February 9, 2018

Consolidated Financial Results Announcement for the Fiscal Year Ended December 31, 2017
〔Japanese Standards〕(Consolidated)

Company name: Fullcast Holdings Co., Ltd.
Stock exchange listing: First Section of the Tokyo Stock Exchange
Stock code: 4848
URL: http://www.fullcastholdings.co.jp
Representative: Kazuki Sakamaki, President, Representative Director and CEO
Contact: Yasuomi Tomotake, General Manager of the IR and Finance Department
Telephone: +81-3-4530-4830
Date of Annual General Meeting of Shareholders (Planned): March 23, 2018
Date of submission of annual securities report (Planned): March 26, 2018
Date of dividend payments (Planned): March 9, 2018
Preparation of supplementary references regarding financial results: Yes (Shown on our homepage)
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, 2017
(January 1 to December 31, 2017)

(1) Consolidated Business Results
(% = year-over-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to Fullcast Holdings Co.,Ltd.	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/17	32,066	26.5	4,424	53.5	4,406	46.8	2,994	18.4
FY12/16	25,340	12.0	2,882	25.5	3,001	38.4	2,529	43.3

(Note) Comprehensive income: FY12/17: 3,081 million yen (21.4%) FY12/16: 2,537 million yen (42.9%)

	Net income per share	Diluted net income per share	ROE	Ratio of ordinary income to total capital	Ratio of operating income to sales
	Yen	Yen	%	%	%
FY12/17	78.87	78.58	29.8	29.3	13.8
FY12/16	65.92	—	30.2	24.1	11.4

(Reference) Investment profit and loss on equity method: FY12/17: 52 million yen FY12/16: 160 million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
FY12/17 End	16,813	11,339	64.6	286.81
FY12/16 End	13,272	9,272	69.3	239.98

(Reference) Equity: As of December 31, 2017: 10,866 million yen As of December 31, 2016: 9,200 million yen

(3) Consolidated Cash Flow

	Net cash provided by (used in)			Cash and cash equivalents at the end of period
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
FY12/17	3,901	(187)	(1,306)	9,371
FY12/16	2,160	(735)	(868)	6,963

2. Dividend Status

	Dividend per share (yen)					Total dividend (annual) (million yen)	Payout ratio (consolidated) (%)	Dividend on equity ratio (consolidated) (%)
	Q1 End	Q2 End	Q3 End	FY End	Annual			
FY12/16	—	10.00	—	11.00	21.00	805	31.8	2.4
FY12/17	—	12.00	—	14.00	26.00	985	33.0	9.9
FY12/18 Forecast	—	14.00	—	14.00	28.00		33.1	

Note 1: For matters relating to our dividends, please refer to "(3) Fundamental Policy for Allocation of Earnings and Dividends for the Current and Coming Fiscal Years" of "1. Operating Results and Financial Position" in the "Appendix" on page 6.

Note 2: The above dividend forecast is based on the assumption of realizing a total return ratio (the sum of dividends and treasury shares) of 50% versus adjusted net income.

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2018 (January 1 to December 31, 2018)

(Comparisons (%) are made against the corresponding period in the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to Fullcast Holdings		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	17,700	15.0	2,310	8.6	2,340	9.1	1,425	(7.7)	37.84
Full year	37,000	15.4	5,000	13.0	5,080	15.3	3,185	6.4	84.71

*** Notes**

(1) Important changes of subsidiaries during the fiscal year

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

New: 1 (company name: F-PLAIN Corporation.) Exception: — (company name: —)

Note: F-PLAIN Co., Ltd. become a non-specific subsidiary during the fiscal year under review.

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

1) Changes in accounting policy associated with the revision of accounting principles, others: None

2) Change in accounting policy other than mentioned in 1) above: None

3) Changes in accounting estimates: None

4) Re-presentation of changes: None

(3) Number of shares issued (common stock)

1) Number of shares issued at term end (including treasury stock)	FY12/17	38,486,400	FY12/16	38,486,400
2) Number of treasury stock at the term end	FY12/17	601,900	FY12/16	148,500
3) Average number of shares outstanding during the term under review	FY12/17	37,963,141	FY12/16	38,361,505

Reference: Non-Consolidated Financial Results

1. Financial Results for the Fiscal Year Ended December 31, 2017 (January 1 to December 31, 2017)

(1) Business results

(Figures in percentages denote the year-on-year change)

	Operating revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/17	4,745	11.3	2,703	18.5	2,708	16.7	2,454	(4.4)
FY12/16	4,264	22.3	2,281	42.6	2,320	45.7	2,567	40.2

	Net income per share	Diluted net income per share
	Yen	Yen
FY12/17	64.63	64.40
FY12/16	66.92	—

(2) Financial Conditions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/17 End	9,990	7,578	75.5	199.17
FY12/16 End	8,353	6,460	77.3	168.49

(Reference) Shareholders' equity: FY12/17: 7,545 million yen FY12/16: 6,460 million yen

* The information in these financial results announcement is not subject to external audit.

* Explanation about the proper use of financial and business forecast and other important notes

Of all plans, business forecast, 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 forecast due to various factors. Important factors that may have an impact upon our actual financial results include: (1) the 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 the relevant laws, including the Labor Standards Act and the Worker Dispatching Act, and in interpretations of these Acts. However, the 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- (1) - 2) Outlook for the Coming Fiscal Year."

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1. Operating Results and Financial Position

(1) Summary of Operating Results

1) Results of Operations for the Fiscal Year 2017

During the fiscal year under review, Japan's economy continued to undergo a steady recovery, due to improvements in corporate earnings and employment conditions driven by the government's economic and fiscal stimulus, steadily increasing capital investment, and a gradual recovery in personal consumption, despite the consumer price index remaining largely unchanged. Economic conditions are expected to continue to steadily improve in the future based upon the outlook for improvements in employment conditions and income environments in response to various government stimulus policies. However, the effects of the outlook for emerging economies in China and other countries in Asia, uncertainties arising from the impact of government policies, and volatility in financial and capital markets are still present risk of downward pressure to the business, therefore the economic horizon continues to be clouded with these and other various uncertainties.

With regards to the operating environment surrounding the staffing service industry, the number of new job offers increased, the job offers-to-applicants ratio continued to steadily improve, and the unemployment rate remained at low levels. Therefore, the future outlook points to further improvement in employment conditions.

Against this backdrop, the Fullcast Group implemented group management activities with the goal of "Realize increased profits through deployment of the Group's collective strength and improved productivity" during the fiscal year ended December 2017. In particular, marketing activities were conducted with an emphasis on boosting overall profitability of the Fullcast Group and focused on the mainstay "Part-Time Worker Placement" (hereinafter referred to as "Placement") and "Part-Time Worker Payroll Management" services, as well as the "My Number Management" service and "Year-End Tax Adjustment Management" service (hereinafter referred to as "Management"). In addition, efforts are being made to create a structure to realize higher profits by increasing productivity and promoting operational efficiencies across the entire Fullcast Group.

Consolidated net sales increased by 26.5% year-on-year to 32,066 million yen. This sales growth is primarily attributed to increased sales of the "Placement" and "Management" services, which are mainstay services within the "Short-Term Operational Support Business", and the inclusion of the business of F-PLAIN Corporation and its subsidiaries following its conversion to become a consolidated subsidiary.

In terms of profits, consolidated operating income rose by 53.5% year-on-year to 4,424 million yen due to higher sales.

Consolidated ordinary income grew 46.8% year on year to 4,406 million yen on the buck of the higher operating income, and despite a year on year decline in equity accounting method profits arising from the conversion of F-PLAIN Corporation into a consolidated subsidiary.

Net income attributable to Fullcast Holdings Co., Ltd. increased 18.4% year on year to 2,994 million yen. This growth is attributed mainly to the higher operating income and 167 million yen posted as extraordinary income derived from gain on step acquisitions accompanying the purchase of the shares of F-PLAIN Corporation during the first quarter of the current fiscal year, and despite an increase in corporate, resident and business taxes accompanying the exhausting of losses carried forward in the first half and 48 million yen in extraordinary losses following the impairment of goodwill and plant, property and equipment from certain business units of F-PLAIN Corporation during the third quarter of the current fiscal year.

Our Group considers the "sustained improvement of corporate value" as an important management objective. We will manage our businesses by focusing upon capital efficiency with return on equity (ROE) acting as an important benchmark for our goal of achieving "improvement in corporate value," and using an approach to realize return on equity (ROE) in excess of our cost of capital, which reflects the expected returns by shareholders and investors from our Company. Our Group will continue its efforts to achieve adjusted ROE of 20% or higher, which is derived from net income attributable to Fullcast Holdings Co., Ltd. excluding the influence of income taxes-deferred arising from recording of deferred tax assets for losses carried forward.

Although ROE at the end of this fiscal year was 29.8%, adjusted ROE was 32.5%, an improvement of 1.6% points from 30.9% at the end of the previous fiscal year and continue to realize 20% adjusted ROE.

The Group acquired the shares of F-PLAIN Corporation on January 26, 2017 and coverted F-PLAIN Corporation and its subsidiaries into consolidated subsidiaries. In addition, our Group newly established Fullcast Senior Works Co., Ltd. as a consolidated subsidiary on November 1, 2016, in an effort to enhance the "Short-Term Operational Support Business" by cultivating new potential sources of labor by providing job hunting support for seniors and providing this labor to client companies. Fullcast Senior Works Co., Ltd. commenced operations from March 1, 2017. Also, Fullcast Porter Co., Ltd. was established as a consolidated subsidiary on March 7, 2017 to provide human resource services specializing in drivers, for which there is remarkably storong demand due to chronic shortages. Fullcast Porter Co., Ltd. commenced operations on July 1, 2017.

Of the Company's consolidated subsidiaries, in the third quarter, F-PLAIN Corporation and its subsidiaries changed their settlement date to December 31. Therefore, the settlement date are the same as the consolidated account settlement date. Financial statements were prepared based on a provisional settlement conducted by F-PLAIN Corporation and its subsidiaries as of the consolidated settlement date. Therefore, this change does not have any impact on financial statements.

During the fourth quarter, Dimension Pockets Co., Ltd. changed its settlement date to December 31. Therefore, the settlement date is the same as the consolidated account settlement date. As a result of this change, the consolidated fiscal year under review corresponds to the 14-month period from November 1, 2016 to December 31, 2017. This change has only minimal impact on financial statements. The final days of the business year for other consolidated subsidiaries all match our consolidated account settlement date.

