

FY2023 (Ended March 31, 2024) Annual Financial Results

May 10, 2024

H.U. Group Holdings, Inc.

(TSE: 4544)

Notes & references:

- * The financial information in this document follows Japanese GAAP, with the exception for EBITDA (Operating profit + Depreciation + Amortization of goodwill), which is a non-GAAP measure.
- * In some cases, “Net Profit attributable to shareholders of the parent company” may be abbreviated as “Net Profit”.
- * As a general practice, figures are rounded to the nearest whole number. Due to rounding, there may be instances where the totals do not exactly match the sum of the individual 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 : 1USD = 135.49 JPY 1EURO = 140.95 JPY

FY2023 : 1USD = 144.61 JPY 1EURO = 156.79 JPY

FY2024 (plan) : 1USD = 140.00 JPY 1EURO = 155.00 JPY

- * The provisional accounting for the business merges of ADx NeuroSciences N.V. and Fluxus, Inc. in fiscal year 2022 has been completed at the end of fiscal year 2022. The initial allocation of acquisition costs was reevaluated and retroactively incorporated into each figure for fiscal year 2022.

Financial Results for FY2023

Consolidated Results for FY2023

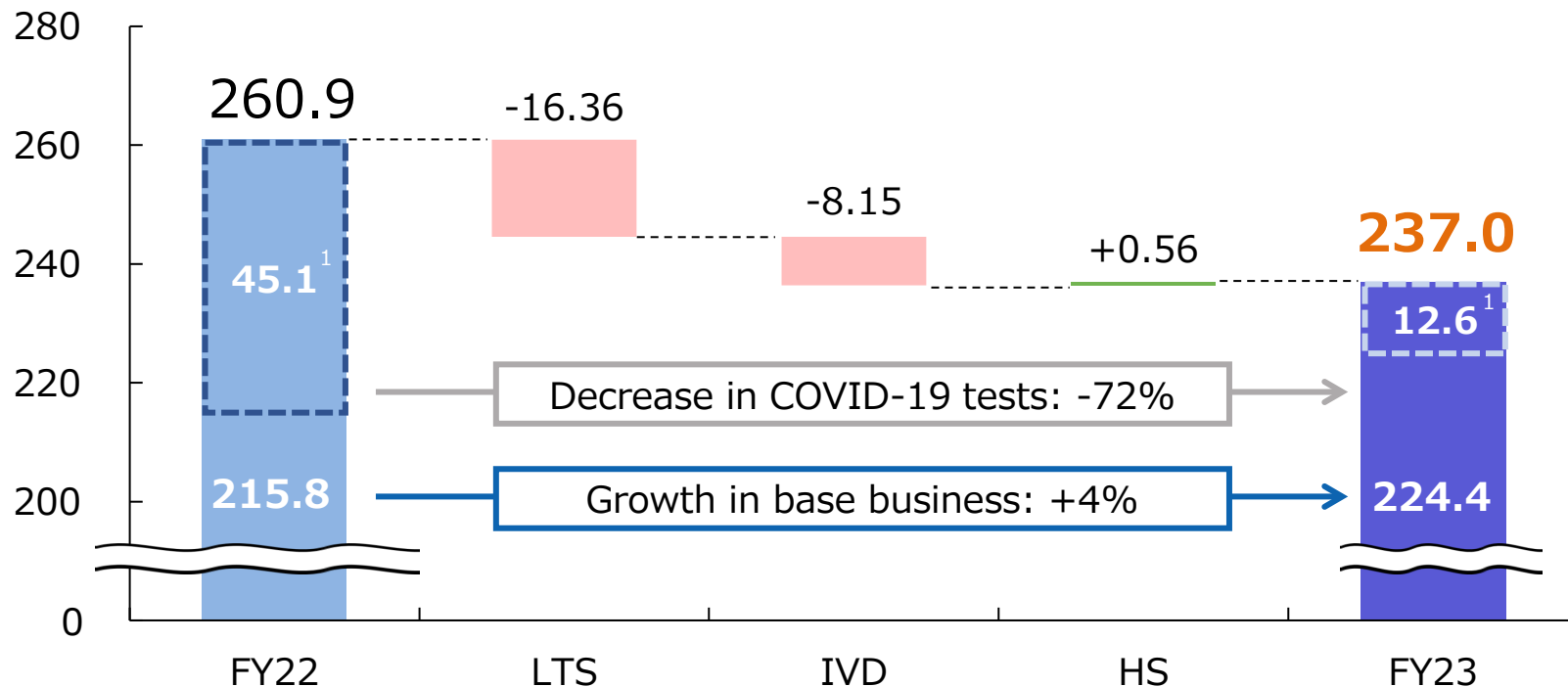
(¥ billion)

	FY2022		FY2023		Variance	
	Results	Profit ratio	Results	Profit ratio		
Net sales	260.9		237.0		-23.96	-9.2%
LTS	163.1		146.7		-16.36	-10.0%
IVD	70.1		61.9		-8.15	-11.6%
HS	27.8		28.3		+0.56	+2.0%
Operating profit/loss¹	23.4	9.0%	-4.0	-1.7%	-27.42	-
LTS	0.3	0.2%	-12.5	-8.5%	-12.79	-
IVD	26.5	37.9%	12.9	20.9%	-13.61	-51.3%
HS	1.1	3.8%	1.3	4.7%	+0.28	+26.5%
Or. profit/loss	22.0	8.4%	-7.2	-3.1%	-29.25	-
Net profit/loss	15.7	6.0%	-7.6	-3.2%	-23.23	-
EBITDA	43.1	16.5%	16.8	7.1%	-26.25	-60.9%
ROE	10.8%		-5.2%		-16.0pt	

1. Operating profit or loss includes H.U. Group Holdings and H.U. Group Research Institute etc., and inter-segment eliminations (FY2022: -¥4.48 B, FY2023: -¥5.78 B)

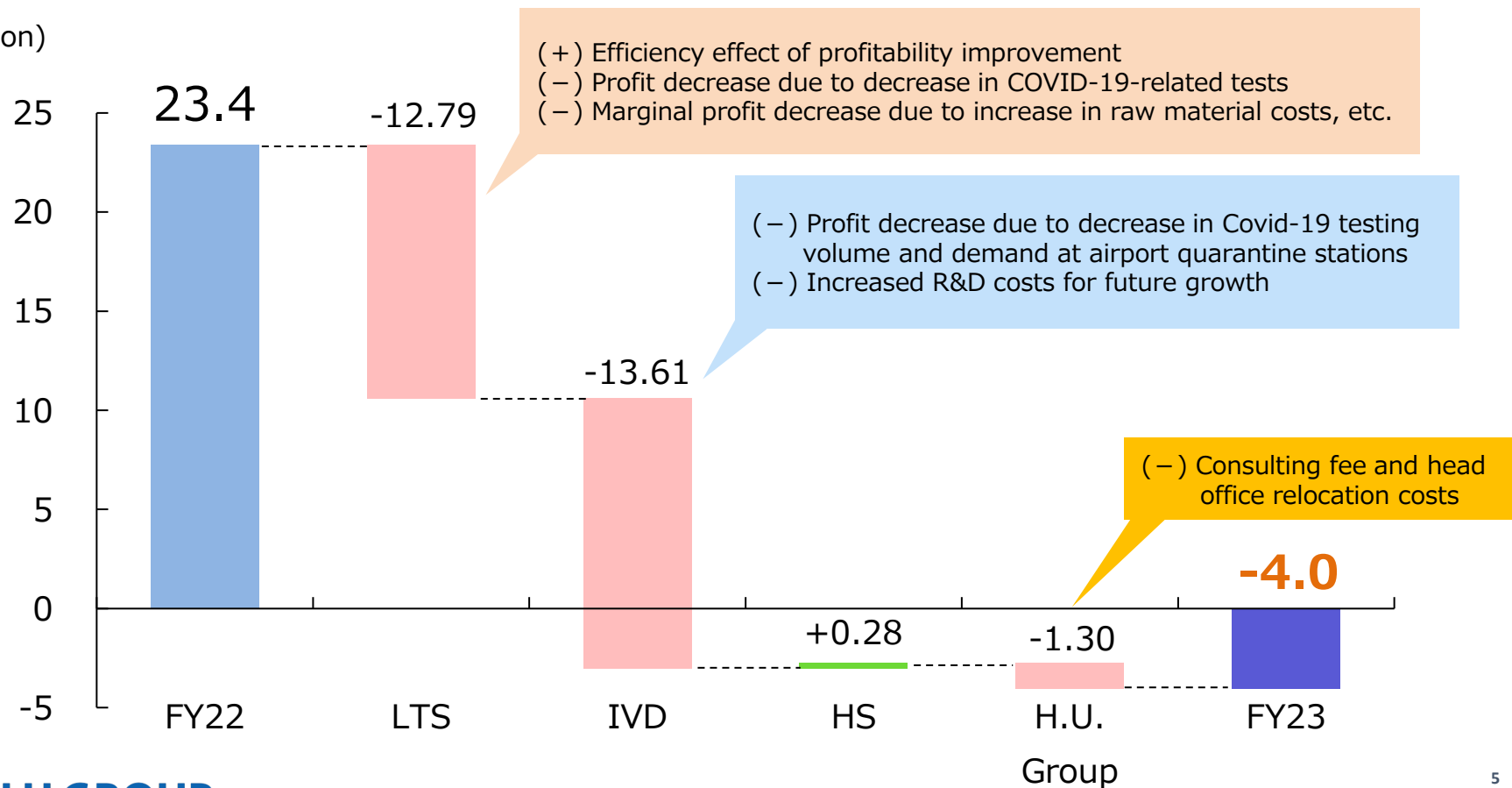
Consolidated Net Sales Changes

(¥ billion)



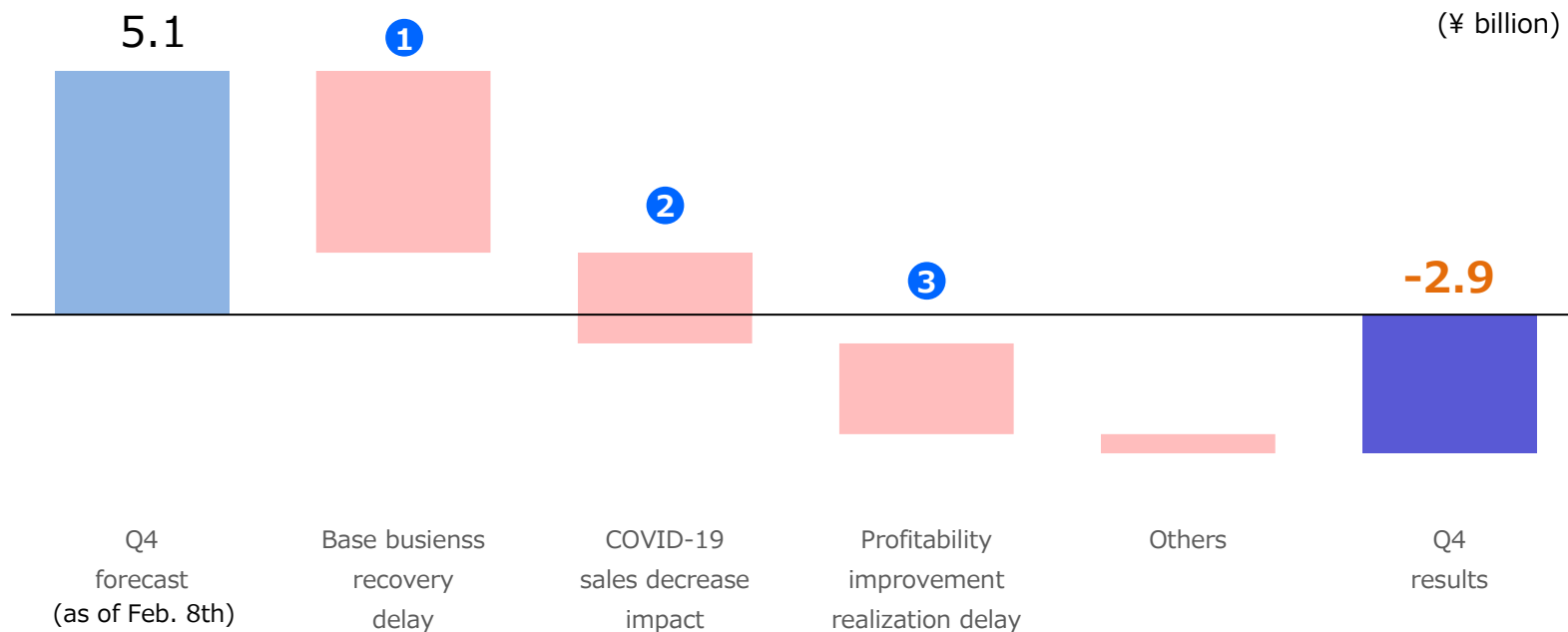
Consolidated Operating Profit Changes

(¥ billion)



