

Consolidated Financial Results for the Fiscal Year Ended June 30, 2020

[Japanese GAAP]

August 14, 2020

Company name: HIRAYAMA HOLDINGS Co., Ltd.

Listing: Tokyo Stock Exchange (JASDAQ)

Securities code: 7781

URL: <http://www.hirayamastaff.co.jp/>

Representative: Yoshikazu Hirayama, President

Scheduled date of Annual General Meeting of Shareholders: September 25, 2020

Scheduled date of payment of dividend: September 28, 2020

Scheduled date of filing of Annual Securities Report: September 25, 2020

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, 2020 (July 1, 2019 to June 30, 2020)

(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, 2020	22,970	10.2	380	88.2	396	61.3	293	(19.5)
Fiscal year ended Jun. 30, 2019	20,841	53.3	202	(5.7)	245	14.5	364	4.8

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2020: 297 (down 17.8%)

Fiscal year ended Jun. 30, 2019: 362 (up 1.2%)

	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, 2020	85.51	78.99	10.5	5.3	1.7
Fiscal year ended Jun. 30, 2019	104.80	96.01	13.8	3.5	1.0

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2020: (0)

Fiscal year ended Jun. 30, 2019: (0)

Notes: 1. Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2019. 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 the fiscal year ended June 30, 2019.

2. At the end of the fiscal year ended June 30, 2020, a provisional accounting method used for a business combination was finalized. All figures for the fiscal year ended June 30, 2019 reflect the replacement of this provisional method with the finalized numbers.

(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, 2020	7,372	2,887	38.9	840.47
As of Jun. 30, 2019	7,706	2,771	35.7	792.09

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2020: 2,870 As of Jun. 30, 2019: 2,748

Notes: 1. Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2019. Net assets per share were calculated as if this stock split had been taken place at the beginning of the fiscal year ended June 30, 2019.

2. At the end of the fiscal year ended June 30, 2020, a provisional accounting method used for a business combination was finalized. All figures as of June 30, 2019 reflect the replacement of this provisional method with the finalized numbers.

(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, 2020	499	(39)	(532)	3,280
Fiscal year ended Jun. 30, 2019	581	(137)	(81)	3,357

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, 2019	-	-	-	60.00	60.00	104	28.6	4.0
Fiscal year ended Jun. 30, 2020	-	-	-	30.00	30.00	102	35.1	3.7
Fiscal year ending Jun. 30, 2021 (forecasts)	-	-	-	30.00	30.00		-	

Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2019. Dividends for the fiscal year ended June 30, 2019 are the actual amounts before the stock split.

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2021 (July 1, 2020 to June 30, 2021)

(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	23,300	1.4	400	5.1	400	0.8	300	2.0	87.83

*** 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, 2020:	3,599,600 shares	As of Jun. 30, 2019:	3,587,600 shares
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2) Number of treasury shares as of the end of the period

As of Jun. 30, 2020:	183,811 shares	As of Jun. 30, 2019:	117,082 shares
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3) Average number of outstanding shares during the period

Fiscal year ended Jun. 30, 2020:	3,437,216 shares	Fiscal year ended Jun. 30, 2019:	3,481,822 shares
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Note: Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2019. The number of shares outstanding (common shares) was calculated as if this stock split had been taken place at the beginning of the fiscal year ended June 30, 2019.

* 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, (1) Results of Operations, 2) 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

1) Operating results for the current fiscal year

During the current fiscal year, business sentiment in Japan has declined sharply, as was again evident in the Bank of Japan *Tankan* announced on July 1, 2020. The Japanese economy was impacted by U.S.-China trade friction, lower consumer spending after the October 2019 consumption tax hike, and the steep downturn in economic activity caused by the COVID-19 crisis. Manufacturing sector business sentiment (DI) at large companies has decreased for six consecutive quarters and is now negative 34, the lowest level since June 2009 during the global financial crisis.

