

Business Results for The First Half of FY2021

November 9, 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:
 - 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 BMGL: Baylor Miraca Genetics Laboratories, LLC
 - FY2021: Fiscal year ending March 31, 2022
- * Business segments have been changed from 1Q FY21. Past figures have been retroactively adjusted in accordance with the current segmentation.

Exchange rates used in this presentation material:

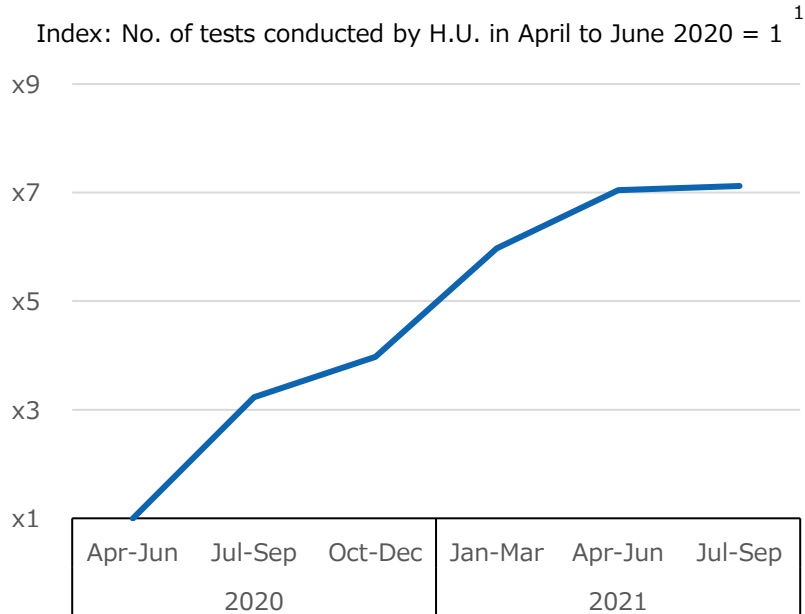
FY2020 1H : 1USD = 106.92 JPY 1EURO = 121.29 JPY

FY2021 1H : 1USD = 109.80 JPY 1EURO = 130.89 JPY

Key Topics for the Second Quarter of FY2021

Testing Trends for PCR & Esoteric Tests

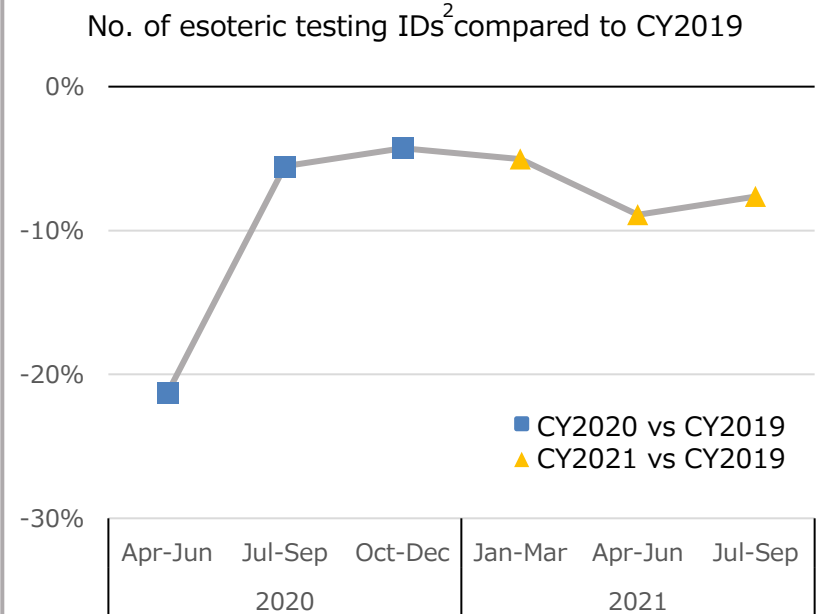
Number of COVID-19 PCR tests conducted



- Number of PCR tests increased along with the spread of COVID-19 infections

1. PCR tests conducted in labs nationwide

Number of esoteric testing IDs excluding COVID-19 related tests



- Continued to trend below Pre-COVID-19 pandemic level

2. Test IDs conducted at Hachioji after working day adjustment

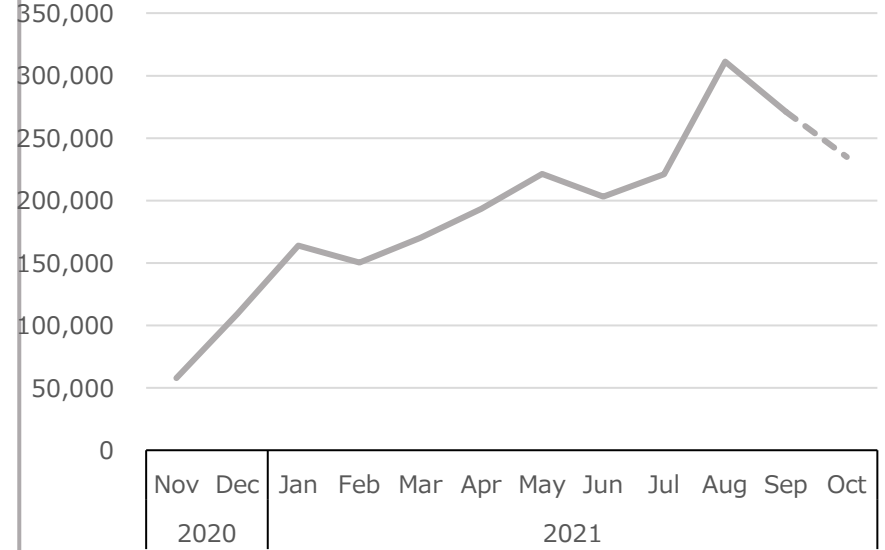
Testing Trends for High-sensitivity Quantitative Antigen Tests

No. of quantitative antigen tests at airport quarantines for entrants*



- Test demand related to the Olympics and Paralympics increased (July: 4,000 tests/day, August: 3,000 tests/day)
- Normalized after the events closed

No. of high-sensitivity quantitative antigen tests at hospitals*



- Antigen testing demand is fluctuating along with the spread of COVID-19 infections

Revision of FY2021 Forecast

(¥ billion)

