

# Consolidated Financial Results for the Fiscal Year Ended June 30, 2022

[Japanese GAAP]

August 15, 2022

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Scheduled date of Annual General Meeting of Shareholders: September 27, 2022

Scheduled date of payment of dividend: September 28, 2022

Scheduled date of filing of Annual Securities Report: September 28, 2022

Preparation of supplementary materials for financial results: None

Holding of financial results meeting: Yes (for securities analysts and institutional investors)

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

## 1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (July 1, 2021 to June 30, 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	%
Fiscal year ended Jun. 30, 2022	27,978	21.4	692	30.0	776	20.2	409	(1.0)
Fiscal year ended Jun. 30, 2021	23,043	0.3	532	39.9	645	62.7	413	40.7

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2022: 408 (up 1.3%)  
 Fiscal year ended Jun. 30, 2021: 403 (up 35.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2022	59.04	54.79	12.1	9.2	2.5
Fiscal year ended Jun. 30, 2021	60.40	55.82	13.6	8.3	2.3

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2022: -  
 Fiscal year ended Jun. 30, 2021: -

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Net income per share and diluted net income per share are calculated as if this stock split had been taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2022	8,714	3,584	41.1	490.07
As of Jun. 30, 2021	8,174	3,190	39.0	465.67

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2022: 3,583 As of Jun. 30, 2021: 3,189

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Net assets per share are calculated as if this stock split had been taken place at the beginning of the previous fiscal year.

(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 the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Jun. 30, 2022	244	(350)	(371)	3,379
Fiscal year ended Jun. 30, 2021	893	70	(393)	3,848

## 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Jun. 30, 2021	-	-	-	38.00	38.00	130	31.5	4.3
Fiscal year ended Jun. 30, 2022	-	-	-	48.00	48.00	175	40.7	5.0
Fiscal year ending Jun. 30, 2023 (forecasts)	-	-	-	25.00	25.00		35.2	

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Dividends per share for the fiscal years ended June 30, 2022 and earlier are the actual amounts before the stock split. Dividends per share for the fiscal year ending June 30, 2023 have been adjusted to reflect the stock split.

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(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	32,000	14.4	900	30.0	900	16.0	520	27.0	71.11

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Net income per share forecast has been calculated based on the number of shares issued (excluding treasury shares) after the stock split.

**\* Notes**

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

(2) 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

(3) Number of shares outstanding (common shares)

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

As of Jun. 30, 2022: 7,740,800 shares As of Jun. 30, 2021: 7,216,800 shares

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

As of Jun. 30, 2022: 427,740 shares As of Jun. 30, 2021: 367,740 shares

3) Average number of outstanding shares during the period

Fiscal year ended Jun. 30, 2022: 6,933,782 shares Fiscal year ended Jun. 30, 2021: 6,845,230 shares

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Number of shares are calculated as if this stock split had been taken place at the beginning of the previous fiscal year.

**Reference: Summary of non-consolidated business results**

**Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (July 1, 2021 to June 30, 2022)**

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2022	988	116.6	757	213.4	767	205.7	705	328.3
Fiscal year ended Jun. 30, 2021	456	36.8	241	137.5	251	111.5	164	-

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended Jun. 30, 2022	101.70		94.38	
Fiscal year ended Jun. 30, 2021	24.05		22.23	

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Net income per share and diluted net income per share are calculated as if this stock split had been taken place at the beginning of the previous fiscal year.

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2022	2,591	2,071	79.9	283.25
As of Jun. 30, 2021	2,245	1,380	61.3	201.46

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2022: 2,071 As of Jun. 30, 2021: 1,379

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Net assets per share are calculated as if this stock split had been taken place at the beginning of the previous fiscal year.

\* The current financial results are not subject to the audit 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. Overview of Results of Operations, 4) Outlook" of the attachments regarding preconditions or other related matters for the forecasts.

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## 1. Overview of Results of Operations

### (1) Results of Operations

During the fiscal year ended in June 2022, regarding the Bank of Japan Tankan released on July 1, 2022, the manufacturing business sentiment (DI) for large companies declined for the second consecutive quarter, falling five points from to plus nine. The rising cost of raw materials and restrictions on supplies of many items caused by lockdowns in China brought down business sentiment. Business sentiment at large non-manufacturing companies increased to plus 13, the first improvement in two quarters as the severity of the pandemic declined.

