

Consolidated Business Results for the First Quarter of the Fiscal Year Ending December 2020 (Jan.–Mar. 2020)

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May 15, 2020

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1. Impacts of the COVID-19 Pandemic

Impacts of the COVID-19 Pandemic

We offer our condolences to those who have lost their lives during the recent COVID-19 pandemic and we offer our sympathies to those who have contracted COVID-19 and those whose life has been made difficult by the pandemic. The following presents the impacts that the COVID-19 pandemic is having on the Group.

➤ **Current situation and response of the Group**

The Group is taking necessary steps to extend special consideration to its employees and their families. This includes having employees who feel ill go home early or standing by at home. We are also allowing employees with children in primary or secondary school to work from home. In addition, since the issuance of the Declaration of a State of Emergency by the Japanese government on April 7, 2020, we have shifted to business operations predominated on employees working from home and utilized video conferencing to minimize the number of times employees have to come to the office, in an effort to prevent the spread of COVID-19.

If someone were to test positive, we will ensure they do not come into work (standby at home), including any family members.

➤ **Impacts on the Group's businesses**

In the Group's mainstay the "Short-Term Operational Support Business", we do business with customers in a multitude of different industries and sectors. As a result, the Group is being affected by fluctuating demand from individual client companies caused by the COVID-19 pandemic, beyond a particular industry and sector.

In addition, "Outsourcing" in the "Short-Term Operational Support Business" along with the "Sales Support Business" and "Security, Other Businesses" are being affected due to the postponement and cancellation of various events.

Furthermore, client company demand is contracting in general due to the Declaration of a State of Emergency issued for urban areas on April 7 and expanded nationwide on April 16 by the Japanese government, along with the requirement to refrain from or cease business activities, and thus the Company's performance is being affected.

➤ **Impacts on the Company's consolidated performance**

Currently, with the COVID-19 pandemic continuing to grow, the situation continues to change daily. Since there are many elements of uncertainty at present about the impacts on consolidated performance, such as when the COVID-19 pandemic will end, government moves, along with the situation and moves by clients, we have decided to withdraw guidance on the business forecasts for the first half and full-year.

Going forward, if it determines the consolidated business forecast can be disclosed again, based on developments in the situation and progress of business, we will disclose such information promptly.

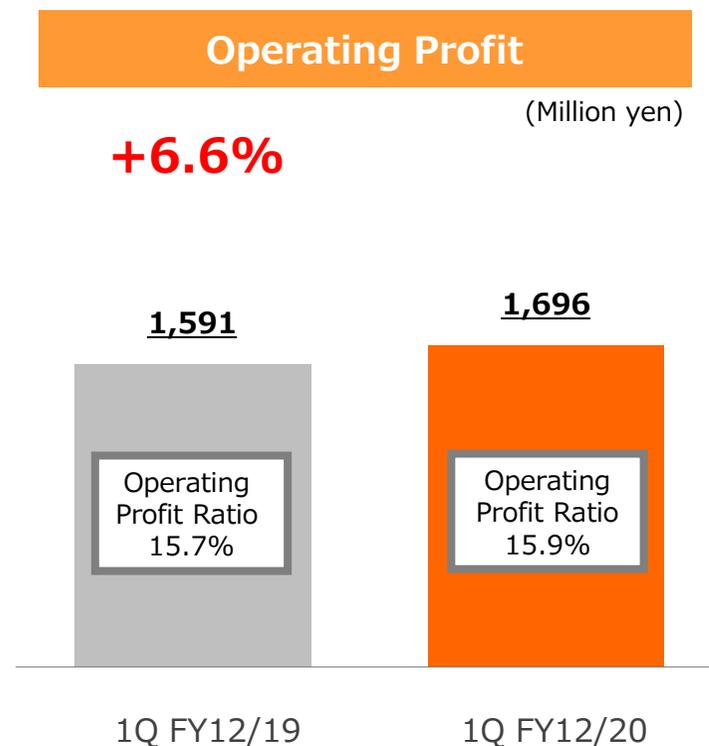
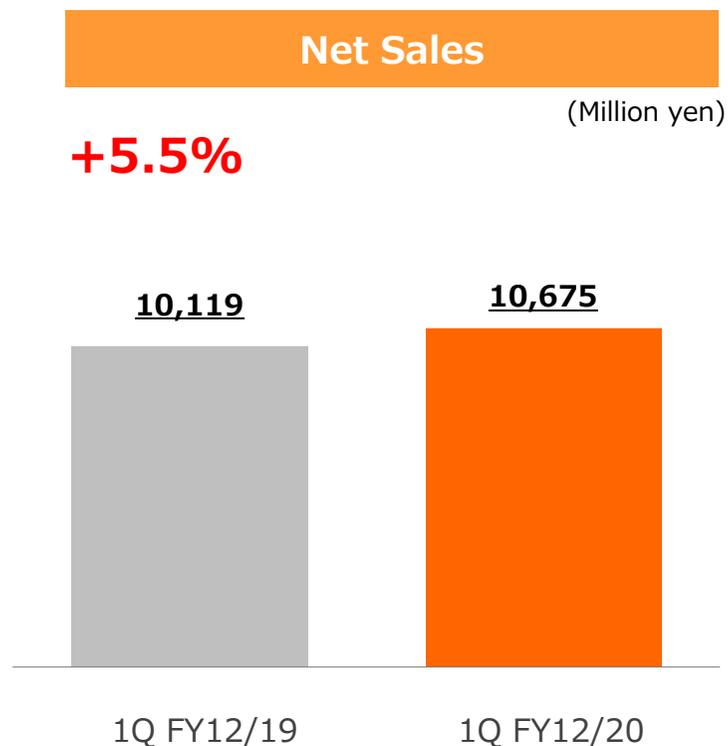
➤ **The Group's cash situation**

