

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2023
(Six Months Ended December 31, 2022)

[Japanese GAAP]

February 14, 2023

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Holding of quarterly financial results meeting: Yes (for analysts)

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2023

(July 1, 2022 to December 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	%
Six months ended Dec. 31, 2022	15,769	17.6	585	49.6	616	52.1	389	83.2
Six months ended Dec. 31, 2021	13,411	23.1	390	88.5	404	51.7	212	30.5

Note: Comprehensive income (millions of yen) Six months ended Dec. 31, 2022: 393 (up 76.1%)

Six months ended Dec. 31, 2021: 223 (up 36.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2022	53.26	51.19
Six months ended Dec. 31, 2021	31.01	28.58

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 Dec. 31, 2022	10,085	3,804	37.7	519.49
As of Jun. 30, 2022	8,714	3,584	41.1	490.07

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2022: 3,803 As of Jun. 30, 2022: 3,583

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.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2022	-	-	-	48.00	48.00
Fiscal year ending Jun. 30, 2023	-	-	-	-	-
Fiscal year ending Jun. 30, 2023 (forecasts)	-	-	-	25.00	25.00

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

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 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
Full year	32,000	14.4	900	30.0	900	16.0	520	27.0	71.11

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

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) 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: None

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 Dec. 31, 2022:	7,749,600 shares	As of Jun. 30, 2022:	7,740,800 shares
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2) Number of treasury shares as of the end of the period

As of Dec. 31, 2022:	427,740 shares	As of Jun. 30, 2022:	427,740 shares
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3) Average number of outstanding shares during the period

Six months ended Dec. 31, 2022:	7,313,873 shares	Six months ended Dec. 31, 2021:	6,856,984 shares
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Note: Hiramaya 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.

* 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 Hiramaya Holdings at the time these materials were prepared. These materials are not promises by Hiramaya 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	4
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	5
2. Quarterly Consolidated Financial Statements and Notes	6
(1) Quarterly Consolidated Balance Sheet	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income	
For the Six-month Period	7
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period	8
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	10
Going Concern Assumption	10
Significant Changes in Shareholders' Equity	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year (July 1 to December 31, 2022), according to the Bank of Japan Tankan released on December 14, 2022, the business sentiment (DI: the figure obtained by the percentage of companies that described the conditions as favorable minus the percentage of companies that described the conditions as unfavorable) for large manufacturing companies edged down 1 point from the September survey to plus 7. The index stayed positive, although it declined for the fourth consecutive quarter. Higher prices of raw materials due to the yen's depreciation and the rising cost of resources are having a negative impact on business sentiment. Business sentiment at large non-manufacturing companies increased to plus 19, the improvement for the third consecutive quarter as the severity of the pandemic declined.

Furthermore, the employment situation is improving. The seasonally adjusted November jobs-to-applicants ratio announced by the Ministry of Health, Labour and Welfare on December 27 was 1.35 and largely unchanged from the previous month. The new jobs-to-applicants ratio was 2.42, an increase of 0.09 points. Job offers increased particularly in the lodging and food services sectors as consumption of foreign visitors to Japan recovered and were the highest since the pre-pandemic August 2019 level. The November unemployment rate announced on the same day by the Ministry of Internal Affairs and Communications was 2.5%, a decrease of 0.1 points.

During the first half of the current fiscal year, some companies pushed back production due to supply chain disruptions caused by limited supplies of semiconductors and other components. Despite these challenges, the Hirayama Group achieved higher sales and earnings in all business segments mainly by meeting the demand for personnel as production recovered following the pandemic and by providing in-sourcing and temp staff services. Earnings were higher than planned due to benefits 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 17.6% year-on-year to 15,769 million yen and operating profit increased 49.6% year-on-year to 585 million yen. Ordinary profit increased 52.1% to 616 million yen, which includes foreign exchange gains of 17 million yen. Profit attributable to owners of parent increased 83.2% to 389 million yen after income taxes of 226 million yen.

Results by business segment were as follows.

1) In-sourcing & temp staffing services

As in the previous fiscal year, some production was pushed back in the automobile sector because of supply chain disruptions caused by shortages of semiconductors and other parts. Demand for in-sourcing and temp staffing services remained very strong in the medical equipment, agricultural equipment, home equipment, logistics, aerospace, tourism, retail, convenience store and other business sectors. As demand increased from these sectors, we won additional orders from existing customers, signed up new customers and resumed business with customers who had temporarily suspended business with us during the COVID-pandemic. As a result, sales in this segment were generally as planned.

