

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.



November 6, 2020

Consolidated Financial Results Announcement for the First Three Quarters of the Fiscal Year Ending December 2020 [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
 Contact: Yasuomi Tomotake, General Manager of the Finance and IR Department
 Telephone: +81-3-4530-4830
 Date of submission of quarterly report (Planned): November 12, 2020
 Date of commencements of dividend payments (Planned): -
 Preparation of supplementary references regarding financial results: Yes (shown on our website)
 Briefing for quarterly results: None

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending December 31, 2020 (January 1 to September 30, 2020)

(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	%
1Q-3Q FY12/20	31,914	(2.5)	4,672	(13.0)	4,699	(14.2)	3,167	(12.5)
1Q-3Q FY12/19	32,738	16.1	5,367	24.8	5,478	25.7	3,618	23.5

(Note) Comprehensive income: 2,904 million yen ((29.3%)) as of September 30, 2020 4,110 million yen (35.5%) as of September 30, 2019

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
1Q-3Q FY12/20	85.92		85.44	
1Q-3Q FY12/19	96.96		96.47	

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
3Q FY12/20 End (September 30, 2020)	22,315	16,743	70.2
FY12/19 End	23,464	16,213	65.8

(Reference) Equity: 15,672 million yen as of September 30, 2020 15,447 million yen as of December 31, 2019

2. Dividend Status

	Dividend per share (Yen)				
	1Q End	1H End	3Q End	FY End	Annual
FY12/19	-	19.00	-	21.00	40.00
FY12/20	-	19.00	-		
FY12/20 Forecast				22.00	41.00

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

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2020 (January 1 to December 31, 2020)

(% = year-on-year change)

	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
Full year	41,600	(6.5)	5,700	(21.1)	5,680	(19.6)	3,845	(17.2)	104.42

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

* Notes

(1) Important changes of subsidiaries during the current first three quarters: 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 issued shares (Ordinary shares)

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

3Q FY12/20	38,486,400	FY12/19	38,486,400
3Q FY12/20	1,777,852	FY12/19	1,328,352
3Q FY12/20	36,859,475	3Q FY12/19	37,312,549

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".

<Table of Contents of Appendix>

1. Qualitative Information Concerning Performance for the Current Quarter	2
(1) Explanation of Consolidated Operating Results	2
(2) Explanation of Consolidated Financial Position	4
(3) Explanation of Consolidated Business Forecasts.....	4
2. Quarterly Consolidated Financial Statements and Primary Notes.....	5
(1) Quarterly Consolidated Balance Sheet.....	5
(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	7
(3) Notes on Quarterly Consolidated Financial Statements	9
(Notes on Going Concern Assumption)	9
(Notes on Significant Change of Shareholders' Equity)	9
(Segment Information and Others)	9
(Additional Information)	10

1. Qualitative Information Concerning Performance for the Current Quarter

(1) Explanation of Consolidated Operating Results

During the first three quarters of the current fiscal year, Japan's economy continued to face severe conditions, including a sharp decline in corporate earnings caused by the impacts of the COVID-19 pandemic. However following the lifting of the state of emergency, a recovery was seen in individual consumption and there are other signs of improvement indicating a recovery in the economy as of late, which comes despite continued pessimism in corporate business sentiment. Economic conditions are expected to continue to recover, given the effects of various government policies and improvements seen in overseas economies, as the level of socioeconomic activities are increased in stages while steps continue to be taken to prevent the spread of the virus. However, the economic horizon remains unclear and requires close monitoring of the impact of development of responses to the pandemic inside and outside Japan, and the volatility of financial and capital markets.

The current operating environment surrounding the staffing service industry is weak due to various impacts of COVID-19, including declining job offers-to-applicants ratio, rising number of unemployed and continued increases in the unemployment rate, and while worker numbers appear to be firm as the number of new job offers remains largely unchanged as of late. With regard to the future outlook, the number of workers is expected to remain firm with a recovery in the level of socioeconomic activities. However, there are also concerns of growing weakness caused by adjustments to employment conditions. Therefore, close attention needs to be paid to the impacts of COVID-19.

