

April 30, 2021

FOR IMMEDIATE RELEASE

Company name:	H.U. Group Holdings, Inc.
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### **Notice Regarding the Occurrence of a Loss on Valuation of Shares of Subsidiaries and Associates (Non-consolidated)**

H.U. Group Holdings, Inc. (hereinafter, "the Company") hereby announces that it intends to record a loss on valuation of shares of subsidiaries and associates (non-consolidated) in its non-consolidated financial results for the fiscal year ended March 31, 2021. Details are as follows.

#### **1. Details of loss on valuation of shares of subsidiaries and associates**

The Company decided to recognize an impairment loss in relation to the shares of H.U. America, Inc. (hereinafter, "HAI"), which is a consolidated subsidiary of the Company, in accordance with the "Accounting Standard for Financial Instruments" and to record a loss on valuation of shares of subsidiaries and associates of approximately 9.8 billion yen under extraordinary losses.

In determining the fair value of HAI, valuation of investment in Baylor Miraca Genetics Laboratories, LLC (hereinafter, "BMGL"), which accounts for a majority of the total assets of HAI, has a significant impact. In its business results for the period under review, BMGL reported gains in sales and profits due to an increase in contracts for COVID-19 PCR testing and genetic testing for cancer and congenital diseases and posted a net profit on a full-year basis. Nonetheless, net profit failed to reach the level required to outweigh the cost of amortization of goodwill included in HAI's investment in BMGL. As a result, there was a significant decline in the fair value of HAI during the period under review, and the Company, making the judgment that HAI's fair value is unlikely to recover to the acquisition cost level within the coming five years, decided to recognize an impairment loss in the fiscal year under review.

#### **2. Impact on consolidated financial results**

The loss on valuation of shares of subsidiaries and associates will be recorded on a non-consolidated basis only and will have no impact on the Company's consolidated financial results for the fiscal period ended March 31, 2021.

End