

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 <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
 Contact: Naoki Kitamura, Executive Officer and CFO
 TEL: +81-3-5909-3337

Scheduled date of ordinary general meeting of shareholders: June 22, 2021
 Scheduled date to commence dividend payments: June 18, 2021
 Scheduled date to submit Securities Report: June 23, 2021
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2021

(1) Consolidated operating results

(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	%
Fiscal year ended								
March 31, 2021	223,016	18.2	25,392	155.5	25,458	293.6	17,468	—
March 31, 2020	188,712	4.0	9,939	(32.1)	6,468	(43.9)	(516)	—

Note: Comprehensive income

Fiscal year ended March 31, 2021: ¥18,914 million [—%]

Fiscal year ended March 31, 2020: ¥(2,455) million [—%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2021	306.38	306.32	16.0	10.8	11.4
March 31, 2020	(9.06)	—	(0.5)	3.1	5.3

Reference: Share of profit (loss) of entities accounted for using equity method:

Fiscal year ended March 31, 2021: ¥(1,671) million

Fiscal year ended March 31, 2020: ¥(3,473) million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2021	252,751	115,298	45.6	2,020.01
March 31, 2020	219,403	103,228	47.0	1,809.18

Reference: Equity

As of March 31, 2021: ¥115,195 million As of March 31, 2020: ¥103,086 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2021	35,588	(28,273)	(1,566)	42,950
March 31, 2020	15,229	(21,761)	8,234	36,226

2. Cash dividends

	Annual dividends					Total dividend payments (Total)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2020	–	65.00	–	65.00	130.00	7,426	–	6.9
Fiscal year ended March 31, 2021	–	50.00	–	94.00	144.00	8,230	47.1	7.5
Fiscal year ending March 31, 2022 (Forecast)	–	62.00	–	63.00	125.00		43.3	

Note: Breakdown of year-end dividend for the fiscal year ended March 31, 2021:

Ordinary dividend: ¥75.00 Commemorative dividend: ¥19.00

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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
Six months ending September 30, 2021	121,000	22.8	17,000	108.7	18,500	152.0	12,500	145.0	219.19
Fiscal year ending March 31, 2022	242,000	8.5	25,500	0.4	25,500	0.2	16,500	(5.5)	289.34

* 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) 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

(3) Number of shares issued (common shares)

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

As of March 31, 2021	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 March 31, 2021	389,287 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)

Fiscal year ended March 31, 2021	57,014,057 shares
Fiscal year ended March 31, 2020	56,972,738 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.

Reference: Summary of non-consolidated results

Non-consolidated financial results for the fiscal year ended March 31, 2021

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2021	15,049	(62.4)	6,866	(79.0)	7,720	(76.4)	115	(99.6)
March 31, 2020	40,077	331.3	32,713	—	32,696	—	27,662	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2021	2.02	2.02
March 31, 2020	485.53	485.42

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2021	167,659	60,494	36.0	1,058.77
March 31, 2020	161,349	66,877	41.4	1,171.23

Reference: Equity

As of March 31, 2021: ¥60,378 million As of March 31, 2020: ¥66,736 million

* Financial results reports are exempt from audit 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 financial results and the details of financial results presentation meeting)

The Company is scheduled to hold a financial results presentation meeting for institutional investors and analysts on Friday, May 14, 2021, and to post the materials used in the meeting on the Company's website immediately after the meeting.

Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	36,357	42,961
Notes and accounts receivable - trade	32,737	46,619
Investments in leases	750	801
Merchandise and finished goods	6,796	5,756
Work in process	5,325	6,392
Raw materials and supplies	5,829	6,654
Other	16,193	9,401
Allowance for doubtful accounts	(90)	(574)
Total current assets	103,899	118,013
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,102	40,428
Accumulated depreciation	(37,729)	(24,996)
Buildings and structures, net	17,372	15,431
Machinery, equipment and vehicles	15,544	18,047
Accumulated depreciation	(12,284)	(13,327)
Machinery, equipment and vehicles, net	3,259	4,720
Tools, furniture and fixtures	47,882	39,873
Accumulated depreciation	(29,309)	(27,836)
Tools, furniture and fixtures, net	18,572	12,036
Land	11,670	9,691
Leased assets	10,007	20,111
Accumulated depreciation	(5,241)	(7,032)
Leased assets, net	4,765	13,079
Construction in progress	2,689	6,203
Total property, plant and equipment	58,330	61,162
Intangible assets		
Goodwill	1,514	760
Customer-related intangible assets	970	947
Software	5,904	7,827
Leased assets	930	1,019
Software in progress	8,906	14,610
Other	2,800	2,297
Total intangible assets	21,027	27,462
Investments and other assets		
Investment securities	11,394	10,388
Long-term loans receivable	3,935	4,003
Guarantee deposits	9,874	18,260
Deferred tax assets	8,565	9,458
Other	2,232	3,997
Allowance for doubtful accounts	(27)	(140)
Total investments and other assets	35,975	45,966
Total non-current assets	115,332	134,591
Deferred assets		
Bond issuance costs	171	146
Total deferred assets	171	146
Total assets	219,403	252,751

