

Consolidated Financial Results
for the Nine Months Ended December 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
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Scheduled date to submit Quarterly Securities Report: February 10, 2022
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, 2021

(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, 2021	197,881	22.8	36,171	104.3	35,484	112.6	25,518	100.6
December 31, 2020	161,089	13.6	17,704	112.0	16,687	175.0	12,720	306.7

Note: Comprehensive income
Nine months ended December 31, 2021: ¥27,657 million [125.6%]
Nine months ended December 31, 2020: ¥12,257 million [330.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	447.68	447.55
December 31, 2020	223.14	223.09

(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, 2021	276,984	133,591	48.2	2,348.52
March 31, 2021	252,751	115,298	45.6	2,020.01

Reference: Equity
As of December 31, 2021: ¥133,576 million As of March 31, 2021: ¥115,195 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, 2021	–	50.00	–	94.00	144.00
Fiscal year ending March 31, 2022	–	62.00	–		
Fiscal year ending March 31, 2022 (Forecast)				63.00	125.00

Note: Revisions to the cash dividend forecasts most recently announced: None

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
Fiscal year ending March 31, 2022	267,300	19.9	44,000	73.3	42,500	66.9	27,000	54.6	473.92

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

For details, please refer to “Notice of Revisions to the Full-Year Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022” announced today, February 8, 2022.

* 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: Yes
 - 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, 2021	57,446,357 shares
As of March 31, 2021	57,416,407 shares

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

As of December 31, 2021	569,682 shares
As of March 31, 2021	389,287 shares

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

Nine months ended December 31, 2021	57,002,596 shares
Nine months ended December 31, 2020	57,009,749 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 teleconference on Tuesday, February 8, 2022, and to post the materials used in the meeting on the Company's website immediately after the announcement of financial results.

Quarterly consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	42,961	46,237
Notes and accounts receivable - trade	46,619	–
Notes and accounts receivable - trade, and contract assets	–	50,857
Merchandise and finished goods	5,756	5,523
Work in process	6,392	6,724
Raw materials and supplies	6,654	8,392
Other	10,202	10,453
Allowance for doubtful accounts	(574)	(555)
Total current assets	118,013	127,633
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,431	19,752
Tools, furniture and fixtures, net	12,036	11,674
Land	9,691	9,692
Other, net	24,002	30,734
Total property, plant and equipment	61,162	71,854
Intangible assets		
Goodwill	760	681
Customer-related intangible assets	947	879
Software	7,827	7,463
Other	17,927	24,558
Total intangible assets	27,462	33,584
Investments and other assets		
Investment securities	10,388	9,556
Other	35,719	34,401
Allowance for doubtful accounts	(140)	(174)
Total investments and other assets	45,966	43,783
Total non-current assets	134,591	149,222
Deferred assets	146	128
Total assets	252,751	276,984

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,150	20,033
Electronically recorded obligations - operating	2,115	1,332
Short-term borrowings	4,500	4,500
Current portion of long-term borrowings	3,899	3,621
Accounts payable - other	12,407	15,901
Income taxes payable	2,374	5,895
Provision for bonuses	7,104	5,030
Other	12,366	13,879
Total current liabilities	62,918	70,194
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term borrowings	22,321	18,700
Retirement benefit liability	3,801	5,124
Asset retirement obligations	1,053	1,066
Provision for share awards	279	492
Provision for compensation loss	466	484
Other	11,611	12,330
Total non-current liabilities	74,534	73,199
Total liabilities	137,452	143,393
Net assets		
Shareholders' equity		
Share capital	9,184	9,231
Capital surplus	24,906	24,953
Retained earnings	83,269	99,876
Treasury shares	(1,583)	(2,081)
Total shareholders' equity	115,775	131,979
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(152)	1,359
Foreign currency translation adjustment	400	1,661
Remeasurements of defined benefit plans	(828)	(1,424)
Total accumulated other comprehensive income	(579)	1,596
Share acquisition rights	116	65
Non-controlling interests	(13)	(50)
Total net assets	115,298	133,591
Total liabilities and net assets	252,751	276,984

