February 8, 2019

# Consolidated Financial Results Announcement for the Fiscal Year Ended December 31, 2018 [Japanese Standards] (Consolidated)

Company name: Fullcast Holdings Co., Ltd.
Stock exchange listing: First Section of the Tokyo Stock Exchange
Stock code: 4848
URL: https://www.fullcastholdings.co.jp
Representative: Kazuki Sakamaki, President, Representative Director and CEO
Contact: Yasuomi Tomotake, General Manager of the IR and Finance Department
Telephone: +81-3-4530-4830
Date of Annual General Meeting of Shareholders (Planned): March 29, 2019
Date of submission of annual securities report (Planned): March 29, 2019
Date of dividend payments (Planned): March 15, 2019
Preparation of supplementary references regarding financial results: Yes (Shown on our website)
Briefing for financial results: Yes (For institutional investors and security analysts)

(Figures are rounded to the nearest million yen)

## 1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)

### (1) Consolidated Business Results

(% = year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to Fullcast Holdings Co.,Ltd. | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY12/18 | 38,852 | 21.2 | 5,896 | 33.3 | 5,286 | 20.0 | 3,310 | 10.6 |
| FY12/17 | 32,066 | 26.5 | 4,424 | 53.5 | 4,406 | 46.8 | 2,994 | 18.4 |

(Note) Comprehensive income: FY12/18: 3,406 million yen (50.2%) FY12/17: 3,081 million yen (21.4%)

| | 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 | % | % | % |
| FY12/18 | 87.90 | 87.48 | 28.4 | 28.8 | 15.2 |
| FY12/17 | 78.87 | 78.58 | 29.8 | 29.3 | 13.8 |

(Reference) Investment profit and loss on equity method: FY12/18: (620) million yen FY12/17: 52 million yen

### (2) Consolidated Financial Conditions

| | Total assets | Net assets | Equity ratio | Equity per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| FY12/18 End | 19,849 | 13,049 | 62.8 | 331.68 |
| FY12/17 End | 16,813 | 11,339 | 64.6 | 286.81 |

(Reference) Equity: As of December 31, 2018: 12,474 million yen As of December 31, 2017: 10,866 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 |
| FY12/18 | 4,548 | (2,944) | (2,508) | 8,467 |
| FY12/17 | 3,901 | (187) | (1,306) | 9,371 |

## 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 | | | |
| FY12/17 | ― | 12.00 | ― | 14.00 | 26.00 | 985 | 33.0 | 9.9 |
| FY12/18 | ― | 14.00 | ― | 18.00 | 32.00 | 1,203 | 36.4 | 10.3 |
| FY12/19 Forecast | ― | 19.00 | ― | 19.00 | 38.00 | | 30.7 | |

Note 1: For matters relating to our dividends, please refer to "(4) 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 net income.

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

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

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

* Notes

(1) Changes in important subsidiaries during the period

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

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

1) Changes in accounting 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 shares) | FY12/18 | 38,486,400 | FY12/17 | 38,486,400 |
| 2) Number of treasury shares at the term end | FY12/18 | 878,552 | FY12/17 | 601,900 |
| 3) Average number of shares outstanding during the term under review | FY12/18 | 37,656,770 | FY12/17 | 37,963,141 |

## Reference: Non-Consolidated Financial Results

1. Financial Results for the Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)

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

| | Operating revenue | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY12/18 | 5,741 | 21.0 | 3,527 | 30.5 | 3,552 | 31.2 | 2,462 | 0.3 |
| FY12/17 | 4,745 | 11.3 | 2,703 | 18.5 | 2,708 | 16.7 | 2,454 | (4.4) |

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| FY12/18 | 65.37 | 65.06 |
| FY12/17 | 64.63 | 64.40 |

(2) Financial Conditions

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| FY12/18 End | 11,434 | 8,356 | 72.3 | 220.18 |
| FY12/17 End | 9,990 | 7,578 | 75.5 | 199.17 |

(Reference) Shareholders' equity: FY12/18: 5,469 million yen FY12/17: 7,545 million yen

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

* Explanation of 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, factors that affect our financial results are not limited to only these. For assumptions underlying our business forecasts and related issues, please refer to Page 5"1. (3) Future Outlook."

(Change in presentation method of dates)

The presentation method of dates has been changed from the Japanese to Western calendar starting from the consolidated financial results for the fiscal year ended December 2018.

## Table of Contents of Appendix

1. Operating Results and Financial Position.......... 2
    (1) Summary of Operating Results.......... 2
    (2) Summary of Financial Position.......... 3
    (3) Future Outlook.......... 5
    (4) Fundamental Policy for Allocation of Earnings and Dividends for the Current and Coming Fiscal Years.......... 6
    (5) Risks Associated with Our Businesses.......... 6
2. Corporate Group.......... 12
    (1) Status of Affiliated Companies.......... 12
    (2) Diagram of Business Activities.......... 15
3. Management Policies.......... 16
    (1) Fundamental Management Policies.......... 16
    (2) Target Management Indicators.......... 16
    (3) Medium to Long Term Management Strategies.......... 16
    (4) Key Management Issues.......... 16
4. Fundamental Principles on Selection of Accounting Standards.......... 18
5. Consolidated Financial Statements and Primary Notes.......... 19
    (1) Consolidated Balance Sheet.......... 19
    (2) Consolidated Profit and Loss Statement and Consolidated Statement of Comprehensive Income.......... 21
    (3) Consolidated Statements of Shareholders' Equity.......... 24
    (4) Consolidated Cash Flows Statement.......... 26
    (5) Notes on Consolidated Financial Statements.......... 28

# 1. Operating Results and Financial Position

## (1) Summary of Operating Results

During the fiscal year under review, Japan's economy continued to see a gradual recovery on the back of the ongoing recovery in personal consumption, in addition to the government's economic and monetary stimulus measures which helped to improve corporate profits and employment conditions as well as resulted in increases in capital investment, despite a slowing in the pace of rising consumer prices. Economic conditions are expected to continue to improve steadily in the future based on the outlook for sustained improvements in employment and income conditions, as well as the effects of various government stimulus policies. However, the impacts that trade issues have on the world economy, 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 regard to the operating environment surrounding the staffing service industry, the current outlook suggests that employment conditions will continue to improve, as the job offers-to-applicants ratio and the new job offer ratio both remain at high levels despite a flattening of growth in their rate of improvement. Also, the number of workers and employment rate are both increasing, and there has been a moderate improvement in the number of unemployed.

Against this backdrop, the Fullcast Group implemented group management activities with our goal of "Achieving record high profits by reinforcing Group synergies and further increasing productivity" during the current fiscal year. In particular, marketing activities were implemented with an emphasis on boosting overall profitability of the Fullcast Group by focusing on the mainstay "Part-Time Worker Placement" (Hereinafter referred to as "Placement") and "Part-Time Worker Payroll Management" service, as well as the "My Number Management" service, "Year-End Tax Adjustment Management" service and business process outsourcing service provided by BOD Co., Ltd. (Hereinafter referred to as "BPO"). 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 21.2% year-on-year to 38,852 million yen, due mainly to growth in "BPO" from the inclusion of the results of BOD Co., Ltd., in addition to higher sales of the existing core services of "Placement" and "BPO" throughout the year in the mainstay Short-Term Operational Support Business.

