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

February 12, 2021

Consolidated Financial Results Announcement for the Fiscal Year Ended December 31, 2020 [Japanese Standards] (Consolidated)

Company name: Fullcast Holdings Co., Ltd.
Stock exchange listing: First Section of the Tokyo Stock Exchange
Stock code: 4848
URL: https://www.fullcastholdings.co.jp
Representative: Kazuki Sakamaki, President, Representative Director and CEO
Contact: Yasuomi Tomotake, General Manager of the IR and Finance Department
Telephone: +81-3-4530-4830
Date of Annual General Meeting of Shareholders (Planned): March 26, 2021
Date of submission of annual securities report (Planned): March 29, 2021
Date of dividend payments (Planned): March 12, 2021
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, 2020 (January 1 to December 31, 2020)

(1) Consolidated Business Results

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/20	43,226	(2.8)	6,131	(15.1)	6,180	(12.5)	4,113	(11.4)
FY12/19	44,479	14.5	7,224	22.5	7,064	33.7	4,644	40.3

(Note) Comprehensive income: 3,844 million yen ((27.8)%) as of December 31, 2020 FY12/19: 5,326 million yen (56.4%) as of December 31, 2019

	Basic earnings per share	Diluted earnings per share	ROE	Ratio of ordinary profit to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
FY12/20	111.69	111.04	25.7	26.1	14.2
FY12/19	124.59	123.94	33.3	32.7	16.2

(Reference) Investment profit and loss on equity method:163 million yen as of December 31, 2020 (200) million yen as of December 31, 2019

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/20 End	23,953	17,396	68.9	449.58
FY12/19 End	23,464	16,213	65.8	415.71

(Reference) Equity: 16,504 million yen as of December 31, 2020 15,447 million yen as of December 31, 2019

(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
FY12/20	3,979	(89)	(2,472)	13,309
FY12/19	5,408	8	(2,073)	11,811

2. Dividend Status

	Dividend per share (yen)					Total dividend (annual) (million yen)	Payout ratio (consolidated) (%)	Dividend on net assets ratio (consolidated) (%)
	Q1 End	1H End	Q3 End	FY End	Annual			
FY12/19	-	19.00	-	21.00	40.00	1,486	32.1	10.7
FY12/20	-	19.00	-	22.00	41.00	1,505	36.7	9.5
FY12/21 Forecast	-	21.00	-	21.00	42.00		37.3	

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2021 (January 1 to December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	21,280	(0.7)	2,750	(16.2)	2,760	(16.4)	1,826	(19.0)	49.91
Full year	45,400	5.0	6,200	1.1	6,230	0.8	4,117	0.1	112.50

* Notes

(1) Important changes of 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 policies associated with revisions of accounting principles and others: None

2) Changes in accounting policies other than those mentioned in 1) above: None

3) Changes in accounting estimates: None

4) Re-presentation of changes: None

(3) Number of issued shares (Ordinary shares)

1) Number of issued shares at the term end (including treasury shares)	FY12/20	38,486,400	FY12/19	38,486,400
2) Number of treasury shares at the term end	FY12/20	1,777,898	FY12/19	1,328,352
3) Average number of shares outstanding during the current term	FY12/20	36,821,528	FY12/19	37,273,606

Reference: Non-Consolidated Financial Results

1. Financial Results for the Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)

(1) Business results

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/20	7,035	2.8	4,839	6.5	4,845	6.6	4,659	28.0
FY12/19	6,845	19.2	4,544	28.8	4,547	28.0	3,639	47.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY12/20	126.52	125.79
FY12/19	97.63	97.12

(2) Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/20 End	14,681	12,098	81.3	325.13
FY12/19 End	13,437	10,316	75.9	274.42

(Reference) Equity: FY12/20: 11,935 million yen FY12/19: 10,197 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) 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."

Table of Contents of Appendix

1. Operating Results and Financial Position

(1) Summary of Operating Results

During the current fiscal year, Japan's economy continued to face severe conditions, including a sharp decline in corporate earnings caused by the negative impacts of the COVID-19 pandemic. Despite this stagnation, a recovery in the economy was seen, reflecting the lessening of the decline in corporate earnings and the recovery in personal consumption. Economic conditions are expected to continue to recover given the effects of various government policies and improvements seen in overseas economies on the back of measures to prevent the spread of COVID-19. However, the economic horizon remains unclear and requires close monitoring of the risk of another downturn in domestic and overseas economies due to the impact of the pandemic on socioeconomic activities and the volatility of financial and capital markets.

The current operating environment surrounding the staffing service industry remains weak due to the impacts of COVID-19, including declining numbers of new job offers and rising number of unemployed. Despite this, there are signs of a recovery, as the decline in the job offers-to-applicants ratio is slowing as of late. The job market is expected to continue to improve as the impacts of the pandemic are resolved. As concern over the spread of the virus remains in place, the pace of recovery is expected to be moderate at best. There is concern that weakness in employment conditions could increase depending on developments related to the pandemic, of which impacts require close careful attention.

Against this backdrop, the Fullcast Group implemented group management activities to achieve our goal of "Achieving the targets of the final fiscal year of the Medium-Term Management Plan by expanding the "Short-Term Operational Support Business" and promoting to gain new business opportunities in neighboring business fields" during the 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 declined by 2.8% year-on-year to 43,226 million yen, due to the impacts dampening overall client demand caused by the slowdown in business activities in the mainstay "Short-Term Operational Support Business" from COVID-19 and the impacts on recovery in client demand caused by concerns over further spread of the disease, while a recovery trend was seen heading into the last month of the fiscal year even after the third quarter.

