February 10, 2023

Consolidated Financial Results Announcement for the Fiscal Year Ended December 31, 2022 [Japanese Standards] (Consolidated)

Company name:	Fullcast Holdings Co., Ltd.
Stock exchange listing:	TSE Prime Market
Stock code:	4848
URL:	https://www.fullcastholdings.co.jp
Representative:	Kazuki Sakamaki, President, Representative Director and CEO
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Date of Annual General Meeting of Shareholders (Planned):	March 24, 2023
Date of submission of annual securities report (Planned):	March 27, 2023
Date of dividend payments (Planned):	March 9, 2023
Preparation of supplementary references regarding financial results:	Yes (Shown on our website)
Briefing for financial results:	Yes (For institutional investors and security analysts)

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1 to December 31, 2022)

(1) Consolidated Business Results

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/22	64,645	23.4	9,823	29.4	9,884	29.7	6,622	32.1
FY12/21	52,366	21.1	7,592	23.8	7,624	23.4	5,012	21.9

(Note) Comprehensive income: FY12/22: 6,877 million yen (31.4 %) FY12/21: 5,235 million yen (36.2%)

	Basic earnings per share	Diluted earnings per share	ROE	Ratio of ordinary profit to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
FY12/22	183.11	182.14	30.6	30.4	15.2
FY12/21	137.34	136.70	27.8	28.5	14.5

(Reference) Share of profit or loss of entities accounted for using equity method: FY12/22: 64 million yen FY12/21: 26 million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/22 End	35,604	24,928	66.7	657.21
FY12/21 End	29,484	20,579	66.2	535.40

(Reference) Equity: 23,732 million yen as of December 31, 2022 19,526 million yen as of December 31, 2021

(3) Consolidated Cash Flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
FY12/22	6,796	(958)	(2,622)	20,626
FY12/21	6,368	(99)	(2,168)	17,410

2. Dividend Status

	Dividend per share (yen)					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividend on net assets ratio (consolidated)
	Q1 End	1H End	Q3 End	FY End	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY12/21	-	21.00	-	23.00	44.00	1,604	32.0	8.9
FY12/22	-	23.00	-	35.00	58.00	2,094	31.7	9.7
FY12/23 Forecast	-	29.00	-	30.00	59.00		31.6	

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2023 (January 1 to December 31, 2023)

(% = year-on-year change for each quarter and full-year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	31,065	0.9	4,700	(2.9)	4,717	(3.8)	3,176	(4.3)	88.52
Full year	66,260	2.5	10,000	1.8	10,000	1.2	6,668	0.7	186.51

* Notes

(1) Important changes of subsidiaries during the period

(Changes in specific subsidiaries involving changes in the scope of consolidation): None

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

1) Changes in accounting policies associated with revisions of accounting principles and others: Yes

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

(3) Number of issued shares (Ordinary shares)

1) Number of issued shares at the term end (including treasury shares)	FY12/22	37,486,400	FY12/21	37,486,400
2) Number of treasury shares at the term end	FY12/22	1,377,051	FY12/21	1,015,666
3) Average number of shares outstanding during the current term	FY12/22	36,163,688	FY12/21	36,491,354

Reference: Non-Consolidated Financial Results

1. Financial Results for the Fiscal Year Ended December 31, 2022 (January 1 to December 31, 2022)

(1) Business Results (% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/22	8,062	24.4	5,674	33.1	5,696	32.1	5,138	35.1
FY12/21	6,481	(7.9)	4,265	(11.9)	4,311	(11.0)	3,804	(18.3)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY12/22	142.08	141.33
FY12/21	104.25	103.77

(2) Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/22 End	20,176	16,386	80.5	449.56
FY12/21 End	17,287	13,798	79.0	374.67

(Reference) Equity: 16,233 million yen as of December 31, 2022 13,665 million yen as of December 31, 2021

* Financial results are not subject to audit by a certified public accountant or auditing firm.

* Explanation of the proper use of financial and 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 forecasts due to various factors. Important factors that may have an impact upon our actual financial results include: (1) economic and financial conditions surrounding our Company and changes in the employment situation, (2) damages to corporate infrastructure arising from disasters including earthquakes, and (3) changes in the relevant laws applicable to our Group's business activities, 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 4 "1. (3) Future Outlook" of the Appendix.

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1. Operating Results and Financial Position

(1) Summary of Operating Results

During the current fiscal year, Japan's economy continued to undergo a recovery trend amid an overall improvement in corporate earnings despite weaknesses in some industries, signs of improvement in corporate business condition, a moderate recovery taking place in personal consumption, and a move toward recovery in capital investments. Economic conditions are expected to continue to recover given the effects of various government policies with a new stage of life of coping with COVID-19. However, the economic horizon remains clouded due to a number of uncertainties including rising prices, supply-side constraints, fluctuations in financial and capital markets, and infection trends in China in addition to risks of a downturn in Japan's economy caused by weakening in overseas economies amid financial tightening around the world, all of which requires close attention to assess their potential impacts.

With regards to the current operating environment surrounding the staffing service industry, the employment situation is recovering, as reflected by the continuing decline in the number of unemployed and the improvement in the number of new job offers and the new jobs offers-to-applicants ratio. As for the future outlook, the operating environment is expected to continue to recover.

Against this backdrop, in the current fiscal year, the Fullcast Group implemented group management activities to achieve our goal of "Under a client first approach, aim for greater business growth and expansion of peripheral services." Our Group also carried out marketing activities focused on boosting overall profitability of the Fullcast Group, particularly in the mainstay "Placement" (Note 1) and "BPO" (Note 2) services. In addition, our Company worked to further expand its business while maximizing profits by continuing to increase productivity and promote operational efficiencies across our entire Group.

Even as the COVID-19 pandemic raged on, consolidated net sales increased by 23.4% year-on-year to 64,645 million yen. This was mainly due to growth of the "Short-Term Operational Support Business," which was supported by a number of factors including the acquisition of projects in excess of pre-COVID-19 pandemic short-term staffing demand levels, as well as the continued acquisition of public sector projects related to COVID-19-related operations.

In terms of profits, consolidated operating profit increased by 29.4% year-on-year to 9,823 million yen, with consolidated ordinary profit rising by 29.7% year-on-year to 9,884 million yen, driven mainly by the ongoing growth of client demand and increased sales of the "Short-Term Operational Support Business."

Profit attributable to owners of parent increased by 32.1% year-on-year to 6,622 million yen, on the back of the 69 million yen in gain on sale of investment securities booked as an extraordinary income following the divestment of investment securities held during the first quarter.

