H.U.GROUP

Financial Results for The First Quarter of FY2023 (Ended June 30, 2023)

Aug 8, 2023

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 (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:

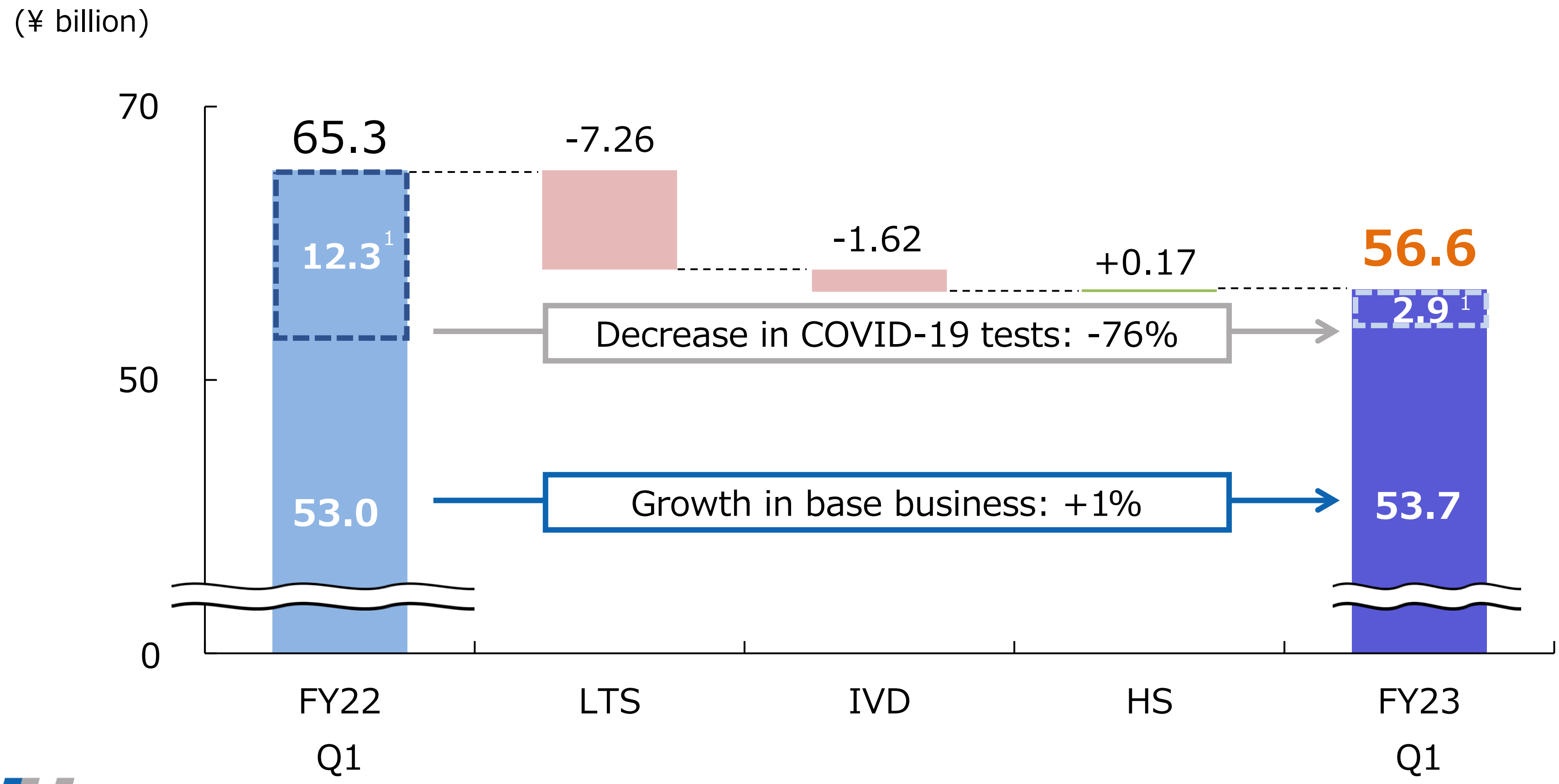
LTS: Lab Testing and its related Services	IVD: In Vitro Diagnostics
HS: Healthcare-related Services	HUHD: H.U. Group Holdings, Inc.
FMS: Facility Management Service	OP: Operating profit
Or. profit: Ordinary profit	FY2023: Fiscal year ended March 31, 2024
CDMO : Contract Development and Manufacturing Organization	

Exchange rates in this report:

