

# FY2022 (Ended March 31, 2023) Annual Financial Results

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May 12, 2023

**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 (Operating profit + Depreciation + Amortization of goodwill) 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                              FY2022: Fiscal year ended March 31, 2023
  - CDMO : Contract Development and Manufacturing Organization

### Exchange rates in this report:

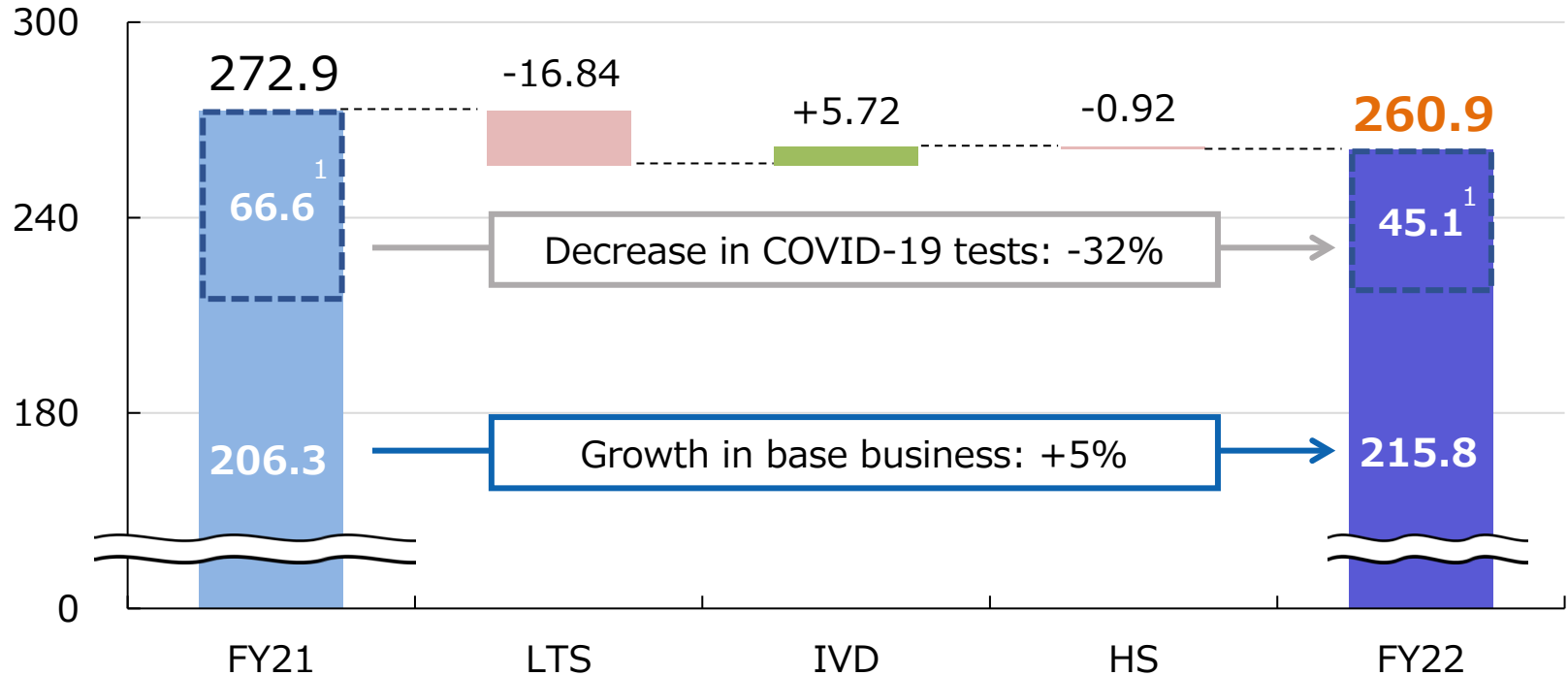
FY2021	: 1USD = 112.37 JPY	1EURO = 130.56 JPY
FY2022	: 1USD = 135.49 JPY	1EURO = 140.95 JPY
FY2023 (plan)	: 1USD = 130.00 JPY	1EURO = 138.00 JPY

# Financial Results for FY2022

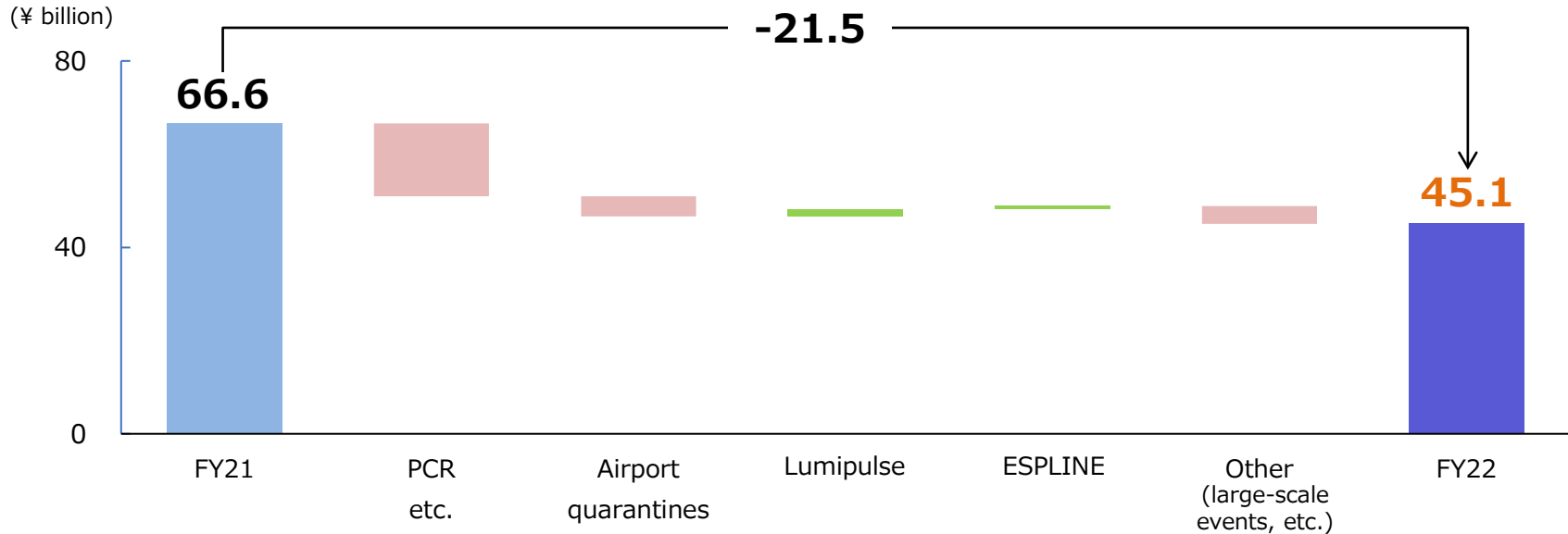
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# Consolidated Net Sales Changes

(¥ billion)



# FY2022 COVID-19-related Sales (vs. previous year)



## Major factors

### Positive

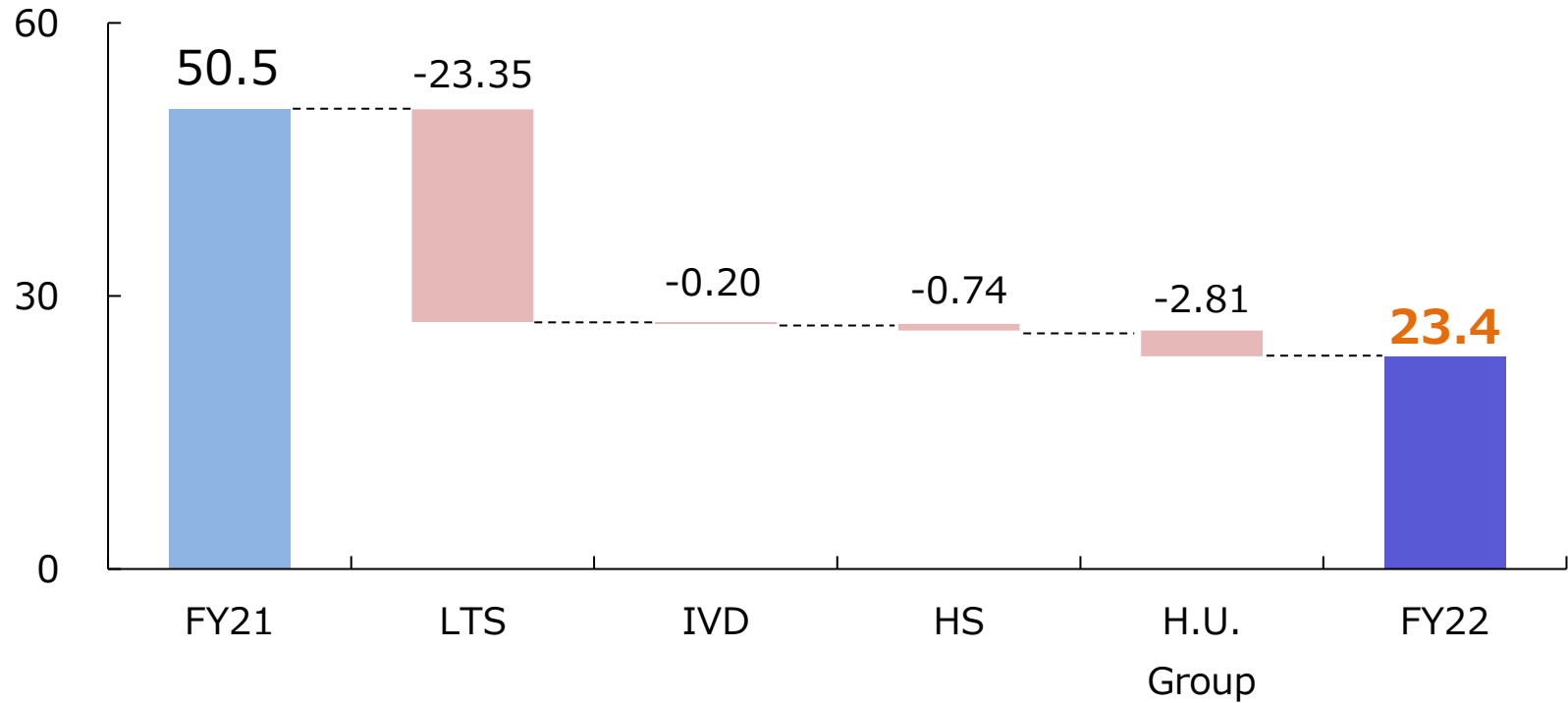
- Demand for antigen testing products (Lumipluse, ESPLINE) increased along with the 7<sup>th</sup> and 8<sup>th</sup> wave of COVID-19

### Negative

- Downward revision of the reimbursement for PCR tests (1,800 → 700)
- Easing of entry restrictions at airport quarantine stations
- One-time demand in FY21 (testing support for a large-scale event)

