Securities Report
for the Fiscal Year
Ended December 31, 2016

(The English Translation of the "Yukashoken-Houkokusho"
for the Fiscal Year Ended December 31, 2016)

Fullcast Holdings Co., Ltd.

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[Cover]

[Form Submitted]	Securities Report
[Legal Basis]	Paragraph 1 of Article 24 of the Financial Instruments and Exchange Act
[Submitted To]	Director of the Kanto Local Finance Bureau
[Date Submitted]	March 27, 2017
[Fiscal Year]	24th (January 1, 2016 to December 31, 2016)
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Section 1　Corporate Information

Part 1: Corporate overview

1. Trends in key performance indicators

(1) Consolidated performance indicators

Item		Term 20	Term 21	Term 22	Term 23	Term 24
Date of settlement		Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016
Net sales	(million yen)	36,896	17,462	20,175	22,618	25,340
Ordinary income	(million yen)	1,772	578	1,647	2,168	3,001
Net income attributable to Fullcast Holdings Co., Ltd.	(million yen)	1,427	480	1,336	1,765	2,529
Comprehensive income	(million yen)	1,471	482	1,333	1,776	2,537
Net assets	(million yen)	5,402	5,884	6,678	7,530	9,272
Total assets	(million yen)	8,236	8,605	10,551	11,622	13,272
Net asset per share	(yen)	140.37	152.88	173.51	195.65	239.98
Net income per share	(yen)	37.08	12.48	34.70	45.85	65.92
Diluted net income per share	(yen)	—	—	—	—	—
Equity ratio	(%)	65.6	68.4	63.3	64.8	69.3
Return on equity	(%)	30.6	8.5	21.3	24.8	30.2
Price-earnings ratio	(multiples)	3.8	21.3	13.9	16.3	14.6
Net cash provided by (used in) operating activities	(million yen)	2,475	509	2,209	1,339	2,160
Net cash provided by (used in) investing activities	(million yen)	(189)	101	(154)	(296)	(735)
Net cash provided by (used in) financing activities	(million yen)	(1,461)	—	(535)	(921)	(868)
Cash and cash equivalents at the end of period	(million yen)	4,152	4,763	6,284	6,406	6,963
Number of employees (Others, average number of temporary workers)		489 (289)	452 (356)	446 (460)	474 (552)	504 (642)

Notes: 1. Net sales do not include consumption tax.

2. Diluted net income per share is not listed because there were no latent shares.

3. According to a resolution of the 19th Annual General Meeting of Shareholders held on December 22, 2011, our Company changed its fiscal year end from September 30 to December 31. As a result, Term 20 was an irregular accounting period of 15 months from October 1, 2011 to December 31, 2012.

4. The Company split common shares at a ratio of 100 to one share on July 1, 2013. For the purpose of calculating net asset and income per share, it is assumed that the stock split was done at the beginning of the Term 20.

5. "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013), others are applied from this consolidated fiscal year, and the "net income" is expressed as “net income attributable to Fullcast Holdings Co., Ltd.”

(2) Performance indicators for submitting companies

Term		Term 20	Term 21	Term 22	Term 23	Term 24
Date of settlement		Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016
Operating revenue	(million yen)	2,849	3,253	2,281	3,486	4,264
Ordinary income	(million yen)	1,201	1,375	410	1,593	2,320
Net income	(million yen)	1,192	1,350	489	1,831	2,567
Capital stock	(million yen)	2,780	2,780	2,780	2,780	2,780
Shares issued	(shares)	395,964	38,486,400	38,486,400	38,486,400	38,486,400
Net assets	(million yen)	2,549	3,900	3,849	4,757	6,460
Total assets	(million yen)	3,936	5,124	5,675	6,589	8,353
Net asset per share	(yen)	66.22	101.33	100.01	123.60	168.49
Dividend per share (Interim dividend per share)	(yen) (yen)	— (—)	14.00 (—)	16.00 (—)	18.00 (8.00)	21.00 (10.00)
Net income per share	(yen)	30.98	35.09	12.70	47.57	66.92
Diluted net income per share	(yen)	—	—	—	—	—
Equity ratio	(%)	64.8	76.1	67.8	72.2	77.3
Return on equity	(%)	61.1	41.9	12.6	42.5	45.8
Price-earnings ratio	(multiples)	4.6	7.6	38.1	15.7	14.4
Payout ratio	(%)	—	39.9	126.0	37.8	31.4
Number of employees(Other, average number of temporary workers)		104 (13)	111 (65)	100 (96)	86 (122)	94 (157)

Notes: 1. Operating income does not include consumption tax.

2. Diluted net income per share is not listed because there were no latent shares.

3. According to a resolution of the 19th Annual General Meeting of Shareholders held on December 22, 2011, our Company changed its fiscal year end from September 30 to December 31. As a result, Term 20 was an irregular accounting period of 15 months from October 1, 2011 to December 31, 2012.

4. The Company split common shares at a ratio of 100 to one share on July 1, 2013. For the purpose of calculating net asset and income per share, it is assumed that the stock split was done at the beginning of the Term 20.

2. Corporate history

Sept 1990	Established Resort World Co., Ltd. in Minato-ku, Tokyo
Sept 1992	Changed our corporate name to Fullcast Co., Ltd. (Currently Fullcast Holdings Co., Ltd.)
Oct 1992	Began short-term business contracting
Oct 1994	Moved our head office to Shibuya-ku, Tokyo
Jan 1995	Signed a franchise contract with Fullcast Osaka Co., Ltd., (Note) located in Chuo-ku, Osaka
Sept 1995	Established Seiwa Service Co., Ltd. (Note) in Shinjuku-ku, Tokyo
Jan 1996	Established Entry Co., Ltd. (Note) in Kodaira-shi, Tokyo
Oct 1997	Established Fullcast Lady Co., Ltd. (Note) (reorganized into a joint-stock company in Oct 1999)
May 1998	Changed the name of Kanagawa School Entrance Research Association Co., Ltd. to Fullcast With Co., Ltd.
Oct 1998	Fullcast With Co., Ltd. approved to conduct general worker dispatching
Jan 1999	Newly established a factory business section, and began factory-line contracting business Fullcast Lady Co., Ltd. (Note) approved to conduct general worker dispatching
Apr 1999	Fullcast With Co., Ltd. approved to engage in employment placement business
June 1999	Merged with Fullcast Osaka Co., Ltd. (Note), Entry Co., Ltd. (Note), Dual Support Co., Ltd. (Note)
Nov 1999	Established Fullcast System Consulting Co., Ltd. (Note)
Mar 2000	Established Fullcast HR Consulting Co., Ltd. (Note) and commenced business after acquiring Fullcast With Co., Ltd.'s personnel consulting department in April of the same year.
Sept 2000	Established Fullcast Factory Co., Ltd., and commenced business after acquiring the Factory department in October of the same year
June 2001	Listed shares on an Over-The-Counter Market (Currently Tokyo Stock Exchange JASDAQ, Standard)
Apr 2002	Established Fullcast Central Co., Ltd. by merging with Central Motor Co., Ltd. and Daisho Industry Co., Ltd. and began our factory-line contracting business that catered specifically to the automobile industry
Oct 2002	Fullcast With Co., Ltd. and Fullcast System Consulting Co., Ltd. merged, and their name was changed to Fullcast Technology Co., Ltd. Assumed part of Fullcast Lady Co., Ltd.'s business through an absorption-type split, Fullcast Lady Co., Ltd. specializing in office-type short-term business contracting and dispatching, and changed its name to Fullcast Office Support Co., Ltd. (Note)
Jan 2003	Fullcast Office Support Co., Ltd. (Note) approved to engage in employment placement business. Fullcast HR Consulting Co., Ltd. merged with Fullcast Office Support Co., Ltd. (Note)
Sept 2003	Listed shares on the Second Section of the Tokyo Stock Exchange
June 2004	Acquired 100% ownership of Apayours Co., Ltd. through stock swap
July 2004	Fullcast Technology Co., Ltd. approved to conduct general worker dispatching
Sept 2004	Moved to the First Section of the Tokyo Stock Exchange
Oct 2004	Established Fullcast Finance Co., Ltd.
Nov 2004	Approved to conduct general worker dispatching
Mar 2005	Acquired 100% ownership of Human Resources Research Institute Inc. (Note) through transfer of shares Acquired naming rights for Tohoku Rakuten Golden Eagles' home stadium, "Fullcast Stadium Miyagi" (in October 2007 we dissolved our contract, and declined use of the name)
June 2005	Established an American Depositary Receipt (ADR) Program

Oct 2005	Fullcast Office Support Co., Ltd. merged with Human Resources Research Institute Inc., and changed their name to Fullcast HR Institute Co., Ltd. (Note) Asia Pacific System Research Co., Ltd. became a subsidiary through a third party placement of stock and stock acquisition Fullcast Technology Co., Ltd. listed shares on an over-the-counter market (Currently Tokyo Stock Exchange JASDAQ, Standard)
May 2006	Acquired 100% ownership of Nihon Security Guard Co., Ltd. (Currently Fullcast Advance Co., Ltd. now a consolidated subsidiary) through transfer of shares
June 2006	Acquired 100% ownership of Exe Outsourcing Co., Ltd. (Currently F-PLAIN Corporation, now an equity method affiliate) through transfer of shares
May 2007	Acquired 100% ownership of Info-P Co., Ltd. through stock swaps
June 2007	Acquired 100% ownership of Net It Works, Inc. through transfer of shares
July 2007	Transferred all shares held in Apayours Co., Ltd. to its founder
Oct 2008	Transitioned to a pure holding company system through new division of corporate functions, and changed our corporate name Fullcast Holdings Co., Ltd., all business relating to sales performed by Fullcast HR Institute Co., Ltd. (Note)
Nov 2008	All shares held in Asia Pacific System Research Co., Ltd. transferred to Canon Electronics Inc. in a takeover bid
Mar 2009	Transferred all shares held in Info-P Co., Ltd.
May 2009	Transferred all shares held in Fullcast Finance Co., Ltd.
June 2009	Transferred all shares held in Fullcast Factory Co., Ltd. and Fullcast Central Co., Ltd.
Aug 2009	Transferred all shares held in Net It Works, Inc.
June 2010	Integrated head office functions of the Company and all Group companies (excluding Fullcast Technology Co., Ltd., East Communication Inc., currently F-PLAIN Corporation, now an equity method affiliate) and EKO-SYSTEM Inc. (Currently F-PLAIN Corporation, now an equity method affiliate)
May 2011	Fullcast Marketing Co., Ltd. (Currently F-PLAIN Corporation, now an equity method affiliate) was changed to an equity method affiliate due to a partial transfer of stock and allocation of its new stock to a third party. A takeover bid for Fullcast Technology Co., Ltd. was offered by Yumeshin Holdings Co., Ltd. and all owned shares were transferred.
Apr 2012	Acquired 100% ownership of OtetsudaiNetworks, Inc., (currently our consolidated subsidiary), through transfer of shares.
Oct 2012	With the implementation of the Revised Worker Dispatching Act, Fullcast Co., Ltd. and Top Spot Co., Ltd. started services—“part-time employment placement” and “part-time worker payroll management services.”
Jan 2016	Lanched “My Number Management” service
Feb 2016	Established Work & Smile Co., Ltd., with operations started in July 2016
Mar 2016	Acquired shares of Beat Co., Ltd. and converted it into an equity method affiliate
Aug 2016	Acquired shares of Dimension Pocket Co., Ltd., making it a consolidated subsidiary
Oct 2016	Lanched "Year-end tax adjustment management” service
Nov 2016	Established Fullcast Senior Works Co., Ltd.

(Note) Currently Fullcast Co., Ltd. (now a consolidated subsidiary)

3. Description of business

Our Group is expanding its “short-term operational support business” (provision of timely short-term personnel services in response to changes in the amount of work at corporate customers) and the “security, other businesses” (provision of security services, etc. mainly for public facilities and corporations). Shares of Dimension Pockets Co., Ltd. were acquired in the current fiscal year, resulting in the company being newly included in the scope of consolidation. As a result, the name of the existing “security business” segment was changed to “security, other businesses” segment.

The following business segments are identical to the segments contained in segment information by type of business, listed in “Part 5: Financial Conditions, 1 (1) Consolidated Financial Statements, Notes.”

Short-term operational support business (short-term personnel service, human resourse services for event operation, My Number management service)

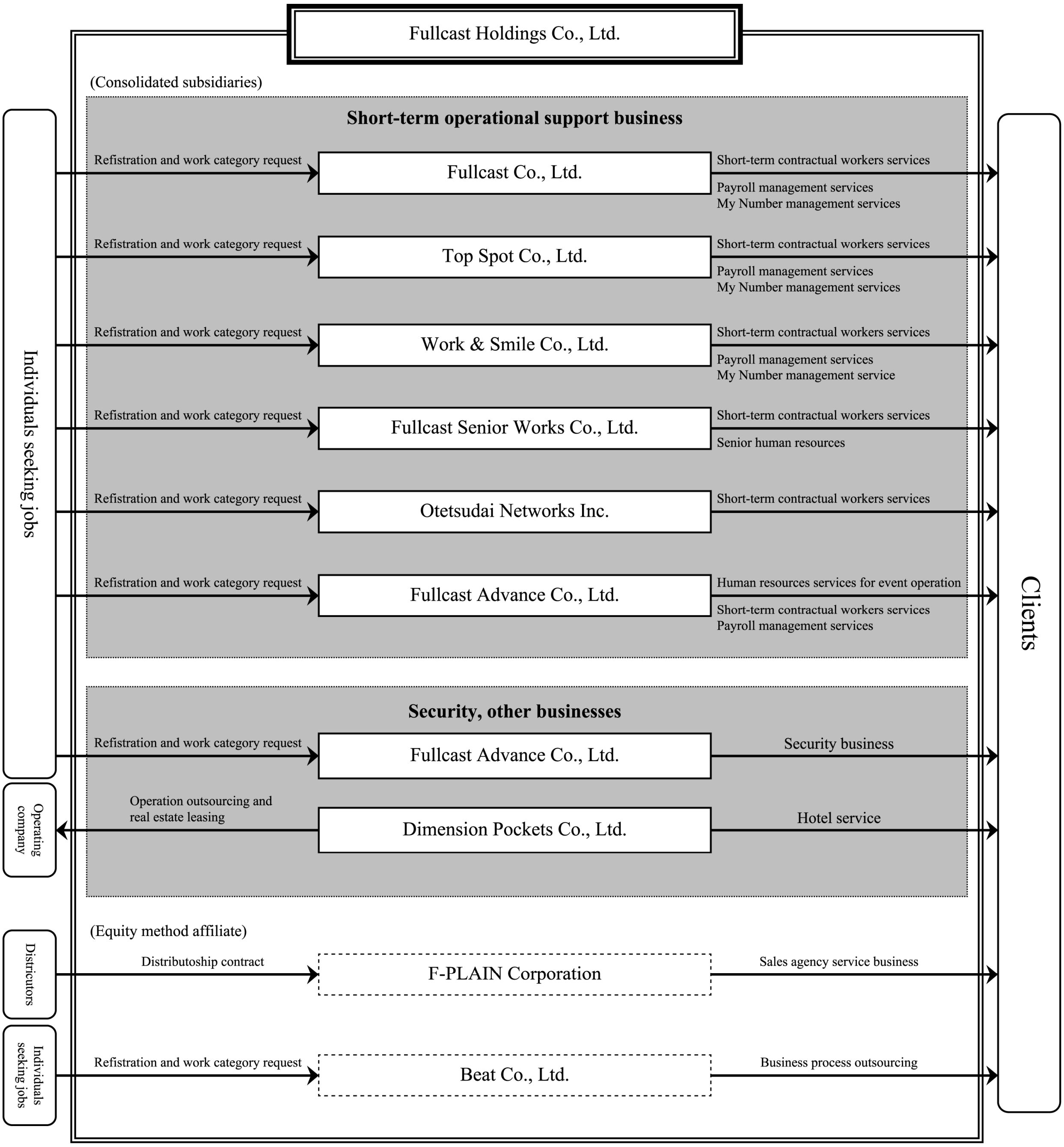
[Main companies]	Fullcast Co., Ltd.
	Top Spot Co., Ltd.
	Work & Smile Co., Ltd.
	Fullcast Senior Works Co., Ltd.
	OtetsudaiNetworks, Inc.
	Fullcast Advance Co., Ltd.

Security, other businesses (security business, others)

[Main companies]	Fullcast Advance Co., Ltd.
	Dimension Pockets Co., Ltd.

Please note that Fullcast Holdings Co., Ltd. is a specified listed company falling under the category of a specified listed company, de minimus standards for material facts concerning insider trading regulations will be judged based on consolidated data.

A diagram of our business activities is shown below:



Note 1: The above diagram is current as of December 31, 2016.
Note 2: [legend: double-bordered box] is Fullcast Holdings Co., Ltd., [legend: solid box] is a consolidated subsolidaty, [legend: dashed box] is a equity method affiliate.
Note 3: On February 2, 2016, the Company established Work & Smile Co., Ltd. to engage in the short-term operational support business and made it a consolidated subsidiary.
Note 4: On November 1, 2016, the Company established Fullcast Senior Works Co., Ltd. to engage in the short-term operational support business and made it a consolidated subsidiary.
Note 5: On August 10, 2016, the Company acquired the shares of Dimension Pockets Co., Ltd. and made it a consolidated subsidiary.
Note 6: On March 25, 2016, the Company acquired the shares of Beat Co., Ltd. and made it an affiliate under the equity method.
Note 7: The Company acquired the shares of F-PLAIN Corporation, an affiliate under the equity method (as of December 31, 2016; 23.8% of voting rights), on January 26, 2017, making it a consolidated subsidiary (78.2% of voting rights). At the same time, F-PLAIN Corporation’s wholly owned subsidiary M’s Line Co., Ltd., too, became a consolidated subsidiary.

4. Status of affiliate companies

Company	Location	Capital (million yen)	Major business activities	Voting shares (%)	Issues to be noted
(Consolidated subsidiary) Fullcast Co., Ltd. (Note 2, 5)	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system leasing. - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Top Spot Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system leasing. - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Work & Smile Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system leasing. - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Fullcast Senior Works Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-term operational support business	100.0	- Provide services such as management advice, business outsourcing, and system leasing. - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
OtetsudaiNetworks Inc.	Shinagawa-ku, Tokyo	50	Short-term operational support business	100.0	- Sublet a part of our rented building to this company for office use. - Provide services such as management advice, business outsourcing, and system leasing. - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Fullcast Advance Co., Ltd (Note 5)	Shinagawa-ku, Tokyo	50	Short-term operational support business Security, other businesses	100.0	- Sublet a part of our rented building to this company for office use. - Provide services such as management advice, business outsourcing, and system lease. - Concurrent directorates: 1 - Provide financial support: borrowing and lending operating capital
Dimension Pockets Co., Ltd.	Kunigami District, Okinawa	136	Security, other businesses	67.0	- Provide management advice service. - Provide financial support: borrowing operating capital
Fullcast Business Support Co., Ltd.	Shinagawa-ku, Tokyo	9	Whole company	100.0	- Sublet a part of our rented building to this company for office use. - Provide services such as business outsourcing and system leasing. - Provide financial support: borrowing and lending operating capital
(Equity method affiliate) F-PLAIN Corporation (Note 4)	Minato-ku, Tokyo	681	Agency agreement, sales agency operation	23.81	- Concurrent directorates: 2
Beat Co., Ltd.	Kanagawa-ku, Yokohama-shi, Kanagawa	50	Business process outsourcing Worker dispatch business	30.0	- Concurrent directorates: 1

Notes 1: The “Major business activities” category follows the business segment classification.

Notes 2: Specified subsidiary.

Notes 3: None of the companies listed above have submitted securities registration statements or securities reports.

Notes 4: The Company acquired the shares of F-PLAIN Corporation, an affiliate under the equity method (as of December 31, 2016; 23.8% of voting rights), on January 26, 2017, making it a consolidated subsidiary (78.2% of voting rights). At the same time, F-PLAIN’s wholly owned subsidiary M’s Line Co., Ltd., too, became a consolidated subsidiary.

Notes 5: Sales of Fullcast Co., Ltd. and Fullcast Advance Co., Ltd. (excluding internal sales among consolidated companies) account for over 10% of consolidated sales.

Key earnings information (million yen)

	Fullcast Co., Ltd.	Fullcast Advance Co., Ltd.
Net sales	19,903	3,993
Ordinary income	1,951	94
Net income	1,253	145
Net assets	1,954	526
Total assets	4,864	1,133

5. Number of employees

(1) Status of consolidated companies

(As of Dec. 31, 2016)

Name of segment	Number of employees
Short-term operational support business	351 [443]
Security, other businesses	42 [26]
Company-wide (shared)	111 [173]
Total	504 [642]

Notes 1: "Number of employees" is the number of employees engaged in work, and the approximate average yearly number of temporay employees is listed within the parentheses.

Notes 2: The number of employees listed as "Company-wide (shared)" indicates the number of employees who belong to administrative departments that cannot be attributed to specific business segments.

(2) Status of the submitting company

(As of Dec. 31, 2016)

Number of employees	Average age (years old)	Average length of employment (years)	Average annual salary (thousands of yen)
94 [157]	36.0	8 years and 4 months	5,088

Notes 1: "Number of employees" is the number of employees engaged in work, and the approximate yearly average number of temporay employees is listed within the parentheses.

Notes 2: "Average annual salary" includes bonuses and additional wages.

Notes 3: The Company's employees mainly handle management and planning related to the Fullcast Group, and they are categorized as company wide (shared).

Notes 4: The main reason for the increase in the number of temporary employees of 35 in the current fiscal year was the impact of the increased hiring of part-time workers for the reinforcement of the operational system for the part-time worker payroll management service.

