

Consolidated Business Results for the First Half of the Fiscal Year Ending December 2019 (Jan.–Jun. 2019)

August 9, 2019

FULLCAST HOLDINGS CO., LTD. (4848)

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Consolidated Business Highlights

(Jan.–Jun. 2019)

1H FY12/19 Comparison vs. Business Forecast

➤ As for consolidated business performance, we were able to exceed each target set out in the first half business forecast, thanks to a continuation of strong demand for short-term staffing and strong sales in our mainstay Short-Term Operational Support Business.

(Million yen)

	1H FY12/19	1H FY12/19 Business Forecast	Difference	Achievement rate
Net sales	21,203	19,800	1,403	107.1%
Gross profit	9,107	8,853	253	102.9%
Operating profit	3,453	3,150	303	109.6%
Ordinary profit	3,498	3,194	304	109.5%
Profit attributable to owners of parent	2,323	2,114	209	109.9%

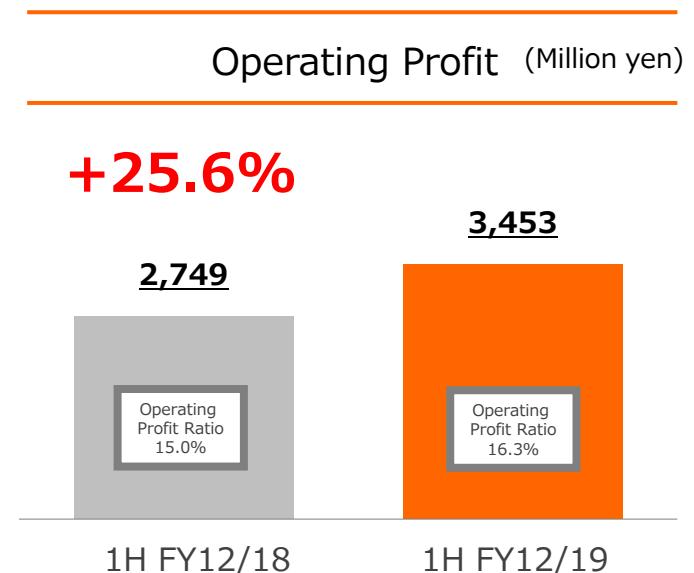
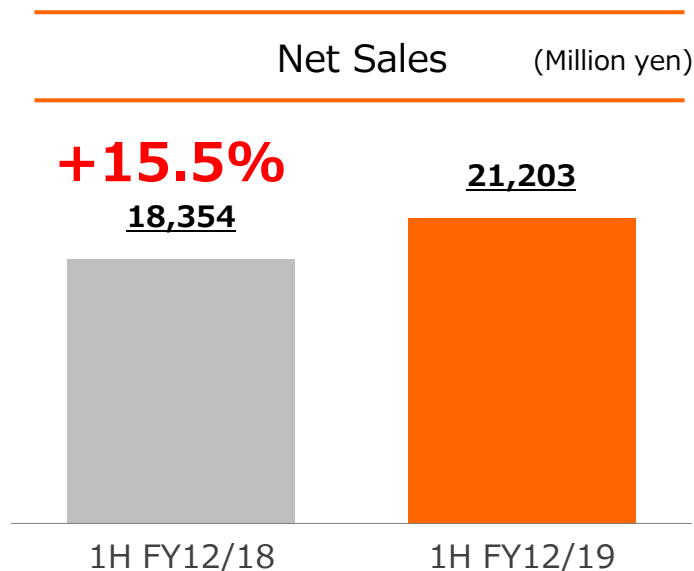
Consolidated: 1H FY12/19 Year-on-Year Comparison

【Factors Behind the Change in Net Sales】

- Net sales **increased by 15.5%** year-on-year, driven by growth in “Dispatching” service by our efforts to satisfy the long-term human resource needs of the client companies, in addition to leading of mainstay “Placement” and “BPO” services based on the continuing trend of strong demand for short-term staffing, throughout the first half.

【Factors Behind the Change in Operating Profit】

- Operating profit **increased by 25.6%** year-on-year, due mainly to the increase in sales of mainstay services along with the “Dispatching” service. The operating profit ratio **increased by 1.3 PT**.



