

# Financial Results for The First Half of FY2023 (Ended Sep. 30, 2023)

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November 9, 2023

**H.U. Group Holdings, Inc.**

(TSE: 4544)

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

FY2023 H1 : 1USD = 141.00 JPY 1EURO = 153.39 JPY

FY2023 H2 (forecast) : 1USD = 141.00 JPY 1EURO = 153.39 JPY

- \* The provisional accounting for the business merges of ADx NeuroSciences N.V. and Fluxus, Inc. in the 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 The First Half of FY2023

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# Consolidated Results for FY2023 H1

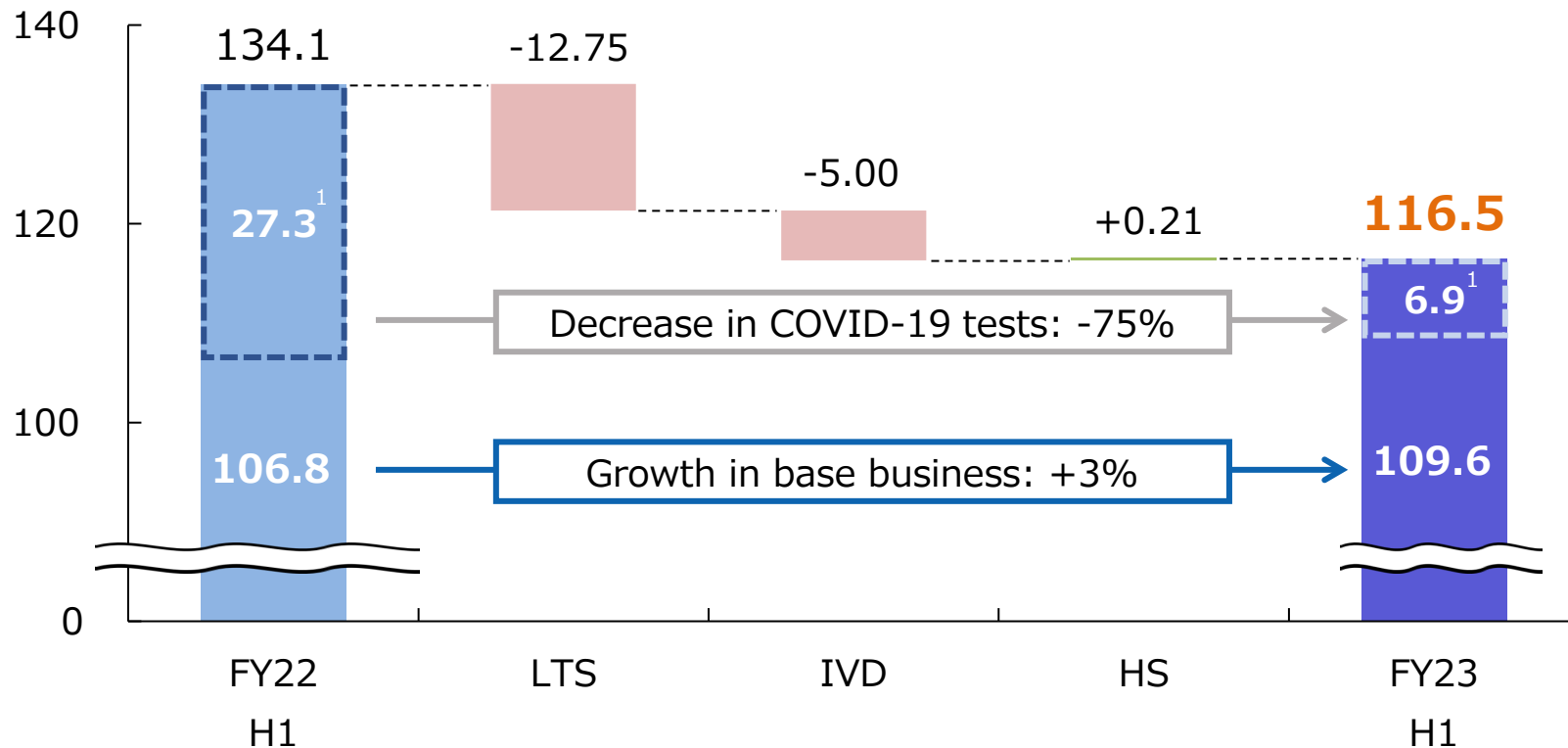
(¥ billion)

	FY2022 H1 Results	Profit ratio	FY2023 H1 Results	Profit ratio	Variance
<b>Net sales</b>	<b>134.1</b>		<b>116.5</b>		<b>-17.54 -13.1%</b>
LTS	85.0		72.3		-12.75 -15.0%
IVD	35.2		30.2		-5.00 -14.2%
HS	13.8		14.0		+0.21 +1.5%
<b>Operating profit/loss<sup>1</sup></b>	<b>17.7</b>	<b>13.2%</b>	<b>-1.6</b>	<b>-1.3%</b>	<b>-19.27 -</b>
LTS	2.9	3.4%	-6.2	-8.6%	-9.12 -
IVD	15.7	44.6%	6.8	22.5%	-8.90 -56.6%
HS	0.6	4.4%	0.6	4.0%	-0.04 -6.6%
<b>Or. profit/loss</b>	<b>17.8</b>	<b>13.3%</b>	<b>-1.6</b>	<b>-1.3%</b>	<b>-19.38 -</b>
<b>Net profit/loss</b>	<b>15.6</b>	<b>11.6%</b>	<b>-1.8</b>	<b>-1.6%</b>	<b>-17.40 -</b>
<b>EBITDA</b>	<b>26.8</b>	<b>20.0%</b>	<b>8.7</b>	<b>7.5%</b>	<b>-18.15 -67.6%</b>

