

Financial Results for The Third Quarter of FY2022 (Ended December 31, 2022)

February 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 FY2022: Fiscal year ending March 31, 2023
 - CDMO : Contract Development and Manufacturing Organization

Exchange rates in this report:

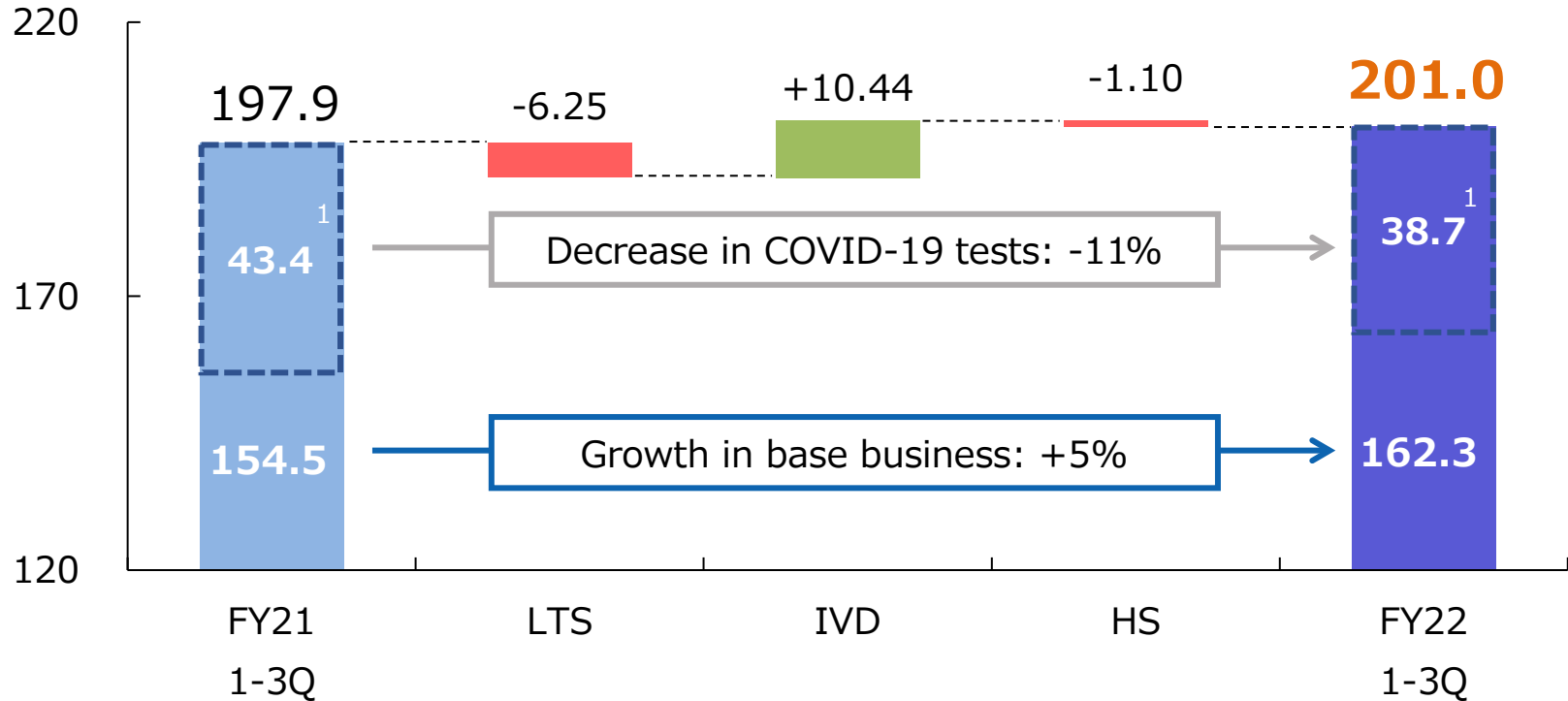
FY2021 1-3Q: 1USD = 111.11 JPY 1EURO = 130.61 JPY

FY2022 1-3Q: 1USD = 136.53 JPY 1EURO = 140.59 JPY

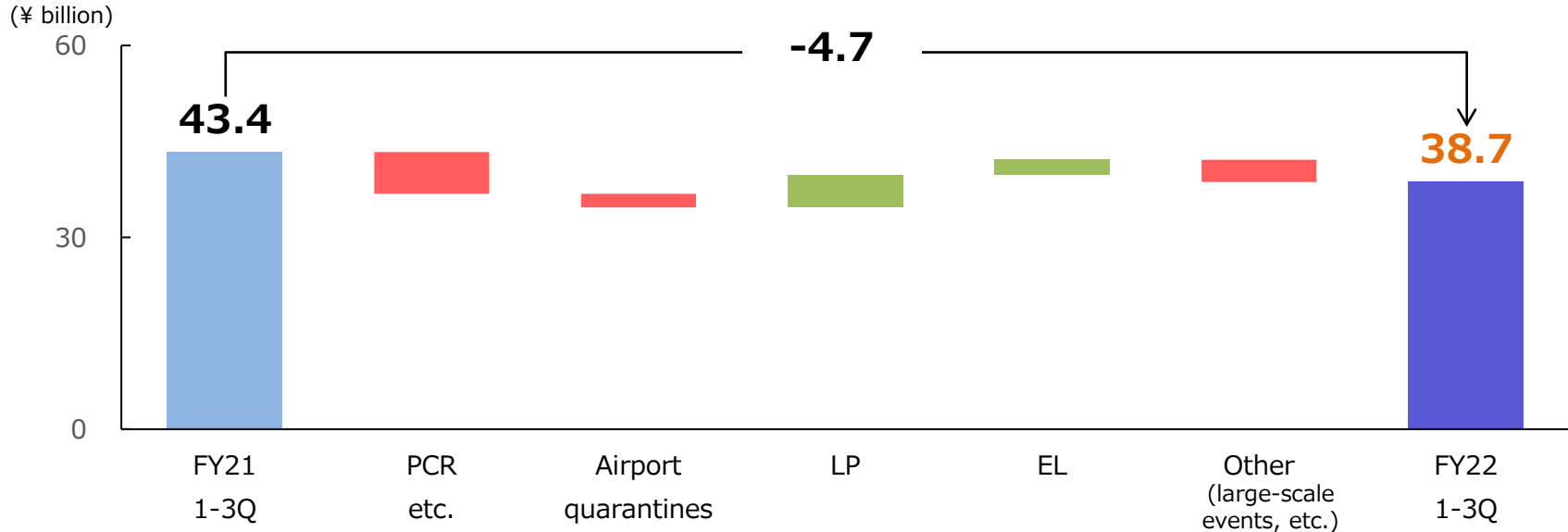
Financial Results for The Third Quarter of FY2022

Consolidated Net Sales Changes

(¥ billion)



FY2022 1-3Q COVID-19-related Sales (vs previous year)