	Previous forecast (disclosed on Aug. 10)			Revised forecast (disclosed on Nov. 9)		
	1H	2H	Full-year (margin)	1H (results)	2H	Full-year (margin)
Net sales	128.0	121.0	249.0	133.7	121.0	254.7
EBITDA	28.0	17.0	45.0 (18.1%)	33.7	17.0	50.7 (19.9%)
OP	21.5	8.5	30.0 (12.0%)	27.0	8.5	35.5 (13.9%)
Or. profit	21.0	7.0	28.0 (11.2%)	26.7	7.0	33.7 (13.2%)
Net profit	13.5	4.0	17.5 (7.0%)	19.5	4.0	23.5 (9.2%)
ROE			14.6%			19.2%
ROIC			9.2%			10.7%

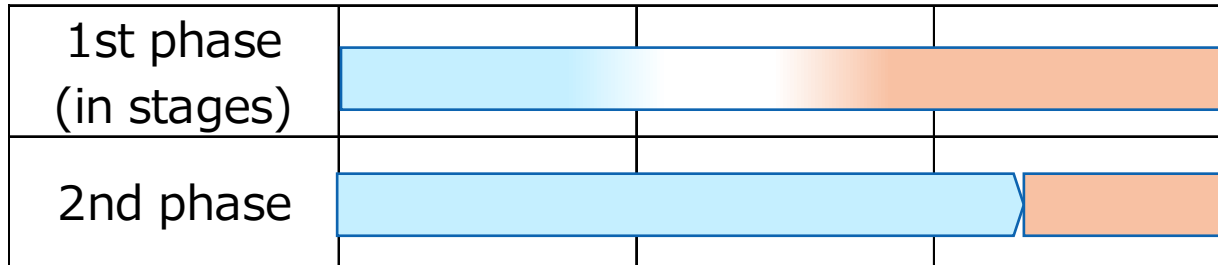
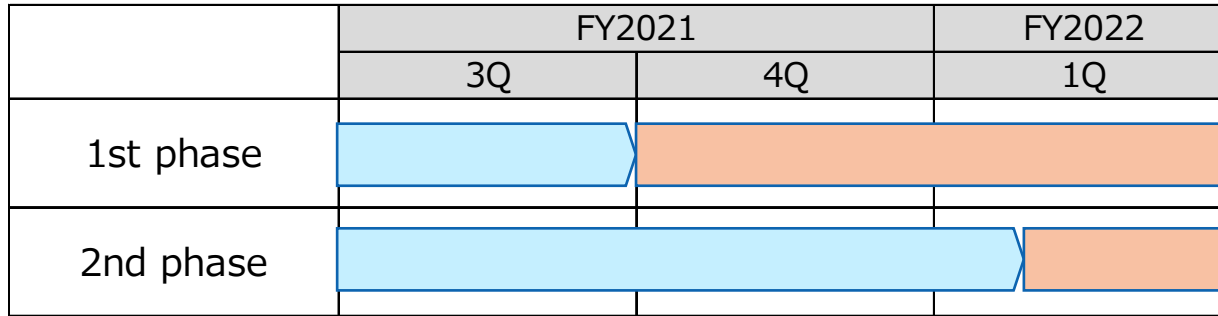
【Main factors for sustaining the 2H forecast】


→Considering the following factors (A&B), 2H forecast has been sustained

- A) Change of assumptions for COVID-19 related tests (mainly IVD)
- B) Impact of launching the 1st phase operation of H.U. Bioness Complex in stages

Staged Launching of H.U. Bioness Complex

- After the 1st phase launches in January, operation will be expanded in stages
- Full operation of the 2nd phase will begin in May as planned