(3) Status of labor unions

No enterprise unions have been formed within our Company or Group. Regarding labor-management relations, there are no items worthy of special mention.

Part 2: State of business

1. Performance overview

(1) Performance

Despite a delayed recovery in some parts, such as sluggish recovery in capital expenditures, Japan's economy continued to undergo a steady recovery during the fiscal year under review on the back of personal consumption that has generally stabilized as well as corporate profits supported by the Government's economic and financial stimulus programs and the improving employment situation. Despite lingering elements of uncertainty, future economic conditions are expected to continue to improve steadily in response to continued improvements in the employment and income environments and driven by the effects of various Government policies. However, there remains downward risks on the economy caused by rising uncertainty over overseas economies, including Brexit and the downturn in emerging Asian countries as well as China and resource countries, and the impacts of fluctuations in financial and capital markets.

With regards to the operating environment surrounding the staffing service industry, the job offers-to-applicants ratio continued to improve and in December 2016 it reached an elevated level not seen since July 1991, or 25 years and 5 months prior. Also, the number of new jobs is on the rise while the unemployment rate improved gradually, indicating the employment situation is steadily improving. As for the future outlook, there is a growing feeling of shortages in corporate manpower and given the fact that companies are maintaining a positive stance toward employment, this feeling of a shortage of manpower is expected to increase further, driving the employment situation to continue improving.

Against this backdrop, the Fullcast Group promoted group management activities with the goal of "Increase profits by expanding core services and improving productivity," and implemented sales activities with a focus on expanding the profitability of the whole Group centered on its mainstay "part-time worker placement (hereafter referred to as placement)" as well as "part-time worker payroll management services and My Number management services (hereafter referred to as management)" during the fiscal year under review. In addition, the Group worked on creating a structure for realizing increased profits by raising productivity and pushing forward with measures to enhance the operating efficiencies of the entire Group.

Consolidated net sales increased 12.0% year-on-year to 25,340 million yen. This sales growth is attributed primarily to growth in both "placement" and "management" services, which are mainstay in shrot-term operational support business, as well as "outsourcing" and "dispatching" services.

In terms of profitability, consolidated operating income increased 25.5% year on year to 2,882 million yen due to the effects of increased income from the short-term operational support business and a reduction in the SG&A ratio achieved through initiatives to improve operational efficiencies.

Consolidated ordinary income increased 38.4% year on year to 3,001 million yen, because income was booked on share of profit of entities accounted for using equity method.

Net income attributable to Fullcast Holdings Co., Ltd. rose 43.3% year on year to 2,529 million yen. This growth was driven by the introduction of consolidated tax payments, which reduced the tax burden, and the booking of deferred tax assets related to retirement benefit obligations mainly due to changes in tax effect classification, resulting in a decrease in income taxes-current.

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

Although ROE at the end of this fiscal year was 30.2%, adjusted ROE was 30.9%, an improvement of 10.0% points from 20.9% at the end of the previous fiscal year.

Starting from the fiscal year under review, the Company began applying "Accounting Standard for Business

Combinations” (ASBJ Statement No.21, September 13, 2013), whereby changing the notation of “net income” to “net income attributable to Fullcast Holdings Co., Ltd.”

The Group acquired the shares of Dimension Pockets Co., Ltd. on August 10, 2016, making it a consolidated subsidiary. Of the Company’s consolidated subsidiaries, however, the fiscal year end for Dimension Pockets Co., Ltd. is January 31. Consolidated financial statements were prepared based on a provisional settlement conducted on the consolidated account settlement date. The final day of the business year of other consolidated subsidiaries all match the consolidated account settlement date.

Results by business

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

The name of the “security business” segment was changed to “security, other businesses” due to the acquisition of shares of Dimension Pockets Co., Ltd. in the third quarter of the fiscal year under review and the subsequent inclusion of this company in the scope consolidation.

1) Short-term operational support business

Net sales of the short-term operational support business increased 12.6% year on year to 23,225 million yen, driven by efforts focused on increasing the number of customers and steady growth realized across all services within the short-term operational support business. By service classification, net sales increased for core “placement” and “management” services owing to an increase in the number of customers and the launch of the “My Number management” service contributed to increased sales in “management”services. Sales of “outsourcing” services, too, increased after orders were received for “outsourcing” derived from short-term sales promotion operations and inventory taking operations at storefronts. Also, sales for “dispatching” services increased thanks to efforts to respond to the needs of customers requiring long-term staffing.

In terms of profits, segment operating income rose 23.4% year on year to 3,478 million yen, owing to a reduced SG&A ratio achieved through efforts to improve productivity, including actively hiring part-time workers and making changes to daily operations, as well as the positive influence of higher sales from growth in mainstay services, “dispatching”, and “outsourcing.”

2) Security, other businesses

Net sales of Security, other businesses rose 6.0% year on year to 2,116 million yen due mainly to an increase in the number of the temporary security projects throughout the fiscal year.

In terms of profits, during the third quarter of the fiscal year the goodwill (14 million yen) associated with the acquisition of shares of Dimension Pockets Co., Ltd. was fully amortized at once, but the positive influence of higher sales helped drive segment operating income up 40.5% year on year to 108 million yen.

(2) Cash flows

At the end of the current fiscal year, cash and cash equivalents (hereafter referred to as “funds”) increased by 557 million yen (Compared with a 122 million yen increase in the previous year) from the end of the previous fiscal year to 6,963 million yen at the end of the current fiscal year.

(Net cash from operating activities)

Funds provided by operating activities were 2,160 million yen (Compared with 1,339 million yen of funds provided in the previous year), due mainly to income before income taxes and minority interests of 2,995 million yen, depreciation and amortization of 272 million yen, refunds of income taxes of 198 million yen, and an increase in accrued expenses of 57 million yen, versus payments of income taxes of 1,052 million yen, investment income due to equity method of 160 million yen, and an increase in notes and accounts receivable-trade of 162 million yen.

(Net cash from investing activities)

Funds used by investing activities were 735 million yen (296 million yen in funds used in the previous year), due mainly to expenditure for purchase of property, plant and equipment of 338 million yen, expenditure for purchase of intangible assets of 164 million yen, expenditure for the purchase of investment securities of 122 million yen, expenditure for the purchase of shares of a subsidiary associated with changes in the scope of consolidation of 160 million yen.

(Net cash from financing activities)

Funds used by financing activities were 868 million yen (Net cash outflow of 921 million yen in the previous year) due to payment of dividends of 767 million yen and expenditure for the purchase of treasury stock of 100 million yen.

2. State of production, orders received and sales

(1) Results of production and orders received

Our Group does not typically perform production activities, and due to the extremely short period from the acceptance of orders to the booking of sales in our short-term operational support business, we do not display the scope of orders received as a monetary amount.

(2) Sales performance

Name of segment	FY12/16 (From January 1, 2016 to December 31, 2016) (million of yen)	Change from the previous year (%)
Short-term operational support business	23,225	12.6
Security, other businesses	2,116	6.0
Total	25,340	12.0

Notes: 1. Consumption tax is not included in the amounts listed above.

2. Elimination is performed for intersegment transactions.

3. Issues to be addressed

Our Group formulated the “Medium-Term Management Plan” that began in the fiscal year ended December 2016 in order to realize the “sustained improvement of corporate value,” and the Company is now implementing this plan. During the second year of this plan, the fiscal year ending December 2017, we have positioned “Realize increased profits through deployment of the Group’s collective strengths and improved productivity” as the main task of management, and we are now working toward this goal.

(1) Sustained Improvement of Corporate Value

As stated in 1. Performance overview (1) Performance, 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 “management” services, which are the main businesses of our Group.

In the future, we will continue to promote rationalization as a means of fortifying our management structure, while at the same time assigning the highest priority to compliance. We also seek to further increase the confidence of all stakeholders in our Company.

(2) Realization of the “Medium-Term Management Plan (FY2016 to FY2020)”

In accordance with our five-year “Medium Term Management Plan (FY 2016 to FY2020)” that begins in the fiscal year ended December 2016, our Group will work to realize the target “achieving new record high levels of profits in the final fiscal year of the Medium Term Management Plan.”

During the fiscal year ended December 2016, the initial fiscal year of the plan, the number of instances of dispatch per worker increased as a result of responding to the needs of customers focused on our “dispatching” and “outsourcing” services, despite a failure to reach the target number of operating workers, resulting in the initial fiscal year targets for consolidated net sales and consolidated operating income being achieved as planned under the medium-term management plan. The Company will continue to work toward achieving the targets for the final fiscal year of the medium-term management plan.

The plan of fiscal year ending December 2017 was reconsidered, however the assumptions for achieving the targets of the final fiscal year of the medium-term management plan remain unchanged at present, and therefore, the Company has decided to leave the planned targets for each individual fiscal year unchanged.

Result of first year, fiscal year ended December 2016, of the Medium-Term Management Plan

(billion yen)

		FY2016 Target	FY2016 Results	Rate of change
Net Sales	Consolidated	24.6	25.3	102.8%
	I. Short-term operational support business	22.5	23.2	103.0%
	Placement	4.2	3.8	90.7%
	Management	2.5	2.4	94.5%
	Dispatching	13.1	13.9	105.8%
	Outsourcing	2.7	3.2	116.7%
	II.Security bussiness	2.1	2.1	100.0%
	III. New business ventures and global business	-	0	-
Target	Operating income	2.6	2.9	109.6%
	Number of operating workers (persons)	191,900	187,922	97.9%
	Gross profit per 1 yen of personnel costs	2.4 yen	2.5 yen	104.4%

Note 1: Of the net sales of the “Security, other businesses” segment, net sales related to Dimension Pockets Co., Ltd. is recorded under “New business ventures & global business.”

Note 2: The target number of operating workers under the Medium-Term Management Plan represents the unique number of persons employed in services excluding “management” of Fullcast Co., Ltd. and Top Spot Co., Ltd.

Note 3: The net sales figure for each service category is a reference figure and has not undergone an accounting audit by an audit corporation.

(Reference)

An overview of the “Medium-Term Management Plan (FY2016 to FY2020)” is presented below.

1) Term

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

2) Management philosophy and target

Management philosophy: “Providing the best places for people to bring out their best”

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

3) Numerical targets

	FY2015 Results	FY2020 Target	Rate of change
Operating income (billion yen)	2.3	5.0	116%
Number of operating workers (persons)	165,304	257,400	56%
Gross profit per 1 yen of personnel costs	2.4 yen	2.8 yen	20%

4) Strategy to acehieve targets of the final year of the Medium-Term Management Plan

(Short-term operational support business)

"Increase market share while maintaning strict compliance"

・Strengthen ability to hire staff

・Strengthen business contacts with customers and organizational strengths

・Increase matching efficiencies through system automation

(Security business)

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

・Capture special demand from the 2020 Tokyo Olympics

・Expand business opportunities through alliances

・Step up hiring by leveraging our corporate group's collective strengths

(New business ventures and global business)

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

"First encourage active utilization of global resources as a foothold to future global expansion"

5) Main management indicators

Indicators used to realize our vision of "sustained improvement of corporate value":

Maintain ROE above 20%

Indicator for shareholder returns: Total return ratio of 50%

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

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

*The Company considers net income attributable to Fullcast Holdings Co., Ltd. excluding the effects of deferred income taxes calculated on the deferred tax assets for loss brought forward from the previous term as "Adjusted net profit for the current period," and uses it as the basis of calculations for "total return ratio" and "ROE."

(3) Target for the fiscal year ending December 2017

Under the target for the fiscal year ending December 2017 to "Realize increased profits through deployment of the Group's collective strengths and improved productivity," we will continue to increase the earnings of the entire Fullcast Group with a focus on the core "placement" and "management" services and increase profitability by improving operational efficiencies of the entire Fullcast Group and by raising productivity.

1) Enhance productivity through the strengthening of synergy within the group

・Meet the need to accommodate staff with different work-styles by facillitating and utilizing systems for simultaneous cross-registration of staff across Group companies and for recruit information sharing

・Build a framework for meetings clients' needs on a group-wide basis by strengthening sales-related coordination between Group companies

・Enhance operational efficiency and boost productivity by responding to the needs of both staff and client companies on a group-wide basis

2) Expansion of business through the growth of new brands and launch of new services

・Secure new staff and new client companies by developing new brands in addition to the existing Fullcast brand, thereby realizing a further strengthening of group synergy in terms of both staff recruitment and sales activities

・Expand the network of business locations of our new company Work & Smile Co.,Ltd. (which is focused on the short-term operational support business) in the Kansai area

・Develop a new employment services business focused on senior citizens through the commencement of business operations by Fullcast Senior Works Co.,Ltd. on March 1, 2017, with the aim of further expanding our short-term operational support business

・The Company will seek out mutual utilization of management resources between newly consolidated F-PLAIN Corporation and the Group.

3) Expand BPO business

・Further enhancing “My Number management” service to provide client companies with a range of service offerings characterized by even higher value-added

・Work to expand sales and boost revenue from the new “Year-end Tax Adjustment Management” service that was launched in October 2016

・Strive to expand our BPO business through the launch of new BPO services oriented more closely towards customer needs, such as “Employee Payroll management” service, etc.

4. Risks associated with our businesses

Major potential risk factors for the Fullcast Group in the course of our business operations are described below. As part of our policy of proactive disclosure of information to investors, descriptions of risks may also include matters that do not necessarily fall under the category of business risks, but which may be regarded as important factors for investors in making investment decisions or understanding our Group’s business activities. Our Group seeks to proactively identify potential business risks, prevent their occurrence and take adequate measures to address them should they appear. The following statements may contain potential risk factors which may occur in the future, and they are based on our best judgment as of the date of reporting of these financial statements.

(1) Fullcast Group’s policy for business growth

We endeavor to raise our competitive position through strict adherence to corporate governance and by promoting speed in the strategic decision making process and in the implementation of various strategies by our management. However, should management strategy decisions and tactical implementation take longer than anticipated and the contribution to our earnings does not proceed as planned, our Group’s earnings could be negatively impacted.

Within the short-term operational support business we are engaging in a new business model that focuses on both “part-time worker placement” and “part-time worker payroll management” services in response to the Revised Worker Dispatching Act implemented on October 1, 2012. We also launched the “My Number management service” in October 2015, and the “Year-End Tax Adjustment management service” in December 2016 as our newest service offerings. If business earnings do not progress according to forecasts, the performance of the Group could potentially be adversely affected.

Looking forward, in addition to reinforcing its existing businesses, the Group has the potential to commence new business ventures through the establishment of new companies, M&A and business tie-ups, among other means. However, there are many elements of uncertainty surrounding new business ventures, and in cases where the initially expected synergies are not achieved and business profit does not meet forecasts due to changes in the business environment surrounding the Group or changes in legal regulations related to the new business venture, the performance of the Group could potentially be adversely affected.

In addition, we maintain a policy of selling shares in affiliates or marketable securities of companies which cease to provide synergies with our Group's various businesses. Also, our Group's earnings could be profoundly impacted by implementation of impairment accounting during times when market capitalization or the actual value of companies whose shares we hold deteriorate.

(2) Legal regulations

1) Changes in legal regulations

If the laws and other related ordinances applied to the business operations of the Fullcast Group are revised or legal interpretations modified due to changes in societal conditions surrounding the labor market, these revisions or new legal interpretations could adversely affect the business performance of the Fullcast Group. Applicable laws include the Worker Dispatching Act, Labor Standards Act, Employment Security Act, Industrial Accident Compensation Insurance Act, Health Insurance Act, Employees Pension Insurance Act, and the Act on the Use of Numbers to Identify a Specific Individual for Administrative Procedures (My Number Act).

2) Part-time employment placement business

Our Group provides paid-for employment placement business under the license of Minister of Health, Labor and Welfare and in accordance with the Employment Security Act. This license is valid for 5 years. When renewal of the license becomes necessary but is not granted because we do not meet the requirements for the license as specified in Article 31, or we fall under the category of disqualification or revocation grounds of the license as stipulated in Article 32, the subsequent inability to continue to provide our services could seriously impact the performance of our Group.

3) Worker dispatching service

Our Group provides worker dispatching services under the license of Minister of Health, Labor and Welfare in accordance with the Worker Dispatching Act. This license is valid for 5 years, and if it cannot be renewed when required because of non-compliance with the licensing requirements of Article 7, or if there is a violation of relevant laws and regulations or if there is grounds to disqualify our license as prescribed in Article 6, or if there is grounds to cancel our license as prescribed in Article 14, our Group should become subject to disqualification, our license could be cancelled or orders to suspend or halt our operations could be issued.

Our Group is committed to compliance and risk management to prevent any violation of acts and ordinances. However if licenses are cancelled or if other measures are taken due to some reason in the future, we may be unable to continue providing worker dispatching services and our Group's business performance could be seriously impacted.

4) Part-time worker payroll management service and My Number management service.

Because our Group conducts outsourced businesses independent of the contracting client company based upon an outsourcing agreement, we may become liable for damages caused by incompletion of outsourced businesses or delays in reporting. Depending upon the amount to be paid for damages, our Group's earnings could be negatively impacted if we cannot absorb these costs through increased efficiencies of our overall operations and other cost cutting measures.

5) Onsite subcontracting service

As an onsite subcontracting service provider based on subcontracts, our Group completes its contracted work 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 Minister of Health, Labor and Welfare) that separates and distinguishes between the employee dispatching and the subcontracting businesses and other relevant laws and regulations.

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

6) Sharing of social insurance contributions

On October 1, 2016, the scope of health insurance and employees' pension insurance (social insurance) was expanded to include short-term workers. The impact of this legal revision on consolidated earnings is minimal, but in the future, if legal revisions further expand the scope of social insurance and employment insurance, or if the number of employees enrolled in social insurance increases due to the growth of the worker dispatch or outsourcing businesses owing to the prolonged need of short-term human resources because of chronic labor shortages at customer companies, the amount of social insurance premiums borne by the Company will increase. Also, this could lead to an increase in the number of cases requiring procedures for obtaining or losing coverage qualifications, which in turn could increase costs for clerical work. In the event that we cannot pass along these higher costs to our customers in the form of higher prices or absorb them through increased efficiencies of our overall operations and other cost cutting measures, our Group's earnings could be negatively affected.

(3) Managing the database on client firms and staff

Our Group always strives to provide staff best matched to the needs of client companies and deploy staff for clients promptly and efficiently. To facilitate this, our Group manages a database that contains information on staff work attitudes and experiences by job classification, as well as similar information regarding our clients.

To be prepared for the eventuality of a malfunction in servers, our Group makes backup databases and servers themselves are operated in redundant configuration using multiple machines in preparation for any potential problems. However, if these servers were to fail simultaneously as a result of problems such as earthquakes or other natural disasters, our Group's operations could be seriously impeded and our earnings may be negatively affected.

In the future, we expect to make investments in information technologies as needed to help differentiate our Company from our competitors in terms of costs and services offered. Deterioration in the effectiveness of these investments could contribute to reductions in their contribution to sales and earnings growth.

To appropriately manage personal information and other data, we endeavor to prevent unauthorized access, destruction, falsification or unauthorized disclosure of personal information by establishing clear handling rules, strictly controlling access rights to the system and stepping up internal inspections. However, our Group earnings could be significantly affected by potential security breaches of personal information, and our Group could lose the trust of the public and become subject of claims for damages.

(4) Workplace accidents and transaction-related trouble

1) 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 places a staff member who does not meet the recruitment requirements of the client company due to our negligence. Although our Group has a compliance system under which personnel in charge of legal affairs can handle various legal risks, our performance may be seriously affected by accidents depending upon their nature and the amount of money involved.

2) Employee dispatching service

In the event that a staff member is injured, becomes ill or dies in the course of performing business tasks or due to causes attributable to work at the dispatched workplace, our Group as an employer may become responsible to pay compensation according to the relevant laws and regulations including the Labor Standards Act and the Workers' Accident Compensation Insurance Act. (Destination business owners that are our clients bear the employer's liability in accordance with the Industrial Safety and Health Act, and are obliged to protect the safety of staff in accordance with the Civil Code.)

Our Group fortifies staff awareness of safety by promoting occupational health and safety training, as well as by providing safety equipment and bulletins for on-the-job vigilance to prevent injury and illness. To provide better worker protection, our Group maintains an insurance program to pay agreed claims as comprehensive general liability insurance. However, should an accident not covered by this insurance occur, our Group could be forced to pay damages on the grounds of neglecting its duty to secure safety and assume responsibility for any activity which is beyond the bounds of those stipulated in labor contracts.

In addition, our Group could be sued or pressured to make other payments on allegations of staff negligence, for violations of contracts with clients or for illegal activities of staff members in the course of performing business at the dispatched workplace. Although our Group maintains a compliance system under which personnel in charge of legal affairs handle various legal risks, our performance may be seriously affected by accidents depending upon their nature of the incident and the amount of money involved.

(5) Securing and retaining employees

In order to improve employee retention, our Group implements measures to enhance employee training and to increase employee motivation. However in the future, the loss of a greater than expected number of personnel could adversely influence the various business segments of our Group.

(6) Other businesses (Hotel and Restaurant Business) within security, other business segment

Fullcast Group acquired the shares of Dimension Pockets Co., Ltd. on August 10, 2016 and as a result of this acquisition and new inclusion of the company within the scope of consolidation, the Company now engages in hotel and restaurant businesses as other businesses within the security, other business segment from the current fiscal year. As a result, the following operational risks have newly emerged. Additionally, since the scale of the business results of the security, other businesses segment for the fiscal year ended December 2016 is smaller than the short-term operational support business segment, the impacts that the following operational risks could have on the Group's business performance have been determined to be limited in nature.