Against this backdrop, the Fullcast Group implemented group management activities to achieve our goal of "Achieving the targets of the final fiscal year of the Medium-Term Management Plan by expanding the "Short-Term Operational Support Business" and promoting to gain new business opportunities in neighboring business fields" during the first three quarters. 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 declined by 2.5% year-on-year to 31,914 million yen, due to the impacts dampening overall client demand due to the slowdown in business activities caused by COVID-19, and the impacts on recovery in client demand caused by concerns over a second wave of infections, in the mainstay "Short-Term Operational Support Business".

In terms of profits, SG&A expenses rose by 1.5% year-on-year to 8,605 million yen, due mainly to the inclusion of the business performance of NIHON DENKI SERVICE Co., Ltd. and HR Management Co., Ltd. after the two companies became consolidated subsidiaries from this fiscal year. Consolidated operating profit declined by 13.0% year-on-year to 4,672 million yen and consolidated ordinary profit fell by 14.2% year-on-year to 4,699 million yen due to the drop in revenue from the mainstay "Short-Term Operational Support Business".

Profit attributable to owners of parent declined by 12.5% year-on-year to 3,167 million yen, because gain on sales of investment securities of 250 million yen was booked as an extraordinary income following the partial sale of investment securities during the second quarter, and loss on COVID-19 of 26 million yen was booked as an extraordinary loss, among other factors.

Furthermore, the Group acquired shares of HR Management Co., Ltd. on January 1, 2020, making it a consolidated subsidiary. In addition, the Group has included NIHON DENKI SERVICE Co., Ltd., which was an unconsolidated subsidiary equity method affiliate up to the previous fiscal year, in the scope of consolidation from the first quarter of the fiscal year ending December 2020.

Of the Company's consolidated subsidiaries, HR Management Co., Ltd. and NIHON DENKI SERVICE Co., Ltd. end their fiscal years on March 31. Consequently, consolidated financial statements were prepared based on provisional settlements conducted as of the fiscal year end for consolidated accounts. All other consolidated subsidiaries fiscal year match that of the Company's fiscal year.

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” declined by 5.3% year-on-year to 26,847 million yen, because in particular to the impacts from the contraction in overall demand among client companies in event- and service-related sectors (restaurants, retail, accommodations) caused by the COVID-19 pandemic, and the temporary peak demand for shipments of pharmaceuticals, daily essentials and foods in the logistics industry, which we had handled during the second quarter, calmed in the third quarter.

Segment profit (Operating profit) decreased by 18.2% year-on-year to 4,669 million yen, due mainly to the decline in gross profit resulting from the drop in net sales.

2) Sales Support Business

Net sales of the “Sales Support Business” increased by 31.9% year-on-year to 3,476 million yen, due mainly to the acquisition of telework for the sale of Internet access, which is a mainstay business, during Japan’s state of emergency as special demand in the second quarter of the fiscal year, and the inclusion of the earnings of NIHON DENKI SERVICE Co., Ltd., a newly consolidated subsidiary from this fiscal year.

Segment profit (Operating profit) increased by 287.2% year-on-year to 430 million yen, due to the increase in net sales.

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” declined by 9.6% year-on-year to 1,591 million yen, due mainly to a decline in temporary security projects caused by the impacts of the COVID-19 pandemic.

Segment profit (Operating profit) remained largely unchanged year-on-year, up 8.4% to 199 million yen, due to an increase in operating profit ratio of 2.1 points through curtailing SG&A expenses, mainly recruitment expenses and personnel costs, and despite the drop in net sales.

(Risk information concerning the COVID-19 pandemic)

In the first three quarters of the current fiscal year, the following matter has occurred that should be added to risks associated with our businesses noted in the securities report for the previous fiscal year.

Furthermore, forward-looking statements were determined as of the final day of the third quarter of the current fiscal year.

