

**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2021
(Three Months Ended September 30, 2020)**

[Japanese GAAP]

November 16, 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 filing of Quarterly Report:

November 16, 2020

Scheduled date of payment of dividend:

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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, 2021
(July 1, 2020 to September 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	%
Three months ended Sep. 30, 2020	5,200	(10.4)	0	(99.1)	31	(69.9)	35	327.9
Three months ended Sep. 30, 2019	5,805	19.6	96	1,011.0	106	652.8	8	(84.9)

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2020: 32 (up 631.0%)
Three months ended Sep. 30, 2019: 4 (down 91.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2020	10.50	9.68
Three months ended Sep. 30, 2019	2.42	2.23

Note: 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 three months ended September 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 Sep. 30, 2020	7,239	2,811	38.7	818.58
As of Jun. 30, 2020	7,372	2,887	38.9	840.47

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2020: 2,801 As of Jun. 30, 2020: 2,870

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2020	-	-	-	30.00	30.00
Fiscal year ending Jun. 30, 2021	-	-	-	-	-
Fiscal year ending Jun. 30, 2021 (forecasts)	-	-	-	30.00	30.00

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

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

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, 2020:	3,606,400 shares	As of Jun. 30, 2020:	3,599,600 shares
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2) Number of treasury shares as of the end of the period

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

Three months ended Sep. 30, 2020:	3,417,563 shares	Three months ended Sep. 30, 2019:	3,470,518 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

There were improvements in business sentiment in the manufacturing and non-manufacturing sectors during the first quarter as economic activity resumed following the COVID-19 shutdown. The manufacturing sector business sentiment (DI) at large companies was negative 27 in the Bank of Japan *Tankan* announced on October 1, 2020, an improvement of 7 points from the previous announcement in June. However, business sentiment is still low because of concerns about the possibility of a second wave of infections.

Japan's unemployment rate decreased 0.1 percentage point in August 2020 to 3.0%. But there are still more than 2 million unemployed people and the August jobs-to-applicants ratio was down 0.04 point from July to 1.04, the lowest in six years and seven months.

The global economy is still affected by the COVID-19 crisis but staged a recovery during the summer, as was announced on October 6, 2020 by the World Trade Organization. In April, the WTO forecast a year-on-year downturn in trade volume of 14% to 32%. This was subsequently revised to a decrease of 9% but the 2021 forecast was lowered. As a result, the economic outlook remains uncertain.

Orders at the Hirayama Group started to recover in the first quarter, mainly in the automotive sector, from the previous quarter due to an increase in our customer's production. But orders have still not returned to previous levels. In addition, weak orders in the office work category and reductions in manufacturing outside Japan caused first quarter sales to decrease from one year earlier. Operating profit also decreased. One reason was high levels of recruiting and training activities in anticipation of a recovery in the manufacturing sector. Substantial expenditures for consulting and other activities involving the digital transformation also held down earnings.

In the first quarter, net sales decreased 10.4% year-on-year to 5,200 million yen and operating profit decreased 99.1% to 848 thousand yen. Ordinary profit decreased 69.4% to 31 million yen. Non-operating income included foreign exchange gains of 23 million yen and subsidy income of 9 million yen. However, profit attributable to owners of parent increased 327.9% to 35 million yen because of extraordinary income of 44 million yen for a consumption taxes differential and a decrease in income taxes of 56 million yen.

Results by business segment were as follows.

1) In-sourcing & temp staffing services

Orders remained firm during the first quarter, primarily in the transportation machinery, food, retail and housing equipment sectors. Total orders in this segment decreased slightly because of a smaller number of days of business operations than one year earlier in the medical devices category and a sluggish recovery in the office supplies and other business sectors. Although sales decreased, orders have started to recover. To be prepared for the next phase of growth, there were large expenditures for recruiting and training activities, while preserving existing jobs. The result was a decline in segment profit.

Segment sales in the first quarter decreased 6.6% year-on-year to 4,346 million yen and segment profit decreased 15.0% to 293 million yen.