Difference Between Forecast and Result of OP in Q4

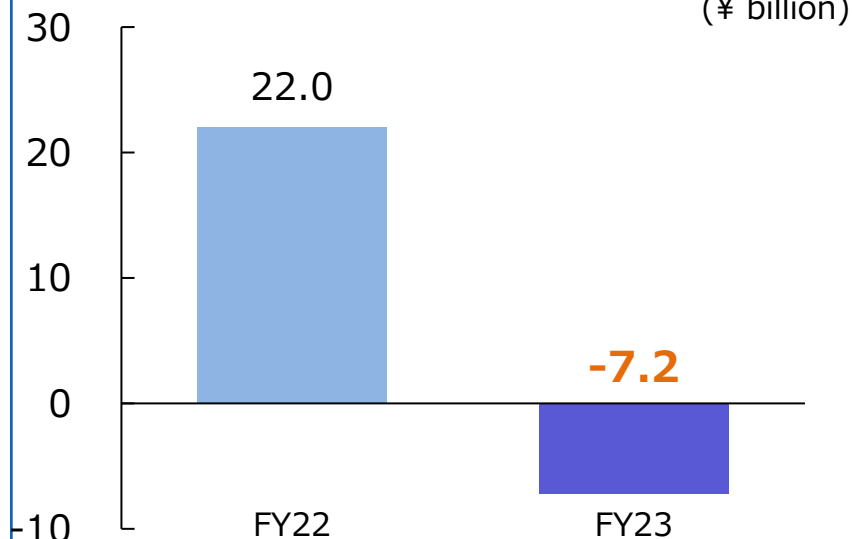
1. Anticipated recovery in test volume within the base business fell below expectations
2. Decline in COVID-19-related testing was more substantial than initially anticipated
3. Profitability improvement, particularly within LTS, experienced a delayed impact



Consolidated Ordinary Profit/Loss & Net Profit/Loss

Ordinary Profit/Loss

(¥ billion)

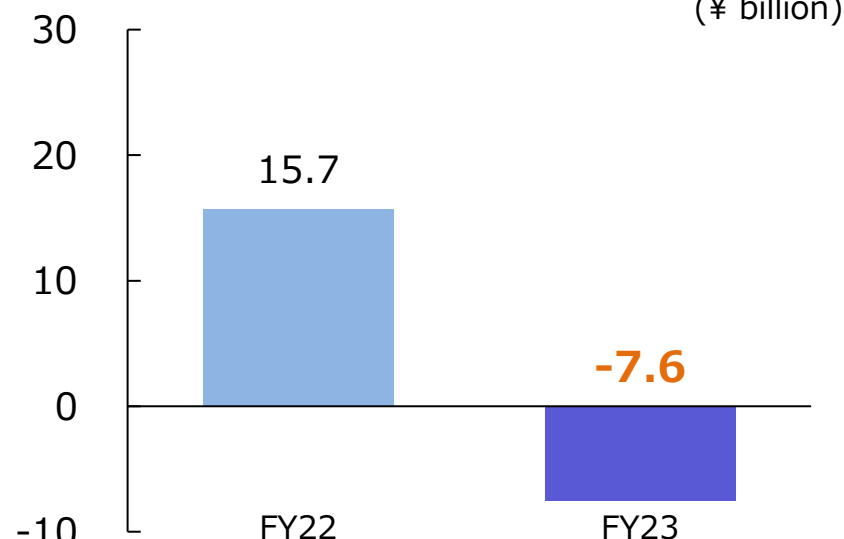


Major non-operating factors

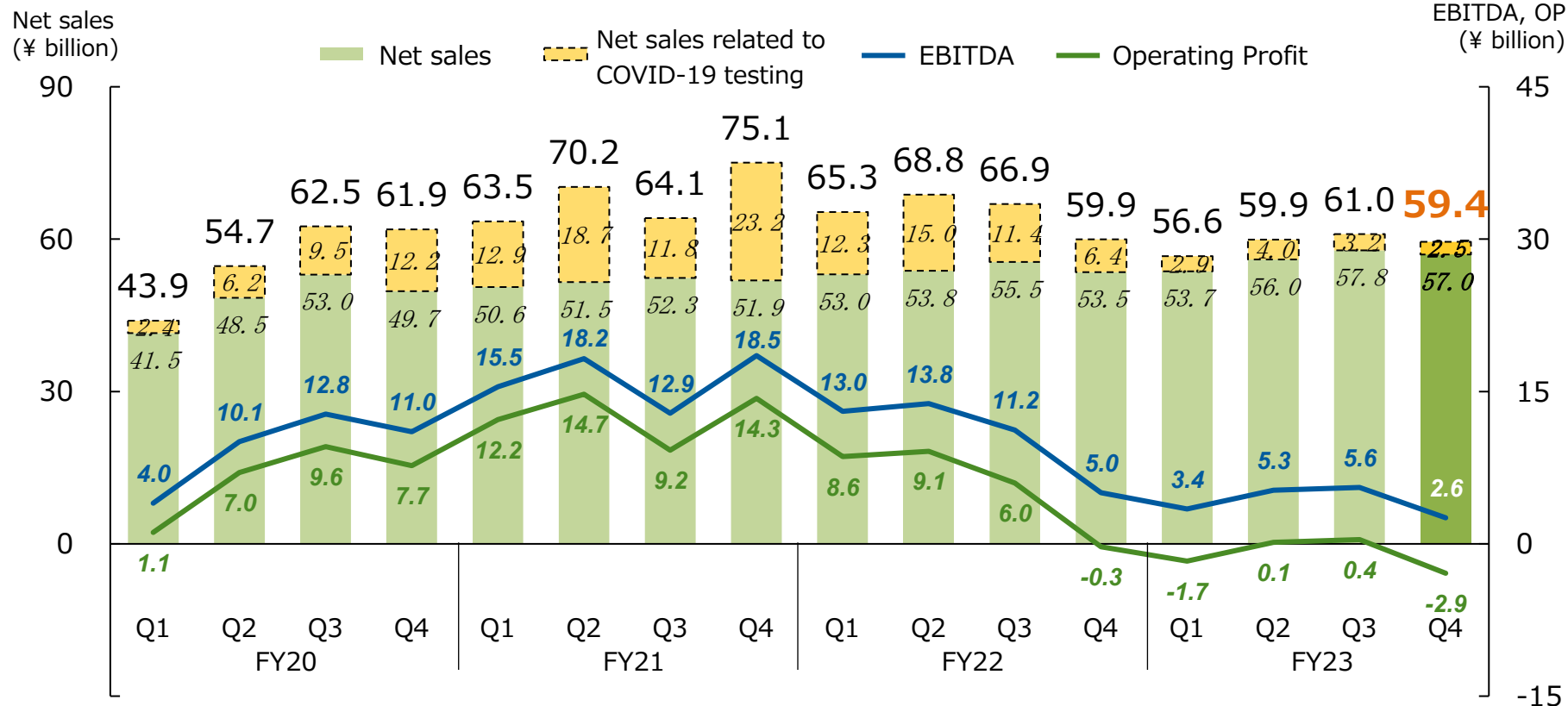
- Foreign exchange gains ¥0.98 B
- Equity in losses of affiliates ¥2.79 B

Net Profit/Loss

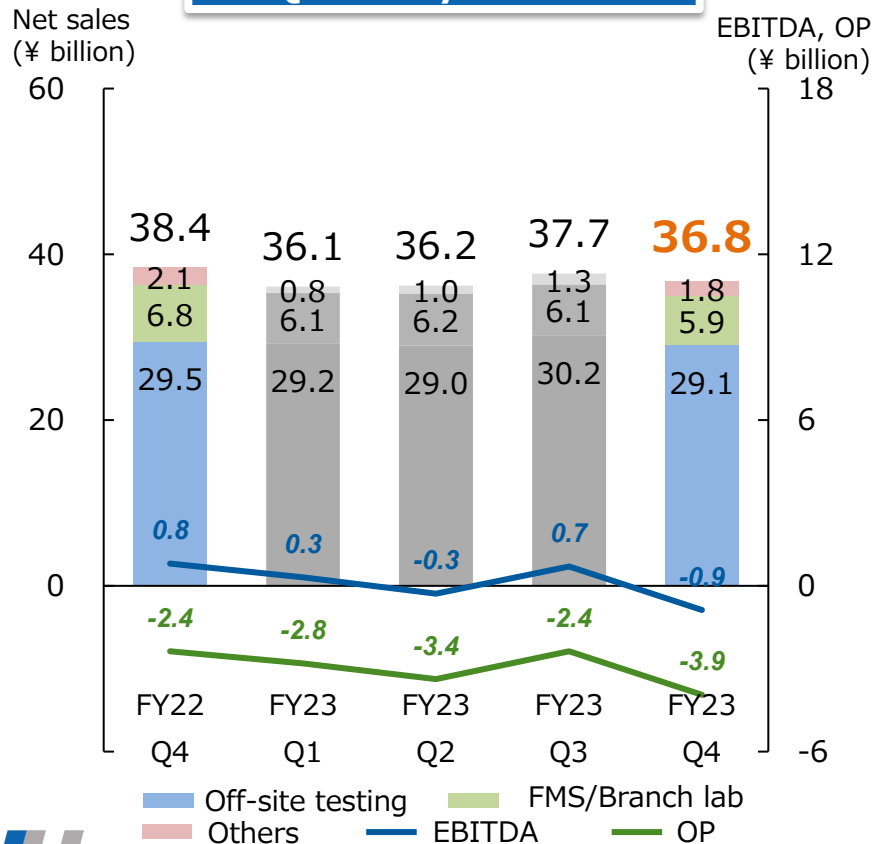
(¥ billion)



Quarterly Performance Trend



Quarterly Results



YoY Comparison

(¥ billion)

	FY22	FY23	Variance	
Net sales	163.1	146.7	-16.36	-10.0%
Off-site	125.2	117.5	-7.68	-6.1%
FMS/Branch	30.9	24.3	-6.57	-21.3%
Others	7.0	4.8	-2.11	-30.4%
EBITDA	12.3	-0.2	-12.42	-
OP	0.3	-12.5	-12.79	-

