Securities Report
for the Fiscal Year
Ended December 31, 2019

(The English Translation of the "Yukashoken-Houkokusho"
for the Fiscal Year Ended December 31, 2019)

Fullcast Holdings Co., Ltd.

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[Cover]

[Form Submitted]	Securities Report
[Legal Basis]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted To]	Director of the Kanto Local Finance Bureau
[Date Submitted]	March 30, 2020
[Fiscal Year]	27th (January 1 to December 31, 2019)
[Company Name]	Fullcast Holdings Co., Ltd.
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[Location to Submit to Inspection]	Tokyo Stock Exchange Group, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Section 1: Corporate Information

Part 1: Corporate Overview

1. Trends in Key Performance Indicators

(1) Consolidated Performance Indicators

Term		Term 23	Term 24	Term 25	Term 26	Term 27
Date of settlement		Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019
Net sales	(Million yen)	22,618	25,340	32,066	38,852	44,479
Ordinary profit	(Million yen)	2,168	3,001	4,406	5,286	7,064
Profit attributable to owners of parent	(Million yen)	1,765	2,529	2,994	3,310	4,644
Comprehensive income	(Million yen)	1,776	2,537	3,081	3,406	5,326
Net assets	(Million yen)	7,530	9,272	11,339	13,049	16,213
Total assets	(Million yen)	11,622	13,272	16,813	19,808	23,464
Net assets per share	(Yen)	195.65	239.98	286.81	331.68	415.71
Basic earnings per share	(Yen)	45.85	65.92	78.87	87.90	124.59
Diluted earnings per share	(Yen)	-	-	78.58	87.48	123.94
Equity-to-asset ratio	(%)	64.8	69.3	64.6	63.0	65.8
Rate of return on equity	(%)	24.8	30.2	29.8	28.4	33.3
Price-earnings ratio	(Multiples)	16.3	14.6	29.3	20.4	20.0
Cash flows from operating activities	(Million yen)	1,339	2,160	3,901	4,474	5,408
Cash flows from investing activities	(Million yen)	(296)	(735)	(187)	(2,870)	8
Cash flows from financing activities	(Million yen)	(921)	(868)	(1,306)	(2,508)	(2,073)
Cash and cash equivalents at end of the period	(Million yen)	6,406	6,963	9,371	8,467	11,811
Number of employees (Others, average number of temporary workers)		474 (552)	504 (642)	635 (844)	1,013 (1,110)	1,060 (1,244)

Notes:
1. Net sales do not include consumption tax.
2. Diluted earnings per share in Terms 23 to 24 are not shown because there were no dilutive shares.
3. The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the 27th period. The primary management indicators related to the 26th period represent the indicators after retrospective application of this accounting standard.

(2) Performance Indicators for Submitting Companies

Term		Term 23	Term 24	Term 25	Term 26	Term 27
Date of settlement		Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019
Operating revenue	(Million yen)	3,486	4,264	4,745	5,741	6,845
Ordinary profit	(Million yen)	1,593	2,320	2,708	3,552	4,547
Profit	(Million yen)	1,831	2,567	2,454	2,462	3,639
Share capital	(Million yen)	2,780	2,780	2,780	2,780	2,780
Total number of issued shares	(Shares)	38,486,400	38,486,400	38,486,400	38,486,400	38,486,400
Net assets	(Million yen)	4,757	6,460	7,578	8,356	10,316
Total assets	(Million yen)	6,589	8,353	9,990	11,434	13,437
Net assets per share	(Yen)	123.60	168.49	199.17	220.18	274.42
Dividend paid per share (interim dividend paid per share)	(Yen) (Yen)	18.00 (8.00)	21.00 (10.00)	26.00 (12.00)	32.00 (14.00)	40.00 (19.00)
Basic earnings per share	(Yen)	47.57	66.92	64.63	65.37	97.63
Diluted earnings per share	(Yen)	-	-	64.40	65.06	97.12
Equity-to-asset ratio	(%)	72.2	77.3	75.5	72.4	75.9
Rate of return on equity	(%)	42.5	45.8	35.0	31.1	39.4
Price-earnings ratio	(Multiples)	15.7	14.4	35.8	27.4	25.5
Payout ratio	(%)	37.8	31.4	40.2	49.0	41.0
Number of employees (Others, average number of temporary workers)		86 (122)	94 (157)	86 (174)	87 (209)	89 (184)
Total shareholder return (index for comparison: TOPIX including dividends)	(%) (%)	158.5 (112.1)	207.2 (112.4)	490.9 (137.4)	390.3 (115.5)	543.0 (136.4)
Highest share price	(Yen)	1,145	985	2,350	2,948	2,538
Lowest share price	(Yen)	441	509	915	1,603	1,595

Notes:
1. Operating revenue does not include consumption tax.
2. Diluted earnings per share in Terms 23 to 24 are not shown because there were no dilutive shares.
3. The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the 27th period. The primary management indicators related to the 26th period represent the indicators after retrospective application of this accounting standard.
4. High and low share prices are those recorded by the First Section of the Tokyo Stock Exchange.

2. Corporate History

Sep 1990	Established Resort World Co., Ltd. in Minato-ku, Tokyo
Sep 1992	Changed our company 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.*, located in Chuo-ku, Osaka
Sep 1995	Established Seiwa Service Co., Ltd.* in Shinjuku-ku, Tokyo
Jan 1996	Established Entry Co., Ltd.* in Kodaira-shi, Tokyo
Oct 1997	Established Fullcast Lady Co., Ltd.*
May 1998	Changed the name of Kanagawa School Entrance Research Association Co., Ltd. to Fullcast With Co., Ltd.
Oct 1998	Fullcast With Co., Ltd. was approved to conduct general worker dispatching
Jan 1999	Newly established a factory business section, and began the factory-line contracting business
	Fullcast Lady Co., Ltd.* was approved to conduct general worker dispatching
Apr 1999	Fullcast With Co., Ltd. was approved to engage in the employment placement business
Jun 1999	Merged with Fullcast Osaka Co., Ltd.,* Entry Co., Ltd.,* Dual Support Co., Ltd.*
Nov 1999	Established Fullcast System Consulting Co., Ltd.*
Mar 2000	Established Fullcast HR Consulting Co., Ltd.* and commenced business after acquiring Fullcast With Co., Ltd.'s personnel consulting department in April of the same year
Sep 2000	Established Fullcast Factory Co., Ltd., and commenced business after acquiring the Factory department in October of the same year
Jun 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 caters specifically to the automobile industry
Oct 2002	Fullcast With Co., Ltd. and Fullcast System Consulting Co., Ltd. merged, and the name of the merged company 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. specializes in office-type short-term business contracting and dispatching, and changed its name to Fullcast Office Support Co., Ltd.*
Jan 2003	Fullcast Office Support Co., Ltd.* was approved to engage in employment placement business
	Fullcast HR Consulting Co., Ltd. merged with Fullcast Office Support Co., Ltd.*
Sep 2003	Listed our shares on the Second Section of the Tokyo Stock Exchange
Jun 2004	Acquired 100% ownership of Apayours Co., Ltd. through stock swap
Jul 2004	Fullcast Technology Co., Ltd. was approved to conduct general worker dispatching
Sep 2004	Moved our shares 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.* 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)

Jun 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.*
	Asia Pacific System Research Co., Ltd. became a subsidiary through a third-party placement of stock and stock acquisition
	Fullcast Technology Co., Ltd. listed its 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
Jun 2006	Acquired 100% ownership of Exe Outsourcing Co., Ltd. (Currently F-PLAIN Corporation, now a consolidated subsidiary) through transfer of shares
May 2007	Acquired 100% ownership of Info-P Co., Ltd. through stock swap
Jun 2007	Net It Works, Inc. became a subsidiary through transfer of shares
Jul 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.*
Nov 2008	All shares held in Asia Pacific System Research Co., Ltd. acquired by 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.
Jun 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.
Jun 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 a consolidated subsidiary) and EKO-SYSTEM Inc. (Currently F-PLAIN Corporation, now a consolidated subsidiary))
May 2011	Fullcast Marketing Co., Ltd. (Currently F-PLAIN Corporation, now a consolidated subsidiary) was changed to an equity method affiliate through a partial transfer of stock and allocation of new stock to a third party
	A takeover bid for Fullcast Technology Co., Ltd. was offered by Yumeshin Holdings Co., Ltd. and all shares owned were transferred
Apr 2012	Acquired 100% ownership of Otetsudai Networks, 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 including the “part-time employment placement” and “part-time worker payroll management services”
Jan 2016	Launched “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 to an equity method affiliate
Aug 2016	Acquired shares of Dimension Pocket Co., Ltd., and made it a consolidated subsidiary

Oct 2016	Launched “Year-End Tax Adjustment Management” service
Nov 2016	Established Fullcast Senior Works Co., Ltd., with operations started in March 2017
Jan 2017	Acquired shares of equity method affiliate F-PLAIN Corporation, making it a consolidated subsidiary
Mar 2017	Established Fullcast Porter Co., Ltd., with operations started in July 2017
May 2017	Launched “Resident Tax Update Admin Work Management” service
Jan 2018	Acquired the shares of BOD Co., Ltd. and made it a consolidated subsidiary
Jun 2018	Acquired shares of DeliArt Co., Ltd. and converted it to an equity method affiliate
Jun 2018	Established Fullcast Global Co., Ltd., with operations started in October 2018
Aug 2018	Acquired shares of Advancer Global Limited and converted it to an equity method affiliate
Aug 2018	Acquired shares of Minimaid Service Co., Ltd. and made it a consolidated subsidiary
Mar 2019	Acquired shares of NIHON DENKI SERVICE Co., Ltd. and converted it to a non-consolidated equity method affiliate.
Aug 2019	Established Fullcast International Co., Ltd., with operations started in December 2019
Dec 2019	Transferred all the owned shares of Dimension Pockets Co., Ltd.

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

3. Description of Business

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

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 resource services for event operation, payroll management services, other services)

[Main companies] Fullcast Co., Ltd.
Top Spot Co., Ltd.
Work & Smile Co., Ltd.
Fullcast Senior Works Co., Ltd.
Fullcast Porter Co., Ltd.
Otetsudai Networks Inc.
Fullcast Advance Co., Ltd.
BOD Co., Ltd.
BOD Alpha Co., Ltd.
Fullcast Global Co., Ltd.
Minimaid Service Co., Ltd.
Fullcast International Co., Ltd.

Sales Support Business (Distributor sales and call center operations, other services)

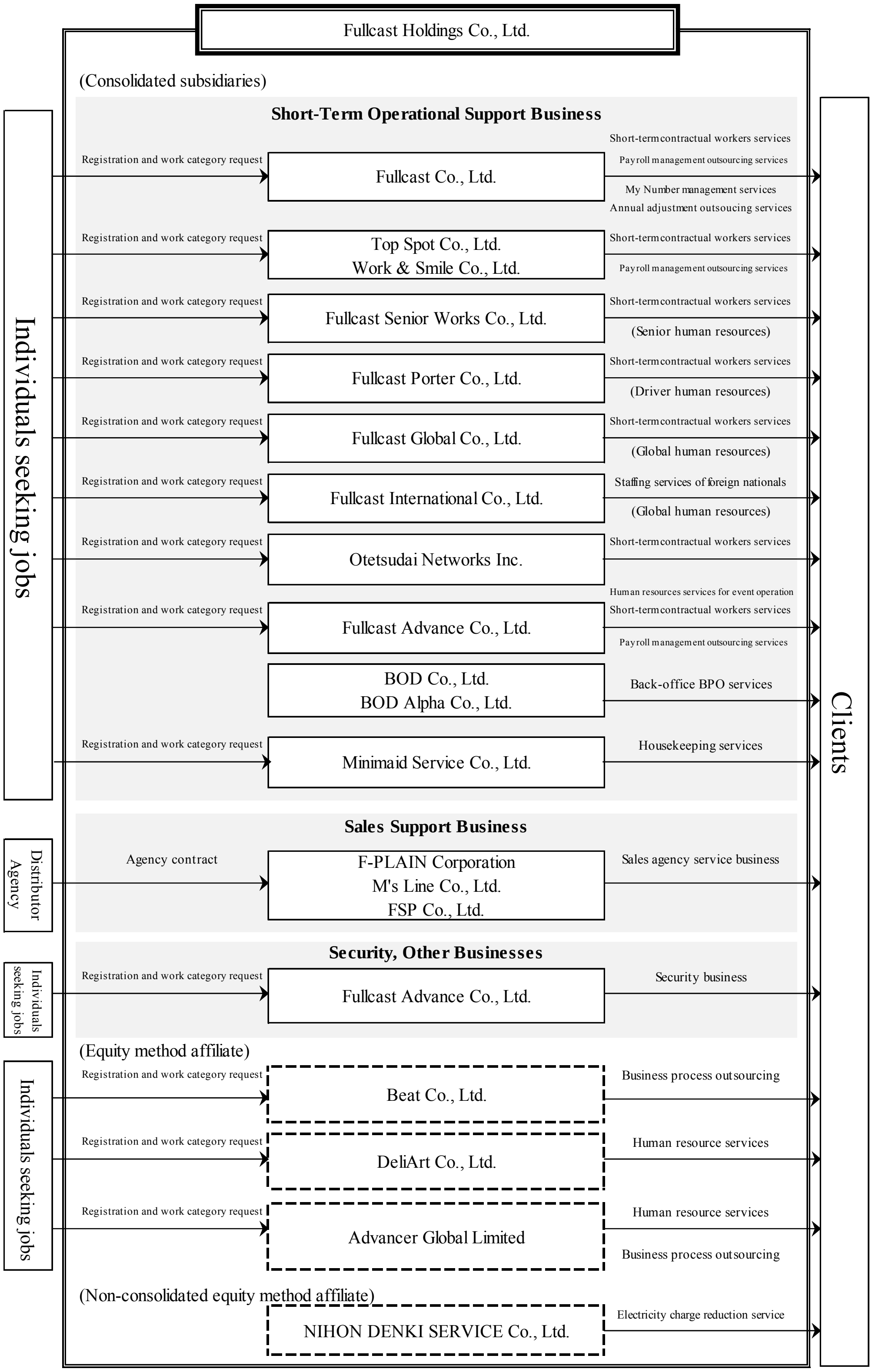
[Main companies] F-PLAIN Corporation.
M’s Line Co., Ltd.
FSP Co., Ltd.

Security, Other Businesses (Security business, other services)

[Main companies] Fullcast Advance Co., Ltd.

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

A diagram of our business activities is shown below:



Notes: 1. The above diagram is current as of December 31, 2019.
2. [double-bordered box] is Fullcast Holdings Co., Ltd., [box] is a consolidated subsidiary, [dashed box] is an equity method affiliate and non-consolidated equity method affiliate.
3. The Company acquired the shares of NIHON DENKI SERVICE Co., Ltd., and made it a non-consolidated equity method affiliate on March 29, 2019.
4. The Company established Fullcast International Co., Ltd. to provide short-term operational support services, and made it a consolidated subsidiary on August 30, 2019.
5. The Company divested the shares in Dimension Pockets Co., Ltd., and removed it from the scope of consolidation on December 11, 2019.
6. The Company acquired the shares of HR Management Co., Ltd., and made it a consolidated subsidiary on January 1, 2020.

4. Overview of affiliated entities

Company	Location	Capital (mil. yen)	Major business activities	Voting shares (%)	Issues to be noted
(Consolidated subsidiary) Fullcast Co., Ltd. (Note 3, 6)	Shinagawa-ku, Tokyo	100	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Top Spot Co., Ltd.	Shinagawa-ku, Tokyo	113	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Work & Smile Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Senior Works Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Porter Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Global Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast International Co., Ltd.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business	51.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1
Otetsudai Networks Inc.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business	100.0	- Sublets a part of our rented building to this company for office use. - Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
BOD Co., Ltd.	Toshima-ku, Tokyo	20	Short-Term Operational Support Business	51.0	- Provide services such as management advice and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
BOD Alpha Co., Ltd.	Toshima-ku, Tokyo	20	Short-Term Operational Support Business	51.0 (51.0)	- Provide services such as management advice and system leases.
Minimaid Service Co., Ltd.	Shibuya-ku, Tokyo	30	Short-Term Operational Support Business	100.0	- Provide services such as management advice and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
F-PLAIN Corporation.	Minato-ku, Tokyo	80	Sales Support Business	78.2	- Provide services such as management advice and system leases. - Concurrent directorates: 2

M's Line Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provide services such as management advice and system leases.
FSP Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provide services such as management advice and system leases.
Fullcast Advance Co., Ltd.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business Security, Other Businesses	100.0	- Sublets a part of our rented building to this company for office use. - Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Business Support Co., Ltd.	Shinagawa-ku, Tokyo	9	Whole company	100.0	- Sublets a part of our rented building to this company for office use. - Provides services such as business outsourcing, and system leases. - Provides financial support: borrowing and lending operating capital
(Equity method affiliate) Beat Co., Ltd	Yokohama-shi, Kanagawa	50	Business process outsourcing Worker dispatch business	30.0	- Concurrent directorates: 1
DeliArt Co., Ltd	Chiyoda-ku, Tokyo	43	Worker dispatch business	20.0	–
Advancer Global Limited (Note 2)	Singapore	(million Singapore dollars) 41	Employment services, Facility management services	25.8	- Concurrent directorates: 1
(Non-consolidated equity method affiliate) NIHON DENKI SERVICE Co., Ltd.	Minato-ku, Tokyo	90	Electricity Charge Reduction Service	20.0	–

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

Key Information about Profit and Loss (Million yen)

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

5. Number of Employees

(1) Status of Consolidated Companies

(As of December 31, 2019)

Name of Segment	Number of Employees
Short-Term Operational Support Business	816 [945]
Sales Support Business	72 [85]
Security, Other Businesses	48 [20]
Company-wide (Shared)	124 [194]
Total	1,060 [1,244]

Notes:
1. "Number of employees" is the number of employees engaged in work, and the approximate average annual number of temporary employees is listed within parentheses.
2. The number of employees listed as "Company-wide (shared)" indicates the number of employees who belong to administrative departments who cannot be assigned to specific business segments.
3. In the Short-Term Operational Support Business, the number of employees and temporary employees increased by 40 and 164 respectively compared to the end of the previous fiscal year. This change is mainly attributed to an increase in new and mid-career hires associated with the expansion of business as well as an increase in part-time workers.