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,318	18,150
Electronically recorded obligations - operating	1,290	2,115
Short-term borrowings	10,000	4,500
Current portion of long-term borrowings	4,166	3,899
Lease obligations	1,471	3,444
Accounts payable - other	7,107	12,407
Income taxes payable	1,050	2,374
Provision for bonuses	6,235	7,104
Other	11,659	8,922
Total current liabilities	55,299	62,918
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term borrowings	16,216	22,321
Lease obligations	4,671	11,291
Deferred tax liabilities	69	1
Retirement benefit liability	3,167	3,801
Asset retirement obligations	709	1,053
Provision for share awards	51	279
Provision for compensation loss	458	466
Other	531	318
Total non-current liabilities	60,875	74,534
Total liabilities	116,175	137,452
Net assets		
Shareholders' equity		
Share capital	9,147	9,184
Capital surplus	24,869	24,906
Retained earnings	72,772	83,269
Treasury shares	(1,633)	(1,583)
Total shareholders' equity	105,156	115,775
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(117)	(152)
Foreign currency translation adjustment	(1,204)	400
Remeasurements of defined benefit plans	(747)	(828)
Total accumulated other comprehensive income	(2,069)	(579)
Share acquisition rights	141	116
Non-controlling interests	–	(13)
Total net assets	103,228	115,298
Total liabilities and net assets	219,403	252,751

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	188,712	223,016
Cost of sales	131,135	146,808
Gross profit	57,577	76,208
Selling, general and administrative expenses	47,637	50,815
Operating profit	9,939	25,392
Non-operating income		
Interest income	109	150
Dividend income	38	23
Dividend income of insurance	35	20
Rental income	108	85
Outsourcing service income	28	17
Gain on investments in capital	3	1,298
Consumption taxes variance	-	816
Other	234	210
Total non-operating income	558	2,622
Non-operating expenses		
Interest expenses	230	309
Rental expenses	43	41
Share of loss of entities accounted for using equity method	3,473	1,671
Other	282	534
Total non-operating expenses	4,029	2,557
Ordinary profit	6,468	25,458
Extraordinary income		
Gain on sale of non-current assets	2	109
Gain on reversal of share acquisition rights	43	33
Gain on step acquisitions	283	-
Other	878	10
Total extraordinary income	1,207	152
Extraordinary losses		
Loss on retirement of non-current assets	98	226
Loss on sale of non-current assets	-	1,540
Loss on liquidation of subsidiaries and associates	-	322
Impairment losses	209	773
Loss on cancellation of leases	335	-
Loss on termination of contracts	321	-
Business restructuring expenses	6	1,504
Other	590	420
Total extraordinary losses	1,562	4,787
Profit before income taxes	6,113	20,823
Income taxes - current	829	4,415
Income taxes - deferred	5,800	(1,016)
Total income taxes	6,629	3,398
Profit (loss)	(516)	17,425
Loss attributable to non-controlling interests	-	(42)
Profit (loss) attributable to owners of parent	(516)	17,468

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit (loss)	(516)	17,425
Other comprehensive income		
Valuation difference on available-for-sale securities	(463)	(34)
Foreign currency translation adjustment	(1,122)	1,605
Remeasurements of defined benefit plans, net of tax	(353)	(80)
Total other comprehensive income	(1,939)	1,489
Comprehensive income	(2,455)	18,914
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(2,455)	18,957
Comprehensive income attributable to non-controlling interests	—	(42)

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,113	24,835	80,601	(1,631)	112,920
Cumulative effects of changes in accounting policies			628		628
Restated balance	9,113	24,835	81,230	(1,631)	113,549
Changes during period					
Issuance of new shares - exercise of share acquisition rights	2	2			4
Issuance of new shares- Restricted Stock	31	31			63
Dividends of surplus			(7,425)		(7,425)
Profit (loss) attributable to owners of parent			(516)		(516)
Purchase of treasury shares				(2)	(2)
Change in scope of consolidation			(199)		(199)
Change in scope of equity method			(317)		(317)
Net changes in items other than shareholders' equity					
Total changes during period	34	34	(8,458)	(2)	(8,392)
Balance at end of period	9,147	24,869	72,772	(1,633)	105,156

