

# Business Results for The First Quarter of FY2020

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August 7, 2020

**H.U. Group Holdings, Inc.**

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## 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	IVD: In Vitro Diagnostics
SR: Sterilization and Related Services	ENB: Emerging New Business and others
FMS: Facility Management Service	OP: Operating profit
Or. profit: Ordinary 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:

FY2019 1Q : 1USD = 109.90 JPY 1EURO = 123.48 JPY

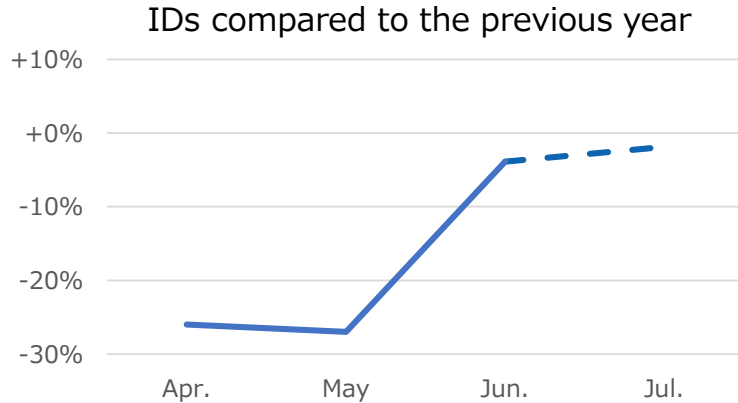
FY2020 1Q : 1USD = 107.62 JPY 1EURO = 118.45 JPY

# Impact to business performance by COVID-19 pandemic

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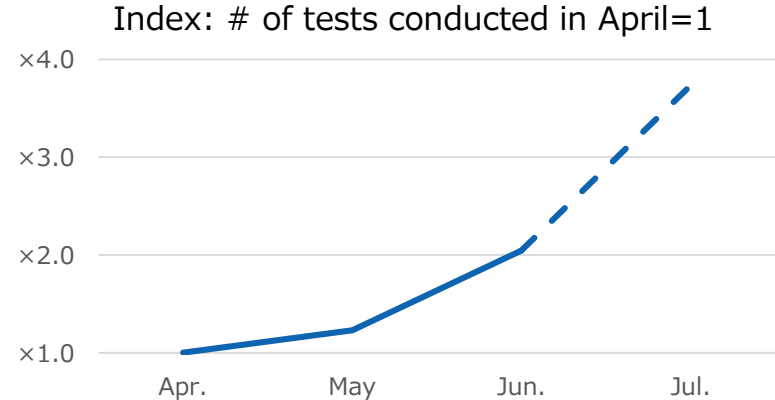
# COVID-19 Impact during FY20 1Q : CLT

## Number of IDs <sup>(1)</sup> excluding COVID-19 related PCR and antibody tests



- Significant decline in April & May due to Stay-at-home request
- Recovered to the same level as the previous year in June & July
- Future outlook is still unclear

## Number of COVID-19 PCR tests conducted



### Track record of PCR tests conducted

- Increased month by month
- Most currently: 3,500~4,000 tests/day

### Testing capacity

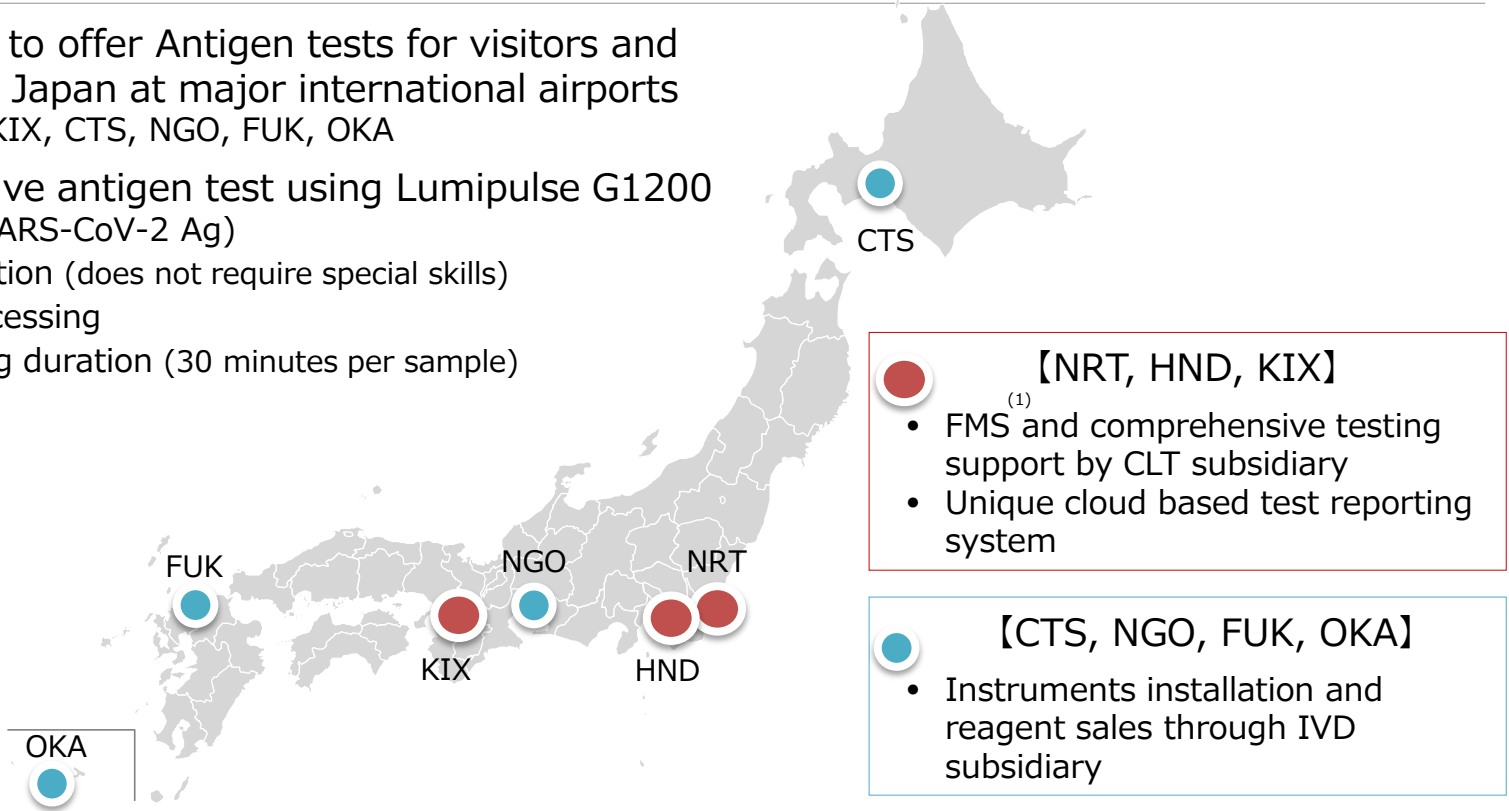
- As of Aug.7 5,600 tests/day
- By Aug.31 7,000 tests/day (expected)
- By October 10,000 tests/day (expected)