2) 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. In this environment, some ICT companies that provide services to automobile companies and other companies in the automobile industry have greatly reduced the use of external workers.

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.

The number of applicants for the engineer placement workforce increased, mainly people with little experience and foreign workers. 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 were used to strengthen training activities for people who lost their positions at companies that decided to reduce the use of external workers. These activities give the Hirayama Group an excellent opportunity to continue training engineers and increase the number of newly trained engineers.

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 in the previous fiscal year by restrictions on entering Japan due to COVID-19, placements of foreign students are expected to increase during the current fiscal year as restrictions on travel to Japan are gradually lifted.

Segment sales decreased 4.3% year-on-year to 360 million yen and segment profit decreased 53.0% to 12 million yen.

3) Overseas operations

In Thailand, the primary location of operations outside Japan, the manufacturing production index was down from one year earlier by 4.2% in the third quarter of 2019 and 6.8% in the fourth quarter. In the first quarter of 2020, this index was down from one year earlier by 6.4% and 20.0% in the second quarter. Major reasons for these declines are weak exports because of the appreciation of the baht and the effects of the COVID-19 pandemic on economic activities.

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 current fiscal year. 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 47.7% year-on-year to 291 million yen and the segment loss was 27 million yen, compared with a loss of 930 thousand yen one year earlier, as numerous activities are continuing with the aim of improving the profitability of overseas operations.

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 current fiscal year are for overseas operations in the quarter from April to June.

4) Others

COVID-19 had a severe impact on the performance of the Genba Kaizen (improving how work is performed) consulting service and study tours to Japan from other countries. The Genba Kaizen consulting business responded by starting new activities such as web seminars and web consulting. These activities attracted a number of new customers. In addition, there was progress with increasing the number of customers for the service for creating e-manuals.

Segment sales decreased 8.1% year-on-year to 201 million yen and the segment profit decreased 3,814.9% to a loss of 23 million yen.

(2) Explanation of Financial Position

Total assets decreased 133 million yen from the end of the previous fiscal year to 7,239 million yen at the end of the first quarter of the current fiscal year. This was mainly due to decreases in notes and accounts receivable-trade of 142 million yen and accounts receivable-other of 59 million yen.

Total liabilities decreased 57 million yen to 4,427 million yen. This was mainly attributable to a decrease in income taxes payable of 178 million yen, which was partially offset by an increase in provision for bonuses of 113 million yen.

Net assets decreased 75 million yen to 2,811 million yen. The main reason was a decrease in retained earnings of 66 million yen due to dividend payments.

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

On October 13, 2020, the International Monetary Fund announced a 2020 global economic growth forecast of negative 4.4%. This is 0.8 percentage point higher than the June 2020 forecast because of the global economic recovery backed by massive spending by major countries worldwide. The forecast for Japan was raised by 0.5 percentage point to negative 5.3% and the U.S. forecast was raised by 3.7 percentage points to negative 4.3%. Nevertheless, the outlook is for the recovery to lose momentum. The IMF has lowered the 2021 forecast by 0.1 percentage point to 2.3% growth for Japan and by 1.4 percentage point to 3.1% growth for the United States. In Thailand, the primary location of overseas operations, The Federation of Thai Industries announced on September 17, 2020 that the year-on-year decline in automobile production was smaller in August than in July, indicating that the downturn in this sector has ended. Furthermore, the Bank of Thailand raised its 2020 economic growth forecast from negative 8.1% to negative 7.8% on September 23, 2020.

We believe that the economic outlook will remain uncertain because of slowing global economic growth due to concerns about the COVID-19 pandemic, U.S.-China trade friction and other reasons. Opportunities for business growth are increasing as production in Japan slowly recovers and Japan eases restrictions on the entry of foreigners. In the first quarter, sales and earnings were strong in relation to our first quarter plan. Sales of 5,200 million yen were 99.9% of the 5,225 million yen plan, operating profit of 848 thousand yen exceeded the planned loss of 166 million yen, ordinary profit of 31 million yen exceeded the planned loss of 163 million yen, and profit attributable to owners of parent of 35 million yen exceeded the planned loss of 95 million yen. In addition, we anticipate a recovery in the volume of business in the medical devices and transportation machinery sectors. As a result, there are no revisions to the fiscal year forecast that was announced on August 14, 2020. An announcement will be made promptly if there is a need to revise this forecast.

