

# Business Results for The Third Quarter of FY2021

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February 8, 2022

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

(TSE: 4544)

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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 attributable to owners of parent may be mentioned as net profit.
- \* 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 1-3Q      : 1USD = 106.11 JPY 1EURO = 122.38 JPY

FY2021 1-3Q      : 1USD = 111.11 JPY 1EURO = 130.61 JPY

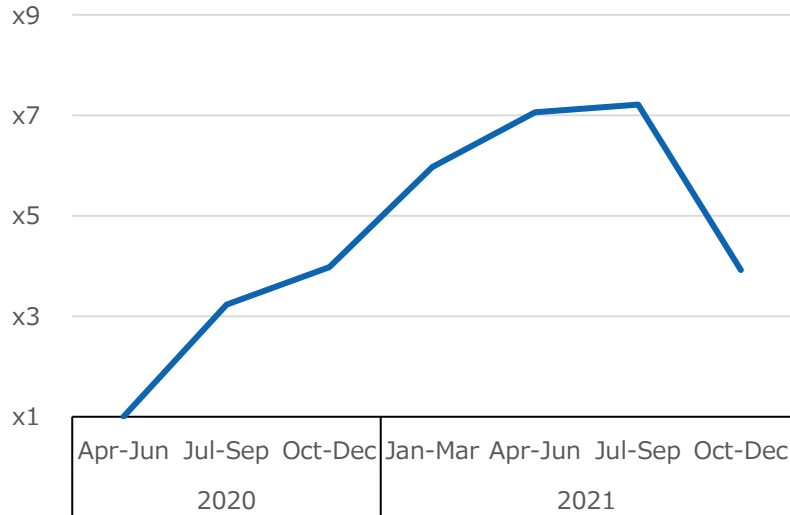
# Key Topics for the Third Quarter of FY2021

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# Testing Trends for PCR & Esoteric Tests

## Number of COVID-19 PCR tests conducted

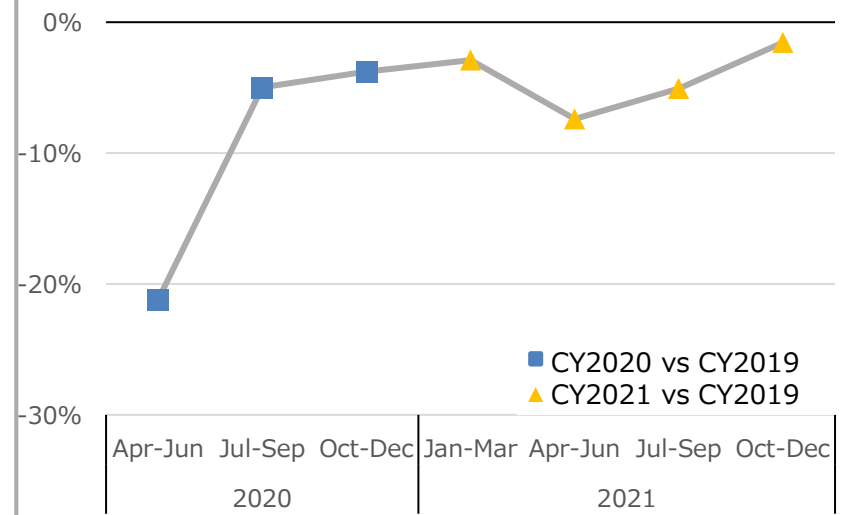
Index: No. of tests conducted by H.U. in April to June 2020 = 1 <sup>1</sup>



- Number of PCR tests fluctuated along with the spread of COVID-19 infections (Decreased in Oct. & Nov., while increase trend from Dec.)
1. PCR tests conducted in labs nationwide

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

No. of esoteric testing IDs compared to CY2019 <sup>2</sup>

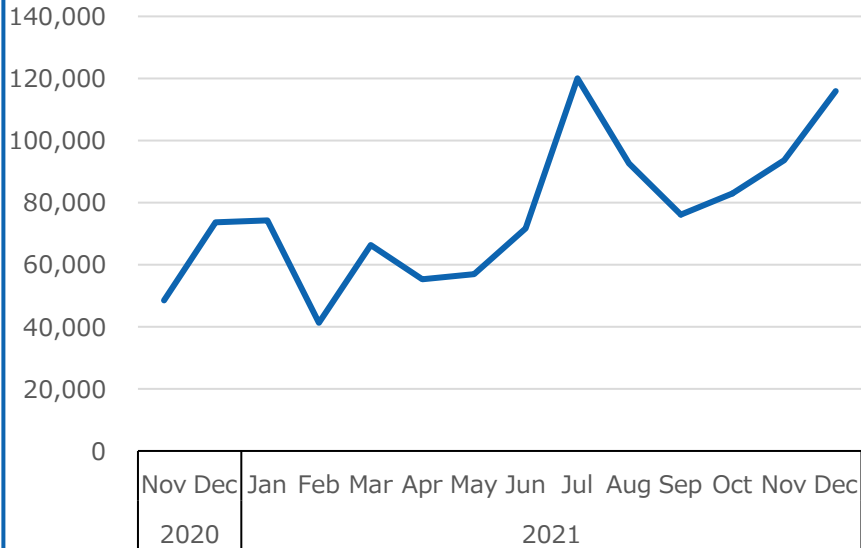


- Continued to trend below Pre-COVID-19 pandemic level

2. Test IDs conducted at Hachioji after working day adjustment

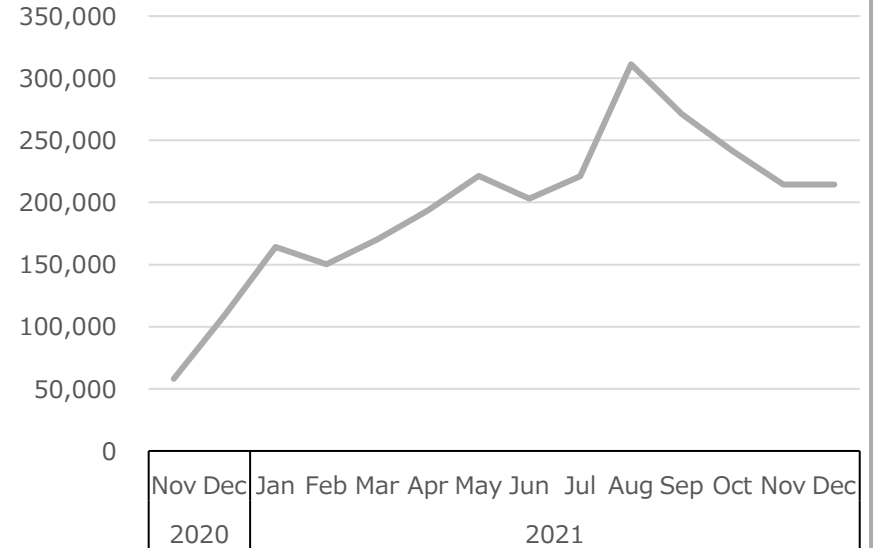
# Testing Trends for High-sensitivity Quantitative Antigen Tests

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



- Test demand increased from Dec.
- Continued 3,000 tests/day level in Jan.