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

A new reporting segment called "Sales Support Business" has been created accompanying the acquisition of the shares of F-PLAIN Corporation during the first quarter of fiscal year ended December 2017 and it and its subsidiaries'new inclusion within the scope of consolidation.

a) Short-Term Operational Support Business

Net sales of the Short-term Operational Support Business increased 14.3% year on year to 26,555 million yen because the Company was able to grow the mainstay "Placement" and "Management" services by securing its human resources supply capabilities in response to the growing number of client companies and their needs for short-term human resources throughout the year.

In term of profits, operating income rose 40.3% year on year, outpacing the growth rate of 23.4% from the previous year and due mainly to the higher net sales and a segment profit (operating income) of 4,881 million yen was achieved.

b) Sales Support Business

Net sales of the "Sales Support Business" totaled 3,596 million yen due to continued success of measures to expand the dealer network for the mainstay Internet service subscription services throughout the fiscal year.

In terms of profits, operating income totaled 255 million yen on the buck of higher sales relative to revised earnings forecasts, despite goodwill amortization resulting from the acquisition of the shares of F-PLAIN Corporation in this segment booked as SG&A expense.

c) Security, Other Businesses

Net sales of the "Security, Other Businesses" segment fell 9.5% year on year to 1,915 million yen due mainly to a decline in the number of temporary security bidding projects compared to the previous year.

In terms of profits, operating income rose by 7.6% year on year to 116 million yen on the buck of an improvement in gross margin made possible through the securing of temporary security projects with high profit margin during the fiscal year in the security business, which is the main business of this segment.

2) Outlook for the Coming Fiscal Year

The Fullcast Group established a Five-Year Medium-Term Management Plan (FY16-FY20) beginning in the fiscal year ended December 2016 and is now working to achieve the goals of this plan.

Consolidated business results for the fiscal year under review, which is the second year of the Company's Medium-Term Management Plan, exceeded the revised full-year earnings forecast released on August 4, 2017, due to growth in mainstay "Placement" and "Management" services in the Short-term Operational Support Business made possible by success in the pursuit of our target of "realizing increased profits through deployment of the Group's collective strengths and improved productivity". Furthermore, SG&A expenses were kept below the revised earnings forecast.

During the next fiscal year, the Company will aim to achieve record high profits, by increasing sales revenue through the increased earnings of the entire Fullcast Group, mainly the mainstay "Placement" and "Management" services and by enhancing efficiencies through ongoing efforts to achieve greater operational efficiencies across the Group, realized by reinforcing Group synergies and cultivating existing businesses, based on the target of "Achieve record high profits by reinforcing Group synergies and further increasing productivity."

We also seek to achieve adjusted ROE of 20%, which is an indicator of "improvement of corporate value" by carrying out management with a focuse upon capital efficiencies.

While ordinary income increased by 15.3% compared to the previous year, the reason why the growth rate of net income attributable to Fullcast Holdings was restrained to a lower margin of 6.4% was the higher effective tax rate which increased along with the elimination of the loss carried forward from the previous year.

Forecast for Consolidated Financial Results for the Fiscal Year Ending December 31, 2018
(January 1 to December 31, 2018)

(Million yen)

	FY12/17 Result	FY12/18 Forecast	Rate of change
Net sales	32,066	37,000	15.4%
Operating income	4,424	5,000	13.0%
Ordinary income	4,406	5,080	15.3%
Net income attributable to Fullcast Holdings Co., Ltd.	2,994	3,185	6.4%
Equity per share	78.87	84.71	7.4%

Note 1: The Company acquired shares of BOD Co., Ltd. on January 4, 2018, making it a consolidated subsidiary (share of voting rights: 51.0%). The earnings forecast for the fiscal year ending December 2018 includes BOD's earnings forecast within the Short-Term Operational Support Business.

Note 2: Net income per share for fiscal year ending December 2018 is calculated in accordance with the following formula:

Note 3:"Net income" used in the calculation of net income per share is now "net income attributable to Fullcast Holdings Co., Ltd."

$$\text{Estimated net income per share} = \frac{\text{Forecast for net income applicable to common stock}}{\text{Estimated number of common shares outstanding during the fiscal year ending December 31, 2018}}$$

(2) Summary of Financial Position

1) Assets, liabilities and net assets

At the end of the current fiscal year, our total consolidated assets increased by 3,542 million yen from the end of the previous fiscal year to 16,813 million yen. At the same time, equity capital increased by 1,665 to 10,866 million yen (capital adenquacy ratio of 64.6%) and net assets grew by 2,067 to 11,339 million yen.

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

Current assets increased by 3,178 million yen from the end of the previous fiscal year to 14,053 million yen at the end of the current term. This increase is attributed mainly to increases in cash and cash deposits of 2,409 to 9,371 million yen and in notes and accounts receivable-trade of 1,028 to 4,135 million yen, versus declines in deferred tax assets from 95 to 237 million yen and in other current assets from 175 to 301 million yen, which was caused mainly by increases in prepaid expenses of 46 to 174 million yen and in long-term loans payable maturing within one year of 43 to 43 million yen and by declines in accounts receivable of 210 to 54 million yen and in prepayments of 35 to 10 million yen.

Noncurrent assets increased by 364 million yen from the end of the previous fiscal year to 2,760 million yen. This is attributed mainly to an increase of other in investments and other assets of 155 to 213 million yen caused mainly by increases in goodwill of 459 to 459 million yen, long-term loans payable of 83 to 83 million yen, and long-term prepayment expenses of 59 to 80 million yen, relative to a decline in investment securities of 138 to 505 million yen and an increase in allowance for doubtful accounts of 86 to 92 million yen.

Current liabilities increased by 1,198 million yen from the end of the previous fiscal year to 4,626 million yen at the end of the current fiscal year. This increase is due mainly to increases in accrued income taxes of 540 to 734 million yen,accounts payable-other of 363 to 951 million yen, accrued consumption tax of 103 to 687 million yen, allowance for subscription cancellations of 89 to 89 million yen, and accrued expenses of 66 to 865 million yen.

Noncurrent liabilities increased by 276 million yen from the end of the previous fiscal year to 848 million yen. This is attributed to an increase in long-term lones payable of 181 to 253 million yen, an increase in liabilities related to retirement benefits of 59 to 491 million yen, and in deferred tax liabilities of 22 to 27 million yen.

2) Cash Flows

At the end of the current fiscal year, cash and cash equivalents (hereafter referred to as “funds”) increased by 2,409 million yen (compared with a 557 million yen increase in the previous year) from the end of the previous fiscal year to 9,371 million yen at the end of the current fiscal year.

(Net Cash From Operating Activities)

Funds provided by operating activities were 3,901 million yen (compared with 2,160 million yen of funds provided in the previous year), due mainly to income before income taxes and minority interests of 4,498 million yen, depreciation and amortization of 267 million yen, goodwill amortization of 159 million yen, an increase in notes and accounts payable-trade of 188 million yen, refunds of income taxes of 201 million yen, an increase in allowance for doubtful accounts of 87 million yen, accrued consumption tax of 77 million yen, and in increase in net defined benefit liability of 59 million yen, versus payments of income taxes of 760 million yen, an increase in notes and accounts receivable-trade of 593 million yen, a decline in allowance for subscription cancellations of 213 million yen, and a gain on step acquisitions of 167 million yen.

(Net Cash From Investing Activities)

Funds used by investing activities were 187 million yen (735 million yen in funds used in the previous year), due mainly to an increase in other cash flows from investment activities of 47 million yen, versus expenditure for purchase of property, plant and equipment of 114 million yen, expenditure for purchase of intangible assets of 79 million yen, and expenditure for the purchase of shares of a subsidiary associated with changes in the scope of consolidation of 41 million yen.

(Net Cash From Financing Activities)

Funds used by financing activities were 1,306 million yen (net cash outflow of 868 million yen in the previous year) due to payment of dividends of 875 million yen, expenditure for the purchase of treasury stock of 500 million yen, and net reduction in short-term lones payable of 102 million yen, versus income from long-term lones payable of 200 million yen.

Trends in Cash Flow Indexes

	FY12/15	FY12/16	FY12/17
Shareholders' equity (million yen)	7,530	9,200	10,866
Shareholders' equity ratio (%)	64.8	69.3	64,6
Ratio of interest-bearing debt to cash flow (%)	45.7	35.9	28.6
Interest coverage ratio (times)	283.5	386.2	439.6
Market capitalization based equity ratio (%)	248.0	278.5	520.7

Shareholders' equity = Total net assets – Stock subscription rights – Minority interest

Shareholders' equity ratio = shareholders' equity ÷ total assets

Ratio of interest-bearing debt to cash flow = Interest-bearing debt ÷ Operating cash flow (before interest and corporate taxes, etc.)

Interest coverage ratio = Operating cash flow (before interest and corporate taxes, etc.) ÷ interest paid

Market value-based equity ratio = stock market price ÷ total assets

Note 1: Each index is calculated using consolidated financial data.

Note 2: For operating cash flows (before interest and corporate taxes, etc.), net cash provided by operating activities from the consolidated cash flows statement (before deducting the amount of payment of interest and corporate taxes, etc.) is used.

Note 3: All debt involving the payment of interest and stated in the consolidated balance sheet are included in interest-bearing debt.

Note 4: For interest payment, the amount of interest paid in the consolidated profit and loss statement is used.

Note 5: Market capitalization = Stock price at the end of the term × Number of shares outstanding at the end of the term (excluding treasury stock)

(3) 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% relative to adjusted net income (*[1]).

We will implement shareholder returns with a target of achieving total return ratio of 50% relative to adjusted net income by enhancing profitability and further improving management efficiencies, in addition to offering dividends and share buybacks. This will also enable us to achieve adjusted ROE (*[2]) of 20% or higher, which is an indicator used for "improvement of corporate value."

During the current term, a dividend of 26 yen per share, an increase of 5 yen from the previous year and 1 yen icrease over forecast, will be paid. At the end of the fiscal year, a dividend of 14 yen per share will be paid and share buybacks totaling up to 682 million yen will be conducted. As a result, the total return ratio for the fiscal year ended December 2017 is expected to be 51.1% or higher.

As for the dividends in the next fiscal year, we will maintain an adjusted ROE target of 20% or greater and 50% total return ratio 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 stock buyback, or both at the current point in time. We forecast an interim dividend of 14 yen per share and a year-end dividend of 14 yen per share, for a total annual dividend of 28 yen per share.

Note 1: "Adjusted net income" represents net income attributable to Fullcast Holdings Co., Ltd. excluding the effects of income taxes—deferred associated with the booking of deferred tax assets within the loss carried forward. "Adjusted net income" is used as the based for calculating the total return ratio.

