

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2024
(Three Months Ended September 30, 2023)

[Japanese GAAP]

November 14, 2023

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Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2024
(July 1, 2023 to September 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	%
Three months ended Sep. 30, 2023	8,538	10.6	218	(23.2)	240	(23.2)	157	(21.3)
Three months ended Sep. 30, 2022	7,719	17.6	284	126.1	312	148.0	200	138.3

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2023: 156 (down 20.3%)
Three months ended Sep. 30, 2022: 196 (up 124.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2023	21.32	20.57
Three months ended Sep. 30, 2022	25.86	24.90

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2023	10,903	3,903	35.8	530.16
As of Jun. 30, 2023	10,114	3,987	39.4	536.87

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2023: 3,902 As of Jun. 30, 2023: 3,986

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2023	-	-	-	25.00	25.00
Fiscal year ending Jun. 30, 2024	-	-	-	-	-
Fiscal year ending Jun. 30, 2024 (forecasts)	-	12.00	-	30.00	42.00

Note: Revisions to the most recently announced dividend forecast: Yes

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

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

*** Notes**

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

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

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

1) Changes in accounting policies due to revisions in accounting standards, others: 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 Sep. 30, 2023:	7,852,800 shares	As of Jun. 30, 2023:	7,852,800 shares
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2) Number of treasury shares as of the end of the period

As of Sep. 30, 2023:	492,773 shares	As of Jun. 30, 2023:	427,773 shares
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3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2023:	7,389,988 shares	Three months ended Sep. 30, 2022:	7,740,800 shares
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* The current quarterly financial results are not subject to the quarterly review by certified public accountants or auditing firms.

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

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

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year (July 1 to September 30, 2023), according to the Bank of Japan Tankan released on October 2, 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 June survey to plus nine. The recovery of production continued as restrictions on supplies of goods declined. Business sentiment at large non-manufacturing companies continued to improve as economic activity rebounds after the pandemic and foreign tourists return to Japan.

Unemployment in Japan was 2.7% in August 2023, the same as in July. The seasonally adjusted August jobs-to-applicants ratio was 1.29, also the same as in July. Due to slow growth of real wages, many people have second jobs or are seeking different jobs. However, companies in the manufacturing and construction sectors are holding down employment as the high cost of materials impacts their earnings.

During the first quarter, the Hirayama Group achieved higher sales 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 generally as planned despite the negative effects of higher expenses resulting from the acquisition and consolidation in the first quarter of Hirayama GL (formerly Bridgestone Green Landscape Co., Ltd.) and of strategic expenses for business sites, a larger workforce and more recruiting activities for more growth of the Hirayama Group.

Net sales increased 10.6% year-on-year to 8,538 million yen and operating profit decreased 23.2% to 218 million yen due to substantial investments mainly involving human resources. Ordinary profit decreased 23.2% to 240 million yen, which includes foreign exchange gains of 18 million yen. Profit attributable to owners of parent decreased 21.3% to 157 million yen after income taxes of 92 million yen.

Business segment performance was as follows.

1) In-sourcing & temp staffing services

Sales and earnings in this segment were supported by the recovery of production in the automobile, agricultural equipment and small construction machinery sectors as the restrictions on supplies of parts in the previous fiscal year largely ended. Performance in the food and medical equipment sectors remained strong. Demand continued to be very strong in the logistics, aerospace, hotel, retail and convenience store sectors. One reason is the large number of foreign tourists in Japan. As a result, there were additional orders for temp staffing from existing customers and a large volume of orders from new customers. In the semiconductor sector, which is a priority market for growth, there were new orders as sales activities continued to expand. First quarter results of operations in this segment include the newly consolidated subsidiary Hirayama GL.

Earnings benefited from the strong performances of the automobile and medical equipment sectors and of service-sector subsidiaries, where earnings began to improve in the previous fiscal year. There were higher expenses due to the inclusion of newly consolidated subsidiary Hirayama GL. In addition, there was an increase in expenses involving training and the growth of the workforce. For more growth, people were assigned to new projects that have high rates in areas where there is substantial demand at customers for workers and training programs to give people high-end skills were expanded. Recruiting expenditures were high and new business sites and a new training center were established. Furthermore, the number of people involved with recruiting and training activities increased. Despite these higher expenses, first quarter earnings were generally as planned.

