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November 8, 2019

Consolidated Financial Results Announcement for the Aggregate Third Quarter of the Fiscal Year Ending December 2019 [Japanese Standards] (Consolidated)

Company name: Fullcast Holdings Co., Ltd.
 Stock exchange listing: First Section of the Tokyo Stock Exchange
 Stock code: 4848
 URL: <https://www.fullcastholdings.co.jp/>
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 Date of submission of quarterly report (Planned): November 13, 2019
 Date of commencements of divided payments (Planned): -
 Preparation of supplementary references regarding financial results: Yes (Shown on our website)
 Briefing for quarterly results: No

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Aggregate Third Quarter of the Fiscal Year Ending December 31, 2019 (January 1 to September 30, 2019)

(1) Consolidated Business Results

(% = year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q-3Q FY12/19 (September 30, 2019)	32,738	16.1	5,367	24.8	5,478	25.7	3,618	23.5
1Q-3Q FY12/18 (September 30, 2018)	28,204	19.8	4,302	32.6	4,357	35.1	2,929	32.6

(Note) Comprehensive income: 4,110 million yen (35.5%) as of September 30, 2019, 3,033 million yen (33.7%) as of September 30, 2018

	Profit per share	Diluted profit per share
	Yen	Yen
1Q-3Q FY12/19 (September 30, 2019)	96.96	96.47
1Q-3Q FY12/18 (September 30, 2018)	77.75	77.39

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3Q FY12/19 End (September 30, 2019)	20,977	15,021	68.1
FY12/18 End	19,808	13,049	63.0

(Reference) Equity: 14,286 million yen as of September 30, 2019, 12,474 million yen as of December 31, 2018

2. Dividend Status

	Dividend per share (Yen)				
	1Q End	1H End	3Q End	FY End	Annual
FY12/18	-	14.00	-	18.00	32.00
FY12/19	-	19.00	-	-	-
FY12/19 Forecast	-	-	-	19.00	38.00

(Note) Revision of dividends forecast during the current third quarter: None

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2019
(January 1 to December 31, 2019)

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	42,300	8.9	6,830	15.8	6,930	31.1	4,593	38.8	123.22

(Note) Revision of consolidated business forecasts in the current third quarter: None

*** Notes**

- (1) Important changes of subsidiaries during the current aggregate third quarter: None
 (Changes in specific subsidiaries involving changes in the scope of consolidation)
- (2) Application of special accounting treatment in the production of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, accounting estimates, and re-presentation of changes
- 1) Changes in accounting policies associated with revisions of accounting principles and others: None
- 2) Changes in accounting policies other than those mentioned in 1) above: None
- 3) Changes in accounting estimates: None
- 4) Re-presentation of changes: None
- (4) Number of shares issued (Common stock)

1) Number of shares issued at term end (Including treasury shares)

3Q FY12/19	38,48 6,400	FY12/18	38,486,400
3Q FY12/19	1,3 28,35 2	FY12/18	878,552
3Q FY12/19	37,312,549	3Q FY12/18	37,673,252

2) Number of treasury shares at the term end

3) Average number of shares outstanding during the current term

* Quarterly financial results are not subject to quarterly review by a certified public accountant or auditing corporation.

* Explanations of the proper use of financial business forecasts and other important notes.

Of all plans, business forecasts, strategies and other information provided within this document, those which are not historical facts are future outlooks based upon certain conditions and our management's judgments based upon currently available data. Therefore, we warn against relying solely upon these outlooks in assessing our business results, corporate value and other factors. Please also be informed that actual financial results may vary widely from our business forecasts due to various factors. Important factors that may have an impact upon our actual financial results include: (1) economic and financial conditions surrounding our Company and changes in the employment situation, (2) damages to infrastructure arising from disasters including earthquakes, and (3) changes in relevant laws, including the Labor Standards Act and the Worker Dispatching Act, and in interpretations of these Acts. However, factors that affect our financial results are not limited to only these. Furthermore, please note that we may choose not to reexamine our business forecasts in response to new data, future events or other factors. For assumptions underlying our business forecasts and related issues, please refer to page 3 "1-(3) Explanation of Consolidated Business Forecasts" of the "Appendix".