Earnings were negatively affected by customers' production suspensions and delays in the automobile sector because of difficulties procuring semiconductors and other parts. Nevertheless, first half earnings were higher due to continuing manufacturing outsourcing Genba Kaizen; allocation of personnel to new customers of orders for staffing at high rates; and the ability to receive orders from clients and allocating personnel while focusing on training high-end skilled human resources.

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. In response to the increase in recruiting expenses, we focused on diversifying recruiting channels while enhancing our corporate image by increasing the use of cost-effective local TV commercials, SNS and information about prospective employees received from current employees.

Segment sales in the first half increased 15.6% year-on-year to 12,745 million yen and segment profit increased 14.0% to 870 million yen.

2) Engineer placement services

Orders received by the Hirayama Group recovered with the upturn occurring primarily for embedded software development engineers for electronic equipment, semiconductor engineers and engineers specializing in production equipment technologies. 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. New graduates in engineering fields hired in April 2022 were placed in jobs faster than expected, resulting in a large number of engineers on assignments. This business continued to conduct training programs for experienced engineers at Hirayama Group training centers to enhance their skills and established a Techno Counseling Office to provide technical backup. These activities are aimed at engineer training and improving the system for retention of engineers in response to customer needs, including those for customized training programs.

Recruiting activities are being strengthened based on the outlook for medium to long-term growth in the engineer placement market. However, the persistent labor shortage in this sector makes it remain extremely difficult to hire experienced engineers as well as engineers who do not yet have work experience.

Segment earnings increased because of higher sales and measures to reduce selling, general and administrative expenses.

Segment sales increased 24.3% year-on-year to 1,305 million yen and segment profit increased 51.6% to 36 million yen.

3) Overseas operations

In Thailand, the primary location of operations outside Japan, the manufacturing production index increased 1.6% from one year earlier in the first quarter, decreased 0.8% in the second quarter, and increased 8.1% in the third quarter, seeing a recovery in production. The number of temporary staffing employees of the Hirayama Group in Thailand as of September 2022 was 2.0% higher than one year earlier.

Segment earnings increased due to an increase in the number of personnel placed at high-profit clients and a reduction in the cost of sales due to measures to reduce social insurance premium rates.

Segment sales increased 24.1% year-on-year to 1,271 million yen and segment profit increased 52.3% to 37 million yen.

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 half of the fiscal year that ending in June 2023 are for overseas operations in the period from April to September 2022.

4) Others

As Japan and other countries reduce or eliminate restrictions on international travel and other activities due to the pandemic, there was a growth in Genba Kaizen consulting services and training programs. Study tours to Japan from the U.S., Europe, and the Middle East were also resumed. Interest is increasing in consulting services to assist companies returning manufacturing operations to Japan to locate suitable sites for factories.

Segment earnings increased because of higher earnings in the employment management support business for foreign nationals in Japan. This business is placing an increasing number of engineers and interns from other countries in jobs in Japan now that Japan has reduced restrictions on the entry of foreign nationals.

Segment sales increased 42.5% year-on-year to 446 million yen and segment profit increased 238.3% year-on-year to 64 million yen.

(2) Explanation of Financial Position

1) Analysis of Financial Position

Total assets increased 1,370 million yen from the end of the previous fiscal year to 10,085 million yen at the end of the second quarter of the current fiscal year.

Current assets increased 1,273 million yen to 8,662 million yen. This was mainly due to increases in cash and deposits of 1,062 million yen and notes and accounts receivable-trade of 129 million yen.

Non-current assets increased 96 million yen to 1,422 million yen. This was mainly attributable to increases in intangible assets of 3 million yen and investments and other assets of 99 million yen, which were partially offset by a decrease in property, plant and equipment of 6 million yen.

Total liabilities increased 1,150 million yen to 6,280 million yen.

Current liabilities increased 432 million yen to 4,363 million yen. This was mainly attributable to increases in current portion of long-term borrowings of 131 million yen and other liabilities of 400 million yen, which were partially offset by a decrease in accrued consumption taxes of 151 million yen.

Non-current liabilities increased 718 million yen to 1,917 million yen. This was mainly due to increases in long-term borrowings of 665 million yen and retirement benefit liability of 58 million yen.