New college graduates who were hired in 2023 are now making a contribution to the stability of manufacturing operations. However, the recruiting environment for people with previous work experience is more difficult than in the previous fiscal year because of the recovery of the service sector. During the first quarter, the Hirayama Group used cost-effective advertising on regional TV stations and other media, social networking services, information about prospective employees from current employees and other measures to continue strengthening recruiting operations. These activities are also aimed at improving the public perception of the Hirayama Group. Furthermore, the diversification of recruiting channels and other actions are being used to hire more people while holding down recruiting expenses.

Segment sales in the first quarter increased 9.6% year-on-year to 6,851 million yen and segment profit decreased 21.1% to 351 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. Training center programs to further upgrade skills of experienced personnel, customized training to meet specific customer requirements and other measures facilitated the placement of people in projects with high rates, which contributed to sales growth. To maintain a high number of people on assignments, this business reinforced career counseling services and established a techno counseling service. These measures have been effective at increasing employee retention and will continue to be a priority.

Recruiting activities in this business were increased due to the outlook for long-term growth. The number of 2024 new graduates to be hired is generally as planned. However, recruiting engineers with previous work experience remains challenging because of the persistent shortage of engineers. Numerous measures are being used to attract more people to the Hirayama Group, such as the addition of new recruiting channels and a redesign of the corporate website to improve Hirayama's corporate image.

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

Segment sales increased 14.1% year-on-year to 721 million yen and segment profit increased 182.5% to 43 million yen.

3) Overseas operations

In Thailand, the primary location of operations outside Japan, the manufacturing production index increased 7.7% from one year earlier in the third quarter of 2022, decreased 6.0% in the fourth quarter of 2022, decreased 3.7% in the first quarter of 2023 and decreased 5.5% in the second quarter of 2023, and continued to weaken. The number of temporary staffing employees of the Hirayama Group in Thailand as of June 2023 decreased 1.9% from one year earlier to 3,048, but sales were higher due to an increase in the number of personnel placed at high-profit clients. The cost of sales and selling, general and administrative expenses increased in part because of the end of measures to reduce social insurance premium rates that were used in the previous fiscal year and expenses associated with employee income tax refunds.

Segment sales increased 18.0% year-on-year to 727 million yen and segment profit increased 25.1% to 24 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 quarter of the fiscal year ending in June 2024 are for overseas operations in the period from April to June 2023.

4) Others

The performance of this segment was supported by an increase in orders for Genba Kaizen consulting and training programs in Japan and other 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.

Segment sales increased 8.3% year-on-year to 238 million yen and segment profit increased 58.8% to 44 million yen.

(2) Explanation of Financial Position

Total assets increased 788 million yen from the end of the previous fiscal year to 10,903 million yen at the end of the first quarter of the current fiscal year.

Current assets increased 623 million yen to 9,263 million yen. This was mainly due to increases in cash and deposits of 195 million yen, notes and accounts receivable-trade of 258 million yen, income taxes refund receivable of 143 million yen and other current assets of 24 million yen.

Non-current assets increased 165 million yen to 1,640 million yen. This was mainly attributable to increases in property, plant and equipment of 53 million yen, intangible assets of 5 million yen and investments and other assets of 106 million yen.

Total liabilities increased 872 million yen to 7,000 million yen.

Current liabilities increased 674 million yen to 4,891 million yen. This was mainly attributable to increases in accounts payable-other of 35 million yen, provision for bonuses of 268 million yen and deposits received and other current liabilities of 576 million yen. These increases were partially offset by decreases in income taxes payable of 148 million yen, accrued consumption taxes of 49 million yen and current portion of long-term borrowings of 8 million yen.

Non-current liabilities increased 198 million yen to 2,108 million yen. This was mainly due to an increase in retirement benefit liability of 235 million yen, which is partially offset by a decrease in long-term borrowings of 49 million yen.

Net assets decreased 83 million yen to 3,903 million yen. The main factors include dividends paid of 185 million yen and purchase of treasury shares of 55 million yen, which were partially offset by booking of profit attributable to owners of parent of 157 million yen.

