Securities Report

for the Fiscal Year

Ended December 31, 2017

(The English Translation of the “Yukashoken-Houkokusho”

for the Fiscal Year Ended December 31, 2017)

Fullcast Holdings Co., Ltd.

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[Form Submitted]	Securities Report
[Legal Basis]	Paragraph 1 of Article 24 of the Financial Instruments and Exchange Act
[Submitted To]	Director of the Kanto Local Finance Bureau
[Date Submitted]	March 26, 2017
[Fiscal Year]	25th (January 1 to December 31, 2017)
[Company Name]	Fullcast Holdings Co., Ltd.
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[Location to Submit to Inspection]	Tokyo Stock Exchange Group, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Section 1 Corporate Information

Part 1: Corporate Overview

1. Trends in Key Performance Indicators

(1) Consolidated Performance Indicators

Term		Term 21	Term 22	Term 23	Term 24	Term 25
Date of settlement		Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016	Dec. 2017
Net sales	(million yen)	17,462	20,175	22,618	25,340	32,066
Ordinary income	(million yen)	578	1,647	2,168	3,001	4,406
Net income attributable to Fullcast Holdings Co., Ltd.	(million yen)	480	1,336	1,765	2,529	2,994
Comprehensive income	(million yen)	482	1,333	1,776	2,537	3,081
Net assets	(million yen)	5,884	6,678	7,530	9,272	11,339
Total assets	(million yen)	8,605	10,551	11,622	13,272	16,813
Net asset per share	(yen)	152.88	173.51	195.65	239.98	286.81
Net income per share	(yen)	12.48	34.70	45.85	65.92	78.87
Diluted net income per share	(yen)	—	—	—	—	78.58
Equity ratio	(%)	68.4	63.3	64.8	69.3	64.6
Return on equity	(%)	8.5	21.3	24.8	30.2	29.8
Price-earnings ratio	(multiples)	21.3	13.9	16.3	14.6	29.3
Net cash provided by (used in) operating activities	(million yen)	509	2,209	1,339	2,160	3,901
Net cash provided by (used in) investing activities	(million yen)	101	(154)	(296)	(735)	(187)
Net cash provided by (used in) financing activities	(million yen)	—	(535)	(921)	(868)	(1,306)
Cash and cash equivalents at the end of period	(million yen)	4,763	6,284	6,406	6,963	9,371
Number of employees (Others, average number of temporary workers)		452 (356)	446 (460)	474 (552)	504 (642)	635 (844)

Notes: 1. Net sales do not include consumption tax.

2. Diluted net income per share in Terms 21 to 24 are not listed because there were no dilutive shares.

3. The Company split common shares at a ratio of 100 to one share on July 1, 2013. For the purpose of calculating net asset and income per share, it is assumed that the stock split was done at the beginning of the Term 21.

(2) Performance Indicators for Submitting Companies

Term		Term 21	Term 22	Term 23	Term 24	Term 25
Date of settlement		Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016	Dec. 2017
Operating revenue	(million yen)	3,253	2,281	3,486	4,264	4,745
Ordinary income	(million yen)	1,375	410	1,593	2,320	2,708
Net income	(million yen)	1,350	489	1,831	2,567	2,454
Capital stock	(million yen)	2,780	2,780	2,780	2,780	2,780
Shares issued	(shares)	38,486,400	38,486,400	38,486,400	38,486,400	38,486,400
Net assets	(million yen)	3,900	3,849	4,757	6,460	7,578
Total assets	(million yen)	5,124	5,675	6,589	8,353	9,990
Net asset per share	(yen)	101.33	100.01	123.60	168.49	199.17
Dividend per share (Interim dividend per share)	(yen) (yen)	14.00 (—)	16.00 (—)	18.00 (8.00)	21.00 (10.00)	26.00 (12.00)
Net income per share	(yen)	35.09	12.70	47.57	66.92	64.63
Diluted net income per share	(yen)	—	—	—	—	64.40
Equity ratio	(%)	76.1	67.8	72.2	77.3	75.5
Return on equity	(%)	41.9	12.6	42.5	45.8	35.0
Price-earnings ratio	(multiples)	7.6	38.1	15.7	14.4	35.8
Payout ratio	(%)	39.9	126.0	37.8	31.4	40.2
Number of employees(Other, average number of temporary workers)		111 (65)	100 (96)	86 (122)	94 (157)	86 (174)

Notes: 1. Operating income does not include consumption tax.

2. Diluted net income per share in Terms 21 to 24 are not listed because there were no dilutive shares.

3. The Company split common shares at a ratio of 100 to one share on July 1, 2013. For the purpose of calculating net asset and income per share, it is assumed that the stock split was done at the beginning of the Term 21.

2. Corporate History

Sept 1990	Established Resort World Co., Ltd. in Minato-ku, Tokyo
Sept 1992	Changed our company name to Fullcast Co., Ltd. (Currently Fullcast Holdings Co., Ltd.)
Oct 1992	Began short-term business contracting
Oct 1994	Moved our head office to Shibuya-ku, Tokyo
Jan 1995	Signed a franchise contract with Fullcast Osaka Co., Ltd., (Note) located in Chuo-ku, Osaka
Sept 1995	Established Seiwa Service Co., Ltd. (Note) in Shinjuku-ku, Tokyo
Jan 1996	Established Entry Co., Ltd. (Note) in Kodaira-shi, Tokyo
Oct 1997	Established Fullcast Lady Co., Ltd.
May 1998	Changed the name of Kanagawa School Entrance Research Association Co., Ltd. to Fullcast With Co., Ltd.
Oct 1998	Fullcast With Co., Ltd. approved to conduct general worker dispatching
Jan 1999	Newly established a factory business section, and began the factory-line contracting business Fullcast Lady Co., Ltd. (Note) approved to conduct general worker dispatching
Apr 1999	Fullcast With Co., Ltd. approved to engage in the employment placement business
June 1999	Merged with Fullcast Osaka Co., Ltd. (Note), Entry Co., Ltd. (Note), Dual Support Co., Ltd. (Note)
Nov 1999	Established Fullcast System Consulting Co., Ltd. (Note)
Mar 2000	Established Fullcast HR Consulting Co., Ltd. (Note) and commenced business after acquiring Fullcast With Co., Ltd.'s personnel consulting department in April of the same year
Sept 2000	Established Fullcast Factory Co., Ltd., and commenced business after acquiring the Factory department in October of the same year
June 2001	Listed shares on an Over-The-Counter Market (Currently Tokyo Stock Exchange JASDAQ, Standard)
Apr 2002	Established Fullcast Central Co., Ltd. by merging with Central Motor Co., Ltd. and Daisho Industry Co., Ltd. and began our factory-line contracting business that caters specifically to the automobile industry
Oct 2002	Fullcast With Co., Ltd. and Fullcast System Consulting Co., Ltd. merged, and their name was changed to Fullcast Technology Co., Ltd. Assumed part of Fullcast Lady Co., Ltd.'s business through an absorption-type split, Fullcast Lady Co., Ltd. specializes in office-type short-term business contracting and dispatching, and changed its name to Fullcast Office Support Co., Ltd. (Note)
Jan 2003	Fullcast Office Support Co., Ltd. (Note) approved to engage in employment placement business Fullcast HR Consulting Co., Ltd. merged with Fullcast Office Support Co., Ltd. (Note)
Sept 2003	Listed our shares on the Second Section of the Tokyo Stock Exchange
June 2004	Acquired 100% ownership of Apayours Co., Ltd. through stock swap
July 2004	Fullcast Technology Co., Ltd. approved to conduct general worker dispatching
Sept 2004	Moved our shares to the First Section of the Tokyo Stock Exchange
Oct 2004	Established Fullcast Finance Co., Ltd.
Nov 2004	Approved to conduct general worker dispatching
Mar 2005	Acquired 100% ownership of Human Resources Research Institute Inc. (Note) through transfer of shares Acquired naming rights for Tohoku Rakuten Golden Eagles' home stadium, "Fullcast Stadium Miyagi" (in October 2007 we dissolved our contract, and declined use of the name)
June 2005	Established an American Depositary Receipt (ADR) Program

Oct 2005	Fullcast Office Support Co., Ltd. merged with Human Resources Research Institute Inc., and changed their name to Fullcast HR Institute Co., Ltd. (Note) Asia Pacific System Research Co., Ltd. became a subsidiary through a third party placement of stock and stock acquisition Fullcast Technology Co., Ltd. listed shares on an Over-The-Counter market (Currently Tokyo Stock Exchange JASDAQ, Standard)
May 2006	Acquired 100% ownership of Nihon Security Guard Co., Ltd. (Currently Fullcast Advance Co., Ltd. now a consolidated subsidiary) through transfer of shares
June 2006	Acquired 100% ownership of Exe Outsourcing Co., Ltd. (Currently F-PLAIN Corporation, now a consolidated subsidiary) through transfer of shares
May 2007	Acquired 100% ownership of Info-P Co., Ltd. through stock swap
June 2007	Acquired 100% ownership of Net It Works, Inc. through transfer of shares
July 2007	Transferred all shares held in Apayours Co., Ltd. to its founder
Oct 2008	Transitioned to a pure holding company system through new division of corporate functions, and changed our corporate name Fullcast Holdings Co., Ltd., all business relating to sales performed by Fullcast HR Institute Co., Ltd. (Note)
Nov 2008	All shares held in Asia Pacific System Research Co., Ltd. transferred to Canon Electronics Inc. in a takeover bid
Mar 2009	Transferred all shares held in Info-P Co., Ltd.
May 2009	Transferred all shares held in Fullcast Finance Co., Ltd.
June 2009	Transferred all shares held in Fullcast Factory Co., Ltd. and Fullcast Central Co., Ltd.
Aug 2009	Transferred all shares held in Net It Works, Inc.
June 2010	Integrated head office functions of the Company and all Group companies (excluding Fullcast Technology Co., Ltd., East Communication Inc., currently F-PLAIN Corporation, now a consolidated subsidiary) and EKO-SYSTEM Inc. (Currently F-PLAIN Corporation, now a consolidated subsidiary)
May 2011	Fullcast Marketing Co., Ltd. (Currently F-PLAIN Corporation, now a consolidated subsidiary) was changed to an equity method affiliate through a partial transfer of stock and allocation of new stock to a third party A takeover bid for Fullcast Technology Co., Ltd. was offered by Yumeshin Holdings Co., Ltd. and all shares owned were transferred
Apr 2012	Acquired 100% ownership of OtetsudaiNetworks, Inc. (Currently our consolidated subsidiary) through transfer of shares
Oct 2012	With the implementation of the Revised Worker Dispatching Act, Fullcast Co., Ltd. and Top Spot Co., Ltd. started services including the “part-time employment placement” and “part-time worker payroll management services”
Jan 2016	Lanched “My Number Management” service
Feb 2016	Established Work & Smile Co., Ltd., with operations started in July 2016
Mar 2016	Acquired shares of Beat Co., Ltd. and converted it into an equity method affiliate
Aug 2016	Acquired shares of Dimension Pocket Co., Ltd., making it a consolidated subsidiary
Oct 2016	Lanched "Year-End Tax Adjustment Management” service
Nov 2016	Established Fullcast Senior Works Co., Ltd., with operations started in March 2017
Jan 2017	Acquired shares of equity method affiliate F-PLAIN Corporation, making it a consolidated subsidiary
Mar 2017	Established Fullcast Porter Co., Ltd., with operations started in July 2017

(Note) Currently Fullcast Co., Ltd. (now a consolidated subsidiary)

3. Description of Business

Our Group is expanding its “Short-Term Operational Support Business” (Provision of timely short-term personnel services that respond to changes in the amount of work of corporate clients) and the “Security, Other Businesses” (Provision of security and other services mainly for public facilities and corporations). In the current fiscal year under review, the Company acquired shares of F-PLAIN Corporation, including it and its subsidiaries within the scope of consolidation. As a result, a new reporting segment called “Sales Support Business” was established. This segment mainly engages in call center operations and sales agency operations of telecommunications products that through a network of sales agents.

The following business segments are identical to the segments contained in segment information by type of business listed in “Part 5: Financial Conditions, 1 (1) Consolidated Financial Statements, Notes.”

Short-Term Operational Support Business (Short-term personnel service, human resourse services for event operation, payroll management services, other services)

[Main companies] Fullcast Co., Ltd.
Top Spot Co., Ltd.
Work & Smile Co., Ltd.
Fullcast Senior Works Co., Ltd.
Fullcast Porter Co., Ltd.
OtetsudaiNetworks, Inc.
Fullcast Advance Co., Ltd.

Sales Support Business (Distributor sales and call center operations, other services)

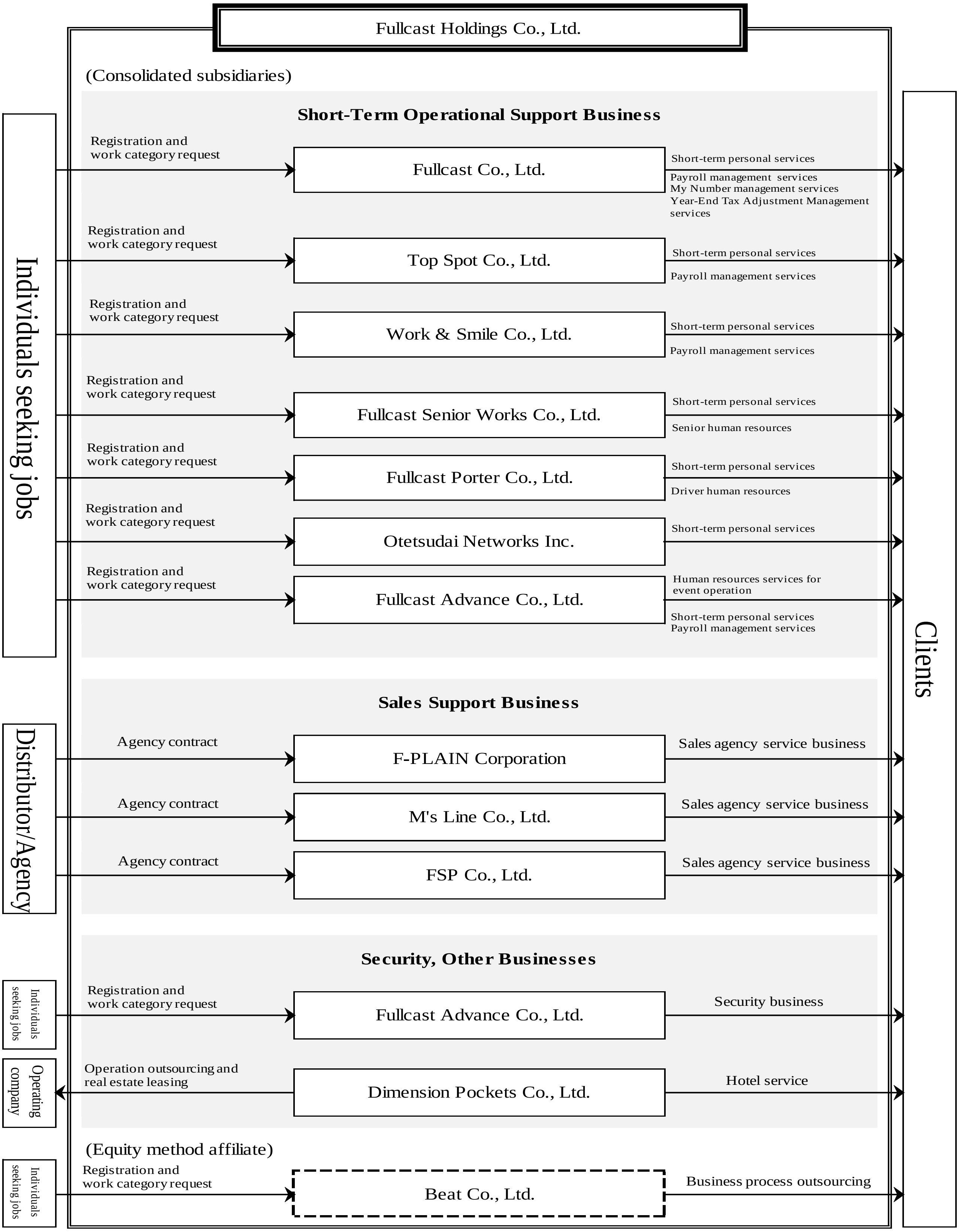
[Main companies] F-PLAIN Corporation
M’s Line Co., Ltd.
FSP Co., Ltd.

Security, Other Businesses (Security business, other services)

[Main companies] Fullcast Advance Co., Ltd.
Dimension Pockets Co., Ltd.

Please note that Fullcast Holdings Co., Ltd. is a specified listed company falling under the category of a specified listed company, and de minimus standards for material facts concerning insider trading regulations will be judged based on consolidated data.

A Diagram Of Our Business Activities Is Shown Below:



Note 1: The above diagram is current as of December 31, 2017.
Note 2: is Fullcast Holdings Co., Ltd., is a consolidated subsidiary, is a equity method affiliate.
Note 3: The Company acquired the shares of F-PLAIN Corporation, an affiliate under the equity method (as of December 31, 2016; 23.8% of voting rights), on January 26, 2017, making it a consolidated subsidiary (78.2% of voting rights). At the same time, F-PLAIN Corporation's wholly owned subsidiary M's Line Co., Ltd., too, became a consolidated subsidiary.
Note 4: On March 7, 2017, the Company established Fullcast Porter Co., Ltd. to engage in the Short-Term Operational Support usiness and made it a consolidated subsidiary.
Note 5: On June 30, 2017, the Company established FSP Co., Ltd to engage in the Sales Support Business and made it a consolidated subsidiary.
Note 6: On Janunary 4, 2018, the Company acquired the shares of BOD Co., Ltd. and made it a consolidated subsidiary.

4. Status of Affiliate Companies

Company	Location	Capital (million yen)	Major business activities	Voting shares (%)	Issues to be noted
(Consolidated subsidiary) Fullcast Co., Ltd. (Note 2, 5)	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system leasing - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Top Spot Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system leasing - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Work & Smile Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system leasing - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Fullcast Senior Works Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system leasing - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Fullcast Porter Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system lease - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
OtetsudaiNetworks Inc.	Shinagawa-ku, Tokyo	50	Short-term operational support business	100.0	- Sublet a part of our rented building to this company for office use. - Provide services such as management advice, business outsourcing, and system leasing - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
F-PLAIN Corporation (Note 5)	Minato-ku, Tokyo	80	Sales support business	78.2	- Provides management consulting services - Concurrent directorates: 2
M's Line Co., Ltd.	Minato-ku, Tokyo	1	Sales support business	78.2 (78.2)	—
FSP Co., Ltd.	Minato-ku, Tokyo	1	Sales support business	78.2 (78.2)	—
Fullcast Advance Co., Ltd (Note 5)	Shinagawa-ku, Tokyo	50	Short-term operational support business Security, other businesses	100.0	- Sublet a part of our rented building to this company for office use. - Provide services such as management advice, business outsourcing, and system lease - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Dimension Pockets Co., Ltd.	Nakijin Village, Kunigami District, Okinawa	136	Security, other businesses	67.0	- Provide management advice service. - Provide financial support: borrowing operating capital

Fullcast Business Support Co., Ltd.	Shinagawa-ku, Tokyo	9	Whole company	100.0	- Sublet a part of our rented building to this company for office use. - Provide services such as business outsourcing and system leasing - Provide financial support: borrowing and lending operating capital
（Equity method affiliate） Beat Co., Ltd.	Kanagawa-ku, Yokohama-shi, Kanagawa	50	Business process outsourcing Worker dispatch business	30.0	- Concurrent directorates: 1

Notes 1: The “Major business activities” category follows the business segment classification.

2: Specified subsidiary.

3: The ownership ratio of voting rights indicated in parentheses represents the ratio of voting rights held indirectly

4: None of the companies listed above have submitted securities registration statements or securities reports.

5: Sales by Fullcast Co., Ltd., Fullcast Advance Co., Ltd. and F-PLAIN Corporation account for over 10% of consolidated sales (excluding internal sales among consolidated companies).

Key earnings information (million yen)

	Fullcast Co., Ltd.	Fullcast Advance Co., Ltd.	F-PLAIN Corporation
Net sales	22,741	3,794	3,479
Ordinary income	3,010	149	290
Net income	1,937	114	198
Net assets	2,237	495	1,750
Total assets	5,417	995	2,195

6: The Company acquired shares of BOD Co., Ltd. on January 4, 2018, making it a consolidated subsidiary.

5. Number of Employees

(1) Status of Consolidated Companies

(As of December 31, 2017)

Name of segment	Number of employees	
Short-Term Operational Support Business	397	[511]
Sales Support Business	74	[134]
Security, Other Businesses	45	[21]
Company-wide (shared)	119	[178]
Total	635	[844]

Notes 1: "Number of employees" is the number of employees engaged in work, and the approximate average annual number of temporary employees is listed within parentheses.

2: The number of employees listed as "Company-wide (shared)" indicates the number of employees who belong to administrative departments who cannot be assigned to specific business segments.

3: In the Short-Term Operational Support Business, the number of employees increased by 46 and the number of temporary employees increased by 68 compared to the end of the previous fiscal year. This change was mainly attributed to an increase in new and mid-career hires associated with the expansion of business as well as an increase in part-time workers.

4: In the Sales Support Business, the number of employees increased by 74 and the number of temporary employees increased by 134 compared to the end of the previous fiscal year. This change was mainly attributed to the new establishment of the "sales support business" segment following the consolidation of F-PLAIN Corporation and its subsidiaries.

(2) Status of The Submitting Company

(As of December 31, 2017)

Number of employees	Average age(years old)	Average length of employment (years)	Average annual salary (Thousand yen)
86 [174]	36.5	8 years and 8 months	5,033

Notes 1: "Number of employees" is the number of employees engaged in work, and the approximate yearly average number of temporay employees is listed within the parentheses.

2: "Average annual salary" includes bonuses and additional wages.

3: The Company's employees mainly perform management and planning related to the Fullcast Group, and they are included in the Company-wide (shared) category.

4: The main reason for the increase in the number of temporary employees of 17 in the current fiscal year is attributed to the impact of the increased hiring of part-time workers to reinforce operational systems for the part-time worker payroll management service.

(3) Status of Labor Unions

No enterprise unions have been formed within our Company or Group. Regarding labor-management relations, there are no items worthy of special mention.

Part 2: State of Business

1. Performance Overview

(1) Performance

During the fiscal year under review, Japan's economy continued to undergo a steady recovery, due to improvements in corporate earnings and employment conditions driven by the government's economic and fiscal stimulus, steadily increasing capital investment, and a gradual recovery in personal consumption, despite the consumer price index remaining largely unchanged. Economic conditions are expected to continue to steadily improve in the future based upon the outlook for improvements in employment conditions and income environments in response to various government stimulus policies. However, the effects of the outlook for emerging economies in China and other countries in Asia, uncertainties arising from the impact of government policies, and volatility in financial and capital markets are still present risk of downward pressure to the business, therefore the economic horizon continues to be clouded with these and other various uncertainties.

With regards to the operating environment surrounding the staffing service industry, the number of new job offers increased, the job offers-to-applicants ratio continued to steadily improve, and the unemployment rate remained at low levels. Therefore, the future outlook points to further improvement in employment conditions.

Against this backdrop, the Fullcast Group implemented group management activities with the goal of "Realize increased profits through deployment of the Group's collective strength and improved productivity" during the fiscal year ended December 2017. In particular, marketing activities were conducted with an emphasis on boosting overall profitability of the Fullcast Group and focused on the mainstay "Part-Time Worker Placement" (hereinafter referred to as "Placement") and "Part-Time Worker Payroll Management" services, as well as the "My Number Management" service and "Year-End Tax Adjustment Management" service (hereinafter referred to as "Management"). In addition, efforts are being made to create a structure to realize higher profits by increasing productivity and promoting operational efficiencies across the entire Fullcast Group.

Consolidated net sales increased by 26.5% year-on-year to 32,066 million yen. This sales growth is primarily attributed to increased sales of the "Placement" and "Management" services, which are mainstay services within the "Short-Term Operational Support Business", and the inclusion of the business of F-PLAIN Corporation and its subsidiaries following its conversion to become a consolidated subsidiary.

In terms of profits, consolidated operating income rose by 53.5% year-on-year to 4,424 million yen due to higher sales.

Consolidated ordinary income grew 46.8% year on year to 4,406 million yen on the buck of the higher operating income, and despite a year on year decline in equity accounting method profits arising from the conversion of F-PLAIN Corporation into a consolidated subsidiary.

Net income attributable to Fullcast Holdings Co., Ltd..increased 18.4% year on year to 2,994 million yen. This growth is attributed mainly to the higher operating income and 167 million yen posted as extraordinary income derived from gain on step acquisitions accompanying the purchase of the shares of F-PLAIN Corporation during the first quarter of the current fiscal year, and despite an increase in corporate, resident and business taxes accompanying the exhausting of losses carried forward in the first half and 48 million yen in extraordinary losses following the impairment of goodwill and plant, property and equipment from certain business units of F-PLAIN Corporation during the third quarter of the current fiscal year.

Our Group considers the "sustained improvement of corporate value" as an important management objective. We will manage our businesses by focusing upon capital efficiency with return on equity (ROE) acting as an important benchmark for our goal of achieving "improvement in corporate value," and using an approach to realize return on equity (ROE) in excess of our cost of capital, which reflects the expected returns by shareholders and investors from our Company. Our Group will continue its efforts to achieve adjusted ROE of 20% or higher, which is derived from net income attributable to Fullcast Holdings Co., Ltd. excluding the influence of income taxes-deferred arising from recording of deferred tax assets for losses carried forward.

Although ROE at the end of this fiscal year was 29.8%, adjusted ROE was 32.5%, an improvement of 1.6% points from 30.9% at the end of the previous fiscal year and continue to realize 20% adjusted ROE.