(2) Status of the Submitting Company

(As of December 31, 2019)

Number of Employees	Average Age (Years old)	Average Length of Employment (Years)	Average Annual Salary (Thousand yen)
89 [184]	37.7	9 years and 7 months	5,118

Notes:
1. "Number of employees" is the number of employees engaged in work, and the approximate average annual number of temporary employees is listed within parentheses.
2. "Average annual salary" includes bonuses and additional wages.
3. The Company's employees mainly perform management and planning related to the Fullcast Group, and they are included in the Company-wide (shared) category.
4. Temporary employees declined by 25 during the current fiscal year due to the decrease in part-time worker hiring related to the operation system of the Part-Time Worker Payroll Management Service through the streamlining of the hiring in line with workloads.

(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. Management Policy and Environment, and Issues to Be Addressed

(1) Fundamental Management Policies

Our Group considers the "sustained improvement of corporate value" to be one of its most important management issues.

We manage our business by focusing upon capital efficiency and identify ROE as a target indicator to reflect "improvement of corporate value" with the goal of realizing ROE in excess of our capital cost, which represents the expected returns by shareholders and investors from our company.

(2) Target Management Indicators

Our Group will endeavor to maximize corporate value by striking a balance between profitability and growth. At the same time, our management will endeavor maintain a solid financial standing and implement strategies that focus upon capital efficiency. Also, we maintain a goal of realizing a debt-to-equity ratio target of no more than 0.5 times to maintain appropriate debt levels that will enable us to make investments necessary to secure growth, while at the same time maintaining financial soundness. The Fullcast Group also seeks to achieve ROE of 20% or higher as a target indicator of "improvement of corporate value".

(3) Medium- to Long-Term Management Strategies

With the highest priority assigned to compliance as the basic assumption of our management, we are working to establish an operating foundation capable of achieving sustained growth by focusing upon our "Short-Term Operational Support Business" and by ensuring that our group wide corporate governance leverages the functionality of our holding company.

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

As a result, in the previous fiscal year, our Company achieved the operating profit target of 5 billion yen set for the final fiscal year of the Medium-Term Management Plan two years ahead of schedule, and reviewed the plan for the fiscal year ending December 2019 to 2020. Furthermore, the Company has made upward revisions to its plan for the fiscal year ending December 2020 set out in "Consolidated Financial Results Announcement for the Fiscal Year Ended December 31, 2019 [Japanese Standards] (Consolidated)".

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

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

(4) Key Management Issues

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

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

1) Sustained Improvement of Corporate Value

As stated in "Part 2: State of Business, 1. Management Policy and Environment, and Issues to be Addressed (1) Fundamental Management Policies," we consider the "sustained improvement of corporate value" as one of our most important management issues. Accordingly, we will manage our businesses by focusing upon capital efficiency through the maintenance of an appropriate level of shareholder equity while at the same time continuing to return profits to shareholders. In addition, we seek to realize further expansion of profits in the “Placement” and “BPO” services, which are the main businesses of our Group.

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

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

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

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

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

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

Note: The target for number of operating workers in the Medium-Term Management Plan and the number of operating workers for the fiscal year ended December 2019 represents the unique number of workers employed in services other than “BPO” services in the Short-Term Operational Support Business of Fullcast Co., Ltd., Top Spot Co., Ltd., Work & Smile Co., Ltd., Fullcast Senior Works Co., Ltd., Fullcast Porter Co., Ltd., Fullcast Global Co., Ltd., and Fullcast Advanced Co, Ltd.

(Reference)

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

a) Numerical Targets

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

b) Main Management Indicators

As follows, changes will not be made.

Indicator used to realize our vision of "enhancing sustained corporate value": Maintain ROE above 20%

Indicator for shareholder returns: Total return ratio of 50%

Indicator underpinning our "Basic Policy on Capital": D/E ratio of less than 0.5x

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

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

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

Changes will not be made.

3) Business Targets for the Fiscal Year Ending December 2020

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

a) Strengthen customer contact points

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

b) Improve recruitment efficiency and staff utilization rates

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

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

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

2. Risks Associated with Our Businesses

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

(1) Fullcast Group's Policy for Business Growth

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

Within the Short-Term Operational Support Business, the Company engages in both “Part-Time Worker Placement” and “Part-Time Worker Payroll Management” services and others in response to the Revised Worker Dispatching Act implemented on October 1, 2012. In addition, as new services, we provide BPO services such as the “My Number Management service,” “Year-End Tax Adjustment Management service,” and others. In addition, consolidated subsidiary BOD Co., Ltd. provides “Back Office BPO Services” and Minimaid Service Co., Ltd. provides “Housekeeping Services.” If these business earnings do not progress according to forecasts, the performance of the Group could potentially be adversely affected.

In the Sales Support Business, the Company engages in sales support of telecommunications products and call center operations. If business revenue is not generated according to forecasts, or if large sums must be invested, or if the appeal of the products sold deteriorates, the Company and the Group's business results could be adversely affected.

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

In addition, due to the acquisition of overseas companies, the Group bears exchange risks, risks related to local regulations applied to businesses of acquired companies, and country risks. If these risks are realized, they may adversely affect the Group's business results and financial condition.

In addition, we maintain a policy of selling shares of subsidiaries and associates or investment securities of companies which cease to provide synergies with our Group's various businesses. Also, our Group's earnings could be profoundly impacted by implementation of impairment accounting related to goodwill as well as the shares of subsidiaries and associates and investment securities 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, the Act on the Use of Numbers to Identify a Specific Individual for Administrative Procedures (My Number Act), and Immigration Control and Refugee Recognition Act (Immigration Control Act), the Electricity Business Act, Act on the Arrangement of Related Acts to Promote Work Style Reform (Work Style Reform Act).

2) Part-Time Employment Placement Business

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

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 could become subject to disqualification, our license could be cancelled or orders to suspend or halt our operations could be issued.

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

4) Various Management Services Including Part-Time Worker Payroll Management Service, Others.

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

5) Onsite Subcontracting Service

As an onsite subcontracting service provider based on subcontracts, our Group completes its subcontracting services independently and directly at the client company of said contracts. In carrying out the work involved, we follow commonly accepted practices (as defined in Notice No. 37 of 1986 by Japan's Ministry of Health, Labor and Welfare) that separates and distinguishes between the employee dispatching and the subcontracting services and other relevant laws and regulations.

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

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

(3) Economic Trends

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

(4) Managing the Database on Client Firms and Staff

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

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

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

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

(5) Workplace Accidents and Transaction Related Trouble

1) Part-Time Worker Placement Service

In the process of selecting staff members who applied for jobs, the client company may file a suit against us for breach of contract or demand other compensation in the event that our Company selects and places a staff member who does not meet the recruitment requirements of the client company due to our negligence. Although our Group has a compliance system under which ensures personnel in charge of legal affairs can handle various legal risks, our performance may be seriously affected by accidents depending upon their nature and the amount of money involved.

2) Employee Dispatching Service

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

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

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

(6) Securing and Retaining Employees

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

(7) Exchange Risk

The Group assumes foreign exchange risk because it receives remittances in the local currency when converting transactions denominated in a foreign currency, including dividend incomes from overseas associates. In addition, as a general rule, the financial statements of overseas associates are prepared in local currency and converted into yen when preparing consolidated financial statements. Therefore, even if the value in local currency does not change with the exchange rate at the time of closing, the value after the conversion to yen may affect the Group's business results and financial statements.

(8) Changes in Accounting or Tax Systems, etc.

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

3. Analysis of Financial Position, Operating Results and Cash Flow Status by Management

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

(1) Performance Overview

A summary of the Group’s (The Company, its consolidated subsidiaries, and equity method affiliates) financial position, operating results, and cash flow status (Hereinafter, “operating results, others”) in the current fiscal year is presented below.

1) Financial Position and Operating Results

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

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

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

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

a. Operating Results

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

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

Consolidated ordinary profit increased by 33.7% year-on-year to 7,064 million yen, thanks to growth in operating profit that offset the impairment loss (share of loss of entities accounted for using equity method) associated with a decline in the share value of Advancer Global Limited (an equity method affiliate).

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

Our Group considers the “sustained improvement of corporate value” to be one of its most important management issues. We manage our business by focusing upon capital efficiency and identify ROE as a target indicator to reflect "improvement of corporate value" based on the goal of realizing ROE in excess of our capital cost, which represents the expected returns by shareholders and investors from our company. The Group targets ROE of 20% or higher.

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

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

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

Results by Business

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

i) Short-Term Operational Support Business

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

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

ii) Sales Support Business

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

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

iii) Security, Other Businesses

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

In terms of profits, segment profit (Operating profit) increased by 39.1% year-on-year to 252 million yen, on the back of growth in sales and successful measures to restrain SG&A expenses ratio.

b. Financial Position

i) Liquidity

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

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

As a result of the above factors, consolidated operating capital (Current assets − current liabilities) increased by 3,333 million yen from the end of the previous fiscal year to 11,542 million yen, and the consolidated current ratio (Current assets ÷ current liabilities × 100) increased to 279.6% from 241.0% at the end of the previous fiscal year.

ii) Capital Expenditures

Capital investments in the current consolidated fiscal year increased by 136 million yen year-on-year to 434 million yen. The main breakdown of this includes the acquisition of property, plant and equipment associated with the opening of new and relocation of existing sales offices of 138 million yen, and the acquisition of intangible assets associated with the purchase of various software for use within the Company of 208 million yen.

The Company does not have any concrete plans for capital investments during the fiscal year ending December 31, 2020 at this point.

iii) Interest-Bearing Debt

The total amount of interest-bearing debt at the end of the current fiscal year decreased by 253 to 1,000 million yen. This decrease was mainly because Dimension Pockets Co., Ltd. was excluded from the scope of consolidation.

iv) Net Assets

Net assets at the end of the current fiscal year stood at 16,213 million yen, representing an increase of 3,163 million yen from the end of the previous fiscal year. This increase is attributed to a rise in retained earnings of 3,261 million yen due to the realization of 4,644 million yen as profit attributable to owners of parent, and despite dividends of surplus of 1,383 million yen during the current fiscal year, and there was an increase in treasury shares of 827 million yen associated with the acquisition of treasury shares related to settlement for the fiscal year ended December 2018.

As a result of these events, our debt equity ratio (Interest-bearing debt ÷ equity capital (Note) × 100) decreased from 10.0% at the end of the previous fiscal year to 6.5%, and equity ratio (Interest-bearing debt ÷ equity × 100) increased from 63.0% at the end of the previous fiscal year to 65.8%.

Note: Equity = Total net assets − Share acquisition rights − Non-controlling interests

v) 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%.

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

Fullcast Holdings has established a basic policy of offering a dividend from surpluses twice a year, comprised of interim and year-end dividends. The decision-making body for the dividend is the Board of Directors for both the interim and year-end dividends.

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

According to our Articles of Incorporation, our Company can determine an interim dividend as prescribed in Article 454, Paragraph 5 of the Companies Act.

2) Cash Flows

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

(Cash Flows from Operating Activities)

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

(Cash Flows from Investing Activities)

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

(Cash Flows from Financing Activities)

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

3) State of Production, Orders Received and Sales

a. 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.

b. Sales Performance

Name of segment	FY12/19 (January 1 to December 31, 2019) (Million yen)	Change from the previous year (%)
Short-Term Operational Support Business	38,662	15.70%
Sales Support Business	3,473	4.80%
Security, Other Businesses	2,344	10.47%
Total	44,479	14.48%

Notes: 1. Consumption tax is not included in the amounts listed above.
2. Elimination is performed for intersegment transactions.

(2) Awareness, Analysis and Review of Status of Operating Results, Others from the Perspective of Management

Our awareness, analysis and review of status of operating results, others from the perspective of management is presented below. Note that 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 consolidated fiscal year.

1) Significant Accounting Policies and Estimates

The Group’s consolidated financial statements are prepared based on accounting standards generally accepted in

Japan. The preparation of these consolidated financial statements requires the adoption of accounting policies and estimates by management which affects on the booking and disclosure of assets, liabilities, profits and costs. Management determines these estimates in a reasonable manner taking into account past performance, but actual results may differ from these estimates due to their uncertainty.

Significant accounting policies adopted for the Group's consolidated financial statements appear in "Part 5. Financial Conditions, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes on Consolidated Financial Statements (Significant Accounting Policies in the Preparation of the Consolidated Financial Statements)."

2) Awareness, Analysis and Review of Status of Operating Results, Others for the Current Fiscal Year

a. Operating Results, Others

i) Net Sales

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

• Short-Term Operational Support Business

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

• Sales Support Business

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

• Security, Other Businesses

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

ii) Operating Expenses and Profit

Cost of sales increased 3,469 million yen from the previous fiscal year to 25,665 million yen (an increase of 15.6% year-on-year), while the cost of sales ratio increased 0.6% points from 57.1% in the previous fiscal year to 57.7%. Selling, general and administrative expenses increased by 830 million yen from the previous fiscal year to 11,590 million yen (an increase of 7.7% year-on-year) while the ratio to net sales declined by 1.6% points from 27.7% in the previous fiscal year to 26.1%. As a result, operating profit increased by 1,328 million yen from the previous fiscal year to 7,224 million yen (an increase of 22.5% year-on-year). We explain our results by business segment below.

• Short-Term Operational Support Business

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

• Sales Support Business

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

• Security, Other Businesses

In terms of profits, segment profit (Operating profit) increased by 39.1% year-on-year to 252 million yen, on the back of growth in sales and successful measures to restrain SG&A expenses ratio.

iii) Non-operating Income and expenses, and Ordinary Profit

Non-operating income and expenses declined from 610 million yen loss (net) in the previous fiscal year to 160 million yen loss (net) because of an impairment loss (Share of loss of entities accounted for using equity method) associated with a decline in the share value of Advancer Global Limited(an equity method affiliate) following previous consolidated fiscal year. Ordinary profit increased by 1,779 million yen from the previous fiscal year to 7,064 million yen (An increase of 33.7% year-on-year) mainly due to the increase in operating profit, despite the impairment loss (share of loss of entities accounted for using equity method) associated with a decline in the share value of Advancer Global Limited(an equity method affiliate).

iv) Extraordinary Income and Losses, and Profit before Income Taxes

Net extraordinary income was 69 million yen, after posting an extraordinary income from the gain on sales of shares of subsidiaries associated with the transfer of shares of Dimension Pockets Co., Ltd. As a result, profit before income taxes totaled 7,134 million yen (an increase of 34.6% year-on-year).

v) Income Taxes and Profit

Income taxes after tax-effect accounting is applied increased by 421 million yen from the previous fiscal year to 2,361 million yen, and profit totaled 4,773 million yen (an increase of 42.0% year-on-year).

vi) Profit Attributable to Owners of Parent

Profit attributable to non-controlling interests was 129 million yen, following the increase in profit attributable to non-controlling interests related to BOD Co., Ltd.