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

In the revised outlook for the global economy announced on October 10, 2023 by the International Monetary Fund (IMF), the forecast for 2023 economic growth in Japan is 2.0%, up from 1.4% in the previous forecast. The 2024 growth forecast for Japan is unchanged at 1.0%. The forecast for the U.S. economy is growth of 2.1% in 2023, up from the previous forecast of 1.8%, and 1.5% in 2024, up from the previous forecast of 1.0%. In its outlook for the Asian economy announced on September 20, the Asian Development Bank increased its 2023 growth forecast for Thailand from 3.3% to 3.5% and left the 2024 forecast of 3.7% unchanged.

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, sales and earnings in the first quarter were mostly in line with the initial plan. Consequently, there are no revisions to the forecast that was announced on August 14, 2023 for the fiscal year ending in June 2024.

* 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)

	FY6/23 (As of Jun. 30, 2023)	First Quarter of FY6/24 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	4,334,259	4,530,252
Notes and accounts receivable-trade	3,532,494	3,790,525
Income taxes refund receivable	268,152	411,361
Other	516,938	541,049
Allowance for doubtful accounts	(11,773)	(9,836)
Total current assets	8,640,071	9,263,352
Non-current assets		
Property, plant and equipment	411,077	465,019
Intangible assets	58,591	63,803
Investments and other assets	1,004,670	1,111,209
Total non-current assets	1,474,339	1,640,032
Total assets	10,114,410	10,903,384
Liabilities		
Current liabilities		
Current portion of long-term borrowings	213,013	204,740
Accounts payable-other	2,578,139	2,613,997
Income taxes payable	238,992	90,798
Provision for bonuses	152,019	420,205
Accrued consumption taxes	742,072	692,238
Other	292,985	869,941
Total current liabilities	4,217,221	4,891,922
Non-current liabilities		
Long-term borrowings	630,215	580,805
Retirement benefit liability	898,576	1,133,579
Provision for retirement benefits for directors (and other officers)	311,435	314,045
Other	69,761	79,700
Total non-current liabilities	1,909,988	2,108,129
Total liabilities	6,127,210	7,000,052
Net assets		
Shareholders' equity		
Share capital	534,205	534,205
Capital surplus	453,776	453,803
Retained earnings	3,197,128	3,169,027
Treasury shares	(195,168)	(250,272)
Total shareholders' equity	3,989,941	3,906,764
Accumulated other comprehensive income		
Foreign currency translation adjustment	(3,633)	(4,744)
Total accumulated other comprehensive income	(3,633)	(4,744)
Share acquisition rights	165	165
Non-controlling interests	726	1,147
Total net assets	3,987,200	3,903,332
Total liabilities and net assets	10,114,410	10,903,384

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

(Thousands of yen)

	First three months of FY6/23 (Jul. 1, 2022 – Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023 – Sep. 30, 2023)
Net sales	7,719,276	8,538,347
Cost of sales	6,398,130	7,169,709
Gross profit	1,321,145	1,368,637
Selling, general and administrative expenses	1,036,966	1,150,505
Operating profit	284,179	218,132
Non-operating income		
Foreign exchange gains	22,882	18,557
Subsidy income	1,849	2,301
Other	4,231	2,920
Total non-operating income	28,963	23,779
Non-operating expenses		
Interest expenses	325	1,216
Other	40	615
Total non-operating expenses	366	1,831
Ordinary profit	312,777	240,079
Extraordinary income		
Gain on bargain purchase	-	13,718
Total extraordinary income	-	13,718
Extraordinary losses		
Loss on retirement of non-current assets	-	399
Loss on liquidation of subsidiaries and associates	-	2,486
Total extraordinary losses	-	2,886
Profit before income taxes	312,777	250,911
Income taxes-current	225,527	133,178
Income taxes-deferred	(113,026)	(40,180)
Total income taxes	112,500	92,997
Profit	200,276	157,913
Profit attributable to non-controlling interests	91	389
Profit attributable to owners of parent	200,184	157,524

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

(Thousands of yen)

	First three months of FY6/23 (Jul. 1, 2022 – Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023 – Sep. 30, 2023)
Profit	200,276	157,913
Other comprehensive income		
Foreign currency translation adjustment	(3,531)	(1,102)
Total other comprehensive income	(3,531)	(1,102)
Comprehensive income	196,744	156,811
Comprehensive income attributable to:		
Owners of parent	196,652	156,413
Non-controlling interests	91	398

(3) 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.