

**Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2021
(Six Months Ended December 31, 2020)**

[Japanese GAAP]

February 15, 2021

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:

February 15, 2021

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:

Yes (for analysts)

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

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2021
(July 1, 2020 to December 31, 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	%
Six months ended Dec. 31, 2020	10,897	(7.6)	207	(30.5)	266	(15.6)	162	-
Six months ended Dec. 31, 2019	11,790	16.5	298	75.6	316	60.8	(72)	-

Note: Comprehensive income (millions of yen) Six months ended Dec. 31, 2020: 163 (-%)

Six months ended Dec. 31, 2019: (77) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2020	47.63	44.00
Six months ended Dec. 31, 2019	(21.05)	-

Notes: 1. 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 six months ended December 31, 2019 reflect the replacement of this provisional method with the finalized numbers.

2. Diluted net income per share for the six months ended December 31, 2019 is not presented because net loss was posted despite the existence of latent shares with a dilution effect.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2020	7,718	2,948	38.1	858.86
As of Jun. 30, 2020	7,372	2,887	38.9	840.47

Reference: Shareholders' equity (millions of yen)

As of Dec. 31, 2020: 2,941

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
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 Dec. 31, 2020:	3,608,400 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 Dec. 31, 2020:	183,845 shares	As of Jun. 30, 2020:	183,811 shares
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3) Average number of outstanding shares during the period

Six months ended Dec. 31, 2020:	3,420,711 shares	Six months ended Dec. 31, 2019:	3,459,435 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 half of the current fiscal year, the manufacturing sector business sentiment (DI) at large companies improved from negative 34 in June, the lowest level in 11 years, to negative 10 in the Bank of Japan *Tankan* announced on December 14, 2020. This is also a big improvement from negative 27 in the September survey. The high level of automobile exports to China and the United States fueled improvements in the steel, production machinery, non-ferrous metals and other industries. Non-manufacturing sector business sentiment at large companies increased 7 points to negative 5 mainly because of improvements in the retail, hospitality, restaurant, cargo transportation and mail, and other industries. However, business sentiment is still far below the levels of December 2019 (manufacturing 0, non-manufacturing positive 20), which was prior to the start of the COVID-19 crisis. There are still concerns about the effects of this crisis.

Japan's unemployment rate increased 0.2 percentage point in November 2020 to 2.9% and the November jobs-to-applicants ratio was up 0.02 point from October to 1.06.

In Thailand, which is a major market for Hirayama Holdings, the manufacturing production index stopped falling in May, when the index was down 23.8% from one year earlier, and subsequently recovered to 0.5% above the prior-year level in October.

Sales in the first half were largely in line with the plan mainly for three reasons. First is the recovery of orders at the Hirayama Group started to recover in the first half, mainly in the automotive sector due to an increase in our customer's production. Second is the strong performance of the medical devices and food categories, which offset weakness in the office work category. Third is the start of a recovery in manufacturing activity outside Japan. First half earnings were higher than planned. This is attributable to Genba Kaizen (improving how work is performed) at outsourcing job sites, the receipt of orders with high rates, and the efficient use of selling, general and administrative expenses.

In the first half of the fiscal year, the recovery of the output of customers was just beginning in the first quarter. As a result, net sales decreased 7.6% year-on-year to 10,897 million yen and operating profit decreased 30.6% to 207 million yen. Although there was subsidy income of 49 million yen included in non-operating income, ordinary profit decreased 15.6% to 266 million yen.. Profit attributable to owners of parent was 162 million yen, compared with a loss of 72 million yen one year earlier, because of extraordinary income of 44 million yen for a consumption taxes differential and income taxes of 139 million yen.

Results by business segment were as follows.

1) In-sourcing & temp staffing services

Orders remained firm during the first half, primarily in the machinery, medical devices, food, retail and logistics sectors. Earnings increased despite a decrease in sales. The main reason was the efficient use of expenses even as large expenditures were made for recruiting and training activities, while preserving existing jobs, in order to be prepared for the next phase of growth, which is expected because orders have started recovering.

Segment sales in the first half decreased 4.2% year-on-year to 9,099 million yen and segment profit increased 1.6% to 745 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 more companies have become cautious about hiring more engineers. Some ICT companies that provide services to automobile companies and other companies in the automobile industry have greatly reduced the use of external workers. However, as production volume started to recover, there was a shortage of workers at many companies, especially in the automobile sector, which is the most important category of this segment.

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. In addition, placements of foreign engineers who studied engineering in other countries gradually started in February and March.

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.

Segment sales decreased 3.5% year-on-year to 729 million yen and segment profit decreased 5.3% to 42 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 6.4% in the first quarter of 2020 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. According to the Federation of Thai Industries, the magnitude of the downturn in automobile production has been declining since July and, due to a rapid recovery, production was 11.9% higher than one year earlier in November. This recovery in production is expected to continue.

To help manufacturers improve efficiency in many ways, the Group 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. These services have been temporarily suspended because of the severe impact of COVID-19 and will be restarted when the business climate improves.