Note 2: "Adjusted ROE" represents ROE calculated based on adjusted net income.

(4) Risks Associated with Our Businesses

Major potential risk factors for the Fullcast Group in the course of our business operations are described below. 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 which may be regarded as important factors for investors in making investment decisions or understanding our Group's business activities. 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 through strict adherence to corporate governance and by promoting speed in the strategic decision making process and in the implementation of various strategies by our management. However, should management strategy decisions and tactical 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 we are engaging in a new business model that focuses on both "part-time worker placement" and "part-time worker payroll management" services in response to the Revised Worker Dispatching Act implemented on October 1, 2012. We also launched the "My Number management service" in October 2015, and the "year-end tax adjustment management service" in December 2016, respectively. Following the acquisition and consolidation of BOD Co., Ltd. on January 4, 2018, the Company began providing BPO services, such as data entry, order management contracting, credit screening agency services, invoice agency and processing services, payment management operations, order management, and book keeping and accounting contracting. If business earnings do not progress according to forecasts, the performance of the Group could potentially be adversely affected.

In the Sales Support Business, the Company engages in sales support of telecommunications products and call center operations. If business revenue is not generated according to forecasts, or if large sums must be invested, or if the appeal of the products sold deteriorates, the Company and the Group's business results could be adversely affected.

In addition to reinforcing its 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 and business tie-ups, 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 the Group or changes in legal regulations related to the new business venture, the performance of the Group could potentially be adversely affected.

In addition, 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 implementation of impairment accounting 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 revised or legal interpretations modified due to changes in societal conditions surrounding the labor market, these revisions or new legal interpretations could adversely 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, and the Act on the Use of Numbers to Identify a Specific Individual for Administrative Procedures (My Number Act).

b) Part-Time Employment Placement 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. When renewal of the license becomes necessary but is not granted because we fail to meet the requirements for the license as specified in Article 31, or we fall under the category of disqualification or revocation grounds of the license as stipulated in Article 32, the subsequent inability to continue to provide our services could seriously impact the performance of our

Group.

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, or if there is a violation of relevant laws and regulations or if there is 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 Group could become subject to disqualification, our license could be cancelled or orders to suspend or halt our operations could be issued.

Our Group is committed to compliance and risk management to prevent any violation of acts and ordinances. However if licenses are cancelled 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 impacted.

d) Various Management Services Including Part-Time Worker Payroll Management Service, Others.

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 incompletion of outsourcing services or delays in reporting. Depending upon the amount to be paid for damages, our Group's earnings could be negatively impacted if we cannot absorb these costs through increased efficiencies of our overall operations and other cost cutting measures.

e) Onsite Subcontracting Service

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

Due to the nature of subcontracting services, we are at risk of low productivity and service failure. Therefore our Group's earnings could be negatively impacted if we cannot absorb these factors through increased efficiencies of our overall operations and other cost cutting measures.

f) Sharing of Social Insurance Contributions

On October 1, 2016, the scope of health insurance and employees' pension insurance (social insurance) was expanded to include short-term workers. The impact of this legal revision on consolidated earnings is minimal, but 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 outsourcing 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 the 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. In the event that we cannot pass along these higher costs to our customers in the form of higher prices or absorb them through increased efficiencies of our overall operations and other cost cutting measures, our Group's earnings could be negatively affected.

3) 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, as well as similar information regarding our clients.

To be prepared for the potential for a malfunction in servers, our Group makes backup databases and servers themselves are operated in 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, our Group's operations could be seriously impeded and our earnings may be negatively affected.

In the future, we expect 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 and profits growth.

To appropriately manage personal information and other data, we endeavor to prevent unauthorized access, destruction, falsification 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 earnings could be significantly affected by potential security breaches of personal information, and our Group could lose the trust of the public and become subject of claims for damages.

4) Workplace Accidents and Transaction-Related Trouble

a) Part-Time Worker Placement Service

In the process of selecting staff members who applying 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 places a staff member who does not meet the recruitment requirements of the client company due to our negligence. Although our Group has a compliance system under which ensures personnel in charge of legal affairs can handle various legal risks, our performance may be seriously affected by accidents depending upon their 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 Workers' 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.)

Our Group fortifies staff awareness of safety by promoting occupational health and safety training, as well as by providing safety equipment and bulletins for on-the-job vigilance to prevent injury and illness. To provide better worker protection, our Group maintains an insurance program to pay agreed claims as comprehensive general liability insurance. 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 assume responsibility for any activity which is beyond the bounds of those stipulated in labor contracts.

In addition, our Group could be sued or pressured to make other payments on allegations of 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. Although our Group maintains a compliance system that is designed to ensure personnel in charge of legal affairs handle various legal risks, our performance may be seriously affected by accidents depending upon the nature of the incident and the amount of money involved.

5) 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.

6) Other Businesses (Hotel and Restaurant Business) under Security, Other Businesses

Fullcast Group operates hotels and restaurant services as part of the other businesses within the Security, Other Businesses segment. Because the earnings of the Security, Other Businesses segment is smaller than the Short-Term Operational Support Business, the following business risks could have a limited impact on the Company and the

Group’s business results.

a) Occurrence of Natural Disasters and Pandemics

The occurrence of a natural disaster such as a large-scale earthquake or typhoon could damage buildings and facilities operated by the Group and could cause our Company to bear expenses for repair work or suffer a loss of sales from a temporary shutdown of operations. In addition, the occurrence or pandemic spread of diseases such as a new form of influenza or SARS, or other diseases could result in restrictions on long-distance travel and group activities, causing adverse effects on our Group’s business performance.

b) Outbreak of Terrorism or War

Changes in the global situation due to the outbreak of terrorism or international warfare are expected to result in a drop in foreigner customers due to voluntary cutbacks on international travel and damping of consumer appetite for leisure and celebratory event, which could impact the Group’s business performance.

c) Problems related to Food Safety

The Company pays sufficient attention to food safety and the labeling of the consume-by date, best-if-eaten-by date, origin, and ingredients on a daily basis. If an incident of food poisoning occurs or if labeling is incorrect, this could lead to a loss of trust in the Company and impact the Group’s business performance.

d) Leakages of Personal Information or Trade Secrets

The management of customers’ personal information and trade secrets is primarily the responsibility of information management and monitoring departments within our Company. While measures have been put in place to prevent leakages externally, if a leakage does occur, it could cause a loss of trust in our Group, weaken our brand, and result in claims for damages, which could affect the Group’s business performance.

e) Legal Regulations

The hotel and restaurant businesses being perfomed as the other business services within the Group’s security and other businesses segment are subject to the legal regulations of the Inns and Hotels Act, the Building Standards Act, the Fire Services Act, and the Food Sanitation Act, among others. The Group strives to comply with these laws and regulations. However in the event that these regulations are reinforced or revised or new regulations are established, there is a possibility of incurring necessary costs to comply with such regulations and having restrictions placed on operations due to these regulations, which could affect the Group’s business performance and its financial condition.

f) Impairment of Plant, Property and Equipment

The Group owns real estate such as land, buildings and facilities as plant, property and equipment due to the special characteristics of operating hotels and restaurants as other business services within the security, other businesses segment. There is a possibility that these owned assets will require impairment treatment in cases where the profitability of the facility deteriorates or the market value falls as defined by “the Accounting Standard for Impairment of Fixed Assets” and “the Application Guidelines for Accounting Standards Pertaining to the Impairment of Fixed Assets”. In such cases, the Group’s business performance and its financial condition could be affected.

g) Interest-Bearing Debt

Our Group undertakes investments mainly for the new establishment of new hotel and restaurant facilities or for the remodeling of existing facilities in order to increase corporate value through the expansion of its business foundation and earnings generating capabilities over the medium to long term. Going forward, if borrowings are increased to undertake capital investments related to the remodeling of existing facilities or the development of new facilities, there is a possibility the Group's financial conditions could change.

h) Risk of Interest Rate Fluctuations

Our Group borrows funds from financial institutions and part of these borrowings is funded using variable interest rates. If interest rates change suddenly and considerably, the Company's interest expenses may increase, which could affect the Group's financial condition.

2. Corporate Group

Our Group is expanding the "Short-Term Operational Support Business" (providing timely short-term personnel services in response to increases or decreases in the amount of work at client companies), and the "Security, Other Businesses" (providing security services mainly for public facilities and ordinary corporations, etc).

A new reporting segment called "Sales Support Business," which mainly engages in call center operations and agency sales handling telecommunications products, has been added along with the acquisition of the shares of F-PLAIN Corporation during the first quarter of the fiscal year ended December 2017 and its new inclusion within the scope of consolidation, also with its subsidiaries.

We provide descriptions of the status of affiliated companies and a diagram of our business activities as of December 31, 2017 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. (Note 2, 5)	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system lease. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Top Spot Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system lease. - 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	- Provide services such as management advice, business outsourcing, and system lease. - 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	- Provide services such as management advice, business outsourcing, and system lease. - 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	- Provide services such as management advice, business outsourcing, and system lease. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Otetsudai Networks Inc.	Shinagawa-ku, Tokyo	50	Short-term operational support business	100.0	- Sublet a part of our rented building to this company for office use. - Provide services such as management advice, business outsourcing, and system lease. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital

F-PLAIN Corporation. (Note 5)	Minato-ku, Tokyo	80	Sales support business	78.2	- Provide services such as management advice - Concurrent directorates: 2
M's Line Co., Ltd.	Minato-ku, Tokyo	1	Sales support business	78.2 (78.2)	—
FSP Co., Ltd.	Minato-ku, Tokyo	1	Sales support business	78.2 (78.2)	—
Fullcast Advance Co., Ltd (Note 5)	Shinagawa-ku, Tokyo	50	Short-term operational support business Security, other business	100.0	- Sublet a part of our rented building to this company for office use. - Provide services such as management advice, business outsourcing, and system lease. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Dimension Pockets Co., Ltd.	Kunigami Gun, Okinawa Prefecture	136	Security, other business	67.0	- Provide management advice service. - Provides financial support: borrowing operating capital
Fullcast Business Support Co., Ltd.	Shinagawa-ku, Tokyo	9	Whole company	100.0	- Sublet a part of our rented building to this company for office use. -Provide services such as business outsourcing and system lease. - 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

Note 1: The "Major business activities" category follows the business segment classification.

Note 2: Specified subsidiary.

Note 3: The ownership ratio of voting rights indicated in parentheses represents the ratio of voting rights held indirectly

Note 4: None of companies has submitted a financial statement or a securities registration statement.