Net assets increased 219 million yen to 3,804 million yen. The main factors include booking of profit attributable to owners of parent of 389 million yen, which was partially offset by dividends paid of 175 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) increased 1,044 million yen from the end of the previous fiscal year to 4,423 million yen at the end of the first half of the current fiscal year.

The cash flow components during the first half of the current fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities was 469 million yen, compared with net cash provided of 50 million yen one year earlier. Positive factors include profit before income taxes of 616 million yen and an increase in deposits received of 391 million yen, while there were negative factors including a 116 million yen increase in trade receivables, a 152 million yen decrease in accrued consumption taxes and income taxes paid of 420 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 57 million yen, compared with net cash used of 302 million yen one year earlier. The main factors include payments into time deposits of 18 million yen, purchase of intangible assets of 15 million yen and purchase of investment securities of 10 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 619 million yen, compared with net cash used of 296 million yen one year earlier. The main factors include proceeds from long-term borrowings of 900 million yen, repayments of long-term borrowings of 102 million yen and dividends paid of 175 million yen.

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

The revised outlook for the global economy announced on January 26, 2023 by the International Monetary Fund includes forecasts for real growth rates in Japan in 2023 of 1.8%, up from 1.6% in the previous October forecast. On December 14, 2022, the Asia Development Bank announced a supplementary 2022 outlook for Asia with forecasts of economic growth in Thailand of 4.0% in 2023. The December Japan Economy Watchers Survey released by Japan's Cabinet Office on January 12, 2023 deteriorated for the second consecutive month. The decline is due to the tendency to economize in response to rising inflation. However, the leading indicator rose by 1.9 points from the previous month, recording its first gain in four months.

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 large volume of orders as manufacturing in Japan recovers, and for a contribution to manufacturing as newly hired new college graduates receive job assignments.

First half sales were mostly in line with the plan for the fiscal year, and earnings were higher than planned. Sales of 15,769 million yen were 49.3% of the initial fiscal year plan, operating profit of 585 million yen and ordinary profit of 616 million yen were 65.0% and 68.5% of the plan, respectively. Profit attributable to owners of parent of 389 million yen was 74.9% of the plan. Consequently, there are currently no revisions to the forecast that was announced on August 15, 2022 for the fiscal year ending in June 2023. 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)

	FY6/22 (As of Jun. 30, 2022)	Second Quarter of FY6/23 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	3,413,194	4,475,458
Notes and accounts receivable-trade	3,360,024	3,489,951
Income taxes refund receivable	201,186	222,393
Other	458,155	484,880
Allowance for doubtful accounts	(44,031)	(10,298)
Total current assets	7,388,528	8,662,384
Non-current assets		
Property, plant and equipment	409,827	403,596
Intangible assets	51,834	55,642
Investments and other assets		
Other	873,408	963,602
Allowance for doubtful accounts	(9,039)	(218)
Total investments and other assets	864,368	963,384
Total non-current assets	1,326,030	1,422,623
Total assets	8,714,559	10,085,008
Liabilities		
Current liabilities		
Current portion of long-term borrowings	153,003	284,518
Accounts payable-other	2,378,695	2,417,994
Income taxes payable	257,079	242,619
Provision for bonuses	144,579	171,473
Accrued consumption taxes	725,728	574,727
Other	271,950	672,129
Total current liabilities	3,931,036	4,363,462
Non-current liabilities		
Long-term borrowings	64,828	730,700
Retirement benefit liability	755,849	814,294
Provision for retirement benefits for directors (and other officers)	313,363	311,435
Other	65,225	61,000
Total non-current liabilities	1,199,266	1,917,430
Total liabilities	5,130,302	6,280,892
Net assets		
Shareholders' equity		
Share capital	517,921	518,942
Capital surplus	437,852	438,973
Retained earnings	2,823,514	3,037,540
Treasury shares	(195,142)	(195,142)
Total shareholders' equity	3,584,145	3,800,313
Accumulated other comprehensive income		
Foreign currency translation adjustment	(260)	3,315
Total accumulated other comprehensive income	(260)	3,315
Share acquisition rights	301	301
Non-controlling interests	69	185
Total net assets	3,584,256	3,804,115
Total liabilities and net assets	8,714,559	10,085,008

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

(Thousands of yen)