# COVID-19 Impact during FY20 1Q : IVD, SR

IVD	Lumipulse Japan	<ul style="list-style-type: none"><li>• Demands for reagents decreased due to decreased number of tests</li></ul>
	OEM & raw materials	<ul style="list-style-type: none"><li>• Testing demands declined globally</li></ul>
	Others	<ul style="list-style-type: none"><li>• Sales contribution by rapid antigen testing kit for SARS-CoV-2 (ESPLINE SARS-CoV-2)</li></ul>
SR		<ul style="list-style-type: none"><li>• Sales from deposit inventory business decreased due to declined # of patients and surgeries</li><li>• Postponement of group medical exams impacted Off-site sterilization business</li></ul>

# Antigen testing service in major airport quarantines

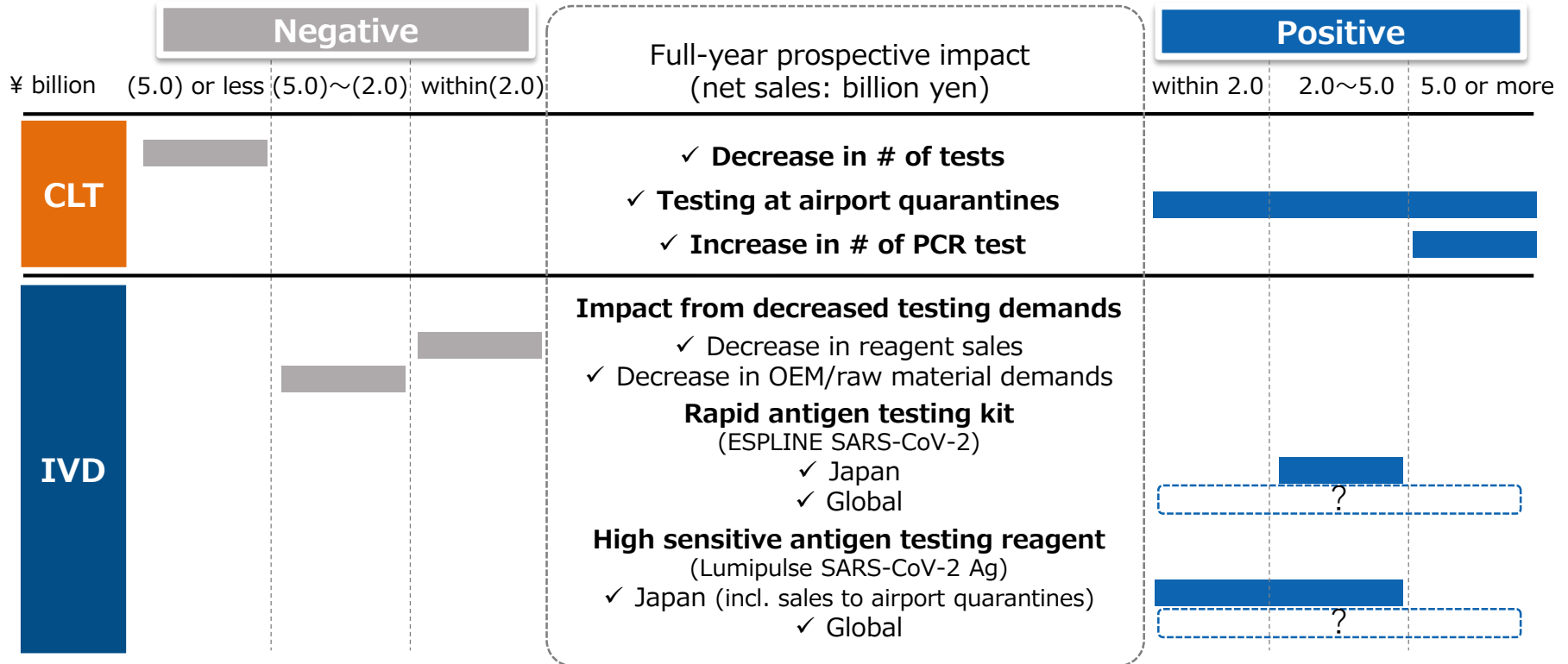
- H.U. Group to offer Antigen tests for visitors and travelers to Japan at major international airports
  - ✓ NRT, HND, KIX, CTS, NGO, FUK, OKA
- High sensitive antigen test using Lumipulse G1200 (Lumipulse SARS-CoV-2 Ag)
  - ✓ Full automation (does not require special skills)
  - ✓ Stream processing
  - ✓ Short testing duration (30 minutes per sample)



(1) FMS (Facility Management Service) : On-site testing instruments & reagents management and lab operation support




(2) NRT: Narita, HND: Haneda, KIX: Kansai International, CTS: New Chitose, NGO: Chubu Centrair International, FUK: Fukuoka, OKA: Naha

# Potential magnitude to full-year net sales



Unable to provide full-year forecast under variations of uncertainties

# What we offer to detect COVID-19

Purpose	Whether infected or not at present			History of infection
	Nucleic acid test	Antigen test		Antibody test
Type of test	PCR (clinical lab test)	High sensitive antigen test (Lumipulse SARS-CoV-2 Ag)	Rapid antigen test (ESPLINE SARS-CoV-2)	High sensitive antibody test (clinical lab test)
			 Lumipulse G1200	
Feature	<ul style="list-style-type: none"> <li>•Highest sensitivity</li> <li>•Limitation of testing place/instrument</li> <li>•Strict requirement for specimen transport</li> </ul>	<ul style="list-style-type: none"> <li>•High sensitivity rivaling PCR</li> <li>•Automated instrument</li> <li>•Testing in medical institutions</li> </ul>	<ul style="list-style-type: none"> <li>•Instrument is not required</li> <li>•Point of care testing</li> <li>•Simultaneous testing with flu using one sample is possible</li> </ul>	<ul style="list-style-type: none"> <li>•Automated instrument</li> </ul>
Main usage	<ul style="list-style-type: none"> <li>•Definitive diagnosis for patients with symptom (incl. negative confirmation test before discharge)</li> <li>•Negative confirmation test for people with no symptom (at quarantine, close contacts)</li> </ul>		<ul style="list-style-type: none"> <li>•Diagnosis for patients with symptom</li> </ul> Pos: definitive diagnosis Neg: definitive diagnosis (within 2-9 days of symptom)	<ul style="list-style-type: none"> <li>•Past infection (Epidemiological survey, etc.)</li> </ul>
Type of sample	<ul style="list-style-type: none"> <li>•Nasopharyngeal swab</li> <li>•Saliva</li> </ul>	<ul style="list-style-type: none"> <li>•Nasopharyngeal swab</li> <li>•Saliva</li> </ul>	<ul style="list-style-type: none"> <li>•Nasopharyngeal swab (Saliva: in development)</li> </ul>	Blood
Testing time	4 hours	within 30 minutes	10 to 30 minutes	within 30 minutes
Place to test/produce	Mainly Hachioji Lab	Sagamihara Plant	Ube Plant (Asahikawa Plant will open by the end of 2020)	Mainly Hachioji Lab
Capacity	5,600 tests/day (testing capacity)	70,000 tests/day (production capacity)	200,000 tests/week (production capacity)	10,000 tests/day or more (testing capacity)
timing to provide test/product	Feb.12: started testing thru administrative organization Mar. 6: Reimbursed	Jun. 22: started sales Jun. 25: reimbursed	May 13: started sales May 13: reimbursed	Jun.1: started testing

