February 7, 2020

Consolidated Financial Results Announcement for the Fiscal Year Ended December 31, 2019 [Japanese Standards] (Consolidated)

Company name:	Fullcast Holdings Co., Ltd.
Stock exchange listing:	First Section of the Tokyo Stock Exchange
Stock code:	4848
URL:	https://www.fullcastholdings.co.jp
Representative:	Kazuki Sakamaki, President, Representative Director and CEO
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Date of Annual General Meeting of Shareholders (Planned):	March 27, 2020
Date of submission of annual securities report (Planned):	March 30, 2020
Date of dividend payments (Planned):	March 13, 2020
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, 2019 (January 1 to December 31, 2019)

(1) Consolidated Business Results

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/19	44,479	14.5	7,224	22.5	7,064	33.7	4,644	40.3
FY12/18	38,852	21.2	5,896	33.3	5,286	20.0	3,310	10.6

(Note) Comprehensive income: FY12/19: 5,326 million yen (56.4%) FY12/18: 3,406 million yen (50.2%)

	Basic earnings per share	Diluted earnings per share	ROE	Ratio of ordinary profit to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
FY12/19	124.59	123.94	33.3	32.7	16.2
FY12/18	87.90	87.48	28.4	28.9	15.2

(Reference) Investment profit and loss on equity method: FY12/19: (200) million yen FY12/18: (620) million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/19 End	23,464	16,213	65.8	415.71
FY12/18 End	19,808	13,049	63.0	331.68

(Reference) Equity: As of December 31, 2019: 15,447 million yen As of December 31, 2018: 12,474 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
FY12/19	5,408	8	(2,073)	11,811
FY12/18	4,474	(2,870)	(2,508)	8,467

2. Dividend Status

	Dividend per share (yen)					Total dividend (annual) (million yen)	Payout ratio (consolidated) (%)	Dividend on net assets ratio (consolidated) (%)
	Q1 End	Q2 End	Q3 End	FY End	Annual			
FY12/19	-	14.00	-	18.00	32.00	1,203	36.4	10.3
FY12/18	-	19.00	-	21.00	40.00	1,486	32.1	10.7
FY12/20 Forecast	-	22.00	-	22.00	44.00		30.2	

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	22,929	8.1	3,808	10.3	3,812	9.0	2,474	6.5	66.97
Full year	48,800	9.7	8,150	12.8	8,200	16.1	5,357	15.4	145.49

* 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)	FY12/19	38,486,400	FY12/18	38,486,400
2) Number of treasury shares at the term end	FY12/19	1,328,352	FY12/18	878,552
3) Average number of shares outstanding during the current term	FY12/19	37,273,606	FY12/18	37,656,770

Reference: Non-Consolidated Financial Results

1. Financial Results for the Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/19	6,845	19.2	4,544	28.8	4,547	28.0	3,639	47.8
FY12/18	5,741	21.0	3,527	30.5	3,552	31.2	2,462	0.3

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY12/19	97.63	97.12
FY12/18	65.37	65.06

(2) Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/19 End	13,437	10,316	75.9	274.42
FY12/18 End	11,434	8,356	72.4	220.18

(Reference) Equity: FY12/19: 10,197 million yen FY12/18: 8,280 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 forecasts and other important notes.

· Of all plans, business forecasts, strategies and other information provided within this document, those which are not historical facts are future outlooks based upon certain conditions and our management's judgments based upon currently available data. Therefore, we warn against relying solely upon these outlooks in assessing our business results, corporate value and other factors. Please also be informed that actual financial results may vary widely from our business forecasts due to various factors. Important factors that may have an impact upon our actual financial results include: (1) 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. Furthermore, please note that we may choose not to reexamine our business forecasts in response to new data, future events or other factors. For assumptions underlying our business forecasts and related issues, please refer to Page 5 "1. (3) Future Outlook."

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1. Operating Results and Financial Position

(1) Summary of Operating Results

During the current fiscal year, Japan's economy continued to undergo a moderate recovery. This was driven by the ongoing recovery in personal consumption along with moderate increases in consumer prices while the pace of these increases is slowing, in addition to steadily improving employment conditions and moderate increases in capital investments, and despite growing weakness seen mainly in the manufacturing industry, as exports continue to be stagnant. Economic conditions are expected to continue to improve steadily in the future based on the effects of various Government stimulus policies, amidst ongoing improvements in employment conditions and income environment, and despite signs of weakness seen most recently. However, developments in overseas economies, such as developments in trade issues, the future of China's economy, and the UK's exit from the EU, etc., along with volatility in financial and capital markets, and trends in consumer mindset after Japan's consumption tax hike, still present risk of downward pressure on the economy. Consequently, the economic horizon remains somewhat unclear.

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

Against this backdrop, the Fullcast Group implemented group management activities to achieve our goal of "Expand Short-Term Operational Support Business and promote to cultivate and gain new business opportunities in neighboring business fields" during the current fiscal year. In particular, marketing activities were implemented with an emphasis on boosting overall profitability of the Fullcast Group and focused upon the mainstay "Placement" (Note 1) and "BPO" (Note 2) services. In addition, efforts are being made to create a structure that can realize higher profits by increasing productivity and promoting operational efficiencies across the entire Fullcast Group.

