

Financial Results for The First Half of FY2022 (Ended Sep. 30, 2022)

November 9, 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 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
 - FY2022: Fiscal year ending March 31, 2023

Exchange rates in this report:

FY2021 H1: 1USD = 109.80 JPY 1EURO = 130.89 JPY

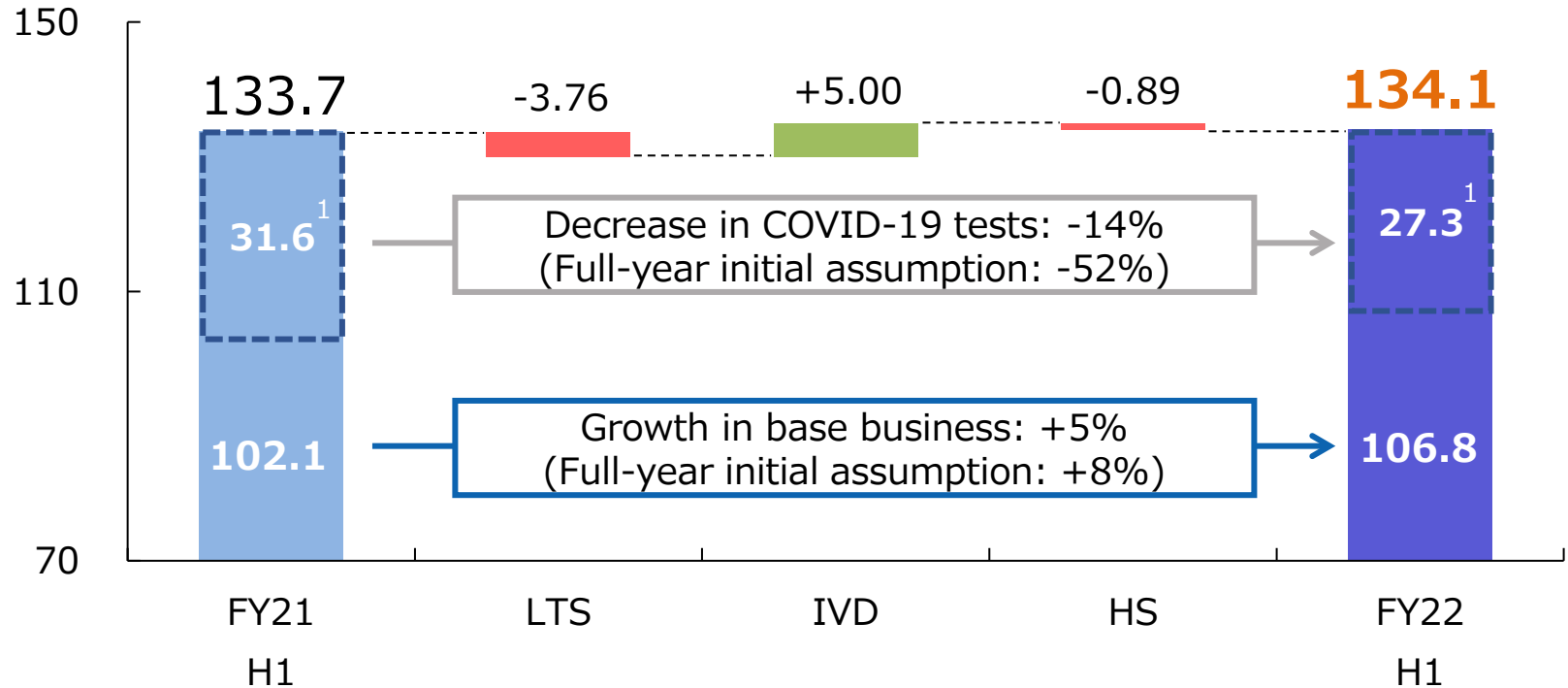
FY2022 H1: 1USD = 133.97 JPY 1EURO = 138.70 JPY

FY2022 assumption : 1USD = 139 JPY 1EURO = 140 JPY

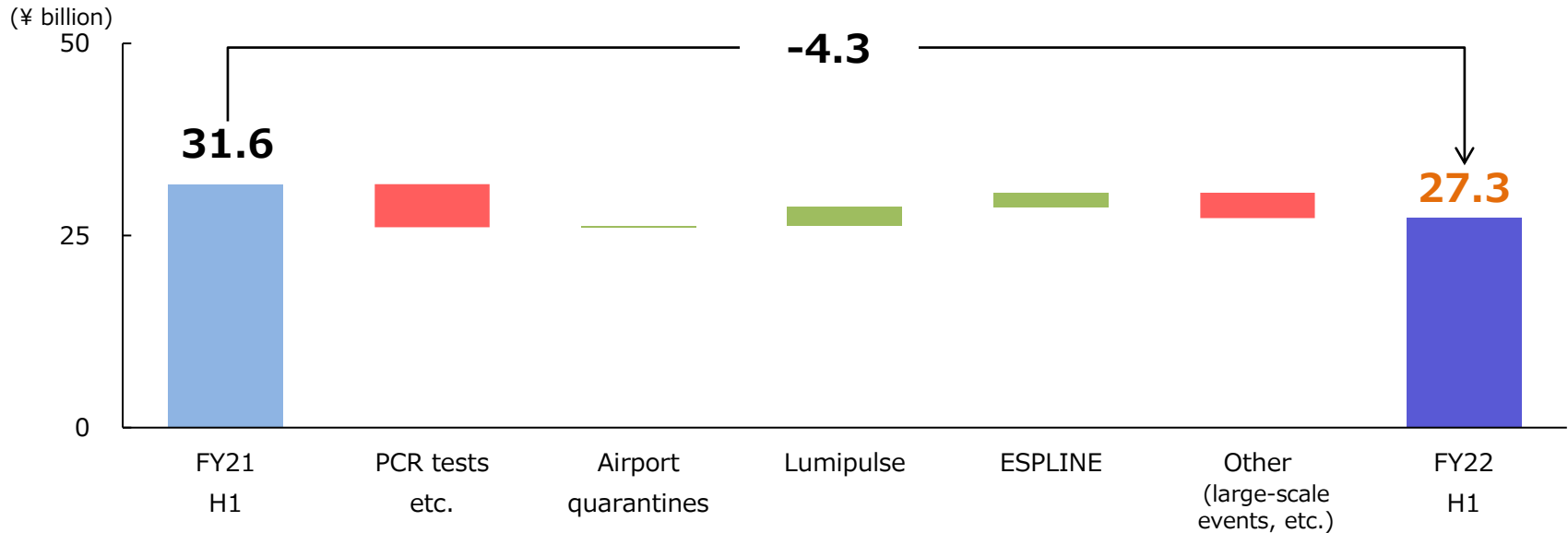
Financial Results for The First Half of FY2022

Consolidated Net Sales Changes

(¥ billion)



FY2022 H1 COVID-19-related Sales (vs previous year)



Major factors

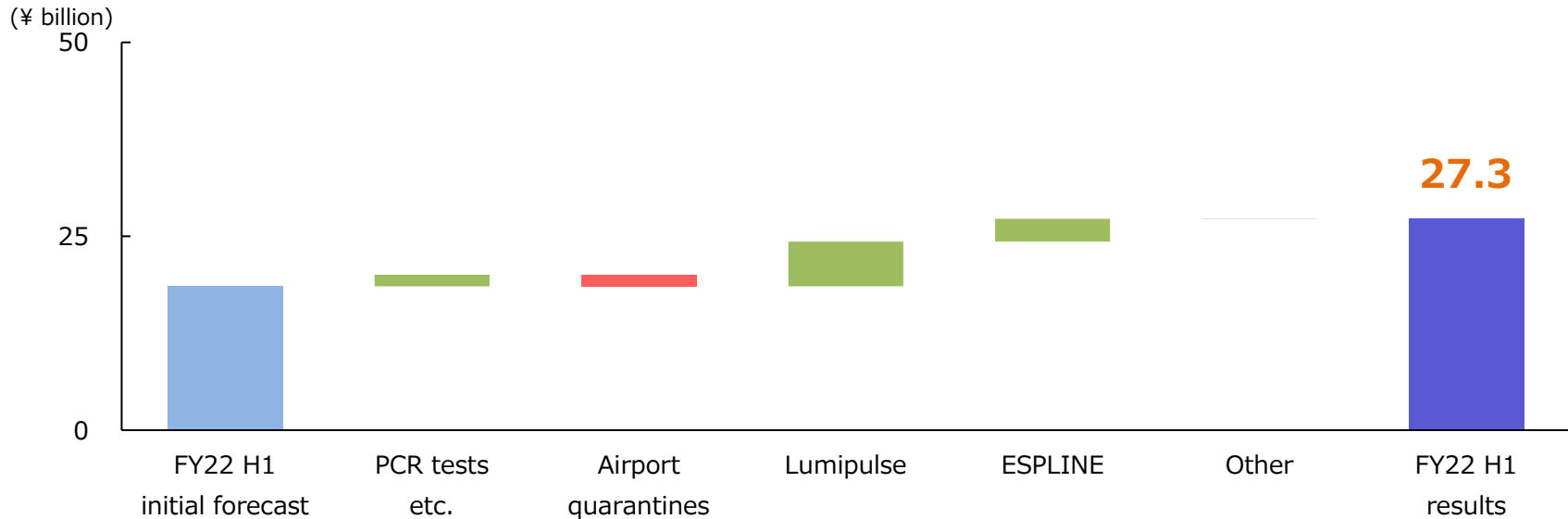
Positive

- Demand for antigen testing products (Lumipluse, ESPLINE) increased along with the 7th wave of COVID-19

