

Business Results for The Third Quarter of FY2020

February 8, 2021

H.U. Group Holdings, Inc.

(TSE: 4544)

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
HUHD: H.U. Group Holdings, Inc.	FY2020: Fiscal year ending March 31, 2021
- * 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 1-3Q : 1USD = 108.67 JPY 1EURO = 121.04 JPY

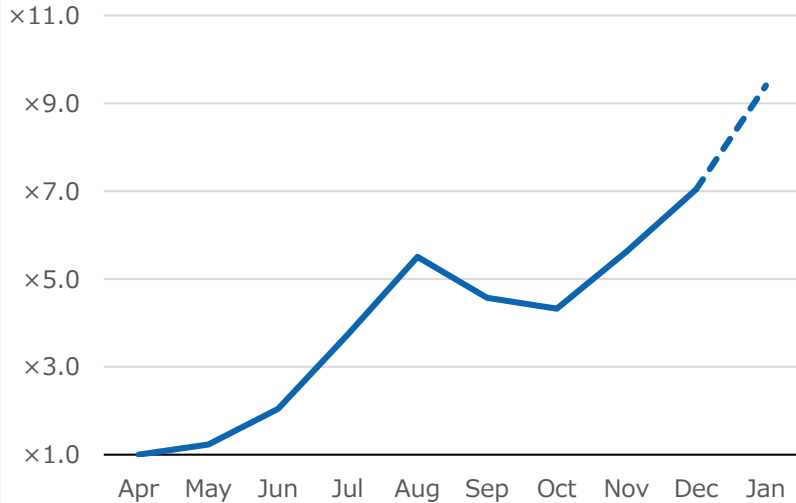
FY2020 1-3Q : 1USD = 106.11 JPY 1EURO = 122.38 JPY

Updates Related to COVID-19

CLT: Testing Trends for PCR & Esoteric Tests

Number of COVID-19 PCR tests conducted

Index: No. of tests conducted by H.U.Group in April=1¹

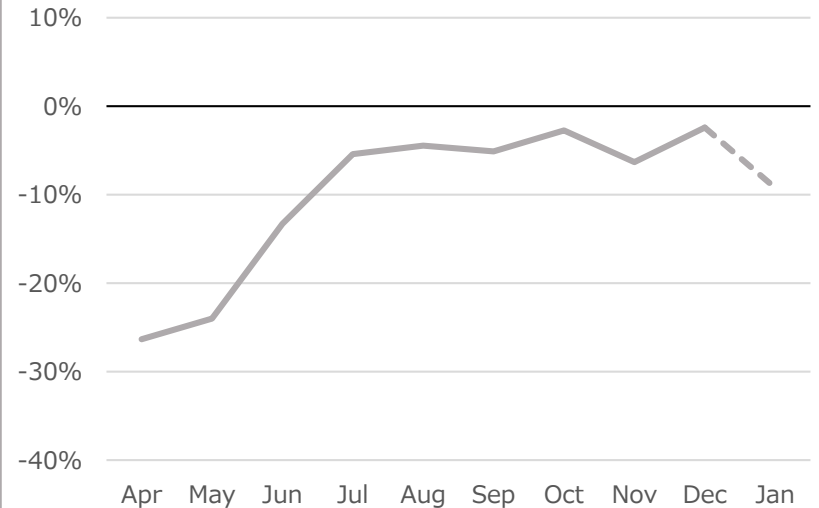


- Number of PCR tests hiked along with spread of infection

1. PCR tests conducted in labs nationwide

Number of IDs for esoteric testing excluding COVID-19 related tests

No. of IDs² for esoteric tests compared to previous year



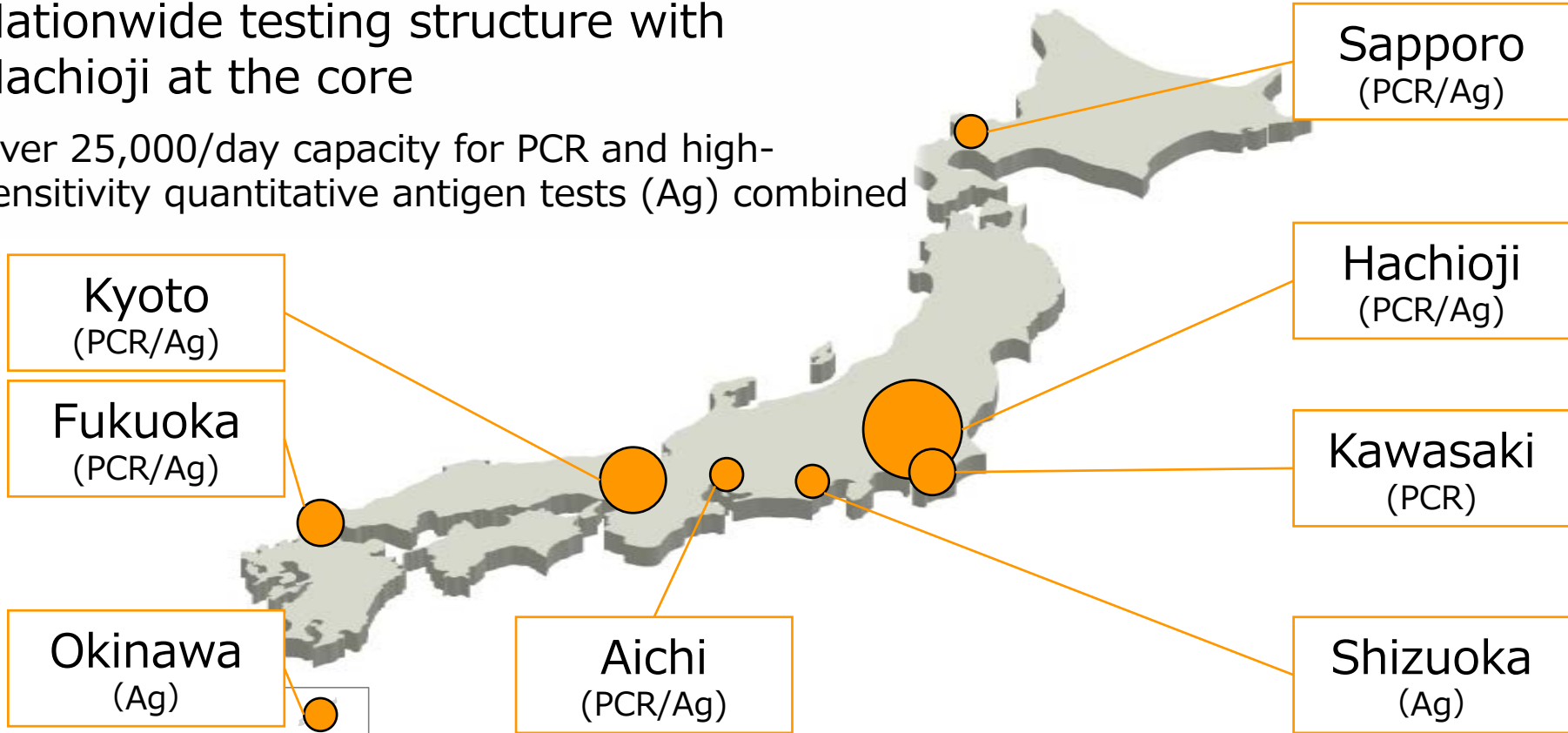
- Continued to trend below the previous year in Q3

