

Business Results for The First Half of FY2020

November 10, 2020

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 which is a non-GAAP measure.
- * Profit/loss attributable to owners of parent may be mentioned as net profit/loss.
- * Figures and ratio in this material are rounded to the appropriate unit in principle, and the sums of the individual figures in each table do not always correspond to the total, because of rounding.
- * Abbreviations:

CLT: Clinical Laboratory Testing	IVD: In Vitro Diagnostics
SR: Sterilization and Related Services	ENB: Emerging New Business and others
FMS: Facility Management Service	OP: Operating profit
Or. profit: Ordinary profit	BMGL: Baylor Miraca Genetics Laboratories, LLC
HUHD: H.U. Group Holdings, Inc.	FY2020: Fiscal year ending March 31, 2021
- * Business segments has been changed from 1Q FY19. Past figures has been retroactively adjusted in accordance with the current segmentation.

※ Exchange rates used in this presentation material:

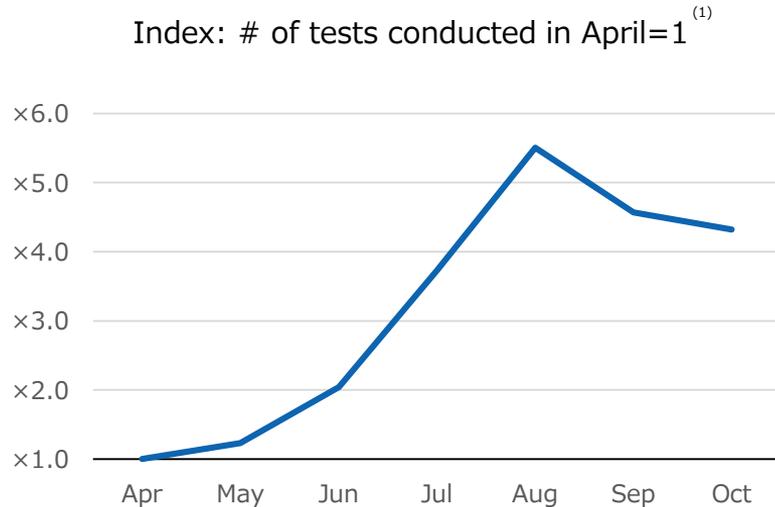
FY2019 1H : 1USD = 108.62 JPY 1EURO = 121.40 JPY

FY2020 1H : 1USD = 106.92 JPY 1EURO = 121.29 JPY

Updates Related to Actions for COVID-19

Testing Trend for PCR & Esoteric Tests

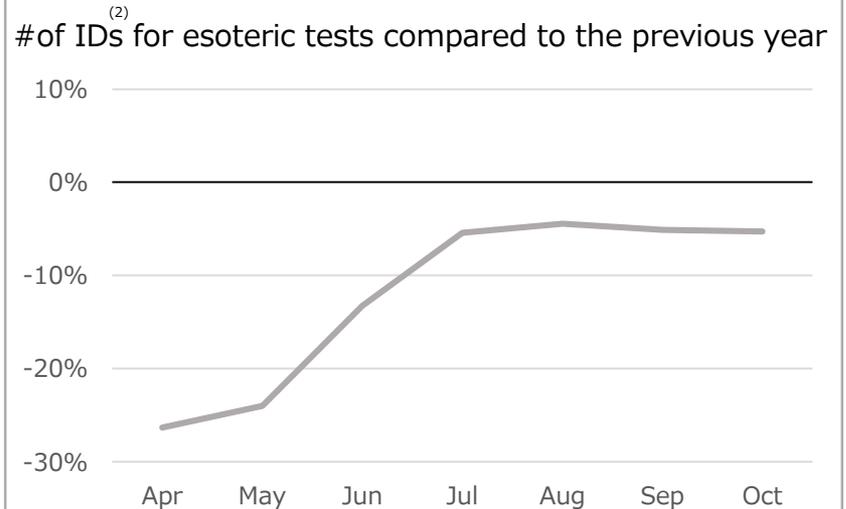
Number of COVID-19 PCR tests conducted



- Currently stabled at around 2,000~3,000 tests/day
- Difficult to predict future testing demands

(1) PCR tests conducted in labs nationwide

Number of IDs for esoteric testing excluding COVID-19 related PCR and antibody tests



- Significant recovery, yet trending below previous year

(2) Test IDs conducted at Hachioji after working day adjustment

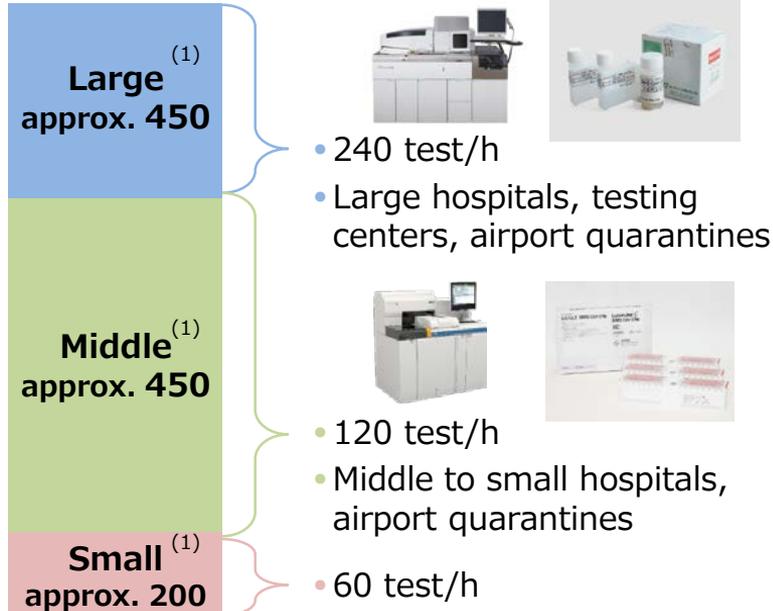
Updates Related to Actions for COVID-19 ①

	~FY2020 1Q	FY2020 2Q~
CLT	<ul style="list-style-type: none"> Started PCR testing (administrative and clinical) Started antibody testing 	<ul style="list-style-type: none"> Started comprehensive testing support at airport quarantines
IVD	<ul style="list-style-type: none"> Launched rapid antigen test kit Announced to ramp up production capacity for rapid antigen test kit in Asahikawa Plant Launched high-sensitive antigen test reagent for middle and small sized Lumipulse (G1200, G600II) 	<p>Japan</p> <ul style="list-style-type: none"> Enabled preparation-solution sharing among flu and COVID-19 for rapid antigen test kit Started to supply instruments and reagent to airport quarantines Addition of nasal swab specimen for high-sensitive and rapid antigen tests Expanded high-sensitive antigen test reagent for large sized Lumipulse (L2400) <p>Global</p> <ul style="list-style-type: none"> Sales for high-sensitive and rapid antigen tests in EU started <ul style="list-style-type: none"> ✓ Demands became apparent in Italy Started clinical study in the US (high-sensitive)

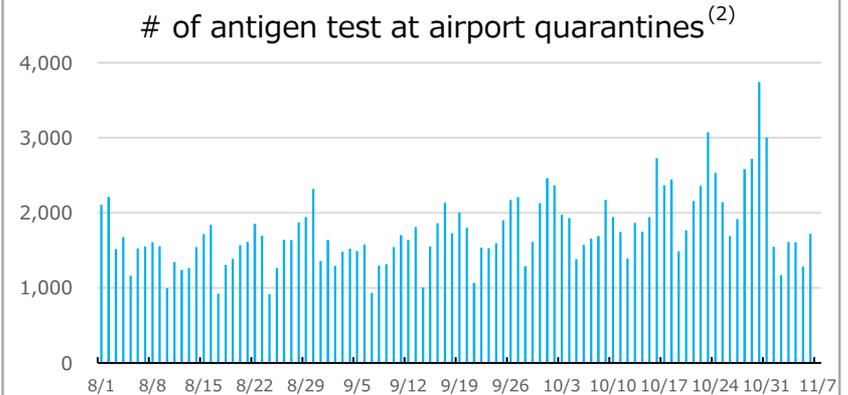
Updates Related to Actions for COVID-19 ②