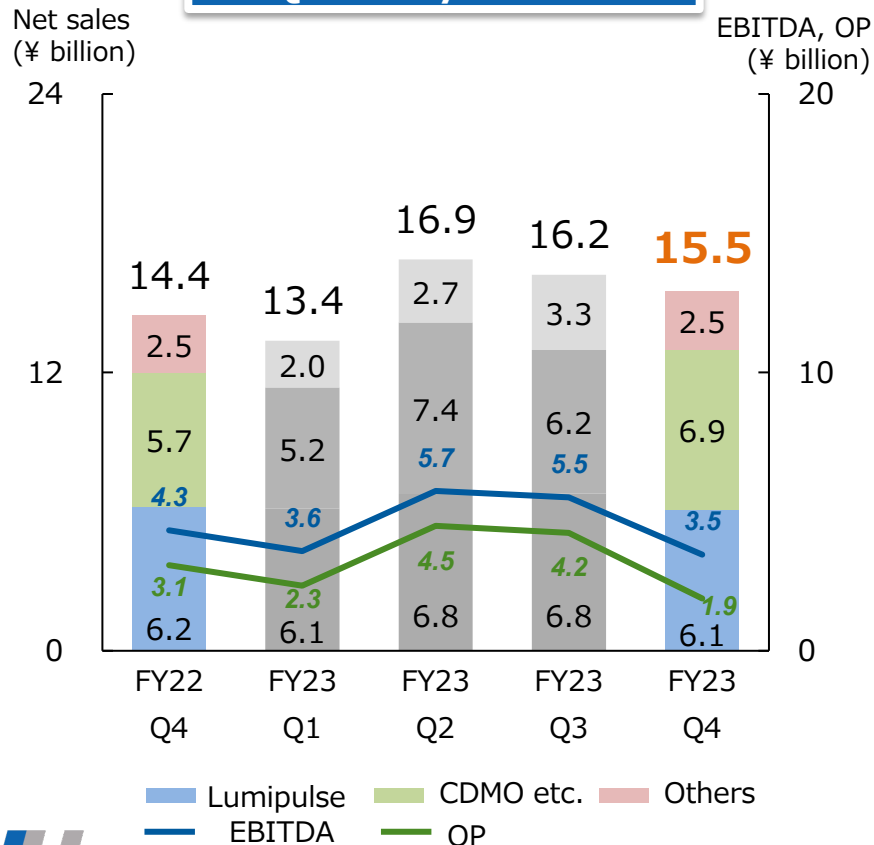
Net sales

- COVID-19-related sales: ¥3.5 B (FY22: ¥23.9 B)
 - ✓ Largely due to decrease in testing volume of PCR and comprehensive testing support at airport quarantines
- Increase in genetic testing

Operating Profit

- Efficiency effect of profit improvement measures
- Decrease primarily as a result of declined COVID-19-related sales
- Marginal profit decrease due to increase in raw material costs, etc.

Quarterly Results



YoY Comparison

(¥ billion)

	FY22	FY23	Variance	
Net sales	70.1	61.9	-8.15	-11.6%
Lumipulse	34.3	25.7	-8.62	-25.1%
Japan	30.7	22.0	-8.67	-28.3%
Overseas	3.6	3.7	+0.06	+1.6%
CDMO etc.	23.3	25.7	+2.40	+10.3%
Others	12.4	10.5	-1.94	-15.6%
EBITDA	30.9	18.3	-12.58	-40.8%
OP	26.5	12.9	-13.61	-51.3%
Lumipulse inter-segment transaction	7.0	4.5	-2.45	-35.1%

Net sales

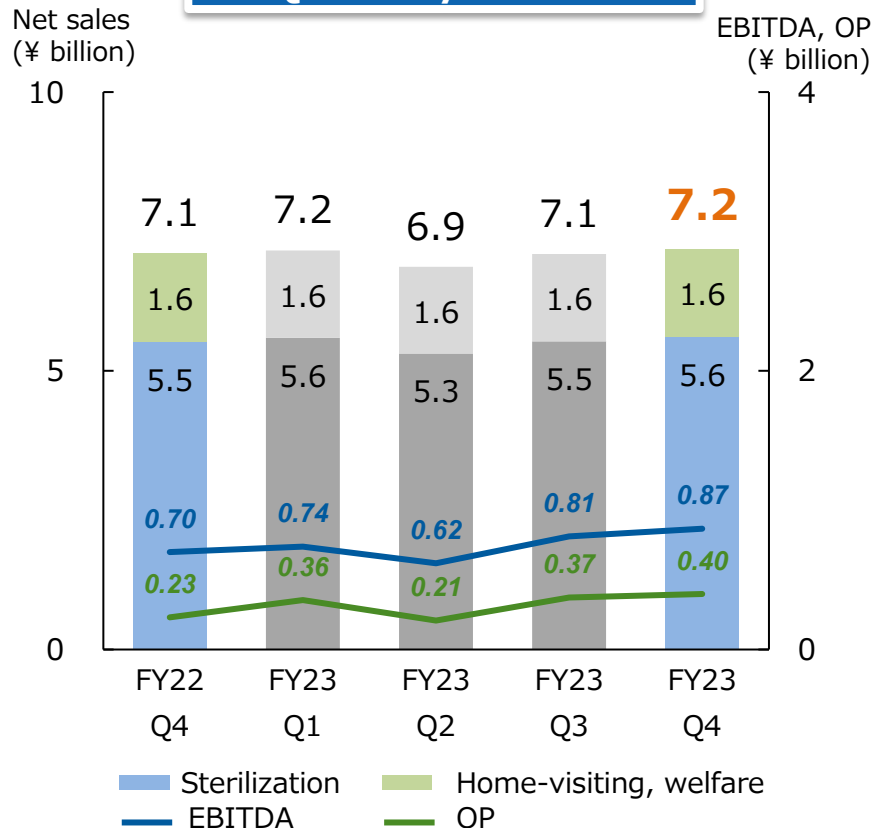
- COVID-19-related sales: ¥9.1 B (FY22: ¥21.2 B)
✓ Lumipulse reagent (Japan and overseas), ESPLINE decreased
- Base business growth including FX tailwind

Operating profit

- Decreased as a result of declined COVID-19-related sales
- Increased R&D costs for future growth

FX impact (net sales: +¥2.34 B, OP: +¥0.37 B)

Quarterly Results



YoY Comparison

(¥ billion)

	FY22	FY23	Variance	
Net sales	27.8	28.3	+0.56	+2.0%
Sterilization	21.5	22.0	+0.56	+2.6%
Home-visiting, welfare	6.3	6.3	-0.00	-0.1%
EBITDA	2.76	3.04	+0.27	+9.9%
OP	1.06	1.34	+0.28	+26.5%

Net sales

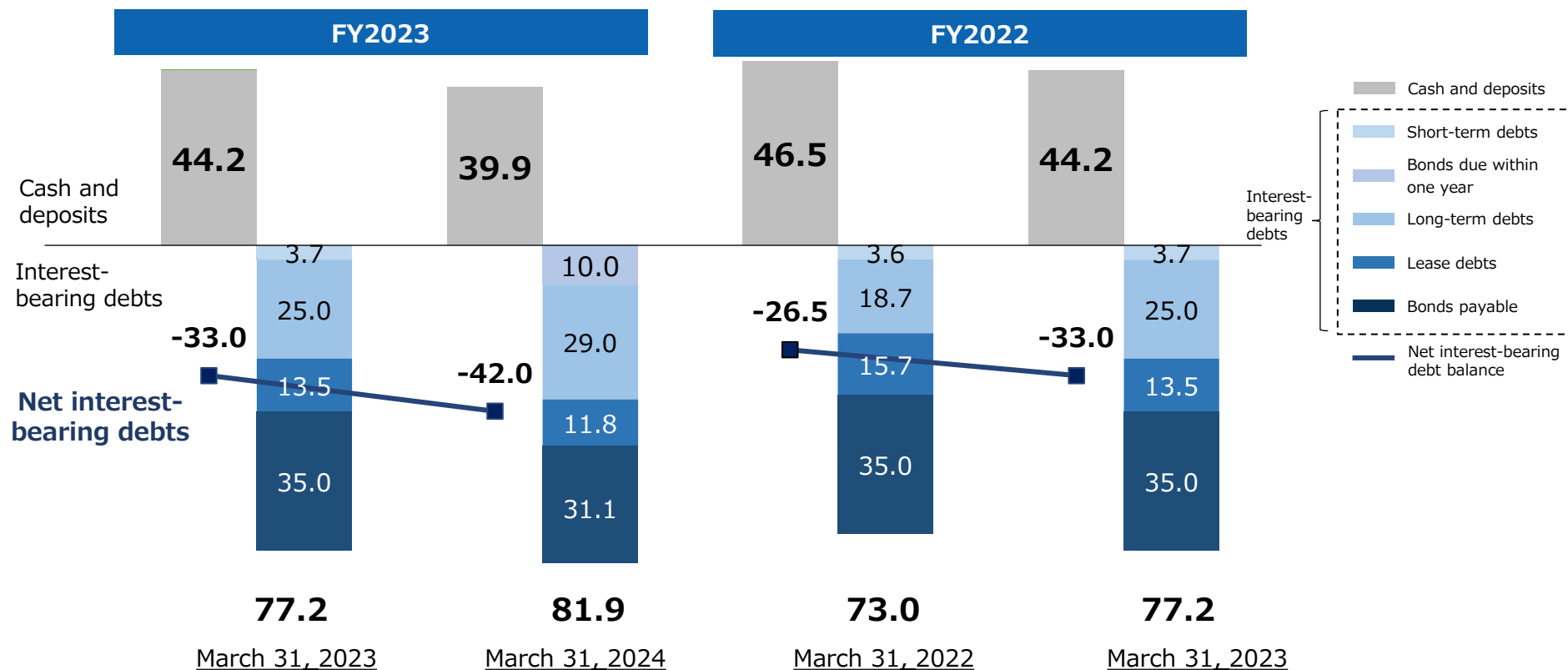
- Sterilization-related business: sales growth driven by increase in sterilization services and product sales