2. Test IDs conducted at Hachioji after working day adjustment

CLT: Our Capacity for PCR/High-Sensitivity Quantitative Antigen Tests

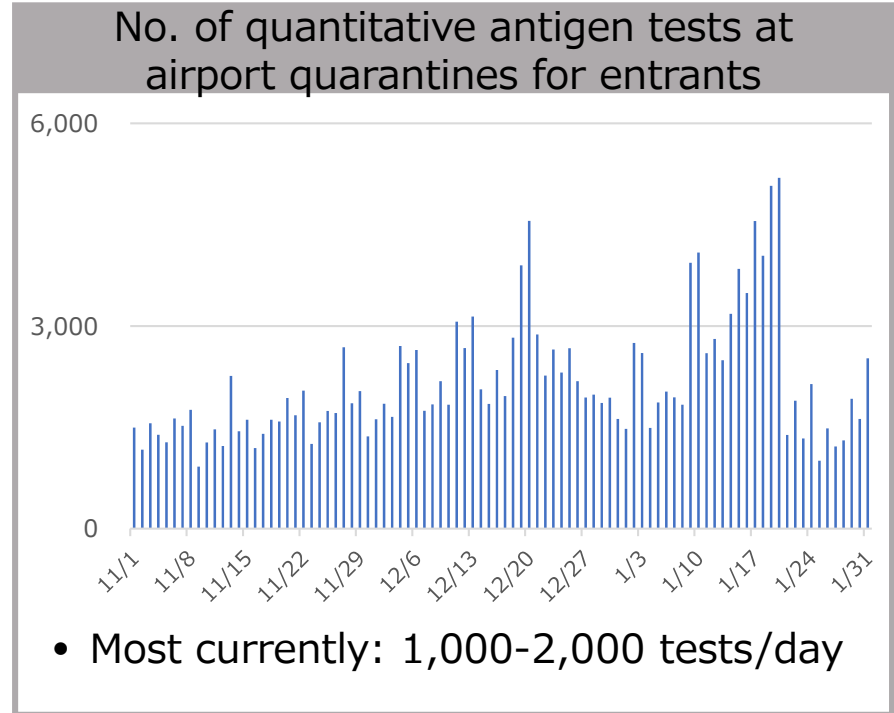
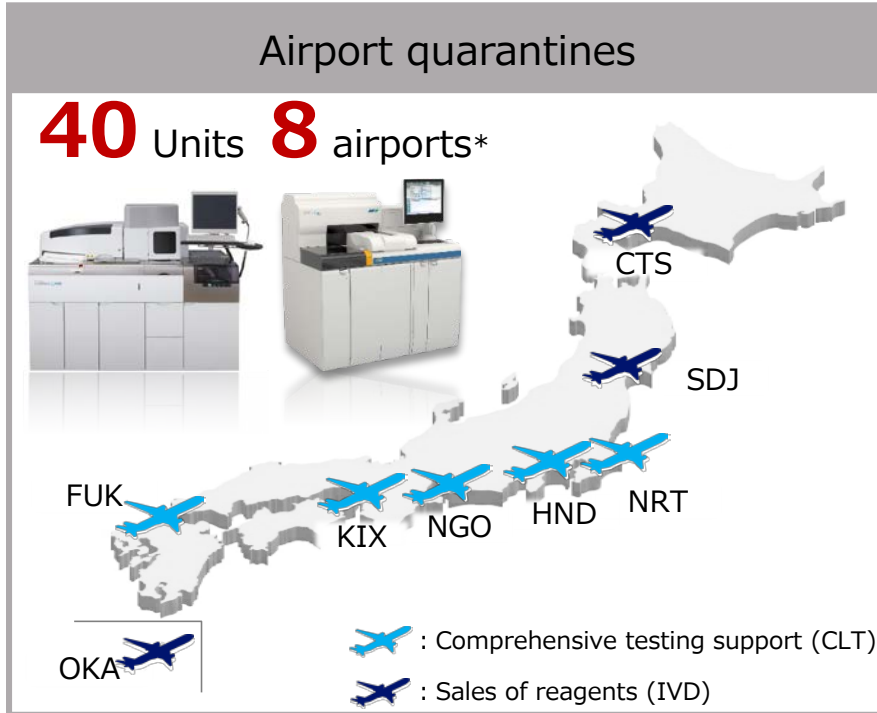
Nationwide testing structure with Hachioji at the core

Over 25,000/day capacity for PCR and high-sensitivity quantitative antigen tests (Ag) combined



CLT: Contribution at Airport Quarantines

- High-sensitivity quantitative antigen tests at 8 sites (SDJ newly added)
- Comprehensive testing support expanded to 5 sites (NRT, HND, KIX, **FUK**, **NGO**)



IVD: Updates on COVID-19 Related Products

Lumipulse

No. of installed Lumipulse: approx. 1,550

- No. of newly installed Lumipulse due to COVID-19
At end of Dec.: **Approx. 250** (130 units during Oct. – Dec.)
At end of Mar.: **Approx. 310** (estimated cumulative number)

Instrument size

Large¹
approx. 450



- 240 test/h
- Large hospitals, testing centers, airport quarantines

Middle¹
approx. 850



- 120 test/h
- Middle to small hospitals, airport quarantines

Small¹
approx. 250

- 60 test/h

FY2020 3Q

FY2020 4Q

ESPLINE SARS-CoV-2

Newly opened Asahikawa Plant

- Production capacity doubled to 400,000/week combined with Ube Plant

Global sales expansion (incl. future outlook)

- Latin America** : Chile, Bolivia, Argentina, Peru
- Southeast Asia** : Vietnam

Lumipulse SARS-CoV-2 Ag

- Japan : Sales expansion to hospitals
- Overseas : Sales expansion mainly in EU from 3Q (Italy, etc.)

