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May 10, 2019

Consolidated Financial Results Announcement for the First Quarter of the Fiscal Year Ending December 2019 [Japanese Standards] (Consolidated)

Company name: Fullcast Holdings Co., Ltd.
 Stock exchange listing: First Section of the Tokyo Stock Exchange
 Stock code: 4848
 URL: <https://www.fullcastholdings.co.jp>
 Representative: Kazuki Sakamaki, President, Representative Director and CEO
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 Date of submission of quarterly report (Planned): May 13, 2019
 Date of commencements of divided payments (Planned): -
 Preparation of supplementary references regarding financial results: Yes (shown on our website)
 Briefing for quarterly results: No

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2019 (January 1 to March 31, 2019)

(1) Consolidated Business Results

(% = year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY12/19 (March 31, 2019)	10,119	16.8	1,591	28.0	1,604	25.6	1,066	28.8
1Q FY12/18 (March 31, 2018)	8,660	19.8	1,242	41.5	1,277	44.9	827	16.4

(Note) Comprehensive income: 1,231 million yen (45.1%) as of March 31, 2019, 848 million yen (16.1%) as of March 31, 2018

	Profit per share	Diluted Profit per share
	Yen	Yen
1Q FY12/19 (March 31, 2019)	28.34	28.21
1Q FY12/18 (March 31, 2018)	21.88	21.79

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
End 1Q FY12/19 (March 31, 2019)	20,084	13,614	64.7
FY12/18 End	19,808	13,049	63.0

(Reference) Equity: 13,002 million yen as of March 31, 2019, 12,474 million yen as of March 31, 2018

2. Dividend Status

	Dividend per share (Yen)				
	1Q End	1H End	3Q End	FY End	Annual
FY12/18	-	14.00	-	18.00	32.00
FY12/19	-	-	-	-	-
FY12/19 Forecast	-	19.00	-	19.00	38.00

(Note) Revision of dividends forecast during the current first quarter: None

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2019
(January 1 to December 31, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	19,800	7.9	3,150	14.6	3,194	14.7	2,114	13.1	56.54
Full year	42,300	8.9	6,830	15.8	6,930	31.1	4,593	38.8	123.22

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

*** Notes**

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

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

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

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

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

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

3) Changes in accounting estimates: None

4) Re-presentation of changes: None

(4) Number of shares issued (Common stock)

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

1Q FY12/19	38,486,400	FY 12/18	38,486,400
1Q FY12/19	878,552	FY 12/18	878,552
1Q FY12/19	37,607,848	1Q FY12/18	37,806,136

2) Number of treasury shares at the term end

3) Average number of shares outstanding during the current term

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

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

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

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1. Qualitative Information Concerning Performance for the Current Quarter

(1) Explanation of Consolidated Operating Results

During the first quarter of the fiscal year under review, Japan's economy continued to undergo a steady recovery on the back of a sustained recovery in personal consumption, steady improvement in employment conditions, and growing capital investments despite the weak pace of increase in consumer prices relative to the expansion in the economy and the tightening of supply and demand for labor. Economic conditions are expected to continue to improve steadily in the future based on the outlook for sustained improvements in employment and income conditions, as well as to the effects of various government stimulus policies. However, the impacts of trade issues, effect of the outlook for potential slowing in the Chinese economy, uncertainties arising from the influence of government policies, and volatility in financial and capital markets still present risk of downward pressure to our business. Therefore the economic horizon continues to be clouded with these and other various uncertainties.

With regard to the operating environment surrounding the staffing service industry, the current outlook suggests that employment conditions will continue to improve as the job offers-to-applicants ratio remains at a high level despite a flattening of growth in its rate of improvement. Furthermore, the staffing service industry remains supported by increases in the number of both workers and new job offers, and by moderate improvements in both the employment rate and new job offer ratio.

Against this backdrop, the Fullcast Group implemented group management activities to achieve our goal of "Expand Short-Term Operational Support Business and promote to cultivate and gain new business opportunities in neighboring business fields" during the first current quarter. In particular, marketing activities were implemented with an emphasis on boosting overall profitability of the Fullcast Group and focused upon the mainstay "Placement" (Note1) and "BPO"(Note2) services. In addition, efforts are being made to create a structure that can realize higher profits by increasing productivity and promoting operational efficiencies across the entire Fullcast Group.