Major factors

Positive

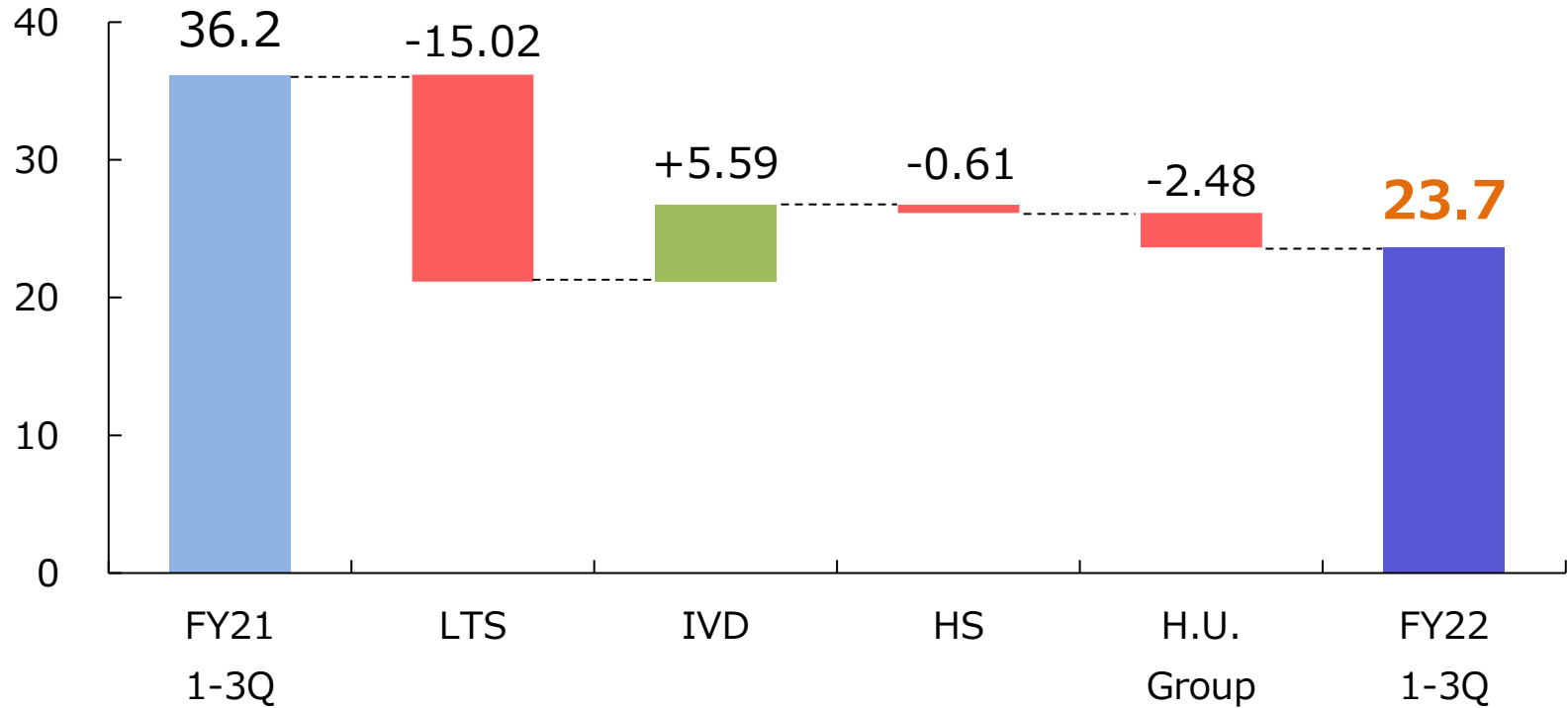
- Demand for antigen testing products (Lumipluse, ESPLINE) increased along with the 7th and 8th wave of COVID-19

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)

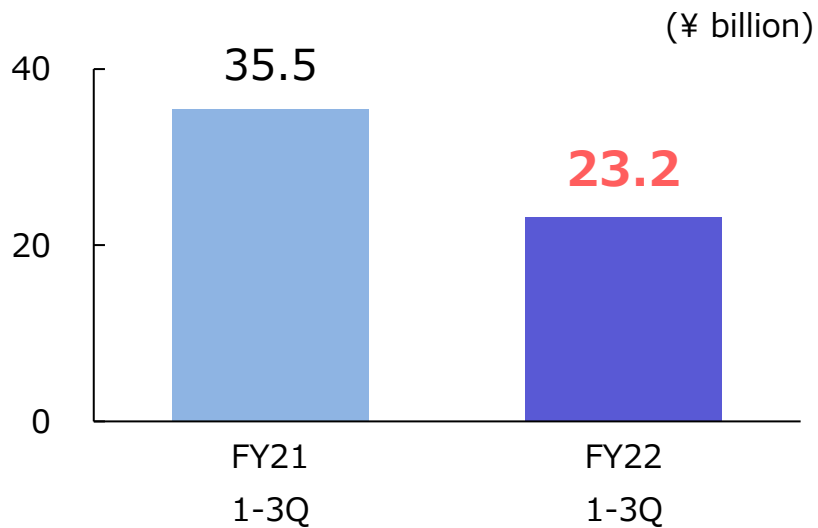
Consolidated Operating Profit Changes

(¥ billion)