High-sensitive antigen testing (Lumipulse)

of installed Lumipulse: approx. 1,400
(includes 120 newly installed Lumipulse generated by COVID-19)



Transition of # of antigen testing at airport quarantines for entrants



- 40 Lumipulse in 7 airports (Narita (NRT), Haneda (HND), Kansai International (KIX), New Chitose (CTS), Chubu Centrair International (NGO), Fukuoka (FUK), Naha (OKA))
- Conducting approx. 1,500 test/day in November

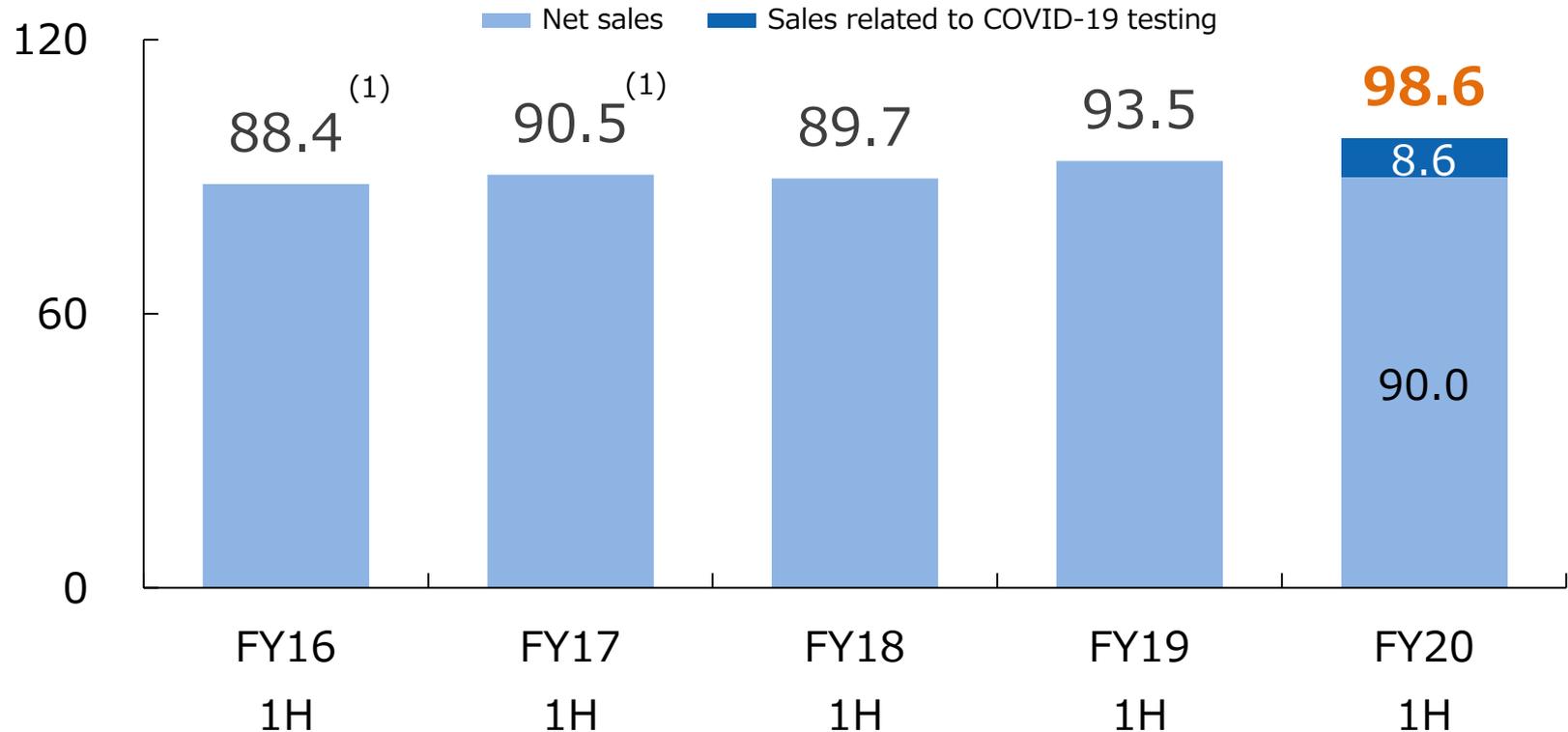
※1 Large: L2400 and Presto / Middle: G1200 / Small: G600 II

※2 Ministry of Health, Labor and Welfare Open Data: No. of PCR tests conducted

Business Results for The First Half of FY2020

Transition of Consolidated Sales

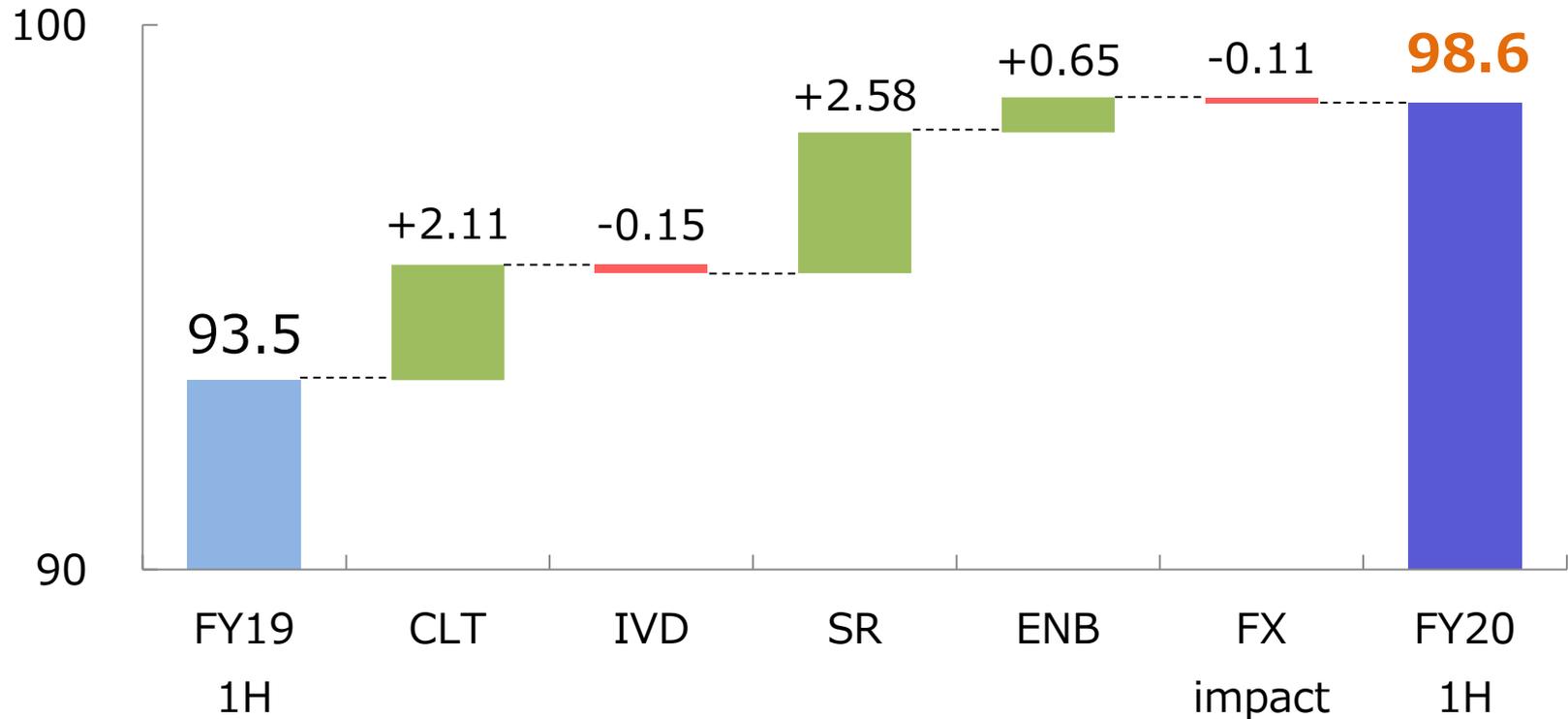
(¥ billion)



(1) Excluding CLT Global business, due to the business divestment taken place in November 2017.