In terms of profits, consolidated operating income increased by 33.0% year-on-year to 5,896 million yen, due mainly to an increase in sales in the Short-Term Operational Support Business.

In contrast to the increase in consolidated operating income, consolidated ordinary income increased by 20.0% year-on-year to 5,286 million yen because we posted an impairment loss (share of loss of entities accounted for using equity method) associated with a decline in the share value of Advancer Global Limited, an affiliate under the equity method.

Net income attributable to Fullcast Holdings Co., Ltd. increased by 10.6% year-on-year to 3,310 million yen, because the tax burden in the current fiscal year increased after the amount of loss carried forward was eliminated in previous fiscal year and because a gain on step acquisitions of 167 million yen was posted in the previous fiscal year.

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. The Group targets ROE of 20% or higher (hereinafter referred to as "adjusted ROE") , which is derived from net income attributable to Fullcast Holdings Co., Ltd. excluding the influence of adjusted income tax arising from the recording of deferred tax assets for losses carried forward (hereinafter referred to as "adjusted net income").

Although ROE at the end of current fiscal year was 28.4%, adjusted ROE was 29.0%, an decline of 3.5% points from 32.5% at the end of the previous fiscal year, but continue to realize 20% adjusted ROE.

The Group acquired the shares of BOD Co., Ltd. on January 4, 2018, making it a consolidated subsidiary. In addition, the Company acquired all shares of Minimaid Service Co., Ltd. on August 31, 2018, making it a consolidated subsidiary. Furthermore, on June 29, 2018, the Group established a new company called Fullcast Global

Co., Ltd. to provide staffing services mainly for foreign nationals, in order to provide diverse employment opportunities in which anyone can work with peace of mind. This company is a consolidated subsidiary and began operations on October 1, 2018.

In the second quarter, BOD Co., Ltd. changed its settlement date to December 31. Therefore, the settlement date is the same as the consolidated account settlement date. Financial statements were prepared based on a provisional settlement conducted by BOD Co., Ltd. as of the consolidated settlement date. Therefore, this change does not have any impact on financial statements. The final day of the business year of other consolidated subsidiaries all match the consolidated account settlement date.

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

1) Short-Term Operational Support Business

Net sales of the “Short-Term Operational Support Business” increased by 25.8% year-on-year to 33,417 million yen, due mainly to growth in “BPO” associated with the inclusion of the earnings of BOD Co., Ltd., in addition to higher net sales of the existing mainstay services of “Placement” and “BPO” amid sustained strong demand for hiring among client companies throughout the year.

In terms of profits, segment profit (operating income) increased by 35.2% year-on-year to 6,597 million yen due mainly to an increase in sales of existing mainstay services.

2) Sales Support Business

Net sales of the “Sales Support Business” declined by 7.9% year-on-year to 3,313 million yen, due to slow sales of telecommunications products throughout the year.

In terms of profits, segment profit (operating income) declined by 46.5% year-on-year to 137 million yen because of the decline in net sales.

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” increased by 10.8% year-on-year to 2,122 million yen, due mainly to an increase in the number of long-term security projects in the “Security Business”, the core service of this segment.

In terms of profits, segment profit (operating income) increased by 55.9% year-on-year to 181 million yen due mainly to sales activities focused on raising profitability in the “Security Business” and improvements in gross margin by securing high profit margin long-term security projects, in addition to efforts to restrain SG&A expenses ratio.

**(2) Summary of Financial Position**

1) Assets, liabilities and net assets

At the end of the current fiscal year, total assets increased by 3,035 million yen from the end of the previous fiscal year to 19,849 million yen. Equity increased by 1,608 to 12,474 million yen (equity ratio of 62.8%), and net assets increased by 1,710 to 13,049 million yen.

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

With regard to assets, current assets increased by 122 million yen from the end of the previous fiscal year to 14,175 million yen at the end of the current term. This increase is attributed mainly to an increase in notes and accounts receivable-trade of 1,060 to 5,195 million yen, an increase in supplies of 24 to 45 million yen, and an increase in goods of 18 to 23 million yen, versus decline in cash and deposits of 904 to 8,467 million yen and a decline in deferred tax assets of 89 to 148 million yen.

Non-current assets increased by 2,913 million yen from the end of the previous fiscal year to 5,673 million yen.

This increase is attributed mainly to an increase investment securities of 1,656 to 2,161 million yen, an increase in goodwill of 687 to 1,146 million yen, an increase in land of 301 to 565 million yen, an increase in buildings and structures (net) of 105 to 463 million yen, and an increase in guarantee deposits of 105 to 501 million yen.

With regard to liabilities, current liabilities increased by 1,193 million yen from the end of the previous fiscal year to 5,820 million yen at the end of the current fiscal year. This increase is attributed mainly to an increase in accounts payable-other of 460 to 1,411 million yen, an increase in income taxes payable of 250 to 984 million yen, an increase in accrued consumption taxes of 201 to 889 million yen, an increase in accrued expenses of 166 to 1,031 million yen, as well as an increase in current liabilities-other of 147 to 418 million yen which was caused by an increase in suspense receipts of 52 to 57 million yen, an increase in the provision for bonuses of 47 to 57 million yen, along with an increase in social insurance deposits of 31 to 189 million yen, which offset a decline in the cancellation adjustment reserve of 43 to 46 million yen.

Non-current liabilities increased by 132 million yen from the end of the previous fiscal year to 980 million yen at the end of the current fiscal year. This increase is attributed mainly to an increase in net defined benefit liability of 66 to 557 million yen, an increase in non-current liabilities other of 29 to 57 million yen mainly by an increase in long-term guarantees deposited of 23 to 35 million yen, along with an increase in deferred tax liabilities of 28 to 56 million yen and an increase in asset retirement obligations of 24 to 73 million yen, which offset a decline in long-term loans payable of 15 to 237 million yen.

2) Cash Flows

Outstanding cash and cash equivalents (hereinafter referred to as "funds") at the end of the consolidated fiscal year under review decreased by 904 million yen (increased by 2,409 million yen in the previous fiscal year) from the end of the previous consolidated fiscal year, and the balance at the end of this fiscal year was 8,467 million yen.

(Net Cash From Operating Activities)

Funds provided by operating activities were 4,548 million yen (net cash inflow of 3,901 million yen in the previous year), due to income before income taxes and minority interests of 5,301 million yen, share of loss of entities accounted for using equity method of 620 million yen, depreciation of 224 million yen, an increase in notes and accounts payable-trade of 213 million yen, amortization of goodwill of 160 million yen, an increase in accrued consumption tax of 152 million yen, and an increase in accrued enterprise tax of 126 million yen, which offset income taxes paid of 1,772 million yen and an increase in accounts receivable of 593 million yen.

(Net Cash From Investing Activities)

Funds used in financing activities were 2,944 million yen (net cash outflow of 187 million yen in the previous year), due to purchase of investment securities of 2,211 million yen and for the purchase of shares of subsidiaries resulting in change in scope of consolidation of 807 million yen.

(Net Cash From Financing Activities)

Funds used in financing activities were 2,508 million yen (net cash outflow of 1,306 million yen in the previous year), due to dividends paid of 1,056 million yen, repayments of long-term loans payable of 762 million yen, and purchase of treasury shares of 685 million yen.