Operating profit

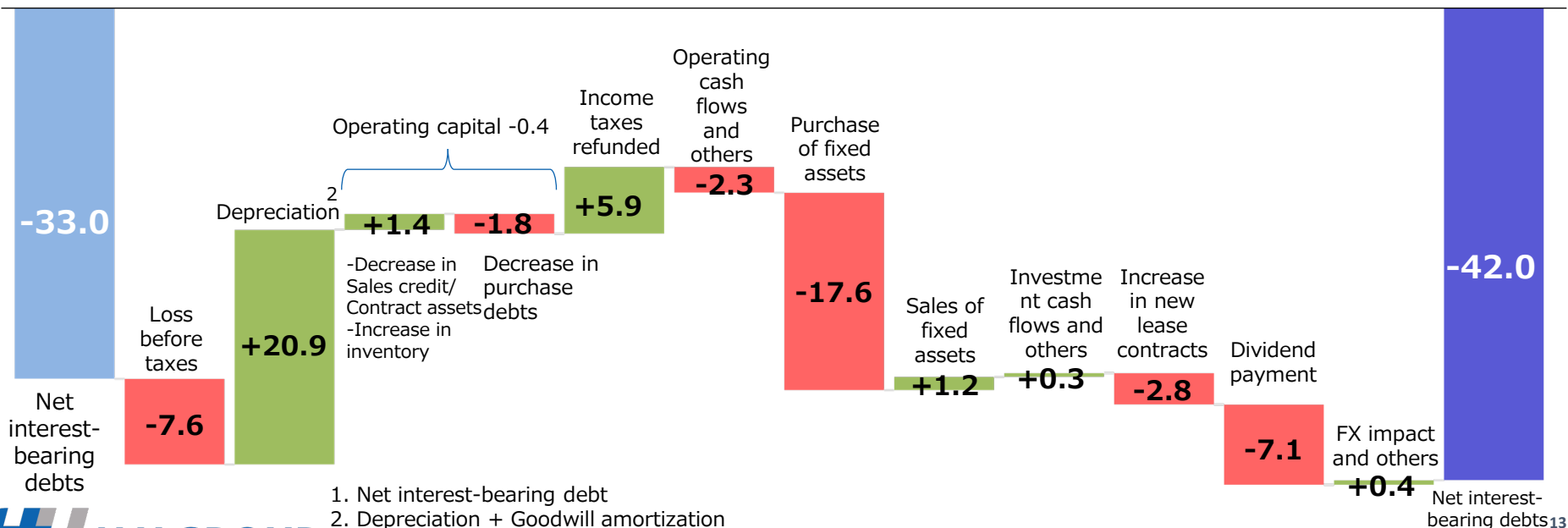
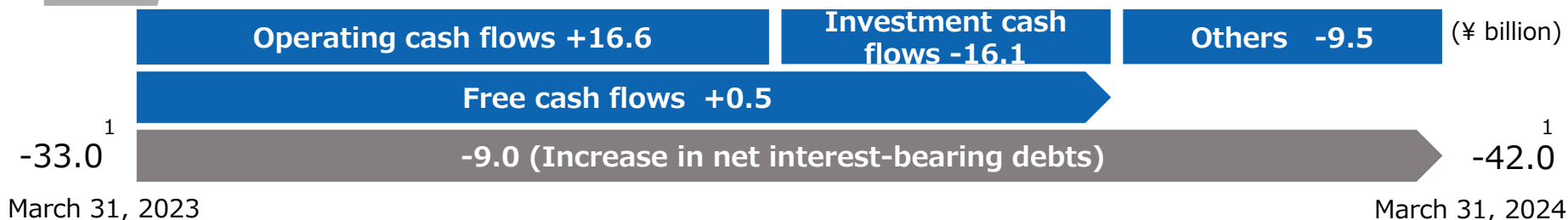
- Profitability improvement of welfare business
- Increase in labor costs, etc.

Cash and Deposits / Interest-bearing Debts

(¥ billion)



Analysis of Consolidated Cash Flows (FY2023)



Analysis of Consolidated Cash Flows (FY2022)

(¥ billion)

Operating cash flows +32.5

Investment cash flows -29.6

Others -9.4

Free cash flows +2.9

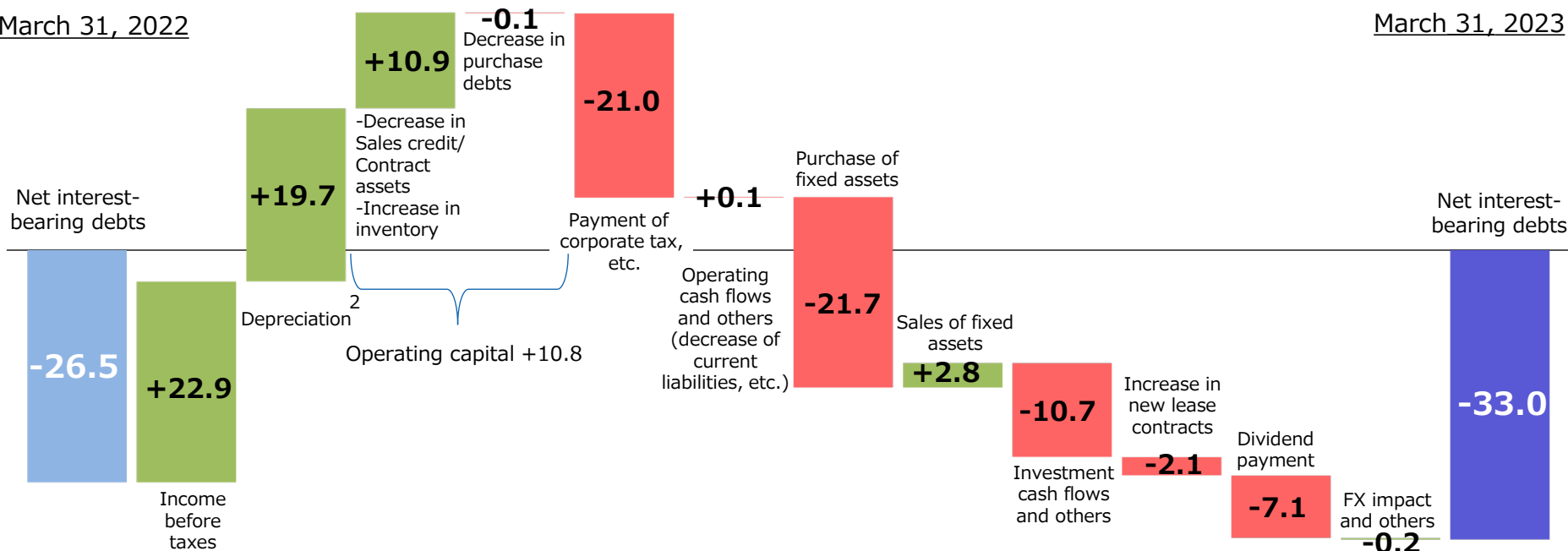
-26.5¹

-6.5 (Increase in net interest-bearing debts)

-33.0¹

March 31, 2022

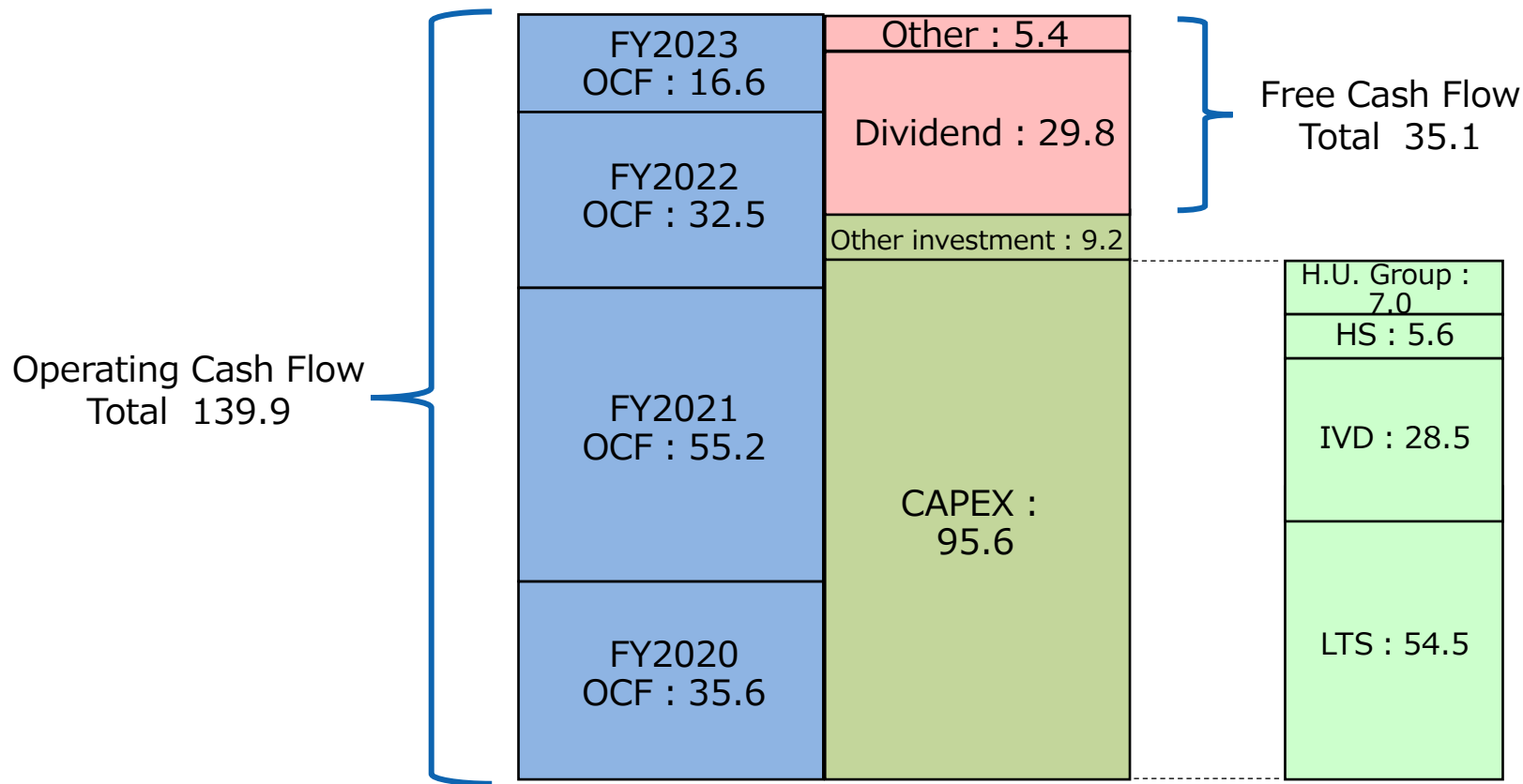
March 31, 2023



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

FY2020-FY2023 (4 years) Cumulative Cash Flow (Capital Allocation)

(¥ billion)



FY2024 Business Plan and Future Growth Strategy

Activities to date and Future Directions

FY2020~FY2022

Despite anticipating downturn of profitability attributed to the launch of AkirunoCube, COVID-19 initiatives generated substantial profits

- Prioritized COVID-19 initiatives as our foremost social responsibility
 - ✓ Offering PCR testing services from the outset and pioneering and launching the world's first antigen quantitative testing reagents
 - ✓ Establishing testing system at airport quarantine stations and providing support for large-scale events
(Total COVID-19-related sales over three years amounted to 142.0 billion yen)
- Negative factors such as decrease in base testing volume and increase in COVID-19-related costs, didn't surface since both sales and profit increased
 - ✓ Sales mix changed
 - ✓ Fixed cost structure worsened
- AkirunoCube launch delayed

FY2023

Profitability sharply declined due to lower sales and higher costs

- Significant decline in COVID-19-related testing sales
(Sales: 12.6 billion yen, YoY decrease of 72%)
- The recovery pace of decreased base test volumes was slow
- Started a review of fixed cost structure in response to the decline
- AkirunoCube transfer started, while efficiency effect was limited