Furthermore, our Company applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Although the application of the Accounting Standard for Revenue Recognition is subject to the transitional handling stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, there is no impact on the balance of retained earnings at the beginning of the period nor on profit and loss for the current fiscal year.

Furthermore, our Group acquired shares of Hayfield inc. on May 31, 2022, making it a consolidated subsidiary. As such, it has been included in the scope of consolidation from the second quarter of the current fiscal year.

Notes: 1. The mainstay "Part-Time Worker Placement" service and Hayfield inc.'s staffing service specializing in the real estate industry are referred to as "Placement."

2. The mainstay "Part-Time Worker Payroll Management" service, 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 Group are referred to as "BPO."

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

1) Short-Term Operational Support Business

Even as the COVID-19 pandemic raged on, net sales of "Short-Term Operational Support Business" increased by 27.7% year-on-year to 59,439 million yen. This was due to factors mainly including the acquisition of projects in excess of pre-COVID-19 pandemic short-term staffing demand levels, as well the continued acquisition of public sector projects related to COVID-19-related operations.

In terms of profits, segment profit (operating profit) increased by 28.8% year-on-year to 10,533 million yen driven mainly by the continued growth in client demand and increased sales.

2) Sales Support Business

Net sales of the “Sales Support Business” declined by 18.1% year-on-year to 2,882 million yen due to the downturn in sales of telecommunications products in the sale of Internet access, which is a mainstay business.

In terms of profits, segment profit (operating profit) increased by 3.0% year-on-year to 89 million yen due primarily to efforts to curb SG&A expenses, despite lower sales.

3) Security, Other Businesses

Net sales of “Security, Other Businesses” increased by 1.2% year-on-year to 2,324 million yen due to an increase in the number of permanent and temporary security projects acquired.

In terms of profits, segment profit (operating profit) declined by 17.7% year-on-year to 263 million yen, due to the special demand with high gross profit for the Olympic in the previous fiscal year, despite an increase in net sales.

(2) Summary of Financial Position

1) Assets, Liabilities and Net Assets

At the end of the current fiscal year, total assets increased by 6,120 million yen from the end of the previous fiscal year to 35,604 million yen. Equity increased by 4,205 to 23,732 million yen (equity ratio of 66.7%), and net assets grew by 4,349 to 24,928 million yen.

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

With regards to assets, current assets increased by 5,152 million yen from the end of the previous fiscal year to 29,967 million yen. This increase is attributed mainly to an increase in cash and deposits of 3,216 to 20,626 million yen and an increase in notes and accounts receivable - trade of 1,895 to 8,986 million yen.

Non-current assets increased by 968 million yen from the end of the previous fiscal year to 5,637 million yen. This increase is attributed mainly to an increase in goodwill of 698 to 1,305 million yen, an increase in deferred tax assets of 157 to 551 million yen, and an increase in investment securities of 97 to 2,111 million yen.

With regard to liabilities, current liabilities increased by 1,698 million yen from the end of the previous fiscal year to 9,659 million yen. This increase is attributed mainly to an increase in accrued consumption taxes of 421 to 2,163 million yen, an increase in accrued expenses of 344 to 1,874 million yen, an increase in accounts payable - other of 307 to 1,860 million yen, an increase in income taxes payable of 303 to 1,710 million yen, and an increase in other under current liabilities of 205 to 715 million yen caused mainly by an increase in social insurance deposits received of 231 million yen to 576 million yen.

Non-current liabilities increased by 72 million yen from the end of the previous fiscal year to 1,017 million yen. This increase is attributed mainly to a rise in retirement benefit liability of 68 to 816 million yen.

2) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the current fiscal year increased by 3,216 million yen from the end of the previous consolidated fiscal year to 20,626 million yen (compared to an increase of 4,101 million yen in the previous fiscal year).

(Cash Flows from Operating Activities)

Funds provided by operating activities were 6,796 million yen (compared with 6,368 million yen provided in the previous fiscal year), due to income taxes paid of 3,126 million yen, compared to profit before income taxes of 9,922 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities were 958 million yen (compared with 99 million yen used in the previous fiscal year), due to purchase of shares of subsidiaries resulting in change in scope of consolidation of 844 million yen, purchase of intangible assets of 181 million yen, and purchase of property, plant and equipment of 103 million yen, compared to proceeds from sale of investment securities of 186 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities were 2,622 million yen (compared with 2,168 million yen used in the previous fiscal year), due to dividends paid of 1,667 million yen and purchase of treasury shares of 907 million yen.

(Trends in Cash Flow Indexes)

	FY12/20	FY12/21	FY12/22
Equity (million yen)	16,504	19,526	23,732
Equity-to-asset ratio (%)	68.9	66.2	66.7
Ratio of interest-bearing debt to cash flow (%)	15.2	12.5	10.1
Interest coverage ratio (times)	956.5	1,073.5	1,468.1
Market capitalization-based equity-to-asset ratio (%)	245.8	304.5	286.4

Equity = Total net assets − Share acquisition rights − Non-controlling interests
Equity-to-asset ratio = Equity ÷ Total assets
Ratio of interest-bearing debt to cash flow = Interest-bearing debt ÷ Operating cash flow (before interest and income taxes)
Interest coverage ratio = Operating cash flow (before interest and income taxes) ÷ Interest paid
Market capitalization-based equity-to-asset ratio = Stock market price ÷ Total assets

Notes:
1. Each index is calculated using consolidated financial data.
2. For operating cash flows (before interest and income taxes), net cash provided by operating activities from the consolidated cash flows statement (before deducting the amount of payment of interest and income taxes) is used.
3. All debt involving the payment of interest and stated in the consolidated balance sheet are included in interest-bearing debt.
4. For interest payment, the amount of interest paid in the consolidated statement of cash flow is used.
5. Market capitalization = Stock price at the end of the term × Number of shares outstanding at the end of the term (excluding treasury shares).

(3) Future Outlook

Our Group has established the “Medium-Term Management Plan 2024,” a three-year plan starting in the fiscal year ending December 2022, and has been working to fulfill this plan.

During the current fiscal year, the initial year of the plan, our Group engaged in corporate management following the target of “Under a client-first approach, aim for greater business growth and expansion of peripheral services.” As a result, the Group’s consolidated business results exceeded the revised full-year business forecast because the mainstay placement and BPO services grew by the increase of short-term staffing demand in our Group's mainstay business, while dispatching and outsourcing services grew following the acquisition of staffing demand for public sector projects related to COVID-19-related operations and logistics, etc..

