

**Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2022
(Nine Months Ended March 31, 2022)**

[Japanese GAAP]

May 16, 2022

Company name: HIRAYAMA HOLDINGS Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 7781

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Scheduled date of filing of Quarterly Report:

May 16, 2022

Scheduled date of payment of dividend:

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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 Third Quarter of the Fiscal Year Ending June 30, 2022

(July 1, 2021 to March 31, 2022)

(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	%
Nine months ended Mar. 31, 2022	20,379	22.1	559	52.2	603	32.4	351	15.1
Nine months ended Mar. 31, 2021	16,697	(4.4)	367	(3.4)	455	8.3	305	109.4

Note: Comprehensive income (millions of yen) Nine months ended Mar. 31, 2022: 353 (up 20.0%)
 Nine months ended Mar. 31, 2021: 294 (up 106.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2022	102.20	94.35
Nine months ended Mar. 31, 2021	89.22	82.47

Note: 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 nine months ended March 31, 2022 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 Mar. 31, 2022	8,192	3,407	41.6	989.28
As of Jun. 30, 2021	8,174	3,190	39.0	931.33

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2022: 3,406 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 March 31, 2022 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)	-	-	-	48.00	48.00

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
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 Mar. 31, 2022:	3,652,600 shares	As of Jun. 30, 2021:	3,608,400 shares
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2) Number of treasury shares as of the end of the period

As of Mar. 31, 2022:	208,770 shares	As of Jun. 30, 2021:	183,870 shares
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3) Average number of outstanding shares during the period

Nine months ended Mar. 31, 2022:	3,436,999 shares	Nine months ended Mar. 31, 2021:	3,421,973 shares
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* 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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, according to the Bank of Japan Tankan announced on April 1, 2022, the manufacturing business sentiment (DI) at large companies worsened for the first time in seven quarters (since the June 2020 survey), falling 3 points to plus 14. The manufacturing sector's DI is expected to decline further to plus 9. Non-manufacturing business sentiment at large companies also worsened by 1 point, for the first time in seven quarters. This is the first Tankan to be released after Russia's invasion of Ukraine. The deterioration of corporate business sentiment is attributed to rising geopolitical risks and surging raw material prices.

Japan's unemployment rate decreased to 2.7% in February 2022, which was 0.1 percentage point lower than in January. The pandemic has prompted more people to reassess their career paths. People who voluntarily leave their jobs are accounting for an increasing share of the unemployment rate. People who lost their jobs due to a restructuring or other event forced them to leave are decreasing. The jobs-to-applicants ratio was 1.21, 0.01 percentage point higher than in January.

In the third quarter, the automobile sector pushed back some production because of semiconductor supply constraints and supply chain disruptions caused by the Great East Japan Earthquake (Miyagi-Fukushima earthquake). But the Group secured higher sales and profit in all business segments as it captured orders, particularly in the in-sourcing & temp staffing services business segment as well as in overseas operations, placed in anticipation of post-pandemic production recovery. Earnings in the first nine months 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 22.1% year-on-year to 20,379 million yen and operating profit increased 52.2% year-on-year to 559 million yen. Ordinary profit increased 32.4% to 603 million yen, which includes subsidy income of 36 million yen. Profit attributable to owners of parent increased 15.1% to 351 million yen after income taxes of 251 million yen.

Business segment performance was as follows.

From the first quarter of the current financial year, the methods 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 these changes.

1) In-sourcing & temp staffing services

Sales were generally as planned in the first nine months despite the negative effect of some production pushbacks in the automobile, construction machinery and electronic component sectors because of semiconductor shortages, as well as the effects of the Great East Japan earthquake in the third quarter, heavy snow and supply chain disruptions. One reason was strong demand for services as automakers stepped up production in the third quarter to offset the first quarter decline. Sales were also supported by higher output of medical devices, which required more people at manufacturers, and by the addition of new customers. 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 due to the large volume of orders from current and new customer, and the use of the Hirayama Group's resources for training programs.

Recently hired new college graduates have quickly 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. This business has successfully increased its workforce by diversifying the channels used for hiring people.