Consolidated Ordinary Profit & Net Profit

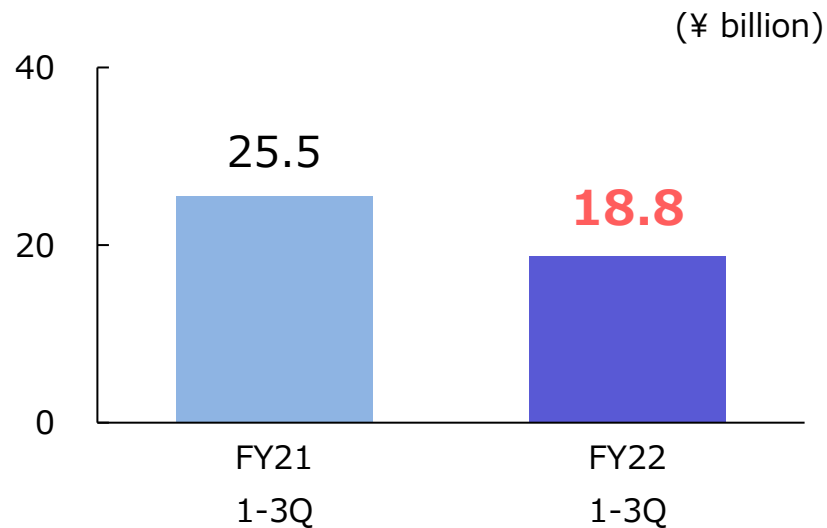
Ordinary Profit



Major non-operating factors

- Foreign exchange gains +¥0.58 bn
- Equity in losses of affiliates -¥1.32 bn

Net Profit



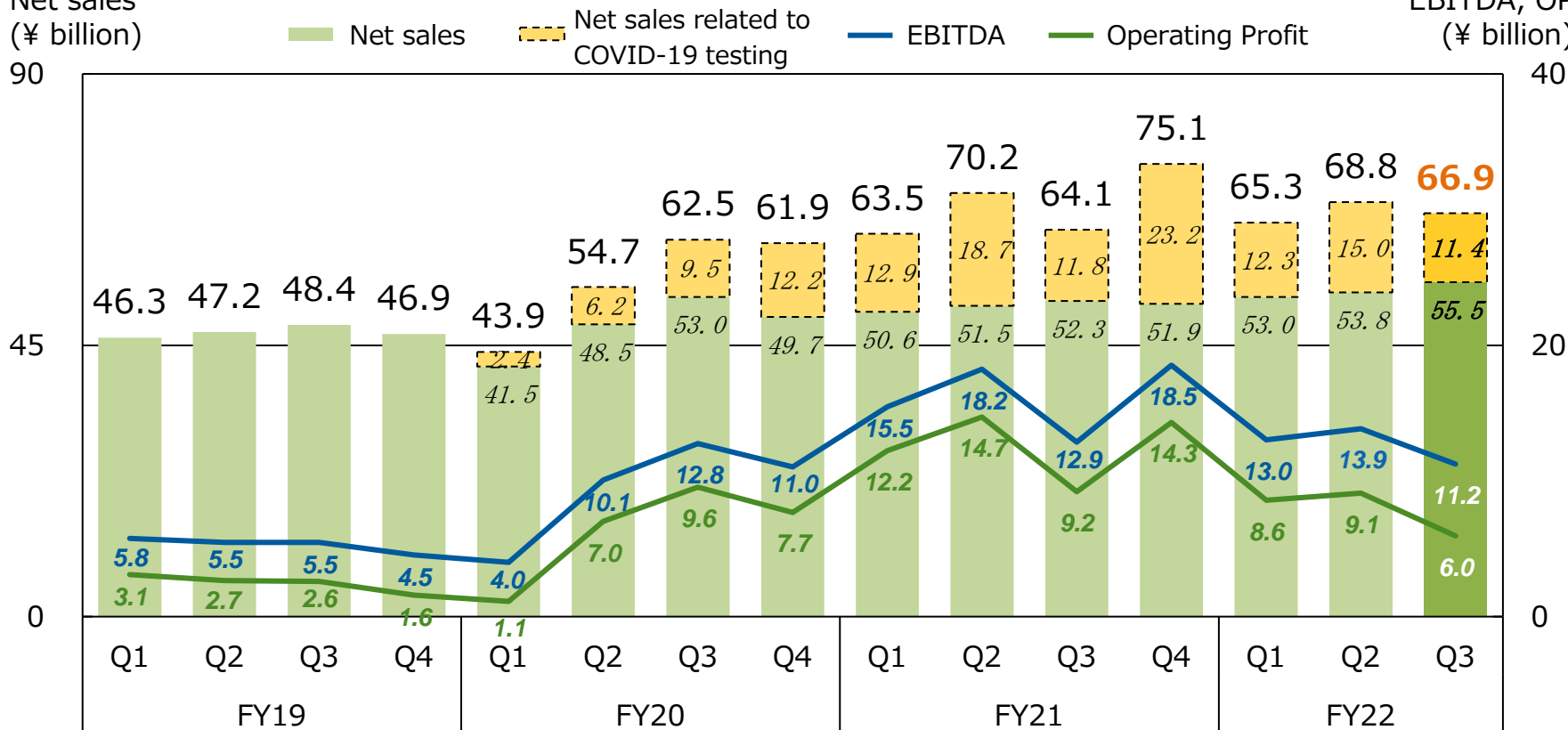
Major extraordinary factors

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

Quarterly Performance

Net sales
(¥ billion)

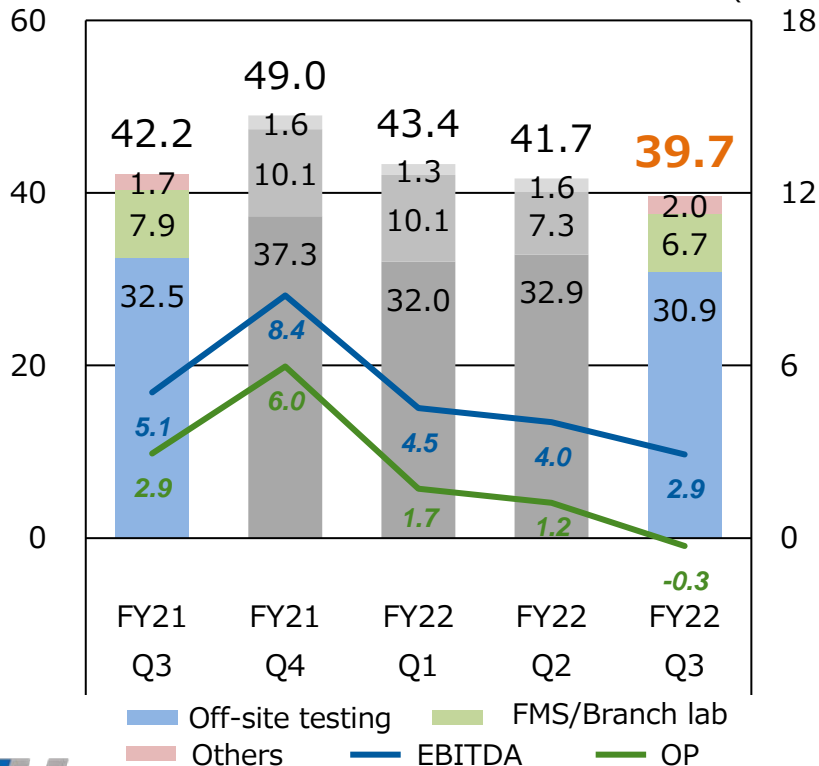
EBITDA, OP
(¥ billion)



Quarterly Results

Net sales
(¥ billion)

EBITDA, OP
(¥ billion)



YoY Comparison

(¥ billion)

	FY21 1-3Q	FY22 1-3Q	Variance	
Net sales	131.0	124.7	-6.25	-4.8%
Off-site	103.3	95.7	-7.58	-7.3%
FMS/Branch	23.8	24.1	+0.29	+1.2%
Others	3.8	4.9	+1.04	+27.0%
EBITDA	23.8	11.5	-12.36	-51.9%
OP	17.7	2.7	-15.02	-85.0%

Net sales

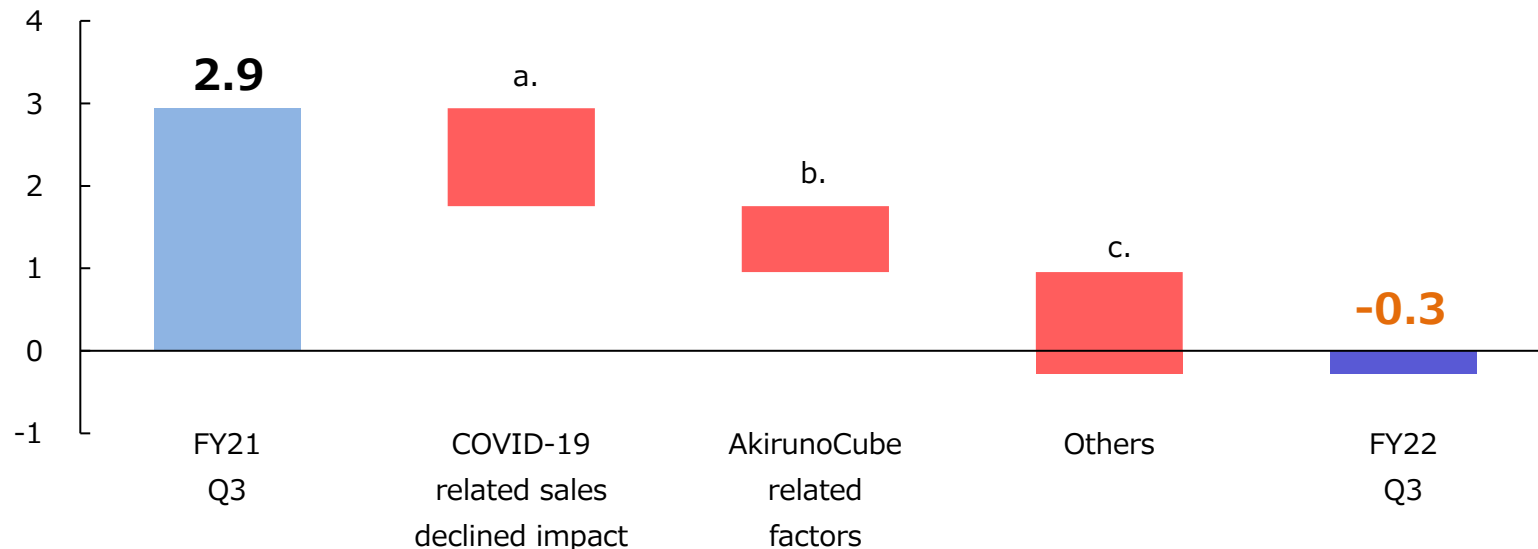
- COVID-19-related sales: ¥20.6 bn (FY21_1-3Q: ¥29.8 bn)
 - ✓ Increased: sales of ESPLINE SARS-CoV-2
 - ✓ Decreased: PCR testing price (reimbursement cuts), testing volumes of comprehensive testing support at airport quarantines, large-scale event in FY21 no longer exists
- Increase in genetic testing
- 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_1-3Q: ¥3.3 bn)
 - ✓ Expenses incl. one-time costs: ¥5.4 bn
 - ✓ Depreciation and amortization: ¥3.0 bn