Negative

- Downward revision of the reimbursement for PCR tests (1,800 → 700)
- One-time demand in FY21 (testing support for a large-scale event)

FY2022 H1 COVID-19-related Sales (vs initial forecast)



Major factors

Positive

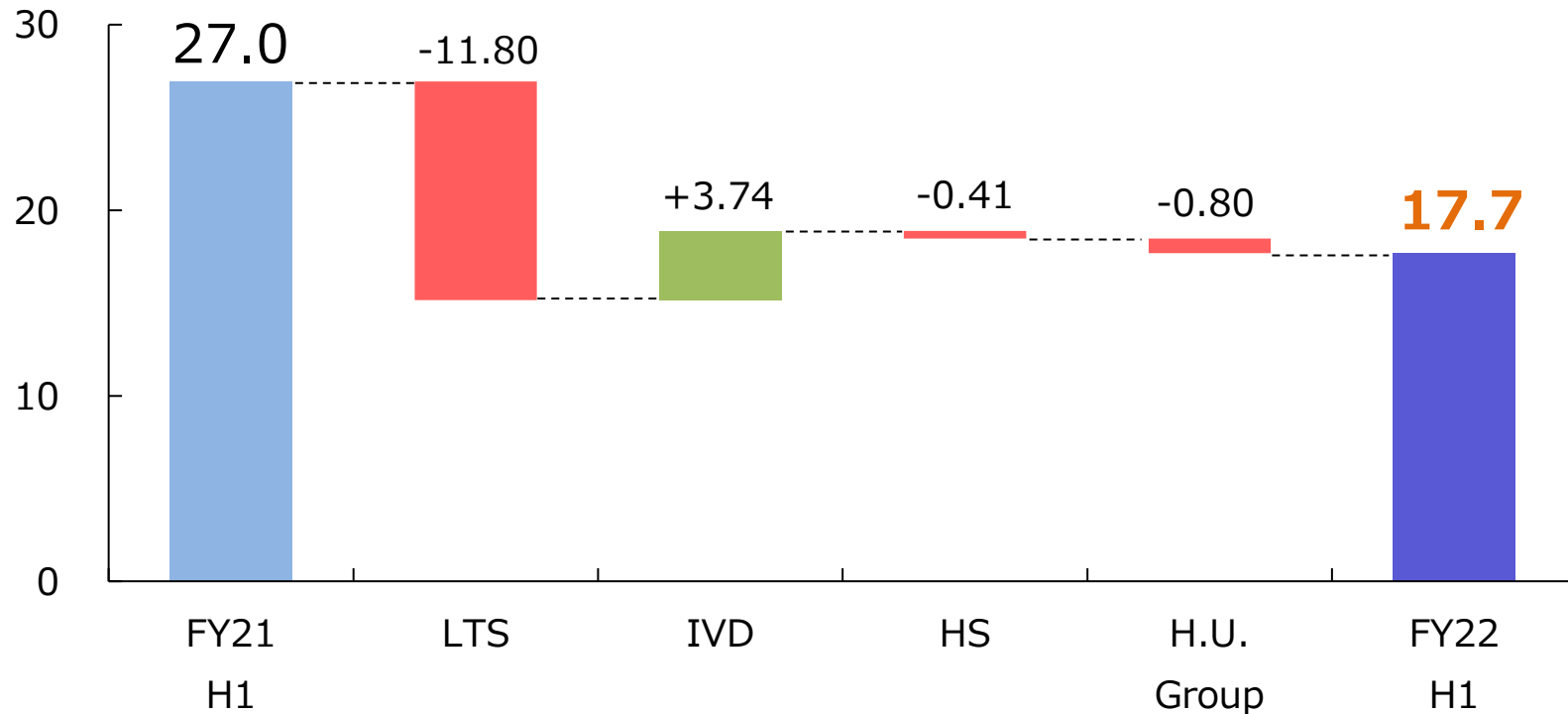
- Increased testing demand due to the 7th wave of COVID-19 (initial assumption: the pandemic would gradually wind down)

Negative

- Quantitative antigen tests at airport quarantines decreased due to the easing of travel restrictions (initial assumption: on-arrival testing demand would remain at a certain level)

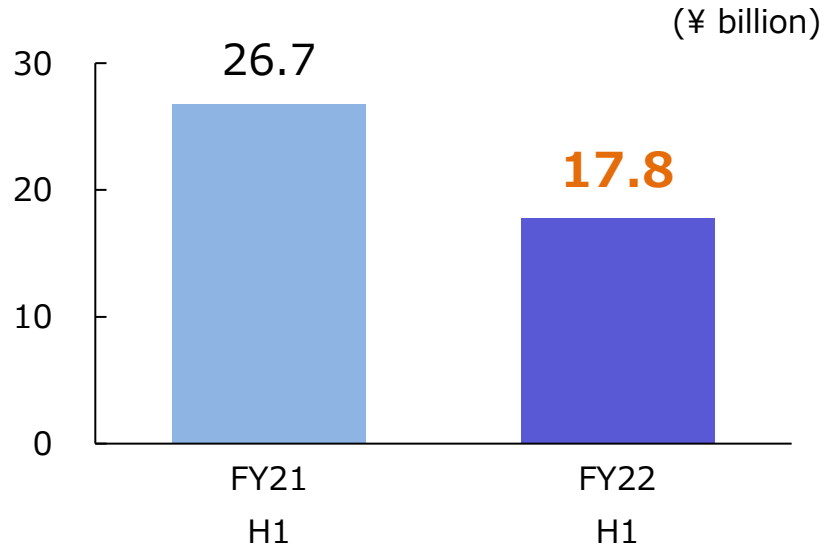
Consolidated Operating Profit Changes

(¥ billion)



Consolidated Ordinary Profit & Net Profit

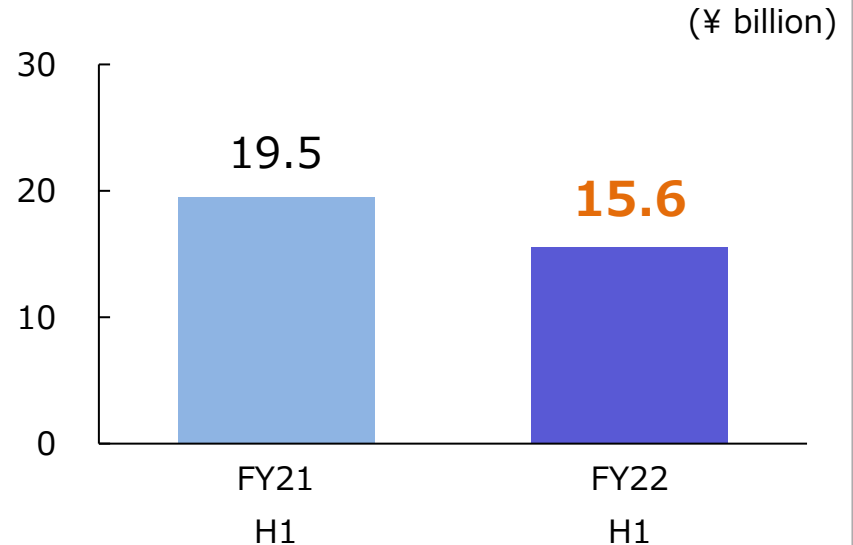
Ordinary Profit



Major factors

- Foreign exchange gains +¥1.03 bn
- Equity in losses of affiliates -¥1.15 bn
 - ✓ Impact from BMGL -¥0.86 bn
 - ✓ Impact from JV with Ping An Insurance Group -¥0.35 bn