Consequently, profit attributable to owners of parent increased by 1,334 million yen from the previous fiscal year to 4,644 million yen (an increase of 40.3% year-on-year). Basic earnings per share stood at 124.59 yen (87.90 yen in the previous fiscal year).

b. Significant Factors Affecting Operating Results

Significant factors affecting the Group's operating results are presented in "Part 2: State of Business, 2. Risks Associated with Our Businesses."

c. Financial Resources for Capital and Liquidity of Funds

i) Funding Requirements

The main funding requirements for our Group's business activities are working capital for maintaining and expanding business activities, capital investment funds for expenses associated with the new opening and relocation of sales offices and system investment expenses in addition to temporary funding requirements such as M&A.

ii) Financial Resources for Capital and Liquidity of Funds

Our Group strives to utilize diverse financing methods while adhering to our basic financial policy of maintaining both suitable levels of liquidity and 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 secured 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 5,600 million yen.

Details regarding the status of our interest-bearing debt are presented in "Part 2: State of Business, 3. Analysis of Financial Position, Operating Results and Cash Flow Status by Management (1) Performance Overview, 1) Financial Position and Operating Results, b. Financial Position, iii) Interest-Bearing Debt."

The Group's policy on fund procurement and fund management is presented in "Part 5. Financial Conditions, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes on Consolidated Financial Statements (Notes Regarding Financial Instruments)."

d. Management Policy, Management Strategy, and Objective Indicators for Determining the Achievement of Management Targets, Others

Our Group considers the "sustained improvement of corporate value" to be one of its most important management issues.

Our Group will endeavor to maximize corporate value by striking a balance between profitability and growth. At the same time, our management will endeavor maintain a solid financial standing and implement strategies that focus upon capital efficiency. Also, we maintain a goal of realizing a debt-to-equity ratio target of no more than 0.5 times to maintain appropriate debt levels that will enable us to make investments necessary to secure growth, while at the same time maintaining financial soundness. The Fullcast Group also seeks to achieve ROE of 20% or higher as a target indicator of "improvement of corporate value." In addition, we maintain a policy of enhancing returns of profits to shareholders with a target of achieving total return ratio of 50%.

Indicator used to realize our vision of "Enhancing sustained corporate value":	Maintain ROE above 20%
Indicator for "Shareholder returns":	Total return ratio of 50%
Indicator underpinning our "Basic policy on capital":	D/E ratio of less than 0.5x

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

During the fiscal year ended December 2018, the Group reviewed the Medium-Term Management Plan announced on February 12, 2016, and is now targeting the achievement of the following management indicators during the fiscal year ending December 2020, the final year of the plan.

Operating profit:	7,900 million yen
Ordinary profit:	8,000 million yen
Number of operating workers:	320,000 persons
Gross profit per 1 yen of personnel costs:	2.6 yen

4. Contracts of Vital Importance to Management

There are no relevant matters.

5. Research and Development Activities

There are no relevant matters.

Part 3: State of Equipment

1. Overview of Capital Investment

Capital investment in the current consolidated fiscal year totaled 434 million yen. Major investments included the acquisition of property, plant and equipment associated with the opening of new and relocation of existing sales offices of 138 million yen, and the acquisition of intangible assets associated with the purchase of various software for use within the Company of 208 million yen.

2. State of Major Equipment

(1) Submitting Companies

(As of December 31, 2019)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Book-value (Million yen)				Employees
				Buildings and structures	Tools, furniture and fixtures	Software	Total	
Fullcast Holdings Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Company-wide (Shared)	Business office	23	54	255	332	89 [184]

Notes: 1. All figures exclude consumption tax.

2. “Employees” refers to staff engaged in work. The number of temporary employees is represented by the figures in parenthese apart from the number of regular employees, and it is the average yearly number of employees.

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 December 31, 2019)

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	86
Company housing for employees	Company-wide (Shared)	Leased buildings	10
Total	-	-	96

(2) Domestic Subsidiaries

(As of December 31, 2019)

Company name	Name of business office (Location)	Name of segment	Nature of equipment	Book-value (Million yen)					Employees
				Buildings and structures	Tools, furniture and fixtures	Land (area; m^2)	Other	Total	
Fullcast Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	100	41	-	0	141	421 〔533〕
Top Spot Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	20	8	-	-	28	53 〔 61〕
Fullcast Advance Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Security, Other Businesses, Short-Term Operational Support Business	Business office, operating equipment	12	5	-	0	18	74 〔 53〕
Fullcast Business Support Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Company-wide (Shared)	Business office, operating equipment	-	2	-	0	2	35 〔 10〕
Otetsudai Networks Inc.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	-	0	-	36	36	5 〔 2〕
Work & Smile Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	4	1	-	-	5	8 〔 6〕
Fullcast Senior Works Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	1	1	-	0	2	5 〔 5〕
Fullcast Porter Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	1	0	-	-	1	6 〔 1〕
F-PLAIN Corporation.	Head office (Minato-ku, Tokyo)	Sales Support Business	Business office, operating equipment	6	3	-	6	15	56 〔 55〕
M's Line Co., Ltd.	Head office (Minato-ku, Tokyo)	Sales Support Business	Business office, operating equipment	-	-	-	-	-	16 〔 30〕
BOD Co., Ltd.	Head office (Toshima-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	51	70	-	13	134	243 〔 48〕
Fullcast Global Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	2	1	-	-	3	3 〔 5〕
Minimaid Service Co., Ltd.	Head office (Shibuya-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	58	2	184 (276.84)	9	253	41 〔251〕
BOD Alpha Co., Ltd.	Head office (Toshima-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	0	-	-	1	2	3 〔 -〕
Fullcast International Co., Ltd.	Head office (Shinagawa-ku, Tokyo)	Short-Term Operational Support Business	Business office, operating equipment	2	1	-	-	3	2 〔 -〕

Notes: 1. "Other" in "book-value" includes vehicles, construction in progress, and software. All figures exclude consumption tax.
2. "Employees" refers to staff engaged in work. The number of temporary employees is represented by the figures in parentheses apart from the number of regular employees, and it is the average yearly number of employees.

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 December 31, 2019)

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 and other)	Short-Term Operational Support Business	Leased buildings	333
	Company housing for employees		Leased buildings	75
Top Spot Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	45
	Company housing for employees		Leased buildings	8
Fullcast Advance Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Security, Other Businesses Short-Term Operational Support Business	Leased buildings	35
	Company housing for employees		Leased buildings	9
Fullcast Business Support Co., Ltd.	Company housing for employees	Company-wide (Shared)	Leased buildings	1
Otetsudai Networks Inc.	Company housing for employees	Short-Term Operational Support Business	Leased buildings	0
Work & Smile Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	6
	Company housing for employees		Leased buildings	1
Fullcast Senior Works Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	5
	Company housing for employees		Leased buildings	1
Fullcast Porter Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	4
F-PLAIN Corporation.	Head office, branches (Minato-ku, Tokyo and other)	Sales Support Business	Leased buildings	25
	Company housing for employees		Leased buildings	1
M's Line Co., Ltd.	Head office, branches (Minato-ku, Tokyo and other)	Sales Support Business	Leased buildings	3
	Company housing for employees		Leased buildings	0
BOD Co., Ltd.	Head office, branches (Toshima-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	142
Fullcast Global Co., Ltd.	Head office, branches (Shinagawa-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	5
	Company housing for employees		Leased buildings	2
Minimaid Service Co., Ltd.	Head office, branches (Shibuya-ku, Tokyo and other)	Short-Term Operational Support Business	Leased buildings	3
	Company housing for employees		Leased buildings	0

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	110,000,000
Total	110,000,000

2) Outstanding shares

Type	Number of shares issued by the end of the fiscal year (Dec. 31, 2019)	Number of shares issued at the date of submission (Mar. 30, 2020)	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 Acquisition Rights

1) Details of Stock Option System

Fullcast Holdings Co., Ltd. No. 1-1 Stock Compensation-type Share Acquisition Rights	
Date of resolution	March 24, 2017
Category of persons granted share acquisition rights and number (Persons)	4 Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members) 8 Directors of the Company's wholly-owned subsidiaries 2 Corporate Auditors of the Company's wholly-owned subsidiaries
Number of share acquisition rights (Rights)*	2,016 (Note 1)
Type and detail of stock for the purpose of share acquisition rights and number (Shares)*	Common stock: 201,600 (Note 1)
Amount paid at time of exercise of share acquisition rights (Yen)*	1 (Note 2)
Exercise period of share acquisition rights*	April 11, 2021 to April 10, 2051
Issuance price and capital incorporation amount of shares when issuing shares due to the exercise of share acquisition rights (Yen)*	Issuance price: 785.50 Capital incorporation amount (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning assignment of share acquisition rights*	Acquisition of share acquisition rights by assignment requires approval of the Board of Directors.
Matters concerning the granting of share acquisition rights associated with organization restructuring*	(Note 5)

*Details presented represent conditions on the last day of the current fiscal year (December 31, 2019). Furthermore, there are no changes in these conditions as of the final day of the month before the submission date (February 29, 2020).

Notes: 1. The type of shares for the share acquisition rights shall be ordinary shares (Common stock) and the number of shares per one share 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 share acquisition rights. 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 × Ratio of stock split or stock consolidation

The number of shares granted after adjustment shall apply on after the day after the record date of share splits when the Company executes a share split and on and after the effective date 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 our 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 the day after the end of the 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.

2. The amount of assets required for exercise of each share acquisition right shall be the amount realized by multiplying the number of shares granted by the payment amount of 1 yen per share that can be exchanged for shares with the exercise of the share acquisition rights.
3. (1) The amount of additional paid-in capital resulting from the issuance of shares due to the exercise of share acquisition rights shall be half of the maximum of an increase in paid-in capital calculated in accordance with Article 17,Paragraph 1 of the Regulation on Corporate Accounting, 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 share acquisition rights shall be the amount resulting from the amount of the increase in paid-in capital prescribed in (1) above subtracted from the maximum of an increase in paid-in capital described in (1) above.
4. (1) For share acquisition rights allotted to the Company's Directors, in principle, the person receiving the allotment of share acquisition rights must be a Director of the Company at the time the rights are exercised.
   (2) For share acquisition rights allotted to the Directors or Corporate Auditors of the Company wholly-owned subsidiaries, in principle, the person receiving the allotment of share acquisition rights (Hereinafter, referred to as "share acquisition right holder" collectively with persons receiving the allotment of share acquisition rights per (1) above), must be a Director or Corporate Auditor of the subsidiary at the time the rights are exercised.
   (3) Of those share acquisition rights allocated, only the limited number of share acquisition rights can be exercised depending on the level of achievement of the operating profit target for the fiscal year ending December 2020, final year of the Medium-Term Management Plan.
5. When undertaking a merger (Limited to instances where the company is the non-surviving company in the merger), absorption-type demergers and incorporation-type demergers (Limited to instances where each company will become a spin-off company), or stock swaps or stock transfers (Limited to instances where each company will become a wholly-owned subsidiary) (Hereinafter, "organizational restructuring act" shall be used to collectively refer to these terms), the Company shall issue share acquisition rights of corporations cited in Article 236, Paragraph 1, Item 8, a through e of the Companies Act to share acquisition rights holders who own the remaining share acquisition rights (Hereinafter, "residual share acquisition rights") recently prior to the effective date of the organizational restructuring act (the date the absorption-type merger takes effect for absorption-type mergers, the date the new incorporated company is established in the case of incorporation-type mergers, the date the absorption-type demerger takes effect for absorption-type demergers, the date the new incorporated company is established in the case of incorporation-type demergers, the date the share exchange takes effect for share exchanges, and the date of the establishment of the complete parent company after share transfer for share transfers; hereinafter the same shall apply). In such cases, the residual share acquisition rights will be canceled and the Company subject to restructuring shall newly issue share acquisition rights. The issuance of share acquisition rights of the restructuring company must be prescribed following each of the following items in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, share exchange agreement or share transfer plan.

   (1) Number of Share Acquisition Rights Issued by Restructuring Company
   The number of share acquisition rights held by share acquisition rights holders and the same number will each be issued, respectively.
   (2) Type of Shares of Restructuring Company Required for Share Acquisition Rights
   The ordinary stock (Common stock) of the Restructuring Company.
   (3) Number of Shares of Restructuring Company Required for Share Acquisition Rights
   Determined following Note 1 above based on the conditions of the organizational restructuring actions.
   (4) Amount of Assets Required for Exercise of Share Acquisition Rights
   The amount of assets required for exercise of each share acquisition right to be issued shall be the amount realized by multiplying the exercise price after restructuring prescribed below by the number of shares of the restructuring company with the purpose of the said share acquisition rights approved in accordance with (3) above. The exercise price after restructuring shall be 1 yen per share of the restructuring company that can be received by exercise of

each share acquisition right to be issued.

(5) Period for Exercise of Share Acquisition Rights
The period for exercise of the share acquisition rights shall be from the start date of the period for which the share acquisition rights can be exercised or the effective date of the organizational restructuring action, whichever is later, to the final date of the period for which the share acquisition rights can be exercised.

(6) Matters Relating to Additional Paid-in Capital and Capital Reserve Resulting from the Issuance of Shares due to the Exercise of Share Acquisition Rights
Determined following Note 3 above.

(7) Restrictions on the Acquisition of Share Acquisition Rights by Assignment
The acquisition of share acquisition rights by assignment requires approval of the Board of Directors of the restructuring company.

(8) Reason and Conditions for Acquisition of Share Acquisition Rights
If the following agenda items (i), (ii), (iii), (iv) or (v) are approved at the General Meeting of Shareholders of the Company (if resolution of the meeting of shareholders is not required, when approved by resolution of the Company's Board of Directors or when approved by an executive officer delegated in accordance with the provisions of Article 416, Paragraph 4 of the Companies Act), the Company can acquire the share acquisition rights for gratis on the date separately prescribed by the Board of Directors.
(i) Agenda items on approval of merger agreements in which the Company is not the surviving company
(ii) Agenda items on approval of a company spin-off agreement or plan based on which the Company will become a spin-off company
(iii) Agenda items on a stock swap agreement based upon which the Company will become a wholly-owned subsidiary or a stock transfer plan
(iv) Agenda items, as details of all shares issued by the Company, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares by assignment
(v) Agenda items, as details of the type of shares for the share acquisition rights, for approval of changes in the Articles of Incorporation with a provision established regarding the need for the Company's approval concerning the acquisition of the shares of the said type by assignment and the acquisition of all the said type of shares by resolution of the General Meeting of Shareholders of the Company with regard to the shares

Fullcast Holdings Co., Ltd. No. 1-2 Stock Compensation-type Share Acquisition Rights	
Date of resolution	March 24, 2017
Category of persons granted share acquisition rights and number (Persons)	8 employees of the Company's wholly-owned subsidiaries
Number of share acquisition rights (Rights)	192 (Note 1)
Type and detail of stock for the purpose of share acquisition rights and number (Shares)*	Common stock: 19,200 (Note 1)
Amount paid at time of exercise of share acquisition rights (Yen)*	1 (Note 2)
Exercise period of share acquisition rights*	April 11, 2021 to April 10, 2051
Issuance price and capital incorporation amount of shares when issuing shares due to the exercise of share acquisition rights (Yen)*	Issuance price: 785.50 Capital incorporation amount (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning assignment of share acquisition rights*	Acquisition of share acquisition rights by assignment requires approval of the Board of Directors.
Matters concerning the granting of share acquisition rights associated with organization restructuring*	(Note 5)

*Details presented represent conditions on the last day of the current fiscal year (December 31, 2019). Furthermore, there are no changes in these conditions as of the final day of the month before the submission date (February 29, 2020).

Notes: 1. The type of shares for the share acquisition rights shall be ordinary shares (Common stock) and the number of shares per one share 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 share acquisition rights. 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 × Ratio of stock split or stock consolidation

The number of shares granted after adjustment shall apply on after the day after the record date of share splits when the Company executes a share split and on and after the effective date 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 our 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 the day after the end of the 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.

2. The amount of assets required for exercise of each share acquisition right shall be the amount realized by multiplying the number of shares granted by the payment amount of 1 yen per share that can be exchanged for shares with the exercise of the share acquisition rights.
3. (1) The amount of additional paid-in capital resulting from the issuance of shares due to the exercise of share acquisition rights shall be half of the maximum of an increase in paid-in capital calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, 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 share acquisition rights shall be the amount resulting from the amount of the increase in paid-in capital prescribed in (1) above subtracted from the maximum of an increase in paid-in capital described in (1) above.
4. (1) In principle, persons who receive an allotment of share acquisition rights (Hereinafter, “share acquisition rights holders”) must be an employee of the Company's wholly-owned subsidiaries at the time of exercising these rights.
   (2) Of those share acquisition rights allocated, only the limited number of share acquisition rights can be exercised depending on the level of achievement of the operating profit target for the fiscal year ending December 2020, final year of the Medium-Term Management Plan.
5. When undertaking a merger (Limited to instances where the company is the non-surviving company in the merger), absorption-type demergers and incorporation-type demergers (Limited to instances where each company will become a spin-off company), or stock swaps or stock transfers (Limited to instances where each company will become a wholly-owned subsidiary) (Hereinafter, “organizational restructuring act” shall be used to collectively refer to these terms), the Company shall issue share acquisition rights of corporations cited in Article 236, Paragraph 1, Item 8, a through e of the Companies Act to share acquisition rights holders who own the remaining share acquisition rights (Hereinafter, “residual share acquisition rights”) recently prior to the effective date of the organizational restructuring act (the date the absorption-type merger takes effect for absorption-type mergers, the date the new incorporated company is established in the case of incorporation-type mergers, the date the absorption-type demerger takes effect for absorption-type demergers, the date the new incorporated company is established in the case of incorporation-type demergers, the date the share exchange takes effect for share exchanges, and the date of the establishment of the complete parent company after share transfer for share transfers; hereinafter the same shall apply). In such cases, the residual share acquisition rights will be canceled and the Company subject to restructuring shall newly issue share acquisition rights. The issuance of share acquisition rights of the restructuring company must be prescribed following each of the following items in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, share exchange agreement or share transfer plan.