In the fiscal year ending December 2023, our Group will aim for further growth of the Group's performance, by aiming for further business expansion centered on the mainstay “Short-Term Operational Support Business” and providing services that contribute to the improvement of convenience and satisfaction for both clients and staff alike, under the target “Aiming for create of the Group structure to flexibly address changes in the business environment, and business expansion by improving customer satisfaction based on further service improvement including DX.” In addition, The Fullcast Group will endeavor to achieve ROE of 20% or higher, which we identify as indicator of improvement of corporate value, by promoting management with a focus upon capital efficiencies, and by improving our value as a Group while building a Group-wide coordination system and enhancing our ability to respond to change.

Consolidated business forecast for the fiscal year ending December 2023 (January 1 to December 31, 2023)

(Million yen)

	FY12/22 results	FY12/23 business forecast	Rate of change
Net sales	64,645	66,260	2.5%
Operating profit	9,823	10,000	1.8%
Ordinary profit	9,884	10,000	1.2%
Profit attributable to owners of parent	6,622	6,668	0.7%
Basic earnings per share	183.1	186.5	1.9%

Notes: 1. Basic earnings per share for fiscal year ending December 2023 are calculated in accordance with the formula below.

$$\text{Basic earnings per share} = \frac{\text{Forecast for profit applicable to ordinary shares}}{\text{Average expected number of shares outstanding during the fiscal year ending December 31, 2023}}$$

2. “Profit” used in the calculation of basic earnings per share is now “profit attributable to owners of parent.”

(4) Fundamental Policy for Allocation of Earnings and Dividends for the Current and Coming Fiscal Years

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%.

For the fiscal year ended December 2022, a total annual dividend will be 58 yen per share, an increase of 14 yen compared to the previous year and the same as forecast, based on the goal of achieving a total return ratio of 50%. As a year-end dividend, a dividend of 35 yen per share (12 yen increase compared to the previous year and the same as forecast) will be offered and share repurchases totaling up to a maximum 1,218 million yen will be conducted through tender offer. As a result, the total return ratio for the fiscal year ended December 2022 is expected to exceed 50.0%.

Regarding dividends in the next fiscal year, we will maintain ROE of over 20% and a total return ratio of 50% as targets for our policy regarding returns of profits to shareholders. As part of our policy of maintaining a flexible return of profits to shareholders, we have the option to offer a dividend or share buyback, or both at the current point in time. We forecast an interim dividend of 29 yen per share and a year-end dividend of 30 yen per share, for a total annual dividend of 59 yen per share.

(5) Risks Associated with Our Businesses

The main risks recognized by management with the potential to seriously impact our consolidated financial position, business 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 for our Group’s business results if these risks will materialize, are not included because of the difficulty in making reasonable assessments of these.

Our Group seeks to proactively identify potential business risks, prevent their occurrence and take adequate measures to address them should they appear. The following statements may contain potential risk factors which may occur in the future, and they are based on our best judgment as of the date of reporting of these financial statements.

1) Fullcast Group’s Policy for Business Growth

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

Within the “Short-Term Operational Support Business,” 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, as new services, we provide BPO services such as the “My Number Management service,” “Year-End Tax Adjustment Management service,” and others. In addition, consolidated subsidiary BOD Co., Ltd. and its subsidiaries provide “Back Office BPO Services,” Minimaid Service Co., Ltd. provides “Housekeeping Services,” and Hayfield inc. provides “Recruitment Agency Services Specializing in the Real Estate Industry.” If these business results do not progress according to forecasts, the performance of our Group could potentially be adversely affected.

In the “Sales Support Business,” our Company engages in sales support for telecommunications 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 materially 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 the establishment of new companies, M&A, business tie-ups and among other means. However, there are many elements of uncertainty surrounding new business ventures, and in cases where the initially expected synergies are not achieved and business profit does not meet forecasts due to changes in the business environment surrounding our Group or changes in legal regulations related to the new business venture, the performance of our Group could potentially be materially 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 appear, they may adversely affect our 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 the 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

a) Changes in Legal Regulations

If the laws and other related ordinances applied to the business operations of the Fullcast Group are enforced or revised or legal interpretations modified due to changes in societal conditions surrounding the labor market, these enforcement, revisions or new legal interpretations could materially 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 in Administrative Procedures (My Number Act), and Immigration Control and Refugee Recognition Act (Immigration Control 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 our Group’s business operations, to address these in an appropriate manner, and quickly understand the impacts on our Group’s results and financial condition.

b) Recruitment Agency Business

Our Group provides paid-for employment placement services under the license of Minister of Health, Labor and Welfare and in accordance with the Employment Security Act. This license is valid for 5 years, and if it cannot be renewed when required because of non-compliance with the licensing requirements of Article 31 of the Act, 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 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.

c) Worker Dispatching Service

Our Group provides worker dispatching services under the license of Minister of Health, Labor and Welfare in accordance with the Worker Dispatching Act. This license is valid for 5 years, and if it cannot be renewed when required because of non-compliance with the licensing requirements of Article 7, 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 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 worker dispatching services and our Group's business performance could be seriously affected.

d) 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 the incompletion of outsourcing services or delays in reporting. Should this risk materialize, our Group will work to mitigate damages by reducing costs with internal efforts, such as increasing the 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.

e) Onsite Subcontracting Service

As an onsite subcontracting service provider based on subcontracts, our Group completes its subcontracting services independently 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 Labor) that separates and distinguishes between the employee dispatching and the subcontracting services and other relevant laws and regulations.

Due to the nature of the subcontracting business, our Group is exposed to productivity risks and defective product risks. As a countermeasure against these risks, our 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.

f) Sharing of Social Insurance Contributions

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 subcontracting 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 our 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 against these risks, our Group strives to quickly understand the impacts on our Group's business 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, our Group will work to pass on the cost increase to the invoice amount for customers or make internal efforts to cut costs, such as increasing efficiency of operations. However, if the cost increase cannot be absorbed through these efforts, our Group's earnings could be materially impacted.

3) Economic Trends

Our Group's business composition focused upon 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 regarding the population. However, if the economy deteriorates beyond our Group's assumptions, our Group's business results and financial condition could be affected. As a countermeasure against these risks, 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, our Group continues to work on increasing profit margin by enhancing productivity, and then working to mitigate the said risk.

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, and similar information regarding our clients.

To be prepared for the potential of a malfunction in servers, our Group makes backup databases and servers themselves are operated in a 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 other factors, and this results in a system failure, our Group's operations could be seriously impeded and our earnings may be materially affected.

As a countermeasure against these risks 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 contribute 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, lost 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 affected by potential security breaches of personal information, and our Group could lose the trust of the public, suffer decreased sales, and become subject of claims for damages.