Net Profit



Major factors

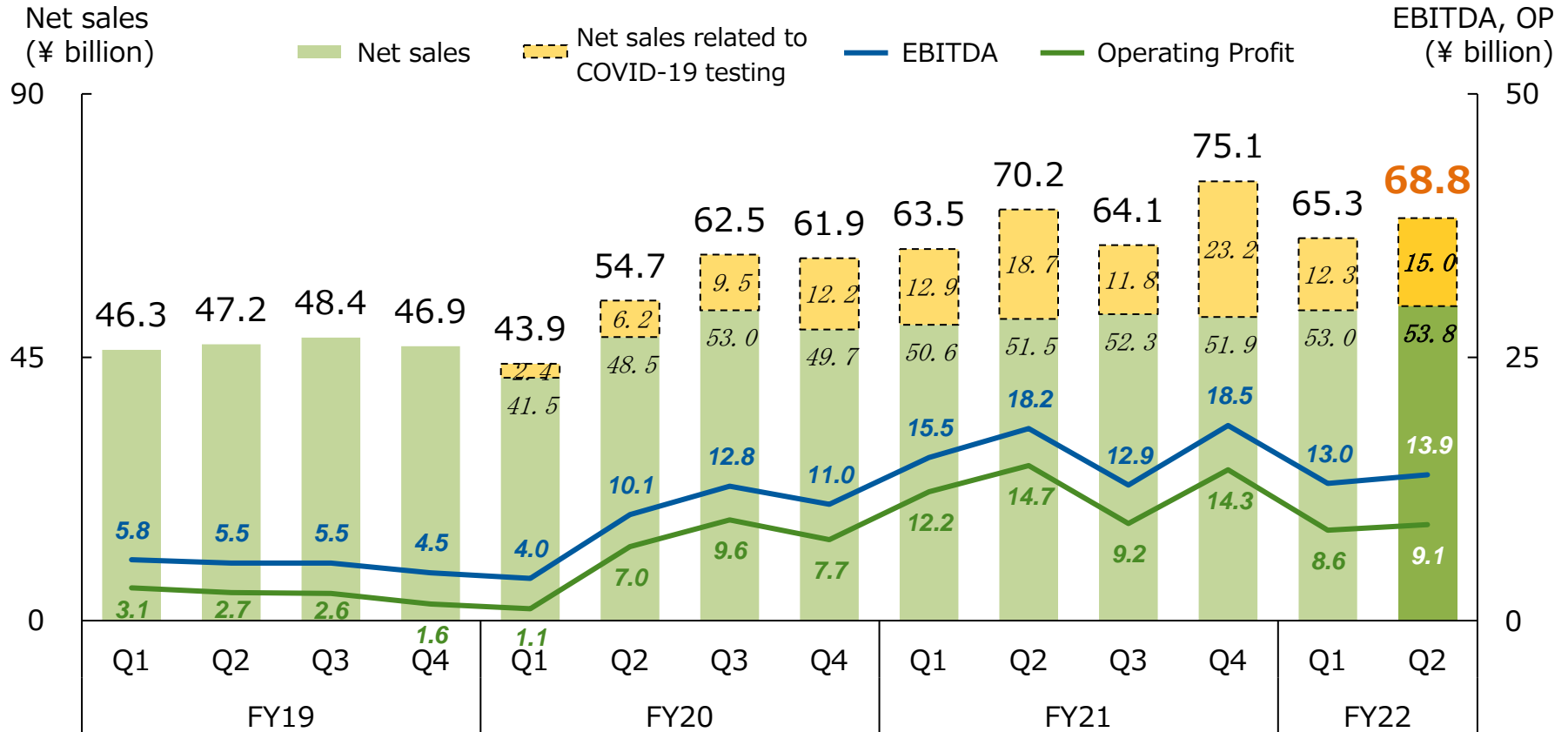
- Gains on sales of non-current assets +¥2.62 bn
(Fujirebio Taiwan Inc.)

Main Impacts of FX (yen weakness)

- Net sales: positive impact
- OP: consolidated impact is limited
- Ord. profit: positive (as of H1)

	Positive	Negative	Consolidated impact
Net sales	<ul style="list-style-type: none">• IVD: mainly CDMO business	–	Positive
OP	<ul style="list-style-type: none">• IVD: in line with sales of CDMO business	<ul style="list-style-type: none">• LTS: testing costs (e.g. reagents from overseas suppliers, outsourcing costs)	Limited
Ord. profit	<ul style="list-style-type: none">• Foreign exchange gains	<ul style="list-style-type: none">• Equity in losses of affiliates (BMGL)	Positive (as of H1)

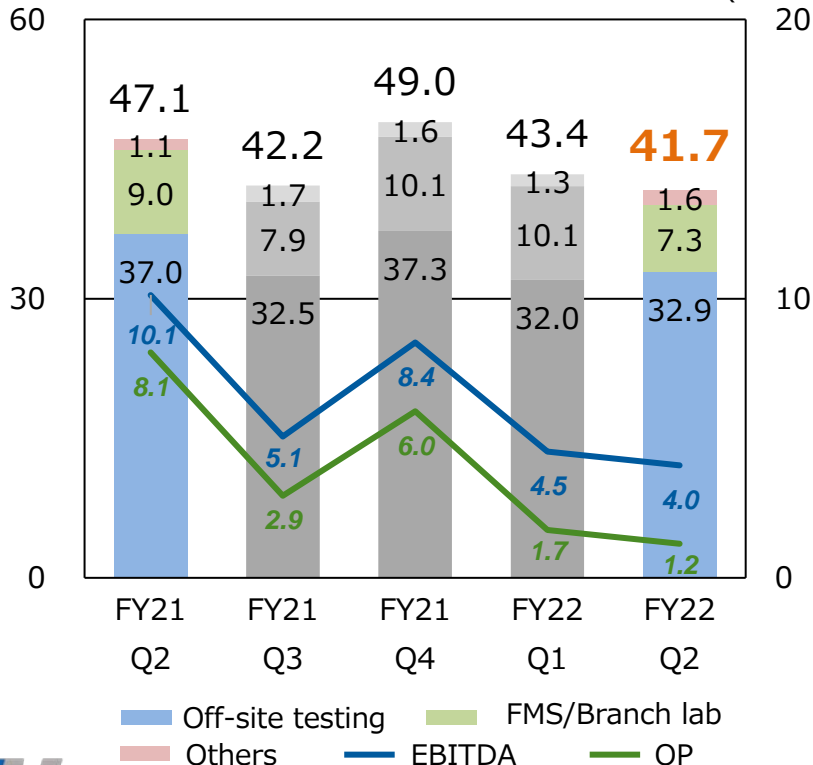
Quarterly Performance



Quarterly Results

Net sales
(¥ billion)

EBITDA, OP
(¥ billion)



YoY Comparison

(¥ billion)

	FY21 H1	FY22 H1	Variance	
Net sales	88.8	85.0	-3.76	-4.2%
Off-site	70.8	64.9	-5.96	-8.4%
FMS/Branch	15.9	17.3	+1.49	+9.4%
Others	2.1	2.8	+0.72	+33.8%
EBITDA	18.7	8.6	-10.19	-54.4%
OP	14.7	2.9	-11.80	-80.1%

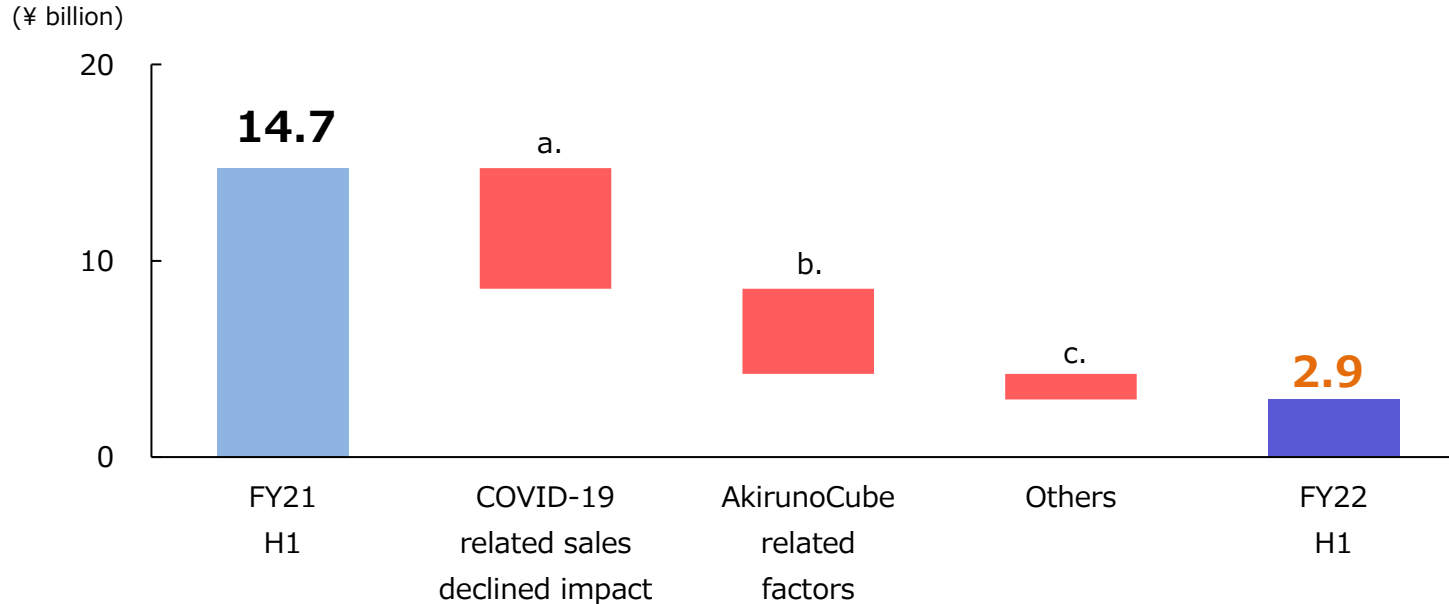
Net sales

- COVID-19-related sales: ¥16.1 bn ((FY21_H1: ¥22.5 bn)
 - ✓ Increased: sales of ESPLINE SARS-CoV-2
 - ✓ Decreased: PCR testing (downward revision of reimbursement) and large-scale event in FY21
 - ✓ Comprehensive testing support at airport quarantines is unchanged
- Increase in genetic testing
- Number of tests conducted increased

