

## Consolidated Financial Results for the Fiscal Year Ended June 30, 2021

[Japanese GAAP]

August 16, 2021

Company name: HIRAYAMA HOLDINGS Co., Ltd.  
 Securities code: 7781  
 Representative: Yoshikazu Hirayama, President

Listing: Tokyo Stock Exchange (JASDAQ)  
 URL: <https://www.hirayamastaff.co.jp/>

Tel: +81-3-5769-4680

Scheduled date of Annual General Meeting of Shareholders: September 28, 2021

Scheduled date of payment of dividend: September 29, 2021

Scheduled date of filing of Annual Securities Report: September 28, 2021

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, 2021 (July 1, 2020 to June 30, 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	%
Fiscal year ended Jun. 30, 2021	23,043	0.3	532	39.9	645	62.7	413	40.7
Fiscal year ended Jun. 30, 2020	22,970	10.2	380	88.2	396	61.3	293	(19.5)

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2021: 403 (up 35.7%)

Fiscal year ended Jun. 30, 2020: 297 (down 17.8%)

	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, 2021	120.80	111.64	13.6	8.3	2.3
Fiscal year ended Jun. 30, 2020	85.51	78.99	10.5	5.3	1.7

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2021: -

Fiscal year ended Jun. 30, 2020: (0)

(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, 2021	8,174	3,190	39.0	931.33
As of Jun. 30, 2020	7,372	2,887	38.9	840.47

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2021: 3,189 As of Jun. 30, 2020: 2,870

(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, 2021	893	70	(393)	3,848
Fiscal year ended Jun. 30, 2020	499	(39)	(532)	3,280

### 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, 2020	-	-	-	30.00	30.00	102	35.1	3.7
Fiscal year ended Jun. 30, 2021	-	-	-	38.00	38.00	130	31.5	4.3
Fiscal year ending Jun. 30, 2022 (forecasts)	-	-	-	38.00	38.00		32.6	

### 3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 to June 30, 2022)

(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	26,000	12.8	680	27.8	680	5.3	420	1.6	116.40

**\* 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, 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 Jun. 30, 2021:	183,870 shares	As of Jun. 30, 2020:	183,811 shares
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3) Average number of outstanding shares during the period

Fiscal year ended Jun. 30, 2021:	3,422,615 shares	Fiscal year ended Jun. 30, 2020:	3,437,216 shares
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\* 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

In the 2020 fiscal year, Japan's gross domestic product (GDP) fell 4.6% from the previous year according to revised figures announced on June 8, 2021 by the Cabinet Office. Consumer spending plummeted because of the pandemic. This downturn was larger than the 3.6% decline in fiscal 2008 caused by the global financial crisis and was the biggest since 1956. This was the second consecutive year of a decline in Japan's real GDP, following the downturn in fiscal 2019 caused by U.S.-China trade friction and the consumption tax hike to 10%.

In May 2021, Japan's unemployment rate increased 0.2 percentage point from April to 3.0% and the jobs-to-applicants ratio was unchanged at 1.09. As a result, there are still no indications that the Japanese economy is starting to recover.

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 an increase of 0.8% from the prior-year level in the first quarter of 2021.

Fiscal year sales 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 current fiscal year 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 fiscal year that ended in June 2021, the recovery of the output of customers was just beginning in the first quarter. As a result, net sales increased 0.3% year-on-year to 23,043 million yen and operating profit increased 39.9% to 532 million yen. Ordinary profit increased 62.7% to 645 million yen due to subsidy income of 76 million yen included in non-operating income. Profit attributable to owners of parent increased 40.7% year-on-year to 413 million yen because of extraordinary income of 83 million yen mainly due to 44 million yen for a consumption taxes differential and 36 million yen for gain on forgiveness of debts, extraordinary loss of 50 million yen mainly due to settlement package of 17 million yen and loss on liquidation of business of 13 million yen, and income taxes of 265 million yen.

Results by business segment were as follows.

#### (In-sourcing & temp staffing services)

Orders remained firm during the current fiscal year, 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 the previous fiscal year as we were able to maintain steady rates of hiring.

Segment sales for the current fiscal year increased 3.4% year-on-year to 19,032 million yen and segment profit increased 19.3% to 1,594 million yen.