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1. Qualitative Information Concerning Performance for the Current Quarter

(1) Explanation of Consolidated Operating Results

During the aggregate third quarter of the current fiscal year, Japan's economy continued to undergo a gradual recovery. This recovery was driven by the ongoing recovery in personal consumption along with moderate increases in consumer prices, in addition to steadily improving employment conditions and moderate increases in capital investments, and despite recent weakness seen mainly in exports. 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, there may be some need for caution arising from the impacts of increased tensions over trade issues on the global economy, potential risks to the economic growth posed by the uncertain future of China's economy, fluctuations in other overseas economies, uncertainties arising from Government policies, crude oil prices, and volatility in financial and capital markets. 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 the new job opening rate remain unchanged, while the worker numbers and the employment rate are expected to 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 aggregate third quarter. In particular, marketing activities were implemented with an emphasis on boosting overall profitability of the Fullcast Group and focused upon the mainstay "Placement" (Note 1) and "BPO" (Note 2) services. In addition, efforts are being made to create a structure that can realize higher profits by increasing productivity and promoting operational efficiencies across the entire Fullcast Group.

Consolidated net sales increased by 16.1% year-on-year to 32,738 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 24.8% year-on-year to 5,367 million yen, due mainly to the increase in sales in the "Short-Term Operational Support Business". Consolidated ordinary profit increased by 25.7% year-on-year to 5,478 million yen and profit attributable to owners of parent increased by 23.5% year-on-year to 3,618 million yen, on the back of the rise in consolidated operating profit.

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

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

1) Short-Term Operational Support Business

Net sales of the "Short-Term Operational Support Business" increased by 17.6% year-on-year to 28,343 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 19.6% year-on-year to 5,705 million yen, due mainly to the increase in sales of mainstay services along with the "Dispatching" service.

2) Sales Support Business

Net sales of the "Sales Support Business" increased by 2.7% year-on-year to 2,635 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 2.3% year-on-year to 111 million yen, due mainly to the increase in net sales.

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” increased by 14.0% year-on-year to 1,761 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 46.9% year-on-year to 184 million yen, on the back of growth in sales and successful measures to restrain SG&A expenses ratio.

(2) Explanation of Consolidated Financial Position

Assets, Liabilities and Net Assets

At the end of the third quarter, total assets increased by 1,168 million yen from the end of the previous fiscal year to 20,977 million yen. Equity increased by 1,812 to 14,286 million yen (Equity ratio of 68.1%), and net assets increased by 1,972 to 15,021 million yen.

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

With regards to assets, current assets increased by 621 million yen from the end of the previous fiscal year to 14,649 million yen. This increase is attributed mainly to an increase in notes and accounts receivable-trade of 289 to 5,484 million yen, an increase in cash and deposits of 272 to 8,739 million yen, as well as an increase in other under current assets of 31 to 345 million yen due primarily to an increase in prepaid expenses of 17 to 238 million yen.

Non-current assets increased by 547 million yen from the end of the previous fiscal year to 6,327 million yen. This increase is attributed mainly to a decrease in goodwill of 155 to 991 million yen, and a drop in other under investments and other assets of 151 to 844 million yen caused mainly by a fall in deferred tax assets of 105 to 171 million yen while investment securities increased 705 million yen to 2,866 million yen, other, net under property, plant and equipment increased 59 million yen to 96 million yen due primarily to a rise in construction in progress of 60 to 95 million yen, as well as an increase in other under intangible assets of 44 to 363 million yen caused mainly by a rise in software of 29 to 312 million yen, along with a decrease in allowance for doubtful accounts of 27 to 61 million yen.