	First six months of FY6/22 (Jul. 1, 2021 – Dec. 31, 2021)	First six months of FY6/23 (Jul. 1, 2022 – Dec. 31, 2022)
Net sales	13,411,827	15,769,304
Cost of sales	11,011,368	12,995,069
Gross profit	2,400,459	2,774,235
Selling, general and administrative expenses	2,009,513	2,189,191
Operating profit	390,946	585,044
Non-operating income		
Foreign exchange gains	-	17,684
Subsidy income	29,027	3,873
Other	19,765	11,134
Total non-operating income	48,792	32,692
Non-operating expenses		
Interest expenses	1,800	1,487
Foreign exchange losses	31,682	-
Other	1,276	102
Total non-operating expenses	34,759	1,589
Ordinary profit	404,978	616,146
Extraordinary income		
Gain on sale of non-current assets	-	249
Total extraordinary income	-	249
Extraordinary losses		
Loss on retirement of non-current assets	982	-
Total extraordinary losses	982	-
Profit before income taxes	403,996	616,396
Income taxes-current	274,687	314,119
Income taxes-deferred	(83,291)	(87,369)
Total income taxes	191,396	226,749
Profit	212,600	389,647
Profit (loss) attributable to non-controlling interests	(47)	107
Profit attributable to owners of parent	212,648	389,539

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

(Thousands of yen)

	First six months of FY6/22 (Jul. 1, 2021 – Dec. 31, 2021)	First six months of FY6/23 (Jul. 1, 2022 – Dec. 31, 2022)
Profit	212,600	389,647
Other comprehensive income		
Foreign currency translation adjustment	10,635	3,575
Total other comprehensive income	10,635	3,575
Comprehensive income	223,236	393,222
Comprehensive income attributable to:		
Owners of parent	223,080	393,106
Non-controlling interests	155	115

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY6/22 (Jul. 1, 2021 – Dec. 31, 2021)	First six months of FY6/23 (Jul. 1, 2022 – Dec. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	403,996	616,396
Depreciation	32,246	24,139
Amortization of goodwill	3,637	4,904
Increase (decrease) in allowance for doubtful accounts	(106,144)	(42,553)
Increase (decrease) in provision for bonuses	19,212	26,829
Increase (decrease) in retirement benefit liability	50,523	58,445
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-	(1,928)
Interest and dividend income	(118)	(120)
Interest expenses	1,800	1,487
Foreign exchange losses (gains)	31,682	(17,684)
Loss (gain) on sale of non-current assets	-	(249)
Loss on retirement of non-current assets	982	-
Decrease (increase) in trade receivables	(205,834)	(116,520)
Decrease (increase) in accounts receivable-other	(45,675)	18,032
Decrease (increase) in distressed receivables	110,573	-
Increase (decrease) in accrued expenses	9,600	408
Increase (decrease) in accounts payable-other	154,861	33,636
Increase (decrease) in accrued consumption taxes	(598,087)	(152,702)
Increase (decrease) in deposits received	299,553	391,412
Other, net	5,348	(23,809)
Subtotal	168,159	820,123
Interest and dividends received	80	527
Interest paid	(1,848)	(1,881)
Income taxes paid	(181,670)	(420,764)
Income taxes refund	65,298	71,190
Net cash provided by (used in) operating activities	50,018	469,195
Cash flows from investing activities		
Net decrease (increase) in time deposits	(15,000)	(18,000)
Purchase of property, plant and equipment	(150,745)	(10,606)
Purchase of intangible assets	-	(15,845)
Proceeds from sale of investment securities	-	185
Purchase of investment securities	(135,000)	(10,000)
Proceeds from sale of shares of subsidiaries and associates	10,109	-
Proceeds from refund of leasehold and guarantee deposits	18,121	13,021
Payments of leasehold and guarantee deposits	(27,835)	(17,243)
Other, net	(1,805)	1,140
Net cash provided by (used in) investing activities	(302,156)	(57,349)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	900,000
Repayments of long-term borrowings	(174,836)	(102,613)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	14,565	2,041
Purchase of treasury shares	(1,805)	-
Dividends paid	(129,912)	(175,310)
Other, net	(4,579)	(4,585)
Net cash provided by (used in) financing activities	(296,566)	619,532
Effect of exchange rate change on cash and cash equivalents	(2,939)	12,884
Net increase (decrease) in cash and cash equivalents	(551,644)	1,044,263
Cash and cash equivalents at beginning of period	3,848,058	3,379,194
Cash and cash equivalents at end of period	3,296,413	4,423,458

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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.