

FY2021 (Ended March 31, 2022) Annual Financial Results

May 12, 2022

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.
- * “Net Profit attributable to shareholders of the parent company” may be abbreviated as “net profit” in some cases.
- * In principle, figures are rounded to the nearest whole. Due to rounding, some totals may not correspond with the sum of the separate figures.
- * Abbreviations:
 - LTS: Lab Testing and its related Services
 - HS: Healthcare-related Services
 - FMS: Facility Management Service
 - Or. profit: Ordinary profit
 - FY2021: Fiscal year ended March 31, 2022
 - IVD: In Vitro Diagnostics
 - HUHD: H.U. Group Holdings, Inc.
 - OP: Operating profit
 - BMGL: Baylor Miraca Genetics Laboratories, LLC
- * Financial segments have been changed since 1Q FY2021.
Historical figures have been retroactively adjusted in accordance with the current segment structure.

Exchange rates in this report:

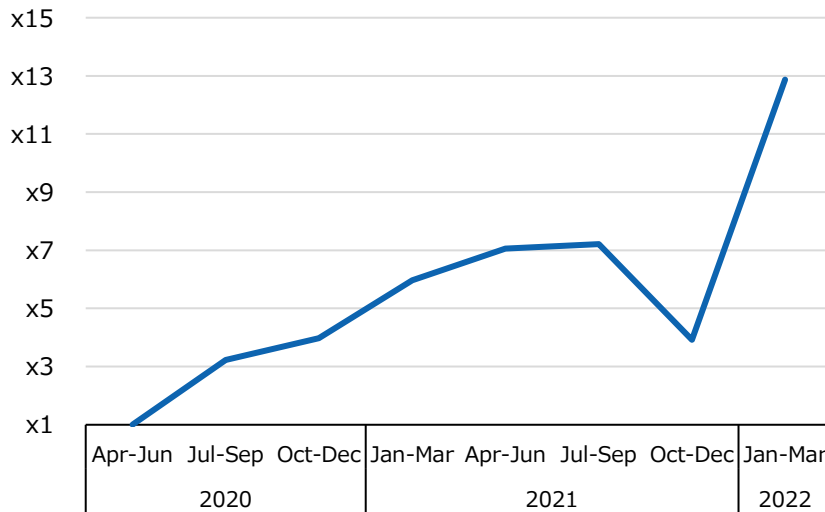
FY2020	: 1USD = 106.06 JPY	1EURO = 123.69 JPY
FY2021	: 1USD = 112.37 JPY	1EURO = 130.56 JPY
FY2022 (plan)	: 1USD = 114.00 JPY	1EURO = 130.00 JPY

FY2021 Financial Results

Testing Trends of PCR & Esoteric Tests

Number of COVID-19 PCR tests conducted

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

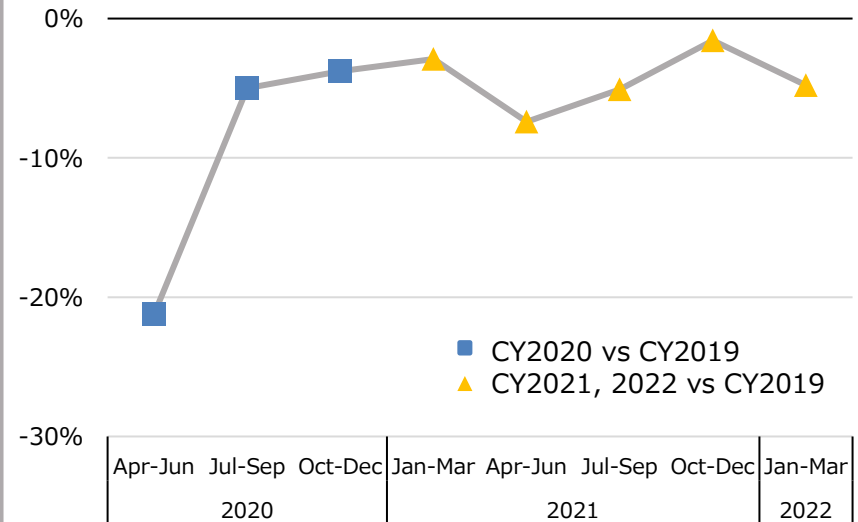


- Number of PCR tests conducted increased according to the spread of the Omicron variant

1. PCR tests conducted by SRL and Nihon Rinsho in nationwide

Number of esoteric testing IDs excluding COVID-19 related tests

No. of esoteric testing IDs compared with CY2019 ²

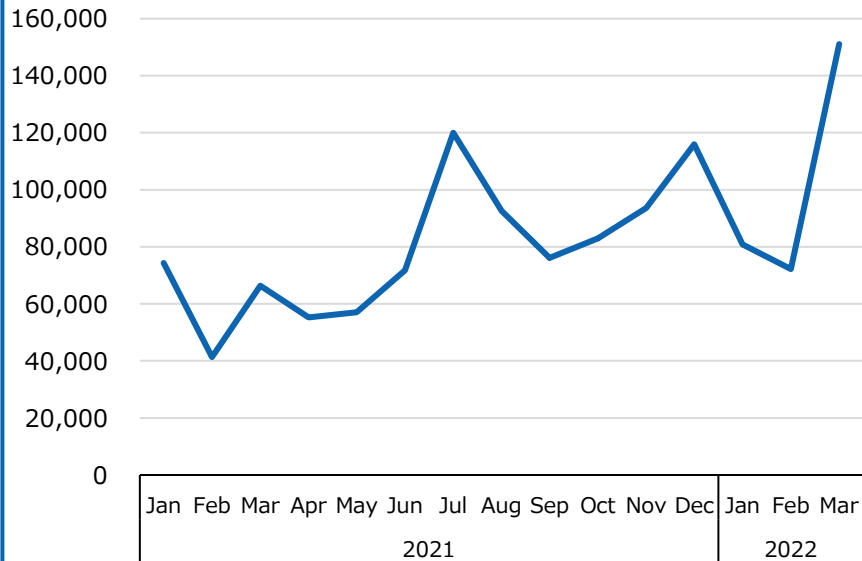


- Remained below the level prior to the COVID-19 pandemic

2. Test IDs conducted at Hachioji and Akiruno after working day adjustment

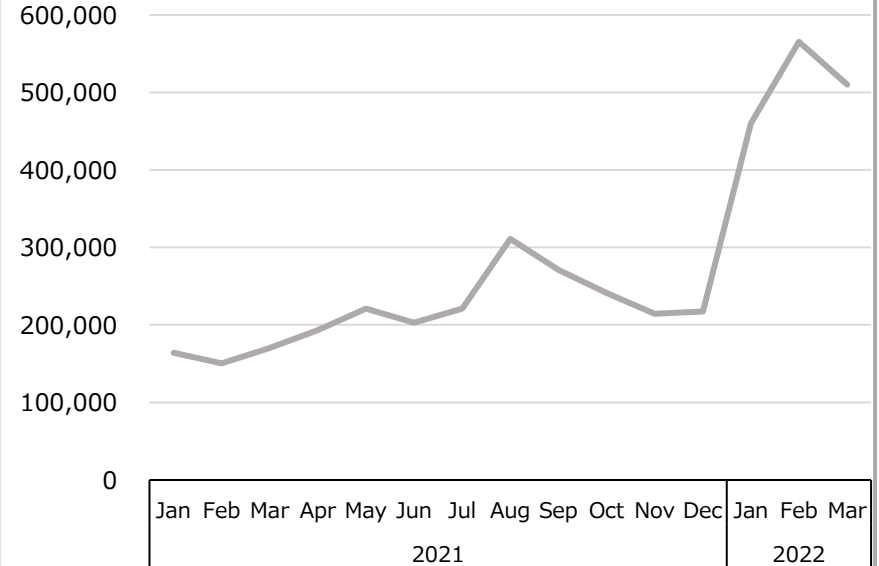
Testing Trends of High-sensitivity Quantitative Antigen Tests

No. of quantitative antigen tests at airport quarantines for entrants¹



- Decreased in Jan. and Feb., while number of tests showed rapid hike from Mar. (high level of the tests continued in Apr.)

