

Consolidated Financial Results for the Six Months Ended September 30, 2020 <under Japanese GAAP>

Name of the Listed Company: **H.U. Group Holdings, Inc.**
 Listed Stock Exchanges: Tokyo Stock Exchange
 Securities Code: 4544
 URL: <https://www.hugp.com/>
 Representative: Shigekazu Takeuchi, Director, President and Group CEO
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Scheduled date to submit Quarterly Securities Report: November 12, 2020
 Scheduled date to commence dividend payments: December 10, 2020
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded down)

1. Consolidated financial results for the six months ended September 30, 2020

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2020	98,566	5.4	8,146	41.5	7,342	62.2	5,102	100.5
September 30, 2019	93,480	4.3	5,758	(18.0)	4,526	(22.4)	2,544	(43.1)

Note: Comprehensive income

Six months ended September 30, 2020: ¥4,791 million [279.9%]

Six months ended September 30, 2019: ¥1,261 million [(80.8)%]

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2020	89.52	89.50
September 30, 2019	44.67	44.66

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2020	229,122	104,065	45.4	1,822.77
March 31, 2020	219,403	103,228	47.0	1,809.18

Reference: Equity

As of September 30, 2020: ¥103,947 million

As of March 31, 2020: ¥103,086 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	–	65.00	–	65.00	130.00
Fiscal year ending March 31, 2021	–	50.00			
Fiscal year ending March 31, 2021 (Forecast)			–	–	–

Note: Revisions to the cash dividend forecasts most recently announced: Yes

The year-end dividend forecast for the fiscal year ending March 31, 2021 is undetermined.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	200,000	6.0	16,000	61.0	14,500	124.2	10,000	–	176.36
	to	to	to	to	to	to	to	–	to
	220,000	16.6	20,000	101.2	18,500	186.0	13,000	–	229.27

Note: Revisions to the earnings forecasts most recently announced: Yes

Since it is difficult to accurately forecast COVID-19 related testing demand and how high-sensitive antigen test reagent and rapid antigen test kit may impact the earnings, we will continue to disclose forecasts in a range, taking into account factors affecting business performance that are currently estimable.

* Notes

- (1) Changes in significant subsidiaries during the current period under review (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None

- (4) Number of shares issued (common shares)

- a. Total number of shares issued at the end of the period (including treasury shares)

As of September 30, 2020	57,416,407 shares
As of March 31, 2020	57,387,861 shares

- b. Number of treasury shares at the end of the period

As of September 30, 2020	388,856 shares
As of March 31, 2020	408,064 shares

- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2020	57,000,822 shares
Six months ended September 30, 2019	56,965,588 shares

Note: The Company has introduced a Board Incentive Plan (BIP) trust as part of officer remuneration, and the number of shares of the Company held by the said trust is included in the number of treasury shares excluded from calculations of the number of treasury shares at the end of the period, and the average number of shares during the period.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Note regarding the forecast figures)

The forecasts stated above are based on information available to the Company as of the date of announcement of this report and assumptions as of the same date on many uncertain factors that could affect the future performance of the Company. Actual results may differ substantially from the forecasts due to various factors in the future.

(How to access supplementary materials on quarterly financial results and the details of quarterly financial results presentation meeting)

The Company is scheduled to hold a quarterly financial results presentation meeting for institutional investors and analysts on Tuesday, November 10, 2020, and to post the materials used in the meeting on the Company's website immediately after the meeting.

Quarterly consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	36,357	37,978
Notes and accounts receivable - trade	32,737	38,837
Merchandise and finished goods	6,796	6,653
Work in process	5,325	6,275
Raw materials and supplies	5,829	6,416
Other	16,943	10,868
Allowance for doubtful accounts	(90)	(108)
Total current assets	103,899	106,921
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,372	17,911
Tools, furniture and fixtures, net	18,572	18,618
Land	11,670	11,652
Other, net	10,714	13,138
Total property, plant and equipment	58,330	61,320
Intangible assets		
Goodwill	1,514	1,218
Customer-related intangible assets	970	953
Software	5,904	6,753
Other	12,637	15,451
Total intangible assets	21,027	24,376
Investments and other assets		
Investment securities	11,394	11,121
Other	24,607	25,250
Allowance for doubtful accounts	(27)	(27)
Total investments and other assets	35,975	36,344
Total non-current assets	115,332	122,041
Deferred assets	171	158
Total assets	219,403	229,122