The Group acquired the shares of F-PLAIN Corporation on January 26, 2017 and converted F-PLAIN Corporation and its subsidiaries into consolidated subsidiaries. In addition,our Group newly established Fullcast Senior Works Co., Ltd. as a consolidated subsidiary on November 1, 2016, in an effort to enhance the “Short-Term Operational Support Business” by cultivating new potential sources of labor by providing job hunting support for seniors and providing this labor to client companies. Fullcast Senior Works Co., Ltd. commenced operations from March 1, 2017. Also, Fullcast Porter Co., Ltd. was established as a consolidated subsidiary on March 7, 2017 to provide human resource services specializing in drivers, for which there is remarkably storong demand due to chronic shortages. Fullcast Porter Co., Ltd. commenced operations on July 1, 2017.

Of the Company’s consolidated subsidiaries, in the third quarter, F-PLAIN Corporation and its subsidiaries changed their settlement date to December 31. Therefore, the settlement date are the same as the consolidated account settlement date. Financial statements were prepared based on a provisional settlement conducted by F-PLAIN Corporation and its subsidiaries as of the consolidated settlement date. Therefore, this change does not have any impact on financial statements.

During the fourth quarter, Dimension Pockets Co., Ltd. changed its settlement date to December 31. Therefore, the settlement date is the same as the consolidated account settlement date. As a result of this change, the consolidated fiscal year under review corresponds to the 14-month period from November 1, 2016 to December 31, 2017. This change has only minimal impact on financial statements. The final days of the business year for other consolidated subsidiaries all match our consolidated account settlement date.

Results by Business

The results for each of our business segments are described below.

A new reporting segment called “Sales Support Business” has been created accompanying the acquisition of the shares of F-PLAIN Corporation during the first quarter of fiscal year ended December 2017 and it and its subsidiaries’new inclusion within the scope of consolidation.

1) Short-Term Operational Support Business

Net sales of the Short-term Operational Support Business increased 14.3% year on year to 26,555 million yen because the Company was able to grow the mainstay “Placement” and “Management” services by securing its human resources supply capabilities in response to the growing number of client companies and their needs for short-term human resources throughout the year.

In term of profits, operating income rose 40.3% year on year, outpacing the growth rate of 23.4% from the previous year and due mainly to the higher net sales and a segment profit (operating income) of 4,881 million yen was achieved.

2) Sales Support Business

Net sales of the “Sales Support Business” totaled 3,596 million yen due to continued success of measures to expand the dealer network for the mainstay Internet service subscription services throughout the fiscal year.

In terms of profits, operating income totaled 255 million yen on the buck of higher sales relative to revised earnings forecasts, despite goodwill amortization resulting from the acquisition of the shares of F-PLAIN Corporation in this segment booked as SG&A expense.

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” segment fell 9.5% year on year to 1,915 million yen due mainly to a decline in the number of temporary security bidding projects compared to the previous year.

In terms of profits, operating income rose by 7.6% year on year to 116 million yen on the buck of an improvement in gross margin made possible through the securing of temporary security projects with high profit margin during the fiscal year in the security business, which is the main business of this segment.

(2) Cash Flows

At the end of the current fiscal year, cash and cash equivalents (hereafter referred to as “funds”) increased by 2,409 million yen (compared with a 557 million yen increase in the previous year) from the end of the previous fiscal year to 9,371 million yen at the end of the current fiscal year.

(Net Cash from Operating Activities)

Funds provided by operating activities were 3,901 million yen (compared with 2,160 million yen of funds provided in the previous year), due mainly to income before income taxes and minority interests of 4,498 million yen, depreciation and amortization of 267 million yen, goodwill amortization of 159 million yen, an increase in notes and accounts payable-trade of 188 million yen, refunds of income taxes of 201 million yen, an increase in allowance for doubtful accounts of 87 million yen, accrued consumption tax of 77 million yen, and in increase in net defined benefit liability of 59 million yen, versus payments of income taxes of 760 million yen, an increase in notes and accounts receivable-trade of 593 million yen, a decline in allowance for subscription cancellations of 213 million yen, and a gain on step acquisitions of 167 million yen.

(Net Cash from Investing Activities)

Funds used by investing activities were 187 million yen (735 million yen in funds used in the previous year), due mainly to an increase in other cash flows from investment activities of 47 million yen, versus expenditure for purchase of property, plant and equipment of 114 million yen, expenditure for purchase of intangible assets of 79 million yen, and expenditure for the purchase of shares of a subsidiary associated with changes in the scope of consolidation of 41 million yen.

(Net Cash from Financing Activities)

Funds used by financing activities were 1,306 million yen (net cash outflow of 868 million yen in the previous year) due to payment of dividends of 875 million yen, expenditure for the purchase of treasury stock of 500 million yen, and net reduction in short-term lones payable of 102 million yen, versus income from long-term lones payable of 200 million yen.

2. State of Production, Orders Received and Sales

(1) Results of Production and Orders Received

Our Group does not typically perform production activities, and due to the extremely short period from the acceptance of orders to the booking of sales in our short-term operational support business, we do not display the scope of orders received as a monetary amount.

(2) Sales Performance

Name of segment	FY12/17 (January 1 to December 31, 2017) (million of yen)	Change from the previous year (%)
Short-Term Operational Support Business	26,555	14.3
Sales Support Business	3,596	—
Security, Other Businesses	1,915	(9.5)
Total	32,066	26.5

Notes: 1. Consumption tax is not included in the amounts listed above.
2. Elimination is performed for intersegment transactions.

3. Management Policy and Environment, and Issues to be Addressed

Our Group formulated the “Medium-Term Management Plan” that began in the fiscal year ended December 2016 in order to realize the “improvement of corporate value,” and the Company is now implementing this plan. The Company is working to realize the main business target of “record high profits by reinforcing Group synergies and further increasing productivity”, which has been established for the fiscal year ending December 2018, the third year of the Medium Term Management Plan.The following statements are based on our best judgment as of the end of the current fiscal year but may contain risk factors forecast for the future.

(1) Sustained Improvement of Corporate Value

As stated in “1. Performance overview, (1) Performance”, we consider the “sustained improvement of corporate value” as one of our most important management issues. Accordingly, we will manage our businesses by focusing upon capital efficiency through the maintenance of an appropriate level of shareholder equity while at the same time continuing to return profits to shareholders. In addition, we seek to realize further expansion of profits in the “part-time worker placement” and “part-time worker payroll management” services, which are the main businesses of our Group.

In the future, we will continue to promote rationalization as a means of fortifying our management structure, while at the same time assigning the highest priority to compliance. We also seek to further increase the confidence of all stakeholders in our Company.

(2) Realization of the “Medium-Term Management Plan (FY16-FY20)”

In accordance with our Five Year “Medium Term Management Plan (FY16-FY20)” that began in the fiscal year ended December 2016, our Group will work to realize the target “achieving new record high levels of profits in the final fiscal year of the Medium Term Management Plan.”

Each of the main KPIs of operating income, number of operating workers, and gross profit per 1 yen of personnel costs were achieved in the fiscal year ended December 2017, the second year of the Medium Term Management Plan. In particular, operating income growth is progressing roughly two years ahead of schedule due to the strength of the Short-term Operational Support Business, the core business of our Group. Taking the above factors into account, our earnings forecast for the fiscal year ending December 2018 is based upon a goal to breaking the Company’s record for operating income, which is also a target within the Medium Term Management Plan. Therefore, our Company has decided to leave the planned targets for each individual fiscal year unchanged.

Result of 2nd Year (FY12/17) of the Medium-Term Management Plan

(billion yen)

		FY12/17 Target	FY12/17 Results	Rate of change
Net Sales	Consolidated	26.2	32.1	122.3%
	I. Short-Term Operational Support Business	24.0	26.6	110.6%
	Placement	4.4	4.8	107.0%
	Management	2.7	2.7	102.1%
	Dispatching	14.1	15.7	110.9%
	Outsourcing	2.8	3.3	118.3%
	II. Security Business	2.2	1.9	86.6%

	III. New Business Ventures and Global Business	–	3.6	–
Target	Operating income	3.0	4.4	146.8%
	Number of operating workers (persons)	205,800	231,222	112.4%
	Gross profit per 1 yen of personnel costs	2.5 yen	2.7 yen	111.5%

Notes 1: Of the net sales of the "Security, Other Businesses" segment, net sales derived from Dimension Pockets Co., Ltd. are recorded under "new business ventures & global business."

2: The Company established the "Sales Support Business" segment as a new reporting segment following the acquisition of shares of F-PLAIN Corporation in the current first quarter and the subsequent inclusion of F-PLAIN Corporation and its subsidiary in the scope of consolidation. However, net sales related to the "Sales Support Business" segment are recorded in "New business ventures & global business."

3: The target number of operating workers under the Medium-Term Management Plan represents the unique number of persons employed in services excluding "Management" of Fullcast Co., Ltd. and Top Spot Co., Ltd.

4: The number of operating workers for the fiscal year ended December 2017 represents the unique number of workers employed in services other than "Management" services in the Short-Term Operational Support Business of Fullcast Co., Ltd., Top Spot Co., Ltd., Work & Smile Co., Ltd., Fullcast Senior Works Co., Ltd., Fullcast Porter Co., Ltd., and Fullcast Advanced Co, Ltd.

5: The net sales figure for each service category is a reference figure and has not undergone an accounting audit by an audit corporation.

(Reference)

An overview of the "Medium-Term Management Plan (FY16-FY20)" is presented below.

1) Term

Five-year period beginning in the fiscal year ended December 2016 (fiscal year December 2016 to 2020)

2) Management Philosophy and Target

Our management philosophy: "Providing the best place for people to bring out their best."

Target: "Achieve new record high levels of profits in the final fiscal year of the Medium-Term Management Plan"

3) Numerical Targets

	FY12/15 Results	FY12/20 Target	Rate of change
Operating income (billion yen)	2.3	5.0	116%
Number of operating workers (persons)	165,304	257,400	56%
Gross profit per 1 yen of personnel costs	2.4 yen	2.8 yen	20%

4) Strategy to achieve targets of the final year of the Medium-Term Management Plan

(Short-Term Operational Support Business)

"Increase market share while maintaining strict compliance"

- Strengthen ability to hire staff
- Strengthen business contacts with customers and organizational strengths
- Increase matching efficiencies through system automation

(Security Business)

"Increase sales through business partnerships and active efforts to capture orders for short-term projects"

- Capture special demand created by the 2020 Tokyo Olympics
- Expand business opportunities through alliances
- Step up hiring by leveraging our corporate group's collective strengths

(New Business Ventures and Global Business)

"Utilize contact points with customers/staff to cultivate new businesses"

"Encourage active utilization of global resources to create a foothold for our future global expansion"

5) Main Management Indicators

Indicators used to realize our vision of "enhancing sustained corporate value": Maintain ROE above 20%

Indicator for shareholder returns: Total return ratio of 50%

Indicator underpinning our "Basic Policy on Capital": Debt-to-equity ratio of less than 0.5x

We seek to achieve the above target indicators to realize our vision of "sustained enhancement of corporate value"

* Adjusted net income represents net income attributable to Fullcast Holdings Co., Ltd. excluding the effects of income taxes-deferred associated with the booking of deferred tax assets within the losses carried forward. "Adjusted net income" is used as the based for calculating the total return ratio and ROE.

(3) Target for the Fiscal Year Ending December 2018

The Fullcast Group has established a goal of "achieving record high profits by reinforcing Group synergies and further increasing productivity" for the fiscal year ending December 2018. Our Group will implement the following measures in the fiscal year ending December 2018 in order to achieve record high profits by boosting sales across the entire Fullcast Group, reinforcing Group collaboration and existing businesses, and continuing promotion of efforts to enhance productivity by streamlining operations Group-wide.

1) Improve Recruitment Efficiency and Staff Operation Rate

- Our Group will endeavor to increase the registration rate from recruitment media and increase the operation rate from registrations, by continuously improving usability, reviewing allocation of investments in recruitment spending and enhancing staff satisfaction.
- Our Group will enhance its own media by further reinforcing SEO and other measures.

2) Further Strengthen Group Synergies

- Our Group will systemize the sharing of project information between operating companies to maximize staff operations.
- Our Group will consolidate administrative work from our sales offices at dedicated BPO departments within the Group to raise operating efficiencies and enhance productivity Group wide.

3) Expand BPO Business and Launch New Services

- Our Group will launch the "Employee Payroll" service in which our Group will carry out employee wage calculation work on behalf of client companies.
- Our Group will introduce the "Hiring Management" service to conduct hiring related work on behalf of client companies as a means of streamline their hiring operations.
- Our Group will expand the service menu of newly consolidated BOD Co., Ltd. to include Fullcast clients.

4. Risks Associated with Our Businesses

Major potential risk factors for the Fullcast Group in the course of our business operations are described below. As part of our policy of proactive disclosure of information to investors, descriptions of risks may also include matters that do not necessarily fall under the category of business risks, but which may be regarded as important factors for investors in making investment decisions or understanding our Group's business activities. Our Group seeks to proactively identify potential business risks, prevent their occurrence and take adequate measures to address them should they appear. The following statements may contain potential risk factors which may occur in the future, and they are based on our best judgment as of the date of reporting of these financial statements.

(1) Fullcast Group's Policy for Business Growth

We endeavor to raise our competitive position through strict adherence to corporate governance and by promoting speed in the strategic decision making process and in the implementation of various strategies by our management. However, should management strategy decisions and tactical implementation take longer than anticipated and the contribution to our earnings does not proceed as planned, our Group's earnings could be negatively impacted.

Within the short-term operational support business we are engaging in a new business model that focuses on both "part-time worker placement" and "part-time worker payroll management" services in response to the Revised Worker Dispatching Act implemented on October 1, 2012. We also launched the "My Number management service" in October 2015, and the "year-end tax adjustment management service" in December 2016, respectively. Following the acquisition and consolidation of BOD Co., Ltd. on January 4, 2018, the Company began providing BPO services, such as data entry, order management contracting, credit screening agency services, invoice agency and processing services, payment management operations, order management, and book keeping and accounting contracting. If business earnings do not progress according to forecasts, the performance of the Group could potentially be adversely affected.

In the Sales Support Business, the Company engages in sales support of telecommunications products and call center operations. If business revenue is not generated according to forecasts, or if large sums must be invested, or if the appeal of the products sold deteriorates, the Company and the Group's business results could be adversely affected.

In addition to reinforcing its existing businesses with a view to the future, our Group has the potential to launch new business ventures through the establishment of new companies, M&A and business tie-ups, among other means. However, there are many elements of uncertainty surrounding new business ventures, and in cases where the initially expected synergies are not achieved and business profit does not meet forecasts due to changes in the business environment surrounding the Group or changes in legal regulations related to the new business venture, the performance of the Group could potentially be adversely affected.

In addition, we maintain a policy of selling shares in affiliates or marketable securities of companies which cease to provide synergies with our Group's various businesses. Also, our Group's earnings could be profoundly impacted by implementation of impairment accounting during times when market capitalization or the actual value of companies whose shares we hold deteriorate.

(2) Legal Regulations

1) Changes in Legal Regulations

If the laws and other related ordinances applied to the business operations of the Fullcast Group are revised or legal interpretations modified due to changes in societal conditions surrounding the labor market, these revisions or new legal interpretations could adversely affect the business performance of the Fullcast Group. Applicable laws include the Worker Dispatching Act, Labor Standards Act, Employment Security Act, Industrial Accident Compensation Insurance Act, Health Insurance Act, Employees Pension Insurance Act, and the Act on the Use of Numbers to Identify a Specific Individual for Administrative Procedures (My Number Act).

2) Part-Time Employment Placement Business

Our Group provides paid-for employment placement services under the license of Minister of Health, Labor and Welfare and in accordance with the Employment Security Act. This license is valid for 5 years. When renewal of the license becomes necessary but is not granted because we fail to meet the requirements for the license as specified in Article 31, or we fall under the category of disqualification or revocation grounds of the license as stipulated in Article 32, the subsequent inability to continue to provide our services could seriously impact the performance of our Group.

3) Worker Dispatching Service

Our Group provides worker dispatching services under the license of Minister of Health, Labor and Welfare in accordance with the Worker Dispatching Act. This license is valid for 5 years, and if it cannot be renewed when required because of non-compliance with the licensing requirements of Article 7, or if there is a violation of relevant laws and regulations or if there is grounds to disqualify our license as prescribed in Article 6, or if there is grounds to cancel our license as prescribed in Article 14, our Group could become subject to disqualification, our license could be cancelled or orders to suspend or halt our operations could be issued.

Our Group is committed to compliance and risk management to prevent any violation of acts and ordinances. However if licenses are cancelled or if other measures are taken due to some reason in the future, we may be unable to continue providing worker dispatching services and our Group’s business performance could be seriously impacted.

4) Various Management Services Including Part-Time Worker Payroll Management Service, Others

Because our Group conducts outsourcing services independent of the contracting client company based upon an outsourcing agreement, we may become liable for damages caused by incompletion of outsourcing services or delays in reporting. Depending upon the amount to be paid for damages, our Group’s earnings could be negatively impacted if we cannot absorb these costs through increased efficiencies of our overall operations and other cost cutting measures.

5) Onsite Subcontracting Service

As an onsite subcontracting service provider based on subcontracts, our Group completes its subcontracting services independently and directly at the client company of said contracts. In carrying out the work involved, we follow commonly accepted practices (as defined in Notice No. 37 of 1986 by Japan’s Ministry of Health, Labor and Welfare) that separates and distinguishes between the employee dispatching and the subcontracting services and other relevant laws and regulations.

Due to the nature of subcontracting services, we are at risk of low productivity and service failure. Therefore our Group’s earnings could be negatively impacted if we cannot absorb these factors through increased efficiencies of our overall operations and other cost cutting measures.

6) Sharing of Social Insurance Contributions

On October 1, 2016, the scope of health insurance and employees’ pension insurance (social insurance) was expanded to include short-term workers. The impact of this legal revision on consolidated earnings is minimal, but if legal revisions further expand the scope of social insurance and employment insurance in the future, or if the number of employees enrolled in social insurance increases due to growth in the worker dispatch or outsourcing businesses owing to the prolonged need for short-term human resources arising from chronic labor shortages at customer companies, the amount of social insurance premiums borne by the Company will increase. Also, this could lead to an increase in the number of cases requiring procedures for obtaining or losing coverage qualifications, which in turn could increase costs for clerical work. In the event that we cannot pass along these higher costs to our customers in the form of higher prices or absorb them through increased efficiencies of our overall operations and other cost cutting measures, our Group’s earnings could be negatively affected.

(3) Managing the Database of Client Firms and Staff

Our Group always strives to provide staff best matched to the needs of client companies and deploy staff for clients promptly and efficiently. To facilitate this, our Group manages a database that contains information on staff work attitudes and experiences by job classification, as well as similar information regarding our clients.

To be prepared for the potential for a malfunction in servers, our Group makes backup databases and servers themselves are operated in redundant configuration using multiple machines in preparation for any potential problems. However, if these servers were to fail simultaneously as a result of problems such as earthquakes or other natural disasters, our Group’s operations could be seriously impeded and our earnings may be negatively affected.

In the future, we expect to make investments in information technologies as needed to help differentiate our Company from our competitors in terms of costs and services offered. Deterioration in the effectiveness of these investments could contribute to reductions in their contribution to sales and profits growth.

To appropriately manage personal information and other data, we endeavor to prevent unauthorized access, destruction, falsification or unauthorized disclosure of personal information by establishing clear handling rules, strictly controlling access rights to the system and stepping up internal inspections. However, our Group earnings could be significantly affected by potential security breaches of personal information, and our Group could lose the trust of the public and become subject of claims for damages.

(4) Workplace Accidents and Transaction-Related Trouble

1) Part-Time Worker Placement Service

In the process of selecting staff members who applying for jobs, the client company may file a suit against us for breach of contract or demand other compensation in the event that our Company places a staff member who does not meet the recruitment requirements of the client company due to our negligence. Although our Group has a compliance system under which ensures personnel in charge of legal affairs can handle various legal risks, our performance may be seriously affected by accidents depending upon their nature and the amount of money involved.

2) Employee Dispatching Service

In the event that a staff member is injured, becomes ill or dies during the course of performing work tasks or due to causes attributable to work at the dispatched workplace, our Group as an employer may become responsible to pay compensation according to the relevant laws and regulations including the Labor Standards Act and the Workers’ Accident Compensation Insurance Act. (Destination business owners that are our clients bear the employer’s liability in accordance with the Industrial Safety and Health Act, and are obliged to protect the safety of staff in accordance with the Civil Code.)

Our Group fortifies staff awareness of safety by promoting occupational health and safety training, as well as by providing safety equipment and bulletins for on-the-job vigilance to prevent injury and illness. To provide better worker protection, our Group maintains an insurance program to pay agreed claims as comprehensive general liability insurance. However, should an accident not covered by this insurance occur, our Group could be forced to pay damages on the grounds of neglecting its duty to secure safety and assume responsibility for any activity which is beyond the bounds of those stipulated in labor contracts.

In addition, our Group could be sued or pressured to make other payments on allegations of staff negligence, for violations of contracts with clients or for illegal activities of staff members in the course of performing services at the dispatched workplace. Although our Group maintains a compliance system that is designed to ensure personnel in charge of legal affairs handle various legal risks, our performance may be seriously affected by accidents depending upon the nature of the incident and the amount of money involved.

(5) Securing and Retaining Employees

In order to improve employee retention, our Group implements measures to enhance employee training and motivation. However, the loss of a greater than expected number of personnel could adversely influence the various business segments of our Group.

(6) Other Businesses (Hotel and Restaurant Business) within Security, Other Business Segment

Fullcast Group operates hotels and restaurant services as part of the other businesses within the Security, Other Businesses segment. Because the earnings of the Security, Other Businesses segment is smaller than the Short-Term Operational Support Business, the following business risks could have a limited impact on the Company and the Group's business results.

1) Occurrence of Natural Disasters and Pandemics

The occurrence of a natural disaster such as a large-scale earthquake or typhoon could damage buildings and facilities operated by the Group and could cause our Company to bear expenses for repair work or suffer a loss of sales from a temporary shutdown of operations. In addition, the occurrence or pandemic spread of diseases such as a new form of influenza or SARS, or other diseases could result in restrictions on long-distance travel and group activities, causing adverse effects on our Group's business performance.

2) Outbreak of Terrorism or War

Changes in the global situation due to the outbreak of terrorism or international warfare are expected to result in a drop in foreigner customers due to voluntary cutbacks on international travel and damping of consumer appetite for leisure and celebratory event, which could impact the Group's business performance.

3) Problems Related to Food Safety

The Company pays sufficient attention to food safety and the labeling of the consume-by date, best-if-eaten-by date, origin, and ingredients on a daily basis. If an incident of food poisoning occurs or if labeling is incorrect, this could lead to a loss of trust in the Company and impact the Group's business performance.

4) Leakages of Personal Information or Trade Secrets

The management of customers' personal information and trade secrets is primarily the responsibility of information management and monitoring departments within our Company. While measures have been put in place to prevent leakages externally, if a leakage does occur, it could cause a loss of trust in our Group, weaken our brand, and result in claims for damages, which could affect the Group's business performance.

5) Legal Regulations

The hotel and restaurant businesses being perfomed as the other business services within the Group's security and other businesses segment are subject to the legal regulations of the Inns and Hotels Act, the Building Standards Act, the Fire Services Act, and the Food Sanitation Act, among others. The Group strives to comply with these laws and regulations. However in the event that these regulations are reinforced or revised or new regulations are established, there is a possibility of incurring necessary costs to comply with such regulations and having restrictions placed on operations due to these regulations, which could affect the Group's business performance and its financial condition.

6) Impairment of Plant, Property and Equipment

The Group owns real estate such as land, buildings and facilities as plant, property and equipment due to the special characteristics of operating hotels and restaurants as other business services within the security, other businesses segment. There is a possibility that these owned assets will require impairment treatment in cases where the profitability of the facility deteriorates or the market value falls as defined by "the Accounting Standard for Impairment of Fixed Assets" and "the Application Guidelines for Accounting

Standards Pertaining to the Impairment of Fixed Assets". In such cases, the Group's business performance and its financial condition could be affected.

7) Interest-Bearing Debt

Our Group undertakes investments mainly for the new establishment of new hotel and restaurant facilities or for the remodeling of existing facilities in order to increase corporate value through the expansion of its business foundation and earnings generating capabilities over the medium to long term. Going forward, if borrowings are increased to undertake capital investments related to the remodeling of existing facilities or the development of new facilities, there is a possibility the Group's financial conditions could change.

8) Risk of Interest Rate Fluctuations

Our Group borrows funds from financial institutions and part of these borrowings is funded using variable interest rates. If interest rates change suddenly and considerably, the Company's interest expenses may increase, which could affect the Group's financial condition.

5. Contracts of Vital Importance to Management

There are no relevant matters.

6. Research and Development Activities

There are no relevant matters.

7. Analysis of Financial Position, Operating Results and Cash Flow Status

The following statements may contain risk factors forecast for the future, although it is based on our best judgment as of the end of the current fiscal year.

(1) Financial Position

1) Cash Flows

Analysis of major details is as outlined in "Part 2: State of Business, 1. Performance Overview, (2) Cash Flows."

2) Liquidity

Current assets increased by 3,178 million yen from the end of the previous fiscal year to 14,053 million yen at the end of the current term. This increase is attributed mainly to increases in cash and cash deposits of 2,409 to 9,371 million yen and in notes and accounts receivable-trade of 1,028 to 4,135 million yen, versus declines in deferred tax assets from 95 to 237 million yen and in other current assets from 175 to 301 million yen, which was caused mainly by increases in prepaid expenses of 46 to 174 million yen and in long-term loans payable maturing within one year of 43 to 43 million yen and by declines in accounts receivable of 210 to 54 million yen and in prepayments of 35 to 10 million yen.