Trends in Cash Flow Indexes

| | FY12/16 | FY12/17 | FY12/18 |
|---|---|---|---|
| Shareholders' equity (million yen) | 9,200 | 10,866 | 12,474 |
| Shareholders' equity ratio (%) | 69.3 | 64.6 | 62.8 |
| Ratio of interest-bearing debt to cash flow (%) | 35.9 | 28.6 | 19.9 |
| Interest coverage ratio (times) | 386.2 | 439.6 | 983.7 |

| | | | |
|---|---|---|---|
| Market capitalization based equity ratio (%) | 278.5 | 520.7 | 339.5 |

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 shares)

### (3) Future Outlook

The Fullcast Group established a Five-Year Medium-Term Management Plan (FY16–20) beginning in the fiscal year ended December 2016 and has worked to achieve the goals of this plan.

During the fiscal year under review, the third year of the Medium-Term Management Plan, the Fullcast Group implemented group management activities with our goal of "Achieving record high profits by reinforcing Group synergies and further increasing productivity." As a result, consolidated business results surpassed the revised consolidated business forecasts (announced on August 10, 2018), because of strong demand for hiring among client companies throughout the year that exceeded expectations in terms of short-term staffing needs, because the Fullcast Group secured its ability to supply sufficient human resources to satisfy client demand for short-term staffing. In addition, the Company achieved the operating income target of 5 billion yen set for the final fiscal year of the Medium-Term Management Plan two years ahead of schedule.

As a result, per the "Notice Concerning Review of the Medium-Term Management Plan" released on February 8, 2019, the Group reviewed the plan for the period from the fiscal year ending December 2019 to 2020, considering the Medium-Term Management Plan was achieved. Although the two-year portion of the plan was reviewed, the Company did not make changes to the plan's underlying assumptions, management strategy, and target levels of main management indicators.

For the next fiscal year, the Company has established a goal of "Expand Short-Term Operational Support Business and promote to cultivate and gain new business opportunities in neighboring business fields." While expanding the core business of Short-Term Operational Support Business and promoting to cultivate and gain in neighboring business fields for reaping new opportunities, we will drive our business growth by boosting sales across the entire Fullcast Group. Also, we will strive to achieve further business growth through improving operation efficiencies across the entire Group.

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

Furthermore, the Group uses adjusted net income as a basis for calculating ROE and total return ratio. However, given that deferred tax assets were eliminated in the fiscal year ended December 2018, adjustments will not be made for these influences in the fiscal year ending December 2019 and thereafter.

Business forecast for the fiscal year ending December 2019 (January 1 to December 31, 2019)

(Million yen)

| | FY12/18 results | FY12/19 business forecast | Rate of change |
|---|---|---|---|
| Net sales | 38,852 | 42,300 | 8.9% |
| Operating income | 5,896 | 6,830 | 15.8% |
| Ordinary income | 5,286 | 6,930 | 31.1% |
| Net income attributable to Fullcast Holdings Co., Ltd. | 3,310 | 4,593 | 38.8% |

| | | | |
|---|---|---|---|
| Net income per share | 87.9 | 123.2 | 40.2% |

Note 1: We acquired all shares of Minimaid Service Co., Ltd. on August 31, 2018, making it a consolidated subsidiary. The business forecast for the fiscal year ending December 2019 includes Minimaid Service's business forecast within the Short-Term Operational Support Business.

Note 2: Net income per share for fiscal year ending December 2019 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."

$$\text{Net income per share} = \frac{\text{Forecast for net income applicable to common stock}}{\text{Average expected number of common shares outstanding during the fiscal year ending December 31, 2019}}$$

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

We maintain a policy of enhancing returns of profits to shareholders with a target of achieving total return ratio of 50%.

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

Furthermore, the Group uses adjusted net income as a basis for calculating ROE and total return ratio. However, given that deferred tax assets were eliminated in the fiscal year ended December 2018, adjustments will not be made for these influences in the fiscal year ending December 2019 and thereafter.

For this fiscal year, excluding an impairment loss (share of loss of entities accounted for using equity method) associated with a decline in the share value of Advancer Global Limited (an affiliate under equity method), a dividend of 32 yen per share, an increase of 6 yen from the previous year and 2 yen increase from forecast, will be paid based on the concept of achieving a total return ratio of 50% related adjusted net income. At the end of the fiscal year, a dividend of 18 yen per share will be offered and share repurchases totaling up to 827 million yen will be conducted through the partial tender offer in addition to the market purchase. As a result, the total return ratio relative to adjusted net income for the fiscal year ended December 2018 is expected to be 60.0% or higher.

As for the dividends in the next fiscal year, we will maintain a 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 repurchasing shares, or both at the current point in time. We forecast an interim dividend of 19 yen per share and a year-end dividend of 19 yen per share, for a total annual dividend of 38 yen per share.

## (5) 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 strengthening corporate governance and by promoting speed in the strategic decision making process and in the implementation of various strategies by our management. However, should these decisions and implementation take longer than anticipated and the contribution to our earnings does not proceed as planned, our Group's earnings could be negatively impacted.

Within the Short-Term Operational Support Business, the Company engages in both "Part-Time Worker Placement" and "Part-Time Worker Payroll Management" services and others in response to the Revised Worker Dispatching Act implemented on October 1, 2012. In addition, as new services, we provide BPO services such as the

"My Number Management service," "Year-End Tax Adjustment Management service," and others. Following the acquisition and consolidation of BOD Co., Ltd. on January 4, 2018, the Company began providing BPO in 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. Also, following the acquisition and consolidation of Minimaid Service Co., Ltd. On August 31, 2018, the Company began providing "Housekeeping services." If these 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, due to the acquisition of overseas companies, the Group bears exchange risks, risks related to local regulations applied to businesses of acquired companies, and country risks. If these risks are realized, they may adversely affect the Group's business results and financial condition.

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, the Act on the Use of Numbers to Identify a Specific Individual for Administrative Procedures (My Number Act), and Immigration Control and Refugee Recognition Act (Immigration Control 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 applied for jobs, the client company may file a suit against us for breach of contract or demand other compensation in the event that our Company selects and places a staff member who does not meet the recruitment requirements of the client company due to our negligence. 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.

7) Exchange Risk

As a general rule, the financial statements of overseas affiliates are prepared in local currency and converted into yen when preparing consolidated financial statements. Therefore, even if the value in local currency does not change with the exchange rate at the time of closing, the value after the conversion to yen may affect the Group's business results and financial statements.

## 2. Corporate Group

Our Group is expanding the “Short-Term Operational Support Business” (providing timely short-term personnel services in response to changes in the amount of work at client companies), the “Sales Support Business” (mainly engaging in call center operations and agency sales of telecommunications products and others focused on distributor networks), and the “Security, Other Businesses” (providing security services mainly for public facilities and ordinary corporations, etc.).

We provide descriptions of the status of affiliated companies and a diagram of our business activities as of December 31, 2018 as below.