   (1) Number of Share Acquisition Rights Issued by Restructuring Company
   The number of share acquisition rights held by share acquisition rights holders and the same number will each be issued, respectively.
   (2) Type of Shares of Restructuring Company Required for Share Acquisition Rights
   The ordinary stock (Common stock) of the Restructuring Company.
   (3) Number of Shares of Restructuring Company Required for Share Acquisition Rights
   Determined following Note 1 above based on the conditions of the organizational restructuring actions.
   (4) Amount of Assets Required for Exercise of Share Acquisition Rights
   The amount of assets required for exercise of each share acquisition right to be issued shall be the amount realized by multiplying the exercise price after restructuring prescribed below by the number of shares of the restructuring company with the purpose of the said share acquisition rights approved in accordance with (3) above. The exercise price after restructuring shall be 1 yen per share of the restructuring company that can be received by exercise of each share acquisition right to be issued.
   (5) Period for Exercise of Share Acquisition Rights
   The period for exercise of the share acquisition rights shall be from the start date of the period for which the share

acquisition rights can be exercised or the effective date of the organizational restructuring action, whichever is later, to the final date of the period for which the share acquisition rights can be exercised.

(6) Matters Relating to Additional Paid-in Capital and Capital Reserve Resulting from the Issuance of Shares due to the Exercise of Share Acquisition Rights
Determined following Note 3 above.

(7) Restrictions on the Acquisition of Share Acquisition Rights by Assignment
The acquisition of share acquisition rights by assignment requires approval of the Board of Directors of the restructuring company.

(8) Reason and Conditions for Acquisition of Share Acquisition Rights
If the following agenda items (i), (ii), (iii), (iv) or (v) are approved at the General Meeting of Shareholders of the Company (if resolution of the meeting of shareholders is not required, when approved by resolution of the Company's Board of Directors or when approved by an executive officer delegated in accordance with the provisions of Article 416, Paragraph 4 of the Companies Act), the Company can acquire the share acquisition rights for gratis on the date separately prescribed by the Board of Directors.

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

2) Description of rights plan

There are no relevant matters.

3) State of other new share acquisition rights

There are no relevant matters.

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

There are no relevant matters.

(4) Trends in total number of outstanding shares and share capital

Date	Change in total number of outstanding shares (Shares)	Balance on total number of outstanding shares (Shares)	Change in share capital (Million yen)	Balance on share capital (Million yen)	Change in legal capital surplus (Million yen)	Balance on legal capital surplus (Million yen)
December 20, 2013 (Note)	(1,110,000)	38,486,400	-	2,780	-	-

Note: Treasury shares were retired on December 20, 2013 in accordance with the resolution of the Board of Directors Meeting on December 19, 2013.

(5) Shareholder ownership status

(As of December 31, 2019)

Classification	Stock information (One unit of shares: 100 shares)								State of share less than one unit (Shares)
	Government and local public organizations	Financial organizations	Financial commodity traders	Other corporations	Foreign corporations etc.		Individual and others	Total	
					Non-individual	Individual			
Shareholders	-	27	17	30	156	8	3,924	4,162	-
Shares held (Unit)	-	67,321	9,026	188,681	74,072	52	45,663	384,815	4,900
Percentage of shares held (%)	-	17.49	2.35	49.03	19.25	0.01	11.87	100.00	-

Notes: 1. The 1,328,352 shares of treasury shares include 13,283 units in "Individual and others" and 52 shares in "State of share less than one unit (Shares)."

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

(6) Major shareholders

(As of December 31, 2019)

Name	Address	Number of Shares held	Percentage of shares held to total outstanding shares (Excluding treasury shares) (%)
Hirano Associates Co., Ltd.	1-15-3 Dogenzaka, Shibuya-ku, Tokyo	13,894,600	37.39
Hikari Tsushin Co., Ltd.	1-4-10 Nishi Ikebukuro, Toshima-ku, Tokyo	4,850,600	13.05
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	1,821,400	4.90
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	1,690,100	4.55
Japan Trustee Services Bank, Ltd. (Trust account 9)	1-8-11 Harumi, Chuo-ku, Tokyo	1,041,900	2.80
State Street Bank and Trust Company 505019 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Division)	AIB International Centre P.O. Box 518 IFSC Dublin, Ireland (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	607,600	1.64
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	452,400	1.22
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2 Marunouchi, Chiyoda-ku, Tokyo	442,800	1.19
Japan Trustee Services Bank, Ltd. (Trust account 5)	1-8-11 Harumi, Chuo-ku, Tokyo	386,600	1.04
State Street London Care of State Street Bank and Trust. Boston SSBTC A/C UK London Branch Clients-United Kingdom (Standing proxy: The Hongkong and	One Lincoln Street, Boston MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	370,100	1.00

Name	Address	Number of Shares held	Percentage of shares held to total outstanding shares (Excluding treasury shares) (%)
Shanghai Banking Corporation Limited, Tokyo branch, Custody Division)			
Total	-	25,558,100	68.78

Note: In addition to the above, there is 1,328,352 shares of treasury shares owned by the Company.

(7) Voting Rights

1) Outstanding shares

(As of December 31, 2019)

Classification	Number of shares (shares)	Number of voting rights (Individual)	Description
Nonvoting shares	-	-	-
Shares with limited voting rights (Treasury shares, other)	-	-	-
Shares with limited voting rights (Other)	-	-	-
Shares with full voting rights (Treasury shares, other)	(Treasury shares) Common stock 1,328,300	-	-
Shares with full voting rights (Other)	Common stock 37,153,200	371,532	-
Share less than one unit	Common stock 4,900	-	-
Total number of outstanding shares	38,486,400	-	-
Voting rights of shareholders	-	371,532	-

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 shares

(As of December 31, 2019)

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	1,328,300	-	1,328,300	3.45
Total	-	1,328,300	-	1,328,300	3.45

2. Acquisitions of Treasury Shares

Class of shares: Acquisition of common stock under Article 155, Item 3 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)
Status of resolution by the Board of Directors (March 29, 2019) (Acquisition period: February 12, 2019 to April 26, 2019)	500,000	827,000,000
Treasury shares acquired before the current fiscal year	-	-
Treasury shares acquired in the current fiscal year	449,800	826,993,900
Total number of shares of residual resolutions and total cost	50,200	6,100
Ratio of unexercised rights as of the last day of the current fiscal year (%)	10.0	0.0
Treasury shares acquired during the current period	-	-
Ratio of unexercised rights as of the date of submission of this report (%)	10.0	0.0

Note: A resolution was passed at the meeting of the Board of Directors held on March 29, 2019 concerning the details of the resolution passed on February 8, 2019. Based on these changes, the total number of acquirable shares has been increased from 450,000 to 500,000 shares.

Classification	Number of shares (Shares)	Total cost (Yen)
Status of resolution by the Board of Directors (February 7, 2020) (Acquisition period: February 10, 2020 to April 24, 2020)	449,600	991,817,600
Treasury shares acquired before the current fiscal year	-	-
Treasury shares 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 shares acquired during the current period	-	-
Ratio of unexercised rights as of the date of submission of this report (%)	100.0	100.0

Note: Treasury shares acquired during the period does not include the purchase of share less than one unit from March 1, 2020 up to the submission date of the securities report.

(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 Shares 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 shares for which a purchaser was solicited	-	-	-	-
Acquired treasury shares that was retired	-	-	-	-
Acquired treasury shares that was transferred due to a merger, share exchange or company split	-	-	-	-
Other (-)	-	-	-	-
Treasury shares in possession	1,328,352	-	1,328,352	-

3. Dividend Policy

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

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

Fullcast Holdings has established a basic policy of offering a dividend from surpluses twice a year, comprised of an interim dividend and year-end dividend. The decision-making body for the dividend is the Board of Directors for both the interim dividend and year-end dividend.

Regarding the dividend for the current fiscal year, excluding the impact of an impairment loss (share of loss of entities accounted for using equity method) associated with a decline in share value of Advancer Global Limited (an equity method affiliate), a dividend of 40 yen per share, an increase of 8 yen from the previous year and 2 yen increase from forecast, will be paid based on the concept achieving a total return ratio of 50% versus profit attributable to owners of parent. A resolution was passed at the meeting of the Board of Directors held on February 7, 2020 that at the end of the fiscal year, a dividend of 21 yen per share (an increase of 2 yen year-on-year) will be offered and share repurchases totaling up to 991,817,600 million yen will be conducted. As a result, the total return ratio pursuant to the above policy for the fiscal year ended December 2019 will be 50.0%, and the total return ratio versus profit attributable to owners of parent is expected to be 53.4%.

With regards to internal reserves, we plan to improve our business base in order to achieve sustainable growth through allocation to preparation for future business expansion, development of systems, and enhancement of internal programs such as employee education.

According to our Articles of Incorporation, our Company can determine an interim dividend as prescribed in Article 454, Paragraph 5 of the Companies Act.

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

Date of resolution	Total amount of dividend (Million yen)	Dividend per share (Yen)
Resolution by Board of Directors Meeting on Aug. 9, 2019	706	19
Resolution by Board of Directors Meeting on Feb. 7, 2020	780	21

4. Corporate Governance

(1) Corporate Governance

1) Basic Approach to Corporate Governance

Our Group seeks to adhere to 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".

2) Overview of Corporate Governance Systems and Reasons for this Systems Adoption

A. Overview of Corporate Governance Systems

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 (2 or more) and to report all outside directors as Independent Directors as stipulated by the Tokyo Stock Exchange.

As of March 30, 2020, 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.

The Board of Directors comprises 7 members: Representative Director and CEO Kazuki Sakamaki , Chairman of the Board of Directors Takehito Hirano, Director Takahiro Ishikawa, Director Shiro Kaizuka, Audit & Supervisory Committee Member Kouji Sasaki, Audit & Supervisory Committee Member Masataka Uesugi, and Audit & Supervisory Committee Member Hideyuki Totani. The Board of Directors Meeting is basically presided by Kazuki Sakamaki.

The Board of Directors Meeting was held 12 times during the fiscal year ended December 2019. Excluding one absence by one Director, all of the Board of Directors Meetings were attended by all Directors. The main matters considered included the Medium-Term Management Plan (including a review of the plan and updates), shareholder returns and the capital policy, M&As and business alliances, internal control and compliance, officer remuneration,corporate governance (including an examination of the appropriateness of retaining cross-shareholdings and an evaluation of the effectiveness of the Board of Directors), and related party transactions.

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.

The Audit & Supervisory Committee comprises 3 members: Audit & Supervisory Committee Member Kouji Sasaki who serves as the Chairman, Audit & Supervisory Committee Member Masataka Uesugi, and Audit & Supervisory Committee Member Hideyuki Totani. The Audit & Supervisory Committee Meeting is basically presided by Kouji Sasaki.

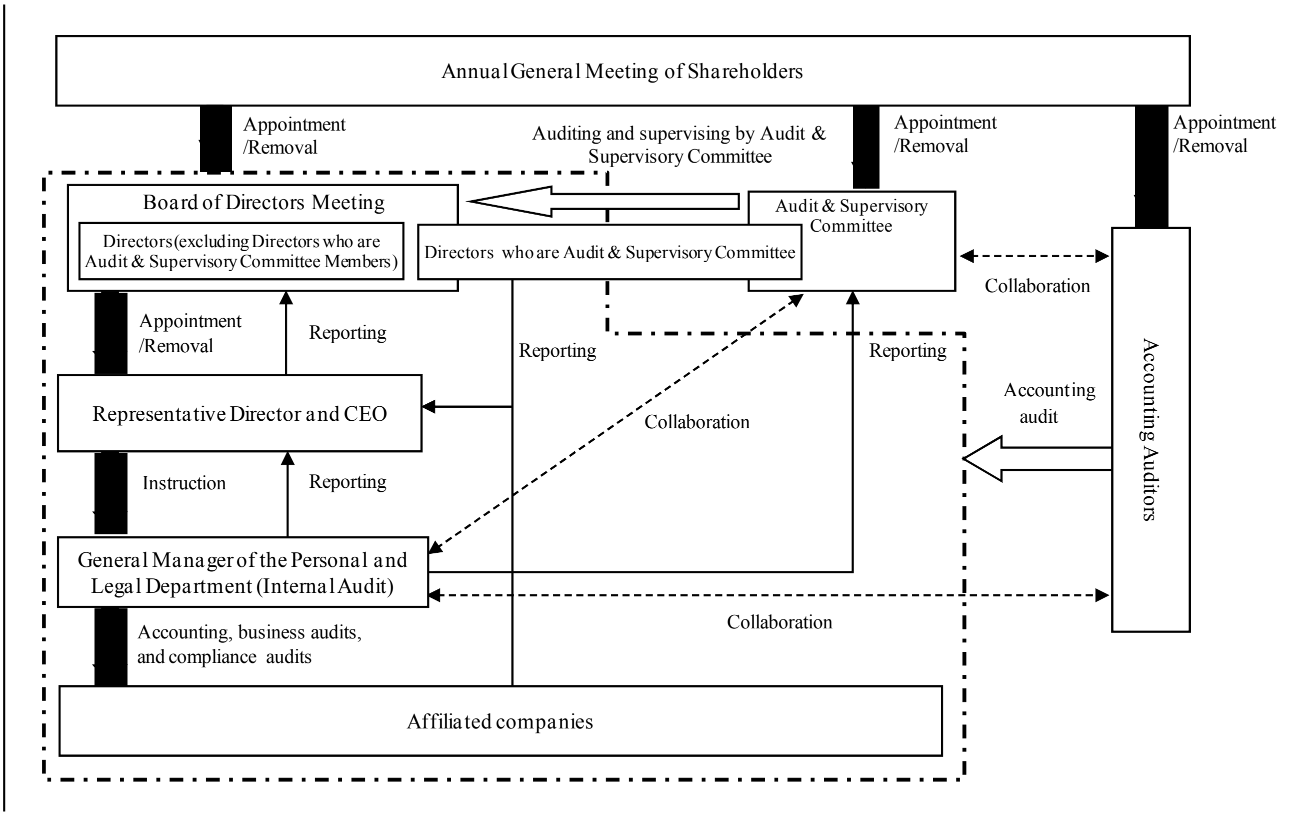
c) General Manager of the Personnel and Legal Department

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 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 30, 2020, Fullcast Holdings Co., Ltd. is a company with a Board of Directors Meeting, which is comprised of 7 directors, including 4 directors (Excluding directors 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 the 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 3 of our 7 directors, and in so doing we aim to strengthen the supervisory function of overall management 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 Member), 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.

3) Other Matters on Corporate Governance

A. Internal Control Systems

a) The following measures shall be taken 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 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 Audit & 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 and 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 established to provide access to cooperation and appropriate advice on elimination of anti-social forces.

B. Summary of Limited Liability Contracts

Based on Article 427, Paragraph 1 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 Article 423, Paragraph 1 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 Article 425, Paragraph 1 of the Companies Act.

C. Resolution matters for the 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 treasury shares

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.

D. 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.

E. 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.

F. Special decision requirements for 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 Article 309, Paragraph 2 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.

G. Investor Relation, Other Activities

Fullcast 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.

Our 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 allow for constructive dialogue with shareholders and to provide information that is accurate to achieve this dialogue.