Consolidated net sales increased by 14.5% year-on-year to 44,479 million yen, driven by the continuing trend of strong demand for short-term staffing in our mainstay Short-Term Operational Support Business.

In terms of profits, consolidated operating profit increased by 22.5% year-on-year to 7,224 million yen, due mainly to the increase in sales in the Short-Term Operational Support Business.

Consolidated ordinary profit increased by 33.7% year-on-year to 7,064 million yen, thanks to growth in operating profit that offset the 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).

Profit attributable to owners of parent increased by 40.3% year-on-year to 4,644 million yen, after posting gain on sales of shares of subsidiaries accompanying the transfer of shares of Dimension Pockets Co., Ltd. in extraordinary income.

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.

ROE at the end of fiscal year under review was 33.3%, an increase of 4.9 points from 28.4% at the end of the previous fiscal year, and it continues to remain above 20%.

Additionally, the Fullcast Group established a new company called Fullcast International Co., Ltd. on August 30, 2019 for providing staffing services (dispatch and placement) for foreign national with a specified skills. This company is a consolidated subsidiary, and it started operations on December 1, 2019.

In addition, after re-verifying the sustainable enhancement of corporate value of the Group and Dimension Pockets Co., Ltd., on November 11, 2019, the Group divested all of its shares in Dimension Pockets Co., Ltd., which belongs to the Security, Other Businesses segment, removing it from the scope of consolidation.

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

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

1) Short-Term Operational Support Business

Net sales of the “Short-Term Operational Support Business” increased by 15.7% year-on-year to 38,662 million yen, driven by growth in “Dispatching” service by our efforts to satisfy the long-term human resource needs of the client companies, in addition to leading of mainstay “Placement” and “BPO” services based on the continuing trend of strong demand for short-term staffing.

In terms of profits, segment profit (Operating profit) increased by 17.3% year-on-year to 7,738 million yen, due mainly to the increase in sales of mainstay services along with the “Dispatching” service.

2) Sales Support Business

Net sales of the “Sales Support Business” increased by 4.8% year-on-year to 3,473 million yen, despite the impact of the reorganization of unprofitable sites in the previous fiscal year.

In terms of profits, segment profit (Operating profit) increased by 22.8% year-on-year to 168 million yen, due mainly to the increase in net sales, despite a drop in sales and profits in the first half.

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” increased by 10.5% year-on-year to 2,344 million yen, due mainly to an increase in the number of long-term security projects acquired.

In terms of profits, segment profit (Operating profit) increased by 39.1% year-on-year to 252 million yen, on the back of growth in sales and successful measures 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 3,655 million yen from the end of the previous fiscal year to 23,464 million yen. Equity increased by 2,973 to 15,447 million yen (Equity ratio of 65.8%), and net assets increased by 3,163 to 16,213 million yen.

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

With regard to assets, current assets increased by 3,941 million yen from the end of the previous fiscal year to 17,969 million yen at the end of the current term. This increase is attributed mainly to an increase in cash and deposits of 3,344 to 11,811 million yen and an increase in notes and accounts receivable-trade of 581 to 5,777 million yen.

Non-current assets decreased by 285 million yen from the end of the previous fiscal year to 5,495 million yen. This decrease is attributed mainly to declines in land of 381 to 184 million yen, goodwill of 203 to 943 million yen, buildings and structures, net of 184 to 279 million yen, and deferred tax assets of 127 to 150 million yen, versus an increase in investment securities of 637 to 2,798 million yen.

With regard to liabilities, current liabilities increased by 608 million yen from the end of the previous fiscal year to 6,427 million yen. This increase is attributed mainly to increases in accrued consumption taxes of 317 to 1,206 million yen, income taxes payable of 244 to 1,229 million yen and accrued expenses of 189 to 1,221 million yen, versus a decrease in accounts payable-other of 144 to 1,267 million yen.

Non-current liabilities decreased by 116 million yen from the end of the previous fiscal year to 824 million yen. This decrease is mainly attributed to a decrease in long-term borrowings of 237 million to 0 yen, versus increases in retirement benefit liability of 72 to 629 million yen and deferred tax liabilities of 44 to 60 million yen.

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

2) Cash Flows

Outstanding cash and cash equivalents (hereinafter referred to as “funds”) at the end of the consolidated current fiscal year increased by 3,344 million yen (decreased by 904 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 11,811 million yen.