#### (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 repeated 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 took a cautious approach to increasing the number of engineers. Although demand for IT-related engineers is steady, receiving new orders was difficult because of declines in some technology development expenditures 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. However, working hours of these engineers decreased mainly because companies held down overtime work due to the request to limit outings for safety during the pandemic.

Recruiting activities were strengthened to maintain a sound base for medium to long-term growth. Newly hired new graduates and mid-career professionals were both higher than in the previous fiscal year. The number of applications from inexperienced people and foreign nationals has been increasing. In 2018, we started a training program for people with no engineering experience and a program to convert people at Hirayama Group companies with no technical background into engineers. These training programs will continue in order to ensure a sufficient number of trained engineers at group companies.

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 2.0% year-on-year to 1,471 million yen and segment profit decreased 39.0% to 43 million yen due to a temporary increase in training costs.

#### (Overseas operations)

In Thailand, the primary location of operations outside Japan, the manufacturing production index was down from one year earlier by 20.0% in the second quarter of 2020, 8.5% in the third quarter and 1.6% in the fourth quarter. In the first quarter of 2021, this index was up 0.8% as the Thai economy continued to recover. There were weak exports because of the appreciation of the baht and the effects of the COVID-19 pandemic on economic activities. However, 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 39.3% higher during the first half of 2021. The number of temporary employees of the Hirayama Group in Thailand as of June 2021 recovered to 33% 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, the low level of production in the first half of the current fiscal year had a severe impact on the performance of this segment and the second half recovery in output was not enough to offset this downturn. Segment sales decreased 26.0% year-on-year to 1,589 million yen and the segment loss was 44 million yen, compared with a loss of 2 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 current fiscal year are for overseas operations in the period from April to March 2021.

#### (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, Indonesia, Pakistan, Bangladesh, Vietnam, Singapore, Malaysia, 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 current fiscal year.

As the activities in this category are still in an early stage, segment sales increased 4.5% year-on-year to 949 million yen and the segment loss was 43 million yen, compared with profit of 15 million yen one year earlier.

## 2) Outlook

On June 8, 2021, the World Bank announced its outlook of a 5.6% increase in growth of the global economy in 2021, which is 1.5 percentage point higher than the previously forecast, and growth of 4.3% in 2022 as the speed of the recovery increases. In Japan, economic growth is expected to be 2.9% in 2021 and 2.6% in 2022. In Thailand, the primary location of the Hirayama Group's operations outside Japan, the World Bank forecasts economic growth of 2.2% in 2021 and 5.1% in 2022.

In Japan, from a shorter perspective, economic activity is expected to recover as more people receive COVID-19 vaccinations. The long-term demand for workers is likely to remain firm. The main reasons are a labor shortage, mainly for people between the ages of about 20 and 40, because of a decline in Japan's working population caused by a low birthrate, working style reforms, and the increasing number of foreign workers.

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 RPA for doing our jobs more efficiently.

In addition, we have been taking a variety of actions for achieving sustainable development goals.

In the in-sourcing & temp staffing 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 & temp staffing 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 26,000 million yen (up 12.8% year-on-year), operating profit of 680 million yen (up 27.8% year-on-year), ordinary profit of 680 million yen (up 5.3% year-on-year), and profit attributable to owners of parent of 420 million yen (up 1.6% year-on-year) in the fiscal year ending in June 2022.

\*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 increased 801 million yen from the end of the previous fiscal year to 8,174 million yen at the end of the current fiscal year.

Current assets increased 793 million yen to 7,154 million yen. This was mainly due to increases in cash and deposits of 367 million yen and notes and accounts receivable-trade of 442 million yen.

Non-current assets increased 8 million yen to 1,020 million yen. This was mainly attributable to increases in property, plant and equipment of 18 million yen and investments and other assets of 42 million yen, which were partially offset by a decrease in intangible assets of 53 million yen.

Total liabilities increased 499 million yen to 4,984 million yen.

Current liabilities increased 749 million yen to 3,764 million yen. This was mainly attributable to an increase in accrued consumption taxes of 698 million yen, which was partially offset by a decrease in income taxes payable of 241 million yen.

Non-current liabilities decreased 250 million yen to 1,219 million yen. This was mainly due to a decrease in long-term borrowings of 288 million yen.