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,318	15,322
Electronically recorded obligations - operating	1,290	1,326
Short-term borrowings	10,000	21,000
Current portion of long-term borrowings	4,166	4,151
Accounts payable - other	7,107	8,281
Income taxes payable	1,050	1,041
Provision for bonuses	6,235	5,027
Other	13,130	9,076
Total current liabilities	55,299	65,228
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term borrowings	16,216	14,132
Retirement benefit liability	3,167	3,347
Asset retirement obligations	709	896
Provision for share-based remuneration	51	44
Provision for compensation loss	458	445
Other	5,272	5,962
Total non-current liabilities	60,875	59,829
Total liabilities	116,175	125,057
Net assets		
Shareholders' equity		
Share capital	9,147	9,184
Capital surplus	24,869	24,906
Retained earnings	72,772	73,799
Treasury shares	(1,633)	(1,582)
Total shareholders' equity	105,156	106,307
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(117)	(131)
Foreign currency translation adjustment	(1,204)	(1,545)
Remeasurements of defined benefit plans	(747)	(681)
Total accumulated other comprehensive income	(2,069)	(2,359)
Share acquisition rights	141	108
Non-controlling interests	–	8
Total net assets	103,228	104,065
Total liabilities and net assets	219,403	229,122

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	93,480	98,566
Cost of sales	63,967	66,857
Gross profit	29,512	31,708
Selling, general and administrative expenses	23,753	23,562
Operating profit	5,758	8,146
Non-operating income		
Interest income	41	45
Dividend income	23	15
Foreign exchange gains	64	–
Consumption taxes variance	–	423
Other	176	267
Total non-operating income	305	750
Non-operating expenses		
Interest expenses	110	128
Share of loss of entities accounted for using equity method	1,298	1,008
Other	128	417
Total non-operating expenses	1,537	1,554
Ordinary profit	4,526	7,342
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on reversal of share acquisition rights	43	33
Other	0	–
Total extraordinary income	43	33
Extraordinary losses		
Loss on retirement of non-current assets	32	105
Loss on cancellation of leases	156	–
Loss on termination of contracts	321	–
Loss on liquidation of subsidiaries and associates	–	322
Business restructuring expenses	–	776
Other	94	11
Total extraordinary losses	604	1,215
Profit before income taxes	3,965	6,160
Income taxes - current	868	1,435
Income taxes - deferred	551	(356)
Total income taxes	1,420	1,079
Profit	2,544	5,081
Loss attributable to non-controlling interests	–	(21)
Profit attributable to owners of parent	2,544	5,102

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	2,544	5,081
Other comprehensive income		
Valuation difference on available-for-sale securities	104	(14)
Foreign currency translation adjustment	(1,417)	(341)
Remeasurements of defined benefit plans, net of tax	30	65
Total other comprehensive income	(1,283)	(289)
Comprehensive income	1,261	4,791
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,261	4,812
Comprehensive income attributable to non-controlling interests	—	(21)

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	3,965	6,160
Depreciation	4,979	5,613
Amortization of goodwill	505	319
Loss on liquidation of subsidiaries and associates	–	322
Loss on cancellation of leases	156	–
Loss on termination of contracts	321	–
Increase (decrease) in provision for bonuses	(1,062)	(1,200)
Increase (decrease) in retirement benefit liability	225	261
Interest and dividend income	(64)	(60)
Interest expenses	110	128
Share of loss (profit) of entities accounted for using equity method	1,298	1,008
Decrease (increase) in trade receivables	1,016	(6,345)
Decrease (increase) in inventories	(1,404)	(1,466)
Increase (decrease) in trade payables	(1,072)	3,045
Increase (decrease) in accrued consumption taxes	372	(144)
Decrease (increase) in other current assets	(705)	(1,099)
Increase (decrease) in other current liabilities	(394)	(2,569)
Other, net	635	101
Subtotal	8,883	4,073
Interest and dividends received	67	66
Interest paid	(118)	(138)
Income taxes (paid) refund	(3,956)	5,773
Net cash provided by (used in) operating activities	4,875	9,774
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,450)	(5,186)
Purchase of intangible assets	(3,706)	(5,154)
Purchase of investment securities	(585)	(1,865)
Loan advances	(1,744)	(326)
Purchase of shares of subsidiaries	(1,945)	(100)
Other, net	(171)	(80)
Net cash provided by (used in) investing activities	(12,603)	(12,714)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	11,000
Repayments of long-term borrowings	(4,511)	(2,080)
Repayments of finance lease obligations	(550)	(836)
Dividends paid	(3,707)	(3,707)
Other, net	(1)	26
Net cash provided by (used in) financing activities	(8,771)	4,403
Effect of exchange rate change on cash and cash equivalents	(734)	164
Net increase (decrease) in cash and cash equivalents	(17,232)	1,627
Cash and cash equivalents at beginning of period	33,688	36,226
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	1,131	113
Cash and cash equivalents at end of period	17,586	37,967