1. Operating profit or loss includes H.U. Group Holdings and H.U. Group Research Institute etc., and inter-segment eliminations (FY2022\_H1: -¥1.55 B, FY2023\_H1: -¥2.76 B)

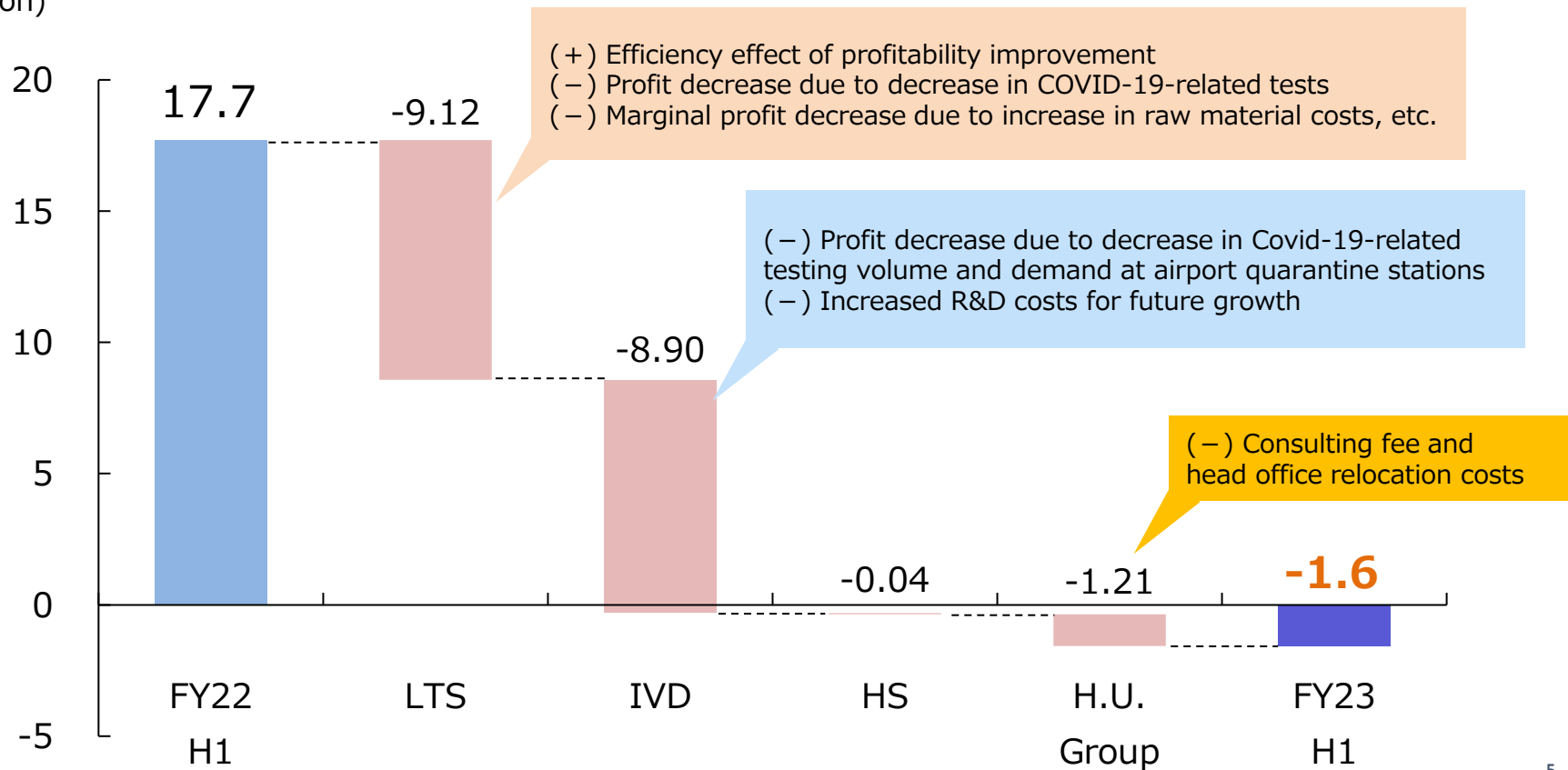
# Consolidated Net Sales Changes

(¥ billion)



# Consolidated Operating Profit Changes

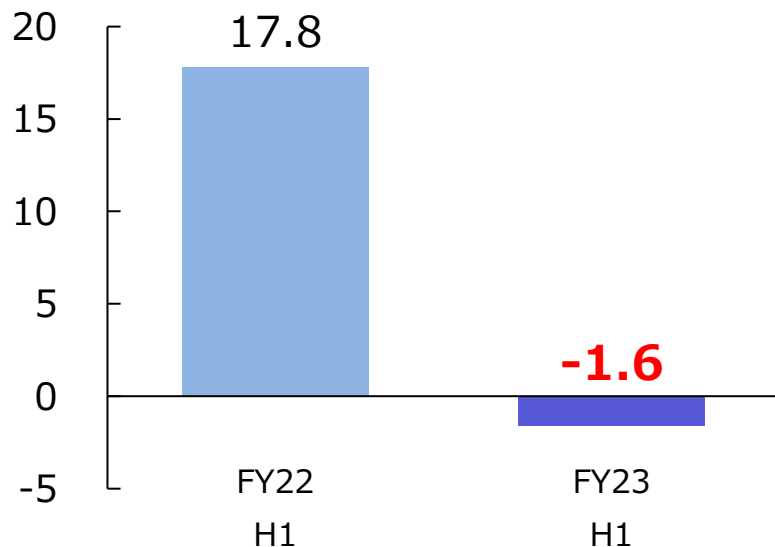
(¥ billion)



# Consolidated Ordinary Profit/Loss & Net Profit/Loss

## Ordinary Profit or Loss

(¥ billion)