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



- High-level demand continued
- Demand increasing from Jan.

# Environmental Changes Arising from the COVID-19 Pandemic and Our Future Direction

## Environmental changes (the current situation)

## Future direction

### Reimbursement point revision (April 2022 and after)

- PCR tests: 1,800 down to 700 (1,350 until the end of March 2022 as a provisional measure)
- Quantitative antigen tests: 600 down to 560
- Qualitative antigen tests: 600 down to 300 (simultaneous tests with influenza antigen: 600 down to 420)

- Aim to grow in sales of quantitative antigen tests (less impact on reimbursement points)

### Airport quarantine stations

- The upper limit number of immigration continued (up to 3500/day)
- Entrants are required to take several times of PCR or antigen tests during stay at the quarantine facilities, in addition to quantitative antigen tests at immigration

- Maintain resources for quantitative antigen tests for entrants
- Conduct additional tests for those under quarantine

### Overseas expansion

- An application to FDA for approval for high-sensitivity quantitative antigen tests withdrawn in the U.S., considering the real situation of COVID-19 testing in the country

- Focus on responses to the increasing demand (quantitative antigen test reagents and rapid antigen test kits)
- Continue cooperation with FDA to obtain an approval for Aβ reagents

# Revision of FY2021 Forecast

(¥ billion)

	Previous forecast (disclosed on Nov. 9, 2021)	Revised forecast (disclosed on Feb. 8, 2022)	Variance	
	Full-year (margin)	Full-year (margin)		
Net sales	<b>254.7</b>	<b>267.3</b>	<b>+12.6</b>	<b>+4.9%</b>
EBITDA	<b>50.7 (19.9%)</b>	<b>58.5 (21.9%)</b>	<b>+7.8</b>	<b>+15.4%</b>
OP	<b>35.5 (13.9%)</b>	<b>44.0 (16.5%)</b>	<b>+8.5</b>	<b>+23.9%</b>
Or. profit	<b>33.7 (13.2%)</b>	<b>42.5 (15.9%)</b>	<b>+8.8</b>	<b>+26.1%</b>
Net profit	<b>23.5 (9.2%)</b>	<b>27.0 (10.1%)</b>	<b>+3.5</b>	<b>+14.9%</b>
ROE	<b>19.2%</b>	<b>21.7%</b>	<b>+2.5pt</b>	
ROIC	<b>10.7%</b>	<b>13.7%</b>	<b>+3.0pt</b>	

## 【Reasons for revision】

- 3Q ✓ Demand for COVID-19-related products in Japan and overseas, mainly in the IVD business, exceeded the forecast as of Nov.
- 4Q ✓ Demand for tests and products related to COVID-19 is expected to exceed the forecast as of Nov. due to the rapid increase in the number of new infections since January
- ✓ Some of the one-time costs related to the new central laboratory are expected to be carried over to the next fiscal year

\* No change to the year-end dividend forecast (63 yen per share)

# AkirunoCube : ① Schedule

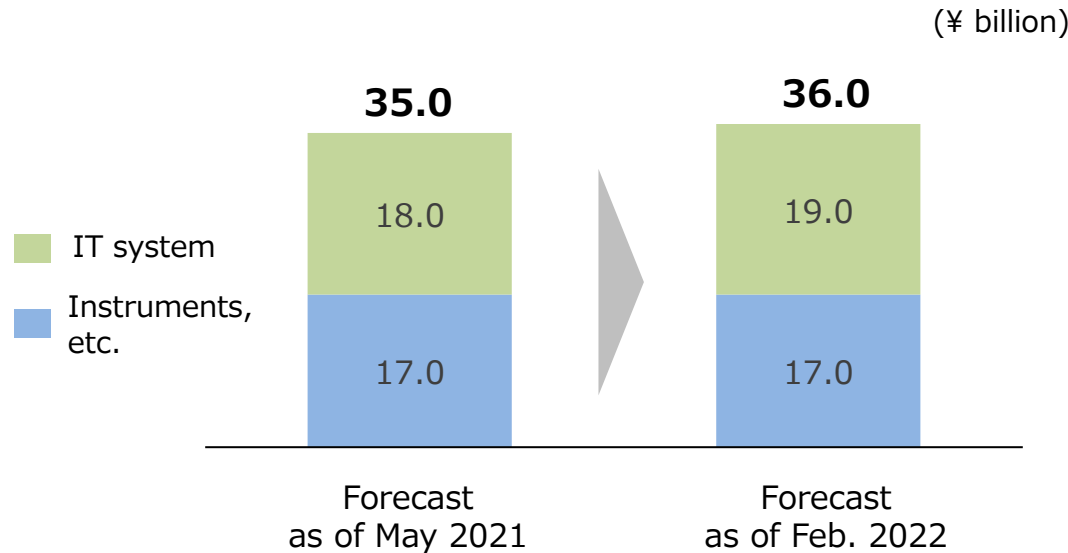
- 1st phase operation launched from Jan. 4th
- Additional validation is required due to project delay
  - Period of staged launch will be Jan. to May, with focusing on additional validation
  - New Kansai Lab: Reviewing when to start operation considering the impact of surge of materials, etc.

		2021	2022			2023				2024		
		Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
AkirunoCube	1st phase		<b>Staged launch</b>	<b>Full-operation</b>								
	2nd phase			<b>Full-operation</b>								
Reorganization of Nationwide Lab Network		<b>Convert satellite labs and regional labs into STAT labs*</b>										
New Kansai Lab												<b>Reviewing the timing</b>



# AkirunoCube : ②CAPEX Forecast

- CAPEX related to IT system became approx. ¥36.0 bn (increased by ¥1.0 bn from last forecast)
- Yearly depreciation costs after full-operation: approx. ¥6.0 bn