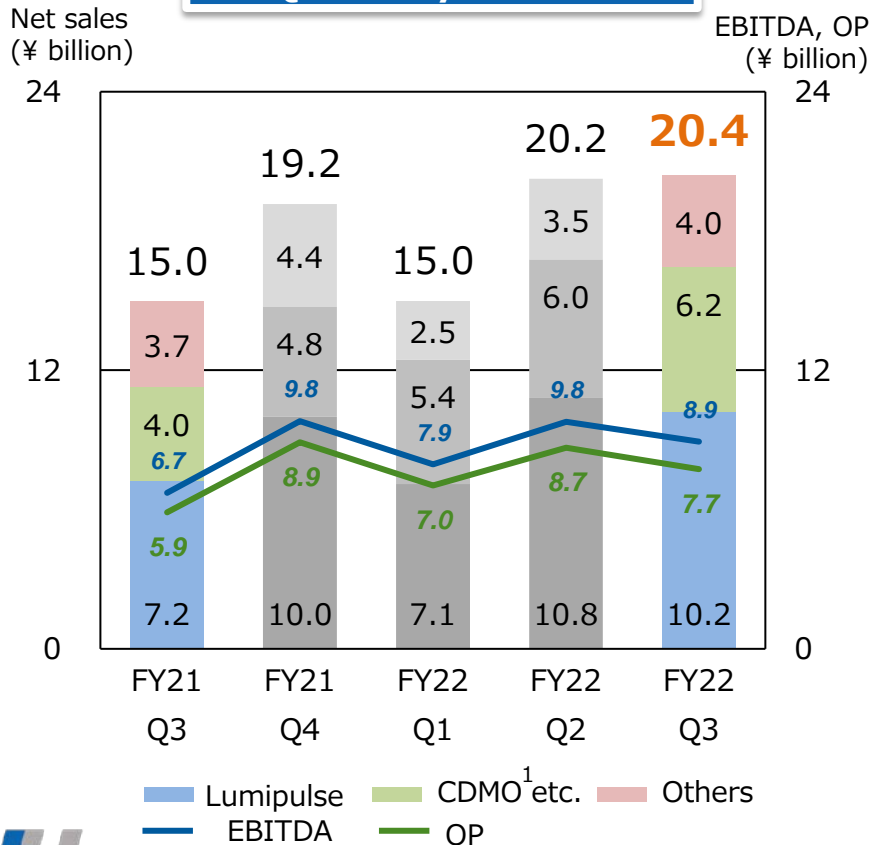
LTS Operating Profit Changes (Q3)

(¥ billion)



- a. Downward revision of COVID-19-related reimbursement; decrease in testing support at airport quarantines
- b. Increased costs of instruments as operation expands at AkirunoCube (one-time costs, depreciation and amortization, running costs)
- c. Base business weakened due to COVID-19 cases remaining high; increased costs of energy, reagent purchasing, etc.

Quarterly Results



YoY Comparison

(¥ billion)

	FY21 1-3Q	FY22 1-3Q	Variance	
Net sales	45.2	55.6	+10.44	+23.1%
Lumipulse	22.1	28.1	+6.05	+27.5%
Japan	18.7	25.2	+6.58	+35.3%
Overseas	3.4	2.9	-0.52	-15.4%
CDMO etc.	13.4	17.5	+4.12	+30.7%
Others	9.7	10.0	+0.26	+2.7%
EBITDA	20.2	26.6	+6.45	+31.9%
OP	17.8	23.4	+5.59	+31.3%
Lumipulse inter-segment transaction	6.1	5.5	-0.67	-10.8%

Net sales

- COVID-19-related sales: ¥18.1 bn (FY21_1-3Q: ¥13.5 bn)
✓ Sales of Lumipulse reagents and ESPLINE increased
- Base business growth (Lumipulse Japan and CDMO)

Operating profit

- OP growth along with sales growth

FX impact (net sales: +¥3.7 bn, OP: +¥1.0 bn)

Combined Testing Kit for COVID-19 & Flu

A combined testing kit was released to the market promptly in anticipation of the flu season



ESPILNE® SARS-CoV-2 & Flu A+B

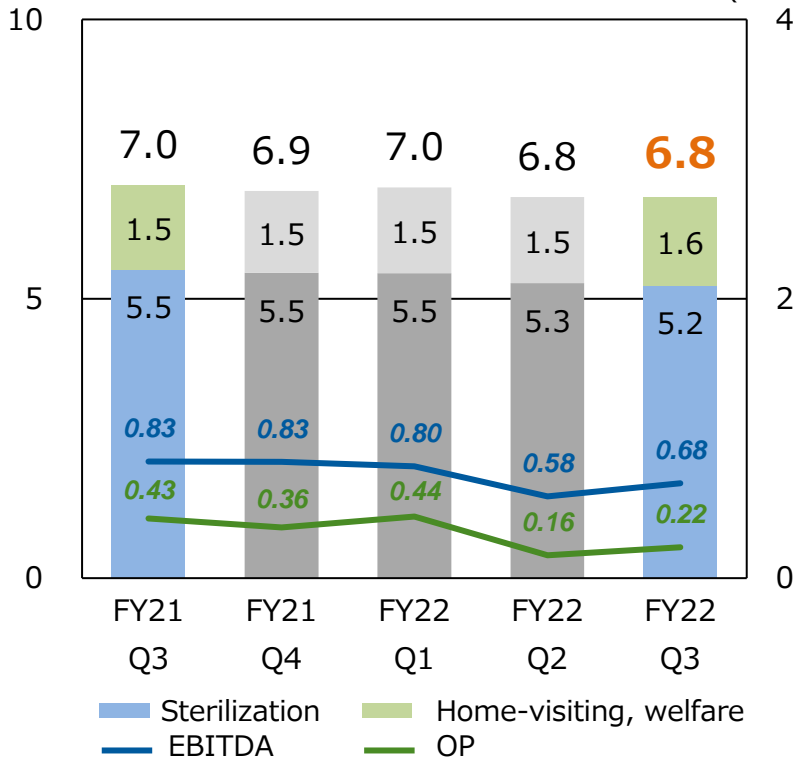


ESPILNE® SARS-CoV-2 & Flu A+B (OTC)

- August 13, 2021: Achieved approval of manufacturing and marketing
- December 5, 2022: Achieved approval of OTC sales (ahead of other companies)
- December 23, 2022: Started OTC sales

Quarterly Results

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



YoY Comparison

(¥ billion)

	FY21 1-3Q	FY22 1-3Q	Variance	
Net sales	21.7	20.6	-1.10	-5.1%
Sterilization	17.4	16.0	-1.45	-8.3%
Home-visiting, welfare	4.3	4.7	+0.34	+7.9%
EBITDA	2.53	2.06	-0.47	-18.6%
OP	1.44	0.83	-0.61	-42.6%

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 1-3Q

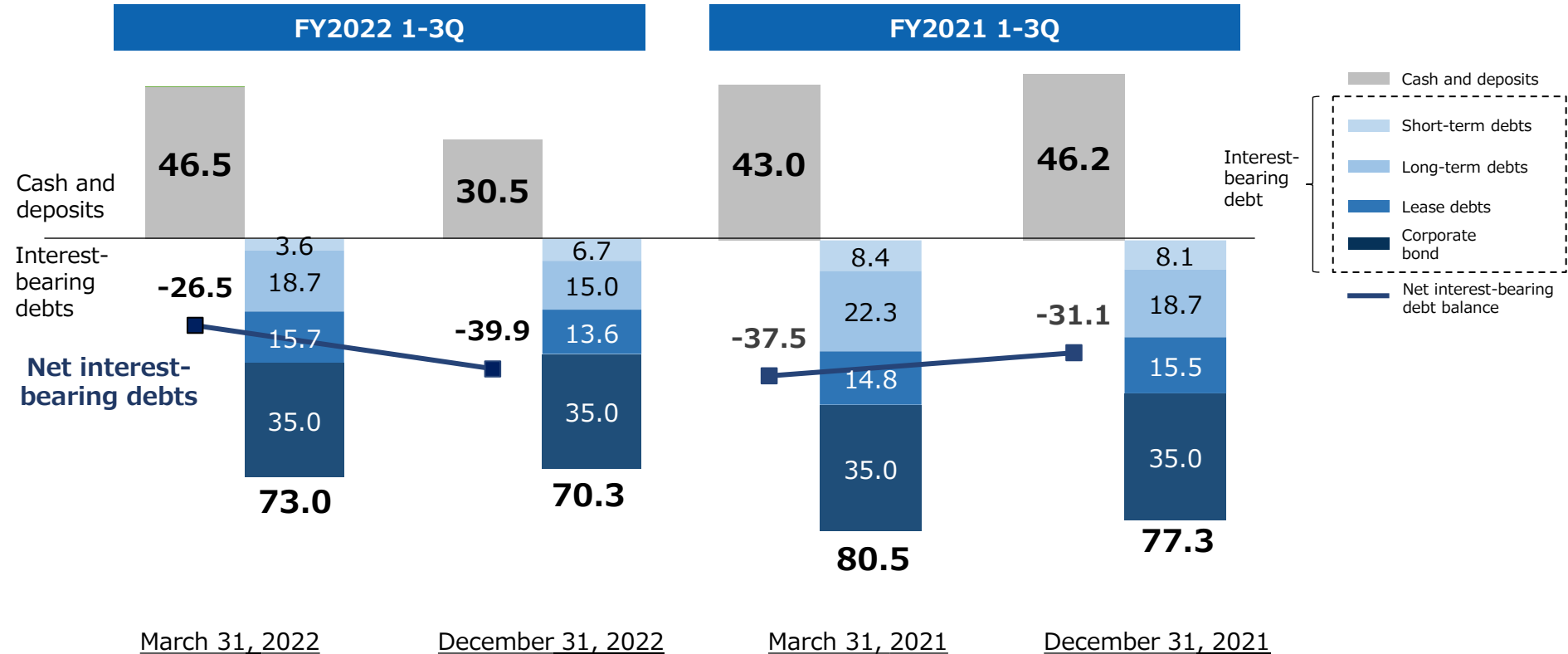
(¥ billion)