(Cash Flows from Operating Activities)

Funds provided by operating activities were 5,408 million yen (compared with 4,474 million yen provided in the previous fiscal year) due to profit before income taxes of 7,134 million yen, an increase in accrued consumption taxes of 331 million yen, depreciation of 258 million yen, amortization of goodwill of 215 million yen, and share of loss of entities accounted for using equity method of 200 million yen, which covered income taxes paid of 2,208 million yen and an increase in trade receivables of 579 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities were 8 million yen (compared with 2,870 million yen used in the previous fiscal year) due mainly to purchase of property, plant and equipment of 226 million yen, purchase of intangible assets of 208 million yen, and purchase of investment securities of 43 million yen, versus proceeds from sales of property, plant and equipment of 241 million yen, proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation of 132 million yen, and proceeds from cancellation of insurance funds of 107 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities were 2,073 million yen (compared with 2,508 million yen used in the previous fiscal year), due to dividends paid of 1,381 million yen and purchase of treasury shares of 847 million yen.

(Trends in Cash Flow Indexes)

	FY12/17	FY12/18	FY12/19
Equity (million yen)	10,866	12,474	15,447
Equity-to-asset ratio (%)	64.7	63.0	65.8
Ratio of interest-bearing debt to cash flow (%)	28.6	20.1	13.1
Interest coverage ratio (times)	439.6	972.2	603.6
Market capitalization-based equity-to-asset ratio (%)	521.4	340.2	394.5

Equity = Total net assets - Stock acquisition rights - Non-controlling interest
Equity-to-asset ratio = 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 capitalization-based equity-to-asset ratio = Stock market price ÷ Total assets

Note 1: The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 30) from the beginning of the fiscal year under review. The equity ratio as well as market capitalization based equity ratio for the fiscal years ended December 2017 and December 2018 is stated using the figures following the retrospective application of this accounting standard, and others.

Note 2: Each index is calculated using consolidated financial data.

Note 3: 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 4: All debt involving the payment of interest and stated in the consolidated balance sheet are included in interest-bearing debt.

Note 5: For interest payment, the amount of interest paid in the consolidated statement of cash flow is used.

Note 6: 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 is working to achieve the goals of this plan.

Per the “Notice Concerning Review of the Medium-Term Management Plan” released on February 8, 2019, the Fullcast Group reviewed the plan for the period from the fiscal year ended December 2019 to 2020, considering the targets of the initial Medium-Term Management Plan were achieved two years ahead of schedule in the fiscal year ended December 2018, the third year of the plan, including the final year operating profit target of 5.0 billion yen. Furthermore, although the plan for the remaining two years was reviewed, the Company did not make changes to the plan's underlying assumptions, management strategy, and target levels of main management indicators.

The current fiscal year was the fourth year of the revised Medium-Term Management Plan, which was reviewed based on the above background. As a result of conducting Group management with the target of “Expand Short-Term Operational Support Business and promote to cultivate and gain new business opportunities in neighboring business fields,” consolidated performance surpassed the full-year business forecast for the fiscal year ended December 2019 thanks primarily to steady sales in the core services of “Placement” and “BPO” in the mainstay Short-Term Operational Support Business, in addition to growth in “Dispatching” service by our efforts to satisfy the long-term human resource needs of client companies.

For the next fiscal year, the Company has established a goal of “Achieving the targets of the final fiscal year of the Medium-Term Management Plan by expand Short-Term Operational Support Business and promote to 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 harvesting new opportunities, we will work to improve operation efficiencies across the entire Group and increase productivity. We have made upward revisions to the Notice Concerning Review of the Medium-Term Management Plan" released on February 8, 2019, and we are working to achieve the revised targets.

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.

Business forecast for the fiscal year ending December 2020 (January 1 to December 31, 2020)

(Million yen)

	FY12/19 results	FY12/20 business forecast	Rate of change
Net sales	44,479	48,800	9.7%
Operating profit	7,224	8,150	12.8%
Ordinary profit	7,064	8,200	16.1%
Profit attributable to owners of parent	4,644	5,357	15.4%
Earnings per share	124.6	145.5	16.8%

Note 1: Earnings per share for fiscal year ending December 2020 are calculated in accordance with the formula below.

Note 2: “Profit” used in the calculation of earnings per share is now “profit attributable to owners of parent."

$$\text{Earnings per share} = \frac{\text{Forecast for profit applicable to common stock}}{\text{Average expected number of common shares outstanding during the fiscal year ending December 31, 2020}}$$

(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 a 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.”

Regarding the dividend for the current fiscal year, excluding the impact of an impairment loss (share of loss of entities accounted for using equity method) associated with a decline in share value of Advancer Global Limited (an affiliate under equity method), a dividend of 40 yen per share, an increase of 8 yen from the previous year and 2 yen increase from forecast, will be paid based on the concept achieving a total return ratio of 50% versus profit attributable to owners of parent. At the end of the fiscal year, a dividend of 21 yen per share (2 yen increase from forecast) will be offered and share repurchases totaling up to 991,817,600 yen will be conducted. The shares will be repurchased using a tender offer as the specific acquisition method. As a result, the total return ratio pursuant to the above policy for the fiscal year ended December 2019 will be 50.0%, and the total return ratio versus profit attributable to owners of parent is expected to be 53.4%.