**Total  
CAPEX**

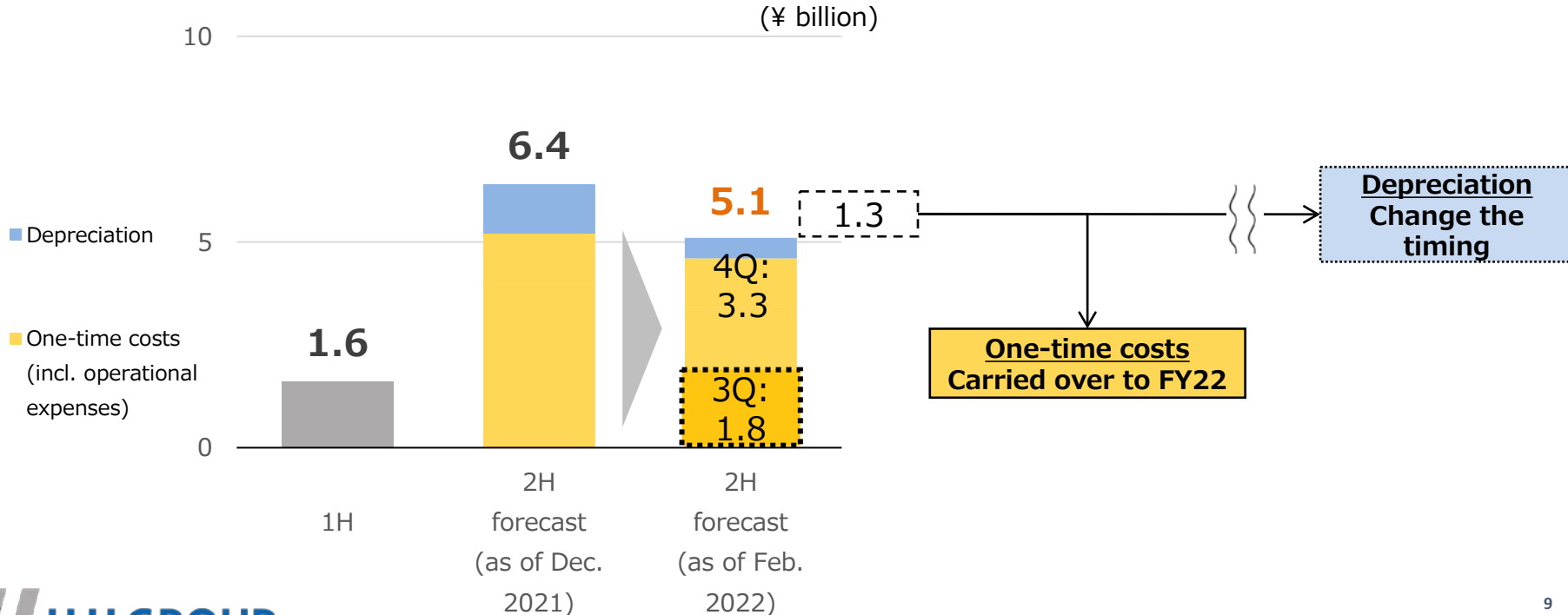
**¥ 36.0 bn  
(approx.)**

**Depreciation  
(in full-operation)**

**¥ 6.0 bn/year  
(approx.)**

# AkirunoCube : ③Costs in FY2021

- One-time costs in 3Q was ¥1.8 bn
- Costs in 4Q will be ¥3.3 bn due to carrying over of some part of one-time costs and change of timing to start depreciation