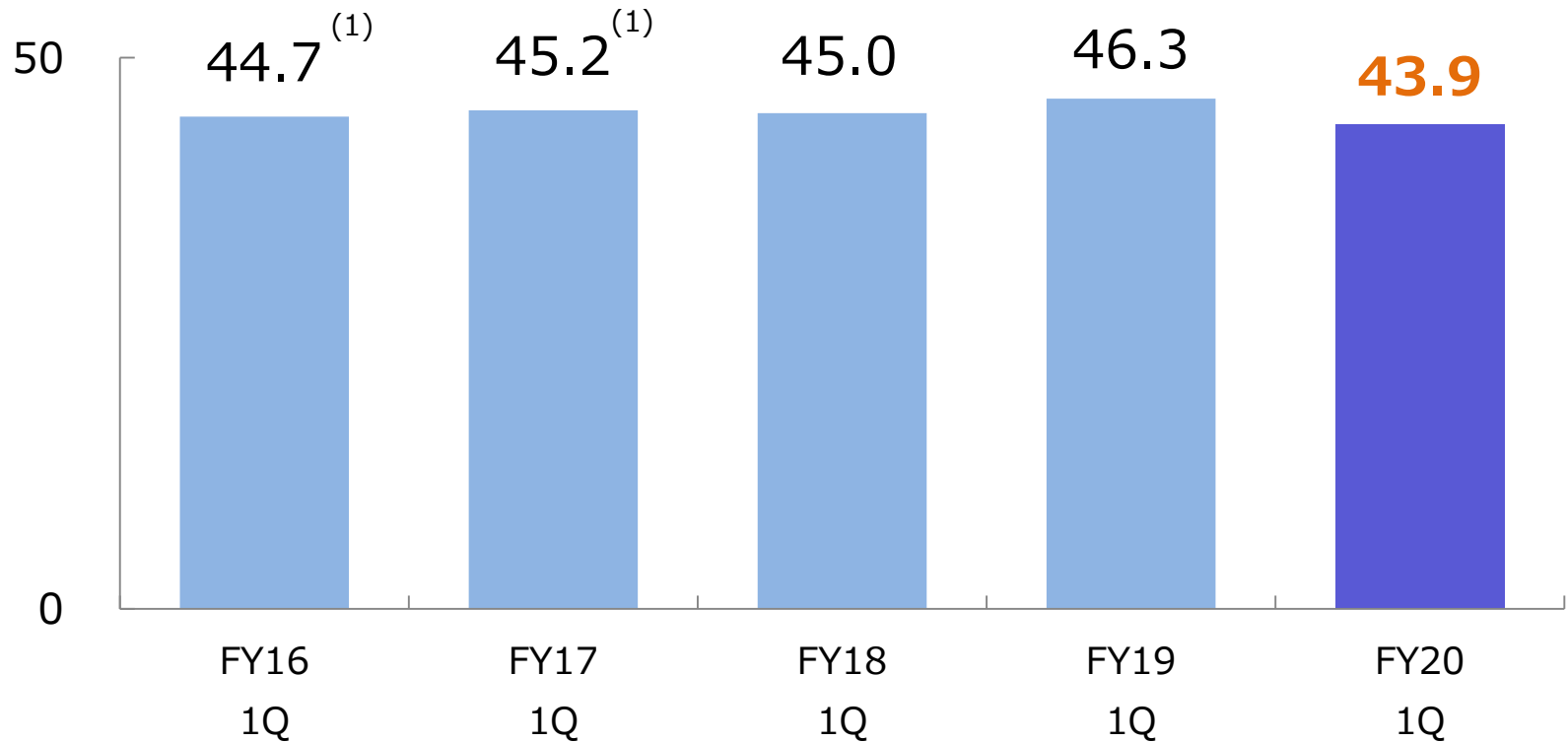


# Business Results for The First Quarter of FY2020

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# Transition of Consolidated Sales

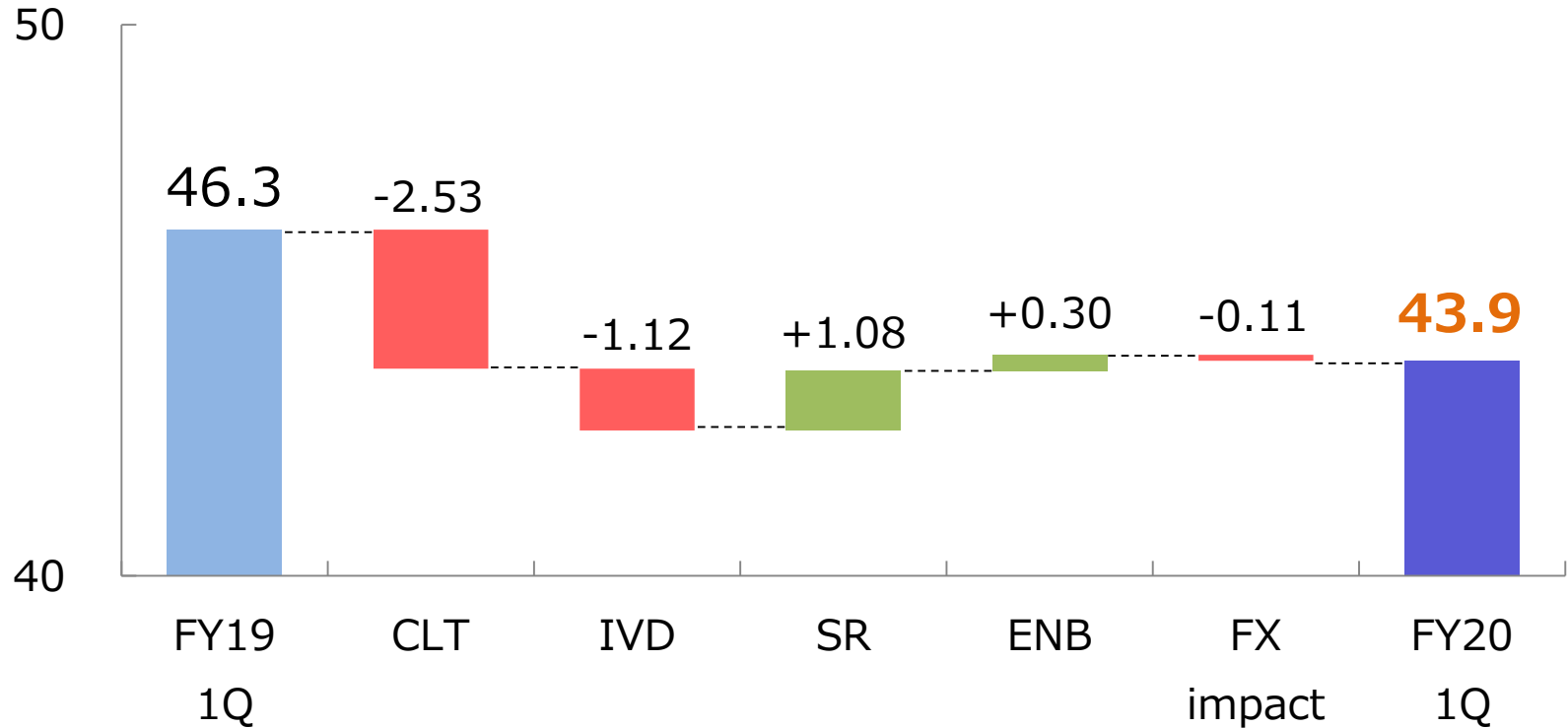
(¥ billion)