Note that the item number for the following heading corresponds to those of “Section 1 Corporate Information, Part 2 State of Business, 2. Risks Associated with Our Businesses” in the Securities Report for the previous fiscal year.

(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, were to occur that exceeded the 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.

(2) Explanation of Consolidated Financial Position

Assets, Liabilities and Net Assets

At the end of the third quarter, total assets decreased by 1,149 million yen from the end of the previous fiscal year to 22,315 million yen. Equity increased by 225 to 15,672 million yen (Equity ratio of 70.2%), and net assets grew by 530 to 16,743 million yen.

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

With regards to assets, current assets declined by 510 million yen from the end of the previous fiscal year to 17,459 million yen. This decline is attributed mainly to falls in notes and accounts receivable-trade of 647 to 5,130 million yen and in cash and deposits of 74 to 11,737 million yen, which offset an increase in other under current assets of 216 to 562 million yen caused mainly by an increase in accounts receivable-other of 238 to 278 million yen.

Non-current assets fell by 639 million yen from the end of the previous fiscal year to 4,856 million yen. This fall is attributed mainly to declines in investment securities of 816 to 1,982 million yen and in goodwill of 118 to 825 million yen, compared to an increase in other under investments and other assets of 253 to 1,067 million yen caused primarily by the rise in deferred tax assets of 172 to 322 million yen and in leasehold deposits of 60 to 577 million yen.

With regard to liabilities, current liabilities decreased by 1,697 million yen from the end of the previous fiscal year to 4,730 million yen. This decrease is attributed mainly to declines in income taxes payable of 916 to 312 million yen, accrued consumption taxes of 396 to 810 million yen, accrued expenses of 277 to 944 million yen, and in accounts payable-other of 234 to 1,033 million yen, which offset an increase in provision for bonuses of 182 to 253 million yen.

Non-current liabilities rose by 18 million yen from the end of the previous fiscal year to 843 million yen. This rise is attributed mainly to increases in retirement benefit liability of 54 to 683 million yen and in long-term borrowings of 20 to 20 million yen, which offset a decline in other under non-current liabilities of 55 to 140 million yen due mainly to a decrease in deferred tax liabilities of 58 to 2 million yen.

(3) Explanation of Consolidated Business Forecasts

With regard to the full-year consolidated business forecasts for the fiscal year ending December 2020, the consolidated business results in the first three quarters progressed at a pace that does not necessitate revisions to our business forecasts. Therefore, our full-year consolidated business forecasts for the fiscal year ending December 2020 remain unchanged from those released on August 7, 2020.

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

(Million yen)

	FY12/19 End (December 31, 2019)	3Q FY12/20 End (September 30, 2020)
ASSETS		
Current assets		
Cash and deposits	11,811	11,737
Notes and accounts receivable-trade	5,777	5,130
Merchandise	26	30
Supplies	32	22
Other	346	562
Allowance for doubtful accounts	(23)	(23)
Total current assets	17,969	17,459
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	279	290
Tools, furniture and fixtures, net	189	214
Land	184	184
Other, net	1	0
Total property, plant and equipment	653	689
Intangible assets		
Goodwill	943	825
Other	342	352
Total intangible assets	1,285	1,177
Investments and other assets		
Investment securities	2,798	1,982
Other	814	1,067
Allowance for doubtful accounts	(55)	(58)
Total investments and other assets	3,557	2,991
Total non-current assets	5,495	4,856
Total assets	23,464	22,315

(Million yen)

	FY12/19 End (December 31, 2019)	3Q FY12/20 End (September 30, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	24	36
Short-term borrowings	1,000	1,000
Accounts payable - other	1,267	1,033
Accrued expenses	1,221	944
Income taxes payable	1,229	312
Accrued consumption taxes	1,206	810
Provision for bonuses	71	253
Allowance for subscription cancellations	48	62
Other	360	279
Total current liabilities	6,427	4,730
Non-current liabilities		
Long-term borrowings	-	20
Retirement benefit liability	629	683
Other	195	140
Total non-current liabilities	824	843
Total liabilities	7,251	5,572
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	12,119	13,808
Treasury shares	(2,107)	(3,099)
Total shareholders' equity	14,798	15,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	649	216
Foreign currency translation adjustment	-	(40)
Total accumulated other comprehensive income	649	176
Share acquisition rights	119	152
Non-controlling interests	646	919
Total net assets	16,213	16,743
Total liabilities and net assets	23,464	22,315