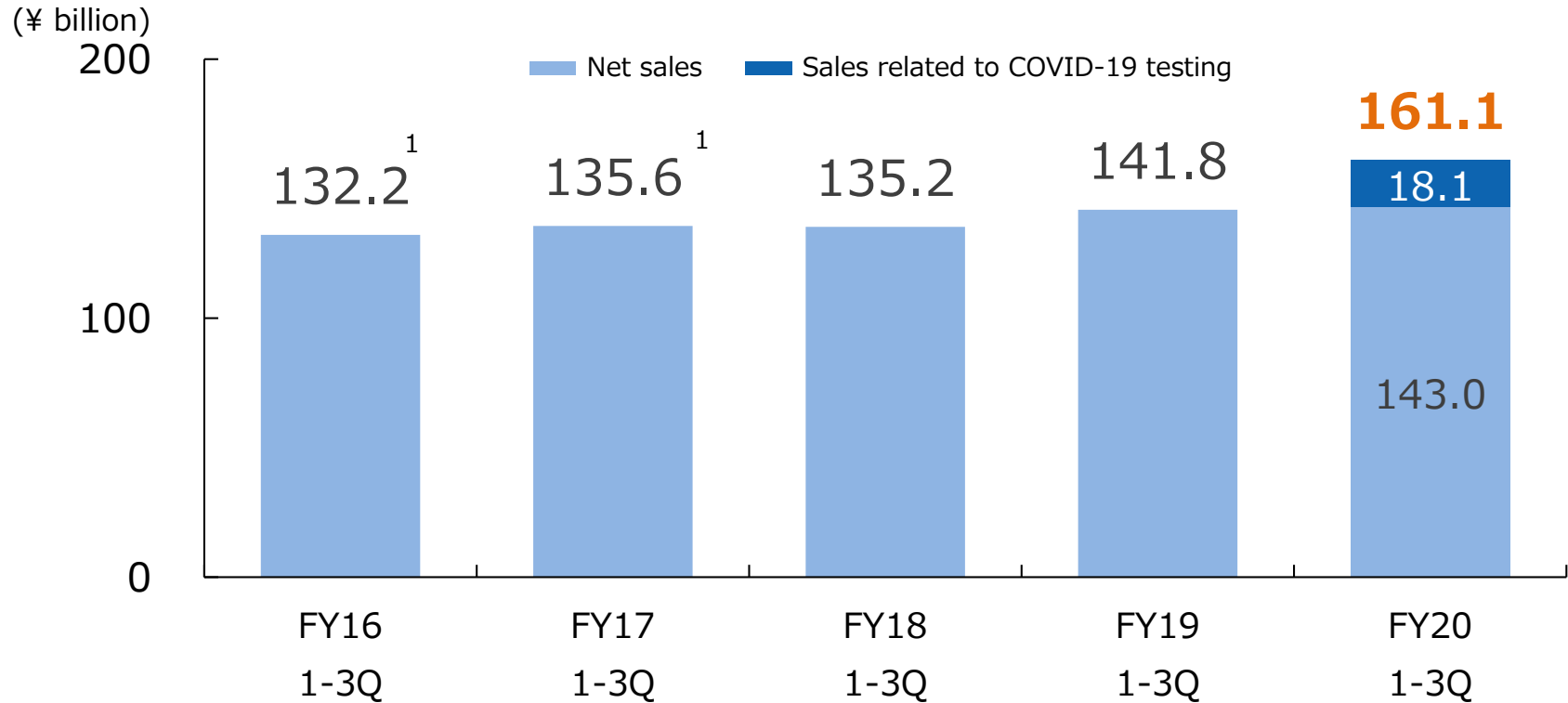
Application to the US FDA for EUA (Dec.)

Waiting for approval

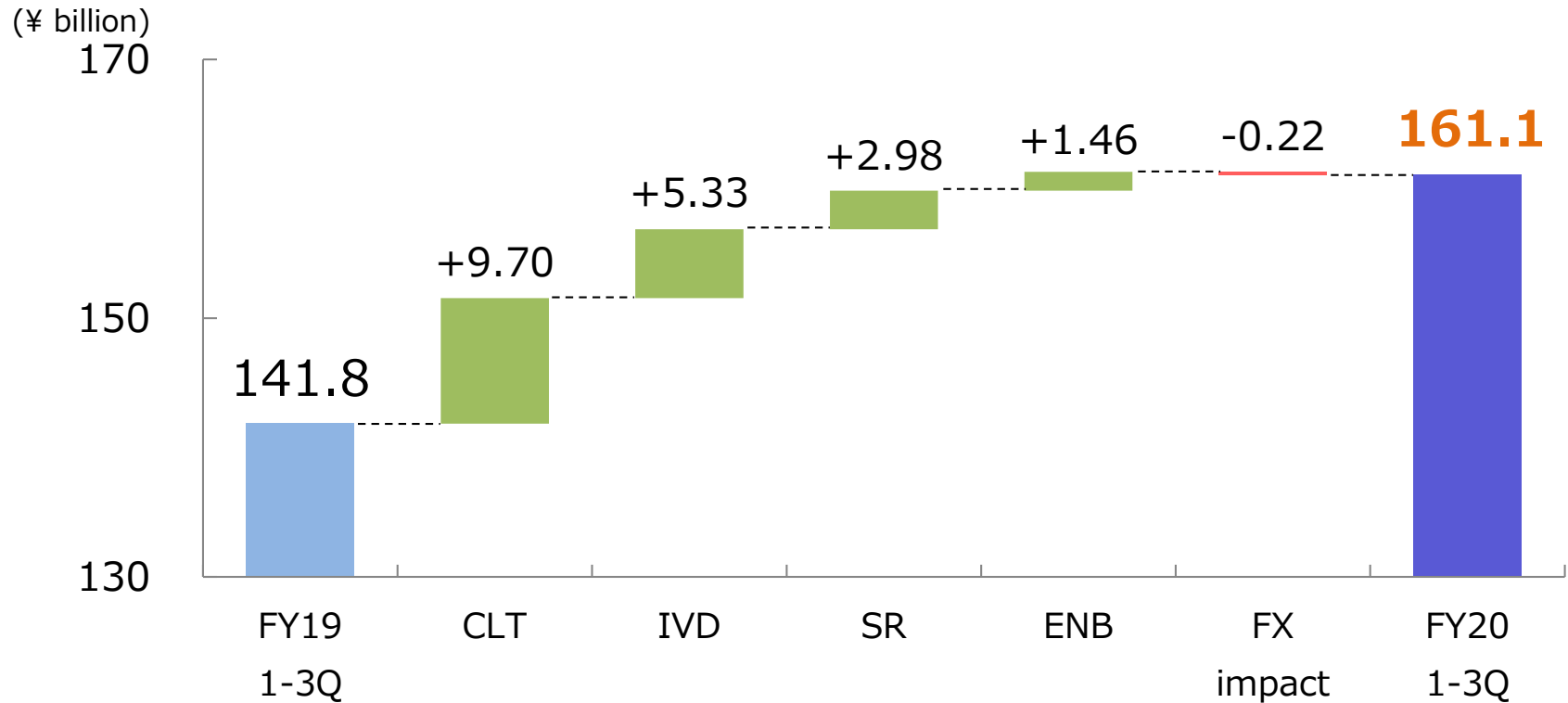
Business Results for The Third Quarter of FY2020

