

FY2020 Business Results

May 14, 2021

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

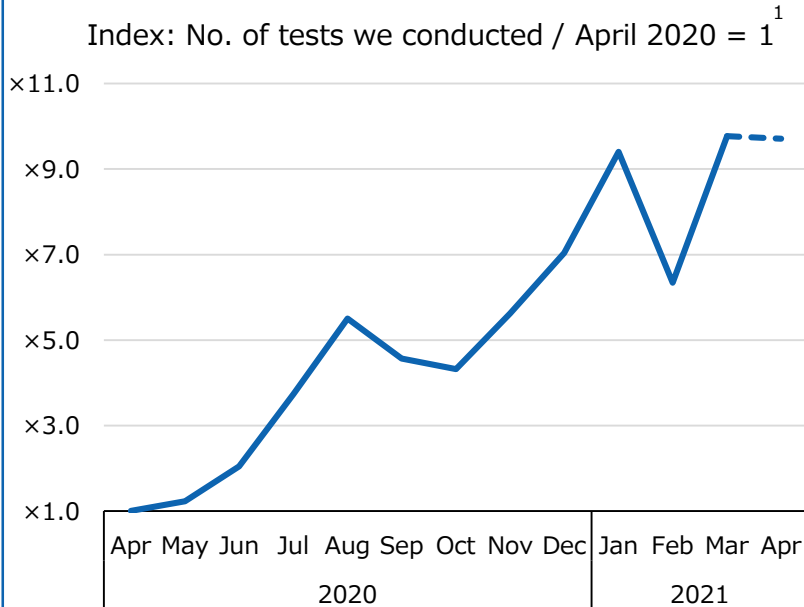
※ Exchange rates used in this presentation material:

FY2019	: 1USD = 108.74 JPY	1EURO = 120.82 JPY
FY2020	: 1USD = 106.06 JPY	1EURO = 123.69 JPY
FY2021 (plan)	: 1USD = 104.00 JPY	1EURO = 124.00 JPY

Updates Related to COVID-19

CLT: Testing Trends for PCR & Esoteric Tests

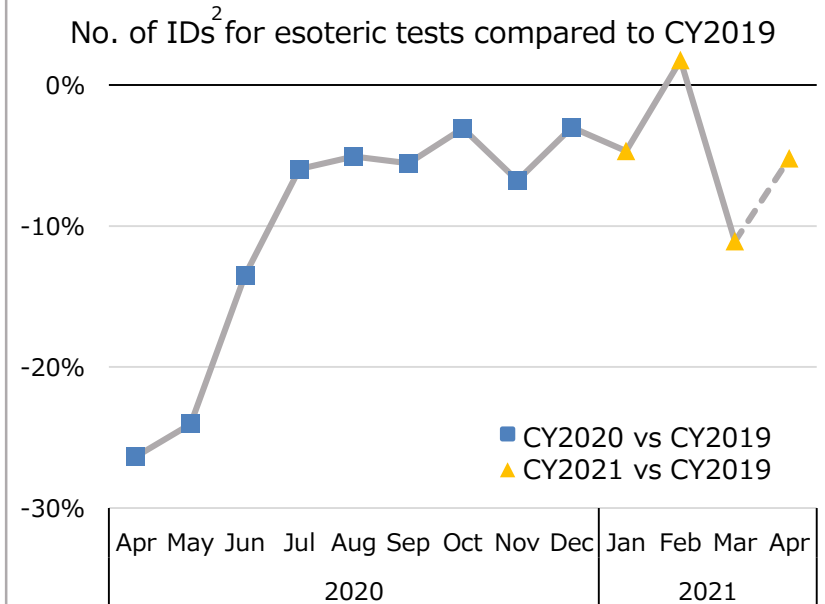
Number of COVID-19 PCR tests conducted



- Number of PCR tests fluctuated along with spread of infection

1. PCR tests conducted in labs nationwide

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

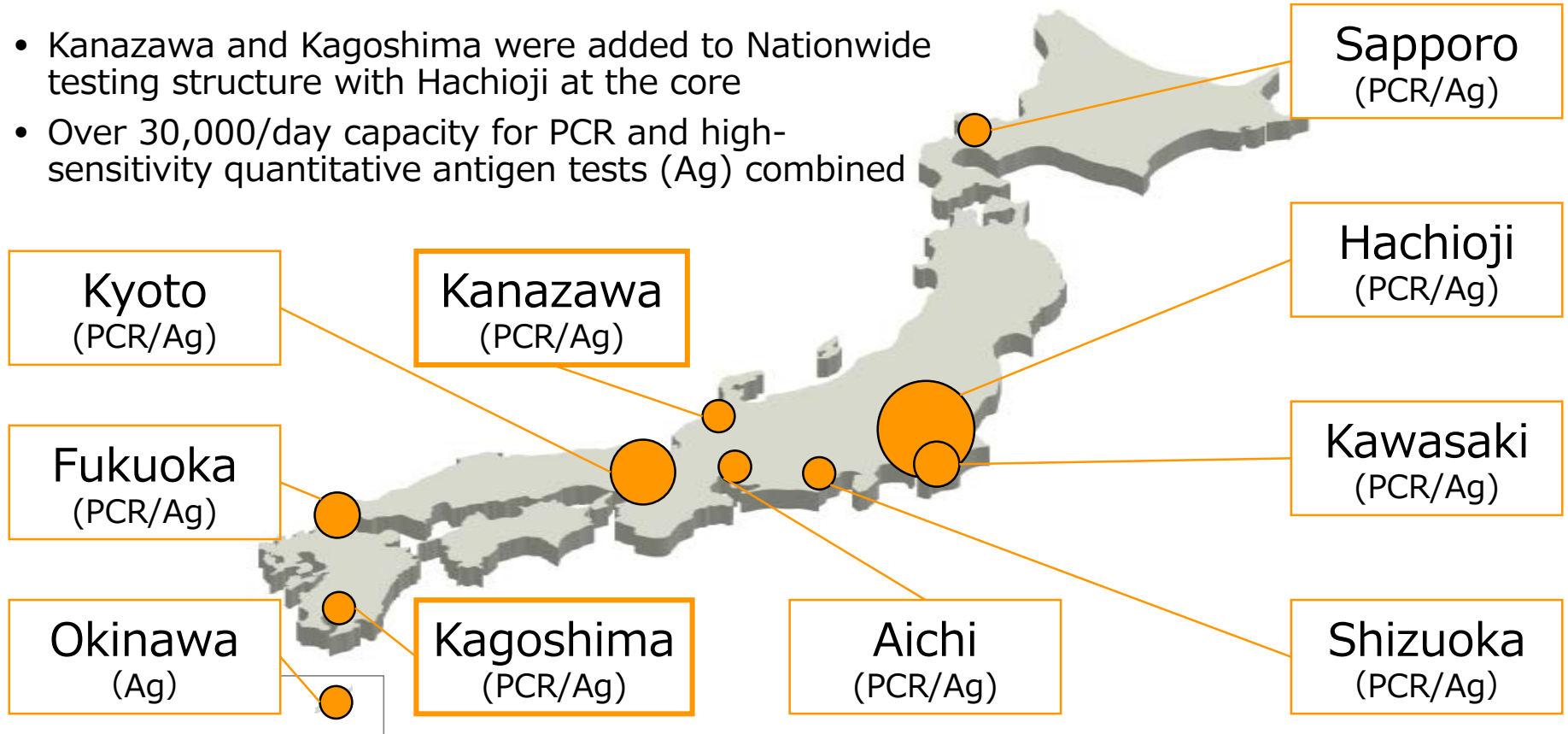


- Continued to trend below Pre-COVID-19 pandemic level

2. Test IDs conducted at Hachioji after working day adjustment

CLT: Our Capacity for PCR/High-Sensitivity Quantitative Antigen Tests

- Kanazawa and Kagoshima were added to Nationwide testing structure with Hachioji at the core
- Over 30,000/day capacity for PCR and high-sensitivity quantitative antigen tests (Ag) combined

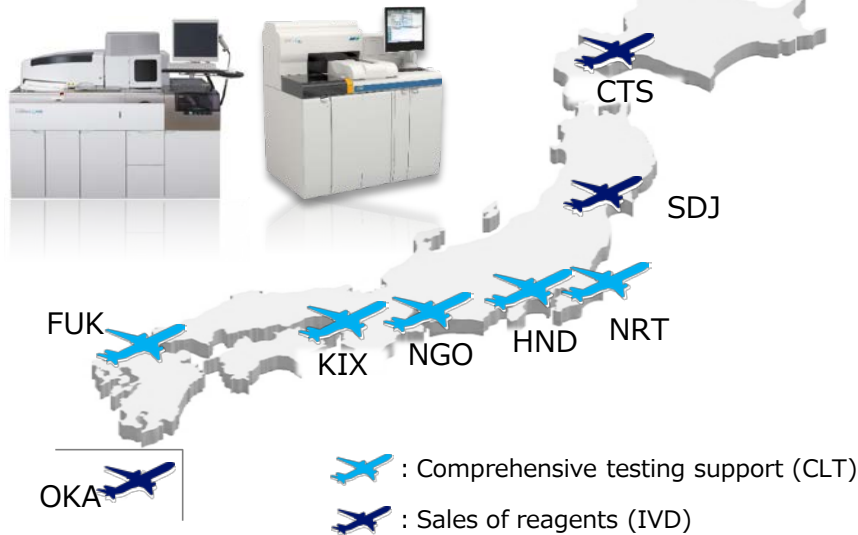


CLT: Contribution at Airport Quarantines

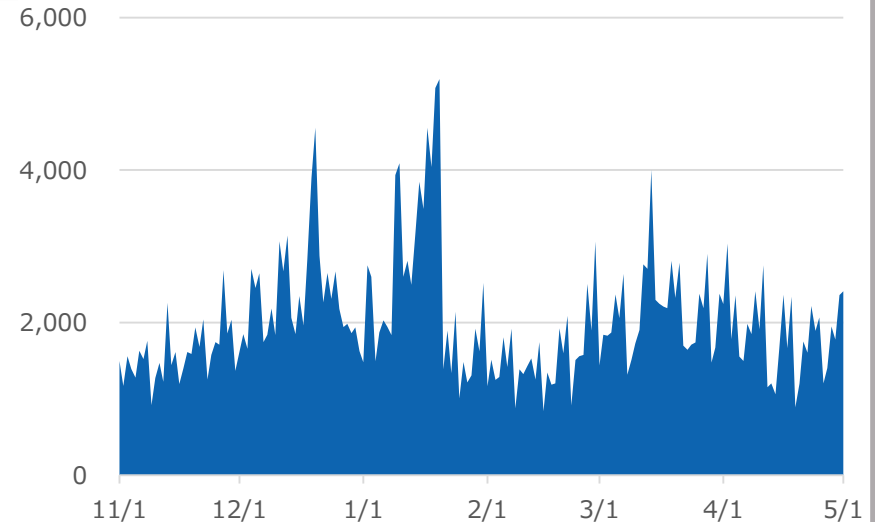
- High-sensitivity quantitative antigen tests at 8 sites
- Comprehensive testing support expanded at 5 sites (NRT, HND, KIX, FUK, NGO)