Operating Profit

- Downward revision of the reimbursement for COVID-19-related tests (mainly PCR tests)
- Costs related to AkirunoCube (FY21_H1: ¥1.6 bn)
 - ✓ Expenses incl. one-time costs: ¥4.1 bn
 - ✓ Depreciation and amortization: ¥1.8 bn

LTS Operating Profit Changes

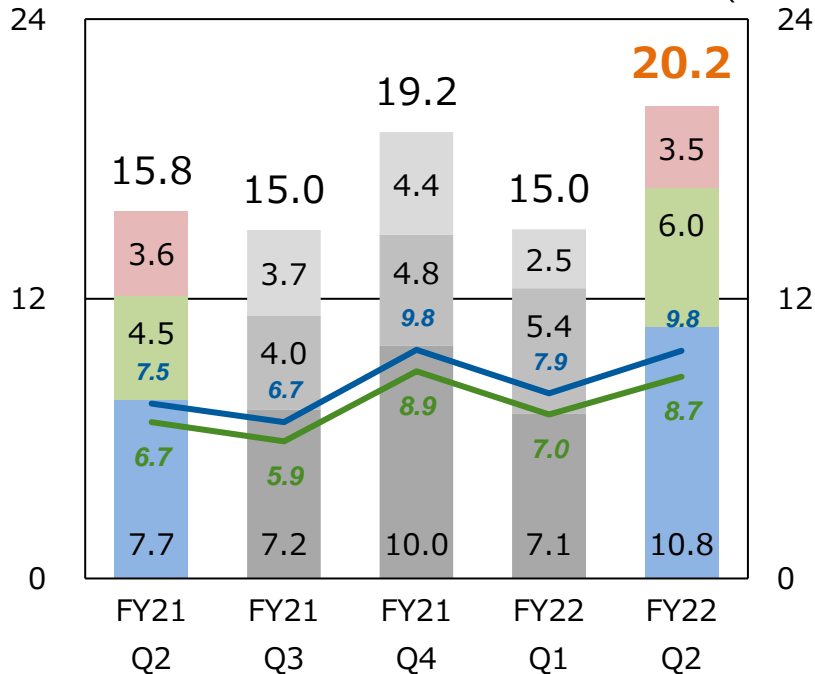


- a. Downward revision of COVID-19-related reimbursement and testing support for a large-scale event in FY21
- b. Increased costs of instruments as operation expands at AkirunoCube (one-time costs, depreciation and amortization, running costs)
- c. Increased costs of energy, reagent purchasing, etc.

Quarterly Results

Net sales
(¥ billion)

EBITDA, OP
(¥ billion)



■ Lumipulse ■ CDMO¹ etc. ■ Others
— EBITDA — OP

YoY Comparison

(¥ billion)

	FY21 H1	FY22 H1	Variance	
Net sales	30.2	35.2	+5.00	+16.5%
Lumipulse	14.8	17.9	+3.08	+20.8%
Japan	12.7	16.0	+3.34	+26.3%
Overseas	2.1	1.9	-0.26	-11.9%
CDMO etc.	9.4	11.3	+1.95	+20.7%
Others	6.0	6.0	-0.03	-0.5%
EBITDA	13.5	17.7	+4.24	+31.4%
OP	12.0	15.7	+3.74	+31.2%
Lumipulse inter-segment transaction	4.3	3.6	-0.61	-14.4%

Net sales

- COVID-19-related sales: ¥11.2 bn (FY21_H1: ¥9.1 bn)
 ✓ Sales of Lumipulse reagents and ESPLINE increased
- Base: increased mainly in domestic Lumipulse

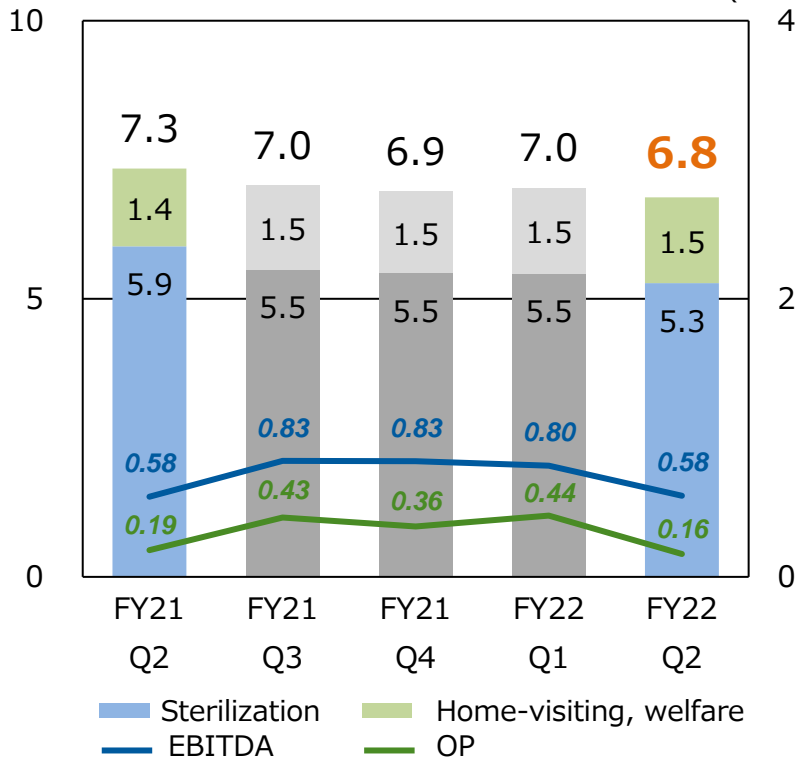
Operating profit

- OP growth along with sales growth

FX impact (net sales: +¥2.3 bn, OP: +¥0.7 bn)

Quarterly Results

Net sales (¥ billion) EBITDA, OP (¥ billion)



YoY Comparison

(¥ billion)

	FY21 H1	FY22 H1	Variance	
Net sales	14.7	13.8	-0.89	-6.1%
Sterilization	11.9	10.7	-1.16	-9.8%
Home-visiting, welfare	2.8	3.1	+0.27	+9.5%
EBITDA	1.70	1.38	-0.32	-18.6%
OP	1.01	0.60	-0.41	-40.3%

Net sales

Sterilization related business

- Contract with a major client related to deposit business for medical supplies ended in September 2021
- Sales increased in products/consumable supplies