Transition of Consolidated Net Sales

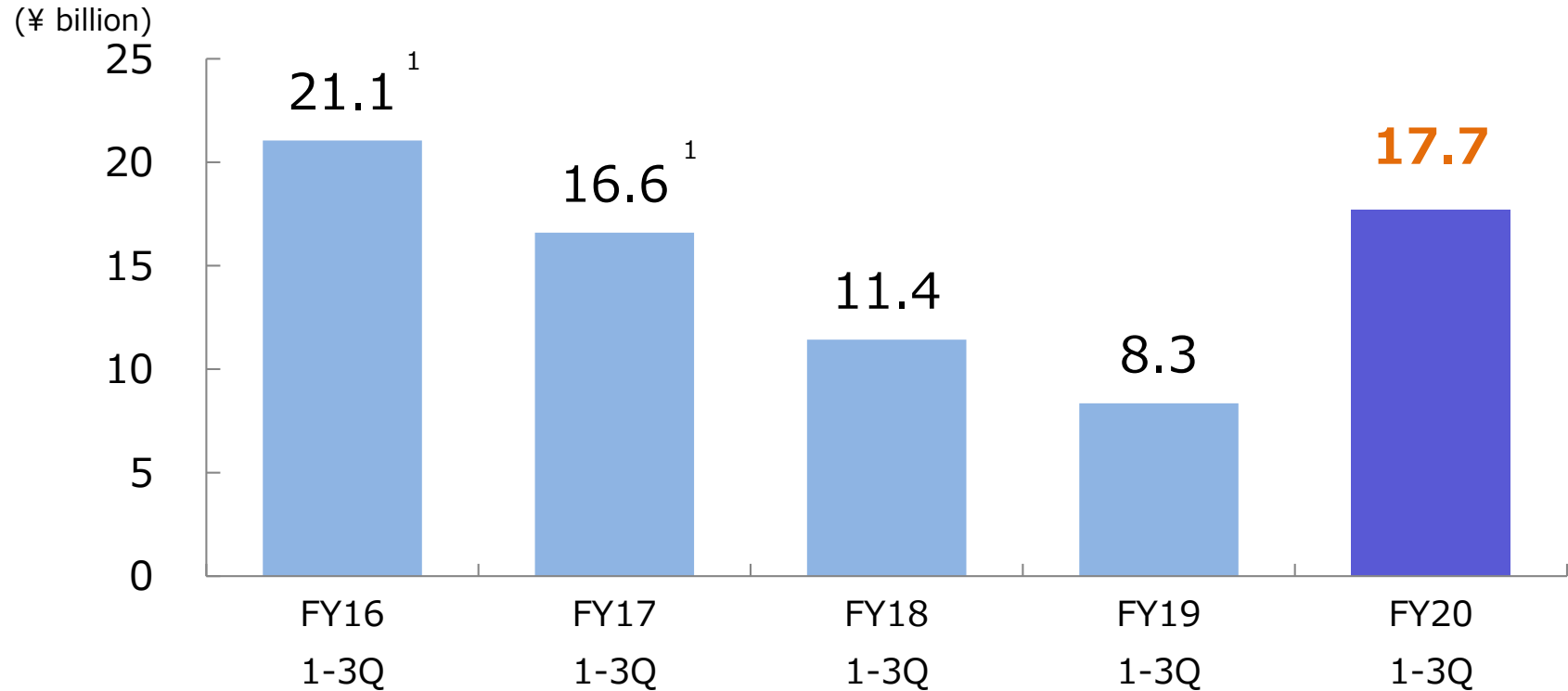
Record high cumulative Q3 net sales



Consolidated Net Sales Waterfall

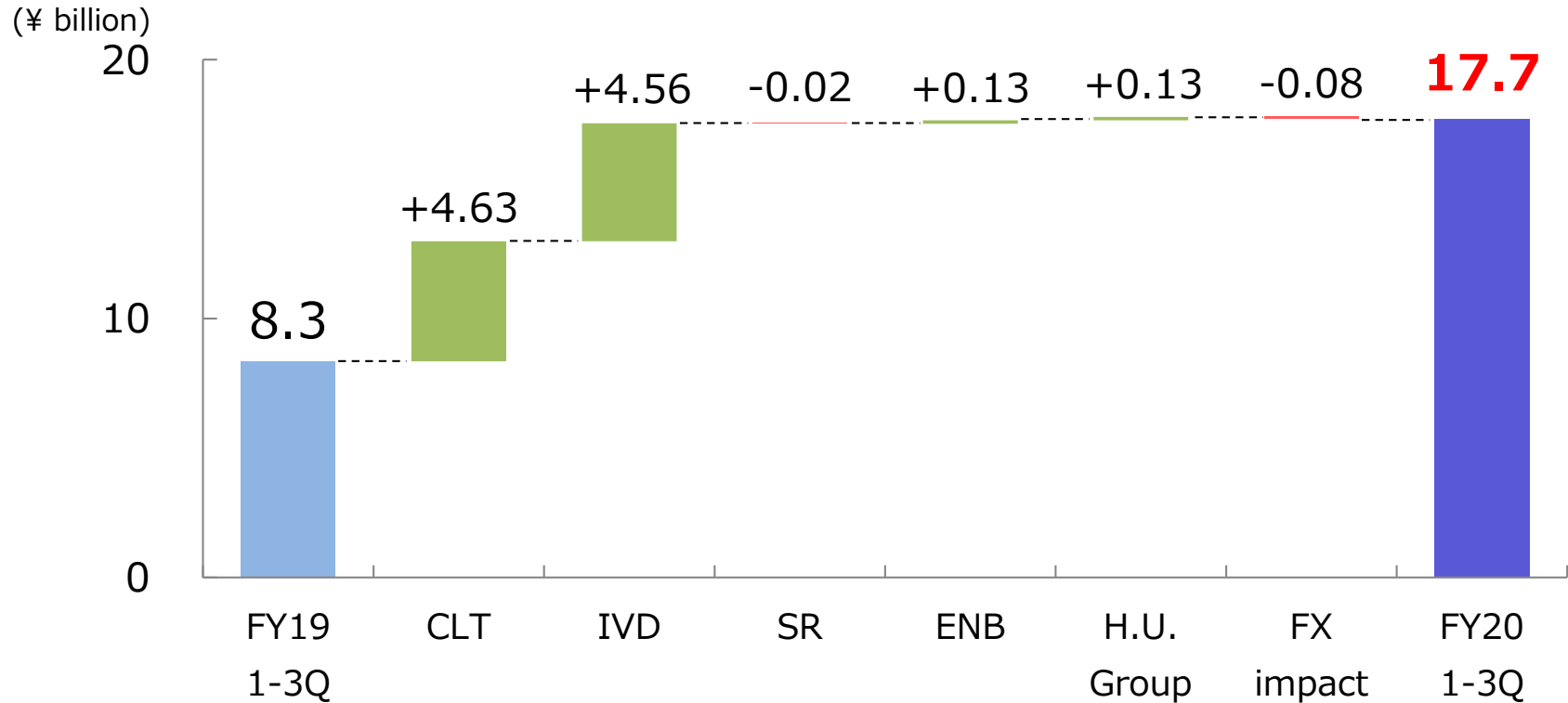


Transition of Consolidated Operating Profit

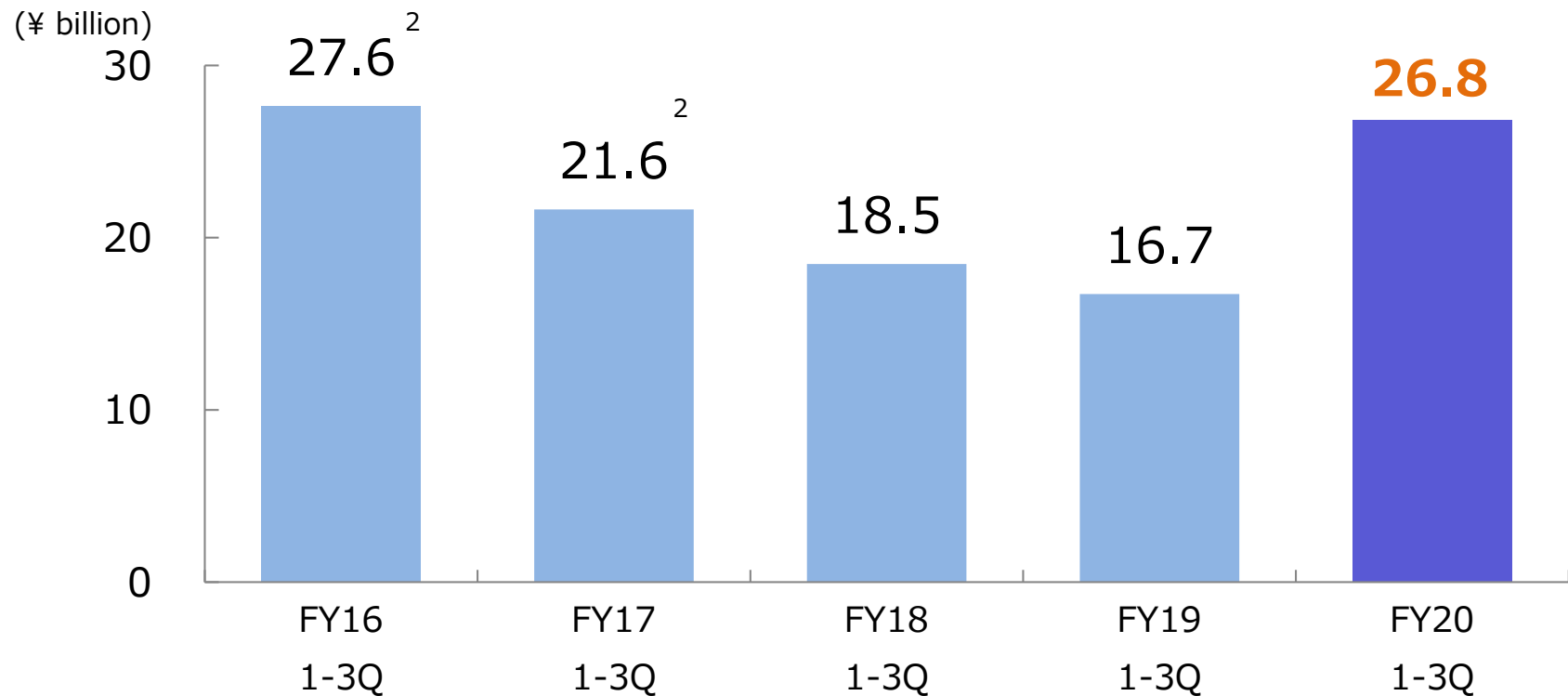


1. Excluding CLT Global business, due to the business divestment taken place in November 2017.