FY2022 Q1	: 1USD = 129.56 JPY	1EURO = 138.08 JPY
FY2023 Q1	: 1USD = 137.37 JPY	1EURO = 149.46 JPY

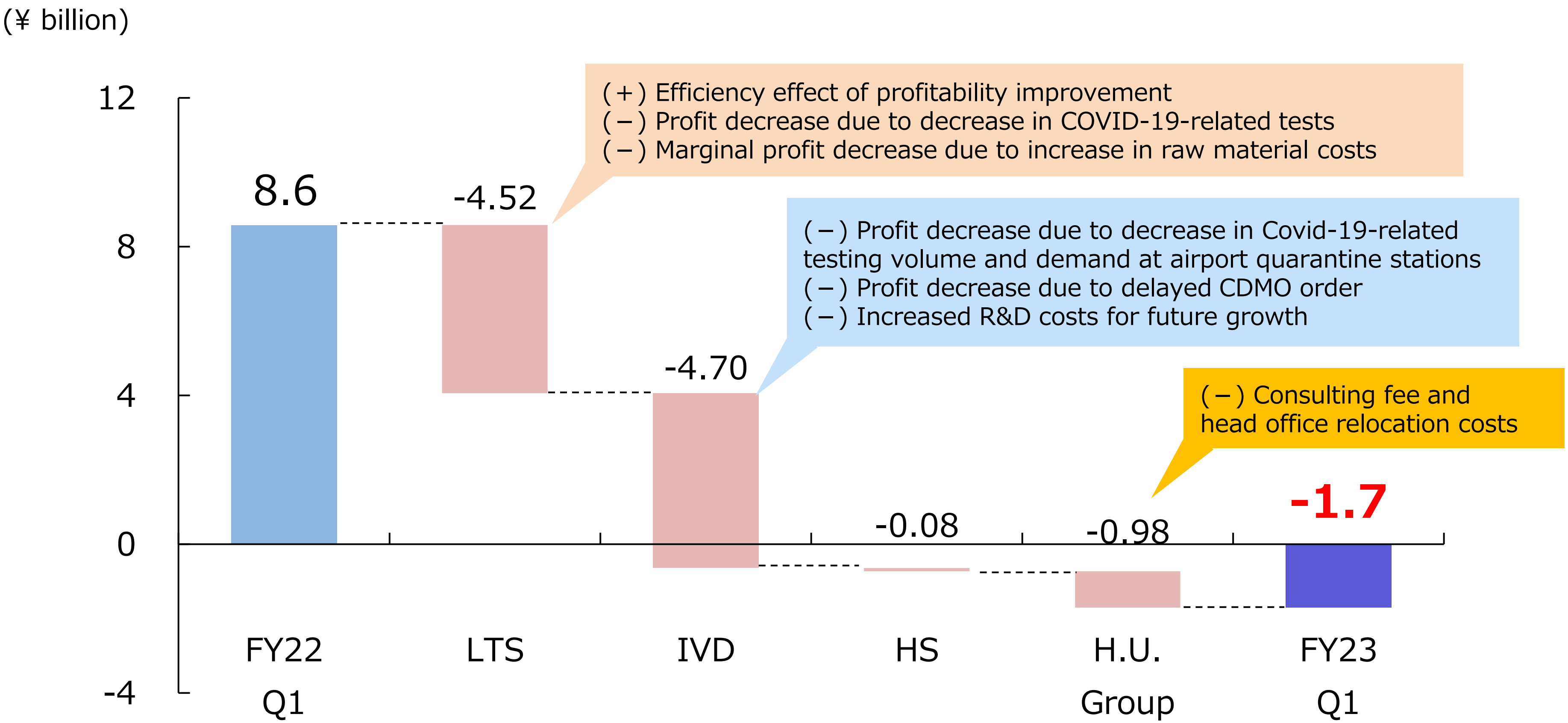
Financial Results for The First Quarter of FY2023

Consolidated Net Sales Changes



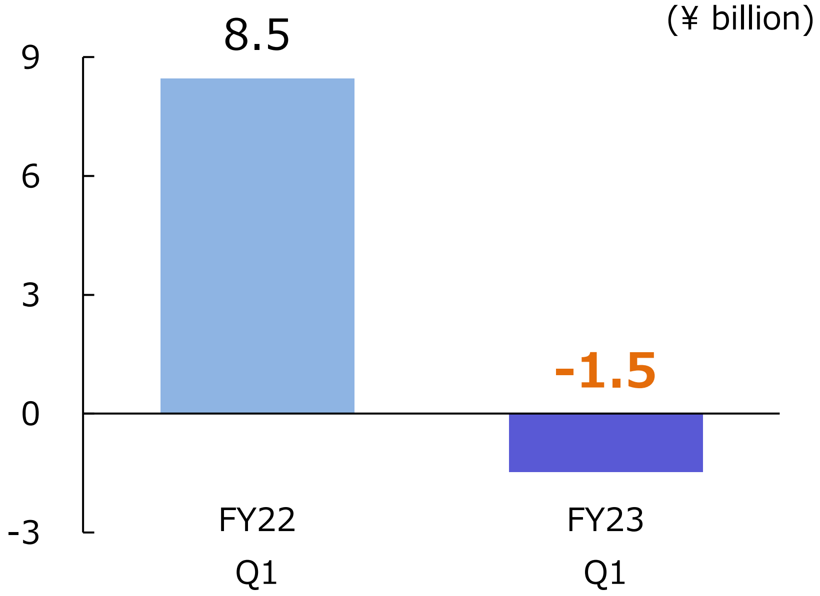
1. Net sales related to COVID-19 testing

