

**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2022  
(Three Months Ended September 30, 2021)**

[Japanese GAAP]

November 15, 2021

Company name: HIRAYAMA HOLDINGS Co., Ltd.  
Securities code: 7781  
Representative: Yoshikazu Hirayama, President

Listing: Tokyo Stock Exchange (JASDAQ)  
URL: <https://www.hirayamastaff.co.jp/>

Scheduled date of filing of Quarterly Report: November 15, 2021  
Scheduled date of payment of dividend: -  
Preparation of supplementary materials for quarterly financial results: None  
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2022  
(July 1, 2021 to September 30, 2021)**

(1) Consolidated results of operations (Percentages represent 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	%
Three months ended Sep. 30, 2021	6,566	26.3	125	-	126	295.1	83	134.0
Three months ended Sep. 30, 2020	5,200	(10.4)	0	(99.1)	31	(69.9)	35	327.9

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2021: 87 (up 168.1%)  
Three months ended Sep. 30, 2020: 32 (up 631.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2021	24.53	22.60
Three months ended Sep. 30, 2020	10.50	9.68

Notes: 1. The year-on-year change for the operating profit is not shown because it exceeds 1,000%.  
2. Beginning with the first quarter of the fiscal year ending June 30, 2022, Hirayama Holdings has applied Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). All figures for the three months ended September 30, 2021 incorporate this accounting standard.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2021	7,998	3,146	39.3	918.62
As of Jun. 30, 2021	8,174	3,190	39.0	931.33

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2021: 3,145 As of Jun. 30, 2021: 3,189

Note: Beginning with the first quarter of the fiscal year ending June 30, 2022, Hirayama Holdings has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures as of September 30, 2021 incorporate this accounting standard.

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2021	-	-	-	38.00	38.00
Fiscal year ending Jun. 30, 2022	-	-	-	-	-
Fiscal year ending Jun. 30, 2022 (forecasts)	-	-	-	38.00	38.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 to June 30, 2022)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	-	-	-	-	-	-	-	-	-
Full year	26,000	12.8	680	27.8	680	5.3	420	1.6	116.40

Note: Revisions to the most recently announced consolidated earnings forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

1) Number of outstanding shares as of the end of the period (including treasury shares)

As of Sep. 30, 2021:	3,608,400 shares	As of Jun. 30, 2021:	3,608,400 shares
----------------------	------------------	----------------------	------------------

2) Number of treasury shares as of the end of the period

As of Sep. 30, 2021:	183,870 shares	As of Jun. 30, 2021:	183,870 shares
----------------------	----------------	----------------------	----------------

3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2021:	3,424,530 shares	Three months ended Sep. 30, 2020:	3,417,563 shares
-----------------------------------	------------------	-----------------------------------	------------------

\* The current quarterly financial results are not subject to the quarterly review by certified public accountants or auditing firms.

\* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to Hirayama Holdings at the time these materials were prepared. These materials are not promises by Hirayama Holdings regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to the section “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements” of the attachments regarding preconditions or other related matters for the forecasts.

## Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Three-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Three-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Changes in Accounting Policies	8
Additional Information	8

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the manufacturing sector business sentiment (DI) at large companies announced on October 1, 2021 in the Bank of Japan *Tankan* was 18, four points higher than in the previous survey in June. Manufacturing sector sentiment has improved for five consecutive quarters. Non-manufacturing business sentiment at large companies improved but only by two points. Although the Japanese economy is currently recovering from the pandemic downturn, there are concerns about the outlook because of slowing growth of economies in other countries and shortages of semiconductors and other restrictions on supply.

Japan's unemployment rate was 2.8% in August 2021, the same as in July. The seasonally adjusted August jobs-to-applicants ratio was 1.14, a decrease of 0.01 point from July. The job market remained challenging in August as the number of new COVID-19 cases in Japan rose to an all-time high.