Segment sales decreased 40.3% year-on-year to 627 million yen and the segment loss was 49 million yen, compared with profit of 2 million yen one year earlier. Although there are signs of an improvement in the business environment, performance in this segment reflects conditions during the six-month period when the economic downturn was most severe.

Note: There is a three-month delay in the disclosure of results of operations in the overseas operations segment. The sales and earnings reported for the first half of the current fiscal year are for overseas operations in the quarter from April to September.

4) Others

COVID-19 continued to have 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. Many web seminars were held to generate fee income. Seminars were held for people in India, Singapore, China, Brazil, the UAE, Georgia and other countries. We plan to further expand these global activities to include Indonesia, Malaysia, Thailand and other countries. These seminars are slowly increasing our Genba Kaizen consulting activities. One result is the online provision of assistance to customers in Vietnam. We have expanded online activities to include study tours in Japan for people in other countries. Online formats are used for field trips to factories, discussions with company presidents and many other activities. The response has been very positive. In addition, progress is continuing with increasing the number of customers for the service for creating e-manuals, which has started making a steady contribution to sales.

As the activities in this category are still in an early stage, segment sales decreased 9.3% year-on-year to 440 million yen and the segment loss was 29 million yen, compared with profit of 49 million yen one year earlier.

(2) Explanation of Financial Position

1) Analysis of Financial Position

Total assets increased 345 million yen from the end of the previous fiscal year to 7,718 million yen at the end of the second quarter of the current fiscal year. This was mainly due to increases in cash and deposits of 346 million yen and notes and accounts receivable-trade of 111 million yen, while there was a decrease in accounts receivable-other of 65 million yen.

Total liabilities increased 284 million yen to 4,769 million yen. This was mainly attributable to an increase in current liabilities of 387 million yen, which was partially offset by a decrease in long-term borrowings of 134 million yen.

Net assets increased 60 million yen to 2,948 million yen. The main reason was an increase in retained earnings of 60 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) increased 328 million yen from the end of the previous fiscal year to 3,608 million yen at the end of the first half of the current fiscal year.

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

Cash flows from operating activities

Net cash provided by operating activities increased 145.4% year-on-year to 587 million yen. The main factors include profit before income taxes of 298 million yen, and increases in deposits received of 264 million yen and accrued consumption taxes of 205 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 22 million yen, compared with net cash used of 29 million yen one year earlier. The main factors include a net increase in time deposits of 18 million yen.

Cash flows from financing activities

Net cash used in financing activities was 236 million yen, compared with net cash used of 332 million yen one year earlier. The main factors include repayments of long-term borrowings of 174 million yen and dividends paid of 102 million yen.

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

The revised outlook of the World Bank for the global economy announced on January 5, 2021 is for growth of 4.2%, which is 0.2 percentage point below the forecast as of June 2020. The prediction for Japan is growth of 2.5%, which is slightly less than half of the 5.3% downturn in 2020. In Thailand, the primary location of overseas operations, the Federation of Thai Industries announced in January 2021 a forecast for the country’s automobile production to increase 5.1% in 2021 to the 1.5 million vehicle level. In December 2020, 142,969 vehicles were produced in Thailand, 6.5% more than one year earlier. The federation is basing its outlook for Thailand on the optimistic assumption that consumer sentiment will improve due to the success of COVID-19 containment measures and economic stimulus programs.

In Japan, the economic outlook is still unclear because of another economic slowdown caused by an increase in COVID-19 infections that forced the Japanese government to declare its second state of emergency on January 7, 2021. The Bank of Japan announced at the monetary policy meeting on January 21, 2021 its outlook for real economic growth of minus 5.5% in 2021, down 0.1 percentage point from the minus 5.6% forecast announced in October 2020.

Based on this outlook, we are making no revisions to the forecast announced on August 14, 2020 for consolidated

sales and earnings in the fiscal year ending in June 2021. First half sales were 46.7% of the fiscal year forecast and this percentage was 51.8% for operating profit, 66.7% for ordinary profit and 54.3% for profit attributable to owners of parent as the pace of earnings was ahead of the forecast. In addition, as was announced on January 15, 2021 in a release titled “Notice of Extraordinary Income,” extraordinary income of 36 million yen will be recorded in the third quarter of the current fiscal year. An announcement will be made promptly if there is a need to revise the 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)	Second Quarter of FY6/21 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	3,514,341	3,860,839
Notes and accounts receivable-trade	2,356,208	2,467,550
Other	532,123	457,927
Allowance for doubtful accounts	(41,756)	(42,940)
Total current assets	6,360,916	6,743,377
Non-current assets		
Property, plant and equipment	258,053	252,838
Intangible assets	187,099	160,169
Investments and other assets	566,763	561,982
Total non-current assets	1,011,915	974,990
Total assets	7,372,832	7,718,367
Liabilities		
Current liabilities		
Current portion of long-term borrowings	349,672	349,672
Accounts payable-other	1,652,052	1,680,658
Income taxes payable	261,435	119,729
Provision for bonuses	108,478	138,863
Other	643,394	1,113,156
Total current liabilities	3,015,032	3,402,079
Non-current liabilities		
Long-term borrowings	505,855	371,019
Retirement benefit liability	534,795	575,968
Provision for retirement benefits for directors (and other officers)	315,463	313,363
Other	114,142	107,441
Total non-current liabilities	1,470,255	1,367,792
Total liabilities	4,485,288	4,769,871
Net assets		
Shareholders' equity		
Share capital	438,541	440,578
Capital surplus	358,472	360,509
Retained earnings	2,221,363	2,281,828
Treasury shares	(156,934)	(156,983)
Total shareholders' equity	2,861,442	2,925,933
Accumulated other comprehensive income		
Foreign currency translation adjustment	9,414	15,280
Total accumulated other comprehensive income	9,414	15,280
Share acquisition rights	960	960
Non-controlling interests	15,727	6,320
Total net assets	2,887,544	2,948,495
Total liabilities and net assets	7,372,832	7,718,367