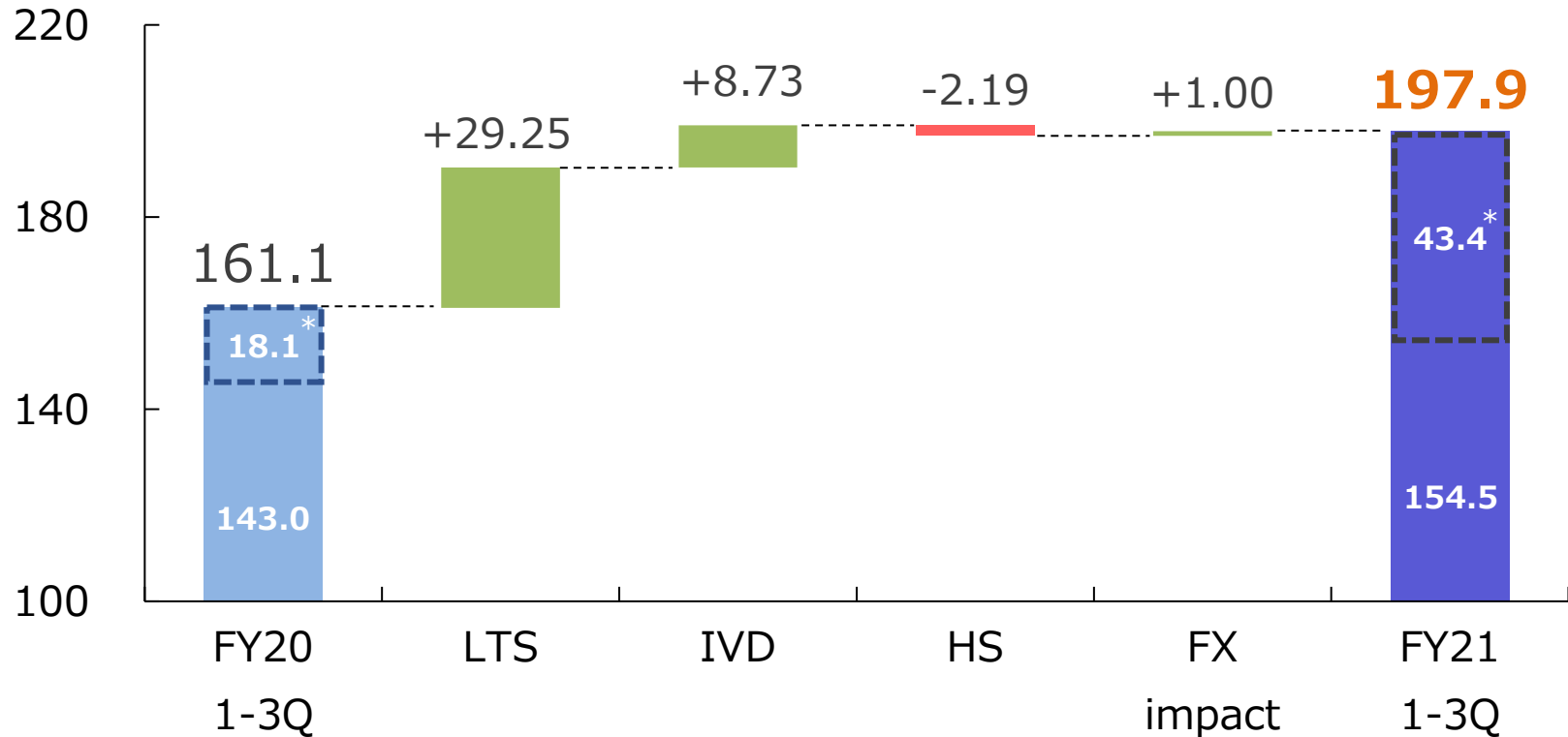


# Business Results for The Third Quarter of FY2021

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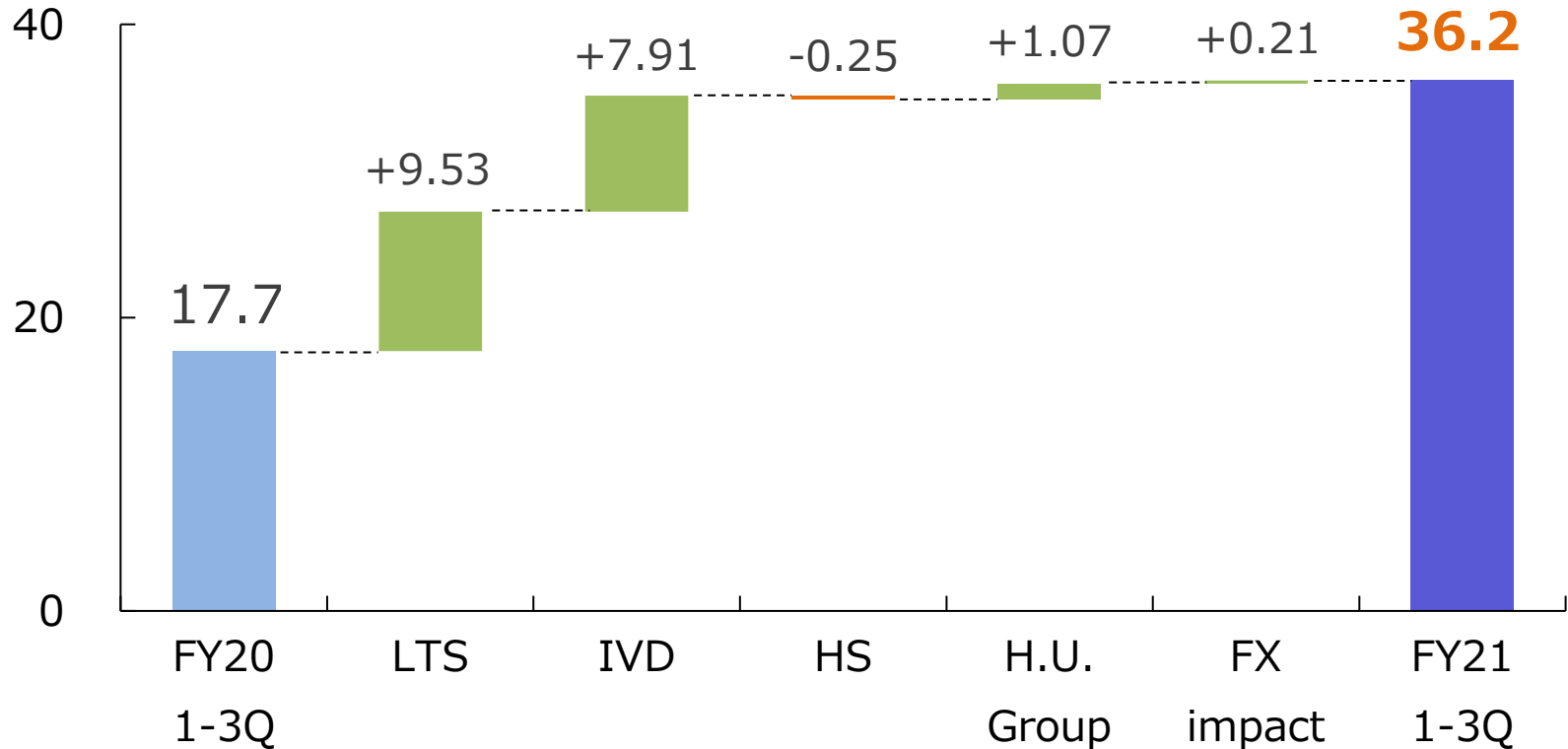
# Consolidated Net Sales Waterfall

(¥ billion)



# Consolidated Operating Profit Waterfall

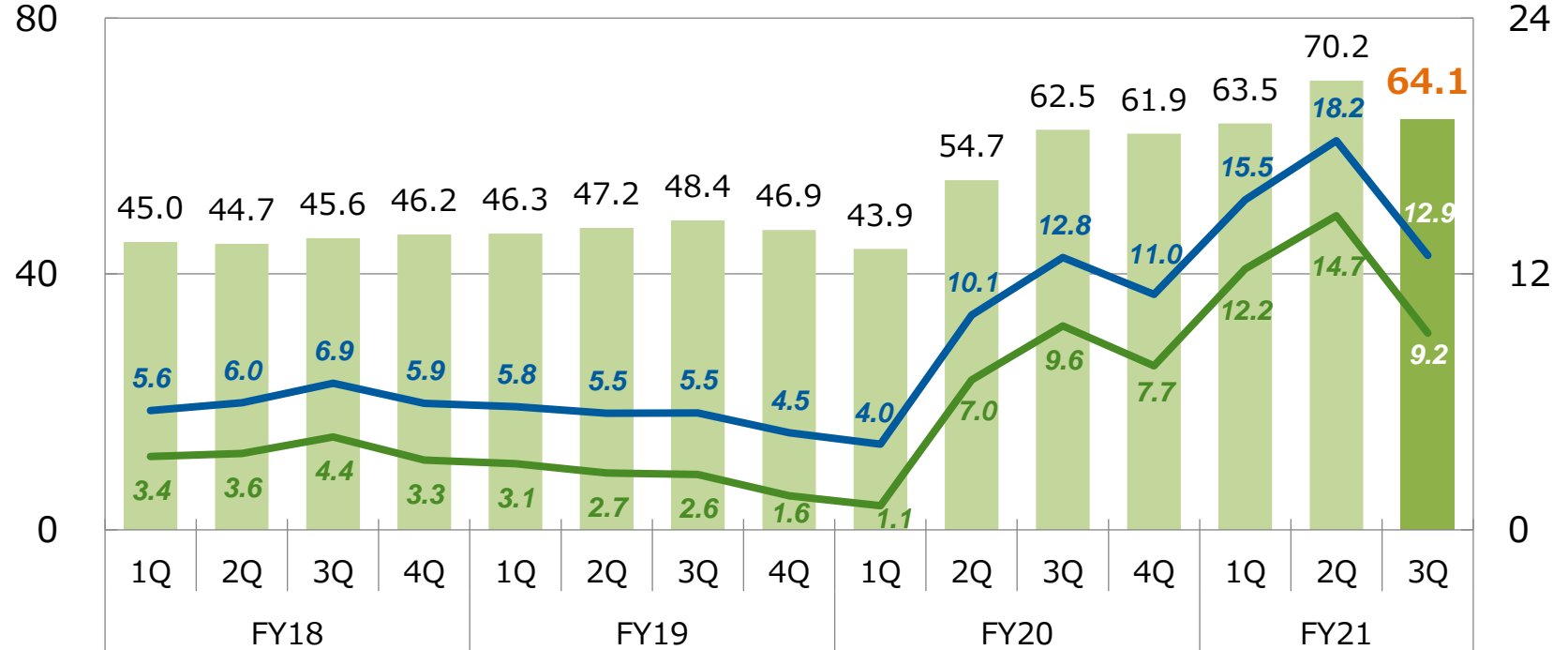
(¥ billion)