Net assets increased 302 million yen to 3,190 million yen. The main factors include an increase in retained earnings of 323 million yen.

### **2) Cash flows**

Cash and cash equivalents (hereinafter referred to as “net cash”) increased 568 million yen from the end of the previous fiscal year to 3,848 million yen at the end of the current fiscal year.

Net cash provided by operating activities amounted to 893 million yen. The main factors include profit before income taxes of 678 million yen, a 696 million yen increase in accrued consumption taxes and income taxes paid of 509 million yen.

Net cash provided by investing activities amounted to 70 million yen. The main factors include proceeds from cancellation of time deposits of 200 million yen, purchase of property, plant and equipment of 42 million yen, payments of leasehold and guarantee deposits of 52 million yen, payments for sales of shares of subsidiaries resulting in change in scope of consolidation of 24 million yen.

Net cash used in financing activities was 393 million yen. The main factors include proceeds of 100 million yen from long-term borrowings, repayments of long-term borrowings of 389 million yen and dividends paid of 102 million yen.

## Reference: Trends in cash flow indicators

	FY6/17	FY6/18	FY6/19	FY6/20	FY6/21
Equity ratio (%)	40.2	41.0	35.7	38.9	39.0
Market value-based equity ratio (%)	35.8	68.5	64.1	60.8	58.9
Interest-bearing debt to cash flow ratio (years)	-	1.7	2.1	1.3	0.7
Interest coverage ratio (times)	-	134.4	127.9	88.9	104.9

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 FY6/17 are not presented because operating cash flows were negative.

## 2. Basic Approach to the Selection of Accounting Standards

The 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)	
	FY6/20 (As of Jun. 30, 2020)	FY6/21 (As of Jun. 30, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,514,341	3,882,058
Notes and accounts receivable-trade	2,356,208	2,798,643
Income taxes receivable	192,350	206,432
Other	339,773	307,868
Allowance for doubtful accounts	(41,756)	(40,744)
<b>Total current assets</b>	<b>6,360,916</b>	<b>7,154,258</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	102,369	92,006
Land	124,285	123,036
Other, net	31,399	61,952
<b>Total property, plant and equipment</b>	<b>258,053</b>	<b>276,996</b>
<b>Intangible assets</b>		
Other	187,099	134,056
<b>Total intangible assets</b>	<b>187,099</b>	<b>134,056</b>
<b>Investments and other assets</b>		
Deferred tax assets	350,473	336,965
Other	326,863	383,304
Allowance for doubtful accounts	(110,573)	(110,792)
<b>Total investments and other assets</b>	<b>566,763</b>	<b>609,477</b>
<b>Total non-current assets</b>	<b>1,011,915</b>	<b>1,020,530</b>
<b>Total assets</b>	<b>7,372,832</b>	<b>8,174,788</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of long-term borrowings	349,672	348,024
Accounts payable-other	1,652,052	1,945,668
Income taxes payable	261,435	20,276
Provision for bonuses	108,478	132,357
Accrued consumption taxes	376,017	1,074,162
Other	267,377	244,006
<b>Total current liabilities</b>	<b>3,015,032</b>	<b>3,764,495</b>
<b>Non-current liabilities</b>		
Long-term borrowings	505,855	217,831
Retirement benefit liability	534,795	621,764
Provision for retirement benefits for directors (and other officers)	315,463	313,363
Other	114,142	66,985
<b>Total non-current liabilities</b>	<b>1,470,255</b>	<b>1,219,944</b>
<b>Total liabilities</b>	<b>4,485,288</b>	<b>4,984,439</b>

	(Thousands of yen)	
	FY6/20	FY6/21
	(As of Jun. 30, 2020)	(As of Jun. 30, 2021)
Net assets		
Shareholders' equity		
Share capital	438,541	440,578
Capital surplus	358,472	360,509
Retained earnings	2,221,363	2,545,250
Treasury shares	(156,934)	(157,021)
Total shareholders' equity	2,861,442	3,189,317
Accumulated other comprehensive income		
Foreign currency translation adjustment	9,414	61
Total accumulated other comprehensive income	9,414	61
Share acquisition rights	960	960
Non-controlling interests	15,727	9
Total net assets	2,887,544	3,190,348
Total liabilities and net assets	7,372,832	8,174,788