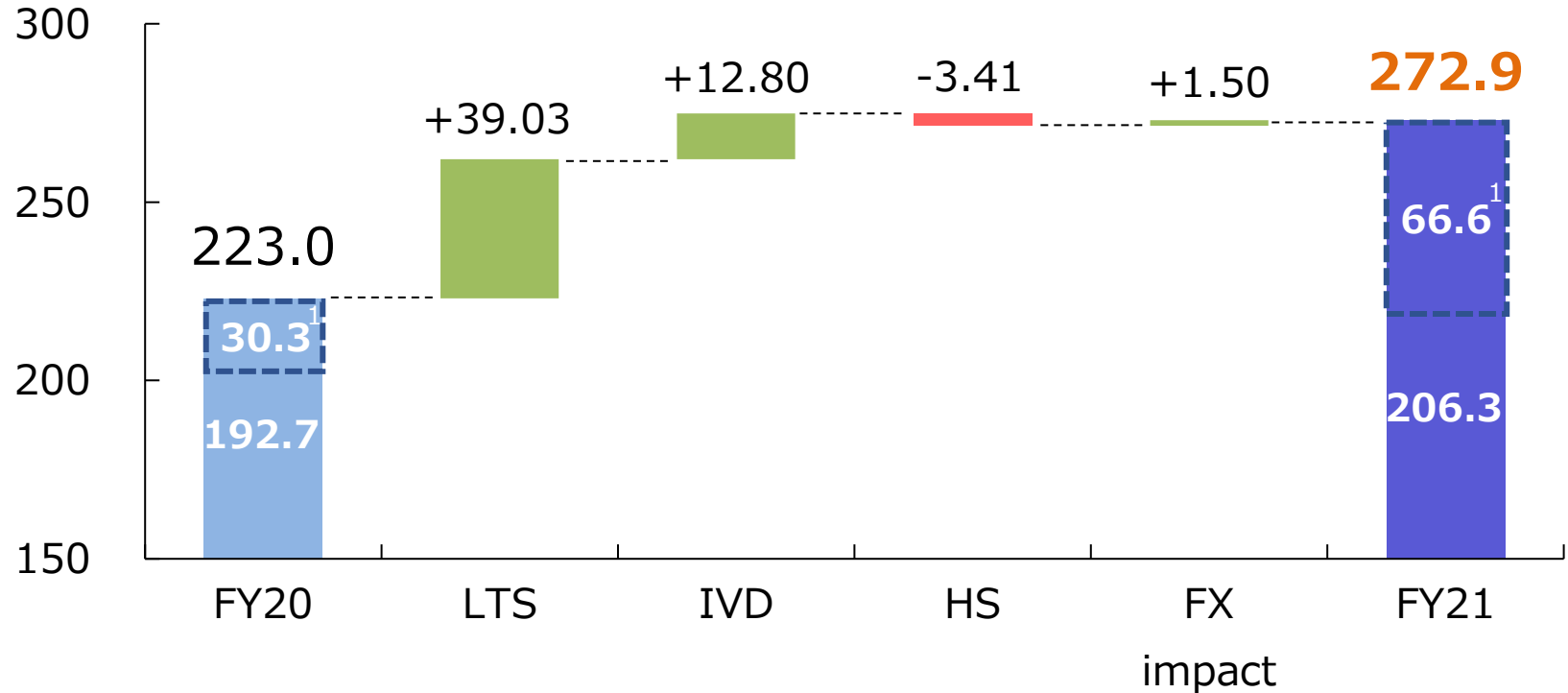
No. of high-sensitivity quantitative antigen tests at hospitals¹



- Testing demand increased according to the spread of the Omicron variant

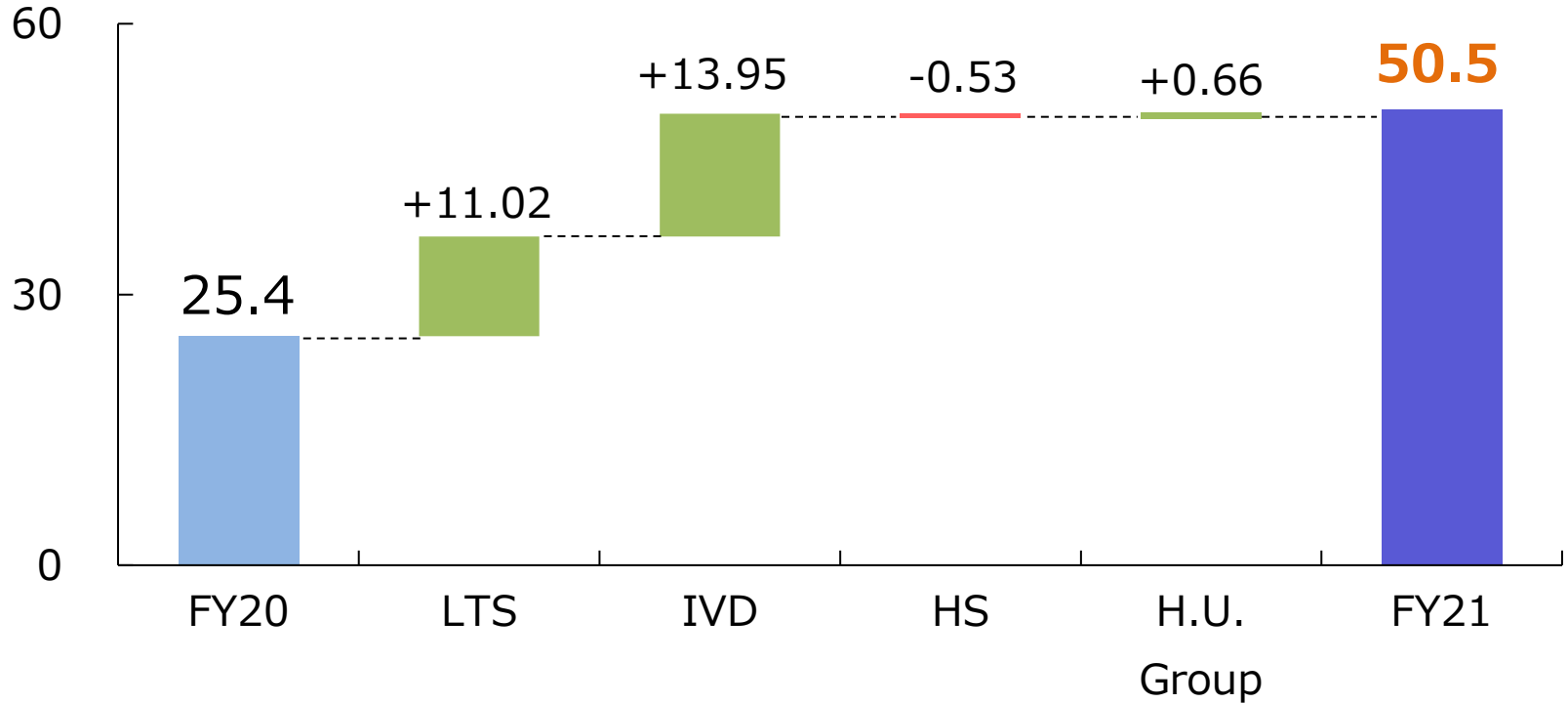
Consolidated Net Sales Waterfall Chart

(¥ billion)



Consolidated Operating Profit Waterfall Chart

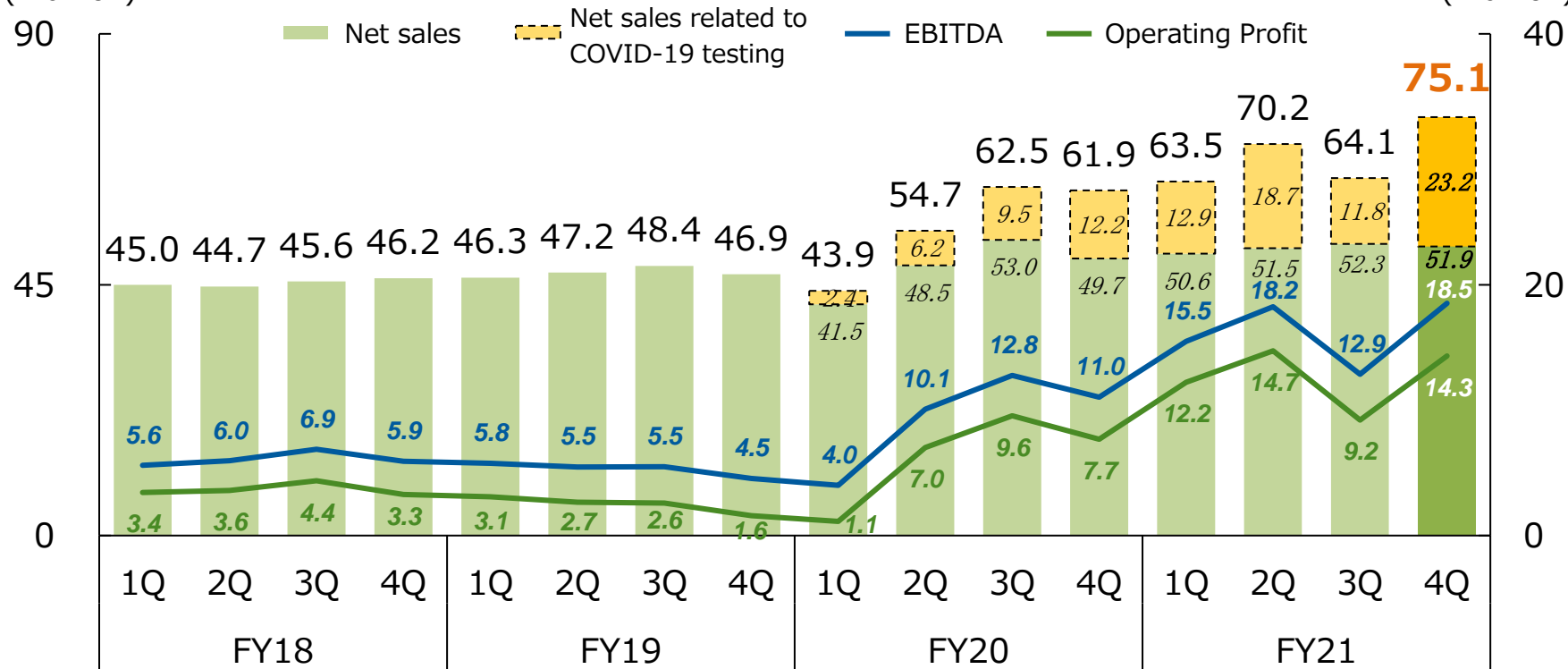
(¥ billion)



Quarterly Performance

Net sales
(¥ billion)

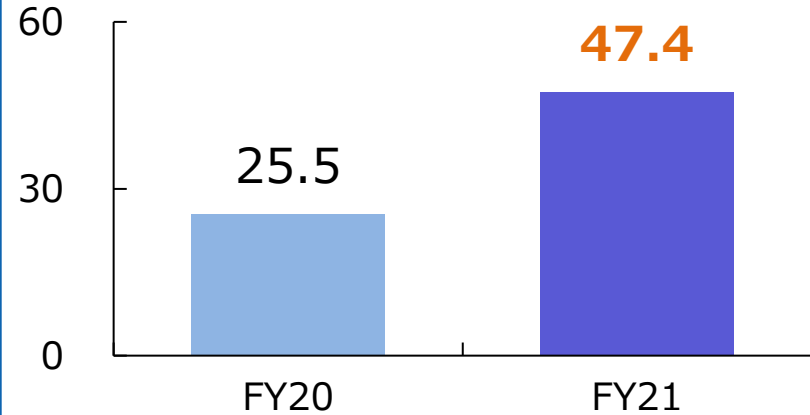
EBITDA, OP
(¥ billion)