In May 2020, Japan's unemployment rate rose to 2.9%, which was 0.3 percentage point higher than in April. Furthermore, the jobs-to-applicants ratio was 1.20 in May, down 0.12 point from April. Some manufacturers have started laying off employees.

COVID-19 has caused economic activity to plunge worldwide. On April 8, 2020, the World Trade Organization announced that global trade may fall by as much as 32% in 2020 from the prior year and forecasts a decline of between 14% and 36% in exports from Asia. This downturn is the result of disruptions of global supply chains and a big drop in demand and is far more than the 13% decline in global trade that happened in 2009 during the global financial crisis.

Despite this challenging business climate, there was a big increase in sales as orders received in the in-sourcing & temp staffing services business remained strong, mainly in the medical devices, basic materials and food categories. Furthermore, operating profit was much higher than one year earlier. The main reasons are the consistently large volume of orders and a higher profit margin resulting from the benefits of measures to improve rates for staffing services and from the use of Hirayama consultants at large outsourcing job sites (factories and other business facilities of client companies) for improving how work is performed.

In the fiscal year that ended in June 2020, net sales increased 10.2% year-on-year to 22,970 million yen, operating profit increased 88.2% to 380 million yen, and ordinary profit increased 61.3% to 396 million yen. However, profit attributable to owners of parent decreased 19.4% to 293 million yen. There was extraordinary income of 725 million yen for consumption taxes differential and a one-time extraordinary loss of 507 million yen due mainly to an asset impairment loss and a loss on bad debt, the result of the inability to collect accounts receivable from a large customer.

Results by business segment were as follows.

(In-sourcing & temp staffing services)

Sales increased significantly as orders remained strong, mainly in the medical devices, basic materials and food categories. Earnings were also much higher as measures to improve how work is performed at large job sites raised efficiency and the amortization of the goodwill of FUN to FUN Inc. decreased.

This business was able to recruit people successfully during the current fiscal year due to the efficient use of variety of media for attracting applicants.

Segment sales for the current fiscal year increased 9.4% year-on-year to 18,411 million yen and segment profit increased 16.0% year-on-year to 1,337 million yen.

(Engineer placement services)

U.S.-China trade friction and the COVID-19 pandemic is affecting a broad range of product categories and industries and making companies increasingly cautious about hiring more engineers. As in the previous fiscal year, the Hirayama Group used training activities that benefit from group synergies in order to provide customers with added value. As a result, contracts were renewed for most of the engineers who were already placed at client companies.

There is a persistent shortage of engineers in Japan, primarily in the IT field. To meet the demand for engineers, the Hirayama Group started two programs in 2018. One gives people with no experience the training needed to perform engineering jobs. The other program converts personnel at the Hirayama Group with no technical background into people who can fill engineering positions. These two programs make it possible to periodically produce new people with engineering skills and these activities are now firmly established as one way to increase the workforce for engineering placements. This business has partnership agreements with universities in other countries to give their students jobs in Japan. Although progress with these partnerships has been delayed by restrictions on entering Japan due to COVID-19, placements of foreign students are expected to increase during the fiscal year ending in June 2021 as restrictions on travel to Japan are gradually lifted.

Segment sales increased 14.8% year-on-year to 1,501 million yen and segment profit increased 244.2% year-on-year to 71 million yen.

(Overseas operations)

In Thailand, the primary location of operations outside Japan, the manufacturing production index was down from one year earlier by 2.4% in the second quarter of 2019, 4.2% in the third quarter and 6.8% in the fourth quarter. In the first quarter of 2020, this index was 6.4% below the first quarter of 2019. Major reasons for these declines are weak exports because of the appreciation of the baht and delays in execution of government budget.

To help manufacturers improve efficiency in many ways, we are creating proposals for a foreign worker MOU service, mainly in Myanmar, that locates people who are looking for long-term employment. A labor management service for foreign workers is another way we support client companies. Several large Japanese manufacturers are expected to start using these services in the fiscal year ending in June 2021. These new services make it possible to add value to foreign worker services that goes beyond standard temporary staffing for manufacturers.