Current liabilities increased by 1,198 million yen from the end of the previous fiscal year to 4,626 million yen at the end of the current fiscal year. This increase is due mainly to increases in accrued income taxes of 540 to 734 million yen,accounts payable-other of 363 to 951 million yen, accrued consumption tax of 103 to 687 million yen, allowance for subscription cancellations of 89 to 89 million yen, and accrued expenses of 66 to 865 million yen.

As a result of the above factors, consolidated operating capital (Current assets − current liabilities) increased by 1,980 million yen from the end of the previous fiscal year to 9,427 million yen, and the consolidated current ratio (Current assets ÷ current liabilities × 100) decreased to 303.8% from 317.2% at the end of the previous fiscal year.

3) Capital Expenditures

Capital investments in the current fiscal year decreased by 309 million yen year-on-year to 193 million yen. Major investments included the acquisition of property, plant and equipment associated with the purchase of servers and system equipment of 17 million yen, the acquisition of property, plant and equipment associated with the new opening and relocation of sales offices of 96 million yen, the acquisition of intangible assets associated with the purchase of various software for use within the Company of 79 million yen.

The Company does not have any concrete plans for capital investments during the fiscal year ending December 31, 2018 at this point.

4) Interest-Bearing Debt

The total value of interest-bearing debt at the end of the current fiscal year increased by 192 to 1,276 million yen. This was mainly due to an increase in interest-bearing debt of subsidiary Dimension Pocket Co., Ltd. resulting from its assumption of new bank loans.

5) Net Assets

Net assets at the end of the current fiscal year stood at 11,339 million yen, representing 2,067 million yen increase from the end of the previous fiscal year. This increase is attributed to a rise of 2,118 million yen in retained earnings due to the realization of 2,994 million yen as net income attributable to Fullcast Holdings Co., Ltd., and despite dividends paid from retained earnings of 876 million yen during the current fiscal year.

As a result of these events, our debt equity ratio (Interest-bearing debt ÷ equity capital (note) × 100) decreased from 11.8% at the end of the previous fiscal year to 11.7%, and equity ratio (Interest-bearing debt ÷ equity × 100) decreased from 69.3% at the end of the previous fiscal year to 64.6%.

(Note) Equity capital = (total of the net assets section) – (stock subscription rights) – (Non-controlling interests)

6) Basic Policy Concerning Profit Allocation

We maintain a policy of enhancing returns of profits to shareholders with a target of achieving total return ratio of 50% relative to adjusted net income (*1).

We will implement shareholder returns with a target of achieving total return ratio of 50% relative to adjusted net income by enhancing profitability and further improving management efficiencies, in addition to offering dividends and share buybacks. This will also enable us to achieve adjusted ROE (*2) of 20% or higher, which is an indicator used for "improvement of corporate value."

Fullcast has established a basic policy of offering a dividend from surpluses twice a year, comprised of an interim dividend and year-end dividend. The decision-making body for the dividend is the Board of Directors for both the interim dividend and year-end dividend.

During the current term, a dividend of 26 yen per share, an increase of 5 yen from the previous year and 1 yen icrease over forecast, will be paid. At the end of the fiscal year, a dividend of 14 yen per share will be paid and share buybacks totaling up to 682 million yen will be conducted. As a result, the total return ratio for the fiscal year ended December 2017 is expected to be 51.1% or higher.

According to our Articles of Incorporation, the Company can determine an interim dividend as prescribed in Article 454-5 of the Companies Act.

Note 1: "Adjusted net income" represents net income attributable to Fullcast Holdings Co., Ltd. excluding the effects of income taxes—deferred associated with the booking of deferred tax assets within the loss carried forward. "Adjusted net income" is used as the based for calculating the total return ratio.

Note 2: "Adjusted ROE" represents ROE calculated based on adjusted net income.

(2) Operating results

1) Net sales

Consolidated net sales increased by 26.5% year-on-year to 32,066 million yen. This sales growth is primarily attributed to increased sales of the “Placement” and “Management” services, which are mainstay services within the “Short-Term Operational Support Business”, and the inclusion of the business of F-PLAIN Corporation and its subsidiaries following its conversion to become a consolidated subsidiary. We explain our results by business segment below.

- Short-Term Operational Support Business

Net sales of the Short-term Operational Support Business increased 14.3% year on year to 26,555 million yen because the Company was able to grow the mainstay “Placement” and “Management” services by securing its human resources supply capabilities in response to the growing number of client companies and their needs for short-term human resources throughout the year.

- Sales Support Business

Net sales of the “Sales Support Business” totaled 3,596 million yen due to continued success of measures to expand the dealer network for the mainstay Internet service subscription services throughout the fiscal year.

- Security, Other Businesses

Net sales of the “Security, Other Businesses” segment fell 9.5% year on year to 1,915 million yen due mainly to a decline in the number of temporary security bidding projects compared to the previous year.

2) Operating Expenses and Income

Cost of sales increased 3,301 million yen from the previous fiscal year to 19,384 million yen (Up by 20.5% year-on-year), while the cost of sales ratio declined 3.0% points from 63.5% in the previous fiscal year to 60.5%. Selling, general and administrative expenses increased by 1,882 million yen from the previous fiscal year to 8,258 million yen (Up by 29.5% year-on-year), while the ratio to net sales increased by 0.6% points from 25.2% in the previous fiscal year to 25.8%. As a result, operating income increased by 1,542 million yen from the previous fiscal year to 4,424 million yen (Up 53.5% year-on-year). We explain our results by business segment below.

- Short-Term Operational Support Business

In term of profits, operating income rose 40.3% year on year, outpacing the growth rate of 23.4% from the previous year and due mainly to the higher net sales and a segment profit (operating income) of 4,881 million yen was achieved.

- Sales Support Business

In terms of profits, operating income totaled 255 million yen on the buck of higher sales relative to revised earnings forecasts, despite goodwill amortization resulting from the acquisition of the shares of F-PLAIN Corporation in this segment booked as SG&A expense.

-Security, Other Businesses

In terms of profits, operating income rose by 7.6% year on year to 116 million yen on the buck of an improvement in gross margin made possible through the securing of temporary security projects with high profit margin during the fiscal year in the security business, which is the main business of this segment.

3) Non-Operating Income and Ordinary Income

The Company recorded a net non-operating loss of 18 million yen, compared to a non-operating profit of 119 million yen in the previous fiscal year. Ordinary income increased by 1,405 million yen from the previous fiscal year to 4,406 million yen (Up by 46.8% year-on-year).

4) Extraordinary Income and Income Before Income Taxes And Minority Interests

Net extraordinary income was 92 million yen. As a result, income before taxes and minority interests totaled 4,498 million yen (Up by 50.2% year-on-year).

5) Income Taxes and Net Income

Income taxes after tax-effect accounting is applied increased by 1,005 million yen from the previous fiscal year to 1,474 million yen, and net income totaled 3,024 million yen (Up by 19.7% year-on-year).

6) Net Income Attributable to Fullcast Holdings Co., Ltd.

As a result of F-PLAIN Corporation and its subsidiaries becoming newly consolidated subsidiaries, 30 million yen of net income attributable to non-controlling shareholders was recorded in the current fiscal year.

Consequently, net income attributable to Fullcast Holdings Co., Ltd. for the current fiscal year increased by 465 million yen from the previous fiscal year to 2,994 million yen (Up by 18.4%), and net income per share was 78.87 yen (Compared with 65.92 yen for the previous fiscal year).

(3) Funding Requirements and Fund Procurement

Our Group strives to utilize diverse financing methods, while adhering to our basic financial policy of maintaining both suitable levels of liquidity and sound financial position needed to stably conduct our business.

We believe that sufficient working capital and capital investment funds for maintaining and expanding our Group's business activities can be secured by using cash flow provided by operating activities and by utilizing borrowings from financial institutions.

In order to effectively procure working capital, the Company has concluded overdraft agreements with four banks for a maximum of 5,850 million yen.

Details regarding the status of our interest-bearing debt are contained within “Part2: State of Business, 7. Analysis of Financial Position, Operating Results and Cash Flows Status (1) Financial Position, 4) Interest-Bearing Debt.”

Part 3: State of Equipment

1. Overview of Capital Investment

Capital investments in the current fiscal year totaled 193 million yen. Major investments included the acquisition of property, plant and equipment associated with the purchase of servers and system equipment of 17 million yen, the acquisition of property, plant and equipment associated with the new opening and relocation of sales offices of 96 million yen, the acquisition of intangible assets associated with the purchase of various software for use within the Company of 79 million yen.

2. State of Major Equipment

(1) Submitting Companies

(As of December 31, 2017)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Book-value (million yen)				Employees
				Buildings and structures	Machinery, equipment and Tools	Software	Total	
Fullcast Holdings Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Company-wide (shared)	Business office	33	109	239	381	86 [174]

Notes 1: All figures exclude consumption tax.
2: "Employees" refers to staff engaged in work. The number of temporary employees is listed by the figures shown in parentheses, while the average yearly number of employees is listed by the figures outside of the parentheses.
3: Apart from those listed above, assets rented from parties other than consolidated companies are as outlined below (Amounts are annual rental charges, excluding parking).

(As of December 31, 2017)

Name of business office (Location)	Name of segment	Nature of equipment	Yearly rental charge (million yen)
Head office (Shinagawa-ku, Tokyo)	Company-wide (shared)	Leased buildings	83
Company housing for employees	Company-wide (shared)	Leased buildings	12
Total	—	—	94

(2) Domestic Subsidiaries

(As of December 31, 2017)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Book-value (million yen)					Employees
				Buildings and structures	Machinery, equipment and tools	Land (area; m^2)	Other	Total	
Fullcast Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Business office, operating equipment	80	41	-	0	121	316 [414]
Top Spot Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Business office, operating equipment	17	9	-	-	26	38 [51]
Fullcast Advance Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Security, other businesses, short-term operational support business	Business office, operating equipment	9	6	-	0	15	66 [57]

Fullcast Business Support Co., Ltd.	Head office (Shinagawa -ku, Tokyo)	Company-wide (shared)	Business office, operating equipment	-	0	-	0	0	33 [4]
Otetsudai Networks, Inc.	Head office (Shinagawa -ku, Tokyo)	Short-term operational support business	Business office, operating equipment	-	1	-	42	42	10 [4]
Work & Smile Co., Ltd.	Head office (Shinagawa -ku, Tokyo)	Short-term operational support busines	Business office, operating equipment	1	1	-	-	2	4 [3]
Dimension Pockets Co., Ltd.	Head office (Kunigami District, Okinawa)	Security, other businesse	Business office, operating equipment	208	4	264 (5,995.92)	33	509	2 [-]
Fullcast Senior Works Co., Ltd.	Head office (Shinagawa -ku, Tokyo)	Short-term operational support business	Business office, operating equipment	1	1	-	-	2	3 [1]
Fullcast Porter Co., Ltd.	Head office (Shinagawa -ku, Tokyo)	Short-term operational support business	Business office, operating equipment	1	1	-	-	3	3 [2]
F-PLAIN Corporation	Head office (Minato-ku, Tokyo)	Sales support business	Business office, operating equipment	7	5	-	2	15	65 [116]

Notes: 1. “Other” contained in “book-value” refers to vehicles and software. All figures exclude consumption tax.

2. “Employees” refers to staff engaged in work. The number of temporary employees is listed by the figures in parentheses, while the average yearly number of regular employees is listed by the figures outside of the parentheses.

3. Apart from those listed above, assets rented from parties other than consolidated companies are as outlined below (Amounts are annual rental charges, excluding parking).

(As of December 31, 2017)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Yearly rental charge (million yen)
Fullcast Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo Other)	Short-term operational support business	Leased buildings	289
	Company housing for employees		Leased buildings	53
Top Spot Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo Other)	Short-term operational support business	Leased buildings	41
	Company housing for employees		Leased buildings	4
Fullcast Advance Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo Other)	Security,other business, short-term operational support business	Leased buildings	48
	Company housing for employees		Leased buildings	6
Fullcast Business Support Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Company-wide (shared)	Leased buildings	7
	Company housing for employees		Leased buildings	1
OtetsudaiNetworks, Inc.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Leased buildings	1
	Company housing for employees		Leased buildings	0
Work & Smile Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Leased buildings	7
Dimension Pockets Co., Ltd.	Head office (Kunigami District, Okinawa)	Security, other businesses	Leased buildings	1

Fullcast Senior Works Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Leased buildings	4
Fullcast Porter Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Leased buildings	2
F-PLAIN Corporation	Head office, branches (Shinagawa-ku, Tokyo Other)	Sales support business	Leased buildings	33
	Company housing for employees		Leased buildings	3
M's Line Co., Ltd.	Company housing for employees	Sales support business	Leased buildings	3

3. Plans for Creation and Retirement of Equipment

(1) New major equipment

There are no relevant matters.

(2) Major equipment retired

There are no relevant matters.

Part 4: Status of Submitting Companies

1. Status of Shares

(1) Total Number of Shares, Other Information

1) Total number of shares

Type	Total number of issuable shares (shares)
Common stock (shares)	110,000,000
Total	110,000,000

2) Outstanding shares

Type	Number of shares issued by the end of the fiscal year (Dec. 31, 2017)	Number of shares issued at the date of submission (Mar. 27, 2018)	Name of exchange for listed financial instruments, or name of association trading registered and approved financial instruments	Description
Common stock	38,486,400	38,486,400	Tokyo Stock Exchange (the First section)	One unit of shares: 100 shares
Total	38,486,400	38,486,400	—	—

(2) State of New Share Subscription Rights

Stock acquisition rights pursuant to the Companies Act issued based on the resolution of the Board of Directors passed on March 24, 2017 are as follows.

Fullcast Holdings Co., Ltd. No. 1-1 Stock Compensation-type Stock Acquisition Rights		
	As of end of fiscal year (December 31, 2017)	As of previous month end prior to submission date (February 28, 2018)
Number of stock acquisition rights (rights)	2,016 (Note 1)	2,016 (Note 1)
Number of treasury stock acquisition rights of stock acquisition rights (rights)	—	—
Type of stock for stock acquisition rights	Common stock	Same as left
Number of shares for stock acquisition rights (shares)	201,600 (Note 1)	201,600 (Note 1)
Amount paid at time of exercise of stock acquisition rights (yen)	1 (Note 2)	Same as left
Exercise period of stock acquisition rights	April 11, 2021 to April 10, 2051	Same as left
Issuance price and capital incorporation of shares when issuing shares due to the exercise of stock acquisition rights (yen)	Issuance price: 785.50 Capital incorporation amount (Note 3)	Same as left
Conditions for exercise of stock acquisition rights	(Note 4)	Same as left
Matters concerning assignment of stock acquisition rights	Acquisition of stock acquisition rights by assignment requires approval of the Board of Directors.	Same as left
Matters concerning substitution payment	—	—
Matters concerning the granting of stock acquisition rights associated with organization restructurings	(Note 5)	(Note 5)

Notes: 1. The type of shares for the stock acquisition rights shall be ordinary shares (Common stock) and the number of shares per one stock acquisition right (Hereinafter, number of shares granted) shall be 100 shares. The number of shares granted shall be adjusted according to the following formula when the Company executes a share split (Including the gratis allotment of the Company’s common stock; hereinafter the same shall apply) or share consolidation after the allotment date of the stock acquisition rights. However, such adjustments shall be made for the number of granted shares not exercised at that time, and quantities of less than one share resulting from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split or stock consolidation

The number of shares granted after adjustment shall apply on after the day after the Record Date of share splits when the Company executes a share split and on and after the effective date when the Company executes share consolidations. However, when a share split is executed under the condition that the proposal to increase paid-in capital or reserves due to a decline in surplus is approved at the general meeting of shareholders of our Company, and when a date prior to the end of this meeting of shareholders is set as the Record Date for the share split, the number of shares granted after adjustment shall apply retroactively to the day after the Record Date, which is the day after the end of the meeting of shareholders.
In addition to the above, when an adjustment of the number of shares granted is required, the number of granted shares shall be adjusted within a reasonable scope.

2. The amount of assets required for exercise of each stock acquisition right shall be the amount realized by multiplying the number of shares granted by the payment amount of 1 yen per share that can be exchanged for shares with the exercise of the stock acquisition rights.
3. (1) The amount of additional paid-in capital resulting from the issuance of shares due to the exercise of stock acquisition rights shall be half of the maximum of an increase in paid-in capital calculated in accordance with Article 17 (1) of Corporate Accounting Rules, and any fractions of less than 1 yen resulting from such calculation shall be rounded up.
   (2) The amount of additional capital reserve resulting from the issuance of shares due to the exercise of stock acquisition rights shall be the amount resulting from the amount of the increase in paid-in capital prescribed in (1) above subtracted from the maximum of an increase in paid-in capital described in (1) above.
4. (1) For stock acquisition rights allotted to the Company's Directors, in principle, the person receiving the allotment of stock acquisition rights must be a Director of the Company at the time the rights are exercised.
   (2) For stock acquisition rights allotted to the Directors or Corporate Auditors of the Company wholly-owned subsidiaries, in principle, the person receiving the allotment of stock acquisition rights (Hereinafter, referred to as "stock acquisition right holder" collectively with persons receiving the allotment of stock acquisition rights per (1) above), must be a Director or Corporate Auditor of the subsidiary at the time the rights are exercised.
   (3) Of those stock acquisition rights allocated, only the limited number of stock acquisition rights can be exercised depending on the level of achievement of the operating income target for the fiscal year ending December 2020, final year of the Medium Term Management Plan.
5. When undertaking a merger (Limited to instances where the company is the non-surviving company in the merger), absorption-type demergers and incorporation-type demergers (Limited to instances where each company will become a spin-off company), or stock swaps or stock transfers (Limited to instances where each company will become a wholly-owned subsidiary) (Hereinafter, "organizational restructuring act" shall be used to collectively refer to these terms), the Company shall issue stock acquisition rights of corporations cited in i. to v. of Item 8, Paragraph I, Article 236 of the Companies Act to stock acquisition rights holders who own the remaining stock acquisition rights (Hereinafter, "residual stock acquisition rights") recently prior to the effective date of the organizational restructuring act (The date the absorption-type merger takes effect for absorption-type mergers, the date the new incorporated company is established in the case of incorporation-type mergers, the date the absorption-type demerger takes effect for absorption-type demergers, the date the new incorporated company is established in the case of incorporation-type demergers, the date the share exchange takes effect for share exchanges, and the date of the establishment of the complete parent company after share transfer for share transfers; hereinafter the same shall apply). In such cases, the residual stock acquisition rights will be cancelled and the company subject to restructuring shall newly issue stock

acquisition rights. The issuance of stock acquisition rights of the Restructuring Company must be prescribed following each of the following items in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, share exchange agreement or share transfer plan.

(1) Number of Stock Acquisition Rights Issued by Restructuring Company
The number of stock acquisition rights held by stock acquisition rights holders and the same number will each be issued, respectively.

(2) Type of Shares of Restructuring Company Required for Stock Acquisition Rights
The ordinary stock (common stock) of the Restructuring Company.

(3) Number of Shares of Restructuring Company Required for Stock Acquisition Rights
Determined following Note 1 above based on the conditions of the organizational restructuring actions.

(4) Amount of Assets Required for Exercise of Stock Acquisition Rights
The amount of assets required for exercise of each stock acquisition right to be issued shall be the amount realized by multiplying the exercise price after restructuring prescribed below by the number of shares of the restructuring company with the purpose of the said stock acquisition rights approved in accordance with (3) above. The exercise price after restructuring shall be 1 yen per share of the restructuring company that can be received by exercise of each stock acquisition right to be issued.

(5) Period for Exercise of Stock Acquisition Rights
The period for exercise of the stock acquisition rights shall be from the start date of the period for which the stock acquisition rights can be exercised or the effective date of the organizational restructuring action, whichever is later, to the final date of the period for which the stock acquisition rights can be exercised.

(6) Matters Relating to Additional Paid-in Capital and Capital Reserve Resulting from the Issuance of Shares due to the Exercise of Stock Acquisition Rights
Determined following Note 3 above.

(7) Restrictions on the Acquisition of Stock Acquisition Rights by Assignment
The acquisition of stock acquisition rights by assignment requires approval of the Board of Directors of the restructuring company.

(8) Reason and Conditions for Acquisition of Stock Acquisition Rights
If the following agenda items (i), (ii), (iii), (iv) or (v) are approved at the General Meeting of Shareholders of the Company (if resolution of the meeting of shareholders is not required, when approved by resolution of the Company's Board of Directors or when approved by an executive officer delegated in accordance with the provisions of Article 416 [4] of the Companies Act), the Company can acquire the stock acquisition rights for gratis on the date separately prescribed by the Board of Directors.

(i) Agenda items on approval of merger agreements in which the Company is not the surviving company

(ii) Agenda items on approval of a company spin-off agreement or plan based on which the Company will become a spin-off company

(iii) Agenda items on a stock swap agreement based upon which the Company will become a wholly-owned subsidiary or a stock transfer plan

(iv) Agenda items, as details of all shares issued by the Company, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares by assignment

(v) Agenda items, as details of the type of shares for the stock acquisition rights, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares of the said type by assignment and the acquisition of all the said type of shares by resolution of the General Meeting of Shareholders of the Company with regard to the shares

Fullcast Holdings Co., Ltd. No. 1-2 Stock Compensation-type Stock Acquisition Rights		
	As of end of fiscal year (December 31, 2017)	As of previous month end prior to submission date (February 28, 2018)
Number of stock acquisition rights (rights)	192 (Note 1)	192 (Note 1)
Number of treasury stock acquisition rights of stock acquisition rights (rights)	—	—
Type of stock for stock acquisition rights	Common stock	Same as left
Number of shares for stock acquisition rights (shares)	19,200 (Note 1)	19,200 (Note 1)
Amount paid at time of exercise of stock acquisition rights (yen)	1 (Note 2)	Same as left
Exercise period of stock acquisition rights	April 11, 2021 to April 10, 2051	Same as left
Issuance price and capital incorporation of shares when issuing shares due to the exercise of stock acquisition rights (yen)	Issuance price: 785.50 Capital incorporation amount (Note 3)	Same as left
Conditions for exercise of stock acquisition rights	(Note 4)	Same as left
Matters concerning assignment of stock acquisition rights	Acquisition of stock acquisition rights by assignment requires approval of the Board of Directors.	Same as left
Matters concerning substitution payment	—	—
Matters concerning the granting of stock acquisition rights associated with organization restructurings	(Note 5)	(Note 5)

Note: 1. The type of shares for the stock acquisition rights shall be ordinary shares (Common stock) and the number of shares per one stock acquisition right (Hereinafter, number of shares granted) shall be 100 shares. The number of shares granted shall be adjusted according to the following formula when the Company executes a share split (including the gratis allotment of the Company’s common stock; hereinafter the same shall apply) or share consolidation after the allotment date of the stock acquisition rights. However, such adjustments shall be made for the number of granted shares not exercised at that time, and quantities of less than one share resulting from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split or stock consolidation

The number of shares granted after adjustment shall apply on after the day after the Record Date of share splits when the Company executes a share split and on and after the effective date when the Company executes share consolidation. However, when a share split is executed under the condition that the proposal to increase paid-in capital or reserves due to a decline in surplus is approved at the general meeting of shareholders of the Company, and when a date prior to the end of this meeting of shareholders is set as the Record Date for the share split, the number of shares granted after adjustment shall apply retroactively to the day after the Record Date, which is on the day after the end of this meeting of shareholders.

In addition to the above, when an adjustment of the number of shares granted is required, the number of granted shares shall be adjusted within a reasonable scope.

2. The amount of assets required for exercise of each stock acquisition right shall be the amount realized by multiplying the number of shares granted by the payment amount of 1 yen per share that can be exchanged for shares with the exercise of the stock acquisition rights.

3. (1) The amount of additional paid-in capital resulting from the issuance of shares due to the exercise of stock acquisition rights shall be half of the maximum of an increase in paid-in capital calculated in accordance with Article 17 (1) of Corporate Accounting Rules, and any fractions of less than 1 yen

resulting from such calculation shall be rounded up.

(2) The amount of additional capital reserve resulting from the issuance of shares due to the exercise of stock acquisition rights shall be the amount resulting from the amount of the increase in paid-in capital prescribed in (1) above subtracted from the maximum of an increase in paid-in capital described in (1) above.

4. (1) In principle, persons who receive an allotment of stock acquisition rights (Hereinafter, "stock acquisition rights holders") must be an employee of the Company's wholly-owned subsidiaries at the time of exercising these rights.

(2) Of those stock acquisition rights allocated, only the limited number of stock acquisition rights can be exercised depending on the level of achievement of the operating income target for the fiscal year ending December 2020, final year of the Medium Term Management Plan.

5. When undertaking a merger (Limited to instances where the company is the non- surviving company in the merger), absorption-type demergers and incorporation-type demergers (Limited to instances where each company will become a spin-off company), or stock swaps or stock transfers (Limited to instances where each company will become a wholly-owned subsidiary) (Hereinafter, "organizational restructuring act" shall be used to collectively refer to these terms), the Company shall issue stock acquisition rights of corporations cited in i. to v. of Item 8, Paragraph I, Article 236 of the Companies Act to stock acquisition rights holders who own the remaining stock acquisition rights (Hereinafter, "residual stock acquisition rights") recently prior to the effective date of the organizational restructuring act (The date the absorption-type merger takes effect for absorption-type mergers, the date the new incorporated company is established in the case of incorporation-type mergers, the date the absorption-type demerger takes effect for absorption-type demergers, the date the new incorporated company is established in the case of incorporation-type demergers, the date the share exchange takes effect for share exchanges, and the date of the establishment of the complete parent company after share transfer for share transfers; hereinafter the same shall apply). In such cases, the residual stock acquisition rights will be cancelled and the Company subject to restructuring shall newly issue stock acquisition rights. The issuance of stock acquisition rights of the restructuring company must be prescribed following each of the following items in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, share exchange agreement or share transfer plan.

