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MEMBERSHIP
November 9, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (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, Chairman, President and Group CEO
 Inquiries: Atsuko Murakami, Executive Officer and CFO
 Telephone: +81-3-6279-0926
 Scheduled date to file quarterly securities report: November 13, 2023
 Scheduled date to commence dividend payments: December 12, 2023
 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, 2023 (from April 1, 2023 to September 30, 2023)

(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, 2023	116,543	(13.1)	(1,569)	–	(1,571)	–	(1,822)	–
September 30, 2022	134,081	0.3	17,699	(34.3)	17,811	(33.4)	15,580	(20.2)

Note: Comprehensive income For the six months ended September 30, 2023: ¥3,889 million[(81.0)%]
 For the six months ended September 30, 2022: ¥20,484 million[(2.0)%]

Six months ended	Basic earnings per share	Diluted earnings per share
September 30, 2023	Yen (32.00)	Yen –
September 30, 2022	273.87	273.84

Note: In the fiscal year ended March 31, 2023, the Company finalized the provisional accounting treatment for business combinations. Accordingly, each figure pertaining to the six months ended September 30, 2022 reflects the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	284,578	150,130	52.7	2,640.89
March 31, 2023	297,924	150,047	50.3	2,635.26

Reference: Equity

As of September 30, 2023: ¥150,053 million
 As of March 31, 2023: ¥149,972 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, 2023	–	62.00	–	63.00	125.00
Fiscal year ending March 31, 2024	–	62.00			
Fiscal year ending March 31, 2024 (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, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	240,000	(8.0)	4,000	(82.9)	2,500	(88.6)	0	(100.0)	0.00

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

For details, please refer to “Notice Concerning Revisions to Full-Year Consolidated Earnings Forecasts” announced today, November 9, 2023.

* 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: None
 - (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, 2023	57,473,822 shares
As of March 31, 2023	57,471,867 shares

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

As of September 30, 2023	654,409 shares
As of March 31, 2023	561,968 shares

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

Six months ended September 30, 2023	56,954,147 shares
Six months ended September 30, 2022	56,886,860 shares

Note: The Company has introduced a trust-type share-based compensation scheme, 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, 2024 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 Thursday, November 9, 2023, 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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	44,186	37,097
Notes and accounts receivable - trade, and contract assets	46,946	48,455
Merchandise and finished goods	6,469	6,216
Work in process	7,072	7,842
Raw materials and supplies	8,587	8,520
Other	19,359	8,573
Allowance for doubtful accounts	(770)	(593)
Total current assets	131,851	116,112
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,062	26,023
Tools, furniture and fixtures, net	21,846	20,961
Land	10,836	10,946
Other, net	23,467	22,399
Total property, plant and equipment	80,214	80,330
Intangible assets		
Goodwill	4,453	4,681
Customer-related intangible assets	1,956	2,015
Software	22,186	20,122
Other	16,776	18,356
Total intangible assets	45,373	45,175
Investments and other assets		
Investment securities	6,997	6,950
Other	33,558	36,337
Allowance for doubtful accounts	(165)	(411)
Total investments and other assets	40,390	42,875
Total non-current assets	165,977	168,382
Deferred assets	95	83
Total assets	297,924	284,578

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,512	17,398
Electronically recorded obligations - operating	1,800	886
Current portion of long-term borrowings	3,700	–
Accounts payable - other	12,368	11,898
Income taxes payable	1,782	1,186
Provision for bonuses	6,256	4,851
Other	17,950	11,489
Total current liabilities	64,371	47,711
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term borrowings	25,000	29,000
Retirement benefit liability	6,609	6,682
Asset retirement obligations	1,576	1,589
Provision for share awards	743	28
Provision for compensation loss	562	630
Provision for loss on guarantees	264	–
Other	13,750	13,806
Total non-current liabilities	83,506	86,736
Total liabilities	147,877	134,447
Net assets		
Shareholders' equity		
Share capital	9,274	9,279
Capital surplus	24,996	25,001
Retained earnings	112,422	106,977
Treasury shares	(2,060)	(2,255)
Total shareholders' equity	144,633	139,002
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	118	603
Foreign currency translation adjustment	7,140	12,282
Remeasurements of defined benefit plans	(1,919)	(1,834)
Total accumulated other comprehensive income	5,339	11,051
Share acquisition rights	74	76
Total net assets	150,047	150,130
Total liabilities and net assets	297,924	284,578