# Consolidated Operating Profit Changes

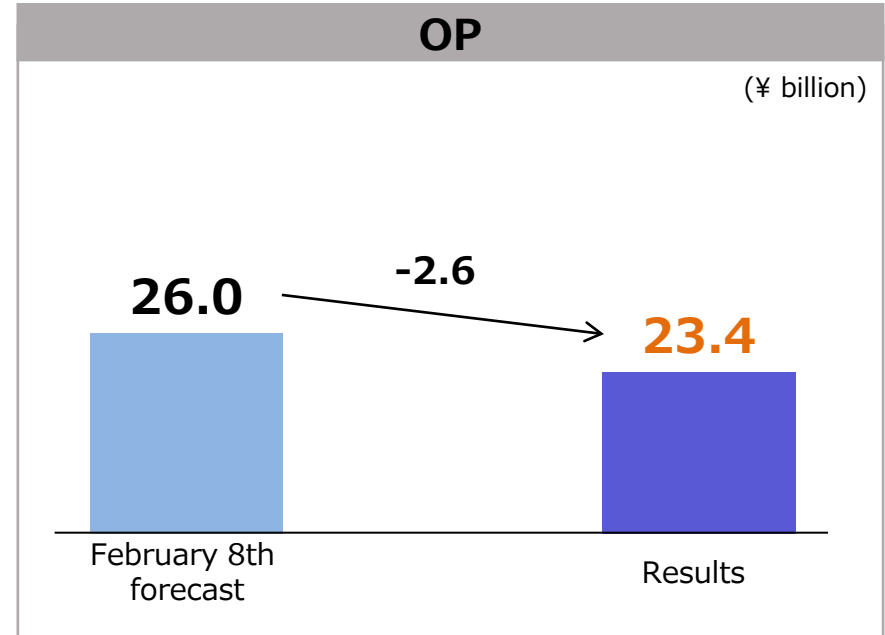
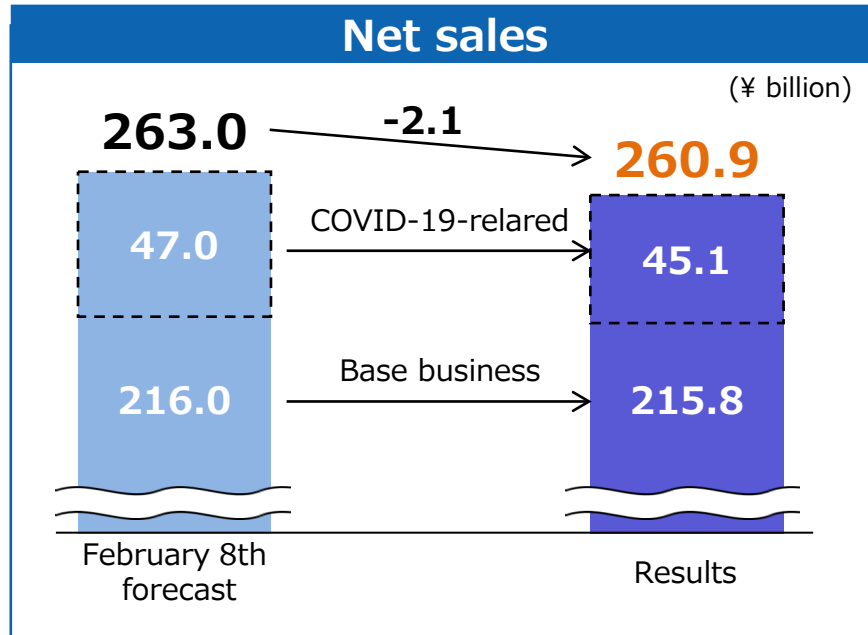
(¥ billion)



# Difference between Results and Previous Forecast

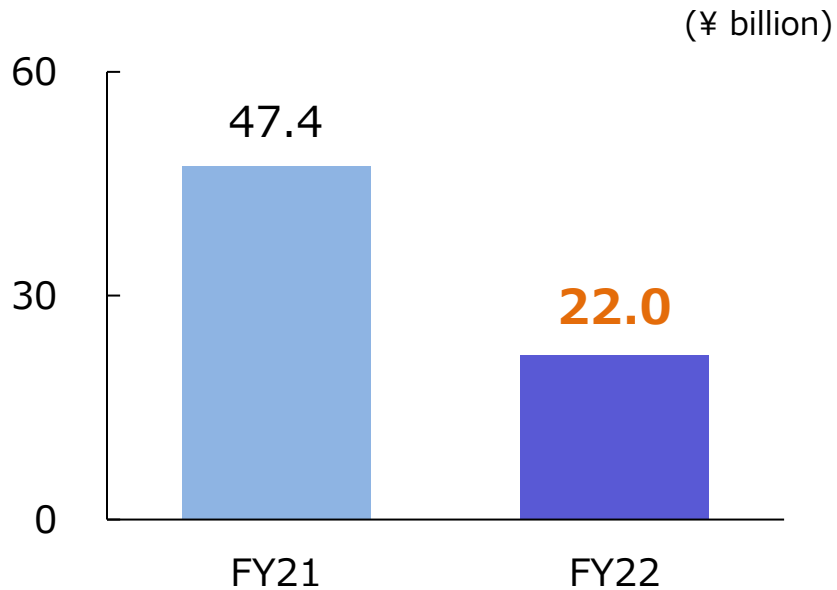
COVID-19 related sales and profits were lower than expected due to early recovery from the pandemic

- Increase in testing demand during the 8th wave was weaker than expected
- Quarantine station testing increase has been limited
- Base business was largely in line with forecast in February



# Consolidated Ordinary Profit & Net Profit

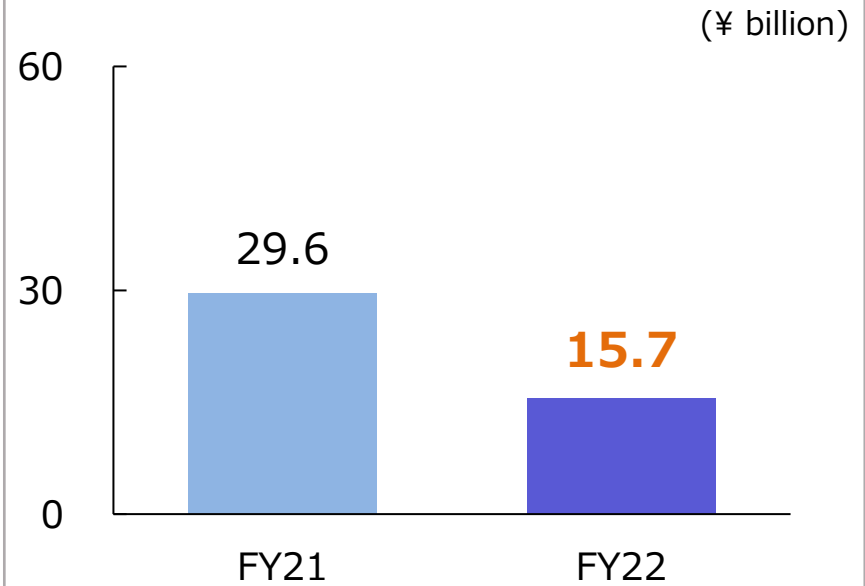
## Ordinary Profit



### Major non-operating factors

- Foreign exchange gains +¥0.49 B
- Equity in losses of affiliates -¥1.95 B

## Net Profit



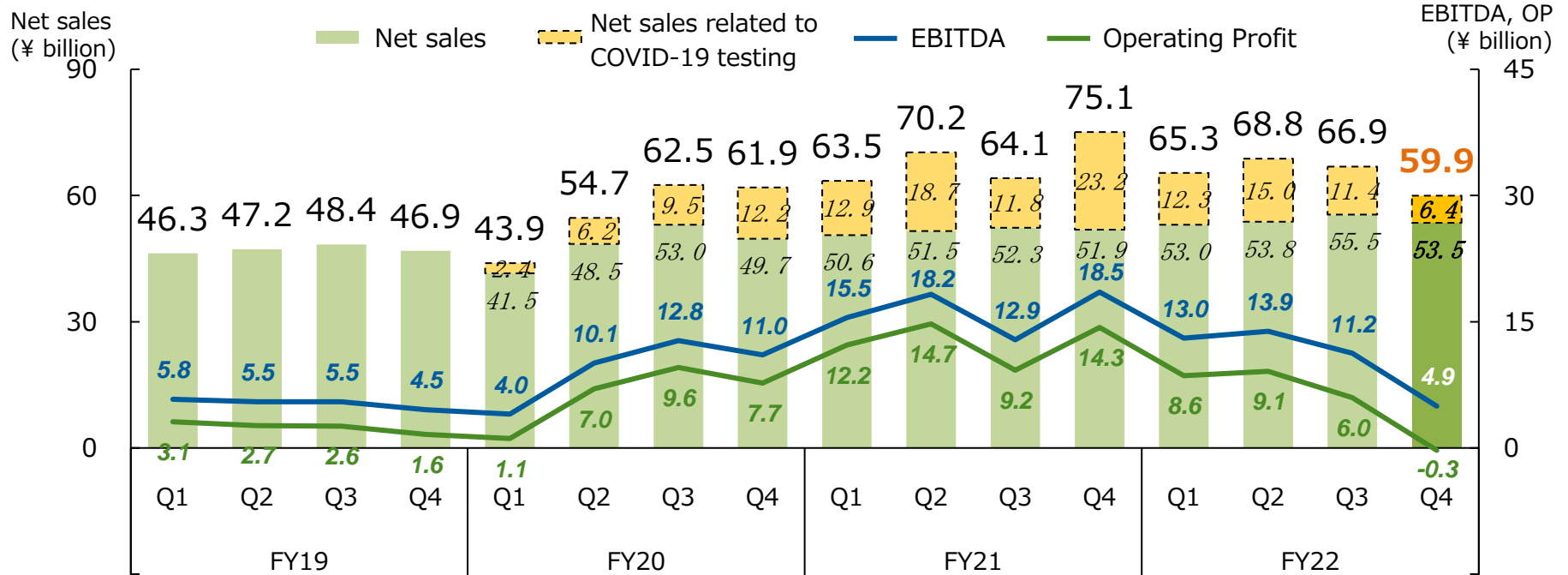
### Major extraordinary factors

- Gains on sales of non-current assets +¥2.64 B  
(Fujirebio Taiwan Inc.)



# Quarterly Performance Trend

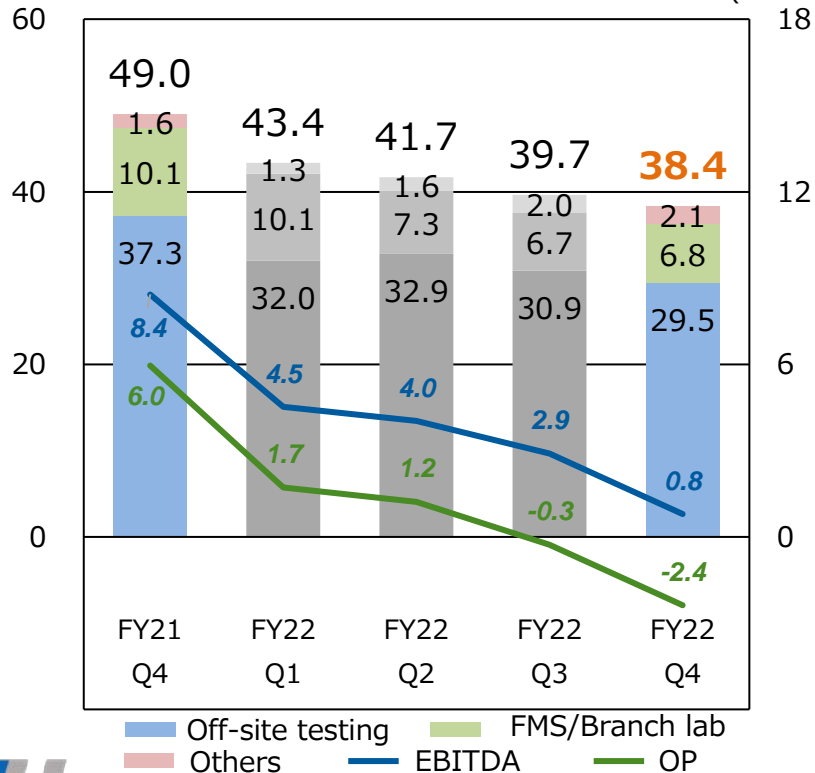
- AkirunoCube-related costs, delay in testing volume recovery due to the pandemic, and an increase in constant fixed costs influenced the performance in FY2022
- In addition to the above, sales related to COVID-19 also declined in Q4, resulting in a significant decrease in profit



## Quarterly Results

Net sales  
(¥ billion)