In the automobile sector, companies pushed back some production because of the semiconductor shortage. The medical devices and food categories posted strong performances. The performance of the home equipment and agricultural machinery sectors was also strong. As a result, sales in the first quarter were generally as planned. Earnings in the first quarter were higher than planned. This is attributable to Genba Kaizen (improving how work is performed) at outsourcing job sites, the receipt of orders with high rates, and the utilization of DX and RPA to efficiently use selling, general and administrative expenses.

Net sales increased 26.3% year-on-year to 6,566 million yen and operating profit was 125 million yen compared with 848 thousand yen one year earlier. Ordinary profit increased 295.1% to 126 million yen due to subsidy income of 10 million yen included in non-operating income. Profit attributable to owners of parent increased 134.0% to 83 million yen.

Business segment performance was as follows.

From the first quarter of the current financial year, the method for calculating segment profit or loss and segment classifications have been changed. Year-on-year comparisons are based on the figures for the same period of the previous year after the change.

#### 1) In-sourcing & temp staffing services

Sales were generally as planned in the first quarter despite the negative effect on some production pushed back in the automobile sector due to the semiconductor shortage. There was an increase in people assigned to projects in the medical devices sector as companies raised output. The addition of new customers also contributed to sales. Furthermore, the food sector continued to perform well as there was no downturn following the Tokyo Olympics and Paralympics. The home equipment, agricultural machinery and logistics sectors also posted strong sales. Earnings increased because of improved profitability due to ongoing Genba Kaizen measures, the addition of many new employees because of the large volume of orders, and the use of the Hirayama Group's resources for training programs.

Recently hired new college graduates have acquired skills and are making contributions to the stability of production. However, the environment for mid-career recruitment is starting to become difficult as the Japanese economy recovers.

Segment sales in the first quarter increased 23.6% year-on-year to 5,373 million yen and segment profit increased 55.2% to 338 million yen.

#### 2) Engineer placement services

The temporary staffing demand for engineers in the IT field is firm despite concerns about the economic outlook due to the pandemic. The main reason is that some client companies are increasing the number of engineers.

Although recruiting activities increased due to the outlook for medium- to long-term growth for the placement of

engineers, hiring people for engineering jobs was difficult for both people with and without experience. To recruit these people, we have started a program for training people with no engineering experience and a program for shifting Hirayama Group employees with no technical background to engineering positions. Despite these activities, we were unable to meet the demand for engineers at some client companies.

Segment sales increased 22.3% year-on-year to 504 million yen and segment loss was 365 thousand yen compared with a loss of 2 million yen one year earlier due to hiring people to meet the expected growth in demand after the pandemic and to an increase in expenses for training programs.

### 3) Overseas operations

In Thailand, the primary location of operations outside Japan, the manufacturing production index was down from one year earlier by 8.5% in the third quarter of 2020 and 1.6% in the fourth quarter. Since the beginning of 2021, the negative growth has turned positive with this index up 0.8% in the first quarter and 20.6% in the second quarter as the Thai economy continued to recover. The number of temporary staffing employees of the Hirayama Group in Thailand as of June 2021 was 39.4% higher than one year earlier.

This segment returned to profitability in the first quarter because of higher rates for temporary staffing services, emphasis on receiving projects with high profit margins, and the establishment of a framework for operating efficiently.

Segment sales increased 87.4% year-on-year to 546 million yen and the segment profit was 17 million yen, compared with a loss of 27 million yen one year earlier.

Note: There is a three-month delay in the disclosure of results of operations in the overseas operations segment. The sales and earnings reported for the first quarter of the current fiscal year are for overseas operations in the period from April to June.