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

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	161,089	197,881
Cost of sales	106,356	118,069
Gross profit	54,733	79,812
Selling, general and administrative expenses	37,029	43,640
Operating profit	17,704	36,171
Non-operating income		
Interest income	138	30
Dividend income	22	31
Gain on investments in capital	55	1,163
Consumption taxes variance	633	-
Other	267	196
Total non-operating income	1,118	1,420
Non-operating expenses		
Interest expenses	206	293
Share of loss of entities accounted for using equity method	1,236	1,407
Other	691	406
Total non-operating expenses	2,135	2,107
Ordinary profit	16,687	35,484
Extraordinary income		
Gain on sale of non-current assets	10	80
Gain on reversal of share acquisition rights	33	40
Other	5	48
Total extraordinary income	49	169
Extraordinary losses		
Loss on retirement of non-current assets	158	67
Loss on valuation of other investments	-	685
Business restructuring expenses	829	516
Other	827	668
Total extraordinary losses	1,815	1,938
Profit before income taxes	14,921	33,716
Income taxes - current	2,846	6,843
Income taxes - deferred	(615)	1,391
Total income taxes	2,231	8,234
Profit	12,689	25,481
Loss attributable to non-controlling interests	(31)	(37)
Profit attributable to owners of parent	12,720	25,518

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	12,689	25,481
Other comprehensive income		
Valuation difference on available-for-sale securities	(67)	1,511
Foreign currency translation adjustment	(463)	1,260
Remeasurements of defined benefit plans, net of tax	98	(596)
Total other comprehensive income	(432)	2,176
Comprehensive income	12,257	27,657
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	12,288	27,695
Comprehensive income attributable to non-controlling interests	(31)	(37)

(3) Consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	14,921	33,716
Depreciation	8,778	10,335
Amortization of goodwill	362	79
Interest and dividend income	(161)	(61)
Interest expenses	206	293
Share of loss (profit) of entities accounted for using equity method	1,236	1,407
Decrease (increase) in trade receivables	(13,889)	–
Decrease (increase) in trade receivables and contract assets	–	(2,149)
Decrease (increase) in inventories	(1,519)	(1,730)
Increase (decrease) in trade payables	5,574	1,063
Increase (decrease) in provision for bonuses	(991)	(2,097)
Increase (decrease) in retirement benefit liability	358	469
Gain on investments in capital	(55)	(1,163)
Loss on valuation of other investments	–	685
Decrease (increase) in other current assets	(1,626)	(3,370)
Increase (decrease) in other current liabilities	(750)	1,780
Increase (decrease) in other non-current liabilities	(53)	399
Other, net	2,136	1,381
Subtotal	14,526	41,039
Interest and dividends received	166	69
Interest paid	(247)	(337)
Income taxes refund (paid)	5,502	(2,404)
Net cash provided by (used in) operating activities	19,947	38,366
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,560)	(14,024)
Proceeds from sale of property, plant and equipment	54	305
Purchase of intangible assets	(6,900)	(8,976)
Purchase of investment securities	(1,865)	–
Payments for investments in capital	(370)	(1,163)
Proceeds from share of profits on investments in capital	271	3,603
Proceeds from refund of guarantee deposits	70	364
Subsidies received	–	1,696
Payments for other investments	(100)	(750)
Other, net	(657)	(227)
Net cash provided by (used in) investing activities	(17,057)	(19,171)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	11,000	–
Repayments of long-term borrowings	(3,891)	(3,898)
Purchase of treasury shares	(1)	(497)
Dividends paid	(6,542)	(8,888)
Repayments of finance lease obligations	(1,411)	(2,871)
Proceeds from sale and leaseback transactions	6,812	–
Other, net	71	67
Net cash provided by (used in) financing activities	6,037	(16,089)
Effect of exchange rate change on cash and cash equivalents	485	169
Net increase (decrease) in cash and cash equivalents	9,413	3,274
Cash and cash equivalents at beginning of period	36,226	42,950
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	113	0
Cash and cash equivalents at end of period	45,753	46,226