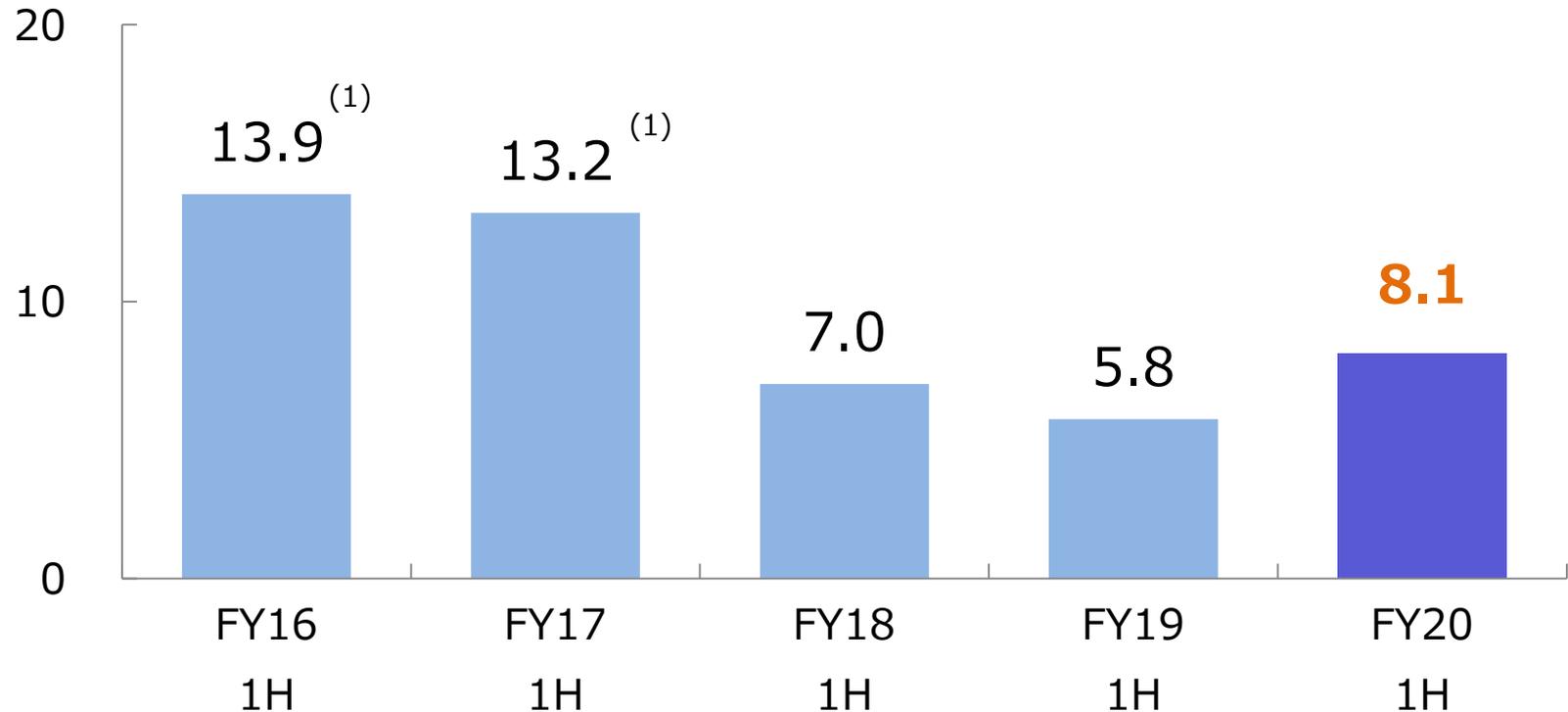
Consolidated Sales Waterfall

(¥ billion)



Transition of Consolidated Operating Profit

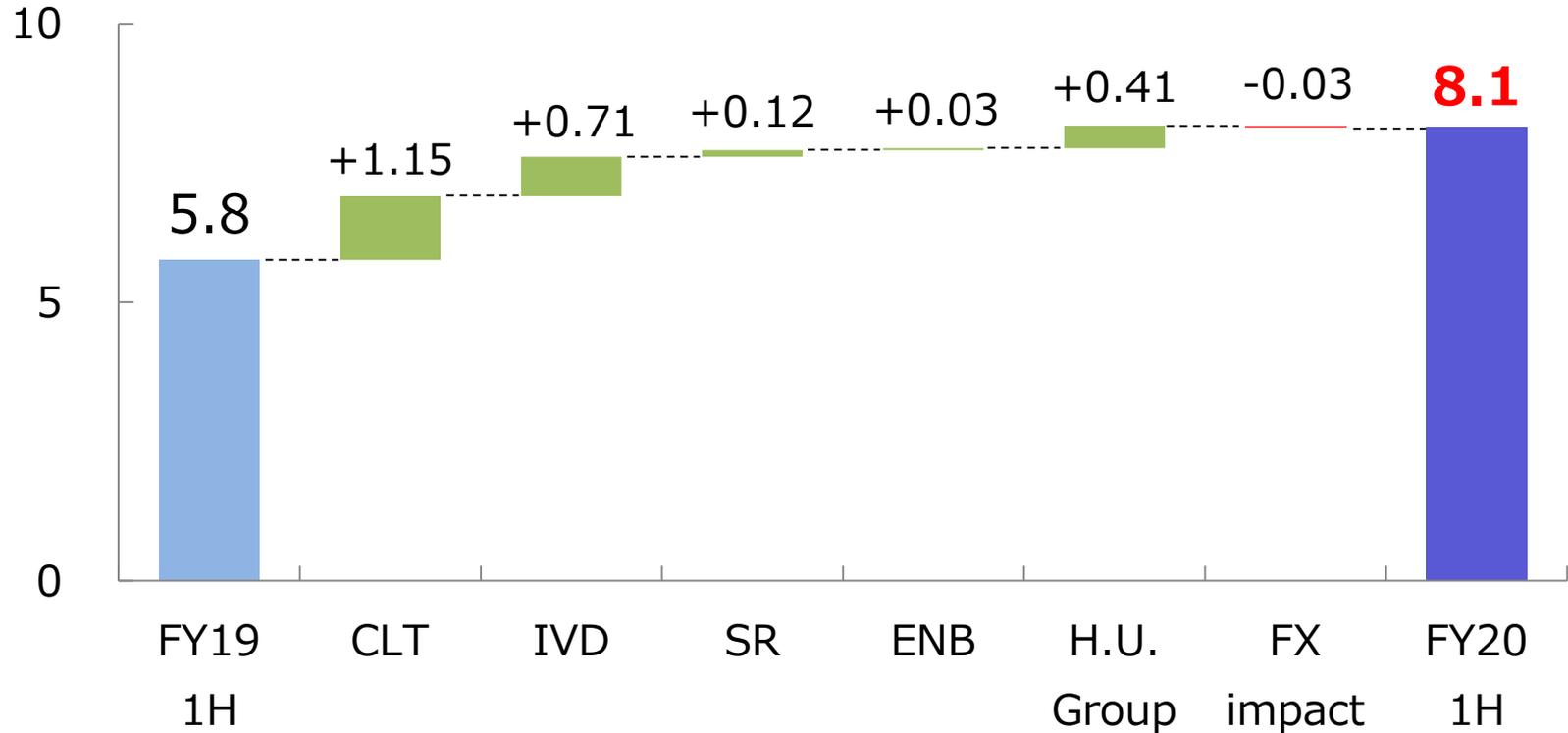
(¥ billion)



(1) Excluding CLT Global business, due to the business divestment taken place in November 2017.