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

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net sales	22,970,455	23,043,217
Cost of sales	19,212,109	19,033,029
Gross profit	3,758,345	4,010,187
Selling, general and administrative expenses	3,377,912	3,477,944
Operating profit	380,432	532,243
Non-operating income		
Subsidy income	17,050	76,703
Foreign exchange gains	-	29,419
Other	30,952	22,491
Total non-operating income	48,003	128,615
Non-operating expenses		
Interest expenses	4,259	8,517
Foreign exchange losses	24,550	-
Other	2,803	6,664
Total non-operating expenses	31,613	15,182
Ordinary profit	396,822	645,675
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	2,807
Gain on sales of investment securities	-	236
Consumption taxes differential	725,471	44,221
Gain on forgiveness of debts	-	36,600
Total extraordinary income	725,471	83,865
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	-	12,955
Loss on liquidation of subsidiaries and associates	-	7,229
Impairment losses	311,785	-
Special survey costs, etc.	83,234	-
Bad debts written off	111,169	-
Settlement package	-	17,050
Loss on liquidation of business	-	13,758
Other	1,332	-
Total extraordinary losses	507,522	50,993
Profit before income taxes	614,771	678,547
Income taxes-current	450,572	256,434
Income taxes-deferred	(130,549)	8,854
Total income taxes	320,023	265,288
Profit	294,748	413,259
Profit (loss) attributable to non-controlling interests	815	(203)
Profit attributable to owners of parent	293,932	413,462

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY6/20	FY6/21
	(Jul. 1, 2019 – Jun. 30, 2020)	(Jul. 1, 2020 – Jun. 30, 2021)
Profit	294,748	413,259
Other comprehensive income		
Valuation difference on available-for-sale securities	17	-
Foreign currency translation adjustment	2,549	(9,353)
Share of other comprehensive income of entities accounted for using equity method	224	-
Total other comprehensive income	2,791	(9,353)
Comprehensive income	297,539	403,905
Comprehensive income attributable to:		
Owners of parent	298,422	404,109
Non-controlling interests	(883)	(203)

**(3) Consolidated Statement of Changes in Equity**

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	-	9,414	9,414	960	15,727	2,887,544

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	438,541	358,472	2,221,363	(156,934)	2,861,442
Changes during period					
Issuance of new shares	2,037	2,037			4,074
Dividends of surplus			(102,473)		(102,473)
Profit attributable to owners of parent			413,462		413,462
Purchase of treasury shares				(86)	(86)
Change in scope of consolidation			12,898		12,898
Net changes in items other than shareholders' equity					
Total changes during period	2,037	2,037	323,887	(86)	327,875
Balance at end of period	440,578	360,509	2,545,250	(157,021)	3,189,317

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	9,414	9,414	960	15,727	2,887,544
Changes during period					
Issuance of new shares					4,074
Dividends of surplus					(102,473)
Profit attributable to owners of parent					413,462
Purchase of treasury shares					(86)
Change in scope of consolidation					12,898
Net changes in items other than shareholders' equity	(9,353)	(9,353)	-	(15,717)	(25,070)
Total changes during period	(9,353)	(9,353)	-	(15,717)	302,804
Balance at end of period	61	61	960	9	3,190,348