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

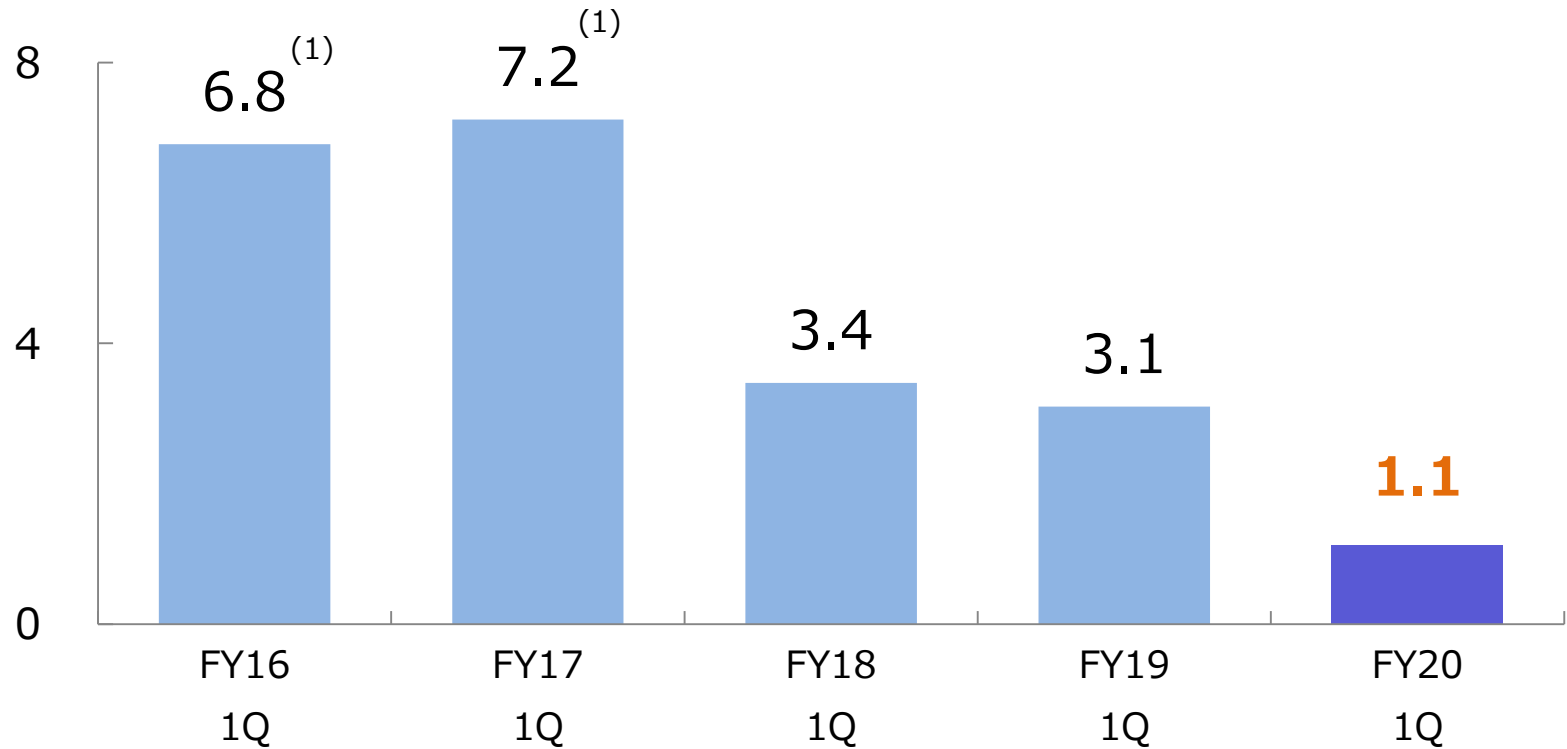
# Consolidated Sales Waterfall

(¥ billion)



# Transition of Consolidated Operating Profit

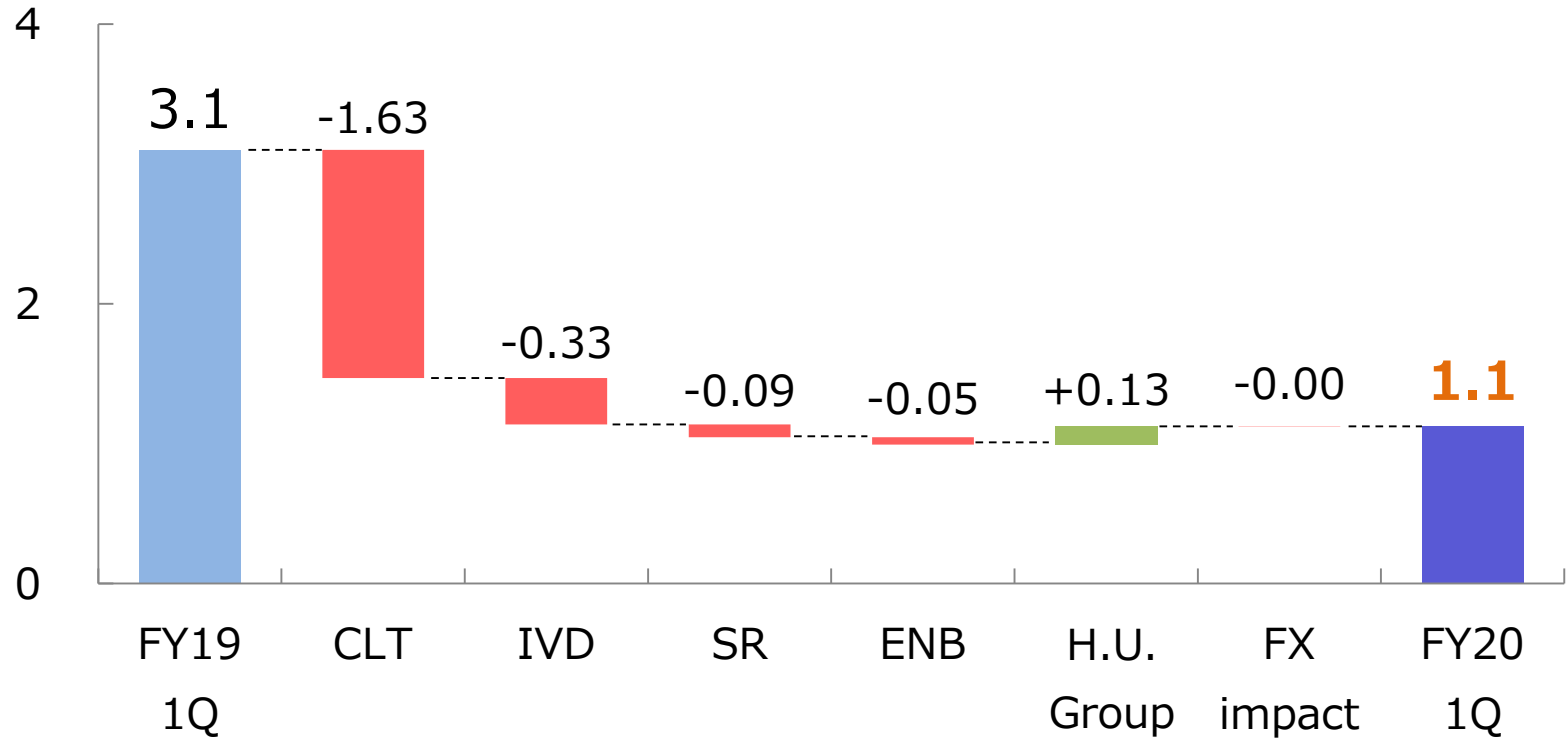
(¥ billion)