	FY2021 1-3Q		FY2022 1-3Q		Variance	
	Results	Profit ratio	Results	Profit ratio		
Net sales	197.9		201.0		+3.08	+1.6%
LTS	131.0		124.7		-6.25	-4.8%
IVD	45.2		55.6		+10.44	+23.1%
HS	21.7		20.6		-1.10	-5.1%
OP¹	36.2	18.3%	23.7	11.8%	-12.52	-34.6%
LTS	17.7	13.5%	2.7	2.1%	-15.02	-85.0%
IVD	17.8	39.5%	23.4	42.1%	+5.59	+31.3%
HS	1.4	6.6%	0.8	4.0%	-0.61	-42.6%
Or. profit	35.5	17.9%	23.2	11.5%	-12.31	-34.7%
Net profit	25.5	12.9%	18.8	9.3%	-6.73	-26.4%
EBITDA	46.6	23.5%	38.1	19.0%	-8.46	-18.2%

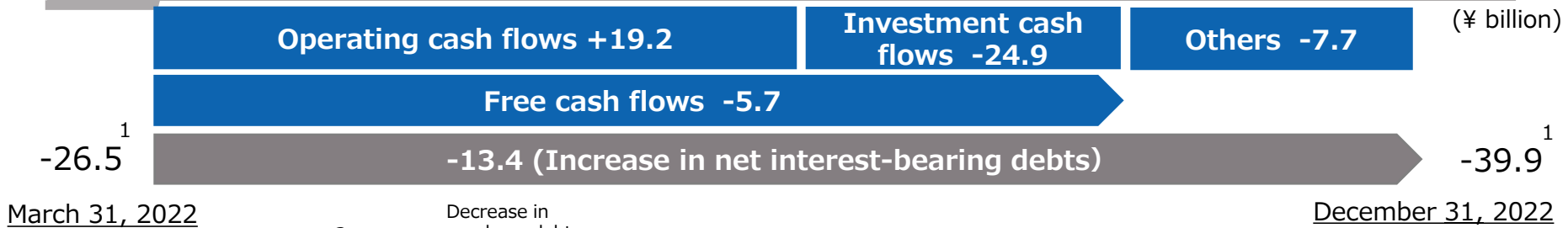
1. OP includes H.U. Group Holdings and H.U. Group Research Institute etc., as well as inter-segment eliminations (FY2021 1-3Q: -¥0.78 bn, FY2022 1-3Q: -¥3.26 bn)

Cash and Deposits / Interest-bearing Debts

(¥ billion)

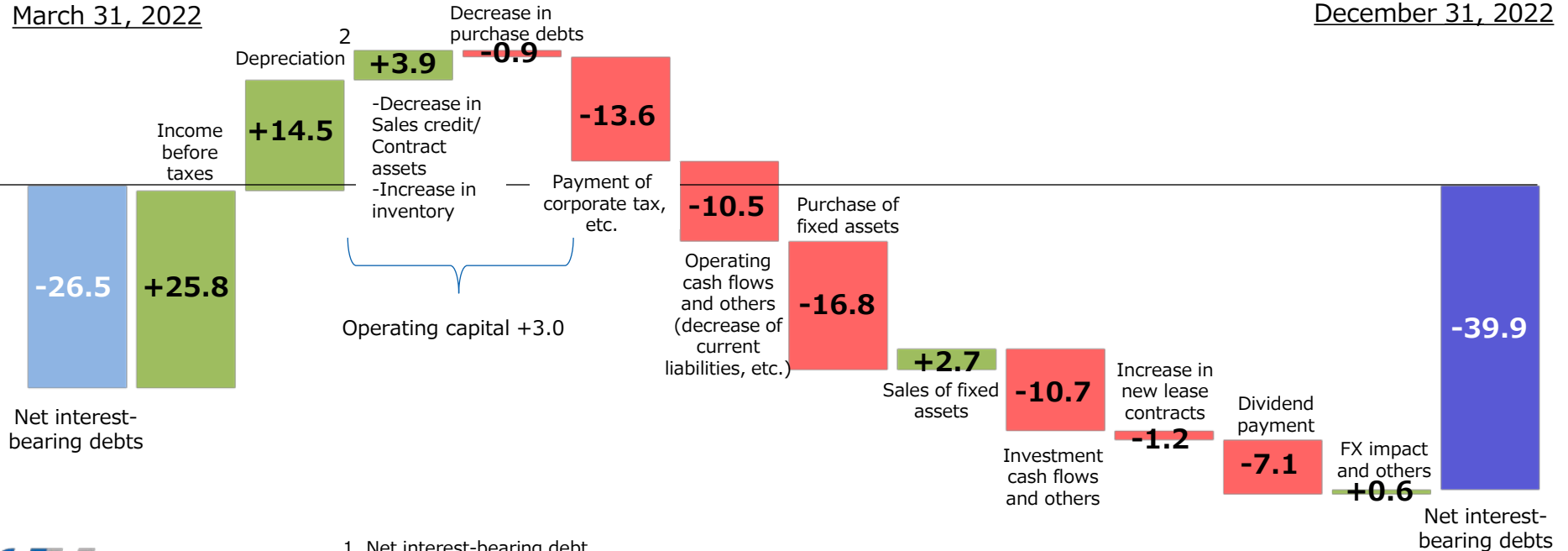


Analysis of Consolidated Cash Flows (FY2022 1-3Q)