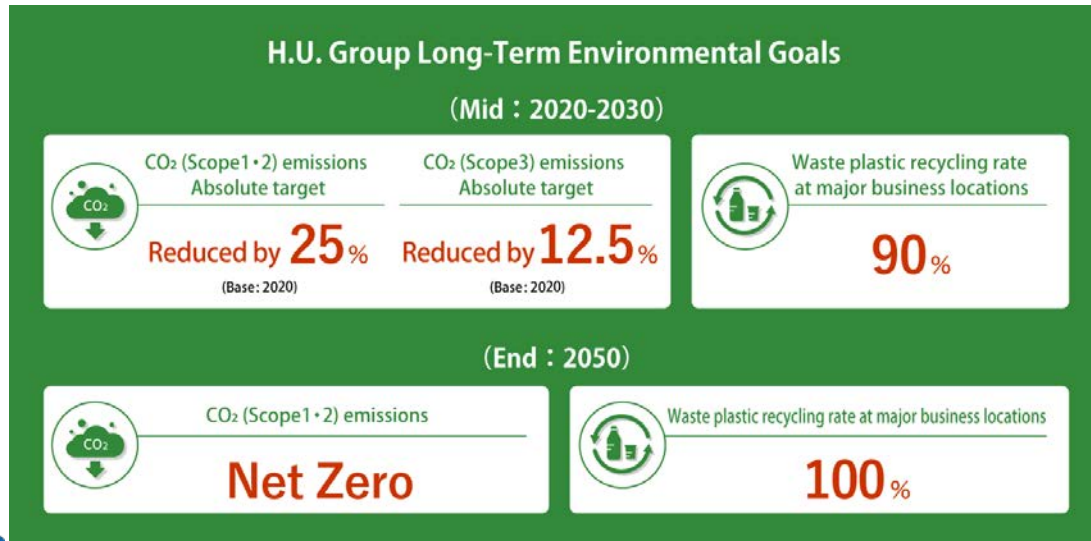


Validation period 

In operation 

Action for Net Zero Greenhouse Gas Emissions

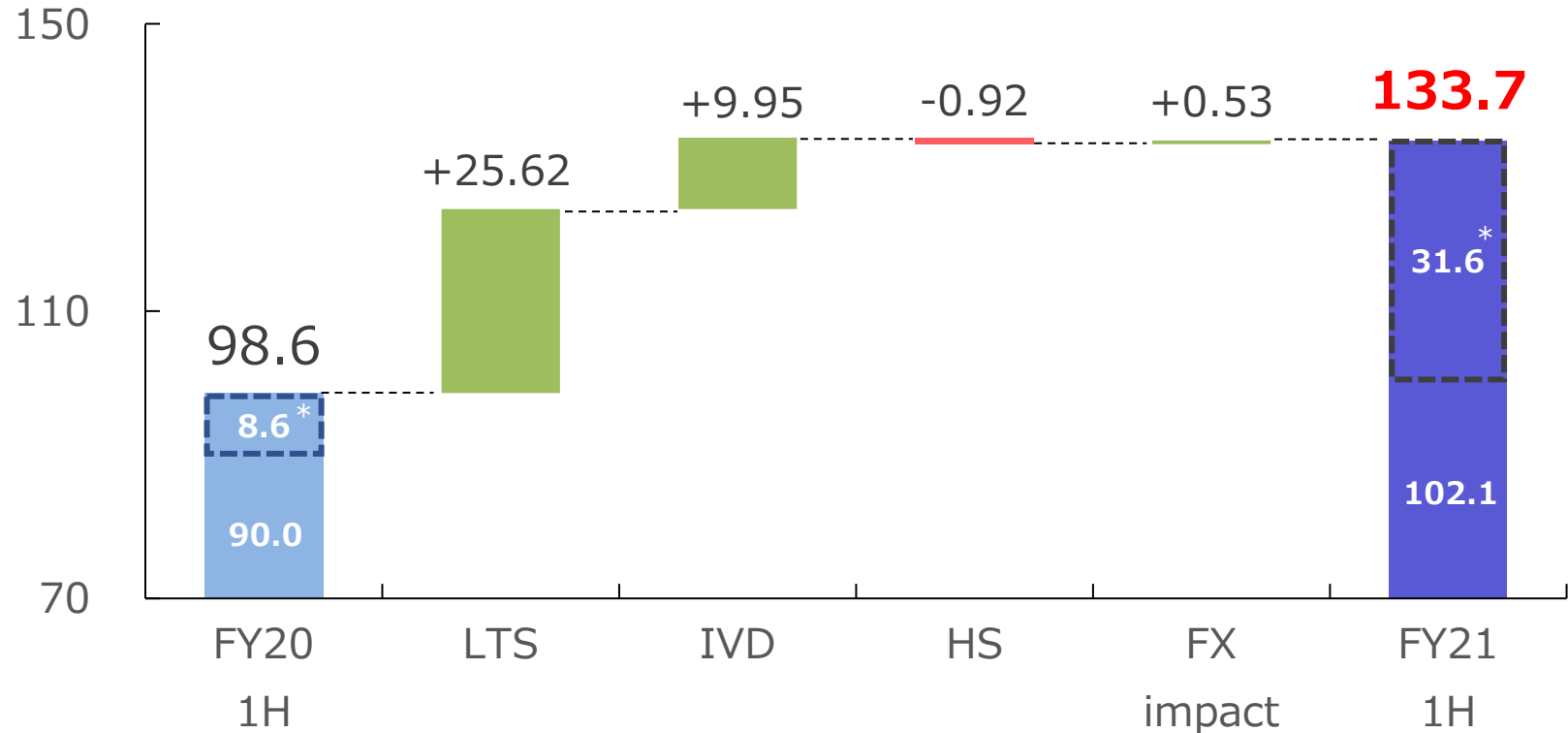
- Supporting TCFD
- Signing of Business Ambition for 1.5°C
- Participation in Race to Zero



Business Results for The First Half of FY2021

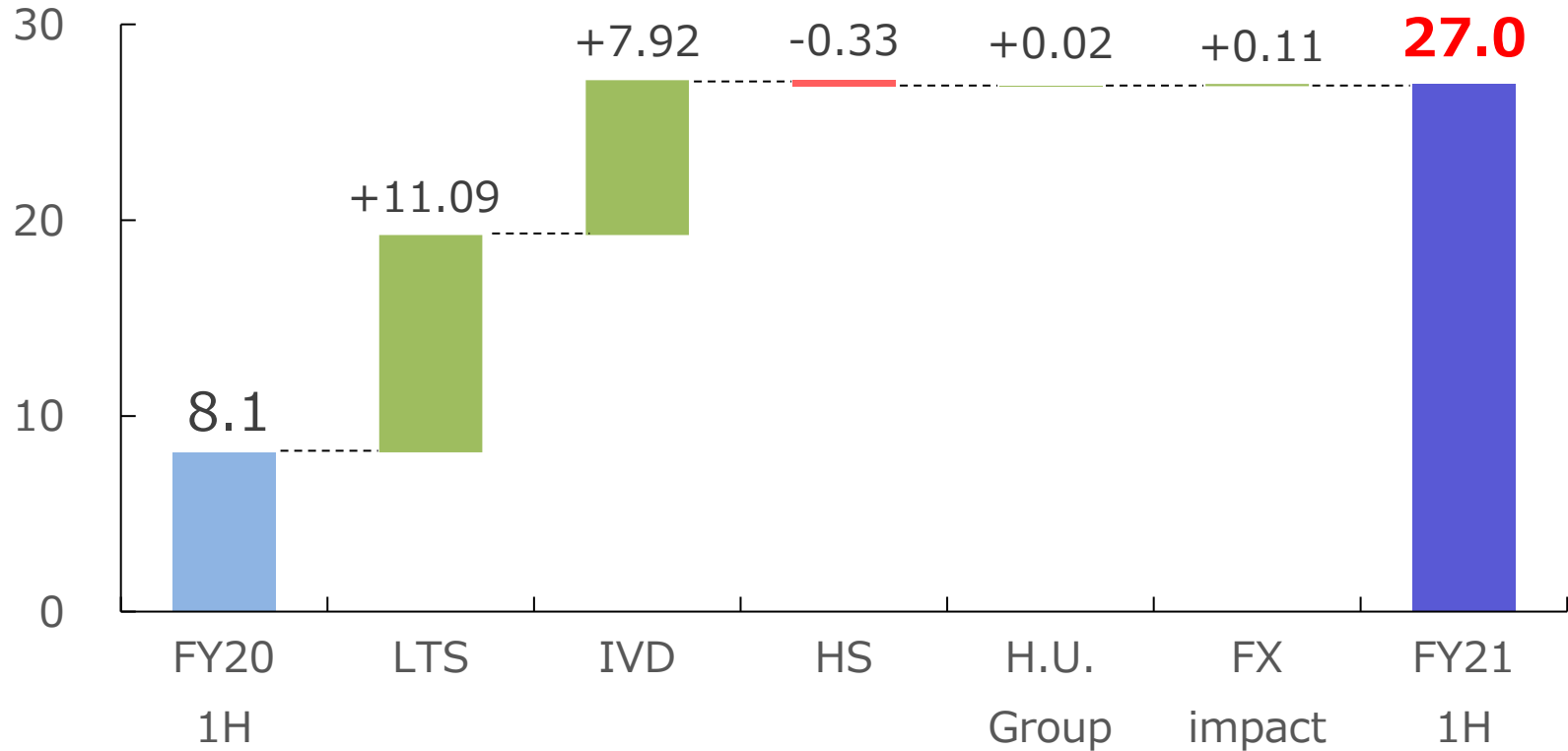
Consolidated Net Sales Waterfall

(¥ billion)