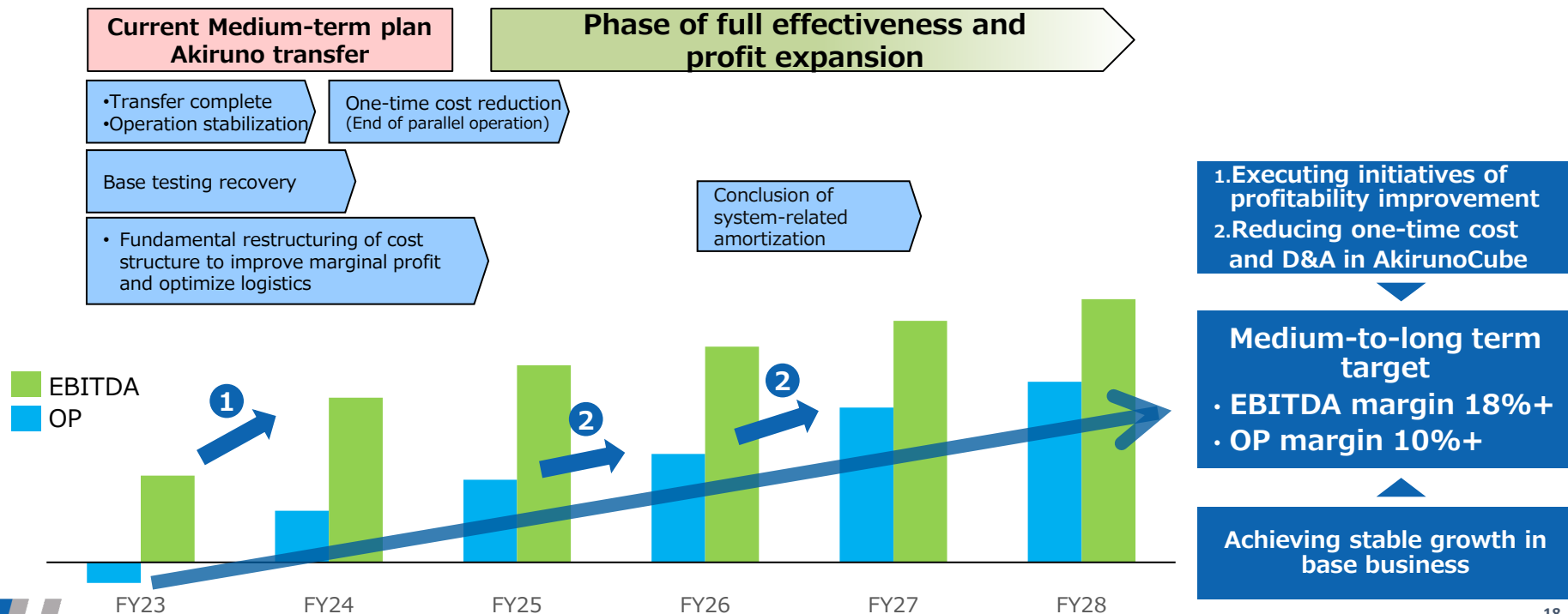
FY2024

Achieve revenue growth while increase profit and establish a more profitable foundation through cost control

- Complete the AkirunoCube transfer
- Establish the optimal cost structure for post-COVID era and long-term growth, including fundamental improvements to fixed costs
- Anticipate base testing to recover, and strive for profitable sales growth

EBITDA and OP Outlook for the Next Five Years

- The initial phase of the current medium-term plan emphasized COVID-19 initiatives and structural reform, with a focus on profit expansion in the latter phase. However, due to the prolonged impact of COVID-19, the current focus has shifted to facilitating the Akiruno transfer and stabilizing its operations
- We anticipate full realization of the effects of the transfer and expansion of earnings from FY2025 and onwards



Full-year outlook for FY2024

FY2024 Outlook

	FY2023 results	FY2024 plan (¥ billion)		
Net sales	237.0	241.0	+4.1	+1.7%
LTS	146.7	151.0	+4.3	+2.9%
IVD	61.9	60.0	-1.9	-3.1%
HS	28.3	30.0	+1.7	+6.0%
OP	-4.0	10.0 <small>4.1%</small>	+14.0	-
LTS	-12.5	-0.2 <small>-0.1%</small>	+12.3	-
IVD	12.9	13.0 <small>21.7%</small>	+0.1	+0.7%
HS	1.3	1.8 <small>6.0%</small>	+0.5	+34.6%
HUHD, etc.	-5.8	-4.7	+1.1	-
Ord. profit	-7.2	9.5	+16.7	-
Net profit	-7.6	7.0	+14.6	-
ROE	-5%	5%	+10pt	

Comparison between Medium-term targets and current outlook

Medium-term plan target for FY2024

- Sales CAGR : 6%+
- Operating profit margin : 10%+
- ROE : 12%+

Five-year cumulative total

- Operating CF : 150 billion yen+
- FCF : 50 billion yen+



Outlook for FY2024

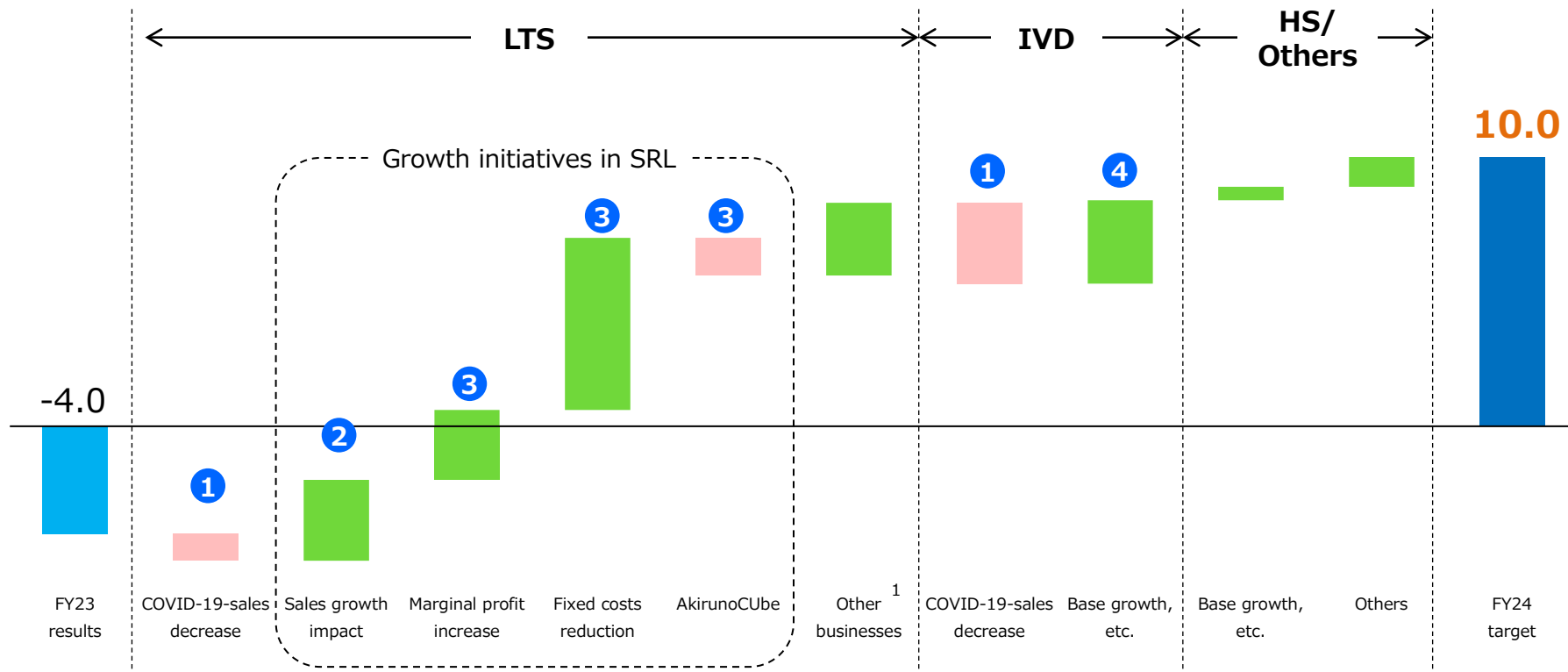
- Sales CAGR : 5%
- Operating profit margin : 4.1%
- ROE : 5%

Five-Year Cumulative Forecast

- Operating CF : 167.0 billion yen
- FCF : 50.0 billion yen

Breakdown of FY2024 Operating Profit Forecast

Key factors affecting OP in FY2024 (details of ① to ④ will be provided in the following slides)



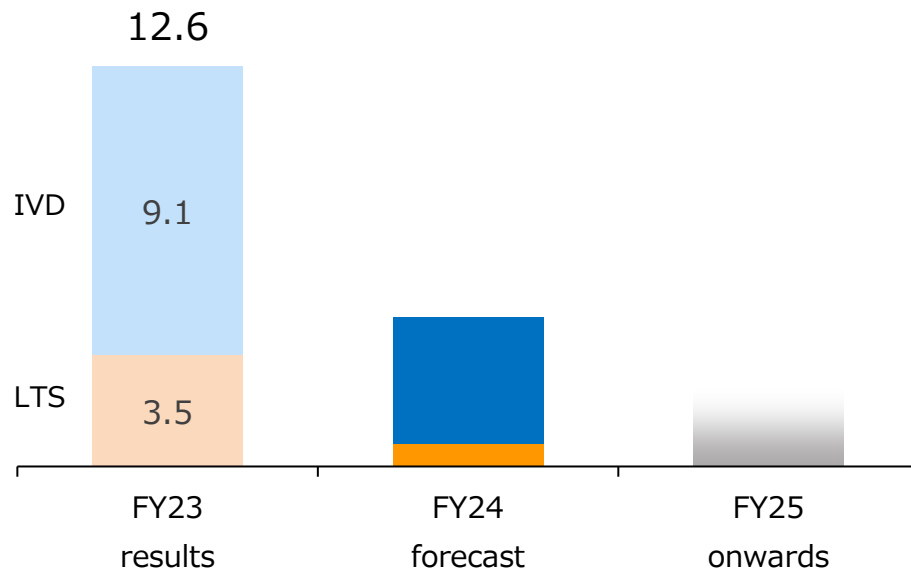
① Outlook for COVID-19-related Test (LTS, IVD)

We anticipate COVID-19-related sales to continue at a certain level, especially in the IVD business. However, we expect a decline compared to FY2023 as COVID-19 transitions to an endemic state

- We anticipate COVID-19-related sales to reach 5.0 billion yen for FY2024 (a YoY decrease of 7.6 billion yen)
- The majority of sales will be within IVD business (Lumipulse, ESPLINE)

- We anticipate a decrease in profits in FY2024 in line with the decline in sales, with further declines expected from FY2025 onwards

Results and forecast of COVID-19-related sales (billion yen)



② Sales Growth in LTS Business

Expecting a sales CAGR of 3.5% or higher, driven by expansion of base testing through customer acquisition and the growth of genetic testing

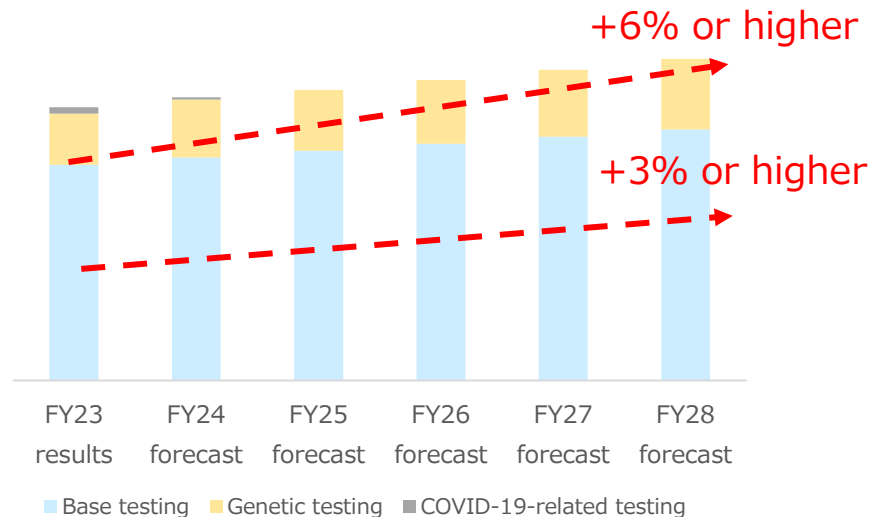
Base Testing: Expecting stable growth of 3% or higher