Consolidated Operating Profit Waterfall



Transition of Consolidated EBITDA¹



1. EBITDA = Operating income + Depreciation + Amortization of goodwill

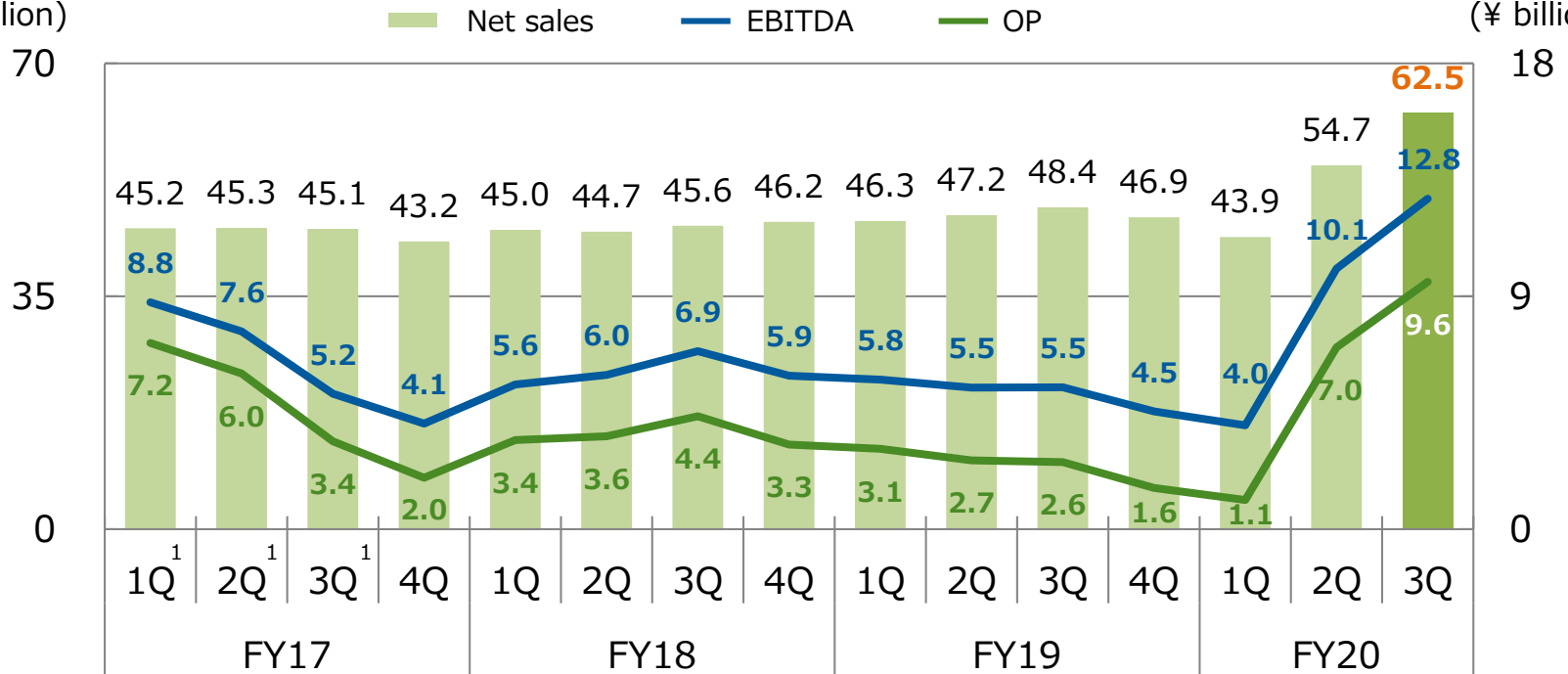
2. Excluding CLT Global business, due to the business divestment taken place in November 2017.