Airport quarantines

50 Units **8** airports*

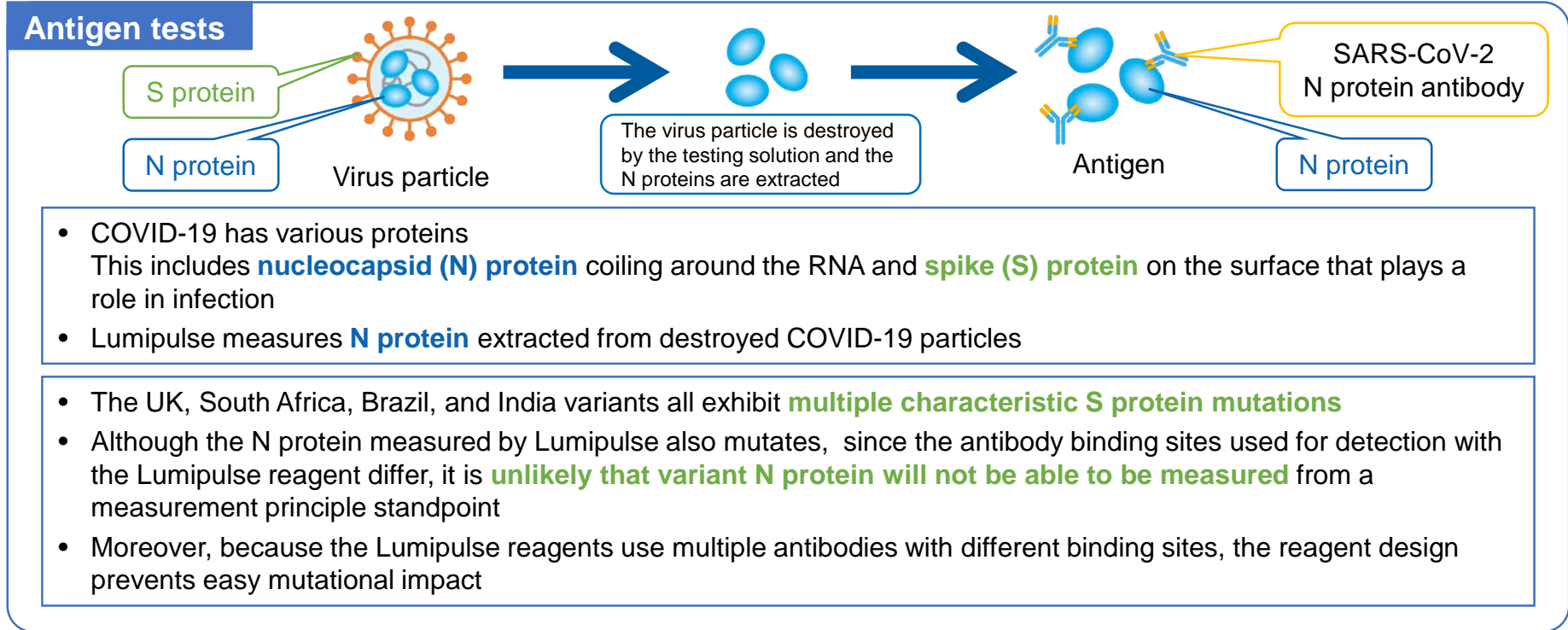


No. of quantitative antigen tests at airport quarantines for entrants



- 4Q: 2,000 tests/day on average

Reasons Why Antigen Tests are Effective for Measuring Variants

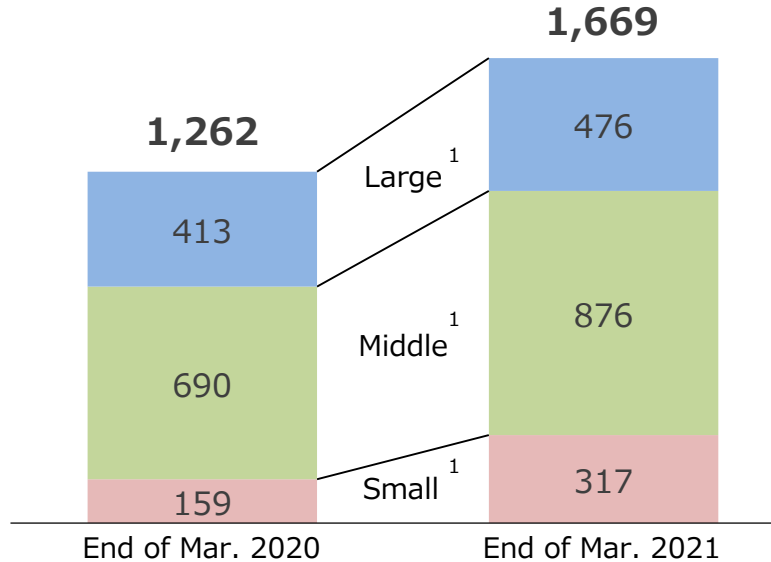


IVD: High-sensitivity Quantitative Antigen Test

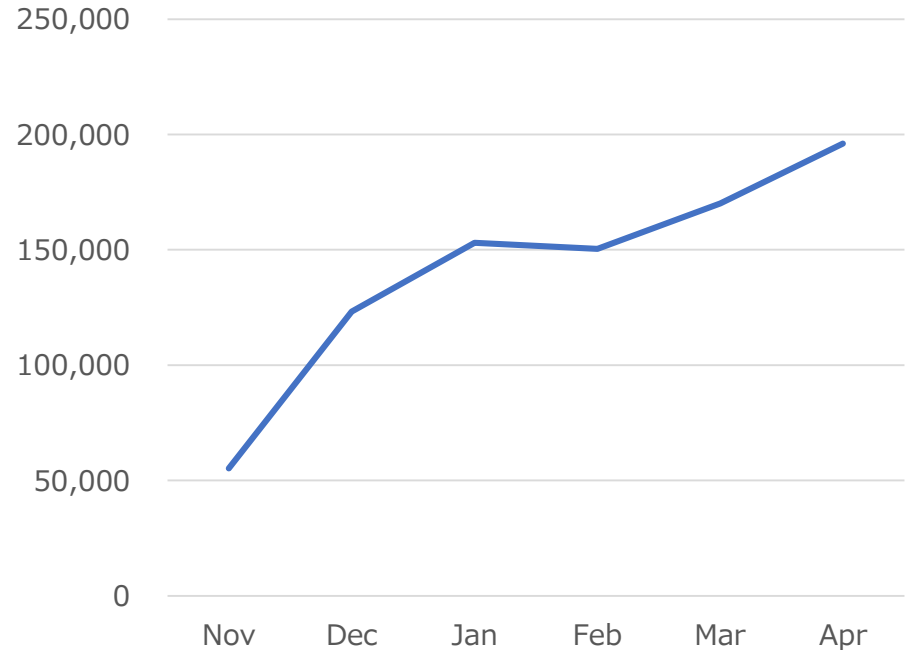
Lumipulse

No. of installed Lumipulse: **1,669**

- Net increase: **+407**
- No. of newly installed Lumipulse due to COVID-19 : approx. **350** (FY20 4Q: approx. 100)



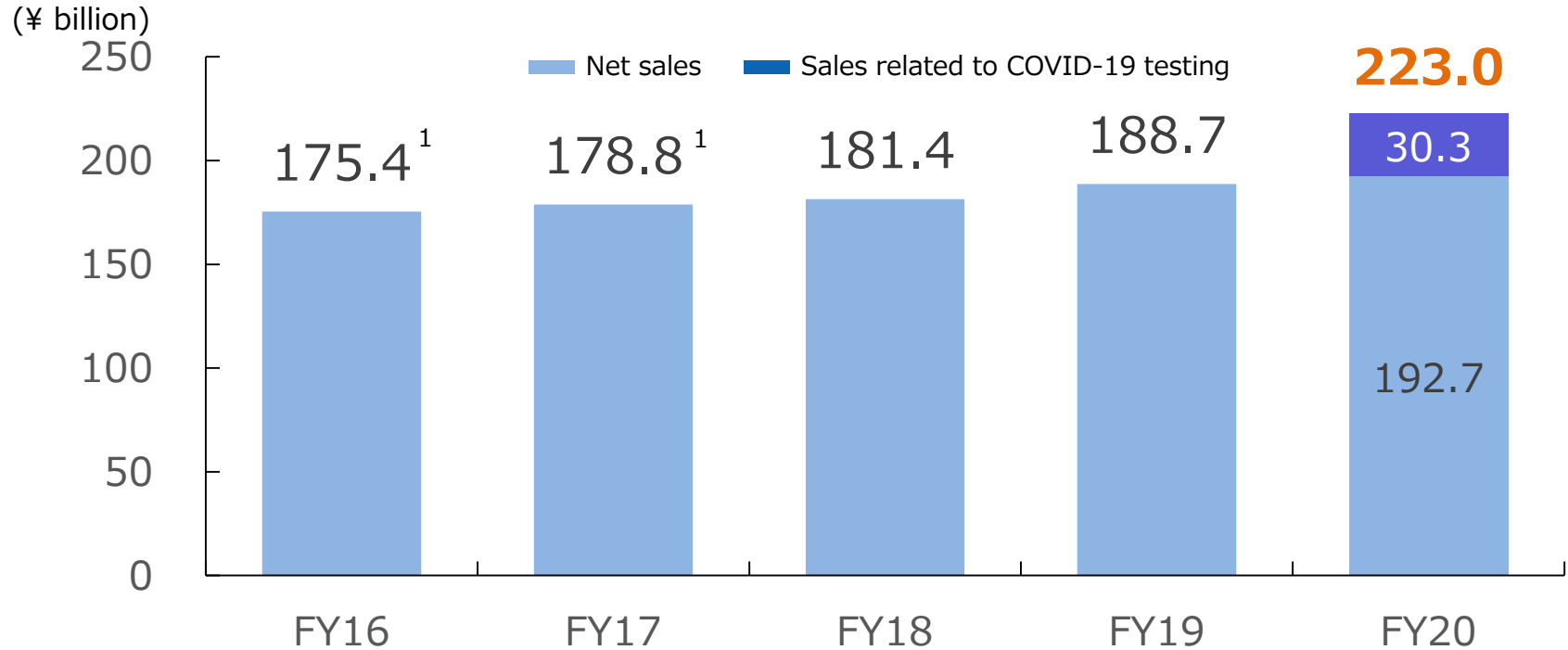
No. of high-sensitivity quantitative antigen test at hospitals (monthly) ²



