

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2021
(Nine Months Ended March 31, 2021)

[Japanese GAAP]

May 17, 2021

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Securities code: 7781
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Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2021
(July 1, 2020 to March 31, 2021)

(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	%
Nine months ended Mar. 31, 2021	16,697	(4.4)	367	(3.4)	455	8.3	305	109.4
Nine months ended Mar. 31, 2020	17,472	14.3	380	188.2	420	153.7	145	(53.7)

Note: Comprehensive income (millions of yen) Nine months ended Mar. 31, 2021: 294 (up 106.5%)

Nine months ended Mar. 31, 2020: 142 (down 54.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2021	89.22	82.47
Nine months ended Mar. 31, 2020	42.30	39.00

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 nine months ended March 31, 2020 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 Mar. 31, 2021	7,782	3,079	39.6	898.83
As of Jun. 30, 2020	7,372	2,887	38.9	840.47

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2021: 3,078

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 Mar. 31, 2021:	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 Mar. 31, 2021:	183,845 shares	As of Jun. 30, 2020:	183,811 shares
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3) Average number of outstanding shares during the period

Nine months ended Mar. 31, 2021:	3,421,973 shares	Nine months ended Mar. 31, 2020:	3,447,064 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 nine months of the current fiscal year, the manufacturing sector business sentiment (DI) at large companies increased 15 points from the December 2020 survey to plus 5 in the Bank of Japan *Tankan* announced on March 31, 2021. This index had fallen to negative 34 in June 2020, the same level as after the Lehman Shock, due to the spread of the COVID-19 pandemic, but has continued to improve since then, and has now recovered to the pre-pandemic level of September 2019. The economy improved for the third consecutive quarter as exports and production expanded due to the recovery in overseas economies such as the U.S. and China. On the other hand, non-manufacturing sector business sentiment at large companies improved marginally by 4 points to negative 1 indicating that economic recovery from the COVID-19 pandemic is increasingly polarized.

Japan's unemployment rate in February 2021 was 2.9%, unchanged from January, and the February jobs-to-applicants ratio was down 0.01 point from January to 1.09.

In Thailand, which is a major market for Hirayama Holdings, the manufacturing production index stopped falling in the second quarter of 2020, when the index was down 20.4% from one year earlier, and subsequently recovered to a decrease of 1.6% from the prior-year level in the fourth quarter.

Sales in the first nine months at the Hirayama Group were largely in line with the plan mainly for three reasons. First is the higher orders and sales due to an increase in our customer's production, mainly in the automotive sector. Second is the strong performance of the medical devices and food categories, which offset weakness in the office equipment, and retail and service categories. Third is the start of a recovery in manufacturing activity outside Japan. Earnings in the first nine months 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 utilization of DX and RPA to efficiently use selling, general and administrative expenses.

In the first nine months of the current fiscal year, the recovery of the output of customers was just beginning in the first quarter. As a result, net sales decreased 4.4% year-on-year to 16,697 million yen and operating profit decreased 3.4% to 367 million yen. Ordinary profit increased 8.3% to 455 million yen due to subsidy income of 65 million yen included in non-operating income. Profit attributable to owners of parent increased 109.4% year-on-year to 305 million yen because of extraordinary income of 44 million yen for a consumption taxes differential and of 36 million yen for gain on forgiveness of debts, and income taxes of 228 million yen.

Results by business segment were as follows.

1) In-sourcing & temp staffing services

Orders remained firm during the first nine months, primarily in the machinery and logistics sectors while there were lower orders in the retail and service sectors. Orders remained strong in the medical devices and food categories. Earnings increased due to our efforts to improve profitability by continuing to improve how work is performed, as well as efficient use of personnel recruitment and training expenses while maintaining employment in preparation for the next phase of growth in anticipation of recovery in orders.

On the recruiting front, the numbers of both new graduates and of mid-career hires were higher than in the same period of the previous fiscal year as we were able to maintain steady rates of hiring.

Segment sales in the first nine months decreased 1.3% year-on-year to 13,876 million yen and segment profit increased 12.1% to 1,168 million yen.

