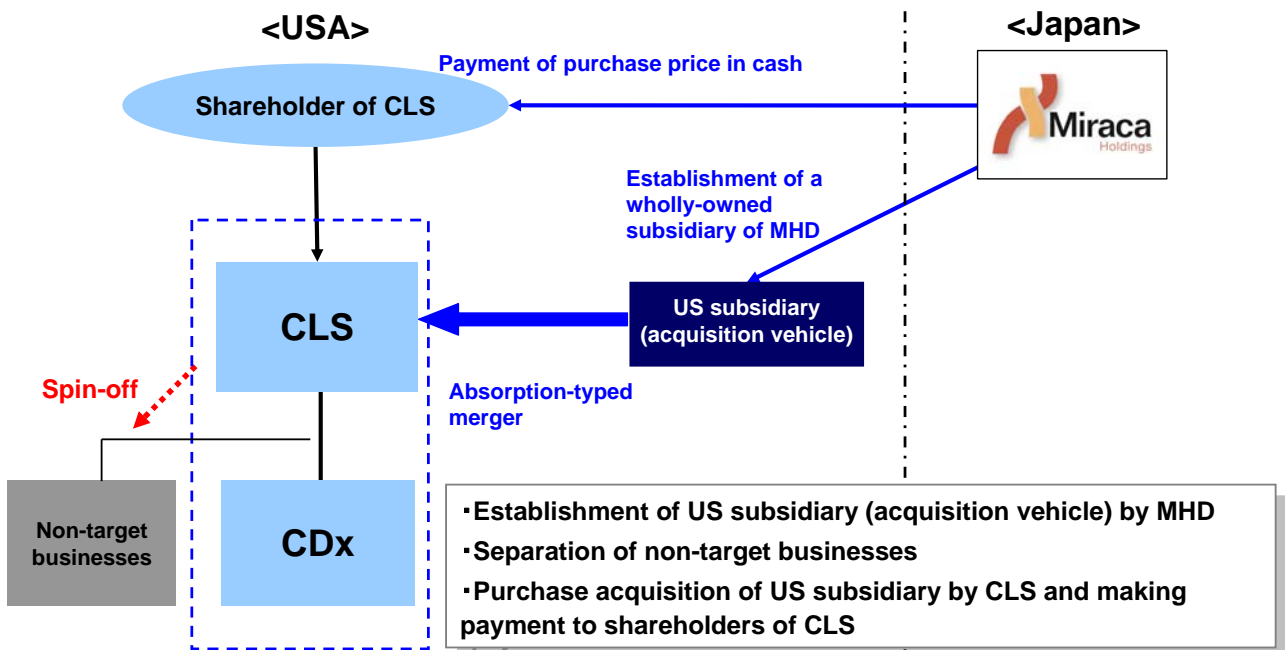
- Established in 1996
- Headquarters: Dallas, TX USA
- Laboratory location: Dallas/TX, Phoenix/AZ, Boston/MA
- Chairman and CEO: David D. Halbert
- Employee: Approx. 760 people (End of 2011)
  - Over 70 subspecialty pathologists
  - Over 100 sales force
- Business: Anatomic pathology service
  - 3 subspecialties:
    - Gastrointestinal Pathology (GI)
    - Dermatopathology (Derm)
    - Hematopathology (Hem)
- Net sales: US\$207 million (FY2010.Dec)
- Operating income: US\$34 million (FY2010.Dec)



## Transaction Scheme

(to be confirmed)

Making CLS a wholly-owned subsidiary of Miraca Holdings (MHD) through absorption-type merger of acquisition vehicle



- Establishment of US subsidiary (acquisition vehicle) by MHD
- Separation of non-target businesses
- Purchase acquisition of US subsidiary by CLS and making payment to shareholders of CLS

# Outline of the Transaction and Impact on Miraca's Financial Results

## ■ Purchase price

- Purchase price: \$725 million (Approx. ¥58 billion, foreign exchange ratio: US\$ 1= JP¥ 80)
- Purchase price includes repayment of the existing debt and payment to shareholders of CLS
- Funding: Plan to use cash on hand and to borrow up to ¥50 billion

## ■ Goodwill

Goodwill on acquisition: ¥2.5~3.0 billion per year (amortized under the straight-line method over 20 years)

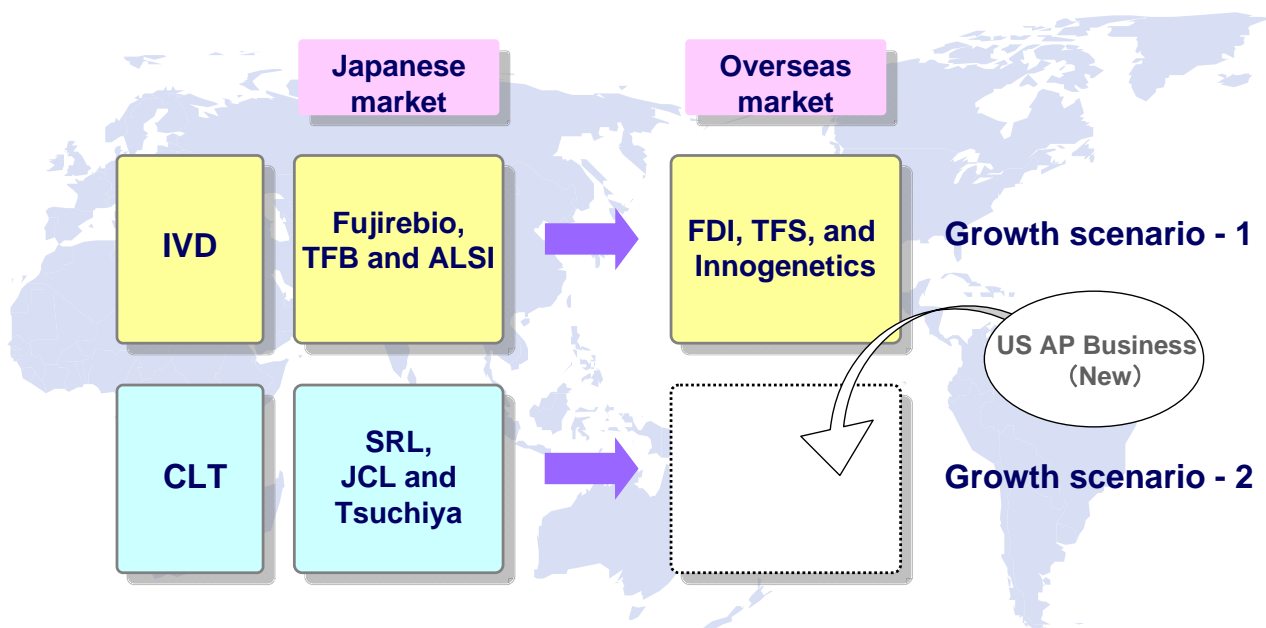
## ■ Impact of the acquisition on Miraca's consolidated financials of this year

- Net sales will increase
- Effect of goodwill amortization on operating income is estimated to be small
- (※More details are to be announced when the accounting processing of business consolidation is decided.)

## ■ Time of closing

Plan to be within 2011

# Possibility of Globalization of CLT business



**Take a new step for globalization of Miraca Group**



**Contact information:**

IR Public Relations Group

Phone: +81-3-5909-3337

Email: [ir@miraca-holdings.co.jp](mailto:ir@miraca-holdings.co.jp)

URL: [www.miraca-holdings.co.jp/eng/index.html](http://www.miraca-holdings.co.jp/eng/index.html)

**Disclaimer regarding forward-looking statement:**

The 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.