### (1) Status of Affiliated Companies

| Company | Location | Capital (mil. yen) | Major business activities | Voting shares (%) | Issues to be noted |
|---|---|---|---|---|---|
| (Consolidated subsidiary)<br>Fullcast Co., Ltd. (Note 2, 5) | Shinagawa-ku, Tokyo | 100 | Short-term operational support business | 100.0 | - Provides services such as management advice, business outsourcing, and system leases.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| Top Spot Co., Ltd. | Shinagawa-ku, Tokyo | 113 | Short-term operational support business | 100.0 | - Provides services such as management advice, business outsourcing, and system leases.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| Work & Smile Co., Ltd. | Shinagawa-ku, Tokyo | 80 | Short-term operational support business | 100.0 | - Provides services such as management advice, business outsourcing, and system leases.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| Fullcast Senior Works Co., Ltd. | Shinagawa-ku, Tokyo | 80 | Short-term operational support business | 100.0 | - Provides services such as management advice, business outsourcing, and system leases.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| Fullcast Porter Co., Ltd. | Shinagawa-ku, Tokyo | 80 | Short-term operational support business | 100.0 | - Provides services such as management advice, business outsourcing, and system leases.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| Fullcast Global Co., Ltd. | Shinagawa-ku, Tokyo | 80 | Short-term operational support business | 100.0 | - Provides services such as management advice, business outsourcing, and system leases.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| Otetsudai Networks Inc. | Shinagawa-ku, Tokyo | 50 | Short-term operational support business | 100.0 | - Sublets a part of our rented building to this company for office use.<br>- Provides services such as management advice, business outsourcing, and system leases.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |

| | | | | | |
|---|---|---|---|---|---|
| BOD Co., Ltd. | Toshima-ku, Tokyo | 20 | Short-term operational support business | 51.0 | - Provide services such as management advice and system lease..<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| BOD Alpha Co., Ltd. | Toshima-ku, Tokyo | 20 | Short-term operational support business | 51.0<br>(51.0) | ― |
| Minimaid Service Co., Ltd. | Shibuya-ku, Tokyo | 30 | Short-term operational support business | 100.0 | - Provides management advice service.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| F-PLAIN Corporation. | Minato-ku, Tokyo | 80 | Sales support business | 78.2 | - Provides management advice service.<br>- Concurrent directorates: 2 |
| M's Line Co., Ltd. | Minato-ku, Tokyo | 1 | Sales support business | 78.2<br>(78.2) | ― |
| FSP Co., Ltd. | Minato-ku, Tokyo | 1 | Sales support business | 78.2<br>(78.2) | ― |
| Fullcast Advance Co., Ltd. (Note 5) | Shinagawa-ku, Tokyo | 50 | Short-term operational support business<br>Security, other businesses | 100.0 | - Sublets a part of our rented building to this company for office use.<br>- Provides services such as management advice, business outsourcing, and system leases.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| Dimension Pockets Co., Ltd. | Kunigami Gun, Okinawa | 136 | Security, other businesses | 67.0 | - Provides management advice service.<br>- Concurrent directorates: 1<br>- Provides financial support: borrowing and lending operating capital |
| Fullcast Business Support Co., Ltd. | Shinagawa-ku, Tokyo | 9 | Whole company | 100.0 | - Sublets a part of our rented building to this company for office use.<br>-Provide services such as business outsourcing and system lease.<br>- Provides financial support: borrowing and lending operating capital |
| (Equity method affiliate) Beat Co., Ltd | Yokohama-shi, Kanagawa | 50 | Business process outsourcing, Worker dispatch business | 30.0 | - Concurrent directorates: 1 |
| (Equity method affiliate) DeliArt Co., Ltd. | Chiyoda-ku, Tokyo | 43 | Worker dispatch business | 20.0 | ― |
| (Equity method affiliate) Advancer Global Limited | Singapore | 1,838<br>(10,000 Singapore dollars) | Employment services, Facility management services | 25.8 | - 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. and Fullcast Advance Co., Ltd. account for over 10% of consolidated sales (excluding internal sales among consolidated companies).

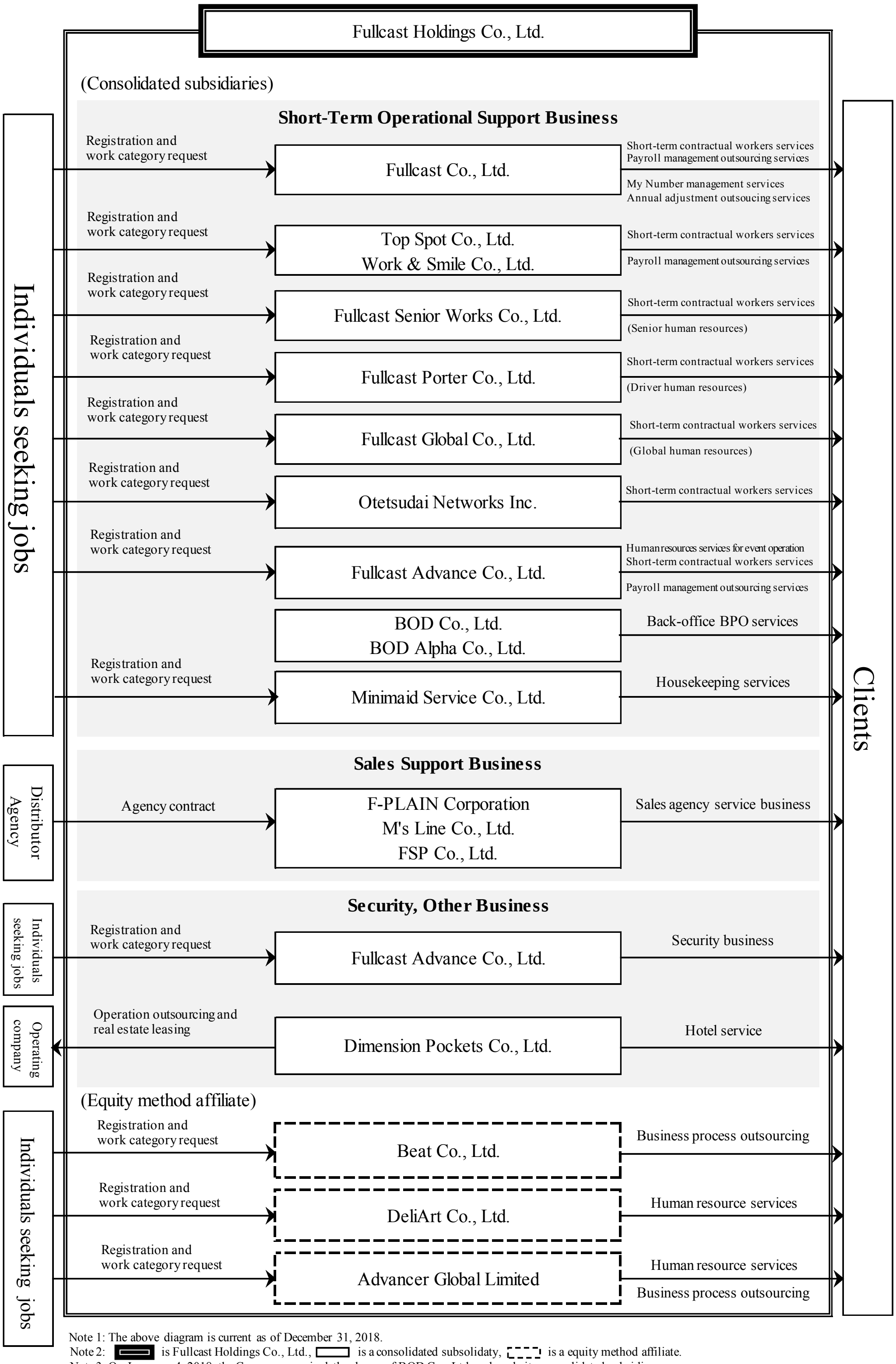
Key Information About Profit and Loss

(Million yen)

| | Fullcast Co., Ltd. | Fullcast Advance Co., Ltd. |
|---|---|---|
| Sales | 26,157 | 4,009 |
| Ordinary income | 4,002 | 196 |
| Net income | 2,741 | 125 |
| Net assets | 2,849 | 517 |
| Total assets | 6,508 | 1,127 |