- Offsetting a 1-2% decrease in unit price through market recovery and expansion of customer base
- Enhancing marginal profit through proactive introduction of new items

Genetic Testing: Expecting growth of 6% or higher driven by rising demand and introduction of new items

- Improving profitability by increasing volume per customer

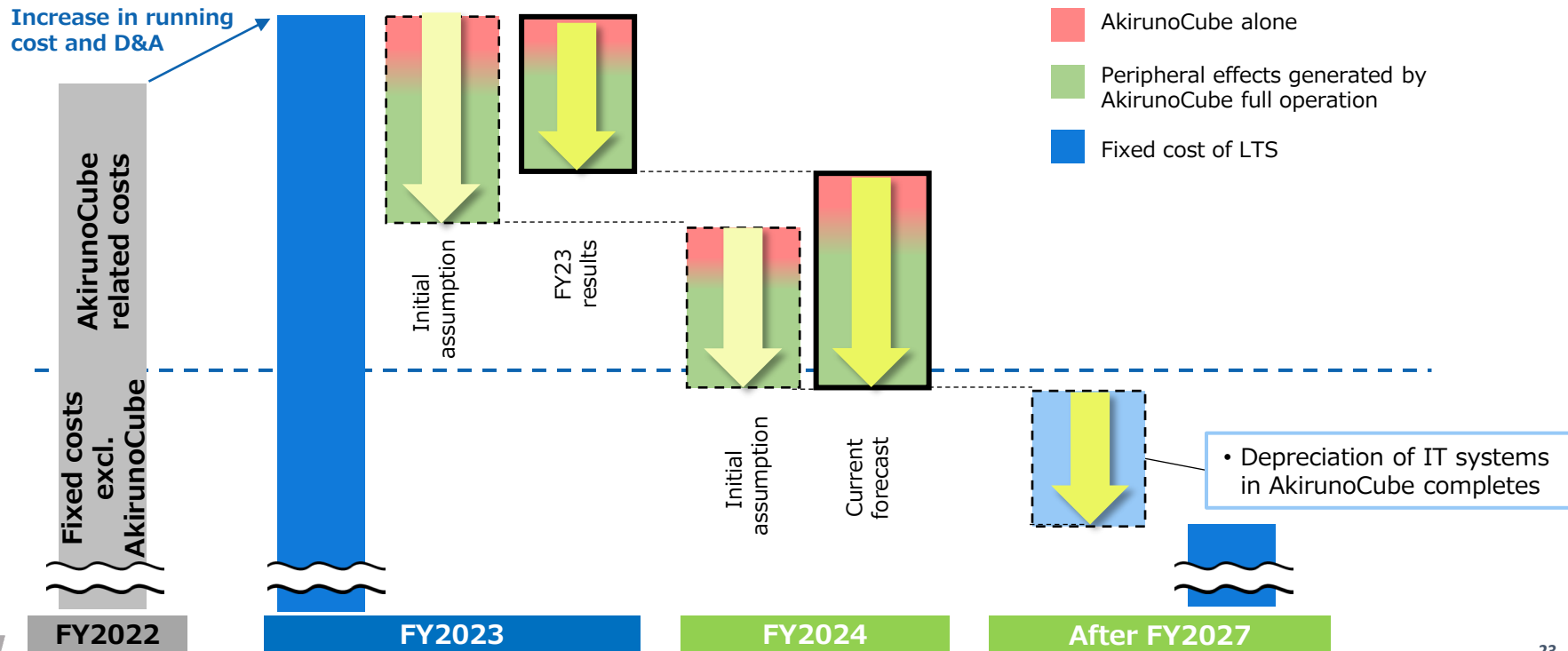
Outlook for LTS business sales growth



③ Profitability Improvement in LTS Business

(details will be provided in the following slides)

- Project delays resulted in unmet improvement targets for FY2023
- In FY2024, we aim to offset gaps and realize the originally anticipated effects



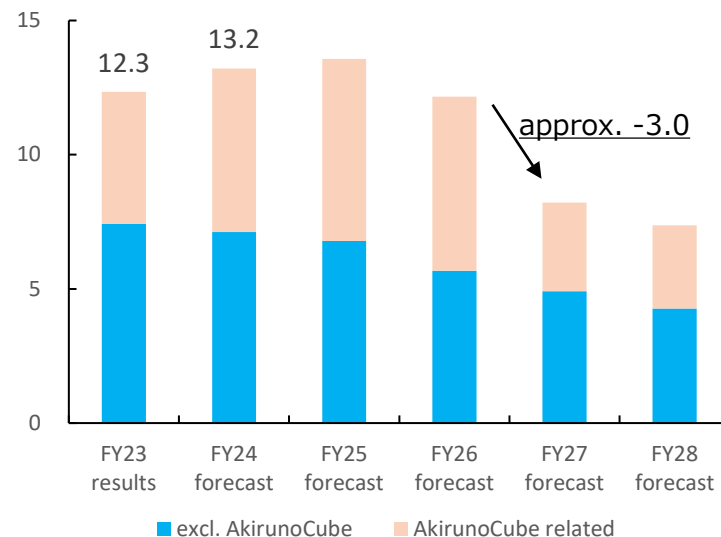
③ Profitability Improvement in LTS Business (AkirunoCube Alone)

- No one-time costs are anticipated from FY2025 onwards
- A decrease of approximately 3.0 billion yen is expected in the amortization of intangible fixed assets in FY2027
- Efficiency effects are expected to peak in FY2025

	FY23	FY24	FY25	FY28
	Results	Forecast	Forecast	Forecast
One-time costs	1.9	1.1	0	0
System related	1.4	1.1	0	0
Others	0.5	0	0	0
Depreciation expenses	4.9	6.1	6.8	3.1
Tangible assets	1.6	1.9	1.9	1.3
Intangible assets	3.3	4.2	4.9	1.8
Running costs	5.1	6.2	6.2	6.2
Rent	2.4	2.4	2.4	2.4
Utilities	0.8	0.8	0.8	0.8
System operation, etc.	1.9	3.0	3.0	3.0
Efficiency effects	1.1	1.4	2.8	2.9

(ref.) LTS Depreciation forecast

(¥ billion)



③ Profitability Improvement in LTS Business (Peripheral Effects)

Major effects generated by profitability improvement measures
(initial assumption and results of FY2023 versus target of FY2024)

(¥ billion)

		FY23 initial assumption	FY23 results	FY24 target
Marginal profit increase	<ul style="list-style-type: none"> •Review testing costs •Improve testing operation 	2.7	1.6	2.6
Fixed cost reduction	Streamline outsourced operations (logistics, in-house operation, etc.)	1.3	0.8	3.3
	<ul style="list-style-type: none"> •Optimize maintenance contracts (testing equipment) •Rationalize IT related costs 	1.9	1.8	1.6
	Reduce labor costs (# of employees, overtime) and other costs	0.6	1.0	1.5
Total		6.5	5.2	9.0

③ Examples of LTS Profitability Improvement Measures

Operational improvement in the automated area

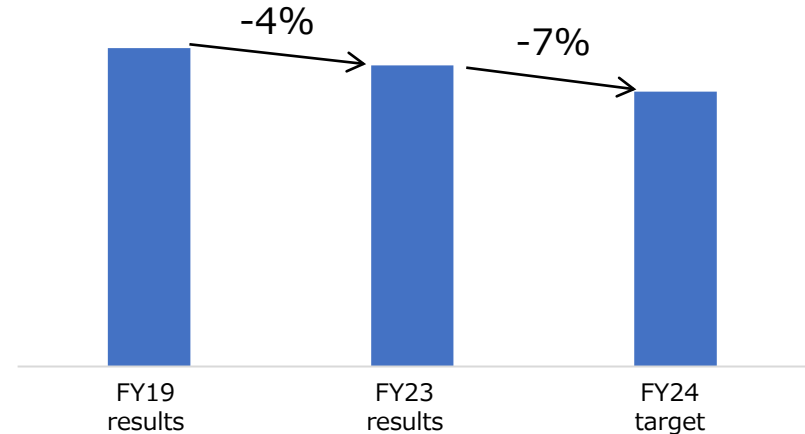
- Productivity improvement increased by 40% compared to FY2021
- Pretreatment operation headcount reduced by 27% compared to FY2021



Decrease in labor costs

- Gradually reallocate employees along with AkirunoCube transfer complete
- Convert temporary staff to permanent in Q1 FY2024
- Close 3 regional labs in the Kanto area

Labor costs trend involving testing and reception



④ Sales Growth in IVD Business (Key initiatives in FY2024)

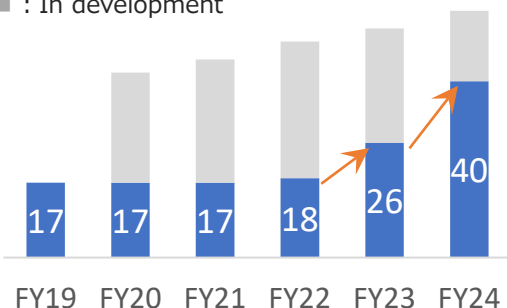


CDMO

- Completing development of some items and transitioning them to manufacturing phase
- We aim to increase items in development by 5 items annually in Neuro/others fields

Items for Global Partners

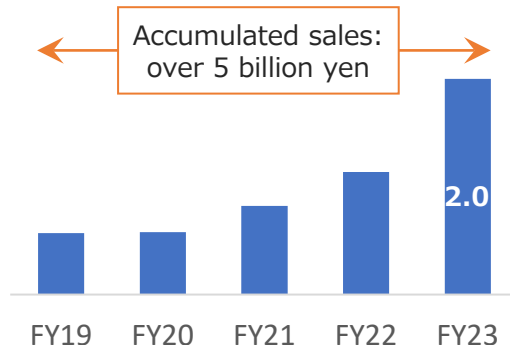
- : Development completed
- : In development



NEURO

- We aim to speed-up the expansion of Lumipulse Neuro makers line-up and increase sales
- Our application for the blood reagent to FDA is in its final stage of preparation

Sales of Lumipulse NEURO (¥ billion)



Domestic Lumipulse

- We will address new-item promotion in our domestic installed base of approximately 2,000 units
- 6 new items were launched in FY2023