Japan's unemployment rate was 2.6% in May 2022, 0.1 percentage point higher than in April. 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 in May was 1.24, 0.01 percentage point higher than in April. This ratio has been higher than in the previous month for five consecutive months and is now at the highest level since April 2020. The number of job openings has recovered in some categories of the service sector and in the manufacturing sector.

During the fiscal year, some companies pushed back production due to limited supplies of semiconductors and other components to supply chain disruptions caused by a powerful earthquake and heavy snowfall in the third quarter in Miyagi and Fukushima prefectures. Despite these challenges, the Hirayama Group achieved higher sales and earnings in overseas operations and the others business segment mainly by meeting the demand for personnel as production recovered following the pandemic and by providing in-sourcing and temp staff services. The fiscal year operating profit was higher than planned. A temporary increase in expenses caused by arrivals and assignments of non-Japanese engineers after Japan reduced restrictions in March 2022 on the entry of foreigners negatively affected earnings. However, earnings benefited from Genba Kaizen (improving how work is performed) at outsourcing job sites, the receipt of orders with high rates, and the use of robotic process automation and other measures for using selling, general and administrative expenses more efficiently.

Net sales increased 21.4% year-on-year to 27,978 million yen and operating profit increased 30.0% year-on-year to 692 million yen. Ordinary profit increased 20.2% to 776 million yen, which includes subsidy income of 40 million yen and foreign exchange gains of 15 million yen. Profit attributable to owners of parent decreased 1.0% to 409 million yen after impairment of customer-related assets of 54 million yen and income taxes of 311 million yen.

Results by business segment were as follows.

From the financial year that ended in June 2022, 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 previous year after these changes.

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

Sales were generally as planned despite the negative effect of some production pushbacks in the automobile, construction machinery and electronic component sectors because of semiconductor shortages, as well as supply chain disruptions caused by a powerful earthquake and a heavy snowfall in the third quarter. One reason was strong demand for services as automakers stepped up production in March and June 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 even though some customers temporarily suspended production because of limited supplies of semiconductors and other parts or for other reasons. The main reasons for higher earnings were constant Genba Kaizen measures to improve profitability, the large number of people hired for temporary staffing positions due to the large volume of orders from new and existing customers, and the allocation of corporate resources to training programs.

Recently hired new college graduates have quickly acquired skills and are making contributions to the stability of manufacturing operations. 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 current fiscal year increased 19.8% year-on-year to 22,808 million yen and segment profit increased 9.4% to 1,371 million yen.

(Engineer placement services)

Orders received by the Hirayama Group recovered with the upturn occurring primarily for engineers used to design industrial plants and for semiconductor and IT engineers. Demand for engineers was supported by a recovery in expenditures based on a medium to long-term perspective by some major manufacturers that use the group's engineer placement services.

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 continued. Despite these challenges, the number of engineers hired during the fiscal year was more than in the previous fiscal year for both new college graduates and people with previous engineering jobs.

To meet the needs of customers, there are constant measures to upgrade training programs and recruiting activities. Activities include giving experienced engineers training at Hirayama Group training centers to enhance their skills and the establishment of classes for people with no engineering experience.

Although there was a contribution to segment earnings from the IT engineer temporary staffing business, which became profitable in the previous fiscal year, earnings were held down by introduction fees, training expenses, placement expenses and other unplanned expenses caused by the rapid increase in the number of non-Japanese engineers starting in March 2022 when Japan reduced entry restrictions associated with the pandemic.

Segment sales increased 23.4% year-on-year to 2,197 million yen and segment profit decreased 49.2% year-on-year to 6 million yen.

(Overseas operations)

In Thailand, the primary location of operations outside Japan, the manufacturing production index decreased 0.3% from one year earlier in the third quarter of 2021 but increased 4.7% in the fourth quarter and 1.6% in the first quarter of 2022. Manufacturing has been recovering despite the pandemic and shortages of semiconductor.

To meet the needs of client companies, the number of temporary staffing employees of the Hirayama Group in Thailand as of March 2022 was 11.6% 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 39.9% year-on-year to 2,223 million yen and the segment profit was 49 million yen, compared with a loss of 44 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 fiscal year that ended in June 2022 are for overseas operations in the period from April 2021 to March 2022.