1) Occurrence of natural disasters and pandemics

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

2) Outbreak of terrorism or war

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

3) Problems related to food safety

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

4) Leakages of personal information or trade secrets

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

5) Legal regulations

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

6) Impairment of plant, property and equipment

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

7) Interest-bearing debt

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

8) Risk of interest rate fluctuations

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

5. Contracts of vital importance to management

There are no relevant matters.

6. Research and development activities

There are no relevant matters.

7. Analysis of financial position, operating results and cash flow status

The following statements may contain risk factors forecast for the future, although it is based on our best judgment as of the end of the current fiscal year.

(1) Financial position

1) Cash flows

Analysis of major details is as outlined in “Part2: State of business, 1. Performance overview, (2) Cash flows.”

2) Liquidity

Current assets increased by 685 million yen from the end of the previous fiscal year to10,875 million yen at the end of the current term. This increase is attributed mainly to increases in cash and cash deposits of 557 to 6,963 million yen, notes and accounts receivable-trade of 195 to 3,107 million yen, and other current assets of 65 million yen to 476 million yen due mainly to accounts receivable-other of 35 to 264 million yen, despite a decline in deferred tax assets of 131 to 332 million yen arising from the recognition of tax effects for deduction of losses carried forward.

Current liabilities decreased by 183 million yen from the end of the previous fiscal year to 3,428 million yen at the end of the current fiscal year. This decrease is due mainly to accrued income taxes declined by 310 to 194 million yen, despite increases in accrued expenses of 61 to 799 million yen, and other current liabilities of 67 million yen to 240 million yen due mainly to social insurance premium deposits of 19 to 139 million yen and withholding tax deposits of 30 to 47 million yen.

As a result of the above factors, consolidated operating capital (current assets - current liabilities) increased by 867 million yen from the end of the previous fiscal year to 7,447 million yen, and the consolidated current ratio (current assets ÷ current liabilities × 100) increased to 317.2% from 282.2% at the end of the previous fiscal year.

3) Capital expenditures

Capital investments in the current fiscal year increased by 138 million yen year on year to 502 million yen. Our major investments include the acquisition of property, plant and equipment associated with the purchase of servers and system equipment of 21 million yen, the acquisition of property, plant and equipment associated with the new opening sales offices of 55 million yen, the acquisition of property fixed assets for expansion of the restaurant business of 262 million yen, and the acquisition of intangible assets associated with the purchase of various software for use within our Company of 164 million yen.

We do not have any concrete plans for capital investments during the fiscal year ending December 31, 2017 at this point.

4) Interest-bearing debt

The total value of interest-bearing debt at the end of the current fiscal year increased by 84 to 1,084 million yen. This was mainly due to an increase in interest-bearing debt of Dimension Pocket Co., Ltd. as a result of the conversion of Dimension Pocket Co., Ltd. into a consolidated subsidiary.

5) Net assets

Net assets at the end of the current fiscal year stood at 9,272 million yen, representing 1,742 million yen increase from the end of the previous fiscal year. This increase is attributed to a rise of 1,761 million yen in retained earnings due to the realization of 2,529 million yen as net income attributable to Fullcast Holdings Co., Ltd., and despite dividends paid from retained earnings of 768 million yen during the current fiscal year.

As a result of these events, our debt equity ratio (interest-bearing debt ÷ equity capital (note) × 100) decreased from 13.3% at the end of the previous fiscal year to 11.8%, and equity ratio (interest-bearing debt ÷ equity × 100) increased from 64.8% at the end of the previous fiscal year to 69.3%.

(Note)Equity capital = (total of the net assets section) – (stock subscription rights) – (Non-controlling interests)

6) Basic policy concerning profit allocation

We maintain a policy of enhancing returns of profits to shareholders with a target of achieving total return ratio of 50% relative to adjusted net income. (Note 1)

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

A resolution was also passed at the February 10, 2017, the Board of Directors Meeting to pay a dividend of 21 yen per share for the current term, increases of 3 and 1 yen from the previous year and forecasts respectively, including a yearend dividend of 11 yen per share, and conduct share buybacks totaling up to 498 million yen. Consequently, the total return ratio for the fiscal year ended December 2016 is expected to be 50.4% or higher.

Note 1: Adjusted net income refers to net income attributable to Fullcast Holdings Co., Ltd. excluding the effects of income taxes-deferred associated with the booking of deffered tax aseetss within the loss carried forward.

Note 2: Adjusted ROE refers to ROE calculated based on adjusted net income.

(2) Operating results

1) Net sales

Consolidated net sales rose 12.0% year-on-year to 25,340 million yen. This sales growth is attributed primarily to growth in both "placement" and "management" services, which are the mainstay services in short-term operational support business, as well as "outsourcing" and "dispatching" services. We explain our results by business segment below.

-Short-term operational support business

Net sales of the short-term operational support business increased 12.6% year on year to 23,225 million yen, driven by efforts focused on increasing the number of customers and steady growth realized across all services within the short-term operational support business. By service classification, net sales increased for core "placement" and "management" services owing to an increase in the number of customers and the launch of the "My Number management" service contributed to increased sales in "management"services. Sales of "outsourcing" services, too, increased after orders were received for "outsourcing" derived from short-term sales promotion operations and inventory taking operations at storefronts. Also, sales for "dispatching" services increased thanks to efforts to respond to the needs of customers requiring long-term staffing.

-Security, other business

Net sales of security, other businesses rose 6.0% year on year to 2,116 million due mainly to an increase in the number of the temporary security projects throughout the fiscal year.

2) Operating expenses and income

Cost of sales increased 1,720 million yen from the previous fiscal year to 16,083 million yen (up by 12.0% year on year), while the cost of sales ratio was nearly the same as the previous fiscal year level at 63.5%. Although selling, general and administrative expenses increased by 417 million yen from the previous fiscal year to 6,376 million yen (up by 7.0% year on year), it ratio to net sales decreased by 1.2% points from 26.3% in the previous fiscal year to 25.2%. As a result, operating income increased by 586 million yen from the previous fiscal year to 2,882 million yen (up 25.5% year on year). We explain our results by business segment below.

- Short-term operational support business

Operating income rose 23.4% year on year to 3,478 million yen, owing to a reduced SG&A ratio achieved through efforts to improve productivity, including actively hiring part-time workers and making changes to daily operations, as well as the positive influence of higher sales from growth in mainstay services, “dispatching”, and “outsourcing.”

- Security, other business

During the third quarter of the fiscal year the goodwill (14 million yen) associated with the acquisition of shares of Dimension Pockets Co., Ltd. was fully amortized at once, but the positive influence of higher sales helped drive segment operating income up 40.5% year on year to 108 million yen.

3) Non-operating income and loss and ordinary income

A net non-operating income was 119 million yen, compared to a non-operating loss of 129 million yen in the previous fiscal year. Ordinary income increased by 833 million yen from the previous fiscal year to 3,001 million yen (up by 38.4% year on year).

4) Extraordinary income and loss, and income before income taxes and minority interests

Net extraordinary income after deducting extraordinary loss was loss of 6 million yen. As a result, income before taxes and minority interests totaled 2,995 million yen (up by 35.6% year on year).

5) Income taxes and net income

Income taxes after tax-effect accounting is applied increased by 24 million yen from the previous fiscal year to 468 million yen, and net income totaled 2,527 million yen.

6) Net income attributable to Fullcast Holdings Co., Ltd.

As a result of Dimension Pocket Co., Ltd. becoming a newly consolidated subsidiary, 2 million yen of net loss attributable to non-controlling shareholders has occurred in the current consolidated fiscal year.

Net income attributable to Fullcast Holdings Co., Ltd. for the current fiscal year increased by 764 million yen from the previous fiscal year to 2,529 million yen (up by 43.3%), and net income per share was 65.92 yen (45.85 yen for the previous fiscal year).

(3) Funding requirements and fund procurement

Our Group strives to utilize diverse financing methods, while adhering to our basic financial policy of maintaining suitable levels of liquidity and a sound financial position needed to stably conduct our business.

We believe that sufficient working capital and capital investment funds for maintaining and expanding our Group's business activities can be procured by using cash flow provided by operating activities and by utilizing borrowings from financial institutions.

In order to effectively procure working capital, the Company has concluded overdraft agreements with four banks for a maximum of 5,500 million yen.

Details regarding the status of our interest-bearing debt are contained within “Part2: State of business, 7. Analysis of financial position, operating results and cash flows status (1) Financial position, 4) Interest-bearing debt.”

Part 3: State of equipment

1. Overview of capital investment

Capital investments in the current fiscal year was 502 million yen. Our major investments include the acquisition of property, plant and equipment associated with the purchase of servers and system equipment of 21 million yen, the acquisition of property, plant and equipment associated with the new opening sales offices of 55 million yen, the acquisition of property, plant and equipment for expansion of the hotel restaurant business of 262 million yen, and the acquisition of intangible assets associated with the purchase of various software for use within our Company of 164 million yen.

2. State of major equipment

(1) Submitting companies

(As of Dec. 31, 2016)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Book-value (million yen)				Employees
				Buildings and structures	Machinery, equipment and Tools	Software	Total	
Fullcast Holdings Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Company-wide (shared)	Business office	34	162	297	493	94 [157]

Notes 1: All figures exclude consumption tax.

Notes 2: "Employees" refers to staff engaged in work. The number of temporary employees is listed by the figures shown in parentheses, while the average yearly number of employees is listed by the figures outside of the parentheses.

Notes 3: Apart from those listed above, assets rented from parties other than consolidated companies are as outlined below (amounts are annual rental charges, excluding parking).

(As of Dec. 31, 2016)

Name of business office (Location)	Name of segment	Nature of equipment	Yearly rental charge (million yen)
Head office (Shinagawa-ku, Tokyo)	Company-wide (shared)	Leased buildings	79
Company housing for employees	Company-wide (shared)	Leased buildings	15
Total	—	—	95

(2) Domestic subsidiaries

(As of Dec. 31, 2016)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Book-value (million yen)					Employees
				Buildings and structures	Machinery, equipment and Tools	Land (area; m^2)	Other	Total	
Fullcast Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Business office, operating equipment	65	28	—	0	94	292 [357]
Top Spot Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Business office, operating equipment	17	7	—	—	23	25 [47]
Fullcast Advance Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Security, other businesses, short-term operational support business	Business office, operating equipment	8	4	—	0	12	66 [61]
Fullcast Business Support Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Company-wide (shared)	Business office, operating equipment	—	0	—	0	0	17 [16]
Otetsudai Networks, Inc.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Business office, operating equipment	—	0	—	35	35	4 [4]

Work & Smile Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support busines	Business office, operating equipment	—	0	—	—	0	2 [—]
Dimension Pockets Co., Ltd.	Head office (Kunigami District, Okinawa)	Security, other businesse	Business office, operating equipment	222	8	257 (5,833.92)	35	521	2 [—]
Total				312	47	257 (5,833.92)	70	685	410 [485]

Notes 1: "Other" contained in "book-value" refers to vehicles and software. All figures exclude consumption tax.

Notes 2: "Employees" refers to staff engaged in work. The number of temporary employees is listed by the figures in parentheses, while the average yearly number of regular employees is listed by the figures outside of the parentheses.

Notes 3: Apart from those listed above, assets rented from parties other than consolidated companies are as outlined below (Amounts are annual rental charges, excluding parking).

(As of Dec. 31, 2016)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Yearly rental charge (million yen)
Fullcast Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo Other)	Short-term operational support business	Leased buildings	276
	Company housing for employees		Leased buildings	45
Top Spot Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo Other)	Short-term operational support business	Leased buildings	40
	Company housing for employees		Leased buildings	2
Fullcast Advance Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo Other)	Security,other business, short-term operational support business	Leased buildings	48
	Company housing for employees		Leased buildings	7
Fullcast Business Support Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Company-wide (shared)	Leased buildings	6
	Company housing for employees		Leased buildings	0
OtetsudaiNetworks, Inc.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support business	Leased buildings	1
Work & Smile Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-term operational support busines	Leased buildings	2
Dimension Pockets Co., Ltd.	Head office (Kunigami District, Okinawa)	Security, other businesses	Leased buildings	0
Total	—	—	—	426

3. Plans for creation and retirement of equipment

(1) New major equipment

There are no relevant matters.

(2) Major equipment retired

There are no relevant matters.

Part 4: Status of submitting companies

1. Status of shares

(1) Total number of shares, other information

1) Total number of shares

Type	Total number of issuable shares (shares)
Common stock (shares)	110,000,000
Total	110,000,000

2) Outstanding shares

Type	Number of shares issued by the end of the fiscal year (Dec. 31, 2016)	Number of shares issued at the date of submission (Mar. 27, 2017)	Name of exchange for listed financial instruments, or name of association trading registered and approved financial instruments	Description
Common stock	38,486,400	38,486,400	Tokyo Stock Exchange (the First section)	One unit of shares: 100 shares
Total	38,486,400	38,486,400	—	—

(2) State of new share subscription rights

There are no relevant matters.

(3) State of exercising of debenture stocks with new share subscription rights, with exercise-price amendments attached

There are no relevant matters.

(4) Description of rights plan

There are no relevant matters.

(5) Trends in total number of outstanding shares and capital stock

Date	Change in total number of outstanding shares (shares)	Balance on total number of outstanding shares (shares)	Change in capital stock (million yen)	Balance on capital stock (million yen)	Change in capital reserve (million yen)	Balance on capital reserve (million yen)
July. 1, 2013 *1	39,200,436	39,596,400	—	2,780	—	—
Dec. 20, 2013 *2	(1,110,000)	38,486,400	—	2,780	—	—

Notes 1: On July 1, 2013, common shares were split at a ratio of 100 to one share, in accordance with the resolution at the Board of Directors Meeting on May 24, 2013.

Notes 2: On December 20, 2013, treasury shares were retired in accordance with the resolution of the Board of Directors Meeting on December 19, 2013.

(6) Shareholder ownership status

(As of Dec. 31, 2016)

Classification	Stock information (One unit of shares: 100 shares)								State of odd lots (shares)
	Government and local public organizations	Financial organizations	Financial commodity traders	Other corporations	Foreign corporations etc.		Individual and others	Total	
					Non-individual	Individual			
Shareholders	—	25	29	53	71	10	5,804	5,992	—
Shares held (unit)	—	85,983	7,907	195,795	38,997	69	56,097	384,848	1,600
Percentage of shares held (%)	—	22.34	2.05	50.88	10.13	0.02	14.58	100.00	—

Notes 1: 1,485 units are included in "individuals and others" for the 148,500 treasury stock.

Notes 2: 10 units are included in the "Other corporations" column under the name of Japan Securities Depository Center, Inc.

(7) Major shareholders

(As of Dec. 31, 2016)

Name	Address	Number of shares held	Percentage of shares held to total outstanding shares (%)
Hirano Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	12,831,300	33.3
Hikari Tsushin Co., Ltd.	1-4-10 Nishi Ikebukuro, Toshima-ku, Tokyo	4,850,600	12.6
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	4,747,100	12.3
Ueda Yagi Tanshi Co., Ltd.	2-4-2 Koraibashi, Chuo-ku, Osaka-shi, Osaka	667,900	1.7
Ten Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	600,000	1.6
Daiki Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	600,000	1.6
Goldman sachs international (Standing proxy: Goldman Sachs Japan Co., Ltd.)	133 fleet Street, London, EC4A 2BB U.K. (6-10-1 Minato-ku, Tokyo)	525,645	1.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	509,400	1.3
Anan Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	463,300	1.2
The Bank of New York 133522 (Standing proxy: Mizuho Bank, LTd., Settlement Sales Department)	Rue Montoyerstraat 46, 1000 Brussels, Belgium (2-15-1 Konan, Minato-ku, Tokyo)	415,800	1.1
Total	—	26,211,045	68.1

(Note) 1.As a result of the Report of Major Shareholdings (Report of Changes) for public inspection on September 9, 2016, Sumitomo Mitsui Trust Bank, Limited and its joint holding company Nikko Asset Management Co., Ltd. declared that it owns the following shares as of August 31, 2016, as the Company cannot confirm the number of actual shares owned by them as of the end of this fiscal year, it is not included in the above "(7) Major shareholder" list.

The details of the Report of Major Shareholdings (Report of Changes) are as follows.

Name	Address	Number of shares held	Shareholdings holding ratio (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	1,834,800	4.77
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	317,100	0.82

(Note) 2. As a result of Report of Major Shareholdings (Report of Changes) for public inspection on November 8, 2016, Invesco Asset Management (Japan) Limited and its joint holding company Invesco Asset Management Limited declared that it owns the following shares as of October 31, 2016, but because our Company cannot confirm the number of actual shares owned by them as of the end of this fiscal year, it is not included in the above "(7) Major shareholder" list.

The details of the Report of Major Shareholdings (Report of Changes) are as follows.

Name	Address	Number of shares held	Shareholdings holding ratio (%)
Invesco Asset Management (Japan) Limited	6-10-1 Roppongi, Minato-ku, Tokyo	2,124,800	5.52
Invesco Asset Management Limited	Perpetual Parl, Pepetual Park Drive, Henly-on-thames, Oxfordshire, RG9 1HH, United Kingom	323,200	0.84

(8) Voting rights

1) Outstanding shares

(As of Dec. 31, 2016)

Classification	Number of shares (Shares)	Number of voting rights (individual)	Description
Nonvoting shares	—	—	—
Shares with limited voting rights (treasury stock, other)	—	—	—
Shares with limited voting rights (other)	—	—	—
Shares with full voting rights (treasury stock, other)	(Treasury stock) Common stock 148,500	—	—
Shares with full voting rights (other)	Common stock 38,336,300	383,363	—
Odd-lot shares	Common stock 1,600	—	—
Total number of outstanding shares	38,486,400	—	—
Voting rights of shareholders	—	383,363	—

Note: 1,000 shares (10 voting rights) are included in the "Shares with full voting rights (other)" column under the name of Japan Securities Depository Center, Inc.

2) Treasury stock (As of Dec. 31, 2016)

Name	Address	Number of shares held by own name (shares)	Number of shares owned by other holders (shares)	Total number of shares owned (shares)	Percentage of shares held to total outstanding shares (%)
Fullcast Holdings Co., Ltd.	8-9-5 Nishi Gotanda, Shinagawa-ku, Tokyo	148,500	—	148,500	0.39
Total	—	148,500	—	148,500	0.39

(9) Description of stock option scheme

There are no relevant matters.

2. Acquisitions of treasury stock

Class of shares : Acquisition of common stock under Item 3 of Article 155 of the Companies Act

(1) Acquisitions based upon decisions made at the Annual General Meeting of Shareholders

There are no relevant matters.

(2) Acquisitions based on decisions made at Board of Directors Meetings

Classification	Number of shares (Shares)	Total cost (yen)
State of resolution by the Board of Directors (February 12, 2016) (Acquisition period: February 22, 2016 to June 23, 2016)	184,500	100,000,000
Treasury stock acquired before the current fiscal year	—	—
Treasury stock acquired in the current fiscal year	148,500	99,957,100
Total number of shares of residual resolutions and total cost	36,000	42,900
Ratio of unexercised rights as of the last day of the current fiscal year (%)	19.5	0.0
Treasury stock acquired during the current period	—	—
Ratio of unexercised rights as of the date of submission of this report (%)	19.5	0.0

Classification	Number of shares (Shares)	Total cost (yen)
State of resolution by the Board of Directors (February 10, 2017) (Acquisition period: February 13, 2017 to March 23, 2017)	574,200	498,000,000
Treasury stock acquired before the current fiscal year	—	—
Treasury stock acquired in the current fiscal year	—	—
Total number of shares of residual resolutions and total cost	—	—
Ratio of unexercised rights as of the last day of the current fiscal year (%)	—	—
Treasury stock acquired during the current period	453,400	497,995,500
Ratio of unexercised rights as of the date of submission of this report (%)	21.1	0.0

(3) Description of items not based on decisions made at either Annual General Meeting of Shareholders or Board of Directors Meetings

There are no relevant matters.

(4) Handling and possession of treasury stock acquired

Classification	Current fiscal year		Current period	
	Number of shares (Shares)	Total amount disposed (yen)	Number of shares (Shares)	Total amount disposed (yen)
Acquired treasury stock for which a purchaser was solicited	—	—	—	—
Acquired treasury stock that was cancelled	—	—	—	—
Acquired treasury stock that was transferred due to a merger, share exchange or company split	—	—	—	—
Other(-)	—	—	—	—
Treasury shares in possession	148,500	—	—	—

3. Dividend policy

We maintain a policy of enhancing returns of profits to shareholders with a target of achieving total return ratio of 50% relative to adjusted net income (*[1]).

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

A resolution was also passed at the February 10, 2017 the Board of Directors Meeting to pay a dividend of 21 yen per share for the current term, increases of 3 and 1 yen from the previous year and forecasts respectively, including a yearend dividend of 11 yen per share, and conduct share buybacks totaling up to 498 million yen. Consequently, the total return ratio for the fiscal year ended December 2016 is expected to be 50.4% or higher.

We will use internal reserves in preparation for future business development and for improvement of in-house systems including system development and employee training in order to develop a solid business foundation for sustained growth.

Notes 1: Adjusted net income refers to net income attributable to Fullcast Holdings Co., Ltd. excluding the influence of income taxes-deferred arising from recording deferred tax assets for losses carried forward.

Notes 2: Adjusted ROE refers to ROE calculated based on adjusted net income.

Notes: The following is the dividend from retained earnings whose record date is in the current fiscal year.

Date of resolution	Total dividends (million yen)	Dividend per share (yen)
Resolution of Board of Directors on Aug. 5, 2016	383	10
Resolution of Board of Directors on Feb. 10, 2017	422	11

4. Trends in stock prices

(1) High and low stock prices by fiscal year for the past 5 (five) years

Term	Term 20	Term 21	Term 22	Term 23	Term 24
Settlement month	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016
High (yen)	21,800	399	660	1,145	985
Low (yen)	11,800	139	209	441	509

Notes 1: High and low stock prices are those found in the First Section of the Tokyo Stock Exchange.