Our Company holds briefings for institutional investors and analysts two times per year in order to as part of our efforts 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) Officers

1) List of Officers

There are 7 males and no female officers (ratio of female officers: 0.0%)

Title	Name	Date of birth	Career summary		Term	Number of shares held
Director and Chairman	Takehito Hirano	August 25, 1961	Apr. 1984 Sept. 1990 July. 2006 Sept. 2007 Dec. 2009 Mar. 2015 Apr. 2017 Oct. 2018	Joined Harvest Futures Inc. Established Resort World Co., Ltd. (Currently Fullcast Holdings Co., Ltd.) and served as Representative Director Representative Director of Fullcast Marketing Co., Ltd. (Currently F-PLAIN Corporation) Director of the Company Managing Director and Advisor of the Company Managing Director and Chairman of the Company (Present post) Representative Director and Chairman of F-PLAIN Corporation (Present post) Director of Advancer Global Limited (Present post)	(Note 2)	-
President, Representative Director and CEO	Kazuki Sakamaki	September 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. (Currently Fullcast Co., Ltd.) Corporate Executive Officer, General Manager of the Business Engineering Dept. of Fullcast Co., Ltd. Corporate Executive Officer, General Manager of Tokai and Kansai Sales Dept. of Fullcast Co., Ltd. Representative Director of Fullcast Co., Ltd. Director of the Company President and Representative Director of Fullcast Co., Ltd. (Present post) President, Representative Director and CEO of the Company (Present post)	(Note 2)	101,926
Director	Takahiro Ishikawa	July 22, 1967	Sept. 1990 Sept. 2000 Apr. 2006 Jan. 2012 May. 2012 Dec. 2014 Mar. 2016 Apr. 2016 Jan. 2017	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. Representative Director of Beattech Co., Ltd. Director of the Company (Present post) Representative Director and Chairman of Beat Co., Ltd. (Present post) Representative Director and Chairman of Beattech Co., Ltd. (Present post)	(Note 2)	154,600
Director	Shiro Kaizuka	October 3, 1961	Sept. 1990 May. 2002 Oct. 2002 Feb. 2010 Sep. 2013 Apr. 2016 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 IPM G.K. (Present post) Representative Partner of One Suite G.K. (Present post) Director of the Company (Present post)	(Note 2)	125,200

Title	Name	Date of birth	Career summary		Term	Number of shares held
Director (Full-time Audit & Supervisory Committee Member)	Kouji Sasaki	August 2, 1945	Apr. 1966 Dec. 1984 June. 1995 Sept. 1995 Dec. 1999 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 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)	(Note 3)	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 Nov. 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 Outside Audit & Supervisory Board Member of Ceres Inc. (Present post) Outside Audit & Supervisory Board Member of Aiming Inc. (Present post) Founded Sakurada Dori Partners (Partner; present post) Director (Audit & Supervisory Committee Member) of the Company (Present post) Director (Audit & Supervisory Committee Member) of Digital Arts Inc. (Present post)	(Note 3)	-
Director (Audit & Supervisory Committee Member)	Hideyuki Totani	January 5, 1979	Oct .2003 June. 2007 July. 2007 June. 2013 July. 2014 Dec. 2015 Mar. 2016 July. 2016	Joined Ernst & Young ShinNihon LLC Registered as Certified Public Accountant Partner at Seiwa Audit Corporation (Currently RSM Seiwa Audit Corporation) Outside Audit & Supervisory Board Member of F-PLAIN Corporation Outside Audit & Supervisory Board Member of Ichigo Holdings, Inc. (Present post) Auditor of F-PLAIN Corporation (Present post) Director (Audit & Supervisory Committee Member) of the Company (Present post) Representative Partner at Seiwa Audit Corporation (Currently RSM Seiwa Audit Corporation) (Present post)	(Note 3)	-
Total						391,326

Notes:
1. Directors Kouji Sasaki, Masataka Uesugi and Hideyuki Totani are Outside Director, as defined in Article 2, Item 15 of the Companies Act.
2. The term of office for Directors who are not Audit & Supervisory Committee Members is from the Annual General Meeting of Shareholders for the fiscal year ended December 2019 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 2020.
3. The term of office for Directors who are Audit & Supervisory Committee Members is from the Annual General Meeting of Shareholders for the fiscal year ended December 2019 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 2021.
4. The Audit & Supervisory Committee is comprised of the following members:
   Chair Kouji Sasaki
   Member Masataka Uesugi and Member Hideyuki Totani
5. 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.

2) Outside Officers

A. Overview of outside directors' personal relationships, capital relationships and other concerns over business relationships

The shareholdings of our Company by our 3 Outside Directors are outlined below.

(As of March 30, 2020)

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 line of thought.

(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) An 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 or 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.
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.
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 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.

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

3) 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 (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 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.

(3) Audits

1) Status of Audits by Audit & Supervisory Committee

All 3 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 and other tasks 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.

2) Status of 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.

3) Status of 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 5 years.

Shigeru Takahama (PricewaterhouseCoopers Aarata LLC)

He has been continuously involved with us for 1 year.

B. Audit assistants

Certified public accountants : 2

Others : 23

C. Selection Method of Audit Corporation and Reason

The Company selects the audit corporation based comprehensively on such areas as quality control, independence, specialization, audit remuneration, communication with audit committee members and management, and response to illicit risks, etc., referencing the “Practical Guidelines for Auditors, etc. Concerning the Formulation of Evaluation and Selection Standards for Accounting Auditors” published by the Japan Audit & Supervisory Board Members Association.

When it deems necessary, such as when the duties of the accounting auditor are hindered, etc., the Audit & Supervisory Committee determines the details of resolutions on the dismissal or non-reappointment of the accounting auditor to be submitted to the general meeting of shareholders.

In addition, if the accounting auditor is deemed to fall under each item set forth in Article 340, Paragraph 1 of the Companies Act, the accounting auditor will be dismissed based on the consent of all Audit & Supervisory Board Members. In such a case, the Audit & Supervisory Committee Members selected by the Audit & Supervisory Committee will report the nature and reason for the dismissal of the accounting auditor at the first general meeting of shareholders convened after the dismissal.

D. Evaluation of Audit Corporation by the Audit & Supervisory Committee

The Company’s Audit & Supervisory Committee comprehensively evaluates the audit system and the status of the execution of duties by the accounting auditor.

(4) Details of Audit Remuneration and Other Information

Transitional measures are applied to the regulations of i to iii of Note (56) d (f) appearing on form No. 2 of the

“Cabinet Office Ordinance on Disclosure of Corporate Information, etc.” after revision under the “Cabinet Office Ordinance on Partial Revisions to the Cabinet Ordinance on Disclosure of Corporate Information, etc.”(Cabinet Office Ordinance No. 3 dated January 31, 2019).

A. Remuneration for audit-certified public accountants and other information

Classification	Previous fiscal year		Current 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 company	38	-	35	-
Consolidated subsidiaries	-	-	-	-
Total	38	-	35	-

B. Other significant remuneration

There are no relevant matters.

C. Non-auditing work for submitting companies by audit-certified accountants, etc.

There are no relevant matters.

D. 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.

E. Reasons why the Audit & Supervisory Committee approved the remuneration of the Accounting Auditor

The Audit & Supervisory Committee, based on the “Practical Guideline on Collaboration with Accounting Auditors” published by the Japan Audit & Supervisory Board Members Association, confirmed and reviewed the evaluation and analysis of auditing results from the previous fiscal year, plan for auditing hours and assignment of personnel in the audit plan, status of business execution by the accounting auditor, and appropriateness of estimates for remuneration. As a result, consent has been received related to Article 399, Paragraph 1 of the Companies Act on remuneration for the accounting auditor.

(4) Officer Remuneration

1) Policy concerning the Approval of Calculation Method of Officer Remuneration and its Amount

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

Our Company determines 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. In addition, the Board of Directors Meeting approved the issuance of share acquisition rights within the scope of remuneration as part of stock compensation-type stock options to be granted to the Company's Directors (excluding directors who are Audit & Supervisory Committee Members) in order to further enhance linkages between director remuneration and the Company's performance and shareholder interests.

The limit on remuneration of directors (excluding directors who are Audit & Supervisory Committee Members) is set at 200 million yen per year and the limit of remuneration for directors who are Audit & Supervisory Committee Members is 50 million yen per year based on the resolution at the 23rd Ordinary General Meeting of Shareholders held on March 25, 2016 (number of eligible directors at the time of the resolution: 4 directors [excluding directors who are Audit & Supervisory Committee Members] and 3 directors who are Audit & Supervisory Committee Members). In addition, at the 24th Ordinary General Meeting of Shareholders held on March 24, 2017, new share acquisition rights were issued as stock options to directors (excluding directors who are Audit & Supervisory Committee Members) within the scope of this maximum remuneration.

Stock compensation-type stock options adopt consolidated operating profit, a primary financial target of the Medium-Term Management Plan, as the indicator related to performance-linked remuneration. Share acquisition rights can be exercised within the limit exercisable units, from among the allocated share acquisition rights, determined based on the level of achievement of the consolidated operating profit target for the fiscal year ending December 2020, which is the final fiscal year of the Medium-Term Management Plan. The consolidated operating profit target for the fiscal year ending December 2020 is used as the indicator, and as such, there are not results for this target in the current fiscal year.

Furthermore, the Company has not established a policy on the determination of the payment ratio of performance-linked remuneration and non-performance-linked remuneration.

The body with authority for determining policy on decisions on the amount of the remuneration of the Company’s offices and the calculation method is the Board of Directors. The remuneration of directors (excluding directors who are Audit & Supervisory Committee Members) is determined individually based on deliberations at the Board of Directors Meetings, which includes 3 Audit & Supervisory Committee Members and independent outside directors to ensure transparency. During the applicable fiscal year, deliberation and resolution were made by the Board of Directors as follows.

・ March 29, 2019: Deliberation and resolution on remuneration of directors (excluding directors who are Audit & Supervisory Committee Members).

The remuneration of directors who are Audit & Supervisory Committee Members is determined individually based on deliberations by the Audit & Supervisory Committee.

2) Total amount of remuneration by officer classification, total amount by type of remuneration, and number of officers covered

Classification	Total amount of remuneration (Million yen)	Total amount by type of remuneration (Million yen)			Number of officers covered
		Fixed remuneration	Performance-linked remuneration	Retirement benefits	
Directors (Excluding Audit & Supervisory Committee Members) (Excluding outside directors)	124	105	19	-	4
Directors (Audit & Supervisory Committee Members) (Excluding outside directors)	-	-	-	-	-
Outside officers	14	14	-	-	3

Notes: 1. The limit on remuneration of directors (Excluding Audit & Supervisory Committee Members) is set at 200 million yen per year, as determined at the General Meeting of Shareholders on March 25, 2016, and share acquisition rights were issued as part of stock option to the directors (Excluding Audit & Supervisory Committee Members), as determined at the General Meeting of Shareholders on March 24, 2017.

2. The limit on remuneration of directors (Audit & Supervisory Committee Members) is set at 50 million yen per year, as determined at the General Meeting of Shareholders on March 25, 2016.

3) Total Amount of Consolidated Remuneration for Each Officer

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

4) Important items among employee bonuses for people working jointly as employees and officers

There are no relevant matters.

(5) Possession of shares

1) Standards and Approach to Categories of Investment Securities

Regarding the categories of investment securities owned purely for investment purposes and investment security owned for reasons other than purely investment purposes, the Company categorizes shares held for the purpose of business strategy such as maintaining and strengthening relationships with business partners as cross-shareholdings and categorizes shares held for purpose of all other asset management as purely investment.

2) Ownership of Shares by Fullcast Holdings Co., Ltd.

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

a) Method of examining ownership policy and ownership rationale as well as details of examinations by the Board of Directors on suitability of ownership of individual shares

The Group acquires and holds cross-shareholdings of publicly listed stocks when it is determined to contribute to the improved medium to long-term corporate value of the Group from the perspective of maintaining and strengthening cooperative business relations and maintaining and strengthening stable, long-term transactional relationships between the Group and its business partners, restricted to alliance relationships, transactional relationships or other business relationships. The Company plans to sell and reduce its holdings of shares of associates and investment securities for which these business synergies are not expected to materialize.

In addition, the Board of Directors carefully screened the Group's cross-shareholdings (4 stocks), including whether ownership is appropriate or not, and verified that ownership is indeed suitable. As a result of this verification, the Board of Directors determined that at the current point in time it is appropriate to continue owning these cross-shareholdings.

With regard to exercising the voting rights of cross-shareholdings, the Group determines whether it approves or disapproves of a proposal and exercises its voting rights after comprehensively determining, based on individual scrutiny, whether the proposal contributes to the enhancement of the corporate value of the company and the

Group and whether there is a possibility the proposal will damage shareholder value, for each individual proposal, taking into account the purpose of each individual holdings and referencing the criteria for exercising voting rights of the voting advisory company.

b) Number of different stocks and total value recorded in balance sheets

	Number of different stocks	Total value recorded in balance sheets (Million yen)
Unlisted equity securities	5	44
Securities other than unlisted equity securities	1	18

(Stocks for which the Company's shareholdings increased in the fiscal year)

	Number of different stocks	Total acquisition cost related to the increase in the number of shares (Million yen)	Reason for increase in the number of shares
Unlisted equity securities	2	43	Purchased with the purpose of expanding business and strengthening relationship with the business partner.
Securities other than unlisted equity securities	-	-	-

(Stocks for which the Company's shareholdings decreased in the fiscal year)

There are no relevant matters.

c) Information concerning special stocks, number of shares for each stock considered deemed holding, and amount appearing in balance sheet

Special Stocks

Stock	Current fiscal year	Previous fiscal year	Purpose of ownership, quantitative effects of ownership, and reason for the increase in the number of shares	Shares owned by the Company
	Number of shares	Number of shares		
	Amount recorded in balance sheets (Million yen)	Amount recorded in balance sheets (Million yen)		
Saint Care Holding Corporation	36,000	36,000	Owned for maintaining and strengthening transactional relationship. Quantitative effects of holding are not mentioned due to the difficulty of mention. The rationale for ownership is verified using the method mentioned in a).	None
	18	19		

Deemed holdings

There are no relevant matters.

B. Investment shares held for net investment purposes

Classification	Current fiscal year		Previous fiscal year	
	Number of different stocks	Total value recorded in balance sheets (Million yen)	Number of different stocks	Total value recorded in balance sheets (Million yen)
Unlisted equity securities	-	-	-	-
Securities other than unlisted equity securities	1	1,015	1	311

Classification	Current fiscal year		
	Total amount of dividend income (Million yen)	Total amount of sales gain (loss) (Million yen)	Total amount of valuation gain (loss) (Million yen)
Unlisted equity securities	-	-	-
Securities other than unlisted equity securities	-	-	704

3) Ownership of shares by F-PLAIN Corporation

The following shows the status of F-PLAIN Corporation, which is the company with the next highest balance sheet amount for investment shares among the Company and its consolidated subsidiaries.

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

a) Method of examining ownership policy and ownership rationale as well as details of examinations by the Board of Directors on suitability of ownership of individual shares

The Group acquires and holds cross-shareholdings of publicly listed stocks when it is determined to contribute to the improved medium to long-term corporate value of the Group from the perspective of maintaining and strengthening cooperative business relations and maintaining and strengthening stable, long-term transactional relationships between the Group and its business partners, restricted to alliance relationships, transactional relationships or other business relationships. The Company plans to sell and reduce its holdings of shares of associates and investment securities for which these business synergies are not expected to materialize.

In addition, the Board of Directors carefully screened the Group's cross-shareholdings (4 stocks), including whether ownership is appropriate or not, and verified that ownership is indeed suitable. As a result of this verification, the Board of Directors determined that at the current point in time it is appropriate to continue owning these cross-shareholdings.

With regard to exercising the voting rights of cross-shareholdings, the Group determines whether it approves or disapproves of a proposal and exercises its voting rights after comprehensively determining, based on individual scrutiny, whether the proposal contributes to the enhancement of the corporate value of the company and the Group and whether there is a possibility the proposal will damage shareholder value, for each individual proposal, taking into account the purpose of each individual holdings and referencing the criteria for exercising voting rights of the voting advisory company.

b) Number of different stocks and total value recorded in balance sheets

	Number of different stocks	Total value recorded in balance sheets (Million yen)
Unlisted equity securities	-	-
Securities other than unlisted equity securities	1	322

(Stocks for which the Company’s shareholdings increased in the fiscal year)

There are no relevant matters.

(Stocks for which the Company’s shareholdings decreased in the fiscal year)

There are no relevant matters.

c) Information concerning special stocks, number of shares for each stock considered deemed holding, and amount appearing in balance sheet

Special Stocks

Stock	Current fiscal year	Previous fiscal year	Purpose of ownership, quantitative effects of ownership, and reason for the increase in the number of shares	Shares owned by the Company
	Number of shares	Number of shares		
	Amount recorded in balance sheets (Million yen)	Amount recorded in balance sheets (Million yen)		
Vision Co., Ltd.	177,600	59,200	Owned for maintaining and strengthening transactional relationship. Quantitative effects of holding are not mentioned due to the difficulty of mention. The rationale for ownership is verified using the method mentioned in a). The number of shares increased due to the share split executed on October 1, 2019.	Yes
	322	225		

Deemed holdings

There are no relevant matters.

B. Investment shares held for net investment purposes

There are no relevant matters.

4) Possession of shares for Submitting Companies

The submitting company is the same as that appearing in "B. Ownership of shares by Fullcast Holdings Co., Ltd.."

