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May 11, 2018

Consolidated Financial Results Announcement for the First Quarter of the Fiscal Year Ending December 2018 [Japanese Standards] (Consolidated)

Company name: Fullcast Holdings Co., Ltd.
 Stock exchange listing: First Section of the Tokyo Stock Exchange
 Stock code: 4848
 URL: <http://www.fullcastholdings.co.jp>
 Representative: Kazuki Sakamaki, President, Representative Director and CEO
 Contact: Yasuomi Tomotake, General Manager of the Finance and IR Department
 Telephone: +81-3-4530-4830
 Date of submission of quarterly report (Planned): May 11, 2018
 Date of commencements of divided payments (Planned): -
 Preparation of supplementary references regarding financial results: Yes (Shown on our homepage)
 Briefing for quarterly results: No

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2018 (January 1 to March 31, 2018)

(1) Consolidated Business Results

(% = year-over-year change)

	Net sales		Operating income		Ordinary income		Quarterly net income attributable to Fullcast Holdings Co., Ltd.	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY12/18 (March 31, 2018)	8,660	19.8	1,242	41.5	1,277	44.9	827	16.4
1Q FY12/17 (March 31, 2017)	7,230	26.2	878	69.2	882	50.1	711	47.9

(Note) Comprehensive income:

As of March 31, 2018: 848 million yen (16.1%)

As of March 31, 2017: 731 million yen (53.6%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
1Q FY12/18 (March 31, 2018)	21.88		21.79	
1Q FY12/17 (March 31, 2017)	18.61		—	

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
End 1Q FY12/18 (March 31, 2018)	16,964	10,986	61.9
FY12/17 End	16,813	11,339	64.6

(Reference) Equity: As of March 31, 2018: 10,498 million yen

As of December 31, 2017: 10,866 million yen

2. Dividend Status

	Dividend per share (yen)				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
FY12/17	—	12.00	—	14.00	26.00
FY12/18	—	—	—	—	—
FY12/18 Forecast	—	14.00	—	14.00	28.00

(Note) Revision of the forecast dividends in the first quarter under review: None

**3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2018
(January 1 to December 31, 2018)**

(Comparisons (%) are made against the corresponding period in the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to Fullcast Holdings Co., Ltd.		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	17,700	15.0	2,310	8.6	2,340	9.1	1,425	(7.7)	37.84
Full year	37,000	15.4	5,000	13.0	5,080	15.3	3,185	6.4	84.71

(Note) Revision of consolidated business forecasts in the first quarter under review: None

*** Notes**

(1) Important changes of subsidiaries during the current first quarter: None

(Changes in specific subsidiaries involving changes in the scope of consolidation)

(2) Application of special accounting treatment in the production of quarterly consolidated financial statements: None

(3) Changes in accounting principles, accounting estimates, and re-presentation of changes

1) Changes in accounting policies associated with revisions of accounting principles and others: None

2) Changes in accounting policies other than those mentioned in 1) above: None

3) Changes in accounting estimates: None

4) Re-presentation of changes: None

(4) Number of shares issued (Common stock)

1) Number of shares issued at term end
(Including treasury stock)

1Q FY12/18	38,486,400	FY 12/17	38,486,400
1Q FY12/18	878,500	FY 12/17	601,900
1Q FY12/18	37,806,136	1Q FY12/17	38,203,434

2) Number of treasury stock at the term end

3) Average number of shares outstanding during
the term under review

* Quarterly financial results are not subject to quarterly review by a certified public accountant or auditing corporation.

* Explanations of the proper use of financial business forecasts and other important notes

Of all plans, business forecasts, strategies and other information provided within this document, those which are not historical facts are future outlooks based upon certain conditions and our management's judgments based upon currently available data. Therefore, we warn against relying solely upon these outlooks in assessing our business results, corporate value and other factors. Please also be informed that actual financial results may vary widely from our business forecast due to various factors. Important factors that may have an impact upon our actual financial results include: (1) the economic and financial conditions surrounding our Company and changes in the employment situation, (2) damages to infrastructure arising from disasters including earthquakes, and (3) changes in relevant laws, including the Labor Standards Act and the Worker Dispatching Act, and in interpretations of these Acts. However, factors that affect our financial results are not limited to only these. Furthermore, please note that we may choose not to reexamine our business forecasts in response to new data, future events or other factors. For assumptions underlying our business forecasts and related issues, please refer to page 3 "1-(3) Explanation of Consolidated Earnings Forecast" of the "Appendix".