(1) Number of Stock Acquisition Rights Issued by Restructuring Company

The number of stock acquisition rights held by stock acquisition rights holders and the same number will each be issued, respectively.

(2) Type of Shares of Restructuring Company Required for Stock Acquisition Rights

The ordinary stock (common stock) of the Restructuring Company.

(3) Number of Shares of Restructuring Company Required for Stock Acquisition Rights

Determined following Note 1 above based on the conditions of the organizational restructuring actions.

(4) Amount of Assets Required for Exercise of Stock Acquisition Rights

The amount of assets required for exercise of each stock acquisition right to be issued shall be the amount realized by multiplying the exercise price after restructuring prescribed below by the number of shares of the restructuring company with the purpose of the said stock acquisition rights approved in accordance with (3) above. The exercise price after restructuring shall be 1 yen per share of the restructuring company that can be received by exercise of each stock acquisition right to be issued.

(5) Period for Exercise of Stock Acquisition Rights

The period for exercise of the stock acquisition rights shall be from the start date of the period for which the stock acquisition rights can be exercised or the effective date of the organizational restructuring action, whichever is later, to the final date of the period for which the stock acquisition rights can be exercised.

(6) Matters Relating to Additional Paid-in Capital and Capital Reserve Resulting from the Issuance of Shares due to the Exercise of Stock Acquisition Rights

Determined following Note 3 above.

(7) Restrictions on the Acquisition of Stock Acquisition Rights by Assignment

The acquisition of stock acquisition rights by assignment requires approval of the Board of Directors of the restructuring company.

(8) Reason and Conditions for Acquisition of Stock Acquisition Rights

If the following agenda items (i), (ii), (iii), (iv) or (v) are approved at the General Meeting of Shareholders of the Company (If resolution of the meeting of shareholders is not required, when approved by resolution of the Company's Board of Directors or when approved by an executive officer delegated in accordance with the provisions of Article 416 [4] of the Companies Act), the Company can acquire the stock acquisition rights for gratis on the date separately prescribed by the Board of Directors.

(i) Agenda items on approval of merger agreements in which the Company is not the surviving company

(ii) Agenda items on approval of a company spin-off agreement or plan based on which the Company will become a spin-off company

(iii) Agenda items on a stock swap agreement based upon which the Company will become a wholly-owned subsidiary or a stock transfer plan

(iv) Agenda items, as details of all shares issued by the Company, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares by assignment

(v) Agenda items, as details of the type of shares for the stock acquisition rights, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares of the said type by assignment and the acquisition of all the said type of shares by resolution of the General Meeting of Shareholders of the Company with regard to the shares

(3) State of exercising of debenture stocks with new share subscription rights, with exercise-price amendments attached

There are no relevant matters.

(4) Description of rights plan

There are no relevant matters.

(5) Trends in total number of outstanding shares and capital stock

Date	Change in total number of outstanding shares (shares)	Balance on total number of outstanding shares (shares)	Change in capital stock (million yen)	Balance on capital stock (million yen)	Change in capital reserve (million yen)	Balance on capital reserve (million yen)
July. 1, 2013 *1	39,200,436	39,596,400	―	2,780	―	―
Dec. 20, 2013 *2	(1,110,000)	38,486,400	―	2,780	―	―

Notes 1: On July 1, 2013, common shares were split at a ratio of 100 to one share, in accordance with the resolution at the Board of Directors Meeting on May 24, 2013.

2: On December 20, 2013, treasury shares were retired in accordance with the resolution of the Board of Directors Meeting on December 19, 2013.

(6) Shareholder ownership status

(As of Dec. 31, 2017)

Classification	Stock information (One unit of shares: 100 shares)								State of odd lots (shares)
	Government and local public organizations	Financial organizations	Financial commodity traders	Other corporations	Foreign corporations etc.		Individual and others	Total	
					Non-individual	Individual			
Shareholders	―	22	33	42	139	13	5,031	5,280	―
Shares held (unit)	―	55,978	13,786	195,134	73,134	75	46,716	384,823	4,100
Percentage of shares held (%)	―	14.55	3.58	50.71	19.00	0.02	12.14	100.00	―

Notes 1: 6,019 units are included in "individuals and others" for the 601,900 treasury stock.

2: 10 units are included in the "Other corporations" column under the name of Japan Securities Depository Center, Inc.

(7) Major shareholders

(As of Dec. 31, 2017)

Name	Address	Number of shares held	Percentage of shares held to total outstanding shares (%)
Hirano Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	12,831,300	33.34
Hikari Tsushin Co., Ltd.	1-4-10 Nishi Ikebukuro, Toshima-ku, Tokyo	4,850,600	12.60
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	2,661,800	6.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	789,100	2.05
Ten Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	600,000	1.56
Daiki Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	600,000	1.56
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2 Marunouchi, Chiyoda-ku, Tokyo	581,100	1.51
Oberweis International Opportunities Institutional Fund (Standing proxy: CitiBank, N.A., Tokyo Branch)	1010 Grand Boulevard, Kansas City MO 64106 USA (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	538,900	1.40
Oberweis International Opportunities Fund (Standing proxy: CitiBank, N.A., Tokyo Branch)	1010 Grand Boulevard, Kansas City MO 64106 USA (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	484,700	1.26
Anan Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	463,300	1.20
Total	―	24,400,800	63.40

Notes: 1. In addition to the above, there is 601,900 shares (1.56%) of treasury stock owned by the Company.

2. As a result of the Report of Major Shareholdings (Report of Changes) for public inspection on March 22, 2017, Sumitomo Mitsui Trust Bank, Limited and its joint holding company Nikko Asset Management Co., Ltd. declared that it owns the following shares as of March 15, 2017, but because our Company cannot confirm the number of actual shares owned by them as of the end of this fiscal year, it is not included in the above "(7) Major shareholder" list.

The details of the Report of Major Shareholdings (Report of Changes) are as follows.

Name	Address	Number of shares held	Shareholdings holding ratio (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	1,436,600	3.73
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	128,700	0.33

3. As a result of Report of Major Shareholdings (Report of Changes) for public inspection on October 19, 2017, Invesco Asset Management (Japan) Limited and its joint holding company Invesco Asset Management Limited declared that it owns the following shares as of October 13, 2017, but because our Company cannot confirm the number of actual shares owned by them as of the end of this fiscal year, it is not included in the above "(7) Major Shareholder" list.

The details of the Report of Major Shareholdings (Report of Changes) are as follows.

Name	Address	Number of shares held	Shareholdings holding ratio (%)
Invesco Asset Management (Japan) Limited	6-10-1 Roppongi, Minato-ku, Tokyo	1,833,500	4.76
Invesco Asset Management Limited	Perpetual Parl, Pepetual Park Drive, Henly-on-thames, Oxfordshire, RG9 1HH, United Kingom	184,500	0.48

(8) Voting Rights

1) Outstanding Shares

(As of Dec. 31, 2017)

Classification	Number of shares (shares)	Number of voting rights (individual)	Description
Nonvoting shares	—	—	—
Shares with limited voting rights (treasury stock, other)	—	—	—
Shares with limited voting rights (other)	—	—	—
Shares with full voting rights (treasury stock, other)	(Treasury stock) Common stock 601,900	—	—
Shares with full voting rights (other)	Common stock 37,880,400	378,804	—
Odd-lot shares	Common stock 4,100	—	—
Total number of outstanding shares	38,486,400	—	—
Voting rights of shareholders	—	378,804	—

Note: 1,000 shares (10 voting rights) are included in the "Shares with Full Voting Rights (Other)" column under the name of Japan Securities Depository Center, Inc.

2) Treasury Stock

(As of Dec. 31, 2017)

Name	Address	Number of shares held by own name (shares)	Number of shares owned by other holders (shares)	Total number of shares owned (shares)	Percentage of shares held to total outstanding shares (%)
Fullcast Holdings Co., Ltd.	8-9-5 Nishi Gotanda, Shinagawa-ku, Tokyo	601,900	—	601,900	1.56
Total	—	601,900	—	601,900	1.56

(9) Details of Stock Option System

The Company has adopted a stock acquisition rights stock option system.

This system was discussed and approved by Board of Directors at its meeting on March 24, 2017 pursuant to the Companies Act. The details of the system are as follows.

1) Fullcast Holdings Co., Ltd. No. 1-1 Stock Compensation-type Stock Acquisition Rights

Date of resolution	March 24, 2017
Category of persons granted stock acquisition rights and number (persons)	4 Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members) 8 Directors of the Company’s wholly owned subsidiaries 2 Corporate Auditors of the Company’s wholly owned subsidiaries
Type of stock for stock acquisition rights	As indicated in “(2) State of new share subscription rights”
Number of shares	Same as above
Amount paid at time of exercise of stock acquisition rights	Same as above
Exercise period of stock acquisition rights	Same as above
Conditions for exercise of stock acquisition rights	Same as above
Matters concerning assignment of stock acquisition rights	Same as above
Matters concerning substitution payment	Same as above
Matters concerning the granting of stock acquisition rights associated with organization restructurings	Same as above

2) Fullcast Holdings Co., Ltd. No. 1-2 Stock Compensation-type Stock Acquisition Rights

Date of resolution	March 24, 2017
Category of persons granted stock acquisition rights and number (persons)	8 employees of the Company’s wholly owned subsidiaries
Type of stock for stock acquisition rights	As indicated in “(2) State of new share subscription rights”
Number of shares	Same as above
Amount paid at time of exercise of stock acquisition rights	Same as above

Exercise period of stock acquisition rights	Same as above
Conditions for exercise of stock acquisition rights	Same as above
Matters concerning assignment of stock acquisition rights	Same as above
Matters concerning substitution payment	Same as above
Matters concerning the granting of stock acquisition rights associated with organization restructurings	Same as above

2. Acquisitions of Treasury Stock

Class of shares: Acquisition of common stock under Item 3 of Article 155 of the Companies Act

(1) Acquisitions based upon decisions made at the Annual General Meeting of Shareholders

There are no relevant matters.

(2) Acquisitions based on decisions made at Board of Directors Meetings

Classification	Number of shares (Shares)	Total cost (yen)
State of resolution by the Board of Directors (February 10, 2017) (Acquisition period: February 13 to March 23, 2017)	574,200	498,000,000
Treasury stock acquired before the current fiscal year	—	—
Treasury stock acquired in the current fiscal year	453,400	497,995,500
Total number of shares of residual resolutions and total cost	120,800	4,500
Ratio of unexercised rights as of the last day of the current fiscal year (%)	21.0	0.0
Treasury stock acquired during the current period	—	—
Ratio of unexercised rights as of the date of submission of this report (%)	21.0	0.0

Classification	Number of shares (Shares)	Total cost (yen)
State of resolution by the Board of Directors (February 9, 2018) (Acquisition period: February 13 to March 23, 2018)	340,000	682,000,000
Treasury stock acquired before the current fiscal year	—	—
Treasury stock acquired in the current fiscal year	—	—
Total number of shares of residual resolutions and total cost	—	—
Ratio of unexercised rights as of the last day of the current fiscal year (%)	—	—
Treasury stock acquired during the current period	95,200	234,914,800
Ratio of unexercised rights as of the date of submission of this report (%)	72.0	65.6

(3) Description of items not based on decisions made at either Annual General Meeting of Shareholders or Board of Directors Meetings

There are no relevant matters.

(4)Handling and Possession of Treasury Stock Acquired

Classification	Current fiscal year		Current period	
	Number of shares (Shares)	Total amount disposed (yen)	Number of shares (Shares)	Total amount disposed (yen)
Acquired treasury stock for which a purchaser was solicited	—	—	—	—
Acquired treasury stock that was cancelled	—	—	—	—
Acquired treasury stock that was transferred due to a merger, share exchange or company split	—	—	—	—
Other (-)	—	—	—	—
Treasury shares in possession	601,900	—	697,100	—

3. Dividend Policy

We maintain a policy of enhancing returns of profits to shareholders with a target of achieving total return ratio of 50% relative to adjusted net income (*1).

We will implement shareholder returns with a target of achieving total return ratio of 50% relative to adjusted net income by enhancing profitability and further improving management efficiencies, in addition to offering dividends and share buybacks. This will also enable us to achieve adjusted ROE (*2) of 20% or higher, which is an indicator used for “improvement of corporate value.”

The Company has established a basic policy of offering a dividend of surplus twice annually, comprising an interim dividend and a year-end dividend. The decision-making body for the dividend is the Board of Directors for both the interim dividend and year-end dividend.

A resolution was also passed at the February 9, 2018 the Board of Directors Meeting to pay a dividend of 26 yen per share for the current term, increases of 5 and 1 yen from the previous year and forecasts respectively, including a yearend dividend of 14 yen per share, and conduct share buybacks totaling up to 682 million yen.. Consequently, the total return ratio for the fiscal year ended December 2017 is expected to be 51.1% or higher.

We will use internal reserves in preparation for future business development and for improvement of in-house systems including system development and employee training in order to develop a solid business foundation for sustained growth. The Company can under its Articles of Incorporation determine an interim dividend, as prescribed in Article 454-5 of the Companies Law.

Notes 1: Adjusted net income represents net income attributable to Fullcast Holdings Co., Ltd. excluding the effects of income taxes-deferred associated with the booking of deferred tax assets within the loss carried forward.

2: Adjusted ROE refers to ROE calculated based on adjusted net income.

Notes: The following is the dividend from retained earnings whose record date is in the current fiscal year.

Date of resolution	Total dividends (million yen)	Dividend per share (yen)
Resolution of Board of Directors on Aug. 4, 2017	455	12
Resolution of Board of Directors on Feb. 9, 2018	530	14

4. Trends in Stock Prices

(1) High and low stock prices by fiscal year for the past 5 (five) years

Term	21st	22nd	23rd	24th	25th
Settlement month	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016	Dec. 2017
High (yen)	399	660	1,145	985	2,350

Low (yen)	139	209	441	509	915

Notes: 1. High and low stock prices are those found in the First Section of the Tokyo Stock Exchange.

2. On July 1, 2013, common shares were split at a ratio of 100 to one share, in accordance with the resolution of the Board of Directors Meeting on May 24, 2013.

(2) High and low stock prices by month, for the past 6 (six) months

Month	July. 2017	Aug. 2017	Sept. 2017	Oct. 2017	Nov. 2017	Dec. 2017
High (yen)	1,460	2,059	2,107	2,189	2,226	2,350
Low (yen)	1,262	1,333	1,778	1,784	1,838	2,111

Notes: High and low stock prices are those recorded by the First Section of the Tokyo Stock Exchange.

5. Officers

There are 7 males and no female officers (Ratio of officers who are female: 0.0%)

Official title	Job title	Name	Date of birth	Career summary		Term	Number of shares held
Director	Chairman	Takehito Hirano	Aug. 25, 1961	Apr. 1984 Sept. 1990 July. 2006 Sept. 2007 Dec. 2009 Mar. 2015 Apr. 2017	Joined Harvest Futures Inc. Established Resort World Co., Ltd. (currently Fullcast Holdings Co., Ltd.) and served as Representative Director Representative Director of Fullcast Marketing Co., Ltd. (currently F-PLAIN Corporation) Director of the Company Managing Director and Advisor of the Company Managing Director and Chairman of the Company (present post) Representative Director and Chairman of F-PLAIN Corporation	*2	—
Representative Director	President CEO	Kazuki Sakamaki	Sept 30, 1970	Apr. 1989 Feb. 1995 Oct. 2005 Oct. 2007 Oct. 2008 June. 2009 Dec. 2011 Jan. 2013 Jan. 2014	Joined AI Tusho Co., Ltd Joined Fullcast Co., Ltd. (currently Fullcast Holdings Co., Ltd.) Representative Director of Fullcast HR Institute Co., Ltd. (currently Fullcast Co., Ltd.) Corporate Executive Officer, General Manager of the Business Engineering Dept. of Fullcast Co., Ltd. Corporate Executive Officer, General Manager of Tokai and Kansai Sales Dept. of Fullcast Co., Ltd. Representative Director of Fullcast Co., Ltd. Director of the Company President and Representative Director of Fullcast Co., Ltd. (present post) President, Representative Director and CEO of the Company (present post)	*2	96,809
Director		Takahiro Ishikawa	July 22, 1967	Sept.1990 Sept.2000 Apr. 2006 Jan.2012 May.2012 Dec. 2014 Mar. 2016 Apr. 2016 Jan. 2017	Senior Managing Director of Resort World Co., Ltd.(currently Fullcast Holdings Co., Ltd.) Representative Director of Fullcast Factory Co., Ltd. Representative Director of Fullcast Central Co., Ltd. Director of STARTLINE. Co., Ltd. (present post) Representative Director of Beat Co., Ltd. Representative Director of Beattech Co., Ltd. Director of the Company (present post) Representative Director and Chairman of Beat Co., Ltd. (present post) Representative Director and Chairman Director of Beattech Co., Ltd. (present post)	*2	154,600
Director		Shiro Kaizuka	Oct 3, 1961	Sept.1990 May 2002 Oct. 2002 Feb. 2010	Senior Managing Director of Resort World Co., Ltd. (Currently Fullcast Holdings Co., Ltd.) Representative Director of Fullcast Technology Co., Ltd. (Currently YUME TECHNOLOGY Co., Ltd.) Director of Interbiz Limited (present post) Representative Director of Rearvio Co., Ltd. (present post)	*2	175,200

				Sept. 2013 April 2016 June. 2016 Mar. 2017	Representative Director of Dimension Pockets Co., Ltd. (present post) Representative Partner of IPM G.K. (present post) Representative Partner of One Suite G.K. (present post) Director of the Company (present post)		
Director (Full-time Audit & Supervisory Committee Member)		Kouji Sasaki	Aug 2, 1945	Apr. 1966 Dec. 1984 June. 1995 Sept. 1995 Dec. 1999 Sept. 2008 Mar. 2016	Joined Tokyo Regional Taxation Bureau and worked in the general affairs division, before later working in tax offices Passed the tax accountant examination Retired as a special examiner at Nakano tax office Opened Sasaki Tax Accounting Office Outside Audit & Supervisory Board Member Fullcast Holdings Co., Ltd Audit & Supervisory Board Member of Fullcast HR Research Institute Co., Ltd. (currently Fullcast Co., Ltd.) Director (Full-time Audit & Supervisory Committee Member) of the Company (present post)	*3	9,600
Director (Audit & Supervisory Committee Member)		Masataka Uesugi	July 31, 1965	Apr. 1995 Apr. 1999 June. 2003 June. 2003 June. 2004 Dec. 2012 Dec. 2013 Nov. 2014 Mar. 2015 Mar. 2016 June. 2016	Registered as an attorney-at-law (Tokyo Bar Association) Founded Uesugi Law Office Partner of Amlec Law and Accounting Firm Audit & Supervisory Board Member of Digital Arts Inc. Audit & Supervisory Board Member of Nextech Co., Ltd. Outside Audit & Supervisory Board Member of F-PLAIN Corporation Outside Audit & Supervisory Board Member of Ceres inc. (present post) Outside Audit & Supervisory Board Member of Aiming Inc. (present post) Founded Sakurada Dori Partners (Partner; present post) Director (Audit & Supervisory Committee Member) of the Compnay (present post) Director (Audit & Supervisory Committee Member) of Digital Arts Inc. (present post)	*3	—
Director (Audit & Supervisory Committee Member)		Hideyuki Totani	Jan 5, 1979	Oct. 2003 June. 2007 July. 2007 June. 2013 July. 2014 Dec. 2015 Mar. 2016 July. 2016	Joined Ernst & Young ShinNihon LLC Registered as Certified Public Accountant Partner at Seiwa Audit Corporation (currently RSM Seiwa Audit Corporation) Outside Audit & Supervisory Board Member of F-PLAIN Corporaition Outside Audit & Supervisory Board Member of Ichigo Holdings, Inc. (present post) Auditor of F-PLAIN Corporation (present post) Director of the Company (Audit & Supervisory Committee Member) (present post) Representative Partner at Seiwa Audit Corporation (currently RSM Seiwa Audit Corporation) (present post)	*3	—
Total							436,209

Notes

1: Directors Kouji Sasaki, Masataka Uesugi and Hideyuki Totani are Outside Director, as defined in Item 15 of Article 2 of the Companies Act.

2: The term of office for Directors who are not Audit & Supervisory Committee Members is until the conclusion of the Annual General Meeting of Shareholders for the year to December 2018.

3: The term of office for Directors who are Audit & Supervisory Committee Members is until the conclusion of the Annual General Meeting of Shareholders for the year to December 2019.

4: The Audit & Supervisory Committee is comprised of the following members: Chair Kouji Sasaki, Member Masataka Uesugi and Member Hideyuki Totani.

5: The number of shares held by Representative Director Kazuki Sakamaki shows the effective number of shares held, including those in the Directors shareholders association of Fullcast Holdings Co., Ltd.

6. Corporate Governance

(1) Corporate Governance

1) Corporate Governance Systems

A. Overview of Corporate Governance Systems

Our Group considers the basic principles and aims of corporate governance to ensure transparent management for all concerned parties including shareholders as well as to improve the efficiency of management in order to realize the "sustained improvement of corporate value".

The following is an overview of corporate structures

a) Board of Directors Meeting

It is our policy for the composition of the Board of Directors to include multiple Outside Directors (two or more) and to report all Outside Directors as Independent Directors as stipulated by the Tokyo Stock Exchange.

As of March 26, 2018, the Board was comprised of 4 Directors (excluding Directors who are Audit & Supervisory Committee Members) and 3 Directors who are Audit & Supervisory Committee Members (3 of whom are Outside Directors) for a total of 7 members (7 males and no female). The Board of Directors ensures transparent management and makes decisions on matters of importance for management, such as supervision of execution of overall management of our Group, decisions on Group optimization strategies that are vital to Group management, and responses to common challenges facing our Group.

b) Audit & Supervisory Committee

The Audit & Supervisory Committee consists of 3 Outside Directors who are independent and Audit & Supervisory Committee Members (3 males and no female) and discusses, deliberates and makes decisions on important matters concerning audits. The Audit & Supervisory Committee also works to establish ties in which it can receive timely reports from Accounting Auditors.

c) General Manager of the Personnel and Legal Department

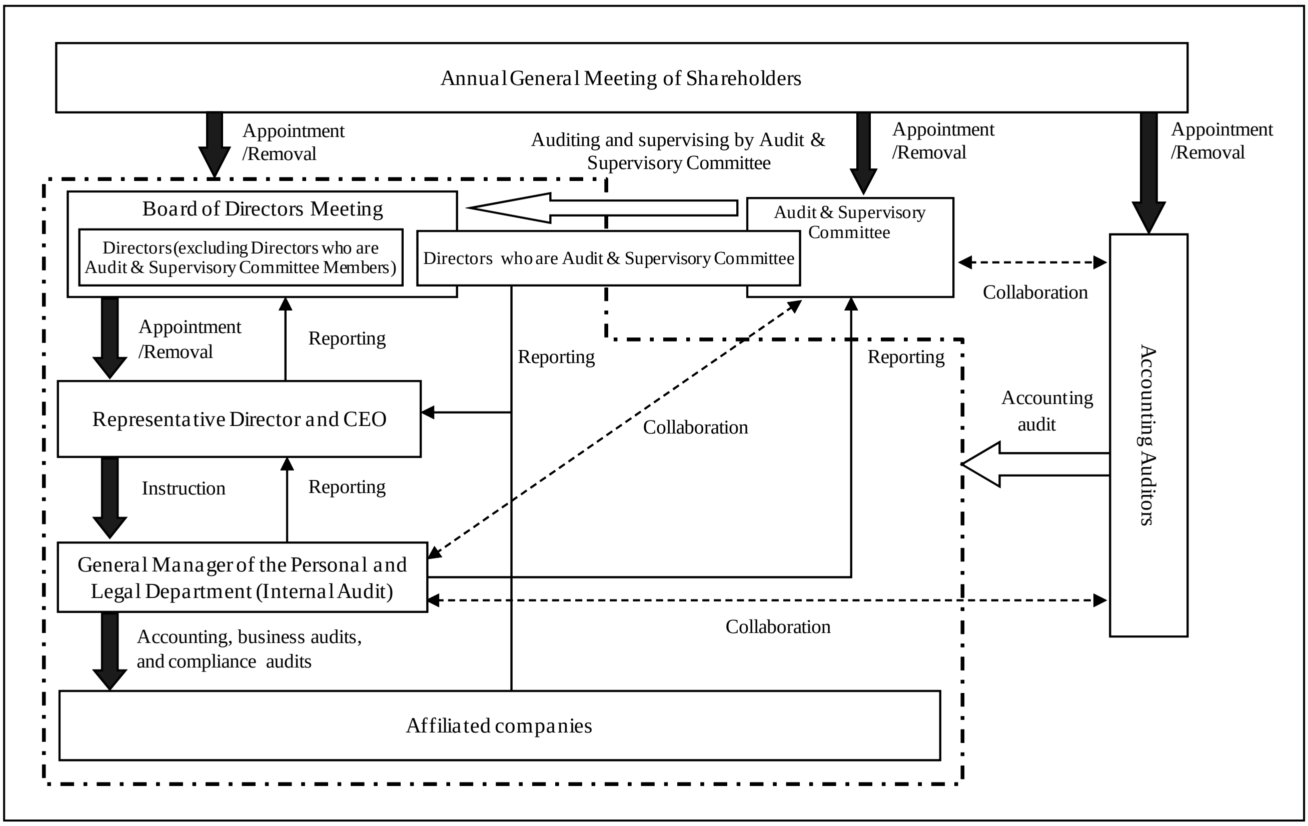
The General Manager of the Personnel and Legal Department works to promote a climate of compliance awareness, which is a prerequisite for company management throughout the entire group of companies and to promote compliance with social and in-house rules.