EBITDA, OP  
(¥ billion)



## YoY Comparison

(¥ billion)

	FY21	FY22	Variance	
Net sales	179.9	163.1	-16.84	-9.4%
Off-site	140.6	125.2	-15.40	-11.0%
FMS/Branch	33.9	30.9	-2.98	-8.8%
Others	5.4	7.0	+1.54	+28.3%
EBITDA	32.2	12.3	-19.99	-62.0%
OP	23.6	0.3	-23.35	-98.8%

### Net sales

- COVID-19-related sales: ¥23.9 B (FY21: ¥44.8 B)
  - ✓ Increased: sales of ESPLINE SARS-CoV-2
  - ✓ Decreased: PCR testing price (reimbursement cuts), testing volumes of comprehensive testing support at airport quarantines, large-scale event in FY21 no longer exists
- Increase in genetic testing

### Operating Profit

- Downward revision of the reimbursement for COVID-19-related tests (mainly PCR tests)
- Costs related to AkirunoCube (FY21: ¥6.9 B)
  - ✓ Expenses incl. one-time costs: ¥7.0 B
  - ✓ Depreciation expense: ¥4.1 B

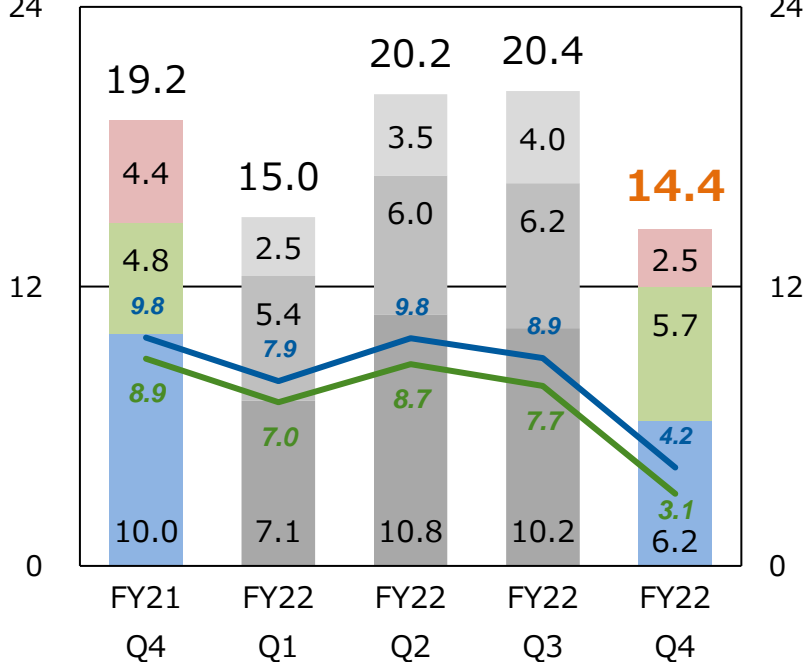
## Quarterly Results

Net sales  
(¥ billion)

24

EBITDA, OP  
(¥ billion)

24



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

## YoY Comparison

(¥ billion)

	FY21	FY22	Variance	
Net sales	64.3	70.1	+5.72	+8.9%
Lumipulse	32.0	34.3	+2.30	+7.2%
Japan	27.5	30.7	+3.16	+11.5%
Overseas	4.5	3.6	-0.86	-19.0%
CDMO etc.	18.2	23.3	+5.10	+28.1%
Others	14.1	12.4	-1.68	-11.9%
EBITDA	30.0	30.9	+0.86	+2.9%
OP	26.7	26.5	-0.20	-0.8%

Lumipulse inter-segment transaction	8.3	7.0	-1.32	-15.9%
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### Net sales

- COVID-19-related sales: ¥21.2 B (FY21: ¥21.8 B)
  - ✓ Lumipulse Japan reagents increased while Lumipulse overseas decreased
- Base business growth (CDMO and Lumipulse Japan)

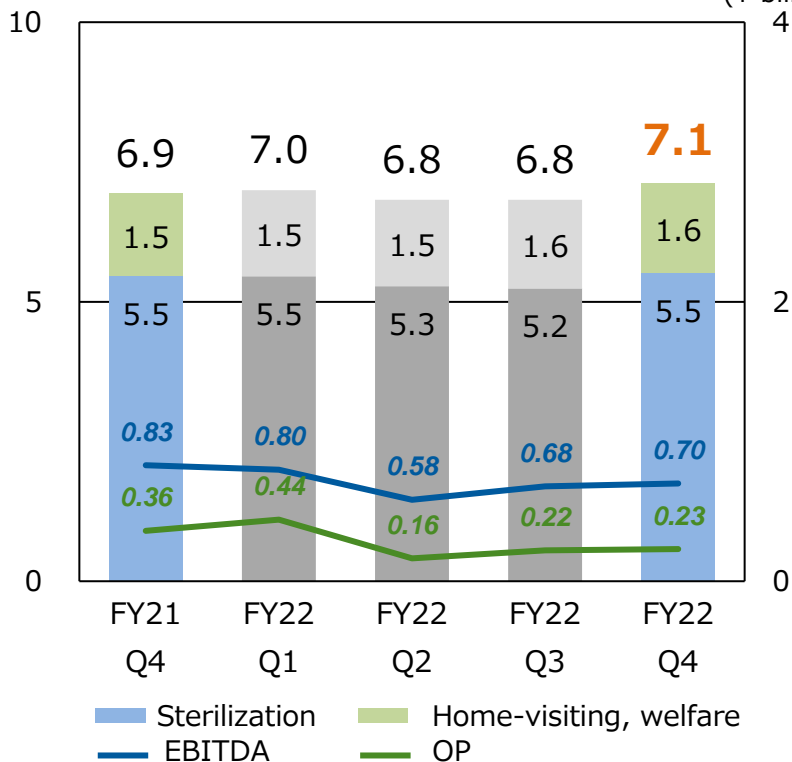
### Operating profit

- Decreased along with inter-segment transaction decrease
- Increased R&D cost for future growth

FX impact (net sales: +¥4.5 B, OP: +¥0.9 B)

## Quarterly Results

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



## YoY Comparison

(¥ billion)

	FY21	FY22	Variance	
Net sales	28.7	27.8	-0.92	-3.2%
Sterilization	22.9	21.5	-1.39	-6.1%
Home-visiting, welfare	5.8	6.3	+0.47	+8.1%
EBITDA	3.36	2.76	-0.60	-17.9%
OP	1.80	1.06	-0.74	-41.3%

### Net sales

#### Sterilization-related business

- Decrease in deposit sales of medical supplies

#### Home-visiting and welfare business

- Continued growth

#### Operating profit

- Increase in labor costs
- Continued upfront costs for future growth

# Consolidated Results for FY2022

(¥ billion)

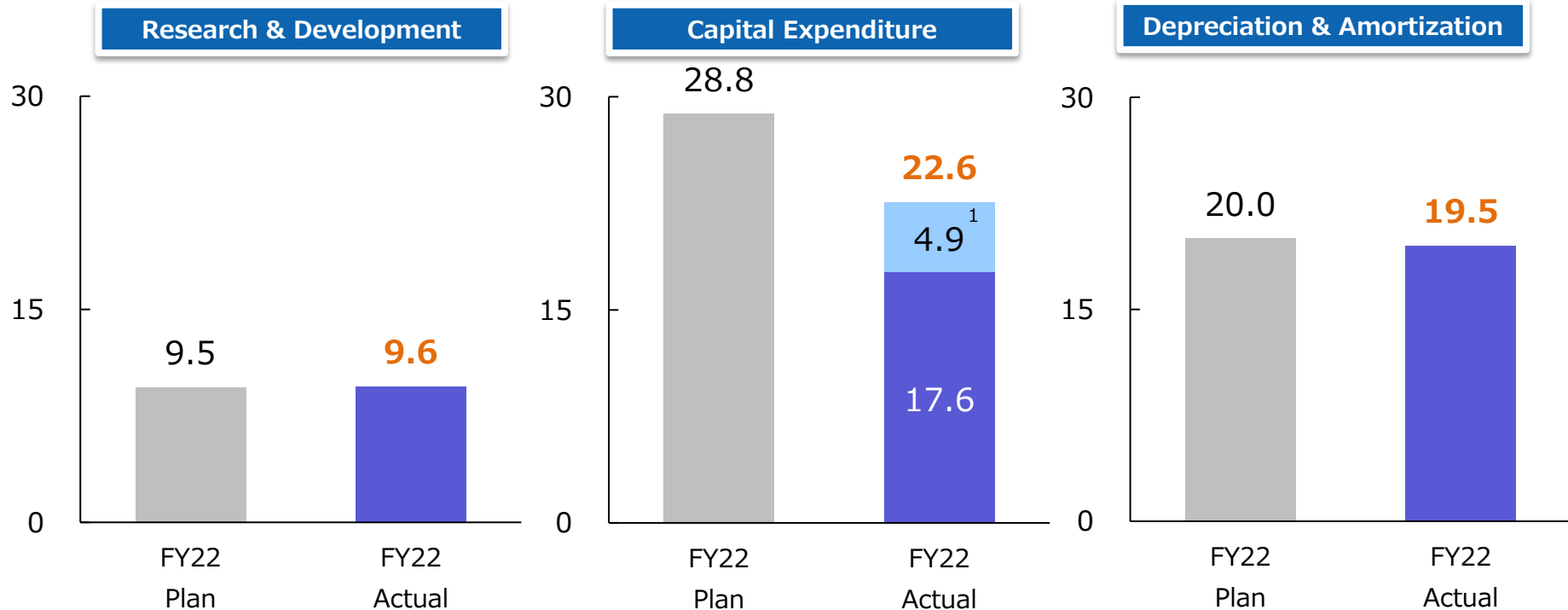
	FY2021		FY2022		Variance	
	Results	Profit ratio	Results	Profit ratio		
<b>Net sales</b>	<b>272.9</b>		<b>260.9</b>		<b>-12.04</b>	<b>-4.4%</b>
LTS	179.9		163.1		-16.84	-9.4%
IVD	64.3		70.1		+5.72	+8.9%
HS	28.7		27.8		-0.92	-3.2%
<b>OP<sup>1</sup></b>	<b>50.5</b>	<b>18.5%</b>	<b>23.4</b>	<b>9.0%</b>	<b>-27.11</b>	<b>-53.7%</b>
LTS	23.6	13.1%	0.3	0.2%	-23.35	-98.8%
IVD	26.7	41.6%	26.5	37.9%	-0.20	-0.8%
HS	1.8	6.3%	1.1	3.8%	-0.74	-41.3%
<b>Or. profit</b>	<b>47.4</b>	<b>17.4%</b>	<b>22.0</b>	<b>8.4%</b>	<b>-25.41</b>	<b>-53.6%</b>
<b>Net profit</b>	<b>29.6</b>	<b>10.8%</b>	<b>15.7</b>	<b>6.0%</b>	<b>-13.92</b>	<b>-47.0%</b>
<b>EBITDA</b>	<b>65.1</b>	<b>23.9%</b>	<b>43.1</b>	<b>16.5%</b>	<b>-22.04</b>	<b>-33.8%</b>
<b>ROE</b>	<b>23.2%</b>		<b>10.8%</b>		<b>-12.4pt</b>	

1. OP includes H.U. Group Holdings and H.U. Group Research Institute etc., as well as inter-segment eliminations (FY2021: -¥1.67 B, FY2022: -¥4.48 B)

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

- CAPEX: Some acceptance inspections at AkirunoCube postponed to FY2023
- R&D, D&A: Generally in line with the initial plan

