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May 10, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (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 of annual general meeting of shareholders: June 18, 2024
 Scheduled date to commence dividend payments: May 28, 2024
 Scheduled date to file annual securities report: June 19, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of 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 fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

Fiscal year 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	%
March 31, 2024	236,950	(9.2)	(4,043)	–	(7,241)	–	(7,553)	–
March 31, 2023	260,908	(4.4)	23,381	(53.7)	22,010	(53.6)	15,676	(47.0)

Note: Comprehensive income For the fiscal year ended March 31, 2024: ¥(199) million [–%]
 For the fiscal year ended March 31, 2023: ¥16,970 million [(50.4)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2024	(132.77)	–	(5.2)	(2.5)	(1.7)
March 31, 2023	275.52	275.50	10.8	7.5	9.0

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2024: ¥(2,788) million
 For the fiscal year ended March 31, 2023: ¥(1,953) million

(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
March 31, 2024	290,849	142,505	49.0	2,506.50
March 31, 2023	297,924	150,047	50.3	2,635.26

Reference: Equity
 As of March 31, 2024: ¥142,417 million
 As of March 31, 2023: ¥149,972 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, 2024	16,551	(16,050)	(5,782)	39,946
March 31, 2023	32,535	(29,583)	(5,757)	44,185

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (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, 2023	–	62.00	–	63.00	125.00	7,151	45.4	4.9
Fiscal year ended March 31, 2024	–	62.00	–	63.00	125.00	7,151	–	4.9
Fiscal year ending March 31, 2025 (Forecast)	–	62.00	–	63.00	125.00		101.5	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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, 2025	241,000	1.7	10,000	–	9,500	–	7,000	–	123.20

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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: Yes
 - (iv) Restatement: None
- (3) Number of issued shares (common shares)
 - (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2024	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 March 31, 2024	654,819 shares
As of March 31, 2023	561,968 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2024	56,886,640 shares
Fiscal year ended March 31, 2023	56,898,209 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.

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	23,450	(5.0)	11,686	(14.5)	8,370	(32.3)	9,693	(24.6)
March 31, 2023	24,690	44.1	13,664	56.3	12,368	192.9	12,857	118.9

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	170.40	170.39
March 31, 2023	225.98	225.97

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	178,226	66,724	37.4	1,172.79
March 31, 2023	182,388	63,137	34.6	1,108.11

Reference: Equity

As of March 31, 2024: ¥66,636 million

As of March 31, 2023: ¥63,062 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 consolidated earnings forecasts for the fiscal year ending March 31, 2025 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 financial results and the details of financial results briefing)

The Company is scheduled to hold a financial results briefing for institutional investors and analysts via online distribution on Friday, May 10, 2024, and to post the material used in the meeting on the Company's website immediately after the announcement of financial results.

Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	44,186	39,947
Notes and accounts receivable - trade, and contract assets	46,946	47,425
Investments in leases	226	188
Merchandise and finished goods	6,469	6,093
Work in process	7,072	7,929
Raw materials and supplies	8,587	8,439
Other	19,132	13,875
Allowance for doubtful accounts	(770)	(678)
Total current assets	131,851	123,220
Non-current assets		
Property, plant and equipment		
Buildings and structures	47,905	58,092
Accumulated depreciation	(23,842)	(29,650)
Buildings and structures, net	24,062	28,441
Machinery, equipment and vehicles	25,476	29,868
Accumulated depreciation	(15,266)	(16,530)
Machinery, equipment and vehicles, net	10,209	13,338
Tools, furniture and fixtures	47,420	46,813
Accumulated depreciation	(28,961)	(29,965)
Tools, furniture and fixtures, net	18,459	16,847
Land	10,836	10,129
Leased assets	24,722	21,491
Accumulated depreciation	(13,121)	(11,026)
Leased assets, net	11,601	10,465
Construction in progress	5,044	2,179
Total property, plant and equipment	80,214	81,400
Intangible assets		
Goodwill	4,453	7,399
Customer-related intangible assets	1,956	1,968
Software	22,186	17,825
Leased assets	510	316
Software in progress	8,269	10,401
Other	7,996	7,920
Total intangible assets	45,373	45,832
Investments and other assets		
Investment securities	6,997	6,438
Long-term loans receivable	4,493	52
Guarantee deposits	18,471	18,065
Deferred tax assets	6,918	10,450
Other	3,675	5,701
Allowance for doubtful accounts	(165)	(411)
Total investments and other assets	40,390	40,297
Total non-current assets	165,977	167,530
Deferred assets		
Bond issuance costs	95	99
Total deferred assets	95	99
Total assets	297,924	290,849