### (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, 2018.
Note 2: [bold box] is Fullcast Holdings Co., Ltd., [box] is a consolidated subsolidaty, [dashed box] is a equity method affiliate.
Note 3: On Janunary 4, 2018, the Company acquired the shares of BOD Co., Ltd. and made it a consolidated subsidiary.
Note 4: On June 29, 2018, the Company established Fullcast Global Co., Ltd. to engage in the Short-Term Operational Support Business and made it a consolidated subsidiary.
Note 5: On June 29, 2018, the Company acquired shares of DeliArt Co., Ltd. and made it an equity method affiliate.
Note 6: On August 31, 2018, the Company acquired shares of Advancer Global Limited and made it an equity method affiliate.
Note 7: On August 31, 2018, the Company acquired the shares of Minimaid Service Co., Ltd. and made it a consolidated subsidiary.
Note 8: On Spetember 13, 2018, the Company established BOD Alpha Co., Ltd. to engage in the Short-Term Operational Support Business 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 ROE of 20% or higher as a target indicator of "improvement of corporate value."

* The Company defines ROE 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 "adjusted ROE", which is a target indicator of achieving "sustainable improvement of corporate value." Given that deferred tax assets were eliminated in the fiscal year ended December 2018, adjustments will not be made for these influences in the fiscal year ending December 2019 and thereafter.

### (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 the "Medium-Term Management Plan (FY16–FY20)" that began in fiscal 2016, the Company seeks to achieve a new record high level of profits* by fiscal 2020, the final year of the Medium-Term Management Plan, based upon initiatives giving priority to further strengthening the Short-Term Operational Support Business and expanding the Security Business, along with establishing a foundation for reviewing new businesses and preparing for global expansion as secondary initiatives.

As a result, in the fiscal year under review, the Company achieved the operating income target of 5 billion yen set for the final fiscal year of the Medium-Term Management Plan two years ahead of schedule, and reviewed the plan for the fiscal year ending December 2019 to 2020.

The Company will review numerical targets for net sales and profits, but will not make changes to the plan's underlying assumptions, management strategy, and target levels for main management indicators.

* Operating income of 4.72 billion yen recorded in the fiscal year ended September 2006

### (4) Key Management Issues

The Group formulated the Medium-Term Management Plan (FY16–FY20) that began in the fiscal year ended December 2016 in order to realize the "improvement of corporate value," and the Company has been implementing this plan.

As a result, in the fiscal year under review, the Company achieved the operating income target of 5 billion yen set for the final fiscal year of the Medium-Term Management Plan two years ahead of schedule, and reviewed the plan for the fiscal year ending December 2019 to 2020.

In the fiscal year ending December 2019, the first fiscal year after this review, the Company will aim for further business growth under the main management task "Expand Short-Term Operational Support Business and promote to cultivate and gain new business opportunities in neighboring business fields."

1) Sustained Improvement of Corporate Value

As stated in (1) Fundamental Management Policies and (2) Target Management Indicators, we consider the "sustained improvement of corporate value" as one of our most important management issues. Accordingly, we will manage our businesses by focusing upon capital efficiency through the maintenance of an appropriate level of shareholder equity while at the same time continuing to return profits to shareholders. In addition, we seek to realize further expansion of profits in the "Placement" and "BPO" services, 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) Review of the Medium-Term Management Plan (FY16–FY20)

The Group is reviewing the planned figures for the fiscal year ending December 2019 to t 2020 of the Medium-Term Management Plan, considering the results of the fiscal year ended December 2018, the third year of the plan.

The Company will review numerical targets for net sales and profits, but will not make changes to the basic policy and main strategies of the Medium-Term Management Plan.

Result of 3rd Year (FY12/18) of the Medium-Term Management Plan

| | FY12/20 target | FY12/18 results | Achievement rate |
|---|---|---|---|
| Operating income | 5.0 billion yen | 5.9 billion yen | 118.7% |
| Number of operating workers(persons) | 257,400 | 266,421 | 103.5% |
| Gross profit per 1 yen of personnel costs | 2.8 yen | 2.6 yen | 91.8% |

Note 1: The target number of operating workers under the Medium-Term Management Plan represents the unique number of persons employed in services excluding "BPO" of Fullcast Co., Ltd. and Top Spot Co., Ltd.

Note 2: The number of operating workers for the fiscal year ended December 2018 represents the unique number of workers employed in services other than "BPO" 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., Fullcast Global Co., Ltd., and Fullcast Advanced Co, Ltd.

Note 3: Gross profit per 1 yen of personnel costs, which is used as an indicator of the Group's productivity, is below the target amount for the fiscal year ending December 2020, but this indicator exceeds this target when excluding the impact of BOD Co., Ltd. becoming a new subsidiary.

(Reference)

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

a) Numerical targets

| | FY12/18 results | FY12/19 target | FY12/20 target |
|---|---|---|---|
| Operating income | 5.9 billion yen | 6.8 billion yen | 7.9 billion yen |
| Ordinary income | 5.3 billion yen | 6.9 billion yen | 8.0 billion yen |
| Number of operating workers(persons) | 266,421 | 293,000 | 320,000 |
| Gross profit per 1 yen of personnel costs | 2.6 yen | 2.6yen | 2.6 yen |

b) Main management indicators

As follows, changes will not be made.

Indicator 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": D/E ratio of less than 0.5x

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

* Net income used for ROE and total return ratio was net income attributable to Fullcast Holdings Co., Ltd. excluding the influence of income taxes-deferred arising from the recording of deferred tax assets for losses carried forward (adjusted net income), but given that deferred tax assets were eliminated in the fiscal year ended December 2018, adjustments will not be made for these influences in the fiscal year ending December 2019 and thereafter.

c) Applicable period, management philosophy and targets, and strategy to achieve targets of the final year of the Medium-Term Management Plan

Changes will not be made.

3) Business Targets for the Fiscal Year Ending December 2019

The Fullcast Group has established a goal of "Expand Short-Term Operational Support Business and promote to cultivate and gain new business opportunities in neighboring business fields" for the fiscal year ending December 2019. Our Group will implement the following measures in the fiscal year ending December 2019 in order to achieve further business growth by boosting sales across the entire Fullcast Group through expanding the core service of Short-Term Operational Support Business and by promoting to cultivate and gain in neighboring business fields for reaping new opportunities. Also, we will reinforce continue promotion of efforts to enhance productivity by streamlining operations Group-wide.

a) Expand Short-Term Operational Support Business

·Our Group will continue opening new offices to create new business locations (ca. 10 locations/year).