In Vietnam, consulting and education remain the primary activities. We are conducting extensive recruiting activities for engineers who can be assigned to jobs at the business sites of Japanese companies in this country.

Segment sales decreased 3.3% year-on-year to 2,148 million yen and the segment loss was 2 million yen, compared with a loss of 13 million yen one year earlier, as numerous activities are continuing with the aim of improving the profitability of overseas operations.

(Others)

The Genba Kaizen (improving how work is performed) consulting service and study tours to Japan from other countries both performed well during the current fiscal year until the beginning of 2020. During the last five months of the fiscal year, both of these businesses faced difficulty because of the COVID-19 outbreak. We will ensure sales in this segment by restarting provision of Genba Kaizen consulting, mainly by using online seminars, and by improving operations through new activities involving the creation of e-manuals, the use of robots and other services.

Segment sales increased 91.9% year-on-year to 908 million yen and segment profit decreased 58.2% year-on-year to 15 million yen.

2) Outlook

On June 24, 2020, the International Monetary Fund increased its outlook for 2020 for contraction of the global economy from the 3.0% forecast in April to 4.9%. Negative growth forecasts were increased by 0.6 points for Japan and 2.1 points for the United States. In Thailand, the primary location of overseas operations, The Federation of Thai Industries lowered its prediction on May 20 for the Industries Sentiment Index after three months from 96.0 points for April to 88.8 points, the lowest level since May 2009.

In Japan, demand for workers is likely to remain firm for a long term. The main reasons are a labor shortage, mainly for people between the ages of about 20 and 40, because of Japan's declining population, working style reforms, and the increasing number of foreign workers. From a shorter perspective, however, the outlook for the business climate

will probably remain uncertain mainly because of the effects of the global spread of COVID-19 on economic activities, trade problems on a global scale and geopolitical risk.

The goal of the Hirayama Group is to support manufacturing in Japan and contribute to Japan's prosperity. Furthermore, the group has a firm commitment to providing people with workplaces where they can grow and to improving the quality of life of employees while also contributing to increasing the earnings of client companies. We will continue to step up activities aimed at raising the motivation of the people who work at our group and enabling them to provide more added value. To accomplish these goals, we will accurately identify and meet the needs of client companies, job seekers and other customers. We will also make the group's management even stronger, with emphasis on each business segment. We will build the best possible infrastructure for business operations, make investments for growth and increase the power of our brand to achieve sustained growth. There will also be activities to improve operations and become more profitable. One example is the use of robot process automation for doing our jobs more efficiently. Placing our highest priority on the health and safety of our customers and employees, our business activities will be conducted by implementing rigorous measures to prevent the spread of COVID-19.

In the in-sourcing business, our goal is sales growth by supplying people to current clients for raising production and establishing relationships with new customers, primarily for manufacturing temp staffing. We will also use our Genba Kaizen consulting capabilities as much as possible to create a new business model for improving the profitability of operations at production sites by using the Internet of things. Recruiting many foreign workers is another goal of the in-sourcing business. We plan to use all of these activities for the growth of sales and earnings in this business.

In the engineer placement services business, recruiting activities are targeting a broader spectrum of people in order to meet the steadily increasing demand for placements of engineers. To continue growing, this business will hire people for jobs in a diverse range of fields, including design and development, and hire more experienced foreign engineers.

For the growth of sales and earnings in the overseas operations and the others businesses, we are planning on more growth of Genba Kaizen consulting services to current customers in Japan and other countries and the use of an online service for study tours in Japan for people in other countries. In addition, there will be measures to make overseas operations more efficient, mainly at the subsidiary in Thailand, in order to improve profitability.

Based on the above, we forecast net sales of 23,300 million yen (up 1.4% year-on-year), operating profit of 400 million yen (up 5.1% year-on-year), ordinary profit of 400 million yen (up 0.8% year-on-year), and profit attributable to owners of parent of 300 million yen (up 2.0% year-on-year) in the fiscal year ending June 2021.