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

(Thousands of yen)

	First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)
Net sales	11,790,327	10,897,128
Cost of sales	9,784,491	9,002,500
Gross profit	2,005,836	1,894,628
Selling, general and administrative expenses	1,706,839	1,687,252
Operating profit	298,996	207,376
Non-operating income		
Foreign exchange gains	6,225	1,797
Subsidy income	2,066	49,942
Other	12,638	15,364
Total non-operating income	20,930	67,104
Non-operating expenses		
Interest expenses	2,329	6,373
Other	1,470	1,208
Total non-operating expenses	3,799	7,581
Ordinary profit	316,127	266,898
Extraordinary income		
Consumption taxes differential	349,674	44,221
Gain on sales of investment securities	-	236
Total extraordinary income	349,674	44,458
Extraordinary losses		
Impairment loss	296,459	-
Special survey costs, etc.	83,234	-
Loss on retirement of non-current assets	459	-
Provision of allowance for doubtful accounts	134,801	-
Loss on valuation of shares of subsidiaries and associates	-	12,955
Total extraordinary losses	514,954	12,955
Profit before income taxes	150,847	298,400
Income taxes-current	268,208	150,958
Income taxes-deferred	(42,367)	(11,793)
Total income taxes	225,840	139,165
Profit (loss)	(74,992)	159,235
Loss attributable to non-controlling interests	(2,159)	(3,703)
Profit (loss) attributable to owners of parent	(72,833)	162,939

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

	(Thousands of yen)	
	First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)
Profit (loss)	(74,992)	159,235
Other comprehensive income		
Valuation difference on available-for-sale securities, before tax	(35)	-
Foreign currency translation adjustment	(2,659)	4,467
Share of other comprehensive income of entities accounted for using equity method	(8)	224
Total other comprehensive income	(2,704)	4,692
Comprehensive income	(77,697)	163,927
Comprehensive income attributable to:		
Owners of parent	(74,431)	168,804
Non-controlling interests	(3,265)	(4,877)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	150,847	298,400
Depreciation	34,582	26,103
Amortization of goodwill	40,769	12,765
Impairment loss	296,459	-
Increase (decrease) in allowance for doubtful accounts	134,913	1,402
Increase (decrease) in provision for bonuses	29,621	30,419
Increase (decrease) in retirement benefit liability	15,161	41,173
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(6,250)	(2,100)
Interest and dividend income	(408)	(323)
Interest expenses	2,329	6,373
Foreign exchange losses (gains)	(4,873)	(249)
Loss on valuation of shares of subsidiaries and associates	-	12,955
Decrease (increase) in trade receivables	(160,629)	(110,744)
Decrease (increase) in accounts receivable-other	(10,792)	67,394
Increase (decrease) in accrued expenses	20,277	(3,120)
Increase (decrease) in accounts payable-other	(128,159)	26,986
Increase (decrease) in accrued consumption taxes	56,261	205,884
Increase (decrease) in deposits received	(4,925)	264,366
Other, net	2,991	(28,660)
Subtotal	468,176	849,028
Interest and dividends received	670	139
Interest paid	(2,292)	(6,316)
Income taxes paid	(295,616)	(334,036)
Income taxes refund	68,253	78,204
Net cash provided by (used in) operating activities	239,190	587,018
Cash flows from investing activities		
Net decrease (increase) in time deposits	(18,000)	(18,000)
Purchase of property, plant and equipment	(6,553)	(6,077)
Purchase of intangible assets	(7,686)	(2,390)
Collection of loans receivable	10,577	-
Proceeds from refund of leasehold and guarantee deposits	8,683	10,561
Payments of leasehold and guarantee deposits	(9,900)	(7,271)
Other, net	(6,312)	962
Net cash provided by (used in) investing activities	(29,191)	(22,217)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	40,000
Repayments of long-term borrowings	(174,836)	(174,836)
Purchase of treasury shares	(50,622)	0
Dividends paid	(103,946)	(102,324)
Other, net	(2,908)	729
Net cash provided by (used in) financing activities	(332,313)	(236,431)
Effect of exchange rate change on cash and cash equivalents	(3,639)	127
Net increase (decrease) in cash and cash equivalents	(125,954)	328,497
Cash and cash equivalents at beginning of period	3,357,940	3,280,030
Cash and cash equivalents at end of period	3,231,985	3,608,528

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.