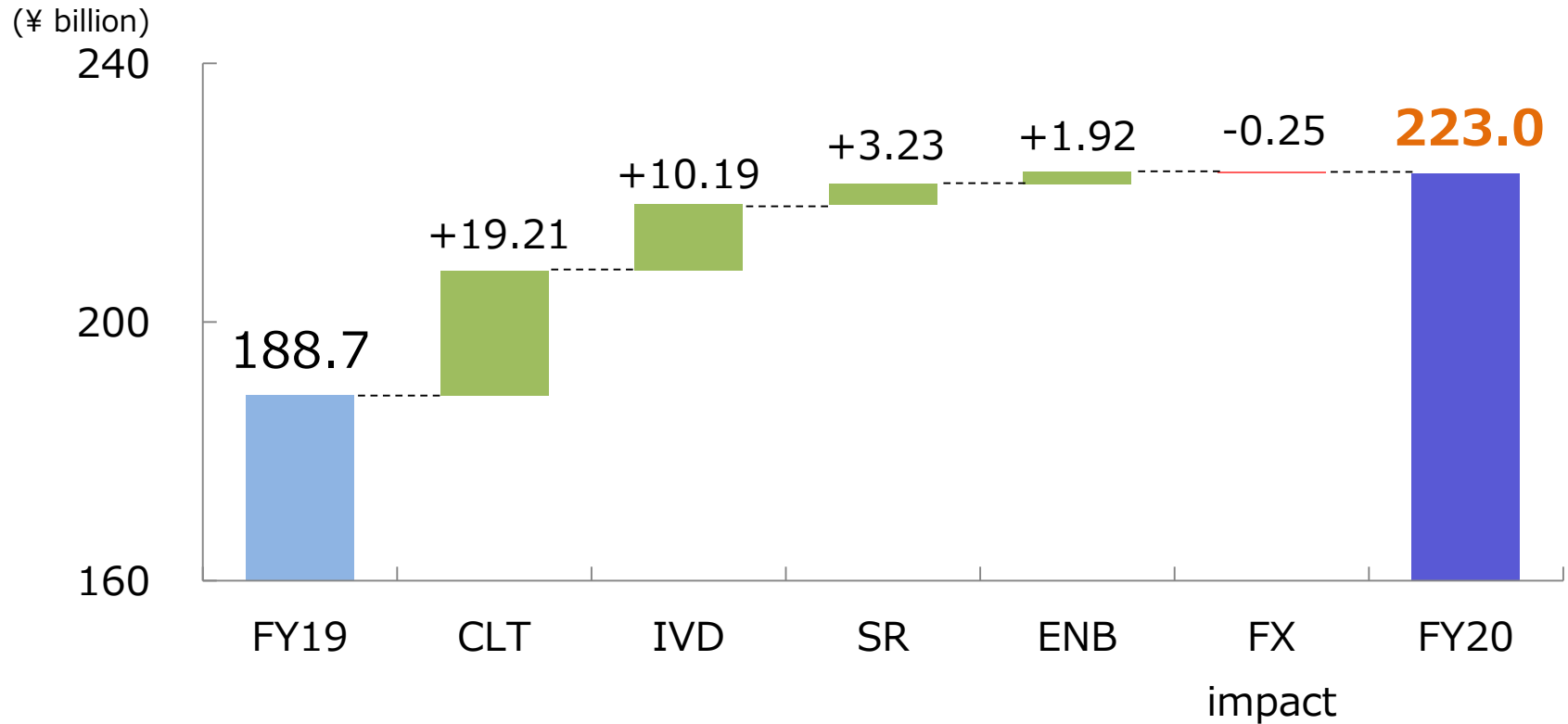
FY2020 Business Results

Consolidated Net Sales

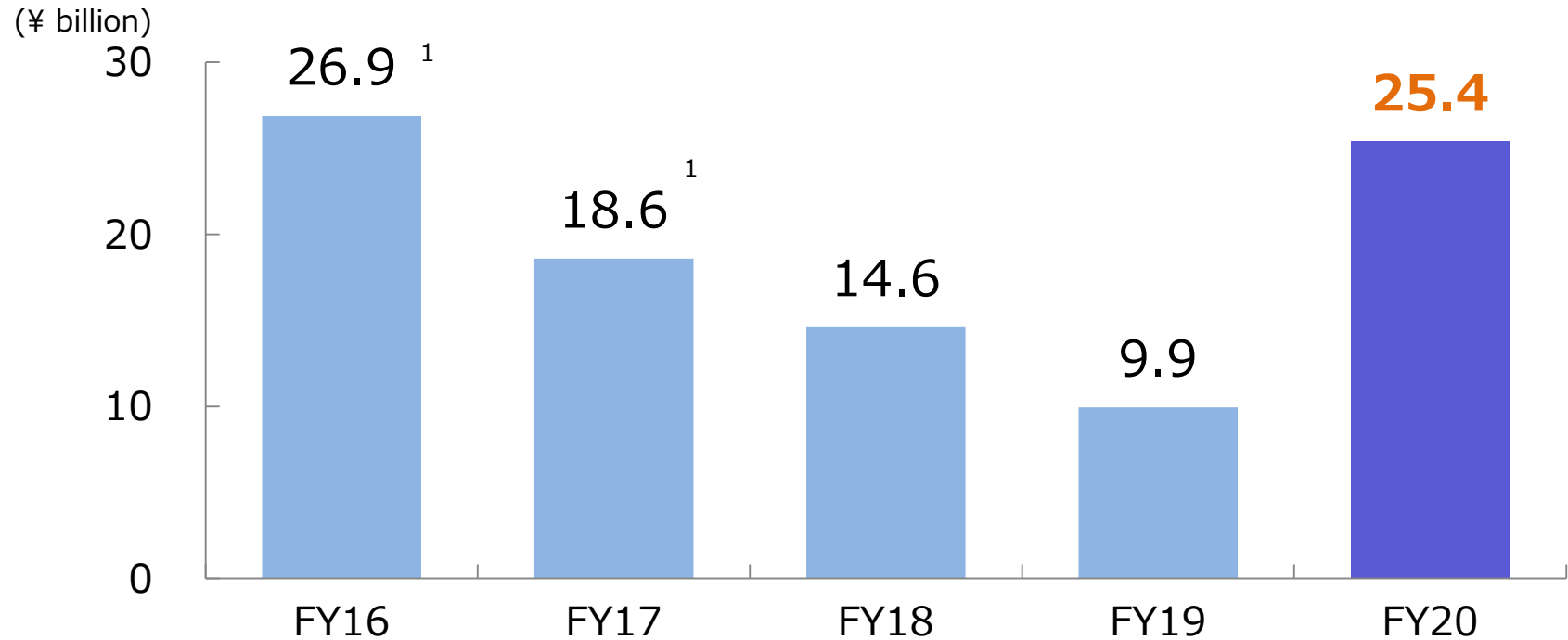
Record high net sales



Consolidated Net Sales Waterfall

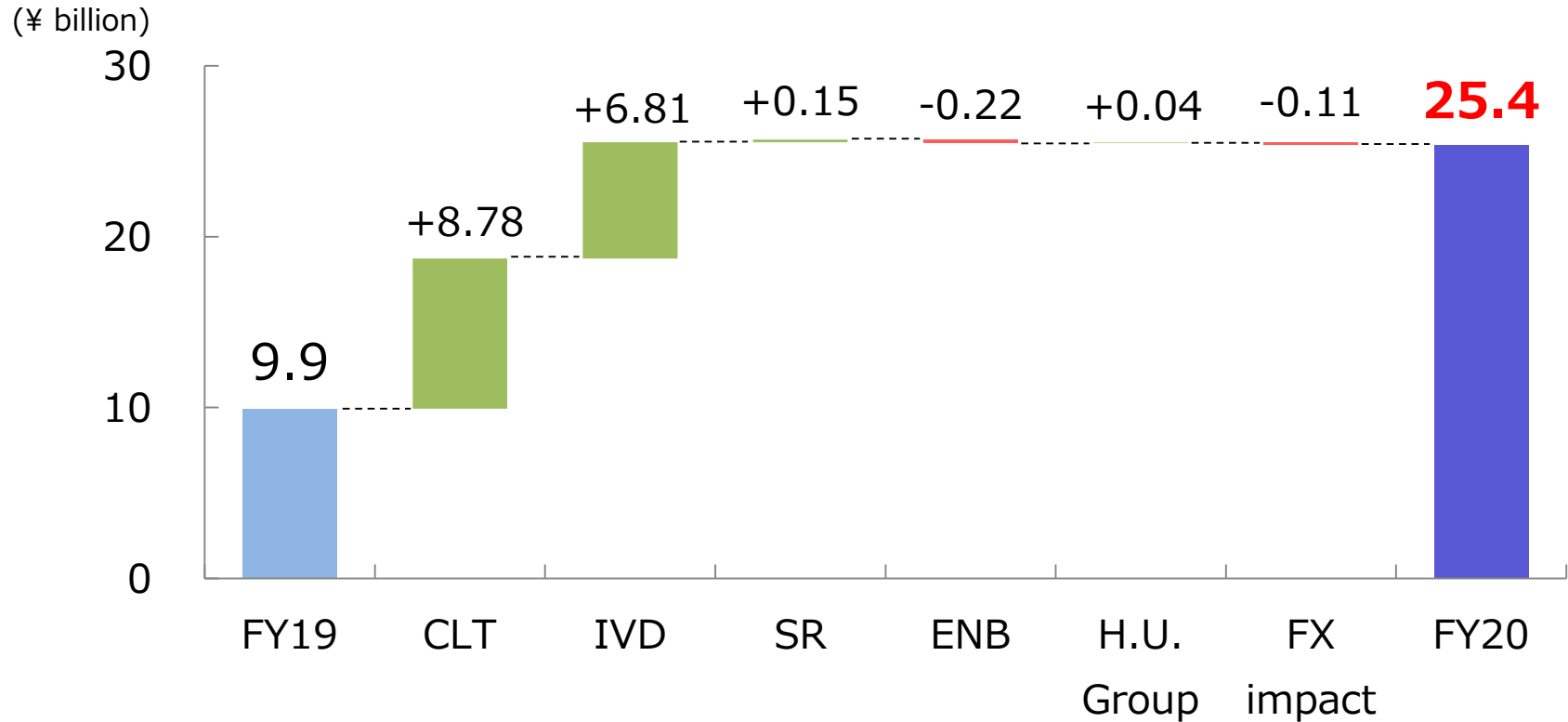


Consolidated Operating Profit



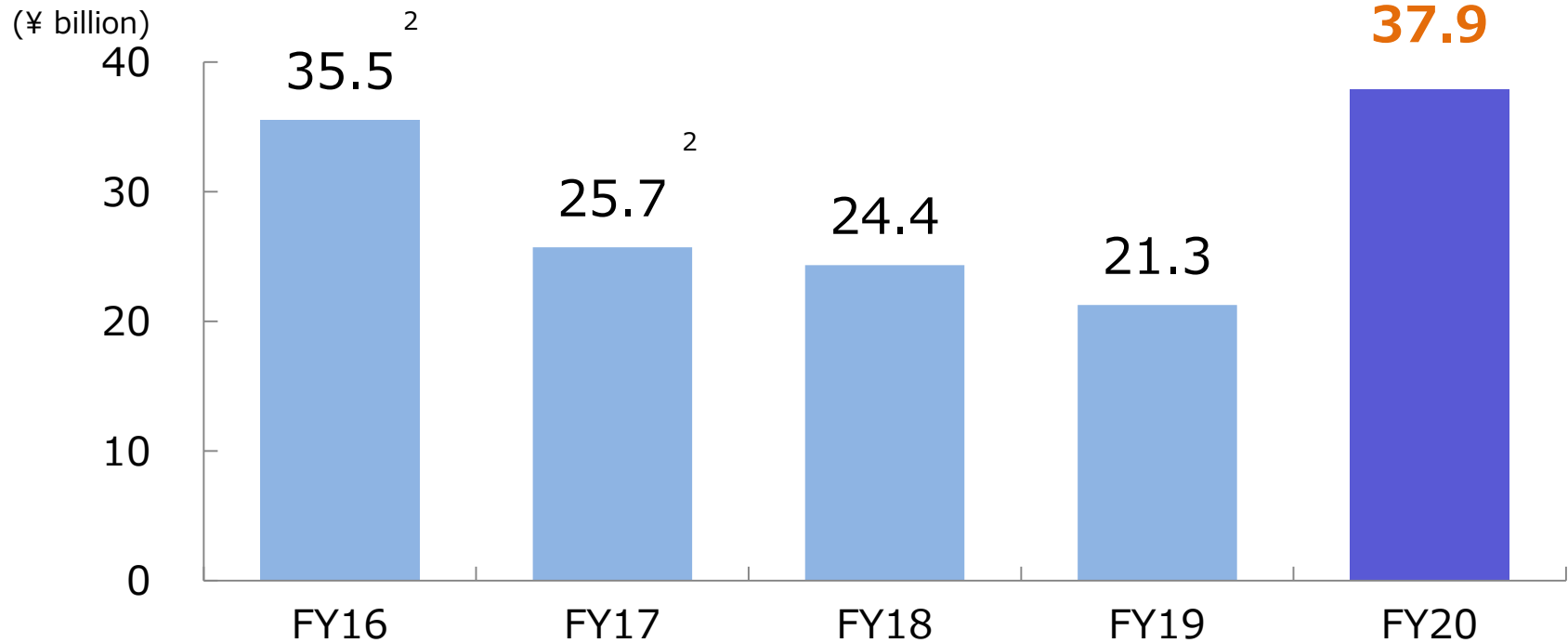
1. Excluding CLT Global business, due to the business divestment taken place in November 2017.

