Securities Report
for the Fiscal Year
Ended December 31, 2020

(The English Translation of the “Yukashoken-Houkokusho”
for the Fiscal Year Ended December 31, 2020)

Fullcast Holdings Co., Ltd.

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[Cover]

[Form Submitted]	Securities Report
[Legal Basis]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted To]	Director of the Kanto Local Finance Bureau
[Date Submitted]	March 29, 2021
[Fiscal Year]	FY12/20 (January 1 to December 31, 2020)
[Company Name]	Fullcast Holdings Co., Ltd.
[Representative Name and Position]	Kazuki Sakamaki, President, Representative Director and CEO
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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 24	Term 25	Term 26	Term 27	Term 28
Date of settlement		Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
Net sales	(Million yen)	25,340	32,066	38,852	44,479	43,226
Ordinary profit	(Million yen)	3,001	4,406	5,286	7,064	6,180
Profit attributable to owners of parent	(Million yen)	2,529	2,994	3,310	4,644	4,113
Comprehensive income	(Million yen)	2,537	3,081	3,406	5,326	3,844
Net assets	(Million yen)	9,272	11,339	13,049	16,213	17,396
Total assets	(Million yen)	13,272	16,813	19,808	23,464	23,953
Net assets per share	(Yen)	239.98	286.81	331.68	415.71	449.58
Basic earnings per share	(Yen)	65.92	78.87	87.90	124.59	111.69
Diluted earnings per share	(Yen)	-	78.58	87.48	123.94	111.04
Equity-to-asset ratio	(%)	69.3	64.6	63.0	65.8	68.9
Rate of return on equity	(%)	30.2	29.8	28.4	33.3	25.7
Price-earnings ratio	(Multiples)	14.6	29.3	20.4	20.0	14.4
Net cash provided by (used in) operating activities	(Million yen)	2,160	3,901	4,474	5,408	3,979
Net cash provided by (used in) investing activities	(Million yen)	(735)	(187)	(2,870)	8	(89)
Net cash provided by (used in) financing activities	(Million yen)	(868)	(1,306)	(2,508)	(2,073)	(2,472)
Cash and cash equivalents at end of the period	(Million yen)	6,963	9,371	8,467	11,811	13,309
Number of employees (Others, average number of temporary employees)		504 (642)	635 (844)	1,013 (1,110)	1,060 (1,244)	1,174 (1,269)

Notes:
1. Net sales do not include consumption tax.
2. Diluted earnings per share in Term 24 are not shown because there were no dilutive shares.
3. The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the Term 27. The primary management indicators related to the Term 26 represent the indicators after retrospective application of this accounting standard.

(2) Performance Indicators for Submitting Companies

Term		Term 24	Term 25	Term 26	Term 27	Term 28
Date of settlement		Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
Operating revenue	(Million yen)	4,264	4,745	5,741	6,845	7,035
Ordinary profit	(Million yen)	2,320	2,708	3,552	4,547	4,845
Profit	(Million yen)	2,567	2,454	2,462	3,639	4,659
Share capital	(Million yen)	2,780	2,780	2,780	2,780	2,780
Total number of issued shares	(Shares)	38,486,400	38,486,400	38,486,400	38,486,400	38,486,400
Net assets	(Million yen)	6,460	7,578	8,356	10,316	12,098
Total assets	(Million yen)	8,353	9,990	11,434	13,437	14,681
Net assets per share	(Yen)	168.49	199.17	220.18	274.42	325.13
Dividend paid per share (interim dividend paid per share)	(Yen)	21.00 (10.00)	26.00 (12.00)	32.00 (14.00)	40.00 (19.00)	41.00 (19.00)
Basic earnings per share	(Yen)	66.92	64.63	65.37	97.63	126.52
Diluted earnings per share	(Yen)	-	64.40	65.06	97.12	125.79
Equity-to-asset ratio	(%)	77.3	75.5	72.4	75.9	81.3
Rate of return on equity	(%)	45.8	35.0	31.1	39.4	42.1
Price-earnings ratio	(Multiples)	14.4	35.8	27.4	25.5	12.7
Payout ratio	(%)	31.4	40.2	49.0	41.0	32.4
Number of employees (Others, average number of temporary employees)		94 (157)	86 (174)	87 (209)	89 (184)	93 (167)
Total shareholder return (index for comparison: TOPIX including dividends) (%)		131.5 (100.3)	314.8 (122.6)	249.8 (103.0)	348.5 (121.7)	235.5 (130.7)
Highest share price	(Yen)	985	2,350	2,948	2,538	2,723
Lowest share price	(Yen)	509	915	1,603	1,595	969

Notes:
1. Operating revenue does not include consumption tax.
2. Diluted earnings per share in Term 24 are not shown because there were no dilutive shares.
3. The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the Term 27. The primary management indicators related to the Term 26 represent the indicators after retrospective application of this accounting standard.
4. High and low share prices are those recorded by the First Section of the Tokyo Stock Exchange.

2. Corporate History

Sep 1990	Established Resort World Co., Ltd. in Minato-ku, Tokyo
Sep 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.*, located in Chuo-ku, Osaka
Sep 1995	Established Seiwa Service Co., Ltd.* in Shinjuku-ku, Tokyo
Jan 1996	Established Entry Co., Ltd.* 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. was 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.* was approved to conduct general worker dispatching
Apr 1999	Fullcast With Co., Ltd. was approved to engage in the employment placement business
Jun 1999	Merged with Fullcast Osaka Co., Ltd.,* Entry Co., Ltd.,* Dual Support Co., Ltd.*
Nov 1999	Established Fullcast System Consulting Co., Ltd.*
Mar 2000	Established Fullcast HR Consulting Co., Ltd.* and commenced business after acquiring Fullcast With Co., Ltd.'s personnel consulting department in April of the same year
Sep 2000	Established Fullcast Factory Co., Ltd., and commenced business after acquiring the Factory department in October of the same year
Jun 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 the name of the merged company 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.*
Jan 2003	Fullcast Office Support Co., Ltd.* was approved to engage in employment placement business
	Fullcast HR Consulting Co., Ltd. merged with Fullcast Office Support Co., Ltd.*
Sep 2003	Listed our shares on the Second Section of the Tokyo Stock Exchange
Jun 2004	Acquired 100% ownership of Apayours Co., Ltd. through stock swap
Jul 2004	Fullcast Technology Co., Ltd. was approved to conduct general worker dispatching
Sep 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.* 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)
Jun 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.*
	Asia Pacific System Research Co., Ltd. became a subsidiary through a third-party placement of stock and stock acquisition.
	Fullcast Technology Co., Ltd. listed its 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
Jun 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
Jun 2007	Net It Works, Inc. became a subsidiary through transfer of shares
Jul 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.*
Nov 2008	All shares held in Asia Pacific System Research Co., Ltd. acquired by 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.
Jun 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.
Jun 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 Otetsudai Networks, 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	Launched “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 to an equity method affiliate
Aug 2016	Acquired shares of Dimension Pocket Co., Ltd., and made it a consolidated subsidiary
Oct 2016	Launched “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
May 2017	Launched “Resident Tax Update Admin Work Management” service
Jan 2018	Acquired the shares of BOD Co., Ltd. and made it a consolidated subsidiary
Jun 2018	Acquired shares of DeliArt Co., Ltd. and converted it to an equity method affiliate

Jun 2018	Established Fullcast Global Co., Ltd., with operations started in October 2018
Aug 2018	Acquired shares of Advancer Global Limited and converted it to an equity method affiliate
Aug 2018	Acquired shares of Minimaid Service Co., Ltd. and made it a consolidated subsidiary
Mar 2019	Acquired shares of NIHON DENKI SERVICE Co., Ltd. and converted it to a non-consolidated equity method affiliate.
Aug 2019	Established Fullcast International Co., Ltd., with operations started in December 2019
Dec 2019	Transferred all the owned shares of Dimension Pockets Co., Ltd.
Jan 2020	Made non-consolidated equity method affiliate NIHON DENKI SERVICE Co., Ltd. a consolidated subsidiary.
Jan 2020	Acquired the shares of HR Management Co., Ltd. and made it a consolidated subsidiary.
Dec 2020	Transferred part of the owned shares of NIHON DENKI SERVICE Co., Ltd. and removed it from the scope of consolidation.

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

3. Description of Business

Our Group is expanding the “Short-Term Operational Support Business” (Providing timely short-term personnel services in response to changes in the amount of work at client companies), the “Sales Support Business” (Engaging mainly in call center operations and agency sales of telecommunications products and other services focused on distributor networks), and the “Security, Other Businesses” (Providing security services mainly for public facilities and ordinary corporations, others).

The following business segments are identical to the segments contained in the 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 resource 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.
Otetsudai Networks Inc.
Fullcast Advance Co., Ltd.
BOD Co., Ltd.
BOD Alpha Co., Ltd.
HR Management Co., Ltd.
Fullcast Global Co., Ltd.
Minimaid Service Co., Ltd.
Fullcast International Co., Ltd.

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

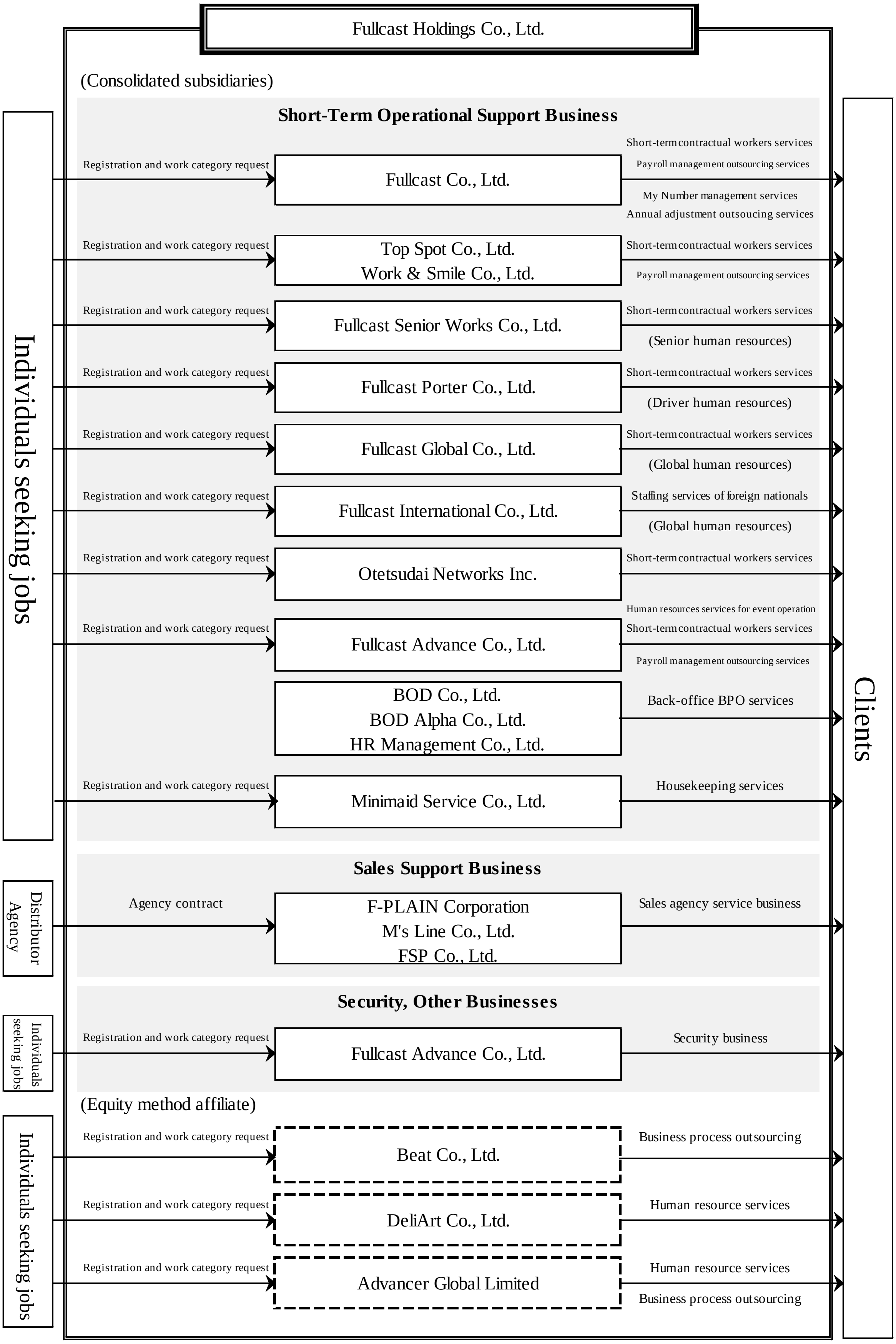
[Main companies] F-PLAIN Corporation.
M’s Line Co., Ltd.
FSP Co., Ltd.

Security, Other Businesses (Security business, other services)

[Main companies] Fullcast Advance Co., Ltd.

Please note that Fullcast Holdings Co., Ltd. is a specified listed company falling under the category of a specified listed company, and de minimis 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, 2020.

Note 2: [double-bordered box] is Fullcast Holdings Co., Ltd., [solid box] is a consolidated subsidiary, [dashed box] is an equity method affiliate.

Note 3: The Company acquired the shares of HR Management Co., Ltd., and made it a consolidated subsidiary on January 1, 2020.

Note 4: The Company assigned part of the shares of NIHON DENKI SERVICE Co., Ltd., and removed it from the scope of consolidation on December 28, 2020.

4. Overview of affiliated entities

Company	Location	Capital (mil. yen)	Major business activities	Voting shares (%)	Issues to be noted
(Consolidated subsidiary) Fullcast Co., Ltd. (Notes 3, 6)	Shinagawa-ku, Tokyo	100	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Top Spot Co., Ltd.	Shinagawa-ku, Tokyo	113	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Work & Smile Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Senior Works Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Porter Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Global Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast International Co., Ltd.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business	51.0	- Provides services such as management advice, business outsourcing, and system leases - Concurrent directorates: 1
Otetsudai Networks Inc.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business	100.0	- Sublets a part of our rented building to this company for office use - Provides services such as management advice, business outsourcing, and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
BOD Co., Ltd.	Toshima-ku, Tokyo	20	Short-Term Operational Support Business	51.0	- Provide services such as management advice and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
BOD Alpha Co., Ltd.	Toshima-ku, Tokyo	20	Short-Term Operational Support Business	51.0 (51.0)	- Provide services such as management advice and system leases
HR Management Co., Ltd.	Toshima-ku, Tokyo	10	Short-Term Operational Support Business	51.0 (51.0)	- Provide services such as management advice and system leases
Minimaid Service Co., Ltd.	Shibuya-ku, Tokyo	30	Short-Term Operational Support Business	100.0	- Provide services such as management advice and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital

F-PLAIN Corporation.	Minato-ku, Tokyo	80	Sales Support Business	78.2	- Provide services such as management advice and system leases - Concurrent directorates: 2
M's Line Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provide services such as management advice and system leases
FSP Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provide services such as management advice and system leases
Fullcast Advance Co., Ltd.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business Security, Other Businesses	100.0	- Sublets a part of our rented building to this company for office use - Provides services such as management advice, business outsourcing, and system leases - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Business Support Co., Ltd.	Shinagawa-ku, Tokyo	9	Company-wide	100.0	- Sublets a part of our rented building to this company for office use - Provides services such as business outsourcing and system leases - Provides financial support: borrowing and lending operating capital
(Equity method affiliate) Beat Co., Ltd	Yokohama-shi, Kanagawa	50	Business process outsourcing Worker dispatch business	30.0	- Concurrent directorates: 1
DeliArt Co., Ltd	Chiyoda-ku, Tokyo	43	Worker dispatch business	20.0	-
Advancer Global Limited (Note 2)	Singapore	(million of Singapore dollars) 41	Employment services, Facility management services	25.9	- Concurrent directorates: 1

Notes: 1. The "Major business activities" category follows the business segment classification.
2. The capital stock of Advancer Global Limited is the amount as of June 30, 2020.
3. Specified subsidiary
4. The ownership ratio of voting rights indicated in parentheses represents the ratio of voting rights held indirectly.
5. None of the companies have submitted financial statement or a securities registration statement.
6. Sales by Fullcast Co., Ltd. account for over 10% of consolidated sales (Excluding internal sales among consolidated companies).

Key Information about Profit and Loss (Million yen)

	Fullcast Co., Ltd.
Net sales	27,513
Ordinary profit	3,661
Profit	2,511
Net assets	2,623
Total assets	6,521

5. Number of Employees

(1) Status of Consolidated Companies

(As of December 31, 2020)

Name of Segment	Number of Employees
Short-Term Operational Support Business	886 [982]
Sales Support Business	105 [92]
Security, Other Businesses	54 [20]
Company-wide (Shared)	129 [175]
Total	1,174 [1,269]

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 and temporary employees increased by 70 and 37 respectively compared to the end of the previous fiscal year. This change is mainly attributed to an increase in new and mid-career hires as well as an increase in part-time workers.

(2) Status of the Submitting Company

(As of December 31, 2020)

Number of Employees	Average Age (Years old)	Average Length of Employment (Years)	Average Annual Salary (Thousand yen)
93 [167]	38.1	9 years and 11 months	5,064

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. "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. Temporary employees declined by 17 during the current fiscal year due to the decrease in part-time worker hiring related to the operation system of 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. Management Policy and Environment, and Issues to Be Addressed

(1) Fundamental Management Policies

Our Group considers the "sustained improvement of corporate value" to be one of its most important management issues.

We manage our business by focusing upon capital efficiency and identify ROE as a target indicator to reflect "improvement of corporate value" with the goal of realizing ROE in excess of our capital cost, which represents the expected returns by shareholders and investors from our Company.

(2) Target Management Indicators

Our Group will endeavor to maximize corporate value by striking a balance between profitability and growth. At the same time, our management will endeavor to maintain a solid financial standing and implement strategies that focus upon capital efficiency. Also, we maintain a goal of realizing a debt-to-equity ratio target of no more than 1.0 time to maintain appropriate debt levels that will enable us to make investments necessary to secure growth, while at the same time maintaining financial soundness. The Fullcast Group also seeks to achieve ROE of over 20% as a target indicator of "improvement of corporate value."

(3) Medium- to Long-Term Management Strategies

With the highest priority assigned to compliance as the basic assumption of our management, we are working to establish an operating foundation capable of achieving sustained growth by focusing upon our "Short-Term Operational Support Business" and by ensuring that our group wide corporate governance leverages the functionality of our holding company.

In this fiscal year, the final year of the revised Medium-Term Management Plan, we experienced a downturn in profits due to the impacts of COVID-19. However, we achieved the initial target of "surpass our previous record high profit in the final year" during the fiscal year ended December 2018, the third year of the plan. Furthermore, for the fiscal year ended December 2019, we made upward revisions to the initial Medium-Term Management Plan and our results exceeded the revised targets, and established another record high in profits.

	Initial MTMP FY16–FY20 targets	Revised MTMP FY16–FY20 targets	Results for FY12/20
Operating profit	5.0 billion yen	7.9 billion yen	6.1 billion yen
Ordinary profit	-	8.0 billion yen	6.2 billion yen
Number of operating workers	257,400	320,000	210,943
Gross profit per 1 yen of personnel costs	2.8 yen	2.6 yen	2.5 yen

The Fullcast Group has decided to postpone the disclosure of its new five-year Medium-Term Management Plan (FY21–FY25) covering the fiscal years ending in December 2021 to 2025. For details, please see "Notice of the Postponement of Publication of Medium-Term Management Plan (FY21–FY25)" released on February 12, 2021.