Consolidated Operating Profit Waterfall

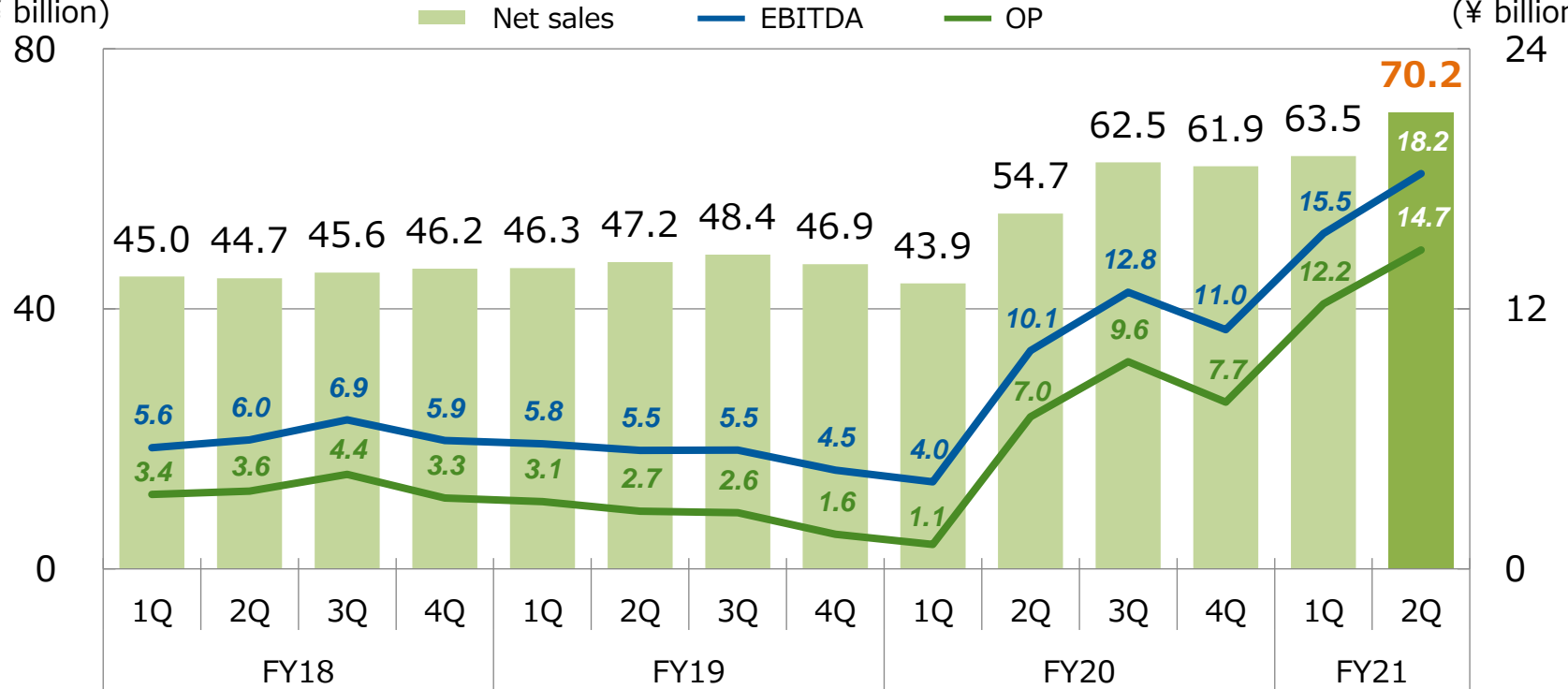
(¥ billion)



Quarterly Performance

Net sales
(¥ billion)

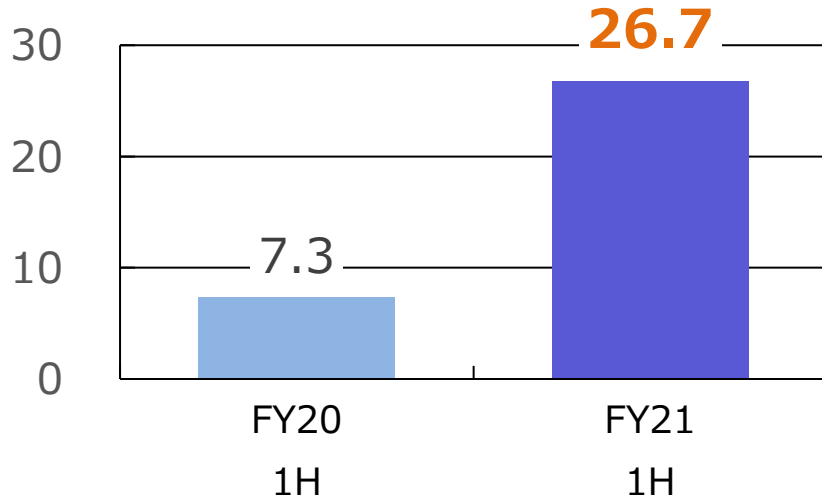
EBITDA, OP
(¥ billion)



Consolidated Ordinary Profit & Net Profit

Ordinary profit

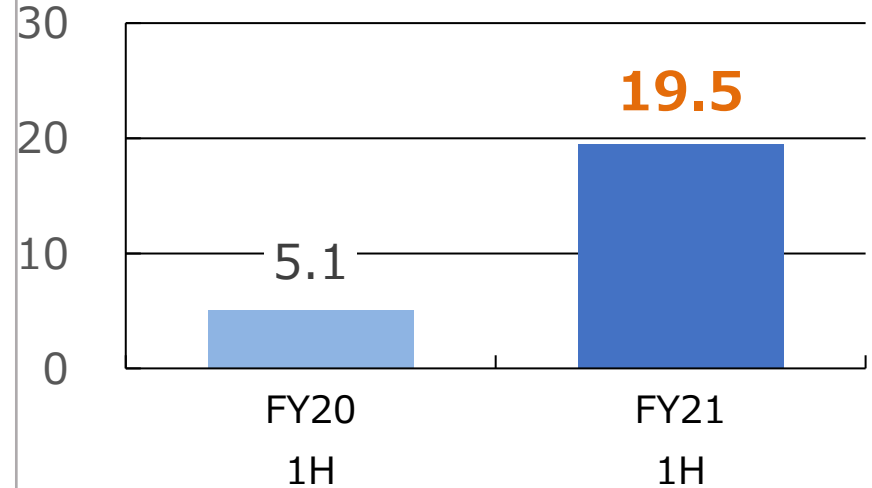
(¥ billion)