The Group's cash and deposits totaled 11,373 million yen, equivalent to 3.2 months of average sales during the period under review, as of the end of the first quarter of the fiscal year ending December 2020. At the same point in time, the current ratio stood at 318%, which ensures the Company has ample liquidity.

2. 1Q FY12/20 Consolidated Business Highlights (Jan.–Mar. 2020)

Consolidated: 1Q FY12/20 Year-on-Year Comparison

- **Net sales inched up by 5.5% year-on-year.** This was mainly attributed to slower-than-expected growth in the “Short-Term Operational Support Business” due to the impacts from the fluctuations in demand from individual client companies caused by the COVID-19 pandemic.
- **Operating profit increased by only 6.6% year-on-year and operating profit ratio increased by only 0.2 PT** due mainly to slower-than-expected growth in the mainstay services.



Consolidated: 1Q FY12/20 Year-on-Year Comparison

- **Ordinary profit increased by just 8.9% year-on-year and profit attributable to owners of parent inched higher by 6.2% year-on-year, due to the COVID-19 pandemic.**

(Million yen)

	1Q FY12/19	1Q FY12/20	Difference	Rate of change
Net sales	10,119	10,675	557	5.5%
Gross profit	4,437	4,660	223	5.0%
SG&A expenses	2,846	2,964	118	4.1%
Operating profit	1,591	1,696	106	6.6%
Operating profit ratio	15.7%	15.9%	—	0.2PT
Ordinary profit	1,604	1,746	142	8.9%
Profit attributable to owners of parent	1,066	1,132	66	6.2%

3. 1Q FY12/20 Segment Highlights (Jan.–Mar. 2020)

Short-Term: 1Q FY12/20 Year-on-Year Comparison

Net Sales (Million yen)

+5.5%

8,739

9,217

1Q FY12/19

1Q FY12/20

Net Sales

- **Net sales inched up by 5.5% year-on-year.** This was mainly attributed to slower-than-expected growth in the mainstay “Placement” service of the “Short-Term Operational Support Business” due to the impacts from the fluctuations in demand from individual client companies caused by the COVID-19 pandemic.

Operating Profit (Million yen)

+1.3%

1,762

1,785

Operating Profit Ratio
20.2%

Operating Profit Ratio
19.4%

1Q FY12/19

1Q FY12/20

Operating Profit

- **Operating profit inched up by 1.3% year-on-year and operating profit ratio decreased by just 0.8 PT,** due mainly to slower-than-expected growth in the mainstay services.