·Our Group will capture short-term demand from the Rugby World Cup and the Tokyo Olympics.

·Our Group will improve BPO service menu and promote sales.

b) Improve recruitment efficiency and staff utilization rates

·Our Group will continue to implement reviews of the allocation of investments in recruitment expenses.

·Our Group will expand sharing of staff and orders across the entire Group.

·Our Group will replace existing matching system.

c) Further strengthen Group synergies

·Our Group will promote joint operations with BOD Co., Ltd..

·Our Group will strengthen recruiting and human support for Minimaid Service Co., Ltd..

·Our Group will establish and nurture a joint venture with Advancer Global Limited.

## 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)

| | FY12/17 end (December 31, 2017) | FY12/18 end (December 31, 2018) |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 9,371 | 8,467 |
| Notes and accounts receivable-trade | 4,135 | 5,195 |
| Merchandise | 6 | 23 |
| Supplies | 22 | 45 |
| Deferred tax assets | 237 | 148 |
| Other | 301 | 315 |
| Allowance for doubtful accounts | (18) | (18) |
| Total current assets | 14,053 | 14,175 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 617 | 788 |
| Accumulated depreciation and impairment loss | (260) | (325) |
| Buildings and structures, net | 358 | 463 |
| Machinery equipment and vehicles | 9 | 11 |
| Accumulated depreciation and impairment loss | (9) | (10) |
| Machinery, equipment and vehicles, net | 0 | 1 |
| Tools, furniture and fixtures | 955 | 770 |
| Accumulated depreciation and impairment loss | (778) | (588) |
| Tools, furniture and fixtures, net | 178 | 182 |
| Land | 264 | 565 |
| Construction in progress | 32 | 36 |
| Total property, plant and equipment | 832 | 1,247 |
| Intangible assets | | |
| Software | 283 | 298 |
| Goodwill | 459 | 1,146 |
| Other | 22 | 22 |
| Total intangible assets | 764 | 1,466 |
| Investments and other assets | | |
| Investment securities | 505 | 2,161 |
| Guarantee deposits | 396 | 501 |
| Deferred tax assets | 143 | 170 |
| Other | 213 | 218 |
| Allowance for doubtful accounts | (92) | (88) |
| Total investments and other assets | 1,165 | 2,961 |
| Total non-current assets | 2,760 | 5,673 |
| Total assets | 16,813 | 19,849 |

(Million yen)

| | FY12/17 end (December 31, 2017) | FY12/18 end (December 31, 2018) |
|---|---|---|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 5 | 25 |
| Short-term loans payable | 1,006 | 1,000 |
| Current portion of long-term loans payable | 17 | 15 |
| Accounts payable-other | 951 | 1,411 |
| Accrued expenses | 865 | 1,031 |
| Income taxes payable | 734 | 984 |
| Accrued consumption taxes | 687 | 889 |
| Provision for bonuses | 11 | 57 |
| Allowance for subscription cancellations | 89 | 46 |
| Other | 260 | 360 |
| Total current liabilities | 4,626 | 5,820 |
| Non-current liabilities | | |
| Long-term loans payable | 253 | 237 |
| Net defined benefit liability | 491 | 557 |
| Asset retirement obligations | 50 | 73 |
| Deferred tax liabilities | 27 | 56 |
| Other | 27 | 57 |
| Total non-current liabilities | 848 | 980 |
| Total liabilities | 5,474 | 6,800 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 2,780 | 2,780 |
| Capital surplus | 2,006 | 2,006 |
| Retained earnings | 6,605 | 8,858 |
| Treasury shares | (598) | (1,280) |
| Total shareholders' equity | 10,793 | 12,364 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 72 | 110 |
| Total accumulated other comprehensive income | 72 | 110 |
| Share acquisition rights | 32 | 76 |
| Non-controlling interests | 441 | 499 |
| Total net assets | 11,339 | 13,049 |
| Total liabilities and net assets | 16,813 | 19,849 |

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

Consolidated Profit and Loss Statement

(Million yen)

| | FY12/17 (January 1 to December 31, 2017) | FY12/18 (January 1 to December 31, 2018) |
|---|---|---|
| Net sales | 32,066 | 38,852 |
| Cost of sales | 19,384 | 22,196 |
| Gross profit | 12,682 | 16,656 |
| Selling, general and administrative expenses | | |
| Salaries and bonuses | 2,481 | 3,728 |
| Other salaries | 1,116 | 1,346 |
| Legal welfare expenses | 516 | 764 |
| Retirement benefit expenses | 87 | 101 |
| Communication expenses | 364 | 364 |
| Traveling and transportation expenses | 344 | 458 |
| Rents | 633 | 792 |
| Depreciation | 257 | 210 |
| Advertising expenses | 426 | 461 |
| Recruitment expenses | 439 | 510 |
| Provision of allowance for doubtful accounts | 8 | 9 |
| Amortization of goodwill | 159 | 160 |
| Other | 1,428 | 1,854 |
| Total selling, general and administrative expenses | 8,258 | 10,760 |
| Operating income | 4,424 | 5,896 |
| Non-operating income | | |
| Interest income | 3 | 2 |
| Dividends income | 1 | 2 |
| Share of profit of entities accounted for using equity method | 52 | - |
| Insurance premiums refunded cancellations | 60 | 21 |
| Subsidy income | 10 | 16 |
| Other | 37 | 28 |
| Total non-operating income | 163 | 69 |
| Non-operating expenses | | |
| Interest expenses | 8 | 9 |
| Provision of allowance for doubtful accounts | 102 | - |
| Damage compensation expenses | 5 | 2 |
| Settlement package | 12 | 16 |
| Share of loss of entities accounted for using equity method | - | 620 |
| Other | 53 | 32 |
| Total non-operating expenses | 181 | 679 |
| Ordinary income | 4,406 | 5,286 |

(Million yen)

| | FY12/17 (January 1 to December 31, 2017) | FY12/18 (January 1 to December 31, 2018) |
|---|---|---|
| Extraordinary income | | |
| Gain on step acquisitions | 167 | - |
| Gain on transfer of business | - | 24 |
| Other | 0 | - |
| Total extraordinary income | 167 | 24 |
| Extraordinary loss | | |
| Loss on retirement of non-current assets | 17 | 6 |
| Loss on sales of non-current assets | 3 | 2 |
| Impairment losses | 48 | - |
| Other | 8 | 1 |
| Total extraordinary losses | 75 | 9 |
| Income before income taxes | 4,498 | 5,301 |
| Income taxes-current | 1,266 | 1,852 |
| Income taxes-deferred | 207 | 88 |
| Total income taxes | 1,474 | 1,940 |
| Net income | 3,024 | 3,361 |
| Profit attributable to non-controlling interests | 30 | 51 |
| Net income attributable to Fullcast Holdings Co., Ltd. | 2,994 | 3,310 |