(4) Management Environment and Key Management Issues

Management Environment

The current operating environment surrounding the staffing service industry to which the Group's main business operations belong is weak due to the impacts of COVID-19 including declining numbers of new job offers and rising number of unemployed. Despite this, there are signs of a recovery as reflected by the slowing decline in the job offers-to-applicants ratio as of late. The job market is expected to continue to improve as the impacts of the pandemic are resolved. With concerns over the spread of the virus still in place, the pace of recovery is expected to be moderate at best. There are concerns that weakness in employment conditions could increase depending upon the developments of the pandemic of which impacts require careful attention.

The Group's mainstay segment of "Short-Term Operational Support Business" accounts for a high percentage of the Group's consolidated net sales and operating profit at around 90%. The "Short-Term Operational Support Business" segment engages in the four services of placement, BPO, dispatching and outsourcing, and provides short-term staffing services in a timely manner based on changes in workload at customer companies. The Company recognizes that the "Short-Term Operational Support Business" is moving from the domain of providing necessary human resources in response to gaps in the conventional busy period and slow periods of clients driven by the declining labor force population in Japan recently, to business domains for part-time workers directly hired by companies to maintain the minimum necessary workforce. Going forward, we will endeavor to the alleviate worker shortages in Japan by providing even more sophisticated short-term staffing services.

Key Management Issues

The Fullcast Group has decided to postpone the disclosure of its new five-year Medium-Term Management Plan (FY21–FY25) covering up to the fiscal year ending December 2025. For details, please see "Notice of the Postponement of Publication of Medium-Term Management Plan (FY21–FY25)" released on February 12, 2021.

In the fiscal year ending December 2021, our Group will focus on the main management issue of "quickly restoring performance using customer-first approaches and by addressing the external environment in a flexible manner," and make efforts to resolve this issue. In implementing our management policy in "Part 2: State of Business, 1. Management Policy and Environment, and Issues to be Addressed (1) to (3)" and the medium- to long-term management strategies, our Group recognizes that the business and financial issues to address with priority are as follows:

1) Sustained Improvement of Corporate Value

As stated in "Part 2: State of Business, 1. Management Policy and Environment, and Issues to be Addressed (1) Fundamental Management Policies," 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 "Placement" (Note 1) and "BPO" (Note 2) 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.

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.

Notes:1. The mainstay "Part-Time Worker Placement" service is referred to as "Placement".

2. The mainstay "Part-Time Work Payroll Management" services, as well as other personnel and labor-related business process outsourcing (BPO) services such as the "My Number Management" service, and the back office BPO services of BOD Co., Ltd. are referred to as "BPO".

2) Business Targets for the Fiscal Year Ending December 2021

With the target for the fiscal year ending December 2021 set as "quickly restoring performance using customer-first approaches by addressing the external environment in a flexible manner," the Fullcast Group will work to promptly restore its performance mainly in the mainstay "Short-Term Operational Support Business" and other segments. In addition, the Fullcast Group will implement the following measures in the fiscal year ending December 2021 to promote preparations for further business expansion, at the same time transforming into a robust organization capable of maximizing profits.

a) Prepare for further business growth by investing in digital transformation aimed at a post-COVID-19 world and by cultivating new businesses

- Increase convenience for clients and staff by improving services and utilizing digital transformation and other tools
- Examine M&A opportunities to expanding our services or employment opportunities for staff
- Continue opening new offices in areas with high sales effect (around 10 locations/year)
- Expand sales of BPO services by increasing headcount in BPO departments and strengthening Group collaboration

b) Transform into an organization that can yield profits even with the negative impacts of COVID-19

- Improve operating efficiency using RPA and BI tools
- Implement initiatives to improve profitability through increased work flow efficiency, shifting fixed costs to variable costs, improving productivity and thoroughly managing costs

2. Risks Associated with Our Businesses

The main risks recognized by management with the potential to seriously impact our consolidated financial position, management results, cash flow conditions and other matters concerning the business and accounting conditions appearing in our securities report are as follows. 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 those which may be regarded as important factors for investors in making investment decisions or understanding our Group’s business activities.

Furthermore, the possibility or timing for these risks to emerge and the impact upon our Group’s management results if these risks materialize are not included because of the difficulty in making reasonable assessments of them.

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 could 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 by strengthening our corporate governance function and by promoting speed in the strategic decision-making process and in the implementation of various strategies by our management. However, should these decisions and implementations 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”, our Company engages in both “Part-Time Worker Placement” and “Part-Time Worker Payroll Management” services, and other services in response to the Revised Worker Dispatching Act implemented on October 1, 2012. In addition, we provide BPO services as new services such as the “My Number Management service,” “Year-End Tax Adjustment Management service,” and others. Furterhmore, our consolidated subsidiary BOD Co., Ltd. provides “Back Office BPO Services” and Minimaid Service Co., Ltd. provides “Housekeeping Services.” If the results of these businesses 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 for telecommunication products and call center operations. If business revenues are not generated in line with forecasts, or if large amounts of capital must be invested, or if the appeal of the products sold deteriorates, our Company and our Group’s business results could be adversely affected.

In addition to reinforcing our existing businesses with a view to the future, our Group has the potential to launch new business ventures through establishment of new companies, M&A, business tie-ups and through 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.

Moreover, due to the acquisition of overseas companies, our Group is exposed to foreign exchange risks, risks related to local regulations applied to businesses of acquired companies and country risks. If these risks materialize, they may adversely affect the Group’s business results and financial condition.

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 related to goodwill as well as the shares of affiliated companies and investment securities 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, the Act on the Use of Numbers to Identify a Specific Individual for Administrative Procedures (My Number Act), and Immigration Control and Refugee Recognition Act (Immigration Control Act), the Electricity Business Act, Act on the Arrangement of Related Acts to Promote Work Style Reform (Work Style Reform Act). As a countermeasure against these risks, our Group endeavors to gather information in a timely manner concerning revisions to or changes in the interpretation of the laws and regulations applied to the Group’s business operations to address these in an appropriate manner, and quickly understand their impacts on our Group’s results and financial condition.

2) Part-Time Employment Placement Business

Our Group provides paid-for employment placement services under the license of Minister of Health, Labour and Welfare and in accordance with the Employment Security 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 31 of the Act, if there is a violation of relevant laws and regulations, if there are grounds to disqualify our license as prescribed in Article 32 of the Act, or if there is grounds to cancel our license, our Group could become subject to disqualification, our license could be canceled or orders to suspend or halt our operations could be issued. As a countermeasure against these risks, our Group is committed to implementing compliance and risk management to prevent any violation of acts and ordinances. However, if licenses are canceled or if other measures are taken due to some reason in the future, we may be unable to continue providing paid-for employment placement services and our Group’s business performance could be seriously affected.

3) Worker Dispatching Service

Our Group provides worker dispatching services under the license of Minister of Health, Labour 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, if there is a violation of relevant laws and regulations, if there are 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.

As a countermeasure to help prevent these risks from occurring, the Group is committed to implementing compliance and risk management to prevent any violation of acts and ordinances. However, if licenses are canceled 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 affected.

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

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. Should this risk materialize, the Group will work to absorb damages by reducing costs with internal efforts, such as increasing efficiency of operations. However, depending upon the amount of compensation for damages, our Group’s earnings could be adversely impacted if we cannot absorb these costs.

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, Labour 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 the outsourcing business, our Group is exposed to productivity risks and defective product risk. As a countermeasure to this risk should they appear, the Group will work to absorb damages by reducing costs with internal efforts, such as increasing efficiency of operations. However, our Group’s earnings could be adversely impacted if we cannot absorb these costs.

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. As a countermeasure to this risk, the Group strives to quickly understand the impacts on the Group's management results and financial condition by gathering information in a timely manner concerning revisions to laws and regulations. At the same time, should this risk materialize, the Group will work to pass on the cost increase to the invoice amount for customers or make internal efforts, such as increasing efficiency of operations. However, if the cost increase cannot be absorbed through these efforts, our Group's earnings could be negatively impacted.

(3) Economic Trends

The Group's business composition focused around the "Short-Term Operational Support Business" is not susceptible to the impacts of economic trends during the current environment where there is a worker shortage due to structural factors of population. However, if the economy deteriorates beyond the Group's assumptions, the Group's management results and financial condition could be affected. As a countermeasure to this risk, our Group regularly monitors economic trends and market developments, and promotes a sales strategy tailored to specific geographic regions and characteristics of customer industry. In addition to improving sales capabilities, the Group continues to work on increasing profit margin by enhancing productivity, and then working to mitigate the said risks.

(4) Managing the Database on 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 of our 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, cyberattacks, human errors or others, our Group's operations could be seriously impeded and our earnings may be negatively affected.

As a countermeasure to this risk in the future, our Group expects 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 lead to reductions in their contribution to sales growth in the future. 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's 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.

(5) Workplace Accidents and Transaction-Related Trouble

1) Part-Time Worker Placement Service

In the process of selecting staff members who apply 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 selects and places a staff member who does not meet the recruitment requirements of the client company due to our negligence. As a countermeasure to this risk, our Group has a compliance system that is designed to ensure personnel in charge of legal affairs can handle various legal risks. However, our performance may be seriously affected by accidents depending upon the legal 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.).

As a countermeasure against this risk, our Group fortifies staff awareness of safety by promoting occupational health and safety training for staff, 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. As a countermeasure to this risk, our Group has a compliance system that is designed to ensure personnel in charge of legal affairs can handle various legal risks. However, our performance may be seriously affected by accidents depending upon the legal nature and the amount of money involved.

(6) 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.

(7) Exchange Risk

The Group assumes foreign exchange risk because it receives remittances in the local currency when converting transactions denominated in a foreign currency, including dividend incomes from overseas associates. In addition, the financial statements of overseas affiliates are prepared in local currency and converted into yen when preparing consolidated financial statements as a general rule. Therefore, even if the value in local currency does not change with the exchange rate at the time of closing, the value after the conversion to yen may affect the Group's business results and financial statements. As a countermeasure against this risk, the Group works to mitigate risks caused by foreign exchange contracts as needed, while considering foreign currency trends.

(8) Changes in Accounting or Tax Systems, Others.

The new introduction of or changes to accounting standards or tax systems that cannot be anticipated by our Group could affect the Group's management results and financial condition. As a countermeasure against these risks, our Group strives to gather information in a timely manner concerning changes in existing and the introduction of new accounting standards or tax systems in order to quickly understand impacts on the Group's management results and financial condition.

(9) Large-Scale Natural Disasters and Pandemics

Our Group has implemented countermeasures after working to put into place a crisis management system for various contingencies. However, if natural disasters such as typhoons, earthquakes or tsunamis were to occur that exceed the Group’s expectations or a pandemic occurs and spreads far beyond our Group’s expectations, these events could impact the business activities of our Group or our Group’s business partners, and have a negative effect on our Group’s business results and financial position. As a countermeasure to this risk, the Fullcast Group has established a business continuity plan (BCP) that it reviews as necessary to be able to continue or quickly restore important business operations even during a contingency.

3. Analysis of Financial Position, Operating Results and Cash Flow Status by Management

(1) Performance Overview

A summary of the Group's (The Company, its consolidated subsidiaries, and equity method affiliates) financial position, operating results, and cash flow status (Hereinafter, "operating results,others") in the current fiscal year are presented below.

1) Financial Position and Operating Results

During the current fiscal year, Japan's economy continued to face severe conditions, including a sharp decline in corporate earnings caused by the negative impacts of the COVID-19 pandemic. Despite this stagnation, a recovery in the economy was seen, reflecting the lessening of the decline in corporate earnings and the recovery in personal consumption. Economic conditions are expected to continue to recover given the effects of various government policies and improvements seen in overseas economies on the back of measures to prevent the spread of COVID-19. However, the economic horizon remains unclear and requires close monitoring of the risk of another downturn in domestic and overseas economies due to the impact of the pandemic on socioeconomic activities and the volatility of financial and capital markets.

The current operating environment surrounding the staffing service industry remains weak due to the impacts of COVID-19, including declining numbers of new job offers and rising number of unemployed. Despite this, there are signs of a recovery, as the decline in the job offers-to-applicants ratio is slowing as of late. The job market is expected to continue to improve as the impacts of the pandemic are resolved. As concern over the spread of the virus remains in place, the pace of recovery is expected to be moderate at best. There is concern that weakness in employment conditions could increase depending on developments related to the pandemic, of which impacts require close careful attention.

Against this backdrop, the Fullcast Group implemented group management activities to achieve our goal of "achieving the targets of the final fiscal year of the Medium-Term Management Plan by expanding the "Short-Term Operational Support Business" and promoting to gain new business opportunities in neighboring business fields" during the fiscal year. In particular, marketing activities were implemented with an emphasis on boosting overall profitability of the Fullcast Group and focused upon the mainstay "Placement" (Note 1) and "BPO" (Note 2) services. In addition, efforts are being made to create a structure that can realize higher profits by increasing productivity and promoting operational efficiencies across the entire Fullcast Group.

Notes:
1. The mainstay "Part-Time Worker Placement" service is referred to as "Placement".
2. The mainstay "Part-Time Work Payroll Management" services, as well as other personnel and labor-related business process outsourcing (BPO) services such as the "My Number Management" service, and the back office BPO services of BOD Co., Ltd. are referred to as "BPO".

a. Operating Results

Consolidated net sales declined by 2.8% year-on-year to 43,226 million yen, due to the impacts dampening overall client demand caused by the slowdown in business activities in the mainstay "Short-Term Operational Support Business" from COVID-19 and the impacts on recovery in client demand caused by concerns over further spread of the disease, while a recovery trend was seen heading into the last month of the fiscal year even after the third quarter.

In terms of profits, consolidated operating profit declined by 15.1% year-on-year to 6,131 million yen and consolidated ordinary profit fell by 12.5% year-on-year to 6,180 million yen. These decreases are attributable to the drop in revenue from the mainstay "Short-Term Operational Support Business" while SG&A expenses stood at 11,587 million yen on par with the previous year level, chiefly due to efforts to control SG&A expenses mainly in recruitment expenses, despite the inclusion of the business performance of NIHON DENKI SERVICE Co., Ltd. and HR Management Co., Ltd. which became consolidated subsidiaries from this fiscal year.

Profit attributable to owners of parent declined by 11.4% year-on-year to 4,113 million yen, because gain on sales of investment securities of 250 million yen was booked as an extraordinary income following the partial sale of investment securities during the second quarter, and loss on COVID-19 of 62 million yen was booked as an extraordinary loss among other factors.

Our Group considers the “sustained improvement of corporate value” to be one of its most important management issues. We manage our business by focusing upon capital efficiency and identify ROE as a target indicator to reflect “improvement of corporate value” based on the goal of realizing ROE in excess of our capital cost, which represents the expected returns by shareholders and investors from our Company. The Group targets ROE of 20% or higher.

ROE at the end of the current fiscal year was 25.7%, and while this represents a decrease of 7.5% points from 33.3% at the end of the previous fiscal year, our ROE continues to remain above our target of 20%.

Furthermore, the Group acquired shares of HR Management Co., Ltd. on January 1, 2020, making it a consolidated subsidiary. In addition, the Group included NIHON DENKI SERVICE Co., Ltd., which was a non-consolidated subsidiary equity method affiliate until the previous fiscal year, in the scope of consolidation from the first quarter of the fiscal year ended December 2020. However, on December 28, 2020, the Group assigned part of the shares of NIHON DENKI SERVICE Co., Ltd., removing it from the scope of consolidation.

In the current fiscal year, HR Management Co., Ltd. changed its fiscal year end to December 31, which now matches the consolidated account settlement date. Furthermore, HR Management Co., Ltd. uses consolidated financial statements prepared based on provisional settlements conducted as of the fiscal year end for consolidated accounts; therefore, this change does not impact the consolidated financial statements. In addition, of the Company’s consolidated subsidiaries, NIHON DENKI SERVICE Co., Ltd. ends its fiscal year on March 31. Consequently, consolidated financial statements were prepared based on provisional settlements conducted as of the fiscal year end for consolidated accounts. All other consolidated subsidiaries fiscal year match that of the Company’s fiscal year.

Results by Business Segment

The results for each of our business segments are as follows.

i) Short-Term Operational Support Business

Net sales of the “Short-Term Operational Support Business” decreased by 5.1% year-on-year to 36,700 million yen, due to the contraction in overall demand among client companies in the event- and service-related sectors (restaurants, retail, accommodations) caused by the COVID-19 pandemic. However, a recovery trend was seen heading into the final month of the fiscal year after bottoming in the third quarter.

Segment profit (Operating profit) decreased by 19.0% year-on-year to 6,264 million yen, due mainly to the decline in gross profit resulting from the drop in net sales.

ii) Sales Support Business

Net sales of the “Sales Support Business” increased by 26.0% year-on-year to 4,377 million yen, due mainly to the acquisition of telework for the sale of Internet access, which is a mainstay business, during Japan’s state of emergency as special demand in the second quarter of the fiscal year, and the inclusion of the earnings of NIHON DENKI SERVICE Co., Ltd., a newly consolidated subsidiary from this fiscal year.

Segment profit (Operating profit) rose by 167.5% year-on-year to 449 million yen, due to the increase in net sales.

iii) Security, Other Businesses

Net sales of the “Security, Other Businesses” declined by 8.3% year-on-year to 2,149 million yen, due mainly to a decline in temporary security projects caused by the impacts of the COVID-19 pandemic.

Segment profit (Operating profit) increased by 9.4% to 276 million yen, due to a rise in operating profit ratio of 2.1% points through achieved by curtailing SG&A expenses, mainly in recruitment and personnel costs, and covering the drop in net sales.

b. Financial Position

i) Liquidity

With regards to assets, current assets increased by 1,336 million yen from the end of the previous fiscal year to 19,304 million yen. This increase is mainly attributed to an increase in cash and deposits of 1,498 to 13,309 million yen, which offset a decrease in notes and accounts receivable - trade of 106 to 5,671 million yen.

With regard to liabilities, current liabilities declined by 717 million yen from the end of the previous fiscal year to 5,710 million yen. This decrease is attributed mainly to declines in income taxes payable of 715 to 514 million yen and in accounts payable - other of 100 to 1,167 million yen, which negated to a rise in other current liabilities of 57 to 417 million yen arising from in social insurance deposits of 44 to 266 million yen and in withholding income tax deposits of 26 to 98 million yen.

As a result, working capital (current assets − current liabilities) at the end of the current fiscal year stood at 13,594 million yen, representing an increase of 2,053 million yen from the end of the previous fiscal year, and the consolidated current ratio (current assets ÷ current liabilities × 100) increased to 338.1% from 279.6% at the end of the previous fiscal year.

ii) Capital Expenditures

Capital investments executed in the current consolidated fiscal year declined by 155 million yen year-on-year to 279 million yen. The main breakdown of this investment includes the acquisition of property, plant and equipment associated with the opening of new and relocation of existing sales offices and the purchase of hardware for use within the Company of 150 million yen, and the acquisition of intangible assets associated with the purchase of various software for use within the Company of 129 million yen.