* 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)

	FY6/20 (As of Jun. 30, 2020)	First Quarter of FY6/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	3,514,341	3,533,235
Notes and accounts receivable-trade	2,356,208	2,214,182
Income taxes receivable	192,350	193,075
Other	339,773	309,311
Allowance for doubtful accounts	(41,756)	(39,295)
Total current assets	6,360,916	6,210,510
Non-current assets		
Property, plant and equipment	258,053	254,179
Intangible assets	187,099	175,031
Investments and other assets		
Other	677,336	710,135
Allowance for doubtful accounts	(110,573)	(110,573)
Total investments and other assets	566,763	599,562
Total non-current assets	1,011,915	1,028,773
Total assets	7,372,832	7,239,283
Liabilities		
Current liabilities		
Current portion of long-term borrowings	349,672	349,672
Accounts payable-other	1,652,052	1,639,329
Income taxes payable	261,435	82,735
Provision for bonuses	108,478	222,362
Other	643,394	697,707
Total current liabilities	3,015,032	2,991,808
Non-current liabilities		
Long-term borrowings	505,855	458,437
Retirement benefit liability	534,795	551,013
Provision for retirement benefits for directors (and other officers)	315,463	315,463
Other	114,142	110,796
Total non-current liabilities	1,470,255	1,435,709
Total liabilities	4,485,288	4,427,517
Net assets		
Shareholders' equity		
Share capital	438,541	440,115
Capital surplus	358,472	360,046
Retained earnings	2,221,363	2,154,779
Treasury shares	(156,934)	(156,983)
Total shareholders' equity	2,861,442	2,797,958
Accumulated other comprehensive income		
Foreign currency translation adjustment	9,414	3,690
Total accumulated other comprehensive income	9,414	3,690
Share acquisition rights	960	960
Non-controlling interests	15,727	9,155
Total net assets	2,887,544	2,811,765
Total liabilities and net assets	7,372,832	7,239,283

(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 FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Net sales	5,805,218	5,200,367
Cost of sales	4,829,226	4,384,343
Gross profit	975,991	816,024
Selling, general and administrative expenses	879,385	815,175
Operating profit	96,605	848
Non-operating income		
Foreign exchange gains	2,782	23,371
Subsidy income	1,200	9,764
Surrender value of insurance policies	3,200	-
Other	3,936	4,232
Total non-operating income	11,119	37,367
Non-operating expenses		
Interest expenses	1,328	6,044
Other	211	252
Total non-operating expenses	1,539	6,297
Ordinary profit	106,185	31,918
Extraordinary income		
Consumption taxes differential	153,010	44,219
Total extraordinary income	153,010	44,219
Extraordinary losses		
Impairment loss	69,430	-
Special survey costs, etc.	83,734	-
Loss on retirement of non-current assets	459	-
Total extraordinary losses	153,624	-
Profit before income taxes	105,570	76,138
Income taxes-current	152,004	72,261
Income taxes-deferred	(55,202)	(31,978)
Total income taxes	96,801	40,282
Profit	8,769	35,855
Profit (loss) attributable to non-controlling interests	382	(34)
Profit attributable to owners of parent	8,386	35,890

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

	(Thousands of yen)	
	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Profit	8,769	35,855
Other comprehensive income		
Valuation difference on available-for-sale securities, before tax	(39)	-
Foreign currency translation adjustment	(4,259)	(3,181)
Share of other comprehensive income of entities accounted for using equity method	(4)	(30)
Total other comprehensive income	(4,303)	(3,212)
Comprehensive income	4,465	32,643
Comprehensive income attributable to:		
Owners of parent	4,809	34,639
Non-controlling interests	(343)	(1,996)

(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.