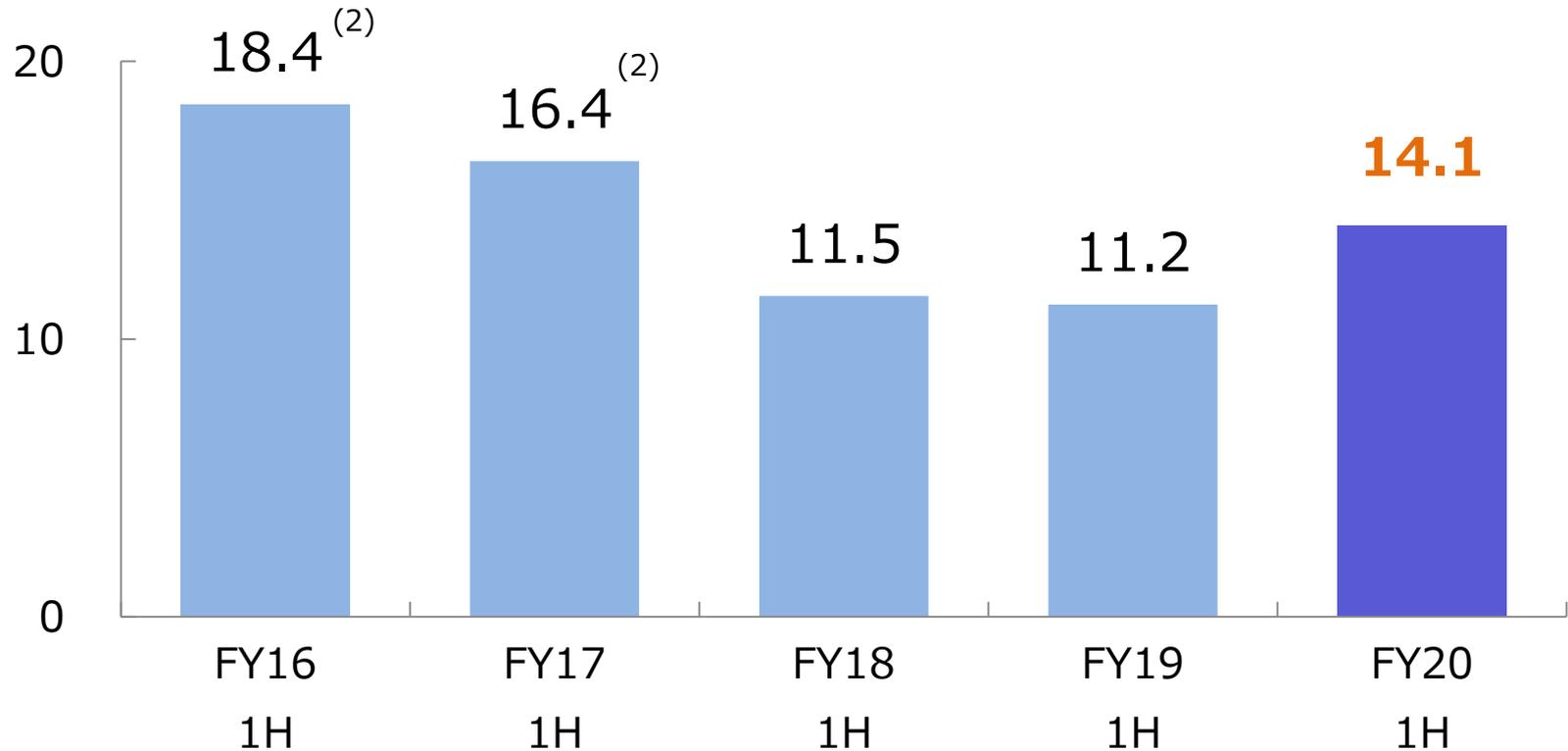
Consolidated Operating Profit Waterfall

(¥ billion)



Transition of Consolidated EBITDA⁽¹⁾

(¥ billion)



(1) EBITDA = Operating income + Depreciation + Amortization of goodwill

(2) Excluding CLT Global business, due to the business divestment taken place in November 2017.

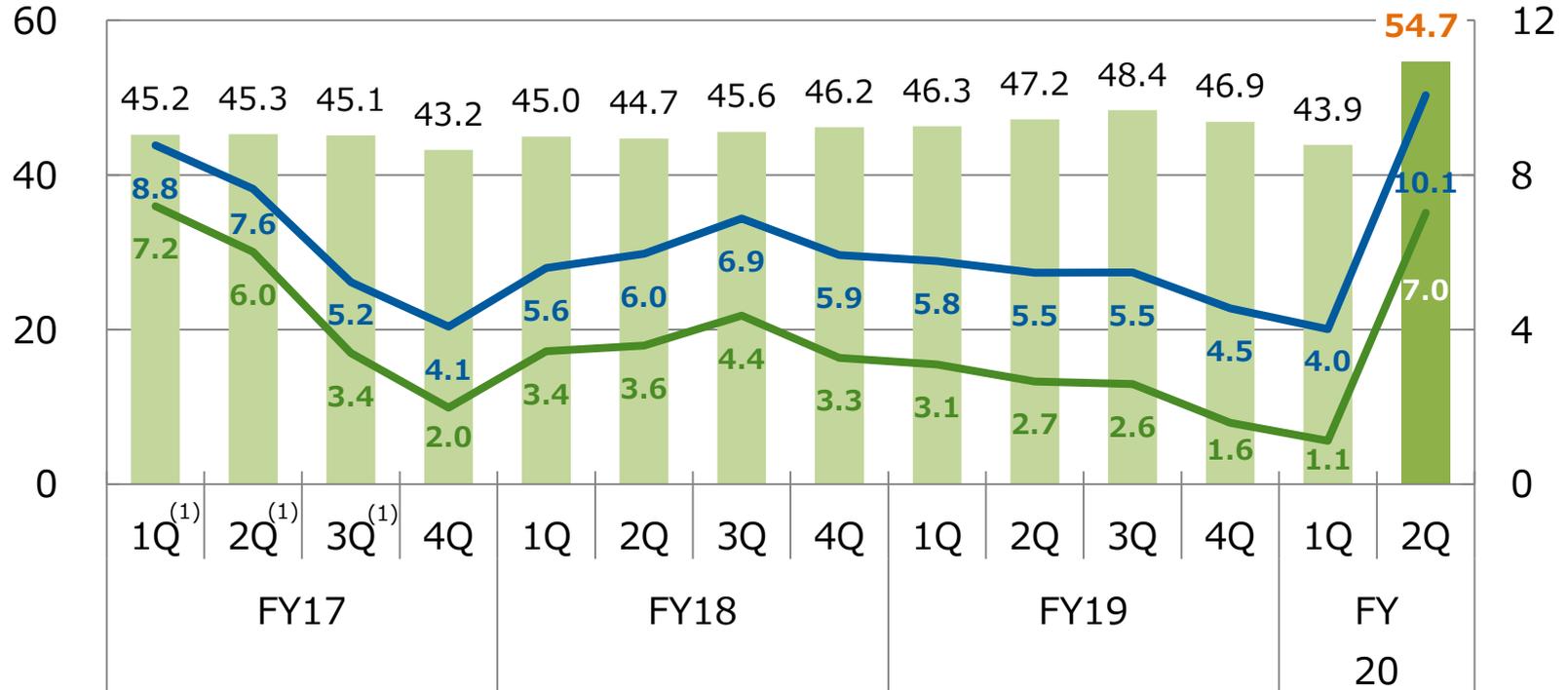
Quarterly Performance Transition

Record high quarterly net sales

Net sales
(¥ billion)

