FASF MEMBERSHIP

February 10, 2022

Consolidated Financial Results Announcement for the Fiscal Year Ended December 31, 2021 [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 25, 2022
Date of submission of annual securities report (Planned): March 28, 2022
Date of dividend payments (Planned): March 11, 2022
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, 2021 (January 1 to December 31, 2021)

(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	%
FY12/21	52,366	21.1	7,592	23.8	7,624	23.4	5,012	21.9
FY12/20	43,226	(2.8)	6,131	(15.1)	6,180	(12.5)	4,113	(11.4)

(Note) Comprehensive income: FY12/21: 5,235 million yen (36.2 %) FY12/20: 3,844 million yen ((27.8)%)

	Basic earnings per share	Diluted earnings per share	ROE	Ratio of ordinary profit to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
FY12/21	137.34	136.70	27.8	28.5	14.5
FY12/20	111.69	111.04	25.7	26.1	14.2

(Reference) Share of profit and loss of entities accounted for using equity method: FY12/21: 26 million yen FY12/20: 163 million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/21 End	29,484	20,579	66.2	535.40
FY12/20 End	23,953	17,396	68.9	449.58

(Reference) Equity: 19,526 million yen as of December 31, 2021 16,504 million yen as of December 31, 2020

(3) Consolidated Cash Flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
FY12/21	6,368	(99)	(2,168)	17,410
FY12/20	3,979	(89)	(2,472)	13,309

2. Dividend Status

	Dividend per share (yen)					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividend on net assets ratio (consolidated)
	Q1 End	1H End	Q3 End	FY End	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY12/20	-	19.00	-	22.00	41.00	1,505	36.7	9.5
FY12/21	-	21.00	-	23.00	44.00	1,604	32.0	8.9
FY12/22 Forecast	-	23.00	-	23.00	46.00		31.2	

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2022 (January 1 to December 31, 2022)

(% = 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	26,670	12.4	3,990	11.8	4,020	12.1	2,676	13.5	74.06
Full year	54,730	4.5	8,000	5.4	8,030	5.3	5,316	6.1	147.49

* 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)	FY12/21	37,486,400	FY12/20	38,486,400
2) Number of treasury shares at the term end	FY12/21	1,015,666	FY12/20	1,777,898
3) Average number of shares outstanding during the current term	FY12/21	36,491,354	FY12/20	36,821,528

Reference: Non-Consolidated Financial Results

1. Financial Results for the Fiscal Year Ended December 31, 2021 (January 1 to December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/21	6,481	(7.9)	4,265	(11.9)	4,311	(11.0)	3,804	(18.3)
FY12/20	7,035	2.8	4,839	6.5	4,845	6.6	4,659	28.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY12/21	104.25	103.77
FY12/20	126.52	125.79

(2) Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/21 End	17,287	13,798	79.0	374.67
FY12/20 End	14,681	12,098	81.3	325.13

(Reference) Equity: 13,665 million yen as of December 31, 2021 11,935 million yen as of December 31, 2021

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

* 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 4 "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 experienced a recovery amid the gradually easing situation of the COVID-19 pandemic which led to a recovery in personal consumption, a recovery in corporate earnings with the exception of some areas of non-manufacturing and a recovery in business sentiment, despite remaining severity in some areas. Economic conditions are expected to continue to undergo a recovery given the effects of various government policies and improvements seen in overseas economies on the back of comprehensive measures to stop the spread of COVID-19 and the normalization economic activities. However, the economic horizon remains clouded and requires close monitoring of the rising downside risks caused by supply-side constraints and trends in raw materials prices, and the impacts on domestic and overseas economies caused by the pandemic including new variants and the impact of volatility in financial and capital markets.

The current operating environment surrounding the staffing service industry continues to show signs of recovery, including a sustained increase in effective job offers and signs of a recovery in the new job offers-to-applicants ratio, despite ongoing weakness in the employment situation amid the impacts of the COVID-19 pandemic. The future outlook indicates the operating environment will remain stable.

Against this backdrop, in current the fiscal year, the Fullcast Group implemented group management activities to achieve our goal of "Quickly restoring performance using customer-first approaches by addressing the external environment in a flexible manner." The Group also carried out marketing activities focused on boosting overall profitability of the Fullcast Group, particularly in the mainstay "Placement" (Note 1) and "BPO" (Note 2) services. In addition, our Company made preparations to further expand its business while fortifying our capabilities as a robust organization to maximizes profits by continuing to increase productivity and promote operational efficiencies across our entire Group.

Consolidated net sales increased by 21.1% year-on-year to 52,366 million yen driven by sales growth in the "Short-Term Operational Support Business," due ongoing recovery in client demand and acquisition of public sector projects mainly supporting public vaccinations, despite the negative impacts associated with the COVID-19 and Japan's re-issuance of states of emergencies.

In terms of profits, consolidated operating profit increased by 23.8% year-on-year to 7,592 million yen, with consolidated ordinary profit rising by 23.4% year-on-year to 7,624 million yen, as the recovery trend in client demand continued, despite the impacts of COVID-19.

Profit attributable to owners of parent increased by 21.9% year-on-year to 5,012 million yen due to the increase in consolidated ordinary profit, although a gain on sale of investment securities was booked as an extraordinary income in the previous fiscal year.

Our Group considers the "sustained improvement of corporate value" to be one of its most important management issues. We manage our business by focusing upon capital efficiency and by Identifying 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 27.8%, and while this represents an increase of 2.1% points from 25.7% at the end of the previous fiscal year, our ROE continues to remain above our target of 20%.

Furthermore, the Group acquired shares of Progress, Inc. on April 1, 2021, making it a consolidated subsidiary. In addition, BOD Alpha Co., Ltd. and HR Management Co., Ltd. executed an absorption-type merger where BOD Alpha Co., Ltd. was the surviving company and HR Management Co., Ltd. was the extinct company, with the trade name of the company was changed to HR Management Co., Ltd on July 1, 2021.

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 Group 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 26.8% year-on-year to 46,550 million yen, due mainly to the recovery in client demand throughout the year and acquisition of public sector projects mainly supporting public vaccinations, despite the negative impacts associated with the persistent spread of COVID-19 and Japan's re-issuance of states of emergencies.

Segment profit (Operating profit) increased by 30.6% year-on-year to 8,181 million yen as supported by client demand showing a trend towards a recovery throughout the year, despite the impacts of COVID-19.