The Company does not have any concrete plans for capital investments during the fiscal year ending December 31, 2021 at this point.

iii) Interest-Bearing Debt

The total amount of interest-bearing debt at the end of the current fiscal year was 1,000 million yen, which is the same as the end of the previous fiscal year.

iv) Net Assets

Net assets at the end of the current fiscal year stood at 17,396 million yen, representing an increase of 1,184 million yen from the end of the previous fiscal year. This increase is attributed to a rise in retained earnings of 2,602 million yen due to the realization of 4,113 million yen as profit attributable to owners of parent, and despite dividends of surplus of 1,478 million yen during the current fiscal year. At the same time, there was an increase in treasury shares of 992 million yen associated with the acquisition of treasury shares related to settlement for the fiscal year ended December 2019.

As a result of these events, our debt-to-equity ratio (Interest-bearing debt ÷ equity capital (Note) × 100) decreased from 6.5% at the end of the previous fiscal year to 6.1%, and the equity ratio (Interest-bearing debt ÷ equity × 100) increased from 65.8% at the end of the previous fiscal year to 68.9%.

Note: Equity = Total net assets − Share acquisition rights − Non-controlling interests

v) 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%.

We will implement shareholder returns with a target of achieving a total return ratio of 50% by enhancing profitability and further improving management efficiencies, in addition to offering dividends and share buybacks. Furthermore, we will seek to achieve our target indicator for “improvement of corporate value” of ROE of over 20%.

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

For the fiscal year ended December 2020, a dividend of 41 yen per share (an increase of 1 yen compared to the previous year and the same as forecast) will be paid based on the goal of achieving a total return ratio of 50%. At the end of the fiscal year, a dividend of 22 yen per share (1 yen increase compared to the previous year and the same as forecast) will be offered and share repurchases totaling up to a maximum 552 million yen will be conducted. The shares will be repurchased from the market as the specific acquisition method. As a result, the total return ratio for the fiscal year ended December 2020 is expected to exceed 50.0%.

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

2) Cash Flows

Outstanding cash and cash equivalents (Hereinafter referred to as "funds") at the end of the fiscal year increased by 1,418 million yen from the end of the previous consolidated fiscal year to 13,309 million yen (compared to an increase of 3,344 million yen in the previous fiscal year) after aggregating an increase in cash and cash equivalents of 80 million yen resulting from inclusion of NIHON DENKI SERVICE Co., Ltd. in consolidation.

(Cash Flows from Operating Activities)

Funds provided by operating activities were 3,979 million yen (compared with 5,408 million yen provided in the previous fiscal year) due to profit before income taxes of 6,360 million yen, depreciation of 268 million yen, and amortization of goodwill of 201 million yen, while income taxes paid of 2,580 million yen, gain on the sale of investment securities of 250 million yen, share of profit of entities accounted for using equity method of 163 million yen, and decrease in trade payables of 117 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities were 89 million yen (compared with 8 million yen provided in the previous fiscal year) due to payments for sales of shares of subsidiaries resulting in change in scope of consolidation of 233 million yen, purchase of property, plant and equipment of 150 million yen, purchase of intangible assets of 129 million yen, and despite proceeds from sales of investment securities of 416 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities were 2,472 million yen (compared with 2,073 million yen used in the previous fiscal year) due to dividends paid of 1,476 million yen and purchase of treasury shares of 995 million yen.

3) State of Production, Orders Received and Sales

a. 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.

b. Sales Performance

Name of segment	Current consolidated fiscal year (January 1 to December 31, 2020) (Million yen)	Change from the previous year (%)
Short-Term Operational Support Business	36,700	(5.07)%
Sales Support Business	4,377	26.04%
Security, Other Businesses	2,149	(8.32)%

Total	43,226	(2.82)%

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

(2) Awareness, Analysis and Review of Status of Operating Results, Others from the Perspective of Management

Our awareness, analysis and review of status of operating results, others from the perspective of management are presented below. Note that the following statements may contain risk factors forecast for the future, although they are based on our best judgment as of the end of the current consolidated fiscal year.

1) Significant Accounting Policies and Estimates

The Group's consolidated financial statements are prepared based on accounting standards generally accepted in Japan. The preparation of these consolidated financial statements requires the adoption of accounting policies and estimates by management which affects the booking and disclosure of assets, liabilities, profits and costs. Management determines these estimates in a reasonable manner taking into account past performance, but actual results may differ from these estimates due to their uncertainty.

Significant accounting policies adopted for the Group's consolidated financial statements appear in "Part 5: Financial Conditions, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes on Consolidated Financial Statements (Significant Accounting Policies in the Preparation of the Consolidated Financial Statements)."

Regarding accounting estimates in conjunction with the spread of COVID-19, while there are concerns about changes in the economic situation and business environment due to the worldwide spread of COVID-19, our Group has thus conducted accounting estimates assuming that there are no material impacts from COVID-19 during the current consolidated fiscal year because it is difficult to forecast when the COVID-19 pandemic will end. However, there is a possibility that material impacts will influence our consolidated financial statements in subsequent fiscal years, if we review our judgments according to changes in the future situation.

2) Awareness, Analysis and Review of Status of Operating Results, Others for the Current Fiscal Year

a. Operating Results

i) Net Sales

Consolidated net sales declined by 2.8% year-on-year to 43,226 million yen, due to the impacts dampening overall client demand caused by the slowdown in business activities in the mainstay "Short-Term Operational Support Business" from COVID-19 and the impacts on recovery in client demand caused by concerns over further spread of the disease, while a recovery trend was seen heading into the last month of the fiscal year even after the third quarter. We explain our results by business segment below.

• Short-Term Operational Support Business

Net sales of the "Short-Term Operational Support Business" decreased by 5.1% year-on-year to 36,700 million yen, due to the contraction in overall demand among client companies in the event- and service-related sectors (restaurants, retail, accommodations) caused by the COVID-19 pandemic. However, a recovery trend was seen heading into the final month of the fiscal year after bottoming in the third quarter.

• Sales Support Business

Net sales of the "Sales Support Business" increased by 26.0% year-on-year to 4,377 million yen, due mainly to the acquisition of telework for the sale of Internet access, which is a mainstay business, during Japan's state of emergency as special demand in the second quarter of the fiscal year, and the inclusion of the earnings of NIHON DENKI SERVICE Co., Ltd., a newly consolidated subsidiary from this fiscal year.

• Security, Other Businesses

Net sales of the “Security, Other Businesses” declined by 8.3% year-on-year to 2,149 million yen, due mainly to a decline in temporary security projects caused by the impacts of the COVID-19 pandemic.

ii) Operating Expenses and Profit

Cost of sales decreased by 156 million yen from the previous fiscal year to 25,508 million yen (a decrease of 0.6% year-on-year), while the cost of sales ratio increased 1.3% points from 57.7% in the previous fiscal year to 59.0%. Selling, general and administrative expenses decreased by 3 million yen from the previous fiscal year to 11,587 million yen (a decrease of 0.0% year-on-year) while the ratio to net sales increased by 0.7% points from 26.1% in the previous fiscal year to 26.8%. As a result, operating profit decreased by 1,093 million yen from the previous fiscal year to 6,131 million yen (a decrease of 15.1% year-on-year). We explain our results by business segment below.

• Short-Term Operational Support Business

Segment profit (Operating profit) decreased by 19.0% year-on-year to 6,264 million yen, due mainly to the decline in gross profit resulting from the drop in net sales.

• Sales Support Business

Segment profit (Operating profit) rose by 167.5% year-on-year to 449 million yen, due to the increase in net sales.

• Security, Other Businesses

Segment profit (Operating profit) increased by 9.4% to 276 million yen, due to a rise in operating profit ratio of 2.1% points through achieved by curtailing selling, general and administrative expenses, mainly in recruitment and personnel costs, and covering the drop in net sales.

iii) Non-Operating Income and Expenses, and Ordinary Profit

In terms of non-operating income and expenses, net income of 49 million yen was posted in the current fiscal year due mainly to the booking of 163 million yen in share of profit of investments accounted for using equity method, while net expense of 160 million yen was reported in the previous fiscal year due to a 200 million yen of loss on investments accounted for using equity method.

Ordinary profit declined by 884 million yen from the previous fiscal year to 6,180 million yen (a decrease of 12.5% year-on-year) due to the decline in operating profit.

iv) Extraordinary Income and Losses, and Profit before Income Taxes

The total after deducting extraordinary losses from extraordinary income was net extraordinary income of 180 million yen, due mainly to gain on sales of investment securities of 250 million yen booked as an extraordinary income following the partial sale of investment securities, and loss on COVID-19 of 62 million yen booked as an extraordinary loss among other factors.

As a result, profit before income taxes totaled 6,360 million yen (a decrease of 10.8% year-on-year).

v) Income Taxes and Profit

Income taxes after tax-effect accounting is applied decreased by 418 million yen from the previous fiscal year to 1,943 million yen, and profit totaled 4,417 million yen (a decrease of 7.4% year-on-year).

vi) Profit Attributable to Owners of Parent

Profit attributable to non-controlling interests was 305 million yen after NIHON DENKI SERVICE Co., Ltd. became a new consolidated subsidiary.

Consequently, profit attributable to owners of parent decreased by 531 million yen from the previous fiscal year to 4,113 million yen (a decrease of 11.4% year-on-year). Basic earnings per share stood at 111.69 yen (124.59 yen in the previous fiscal year).

b. Significant Factors Affecting Operating Results

Significant factors affecting the Group's operating results are presented in "Part 2: State of Business, 2. Risks Associated with Our Businesses."

c. Financial Resources for Capital and Liquidity of Funds

i) Funding Requirements

The main funding requirements for our Group's business activities are working capital for maintaining and expanding business activities, capital investment funds for expenses associated with the new opening and relocation of sales offices and system investment expenses in addition to temporary funding requirements such as M&A.

ii) Financial Resources for Capital and Liquidity of Funds

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 5,600 million yen.

Details regarding the status of our interest-bearing debt are presented in "Part 2: State of Business, 3. Analysis of Financial Position, Operating Results and Cash Flow Status by Management (1) Performance Overview, 1) Financial Position and Operating Results, b. Financial Position, iii) Interest-Bearing Debt."

The Group's policy on fund procurement and fund management is presented in "Part 5. Financial Conditions, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes on Consolidated Financial Statements (Notes Regarding Financial Instruments)."

d. Management Policy, Management Strategy, and Objective Indicators for Determining the Achievement of Management Targets, Others

Our Group considers the "sustained improvement of corporate value" to be one of its most important management issues.

Our Group will endeavor to maximize corporate value by striking a balance between profitability and growth. At the same time, our management will endeavor maintain a solid financial standing and implement strategies that focus upon capital efficiency. Also, we maintain a goal of realizing a debt-to-equity ratio target of no more than 1.0 time to maintain appropriate debt levels that will enable us to make investments necessary to secure growth, while at the same time maintaining financial soundness. The Fullcast Group also seeks to achieve an ROE of over 20% as a target indicator of "improvement of corporate value." In addition, we maintain a policy of enhancing returns of profits to shareholders with a target of achieving total return ratio of 50%.

Indicator 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":	D/E ratio of less than 1.0x

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

The Fullcast Group achieved its operating profit target of 5.0 billion yen for the final fiscal year of the Medium-Term Management Plan (FY16–FY20), which was formulated as a five-year plan beginning in the fiscal year ended December 2016, two years ahead of schedule in the fiscal year ended December 2018, the third year of the plan. As a result, our Group revised the Medium-Term Management Plan with changes to targets for the fiscal years ended December 2019 and 2020, and worked toward achieving these targets.

During the current fiscal year, the final year of the revised Medium-Term Management Plan, we experienced a downturn in profits due to the impacts of COVID-19. However, we were able to achieve our initial target of “surpass our previous record high profit in the final year” in the fiscal year ended December 2018, the third year of the plan. And, for the fiscal year ended December 2019, we made upward revisions to the initial Medium-Term Management Plan and our results exceeded the revised targets, establishing yet another record high profit.

	Initial MTMP FY16–FY20 targets	Revised MTMP FY16–FY20 targets	Results for FY12/20
Operating profit	5.0 billion yen	7.9 billion yen	6.1 billion yen
Ordinary profit	-	8.0 billion yen	6.2 billion yen
Number of operating workers	257,400	320,000	210,943
Gross profit per 1 yen of personnel costs	2.8 yen	2.6 yen	2.5 yen

The Fullcast Group has decided to postpone the disclosure of its new five-year Medium-Term Management Plan (FY21–FY25) covering the fiscal years ending in December 2021 to 2025. For details, please see “Notice of the Postponement of Publication of Medium-Term Management Plan (FY21–FY25)” released on February 12, 2021.

4. Contracts of Vital Importance to Management

There are no relevant matters.

5. Research and Development Activities

There are no relevant matters.

Part 3: State of Equipment

1. Overview of Capital Investment

Capital investment in the current consolidated fiscal year totaled 279 million yen. Major investments included the acquisition of property, plant and equipment associated with the opening of new sales offices, relocation of existing sales offices, and purchases of hardware for use within the Company of 150 million yen and the acquisition of intangible assets associated with the purchase of various software for use within the Company of 129 million yen.

2. State of Major Equipment

(1) Submitting Companies

(As of December 31, 2020)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Book-value (Million yen)				Employees
				Buildings and structures	Tools, furniture and fixtures	Software	Total	
Fullcast Holdings Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Company-wide (Shared)	Business office	19	69	218	305	93 [167]

Notes: 1. All figures exclude consumption tax.

2. “Employees” refers to staff engaged in work. The number of temporary employees is represented by the figures in parentheses apart from the number of regular employees, and it is the average yearly number of employees.

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, 2020)

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	99
Company housing for employees	Company-wide (Shared)	Leased buildings	6
Total	-	-	105

(2) Domestic Subsidiaries

(As of December 31, 2020)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Book-value (Million yen)					Number of Employees
				Buildings and structures	Tools, furniture and fixtures	Land (area; m^2)	Other	Total	
Fullcast Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	99	37	-	1	137	420 [472]
Top Spot Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	19	6	-	-	26	62 [57]
Fullcast Advance Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Security, Other Businesses, Short-Term Operational Support Business	Business office, operating equipment	11	4	-	0	14	76 [51]
Fullcast Business Support Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Company-wide (Shared)	Business office, operating equipment	-	1	-	0	1	36 [9]
Otetsudai Networks Inc.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	-	0	-	25	25	3 [2]
Work & Smile Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	2	1	-	-	3	4 [4]
Fullcast Senior Works Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	1	1	-	0	1	5 [2]
Fullcast Porter Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	1	0	-	-	1	7 [1]
F-PLAIN Corporation	Head office (Minato-ku, Tokyo)	Sales Support Business	Business office, operating equipment	3	3	-	34	40	63 [59]
M’s Line Co., Ltd.	Head office (Minato-ku, Tokyo)	Sales Support Business	Business office, operating equipment	-	-	-	-	-	17 [30]
BOD Co., Ltd.	Head office (Toshima-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	53	62	-	17	131	277 [75]
Fullcast Global Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	1	0	-	-	2	4 [-]
Minimaid Service Co., Ltd.	Head office (Shibuya-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	54	2	184 (276.84)	5	245	37 [339]
BOD Alpha Co., Ltd.	Head office (Toshima-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	0	-	-	1	1	3 [-]
Fullcast International Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	2	1	-	-	2	3 [-]
HR Management Co., Ltd.	Head office (Toshima-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	-	-	-	0	0	39 [-]

Notes: 1. “Other” in “book-value” includes vehicles, construction in progress, and software. All figures exclude consumption tax.

2. “Employees” refers to staff engaged in work. The number of temporary employees is represented by the figures in

parentheses apart from the number of regular employees, and represents the average yearly number of employees.

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, 2020)

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 and other)	Short-Term Operational Support Business	Leased buildings	326
	Company housing for employees		Leased buildings	77
Top Spot Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	45
	Company housing for employees		Leased buildings	10
Fullcast Advance Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Security, Other Businesses Short-Term Operational Support Business	Leased buildings	37
	Company housing for employees		Leased buildings	8
Fullcast Business Support Co., Ltd.	Company housing for employees	Company-wide (Shared)	Leased buildings	1
Otetsudai Networks Inc.	Company housing for employees	Short-Term Operational Support Business	Leased buildings	0
Work & Smile Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	5
	Company housing for employees		Leased buildings	1
Fullcast Senior Works Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	5
	Company housing for employees		Leased buildings	1
Fullcast Porter Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	4
F-PLAIN Corporation	Head office, branches (Minato-ku, Tokyo and other)	Sales Support Business	Leased buildings	25
	Company housing for employees		Leased buildings	2
M’s Line Co., Ltd.	Head office, branches (Minato-ku, Tokyo and other)	Sales Support Business	Leased buildings	3
	Company housing for employees		Leased buildings	0
BOD Co., Ltd.	Head office, branches (Toshima-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	170
Fullcast Global Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	4
	Company housing for employees		Leased buildings	2
Minimaid Service Co., Ltd.	Head office, branches (Shibuya-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	9
	Company housing for employees		Leased buildings	1
Fullcast International Co., Ltd.	Company housing for employees	Short-Term Operational Support Business	Leased buildings	1
HR Management Co., Ltd.	Head office, branches (Toshima-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	0

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)
Ordinary 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, 2020)	Number of shares issued at the date of submission (Mar. 29, 2021)	Name of exchange for listed financial instruments, or name of association trading registered and approved financial instruments	Description
Ordinary shares	38,486,400	37,486,400	Tokyo Stock Exchange (the First section)	One unit of shares: 100 shares
Total	38,486,400	37,486,400	-	-

(2) State of New Share Acquisition Rights

1) Details of stock option system

Fullcast Holdings Co., Ltd. No. 1-1 Stock Compensation-type Share Acquisition Rights	
Date of resolution	March 24, 2017
Category of persons granted share acquisition rights and number (Persons)	4 Directors of the Company (Excluding those who are Audit Supervisory Committee Members) 8 Directors of the Company's wholly-owned subsidiaries 2 Auditors of the Company's wholly-owned subsidiaries
Number of share acquisition rights (Rights)*	2,016 (Note 1)
Type and detail of stock for the purpose of share acquisition rights and number (Shares)*	Ordinary shares: 201,600 (Note 1)
Amount paid at time of exercise of share acquisition rights (Yen)*	1 (Note 2)
Exercise period of share acquisition rights*	April 11, 2021 to April 10, 2051
Issuance price and capital incorporation amount of shares when issuing shares due to the exercise of share acquisition rights (Yen)*	Issuance price: 785.50 Capital incorporation amount (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning assignment of share acquisition rights*	Acquisition of share acquisition rights by assignment requires approval of the Board of Directors.
Matters concerning the granting of share acquisition rights associated with organization restructuring*	(Note 5)

*Details presented represent conditions as of the last day of the current fiscal year (December 31, 2020). Furthermore, there are no changes in these conditions as of the final day of the month before the submission date (February 28, 2021).

