

Consolidated Financial Results for the Fiscal Year Ended June 30, 2023

[Japanese GAAP]

August 14, 2023

Company name: HIRAYAMA HOLDINGS Co., Ltd. Listing: Tokyo Stock Exchange
 Securities code: 7781 URL: <https://www.hirayamastaff.co.jp/>
 Representative: Yoshikazu Hirayama, President
 Contact: Shingo Tsukahara, Executive officer, General Manager of Group Strategy Division

Tel: +81-(0)3-5769-4680

Scheduled date of Annual General Meeting of Shareholders: September 27, 2023

Scheduled date of payment of dividend: September 28, 2023

Scheduled date of filing of Annual Securities Report: September 28, 2023

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, 2023 (July 1, 2022 to June 30, 2023)

(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, 2023	31,674	13.2	893	29.1	948	22.2	549	34.1
Fiscal year ended Jun. 30, 2022	27,978	21.4	692	30.0	776	20.2	409	(1.0)

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2023: 545 (up 33.5%)

Fiscal year ended Jun. 30, 2022: 408 (up 1.3%)

	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, 2023	74.99	71.96	14.5	10.1	2.8
Fiscal year ended Jun. 30, 2022	59.04	54.79	12.1	9.2	2.5

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2023: -

Fiscal year ended Jun. 30, 2022: -

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2022. Net income per share is 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, 2023	10,114	3,987	39.4	536.87
As of Jun. 30, 2022	8,714	3,584	41.1	490.07

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2023: 3,986 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.

(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, 2023	561	(100)	472	4,300
Fiscal year ended Jun. 30, 2022	244	(350)	(371)	3,379

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, 2022	-	-	-	48.00	48.00	175	40.7	5.0
Fiscal year ended Jun. 30, 2023	-	-	-	25.00	25.00	185	33.3	4.9
Fiscal year ending Jun. 30, 2024 (forecasts)	-	-	-	30.00	30.00		31.8	

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 ended June 30, 2023 and afterward have been adjusted to reflect the stock split.

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023 to June 30, 2024)

(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	34,300	8.3	1,200	34.3	1,190	25.5	700	27.5	94.28

* 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: None

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, 2023:	7,852,800 shares	As of Jun. 30, 2022:	7,740,800 shares
----------------------	------------------	----------------------	------------------

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

As of Jun. 30, 2023:	427,773 shares	As of Jun. 30, 2022:	427,740 shares
----------------------	----------------	----------------------	----------------

3) Average number of outstanding shares during the period

Fiscal year ended Jun. 30, 2023:	7,322,739 shares	Fiscal year ended Jun. 30, 2022:	6,933,782 shares
----------------------------------	------------------	----------------------------------	------------------

* 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.

Contents of Attachments

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	4
(3) Cash Flows	4
(4) Outlook	5
(5) Profit Allocation Policy and Dividend Payment Plan for the Current and Next Fiscal Years	5
2. Basic Approach to the Selection of Accounting Standards	5
3. Consolidated Financial Statements and Notes	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statements of Income and Comprehensive Income	8
Consolidated Statement of Income	8
Consolidated Statement of Comprehensive Income	9
(3) Consolidated Statement of Changes in Equity	10
(4) Consolidated Statement of Cash Flows	12
(5) Notes to Consolidated Financial Statements	13
Going Concern Assumption	13
Segment and Other Information	13
Per-share Information	17
Material Subsequent Events	17

1. Overview of Results of Operations

(1) Results of Operations

During the fiscal year ended in June 2023, there was downward pressure on the Japanese economy in the first three quarters due to the higher cost of raw materials caused by the yen's depreciation and the high cost of resources. In the fourth quarter, according to the Bank of Japan Tankan released on July 3, 2023, the business sentiment (DI: the difference between the percentages of companies that described conditions as favorable or unfavorable) of large manufacturing companies improved by four points from the March survey to plus five. This was the first improvement in seven quarters. The pace of rising prices of raw materials is slowing and automobile production recovered as problems involving shortages of semiconductors and other parts declined. Business sentiment at large non-manufacturing companies increased to plus 23 in the fourth quarter, improving for the fifth consecutive quarter as the severity of the pandemic decreased.