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	134,081	116,543
Cost of sales	83,845	84,968
Gross profit	50,236	31,575
Selling, general and administrative expenses	32,536	33,144
Operating profit (loss)	17,699	(1,569)
Non-operating income		
Interest income	65	212
Dividend income	28	63
Foreign exchange gains	1,028	1,096
Other	429	192
Total non-operating income	1,553	1,564
Non-operating expenses		
Interest expenses	187	195
Share of loss of entities accounted for using equity method	1,153	743
Loss on investments in capital	–	406
Other	100	221
Total non-operating expenses	1,441	1,567
Ordinary profit (loss)	17,811	(1,571)
Extraordinary income		
Gain on step acquisitions	758	–
Gain on sale of businesses	–	377
Other	2,641	0
Total extraordinary income	3,400	377
Extraordinary losses		
Loss on valuation of investment securities	17	279
Loss on valuation of investments in capital	149	–
Loss on valuation of other investments	197	–
Other	128	116
Total extraordinary losses	494	396
Profit (loss) before income taxes	20,717	(1,590)
Income taxes - current	2,909	1,631
Income taxes - deferred	2,227	(1,398)
Total income taxes	5,137	232
Profit (loss)	15,580	(1,822)
Profit (loss) attributable to owners of parent	15,580	(1,822)

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit (loss)	15,580	(1,822)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,392)	484
Foreign currency translation adjustment	6,194	5,142
Remeasurements of defined benefit plans, net of tax	101	84
Total other comprehensive income	4,904	5,711
Comprehensive income	20,484	3,889
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	20,484	3,889

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	20,717	(1,590)
Depreciation	9,118	10,116
Amortization of goodwill	70	145
Foreign exchange losses (gains)	(736)	(1,082)
Share of loss (profit) of entities accounted for using equity method	1,153	743
Decrease (increase) in trade receivables and contract assets	5,806	(434)
Decrease (increase) in inventories	(712)	504
Increase (decrease) in trade payables	(1,945)	(4,241)
Increase (decrease) in provision for bonuses	(2,025)	(1,519)
Loss (gain) on step acquisitions	(758)	–
Increase (decrease) in accrued consumption taxes	(853)	1,021
Decrease (increase) in other current assets	(758)	(989)
Increase (decrease) in other current liabilities	(4,465)	(6,302)
Other, net	(2,892)	(227)
Subtotal	21,717	(3,856)
Income taxes refund (paid)	(5,849)	9,297
Other, net	(95)	81
Net cash provided by (used in) operating activities	15,772	5,522
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,102)	(4,743)
Purchase of intangible assets	(3,453)	(2,938)
Purchase of shares of subsidiaries	(8,273)	–
Proceeds from refund of guarantee deposits	61	513
Other, net	1,099	(102)
Net cash provided by (used in) investing activities	(18,668)	(7,272)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	4,000
Repayments of long-term borrowings	(1,811)	(3,700)
Purchase of treasury shares	(0)	(986)
Dividends paid	(3,596)	(3,601)
Repayments of finance lease liabilities	(2,101)	(2,167)
Other, net	77	399
Net cash provided by (used in) financing activities	(7,432)	(6,055)
Effect of exchange rate change on cash and cash equivalents	1,123	716
Net increase (decrease) in cash and cash equivalents	(9,204)	(7,089)
Cash and cash equivalents at beginning of period	46,479	44,185
Cash and cash equivalents at end of period	37,275	37,096