2) Sales Support Business

Net sales of the "Sales Support Business" decreased by 19.6% year-on-year to 3,520 million yen, due mainly to the impact of COVID-19 on the entertainment business and the exclusion of NIHON DENKI SERVICE Co., Ltd. (currently, ENECLOUD, Inc.) from the scope of consolidation, compared to the previous fiscal year when temporary telework demand under Japan's state of emergency as special demand in the sale of Internet access, which is a mainstay business.

Segment profit (Operating profit) decreased by 80.7% year-on-year to 87 million yen due mainly to the drop in net sales.

3) Security, Other Businesses

Net sales of the "Security, Other Businesses" increased by 6.8% year-on-year to 2,296 million yen due to an increase in permanent security projects throughout the year and an increase in temporary security projects, including demand for the Olympic and Paralympic Games, despite the challenging environment under Japan's state of emergency.

Segment profit (Operating profit) rose by 15.6% year-on-year to 319 million yen, due to the increase 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 5,531 million yen from the end of the previous fiscal year to 29,484 million yen. Equity increased by 3,023 to 19,526 million yen (equity ratio of 66.2%), and net assets grew by 3,182 to 20,579 million yen.

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

With regards to assets, current assets increased by 5,510 million yen from the end of the previous fiscal year to 24,815 million yen. This increase is attributed mainly to an increase in cash and deposits of 4,101 to 17,410 million yen and an increase in notes and accounts receivable - trade of 1,419 to 7,090 million yen.

Non-current assets increased by 20 million yen from the end of the previous fiscal year to 4,669 million yen. This increase is attributed mainly to an increase in investment securities of 93 to 2,014 million yen, an increase in guarantee deposits of 60 to 636 million yen and a decrease in allowance for doubtful accounts of 40 to 5 million yen, compared to a decrease in goodwill of 168 to 607 million yen.

With regard to liabilities, current liabilities increased by 2,251 million yen from the end of the previous fiscal year to 7,961 million yen. This increase is attributed mainly to an increase in income taxes payable of 893 to 1,407 million yen, an increase in accrued consumption taxes of 537 to 1,742 million yen, an increase in accounts payable - other of 386 to 1,553 million yen, and an increase in accrued expenses of 304 to 1,531 million yen.

Non-current liabilities increased by 98 million yen from the end of the previous fiscal year to 945 million yen. This increase is attributed mainly to a rise in retirement benefit liability of 56 to 747 million yen and an increase in asset retirement obligations of 39 to 118 million yen.

2) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the current fiscal year increased by 4,101 million yen from the end of the previous consolidated fiscal year to 17,410 million yen (compared to an increase of 1,418 million yen in the previous fiscal year).

(Cash Flows from Operating Activities)

Funds provided by operating activities were 6,368 million yen (compared with 3,979 million yen provided in the previous fiscal year) due to an increase in accrued consumption taxes of 519 million yen, an increase in trade payables of 341 million yen, an increase in accrued expenses of 301 million yen, depreciation of 219 million yen, and amortization of goodwill of 207 million yen, compared to profit before income taxes of 7,606 million yen, income taxes paid of 1,639 million yen, and increase in trade receivables of 1,414 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities were 99 million yen (compared with 89 million yen used in the previous fiscal year) due to purchase of intangible assets of 127 million yen and purchase of property, plant and equipment of 52 million yen, compared to proceeds from collection of loans receivable of 45 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities were 2,168 million yen (compared with 2,472 million yen used in the previous fiscal year) due to dividends paid of 1,571 million yen and purchase of treasury shares of 554 million yen.

(Trends in Cash Flow Indexes)

	FY12/19	FY12/20	FY12/21
Equity (million yen)	15,447	16,504	19,526
Equity-to-asset ratio (%)	65.8	68.9	66.2
Ratio of interest-bearing debt to cash flow (%)	13.1	15.2	12.5
Interest coverage ratio (times)	603.6	956.5	1073.5
Market capitalization-based equity-to-asset ratio (%)	394.5	245.8	304.5

Equity = Total net assets − Share acquisition rights − Non-controlling interests
Equity-to-asset ratio = Equity ÷ Total assets
Ratio of interest-bearing debt to cash flow = Interest-bearing debt ÷ Operating cash flow (before interest and income taxes)
Interest coverage ratio = Operating cash flow (before interest and income taxes) ÷ Interest paid
Market capitalization-based equity-to-asset ratio = Stock market price ÷ Total assets

Notes:
1. Each index is calculated using consolidated financial data.
2. For operating cash flows (before interest and income taxes), net cash provided by operating activities from the consolidated cash flows statement (before deducting the amount of payment of interest and income taxes) is used.
3. All debt involving the payment of interest and stated in the consolidated balance sheet are included in interest-bearing debt.
4. For interest payment, the amount of interest paid in the consolidated statement of cash flow is used.
5. Market capitalization = Stock price at the end of the term × Number of shares outstanding at the end of the term (excluding treasury shares).

(3) Future Outlook

The Group engaged in corporate management following the target of “Quickly restoring performance using customer-first approaches by addressing the external environment in a flexible manner.” As a result, the Group’s consolidated performance in its mainstay “Short-Term Operational Support Business” exceeded the revised full-year business forecast for the fiscal year ended December 2021 because of the ongoing recovery trend in client demand throughout the year and the continued acquisition of staffing demand related to public sector projects mainly supporting public vaccinations.

In addition, the Group has established “Medium-Term Management Plan 2024”. For details, please see “Notice of

Establishment of Medium-Term Management Plan 2024" released today (February 10, 2022).

In the fiscal year ending December 2022, the initial fiscal year of the plan, the Group will aim for further business growth centered on the mainstay "Short-Term Operational Support Business" and for the further enhancement of the Group's business performance by providing services that contribute to the improvement of convenience and satisfaction for both clients and staff alike, under the target "Under a client first approach, aim for greater business growth and expansion of peripheral services." 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 maximizing profits by streamlining Group-wide operations and boosting productivity.