Note 5: Sales by Fullcast Co., Ltd., Fullcast Advance Co., Ltd. and F-PLAIN Corporration account for over 10% of consolidated sales (excluding internal sales among consolidated companies).

Note 6: The Company acquired shares of BOD Co., Ltd. on January 4, 2018, making it a consolidated subsidiary.

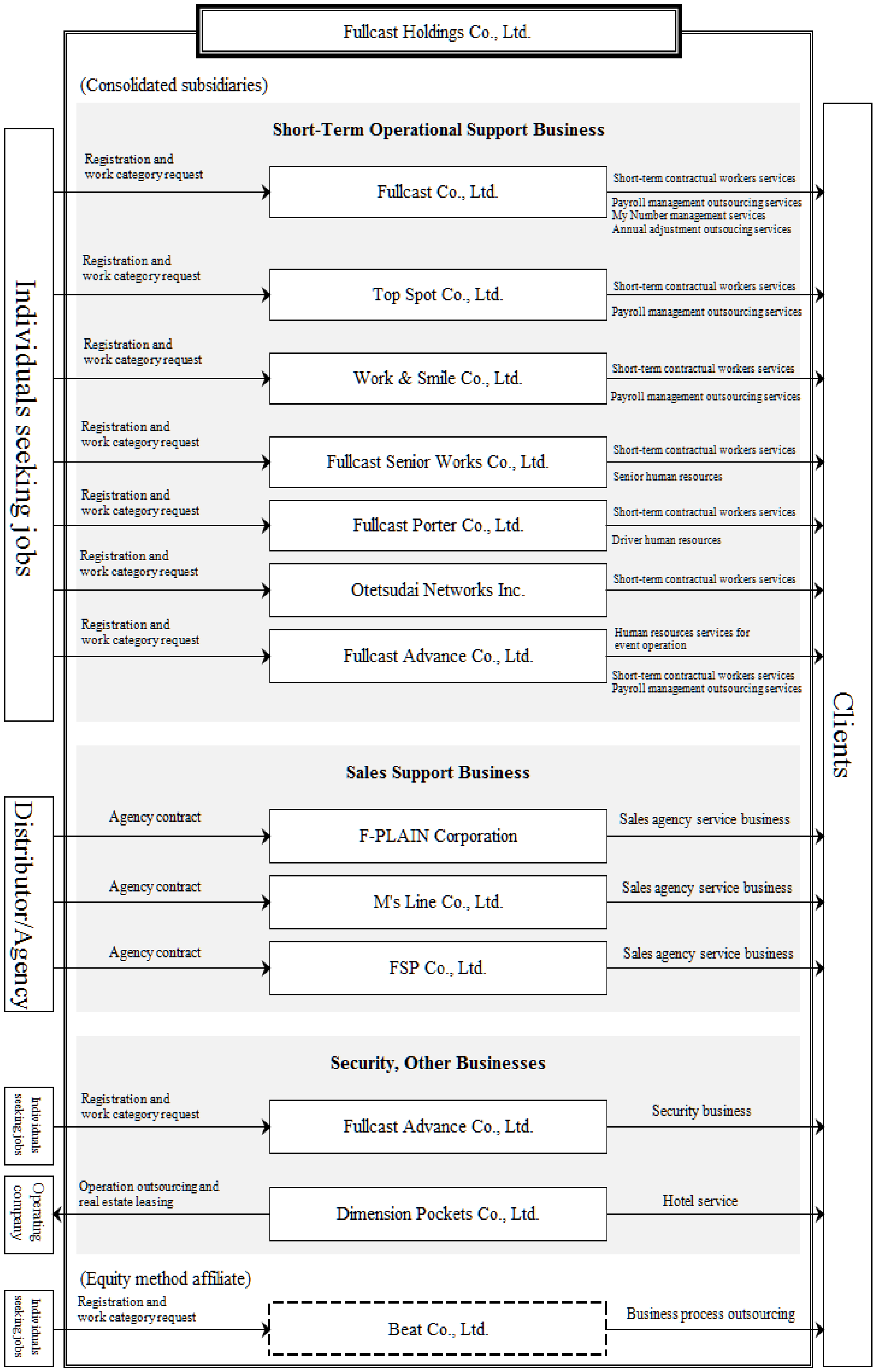
Key Information About Profit and Loss

(Million yen)

	Fullcast Co., Ltd.	Fullcast Advance Co., Ltd.	F-PLAIN Coporation
Sales	22,741	3,794	3,479
Ordinary income	3,010	149	290
Net income	1,937	114	198
Net assets	2,237	495	1,750
Total assets	5,417	995	2,195

(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, 2017.
Note 2: [double-line box] is Fullcast Holdings Co., Ltd., [box] is a consolidated subsolidaty, [dashed box] is a equity method affiliate.
Note 3: On March 7, 2017, the Company established Fullcast Porter Co., Ltd. to engage in the short-term operational support business and made it a consolidated subsidiary.
Note 4: On Janunary 4, 2018, the Company acquired the shares of BOD Co., Ltd. and made 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” based on 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 0.5 times 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 adjusted ROE* of 20% or higher as a target indicator of “improvement of corporate value.”

* We have losses carried forward due to losses incurred in the past. Since tax effect accounting is determined by forecasts and estimates for future events, deferred tax assets may vary substantially in response to future changes. Accordingly our ROE will be calculated based upon net income attributable to Fullcast Holdings Co., Ltd. excluding the influence of income taxes-deferred arising from recording of deferred tax assets for losses carried forward as the “adjusted ROE,” with the goal of achieving “sustainable 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 to establish an operating foundation capable of achieving sustained growth by focusing upon our “short-term operational support business” and by ensuring that our group wide corporate governance leverages the functionality of our holding company.

According to our “Medium Term Management Plan (FY16-FY20)” that begins in FY 12/16, we seek to achieve a new record high level of profits* by FY 12/20, the final year of the Medium-Term Management Plan, based upon the following initiatives.

* Operating income of 4,720 million yen recorded in the fiscal year ended September 2006

(1) As a primary initiative, we will work to further bolster the short-term operational support business and expand the security business.
(2) As a secondary initiative, we will consider new business ventures and begin preparing for global expansion.

(4) Key Management Issues

Our Group formulated the “Medium-Term Management Plan” that began in the fiscal year ended December 2016 in order to realize the “improvement of corporate value,” and the Company is now implementing this plan. The Company is working to realize the main business target of “record high profits by reinforcing Group synergies and further increasing productivity”, which has been established for the fiscal year ending December 2018, the third year of the Medium Term Management Plan.

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 "part-time worker placement" and "part-time worker payroll management" services, which are the main businesses of our Group.

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) Realization of the "Medium-Term Management Plan (FY16-FY20)"

In accordance with our Five Year "Medium Term Management Plan (FY16-FY20)" that began in the fiscal year ended December 2016, our Group will work to realize the target "achieving new record high levels of profits in the final fiscal year of the Medium Term Management Plan."

Each of the main KPIs of operating income, number of operating workers, and gross profit per 1 yen of personnel costs were achieved in the fiscal year ended December 2017, the second year of the Medium Term Management Plan. In particular, operating income growth is progressing roughly two years ahead of schedule due to the strength of the Short-term Operational Support Business, the core business of our Group. Taking the above factors into account, our earnings forecast for the fiscal year ending December 2018 is based upon a goal to breaking the Company's record for operating income, which is also a target within the Medium Term Management Plan.Therefore, our Company has decided to leave the planned targets for each individual fiscal year unchanged.

Result of 2nd Year (FY12/17) of the Medium-Term Management Plan

(Billion yen)

		FY12/17 Target	FY12/17 Results	Rate of change
Net Sales	Consolidated	26.2	32.1	122.3%
	I. Short-term operational support business	24.0	26.6	110.6%
	Placement	4.4	4.8	107.0%
	Management	2.7	2.7	102.1%
	Dispatching	14.1	15.7	110.9%
	Outsourcing	2.8	3.3	118.3%
	II. Security business	2.2	1.9	86.6%
	III. New business ventures & global business	–	3.6	–
Target	Operating income (billion yen)	3.0	4.4	146.8%
	Number of operating workers(persons)	205,800	231,222	112.4%
	Gross profit per 1 yen of personnel costs	2.5 yen	2.7 yen	111.5%

Note 1: Of the net sales of the "Security, other businesses" segment, net sales derived from Dimension Pockets Co., Ltd. are recorded under "new business ventures & global business."

Note 2: The Company established the "Sales Support Business" segment as a new reporting segment following the acquisition of shares of F-PLAIN Corporation in the current first quarter and the subsequent inclusion of F-PLAIN Corporation and its subsidiary in the scope of consolidation. However, net sales related to the "Sales Support Business" segment are recorded in "New business ventures & global business."

Note 3: The target number of operating workers under the Medium Term Management Plan represents the unique number of persons employed in services excluding "Management" of Fullcast Co., Ltd. and Top Spot Co., Ltd.

Note 4: The number of operating workers for the fiscal year ended December 2017 represents the unique number of workers employed in services other than "Management" services in the Short-term Operational Support Business of Fullcast Co., Ltd., Top Spot Co., Ltd., Work & Smile Co., Ltd., Fullcast Senior Works Co., Ltd., Fullcast Porter Co., Ltd., and Fullcast Advanced Co, Ltd.

Note 5: The net sales figure for each service category is a reference figure and has not undergone an accounting audit by an audit corporation.

(Reference)

An overview of the "Medium-Term Management Plan (FY16-FY20)" is presented below.

a) Term

Five-year period beginning in the fiscal year ended December 2016 (fiscal year December 2016 to 2020)

b) Management philosophy and target

Our management philosophy: "Providing the best place for people to bring out their best."