(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 2021, the number of calls 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 previously was not much progress with establishing a presence, started to contribute to sales in this segment. To meet the demand for support involving new factories, consulting services also includes consulting for assisting client companies start operations at 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 fiscal year profit.

Segment sales increased 16.9% year-on-year to 749 million yen and the segment profit increased 369.5% year-on-year to 112 million yen.

## (2) Financial Position

Total assets increased 539 million yen from the end of the previous fiscal year to 8,714 million yen at the end of the current fiscal year.

Current assets increased 234 million yen to 7,388 million yen. This was mainly due to increases in notes and accounts receivable-trade of 561 million yen and other current assets of 150 million yen, which were partially offset by a decrease in cash and deposits of 468 million yen.

Non-current assets increased 305 million yen to 1,326 million yen. This was mainly attributable to increases in property, plant and equipment of 132 million yen and investments and other assets of 254 million yen, which were partially offset by a decrease in intangible assets of 82 million yen.

Total liabilities increased 145 million yen to 5,130 million yen.

Current liabilities increased 166 million yen to 3,931 million yen. This was mainly attributable to increases in accounts payable-other of 433 million yen and income taxes payable of 236 million yen, which were partially offset by decreases in accrued consumption taxes of 348 million yen and current portion of long-term borrowings of 195 million yen. Non-current liabilities decreased 20 million yen to 1,199 million yen. This was mainly due to a decrease in long-term borrowings of 153 million yen, which was partially offset by an increase in retirement benefit liability of 134 million yen.

Net assets increased 393 million yen to 3,584 million yen. The main factors include 77 million yen increases in each of share capital and capital surplus due to issuance of shares resulting from exercise of share acquisition rights, and an increase in retained earnings of 278 million yen.

## (3) Cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) decreased 468 million yen from the end of the previous fiscal year to 3,379 million yen at the end of the current fiscal year.

Net cash provided by operating activities was 244 million yen, compared with net cash provided of 893 million yen one year earlier. Positive factors include profit before income taxes of 720 million yen and an increase in accounts payable-other of 428 million yen, while there were negative factors including a 551 million yen increase in trade receivables and a 349 million yen decrease in accrued consumption taxes.

Net cash used in investing activities amounted to 350 million yen, compared with net cash provided of 70 million yen one year earlier. Negative factors include purchase of property, plant and equipment of 166 million yen and purchase of investment securities of 135 million yen.

Net cash used in financing activities was 371 million yen, compared with net cash used of 393 million yen one year earlier. Positive factors include proceeds from issuance of shares resulting from exercise of share acquisition rights of 154 million yen, while there were negative factors including repayments of long-term borrowings of 348 million yen and dividends paid of 129 million yen.

Reference: Trends in cash flow indicators

	FY6/18	FY6/19	FY6/20	FY6/21	FY6/22
Equity ratio (%)	41.0	35.7	38.9	39.0	41.1
Market value-based equity ratio (%)	68.5	64.1	60.8	58.9	59.7
Interest-bearing debt to cash flow ratio (years)	1.7	2.1	1.3	0.7	0.9
Interest coverage ratio (times)	134.4	127.9	88.9	104.9	83.5

Equity ratio: Shareholders' equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

Notes: 1. All the indicators are calculated using financial reporting figures on a consolidated basis.

2. Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.

3. Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest.

#### (4) Outlook

In the revised outlook for the global economy announced on July 26, 2022 by the International Monetary Fund (IMF), the forecast for 2022 economic growth in Japan is 1.7%, down from 2.4% in the April 2022 forecast. The global economic growth forecast was lowered from 3.6% to 3.2%. However, in the July 2022 Monthly Economic Report of the Japanese government, assessment of the economy was upgraded to “picking up moderately.”

The outlook for the Hirayama Group is positive despite delays in some production activities caused by shortages of semiconductors and other parts and materials. This outlook is based on the expectation for a decline in these delays, a large volume of orders as manufacturing in Japan recovers, and for a contribution to manufacturing as newly hired new college graduates receive job assignments. 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.

Based on the above, we forecast net sales of 32,000 million yen (up 14.4% year-on-year), operating profit of 900 million yen (up 30.0% year-on-year), ordinary profit of 900 million yen (up 16.0% year-on-year), and profit attributable to owners of parent of 520 million yen (up 27.0% year-on-year) in the fiscal year ending in June 2023.