# Quarterly Performance

Net sales  
(¥ billion)

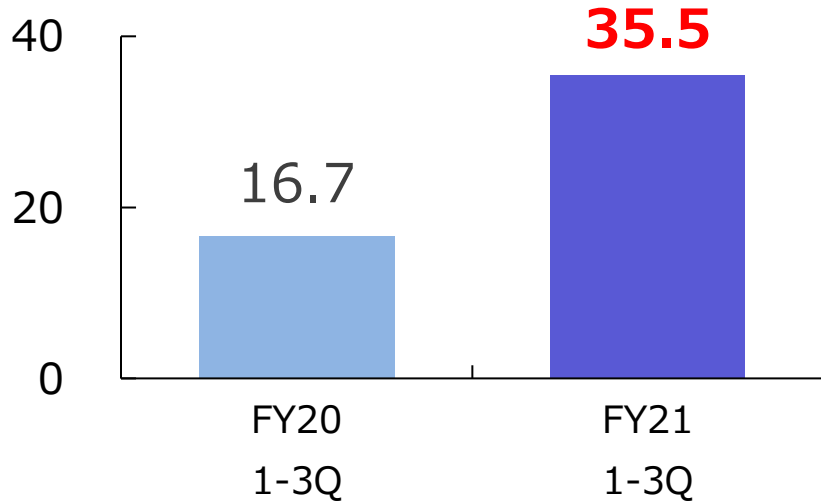
EBITDA, OP  
(¥ billion)



# Consolidated Ordinary Profit & Net Profit

## Ordinary profit

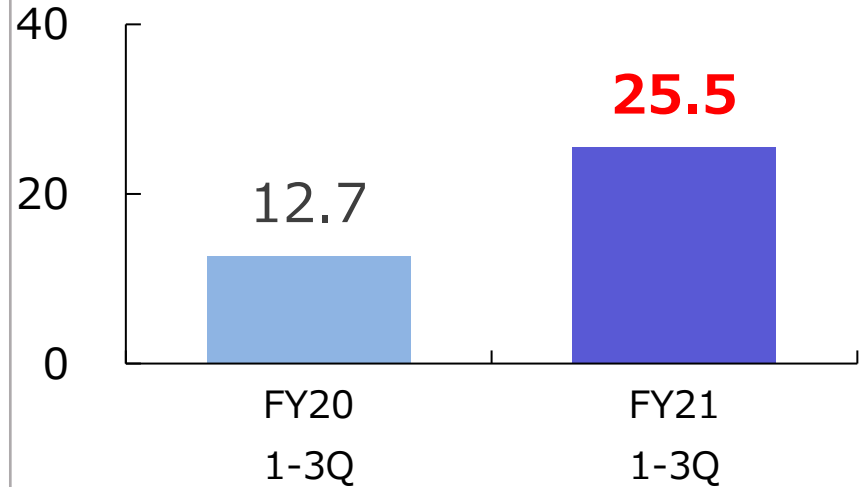
(¥ billion)



- Gain on investments in venture capital +¥1.16 bn
- Share of loss of entities accounted for using equity method -¥1.41 bn
  - ✓ Impact from BMGL -¥0.44 bn
  - ✓ Impact from JV with Ping An Insurance Group -¥0.97 bn

## Net profit

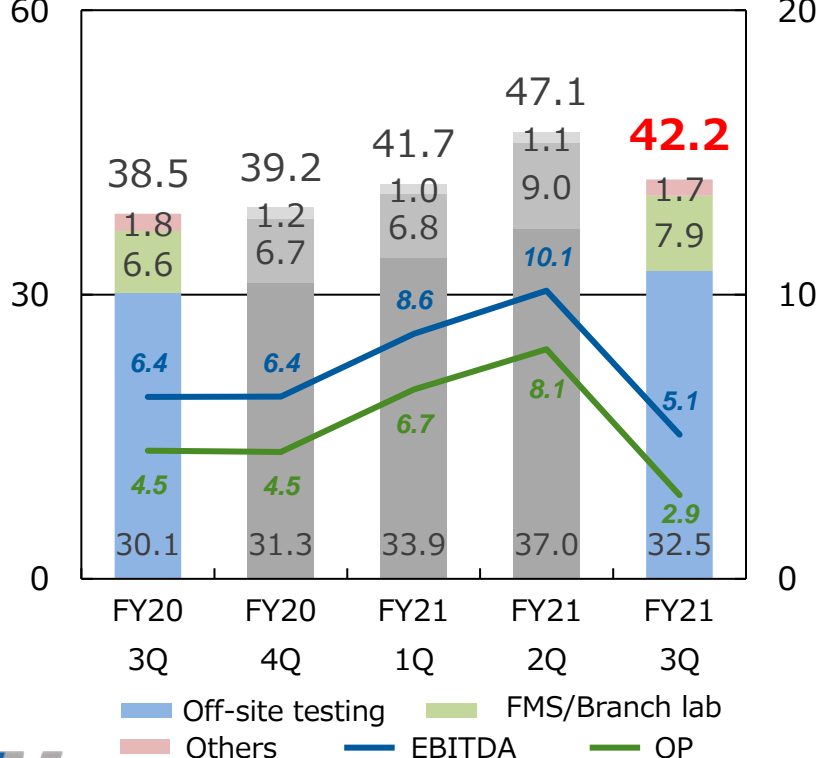
(¥ billion)



## Quarterly Results

Net sales  
(¥ billion)

EBITDA, OP  
(¥ billion)



## YoY Comparison

(¥ billion)

	FY20 1-3Q	FY21 1-3Q	Variance	
Net sales	101.7	131.0	+29.25	+28.8%
Off-site	80.9	103.3	+22.45	+27.8%
FMS/Branch	17.3	23.8	+6.54	+37.9%
Others	3.6	3.8	+0.27	+7.4%
EBITDA	13.4	23.8	+10.46	+78.3%
OP	8.1	17.7	+9.53	+116.9%