2) Engineer placement services

In the engineer placement services segment, there is still a sense of caution about the future of the economy due to concerns over trade friction between the U.S. and China, the declaration of a state of emergency and the fact that the spread of the COVID-19 pandemic has not abated. As a result, more of our client companies are taking a cautious approach to increasing the number of engineers. Demand for IT-related engineers has been steady, but there have

been some instances of decline in demand for external workers from some of our major customers, especially in the automotive and other transport equipment sectors.

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.

On the other hand, in human resources recruitment, the placement of personnel from overseas partner universities had been delayed due to entry restrictions in the previous fiscal year. Although these entry restrictions have been intermittently lifted, only a few placements were made. Moreover, since the year before last, we have been working on a training program for people with no experience and on a program to convert personnel with no technical background from companies in the Hirayama Group into persons who can fill engineering positions, as the number of applications from inexperienced personnel and foreign nationals in Japan has been on the increase.

Moving ahead, we will continue to strengthen the recruitment of new employees, mainly for high value-added human resources. Simultaneously, we will continue to focus on ensuring the health of our employees by providing mental health care support by career counsellors and strive to reduce turnover of engineers who are the source of our growth.

Segment sales decreased 3.3% year-on-year to 1,094 million yen and segment profit decreased 29.0% to 49 million yen due to a temporary increase in training costs.

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, 20.0% in the second quarter, 8.5% in the third quarter and 1.6% in the fourth 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 2020. Production was 11.9% higher than one year earlier in November and 10.7% higher in March 2021. The number of temporary employees of Hirayama Group in Thailand as of March 2021 recovered to 95% of the level recorded one year earlier.

To help manufacturers improve efficiency in many ways, the Hirayama 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 the situation in Myanmar. These services will be restarted when the business climate improves.

Consequently, in the first nine months of the current fiscal year, we were still in the process of recovering from the effects of the decline in the output at customers caused by the spread of the COVID-19 pandemic. Segment sales decreased 34.5% year-on-year to 1,051 million yen and the segment loss was 58 million yen, compared with profit of 7 million yen one year earlier.

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 nine months of the current fiscal year are for overseas operations in the period from April to December 2020.

4) Others

In the Others business segment, while the Genba Kaizen (improving how work is performed) consulting service and study tours to Japan from other countries were still severely affected by the spread of the COVID-19 pandemic, the Group actively developed and promoted paid web-based seminars in cooperation with major telecommunications companies and human resource education institutions in developing nations. We have already conducted seminars in a wide range of countries including India, Pakistan, Bangladesh, Singapore, China, Brazil, UAE, and Georgia, and are engaged in expanding this business globally. 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. Furthermore, new businesses, such as IT staffing, medical interpreter training, and IMOC (inventory management operation center) related businesses, are now steadily starting to contribute to sales as customer development progresses. However, the employment management support business for foreign nationals and the IT staffing business are both taking time to become profitable due to the restrictions on the entry of foreign nationals into Japan. In addition, the sales for the Genba Kaizen visiting consulting business, which has a high profit margin, temporarily declined due to the restrictions on travel to foreign countries. Consequently, the operating environment for the business remained challenging in the first nine months of the current fiscal year.

As the activities in this category are still in an early stage, segment sales increased 0.3% year-on-year to 674 million yen and the segment loss was 20 million yen, compared with profit of 68 million yen one year earlier.

(2) Explanation of Financial Position

Total assets increased 409 million yen from the end of the previous fiscal year to 7,782 million yen at the end of the third quarter of the current fiscal year. This was mainly due to increases in cash and deposits of 101 million yen and notes and accounts receivable-other of 261 million yen.

Total liabilities increased 218 million yen to 4,703 million yen. This was mainly attributable to an increase in accrued consumption taxes of 433 million yen, which was partially offset by a decrease in long-term borrowings of 202 million yen.

Net assets increased 191 million yen to 3,079 million yen. The main reason was an increase in retained earnings of 206 million yen.