Unemployment in Japan was 2.6% in May 2023, the same as last month. Among people without jobs, there was an increase in people who had voluntarily left their jobs because the pandemic prompted them to rethink their career paths. There was a decrease in people who involuntarily became unemployed due to restructuring or some other reason. In May 2023, the jobs-to-applicants ratio was 1.31 and the number of new job seekers was 3.8% more than one year earlier. Recruiting activity in Japan's service sector has increased significantly following the Japanese government's downgrade of COVID-19.

During the fiscal year, some companies in the automobile sector pushed back production due to supply chain disruptions caused by limited supplies of components as in the previous fiscal year. 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 in the previous fiscal year due to benefits from Genba Kaizen (improving how work is performed) at outsourcing job sites, the receipt of orders with high rates, price revisions, and the use of robotic process automation and other measures for using selling, general and administrative expenses more efficiently.

Net sales increased 13.2% year-on-year to 31,674 million yen and operating profit increased 29.1% to 893 million yen. Ordinary profit increased 22.2% to 948 million yen, which includes subsidy income of 8 million yen and foreign exchange gains of 28 million yen. Profit attributable to owners of parent increased 34.1% to 549 million yen after impairment loss of 3 million yen and income taxes of 389 million yen.

Business segment performance was as follows.

(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 components. During the fiscal year's first half, performance was strong in the agricultural equipment, home equipment and semiconductor sectors. However, many companies in these sectors reduced output in order to reduce inventories in the second half. Although this had a negative effect on fiscal year performance of this segment, the volume of work in the medical equipment sector remained high. Demand for in-sourcing and temp staffing services remained very strong as in the previous fiscal year in the logistics, aerospace, tourism, retail, convenience store and other business sectors. As demand increased in these sectors, we received additional orders from existing customers, added new customers and resumed business with customers who had temporarily suspended business with us during the pandemic. Receiving orders from companies in the semiconductor industry is a priority in this business segment and sales activities have started to produce a large number of new orders. In addition, demand for in-sourcing and temp staffing is recovering in the automobile sector. One result of this recovery was the receipt of a large order in June 2023.

Earnings were negatively affected by some production delays in the automobile sector and home equipment sector. Nevertheless, earnings in the current fiscal year were higher due to continuing manufacturing outsourcing Genba Kaizen; the allocation of personnel to new customers placing orders for staffing at high rates, and training programs to give our workforce high-end skills in order to allow the utilization of personnel in a manner that accurately matched customers' needs.

New college graduates who were hired in 2022 are now making a contribution to the stability of manufacturing

operations. However, the recruiting environment for 2023 new graduates as well as for people with previous work experience has been very difficult because of the recovery of the service sector. To recruit people, the Hirayama Group used cost-effective advertising on regional TV stations and other media and increased recruiting activities using social networking services and information about prospective employees received from current employees. There were also measures to improve the public perception of the Hirayama Group and to hold down recruiting expenses by diversifying channels used to hire people.

Segment sales in the current fiscal year increased 10.9% year-on-year to 25,283 million yen and segment profit increased 5.1% to 1,441 million yen.

(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. The number of engineers on assignments remains high. The main reasons are a lower attrition rate resulting from upgraded career counseling, the establishment of a techno counseling service and the ability to train and place new graduates hired in 2023 in productive jobs quickly. In addition, this business continued to conduct many activities to retain engineers, such as training programs for experienced engineers at Hirayama Group training centers, customized training to meet customers' needs and other programs to upgrade technological skills.

Recruiting activities in this business were increased due to the outlook for long-term growth. The number of 2023 new graduates hired was generally as planned. However, recruiting engineers with previous work experience remains challenging because of the persistent shortage of engineers.