Notes 2: Due to the change of the settlement date, Term 20 covered an irregular 15 month period from October 1, 2011 to December 31, 2012.

Notes 3: On July 1, 2013, common shares were split at a ratio of 100 to one share, in accordance with the resolution of the Board of Directors Meeting on May 24, 2013.

(2) High and low stock prices by month, for the past 6 (six) months

Month	July. 2016	Aug. 2016	Sept. 2016	Oct. 2016	Nov. 2016	Dec. 2016
High (yen)	873	888	903	985	974	980
Low (yen)	781	735	818	868	868	875

Notes: High and low stock prices are those recorded by the First Section of the Tokyo Stock Exchange.

5. Officers

There are six male and no female officers (Ratio of officers who are female: 0.0%)

Official title	Job title	Name	Date of birth	Career summary		Term	Number of shares held
Director	Chairman	Takehito Hirano	Aug. 25, 1961	Apr. 1984 Sept. 1990 July. 2006 Sept. 2007 Dec. 2008 Dec. 2009 Mar. 2015	Joined Harvest Futures Inc. Established Resort World Co., Ltd. (currently Fullcast Holdings Co., Ltd.) and became Representative Director Representative Director of Fullcast Marketing Co., Ltd. (currently F-PLAIN Corporation) (present post) Director of the Company Director of Fullcast Technology Co., Ltd. (currently YUME TECHNOLOGY Co., Ltd.) Managing Director and Advisor of the Company Managing Director and Chairman of the Company (present post)	*3	—
Representative Director	President CEO	Kazuki Sakamaki	Sept 30, 1970	Apr. 1989 Feb. 1995 Oct. 2005 Oct. 2007 Oct. 2008 June. 2009 Dec. 2011 Jan. 2013 Jan. 2014	Joined AI Tusho Co., Ltd Joined Fullcast Co., Ltd. (currently Fullcast Holdings Co., Ltd.) Representative Director of Fullcast HR Institute Co., Ltd. (now Fullcast Co., Ltd.) Corporate Executive Officer, General Manager of the Business Engineering Department of Fullcast Co., Ltd. Corporate Executive Officer, General Manager of Tokai and Kansai Sales Department of Fullcast Co., Ltd. Representative Director of Fullcast Co., Ltd. Director of Fullcast Co., Ltd. President and Representative Director of Fullcast Co., Ltd. (present post) President, Representative Director and CEO of the Company (present post)	*3	94,184
Director		Takahiro Ishikawa	July 22, 1967	Sept. 1990 Sept. 2000 Apr. 2006 Jan.2012 May. 2012 Dec. 2014 Mar. 2016	Senior Managing Director of Resort World Co., Ltd. (Currently Fullcast Holdings Co., Ltd.) Representative Director of Fullcast Factory Co., Ltd. Representative Director of Fullcast Central Co., Ltd. Director of STARTLINE. Co., Ltd. (present post) Representative Director of Beat Co., Ltd. (present post) Representative Director of Beattech Co., Ltd. (presentpost) Director of the Company (present post)	*3	154,600
Director		Shiro Kaizuka	Oct 3, 1961	Sept.1990 May 2002 Oct. 2002 Feb. 2010 Sept. 2013 June. 2016 Mar. 2017	Senior Managing Director of Resort World Co., Ltd. (Currently Fullcast Holdings Co., Ltd.) Representative Director of Fullcast Technology Co., Ltd. (Currently YUME TECHNOLOGY Co., Ltd.) Director of Interbiz Limited (present post) Representative Director of Rearvio Co., Ltd. (present post) Representative Director of Dimension Pockets Co., Ltd. (present post) Representative Partner of One Suite G.K. (present post) Director of the Company (present post)	*3	175,200

Director (Full-time Audit & Supervisory Committee Member)		Kouji Sasaki	Aug 2, 1945	Apr. 1966 Dec. 1984 June. 1995 Sept. 1995 Dec. 1999 Dec. 2004 Sept. 2008 Mar. 2016	Joined Tokyo Regional Taxation Bureau and worked in the general affairs division, before later working in tax offices Passed the tax accountant examination Retired as a special examiner at Nakano tax office Opened Sasaki Tax Accounting Office Outside Audit & Supervisory Board Member of the Company Outside Audit & Supervisory Board Member of Fullcast Technology Co., Ltd. (currently YUME TECHNOLOGY Co., Ltd.) Audit & Supervisory Board Member of Fullcast HR Research Institute Co., Ltd. (currently Fullcast Co., Ltd.) Director (Full-time Audit & Supervisory Committee Member) of the Company (present post)	*4	9,600
Director (Audit & Supervisory Committee Member)		Masataka Uesugi	July 31, 1965	Apr. 1995 Apr. 1999 June. 2003 June. 2003 June. 2004 Dec. 2012 Dec. 2013 Dec. 2014 Mar. 2015 Mar. 2016 June. 2016	Registered as an attorney-at-law (Tokyo Bar Association) Founded Uesugi Law Office Partner of Amlec Law and Accounting Firm Audit & Supervisory Board Member of Digital Arts Inc. Audit & Supervisory Board Member of Nextech Co., Ltd. Outside Audit & Supervisory Board Member of F-PLAIN Corporation Audit & Supervisory Board Member of Ceres inc. (present post) Audit & Supervisory Board Member of Aiming Inc. (present post) Founded Sakurada Dori Partners (Partner; present post) Director (Audit & Supervisory Committee Member) of the Compnay (present post) Director (Audit & Supervisory Committee Member) of Digital Arts Inc. (present post)	*4	—
Director (Audit & Supervisory Committee Member)		Hideyuki Totani	Jan 5, 1979	Oct. 2003 June. 2007 July. 2007 June. 2013 July. 2014 Mar. 2016 July. 2016	Joined Ernst & Young ShinNihon LLC Registered as Certified Public Accountant Partner at Seiwa Audit Corporation Outside Audit & Supervisory Board Member of F-PLAIN Corporaition (present post) Outside Audit & Supervisory Board Member of Ichigo Holdings, Inc. (present post) Director (Audit & Supervisory Committee Member) of the Company (present post) Representative Partner at Seiwa Audit Corporation (present post)	*4	—
Total							433,584

Notes 1: The Company transitioned to a company with an Audit & Supervisory Committee as of March 25, 2016 when a resolution to change the Articles of Incorporation was passed at the Annual General Meeting of Shareholders held on this same day.

Notes 2: Directors Kouji Sasaki, Masataka Uesugi and Hideyuki Totani are Outside Director, as defined in Item 15 of Article 2 of the Companies Act.

Notes 3: The term of office for Directors who are not Audit & Supervisory Committee Members is until the conclusion of the Annual General Meeting of Shareholders for the year to December 2017.

Notes 4: The term of office for Directors who are Audit & Supervisory Committee Members is until the conclusion of the Annual General Meeting of Shareholders for the year to December 2017.

Notes 5: The Audit & Supervisory Committee is comprised of the following members: Chair Kouji Sasaki, Member Masataka Uesugi and Member Hideyuki Totani

Notes 6: The number of shares held by Representative Director Kazuki Sakamaki shows the effective number of shares held, including those in the Directors shareholders association of Fullcast Holdings Co., Ltd.

6. Corporate governance

(1) Corporate governance

1) Corporate governance systems

A. Overview of corporate governance systems

Our Group considers the basic principles and aims of corporate governance to ensure transparent management for all concerned parties including shareholders as well as to improve the efficiency of management in order to realize the "sustained improvement of corporate value."

The following is an overview of corporate structures

a) Board of Directors Meeting

It is our policy for the composition of the Board of Directors to include multiple Outside Directors (two or more) and to report all Outside Directors as Independent Directors as stipulated by the Tokyo Stock Exchange.

As of March 27, 2017, the Board was comprised of 4 Directors (excluding Directors who are Audit & Supervisory Committee Members) and 3 Directors who are Audit & Supervisory Committee Members (3 of whom are Outside Directors) for a total of 7 members (7 males and no female). The Board of Directors ensures transparent management and makes decisions on matters of importance for management, such as supervision of execution of overall management of Our Group, decisions on Group optimization strategies that are vital to Group management, and responses to common challenges facing our Group.

b) Audit & Supervisory Committee

The Audit & Supervisory Committee consists of 3 Outside Directors who are independent and Audit & Supervisory Committee Members (3 males and no female) and discusses, deliberates and makes decisions on important matters concerning audits. The Audit & Supervisory Committee also works to establish ties in which it can receive timely reports from Accounting Auditors.

c) General Manager of the Personnel and Legal Department

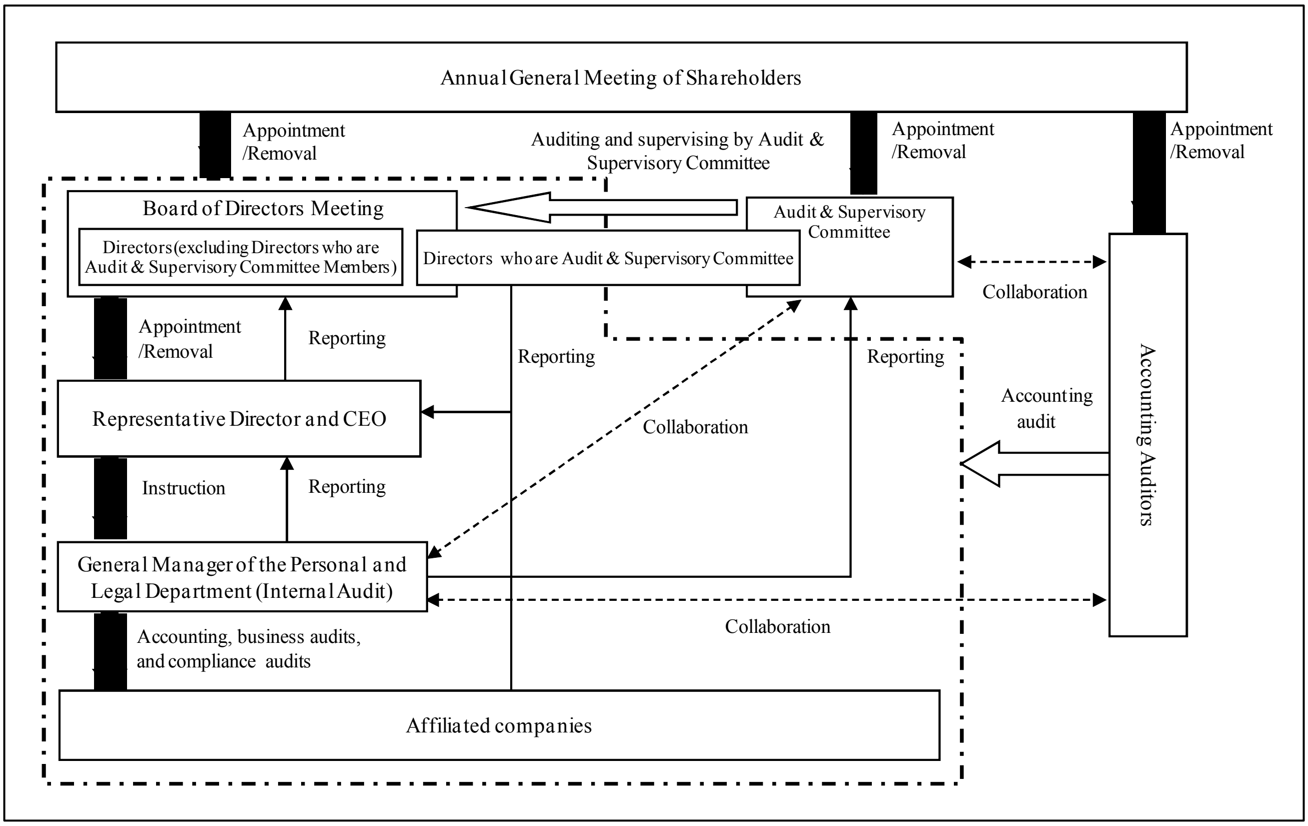
The General Manager of the Personnel and Legal Department works to promote a climate of compliance awareness, which is a prerequisite for company management, throughout the entire group of companies, and to promote compliance with social and in-house rules.

In addition, evaluation for improvement, maintenance and validity of the internal control systems and guidelines related to financial reporting, and internal auditing work including information security system organization are used to improve the corporate value of our Group.

d) Accounting Auditors

As an auditing company in charge of accounting audits, we have entered into contracts with PricewaterhouseCoopers Aarata LLC. for audits based upon the Financial Instruments and Exchange Act and the Companies Act. In addition to regular audits, we also receive confirmation on issues regarding accounting and internal control as required, and endeavor to ensure that our accounting practices and internal control systems are adequate.

(Pattern diagram of the Company's corporate governance systems)



B. Reasons for corporate governance systems adoption

Fullcast Holdings Co., Ltd. transitioned from a company with a Board of Corporate Auditors to a company with an Audit & Supervisory Committee after a resolution to make changes to the Articles of Incorporation including the transition to a company with an Audit & Supervisory Committee was passed at the 23rd General Meeting of Shareholders held on March 25, 2016.

As of March 27, 2017, Fullcast Holdings Co., Ltd. is a company with a Board of Directors Meeting, which is comprised of 7 Directors, including 4 Directors (excluding those who are Audit & Supervisory Committee Members) and 3 Directors who are Audit & Supervisory Committee Members, and also a company with an Audit & Supervisory Committee, which is comprised of 3 Directors who are Audit & Supervisory Committee Members.

To achieve the aforementioned basic principles and goals of corporate governance, we have chosen Outside Directors to serve as three of our seven directors, and in so doing we aim to strengthen the supervisory function of overall enforcement from an external perspective.

Regarding Directors who are Audit & Supervisory Committee Members, by appointing all 3 as Outside Auditors (one of them being a fulltime Audit & Supervisory Committee Memeber), we perform effective and appropriate oversight of business execution by Directors, and have put in place a system that ensures objectivity and neutrality.

We believe that these systems allow our corporate governance to function properly.

C. Internal control systems

a) The following measures shall be taken in order to ensure a system of preventive measures regarding risk, compliance with laws and ordinances, and risk management (hereinafter, Risk Management System) at the Board of Directors Meeting.

i. For matters that can affect our entire company – such as important non-customary transactions, important accounting estimates, transactions with companies and Directors, and important transactions with subsidiaries – decisions must be made by the Board of Directors.

ii. The Chief Executive Officer (hereinafter, CEO) regularly reports to the Board of Directors about efforts being made for the Risk Management System and business process improvement. When serious problems arise, they are reported immediately to the Board of Directors Meeting.

b) The following measures shall be taken to ensure the Risk Management System is maintained in the performance of duties by Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees (the same "Risk Management System" detailed in "a)")
   i. The CEO shall be placed as chief of risk management and the General Manager of the Personnel and Legal Department as the chief of risk management practices. Risk managers in charge of each Group company shall be placed within the Company, while the General Manager of the Personnel and Legal Department, under the direction of the CEO, will supervise practices of "ii" through "vii."
   ii. Put in place administrative authority regulations, and work to establish internal control systems that will prevent authority from being centralized in specific people.
   iii. Establish a Risk Management System based on these regulations in accordance with basic risk management regulations.
   iv. Create standards for important information that must be reported immediately to the Board of Directors and disclosure standards, to carry out timely disclosure of issues of noncompliance, risks and other important information.
   v. Provide specific training for Directors (excluding Directors who are Audit & Supervisory Committee Members), managerial employees and regular employees. In cases where relevant laws have been enacted or revised, or where major scandals or accidents have arisen in the Group or other companies, we quickly provide any necessary guidance.
   vi. With the rigorous Risk Management System in business management and internal auditing being conducted, through the risk managers placed within the Company who are in charge of each Group company, every effort shall be made to ensure thorough Risk Management System at each Group company.
   vii. In transactions throughout all of our businesses, processes established by financial statements, and business accounting systems, we check all events for the possibility of misstatements or mistakes, and streamline systems to ensure that no fraudulent actions are taken during the course of our business. Also, when and where necessary, we set up lateral organizations for the specific purpose of streamlining various processes.

c) The following measures shall be taken to put in place systems for storing and managing information.
   i. The General Manager of the Personnel and Legal Department will instruct Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees to appropriately store and manage documents based on document management rules.
   ii. The General Manager of the Personnel and Legal Department shall store and manage materials relating to the following documents (including electromagnetic records) for at least ten years:
      (i) Minutes from Annual General Meeting of Shareholders
      (ii) Minutes from Board of Directors Meeting
      (iii) Financial documents
      (iv) Other documents determined by the Board of Directors Meeting
   iii. Directors (excluding Directors who are Audit & Supervisory Committee Members) and Audit & Supervisory Committee Members can always review documents in "ii" above.

d) The following measures shall be taken to ensure the efficient execution of duties of Directors of Fullcast Holdings Co., Ltd. and the Fullcast Group.
   i. At the beginning of initial Board of Directors Meeting in each term, Directors shall develop a business plan toward achieving the common goals of all employees. Directors shall regularly review the results with the Board of Directors.
   ii. As a foundation for systems to ensure that work is being executed efficiently by Directors, the Board of Directors Meeting shall in principle be held at regular one-month intervals, and extraordinary sessions shall also be held whenever necessary.
   iii. Regarding execution of work based upon decisions made at Board of Directors Meetings, organizational rules, division of duties regulations, and administrative authority regulations, their responsibilities and execution procedures shall be decided.

e) The following measures shall be taken in order to develop a system for ensuring proper operations in the business group.
   i. The Company shall draw up a Fullcast Group Employee Code of Conduct for all Group companies, and work to gain compliance by all employees. As well as making ensuring compliance by the whole company, the Board of Directors at Group companies will also lead by example by acting based on this code of conduct.
   ii. Where they have discovered serious legal violations by Group companies or other important facts concerning risk have been discovered, Directors and employees at Group companies must report to the General Manager of the Personnel and Legal Department, who shall in turn report them to the CEO. Under the direction of the CEO, the General Manager of the Personnel and Legal Department will conduct and supervise an audit of the reported facts, and where deemed necessary will decide upon appropriate countermeasures. Also, where necessary, the CEO shall report matters to the Board of Directors, and the General Manager of the Personnel and Legal Department shall report it to the Audit & Supervisory Committee.
   iii. The General Manager of the Personnel and Legal Department will instruct the Group companies to put in place appropriate internal control systems.

f) The following measures shall be taken to develop a system for ensuring the effectiveness of audits carried out by Aduit & Supervisory Committee.
   i. Where a request is made by an Audit & Supervisory Committee Member for an employee to be allocated to assist in their work, the Company's employees shall be assigned to provide them with assistance. Audit & Supervisory Committee Member's assistants shall not be subject to the direction of Directors (excluding those who are Audit & Supervisory Committee Members), and Audit & Supervisory Committee Members shall conduct their performance reviews. Consent must be gained from the Audit & Supervisory Committee to transfer or reprimand those employees assisting them.
   ii. Audit & Supervisory Committee Member's assistants shall not jointly take on posts that involve execution of work.
   iii. Where Directors (excluding those who are Audit & Supervisory Committee Members) or employees of Fullcast Holdings Co., Ltd. or the Fullcast Group have discovered facts about legal violations or matters that may cause significant damage to the Company, they must promptly report these facts to an Audit & Supervisory Committee Member. Directors (excluding those who are Audit & Supervisory Committee Members) or employees of Fullcast Holdings Co., Ltd. or the Fullcast Group who report these matters shall be kept anonymous and persons who report these matters will not treated unfairly because they reported these matters.

iv. A whistleblower hotline will be set up outside the Company. Persons who use the whistleblower system will be kept anonymous and these individuals will not be treated unfairly because they used the whistleblower system. In addition, a system will be put in place to report information submitted to the whistleblower hotline outside the Company to the General Manager of the Personnel and Legal Department and Full-time Audit & Supervisory Committee Member.

v. Directors (excluding those who are Audit & Supervisory Committee Members) or employees of Fullcast Holdings Co., Ltd. or the Fullcast Group must report immediately to an Audit & Supervisory Committee Member if requested by an Audit & Supervisory Committee Member to report matters concerning the execution of business.

vi. Audit & Supervisory Committee Members can attend the Board of Directors Meetings of subsidiaries and other meetings deemed necessary for audit purposes by and Audit & Supervisory Committee Member. In addition, Audit & Supervisory Committee Members can browse documents they determine as necessary for audit purposes.

vii. Audit & Supervisory Committee Members shall work closely with the Accounting Auditor and Internal Audit Departments and can receive advice from outside experts such as an attorney, when necessary.

viii. When an Audit & Supervisory Committee Member requests the prepayment of expenses for carrying out their duties, the Company shall pay such costs or obligations immediately, excluding instances where deliberations with the department in charge determine that the costs or obligations related to the request are not necessary for the execution of the Auditor & Supervisory Committee Member's duties.

g) The following measures shall be taken to develop a basic concept toward eliminating anti-social forces and to ensure its effectiveness.

i. The Company and Group companies shall act in accordance with the Fullcast Group Employee Code of Conduct, sever relations with anti-social forces, and not conduct any transactions with such forces.

ii. Information on anti-social forces shall be collected in-house, managed as well as used with information from external specialized agencies, which is in turn are used to determine whether or not the counterpart is anti-social.

iii. Unreasonable requests from anti-social forces shall be firmly rejected. Furthermore, the unreasonable demands shall be handled with a firm stance as an organization.

iv. Links with external specialized agencies shall be built in order to provide access to cooperation and appropriate advice on elimination of anti-social forces.