Consolidated: 1H FY12/19 Year-on-Year Comparison

- Ordinary profit **increased by 25.6%** year-on-year and profit attributable to owners of parent **increased by 24.3%** year-on-year, on the back of the rise in consolidated operating profit.

(Million yen)

	1H FY12/18	1H FY12/19	Difference	Rate of change
Net Sales	18,354	21,203	2,849	15.5%
Gross Profit	7,936	9,107	1,171	14.7%
SG&A expenses	5,187	5,654	467	9.0%
Operating Profit	2,749	3,453	704	25.6%
Operating Profit Ratio	15.0%	16.3%	—	1.3PT
Ordinary Profit	2,784	3,498	713	25.6%
Profit attributable to owners of parent	1,869	2,323	453	24.3%

	1H FY12/18	1H FY12/19	Rate of change
Gross profit per 1 yen of personnel costs (yen)	2.6	2.7	2.9%

- Gross profit per 1 yen of personnel costs, which is used as an indicator of the Group's productivity, stood at 2.7 yen, which is 2.9% higher than the previous year.

II 1H FY12/19 Segment Highlights

Short-Term Operational Support

Business Earnings

(Jan.–Jun. 2019)

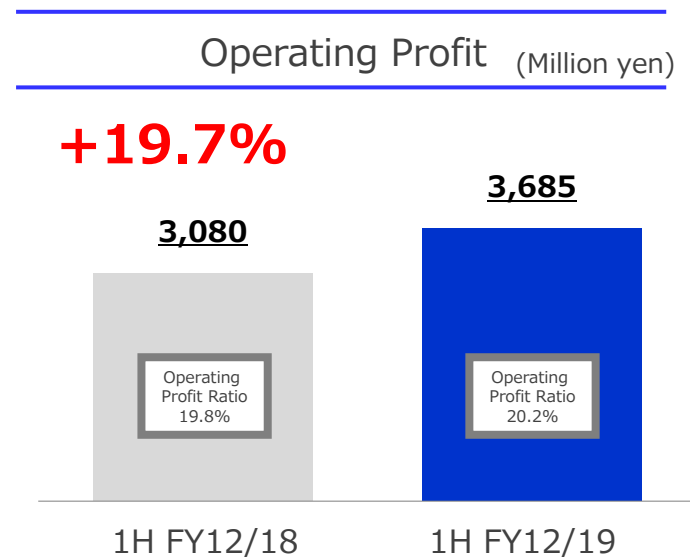
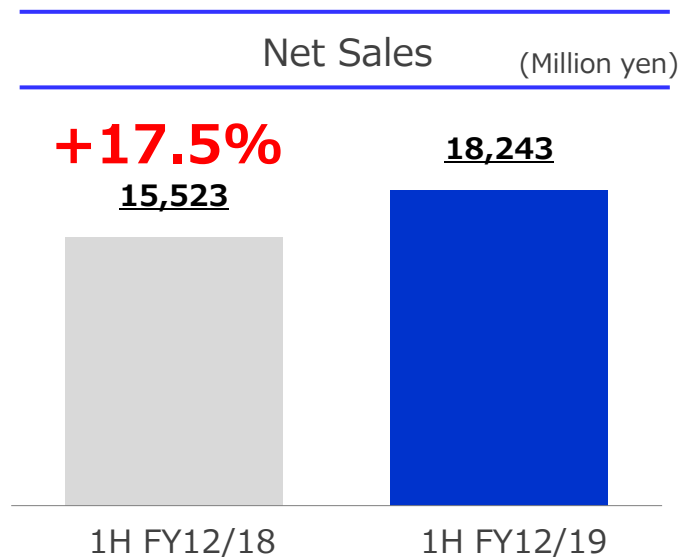
Short-Term: 1H FY12/19 Year-on-Year Comparison

【Factors Behind the Change in Net Sales】

- Net sales **increased by 17.5%** year-on-year, driven by growth in “Dispatching” service by our efforts to satisfy the long-term human resource needs of the client companies, in addition to leading of mainstay “Placement” and “BPO” services based on the continuing trend of strong demand for short-term staffing, throughout the first half.

【Factors Behind the Change in Operating Profit】

- Operating profit **increased by 19.7%** year-on-year, due mainly to the increase in sales of mainstay services along with the “Dispatching” service. The operating profit ratio **increased by 0.4 PT**.