Part 5: Financial Conditions

1. Regarding Preparation Methods for Consolidated and Non-Consolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in accordance with “Regulations for Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Minister of Finance Decree No. 28, 1976).

(2) The Company's consolidated financial statements are prepared in accordance with “Regulations for Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Minister of Finance Decree No. 59, 1963).

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 Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company underwent audits from PricewaterhouseCoopers Arata LLC. for consolidated financial statements of the current consolidated fiscal year (January 1 to December 31, 2019) and for financial statements of the current fiscal year (January 1 to December 31, 2019).

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 standards. 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)

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

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	25	24
Short-term borrowings	*2 1,000	*2 1,000
Current portion of long-term borrowings	*3 15	-
Accounts payable-other	1,411	1,267
Accrued expenses	1,031	1,221
Income taxes payable	984	1,229
Accrued consumption taxes	889	1,206
Provision for bonuses	57	71
Allowance for subscription cancellations	46	48
Other	360	360
Total current liabilities	5,820	6,427
Non-current liabilities		
Long-term borrowings	*3 237	-
Retirement benefit liability	557	629
Asset retirement obligations	73	82
Deferred tax liabilities	15	60
Other	57	54
Total non-current liabilities	940	824
Total liabilities	6,759	7,251
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	8,858	12,119
Treasury shares	(1,280)	(2,107)
Total shareholders' equity	12,364	14,798
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	110	649
Total accumulated other comprehensive income	110	649
Share acquisition rights	76	119
Non-controlling interests	499	646
Total net assets	13,049	16,213
Total liabilities and net assets	19,808	23,464

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

(Consolidated Statement of Income)

(Million yen)

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

(Million yen)

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

(Consolidated Statement of Comprehensive Income)

(Million yen)

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

3) Consolidated Statement of Changes in Equity

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

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	2,780	2,006	6,605	(598)	10,793
Changes in items during period					
Dividends of surplus			(1,057)		(1,057)
Profit attributable to owners of parent			3,310		3,310
Purchase of treasury shares				(682)	(682)
Net changes in items other than shareholders' equity					
Total changes in items during period	-	-	2,253	(682)	1,571
Balance at end of the period	2,780	2,006	8,858	(1,280)	12,364

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

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

(Million yen)

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

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at the beginning of the period	110	110	76	499	13,049
Changes in items during period					
Dividends of surplus					(1,383)
Profit attributable to owners of parent					4,644
Purchase of treasury shares					(827)
Net changes in items other than shareholders' equity	539	539	43	147	729
Total changes in items during period	539	539	43	147	3,163
Balance at end of the period	649	649	119	646	16,213

4) Consolidated Statement of Cash Flows

(Million yen)

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

(Million yen)

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

Notes on Consolidated Financial Statements

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

1. Matters concerning the scope of consolidation

(1) Consolidated subsidiaries: 16

Name of the consolidated subsidiaries:

Fullcast Co., Ltd.; Top Spot Co., Ltd.; Fullcast Advance Co., Ltd.; Fullcast Business Support Co., Ltd.; Otetsudai Networks Inc.; Work & Smile Co., Ltd.; Fullcast Senior Works Co., Ltd.; Fullcast Porter Co., Ltd.; F-PLAIN Corporation; M's Line Co., Ltd.; FSP Co., Ltd.; Fullcast Global Co., Ltd.; BOD Co., Ltd.; BOD Alpha Co., Ltd.; Minimaid Service Co., Ltd.; and Fullcast International Co., Ltd.

Dimension Pockets Co., Ltd., which had been a consolidated subsidiary, was removed from the scope of consolidation because the Company's divested all of its shareholdings in the fiscal year ended December 2019. In addition, Fullcast International Co., Ltd. was newly established in the current fiscal year, and therefore are included in the scope of consolidation.

(2) Name of the non-consolidated subsidiaries:

NIHON DENKI SERVICE Co., Ltd.

Reason for exclusion from the scope of consolidation

NIHON DENKI SERVICE Co., Ltd., whose shares the Company acquired in the current fiscal year, was removed from the scope of consolidation because its total assets, net sales, net profit/loss (amount equivalent to equity) and retained earnings (amount equivalent to equity) do not have a material impact on the Company’s consolidated financial statements.

2. Matters concerning the application of the equity accounting method

(1) Non-consolidated equity method affiliates

NIHON DENKI SERVICE Co., Ltd.

(2) Number of equity method affiliates: 3

Beat Co., Ltd.; DeliArt Co., Ltd.; Advancer Global Limited

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

Of the Company’s equity method affiliates, NIHON DENKI SERVICE Co., Ltd., Beat Co., Ltd. and DeliArt Co., Ltd. have different fiscal year ends, and therefore, financial statements based upon provisional settlement of accounts as of the consolidated fiscal year ends are used in preparing consolidated financial statements.

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

The settlement date of consolidated subsidiaries matches 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 determined 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: 2 to 50 years

Machinery and transportation equipment: 2 to 6 years

Tools, furniture 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 (2 to 5 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

1) Allowance for doubtful accounts

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

2) Provision for bonuses

To prepare for the payment of bonuses to employees, an amount accrued for the subject fiscal year among the estimated future obligations is designated in the reserve account.

3) Allowance for subscription cancellations

An allowance for subscription cancellations containing an estimated reversal amount versus net sales of the fiscal year under review has been established in order to prepare for reversal of incentive income triggered upon the cancellation of mail-order merchandise by 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, etc.

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 over the period during which the influence of the goodwill is estimated to apply. However, if the monetary amount is small, goodwill is amortized all at once when it incurred.

(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.

(Unapplied Accounting Standards)

1. Accounting Standard for Revenue Recognition, etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed a converged accounting standard for revenue recognition and released Revenue from Contracts with Customers (IFRS No. 15 at the IASB and Topic 606 at the FASB) in May 2014. In light of this, the Accounting Standards Board of Japan (ASBJ) has developed a converged accounting standard for revenue recognition, and it was released together with the implementation guidance.

The basic policy of the ASBJ in developing an accounting standard for revenue recognition was to use incorporation of the fundamental general principles of IFRS No. 15 as a starting point from the perspective of comparability of financial statements, which is one of the benefits to ensure consistency with IFRS No. 15, in the establishment of an accounting standard as well as the addition of alternative treatment within the scope of not losing comparability in the case of considerations such as conventional practices in Japan.

(2) Date of Planned Application

The Company will apply the Accounting Standard for Revenue Recognition, etc. from the beginning of the fiscal year ending December 2022.

(3) Effect of the Application of the such Accounting Standard

The effect was being evaluated at the time of preparing the consolidated financial statements.

2. Accounting standard for Fair Value Measurement, etc.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)

(1) Overview

In order to improve comparability with the provisions of International Accounting Standards, the Accounting Standards Board of Japan developed “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Hereinafter, “Fair Value Measurement Accounting Standards”) and stipulated guidance on measurement methods of fair value. The Fair Value Measurement Accounting Standards are applied to the fair value of the following items:

- Financial instruments in “Accounting Standards for Financial Instruments”
- Inventory assets held for the purpose of trading in “Accounting Standard for Measurement of Inventories”

(2) Date of Planned Application

The Company will apply the Accounting Standard for Fair Value Measurement, etc. from the beginning of the fiscal year ending December 2022.

(3) Effect of the Application of the such Accounting Standard

The effect was being evaluated at the time of preparing the consolidated financial statements.

(Changes in Presentation Method)

(Changes associated with the application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current fiscal year. The Company changed the method of presentation for deferred tax assets to investments and other assets, and deferred tax liabilities to non-current liabilities.

As a result, on the balance sheet for the previous fiscal year, “deferred tax assets” of 148 million yen included in “current assets” and 40 million yen of “deferred tax liabilities” included in “non-current liabilities” are presented in “deferred tax assets” of 277 million yen in “investments and other assets” , and “deferred tax liabilities” of 15 million yen in “non-current liabilities.”

(Consolidated statement of income)

(1) “Provision for bonuses” included in “other” of “selling, general and administrative expenses” for the previous fiscal year is presented separately from the current fiscal year because it has become significant in terms of monetary amount.

Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, the amount of 1,854 million yen presented in “other” of “selling, general and administrative expenses” in the Consolidated Statement of Income for the previous fiscal year has been restated as 1 million yen in “provision for bonuses” and 1,853 million yen in “other.”

(2) “Reversal of allowance for doubtful accounts” included in “other” of “non-operating income” for the previous fiscal year is presented separately from the current fiscal year because it has exceeded one-tenth of the total amount of non-operating income. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, the amount of 28 million yen presented in “other” of “non-operating income” in the Consolidated Statement of Income for the previous fiscal year has been restated as 5 million yen in “Reversal of allowance for doubtful accounts” and 23 million yen in “other.”

(3) “Damage compensation expenses” presented individually under “non-operating expenses” in the previous fiscal year have been included in “other” in the current fiscal year because the monetary amount has become insignificant.

Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, the amount of 2 million yen presented in “damage compensation expenses” of “non-operating income” in the Consolidated Statement of Income for the previous fiscal year has been restated as “other.”

(Notes on Consolidated Statement of Cash Flows)

“Increase (decrease) in provision for bonuses” included in “other, net” of “cash flows from operating activities” for the previous fiscal year is presented separately from the current fiscal year because it has become significant in terms of monetary amount. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, the amount of 29 million yen presented in “other, net” of “cash flows from operating activities” in the Consolidated Statement of Cash Flows for the previous fiscal year has been restated as 1 million yen in “increase (decrease) in provision for bonuses” and 28 million yen in “other, net.”

(Notes on Consolidated Balance Sheet)

*1 The following figure reflect non-consolidated subsidiaries and associates.

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Investment securities (equities)	1,567	1,359

*2 The Company and its subsidiaries 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:

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Limit of overdraft account	5,700	5,600
Borrowing	1,000	1,000
Balance	4,700	4,600

*3 Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities are as follows:

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Buildings and structures	198	-
Land	185	-
Total	384	-

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Current portion of long-term borrowings	15	-
Long-term borrowings	237	-
Total	253	-

(Notes on Consolidated Statement of Income)

*1 Significant components of gain on sales of non-current assets are as follows.

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Tools, furniture and fixtures	-	7

*2 Significant components of loss on sale of non-current assets are as follows:

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Tools, furniture and fixtures	2	5

*3 Significant components of loss on retirement of non-current assets are as follows:

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Buildings and structures	0	0
Tools, furniture and fixtures	0	6
Software	1	0
Other	5	16
Total	6	22

(Notes on Consolidated Statement of Comprehensive Income)

* Amount of modifications and tax effect in other comprehensive income

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Valuation difference on available-for-sale securities:		
Amount incurred during the current fiscal year	68	802
Reclassification adjustment	-	-
Before tax effect adjustment	68	802
Tax effect	(23)	(250)
Valuation difference on available-for-sale securities	45	553
Total other comprehensive income	45	553

(Notes on in Consolidated Statement of Changes in Equity)

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

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

Type of shares	Number of shares at the beginning of the 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 shares Common stock (shares)	601,900	276,652	-	878,552
Total	601,900	276,652	-	878,552

(Summary of reason for change)

Acquisition of treasury stock resolution of the Board of Directors on February 9, 2018: 276,600 shares

Purchase of shares less than one unit: 52 shares

2. Matters concerning share acquisition rights

Company name	Details of share acquisition rights	Type of share for the purpose of share acquisition rights	Number of shares for the purpose of share acquisition rights				Balance at the end of the fiscal year (Million yen)
			Beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	End of the fiscal year	
Submitting company	Share acquisition rights as stock options	-	-	-	-	-	76
Total		-	-	-	-	-	76

Note: The first day of the rights exercise period for share acquisition rights awarded as stock options has yet to arrive.

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
Board of Directors Meeting on February 9, 2018	Common stock	530	14.00	December 31, 2017	March 9, 2018
Board of Directors Meeting on August 10, 2018	Common stock	527	14.00	June 30, 2018	September 3, 2018

(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
Board of Directors Meeting on February 8, 2019	Common stock	Retained earnings	677	18.00	December 31, 2018	March 15, 2019

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

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

Type of shares	Number of shares at the beginning of the 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 shares Common stock (shares)	878,552	449,800	-	1,328,352
Total	878,552	449,800	-	1,328,352

(Summary of reason for change)

Acquisition of treasury shares resolution of the Board of Directors on February 8, 2019: 449,800 shares

2. Matters concerning share acquisition rights

Company name	Details of share acquisition rights	Type of share for the purpose of share acquisition rights	Number of shares for the purpose of share acquisition rights				Balance at the end of the fiscal year (Million yen)
			Beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	End of the fiscal year	
Submitting company	Share acquisition rights as stock options	-	-	-	-	-	119
Total		-	-	-	-	-	119

Note: The first day of the rights exercise period for share acquisition rights awarded as stock options has yet to arrive.

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
Board of Directors Meeting on February 8, 2019	Common stock	677	18.00	December 31, 2018	March 15, 2019
Board of Directors Meeting on August 9, 2019	Common stock	706	19.00	June 30, 2019	September 2, 2019

(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
Board of Directors Meeting on February 7, 2020	Common stock	Retained earnings	780	21.00	December 31, 2019	March 13, 2020

(Notes on Consolidated Statement of Cash Flows)

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

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Cash and deposits	8,467	11,811
Cash and cash equivalents	8,467	11,811

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

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

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

Current assets	783
Non-current assets	72
Goodwill	235
Current liabilities	(458)
Non-current liabilities	(523)
Acquisition cost for shares	(109)
Cash and cash equivalents	372
Allowance: proceeds from acquisition	263 million yen

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

Current assets	239
Non-current assets	317
Goodwill	612
Current liabilities	(110)
Non-current liabilities	(209)
Acquisition cost for shares	(850)
Cash and cash equivalents	117
Allowance: expenditure for acquisition	733 million yen

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

There are no relevant matters.

*3 Main breakdown of assets and liabilities of companies that are no longer consolidated subsidiaries through the sale of shares

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

There are no relevant matters.

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

The breakdown of assets and liabilities at the time of sale following Dimension Pockets Co., Ltd. no longer being a consolidated subsidiary through the sale of its shares as well as the selling price of the shares and income from the sale are as follows.

Current assets	35
Non-current assets	461
Current liabilities	(341)
Non-current liabilities	(49)
Non-controlling interests	(35)
Commission on the sale of shares	2
Gain on sale of shares	95
Selling price of shares	167
Commission on the sale of shares	(2)
Cash and cash equivalents	(33)
Allowance: income from sale	132 million yen

(Notes Regarding Financial Instruments)

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

1. Matters concerning the state of financial instruments

(1) Policy initiatives for financial instruments

The Group assumes bank loans for necessary funds. 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 four main banks to procure operating capital efficiently (short-term loans), and a loan agreement with financial organizations for the purpose of capital investments (long-term loans).

(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.

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, 2018 (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.)

(Million yen)

	Consolidated balance sheet amount	Market value	Difference
(1) Cash and deposits	8,467	8,467	-
(2) Notes and accounts receivable-trade	5,195	5,195	-
(3) Investment securities	1,730	1,730	-
(4) Guarantee deposits	501	503	2
Total assets	15,893	15,895	2
(5) Short-term borrowings	1,000	1,000	-
(6) Accounts payable-other	1,411	1,411	-
(7) Accrued expenses	1,031	1,031	-
(8) Income taxes payable	984	984	-
(9) Accrued consumption taxes	889	889	-
(10) Long-term borrowings (including those scheduled to be repaid within one year)	253	259	6
Total liabilities	5,569	5,575	6

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

Assets

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

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.

(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 borrowings, (6) Accounts payable-other, (7) Accrued expenses, (8) Income taxes payable, and (9) 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.

(10) Long-term borrowings (including those scheduled to be repaid within one year)

The market value of long-term borrowings 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 432 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

(Million yen)

	Within 1 year	1-5 years	5-10 years	Over 10 years
Cash and deposits	8,467	-	-	-
Notes and accounts receivable-trade	5,195	-	-	-
Total	13,662	-	-	-

4. Expected repayment amounts for short-term borrowings and long-term borrowings

(Million yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	1,000	-	-	-	-	-
Long-term borrowings	15	15	15	15	14	178
Total	1,015	15	15	15	14	178

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

1. Matters concerning the state of financial instruments

(1) Policy initiatives for financial instruments

The Group assumes bank loans for necessary funds. 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-other and accrued expenses, which are operating debts, have due dates of within one year. As for borrowings, the Company signed an agreement for overdraft with four main 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.

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, 2019 (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.)

(Million yen)

	Consolidated balance sheet amount	Market value	Difference
(1) Cash and deposits	11,811	11,811	-
(2) Notes and accounts receivable-trade	5,777	5,777	-
(3) Investment securities	2,205	2,091	(114)
(4) Guarantee deposits	540	539	(1)
Total assets	20,332	20,217	(115)
(5) Short-term borrowings	1,000	1,000	-
(6) Accounts payable-other	1,267	1,267	-
(7) Accrued expenses	1,221	1,221	-
(8) Income taxes payable	1,229	1,229	-
(9) Accrued consumption taxes	1,206	1,206	-
Total liabilities	5,923	5,923	-

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

Assets

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

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.