D. IR, other activities

The Company considers endeavors to ensure highly transparent management and timely and appropriate disclosure of corporate information to be of vital importance in gaining understanding and trust for our management.

The Company considers shareholders to be an important class of stakeholder and dates for shareholder related meetings, such as the Annual General Meeting of Shareholders are set at times that are conduct to enhancing constructive dialogue with shareholders and to providing information that is accurate to achieve this dialogue.

The Company holds briefings for institutional investors and analysts two times per year in order to promote constructive dialogue with investors within a reasonable scope outside of General Meetings of Shareholders from the perspective of contributing to sustainable growth and the medium- to long-term improvement of corporate value. The President, Representative Director and CEO attend all briefings where he endeavors to engage in proactive dialogue with participants.

Furthermore, the Company has established a system for disclosing information equally to investors in Japan and overseas through its website.

The Company, through its initiatives, endeavors to be the most accountable company in the industry, and promotes discussions on corporate governance and important management policies with major shareholders, who have an investment policy to realize returns over the medium to long term.

2) Internal Audits and audits by Audit & Supervisory Committee

A. Internal Audits

Internal Audits are conducted based on internal audit regulations.

Regarding internal audit regulations, the functions of Internal Audits are to properly understand the company's property and operations from the standpoint of management analysis, and to contribute to the streamlining of management and increasing of its efficiency, and also to achieve effective communication and coordination in all of its operations. The General Manager of the Personnel and Legal Department is responsible for audits.

B. Audits by Audit & Supervisory Committee

All three Audit & Supervisory Committee Members on our Audit & Supervisory Committee are Outside Directors who are independent. Outside Directors who are Audit & Supervisory Committee Members include a tax accountant and a lawyer. As well as conducting audits from various expert standpoints, based upon standards for audits etc. by the Audit & Supervisory Committee, they also audit execution of work by Directors, and state their opinions on matters such as appropriate operations and streamlining of operations.

3) Outside Directors

A. Overview of Outside Directors' personal relationships, capital relationships and other concerns over business relationships

The shareholdings of our Company by our three Outside Directors are outlined below.

(As of Mar. 27, 2017)

Position in the Company	Name	Number of shares held
Full-time Audit & Supervisory Committee Members	Kouji Sasaki	9,600
Audit & Supervisory Committee Members	Masataka Uesugi	—
Audit & Supervisory Committee Members	Hideyuki Totani	—

Hideyuki Totani has a concurrent post at F-PLAIN Corporation which is a consolidated subsidiary of the company.

There is no special conflict of interest between the Company and the other important concurrent offices of the Company's Outside Directors.

B. Attitudes towards functions, roles and appointment of Outside Directors

In appointing Outside Directors, we select them based on the following thinking.

(Outside Directors)

- Outside Directors are selected from those who are judged to be qualified as having rich experience and special knowledge in governance, and indicating objectivity towards management, from the perspective of enhancing supervisory functions for overall execution of work and ensuring transparency of management.
- In order to meet the objectives of appointing Outside Directors, their independence is objectively judged in appointing new Outside Directors, in accordance with the judgment criteria for independence of Independent Directors stipulated by the Tokyo Stock Exchange, Inc. and the Standards for Independence of Outside Directors created by the Company.
- When a corporate manager becomes an Outside Director, conflict of interest may arise in business

transactions with the Director's own company. Conflict of interest in individual cases shall be appropriately dealt with in the procedures of the Board of Directors.

(Reference) Standards for Independence of Outside Directors

The Company has stipulated the following standards for determining the independence of the Company's Outside Directors as part of its efforts to strengthen corporate governance.

Conditions of Independence for Independent Officers

The Company's independent officers are Outside Directors as stipulated in the Companies Act and Ordinance for Enforcement of the Companies Act and they are persons who satisfy the following conditions, in addition to the conditions for independence set forth by financial instrument exchanges in Japan, including the Tokyo Stock Exchange.

1. Persons who do not fall into any of the following categories
   - (1) A Director who is not an executor of business or executor of business of the Company's parent company;
   - (2) An executor of business of the Company's sister company;
   - (3) A organization for whom Company or the Company's subsidiaries (hereinafter, "the Group") is the major customer or a person who executes the business of that major customer;
   - (4) A major customer of the Group a person who executes the business of that major customer;
   - (5) A consultant, accounting expert or legal expert who, in addition to Director's remuneration receives money exceeding a certain amount or other assets from the Group (or an organization that receives the said assets or person who belongs to the said organization)
   - (6) A person who fell into any of the categories described in (1) to (5) above in the last one year;
   - (7) A relative of a person (excluding unimportant persons) who falls into any of the following categories (i) to (iii) within the second degree of the relationship:
     - (i) A person who falls into any of the above categories (1) to (6);
     - (ii) An executor of business for a subsidiary of the Company;
     - (iii) A person who falls into (ii) or was an executor of business for the Company in the last year
2. Individuals who do not have other circumstances that prevents them from fulfilling their duties as independent officer.
3. Even when 1 or 2 above applies, an individual can still be appointed as independent officer if it is determined they effectively possess independence and the reason is explained and disclosed at the time of their appointment as outside officer.

Notes 1: An "executor of business" means a Director in charge of business execution, an executive officer, or an employee.

Notes 2: A "major customer" means a company whose payments or receivables account for over 2% of annual consolidated sales of the Group within most recent business year.

Notes 3: "In addition to Director's remuneration receives money exceeding a certain amount or other assets from the Group" means a person who received monetary proceeds of 10 million yen or more or interests with the equivalent value from the Group, in addition to Director's remuneration, in the most recent business year.

Audit & Supervisory Committee Members Kouji Sasaki, Masataka Uesugi, and Hideyuki Totani, who are also Outside Directors, were appointed after being judged to be qualified as having rich experience in governance and specialist knowledge, and indicating objectivity towards management, from the perspective of enhancing supervisory functions for the overall execution of work and ensuring transparency of management. The Company has appointed them as an independent officers (which refers to Outside Directors and Outside Auditors for whom there is no risk of conflict of interest with general shareholders), which the Tokyo Stock Exchange stipulates as a “matter to be observed” under the Corporate Code of Conduct. The Company has also notified the stock exchange of their appointment.

Koji Sasaki maintains the qualification of professional tax accountant, Masataka Uesugi as attorney-at-law, and Hideyuki Totani as certified public accountant.

C. Overview of contracts signed with Outside Directors who are Audit & Supervisory Committee Members, as stipulated in Paragraph 1 of Article 427 of the Companies Act

Based on Item 1 of Article 427 of the Companies Act, the Company and our Outside Directors who are Audit & Supervisory Committee Members have signed a limited liability contract concerning liability for damages under Item 1 of Article 423 of the Companies Act. Based upon this contract, where work has been performed in good faith and without gross negligence, the maximum amount of damages that the Company is liable for is the total minimum liability stipulated in Item 1 of Article 425 of the Companies Act.

D. Supervision and audits by Outside Directors who are Audit & Supervisory Committee Members, mutual cooperation with audits by internal, Audit & Supervisory Committee, and accounting audits, and relationships between the internal control department and those members

In the Board of Directors Meetings, Outside Directors who are Audit & Supervisory Committee Members provide necessary comments for resolutions and discussions as required, and state opinions on resolutions and discussions as the need arises, from the perspective of decision-making processes used in execution of duties by Directors (excluding Audit & Supervisory Committee Members) and in corporate resolutions are appropriate.

Audit & Supervisory Committee Members and the Internal Audit Department work towards mutual cooperation through formulation of audit plans and reporting on outcomes of internal audits. At the Audit & Supervisory Committee meetings, audit plans and detailed explanations on audit plans are carried out in a timely manner by PricewaterhouseCoopers Aarata LLC., the Company’s Accounting Auditor.

The internal control department (the Personnel and Legal Department) summarizes findings from effectiveness assessments on the state of operation and maintenance of internal controls. The President, Representative Director and CEO then report the summarized findings to the Board of Directors Meetings, the Audit & Supervisory Committee and Accounting Auditor as required in a timely manner. Even in cases where there dishonest actions have been committed by people with roles that are crucial for internal control as part of financial reporting, or where major changes have been made in internal control, they still report to the Board of Directors Meeting, the Audit & Supervisory Committee and Accounting Auditors as required in a timely manner.

4) Directors' and Auditors' remuneration

A. Total amount of remuneration by officer classification, total amount by type of remuneration, and number of officers covered, for submitting companies

Classification	Total amount of remuneration (million yen)	Total amount by type of remuneration (million yen)				Number of officers covered
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Directors (excluding Outside Directors)	67	67	–	–	–	3
Directors (Audit & Supervisory Committee Members) (excluding Outside Directors)	–	–	–	–	–	–
Auditors (excluding Outside Auditors)	–	–	–	–	–	–
Outside officers	18	18	–	–	–	7

Note: As of March 25, 2016, the Company has moved from a company with a Board of Corporate Auditors to a Company with Audit & Supervisory Committee.

B. Total amount of consolidated remuneration for each officer of submitting companies

Not listed, as there is no one for whom the total amount of consolidated remuneration exceeds 100 million yen.

C. Important items among employee bonuses for people working jointly as employees and officers

There are no relevant matters.

D. Policy concerning decisions on officer remuneration amounts

It is stated in the Articles of Incorporation that officers' remuneration is stipulated based upon decisions made at the Annual General Meeting of Shareholders.

The Company decides on the amount of remuneration for executive officers once each year, and in particular for the President, Representative Director and CEO these amounts reflect both the degree of responsibility and results in business performance, and must be within the range of remuneration limits determined at the General Meeting of Shareholders.

The remuneration of Directors (excluding those who are Audit & Supervisory Committee Members) is determined individually based on deliberations at the Board of Directors Meetings, which is included three Audit & Supervisory Committee Members and Independent Outside Directors, in order to ensure transparency. The remuneration of Directors who are Audit & Supervisory Committee Members is determined individually based on deliberations by the Audit & Supervisory Committee.

The limit on remuneration determined at the 23rd General Meeting of Shareholders held on March 25, 2016 is less than 200 million yen annually for Directors (excluding Directors who are Audit & Supervisory Committee Members) and less than 50 million yen annually for Directors who are Audit & Supervisory Committee Members.

In addition, at the 24th General Meeting of Shareholders held on March 24, 2017, discussions were held and approval granted regarding the issuance of stock acquisition rights as part of stock compensation-type stock options to be granted to the Company's Directors (excluding Directors who are Audit & Supervisory Commitee Members) in order to further enhance linkages between Director remuneration and the Company's performance and shareholder interests. Details of this system can be found in "Part5: Financial Condition 1.Consolidated Finance Statements (1) Consolidated Financial Statements (Major Subsequent Events)."

5) Possession of shares

The following shows the status of Fullcast Holdings Co., Ltd., which is the company with the highest balance sheet amount for investment shares among the Company and its consolidated subsidiaries (highest holding company).

A. Investment shares that are held for purposes other than net investment purposes

Number of different stocks: 5

Total value recorded in balance sheets: 36 million yen

B. Stocks, holding type, number of shares, balance sheet amount and holding purpose of investment shares not held for net investment purposes

(Previous fiscal year)

Special Stocks

Stock	Number of shares	Amount recorded in balance sheets (million yen)	Purpose held for
Saint Care Holding Corporation	12,000	15	For maintaining and strengthening relations

(Current fiscal year)

Special Stocks

Stock	Number of shares	Amount recorded in balance sheets (million yen)	Purpose held for
Saint Care Holding Corporation	12,000	20	For maintaining and strengthening relations

C. Investment shares held for net investment purposes

There are no relevant matters.

The following shows the status of Fullcast Advance Co., Ltd., which is the next largest company shares recorded in the balance sheet as investment stocks (booked amount of investment stocks) after the largest held by the Company and its consolidated subsidiaries.

A. Investment shares that are held for purposes other than net investment purposes

Number of different stocks: 3

Total value recorded in balance sheets: 30 million yen

B. Stocks, holding type, number of shares, balance sheet amount and holding purpose of investment shares not held for net investment purposes

(Previous fiscal year)

Special Stocks

Stock	Number of shares	Amount recorded in balance sheets (million yen)	Purpose held for
LIFE CORPORATION	4,433	13	For maintaining and strengthening relations
MARUI GROUP Co., Ltd.	2,741	5	For maintaining and strengthening relations

(Current fiscal year)

Special Stocks

Stock	Number of shares	Amount recorded in balance sheets (million yen)	Purpose held for
LIFE CORPORATION	4,528	15	For maintaining and strengthening relations
MARUI GROUP Co., Ltd.	2,741	5	For maintaining and strengthening relations

C. Investment shares held for net investment purposes

There are no relevant matters.

6) Accounting Audits

A. Names of certified public accountants who performed accounting audits for the company, and names of auditing companies to which they belong

Takayuki Ikenoue (PricewaterhouseCoopers Aarata LLC.)

He has been continuously involved with us for two years.

B. Audit assistants

Certified public accountants: 8

Other: 7

7) Resolution matters for Annual General Meeting of Shareholders that can be decided upon at the Board of Directors Meetings

In the articles of incorporation, it is stipulated that the Company may decide on the following matters at Board of Directors Meetings, regardless of decisions made at annual general meeting of shareholders.

A. It may acquire of treasury stock

To be able to improve capital efficiency and increase returns to shareholders

B. It may pay dividends from retained earnings

To be able to implement flexible capital policy and dividend policy

C. It may pay interim dividends

To be able to implement flexible capital policy and dividend policy

D. According to decisions made by the Board of Directors Meeting, it may be exempt from liability for damages, to the limit of the law, for Directors and Audit & Supervisory Committee Members (including former Directors, former Audit & Supervisory Committee Members, and Audit & Supervisory Board Member) resulting from negligence of duty

To be able to adequately conduct the roles that are expected to be performed in normal course of business.

8) Number of Directors

It is stipulated in the articles of incorporation that there are to be no more than 10 Directors (excluding Directors who are Audit & Supervisory Committee Members) and no more than 4 Directors who are Audit & Supervisory Committee members at the Company.

9) Decision requirements for appointment of Directors

Regarding decisions to appoint Directors, it is stipulated in the articles of incorporation that shareholders with at least 1/3 of shareholders' voting rights, and who can exercise voting rights, must be present, and that the Company requires the majority of these voting rights to be exercised.

Regarding appointments of Directors through cumulative voting, it is stipulated in the articles of incorporation that voting must not be done through cumulative voting.

10) Special decision requirements for Annual General Meeting of Shareholders

Our Company endeavors to smoothly conduct the Annual General Meeting of Shareholders, and regarding special decision requirements for Annual General Meeting of Shareholders as stipulated in Item 2 of Article 309 of the Companies Act, it is stipulated in the articles of incorporation that shareholders with at least 1/3 of shareholders' voting rights and who can exercise voting rights, must be present, and that the Company requires 2/3 of these voting rights to act.

(2) Details of audit remuneration and other information

1) Details of remuneration for audit-certified public accountants and other information

Classification	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration based on audit certification work (million yen)	Remuneration based on non-auditing work (million yen)	Remuneration based on audit certification work (million yen)	Remuneration based on non-auditing work (million yen)
Submitting companies	22	—	21	—
Consolidated subsidiaries	—	—	—	—
Total	22	—	21	—

2) Details of other significant remuneration

There are no relevant matters.

3) Details of non-auditing work for submitting companies by audit-certified accountants, etc

There are no relevant matters.

4) Policy for determining audit remuneration

At our Company, we determine audit remuneration after giving consideration of factors such as audit-certified accountants' audit plans, audit contents and audit days.

Part 5: Financial conditions

1. Regarding preparation methods for consolidated and non-consolidated financial statements

(1) The Company's consolidated financial statements are prepared based on "Regulations for Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Minister of Finance Decree No. 28, 1976).

(2) The Company's financial statements are prepared based on "Regulations for Terminology, Forms and Preparation of Financial Statements" (Minister of Finance Decree No. 59, 1963, hereinafter referred to as the "Regulations for Financial Statements.").

The Company falls under the companies submitting special consolidated financial statements, and prepares financial statements in accordance with the provisions of the Article 127 of the Regulations for Financial Statements.

2. Regarding audit certification

Based on Item 2, Paragraph 1 of Article 193 of the Financial Instruments and Exchange Act, the Company underwent audits from PricewaterhouseCoopers Aarata LLC. for consolidated financial statements of the current consolidated fiscal year (from January 1, 2016 to December 31, 2016) and for financial statements of the current fiscal year (from January 1, 2016 to December 31, 2016).

Additionally, PricewaterhouseCoopers Aarata, the accounting audit firm which the Company has obtained audit certification form, changed the class of aduit firm therefore renamed to PricewaterhouseCoopers Aarata LLC. effective July 1, 2016.

3. Regarding special initiatives for ensuring the adequacy of consolidated financial statements

The Company engages in special initiatives for ensuring the adequacy of consolidated financial statements. Specifically, we have joined the Financial Accounting Standards Foundation to properly understand the details of accounting standards, and to respond appropriately to changes in these. Furthermore, we have put in place systems for receiving information from companies specializing in disclosure on both a regular and occasional basis.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

(million yen)

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
ASSETS		
Current assets		
Cash and deposits	6,406	6,963
Notes and accounts receivable-trade	2,912	3,107
Merchandise	5	5
Supplies	13	10
Deferred tax assets	463	332
Other	412	476
Allowance for doubtful accounts	(19)	(17)
Total current assets	10,191	10,875
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	303	*3 550
Accumulated depreciation and impairment loss	(196)	(204)
Buildings and structures, net	107	346
Machinery, equipment and vehicles	5	8
Accumulated depreciation and impairment loss	(5)	(6)
Machinery, equipment and vehicles, net	1	2
Tools, furniture and fixtures	629	654
Accumulated depreciation and impairment loss	(369)	(445)
Tools, furniture and fixtures, net	260	209
Land	-	*3 257
Construction in progress	10	32
Total property, plant and equipment	377	846
Intangible assets		
Software	338	333
Other	22	22
Total intangible assets	359	354
Investments and other assets		
Investment securities	*1 351	*1 644
Guarantee deposits	288	308
Deferred tax assets	2	191
Other	88	58
Allowance for doubtful accounts	(33)	(6)
Total investments and other assets	695	1,196
Total noncurrent assets	1,431	2,396
Total assets	11,622	13,272

(million yen)

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	5	8
Short-term loans payable	*2 1,000	*2 1,008
Current portion of long-term loans payable	-	*3 5
Accounts payable-other	607	589
Accrued expenses	738	799
Income taxes payable	505	194
Accrued consumption taxes	583	585
Other	174	240
Total current liabilities	3,611	3,428
Noncurrent liabilities		
Long-term loans payable	-	*3 72
Net defined benefit liability	422	432
Asset retirement obligations	38	48
Deferred tax liabilities	7	6
Other	14	15
Total noncurrent liabilities	482	572
Total liabilities	4,093	4,000
NET ASSETS		
Shareholders' equity		
Capital stock	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	2,727	4,488
Treasury stock	-	(100)
Total shareholders' equity	7,513	9,174
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17	27
Total accumulated other comprehensive income	17	27
Non-controlling interests	-	71
Total net assets	7,530	9,272
Total liabilities and net assets	11,622	13,272

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

(Consolidated Profit and Loss Statement)

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Net sales	22,618	25,340
Cost of sales	14,363	16,083
Gross profit	8,256	9,258
Selling, general and administrative expenses		
Salaries and bonuses	1,859	1,967
Other salaries	920	1,031
Legal welfare expenses	407	433
Retirement benefit expenses	102	76
Communication expenses	187	194
Traveling and transportation expenses	270	289
Rents	524	552
Depreciation	220	265
Advertising expenses	39	68
Recruitment expense	397	470
Provision of allowance for doubtful accounts	6	3
Amortization of goodwill	-	14
Other	1,029	1,014
Total selling, general and administrative expenses	5,959	6,376
Operating income	2,297	2,882
Non-operating income		
Interest income	1	1
Dividends income	1	1
Share of profit of entities accounted for using equity method	-	160
Reversal of accounts payable	3	1
Insurance income	4	0
Other	10	11
Total non-operating income	20	174
Non-operating expenses		
Interest expenses	8	7
Damage compensation expenses	3	4
Settlement package	8	9
Penalties	1	7
Levies for the employment of persons with disabilities	7	10
Share of loss entities accounted using equity method	110	-
Other	12	18
Total non-operating expenses	148	56
Ordinary income	2,168	3,001

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Extraordinary income		
Gain on sales of investment securities	48	-
Compensation income for expropriation	-	21
Other	*[1] 0	*[1] 4
Total extraordinary income	48	25
Extraordinary loss		
Loss on retirement of noncurrent assets	*[3] 6	*[3] 18
Office transfer expenses	-	12
Other	*[2] 0	*[2] 1
Total extraordinary losses	6	31
Income before income taxes	2,209	2,995
Income taxes-current	720	534
Income taxes-deferred	(276)	(66)
Total income taxes	445	468
Net income	1,765	2,527
Net income attributable to non-controlling interests	-	(2)
Net income attributable to Fullcast Holdings Co., Ltd.	1,765	2,529

(Consolidated Statement of Comprehensive Income)

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Net income	1,765	2,527
Other comprehensive income		
Valuation difference on available-for-sale securities	6	4
Share of other comprehensive income of entities accounted for using equity method	5	6
Total other comprehensive income	* 11	* 10
Comprehensive income	1,776	2,537
Comprehensive income attributable to		
Comprehensive income attributable to Fullcast Holdings Co., Ltd.	1,776	2,539
Comprehensive income attributable to non-controlling interests	-	(2)

3) Consolidated Statements of Shareholders' Equity

Consolidated accounting period for the previous fiscal year (From January 1, 2015 to December 31, 2015)

(million yen)

	Shareholders' equity				Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at the beginning of current period	2,780	2,006	1,886	6,672	6	6	6,678
Changes of items during the period							
Dividend of Surplus			(924)	(924)			(924)
Net income attributable to Fullcast Holdings Co., Ltd.			1,765	1,765			1,765
Net changes of items other than shareholders' equity					11	11	11
Total changes of items during the period	-	-	841	841	11	11	852
Balance at the end of current period	2,780	2,006	2,727	7,513	17	17	7,530

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

(million yen)

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

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

4) Consolidated Cash Flows Statement

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,209	2,995
Depreciation	224	272
Amortization of goodwill	-	14
Increase (decrease) in allowance for doubtful accounts	(7)	(30)
Increase (decrease) in net defined benefit liability	63	10
Interest and dividends income	(2)	(2)
Interest expense	8	7
Compensation income for expropriation	-	(21)
Loss (gain) on sales of investment securities	(48)	-
Share of (profit) loss of entities accounted for using equity method	110	(160)
Loss on retirement of noncurrent assets	2	18
Office transfer expenses	-	12
Decrease (increase) in notes and accounts receivable-trade	(323)	(162)
Decrease (increase) in inventories	3	3
Increase (decrease) in notes and accounts payable-trade	58	9
Decrease (increase) in accounts receivable-other	(14)	(32)
Increase (decrease) in accrued expenses	82	57
Increase (decrease) in accrued consumption taxes	(105)	2
Other, net	(71)	27
Subtotal	2,189	3,020
Interest and dividends income received	2	2
Interest expenses paid	(8)	(8)
Income taxes paid	(845)	(1,052)
Income taxes refund	0	198
Net cash provided by (used in) operating activities	1,339	2,160
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(250)	(338)
Purchase of intangible assets	(113)	(164)
Purchase of investment securities	(0)	(122)
Proceeds from sales of investment securities	67	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*[2] (160)
Other, net	0	49
Net cash provided by (used in) investing activities	(296)	(735)
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	-	(1)
Purchase of treasury stock	-	(100)
Cash dividends paid	(921)	(767)
Net cash provided by (used in) financing activities	(921)	(868)
Net increase (decrease) in cash and cash equivalents	122	557
Cash and cash equivalents at beginning of period	6,284	6,406
Cash and cash equivalents at end of period	*[1] 6,406	*[1] 6,963

Notes on Consolidated Financial Statements

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

1. Matters concerning the scope of consolidation

Details of all consolidated subsidiaries

Consolidated subsidiaries: 8

Name of the consolidated subsidiaries:

Fullcast Co., Ltd., Top Spot Co., Ltd., Fullcast Advance Co., Ltd., Fullcast Business Support Co., Ltd., OtetsudaiNetworks Inc., Work & Smile Co., Ltd., Dimension Pockets Co., Ltd., Fullcast Senior Works Co., Ltd.