Target: "Achieve new record high levels of profits in the final fiscal year of the Medium-Term Management Plan"

c) Numerical targets

	FY12/15 Results	FY12/20 Target	Rate of change
Operating income (billion yen)	2.3	5.0	116%
Number of operating workers (persons)	165,304	257,400	56%
Gross profit per 1 yen of personnel costs	2.4 yen	2.8 yen	20%

d) Strategy to achieve targets of the final year of the Medium-Term Management Plan

Short-Term Operational Support Business

"Increase market share while maintaning strict compliance"

• Strengthen ability to hire staff
• Strengthen business contacts with customers and organizational strengths
• Increase matching efficiencies through system automation

Security Business

"Increase sales through business partnerships and active efforts to capture orders for short-term projects"

• Capture special demand created by the 2020 Tokyo Olympics
• Expand business opportunities through alliances
• Step up hiring by leveraging our corporate group's collective strengths

New Business Ventures and Global Business

"Utilize contact points with customers/staff to cultivate new businesses"

"Encourage active utilization of global resources to create a foothold for our future global expansion"

e) Main management indicators

Indicators used to realize our vision of "enhancing sustained corporate value": Maintain ROE above 20%

Indicator for shareholder returns: Total return ratio of 50%

Indicator underpinning our "Basic Policy on Capital": Debt-to-equity ratio of less than 0.5x

We seek to achieve the above target indicators to realize our vision of "sustained enhancement of corporate value"

* Adjusted net income represents net income attributable to Fullcast Holdings Co., Ltd. excluding the effects of income

taxes-deferred associated with the booking of deferred tax assets within the losses carried forward. “Adjusted net income” is used as the based for calculating the total return ratio and ROE.

3) Target for the Fiscal Year Ending December 2018

The Fullcast Group has established a goal of “achieving record high profits by reinforcing Group synergies and further increasing productivity” for the fiscal year ending December 2018. Our Group will implement the following measures in the fiscal year ending December 2018 in order to achieve record high profits by boosting sales across the entire Fullcast Group, reinforcing Group collaboration and existing businesses, and continuing promotion of efforts to enhance productivity by streamlining operations Group-wide.

a) Improve Recruitment Efficiency and Staff Operation Rate

- Our Group will endeavor to increase the registration rate from recruitment media and increase the operation rate from registrations, by continuously improving usability, reviewing allocation of investments in recruitment spending and enhancing staff satisfaction.
- Our Group will enhance its own media by further reinforcing SEO and other measures,.

b) Further Strengthen Group Synergies

- Our Group will systemize the sharing of project information between operating companies to maximize staff operations.
- Our Group will consolidate administrative work from our sales offices at dedicated BPO departments within the Group to raise operating efficiencies and enhance productivity Group wide.

c) Expand BPO Business and Launch New Services

- Our Group will launch the “Employee Payroll” service in which our Group will carry out employee wage calculation work on behalf of client companies.
- Our Group will introduce the “Hiring Management” service to conduct hiring related work on behalf of client companies as a means of streamline their hiring operations.
- Our Group will expand the service menu of newly consolidated BOD Co, Ltd.to include Fullcast clients.

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)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
ASSETS		
Current assets		
Cash and deposits	6,963	9,371
Notes and accounts receivable-trade	3,107	4,135
Merchandise	5	6
Supplies	10	22
Deferred tax assets	332	237
Other	476	301
Allowance for doubtful accounts	(17)	(18)
Total current assets	10,875	14,053
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	550	617
Accumulated depreciation and impairment loss	(204)	(260)
Buildings and structures, net	346	358
Machinery equipment and vehicles	8	9
Accumulated depreciation and impairment loss	(6)	(9)
Machinery, equipment and vehicles, net	2	0
Tools, furniture and fixtures	654	955
Accumulated depreciation and impairment loss	(445)	(778)
Tools, furniture and fixtures, net	209	178
Land	257	264
Construction in progress	32	32
Total property, plant and equipment	846	832
Intangible assets		
Software	333	283
Goodwill	-	459
Other	22	22
Total intangible assets	354	764
Investments and other assets		
Investment securities	644	505
Guarantee deposits	308	396
Deferred tax assets	191	143
Other	58	213
Allowance for doubtful accounts	(6)	(92)
Total investments and other assets	1,196	1,165
Total noncurrent assets	2,396	2,760
Total assets	13,272	16,813

(Million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	8	5
Short-term loans payable	1,008	1,006
Current portion of long-term loans payable	5	17
Accounts payable-other	589	951
Accrued expenses	799	865
Income taxes payable	194	734
Accrued consumption taxes	585	687
Allowance for subscription cancellations	-	89
Other	240	271
Total current liabilities	3,428	4,626
Noncurrent liabilities		
Long-term loans payable	72	253
Net defined benefit liability	432	491
Asset retirement obligations	48	50
Deferred tax liabilities	6	27
Other	15	27
Total noncurrent liabilities	572	848
Total liabilities	4,000	5,474
NET ASSETS		
Shareholders' equity		
Capital stock	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	4,488	6,605
Treasury stock	(100)	(598)
Total shareholders' equity	9,174	10,793
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27	72
Total accumulated other comprehensive income	27	72
Subscription rights to shares	–	32
Non-controlling interests	71	441
Total net assets	9,272	11,339
Total liabilities and net assets	13,272	16,813

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

Consolidated Profit and Loss Statement

(Million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Net sales	25,340	32,066
Cost of sales	16,083	19,384
Gross profit	9,258	12,682
Selling, general and administrative expenses		
Salaries and bonuses	1,967	2,481
Other salaries	1,031	1,116
Legal welfare expenses	433	516
Retirement benefit expenses	76	87
Communication expenses	194	364
Traveling and transportation expenses	289	344
Rents	552	633
Depreciation	265	257
Advertising expenses	68	426
Recruitment expenses	470	439
Provision of allowance for doubtful accounts	3	8
Amortization of goodwill	14	159
Other	1,014	1,428
Total selling, general and administrative expenses	6,376	8,258
Operating income	2,882	4,424
Non-operating income		
Interest income	1	3
Dividends income	1	1
Share of profit of entities accounted for using equity method	160	52
Insurance premiums refunded cancellations	–	60
Other	13	47
Total non-operating income	174	163
Non-operating expenses		
Interest expenses	7	8
Provision of allowance for doubtful accounts	–	102
Damage compensation expenses	4	5
Settlement package	9	12
Other	35	53
Total non-operating expenses	56	181
Ordinary income	3,001	4,406

(Million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Extraordinary income		
Gain on step acquisitions	–	167
Compensation income for expropriation	21	–
Other	4	0
Total extraordinary income	25	167
Extraordinary loss		
Loss on retirement of noncurrent assets	18	17
Loss on valuation of investment securities	–	8
Impairment losses	–	48
Office transfer expenses	12	–
Other	1	3
Total extraordinary losses	31	75
Income before income taxes	2,995	4,498
Income taxes-current	534	1,266
Income taxes-deferred	(66)	207
Total income taxes	468	1,474
Net income	2,527	3,024
Profit (loss) attributable to non-controlling interests	(2)	30
Net income attributable to Fullcast Holdings Co., Ltd.	2,529	2,994

Consolidated Statement of Comprehensive Income

(Million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Net income	2,527	3,024
Other comprehensive income		
Valuation difference on available-for-sale securities	4	67
Share of other comprehensive income of entities accounted for using equity method	6	(10)
Total other comprehensive income	* 10	* 56
Comprehensive income	2,537	3,081
（Break down）		
Comprehensive income attributable to Fullcast Holdings Co., Ltd.	2,539	3,040
Comprehensive income attributable to non-controlling interests	(2)	41

(3) Consolidated Statements of Shareholders' Equity

Consolidated accounting period for the previous fiscal year (January 1 to December 31, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	2,780	2,006	2,727	–	7,513
Changes of items during the period					
Dividend of surplus			(768)		(768)
Net income attributable to Fullcast Holdings Co., Ltd.			2,529		2,529
Acquisition of treasury stock				(100)	(100)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	1,761	(100)	1,661
Balance at the end of current period	2,780	2,006	4,488	(100)	9,174

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at the beginning of current period	17	17	–	7,530
Changes of items during the period				
Dividend of surplus				(768)
Net income attributable to Fullcast Holdings Co., Ltd.				2,529
Acquisition of treasury stock				(100)
Net changes of items other than shareholders' equity	10	10	71	81
Total changes of items during the period	10	10	71	1,742
Balance at the end of current period	27	27	71	9,272

Consolidated accounting period for the current fiscal year (January 1 to December 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	2,780	2,006	4,488	(100)	9,174
Changes of items during the period					
Dividend of surplus			(876)		(876)
Net income attributable to Fullcast Holdings Co., Ltd.			2,994		2,994
Acquisition of treasury stock				(498)	(498)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	2,118	(498)	1,620
Balance at the end of current period	2,780	2,006	6,605	(598)	10,793

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at the beginning of current period	27	27	–	71	9,272
Changes of items during the period					
Dividend of surplus					(876)
Net income attributable to Fullcast Holdings Co., Ltd.					2,994
Acquisition of treasury stock					(498)
Net changes of items other than shareholders' equity	46	46	32	370	448
Total changes of items during the period	46	46	32	370	2,067
Balance at the end of current period	72	72	32	441	11,339

(4) Consolidated Cash Flows Statement

(Million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,995	4,498
Depreciation	272	267
Impairment losses	–	48
Amortization of goodwill	14	159
Loss (gain) on step acquisitions	–	(167)
Increase (decrease) in allowance for doubtful accounts	(30)	87
Increase (decrease) in allowance for subscription cancellations	–	(213)
Increase (decrease) in net defined benefit liability	10	59
Interest and dividends income	(2)	(4)
Interest expense	7	8
Loss (gain) on valuation of investment securities	–	8
Share of (profit) loss of entities accounted for using equity method	(160)	(52)
Loss on retirement of noncurrent assets	18	17
Office transfer expenses	12	–
Decrease (increase) in notes and accounts receivable-trade	(162)	(593)
Decrease (increase) in inventories	3	(12)
Compensation income for expropriation	(21)	–
Increase (decrease) in notes and accounts payable-trade	9	188
Decrease (increase) in accounts receivable-other	(32)	51
Increase (decrease) in accrued expenses	57	(4)
Increase (decrease) in accrued consumption taxes	2	77
Other, net	27	44
Subtotal	3,020	4,466
Interest and dividends income received	2	4
Interest expenses paid	(8)	(10)
Income taxes paid	(1,052)	(760)
Income taxes refund	198	201
Net cash provided by (used in) operating activities	2,160	3,901
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(338)	(114)
Purchase of intangible assets	(164)	(79)
Purchase of investment securities	(122)	(0)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(160)	(41)
Other, net	49	47
Net cash provided by (used in) investing activities	(735)	(187)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	–	(102)
Proceeds from long-term loans payable	–	200
Repayment of long-term loans payable	(1)	(29)
Purchase of treasury stock	(100)	(500)
Cash dividends paid	(767)	(875)
Net cash provided by (used in) financing activities	(868)	(1,306)

Net increase (decrease) in cash and cash equivalents	557	2,409
Cash and cash equivalents at beginning of period	6,406	6,963
Cash and cash equivalents at end of period	6,963	9,371

(5) Notes on Consolidated Financial Statements

(Notes about Going Concern Assumption)

There are no applicable matters.