Short-Term: 1H FY12/19 Year-on-Year Comparison (By Service Category)

(Million yen)

	1H FY12/18	1H FY12/19	Difference	Rate of change
Net Sales	15,523	18,243	2,720	17.5%
Placement	2,645	2,961	317	12.0%
BPO	2,885	3,243	358	12.4%
Dispatching	8,452	9,997	1,545	18.3%
Outsourcing	1,543	2,043	500	32.4%
Gross Profit	6,968	8,127	1,159	16.6%
Placement	2,559	2,863	304	11.9%
BPO	2,766	3,090	324	11.7%
Dispatching	1,345	1,660	315	23.4%
Outsourcing	298	514	216	72.2%

- Sales of both services increased, due mainly to our ability to address the short-term staffing needs of client companies by providing mainstay services "Placement" and mainstay services "Payroll Management" services which is the core menu within "BPO", as a set.
- "Dispatching" services also grew due to our ability to satisfy the long-term human resource needs within recruitment demand of client companies through providing mainstay services.
- "Outsourcing" services grew due mainly to the inclusion of the earnings of Minimaid Service Co., Ltd., a newly consolidated subsidiary.

	1H FY12/18	1H FY12/19	Difference	Rate of change
Number of customers	17,616	21,914	4,298	24.4%
Number of new customers	3,487	4,031	544	15.6%

- ✓ There was an error in the calculation method of new client companies disclosed in our Consolidated Business Results for the First Half of the Fiscal Year Ended December 2018. Therefore, the number of new client companies has been revised from 3,770 to 3,487.
- ✓ The earnings of Minimaid Service Co., Ltd., which became a consolidated subsidiary on August 31, 2018, have been included in "Outsourcing" services since the fourth quarter of the fiscal year ended December 2018.

III 1H FY12/19 Segment Highlights Sales Support Business Earnings (Jan.–Jun. 2019)

Sales: 1H FY12/19 Year-on-Year Comparison

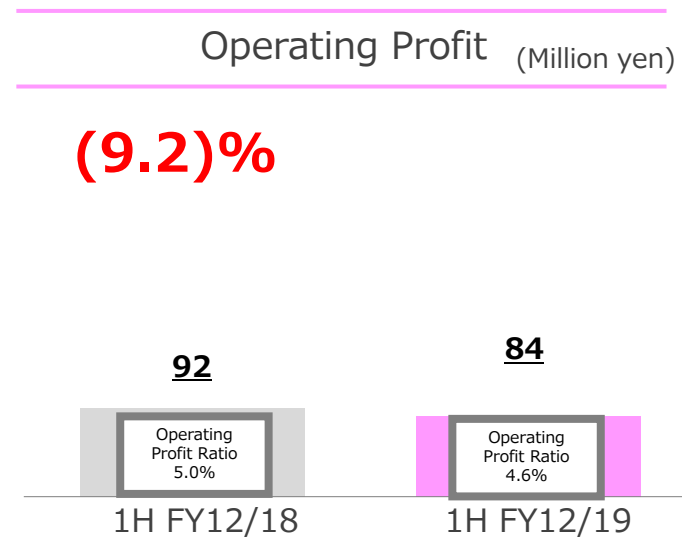
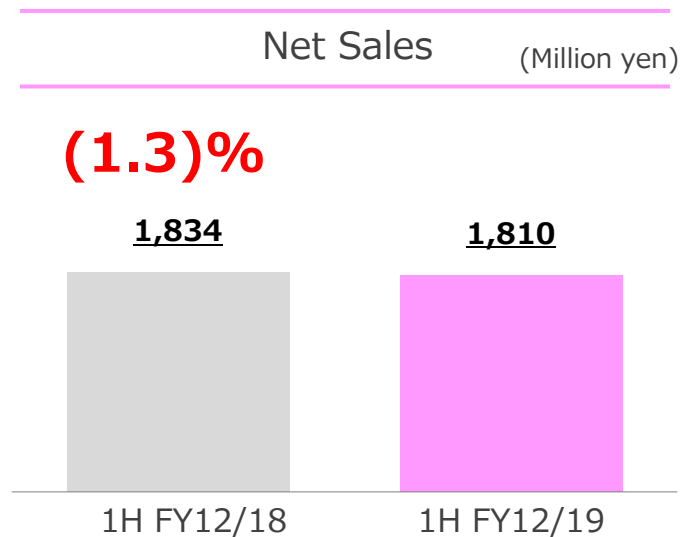
[Factors Behind the Change in Net Sales]

- Net sales **declined by 1.3%** year-on-year, due mainly to the impact of the reorganization of unprofitable sites in the previous fiscal year.

