

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



May 12, 2023

Consolidated Financial Results for the Fiscal Year Ended March 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, Director, 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 20, 2023
 Scheduled date to commence dividend payments: May 30, 2023
 Scheduled date to file annual securities report: June 21, 2023
 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, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	260,908	(4.4)	23,381	(53.7)	22,010	(53.6)	15,676	(47.0)
March 31, 2022	272,944	22.4	50,490	98.8	47,422	86.3	29,599	69.5

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥16,970 million [(50.4)%]
 For the fiscal year ended March 31, 2022: ¥34,238 million [81.0%]

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, 2023	275.52	275.50	10.8	7.5	9.0
March 31, 2022	519.55	519.42	23.2	17.6	18.5

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023: ¥(1,953) million
 For the fiscal year ended March 31, 2022: ¥(2,342) 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, 2023	297,924	150,047	50.3	2,635.26
March 31, 2022	286,587	140,178	48.9	2,463.33

Reference: Equity
 As of March 31, 2023: ¥149,972 million
 As of March 31, 2022: ¥140,106 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, 2023	32,535	(29,583)	(5,757)	44,185
March 31, 2022	55,229	(30,862)	(21,725)	46,479

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, 2022	–	62.00	–	63.00	125.00	7,147	24.1	5.6
Fiscal year ended March 31, 2023	–	62.00	–	63.00	125.00	7,151	45.4	4.9
Fiscal year ending March 31, 2024 (Forecast)	–	62.00	–	63.00	125.00		118.6	

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	245,000	(6.1)	14,000	(40.1)	12,000	(45.5)	6,000	(61.7)	105.43

* 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: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (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, 2023	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 March 31, 2023	561,968 shares
As of March 31, 2022	569,941 shares

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

Fiscal year ended March 31, 2023	56,898,209 shares
Fiscal year ended March 31, 2022	56,971,532 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.

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	24,690	44.1	13,664	56.3	12,368	192.9	12,857	118.9
March 31, 2022	17,132	13.8	8,743	27.3	4,223	(45.3)	5,872	–

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	225.98	225.97
March 31, 2022	103.08	103.05

(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, 2023	182,388	63,137	34.6	1,108.11
March 31, 2022	173,744	58,816	33.8	1,032.83

Reference: Equity

As of March 31, 2023: ¥63,062 million

As of March 31, 2022: ¥58,744 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, 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 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 12, 2023, 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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	46,490	44,186
Notes and accounts receivable - trade, and contract assets	59,238	46,946
Investments in leases	221	226
Merchandise and finished goods	5,148	6,469
Work in process	6,605	7,072
Raw materials and supplies	7,731	8,587
Other	7,781	19,132
Allowance for doubtful accounts	(675)	(770)
Total current assets	132,542	131,851
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,890	47,905
Accumulated depreciation	(22,662)	(23,842)
Buildings and structures, net	21,227	24,062
Machinery, equipment and vehicles	18,824	21,846
Accumulated depreciation	(13,806)	(15,024)
Machinery, equipment and vehicles, net	5,017	6,821
Tools, furniture and fixtures	42,724	51,050
Accumulated depreciation	(27,946)	(29,203)
Tools, furniture and fixtures, net	14,777	21,846
Land	10,488	10,836
Leased assets	24,083	24,722
Accumulated depreciation	(10,437)	(13,121)
Leased assets, net	13,645	11,601
Construction in progress	11,363	5,044
Total property, plant and equipment	76,520	80,214
Intangible assets		
Goodwill	201	4,453
Customer-related intangible assets	897	1,956
Software	22,250	22,186
Leased assets	779	510
Software in progress	8,088	8,269
Other	2,188	7,996
Total intangible assets	34,406	45,373
Investments and other assets		
Investment securities	8,300	6,997
Long-term loans receivable	4,212	4,493
Guarantee deposits	18,286	18,471
Deferred tax assets	7,387	6,918
Other	4,975	3,675
Allowance for doubtful accounts	(165)	(165)
Total investments and other assets	42,996	40,390
Total non-current assets	153,923	165,977
Deferred assets		
Bond issuance costs	121	95
Total deferred assets	121	95
Total assets	286,587	297,924

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,307	20,512
Electronically recorded obligations - operating	1,025	1,800
Current portion of long-term borrowings	3,621	3,700
Lease liabilities	4,029	4,103
Accounts payable - other	14,921	12,368
Income taxes payable	5,834	1,782
Provision for bonuses	6,870	6,256
Other	13,144	13,846
Total current liabilities	70,755	64,371
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term borrowings	18,700	25,000
Lease liabilities	11,649	9,361
Retirement benefit liability	5,470	6,609
Asset retirement obligations	1,046	1,576
Provision for share awards	572	743
Provision for compensation loss	709	562
Provision for loss on guarantees	1,414	264
Other	1,089	4,389
Total non-current liabilities	75,653	83,506
Total liabilities	146,408	147,877
Net assets		
Shareholders' equity		
Share capital	9,231	9,274
Capital surplus	24,953	24,996
Retained earnings	103,957	112,422
Treasury shares	(2,081)	(2,060)
Total shareholders' equity	136,060	144,633
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,620	118
Foreign currency translation adjustment	3,997	7,140
Remeasurements of defined benefit plans	(1,573)	(1,919)
Total accumulated other comprehensive income	4,045	5,339
Share acquisition rights	72	74
Total net assets	140,178	150,047
Total liabilities and net assets	286,587	297,924