Quarterly Performance Transition

Record high stand-alone Q3 net sales, EBITDA, OP

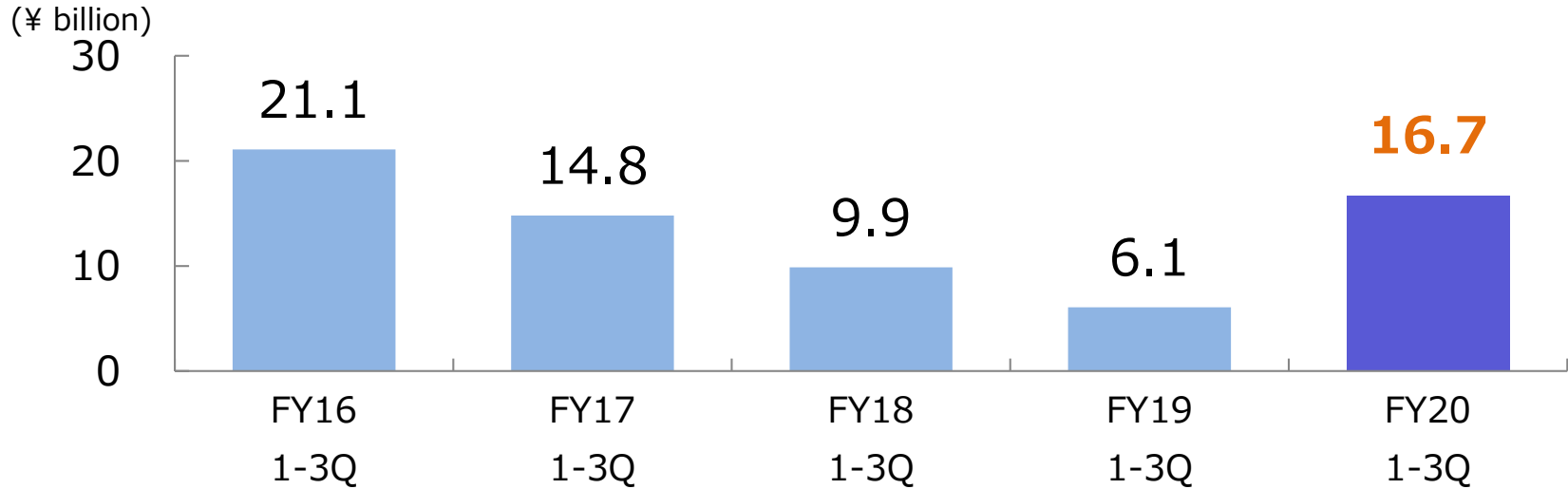
Net sales
(¥ billion)

EBITDA, OP
(¥ billion)



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

Transition of Consolidated Ordinary Profit



Major factors

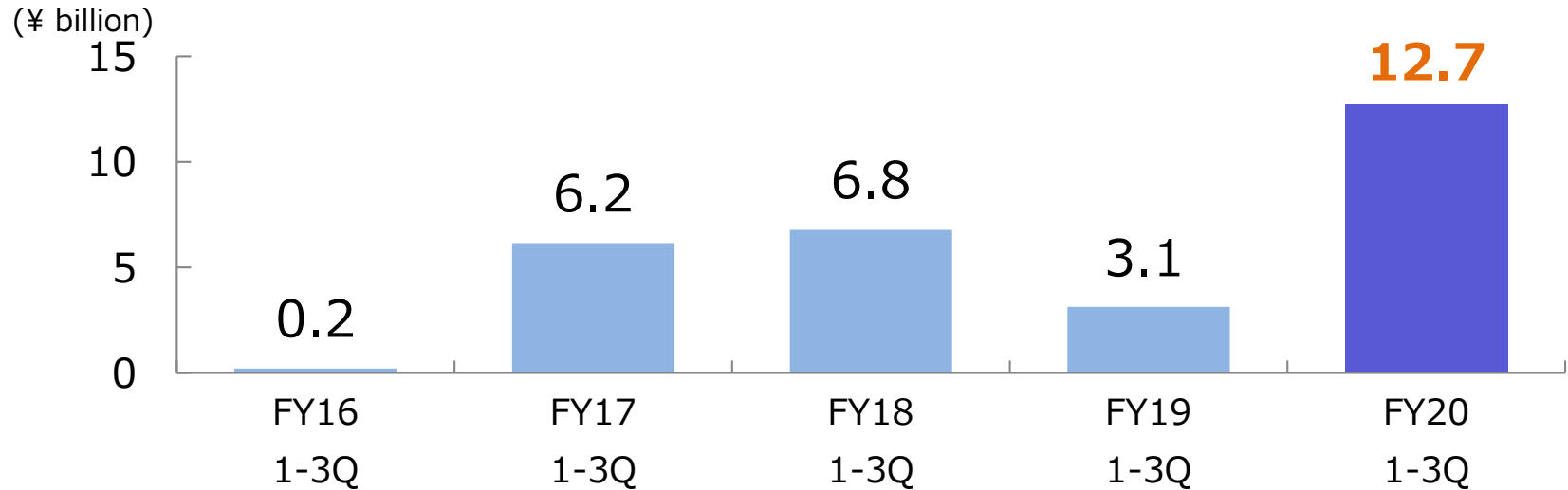
【FY19 1-3Q】

- Share of loss of entities accounted for using equity method -¥2.3 bn
- ✓ Impact from BMGL -¥1.8 bn
- ✓ Impact from JV with Ping An Insurance Group -¥0.5 bn

【FY20 1-3Q】

- Share of loss of entities accounted for using equity method -¥1.2 bn
- ✓ Impact from BMGL -¥0.5 bn
- ✓ Impact from JV with Ping An Insurance Group -¥0.7 bn