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

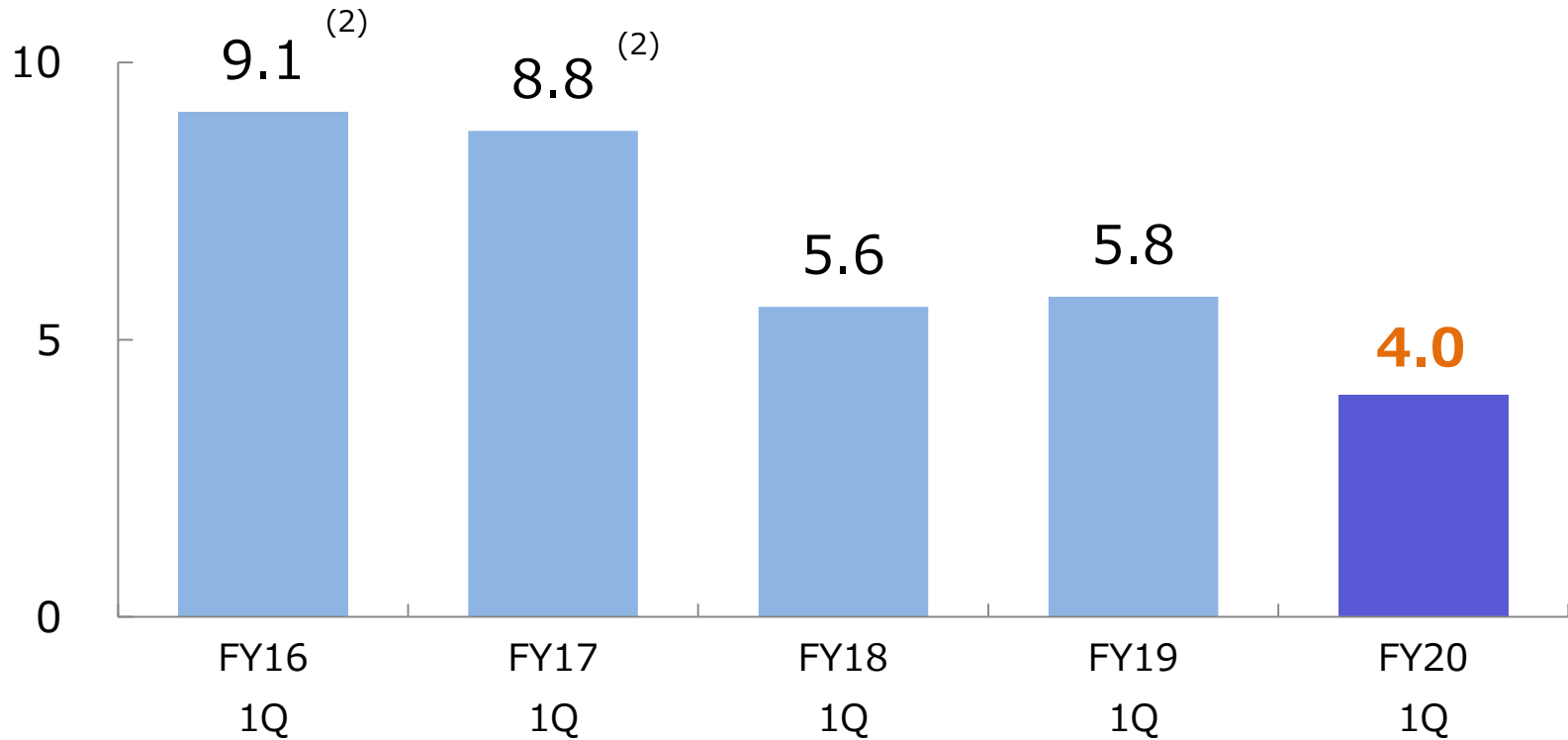
# Consolidated Operating Profit Waterfall

(¥ billion)



# Transition of Consolidated EBITDA<sup>(1)</sup>

(¥ billion)



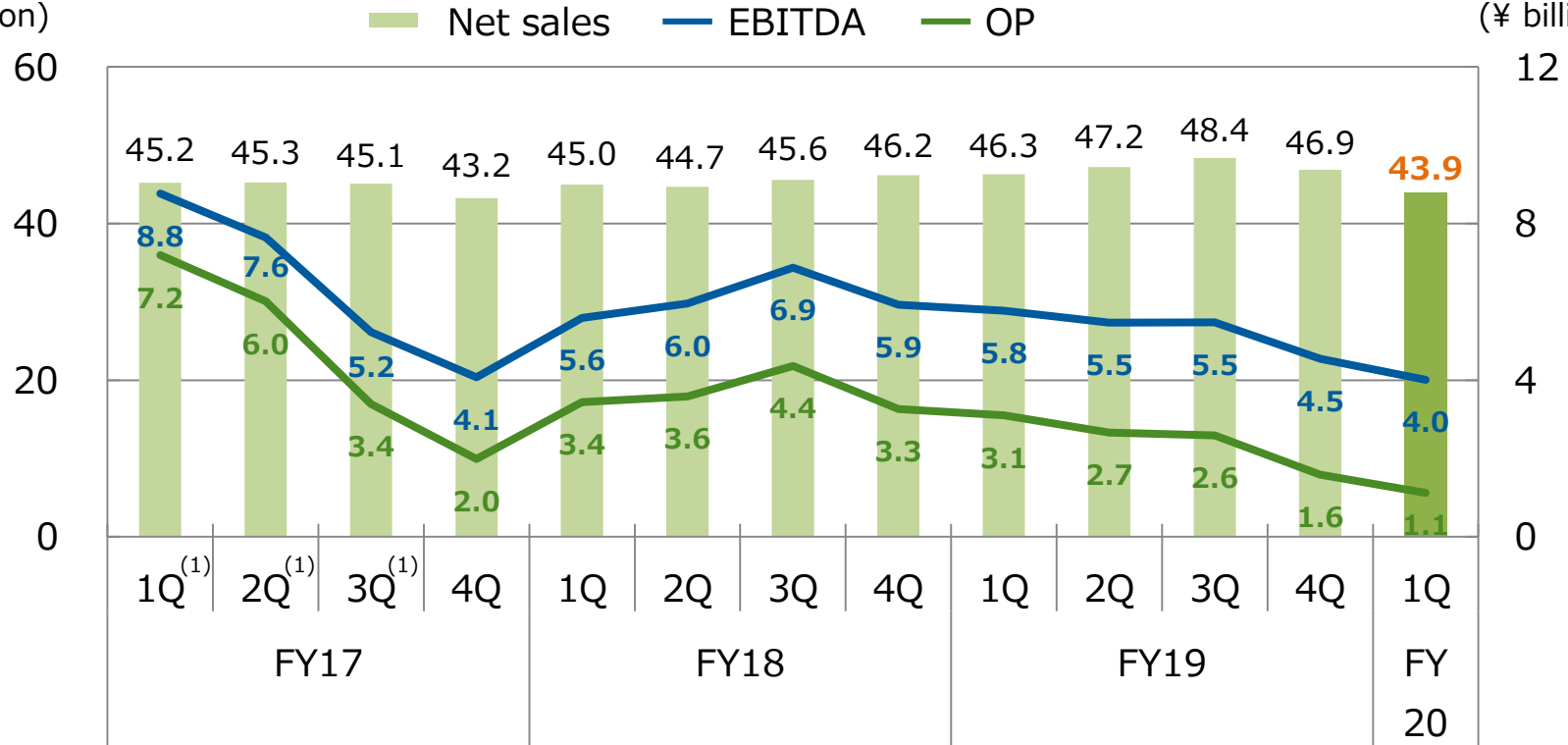
(1) EBITDA = Operating income + Depreciation + Amortization of goodwill