Consolidated business forecast for the fiscal year ending December 2022 (January 1 to December 31, 2022)

(Million yen)

	FY12/21 results	FY12/22 business forecast	Rate of change
Net sales	52,366	54,730	4.5%
Operating profit	7,592	8,000	5.4%
Ordinary profit	7,624	8,030	5.3%
Profit attributable to owners of parent	5,012	5,316	6.1%
Basic earnings per share	137.3	147.2	7.2%

Notes: 1. Earnings per share for fiscal year ending December 2022 are calculated in accordance with the formula below.

$$\text{Earnings per share} = \frac{\text{Forecast for profit applicable to ordinary shares}}{\text{Average expected number of shares outstanding during the fiscal year ending December 31, 2022}}$$

2. "Profit" used in the calculation of basic 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 2021, a dividend of 44 yen per share, an increase of 3 yen compared to the previous year and the same as forecast will be paid based on the goal of achieving a total return ratio of 50%. At the end of the current fiscal year, a dividend of 23 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 903 million yen will be conducted. As a result, the total return ratio for the fiscal year ended December 2021 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 23 yen per share and a year-end dividend of 23 yen per share, for a total annual dividend of 46 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. and its subsidiaries provide “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 the 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 the 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), 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 5 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 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 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 the 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 the 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 risks. As a countermeasure against these risks, 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

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 against these risks, 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 against these risks, the Group regularly monitors economic trends and market developments, and promotes a sales strategy tailored to 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 a 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 against these risks 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 against these risks, 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.

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 these risks, 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 against these risks, 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 these risks, 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 against these risks, 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, 2021 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	80	Short-Term Operational Support Business	51.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
HR Management Co., Ltd.	Toshima-ku, Tokyo	20	Short-Term Operational Support Business	51.0 (51.0)	- Provides services such as management advice and system leases.

Progress, Inc.	Koto-ku, Tokyo	50	Short-Term Operational Support Business	60.0 (60.0)	- Provides services such as management advice and system leases.
Minimaid Service Co., Ltd.	Shibuya-ku, Tokyo	30	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
F-PLAIN Corporation.	Minato-ku, Tokyo	80	Sales Support Business	78.2	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 2
M's Line Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provides services such as management advice and system leases.
FSP Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provides 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, 2021.
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 annual securities report or securities registration statement.
6. Sales by Fullcast Co., Ltd. account for over 10% of consolidated net sales (excluding internal sales among consolidated companies).

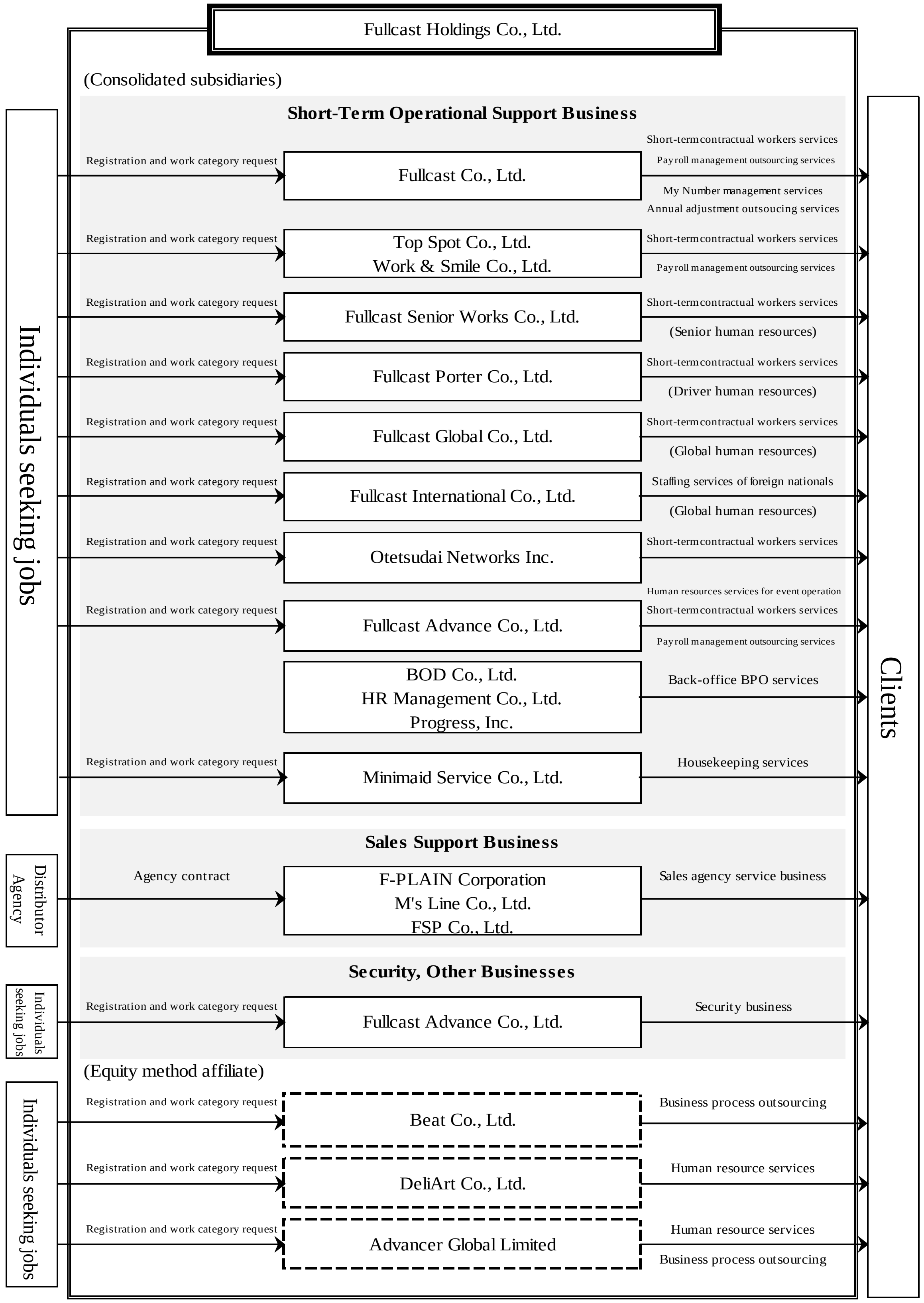
Key Information about Profit and Loss

(Million yen)

	Fullcast Co., Ltd.
Net sales	34,210
Ordinary profit	4,787
Profit	3,299
Net assets	3,432
Total assets	8,666

(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, 2021.

Note 2: [bold double-lined box] is Fullcast Holdings Co., Ltd., [box] is a consolidated subsidiary, [dashed box] is an equity method affiliate.

Note 3: The Company acquired shares of Progress, Inc. on April 1, 2021, making it a consolidated subsidiary.