Transition of Consolidated Net Profit



Major factors

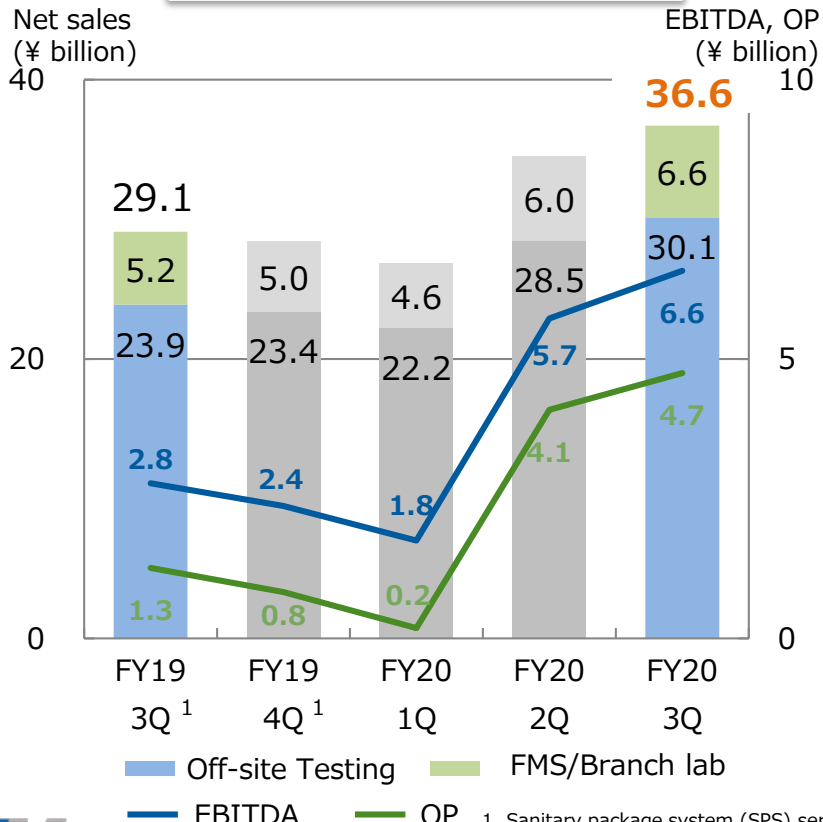
【FY19 1-3Q】

- (Nothing in particular)

【FY20 1-3Q】

- Business restructuring expenses -¥0.8 bn

Quarterly Transition



YoY Comparison

(¥ billion)

	FY19 1-3Q	FY20 1-3Q	Variance	
Net sales	88.4	98.1	+9.70	+11.0%
FMS/Branch	15.4	17.3	+1.82	+11.8%
Off-site	73.0	80.9	+7.89	+10.8%
EBITDA	8.8	14.1	+5.28	+60.2%
OP	4.4	9.0	+4.63	+105.5%

Net sales

- No. of tests: +0.4%
- Increased PCR tests for COVID-19
- Growth of test items related to genetic testing
- Comprehensive testing support at airport quarantines

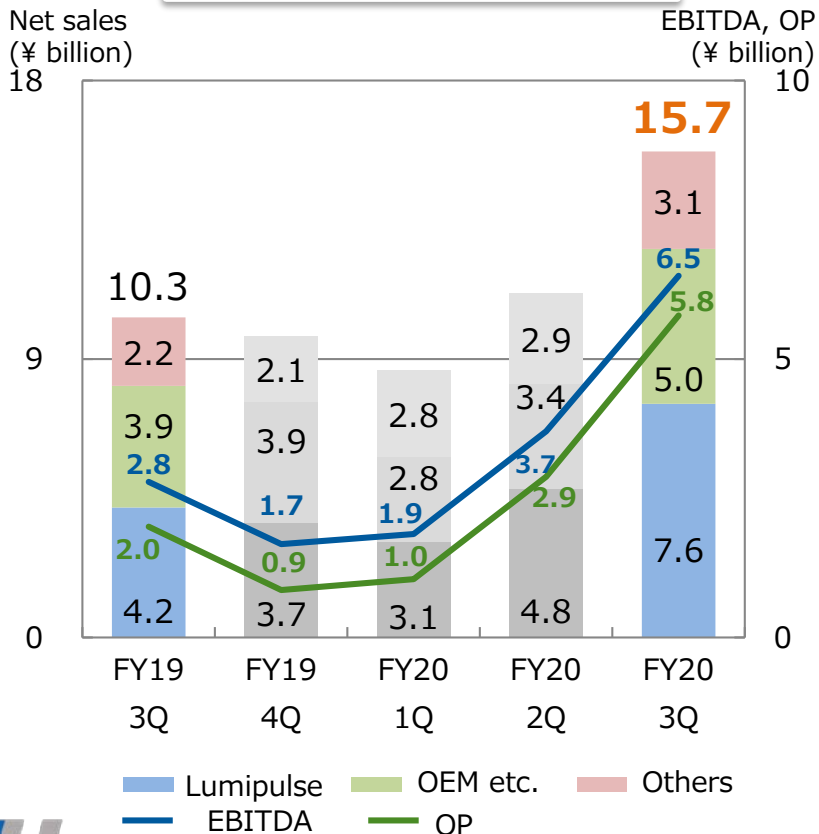
Operating profit

- Profit increased due to COVID-19 related sales increase
- Increase in depreciation expenses (-¥0.8 bn)

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

IVD

Quarterly Transition



YoY Comparison

(¥ billion)

	FY19 1-3Q	FY20 1-3Q	Variance	
Net sales	30.3	35.5	+5.10	+16.8%
Lumipulse	12.1	15.4	+3.36	+27.8%
Japan	10.5	13.1	+2.61	+24.8%
Overseas	1.6	2.3	+0.75	+47.6%
OEM etc.	11.9	11.2	-0.75	-6.3%
Others	6.4	8.9	+2.50	+39.2%
EBITDA	7.7	12.1	+4.40	+57.6%
OP	5.2	9.7	+4.48	+85.4%
Lumipulse inter-segment transaction	1.7	3.2 ¹	+1.49	+86.0%