Consolidated Operating Profit Changes



Consolidated Ordinary Profit/Loss & Net Profit/Loss

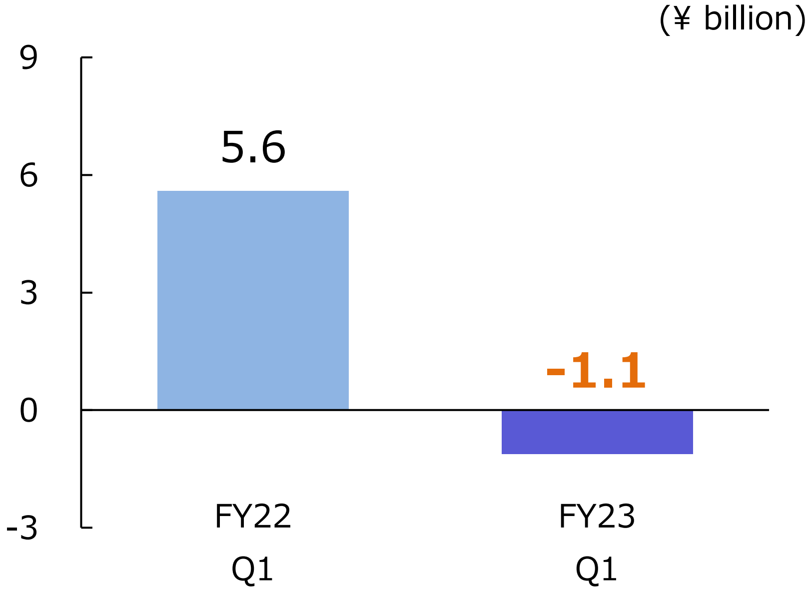
Ordinary Profit/Loss



Major non-operating factors

- Foreign exchange gains +¥0.74 B
- Equity in losses of affiliates -¥0.25 B

Net Profit/Loss

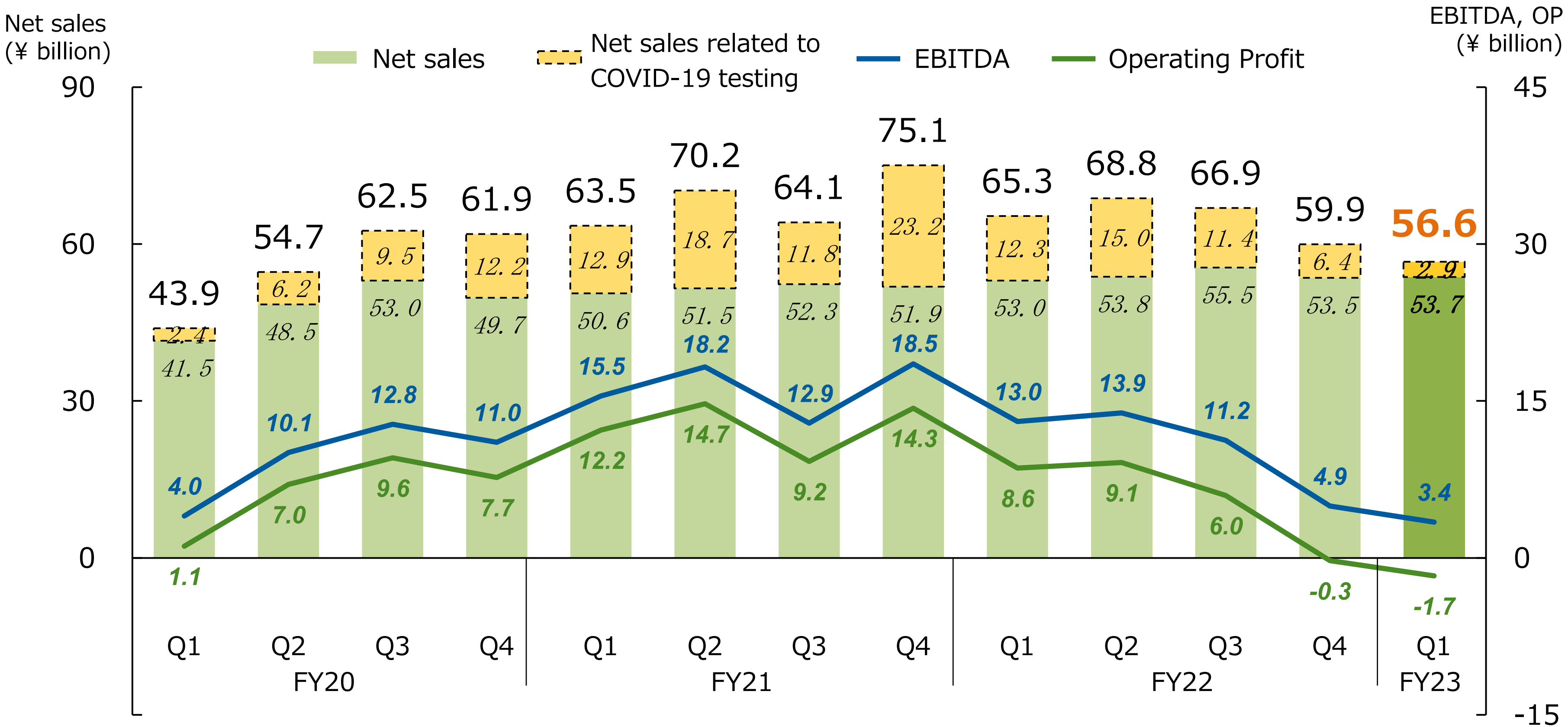


Major extraordinary factors

- Gain on sale of businesses +¥0.38 B
  (Business transfer regarding RIA[1] products in IVD segment)