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	345	(81)	(393)	(129)	182	112,973
Cumulative effects of changes in accounting policies						628
Restated balance	345	(81)	(393)	(129)	182	113,602
Changes during period						
Issuance of new shares - exercise of share acquisition rights						4
Issuance of new shares- Restricted Stock						63
Dividends of surplus						(7,425)
Profit (loss) attributable to owners of parent						(516)
Purchase of treasury shares						(2)
Change in scope of consolidation						(199)
Change in scope of equity method						(317)
Net changes in items other than shareholders' equity	(463)	(1,122)	(353)	(1,939)	(41)	(1,981)
Total changes during period	(463)	(1,122)	(353)	(1,939)	(41)	(10,374)
Balance at end of period	(117)	(1,204)	(747)	(2,069)	141	103,228

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,147	24,869	72,772	(1,633)	105,156
Changes during period					
Issuance of new shares - exercise of share acquisition rights	2	2			5
Issuance of new shares- Restricted Stock	33	33			66
Dividends of surplus			(6,571)		(6,571)
Profit (loss) attributable to owners of parent			17,468		17,468
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares				51	51
Change in scope of consolidation			(399)		(399)
Net changes in items other than shareholders' equity					
Total changes during period	36	36	10,497	49	10,618
Balance at end of period	9,184	24,906	83,269	(1,583)	115,775

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(117)	(1,204)	(747)	(2,069)	141	–	103,228
Changes during period							
Issuance of new shares - exercise of share acquisition rights							5
Issuance of new shares- Restricted Stock							66
Dividends of surplus							(6,571)
Profit (loss) attributable to owners of parent							17,468
Purchase of treasury shares							(2)
Disposal of treasury shares							51
Change in scope of consolidation							(399)
Net changes in items other than shareholders' equity	(34)	1,605	(80)	1,489	(24)	(13)	1,451
Total changes during period	(34)	1,605	(80)	1,489	(24)	(13)	12,070
Balance at end of period	(152)	400	(828)	(579)	116	(13)	115,298

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	6,113	20,823
Depreciation	10,432	12,091
Amortization of goodwill	898	403
Impairment losses	209	773
Loss on liquidation of subsidiaries and associates	–	322
Loss (gain) on step acquisitions	(283)	–
Loss on cancellation of leases	335	–
Loss on termination of contracts	321	–
Loss on sale of non-current assets	–	1,540
Loss (gain) on investments in capital	(3)	(1,298)
Increase (decrease) in allowance for doubtful accounts	(31)	583
Increase (decrease) in retirement benefit liability	399	435
Increase (decrease) in provision for bonuses	180	826
Interest and dividend income	(148)	(174)
Interest expenses	230	309
Share of loss (profit) of entities accounted for using equity method	3,473	1,671
Decrease (increase) in trade receivables	881	(13,933)
Decrease (increase) in inventories	(2,908)	(637)
Increase (decrease) in trade payables	1,909	6,580
Increase (decrease) in accrued consumption taxes	1,095	1,230
Decrease (increase) in other current assets	(1,616)	(1,482)
Other, net	2,815	146
Subtotal	24,305	30,212
Interest and dividends received	147	173
Interest paid	(223)	(306)
Income taxes refund (paid)	(8,999)	5,509
Net cash provided by (used in) operating activities	15,229	35,588
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,095)	(11,530)
Proceeds from sale of property, plant and equipment	4	3,721
Purchase of intangible assets	(7,470)	(9,658)
Purchase of investment securities	(1,632)	(1,865)
Loan advances	(3,286)	(567)
Proceeds from collection of loans receivable	427	504
Payments of guarantee deposits	(323)	(8,793)
Purchase of shares of subsidiaries	(2,065)	–
Other, net	679	(84)
Net cash provided by (used in) investing activities	(21,761)	(28,273)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(5,500)
Proceeds from long-term borrowings	5,000	10,000
Repayments of long-term borrowings	(7,896)	(4,150)
Proceeds from issuance of bonds	20,000	–
Proceeds from sale and leaseback transactions	–	6,812
Repayments of finance lease obligations	(1,223)	(2,264)
Dividends paid	(7,417)	(6,561)
Other, net	(228)	97
Net cash provided by (used in) financing activities	8,234	(1,566)
Effect of exchange rate change on cash and cash equivalents	(295)	862
Net increase (decrease) in cash and cash equivalents	1,406	6,610
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	36,226	42,950