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,512	19,729
Electronically recorded obligations - operating	1,800	1,091
Current portion of bonds payable	–	10,000
Current portion of long-term borrowings	3,700	–
Lease liabilities	4,103	3,849
Accounts payable - other	12,368	16,027
Income taxes payable	1,782	785
Provision for bonuses	6,256	6,109
Other	13,846	6,475
Total current liabilities	64,371	64,070
Non-current liabilities		
Bonds payable	35,000	31,100
Long-term borrowings	25,000	29,000
Lease liabilities	9,361	7,996
Retirement benefit liability	6,609	7,174
Asset retirement obligations	1,576	1,571
Provision for share awards	743	75
Provision for compensation loss	562	637
Provision for loss on guarantees	264	699
Other	4,389	6,020
Total non-current liabilities	83,506	84,274
Total liabilities	147,877	148,344
Net assets		
Shareholders' equity		
Share capital	9,274	9,279
Capital surplus	24,996	25,001
Retained earnings	112,422	97,700
Treasury shares	(2,060)	(2,256)
Total shareholders' equity	144,633	129,724
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	118	1,498
Foreign currency translation adjustment	7,140	13,209
Remeasurements of defined benefit plans	(1,919)	(2,014)
Total accumulated other comprehensive income	5,339	12,692
Share acquisition rights	74	88
Total net assets	150,047	142,505
Total liabilities and net assets	297,924	290,849

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

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	260,908	236,950
Cost of sales	170,984	173,715
Gross profit	89,924	63,235
Selling, general and administrative expenses	66,543	67,279
Operating profit (loss)	23,381	(4,043)
Non-operating income		
Interest income	242	454
Dividend income	55	90
Dividend income of insurance	35	29
Rental income	77	94
Outsourcing service income	14	19
Foreign exchange gains	490	976
Gain on investments in capital	268	–
Other	242	223
Total non-operating income	1,426	1,889
Non-operating expenses		
Interest expenses	369	399
Share of loss of entities accounted for using equity method	1,953	2,788
Loss on investments in capital	–	650
Other	474	1,247
Total non-operating expenses	2,797	5,086
Ordinary profit (loss)	22,010	(7,241)
Extraordinary income		
Gain on sale of non-current assets	2,637	433
Gain on step acquisitions	758	–
Gain on sale of businesses	–	377
Compensation income	–	771
Gain on reversal of foreign currency translation adjustment	–	200
Other	26	69
Total extraordinary income	3,422	1,853
Extraordinary losses		
Loss on retirement of non-current assets	104	916
Impairment losses	221	712
Loss on valuation of investment securities	970	285
Loss on valuation of other investments	349	223
Retirement benefit expenses	268	–
Other	610	93
Total extraordinary losses	2,525	2,231
Profit (loss) before income taxes	22,907	(7,619)
Income taxes - current	5,869	3,824
Income taxes - deferred	1,361	(3,890)
Total income taxes	7,230	(66)
Profit (loss)	15,676	(7,553)
Profit (loss) attributable to owners of parent	15,676	(7,553)

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit (loss)	15,676	(7,553)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,502)	1,379
Foreign currency translation adjustment	3,142	6,069
Remeasurements of defined benefit plans, net of tax	(346)	(94)
Total other comprehensive income	1,293	7,353
Comprehensive income	16,970	(199)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	16,970	(199)

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,231	24,953	103,957	(2,081)	136,060
Changes during period					
Issuance of new shares - exercise of share acquisition rights	10	10			21
Issuance of new shares - Restricted Stock	31	31			63
Dividends of surplus			(7,149)		(7,149)
Profit attributable to owners of parent			15,676		15,676
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				23	23
Decrease by merger			(62)		(62)
Net changes in items other than shareholders' equity					
Total changes during period	42	42	8,464	21	8,572
Balance at end of period	9,274	24,996	112,422	(2,060)	144,633