Consolidated Operating Profit Waterfall



Consolidated EBITDA

1

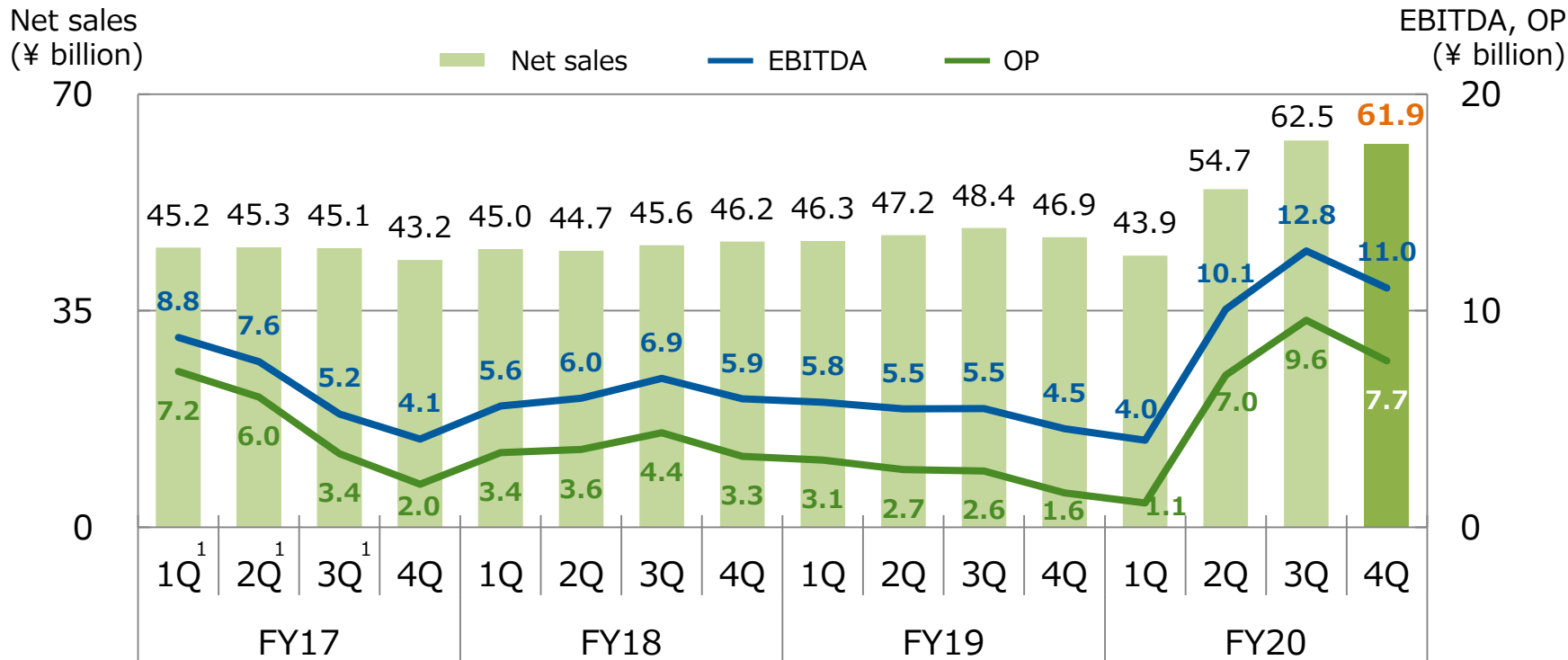


1. EBITDA = Operating income + Depreciation + Amortization of goodwill

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

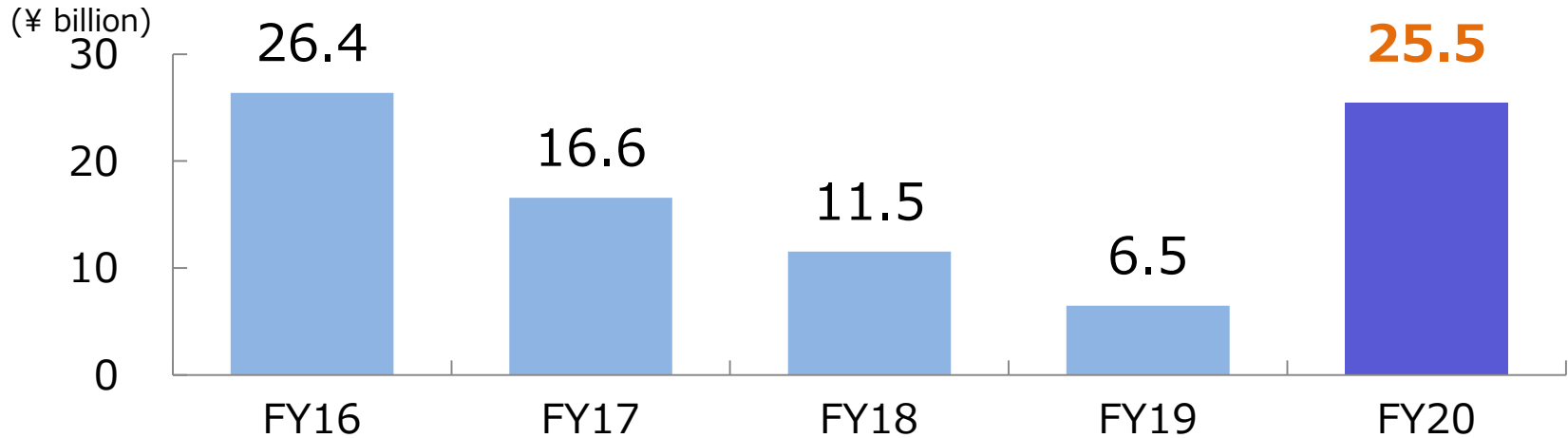
Quarterly Performance

One-time costs in FY2020 4Q (approx. ¥0.9 bn)



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

Consolidated Ordinary Profit



Major factors

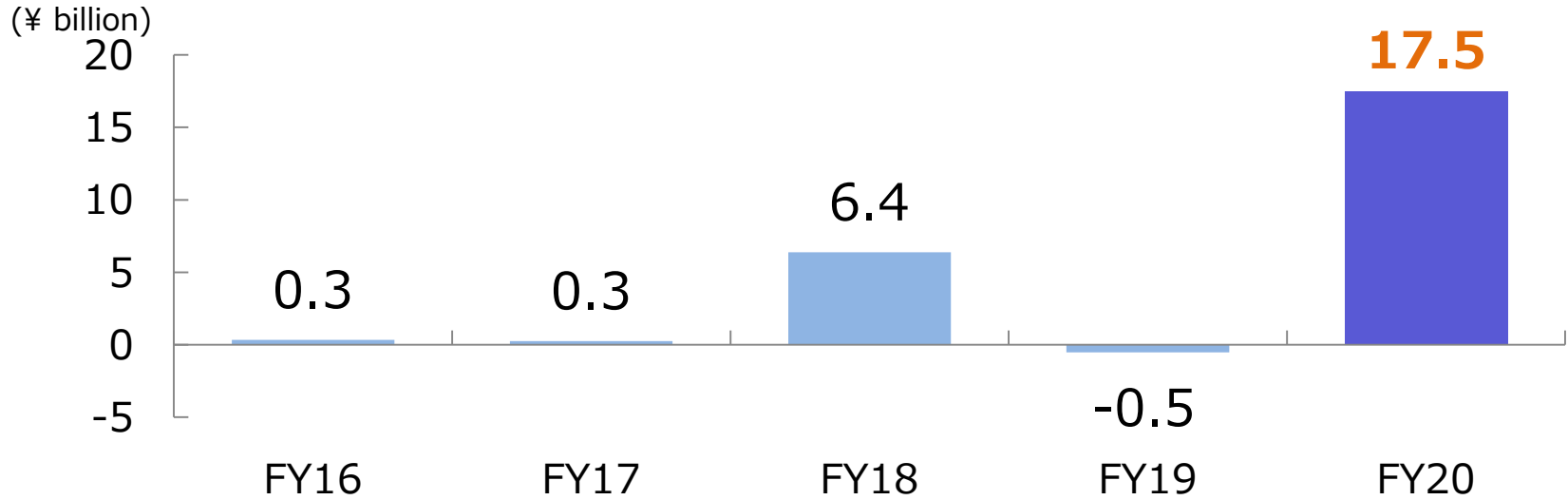
【FY19】

- Share of loss of entities accounted for using equity method -¥3.5 bn
- ✓ Impact from BMGL -¥2.8 bn
- ✓ Impact from JV with Ping An Insurance Group -¥0.7 bn

【FY20】

- Share of loss of entities accounted for using equity method -¥1.7 bn
- ✓ Impact from BMGL -¥0.7 bn
- ✓ Impact from JV with Ping An Insurance Group -¥1.0 bn
- Gain on investments in venture capital +¥1.3 bn

Consolidated Net Profit/Loss



Major factors

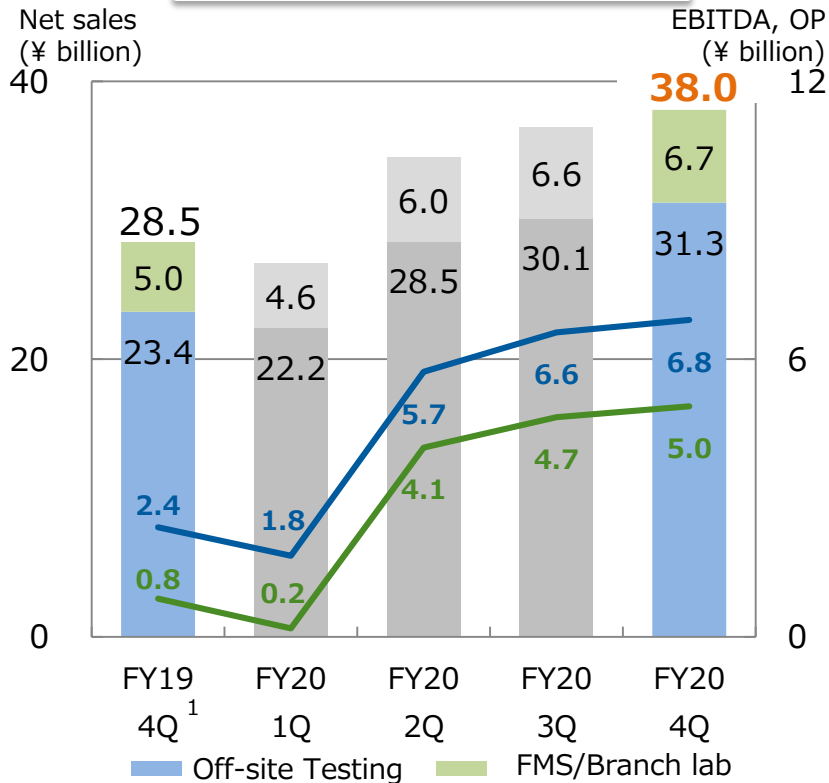
【FY19】

- Income taxes – deferred (incl. write down of deferred tax assets, etc.) -¥5.8 bn

