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August 9, 2019

Consolidated Financial Results Announcement for the First Half 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/>
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 Date of submission of quarterly report (Planned): August 13, 2019
 Date of commencements of divided payments (Planned): September 2, 2019
 Preparation of supplementary references regarding financial results: Yes (Shown on our website)
 Briefing for quarterly results: Yes (For institutional investors and analysts)

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2019 (January 1 to June 30, 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	%
1H FY12/19 (June 30, 2019)	21,203	15.5	3,453	25.6	3,498	25.6	2,323	24.3
1H FY12/18 (June 30, 2018)	18,354	19.2	2,749	29.2	2,784	29.8	1,869	21.1

(Note) Comprehensive income: 2,686 million yen (40.3%) as of June 30, 2019, 1,914 million yen (18.1%) as of June 30, 2018

	Profit per share		Diluted profit per share	
	Yen		Yen	
1H FY12/19 (June 30, 2019)	62.12		61.81	
1H FY12/18 (June 30, 2018)	49.57		49.35	

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1H FY12/19 End (June 30, 2019)	20,409	14,252	66.6
FY12/18 End	19,808	13,049	63.0

(Reference) Equity: 13,601 million yen as of June 30, 2019, 12,474 million yen as of December 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	-	19.00	-	-	-
FY12/19 Forecast	-	-	-	19.00	38.00

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

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2019

(January 1 to December 31, 2019)

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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 half: None

* Notes

(1) Important changes of subsidiaries during the current first half: 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)

2Q FY12/19	38,486,400	FY 12/18	38,486,400
2Q FY12/19	1,328,352	FY 12/18	878,552
2Q FY12/19	37,391,079	2Q FY12/18	37,706,470

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 4 "1-(3) Explanation of Consolidated Business 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 half of the current fiscal year, Japan's economy continued to undergo a gradual recovery. This recovery was driven by the ongoing recovery in personal consumption along with moderate increases in consumer prices, in addition to steadily improving employment conditions and moderate increases in capital investments despite recent weakness seen in exports and production. Economic conditions are expected to continue to improve steadily in the future based on the effects of various Government stimulus policies, amidst ongoing improvements in employment conditions and income environment, and despite signs of weakness seen most recently. However, there may be some need for further caution arising from the impacts of trade issues on the global economy, potential risks to the economic growth posed by the uncertain future of China's economy, fluctuations in other overseas economies, uncertainties arising from Government policies, and volatility in financial and capital markets. Consequently, the economic horizon remains somewhat unclear.

With regard to the operating environment surrounding the staffing service industry, the current environment suggests that employment conditions will continue to improve as the job offers-to-applicants ratio and number of new job offers remain unchanged, while the worker numbers and the employment rate are continue to undergo moderate improvements.

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 half. In particular, marketing activities were implemented with an emphasis on boosting overall profitability of the Fullcast Group and focused upon the mainstay "Placement" (Note 1) and "BPO" (Note 2) 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 15.5% year-on-year to 21,203 million yen, driven by growth in "Dispatching" service by our efforts to satisfy the long-term human resource needs of the client companies, in addition to leading of mainstay "Placement" and "BPO" services based on the continuing trend of strong demand for short-term staffing, throughout the first half.

In terms of profits, consolidated operating profit increased by 25.6% year-on-year to 3,453 million yen, due mainly to the increase in sales of mainstay services along with the "Dispatching" service. Consolidated ordinary profit increased by 25.6% year-on-year to 3,498 million yen and profit attributable to owners of parent increased by 24.3% year-on-year to 2,323 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 17.5% year-on-year to 18,243 million yen, driven by growth in "Dispatching" service by our efforts to satisfy the long-term human resource needs of the client companies, in addition to leading of mainstay "Placement" and "BPO" services based on the continuing trend of strong demand for short-term staffing, throughout the first half.

In terms of profits, segment profit (Operating profit) increased by 19.7% year-on-year to 3,685 million yen, due mainly to the increase in sales of mainstay services along with the "Dispatching" service.