### Net sales

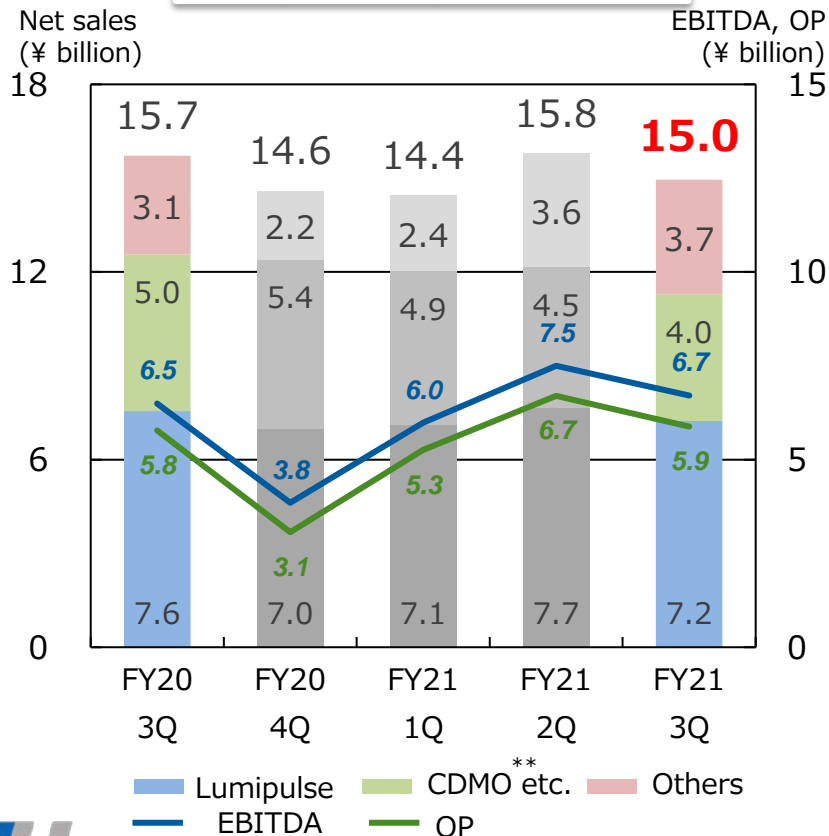
- Increase of COVID-19 related tests (PCR, large-scale events, comprehensive testing support at airport quarantines)
- Growth of test items related to genetic testing
- Recovery of the number of tests

### Operating profit

- Profit increased due to COVID-19 related sales increase and recovery of the number of tests
- Costs related to AKirunoCube (1H: ¥1.6 bn, 3Q: ¥1.8 bn)



## Quarterly Results



## YoY Comparison

(¥ billion)

	FY20 1-3Q	FY21 1-3Q	Variance	
Net sales	35.5	45.2	+9.73	+27.4%
Lumipulse	15.4	22.1	+6.61	+42.8%
Japan	13.1	18.7	+5.53	+42.1%
Overseas	2.3	3.4	+1.08	+46.5%
CDMO etc.	11.2	13.4	+2.27	+20.4%
Others	8.9	9.7	+0.85	+9.6%
EBITDA	12.1	20.2	+8.13	+67.5%
OP	9.7	17.8	+8.12	+83.6%

Lumipulse inter-segment transaction	3.2	6.1 *	+2.91	+90.1%
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\* Inter-segment transaction increase mainly driven by COVID-19 related reagents

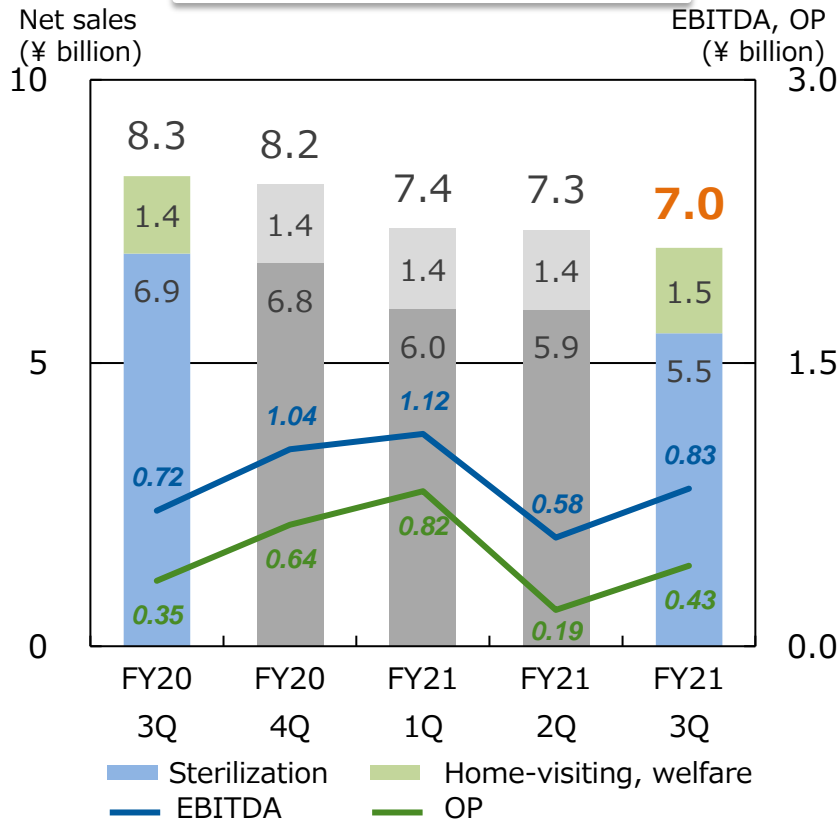
### Net sales

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

### Operating profit

- Sales increase and inter-segment transaction drove OP growth

## Quarterly Results



## YoY Comparison

(¥ billion)

	FY20 1-3Q	FY21 1-3Q	Variance	
Net sales	23.9	21.7	-2.19	-9.1%
Sterilization	20.0	17.4	-2.55	-12.7%
Home-visiting, welfare	4.0	4.3	+0.36	+9.1%
EBITDA	2.69	2.53	-0.15	-5.7%
OP	1.69	1.44	-0.25	-14.9%

### Net sales

- Impact from the adaption of revenue recognition criteria for the deposit inventory business for medical items (-¥1.9 bn)
- Contract termination with large customer related to deposit inventory business
- 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 (-¥0.2 bn)

# Consolidated Results for FY2021 1-3Q

(¥ billion)

