Q&A Highlights of the Financial Results Briefing for the Third Quarter of FY2021, H.U. Group Holdings, Inc.

Date and Time: 16:00-17:00, Tuesday, February 8, 2022

Q-1

- Why did you change the period of staged launch to May and require additional validation? Factors, such as the partly revised operation schedule and increase in investment, remind me of NaviLab. There remain concerns about the operation.

A-1

- The concept of the New Central Laboratory is completely different from that of NaviLab.
- We will start conducting tests in the brand new laboratory for the first time in 40 years. Large-scale volume validation using a lot of testing sample is required to conduct all tests previously shared by the group of laboratories in Hachioji. Since we allocated our resources to the response to COVID-19, however, it was not possible to conduct enough validation to operate the system.
- Based on the above, we will gradually expand the scope of operation by employing a staged launch approach during the period until May. Please note that the main test operation is scheduled to start at the end of March.

Q-2

- You said that the reason why you reviewed when to start operation of New Kansai Lab is the surge in material costs. What is your outlook for when to start operation?

A-2

- The cost of procuring materials, especially that of steel, has been soaring, and we should reexamine whether we can reduce costs to earn back the investment.
- In addition, the uncertainty of procuring instruments used for tests has increased due to the tight supply and demand of semiconductors, which led us to review this issue.
- We cannot clearly state when to start the operation, but we are not thinking of ceasing operations.

Q-3

- In your revised forecast for the full year, how did you assume that the number of people infected with COVID-19 would change?

A-3

- Our assumption was that the level of new infections in late January would be unlikely to decrease sharply, and even if it peaks, it would remain at a certain level until February, and then decrease somewhat in March.

Q-4

- In the LTS business, sales Q1 and Q3 are almost the same, but the operating profit has declined significantly from Q1 to Q3. What are the reasons other than the decrease in the number of PCR test and the costs associated with the New Central Laboratory?

A-4

- The continued downward trend in the price of PCR test and growth of cancer genome-related items are mixed contributing factors.

Q-5

- I expect that the unit price of PCR test for COVID-19 will fall in line with the revision of medical service fees. When will this affect your business performance? Also, won't you consider conducting pooled testing to ensure profitability?

A-5

- We do not expect the price to drop drastically, as the transition measures will be introduced. But it is true that the downward trend will continue, resulting in a decrease in profitability.
- To perform highly accurate tests, however, we do not plan to conduct pooled testing.

Q-6

- At present, how many PCR tests can you perform daily?

A-6

- Although it is difficult to calculate it as it varies from day to day, we have a constant capacity of more than 10,000 specimens/day at present.
- We sometimes accept more specimens than our capacity, but deal with them by performing tests outside of normal business hours.

Q-7

- Are quantitative antigen tests conducted while entrants stay at the quarantine facilities as well as at quarantine stations?

A-7

- For those under quarantine at the quarantine facilities, PCR test is mainly conducted.

Q-8

- I heard that some projects, such as those on genome analysis, have been carried out at a loss. What do you expect for future growth?

A-8

- Whole Genome Sequencing is a commissioned project for research purposes and is not yet at the stage where it can generate revenue. Although there is a possibility that demand will increase in the future, we think that it is now in the phase of demonstrating its performance.

Q-9

- In terms of the revision of medical service fees, that of PCR tests fell sharply, while the reduction in that of quantitative antigen tests was small. In what products do you plan to expand sales?

A-9

- To date, more than 400 Lumipulse units have been introduced for COVID-19-related testing, leading to installation at an increasing percentage of hospitals. Taking this situation in addition to the revision of medical service fees into account, we expect that a certain volume of demand for PCR tests will turn into that for quantitative antigen tests.
- We believe that the narrowed price gap between PCR test and quantitative antigen test has increased the economic incentive to perform the latter. We will aggressively expand sales in quantitative antigen test products.

Q-10

- Demand for ESPLINE has been increasing. What is your current manufacturing capacity?

A-10

- Depending on the production lot, we are producing at an average of 500,000 kits per week.

Q-11

- The medical service fee for qualitative antigen test has also been halved. Is it still profitable?

A-11

- In March 2021, we revised the list price of ESPLINE SARS-CoV-2, the rapid antigen test kit, to 1,200 yen. Therefore, the impact of the revision of medical service fees has been minimal. We have ensured a certain level of profit as before.

Q-12

- With regard to the overseas expansion of antigen test products, you have withdrawn the application to FDA for approval of a quantitative antigen test. What do you think about the evaluation of ESPLINE in overseas markets, and what are your prospects for expanding sales of ESPLINE overseas?

A-12

- We have withdrawn the application to FDA for approval in consideration of the fact that PCR test and antigen test kits are mainly used in the US.
- Although our ESPLINE is sold in some overseas regions, we think that we are in a very difficult situation in terms of price competitiveness compared to our competitors.
- At present, we are giving top priority to domestic demand.

Q-13

- At the IR Day in December, you mentioned that the Alzheimer's-related reagent using blood samples is scheduled to be launched as RUO by March 2022. How has that progressed?

A-13

- There is no change in our plan: First, three items are scheduled to be launched as RUO by March. Subsequently, we aim to obtain approval as IVD as soon as possible after delivering results as RUO.