Consolidated Ordinary Profit & Net Profit

Ordinary Profit

(¥ billion)

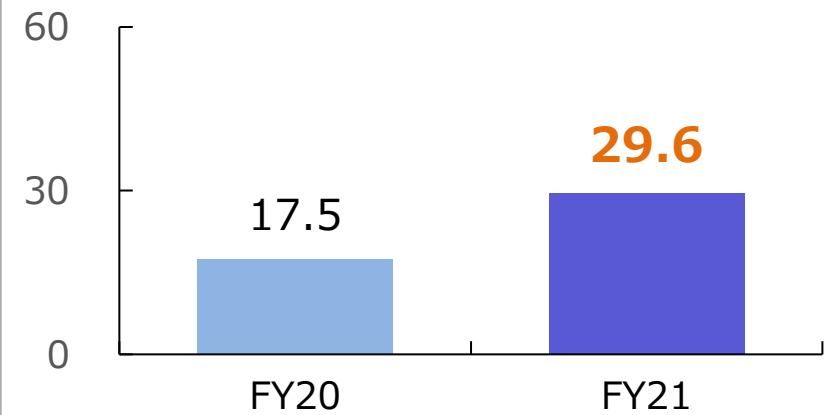


Major factors

- Gain on investments in venture capital +¥1.01 bn
- Equity in losses of affiliates -¥2.34 bn
 - ✓ Impact from BMGL -¥1.04 bn
 - ✓ Impact from JV with Ping An Insurance Group -¥1.30 bn
- Provision for loss on guarantees (related to JV with Ping An Insurance Group) -¥1.41 bn

Net Profit

(¥ billion)



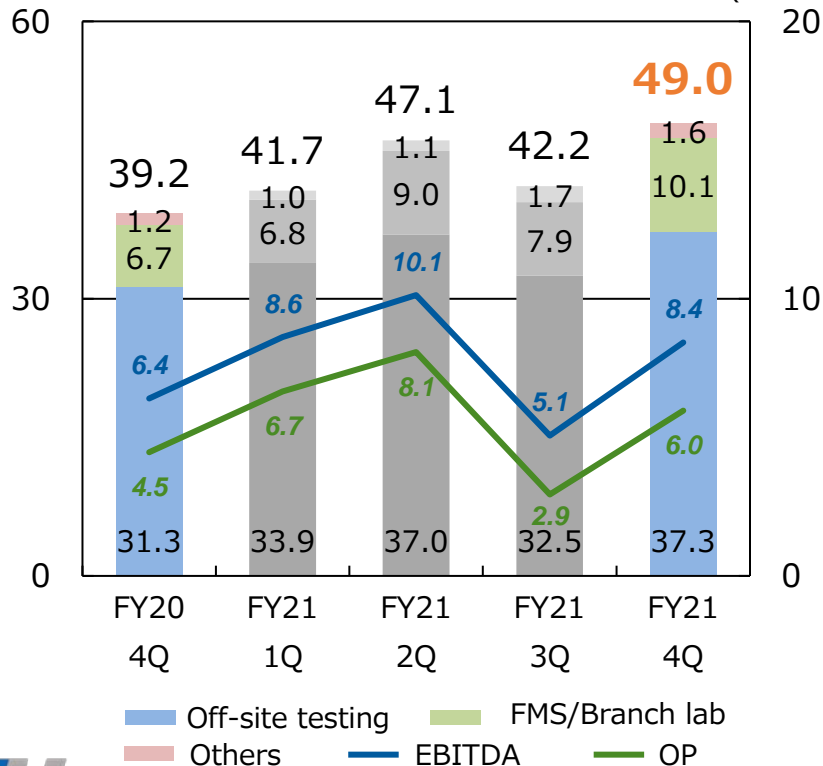
Major factors

- Impairment losses (related to H.U. Group companies) -¥2.17 bn
- Loss on valuation of investment securities -¥0.68 bn
- Loss on valuation of other investments -¥0.78 bn

Quarterly Results

Net sales
(¥ billion)

EBITDA, OP
(¥ billion)



YoY Comparison

(¥ billion)

	FY20	FY21	Variance	
Net sales	140.9	179.9	+39.03	+27.7%
Off-site	112.1	140.6	+28.47	+25.4%
FMS/Branch	24.0	33.9	+9.94	+41.5%
Others	4.8	5.4	+0.62	+12.9%
EBITDA	19.8	32.2	+12.49	+63.2%
OP	12.6	23.6	+11.02	+87.4%

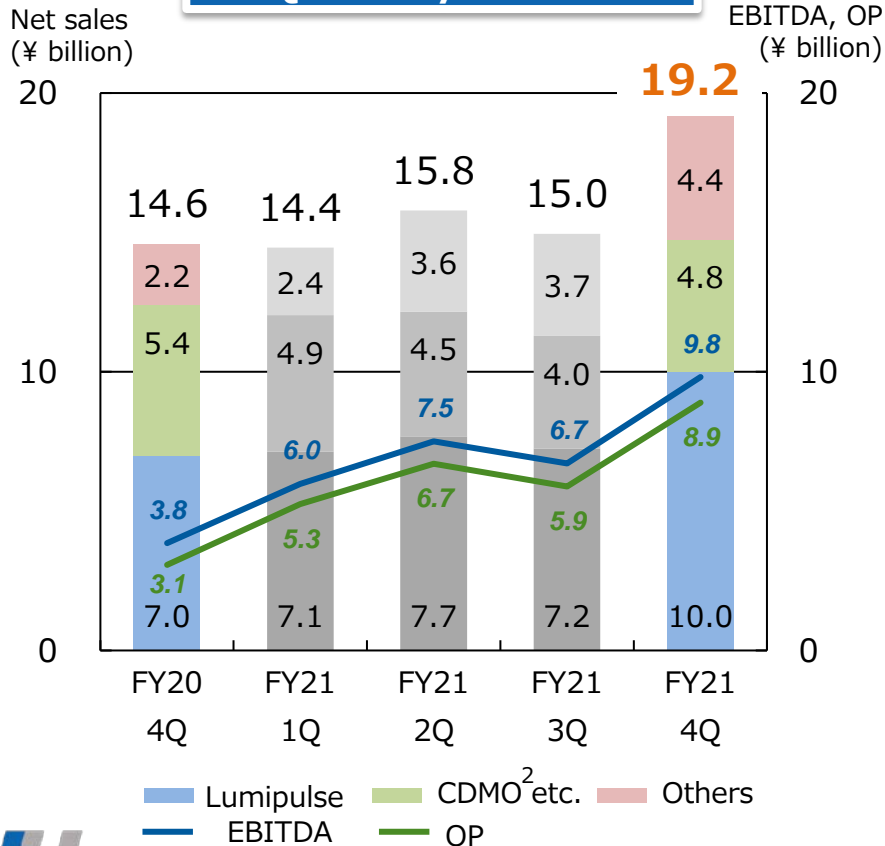
Net sales

- COVID-19 related tests: ¥44.8 bn (YoY +¥26.2 bn)
PCR tests, large-scale events, comprehensive testing support at airport quarantines, etc.
- Increase in test items related to genetic testing
- Recovery in the number of tests after a decrease in the previous fiscal year

Operating Profit

- Profit increased in line with COVID-19 related sales growth, because of recovery of the number of tests
- Costs related to AkirunoCube
 - ✓ Expenses incl. one-time costs: ¥6.6 bn
 - ✓ Depreciation and amortization: ¥0.3 bn

Quarterly Results



YoY Comparison

(¥ billion)

	FY20	FY21	Variance	
Net sales	50.0	64.3	+14.30	+28.6%
Lumipulse	22.4	32.0	+9.60	+42.8%
Japan	18.8	27.5	+8.73	+46.4%
Overseas	3.6	4.5	+0.87	+24.1%
CDMO etc.	16.6	18.2	+1.62	+9.8%
Others	11.0	14.1	+3.08	+27.9%
EBITDA	15.9	30.0	+14.09	+88.6%
OP	12.8	26.7	+13.95	+109.1%

Lumipulse inter-segment transaction	5.0	8.3	+3.34 ¹	+67.5%
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1. Inter-segment transaction increase mainly driven by COVID-19 related reagents

Net sales

- COVID-19 related tests: ¥21.8 bn (YoY +¥10.1 bn)
 - ✓ Lumipulse business: Lumipulse SARS-CoV-2 Ag
 - ✓ Others: ESPLINE SARS-CoV-2
- Recovery in the number of tests after a decrease in the previous fiscal year