5) Workplace Accidents and Transaction-Related Trouble

a) Recruitment Agency Business

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 against these risks, our Group has a compliance system under which it ensures 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.

b) 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 Industrial 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 these risks, our Group fortifies staff awareness of safety by promoting occupational health and safety training for staff, as well as by posting and providing safety bulletins for on-the-job vigilance to prevent injury and illness. To provide better worker protection, our Group maintains a comprehensive general liability insurance and other insurances as an insurance program to pay agreed claims. 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 tort liability as stipulated in labor contracts.

In addition, our Group could be sued or pressured to make other payments on allegations of accidents due to 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 against these risks, our Group has a compliance system under which it ensures 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

Our Group assumes foreign exchange risk because it receives remittances in the local currency when converting transactions denominated in a foreign currency, including conducting sales transaction with overseas companies and dividend incomes from overseas affiliated companies. In addition, and as a general rule, the financial statements of overseas affiliates are prepared in local currency and converted into yen when preparing consolidated financial statements. 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 our Group's business results and financial statements. As a countermeasure against these risks, our Group works to mitigate risks by means of 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 our Group's business results and financial condition. As a countermeasure against these risks, our Group strives to gather information in a timely manner concerning changes and the introduction of new accounting standards or tax systems in order to quickly understand impacts on our Group's business 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 contingencies. However, if natural disasters, such as typhoons, earthquakes or tsunamis, occur that exceed our 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 against these risks, 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.

10) Climate Change

Opportunity losses and other factors resulting from the suspension of business activities could affect our Group's business results and financial position if our business offices and supply chains are damaged due to the intensification of natural disasters caused by climate change. Recently, social demands for climate change countermeasures have been increasing. As such, if these efforts are inadequate or do not gain sufficient understanding from stakeholders, our Group's business results and financial position may be affected by a decline in social credibility. Furthermore, if new laws and regulations related to climate change countermeasures are introduced, an increase in response costs may affect our Group's business results and financial position.

Our Group continuously analyzes the business impact of climate change-related risks and opportunities based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), striving to proactively disclose information.

2. Corporate Group

The Fullcast Group is engaged in 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” (mainly engaging in call center operations and agency sales of telecommunications products and others focused on distributor networks), and the “Security, Other Businesses” (providing security services mainly for public facilities and ordinary corporations, others.).

We provide descriptions of the status of affiliated companies and a diagram of our business activities as of December 31, 2022 as below.

(1) Status of Affiliated Companies

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. (Notes 6)	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	80	Short-Term Operational Support Business	51.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
HR Management Co., Ltd.	Toshima-ku, Tokyo	20	Short-Term Operational Support Business	51.0 (51.0)	- Provides services such as management advice and system leases.

Progress, Inc.	Toshima-ku, Tokyo	50	Short-Term Operational Support Business	60.0 (60.0)	- Provides services such as management advice and system leases.
Minimaid Service Co., Ltd.	Shibuya-ku, Tokyo	30	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
Hayfield inc.	Shinagawa-ku, Tokyo	4	Short-Term Operational Support Business	100.0	- Provides services such as system leases. - Concurrent directorates: 1
F-PLAIN Corporation.	Minato-ku, Tokyo	80	Sales Support Business	78.2	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 2
M’s Line Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provides services such as management advice and system leases.
FSP Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provides 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	Whole company	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
(Equity method affiliate) DeliArt Co., Ltd.	Chiyoda-ku, Tokyo	43	Worker dispatch business	20.0	—
(Equity method affiliate) Advancer Global Limited (Note 2)	Singapore	(million Singapore dollars) 41	Employment services Facility management services	25.8	- 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, 2022.
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 annual securities report or securities registration statement.
6. Sales by Fullcast Co., Ltd. and Top Spot Co., Ltd. account for over 10% of consolidated net sales (excluding internal sales among consolidated companies).