With regard to liabilities, current liabilities decreased by 853 million yen from the end of the previous fiscal year to 4,966 million yen. This decrease is attributed mainly to increases in provision for bonuses of 167 to 224 million yen and notes and accounts payable-trade of 62 to 87 million yen, versus declines in income taxes payable of 413 to 571 million yen, accrued consumption taxes of 229 to 659 million yen and accounts payable-other of 216 to 1,195 million yen, while other under current liabilities declined 146 to 215 million yen due primarily to a decline in social insurance deposits of 178 to 11 million yen, as well as a decline in accrued expenses of 81 to 950 million yen.

Non-current liabilities rose by 50 million yen from the end of the previous fiscal year to 989 million yen. This increase is attributed mainly to a rise in other under non-current liabilities of 37 to 182 million yen due mainly to an increase in deferred tax liabilities of 30 to 46 million yen, and a rise in retirement benefit liability of 24 to 581 million yen, which offset a decrease in long-term borrowings of 12 to 226 million yen.

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

(3) Explanation of Consolidated Business Forecasts

With regard to the full-year consolidated business forecasts for the fiscal year ending December 2019, the consolidated business results in the aggregate third quarter progressed at a pace that does not necessitate revisions to the business forecasts while our core Short-Term Operational Support Business remained strong. Therefore, the full-year consolidated business forecasts for the fiscal year ending December 2019 released on February 8, 2019 remain unchanged.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY12/18 End (December 31, 2018)	3Q FY12/19 End (September 30, 2019)
ASSETS		
Current assets		
Cash and deposits	8,467	8,739
Notes and accounts receivable-trade	5,195	5,484
Merchandise	23	37
Supplies	45	63
Other	315	345
Allowance for doubtful accounts	(18)	(20)
Total current assets	14,028	14,649
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	463	473
Tools, furniture and fixtures, net	182	190
Land	565	565
Other, net	37	96
Total property, plant and equipment	1,247	1,324
Intangible assets		
Goodwill	1,146	991
Other	320	363
Total intangible assets	1,466	1,355
Investments and other assets		
Investment securities	2,161	2,866
Other	995	844
Allowance for doubtful accounts	(88)	(61)
Total investments and other assets	3,068	3,649
Total non-current assets	5,780	6,327
Total assets	19,808	20,977

(Million yen)

	FY12/18 End (December 31, 2018)	3Q FY12/19 End (September 30, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	25	87
Short-term borrowings	1,000	1,000
Current portion of long-term borrowings	15	15
Accounts payable-other	1,411	1,195
Accrued expenses	1,031	950
Income taxes payable	984	571
Accrued consumption taxes	889	659
Provision for bonuses	57	224
Allowance for subscription cancellations	46	49
Other	360	215
Total current liabilities	5,820	4,966
Non-current liabilities		
Long-term borrowings	237	226
Retirement benefit liability	557	581
Other	145	182
Total non-current liabilities	940	989
Total liabilities	6,759	5,955
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	8,858	11,093
Treasury shares	(1,280)	(2,107)
Total shareholders' equity	12,364	13,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	110	514
Total accumulated other comprehensive income	110	514
Share acquisition rights	76	108
Non-controlling interests	499	627
Total net assets	13,049	15,021
Total liabilities and net assets	19,808	20,977

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

Quarterly Consolidated Statement of Income

[Aggregate Third Quarter of the Current Fiscal Year]

	(Million yen)	
	3Q FY12/18 (January 1 to September 30, 2018)	3Q FY12/19 (January 1 to September 30, 2019)
Net sales	28,204	32,738
Cost of sales	16,132	18,892
Gross profit	12,072	13,846
Selling, general and administrative expenses	7,770	8,479
Operating profit	4,302	5,367
Non-operating income		
Dividend income	1	2
Share of profit of entities accounted for using equity method	51	74
Reversal of allowance for doubtful accounts	5	21
Surrender value of insurance policies	20	57
Other	22	21
Total non-operating income	100	174
Non-operating expenses		
Interest expenses	7	7
Damage compensation expenses	1	2
Settlement package	12	14
Commission for purchase of treasury shares	3	20
Other	23	19
Total non-operating expenses	46	63
Ordinary profit	4,357	5,478
Extraordinary income		
Gain on sale of businesses	24	-
Total extraordinary income	24	-
Extraordinary losses		
Loss on retirement of non-current assets	6	14
Loss on disaster	-	6
Other	1	-
Total extraordinary losses	6	19
Profit before income taxes	4,374	5,459
Income taxes-current	1,335	1,809
Income taxes-deferred	88	(49)
Total income taxes	1,422	1,760
Profit	2,952	3,699
Profit attributable to non-controlling interests	23	81
Profit attributable to owners of parent	2,929	3,618