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

(2) Financial Position

1) Assets, liabilities and net assets

Total assets decreased 333 million yen from the end of the previous fiscal year to 7,372 million yen at the end of the current fiscal year.

Current assets decreased 140 million yen to 6,360 million yen. This was mainly due to decreases in cash and deposits of 77 million yen and notes and accounts receivable-trade of 73 million yen.

Non-current assets decreased 192 million yen to 1,011 million yen. This was mainly attributable to a decrease in intangible assets of 307 million yen, which was partially offset by an increase in investments and other assets of 105 million yen.

Total liabilities decreased 449 million yen to 4,485 million yen.

Current liabilities decreased 195 million yen to 3,015 million yen. This was mainly attributable to decreases in accounts payable-other of 216 million yen and deposits received of 252 million yen, which were partially offset by increases in income taxes payable of 83 million yen and accrued consumption taxes of 162 million yen.

Non-current liabilities decreased 253 million yen to 1,470 million yen. This was mainly due to a decrease in long-term borrowings of 349 million yen, which was partially offset by increases in retirement benefit liability of 68 million yen and deferred tax liabilities of 30 million yen.

Net assets increased 116 million yen to 2,887 million yen. The main factors include increases in retained earnings of 189 million yen and treasury shares of 77 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) decreased 77 million yen from the end of the previous fiscal year to 3,280 million yen at the end of the current fiscal year.

Net cash provided by operating activities amounted to 499 million yen. The main factors include profit before income taxes of 614 million yen, impairment loss of 311 million yen and income taxes paid of 413 million yen.

Net cash used in investing activities amounted to 39 million yen. The main factors include purchase of property, plant and equipment of 21 million yen, proceeds from refund of leasehold and guarantee deposits of 17 million yen, and payments of leasehold and guarantee deposits of 24 million yen.

Net cash used in financing activities was 532 million yen. The main factors include repayments of long-term borrowings of 349 million yen, purchase of treasury shares of 77 million yen and dividends paid of 103 million yen.

Reference: Trends in cash flow indicators

	FY6/16	FY6/17	FY6/18	FY6/19	FY6/20
Equity ratio (%)	47.5	40.2	41.0	35.7	38.9
Market value-based equity ratio (%)	34.0	35.8	68.5	64.1	60.8
Interest-bearing debt to cash flow ratio (years)	-	-	1.7	2.1	1.3
Interest coverage ratio (times)	-	-	134.4	127.9	88.9

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. Interest-bearing debt to cash flow ratio and interest coverage ratio for FY6/16 and FY6/17 are not presented because operating cash flows were negative.

2. Basic Approach to the Selection of Accounting Standards

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)	
	FY6/19 (As of Jun. 30, 2019)	FY6/20 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	3,592,234	3,514,341
Notes and accounts receivable-trade	2,429,555	2,356,208
Other	483,432	532,123
Allowance for doubtful accounts	(3,552)	(41,756)
Total current assets	6,501,669	6,360,916
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	101,221	102,369
Land	124,285	124,285
Other, net	23,650	31,399
Total property, plant and equipment	249,156	258,053
Intangible assets		
Other	494,437	187,099
Total intangible assets	494,437	187,099
Investments and other assets		
Deferred tax assets	249,416	350,473
Other	211,598	326,863
Allowance for doubtful accounts	-	(110,573)
Total investments and other assets	461,015	566,763
Total non-current assets	1,204,609	1,011,915
Total assets	7,706,279	7,372,832
Liabilities		
Current liabilities		
Current portion of long-term borrowings	349,672	349,672
Accounts payable-other	1,868,221	1,652,052
Income taxes payable	178,037	261,435
Provision for bonuses	95,149	108,478
Accrued consumption taxes	213,284	376,017
Other	506,386	267,377
Total current liabilities	3,210,750	3,015,032
Non-current liabilities		
Long-term borrowings	855,527	505,855
Retirement benefit liability	466,669	534,795
Provision for retirement benefits for directors (and other officers)	321,713	315,463
Other	80,152	114,142
Total non-current liabilities	1,724,061	1,470,255
Total liabilities	4,934,812	4,485,288
Net assets		
Shareholders' equity		
Share capital	435,763	438,541
Capital surplus	355,694	358,472
Retained earnings	2,031,546	2,221,363
Treasury shares	(78,968)	(156,934)
Total shareholders' equity	2,744,035	2,861,442
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(17)	-
Foreign currency translation adjustment	4,941	9,414
Total accumulated other comprehensive income	4,924	9,414
Share acquisition rights	960	960
Non-controlling interests	21,546	15,727
Total net assets	2,771,466	2,887,544
Total liabilities and net assets	7,706,279	7,372,832