2) Sales Support Business

Net sales of the "Sales Support Business" declined by 1.3% year-on-year to 1,810 million yen, due mainly to the impact of the reorganization of unprofitable sites in the previous fiscal year.

In terms of profits, segment profit (Operating profit) declined by 9.2% year-on-year to 84 million yen because of the decline in net sales.

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” increased by 15.4% year-on-year to 1,150 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 60.7% year-on-year to 113 million yen, on the back of growth in sales and successful measures to restrain SG&A expenses ratio.

(2) Explanation of Consolidated Financial Position

1) Assets, Liabilities and Net Assets

At the end of the first half, total assets increased by 601 million yen from the end of the previous fiscal year to 20,409 million yen. Equity increased by 1,127 to 13,601 million yen (Equity ratio of 66.6%), and net assets increased by 1,203 to 14,252 million yen.

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

With regards to assets, current assets increased by 174 million yen from the end of the previous fiscal year to 14,202 million yen. This increase is attributed mainly to increases in notes and accounts receivable-trade of 232 to 5,427 million yen, and merchandise of 23 to 46 million yen, which offset a decline in cash and deposits of 87 to 8,380 million yen.

Non-current assets increased by 427 million yen from the end of the previous fiscal year to 6,207 million yen. This increase is attributed mainly to a decrease in other under investments and other assets of 119 to 876 million yen caused mainly by a fall in deferred tax assets of 102 to 174 million yen, as well as a drop in goodwill of 103 to 1,043 million yen, while investment securities increased by 540 to 2,701 million yen, and other under property, plant and equipment rose by 59 to 96 million yen mainly due to a rise in construction in progress of 60 to 95 million yen, as well as an increase in other under intangible assets of 36 to 355 million yen caused mainly by a rise in software of 32 to 315 million yen.

With regard to liabilities, current liabilities decreased by 648 million yen from the end of the previous fiscal year to 5,171 million yen. This decrease is attributed mainly to declines in income taxes payable of 410 to 574 million yen, accounts payable-other of 242 to 1,169 million yen and accrued consumption taxes of 163 to 726 million yen, versus increases in notes and accounts payable-trade of 79 to 104 million yen and provision for bonuses of 32 to 89 million yen.

Non-current liabilities rose by 46 million yen from the end of the previous fiscal year to 986 million yen. This increase is mainly attributed to a rise in other under non-current liabilities of 35 to 181 million yen due mainly to an increase in deferred tax liabilities of 30 to 45 million yen, as well as a rise in retirement benefit liability of 18 to 575 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.

2) Cash Flows

Outstanding cash and cash equivalents (Hereinafter referred to as “funds”) at the end of the first half decreased by 87 million yen from the end of the previous fiscal year to 8,380 million yen.

(Cash Flows from Operating Activities)

Funds provided by operating activities were 1,721 million yen (Compared with 1,379 million yen provided in the first half of the previous fiscal year) due to profit before income taxes of 3,483 million yen, depreciation of 125 million yen, amortization of goodwill of 103 million yen, while income taxes paid of 1,494 million yen, increase in trade receivables of 225 million yen, decrease in accrued consumption taxes of 162 million yen, and decline in trade payables of 114 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities were 277 million yen (Compared with 135 million yen provided in the first half of the previous fiscal year) due mainly to purchase of intangible assets of 152 million yen, purchase of property, plant and equipment of 101 million yen, and purchase of investment securities of 43 million yen, versus collection of loans receivable of 24 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities were 1,530 million yen (Compared with 1,753 million yen used in the first half of the previous fiscal year) due to purchase of treasury shares of 847 million yen and dividends paid of 676 million yen.