Work & Smile Co., Ltd. and Fullcast Senior Works Co., Ltd. were newly established in the current fiscal year, and therefore are included in the scope of consolidation. The Company acquired shares of Dimension Pockets Co., Ltd. in the current fiscal year, and therefore, it, too, is included in the scope of consolidation.

2. Matters concerning the application of the equity accounting method

(1) Affiliates accounted for by the equity method: 2

F-PLAIN Corporation, Beat Co., Ltd.

The Company acquired shares of Beat Co., Ltd. in the current fiscal year, and therefore, it is included in the scope of companies accounted for by equity method.

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

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

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

Of the Company's consolidated subsidiaries, the account fiscal year end of Dimension Pockets Co., Ltd. is January 31.

Consolidated financial statements were prepared based on a provisional settlement conducted on the consolidated account fiscal year end. The final day of the business year of other consolidated subsidiaries all match the consolidated account settlement date.

4. Matters related to accounting policies

(1) Valuation rules and methods for significant assets

1) Securities

Other securities

With fair market value

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

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

Without fair market value

Stated at cost, as determined by the moving average method

2) Inventories

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

Products and supplies

First-in first-out method

(2) Depreciation methods of significant depreciable assets

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

Declining balance method

However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding Facilities attached to buildings) as well as Facilities attached to buildings structures acquired on or after April 1, 2016.

The main service life is as follows.

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

2) Intangible assets (excluding lease assets)

Straight-line method

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

3) Lease assets

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

(3) Standards for major allowances

Allowance for doubtful accounts

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

(4) Accounting treatment methods for retirement benefits

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

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

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

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

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

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

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

(5) Amortization method and period for goodwill

Goodwill is amortized by over the period during which the influence of the goodwill shall apply. However, if the monetary amount is small, goodwill is amortized all at once when it occurs.

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

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

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

1) Accounting treatment of consumption tax, etc

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

2) Application of the consolidated tax payment system

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

(Change in Accounting Policy)

(Adoption of Accounting Standard for Business Combinations, etc)

Accounting Standard for Business Combinations (ASBJ Accounting Standard No. 21, September 13, 2013, hereafter refer as “Accounting Standard for Business Combinaitions”),Accounting Standard for Consolidated Financial Statements (ASBJ Accounting Standard No. 22, September 13, 2013, hereafter refer as “Accounting Standard for Consolidated Financial Statements”), and Accounting Standard for Business Divestitures (ASBJ Accounting Standard No. 7, September 13, 2013, hereafter refer as “Accounting Standard for Business Diverstitures”) were adopted from the current fiscal year, resulting in differences caused by changes in the Company’s equity in subsidiaries it has controlled for an ongoing period of time being booked as a capital surplus and acquisition related costs being expensed as costs incurred during the fiscal year. In addition, for business combinations executed after the first day of the current fiscal year, the revised purchase price allocation due to establishment of provisional accounting treatment was changed to a method whereby it is reflected in the consolidated financial statements of the fiscal year of the business combination execution date. Furthermore, changes have been made in the presentation of net income as well as the presentation of minority interests to non-controlling interests. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

The adoption of the Accounting Standard for Business Combinations begins on and after the first day of the current fiscal year following the transitional provisions prescribed in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

As a result, operating income, ordinary income and net income before taxes for the current fiscal year have each been decreased by 6 million yen respectively.

Cash flows related to cost for purchase of shares of subsidiary resulting in changes in the scope of consolidation appear in the “cash flow from operating activities” section of the consolidated statement of cash flows for the current fiscal year.

Also, the impacts on per share data also appear in this same section.

(Adoption of Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Change)

In conjunction with changes in the Corporation Tax Act, Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Change (ASBJ PITF No. 32, June 17, 2016) was adopted from the the current fiscal year, resulting in a change in the depreciation method for Facilities attached to buildings and Structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

The impact of this change on profit and loss for the year under review was immaterial.

(Accounting standards not applied)

・ Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Implementation Guidance No.26, March 28, 2016)

(1) Summary

With regards to the treatment of the recoverability of deferred tax assets, a necessary review was conducted on the following treatment following the mechanisms of the JICPA Auditing Standards Committee Report No. 66 “Audit Treatment for Determining the Recoverability of Deferred Tax Assets,” whereby companies are categorized according to five categories and deferred tax assets are calculated based on each of these categories.

i. Treatment of companies that do not fulfill either of the requirements for classification from Category 1 to Category 5

ii. Requirements for classification as Category 2 and Category 3

iii. Treatment of temporary differences in future temporary differences that cannot be scheduled for companies applicable to Category 2

iv. Treatment of concerning the reasonable estimable period of temporary differences in future pre-adjusted taxable income for companies applicable to Category 3

v. Treatment in cases where a company fulfilling the requirements of Category 4 is also applicable to Category 2 or Category 3

(2) Scheduled date of application

The application is scheduled to take place at the beginning of the fiscal year ending December 2017.

(3) Impact of the application of the accounting standard, other standards

The adoption of this accounting standard did not have any impact.

(Changes in presentation method)

(Consolidated Profit and Loss Statement Related)

In the previous fiscal year, “Penalties” and “Levies for employment of persons with disabilities” included in “Other” under “Non-operating expenses” exceeded one-tenth of the total of non-operated expenses, and as a result, they will be presented individually starting with the current fiscal year. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, “Other” under “Non-operating expenses” (19 million yen) in the consolidated financial statements for the previous fiscal year has been restated as “Penalties” 1 million yen, “Levies for employment of persons with disabilities” 7 million yen, and “Other” 12 million yen.

(Additional information)

(Application of consolidated tax payment system)

The Company and certain consolidated subsidiaries adopted the consolidated tax payment system from the current fiscal year.

(Notes on Consolidated Balance Sheet)

*1 The following figure reflect affiliated companies

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Investment securities (equities)	291 million yen	578 million yen

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

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Limit of overdraft account	2,600 million yen	5,500 million yen
Borrowing	1,000 million yen	1,000 million yen
Balance	1,600 million yen	4,500 million yen

*3 Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities Assets pledged as collateral are as follows:

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Buildings and structures	—	95 million yen
Land	—	22 million yen
Total	—	117 million yen

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Current portion of long-term loans payable	—	3 million yen
Long-term loans payable	—	46 million yen
Total	—	48 million yen

(Notes on Consolidated Income Statement)

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

	FY12/15 (From January 1,2015 to December 31, 2015)	FY12/16 (From January 1,2016 to December 31, 2016)
Tools, furniture and fixtures	0 million yen	0 million yen

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

	FY12/15 (From January 1,2015 to December 31, 2015)	FY12/16 (From January 1,2016 to December 31, 2016)
Tools, furniture and fixtures	0 million yen	1 million yen

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

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Buildings and structures	5 million yen	6 million yen
Tools, furniture and fixtures	1 million yen	1 million yen
Software	—	10 million yen
Other	—	0 million yen
Total	6 million yen	18 million yen

(Notes on Consolidated Statement of Comprehensive Income)

* Amount of modifications and tax effect in other comprehensive income

	FY12/15 (From January 1,2015 to December 31, 2015)	FY12/16 (From January 1,2016 to December 31, 2016)
Valuation difference on available-for-sale securities:		
Amount incurred during the current fiscal year	9 million yen	6 million yen
Reclassification adjustment	—	—
Before tax effect adjustment	9 million yen	6 million yen
Tax effect	(2) million yen	(1) million yen
Valuation difference on available-for-sale securities	6 million yen	4 million yen
Share of other comprehensive income of associates accounted for using equity method:		
Amount incurred in the current fiscal year	5 million yen	6 million yen
Amount of modification	—	—
Share of other comprehensive income of associates accounted for using equity method	5 million yen	6 million yen
Total other comprehensive income	11 million yen	10 million yen

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

Fiscal year ended December 2015 (January 1, 2015 to December 31, 2015)

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

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

2. Matters concerning stock acquisition rights

There are no relevant matters.

3. Matters concerning dividend

(1) Dividend payments

Resolution	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 13, 2015 Board of Directors Meeting	Common shares	616	16.00	December 31, 2014	March 13, 2015
Aug. 7, 2015 Board of Directors Meeting	Common shares	308	8.00	June 30, 2015	September 4, 2015

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

Resolution	Type of shares	Dividend resource	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb.12, 2016 Board of Directors Meeting	Common shares	Retained earnings	385	10.00	December 31, 2015	March 11, 2016

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

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

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

(Summary of reason for change)

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

2. Matters concerning stock acquisition rights

There are no relevant matters.

3. Matters concerning dividend

(1) Dividend payments

Resolution	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 12, 2016 Board of Directors Meeting	Common shares	385	10.00	December 31, 2015	March 11, 2016
Aug. 5, 2016 Board of Directors Meeting	Common shares	383	10.00	June 30, 2016	September 5, 2016

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

Resolution	Type of shares	Dividend source	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Feb. 10, 2017 Board of Directors Meeting	Common shares	Retained earnings	422	11.00	December 31, 2016	March 10, 2017

(Notes on Consolidated Cash Flows Statement)

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

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Cash and deposits	6,406 million yen	6,963 million yen
Cash and cash equivalents	6,406 million yen	6,963 million yen

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

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

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

(Notes regarding financial instruments)

Previous fiscal year (from January 1, 2015 to December 31, 2015)

1. Matters concerning the state of financial instruments

(1) Policy initiatives for financial instruments

The Group assumes bank loans for working capital. We also work to achieve proper fund management through effective use of our Group CMS (cash management service). Fund management is generally limited to highly secure deposits that are liquid. Regarding derivatives, it is our policy not to engage in speculative trading. In addition, investment securities are mainly the stocks of companies with which the Company has a business relationship and steps are taken to ascertain the market value of these securities on a regular basis.

(2) Details of financial instruments, and associated risks

Notes and accounts receivable-trade, which are operating receivables, are exposed to customer credit risks. Accounts payable and accrued expenses, which are operating debts, have due dates within one year. As for loans, the Company signed an agreement for overdraft with four banks to procure operating capital efficiently.

(3) Risk management systems for financial instruments

1) Management of credit risks (risks associated with contractual default by business partners)

Regarding credit risks for operating receivables, based on credit management regulations, as well as managing settlement dates and balances for each trading client engaged in core short-term human resources services such as Fullcast Co., Ltd., we are also working to quickly understand and lessen recovery risks resulting from worsening financial situations.

2) Management of market risks (risks from fluctuations in exchange rates and interest rates)

Loans are exposed to the risk of interest rate fluctuations, but fluctuations in interest rates will have a minimal impact on business performance because of the outstanding balance of the Company's loans.

3) Management of liquidity risks for fund procurement (risk of being unable to execute payments on due dates)

Our Company's finance department conducts daily deposit balance management for the Group, and also appropriately manages liquidity risks for each group company through CMS.

(4) Supplementary explanation about matters concerning market values of financial instruments

As well as values based on market prices, in cases where there is no market price, reasonably calculated values are included in market prices for financial instruments. Because variable factors are incorporated in calculating these values, they may vary when different assumptions are used.

2. Matters concerning market values for financial instruments

Consolidated balance sheet amounts, market prices, and the differences between these, as recorded on December 31, 2015 (the settlement date for the current term), are as follows. Financial instruments for which it is extremely difficult to determine market price are not included in the following chart (see Note 2.)

	Consolidated balance sheet amount (million yen)	Market value (million yen)	Difference (million yen)
(1) Cash and deposits	6,406	6,406	—
(2) Notes and accounts receivable-trade	2,912	2,912	—
(3) Investment securities	34	34	—
(4) Guarantee deposits	288	288	0
Total assets	9,640	9,640	0
(5) Short-term loans payable	1,000	1,000	—
(6) Accounts payable-other	607	607	—
(7) Accrued expenses	738	738	—
(8) Accrued consumption taxes	583	583	—
Total liabilities	2,928	2,928	—

Notes: 1. Matters concerning formulas for calculating market value of financial instruments

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

These items are settled in short periods, and those of market values are approximately equal to book value, they are based on relevant book-values.

(3) Investment securities

The market value of investment securities is determined using the price posted by the stock exchange.

(4) Guarantee deposits

Market values for guarantee deposits indicate past results from departure, and are based on current prices that are obtained by discounting expected receivable amounts-reflecting collectability-once the average term of residence has been calculated, by highly-safe interest rates that correspond to the period up until departure.

Liabilities

(5) Short-term loans payable, (6) Accounts payable-other, (7) Accrued expenses, and (8) Accrued consumption taxes

These are items that are settled in short periods, and because market values are approximately equal to book value, they are based on relevant book-values.

2. Financial instruments for which it is extremely difficult to determine market price

Unlisted instruments (consolidated balance sheet amount of 317 million yen) do not have a market price and it is impossible to estimate their future cash flow, making it extremely difficult to determine their market price. Therefore, these instruments are not included in "(3) Investment securities."

3. Expected redemption amount of pecuniary claims after the settlement date

	Within 1 Year (million yen)	1-5 Years (million yen)	5-10 Years (million yen)	Over 10 Years (million yen)
Cash and deposits	6,406	—	—	—
Notes and accounts receivable-trade	2,912	—	—	—
Total	9,317	—	—	—

4. Expected repayment amounts for short-term loans payable

	Within 1 year (million yen)	1-2 years (million yen)	2-3 years (million yen)	3-4 years (million yen)	4-5 years (million yen)	Over 5 years (million yen)
Short-term loans payable	1,000	—	—	—	—	—
Total	1,000	—	—	—	—	—

Current fiscal year (from January 1, 2016 to December 31, 2016)

1. Matters concerning the state of financial instruments

(1) Policy initiatives for financial instruments

The Group assumes bank loans for working capital. We also work to achieve proper fund management through effective use of our Group CMS (cash management service). Fund management is generally limited to highly secure deposits that are liquid. Regarding derivatives, it is our policy not to engage in speculative trading. In addition, investment securities are mainly the stocks of companies with which the Company has a business relationship and steps are taken to ascertain the market value of these securities on a regular basis.

(2) Details of financial instruments, and associated risks

Notes and accounts receivable-trade, which are operating receivables, are exposed to customer credit risks. Accounts payable and accrued expenses, which are operating debts, have due dates of within one year.

As for loans, the Company signed an agreement for overdraft with main four banks to procure operating capital efficiently.

(3) Risk management systems for financial instruments

1) Management of credit risks (risks associated with contractual default by business partners)

Regarding credit risks for operating receivables, based on credit management regulations, and managing settlement dates and balances for each trading client of core short-term human resources services businesses such as Fullcast Co., Ltd., we are also working to quickly understand and lessen recovery risks resulting from worsening financial situations.

2) Management of market risks (risks from fluctuations in exchange rates and interest rates)

Although loans are exposed to interest-rate risks, their impacts on earnings from changes in interest rates are estimated to be minimal compared to the outstanding loans.

3) Management of liquidity risks for fund procurement (risk of being unable to execute payments on due dates)

Our Company's finance department conducts daily deposit balance management for the Group, and also appropriately manages liquidity risks for each group company through CMS.

(4) Supplementary explanation about matters concerning market values of financial instruments

As well as values based upon market prices, in cases where there is no market price, reasonably calculated values are included in market prices for financial instruments. Because variable factors are incorporated in calculating these values, they may vary when different assumptions are used.

2. Matters concerning market values for financial instruments

Consolidated balance sheet amounts, market prices and differences between these, as recorded on December 31, 2016 (the consolidated settlement date for the term), are as follows. Financial instruments for which it is extremely difficult to determine market price are not included in the following chart (see Note 2.)

	Consolidated balance sheet amount (million yen)	Market value (million yen)	Difference (million yen)
(1) Cash and deposits	6,963	6,963	—
(2) Notes and accounts receivable-trade	3,107	3,107	—
(3) Investment securities	40	40	—
(4) Guarantee deposits	308	308	0
Total assets	10,418	10,418	0
(5) Short-term loans payable	1,008	1,008	—
(6) Accounts payable-other	589	589	—
(7) Accrued expenses	799	799	—
(8) Accrued consumption taxes	585	585	—
(9) Long-term loans payable (including those scheduled to be repaid within one year)	77	75	(2)
Total liabilities	3,057	3,055	(2)

Notes: 1. Calculation method of the market price of financial instruments

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

These items are settled in short time periods, and those of market values are approximately equal to book value, they are based on relevant book-values.

(3) Investment securities

The market value of investment securities is determined using the price posted by the stock exchange.

(4) Guarantee deposits

Market values for guarantee deposits indicate past results from departure, and are based on current prices that are obtained by discounting expected receivable amounts-reflecting collectability-once the average term of residence has been calculated, by highly-safe interest rates that correspond to the period up until departure.

Liabilities

(5) Short-term loans payable, (6) Accounts payable-other, (7) Accrued expenses and (8) Accrued consumption taxes

These are items that are settled in short time periods, and because market values are approximately equal to book value, they are based on relevant book-values.

(9) Long-term loans payable

The market value of Long-term loans payable is calculated as subtracted by the interest rate assuming the same amount is executed as new borrowings from total principal.

2. Financial instruments for which it is extremely difficult to determine market price

Unlisted instruments (consolidated balance sheet amount of 604 million yen) do not have a market price and it is impossible to estimate their future cash flow, making it extremely difficult to determine the market price. Therefore, these instruments are not included in "(3) Investment securities."

3. Expected redemption amount of pecuniary claims after the settlement date

	Within 1 Year (million yen)	1-5 Years (million yen)	5-10 Years (million yen)	Over 10 Years (million yen)
Cash and deposits	6,963	—	—	—
Notes and accounts receivable-trade	3,107	—	—	—
Total	10,070	—	—	—

4. Expected repayment amounts for short-term loans payable

	Within 1 year (million yen)	1-2 years (million yen)	2-3 years (million yen)	3-4 years (million yen)	4-5 years (million yen)	Over 5 years (million yen)
Short-term loans payable	1,008	—	—	—	—	—
Long-term loans payable	5	5	5	5	5	51
Total	1,013	5	5	5	5	51

(Notes on marketable securities)

Previous fiscal year

1. Items with market value among other marketable securities (as of December 31, 2015)

Classification	Consolidated balance sheet amount (million yen)	Acquisition cost (million yen)	Difference (million yen)
Items for which consolidated balance sheet amount exceeds acquisition cost			
(1) Shares	34	11	23
(2) Bonds			
Government bonds and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	34	11	23
Items for which consolidated balance sheet amount does not exceed acquisition cost			
(1) Shares			
(2) Bonds	—	—	—
Government bonds and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	—	—	—
Total	34	11	23

2. Other marketable securities sold during the current fiscal year (from January 1, 2015 to December 31. 2015)

Classification	Proceeds from sales (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	67	48	—

3. Other marketable securities for which impairment was performed (from January 1, 2015 to December 31, 2015)

There are no relevant matters.