OP, EBITDA
(¥ billion)

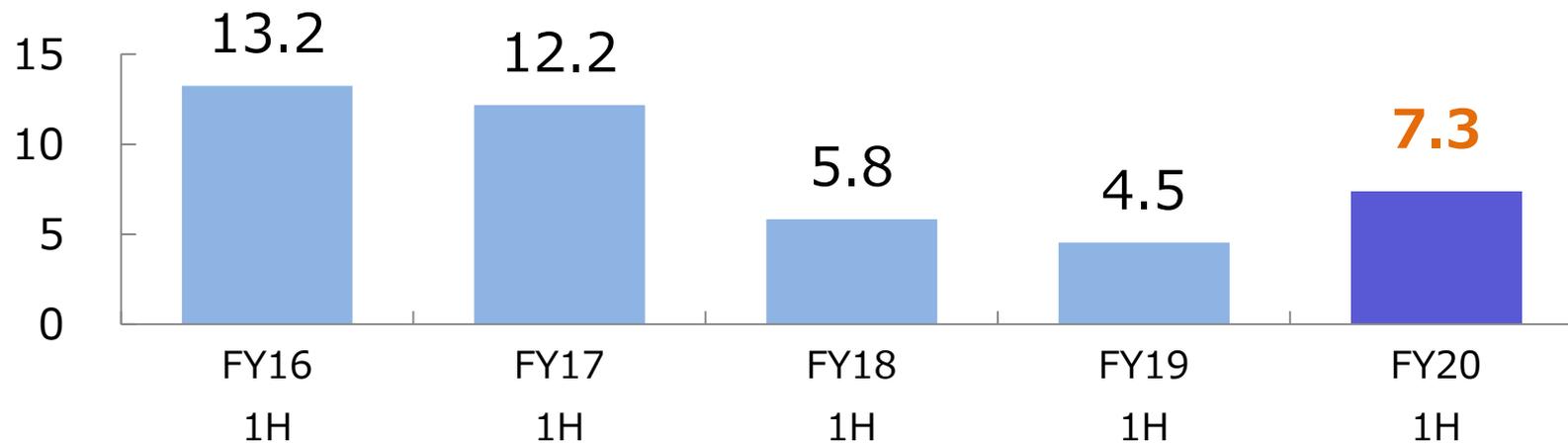
Net sales EBITDA OP



(1) Excluding CLT Global business, due to the business divestment taken place in November 2017.

Transition of Consolidated Ordinary Profit

(¥ billion)



Major factors

【FY19 1H】

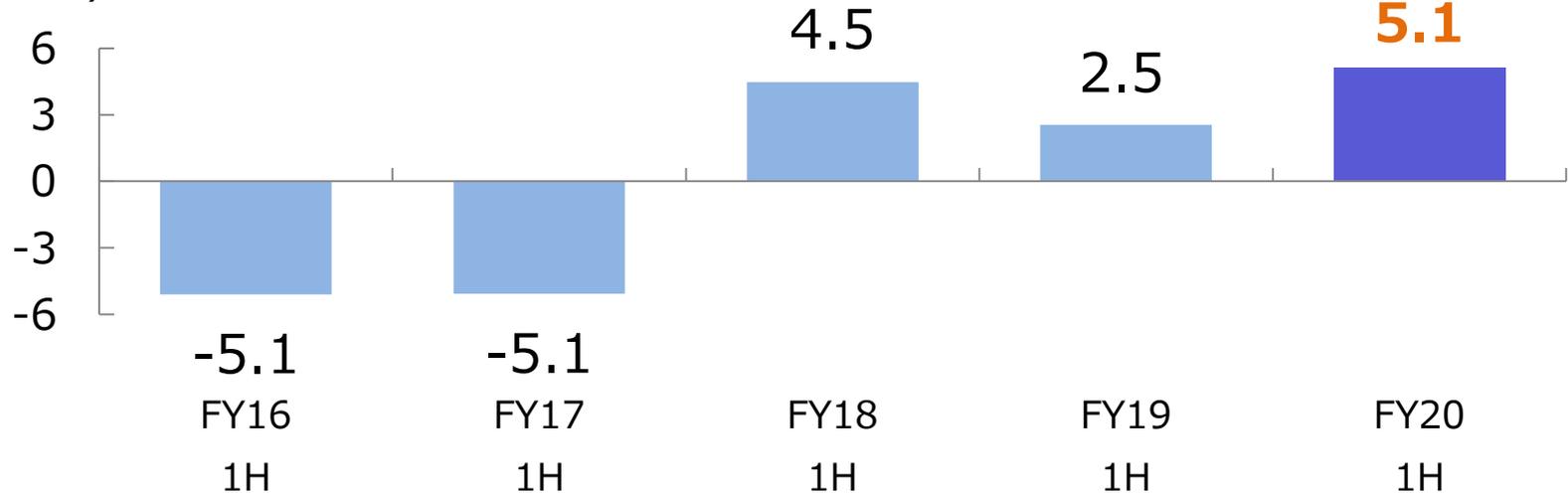
- Share of loss of entities accounted for using equity method -¥1.3 bn
- ✓ Impact from BMGL -¥1.2 bn
- ✓ Impact from JV with Ping An Insurance Group -¥0.1 bn

【FY20 1H】

- Share of loss of entities accounted for using equity method -¥1.0 bn
- ✓ Impact from BMGL -¥0.7 bn
- ✓ Impact from JV with Ping An Insurance Group -¥0.3 bn

Transition of Consolidated Net Profit/Loss

(¥ billion)



Major factors

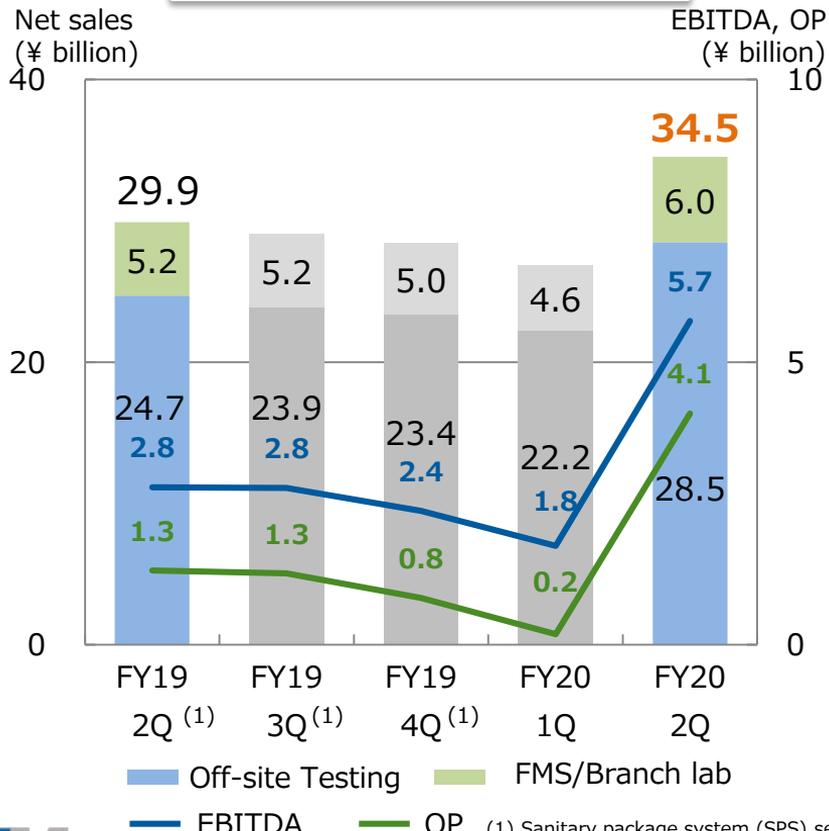
【FY19 1H】

- (Nothing in particular)