In terms of profits, consolidated operating profit declined by 15.1% year-on-year to 6,131 million yen and consolidated ordinary profit fell by 12.5% year-on-year to 6,180 million yen. These decreases are attributable to the drop in revenue from the mainstay "Short-Term Operational Support Business" while SG&A expenses stood at 11,587 million yen on par with the previous year level, chiefly due to efforts to control SG&A expenses mainly in recruitment expenses, despite the inclusion of the business performance of NIHON DENKI SERVICE Co., Ltd. and HR Management Co., Ltd. which became consolidated subsidiaries from this fiscal year.

Profit attributable to owners of parent declined by 11.4% year-on-year to 4,113 million yen, because gain on sales of investment securities of 250 million yen was booked as an extraordinary income following the partial sale of investment securities during the second quarter, and loss on COVID-19 of 62 million yen was booked as an extraordinary loss among other factors.

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 current fiscal year was 25.7%, And while this represents a decrease of 7.5% points from 33.3% at the end of the previous fiscal year, our ROE continues to remain above our target of 20%.

Furthermore, the Group acquired shares of HR Management Co., Ltd. on January 1, 2020, making it a consolidated subsidiary. In addition, the Group included NIHON DENKI SERVICE Co., Ltd., which was a non-consolidated subsidiary equity method affiliate until the previous fiscal year, in the scope of consolidation from the first quarter of the fiscal year ended December 2020. However, on December 28, 2020, the Group assigned part of the shares of NIHON DENKI SERVICE Co., Ltd., removing it from the scope of consolidation.

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

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

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

1) Short-Term Operational Support Business

Net sales of the "Short-Term Operational Support Business" decreased by 5.1% year-on-year to 36,700 million yen, due to the contraction in overall demand among client companies in the event- and service-related sectors (restaurants, retail, accommodations) caused by the COVID-19 pandemic. However, a recovery trend was seen heading into the final month of the fiscal year after bottoming in the third quarter.

Segment profit (Operating profit) decreased by 19.0% year-on-year to 6,264 million yen, due mainly to the decline in gross profit resulting from the drop in net sales.

2) Sales Support Business

Net sales of the "Sales Support Business" increased by 26.0% year-on-year to 4,377 million yen, due mainly to the acquisition of telework for the sale of Internet access, which is a mainstay business, during Japan's state of emergency as special demand in the second quarter of the fiscal year, and the inclusion of the earnings of NIHON DENKI SERVICE Co., Ltd., a newly consolidated subsidiary from this fiscal year.

Segment profit (Operating profit) rose by 167.5% year-on-year to 449 million yen, due to the increase in net sales.

3) Security, Other Businesses

Net sales of the "Security, Other Businesses" declined by 8.3% year-on-year to 2,149 million yen, due mainly to a decline in temporary security projects caused by the impacts of the COVID-19 pandemic.

Segment profit (Operating profit) increased by 9.4% to 276 million yen, due to an rise in operating profit ratio of 2.1% points through achieved by curtailing SG&A expenses, mainly in recruitment and personnel costs, and covering the drop in net sales.

(2) Summary of Financial Position

1) Assets, Liabilities and Net Assets

At the end of the current fiscal year, total assets increased by 490 million yen from the end of the previous fiscal year to 23,953 million yen. Equity increased by 1,057 to 16,504 million yen (Equity ratio of 68.9%), and net assets increased by 1,184 to 17,396 million yen.

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

With regards to assets, current assets increased by 1,336 million yen from the end of the previous fiscal year to 19,304 million yen. This increase is mainly attributed to an increase in cash and deposits of 1,498 to 13,309 million yen, which offset a decrease in notes and accounts receivable - trade of 106 to 5,671 million yen.

Non-current assets decreased by 846 million yen from the end of the previous fiscal year to 4,649 million yen. This decrease is attributed mainly to declines in investment securities of 877 to 1,921 million yen and in goodwill of

168 to 774 million yen, which offset an increase in deferred tax assets of 214 to 364 million yen.

With regard to liabilities, current liabilities declined by 717 million yen from the end of the previous fiscal year to 5,710 million yen. This decrease is attributed mainly to declines in income taxes payable of 715 to 514 million yen and in accounts payable-other of 100 to 1,167 million yen, which negated to an rise in other current liabilities of 57 to 417 million yen arising from in social insurance deposits of 44 to 266 million yen and in withholding income tax deposits of 26 to 98 million yen.

Non-current liabilities increased by 23 million yen from the end of the previous fiscal year to 847 million yen. This increase is attributed mainly to a rise in retirement benefit liability of 62 to 691 million yen, which offset a decrease in deferred tax liabilities of 38 million to 21 million yen.

2) Cash Flows

Outstanding cash and cash equivalents (Hereinafter referred to as “funds”) at the end of the fiscal year increased by 1,418 million yen from the end of the previous consolidated fiscal year to 13,309 million yen (compared to an increase of 3,344 million yen in the previous fiscal year) after aggregating an increase in cash and cash equivalents of 80 million yen resulting from inclusion of NIHON DENKI SERVICE Co., Ltd. in consolidation.