### 4) Others

In the Others business segment, the Genba Kaizen consulting service and study tours to Japan from other countries were still severely restricted by the pandemic. Despite these difficulties, there are good prospects for stable sales. Since September, the number of calls and inquiries from prospective customers in Japan and other countries has been increasing steadily because of web seminar and remote support activities. In the Genba Kaizen consulting business, consulting provided to manufacturers in Japan as well as an increase in the number of clients in the Middle East, Africa and Southeast Asia, which are regions where there was not much progress with establishing a presence, started to contribute to sales in this segment. Although Japan's restrictions on the entry of foreign nationals limits the activities of the employment management support business for foreign nationals, this business has established a base for becoming profitable due to a revision of its business strategy, cost cutting and other measures. Sales of the on-site Genba Kaizen consulting business, which has high profit margins, started to recover in September following a steady decline in sales that ended during the summer. As a result, this business posted a profit in the first quarter.

Segment sales decreased 5.1% year-on-year to 142 million yen and the segment profit was 3 million yen, compared with a loss of 4 million yen one year earlier.

## **(2) Explanation of Financial Position**

Total assets decreased 175 million yen from the end of the previous fiscal year to 7,998 million yen at the end of the first quarter of the current fiscal year. This was mainly due to a decrease in cash and deposits of 733 million yen, which was partially offset by increases in income taxes receivable of 136 million yen, property, plant and equipment of 106 million yen and investments and other assets of 240 million yen.

Total liabilities decreased 132 million yen to 4,851 million yen. This was mainly attributable to a decrease in accrued consumption taxes of 522 million yen, which was partially offset by increases in income taxes payable of 148 million yen, provision for bonuses of 143 million yen and accounts payable-other of 73 million yen.

Net assets decreased 43 million yen to 3,146 million yen. The main reason was a decrease in retained earnings of 47 million yen resulting from dividends paid of 130 million yen, which was partially offset by an increase in profit attributable to owners of parent of 83 million yen.

### **(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements**

The revised outlook for the global economy announced on October 12, 2021 by the International Monetary Fund raised the forecast for real growth in 2021 to 5.9%, 0.1 percentage point lower than the forecast announced in July. The reasons are the risk of a dip in overall growth due to restrictions on supplies of many items caused by the pandemic and the possibility of an extended period of high inflation. In 2022, the IMF expects global economic growth to decline to 4.9%. In addition, the IMF reduced its 2021 growth forecast for Japan by 0.4 percentage point to 2.4% because of the prolonged states of emergency.

The Hirayama Group's outlook for the Japanese economy is positive despite the impact of the semiconductor shortage on manufacturing activity in some sectors. The economy is expected to be supported by the yen's depreciation, a large volume of orders as manufacturing in Japan recovers, and the growth of opportunities for the growth of the group's businesses as Japan eases restrictions on the entry of foreign nationals.

First quarter sales and earnings were mostly in line with the plan for the fiscal year. Sales of 6,566 million yen were 25.3% of the initial fiscal year plan, operating profit of 125 million yen and ordinary profit of 126 million yen were 18.5% of the plan, and profit attributable to owners of parent of 83 million yen was 20.0% of the plan. Consequently, there are no revisions to the forecast that was announced on August 16, 2021 for the fiscal year ending in June 2022. An announcement will be made promptly if this forecast is revised.

\* Forecasts are based on information currently available to Hirayama Holdings. Actual performance may differ from these forecasts for a number of reasons.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY6/21 (As of Jun. 30, 2021)	First Quarter of FY6/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	3,882,058	3,148,257
Notes and accounts receivable-trade	2,798,643	2,820,381
Income taxes receivable	206,432	343,117
Other	307,868	374,617
Allowance for doubtful accounts	(40,744)	(45,678)
Total current assets	7,154,258	6,640,696
Non-current assets		
Property, plant and equipment	276,996	383,833
Intangible assets	134,056	124,584
Investments and other assets		
Other	720,269	960,491
Allowance for doubtful accounts	(110,792)	(110,792)
Total investments and other assets	609,477	849,699
Total non-current assets	1,020,530	1,358,118
Total assets	8,174,788	7,998,814
Liabilities		
Current liabilities		
Current portion of long-term borrowings	348,024	299,690
Accounts payable-other	1,945,668	2,019,554
Income taxes payable	20,276	168,929
Provision for bonuses	132,357	275,976
Other	1,318,169	889,123
Total current liabilities	3,764,495	3,653,274
Non-current liabilities		
Long-term borrowings	217,831	178,747
Retirement benefit liability	621,764	647,730
Provision for retirement benefits for directors (and other officers)	313,363	313,363
Other	66,985	58,875
Total non-current liabilities	1,219,944	1,198,715
Total liabilities	4,984,439	4,851,989
Net assets		
Shareholders' equity		
Share capital	440,578	440,578
Capital surplus	360,509	360,509
Retained earnings	2,545,250	2,498,152
Treasury shares	(157,021)	(157,021)
Total shareholders' equity	3,189,317	3,142,219
Accumulated other comprehensive income		
Foreign currency translation adjustment	61	3,632
Total accumulated other comprehensive income	61	3,632
Share acquisition rights	960	960
Non-controlling interests	9	12
Total net assets	3,190,348	3,146,824
Total liabilities and net assets	8,174,788	7,998,814