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1. Qualitative Information Concerning Performance for the Current Quarter

(1) Explanation of Consolidated Operating Results

During the first quarter under review, Japan's economy saw a recovery in personal consumption and a gradual increase in consumer prices. In addition, improvements in corporate earnings and employment conditions driven by the Government's economic and fiscal stimulus measures and steadily increasing capital investments indicate that the economy continues to undergo a moderate recovery. Economic conditions are expected to continue to improve steadily in the future based upon continued improvements in employment and income conditions, as well as the effects of various government stimulus policies. However, uncertainties surrounding the impact of government policies, the outlook for various economies in China and other parts of Asia, and outstanding risks of downward pressures from potential volatility in financial and capital markets continue to cloud the economic horizon.

With regard to the operating environment surrounding the staffing service industry, the number of workers and the number of new job offers are increasing, and there has been a moderate improvement in the number of unemployed despite the slowing in improvements in the job offers-to-applicants ratio and the new job offers to new applicants ratio. Therefore, the future outlook points to further improvement in employment conditions.

Against this backdrop, the Fullcast Group implemented group management activities with a goal of "Realizing increased profitability through deployment of our Group's collective strengths and improved productivity" during the first quarter under review. In particular, marketing activities were implemented with an emphasis on boosting overall profitability of the Fullcast Group and focused upon the mainstay "Part-Time Worker Placement" (Hereinafter referred to as "Placement") and "Part-Time Worker Payroll Management" service, as well as the "My Number Management" service, "Year-End Tax Adjustment Management" service and business process outsourcing service provided by BOD Co., Ltd. (Hereinafter referred to as "BPO") In addition, efforts are being made to create a structure for realizing higher profits by increasing productivity and promoting operational efficiencies across the entire Fullcast Group.

Consolidated net sales increased by 19.8% year-on-year to 8,660 million yen, attributed mainly to higher sales of the existing mainstay services of "Placement" and "BPO", in addition to growth in "BPO" from the inclusion of the results of BOD Co., Ltd. in the "Short-Term Operational Support Business", a mainstay business of the Group.

In terms of profits, consolidated operating income increased by 41.5% year-on-year to 1,242 million yen due mainly to an increase in sales of the "Short-Term Operational Support Business".

Consolidated ordinary income increased by 44.9% year-on-year to 1,277 million yen on the back of growth in consolidated operating income.

Quarterly net income attributable to Fullcast Holdings Co., Ltd. increased by 16.4% year-on-year to 827 million yen because the tax burden in the current first quarter increased after the amount of loss carried forward was eliminated in the previous fiscal year and because a gain on step acquisitions of 167 million yen was posted in the previous first quarter.

The Group acquired the shares of BOD Co., Ltd. on January 4, 2018, making it a consolidated subsidiary.

Of the Company's consolidated subsidiaries, the account settlement date for BOD Co., Ltd. is March 31. Quarterly consolidated financial statements were prepared based on a provisional settlement conducted on the consolidated account settlement date. The final day of the business year of other consolidated subsidiaries all match the consolidated account settlement date.

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

1) Short-Term Operational Support Business

Net sales of the "Short-Term Operational Support Business" increased by 25.3% year-on-year to 7,342 million yen, due mainly to growth in "BPO" associated with the inclusion of earnings of BOD Co., Ltd. and higher sales of the existing mainstay services of "Placement" and "BPO" on the back of continued strong demand for hiring amongst client companies.

In terms of profit, operating income increased by 42.5% year-on-year to 1,464 million yen due mainly to an

2) Sales Support Business

Net sales of the “Sales Support Business” declined by 4.5% year-on-year to 817 million yen, due to weaker than expected sales trends of telecommunications products in the main business of the segment.

In terms of profit, an operating loss of 39 million down 307.7% compared to the previous year due to lower sales even though SG&A expenses were restrained from previous year.

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” declined by 2.8% year-on-year to 501 million yen as we continued to receive orders for temporary security projects in the previous first quarter, which were a factor behind the lower sales.

In terms of profit, operating income increased by 14.8% year-on-year to 37 million yen as gross margin rose on the back of the acquisition of high profit margin temporary security projects in the “Security Business”, the core service of this segment.

(2) Explanation of Consolidated Financial Position

Assets, Liabilities and Net Assets

At the end of the first quarter, total assets increased by 151 million yen from the end of the previous fiscal year to 16,964 million yen. Equity decreased by 368 to 10,498 million yen (Equity ratio of 61.9%), and net assets decreased by 353 to 10,986 million yen.

Details of major changes in assets and liabilities are described as follows.

With regard to assets, current assets declined by 188 million yen from the end of the previous fiscal year to 13,865 million yen. This decline is attributed mainly to decline in cash and deposits of 1,088 to 8,283 million yen, versus increases in notes and accounts receivable-trade of 562 to 4,697 million yen, in other current assets of 233 to 534 million yen caused mainly by increases in accounts receivable-other of 199 to 253 million yen, in deferred tax assets of 76 to 313 million yen and in merchandise of 25 to 31 million yen.