(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 borrowings, (6) Accounts payable-other, (7) Accrued expenses, (8) Income taxes payable, and (9) 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.

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

Unlisted instruments (consolidated balance sheet amount of 593 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

(Million yen)

	Within 1 year	1-5 years	5-10 years	Over 10 years
Cash and deposits	11,811	-	-	-
Notes and accounts receivable-trade	5,777	-	-	-
Total	17,588	-	-	-

4. Expected repayment amount of short-term borrowings

(Million yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	1,000	-	-	-	-	-
Total	1,000	-	-	-	-	-

(Notes on Marketable Securities)

Previous consolidated fiscal year

1. Other marketable securities (as of December 31, 2018)

(Million yen)

Classification	Consolidated balance sheet amount	Acquisition cost	Difference
Items for which consolidated balance sheet amount exceeds acquisition cost Shares	572	324	248
Subtotal	572	324	248
Items for which consolidated balance sheet amount does not exceed acquisition cost Shares	-	-	-
Subtotal	-	-	-
Total	572	342	248

2. Other marketable securities sold during the previous consolidated fiscal year (January 1 to December 31, 2018)

There are no relevant matters.

3. Other marketable securities for which impairment was performed (January 1 to December 31, 2018)

Impairment of 1 million yen from other investment securities was recorded in the current fiscal year.

When performing impairment, if the market value at the end of the term has fallen by 50% or more of the cost of the acquisition, impairment is performed on the entire amount, but if the decline is between 30% to 50%, impairment is performed with respect to the amount deemed to be necessary in light of the potential of recovery and other factors. In addition, in cases where the actual value has declined significantly due to deteriorating financial position, impairment of stocks for which the market value is deemed extremely difficult to grasp is performed based on the need after determining the recoverability individually.

Current consolidated fiscal year

1. Other marketable securities (as of December 31, 2019)

(Million yen)

Classification	Consolidated balance sheet amount	Acquisition cost	Difference
Items for which consolidated balance sheet amount exceeds acquisition cost Shares	1,374	324	1,050
Subtotal	1,374	324	1,050
Items for which consolidated balance sheet amount does not exceed acquisition cost Shares	-	-	-
Subtotal	-	-	-
Total	1,374	324	1,050

2. Other marketable securities sold during the current consolidated fiscal year (January 1 to December 31, 2019)
There are no relevant matters.

3. Other marketable securities for which impairment was performed (January 1 to December 31, 2019)
There are no relevant matters.

(Retirement benefits)

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.

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)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Retirement benefit obligations at the beginning of the period	405	479
Service cost	52	61
Interest cost	2	2
Actuarial differences occurred	37	39
Retirement benefits paid	(25)	(34)
Other	9	-
Retirement benefit obligations at the end of the period	479	547

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

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Liabilities for retirement benefits at the beginning of the period	86	78
Retirement benefit expenses	11	9
Retirement benefits paid	(11)	(5)
Other	(9)	-
Liabilities for retirement benefits at the end of the period	78	82

(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)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Retirement benefit obligations under the non-cumulative system	557	629
Net liabilities and assets recorded in the consolidated balance sheet	557	629
Retirement benefit liability	557	629
Net liabilities and assets recorded in the consolidated balance sheet	557	629

Note: Including the system under a simple method.

(4) Amount of retirement benefit expenses and their breakdowns

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Service cost	52	61
Interest cost	2	2
Cost to dispose of actuarial differences	37	39
Retirement benefit expenses calculated by a simple method	11	9
Other	(0)	(0)
Retirement benefit expenses for the defined benefit plan	101	111

(5) Matters concerning the actuarial calculation base

Main actuarial calculation base

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Discount rate	Mainly 0.4%	Mainly 0.4%
Expected rate of increase	4.2%	3.9%

(Stock options)

1. Stock option expenses and subjects

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Selling, general and administrative expenses	43	43

2. Stock option content, scale and changes

(1) Stock option content

	Series 1-1 stock compensation-type share acquisition rights	Series 1-2 stock compensation-type share acquisition rights
Company name	Submitting company	Submitting company
Date of resolution	March 24, 2017	March 24, 2017
Categories and number of persons eligible for grants	4 Directors of the Company (excluding Directors who are Audit Supervisory Committee Members) 8 Directors of the Company's wholly-owned subsidiaries 2 Auditors of the Company's wholly-owned subsidiaries	8 employees of the Company's wholly-owned subsidiaries
Class of stock and amount granted	Common stock, 201,600 shares	Common stock, 19,200 shares
Grant date	April 10, 2017	April 10, 2017
Rights determination terms	Note 1	Note 2
Eligibility service (vesting) period	Not determined	Not determined
Rights exercise period	April 11, 2021 to April 10, 2051	April 11, 2021 to April 10, 2051

Notes: 1. Conditions for the exercise of share acquisition rights

1) For share acquisition rights allotted to the Company's Directors, in principle, the person receiving the allotment of share acquisition rights must be a Director of the Company at the time the rights are exercised.

2) For share acquisition rights allotted to the Directors or Corporate Auditors of the Company wholly-owned subsidiaries, in principle, the person receiving the allotment of share acquisition rights, must be a Director or Corporate Auditor of the subsidiary at the time the rights are exercised.

3) Of those share acquisition rights allocated, only the limited number of share acquisition rights can be exercised depending on the level of achievement of the operating profit target for the fiscal year ending December 2020, final year of the Medium-Term Management Plan.

2. Conditions for the exercise of share acquisition rights

1) In principle, persons who receive an allotment of share acquisition rights must be an employee of the Company's wholly-owned subsidiaries at the time of exercising these rights.

2) Of those share acquisition rights allocated, only the limited number of share acquisition rights can be exercised depending on the level of achievement of the operating profit target for the fiscal year ending December 2020, final year of the Medium-Term Management Plan.

(2) Stock option scale and changes

The number of existing stock options subject to conversion to stock in the fiscal year ended December 2019 is as shown below.

1) Quantity of stock options

	Series 1-1 stock compensation-type share acquisition rights	Series 1-2 stock compensation-type share acquisition rights
Company name	Submitting company	Submitting company
Date of resolution	March 24, 2017	March 24, 2017
Before rights determined (shares)		
Previous fiscal yearend	201,600	19,200
Granted	-	-
Expired	-	-
Rights determined	-	-
Undetermined balance	201,600	19,200
After rights determined (shares)		
Previous fiscal yearend	-	-
Rights determined	-	-
Rights exercised	-	-
Expired	-	-
Unexercised balance	-	-

2) Unit price

	Series 1-1 stock compensation-type share acquisition rights	Series 1-2 stock compensation-type share acquisition rights
Company name	Submitting company	Submitting company
Date of resolution	March 24, 2017	March 24, 2017
Exercise price (yen)	1	1
Average share price at exercise (yen)	-	-
Fair value unit price on day of grant (yen)	1,121	1,121

3. Method of estimating the stock option final numbers

Basically, it is difficult to estimate rationally the future expired number, so a method reflecting only the actual expired number is adopted.

(Notes on Tax Effect Accounting)

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

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Deferred tax assets		
Allowance for doubtful accounts and bad debts expenses	34	25
Retirement benefit liability	171	193
Gains on sales of stocks of subsidiaries under the Corporation Tax Act	50	50
Loss on valuation of investment securities	6	6
Loss on valuation of shares of subsidiaries and associates	221	356
Loss carried forward for tax purposes (Note)	74	15
Accrued enterprise taxes	45	88
Accrued social insurance premiums	3	4
Accrued business office taxes	7	7
Allowance for subscription cancellations	16	17
Asset retirement obligations	20	20
Commission for purchase of treasury shares	27	83
Share-based remuneration expenses	21	33
Supplies	8	15
Other	51	70
Subtotal deferred tax assets	753	980
Valuation reserve amount	(403)	(557)
Offsetting with deferred tax liabilities	(73)	(274)
Total deferred tax assets	277	150
Deferred tax liabilities		
Valuation difference on available-for-sale securities, etc.	(84)	(333)
Other	(4)	(0)
Subtotal deferred tax liability	(88)	(333)
Offsetting with deferred tax assets	73	274
Total deferred tax liability	(15)	(60)
Net deferred tax assets	261	90

Note: The amounts for loss carried forward for tax purposes and deferred tax assets carried forward for each period are omitted because the monetary amount of loss carried forward for tax purposes is immaterial.

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

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Legal effective tax rates	30.9%	30.6%
(Adjustment)		
Fixed-rate residents on inhabitant tax	0.8%	0.6%
Amortization of goodwill	0.7%	0.7%
Share of loss (profit) of entities accounted for using equity method	3.6%	0.9%
Applicable tax rate difference of consolidated subsidiaries	0.2%	0.3%
Valuation reserve amount	0.0%	0.1%
Other	0.4%	(0.2)%
Ratio of tax expenses, including corporate taxes, after tax effect accounting is applied	36.6%	33.0%

(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 discount rate of 0.00% to 0.962%, with estimated period estimated individually based on contract term.

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

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Balance at beginning of current period	50	73
Increase by purchase of property, plant and equipment	24	9
Adjustment for lapse of time	0	-
Decrease due to fulfillment of asset retirement obligations	-	-
Balance at the end of current period	73	82

(Segment Information and Others)

[Segment information]

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

1. Overview of reporting segments

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

Our Group has three reporting segments: 1) “The Short-Term Operational Support Business”, 2) “The Sales Support Business” and 3) “The Security, Other Businesses”. The Short-Term Operational Support Business provides timely short-term staffing services that cater to fluctuations in client companies' workloads. The Sales Support Business mainly engages in call center operations and agency sales of telecommunications products focused on distributor networks. The Security, Other Businesses mainly conducts security work for public facilities and general companies.

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

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

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

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

(Million yen)

	Reporting segment			Total	Adjustment amount (Note 1)	Amount in consolidated financial statement
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	33,417	3,313	2,122	38,852	-	38,852
Inter-segment sales or transfers	20	-	0	20	(20)	-
Total	33,437	3,313	2,122	38,872	(20)	38,852
Segment profit	6,597	137	181	6,915	(1,019)	5,896
Segment assets	10,477	2,655	1,351	14,483	5,325	19,808
Other						
Depreciation	172	5	19	196	28	224
Amortization of goodwill	39	121	-	160	-	160
Increase of property, plant and equipment and intangible assets	96	3	121	219	79	298

Notes:
1. (20) million yen in inter-segment eliminations and (999) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (1,019) million yen segment profit adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific reporting segment.
2. The profit of segments has been adjusted with the operating profit shown in the consolidated statement of income.
3. The amount of 5,325 million yen in adjustment of segment-based assets primarily consists of long-term investment assets (investment securities), assets involved in the administrative departments and other items incurred by the head office of the parent company.

4. The amount of 28 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings and structures, and software of the head office of the Company.
5. The amount of 79 million yen in adjustment for increased amount of the property, plant and equipment, and intangible assets is primarily comprised of those for buildings and structures of the head office of the company and tools, furniture and fixtures, and software for a new system.

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

1. Overview of reporting segments

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

Our Group has three reporting segments: 1) “The Short-Term Operational Support Business", 2) “The Sales Support Business” and 3) “The Security, Other Businesses". The Short-Term Operational Support Business provides timely short-term staffing services that cater to fluctuations in client companies' workloads. The Sales Support Business mainly engages in call center operations and agency sales of telecommunications products focused on distributor networks. The Security, Other Businesses mainly conducts security work for public facilities and general companies.

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

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

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

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

(Million yen)

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

Notes: 1. (26) million yen in inter-segment eliminations and (908) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (934) million yen segment income adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segment.
2. The profit of segments has been adjusted with the operating profit shown in the consolidated statement of income.

3. The amount of 7,648 million yen in adjustment of segment-based assets primarily consists of long-term investment assets (investment securities), assets involved in the administrative departments and other items incurred by the head office of the parent company.
4. The amount of 25 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings and structures, and software of the head office of the Company.
5. The amount of 182 million yen in adjustment for increased amount of the property, plant and equipment, and intangible assets is primarily comprised of those for buildings and structures of the head office of the company and tools, furniture and fixtures, and software for a new system.

[Related Information]

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

1. Information about each product or service

Information in this section is omitted because it is similar to information disclosed in the segment information section.

2. Information for geographical regions

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

3. Information about major customers

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

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

1. Information about each product or service

Information in this section is omitted because it is similar to information disclosed in the segment information section.

2. Information for geographical regions

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

3. Information about major customers

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

[Information concerning impairment loss on non-current assets for each reporting segment]

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

There are no relevant matters.

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

There are no relevant matters.

[Information regarding the amount of amortization of goodwill and unamortized balance for each reporting segment]

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

(Million yen)

	Reporting segment				Company-wide/ amortization	Total
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses	Total		
Amount of amortization for the fiscal year	39	121	-	160	-	160
Balance at end of the fiscal year	808	337	-	1,146	-	1,146

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

(Million yen)

	Reporting segment				Company-wide/ amortization	Total
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses	Total		
Amount of amortization for the fiscal year	96	118	-	215	-	215
Balance at end of the fiscal year	724	219	-	943	-	943

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

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

There are no relevant matters.

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

There are no relevant matters.

[Information on related parties]

Transactions with related parties

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

1) Parent companies of the consolidated financial statement submitting company and corporate major shareholders

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

Type	Name	Location	Capital or investment (Million yen)	Operation details or occupation	Proportion possession of voting rights etc. (Ownership proportion)	Relationship with related parties	Contents of transaction	Transaction amount (Million yen)	Subject	Balance at the end of the fiscal year (Million yen)
Affiliate	Advancer Global Limited	Singapore	Share capital 18,868S$	Employment services and facility management services	Owning Direct contact: 25.76%	Dividend income Concurrent directorates	Acquisition of stock (Note)	1,791	-	-
							Dividend received	13	-	-

Note: Regarding the share acquisition, a rational determination is made based on an independent third-party institution's price computation.

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

There are no relevant matters.

2) Directors of the consolidated financial statement submitting company and individual major shareholders

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

Type	Name	Location	Capital or investment (Million yen)	Operation details or occupation	Proportion possession of voting rights etc. (Ownership proportion)	Relationship with related parties	Contents of transaction	Transaction amount (Million yen)	Subject	Balance at the end of the fiscal year (Million yen)
Officer	Takehito Hirano	-	-	Director and Chairman of the Company	-	-	Acquisition of stock (Note)	30	-	-

Note: Regarding the share acquisition, a rational determination is made based on an independent third-party institution's price computation.

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

Type	Name	Location	Capital or investment (Million yen)	Operation details or occupation	Proportion possession of voting rights etc. (Ownership proportion)	Relationship with related parties	Contents of transaction	Transaction amount (Million yen)	Subject	Balance at the end of the fiscal year (Million yen)
Companies for which officers and their near relatives own a majority of the voting rights	Hirano Associates Co., Ltd (Note 1.)	Shibuya-ku, Tokyo	Share capital 10	Real estate	(Owned) Direct contact: 37.4%	-	Transfer of shares of subsidiaries (Note 2)	168	-	-
							Acquisition of treasury shares (Note 3)	707	-	-

Notes: 1. Hirano & Associates, Inc. corresponds to a corporate major shareholder.

2. On December 11, 2019, all of the shares of Dimension Pockets Co., Ltd. were transferred to Hirano Associates Co., Ltd. The transfer price was determined reasonably based on discussions of price measured by an independent third-party institution.

3. In regard to the acquisition of treasury shares, common stock was purchased at the price of 1,767 yen per share using a public tender pursuant to the resolution passed at the meeting of the Board of Directors on February 8, 2019.

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

Directors of the consolidated financial statement submitting company and individual major shareholders

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

Type	Name	Location	Capital or investment (Million yen)	Operation details or occupation	Proportion possession of voting rights etc. (Ownership proportion)	Relationship with related parties	Contents of transaction	Transaction amount (Million yen)	Subject	Balance at the end of the fiscal year (Million yen)
Officers of subsidiary	Shiro Kaizuka	-	-	Representative Director and President of Dimension Pocket Co., Ltd. (Note 2)	(Owned) Direct contact: 0.3%	Guarantee of obligation	Debt guarantee (Note 1) for the bank borrowings of Dimension Pockets Co., Ltd.	253	-	-

Notes: 1. Dimension Pocket Co., Ltd. has received debt guarantee from Shiro Kaizuka, Representative Director and President of the company for bank borrowing.
2. Shiro Kaizuka is also considered a Director of the consolidated financial statements submitting company.

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

There are no relevant matters.