(Cash Flows from Operating Activities)

Funds provided by operating activities were 3,979 million yen (compared with 5,408 million yen provided in the previous fiscal year) due to profit before income taxes of 6,360 million yen, depreciation of 268 million yen, amortization of goodwill of 201 million yen, income taxes paid of 2,580 million yen, gain on the sale of investment securities of 250 million yen, share of profit of entities accounted for using equity method of 163 million yen, and decrease in trade payables of 117 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities were 89 million yen (compared with 8 million yen provided in the previous fiscal year) due to payments for sales of shares of subsidiaries resulting in change in scope of consolidation of 233 million yen, purchase of property, plant and equipment of 150 million yen, purchase of intangible assets of 129 million yen, and proceeds from sales of investment securities of 416 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities were 2,472 million yen (compared with 2,073 million yen used in the previous fiscal year) due to dividends paid of 1,476 million yen and purchase of treasury shares of 995 million yen.

(Trends in Cash Flow Indexes)

	FY12/18	FY12/19	FY12/20
Equity (million yen)	12,474	15,447	16,504
Equity-to-asset ratio (%)	63.0	65.8	68.9
Ratio of interest-bearing debt to cash flow (%)	20.1	13.1	15.2
Interest coverage ratio (times)	972.2	603.6	956.5
Market capitalization-based equity-to-asset ratio (%)	340.2	394.5	245.8

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

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

2. Each index is calculated using consolidated financial data.
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.
4. All debt involving the payment of interest and stated in the consolidated balance sheet are included in interest-bearing debt.
5. For interest payment, the amount of interest paid in the consolidated statement of cash flow is used.
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 achieved its operating profit target of 5.0 billion yen for the final fiscal year of the Medium-Term Management Plan (FY16–FY20), which was formulated as a five-year plan beginning in the fiscal year ended December 2016, two years ahead of schedule in the fiscal year ended December 2018, the third year of the plan. As a result, the Group revised the Medium-Term Management Plan with changes to targets for the fiscal years ended December 2019 and 2020, and worked toward achieving these targets.

During the current fiscal year, the final year of the revised Medium-Term Management Plan, we experienced a downturn in profits due to the impacts of COVID-19. However, we were able to achieved our initial target of "surpass our previous record high profit in the final year" in the fiscal year ended December 2018, the third year of the plan. And, for the fiscal year ended December 2019, we made upward revisions to the initial Medium-Term Management Plan and our results exceeded the revised targets, establishing yet another record high profit.

The Fullcast Group has decided to postpone the disclosure of its new five-year Medium-Term Management Plan (FY21–FY25) covering the fiscal years ending in December 2021 to 2025. For details, please see "Notice of the Postponement of Publication of Medium-Term Management Plan (FY21–FY25)" released on February 12, 2021.

For the next fiscal year, the Fullcast Group will aim to promptly restore its performance with focusing on the mainstay "Short-Term Operational Support Business" based upon the target of "quickly restoring performance using customer-first approaches by addressing the external environment in a flexible manner". The Fullcast Group will continue to endeavor to achieve ROE of 20% or higher, which we identify as indicator of improvement of corporate value by promoting management with a focus upon capital efficiencies, and preparing for further business expansion, while at the same time maintaining our position as a robust organization capable of maximizing profits.

Business forecast for the fiscal year ending December 2021 (January 1 to December 31, 2021)

(Million yen)

	FY12/20 results	FY12/21 business forecast	Rate of change
Net sales	43,226	45,400	5.0%
Operating profit	6,131	6,200	1.1%
Ordinary profit	6,180	6,230	0.8%
Profit attributable to owners of parent	4,113	4,117	0.1%
Earnings per share	111.7	112.5	0.7%

Notes: 1. Earnings per share for fiscal year ending December 2021 are calculated in accordance with the formula below.

$$\text{Earnings per share} = \frac{\text{Forecast for profit applicable to ordinary shares}}{\text{Average expected number of ordinary shares outstanding during the fiscal year ending December 31, 2021}}$$

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

(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. Furthermore, we will seek to achieve our target indicator for "improvement of corporate value" of ROE of over 20%.

For the fiscal year ended December 2020, a dividend of 41 yen per share, an increase of 1 yen compared to the previous year and the same as forecast will be paid based on the our goal of achieving a total return ratio of 50%. At the end of the fiscal year, a dividend of 22 yen per share (1 yen increase compared to the previous year and the same as forecast) will be offered and share repurchases totaling up to a maximum 552 million yen will be conducted. The shares will be repurchased from the market as the specific acquisition method. As a result, the total return ratio for the fiscal year ended December 2020 is expected to exceed 50.0%.

Regarding dividends in the next fiscal year, we will maintain ROE of over 20% and a total return ratio of 50% 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 share buyback, or both at the current point in time. We forecast an interim dividend of 21 yen per share and a year-end dividend of 21 yen per share, for a total annual dividend of 42 yen per share.

(5) Risks Associated with Our Businesses

The main risks recognized by management with the potential to serious impact our consolidated financial position, management results, cash flow conditions and other matters concerning the business and accounting conditions appearing in our securities report, are as follows. 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 those which may be regarded as important factors for investors in making investment decisions or understanding our Group’s business activities.

Furthermore, the possibility or timing for these risks to emerge and the impact for the Group’s management results if these risks will materialize, are not included because of the difficulty in making reasonable assessments of these.

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 by strengthening corporate governance and by promoting speed in both our 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”, our Company engages in both “Part-Time Worker Placement” and “Part-Time Worker Payroll Management” services and other services 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 results 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 for telecommunications products and call center operations. If business revenues are not generated in line with forecasts, or if large amounts of capital must be invested, or if the appeal of the products sold deteriorates, our Company and our Group’s business results could be adversely affected.

