

Consolidated Financial Results
for the Nine Months Ended December 31, 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: February 10, 2021
Scheduled date to commence dividend payments: —
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 nine months ended December 31, 2020

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------|-----------------|------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Nine months ended | | | | | | | | |
| December 31, 2020 | 161,089 | 13.6 | 17,704 | 112.0 | 16,687 | 175.0 | 12,720 | 306.7 |
| December 31, 2019 | 141,846 | 4.9 | 8,349 | (26.6) | 6,068 | (38.5) | 3,127 | (53.9) |

Note: Comprehensive income
Nine months ended December 31, 2020: ¥12,257 million [330.6%]
Nine months ended December 31, 2019: ¥2,846 million [(62.9)%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| Nine months ended | Yen | Yen |
| December 31, 2020 | 223.14 | 223.09 |
| December 31, 2019 | 54.91 | 54.89 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------|-----------------|-----------------|--------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| December 31, 2020 | 244,430 | 108,675 | 44.4 | 1,903.74 |
| March 31, 2020 | 219,403 | 103,228 | 47.0 | 1,809.18 |

Reference: Equity
As of December 31, 2020: ¥108,565 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: None

The year-end dividend (forecast) will be determined based on the Company's dividend policy* after the consolidated earnings become available.

* Dividend policy: The consolidated dividend payout ratio shall be 50% or more of profit attributable to owners of parent excluding special factors such as extraordinary income/losses

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 | 223,500 | 18.4 | 26,500 | 166.6 | 25,500 | 294.2 | 17,000 | – | 298.17 |

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

* 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 December 31, 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 December 31, 2020 | 388,936 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)

| | |
|-------------------------------------|-------------------|
| Nine months ended December 31, 2020 | 57,009,749 shares |
| Nine months ended December 31, 2019 | 56,970,381 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 via telephone conference on Monday, February 8, 2021, 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 December 31, 2020 |
|---------------------------------------|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 36,357 | 45,764 |
| Notes and accounts receivable - trade | 32,737 | 46,271 |
| Merchandise and finished goods | 6,796 | 6,415 |
| Work in process | 5,325 | 6,235 |
| Raw materials and supplies | 5,829 | 6,693 |
| Other | 16,943 | 10,504 |
| Allowance for doubtful accounts | (90) | (116) |
| Total current assets | 103,899 | 121,769 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 17,372 | 17,530 |
| Tools, furniture and fixtures, net | 18,572 | 11,251 |
| Land | 11,670 | 11,628 |
| Other, net | 10,714 | 21,088 |
| Total property, plant and equipment | 58,330 | 61,500 |
| Intangible assets | | |
| Goodwill | 1,514 | 1,177 |
| Customer-related intangible assets | 970 | 947 |
| Software | 5,904 | 6,924 |
| Other | 12,637 | 15,999 |
| Total intangible assets | 21,027 | 25,048 |
| Investments and other assets | | |
| Investment securities | 11,394 | 10,566 |
| Other | 24,607 | 25,497 |
| Allowance for doubtful accounts | (27) | (106) |
| Total investments and other assets | 35,975 | 35,958 |
| Total non-current assets | 115,332 | 122,507 |
| Deferred assets | 171 | 153 |
| Total assets | 219,403 | 244,430 |

(Millions of yen)

| | As of March 31, 2020 | As of December 31, 2020 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 12,318 | 17,520 |
| Electronically recorded obligations - operating | 1,290 | 1,677 |
| Short-term borrowings | 10,000 | 21,000 |
| Current portion of long-term borrowings | 4,166 | 4,140 |
| Accounts payable - other | 7,107 | 8,661 |
| Income taxes payable | 1,050 | 1,201 |
| Provision for bonuses | 6,235 | 5,229 |
| Other | 13,130 | 12,748 |
| Total current liabilities | 55,299 | 72,177 |
| Non-current liabilities | | |
| Bonds payable | 35,000 | 35,000 |
| Long-term borrowings | 16,216 | 12,321 |
| Retirement benefit liability | 3,167 | 3,408 |
| Asset retirement obligations | 709 | 1,055 |
| Provision for share-based remuneration | 51 | 175 |
| Provision for compensation loss | 458 | 436 |
| Other | 5,272 | 11,179 |
| Total non-current liabilities | 60,875 | 63,576 |
| Total liabilities | 116,175 | 135,754 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 9,147 | 9,184 |
| Capital surplus | 24,869 | 24,906 |
| Retained earnings | 72,772 | 78,560 |
| Treasury shares | (1,633) | (1,582) |
| Total shareholders' equity | 105,156 | 111,067 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (117) | (185) |
| Foreign currency translation adjustment | (1,204) | (1,667) |
| Remeasurements of defined benefit plans | (747) | (648) |
| Total accumulated other comprehensive income | (2,069) | (2,502) |
| Share acquisition rights | 141 | 111 |
| Non-controlling interests | – | (1) |
| Total net assets | 103,228 | 108,675 |
| Total liabilities and net assets | 219,403 | 244,430 |