In addition, evaluation for improvement, maintenance and validity of the internal control systems and guidelines related to financial reporting, and internal auditing work including information security system organization are used to improve the corporate value of our Group.

d) Accounting Auditors

As an auditing company in charge of accounting audits, we have entered into contracts with PricewaterhouseCoopers Arata LLC. for audits based upon the Financial Instruments and Exchange Act and the Companies Act. In addition to regular audits, we also receive confirmation on issues regarding accounting and internal control as required, and endeavor to ensure that our accounting practices and internal control systems are adequate.

(Pattern Diagram of the Company's Corporate Governance Systems)



B. Reasons for Corporate Governance Systems Adoption

Fullcast Holdings Co., Ltd. transitioned from a company with a Board of Corporate Auditors to a company with an Audit & Supervisory Committee after a resolution to make changes to the Articles of Incorporation including the transition to a company with an Audit & Supervisory Committee was passed at the 23rd General Meeting of Shareholders held on March 25, 2016.

As of March 26, 2018, Fullcast Holdings Co., Ltd. is a company with a Board of Directors Meeting, which is comprised of 7 directors, including 4 Directors (excluding those who are Audit & Supervisory Committee Members) and 3 Directors who are Audit & Supervisory Committee Members, and also a company with an Audit & Supervisory Committee, which is comprised of 3 Directors who are Audit & Supervisory Committee Members.

To achieve the aforementioned basic principles and goals of corporate governance, we have chosen Outside Directors to serve as 3 of our 7 Directors, and in so doing we aim to strengthen the supervisory function of overall enforcement from an external perspective.

Regarding Directors who are Audit & Supervisory Committee Members, by appointing all 3 as Outside Auditors (one of them being a fulltime Audit & Supervisory Committee Member), we perform effective and appropriate oversight of business execution by Directors and have put in place a system that ensures objectivity and neutrality.

We believe that these systems allow our corporate governance to function properly.

C. Internal Control Systems

a) The following measures shall be taken to ensure a system of preventive measures regarding risk, compliance with laws and ordinances, and risk management (hereinafter, Risk Management System) at the Board of Directors Meeting.

i. For matters that can affect our entire company – such as important non-customary transactions, important accounting estimates, transactions with companies and Directors, and important transactions with subsidiaries – decisions must be made by the Board of Directors.

ii. The Chief Executive Officer (hereinafter, CEO) regularly reports to the Board of Directors about efforts being made for the Risk Management System and business process improvement. When serious problems arise, they are reported immediately to the Board of Directors Meeting.

b) The following measures shall be taken to ensure the Risk Management System is maintained in the performance of duties by Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees (the same "Risk Management System" detailed in "a)")

i. The CEO shall be placed as chief of risk management and the General Manager of the Personnel and Legal Department as the chief of risk management practices. Risk managers in charge of each Group company shall be placed within the Company, while the general Manager of the Personnel and Legal Department, under the direction of the CEO, will supervise practices of "ii" through "vii."

ii. Put in place administrative authority regulations, and work to establish internal control systems that will prevent authority from being centralized in specific people.

iii. Establish a Risk Management System based on these regulations in accordance with basic risk management regulations.

iv. Create standards for important information that must be reported immediately to the Board of Directors and disclosure standards, to carry out timely disclosure of issues of noncompliance, risks and other important information.

v. Provide specific training for Directors (excluding directors who are Audit & Supervisory Committee Members), managerial employees and regular employees. In cases where relevant laws have been enacted or revised, or where major scandals or accidents have arisen in the Group or other companies, we quickly provide any necessary guidance.

vi. With the rigorous Risk Management System in business management and internal auditing being conducted, through the risk managers placed within the Company who are in charge of each Group company, every effort shall be made to ensure thorough Risk Management System at each Group company.

vii. In transactions throughout all of our businesses, processes established by financial statements, and business accounting systems, we check all events for the possibility of misstatements or mistakes and streamline systems to ensure that no fraudulent actions are taken during the course of our business. Also, when and where necessary, we set up lateral organizations for the specific purpose of streamlining various processes.

c) The following measures shall be taken to put in place systems for storing and managing information.

i. The General Manager of the Personnel and Legal Department will instruct Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees to appropriately store and manage documents based on document management rules.

ii. The General Manager of the Personnel and Legal Department shall store and manage materials relating to the following documents (including electromagnetic records) for at least ten years:

(i) Minutes from Annual General Meeting of Shareholders
(ii) Minutes from Board of Directors Meeting
(iii) Financial documents
(iv) Other documents determined by the Board of Directors Meeting

iii. Directors (excluding Directors who are Audit & Supervisory Committee Members) and Audit & Supervisory Committee Members can always review documents in "ii" above.

d) The following measures shall be taken to ensure the efficient execution of duties of Directors of Fullcast Holdings Co., Ltd. and the Fullcast Group.
   i. At the beginning of initial Board of Directors Meeting in each term, Directors shall develop a business plan toward achieving the common goals of all employees. Directors shall regularly review the results with the Board of Directors.
   ii. As a foundation for systems to ensure that work is being executed efficiently by Directors, the Board of Directors Meeting shall in principle be held at regular one-month intervals, and extraordinary sessions shall also be held whenever necessary.
   iii. Regarding execution of work based upon decisions made at Board of Directors Meetings, organizational rules, division of duties regulations, and administrative authority regulations, their responsibilities and execution procedures shall be decided.

e) The following measures shall be taken to develop a system for ensuring proper operations in the business group.
   i. The Company shall draw up a Fullcast Group Employee Code of Conduct for all Group companies, and work to gain compliance by all employees. As well as making ensuring compliance by the whole company, the Board of Directors at Group companies will also lead by example by acting based on this code of conduct.
   ii. Where they have discovered serious legal violations by Group companies or other important facts concerning risk have been discovered, Directors and employees at Group companies must report to the General Manager of the Personnel and Legal Department, who shall in turn report them to the CEO. Under the direction of the CEO, the General Manager of the Personnel and Legal Department will conduct and supervise an audit of the reported facts, and where deemed necessary will decide upon appropriate countermeasures. Also, where necessary, the CEO shall report matters to the Board of Directors, and the General Manager of the Personnel and Legal Department shall report it to the Audit & Supervisory Committee.
   iii. The General Manager of the Personnel and Legal Department will instruct the Group companies to put in place appropriate internal control systems.

f) The following measures shall be taken to develop a system for ensuring the effectiveness of audits carried out by Aduit & Supervisory Committee.
   i. Where a request is made by an Audit & Supervisory Committee Member for an employee to be allocated to assist in their work, the Company's employees shall be assigned to provide them with assistance. Audit & Supervisory Committee Member's assistants shall not be subject to the direction of Directors (excluding those who are Audit & Supervisory Committee Members), and Audit & Supervisory Committee Members shall conduct their performance reviews. Consent must be gained from the Audit & Supervisory Committee to transfer or reprimand those employees assisting them.
   ii. Audit & Supervisory Committee Member's assistants shall not jointly take on posts that involve execution of work.
   iii. Where Directors (excluding those who are Audit & Supervisory Committee Members) or employees of Fullcast Holdings Co., Ltd. or the Fullcast Group have discovered facts about legal violations or matters that may cause significant damage to the Company, they must promptly report these facts to an Audit & Supervisory Committee Member. Directors (excluding those who are Audit & Supervisory Committee Members) or employees of Fullcast Holdings Co., Ltd. or the Fullcast Group who report these matters shall be kept anonymous and persons who report these matters will not treated unfairly because they reported these matters.
   iv. A whistleblower hotline will be set up outside the Company. Persons who use the

whistleblower system will be kept anonymous and these individuals will not be treated unfairly because they used the whistleblower system. In addition, a system will be put in place to report information submitted to the whistleblower hotline outside the Company to the General Manager of the Personnel and Legal Department and Full-time Audit & Supervisory Committee Member.

v. Directors (excluding those who are Audit & Supervisory Committee Members) or employees of Fullcast Holdings Co., Ltd. or the Fullcast Group must report immediately to an Audit & Supervisory Committee member if requested by an Audit & Supervisory Committee Member to report matters concerning the execution of business.

vi. Audit & Supervisory Committee Members can attend the Board of Directors Meetings of subsidiaries and other meetings deemed necessary for audit purposes by and Audit & Supervisory Committee Member. In addition, Audit & Supervisory Committee Members can browse documents they determine as necessary for audit purposes.

vii. Audit & Supervisory Committee Members shall work closely with the Accounting Auditor and Internal Audit Departments and can receive advice from outside experts such as an attorney, when necessary.

viii. When an Audit & Supervisory Committee Member requests the prepayment of expenses for carrying out their duties, the Company shall pay such costs or obligations immediately, excluding instances where deliberations with the department in charge determine that the costs or obligations related to the request are not necessary for the execution of the Auditor & Supervisory Committee Member’s duties.

g) The following measures shall be taken to develop a basic concept toward eliminating anti-social forces and to ensure its effectiveness.

i. The Company and Group companies shall act in accordance with the Fullcast Group Employee Code of Conduct, sever relations with anti-social forces, and not conduct any transactions with such forces.

ii. Information on anti-social forces shall be collected in-house, managed and used with information from external specialized agencies, which is in turn are used to determine whether or not the counterpart is anti-social.

iii. Unreasonable requests from anti-social forces shall be firmly rejected. Furthermore, the unreasonable demands shall be handled with a firm stance as an organization.

iv. Links with external specialized agencies shall be established to provide access to cooperation and appropriate advice on elimination of anti-social forces.

D. Iinvestor Relation, Other Activities

Fullcast considers endeavors to ensure highly transparent management and timely and appropriate disclosure of corporate information to be of vital importance in gaining understanding and trust for our management.

Our Company considers shareholders to be an important class of stakeholder and dates for shareholder related meetings such as the Annual General Meeting of Shareholders are set at times that allow for constructive dialogue with shareholders and to provide information that is accurate to achieve this dialogue.

Our Company holds briefings for institutional investors and analysts two times per year in order to as part of our efforts to promote constructive dialogue with investors within a reasonable scope outside of General Meetings of Shareholders from the perspective of contributing to sustainable growth and the medium- to long-term improvement of corporate value. The President, Representative Director and CEO attend all briefings where he endeavors to engage in proactive dialogue with participants.

Furthermore, the Company has established a system for disclosing information equally to investors in Japan and overseas through its website.

The Company, through its initiatives, endeavors to be the most accountable company in the industry and promotes discussions on corporate governance and important management policies with major shareholders who have an investment policy to realize returns over the medium to long term.

2) Internal Audits and audits by Audit & Supervisory Committee

A. Internal Audits

Internal Audits are conducted based on internal audit regulations.

Regarding internal audit regulations, the functions of Internal Audits are to properly understand the company’s property and operations from the standpoint of management analysis, and to contribute to the streamlining of management and increasing of its efficiency, and also to achieve effective communication and coordination in all of its operations. The General Manager of the Personnel and Legal Department is responsible for audits.

B. Audits by Audit & Supervisory Committee

All three Audit & Supervisory Committee Members on our Audit & Supervisory Committee are Outside Directors who are independent. Outside Directors who are Audit & Supervisory Committee Members include a tax accountant and a lawyer. As well as conducting audits from various expert standpoints, based upon standards for audits and other tasks by the Audit & Supervisory Committee, they also audit execution of work by Directors, and state their opinions on matters such as appropriate operations and streamlining of operations.

3) Outside Directors

A. Overview of Outside Directors’ personal relationships, capital relationships and other concerns over business relationships

The shareholdings of our Company by our 3 Outside Directors are outlined below.

(As of Mar. 26, 2018)

Position in the Company	Name	Number of shares held
Full-time Audit & Supervisory Committee Members	Kouji Sasaki	9,600
Audit & Supervisory Committee Members	Masataka Uesugi	—
Audit & Supervisory Committee Members	Hideyuki Totani	—

Hideyuki Totani has a concurrent post at F-PLAIN Corporation which is a consolidated subsidiary of the company.

There is no special conflict of interest between the Company and the other important concurrent offices of the Company's Outside Directors.

B. Attitudes towards functions, roles and appointment of Outside Directors

In appointing Outside Directors, we select them based on the following thinking.

(Outside Directors)

- Outside Directors are selected from those who are judged to be qualified as having rich experience and special knowledge in governance, and indicating objectivity towards management, from the perspective of enhancing supervisory functions for overall execution of work and ensuring transparency of management.
- In order to meet the objectives of appointing Outside Directors, their independence is objectively judged in appointing new Outside Directors, in accordance with the judgment criteria for independence of Independent Directors stipulated by the Tokyo Stock Exchange, Inc. and the

Standards for Independence of Outside Directors created by the Company.

- When a corporate manager becomes an Outside Director, conflict of interest may arise in business transactions with the Director's own company. Conflict of interest in individual cases shall be appropriately dealt with in the procedures of the Board of Directors.

(Reference) Standards for Independence of Outside Directors

The Company has stipulated the following standards for determining the independence of the Company's outside directors as part of its efforts to strengthen corporate governance.

Conditions of Independence for Independent Officers

The Company's independent officers are Outside Directors as stipulated in the Companies Act and Ordinance for Enforcement of the Companies Act and they are persons who satisfy the following conditions, in addition to the conditions for independence set forth by financial instrument exchanges in Japan, including the Tokyo Stock Exchange.

1. Persons who do not fall into any of the following categories
    (1) A Director who is not an executor of business or executor of business of the Company's parent company;
    (2) An executor of business of the Company's sister company;
    (3) An organization for whom Company or the Company's subsidiaries (hereinafter, "the Group") is the major customer or a person who executes the business of that major customer;
    (4) A major customer of the Group a person who executes the business of that major customer;
    (5) A consultant, accounting expert or legal expert who, in addition to Director's remuneration receives money exceeding a certain amount or other assets from the Group (or an organization that receives the said assets or person who belongs to the said organization)
    (6) A person who fell into any of the categories described in (1) to (5) above in the last one year;
    (7) A relative of a person (excluding unimportant persons) who falls into any of the following categories (i) to (iii) within the second degree of the relationship:
        (i) A person who falls into any of the above categories (1) to (6);
        (ii) An executor of business for a subsidiary of the Company;
        (iii) A person who falls into (ii) or was an executor of business for the Company in the last year
2. Individuals who do not have other circumstances that prevents them from fulfilling their duties as independent officer.
3. Even when 1 or 2 above applies, an individual can still be appointed as independent officer if it is determined they effectively possess independence and the reason is explained and disclosed at the time of their appointment as outside officer.

Notes:
1. An "executor of business" means a Director in charge of business execution, an executive officer, or an employee.
2. A "major customer" means a company whose payments or receivables account for over 2% of annual consolidated sales of the Group within most recent business year.
3. "In addition to Director's remuneration receives money exceeding a certain amount or other assets from the Group" means a person who received monetary proceeds of 10 million yen or more or interests with the equivalent value from the Group, in addition to Director's remuneration, in the most recent business year.

Audit & Supervisory Committee Members Kouji Sasaki, Masataka Uesugi, and Hideyuki Totani, who are also Outside Directors, were appointed after being judged to be qualified as having rich experience in governance and specialist knowledge, and indicating objectivity towards management, from the perspective of enhancing supervisory functions for the overall execution of work and ensuring transparency of management. The Company has appointed them as independent officers (which refers to Outside Directors and Outside Auditors for whom there is no risk of conflict of interest with general shareholders), which the Tokyo Stock Exchange stipulates as a “matter to be observed” under the Corporate Code of Conduct. The Company has also notified the stock exchange of their appointment.

Koji Sasaki maintains the qualification of professional tax accountant, Masataka Uesugi as attorney-at-law, and Hideyuki Totani as certified public accountant.

C. Overview of contracts signed with Outside Directors who are Audit & Supervisory Committee members, as stipulated in Paragraph 1 of Article 427 of the Companies Act

Based on Item 1 of Article 427 of the Companies Act, the Company and our outside directors who are Audit & Supervisory Committee Members have signed a limited liability contract concerning liability for damages under Item 1 of Article 423 of the Companies Act. Based upon this contract, where work has been performed in good faith and without gross negligence, the maximum amount of damages that the Company is liable for is the total minimum liability stipulated in Item 1 of Article 425 of the Companies Act.

D. Supervision and Audits by Outside Directors who are Audit & Supervisory Committee Members, mutual cooperation with audits by internal, Audit & Supervisory Committee, and accounting audits, and relationships between the internal control department and those members

In the Board of Directors Meetings, Outside Directors who are Audit & Supervisory Committee Members provide necessary comments for resolutions and discussions as required, and state opinions on resolutions and discussions as the need arises, from the perspective of decision-making processes used in execution of duties by Directors (excluding Audit & Supervisory Committee Members) and in corporate resolutions are appropriate.

Audit & Supervisory Committee Members and the Internal Audit Department work towards mutual cooperation through formulation of audit plans and reporting on outcomes of internal audits. At the Audit & Supervisory Committee meetings, audit plans and detailed explanations on audit plans are carried out in a timely manner by PricewaterhouseCoopers Arata LLC., the Company’s Accounting Auditor.

The internal control department (the Personnel and Legal Department) summarizes findings from effectiveness assessments on the state of operation and maintenance of internal controls. The President, Representative Director and CEO then report the summarized findings to the Board of Directors Meetings, the Audit & Supervisory Committee and Accounting Auditor as required in a timely manner. Even in cases where dishonest actions have been committed by people with roles that are crucial for internal control as part of financial reporting, or where major changes have been made in internal control, they still report to the Board of Directors Meeting, the Audit & Supervisory Committee and Accounting Auditors as required in a timely manner.

4) Officer Remuneration

A. Total amount of remuneration by officer classification, total amount by type of remuneration, and number of officers covered, for submitting companies

Classification	Total amount of remuneration (million yen)	Total amount by type of remuneration (million yen)				Number of officers covered
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Directors (excluding Audit & Supervisory Committee Members) (excluding Outside Directors)	103	89	14	—	—	4
Directors (Audit & Supervisory Committee Members) (excluding Outside Directors)	—	—	—	—	—	—
Outside officers	14	14	—	—	—	3

Notes: 1. The limit on renumeration of directors (excluding Audit & Supervisory Committee Members) is set at 200 million yen per year, as determined at the General Meeting of Shareholders on March 25, 2016. At the General Meeting of Shareholders on March 24, 2017, stock acquisition rights were issued as part of stock option to the Directors (excluding Audit & Supervisory Committee Members).

2. The limit on renumeration of directors (Audit & Supervisory Committee Members) is set at 50 million yen per year, as determined at the General Meeting of Shareholders on March 25, 2016.

B. Total amount of consolidated remuneration for each officer of submitting companies

Not listed, as there is no one for whom the total amount of consolidated remuneration exceeds 100 million yen.

C. Important items among employee bonuses for people working jointly as employees and officers

There are no relevant matters.

D. Policy concerning decisions on officer remuneration amounts

It is stated in the Articles of Incorporation that officers' remuneration is stipulated based upon decisions made at the Annual General Meeting of Shareholders.

Our Company determines the amount of remuneration for executive officers once each year, and in particular for the President, Representative Director and CEO these amounts reflect both the degree of responsibility and results in business performance, and must be within the range of remuneration limits determined at the General Meeting of Shareholders.

In addition, the Board of Directors meeting approved the issuance of stock acquisition rights within the scope of renumeration as part of stock compensation-type stock options to be granted to the Company's Directors (excluding Directors who are Audit & Supervisory Commitee Members) in order to further enhance linkages between director remuneration and the Company's performance and shareholder interests.

The remuneration of Directors (excluding those who are Audit & Supervisory Committee Members) is determined individually based on deliberations at the Board of Directors Meetings, which includes 3 Audit & Supervisory Committee Members and independent outside directors to ensure transparency. The remuneration of directors who are Audit & Supervisory Committee Members is determined individually based on deliberations by the Audit & Supervisory Committee.

5) Possession of Shares

The following shows the status of F-PLAIN Co., Ltd., which is the company with the highest balance sheet amount for investment shares among the Company and its consolidated subsidiaries (highest holding company).

A. Investment shares that are held for purposes other than net investment purposes

Number of different stocks: 1

Total value recorded in balance sheets: 172 million yen

B. Stocks, holding type, number of shares, balance sheet amount and holding purpose of investment shares not held for net investment purposes

(Previous fiscal year)

There are no relevant matters.

Note: F-PLAIN Corporation became a consolidated subsidiary in the fiscal year under review.

(Current fiscal year)

Special Stocks

Stock	Number of shares	Amount recorded in balance sheets (million yen)	Purpose held for
Vision Co., Ltd.	59,200	172	For maintaining and strengthening relations

C. Investment shares held for net investment purposes

There are no relevant matters.

The following shows the status of the submitting company.

A. Investment shares that are held for purposes other than net investment purposes

Number of different stocks: 4

Total value recorded in balance sheets: 31 million yen

B. Stocks, holding type, number of shares, balance sheet amount and holding purpose of investment shares not held for net investment purposes

(Previous fiscal year)

Special Stocks

Stock	Number of shares	Amount recorded in balance sheets (million yen)	Purpose held for
Saint Care Holding Corporation	12,000	20	For maintaining and strengthening relations

(Current fiscal year)

Special Stocks

Stock	Number of shares	Amount recorded in balance sheets (million yen)	Purpose held for
Saint Care Holding Corporation	36,000	30	For maintaining and strengthening relations

C. Investment shares held for net investment purposes

There are no relevant matters.

6) Accounting Audits

A. Names of certified public accountants who performed accounting audits for the company, and names of auditing companies to which they belong

Takayuki Ikenoue (PricewaterhouseCoopers Arata LLC.)

He has been continuously involved with us for 3 years.

B. Audit assistants

Certified public accountants:	8
Other:	14

7) Resolution matters for Annual General Meeting of Shareholders that can be decided upon at the Board of Directors Meetings

In the Articles of Incorporation, it is stipulated that the Company may decide on the following matters at Board of Directors Meetings, regardless of decisions made at Annual General Meeting of Shareholders.

A. It may acquire of treasury stock

To be able to improve capital efficiency and increase returns to shareholders

B. It may pay dividends from retained earnings

To be able to implement flexible capital policy and dividend policy

C. It may pay interim dividends

To be able to implement flexible capital policy and dividend policy

D. According to decisions made by the Board of Directors Meeting, it may be exempt from liability for damages, to the limit of the law, for Directors and Audit & Supervisory Committee Members (including former Directors, former Audit & Supervisory Committee Members, and Audit & Supervisory Board Member) resulting from negligence of duty

To be able to adequately conduct the roles that are expected to be performed in normal course of business.

8) Number of Directors

It is stipulated in the Articles of Incorporation that there are to be no more than 10 Directors (excluding Directors who are Audit & Supervisory Committee Members) and no more than 4 Directors who are Audit & Supervisory Committee members at the Company.

9) Decision Requirements for Appointment of Directors

Regarding decisions to appoint Directors, it is stipulated in the Articles of Incorporation that shareholders with at least 1/3 of shareholders' voting rights, and who can exercise voting rights, must be present and that the Company requires the majority of these voting rights to be exercised.

Regarding appointments of Directors through cumulative voting, it is stipulated in the Articles of Incorporation that voting must not be done through cumulative voting.

10) Special Decision Requirements for Annual General Meeting of Shareholders

Our Company endeavors to smoothly conduct the Annual General Meeting of Shareholders, and regarding special decision requirements for Annual General Meeting of Shareholders as stipulated in Item 2 of Article 309 of the Companies Act, it is stipulated in the Articles of Incorporation that shareholders with at least 1/3 of shareholders' voting rights and who can exercise voting rights, must be present, and that the Company requires 2/3 of these voting rights to act.

(2) Details of Audit Remuneration and Other Information

1) Details of remuneration for audit-certified public accountants and other information

Classification	Previous consolidated fiscal year	Current consolidated fiscal year

	Remuneration based on audit certification work (million yen)	Remuneration based on non-auditing work (million yen)	Remuneration based on audit certification work (million yen)	Remuneration based on non-auditing work (million yen)
Submitting companies	21	—	25	—
Consolidated subsidiaries	—	—	17	—
Total	21	—	42	—

2) Details of other significant remuneration

There are no relevant matters.

3) Details of non-auditing work for submitting companies by audit-certified accountants, etc

There are no relevant matters.

4) Policy for determining audit remuneration

At our Company, we determine audit remuneration after giving consideration of factors such as audit-certified accountants' audit plans, audit contents and audit days.

Part 5: Financial conditions

1. Regarding Preparation Methods for Consolidated and Non-Consolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in accordance with "Regulations for Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Minister of Finance Decree No. 28, 1976).

(2) The Company's financial statements are prepared in accordance with "Regulations for Terminology, Forms and Preparation of Financial Statements" (Minister of Finance Decree No. 59, 1963, hereinafter referred to as the "Regulations for Financial Statements.").

The Company falls under the companies submitting special consolidated financial statements and prepares financial statements in accordance with the provisions of the Article 127 of the Regulations for Financial Statements.

2. Regarding Audit Certification

Based on Item 2, Paragraph 1 of Article 193 of the Financial Instruments and Exchange Act, the Company underwent audits from PricewaterhouseCoopers Arata LLC. for consolidated financial statements of the current consolidated fiscal year (January 1 to December 31, 2017) and for financial statements of the current fiscal year (January 1 to December 31, 2017).