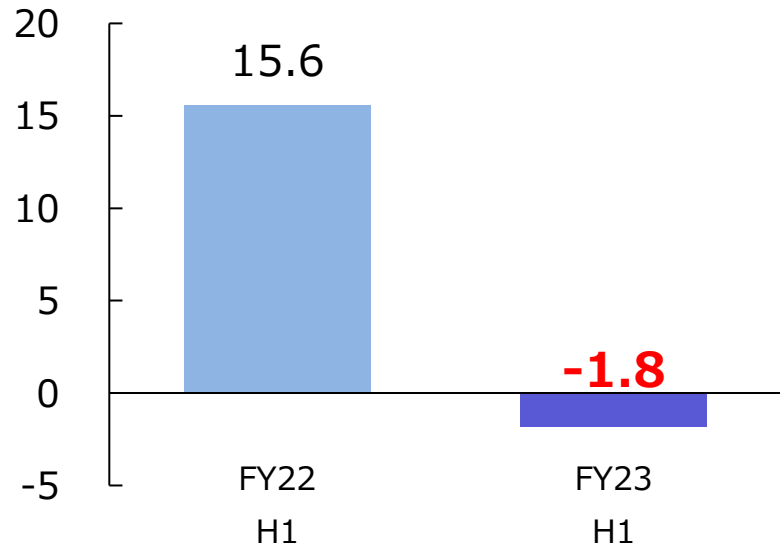


### Major non-operating factors

- Foreign exchange gains ¥1.10 B
- Equity in losses of affiliates ¥0.74 B

## Net Profit or Loss

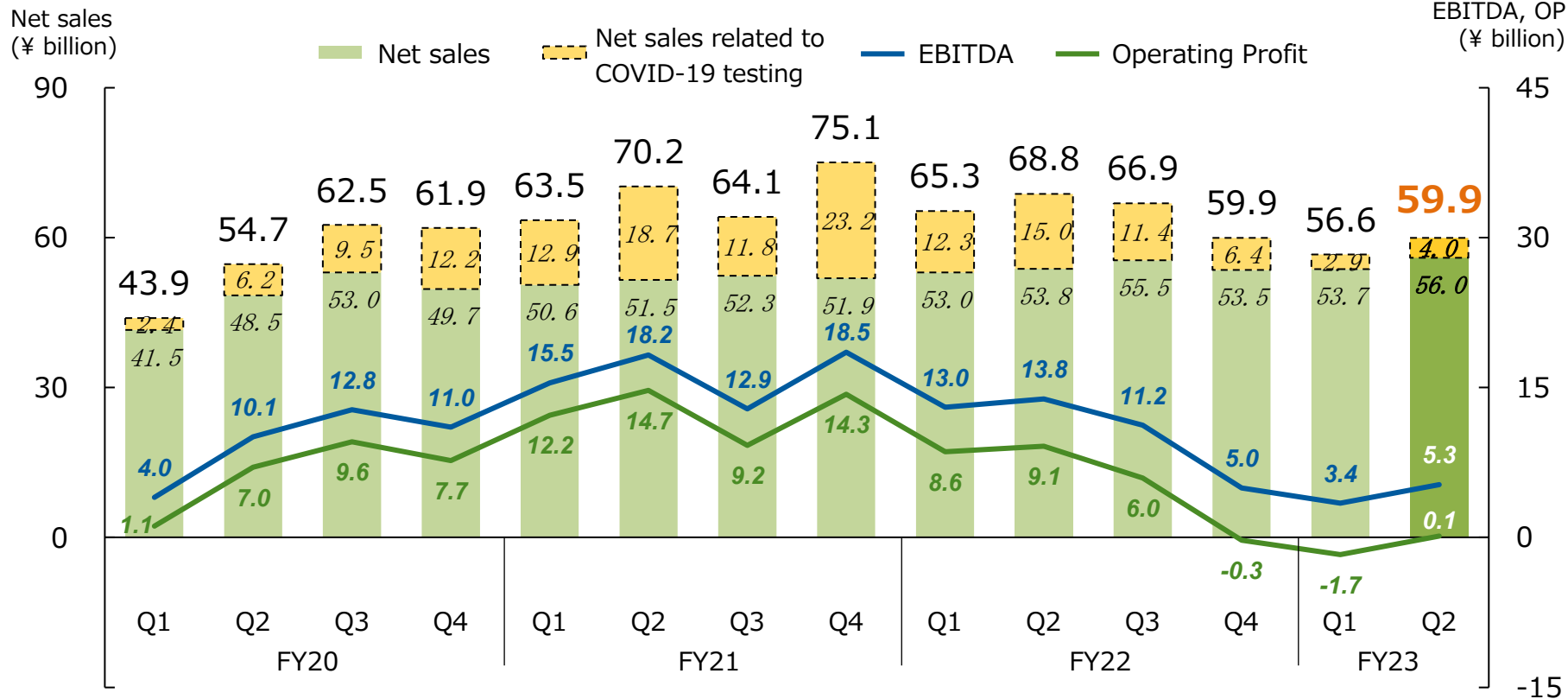
(¥ billion)