Segment sales in the first nine months increased 20.1% year-on-year to 16,692 million yen and segment profit increased 19.3% to 1,054 million yen.

2) Engineer placement services

Industry realignments to adapt to challenges created by the pandemic have been taking place involving some of the large manufacturers that are the main users of engineer placement services. These activities have been accompanied by a recovery in technology development investments. As a result, orders in this business recovered, primarily for services for IT 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 remains difficult for both people with and without experience as labor shortages became even more severe.

In response to this situation, the Hirayama Group took several actions to strengthen its recruitment system to meet the needs of client companies. Activities include the establishment of a new training center to offer education and training programs for people with no engineering experience and step-up programs for engineers with technical background.

There was an increase in earnings from one year earlier despite expenses for hiring people to meet expected growth in demand after the pandemic and higher expenses for training programs. One contributor to earnings growth was the IT engineer temporary staffing business, which became profitable in the previous fiscal year.

Segment sales increased 22.9% year-on-year to 1,604 million yen and segment profit increased 34.0% year-on-year to 42 million yen.

3) Overseas operations

In Thailand, the primary location of operations outside Japan, the manufacturing production index was up from one year earlier by 20.6% in the second quarter, down by 0.2% in the third quarter and up by 1.9% in the fourth quarter. Manufacturing in Thailand has started to recover from the downturn despite the impact of COVID-19.

To meet the needs of client companies, the number of temporary staffing employees of the Hirayama Group in Thailand as of December 2021 was 31.2% higher than one year earlier.

This segment returned to profitability 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 50.0% year-on-year to 1,577 million yen and the segment profit was 37 million yen, compared with a loss of 58 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 nine months of the current fiscal year are for overseas operations in the period from October to December.

4) Others

In the Others business segment, Genba Kaizen consulting service and study tours to Japan from other countries are still limited by Japan's border restrictions and other international travel restrictions because of 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. Consulting services also includes consulting for assisting client companies start operations at new factories to meet the demand for support involving new factories.

Although Japan's restrictions on the entry of foreign nationals limits the activities of the employment management support business for foreign nationals, this business became 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 last summer. As a result, this business posted a profit in the first nine months.

Segment sales increased 13.5% year-on-year to 505 million yen and the segment profit increased 20.5% year-on-year to 52 million yen.

(2) Explanation of Financial Position

Total assets increased 17 million yen from the end of the previous fiscal year to 8,192 million yen at the end of the third quarter of the current fiscal year. This was mainly due to increases in notes and accounts receivable-trade of 333 million yen, other current assets of 114 million yen, property, plant and equipment of 137 million yen and investments and other assets of 259 million yen, which were partially offset by a decrease in cash and deposits of 807 million yen.

Total liabilities decreased 199 million yen to 4,784 million yen. This was mainly attributable to decreases in accrued consumption taxes of 508 million yen, current portion of long-term borrowings of 145 million yen and long-term borrowings of 117 million yen, which were partially offset by increases in accounts payable-other of 162 million yen, income taxes payable of 196 million yen and provision for bonuses of 168 million yen.

Net assets increased 217 million yen to 3,407 million yen. The main reason was an increase in retained earnings of 220 million yen resulting from booking of profit attributable to owners of parent of 351 million yen, which was partially offset by dividends paid of 130 million yen.

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

The revised outlook for the global economy announced on April 6, 2022 by the International Monetary Fund (IMF) forecast Japan's real growth rate in 2022 at 2.4% and Asian Development Bank projected Thailand's growth rate at 3.0%. Both entities expect a recovery from the slowdown caused by the COVID-19 pandemic.

The Hirayama Group anticipates steady growth of our businesses despite the impact of the semiconductor shortage on manufacturing activity in some sectors because orders remain strong due to the recovery of manufacturing in Japan and as assignment of new graduates is proceeding smoothly and contributing to production.

We will continue to recruit a large number of people and provide education and other training for jobs requiring specialized skills, such as facility maintenance and welding. These activities are expected to increase the number of people we can send to client companies for technical tasks that demand highly trained workers.