Notes: 1. The type of shares for the share acquisition rights shall be ordinary shares and the number of shares per one share 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 ordinary shares; hereinafter the same shall apply) or share consolidation after the allotment date of the share 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 share 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 share acquisition rights.
3. (1) The amount of additional paid-in capital resulting from the issuance of shares due to the exercise of share acquisition rights shall be half of the maximum of an increase in paid-in capital calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, 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 share 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 share acquisition rights allotted to the Company's Directors, in principle, the person receiving the allotment of share acquisition rights must be a Director of the Company at the time the rights are exercised.
   (2) For share acquisition rights allotted to the Directors or Corporate Auditors of the Company wholly-owned subsidiaries, in principle, the person receiving the allotment of share acquisition rights (Hereinafter, referred to as "share acquisition right holder" collectively with persons receiving the allotment of share 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 share acquisition rights allocated, only the limited number of share acquisition rights can be exercised depending on the level of achievement of the operating profit target for the fiscal year ended 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 share acquisition rights of corporations cited in Article 236, Paragraph 1, Item 8, a through e of the Companies Act to share acquisition rights holders who own the remaining share acquisition rights (Hereinafter, "residual share 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 share acquisition rights will be canceled and the Company subject to restructuring shall newly issue share acquisition rights. The issuance of share 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 Share Acquisition Rights Issued by Restructuring Company

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

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

The ordinary shares stock of the Restructuring Company.

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

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

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

The amount of assets required for exercise of each share 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 share 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 share acquisition right to be issued.

(5) Period for Exercise of Share Acquisition Rights

The period for exercise of the share acquisition rights shall be from the start date of the period for which the share 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 share 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 Share Acquisition Rights

Determined following Note 3 above.

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

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

(8) Reason and Conditions for Acquisition of Share 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, Paragraph 4 of the Companies Act), the Company can acquire the share 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 share 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 Share Acquisition Rights	
Date of resolution	March 24, 2017
Category of persons granted share acquisition rights and number (Persons)	8 employees of the Company's wholly-owned subsidiaries

Number of share acquisition rights (Rights)	192 (Note 1)
Type and detail of stock for the purpose of share acquisition rights and number (Shares)*	Ordinary shares: 19,200 (Note 1)
Amount paid at time of exercise of share acquisition rights (Yen)*	1 (Note 2)
Exercise period of share acquisition rights*	April 11, 2021 to April 10, 2051
Issuance price and capital incorporation amount of shares when issuing shares due to the exercise of share acquisition rights (Yen)*	Issuance price: 785.50 Capital incorporation amount (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning assignment of share acquisition rights*	Acquisition of share acquisition rights by assignment requires approval of the Board of Directors.
Matters concerning the granting of share acquisition rights associated with organization restructuring*	(Note 5)

*Details presented represent conditions as of the last day of the current fiscal year (December 31, 2020). Furthermore, there are no changes in these conditions as of the final day of the month before the submission date (February 28, 2021).

Notes: 1. The type of shares for the share acquisition rights shall be ordinary shares and the number of shares per one share 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 ordinary sharesk; hereinafter the same shall apply) or share consolidation after the allotment date of the share 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 share 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 share acquisition rights.
3. (1) The amount of additional paid-in capital resulting from the issuance of shares due to the exercise of share acquisition rights shall be half of the maximum of an increase in paid-in capital calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, 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 share 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 share acquisition rights (Hereinafter, “share acquisition rights holders”) must be an employee of the Company's wholly-owned subsidiaries at the time of exercising these rights.
   (2) Of those share acquisition rights allocated, only the limited number of share acquisition rights can be exercised depending on the level of achievement of the operating profit target for the fiscal year ended 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 share acquisition rights of corporations cited in Article 236, Paragraph 1, Item 8, a through e of the Companies Act to share acquisition rights holders who own the remaining share acquisition rights (Hereinafter, “residual share 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 share acquisition rights will be canceled and the Company subject to restructuring shall newly issue share acquisition rights. The issuance of share 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 Share Acquisition Rights Issued by Restructuring Company
The number of share acquisition rights held by share acquisition rights holders and the same number will each be issued, respectively.

(2) Type of Shares of Restructuring Company Required for Share Acquisition Rights
The ordinary shares of the Restructuring Company.

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

(4) Amount of Assets Required for Exercise of Share Acquisition Rights
The amount of assets required for exercise of each share 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 share 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 share acquisition right to be issued.

(5) Period for Exercise of Share Acquisition Rights
The period for exercise of the share acquisition rights shall be from the start date of the period for which the share 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 share 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 Share Acquisition Rights
Determined following Note 3 above.

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

(8) Reason and Conditions for Acquisition of Share 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, Paragraph 4 of the Companies Act), the Company can acquire the share 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 share 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

2) Description of rights plan

There are no relevant matters.

3) State of other new share acquisition rights

There are no relevant matters.

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

There are no relevant matters.

(4) Trends in total number of outstanding shares and share capital

Date	Change in total number of outstanding shares (Shares)	Balance of total number of outstanding shares (Shares)	Change in share capital (Million yen)	Balance of share capital (Million yen)	Change in legal capital surplus (Million yen)	Balance of legal capital surplus (Million yen)
December 20, 2013 (Note 1)	(1,110,000)	38,486,400	-	2,780	-	-

Notes: 1. Treasury shares were cancelled on December 20, 2013 in accordance with the resolution of the Board of Directors Meeting on December 19, 2013.

2. Treasury shares were cancelled on February 16, 2021 in accordance with the resolution of the Board of Directors Meeting on February 12, 2021, reducing the total number of issued shares by 1,000,000 shares.

(5) Shareholder ownership status

(As of December 31, 2020)

Classification	Stock information (One unit of shares: 100 shares)								State of share less than one unit (Shares)
	Government and local public organizations	Financial organizations	Financial commodity traders	Other corporations	Foreign corporations etc.		Individual and others	Total	
					Non-individual	Individual			
Shareholders	-	23	25	33	166	7	4,129	4,383	-
Shares held (Unit)	-	57,460	11,920	187,849	78,322	51	49,204	384,806	5,800
Percentage of shares held (%)	-	14,932	3,097	48,816	20,353	0.013	12.786	100.00	-

Notes: 1. The 1,777,898 shares of treasury shares include 17,778 units in “Individual and others” and 98 shares in “State of share less than one unit (Shares).”

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

(6) Major shareholders

(As of December 31, 2020)

Name	Address	Number of shares held	Percentage of shares held to total outstanding shares (Excluding treasury shares) (%)
Hirano Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	13,826,600	37.67
Hikari Tsushin Co., Ltd.	1-4-10 Minami Ikebukuro, Toshima-ku, Tokyo	3,529,500	9.61
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	1,919,500	5.23
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,522,200	4.15
UH Partners2, Inc.	2-9-9 Nishi Ikebukuro, Toshima-ku, Tokyo	1,321,100	3.60
Custody Bank of Japan, Ltd. (Trust Account 9)	1-8-12 Harumi, Chuo-ku, Tokyo	502,700	1.37
JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (2-15-1 Konan, Minato-ku, Tokyo)	493,800	1.35
State Street Bank and Trust Company 505019 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Division)	AIB International Centre P.O. Box 518 IFSC Dublin, Ireland (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	435,900	1.19

Name	Address	Number of shares held	Percentage of shares held to total outstanding shares (Excluding treasury shares) (%)
Victory Trivalent International Small-Cap Fund (Standing proxy: Citibank N.A., Tokyo Branch)	3435 Stelzer Road, Columbus OH 43219 - 6004 US (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	423,200	1.15
BNP Paribas Securities Services Luxembourg / JASDEC / FIM / Luxembourg Funds / UCITS Assets (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Division)	33 Rue de Gasperich, L - 5826 Howald - Hesperange, Luxembourg (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	410,000	1.12
Total	-	24,384,500	66.43

Notes: 1. In addition to the above, there is 1,777,898 shares of treasury shares owned by the Company.

2. Hikari Tsushin Inc., which was a principal shareholder as of the end of the previous fiscal year, is no longer a principal shareholder as of the end of the current fiscal year, and Hikari Tsushin Co., Ltd. and its joint owners have newly become a principal shareholder.

(7) Voting Rights

1) Outstanding shares

(As of December 31, 2020)

Classification	Number of shares	Number of voting rights (Individual)	Description
Nonvoting shares	-	-	-
Shares with limited voting rights (Treasury shares, other)	-	-	-
Shares with limited voting rights (Other)	-	-	-
Shares with full voting rights (Treasury shares, other)	(Treasury shares) Ordinary shares 1,777,800	-	-
Shares with full voting rights (Other)	Ordinary shares 36,702,800	367,028	-
Share less than one unit	Ordinary shares 5,800	-	-
Total number of outstanding shares	38,486,400	-	-
Voting rights of shareholders	-	367,028	-

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 shares

(As of December 31, 2020)

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	1,777,800	-	1,777,800	4.62
Total	-	1,777,800	-	1,777,800	4.62

2. Acquisitions of Treasury Shares

Class of shares: Acquisition of ordinary shares under Article 155, Item 3 and Article 155, Item 7 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 upon decisions made at Board of Directors Meetings

Classification	Number of shares (Shares)	Total cost (Yen)
Status of resolution by the Board of Directors (February 7, 2020) (Acquisition period: February 10, 2020 to April 24, 2020)	449,600	991,817,600
Treasury shares acquired before the current fiscal year	-	-
Treasury shares acquired in the current fiscal year	449,500	991,597,000
Total number of shares of residual resolutions and total cost	100	220,600
Ratio of unexercised rights as of the last day of the current fiscal year (%)	0.0	0.0
Treasury shares acquired during the current period	-	-
Ratio of unexercised rights as of the date of submission of this report (%)	0.0	0.0

Classification	Number of shares (Shares)	Total cost (Yen)
Status of resolution by the Board of Directors (February 12, 2021) (Acquisition period: February 15, 2021 to March 24, 2021)	331,700	552,000,000
Treasury shares acquired before the current fiscal year	-	-
Treasury shares 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 shares acquired during the current period	286,400	551,875,800
Ratio of unexercised rights as of the date of submission of this report (%)	13.7	0.0

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

Classification	Number of shares (Shares)	Total cost (Yen)
Treasury shares acquired in the current fiscal year	46	79,718
Treasury shares acquired during the current period	42	69,972

Note: Treasury shares acquired during the period does not include the purchase of share less than one unit from March 1, 2021 up to the submission date of the securities report.

(4) Handling and Possession of Treasury Shares 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 shares for which a purchaser was solicited	-	-	-	-
Acquired treasury shares that were retired	-	-	1,000,000	1,742,000,000
Acquired treasury shares that were transferred due to a merger, share exchange, share issuance or company split	-	-	-	-
Other (-)	-	-	-	-

Treasury shares in possession	1,777,898	-	1,064,340	-

Note: Treasury shares held during the period does not include the purchase of shares less than one unit from March 1, 2021 up to the submission date of the securities report.

3. Dividend Policy

We maintain a policy of enhancing returns of profits to shareholders with a target of achieving a total return ratio of 50%.

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

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

As for the dividend for the current fiscal year, a dividend of 41 yen per share (an increase of 1 yen compared to the previous year and the same as forecast) will be paid based on our goal of achieving a total return ratio of 50%. At the end of the fiscal year, a dividend of 22 yen per share (1 yen increase compared to the previous year and the same as forecast) will be offered and share repurchases totaling up to a maximum 552 million yen will be conducted per the resolution passed a he meeting of the Board of Directors held on February 12, 2021. As a result, the total return ratio for the fiscal year ended December 2020 is expected to exceed 50.0%.

With regards to internal reserves, we plan to improve our business base in order to achieve sustainable growth through allocation to preparation for future business expansion, development of systems, and enhancement of internal programs such as employee education.

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

Note: The following are the divides to be paied nd from retained earnings whose record date are in the current fiscal year.

Date of resolution	Total amount of dividend (Million yen)	Dividend per share (Yen)
Resolution by Board of Directors Meeting on Aug. 7, 2020	697	19
Resolution by Board of Directors Meeting on Feb. 12, 2021	808	22

4. Corporate Governance

(1) Corporate Governance

1) Basic Approach to Corporate Governance

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”.

2) Overview of Corporate Governance Systems and Reasons for this Systems Adoption

A. Overview of Corporate Governance Systems

The following is an overview of corporate structures

a) Board of Directors

It is our policy for the composition of the Board of Directors to include multiple outside directors (2 or more) and to report all outside directors as Independent Directors as stipulated by the Tokyo Stock Exchange.

As of March 29, 2021, the Board was comprised of 4 Directors (Excluding those 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.

The Board of Directors comprises 7 members: Representative Director and CEO Kazuki Sakamaki, Chairperson of the Board of Directors Takehito Hirano, Director Takahiro Ishikawa, Director Shiro Kaizuka, Audit & Supervisory Committee Member Kouji Sasaki, Audit & Supervisory Committee Member Masataka Uesugi, and Audit & Supervisory Committee Member Hideyuki Totani.

The Board of Directors Meeting was held 12 times during the fiscal year ended December 2020 and all Directors attended all of the meetings of the Board of Directors meetings. The main matters considered included the Medium-Term Management Plan (including a review of the plan and updates), shareholder returns and the capital policy, M&A and business alliances, internal control and compliance, officer remuneration, corporate governance (including an examination of the appropriateness of retaining cross-shareholdings and an evaluation of the effectiveness of the Board of Directors), and related party transactions.

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.

The Audit & Supervisory Committee comprises 3 members: Audit & Supervisory Committee Member Kouji Sasaki who serves as the chairperson, Audit & Supervisory Committee Member Masataka Uesugi, and Audit & Supervisory Committee Member Hideyuki Totani. The Audit & Supervisory Committee Meeting is basically presided by Kouji Sasaki.

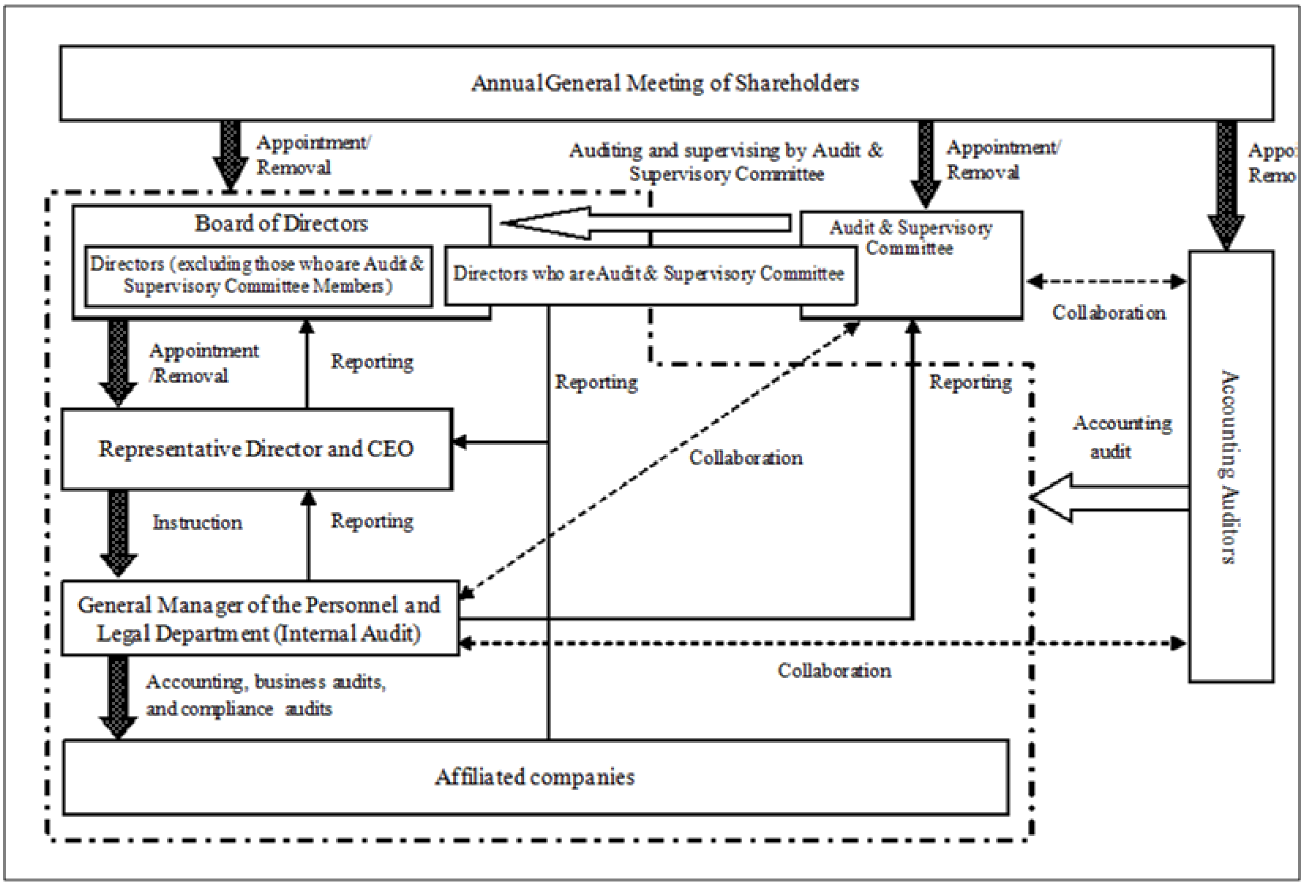
c) General Manager of the Personnel and Legal Department

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 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 Aarata 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 29, 2021, Fullcast Holdings Co., Ltd. is a company with the Board of Directors, 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 the 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 management 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.

3) Other Matters on Corporate Governance

A. 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 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 those 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 those 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 those 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 common goal for the employees. The Board of Directors shall regularly review the implementation of the business plan.

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 Audit & Supervisory Committee.

i. When 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 not 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 the assistants.

ii. Audit & Supervisory Committee Member's assistants shall not jointly take on posts that involve execution of work.

iii. When Directors (Excluding those who are Audit & Supervisory Committee Members) and 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 necessary to carry 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 as well as 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.

B. Summary of Limited Liability Contracts

Based on Article 427, Paragraph 1 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 Article 423, Paragraph 1 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 Article 425, Paragraph 1 of the Companies Act.

C. Resolution matters for the 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 treasury shares

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 who were previously directors, former Audit & Supervisory Committee Members, and members of Board of Corporate Auditors) resulting from negligence of duty

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

D. Number of Directors

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

E. 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.

F. Special decision requirements for 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 Article 309, Paragraph 2 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.