### Major extraordinary factors

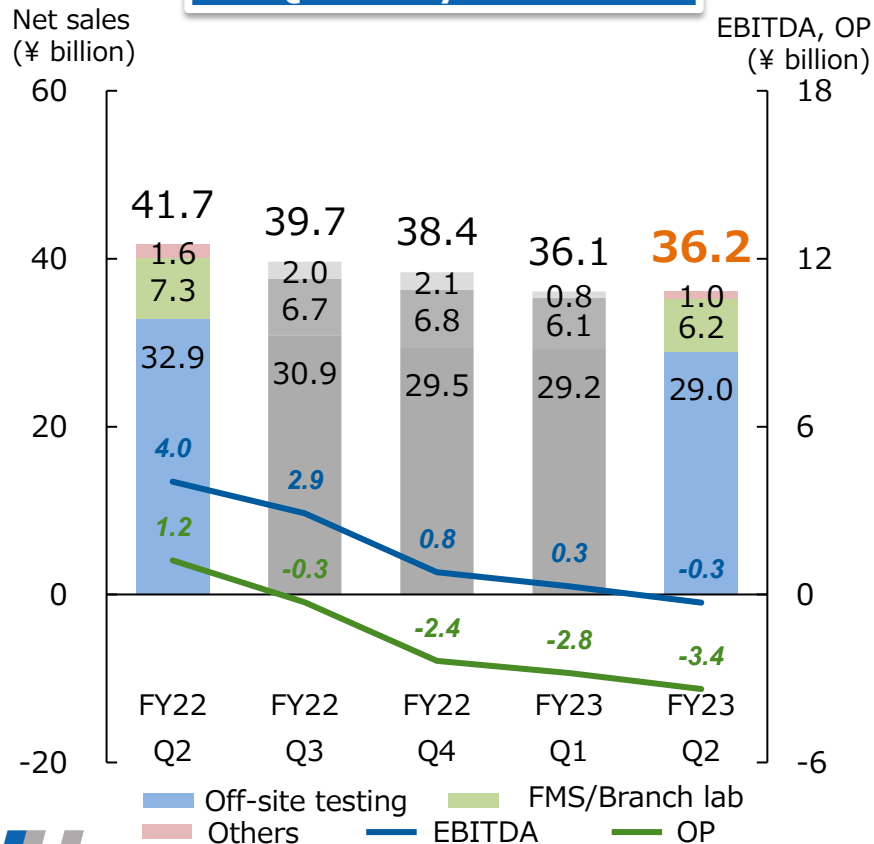
- Gain on sale of businesses<sup>1</sup> ¥0.38 B  
(Business transfer regarding RIA products in IVD segment)

# Quarterly Performance Trend





## Quarterly Results



## YoY Comparison

(¥ billion)

	FY22 H1	FY23 H1	Variance	
Net sales	85.0	72.3	-12.75	-15.0%
Off-site	64.9	58.2	-6.64	-10.2%
FMS/Branch	17.3	12.3	-5.02	-28.9%
Others	2.8	1.7	-1.08	-38.3%
EBITDA	8.6	0.0	-8.54	-99.9%
OP	2.9	-6.2	-9.12	-

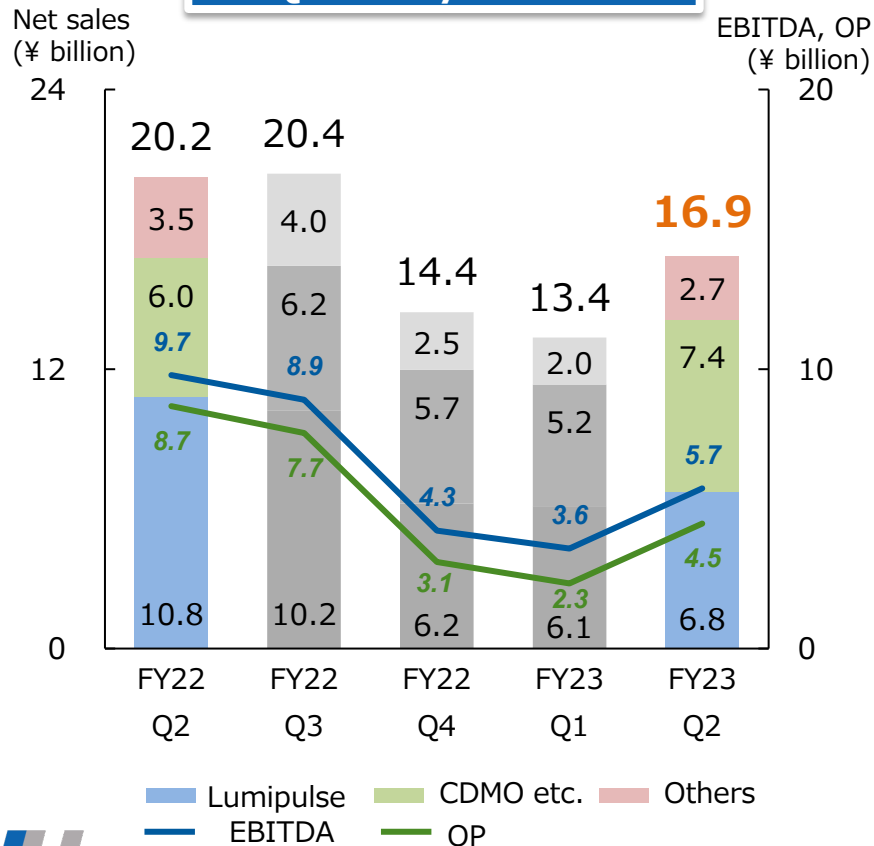
### Net sales

- COVID-19-related sales: ¥2.4 B (FY22\_H1: ¥16.1 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 H1	FY23 H1	Variance	
Net sales	35.2	30.2	-5.00	-14.2%
Lumipulse	17.9	12.9	-5.02	-28.1%
Japan	16.0	11.3	-4.69	-29.3%
Overseas	1.9	1.6	-0.33	-17.5%
CDMO etc.	11.3	12.6	+1.29	+11.4%
Others	6.0	4.7	-1.27	-21.1%
EBITDA	17.7	9.3	-8.35	-47.3%
OP	15.7	6.8	-8.90	-56.6%
Lumipulse inter-segment transaction	4.1	2.3	-1.82	-44.7%