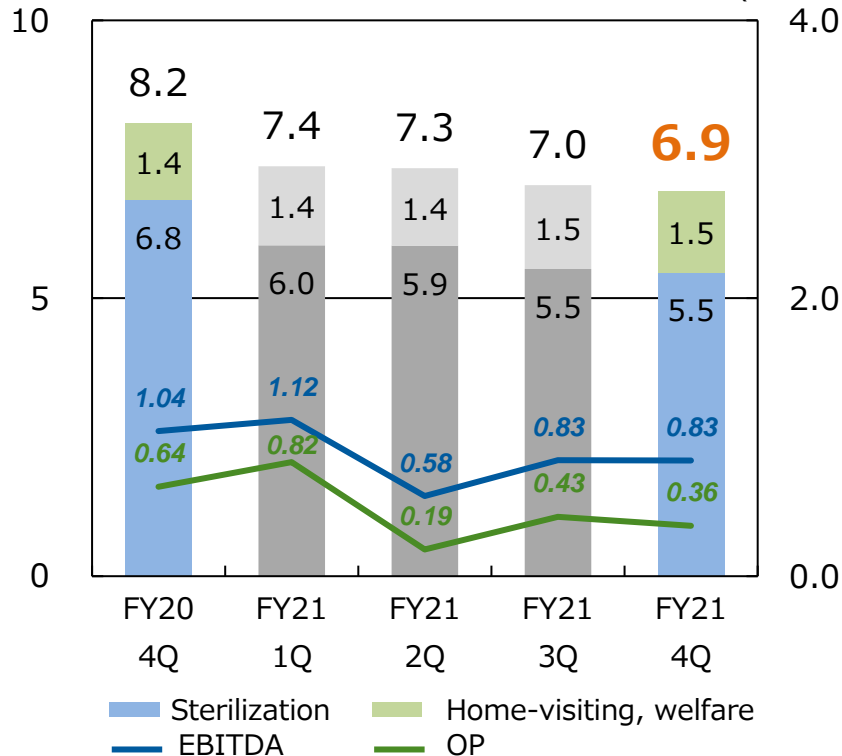
Operating profit

- OP growth in line with sales growth and inter-segment transaction increase

Quarterly Results

Net sales
(¥ billion)

EBITDA, OP
(¥ billion)



YoY Comparison

(¥ billion)

	FY20	FY21	Variance	
Net sales	32.1	28.7	-3.41	-10.6%
Sterilization	26.7	22.9	-3.85	-14.4%
Home-visiting, welfare	5.3	5.8	+0.45	+8.5%
EBITDA	3.73	3.36	-0.37	-9.8%
OP	2.33	1.80	-0.53	-22.8%

Net sales

Sterilization related business

- Effect of adoption of accounting standard for revenue recognition in deposit sales of medical supplies (-¥2.0 bn)
- Contract termination with a major client related to deposit business for medical supplies
- Sales increase in product/consumable supplies

Home-visiting and welfare business

- Stable growth

Operating profit

- Increase in labor costs
- Allowance for doubtful accounts in 2Q (-¥0.2 bn)

Consolidated Results for FY2021

(¥ billion)

	FY2020		FY2021		Variance	
Net sales	223.0		272.9		+49.9	+22.4%
LTS	140.9		179.9		+39.0	+27.7%
IVD	50.0		64.3		+14.3	+28.6%
HS	32.1		28.7		-3.4	-10.6%
OP¹	25.4	11.4%	50.5	18.5%	+25.1	+98.8%
LTS	12.6	9.0%	23.6	13.1%	+11.0	+87.4%
IVD	12.8	25.6%	26.7	41.6%	+13.9	+109.1%
HS	2.3	7.3%	1.8	6.3%	-0.5	-22.8%
Or. profit	25.5	7.4%	47.4	17.4%	+22.0	+86.3%
Net profit	17.5	5.2%	29.6	10.8%	+12.1	+69.5%
EBITDA²	37.9	17.0%	65.1	23.9%	+27.2	+71.9%
ROE	16.0%		23.2%		+7.2pt	-
ROIC	8.7%		15.4%		+6.7pt	-

Note: Figures in color blue are the profit ratio to each revenue.

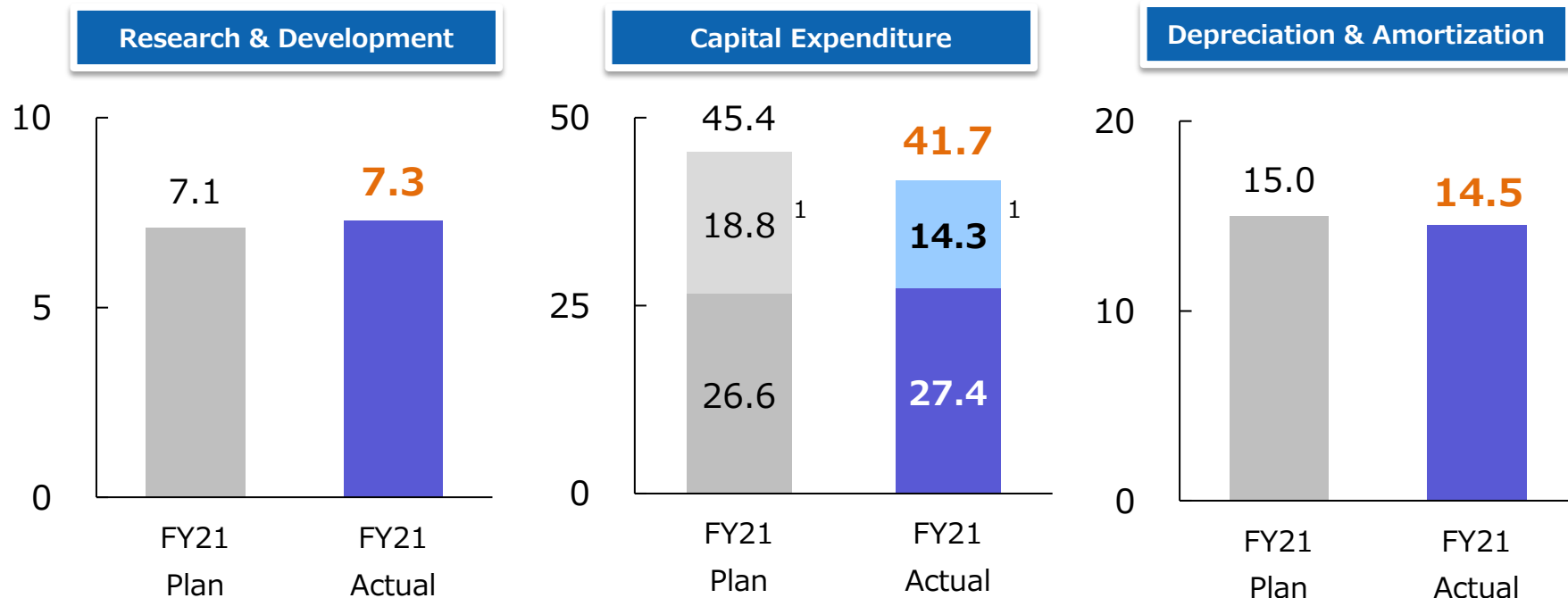
1. OP includes H.U. Group Holdings and H.U. Group Research Institute etc., as well as inter-segment eliminations.
(FY2020: -¥2.33 bn, FY2021: -¥1.67 bn)

2. EBITDA = Operating profit + Depreciation + Amortization of goodwill

R&D, CAPEX, D&A (in comparison with initial plan)

(¥ billion)

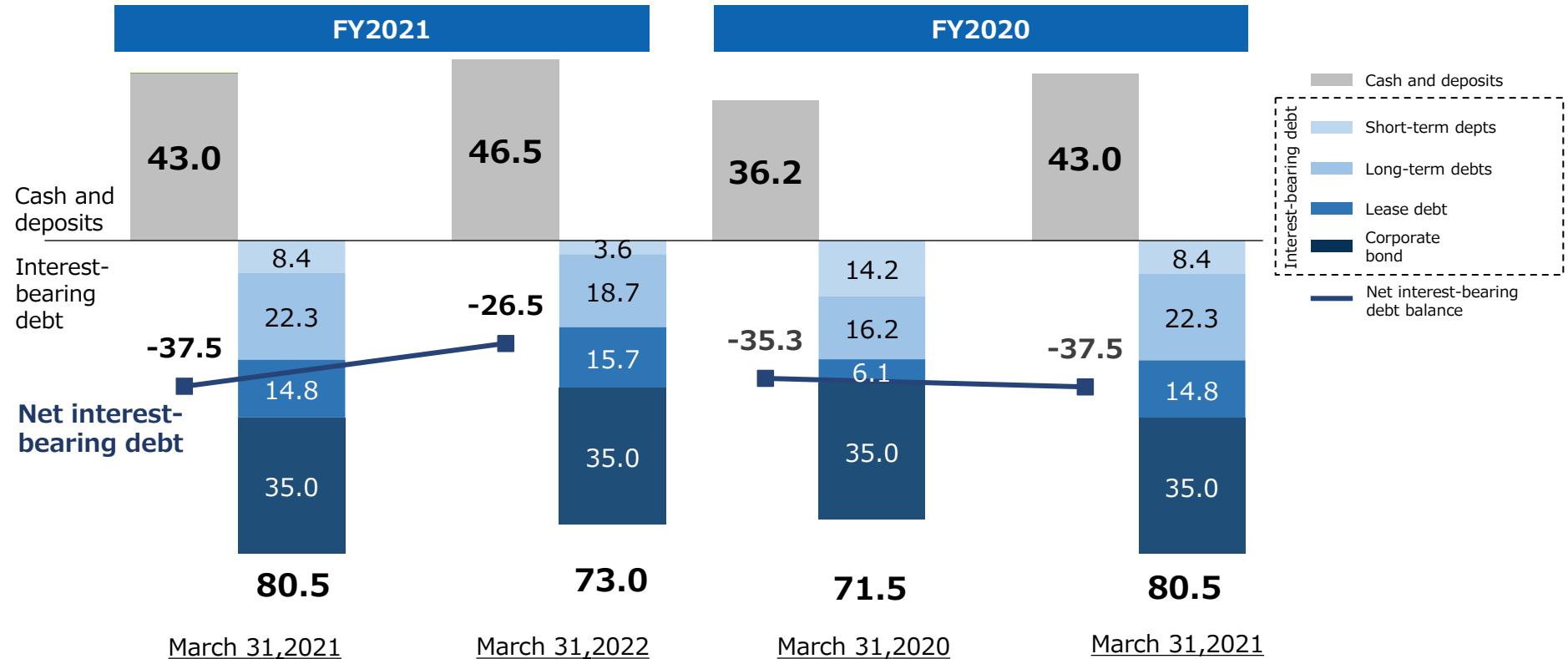
- CAPEX: Delay in inspection related to AkirunoCube
- R&D, D&A: Generally in line with the initial estimation