3. Regarding Special Initiatives for Ensuring the Adequacy of Consolidated Financial Statements

The Company engages in special initiatives for ensuring the adequacy of consolidated financial statements. Specifically, we have joined the Financial Accounting Standards Foundation to properly understand the details of accounting standards, and to respond appropriately to changes in these standards. Furthermore, we have put in place systems for receiving information from companies specializing in disclosure on both a regular and occasional basis.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

(million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
ASSETS		
Current assets		
Cash and deposits	6,963	9,371
Notes and accounts receivable-trade	3,107	4,135
Merchandise	5	6
Supplies	10	22
Deferred tax assets	332	237
Other	476	301
Allowance for doubtful accounts	(17)	(18)
Total current assets	10,875	14,053
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*3 550	*3 617
Accumulated depreciation and impairment loss	(204)	(260)
Buildings and structures, net	346	358
Machinery equipment and vehicles	8	9
Accumulated depreciation and impairment loss	(6)	(9)
Machinery, equipment and vehicles, net	2	0
Tools, furniture and fixtures	654	955
Accumulated depreciation and impairment loss	(445)	(778)
Tools, furniture and fixtures, net	209	178
Land	*3 257	*3 264
Construction in progress	32	32
Total property, plant and equipment	846	832
Intangible assets		
Software	333	283
Goodwill	-	459
Other	22	22
Total intangible assets	354	764
Investments and other assets		
Investment securities	*1 644	*1 505
Guarantee deposits	308	396
Deferred tax assets	191	143
Other	58	213
Allowance for doubtful accounts	(6)	(92)
Total investments and other assets	1,196	1,165
Total noncurrent assets	2,396	2,760
Total assets	13,272	16,813

(million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	8	5
Short-term loans payable	*2 1,008	*2 1,006
Current portion of long-term loans payable	*3 5	*3 17
Accounts payable-other	589	951
Accrued expenses	799	865
Income taxes payable	194	734
Accrued consumption taxes	585	687
Allowance for subscription cancellations	-	89
Other	240	271
Total current liabilities	3,428	4,626
Noncurrent liabilities		
Long-term loans payable	*3 72	*3 253
Net defined benefit liability	432	491
Asset retirement obligations	48	50
Deferred tax liabilities	6	27
Other	15	27
Total noncurrent liabilities	572	848
Total liabilities	4,000	5,474
NET ASSETS		
Shareholders' equity		
Capital stock	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	4,488	6,605
Treasury stock	(100)	(598)
Total shareholders' equity	9,174	10,793
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27	72
Total accumulated other comprehensive income	27	72
Subscription rights to shares	–	32
Non-controlling interests	71	441
Total net assets	9,272	11,339
Total liabilities and net assets	13,272	16,813

2) Consolidated Profit and Loss Statement and Consolidated Statement of Comprehensive Income

(Consolidated Profit and Loss Statement)

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Net sales	25,340	32,066
Cost of sales	16,083	19,384
Gross profit	9,258	12,682
Selling, general and administrative expenses		
Salaries and bonuses	1,967	2,481
Other salaries	1,031	1,116
Legal welfare expenses	433	516
Retirement benefit expenses	76	87
Communication expenses	194	364
Traveling and transportation expenses	289	344
Rents	552	633
Depreciation	265	257
Advertising expenses	68	426
Recruitment expenses	470	439
Provision of allowance for doubtful accounts	3	8
Amortization of goodwill	14	159
Other	1,014	1,428
Total selling, general and administrative expenses	6,376	8,258
Operating income	2,882	4,424
Non-operating income		
Interest income	1	3
Dividends income	1	1
Share of profit of entities accounted for using equity method	160	52
Surrender value of insurance	–	60
Other	13	47
Total non-operating income	174	163
Non-operating expenses		
Interest expenses	7	8
Provision of allowance for doubtful accounts	–	102
Damage compensation expenses	4	5
Settlement package	9	12
Other	35	53
Total non-operating expenses	56	181
Ordinary income	3,001	4,406

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Extraordinary income		
Gain on step acquisitions	–	167
Compensation income for expropriation	21	–
Other	*1 4	*1 0
Total extraordinary income	25	167
Extraordinary loss		
Loss on retirement of noncurrent assets	*3 18	*3 17
Loss on valuation of investment securities	–	8
Impairment loss	–	*4 48
Office transfer expenses	12	–
Other	*2 1	*2 3
Total extraordinary losses	31	75
Income before income taxes	2,995	4,498
Income taxes-current	534	1,266
Income taxes-deferred	(66)	207
Total income taxes	468	1,474
Net income	2,527	3,024
Profit (loss) attributable to non-controlling interests	(2)	30
Net income attributable to Fullcast Holdings Co., Ltd.	2,529	2,994

(Consolidated Statement of Comprehensive Income)

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Net income	2,527	3,024
Other comprehensive income		
Valuation difference on available-for-sale securities	4	67
Share of other comprehensive income of entities accounted for using equity method	6	(10)
Total other comprehensive income	* 10	* 56
Comprehensive income	2,537	3,081
（Break down）		
Comprehensive income attributable to Fullcast Holdings Co., Ltd.	2,539	3,040
Comprehensive income attributable to non-controlling interests	(2)	41

3) Consolidated Statements of Shareholders' Equity

Consolidated accounting period for the previous fiscal year (January 1 to December 31, 2016)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	2,780	2,006	2,727	–	7,513
Changes of items during the period					
Dividend of surplus			(768)		(768)
Net income attributable to Fullcast Holdings Co., Ltd.			2,529		2,529
Acquisition of treasury stock				(100)	(100)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	1,761	(100)	1,661
Balance at the end of current period	2,780	2,006	4,488	(100)	9,174

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at the beginning of current period	17	17	–	7,530
Changes of items during the period				
Dividend of surplus				(768)
Net income attributable to Fullcast Holdings Co., Ltd.				2,529
Acquisition of treasury stock				(100)
Net changes of items other than shareholders' equity	10	10	71	81
Total changes of items during the period	10	10	71	1,742
Balance at the end of current period	27	27	71	9,272

Consolidated accounting period for the current fiscal year (January 1 to December 31, 2017)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	2,780	2,006	4,488	(100)	9,174
Changes of items during the period					
Dividend of surplus			(876)		(876)
Net income attributable to Fullcast Holdings Co., Ltd.			2,994		2,994
Acquisition of treasury stock				(498)	(498)
Net changes of items other than shareholders' equity					

Total changes of items during the period	–	–	2,118	(498)	1,620
Balance at the end of current period	2,780	2,006	6,605	(598)	10,793

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total Accumulated other comprehensive income			
Balance at the beginning of current period	27	27	–	71	9,272
Changes of items during the period					
Dividend of surplus					(876)
Net income attributable to Fullcast Holdings Co., Ltd.					2,994
Acquisition of treasury stock					(498)
Net changes of items other than shareholders' equity	46	46	32	370	448
Total changes of items during the period	46	46	32	370	2,067
Balance at the end of current period	72	72	32	441	11,339

4) Consolidated Cash Flows Statement

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,995	4,498
Depreciation	272	267
Impairment loss	–	48
Amortization of goodwill	14	159
Loss (gain) on step acquisitions	–	(167)
Increase (decrease) in allowance for doubtful accounts	(30)	87
Increase (decrease) in allowance for subscription cancellations	–	(213)
Increase (decrease) in net defined benefit liability	10	59
Interest and dividends income	(2)	(4)
Interest expense	7	8
Loss (gain) on valuation of investment securities	–	8
Share of (profit) loss of entities accounted for using equity method	(160)	(52)
Loss on retirement of noncurrent assets	18	17
Office transfer expenses	12	–
Decrease (increase) in notes and accounts receivable-trade	(162)	(593)
Decrease (increase) in inventories	3	(12)
Compensation income for expropriation	(21)	–
Increase (decrease) in notes and accounts payable-trade	9	188
Decrease (increase) in accounts receivable-other	(32)	51
Increase (decrease) in accrued expenses	57	(4)
Increase (decrease) in accrued consumption taxes	2	77
Other, net	27	44
Subtotal	3,020	4,466
Interest and dividends income received	2	4
Interest expenses paid	(8)	(10)
Income taxes paid	(1,052)	(760)
Income taxes refund	198	201
Net cash provided by (used in) operating activities	2,160	3,901
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(338)	(114)
Purchase of intangible assets	(164)	(79)
Purchase of investment securities	(122)	(0)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (160)	*2 (41)
Other, net	49	47
Net cash provided by (used in) investing activities	(735)	(187)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	–	(102)
Proceeds from long-term loans payable	–	200
Repayment of long-term loans payable	(1)	(29)
Purchase of treasury stock	(100)	(500)
Cash dividends paid	(767)	(875)

Net cash provided by (used in) financing activities	(868)	(1,306)
Net increase (decrease) in cash and cash equivalents	557	2,409
Cash and cash equivalents at beginning of period	6,406	6,963
Cash and cash equivalents at end of period	*1 6,963	*1 9,371

Notes on Consolidated Financial Statements

(Significant Accounting Policies in the Preparation of the Consolidated Financial Statements)

1. Matters concerning the scope of consolidation

Details of all consolidated subsidiaries

Consolidated subsidiaries: 12

Name of the consolidated subsidiaries:

Fullcast Co., Ltd., Top Spot Co., Ltd., Fullcast Advance Co., Ltd.,
Fullcast Business Support Co., Ltd., OtetsudaiNetworks Inc.,
Work & Smile Co., Ltd., Dimension Pockets Co., Ltd.,
Fullcast Senior Works Co., Ltd., Fullcast Porter Co., Ltd., F-PLAIN Corporation, M’s Line Co., Ltd.,
FSP Co., Ltd.

F-PLAIN Corporation, whose shares were acquired by the Company in the carrent fiscal year, and its subsidiary M’s LINE Co., Ltd. have been included in the scope of consolidation. Fullcast Porter Co., Ltd. and FSP Co., Ltd. were newly established in the carrent fiscal year, and therefore are included in the scope of consolidation.

2. Matters concerning the application of the equity accounting method

(1) Affiliates accounted for by the equity method: 1

Beat Co., Ltd.

F-PLAIN Corporation has been removed from the scope of equity method affiliates following its inclusion in the Company’s scope of consolidation.

(2) Items requiring mention with regards to procedures for applying the equity method

Because companies accounted for under the equity method have different fiscal year ends, financial statements based upon provisional settlement of accounts as of the consolidated fisacal year ends are used in preparing consolidated financial statements.

3. Matters concerning the fiscal year end date and other information of consolidated subsidiaries

During the fiscal year under review, F-PLAIN Corporation and its subsidiaries changed their settlement date to December 31; therefore settlement date is the same as the consolidated account settlement date. Additionally, Dimension Pockets Co., Ltd. changed its settlement date to December 31 during the fiscal year as well.Therefore, the settlement date is the same as the consolidated account settlement date. Following this change, the scope of consolidation corresponds to the 14-month period from November 1, 2016 to December 31, 2017. The final day of the business year of other consolidated subsidiaries are all match to the consolidated account settlement date.

4. Matters related to accounting policies

(1) Valuation rules and methods for significant assets

1) Securities

Other securities

With fair market value

Mark-to-market price method based on the market price at end of the consolidated fiscal year

(Valuation differences are in part included directly in net assets and costs of securities sold are determind by the moving average method)

Without fair market value

Stated at cost, as determined by the moving average method

2) Inventories

The cost method (method to reduce book value from lower profitability) is adopted as the standard for valuation.

Products and supplies

First-in first-out method

(2) Depreciation methods of significant depreciable assets

1) Property, plant and equipment (excluding lease assets)

Declining balance method

However, the straight-line method is used for buildings acquired on or after April 1, 1998 (Excluding facilities attached to buildings) as well as facilities attached to buildings structures acquired on or after April 1, 2016.

The main service life is as follows.

Buildings and structures	3 to 40 years
Machinery and transportation equipment	2 to 4 years
Tools, instruments, and fixtures	2 to 20 years

2) Intangible assets (excluding lease assets)

Straight-line method

The straight-line method based on the usable period in-house (five years) is used for software (portion used by the Company).

3) Lease assets

Lease assets from ownership non-transfer finance lease is calculated for the lease period as the service life and based on the straight-line method with zero residue prices.

(3) Standards for major allowances

1) Allowance for doubtful accounts

To provide for doubtful account expenses on trade receivables or loans receivable, the Company and its consolidated subsidiaries reserve an estimated doubtful account allowance on ordinary receivables based on historical doubtful account ratios, and on highly doubtful receivables based on the recoverability from individual customers.

2) Allowance for contract cancellations:

An allowance for contract cancellations containing an estimated reversal amount versus net sales of the fiscal year under review has been established in order to prepare for reversal of incentive income triggered upon the cancellation of mail-order merchandise by individual customers.

(4) Accounting treatment methods for retirement benefits

1) Method of attributing projected retirement benefits to periods of service

In calculating retirement benefit obligations, the benefit formula basis is applied to attribute projected retirement benefits to periods of service until the end of the current fiscal year.

2) Amortization of actuarial gains and losses and prior service costs

Prior service costs are amortized at once as an expense in the fiscal year when it's incurred.

Actuarial gain and losses are amortized at once as an expense in the fiscal year when it's incurred.

3) Adoption of simplified method for small-scale corporations, other.

Certain consolidated subsidiaries adopt the simplified method which assumes the benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end, within the calculation of retirement benefit liabilities and retirement benefit costs.

(5) Amortization method and period for goodwill

Goodwill is amortized over a 5-year period on a straight-line basis. However, if the monetary amount is small, goodwill is amortized all at once when it incurred.

(6) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash in hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of price fluctuation.

(7) Other important matters for the preparation of consolidated financial statements

1) Accounting treatment of consumption tax, etc

Consumption tax and local consumption tax are accounted for by the tax-exclusion method.

2) Application of the consolidated tax payment system

The consolidated tax payment system has been applied to the Company and certain consolidated subsidiaries.

(Changes in Presentation Method)

(Consolidated Profit and Loss Statement Related)

(1) "Reversal of accounts payable" and "Insurance income" presented separately in "Non-operating income" in the previous fiscal year will be restated in "Other" under "Non-operating income" starting from the fiscal year under review because the monetary amount has become insignificant. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, "reversal of accounts payable" of 1 million yen and "Insurance income" of 0 million yen, and "Others" of 11 million yen have been restated as "Other" of 13 million yen in the consolidated statements of income for the previous fiscal year.

(2) "Penalties" and "Levies for the employment of persons with disabilities" presented separately in "Non-operating expenses" in the previous fiscal year will be restated in "other" under "non-operating expences" starting from the fiscal year under review because the monetary amount has become insignificant. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, "penalties" of 7 million yen and "levies for the employment of persons with disabilities" of 10 million yen, and "other" of 18 million yen have been restated as "other" of 35 million yen in the consolidated statements of income for the previous fiscal year.

(Additional Information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Implementation Guidelines No. 26; March 28, 2016) have been applied from the fiscal year under review.

(Notes on Consolidated Balance Sheet)

*1 The following figure reflect affiliated companies

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Investment securities (equities)	578 million yen	272 million yen

*2 The Company and its subsidiaries signed an agreement for overdraft with four banks to procure operating capital efficiently. The balance of borrowings involved in the agreement for overdraft at the end of this consolidated fiscal year is as follows:

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Limit of overdraft account	5,500 million yen	5,850 million yen
Borrowing	1,000 million yen	1,000 million yen
Balance	4,500 million yen	4,850 million yen

*3 Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities are as follows:

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Buildings and structures	95 million yen	208 million yen
Land	22 million yen	185 million yen
Total	117 million yen	394 million yen

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Current portion of long-term loans payable	3 million yen	15 million yen
Long-term loans payable	46 million yen	253 million yen
Total	48 million yen	268 million yen

(Notes on Consolidated Income Statement)

*1. Significant components of gain on sales of noncurrent assets in “other” under extraordinary income:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Tools, furniture and fixtures	0 million yen	0 million yen

*2. Significant components of loss on sales of noncurrent assets in “other” under extraordinary loss:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Tools, furniture and fixtures	1 million yen	3 million yen

*3. Significant components of loss on retirement of noncurrent assets

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Buildings and structures	6 million yen	2 million yen
Tools, furniture and fixtures	1 million yen	3 million yen
Software	10 million yen	- million yen
Other	0 million yen	12 million yen
Total	18 million yen	17 million yen

*4. Details of impairment losses are as follows.

The Group recorded impairment losses on the following asset groups during the fiscal year under review.

(1) Asset groups for which impairment was recognized

Use	Type	Location
Business assets	Tools, instruments and fixtures	Minato-ku, Tokyo and others
	Software	
	Goodwill	

(2) Background to recognition of impairment loss

F-PLAIN Corporation (Minato-ku, Tokyo), a consolidated subsidiary which operates the Sales Support Business, reviewed its business plan related to online business, and found a divergence from the initial plan. As a result, it has determined that the business assets of the Sales Support Business related to the online business have become irrecoverable at full book value, resulting in recognition of an impairment loss.

(3) Amount of impairment loss

Tools, instruments and fixtures	0 million yen
Software	6 million yen
Goodwill	42 million yen

(4) Asset grouping method

The Group groups assets according to business segment in the application of impairment accounting.

(5) Method of calculation for recoverable amount

The Group's recoverable amount uses utility value and has been calculated to be zero based on an estimation of future cash flow.

(Notes on Consolidated Statement of Comprehensive Income)

* Amount of modifications and tax effect in other comprehensive income

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Valuation difference on available-for-sale securities:		
Amount incurred during the current fiscal year	6 million yen	89 million yen
Reclassification adjustment	–	–
Before tax effect adjustment	6 million yen	89 million yen
Tax effect	(1) million yen	(33) million yen
Valuation difference on available-for-sale securities	4 million yen	56 million yen
Share of other comprehensive income of associates accounted for using equity method:		
Amount incurred during the current fiscal year	6 million yen	–
Reclassification adjustment	–	–
Share of other comprehensive income of associates accounted for using equity method	6 million yen	–
Total other comprehensive income	10 million yen	56 million yen

(Notes on Changes in Consolidated Statement of Shareholders' Equity)

Fiscal year ended December 2016 (January 1 to December 31, 2016)

1. Matters concerning the type and the number of shares issued and treasury stock

Type of shares	Number of shares at the beginning of the fiscal year	Increase in the number of shares during the fiscal year	Decrease in the number of shares during the fiscal year	Number of shares at the end of the fiscal year
Shares issued Common stock (shares)	38,486,400	–	–	38,486,400
Total	38,486,400	–	–	38,486,400
Treasury stock Common stock (shares)	–	148,500	–	148,500
Total	–	148,500	–	148,500

(Summary of reason for change)

Acquisition of treasury stock resolution of the Board of Directors on February 12, 2016: 148,500 shares

2. Matters concerning stock acquisition rights

There are no relevant matters.

3. Matters concerning dividend

(1) Dividend payments

Resolution	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 12, 2016 Board of directors meeting	Common shares	385	10.00	Dec. 31, 2015	Mar. 11, 2016
Aug. 5, 2016 Board of directors meeting	Common shares	383	10.00	June 30, 2016	Sep. 5, 2016

(2) Of dividends the record date of which belongs to the fiscal year, those the effective date of which falls in or after the following fiscal year

Resolution	Type of shares	Dividend resource	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 10, 2017 Board of directors meeting	Common shares	Retained earnings	422	11.00	Dec. 31, 2016	Mar. 10, 2017

Fiscal year ended December 2017 (January 1 to December 31, 2017)

1. Matters concerning the type and the number of shares issued and treasury stock

Type of shares	Number of shares at the beginning of the fiscal year	Increase in the number of shares during the fiscal year	Decrease in the number of shares during the fiscal year	Number of shares at the end of the fiscal year
Shares issued Common stock (shares)	38,486,400	–	–	38,486,400
Total	38,486,400	–	–	38,486,400
Treasury stock Common stock (shares)	148,500	453,400	–	601,900
Total	148,500	453,400	–	601,900

(Summary of reason for change)

Acquisition of treasury stock resolution of the Board of Directors on February 10, 2017: 453,400 shares

2. Matters concerning stock acquisition rights

Name of company	Details of stock acquisition rights	Type of stock for the purpose of stock acquisition rights	Number of shares for the purpose of stock acquisition rights				Balance at end of the fiscal year (million yen)
			Beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	End of the fiscal year	
Submitting company	Stock acquisition rights as stock options	—	—	—	—	—	32
Total		—	—	—	—	—	32

Note: The first day of the rights exercise period for stock acquisition rights awarded as stock options has yet to arrive.

3. Matters concerning dividend

(1) Dividend payments

Resolution	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 10, 2017 Board of directors meeting	Common shares	422	11.00	Dec. 31, 2016	Mar. 10, 2017
Aug. 4, 2017 Board of directors meeting	Common shares	455	12.00	June 30, 2017	Sep. 4, 2017

(2) Of dividends the record date of which belongs to the fiscal year, those the effective date of which falls in or after the following fiscal year

Resolution	Type of shares	Dividend resource	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 9, 2018 Board of directors meeting	Common shares	Retained earnings	530	14.00	Dec. 31, 2017	Mar. 9, 2018

(Notes on Consolidated Cash Flows Statement)

*1 Reconciliation of the consolidated balance sheet items to cash and cash equivalents in the consolidated cash flow statements are as follows:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Cash and deposits	6,963 million yen	9,371 million yen
Cash and cash equivalents	6,963 million yen	9,371 million yen

*2 Main breakdown of assets and liabilities of companies that newly became consolidated subsidiaries through the acquisition of their shares

Fiscal year ended December 2016 (January 1 to December 31, 2016)

The following presents the breakdown of assets and liabilities from the start of consolidation of newly acquired Dimension Pockets Co., Ltd. as well as the acquisition cost of shares of Dimension Pockets Co., Ltd. and the relationship with expenditures (net increase) for the acquisition of Dimension Pockets Co., Ltd.

	(million yen)
Current assets	60
Non-current assets	263
Goodwill	14
Current liabilities	(19)
Non-current liabilities	(82)
Non-controlling interests	(73)
Acquisition cost for shares	163
Cash and cash equivalents, etc.	(2)
Allowance: expenditure for acquisition	160

Fiscal year ended December 2017 (January 1 to December 31, 2017)

The following presents the breakdown of assets and liabilities from the start of consolidation of newly acquired F-PLAIN Co., Ltd. and its subsidiaries as well as the acquisition cost of shares of F-PLAIN Co., Ltd. and the relationship with expenditures (net increase) for the acquisition of F-PLAIN Co., Ltd.

	(million yen)
Current assets	1,857
Non-current assets	449
Goodwill	547
Current liabilities	(768)
Non-current liabilities	(35)
Non-controlling interests	(329)
Equity method valuation until time control was acquired	(358)
Gain on step acquisitions	(167)
Acquisition cost of additionally acquired shares	1,198
Cash and cash equivalents, etc.	(1,156)
Allowance: expenditure for acquisition	41

(Notes Regarding Financial Instruments)

Previous fiscal year (January 1 to December 31, 2016)

1. Matters concerning the state of financial instruments

(1) Policy initiatives for financial instruments

The Group assumes bank loans for working capital. We also work to achieve proper fund management through effective use of our Group CMS (cash management service). Fund management is generally limited to highly secure deposits that are liquid. Regarding derivatives, it is our policy not to engage in speculative trading. In addition, investment securities are mainly the stocks of companies with which the Company has a business relationship and steps are taken to ascertain the market value of these securities on a regular basis.

(2) Details of financial instruments, and associated risks

Notes and accounts receivable-trade, which are operating receivables, are exposed to customer credit risks. Accounts payable and accrued expenses, which are operating debts, have due dates within one year. As for loans, the Company signed an agreement for overdraft with four banks to procure operating capital efficiently.

(3) Risk management systems for financial instruments

1) Management of credit risks (risks associated with contractual default by business partners)

Regarding credit risks for operating receivables, based on credit management regulations, as well as managing settlement dates and balances for each trading client engaged in core short-term human resources services such as Fullcast Co., Ltd., we are also working to quickly understand and lessen recovery risks resulting from worsening financial situations.

2) Management of market risks (risks from fluctuations in exchange rates and interest rates)

Loans are exposed to the risk of interest rate fluctuations, but fluctuations in interest rates will have a minimal impact on business performance because of the outstanding balance of the Company’s loans.

3) Management of liquidity risks for fund procurement (risk of being unable to execute payments on due dates)

Our Company’s finance department conducts daily deposit balance management for the Group, and also appropriately manages liquidity risks for each group company through CMS.

(4) Supplementary explanation about matters concerning market values of financial instruments

As well as values based on market prices, in cases where there is no market price, reasonably calculated values are included in market prices for financial instruments. Because variable factors are incorporated in calculating these values, they may vary when different assumptions are used.

2. Matters concerning market values for financial instruments

Consolidated balance sheet amounts, market prices, and the differences between these, as recorded on December 31, 2016 (the settlement date for the current term), are as follows. Financial instruments for which it is extremely difficult to determine market price are not included in the following chart (see Note 2) .

	Consolidated balance sheet amount (million yen)	Market value (million yen)	Difference (million yen)
(1) Cash and deposits	6,963	6,963	—
(2) Notes and accounts receivable-trade	3,107	3,107	—
(3) Investment securities	40	40	—
(4) Guarantee deposits	308	308	0
Total assets	10,418	10,418	0
(5) Short-term loans payable	1,008	1,008	—
(6) Accounts payable-other	589	589	—
(7) Accrued expenses	799	799	—
(8) Accrued consumption taxes	585	585	—
(9) Long-term loans payable (including those scheduled to be repaid within one year)	77	75	(2)
Total liabilities	3,057	3,055	(2)

Note: 1. Matters concerning formulas for calculating market value of financial instruments

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

These items are settled in short periods, and those of market values are approximately equal to book value, they are based on relevant book-values.

(3) Investment securities

The market value of investment securities is determined using the price posted by the stock exchange.

(4) Guarantee deposits

Market values for guarantee deposits indicate past results from departure, and are based on current prices that are obtained by discounting expected receivable amounts-reflecting collectability-once the average term of residence has been calculated, by highly-safe interest rates that correspond to the period up until departure.

Liabilities

(5) Short-term loans payable, (6) Accounts payable-other, (7) Accrued expenses, and (8) Accrued consumption taxes

These are items that are settled in short periods, and because market values are approximately equal to book value, they are based on relevant book-values.

(9) Long-term loans payable

The market value of long-term loans payable is calculated as subtracted by the interest rate assuming the same amount is executed as new borrowings from total principal.

2. Financial instruments for which it is extremely difficult to determine market price

Unlisted instruments (consolidated balance sheet amount of 604 million yen) do not have a market price and it is impossible to estimate their future cash flow, making it extremely difficult to determine the market price. Therefore, these instruments are not included in “(3) Investment securities.”