Home-visiting and welfare business

- Sales growth continues

Operating profit

- Increase in labor costs
- Upfront costs for future growth

Consolidated Results for FY2022 H1

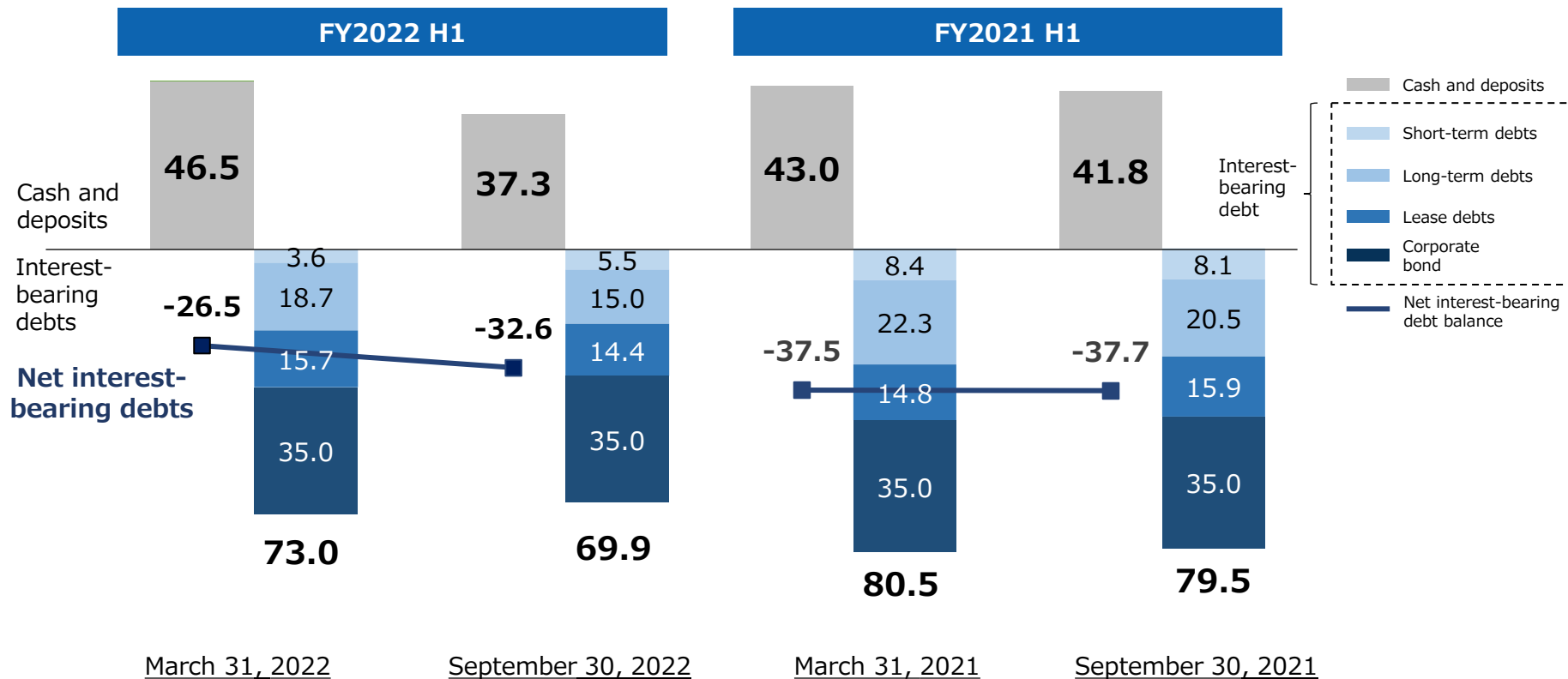
(¥ billion)

	FY2021 H1		FY2022 H1		Variance	
	Results	Profit ratio	Results	Profit ratio		
Net sales	133.7		134.1		+0.34	+0.3%
LTS	88.8		85.0		-3.76	-4.2%
IVD	30.2		35.2		+5.00	+16.5%
HS	14.7		13.8		-0.89	-6.1%
OP¹	27.0	20.2%	17.7	13.2%	-9.27	-34.4%
LTS	14.7	16.6%	2.9	3.4%	-11.80	-80.1%
IVD	12.0	39.6%	15.7	44.6%	+3.74	+31.2%
HS	1.0	6.9%	0.6	4.4%	-0.41	-40.3%
Or. profit	26.7	20.0%	17.8	13.3%	-8.95	-33.5%
Net profit	19.5	14.6%	15.6	11.6%	-3.97	-20.3%
EBITDA²	33.7	25.2%	26.9	20.1%	-6.83	-20.3%

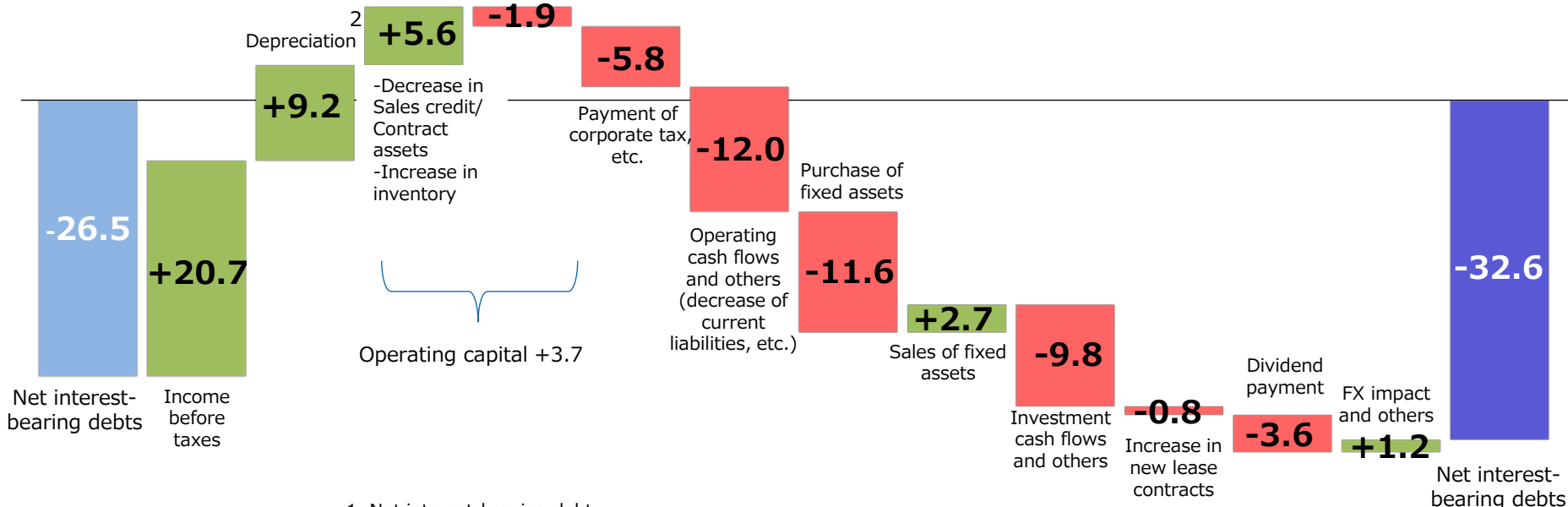
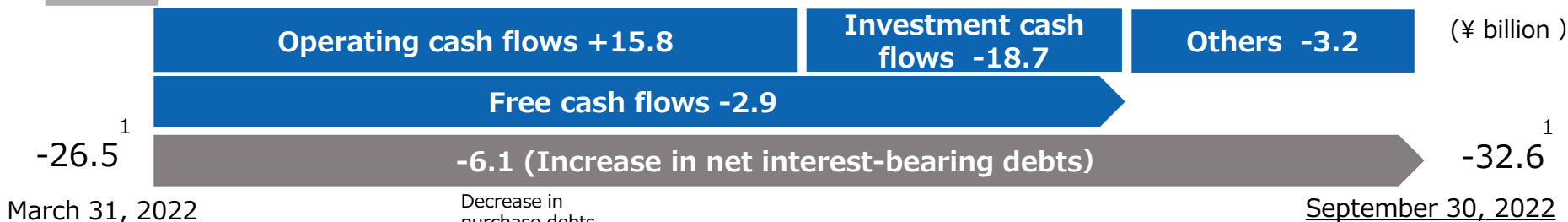
1. OP includes H.U. Group Holdings and H.U. Group Research Institute etc., as well as inter-segment eliminations (FY2021 H1: -¥0.75 bn, FY2022 H1: -¥1.55 bn)
2. EBITDA = Operating profit + Depreciation + Amortization of goodwill

Cash and Deposits / Interest-bearing Debts

(¥ billion)

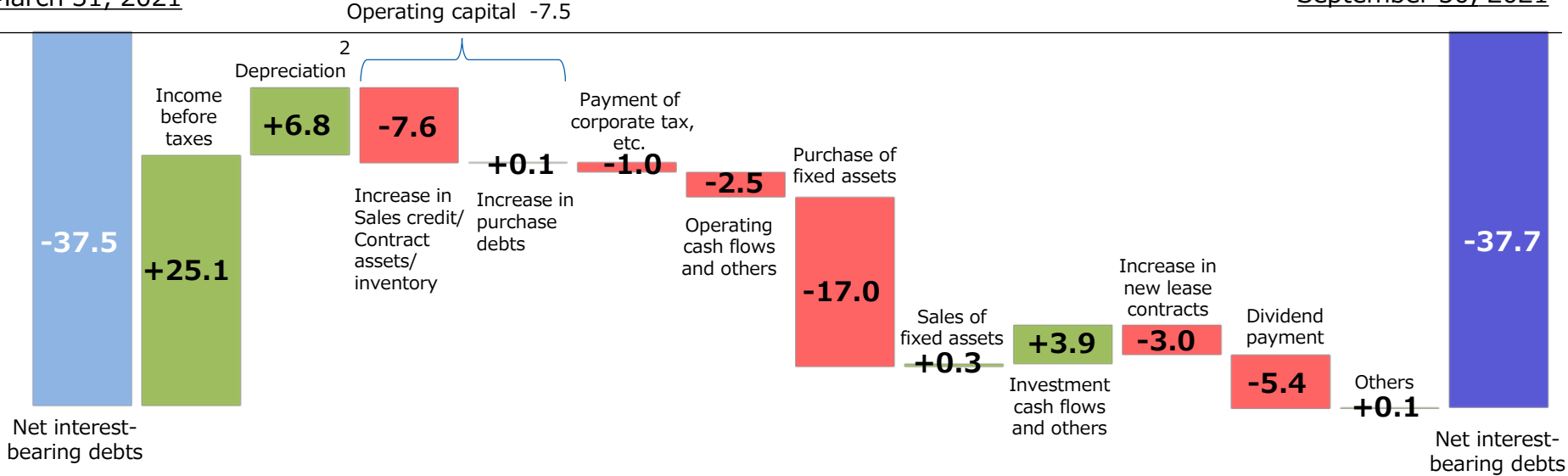
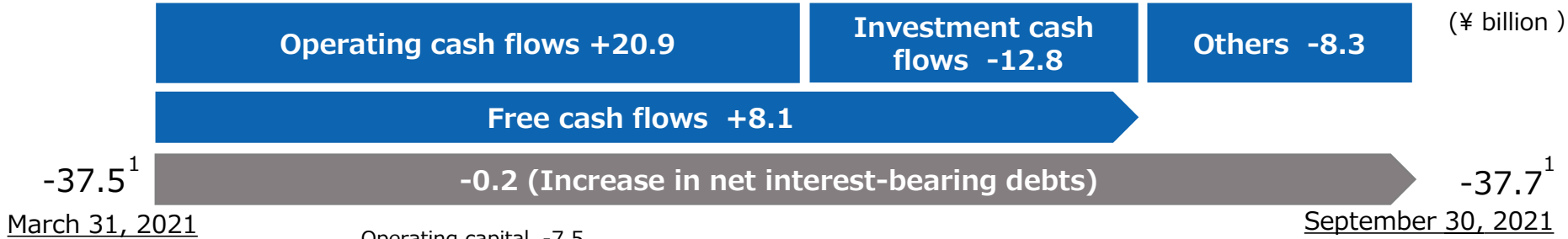