In addition to reinforcing our existing businesses with a view to the future, our Group has the potential to launch new business ventures through establishment of new companies, M&A, business tie-ups and 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.

Moreover, due to the acquisition of overseas companies, our Group is exposed to foreign exchange risks, risks related to local regulations applied to businesses of acquired companies, and country risks. If these risks are appear, they may adversely affect the Group’s business results and financial condition.

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). As a countermeasure against these risks, our Group endeavors to gather information in a timely manner concerning revisions to or changes in the interpretation of the laws and regulations applied to the Group’s business operations, to address these in an appropriate manner, and quickly understand the impacts on the Group’s results and financial condition.

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 five years, and if it cannot be renewed when required because of non-compliance with the licensing requirements of Article 31 of the Act, if there is a violation of relevant laws and regulations, if there are grounds to disqualify our license as prescribed in Article 32 of the Act, or if there is grounds to cancel our license, our Group could become subject to disqualification, our license could be canceled or orders to suspend or halt our operations could be issued. As a countermeasure against these risks, the Group is committed to implementing compliance and risk management to prevent any violation of acts and ordinances. However, if licenses are canceled or if other measures are taken due to some reason in the future, we may be unable to continue providing paid-for employment placement services and our Group’s business performance could be seriously affected.

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, if there is a violation of relevant laws and regulations, if there are 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.

As a countermeasure to help prevent these risks from occurring, the Group is committed to implementing compliance and risk management to prevent any violation of acts and ordinances. However, if licenses are canceled 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 affected.

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

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. Should this risk materialize, the Group will work to absorb damages by reducing costs with internal efforts, such as increasing efficiency of operations. However, depending upon the amount of compensation for damages, our Group's earnings could be adversely impacted if we cannot absorb these costs.

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 the outsourcing business, our Group is exposed to productivity risks and defective product risk. As a countermeasure to this risk should they appear, the Group will work to absorb damages by reducing costs with internal efforts, such as increasing efficiency of operations. However, our Group's earnings could be adversely impacted if we cannot absorb these costs.

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. As a countermeasure to this risk, the Group strives to quickly understand the impacts on the Group's management results and financial condition by gathering information in a timely manner concerning revisions to laws and regulations. At the same time, should this risk materialize, the Group will work to pass on the cost increase to the invoice amount for customers or make internal efforts, such as increasing efficiency of operations. However, if the cost increase cannot be absorbed through these efforts, our Group's earnings could be negatively impacted.

3) Economic Trends

The Group's business composition focused upon 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 regarding the population. However, if the economy deteriorates beyond the Group's assumptions, the Group's management results and financial condition could be affected. As a countermeasure to this risk, the Group regularly monitors economic trends and market developments, and promotes a sales strategy tailored specific geographic regions and characteristics of customer industry. In addition to improving sales capabilities, the Group continues to work on increasing profit margin by enhancing productivity, and then working to mitigate the said risk.

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, and similar information regarding our clients.

To be prepared for the potential of 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 other factors, our Group's operations could be seriously impeded and our earnings may be negatively affected.

As a countermeasure to this risk in the future, our Group expects 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 growth in the future.

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's 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 apply 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. As a countermeasure to this risk, our Group has a compliance system under which it ensures personnel in charge of legal affairs can handle various legal risks, but our performance may be seriously affected by accidents depending upon the legal 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.).

As a countermeasure against this risk, our Group fortifies staff awareness of safety by promoting occupational health and safety training for staff, 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. As a countermeasure to this risk, our Group has a compliance system under which it ensures personnel in charge of legal affairs can handle various legal risks. However, our performance may be seriously affected by accidents depending upon the legal 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, and 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. As a countermeasure against this risk, the Group works to mitigate risks caused by foreign exchange contracts as needed, while considering foreign currency trends.

8) Changes in Accounting or Tax Systems, Others.

The new introduction of or changes to accounting standards or tax systems that cannot be anticipated by our Group could affect the Group's management results and financial condition. As a countermeasure against these risks, the Group strives to gather information in a timely manner concerning changes and the introduction of new accounting standards or tax systems in order to quickly understand impacts on the Group's management results and financial condition.

9) Large-Scale Natural Disasters and Pandemics

Our Group has implemented countermeasures after working to put into place a crisis management system for contingencies. However, if natural disasters such as typhoons, earthquakes or tsunamis occur that exceed the Group's expectations or a pandemic occurs and spreads far beyond our Group's expectations, these events could impact the business activities of our Group or our Group's business partners, and have a negative effect on our Group's business results and financial position. As a countermeasure to this risk, the Fullcast Group has established a business continuity plan (BCP) that it reviews as necessary to be able to continue or quickly restore important business operations even during a contingency.

2. Corporate Group

The Fullcast 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, others.).

We provide descriptions of the status of affiliated companies and a diagram of our business activities as of December 31, 2020 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. (Notes 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	- Provides 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.

HR Management Co., Ltd.	Toshima-ku, Tokyo	10	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

Notes: 1. The “Major business activities” category follows the business segment classification.
2. The capital stock of Advancer Global Limited is the amount as of June 30, 2020.
3. Specified subsidiary.
4. The ownership ratio of voting rights indicated in parentheses represents the ratio of voting rights held indirectly.
5. None of the companies have submitted financial statement or a securities registration statement.
6. Sales by Fullcast Co., Ltd. account for over 10% of consolidated sales (excluding internal sales among consolidated companies).