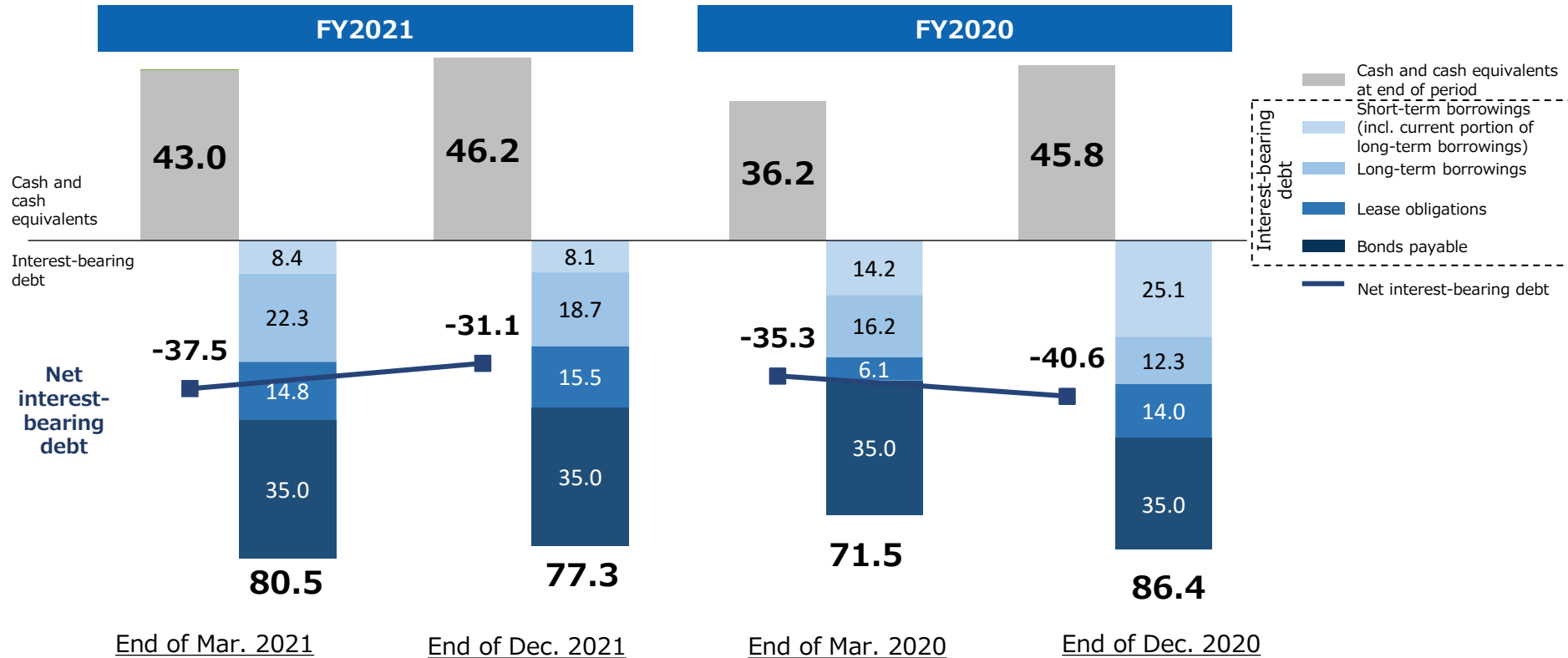
	FY20 1-3Q		FY21 1-3Q		Variance	
<b>Net sales</b>	<b>161.1</b>		<b>197.9</b>		<b>+36.8</b>	<b>+22.8%</b>
LTS	101.7		131.0		+29.3	+28.8%
IVD	35.5		45.2		+9.7	+27.4%
HS	23.9		21.7		-2.2	-9.1%
<b>OP<sup>1</sup></b>	<b>17.7</b>	<b>11.0%</b>	<b>36.2</b>	<b>18.3%</b>	<b>+18.5</b>	<b>+104.3%</b>
LTS	8.1	8.0%	17.7	13.5%	+9.5	+116.9%
IVD	9.7	27.4%	17.8	39.5%	+8.1	+83.6%
HS	1.7	7.1%	1.4	6.6%	-0.3	-14.9%
<b>Or. profit</b>	<b>16.7</b>	<b>7.4%</b>	<b>35.5</b>	<b>20.0%</b>	<b>+18.8</b>	<b>+112.6%</b>
<b>Net profit</b>	<b>12.7</b>	<b>5.2%</b>	<b>25.5</b>	<b>14.6%</b>	<b>+12.8</b>	<b>+100.6%</b>
<b>EBITDA<sup>2</sup></b>	<b>26.8</b>	<b>16.7%</b>	<b>46.6</b>	<b>23.5%</b>	<b>+19.7</b>	<b>+73.5%</b>

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

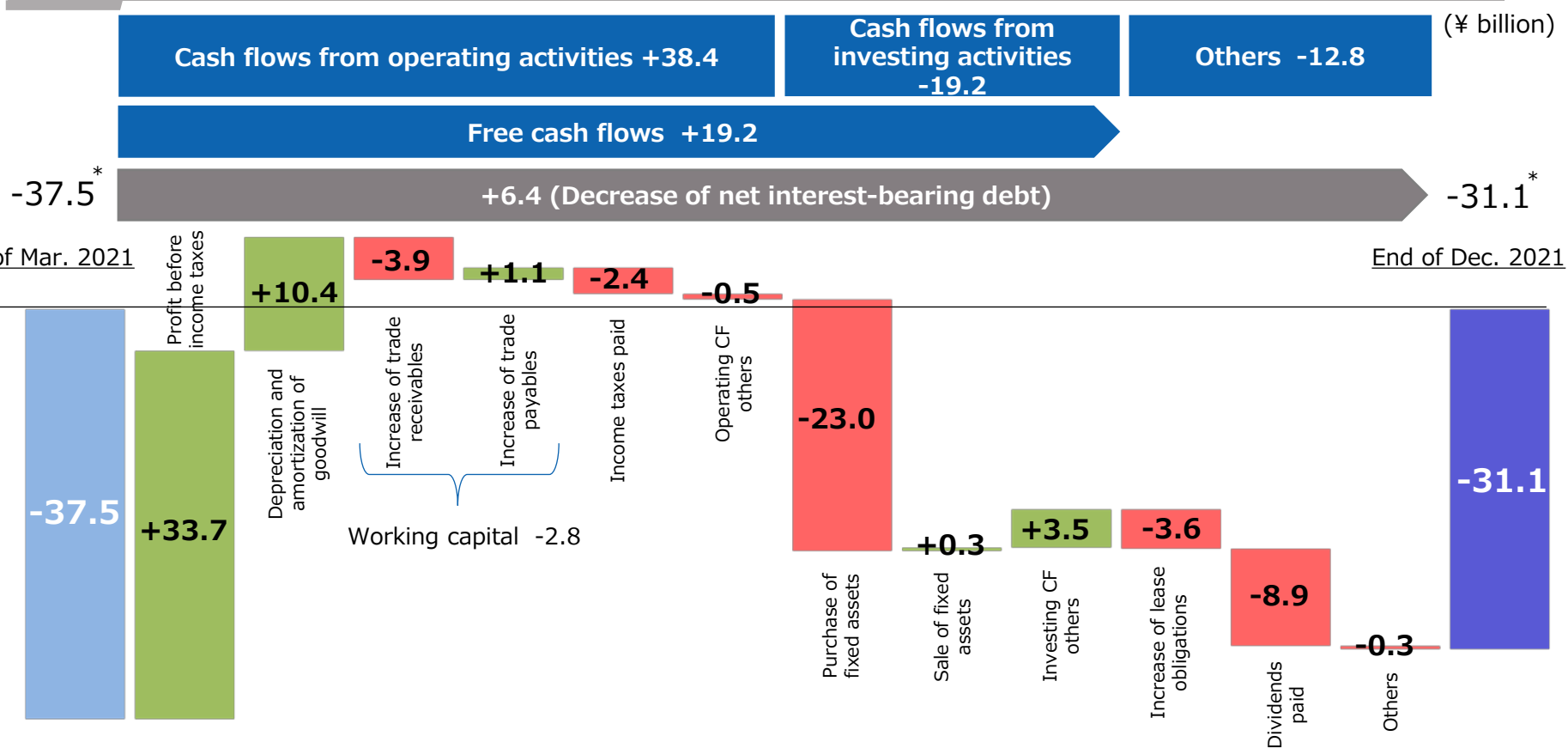
1. OP includes H.U. Group Holdings and H.U. Group Research Institute etc., as well as segmentation adjustments (FY2020 1-3Q: -¥1.84 bn, FY2021 1-3Q: -¥0.78 bn)
2. EBITDA = Operating profit + Depreciation + Amortization of goodwill