【FY20 1H】

- Business restructuring expenses -¥0.8 bn
- Loss on liquidation of subsidiaries -¥0.3 bn
(FUJIREBIO INDIA PRIVATE LIMITED)

Quarterly Transition



YoY Comparison

(¥ billion)

	FY19 1H	FY20 1H	Variance	
Net sales	59.3	61.4	+2.11	+3.6%
FMS/Branch	10.2	10.7	+0.47	+4.6%
Off-site	49.1	50.7	+1.64	+3.3%
EBITDA	6.0	7.5	+1.48	+24.7%
OP	3.1	4.3	+1.15	+36.6%

Net sales

- # of tests: -4.6%
- Decrease in # of tests due to COVID-19
- Increased PCR testing for COVID-19
- Comprehensive testing support at airport quarantines
- Growth of test items related to genetic testing

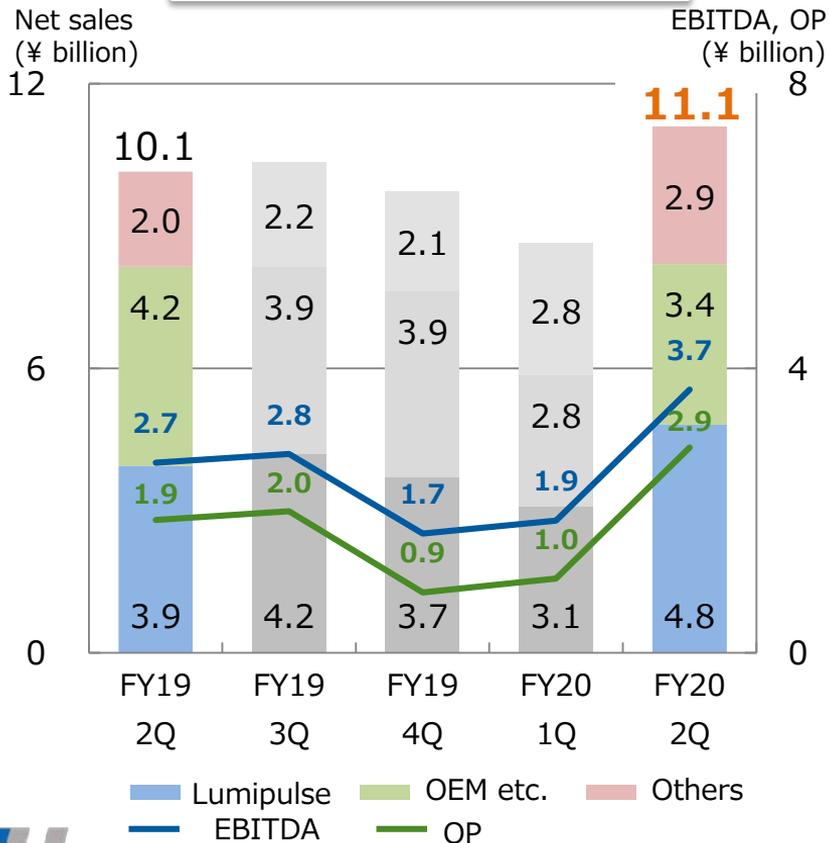
Operating profit

- Price impact: within scope of projection
- Increase in depreciation expenses (-¥0.4 bn)

⁽¹⁾ Sanitary package system (SPS) service business has been transferred to SR segment from this fiscal year and past figures are adjusted
SPS service=Uniform and lab coat lease, cleaning, maintenance and individual uniform management service for medical institutions

IVD

Quarterly Transition



YoY Comparison

(¥ billion)

	FY19 1H	FY20 1H	Variance	
Net sales	20.0	19.7	-0.26	-1.3%
Lumipulse	7.9	7.9	+0.00	+0.1%
Japan	7.0	7.0	-0.01	-0.2%
Overseas	0.9	0.9	+0.02	+2.0%
OEM etc.	8.0	6.1	-1.83	-22.9%
Others	4.1	5.7	+1.56	+37.6%
EBITDA	4.9	5.6	+0.70	+14.4%
OP	3.3	3.9	+0.68	+21.0%
Lumipulse inter-segment transaction	1.2	1.9	+0.68	+58.3%

Net sales

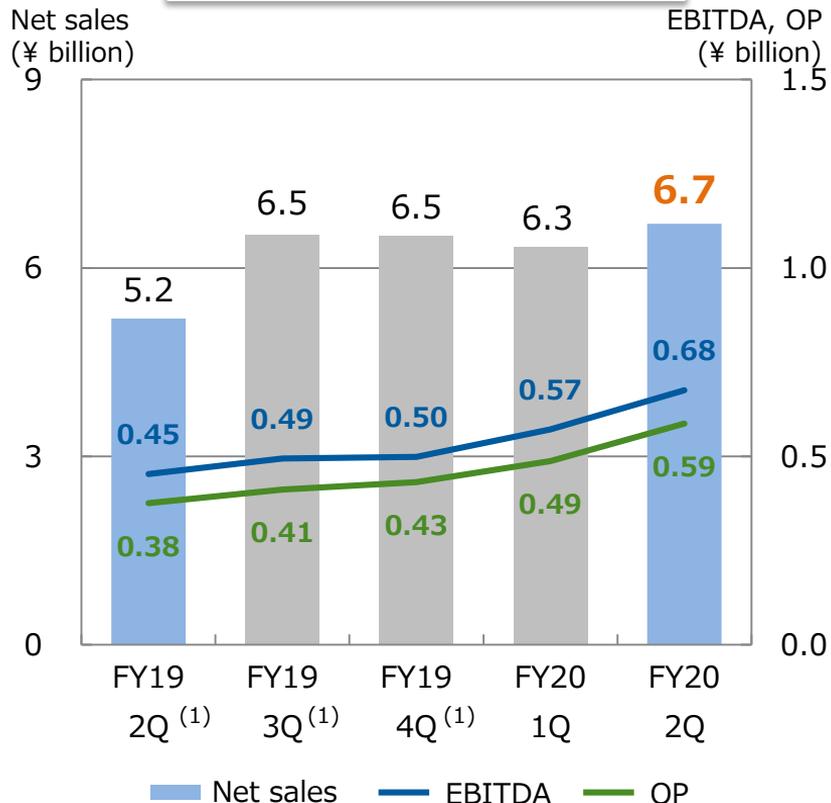
- Sales contribution from high-sensitive antigen test (Lumipulse SARS-CoV-2 Ag) and rapid antigen test kit sales (ESPLINE SARS-CoV-2)
- Sales for Lumipulse and OEM etc. business decreased in accordance with declined testing demand