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

#### (5) Profit Allocation Policy and Dividend Payment Plan for the Current and Next Fiscal Years

The payment of dividends is one of the highest priorities of Hirayama Holdings in order to distribute earnings to shareholders. Based on the policy of continuing to pay a stable dividend while retaining earnings as needed for future business operations and strengthening current operations, the guideline is to maintain a dividend payout ratio of at least 30%. In addition, to distribute a substantial amount of earnings to shareholders, the guideline for all earnings distributions, including the repurchase of stock, while taking into account the Hirayama Group's results of operations, financial condition, stock price and other factors, is a maximum of 50% of earnings.

Consolidated total earnings distribution ratio =

(Fiscal year dividends + Stock repurchased in the following fiscal year) / Fiscal year profit attributable to owners of parent

For the fiscal year that ended in June 2022, as was announced on May 24, 2022 in a release titled “Notice of Stock Split and Revision of Dividend Forecast (Japanese version only),” Hirayama Holdings plans to pay a dividend per share of 48 yen before adjusting for the stock split.

In the fiscal year ending in June 2023, in accordance with this policy for shareholder distributions, Hirayama Holdings plans to pay a dividend and repurchase stock, based on results of operations and stock market conditions, that result in a total earnings distribution ratio of not more than 50%.

## 2. Basic Approach to the Selection of Accounting Standards

The Hirayama Group will take suitable actions with regard to timing of application of International Financial Reporting Standards (IFRS) by taking into account associated factors.

**3. Consolidated Financial Statements and Notes****(1) Consolidated Balance Sheet**

(Thousands of yen)

	FY6/21 (As of Jun. 30, 2021)	FY6/22 (As of Jun. 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	3,882,058	3,413,194
Notes and accounts receivable-trade	2,798,643	3,360,024
Income taxes refund receivable	206,432	201,186
Other	307,868	458,155
Allowance for doubtful accounts	(40,744)	(44,031)
Total current assets	7,154,258	7,388,528
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	92,006	198,330
Land	123,036	123,036
Other, net	61,952	88,460
Total property, plant and equipment	276,996	409,827
Intangible assets		
Other	134,056	51,834
Total intangible assets	134,056	51,834
Investments and other assets		
Investment securities	34,456	158,895
Deferred tax assets	336,965	431,136
Other	348,848	283,376
Allowance for doubtful accounts	(110,792)	(9,039)
Total investments and other assets	609,477	864,368
Total non-current assets	1,020,530	1,326,030
Total assets	8,174,788	8,714,559
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	348,024	153,003
Accounts payable-other	1,945,668	2,378,695
Income taxes payable	20,276	257,079
Provision for bonuses	132,357	144,579
Accrued consumption taxes	1,074,162	725,728
Other	244,006	271,950
Total current liabilities	3,764,495	3,931,036
Non-current liabilities		
Long-term borrowings	217,831	64,828
Retirement benefit liability	621,764	755,849
Provision for retirement benefits for directors (and other officers)	313,363	313,363
Other	66,985	65,225
Total non-current liabilities	1,219,944	1,199,266
Total liabilities	4,984,439	5,130,302



	(Thousands of yen)	
	FY6/21	FY6/22
	(As of Jun. 30, 2021)	(As of Jun. 30, 2022)
Net assets		
Shareholders' equity		
Share capital	440,578	517,921
Capital surplus	360,509	437,852
Retained earnings	2,545,250	2,823,514
Treasury shares	(157,021)	(195,142)
Total shareholders' equity	3,189,317	3,584,145
Accumulated other comprehensive income		
Foreign currency translation adjustment	61	(260)
Total accumulated other comprehensive income	61	(260)
Share acquisition rights	960	301
Non-controlling interests	9	69
Total net assets	3,190,348	3,584,256
Total liabilities and net assets	8,174,788	8,714,559