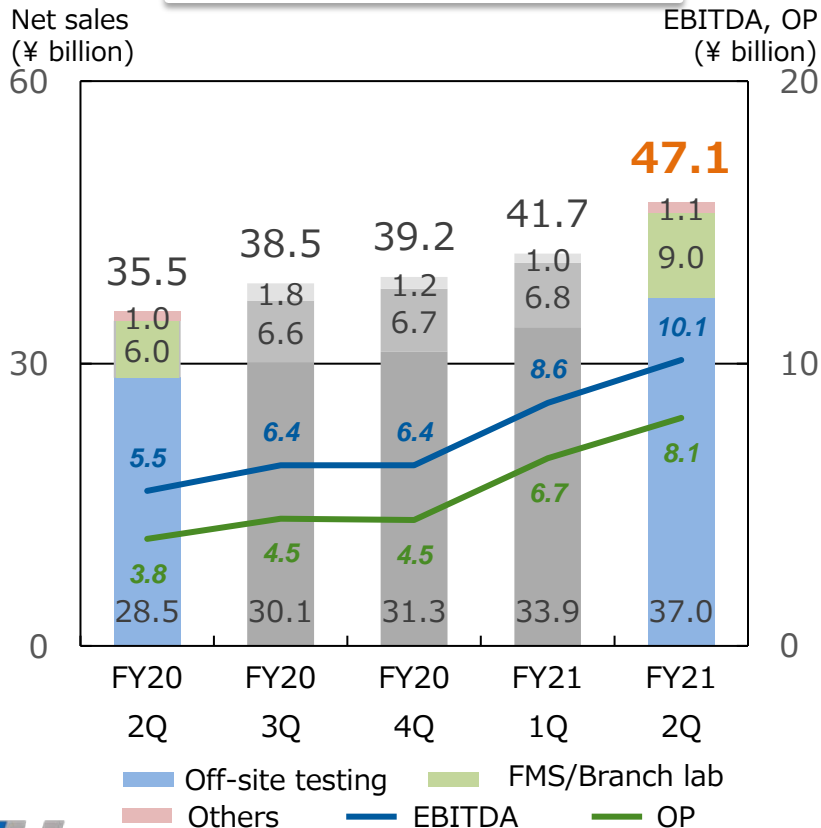
- Gain on investments in venture capital +¥1.17 bn
- Share of loss of entities accounted for using equity method -¥1.05 bn
 - ✓ Impact from BMGL -¥0.37 bn
 - ✓ Impact from JV with Ping An Insurance Group -¥0.69 bn

Net profit

(¥ billion)



Quarterly Results



YoY Comparison

(¥ billion)

	FY20 1H	FY21 1H	Variance	
Net sales	63.2	88.8	+25.62	+40.5%
Off-site	50.7	70.8	+20.10	+39.6%
FMS/Branch	10.7	15.9	+5.16	+48.2%
Others	1.8	2.1	+0.36	+20.5%
EBITDA	6.9	18.7	+11.80	+169.7%
OP	3.6	14.7	+11.09	+305.1%

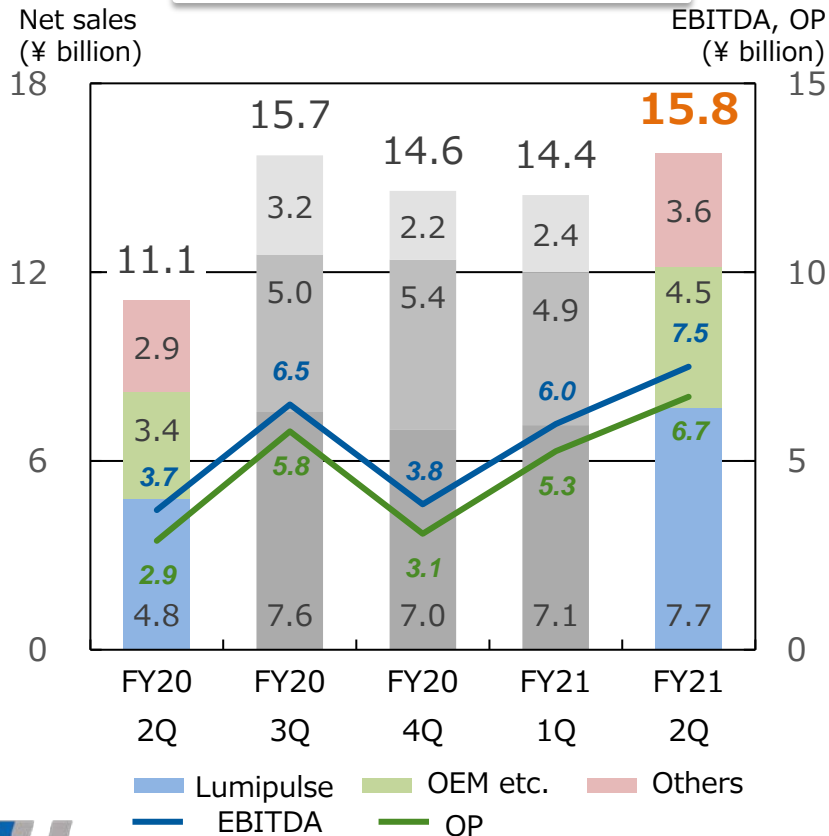
Net sales

- Increase of COVID-19 related tests, including testing at large-scale events (PCR, high-sensitivity quantitative antigen tests)
- Growth of test items related to genetic testing
- Comprehensive testing support including high-sensitivity quantitative antigen tests at airport quarantines
- Recovery of the number of tests

Operating profit

- Profit increased due to COVID-19 related sales increase and recovery of the number of tests