FY2022 H1 Analysis of Consolidated Cash Flows



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

FY2021 H1 Analysis of Consolidated Cash Flows

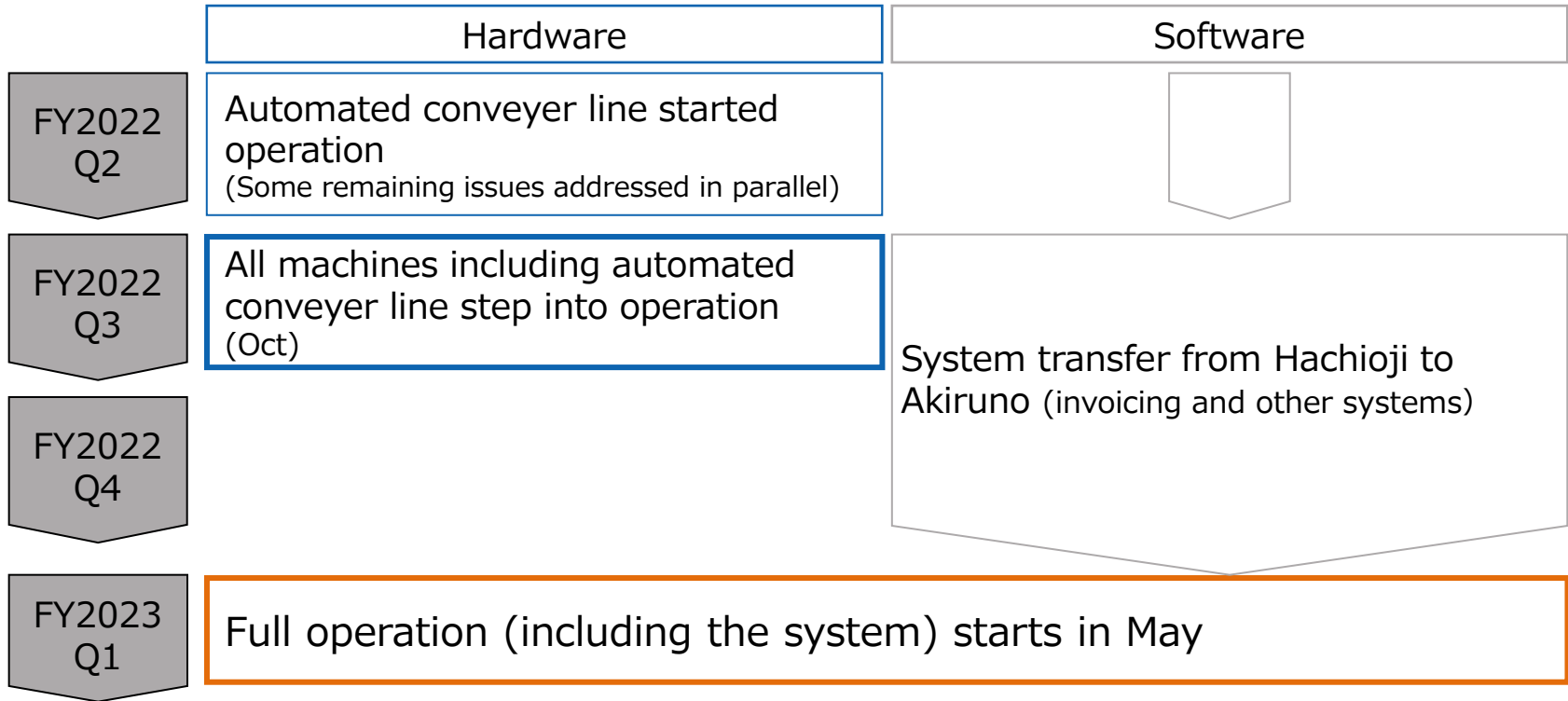


1. Net interest-bearing debt
2. Depreciation + Goodwill amortization

Strategy Update and Current Full-year Forecast for FY2022

Current Status and Outlook of AkirunoCube

The project is progressing toward full operation at the beginning of FY2023



FY2022 Forecast: AkirunoCube Costs and Effects

(¥ billion)

	FY22 H1 Results	FY22 full-year forecast		Reasons for revision	
		Initial	Current		
Costs	One-time costs	-2.4	-3.6	-3.6	<ul style="list-style-type: none"> • Delayed operation coursed planned expenses not incurred • Extension of parallel operation period and validation period
	D&A	-1.8	-5.0	-4.2	<ul style="list-style-type: none"> • Postponement of expensing period
	Running costs ¹	-1.7	-3.8	-3.6	<ul style="list-style-type: none"> • Postponement of expensing period
	Total costs	<u>-5.9</u>	<u>-12.4</u>	<u>-11.4</u>	
Effects	Efficiency effects	—	+1.4	Limited	<ul style="list-style-type: none"> • Delay of cost improvement

1. Includes the rent

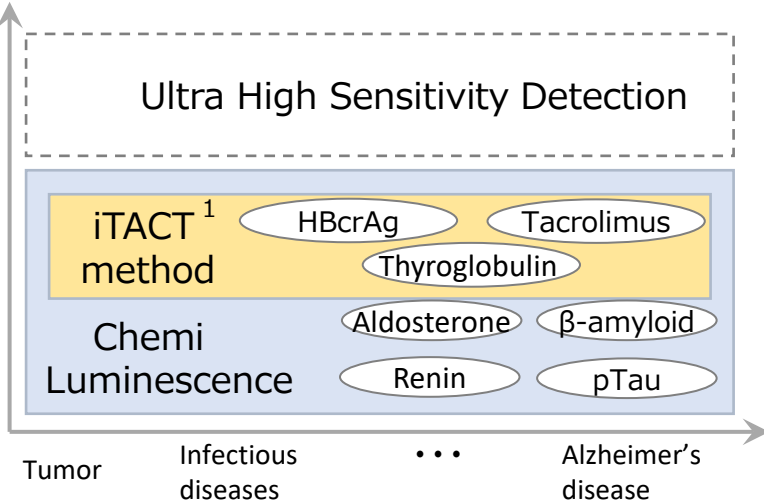
Strategy Update: IVD

Research and development/product development
(new content creation)

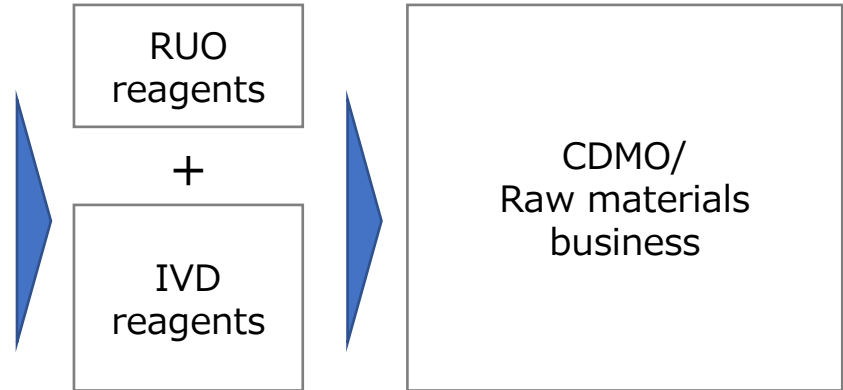
Demonstration of clinical value
(in-house platform)

Scale expansion
(global market)

