

Financial Results for The Third Quarter of FY2023 (Ended Dec. 31, 2023)

February 9, 2024

H.U. Group Holdings, Inc.

(TSE: 4544)

Notes & references:

- * The financial information in this document follows Japanese GAAP, with the exception for EBITDA (Operating profit + Depreciation + Amortization of goodwill), which is a non-GAAP measure.
- * In some cases, “Net Profit attributable to shareholders of the parent company” may be abbreviated as “Net Profit”.
- * As a general practice, figures are rounded to the nearest whole number. Due to rounding, there may be instances where the totals do not exactly match the sum of the individual figures.
- * Abbreviations:
 - LTS: Lab Testing and its related Services IVD: In-Vitro Diagnostics
 - HS: Healthcare-related Services HUHD: H.U. Group Holdings, Inc.
 - FMS: Facility Management Service OP: Operating profit
 - Or. profit: Ordinary profit FY2023: Fiscal year ended March 31, 2024
 - CDMO : Contract Development and Manufacturing Organization

Exchange rates in this report:

9 Months FY2022 : 1USD = 136.53 JPY 1EURO = 140.59 JPY
9 Months FY2023 : 1USD = 143.30 JPY 1EURO = 155.29 JPY

- * The provisional accounting for the business merges of ADx NeuroSciences N.V. and Fluxus, Inc. in fiscal year 2022 has been completed at the end of fiscal year 2022. The initial allocation of acquisition costs was reevaluated and retroactively incorporated into each figure for fiscal year 2022.

Financial Results for The Third Quarter of FY2023

Consolidated Results for 9 Months FY2023

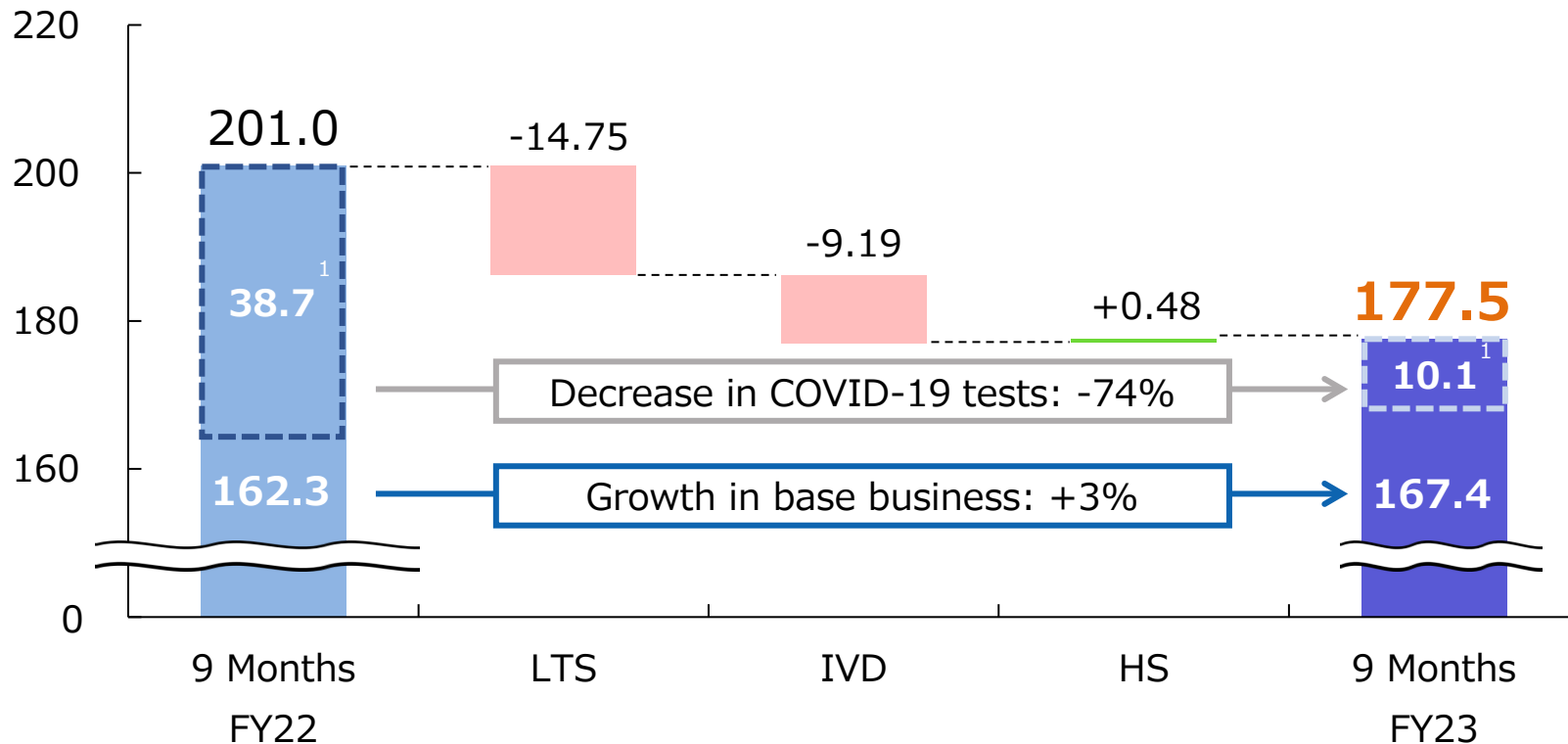
(¥ billion)