G. Investor 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) Officers

1) List of Officers

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

Title	Name	Date of birth	Career summary		Term	Number of Shares held
Director and Chairperson	Takehito Hirano	August 25, 1961	Apr. 1984 Sept. 1990 July 2006 Sept. 2007 Dec. 2009 Mar. 2015 Apr. 2017 Oct. 2018	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 (Present post) Director of Advancer Global Limited (Present post)	(Note 2)	-
President, Representative Director and CEO	Kazuki Sakamaki	September 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)	(Note 2)	105,447
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 of Beattech Co., Ltd. (Present post)	(Note 2)	154,600
Director	Shiro Kaizuka	October 3, 1961	Sept. 1990 May 2002 Oct. 2002 Feb. 2010 Sept. 2013 Apr. 2016 June 2016 Mar. 2017	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) 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)	(Note 2)	75,200

Title	Name	Date of birth	Career summary		Term	Number of Shares held
Director (Full-time Audit & Supervisory Committee Member)	Kouji Sasaki	August 2, 1945	Apr. 1966	Joined Tokyo Regional Taxation Bureau and worked in the general affairs division, before later working in tax offices	(Note 3)	9,600
			Dec. 1984	Passed the tax accountant examination		
			June 1995	Retired as a special examiner at Nakano tax office		
			Sept. 1995	Opened Sasaki Tax Accounting Office		
			Dec. 1999	Outside Audit & Supervisory Board Member of the Company		
			Sept. 2008	Audit & Supervisory Board Member of Fullcast HR Research Institute Co., Ltd. (Currently Fullcast Co., Ltd.)		
			Mar. 2016	Director (Full-time Audit & Supervisory Committee Member) of the Company (Present post)		
Director (Audit & Supervisory Committee Member)	Masataka Uesugi	July 31, 1965	Apr. 1995	Registered as an attorney-at-law (Tokyo Bar Association)	(Note 3)	-
			Apr. 1999	Founded Uesugi Law Office		
			June 2003	Partner of Amlec Law and Accounting Firm		
			June 2003	Audit & Supervisory Board Member of Digital Arts Inc.		
			June 2004	Audit & Supervisory Board Member of Nextech Co., Ltd.		
			Dec. 2012	Outside Audit & Supervisory Board Member of F-PLAIN Corporation		
			June 2013	Outside Audit & Supervisory Board Member of Commerce One Holdings Inc. (Present post)		
			Dec. 2013	Outside Audit & Supervisory Board Member of Ceres Inc. (Present post)		
			Nov. 2014	Outside Audit & Supervisory Board Member of Aiming Inc. (Present post)		
			Mar. 2015	Founded Sakurada Dori Partners (Partner; present post)		
			Mar. 2016	Director (Audit & Supervisory Committee Member) of the Company (Present post)		
			June 2016	Director (Audit & Supervisory Committee Member) of Digital Arts Inc. (Present post)		
Director (Audit & Supervisory Committee Member)	Hideyuki Totani	January 5, 1979	Oct. 2003	Joined Ernst & Young ShinNihon LLC	(Note 3)	-
			June 2007	Registered as Certified Public Accountant		
			July 2007	Partner at Seiwa Audit Corporation (Currently RSM Seiwa Audit Corporation)		
			June 2013	Outside Audit & Supervisory Board Member of F-PLAIN Corporation		
			July 2014	Outside Audit & Supervisory Board Member of Ichigo Holdings, Inc. (Present post)		
			Dec. 2015	Auditor of F-PLAIN Corporation (Present post)		
			Mar. 2016	Director (Audit & Supervisory Committee Member) of the Company (Present post)		
			July 2016	Representative Partner at Seiwa Audit Corporation (Currently RSM Seiwa Audit Corporation) (Present post)		
Total						344,847

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

2. The term of office for Directors who are not Audit & Supervisory Committee Members is from the Annual General Meeting of Shareholders for the fiscal year ended December 2020 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 2021.

3. The term of office for Directors who are Audit & Supervisory Committee Members is from the Annual General Meeting of Shareholders for the fiscal year ended December 2019 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 2021.

4. The Audit & Supervisory Committee is comprised of the following members:
Chair: Kouji Sasaki; Members: Masataka Uesugi and 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.

2) Outside Officers

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 March 29, 2021)

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 line of thought.

(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 or 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.

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

3) 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 those who are 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 Aarata LLC., the Company's Accounting Auditor.

The internal control department (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.

(3) Audits

1) Status of Audits by Audit & Supervisory Committee

(i) Organization, Personnel and Procedures of Audits by Audit & Supervisory Committee

All 3 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.

The Company has a policy in place to appoint full-time Audit & Supervisory Committee members to enable sufficient collaboration among the Audit & Supervisory Committee and Internal Audit Departments as well as share information at important meetings, and gather information from Directors (Excluding those who are Audit & Supervisory Committee Members), in order to strengthen the audit and supervisory functions of the Audit & Supervisory Committee. Currently, the Company has appointed Kouji Sasaki as full-time Audit & Supervisory Committee member. He has professional experience as a tax accountant and possesses considerable knowledge concerning finance and accounting.

ii) Status of Activities by Audit & Supervisory Committee and Audit & Supervisory Committee Members

In the current fiscal year, the Company’s Audit & Supervisory Committee held meetings on 11 occasions, with each meeting lasting around 1 hour. The attendance record of individual Audit & Supervisory Committee members is as follows:

Classification	Name	Number of times attended Audit & Supervisory Committee meetings
Outside Director (Full-time Audit & Supervisory Committee Member)	Kouji Sasaki	11/11
Outside Director (Audit & Supervisory Committee Member)	Masataka Uesugi	11/11
Outside Director (Audit & Supervisory Committee Member)	Hideyuki Totani	11/11

The main topics discussed by the Audit & Supervisory Committee include establishment of the audit plan, deliberations on important audit items, development and operation of the internal control system, evaluation of accounting auditor and determination of its reappointment, and advanced deliberation of matters to be reported to the Board of Directors.

The following resolutions, reports and discussions were held throughout the year.

13 resolutions:	Submission of audit report, determination of remuneration of directors who are Audit & Supervisory Committee members, etc.
11 reports and discussions:	Progress of audits, progress and status of compliance, etc.

In addition, the main activities of the full-time Audit & Supervisory Committee member included serving as he chair of meetings of the Audit & Supervisory Committee as well as facilitating communication with directors (Excluding those who are Audit & Supervisory Committee Members), attendance at meetings of the Board of Directors, and if necessary, reporting the viewing of important documents or status of execution of duties by directors and employees to the Audit & Supervisory Committee.

2) Status of 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.

3) Status of Accounting Audits

A. Name of accounting auditor

PricewaterhouseCoopers Aarata LLC

B. Duration as accounting auditor

9 years

C. Certified public accountants engaging in auditing work

Shigeru Takahama

Masahide Kobayashi

D. Composition of audit assistants involved in auditing work

Assistants involved in the Company’s accounting audit work include 3 certified public accountants, 2 persons who have passed the certified public accountant exam, and 12 others.

E. Selection Method of Audit Corporation and Reason

The Company selects the audit corporation based comprehensively on such areas as quality control, independence, specialization, audit remuneration, communication with audit committee members and management, and response to illicit risks, etc., referencing the “Practical Guidelines for Auditors, etc. Concerning the Formulation of Evaluation and Selection Standards for Accounting Auditors” published by the Japan Audit & Supervisory Board Members Association.

When it deems necessary, such as when the duties of the accounting auditor are hindered, etc., the Audit & Supervisory Committee determines the details of resolutions on the dismissal or non-reappointment of the accounting auditor to be submitted to the general meeting of shareholders.

In addition, if the accounting auditor is deemed to fall under each item set forth in Article 340, Paragraph 1 of the Companies Act, the accounting auditor will be dismissed based on the consent of all Audit & Supervisory Board Members. In such a case, the Audit & Supervisory Committee Members selected by the Audit & Supervisory Committee will report the nature and reason for the dismissal of the accounting auditor at the first general meeting of shareholders convened after the dismissal.

F. Evaluation of Audit Corporation by the Audit & Supervisory Committee

The Company’s Audit & Supervisory Committee comprehensively evaluates the audit system and the status of the execution of duties by the accounting auditor.

4) Details of Audit Remuneration and Other Information

A. Remuneration for audit-certified public accountants and other information

(Million yen)

Classification	Previous fiscal year		Current fiscal year	
	Remuneration based on audit certification work	Remuneration based on non-auditing work	Remuneration based on audit certification work	Remuneration based on non-auditing work
Submitting company	35	-	36	-
Consolidated subsidiaries	-	-	-	-
Total	35	-	36	-

B. Remuneration for the same network (PricewaterhouseCoopers) as audit certified public accountants (excluding A.)
There are no relevant matters.

C. Other details of remuneration based on significant audit certification work
There are no relevant matters.

D. 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.

E. Reasons why the Audit & Supervisory Committee approved the remuneration of the Accounting Auditor
The Audit & Supervisory Committee, based on the "Practical Guideline on Collaboration with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, confirmed and reviewed the evaluation and analysis of auditing results from the previous fiscal year, plan for auditing hours and assignment of personnel in the audit plan, status of business execution by the accounting auditor, and appropriateness of estimates for remuneration. As a result, consent has been received related to Article 399, Paragraph 1 of the Companies Act on remuneration for the accounting auditor.

(4) Officer Remuneration

1) Policy concerning the Approval of Calculation Method of Officer Remuneration and its Amount

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

The Company determines the amount of remuneration for executive officers once each year, which must be within the range of remuneration limits determined at the General Meeting of Shareholders.

The limit on remuneration of directors (Excluding those who are Audit & Supervisory Committee Members) is set at 200 million yen per year and the limit of remuneration for directors who are Audit & Supervisory Committee Members is 50 million yen per year based on the resolution at the 23rd Ordinary General Meeting of Shareholders held on March 25, 2016 (number of eligible directors at the time of the resolution: 3 directors (Excluding those who are Audit & Supervisory Committee Members) and 3 directors who are Audit & Supervisory Committee Members). In addition, at the 24th Ordinary General Meeting of Shareholders held on March 24, 2017, new share acquisition rights were issued as stock options to directors (Excluding those who are Audit & Supervisory Committee Members) within the scope of this maximum remuneration.

Stock compensation-type stock options adopt consolidated operating profit, a primary financial target of the Medium-Term Management Plan, as the indicator related to performance-linked remuneration. Of those share acquisition rights allocated, only the limited number of share acquisition rights can be exercised depending on the level of achievement of the operating profit target for the fiscal year ending December 2020, the final year of the Medium-Term Management Plan. The results compared to the consolidated operating profit target for the fiscal year ending December 2020, the final year of the Medium-Term Management Plan, are as follows.

	Targets for the final year of the Medium-Term Management Plan	Results for the current term
Consolidated operating profit	5.0 billion yen	6.1 billion yen

The body with authority for determining policy on decisions on the amount of the remuneration of the Company's offices and the calculation method is the Board of Directors. The remuneration of directors (Excluding those who are Audit & Supervisory Committee Members) is determined individually based on deliberations at the Board of Directors, including 3 independent outside directors who are Audit & Supervisory Committee Members, in order to ensure transparency. During the relevant fiscal year, deliberation and resolution were made by the Board of Directors as follows.

• March 27, 2020: Deliberation and resolution on remuneration of directors (excluding those who are Audit & Supervisory Committee Members).

The remuneration of directors who are Audit & Supervisory Committee Members is determined individually based on deliberations by the Audit & Supervisory Committee.

Furthermore, a resolution was passed at the meeting of the Board of Directors held on February 26, 2021 on “Policy for determining the details of remuneration of individual directors.” The details of this policy are presented below.

1. Fundamental policy

   The fundamental policy for the determination of remuneration of the Company’s individual directors shall be to set this remuneration at an appropriate level based on the importance of each of their duties and their achievements using a remuneration system linked to the Company’s business performance and return to shareholders so that remuneration works sufficiently as an incentive for the sustainable enhancement of corporate value. Specifically, the remuneration of the Representative Director and CEO who serves as an executive officer and the director responsible for audit functions (Excluding those who are Audit & Supervisory Committee Members) shall be comprised of base remuneration (monetary compensation) as the fixed remuneration and performance-linked remuneration (monetary compensation) and stock-based compensation (non-monetary remuneration). The remuneration of outside directors who are Audit & Supervisory Committee members shall comprise only base pay as fixed remuneration in view of their duties.

2. Policy regarding the amount of remuneration for each individual in terms of base remuneration (monetary remuneration) (including the policy on determining the timing or conditions for the granting of remuneration)

   The base remuneration of the Company’s directors shall be comprised of monthly fixed remuneration, which shall be determined holistically while considering the level of other companies, the Company’s performance, and level of employee pay based on the director’s position, duties, and number of years in office.

3. Policy regarding the details and amount or calculation method of performance-linked remuneration and non-monetary remuneration (including the policy on determining the timing or conditions for the granting of remuneration)

   Performance-linked remuneration shall be comprised of cash remuneration reflecting key performance indicators (KPI) to elevate awareness about improving performance each business year. The amount calculated is based on the level of achievement of targets for consolidated operating profit for each respective business year and shall be paid monthly in conjunction with monthly fixed remuneration. The target KPIs and their values, in principle, shall be set whent the time of formulating the Medium-Term Management Plan is formulated to ensure consistency with this plan or medium-term consolidated operating profit targets set by the Company and be reviewed as necessary based on changes in the operating environment.

   Non-monetary compensation shall be comprised of stock compensation-type stock options and adopt consolidated operating profit, a primary financial target of the Medium-Term Management Plan or medium-term consolidated operating profit targets set by the Company, as the indicator related to performance-linked remuneration. Of those share acquisition rights allocated, only a limited number of share acquisition rights can be exercised depending on the level of achievement of the consolidated operating profit target for the final year of the Medium-Term Management Plan or of medium-term consolidated operating profit target.

4. Policy regarding determination of the proportion of monetary remuneration, performance-linked remuneration or non-monetary remuneration for each Director

   The ratio of each type of remuneration for Executive Director and Director (Excluding those who are Audit & Supervisory Committee Members) shall be determined considering remuneration levels of other companies engaged in related business types or formats or whose business size is similar to the Company.

Furthermore, the benchmark ratio of each type of remuneration shall be 8:1:1 representing base remuneration : performance-linked remuneration : non-monetary remuneration (in case the level of KPI achievement is 100%).

Note: Performance-linked remuneration shall be cash remuneration and non-monetary remuneration shall be stock-compensation type stock options.

5. Matters regarding the determination of details of remuneration for individual Directors

The remuneration of the Representative Director and CEO who serves as an executive officer and the director (excluding those who are Audit & Supervisory Committee Members) will be proposed by the Representative Director and CEO who serves as an executive officer that will include the total amount of remuneration following the aforementioned fundamental policy on determining remuneration and individual policies. Next, the Board of Directors passes a resolution on the total amount of remuneration (each amount of base remuneration, performance-linked remuneration and stock-type remuneration, if applicable), timing, conditions and other important matters, if any. The specific details of each individual director are entrusted to the discretion of the Representative Director and CEO who serves as an executive officer. The details of this authority shall comprise the amount of base remuneration of each director and performance-linked remuneration of each director.

However, the Company will establish a Remuneration Committee comprised of 3 independent outside directors who are Audit & Supervisory Committee members and the Representative Director and CEO who serves as an executive officer to prevent arbitrary decisions on remuneration by the Representative Director and CEO who serves as an executive officer and ensure that authority is exercised appropriately. The Remuneration Committee deliberates on whether the individual remuneration proposals established by the Representative Director and CEO who serves as an executive officer are appropriate or not in accordance with the above mentioned policies for determination of remuneration. After this, revisions are made if necessary and the Remuneration Committee establishes a remuneration proposal within the scope of the total amount approved by the Board of Directors. The Remuneration Committee submits its proposal to the Representative Director and CEO who serves as an executive officer, and the Representative Director and CEO who serves as an executive officer determines the remuneration amount for individual directors while respecting the details of this proposal.

2) Total amount of remuneration by officer classification, total amount by type of remuneration, and number of officers covered

Classification	Total amount of remuneration (Million yen)	Total amount by type of remuneration (Million yen)			Number of officers covered
		Fixed remuneration	Performance-linked remuneration	Retirement benefits	
Directors (Excluding Audit & Supervisory Committee Members) (Excluding outside directors)	126	105	20	-	4
Directors (Audit & Supervisory Committee Members) (Excluding outside directors)	-	-	-	-	-
Outside officers	14	14	-	-	3

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

2. The limit on remuneration 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.

3) Total Amount of Consolidated Remuneration for Each Officer

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

4) Important items among employee bonuses for people working jointly as employees and officers

There are no relevant matters.

(5) Possession of shares

1) Standards and Approach to Categories of Investment Securities

Regarding the categories of investment securities owned purely for investment purposes and investment security owned for reasons other than purely investment purposes, the Company categorizes shares held for the purpose of business strategy such as maintaining and strengthening relationships with business partners as cross-shareholdings and categorizes shares held for purpose of all other asset management as purely investment.

2) Ownership of Shares by Fullcast Holdings Co., Ltd.

The following shows the status of Fullcast Holdings 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

a) Method of examining ownership policy and ownership rationale as well as details of examinations by the Board of Directors on suitability of ownership of individual shares

The Group acquires and holds cross-shareholdings of publicly listed stocks when it is determined to contribute to the improved medium to long-term corporate value of the Group from the perspective of maintaining and strengthening cooperative business relations and maintaining and strengthening stable, long-term transactional relationships between the Group and its business partners, restricted to alliance relationships, transactional relationships or other business relationships. The Company plans to sell and reduce its holdings of shares of associates and investment securities for which these business synergies are not expected to materialize.

In addition, the Board of Directors carefully screened the Group's cross-shareholdings (4 stocks), including whether ownership is appropriate or not, and verified that ownership is indeed suitable. As a result of this verification, the Board of Directors determined that at the current point in time it is appropriate to continue owning these cross-shareholdings.

With regard to exercising the voting rights of cross-shareholdings, the Group determines whether it approves or disapproves of a proposal and exercises its voting rights after comprehensively determining, based on individual scrutiny, whether the proposal contributes to the enhancement of the corporate value of the company and the Group and whether there is a possibility the proposal will damage shareholder value, for each individual proposal, taking into account the purpose of each individual holdings and referencing the criteria for exercising voting rights of the voting advisory company.

b) Number of different stocks and total value recorded in balance sheets

	Number of different stocks	Total value recorded in balance sheets (Million yen)
Unlisted equity securities	6	34
Securities other than unlisted equity securities	1	32

(Stocks for which the Company’s shareholdings increased in the fiscal year)

There are no relevant matters.

(Stocks for which the Company's shareholdings decreased in the fiscal year)

There are no relevant matters.

c) Information concerning special stocks, number of shares for each stock considered deemed holding, and amount appearing in balance sheet

Special Stocks

Stock	Current fiscal year Number of shares Amount recorded in balance sheets (Million yen)	Previous fiscal year Number of shares Amount recorded in balance sheets (Million yen)	Purpose of ownership, quantitative effects of ownership, and reason for the increase in the number of shares	Shares owned by the Company
Saint Care Holding Corporation	36,000 32	36,000 18	Owned for maintaining and strengthening transactional relationship. Quantitative effects of holding are not mentioned due to the difficulty of mention. The rationale for ownership is verified using the method mentioned in a).	None

Deemed holdings

There are no relevant matters.

B. Investment shares held for net investment purposes

Classification	Current fiscal year		Previous fiscal year	
	Number of different stocks	Total value recorded in balance sheets (Million yen)	Number of different stocks	Total value recorded in balance sheets (Million yen)
Unlisted equity securities	-	-	-	-
Securities other than unlisted equity securities	1	185	1	1,015

Classification	Current fiscal year		
	Total amount of dividend income (Million yen)	Total amount of sales gain (loss) (Million yen)	Total amount of valuation gain (loss) (Million yen)
Unlisted equity securities	-	-	-
Securities other than unlisted equity securities	-	250	(664)

3) Ownership of shares by F-PLAIN Corporation

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

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

a) Method of examining ownership policy and ownership rationale as well as details of examinations by the Board of Directors on suitability of ownership of individual shares

The Group acquires and holds cross-shareholdings of publicly listed stocks when it is determined to contribute to the improved medium to long-term corporate value of the Group from the perspective of maintaining and strengthening cooperative business relations and maintaining and strengthening stable, long-term transactional relationships between the Group and its business partners, restricted to alliance relationships, transactional relationships or other business relationships. The Company plans to sell and reduce its holdings of shares of associates and investment securities for which these business synergies are not expected to materialize.