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

# Quarterly Performance Transition

Net sales  
(¥ billion)

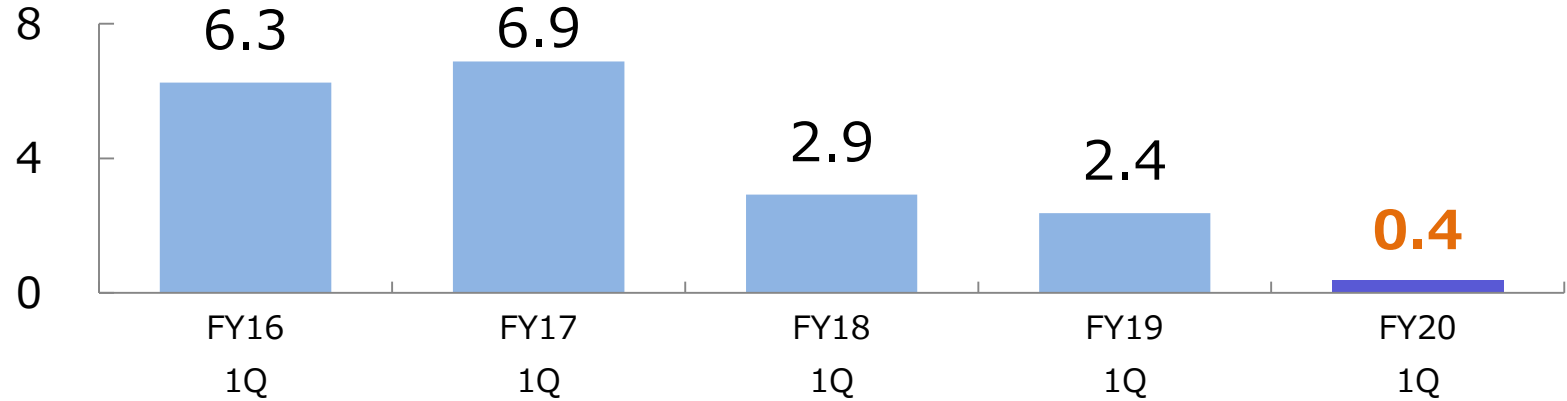
OP, EBITDA  
(¥ billion)



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

# Transition of Consolidated Ordinary Profit

(¥ billion)



## Major factors

### 【FY19 1Q】

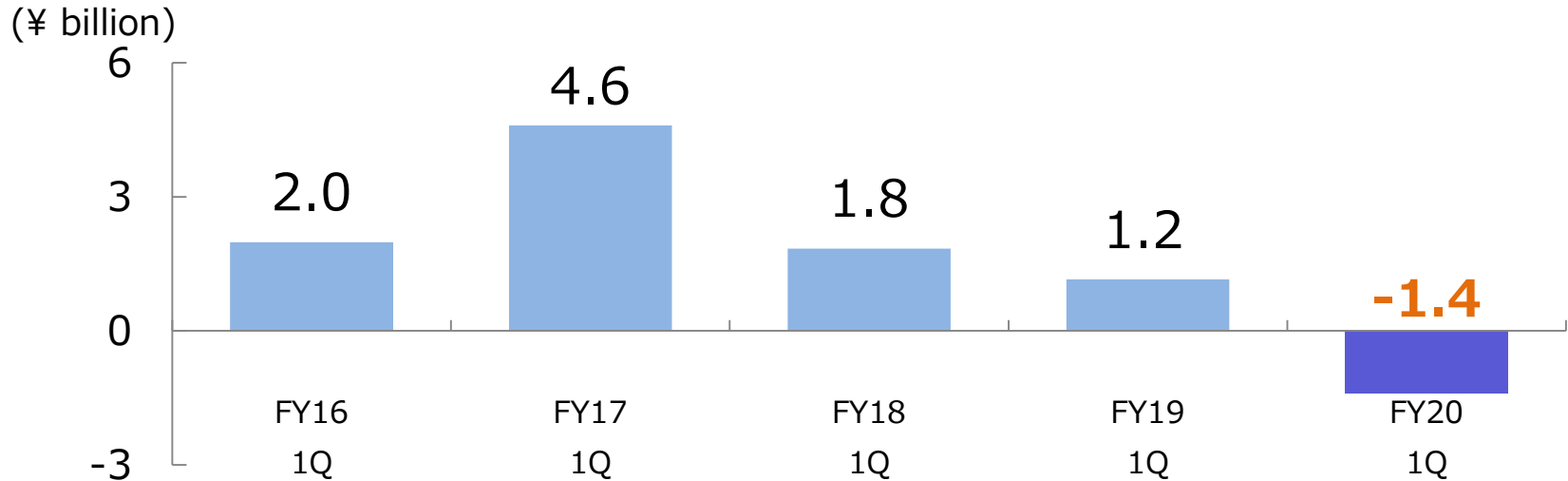
- Share of loss of entities accounted for using equity method -¥0.66 bn
  - ✓ Sole impact from BMGL
  - ✓ JV with Ping An Insurance Group started to be booked from FY19 2Q

### 【FY20 1Q】

- Share of loss of entities accounted for using equity method -¥0.61 bn
  - ✓ Impact from BMGL -¥0.49 bn
  - ✓ Impact from JV with Ping An Insurance Group -¥0.12 bn