Short-Term: 1Q FY12/20 Year-on-Year Comparison (By Service Category)

	1Q FY12/19	1Q FY12/20	Difference	Rate of change
				(Million yen)
Net Sales	8,739	9,217	478	5.5%
Placement	1,468	1,307	(161)	(10.9)%
BPO	1,699	1,865	165	9.7%
Dispatching	4,851	5,463	612	12.6%
Outsourcing	721	582	(139)	(19.3)%
Gross Profit	3,989	4,118	129	3.2%
Placement	1,410	1,279	(132)	(9.3)%
BPO	1,616	1,768	152	9.4%
Dispatching	772	891	119	15.4%
Outsourcing	191	180	(11)	(5.9)%

■ There was a downturn in revenue from the mainstay “Placement” services and decline in gross profit due to the impacts from the fluctuations in demand from individual client companies caused by the COVID-19 pandemic. Also, the gross profit of “Outsourcing” services were the same level as the previous first quarter due to the cancellation or postponement of various events.

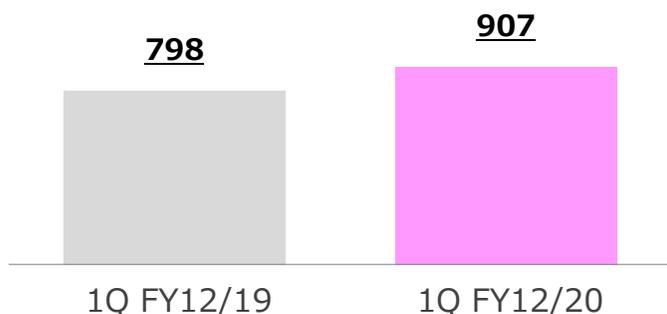
■ “Dispatching” services grew due to our ability to continuously satisfy the long-term human resource needs within recruitment demand from client companies from last year.

■ “BPO” sales grew thanks to growth in back office BPO services provided by BOD Co., Ltd. and other BPO services such as “Year-End Tax Adjustment Management,” both within our BPO service menu.

Sales Support: 1Q FY12/20 Year-on-Year Comparison

Net Sales (Million yen)

+13.7%

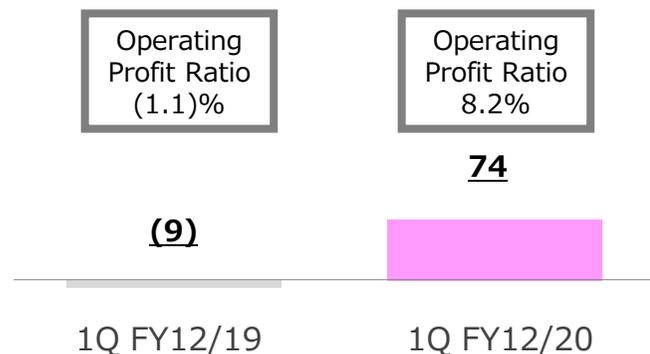


Net Sales

Net sales increased by 13.7% year-on-year, driven mainly by the inclusion of the earnings of NIHON DENKI SERVICE Co., Ltd., a newly consolidated subsidiary from this fiscal year.

Operating Profit (Million yen)

+83 million yen



Operating Profit

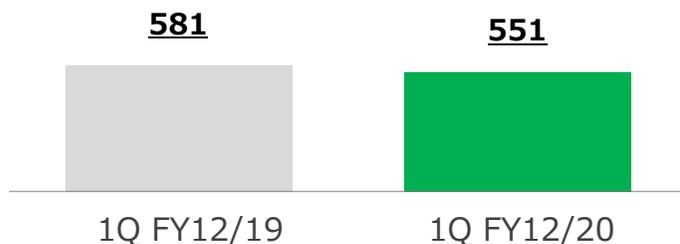
Operating profit increased 83 million yen year-on-year because of the increase in net sales.

- ✓ NIHON DENKI SERVICE Co., Ltd., which was an unconsolidated subsidiary equity method affiliate, has been included in the scope of consolidation from the first quarter of the fiscal year ending December 2020.
- ✓ The "Sales Support Business" segment is mainly comprised of the "call center", "online", "alliance", "entertainment" and "electricity charge reduction service" businesses.