(Per share information)

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

Note: The basis for calculating basic earnings per share and diluted earnings per share in the fiscal year under review is as follows.

Item	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	3,310	4,644
Profit attributable to owners of parent [basic] (million yen)	3,310	4,644
Profit not available to common stock (million yen)	-	-
Average number of common stock outstanding during the period (shares)	37,656,770	37,273,606
Diluted earnings per share		
Adjusted profit attributable to owners of parent (million yen)	-	-
Increase of common stock (shares)	180,756	195,643
(of these, share acquisition rights [shares])	(180,756)	(195,643)
Overview of potential stock not included in calculation of diluted earnings per share because the stock has no dilution effect	-	-

(Major Subsequent Events)

(Tender Offer for Treasury Shares)

At the Board of Directors' Meeting held on February 7, 2020, based on the provisions of Article 156, Paragraph 1 of the Companies Act (Act No. 86, 2005, including subsequent revisions. Hereinafter referred to as the "Companies Act") as applied mutatis mutandis pursuant to the provision of Article 165, Paragraph 3 of the Companies Act and the Articles of Incorporation of the Company, Fullcast Holdings Co., Ltd. decided to acquire treasury shares and to conduct a tender offer of treasury shares (hereinafter referred to as "the Tender Offer") as a specific method of acquiring treasury shares.

1. Reasons for Acquisition of Treasury Shares

Treasury shares are acquired in order to provide greater returns to shareholders as well as to implement an agile capital policy to enhance capital efficiency.

2. Resolution in Board of Directors Meeting

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

Notes: 1. Total number of shares issued: 38,486,400 shares (as of February 7, 2020)
2. Percentage of the total shares issued: 1.17% (rounded to three decimal places)
3. Acquisition period: February 10, 2020 to April 24, 2020

3. Details Relating to the Acquisition

(1) Schedule, etc.

1) Resolution in Board of Directors Meeting February 7, 2020
2) Publication date for commencing the Tender Offer February 10, 2020
3) Filing date for the Tender Offer registration statement February 10, 2020
4) Period of the Tender Offer February 10–March 10, 2020 (20 business days)

(2) Tender Offer Price

2,206 yen per share of common stock

The Company decided at the Board of Directors' Meeting held on February 7, 2020 to set the Tender Offer price at 2,206 yen discounted by 10% from 2,451 yen (Rounded to the nearest whole yen), which was the closing price of the Company's common stock on the First Section of the TSE on February 6, 2020, the business day before the date of the Board of Directors' Meeting that resolved to carry out the Tender Offer (February 7, 2020).

(3) Number of Share Certificates Planned for Purchase

Type of share certificates	Number of share certificates planned for purchase	Number of planned excess amount of shares	Total
Common stock	449,500 shares	- shares	449,500 shares

(4) Funds required for the Tender Offer

1,012,697,000 yen

Note: The amount of funds required for the Tender Offer is the estimated total of the purchase costs (991,597,000 yen), purchase handling charges, and other expenses including expenses required for the newspaper public notice regarding the Tender Offer and printing expenses for the Tender Offer explanation and other necessary documents.

(5) Commencement date of settlement

April 2, 2020

5) Consolidated statement schedule

[Corporate bond schedules]

There are no relevant matters.

[Schedule of debt]

Classification	Balance at the beginning of the fiscal year (Million yen)	Balance at the end of the period (Million yen)	Average interest rate (%)	Repayment term
Short-term borrowings	1,000	1,000	0.67	-
Current portion of long-term borrowings	15	-	-	-
Lease obligations due within one year	2	2	1.50	-
Long-term borrowings (Excluding current portion of loans)	237	-	-	-
Lease obligations (Excluding obligations due within one year)	6	4	1.50	January 1, 2021–June 30, 2023
Other interest-bearing debt	-	-	-	-
Total	1,261	1,006	-	-

Notes: 1. The average weighted interest rate for term-end balance on loans is listed as the average interest rate.

2. Total repayment schedule per year within 5 years after the consolidated settlement date of lease obligations (excluding obligations due within one year)

(Million yen)

Classification	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years
Lease obligations	2	2	1	-

[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)	10,119	21,203	32,738	44,479
Quarterly profit before income taxes	(Million yen)	1,594	3,483	5,459	7,134
Quarterly profit attributable to owners of parent	(Million yen)	1,066	2,323	3,618	4,644
Quarterly basic earnings per share	(Yen)	28.34	62.12	96.96	124.59

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly basic earnings per share	(Yen)	28.34	33.81	34.85	27.62

2. Financial Statements

(1) Financial Statements

1) Balance sheet

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
ASSETS		
Current assets		
Cash and deposits	2,674	4,717
Supplies	6	7
Prepaid expenses	89	97
Short-term loans receivable from subsidiaries and associates	262	212
Current portion of long-term loans receivable from subsidiaries and associates	132	104
Accounts receivable-other	*1 2,033	*1 2,400
Other	*1 80	*1 50
Total current assets	5,276	7,586
Non-current assets		
Property, plant and equipment		
Buildings	27	23
Tools, furniture and fixtures	103	54
Total property, plant and equipment	130	76
Intangible assets		
Software	239	255
Other	0	0
Total intangible assets	239	256
Investments and other assets		
Investment securities	331	1,077
Stocks of subsidiaries and associates	4,702	4,132
Investments in capital	0	0
Long-term loans receivable from subsidiaries and associates	502	208
Guarantee deposits	66	77
Long-term prepaid expenses	10	12
Deferred tax assets	179	12
Total investments and other assets	5,790	5,518
Total non-current assets	6,159	5,850
Total assets	11,434	13,437

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
LIABILITIES		
Current liabilities		
Short-term borrowings	*2 1,000	*2 1,000
Accounts payable-other	*1 360	*1 238
Accrued expenses	343	362
Income taxes payable	727	755
Accrued consumption taxes	53	102
Deposits received	66	75
Unearned revenue	*1 9	*1 6
Total current liabilities	2,559	2,538
Non-current liabilities		
Long-term guarantee deposited	*1 8	*1 8
Provision for retirement benefits	479	547
Asset retirement obligations	22	22
Other	9	5
Total non-current liabilities	519	583
Total liabilities	3,078	3,121
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Retained earnings		
Legal retained earnings	416	555
Other retained earnings		
Retained earnings brought forward	6,333	8,451
Total retained earnings	6,749	9,005
Treasury shares	(1,280)	(2,107)
Total shareholders' equity	8,249	9,678
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	31	519
Total valuation and translation adjustments	31	519
Share acquisition rights	76	119
Total net assets	8,356	10,316
Total liabilities and net assets	11,434	13,437

2) Profit and Loss Statement

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Operating revenue		
Consulting fee income	1,967	2,211
Commissions from subsidiaries and associates	1,394	1,574
Dividends from subsidiaries and associates	2,380	3,060
Total operating revenue	*1 5,741	*1 6,845
Operating expenses	*1, *2 2,214	*1, *2 2,301
Operating profit	3,527	4,544
Non-operating income		
Interest income	*1 20	*1 25
Dividends income	14	9
Rental income from investment property	*1 17	*1 18
Other	*1 5	*1 3
Total non-operating income	57	54
Non-operating expenses		
Interest expenses	7	7
Depreciation	2	2
Rent cost on real estate	17	18
Commission for purchase of treasury shares	3	20
Other	2	4
Total non-operating expenses	31	51
Ordinary profit	3,552	4,547
Extraordinary losses		
Loss on sales of non-current assets	*3 2	*3 5
Loss on retirement of non-current assets	*4 0	*4 6
Loss on sales of shares of subsidiaries	-	*5 3
Loss on valuation of investment securities	1	-
Loss on valuation of shares of subsidiaries and associates	*6 721	*6 442
Total extraordinary losses	724	455
Profit before income taxes	2,829	4,093
Income taxes-current	365	502
Income taxes-deferred	2	(48)
Total income taxes	367	454
Profit	2,462	3,639

3) Statements of Shareholders' Equity

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

(Million yen)

	Shareholders' equity						Valuation and translation adjustments		Share acquisition rights	Total net assets
	Share capital	Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal retained earnings	Other retained earnings	Total retained earnings						
			Retained earnings brought forward							
Balance at the beginning of the period	2,780	311	5,034	5,345	(598)	7,527	19	19	32	7,578
Changes in items during the period										
Dividends of surplus			(1,057)	(1,057)		(1,057)				(1,057)
Provision of legal retained earnings		106	(106)	-		-				-
Profit			2,462	2,462		2,462				2,462
Purchase of treasury shares					(682)	(682)				(682)
Net changes of items other than shareholders' equity							12	12	43	55
Total changes of items during the period	-	106	1,299	1,405	(682)	723	12	12	43	778
Balance at the end of the period	2,780	416	6,333	6,749	(1,280)	8,249	31	31	76	8,356

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

(Million yen)

	Shareholders' equity						Valuation and translation adjustments		Share acquisition rights	Total net assets
	Share capital	Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal retained earnings	Other retained earnings	Total retained earnings						
			Retained earnings brought forward							
Balance at the beginning of the period	2,780	416	6,333	6,749	(1,280)	8,249	31	31	76	8,356
Changes in items during the period										
Dividends of surplus			(1,383)	(1,383)		(1,383)				(1,383)
Provision of legal retained earnings		138	(138)	-		-				-
Profit			3,639	3,639		3,639				3,639
Purchase of treasury shares					(827)	(827)				(827)
Net changes of items other than shareholders' equity							488	488	43	531
Total changes of items during the period	-	138	2,118	2,256	(827)	1,429	488	488	43	1,960
Balance at the end of the period	2,780	555	8,451	9,005	(2,107)	9,678	519	519	119	10,316

Notes on Financial Statements

(Significant Accounting Policies)

1. Valuations standards and methods for marketable securities

(1) Shares in subsidiaries and associates

Stated at cost, as determined by the moving average method

(2) Other securities

With fair market value

Mark-to-market price method based on the market price on the settlement date (Valuation differences are in part included directly in net assets and costs of securities sold are determined by the moving average method)

Without fair market value

Stated at cost, as determined by the moving average method

2. Depreciation/amortization method for non-current assets

(1) Property, plant and equipment

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 acquired on or after April 1, 2016.

The main service life is as follows.

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

(2) Intangible assets

Software

The straight-line method based on the usable period in-house (5 years) is used for portion used by the Company.

Other

Straight-line method

3. Standards for allowances

(1) Allowance for doubtful accounts

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

(2) Provision for retirement benefits

To prepare for employee retirement benefits, a provision for retirement benefits is booked pursuant to the expected amount of retirement benefit obligations at the end of the current fiscal year.

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) Treatment of actuarial differences and prior service costs

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

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

4. Other important matters for the preparation of 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.

(Changes in Presentation Method)

(Changes associated with the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current fiscal year. The Company changed the method of presentation for deferred tax assets to investments and other assets, and deferred tax liabilities to non-current liabilities.

As a result, “deferred tax assets” of 24 million yen included in “current assets” on the balance sheet for the previous fiscal year are now presented in “deferred tax assets” of 179 million yen in “investments and other assets.”

(Profit and Loss Statement)

“Commission for purchase of treasury shares” presented in “other” of “non-operating expenses” until the previous fiscal year (3 million yen in the previous fiscal year) is listed separately from the current fiscal year because it has become significant in terms of monetary amount.

(Notes on Balance Sheet)

*1 Assets and liabilities vis-a-vis subsidiaries and associates

Other than those separately recorded, amounts of pecuniary claims to associates or pecuniary debts are as follows:

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Short-term pecuniary claims	2,100	2,426
Short-term pecuniary debts	51	48
Long-term pecuniary debts	18	13

*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 fiscal year is as follows:

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Limit of overdraft account	5,500	5,500
Borrowing	1,000	1,000
Balance	4,500	4,500

(Notes on Income Statement)

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

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Turnover for Business transaction		
Operating revenue	5,741	6,845
Operating expenses	169	187
Turnover for non-business transaction	51	50

*2 Significant components of operating expenses and its amounts are as follows:

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Salaries and bonuses	423	443
Other salaries	292	316
Retirement benefit expenses	18	19
Commission fee	344	360
Depreciation	136	155

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

*3 Significant components of loss on sale of non-current assets are as follows:

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Tools, furniture and fixtures	2	5

*4 Significant components of loss on retirement of non-current assets are as follows:

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
Tools, furniture and fixtures	-	5
Software	0	-
Other	-	0
Total	0	6

*5 Details of the loss on sales of shares of subsidiaries are as follows.

(Million yen)

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
(Shares of subsidiaries) Dimension Pockets Co., Ltd.	-	3

*6. Details of the loss on valuation of shares of subsidiaries and associates are as follows:

	FY12/18 (January 1 to December 31, 2018)	FY12/19 (January 1 to December 31, 2019)
(Equity method affiliate) Advancer Global Limited	721	442

(Notes on Marketable Securities)

Shares in subsidiaries and associates

(Previous fiscal year)

(Million yen)

Classification	Amount recorded in balance sheets	Market value	Difference
Shares in associates	1,158	1,158	-
Total	1,158	1,158	-

(Current fiscal year)

(Million yen)

Classification	Amount recorded in balance sheets	Market value	Difference
Shares in associates	717	717	-
Total	717	717	-

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

(Million yen)

Classification	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
(1) Shares in subsidiaries	3,373	3,245
(2) Shares in associates	170	170
Total	3,543	3,416

(Notes on Tax Effect Accounting)

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

(Million yen)

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Deferred tax assets		
Provision for retirement benefits	147	168
Loss on revaluation of shares in associates	710	845
Gains on sales of stocks of subsidiaries under the Corporation Tax Act	50	50
Loss on valuation of investment securities	6	6
Accrued enterprise taxes	15	20
Other	38	60
Subtotal of deferred tax assets	965	1,149
Valuation reserve amount	(773)	(908)
Total deferred tax assets	193	241
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(14)	(229)
Total deferred tax liability	(14)	(229)
Net deferred tax assets or liabilities(-)	179	12

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

	FY12/18 End (December 31, 2018)	FY12/19 End (December 31, 2019)
Legal effective tax rates	30.9%	30.6%
(Adjustment)		
Dividends income	(26.0)%	(22.9)%
Fixed-rate residents on inhabitant tax	0.2%	0.1%
Valuation reserve amount	7.9%	3.3%
Other	0.0%	0.0%
Ratio of tax expenses, including corporate taxes, after tax effect accounting is applied	13.0%	11.1%

(Major Subsequent events)

Mention has been omitted here because it appears in “Notes on Financial Statements (Major subsequent events)” of the consolidated financial statements.

4) Statement schedule

(Schedule of property, plant and equipment)

(Million yen)

Classification	Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Amortization during the period	Balance at the end of the period	Accumulated depreciation
Property, plant and equipment	Buildings	27	-	-	5	23	87
	Tools, furniture and fixtures	103	6	11	44	54	312
	Total	130	6	11	49	76	399
Intangible assets	Software	239	125	-	108	255	-
	Other	0	-	-	-	0	-
	Total	239	125	-	108	256	-

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

Various software for in-house use: 125 million yen

(Schedule of allowances)

There are no relevant matters.

(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	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 share less than one unit	
Handling position	(Special account) Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholder registry	(Special account) Sumitomo Mitsui Trust Bank, Limited1-4-1, 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 website (https://www.fullcastholdings.co.jp).
Benefits to shareholders	There are no relevant matters.

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 Article 189, Paragraph 2 of the Companies Act
- The right to make a request in accordance with the provisions of Article 166, Paragraph 1 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 27th 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 26 (January 1 to December 31, 2018), submitted to the Director General of the Kanto Local Finance Bureau on March 29, 2019

(2) Internal control report and attached documents

Submitted to the Director General of the Kanto Local Finance Bureau on March 29, 2019

(3) Quarterly reports and confirmation notes

Term 27, first quarter (January 1 to March 31, 2019): Submitted to the Director General of the Kanto Local Finance Bureau on May 13, 2019

Term 27, second quarter (April 1 to June 30, 2019): Submitted to the Director General of the Kanto Local Finance Bureau on August 13, 2019

Term 27, third quarter (July 1 to September 30, 2019): Submitted to the Director General of the Kanto Local Finance Bureau on November 13, 2019

(4) Extraordinary report

Extraordinary report pursuant to the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order 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 Local Finance Bureau on April 3, 2019

Extraordinary report pursuant to the provisions of Article 19, Paragraph 2, Item 12 of the Cabinet Office Order on Disclosure of Corporate Affairs (an event which may have serious effects on financial position, operating results, and cash flow status):

Submitted to the Director-General of the Kanto Local Finance Bureau on February 10, 2020

(5) Share Buyback Report

Submitted to the Director-General of the Kanto Local Finance Bureau on April 12, 2019, May 14, 2019, June 14, 2019, and March 13, 2020

Section 2: Information on Guaranty Companies of Submitting Companies

There are no relevant matters.