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 22 yen per share and a year-end dividend of 22 yen per share, for a total annual dividend of 44 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. In addition, consolidated subsidiary BOD Co., Ltd. provides “Back Office BPO Services” and Minimaid Service Co., Ltd. provides “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 related to goodwill as well as the shares of affiliated companies and investment securities 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), the Electricity Business Act, Act on the Arrangement of Related Acts to Promote Work Style Reform (Work Style Reform 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) Economic trends

The Group’s business composition focused around the Short-Term Operational Support Business is not susceptible to the impacts of economic trends during the current environment where there is a worker shortage due to structural factors of population, but if the economy deteriorates beyond the Group’s assumptions, the Group’s management results and financial condition could be affected.

4) 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, cyberattacks, human errors or others, 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.

5) 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 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.

6) 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.

7) Exchange Risk

The Group assumes foreign exchange risk because it receives remittances in the local currency when converting transactions denominated in a foreign currency, including dividend incomes from overseas affiliated companies. In addition, 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.

8) Changes in accounting or tax systems, etc.

The new introduction of or changes to accounting standards or tax systems that cannot be anticipated by the Group could affect the Group’s management results and financial condition.

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, 2019 as below.

(1) Status of Affiliated Companies

Company	Location	Capital (mil. yen)	Major business activities	Voting shares (%)	Issues to be noted
(Consolidated subsidiary) Fullcast Co., Ltd. (Note 3, 6)	Shinagawa-ku, Tokyo	100	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - 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. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Work & Smile Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Senior Works Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Porter Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - 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. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast International Co., Ltd.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business	51.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1
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. - Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - 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 leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital

BOD Alpha Co., Ltd.	Toshima-ku, Tokyo	20	Short-Term Operational Support Business	51.0 (51.0)	- Provide services such as management advice and system leases.
Minimaid Service Co., Ltd.	Shibuya-ku, Tokyo	30	Short-Term Operational Support Business	100.0	- Provide services such as management advice and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
F-PLAIN Corporation.	Minato-ku, Tokyo	80	Sales Support Business	78.2	- Provide services such as management advice and system leases. - Concurrent directorates: 2
M's Line Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provide services such as management advice and system leases.
FSP Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provide services such as management advice and system leases.
Fullcast Advance Co., Ltd.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business Security, Other Businesses	100.0	- Sublets a part of our rented building to this company for office use. - Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - 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. - Provides services such as business outsourcing, and system leases. - 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 (Note 2)	Singapore	(million Singapore dollars) 41	Employment services, Facility management services	25.8	- Concurrent directorates: 1
(Non-consolidated equity method affiliate) NIHON DENKI SERVICE Co., Ltd.	Minato-ku, Tokyo	90	Electricity Charge Reduction Service	20.0	—

Note 1: The “Major business activities” category follows the business segment classification.
Note 2: The capital stock of Advancer Global Limited is the amount as of June 30, 2019.
Note 3: Specified subsidiary.
Note 4: The ownership ratio of voting rights indicated in parentheses represents the ratio of voting rights held indirectly.
Note 5: None of companies has submitted a financial statement or a securities registration statement.
Note 6: Sales by Fullcast Co., Ltd. account for over 10% of consolidated sales (excluding internal sales among consolidated companies).