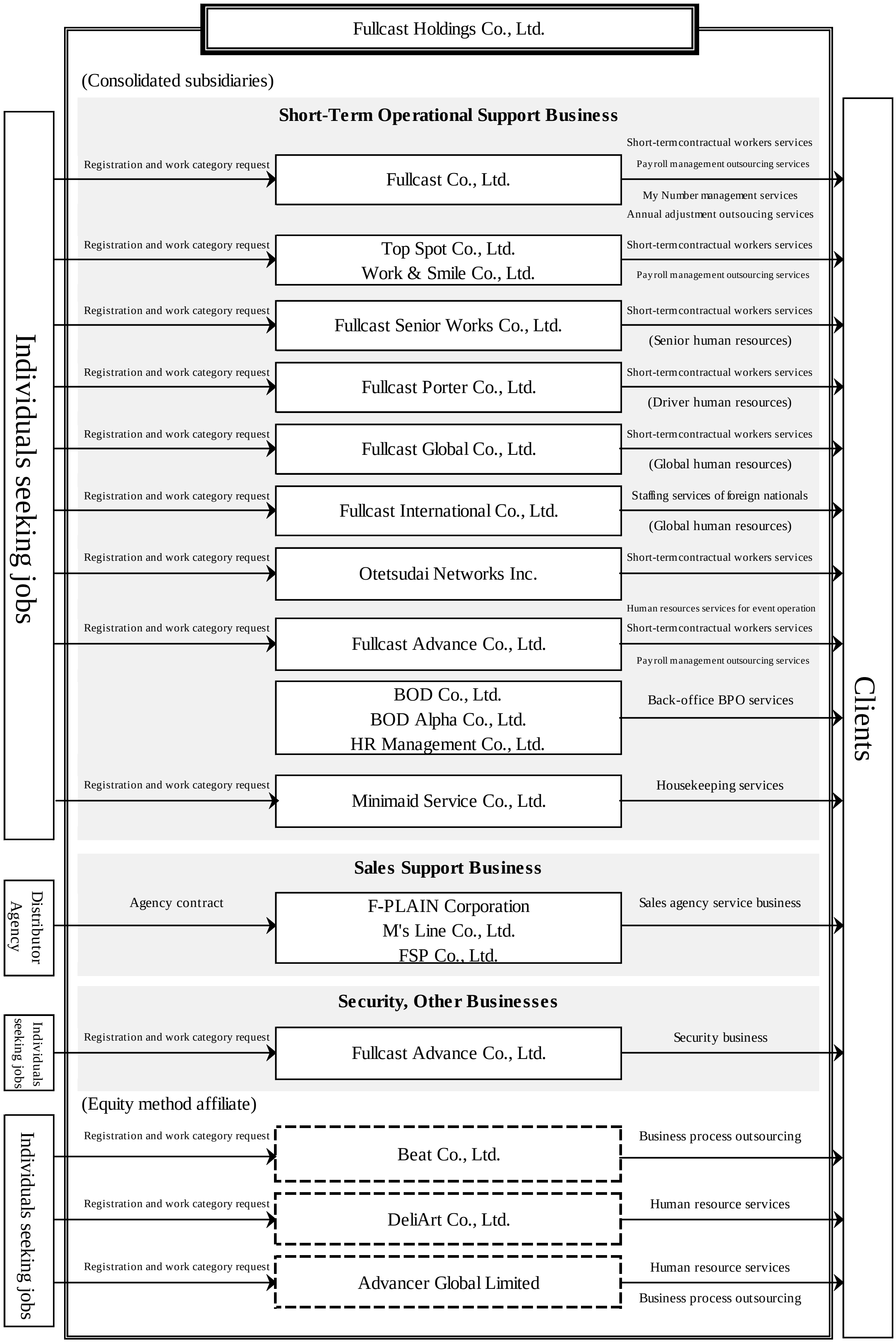
Key Information about Profit and Loss

(Million yen)

	Fullcast Co., Ltd.
Net sales	27,513
Ordinary profit	3,661
Profit	2,511
Net assets	2,623
Total assets	6,521

(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, 2020.

Note 2: [ ] is Fullcast Holdings Co., Ltd., [ ] is a consolidated subsidiary, [ ] is an equity method affiliate.

Note 3: The Company acquired the shares of HR Management Co., Ltd., and made it a consolidated subsidiary on January 1, 2020.

Note 4: The Company assigned part of the shares of NIHON DENKI SERVICE Co., Ltd., and removed it from the scope of consolidation on December 28, 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 1.0 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 an ROE of over 20% 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.

In this fiscal year, the final year of the revised Medium-Term Management Plan, we experienced a downturn in profits due to the impacts of COVID-19, but we achieved the initial target of “surpass our previous record high profit in the final year” during the fiscal year ended December 2018, the third year of the plan. Furthermore, for the fiscal year ended December 2019, we made upward revisions to the initial Medium-Term Management Plan and our results exceeded the revised targets, and established another record high in profits.

	Initial MTMP FY16–FY20 targets	Revised MTMP FY16–FY20 targets	Results for FY12/20
Operating profit	5.0 billion yen	7.9 billion yen	6.1 billion yen
Ordinary profit	—	8.0 billion yen	6.2 billion yen
Number of operating workers	257,400	320,000	210,943
Gross profit per 1 yen of personnel costs	2.8 yen	2.6 yen	2.5 yen

The Fullcast Group has decided to postpone the disclosure of its new five-year Medium-Term Management Plan (FY21–FY25) covering the fiscal years ending in December 2021 to 2025.. For details, please see “Notice of the Postponement of Publication of Medium-Term Management Plan (FY21–FY25)” released on February 12, 2021.