Ultra-High Sensitive Detection Technology

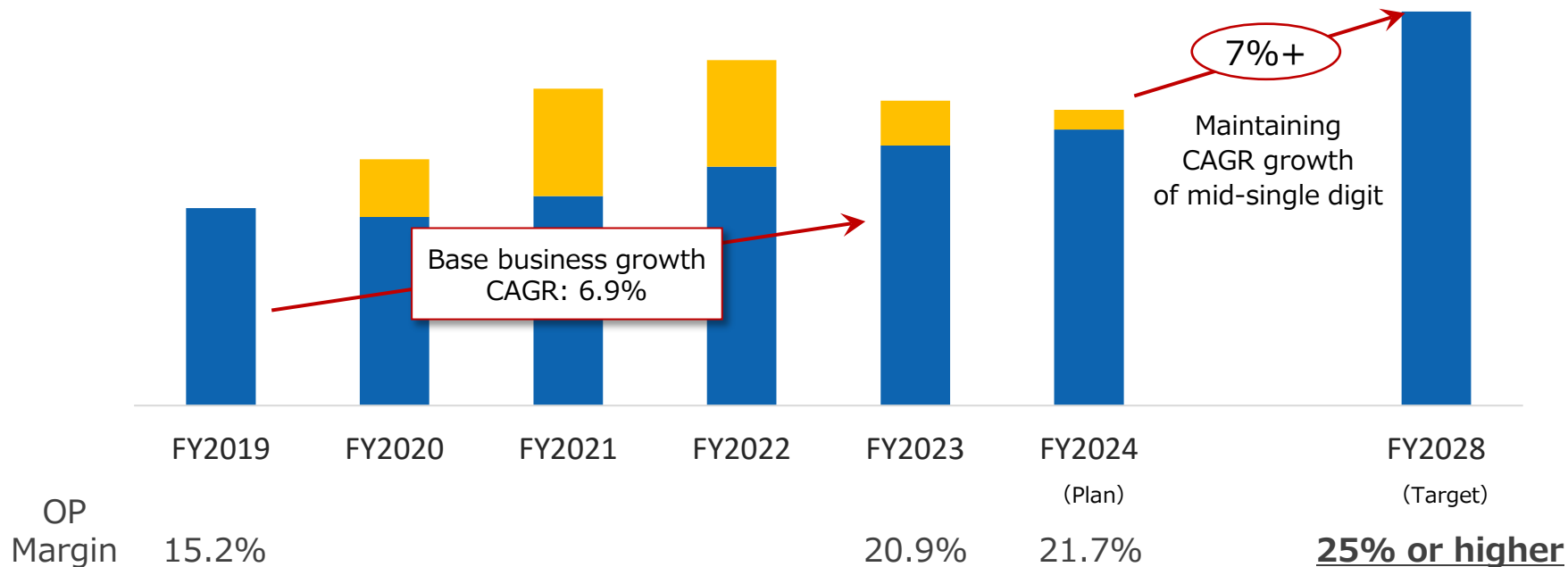
- Achieved major development milestone in March, 2024
- Business negotiation is on going with potential CDMO partners

Addition to the above, we continue proceeding cost reduction initiatives including closure of overseas subsidiaries, streamlining product portfolio

④ Outlook for IVD Business

■ : Base Business
■ : COVID-19-related sales

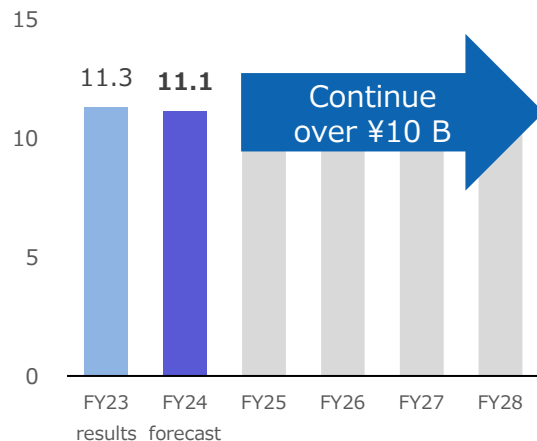
Business Growth Outlook for IVD Business



FY2024 R&D, CAPEX and D&A Costs

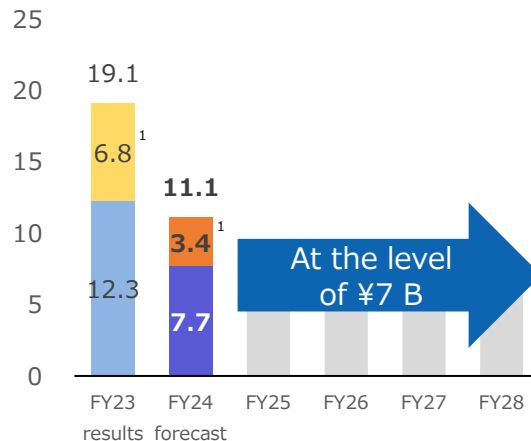
(¥ billion)

Research & Development



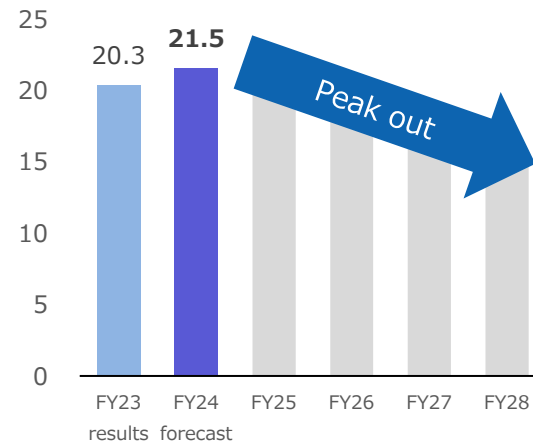
- We remain committed to investing over 10.0 billion yen for future growth
- In IVD business, we will allocate over 15% of base sales towards R&D initiatives

Capital Expenditure



- Additional investment related to AkirunoCube will occur in FY2024
- Starting from FY2024, we will maintain base investment at the level of 7.0 billion yen

Depreciation and Amortization



- D&A will reach their peak during FY2024 to FY2025
- The majority of intangible asset D&A related to AkirunoCube is expected to conclude by FY2027

Approach to Shareholder Returns

Basic policy on shareholder returns
(unchanged since the May 2021 announcement)

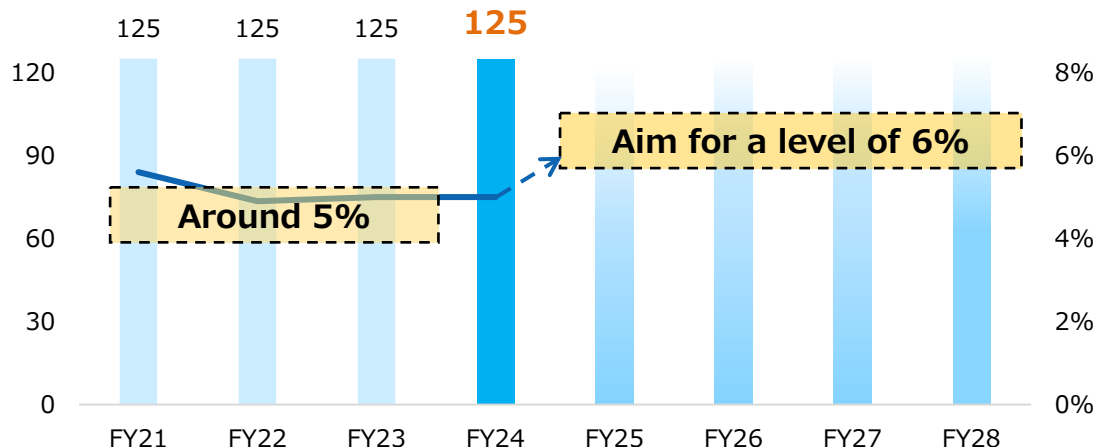
- DOE* (dividend on equity ratio) has been adopted as main KPI for dividend
- We will aim for a 6%-level DOE and provide a stable and consistent dividend, comprehensively taking into consideration cashflows and maintenance of a healthy financial foundation in the medium- to long-term

The return policy remains unchanged

Annual dividends
(Yen per share)

Annual dividends per share and DOE trends

DOE
10%
8%
6%
4%
2%
0%



Continuation of stable and consistent shareholder returns

*DOE = total dividends (D) / equity (E) = payout ratio (D/R) x ROE(R/E)

Future Strategy of LTS Business

Changes in the business environment and the direction of the company's strategy

- Considering changes in the business environment, the Company's strategy has undergone partial revision
 - ✓ We will establish a foundation to provide optimal service to GP tailored to each region and medical department or fields
 - ✓ We aim to drive sales growth by focusing on expanding genetic testing market

Before COVID-19(~2019)

Market Environment

- Realignment of hospitals and Hospital beds in progress
- The number of GP was increasing

Pandemic period(2020~2023)

- Behavioral changes in patients during the pandemic
- Rapid expansion of genetic testing

After COVID-19(2024~)

- Escalation of inflation in material costs, logistics costs, etc.

- Swift evolution of treatment strategies
- Deterioration in medical institutions' business conditions

H.U.'s Actions and Future Direction

- Decided to accelerate customer acquisition of GP to secure volume in Akiruno
- Aimed for esoteric testing growth, leveraging by in-hospital customer acquisitions

- Top priority given to the COVID-19 initiatives
- Addressing the expansion of genetic testing
- AkirunoCube transfer in progress

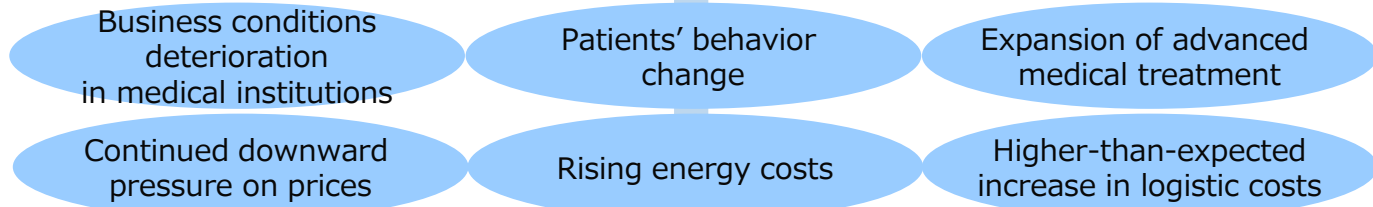
- **GP strategy has been revised, focusing on establishing a foundation to provide optimal service tailored to each region**
- **Continued enhancement of expertise in esoteric testing**
- **Advancement in genetic testing fields**
- **Fundamental improvement of the cost structure**

Revision of GP Strategy

Previous assumption and our direction

The accelerated realignment of hospital beds would result in an increase in number of general tests and expansion of GP market
⇒ We aimed to expand our GP customer base

Change in business environment



Our current status

- Profitability deterioration due to increased testing costs

Future direction

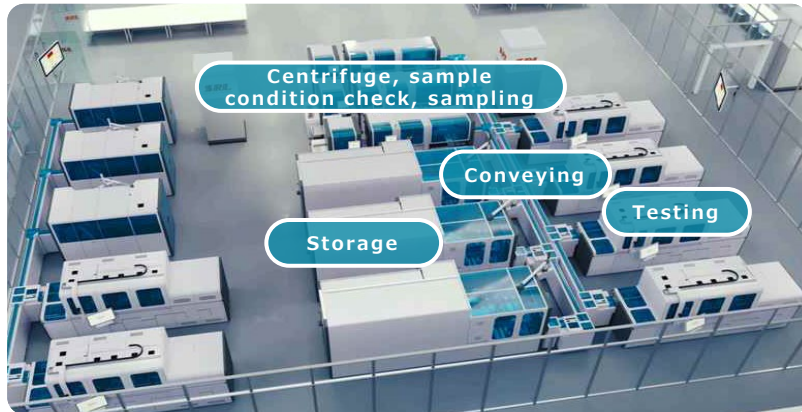
- Resource allocation focusing on the hospital market
- In the GP market, establishing foundation to provide optimal service tailored to each region, including reorganization of general testing structure in Kanto/Kansai area