1. Radioimmunoassay

Quarterly Performance Trend



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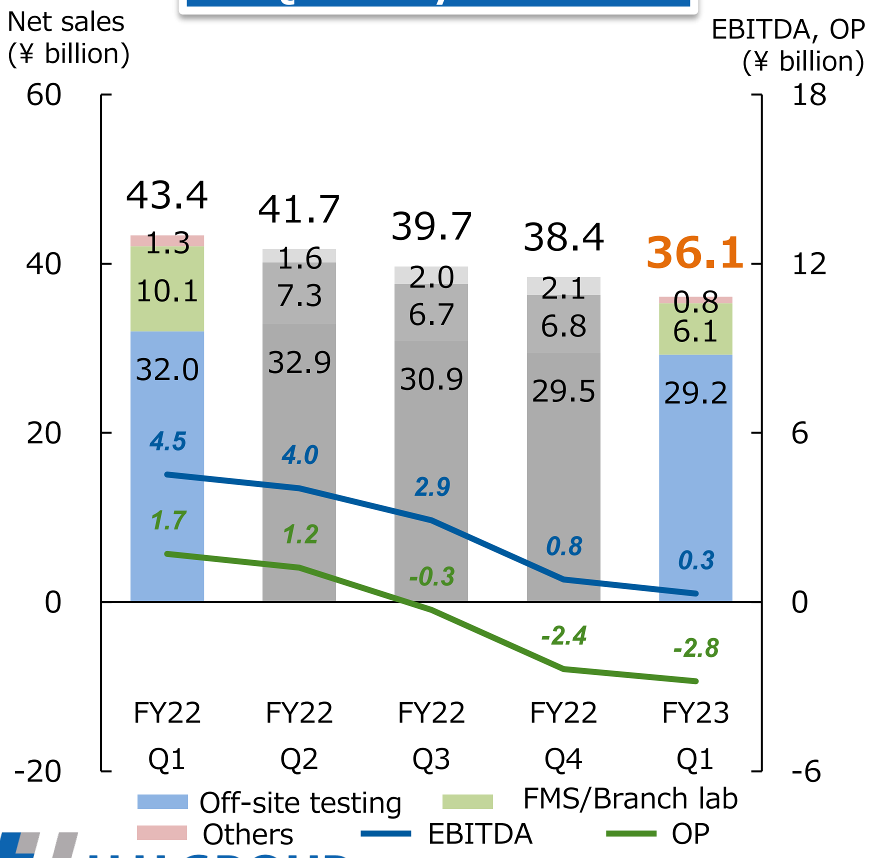
LTS

Quarterly Results



YoY Comparison

(¥ billion)

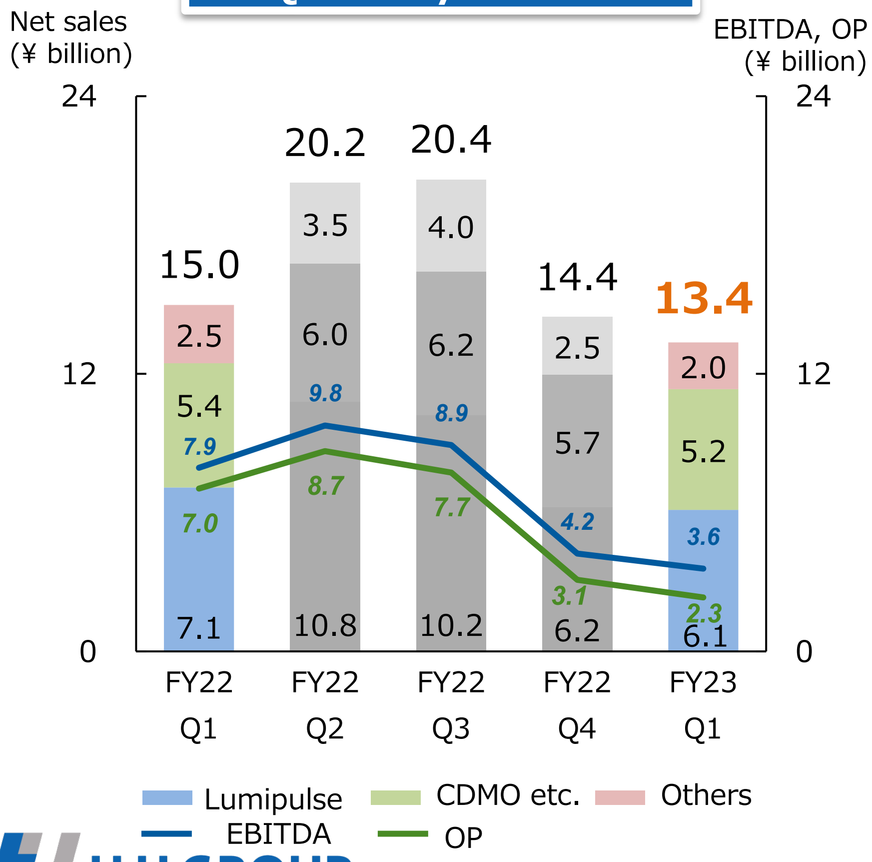
	FY22 Q1		FY23 Q1		Variance	
Net sales	43.4		36.1		-7.26	-16.7%
Off-site	32.0		29.2		-2.77	-8.7%
FMS/Branch	10.1		6.1		-3.98	-39.5%
Others	1.3		0.8		-0.51	-39.9%
EBITDA	4.5	**10.4%**	0.3	**0.8%**	-4.22	-93.4%
OP	1.7	**3.9%**	-2.8	**-7.8%**	-4.52	–