(4) Management Environment and Key Management Issues

Management Environment

The current operating environment surrounding the staffing service industry to which the Group’s main business operations belong is weak due to the impacts of COVID-19 including declining numbers of new job offers and rising number of unemployed. Despite this, there are signs of a recovery as reflected by the slowing decline in the job offers-to-applicants ratio as of late. The job market is expected to continue to improve as the impacts of the pandemic are resolved. With concerns over the spread of the virus still in place, the pace of recovery is expected to be moderate at best. There are concern that weakness in employment conditions could increase depending upon the developments of the pandemic of which impacts require careful attention.

The Group’s mainstay segment of “Short-Term Operational Support Business” accounts for a high percentage of the Group’s consolidated net sales and operating profit at around 90%. The Short-Term Operational Support

Business segment engages in the four services of placement, BPO, dispatching and outsourcing, and provides short-term staffing services in a timely manner based on changes in workload at customer companies. The Company recognizes that the “Short-Term Operational Support Business” is moving from the domain of providing necessary human resources in response to gaps in the conventional busy period and slow periods of clients driven by the declining labor force population in Japan recently, to business domains for part-time workers directly hired by companies to maintain the minimum necessary workforce. Going forward, we will endeavo to the alleviate workers shortages in Japan by providing a more sophisticated of short-term staffing services.

Key Management Issues

The Fullcast Group has decided to postpone the disclosure of its new five-year Medium-Term Management Plan (FY21–FY25) covering up to the fiscal year ending December 2025. For details, please see “Notice of the Postponement of Publication of Medium-Term Management Plan (FY21–FY25)” released on February 12, 2021.

In the fiscal year ending December 2021, the Group will focus on the main management issue of “quickly restoring performance using customer-first approaches and by addressing the external environment in a flexible manner,” and make efforts to resolve this issue. In implementing the management policy in (1) to (3) and the medium- to long-term management strategies, our Group recognizes that the business and financial issues to address with prioritize are as follows:

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) Business Targets for the Fiscal Year Ending December 2021

With the target for the fiscal year ending December 2021 set as “quickly restoring performance using customer-first approaches by addressing the external environment in a flexible manner,” the Fullcast Group will work to promptly restore its performance mainly in the mainstay “Short-Term Operational Support Business” and other segments. In addition, our Fullcast Group will implement the following measures in the fiscal year ending December 2021 to promote preparations for further business expansion, at the same time transforming into a robust organization capable of maximizing profits.

a) Prepare for further business growth by investing in digital transformation aimed at a post-COVID-19 world and by cultivating new businesses

- Increase convenience for clients and staff by improving services and utilizing digital transformation and other tools
- Examine M&A opportunities to expanding our services or employment opportunities for staff
- Continue opening new offices in areas with high sales effect (around 10 locations/year)
- Expand sales of BPO services by increasing headcount at BPO departments and strengthening Group collaboration

b) Transform into an organization that can yield profits even with the negative impacts of COVID-19

- Improve operating efficiency using RPA and BI tools
- Implement initiatives to improve profitability through increased work flow efficiency, shifting fixed costs to variable costs, improving productivity and thoroughly managing costs

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)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
ASSETS		
Current assets		
Cash and deposits	11,811	13,309
Notes and accounts receivable-trade	5,777	5,671
Merchandise	26	22
Supplies	32	13
Other	346	313
Allowance for doubtful accounts	(23)	(24)
Total current assets	17,969	19,304
Non-current assets		
Property, plant and equipment		
Buildings and structures	601	615
Accumulated depreciation and impairment loss	(323)	(352)
Buildings and structures, net	279	264
Machinery, equipment and vehicles	8	8
Accumulated depreciation and impairment loss	(7)	(7)
Machinery, equipment and vehicles, net	1	0
Tools, furniture and fixtures	759	722
Accumulated depreciation and impairment loss	(569)	(536)
Tools, furniture and fixtures, net	189	186
Land	184	184
Construction in progress	-	1
Total property, plant and equipment	653	634
Intangible assets		
Software	321	300
Goodwill	943	774
Other	22	22
Total intangible assets	1,285	1,096
Investments and other assets		
Investment securities	2,798	1,921
Guarantee deposits	540	576
Deferred tax assets	150	364
Other	124	102
Allowance for doubtful accounts	(55)	(44)
Total investments and other assets	3,557	2,919
Total non-current assets	5,495	4,649
Total assets	23,464	23,953

(Million yen)

	FY12/19 End (December 31, 2019)	FY12/20 End (December 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	24	21
Short-term borrowings	1,000	1,000
Accounts payable - other	1,267	1,167
Accrued expenses	1,221	1,226
Income taxes payable	1,229	514
Accrued consumption taxes	1,206	1,204
Provision for bonuses	71	100
Allowance for subscription cancellations	48	60
Other	360	417
Total current liabilities	6,427	5,710
Non-current liabilities		
Retirement benefit liability	629	691
Asset retirement obligations	82	79
Deferred tax liabilities	60	21
Other	54	55
Total non-current liabilities	824	847
Total liabilities	7,251	6,557
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	12,119	14,721
Treasury shares	(2,107)	(3,099)
Total shareholders' equity	14,798	16,408
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	649	128
Foreign currency translation adjustment	-	(33)
Total accumulated other comprehensive income	649	95
Share acquisition rights	119	162
Non-controlling interests	646	730
Total net assets	16,213	17,396
Total liabilities and net assets	23,464	23,953