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	272,944	260,908
Cost of sales	161,145	170,984
Gross profit	111,799	89,924
Selling, general and administrative expenses	61,308	66,543
Operating profit	50,490	23,381
Non-operating income		
Interest income	45	242
Dividend income	31	55
Dividend income of insurance	27	35
Rental income	66	77
Outsourcing service income	14	14
Foreign exchange gains	335	490
Gain on investments in capital	1,009	268
Other	161	242
Total non-operating income	1,693	1,426
Non-operating expenses		
Interest expenses	395	369
Rental expenses	36	24
Share of loss of entities accounted for using equity method	2,342	1,953
Provision for loss on guarantees	1,414	–
Other	571	450
Total non-operating expenses	4,761	2,797
Ordinary profit	47,422	22,010
Extraordinary income		
Gain on sale of non-current assets	174	2,637
Gain on reversal of share acquisition rights	40	–
Gain on step acquisitions	–	758
Other	59	26
Total extraordinary income	274	3,422
Extraordinary losses		
Loss on retirement of non-current assets	347	104
Impairment losses	2,173	221
Loss on valuation of investment securities	676	970
Loss on valuation of other investments	782	349
Business restructuring expenses	680	321
Retirement benefit expenses	–	268
Other	1,712	288
Total extraordinary losses	6,373	2,525
Profit before income taxes	41,323	22,907
Income taxes - current	9,904	5,869
Income taxes - deferred	1,806	1,361
Total income taxes	11,710	7,230
Profit	29,612	15,676
Profit attributable to non-controlling interests	13	–
Profit attributable to owners of parent	29,599	15,676

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	29,612	15,676
Other comprehensive income		
Valuation difference on available-for-sale securities	1,773	(1,502)
Foreign currency translation adjustment	3,597	3,142
Remeasurements of defined benefit plans, net of tax	(744)	(346)
Total other comprehensive income	4,625	1,293
Comprehensive income	34,238	16,970
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	34,225	16,970
Comprehensive income attributable to non-controlling interests	13	—

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,184	24,906	83,269	(1,583)	115,775
Cumulative effects of changes in accounting policies			6		6
Restated balance	9,184	24,906	83,275	(1,583)	115,781
Changes during period					
Issuance of new shares - exercise of share acquisition rights	14	14			29
Issuance of new shares - Restricted Stock	32	32			65
Dividends of surplus			(8,917)		(8,917)
Profit attributable to owners of parent			29,599		29,599
Purchase of treasury shares				(498)	(498)
Net changes in items other than shareholders' equity					
Total changes during period	47	47	20,681	(498)	20,279
Balance at end of period	9,231	24,953	103,957	(2,081)	136,060

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	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	(152)	400	(828)	(579)	116	(13)	115,298
Cumulative effects of changes in accounting policies							6
Restated balance	(152)	400	(828)	(579)	116	(13)	115,305
Changes during period							
Issuance of new shares - exercise of share acquisition rights							29
Issuance of new shares - Restricted Stock							65
Dividends of surplus							(8,917)
Profit attributable to owners of parent							29,599
Purchase of treasury shares							(498)
Net changes in items other than shareholders' equity	1,773	3,597	(744)	4,625	(44)	13	4,594
Total changes during period	1,773	3,597	(744)	4,625	(44)	13	24,873
Balance at end of period	1,620	3,997	(1,573)	4,045	72	-	140,178

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

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	41,323	22,907
Depreciation	14,527	19,491
Amortization of goodwill	99	203
Share of loss (profit) of entities accounted for using equity method	2,342	1,953
Decrease (increase) in trade receivables and contract assets	(10,036)	12,897
Decrease (increase) in inventories	(286)	(2,037)
Increase (decrease) in trade payables	1,941	(103)
Increase (decrease) in provision for bonuses	(328)	(720)
Increase (decrease) in retirement benefit liability	603	507
Loss (gain) on valuation of investment securities	676	970
Gain on sale of non-current assets	(174)	(2,637)
Loss (gain) on step acquisitions	–	(758)
Increase (decrease) in accrued consumption taxes	(704)	(2,337)
Increase (decrease) in other current liabilities	5,739	2,711
Other, net	5,564	598
Subtotal	61,288	53,647
Income taxes paid	(5,747)	(21,035)
Other, net	(311)	(77)
Net cash provided by (used in) operating activities	55,229	32,535
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,733)	(14,232)
Proceeds from sale of property, plant and equipment	1,319	2,813
Purchase of intangible assets	(11,392)	(7,454)
Purchase of shares of subsidiaries	–	(10,176)
Payments for investments in capital	(1,559)	(573)
Proceeds from share of profits on investments in capital	3,603	–
Proceeds from cancellation of insurance funds	–	809
Subsidies received	1,696	–
Other, net	(796)	(770)
Net cash provided by (used in) investing activities	(30,862)	(29,583)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	10,000
Repayments of long-term borrowings	(3,898)	(4,036)
Dividends paid	(8,906)	(7,139)
Net increase (decrease) in short-term borrowings	(4,500)	(380)
Repayments of finance lease liabilities	(3,989)	(4,277)
Other, net	(429)	75
Net cash provided by (used in) financing activities	(21,725)	(5,757)
Effect of exchange rate change on cash and cash equivalents	886	512
Net increase (decrease) in cash and cash equivalents	3,528	(2,294)
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	46,479	44,185