	9 Months FY2022 Results	Profit ratio	9 Months FY2023 Results	Profit ratio	Variance
Net sales	201.0		177.5		-23.45 -11.7%
LTS	124.7		110.0		-14.75 -11.8%
IVD	55.6		46.4		-9.19 -16.5%
HS	20.6		21.1		+0.48 +2.3%
Operating profit/loss¹	23.7	11.8%	-1.1	-0.6%	-24.83 -
LTS	2.7	2.1%	-8.6	-7.8%	-11.22 -
IVD	23.5	42.2%	11.0	23.8%	-12.42 -52.9%
HS	0.8	4.0%	0.9	4.4%	+0.11 +13.6%
Or. profit/loss	23.2	11.5%	-2.9	-1.6%	-26.07 -
Net profit/loss	18.8	9.4%	-3.3	-1.9%	-22.19 -
EBITDA	38.0	18.9%	14.3	8.0%	-23.78 -62.5%

1. Operating profit or loss includes H.U. Group Holdings and H.U. Group Research Institute etc., and inter-segment eliminations
(9 Months FY2022: -¥3.26 B, 9 Months FY2023: -¥4.56 B)

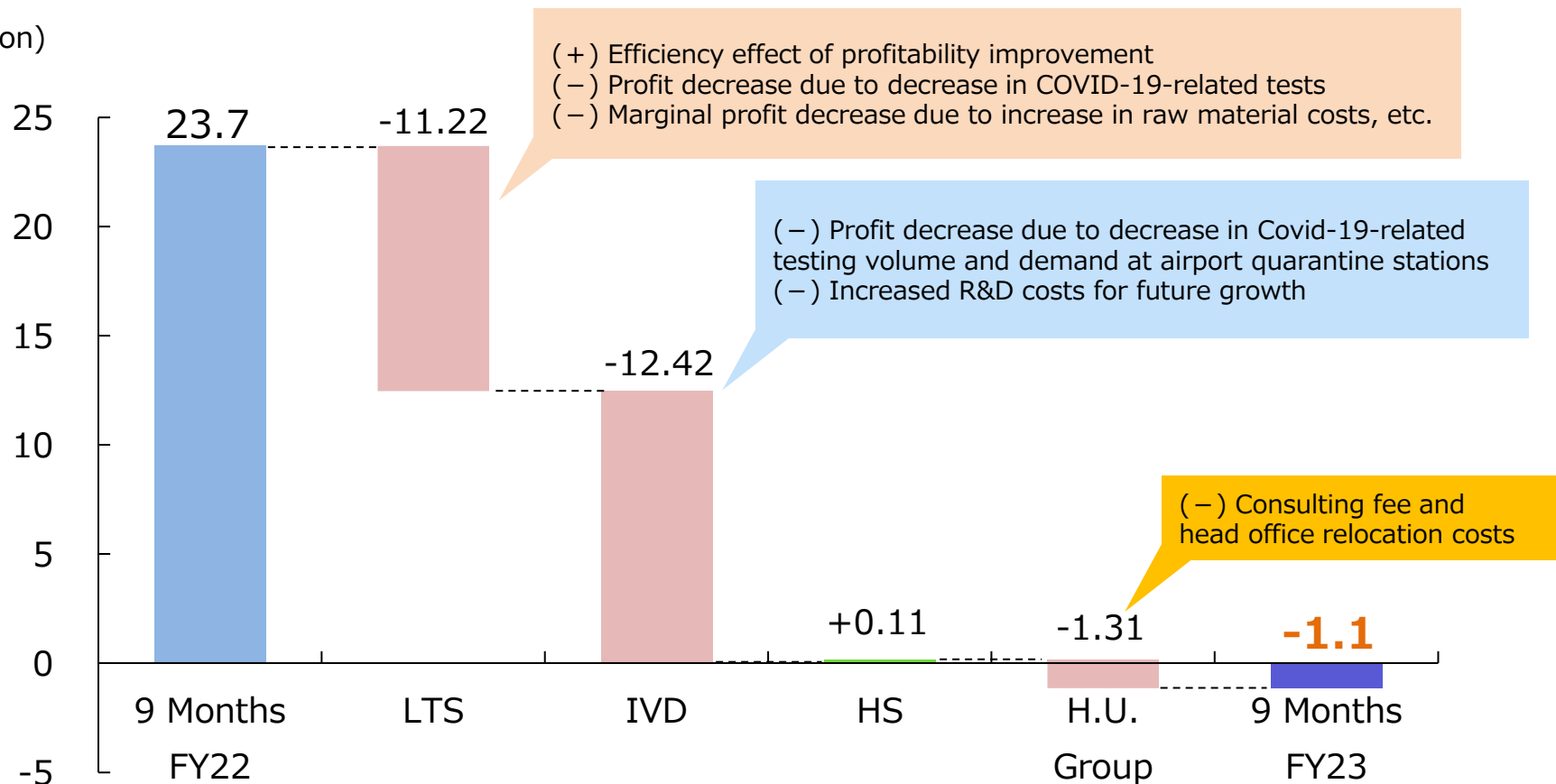
Consolidated Net Sales Changes

(¥ billion)