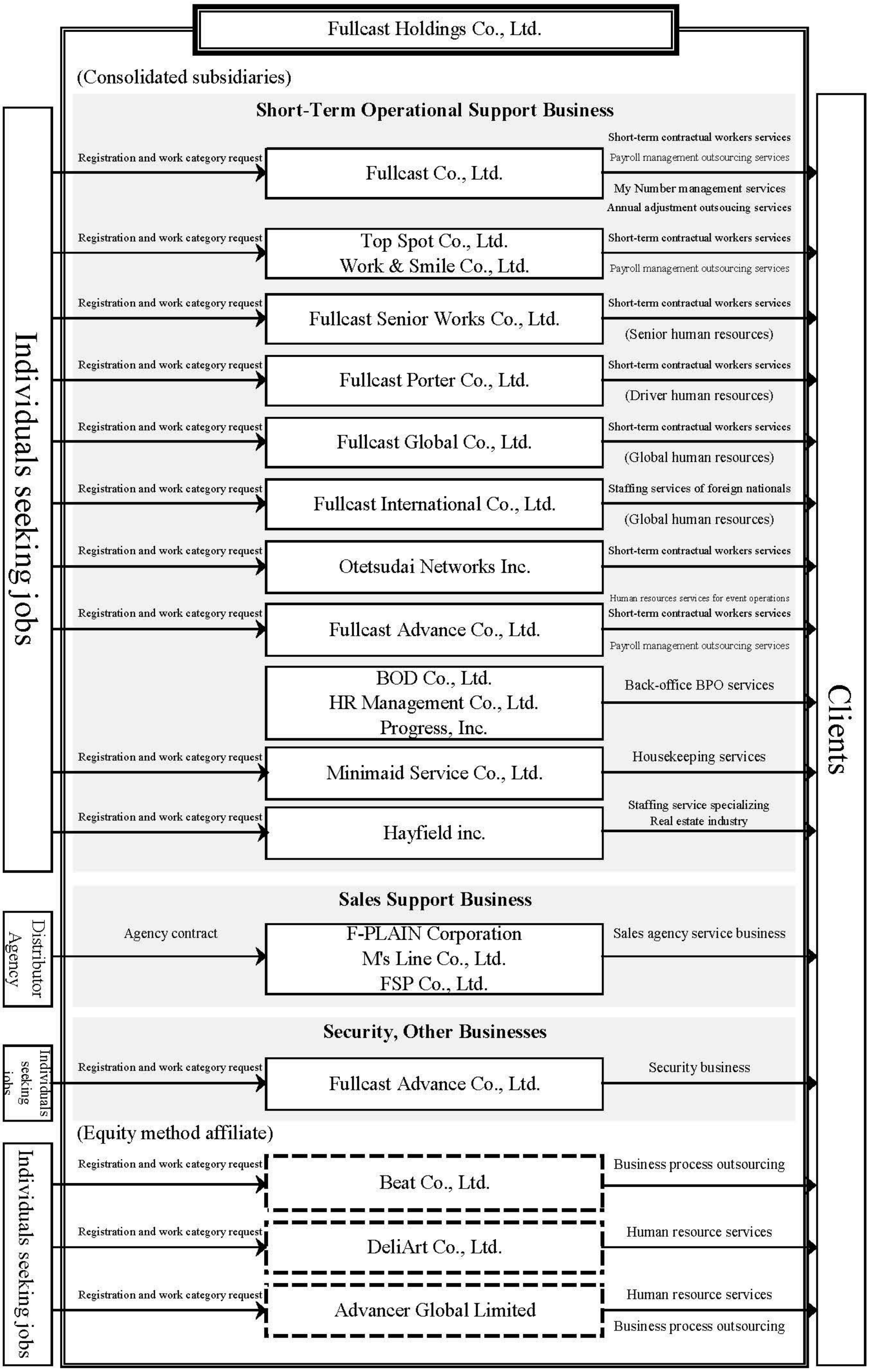
Key Information about Profit and Loss

(Million yen)

	Fullcast Co., Ltd.	Top Spot Co., Ltd.
Net sales	43,109	6,742
Ordinary profit	6,152	684
Profit	4,244	467
Net assets	4,377	738
Total assets	11,158	1,752

(2) Diagram of Business Activities

A diagram of our business activities is shown below.



Note 1: The above diagram is current as of December 31, 2022.

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: Our Company acquired shares of Hayfield inc. on May 31, 2022, making it a consolidated subsidiary.

3. Management Policies

(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 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.”

(3) Medium- to Long-Term Management Strategies

With the highest priority assigned to compliance as the basic assumption of our management, we are working toward greater business growth centered on our “Short-Term Operational Support Business” and by ensuring that our Group-wide corporate governance leverages the functionality of our holding company.

In addition, under “Medium-Term Management Plan 2024,” we will achieve business growth centered on the “Short-Term Operational Support Business,” aspiring toward a new record high consolidated operating profit of 10 billion yen in the fiscal year ending December 2024, the final year of the plan.

(4) Management Environment and Key Management Issues

Management Environment

With regards to the current operating environment surrounding the staffing service industry, in which our Group mainly operates, the employment situation is recovering, as reflected by the continuing decline in the number of unemployed and the improvement in the number of new job offers and the new jobs offers-to-applicants ratio. As for the future outlook, the operating environment is expected to continue to recover.

Our Group’s mainstay segment of “Short-Term Operational Support Business” accounts for a high percentage of our Group’s consolidated net sales and operating profit at around 90%. The “Short-Term Operational Support Business” segment engages in the 4 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. Our Company recognizes that the “Short-Term Operational Support Business” is moving from the conventional domain of providing necessary human resources in response to gaps in the 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 workers shortages in Japan by providing a more sophisticated of short-term staffing services.

Key Management Issues

Our Group has established the “Medium-Term Management Plan 2024” and has been working to fulfill this plan.

In the fiscal year ending December 2023, the second fiscal year of the plan, our Group will focus on the main management issue of “Aiming for create of the Group structure to flexibly address changes in the business environment, and business expansion by improving customer satisfaction based on further service improvement including DX,” and make efforts to resolve this issue. In implementing the management policy in (1) to (3) and the medium- to long-term management strategies, our Group recognizes that the business and financial issues to address with prioritize are as follows.

1) Sustained Improvement of Corporate Value

As stated in (1) Fundamental Management Policies and (2) Target Management Indicators, 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" and "BPO" services in the Group's mainstay "Short-Term Operational Support Business".

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

2) Achievement of "Medium-Term Management Plan 2024"

Based on "Medium-Term Management Plan 2024," we will work toward achieving the target of a "new record high consolidated operating profit of 10 billion yen in the final year of the plan."

An outline of "Medium-Term Management Plan 2024" is presented below.

a) Applicable period

Three years from the fiscal year ending December 2022 to the fiscal year ending December 2024

b) Numerical Targets

Consolidated operating profit of 10 billion yen in the fiscal year ending December 2024

c) Key Performance Indicators (KPI)

Indicators for achieving "sustained improvement of corporate value"	: ROE of 20% or higher
Indicators related to shareholder returns	: Total return ratio of 50%
Indicators supporting "basic capital policy"	: D/E ratio 1.0 times (upper)

d) Summary of Business Strategy

■ Short-Term Operational Support Business

・Integrate online and real-life using DX to further improve the service level provided to both staff and clients alike resulting in business growth

■ New Businesses and M&A

・Expand businesses established under the previous Medium-Term Management Plan

・Actively invest in M&A to take our business portfolio to the next stage of growth

■ Sales Support Business

・Expand the business by strengthening sales capabilities, diversifying product offerings, and horizontal expanding the entertainment business

■ Security, Other Businesses

・Increase the number of stable permanent security projects, increase collaboration with other companies, and expand Group synergies

3) Business Targets for the Fiscal Year Ending December 2023

With "Aiming for create of the Group structure to flexibly address changes in the business environment, and business expansion by improving customer satisfaction based on further service improvement including DX" as its target for the fiscal year ending December 2023, our Group will further expand its business centered on the mainstay "Short-Term Operational Support Business." In addition, our Group will work on the following measures in the fiscal year ending December 2023 in order to improve our value as a Group by building a Group-wide coordination system and enhancing our ability to respond to change.

・DX-related measures
  - Move registration procedures, contracts, and various ledgers for clients online
  - Improve web-based staffing order system and upgrade matching system
  - Update the "Cast Portal," the dedicated website for registered staff, and its app version
  - Promote work efficiency by utilizing RPA
・Continue opening new offices (around 10 new offices annually)
・Rolling out a public sector sales department regionally
・Share our Group's client data and assign talented individuals to appropriate positions
・Develop specialized recruitment business into multi-industry
・Continue to expand logistics subcontracting business and various BPO, and increase collaboration between Group companies related to staffing human resources
・Further examine M&A opportunities to expand group synergies

4. Fundamental Principles on Selection of Accounting Standards

Our Group has a policy of preparing consolidated financial statements in accordance with Japanese Accounting Standards (Japanese GAAP) because of the ease of comparison with other companies and given the increased burden required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

Furthermore, we will continue to consider conditions in both Japan and abroad with regards to the potential implementation of IFRS.

5. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Million yen)

	FY12/21 End (December 31, 2021)	FY12/22 End (December 31, 2022)
ASSETS		
Current assets		
Cash and deposits	17,410	20,626
Notes and accounts receivable - trade	7,090	8,986
Merchandise	19	30
Supplies	13	20
Other	303	356
Allowance for doubtful accounts	(20)	(50)
Total current assets	24,815	29,967
Non-current assets		
Property, plant and equipment		
Buildings and structures	680	682
Accumulated depreciation and impairment	(384)	(413)
Buildings and structures, net	296	269
Machinery, equipment and vehicles	5	8
Accumulated depreciation and impairment	(5)	(6)
Machinery, equipment and vehicles, net	0	1
Tools, furniture and fixtures	742	805
Accumulated depreciation and impairment	(592)	(645)
Tools, furniture and fixtures, net	150	160
Land	184	184
Construction in progress	2	3
Total property, plant and equipment	632	617
Intangible assets		
Software	312	373
Goodwill	607	1,305
Other	22	22
Total intangible assets	940	1,699
Investments and other assets		
Investment securities	2,014	2,111
Guarantee deposits	636	576
Deferred tax assets	394	551
Other	57	89
Allowance for doubtful accounts	(5)	(7)
Total investments and other assets	3,096	3,321
Total non-current assets	4,669	5,637
Total assets	29,484	35,604

(Million yen)

	FY12/21 End (December 31, 2021)	FY12/22 End (December 31, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	22	52
Short-term borrowings	1,000	1,000
Accounts payable - other	1,553	1,860
Accrued expenses	1,531	1,874
Income taxes payable	1,407	1,710
Accrued consumption taxes	1,742	2,163
Provision for bonuses	161	286
Allowance for subscription cancellations	36	-
Other	510	715
Total current liabilities	7,961	9,659
Non-current liabilities		
Retirement benefit liability	747	816
Asset retirement obligations	118	111
Deferred tax liabilities	44	60
Other	36	30
Total non-current liabilities	945	1,017
Total liabilities	8,905	10,676
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	16,369	21,286
Treasury shares	(1,821)	(2,664)
Total shareholders' equity	19,334	23,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	152	149
Foreign currency translation adjustment	41	174
Total accumulated other comprehensive income	193	323
Share acquisition rights	133	152
Non-controlling interests	919	1,044
Total net assets	20,579	24,928
Total liabilities and net assets	29,484	35,604

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

Consolidated Statement of Income

(Million yen)

	FY12/21 (January 1 to December 31, 2021)	FY12/22 (January 1 to December 31, 2022)
Net sales	52,366	64,645
Cost of sales	34,336	43,184
Gross profit	18,030	21,460
Selling, general and administrative expenses		
Salaries and bonuses	3,471	3,807
Other salaries	1,267	1,492
Provision for bonuses	19	126
Legal welfare expenses	716	820
Retirement benefit expenses	97	107
Communication expenses	340	360
Travel and transportation expenses	385	433
Rent expenses on land and buildings	796	893
Depreciation	208	214
Advertising expenses	665	303
Recruitment expenses	362	691
Provision of allowance for doubtful accounts	9	44
Amortization of goodwill	207	164
Other	1,896	2,185
Total selling, general and administrative expenses	10,438	11,637
Operating profit	7,592	9,823
Non-operating income		
Interest income	1	0
Dividend income	3	3
Share of profit of entities accounted for using equity method	26	64
Reversal of allowance for doubtful accounts	39	-
Subsidy income	12	15
Revenue - advertising	34	39
Other	22	24
Total non-operating income	137	144
Non-operating expenses		
Interest expenses	7	7
Settlement payments	46	47
Compensation expenses	18	-
Other	35	29
Total non-operating expenses	105	83
Ordinary profit	7,624	9,884

(Million yen)

	FY12/21 (January 1 to December 31, 2021)	FY12/22 (January 1 to December 31, 2022)
Extraordinary income		
Gain on sale of investment securities	20	69
Subsidy income	22	16
Other	2	-
Total extraordinary income	45	84
Extraordinary losses		
Loss on retirement of non-current assets	22	25
Loss on COVID-19	37	22
Other	3	-
Total extraordinary losses	62	47
Profit before income taxes	7,606	9,922
Income taxes - current	2,493	3,293
Income taxes - deferred	(21)	(112)
Total income taxes	2,472	3,181
Profit	5,134	6,741
Profit attributable to non-controlling interests	123	119
Profit attributable to owners of parent	5,012	6,622

Consolidated Statement of Comprehensive Income

(Million yen)

	FY12/21 (January 1 to December 31, 2021)	FY12/22 (January 1 to December 31, 2022)
Profit	5,134	6,741
Other comprehensive income		
Valuation difference on available-for-sale securities	26	3
Foreign currency translation adjustment	75	133
Total other comprehensive income	101	136
Comprehensive income	5,235	6,877
(Comprehensive income attributable to)		
Owners of parent	5,109	6,752
Non-controlling interests	126	125

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (January 1 to December 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,780	2,006	14,721	(3,099)	16,408
Changes during period					
Dividends of surplus			(1,573)		(1,573)
Profit attributable to owners of parent			5,012		5,012
Purchase of treasury shares				(552)	(552)
Disposal of treasury shares			(49)	87	38
Cancellation of treasury shares			(1,742)	1,742	-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,648	1,277	2,925
Balance at end of period	2,780	2,006	16,369	(1,821)	19,334

	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 beginning of period	128	(33)	95	162	730	17,396
Changes during period						
Dividends of surplus						(1,573)
Profit attributable to owners of parent						5,012
Purchase of treasury shares						(552)
Disposal of treasury shares						38
Cancellation of treasury shares						-
Net changes in items other than shareholders' equity	23	75	98	(29)	189	257
Total changes during period	23	75	98	(29)	189	3,182
Balance at end of period	152	41	193	133	919	20,579

Current consolidated fiscal year (January 1 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,780	2,006	16,369	(1,821)	19,334
Changes during period					
Dividends of surplus			(1,669)		(1,669)
Profit attributable to owners of parent			6,622		6,622
Purchase of treasury shares				(903)	(903)
Disposal of treasury shares			(36)	61	25
Net changes in items other than shareholders' equity					
Total changes during period	-	-	4,918	(842)	4,075
Balance at end of period	2,780	2,006	21,286	(2,664)	23,409

	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 beginning of period	152	41	193	133	919	20,579
Changes during period						
Dividends of surplus						(1,669)
Profit attributable to owners of parent						6,622
Purchase of treasury shares						(903)
Disposal of treasury shares						25
Net changes in items other than shareholders' equity	(3)	133	130	19	125	274
Total changes during period	(3)	133	130	19	125	4,349
Balance at end of period	149	174	323	152	1,044	24,928