(3) Explanation of Consolidated Business Forecasts

With regard to the full-year consolidated business forecasts for the fiscal year ending December 2019, the consolidated business results in the first half progressed at a pace that does not necessitate revisions to the business forecasts while our core Short-Term Operational Support Business remained strong. Therefore, the full-year consolidated business forecasts for the fiscal year ending December 2019 released on February 8, 2019 remain unchanged.

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

(Million yen)

	FY12/18 End (December 31, 2018)	2Q FY12/19 End (June 30, 2019)
ASSETS		
Current assets		
Cash and deposits	8,467	8,380
Notes and accounts receivable-trade	5,195	5,427
Merchandise	23	46
Supplies	45	35
Other	315	333
Allowance for doubtful accounts	(18)	(20)
Total current assets	14,028	14,202
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	463	468
Tools, furniture and fixtures, net	182	164
Land	565	565
Other, net	37	96
Total property, plant and equipment	1,247	1,293
Intangible assets		
Goodwill	1,146	1,043
Other	320	355
Total intangible assets	1,466	1,398
Investments and other assets		
Investment securities	2,161	2,701
Other	995	876
Allowance for doubtful accounts	(88)	(60)
Total investments and other assets	3,068	3,516
Total non-current assets	5,780	6,207
Total assets	19,808	20,409

(Million yen)

	FY12/18 End (December 31, 2018)	2Q FY12/19 End (June 30, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	25	104
Short-term borrowings	1,000	1,000
Current portion of long-term borrowings	15	15
Accounts payable-other	1,411	1,169
Accrued expenses	1,031	1,058
Income taxes payable	984	574
Accrued consumption taxes	889	726
Provision for bonuses	57	89
Allowance for subscription cancellations	46	48
Other	360	387
Total current liabilities	5,820	5,171
Non-current liabilities		
Long-term borrowings	237	230
Retirement benefit liability	557	575
Other	145	181
Total non-current liabilities	940	986
Total liabilities	6,759	6,157
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	8,858	10,504
Treasury shares	(1,280)	(2,107)
Total shareholders' equity	12,364	13,183
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	110	418
Total accumulated other comprehensive income	110	418
Share acquisition rights	76	97
Non-controlling interests	499	554
Total net assets	13,049	14,252
Total liabilities and net assets	19,808	20,409

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

Quarterly Consolidated Statement of Income

[First Half of the Current Fiscal Year]

	(Million yen)	
	1H FY12/18 (January 1 to June 30, 2018)	1H FY12/19 (January 1 to June 30, 2019)
Net sales	18,354	21,203
Cost of sales	10,418	12,096
Gross profit	7,936	9,107
Selling, general and administrative expenses	5,187	5,654
Operating profit	2,749	3,453
Non-operating income		
Dividend income	1	1
Share of profit of entities accounted for using equity method	28	44
Reversal of allowance for doubtful accounts	14	21
Other	18	22
Total non-operating income	60	89
Non-operating expenses		
Interest expenses	4	5
Damage compensation expenses	1	2
Settlement package	9	7
Commission for purchase of treasury shares	3	20
Other	8	11
Total non-operating expenses	25	44
Ordinary profit	2,784	3,498
Extraordinary income		
Gain on sale of businesses	24	-
Total extraordinary income	24	-
Extraordinary losses		
Loss on retirement of non-current assets	5	9
Loss on disaster	-	6
Other	1	-
Total extraordinary losses	6	15
Profit before income taxes	2,803	3,483
Income taxes-current	813	1,125
Income taxes-deferred	104	(11)
Total income taxes	917	1,114
Profit	1,885	2,368
Profit attributable to non-controlling interests	16	46
Profit attributable to owners of parent	1,869	2,323

Quarterly Consolidated Statement of Comprehensive Income
 [First Half of the Current Fiscal Year]

	(Million yen)	
	IH FY12/18 (January 1 to June 30, 2018)	IH FY12/19 (January 1 to June 30, 2019)
Profit	1,885	2,368
Other comprehensive income		
Valuation difference on available-for-sale securities	29	317
Total other comprehensive income	29	317
Comprehensive income	1,914	2,686
(Comprehensive income attributable to)		
Owners of parent	1,891	2,631
Non-controlling interests	23	55