Net sales
- COVID-19-related sales: ¥1.2 B (FY22_Q1: ¥8.8 B)
  - ✓ Due to mainly testing volume decrease of PCR and comprehensive testing support at airport quarantines
- Increase in genetic testing

Operating Profit
- Profit decrease mainly due to decrease of COVID-19-related sales

IVD

Quarterly Results



YoY Comparison

(¥ billion)

	FY22 Q1		FY23 Q1		Variance	
Net sales	15.0		13.4		-1.62	-10.8%
Lumipulse	7.1		6.1		-0.96	-13.6%
Japan	6.1		5.3		-0.77	-12.6%
Overseas	1.0		0.8		-0.19	-19.8%
CDMO etc.	5.4		5.2		-0.15	-2.7%
Others	2.5		2.0		-0.51	-20.0%
EBITDA	7.9	53.0%	3.6	26.8%	-4.36	-54.9%
OP	7.0	47.0%	2.3	17.5%	-4.70	-66.8%

Lumipulse inter-segment transaction	2.5	1.1	-1.43	-56.2%

Net sales
- COVID-19-related sales: ¥1.8 B (FY22_Q1: ¥3.5 B)
  - ✓ ESPLINE, Lumipulse reagent (Japan and overseas) decreased
- Base business growth including FX tailwind

Operating profit
- Decreased along with COVID-19-related sales and inter-segment transaction decrease
- Increased R&D costs for future growth

FX impact (net sales: +¥0.42 B, OP: +¥0.05 B)

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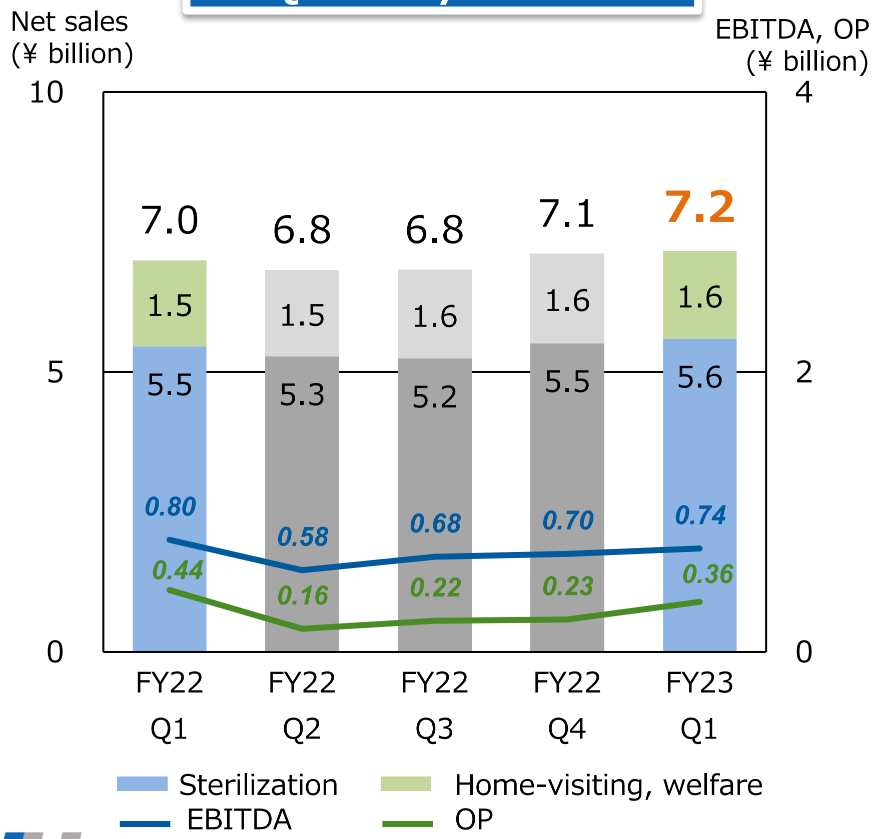
HS

Quarterly Results



YoY Comparison

(¥ billion)

	FY22 Q1		FY23 Q1		Variance	
Net sales	7.0		7.2		+0.17	+2.4%
Sterilization	5.5		5.6		+0.14	+2.5%
Home-visiting, welfare	1.5		1.6		+0.03	+2.0%
EBITDA	0.80	**11.4%**	0.74	**10.3%**	-0.06	-7.7%
OP	0.44	**6.3%**	0.36	**5.0%**	-0.08	-19.2%

Net sales

- Sterilization-related business and Home-visiting and welfare business both achieved growth

Operating profit

- Increase in labor costs, etc.