Current fiscal year

1. Other marketable securities (as of December 31, 2016)

Classification	Consolidated balance sheet amount (million yen)	Acquisition cost (million yen)	Difference (million yen)
Items for which consolidated balance sheet amount exceeds acquisition cost			
(1) Shares	40	11	29
(2) Bonds			
Government bonds and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	40	11	29
Items for which consolidated balance sheet amount does not exceed acquisition cost			
(1) Shares	—	—	—
(2) Bonds			
Government bonds and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	—	—	—
Total	40	11	29

2. Other marketable securities sold during the current fiscal year (from January 1, 2016 to December 31, 2016)

   There are no relevant matters.

3. Other marketable securities for which impairment was performed (from January 1, 2016 to December 31, 2016)

   There are no relevant matters.

(Retirement benefits related)

1. Summary of the retirement benefit scheme adopted

The Company and its consolidated subsidiaries have established employees' termination allowance plans as fixed benefit-type programs.

As of the end of the current fiscal year, two companies among the Company and its consolidated subsidiaries maintain termination allowance plans.

In addition, some consolidated subsidiaries had joined the "Japan Security Services Employees' Pension Fund (Integrated Foundation Type)" as a welfare pension fund system, but this has been dissolved after approval by the Minister of Health, Labour and Welfare dated on September 23, 2016.

We treat necessary contributions to the Pension Fund as retirement benefit expenses, as we cannot reasonably calculate the pension assets corresponding to our contributions for the Fund.

2. Defined benefit plan

(1) Adjustment table for balances at the beginning and the end of the period for retirement benefit obligations (excluding those which a simple method is applied)

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Retirement benefit obligations at the beginning of the period	264	325
Service cost	40	46
Interest cost	1	1
Actuarial differences occurred	35	10
Retirement benefits paid	(16)	(33)
Other	1	—
Retirement benefit obligations at the end of the period	325	349

(2) Adjustment table for liabilities for retirement benefits under a simple method at the beginning and the end of the period

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Liabilities for retirement benefits at the beginning of the period	96	97
Retirement benefit expenses	12	8
Retirement benefits paid	(10)	(23)
Other	(1)	—
Liabilities for retirement benefits at the end of the period	97	83

(3) Adjustment table between retirement benefit obligations/pension assets at the end of the period and liabilities/assets for retirement benefits recorded in the consolidated balance sheet

(million yen)

	FY12/15 (December 31, 2015)	FY12/16 (December 31, 2016)
Retirement benefit obligations under the non-cumulative system	422	432
Net liabilities and assets recorded in the consolidated balance sheet	422	432
Liabilities for retirement benefits	422	432
Net liabilities and assets recorded in the consolidated balance sheet	422	432

(Note) Including the system under a simple method.

(4) Amount of retirement benefit expenses and their breakdowns

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Service cost	40	46
Interest cost	1	1
Cost to dispose of actuarial differences	35	10
Retirement benefit expenses calculated by a simple method	12	8
Other	(1)	(1)
Retirement benefit expenses for the defined benefit plan	87	64

(5) Matters concerning the actuarial calculation base

Main actuarial calculation base

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Discount rate	Mainly 0.4%	Mainly 0.4%
Expected rate of increase	4.8%	4.3%

3. Multi-employer pension plan

Required contributions under the multi-employer pension plan to employees' pension funds, which is accounted for in a similar way as the defined contribution plan, were 15 million yen in the previous fiscal year and 11 million yen in the current fiscal year under review.

The Japan Security Business Employees' Pension Fund in which the Company's consolidated subsidiaries were insured was dissolved on September 23, 2016 after obtaining permission from the Minister of Health, Labour and Welfare. As a result, matters concerning the fund's overall funded status, the overall premium contribution ratio, and matters concerning supplementary explanation for the fiscal year under review have not been recorded. In addition, there is no additional burden to be borne due to the dissolution of the fund.

(1) Recent funded status of the multi-employer pension plan

(million yen)

	FY12/15 (As of December 31, 2015)	FY12/16 (As of December 31, 2016)
Pension assets	34,747	—
Total amount including benefit obligation based on the calculation of pension financial position and the minimum reserve	37,380	—
Difference	(2,633)	—

(2) The ratio of contribution of the Company Group to the multi-employer pension plan

Previous fiscal year (from April 1, 2014 to March 31, 2015) 2.90%

Current fiscal year (from April 1, 2015 to March 31, 2016) — %

(3) Supplementary explanation

The principle factors relating to the balance in (1) above are based on pension plan finance calculation, prior service cost (5,294 million yen in the previous fiscal year) and surplus carried forward (2,662 million yen in the previous fiscal year). The amortization method of prior service costs used in this plan is an equal monthly payment with interest, for 19 years and zero months.

The ratio in (2) above is not the same as the ratio of actual obligation of the Company Group.

(Notes on tax effect accounting)

1. Details of main reasons for deferred tax asset and deferred tax liability

(million yen)

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Deferred tax asset		
Allowance for doubtful accounts and bad debt loss	11	7
Liabilities for retirement benefits	136	132
Gains on sales of stocks of subsidiaries under the Corporation Tax Act	144	50
Loss from revaluation of investment securities	9	8
Loss carried forward	913	361
Accrued enterprise taxes	40	41
Accrued social insurance premiums	0	0
Accrued office taxes	6	6
Impairment loss	3	—
Asset retirement obligations	12	11
Other	35	29
Subtotal of deferred tax asset	1,309	646
Valuation reserve	(844)	(112)
Total deferred tax asset	465	534
Deferred tax liability		
Revaluation differentials of other securities, etc.	(8)	(9)
Other	—	(7)
Total deferred tax liability	(8)	(16)
Net deferred tax asset	458	517

2. Itemized details of the main reasons for differentials between the legal effective tax rates and the ratio of tax expenses, including corporate taxes, after tax effect accounting is applied

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Legal effective tax rates	35.6%	33.1%
(Adjustment)		
Non-deductible cost items	0.3	0.2
Dividend income	(0.0)	(0.0)
Fixed-rate residents on inhabitant tax	1.3	1.1
Share of loss (profit) of entities accounted for using equity method	1.8	(1.8)
Valuation reserve amount	(21.6)	(18.8)
Adjustment by decreasing end-of-period deferred tax assets due to changes in tax rates	1.4	0.7
Other	1.3	1.1
Ratio of tax expenses, including corporate taxes, after tax effect accounting is applied	20.1%	15.6%

3. Modifications to the amount of deferred tax assets and liabilities due to changes of corporate taxation rates

With the promulgation of the “Act for Partial Revision of the Income Tax Act” and the “Act for Partial Revision to the Local Tax Act, etc.” established in March 29, 2016, and the “Act to revise a part of the law, such as revising a part of the consumption tax law to fundamentally reform the tax system to secure stable financial resources for social security etc.” and “Act to revise a part of the law, such as revising a part of Local Tax Act and the Local Allocation Tax Act to fundamentally reform it of the tax system to plan the secure stable financial resources of the social security, etc” on November 18, 2016 at the Diet, the effective tax rate calculated based on deferred tax assets and deferred tax liabilities for the fiscal year under view (however, limited to that which will be cancelled on January 1, 2017) has been changed from 32.3% in the previous fiscal year to 30.9% for the period from January 1, 2017 to December 31, 2018 because of collections or payments, and 30.6% for periods subsequently thereafter January 1, 2019.

The impact of this change in tax rates is expected to be minimal.

(Business Combination and Others)

Business Combination through acquisition

(1) Summary of the business combination

1) Name of acquired company and its business lines

Name of acquired company	Dimension Pockets Co., Ltd.
Business lines	Development, management, construction and sales of hotels, boarding houses and lodges.

2) Main reasons for undertaking the business combination

The Group acquired the shares in order to generate business synergies, further expand its businesses, and enhance corporate value by deploying the Group's strengths from its existing human resources services in a business sector where personnel shortages are striking, and to realize the diversification of business operations, including entering a new fields where growth is anticipated.

3) Date of business combination

August 10, 2016

4) Legal form of business combination

Share acquisition in exchange for cash.

5) Name of company after combination

The name of the company will remain the same.

6) Percentage of voting rights acquired

Percentage of voting rights held prior to business combination	—%
Percentage of additional voting rights acquired on the date of business combination	67%
Percentage of voting rights held after acquisition	67%

7) Main grounds for determining acquiring company

It is as a result of the Company acquiring 67% of the voting rights through the share acquisition in exchange for cash.

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

August 1, 2016 to October 31, 2016

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

Cash and deposits used for the acquisition	163 million yen
Cost of the acquisition	163 million yen

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

Advisory fees, etc.	6 million yen

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

1) Amount of goodwill arising from the business combination

14 million yen

2) Reason for the goodwill

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

3) Method and period of amortization

The goodwill was amortized in a lump sum because the amount was immaterial

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

Current assets	60 million yen
Non-current assets	263 million yen
Total assets	323 million yen
Current liabilities	19 million yen
Non-current liabilities	82 million yen
Total liabilities	101 million yen

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

The amount was immaterial and so it has been omitted.

Additionally, this note has not received audit certification.

(Notes on asset retirement obligations)

Asset retirement obligations recorded in the consolidated balance sheet

(1) Overview of the asset retirement obligations

Restoration obligation under the real estate rental agreement regarding the head office property, others

(2) Calculation of the amount of asset retirement obligations

The amount of asset retirement obligations is calculated using a 0.3% discount rate, with estimated period of five years.

(3) Increase (decrease) in total asset retirement obligations

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Balance at beginning of current period	38	38
Increase by purchase of property, plant and equipment	—	12
Adjustment for lapse of time	0	0
Decrease due to fulfillment of asset retirement obligations	—	(3)
Balance at the end of current period	38	48

(Information on the business segments and others)

[Segment information]

Previous fiscal year (From January 1, 2015 to December 31, 2015)

1. Overview of reporting segments

The Company's reporting segments are business units for which financial information can be obtained independently from the Company's various structural units, and they are subject to regular examination by the Board of Directors to form decisions about allocations of management resources and to evaluate their performance.

Our Group has two reporting segments: 1) the "short-term operational support business" and 2) the "security, other businesses". The "short-term operational support business" provides timely short-term staffing services that cater to fluctuations in client companies' workloads. The "security, other businesses" mainly conducts security work for public facilities and general companies.

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

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

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

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

(million yen)

	Reporting segment		Total	Adjustment amount (Note)	Consolidated
	Short-term operational support business	Security, other businesses			
Net sales Sales to external customers Inter-segment sales or transfers	 20,623 —	 1,996 —	 22,618 —	 — —	 22,618 —
Total	20,623	1,996	22,618	—	22,618
Segment income or loss (-)	2,818	77	2,895	(598)	2,297
Segment assets	5,491	682	6,173	5,449	11,622
Other Depreciation Increase of property, plant and equipment and intangible assets	 38 36	 1 0	 39 36	 186 327	 224 363

Notes

1. 2 million yen in intersegment eliminations and (601) million yen in company-wide expenses not allocated to any reporting segment are included in the (598) million yen segment income adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any reporting segment.
2. The profit or loss (-) of segments has been adjusted using the operating income shown in the consolidated profit and loss statement.
3. The amount of 5,449 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 186 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings, structures and software of the head office of the Company.

5. The amount of 327 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 (From January 1, 2016 to December 31, 2016)

1. Overview of Reporting Segments

The Company's reporting segments are business units for which financial information can be obtained independently from the Company's various structural units, and they are subject to regular examination by the Board of Directors to form decisions about allocations of management resources and to evaluate their performance.

Our Group has two reporting segments: 1) the short-term operational support business and 2) the security, other businesses. The "short-term operational support business" provides timely short-term staffing services that cater to fluctuations in client companies' workloads. The "security, other business" mainly conducts security work for public facilities and general companies.

Shares of Dimension Pockets Co., Ltd. were acquired in the current fiscal year, resulting in the company being newly included in the scope of consolidation. As a result, the name of the existing "security business" segment was changed to the "security, other businesses" segment.
That change applies to the segment information in the previous fiscal year.

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

The accounting methods for each segment reported are similar to those described in the "Significant Accounting Policies in the Preparation of the Consolidated Financial Statements."

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

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

(million yen)

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

Notes

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

2. The profit or loss (-) of the segments has been adjusted with the operating income shown in the consolidated profit and loss statement.
3. The amount of 5,820 million yen in adjustment of segment-based assets primarily consists of long-term investment assets (investment securities), assets involved in the administrative departments and other items incurred by the head office of the parent company.
4. The amount of 227 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings, structures and software of the head office of the Company.
5. The amount of 170 million yen in adjustment for increased amount of the property, plant and equipment and intangible assets is primarily comprised of those for buildings and structures of the head office of the company and tools, furniture and fixtures, and software for a new system.

[Related Information]

Consolidated accounting period for the previous fiscal year (From January 1, 2015 to December 31, 2015)

1. Information about each product or service
   Information in this section is omitted because it is similar to information disclosed in the segment information section.

2. Information for geographical regions
   Information in this section is omitted, as we did not have any consolidated subsidiaries or offices located in foreign countries or regions outside of Japan.

3. Information about major customers
   The information in this section is omitted, as there is no single external customer representing 10.0% or more of net sales of the consolidated income statement.

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

1. Information about each product or service
   Information in this section is omitted because it is similar to information disclosed in the segment information section.

2. Information for geographical regions
   Information in this section is omitted, as we did not have any consolidated subsidiaries or offices located in foreign countries or regions outside of Japan.

3. Information about major customers
   The information in this section is omitted, as there is no single external customer representing 10.0% or more of net sales of the consolidated income statement.

[Information concerning impairment loss on noncurrent assets for each reporting segment]

Previous consolidated fiscal year (January 1, 2015 – December 31, 2015)

There are no relevant matters.

Current consolidated fiscal year (January 1, 2016 – December 31, 2016)

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, 2015 – December 31, 2015)

There are no relevant matters.

Current consolidated fiscal year (January 1, 2016 – December 31, 2016)

(million yen)

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

[Information concerning gain on negative goodwill for each reporting segment]

Previous consolidated fiscal year (January 1, 2015 to December 31, 2015)

There are no relevant matters.

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

There are no relevant matters.

[Information on related parties]

Previous fiscal year (January 1, 2015 to December 31, 2015)

1. Transactions with related parties

There are no relevant matters.

2. Notes concerning parent companies and major affiliates

There are no relevant matters.

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

1. Transactions with related parties

(1) Transactions between consolidated financial statement submitting companies and related parties

There are no relevant matters.

(2) Transactions between consolidated subsidiaries of consolidated financial statement submitting companies and related parties

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

Type	Name	Location	Capital or investment	Operation details or occupation	Proportion possession of voting rights etc. (Ownership Proportion)	Relationship with related parties	Contents of transaction	Transaction amount (Million yen)	Subject	Amount remaining at end of period (Million yen)
Officers of subsidiary	Shiro Kaizuka	—	—	Representative Director and President of Dimension Pocket Co., Ltd.	—	Lending and borrowing funds	Cash collection	39	Other current assets (Note) 2	5
						Guarantee of obligation	Debt guarantee (Note 1) for the bank borrowings of Dimension Pockets Co., Ltd.	77	—	—

(Note)

1. Dimension Pocket Co., Ltd. has received debt guarantee from Shiro Kaizuka, Representative Director and President of the company for bank borrowing.
2. With respect to the loan of funds with Directors of subsidiaries, the interest rate is reasonably determined taking market interest rate into account.

2. Notes concerning parent companies and major affiliates

There are no relevant matters.

(Per share information)

FY12/15 (from January 1, 2015 to December 31, 2015)		FY12/16 (from January 1, 2016 to December 31, 2016)	
Net assets per share:	195.65 yen	Net assets per share:	239.98 yen
Net income per share:	45.85 yen	Net income per share:	65.92 yen

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

2. As presented in “Changes in accounting policy,” the Company has adopted the Accounting Standard for Business Combinations. As a result, net profit per share for the current fiscal year declined 0.15 yen.

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

Item	FY12/15 (from January 1, 2015 to December 31, 2015)	FY12/16 (from January 1, 2016 to December 31, 2016)
Net income attributable to Fullcast Holdings Co., Ltd. (million of yen)	1,765	2,529
Net income attributable to Fullcast Holdings Co., Ltd. related to common stock (million of yen)	1,765	2,529
Net income not available to common stock (million of yen)	—	—
Average number of common stock outstanding during the period (shares)	38,486,400	38,361,505

(Major subsequent events)

(Acquisition of treasury stock)

The Company passed a resolution at the Board of Directors Meeting held on February 10, 2017 on the acquisition of treasury stock as follows in accordance with Article 156 of the Companies Act of Japan, applied pursuant to Article 165-3 of the same act.

1. Reason

   Treasury stock will be acquired in order to provide greater returns to shareholders as well as to implement an agile capital policy to enhance capital efficiency.
2. Type of shares to be acquired: Common stock
3. Number of shares to be acquired: 574,200 shares (cap)
4. Total acquisition cost: 498 million yen (cap)
5. Acquisition period: February 13, 2017 to March 23, 2017
6. Acquisition method: To be purchased on the open market of the Tokyo Stock Exchange

(Consolidation of equity method affiliate by share acquisition)

The Company passed a resolution at the Board of Directors Meeting held on January 26, 2017 to acquire shares of F-PLAIN Corporation and make it a consolidated subsidiary. F-PLAIN Corporation was made into a consolidated subsidiary after the Company acquired its shares on January 26, 2017.

(1) Summary of the business combination

1) Name of acquired company and its business lines

Name of acquired company	F-PLAIN Corporation
Business lines	Call center business, etc.

2) Main reasons for undertaking the business combination

The Company acquired the shares because there is a high degree of affinity with the Fullcast Group's core human resources services and BPO related services within the short-term operational support business, and with the aim to reinforce future growth strategy under a strong capital relationship, achieve the smooth mutual utilization of each other's management resources, further stabilize our management foundation, and aim for expanded profits in the future, by making it a consolidated subsidiary of the Group.

3) Date of business combination

January 26, 2017

4) Legal form of business combination

Share acquisition in exchange for cash.

5) Name of company post combination

The name of the company will remain the same.

6) Percentage of voting rights acquired

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

7) Main grounds for determining acquiring company

It is as a result of the Company acquiring 78.2% of the voting rights through the share acquisition in exchange for cash.

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

Market price at the date when business is consolidated for common stock owned before the business consolidation	524 million yen
Consideration for additional common shares acquired	1,198 million yen
Cost of the acquisition	1,722 million yen

(3) The difference between the acquisition cost of the acquired company and the total acquisition cost for each transaction that resulted in acquisition

Gain margin by step acquisition	167 million yen

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

Advisory fee etc.	6 million yen

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

1) Amount of goodwill incurred

547 million yen

2) Cause

As the acquisition cost exceeded the net amount allocated to the assets acquired and liabilities assumed, the excess is recorded as goodwill.

3) Method of amortization and amortization period

Equal depreciation over 5 years

(6) Amount of assets accepted and liabilities assumed on the date of business consolidation and major breakdown

Current assets	1,830 million yen
Non-current assets	450 million yen
Total assets	2,280 million yen
Current liabilities	743 million yen
Non-current liabilities	35 million yen
Total liabilities	778 million yen

(Granting of Stock Compensation-type Stock Options (Stock Acquisition Rights)

A resolution was passed at the General Ordinary Meeting of Shareholders for the 24th fiscal year on March 24, 2017 regarding the issuance of stock acquisition rights as part of the stock compensation-type stock options for the Company's Directors (excluding Directors that are Audit & Supervisory Committee Members) in order to further enhance the compensation of Directors and the linkage between the Company's performance and shareholder interests.

1. Summary of the Share Compensation-type Stock Option System

The Company will allocate to its Directors (excluding Directors that are Audit & Supervisory Committee Members) stock options with an exercise price of 1 yen per share.

Additionally, the details of the stock acquisition rights as stock compensation-type stock options are as follows.

(1) Type and Number of Shares available under Stock Acquisition Rights

The maximum total number of shares available under stock acquisition rights issued on a date within one year of the date of the General Ordinary Meeting of Shareholders related to each business year shall be 96,000 of the Company's ordinary shares (common stock). 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 stock acquisition rights.

The type of shares for the stock acquisition rights shall be ordinary shares (common stock) and the number of shares per one stock acquisition right (hereinafter, "number of shares granted") shall be 100 shares. The number of shares granted shall be adjusted according to the following formula when the Company executes a share split (including the gratis allotment of the Company's common stock; hereinafter the same shall apply) or share consolidation 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 stock consolidation

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 stock acquisition rights that will be issued within 1 year from the date of the General Meeting of Shareholders for each business year shall be 960.

(3) Payment Amount of Stock Acquisition Rights

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

(4) Amount of Assets Required for Exercise of Stock Acquisition Rights

The amount of assets required for exercise of each stock 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 stock acquisition rights.

(5) Period for Exercise of Stock Acquisition Rights

The period for exercising stock acquisition rights shall be prescribed by the Company's Board of Directors, which will determine subscription matters for the stock acquisition rights, and shall be within 30 years from the date 4 years from the day after the allotment date of the stock acquisition rights.

(6) Conditions for the Exercise of Stock Acquisition Rights

i. In principle, persons who receive an allotment of stock acquisition rights must be a Director of the Company at the time of exercising these rights.
ii. Of those stock acquisition rights allocated, only the number of exercisable stock acquisition rights determined based on the level of achievement of the operating income target for the final fiscal year of the Medium-Term Management Plan can be exercised.
iii. Other conditions for the exercise of stock acquisition rights shall be prescribed by the Company's Board of Directors, which will determine subscription matters for the stock acquisition rights.

(7) Matters Relating to Increments of Capital Reserve and Additional Paid-in Capital that would Increase Stock Issuance by the Exercise of Stock Acquisition Rights

i. The amount of additional paid-in capital resulting from the issuance of shares due to the exercise of stock 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 stock 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.