Note 4: On July 1, 2021, BOD Alpha Co., Ltd. and HR Management Co., Ltd. executed an absorption-type merger where BOD Alpha Co., Ltd. was the surviving company and HR Management Co., Ltd. was the extinct company, with the trade name of the company changed to HR Management Co., Ltd.

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 time 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 toward greater business growth centered on our “Short-Term Operational Support Business” and by ensuring that our group wide corporate governance leverages the functionality of our holding company.

In addition, under “Medium-Term Management Plan 2024,” we will achieve business growth centered on the “Short-Term Operational Support Business,” aspiring toward a new record high consolidated operating profit of 10 billion yen in the fiscal year ending December 2024, the final year of the plan.

(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 continues to show signs of recovery, including a sustained increase in effective job offers and signs of a recovery in the new job offers-to-applicants ratio, despite ongoing weakness in the employment situation amid the impacts of the COVID-19 pandemic. The future outlook indicates the operating environment will remain stable.

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 4 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 endeavor to the alleviate workers shortages in Japan by providing a more sophisticated of short-term staffing services.

Key Management Issues

The Group has established “Medium-Term Management Plan 2024”. For details, please see “Notice of Establishment of Medium-Term Management Plan 2024” released today (February 10, 2022).

In addition, in the fiscal year ending December 2022, the initial fiscal year of the plan, the Group will focus on the main management issue of “Under a client first approach, aim for greater business growth and expansion of peripheral services,” 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) Achievement of "Medium-Term Management Plan 2024"

Based on "Medium-Term Management Plan 2024," we will work toward achieving the target of a "new record high consolidated operating profit of 10 billion yen in the final year of the plan."

An outline of "Medium-Term Management Plan 2024" is presented below.

a) Applicable period

Three years from the fiscal year ending December 2022 to the fiscal year ending December 2024

b) Numerical Targets

Consolidated operating profit of 10 billion yen in the fiscal year ending December 2024

c) Main Management Indicators(KPI)

Indicators for achieving "sustained improvement of corporate value"	: ROE of 20% or higher
Indicators related to shareholder returns	: Total return ratio of 50%
Indicators supporting "basic capital policy"	: D/E ratio upper limit 1.0

d) Summary of Business Strategy

■ Short-Term Operational Support Business

・Integrate online and real-life using DX to further improve the service level provided to both staff and clients alike resulting in business growth

■ New Businesses and M&A

・Expand businesses established under the previous Medium-Term Management Plan

・Actively invest in M&A to take our business portfolio to the next stage of growth

■ Sales Support Business

・Expand the business by strengthening sales capabilities, diversifying product offerings, and horizontal expanding the entertainment business

■ Security, Other Businesses

・Increase the number of stable permanent security projects, increase collaboration with other companies, and expand Group synergies

3) Business Targets for the Fiscal Year Ending December 2022

The Group's target for the fiscal year ending December 2022 will be "Under a client first approach, aim for greater business growth and expansion of peripheral services," under which the Group will work toward greater business growth centered on the mainstay "Short-Term Operational Support Business." In addition, the Group will work on the following measures in the fiscal year ending December 2022 in order to continuously maximize profits by streamlining Group-wide operations and boosting productivity.

a) “Continue with initiatives aimed at greater business growth and creation of added value, including investments in DX, expansion of existing business, and development of new business, etc.”

・Move the staffing order system for clients and various ledgers online, improve services by creating an app of the Cast Portal, the Group’s dedicated website for registered staff, improve convenience and satisfaction for both clients and staff using DX and other means

・Continue to open new offices (around 10 new offices annually)

・Increase acquisition of public sector projects through creation of a public sector sales team

・Expand logistics subcontracting business

b) “Grow the business by strengthening collaboration between Group companies”

・Roll out Fullcast Porter’s driver dispatching service nationwide through collaboration with Fullcast’s nationwide office network

・Roll out registration support services for foreign nationals with specified skills through collaboration between Fullcast Global, Fullcast International and Fullcast

・Increase collaboration between Group companies across various BPO services and subcontracted projects

・Further examine M&A opportunities to expanding our services or employment opportunities for staff

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)

	FY12/20 End (December 31, 2020)	FY12/21 End (December 31, 2021)
ASSETS		
Current assets		
Cash and deposits	13,309	17,410
Notes and accounts receivable - trade	5,671	7,090
Merchandise	22	19
Supplies	13	13
Other	313	303
Allowance for doubtful accounts	(24)	(20)
Total current assets	19,304	24,815
Non-current assets		
Property, plant and equipment		
Buildings and structures	615	680
Accumulated depreciation and impairment	(352)	(384)
Buildings and structures, net	264	296
Machinery, equipment and vehicles	8	5
Accumulated depreciation and impairment	(7)	(5)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	722	742
Accumulated depreciation and impairment	(536)	(592)
Tools, furniture and fixtures, net	186	150
Land	184	184
Construction in progress	1	2
Total property, plant and equipment	634	632
Intangible assets		
Software	300	312
Goodwill	774	607
Other	22	22
Total intangible assets	1,096	940
Investments and other assets		
Investment securities	1,921	2,014
Guarantee deposits	576	636
Deferred tax assets	364	394
Other	102	57
Allowance for doubtful accounts	(44)	(5)
Total investments and other assets	2,919	3,096
Total non-current assets	4,649	4,669
Total assets	23,953	29,484

(Million yen)

	FY12/20 End (December 31, 2020)	FY12/21 End (December 31, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	21	22
Short-term borrowings	1,000	1,000
Accounts payable - other	1,167	1,553
Accrued expenses	1,226	1,531
Income taxes payable	514	1,407
Accrued consumption taxes	1,204	1,742
Provision for bonuses	100	161
Allowance for subscription cancellations	60	36
Other	417	510
Total current liabilities	5,710	7,961
Non-current liabilities		
Retirement benefit liability	691	747
Asset retirement obligations	79	118
Deferred tax liabilities	21	44
Other	55	36
Total non-current liabilities	847	945
Total liabilities	6,557	8,905
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	14,721	16,369
Treasury shares	(3,099)	(1,821)
Total shareholders' equity	16,408	19,334
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	128	152
Foreign currency translation adjustment	(33)	41
Total accumulated other comprehensive income	95	193
Share acquisition rights	162	133
Non-controlling interests	730	919
Total net assets	17,396	20,579
Total liabilities and net assets	23,953	29,484

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

Consolidated Statement of Income

(Million yen)