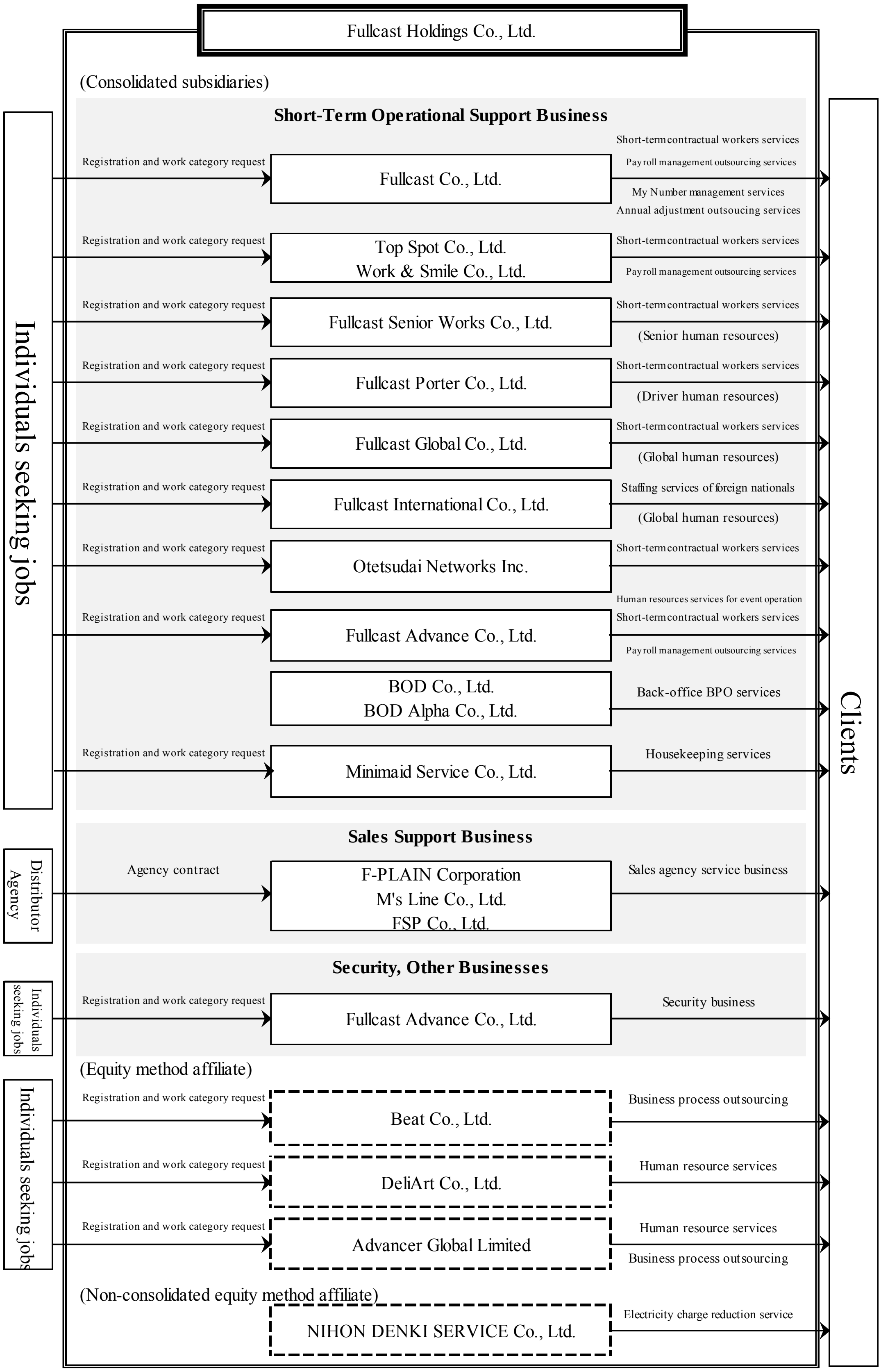
Key Information about Profit and Loss

(Million yen)

	Fullcast Co., Ltd.
Net sales	29,525
Ordinary profit	4,673
Profit	3,214
Net assets	3,343
Total assets	7,570

(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, 2019.

Note 2: [double-line box] is Fullcast Holdings Co., Ltd., [solid box] is a consolidated subsidiary, [dashed box] is an equity method affiliate and non-consolidated equity method affiliate.

Note 3: The Company acquired the shares of NIHON DENKI SERVICE Co., Ltd., and made it a non-consolidated equity method affiliate on March 29, 2019.

Note 4: The Company established Fullcast International Co., Ltd. to provide short-term operational support services, and made it a consolidated subsidiary on August 30, 2019.

Note 5: The Company divested the shares in Dimension Pockets Co., Ltd., and removed it from the scope of consolidation on December 11, 2019.

Note 6: The Company acquired the shares of HR Management Co., Ltd., and made it a consolidated subsidiary on January 1, 2020.

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” with 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."

(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 year ended December 2016, our Company seeks to achieve a new record high level of profits* by fiscal year ending December 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 previous fiscal year, the Company achieved the operating profit 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. Furthermore, the Company has made upward revisions to its plan for the fiscal year ending December 2020 set out in the business results forecasts in these financial statements.

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 profit 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 “sustained improvement of corporate value,” and the Company has been implementing this plan.

For the fiscal year ending December 2020, the final fiscal year of the plan, the main management target is “Achieving the targets of the final fiscal year of the Medium-Term Management Plan by expand Short-Term Operational Support Business and promote to gain new business opportunities in neighboring business fields” under which the Group will aim for further business growth.

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) Achievement of the Medium-Term Management Plan (FY16-FY20)

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

This fiscal year the Group achieved the target for the fiscal year ended December 2019, the fourth year of the Medium-Term Management Plan, including the main KPIs of operating profit, ordinary profit, and gross profit per 1 yen of personnel costs. In addition, the number of operating workers did not reach the target for the fiscal year ended December 2019, but we secured the number of operating workers sufficient for achieving the operating profit target. Based on the above background, in the fiscal year ending December 2020, we will work to achieve the further upwardly revised forecasts for the fiscal year ending December 2020 in the revised Medium-Term Management Plan announced on February 8, 2019.

Furthermore, the Group is reviewing the planned figures for the fiscal year ending December 2019 to 2020 of the Medium-Term Management Plan, announced on February 8, 2019. 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.

Result of Fourth Year (FY12/19) of the Medium-Term Management Plan

	FY12/19 target	FY12/19 results	Achievement rate
Operating profit	6.8 billion yen	7.2 billion yen	105.8%
Ordinary profit	6.9 billion yen	7.1 billion yen	101.9%
Number of operating workers	293,000	283,244	96.7%
Gross profit per 1 yen of personnel costs	2.6 yen	2.7 yen	103.8%

Note: The target for number of operating workers in the Medium-Term Management Plan and the number of operating workers for the fiscal year ended December 2019 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.

