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MEMBERSHIP
November 9, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: **H.U. Group Holdings, Inc.**
 Listing: Tokyo Stock Exchange
 Securities code: 4544
 URL: <https://www.hugp.com/>
 Representative: Shigekazu Takeuchi, Director, President and Group CEO
 Inquiries: Atsuko Murakami, Executive Officer and CFO
 Telephone: +81-3-5909-3337
 Scheduled date to file quarterly securities report: November 11, 2022
 Scheduled date to commence dividend payments: December 12, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(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, 2022	134,081	0.3	17,684	(34.4)	17,795	(33.5)	15,553	(20.3)
September 30, 2021	133,739	35.7	26,951	230.9	26,745	264.3	19,519	282.5

Note: Comprehensive income For the six months ended September 30, 2022: ¥20,626 million[(1.3)%]
 For the six months ended September 30, 2021: ¥20,896 million[336.1%]

Six months ended	Basic earnings per share	Diluted earnings per share
September 30, 2022	Yen 273.42	Yen 273.38
September 30, 2021	342.23	342.10

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
September 30, 2022	Millions of yen 285,933	Millions of yen 157,301	%	Yen 2,762.86
March 31, 2022	286,587	140,178	48.9	2,463.33

Reference: Equity

As of September 30, 2022: ¥157,231 million
 As of March 31, 2022: ¥140,106 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	62.00	–	63.00	125.00
Fiscal year ending March 31, 2023	–	62.00			
Fiscal year ending March 31, 2023 (Forecast)			–	63.00	125.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	260,000	(4.7)	23,000	(54.4)	20,800	(56.1)	15,800	(46.6)	277.69

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

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of September 30, 2022	57,470,519 shares
As of March 31, 2022	57,446,657 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2022	561,664 shares
As of March 31, 2022	569,941 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	56,886,860 shares
Six months ended September 30, 2021	57,035,865 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 consolidated earnings forecasts for the fiscal year ending March 31, 2023 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 material on quarterly financial results and the details of quarterly financial results briefing)

The Company is scheduled to hold a quarterly financial results briefing for institutional investors and analysts via telephone conference on Wednesday, November 9, 2022, and to post the material 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, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	46,490	37,276
Notes and accounts receivable - trade, and contract assets	59,238	54,619
Merchandise and finished goods	5,148	5,017
Work in process	6,605	7,564
Raw materials and supplies	7,731	8,189
Other	8,003	7,845
Allowance for doubtful accounts	(675)	(460)
Total current assets	132,542	120,052
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,227	23,918
Tools, furniture and fixtures, net	14,777	17,295
Land	10,488	10,638
Other, net	30,026	27,196
Total property, plant and equipment	76,520	79,049
Intangible assets		
Goodwill	201	9,478
Customer-related intangible assets	897	889
Software	22,250	21,106
Other	11,057	12,916
Total intangible assets	34,406	44,390
Investments and other assets		
Investment securities	8,300	8,887
Other	34,861	33,778
Allowance for doubtful accounts	(165)	(332)
Total investments and other assets	42,996	42,333
Total non-current assets	153,923	165,772
Deferred assets	121	108
Total assets	286,587	285,933

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,307	19,553
Electronically recorded obligations - operating	1,025	1,032
Current portion of long-term borrowings	3,621	5,510
Accounts payable - other	14,921	11,473
Income taxes payable	5,834	2,549
Provision for bonuses	6,870	4,957
Other	17,174	12,215
Total current liabilities	70,755	57,292
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term borrowings	18,700	15,000
Retirement benefit liability	5,470	5,548
Asset retirement obligations	1,046	1,178
Provision for share awards	572	694
Provision for compensation loss	709	610
Provision for loss on guarantees	1,414	840
Other	12,739	12,468
Total non-current liabilities	75,653	71,339
Total liabilities	146,408	128,632
Net assets		
Shareholders' equity		
Share capital	9,231	9,271
Capital surplus	24,953	24,993
Retained earnings	103,957	115,908
Treasury shares	(2,081)	(2,059)
Total shareholders' equity	136,060	148,113
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,620	228
Foreign currency translation adjustment	3,997	10,361
Remeasurements of defined benefit plans	(1,573)	(1,471)
Total accumulated other comprehensive income	4,045	9,118
Share acquisition rights	72	70
Total net assets	140,178	157,301
Total liabilities and net assets	286,587	285,933