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

Consolidated Statement of Income

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Net sales	44,479	43,226
Cost of sales	25,665	25,508
Gross profit	18,814	17,718
Selling, general and administrative expenses		
Salaries and bonuses	3,981	4,328
Other salaries	1,459	1,305
Provision for bonuses	48	7
Legal welfare expenses	831	888
Retirement benefit expenses	111	88
Communication expenses	380	357
Travel and transportation expenses	482	433
Rent expenses on land and buildings	865	956
Depreciation	243	254
Advertising expenses	548	641
Recruitment expenses	526	256
Provision of allowance for doubtful accounts	10	9
Amortization of goodwill	215	201
Other	1,893	1,865
Total selling, general and administrative expenses	11,590	11,587
Operating profit	7,224	6,131
Non-operating income		
Interest income	1	1
Dividend income	2	2
Share of profit of entities accounted for using equity method	-	163
Gain on adjustment of account payable	-	23
Other	122	49
Total non-operating income	125	238
Non-operating expenses		
Interest expenses	12	7
Settlement package	22	37
Share of loss of entities accounted for using equity method	200	-
Commission for purchase of treasury shares	20	25
Business commencement expenses	-	56
Other	31	64
Total non-operating expenses	285	188
Ordinary profit	7,064	6,180

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Extraordinary income		
Gain on sales of shares of subsidiaries	95	-
Gain on sales of investment securities	-	250
Gain on sales of non-current assets	7	-
Other	-	22
Total extraordinary income	102	272
Extraordinary losses		
Loss on valuation of investment securities	-	10
Loss on retirement of non-current assets	22	17
Loss on sales of non-current assets	5	-
Loss on disaster	7	-
Loss on COVID-19	-	62
Other	-	3
Total extraordinary losses	33	93
Profit before income taxes	7,134	6,360
Income taxes - current	2,435	1,949
Income taxes - deferred	(74)	(6)
Total income taxes	2,361	1,943
Profit	4,773	4,417
Profit attributable to non-controlling interests	129	305
Profit attributable to owners of parent	4,644	4,113

Consolidated Statement of Comprehensive Income

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Profit	4,773	4,417
Other comprehensive income		
Valuation difference on available-for-sale securities	553	(540)
Foreign currency translation adjustment	-	(33)
Total other comprehensive income	553	(573)
Comprehensive income	5,326	3,844
(Comprehensive income attributable to)		
Owners of parent	5,183	3,559
Non-controlling interests	143	285

(3) Consolidated Statement of Changes in Equity

Previous 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

Current consolidated fiscal year (January 1 to December 31, 2020)

(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	12,119	(2,107)	14,798
Changes in items during period					
Dividends of surplus			(1,478)		(1,478)
Profit attributable to owners of parent			4,113		4,113
Purchase of treasury shares				(992)	(992)
Increase (decrease) in retained earnings resulting from exclusion of subsidiaries from consolidation			(33)		(33)
Net changes in items other than shareholders' equity					
Total changes in items during period	-	-	2,602	(992)	1,610
Balance at end of the period	2,780	2,006	14,721	(3,099)	16,408

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of the period	649	-	649	119	646	16,213
Changes in items during period						
Dividends of surplus						(1,478)
Profit attributable to owners of parent						4,113
Purchase of treasury shares						(992)
Increase (decrease) in retained earnings resulting from exclusion of subsidiaries from consolidation						(33)
Net changes in items other than shareholders' equity	(520)	(33)	(554)	43	84	(426)
Total changes in items during period	(520)	(33)	(554)	43	84	1,184
Balance at end of the period	128	(33)	95	162	730	17,396

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	7,134	6,360
Depreciation	258	268
Amortization of goodwill	215	201
Increase (decrease) in allowance for doubtful accounts	(28)	2
Increase (decrease) in provision for bonuses	14	21
Increase (decrease) in allowance for subscription cancellations	2	12
Interest and dividend income	(3)	(3)
Interest expenses	12	7
Gain on maturity of insurance contract	(58)	-
Share of loss (profit) of entities accounted for using equity method	200	(163)
Gain on sales of shares of subsidiaries	(95)	-
Gain on sales of non-current assets	(7)	-
Loss on retirement of non-current assets	22	17
Loss on sales of non-current assets	5	-
Loss (gain) on sales of investment securities	-	(250)
Loss (gain) on valuation of investment securities	-	10
Loss on COVID-19	-	62
Decrease (increase) in trade receivables	(579)	93
Decrease (increase) in inventories	11	23
Decrease (increase) in accounts receivable - other	10	(5)
Increase (decrease) in trade payables	(95)	(117)
Increase (decrease) in accrued expenses	190	(7)
Increase (decrease) in accrued consumption taxes	331	1
Increase (decrease) in accrued enterprise taxes	17	(86)
Increase (decrease) in retirement benefit liability	72	62
Other, net	(10)	80
Subtotal	7,618	6,587
Interest and dividends received	11	32
Interest paid	(13)	(7)
Payment of loss on COVID-19	-	(54)
Income taxes paid	(2,208)	(2,580)
Income taxes refund	1	1
Net cash provided by (used in) operating activities	5,408	3,979
Cash flows from investing activities		
Purchase of property, plant and equipment	(226)	(150)
Purchase of intangible assets	(208)	(129)
Proceeds from sales of investment securities	-	416
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(18)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	132	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(233)
Collection of loans receivable	33	18
Proceeds from cancellation of insurance funds	107	17
Other, net	170	(9)
Net cash provided by (used in) investing activities	8	(89)

(Million yen)

	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Cash flows from financing activities		
Proceeds from long-term borrowings	310	-
Repayments of long-term borrowings	(192)	-
Purchase of treasury shares	(847)	(995)
Dividends paid	(1,381)	(1,476)
Other, net	38	(2)
Net cash provided by (used in) financing activities	(2,073)	(2,472)
Net increase (decrease) in cash and cash equivalents	3,344	1,418
Cash and cash equivalents at beginning of the period	8,467	11,811
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	80
Cash and cash equivalents at end of the period	11,811	13,309

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

There are no relevant matters.