Noncurrent assets increased by 339 million yen from the end of the previous fiscal year to 3,099 million yen. This increase is attributed mainly to an increase in goodwill of 199 to 658 million yen, in investments and other assets of 93 to 1,350 million yen caused by increases in investment securities of 46 to 551 million yen and lease deposits of 45 to 424 million yen, as well as a decline in allowance for doubtful accounts of 24 to 67 million yen and an increase in buildings and structures, net of 23 to 381 million yen were also recorded.

With regard to liabilities, current liabilities increased by 473 million yen from the end of the previous fiscal year to 5,099 million yen. This increase is due mainly to an increase in other current liabilities of 599 to 860 million yen due to a increase in withholding income tax deposits of 548 to 609 million yen, as well as increases in accounts payable of 242 to 1,193 million yen, provision for bonuses of 167 to 178 million yen, and notes and accounts payable of 42 to 47 million yen, versus declines in income taxes payable of 481 to 253 million yen and accrued consumption tax of 94 to 593 million yen.

Noncurrent liabilities increased by 32 million yen from the end of the previous fiscal year to 879 million yen. This increase is attributed mainly to an increase in other noncurrent liabilities of 22 to 126 million yen caused by growth in deferred tax liabilities of 17 to 45 million yen, as well as an increase in net defined benefit liability of 13 to 504 million yen.

(3) Explanation of Consolidated Business Forecast

With regards to our consolidated business forecast for the fiscal year ending December 2018, during the first quarter, thanks to our management efforts focused upon raising productivity, we were able to restrain SG&A expenses, and as a result, operating income, ordinary income and quarterly net income attributable to Fullcast Holdings Co., Ltd. were strong relative to business forecast for the first half. However, business results in the first quarter progressed so that revisions to the business forecast are not necessary. As such business forecast for the first half and full year released on February 9, 2018 remain unchanged.

2. Quarterly Consolidated Financial Statements and Primary Notes**(1) Quarterly Consolidated Balance Sheet**

(Million yen)

	FY12/17 End (December 31, 2017)	1Q FY12/18 End (March 31, 2018)
ASSETS		
Current assets		
Cash and deposits	9,371	8,283
Notes and accounts receivable-trade	4,135	4,697
Merchandise	6	31
Supplies	22	31
Deferred tax assets	237	313
Other	301	534
Allowance for doubtful accounts	(18)	(23)
Total current assets	14,053	13,865
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	358	381
Tools, furniture and fixtures, net	178	173
Land	264	264
Other, net	33	33
Total property, plant and equipment	832	850
Intangible assets		
Goodwill	459	658
Other	305	309
Total intangible assets	764	966
Investments and other assets		
Other	1,256	1,350
Allowance for doubtful accounts	(92)	(67)
Total investments and other assets	1,165	1,282
Total noncurrent assets	2,760	3,099
Total assets	16,813	16,964

(Million yen)

	FY12/17 End (December 31, 2017)	1Q FY12/18 End (March 31, 2018)
<u>LIABILITIES</u>		
Current liabilities		
Notes and accounts payable-trade	5	47
Short-term loans payable	1,006	1,006
Current portion of long-term loans payable	17	15
Accounts payable-other	951	1,193
Accrued expenses	865	883
Income taxes payable	734	253
Accrued consumption taxes	687	593
Provision for bonuses	11	178
Allowance for subscription cancellations	89	70
Other	260	860
Total current liabilities	4,626	5,099
Noncurrent liabilities		
Long-term loans payable	253	249
Net defined benefit liability	491	504
Other	104	126
Total noncurrent liabilities	848	879
Total liabilities	5,474	5,978
<u>NET ASSETS</u>		
Shareholders' equity		
Capital stock	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	6,605	6,902
Treasury stock	(598)	(1,280)
Total shareholders' equity	10,793	10,408
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	89
Total accumulated other comprehensive income	72	89
Share acquisition rights	32	43
Non-controlling interests	441	445
Total net assets	11,339	10,986
Total liabilities and net assets	16,813	16,964

(2) Quarterly Consolidated Profit and Loss Statement and Consolidated Comprehensive Income Statement**Quarterly Consolidated Profit and Loss Statement**

[First Quarter of the Current Fiscal Year]

	(Million yen)	
	1Q FY12/17 (January 1 to March 31, 2017)	1Q FY12/18 (January 1 to March 31, 2018)
Net sales	7,230	8,660
Cost of sales	4,374	4,870
Gross profit	2,856	3,790
Selling, general and administrative expenses	1,979	2,548
Operating income	878	1,242
Non-operating income		
Share of profit of entities accounted for using equity method	5	11
Commission fee	6	-
Reversal of allowance for doubtful accounts	-	29
Other	11	6
Total non-operating income	23	46
Non-operating expenses		
Interest expenses	2	2
Damage compensation expenses	2	0
Settlement package	5	2
Commission for purchase of treasury shares	2	3
Other	7	3
Total non-operating expenses	19	11
Ordinary income	882	1,277
Extraordinary income		
Gain on step acquisitions	167	-
Total extraordinary income	167	-
Extraordinary loss		
Loss on valuation of investment securities	5	-
Loss on retirement of noncurrent assets	4	5
Total extraordinary losses	9	5
Quarterly income before income taxes and minority interests	1,039	1,272
Income taxes-current	199	505
Income taxes-deferred	135	(58)
Total income taxes	334	446
Quarterly net income	706	826
Quarterly net loss attributable to non-controlling interests	(5)	(1)
Quarterly net income attributable to Fullcast Holdings Co., Ltd.	711	827