Consolidated net sales increased by 16.8% year-on-year to 10,119 million yen, driven by mainstay "Placement", "BPO", and "Dispatching" services based upon the continuing trend of strong demand for short-term staffing.

In terms of profits, consolidated operating profit rose by 28.0% year-on-year to 1,591 million yen due mainly to the increase in sales of mainstay services. Profit attributable to owners of parent increased by 28.8% year-on-year to 1,066 million yen, on the back of the rise in consolidated operating profit.

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

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

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

1) Short-Term Operational Support Business

Net sales of the "Short-Term Operational Support Business" increased by 19.0% year-on-year to 8,739 million yen, driven by mainstay "Placement", "BPO", and "Dispatching", services based upon the continuing trend of strong demand for short-term staffing.

In terms of profits, segment profit (Operating profit) increased by 20.3% year-on-year to 1,762 million yen due mainly to the increase in sales of mainstay services.

2) Sales Support Business

Net sales of the "Sales Support Business" declined by 2.3% year-on-year to 798 million yen, due mainly to the impact of the reorganization of unprofitable sites in the previous fiscal year.

In terms of profits, although an operating loss was recorded due to lower sales, the margin of the loss was reduced year-on-year, to an operating loss of 9 million yen (Compared with 39 million yen in operating loss in the same period of the previous fiscal year).

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” increased by 15.9% year-on-year to 581 million yen, due mainly to an increase in the number of long-term security projects acquired.

In terms of profits, segment profit (Operating profit) increased by 53.6% year-on-year to 57 million yen on the back of growth in sales, higher gross margin resulting from the acquisition of high profit margin long-term security projects through ongoing marketing activities focused on profitability, and successful measures to restrain SG&A expenses implemented from the previous fiscal year.

(2) Explanation of Consolidated Financial Position

Assets, Liabilities and Net Assets

At the end of the first quarter, total assets increased by 276 million yen from the end of the previous fiscal year to 20,084 million yen. Equity increased by 529 to 13,002 million yen (Equity ratio of 64.7%), and net assets increased by 565 to 13,614 million yen.

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

With regards to assets, current assets decreased by 48 million yen from the end of the previous fiscal year to 13,980 million yen. This decrease is attributed mainly to a decline in cash and deposits of 430 to 8,037 million yen versus increases in other current assets of 240 to 554 million yen caused mainly by increases in accounts receivable-other of 218 to 270 million yen, notes and accounts receivable-trade of 127 to 5,322 million yen, and merchandise of 25 to 48 million yen.

Non-current assets increased by 324 million yen from the end of the previous fiscal year to 6,105 million yen. This increase is attributed mainly to increases in investment securities of 232 to 2,393 million yen, in other, net in property, plant and equipment of 55 to 92 million caused mainly by an increase in construction in progress of 55 to 91 million yen, other in intangible assets of 50 to 370 million yen caused mainly by an increase in software of 55 to 338 million yen as well as a decline in allowance for doubtful accounts of 20 to 69 million yen versus a decline in goodwill of 52 to 1,094 million yen.

With regard to liabilities, current liabilities decreased by 319 million yen from the end of the previous fiscal year to 5,500 million yen. This decrease is attributed mainly to declines in income taxes payable of 755 to 229 million yen, accrued consumption taxes of 241 to 648 million yen, accounts payable-other of 109 to 1,303 million yen, and accrued expenses of 39 to 993 million yen versus increases in other in current liabilities of 645 to 1,005 million yen mainly due to an increase in withholding income tax deposits of 697 to 761 million yen, provision for bonuses of 130 to 187 million yen, and notes and accounts payable-trade of 57 to 82 million yen.

Non-current liabilities increased by 30 million yen from the end of the previous fiscal year to 970 million yen. This increase is mainly attributed to an increase in other in non-current liabilities of 29 to 175 million yen due mainly to an increase in deferred tax liabilities of 27 to 43 million yen.

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current first quarter. Comparison and analysis of financial position with the previous fiscal year has been conducted using figures following the retrospective application of the relevant accounting standard, and others.