[Factors Behind the Change in Operating Profit]

- Operating profit **declined 9 million yen** year-on-year because of the decline in net sales.

✓ The Sales Support Business segment is mainly comprised of the "call center", "online", "alliance" and "entertainment" businesses.





IV 1H FY12/19 Segment Highlights

Security, Other Businesses

Earnings (Jan.–Jun. 2019)

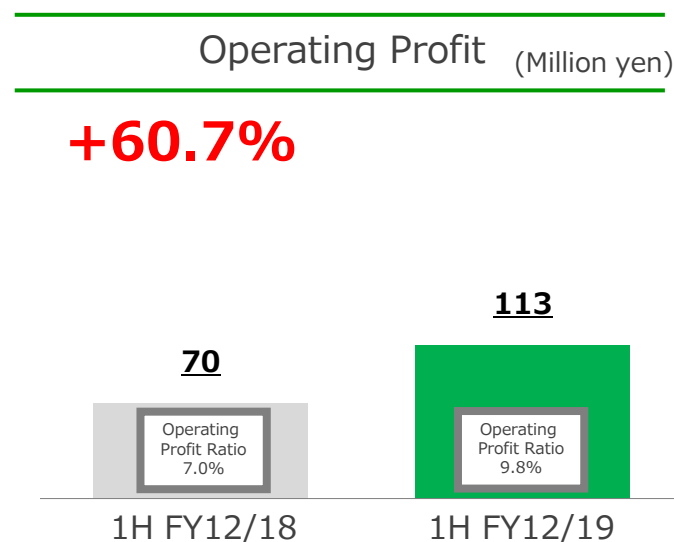
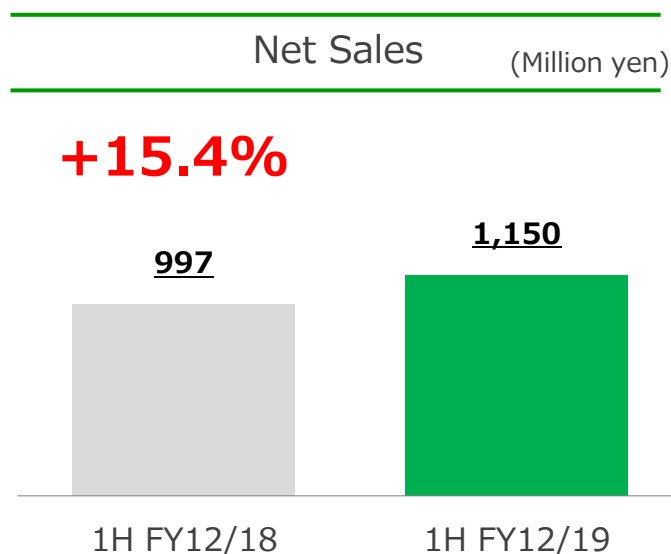
Security, Other: 1H FY12/19 Year-on-Year Comparison

【Factors Behind the Change in Net Sales】

- Net sales **increased by 15.4%** year-on-year, due mainly to an increase in the number of long-term security projects acquired.

【Factors Behind the Change in Operating Profit】

- Operating profit **increased by 60.7%** year-on-year, on the back of growth in sales and successful measures to restrain SG&A expenses ratio. The operating profit ratio **increased 2.8 PT**.



V FY12/19

Progress of Strategy Implementation and Ongoing Initiatives

Business Targets and Strategy for the Fiscal Year Ending December 2019

Business Targets for the Fiscal Year Ending December 2019

- **Expand Short-Term Operational Support Business and promote to cultivate and gain new business opportunities in neighboring business fields**

Business Strategy for the Fiscal Year Ending December 2019

Strategy 1: Expand Short-Term Operational Support Business

Strategy 2: Improve recruitment efficiency and staff utilization rates

Strategy 3: Further strengthen Group synergies

Progress of Strategy

Strategy 1: Expand Short-Term Operational Support Business

- ◆ Continue opening new offices to create new business locations (ca. 10 locations/year)
- ◆ Capture short-term demand from the Rugby World Cup and the Tokyo Olympics
- ◆ Improve BPO service menu and promote sales