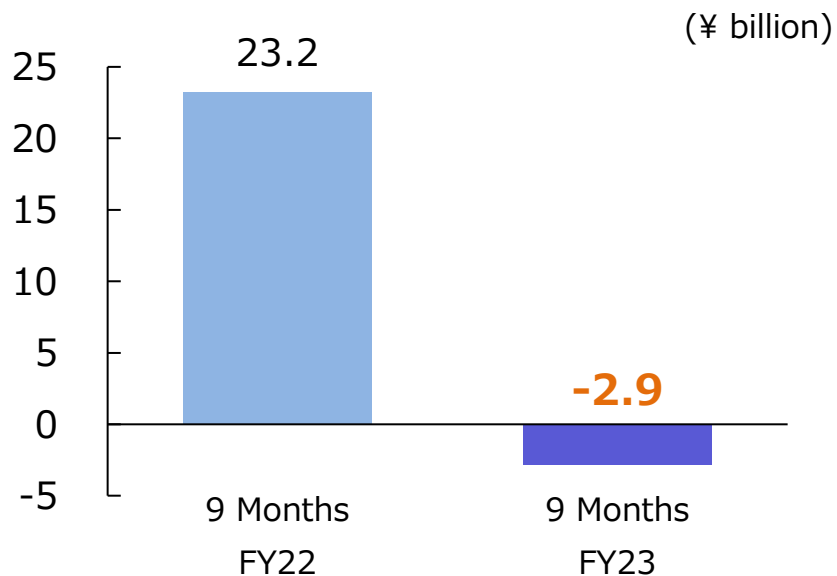
Consolidated Operating Profit Changes

(¥ billion)