Operating profit

- COVID-19 related product and inter-segment transaction helped generate OP growth

Resolved to liquidate FUJIREBIO INDIA PRIVATE LIMITED
(Extraordinary loss: -¥0.32 bn)

Quarterly Transition



YoY Comparison

(¥ billion)

	FY19 1H	FY20 1H	Variance	
Net sales	10.5	13.0	+2.58	+24.7%
EBITDA	1.10	1.25	+0.14	+12.9%
OP	0.96	1.07	+0.12	+12.5%

Net sales

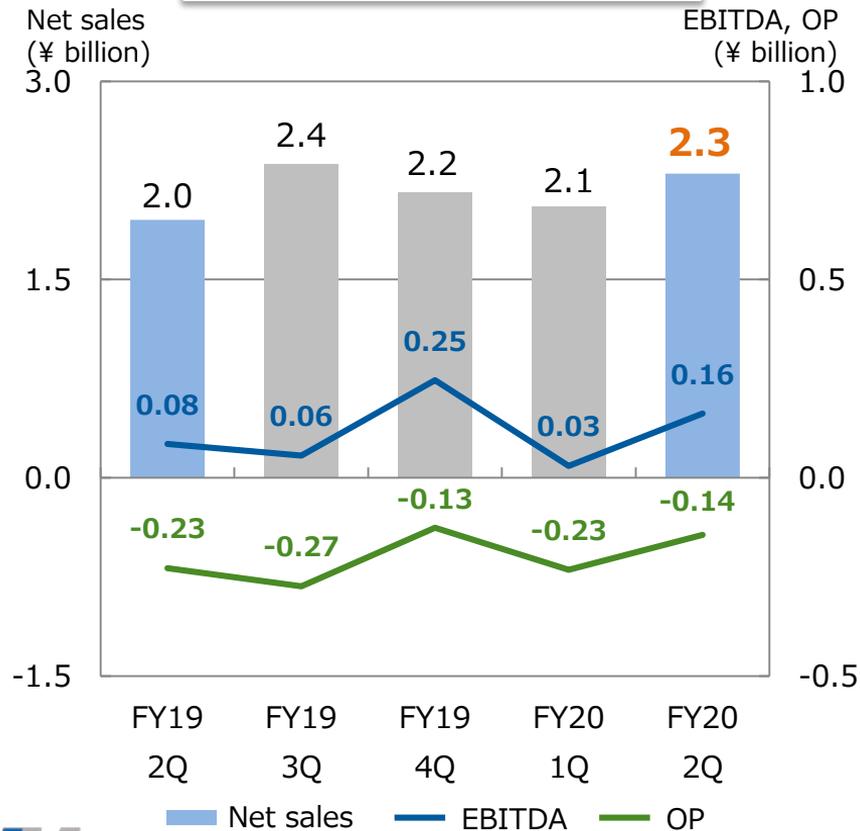
- Commencement of deposit inventory business for medical items hiked sales growth (commencement from FY19 3Q)

Operating profit

- Declined In-hospital business volume led to labor cost reduction
- Limited profit contribution from deposit inventory business

(1) Sanitary package system (SPS) service business has been transferred from CLT segment as of this fiscal year and past figures are adjusted
SPS service: Uniform and lab coat lease, cleaning, maintenance and individual uniform management service for medical institutions

Quarterly Transition



YoY Comparison

(¥ billion)

	FY19 1H	FY20 1H	Variance	
Net sales	3.7	4.4	+0.65	+17.4%
EBITDA	0.17	0.19	+0.03	+15.6%
OP	-0.41	-0.38	+0.03	-

Net sales

- Growth contribution from consolidation of Japan Institute of Foods Ecology (+¥0.44 bn)
- Growth in home-visiting, welfare business (+¥0.15 bn)

Operating profit

- Upfront costs continuing mainly in food, environment, cosmetics testing business

Consolidated Results for FY2020 1H

(¥ billion)

	FY19 1H	FY20 1H	Variance	
Net Sales	93.5	98.6	+5.09	+5.4%
CLT	59.3	61.4	+2.11	+3.6%
IVD	20.0	19.7	-0.26	-1.3%
SR	10.5	13.0	+2.58	+24.7%
ENB	3.7	4.4	+0.65	+17.4%
OP⁽¹⁾	5.8 6.2%	8.1 8.3%	+2.39	41.5%
CLT	3.1	4.3	+1.15	+36.6%
IVD	3.3	3.9	+0.68	+21.0%
SR	1.0	1.1	+0.12	+12.5%
ENB	-0.4	-0.4	+0.03	-
Or. Profit	4.5 4.8%	7.3 7.4%	+2.82	62.2%
Profit/loss attributable to owners of parent	2.5 2.7%	5.1 5.2%	+2.56	100.5%
EBITDA⁽²⁾	11.2 12.0%	14.1 14.3%	+2.83	+25.2%

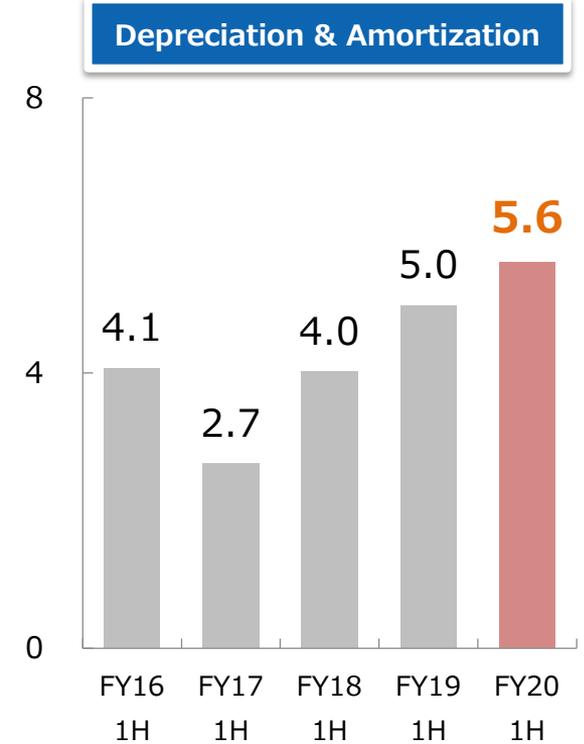
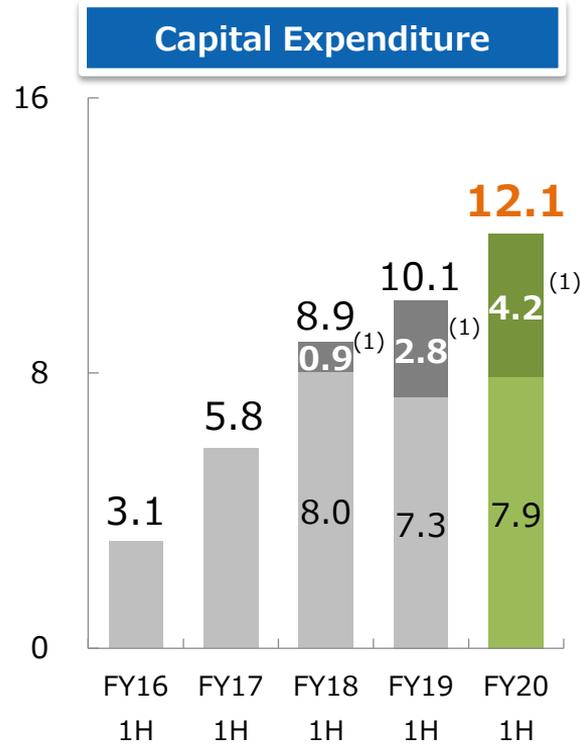
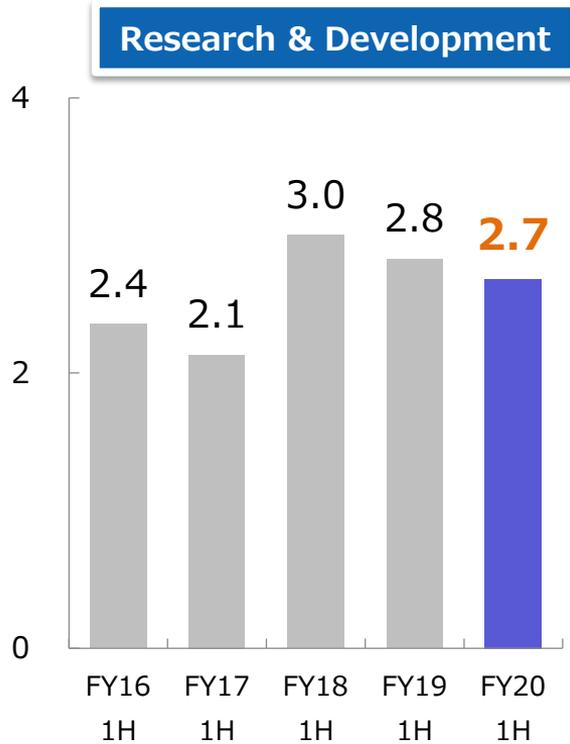
Note: Small blue figures shown in the upper right corners are the individual profit margins