Quarterly Results



YoY Comparison

(¥ billion)

	FY20 1H	FY21 1H	Variance	
Net sales	19.7	30.2	+10.48	+53.1%
Lumipulse	7.9	14.8	+6.92	+87.7%
Japan	7.0	12.7	+5.70	+81.7%
Overseas	0.9	2.1	+1.22	+132.7%
OEM etc.	6.1	9.4	+3.23	+52.7%
Others	5.7	6.0	+0.34	+5.9%
EBITDA	5.6	13.5	+7.92	+142.4%
OP	3.9	12.0	+8.02	+204.0%

Lumipulse inter-segment transaction	1.9	4.3*	+2.40	+129.2%
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* Inter-segment transaction increase mainly driven by COVID-19 related reagents

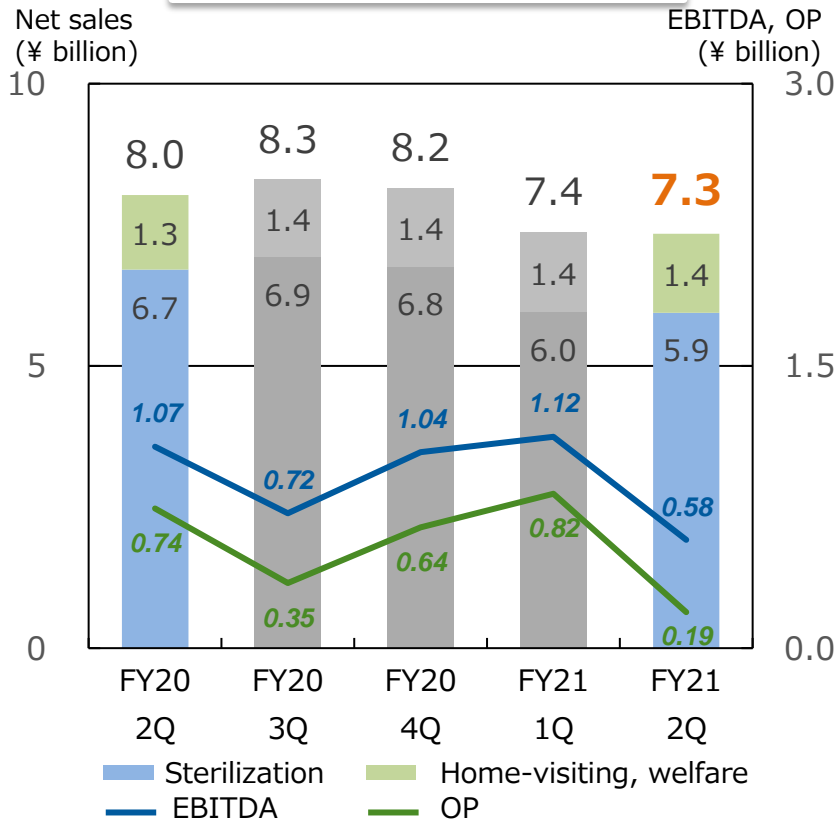
Net sales

- Sales contribution from COVID-19 related products (Lumipulse SARS-CoV-2 Ag)
- Recovery of testing demand

Operating profit

- Sales increase and inter-segment transaction drove OP growth

Quarterly Results



YoY Comparison

(¥ billion)

	FY20 1H	FY21 1H	Variance	
Net sales	15.6	14.7	-0.92	-5.9%
Sterilization	13.0	11.9	-1.14	-8.7%
Home-visiting, welfare	2.6	2.8	+0.22	+8.5%
EBITDA	1.97	1.70	-0.27	-13.7%
OP	1.34	1.01	-0.33	-24.6%

Net sales

- Impact from the adaption of revenue recognition criteria for the deposit inventory business for medical items (-¥1.8 bn)
- Sales growth for off-site sterilization and product/consumable supplies in the sterilization related business
- Sales growth in home-visiting and welfare business

Operating profit

- Allowance for doubtful accounts in 2Q (-¥0.20 bn)

Consolidated Results for FY2021 1H

(¥ billion)

	FY20 1H	FY21 1H	Variance	
Net sales	98.6	133.7	+35.17	+35.7%
LTS	63.2	88.8	+25.62	+40.5%
IVD	19.7	30.2	+10.48	+53.1%
HS	15.6	14.7	-0.92	-5.9%
OP¹	8.1	27.0	+18.81	+230.9%
LTS	3.6	14.7	+11.09	+305.1%
IVD	3.9	12.0	+8.02	+204.0%
HS	1.3	1.0	-0.33	-24.6%
Or. profit	7.3	26.7	+19.40	+264.3%
Profit/loss attributable to owners of parent	5.1	19.5	+14.42	+282.5%
EBITDA²	14.1	33.7	+19.64	+139.5%

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 etc., as well as segmentation adjustments (FY2020 1H: -¥0.77 bn, FY2021 1H: -¥0.75 bn)
2. EBITDA = Operating profit + Depreciation + Amortization of goodwill