Consolidated Ordinary Profit/Loss & Net Profit/Loss

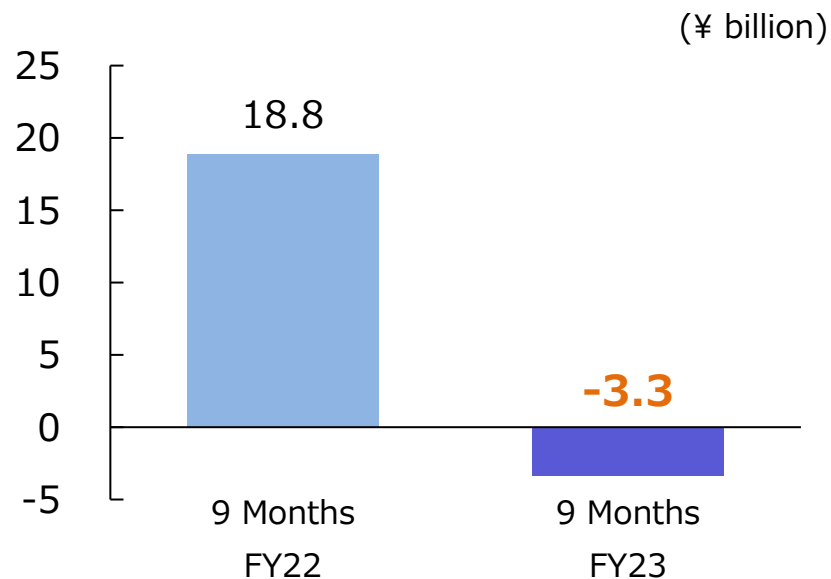
Ordinary Profit/Loss



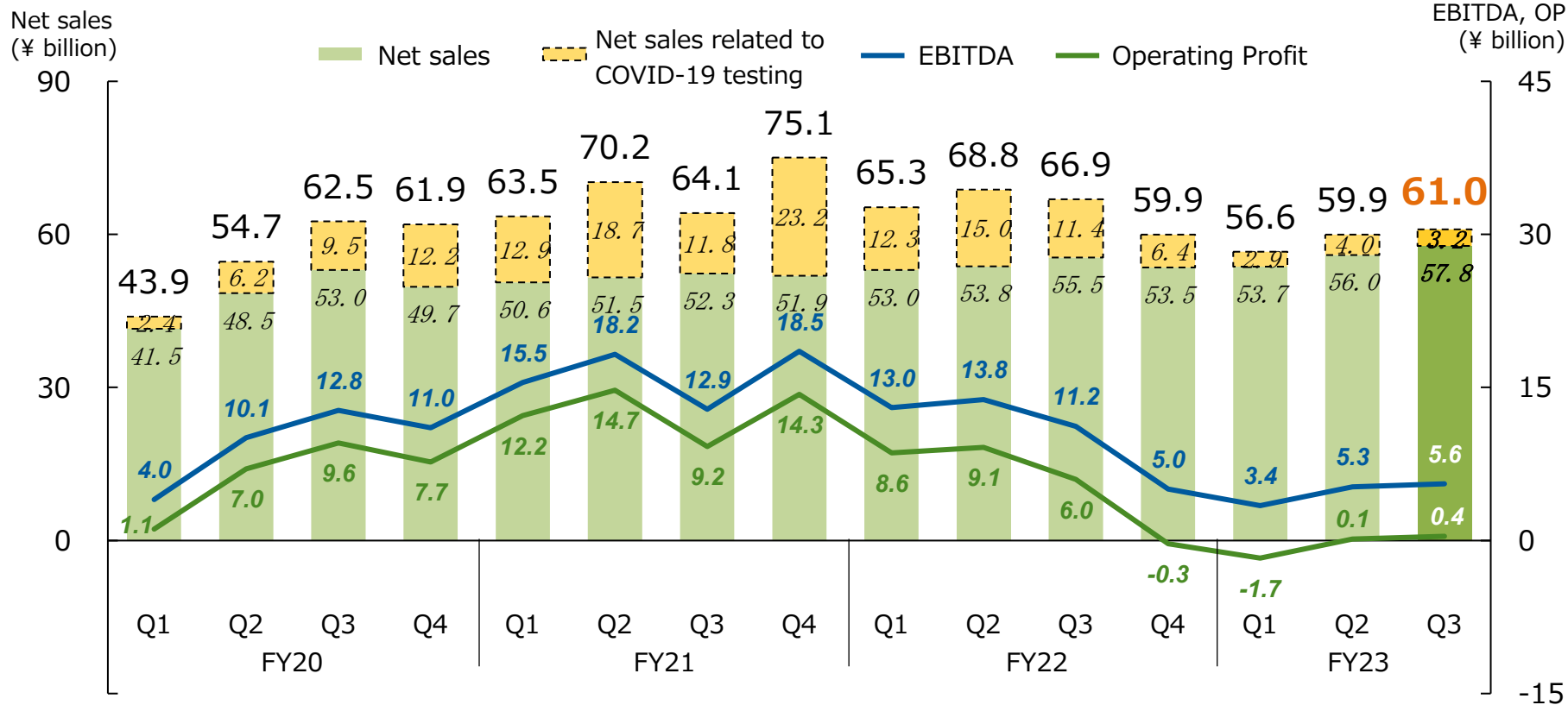
Major non-operating factors

- Foreign exchange gains ¥0.41 B
- Equity in losses of affiliates ¥1.84 B

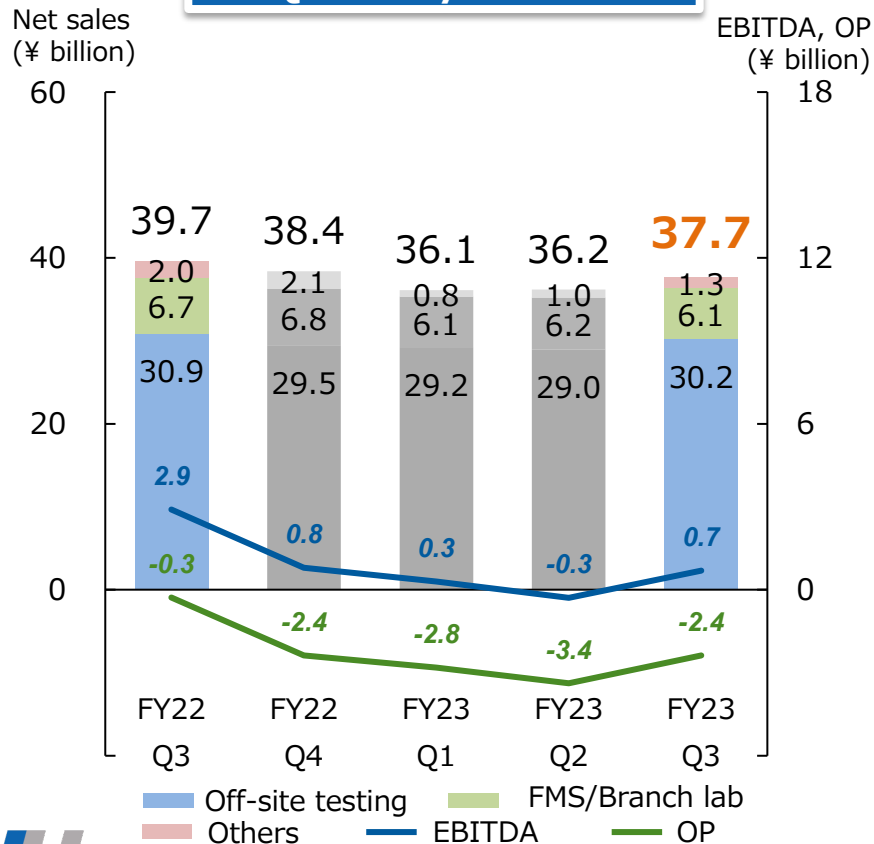
Net Profit/Loss



Quarterly Performance Trend



Quarterly Results



YoY Comparison

(¥ billion)

	9 Months FY22	9 Months FY23	Variance	
Net sales	124.7	110.0	-14.75	-11.8%
Off-site	95.7	88.5	-7.28	-7.6%
FMS/Branch	24.1	18.4	-5.66	-23.5%
Others	4.9	3.1	-1.80	-37.0%
EBITDA	11.5	0.7	-10.75	-93.8%
OP	2.7	-8.6	-11.22	-