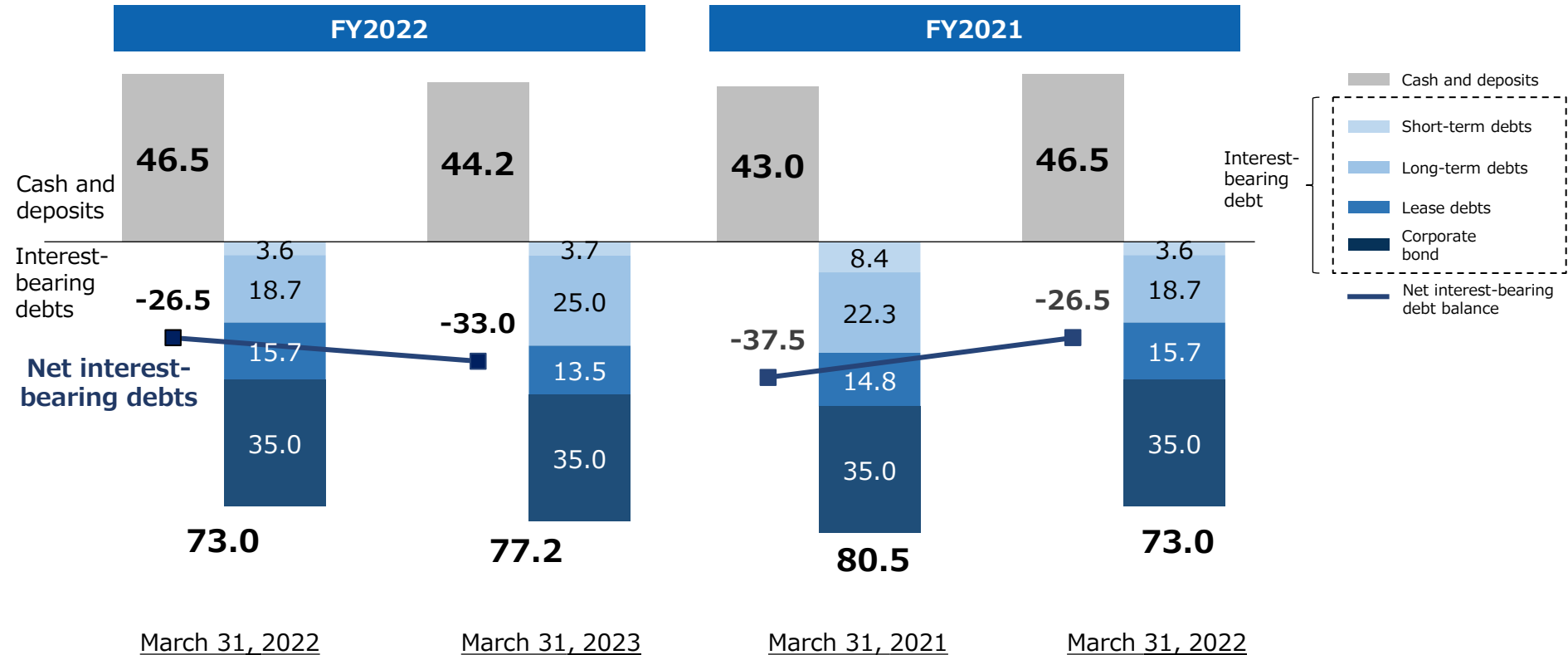
(¥ billion)



1. AkirunoCube-related

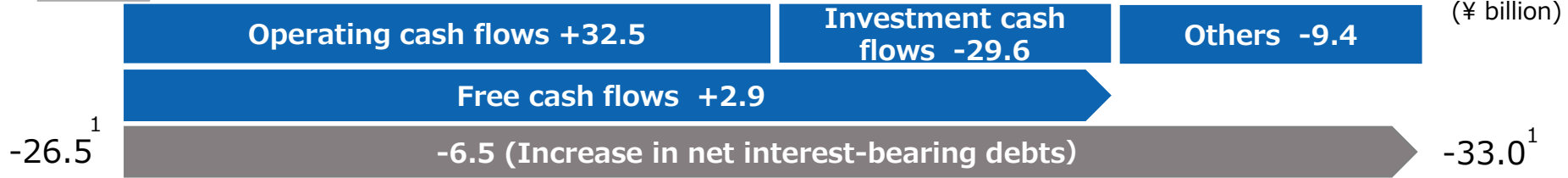
# Cash and Deposits / Interest-bearing Debts

(¥ billion)



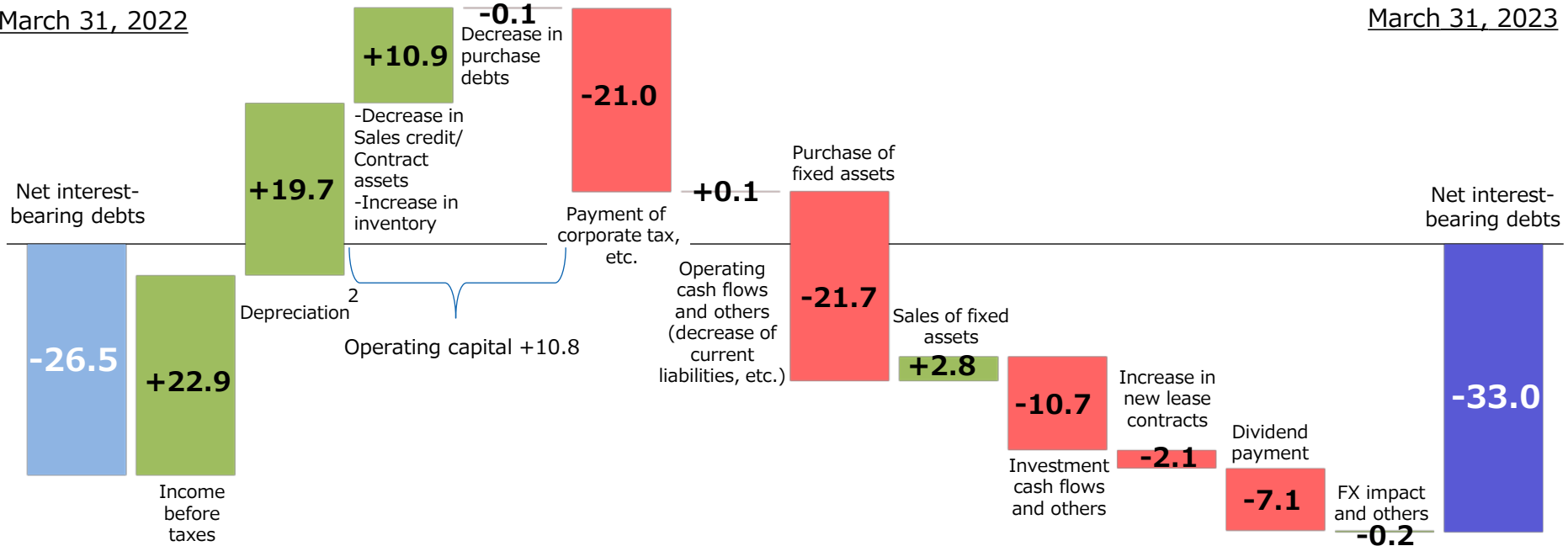
# Analysis of Consolidated Cash Flows (FY2022)

(¥ billion)