(Reference)

An overview of the revised Medium-Term Management Plan (FY16-FY20) (announced on February 8, 2019) is as follows:

a) Numerical targets

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

* Profit used for ROE and total return ratio was profit attributable to owners of parent 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 ended 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 2020

The Fullcast Group has established a goal of "Achieving the targets of the final fiscal year of the Medium-Term Management Plan by expand Short-Term Operational Support Business and promote to gain new business opportunities in neighboring business fields" for the fiscal year ending December 2020. Our Group will implement the following measures in the fiscal year ending December 2020 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 promoting to harvest new opportunities in neighboring business fields. Also, we will strive to achieve further business growth through improving operation efficiencies across the entire Group.

a) Strengthen customer contact points

- Continue opening new offices (ca. 10 locations/year).
- Capture short-term demand from the Tokyo Olympics.
- Increase sales staff dedicated to BPO services.

b) Improve recruitment efficiency and staff utilization rates

- Strengthen owned media and increase hiring efficiency by leveraging the media.
- Reinforce marketing activities to increase the staff utilization rate.

c) Expand services related to M&A and new established subsidiaries as well as promote global business

- Provide placement services for foreign nationals with specified skills and host assistance services of foreign workers.
- Expand recruiting and human support and reinforce collaboration in sales, for M&A and new subsidiaries.
- Tie up with local companies in China for housekeeping services.

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)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
ASSETS		
Current assets		
Cash and deposits	8,467	11,811
Notes and accounts receivable-trade	5,195	5,777
Merchandise	23	26
Supplies	45	32
Other	315	346
Allowance for doubtful accounts	(18)	(23)
Total current assets	14,028	17,969
Non-current assets		
Property, plant and equipment		
Buildings and structures	788	601
Accumulated depreciation and impairment loss	(325)	(323)
Buildings and structures, net	463	279
Machinery equipment and vehicles	11	8
Accumulated depreciation and impairment loss	(10)	(7)
Machinery, equipment and vehicles, net	1	1
Tools, furniture and fixtures	770	759
Accumulated depreciation and impairment loss	(588)	(569)
Tools, furniture and fixtures, net	182	189
Land	565	184
Construction in progress	36	-
Total property, plant and equipment	1,247	653
Intangible assets		
Software	298	321
Goodwill	1,146	943
Other	22	22
Total intangible assets	1,466	1,285
Investments and other assets		
Investment securities	2,161	2,798
Guarantee deposits	501	540
Deferred tax assets	277	150
Other	218	124
Allowance for doubtful accounts	(88)	(55)
Total investments and other assets	3,068	3,557
Total non-current assets	5,780	5,495
Total assets	19,808	23,464

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	25	24
Short-term borrowings	1,000	1,000
Current portion of long-term borrowings	15	-
Accounts payable-other	1,411	1,267
Accrued expenses	1,031	1,221
Income taxes payable	984	1,229
Accrued consumption taxes	889	1,206
Provision for bonuses	57	71
Allowance for subscription cancellations	46	48
Other	360	360
Total current liabilities	5,820	6,427
Non-current liabilities		
Long-term borrowings	237	-
Retirement benefit liability	557	629
Asset retirement obligations	73	82
Deferred tax liabilities	15	60
Other	57	54
Total non-current liabilities	940	824
Total liabilities	6,759	7,251
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	8,858	12,119
Treasury shares	(1,280)	(2,107)
Total shareholders' equity	12,364	14,798
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	110	649
Total accumulated other comprehensive income	110	649
Share acquisition rights	76	119
Non-controlling interests	499	646
Total net assets	13,049	16,213
Total liabilities and net assets	19,808	23,464

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

Consolidated Statement of Income

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Net sales	38,852	44,479
Cost of sales	22,196	25,665
Gross profit	16,656	18,814
Selling, general and administrative expenses		
Salaries and bonuses	3,728	3,981
Other salaries	1,346	1,459
Provision for bonuses	1	48
Legal welfare expenses	764	831
Retirement benefit expenses	101	111
Communication expenses	364	380
Travel and transportation expenses	458	482
Rent expenses on land and buildings	792	865
Depreciation	210	243
Advertising expenses	461	548
Recruitment expenses	510	526
Provision of allowance for doubtful accounts	9	10
Amortization of goodwill	160	215
Other	1,853	1,893
Total selling, general and administrative expenses	10,760	11,590
Operating profit	5,896	7,224
Non-operating income		
Interest income	2	1
Dividend income	2	2
Reversal of allowance for doubtful accounts	5	27
Surrender value of insurance policies	21	58
Subsidy income	16	15
Other	23	22
Total non-operating income	69	125
Non-operating expenses		
Interest expenses	9	12
Settlement package	16	22
Share of loss of entities accounted for using equity method	620	200
Other	34	51
Total non-operating expenses	679	285
Ordinary profit	5,286	7,064