March 31, 2022

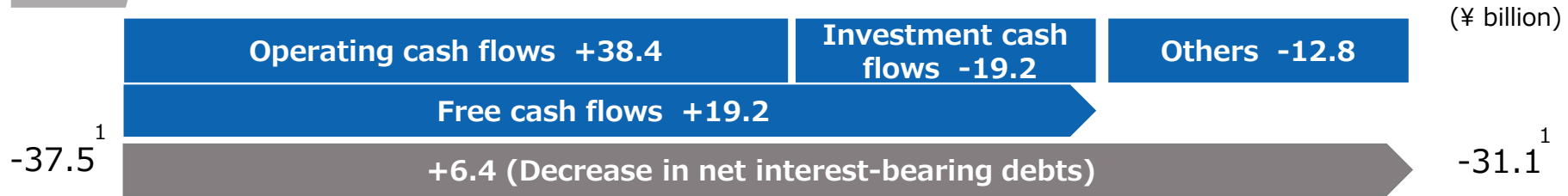
December 31, 2022



1. Net interest-bearing debt

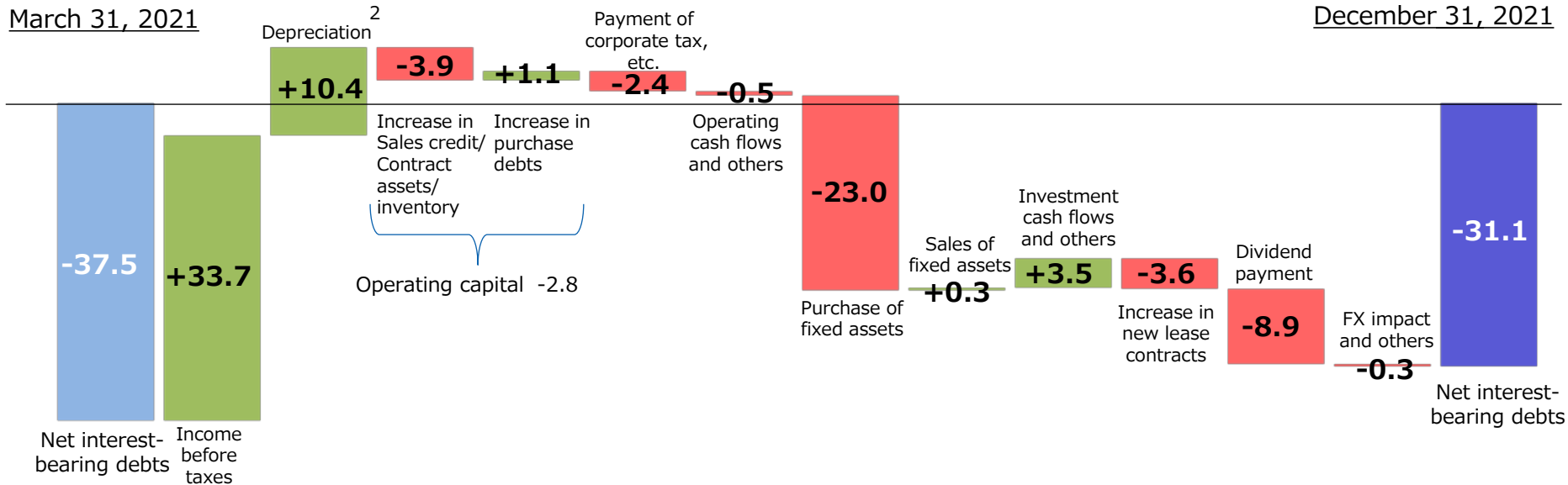
2. Depreciation + Goodwill amortization

Analysis of Consolidated Cash Flows (FY2021 1-3Q)



March 31, 2021

December 31, 2021

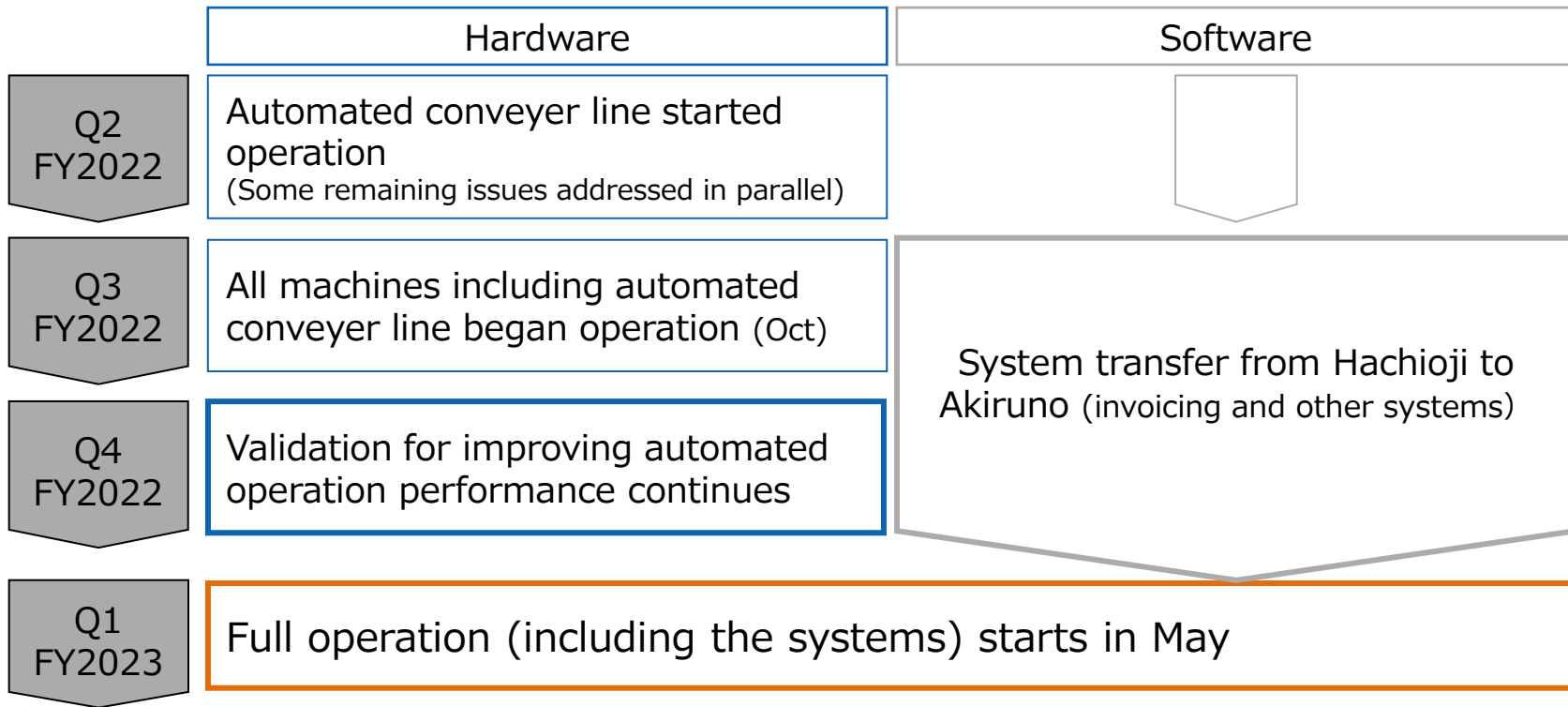


1. Net interest-bearing debt
2. Depreciation + Goodwill amortization

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)

	FY2021 1-3Q	FY2022		FY2023		
		Results	Forecast	Direction	vs FY2022	
Costs	One-time costs	-3.0	-2.7	-3.3	Partially continues	Decrease
	D&A	—	-3.0	-4.2	Fixed amount continues after full operation	Increase
	Running costs ¹	-0.3	-2.7	-3.6	Same amount continues	Flat (risk exists)
	Total costs	<u>-3.3</u>	<u>-8.4</u>	<u>-11.1</u>		
Effects	Efficiency effects	—	—	Limited	Arises incrementally	Increase

1. Includes the rent

Share Acquisition of Tokyo Central Pathology Laboratory (TCPL)

Profile

A company with a “Quality First” management philosophy that focuses mainly on pathological testing

Strength of H.U. Group (SRL)

- Expertise in esoteric pathological testing
- Network with KOLs, especially large hospitals
- Reliable testing environment for health and safety



Strength of TCPL

- Strong network with nationwide pathologists
- Expertise in general pathological testing (efficient operation)



Purpose of acquisition

- Acquire TCPL's nationwide network of pathologists, strengthen it, and integrate into the Group
- Expand the business through more sophisticated and efficient pathological testing

R&D Technology/Business Strategy



All output can be supplied to our global partners through the CDMO model

1. iTACT (immunoassay for Total Antigen including Complex via preTreatment)
2. CLEIA (Chemiluminescent Enzyme Immunoassay)

