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February 8, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 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: February 10, 2023
 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, 2022 (from April 1, 2022 to December 31, 2022)

(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, 2022	200,963	1.6	23,650	(34.6)	23,175	(34.7)	18,789	(26.4)
December 31, 2021	197,881	22.8	36,171	104.3	35,484	112.6	25,518	100.6

Note: Comprehensive income For the nine months ended December 31, 2022: ¥20,109 million[(27.3)%]
 For the nine months ended December 31, 2021: ¥27,657 million[125.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	330.26	330.22
December 31, 2021	447.68	447.55

(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, 2022	280,336	153,182	54.6	2,690.41
March 31, 2022	286,587	140,178	48.9	2,463.33

Reference: Equity

As of December 31, 2022: ¥153,111 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	263,000	(3.6)	26,000	(48.5)	23,900	(49.6)	17,400	(41.2)	305.81

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 December 31, 2022	57,471,867 shares
As of March 31, 2022	57,446,657 shares

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

As of December 31, 2022	561,724 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)

Nine months ended December 31, 2022	56,894,359 shares
Nine months ended December 31, 2021	57,002,596 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, February 8, 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, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	46,490	30,481
Notes and accounts receivable - trade, and contract assets	59,238	54,406
Merchandise and finished goods	5,148	5,823
Work in process	6,605	6,685
Raw materials and supplies	7,731	8,715
Other	8,003	13,074
Allowance for doubtful accounts	(675)	(680)
Total current assets	132,542	118,507
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,227	23,787
Tools, furniture and fixtures, net	14,777	21,765
Land	10,488	10,560
Other, net	30,026	21,747
Total property, plant and equipment	76,520	77,860
Intangible assets		
Goodwill	201	9,057
Customer-related intangible assets	897	849
Software	22,250	23,487
Other	11,057	10,369
Total intangible assets	34,406	43,764
Investments and other assets		
Investment securities	8,300	7,982
Other	34,861	32,264
Allowance for doubtful accounts	(165)	(145)
Total investments and other assets	42,996	40,100
Total non-current assets	153,923	161,726
Deferred assets	121	102
Total assets	286,587	280,336

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,307	20,104
Electronically recorded obligations - operating	1,025	1,424
Short-term borrowings	–	3,000
Current portion of long-term borrowings	3,621	3,700
Accounts payable - other	14,921	11,343
Income taxes payable	5,834	911
Provision for bonuses	6,870	4,001
Other	17,174	11,933
Total current liabilities	70,755	56,419
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term borrowings	18,700	15,000
Retirement benefit liability	5,470	5,493
Asset retirement obligations	1,046	1,503
Provision for share awards	572	758
Provision for compensation loss	709	559
Provision for loss on guarantees	1,414	71
Other	12,739	12,347
Total non-current liabilities	75,653	70,734
Total liabilities	146,408	127,154
Net assets		
Shareholders' equity		
Share capital	9,231	9,274
Capital surplus	24,953	24,996
Retained earnings	103,957	115,535
Treasury shares	(2,081)	(2,059)
Total shareholders' equity	136,060	147,746
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,620	319
Foreign currency translation adjustment	3,997	6,466
Remeasurements of defined benefit plans	(1,573)	(1,420)
Total accumulated other comprehensive income	4,045	5,365
Share acquisition rights	72	70
Total net assets	140,178	153,182
Total liabilities and net assets	286,587	280,336

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	197,881	200,963
Cost of sales	118,069	127,934
Gross profit	79,812	73,028
Selling, general and administrative expenses	43,640	49,377
Operating profit	36,171	23,650
Non-operating income		
Interest income	30	147
Dividend income	31	49
Foreign exchange gains	–	582
Gain on investments in capital	1,163	276
Other	196	243
Total non-operating income	1,420	1,299
Non-operating expenses		
Interest expenses	293	279
Share of loss of entities accounted for using equity method	1,407	1,315
Other	406	179
Total non-operating expenses	2,107	1,774
Ordinary profit	35,484	23,175
Extraordinary income		
Gain on sale of non-current assets	80	2,622
Gain on reversal of share acquisition rights	40	–
Gain on step acquisitions	–	758
Other	48	26
Total extraordinary income	169	3,407
Extraordinary losses		
Loss on retirement of non-current assets	67	60
Loss on valuation of other investments	685	217
Other	1,184	519
Total extraordinary losses	1,938	796
Profit before income taxes	33,716	25,786
Income taxes - current	6,843	3,934
Income taxes - deferred	1,391	3,062
Total income taxes	8,234	6,997
Profit	25,481	18,789
Loss attributable to non-controlling interests	(37)	–
Profit attributable to owners of parent	25,518	18,789

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	25,481	18,789
Other comprehensive income		
Valuation difference on available-for-sale securities	1,511	(1,301)
Foreign currency translation adjustment	1,260	2,468
Remeasurements of defined benefit plans, net of tax	(596)	152
Total other comprehensive income	2,176	1,319
Comprehensive income	27,657	20,109
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	27,695	20,109
Comprehensive income attributable to non-controlling interests	(37)	—

(3) Consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	33,716	25,786
Depreciation	10,335	14,222
Amortization of goodwill	79	256
Share of loss (profit) of entities accounted for using equity method	1,407	1,315
Decrease (increase) in trade receivables and contract assets	(2,149)	5,153
Decrease (increase) in inventories	(1,730)	(1,287)
Increase (decrease) in trade payables	1,063	(921)
Increase (decrease) in provision for bonuses	(2,097)	(2,951)
Gain on sale of non-current assets	(80)	(2,622)
Loss (gain) on step acquisitions	–	(758)
Increase (decrease) in accrued consumption taxes	220	(1,760)
Increase (decrease) in other current liabilities	1,780	(3,989)
Increase (decrease) in other non-current liabilities	399	809
Other, net	(1,905)	(340)
Subtotal	41,039	32,912
Income taxes paid	(2,404)	(13,617)
Other, net	(268)	(110)
Net cash provided by (used in) operating activities	38,366	19,185
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,024)	(10,592)
Proceeds from sale of property, plant and equipment	305	2,677
Purchase of intangible assets	(8,976)	(6,218)
Payments for investments in capital	(1,163)	(563)
Proceeds from share of profits on investments in capital	3,603	–
Purchase of shares of subsidiaries	–	(8,983)
Subsidies received	1,696	–
Other, net	(612)	(1,179)
Net cash provided by (used in) investing activities	(19,171)	(24,859)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	3,000
Repayments of long-term borrowings	(3,898)	(3,621)
Dividends paid	(8,888)	(7,118)
Repayments of finance lease liabilities	(2,871)	(3,190)
Other, net	(429)	76
Net cash provided by (used in) financing activities	(16,089)	(10,854)
Effect of exchange rate change on cash and cash equivalents	169	529
Net increase (decrease) in cash and cash equivalents	3,274	(15,999)
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	46,226	30,480