1. Inter-segment Sales increase mainly driven by COVID-19 related reagents

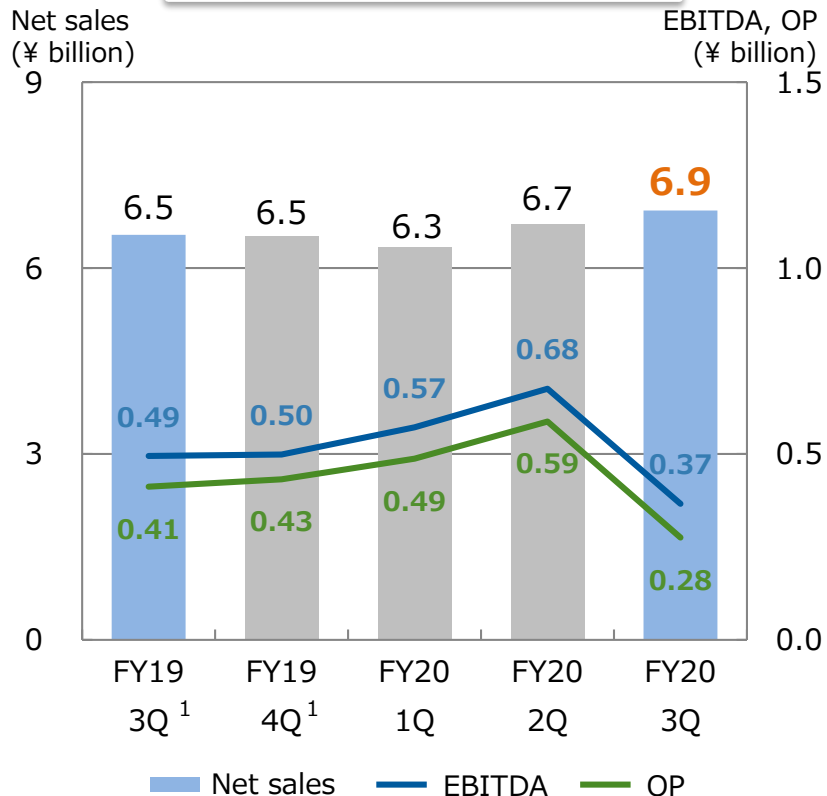
Net sales

- Sales contribution from high-sensitivity quantitative antigen test (Lumipulse SARS-CoV-2 Ag) and rapid antigen test kit sales (ESPLINE SARS-CoV-2)
- OEM etc. business marked record high sales on a 3Q stand-alone basis

Operating profit

- Sales increase and inter-segment transaction had driven significant OP growth

Quarterly Transition



YoY Comparison

(¥ billion)

	FY19 1-3Q	FY20 1-3Q	Variance	
Net sales	17.0	20.0	+2.98	+17.5%
EBITDA	1.60	1.61	+0.01	+0.9%
OP	1.37	1.35	-0.02	-1.3%

Net sales

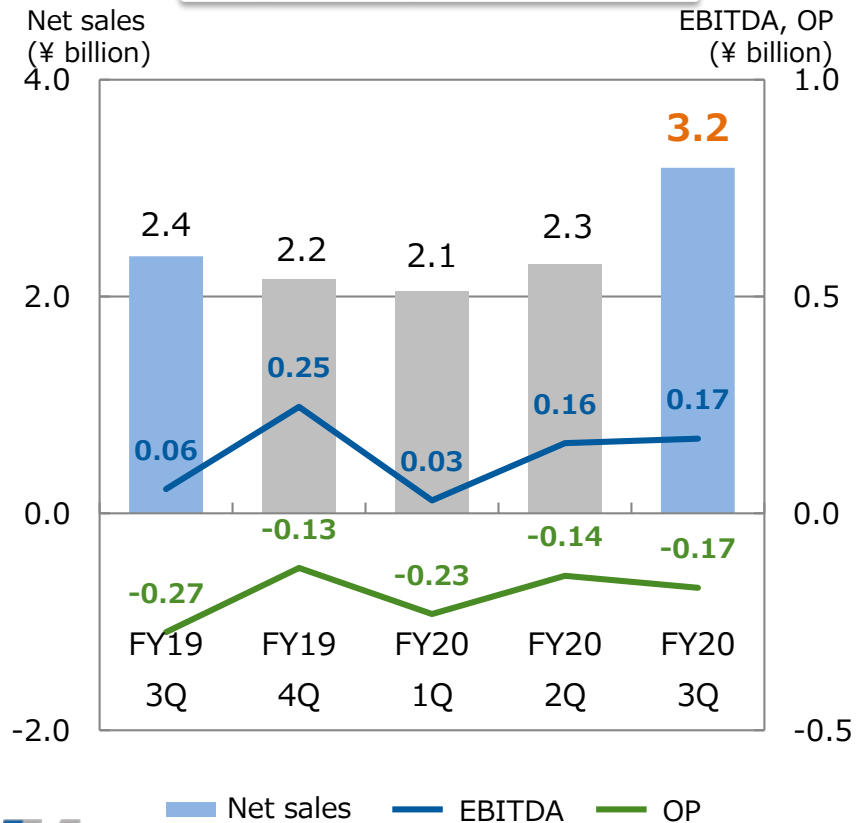
- Commencement of deposit inventory business for medical items contributed to sales growth (commencement from FY19 3Q)

Operating profit

- Declined In-hospital business volume led to labor cost reduction
- One-time expenses (-¥0.3 bn)

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

Quarterly Transition



YoY Comparison

(¥ billion)

	FY19 1-3Q	FY20 1-3Q	Variance	
Net sales	6.1	7.5	+1.46	+24.1%
EBITDA	0.22 3.7%	0.36 4.8%	+0.14	+63.9%
OP	-0.68 -11.2%	-0.55 -7.3%	+0.13	-

Net sales

- Growth contribution from consolidation of Japan Institute of Foods Ecology (+¥0.68 bn)
- Growth in self-medication, etc. business (+¥0.57 bn)
- Growth in home-visiting, welfare business (+¥0.27 bn)

Operating profit

- Upfront costs continuing

Consolidated Results for FY2020 1-3Q

(¥ billion)

	FY19 1-3Q	FY20 1-3Q	Variance
Net Sales	141.8	161.1	+19.24 +13.6%
CLT	88.4	98.1	+9.70 +11.0%
IVD	30.3	35.5	+5.10 +16.8%
SR	17.0	20.0	+2.98 +17.5%
ENB	6.1	7.5	+1.46 +24.1%
OP¹	8.3 5.9%	17.7 11.0%	+9.35 +112.0%
CLT	4.4 5.0%	9.0 9.2%	+4.63 +105.5%
IVD	5.2 17.3%	9.7 27.4%	+4.48 +85.4%
SR	1.4 8.0%	1.4 6.8%	-0.02 -1.3%
ENB	-0.7 -11.2%	-0.5 -7.3%	+0.13 -
Or. Profit	6.1 4.3%	16.7 10.4%	+10.62 +175.0%
Profit/loss attributable to owners of parent	3.1 2.2%	12.7 7.9%	+9.59 +306.7%
EBITDA²	16.7 11.8%	26.8 16.7%	+10.12 +60.5%

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 1-3Q: -¥1.97 bn, FY20 1-3Q: -¥1.84 bn)
2. EBITDA = Operating profit + Depreciation + Amortization of goodwill

FY2020 Forecast

FY 2020 Revised Forecast

	Revised forecast (on Nov. 10, 2020)	Revised forecast	FY2019
Net sales	200.0~220.0	223.5	188.7
OP	16.0~20.0	26.5	9.9
Or. profit	14.5~18.5	25.5	6.5
Net profit/loss	10.0~13.0	17.0	-0.5
EBITDA	28.5~32.5	39.0	21.3

(¥ billion)

The year-end dividend (forecast) will be determined based on the basic shareholder return policy¹ when the full-year results become available

1. 50% or more payout ratio based on net profit excluding special factors (e.g. extraordinary income/losses)

【Contact information】

IR/SR Section, Corporate Communications Department

Email : ir@hugp.com

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.