March 31, 2022

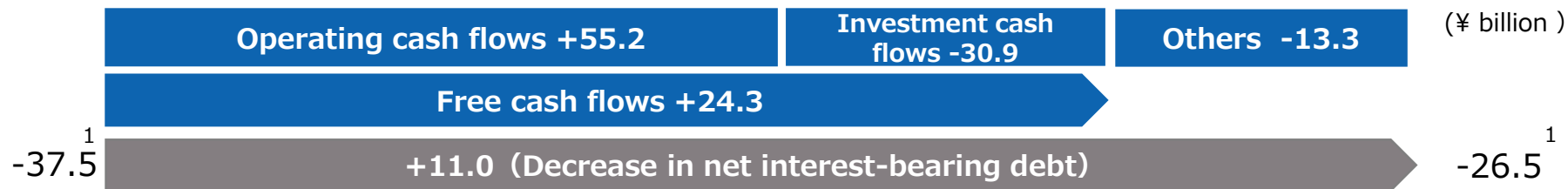
March 31, 2023



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

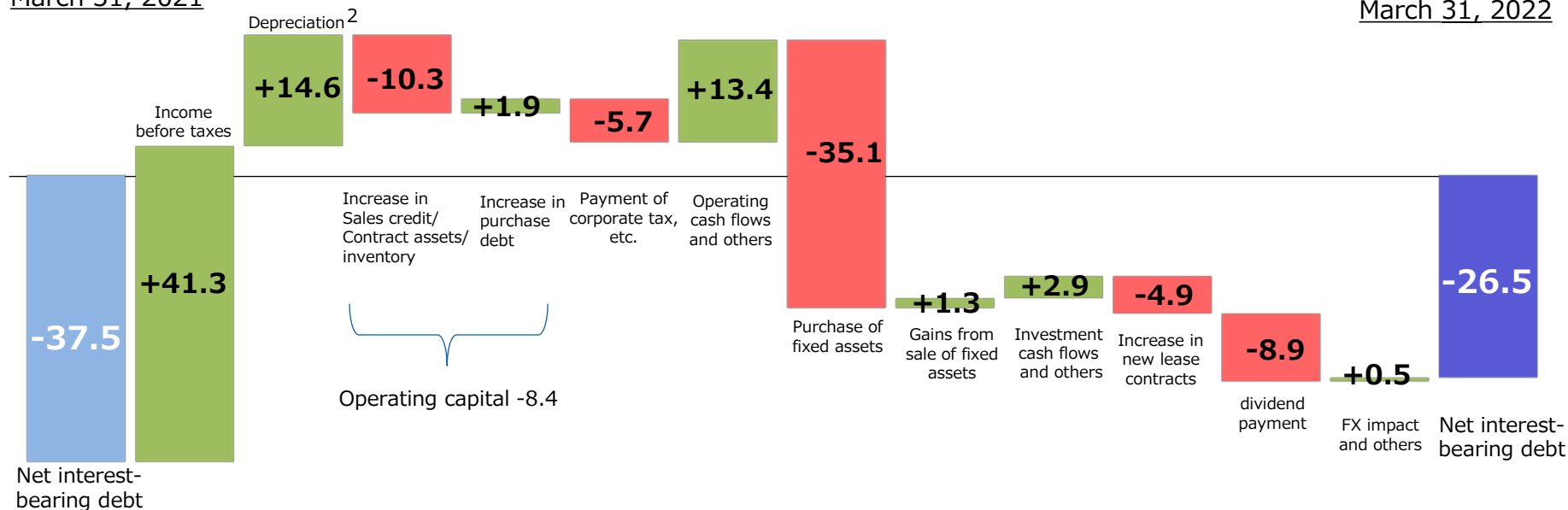


# Analysis of Consolidated Cash Flows (FY2021)



March 31, 2021

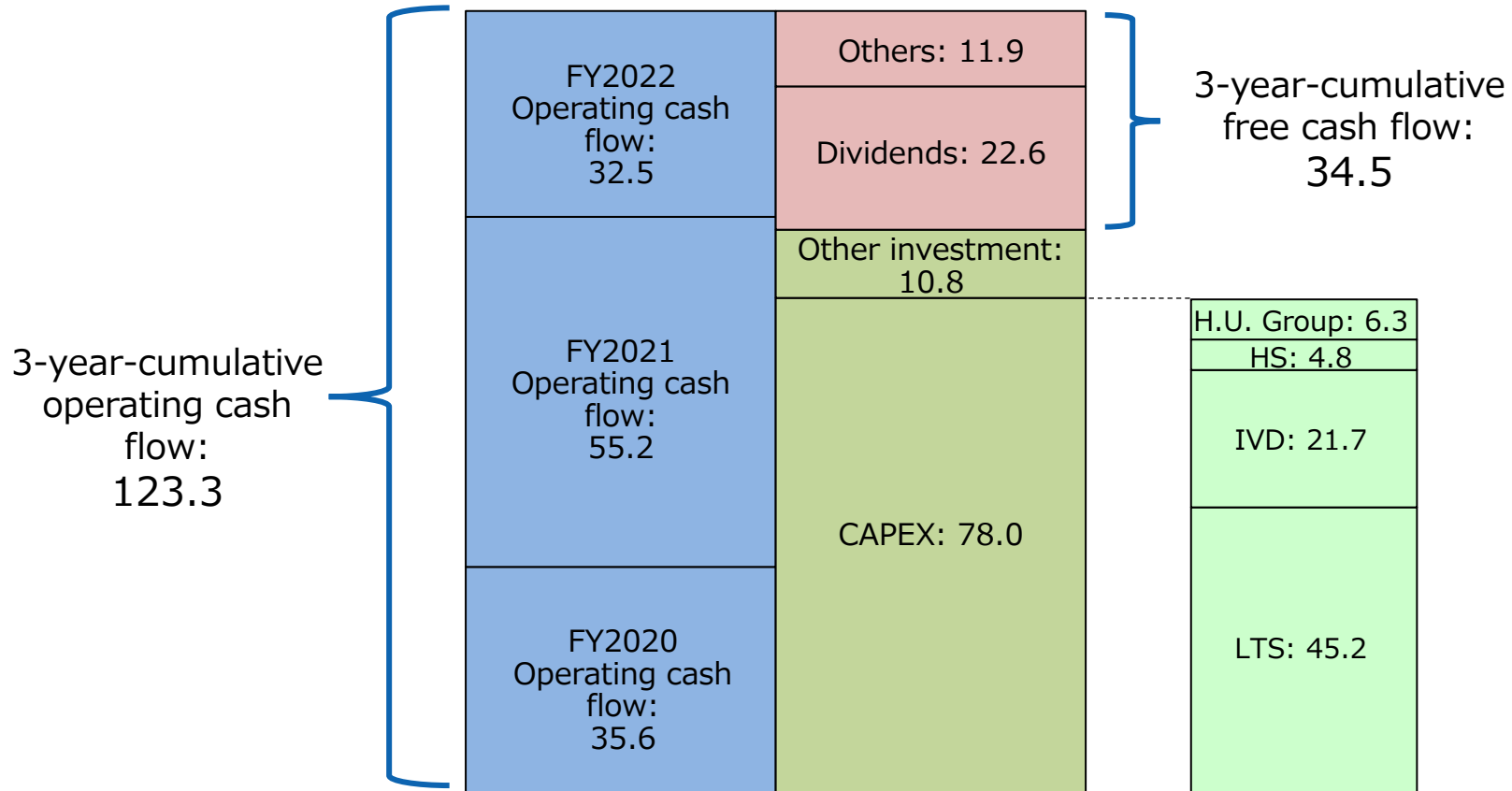
March 31, 2022



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

# FY20-22 3-year-cumulative Cash Flow (Capital Allocation)

(¥ billion)



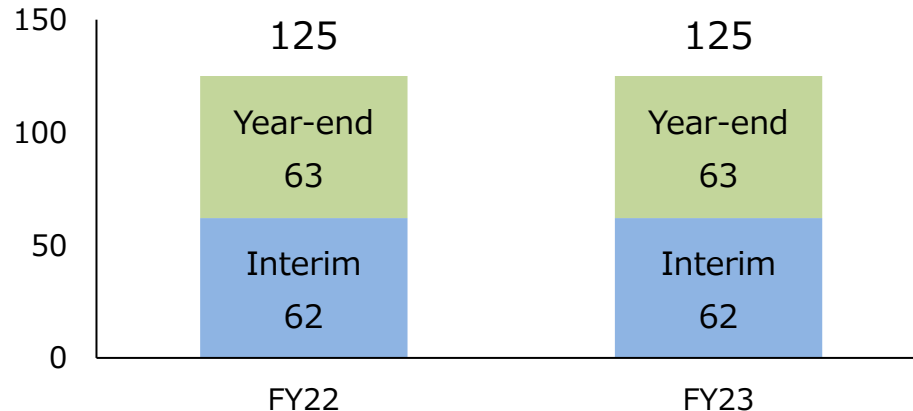
# Shareholder Returns

## Basic Policy

We are committed to providing consistent dividends based on profits and funds generated by our businesses. Our target is a consolidated Dividend on Equity (DOE) ratio in the 6% range. We make dividend decisions after carefully considering factors such as cash flows and maintaining a strong financial position in the medium to long term.

- Year-end dividend for FY2022 is 63 yen per share (annual dividends to be 125 yen)
- The forecast for FY2023 is also 125 yen, with a DOE of approximately 5%
- (Dividend payout ratio for reference) FY22 : approx. 46%, FY23: approx. 119% (Forecast)

Annual dividends (Yen per share)



# FY2023 (Ending in March 2024) Business Plan

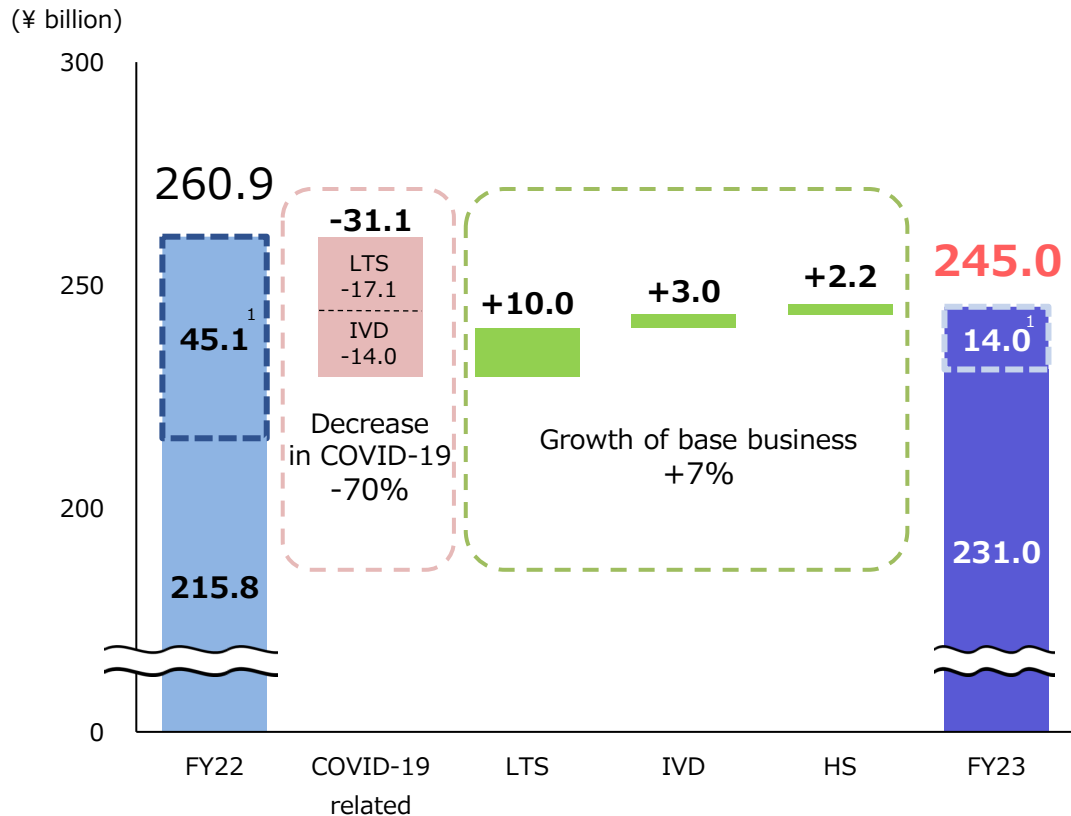
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# FY2023 Financial Targets

(¥ billion)

	FY2022 results	FY2023 targets	
Net sales	260.9	<b>245.0</b>	-15.9 -6.1%
LTS	163.1	156.0	-7.1 -4.3%
IVD	70.1	59.0	-11.1 -15.8%
HS	27.8	30.0	+2.2 +8.1%
OP	23.4	<b>14.0</b>	-9.4 -40.1%
Ord. profit	22.0	<b>12.0</b>	-10.0 -45.5%
Net profit	15.7	<b>6.0</b>	-9.7 -61.7%
EBITDA	43.1	<b>36.0</b>	-7.1 -16.4%
ROE	10.8%	<b>4.0%</b>	-6.8pt

# Net Sales Plan for FY2023 (YoY)



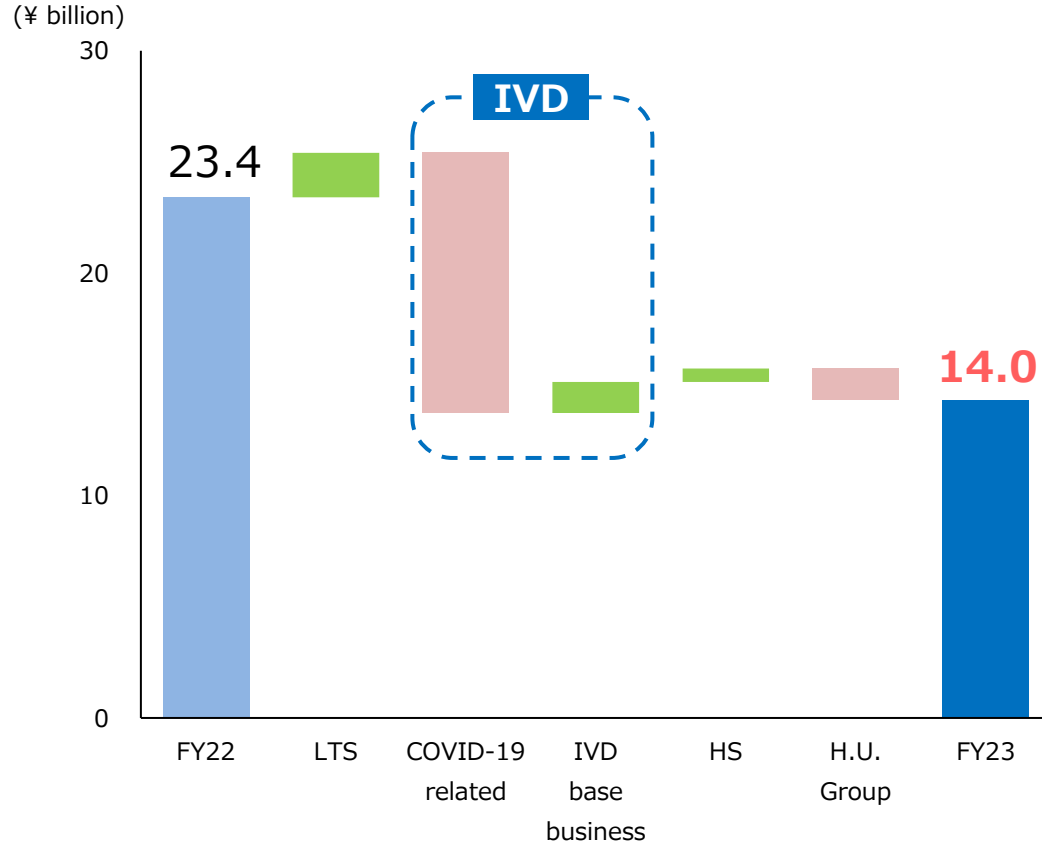
## LTS

- (+) New client acquisition
- (+) Increase in genetic testing
- (+) Testing volume recovery
- (-) Decrease in COVID-19-related tests

## IVD

- (+) Growth of CDMO business
- (+) Sales expansion of testing items for Lumipulse Japan
- (+) Increase of Neurology items
- (-) Decrease in COVID-19-related products
- (-) FX impact

# Operating Profit Plan for FY2023 (YoY)



## LTS

- (+)Efficiency effect
- (+)Profit growth along with sales growth
- (–)Profit decrease due to decrease in COVID-19-related tests
- (–)Increase in AkirunoCube-related costs