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

(Thousands of yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net sales	20,841,226	22,970,455
Cost of sales	17,430,764	19,212,109
Gross profit	3,410,462	3,758,345
Selling, general and administrative expenses	3,208,342	3,377,912
Operating profit	202,119	380,432
Non-operating income		
Subsidy income	4,275	17,050
Surrender value of insurance policies	15,856	-
Foreign exchange gains	13,372	-
Insurance claim income	-	10,000
Other	16,176	20,952
Total non-operating income	49,680	48,003
Non-operating expenses		
Interest expenses	4,549	4,259
Foreign exchange losses	-	24,550
Other	1,307	2,803
Total non-operating expenses	5,856	31,613
Ordinary profit	245,944	396,822
Extraordinary income		
Consumption taxes differential	515,143	725,471
Total extraordinary income	515,143	725,471
Extraordinary losses		
Impairment loss	89,767	311,785
Special survey costs, etc.	-	83,234
Bad debts written off	-	111,169
Other	-	1,332
Total extraordinary losses	89,767	507,522
Profit before income taxes	671,320	614,771
Income taxes-current	309,425	450,572
Income taxes-deferred	(2,122)	(130,549)
Total income taxes	307,303	320,023
Profit	364,016	294,748
Profit (loss) attributable to non-controlling interests	(871)	815
Profit attributable to owners of parent	364,888	293,932

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY6/19	FY6/20
	(Jul. 1, 2018 – Jun. 30, 2019)	(Jul. 1, 2019 – Jun. 30, 2020)
Profit	364,016	294,748
Other comprehensive income		
Valuation difference on available-for-sale securities, before tax	(17)	17
Foreign currency translation adjustment	(1,968)	2,549
Share of other comprehensive income of entities accounted for using equity method	69	224
Total other comprehensive income	(1,916)	2,791
Comprehensive income	362,100	297,539
Comprehensive income attributable to:		
Owners of parent	362,992	298,422
Non-controlling interests	(892)	(883)

(3) Consolidated Statement of Changes in Equity

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	433,728	353,659	1,754,201	(25,480)	2,516,108
Changes during period					
Issuance of new shares	2,035	2,035			4,070
Dividends of surplus			(87,542)		(87,542)
Profit attributable to owners of parent			364,888		364,888
Purchase of treasury shares				(53,488)	(53,488)
Net changes in items other than shareholders' equity					
Total changes during period	2,035	2,035	277,345	(53,488)	227,926
Balance at end of period	435,763	355,694	2,031,546	(78,968)	2,744,035

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	-	6,819	6,819	960	5,853	2,529,742
Changes during period						
Issuance of new shares						4,070
Dividends of surplus						(87,542)
Profit attributable to owners of parent						364,888
Purchase of treasury shares						(53,488)
Net changes in items other than shareholders' equity	(17)	(1,877)	(1,895)		15,692	13,796
Total changes during period	(17)	(1,877)	(1,895)	-	15,692	241,723
Balance at end of period	(17)	4,941	4,924	960	21,546	2,771,466