【FY20】

- Loss on sales of non-current assets -¥1.5 bn (SRL Hachioji Lab, FRI Hachioji Office and others)
- Business restructuring expenses -¥1.5 bn

Quarterly Results



YoY Comparison

(¥ billion)

	FY19	FY20	Variance	
Net sales	116.9	136.1	+19.21	+16.4%
FMS/Branch	20.5	24.0	+3.48	+17.0%
Off-site	96.4	112.1	+15.74	+16.3%
EBITDA	11.1	20.9	+9.76	+87.5%
OP	5.2	14.0	+8.78	+168.2%

Net sales

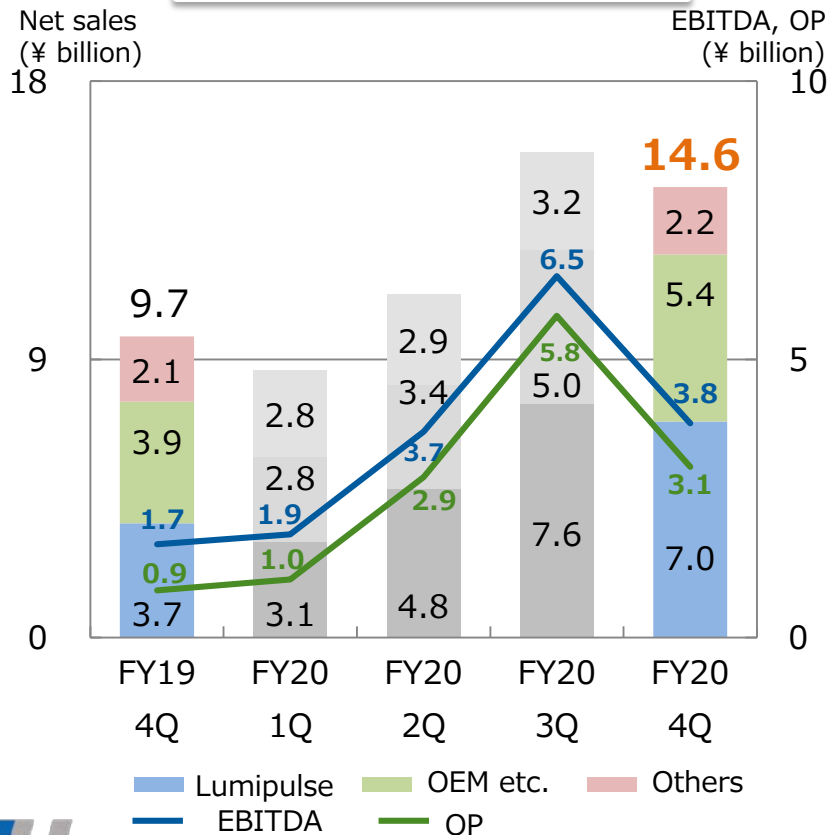
- No. of tests: +3.3%
- Increased PCR tests for COVID-19
- Growth of test items related to genetic testing
- Comprehensive testing support at airport quarantines

Operating profit

- Profit increased due to COVID-19 related sales increase
- Increase in depreciation expenses (-¥1.2 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

Quarterly Results



YoY Comparison

(¥ billion)

	FY19	FY20	Variance	
Net sales	40.1	50.0	+9.94	+24.8%
Lumipulse	15.8	22.4	+6.65	+42.1%
Japan	13.6	18.8	+5.24	+38.6%
Overseas	2.2	3.6	+1.41	+63.7%
OEM etc.	15.8	16.6	+0.72	+4.6%
Others	8.5	11.0	+2.57	+30.4%
EBITDA	9.3	15.9	+6.58	+70.5%
OP	6.1	12.8	+6.69	+109.9%
Lumipulse inter-segment transaction	2.1	4.1 ¹	+2.06	+100.1%

1. Inter-segment sales increase mainly driven by COVID-19 related reagents

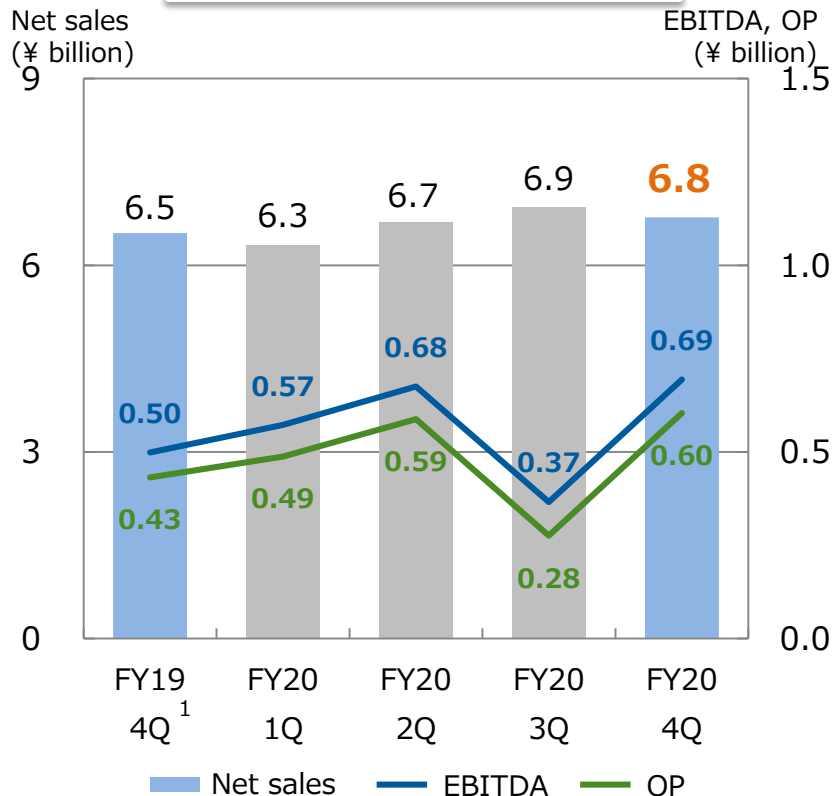
Net sales

- Sales contribution from COVID-19 related products (Lumipulse SARS-CoV-2 Ag, ESPLINE SARS-CoV-2, OEM etc.)

Operating profit

- Sales increase and inter-segment transaction drove significant OP growth
- One-time loss on valuation and disposal (-¥0.6 bn)

Quarterly Results



YoY Comparison

(¥ billion)

	FY19	FY20	Variance	
Net sales	23.5	26.7	+3.23	+13.7%
EBITDA	2.10	2.31	+0.21	+10.0%
OP	1.80	1.95	+0.15	+8.6%

Net sales

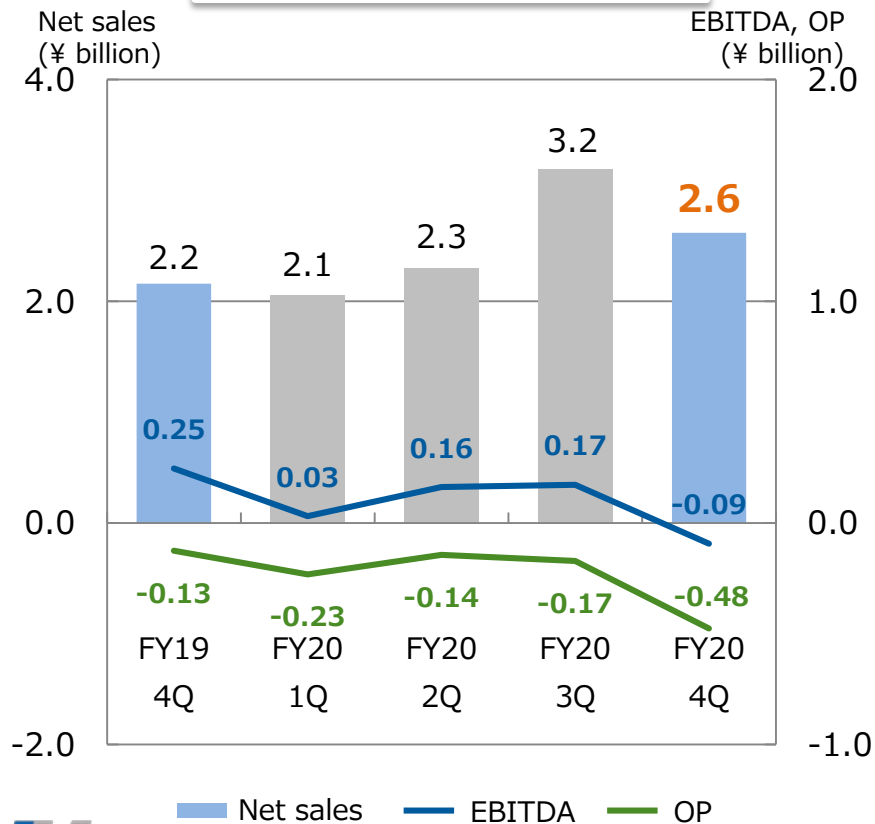
- Deposit inventory business for medical items contributed to sales growth (commencement from FY19 3Q)

Operating profit

- Declined in-hospital business volume led to labor cost reduction
- One-time expenses (-¥0.3 bn)

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 Results



YoY Comparison

(¥ billion)

	FY19	FY20	Variance	
Net sales	8.2	10.2	+1.92	+23.3%
EBITDA	0.47	0.27	-0.20	-42.2%
OP	-0.81	-1.02	-0.22	-

Net sales

- Growth in self-medication, etc. business (+¥1.08 bn)
- Growth in home-visiting, welfare business (+¥0.42 bn)
- Contribution from consolidation of Japan Institute of Foods Ecology (+¥0.62 bn)

Operating profit

- Upfront costs continuing
- Allowance for doubtful accounts in 4Q (-¥0.30 bn)

Consolidated Results for FY2020

(¥ billion)

	FY19	FY20	Variance	
Net sales	188.7	223.0	+34.30	+18.2%
CLT	116.9	136.1	+19.21	+16.4%
IVD	40.1	50.0	+9.94	+24.8%
SR	23.5	26.7	+3.23	+13.7%
ENB	8.2	10.2	+1.92	+23.3%
OP¹	9.9 5.3%	25.4 11.4%	+15.45	+155.5%
CLT	5.2	14.0	+8.78	+168.2%
IVD	6.1	12.8	+6.69	+109.9%
SR	1.8	2.0	+0.15	+8.6%
ENB	-0.8	-1.0	-0.22	-
Or. profit	6.5 3.4%	25.5 11.4%	+18.99	+293.6%
Profit/loss attributable to owners of parent	-0.5 -0.3%	17.5 7.8%	+17.98	-
EBITDA²	21.3 11.3%	37.9 17.0%	+16.62	+78.1%
ROE	-0.5%	16.0%	+16.5pt	-
ROIC	3.7%	8.7%	+5.0pt	-