## IVD

- (+)Profit growth along with sales growth (CDMO, Lumipulse Japan)
- (–)Profit decrease due to decrease in COVID-19-related tests
- (–)Increase in R&D expenses
- (–)FX impact

# Basic Direction for FY2023

Profitability improvement is our main target, responding to challenges such as a decrease in COVID-19-related tests, limited efficiency effect from AkirunoCube, and higher energy costs

## LTS

- Establish stable operation of AkirunoCube
- COGS<sup>1</sup> improvement through operation optimization
- Early realization of efficiency effect from shared logistics

## IVD

- CDMO: Generate sales from new development projects; increase the number of contracted items
- Lumipulse Japan: Accelerate introduction of large-sized instruments and unique items
- R&D : Regulatory registration of Neurology blood-base items; launch RUO unit with Ultra-High sensitivity detection

## HS

- Profitability improvement by focusing on major clients
- Expansion of services related to operating room which requires professional know-how

1. COGS=Cost of goods sold



# AkirunoCube Costs and Effects

Full operation starts in Akiruno in May 2023, accelerating the reaping of benefits in the second half of the year

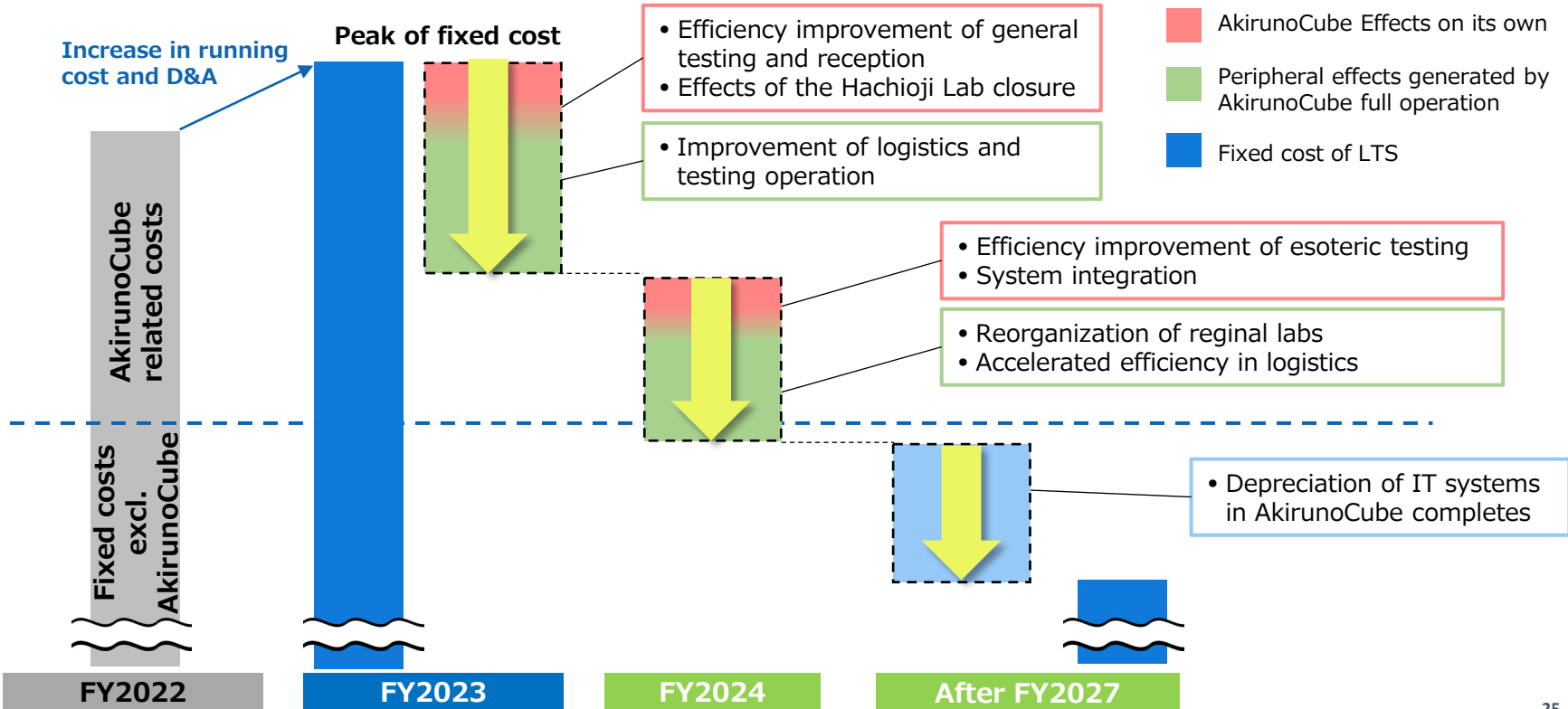
(¥ billion)

	FY2021	FY2022	FY2023 full year estimate		
Cost	One-time costs	-5.6	-3.3	-1.0	Mainly in the first half of the year
	D&A	-0.3	-4.1	-6.1	Nearing the peak level
	Running cost <sup>1</sup>	-1.0	-3.7	-5.9	Some risk of moderate energy cost increase
	Total costs	<u>-6.9</u>	<u>-11.1</u>	<u>-13.0</u>	
Effects	Efficiency effects	—	—	+2.3	Limited in the first half; primarily realized in the second half

1. Include the rent

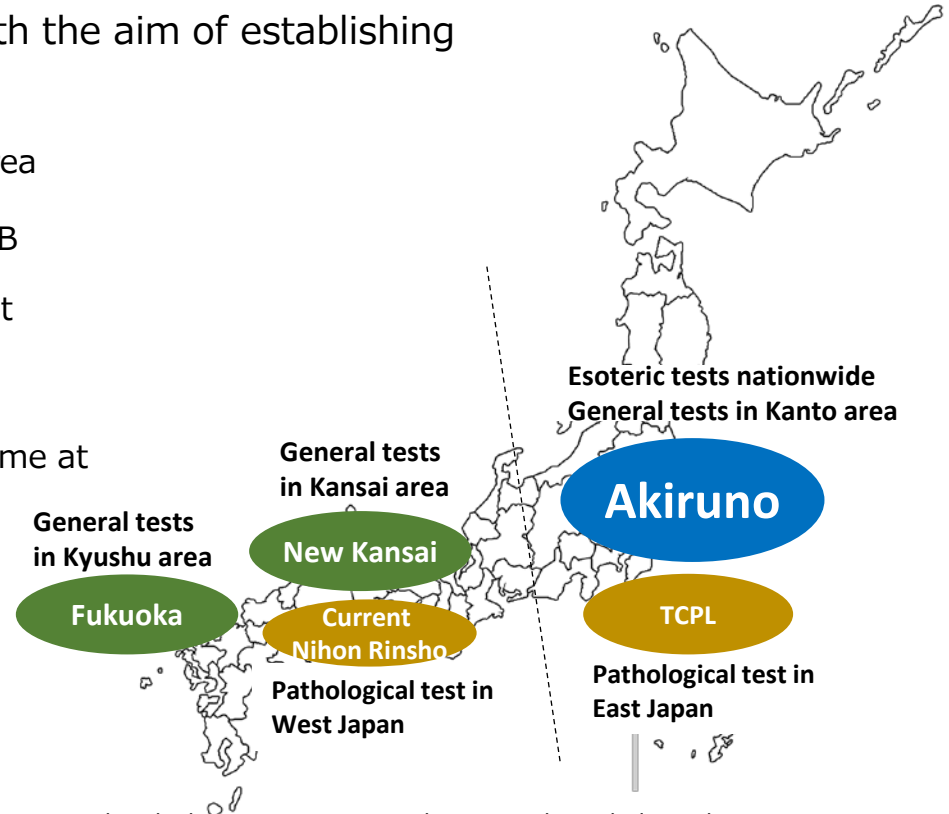
# Profitability Improvement of LTS Business

In FY24, the cost savings will outweigh the increased costs, resulting from efficiency effects of AkirunoCube and peripheral effects generated by AkirunoCube full operation



# Reorganization of Nationwide Lab Network

- The New Kansai Lab project will restart with the aim of establishing a tri-axis lab network
- Objectives of New Kansai Lab
  1. Renew a group company lab in the Kansai area (Nihon Rinsho, Inc.)
    - ✓ CAPEX forecast: ¥10 B; Real estate: ¥8.5 B
  2. Enhance testing capacity in a growing market
    - ✓ Expand market share and accelerate growth in the Kansai area
  3. Contribute to increasing esoteric testing volume at AkirunoCube
    - ✓ Maximize scale merit
  4. Set up two main labs for Pathological testing
    - ✓ East: TCPL<sup>1</sup>
    - ✓ West: Utilize current Nihon Rinsho lab

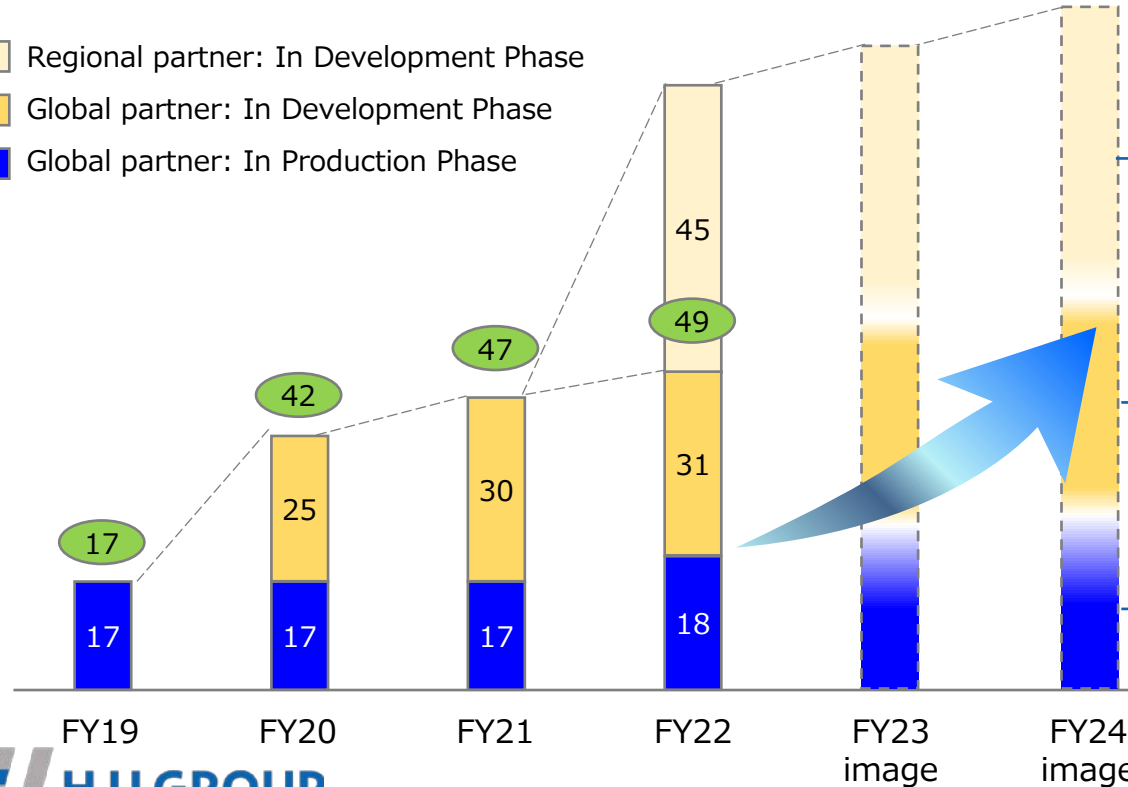


1. Tokyo Central Pathology Laboratory Co., Ltd., which is a company conducts mainly pathological testing. H.U. Group acquired the company in 2022. (released on Nov. 29, 2022)

# IVD : CDMO

Number of development projects gained from partners (accumulated)