Strategy 2: Improve recruitment efficiency and staff utilization rates

- ◆ Continue to implement reviews of the allocation of investments in recruitment expenses
- ◆ Expand sharing of staff and orders across the entire Group
- ◆ Replace existing matching system

Strategy 3: Further strengthen Group synergies

- ◆ Promote joint operations with BOD Co., Ltd.
- ◆ Strengthen recruiting and human support for Minimaid Service Co., Ltd.
- ◆ Establish and nurture a joint venture with Advancer Global Limited

Progress Update

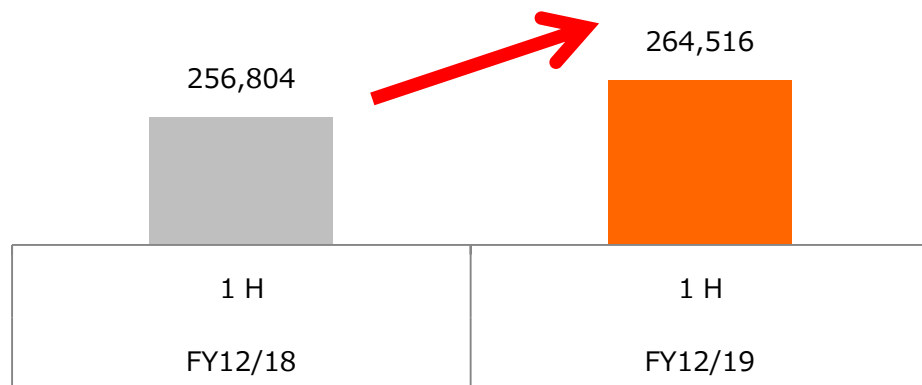
- ◆ Opened 7 new sales offices, plans to open 6 more new sales offices in the second half.

	New offices in 1H (Opened on Feb. 1)	New offices in 2H (Planned to open on Sept. 1)
Fullcast Co., Ltd.	Sakata in Yamagata Pref., Hitachi and Chikusei in Ibaraki Pref., Sanda in Hyogo Pref., and Kochi in Kochi Pref.	Kitami and Tomakomai in Hokkaido Pref., Odate in Akita Pref., Kakegawa in Shizuoka Pref., and Yao in Osaka Pref.
Top Spot Co., Ltd.	Nagano in Nagano Pref.	Shiga in Shiga Pref.
Work & Smile Co., Ltd.	Okayama in Okayama Pref.	—

- ◆ Closed 6 registration centers following the penetration of online registration services to streamline operations.
 - ◆ Working to win orders for Rugby World Cup projects.
 - ◆ Completed system replacement with the new matching system at all offices at end July.
 - ◆ Minimaid Service Co., Ltd. acquired the entire business of Kansai Minimaid Service Co., Ltd. which operated as a franchise office, in order to transition to directly owned and operated locations in the Kansai region (see page 19).
 - ◆ Fullcast Global Co., Ltd. was registered by the Immigration Services Agency as a "Registered Support Organization*" for the employment of foreign nationals with the status of residence "specified skills." We will provide accommodation support operations such as support plan formulation for accommodation of foreign nationals with specified skills, application for status of residence, application for various reports, notification operations, as well as pick-up and drop-off, living assistance, consulting for foreign nationals with specified skills, and others.
 - ◆ The Company concluded a joint venture agreement with Advancer Global Limited effective August 9, 2019 (see page 18).
- ➡ With the recognition that each strategy is a medium- to long-term issue, rather than transient in nature, we will continue to prepare, review and implement strategies to harness the effects in this fiscal year and subsequent fiscal years.

* A Registered Support Organization is contracted by specified skills organizations (host organizations), which are companies that employ foreign nationals with specified skills, to prepare and implement a support plan for foreign nationals with specified skills in terms of their jobs, daily living, and social integration.

● Initiative 1: Strengthen Hiring Capability



- ◆ The number of hires was **264,516**, which marks a **3.0% increase** over the previous year.
- ◆ The recruitment expense to gross profit ratio continues to improve, reflecting our ability to acquire hires efficiently.