In addition, the Board of Directors carefully screened the Group's cross-shareholdings (4 stocks), including whether ownership is appropriate or not, and verified that ownership is indeed suitable. As a result of this verification, the Board of Directors determined that at the current point in time it is appropriate to continue owning these cross-shareholdings.

With regard to exercising the voting rights of cross-shareholdings, the Group determines whether it approves or disapproves of a proposal and exercises its voting rights after comprehensively determining, based on individual scrutiny, whether the proposal contributes to the enhancement of the corporate value of the company and the Group and whether there is a possibility the proposal will damage shareholder value, for each individual proposal, taking into account the purpose of each individual holdings and referencing the criteria for exercising voting rights of the voting advisory company.

b) Number of different stocks and total value recorded in balance sheets

	Number of different stocks	Total value recorded in balance sheets (Million yen)
Unlisted equity securities	-	-
Securities other than unlisted equity securities	1	184

(Stocks for which the Company’s shareholdings increased in the fiscal year)
There are no relevant matters.

(Stocks for which the Company’s shareholdings decreased in the fiscal year)
There are no relevant matters.

c) Information concerning special stocks, number of shares for each stock considered deemed holding, and amount appearing in balance sheet

Special Stocks

Stock	Current fiscal year	Previous fiscal year	Purpose of ownership, quantitative effects of ownership, and reason for the increase in the number of shares	Shares owned by the Company
	Number of shares	Number of shares		
	Amount recorded in balance sheets (Million yen)	Amount recorded in balance sheets (Million yen)		
Vision Co., Ltd.	177,600	177,600	Owned for maintaining and strengthening transactional relationship. Quantitative effects of holding are not mentioned due to the difficulty of mention. The rationale for ownership is verified using the method mentioned in a).	Yes
	184	322		

Deemed holdings
There are no relevant matters.

B. Investment shares held for net investment purposes
There are no relevant matters.

4) Possession of shares for Submitting Companies
The submitting company is the same as that appearing in “B. Ownership of shares by Fullcast Holdings Co., Ltd.”

Part 5: Financial Conditions

1. 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 consolidated financial statements are prepared in accordance with "Regulations for Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Minister of Finance Decree No. 59, 1963).

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. Audit Certification

Based on Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company underwent audits by PricewaterhouseCoopers Arata LLC. for consolidated financial statements of the current consolidated fiscal year (January 1 to December 31, 2020) and for financial statements of the current fiscal year (January 1 to December 31, 2020).

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

The Company engages in special initiatives to ensure 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)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
ASSETS		
Current assets		
Cash and deposits	11,811	13,309
Notes and accounts receivable-trade	5,777	5,671
Merchandise	26	22
Supplies	32	13
Other	346	313
Allowance for doubtful accounts	(23)	(24)
Total current assets	17,969	19,304
Non-current assets		
Property, plant and equipment		
Buildings and structures	601	615
Accumulated depreciation and impairment loss	(323)	(352)
Buildings and structures, net	279	264
Machinery, equipment and vehicles	8	8
Accumulated depreciation and impairment loss	(7)	(7)
Machinery, equipment and vehicles, net	1	0
Tools, furniture and fixtures	759	722
Accumulated depreciation and impairment loss	(569)	(536)
Tools, furniture and fixtures, net	189	186
Land	184	184
Construction in progress	-	1
Total property, plant and equipment	653	634
Intangible assets		
Software	321	300
Goodwill	943	774
Other	22	22
Total intangible assets	1,285	1,096
Investments and other assets		
Investment securities	*1 2,798	*1 1,921
Guarantee deposits	540	576
Deferred tax assets	150	364
Other	124	102
Allowance for doubtful accounts	(55)	(44)
Total investments and other assets	3,557	2,919
Total non-current assets	5,495	4,649
Total assets	23,464	23,953

(Million yen)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	24	21
Short-term borrowings	*2 1,000	*2 1,000
Accounts payable - other	1,267	1,167
Accrued expenses	1,221	1,226
Income taxes payable	1,229	514
Accrued consumption taxes	1,206	1,204
Provision for bonuses	71	100
Allowance for subscription cancellations	48	60
Other	360	417
Total current liabilities	6,427	5,710
Non-current liabilities		
Retirement benefit liability	629	691
Asset retirement obligations	82	79
Deferred tax liabilities	60	21
Other	54	55
Total non-current liabilities	824	847
Total liabilities	7,251	6,557
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	12,119	14,721
Treasury shares	(2,107)	(3,099)
Total shareholders' equity	14,798	16,408
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	649	128
Foreign currency translation adjustment	-	(33)
Total accumulated other comprehensive income	649	95
Share acquisition rights	119	162
Non-controlling interests	646	730
Total net assets	16,213	17,396
Total liabilities and net assets	23,464	23,953

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

(Consolidated Statement of Income)

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Net sales	44,479	43,226
Cost of sales	25,665	25,508
Gross profit	18,814	17,718
Selling, general and administrative expenses		
Salaries and bonuses	3,981	4,328
Other salaries	1,459	1,305
Provision for bonuses	48	7
Legal welfare expenses	831	888
Retirement benefit expenses	111	88
Communication expenses	380	357
Travel and transportation expenses	482	433
Rent expenses on land and buildings	865	956
Depreciation	243	254
Advertising expenses	548	641
Recruitment expenses	526	256
Provision of allowance for doubtful accounts	10	9
Amortization of goodwill	215	201
Other	1,893	1,865
Total selling, general and administrative expenses	11,590	11,587
Operating profit	7,224	6,131
Non-operating income		
Interest income	1	1
Dividend income	2	2
Share of profit of entities accounted for using equity method	-	163
Gain on adjustment of account payable	-	23
Other	122	49
Total non-operating income	125	238
Non-operating expenses		
Interest expenses	12	7
Settlement package	22	37
Share of loss of entities accounted for using equity method	200	-
Commission for purchase of treasury shares	20	25
Business commencement expenses	-	56
Other	31	64
Total non-operating expenses	285	188
Ordinary profit	7,064	6,180

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Extraordinary income		
Gain on sales of shares of subsidiaries	95	-
Gain on sales of investment securities	-	250
Gain on sales of non-current assets	*1 7	-
Other	-	22
Total extraordinary income	102	272
Extraordinary losses		
Loss on valuation of investment securities	-	10
Loss on retirement of non-current assets	*3 22	*3 17
Loss on sales of non-current assets	*2 5	-
Loss on disaster	7	-
Loss on COVID-19	-	*4 62
Other	-	3
Total extraordinary losses	33	93
Profit before income taxes	7,134	6,360
Income taxes - current	2,435	1,949
Income taxes - deferred	(74)	(6)
Total income taxes	2,361	1,943
Profit	4,773	4,417
Profit attributable to non-controlling interests	129	305
Profit attributable to owners of parent	4,644	4,113

(Consolidated Statement of Comprehensive Income)

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Profit	4,773	4,417
Other comprehensive income		
Valuation difference on available-for-sale securities	553	(540)
Foreign currency translation adjustment	-	(33)
Total other comprehensive income	* 553	* (573)
Comprehensive income	5,326	3,844
(Comprehensive income attributable to)		
Owners of parent	5,183	3,559
Non-controlling interests	143	285

3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (January 1 to December 31, 2019)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	2,780	2,006	8,858	(1,280)	12,364
Changes in items during period					
Dividends of surplus			(1,383)		(1,383)
Profit attributable to owners of parent			4,644		4,644
Purchase of treasury shares				(827)	(827)
Net changes in items other than shareholders' equity					
Total changes in items during period	-	-	3,261	(827)	2,434
Balance at the end of period	2,780	2,006	12,119	(2,107)	14,798

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at the beginning of period	110	110	76	499	13,049
Changes in items during period					
Dividends of surplus					(1,383)
Profit attributable to owners of parent					4,644
Purchase of treasury shares					(827)
Net changes in items other than shareholders' equity	539	539	43	147	729
Total changes in items during period	539	539	43	147	3,163
Balance at the end of period	649	649	119	646	16,213

Current consolidated fiscal year (January 1 to December 31, 2020)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	2,780	2,006	12,119	(2,107)	14,798
Changes in items during period					
Dividends of surplus			(1,478)		(1,478)
Profit attributable to owners of parent			4,113		4,113
Purchase of treasury shares				(992)	(992)
Increase (decrease) in retained earnings resulting from exclusion of subsidiaries from consolidation			(33)		(33)
Net changes in items other than shareholders' equity					
Total changes in items during period	-	-	2,602	(992)	1,610
Balance at the end of period	2,780	2,006	14,721	(3,099)	16,408

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of period	649	-	649	119	646	16,213
Changes in items during period						
Dividends of surplus						(1,478)
Profit attributable to owners of parent						4,113
Purchase of treasury shares						(992)
Increase (decrease) in retained earnings resulting from exclusion of subsidiaries from consolidation						(33)
Net changes in items other than shareholders' equity	(520)	(33)	(554)	43	84	(426)
Total changes in items during period	(520)	(33)	(554)	43	84	1,184
Balance at the end of period	128	(33)	95	162	730	17,396

4) Consolidated Statement of Cash Flows

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	7,134	6,360
Depreciation	258	268
Amortization of goodwill	215	201
Increase (decrease) in allowance for doubtful accounts	(28)	2
Increase (decrease) in provision for bonuses	14	21
Increase (decrease) in allowance for subscription cancellations	2	12
Interest and dividend income	(3)	(3)
Interest expenses	12	7
Gain on maturity of insurance contract	(58)	-
Share of loss (profit) of entities accounted for using equity method	200	(163)
Gain on sales of shares of subsidiaries	(95)	-
Gain on sales of non-current assets	(7)	-
Loss on retirement of non-current assets	22	17
Loss on sales of non-current assets	5	-
Loss (gain) on sales of investment securities	-	(250)
Loss (gain) on valuation of investment securities	-	10
Loss on COVID-19	-	62
Decrease (increase) in trade receivables	(579)	93
Decrease (increase) in inventories	11	23
Decrease (increase) in accounts receivable - other	10	(5)
Increase (decrease) in trade payables	(95)	(117)
Increase (decrease) in accrued expenses	190	(7)
Increase (decrease) in accrued consumption taxes	331	1
Increase (decrease) in accrued enterprise taxes	17	(86)
Increase (decrease) in retirement benefit liability	72	62
Other, net	(10)	80
Subtotal	7,618	6,587
Interest and dividends received	11	32
Interest paid	(13)	(7)
Payment of loss on COVID-19	-	(54)
Income taxes paid	(2,208)	(2,580)
Income taxes refund	1	1
Net cash provided by (used in) operating activities	5,408	3,979
Cash flows from investing activities		
Purchase of property, plant and equipment	(226)	(150)
Purchase of intangible assets	(208)	(129)
Proceeds from sales of investment securities	-	416
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(18)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	*2 132	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	*2 (233)
Collection of loans receivable	33	18
Proceeds from cancellation of insurance funds	107	17
Other, net	170	(9)
Net cash provided by (used in) investing activities	8	(89)

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Cash flows from financing activities		
Proceeds from long-term borrowings	310	-
Repayments of long-term borrowings	(192)	-
Purchase of treasury shares	(847)	(995)
Dividends paid	(1,381)	(1,476)
Other, net	38	(2)
Net cash provided by (used in) financing activities	(2,073)	(2,472)
Net increase (decrease) in cash and cash equivalents	3,344	1,418
Cash and cash equivalents at beginning of the period	8,467	11,811
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	80
Cash and cash equivalents at end of the period	*1 11,811	*1 13,309

Notes on Consolidated Financial Statements

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

1. Matters concerning the scope of consolidation

Consolidated subsidiaries: 17

Name of the consolidated subsidiaries:

Fullcast Co., Ltd.; Top Spot Co., Ltd.; Fullcast Advance Co., Ltd.; Fullcast Business Support Co., Ltd.; Otetsudai Networks Inc.; Work & Smile Co., Ltd.; Fullcast Senior Works Co., Ltd.; Fullcast Porter Co., Ltd.; F-PLAIN Corporation; M's Line Co., Ltd.; FSP Co., Ltd.; BOD Co., Ltd.; BOD Alpha Co., Ltd.; Fullcast Global Co., Ltd.; Minimaid Service Co., Ltd.; Fullcast International Co., Ltd.; and HR Management Co., Ltd.

HR Management Co., Ltd., whose shares the Company acquired in the consolidated fiscal year, is included within the scope of consolidation.

In addition, NIHON DENKI SERVICE Co., Ltd., which was a non-consolidated subsidiary in the previous fiscal year, had been included in the scope of consolidation from current consolidated fiscal year because its importance increased in the current consolidated fiscal year. However, NIHON DENKI SERVICE Co., Ltd. was removed from the scope of consolidation because the Company assigned part of the shares it owned on December 28, 2020.

2. Matters concerning the application of the equity accounting method

(1) Number of equity method affiliates: 3

Beat Co., Ltd.; DeliArt Co., Ltd.; Advancer Global Limited

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

Of the Company's equity method affiliates, Beat Co., Ltd. and DeliArt Co., Ltd. have different fiscal year ends, and therefore, financial statements based upon provisional settlement of accounts as of the consolidated fiscal year end are used in preparing consolidated financial statements.

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

The settlement date of consolidated subsidiaries matches the consolidated account settlement date.

In the current consolidated fiscal year, HR Management Co., Ltd. changed its fiscal year end to December 31, which now matches the consolidated account settlement date.

4. Matters related to accounting policies

(1) Valuation rules and methods for significant assets

1) Securities

Other securities

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 determined by the moving average method)

Securities 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: 2 to 50 years

Machinery and transportation equipment: 2 to 6 years

Tools, furniture 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 (2 to 5 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) Provision for bonuses

To prepare for the payment of bonuses to employees, an amount accrued for the subject fiscal year among the estimated future obligations is designated in the reserve account.

3) Allowance for subscription cancellations

An allowance for subscription 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, etc.

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 the period during which the influence of the goodwill is estimated to apply. 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.

(Unapplied Accounting Standards)

1. Accounting Standard for Revenue Recognition, etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed a converged accounting standard for revenue recognition and released Revenue from Contracts with Customers (IFRS No. 15 at the IASB and Topic 606 at the FASB) in May 2014. In light of this, the Accounting Standards Board of Japan (ASBJ) has developed a converged accounting standard for revenue recognition, and it was released together with the implementation guidance.

The basic policy of the ASBJ in developing an accounting standard for revenue recognition was to use incorporation of the fundamental general principles of IFRS No. 15 as a starting point from the perspective of comparability of financial statements, which is one of the benefits to ensure consistency with IFRS No. 15, in the establishment of an accounting standard as well as the addition of alternative treatment within the scope of not losing comparability in the case of considerations such as conventional practices in Japan.

(2) Date of Planned Application

The Company will apply the Accounting Standard for Revenue Recognition, etc. from the beginning of the fiscal year ending December 2022.

(3) Effect of the Application of the such Accounting Standard

The effect was being evaluated at the time of preparing the consolidated financial statements.

2. Accounting standard for Fair Value Measurement, etc.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to improve comparability with the provisions of International Accounting Standards, the Accounting Standards Board of Japan developed “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Hereinafter, “Fair Value Measurement Accounting Standards”) and stipulated guidance on measurement methods of fair value. The Fair Value Measurement Accounting Standards are applied to the fair value of the following items:

- Financial instruments in “Accounting Standards for Financial Instruments”
- Inventory assets held for the purpose of trading in “Accounting Standard for Measurement of Inventories”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised to include notes on the breakdown of each level of fair value of financial instruments.

(2) Date of Planned Application

The Company will apply the Accounting Standard for Fair Value Measurement, etc. from the beginning of the fiscal year ending December 2022.

(3) Effect of the Application of the such Accounting Standard

The effect was being evaluated at the time of preparing the consolidated financial statements.

3. Accounting Standard for Disclosure of Accounting Estimates

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

Requests were made to consider requiring disclosure of information that is highly beneficial to users of financial statements by means of notes in Japanese accounting standards (J-GAAP) with regard to the “factors for uncertainty of estimates” required for disclosure in Paragraph 125 of International Accounting Standard (IAS) No. 1 “Presentation of Financial Statements” released in 2003 by the International Accounting Standards Board (IASB). As a result, the Accounting Standards Board of Japan (ASBJ) developed and released an accounting standard on disclosure of accounting estimates (“the Accounting Standard”).

The ASBJ’s fundamental policy for the development of the Accounting Standard is not to expand the content of individual notes, but rather to present a principle (disclosure purpose) and allow companies to determine detailed disclosure matters in line with the purpose of disclosure. The ASBJ referred to the provisions of Paragraph 125 of IAS No. 1 in developing the Accounting Standard.

(2) Date of Planned Application

The Company will apply the Accounting Standard from the end of the fiscal year ending December 2021.

4. Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

Following a recommendation to consider improvement notes related to “principles and procedures for accounting treatment adopted in case the provisions of relevant accounting standards are unclear,” the ASBJ made the necessary revisions and released these revisions as Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

Furthermore, in improving notes related to “principles and procedures for accounting treatment adopted in case the provisions of relevant accounting standards are unclear,” the provisions of annotations on the corporate accounting principles (Note 1-2) were carried over in order to avoid impacts on conventional accounting practices in case the provisions of relevant accounting standards are clear.

(2) Date of Planned Application

The Company will apply the Accounting Standard from the end of the fiscal year ending December 2021.

(Changes in Presentation Method)

(Notes on Consolidated Statement of Income)

"Reversal of allowance for doubtful accounts", "surrender value of insurance policies", and "subsidy income" presented individually under "non-operating income" in the previous fiscal year have been included in "other" in the current consolidated fiscal year 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, the amount of 27 million yen for "reversal of allowance for doubtful accounts", 58 million yen for "surrender value of insurance policies", 15 million yen for "subsidy income", and 22 million yen for "other" presented in "non-operating income" in consolidated financial statements for the previous fiscal year have been restated as 122 million yen in "other.".

(Notes on Consolidated Statement of Cash Flows)

"Proceeds from sales of property, plant and equipment" and "purchase of investment securities" presented individually under "cash flows from investing activities" in the previous fiscal year have been included in "other" in the current fiscal year 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, the amount of 241 million yen for "proceeds from sales of property, plant and equipment," (43 million) yen for "purchase of investment securities" and (28 million) yen for "other, net" presented in "cash flows from investing activities" in the Consolidated Statement of Cash Flows for the previous fiscal year have been restated as 170 million yen in "other, net."

(Additional Information)

(Accounting Estimates Associated with the COVID-19 Pandemic)

While there are concerns about changes in the economic situation and business environment due to the worldwide spread of COVID-19, our Group has thus conducted accounting estimates assuming that there are no material impacts from COVID-19 during the consolidated current fiscal year because it is difficult to predict when the COVID-19 pandemic will end. However, there is a possibility that material impacts will influence our consolidated financial statements in subsequent fiscal years, if we review our judgments according to changes in the future situation.