Strategy (1)
Development
of high sensitivity



Strategy (2) [Expansion of testing items](#)



Strategy (3) [IVD+RUO](#)

Strategy (4) [Partnership](#)

Enhancing and accelerating strategic growth through M&A (ADx, Fluxus) and Technology License Agreement (PeptiDream)

Strategy Update: Optimization of Logistic Costs

MEDIPAL HOLDINGS

Pharmaceutical
wholesaling business



**The largest healthcare
logistics platform to support
“pharmaceuticals, health,
and beauty”**

- Resolving social issues
- Improvement of customer convenience
- Providing total healthcare

H.U. Group Holdings

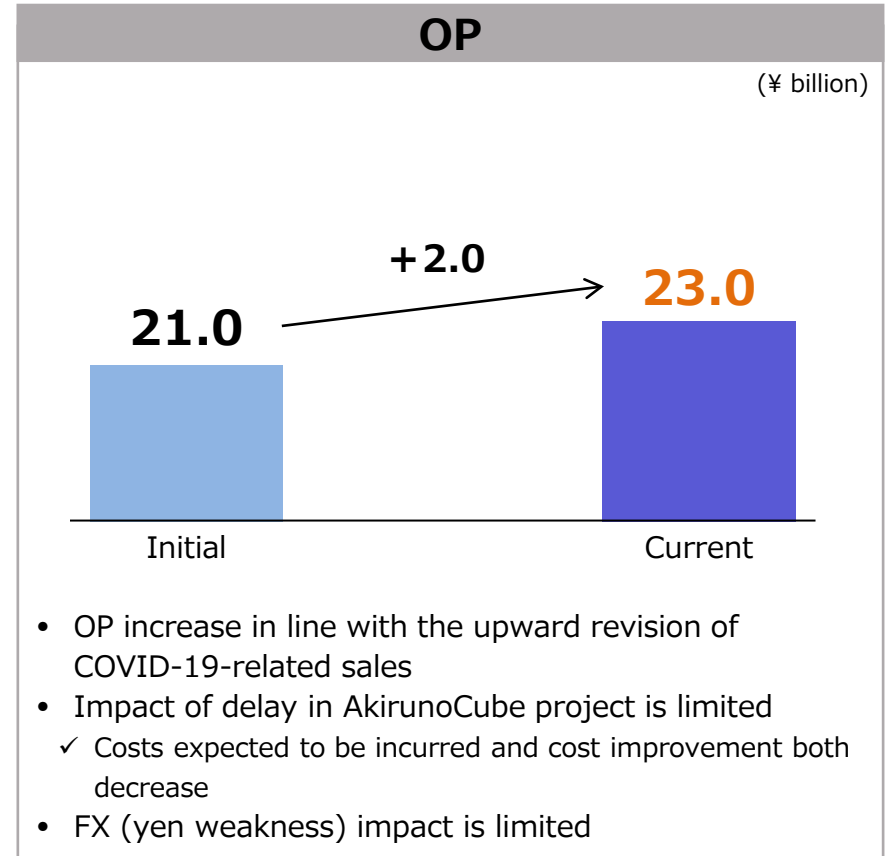
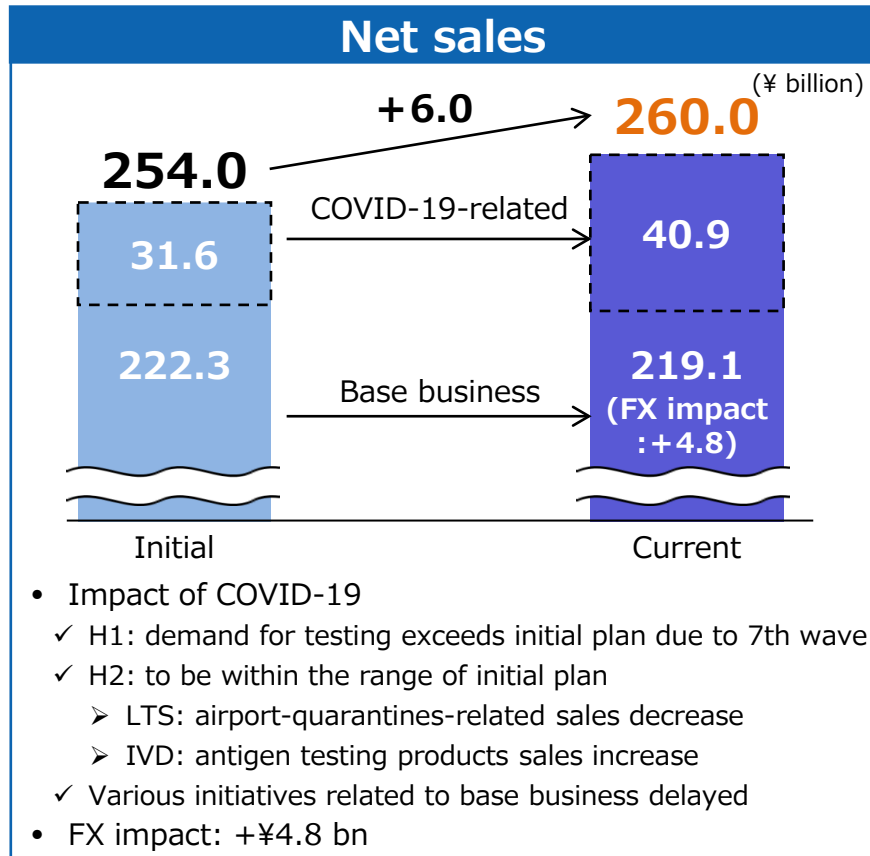
LTS business



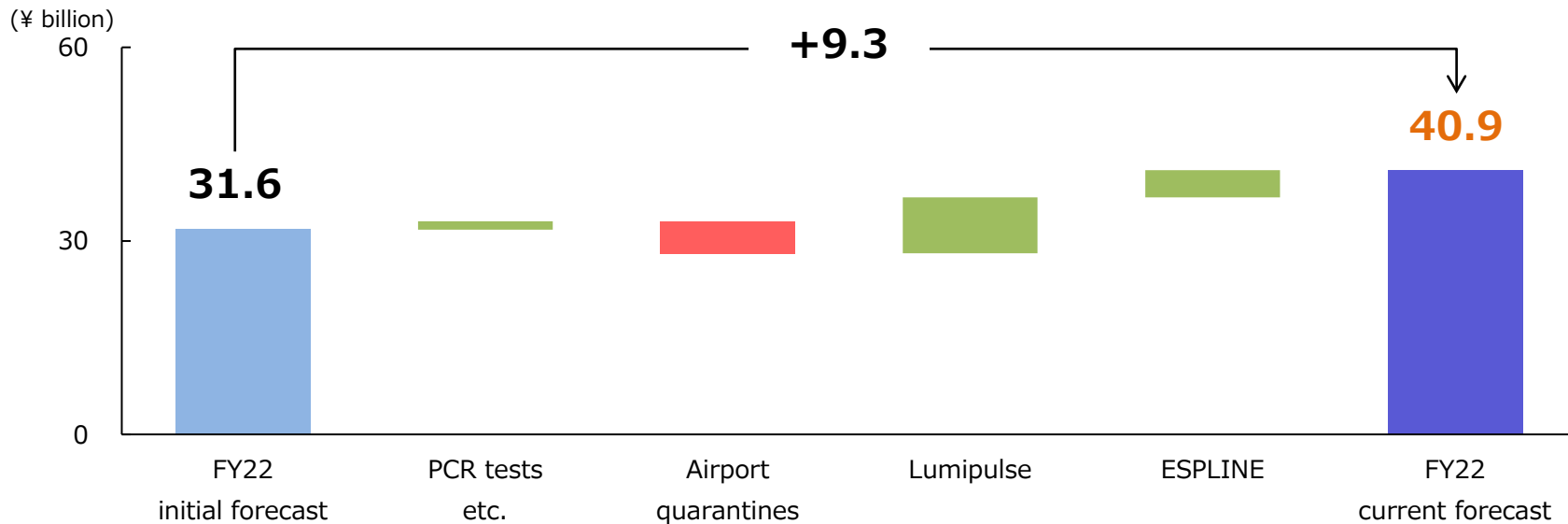
**New business with
owner companies of products**

- Business operation starts from December 1, 2022
- Aiming for 20-30% logistics cost improvement per ID in FY2025
(in comparison to FY2021)

Full-year Forecast (Net sales, OP)



FY22 COVID-19-related Sales Forecast (vs Initial Forecast)



Assumption

Positive

- Demand for antigen testing products (Lumipulse, ESPLINE) exceeds the initial forecast

Negative

- The number of quantitative antigen tests at airport quarantines remains to be at a low level due to the easing of travel restrictions

FY22 H2 OP Forecast (vs H1)

Major factors affecting H2, compared to H1

- COVID-19-related factors
 - ✓ Significant decrease in antigen tests at airport quarantines
 - ✓ Decrease in other COVID-19-related tests
- LTS base business
 - ✓ Seasonality (fewer business days, etc.)
 - ✓ Changes in sales mix
 - ✓ Increase in energy costs