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	435,763	355,694	2,031,546	(78,968)	2,744,035
Changes during period					
Issuance of new shares	2,778	2,778			5,556
Dividends of surplus			(104,115)		(104,115)
Profit attributable to owners of parent			293,932		293,932
Purchase of treasury shares				(77,965)	(77,965)
Net changes in items other than shareholders' equity					
Total changes during period	2,778	2,778	189,816	(77,965)	117,406
Balance at end of period	438,541	358,472	2,221,363	(156,934)	2,861,442

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(17)	4,941	4,924	960	21,546	2,771,466
Changes during period						
Issuance of new shares						5,556
Dividends of surplus						(104,115)
Profit attributable to owners of parent						293,932
Purchase of treasury shares						(77,965)
Net changes in items other than shareholders' equity	17	4,473	4,490		(5,818)	(1,328)
Total changes during period	17	4,473	4,490	-	(5,818)	116,078
Balance at end of period	0	9,414	9,414	960	15,727	2,887,544

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY6/19	FY6/20
	(Jul. 1, 2018 – Jun. 30, 2019)	(Jul. 1, 2019 – Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	671,320	614,771
Depreciation	54,354	60,448
Amortization of goodwill	95,417	54,384
Impairment loss	89,767	311,785
Increase (decrease) in allowance for doubtful accounts	1,389	148,777
Interest and dividend income	(942)	(839)
Interest expenses	4,549	4,259
Foreign exchange losses (gains)	-	12,735
Surrender value of insurance policies	(15,856)	-
Decrease (increase) in trade receivables	(267,595)	64,161
Decrease (increase) in accounts receivable-other	340,019	(44,686)
Decrease (increase) in distressed receivables	-	(110,573)
Increase (decrease) in accounts payable-other	188,079	(212,829)
Increase (decrease) in provision for bonuses	(2,433)	13,328
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(594)	(6,250)
Increase (decrease) in retirement benefit liability	36,440	68,125
Other, net	(229,484)	(61,624)
Subtotal	964,431	915,975
Interest and dividends received	477	1,115
Interest paid	(4,563)	(4,175)
Income taxes paid	(378,502)	(413,742)
Net cash provided by (used in) operating activities	581,843	499,172
Cash flows from investing activities		
Net decrease (increase) in time deposits	199,982	(16)
Purchase of property, plant and equipment	(29,772)	(21,402)
Purchase of intangible assets	-	(10,549)
Decrease (increase) in short-term loans receivable	(17,061)	10,577
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(278,313)	-
Payments of leasehold and guarantee deposits	(75,226)	(24,889)
Proceeds from refund of leasehold and guarantee deposits	22,505	17,763
Proceeds from cancellation of insurance funds	30,225	-
Other, net	10,266	(10,656)
Net cash provided by (used in) investing activities	(137,392)	(39,174)
Cash flows from financing activities		
Proceeds from long-term borrowings	750,000	-
Repayments of long-term borrowings	(706,222)	(349,672)
Proceeds from share issuance to non-controlling shareholders	16,534	-
Purchase of treasury shares	(53,488)	(77,965)
Dividends paid	(87,490)	(103,964)
Other, net	(769)	(611)
Net cash provided by (used in) financing activities	(81,435)	(532,214)
Effect of exchange rate change on cash and cash equivalents	2,326	(5,692)
Net increase (decrease) in cash and cash equivalents	365,341	(77,909)
Cash and cash equivalents at beginning of period	2,988,658	3,357,940
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	3,940	-
Cash and cash equivalents at end of period	3,357,940	3,280,030

(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 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 generally the same as those described in “Significant Accounting Policies in the Preparation of 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

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

(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	16,836,853	1,308,703	2,222,176	20,367,732	473,493	20,841,226	-	20,841,226
Inter-segment sales and transfers	2,592	1,191	4,796	8,580	85,094	93,674	(93,674)	-
Total	16,839,445	1,309,894	2,226,973	20,376,313	558,587	20,934,901	(93,674)	20,841,226
Segment profit (loss)	1,152,289	20,917	(13,385)	1,159,821	36,961	1,196,783	(994,663)	202,119
Segment assets	2,425,531	223,741	454,061	3,103,333	402,534	3,505,868	4,200,410	7,706,279
Other items								
Depreciation	38,891	885	2,035	41,811	2,536	44,348	10,005	54,354
Amortization of goodwill	76,950	-	17,150	94,100	1,316	95,417	-	95,417
Increase in property, plant and equipment and intangible assets	611,234	1,479	2,861	615,576	158,761	774,338	27,367	801,705