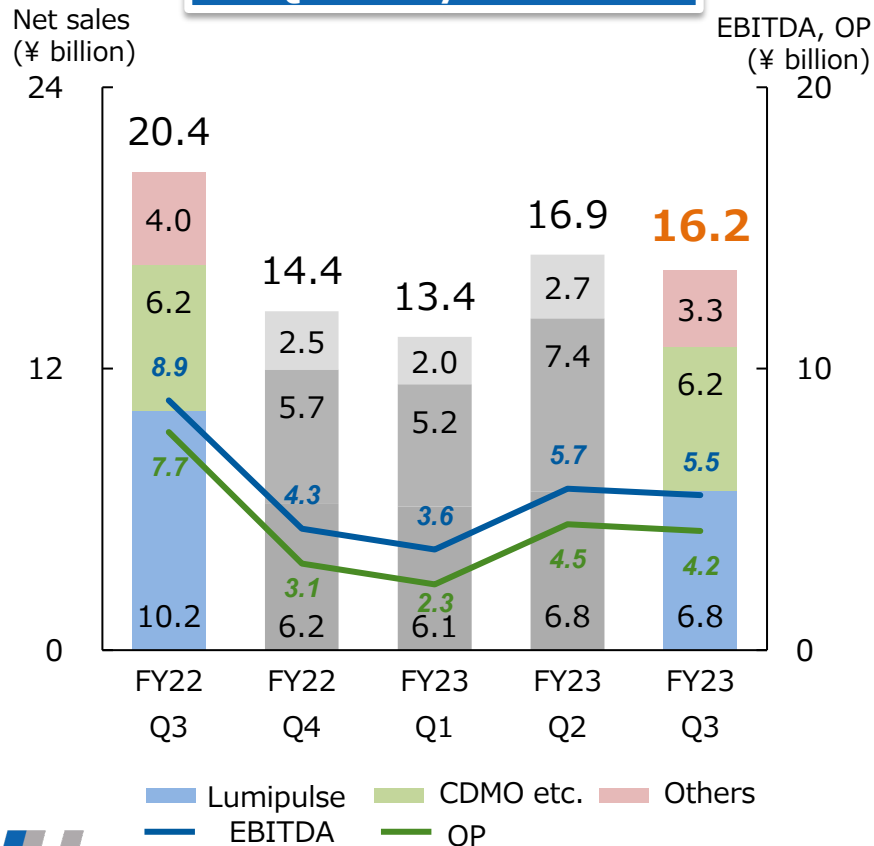
Net sales

- COVID-19-related sales: ¥3.0 B (9 Months FY22: ¥20.6 B)
 - ✓ Largely due to decrease in testing volume of PCR and comprehensive testing support at airport quarantines
- Increase in genetic testing

Operating Profit

- Efficiency effect of profit improvement measures
- Decrease primarily as a result of declined COVID-19-related sales
- Marginal profit decrease due to increase in raw material costs, etc.

Quarterly Results



YoY Comparison

(¥ billion)

	9 Months FY22	9 Months FY23	Variance	
Net sales	55.6	46.4	-9.19	-16.5%
Lumipulse	28.1	19.6	-8.46	-30.1%
Japan	25.2	17.1	-8.13	-32.2%
Overseas	2.9	2.5	-0.33	-11.5%
CDMO etc.	17.5	18.8	+1.25	+7.1%
Others	10.0	8.0	-1.98	-19.9%
EBITDA	26.5	14.8	-11.72	-44.1%
OP	23.5	11.0	-12.42	-52.9%

Lumipulse inter-segment transaction	5.5	3.4	-2.11	-38.5%
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Net sales

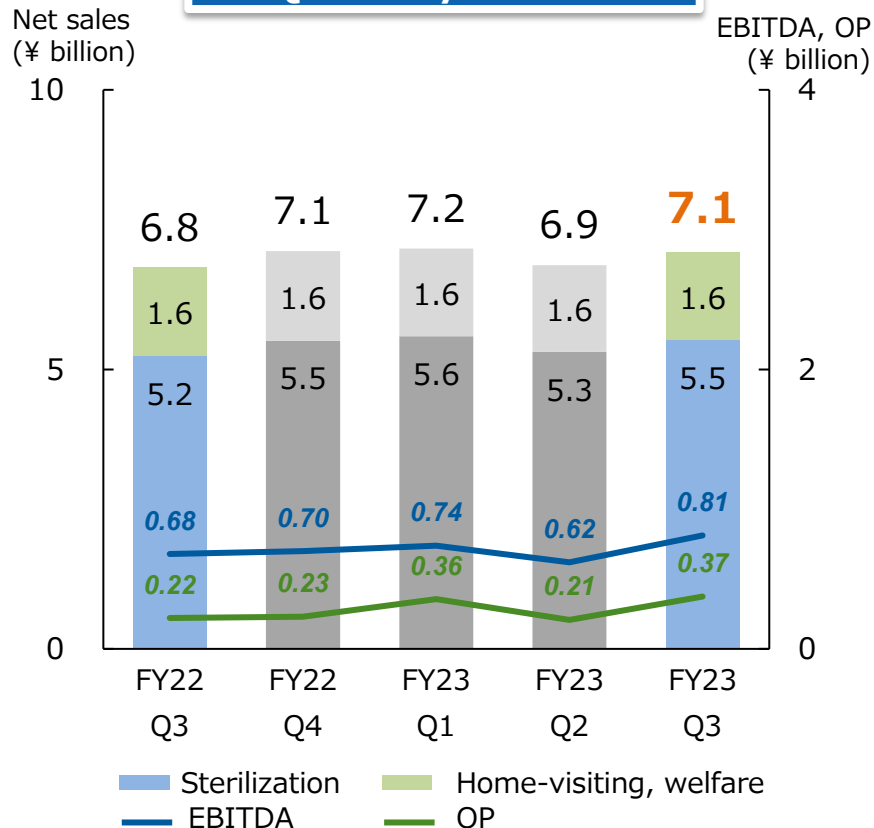
- COVID-19-related sales: ¥7.1 B (9 Months FY22: ¥18.1 B)
✓ Lumipulse reagent (Japan and overseas), ESPLINE decreased
- Base business growth including FX tailwind

Operating profit

- Decreased as a result of declined COVID-19-related sales
- Increased R&D costs for future growth

FX impact (net sales: +¥1.37 B, OP: +¥0.20 B)

Quarterly Results



YoY Comparison

(¥ billion)

	9 Months FY22	9 Months FY23	Variance	
Net sales	20.6	21.1	+0.48	+2.3%
Sterilization	16.0	16.4	+0.46	+2.9%
Home-visiting, welfare	4.7	4.7	+0.02	+0.4%
EBITDA	2.06	2.17	+0.11	+5.1%
OP	0.83	0.94	+0.11	+13.6%