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	614,771	678,547
Depreciation	60,448	57,666
Amortization of goodwill	54,384	23,902
Gain on forgiveness of debt	-	(36,600)
Impairment losses	311,785	-
Loss on valuation of shares of subsidiaries and associates	-	12,955
Loss (gain) on liquidation of subsidiaries and associates	-	7,229
Loss on liquidation of business	-	13,758
Increase (decrease) in allowance for doubtful accounts	148,777	(793)
Interest and dividend income	(839)	(624)
Interest expenses	4,259	8,517
Foreign exchange losses (gains)	12,735	(18,500)
Decrease (increase) in trade receivables	64,161	(430,110)
Decrease (increase) in accounts receivable-other	(44,686)	58,691
Decrease (increase) in distressed receivables	(110,573)	-
Decrease (increase) in advance payments to suppliers	(24,672)	(27,662)
Increase (decrease) in accounts payable-other	(212,829)	293,132
Increase (decrease) in provision for bonuses	13,328	23,878
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(6,250)	(2,100)
Increase (decrease) in retirement benefit liability	68,125	86,969
Increase (decrease) in accrued consumption taxes	164,297	696,491
Other, net	(201,250)	(34,443)
Subtotal	915,975	1,410,906
Interest and dividends received	1,115	647
Interest paid	(4,175)	(8,419)
Income taxes paid	(413,742)	(509,806)
Net cash provided by (used in) operating activities	499,172	893,327
Cash flows from investing activities		
Net decrease (increase) in time deposits	(16)	200,310
Purchase of property, plant and equipment	(21,402)	(42,719)
Purchase of intangible assets	(10,549)	(3,548)
Decrease (increase) in short-term loans receivable	10,577	-
Purchase of investment securities	-	(23,855)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(24,461)
Payments of leasehold and guarantee deposits	(24,889)	(52,842)
Proceeds from refund of leasehold and guarantee deposits	17,763	18,526
Other, net	(10,656)	(736)
Net cash provided by (used in) investing activities	(39,174)	70,673
Cash flows from financing activities		
Proceeds from long-term borrowings	-	100,000
Repayments of long-term borrowings	(349,672)	(389,672)
Purchase of treasury shares	(77,965)	(86)
Dividends paid	(103,964)	(102,381)
Other, net	(611)	(1,151)
Net cash provided by (used in) financing activities	(532,214)	(393,291)
Effect of exchange rate change on cash and cash equivalents	(5,692)	4,163
Net increase (decrease) in cash and cash equivalents	(77,909)	574,872
Cash and cash equivalents at beginning of period	3,357,940	3,280,030
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(6,845)
Cash and cash equivalents at end of period	3,280,030	3,848,058

**(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 the 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 the same as those adopted for preparing the 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

FY6/20 (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.

FY6/21 (Jul. 1, 2020 – Jul. 30, 2021)

(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	19,032,587	1,471,789	1,589,466	22,093,843	949,373	23,043,217	-	23,043,217
Inter-segment sales and transfers	-	10,903	2,243	13,146	101,044	114,191	(114,191)	-
Total	19,032,587	1,482,693	1,591,709	22,106,990	1,050,417	23,157,408	(114,191)	23,043,217
Segment profit (loss)	1,594,599	43,931	(44,729)	1,593,801	(43,640)	1,550,161	(1,017,917)	532,243
Segment assets	2,603,764	221,651	390,156	3,215,572	352,358	3,567,930	4,606,857	8,174,788
Other items								
Depreciation	27,588	1,022	1,551	30,162	12,992	43,155	14,511	57,666
Amortization of goodwill	-	-	13,343	13,343	10,559	23,902	-	23,902
Increase in property, plant and equipment and intangible assets	5,879	3,199	2,235	11,314	20,322	31,637	26,254	57,891

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 1,017,917 thousand yen to segment profit (loss) includes inter-segment transaction elimination of 80,210 thousand yen and corporate expenses of minus 1,098,128 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 4,606,857 thousand yen to segment assets is for corporate assets including cash and deposits that are not allocated to reportable segments.

The adjustment of 14,511 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.

## Related Information

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

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

## 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
21,452,084	1,590,810	322	23,043,217

## (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	4,077,228	In-sourcing & temp staffing

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

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.

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

Not applicable.

**Information related to amortization of goodwill and unamortized balance by reportable segment**

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.

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	In-sourcing & temp staffing	Engineer placement	Overseas operations	Other (Note)	Adjustment	Total
Amortization for the period	-	-	13,343	10,559	-	23,902
Balance at end of period	-	-	633	27,758	-	28,392

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 gain on bargain purchase by reportable segment**

Not applicable.

**Per-share Information**

(Yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net assets per share	840.47	931.33
Net income per share	85.51	120.80
Diluted net income per share	78.99	111.64

Note: The basis of calculating the net income per share and diluted net income per share is as follows:

(Thousands of yen, unless otherwise stated)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
(1) Net income per share		
Profit attributable to owners of parent	293,932	413,462
Amount not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	293,932	413,462
Average number of shares during the period (shares)	3,437,216	3,422,615
(2) Diluted net income per share		
Profit attributable to owners of parent	293,932	413,462
Increase in the number of common shares (shares)	283,850	280,956
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.*