1. AkirunoCube related

Cash and Deposits / Interest-bearing Debt

(¥ billion)

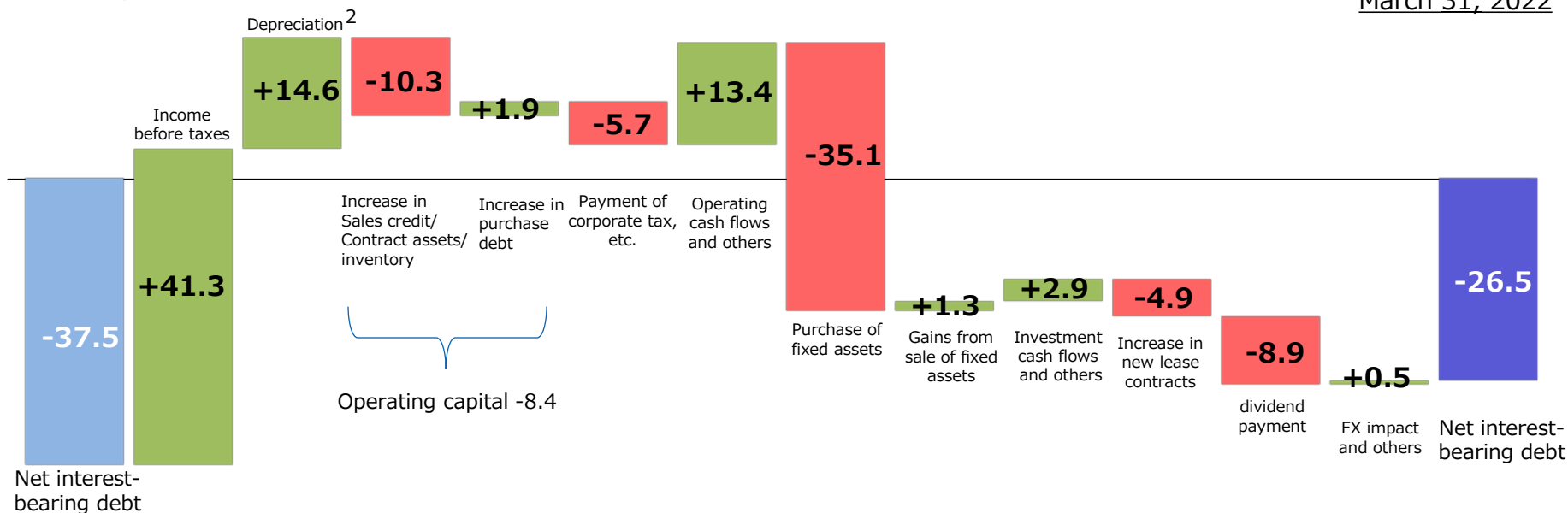


FY21 End-of-term Analysis of Consolidated Cash Flows



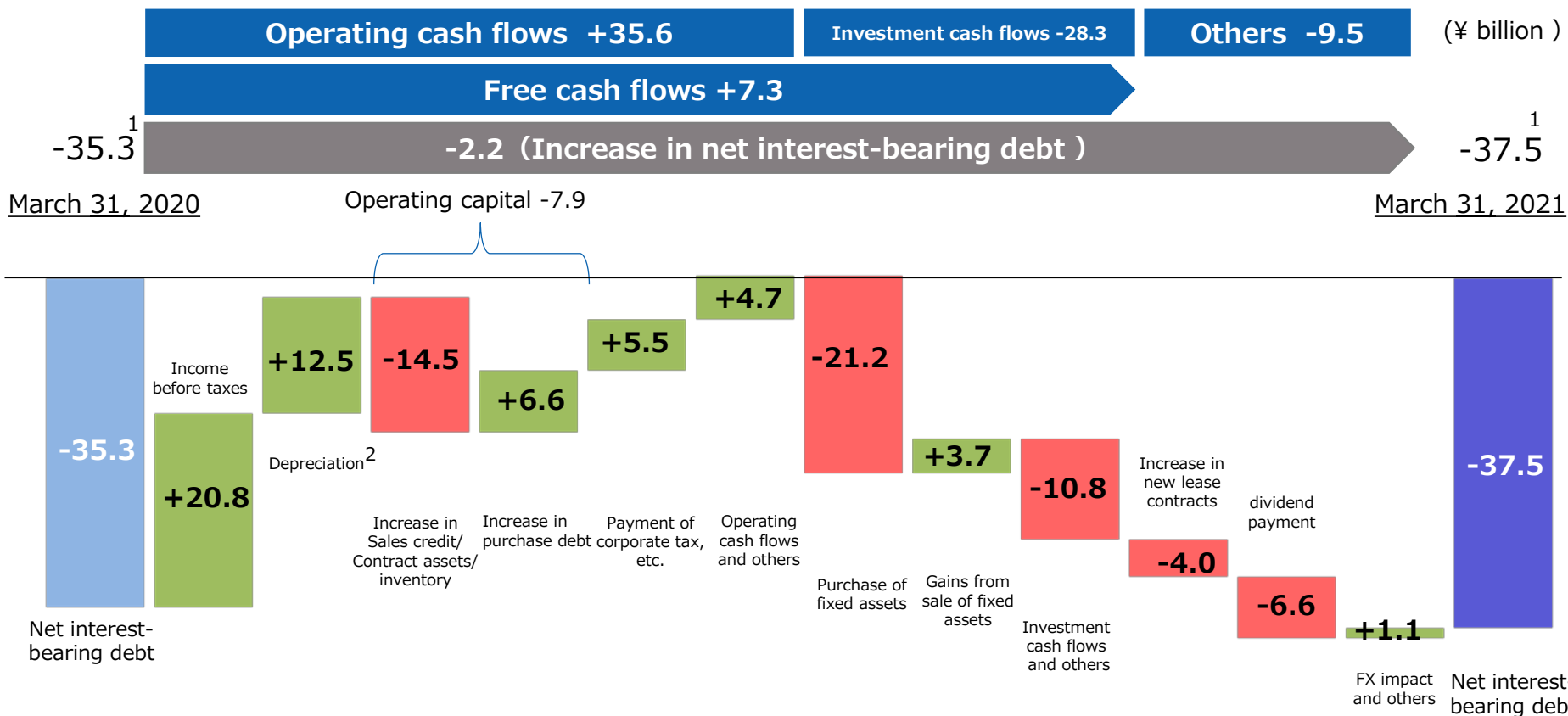
March 31, 2021

March 31, 2022



1. Net interest-bearing debt
2. Depreciation + Goodwill amortization

FY20 End-of-term Analysis of Consolidated Cash Flows



1. Net interest-bearing debt
2. Depreciation + Goodwill amortization

Progress to Medium-term Consolidated Financial Targets

	Medium-term plan targets		FY2021 Actual	Progress
Net Sales CAGR	6% or more	➡	20.3% ¹	✓
EBITDA margin	18% or more	➡	23.9%	✓
OP margin	10% or more	➡	18.5%	✓
ROE	12% or more	➡	23.2%	✓
ROIC	8% or more	➡	15.4%	✓
Net interest-bearing debt to EBITDA (excl. lease obligations)	End of FY2024: 1.3x or less (2.5x or less during the medium-term plan)	➡	0.17x	✓
Equity Ratio (excl. real estate finance)	40% or more	➡	48.9%	✓
5 years cumulative Operating Cash Flows	¥150 bn or more	➡	¥90.8 bn ²	✓
5 years cumulative Free Cash Flows	¥50 bn or more	➡	¥31.7 bn ²	✓

1. 2-year CAGR (FY19-FY21)

2. 2 years cumulative

FY2022 (Ending in March 2023) Business Plan

Key Initiatives (LTS)

AkirunoCube

- Efforts toward full operation

Sales growth

Customer acquisition

- Strengthen business activities and provide solution proposal by integrated sales forces across the group
- Improve convenience for customers by introducing ICT tools

Advanced medicine

- Develop new testing items and adding testing capability
- Accelerate information collection for further business growth