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

Quarterly Consolidated Statement of Income

[First Three Quarters of the Current Fiscal Year]

	(Million yen)	
	1Q-3Q FY12/19 (January 1 to September 30, 2019)	1Q-3Q FY12/20 (January 1 to September 30, 2020)
Net sales	32,738	31,914
Cost of sales	18,892	18,638
Gross profit	13,846	13,276
Selling, general and administrative expenses	8,479	8,605
Operating profit	5,367	4,672
Non-operating income		
Dividend income	2	2
Share of profit of entities accounted for using equity method	74	85
Gain on adjustment of account payable	-	21
Other	99	35
Total non-operating income	174	143
Non-operating expenses		
Interest expenses	7	5
Settlement package	14	34
Commission for purchase of treasury shares	20	25
Other	22	51
Total non-operating expenses	63	115
Ordinary profit	5,478	4,699
Extraordinary income		
Gain on sales of investment securities	-	250
Other	-	18
Total extraordinary income	-	268
Extraordinary losses		
Loss on valuation of investment securities	-	10
Loss on retirement of non-current assets	14	8
Loss on disaster	6	-
Loss on COVID-19	-	26
Total extraordinary losses	19	44
Profit before income taxes	5,459	4,924
Income taxes - current	1,809	1,540
Income taxes - deferred	(49)	(18)
Total income taxes	1,760	1,522
Profit	3,699	3,402
Profit attributable to non-controlling interests	81	235
Profit attributable to owners of parent	3,618	3,167

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

	(Million yen)	
	1Q-3Q FY12/19 (January 1 to September 30, 2019)	1Q-3Q FY12/20 (January 1 to September 30, 2020)
Profit	3,699	3,402
Other comprehensive income		
Valuation difference on available-for-sale securities	412	(458)
Foreign currency translation adjustment	-	(40)
Total other comprehensive income	412	(498)
Comprehensive income	4,110	2,904
(Comprehensive income attributable to)		
Owners of parent	4,022	2,694
Non-controlling interests	88	210

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There are no relevant matters.

(Notes on Significant Change of Shareholders' Equity)

There are no relevant matters.

(Segment Information and Others)

[Segment information]

First Three Quarters of the Previous Fiscal Year (January 1 to September 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	28,343	2,635	1,761	32,738	-	32,738
Inter-segment sales or transfers	0	-	0	0	(0)	-
Total	28,343	2,635	1,761	32,738	(0)	32,738
Segment profit	5,705	111	184	6,000	(633)	5,367

- Notes: 1. (5) million yen in inter-segment eliminations and (627) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (633) 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 is adjusted with operating profit as listed in quarterly consolidated statement of income.

First Three Quarters of the Current Fiscal Year (January 1 to September 30, 2020)

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	26,847	3,476	1,591	31,914	-	31,914
Inter-segment sales or transfers	12	0	7	19	(19)	-
Total	26,859	3,476	1,598	31,933	(19)	31,914
Segment profit	4,669	430	199	5,298	(626)	4,672

- Notes: 1. (0) million yen in inter-segment eliminations and (626) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (626) 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 is adjusted with operating profit as listed in quarterly consolidated statement of income.

(Additional Information)

(Accounting Estimates Associated with the COVID-19 Pandemic)

The Company believes there will be no major impacts on the Group's management results and financial condition, based on the results of an accounting estimate of impairment of non-current assets, others, assuming the impacts of the COVID-19 end in the second half of 2020 and economic conditions move toward improvement in 2021.

(Treatment of Application of Tax Effect Accounting Related to the Transition from the Consolidated Taxation System to the 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 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 the 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.