# Transition of Consolidated Net Profit/Loss



## Major factors

### 【FY19 1Q】

- Income taxes – deferred

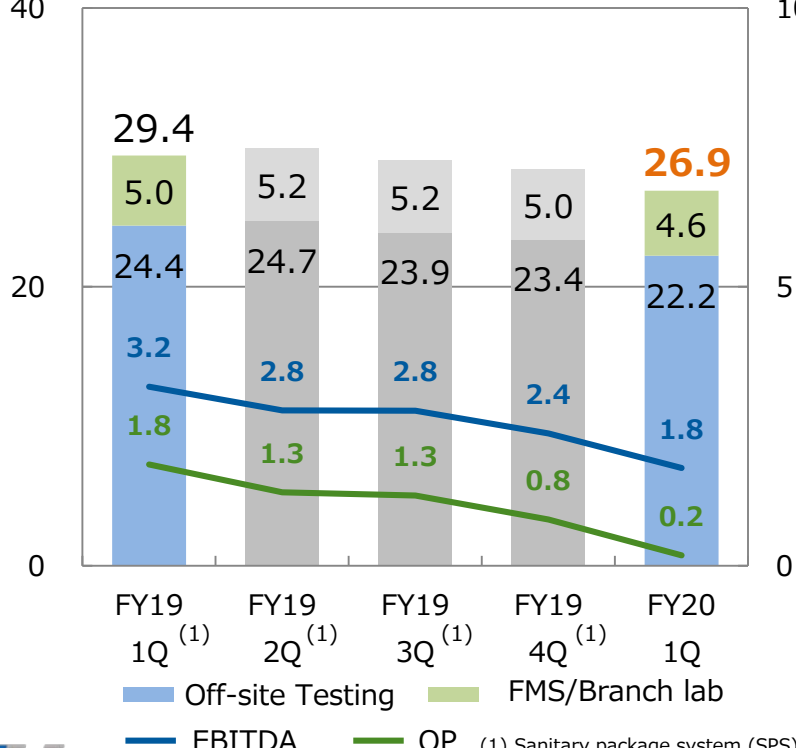
-¥0.69 bn

### 【FY20 1Q】

- Loss on liquidation of subsidiaries (FUJIREBIO INDIA PRIVATE LIMITED) -¥0.36 bn
- Income taxes – deferred -¥1.14 bn (mainly due to temporary difference, estimate to be compressed to within -¥0.5 bn on full year)

## Quarterly Transition

Net sales (¥ billion) 40  
EBITDA, OP (¥ billion) 10



## YoY Comparison

(¥ billion)

	FY19 1Q	FY20 1Q	Variance	
Net sales	29.4	26.9	-2.53	-8.6%
FMS/Branch	5.0	4.6	-0.38	-7.6%
Off-site	24.4	22.2	-2.14	-8.8%
EBITDA	3.2	1.8	-1.46	-45.4%
OP	1.8	0.2	-1.63	-89.8%

### Net sales

- # of tests: -16.5%
- Decrease in # of tests due to Stay-at-home requests
- Test items related to PCR testing for COVID-19 and other genetic test grew

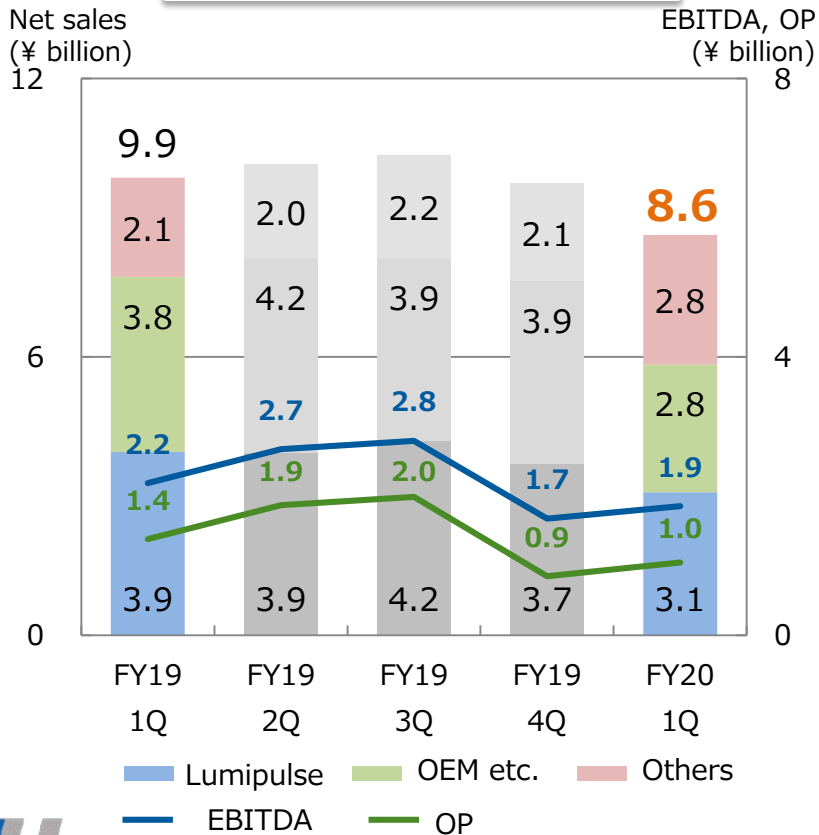
### Operating profit

- Declined in accordance to sales decrease
- Price impact: within scope of projection
- Increase in depreciation expenses (-¥0.2 bn)

(1) Sanitary package system (SPS) service business has been transferred to SR segment from this fiscal year and past figures are adjusted  
(2) SPS service: Uniform and lab coat lease, cleaning, maintenance and individual uniform management service for medical institutions

# IVD

## Quarterly Transition



## YoY Comparison

(¥ billion)

	FY19 1Q	FY20 1Q	Variance	
Net sales	9.9	8.6	-1.23	-12.4%
Lumipulse	3.9	3.1	-0.86	-21.9%
Japan	3.5	2.7	-0.80	-22.8%
Overseas	0.5	0.4	-0.07	-14.5%
OEM etc.	3.8	2.8	-1.02	-26.9%
Others	2.1	2.8	+0.65	+30.5%
EBITDA	2.2	1.9	-0.33	-15.0%
OP	1.4	1.0	-0.34	-24.3%
Lumipulse intra-group transaction	0.6	0.6	+0.06	+10.5%