3. Expected redemption amount of pecuniary claims after the settlement date

	Within 1 Year (million yen)	1-5 Years (million yen)	5-10 Years (million yen)	Over 10 Years (million yen)
Cash and deposits	6,963	—	—	—
Notes and accounts receivable-trade	3,107	—	—	—
Total	10,070	—	—	—

4. Expected repayment amounts for short-term loans payable

	Within 1 year (million yen)	1-2 years (million yen)	2-3 years (million yen)	3-4 years (million yen)	4-5 years (million yen)	Over 5 years (million yen)
Short-term loans payable	1,008	—	—	—	—	—
Long-term loans payable	5	5	5	5	5	51
Total	1,013	5	5	5	5	51

Current fiscal year (January 1 to December 31, 2017)

1. Matters concerning the state of financial instruments

(1) Policy initiatives for financial instruments

The Group assumes bank loans for working capital. We also work to achieve proper fund management through effective use of our Group CMS (cash management service). Fund management is generally limited to highly secure deposits that are liquid. Regarding derivatives, it is our policy not to engage in speculative trading. In addition, investment securities are mainly the stocks of companies with which the Company has a business relationship and steps are taken to ascertain the market value of these securities on a regular basis.

(2) Details of financial instruments, and associated risks

Notes and accounts receivable-trade, which are operating receivables, are exposed to customer credit risks. Accounts payable and accrued expenses, which are operating debts, have due dates of within one year.

As for loans, the Company signed an agreement for overdraft with four main banks to procure operating capital efficiently (short-term loans), and a loan agreement with financial organizations for the purpose of capital investments (long-term loans).

(3) Risk management systems for financial instruments

1) Management of credit risks (risks associated with contractual default by business partners)

Regarding credit risks for operating receivables, based on credit management regulations, and managing settlement dates and balances for each trading client of core short-term human resources services businesses such as Fullcast Co., Ltd., we are also working to quickly understand and lessen recovery risks resulting from worsening financial situations.

2) Management of market risks (risks from fluctuations in exchange rates and interest rates)

Although loans are exposed to interest-rate risks, their impacts on earnings from changes in interest rates are estimated to be minimal.

3) Management of liquidity risks for fund procurement (risk of being unable to execute payments on due dates)

Our Company's finance department conducts daily deposit balance management for the Group, and also appropriately manages liquidity risks for each group company through CMS.

(4) Supplementary explanation about matters concerning market values of financial instruments

As well as values based upon market prices, in cases where there is no market price, reasonably calculated values are included in market prices for financial instruments. Because variable factors are incorporated in calculating these values, they may vary when different assumptions are used.

2. Matters concerning market values for financial instruments

Consolidated balance sheet amounts, market prices and differences between these, as recorded on December 31, 2017 (the consolidated settlement date for the term), are as follows. Financial instruments for which it is extremely difficult to determine market price are not included in the following chart (see Note 2.)

	Consolidated balance sheet amount (million yen)	Market value (million yen)	Difference (million yen)
(1) Cash and deposits	9,371	9,371	—
(2) Notes and accounts receivable-trade	4,135	4,135	—
(3) Investment securities	221	221	—
(4) Guarantee deposits	396	396	0
Total assets	14,123	14,123	0
(5) Short-term loans payable	1,006	1,006	—
(6) Accounts payable-other	951	951	—
(7) Accrued expenses	865	865	—
(8) Accrued corporation taxes	734	734	—
(9) Accrued consumption taxes	687	687	—
(10) Long-term loans payable (including those scheduled to be repaid within one year)	270	267	(3)
Total liabilities	4,514	4,511	(3)

Notes: 1. Calculation method of the market price of financial instruments

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

These items are settled in short time periods, and those of market values are approximately equal to book value, they are based on relevant book-values.

(3) Investment securities

The market value of investment securities is determined using the price posted by the stock exchange.

(4) Guarantee deposits

Market values for guarantee deposits indicate past results from departure, and are based on current prices that are obtained by discounting expected receivable amounts-reflecting collectability-once the average term of residence has been calculated, by highly-safe interest rates that correspond to the period up until departure.

Liabilities

(5) Short-term loans payable, (6) Accounts payable-other, (7) Accrued expenses (8) Accrued corporation taxes and (9) Accrued consumption taxes

These are items that are settled in short time periods, and because market values are approximately equal to book value, they are based on relevant book-values.

(10) Long-term loans payable

The market value of long-term loans payable is calculated as subtracted by the interest rate assuming the same amount is executed as new borrowings from total principal.

2. Financial instruments for which it is extremely difficult to determine market price

Unlisted instruments (consolidated balance sheet amount of 284 million yen) do not have a market price and it is impossible to estimate their future cash flow, making it extremely difficult to determine the market price. Therefore, these instruments are not included in "(3) Investment securities."

3. Expected redemption amount of pecuniary claims after the settlement date

	Within 1 Year (million yen)	1-5 Years (million yen)	5-10 Years (million yen)	Over 10 Years (million yen)
Cash and deposits	9,371	—	—	—
Notes and accounts receivable-trade	4,135	—	—	—
Total	13,506	—	—	—

4. Expected repayment amounts for short-term loans payable

	Within 1 year (million yen)	1-2 years (million yen)	2-3 years (million yen)	3-4 years (million yen)	4-5 years (million yen)	Over 5 years (million yen)
Short-term loans payable	1,006	—	—	—	—	—
Long-term loans payable	17	15	15	15	15	192
Total	1,023	15	15	15	15	192

(Notes on marketable securities)

Previous fiscal year

1. Items with market value among other marketable securities (as of December 31, 2016)

Classification	Consolidated balance sheet amount (million yen)	Acquisition cost (million yen)	Difference (million yen)
Items for which consolidated balance sheet amount exceeds acquisition cost Shares	40	11	29
Total	40	11	29

2. Other marketable securities sold during the current fiscal year (January 1 to December 31. 2016)

   There are no relevant matters.

3. Other marketable securities for which impairment was performed (January 1 to December 31, 2016)

   There are no relevant matters.

Current fiscal year

1. Other marketable securities (as of December 31, 2017)

Classification	Consolidated balance sheet amount (million yen)	Acquisition cost (million yen)	Difference (million yen)
Items for which consolidated balance sheet amount exceeds acquisition cost Shares	221	41	180
Total	221	41	180

2. Other marketable securities sold during the current fiscal year (January 1 to December 31, 2017)

   There are no relevant matters.

3. Other marketable securities for which impairment was performed (January 1 to December 31, 2017)

   The amount was immaterial and so it has been omitted.

(Retirement benefits related)

1. Summary of the retirement benefit scheme adopted

The Company and its consolidated subsidiaries have established employees' termination allowance plans as fixed benefit-type programs.

As of the end of the current fiscal year, two companies among the Company and its consolidated subsidiaries maintain termination allowance plans.

In addition, some consolidated subsidiaries had joined the "Japan Security Services Employees' Pension Fund (Integrated Foundation Type)" as a welfare pension fund system, but this has been dissolved after approval by the Minister of Health, Labour and Welfare dated on September 23, 2016.

We treat necessary contributions to the Pension Fund as retirement benefit expenses, as we cannot reasonably calculate the pension assets corresponding to our contributions for the Fund.

2. Defined benefit plan

(1) Adjustment table for balances at the beginning and the end of the period for retirement benefit obligations (excluding those which a simple method is applied)

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Retirement benefit obligations at the beginning of the period	325	349
Service cost	46	44
Interest cost	1	1
Actuarial differences occurred	10	27
Retirement benefits paid	(33)	(17)
Retirement benefit obligations at the end of the period	349	405

(2) Adjustment table for liabilities for retirement benefits under a simple method at the beginning and the end of the period

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Liabilities for retirement benefits at the beginning of the period	97	83
Retirement benefit expenses	8	13
Retirement benefits paid	(23)	(10)
Liabilities for retirement benefits at the end of the period	83	86

(3) Adjustment table between retirement benefit obligations/pension assets at the end of the period and liabilities/assets for retirement benefits recorded in the consolidated balance sheet

(million yen)

	FY12/16 (December 31, 2016)	FY12/17 (December 31, 2017)
Retirement benefit obligations under the non-cumulative system	432	491
Net liabilities and assets recorded in the consolidated balance sheet	432	491
Liabilities for retirement benefits	432	491
Net liabilities and assets recorded in the consolidated balance sheet	432	491

(Note) Including the system under a simple method.

(4) Amount of retirement benefit expenses and their breakdowns

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Service cost	46	44
Interest cost	1	1
Cost to dispose of actuarial differences	10	27
Retirement benefit expenses calculated by a simple method	8	13
Other	(1)	1
Retirement benefit expenses for the defined benefit plan	64	87

(5) Matters concerning the actuarial calculation base

Main actuarial calculation base

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Discount rate	Mainly 0.4%	Mainly 0.4%
Expected rate of increase	4.3%	4.4%

3. Multi-employer pension plan

As with the defined contribution plan, consolidated subsidiaries were insured in an employee’s pension fund under the multi-employer pension plan, which was dissolved on September 23, 2016 after obtaining permission from the Minister of Health, Labour and Welfare. Required contributions to this pension fund were 11 million yen for the previous fiscal year and 0 yen for the current fiscal year under review.

(Stock options)

1. Stock option expenses and subjects

	Previous consolidated fiscal year	Current consolidated fical year
Selling, general and administrative expenses	—	32 million yen

2. Stock option content, scale and changes

(1) Stock option content

	Series 1-1 stock compensation-type stock acquisition rights	Series 1-2 stock compensation-type stock acquisition rights
Company name	Submitting company	Submitting company
Date of resolution	March 24, 2017	March 24, 2017
Categories and number of persons eligible for grants	4 Directors of the Company (excluding Directors who are Audit Supervisory Committee Members) 8 Directors of the Company’s wholly-owned subsidiaries 2 Auditors of the Company’s wholly-owned subsidiaries	8 employees of the Company’s wholly-owned subsidiaries
Class of stock and amount granted	Common stock, 201,600 shares	Common stock, 19,200 shares
Grant date	April 10, 2017	April 10, 2017
Rights determination terms	Note 1	Note 2
Eligibility service (vesting) period	Not determined	Not determined
Rights exercise period	April 11, 2021 to April 10, 2051	April 11, 2021 to April 10, 2051

Notes: 1. Conditions for the exercise of stock acquisition rights

1) For stock acquisition rights allotted to the Company's Directors, in principle, the person receiving the allotment of stock acquisition rights must be a Director of the Company at the time the rights are exercised.

2) For stock acquisition rights allotted to the Directors or Corporate Auditors of the Company wholly-owned subsidiaries, in principle, the person receiving the allotment of stock acquisition rights, must be a Director or Corporate Auditor of the subsidiary at the time the rights are exercised.

3) Of those stock acquisition rights allocated, only the limited number of stock acquisition rights can be exercised depending on the level of achievement of the operating income target for the fiscal year ending December 2020, final year of the Medium-term Management Plan.

2. Conditions for the exercise of stock acquisition rights

1) In principle, persons who receive an allotment of stock acquisition rights must be an employee of the Company's wholly-owned subsidiaries at the time of exercising these rights.

2) Of those stock acquisition rights allocated, only the limited number of stock acquisition rights can be exercised depending on the level of achievement of the operating income target for the fiscal year ending December 2020, final year of the Medium-term Management Plan.

(2) Stock option scale and changes

The number of existing stock options subject to conversion to stock in the fiscal year ended December 2017 is as shown below.

(i) Quantity of stock options

	Series 1-1 stock compensation-type stock acquisition rights	Series 1-2 stock compensation-type stock acquisition rights
Company name	Submitting company	Submitting company
Date of resolution	March 24, 2017	March 24, 2017
Before rights determinated (shares)		
Previous fiscal yearend	—	—
Granted	201,600	19,200
Expired	—	—
Rights determinated	—	—
Undetermined balance	201,600	19,200
After rights determinated (shares)		
Previous fiscal yearend	—	—
Rights determined	—	—
Rights exercised	—	—
Expired	—	—
Unexercised balance	—	—

(ii) Unit price

	Series 1-1 stock compensation-type stock acquisition rights	Series 1-2 stock compensation-type stock acquisition rights
Company name	Submitting company	Submitting company
Date of resolution	March 24, 2017	March 24, 2017
Exercise price (yen)	1	1
Average share price at exercise (yen)	—	—
Fair value unit price on day of grant (yen)	1,121	1,121

3. Method of estimating fair value unit prices of stock options granted in this fiscal year

(1) Valuation method used: Black-Sholes

(2) Principal basic numbers and their estimation methods

	Series 1-1 stock compensation-type stock acquisition rights	Series 1-2 stock compensation-type stock acquisition rights
Share price volatility [Note 1]	66.33%	66.33%
Estimated remaining period [Note 2]	19 years	19 years
Estimated dividend [Note 3]	21 yen/share	21 yen/share
Riskless interest rate [Note 4]	0.59%	0.59%

Note: 1. Estimated based on actual share prices during the period from December 2001 to April 2017.

2. Data are insufficiently accumulated, and rational estimates are difficult, so exercise at the midpoint of exercise period is assumed for the estimate.

3. Based on actual dividends during the fiscal year ended December 2016.

4. This is the government bond interest rate in the expected balance period.

4. Method of estimating the stock option final numbers

Basically, it is difficult to estimate rationally the future expired number, so a method reflecting only the actual expired number is adopted.

(Notes on tax effect accounting)

1. Details of main reasons for deferred tax asset and deferred tax liability

(million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Deferred tax asset		
Allowance for doubtful accounts and bad debt loss	7	36
Liabilities for retirement benefits	132	150
Gains on sales of stocks of subsidiaries under the Corporation Tax Act	50	50
Loss from revaluation of investment securities	8	6
Loss carried forward	361	149
Accrued enterprise taxes	41	75
Accrued social insurance premiums	0	0
Accrued office taxes	6	6
Allowance for subscription cancellation	—	31
Asset retirement obligations	11	17
Other	29	41
Subtotal of deferred tax asset	646	562
Valuation reserve	(112)	(182)
Total deferred tax asset	534	379
Deferred tax liability		
Revaluation differentials of other securities, etc.	(9)	(23)
Other	(7)	(5)
Total deferred tax liability	(16)	(27)
Net deferred tax asset	517	352

2. Itemized details of the main reasons for differentials between the legal effective tax rates and the ratio of tax expenses, including corporate taxes, after tax effect accounting is applied

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Legal effective tax rates	33.1%	30.9%
(Adjustment)		
Fixed-rate residents on inhabitant tax	1.1%	0.9%
Goodwill amortization	–	0.8%
Share of loss (profit) of entities accounted for using equity method	(1.8) %	(0.4) %
Gain on step acquisitions	–	(1.1) %
Applicable tax rate difference of consolidated subsidiaries	–	2.3%
Valuation reserve amount	(18.8) %	(1.3) %
Adjustment by decreasing end-of-period deferred tax assets due to changes in tax rates	0.7%	–
Other	1.3%	0.7%
Ratio of tax expenses, including corporate taxes, after tax effect accounting is applied	15.6%	32.8%

(Business Combination and Others)

Business Combination through acquisition

The Company acquired the shares and made F-PLAIN Corporation, a subsidiary on the same day. In addition, M’s LINE Co., Ltd., a wholly-owned subsidiary of F-PLAIN Corporation, also became a subsidiary of the Company on the same day.

(1) Summary of the business combination

1) Name of acquired company and its business lines

Name of acquired company F-PALIN Corporation and M’s LINE Co., Ltd.

Business lines Call center operations, etc.

2) Main reasons for undertaking the business combination

The Company acquired shares of F-PLAIN Corporation because there is a high affinity with the human resource services and BPO services provided in the Group’s mainstay Short-term Operational Support Business, and by making F-PLAIN Corporation a consolidated subsidiary of the Group, under a solid capital relationship, the Company will seek to reinforce its future growth strategy, facilitate the mutual use of management resources, further stabilize the management foundation, and grow future profits.

3) Date of business combination

Janunary 26, 2017 (Deemed acquisition date: January 1, 2017)

4) Legal form of business combination

Share acquisition in exchange for cash.

5) Name of company after combination

The name of the company will remain the same.

6) Percentage of voting rights acquired

Percentage of voting rights held prior to business combination	23.8%
Percentage of additional voting rights acquired on the date of business combination	54.4%
Percentage of voting rights held after acquisition	78.2%

7) Main grounds for determining acquiring company

It is as a result of the Company acquiring 78.2% of the voting rights of the F-PLAIN Co., Ltd. through the share acquisition in exchange for cash.

(2) Period of the business performance of the acquired company included in consolidated financial statements

From January 1 to December 31, 2017

(3) Cost of the acquisition and considation of the acquired company and the breakdown thereof

Market value of ordinary shares owned prior to the business combination on the date of the business combination	524 million yen
Consideration for additionally acquired shares	1,198 million yen
Cost of the acquisition	1,722 million yen

(4) Details and amount of major expenses related to the acquisition

Advisory fees, etc. 6 million yen

(5) The difference between the acquisition cost of the acquired company and the total acquisition cost for each transaction that resulted in acquisition

Gain on step acquisition 167 million yen

(6) Amount, reason, method and period of amortization of Goodwill arising from the business combination

1) Amount of goodwill arising from the business combination

547 million yen

2) Cause

As the acquisition cost exceeded the net amount allocated to the assets acquired and liabilities assumed, the excess is recorded as goodwill.

3) Method and period of amortization

5-year period on a straight-line basis.

(7) Breakdown of the amount of assets received and liabilities assumed on the date of business combination

Current assets	1,857 million yen
Non-current assets	449 million yen
Total assets	2,306 million yen
Current liabilities	768 million yen
Non-current liabilities	35 million yen
Total liabilities	803 million yen

(8) Approximate amount and calculation method of impact on business combination on consolidated statements of income for the current fiscal year assuming acquisition was completed on the first day of the current consolidated fiscal year

The deemed acquisition date is the start date of the Company’s accounting year (January 1, 2017); therefore, there are no effects.

(Notes on asset retirement obligations)

Asset retirement obligations recorded in the consolidated balance sheet

(1) Overview of the asset retirement obligations

Restoration obligation under the real estate rental agreement regarding the head office property, others

(2) Calculation of the amount of asset retirement obligations

The amount of asset retirement obligations is calculated using a 0.3% discount rate, with estimated period of five years.

(3) Increase (decrease) in total asset retirement obligations

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Balance at beginning of current period	38	48
Increase by purchase of property, plant and equipment	12	2
Adjustment for lapse of time	0	–
Decrease due to fulfillment of asset retirement obligations	(3)	(0)
Balance at the end of current period	48	50

(Information on the business segments and others)

[Segment information]

Previous fiscal year (January 1 to December 31, 2016)

1. Overview of reporting segments

The Company's reporting segments are business units for which financial information can be obtained independently from the Company's various structural units, and they are subject to regular examination by the Board of Directors to form decisions about allocations of management resources and to evaluate their performance.

Our Group has two reporting segments: 1) the "short-term operational support business" and 2) the "security, other businesses". The "Short-Term Operational Support Business" provides timely short-term staffing services that cater to fluctuations in client companies' workloads. The "Security, Other Businesses" mainly conducts security work for public facilities and general companies.

2. Information concerning the calculation of the amount of sales, profits and losses, assets, and other items for each reporting segment

The accounting methods for each segment reported are almost the same as described in the "Significant Accounting Policies in the Preparation of the Consolidated Financial Statements."

The income of each reporting segment is an amount based on its operating income. Inter-segment profits and transfers are based on market prices.

3. Information concerning the amount of sales, profits and losses, assets, and other items for each reporting segment

(million yen)

	Reporting segment		Total	Adjustment amount (Note)	Consolidated
	Short-term operational support business	Security, other businesses			
Net sales					
Sales to external customers	23,225	2,116	25,340	–	25,340
Inter-segment sales or transfers	0	0	0	(0)	–
Total	23,225	2,116	25,341	(0)	25,340
Segment income or loss (-)	3,478	108	3,586	(704)	2,882
Segment assets	6,091	1,360	7,451	5,820	13,272
Other					
Depreciation	40	5	45	227	272
Goodwill amortization	–	14	14	–	14
Increase of property, plant and equipment and intangible assets	67	265	332	170	502

Notes:

1. (1) million yen in intersegment eliminations and (703) million yen in company-wide expenses not allocated to any reporting segment are included in the (704) million yen segment income adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any reporting segment.
2. The profit or loss (−) of segments has been adjusted using the operating income shown in the consolidated profit and loss statement.
3. The amount of 5,820 million yen in adjustment of segment-based assets primarily consists of long-term investment assets (investment securities), assets involved in the administrative departments and other items incurred by the head office of the parent company.
4. The amount of 227 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings, structures and software of the head office of the Company.
5. The amount of 170 million yen in adjustment for increased amount of the property, plant and equipment and intangible assets is primarily comprised of those for buildings and structures of the head office of the company and tools, furniture and fixtures, and software for a new system.

Current consolidated fiscal year (January 1 to December 31, 2017)

1. Overview of Reporting Segments

The Company's reporting segments are business units for which financial information can be obtained independently from the Company's various structural units, and they are subject to regular examination by the Board of Directors to form decisions about allocations of management resources and to evaluate their performance.

Our Group has three reporting segments: 1) "The Short-Term Operational Support Business;" 2) "The Sales Support Business" and 3) "The Security, Other Businesses". The Short-Term Operational Support Business provides timely short-term staffing services that cater to fluctuations in client companies' workloads. The Sales Support Business mainly engages in call center operations and agency sales of telecommunications products focused on distributor networks. The Security, Other Businesses mainly conducts security work for public facilities and general companies.

Shares of F-PLAIN Corporation were acquired in the current fiscal year, resulting in the company and its subsidiary being newly included in the scope of consolidation. As a result, it was added to "The Sales Support Business" segment.

2. Information concerning the calculation of the amount of sales, profits and losses, assets, and other items for each reporting segment

The accounting methods for each segment reported are similar to those described in the "Significant Accounting Policies in the Preparation of the Consolidated Financial Statements."

The income of each reporting segment is an amount based upon its operating income. Inter-segment profits and transfers are based on market prices.

3. Information concerning the amount of sales, profits and losses, assets, and other items for each reporting segment

(million yen)

	Reporting segments			Total	Adjustment amount (Note)	Consolidated
	Short-term operational support business	Sales support business	Security, other business			
Net sales						
Sales to external customers	26,555	3,596	1,915	32,066	—	32,066
Inter-segment sales or transfers	0	—	—	0	(0)	—

Total	26,555	3,596	1,915	32,066	(0)	32,066
Segment income or loss (-)	4,881	255	116	5,253	(828)	4,424
Segment assets	6,777	2,631	1,170	10,579	6,234	16,813
Other						
Depreciation	196	9	24	229	38	267
Amortization of goodwill	—	159	—	159	—	159
Inpairmanent loss	—	48	—	48	—	48
Increase of property, plant and equipment and intangible assets	78	6	19	103	90	193

Notes

1. (2) million yen in intersegment eliminations and (827) million yen in company-wide expenses not allocated to any reporting segment are included in the (828) million yen segment income adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any reporting segment.
2. The profit or loss (-) of the segments has been adjusted with the operating income shown in the consolidated profit and loss statement.
3. The amount of 6,234 million yen in adjustment of segment-based assets primarily consists of long-term investment assets (investment securities), assets involved in the administrative departments and other items incurred by the head office of the parent company.
4. The amount of 38 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings, structures and software of the head office of the Company.
5. The amount of 90 million yen in adjustment for increased amount of the property, plant and equipment and intangible assets is primarily comprised of those for buildings and structures of the head office of the company and tools, furniture and fixtures, and software for a new system.

[Related Information]

Consolidated accounting period for the previous fiscal year (January 1 to December 31, 2016)

1. Information about each product or service

   Information in this section is omitted because it is similar to information disclosed in the segment information section.

2. Information for geographical regions

   Information in this section is omitted, as we did not have any consolidated subsidiaries or offices located in foreign countries or regions outside of Japan.

3. Information about major customers

   The information in this section is omitted, as there is no single external customer representing 10.0% or more of net sales of the consolidated income statement.

Consolidated accounting period for the current fiscal year (January 1 to December 31, 2017)

1. Information about each product or service

   Information in this section is omitted because it is similar to information disclosed in the segment information section.

2. Information for geographical regions

   Information in this section is omitted, as we did not have any consolidated subsidiaries or offices located in foreign countries or regions outside of Japan.

3. Information about major customers

The information in this section is omitted, as there is no single external customer representing 10.0% or more of net sales of the consolidated income statement.

[Information concerning impairment loss on noncurrent assets for each reporting segment]

Previous consolidated fiscal year (January 1 to December 31, 2016)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2017)

(million yen)

	Reporting segment				Company-wide/ amortization	Total
	Short-term operational support business	Sales support business	Security, other businesses	Total		
Impairment loss	–	48	–	48	–	48

[Information regarding the amount of amortization of goodwill and unamortized balance for each reporting segment]

Previous consolidated fiscal year (January 1 to December 31, 2016)

(million yen)

	Reporting segment			Company-wide/ amortization	Total
	Short-term operational support business	Security, other businesses	Total		
Amount of amortization for the fiscal year	—	14	14	—	14
Balance at end of the fiscal year	—	—	—	—	—

Current consolidated fiscal year (January 1 to December 31, 2017)

(million yen)

	Reporting segment				Company-wide/ amortization	Total
	Short-term operational support business	Sales support business	Security, other businesses	Total		
Amount of amortization for the fiscal year	—	159	—	159	—	159
Balance at end of the fiscal year	—	459	—	459	—	459

[Information concerning gain on negative goodwill for each reporting segment]

Previous consolidated fiscal year (January 1 to December 31, 2016)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2017)

There are no relevant matters.