(3) Explanation of Consolidated Business Forecasts

With regard to the consolidated business forecasts for the fiscal year ending December 2019, the consolidated business results in the first quarter exceeded 50% of each of the forecasts for the first half as our core Short-Term Operational Support Business remained strong. Consequently, business results in the first quarter progressed at a pace that does not necessitate revisions to the business forecasts. Therefore, the first half and full year consolidated business forecasts for the fiscal year ending December 2019 released on February 8, 2019 remain unchanged at the present time.

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

(Million yen)

	FY12/18 End (December 31, 2018)	1Q FY12/19 End (March 31, 2019)
ASSETS		
Current assets		
Cash and deposits	8,467	8,037
Notes and accounts receivable-trade	5,195	5,322
Merchandise	23	48
Supplies	45	37
Other	315	554
Allowance for doubtful accounts	(18)	(19)
Total current assets	14,028	13,980
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	463	471
Tools, furniture and fixtures, net	182	181
Land	565	565
Other, net	37	92
Total property, plant and equipment	1,247	1,309
Intangible assets		
Goodwill	1,146	1,094
Other	320	370
Total intangible assets	1,466	1,464
Investments and other assets		
Investment securities	2,161	2,393
Other	995	1,007
Allowance for doubtful accounts	(88)	(69)
Total investments and other assets	3,068	3,332
Total non-current assets	5,780	6,105
Total assets	19,808	20,084

(Million yen)

	FY12/18 End (December 31, 2018)	1Q FY12/19 End (March 31, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	25	82
Short-term borrowings	1,000	1,000
Current portion of long-term borrowings	15	15
Accounts payable-other	1,411	1,303
Accrued expenses	1,031	993
Income taxes payable	984	229
Accrued consumption taxes	889	648
Provision for bonuses	57	187
Allowance for subscription cancellations	46	38
Other	360	1,005
Total current liabilities	5,820	5,500
Non-current liabilities		
Long-term borrowings	237	234
Retirement benefit liability	557	562
Other	145	175
Total non-current liabilities	940	970
Total liabilities	6,759	6,470
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	8,858	9,247
Treasury shares	(1,280)	(1,280)
Total shareholders' equity	12,364	12,753
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	110	249
Total accumulated other comprehensive income	110	249
Share acquisition rights	76	87
Non-controlling interests	499	525
Total net assets	13,049	13,614
Total liabilities and net assets	19,808	20,084

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

Quarterly Consolidated Statement of Income

[First Quarter of the Current Fiscal Year]

	(Million yen)	
	1Q FY12/18 (January 1 to March 31, 2018)	1Q FY12/19 (January 1 to March 31, 2019)
Net sales	8,660	10,119
Cost of sales	4,870	5,682
Gross profit	3,790	4,437
Selling, general and administrative expenses	2,548	2,846
Operating profit	1,242	1,591
Non-operating income		
Share of profit of entities accounted for using equity method	11	1
Reversal of allowance for doubtful accounts	29	12
Surrender value of insurance policies	-	9
Other	6	4
Total non-operating income	46	26
Non-operating expenses		
Interest expenses	2	3
Damage compensation expenses	0	1
Settlement package	2	4
Commission for purchase of treasury shares	3	3
Other	3	2
Total non-operating expenses	11	12
Ordinary profit	1,277	1,604
Extraordinary losses		
Loss on retirement of non-current assets	5	5
Loss on disaster	-	6
Total extraordinary losses	5	10
Profit before income taxes	1,272	1,594
Income taxes-current	505	581
Income taxes-deferred	(58)	(67)
Total income taxes	446	513
Profit	826	1,080
Profit (loss) attributable to non-controlling interests	(1)	14
Profit attributable to owners of parent	827	1,066

Quarterly Consolidated Statement of Comprehensive Income

[First Quarter of the Current Fiscal Year]

(Million yen)

	1Q FY12/18 (January 1 to March 31, 2018)	1Q FY12/19 (January 1 to March 31, 2019)
Profit	826	1,080
Other comprehensive income		
Valuation difference on available-for-sale securities	22	151
Total other comprehensive income	22	151
Comprehensive income	848	1,231
(Comprehensive income attributable to)		
Owners of parent	844	1,206
Non-controlling interests	4	26

(3) Notes on Quarterly Consolidated Financial Statements

(Concerning Notes about Going Concern Assumption)

There are no relevant matters.

(Concerning Significant Change of Shareholders' Equity)

There are no relevant matters.