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

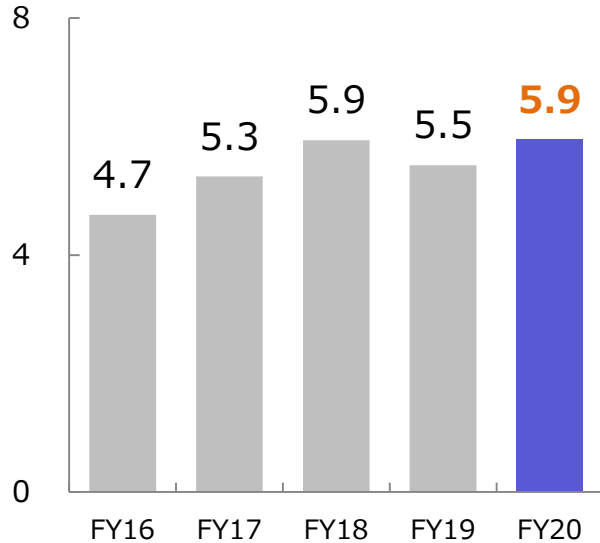
1. OP includes H.U. Group Holdings and H.U. Group Research Institute, as well as segmentation adjustments (FY2019: -¥2.36 bn, FY2020: -¥2.33 bn)

2. EBITDA = Operating profit + Depreciation + Amortization of goodwill

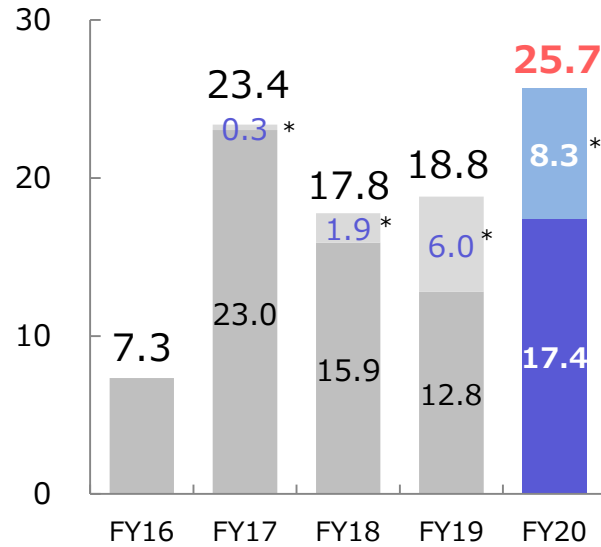
Transition of R&D, CAPEX, D&A (excl. CLT Global)

(¥ billion)

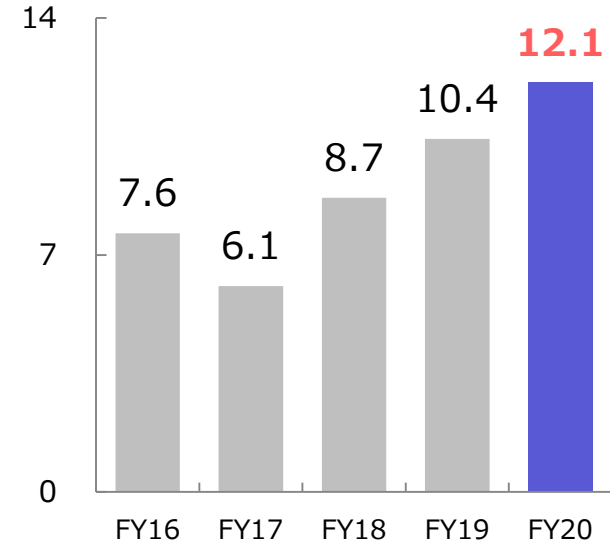
Research & Development



Capital Expenditure



Depreciation & Amortization



* CAPEX for Akiruno Project: approx. ¥16.5 bn (cumulative)

Consolidated Cash Flows

- Cash flows from operating activities increased by ¥20.4 bn along with increase in profit before income taxes
- Free Cash Flows improved compared to previous year by ¥13.8 bn

(¥ billion)

	FY2019	FY2020
Profit before income taxes	6.1	20.8
Depreciation	10.4	12.1
Decrease (increase) in trade receivables	0.9	-13.9
Increase (decrease) in trade payables	1.9	6.6
Others	5.0	4.7
Subtotal	24.3	30.2
Income taxes (paid) refund	-9.0	5.5
Others	-0.1	-0.1
Cash flows from operating activities	15.2	35.6
Purchase of fixed/intangible assets	-15.6	-21.2
Others	-6.2	-7.1
Cash flows from investing activities	-21.8	-28.3
FCF	-6.5	7.3

	FY2019	FY2020
Proceeds from long-term borrowings	5.0	10.0
Repayments of long-term borrowings	-7.9	-4.2
Proceeds from issuance of bonds	20.0	-
Net increase (decrease) in short-term borrowings	-	-5.5
Dividends paid	-7.4	-6.6
Others	-1.5	-2.2
Cash flows from financing activities	8.2	-1.6
Cash and cash equivalents at end of period	36.2	43.0

Progress to Medium-term Consolidated Financial Targets

	Medium-term plan targets		FY2020 Actual	Progress
Net Sales CAGR	6% or more	➔	18.2%*	○
EBITDA margin	18% or more	➔	17.0%	△
OP margin	10% or more	➔	11.4%	○
ROE	12% or more	➔	16.0%	○
ROIC	8% or more	➔	8.7%	○
Net interest-bearing debt to EBITDA (excl. lease obligations)	End of FY2024: 1.3x or less (2.5x or less during the medium-term plan)	➔	0.6x	○
Equity Ratio (excl. real estate finance)	40% or more	➔	45.6%	○
5 years cumulative Operating Cash Flows	¥150 bn or more	➔	¥35.6bn	○
5 years cumulative Free Cash Flows	¥50 bn or more	➔	¥7.3bn	○

* vs. FY2019 growth rate

FY2021 Forecast

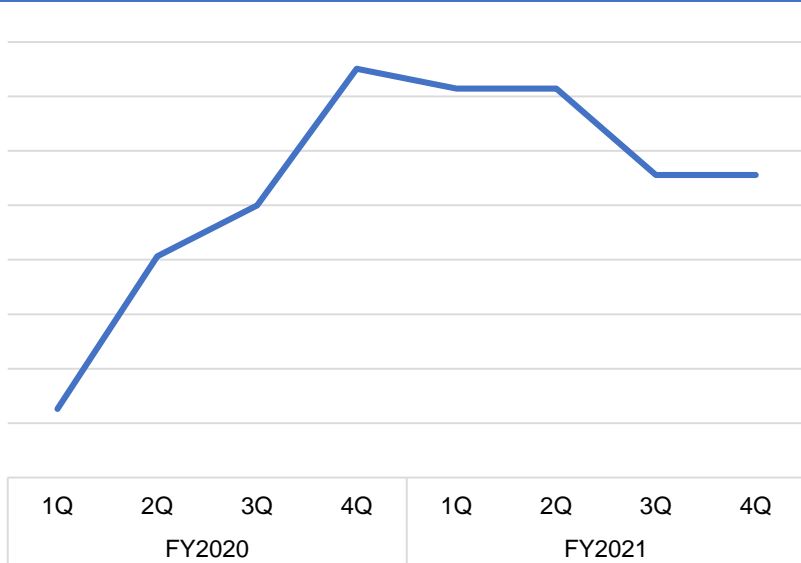
Approach to COVID-19-Related Tests in FY2021

CLT	PCR	<ul style="list-style-type: none">• Fluctuations depending on spreads of infection• Anticipating some price drop
	Airport quarantines	<ul style="list-style-type: none">• Preparing for more overseas travel
IVD	Lumipulse	<ul style="list-style-type: none">• Growing demand for high-sensitivity quantitative antigen tests• Growing inter-segment transaction (airport quarantines)
	ESPLINE	<ul style="list-style-type: none">• Expanding overseas sales channels

Sales from COVID-19-related tests is predicted to increase by approx. 20% on the previous fiscal year

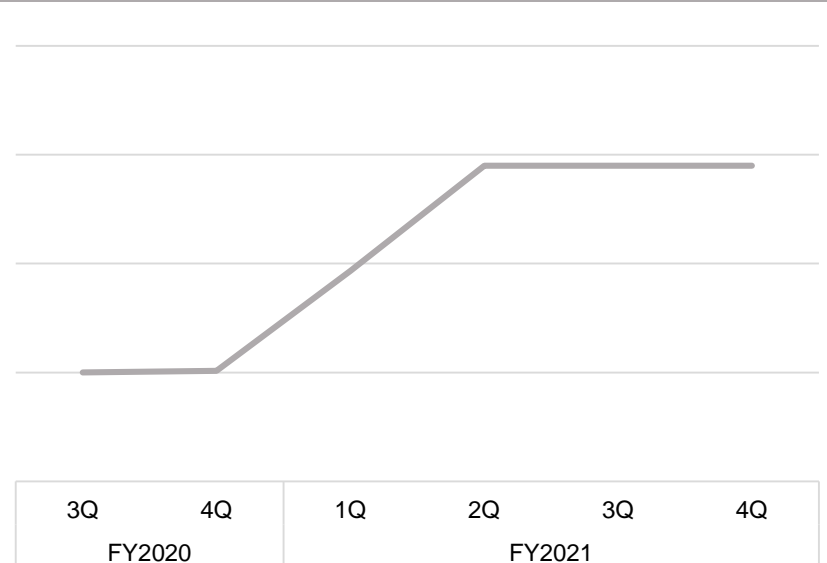
Predictions for COVID-19-Related Tests

Number of COVID-19 PCR tests



- Test demand is uncertain, but it is expected to fall below FY2020 4Q in the first half of the year and then decrease further in the second half

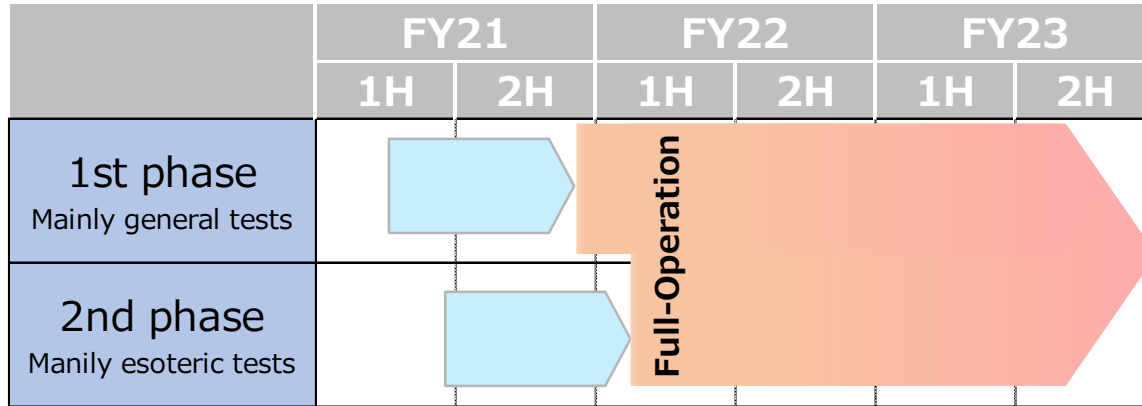
Number of High-sensitivity quantitative antigen tests at airport quarantines



- Overseas travel trends are uncertain, but it is expected to increase gradually towards the second half of the year

To Start New Central Lab Operation

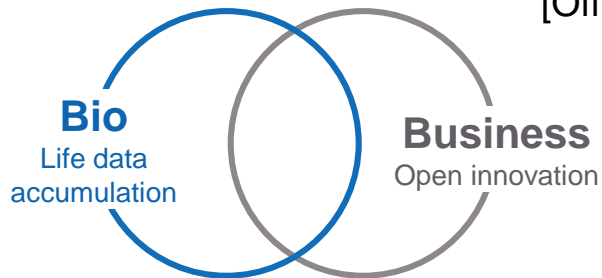
- Start validation for 1st phase operation in Jan. 2022 and full-operation in May 2022
- Expect increase in costs from FY21 2H caused by 1st phase operation commencement