Segment earnings increased because of higher sales and the efficient use of selling, general and administrative expenses.

Segment sales increased 21.8% year-on-year to 2,676 million yen and segment profit increased 890.9% to 64 million yen.

(Overseas operations)

In Thailand, the primary location of operations outside Japan, the manufacturing production index decreased 1.1% from one year earlier in the second quarter of 2022, increased 7.7% in the third quarter, decreased 6.0% in the fourth quarter, and decreased 3.9% in the first quarter of 2023, and continued to weaken. However, in the automobile industry, which is the main source of orders, the manufacturing production index increased 11.7% in 2022 from the previous year and increased 5.8% from one year earlier in the first quarter of 2023. The number of temporary staffing employees of the Hirayama Group in Thailand as of March 2023 was 5.5% 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 21.8% year-on-year to 2,709 million yen and segment profit increased 47.5% to 73 million yen.

Note: There is a three-month delay in the announcement of results of operations in the overseas operations segment.

The sales and earnings reported for the fiscal year that ended in June 2023 are for overseas operations in the period from April 2022 to March 2023.

(Others)

The performance of this segment benefited from an increase in orders for Genba Kaizen consulting and training programs as countries worldwide reduced or eliminated pandemic restrictions on activities and the entry of foreigners. Furthermore, study tours to Japan have restarted and are attracting participants from many countries. Sales and earnings were also supported by activities for the development of AI solutions for improving productivity and by an increase in factory start-up consultation orders from companies that are bringing manufacturing operations back to Japan.

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 34.2% year-on-year to 1,005 million yen and segment profit increased 87.7% to 210 million yen.

(2) Financial Position

Total assets increased 1,399 million yen from the end of the previous fiscal year to 10,114 million yen at the end of the current fiscal year.

Current assets increased 1,251 million yen to 8,640 million yen. This was mainly due to increases in cash and deposits of 921 million yen, notes and accounts receivable-trade of 172 million yen and other current assets of 58 million yen.

Non-current assets increased 148 million yen to 1,474 million yen. This was mainly attributable to increases in property, plant and equipment of 1 million yen, intangible assets of 6 million yen and investments and other assets of 140 million yen.

Total liabilities increased 996 million yen to 6,127 million yen.

Current liabilities increased 286 million yen to 4,217 million yen. This was mainly attributable to increases in accounts payable-other of 199 million yen, accrued consumption taxes of 16 million yen and current portion of long-term borrowings of 60 million yen, which were partially offset by a decrease in income taxes payable of 18 million yen.

Non-current liabilities increased 710 million yen to 1,909 million yen. This was mainly due to increases in long-term borrowings of 565 million yen and retirement benefit liability of 142 million yen.

Net assets increased 402 million yen to 3,987 million yen. The main factors include increases in share capital of 16 million yen and capital surplus of 15 million yen mainly due to issuance of shares resulting from exercise of share acquisition rights, booking of profit attributable to owners of parent of 549 million yen, which was partially offset by dividends paid of 175 million yen.

(3) Cash Flows

Cash and cash equivalents (hereinafter referred to as “net cash”) increased 921 million yen from the end of the previous fiscal year to 4,300 million yen at the end of the current fiscal year.

Net cash provided by operating activities was 561 million yen, compared with net cash provided of 244 million yen one year earlier. Positive factors include profit before income taxes of 939 million yen and increases in retirement benefit liability of 142 million yen and accounts payable-other of 182 million yen, while there were negative factors including a 156 million yen increase in trade receivables and income taxes paid of 562 million yen.

Net cash used in investing activities amounted to 100 million yen, compared with net cash used of 350 million yen one year earlier. Negative factors include purchase of property, plant and equipment of 26 million yen, purchase of intangible assets of 29 million yen and payments of leasehold and guarantee deposits of 46 million yen.