	FY12/20 (January 1 to December 31, 2020)	FY12/21 (January 1 to December 31, 2021)
Net sales	43,226	52,366
Cost of sales	25,508	34,336
Gross profit	17,718	18,030
Selling, general and administrative expenses		
Salaries and bonuses	4,328	3,471
Other salaries	1,305	1,267
Provision for bonuses	7	19
Legal welfare expenses	888	716
Retirement benefit expenses	88	97
Communication expenses	357	340
Travel and transportation expenses	433	385
Rent expenses on land and buildings	956	796
Depreciation	254	208
Advertising expenses	641	665
Recruitment expenses	256	362
Provision of allowance for doubtful accounts	9	9
Amortization of goodwill	201	207
Other	1,865	1,896
Total selling, general and administrative expenses	11,587	10,438
Operating profit	6,131	7,592
Non-operating income		
Interest income	1	1
Dividend income	2	3
Share of profit of entities accounted for using equity method	163	26
Reversal of allowance for doubtful accounts	12	39
Revenue - advertising	2	34
Other	58	34
Total non-operating income	238	137
Non-operating expenses		
Interest expenses	7	7
Settlement package	37	46
Commission for purchase of treasury shares	25	2
Business commencement expenses	56	-
Compensation expenses	-	18
Other	64	33
Total non-operating expenses	188	105
Ordinary profit	6,180	7,624

(Million yen)

	FY12/20 (January 1 to December 31, 2020)	FY12/21 (January 1 to December 31, 2021)
Extraordinary income		
Gain on sale of investment securities	250	20
Subsidy income	22	22
Other	-	2
Total extraordinary income	272	45
Extraordinary losses		
Loss on retirement of non-current assets	17	22
Loss on COVID-19	62	37
Other	13	3
Total extraordinary losses	93	62
Profit before income taxes	6,360	7,606
Income taxes - current	1,949	2,493
Income taxes - deferred	(6)	(21)
Total income taxes	1,943	2,472
Profit	4,417	5,134
Profit attributable to non-controlling interests	305	123
Profit attributable to owners of parent	4,113	5,012

Consolidated Statement of Comprehensive Income

(Million yen)

	FY12/20 (January 1 to December 31, 2020)	FY12/21 (January 1 to December 31, 2021)
Profit	4,417	5,134
Other comprehensive income		
Valuation difference on available-for-sale securities	(540)	26
Foreign currency translation adjustment	(33)	75
Total other comprehensive income	(573)	101
Comprehensive income	3,844	5,235
(Comprehensive income attributable to)		
Owners of parent	3,559	5,109
Non-controlling interests	285	126

(3) Consolidated Statements of Changes in Equity

Previous 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 beginning of period	2,780	2,006	12,119	(2,107)	14,798
Changes 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 during period	-	-	2,602	(992)	1,610
Balance at end of 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 beginning of period	649	-	649	119	646	16,213
Changes 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 during period	(520)	(33)	(554)	43	84	1,184
Balance at end of period	128	(33)	95	162	730	17,396

Current consolidated fiscal year (January 1 to December 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,780	2,006	14,721	(3,099)	16,408
Changes during period					
Dividends of surplus			(1,573)		(1,573)
Profit attributable to owners of parent			5,012		5,012
Purchase of treasury shares				(552)	(552)
Disposal of treasury shares			(49)	87	38
Cancellation of treasury shares			(1,742)	1,742	-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,648	1,277	2,925
Balance at end of period	2,780	2,006	16,369	(1,821)	19,334

	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 beginning of period	128	(33)	95	162	730	17,396
Changes during period						
Dividends of surplus						(1,573)
Profit attributable to owners of parent						5,012
Purchase of treasury shares						(552)
Disposal of treasury shares						38
Cancellation of treasury shares						–
Net changes in items other than shareholders' equity	23	75	98	(29)	189	257
Total changes during period	23	75	98	(29)	189	3,182
Balance at end of period	152	41	193	133	919	20,579

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY12/20 (January 1 to December 31, 2020)	FY12/21 (January 1 to December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	6,360	7,606
Depreciation	268	219
Amortization of goodwill	201	207
Increase (decrease) in allowance for doubtful accounts	2	(43)
Increase (decrease) in provision for bonuses	21	37
Increase (decrease) in allowance for subscription cancellations	12	(24)
Interest and dividend income	(3)	(3)
Interest expenses	7	7
Share of loss (profit) of entities accounted for using equity method	(163)	(26)
Loss on retirement of non-current assets	17	22
Loss (gain) on sale of investment securities	(250)	(20)
Loss (gain) on valuation of investment securities	10	0
Loss on COVID-19	62	37
Decrease (increase) in trade receivables	93	(1,414)
Decrease (increase) in inventories	23	3
Decrease (increase) in accounts receivable - other	(5)	85
Increase (decrease) in trade payables	(117)	341
Increase (decrease) in accrued expenses	(7)	301
Increase (decrease) in accrued consumption taxes	1	519
Increase (decrease) in accrued enterprise taxes	(86)	38
Increase (decrease) in retirement benefit liability	62	56
Other, net	80	49
Subtotal	6,587	7,996
Interest and dividends received	32	45
Interest paid	(7)	(7)
Payment of loss on COVID-19	(54)	(34)
Income taxes paid	(2,580)	(1,639)
Income taxes refund	1	7
Net cash provided by (used in) operating activities	3,979	6,368
Cash flows from investing activities		
Purchase of property, plant and equipment	(150)	(52)
Purchase of intangible assets	(129)	(127)
Proceeds from sale of investment securities	416	20
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(18)	-
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(233)	-
Proceeds from collection of loans receivable	18	45
Proceeds from cancellation of insurance funds	17	-
Other, net	(9)	14
Net cash provided by (used in) investing activities	(89)	(99)

(Million yen)

	FY12/20 (January 1 to December 31, 2020)	FY12/21 (January 1 to December 31, 2021)
Cash flows from financing activities		
Repayments of short-term borrowings	-	(80)
Purchase of treasury shares	(995)	(554)
Dividends paid	(1,476)	(1,571)
Other, net	(2)	37
Net cash provided by (used in) financing activities	(2,472)	(2,168)
Net increase (decrease) in cash and cash equivalents	1,418	4,101
Cash and cash equivalents at beginning of period	11,811	13,309
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	80	-
Cash and cash equivalents at end of period	13,309	17,410

(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.