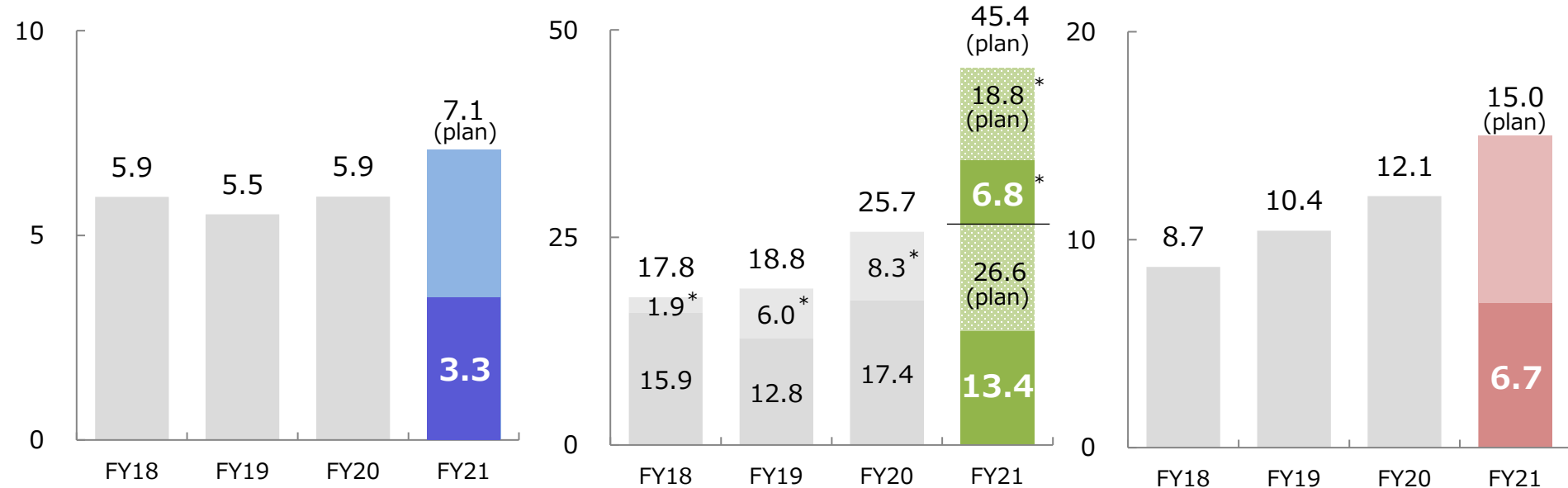
Transition of R&D, CAPEX, D&A

(¥ billion)

Research & Development

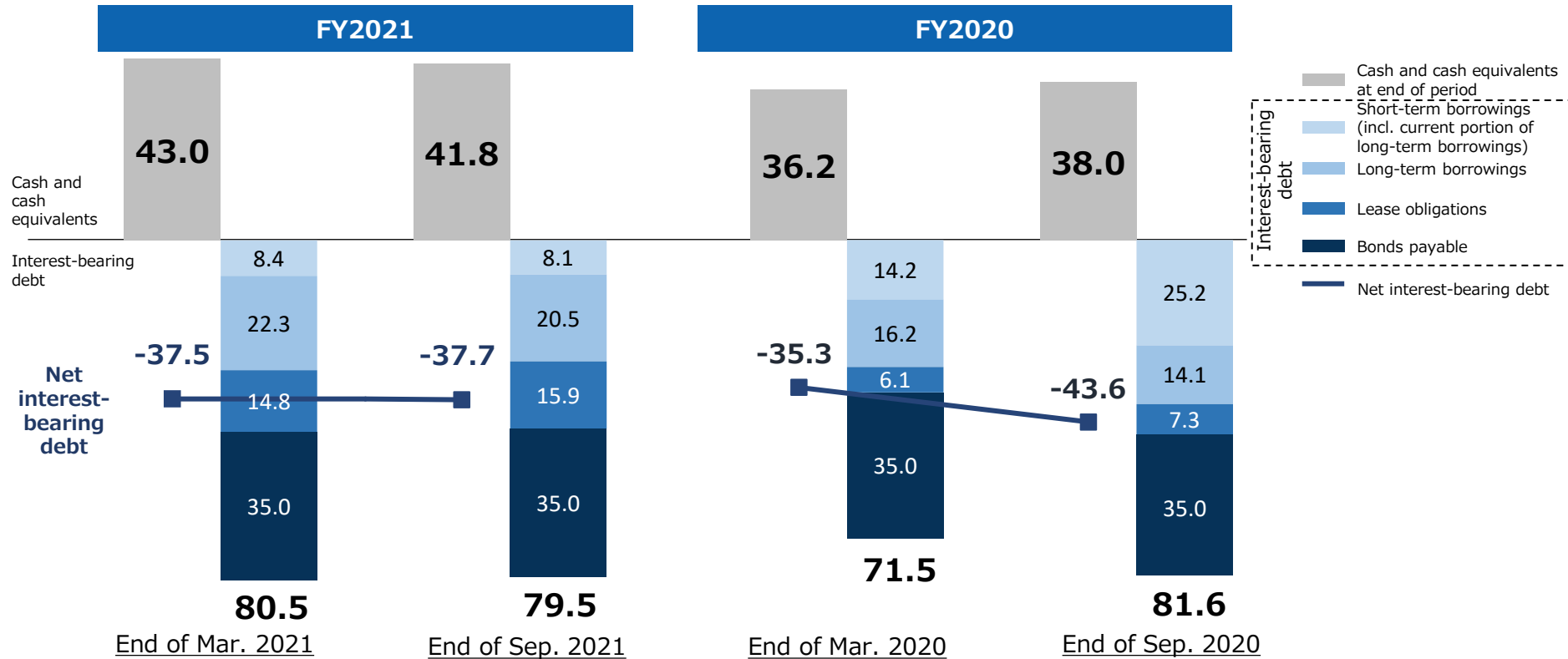
Capital Expenditure

Depreciation & Amortization



Cash and Cash Equivalents/Interest-bearing Debt

(¥ billion)



Consolidated Cash Flows Waterfall (FY2021 1H)

(¥ billion)

Cash flows from operating activities +20.9

Cash flows from investing activities
-12.8

Others -8.3

Free cash flows +8.1

-37.5*

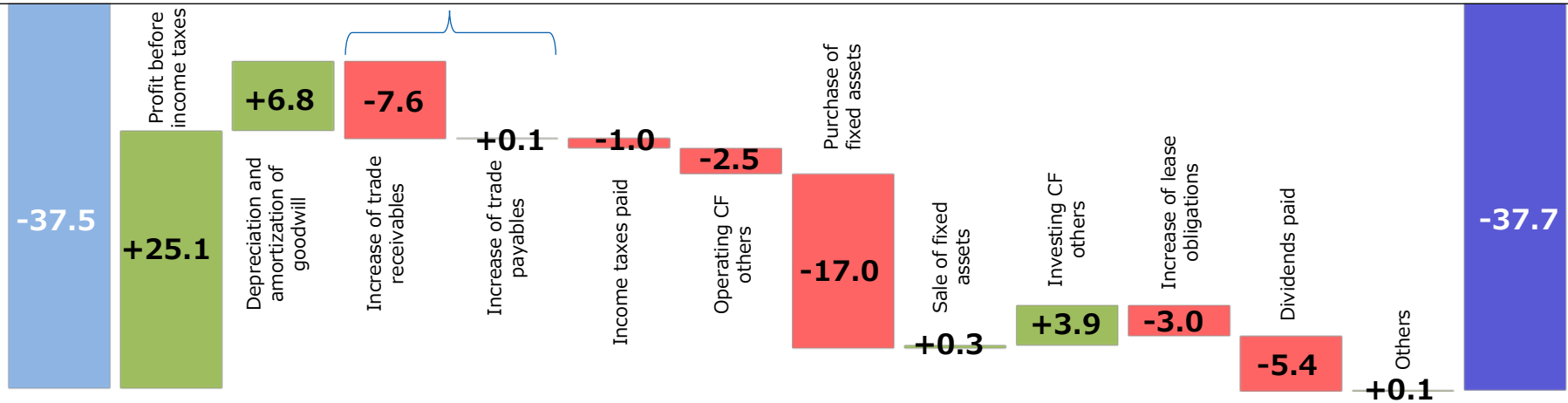
-0.2 (Increase of net interest-bearing debt)