1st phase : Jan. 2022
Full-Operation : May 2022

Validation period  In operation 

Official Name Decided for the “Akiruno Project”



[Official name] **H.U. Bioness Complex**

The name signifies H.U. Group as a
“**healthcare business complex**”

“**Bioness**” is a neologism that represents

“**Bio** (life data accumulation)” and

“**Business** (creativity that generates innovation in the industry)”

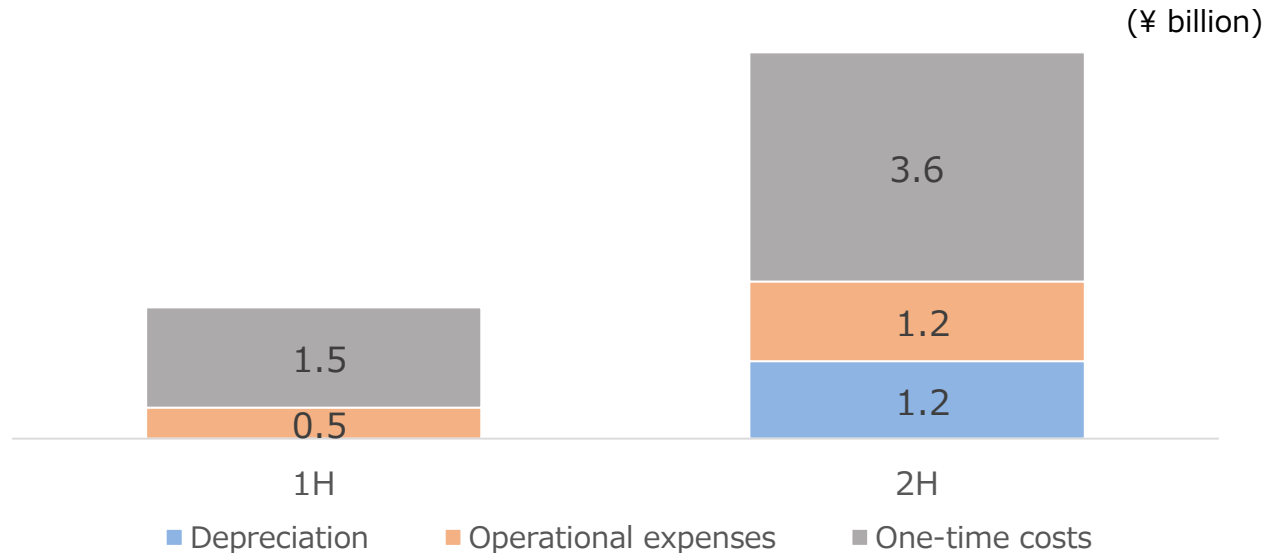


[Nickname] **AkirunoCube**

This name combines “**Akiruno**” for Akiruno City and
“**Cube**” to reflect the shape of the building

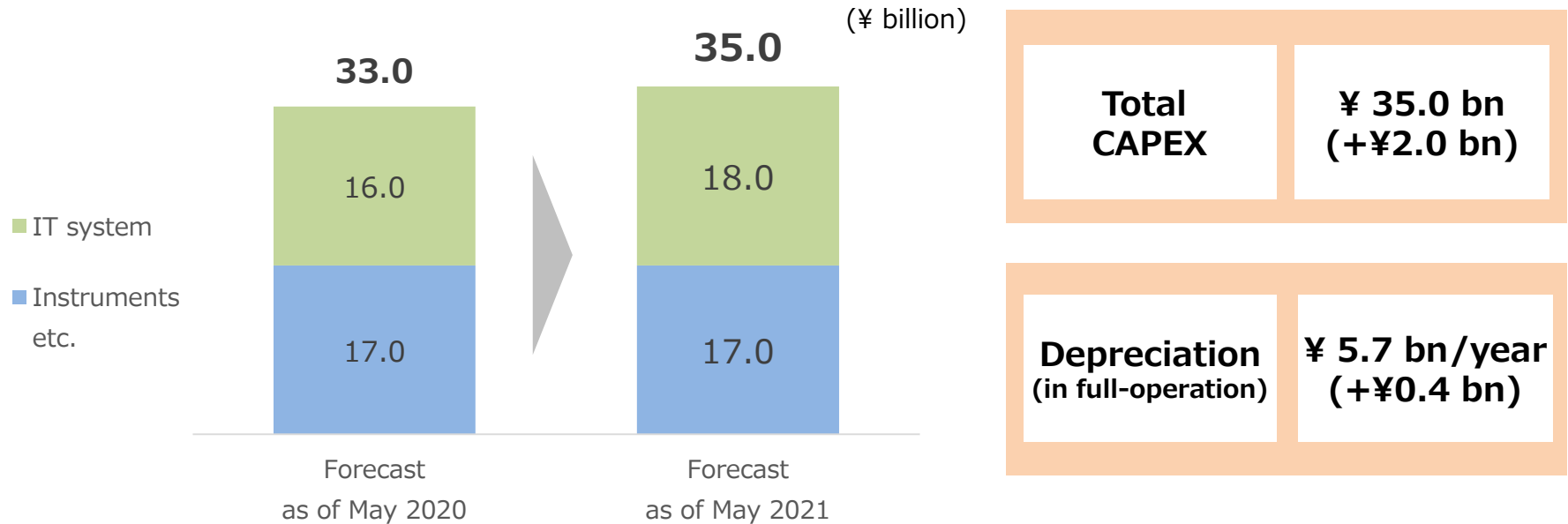
Costs – Starting the New Central Lab Operation

- Total costs expected to occur in FY21: approx. ¥8.0 bn
- Trial operation starts in 1H for 1st phase operation
【Breakdown】
 - One-time costs: approx. ¥5.1 bn (trial operation, transfer, IT system related, etc.)
 - Depreciation and operational expenses including rent: approx. ¥2.9 bn



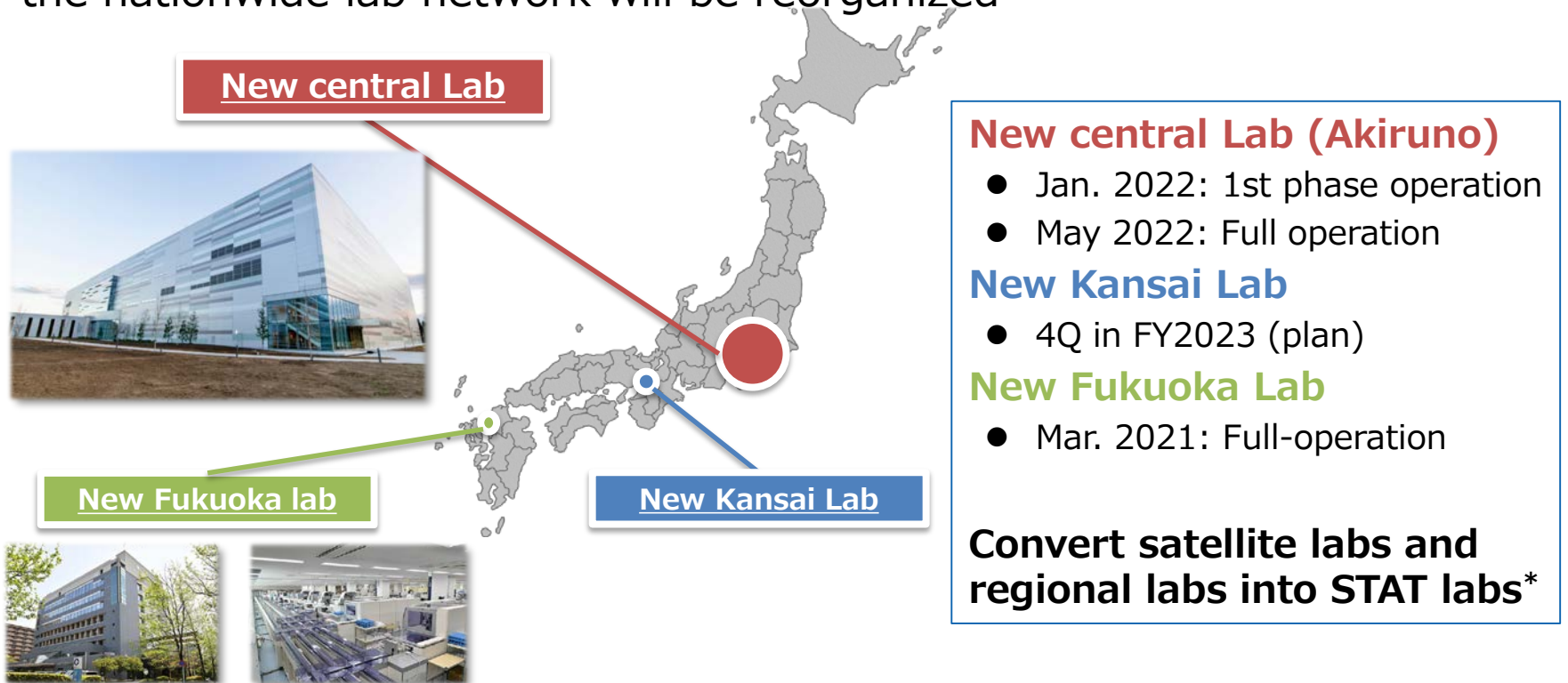
Forecast – New Central Lab CAPEX

- Increase by ¥2.0 bn from the last forecast IT system CAPEX
- Expected total CAPEX: ¥35.0 bn



Reorganization of Nationwide Lab Network

Looking ahead to the New Central Lab operation, the nationwide lab network will be reorganized



New central Lab

New Kansai Lab

New Fukuoka lab

New central Lab (Akiruno)

- Jan. 2022: 1st phase operation
- May 2022: Full operation

New Kansai Lab

- 4Q in FY2023 (plan)

New Fukuoka Lab

- Mar. 2021: Full-operation

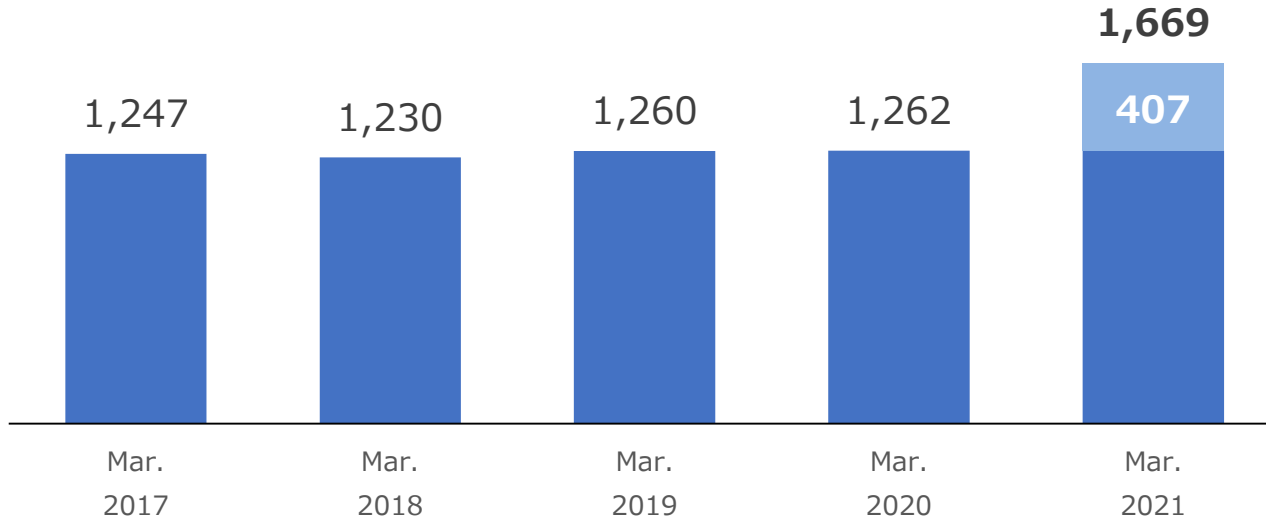
Convert satellite labs and regional labs into STAT labs*