	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	1,620	3,997	(1,573)	4,045	72	140,178
Changes during period						
Issuance of new shares - exercise of share acquisition rights						21
Issuance of new shares - Restricted Stock						63
Dividends of surplus						(7,149)
Profit attributable to owners of parent						15,676
Purchase of treasury shares						(1)
Disposal of treasury shares						23
Decrease by merger						(62)
Net changes in items other than shareholders' equity	(1,502)	3,142	(346)	1,293	2	1,296
Total changes during period	(1,502)	3,142	(346)	1,293	2	9,868
Balance at end of period	118	7,140	(1,919)	5,339	74	150,047

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,274	24,996	112,422	(2,060)	144,633
Changes during period					
Issuance of new shares - exercise of share acquisition rights	4	4			9
Dividends of surplus			(7,151)		(7,151)
Loss attributable to owners of parent			(7,553)		(7,553)
Purchase of treasury shares				(987)	(987)
Disposal of treasury shares				791	791
Change in scope of consolidation			(17)		(17)
Net changes in items other than shareholders' equity					
Total changes during period	4	4	(14,722)	(196)	(14,909)
Balance at end of period	9,279	25,001	97,700	(2,256)	129,724

	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	118	7,140	(1,919)	5,339	74	150,047
Changes during period						
Issuance of new shares - exercise of share acquisition rights						9
Dividends of surplus						(7,151)
Loss attributable to owners of parent						(7,553)
Purchase of treasury shares						(987)
Disposal of treasury shares						791
Change in scope of consolidation						(17)
Net changes in items other than shareholders' equity	1,379	6,069	(94)	7,353	13	7,366
Total changes during period	1,379	6,069	(94)	7,353	13	(7,542)
Balance at end of period	1,498	13,209	(2,014)	12,692	88	142,505

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	22,907	(7,619)
Depreciation	19,491	20,323
Impairment losses	221	712
Amortization of goodwill	203	547
Interest and dividend income	(297)	(544)
Foreign exchange losses (gains)	(492)	(1,240)
Share of loss (profit) of entities accounted for using equity method	1,953	2,788
Decrease (increase) in accounts receivable - trade, and contract assets	12,897	640
Decrease (increase) in inventories	(2,037)	787
Increase (decrease) in trade payables	(103)	(1,767)
Loss on retirement of non-current assets	104	916
Loss (gain) on investments in capital	(268)	650
Compensation income	–	(771)
Loss (gain) on step acquisitions	(758)	–
Decrease (increase) in other current assets	(374)	535
Increase (decrease) in other current liabilities	2,711	(5,844)
Increase (decrease) in other non-current liabilities	380	2,099
Other, net	(2,890)	(2,445)
Subtotal	53,647	9,771
Income taxes refund (paid)	(21,035)	5,929
Proceeds from compensation	–	771
Other, net	(77)	78
Net cash provided by (used in) operating activities	32,535	16,551
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,232)	(12,370)
Proceeds from sale of property, plant and equipment	2,813	1,180
Purchase of intangible assets	(7,454)	(5,187)
Purchase of shares of subsidiaries	(10,176)	–
Payments for investments in capital	(573)	(534)
Proceeds from cancellation of insurance funds	809	–
Proceeds from refund of guarantee deposits	182	561
Other, net	(952)	299
Net cash provided by (used in) investing activities	(29,583)	(16,050)
Cash flows from financing activities		
Proceeds from long-term borrowings	10,000	4,000
Repayments of long-term borrowings	(4,036)	(3,700)
Proceeds from issuance of bonds	–	6,100
Purchase of treasury shares	(1)	(987)
Dividends paid	(7,139)	(7,143)
Repayments of finance lease liabilities	(4,277)	(4,420)
Other, net	(302)	368
Net cash provided by (used in) financing activities	(5,757)	(5,782)
Effect of exchange rate change on cash and cash equivalents	512	1,043
Net increase (decrease) in cash and cash equivalents	(2,294)	(4,239)
Cash and cash equivalents at beginning of period	46,479	44,185
Cash and cash equivalents at end of period	44,185	39,946