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February 9, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 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: February 14, 2024
 Scheduled date to commence dividend payments: –
 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(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, 2023	177,511	(11.7)	(1,147)	–	(2,863)	–	(3,345)	–
December 31, 2022	200,963	1.6	23,683	(34.5)	23,208	(34.6)	18,845	(26.2)

Note: Comprehensive income For the nine months ended December 31, 2023: ¥470 million [(97.7)%]
 For the nine months ended December 31, 2022: ¥20,245 million [(26.8)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	(58.78)	–
December 31, 2022	331.22	331.19

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 nine months ended December 31, 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
December 31, 2023	284,076	143,171	50.4	2,518.30
March 31, 2023	297,924	150,047	50.3	2,635.26

Reference: Equity

As of December 31, 2023: ¥143,087 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: None

* 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 December 31, 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 December 31, 2023	654,698 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)

Nine months ended December 31, 2023	56,909,004 shares
Nine months ended December 31, 2022	56,894,359 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 Friday, February 9, 2024, 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	44,186	40,403
Notes and accounts receivable - trade, and contract assets	46,946	48,184
Merchandise and finished goods	6,469	5,815
Work in process	7,072	7,769
Raw materials and supplies	8,587	9,154
Other	19,359	9,545
Allowance for doubtful accounts	(770)	(589)
Total current assets	131,851	120,283
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,062	25,805
Tools, furniture and fixtures, net	21,846	20,128
Land	10,836	10,465
Other, net	23,467	21,554
Total property, plant and equipment	80,214	77,953
Intangible assets		
Goodwill	4,453	4,535
Customer-related intangible assets	1,956	1,946
Software	22,186	19,127
Other	16,776	17,787
Total intangible assets	45,373	43,396
Investments and other assets		
Investment securities	6,997	6,303
Other	33,558	36,446
Allowance for doubtful accounts	(165)	(411)
Total investments and other assets	40,390	42,338
Total non-current assets	165,977	163,688
Deferred assets	95	104
Total assets	297,924	284,076

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,512	19,396
Electronically recorded obligations - operating	1,800	897
Current portion of bonds payable	–	10,000
Current portion of long-term borrowings	3,700	–
Accounts payable - other	12,368	12,342
Income taxes payable	1,782	239
Provision for bonuses	6,256	3,532
Other	17,950	11,387
Total current liabilities	64,371	57,794
Non-current liabilities		
Bonds payable	35,000	31,100
Long-term borrowings	25,000	29,000
Retirement benefit liability	6,609	6,756
Asset retirement obligations	1,576	1,569
Provision for share awards	743	55
Provision for compensation loss	562	597
Provision for loss on guarantees	264	114
Other	13,750	13,917
Total non-current liabilities	83,506	83,110
Total liabilities	147,877	140,905
Net assets		
Shareholders' equity		
Share capital	9,274	9,279
Capital surplus	24,996	25,001
Retained earnings	112,422	101,907
Treasury shares	(2,060)	(2,256)
Total shareholders' equity	144,633	133,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	118	599
Foreign currency translation adjustment	7,140	10,350
Remeasurements of defined benefit plans	(1,919)	(1,794)
Total accumulated other comprehensive income	5,339	9,155
Share acquisition rights	74	83
Total net assets	150,047	143,171
Total liabilities and net assets	297,924	284,076

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

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	200,963	177,511
Cost of sales	127,934	128,798
Gross profit	73,028	48,712
Selling, general and administrative expenses	49,344	49,860
Operating profit (loss)	23,683	(1,147)
Non-operating income		
Interest income	147	335
Dividend income	49	89
Foreign exchange gains	582	406
Gain on investments in capital	276	–
Other	243	251
Total non-operating income	1,299	1,083
Non-operating expenses		
Interest expenses	279	292
Share of loss of entities accounted for using equity method	1,315	1,844
Other	179	662
Total non-operating expenses	1,774	2,800
Ordinary profit (loss)	23,208	(2,863)
Extraordinary income		
Gain on sale of non-current assets	2,622	433
Gain on step acquisitions	758	–
Gain on sale of businesses	–	377
Other	26	69
Total extraordinary income	3,407	880
Extraordinary losses		
Loss on retirement of non-current assets	60	863
Loss on valuation of investment securities	88	295
Loss on valuation of other investments	217	–
Other	430	94
Total extraordinary losses	796	1,253
Profit (loss) before income taxes	25,819	(3,236)
Income taxes - current	3,934	2,149
Income taxes - deferred	3,039	(2,040)
Total income taxes	6,974	108
Profit (loss)	18,845	(3,345)
Profit (loss) attributable to owners of parent	18,845	(3,345)

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit (loss)	18,845	(3,345)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,301)	480
Foreign currency translation adjustment	2,549	3,210
Remeasurements of defined benefit plans, net of tax	152	125
Total other comprehensive income	1,400	3,816
Comprehensive income	20,245	470
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	20,245	470

(3) Consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	25,819	(3,236)
Depreciation	14,312	15,181
Amortization of goodwill	133	220
Foreign exchange losses (gains)	(304)	(760)
Share of loss (profit) of entities accounted for using equity method	1,315	1,844
Decrease (increase) in trade receivables and contract assets	5,153	(754)
Decrease (increase) in inventories	(1,776)	(60)
Increase (decrease) in trade payables	(921)	(2,180)
Increase (decrease) in provision for bonuses	(2,951)	(2,813)
Loss on retirement of non-current assets	60	863
Loss (gain) on step acquisitions	(758)	–
Increase (decrease) in accrued consumption taxes	(1,760)	795
Decrease (increase) in other current assets	(317)	(843)
Increase (decrease) in other current liabilities	(3,989)	(5,554)
Increase (decrease) in other non-current liabilities	809	931
Other, net	(1,909)	(1,282)
Subtotal	32,915	2,350
Income taxes refund (paid)	(13,617)	6,901
Other, net	(110)	123
Net cash provided by (used in) operating activities	19,188	9,375
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,592)	(6,398)
Proceeds from sale of property, plant and equipment	2,677	1,135
Purchase of intangible assets	(6,218)	(4,187)
Purchase of shares of subsidiaries	(8,983)	–
Payments for investments in capital	(563)	(529)
Proceeds from refund of guarantee deposits	124	528
Other, net	(1,303)	292
Net cash provided by (used in) investing activities	(24,859)	(9,159)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	4,000
Repayments of long-term borrowings	(3,621)	(3,700)
Proceeds from issuance of bonds	–	6,100
Purchase of treasury shares	(1)	(987)
Dividends paid	(7,118)	(7,123)
Net increase (decrease) in short-term borrowings	3,000	–
Repayments of finance lease liabilities	(3,190)	(3,235)
Other, net	77	371
Net cash provided by (used in) financing activities	(10,854)	(4,575)
Effect of exchange rate change on cash and cash equivalents	526	576
Net increase (decrease) in cash and cash equivalents	(15,999)	(3,783)
Cash and cash equivalents at beginning of period	46,479	44,185
Cash and cash equivalents at end of period	30,480	40,402