### Net sales

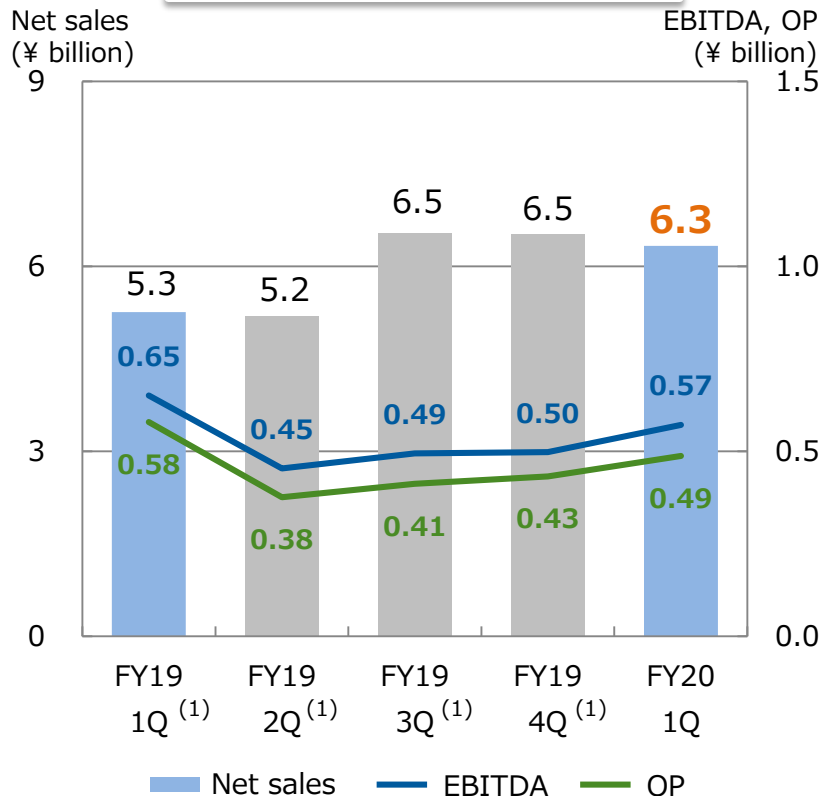
- Sales decreased according to testing demand decrease (Lumipulse, OEM etc.)
- Rapid antigen test kit hiked sales in Others (ESPLINE SARS-CoV-2)

### Operating profit

- Decline in accordance to sales decrease
- Decrease in upfront costs for instrument installation  
FY19 had upfront costs to win large customers

Resolved to liquidate FUJIREBIO INDIA PRIVATE LIMITED  
(Extraordinary loss: -¥0.36 bn)

## Quarterly Transition



## YoY Comparison

(¥ billion)

	FY19 1Q	FY20 1Q	Variance	
Net sales	5.3	6.3	+1.08	+20.5%
EBITDA	0.65	0.57	-0.08	-12.2%
OP	0.58	0.49	-0.09	-15.9%

### Net sales

- Commencement of deposit inventory business for medical items hiked sales growth (commencement from FY19 3Q)

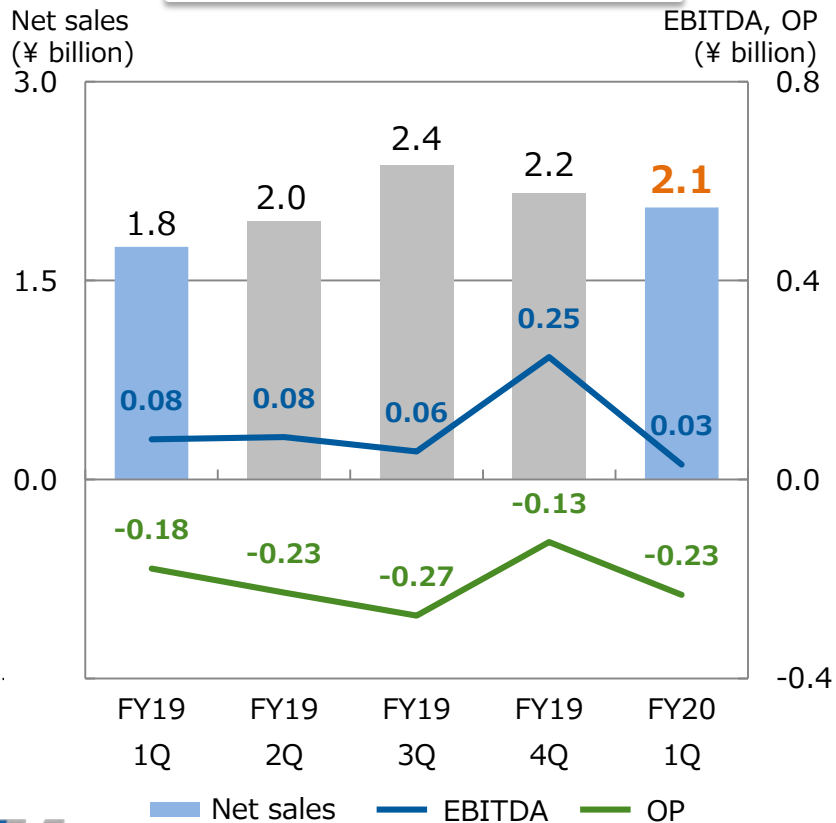
### Operating profit

- Profit decline in accordance to decrease in off-site sterilization sales due to postponement of group medical exams
- Limited profit contribution from deposit inventory business

(1) Sanitary package system (SPS) service business has been transferred from CLT segment as of this fiscal year and past figures are adjusted

(2) SPS service: Uniform and lab coat lease, cleaning, maintenance and individual uniform management service for medical institutions

## Quarterly Transition



## YoY Comparison

(¥ billion)

	FY19 1Q	FY20 1Q	Variance	
Net sales	1.8	2.1	+0.30	+16.9%
EBITDA	0.08	0.03	-0.05	-63.0%
OP	-0.18	-0.23	-0.05	-

### Net sales

- Growth contribution from consolidation of Japan Institute of Foods Ecology (+¥0.2 bn)
- Growth in home-visiting, welfare business (+¥0.1 bn)
- Decrease in food, environment, cosmetics testing business and self-medication service through corporate health insurance associations business due to COVID-19 pandemic

### Operating profit

- Upfront costs continuing mainly in food, environment, cosmetics testing business

# Consolidated results for FY20 1Q

(¥ billion)

	FY19 1Q	FY20 1Q	Variance	
<b>Net Sales</b>	<b>46.3</b>	<b>43.9</b>	<b>-2.38</b>	<b>-5.1%</b>
CLT	29.4	26.9	-2.53	-8.6%
IVD	9.9	8.6	-1.23	-12.4%
SR	5.3	6.3	+1.08	+20.5%
ENB	1.8	2.1	+0.30	+16.9%
<b>OP<sup>(1)</sup></b>	<b>3.1</b> <b>6.7%</b>	<b>1.1</b> <b>2.6%</b>	<b>-1.98</b>	<b>-63.7%</b>
CLT	1.8	0.2	-1.63	-89.8%
IVD	1.4	1.0	-0.34	-24.3%
SR	0.6	0.5	-0.09	-15.9%
ENB	-0.2	-0.2	-0.05	-
<b>Or. Profit</b>	<b>2.4</b> <b>5.1%</b>	<b>0.4</b> <b>0.8%</b>	<b>-2.00</b>	<b>-84.6%</b>
<b>Profit/loss attributable to owners of parent</b>	<b>1.2</b> <b>2.5%</b>	<b>-1.4</b> <b>-3.2%</b>	<b>-2.54</b>	<b>-</b>
<b>EBITDA<sup>(2)</sup></b>	<b>5.8</b> <b>12.5%</b>	<b>4.0</b> <b>9.1%</b>	<b>-1.76</b>	<b>-30.5%</b>

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

(1) OP includes H.U. Group Holdings and H.U. Group Research institute, as well as segmentation adjustments (FY19 1Q: -¥0.50 bn, FY20 1Q: -¥0.36 bn)

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

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# **【Contact information】**

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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.