(Notes on Significant Change of Shareholders’ Equity)

(Cancellation of treasury shares)

The Company cancelled 1,000,000 treasury shares on February 16, 2021 based on the resolution passed at the meeting of the Board of Directors held on February 12, 2021. As a result, for the fiscal year ended December 31, 2021, retained earnings and treasury shares each declined by 1,742 million yen, and as of the end of the fiscal year ended December 31, 2021, retained earnings totaled 16,369 million yen and treasury shares, 1,821 million yen.

(Segment Information and Others)

[Segment information]

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

1. Description of reportable 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. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reportable 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. Disclosure of sales, profit (loss), asset, liability, and other items for each reportable 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 segments.

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.

Current consolidated fiscal year (January 1 to December 31, 2021)

1. Description of reportable 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. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reportable 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. Disclosure of sales, profit (loss), asset, liability, and other items for each reportable 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	46,550	3,520	2,296	52,366	-	52,366
Inter-segment sales or transfers	45	12	7	65	(65)	-
Total	46,595	3,533	2,303	52,431	(65)	52,366
Segment profit	8,181	87	319	8,587	(995)	7,592
Segment assets	14,015	2,678	910	17,603	11,881	29,484
Other						
Depreciation	187	11	5	203	16	219
Amortization of goodwill	97	109	-	207	-	207
Increase of property, plant and equipment and intangible assets	77	4	1	82	97	179

Notes:
1. (34) million yen in inter-segment eliminations and (960) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (995) million yen segment profit adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segments.
2. Segment profit has been adjusted with the operating profit shown in the consolidated statement of income.
3. The amount of 11,881 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 16 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 97 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, 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.

Current consolidated fiscal year (January 1 to December 31, 2021)

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, 2020)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2021)

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, 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 period	665	109	-	774	-	774

Current consolidated fiscal year (January 1 to December 31, 2021)

(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	97	109	-	207	-	207
Balance at end of period	607	-	-	607	-	607

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

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

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2021)

There are no relevant matters.

(Per-share information)

FY12/20 (January 1 to December 31, 2020)		FY12/21 (January 1 to December 31, 2021)	
Net assets per share	449.58 yen	Net assets per share	535.40 yen
Basic earnings per share	111.69 yen	Basic earnings per share	137.34 yen
Diluted earnings per share	111.04 yen	Diluted earnings per share	136.70 yen

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

Item	FY12/20 (January 1 to December 31, 2020)	FY12/21 (January 1 to December 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	4,113	5,012
Profit attributable to owners of parent related to ordinary shares (million yen)	4,113	5,012
Profit not available to ordinary shares (million yen)	-	-
Average number of ordinary shares outstanding during the period (shares)	36,821,528	36,491,354
Diluted earnings per share		
Adjusted profit attributable to owners of parent (million yen)	-	-
Increase of ordinary shares (shares)	213,535	169,622
(of these, share acquisition rights [shares])	(213,535)	(169,622)
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 10, 2022 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:	533,900 shares (max.)
(4) Total value of repurchases:	903 million yen (max.)
(5) Acquisition period:	February 14 to March 24, 2022
(6) Acquisition method:	Purchase on the open market of the Tokyo Stock Exchange

(Revisions to Remuneration-Type Stock Options (Stock Acquisition Rights))

Fullcast Holdings Co., Ltd. passed a resolution at the Board of Directors meeting convened on February 10, 2022 to propose to the 29th Ordinary General Meeting of Shareholders scheduled to take place on March 25, 2022 the agenda item concerning revisions to share acquisition rights as remuneration-type stock options awarded to Directors (excluding Directors who are Audit and Supervisory Committee Members).

1. Reason for proposal of agenda item

The remuneration amount of share-based remuneration-type stock options granted to Directors (excluding Directors who are Audit and Supervisory Committee Members) was approved at the Company’s 24th Ordinary General Meeting of Shareholders held on March 24, 2017 to be the exercise of share acquisition rights as share-based remuneration-type stock options granted to the Company’s Directors (excluding Directors who are Audit and Supervisory Committee Members) up to a maximum value of 200 million yen (excluding the portion of salaries paid to directors who also serve as an employee) per year, which is the remuneration amount of Directors, per Proposal 3 “Amount of Compensation and Details concerning Share Remuneration-Type Stock Options to be Granted to Directors (excluding Directors who are Audit and Supervisory Committee Members).”

In this proposal, the Company requests the approval of revisions as follows to the specific details of share acquisition rights as share-based remuneration-type stock options within the limit of the aforementioned remuneration amount.

Specifically, changes have been made to “Total number of share acquisition rights” from the details approved at the Company’s 24th Ordinary General Meeting of Shareholders held on March 24, 2017.

In addition, instead of paying the amount based on fair value at the time of the allotment, the Company shall be paid by a method of offsetting share acquisition rights as share-based remuneration-type stock options with remuneration receivables of Directors based on remuneration related to share acquisition rights as share-based remuneration-type stock options.

2. Reasons for the allotment of remuneration-type stock options

Stock options are adopted to further strengthen the link between the Company's performance and share price among the Company’s Directors (excluding Directors who are Audit and Supervisory Committee Members), and to further enhance their motivation to bring about continuous improvement in Fullcast’s earnings performance and corporate value over the medium to long term by sharing both the merits and risks of rises and falls in share prices with all of its shareholders.

3. Details of remuneration-type stock options

(1) Type and number of shares available under share acquisition rights

The maximum number of shares available under share acquisition rights issued on a date within 1 year of the date of the general meeting of shareholders related to each business year shall be 26,400 of the Company's ordinary shares. However, in cases where adjustments to the number of shares granted are made as prescribed below, the number shall be adjusted by multiplying the number of shares granted after adjustment by the total number of share acquisition rights.

The type of shares for the share acquisition rights shall be ordinary shares and the number of shares per one share acquisition right (hereinafter, "number of shares granted") shall be 100 ordinary shares. The number of shares granted shall be adjusted according to the following formula when the Company executes a stock split (including the gratis allotment of the Company's ordinary shares; hereinafter the same shall apply) or reverse stock splits on a date after the resolution for this proposal. However, such adjustments shall be made for the number of granted shares not exercised at that time, and fractional quantities of less than one share resulting from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of stock split or reverse stock splits

In addition to the above, when an adjustment of the number of shares granted is required, the number of granted shares shall be adjusted within a reasonable scope.