### Net sales

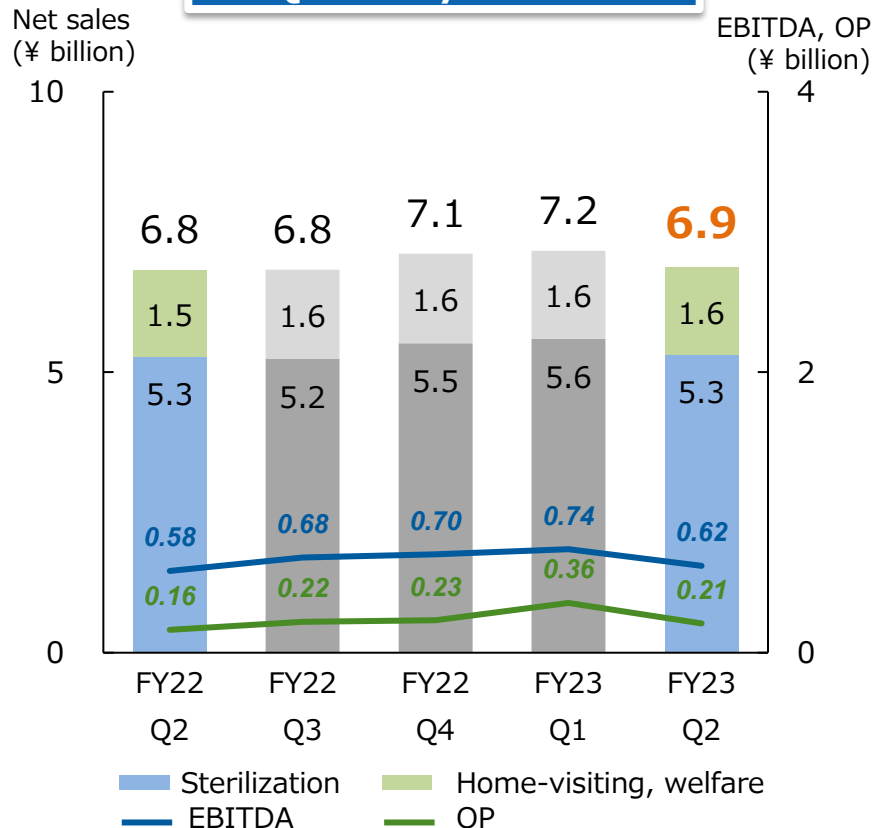
- COVID-19-related sales: ¥4.5 B (FY22\_H1: ¥11.2 B)  
✓ Lumipulse reagent (Japan and overseas), ESPLINE decreased
- Base business growth including FX tailwind

### Operating profit

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

FX impact (net sales: +¥0.94 B, OP: +¥0.14 B)

## Quarterly Results



## YoY Comparison

(¥ billion)

	FY22 H1	FY23 H1	Variance	
Net sales	13.8	14.0	+0.21	+1.5%
Sterilization	10.7	10.9	+0.17	+1.6%
Home-visiting, welfare	3.1	3.1	+0.04	+1.3%
EBITDA	1.38	1.36	-0.03	-1.9%
OP	0.60	0.56	-0.04	-6.6%

### Net sales

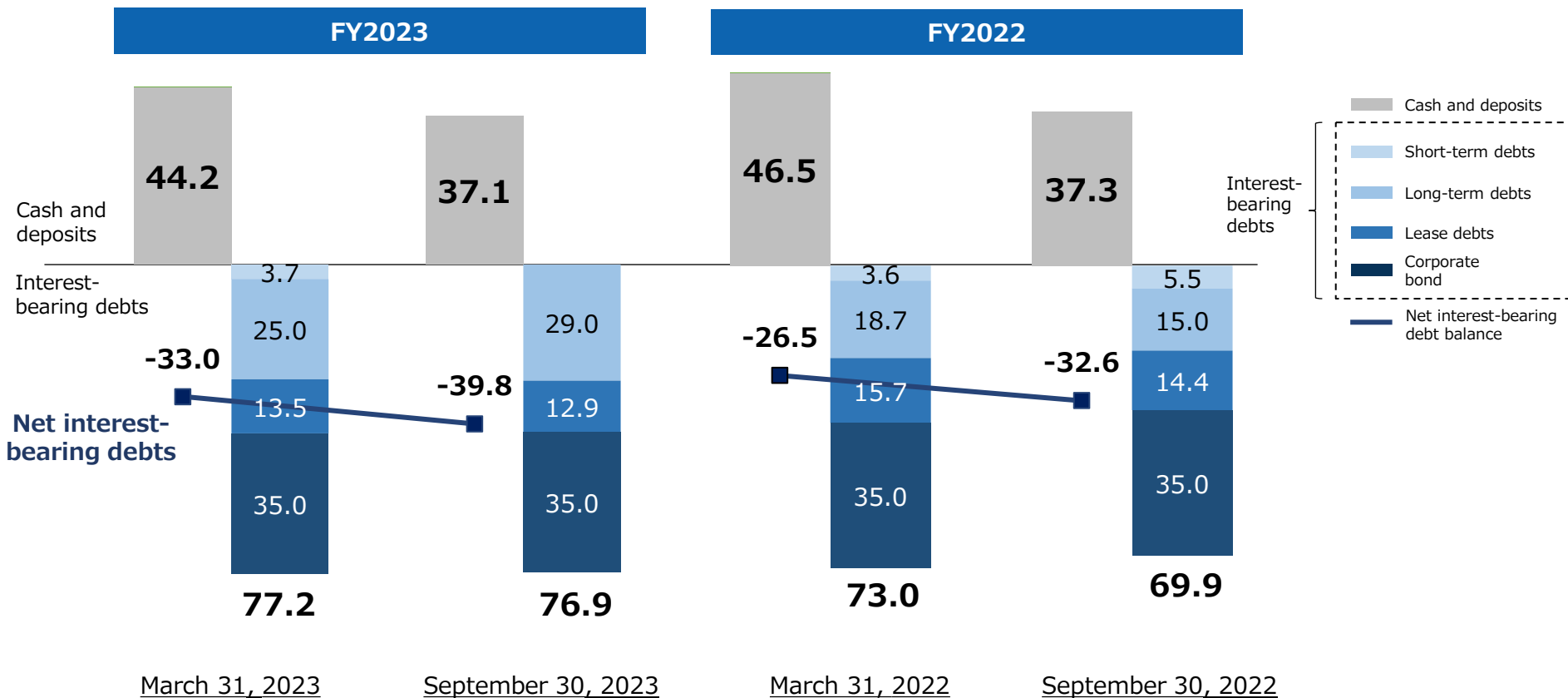
- Sterilization-related business and Home-visiting and welfare business both achieved growth