**(2) Consolidated Statements of Income and Comprehensive Income****Consolidated Statement of Income**

(Thousands of yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net sales	23,043,217	27,978,465
Cost of sales	19,033,029	23,175,548
Gross profit	4,010,187	4,802,917
Selling, general and administrative expenses	3,477,944	4,110,841
Operating profit	532,243	692,075
Non-operating income		
Subsidy income	76,703	40,157
Foreign exchange gains	29,419	15,929
Other	22,491	32,900
Total non-operating income	128,615	88,986
Non-operating expenses		
Interest expenses	8,517	2,838
Other	6,664	2,063
Total non-operating expenses	15,182	4,901
Ordinary profit	645,675	776,161
Extraordinary income		
Gain on sale of non-current assets	-	359
Gain on sales of shares of subsidiaries and associates	2,807	-
Gain on sale of investment securities	236	-
Consumption taxes differential	44,221	-
Gain on forgiveness of debts	36,600	-
Total extraordinary income	83,865	359
Extraordinary losses		
Loss on retirement of non-current assets	-	982
Loss on valuation of shares of subsidiaries and associates	12,955	-
Loss on valuation of investment securities	-	498
Loss on liquidation of subsidiaries and associates	7,229	-
Impairment losses	-	54,144
Settlement payments	17,050	-
Loss on liquidation of business	13,758	-
Total extraordinary losses	50,993	55,625
Profit before income taxes	678,547	720,895
Income taxes-current	256,434	423,348
Income taxes-deferred	8,854	(111,755)
Total income taxes	265,288	311,593
Profit	413,259	409,302
Loss attributable to non-controlling interests	(203)	(58)
Profit attributable to owners of parent	413,462	409,360

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Profit	413,259	409,302
Other comprehensive income		
Foreign currency translation adjustment	(9,353)	(321)
Total other comprehensive income	(9,353)	(321)
Comprehensive income	403,905	408,980
Comprehensive income attributable to:		
Owners of parent	404,109	409,039
Non-controlling interests	(203)	(58)

**(3) Consolidated Statement of Changes in Equity**

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	438,541	358,472	2,221,363	(156,934)	2,861,442
Cumulative effects of changes in accounting policies					
Restated balance	438,541	358,472	2,221,363	(156,934)	2,861,442
Changes during period					
Issuance of new shares	2,037	2,037			4,074
Dividends of surplus			(102,473)		(102,473)
Profit attributable to owners of parent			413,462		413,462
Purchase of treasury shares				(86)	(86)
Change in scope of consolidation			12,898		12,898
Net changes in items other than shareholders' equity					
Total changes during period	2,037	2,037	323,887	(86)	327,875
Balance at end of period	440,578	360,509	2,545,250	(157,021)	3,189,317

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	9,414	9,414	960	15,727	2,887,544
Cumulative effects of changes in accounting policies					
Restated balance	9,414	9,414	960	15,727	2,887,544
Changes during period					
Issuance of new shares					4,074
Dividends of surplus					(102,473)
Profit attributable to owners of parent					413,462
Purchase of treasury shares					(86)
Change in scope of consolidation					12,898
Net changes in items other than shareholders' equity	(9,353)	(9,353)	-	(15,717)	(25,070)
Total changes during period	(9,353)	(9,353)	-	(15,717)	302,804
Balance at end of period	61	61	960	9	3,190,348

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	440,578	360,509	2,545,250	(157,021)	3,189,317
Cumulative effects of changes in accounting policies			(964)		(964)
Restated balance	440,578	360,509	2,544,285	(157,021)	3,188,352
Changes during period					
Issuance of new shares	77,342	77,342			154,685
Dividends of surplus			(130,132)		(130,132)
Profit attributable to owners of parent			409,360		409,360
Purchase of treasury shares				(38,121)	(38,121)
Net changes in items other than shareholders' equity					
Total changes during period	77,342	77,342	279,228	(38,121)	395,792
Balance at end of period	517,921	437,852	2,823,514	(195,142)	3,584,145

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	61	61	960	9	3,190,348
Cumulative effects of changes in accounting policies					(964)
Restated balance	61	61	960	9	3,189,384
Changes during period					
Issuance of new shares					154,685
Dividends of surplus					(130,132)
Profit attributable to owners of parent					409,360
Purchase of treasury shares					(38,121)
Net changes in items other than shareholders' equity	(321)	(321)	(658)	59	(920)
Total changes during period	(321)	(321)	(658)	59	394,871
Balance at end of period	(260)	(260)	301	69	3,584,256