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	133,739	134,081
Cost of sales	78,832	83,845
Gross profit	54,907	50,236
Selling, general and administrative expenses	27,955	32,551
Operating profit	26,951	17,684
Non-operating income		
Interest income	18	65
Dividend income	21	28
Foreign exchange gains	–	1,028
Other	1,280	429
Total non-operating income	1,320	1,553
Non-operating expenses		
Interest expenses	197	187
Share of loss of entities accounted for using equity method	1,052	1,153
Other	277	100
Total non-operating expenses	1,527	1,441
Ordinary profit	26,745	17,795
Extraordinary income		
Gain on sale of non-current assets	79	2,615
Gain on step acquisitions	–	758
Gain on reversal of share acquisition rights	40	–
Other	48	26
Total extraordinary income	168	3,400
Extraordinary losses		
Loss on retirement of non-current assets	35	25
Loss on valuation of investments in capital	149	149
Loss on valuation of other investments	619	197
Other	1,018	120
Total extraordinary losses	1,823	494
Profit before income taxes	25,090	20,702
Income taxes - current	5,511	2,909
Income taxes - deferred	87	2,238
Total income taxes	5,598	5,148
Profit	19,491	15,553
Loss attributable to non-controlling interests	(27)	–
Profit attributable to owners of parent	19,519	15,553

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	19,491	15,553
Other comprehensive income		
Valuation difference on available-for-sale securities	1,653	(1,392)
Foreign currency translation adjustment	401	6,363
Remeasurements of defined benefit plans, net of tax	(650)	101
Total other comprehensive income	1,404	5,072
Comprehensive income	20,896	20,626
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	20,923	20,626
Comprehensive income attributable to non-controlling interests	(27)	—

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	25,090	20,702
Depreciation	6,712	9,073
Amortization of goodwill	55	129
Foreign exchange losses (gains)	(19)	(736)
Share of loss (profit) of entities accounted for using equity method	1,052	1,153
Decrease (increase) in trade receivables and contract assets	(7,303)	5,806
Decrease (increase) in inventories	(298)	(229)
Increase (decrease) in trade payables	71	(1,945)
Increase (decrease) in provision for bonuses	(1,165)	(2,025)
Gain on sale of non-current assets	79	(2,615)
Loss (gain) on step acquisitions	–	(758)
Increase (decrease) in accrued consumption taxes	(4)	(853)
Decrease (increase) in other current assets	(3,484)	(758)
Increase (decrease) in other current liabilities	91	(4,465)
Other, net	1,108	(771)
Subtotal	21,987	21,705
Income taxes paid	(981)	(5,849)
Other, net	(149)	(95)
Net cash provided by (used in) operating activities	20,856	15,760
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,533)	(8,102)
Proceeds from sale of property, plant and equipment	303	2,680
Purchase of intangible assets	(6,426)	(3,453)
Proceeds from share of profits on investments in capital	3,563	–
Purchase of shares of subsidiaries	–	(8,273)
Subsidies received	1,696	–
Other, net	(1,392)	(1,519)
Net cash provided by (used in) investing activities	(12,788)	(18,668)
Cash flows from financing activities		
Repayments of long-term borrowings	(2,087)	(1,811)
Dividends paid	(5,362)	(3,596)
Repayments of finance lease liabilities	(1,888)	(2,101)
Other, net	49	76
Net cash provided by (used in) financing activities	(9,289)	(7,432)
Effect of exchange rate change on cash and cash equivalents	79	1,136
Net increase (decrease) in cash and cash equivalents	(1,141)	(9,204)
Cash and cash equivalents at beginning of period	42,950	46,479
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	0	–
Cash and cash equivalents at end of period	41,809	37,275