(Significant Accounting Policies in the Preparation of the Consolidated Financial Statements)

1. Matters concerning the scope of consolidation

Details of all consolidated subsidiaries

Consolidated subsidiaries: 12

Name of the consolidated subsidiaries:

Fullcast Co., Ltd.
Top Spot Co., Ltd.
Fullcast Advance Co., Ltd.
Fullcast Business Support Co., Ltd.
Otetsudai Networks Inc.
Work & Smile Co., Ltd.
Dimension Pockets Co., Ltd.,
Fullcast Senior Works Co., Ltd.
Fullcast Porter Co., Ltd.
F-PLAIN Corporation
M’s Line Co., Ltd.
FSP Co., Ltd.

F-PLAIN Corporation, whose shares were acquired by the Company in the carrent fiscal year, and its subsidiary M’s LINE Co., Ltd. have been included in the scope of consolidation. Fullcast Porter Co., Ltd. and FSP Co., Ltd. were newly established in the carrent fiscal year, and therefore are included in the scope of consolidation.

2. Matters concerning the application of the equity accounting method

(1) Affiliates accounted for by the equity method: 1

Beat Co., Ltd.

F-PLAIN Corporation has been removed from the scope of equity method affiliates following its inclusion in the Company’s scope of consolidation.

(2) Items requiring mention with regards to procedures for applying the equity method

Because companies accounted for under the equity method have different fiscal year ends, financial statements based upon provisional settlement of accounts as of the consolidated fisacal year ends are used in preparing consolidated financial statements.

3. Matters concerning the fiscal year end date and other information of consolidated subsidiaries

During the fiscal year under review, F-PLAIN Corporation and its subsidiaries changed their settlement date to December 31; therefore settlement date is the same as the consolidated account settlement date. Additionally, Dimension Pockets Co., Ltd. changed its settlement date to December 31 during the fiscal year as well. Therefore, the settlement date is the same as the consolidated account settlement date. Following this change, the scope of consolidation corresponds to the 14-month period from November 1, 2016 to December 31, 2017. The final day of the business year of other consolidated subsidiaries are all match to the consolidated account settlement date.

4. Matters related to accounting policies

(1) Valuation rules and methods for significant assets

1) Securities

Other securities

With fair market value

Mark-to-market price method based on the market price at end of the consolidated fiscal year

(Valuation differences are in part included directly in nete assets and costs of securities sold are determind by the moving average method)

Without fair market value

Stated at cost, as determined by the moving average method

2) Inventories

The cost method (method to reduce book value from lower profitability) is adopted as the standard for valuation.

Products and supplies

First-in first-out method

(2) Depreciation methods of significant depreciable assets

1) Properity, plant and equipment (excluding lease assets)

Declining balance method

However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding accmpanying facilities) as well as buildings and accomponying facilities (including structures) acquired on or after April 1, 2016.

The main service life is as follows.

Buildings and structures	3 to 40 years
Machinery and transportation equipment	2 to 4 years
Tools, furnitures, and fixtures	2 to 20 years

2) Intangible assets (excluding lease assets)

Straight-line method

The straight-line method based on the usable period in-house (5 years) is used for software (portion used by the Company).

3) Lease assets

Lease assets from ownership non-transfer finance lease is calculated for the lease period as the service life and based on the straight-line method with zero residue prices.

(3) Standards for major allowances

Allowance for doubtful accounts:

To provide for doubtful account expenses on trade receivables or loans receivable, the Company and its consolidated subsidiaries reserve an estimated doubtful account allowance on ordinary receivables based on historical doubtful account ratios, and on highly doubtful receivables based on the recoverability from individual customers.

Allowance for subcription cancellations:

An allowance for subcription cancellations containing an estimated reversal amount versus net sales of the fiscal year under review has been established in order to prepare for reversal of incentive income triggered upon the cancellation of telecommunications products by individual customers.

(4) Accounting treatment methods for retirement benefits

1) Method of attributing projected retirement benefits to periods of service

In calculating retirement benefit obligations, the benefit formula basis is applied to attribute projected retirement benefits to periods of service until the end of the current fiscal year.

2) Amortization of actuarial gains and losses and prior service costs

Prior service costs are amortized at once as an expense in the fiscal year when it’s incurred.

Actuarial gain and losses are amortized at once as an expense in the fiscal year when it’s incurred.

3) Adoption of simplified method for small-scale corporations, others.

Certain consolidated subsidiaries adopt the simplified method which assumes the benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end, within the calculation of retirement benefit liabilities and retirement benefit costs.

(5) Amortization method and period for goodwill

Goodwill is amortized over a 5-year period on a straight-line basis. However, if the monetary amount is small, goodwill is amortized all at once when it incurred.

(6) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash in hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of price fluctuation.

(7) Other important matters for the preparation of consolidated financial statements

1) Accounting treatment of consumption tax, other.

Consumption tax and local consumption tax are accounted for by the tax-exclusion method.

2) Application of the consolidated tax payment system

The consolidated tax payment system has been applied to the Company and certain consolidated subsidiaries.

(Changes in presentation method)

(Consolidated Profit and Loss Statement Related)

(1) “Reversal of accounts payable” and “Insurance income” presented separately in “Non-operating income” in the previous fiscal year will be restated in “Other” under “Non-operating income” starting from the fiscal year under review because the monetary amount has become insignificant. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, “reversal of accounts payable” of 1 million yen and “Insurance income” of 0 million yen, and “Others” of 11 million yen have been restated as “Other” of 13 million yen in the consolidated statements of income for the previous fiscal year.

(2) “Penalties” and “Levies for the employment of persons with disabilities” presented separately in “Non-operating expenses” in the previous fiscal year will be restated in “other” under “non-operating expences” starting from the fiscal year under review because the monetary amount has become insignificant. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, “penalties” of 7 million yen and “levies for the employment of persons with disabilities” of 10 million yen, and “other” of 18 million yen have been restated as “other” of 35 million yen in the consolidated statements of income for the previous fiscal year.

(Additional information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Implementation Guidelines No. 26; March 28, 2016) have been applied from the fiscal year under review.

(Notes on Consolidated Balance Sheet)

*1 The following figure reflect affiliated companies

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Investment securities (equities)	578 million yen	272 million yen

*2 The Company and its subsidiaries signed an agreement for overdraft with four banks to procure operating capital efficiently. The balance of borrowings involved in the agreement for overdraft at the end of this consolidated fiscal year is as follows:

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Limit of overdraft account	5,500 million yen	5,850 million yen
Borrowing	1,000 million yen	1,000 million yen
Balance	4,500 million yen	4,850 million yen

*3 Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities are as follows:

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Buildings and structures	95 million yen	208 million yen
Land	22 million yen	185 million yen
Total	117 million yen	394 million yen

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
Current portion of long-term loans payable	3 million yen	15 million yen
Long-term loans payable	46 million yen	253 million yen
Total	48 million yen	268 million yen

(Notes on Consolidated Income Statement)

*1. Significant components of gain on sales of noncurrent assets in “other” under extraordinary income:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Tools, furniture and fixtures	0 million yen	0 million yen

*2. Significant components of loss on sales of noncurrent assets in “other” under extraordinary loss:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Tools, furniture and fixtures	1 million yen	3 million yen

*3. Significant components of loss on retirement of noncurrent assets

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Buildings and structures	6 million yen	2 million yen
Tools, furniture and fixtures	1 million yen	3 million yen
Software	10 million yen	- million yen
Other	0 million yen	12 million yen
Total	18 million yen	17 million yen

*4. Details of impairment losses are as follows.

The Group recorded impairment losses on the following asset groups during the fiscal year under review.

(1) Asset groups for which impairment was recognized

Use	Type	Location
Business assets	Tools, instruments and fixtures	Minato-ku, Tokyo and others
	Software	
	Goodwill	

(2) Background to recognition of impairment loss

F-PLAIN Corporation (Minato-ku, Tokyo), a consolidated subsidiary which operates the Sales Support Business, reviewed its business plan related to online business, and found a divergence from the initial plan. As a result, it has determined that the business assets of the Sales Support Business related to the online business have become irrecoverable at full book value, resulting in recognition of an impairment loss.

(3) Amount of impairment loss

Tools, instruments and fixtures	0 million yen
Software	6 million yen
Goodwill	42 million yen

(4) Asset grouping method

The Group groups assets according to business segment in the application of impairment accounting.

(5) Method of calculation for recoverable amount

The Group's recoverable amount uses utility value and has been calculated to be zero based on an estimation of future cash flow.

(Notes on Consolidated Statement of Comprehensive Income)

* Amount of modifications and tax effect in other comprehensive income

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Valuation difference on available-for-sale securities:		
Amount incurred during the current fiscal year	6 million yen	89 million yen
Reclassification adjustment	–	–
Before tax effect adjustment	6 million yen	89 million yen
Tax effect	(1) million yen	(33) million yen
Valuation difference on available-for-sale securities	4 million yen	56 million yen
Share of other comprehensive income of associates accounted for using equity method:		
Amount incurred during the current fiscal year	6 million yen	–
Reclassification adjustment	–	–
Share of other comprehensive income of associates accounted for using equity method	6 million yen	–
Total other comprehensive income	10 million yen	56 million yen

(Notes on Changes in Consolidated Statement of Shareholders' Equity)

Fiscal year ended December 2016 (January 1 to December 31, 2016)

1. Matters concerning the type and the number of shares issued and treasury stock

	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the fiscal year	Decrease in the number of shares during the fiscal year	Number of shares at the end of the fiscal year
Shares issued Common stock (shares)	38,486,400	–	–	38,486,400
Total	38,486,400	–	–	38,486,400
Treasury stock Common stock (shares)	–	148,500	–	148,500
Total	–	148,500	–	148,500

(Summary of reason for change)

Acquisition of treasury stock resolution of the Board of Directors on February 12, 2016: 148,500 shares

2. Matters concerning stock acquisition rights

There are no relevant matters.