(Treatment of Application of Tax Effect Accounting Related to the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

Regarding the transition to a Group Tax Sharing System newly established under the Act Partially Amending the Income Tax Act and Other Acts (No. 8 of 2020), and the reviewed matters of the Non-Consolidated Taxation System when transitioning to a Group Tax Sharing System, Fullcast Holding and some of its subsidiaries have not applied the provisions of paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018) due to the treatment stipulated in paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39; March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law prior to amendment.

(Notes on Consolidated Balance Sheet)

*1 The following figures reflect associates.

(Million yen)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
Investment securities (equities)	1,359	1,443

*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:

(Million yen)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
Limit of overdraft account	5,600	5,600
Borrowing	1,000	1,000
Balance	4,600	4,600

(Notes on Consolidated Statement of Income)

*1 Significant components of gain on sales of non-current assets are as follows.

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Tools, furniture and fixtures	7	-

*2 Significant components of loss on sale of non-current assets are as follows:

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Tools, furniture and fixtures	5	-

*3 Significant components of loss on retirement of non-current assets are as follows:

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Buildings and structures	0	4
Tools, furniture and fixtures	6	4
Software	0	-
Other	16	9
Total	22	17

*4 Loss on COVID-19

Previous consolidated fiscal year (January 1 to December 31, 2019)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2020)

The main breakdown of loss on COVID-19 is allowance for business closure and loss on disposal of inventory.

(Notes on Consolidated Statement of Comprehensive Income)

* Amount of modifications and tax effect in other comprehensive income

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Valuation difference on available-for-sale securities:		
Amount incurred during the current fiscal year	802	(786)
Reclassification adjustment	-	-
Before tax effect adjustment	802	(786)
Tax effect	(250)	246
Valuation difference on available-for-sale securities	553	(540)
Foreign currency translation adjustment:		
Amount incurred during the current fiscal year	-	(33)
Reclassification adjustment	-	-
Foreign currency translation adjustment	-	(33)
Total other comprehensive income	553	(573)

(Notes on in Consolidated Statement of Changes in Equity)

Previous consolidated fiscal year (January 1 to December 31, 2019)

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

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 Ordinary shares	38,486,400	-	-	38,486,400
Total	38,486,400	-	-	38,486,400
Treasury shares Ordinary shares	878,552	449,800	-	1,328,352
Total	878,552	449,800	-	1,328,352

(Summary of reason for change)

Acquisition of treasury shares resolution of the Board of Directors on February 8, 2019: 449,800 shares

2. Matters concerning share acquisition rights

Company name	Details of share acquisition rights	Type of share for the purpose of share acquisition rights	Number of shares for the purpose of share acquisition rights				Balance at the 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	Share acquisition rights as stock options	-	-	-	-	-	119
Total		-	-	-	-	-	119

Note: The first day of the rights exercise period for share 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
Board of Directors Meeting on February 8, 2019	Ordinary shares	677	18.00	December 31, 2018	March 15, 2019
Board of Directors Meeting on August 9, 2019	Ordinary shares	706	19.00	June 30, 2019	September 2, 2019

(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
Board of Directors Meeting on February 7, 2020	Ordinary shares	Retained earnings	780	21.00	December 31, 2019	March 13, 2020

Current consolidated fiscal year (January 1 to December 31, 2020)

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

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 Ordinary shares	38,486,400	-	-	38,486,400
Total	38,486,400	-	-	38,486,400
Treasury shares Ordinary shares	1,328,352	449,546	-	1,777,898
Total	1,328,352	449,546	-	1,777,898

(Summary of reason for change)

Acquisition of treasury shares resolution of the Board of Directors on February 7, 2020: 449,500 shares

Purchase of shares less than one unit: 46 shares

2. Matters concerning share acquisition rights

Company name	Details of share acquisition rights	Type of share for the purpose of share acquisition rights	Number of shares for the purpose of share acquisition rights				Balance at the 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	Share acquisition rights as stock options	-	-	-	-	-	162
Total		-	-	-	-	-	162

Note: The first day of the rights exercise period for share 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
Board of Directors Meeting on February 7, 2020	Ordinary shares	780	21.00	December 31, 2019	March 13, 2020
Board of Directors Meeting on August 7, 2020	Ordinary shares	697	19.00	June 30, 2020	September 1, 2020

(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
Board of Directors Meeting on February 12, 2021	Ordinary shares	Retained earnings	808	22.00	December 31, 2020	March 12, 2021

(Notes on Consolidated Statement of Cash Flows)

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

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Cash and deposits	11,811	13,309
Cash and cash equivalents	11,811	13,309

*2 Main breakdown of assets and liabilities of companies that are no longer consolidated subsidiaries through the sale of shares

Previous consolidated fiscal year (January 1 to December 31, 2019)

The breakdown of assets and liabilities at the time of sale following Dimension Pockets Co., Ltd. no longer being a consolidated subsidiary through the sale of its shares as well as the selling price of the shares and income from the sale are as follows.

	(Million yen)
Current assets	35
Non-current assets	461
Current liabilities	(341)
Non-current liabilities	(49)
Non-controlling interests	(35)
Commission on the sale of shares	2
Gain on sale of shares	95
Selling price of shares	167
Commission on the sale of shares	(2)
Cash and cash equivalents	(3)
Allowance: income from sale	132

Current consolidated fiscal year (January 1 to December 31, 2020)

The breakdown of assets and liabilities following NIHON DENKI SERVICE Co., Ltd. no longer being a consolidated subsidiary through the sale of its shares as well as the selling price of the shares and loss from the sale are as follows.

	(Million yen)
Current assets	346
Non-current assets	63
Current liabilities	(54)
Non-current liabilities	(25)
Non-controlling interests	(264)
Commission on the sale of shares	1
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation	(33)
Loss on sale of shares	(3)
Selling price of shares	30
Commission on the sale of shares	(1)
Cash and cash equivalents	(263)
Allowance: loss on sales	(233)

(Notes Regarding Financial Instruments)

Previous consolidated fiscal year (January 1 to December 31, 2019)

1. Matters concerning the state of financial instruments

(1) Policy initiatives for financial instruments

The Group assumes bank loans for necessary funds. 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-other and accrued expenses, which are operating debts, have due dates of within one year. As for borrowings, the Company signed an agreement for overdraft with four main 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, 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)

The Company 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, 2019 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.).

(Million yen)

	Consolidated balance sheet amount	Market value	Difference
(1) Cash and deposits	11,811	11,811	-
(2) Notes and accounts receivable-trade	5,777	5,777	-
(3) Investment securities	2,205	2,091	(114)
(4) Guarantee deposits	540	539	(1)
Total assets	20,332	20,217	(115)
(5) Short-term borrowings	1,000	1,000	-
(6) Accounts payable-other	1,267	1,267	-
(7) Accrued expenses	1,221	1,221	-
(8) Income taxes payable	1,229	1,229	-
(9) Accrued consumption taxes	1,206	1,206	-
Total liabilities	5,923	5,923	-

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

Assets

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

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.

(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 borrowings, (6) Accounts payable-other, (7) Accrued expenses, (8) Income taxes payable, 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.

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

Unlisted instruments (consolidated balance sheet amount of 593 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 amounts of pecuniary claims after the settlement date

(Million yen)

	Within 1 year	1-5 years	5-10 years	Over 10 years
Cash and deposits	11,811	-	-	-
Notes and accounts receivable-trade	5,777	-	-	-
Total	17,588	-	-	-

4. Expected repayment amount of short-term borrowings

(Million yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	1,000	-	-	-	-	-
Total	1,000	-	-	-	-	-

Current consolidated fiscal year (January 1 to December 31, 2020)

1. Matters concerning the state of financial instruments

(1) Policy initiatives for financial instruments

The Group assumes bank loans for necessary funds. 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-other and accrued expenses, which are operating debts, have due dates of within one year. As for borrowings, the Company signed an agreement for overdraft with four main 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, 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)

The Company 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, 2020 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.).

(Million yen)

	Consolidated balance sheet amount	Market value	Difference
(1) Cash and deposits	13,309	13,309	-
(2) Notes and accounts receivable-trade	5,671	5,671	-
(3) Investment securities*	1,287	960	(327)
(4) Guarantee deposits	576	575	(1)
Total assets	20,843	20,515	(328)
(5) Short-term borrowings	1,000	1,000	-
(6) Accounts payable-other	1,167	1,167	-
(7) Accrued expenses	1,226	1,226	-
(8) Income taxes payable	514	514	-
(9) Accrued consumption taxes	1,204	1,204	-
Total liabilities	5,112	5,112	-

* Investment securities include the shares of listed equity method affiliates and the difference is due to the market valuation of said shares.

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

Assets

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

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.

(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 borrowings, (6) Accounts payable-other, (7) Accrued expenses, (8) Income taxes payable, 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.

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

Unlisted instruments (consolidated balance sheet amount of 634 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 amounts of pecuniary claims after the settlement date

(Million yen)

	Within 1 year	1-5 years	5-10 years	Over 10 years
Cash and deposits	13,309	-	-	-
Notes and accounts receivable-trade	5,671	-	-	-
Total	18,980	-	-	-

4. Expected repayment amount of short-term borrowings

(Million yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	1,000	-	-	-	-	-
Total	1,000	-	-	-	-	-

(Notes on Marketable Securities)

Previous consolidated fiscal year

1. Other marketable securities (as of December 31, 2019)

(Million yen)

Classification	Consolidated balance sheet amount	Acquisition cost	Difference
Items for which consolidated balance sheet amount exceeds acquisition cost Shares	1,374	324	1,050
Subtotal	1,374	324	1,050
Items for which consolidated balance sheet amount does not exceed acquisition cost Shares	-	-	-
Subtotal	-	-	-
Total	1,374	324	1,050

2. Other marketable securities sold during the current consolidated fiscal year (January 1 to December 31, 2019)

There are no relevant matters.

3. Other marketable securities for which impairment was performed (January 1 to December 31, 2019)

There are no relevant matters.

Current consolidated fiscal year

1. Other marketable securities (as of December 31, 2020)

(Million yen)

Classification	Consolidated balance sheet amount	Acquisition cost	Difference
Items for which consolidated balance sheet amount exceeds acquisition cost Shares	423	159	264
Subtotal	423	159	264
Items for which consolidated balance sheet amount does not exceed acquisition cost Shares	-	-	-
Subtotal	-	-	-
Total	423	159	264

2. Other marketable securities sold during the current consolidated fiscal year (January 1 to December 31, 2020)

(Million yen)

Classification	Sale value	Total of sale gain	Total of sale loss
Shares	416	250	-

3. Other marketable securities for which impairment was performed (January 1 to December 31, 2020)

Impairment of 10 million yen from other investment securities was recorded in the current fiscal year.

When performing impairment, if the market value at the end of the term has fallen by 50% or more of the cost of the acquisition, impairment is performed on the entire amount, but if the decline is between 30% to 50%, impairment is performed with respect to the amount deemed to be necessary in light of the potential of recovery and other factors. In addition, in cases where the actual value has declined significantly due to deteriorating financial position, impairment of stocks for which the market value is deemed extremely difficult to grasp is performed based on the need after determining the recoverability individually.

(Retirement benefits)

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.

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)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Retirement benefit obligations at the beginning of the period	479	547
Service cost	61	69
Interest cost	2	2
Actuarial differences occurred	39	4
Retirement benefits paid	(34)	(27)
Other	-	-
Retirement benefit obligations at the end of the period	547	596

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

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Liabilities for retirement benefits at the beginning of the period	78	82
Retirement benefit expenses	9	13
Retirement benefits paid	(5)	-
Other	-	-
Liabilities for retirement benefits at the end of the period	82	95

(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)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
Retirement benefit obligations under the non-cumulative system	629	691
Net liabilities and assets recorded in the consolidated balance sheet	629	691
Retirement benefit liability	629	691
Net liabilities and assets recorded in the consolidated balance sheet	629	691

Note: Including the system under a simple method.

(4) Amount of retirement benefit expenses and their breakdowns

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Service cost	61	69
Interest cost	2	2
Cost to dispose of actuarial differences	39	4
Retirement benefit expenses calculated by a simple method	9	13
Other	(0)	(0)
Retirement benefit expenses for the defined benefit plan	111	88

(5) Matters concerning the actuarial calculation base

Main actuarial calculation base

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Discount rate	Mainly 0.4%	Mainly 0.4%
Expected rate of increase	3.9%	3.9%

(Stock options)

1. Stock option expenses and subjects

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Selling, general and administrative expenses	43	43

2. Stock option content, scale and changes

(1) Stock option content

	Series 1-1 stock compensation-type share acquisition rights	Series 1-2 stock compensation-type share 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 those 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	Ordinary shares, 201,600 shares	Ordinary shares, 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 share acquisition rights

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

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

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

2. Conditions for the exercise of share acquisition rights

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

2) Of those share acquisition rights allocated, only the limited number of share acquisition rights can be exercised depending on the level of achievement of the operating profit target for the fiscal year ended 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 2020 is as shown below.

1) Quantity of stock options

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

2) Unit price

	Series 1-1 stock compensation-type share acquisition rights	Series 1-2 stock compensation-type share 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 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)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
Deferred tax assets		
Allowance for doubtful accounts and bad debts expenses	25	21
Retirement benefit liability	193	212
Gains on sales of stocks of subsidiaries under the Corporation Tax Act	50	50
Loss on valuation of investment securities	6	6
Loss on valuation of shares of subsidiaries and associates	356	356
Loss carried forward for tax purposes (Note)	15	15
Accrued enterprise taxes	88	65
Accrued social insurance premiums	4	4
Accrued business office taxes	7	8
Allowance for subscription cancellations	17	21
Asset retirement obligations	20	21
Commission for purchase of treasury shares	83	84
Share-based remuneration expenses	33	45
Supplies	15	7
Other	70	71
Subtotal deferred tax assets	980	985
Valuation reserve amount	(557)	(556)
Offsetting with deferred tax liabilities	(274)	(66)
Total deferred tax assets	150	364
Deferred tax liabilities		
Valuation difference on available-for-sale securities, etc.	(333)	(87)
Other	(0)	-
Subtotal deferred tax liability	(333)	(87)
Offsetting with deferred tax assets	274	66
Total deferred tax liability	(60)	(21)
Net deferred tax assets	90	342

Note: The amounts for loss carried forward for tax purposes and deferred tax assets carried forward for each period are omitted because the monetary amount of loss carried forward for tax purposes is immaterial.

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

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
Legal effective tax rates	30.6%	-
(Adjustment)		
Fixed-rate residents on inhabitant tax	0.6%	-
Amortization of goodwill	0.7%	-
Share of loss (profit) of entities accounted for using equity method	0.9%	-
Applicable tax rate difference of consolidated subsidiaries	0.3%	-
Valuation reserve amount	0.1%	-
Other	(0.2)%	-
Ratio of tax expenses, including corporate taxes, after tax effect accounting is applied	33.0%	-

Note: The note has been omitted for the current consolidated fiscal year because the difference between the legal effective tax rate and the ratio of tax expenses, including corporate taxes, after tax effect accounting is less than 5% of the legal effective tax rate.

(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 discount rate of 0.00% to 0.426%, with estimated period estimated individually based on contract term.

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

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Balance at beginning of current period	73	82
Increase by purchase of property, plant and equipment	9	-
Adjustment for lapse of time	-	0
Decrease due to fulfillment of asset retirement obligations	-	(0)
Increase (decrease) in others	-	(2)
Balance at the end of current period	82	79

(Segment Information and Others)

[Segment information]

Previous consolidated fiscal year (January 1 to December 31, 2019)

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) "Short-Term Operational Support Business", 2) "Sales Support Business" and 3) "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.

2. Information concerning the calculation of the amount of sales, profits and losses, assets, and others 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 profit of each reporting segment is an amount based upon its operating profit. 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)	Amount in consolidated financial statement
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	38,662	3,473	2,344	44,479	-	44,479
Inter-segment sales or transfers	21	-	1	22	(22)	-
Total	38,683	3,473	2,346	44,501	(22)	44,479
Segment profit	7,738	168	252	8,158	(934)	7,224
Segment assets	12,130	2,904	782	15,816	7,648	23,464
Other						
Depreciation	209	5	19	233	25	258
Amortization of goodwill	96	118	-	215	-	215
Increase of property, plant and equipment and intangible assets	159	3	90	252	182	434

Notes: 1. (26) million yen in inter-segment eliminations and (908) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (934) million yen segment profit adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific reporting segment.

2. Segment profit has been adjusted with the operating profit shown in the consolidated statement of income.

3. The amount of 7,648 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 25 million yen for adjusting the depreciation expenses primarily consists of depreciation for the

buildings and structures, and software of the head office of the Company.

5. The amount of 182 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, 2020)

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) "Short-Term Operational Support Business", 2) "Sales Support Business" and 3) "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.

2. Information concerning the calculation of the amount of sales, profits and losses, assets, and others 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 profit of each reporting segment is an amount based upon its operating profit. 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)	Amount in consolidated financial statement
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	36,700	4,377	2,149	43,226	-	43,226
Inter-segment sales or transfers	37	3	9	49	(49)	-
Total	36,737	4,380	2,158	43,275	(49)	43,226
Segment profit	6,264	449	276	6,989	(858)	6,131
Segment assets	10,724	2,796	803	14,323	9,630	23,953
Other						
Depreciation	218	9	9	236	31	268
Amortization of goodwill	91	109	-	201	-	201
Increase of property, plant and equipment and intangible assets	70	63	-	133	146	279

Notes: 1. (23) million yen in inter-segment eliminations and (835) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (858) million yen segment profit adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segment.

2. Segment profit has been adjusted with the operating profit shown in the consolidated statement of income.

3. The amount of 9,630 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 31 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings and structures, and software of the head office of the Company.
5. The amount of 146 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)

Previous consolidated fiscal year (January 1 to December 31, 2019)

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 statement of income.

Current consolidated fiscal year (January 1 to December 31, 2020)

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 statement of income.

(Information concerning impairment loss on non-current assets for each reporting segment)

Previous consolidated fiscal year (January 1 to December 31, 2019)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2020)

There are no relevant matters.

(Information regarding the amount of amortization of goodwill and unamortized balance for each reporting segment)

Previous consolidated fiscal year (January 1 to December 31, 2019)

(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	96	118	-	215	-	215
Balance at end of the fiscal year	724	219	-	943	-	943

Current consolidated fiscal year (January 1 to December 31, 2020)

(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	91	109	-	201	-	201
Balance at end of the fiscal year	665	109	-	774	-	774

(Information concerning gain on negative goodwill for each reporting segment)

Previous consolidated fiscal year (January 1 to December 31, 2019)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2020)

There are no relevant matters.