(Segment Information and Others)

[Segment Information]

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

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

(Million yen)

	Reporting segment			Total	Adjustment amount (Note1)	Quarterly consolidated statement of income amount (Note2)
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	7,342	817	501	8,660	-	8,660
Inter-segment sales or transfers	0	-	0	0	(0)	-
Total	7,342	817	501	8,660	(0)	8,660
Segment profit or loss (-)	1,464	(39)	37	1,462	(220)	1,242

- Notes: 1. (0) million yen in inter-segment eliminations and (220) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (220) million yen segment profit adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific reporting segments.
2. Segment income or loss (-) is adjusted with operating profit as listed in quarterly consolidated profit and loss statement.

2. Information Relating to Assets by Reported Segments

(Significant increases in assets through the acquisition of subsidiaries)

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

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

(Significant changes in goodwill amount)

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

First Quarter of the Current Fiscal Year (January 1 to March 31, 2019)

Information Concerning Sales, Profits and Losses for Each Reporting Segment

	Reporting segment			Total	Adjustment amount (Note1)	Quarterly consolidated statement of income amount (Note2)
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	8,739	798	581	10,119	-	10,119
Inter-segment sales or transfers	0	-	-	0	(0)	-
Total	8,739	798	581	10,119	(0)	10,119
Segment profit or loss (-)	1,762	(9)	57	1,810	(219)	1,591

- Notes: 1. (3) million yen in inter-segment eliminations and (216) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (219) million yen segment profit adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific reporting segments.
2. Segment income or loss (-) is adjusted with operating profit as listed in quarterly consolidated profit and loss statement.

(Additional Information)

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current first quarter. Deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

(Major Subsequent Events)

(Acquisition of Treasury Shares)

In accordance with the resolution at the Board of Directors Meeting held on February 8, 2019, the Company conducted a tender offer of treasury shares (Hereinafter referred to as “the Tender Offer”) and the market purchase after the Tender Offer.

I. Acquisition of 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. Details Relating to the Acquisition

- (1) Types of shares to be acquired: Common stock
- (2) Total number of shares that can be acquired: 450,000 shares (Maximum limit)
(1.17% of total number of shares issued (Excluding treasury shares)
(Rounded to three decimal places))
- (3) Total acquisition cost: 827 million yen (Maximum limit)
- (4) Acquisition period: February 12, 2019 - April 26, 2019
- (5) Method of acquisition: Fullcast Holdings Co., Ltd. acquired treasury shares by means of the Tender Offer and the market purchase after the Tender Offer. With regards to the acquisition cost out of the total acquisition cost of 827 million yen not acquired based on the Tender Offer, the Company conducted market purchase (Discretionary dealing by securities firm) on the Tokyo Stock Exchange, Inc. (Hereinafter, referred to as “the TSE”) with an acquisition period from April 4,

2019, which was the business day following the commencement date of settlement for the Tender Offer (April 3, 2019), until April 26, 2019.

II. Tender Offer for Treasury Shares

Tender Offer Outline

(1) Schedule, Others

1) Resolution in Board of Directors Meeting:	February 8, 2019
2) Publication date for commencing the Tender Offer:	February 12, 2019
3) Filing date for the Tender Offer registration statement:	February 12, 2019
4) Period of the Tender Offer:	February 12 - March 11, 2019 (20 business days)

(2) Tender Offer Price

1,767 yen per share of common stock

The Company decided at the Board of Directors' Meeting held on February 8, 2019 to set the Tender Offer price at 1,767 yen discounted by 9.98% from 1,963 yen (Rounded to the nearest whole yen), which was the closing price of the Company's common stock on the First Section of the TSE on February 7, 2019, the business day before the date of the Board of Directors' Meeting that resolved to carry out the Tender Offer (February 8, 2019).

(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	440,000 shares	- shares	440,000 shares

(4) Funds Required for the Tender Offer

728,325,156 yen

Note: The amount of funds required for the Tender Offer is the total of the purchase costs (706,800,000 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) Commencement Date of Settlement

April 3, 2019

The Board of Directors Meeting held on March 29, 2019 resolved to change the aforementioned "I. Acquisition of treasury shares, 2. Details relating to the acquisition" as outlined below.

- (2) Total number of shares that can be acquired: 500,000 shares (Maximum limit)
 (1.33% of total number of shares issued (Excluding treasury shares)
 (Rounded to three decimal places))