Profit structure improvement

Logistics

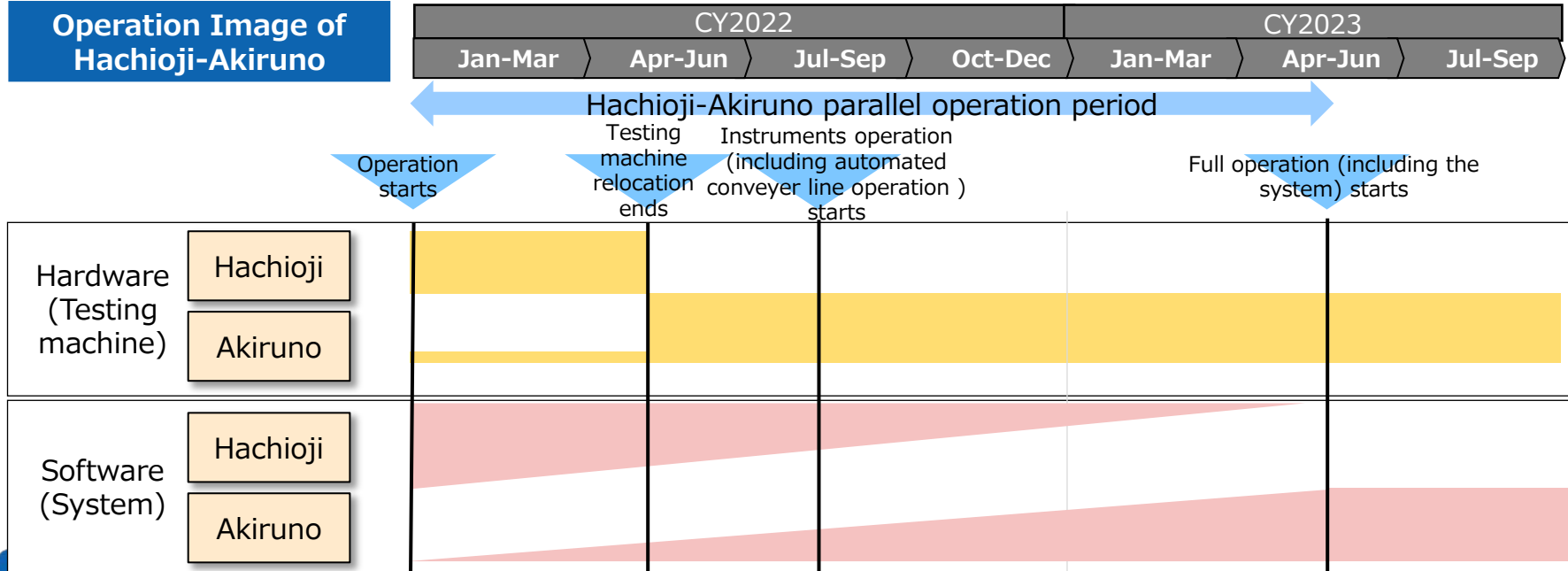
- Form a JV with MEDIPAL HOLDINGS
- Conduct feasibility study for swift establishment of business foundation

Reduce fixed costs

- Create an ideal fixed cost structure for after-COVID conditions

AkirunoCube's Future Outlook

- Testing machine relocation from Hachioji has been completed in first week of May 2022
- Additional development and validation of the automated conveyer line is a top priority in order to meet our quality requirement (operation will start in July 2022)
- Full operation of system (including invoicing etc.) will start in **May 2023** (total CAPEX will be **¥38.0 bn** and depreciation in full operation will become **¥6.5 bn/year** after FY2024, due to additional investment)
- OPEX for parallel operation between Hachioji-Akiruno will occur for the time being



FY22 Forecast : AkirunoCube Costs and Effect

(¥ billion)

	FY21 Actual	FY22 full year estimate	
One-time costs	-5.6	-3.6	<ul style="list-style-type: none"> • Costs of the machine relocation in May 2022 • Impact of parallel operation period extension
D&A	-0.3	-5.0	<ul style="list-style-type: none"> • Increases with the expansion of machines in operation
Running costs ¹	-1.0	-3.8	<ul style="list-style-type: none"> • Fixed expense
Efficiency effect	—	+1.4	<ul style="list-style-type: none"> • The effect will increase gradually

Changes in Assumption of the Medium-term Plan

Initial assumption (as of Sep. 2020)

1. COVID-19 contribution will settle by first half of H.U. 2025 (no impact in second half)
2. Second half will begin profit expansion phase through AkirunoCube's full operation
3. Reorganization of nationwide lab network incl. Kansai Lab to be completed during H.U. 2025

Current assumption

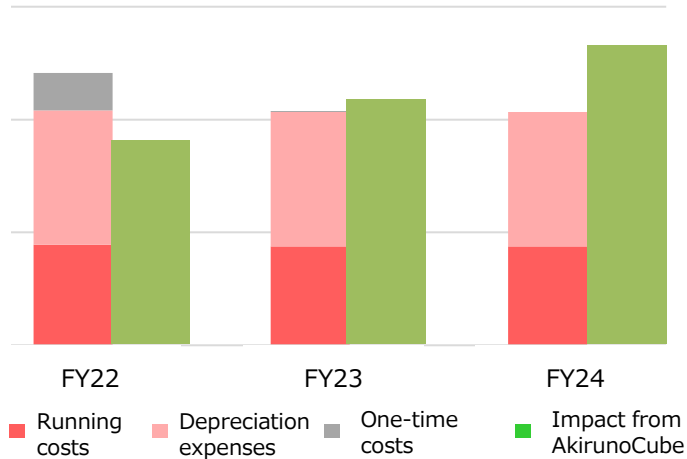
1. COVID-19 related tests continues to generate business due to the prolonged pandemic
2. AkirunoCube is still in a phase of staged launch → both positive impact (improvement of profitability) and negative impact (depreciation) will be delayed
3. Kansai Lab project is now under reconsideration

After FY22 Forecast: AkirunoCube related Costs and Effect

- Due to the staged launch, beneficial effects of the new lab will be delayed, and the parallel operation will increase one-time expenses
- The total D&A will increase due to the increase in the investment, but this will not change the forecast that total beneficial effect will exceed cost increases in FY2024

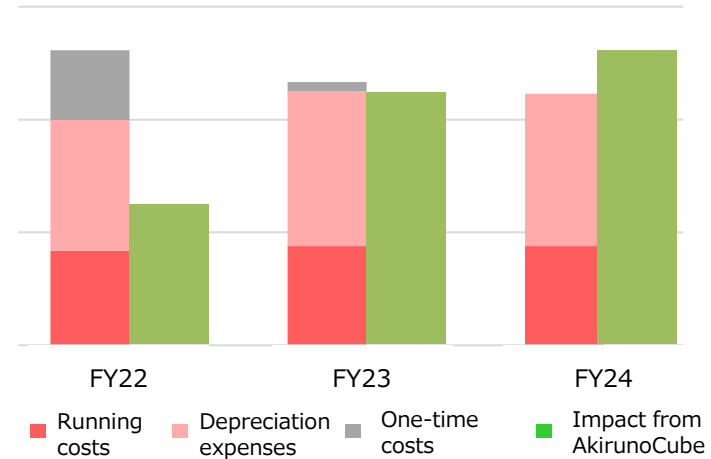
Initial forecast (as of Sep. 2020)

- Cost advantage will start to show in FY2023



Current forecast

- Negative impact increase in FY2022
- Although D&A is higher than initially expected, the cost advantage in FY2024 will remain at the level which was initially expected



Alliance with MEDIPAL HOLDINGS

- Promote shared logistics through a JV established in April 2022
- Operation starts from October 2022

Compared with the assumptions of medium-term plan (reduce collection costs by 15-20%¹ in FY2022), the effect is expected be delayed

Timeline

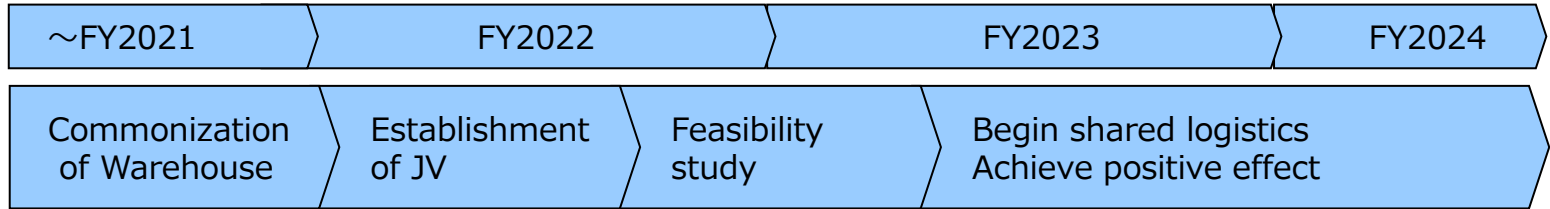
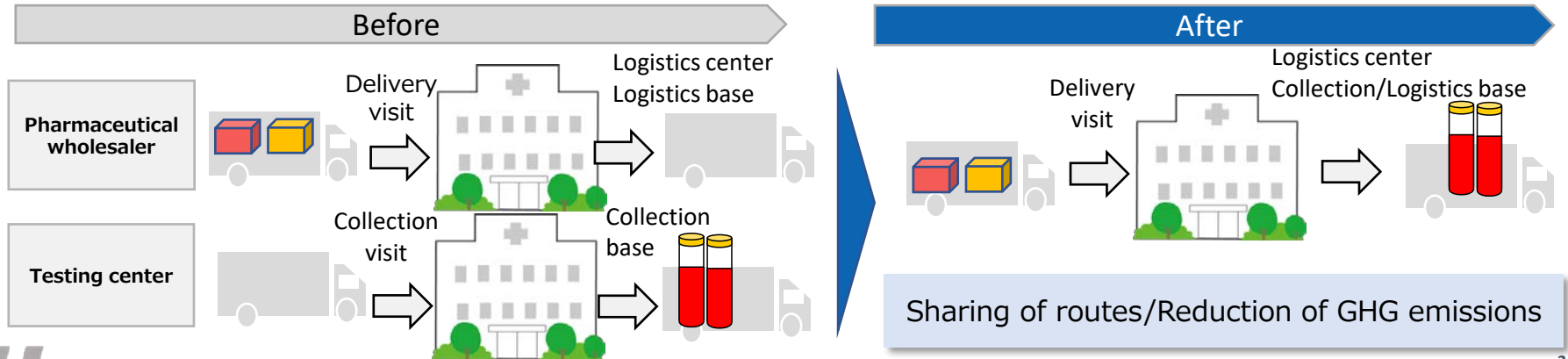