3. Matters concerning dividend

(1) Dividend payments

Resolution	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 12, 2016 Board of directors meeting	Common shares	385	10.00	Dec. 31, 2015	Mar. 11, 2016
Aug. 5, 2016 Board of directors meeting	Common shares	383	10.00	June 30, 2016	Sep. 5, 2016

(2) Of dividends the record date of which belongs to the fiscal year, those the effective date of which falls in or after the following fiscal year

Resolution	Type of shares	Dividend resource	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 10, 2017 Board of directors meeting	Common shares	Retained earnings	422	11.00	Dec. 31, 2016	Mar. 10, 2017

Fiscal year ended December 2017 (January 1 to December 31, 2017)

1. Matters concerning the type and the number of shares issued and treasury stock

	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the fiscal year	Decrease in the number of shares during the fiscal year	Number of shares at the end of the fiscal year
Shares issued Common stock (shares)	38,486,400	–	–	38,486,400
Total	38,486,400	–	–	38,486,400
Treasury stock Common stock (shares)	148,500	453,400	–	601,900
Total	148,500	453,400	–	601,900

(Summary of reason for change)

Acquisition of treasury stock resolution of the Board of Directors on February 10, 2017: 453,400 shares

2. Matters concerning stock acquisition rights

Name of company	Details of stock acquisition rights	Type of stock for the purpose of stock acquisition rights	Number of shares for the purpose of stock acquisition rights				Balance at end of the fiscal year (million yen)
			Beginning of the fiscal year	Increase in the fiscal year	Decline in the fiscal year	End of the fiscal year	
Submitting company	Stock acquisition rights as stock options	—	—	—	—	—	32
Total		—	—	—	—	—	32

3. Matters concerning dividend

(1) Dividend payments

Resolution	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 10, 2017 Board of directors meeting	Common shares	422	11.00	Dec. 31, 2016	Mar. 10, 2017
Aug. 4, 2017 Board of directors meeting	Common shares	455	12.00	June 30, 2017	Sep. 4, 2017

(2) Of dividends the record date of which belongs to the fiscal year, those the effective date of which falls in or after the following fiscal year

Resolution	Type of shares	Dividend resource	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 9, 2018 Board of directors meeting	Common shares	Retained earnings	530	14.00	Dec. 31, 2017	Mar. 9, 2018

(Notes on Consolidated Cash Flows Statement)

*1. Reconciliation of the consolidated balance sheet items to cash and cash equivalents in the consolidated cash flow statements are as follows:

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Cash and deposits	6,963 million yen	9,371 million yen
Cash and cash equivalents	6,963 million yen	9,371 million yen

*2. Main breakdown of assets and liabilities of companies that newly became consolidated subsidiaries through the acquisition of their shares

Fiscal year ended December 2016 (January 1 to December 31, 2016)

The following presents the breakdown of assets and liabilities from the start of consolidation of newly acquired Dimension Pockets Co., Ltd. as well as the acquisition cost of shares of Dimension Pockets Co., Ltd. and the relationship with expenditures (net increase) for the acquisition of Dimension Pockets Co., Ltd.

Current assets	60 million yen
Non-current assets	263 million yen
Goodwill	14 million yen
Current liabilities	(19) million yen
Non-current liabilities	(82) million yen
Non-controlling interests	(73) million yen
Acquisition cost for shares	163 million yen
Cash and cash equivalents, etc.	(2) million yen
Allowance: expenditure for acquisition	160 million yen

Fiscal year ended December 2017 (January 1 to December 31, 2017)

The following presents the breakdown of assets and liabilities from the start of consolidation of newly acquired F-PLAIN Co., Ltd. and its subsidiaries as well as the acquisition cost of shares of F-PLAIN Co., Ltd. and the relationship with expenditures (net increase) for the acquisition of F-PLAIN Co., Ltd.

Current assets	1,857 million yen
Non-current assets	449 million yen
Goodwill	547 million yen
Current liabilities	(768) million yen
Non-current liabilities	(35) million yen
Non-controlling interests	(329) million yen
Equity method valuation until time control was acquired	(358) million yen
Gain on step acquisitions	(167) million yen
Acquisition cost of additionally acquired shares	1,198 million yen
Cash and cash equivalents, etc.	(1,156) million yen
Allowance: expenditure for acquisition	41 million yen

(Business combinations and others)

Business combination through acquisition

The Company passed a resolution at the January 26th meeting of the Board of Directors to acquire shares of F-PLAIN Corporation and make it a subsidiary. The Company acquired the shares and made F-PLAIN Corporation a subsidiary on the same day. In addition, M's LINE Co., Ltd., a wholly-owned subsidiary of F-PLAIN Corporation, also became a subsidiary of the Company on the same day.

(1) Summary of the business combination

1) Name of acquired company and its business lines

Name of acquired company	F-PLAIN Corporation and M's LINE Co., Ltd.
Business lines	Call center operations, etc.

2) Main reasons for undertaking the business combination

The Company acquired shares of F-PLAIN Corporation because there is a high affinity with the human resource services and BPO services provided in the Group's mainstay Short-term Operational Support Business, and by making F-PLAIN Corporation a consolidated subsidiary of the Group, under a solid capital relationship, the Company will seek to reinforce its future growth strategy, facilitate the mutual use of management resources, further stabilize the management foundation, and grow future profits.

3) Date of business combination

January 26, 2017 (Deemed acquisition date: January 1, 2017)

4) Legal form of business combination

Share acquisition in exchange for cash.

5) Name of company after combination

The name of the company will remain the same.

6) Percentage of voting rights acquired

Percentage of voting rights held prior to business combination	23.8%
Percentage of additional voting rights acquired on the date of business combination	54.4%
Percentage of voting rights held after acquisition	78.2%

7) Main grounds for determining acquiring company

It is as a result of the Company acquiring 78.2% of the voting rights of the F-PLAIN Co., Ltd. through the share acquisition in exchange for cash.

(2) Period of the business performance of the acquired company included in consolidated financial statements

January 1 to December 31, 2017

(3) Cost of the acquisition and consolidation of the acquired company and the breakdown thereof

Market value of ordinary shares owned prior to the business combination on the date of the business combination:	524 million yen
Consideration for additionally acquired shares	1,198 million yen
Cost of the acquisition	1,722 million yen

(4) Details and amount of major expenses related to the acquisition

Advisory fees, others. 6 million yen

(5) Difference in acquisition cost of acquired company and total amount of acquisition costs for each transaction for the acquisition

Gain on step acquisition: 167 million yen

(6) Amount , reason, method and period of amortization of Goodwill arising from the business combination

1) Amount of goodwill arising from the business combination

547 million yen

2) Reason for the goodwill

The assets acquired for the cost of the acquisition exceed the net amount allocated in liabilities assumed, and therefore the amount in excess was accounted for as goodwill.

3) Method and period of amortization

5-year period on a straight-line basis.

(7) Breakdown of the amount of assets received and liabilities assumed on the date of business combination

Current assets	1,857 million yen
Non-current assets	449 million yen
Total assets	2,306 million yen
Current liabilities	768 million yen
Non-current liabilities	35 million yen
Total liabilities	803 million yen

(8) Approximate amount and calculation method of impact on business combination on consolidated statements of income for the current fiscal year assuming acquisition was completed on the first day of the current consolidated fiscal year

The deemed acquisition date is the start date of the Company’s accounting year (January 1, 2017); therefore, there are no effects.

(Segment Information and Others)

(Segment information)

Previous fiscal year (January 1 to December 31, 2016)

1. Overview of reporting segments

The Company's reporting segments are business units for which financial information can be obtained independently from the 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 two reporting segments: 1) the "short-term operational support business" and 2) the "security, other businesses". The "short-term operational support business" provides timely short-term staffing services that cater to fluctuations in client companies' workloads. The "security, other businesses" mainly conducts security work for public facilities and general companies.

2. Information concerning the calculation of the amount of sales, profits and losses, assets, and other items for each reporting segment

The accounting methods for each segment reported are almost the same as described in the "Significant Accounting Policies in the Preparation of the Consolidated Financial Statements."

The income of each reporting segment is an amount based on its operating income. Inter-segment profits and transfers are based on market prices.

3. Information concerning the amount of sales, profits and losses, assets, and other items for each reporting segment

(Million yen)

	Reporting segment		Total	Adjustment amount	Consolidated
	Short-term operational support business	Security, other business			
Net sales					
Sales to external customers	23,225	2,116	25,340	–	25,340
Inter-segment sales or transfers	0	0	0	(0)	–
Total	23,225	2,116	25,341	(0)	25,340
Segment income or loss (-)	3,478	108	3,586	(704)	2,882
Segment assets	6,091	1,360	7,451	5,820	13,272
Other					
Depreciation	40	5	45	227	272
Amortization of goodwill	–	14	14	–	14
Increase of property, plant and equipment and intangible assets	67	265	332	170	502

Notes: 1. (1) Million yen in intersegment eliminations and (703) million yen in company-wide expenses not allocated to any reporting segment are included in the (704) million yen segment income adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any reporting segment.

2. The profit or loss (−) of segments has been adjusted with the operating income shown in the consolidated profit and loss statement.
3. The amount of 5,820 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 227 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings, structures and software of the head office of the Company.
5. The amount of 170 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 the company and tools, furniture and fixtures, and software for a new system.

Current consolidated fiscal year (January 1 to December 31, 2017)

1. Overview of Reporting Segments

The Company's reporting segments are business units for which financial information can be obtained independently from the 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) "the short-term operational support business;" 2) "the sales support business" and 3) "the 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.

Shares of F-PLAIN Corporation were acquired in the current fiscal year, resulting in the company and its subsidiary being newly included in the scope of consolidation. As a result, it was added to "the sales support business" segment.

2. Information concerning the calculation of the amount of sales, profits and losses, assets, and others for each reporting 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 income of each reporting segment is an amount based upon its operating income. Inter-segment profits and transfers are based on market prices.

3. Information concerning the amount of sales, profits and losses, assets, and other items for each reporting segment

(Million yen)

	Reporting segment			Total	Adjustment amount	Consolidated
	Short-term operational support business	Sales support business	Security, other businesses			
Net sales						
Sales to external customers	26,555	3,596	1,915	32,066	–	32,066
Inter-segment sales or transfers	0	–	–	0	(0)	–
Total	26,555	3,596	1,915	32,066	(0)	32,066
Segment income or loss (-)	4,881	255	116	5,253	(828)	4,424
Segment assets	6,777	2,631	1,170	10,579	6,234	16,813
Other						
Depreeraticn	196	9	24	229	38	267
Amortization of goodwill	–	159	–	159	–	159
Impairment loss	–	48	–	48	–	48
Increase of property, plant and equipment and intangible assets	78	6	19	103	90	193

Notes: 1. (2) million yen in intersegment eliminations and (827) million yen in company-wide expenses not allocated to any reporting segment are included in the (828) million yen segment income adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any reporting segment.

2: The profit or loss (-) of the segments has been adjusted with the operating income shown in the consolidated profit and loss statement.

3: The amount of 6,234 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 38 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings, structures and software of the head office of the Company.