Net cash provided by financing activities was 472 million yen, compared with net cash used of 371 million yen one year earlier. Positive factors include proceeds from long-term borrowings of 900 million yen and proceeds from issuance of shares resulting from exercise of share acquisition rights of 32 million yen, while there were negative factors including repayments of long-term borrowings of 274 million yen and dividends paid of 175 million yen.

Reference: Trends in cash flow indicators

	FY6/19	FY6/20	FY6/21	FY6/22	FY6/23
Equity ratio (%)	35.7	38.9	39.0	41.1	39.4
Market value-based equity ratio (%)	64.1	60.8	58.9	59.7	66.1
Interest-bearing debt to cash flow ratio (years)	2.1	1.3	0.7	0.9	1.5
Interest coverage ratio (times)	127.9	88.9	104.9	83.5	122.4

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 25, 2023 by the International Monetary Fund (IMF), the forecast for 2023 economic growth in Japan is 1.4%, up from 1.3% in the April 2023 forecast. The global economic growth forecast increased from 2.8% to 3.0%. In the July 2023 Monthly Economic Report of the Japanese government, assessment of the economy was upgraded to “recovering moderately.”

The outlook for the Hirayama Group is positive. 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. 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 34,300 million yen (up 8.3% year-on-year), operating profit of 1,200 million yen (up 34.3% year-on-year), ordinary profit of 1,190 million yen (up 25.5% year-on-year), and profit attributable to owners of parent of 700 million yen (up 27.5% year-on-year) in the fiscal year ending in June 2024, including Hirayama GL (former Bridgestone Green Landscape Co., Ltd.), which joined the Group on July 18, 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 2023, Hirayama Holdings plans to pay a dividend per share of 25 yen.

In the fiscal year ending in June 2024, 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)

	FY6/22 (As of Jun. 30, 2022)	FY6/23 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	3,413,194	4,334,259
Notes and accounts receivable-trade	3,360,024	3,532,494
Income taxes refund receivable	201,186	268,152
Other	458,155	516,938
Allowance for doubtful accounts	(44,031)	(11,773)
Total current assets	7,388,528	8,640,071
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	198,330	189,151
Land	123,036	119,137
Other, net	88,460	102,787
Total property, plant and equipment	409,827	411,077
Intangible assets		
Other	51,834	58,591
Total intangible assets	51,834	58,591
Investments and other assets		
Investment securities	158,895	168,855
Deferred tax assets	431,136	526,351
Other	283,376	309,464
Allowance for doubtful accounts	(9,039)	-
Total investments and other assets	864,368	1,004,670
Total non-current assets	1,326,030	1,474,339
Total assets	8,714,559	10,114,410
Liabilities		
Current liabilities		
Current portion of long-term borrowings	153,003	213,013
Accounts payable-other	2,378,695	2,578,139
Income taxes payable	257,079	238,992
Provision for bonuses	144,579	152,019
Accrued consumption taxes	725,728	742,072
Other	271,950	292,985
Total current liabilities	3,931,036	4,217,221
Non-current liabilities		
Long-term borrowings	64,828	630,215
Retirement benefit liability	755,849	898,576
Provision for retirement benefits for directors (and other officers)	313,363	311,435
Other	65,225	69,761
Total non-current liabilities	1,199,266	1,909,988
Total liabilities	5,130,302	6,127,210

	(Thousands of yen)	
	FY6/22	FY6/23
	(As of Jun. 30, 2022)	(As of Jun. 30, 2023)
Net assets		
Shareholders' equity		
Share capital	517,921	534,205
Capital surplus	437,852	453,776
Retained earnings	2,823,514	3,197,128
Treasury shares	(195,142)	(195,168)
Total shareholders' equity	3,584,145	3,989,941
Accumulated other comprehensive income		
Foreign currency translation adjustment	(260)	(3,633)
Total accumulated other comprehensive income	(260)	(3,633)
Share acquisition rights	301	165
Non-controlling interests	69	726
Total net assets	3,584,256	3,987,200
Total liabilities and net assets	8,714,559	10,114,410