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 994,663 thousand yen to segment profit (loss) includes an inter-segment transaction elimination of 36,988 thousand yen and corporate expenses of minus 1,031,651 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 4,200,410 thousand yen to segment assets is for corporate assets including cash and deposits that are not allocated to reportable segments.

The adjustment of 10,005 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.

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(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	18,411,849	1,501,908	2,148,154	22,061,912	908,542	22,970,455	-	22,970,455
Inter-segment sales and transfers	21,592	6,254	1,733	29,579	111,969	141,548	(141,548)	-
Total	18,433,441	1,508,163	2,149,887	22,091,492	1,020,511	23,112,004	(141,548)	22,970,455
Segment profit (loss)	1,337,041	71,996	(2,276)	1,406,760	15,438	1,422,199	(1,041,766)	380,432
Segment assets	2,101,023	224,497	458,060	2,783,582	409,404	3,192,986	4,179,846	7,372,832
Other items								
Depreciation	33,582	989	1,582	36,155	12,831	48,987	11,461	60,448
Amortization of goodwill	27,254	-	17,550	44,804	9,579	54,384	-	54,384
Increase in property, plant and equipment and intangible assets	440	-	1,867	2,307	16,848	19,155	23,985	43,140

- 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 1,041,766 thousand yen to segment profit (loss) includes inter-segment transaction elimination of 20,520 thousand yen and corporate expenses of minus 1,062,287 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 4,179,846 thousand yen to segment assets is for corporate assets including cash and deposits that are not allocated to reportable segments.
The adjustment of 11,461 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.
4. In FY6/20, a provisional accounting method used for a business combination was finalized. All figures for FY6/19 reflects a significant revision of the initial allocation of the acquisition cost arising from finalization of the provisional accounting method for the business combination.

Related Information

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

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
18,500,167	2,270,822	70,236	20,841,226

(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	4,118,924	In-sourcing & temp staffing

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

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
20,760,538	2,173,749	36,167	22,970,455

(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	4,471,525	In-sourcing & temp staffing

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

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note)	Adjustment	Total
Impairment loss	89,767	-	-	-	-	89,767

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.

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note)	Adjustment	Total
Impairment loss	311,785	-	-	-	-	311,785

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

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note)	Adjustment	Total
Amortization for the period	76,950	-	17,150	1,316	-	95,417
Balance at end of period	218,036	-	30,537	47,897	-	296,471

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.

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note)	Adjustment	Total
Amortization for the period	27,254	-	17,550	9,579	-	54,384
Balance at end of period	-	-	13,677	38,317	-	51,995

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. In FY6/20, a provisional accounting method used for a business combination was finalized. Unamortized balance of goodwill for FY6/19 reflects a significant revision of the initial allocation of the acquisition cost arising from finalization of the provisional accounting method for the business combination.

Information related to gain on bargain purchase by reportable segment

Not applicable.

Per-share Information

(Yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net assets per share	792.09	840.47
Net income per share	104.80	85.51
Diluted net income per share	96.01	78.99

Notes: 1. Hirayama Holdings conducted a 2-for-1 common stock split on July 1, 2019. 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 FY6/19.

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)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
(1) Net income per share		
Profit attributable to owners of parent	364,888	293,932
Amount not attributable to common shareholders	-	
Profit attributable to common shareholders of parent	364,888	293,932
Average number of shares during the period (shares)	3,481,822	3,437,216
(2) Diluted net income per share		
Profit attributable to owners of parent	364,888	293,932
Increase in the number of common shares (shares)	318,818	283,850
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

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.