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	678,547	720,895
Depreciation	57,666	66,944
Amortization of goodwill	23,902	8,830
Gain on forgiveness of debt	(36,600)	-
Impairment losses	-	54,144
Loss on valuation of shares of subsidiaries and associates	12,955	-
Loss (gain) on liquidation of subsidiaries and associates	7,229	-
Loss on liquidation of business	13,758	-
Increase (decrease) in allowance for doubtful accounts	(793)	(98,464)
Interest and dividend income	(624)	(1,346)
Interest expenses	8,517	2,838
Foreign exchange losses (gains)	(18,500)	(15,929)
Loss (gain) on valuation of investment securities	-	498
Loss (gain) on sale of property, plant and equipment	-	(359)
Loss on retirement of property, plant and equipment	-	982
Decrease (increase) in trade receivables	(430,110)	(551,446)
Decrease (increase) in accounts receivable-other	58,691	(91,261)
Decrease (increase) in distressed receivables	-	110,573
Increase (decrease) in accounts payable-other	293,132	428,153
Increase (decrease) in provision for bonuses	23,878	12,222
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(2,100)	-
Increase (decrease) in retirement benefit liability	86,969	134,084
Increase (decrease) in accrued consumption taxes	696,491	(349,691)
Other, net	(62,106)	(2,062)
Subtotal	1,410,906	429,605
Interest and dividends received	647	1,186
Interest paid	(8,419)	(2,934)
Income taxes paid	(509,806)	(182,909)
Net cash provided by (used in) operating activities	893,327	244,947
Cash flows from investing activities		
Net decrease (increase) in time deposits	200,310	-
Proceeds from sale of property, plant and equipment	-	360
Purchase of property, plant and equipment	(42,719)	(166,901)
Purchase of intangible assets	(3,548)	(14,155)
Proceeds from sale of investment securities	-	10,014
Purchase of investment securities	(23,855)	(135,000)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(24,461)	-
Payments of leasehold and guarantee deposits	(52,842)	(61,993)
Proceeds from refund of leasehold and guarantee deposits	18,526	30,255
Other, net	(736)	(13,067)
Net cash provided by (used in) investing activities	70,673	(350,487)

	(Thousands of yen)	
	FY6/21	FY6/22
	(Jul. 1, 2020 – Jun. 30, 2021)	(Jul. 1, 2021 – Jun. 30, 2022)
Cash flows from financing activities		
Proceeds from long-term borrowings	100,000	-
Repayments of long-term borrowings	(389,672)	(348,024)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	4,074	154,026
Purchase of treasury shares	(86)	(38,121)
Dividends paid	(102,381)	(129,912)
Other, net	(5,225)	(9,211)
Net cash provided by (used in) financing activities	(393,291)	(371,241)
Effect of exchange rate change on cash and cash equivalents	4,163	7,917
Net increase (decrease) in cash and cash equivalents	574,872	(468,863)
Cash and cash equivalents at beginning of period	3,280,030	3,848,058
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(6,845)	-
Cash and cash equivalents at end of period	3,848,058	3,379,194

## **(5) Notes to Consolidated Financial Statements**

### **Going Concern Assumption**

Not applicable.

### **Changes in Accounting Policies**

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

Hirayama Holdings has applied the Accounting Standard for Revenue Recognition (Accounting Standard Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning 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 joining 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 current fiscal year, is added to or subtracted from retained earnings at the beginning 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 this standard on the consolidated financial statements for the current fiscal year is insignificant.

#### **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 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 consolidated financial statements for the current fiscal year.

### **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.



## Segment and Other Information

### Segment Information

#### 1. Outline of reportable segments

The reportable segments of the Hirayama Group are the constituent units for which separate financial information is available and which are subject to periodic reviews by the Board of Directors to determine allocations of resources and to evaluate performance.

The primary activity of the Hirayama Group is the provision in Japan and overseas of a comprehensive lineup of staffing services, including temporary staffing, in-sourcing and other activities, for the manufacturing and the technology development operations of manufacturers. There are three reportable segments: In-sourcing & temp staffing services, Engineer placement services, and Overseas operations.

The activities of each segment are as follows.

In-sourcing & temp staffing services: In-sourcing and temp staffing for the factories of manufacturers

Engineer placement services: Temp staffing of engineers for specific tasks, such as design and development, and outsourced projects

Overseas operations: Temp staffing and other businesses in other countries

#### 2. Calculation method of the amounts of net sales, profit or loss, assets and other items by reportable segment

The accounting methods used for reportable operating segments are the same as those adopted for preparing the consolidated financial statements.