(3) Quarterly Consolidated Statement of Cash Flows

	(Million yen)	
	1H FY12/18 (January 1 to June 30, 2018)	1H FY12/19 (January 1 to June 30, 2019)
Cash flows from operating activities		
Profit before income taxes	2,803	3,483
Depreciation	110	125
Amortization of goodwill	73	103
Increase (decrease) in allowance for doubtful accounts	(2)	(26)
Increase (decrease) in provision for bonuses	1	32
Increase (decrease) in allowance for subscription cancellations	(24)	2
Increase (decrease) in retirement benefit liability	24	18
Interest and dividend income	(2)	(2)
Interest expenses	4	5
Share of loss (profit) of entities accounted for using equity method	(28)	(44)
Loss (gain) on sale of businesses	(24)	-
Decrease (increase) in trade receivables	(320)	(225)
Decrease (increase) in inventories	(28)	(13)
Increase (decrease) in trade payables	72	(114)
Decrease (increase) in accounts receivable - other	12	10
Increase (decrease) in accrued expenses	(62)	27
Increase (decrease) in accrued consumption taxes	(96)	(162)
Other, net	129	(10)
Subtotal	2,641	3,210
Interest and dividends received	2	10
Interest paid	(4)	(5)
Income taxes paid	(1,271)	(1,494)
Income taxes refund	10	1
Net cash provided by (used in) operating activities	1,379	1,721
Cash flows from investing activities		
Purchase of property, plant and equipment	(36)	(101)
Purchase of intangible assets	(40)	(152)
Purchase of investment securities	(49)	(43)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	263	-
Loan advances	(29)	-
Collection of loans receivable	24	24
Proceeds from sale of businesses	24	-
Other, net	(23)	(5)
Net cash provided by (used in) investing activities	135	(277)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6)	-
Repayments of long-term borrowings	(532)	(8)
Purchase of treasury shares	(685)	(847)
Dividends paid	(530)	(676)
Net cash provided by (used in) financing activities	(1,753)	(1,530)
Net increase (decrease) in cash and cash equivalents	(239)	(87)
Cash and cash equivalents at beginning of period	9,371	8,467
Cash and cash equivalents at end of period	9,132	8,380

(4) 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 Half of the Previous Fiscal Year (January 1 to June 30, 2018)

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

(Million yen)

	Reporting segment			Total	Adjustment amount (Note 1)	Quarterly consolidated statement of income amount (Note 2)
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	15,523	1,834	997	18,354	-	18,354
Inter-segment sales or transfers	0	-	0	0	(0)	-
Total	15,524	1,834	997	18,354	(0)	18,354
Segment profit	3,080	92	70	3,242	(493)	2,749

- Notes: 1. (1) million yen in inter-segment eliminations and (493) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (493) 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 profit is adjusted with operating profit as listed in quarterly consolidated statement of income.

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 from the first quarter of the fiscal year ended December 2018. Compared to the end of the previous fiscal year, segment assets in the "Short-Term Operational Support Business" segment rose by 1,288 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 from 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 half of the fiscal year ended December 2018.

First Half of the Current Fiscal Year (January 1 to June 30, 2019)
Information Concerning Sales, Profits and Losses for Each Reporting Segment

(Million yen)

	Reporting segment			Total	Adjustment amount (Note 1)	Quarterly consolidated statement of income amount (Note 2)
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	18,243	1,810	1,150	21,203	-	21,203
Inter-segment sales or transfers	0	-	0	0	(0)	-
Total	18,244	1,810	1,150	21,203	(0)	21,203
Segment profit	3,685	84	113	3,882	(429)	3,453

- Notes: 1. (4) million yen in inter-segment eliminations and (425) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (429) 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 profit is adjusted with operating profit as listed in quarterly consolidated statement of income.

(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.