Security, Other: 1Q FY12/20 Year-on-Year Comparison

Net Sales (Million yen)

(5.2)%

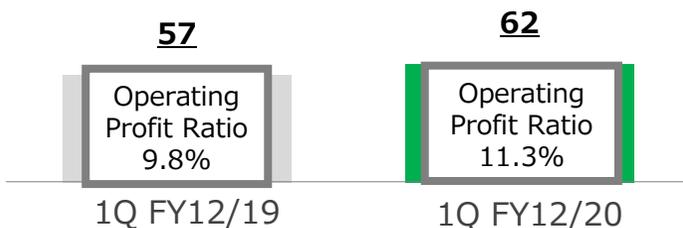


Net Sales

- **Net sales declined by 5.2% year-on-year** due mainly to a decline in temporary security projects caused by the impacts of the COVID-19 pandemic.

Operating Profit (Million yen)

+9.5%



Operating Profit

- **Operating profit increased by 9.5% year-on-year** thanks to efforts to restrain SG&A expenses that improved the operating profit ratio by 1.5 PT, despite a drop in revenue.

4. FY12/20

Revisions to Business Forecast and Dividend Forecast

FY12/20 Revisions to Business Forecast and Dividend Forecast

- Since there are many elements of uncertainty at present about the impacts on consolidated earnings, such as when the COVID-19 pandemic will end, government moves, along with the situation and moves by clients, we have decided to withdraw guidance on the business forecasts for the first half and full-year.
- Furthermore, client company demand is contracting in general due to the Declaration of a State of Emergency issued for urban areas on April 7 and expanded nationwide on April 16 by the Japanese government, along with the requirement to refrain from or cease business activities, and thus the Company's performance is being affected.
- Going forward, if it determines the consolidated business forecast can be disclosed again, based on developments in the situation and progress of business, we will disclose such information promptly.
- We have also withdrawn guidance for the forecasts of the interim and year-end dividends for the fiscal year ending December 2020 in conjunction with the same handling of the business forecast.

(Million yen)

	Results for 1Q FY12/20	Previous 1H FY12/20 forecast	Revised 1H FY12/20 forecast	Previous full- year FY12/20 forecast	Revised full- year FY12/20 forecast
Net Sales	10,675	22,929	-	48,800	-
Gross Profit	4,660	9,890	-	20,716	-
Operating Profit	1,696	3,808	-	8,150	-
Ordinary Profit	1,746	3,812	-	8,200	-
Profit attributable to owners of parent	1,132	2,474	-	5,357	-
Basic earnings per share (yen)	30.45	66.97	-	145.49	-
Dividend Forecast					
Dividend paid per share (yen)	-	22	-	22	-

FY12/20 Revisions to Business Forecast (By Segment)

- Regarding the business forecast for net sales by segment for the fiscal year ending December 2020, we have withdrawn guidance as well as for the first half and the full-year business forecasts of the fiscal year.

(Million yen)

		Results for 1Q FY12/20	Previous full-year FY12/20 forecast	Revised full-year FY12/20 forecast
Short-Term Operational Support Business	Net Sales	10,675	42,543	-
	Placement	1,307	6,626	-
	BPO	1,865	7,351	-
	Dispatching	5,463	24,115	-
	Outsourcing	582	4,452	-
Sales Support Business	Net Sales	907	3,715	-
Security, Other Businesses	Net Sales	551	2,542	-

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

(Reference) Basic Stance on Capital Policy

■ 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."

● Short-Term Operational Support Business

- The earnings of HR Management Co., Ltd., which became a consolidated subsidiary on January 1, 2020, have been included in "BPO" services since the first quarter of the fiscal year ending December 2020.
- "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

- NIHON DENKI SERVICE Co., Ltd., which was an unconsolidated subsidiary equity method affiliate, has been included in the scope of consolidation from the first quarter of the fiscal year ending December 2020.
- The "Sales Support Business" segment is mainly comprised of the "call center", "online", "alliance", "entertainment" and "electricity charge reduction service" businesses.
- The "call center", "online" and "alliance" businesses each involve the sale of Internet access.

● Business Forecasts for FY12/20

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

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