Illustration of shared logistics

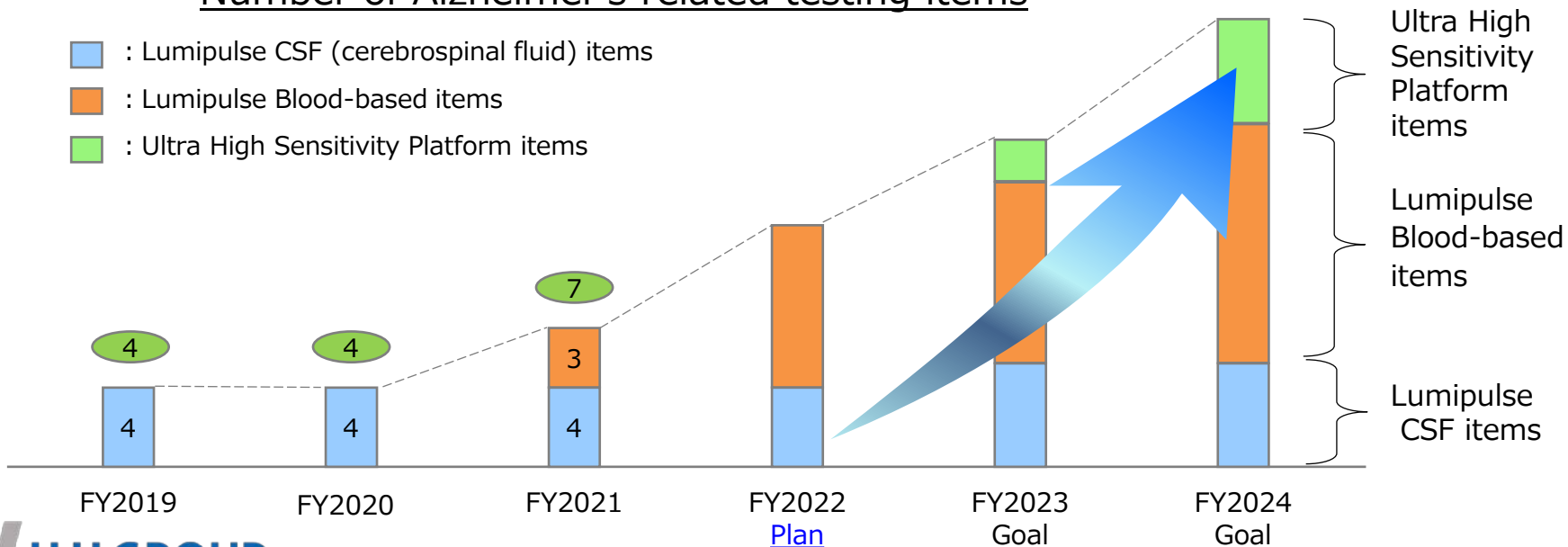


Key Initiatives (IVD): Lumipulse and Alzheimer's Related Testing

Lumipulse

- Utilizing the rapidly expanded number of instruments during FY20-21 as a base, increase the test items adopted by customers
- Enhance the R&D of Alzheimer's related items
- Strengthen production capacity and SCM through the relocation of Hachioji factory

Number of Alzheimer's related testing items



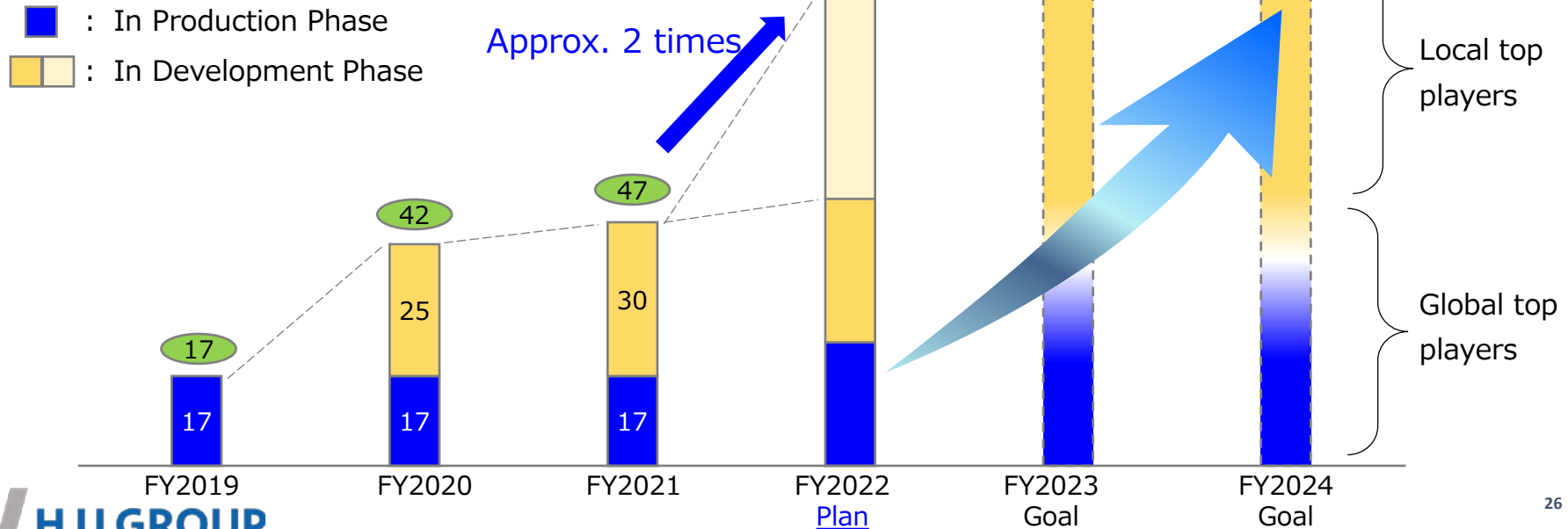
Key Initiatives (IVD): CDMO

CDMO

- Ensure that items in the development phase are transferred to the production phase
- Expand business to local players as well as global players by leveraging the strength of unique items (expansion of local partners)

Number of development projects gained from partners (accumulated) ¹

1. Excluding the number of antibody sales



Assumption of COVID-19 Related Testing

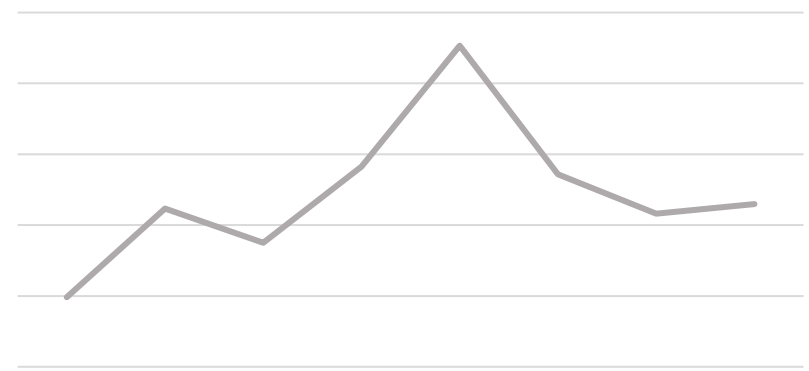
Number of COVID-19 PCR tests



1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
FY2021				FY2022 estimation			

- There will continue to be a certain level of PCR tests with no further spread of infection
- Unit price will drop due to reimbursement revision

No. of quantitative antigen tests at airport quarantines for entrants



1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
FY2021				FY2022 estimation			

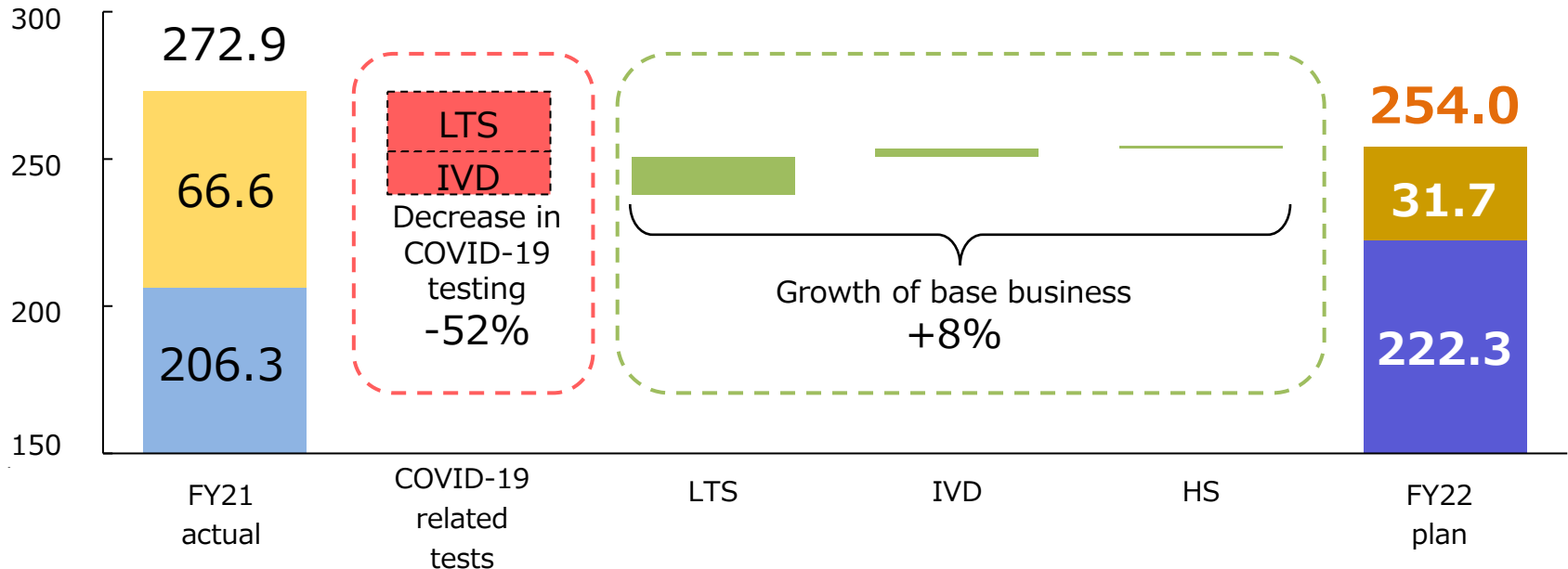
- While an increase is expected in first half, second half is expected to stabilize