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

(Thousands of yen)

	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)
Net sales	27,978,465	31,674,036
Cost of sales	23,175,548	26,442,918
Gross profit	4,802,917	5,231,118
Selling, general and administrative expenses	4,110,841	4,337,711
Operating profit	692,075	893,406
Non-operating income		
Subsidy income	40,157	8,685
Foreign exchange gains	15,929	28,250
Other	32,900	22,848
Total non-operating income	88,986	59,784
Non-operating expenses		
Interest expenses	2,838	4,274
Other	2,063	395
Total non-operating expenses	4,901	4,670
Ordinary profit	776,161	948,520
Extraordinary income		
Gain on sale of non-current assets	359	250
Total extraordinary income	359	250
Extraordinary losses		
Loss on retirement of non-current assets	982	183
Loss on valuation of investments in capital of subsidiaries and associates	-	5,480
Loss on valuation of investment securities	498	-
Impairment losses	54,144	3,898
Total extraordinary losses	55,625	9,562
Profit before income taxes	720,895	939,208
Income taxes-current	423,348	486,736
Income taxes-deferred	(111,755)	(96,792)
Total income taxes	311,593	389,943
Profit	409,302	549,264
Profit (loss) attributable to non-controlling interests	(58)	136
Profit attributable to owners of parent	409,360	549,127

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)
Profit	409,302	549,264
Other comprehensive income		
Foreign currency translation adjustment	(321)	(3,362)
Total other comprehensive income	(321)	(3,362)
Comprehensive income	408,980	545,902
Comprehensive income attributable to:		
Owners of parent	409,039	545,755
Non-controlling interests	(58)	147

(3) Consolidated Statement of Changes in Equity

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

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	517,921	437,852	2,823,514	(195,142)	3,584,145
Changes during period					
Issuance of new shares	16,283	16,283			32,567
Dividends of surplus			(175,513)		(175,513)
Profit attributable to owners of parent			549,127		549,127
Purchase of treasury shares				(25)	(25)
Net changes in items other than shareholders' equity		(359)			(359)
Total changes during period	16,283	15,924	373,614	(25)	405,796
Balance at end of period	534,205	453,776	3,197,128	(195,168)	3,989,941

	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	(260)	(260)	301	69	3,584,256
Changes during period					
Issuance of new shares					32,567
Dividends of surplus					(175,513)
Profit attributable to owners of parent					549,127
Purchase of treasury shares					(25)
Net changes in items other than shareholders' equity	(3,372)	(3,372)	(136)	656	(3,212)
Total changes during period	(3,372)	(3,372)	(136)	656	402,943
Balance at end of period	(3,633)	(3,633)	165	726	3,987,200