Net sales

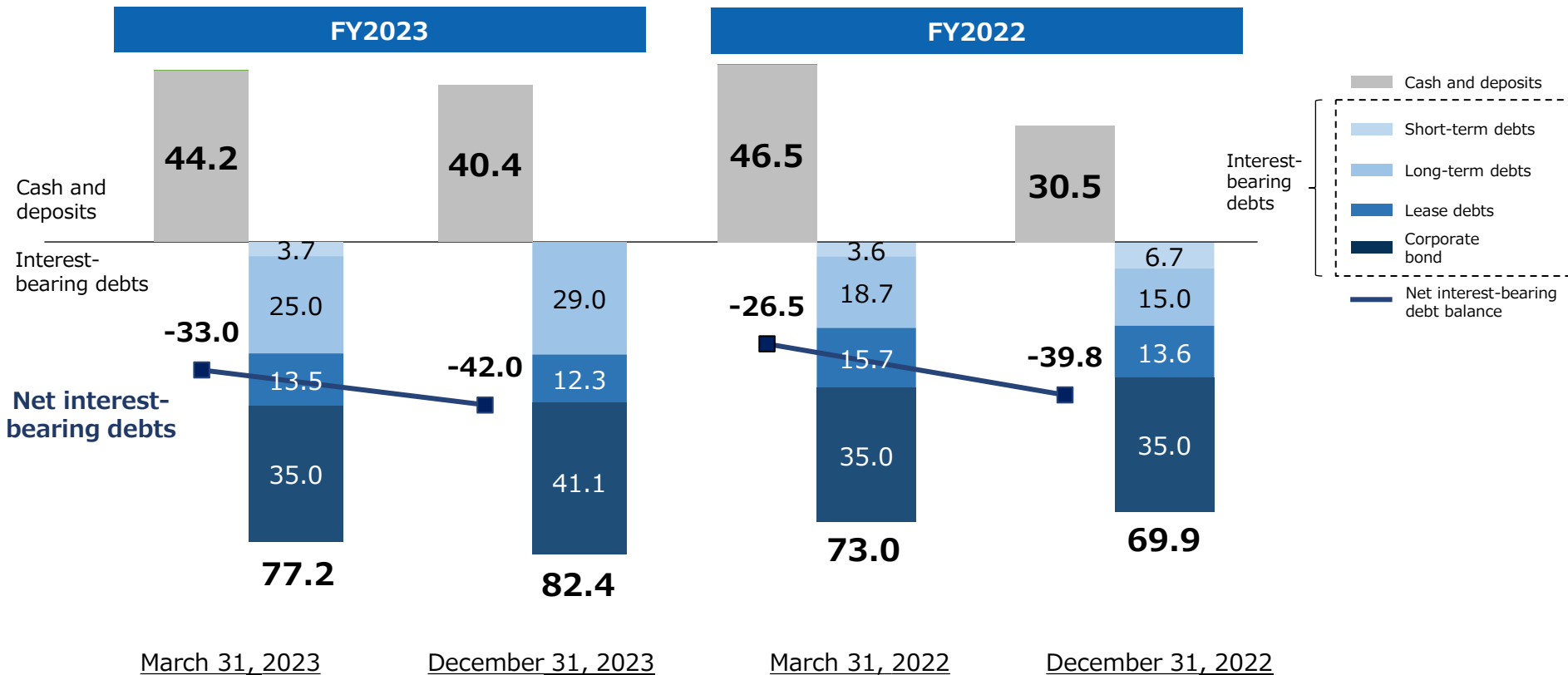
- Sterilization-related business and Home-visiting and welfare business both achieved growth

Operating profit

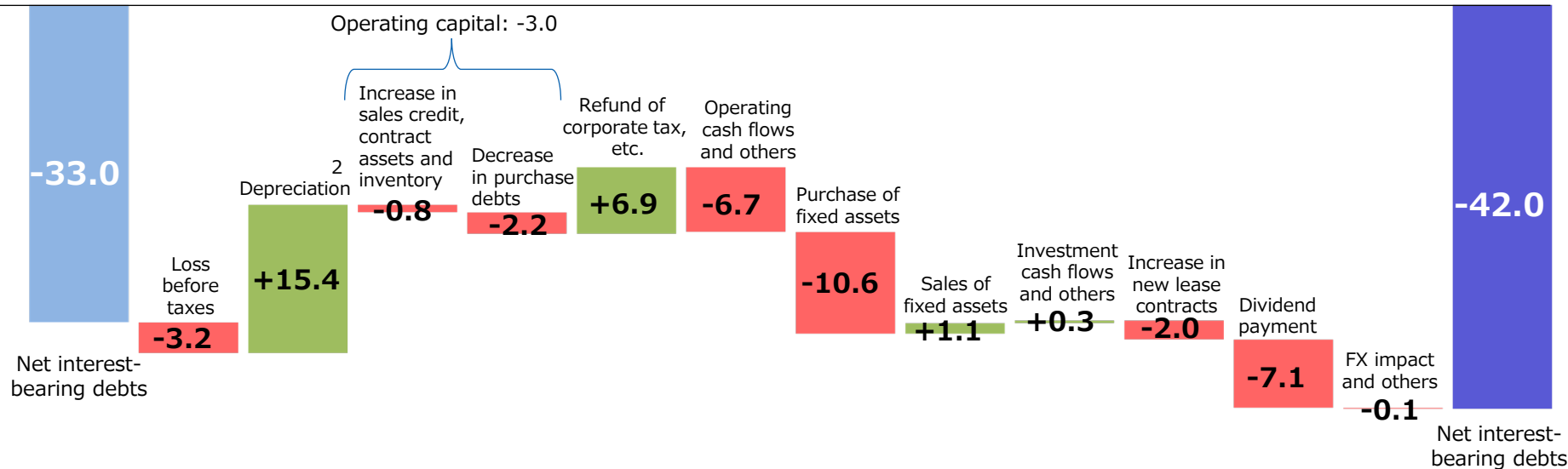
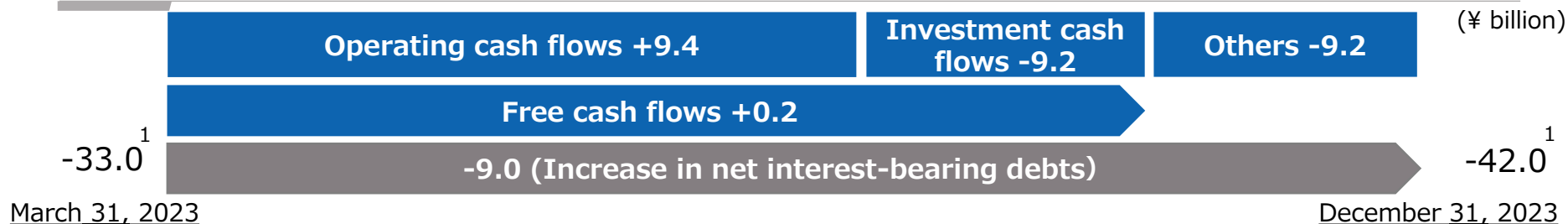
- Profitability improvement of welfare business
- Increase in labor costs, etc.