5: The amount of 90 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 the company and tools, furniture and fixtures, and software for a new system.

(Related Information)

Previous consolidated fiscal year (January 1 to December 31, 2016)

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 income statement.

Curent consolidated fiscal year (January 1 to December 31, 2017)

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 income statement.

(Information concerning impairment loss on noncurrent assets for each reporting segment)

Previous consolidated fiscal year (January 1 to December 31, 2016)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2017)

(Million yen)

	Reporting segment				Company-wide/ amortization	Total
	Short-term operational support business	Sales support business	Security, other businesses	Total		
Impairment loss	–	48	–	48	–	48

(Information regarding the amount of amortization of goodwill and unamortized balance for each reporting segment)

Previous consolidated fiscal year (January 1 to December 31, 2016)

(Million yen)

	Reporting segment			Company-wide/ amortization	Total
	Short-term operational support business	Security, other businesses	Total		
Amount of amortization for the fiscal year	–	14	14	–	14
Balance at end of the fiscal year	–	–	–	–	–

Current consolidated fiscal year (January 1 to December 31, 2017)

(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	–	159	–	159	–	159
Balance at end of the fiscal year	–	459	–	459	–	459

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

Previous consolidated fiscal year (January 1 to December 31, 2016)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2017)

There are no relevant matters.

(Per share information)

FY12/16 (January 1 to December 31, 2016)		FY12/17 (January 1 to December 31, 2017)	
Shareholders' equity per share	239.98 yen	Shareholders' equity per share	286.81 yen
Net income per share	65.92 yen	Net income per share	78.87 yen
Diluted net income per share	–	Diluted net income per share	78.58 yen

Note: 1. Diluted net income per share for the previous fiscal year is not reported since there is no outstanding latent stock.

2. The basis for calculating net income per share and diluted net income per share in the fiscal year under review is as follows.

Item	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Net income per share		
Net income attributable to Fullcast Holdings Co., Ltd. (million yen)	2,529	2,994
Net income attributable to Fullcast Holdings Co., Ltd. [basic] (million yen)	2,529	2,994
Net income not available to common stock (million yen)	–	–
Average number of common stock outstanding during the period (shares)	38,361,505	37,963,141
Diluted net income per share		
Adjusted net income attributable to Fullcast Holdings Co., Ltd. (million yen)	–	–
Increase of common stock (shares)	–	136,162
(of these, stock acquisition rights [shares])	–	136,162
Overview of potential stock not included in calculation of diluted net income per share because the stock have no dilution effect	–	–

(Subsequent events)

(Acquisition of treasury stock)

The Company passed a resolution at the Board of Directors' meeting held on February 9, 2018 on the acquisition of treasury stock in accordance with Article 156 of the Companies Act of Japan, applied pursuant to Article 165-3 of the same act as follows.

1. Reason

Treasury stock will be acquired in order to provide greater returns to shareholders as well as to implement an agile capital policy to enhance capital efficiency.

2. Type of stock: Ordinary shares
3. Number of shares to be acquired acquire: 340,000 (Maximum)
4. Total value of repurchases: 682 million yen (Maximum)
5. Period: February 13 to March 23, 2018
6. Acquisition method: Purchased in the open market of the Tokyo Stock Exchange

(Business combination through acquisition)

The Company passed a resolution at a meeting of the Board of Directors held on December 15, 2017 to acquire shares of BOD Co., Ltd. and make it a consolidated subsidiary. BOD Co., Ltd. was turned into a consolidated subsidiary after the Company acquired its shares on January 4, 2018.

(1) Summary of the business combination

1) Name of acquired company and its business lines

Name of acquired company	BOD Co., Ltd.
Business lines	Data entry, order management contracting, credit screening agency services, invoice agency and processing services, payment management operations, order management, bookkeeping and accounting contracting

2) Main reasons for undertaking the business combination

The Company acquired the shares because there is a high degree of affinity with the Fullcast Group's core human resources services and BPO related services within the short-term operational support business, and with the goal of reinforcing our future growth strategy based on a strong capital relationship, achieving mutual utilization of each other's management resources, stabilize further the management foundation, and expanding profits in the future by turning it into a consolidated subsidiary of the Group.

3) Date of business combination

January 4, 2018 (Deemed acquisition date: January 1, 2018)

4) Legal form of business combination

Share acquisition in exchange for cash.

5) Name of company post combination

The name of the company will remain the same.

6) Percentage of voting rights acquired

Percentage of voting rights held prior to business combination	—%
Percentage of additional voting rights acquired on the date of business combination	51.0%
Percentage of voting rights held after acquisition	51.0%

7) Backgrounds for determining acquiring company

The result of our Company acquiring 51.0% of the voting rights through the share acquisition in exchange for cash.

(2) Cost of the acquisition and consolidation of the acquired company and the breakdown thereof

Yet to be determined.

(3) Details and amount of major expenses related to the acquisition

The details have yet to be determined.

(4) Amount, reason, method and period of amortization of goodwill arising from the business combination

The details have yet to be determined..

(5) Breakdown of the amount of assets received and liabilities accepted on the date of business combination

The details have yet to be determined.

(6) Others

Gyomubu Co., Ltd. is a subsidiary of the Company’s major shareholder; therefore this transaction corresponds to a related party transaction.

6. Financial Statements

(1) Balance Sheet

(Million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
ASSETS		
Current assets		
Cash and deposits	3,971	5,127
Supplies	6	5
Prepaid expenses	80	85
Short-term loans receivable from subsidiaries and affiliates	819	50
Current portion of long-term loans receivable from subsidiaries and associates	–	1
Accounts receivable-other	1,160	1,567
Deferred tax assets	246	60
Other	242	54
Total current assets	6,523	6,949
Noncurrent assets		
Property, plant and equipment		
Buildings	34	33
Tools, furniture and fixtures	162	109
Total property, plant and equipment	196	142
Intangible assets		
Software	297	239
Other	0	0
Total intangible assets	297	239
Investments and other assets		
Investment securities	36	31
Stocks of subsidiaries and affiliates	1,056	2,359
Investments in capital	0	0
Long-term loans receivable from subsidiaries and associates	–	58
Guarantee deposits	63	70
Insurance funds	3	–
Long-term prepaid expenses	21	15
Deferred tax assets	158	126
Total investments and other assets	1,337	2,659
Total noncurrent assets	1,830	3,040
Total assets	8,353	9,990

(Million yen)

	FY12/16 end (December 31, 2016)	FY12/17 end (December 31, 2017)
LIABILITIES		
Current liabilities		
Short-term loans payable	1,000	1,000
Accounts payable-other	133	188
Accrued expenses	252	274
Income taxes payable	24	407
Accrued consumption taxes	59	53
Deposits received	48	51
Unearned revenue	2	3
Other	0	–
Total current liabilities	1,517	1,975
Noncurrent liabilities		
Long-term guarantee deposited	7	8
Provision for retirement benefits	349	405
Asset retirement obligations	20	22
Other	–	1
Total noncurrent liabilities	377	437
Total liabilities	1,894	2,412
Net assets		
Shareholders' equity		
Capital stock	2,780	2,780
Retained earnings		
Legal retained earnings	223	311
Other retained earnings		
Retained earnings brought forward	3,544	5,034
Total retained earnings	3,767	5,345
Treasury stock	(100)	(598)
Total shareholders' equity	6,447	7,527
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12	19
Total valuation and translation adjustments	12	19
Subscription rights to shares	–	32
Total net assets	6,460	7,578
Total liabilities and net assets	8,353	9,990

(2) Profit and Loss Statement

(Million yen)

	FY12/16 (January 1 to December 31, 2016)	FY12/17 (January 1 to December 31, 2017)
Operating revenue		
Consulting fee income	1,297	1,587
Commissions from subsidiaries and affiliates	1,322	1,260
Dividends from subsidiaries and affiliates	1,645	1,899
Total operating revenue	4,264	4,745
Operating expenses	1,983	2,043
Operating income	2,281	2,703
Non-operating income		
Interest income	11	9
Real estate rent	16	18
Commission fee	–	6
Reversal of provision for sales returns	42	–
Other	5	11
Total non-operating income	74	44
Non-operating expenses		
Interest expenses	7	6
Depreciation	3	3
Rent cost of real estate	16	18
Commission fee	–	8
Other	9	4
Total non-operating expenses	34	39
Ordinary income	2,320	2,708
Extraordinary income		
Gain on sales of noncurrent assets	0	–
Total extraordinary income	0	–
Extraordinary loss		
Loss on sales of fixed assets	1	3
Loss on retirement of noncurrent assets	9	8
Loss on valuation of investment securities	–	8
Total extraordinary losses	11	19
Income before income taxes	2,310	2,689
Income taxes-current	(231)	21
Income taxes-deferred	(26)	214
Total income taxes	(257)	236
Net income	2,567	2,454

(3) Statements of Shareholders' Equity

Accounting period for the previous fiscal year (January 1 to December 31, 2016)

(Million yen)

	Shareholders' equity						Valuation and translation adjustments		
		Retained earnings							
			Other retained earnings						
	Capital	Legal retained earnings	Retained earnings carried forward	Total retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance at the beginning of current period	2,780	146	1,822	1,968	–	4,748	8	8	4,757
Changes of items during the period									
Dividends paid from retained earnings			(768)	(768)		(768)			(768)
Provision of retained earnings		77	(77)	–		–			–
Net income			2,567	2,567		2,567			2,567
Acquisition of treasury stock					(100)	(100)			(100)
Net changes of items other than shareholders' equity							4	4	4
Total changes of items during the period	–	77	1,722	1,799	(100)	1,699	4	4	1,703
Balance at the end of current period	2,780	223	3,544	3,767	(100)	6,447	12	12	6,460

Accounting period for the current fiscal year (January 1 to December 31, 2017)

(Million yen)

	Shareholders' equity						Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Capital	Retained earnings			Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal retained earnings	Other retained earnings: Retained earnings carried forward	Total retained earnings						
Balance at the beginning of current period	2,780	223	3,544	3,767	(100)	6,447	12	12	–	6,460
Changes of items during the period										
Dividends paid from retained earnings			(876)	(876)		(876)				(876)
Provision of retained earnings		88	(88)	–		–				–
Net income			2,454	2,454		2,454				2,454
Acquisition of treasury stock					(498)	(498)				(498)
Net changes of items other than shareholders' equity							7	7	32	39
Total changes of items during the period	–	88	1,490	1,577	(498)	1,079	7	7	32	1,118
Balance at the end of current period	2,780	311	5,034	5,345	(598)	7,527	19	19	32	7,578