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

First nine months sales were 71.6% of the forecast for the fiscal year ending June 2021, announced on August 14, 2020, and the percentage was 91.9% for operating profit, 113.9% for ordinary profit and 101.8% for profit attributable to owners of parent, all of which are generally above the forecast. An announcement will be made promptly if there is a need to revise the forecast in light of performance trends.

* 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)	Third Quarter of FY6/21 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	3,514,341	3,615,734
Notes and accounts receivable-trade	2,356,208	2,618,080
Other	532,123	516,583
Allowance for doubtful accounts	(41,756)	(40,571)
Total current assets	6,360,916	6,709,827
Non-current assets		
Property, plant and equipment	258,053	269,436
Intangible assets	187,099	146,912
Investments and other assets		
Other	677,336	767,015
Allowance for doubtful accounts	(110,573)	(110,792)
Total investments and other assets	566,763	656,223
Total non-current assets	1,011,915	1,072,571
Total assets	7,372,832	7,782,398
Liabilities		
Current liabilities		
Current portion of long-term borrowings	349,672	349,672
Accounts payable-other	1,652,052	1,719,345
Income taxes payable	261,435	56,608
Accrued consumption taxes	376,017	809,048
Provision for bonuses	108,478	279,266
Other	267,377	192,279
Total current liabilities	3,015,032	3,406,220
Non-current liabilities		
Long-term borrowings	505,855	303,601
Retirement benefit liability	534,795	592,507
Provision for retirement benefits for directors (and other officers)	315,463	313,363
Other	114,142	87,650
Total non-current liabilities	1,470,255	1,297,121
Total liabilities	4,485,288	4,703,342
Net assets		
Shareholders' equity		
Share capital	438,541	440,578
Capital surplus	358,472	360,509
Retained earnings	2,221,363	2,427,922
Treasury shares	(156,934)	(156,983)
Total shareholders' equity	2,861,442	3,072,028
Accumulated other comprehensive income		
Foreign currency translation adjustment	9,414	6,059
Total accumulated other comprehensive income	9,414	6,059
Share acquisition rights	960	960
Non-controlling interests	15,727	8
Total net assets	2,887,544	3,079,056
Total liabilities and net assets	7,372,832	7,782,398

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

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Net sales	17,472,749	16,697,463
Cost of sales	14,534,043	13,769,139
Gross profit	2,938,706	2,928,323
Selling, general and administrative expenses	2,557,967	2,560,679
Operating profit	380,738	367,644
Non-operating income		
Foreign exchange gains	19,228	17,773
Subsidy income	2,066	65,429
Other	24,450	15,879
Total non-operating income	45,745	99,083
Non-operating expenses		
Interest expenses	3,344	7,713
Other	2,203	3,324
Total non-operating expenses	5,548	11,037
Ordinary profit	420,936	455,689
Extraordinary income		
Consumption taxes differential	538,842	44,221
Gain on forgiveness of debts	-	36,600
Gain on sales of shares of subsidiaries and associates	-	2,807
Gain on sales of investment securities	-	236
Total extraordinary income	538,842	83,865
Extraordinary losses		
Impairment loss	296,459	-
Special survey costs, etc.	83,234	-
Loss on retirement of non-current assets	729	-
Provision of allowance for doubtful accounts	134,801	-
Loss on valuation of shares of subsidiaries and associates	-	12,955
Total extraordinary losses	515,224	12,955
Profit before income taxes	444,554	526,599
Income taxes-current	413,890	267,512
Income taxes-deferred	(118,174)	(39,509)
Total income taxes	295,716	228,002
Profit	148,837	298,597
Profit (loss) attributable to non-controlling interests	3,016	(6,705)
Profit attributable to owners of parent	145,820	305,302

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

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Profit	148,837	298,597
Other comprehensive income		
Valuation difference on available-for-sale securities	(111)	-
Foreign currency translation adjustment	(5,912)	(3,647)
Share of other comprehensive income of entities accounted for using equity method	(30)	(30)
Total other comprehensive income	(6,053)	(3,677)
Comprehensive income	142,784	294,919
Comprehensive income attributable to:		
Owners of parent	140,255	302,199
Non-controlling interests	2,529	(7,279)

(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.