Consolidated Results for FY2023 Q1

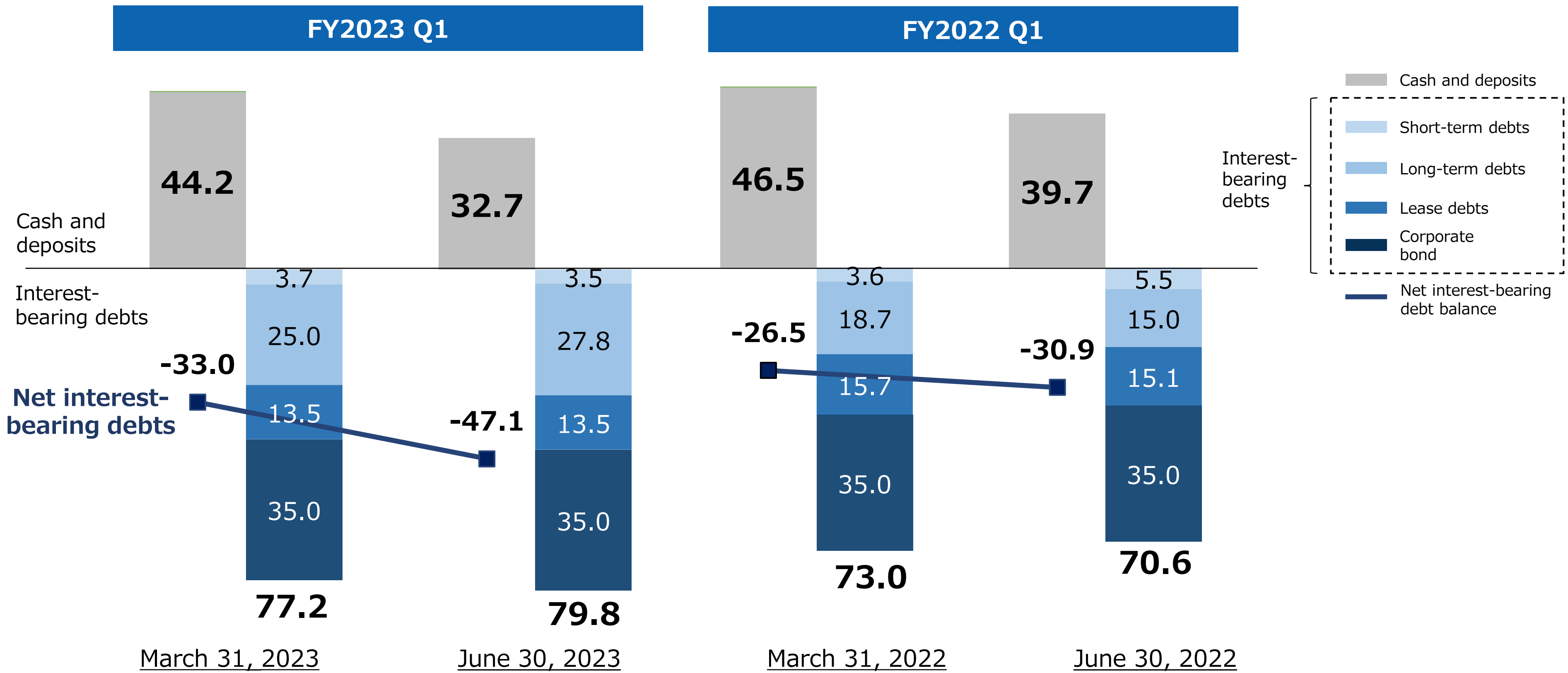
(¥ billion)

	FY2022 Q1 Results	FY2022 Q1 Profit ratio	FY2023 Q1 Results	FY2023 Q1 Profit ratio	Variance	
Net sales	**65.3**		**56.6**		**-8.71**	**-13.3%**
LTS	43.4		36.1		-7.26	-16.7%
IVD	15.0		13.4		-1.62	-10.8%
HS	7.0		7.2		+0.17	+2.4%
OP [1]	**8.6**	**13.1%**	**-1.7**	**-3.0%**	**-10.29**	**–**
LTS	1.7	3.9%	-2.8	-7.8%	-4.52	–
IVD	7.0	47.0%	2.3	17.5%	-4.70	-66.8%
HS	0.4	6.3%	0.4	5.0%	-0.08	-19.2%
Or. profit	**8.5**	**12.9%**	**-1.5**	**-2.6%**	**-9.92**	**–**
Net profit	**5.6**	**8.6%**	**-1.1**	**-2.0%**	**-6.71**	**–**
EBITDA	**13.0**	**19.9%**	**3.4**	**6.0%**	**-9.61**	**-73.7%**