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY12/21 (January 1 to December 31, 2021)	FY12/22 (January 1 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	7,606	9,922
Depreciation	219	228
Amortization of goodwill	207	164
Increase (decrease) in allowance for doubtful accounts	(43)	31
Increase (decrease) in provision for bonuses	37	125
Increase (decrease) in allowance for subscription cancellations	(24)	-
Interest and dividend income	(3)	(3)
Interest expenses	7	7
Share of loss (profit) of entities accounted for using equity method	(26)	(64)
Loss on retirement of non-current assets	22	25
Loss (gain) on sale of investment securities	(20)	(69)
Loss (gain) on valuation of investment securities	0	-
Loss on COVID-19	37	22
Decrease (increase) in trade receivables	(1,414)	(1,771)
Decrease (increase) in inventories	3	(17)
Decrease (increase) in accounts receivable - other	85	(8)
Increase (decrease) in trade payables	341	310
Increase (decrease) in accrued expenses	301	330
Increase (decrease) in accrued consumption taxes	519	395
Increase (decrease) in accrued enterprise taxes	38	37
Increase (decrease) in retirement benefit liability	56	68
Other, net	49	214
Subtotal	7,996	9,946
Interest and dividends received	45	3
Interest paid	(7)	(7)
Payment of loss on COVID-19	(34)	(21)
Income taxes paid	(1,639)	(3,126)
Income taxes refund	7	1
Net cash provided by (used in) operating activities	6,368	6,796
Cash flows from investing activities		
Purchase of property, plant and equipment	(52)	(103)
Purchase of intangible assets	(127)	(181)
Proceeds from sale of investment securities	20	186
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(844)
Proceeds from collection of loans receivable	45	6
Other, net	14	(22)
Net cash provided by (used in) investing activities	(99)	(958)

(Million yen)

	FY12/21 (January 1 to December 31, 2021)	FY12/22 (January 1 to December 31, 2022)
Cash flows from financing activities		
Repayments of short-term borrowings	(80)	-
Repayments of long-term borrowings	-	(46)
Purchase of treasury shares	(554)	(907)
Dividends paid	(1,571)	(1,667)
Other, net	37	(2)
Net cash provided by (used in) financing activities	(2,168)	(2,622)
Effect of exchange rate change on cash and cash equivalents	-	0
Net increase (decrease) in cash and cash equivalents	4,101	3,216
Cash and cash equivalents at beginning of period	13,309	17,410
Cash and cash equivalents at end of period	17,410	20,626

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

There are no relevant matters.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

Our Company applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current fiscal year. As a result, our Company recognizes earnings at the amount expected to be received in exchange for goods or services when the control of the promised goods or services is transferred to the customer.

Although the application of the "Accounting Standard for Revenue Recognition" is subject to the transitional handling stipulated in the proviso to Paragraph 84 of the "Accounting Standard for Revenue Recognition," there is no impact on the balance of retained earnings at the beginning of the period nor on profit and loss for the current fiscal year.

Due to the application of the "Accounting Standard for Revenue Recognition," the "Allowance for subscription cancellations" presented in "Current liabilities" in the consolidated balance sheet for the previous fiscal year will be included in "Other" of "Current liabilities" from the current fiscal year. In accordance with the transitional handling stipulated in Paragraph 89-2 of the "Accounting Standard for Revenue Recognition," our Company has not restated the previous consolidated fiscal year using the new presentation method.

(Application of Accounting Standard for Fair Value Measurement)

Our Company applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) from the beginning of the current fiscal year. In accordance with the transitional handling stipulated in Paragraph 19 of the "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), our Company has decided to apply the new accounting policy established by the "Accounting Standard for Fair Value Measurement" into the future. This will have no impact on the consolidated financial statements.

(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 current consolidated fiscal year because it is difficult to predict when the COVID-19 pandemic will end. However, there is a possibility that material impacts will occur on the 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 our 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 the "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 our 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. Also, our Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42; August 12, 2021)," which stipulates the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting when applying the group tax sharing system, from the beginning of the subsequent fiscal year.

(Notes on Significant Change of Shareholders' Equity)

There are no relevant matters.

(Segment Information and Others)

[Segment information]

Previous consolidated fiscal year (January 1 to December 31, 2021)

1. Description of reportable segments

Our Company's reporting segments are business units for which financial information can be obtained independently from our 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. Explanation of measurements of sales, profit (loss), asset, and other items for each reportable 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. Disclosure of sales, profit (loss), asset, and other items for each reportable 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	46,550	3,520	2,296	52,366	-	52,366
Inter-segment sales or transfers	45	12	7	65	(65)	-
Total	46,595	3,533	2,303	52,431	(65)	52,366
Segment profit	8,181	87	319	8,587	(995)	7,592
Segment assets	14,015	2,678	910	17,603	11,881	29,484
Other						
Depreciation	187	11	5	203	16	219
Amortization of goodwill	97	109	-	207	-	207
Increase of property, plant and equipment and intangible assets	77	4	1	82	97	179

Notes: 1. (34) million yen in inter-segment eliminations and (960) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (995) million yen segment profit adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segments.

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

3. The amount of 11,881 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 16 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings and structures, and software of the head office of our Company.
5. The amount of 97 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 our Company and tools, furniture and fixtures, and software for a new system.

Current consolidated fiscal year (January 1 to December 31, 2022)

1. Description of reportable segments

Our Company's reporting segments are business units for which financial information can be obtained independently from our 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. Explanation of measurements of sales, profit (loss), asset, and other items for each reportable 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. Disclosure of sales, profit (loss), asset, and other items for each reportable 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	59,439	2,882	2,324	64,645	-	64,645
Inter-segment sales or transfers	25	18	7	50	(50)	-
Total	59,463	2,900	2,332	64,695	(50)	64,645
Segment profit	10,533	89	263	10,885	(1,062)	9,823
Segment assets	17,627	2,692	867	21,186	14,418	35,604
Other						
Depreciation	199	12	4	215	13	228
Amortization of goodwill	164	-	-	164	-	164
Increase of property, plant and equipment and intangible assets	81	12	0	93	191	284

Notes:
1. (24) million yen in inter-segment eliminations and (1,038) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (1,062) million yen segment profit adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segments.
2. Segment profit has been adjusted with the operating profit shown in the consolidated statement of income.
3. The amount of 14,418 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 13 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings and structures, and software of the head office of our Company.
5. The amount of 191 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 our Company and tools, furniture and fixtures, and software for a new system.