-37.7*

End of Mar. 2021

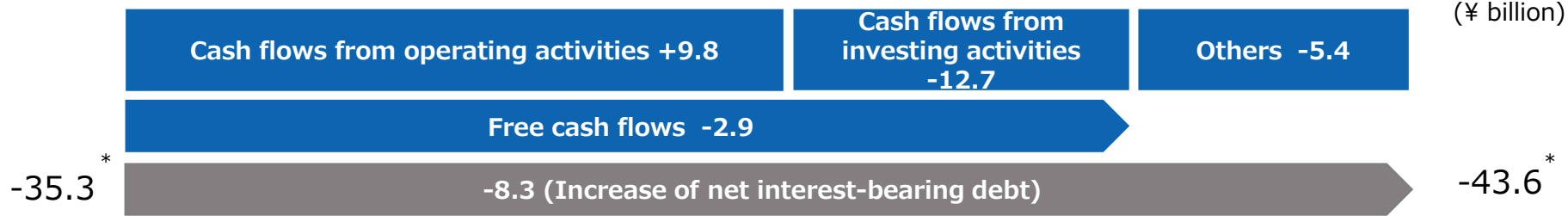
Working capital -7.5

End of Sep. 2021



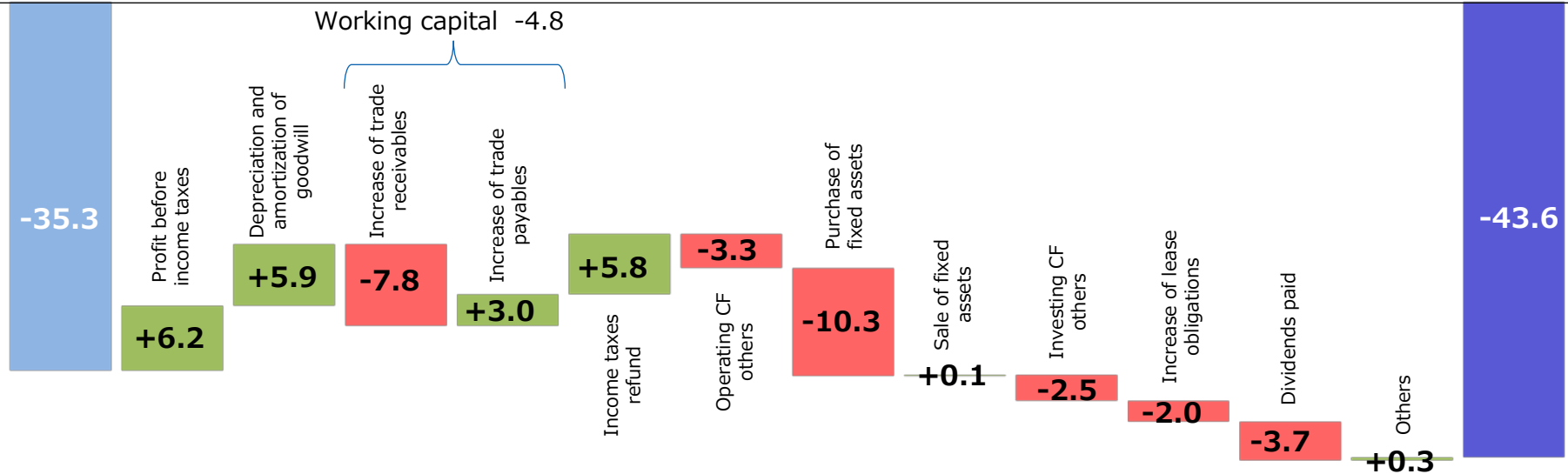
* Net interest-bearing debt

Consolidated Cash Flows Waterfall (FY2020 1H)



End of Mar. 2020

End of Sep. 2020



* Net interest-bearing debt

Appendix

R&D, CAPEX, D&A

(¥ million)

	FY2020 1H	FY2021 1H	Variance	
R&D Expenses	2,684	3,334	+651	+24.2%
LTS	194	304	+110	+56.4%
IVD	2,025	2,608	+583	+28.8%
HS	-	-	-	-
HUHD, etc.	463	422	-42	-9.0%
Capital Expenditure	12,054 *	20,236 *	+8,182	+67.9%
LTS	7,909	11,202	+3,294	+41.6%
IVD	2,107	6,387	+4,280	+203.1%
HS	994	1,263	+268	+27.0%
HUHD, etc.	1,042	1,382	+340	+32.6%
Depreciation and Amortization	5,613	6,712	+1,100	+19.6%
LTS	3,247	3,977	+730	+22.5%
IVD	1,388	1,519	+131	+9.4%
HS	611	673	+62	+10.1%
HUHD, etc.	365	542	+177	+48.5%

* Including CAPEX for H.U. Bioness Complex (FY2020 1H: approx. ¥4.2 bn, FY2021 1H: approx. ¥6.8 bn)

Number of Employees

	End of Mar. 2021		End of Sep. 2021		Variance	
	Regular	Contractor	Regular	Contractor	Regular	Contractor
Total	5,897	6,484	5,713	6,593	-184	+ 109
LTS	2,450	3,131	2,335	3,125	-115	- 6
IVD	1,043	122	1,063	110	+20	- 12
HS	1,391	3,146	1,293	3,245	-98	+ 99
HUHD and others*	1,013	85	1,022	113	+9	+ 28

Regular: refers to a permanent, fully-fledged employee with no end date to their employment

Contract: refers to part-time, temporary or employees with a limited contract

*HUHD and others include H.U. Research Institute, H.U. Frontier, etc.

Part of LTS/IVD/HS employees are transferred according to the establishment of H.U. Frontier from Oct, 2020

【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.