## Consolidated Statement of Comprehensive Income

(Million yen)

| | FY12/17 (January 1 to December 31, 2017) | FY12/18 (January 1 to December 31, 2018) |
|---|---|---|
| Net income | 3,024 | 3,361 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 67 | 45 |
| Share of other comprehensive income of entities accounted for using equity method | (10) | - |
| Total other comprehensive income | 56 | 45 |
| Comprehensive income | 3,081 | 3,406 |
| (Break down) | | |
| Comprehensive income attributable to Fullcast Holdings Co., Ltd. | 3,040 | 3,347 |
| Comprehensive income attributable to non-controlling interests | 41 | 59 |

### (3) Consolidated Statements of Shareholders' Equity

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

(Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of the period | 2,780 | 2,006 | 4,488 | (100) | 9,174 |
| Changes of items during the period | | | | | |
| Dividends of surplus | | | (876) | | (876) |
| Net income attributable to Fullcast Holdings Co., Ltd. | | | 2,994 | | 2,994 |
| Acquisition of treasury shares | | | | (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 the period | 2,780 | 2,006 | 6,605 | (598) | 10,793 |

| | Accumulated other comprehensive income | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the period | 27 | 27 | - | 71 | 9,272 |
| Changes of items during the period | | | | | |
| Dividends of surplus | | | | | (876) |
| Net income attributable to Fullcast Holdings Co., Ltd. | | | | | 2,994 |
| Acquisition of treasury shares | | | | | (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 the period | 72 | 72 | 32 | 441 | 11,339 |

Current Consolidated fiscal year (January 1 to December 31, 2018)

(Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of the period | 2,780 | 2,006 | 6,605 | (598) | 10,793 |
| Changes of items during the period | | | | | |
| Dividends of surplus | | | (1,057) | | (1,057) |
| Net income attributable to Fullcast Holdings Co., Ltd. | | | 3,310 | | 3,310 |
| Acquisition of treasury shares | | | | (682) | (682) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | - | 2,253 | (682) | 1,571 |
| Balance at the end of the period | 2,780 | 2,006 | 8,858 | (1,280) | 12,364 |

| | Accumulated other comprehensive income | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the period | 72 | 72 | 32 | 441 | 11,339 |
| Changes of items during the period | | | | | |
| Dividend of surplus | | | | | (1,057) |
| Net income attributable to Fullcast Holdings Co., Ltd. | | | | | 3,310 |
| Acquisition of treasury shares | | | | | (682) |
| Net changes of items other than shareholders' equity | 37 | 37 | 43 | 59 | 139 |
| Total changes of items during the period | 37 | 37 | 43 | 59 | 1,710 |
| Balance at the end of the period | 110 | 110 | 76 | 499 | 13,049 |

## (4) Consolidated Cash Flows Statement

(Million yen)

| | FY12/17 (January 1 to December 31, 2017) | FY12/18 (January 1 to December 31, 2018) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 4,498 | 5,982 |
| Depreciation | 267 | 224 |
| Impairment losses | 48 | - |
| Amortization of goodwill | 159 | 160 |
| Loss (gain) on step acquisitions | (167) | - |
| Increase (decrease) in allowance for doubtful accounts | 87 | (5) |
| Increase(decrease) in allowance for subscription cancellations | (213) | (43) |
| Increase (decrease) in net defined benefit liability | 59 | 66 |
| Interest and dividends income | (4) | (4) |
| Interest expenses | 8 | 9 |
| Loss (gain) on valuation of investment securities | 8 | 1 |
| Share of loss (profit) of entities accounted for using equity method | (52) | (61) |
| Loss on sales of non-current assets | − | 2 |
| Loss on retirement of non-current assets | 17 | 6 |
| Decrease (increase) in notes and accounts receivable-trade | (593) | (593) |
| Decrease (increase) in inventories | (12) | (22) |
| Increase (decrease) in notes and accounts payable-trade | 188 | 213 |
| Decrease (increase) in accounts receivable-other | 51 | (2) |
| Increase (decrease) in accrued expenses | (4) | 2 |
| Increase (decrease) in accrued consumption taxes | 77 | 152 |
| Gain on maturity of insurance contract | − | (21) |
| Increase (decrease) in accrued enterprise taxes | (2) | 126 |
| Other, net | 45 | 102 |
| Subtotal | 4,466 | 6,294 |
| Interest and dividend income received | 4 | 17 |
| Interest expenses paid | (10) | (6) |
| Income taxes paid | (760) | (1,772) |
| Income taxes refund | 201 | 15 |
| Net cash provided by (used in) operating activities | 3,901 | 4,548 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (114) | (240) |
| Purchase of intangible assets | (79) | (58) |
| Purchase of investment securities | (0) | (2,211) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (41) | (807) |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | - | 263 |
| Payments of loans receivable | - | (29) |
| Collection of loans receivable | - | 51 |
| Proceeds from transfer of business | - | 24 |
| Proceeds from cancellation of insurance funds | - | 52 |
| Other, net | 47 | 10 |
| Net cash provided by (used in) investing activities | (187) | (2,944) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (102) | (6) |
| Proceeds from long-term loans payable | 200 | - |
| Repayments of long-term loans payable | (29) | (762) |

(Million yen)

| | FY12/17 (January 1 to December 31, 2017) | FY12/18 (January 1 to December 31, 2018) |
|---|---|---|
| Purchase of treasury shares | (500) | (685) |
| Cash dividends paid | (875) | (1,056) |
| Net cash provided by (used in) financing activities | (1,306) | (2,508) |
| Net increase (decrease) in cash and cash equivalents | 2,409 | (904) |
| Cash and cash equivalents at beginning of period | 6,963 | 9,371 |
| Cash and cash equivalents at end of period | 9,371 | 8,467 |

### (5) Notes on Consolidated Financial Statements

(Notes about Going Concern Assumption)

There are no applicable matters.

(Segment Information and Others)

(Segment information)

Previous 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 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 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 (Note1) | Amount in consolidated financial statement |
|---|---|---|---|---|---|---|
| | 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 | | | | | | |
| Depreciation | 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 inter-segment eliminations and (827) million yen in company-wide expenses not allocated to any specific 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 specific 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.

Current consolidated fiscal year (January 1 to December 31, 2018)

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.

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 (Note1) | Amount in consolidated financial statement |
|---|---|---|---|---|---|---|
| | Short-Term Operational Support Business | Sales Support Business | Security, Other Businesses | | | |
| Net sales | | | | | | |
| Sales to external customers | 33,417 | 3,313 | 2,122 | 38,852 | - | 38,852 |
| Inter-segment sales or transfers | 20 | - | 0 | 20 | (20) | - |
| Total | 33,437 | 3,313 | 2,122 | 38,872 | (20) | 38,852 |
| Segment income or loss (-) | 6,597 | 137 | 181 | 6,915 | (1,019) | 5,869 |
| Segment assets | 10,478 | 2,694 | 1,352 | 14,523 | 5,325 | 19,849 |
| Other | | | | | | |
| Depreciation | 172 | 5 | 19 | 196 | 28 | 224 |
| Amortization of goodwill | 39 | 121 | - | 160 | - | 160 |
| Increase of property, plant and equipment and intangible assets | 96 | 3 | 121 | 219 | 79 | 298 |

Notes:
1. (20) million yen in inter-segment eliminations and (999) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (1,019) million yen segment income adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific 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 5,325 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 28 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 79 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, 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.