Cash, Deposits and Interest-bearing Debts

(¥ billion)

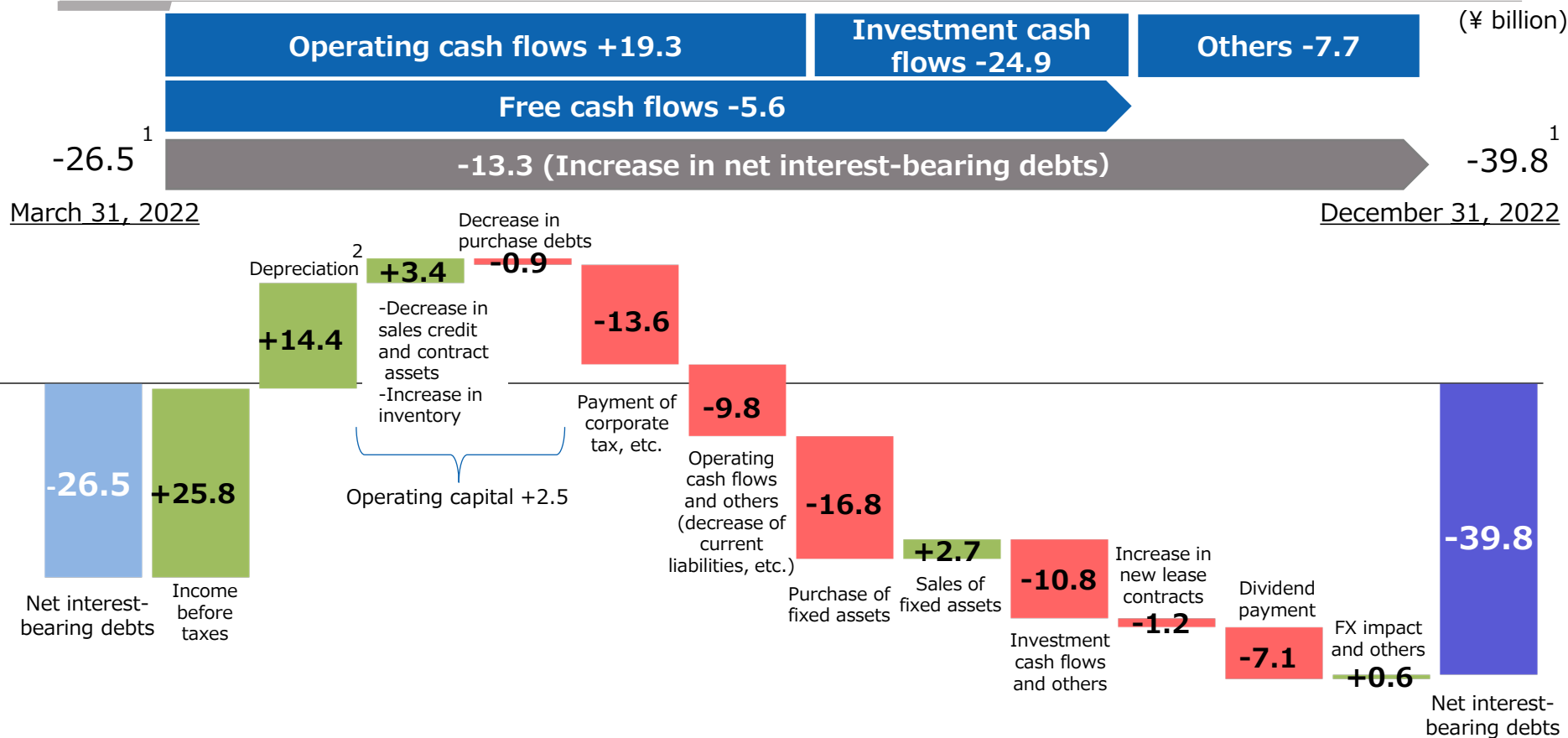


Analysis of Consolidated Cash Flows (9 Months FY2023)