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Extraordinary income		
Gain on sales of shares of subsidiaries	-	95
Gain on sales of non-current assets	-	7
Gain on sale of businesses	24	-
Total extraordinary income	24	102
Extraordinary losses		
Loss on retirement of non-current assets	6	22
Loss on sales of non-current assets	2	5
Loss on disaster	-	7
Other	1	-
Total extraordinary losses	9	33
Profit before income taxes	5,301	7,134
Income taxes-current	1,852	2,435
Income taxes-deferred	88	(74)
Total income taxes	1,940	2,361
Profit	3,361	4,773
Profit attributable to non-controlling interests	51	129
Profit attributable to owners of parent	3,310	4,644

Consolidated Statement of Comprehensive Income

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Profit	3,361	4,773
Other comprehensive income		
Valuation difference on available-for-sale securities	45	553
Total other comprehensive income	45	553
Comprehensive income	3,406	5,326
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,347	5,183
Comprehensive income attributable to non-controlling interests	59	143

(3) Consolidated Statements of Changes in Equity

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

(Million yen)

	Shareholders' equity				
	Share capital	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 in items during period					
Dividends of surplus			(1,057)		(1,057)
Profit attributable to owners of parent			3,310		3,310
Purchase of treasury shares				(682)	(682)
Net changes in items other than shareholders' equity					
Total changes in items during period	-	-	2,253	(682)	1,571
Balance at 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 in items during period					
Dividends of surplus					(1,057)
Profit attributable to owners of parent					3,310
Purchase of treasury shares					(682)
Net changes in items other than shareholders' equity	37	37	43	59	139
Total changes in items during period	37	37	43	59	1,710
Balance at end of the period	110	110	76	499	13,049

Current Consolidated fiscal year (January 1 to December 31, 2019)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	2,780	2,006	8,858	(1,280)	12,364
Changes in items during period					
Dividends of surplus			(1,383)		(1,383)
Profit attributable to owners of parent			4,644		4,644
Purchase of treasury shares				(827)	(827)
Net changes in items other than shareholders' equity					
Total changes in items during period	-	-	3,261	(827)	2,434
Balance at end of the period	2,780	2,006	12,119	(2,107)	14,798

	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	110	110	76	499	13,049
Changes in items during period					
Dividends of surplus					(1,383)
Profit attributable to owners of parent					4,644
Purchase of treasury shares					(827)
Net changes in items other than shareholders' equity	539	539	43	147	729
Total changes in items during period	539	539	43	147	3,163
Balance at end of the period	649	649	119	646	16,213

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Cash flows from operating activities		
Profit before income taxes	5,301	7,134
Depreciation	224	258
Amortization of goodwill	160	215
Increase (decrease) in allowance for doubtful accounts	(5)	(28)
Increase (decrease) in provision for bonuses	1	14
Increase (decrease) in allowance for subscription cancellations	(43)	2
Interest and dividend income	(4)	(3)
Interest expenses	9	12
Gain on maturity of insurance contract	(21)	(58)
Share of loss (profit) of entities accounted for using equity method	620	200
Gain on sales of shares of subsidiaries	-	(95)
Gain on sales of non-current assets	-	(7)
Loss on retirement of non-current assets	6	22
Loss on sales of non-current assets	2	5
Decrease (increase) in trade receivables	(593)	(579)
Decrease (increase) in inventories	(22)	11
Decrease (increase) in accounts receivable - other	(2)	10
Increase (decrease) in trade payables	213	(95)
Increase (decrease) in accrued expenses	2	190
Increase (decrease) in accrued consumption taxes	152	331
Increase (decrease) in accrued enterprise taxes	126	17
Increase (decrease) in retirement benefit liability	66	72
Other, net	28	(10)
Subtotal	6,221	7,618
Interest and dividends received	17	11
Interest paid	(6)	(13)
Income taxes paid	(1,772)	(2,208)
Income taxes refund	15	1
Net cash provided by (used in) operating activities	4,474	5,408
Cash flows from investing activities		
Purchase of property, plant and equipment	(240)	(226)
Proceeds from sales of property, plant and equipment	-	241
Purchase of intangible assets	(58)	(208)
Purchase of investment securities	(2,211)	(43)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(733)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	263	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	132
Proceeds from sale of businesses	24	-
Loan advances	(29)	-
Collection of loans receivable	51	33
Proceeds from cancellation of insurance funds	52	107
Other, net	10	(28)
Net cash provided by (used in) investing activities	(2,870)	8

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6)	-
Proceeds from long-term borrowings	-	310
Repayments of long-term borrowings	(762)	(192)
Purchase of treasury shares	(685)	(847)
Dividends paid	(1,056)	(1,381)
Other, net	-	38
Net cash provided by (used in) financing activities	(2,508)	(2,073)
Net increase (decrease) in cash and cash equivalents	(904)	3,344
Cash and cash equivalents at beginning of the period	9,371	8,467
Cash and cash equivalents at end of the period	8,467	11,811

(5) Notes on Consolidated Financial Statements

(Concerning Notes about Going Concern Assumption)

There are no relevant matters.