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income  
(For the Three-month Period)**

(Thousands of yen)

	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Net sales	5,200,367	6,566,673
Cost of sales	4,384,343	5,449,160
Gross profit	816,024	1,117,513
Selling, general and administrative expenses	815,175	991,817
Operating profit	848	125,696
Non-operating income		
Foreign exchange gains	23,371	-
Subsidy income	9,764	10,832
Other	4,232	3,346
Total non-operating income	37,367	14,179
Non-operating expenses		
Interest expenses	6,044	953
Foreign exchange losses	-	11,781
Other	252	1,035
Total non-operating expenses	6,297	13,769
Ordinary profit	31,918	126,105
Extraordinary income		
Consumption taxes differential	44,219	-
Total extraordinary income	44,219	-
Profit before income taxes	76,138	126,105
Income taxes-current	72,261	185,167
Income taxes-deferred	(31,978)	(143,012)
Total income taxes	40,282	42,155
Profit	35,855	83,950
Loss attributable to non-controlling interests	(34)	(48)
Profit attributable to owners of parent	35,890	83,998



**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Three-month Period)**

(Thousands of yen)

	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Profit	35,855	83,950
Other comprehensive income		
Foreign currency translation adjustment	(3,181)	3,570
Share of other comprehensive income of entities accounted for using equity method	(30)	-
Total other comprehensive income	(3,212)	3,570
Comprehensive income	32,643	87,520
Comprehensive income attributable to:		
Owners of parent	34,639	87,569
Non-controlling interests	(1,996)	(48)

### **(3) Notes to Quarterly Consolidated Financial Statements**

#### **Going Concern Assumption**

Not applicable.

#### **Significant Changes in Shareholders' Equity**

Not applicable.

#### **Changes in Accounting Policies**

##### **1. Application of the Accounting Standard for Revenue Recognition**

Hirayama Holdings has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the promised provision of goods and services is recognized when the control of the goods and services is transferred to customers. Due to the application of this standard, the method used for revenue received for permanent placements of individuals has changed. These placements include a contractual provision for a refund when an individual placed by the Hirayama Group resigns within a short time. In accordance with this new standard, the expected refunds of payments received as consideration for goods and services are not recognized as revenue at the time of the sale and are instead treated as a refund liability, based on the rule concerning variable payments for goods and services.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment prescribed in Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting policies, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new accounting policies are then applied beginning with this amount of retained earnings.

The effect of the application of these standards on the quarterly consolidated financial statements is insignificant.

##### **2. Application of the Accounting Standard for Fair Value Measurement**

Hirayama Holdings has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth in the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

#### **Additional Information**

Hirayama Holdings currently owns stock of Nissetsu Kogyo Co., Ltd. that accounts for 20% or more of the voting rights of this company. Nissetsu Kogyo is not classified as an affiliated company at this time because Hirayama Holdings does not have a significant influence on decisions by Nissetsu Kogyo concerning its finances and business operations.

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*