# Cash and Cash Equivalents/Interest-bearing Debt

(¥ billion)



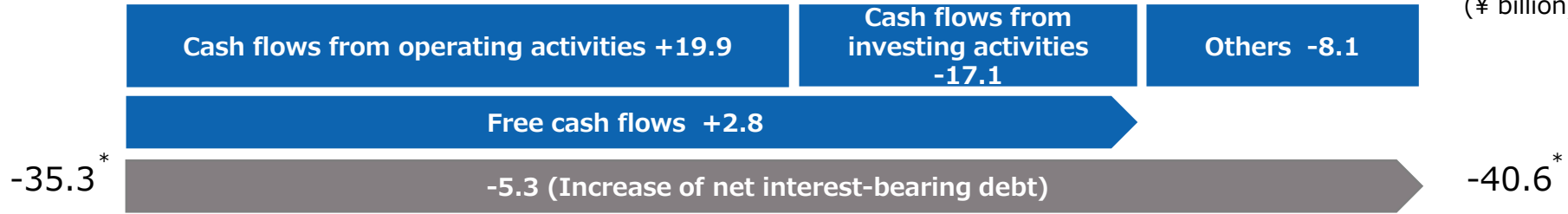
# Consolidated Cash Flows Waterfall (FY2021 1-3Q)



\* Net interest-bearing debt

# Consolidated Cash Flows Waterfall (FY2020 1-3Q)

(¥ billion)

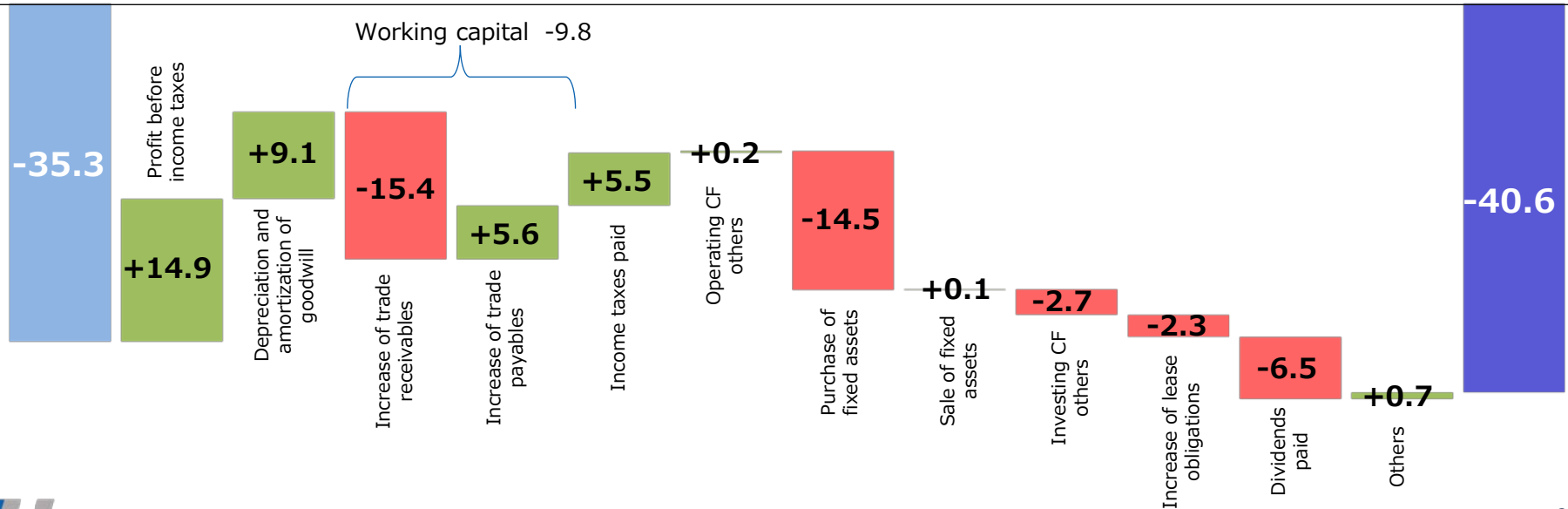


-35.3\*

-40.6\*

End of Mar. 2020

End of Dec. 2020



\* Net interest-bearing debt

# Introduction for ESG Meeting

- We decided to hold ESG Meeting to introduce our ESG activity

## Date

- ✓ March 17, 2022 15:00-16:30 (ZOOM webinar\*)

\*Webinar is Japanese only, but presentation material will be posted on our website

## Agenda

- ✓ Top Message, Human Rights & Human Resources  
Shigekazu Takeuchi, President and Group CEO
- ✓ Environment  
Hiroaki Kimura, Executive Officer
- ✓ Procurement  
Isao Tada, Division Head, Procurement Division
- ✓ Conclusion  
Atsuko Murakami, CFO
- ✓ Q&A

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# **【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.