CSF¹ diagnostic
Automation • IVD

Successfully developed
4 markers for Lumipulse

- β -Amyloid 1-42
- β -Amyloid 1-40
- pTau181
- Total Tau

Obtained IVD approval in major
countries

- FDA
- CE mark (IVD-R)
- PMDA

Expand Plasma line-up
in addition to CSF¹

Accelerate developing markers
for Lumipulse

- Launched 3 markers
 - β -Amyloid 1-42
 - β -Amyloid 1-40
 - pTau181

- Launch scheduled for March 23
 - More than 3 markers

Expand Plasma line-up
by Ultra-High sensitive
detection

Develop new platform and
dedicated reagents

- Launch RUO by FY23
- Alzheimer's disease markers
are expected

→ In progress as scheduled

Accelerate through acquisition of ADx/Fluxus

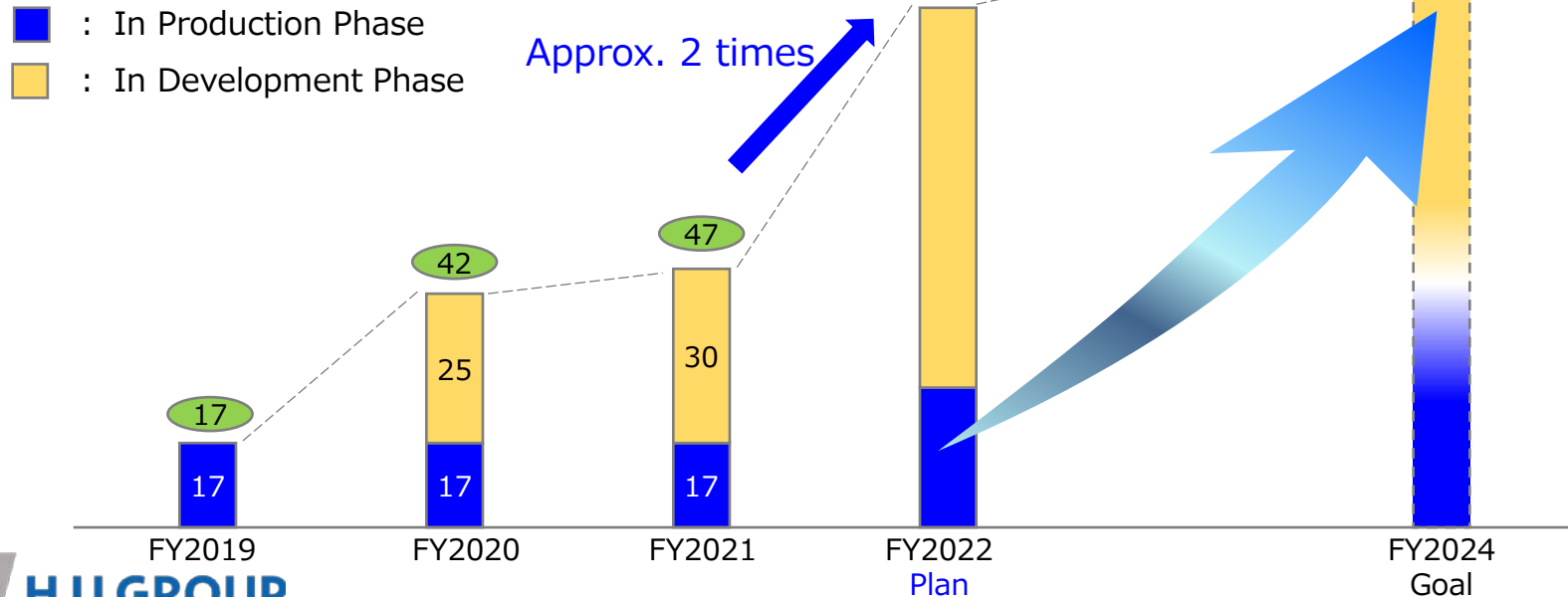
Key Initiatives: CDMO

CDMO

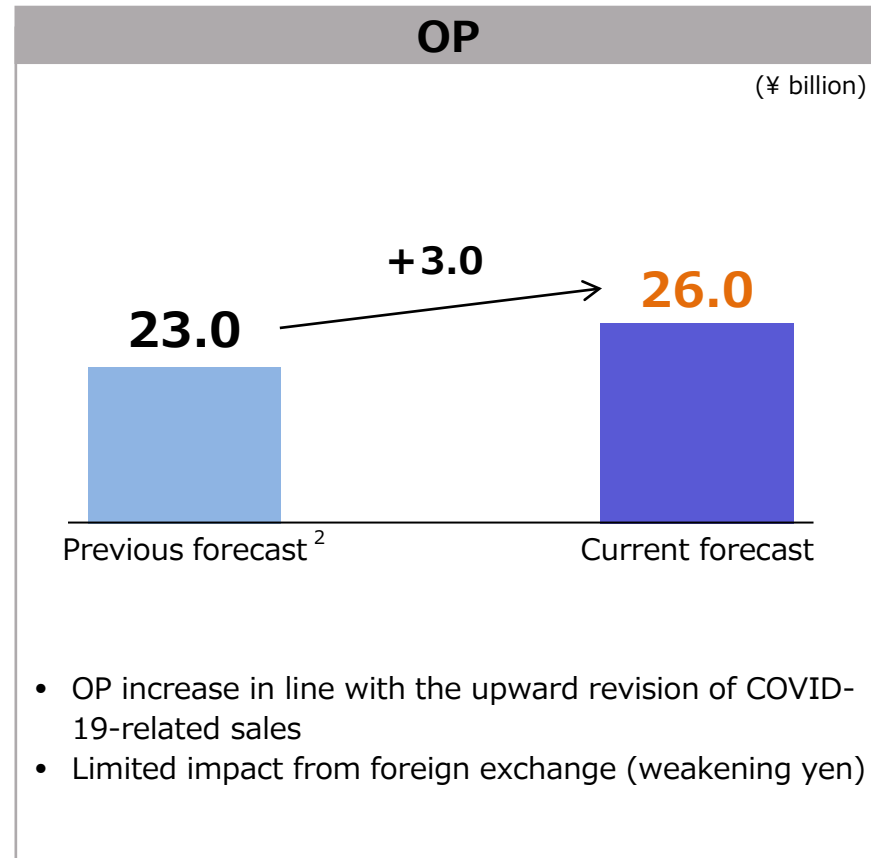
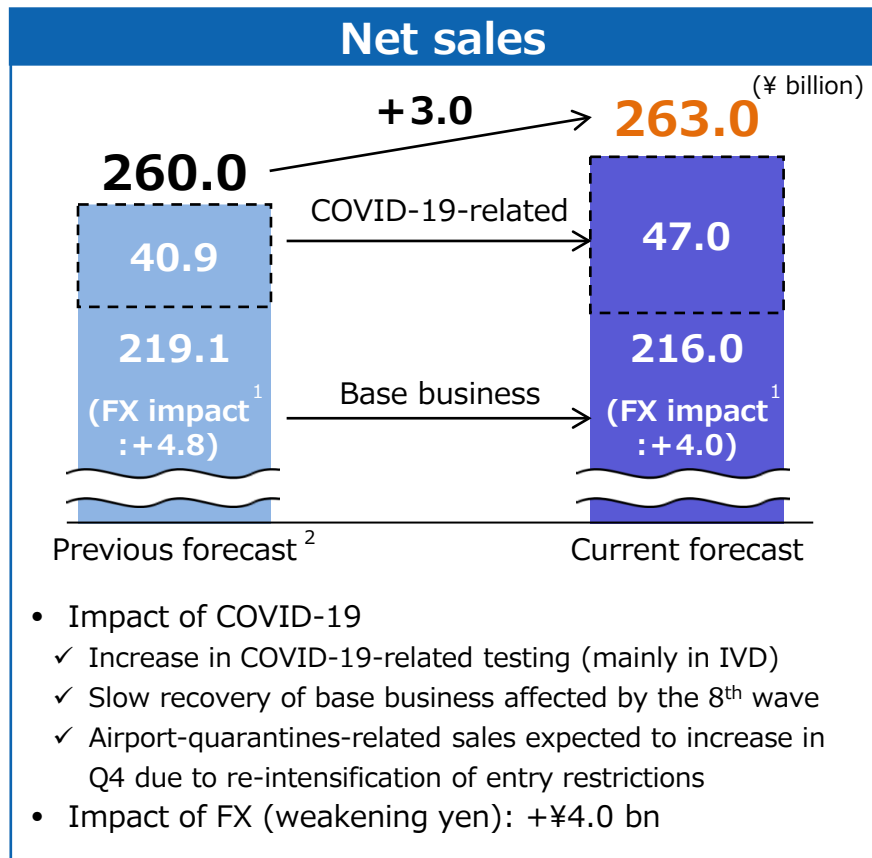
- Ensure that items in the development phase are transferred to the production phase
- Expand business to regional players overseas as well as global players by leveraging the strength of our unique items (expansion of local partners)