(Segment Information and Others)

[Segment Information]

Previous 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 profit of each reporting segment is an amount based upon its operating profit. 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 (Note 1)	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 profit	6,597	137	181	6,915	(1,019)	5,896
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 profit adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific reporting segment.

2. The profit of segments has been adjusted with the operating profit shown in the consolidated statement of income.

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 and 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.

Current consolidated fiscal year (January 1 to December 31, 2019)

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 profit of each reporting segment is an amount based upon its operating profit. 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 (Note 1)	Amount in consolidated financial statement
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	38,662	3,473	2,344	44,479	-	44,479
Inter-segment sales or transfers	21	-	1	22	(22)	-
Total	38,683	3,473	2,346	44,501	(22)	44,479
Segment profit	7,738	168	252	8,158	(934)	7,224
Segment assets	12,130	2,904	782	15,816	7,648	23,464
Other						
Depreciation	209	5	19	233	25	258
Amortization of goodwill	96	118	-	215	-	215
Increase of property, plant and equipment and intangible assets	159	3	90	252	182	434

Notes: 1. (26) million yen in inter-segment eliminations and (908) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (934) million yen segment profit adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segment.

2. The profit of segments has been adjusted with the operating profit shown in the consolidated statement of income.
3. The amount of 7,648 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 25 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings and structures, and software of the head office of the Company.
5. The amount of 182 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, 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 statement of income.

Current consolidated fiscal year (January 1 to December 31, 2019)

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 statement of income.

(Information concerning impairment loss on non-current assets for each reporting segment)

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

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2019)

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, 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	-	1,146	-	1,146

Current consolidated fiscal year (January 1 to December 31, 2019)

(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	96	118	-	215	-	215
Balance at end of the fiscal year	724	219	-	943	-	943

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

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

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2019)

There are no relevant matters.

(Per share information)

FY12/18 (January 1 to December 31, 2018)		FY12/19 (January 1 to December 31, 2019)	
Net assets per share	331.68 yen	Net assets per share	415.71 yen
Basic earnings per share	87.90 yen	Basic earnings per share	124.59 yen
Diluted earnings per share	87.48 yen	Diluted earnings per share	123.94 yen

(Note) 1. The basis for calculating basic earnings per share and diluted earnings per share in the current fiscal year is as follows.

Item	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	3,310	4,644
Profit attributable to owners of parent related to common stock (million yen)	3,310	4,644
Profit not related to common stock (million yen)	-	-
Average number of common stock outstanding during the period (shares)	37,656,770	37,273,606
Diluted earnings per share		

Adjusted profit attributable to owners of parent (million yen)	-	-
Increase of common stock (shares)	180,756	195,643
(of these, stock acquisition rights [shares])	(180,756)	(195,643)
Overview of potential stock not included in calculation of diluted earnings per share because the stock has no dilution effect	-	-

(Major Subsequent Events)

(Tender Offer for Treasury Shares)

At the Board of Directors' Meeting held on Friday, February 7, 2020, 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. For the details, see “Announcement Regarding the Decision on Matters Related to the Acquisition of Treasury Shares and Tender Offer for Treasury Shares”.

1. Reasons for acquisition of Treasury Shares

Treasury shares will be acquired in order to provide greater returns to shareholders as well as to implement a flexible capital policy to enhance capital efficiency.

2. Resolution in Board of Directors Meeting:

Type of share certificates	Total	Total acquisition cost
Common stock	449,600 shares (Upper limit)	991,817,600 yen (Upper limit)

(Note 1). Total number of shares issued: 38,486,400 shares (As of February 7, 2020)

(Note 2). Percentage of the total shares issued: 1.17% (Rounded to three decimal places)

(Note 3). Acquisition period: From Monday, February 10 to Friday, April 24, 2020

3. Details Relating to the Acquisition

(1) Schedule, etc.

1) Resolution in Board of Directors’ Meeting	Friday, February 7, 2020
2) Publication date for commencing the Tender Offer	Monday, February 10, 2020 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	Monday, February 10, 2020
4) Period of the Tender Offer	From Monday, February 10 to Tuesday, March 10, 2020 (20 business days)

(2) Tender Offer Price

2,206 yen per share of common stock

The Company decided at the Board of Directors' Meeting held on February 7, 2020 to set the Tender Offer price at 2,206 yen discounted by 10% from 2,451 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 6, 2020, the business day before the date of the

Board of Directors' Meeting that resolved to carry out the Tender Offer (February 7, 2020).

(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	449,500 shares	- shares	449,500 shares

Note 1. If the total number of tendered share certificates does not exceed the number of share certificates planned for purchase (449,500 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 (449,500 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).

Note 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

1,012,697,000 yen

Note: The amount of funds required for the Tender Offer is the estimated total of the purchase costs (991,597,000 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

Thursday, April 2, 2020

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.