[Information on related parties]

Transactions with related parties

Transactions between consolidated financial statement submitting companies and related parties

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

Previous consolidated fiscal year (January 1 to December 31, 2019)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2020)

<table>
<tr><th>Type</th><th>Name</th><th>Location</th><th>Capital or investment (Million yen)</th><th>Operation details or occupation</th><th>Possession of voting rights etc. (Ownership proportion)</th><th>Relationship with related parties</th><th>Contents of transaction</th><th>Transaction amount (Million yen)</th><th>Subject</th><th>Balance at the end of the fiscal year (Million yen)</th></tr>
<tr><td rowspan="2">principal shareholder</td><td rowspan="2">Hikari Tsushin, Inc.</td><td rowspan="2">Toshima-ku, Tokyo</td><td rowspan="2">Share capital 54,259</td><td rowspan="2">Agency operation related to procedures for mobile phone subscriptions, etc.</td><td rowspan="2">(Owned) Indirect: 13.22%</td><td rowspan="2">-</td><td>Sale of shares (Note)</td><td>416</td><td>-</td><td>-</td></tr>
<tr><td>Gain on sale of shares related to this transaction</td><td>250</td><td>-</td><td>-</td></tr>
</table>

Notes: 1. The share sale is rationally determined based on discussions in light of the actual market price.

2. Consumption taxes are not included in the amounts of the above transactions.

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

Previous consolidated fiscal year (January 1 to December 31, 2019)

<table>
<tr><th>Type</th><th>Name</th><th>Location</th><th>Capital or investment (Million yen)</th><th>Operation details or occupation</th><th>Possession of voting rights etc. (Ownership proportion)</th><th>Relationship with related parties</th><th>Contents of transaction</th><th>Transaction amount (Million yen)</th><th>Subject</th><th>Balance at the end of the fiscal year (Million yen)</th></tr>
<tr><td rowspan="2">Companies for which officers and their near relatives own a majority of the voting rights</td><td rowspan="2">Hirano Associates Co., Ltd (Note 1)</td><td rowspan="2">Shibuya-ku, Tokyo</td><td rowspan="2">Share capital 10</td><td rowspan="2">Real estate</td><td rowspan="2">(Owned) Direct: 37.4%</td><td rowspan="2">-</td><td>Transfer of shares of subsidiaries (Note 2)</td><td>168</td><td>-</td><td>-</td></tr>
<tr><td>Acquisition of treasury shares (Note 3)</td><td>707</td><td>-</td><td>-</td></tr>
</table>

Notes: 1. Hirano Associates, Co., Ltd. corresponds to a corporate principal shareholder.

2. On December 11, 2019, all of the shares of Dimension Pockets Co., Ltd. were transferred to Hirano Associates Co., Ltd. The transfer price was determined reasonably based on discussions of price measured by an independent third-party institution.

3. In regard to the acquisition of treasury shares, ordinary shares was purchased at the price of 1,767 yen per share using a public tender pursuant to the resolution passed at the meeting of the Board of Directors on February 8, 2019.

4. Consumption taxes are not included in the amounts of the above transactions.

Current consolidated fiscal year (January 1 to December 31, 2020)

There are no relevant matters.

(Per share information)

FY12/19 (January 1 to December 31, 2019)		FY12/20 (January 1 to December 31, 2020)	
Net assets per share	415.71 yen	Net assets per share	449.58 yen
Basic earnings per share	124.59 yen	Basic earnings per share	111.69 yen
Diluted earnings per share	123.94 yen	Diluted earnings per share	111.04 yen

Note: The basis for calculating basic earnings per share and diluted earnings per share in the current fiscal year is as follows.

Item	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	4,644	4,113
Profit attributable to owners of parent related to ordinary shares (million yen)	4,644	4,113
Profit not available to ordinary shares (million yen)	-	-
Average number of ordinary shares outstanding during the period (shares)	37,273,606	36,821,528
Diluted earnings per share		
Adjusted profit attributable to owners of parent (million yen)	-	-
Increase of ordinary shares (shares)	195,643	213,535
(of these, stock acquisition rights [shares])	(195,643)	(213,535)
Overview of potential stock not included in calculation of diluted earnings per share because the stock has no dilution effect	-	-

(Major Subsequent Events)

(Purchase of treasury shares)

Fullcast Holdings Co., Ltd. passed a resolution at the Board of Directors meeting held on February 12, 2021 on matters related to the acquisition of treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to the provision of Article 165, Paragraph 3 of the same act.

(1) Reason:	Treasury shares are acquired in order to provide greater returns to shareholders as well as to implement a flexible capital policy to enhance capital efficiency.
(2) Type of shares to be acquired:	Ordinary shares
(3) Number of shares to be acquired:	331,700 shares (max.)
(4) Total value of repurchases:	552 million yen (max.)
(5) Acquisition period:	February 15 to March 24, 2021
(6) Acquisition method:	Purchase on the open market of the Tokyo Stock Exchange

(Cancellation of treasury shares)

Fullcast Holdings Co., Ltd. passed a resolution at the Board of Directors meeting held on February 12, 2021 on matters related to the cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act.

(1) Type of shares to be canceled:	Ordinary shares
(2) Total number of shares to be canceled:	1,000,000 shares (percentage of total number of issued shares prior to cancellation [incl. treasury shares]: 2.60%)
(3) Total number of issued shares after cancellation:	37,486,400 shares
(4) Planned cancellation date:	February 16, 2021

5) Consolidated statement schedule

[Corporate bond schedules]

There are no relevant matters.

[Schedule of debt]

Classification	Balance at the beginning of the fiscal year (Million yen)	Balance at the end of the period (Million yen)	Average interest rate (%)	Repayment term
Short-term borrowings	1,000	1,000	0.68	-
Current portion of long-term borrowings	-	-	-	-
Lease obligations due within one year	2	2	1.50	-
Long-term borrowings (Excluding current portion of loans)	-	-	-	-
Lease obligations (Excluding obligations due within 1 year)	4	3	1.50	January 1, 2022 to June 30, 2023
Other interest-bearing debt	-	-	-	-
Total	1,006	1,004	-	-

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 lease obligations (excluding obligations due within 1 year)

(Million yen)

Classification	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years
Lease obligations	2	1	-	-

[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	First half	First three quarters	Full year
Net sales	(Million yen)	10,675	21,435	31,914	43,226
Quarterly profit before income taxes	(Million yen)	1,744	3,523	4,924	6,360
Quarterly profit attributable to owners of parent	(Million yen)	1,132	2,256	3,167	4,113
Quarterly basic earnings per share	(Yen)	30.45	61.07	85.92	111.69

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly basic earnings per share	(Yen)	30.45	30.62	24.82	25.76

2. Financial Statements

(1) Financial Statements

1) Balance sheet

(Million yen)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
ASSETS		
Current assets		
Cash and deposits	4,717	7,232
Supplies	7	7
Prepaid expenses	97	98
Short-term loans receivable from subsidiaries and associates	212	0
Current portion of long-term loans receivable from subsidiaries and associates	104	104
Accounts receivable-other	*1 2,400	*1 2,049
Other	*1 50	*1 46
Total current assets	7,586	9,536
Non-current assets		
Property, plant and equipment		
Buildings	23	19
Tools, furniture and fixtures	54	69
Total property, plant and equipment	76	87
Intangible assets		
Software	255	218
Other	0	0
Total intangible assets	256	218
Investments and other assets		
Investment securities	1,077	251
Stocks of subsidiaries and associates	4,132	4,132
Investments in capital	0	0
Long-term loans receivable from subsidiaries and associates	208	104
Guarantee deposits	77	104
Long-term prepaid expenses	12	15
Deferred tax assets	12	234
Total investments and other assets	5,518	4,840
Total non-current assets	5,850	5,145
Total assets	13,437	14,681

(Million yen)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
LIABILITIES		
Current liabilities		
Short-term borrowings	*2 1,000	*2 1,000
Accounts payable - other	*1 238	*1 205
Accrued expenses	362	347
Income taxes payable	755	260
Accrued consumption taxes	102	68
Deposits received	75	70
Unearned revenue	*1 6	*1 5
Total current liabilities	2,538	1,956
Non-current liabilities		
Long-term guarantee deposited	*1 8	*1 8
Provision for retirement benefits	547	596
Asset retirement obligations	22	22
Other	*1 5	*1 2
Total non-current liabilities	583	628
Total liabilities	3,121	2,584
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Retained earnings		
Legal retained earnings	555	695
Other retained earnings		
Retained earnings brought forward	8,451	11,491
Total retained earnings	9,005	12,186
Treasury shares	(2,107)	(3,099)
Total shareholders' equity	9,678	11,868
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	519	67
Total valuation and translation adjustments	519	67
Share acquisition rights	119	162
Total net assets	10,316	12,098
Total liabilities and net assets	13,437	14,681

2) Statement of income

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Operating revenue		
Consulting fee income	2,211	1,940
Commissions from subsidiaries and associates	1,574	1,475
Dividends from subsidiaries and associates	3,060	3,620
Total operating revenue	*1 6,845	*1 7,035
Operating expenses	*1, *2 2,301	*1, *2 2,196
Operating profit	4,544	4,839
Non-operating income		
Interest income	*1 25	*1 18
Dividend income	*1 9	*1 31
Rental income from investment property	*1 18	*1 21
Other	*1 3	*1 3
Total non-operating income	54	73
Non-operating expenses		
Interest expenses	7	7
Depreciation	2	1
Rent cost on real estate	18	21
Settlement package	1	7
Commission for purchase of treasury shares	20	25
Other	3	6
Total non-operating expenses	51	67
Ordinary profit	4,547	4,845
Extraordinary income		
Gain on sales of shares of subsidiaries	-	*3 30
Gain on sales of investment securities	-	250
Other	-	1
Total extraordinary income	-	281
Extraordinary losses		
Loss on sales of non-current assets	*4 5	-
Loss on retirement of non-current assets	*5 6	*5 3
Loss on sales of shares of subsidiaries	*6 3	-
Loss on valuation of investment securities	-	10
Loss on valuation of shares of subsidiaries and associates	*7 442	-
Other	-	1
Total extraordinary losses	455	14
Profit before income taxes	4,093	5,112
Income taxes - current	502	476
Income taxes - deferred	(48)	(23)
Total income taxes	454	453
Profit	3,639	4,659

3) Statements of Shareholders' Equity

FY12/19 (January 1 to December 31, 2019)

(Million yen)

	Shareholders' equity					
		Retained earnings				
	Share capital	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	2,780	416	6,333	6,749	(1,280)	8,249
Changes in items during period						
Dividends of surplus			(1,383)	(1,383)		(1,383)
Provision of legal retained earnings		138	(138)	-		-
Profit			3,639	3,639		3,639
Purchase of treasury shares					(827)	(827)
Net changes in items other than shareholders' equity						
Total changes in items during period	-	138	2,118	2,256	(827)	1,429
Balance at end of the period	2,780	555	8,451	9,005	(2,107)	9,678

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of the period	31	31	76	8,356
Changes in items during period				
Dividends of surplus				(1,383)
Provision of legal retained earnings				-
Profit				3,639
Purchase of treasury shares				(827)
Net changes in items other than shareholders' equity	488	488	43	531
Total changes in items during period	488	488	43	1,960
Balance at end of the period	519	519	119	10,316

FY12/20 (January 1 to December 31, 2020)

(Million yen)

	Shareholders' equity					
		Retained earnings				
	Share capital	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	2,780	555	8,451	9,005	(2,107)	9,678
Changes in items during period						
Dividends of surplus			(1,478)	(1,478)		(1,478)
Provision of legal retained earnings		140	(140)	-		-
Profit			4,659	4,659		4,659
Purchase of treasury shares					(992)	(992)
Net changes in items other than shareholders' equity						
Total changes in items during period	-	140	3,041	3,181	(992)	2,189
Balance at end of the period	2,780	695	11,491	12,186	(3,099)	11,868

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of the period	519	519	119	10,316
Changes in items during period				
Dividends of surplus				(1,478)
Provision of legal retained earnings				-
Profit				4,659
Purchase of treasury shares				(992)
Net changes in items other than shareholders' equity	(451)	(451)	43	(408)
Total changes in items during period	(451)	(451)	43	1,781
Balance at end of the period	67	67	162	12,098

Notes on Financial Statements

(Significant Accounting Policies)

1. Valuations standards and methods for marketable securities

(1) Shares in subsidiaries and associates

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 determined by the moving average method).
Without fair market value:	Stated at cost, as determined by the moving average method

2. Depreciation/amortization method for non-current 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 acquired on or after April 1, 2016.

The main service life is as follows.

Buildings: 3 to 15 years

Tools, furniture and fixtures: 2 to 20 years

(2) Intangible assets

Software: The straight-line method based on the usable period in-house (5 years) is used for portion used by the Company

Other: Straight-line method

3. Standards for allowances

Provision for retirement benefits

To prepare for employee retirement benefits, a provision for retirement benefits is booked pursuant to the expected amount of retirement benefit obligations 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) Treatment 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 is incurred.

Actuarial gain and losses are amortized at once as an expense in the fiscal year when it is 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)

(Notes on Statement of Income)

"Settlement package" presented in "other" of "non-operating expenses" until the previous fiscal year (1 million yen in the previous fiscal year) are listed separately from the current fiscal year because it has become significant in terms of monetary amount.

(Additional Information)

(Accounting Estimates Associated with the COVID-19 Pandemic)

While there are concerns about changes in the economic situation and business environments due to the worldwide spread of COVID-19, our Group has thus conducted accounting estimates assuming that there are no material impacts from COVID-19 during the consolidated current fiscal year because it is difficult to predict when the COVID-19 pandemic will end. However, there is a possibility that material impacts will influence our consolidated financial statements in subsequent fiscal years, if we review our judgments according to changes in the future situation.

(Treatment of Application of Tax Effect Accounting Related to the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

Regarding the transition to a Group Tax Sharing System newly established under the Act Partially Amending the Income Tax Act and Other Acts (No. 8 of 2020), and the reviewed matters of the Non-Consolidated Taxation System when transitioning to a Group Tax Sharing System, Fullcast Holding and some of its subsidiaries have not applied the provisions of paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018) due to the treatment stipulated in paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39; March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law prior to amendment.

(Notes on Balance Sheet)

*1 Assets and liabilities vis-a-vis subsidiaries and associates

Other than those separately recorded, amounts of pecuniary claims to associates or pecuniary debts are as follows:

(Million yen)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
Short-term pecuniary claims	2,426	2,083
Short-term pecuniary debts	48	61
Long-term pecuniary debts	13	10

*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:

(Million yen)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
Limit of overdraft account	5,500	5,500
Borrowing	1,000	1,000
Balance	4,500	4,500

(Notes on Statement of Income)

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

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Turnover for Business transaction		
Operating revenue	6,845	7,035
Operating expenses	187	198
Turnover for non-business transaction	50	69

*2 Significant components of operating expenses and its amounts are as follows:

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Salaries and bonuses	443	460
Other salaries	316	280
Retirement benefit expenses	19	19
Commission fee	360	384
Depreciation	155	163

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

*3 Details of the gain on sales of shares of subsidiaries are as follows:

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
(Shares of subsidiaries) NIHON DENKI SERVICE Co., Ltd.	-	30

*4 Significant components of loss on sale of non-current assets are as follows:

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Tools, furniture and fixtures	5	-

*5 Significant components of loss on retirement of non-current assets are as follows:

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Tools, furniture and fixtures	5	3
Other	0	-
Total	6	3

*6 Details of the loss on sales of shares of subsidiaries are as follows.

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
(Shares of subsidiaries) Dimension Pockets Co., Ltd.	3	-

*7 Details of the loss on valuation of shares of subsidiaries and associates are as follows:

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
(Equity method affiliate) Advancer Global Limited	442	-

(Notes on Marketable Securities)

Shares in subsidiaries and associates

(Previous fiscal year)

(Million yen)

Classification	Amount recorded in balance sheets	Market value	Difference
Shares in associates	717	717	-
Total	717	717	-

(Current fiscal year)

(Million yen)

Classification	Amount recorded in balance sheets	Market value	Difference
Shares in associates	717	537	(179)
Total	717	537	(179)

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

(Million yen)

Classification	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
(1) Shares in subsidiaries	3,245	3,245
(2) Shares in associates	170	170
Total	3,416	3,416

(Notes on Tax Effect Accounting)

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

(Million yen)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
Deferred tax assets		
Provision for retirement benefits	168	182
Loss on revaluation of shares in associates	845	845
Gains on sales of stocks of subsidiaries under the Corporation Tax Act	50	50
Loss on valuation of investment securities	6	6
Accrued enterprise taxes	20	18
Other	60	70
Subtotal deferred tax assets	1,149	1,172
Valuation reserve amount	(908)	(908)
Total deferred tax assets	241	264
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(229)	(30)
Total deferred tax liability	(229)	(30)
Net deferred tax assets or liabilities (-)	12	234

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

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
Legal effective tax rates	30.6%	30.6%
(Adjustment)		
Dividends income	(22.9)%	(21.7)%
Fixed-rate residents on inhabitant tax	0.1%	0.1%
Valuation reserve amount	3.3%	-
Other	0.0%	0.0%
Ratio of tax expenses, including corporate taxes, after tax effect accounting is applied	11.1%	9.0%

(Major Subsequent events)

Mention has been omitted here because it appears in “Notes on Financial Statements (Major subsequent events)” of the consolidated financial statements.

4) Statement schedule

(Schedule of property, plant and equipment)

(Million yen)

Classification	Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Amortization during the period	Balance at the end of the period	Accumulated depreciation
Property, plant and equipment	Buildings	23	-	-	4	19	91
	Tools, furniture and fixtures	54	72	3	54	69	242
	Total	76	72	3	58	87	333
Intangible assets	Software	255	69	-	107	218	-
	Other	0	-	-	-	0	-
	Total	256	69	-	107	218	-

*Main increases in tools, furniture and fixtures are as follows:

Main server set replacement 60 million yen

* Main increases in software, other items are as follows:

Various software for in-house use: 69 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 share less than one unit	
Handling position	(Special account) Stock Transfer Agency Business Planning Department, 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 website (https://www.fullcastholdings.co.jp).
Benefits to shareholders	There are no relevant matters.

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 Article 189, Paragraph 2 of the Companies Act
- The right to make a request in accordance with the provisions of Article 166, Paragraph 1 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 28th 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 27 (January 1 to December 31, 2019), submitted to the Director General of the Kanto Local Finance Bureau on March 30, 2020

(2) Internal control report and attached documents

Submitted to the Director General of the Kanto Local Finance Bureau on March 30, 2020

(3) Quarterly reports and confirmation notes

Term 28, first quarter (January 1 to March 31, 2020): Submitted to the Director General of the Kanto Local Finance Bureau on May 15, 2020

Term 28, second quarter (April 1 to June 30, 2020): Submitted to the Director General of the Kanto Local Finance Bureau on August 13, 2020

Term 28, third quarter (July 1 to September 30, 2020): Submitted to the Director General of the Kanto Local Finance Bureau on November 12, 2020

(4) Extraordinary report

Extraordinary report pursuant to the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order 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 Local Finance Bureau on April 3, 2020

Extraordinary report pursuant to the provisions of Article 19, Paragraph 2, Item 4 of the Cabinet Office Order on Disclosure of Corporate Information, etc. (changes in principal shareholders):
Submitted to the Director-General of the Kanto Local Finance Bureau on April 3, 2020

(5) Share Buyback Report

Submitted to the Director-General of the Kanto Local Finance Bureau on April 14, 2020, May 14, 2020, and March 12, 2021

Section 2: Information on Guaranty Companies of Submitting Companies

There are no relevant matters.