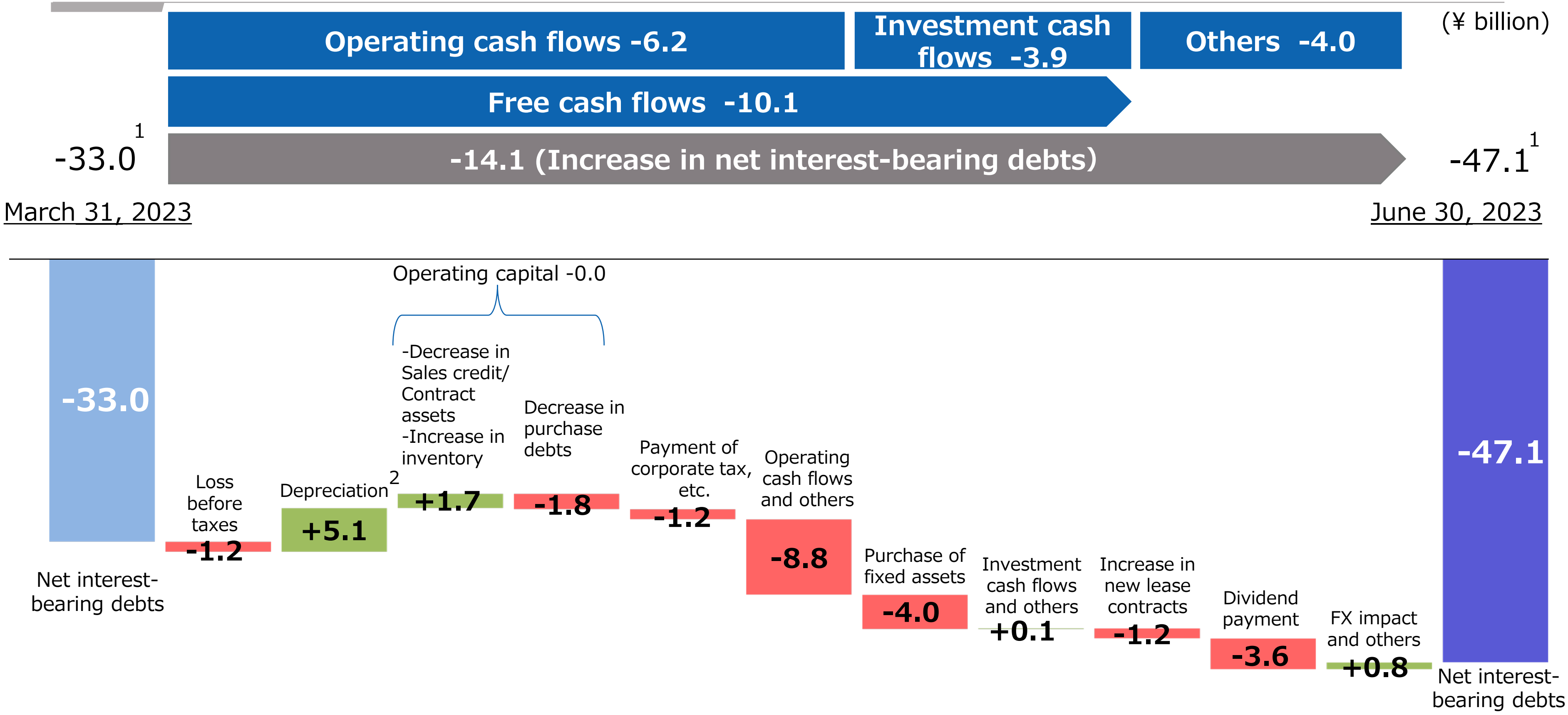
1. OP includes H.U. Group Holdings and H.U. Group Research Institute etc., as well as inter-segment eliminations (FY2022_Q1: -¥0.61 B, FY2023_Q1: -¥1.59 B)

Cash and Deposits / Interest-bearing Debts

(¥ billion)



Analysis of Consolidated Cash Flows (FY2023 Q1)