(Related Information)

Previous consolidated fiscal year (January 1 to December 31, 2021)

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, 2022)

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, 2021)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2022)

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, 2021)

(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	97	109	-	207	-	207
Balance at end of period	607	-	-	607	-	607

Current consolidated fiscal year (January 1 to December 31, 2022)

(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	164	-	-	164	-	164
Balance at end of period	1,305	-	-	1,305	-	1,305

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

Previous consolidated fiscal year (January 1 to December 31, 2021)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2022)

There are no relevant matters.

(Per-share Information)

FY12/21 (January 1 to December 31, 2021)		FY12/22 (January 1 to December 31, 2022)	
Net assets per share	535.40 yen	Net assets per share	657.21 yen
Basic earnings per share	137.34 yen	Basic earnings per share	183.11 yen
Diluted earnings per share	136.70 yen	Diluted earnings per share	182.14 yen

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

Item	FY12/21 (January 1 to December 31, 2021)	FY12/22 (January 1 to December 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	5,012	6,622
Profit attributable to owners of parent related to ordinary shares (million yen)	5,012	6,622
Profit not available to ordinary shares (million yen)	-	-
Average number of ordinary shares outstanding during the period (shares)	36,491,354	36,163,688
Diluted earnings per share		
Adjusted profit attributable to owners of parent (million yen)	-	-
Increase of ordinary shares (shares)	169,622	193,284
(of these, share acquisition rights [shares])	(169,622)	(193,284)
Overview of potential stock not included in calculation of diluted earnings per share because the stock has no dilution effect	-	-

(Major Subsequent Events)

(Tender Offer for Treasury Shares)

At the Board of Directors' Meeting held on Friday, February 10, 2023, based on the provisions of Article 156, Paragraph 1 of the Companies Act (Act No. 86, 2005, including subsequent revisions. Hereinafter referred to as the "Companies Act") as applied mutatis mutandis pursuant to the provision of Article 165, Paragraph 3 of the Companies Act and the Articles of Incorporation of the Company, Fullcast Holdings Co., Ltd. decided to acquire treasury shares and to conduct a tender offer of treasury shares (hereinafter referred to as "the Tender Offer") as a specific method of acquiring treasury shares. For the details, see “Announcement Regarding the Decision on Matters Related to the Acquisition of Treasury Shares and Tender Offer for Treasury Shares”.

1. Reasons for acquisition of Treasury Shares

Treasury shares will be acquired in order to provide greater returns to shareholders as well as to implement a flexible capital policy to enhance capital efficiency.

2. Resolution in Board of Directors Meeting:

Type of share certificates	Total	Total acquisition cost
Common stock	486,000 shares (Upper limit)	1,217,430,000 yen (Upper limit)

(Note 1). Total number of shares issued: 37,486,400 shares (As of February 10, 2023)

(Note 2). Percentage of the total shares issued: 1.30% (Rounded to three decimal places)

(Note 3). Acquisition period: From Monday, February 13 to Friday, April 28, 2023

3. Details Relating to the Acquisition

(1) Schedule, etc.

1) Resolution in Board of Directors’ Meeting	Friday, February 10, 2023
2) Publication date for commencing the Tender Offer	Monday, February 13, 2023 Electronic public notice will be posted, and the posting of the electronic public notice will be published in the Nihon Keizai Shimbun newspaper (Internet address for electronic public notice: https://disclosure2.edinet-fsa.go.jp/)
3) Filing date for the Tender Offer registration statement	Monday, February 13, 2023
4) Period of the Tender Offer	From Monday, February 13 to Monday, March 13, 2023 (20 business days)

(2) Tender Offer Price

2,505 yen per share of common stock

The Company decided at the Board of Directors' Meeting held on February 10, 2023 to set the Tender Offer price at 2,505 yen discounted by 10% from 2,783 yen (Rounded to the nearest whole yen), which was the closing price of the Company's common stock on the TSE Prime Market on February 9, 2023, the business day before the date of the Board of Directors' Meeting that resolved to carry out the Tender Offer (February 10, 2023).

(3) Number of Share Certificates Planned for Purchase

Type of share certificates	Number of share certificates planned for purchase	Number of planned excess amount of shares	Total
Common stock	485,900 shares	- shares	485,900 shares

Note 1. If the total number of tendered share certificates does not exceed the number of share certificates planned for purchase (485,900 shares), the Company will purchase all of the tendered share certificates. If the total number of Tendered Share Certificates exceeds the number of share certificates planned for purchase (485,900 shares), the Company will not purchase all or some of the surplus, and the Company will conduct delivery related to the purchase of share certificates and other settlements according to the pro rata method stipulated in Paragraph 5 of Article 27-13 of the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments. Hereinafter, referred to as “the Law”.) which is applied mutatis mutandis pursuant to Paragraph 2 of Article 27-22-2 and Article 21 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Listed Share Certificates, etc. by Issuer (Ordinance of the Ministry of Finance No. 95 of 1994, including subsequent amendments) (if the number of Tendered Share Certificates includes shares less than one unit (100 shares), the number of shares to be purchased calculated using the pro rata method will be limited to the number of Tendered Share Certificates in each case).

Note 2. Even if the shares are less than one unit, such shares are also subject to the Tender Offer. If the shareholders execute their right to demand purchase of shares less than one unit in accordance with the Companies Act, the Company may purchase its own shares during the period of the Tender Offer (hereinafter, referred to as the “Tender Offer Period”) in accordance with the legal procedure.

(4) Funds required for the Tender Offer

1,238,749,500 yen

Note: The amount of funds required for the Tender Offer is the estimated total of the purchase costs (1,217,179,500 yen), purchase handling charges, and other expenses including expenses required for the newspaper public notice regarding the Tender Offer and printing expenses for the Tender Offer explanation and other necessary documents.

(5) Settlement method

1) Name and address of the head office of financial instruments business operator/bank that will conduct settlement of the Tender Offer

Mizuho Securities Co., Ltd. 1-5-1 Otemachi, Chiyoda-ku, Tokyo

2) Commencement date of settlement

Wednesday, April 5, 2023

3) Settlement method

When the Tender Offer Period ends, a written notice for purchase through the Tender Offer will be sent by mail without delay to the address of the shareholders who tendered in the Tender Offer (hereinafter, referred to as “Tendering Shareholders”, and standing proxies in the case of shareholders resident overseas (including corporate shareholders. Hereinafter, referred to as “Non-Japanese Shareholders.”). The purchase will be made in cash. The amount after deducting the applicable withholding tax (Note) relating to dividends from the purchase amount will be remitted to the place designated by Tendering Shareholders (standing proxies in the case of Non-Japanese Shareholders) without delay after the commencement date of settlement by the TOB agent or paid into the accounts of Tendering Shareholders registered for the application at the TOB agent.