	(Million yen)		
	1H FY12/18	1H FY12/19	Difference
Recruitment expenses	226	252	26
Recruitment expense to gross profit ratio	2.85%	2.76%	(0.09) PT

● Initiative 2: Increase the Number of Operating Workers

	1H FY12/18	1H FY12/19	Difference	Rate of change
Number of operating workers	159,384	176,861	17,477	11.0%

- ◆ The number of operating workers **increased by 11.0%** year-on-year to **176,861 people**, which is sufficient to achieve results in excess of our business forecast.

● Initiative 3: New businesses and M&A

Establishment of a joint venture company with Advancer Global Limited

1. Background and purpose of establishment of the joint venture company

- On August 9, 2019, the Company concluded a joint venture agreement for the establishment of a joint venture company with Advancer Global Limited (Hereinafter “Advancer Global”; headquartered in Singapore; representative: Mr. Desmond Chin Mui Hiong, Executive Chairman).
- We plan to establish a joint venture company in late August 2019 with the purpose of jointly engaging in the business of hosting and utilizing foreign workers in Japan.

* Advancer Global is listed on the Singapore Stock Exchange and provides human resource services in Singapore utilizing foreign workers (mostly from Southeast Asia), in housekeeping and other services in the field of manual labor applications that are similar to those of Fullcast Group.

2. Outline of the joint venture company (Planned)

Company name	Fullcast International Co., Ltd.
Location	8-9-5 Nishi Gotanda, Shinagawa-ku, Tokyo
Representative	Kazuki Sakamaki, Representative Director
Business lines	Global human staffing services in Japan
Investment	80 million yen (Paid-in capital of 50 million yen; capital reserve of 30 million yen)
Investment ratio	Fullcast Holdings: 51%; Advancer Nation Pte. Ltd.: 49%
Officers	Fullcast Holdings: 3 Directors and 1 Audit & Supervisory Board Member; Advancer Global: 2 Directors
Date of establishment	Late August 2019 (Planned)

* The joint investor, Advancer Nation Pte. Ltd., is a wholly-owned subsidiary of Advancer Global Manpower Pte. Ltd. Furthermore, Advancer Global Manpower Pte. Ltd. is a wholly-owned subsidiary of Advancer Global.

● Initiative 3: New businesses and M&A

Acquisition of the entire business of Kansai Minimaid Service Co., Ltd. (August)

- Minimaid Service Co., Ltd. acquired the entire business of Kansai Minimaid Service Co., Ltd. (Hereinafter, “Kansai Minimaid”), which operated as a franchise of Minimaid Service Co., Ltd..
- With an eye toward business succession, we will acquire the housekeeping business of Kansai Minimaid as a directly owned operations and directry operated stores. This will help us to further expand our sales base in the Kansai area and improve profits.

NIHON DENKI SERVICE (March)

- We acquired shares of NIHON DENKI SERVICE (20%), making it an affiliate accounted for by the equity-method.
- By providing the company’s Electricity Charge Reduction Service to our Group’s client companies, we will enhance the corporate value of the entire Fullcast Group.

VI 1H FY12/19

Progress Relative to Business Forecast

1H FY12/19 Progress Relative to Business Forecast

- As for consolidated business performance in the first half, we made steady progress toward our full-year forecasts due to strong sales in our mainstay Short-Term Operational Support Business.
- Our full-year business forecasts will be left unchanged, given that business performance in the first half progressed at a level that does not require revisions to the full-year business forecasts.

(Million yen)

		1H FY12/19	FY12/19 Business Forecast for Full-year	Rate of progress
Net Sales		21,203	42,300	50.1%
Gross Profit		9,107	18,811	48.4%
Operating Profit		3,453	6,830	50.6%
Ordinary Profit		3,498	6,930	50.5%
Profit attributable to owners of parent		2,323	4,593	50.6%
Short-Term Operational Support Business	Net Sales	18,243	36,766	49.6%
	Placement	2,961	6,417	46.1%
	BPO	3,243	6,578	49.3%
	Dispatching	9,997	19,726	50.7%
	Outsourcing	2,043	4,045	50.5%
Sales Support Business	Net Sales	1,810	3,317	54.6%
Security, Other Businesses	Net Sales	1,150	2,217	51.9%

VII FY12/19 Interim Dividends

FY12/19 Interim Dividends

- ◆ We passed a resolution during the Board of Directors Meeting held on August 9, 2019 to pay a **19 yen per share** dividend from retained earnings in line with our dividend forecast .