(1) OP includes H.U. Group Holdings and H.U. Group Research institute, as well as segmentation adjustments (FY19 1H: -¥1.17 bn, FY20 1H: -¥0.76 bn)

(2) EBITDA = Operating profit + Depreciation + Amortization of goodwill

Transition of R&D, CAPEX, D&A (excl. CLT Global)

(¥ billion)



Consolidated Cash Flows

- Cash flows from operating activities increased by ¥4.9 bn along with increase in net profit
- Free Cash Flows improved compared to previous year by ¥4.8 bn

	(¥ billion)	
	FY19 1H	FY20 1H
Profit before income taxes	4.0	6.2
Depreciation	5.0	5.6
Decrease (increase) in trade receivables	1.0	-6.3
Increase (decrease) in trade payables	-1.1	3.0
Others	0.0	-4.4
Subtotal	8.9	4.1
income taxes (paid) refund	-4.0	5.8
Others	-0.1	-0.1
Cash flows from operating activities	4.9	9.8
Purchase of fixed assets	-8.2	-10.3
Others	-4.4	-2.4
Cash flows from investing activities	-12.6	-12.7
FCF	-7.7	-2.9
	FY19 1H	FY20 1H
Repayment of long-term loans payable	-4.5	-2.1
Net increase (decrease) in short-term loans payable	-	11.0
Cash dividends paid	-3.7	-3.7
Others	-0.6	-0.8
Cash flows from financing activities	-8.8	4.4
Cash and cash equivalents at end of period	17.6	38.0

FY 2020 Forecast

FY 2020 Revised Forecast

(¥ billion)

	Initial forecast	Revised forecast	FY19
Net sales	200.0~220.0	200.0~220.0	188.7
OP	14.0~18.5	16.0~20.0	9.9
Or. profit	Not determined	14.5~18.5	6.5
Net profit (loss)	Not determined	10.0~13.0	-0.5
EBITDA	Not determined	28.5~32.5	21.3

- Interim dividend is 50 JPY
- Full-year dividend (forecast) is undetermined and to be determined based on full-year results

Appendix

What We Offer to Detect COVID-19

Purpose	Whether infected or not at present			History of infection
	Nucleic acid test	Antigen test		Antibody test
Type of test	PCR (clinical lab test)	High-sensitive antigen test (Lumipulse SARS-CoV-2 Ag)	Rapid antigen test (ESPLINE SARS-CoV-2)	High-sensitive antibody test (clinical lab test)
			  Luipukse L2400 Lumipulse G1200	
Feature	<ul style="list-style-type: none"> •Highest sensitivity •Limitation of testing place/instrument •Strict requirement for specimen transport 	<ul style="list-style-type: none"> •High sensitivity rivaling PCR •Automated instrument •Testing in medical institutions 	<ul style="list-style-type: none"> •Instrument is not required •Point of care testing •Simultaneous testing with flu using one sample is possible 	<ul style="list-style-type: none"> •Automated instrument
Main usage	<ul style="list-style-type: none"> •Definitive diagnosis for patients with symptom (incl. negative confirmation test before discharge) •Negative confirmation test for people with no symptom (at quarantine, close contacts) 		<ul style="list-style-type: none"> •Diagnosis for patients with symptom Pos: definitive diagnosis Neg: definitive diagnosis (within 2-9 days of symptom) 	<ul style="list-style-type: none"> •Past infection (Epidemiological survey, etc.)
Type of sample	<ul style="list-style-type: none"> •Nasopharyngeal swab •Nasal swab •Saliva 	<ul style="list-style-type: none"> •Nasopharyngeal swab •Nasal swab •Saliva 	<ul style="list-style-type: none"> •Nasopharyngeal swab •Nasal swab (Saliva: in development) 	Blood
Testing time	4 hours	<ul style="list-style-type: none"> •Within 25 minutes (large) ⁽¹⁾ •Within 30 minutes (small & middle) 	10 to 30 minutes	Within 30 minutes
Place to test/produce	Mainly Hachioji Lab	Sagamihara Plant	Ube Plant (Asahikawa Plant will open by the end of 2020)	Mainly Hachioji Lab
timing to provide test/product	Feb.12: started testing thru administrative organization Mar. 6: reimbursed	Jun. 25: reimbursed ⁽¹⁾ Jun. 22: started sales (small & middle) Nov. 2: started sales (large)	May 13: started sales May 13: reimbursed	Jun.1: started testing

(1) Large: L2400 and Presto Middle: G1200 Small: G600 II

R&D, CAPEX, D&A

	FY2019 1H	FY2020 1H	Variance	
R&D Expenses	2,829	2,684	-145	-5.1%
CLT	159	190	+31	+19.1%
IVD	2,157	2,025	-132	-6.1%
SR	-	-	-	-
ENB	-	4	-	-
HUHD, etc.	512	463	-48	-9.5%
Capital Expenditure	10,092⁽¹⁾	12,054⁽¹⁾	+1,961	+19.4%
CLT	7,190	7,107	-83	-1.2%
IVD	1,095	2,107	+1,012	+92.4%
SR	694	468	-226	-32.5%
ENB	845	1,327	+482	+57.0%
HUHD, etc.	267	1,042	+775	+290.4%
Depreciation and Amortization	4,979	5,613	+633	+12.7%
CLT	2,731	3,167	+436	+16.0%
IVD	1,369	1,388	+19	+1.4%
SR	124	171	+46	+37.2%
ENB	466	519	+54	+11.5%
HUHD, etc.	287	365	+78	+27.0%

(¥ million)

Number of Employees

	End of Mar. 2020		End of Sep. 2020		Variance	
	Regular	Contractor	Regular	Contractor	Regular	Contractor
Total	5,968	6,622	5,976	6,388	+8	- 234
CLT	2,926	3,112	2,827	3,010	-99	- 102
IVD	1,129	118	1,188	125	+59	+ 7
HR	1,161	3,152	1,192	3,001	+31	- 151
ENB	393	188	420	195	+27	+ 7
HUHD, etc.	359	52	349	57	-10	+ 5

Regular: refers to a permanent, fully-fledged employee with no end date to their employment

Contract: refers to part-time, temporary or employees with a limited contract

【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.