(Additional Information)

(Accounting Estimates Associated with the COVID-19 Pandemic)

While there are concerns about changes in the economic situation and business environment due to the worldwide spread of COVID-19, the impacts on the Group's business activities during the consolidated current fiscal year are minimal, with no major impacts observed. The Group has thus conducted accounting estimates assuming that there are no material impacts from COVID-19 during the consolidated current fiscal year. However, there is a possibility that material impacts will occur on the consolidated financial statements in subsequent fiscal years, if we review our judgments according to changes in the future situation.

(Treatment of Application of Tax Effect Accounting Related to the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

Regarding the transition to a Group Tax Sharing System newly established under the Act Partially Amending the Income Tax Act and Other Acts (No. 8 of 2020), and the reviewed matters of the Non-Consolidated Taxation System when transitioning to a Group Tax Sharing System, Fullcast Holding and some of its subsidiaries have not applied the provisions of paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018) due to the treatment stipulated in paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39; March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law prior to amendment.

(Segment Information and Others)

[Segment information]

Previous 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) "Short-Term Operational Support Business", 2) "Sales Support Business" and 3) "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)	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. Segment profit 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.

Current consolidated fiscal year (January 1 to December 31, 2020)

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) “Short-Term Operational Support Business”, 2) “Sales Support Business” and 3) “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)	Amount in consolidated financial statement
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	36,700	4,377	2,149	43,226	-	43,226
Inter-segment sales or transfers	37	3	9	49	(49)	-
Total	36,737	4,380	2,158	43,275	(49)	43,226
Segment profit	6,264	449	276	6,989	(858)	6,131
Segment assets	10,724	2,796	803	14,323	9,630	23,953
Other						
Depreciation	218	9	9	236	31	268
Amortization of goodwill	91	109	-	201	-	201
Increase of property, plant and equipment and intangible assets	70	63	-	133	146	279

Notes:
1. (23) million yen in inter-segment eliminations and (835) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (858) 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. Segment profit has been adjusted with the operating profit shown in the consolidated statement of income.
3. The amount of 9,630 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 31 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 146 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, 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.

Current consolidated fiscal year (January 1 to December 31, 2020)

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, 2019)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2020)

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, 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

Current consolidated fiscal year (January 1 to December 31, 2020)

(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	91	109	-	201	-	201
Balance at end of the fiscal year	665	109	-	774	-	774

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

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

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2020)

There are no relevant matters.

(Per share information)

FY12/19 (January 1 to December 31, 2019)		FY12/20 (January 1 to December 31, 2020)	
Net assets per share	415.71 yen	Net assets per share	449.58 yen
Basic earnings per share	124.59 yen	Basic earnings per share	111.69 yen
Diluted earnings per share	123.94 yen	Diluted earnings per share	111.04 yen

Notes: The basis for calculating basic earnings per share and diluted earnings per share in the current fiscal year is as follows.

Item	FY12/19 (January 1 to December 31, 2019)	FY12/20 (January 1 to December 31, 2020)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	4,644	4,113
Profit attributable to owners of parent related to ordinary shares (million yen)	4,644	4,113
Profit not related to ordinary shares (million yen)	-	-
Average number of ordinary shares outstanding during the period (shares)	37,273,606	36,821,528
Diluted earnings per share		
Adjusted profit attributable to owners of parent (million yen)	-	-
Increase of ordinary shares (shares)	195,643	213,535
(of these, stock acquisition rights [shares])	(195,643)	(213,535)
Overview of potential stock not included in calculation of diluted earnings per share because the stock has no dilution effect	-	-

(Major Subsequent Events)

(Purchase of treasury shares)

Fullcast Holdings Co., Ltd. passed a resolution at the Board of Directors meeting held on February 12, 2021 on matters related to the acquisition of treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to the provision of Article 165, Paragraph 3 of the same act.

(1) Reason:	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) Type of shares to be acquired:	Ordinary shares
(3) Number of shares to be acquired:	331,700 shares (max.)
(4) Total value of repurchases:	552 million yen (max.)
(5) Acquisition period:	February 15 to March 24, 2021
(6) Acquisition method:	Purchase on the open market of the Tokyo Stock Exchange

(Cancellation of treasury shares)

Fullcast Holdings Co., Ltd. passed a resolution at the Board of Directors meeting held on February 12, 2021 on matters related to the cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act.

(1) Type of shares to be canceled:	Ordinary shares
(2) Total number of shares to be canceled:	1,000,000 shares (percentage of total number of issued shares prior to cancellation [incl. treasury shares]: 2.60%)
(3) Total number of issued shares after cancellation:	37,486,400 shares
(4) Planned cancellation date:	February 16, 2021