*AkirunoCube-related costs is at the same level as H1

H1 Results	COVID-19-related factors			AkirunoCube- related costs	LTS base business			H2 Forecast
	PCR tests	Airport quarantines	Antigen tests		Seasonality	Sales mix	Costs of energy	
¥ 17.7 bn	Decrease	Significantly decrease	Decrease	Same level as H1	Negative	Worsen	Increase	¥ 5.3 bn

FY2022 Current Forecast (PL)

(¥ billion)

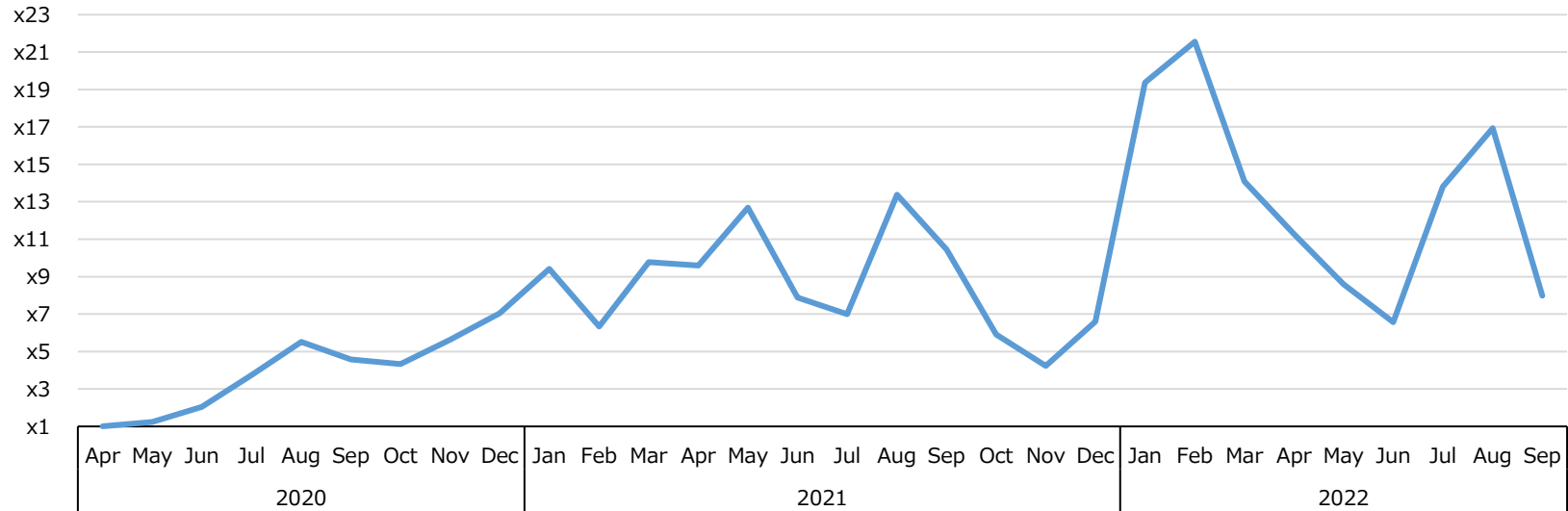
	FY2021 results	FY2022			
		Initial forecast	Current forecast	vs previous year	vs initial forecast
Net sales	272.9	254.0	260.0	-12.9 -4.7%	+6.0 +2.4%
EBITDA	65.1	41.0	43.1	-22.0 -33.8%	+2.1 +5.1%
OP	50.5	21.0	23.0	-27.5 -54.4%	+2.0 +9.5%
Ord. profit	47.4	18.0	20.8	-26.6 -56.1%	+2.8 +15.6%
Net profit	29.6	12.5	15.8	-13.8 -46.6%	+3.3 +26.4%
ROE	23.2%	8.8%	11.5%		
ROIC	15.4%	6.0%	6.8%		

Appendix

Testing Trends of COVID-19 PCR Tests

Number of COVID-19 PCR tests conducted

Index: No. of tests conducted by H.U. in April 2020 = 1¹

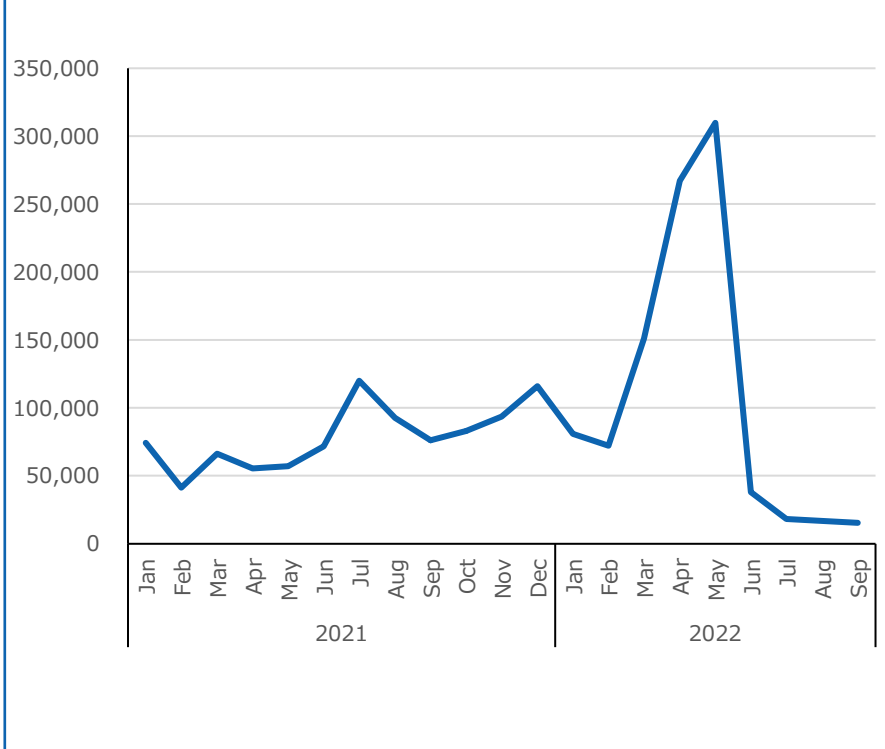


- Increased along with the 7th wave during Jul-Aug, followed by a decrease in Sep
- As a result, the first half of the years was at the same level as the previous year

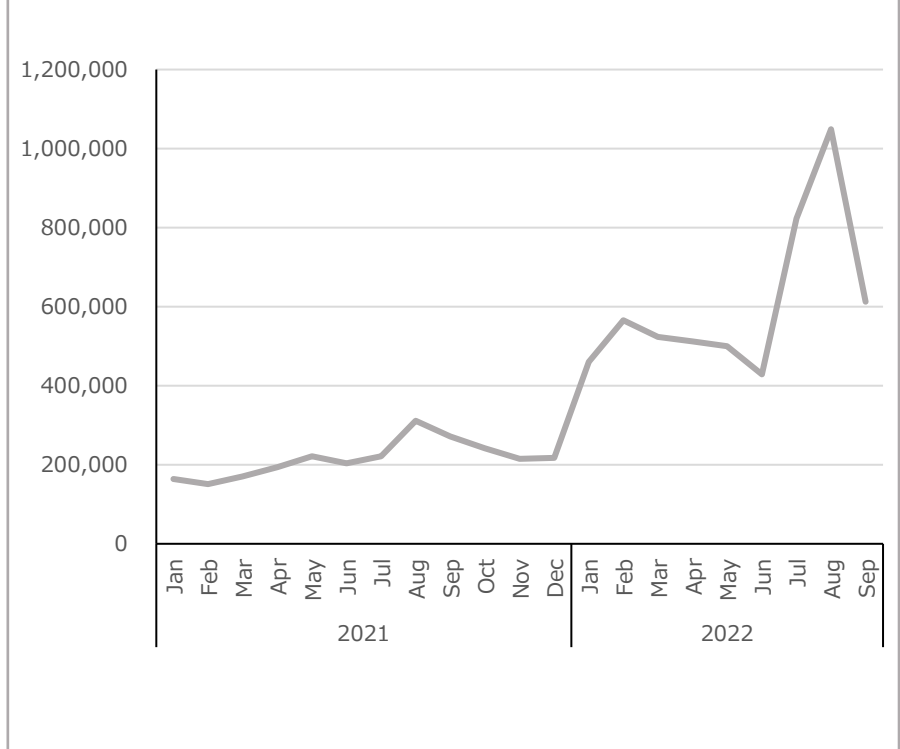
1. PCR tests conducted by SRL and Nihon Rinsho nationwide

Testing Trends of High-sensitivity Quantitative Antigen Tests

No. of quantitative antigen tests at airport quarantines for entrants¹



No. of high-sensitivity quantitative antigen tests at hospitals¹



【Contact information】

IR/SR 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.