(2) Total number of stock acquisition rights

The maximum number of share acquisition rights that will be issued within 1 year from the date of the general meeting of shareholders for each business year shall be 264.

(3) Payment amount of stock acquisition rights

The payment amount of each acquisition right shall be the amount prescribed by the Company's Board of Directors using the fair value of the share acquisition rights calculated when allotting the share acquisition rights.

(4) Amount of assets required for exercise of share acquisition rights

The amount of assets required for exercise of each share acquisition right shall be the amount realized by multiplying the number of shares granted by the payment amount of 1 yen per share that can be exchanged for shares with the exercise of the acquisition rights.

(5) Period for exercise of share acquisition rights

The period for exercising share acquisition rights shall be prescribed by the Company's Board of Directors, which will determine subscription matters for the share acquisition rights, and shall be within 50 years from the date 3 years from the day after the allotment date of the share acquisition rights.

(6) Conditions for the exercise of share acquisition rights

i. Persons who received the allotment of share acquisition rights (hereinafter, "holder of the share acquisition rights") are, in principle required to be a Director of the Company at the time of exercising these rights. Provided, however, that this shall not apply in case of retirement due to end of term of office or if the Board of Directors of the Company resolves that there are other justifiable reasons.
ii. Share acquisition rights may be exercised only for the number of share acquisition rights allotted that can be determined according to the degree of achievement of the operating income target for the final year of the medium-term management plan.
iii. If the holder of the share acquisition rights dies, the inheritor of his/her estate may succeed the share acquisition rights.
iv. Partial exercising of one unit of share acquisition rights shall not be permitted.
v. Other conditions for the exercise of these rights shall be stipulated by the Company's Board of Directors, which

determines the subscription matters for share acquisition rights.

(7) Details for acquisition of share acquisition rights

If the following agenda items i., ii., iii., iv., or v. are approved at the general meeting of shareholders of the Company (if resolution of the meeting of shareholders is not required, or when approved by resolution of the Company's Board of Directors), the Company can acquire the share acquisition rights for gratis on the date separately prescribed by the Board of Directors.

i. Agenda items on approval of merger agreements in which the Company is not the surviving company
ii. Agenda items on approval of a company spin-off agreement or plan based on which the Company will become a spin-off company
iii. Agenda items on approval of a stock swap agreement or a stock transfer plan based upon which the Company will become a wholly-owned subsidiary
iv. Agenda items, as details of all shares issued by the Company, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares by assignment
v. Agenda items, as details of the type of shares for the share acquisition rights, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares of the said type by assignment and the acquisition of all the said type of shares by resolution of the general meeting of shareholders of the Company with regard to the shares

(8) Details of restrictions on the acquisition of share acquisition rights by assignment

The acquisition of share acquisition rights by assignment requires approval of the Company's Board of Directors.

(9) Other details of the share acquisition rights

Details of the matters described in (1) through (8) above and other matters shall be prescribed by the Company's Board of Directors, which will determine subscription matters for the share acquisition rights.

4. Reasons for granting of share acquisition rights

For the purpose of the Company to issue share acquisition rights, refer to “2. Reasons for the allotment of remuneration-type stock options” above.

The Company stipulated a policy for determination of details of individual remuneration of Directors at the meeting of the Board of Directors held on February 26, 2021. The granting of the share acquisition rights pursuant to this proposal follows this policy and the Company does not intend to change this policy even if this proposal is approved. The Company judges that the granting of share acquisition rights is appropriate because the amount of remuneration related to the share acquisition rights is calculated and determined comprehensively taking into consideration various matters such as the degree of contribution of Directors to the Company, the details of this proposal are determined by the Board of Directors based on a report deeming these rights to be appropriate by the Remuneration Committee, a majority of whose members are independent outside directors, the amount paid when exercising the share acquisition rights is the amount stipulated by the Board of Directors using the fair value of share acquisition rights calculated upon allotment of the share acquisition rights as criteria, and the ratio of the total number of issued shares issued by the exercise of the share acquisition rights is 0.07%, indicating the dilution rate is minimal.

(Granting of Stock Options (Share Acquisition Rights))

Fullcast Holdings Co., Ltd. passed a resolution at the meeting of the Board of Directors held on February 10, 2022 to discuss at the general meeting of shareholders for the 29th term scheduled to take place on March 25, 2022 the proposal requiring approval for the delegation to the Company's Board of Directions of approval of subscription matters and the gratis issuance of share acquisition rights as stock options pursuant to “Article 236, Article 238, and Article 239 of the Companies Act.”

1. Reason for issuance of share acquisition rights under particularly favorable conditions

Share acquisition rights will be issued on particularly favorable conditions in order to bolster employees’ motivation and morale toward better performance and further implement management that aims to enhance corporate value. Share acquisition rights will be issued to the employees of the Company and Company’s subsidiaries according to the outline below.

2. Outline of issuance of share acquisition rights

(1) Persons receiving allotment of share acquisition rights

Employees of the Company and Company’s subsidiaries

(2) Type and number of shares available under share acquisition rights

The maximum number of shares available shall be 51,100 shares of the Company’s ordinary shares. However, in cases where adjustments to the number of shares granted are made as prescribed below, the number shall be adjusted by multiplying the number of shares granted after adjustment by the total number of share acquisition rights.

The type of shares for the share acquisition rights shall be ordinary shares and the number of shares per one share acquisition right (hereinafter, number of shares granted) shall be 100 ordinary shares. The number of shares granted shall be adjusted according to the following formula when the Company executes a stock split (including the gratis allotment of the Company’s ordinary shares; hereinafter the same shall apply) or reverse stock splits after the allotment date of the share acquisition rights (hereinafter, “allotment date”). However, such adjustments shall be made for the number of granted shares not exercised at that time, and quantities of less than one share resulting from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of stock split or reverse stock splits

The number of shares granted after adjustment shall apply on and after the day after the Record Date of stock splits when the Company executes a stock split and on and after the effective when the Company executes reverse stock splits. However, when a stock split is executed under the condition that the proposal to increase paid-in capital or reserves due to a decline in surplus is approved at the general meeting of shareholders of the Company, and when a date prior to the end of this meeting of shareholders is set as the Record Date for the stock split, the number of shares granted after adjustment shall apply retroactively to the day after the Record Date, which is on the day after the end of this meeting of shareholders.

In addition to the above, when an adjustment of the number of shares granted is required, the number of granted shares shall be adjusted within a reasonable scope.