### Operating profit

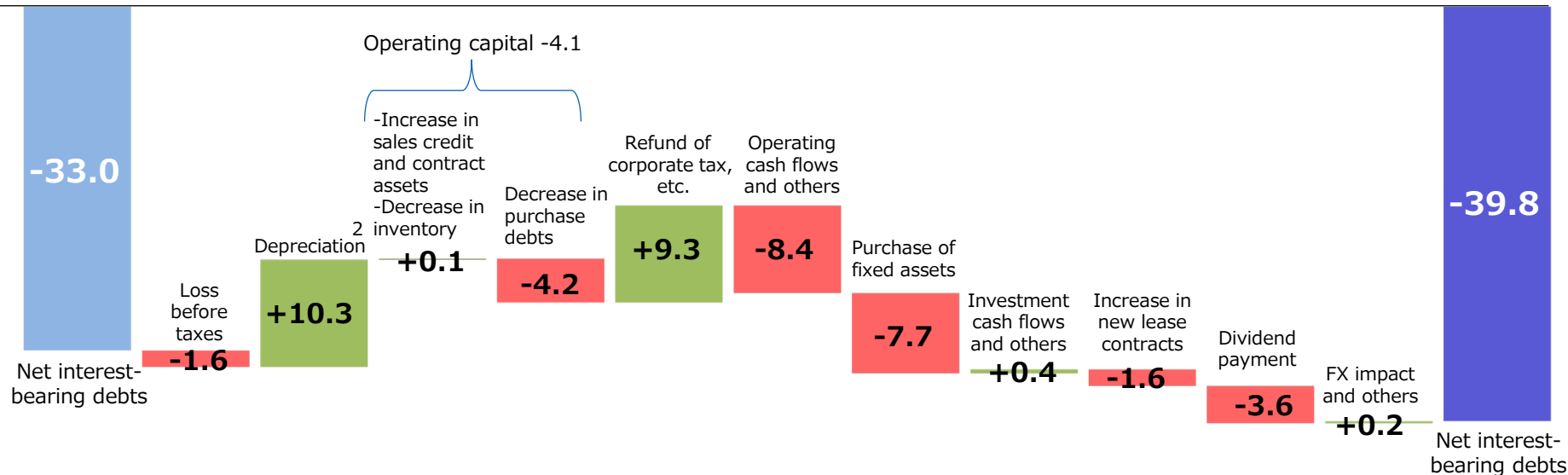
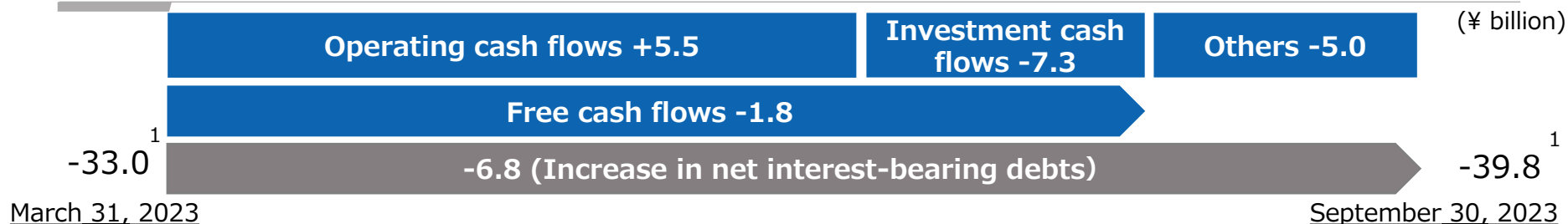
- Increase in labor costs, etc.

# Cash, Deposits and Interest-bearing Debts

(¥ billion)