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

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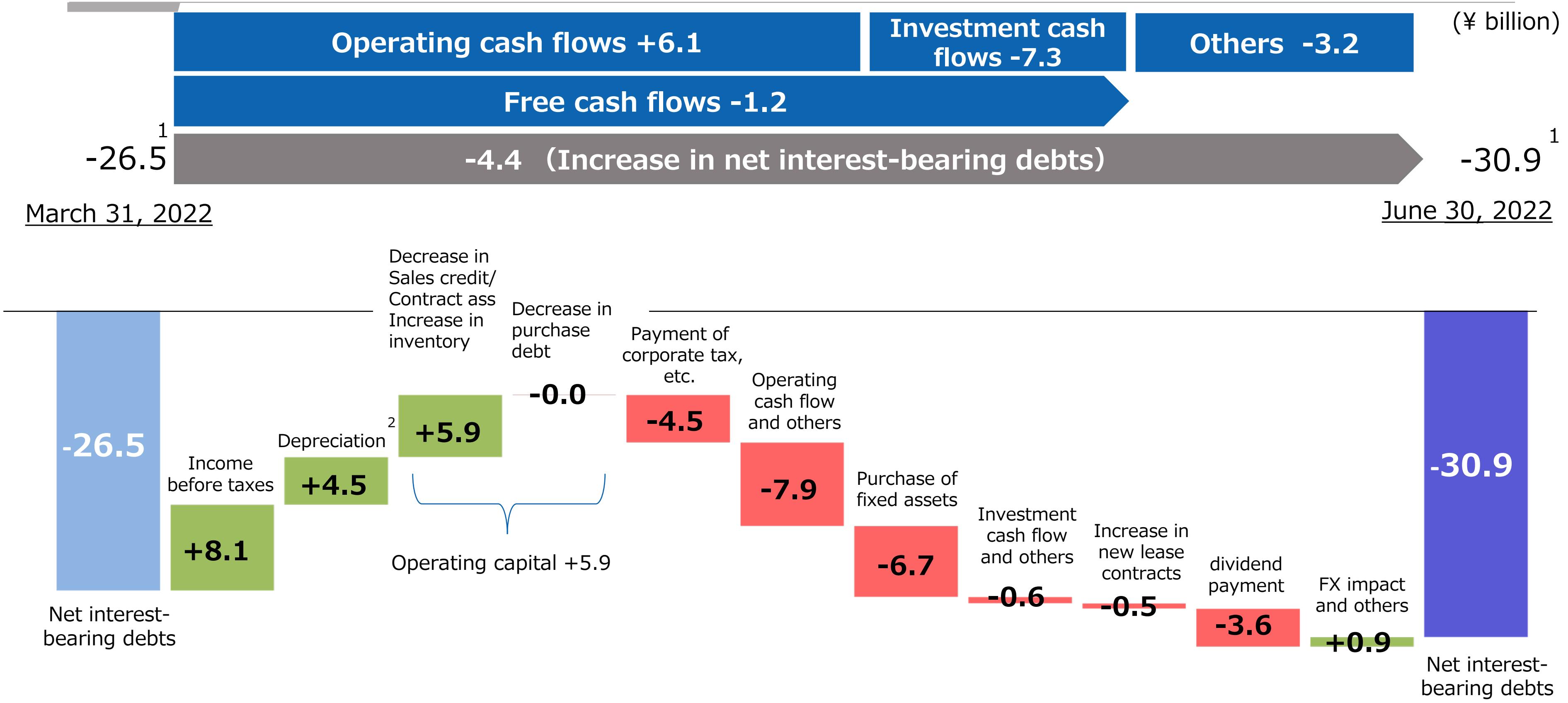
Analysis of Consolidated Cash Flows (FY2022 Q1)



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

Status Update in FY2023 Q1

Consolidated Operating Profit: Gap, Outlook and Measures

#	Item	Initial forecast	Gap to initial forecast	Outlook and measures
1	Covid-19-related sales	A certain level of demand to be sustained	PCR tests and ESPLINE demand below expectation (quantitative antigen tests within the expected range)	・Proactively capture the demand of quantitative antigen test ・Enhance ESPLINE sales to government and public institutions
2	Base business (testing volume)	・Gradual recovery ・Normalized from 2nd half	Delay in the pace of recovery	Normalization is expected in the 2nd half; the situation will be monitored closely
3	General test operation in AkirunoCube	Full operation of automated conveyer lines starting in June	Specimen reception delays and a temporary testing process issue occurred in July	・Delay in full operation of automated conveyer lines ・Resolution cost to be incurred
4	Profitability improvement (fixed cost reduction)	・Limited in the 1st half ・Primarily realized in the 2nd half	Prioritized the resolution of #3 mentioned above	Ensure implementation of every measure
5	CDMO	Stable growth and business expansion	Items in production phase: Orders from some partners delayed	・Items in production phase: To be recovered within the fiscal year ・Items started development after FY2020: Early-than-expected shipment starts from 2nd half

AkirunoCube Costs and Effects

Anticipating higher costs and possible reduction in efficiency gains due to delays in reporting some general test results, but the impact on business performance for this fiscal year is being evaluated

(¥ billion)

		FY23 full-year Forecast	FY23 Q1 Result	Current estimate
Costs	One-time costs	-1.0	-0.5	Resolution cost to be incurred due to delays in reporting some general test results
	D&A	-6.1	-1.2	Anticipated to be lower due to delays in full operation
	Running costs[1]	-5.9	-1.2	Some risk of moderate energy costs increase
	Total costs	-13.0	-2.9	
Effects	Efficiency effects	+2.3	—	Possibly lower-than-expected this fiscal year

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1. Include the rent

Third-Party Evaluations and Participation in Initiatives

Selected to be on METI's list of Digital Transformation Stocks 2023

DX銘柄2023
Digital Transformation

Chosen to be on the following indices:

- FTSE4Good Index Series (first time)
- FTSE Blossom Japan Index (first time)
- FTSE Blossom Japan Sector Relative Index (second consecutive year)

FTSE4Good
FTSE Blossom Japan
FTSE Blossom Japan Sector Relative Index

Acquired the highest "AAA" rank in the MSCI ESG Rating (second consecutive year)

MSCI ESG RATINGS AAA

CCC | B | BB | BBB | A | AA | AAA

Participation in GHIT (Global Health Innovative Technology) Fund

Fight Neglected Diseases through Partnerships

GHIT Fund

Global Health Innovative Technology Fund

1. METI (Ministry of Economy, Trade and Industry) selects and publishes the list of DX Stocks jointly with the Tokyo Stock Exchange (TSE) and Information-technology Promotion Agency, Japan (IPA) selecting outstanding companies which have established internal systems for promoting digital transformation (DX) to improve corporate value.
2. FTSE Russell (Registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that H.U. Group Holdings, Inc. has qualified for inclusion in the FTSE Blossom Japan Sector Relative Index as a result of independent research. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.
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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.