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY6/22	FY6/23
	(Jul. 1, 2021 – Jun. 30, 2022)	(Jul. 1, 2022 – Jun. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	720,895	939,208
Depreciation	66,944	50,774
Amortization of goodwill	8,830	9,809
Impairment losses	54,144	3,898
Increase (decrease) in allowance for doubtful accounts	(98,464)	(41,297)
Interest and dividend income	(1,346)	(1,389)
Interest expenses	2,838	4,274
Foreign exchange losses (gains)	(15,929)	(28,250)
Loss (gain) on valuation of investment securities	498	-
Loss on valuation of investments in capital of subsidiaries and associates	-	5,480
Loss (gain) on sale of non-current assets	(359)	(250)
Loss on retirement of non-current assets	982	183
Decrease (increase) in trade receivables	(551,446)	(156,988)
Decrease (increase) in accounts receivable-other	(91,261)	(16,551)
Decrease (increase) in distressed receivables	110,573	218
Increase (decrease) in accounts payable-other	428,153	182,102
Increase (decrease) in provision for bonuses	12,222	7,439
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-	(1,928)
Increase (decrease) in retirement benefit liability	134,084	142,727
Increase (decrease) in accrued consumption taxes	(349,691)	14,316
Other, net	(2,062)	12,792
Subtotal	429,605	1,126,572
Interest and dividends received	1,186	1,708
Interest paid	(2,934)	(4,585)
Income taxes paid	(182,909)	(562,358)
Net cash provided by (used in) operating activities	244,947	561,336
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	360	285
Purchase of property, plant and equipment	(166,901)	(26,986)
Purchase of intangible assets	(14,155)	(29,673)
Proceeds from sale of investment securities	10,014	185
Purchase of investment securities	(135,000)	(10,000)
Proceeds from refund of leasehold and guarantee deposits	30,255	12,797
Payments of leasehold and guarantee deposits	(61,993)	(46,689)
Other, net	(13,067)	(210)
Net cash provided by (used in) investing activities	(350,487)	(100,292)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	900,000
Repayments of long-term borrowings	(348,024)	(274,603)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	154,026	32,436
Purchase of treasury shares	(38,121)	(25)
Dividends paid	(129,912)	(175,432)
Other, net	(9,211)	(9,645)
Net cash provided by (used in) financing activities	(371,241)	472,729
Effect of exchange rate change on cash and cash equivalents	7,917	7,291
Net increase (decrease) in cash and cash equivalents	(468,863)	941,065
Cash and cash equivalents at beginning of period	3,848,058	3,379,194
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(20,000)
Cash and cash equivalents at end of period	3,379,194	4,300,259

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

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.

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

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.

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(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	25,283,111	2,676,256	2,709,039	30,668,407	1,005,628	31,674,036	-	31,674,036
Inter-segment sales and transfers	-	8,341	2,110	10,451	132,427	142,879	(142,879)	-
Total	25,283,111	2,684,597	2,711,150	30,678,859	1,138,056	31,816,915	(142,879)	31,674,036
Segment profit (loss)	1,441,719	64,315	73,475	1,579,510	210,645	1,790,156	(896,750)	893,406
Segment assets	3,254,207	268,218	477,021	3,999,446	596,541	4,595,987	5,518,422	10,114,410
Other items								
Depreciation	7,868	5,781	1,300	14,950	10,834	25,785	24,988	50,774
Amortization of goodwill	-	-	230	230	9,579	9,809	-	9,809
Increase in property, plant and equipment and intangible assets	28,531	6,395	21	34,948	18,610	53,558	19,010	72,569

- 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 896,750 thousand yen to segment profit (loss) includes inter-segment transaction elimination of 82,559 thousand yen and corporate expenses of minus 979,310 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 5,518,422 thousand yen to segment assets is for corporate assets including cash and deposits that are not allocated to reportable segments.
- The adjustment of 24,988 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

FY6/22 (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

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

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
28,906,503	2,720,603	46,929	31,674,036

(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	4,591,402	In-sourcing & temp staffing

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

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note 1)	Adjustment (Note 2)	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.

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note 1)	Adjustment (Note 2)	Total
Impairment loss	-	-	-	-	3,898	3,898

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 amount of adjustment is an impairment loss on corporate assets that are not allocated to any of the reportable segments.

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

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.

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note)	Adjustment	Total
Amortization for the period	-	-	230	9,579	-	9,809
Balance at end of period	-	-	461	9,579	-	10,040

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)

	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)
Net assets per share	490.07	536.87
Net income per share	59.04	74.99
Diluted net income per share	54.79	71.96

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 FY6/22.
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)

	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)
(1) Net income per share		
Profit attributable to owners of parent	409,360	549,127
Amount not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	409,360	549,127
Average number of shares during the period (shares)	6,933,782	7,322,739
(2) Diluted net income per share		
Profit attributable to owners of parent	-	-
Increase in the number of common shares (shares)	537,563	308,364
[Share acquisition rights (shares)]	[537,563]	[308,364]
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 FY6/22.

Material Subsequent Events

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.