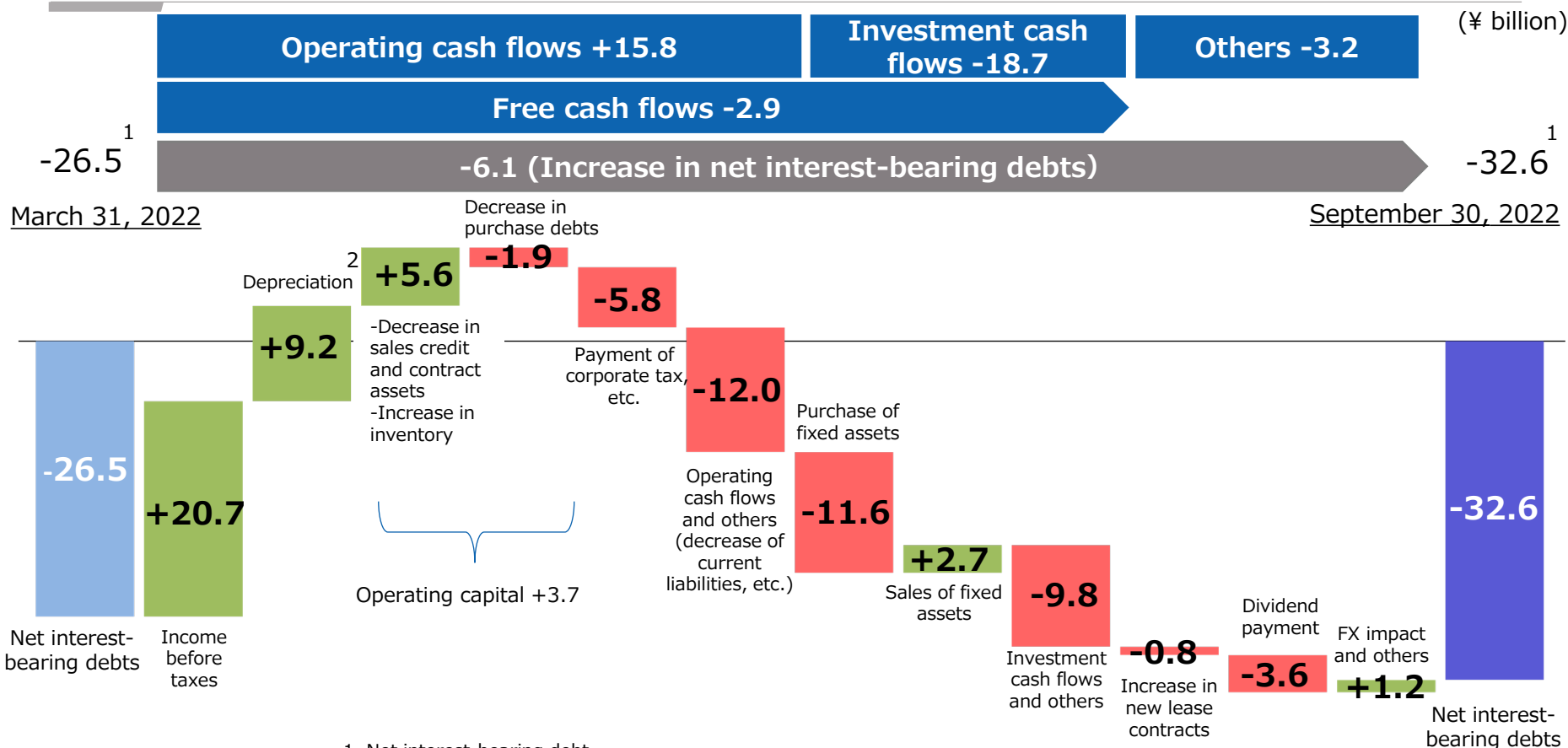


# Analysis of Consolidated Cash Flows (FY2023 H1)



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

# Analysis of Consolidated Cash Flows (FY2022 H1)



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

# Status Update and Current Forecast of FY2023

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# Current Full-year Forecast

(¥ billion)

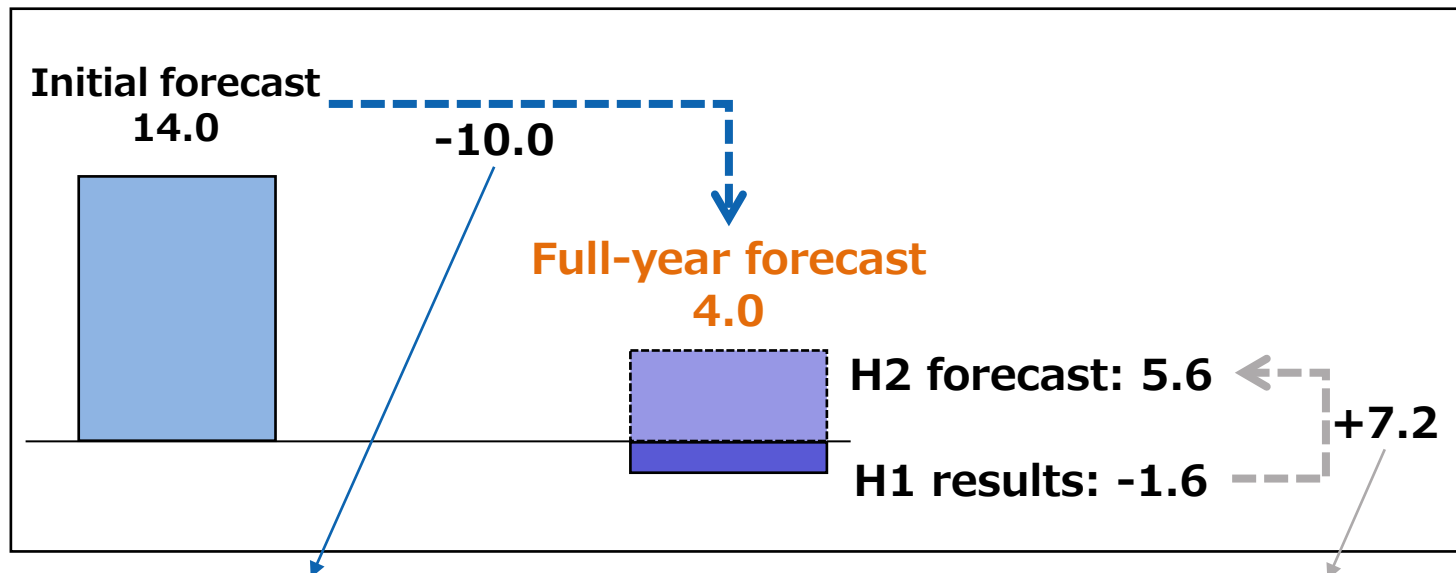
	FY2022 results	FY2023					
		Initial forecast	Current forecast	vs previous year		vs initial forecast	
Net sales	260.9	245.0	<b>240.0</b>	-20.9	-8.0%	-5.0	-2.0%
EBITDA	43.1	36.0	<b>25.0</b>	-18.1	-42.0%	-11.0	-30.6%
OP	23.4	14.0	<b>4.0</b>	-19.4	-82.9%	-10.0	-71.4%
Ord. profit	22.0	12.0	<b>2.5</b>	-19.5	-88.6%	-9.5	-79.2%
Net profit	15.7	6.0	<b>0.0</b>	-15.7	-100.0%	-6.0	-100.0%

- Shareholders' return (dividend per share) is not changed:  
62 yen for interim and 63 yen for year-end