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

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|--|--|
| Net sales | 141,846 | 161,089 |
| Cost of sales | 97,559 | 106,356 |
| Gross profit | 44,287 | 54,733 |
| Selling, general and administrative expenses | 35,937 | 37,029 |
| Operating profit | 8,349 | 17,704 |
| Non-operating income | | |
| Interest income | 79 | 138 |
| Dividend income | 38 | 22 |
| Consumption taxes variance | – | 633 |
| Other | 252 | 323 |
| Total non-operating income | 370 | 1,118 |
| Non-operating expenses | | |
| Interest expenses | 171 | 206 |
| Foreign exchange losses | 27 | 521 |
| Share of loss of entities accounted for using equity method | 2,261 | 1,236 |
| Other | 190 | 170 |
| Total non-operating expenses | 2,651 | 2,135 |
| Ordinary profit | 6,068 | 16,687 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 2 | 10 |
| Gain on step acquisitions | 283 | – |
| Gain on reversal of share acquisition rights | 43 | 33 |
| Other | 99 | 5 |
| Total extraordinary income | 428 | 49 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 58 | 158 |
| Loss on cancellation of leases | 246 | – |
| Loss on termination of contracts | 321 | – |
| Loss on liquidation of subsidiaries and associates | – | 322 |
| Business restructuring expenses | – | 829 |
| Other | 101 | 505 |
| Total extraordinary losses | 728 | 1,815 |
| Profit before income taxes | 5,768 | 14,921 |
| Income taxes - current | 875 | 2,846 |
| Income taxes - deferred | 1,764 | (615) |
| Total income taxes | 2,640 | 2,231 |
| Profit | 3,127 | 12,689 |
| Loss attributable to non-controlling interests | – | (31) |
| Profit attributable to owners of parent | 3,127 | 12,720 |

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|--|--|--|
| Profit | 3,127 | 12,689 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 238 | (67) |
| Foreign currency translation adjustment | (571) | (463) |
| Remeasurements of defined benefit plans, net of tax | 51 | 98 |
| Total other comprehensive income | (281) | (432) |
| Comprehensive income | 2,846 | 12,257 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 2,846 | 12,288 |
| Comprehensive income attributable to non-controlling interests | – | (31) |

(3) Consolidated statement of cash flows

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 5,768 | 14,921 |
| Depreciation | 7,652 | 8,778 |
| Amortization of goodwill | 719 | 362 |
| Loss on liquidation of subsidiaries and associates | – | 322 |
| Loss (gain) on step acquisitions | (283) | – |
| Loss on cancellation of leases | 246 | – |
| Loss on termination of contracts | 321 | – |
| Increase (decrease) in provision for bonuses | (2,190) | (991) |
| Increase (decrease) in retirement benefit liability | 303 | 358 |
| Interest and dividend income | (117) | (161) |
| Interest expenses | 171 | 206 |
| Share of loss (profit) of entities accounted for using equity method | 2,261 | 1,236 |
| Decrease (increase) in trade receivables | (1,239) | (13,889) |
| Decrease (increase) in inventories | (2,830) | (1,519) |
| Increase (decrease) in trade payables | 19 | 5,574 |
| Increase (decrease) in accrued consumption taxes | 795 | 793 |
| Decrease (increase) in other current assets | (1,139) | (1,626) |
| Increase (decrease) in other current liabilities | 1,723 | (750) |
| Other, net | 595 | 911 |
| Subtotal | 12,777 | 14,526 |
| Interest and dividends received | 119 | 166 |
| Interest paid | (194) | (247) |
| Income taxes (paid) refund | (4,746) | 5,502 |
| Net cash provided by (used in) operating activities | 7,955 | 19,947 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (6,471) | (7,560) |
| Purchase of intangible assets | (5,906) | (6,900) |
| Purchase of investment securities | (585) | (1,865) |
| Loan advances | (2,632) | (378) |
| Collection of loans receivable | 427 | 2 |
| Purchase of shares of subsidiaries | (2,054) | (100) |
| Other, net | (190) | (254) |
| Net cash provided by (used in) investing activities | (17,413) | (17,057) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | – | 11,000 |
| Repayments of long-term borrowings | (6,322) | (3,891) |
| Proceeds from issuance of bonds | 20,000 | – |
| Repayments of finance lease obligations | (875) | (1,411) |
| Proceeds from sale and leaseback transactions | – | 6,812 |
| Dividends paid | (7,408) | (6,542) |
| Other, net | (229) | 70 |
| Net cash provided by (used in) financing activities | 5,163 | 6,037 |
| Effect of exchange rate change on cash and cash equivalents | (106) | 485 |
| Net increase (decrease) in cash and cash equivalents | (4,401) | 9,413 |
| 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 | 30,418 | 45,753 |