(3) Total number of share acquisition rights

The maximum number of share acquisition rights shall be 511.

(4) Payment amount in 2xchange for share acquisition rights

The payment of cash is not required for share acquisition rights for which subscription matters can be determined based on delegation of the general meeting of shareholders of the Company.

(5) Amount of assets required for exercise of share acquisition rights

The amount of assets required for exercise of each share acquisition right shall be the amount realized by multiplying the number of shares granted by the payment amount of 1 yen per share that can be exchanged for shares with the exercise of the share acquisition rights.

(6) Period for exercise of share acquisition rights

The period for exercising share acquisition rights shall be from April 12, 2025 to April 11, 2075.

(7) Conditions for the exercise of share acquisition rights

i. Persons who received the allotment of share acquisition rights (hereinafter, "holder of the share acquisition rights") must, in principle, hold a position as employee of the Company or the Company's subsidiary at the time of exercising these rights. Provided, however, that this shall not apply in case of mandatory retirement, retirement due to company reasons, or if the Board of Directors of the Company resolves that there are other justifiable reasons.
ii. Share acquisition rights may be exercised only for the number of share acquisition rights allotted that can be determined according to the degree of achievement of the operating income target for the fiscal year ending December 31, 2024, the final year of the medium-term management plan.
iii. If the holder of the share acquisition rights dies, the inheritor of his/her estate may succeed the share acquisition rights.
iv. Partial exercising of one unit of share acquisition rights shall not be permitted.

(8) Matters relating to increments of capital reserve and additional paid-in capital that would increase share issuance by the exercise of share acquisition rights

i. The amount of additional paid-in capital resulting from the issuance of shares due to the exercise of share acquisition rights shall be half of the maximum of an increase in paid-in capital calculated in accordance with "Article 17(1) of Corporate Accounting Rules", and any fractions of less than one yen resulting from such calculation shall be rounded up.
ii. The amount of additional capital reserve resulting from the issuance of shares due to the exercise of share acquisition rights shall be the amount resulting from the amount of the increase in paid-in capital prescribed in i. above subtracted from the maximum of an increase in paid-in capital described in i. above.

(9) Restrictions on the acquisition of share acquisition rights by assignment

The acquisition of share acquisition rights by assignment requires approval of the Company's Board of Directors.

(10) Details for acquisition of share acquisition rights

If the following agenda items i., ii., iii., iv., or v. are approved at the general meeting of shareholders of the Company (if resolution of the meeting of shareholders is not required, or when approved by resolution of the Company's Board of Directors), the Company can acquire the share acquisition rights for gratis on the date separately prescribed by the Board of Directors.

i. Agenda items on approval of merger agreements in which the Company is not the surviving company
ii. Agenda items on approval of a company spin-off agreement or plan based on which the Company will become a spin-off company
iii. Agenda items on approval of a stock swap agreement or a stock transfer plan based upon which the Company will become a wholly-owned subsidiary or a stock transfer plan
iv. Agenda items, as details of all shares issued by the Company, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares by assignment
v. Agenda items, as details of the type of shares for the share acquisition rights, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares of the said type by assignment and the acquisition of all the said type of

shares by resolution of the general meeting of shareholders of the Company with regard to the shares

(11) Handling of share acquisition rights upon organization restructurings

When undertaking a merger (limited to instances where the company is the non- surviving company in the merger), absorption-type demergers and incorporation-type demergers (limited to instances where the Company will become a spin-off company of each of them), or stock swaps or stock transfers (limited to instances where the Company will become a wholly-owned subsidiary of each of them) (hereinafter, “organizational restructuring act” shall be used to collectively refer to these terms), the Company shall issue share acquisition rights of corporations cited in (a) to (e) of Item 8, Paragraph I, Article 236 of the Companies Act to share acquisition rights holders who own the remaining share acquisition rights (hereinafter, “residual share acquisition rights”) recently prior to the effective date of the organizational restructuring act (the date the absorption-type merger takes effect for absorption-type mergers, the date the new incorporated company is established in the case of incorporation-type mergers, the date the absorption-type demerger takes effect for absorption-type demergers, the date the new incorporated company is established in the case of incorporation-type demergers, the date the share exchange takes effect for share exchanges, and the date of the establishment of the complete parent company after share transfer for share transfers; hereinafter the same shall apply). In such cases, the residual share acquisition rights will be cancelled and the Company Subject to Restructuring shall newly issue share acquisition rights. The issuance of share acquisition rights of the Restructuring Company must be prescribed following each of the following items in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, share exchange agreement or share transfer plan.

i. Number of share acquisition rights issued by restructuring company

The number of share acquisition rights held by share acquisition rights holders and the same number will each be issued, respectively.

ii. Type of shares of restructuring company required for share acquisition rights

The ordinary stock (common stock) of the Restructuring Company.

iii. Number of shares of restructuring company required for share acquisition rights

Determined following (2) above based on the conditions of the organizational restructuring actions.

iv. Amount of assets required for exercise of share acquisition rights

The amount of assets required for exercise of each share acquisition right to be issued shall be the amount realized by multiplying the exercise price after restructuring prescribed below by the number of shares of the Restructuring Company with the purpose of the said share acquisition rights approved in accordance with iii. above. The exercise price after restructuring shall be 1 yen per share of the Restructuring Company that can be received by exercise of each share acquisition right to be issued.

v. Period for exercise of share acquisition rights

The period for exercise of the share acquisition rights shall be from the start date of the period for which the share acquisition rights prescribed in (6) above can be exercised or the effective date of the organizational restructuring action, whichever is later, to the final date of the period for which the share acquisition rights prescribed in (6) above can be exercised.

vi. Matters relating to increments of capital reserve and additional paid-in capital that would increase stock issuance by the exercise of share acquisition rights

Determined following (8) above.

vii. Restrictions on the acquisition of share acquisition rights by assignment

The acquisition of share acquisition rights by assignment requires approval of the Board of Directors of the Restructuring Company.

viii. Reason and conditions for acquisition of share acquisition rights

Determined following (10) above.

(12) Handling of fractional number of shares for issuance from the issuance of share acquisition rights

Fractional quantities of less than one share resulting from the exercise of share acquisition rights shall be rounded down.

(Note) The above matters are conditional pursuant to approval of Agenda Item “Issuance of Share Acquisition Rights as Stock Options” at the general meeting of shareholders for the 29th term scheduled to take place on March 25, 2022.