Net Sales Plan for FY2022 (YoY)

Net sales are expected to decrease by 7%

- COVID-19 testing related sales decrease by about 52%
- Base business grows by about 8%

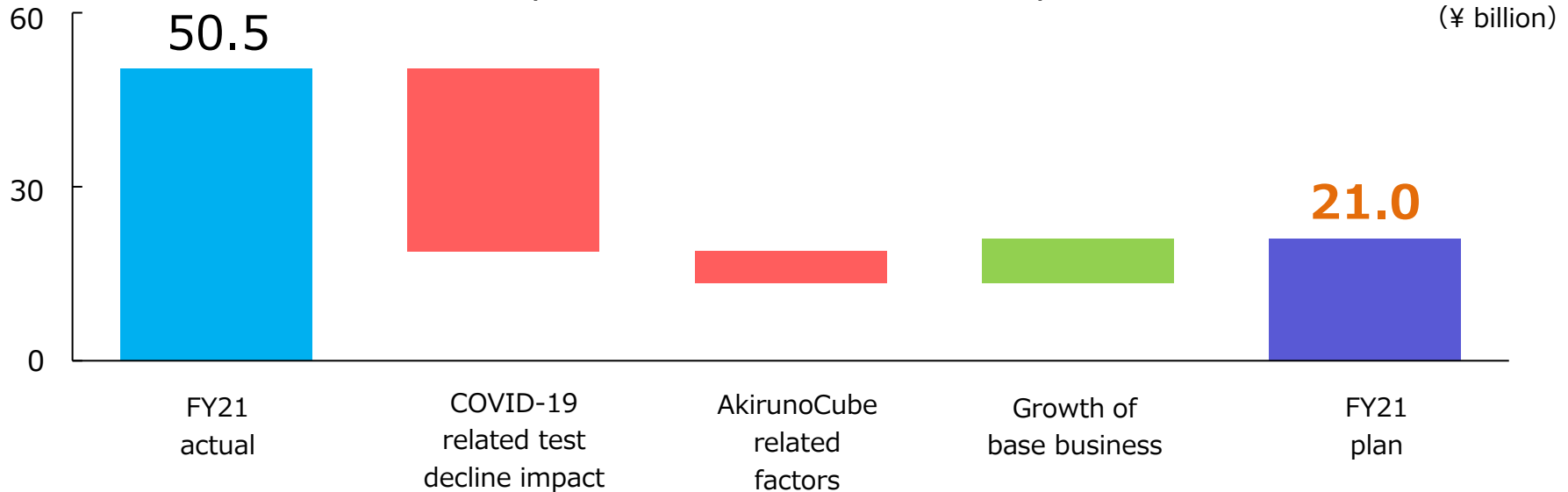
(¥ billion)



Operating Profit Plan for FY2022 (YoY)

Operating profit is expected to decrease by 58%

- Profit decrease due to the decline of COVID-19 test-related sales and AkirunoCube related factors
(increased cost offsetting the cost advantage, resulting in a profit decrease of ¥ 4.1 bn)
- On the other hand, the initiative of fixed expense reduction and the growth of base business are expected to contribute to the profit increase



FY2022 Forecast Summary

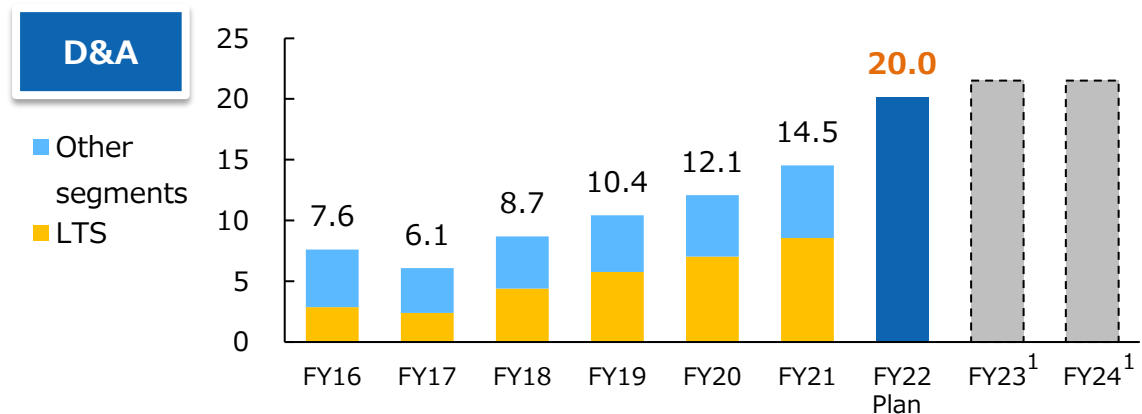
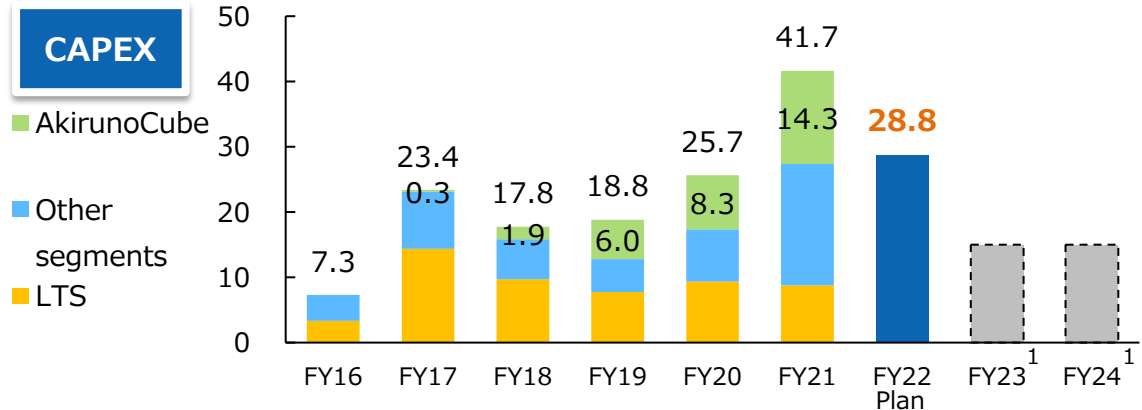
(¥ billion)

	FY2021 Results (margin)	FY2022 Forecast (margin)	Variance	
Net sales	272.9	254.0	-18.9	-6.9%
EBITDA	65.1 (23.9%)	41.0 (16.1%)	-24.1	-37.0%
OP	50.5 (18.5%)	21.0 (8.3%)	-29.5	-58.4%
Or. profit	47.4 (17.4%)	18.0 (7.1%)	-29.4	-62.0%
Net profit	29.6 (10.8%)	12.5 (4.9%)	-17.1	-57.8%
ROE	23.2%	8.8%	-14.4pt	
ROIC	15.4%	6.0%	-9.4pt	

Annual dividend per share of FY2022 is planned as ¥125
(Interim: ¥62, Year-end: ¥63)

Trends and Forecasts of CAPEX, D&A

(¥ billion)



- AkirunoCube related investment will be completed in FY2022
- After FY2023, CAPEX assumed to be around ¥15.0 billion

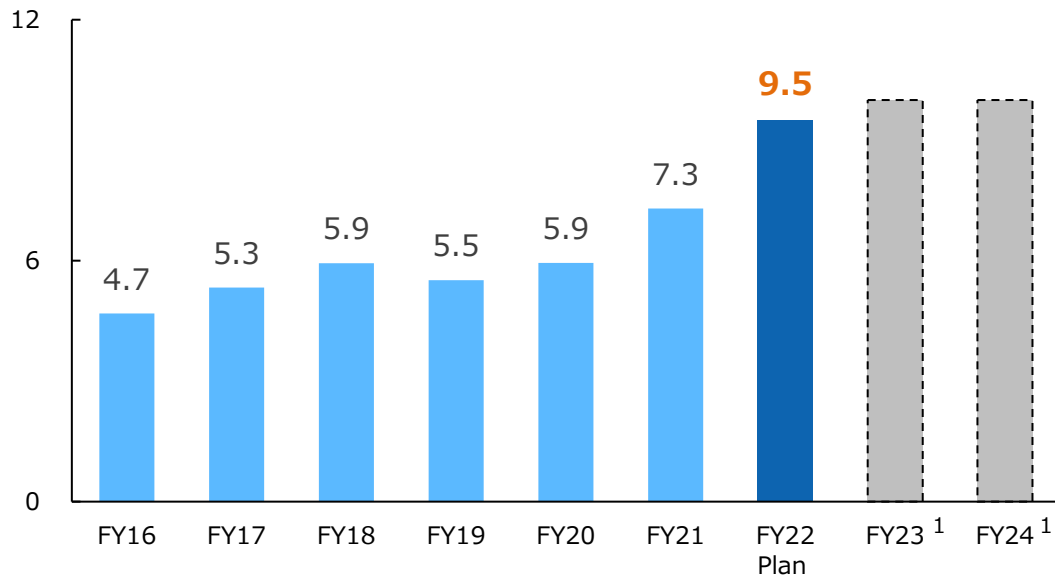
- D&A of AkirunoCube related investment will occur fully from FY2023
- Assumed the scale of D&A will decrease after FY2026

1. Rough estimation

Trends and Forecasts of R&D

(¥ billion)

Research & Development



IVD

- Continue development of new testing items for Lumipulse and Ultra High Sensitivity productization
- Continuous investment in R&D with a target of at least 10% of IVD business sales

Corporate

- Continue to strengthen basic research at the H.U. Group Research Institute

【Contact information】

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Disclaimer regarding forward-looking statement:

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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.