* Labs mainly offering urgent tests (STAT = Short Turn Around Time)

Expand Sales Opportunity - Lumipulse Reagents

- No. of installed Lumipulse increased by 32% year on year due to COVID-19 testing demands
- Aim to grow domestic Lumipulse business through sales expansion of not only “Lumipulse SARS-CoV-2 Ag” but also other test items

Transition of No. of Lumipulse installed



Enhancing OEM/Raw Material Manufacturing Capacity

- In anticipation of medium- to long-term growth of OEM business demand and stable supply from raw material businesses, investments are accelerating to enhance the manufacturing capacity at key hubs
- We will realize sustainable growth after the pandemic as well by carving out a unique position in the global market

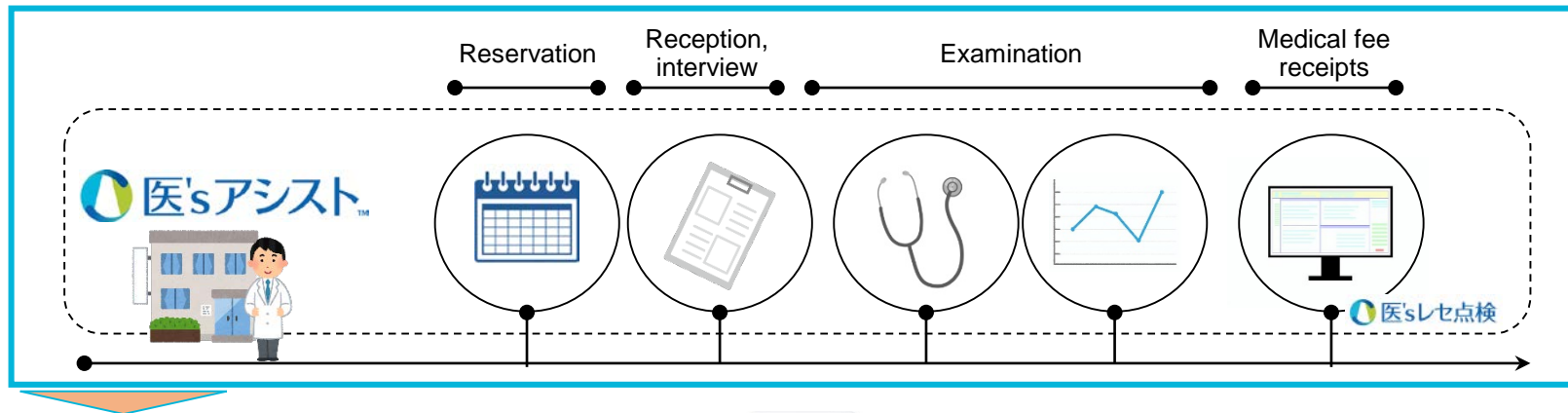
**Major CAPEX for FY2021 in
OEM and raw material
businesses**

**Approx. 5.8 billion yen
(Mainly transfer and expansion of
land and buildings)**



Promoting Healthcare × ICT

- We aim to expand the SaaS "E's Assist" business support service for general physicians and broaden the customer base
- Increasing the number of "With Wellness" app users by broadening the customer base and promoting introduction to health insurance societies



Expanding the E's Assist customer base

- Data linkage with major electronic health record (EHR) makers
- Expand sales using external channels such as major EHR makers and wholesalers, etc.



Promoting introduction to health insurance societies through H.U. Wellness*

- Adding functions such as aggravation prevention etc.



* Company founded through the merging of SRL Wellness Promotion and Selmesta (see May 10, 2021 press release)

FY2021 Forecast

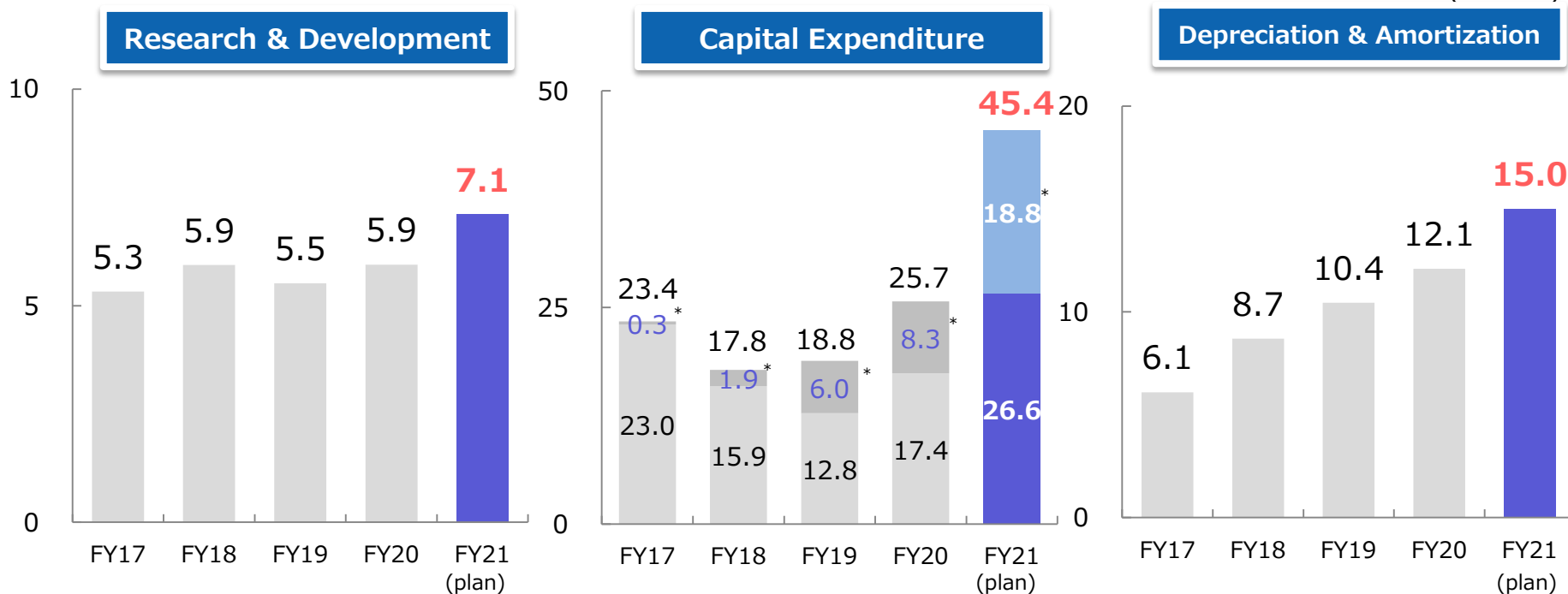
- 1H forecast: YoY sales and profit increase
- 2H forecast: Decrease in profit due to New Central Lab costs
- Under the unclear COVID-19 situation, we are not disclosing financial forecast by segments at this point

	FY2020 Results			FY2021 Forecast			Variance	
	1H	2H	Full-year	1H	2H	Full-year	Figure	%
Net Sales	98.6	124.5	223.0	121.0	121.0	242.0	+19.0	+8.5%
EBITDA	14.1	23.8	37.9	23.5	17.0	40.5	+2.6	+6.9%
EBITDA margin	14.3%	19.1%	17.0%	19.4%	14.0%	16.7%		
OP	8.1	17.2	25.4	17.0	8.5	25.5	+0.1	+0.4%
OP margin	8.3%	13.9%	11.4%	14.0%	7.0%	10.5%		
Or. profit	7.3	18.1	25.5	18.5	7.0	25.5	+0.0	+0.2%
Or. profit margin	7.4%	14.6%	11.4%	15.3%	5.8%	10.5%		
Net profit	5.1	12.4	17.5	12.5	4.0	16.5	-1.0	-5.5%
Net profit margin	5.2%	9.9%	7.8%	10.3%	3.3%	6.8%		
ROE			16.0%			13.8%	-2.2pt	
ROIC			8.7%			7.8%	-0.9pt	

FY2021 Plan (R&D, CAPEX, D&A)

- R&D: Increase due to reinforcement of function and development/improvement of instruments
- CAPEX: Increase mainly due to H.U. Bioness Complex and OEM manufacturing reinforcement in IVD

(¥ billion)



Shareholder Return

FY2020

- Annual dividend per share is **144 yen**
(interim: 50 yen + **year-end: 75 yen** + **70th anniversary dividend: 19 yen**)

Calculated based on 50% payout ratio from profit attributable to owners of parent, excluding extraordinary income/losses and other special factors

FY2021

- DOE* (dividend on equity ratio)** is adopted as main KPI for dividend
- We will aim for a 6%-level DOE and provide stable and continuous dividend, comprehensively taking into consideration cashflows and maintenance of a healthy financial foundation in the medium- to long-term
- Expected annual dividend per share for FY2021 is **125 yen (interim: 62 yen, year-end: 63 yen)**

*DOE = total dividends (D) / equity (E) = payout ratio (D/R) x ROE(R/E)

Payout ratio: 50%
(original return policy)

×

ROE: 12%
(target in the medium-
term plan)

=

DOE: 6%

Toward stable and continuous shareholder return

Appendix

R&D, CAPEX, D&A

	FY2019	FY2020	Variance	
R&D Expenses	5,514	5,944	+430	+7.8%
CLT	355	373	+18	+5.1%
IVD	4,227	4,727	+501	+11.8%
SR	-	-	-	-
ENB	1	4	+3	+279.7%
HUHD, etc.	931	839	-92	-9.9%
Capital Expenditure	18,833[*]	25,678[*]	+6,845	+36.3%
CLT	13,333	16,631	+3,298	+24.7%
IVD	2,286	3,959	+1,673	+73.2%
SR	1,014	577	-437	-43.1%
ENB	1,474	2,029	+555	+37.6%
HUHD, etc.	724	2,480	+1,756	+242.2%
Depreciation and Amortization	10,432	12,091	+1,658	+15.9%
CLT	5,680	6,831	+1,151	+20.3%
IVD	2,763	2,877	+114	+4.1%
SR	261	351	+90	+34.6%
ENB	1,129	1,199	+70	+6.2%
HUHD, etc.	598	831	+233	+39.0%

(¥ million)

Number of Employees

	End of Mar. 2020		End of Mar. 2021		Variance	
	Regular	Contractor	Regular	Contractor	Regular	Contractor
Total	5,968	6,622	5,897	6,484	-71	- 138
CLT	2,926	3,112	2,244	3,051	-682	- 61
IVD	1,129	118	1,043	122	-86	+ 4
HR	1,161	3,152	1,154	3,030	-7	- 122
ENB	393	188	443	196	+50	+ 8
HUHD and others*	359	52	1,013	85	+654	+ 33

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

* HUHD and others include H.U. Research Institute, H.U. Frontier, etc.

Part of CLT/IVD/SR employees are transferred according to the establishment of H.U. Frontier from Oct, 2020

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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.