# Background of OP Forecast (vs initial forecast and H1 results)

(¥ billion)



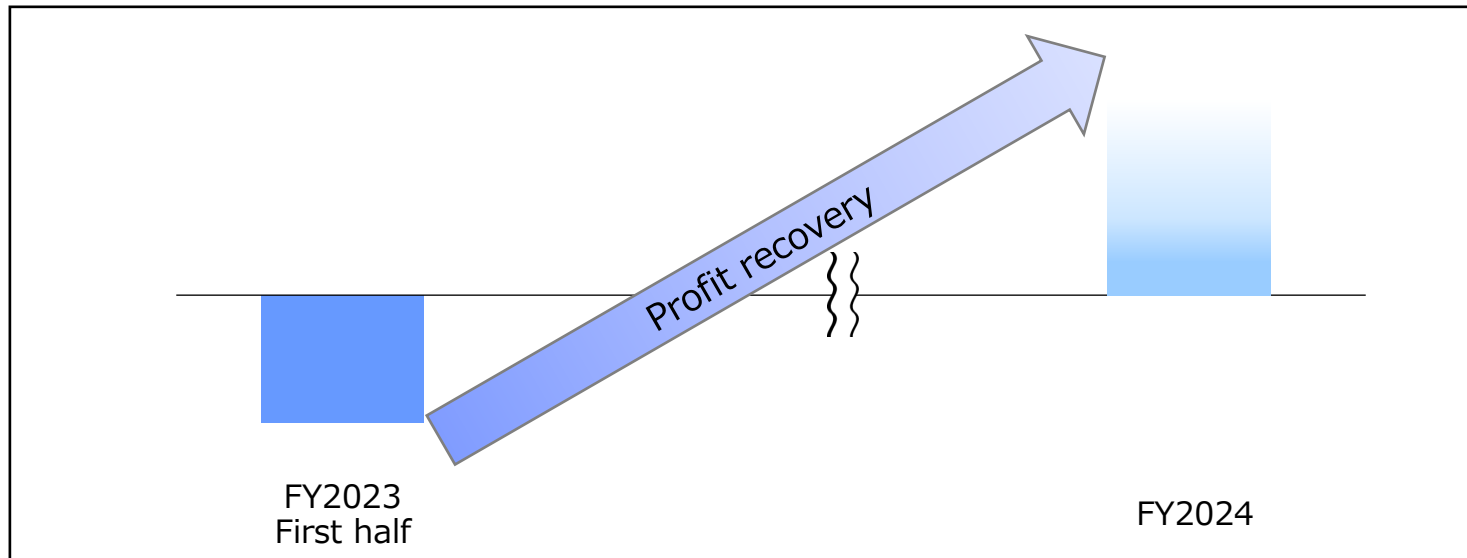
## Major Unexpected factors vs initial forecast

- Profit decrease resulting from declined COVID-19-related sales
- Delay in base testing volume recovery
- Impact of specimen reception delays and temporary testing process issues at Akiruno Central Laboratories (in AkirunoCube) for general testing

## Major H2 profit improvement factors vs H1

- Recovery of base testing volume after October
- The closure of Hachioji Laboratories and expected effects from profit improvement measures (primarily in the 2<sup>nd</sup> half)
- CDMO: increasing shipment volume

# OP Forecast of LTS Business



## Factors contributing to profit recovery

- Increase in sales due to the recovery of testing volume in the base business, new customer acquisitions, and sales item expansion
- Effects from profitability improvements
- Reduction in one-time costs and benefits in efficiency effects related to AkirunoCube

# Causes and Countermeasures for Reporting Delays at Akiruno Central Lab

## Causes of reporting delays

- Higher manual specimen count (outside of the scope of automation) and procedural unfamiliarity were the primary causes of prolonged processing times
- As a result, a decrease in specimen processing capacity led to delays in reporting certain tests

### Reception

- ✓ Increased number of manually processed specimens
- ✓ Insufficient mastery of processing procedures

### Testing

- ✓ Reduced testing time resulting from reception delays
- ✓ Inadequate adherence to manual specimen rules leading to retests

**Delays in  
certain  
testing  
reports**

## Countermeasures

- Improvements in manual specimen processing methods and enhancement of the staff training
- As a temporary measure, specific manual specimens were dealt with in the previous reception operation

# AkirunoCube Costs and Effects

- Delayed reporting and other factors postponed full operation, resulting in higher one-time costs and a delay in achieving the full-year effects forecasted at the beginning of the fiscal year
- Depreciation and running costs are expected to be lower than the initial full-year assumption made at the beginning of the fiscal year, and this is expected to be largely offset the impact of full operation delay in FY2023

	Full-year initial forecast	FY23 H1 result	FY23 H2 forecast	Current estimate	(¥ billion)
Costs	One-time costs	1.0	0.8	1.0	Increase in costs due to the full operation transition in H2
	D&A	6.1	2.4	2.7	Lower than initially anticipated
	Running costs <sup>1</sup>	5.9	2.5	2.7	Lower energy costs than initially anticipated
	Total costs	<u>13.0</u>	<u>5.8</u>	<u>6.4</u>	
Effects	Efficiency effects	+2.3	+0.5	+0.7	Postponed

1. Include the rent

# Business Collaboration Agreement with Sysmex



- Entered into a basic business collaboration agreement to enhance comprehensive collaboration in immunoassay testing, including research and development, production, clinical development, and sales
- Since FY2020, the development of HISCL™<sup>1</sup> reagents initiated. Items are expected to be launched progressively as development is completed
- The specifics of the collaboration will be finalized by the end of this fiscal year



- This is one example of the "partnership strategy (including CDMO)" that our IVD business is actively pursuing
- We will continue to proactively engage in partnerships that empower us to leverage our "strengths"

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## **【Contact information】**

**IR/SR Department**

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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.