Profits for reportable segments are generally operating profit.

Inter-segment sales and transfers are based on prevailing market prices.

#### Revision of method for calculating reportable segment profit/loss and in reportable segments

Beginning with the fiscal year that ended in June 2022, the method used for calculating the profit/loss of reportable segments has been revised due to a reexamination of the allocation of corporate expenses to more appropriately report the performance of these segments. In addition, some of the businesses that were previously included in the others segment are now included in the engineer placement services segment.

Segment information for the fiscal year that ended in June 2021 uses the new calculation method and segment classifications.

#### Application of the Accounting Standard for Revenue Recognition

As described in Changes in Accounting Policies, Hirayama Holdings has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of with the fiscal year ended June 2022 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit or loss has been changed as well. The effect of this change on the segment information for the current fiscal year is insignificant.

## 3. Information related to net sales, profit or loss, assets and other items by reportable segment

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount in the consolidated financial statements (Note 3)
	In-sourcing & temp staffing	Engineer placement	Overseas operations	Total				
Net sales								
Sales to external customers	19,032,587	1,780,198	1,589,466	22,402,252	640,965	23,043,217	-	23,043,217
Inter-segment sales and transfers	-	10,903	2,243	13,146	101,044	114,191	(114,191)	-
Total	19,032,587	1,791,102	1,591,709	22,415,398	742,009	23,157,408	(114,191)	23,043,217
Segment profit (loss)	1,253,856	12,786	(44,729)	1,221,913	23,902	1,245,815	(713,572)	532,243
Segment assets	2,568,902	258,498	390,156	3,217,557	350,373	3,567,930	4,606,857	8,174,788
Other items								
Depreciation	27,588	1,022	1,551	30,162	12,992	43,155	14,511	57,666
Amortization of goodwill	-	-	13,343	13,343	10,559	23,902	-	23,902
Increase in property, plant and equipment and intangible assets	5,879	3,199	2,235	11,314	20,322	31,637	26,254	57,891

Notes: 1. "Other" is a business segment that is not included in reportable segments. This segment consists primarily of the consulting business, education business and the fee-based employment placement agency business.

2. The adjustment of minus 713,572 thousand yen to segment profit (loss) includes inter-segment transaction elimination of 80,210 thousand yen and corporate expenses of minus 793,783 thousand yen that are not allocated to reportable segments. Corporate expenses mainly include general and administrative expenses that cannot be attributed to reportable segments.

The adjustment of 4,606,857 thousand yen to segment assets is for corporate assets including cash and deposits that are not allocated to reportable segments.

The adjustment of 14,511 thousand yen to depreciation is for corporate expenses that cannot be attributed to reportable segments.

3. Segment profit (loss) is adjusted with operating profit shown on the consolidated financial statements.

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount in the consolidated financial statements (Note 3)
	In-sourcing & temp staffing	Engineer placement	Overseas operations	Total				
Net sales								
Sales to external customers	22,808,336	2,197,124	2,223,806	27,229,266	749,198	27,978,465	-	27,978,465
Inter-segment sales and transfers	5,116	4,653	3,253	13,023	101,309	114,333	(114,333)	-
Total	22,813,452	2,201,778	2,227,059	27,242,290	850,508	28,092,798	(114,333)	27,978,465
Segment profit (loss)	1,371,846	6,490	49,807	1,428,144	112,225	1,540,369	(848,294)	692,075
Segment assets	3,012,100	364,404	390,396	3,766,901	438,768	4,205,670	4,508,889	8,714,559
Other items								
Depreciation	28,776	6,014	1,368	36,160	10,190	46,351	20,593	66,944
Amortization of goodwill	-	-	230	230	8,599	8,830	-	8,830
Increase in property, plant and equipment and intangible assets	20,726	39,504	589	60,821	47,316	108,138	77,605	185,744

- Notes: 1. "Other" is a business segment that is not included in reportable segments. This segment consists primarily of the consulting business, education business and the fee-based employment placement agency business.
2. The adjustment of minus 848,294 thousand yen to segment profit (loss) includes inter-segment transaction elimination of 73,885 thousand yen and corporate expenses of minus 922,179 thousand yen that are not allocated to reportable segments. Corporate expenses mainly include general and administrative expenses that cannot be attributed to reportable segments.
- The adjustment of 4,508,889 thousand yen to segment assets is for corporate assets including cash and deposits that are not allocated to reportable segments.
- The adjustment of 20,593 thousand yen to depreciation is for corporate expenses that cannot be attributed to reportable segments.
3. Segment profit (loss) is adjusted with operating profit shown on the consolidated financial statements.