Number of development projects gained from partners (accumulated) ¹

1. Excluding the number of antibody sales



Full-year Forecast of Net Sales/OP (vs previous forecast)



1. In comparison of initial exchange rate (1 USD = 114.0 JPY)

2. Announced on November 9, 2022

FY2022 Current Forecast (PL)

(¥ billion)

	FY2021 results	FY2022					
		Previous forecast ¹	Current forecast	vs FY2021		vs previous forecast ¹	
Net sales	272.9	260.0	263.0	-9.9	-3.6%	+3.0	+1.2%
EBITDA	65.1	43.1	46.0	-19.1	-29.4%	+2.9	+6.7%
OP	50.5	23.0	26.0	-24.5	-48.5%	+3.0	+13.0%
Ord. profit	47.4	20.8	23.9	-23.5	-49.6%	+3.1	+14.9%
Net profit	29.6	15.8	17.4	-12.2	-41.2%	+1.6	+10.1%
ROE	23.2%	11.5%	12.6%				
ROIC	15.4%	6.8%	7.7%				

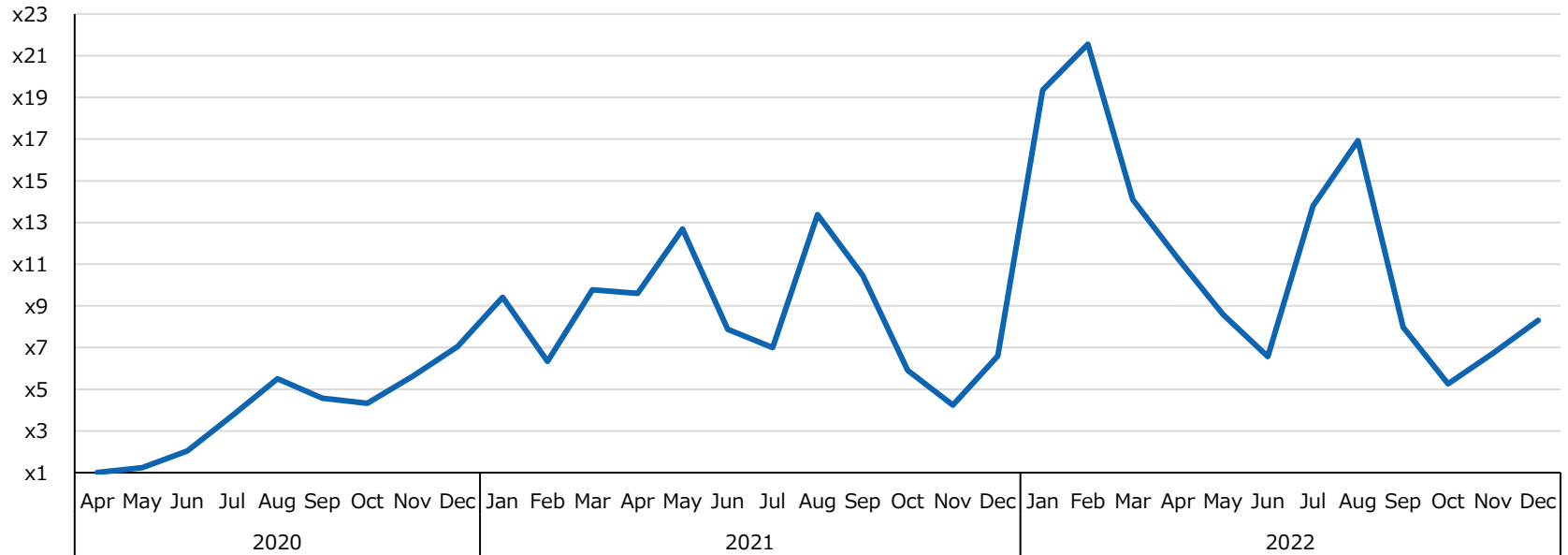
1. Announced on November 9, 2022

Appendix

Testing Trends of COVID-19 PCR Tests

Number of COVID-19 PCR tests conducted

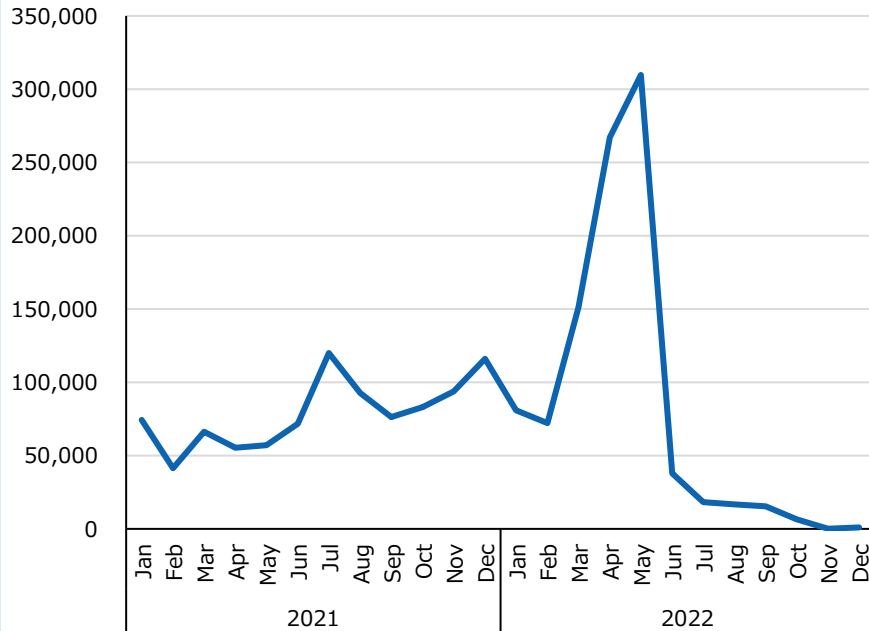
Index: Number of tests conducted by H.U. in April 2020 = 1¹



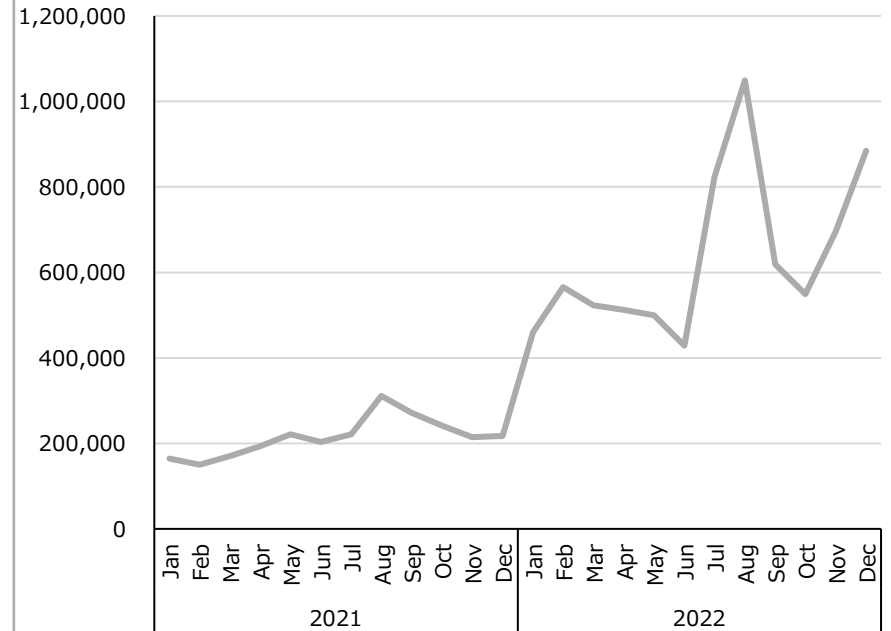
1. PCR tests conducted by SRL and Nihon Rinsho nationwide

Testing Trends of High-sensitivity Quantitative Antigen Tests

Number of quantitative antigen tests at airport quarantines for entrants¹



Number of high-sensitivity quantitative antigen tests at hospitals¹



【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.