Quarterly Consolidated Comprehensive Income Statement

[First Quarter of the Current Fiscal Year]

(Million yen)

	1Q FY12/17 (January 1 to March 31, 2017)	1Q FY12/18 (January 1 to March 31, 2018)
Quarterly net income	706	826
Other comprehensive income		
Valuation difference on available-for-sale securities	35	22
Share of other comprehensive income of entities accounted for using equity method	(10)	-
Total other comprehensive income	25	22
Quarterly comprehensive income	731	848
(Breakdown)		
Quarterly comprehensive income attributable to Fullcast Holdings Co., Ltd.	731	844
Quarterly comprehensive income attributable to non- controlling interests	0	4

(3) Notes on Quarterly Consolidated Financial Statements

(Concerning Notes about Going Concern Assumption)

There are no relevant matters.

(Concerning Significant Change of Shareholders' Equity)

There are no relevant matters.

(Segment Information and Others)

[Segment Information]

First Quarter of the Previous Fiscal Year (January 1 to March 31, 2017)

1. Information Concerning Sales, Profits and Losses for Each Reporting Segment

(Million yen)

	Reporting Segment			Total	Adjustment amount ^{*1}	Quarterly consolidated profit and loss statement amount ^{*2}
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	5,859	855	516	7,230	-	7,230
Inter-segment sales or transfers	0	-	-	0	(0)	-
Total	5,859	855	516	7,230	(0)	7,230
Segment income	1,028	19	32	1,079	(201)	878

- Notes:
- (0) million yen in inter-segment eliminations and (201) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (201) million yen segment income adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific reporting segment.
 - Segment income is adjusted with operating income as listed in quarterly consolidated profit and loss statement.

2. Information Relating to Assets by Reported Segments

(Significant increases in assets through the acquisition of subsidiaries)

The shares of F-PLAIN Corporation were acquired and F-PLAIN Corporation and its subsidiary M's Line Co., Ltd. were newly included within the scope of consolidation in the first quarter of the fiscal year ending December 2017. Compared to the end of the previous accounting year, segment assets in the "Sales Support Business" segment rose by 2,786 million yen.

3. Information Relating to Impairment Loss of Noncurrent Assets, Goodwill, and Others for Reported Segments

(Significant changes in goodwill amount)

The shares of F-PLAIN Corporation were acquired and F-PLAIN Corporation and its subsidiary M's Line Co., Ltd. were newly included within the scope of consolidation in the first quarter of the fiscal year ending December 2017. The increase in goodwill attributed to the "Sales Support Business" was 660 million yen in the first quarter of the fiscal year ending December 2017.

First Quarter of the Current Fiscal Year (January 1 to March 31, 2018)

1. Information Concerning Sales, Profits and Losses for Each Reporting Segment

(Million yen)

	Reporting Segment			Total	Adjustment amount ^{*1}	Quarterly consolidated profit and loss statement amount ^{*2}
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	7,342	817	501	8,660	-	8,660
Inter-segment sales or transfers	0	-	0	0	(0)	-
Total	7,342	817	501	8,660	(0)	8,660
Segment income or loss (-)	1,464	(39)	37	1,462	(220)	1,242

- Notes:
- (0) million yen in inter-segment eliminations and (220) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (220) million yen segment income adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific reporting segments.
 - Segment income or loss (-) is adjusted with operating income as listed in quarterly consolidated profit and loss statement.

2. Information Relating to Assets by Reported Segments

(Significant increases in assets through the acquisition of subsidiaries)

The shares of BOD Co., Ltd. were acquired and it was newly included within the scope of consolidation in the first quarter of the fiscal year ending December 2018. Compared to the end of the previous accounting year, segment assets in the “Short-Term Operational Support Business” segment rose by 1,397 million yen.

3. Information Relating to Impairment Loss of Noncurrent Assets, Goodwill, and Others for Reported Segments

(Significant changes in goodwill amount)

The shares of BOD Co., Ltd. were acquired and it was newly included within the scope of consolidation in the first quarter of the fiscal year ending December 2018. The increase in goodwill attributed to the “Short-Term Operational Support Business” was 235 million yen in the first quarter of the fiscal year ending December 2018.