(8) Restrictions on the Acquisition of Stock Acquisition Rights by Assignment

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

(9) Other Details Pertaining to the Stock 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 stock acquisition rights.

(Granting of Stock Options (Stock Acquisition Rights))

A resolution passed at the General Ordinary Meeting of Shareholders for the 24th fiscal year on March 24, 2017 the regarding the proposal requiring approval for the delegation to the Company's Board of Directors of approval of subscription matters and the gratis issuance of stock acquisition rights as stock options pursuant to Article 236, Article 238, and Article 239 of the Companies Act.

1. Reason for Issuance of Stock Acquisition Rights on Especially Favorable Terms

Stock acquisition rights will be issued on especially favorable terms in order to bolster employees' motivation and morale toward better performance and further implement management that aims to enhance corporate value. Stock acquisition rights will be issued to the employees of the Company's wholly-owned subsidiaries according to the outline below.

2. Outline of Issuance of Stock Acquisition Rights

(1) Persons Receiving Allotment of Stock Acquisition Rights

Employees of the Company's wholly-owned subsidiaries

(2) Type and Number of Shares available under Stock Acquisition Rights

The maximum total number of shares available shall be 19,200 shares of the Company's ordinary shares (common stock). 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 stock acquisition rights.

The type of shares for the stock acquisition rights shall be ordinary shares (common stock) and the number of shares per one stock acquisition right (hereinafter, number of shares granted) shall be 100 shares. The number of shares granted shall be adjusted according to the following formula when the Company executes a share split (including the gratis allotment of the Company's common stock; hereinafter the same shall apply) or share consolidation after the allotment date of the stock 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 stock consolidation

The number of shares granted after adjustment shall apply on and after the day after the Record Date of share splits when the Company executes a share split and on and after the effective when the Company executes share consolidations. However, when a share 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 share split, the number of shares granted after adjustment shall apply retroactively to the day after the Record Date, which is on or after 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 Stock Acquisition Rights

The maximum total number of stock acquisition rights shall be 192.

(4) Amount Paid in Exchange for Stock Acquisition Rights

The payment of cash is not required for stock 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 Stock Acquisition Rights

The amount of assets required for exercise of each stock 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 stock acquisition rights.

(6) Period for Exercise of Stock Acquisition Rights

The period for exercising stock acquisition rights shall be 30 years from the date passed 4 years from the day after the allotment date.

(7) Conditions for the Exercise of Stock Acquisition Rights

1) In principle, persons who receive an allotment of stock acquisition rights (hereinafter, “stock acquisition rights holders”) must be an employee of the Company’s wholly-owned subsidiaries at the time of exercising these rights.
2) Of those stock acquisition rights allocated, only the number of exercisable stock acquisition rights determined based on the level of achievement of the operating income target for the final fiscal year of the medium-term management plan can be exercised.

(8) Matters Relating to Increments of Capital Reserve and Additional Paid-in Capital that would Increase Stock Issuance by the Exercise of Stock Acquisition Rights

1) The amount of additional paid-in capital resulting from the issuance of shares due to the exercise of stock 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 1 yen resulting from such calculation shall be rounded up.
2) The amount of additional capital reserve resulting from the issuance of shares due to the exercise of stock 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 Stock Acquisition Rights by Assignment

The acquisition of stock acquisition rights by assignment requires approval of the Company’s Board of Directors.

5) Consolidated statement schedule

[Corporate bond schedules]

There are no relevant matters.

[Schedule of debt]

Classification	Balance at the beginning of the current term (million yen)	Balance at the end of the current term (million yen)	Average interest rate (%)	Repayment term
Short-term loans payable	1,000	1,008	0.64	—
Current portion of long-term loans payable	—	5	1.24	—
Lease obligations due within one year	—	—	—	—
Long-term loans payable(excluding current portion of loans)	—	72	1.48	November 15, 2017 to January 15, 2036
Lease obligations (excluding obligations due within one year)	—	—	—	—
Other interest-bearing debt	—	—	—	—
Total	1,000	1,084	—	—

Note:

1. The average weighted interest rate for term-end balance on loans is listed as the average interest rate.
2. Because it includes long-term loans payable of consolidated subsidiaries which a settlement date different to consolidated settlement date, so it includes return deadline which is within one year from the consolidated settlement date.
3. Total repayment schedule per year within 5 years after the consolidated settlement date of long-term loans payable (excluding current portion of loans)

Classification	Over 1 year and within 2 years (million yen)	Over 2 year and within 3 years (million yen)	Over 3 year and within 4 years (million yen)	Over 4 year and within 5 years (million yen)
Long-term loans payable	5	5	5	5

[Schedule of asset retirement obligations]

Items are omitted because their amount does not exceed one-hundredth of the sum of liabilities and net assets at the respective time-neither at the beginning nor end of the current fiscal year.

(2) Other

Information for each fiscal quarter in the current fiscal year

(Aggregate period)	First quarter	Second quarter	Third quarter	Current fiscal year
Net sales (million yen)	5,731	12,014	18,632	25,340
Quarterly net income before income taxes (million yen)	587	1,335	2,112	2,995
Quarterly net income attributable to Fullcast Holdings Co., Ltd. (million yen)	481	1,081	1,712	2,529
Quarterly net income per share (yen)	12.51	28.16	44.62	65.92

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income per share (yen)	12.51	15.66	16.45	21.31

2. Financial Statements

(1) Financial Statements

1) Balance Sheet

(million yen)

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
ASSETS		
Current assets		
Cash and deposits	3,846	3,971
Supplies	10	6
Prepaid expenses	75	80
Short-term loans receivable from subsidiaries and affiliates	63	819
Accounts receivable-other	*1 679	*1 1,160
Deferred tax assets	382	246
Other	*1 219	*1 242
Allowance for doubtful accounts	(42)	-
Total current assets	5,233	6,523
Noncurrent assets		
Property, plant and equipment		
Buildings	41	34
Tools, furniture and fixtures	229	162
Construction in progress	10	-
Total property, plant and equipment	280	196
Intangible assets		
Software	312	297
Other	0	0
Total intangible assets	312	297
Investments and other assets		
Investment securities	30	36
Stocks of subsidiaries and affiliates	642	1,056
Investments in capital	0	0
Guarantee deposits	63	63
Insurance funds	2	3
Long-term prepaid expenses	26	21
Deferred tax assets	-	158
Total investments and other assets	764	1,337
Total noncurrent assets	1,356	1,830
Total assets	6,589	8,353

(million yen)

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
LIABILITIES		
Current liabilities		
Short-term loans payable	*2 1,000	*2 1,000
Accounts payable-other	*1 147	*1 133
Accrued expenses	242	252
Income taxes payable	14	24
Accrued consumption taxes	27	59
Deposits received	45	48
Unearned revenue	*1 1	*1 2
Other	-	0
Total current liabilities	1,476	1,517
Noncurrent liabilities		
Long-term guarantee deposited	*1 7	*1 7
Deferred tax liabilities	3	-
Provision for retirement benefits	325	349
Asset retirement obligations	20	20
Total noncurrent liabilities	356	377
Total liabilities	1,832	1,894
Net assets		
Shareholders' equity		
Capital stock	2,780	2,780
Retained earnings		
Legal retained earnings	146	223
Other retained earnings		
Retained earnings brought forward	1,822	3,544
Total retained earnings	1,968	3,767
Treasury stock	-	(100)
Total shareholders' equity	4,748	6,447
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8	12
Total valuation and translation adjustments	8	12
Total net assets	4,757	6,460
Total liabilities and net assets	6,589	8,353

2) Profit and Loss Statement

(million yen)

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Operating revenue		
Consulting fee income	1,158	1,297
Commissions from subsidiaries and affiliates	1,289	1,322
Dividends from subsidiaries and affiliates	1,040	1,645
Total operating revenue	*1 3,486	*1 4,264
Operating expenses	*1*2 1,887	*1*2 1,983
Operating income	1,599	2,281
Non-operating income		
Interest income	*1 5	*1 11
Dividends income	1	1
Real estate rent	*1 15	*1 16
Rent income on facilities	*1 5	*1 2
Reversal of provision for sales returns	-	42
Other	1	2
Total non-operating income	26	74
Non-operating expenses		
Interest expenses	8	7
Depreciation	3	3
Rent cost of real estate	15	16
Contributions for the employment of persons with disabilities	5	7
Other	3	1
Total non-operating expenses	32	34
Ordinary income	1,593	2,320
Extraordinary income		
Gain on sales of noncurrent assets	*3 0	*3 0
Gain on sales of investment securities	48	-
Total extraordinary income	48	0
Extraordinary loss		
Loss on sales of fixed assets	-	*4 1
Loss on retirement of non-current assets	*5 0	*5 9
Total extraordinary losses	0	11
Income before income taxes	1,640	2,310
Income taxes-current	51	(231)
Income taxes-deferred	(242)	(26)
Total income taxes	(190)	(257)
Net income	1,831	2,567

3) Statements of Shareholders' Equity

Accounting period for the previous fiscal year (From January 1, 2015 to December 31, 2015)

(million yen)

	Shareholders' equity					Valuation and translation adjustments		Total net assets
	Capital	Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Legal retained earnings	Other retained earnings: Retained earnings carried forward	Total retained earnings				
Balance at the beginning of current period	2,780	54	1,008	1,061	3,841	8	8	3,849
Changes of items during the period								
Dividends paid from retained earnings			(924)	(924)	(924)			(924)
Provision of retained earnings		92	(92)	-	-			-
Net income			1,831	1,831	1,831			1,831
Net changes of items other than shareholders' equity						1	1	1
Total changes of items during the period	-	92	815	907	907	1	1	908
Balance at the end of current period	2,780	146	1,822	1,968	4,748	8	8	4,757

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

(million yen)

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

(Notes)

(Significant accounting policies)

1. Valuations standards and methods for marketable securities

(1) Shares in subsidiaries and affiliates

Cost approach using a moving-average method

(2) Other marketable securities

Items with market value

Market value method based on market prices on the settlement date (all valuation differences are reported as a component of net assets, and cost of sales is calculated using a moving-average method)

Items without market value

Cost approach using a moving-average method

2. Depreciation method for fixed assets

(1) Property, plant and equipment

Declining balance method

However, for buildings (excluding building and accesories) acquired after April 1, 1998, and building and accesories acquired after April 1, 2016, we use a straight-line method.

Useful lives for major details are as follows.

Buildings:	3-15 years
Tools, furniture and fixtures:	2-20 years

(2) Intangible assets

Software

For internal purpose, we use a straight-line method based on the period of availability within the company (5 years).

Other

Straight-line method

3. Standards for recording reserves

(1) Allowance for doubtful accounts

To prepare for credit losses, such as losses from accounts receivable and loans, we examine the collectability of general claims using a loan-loss ratio, and examine certain claims, such as those with default possibility, individually, and record the uncollectable amounts.

(2) Provision for retirement benefits

To prepare for retirement benefits for employees, we record amounts based upon expected costs of retirement benefit obligations and pension assets at the end of the current fiscal year.

1) Method for distributing estimated retirement benefits

In calculating retirement benefit obligations, benefit formula standards during term are used to allocate estimated retirement benefits to the period by the end of the current fiscal year.

2) Method of accounting for actuarial differences and prior service costs

Prior service costs are generally accounted for collectively in the fiscal year in which they arise.

Actuarial differences are generally accounted for collectively in the fiscal year in which they arise.

4. Other, Significant items in preparation of financial statements

(1) Accounting treatments for consumption tax, others

Accounting treatments for consumption tax and local consumption tax are based on tax-excluded methods.

(2) Application of consolidated tax payment system

The consolidated tax payment system is applied.

(Changes in Accounting Policy)

(Adoption of Accounting Standard for Business Combinations, etc)

Accounting Standard for Business Combinations (ASBJ Accounting Standard No. 21, September 13, 2013, hereafter refer as "Accounting Stanndard for Business Combinaitions"), and Accounting Standard for Business Divestitures (ASBJ Accounting Standard No. 7, September 13, 2013, hereaftrer refer as "Accounting Standard for Business Divestitures") were adopted from the current fiscal year, resulting in differences caused by changes in the Company's equity in subsidiaries it has controlled for an ongoing period of time being booked as a capital surplus and acquisition related costs being expensed as costs incurred during the fiscal year. In addition, for business combinations executed after the first day of the current fiscal year, the revised purchase price allocation due to establishment of provisional accounting treatment was changed to a method whereby it is reflected in the consolidated financial statements of the fiscal year of the business combination execution date. Furthermore, changes have been made in the presentation of net income as well as the presentation of minority interests to non-controlling interests. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

The adoption of the Accounting Standard for Business Combinations begins on and after the first day of the current fiscal year following the transitional provisions prescribed in Article 58-2 (4) of the Accounting Standard for Business Combinations, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no impact on the financial statements during the current fiscal year under review.

(Adoption of Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Change)

In conjunction with changes in the Corporation Tax Act, Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Change (ASBJ PITF No. 32, June 17, 2016) was adopted from the the current fiscal year, resulting in a change in the depreciation method for buildings and accompanying facilities (including structures) acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

The impact of this change on profit and loss for the year under review was immaterial.

(Additional information)

(Application of consolidated taxation system)

From the current fiscal year, the consolidated tax payment system is applied.

(Notes on Balance Sheet)

*1 Assets and liabilities vis-a-vis subsidiaries and affiliated companies

Other than those separately recorded, amounts of pecuniary claims to affiliated companies or pecuniary debts are as follows.

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Short-term pecuniary claims	682 million yen	1,185 million yen
Short-term pecuniary debts	18 million yen	20 million yen
Long-term pecuniary debts	7 million yen	7 million yen

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

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Limit of overdraft account	2,600 million yen	5,500 million yen
Borrowing	1,000 million yen	1,000 million yen
Balance	1,600 million yen	4,500 million yen

(Notes on Profit and Loss Statement)

*1 Total amount of turnover for business and non-business transactions with affiliated companies are as follows:

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Turnover for Business transaction		
Operating revenue	3,486 million yen	4,264 million yen
Operating expenses	84 million yen	112 million yen
Turnover for non-business transaction	23 million yen	28 million yen

*2 Amounts of main operating expenses, other items are as follows:

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Salaries and bonuses	407 million yen	450 million yen
Other salaries	229 million yen	252 million yen
Retirement benefit expenses	13 million yen	9 million yen
Commission fee	394 million yen	331 million yen
Depreciation	182 million yen	224 million yen

Please note that all are included in general, and administrative expenses.

*3 Details of gains on the sale of noncurrent assets are as follows.

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Tools, instruments, and fixtures	0 million yen	0 million yen

*4 Details of loss on the sale of noncurrent assets are as follows.

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Tools, instruments, and fixtures	—	1 million yen

*5 Details of loss on retirement of noncurrent assets are as follows.

	FY12/15 (From January 1, 2015 to December 31, 2015)	FY12/16 (From January 1, 2016 to December 31, 2016)
Tools, instruments, and fixtures	0 million yen	—
Software	—	9 million yen
Total	0 million yen	9 million yen

(Notes on Marketable securities)

There are no subsidiary stocks or affiliate stocks with market value.

Balance sheet amounts for stocks of subsidiaries and affiliates for which the assessment of market value is recognized as being extremely difficult.

(million yen)

Classification	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
(1) Subsidiary stocks	551	844
(2) Affiliate stocks	91	212
Total	642	1,056

(Notes on tax-effect accounting)

1. Details of deferred tax assets and liabilities, by major causal factors

(million yen)

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Deferred tax assets		
Provision for retirement benefits	105	107
Loss on revaluation of shares in affiliates	516	490
Gains on sales of stocks of subsidiaries under the Corporation Tax Act	144	50
Loss carried forward	800	293
Loss from revaluation of investments in securities	9	8
Other	30	17
Subtotal of deferred tax assets	1,604	965
Valuation reserve	(1,221)	(556)
Total deferred tax assets	383	409
Deferred Tax Liabilities		
Other	(4)	(5)
Total of deferred tax liabilities	(4)	(5)
Deferred tax assets or liabilities (-), net	379	404

2. Details of differences between effective tax rate and burden rate for income tax after tax-effect accounting is applied, by major causal items

	FY12/15 end (December 31, 2015)	FY12/16 end (December 31, 2016)
Effective tax rate	35.6%	33.1%
(Adjusted)		
Disallowable expenses	0.1	0.0
Dividends received	(22.6)	(23.6)
Per-capita residential tax	0.3	0.2
Valuation reserve	(26.7)	(20.7)
Adjustment by decreasing end-of-period deferred tax assets due to changes in tax rates	1.5	0.8
Other	0.2	(0.9)
Burden rate for income tax after tax-effect accounting is applied	(11.6%)	(11.1%)

3. Modifications to the amount of deferred tax assets and liabilities due to changes of corporate taxation rates

With the promulgation of the “Act for Partial Revision of the Income Tax Act” and the “Act for Partial Revision to the Local Tax Act, etc.” established in March 29, 2016, and the “Act to revise a part of the law, such as revising a part of the consumption tax law to fundamentally reform the tax system to secure stable financial resources for social security etc.” and “Act to revise a part of the law, such as revising a part of Local Tax Act and the Local Allocation Tax Act to fundamentally reform it of the tax system to plan the secure stable financial resources of the social security, etc” on November 18, 2016 at the Diet, the effective tax rate calculated based on deferred tax assets and deferred tax liabilities for the fiscal year under view (however, limited to that which will be cancelled on January 1, 2017) has been changed from 32.3% in the previous fiscal year to 30.9% for the period from January 1, 2017 to December 31, 2018 because of collections or payments, and 30.6% for periods subsequently thereafter January 1, 2019.

The impact of this change in tax rates is expected to be minimal.

(Major subsequent events)

Mention has been omitted here because it appears in notes (major subsequent events) of the consolidated financial statements.

4) Statement schedule

(Schedule of property, plant and equipment)

Classification	Type of asset	Balance at beginning of current year (million yen)	Increase during current year (million yen)	Decrease during current year (million yen)	Amortization during current year (million yen)	Balance at end of current year (million yen)	Accumulated depreciation (million yen)
Property, plant and equipment	Buildings	41	0	—	7	34	72
	Tools, furniture and fixtures	229	26	2	90	162	263
	Construction in progress	10	18	27	—	—	—
	Total	280	43	29	98	196	335
Intangible assets	Software	312	* 123	9	129	297	—
	Other	0	—	—	0	0	—
	Total	312	123	9	129	297	—

* Main increases in software, other items are as follows:

Various software for in-house use 123 million yen

(Schedule of allowances)

Classification	Balance at beginning of current year (million yen)	Increase during current year (million yen)	Decrease during current year (million yen)	Balance at end of current year (million yen)
Allowance for doubtful accounts (current assets)	42	—	42	—

Note: Decrease in allowance for doubtful accounts (current assets) of 42 million yen for the current fiscal year indicates reversal due to latency.

(2) Details of major assets and liabilities

Comments have been omitted as consolidated financial statements are prepared.

(3) Other

There are no relevant matters.

Part 6: Overview of the Shares of Company Affairs

Fiscal year	From January 1 to December 31
Annual General Meeting of Shareholders	During March
Record date	December 31
Record date for dividends of surplus	June 30, December 31
Number of shares per unit	100 shares
Purchase of odd-lot shares	
Handling position	(Special account) Stock Transfer Agency Business Planning Dept. Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholder registry	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Agency office	—
Negotiation commission	Amount separately determined as stock brokerage commissions
Public announcement method	Announcements by our Company are made through electronic announcements. However, where it is not possible to make announcements through electronic announcements, or where other unavoidable circumstances arise, we list announcements in Nihon Keizai Shimbun. Details about electronic announcements are contained on our homepage (http://www.fullcastholdings.co.jp).
Benefits to shareholders	N/A

Note: Shareholders of the Company who hold shares in a number less than one unit may not exercise rights other than the following in relation to the shares they hold in a number less than one unit.

- The rights stipulated in each item of Paragraph 2, Article 189 of the Companies Act
- The right to make a request in accordance with the provisions of Paragraph 1, Article 166 of the Companies Act
- The right to receive the allotment of shares for subscription and the allotment of share option in accordance with the number of shares held by the shareholder

Part 7: Reference Information on Submitting Companies

1. Information on parent companies of submitting companies

The Company does not have any parent companies.

2. Other reference information

In the period from the start of the 24th fiscal year until the submission date for annual securities reports, the following documents have been submitted.

(1) Annual securities report, attached documents and confirmation notes

Fiscal year: Term 23 (from January 1, 2015 to December 31, 2015), submitted to the Director General of the Kanto Regional Financial Bureau on March 28, 2016

(2) Internal control report and attached documents

Submitted to the Director General of the Kanto Regional Financial Bureau on March 28, 2016

(3) Quarterly reports and confirmation notes

Term 24, first quarter (from January 1, 2016 to March 31, 2016): Submitted to the Director General of the Kanto Regional Financial Bureau on May 13, 2016

Term 24, second quarter (from April 1, 2016 to June 30, 2016): Submitted to the Director General of the Kanto Regional Financial Bureau on August 12, 2016

Term 24, third quarter (from July 1, 2016 to September 30, 2016): Submitted to the Director General of the Kanto Regional Financial Bureau on November 11, 2016

(4) Extraordinary report

Extraordinary report pursuant to the provisions of Paragraph 2, Item 9-2 of Article 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Results of exercise of voting rights at the Annual General Meeting of Shareholders):

Submitted to the Director General of the Kanto Regional Financial Bureau on March 30, 2016

(5) Share Buyback Report

Submitted to the Director General of the Kanto Regional Financial Bureau on March 15, 2016, April 14, 2016, May 13, 2016, June 13, 2016 and July 14, 2016.

Section 2 Information on Guaranty Companies of Submitting Companies

There are no relevant matters.