[Information on related parties]

1. Transactions with related parties

(1) Transactions between consolidated financial statement submitting companies and related parties

1) Parent companies of the consolidated financial statement submitting company and corporate major shareholders

Previous consolidated fiscal year (January 1 to December 31, 2016)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2017)

Type	Name	Location	Capital or investment (million yen)	Operation details or occupation	Proportion possession of voting rights etc. (Ownership Proportion)	Relationship with related parties	Contents of transaction	Transaction amount (million yen)	Subject	Amount remaining at end of period (million yen)
Main shareholder	Hirano Associate Co., Ltd.	Shibuya-ku, Tokyo	Capital 10	Real estate	(owned) Direct contact 33.9%	—	Acquisition of subsidiary's stock (Note)	610	—	—

Note: Regarding subsidiary's stock acquisition, a rational determination is made based on an independent third party institution's price computation.

2) Directors of the consolidated financial statement submitting company and individual major shareholders

Previous fiscal consolidated year (January 1 to December 31, 2016)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2017)

Type	Name	Location	Capital or investment (million yen)	Operation details or occupation	Proportion possession of voting rights etc. (Ownership Proportion)	Relationship with related parties	Contents of transaction	Transaction amount (million yen)	Subject	Amount remaining at end of period (million yen)
Officer	Takehito Hirano	—	—	Director and Chairman of the Company	—	—	Acquisition of subsidiary stock (Note)	438	—	—

Note: Regarding subsidiary's stock acquisition, a rational determination is made based on an independent third party institution's price computation.

(2) Transactions between consolidated financial statement submitting companies and related parties

1) Directors of the consolidated financial statement submitting company and individual major shareholders

Previous fiscal year (January 1 to December 31, 2016)

Type	Name	Location	Capital or investment (million yen)	Operation details or occupation	Proportion possession of voting rights etc. (Ownership Proportion)	Relationship with related parties	Contents of transaction	Transaction amount (million yen)	Subject	Amount remaining at end of period (million yen)

Officers of subsidiary	Shiro Kaizuka	—	—	Representative Director and President of Dimension Pocket Co., Ltd.	(owned) Direct contact 0.5%	Lending and borrowing funds	Cash collection	39	Other current assets (Note 2)	5
						Guarantee of obligation	Debt guarantee (Note 1) for the bank borrowings of Dimension Pockets Co., Ltd.	77	—	—

(Note)

1. Dimension Pocket Co., Ltd. has received debt guarantee from Shiro Kaizuka, Representative Director and President of the company for bank borrowing.
2. With respect to the loan of funds with Directors of subsidiaries, the interest rate is reasonably determined taking market interest rate into account.

Current consolidated fiscal year (January 1 to December 31, 2017)

Type	Name	Location	Capital or investment (million yen)	Operation details or occupation	Proportion possession of voting rights etc. (Ownership Proportion)	Relationship with related parties	Contents of transaction	Transaction amount (million yen)	Subject	Amount remaining at end of period (million yen)
Officers of subsidiary	Shiro Kaizuka	—	—	Representative Director and President of Dimension Pocket Co., Ltd. (Note 2)	(owned) Direct contact 0.5%	Guarantee of obligation	Debt guarantee (Note 1) for the bank borrowings of Dimension Pockets Co., Ltd.	268	—	—

(Note)

1. Dimension Pocket Co., Ltd. has received debt guarantee from Shiro Kaizuka, Representative Director and President of the company for bank borrowing.
2. At the General Shareholders Meeting convened on March 24, 2017, Shiro Kaizuka was nominated as a Director of the consolidated financial statements submitting company and became an "officer" thereof.

2. Notes concerning parent companies and major affiliates

   There are no relevant matters.

(Per share information)

FY12/16 (January 1 to December 31, 2016)		FY12/17 (January 1 to December 31, 2017)	
Net assets per share:	239.98 yen	Net assets per share:	286.81 yen
Net income per share:	65.92 yen	Net income per share:	78.87 yen
Diluted net income per share	–	Diluted net income per share	78.58 yen

Notes: 1. Diluted net income per share for the previous fiscal year is not reported since there is no outstanding latent stock.

2. The basis for calculating net income per share and diluted net income per share in the fiscal year under review is as follows.

Item	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Net income per share		
Net income attributable to Fullcast Holdings Co., Ltd. (million yen)	2,529	2,994
Net income attributable to Fullcast Holdings Co., Ltd. [basic] (million yen)	2,529	2,994
Net income not available to common stock (million yen)	–	–
Average number of common stock outstanding during the period (shares)	38,361,505	37,963,141
Diluted net income per share		
Adjusted net income attributable to Fullcast Holdings Co., Ltd. (million yen)	–	–

Increase of common stock (shares)	–	136,162
(of these, stock acquisition rights [shares])	–	(136,162)
Overview of potential stock not included in calculation of diluted net income per share because the stock have no dilution effect	–	–

(Major subsequent events)

(Acquisition of treasury stock)

The Company passed a resolution at the Board of Directors' meeting held on February 9, 2018 on the acquisition of treasury stock in accordance with Article 156 of the Companies Act of Japan, applied pursuant to Article 165-3 of the same act as follows.

1. Reason
   Treasury stock will be acquired in order to provide greater returns to shareholders as well as to implement an agile capital policy to enhance capital efficiency.
2. Type of stock: Ordinary shares
3. Number of shares to be acquired acquire: 340,000 (Maximum)
4. Total value of repurchases: 682 million yen (Maximum)
5. Period: February 13 to March 23, 2018
6. Acquisition method: Purchased in the open market of the Tokyo Stock Exchange

(Business combination through acquisition)

The Company passed a resolution at a meeting of the Board of Directors held on December 15, 2017 to acquire shares of BOD Co., Ltd. and make it a consolidated subsidiary. BOD Co., Ltd. was turned into a consolidated subsidiary after the Company acquired its shares on January 4, 2018.

(1) Summary of the business combination

1) Name of acquired company and its business lines

Name of acquired company: BOD Co., Ltd.

Business lines: Data entry, order management contracting, credit screening agency services, invoice agency and processing services, payment management operations, order management, bookkeeping and accounting contracting

2) Main reasons for undertaking the business combination

The Company acquired the shares because there is a high degree of affinity with the Fullcast Group's core human resources services and BPO related services within the short-term operational support business, and with the goal of reinforcing our future growth strategy based on a strong capital relationship, achieving mutual utilization of each other's management resources, stabilize further the management foundation, and expanding profits in the future by turning it into a consolidated subsidiary of the Group

3) Date of business combination

January 4, 2018 (Deemed acquisition date: January 1, 2018)

4) Legal form of business combination

Share acquisition in exchange for cash.

5) Name of company post combination

The name of the company will remain the same.

6) Percentage of voting rights acquired

Percentage of voting rights held prior to business combination	- %
Percentage of additional voting rights acquired on the date of business combination	51.0%
Percentage of voting rights held after acquisition	51.0%

7) Main backgrounds for determining acquiring company

It is as a result of the Company acquiring 51.0% of the voting rights through the share acquisition in exchange for cash.

(2) Cost of the acquisition and consolidation of the acquired company and the breakdown thereof

Cash and deposits used for the acquisition	109 million yen
Cost of the acquisition	109 million yen

(3) Details and amount of major expenses related to the acquisition

Advisory fees, others.	3 million yen

(4) Amount, reason, method and period of amortization of goodwill arising from the business combination

1) Amount of goodwill incurred

235 milllion yen

2) Reason for the goodwill

The assets acquired for the cost of the acquisition exceed the net amount allocated in liabilities assumed, and therefore the amount in excess was accounted for as goodwill. The amount of 188 million yen from this goodwill has already occurred from the acquisition of BOD Co., Ltd.

3) Method and period of amortization

10-year period on a straight-line basis.

(5) Breakdown of the amount of assets received and liabilities accepted on the date of business combination

Current assets	783 million yen
Non-current assets	72 million yen
Total assets	855 million yen

Current liabilities	458 million yen
Non-current liabilities	523 million yen
Total liabilities	981 million yen

(6) Others

Gyomubu Co., Ltd. is a subsidiary of the Company’s major shareholder; therefore this transaction corresponds to a related party transaction

5) Consolidated statement schedule

[Corporate bond schedules]

There are no relevant matters.

[Schedule of debt]

Classification	Balance at the beginning of the current term (million yen)	Balance at the end of the current term (million yen)	Average interest rate (%)	Repayment term
Short-term loans payable	1,008	1,006	0.65	—
Current portion of long-term loans payable	5	17	0.72	—
Lease obligations due within one year	—	—	—	—
Long-term loans payable(excluding current portion of loans)	72	253	0.69	January 15, 2019 to March 15, 2037
Lease obligations (excluding	—	—	—	—

obligations due within one year)				
Other interest-bearing debt	—	—	—	—
Total	1,084	1,276	—	—

Notes:

1. The average weighted interest rate for term-end balance on loans is listed as the average interest rate.
2. Total repayment schedule per year within 5 years after the consolidated settlement date of long-term loans payable (excluding current portion of loans)

Classification	Over 1 year and within 2 years (million yen)	Over 2 year and within 3 years (million yen)	Over 3 year and within 4 years (million yen)	Over 4 year and within 5 years (million yen)
Long-term loans payable	15	15	15	15

[Schedule of asset retirement obligations]

Items are omitted because their amount does not exceed one-hundredth of the sum of liabilities and net assets at the respective time-neither at the beginning nor end of the current fiscal year.

(2) Other

Information for each fiscal quarter in the current fiscal year

(Aggregate period)	First quarter	Second quarter	Third quarter	Current fiscal year
Net sales (million yen)	7,230	15,394	23,534	32,066
Quarterly net income before income taxes (million yen)	1,039	2,291	3,323	4,498
Quarterly net income attributable to Fullcast Holdings Co., Ltd. (million yen)	711	1,543	2,209	2,994
Quarterly net income per share (yen)	18.61	40.57	58.16	78.87

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income per share (yen)	18.61	21.96	17.59	20.71

2. Financial Statements

(1) Financial Statements

1) Balance Sheet

(million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
ASSETS		
Current assets		
Cash and deposits	3,971	5,127
Supplies	6	5
Prepaid expenses	80	85
Short-term loans receivable from subsidiaries and affiliates	819	50
Current portion of long-term loans receivable from subsidiaries and associates	–	1
Accounts receivable-other	*1 1,160	*1 1,567
Deferred tax assets	246	60
Other	*1 242	*1 54
Total current assets	6,523	6,949
Noncurrent assets		
Property, plant and equipment		
Buildings	34	33
Tools, furniture and fixtures	162	109
Total property, plant and equipment	196	142
Intangible assets		
Software	297	239
Other	0	0
Total intangible assets	297	239
Investments and other assets		
Investment securities	36	31
Stocks of subsidiaries and affiliates	1,056	2,359
Investments in capital	0	0
Long-term loans receivable from subsidiaries and associates	–	58
Guarantee deposits	63	70
Insurance funds	3	–
Long-term prepaid expenses	21	15
Deferred tax assets	158	126
Total investments and other assets	1,337	2,659
Total noncurrent assets	1,830	3,040
Total assets	8,353	9,990

(million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
LIABILITIES		
Current liabilities		
Short-term loans payable	*2 1,000	*2 1,000
Accounts payable-other	*1 133	*1 188
Accrued expenses	252	274
Income taxes payable	24	407
Accrued consumption taxes	59	53
Deposits received	48	51
Unearned revenue	*1 2	*1 3
Other	0	–
Total current liabilities	1,517	1,975
Noncurrent liabilities		
Long-term guarantee deposited	*1 7	*1 8
Provision for retirement benefits	349	405
Asset retirement obligations	20	22
Other	–	1
Total noncurrent liabilities	377	437
Total liabilities	1,894	2,412
Net assets		
Shareholders' equity		
Capital stock	2,780	2,780
Retained earnings		
Legal retained earnings	223	311
Other retained earnings		
Retained earnings brought forward	3,544	5,034
Total retained earnings	3,767	5,345
Treasury stock	(100)	(598)
Total shareholders' equity	6,447	7,527
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12	19
Total valuation and translation adjustments	12	19
Subscription acquisition rights to shares	–	32
Total net assets	6,460	7,578
Total liabilities and net assets	8,353	9,990

2) Profit and Loss Statement

(million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Operating revenue		
Consulting fee income	1,297	1,587
Commissions from subsidiaries and affiliates	1,322	1,260
Dividends from subsidiaries and affiliates	1,645	1,899
Total operating revenue	*1 4,264	*1 4,745
Operating expenses	*1*2 1,983	*1*2 2,043
Operating income	2,281	2,703
Non-operating income		
Interest income	*1 11	*1 9
Real estate rent	*1 16	*1 18
Commission fee	–	6
Reversal of provision for sales returns	42	-
Other	*1 5	*1 11
Total non-operating income	74	44
Non-operating expenses		
Interest expenses	7	6
Depreciation	3	3
Rent cost of real estate	16	18
Commission fee	–	8
Other	9	4
Total non-operating expenses	34	39
Ordinary income	2,320	2,708
Extraordinary income		
Gain on sales of noncurrent assets	*3 0	*3 –
Total extraordinary income	0	–
Extraordinary loss		
Loss on sales of fixed assets	*4 1	*4 3
Loss on retirement of noncurrent assets	*5 9	*5 8
Loss on valuation of investment securities	–	8
Total extraordinary losses	11	19
Income before income taxes	2,310	2,689
Income taxes-current	(231)	21
Income taxes-deferred	(26)	214
Total income taxes	(257)	236
Net income	2,567	2,454

3) Statements of Shareholders’ Equity

Accounting period for the previous fiscal year (January 1 to December 31, 2016)

(million yen)

	Shareholders’ equity						Valuation and translation adjustments		Total net assets
	Capital	Retained earnings			Treasury stock	Total shareholders’ equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Legal retained earnings	Other retained earnings	Total retained earnings					
			Retained earnings carried forward						
Balance at the beginning of current period	2,780	146	1,822	1,968	–	4,748	8	8	4,757
Changes of items during the period									
Dividends paid from retained earnings			(768)	(768)		(768)			(768)
Provision of retained earnings		77	(77)	–		–			–
Net income			2,567	2,567		2,567			2,567
Acquisition of treasury stock					(100)	(100)			(100)
Net changes of items other than shareholders’ equity							4	4	4
Total changes of items during the period	–	77	1,722	1,799	(100)	1,699	4	4	1,703
Balance at the end of current period	2,780	223	3,544	3,767	(100)	6,447	12	12	6,460

Accounting period for the current fiscal year (January 1 to December 31, 2017)

(million yen)

	Shareholders' equity						Valuation and translation adjustments		Subscription acquisition rights to shares	Total net assets
	Capital	Retained earnings			Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal retained earnings	Other retained earnings: Retained earnings carried forward	Total retained earnings						
Balance at the beginning of current period	2,780	223	3,544	3,767	(100)	6,447	12	12	-	6,460
Changes of items during the period										
Dividends paid from retained earnings			(876)	(876)		(876)				(876)
Provision of retained earnings		88	(88)	–		–				–
Net income			2,454	2,454		2,454				2,454
Acquisition of treasury stock					(498)	(498)				(498)
Net changes of items other than shareholders' equity							7	7	32	39
Total changes of items during the period	-	88	1,490	1,577	(498)	1,079	7	7	32	1,118
Balance at the end of current period	2,780	311	5,034	5,345	(598)	7,527	19	19	32	7,578

Notes on Financial Statements

(Significant Accounting Policies)

1. Valuations standards and methods for marketable securities

(1) Shares in subsidiaries and affiliates

Stated at cost, as determined by the moving average method

(2) Other securities

With fair market value

Mark-to-market price method based on the market price on the settlement date (Valuation differences are in part included directly in net assets and costs of securities sold are determind by the moving average method)

Without fair market value

Stated at cost, as determined by the moving average method

2. Depreciation method for fixed assets

(1) Property, plant and equipment

Declining balance method

However, the straight-line method is used for buildings acquired on or after April 1, 1998 (Excluding facilities attached to buildings) as well as facilities attached to buildings structures acquired on or after April 1, 2016.

The main service life is as follows.

Buildings	3 to 15 years
Tools, instruments, and fixtures	2 to 20 years

(2) Intangible assets

Software

The straight-line method based on the usable period in-house (five years) is used for portion used by the Company.

Other

Straight-line method

3. Standards for allowances

(1) Allowance for doubtful accounts

To provide for doubtful account expenses on trade receivables or loans receivable, the Company and its consolidated subsidiaries reserve an estimated doubtful account allowance on ordinary receivables based on historical doubtful account ratios, and on highly doubtful receivables based on the recoverability from individual customers.

(2) Provision for retirement benefits

To prepare for retirement benefits for employees, we record amounts based upon expected costs of retirement benefit obligations and pension assets at the end of the current fiscal year.

1) Method of attributing projected retirement benefits to periods of service

In calculating retirement benefit obligations, the benefit formula basis is applied to attribute projected retirement benefits to periods of service until the end of the current fiscal year.

2) Amortization of actuarial gains and losses and prior service costs

Prior service costs are amortized at once as an expense in the fiscal year when it’s incurred.

Actuarial gain and losses are amortized at once as an expense in the fiscal year when it’s incurred.

4. Other important matters for the preparation of financial statements

(1) Accounting treatment of consumption tax, etc

Consumption tax and local consumption tax are accounted for by the tax-exclusion method.

(2) Application of the consolidated tax payment system

The consolidated tax payment system has been applied.

(Changes in Presentation Method)

(Profit and Loss Statement Related)

"Dividend income" (1 million yen in the previous period) and "Rent income on facilities" (2 million yen in the previous period) presented separately in “Non-operating income” in the previous fiscal year will be restated in “Other” starting from the fiscal year under review because the monetary amount has become insignificant.

" Contributions for the employment of persons with disabilities " (7 million yen in the previous period) presented separately in “Non-operating expenses” in the previous fiscal year will be restated in “Other” starting from the fiscal year under review because the monetary amount has become insignificant.

(Additional Information)

(Application of Implementation Guidance on Recoverability of Deferred Income Tax Assets)

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Implementation Guidelines No. 26; March 28, 2016) have been applied from the fiscal year under review.

(Notes on Balance Sheet)

*1 Assets and liabilities vis-a-vis subsidiaries and affiliated companies

Other than those separately recorded, amounts of pecuniary claims to affiliated companies or pecuniary debts are as follows.

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Short-term pecuniary claims	1,185 million yen	1,607 million yen
Short-term pecuniary debts	20 million yen	36 million yen
Long-term pecuniary debts	7 million yen	10 million yen

*2 The Company signed an agreement for overdraft with four banks to procure operating capital efficiently. The balance of borrowings involved in the agreement for overdraft at the end of this fiscal year is as follows:

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Limit of overdraft account	5,500 million yen	5,500 million yen
Borrowing	1,000 million yen	1,000 million yen
Balance	4,500 million yen	4,500 million yen

(Notes on Income Statement)

*1 Total amount of turnover for business and non-business transactions with affiliated companies are as follows:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Turnover for Business transaction		
Operating revenue	4,264 million yen	4,745 million yen
Operating expenses	112 million yen	147 million yen
Turnover for non-business transaction	28 million yen	30 million yen

*2 Amounts of main operating expenses, other items are as follows:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Salaries and bonuses	450 million yen	426 million yen
Other salaries	252 million yen	259 million yen
Retirement benefit expenses	9 million yen	15 million yen
Commission fee	331 million yen	326 million yen

Depreciation	224 million yen	187 million yen

Please note that all are included in general, and administrative expenses.

*3 Significant components of gains on the sale of noncurrent assets:

	FY12/16 (January 1 to December31, 2016)	FY12/17 (January 1 to December 31, 2017)
Tools, furniture and fixtures	0 million yen	−

*4 Significant components of loss on the sale of noncurrent assets:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Tools, furniture and fixtures	1 million yen	3 million yen

*5 Significant components of loss on retirement of noncurrent assets:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Buildings	—	1 million yen
Tools, furniture and fixtures	—	2 million yen
Software	9 million yen	—
Others	—	5 million yen
Total	9 million yen	8 million yen

(Notes on Marketable securities)

There are no subsidiary stocks or affiliate stocks with market value.

Balance sheet amounts for stocks of subsidiaries and affiliates for which the assessment of market value is recognized as being extremely difficult.

(million yen)

Classification	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
(1) Subsidiary stocks	844	2,238
(2) Affiliate stocks	212	121
Total	1,056	2,359

(Notes on Tax Effect Accounting)

1. Details of main reasons for deferred tax asset and deferred tax liability

(million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Deferred tax assets		
Provision for retirement benefits	107	124
Loss on revaluation of shares in affiliates	490	490
Gains on sales of stocks of subsidiaries under the Corporation Tax Act	50	50
Loss carried forward	293	51
Loss from revaluation of investment securities	8	6
Other	17	27
Subtotal of deferred tax assets	965	747
Valuation reserve	(556)	(552)
Total deferred tax assets	409	195
Deferred tax liability		

Revaluation differentials of other securities	(5)	(8)
Total deferred tax liability	(5)	(8)
Net deferred tax assets or liabilities (−)	404	187

2. Itemized details of the main reasons for differentials between the legal effective tax rates and the ratio of tax expenses, including corporate taxes, after tax effect accounting is applied

(million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Legal effective tax rates	33.1%	30.9%
(Adjustment)		
Dividends received	(23.6)	(21.8)
Fixed-rate residents on inhabitant tax	0.2	0.2
Valuation reserve amount	(20.7)	(0.1)
Adjustment by decreasing end-of-period deferred tax assets due to changes in tax rates	0.8	−
Other	(0.9)	(0.4)
Ratio of tax expenses, including corporate taxes, after tax effect accounting is applied	(11.1%)	8.8%

(Major subsequent events)

Mention has been omitted here because it appears in "Notes (Major subsequent events)" of the consolidated financial statements.

4) Statement schedule

(Schedule of property, plant and equipment)

Classification	Type of asset	Balance at beginning of current year (million yen)	Increase during current year (million yen)	Decrease during current year (million yen)	Amortization during current year (million yen)	Balance at end of current year (million yen)	Accumulated depreciation (million yen)
Property, plant and equipment	Buildings	34	5	1	6	33	77
	Tools, furniture and fixtures	162	13	5	61	109	321
	Construction in progress	—	—	—	—	—	—
	Total	196	19	6	67	142	399
Intangible assets	Software	297	*64	—	123	239	—
	Other	0	—	—	—	0	—
	Total	297	64	—	123	239	—

* Main increases in software, other items are as follows:
Various software for in-house use 64 million yen

(Schedule of allowances)

There are no relevant matters.

(2) Details of major assets and liabilities

Comments have been omitted as consolidated financial statements are prepared.

(3) Other

There are no relevant matters.

Part 6: Overview of the Shares of Company Affairs

Fiscal year	January 1 to December 31
Annual General Meeting of Shareholders	During March
Record date	December 31
Record date for dividends of surplus	June 30, December 31
Number of shares per unit	100 shares
Purchase of odd-lot shares	
Handling position	(Special account) Stock Transfer Agency Business Planning Dept. Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholder registry	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Agency office	—
Negotiation commission	Amount separately determined as stock brokerage commissions
Public announcement method	Announcements by our Company are made through electronic announcements. However, where it is not possible to make announcements through electronic announcements, or where other unavoidable circumstances arise, we list announcements in Nihon Keizai Shimbun. Details about electronic announcements are contained on our homepage (http://www.fullcastholdings.co.jp).
Benefits to shareholders	N/A

Note: Shareholders of the Company who hold shares in a number less than one unit may not exercise rights other than the following in relation to the shares they hold in a number less than one unit.

- The rights stipulated in each item of Paragraph 2, Article 189 of the Companies Act
- The right to make a request in accordance with the provisions of Paragraph 1, Article 166 of the Companies Act
- The right to receive the allotment of shares for subscription and the allotment of share option in accordance with the number of shares held by the shareholder

Part 7: Reference Information on Submitting Companies

1. Information on parent companies of submitting companies

The Company does not have any parent companies.

2. Other reference information

In the period from the start of the 25th fiscal year until the submission date for annual securities reports, the following documents have been submitted.

(1) Annual securities report, attached documents and confirmation notes

Fiscal year: Term 24 (January 1 to December 31, 2016), submitted to the Director General of the Kanto Regional Financial Bureau on March 27, 2017

(2) Internal control report and attached documents

Submitted to the Director General of the Kanto Regional Financial Bureau on March 27, 2017

(3) Quarterly reports and confirmation notes

Term 25, first quarter (January 1 to March 31, 2017): Submitted to the Director General of the Kanto Regional Financial Bureau on May 12, 2017

Term 25, second quarter (April 1 to June 30, 2017): Submitted to the Director General of the Kanto Regional Financial Bureau on August 10, 2017

Term 25, third quarter (July 1 to September 30, 2017): Submitted to the Director General of the Kanto Regional Financial Bureau on November 10, 2017

(4) Extraordinary report

Extraordinary report pursuant to the provisions of Paragraph 2, Item 2-2 of Article 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Issuance of stock acquisition rights as stock options):

Submitted to the Director General of the Kanto Regional Financial Bureau on March 27, 2017

Extraordinary report pursuant to the provisions of Paragraph 2, Item 9-2 of Article 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Results of exercise of voting rights at the Annual General Meeting of Shareholders):

Submitted to the Director General of the Kanto Regional Financial Bureau on March 28, 2017

Extraordinary report pursuant to the provisions of Paragraph 2, Item 3 of Article 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Transfer of specified subsidiaries):

Submitted to the Director General of the Kanto Regional Financial Bureau on April 17, 2017

(5) Amendment of extraordinary report

Amendments to the extraordinary report dated March 27, 2017 (issuance of new stock acquisition rights as stock options): Submitted to the Director General of the Kanto Regional Financial Bureau on April 11, 2017

(6) Share Buyback Report

Submitted to the Director General of the Kanto Regional Financial Bureau on April 14, 2017 and March 15, 2018.

Section 2 Information on Guaranty Companies of Submitting Companies

There are no relevant matters.