- Regional partner: In Development Phase
- Global partner: In Development Phase
- Global partner: In Production Phase



Points

**Regional partner**

Complete development and start production (sales generation)

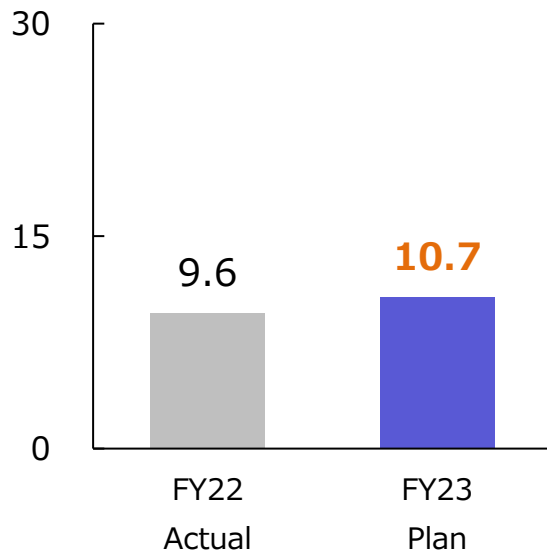
**Global partner**

Development: Aim to gain an average of at least 5 items per year, mainly in Neurology items

Production : complete development and start production (sales generation)

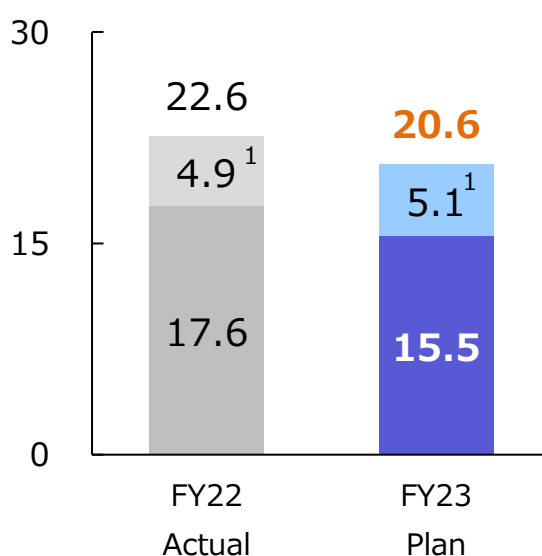
# FY2023 R&D, CAPEX and D&A Costs

## Research & Development



- IVD: Increase due to CDMO business growth and launch of RUO unit with Ultra-High sensitivity detection
- Continue at a 10-billion-yen level for future growth

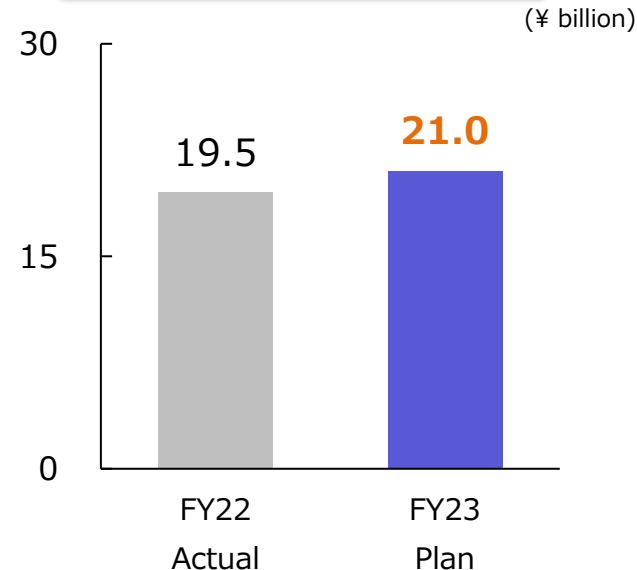
## Capital Expenditure



- AkirunoCube-related CAPEX (timing delay from FY22)
- Normal CAPEX will be controlled to be around 15 billion yen
- D&A continues at 20+ billion level

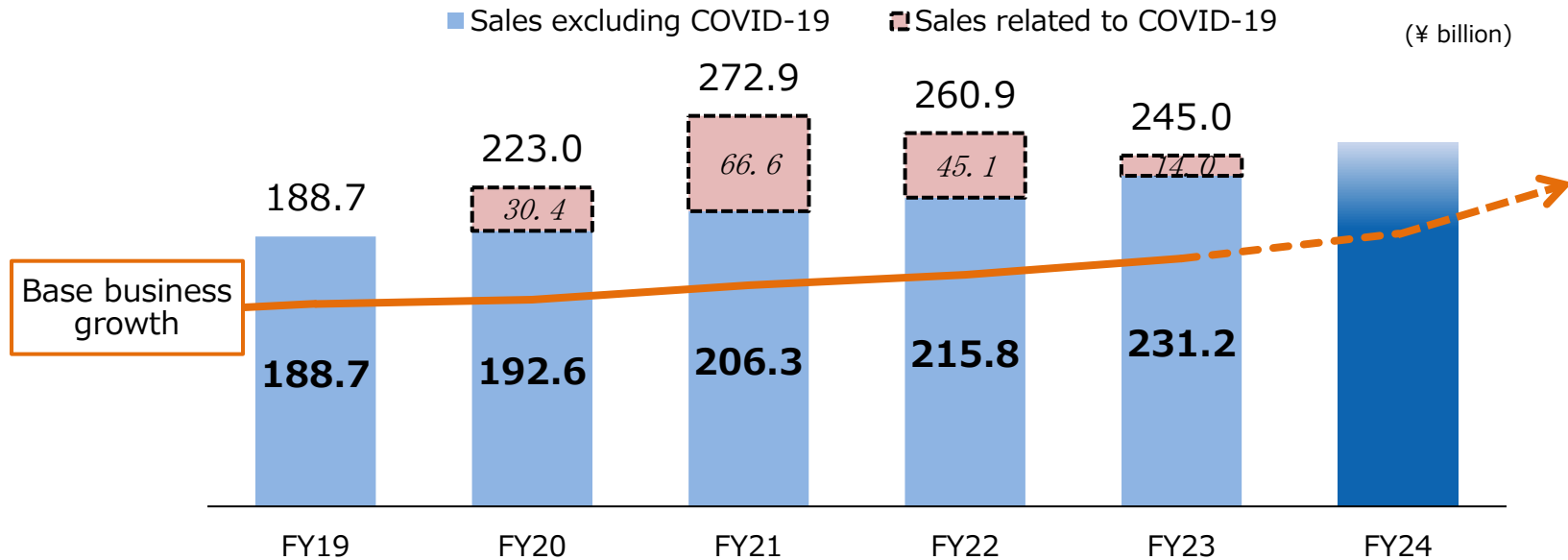
1. AkirunoCube-related

## Depreciation & Amortization



# Net Sales Expectation for FY2024

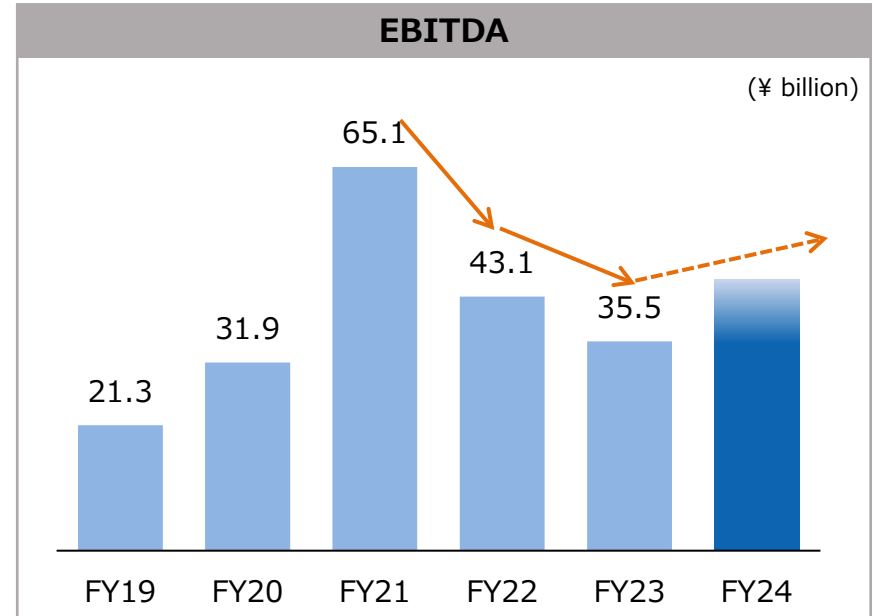
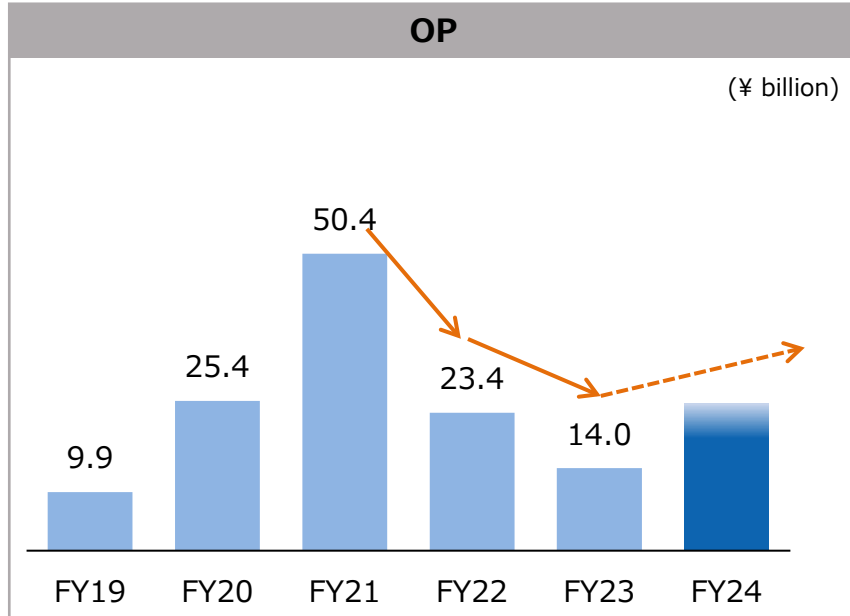
- Accelerate growth primarily through new client acquisition in FY23
- COVID-19-related testing is expected to become routine, particularly using Point-of-Care Testing (POCT)



# OP/EBITDA Expectations for FY2024

Following factors will drive profit growth:

- Fixed costs reduction and realization of efficiency effects led by AkirunoCube full operation; decrease of one-time costs
- Organic growth of base businesses



# Sustainability

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# Current H.U. Group Sustainability Roadmap

## H.U. Group Sustainability Roadmap Three-Year Targets (FY2020–2022)

	Quantitative targets	FY2022 Results		Qualitative targets	FY2022 Results
<b>Environment &amp; Energy</b>	<ul style="list-style-type: none"> <li>➤ CO<sub>2</sub> emissions: -7% (vs. FY2017)</li> <li>➤ Waste plastic recycling rate: +15% (vs. FY2017)</li> <li>➤ CDP: B plus or better</li> </ul>	<ul style="list-style-type: none"> <li>➤ -24.2%</li> <li>➤ +29.9%</li> <li>➤ A minus in FY2021 and FY2022</li> </ul>	<b>Philanthropy</b>	<ul style="list-style-type: none"> <li>➤ Continuous offering and spreading of clinical testing for 40 years</li> </ul>	<ul style="list-style-type: none"> <li>➤ 40-year history marked in 2021</li> </ul>
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>➤ Percentage of female managers 20%</li> <li>➤ White 500 acquisition</li> </ul>	<ul style="list-style-type: none"> <li>➤ 20.2%</li> <li>➤ Acquired in FY2021 and FY2022</li> </ul>	<b>Communication</b>	<ul style="list-style-type: none"> <li>➤ Holding of first ESG Conference</li> </ul>	<ul style="list-style-type: none"> <li>➤ Held in Mar. 2022</li> </ul>
<b>Supply Chain Management</b>	<ul style="list-style-type: none"> <li>➤ Excellent response rate (A) 90% on UNGC Self Assessment tool</li> </ul>	<ul style="list-style-type: none"> <li>➤ 70.3%</li> </ul>	<b>BCP</b>	<ul style="list-style-type: none"> <li>➤ Start-up of the H.U. Bioness Complex (Realization of high resilience)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Started up in Jan. 2022</li> </ul>