Sales and earnings in the first nine months were mostly in line with the plan for the fiscal year. Sales of 20,379 million yen were 78.4% of the initial fiscal year plan, operating profit of 559 million yen and ordinary profit of 603 million yen were 82.3% and 88.7% of the plan, respectively. Profit attributable to owners of parent of 351 million yen was 83.6% 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)	Third Quarter of FY6/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	3,882,058	3,074,337
Notes and accounts receivable-trade	2,798,643	3,132,473
Other	514,301	629,135
Allowance for doubtful accounts	(40,744)	(41,438)
Total current assets	7,154,258	6,794,507
Non-current assets		
Property, plant and equipment	276,996	414,120
Intangible assets	134,056	115,254
Investments and other assets		
Other	720,269	868,860
Allowance for doubtful accounts	(110,792)	(218)
Total investments and other assets	609,477	868,642
Total non-current assets	1,020,530	1,398,017
Total assets	8,174,788	8,192,524
Liabilities		
Current liabilities		
Current portion of long-term borrowings	348,024	203,022
Accounts payable-other	1,945,668	2,108,490
Income taxes payable	20,276	216,288
Accrued consumption taxes	1,074,162	565,724
Provision for bonuses	132,357	301,033
Other	244,006	221,009
Total current liabilities	3,764,495	3,615,568
Non-current liabilities		
Long-term borrowings	217,831	100,579
Retirement benefit liability	621,764	692,417
Provision for retirement benefits for directors (and other officers)	313,363	313,363
Other	66,985	62,784
Total non-current liabilities	1,219,944	1,169,143
Total liabilities	4,984,439	4,784,712
Net assets		
Shareholders' equity		
Share capital	440,578	453,471
Capital surplus	360,509	373,401
Retained earnings	2,545,250	2,765,427
Treasury shares	(157,021)	(188,154)
Total shareholders' equity	3,189,317	3,404,146
Accumulated other comprehensive income		
Foreign currency translation adjustment	61	2,762
Total accumulated other comprehensive income	61	2,762
Share acquisition rights	960	855
Non-controlling interests	9	48
Total net assets	3,190,348	3,407,812
Total liabilities and net assets	8,174,788	8,192,524

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

(Thousands of yen)

	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)
Net sales	16,697,463	20,379,332
Cost of sales	13,769,139	16,777,783
Gross profit	2,928,323	3,601,548
Selling, general and administrative expenses	2,560,679	3,042,085
Operating profit	367,644	559,462
Non-operating income		
Foreign exchange gains	17,773	-
Subsidy income	65,429	36,024
Other	15,879	23,221
Total non-operating income	99,083	59,246
Non-operating expenses		
Interest expenses	7,713	2,374
Foreign exchange losses	-	11,795
Other	3,324	1,302
Total non-operating expenses	11,037	15,472
Ordinary profit	455,689	603,236
Extraordinary income		
Consumption taxes differential	44,221	-
Gain on forgiveness of debts	36,600	-
Gain on sales of shares of subsidiaries and associates	2,807	-
Gain on sale of investment securities	236	-
Total extraordinary income	83,865	-
Extraordinary losses		
Loss on retirement of non-current assets	-	982
Loss on valuation of shares of subsidiaries and associates	12,955	-
Total extraordinary losses	12,955	982
Profit before income taxes	526,599	602,254
Income taxes-current	267,512	377,934
Income taxes-deferred	(39,509)	(126,933)
Total income taxes	228,002	251,000
Profit	298,597	351,253
Loss attributable to non-controlling interests	(6,705)	(20)
Profit attributable to owners of parent	305,302	351,273

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

(Thousands of yen)

	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)
Profit	298,597	351,253
Other comprehensive income		
Foreign currency translation adjustment	(3,647)	2,710
Share of other comprehensive income of entities accounted for using equity method	(30)	-
Total other comprehensive income	(3,677)	2,710
Comprehensive income	294,919	353,963
Comprehensive income attributable to:		
Owners of parent	302,199	353,975
Non-controlling interests	(7,279)	(11)

(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.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of this new standard, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation.

The effect of the application of this standard 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.