	Amount determined	Most recent dividend forecast (Announced on February 8, 2019)	Previous term results (Interim dividend for FY 12/18)
Record date	June 30, 2019	June 30, 2019	June 30, 2018
Amount available for distribution	3,271 million yen	—	—
Dividend per share	19 yen	19 yen	14 yen
Total amount of dividends	706 million yen	—	527 million yen
Effective date	September 2, 2019	—	September 3, 2018
Resources for dividend	Retained earnings	—	Retained earnings

- ◆ We will offer an interim dividend (19 yen per share) in line with the most recent dividend forecast announced on February 8, 2019.
- ◆ We plan to firmly maintain our target of a total return ratio of 50% and return profits to shareholders, in order to realize ROE of 20% or higher. To return profits in a flexible manner, at the current point in time, we will select both the dividend and the purchase of treasury shares as options, based on a year-end dividend forecast of 19 yen per share, exactly as stated in the most recent dividend forecast.

■ Basic Stance on Capital Policy

The Fullcast Group maintains a basic policy of maximizing capital efficiency and securing financial soundness to achieve sustained improvement in corporate value.

- Maintaining a total return ratio of 50% relative to shareholders as an indicator to support sustained improvement in corporate value and to maximize capital efficiency.
- Our goal of enhancing corporate value is to maintain an ROE of 20% or greater.
- We will maintain a maximum D/E ratio of 0.5x in order to enhance corporate value and to maintain financial soundness.

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Notes

• About this Document

- In this document, the Short-Term Operational Support Business is referred to as "Short-Term", and the Sales Support Business is referred to as "Sales" in some parts.
- In this document, names of services are written in an abbreviated form; "Part-Time Worker Placement" service is referred to as "Placement"; and "Part-Time Worker Payroll Management", "My Number Management", "Year-End Tax Adjustment Management", and BPO services by BOD Co., Ltd. are referred to as "BPO" in the Short-Term Operational Support Business, which were launched along with the implementation of the Revised Worker Dispatching Act on October 1, 2012. In addition, "Long-Term Dispatching" services with a contract period of 31 days or longer, which has been conducted after the implementation of the Revised Worker Dispatching Act, is referred to as "Dispatching."
- "Gross profit per 1 yen of personnel costs" appears rounded off to the second decimal place.
- The "number of hires" is the sum total of the number of hires at Fullcast Co., Ltd., Top Spot Co., Ltd., Work & Smile Co., Ltd., Fullcast Senior Works Co., Ltd., Fullcast Porter Co., Ltd. and Fullcast Global Co., Ltd. as well as the number of hires in the Short-Term Operational Support Business at Fullcast Advance Co., Ltd.
- The "number of operating workers" is the total number of unique individuals working at Fullcast Co., Ltd., Top Spot Co., Ltd., Work & Smile Co., Ltd., Fullcast Senior Works Co., Ltd., Fullcast Porter Co., Ltd. and Fullcast Global Co., Ltd. as well as in the Short-Term Operational Support Business at Fullcast Advance Co., Ltd., excluding those working in the "BPO" service area.

• Short-Term Operational Support Business

- The earnings of Minimaïd Service Co., Ltd., which became a consolidated subsidiary on August 31, 2018, have been included in "Outsourcing" services since the fourth quarter of the fiscal year ended December 2018.
- "BPO" services represent the aggregated total of "Part-Time Worker Payroll Management", "My Number Management", "Year-End Tax Adjustment Management", and BPO services conducted by BOD Co., Ltd.
- The figures for each service category of the Short-term Operational Support Business segment represent reference figures and have not been audited by our accounting auditor.

• Sales Support Business

- The Sales Support Business segment is mainly comprised of the "call center", "online", "alliance" and "entertainment" businesses.
- The "call center", "online" and "alliance" businesses each involve the sale of Internet access.

• Business Forecasts for FY12/19

- The business forecasts of the first half for segment net sales has not been disclosed.

Providing the **best place** for people to bring out **their best.**

ADR (American Depositary Receipts) Program:

Program Type: Sponsored Level 1

Exchange Ratio with Underlying Stock: 1ADR = 1 Underlying Stock

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