1. Net interest-bearing debts
2. Depreciation + Goodwill amortization

Analysis of Consolidated Cash Flows (9 Months FY2022)



1. Net interest-bearing debts
2. Depreciation + Goodwill amortization

Forecast of FY2023

FY2023 Full-year Forecast

(¥ billion)

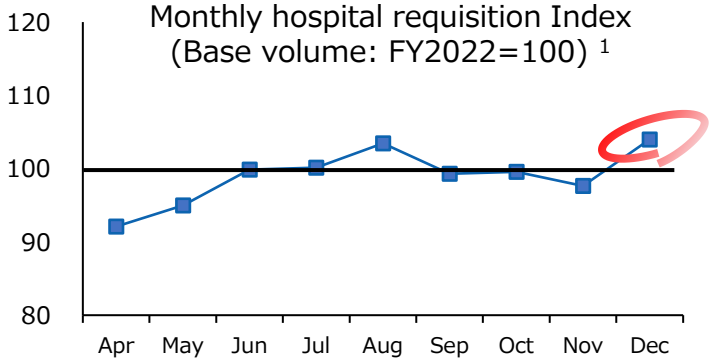
The Full-year Forecast remains consistent with November 2023 announcement

	FY2022 results	FY2023 Full-year target	vs previous year		FY2023 9 Months results	FY2023 Q4 forecast
Net sales	260.9	240.0	-20.9	-8.0%	177.5	62.5
EBITDA	43.1	25.0	-18.1	-42.0%	14.3	10.7
OP	23.4	4.0	-19.4	-82.9%	-1.1	5.1
Ord. profit	22.0	2.5	-19.5	-88.6%	-2.9	5.4
Net profit	15.7	0.0	-15.7	-100.0%	-3.3	3.3
ROE	10.8%	4.0%				
ROIC	7.0%	4.1%				

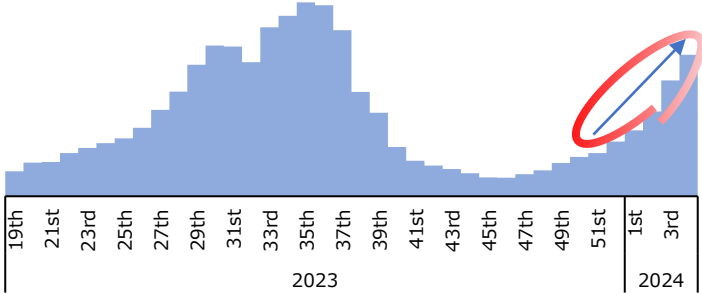
1. Recovery of base business
2. Effects from profitability improvements
3. Increase in COVID-19 testing volume

9 Months Results and Q4 Forecasts ①

Despite variations in individual factors, the full-year forecast for operating income is expected to reach 4.0 billion yen

	9 Months results	Q4 forecasts	Details																				
Base testing volume	The recovery began in December, though at a slower pace than expected	To achieve the anticipated recovery	<div><p>Monthly hospital requisition Index (Base volume: FY2022=100) ¹</p><table><thead><tr><th>Month</th><th>Index</th></tr></thead><tbody><tr><td>Apr</td><td>92</td></tr><tr><td>May</td><td>95</td></tr><tr><td>Jun</td><td>100</td></tr><tr><td>Jul</td><td>100</td></tr><tr><td>Aug</td><td>104</td></tr><tr><td>Sep</td><td>99</td></tr><tr><td>Oct</td><td>100</td></tr><tr><td>Nov</td><td>98</td></tr><tr><td>Dec</td><td>104</td></tr></tbody></table></div>	Month	Index	Apr	92	May	95	Jun	100	Jul	100	Aug	104	Sep	99	Oct	100	Nov	98	Dec	104
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Profitability Improvement	Slightly delayed	Utilize extra measures to maximize effect	Making further improvements in testing operations																				

9 Months Results and Q4 Forecasts ②

	9 months results	Q4 forecasts	Details
COVID-19-related testing volume	<ul style="list-style-type: none"> Peaked out as expected The inflection rate began rising again since late December 	Demand for COVID-19-related testing could exceed expectations	<p>The count of COVID-19 cases since May 8th, 2023 ¹</p>  <p>The chart displays daily case counts as blue bars. The x-axis is labeled with dates: 19th, 21st, 23rd, 25th, 27th, 29th, 31st, 33rd, 35th, 37th, 39th, 41st, 43rd, 45th, 47th, 49th, 51st, 1st, 3rd. The years 2023 and 2024 are indicated at the bottom. A red circle highlights the sharp increase in cases starting around January 31st, 2024, with a blue arrow pointing upwards.</p>
CDMO	Remained within expected range	Within expectations	Development for the next fiscal year and beyond is progressing as planned

AkirunoCube Costs and Effects

- Delaying full operations led to higher one-time costs and some delay in realizing the full-year forecasted effects set at the beginning of the fiscal year
- Depreciation and running costs are expected to be lower than the initial full-year assumption

	Full-year initial forecast	FY23 9 Months results	FY23 Full-year forecast	Current estimate	(¥ billion)
Costs	One-time costs	1.0	1.5	2.0	Increase in costs due to the full operation transition in H2
	D&A	6.1	3.6	4.9	Lower than initially anticipated
	Running Costs ¹	5.9	3.8	5.4	Lower energy costs than initially anticipated
	Total costs	<u>13.0</u>	<u>8.9</u>	<u>12.3</u>	
Effects	Efficiency Effects	+2.3	+0.8	+1.2	Some delay

1. Included the rent

【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.