Current consolidated fiscal year (January 1 to December 31, 2018)

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, 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 |

Current consolidated fiscal year (January 1 to December 31, 2018)

There are no relevant matters.

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

Previous consolidated fiscal year (January 1 to December 31, 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 |

Current consolidated fiscal year (January 1 to December 31, 2018)

(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 | 39 | 121 | - | 160 | - | 160 |
| Balance at end of the fiscal year | 808 | 337 | - | 1,145 | - | 1,145 |

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

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

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2018)

There are no relevant matters.

(Per share information)

| FY12/17 (January 1 to December 31, 2017) | | FY12/18 (January 1 to December 31, 2018) | |
|---|---|---|---|
| Shareholders' equity per share | 286.81 yen | Shareholders' equity per share | 331.68yen |
| Net income per share | 78.87 yen | Net income per share | 87.90yen |
| Diluted net income per share | 78.58 yen | Diluted net income per share | 87.48yen |

(Note) 1. The basis for calculating net income per share and diluted net income per share in the fiscal year under review is as follows.

| Item | FY12/17 (January 1 to December 31, 2017) | FY12/18 (January 1 to December 31, 2018) |
|---|---|---|
| Net income per share | | |
| Net income attributable to Fullcast Holdings Co., Ltd. (million yen) | 2,994 | 3,310 |
| Net income attributable to Fullcast Holdings Co., Ltd. [basic] (million yen) | 2,994 | 3,310 |
| Net income not available to common stock (million yen) | - | - |
| Average number of common stock outstanding during the period (shares) | 37,963,141 | 37,656,770 |
| | | |
| Diluted net income per share | | |
| Adjusted net income attributable to Fullcast Holdings Co., Ltd. (million yen) | - | - |
| Increase of common stock (shares) | 136,162 | 180,756 |
| (of these, stock acquisition rights [shares]) | (136,162) | (180,756) |
| 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 shares)

At the Board of Directors' Meeting held on February 8, 2019, based on the provisions of Article 156, Paragraph 1 of the Companies Act (Act No. 86, 2005, including subsequent revisions. Hereinafter referred to as the "Companies Act") as applied mutatis mutandis pursuant to the provision of Article 165, Paragraph 3 of the Companies Act and the Articles of Incorporation of the Company , Fullcast Holdings Co., Ltd. decided to acquire treasury shares and to conduct a tender offer of treasury shares (hereinafter referred to as "the Tender Offer") as a specific method of acquiring treasury shares and to conduct a market purchase after the Tender Offer.

For the details, see "Announcement Regarding the Decision on Matters Related to the Acquisition of Treasury Shares and Tender Offer for Treasury Shares".

I. Acquisition of treasury shares

1. Reasons for acquisition of treasury shares

Fullcast Holdings Co., Ltd. will acquire treasury shares in order to enhance capital efficiency and to provide greater returns to shareholders by realizing a total return ratio of least 50% relative to adjusted net income(*), which is a target for shareholder returns, and as part of our execution of a flexible capital policy.

*: Fullcast Holdings Co., Ltd. defines “adjusted net income” as net income attributable to Fullcast Holdings Co., Ltd., excluding the effects of income taxes-deferred associated with the booking of deferred tax assets from losses carried forward, and uses adjusted net income as a basis for calculating the total return ratio. Furthermore, given that deferred tax assets were eliminated in the fiscal year ended December 2018, adjustments will not be made for these effects in the fiscal year ending December 2019 and thereafter.

2. Details relating to the acquisition

| | |
|---|---|
| (1) Types of shares to be acquired: | Common stock |
| (2) Total number of shares that can be acquired: | 450,000 shares (maximum limit) (1.17% of total number of shares issued [excluding treasury shares]) (rounded to three decimal places) |
| (3) Total acquisition cost: | 827 million yen (maximum limit) |
| (4) Acquisition period: | February 12, 2019 - April 26, 2019 |
| (5) Method of acquisition: | Fullcast Holdings Co., Ltd. will acquire treasury shares by means of the Tender Offer and the market purchase after the Tender Offer. With regards to the acquisition cost out of the total acquisition cost of 827 million yen not acquired based on the Tender Offer, the Company has decided to conduct a market purchase (discretionary dealing by securities firm) on the Tokyo Stock Exchange, Inc. (hereinafter, referred to as “the TSE”) with an acquisition period from April 4, 2019, which is the business day following the commencement date of settlement for the Tender Offer (April 3, 2019), until April 26, 2019. See “II. Tender Offer for treasury shares” below for the details of the Tender Offer. |

II. Tender Offer for treasury shares

Tender Offer outline

(1) Schedule, etc.

| | |
|---|---|
| 1) Resolution in Board of Directors’ Meeting | Friday, February 8, 2019 |
| 2) Publication date for commencing the Tender Offer | Tuesday, February 12, 2019<br>Electronic public notice will be posted, and the posting of the electronic public notice will be published in the Nihon Keizai Shimbun newspaper (Internet address for electronic public notice: http://disclosure.edinet-fsa.go.jp/) |
| 3) Filing date for the Tender Offer registration statement | Tuesday, February 12, 2019 |
| 4) Period of the Tender Offer | From Tuesday, February 12, 2019 to Monday, March 11, 2019 (20 business days) |

(2) Tender Offer price

1,767 yen per share of common stock

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

(3) Number of share certificates planned for purchase

| Type of share certificates | Number of share certificates planned for purchase | Number of planned excess amount of shares | Total |
|---|---|---|---|
| Common stock | 440,000 shares | - shares | 440,000 shares |

Notes: 1. If the total number of tendered share certificates in response to the Tender Offer (hereinafter, referred to as “Tendered Share Certificates”) does not exceed the number of share certificates planned for purchase (440,000 shares), the Company will purchase all of the Tendered Share Certificates. If the total number of Tendered Share Certificates exceeds the number of share certificates planned for purchase (440,000 shares), the Company will not purchase all or some of the surplus, and the Company will conduct delivery related to the purchase of share certificates and other settlements according to the pro rata method stipulated in Paragraph 5 of Article 27-13 of the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments. Hereinafter, referred to as “the Law”.) which is applied mutatis mutandis pursuant to Paragraph 2 of Article 27-22-2 and Article 21 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Listed Share Certificates, etc. by Issuer (Ordinance of the Ministry of Finance No. 95 of 1994, including subsequent amendments) (if the number of Tendered Share Certificates includes shares less than one unit (100 shares), the number of shares to be purchased calculated using the pro rata method will be limited to the number of Tendered Share Certificates in each case).

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

(4) Funds required for the Tender Offer

798,580,000 yen

Note: The amount of funds required for the Tender Offer is the estimated total of the purchase costs (777,480,000 yen), purchase handling charges, and other expenses including expenses required for the newspaper public notice regarding the Tender Offer and printing expenses for the Tender Offer explanation and other necessary documents.

(5) Settlement Method

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

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

2) Commencement date of settlement

Wednesday, April 3, 2019

3) Settlement method

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

Note: Taxation on shares purchased through Tender Offer

Shareholders should make their own decisions after consulting a certified tax accountant or other professional with regard to any specific questions and concerns on tax matters.