Quarterly Consolidated Statement of Comprehensive Income

[Aggregate Third Quarter of the Current Fiscal Year]

(Million yen)

	3Q FY12/18 (January 1 to September 30, 2018)	3Q FY12/19 (January 1 to September 30, 2019)
Profit	2,952	3,699
Other comprehensive income		
Valuation difference on available-for-sale securities	81	412
Total other comprehensive income	81	412
Comprehensive income	3,033	4,110
(Comprehensive income attributable to)		
Owners of parent	2,992	4,022
Non-controlling interests	41	88

(3) Notes on Quarterly Consolidated Financial Statements

(Concerning Notes about Going Concern Assumption)

There are no relevant matters.

(Concerning Significant Change of Shareholders' Equity)

There are no relevant matters.

(Segment Information and Others)

[Segment Information]

Aggregate Third Quarter of the Previous Fiscal Year (January 1 to September 30, 2018)

1. Information Concerning Sales, Profits and Losses for Each Reporting Segment

(Million yen)

	Reporting segment			Total	Adjustment amount (Note 1)	Quarterly consolidated statement of income amount (Note 2)
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	24,093	2,566	1,545	28,204	-	28,204
Inter-segment sales or transfers	3	-	0	3	(3)	-
Total	24,096	2,566	1,545	28,206	(3)	28,204
Segment profit	4,771	109	125	5,004	(702)	4,302

- Notes: 1. (2) million yen in inter-segment eliminations and (700) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (702) million yen segment profit adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific reporting segments.
2. Segment profit is adjusted with operating profit as listed in quarterly consolidated statement of income.

2. Information Relating to Assets by Reported Segments

(Significant increases in assets through the acquisition of subsidiaries)

The shares of BOD Co., Ltd. were acquired and it was newly included within the scope of consolidation from the first quarter of the fiscal year ended December 2018. We acquired the shares of Minimaid Service Co., Ltd. during the third quarter and it was also included in the scope of consolidation. Compared to the end of the previous fiscal year, segment assets in the "Short-Term Operational Support Business" segment rose by 2,653 million yen.

3. Information Relating to Impairment Loss of Non-Current Assets, Goodwill, and Others for Reported Segments

(Significant changes in goodwill amount)

The shares of BOD Co., Ltd. were acquired and it was newly included within the scope of consolidation from the first quarter of the fiscal year ended December 2018. We acquired the shares of Minimaid Service Co., Ltd. during the third quarter and it was also included in the scope of consolidation. The increase in goodwill attributed to the "Short-Term Operational Support Business" was 847 million yen in the aggregate third quarter of the fiscal year ended December 2018.

Aggregate Third Quarter of the Current Fiscal Year (January 1 to September 30, 2019)

Information Concerning Sales, Profits and Losses for Each Reporting Segment

(Million yen)

	Reporting segment			Total	Adjustment amount (Note 1)	Quarterly consolidated statement of income amount (Note 2)
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	28,343	2,635	1,761	32,738	-	32,738
Inter-segment sales or transfers	0	-	0	0	(0)	-
Total	28,343	2,635	1,761	32,738	(0)	32,738
Segment profit	5,705	111	184	6,000	(633)	5,367

- Notes: 1. (5) million yen in inter-segment eliminations and (627) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (633) million yen segment profit adjustment amount. Company-wide expenses are mainly general administrative expenses that do not belong to any specific reporting segments.
2. Segment profit is adjusted with operating profit as listed in quarterly consolidated statement of income.

(Additional Information)

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current first quarter. Deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.