Strengths of the Company in the Infectious Disease Testing Field

By leveraging our accumulated expertise, we have achieved competitive advantages in the infectious diseases field

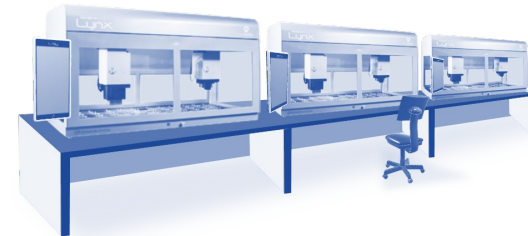
Infectious Disease Genetic Testing Automation System (World's Largest)

- Improvement in productivity by approx. 10%
- Equipped to processing large volumes and meeting diverse demands
- Elimination of human error
- Ability of analyzing sample in various containers and materials
- Minimizing the risks of contamination and infection for operators



Tuberculosis testing: Full Automation of Preprocessing Steps (World's First)

- Improvement in productivity
 - Elimination of human error
 - Improved stability of sample after sampling
- (Stable duration after blood sampling: 32 hours → 54 hours)
- Testing acceptance is now available for remote locations and prior to holidays, meeting a wider range of customer demands



3,000 Patients/day

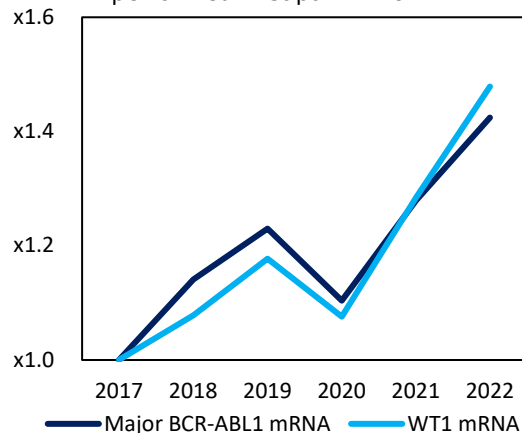
Strengths of the Company in Genetic Testing Field

In the field of leukemia genetic testing, where we hold a market share of over 70% in chromosomal testing, our unique equipment **automates the nucleic acid extraction process, achieving both high quality and high productivity**

- ✓ We improved producibility with our in-house developed Automated RNA Extraction Device
- ✓ We ensure traceability and deliver stable testing results by managing the 2D barcodes on the extraction tubes through our proprietary process management system
- ✓ Furthermore, by segregating rooms for each stage of the workflow, we effectively eliminate the risk of contamination



Index: Number of major genetic tests¹ performed in Japan in 2017 = 1



Barcode matching



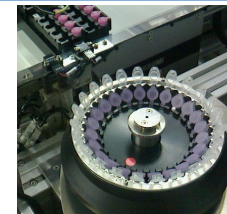
Matching with 2D barcodes

Sample pretreatment



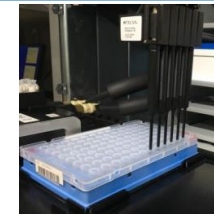
Sampling of the white blood cell layer

Fully automated RNA extraction



Extraction, purification, and dissolution

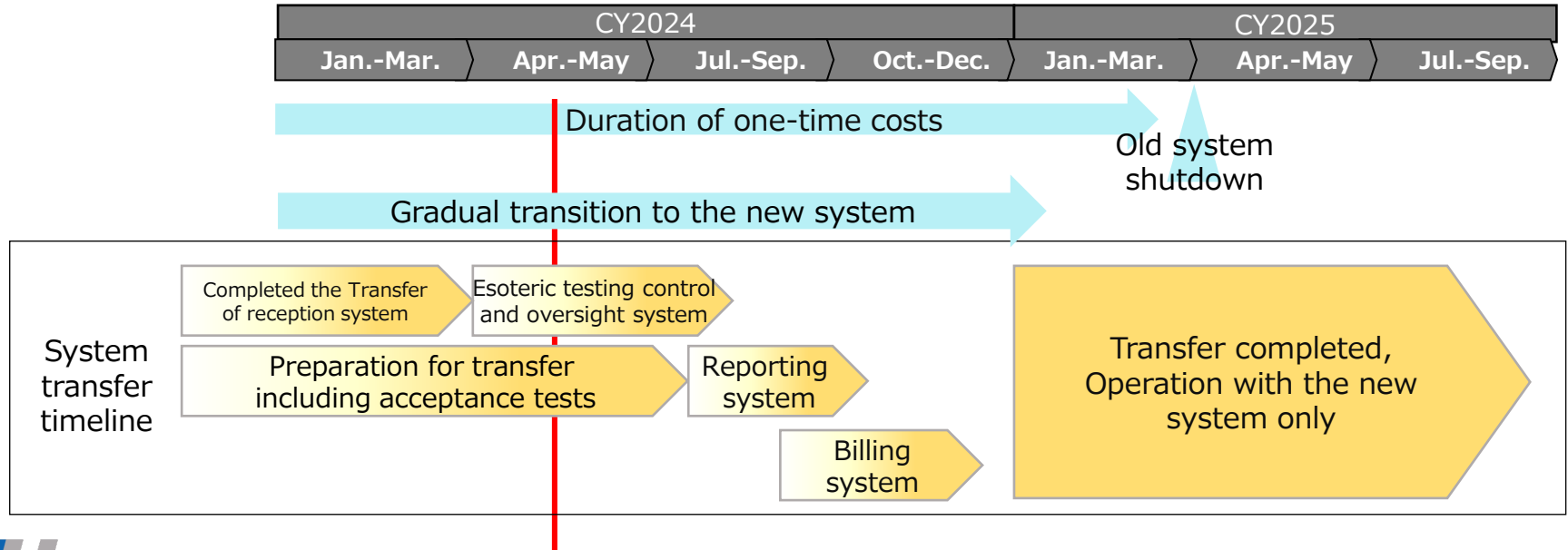
Assay plates preparation using an automatic pipetting machine



Dispensing in units of 1 μ L

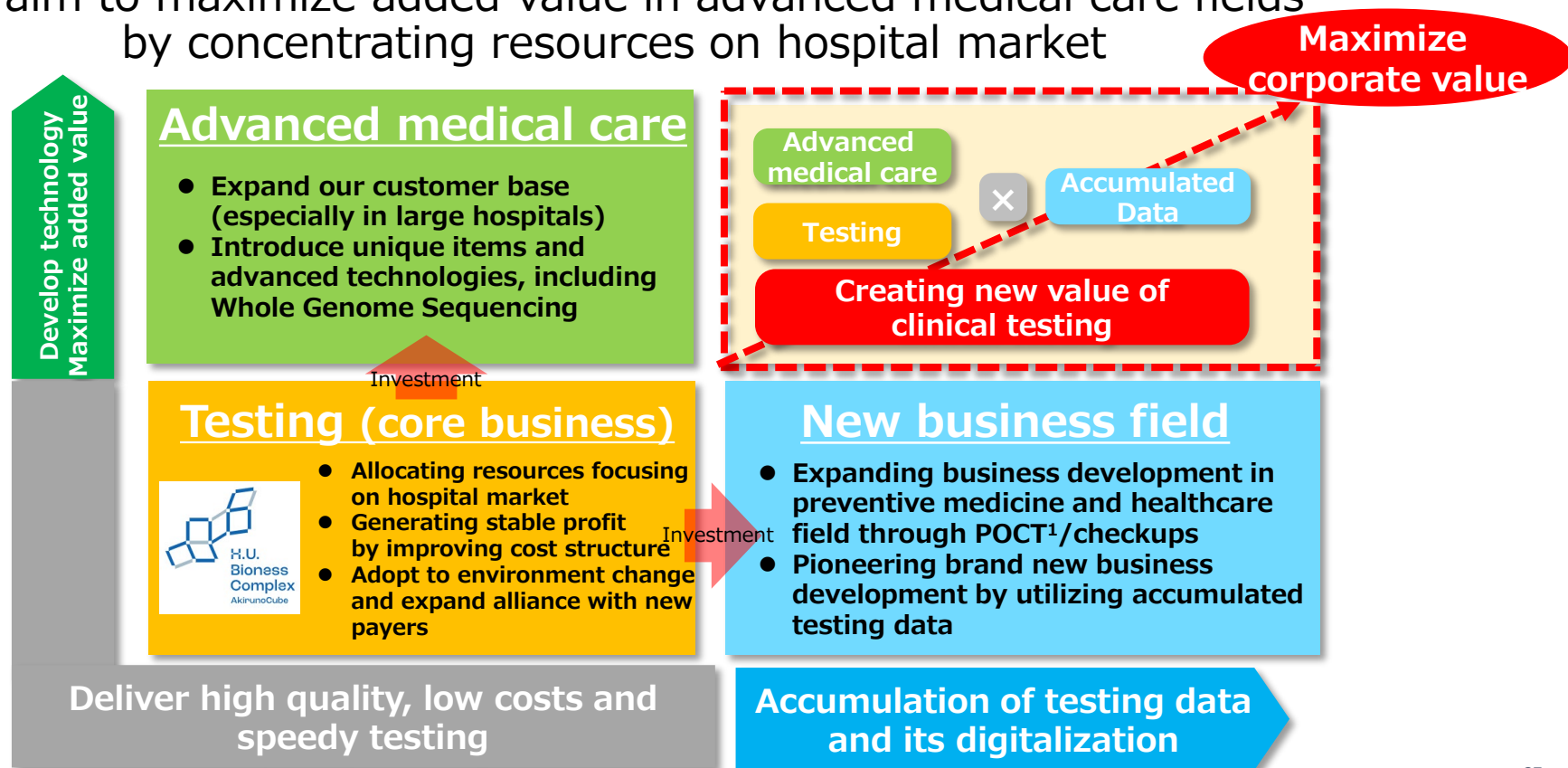
Timeline for Completing the Transfer to AkirunoCube

- Transferring from the old system to the new system by the end of 2024
Gradually transition while conducting operational testing and verification of esoteric testing control and oversight systems, billing and reporting systems, etc.
- The one-time cost related to system transfer will continue throughout FY2024
- Starting in 2025, operations will be exclusively conducted using the new system; with the old system be kept as a backup until it is completely shut down after March 2025



Direction of LTS Business for Future Growth

We aim to maximize added value in advanced medical care fields by concentrating resources on hospital market



Appendix

Major Global ESG Evaluations

ESG evaluations



MSCI ESG Ratings

- ✓ Maintaining **AAA rating** (top rating) from 2022



CDP : responses in 2023

- ✓ Climate: **A-** (Selected for **three consecutive years**)
- ✓ SER*: **A-**



Sustainalytics

- ✓ Maintaining **Low Risk** (second highest rating) from 2020



ISS ESG Corporate Rating

- ✓ Maintaining **Prime** status from 2022

* The Supplier Engagement Rating

ESG indexes



FTSE Blossom Japan Index

FTSE Blossom Japan Index

- ✓ Selected for **the first time in 2023**



FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

- ✓ Selected for **two consecutive years**

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index

- ✓ Selected for **seven consecutive years**

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index (WIN)

- ✓ Selected for **five consecutive years**



S&P/JPX Carbon Efficient Index

- ✓ Selected for **six consecutive years**



Japan ex-REIT Gender Diversity Tilt Index
TOP CONSTITUENT 2024

Morningstar Japan ex-REIT Gender Diversity Tilt Index

- ✓ Selected for **the first time in 2023**

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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.