## Related Information

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

### 1. Information about products and services

Omitted because this information is presented in Segment Information.

### 2. Geographical information

#### (1) Net sales

(Thousands of yen)

Japan	Asia (excluding Japan)	Other	Total
21,452,084	1,590,810	322	23,043,217

#### (2) Property, plant and equipment

Omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

### 3. Information of specific major customer

(Thousands of yen)

Name	Sales	Related segments
Terumo Corporation	4,077,228	In-sourcing & temp staffing

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

### 1. Information about products and services

Omitted because this information is presented in Segment Information.

## 2. Geographical information

(1) Net sales (Thousands of yen)

Japan	Asia (excluding Japan)	Other	Total
25,747,926	2,226,459	4,079	27,978,465

(2) Property, plant and equipment

Omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

3. Information of specific major customer (Thousands of yen)

Name	Sales	Related segments
Terumo Corporation	3,934,267	In-sourcing & temp staffing

**Information related to impairment loss of non-current assets by reportable segment**

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

Not applicable.

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022) (Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note)	Adjustment	Total
Impairment loss	54,144	-	-	-	-	54,144

Note: "Other" is a business segment that is not included in reportable segments. This segment consists primarily of the consulting business, education business and the fee-based employment placement agency business.

**Information related to amortization of goodwill and unamortized balance by reportable segment**

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021) (Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note)	Adjustment	Total
Amortization for the period	-	-	13,343	10,559	-	23,902
Balance at end of period	-	-	633	27,758	-	28,392

Note: "Other" is a business segment that is not included in reportable segments. This segment consists primarily of the consulting business, education business and the fee-based employment placement agency business.

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022) (Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note)	Adjustment	Total
Amortization for the period	-	-	230	8,599	-	8,830
Balance at end of period	-	-	691	19,158	-	19,850

Note: "Other" is a business segment that is not included in reportable segments. This segment consists primarily of the consulting business, education business and the fee-based employment placement agency business.

**Information related to gain on bargain purchase by reportable segment**

Not applicable.

**Per-share Information**

(Yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net assets per share	465.67	490.07
Net income per share	60.40	59.04
Diluted net income per share	55.82	54.79

Notes: 1. Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Net assets per share, net income per share and diluted net income per share were calculated as if this stock split had been taken place at the beginning of FY6/21.  
2. The basis of calculating the net income per share and diluted net income per share is as follows:

(Thousands of yen, unless otherwise stated)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
(1) Net income per share		
Profit attributable to owners of parent	413,462	409,360
Amount not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	413,462	409,360
Average number of shares during the period (shares)	6,845,230	6,933,782
(2) Diluted net income per share		
Profit attributable to owners of parent	-	-
Increase in the number of common shares (shares)	561,912	537,563
[Share acquisition rights (shares)]	[561,912]	[537,563]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Average number of shares during the period and increase in the number of common shares were calculated as if this stock split had been taken place at the beginning of FY6/21.

**Material Subsequent Events**

## Stock split

With an effective date of July 1, 2022, Hirayama Holdings conducted the following stock split by the resolution of the Board of Directors meeting held on May 24, 2022.

## 1. Purpose of stock split

The purpose of the stock split is to make investment easier for investors by reducing the value of our investment unit, thereby expanding the investor base and increasing the liquidity of its shares.

## 2. Overview of stock split

## (1) Method of stock split

Shareholders listed in the final shareholder register on the record date of June 30, 2022 will receive two shares of common stock for each share held on the record date.

## (2) Number of shares increased by the stock split

Total number of shares issued prior to the stock split:	3,870,400 shares
Number of shares to be increased by the stock split:	3,870,400 shares
Total number of shares issued following the stock split:	7,740,800 shares
Total number of authorized shares following the stock split:	14,350,400 shares (no change)

## (3) Schedule of stock split

Public notice of record date:	June 15, 2022
Record date:	June 30, 2022
Effective date:	July 1, 2022

## (4) Impact on per share information

The effect of these changes on per-share information is shown in the corresponding section.

*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.*