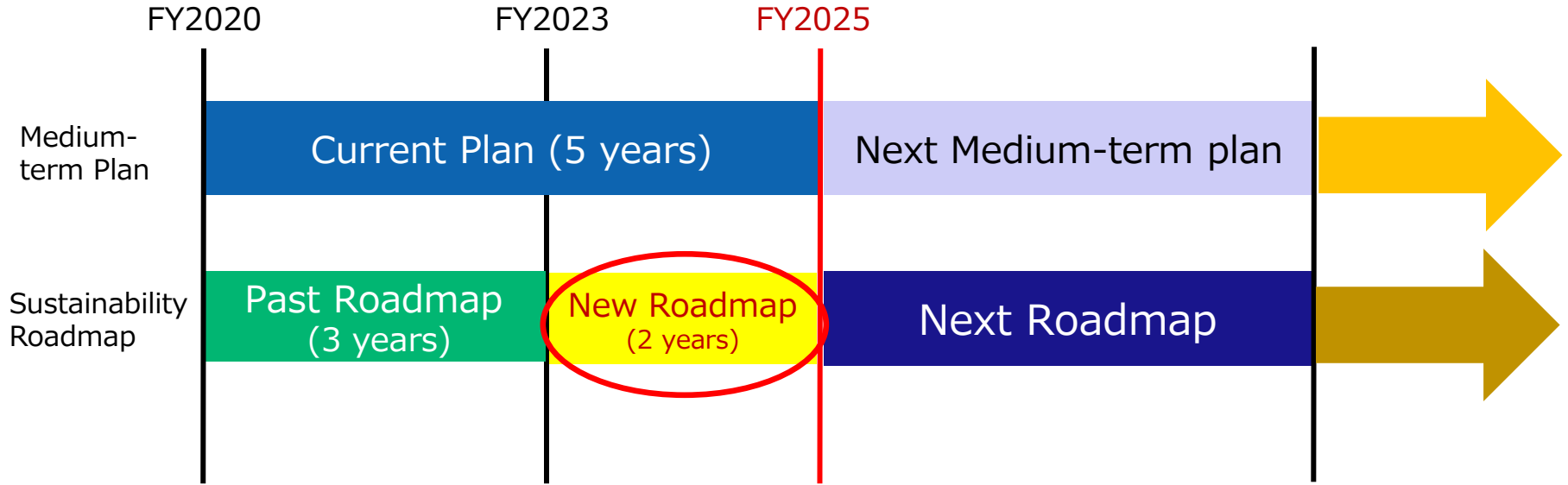
# External Ratings

Ratings	 <b>FTSE Blossom Japan Sector Relative Index</b> ✓ Selected in April 2022	 <b>CDP</b> ✓ Climate change: 2022 <b>A-</b> (2 years in row) ✓ SER <sup>1</sup> : 2023 <b>A</b>
	 <b>MSCI ESG Ratings</b> ✓ Acquired <b>AAA (highest)</b> in 2022	 <b>White 500<sup>2</sup></b> ✓ Selected for <b>2 years since 2022</b>
	 <b>Sustainalytics</b> ✓ Maintain <b>Low Risk</b> (2022)	 <b>ISS ESG</b> ✓ Certified the <b>"Prime" status</b> (2023)

Index	<b>2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX</b> ✓ Selected for 6 years since 2017	<b>2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</b> ✓ Selected for 4 years since 2019
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1. SER: the Supplier Engagement Rating  
 2. This program recognizes enterprises that practice excellent health management based on their response to local health issues and the health promotion initiatives of Nippon Kenko Kaigi

# New Sustainability Roadmap Time Period



## <Regarding the period of the new Sustainability Roadmap>

The new Sustainability Roadmap will conclude at the end of FY2024, which coincides with the final fiscal year of the current Medium-term plan

⇒ The period of the next Sustainability Roadmap will align with that of the next Medium-term plan

# New “H.U. Group Sustainability Roadmap”

## H.U. Group Sustainability Roadmap Two-Year Targets (FY2023–FY2024)

Environmental	<ul style="list-style-type: none"><li>• CO<sub>2</sub> emissions : -12.6% (vs. FY2021)</li><li>• Waste plastic recycling rate : 82%</li></ul>
Social	<ul style="list-style-type: none"><li>• Percentage of female managers : 22%</li><li>• Percentage of male employees taking parental leave : 90%</li><li>• Percentage of employees answering “Satisfied with my jobs” to the questionnaire : 55%</li><li>• Maintaining White 500 status</li><li>• Average annual training<sup>1</sup> time per employee : Over 30 hours</li><li>• Excellent response rate (A) on UNGC Self Assessment tool : 75% <sup>2</sup></li><li>• Meetings with our suppliers to exchange opinions on sustainability : 30 companies <sup>2</sup></li></ul> <p>1. Including DX trainings 2. FY2022-FY2024</p>
Governance	<ul style="list-style-type: none"><li>• Incorporation of non-financial indicators into compensation for directors and executive officers</li><li>• Internal directors will not have a dual role on the Nominating Committee</li></ul>

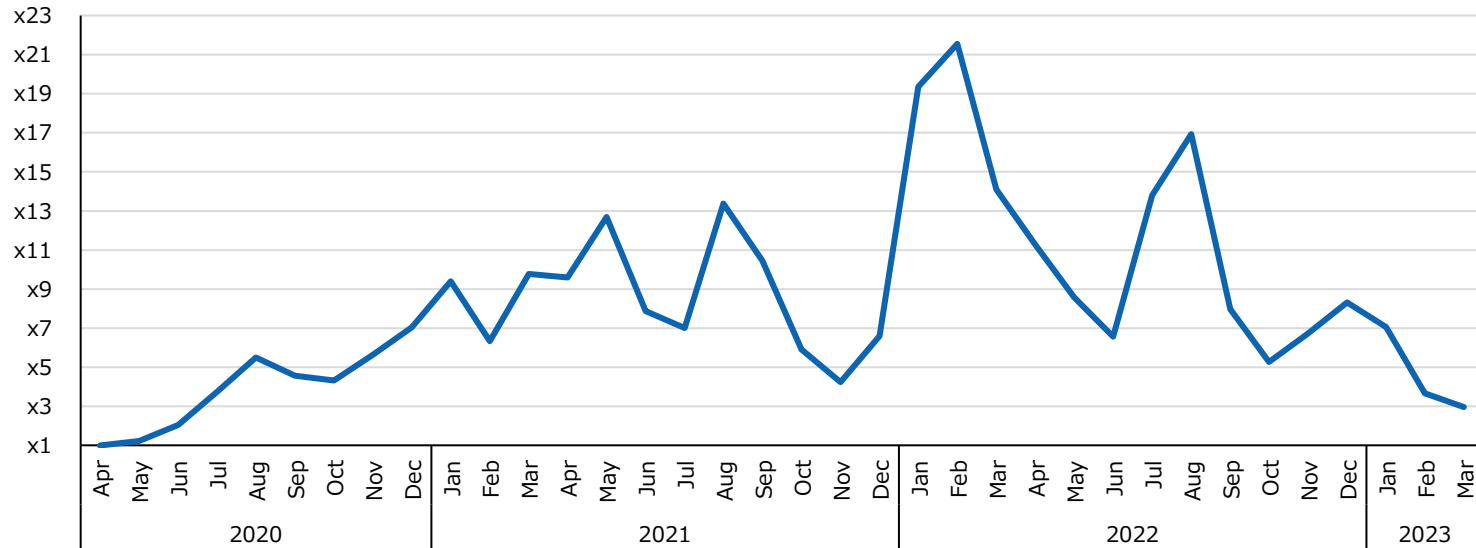
# Appendix

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# Testing Trends of COVID-19 PCR Tests

## Number of COVID-19 PCR tests conducted

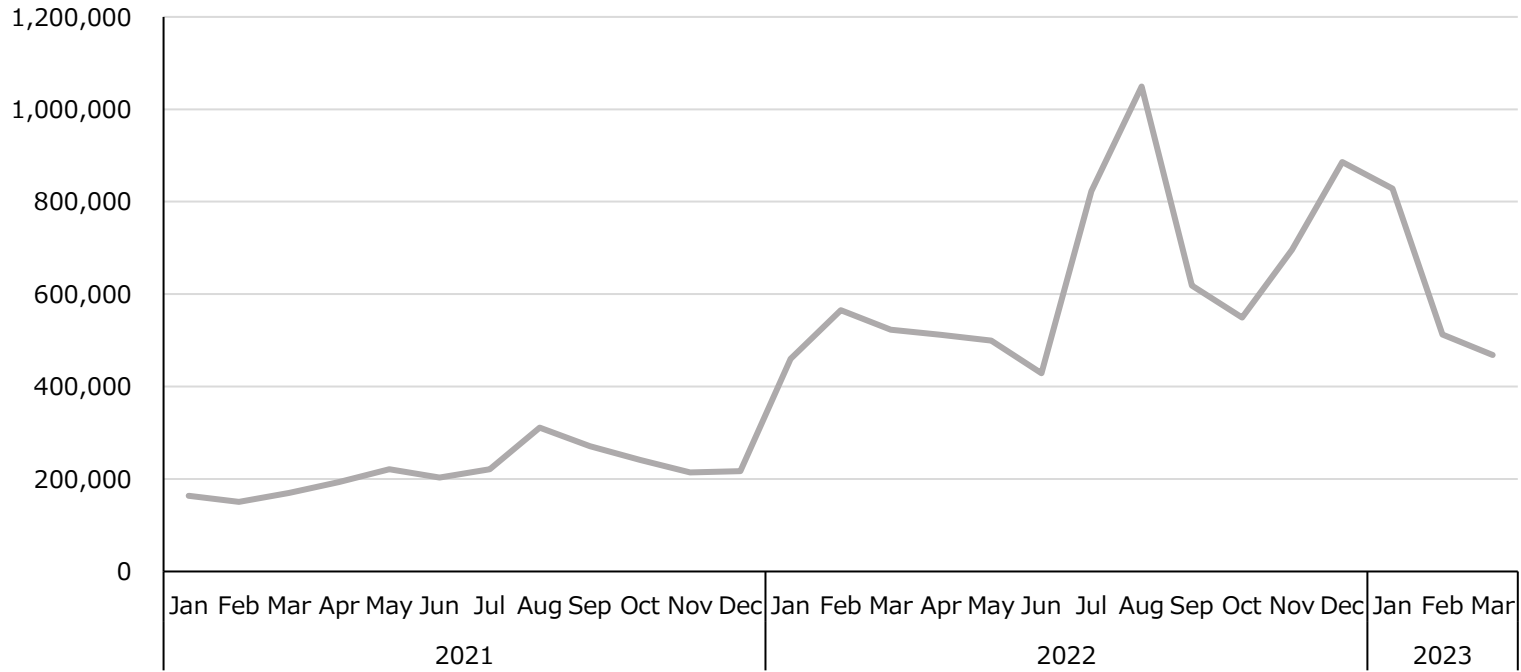
Index: Number of tests conducted by H.U. in April 2020 = 1<sup>1</sup>



1. PCR tests conducted by SRL and Nihon Rinsho nationwide

# Testing Trends of High-sensitivity Quantitative Antigen Tests

## Number of high-sensitivity quantitative antigen tests at hospitals<sup>1</sup>



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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.