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August 6, 2021

Consolidated Financial Results Announcement for the First Half of the Fiscal Year Ending December, 31 2021 [Japanese Standards] (Consolidated)

Company name: Fullcast Holdings Co., Ltd.
 Stock exchange listing: First Section of the Tokyo Stock Exchange
 Stock code: 4848
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 Date of submission of quarterly report (Planned): August 12, 2021
 Date of commencements of dividend payments (Planned): September 6, 2021
 Preparation of supplementary references regarding financial results: Yes (shown on our website)
 Briefing for quarterly results: Yes (for institutional investors and analysts)

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2021 (January 1 to June 30, 2021)

(1) Consolidated Business Results

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1H FY12/21 (June 30, 2021)	23,717	10.6	3,570	8.8	3,585	8.5	2,359	4.6
1H FY12/20 (June 30, 2020)	21,435	1.1	3,281	(5.0)	3,303	(5.6)	2,256	(2.9)

(Note) Comprehensive income: 2,569 million yen (34.6%) as of June 30, 2021 1,908 million yen ((29.0)%) as of June 30, 2020

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
1H FY12/21 (June 30, 2021)	64.59		64.22	
1H FY12/20 (June 30, 2020)	61.07		60.74	

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
1H FY12/21 End (June 30, 2021)	25,196	18,677	70.1
FY12/20 End	23,953	17,396	68.9

(Reference) Equity: 17,670 million yen as of June 30, 2021 16,504 million yen as of December 31, 2020

2. Dividend Status

	Dividend per share (Yen)				
	1Q End	1H End	3Q End	FY End	Annual
FY12/20	-	19.00	-	22.00	41.00
FY12/21	-	21.00	-	-	-
FY12/21 Forecast	-	-	-	22.00	43.00

(Note) Revision of dividends forecast during the current first half: Yes

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

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	47,840	10.7	7,000	14.2	7,040	13.9	4,645	13.0	127.32

(Note) Revision of consolidated business forecasts in the current first half: Yes

* Notes

(1) Important changes of subsidiaries during the current first half: 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 issued shares (Ordinary shares)

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

2Q FY12/21	37,486,400	FY12/20	38,486,400
2Q FY12/21	1,053,840	FY12/20	1,777,898
2Q FY12/21	36,523,277	2Q FY12/20	36,935,768

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 4 "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

Amid the severe economic conditions that persists due to the COVID-19 pandemic, Japan's economy in the first half of the current fiscal year experienced growing weakness in some areas. Also, the recovery appeared to reach a standstill, such as flagging individual consumption in the service sector and lingering severity in companies' business sentiment, despite a sustained recovery amid the severity, while capital investment and overall corporate earnings were recovering, with the non-manufacturing sector struggling. Economic conditions are expected to continue to undergo a recovery given the effects of various government policies and improvements seen in overseas economies on the back of measures to prevent the spread of COVID-19 and the vaccine roll out. However, the economic horizon remains unclear and requires close monitoring of the impacts that the pandemic will have on the domestic and overseas economies, and on the volatility of financial and capital markets.

The current operating environment surrounding the staffing service industry remains weak due to the impacts of COVID-19, including a rising number of unemployed. Despite this, there are signs of resilience as the number of new job offers and job offers-to-applicants ratio has remained stable. With regard to the future outlook, resilience is expected the number of workers but there are also concerns of growing weakness caused by adjustments to employment conditions. Therefore, close attention needs to be paid to the influences of COVID-19.

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

Consolidated net sales increased by 10.6% year-on-year to 23,717 million yen driven by sales growth in the "Short-Term Operational Support Business", due primarily to the recovery in client demand through the first half and acquisition of public sector projects mainly related to the vaccination roll out, despite the negative impacts associated with the persistent spread of COVID-19 and Japan's re-issuance of a states of emergencies.

In terms of profits, consolidated operating profit increased by 8.8% year-on-year to 3,570 million yen, with consolidated ordinary profit rising by 8.5% year-on-year to 3,585 million yen, as supported by client demand showing a trend towards a recovery, despite the impacts of COVID-19.

Profit attributable to owners of parent increased by 4.6% year-on-year to 2,359 million yen due to the increase in consolidated ordinary profit, although 250 million yen of gain on the sale of investment securities was booked as an extraordinary income following the partial sale of investment securities in the same period of the previous fiscal year.

Furthermore, the Group acquired shares of Progress, Inc. on April 1, 2021, making it a consolidated subsidiary.

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 14.4% year-on-year to 20,552 million yen, due mainly to the recovery in client demand through the first half and acquisition of demand from public sector projects mainly related to the vaccination roll out, despite the negative impacts associated with the persistent spread of COVID-19 and Japan's re-issuance of a states of emergencies.

Segment profit (Operating profit) increased by 15.5% year-on-year to 3,760 million yen as supported by client demand showing a trend towards a recovery, despite the impacts of COVID-19.

2) Sales Support Business

Net sales of the “Sales Support Business” decreased by 16.1% year-on-year to 2,030 million yen, due mainly to the impact of COVID-19 on the entertainment business and the exclusion of NIHON DENKI SERVICE Co., Ltd. from the scope of consolidation, compared to the same period of the previous fiscal year when temporary telework demand under Japan’s state of emergency as special demand in the sale of Internet access, which is a mainstay business.

Segment profit (Operating profit) decreased by 74.8% year-on-year, resulting in a segment profit of 85 million yen due mainly to the drop in net sales. However, net sales and operating profit in the second quarter exceeded that of the fiscal year ended December 2019 when there was no impact due to COVID-19.

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” increased by 8.3% year-on-year to 1,135 million yen due to an increase in permanent security projects and an increase in temporary security projects, despite the challenging environment under Japan’s state of emergency.

Segment profit (Operating profit) increased by 24.9% year-on-year to 149 million yen due to the increase in net sales.

(2) Explanation of Consolidated Financial Position

1) Assets, Liabilities and Net Assets

At the end of the first half, total assets increased by 1,242 million yen from the end of the previous fiscal year to 25,196 million yen. Equity increased by 1,166 to 17,670 million yen (Equity ratio of 70.1%), and net assets grew by 1,281 to 18,677 million yen.

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

With regards to assets, current assets increased by 1,167 million yen from the end of the previous fiscal year to 20,471 million yen. This increase is mainly attributed to an increase in notes and accounts receivable of 1,031 to 6,701 million yen and an increase in cash and deposits of 96 to 13,405 million yen.

Non-current assets increased by 75 million yen from the end of the previous fiscal year to 4,724 million yen. This increase is attributed mainly to an increase in investment securities of 197 to 2,119 million yen, which offset a decrease in investments and other assets of 77 to 965 million yen due mainly to the decrease in deferred tax assets of 46 to 318 million yen and the decrease in leasehold deposits of 34 to 512 million yen, and a decrease in goodwill of 63 to 712 million yen.

With regard to liabilities, current liabilities decreased by 78 million yen from the end of the previous fiscal year to 5,632 million yen. This decrease is attributed mainly to a decline in accrued consumption taxes of 380 to 824 million yen, a decrease in other under current liabilities of 127 to 291 million yen due primarily to a decline in social insurance deposits of 180 to 86 million yen and an increase in withholding income tax deposits of 55 to 153 million yen, and a decrease in accrued expenses of 87 to 1,139 million yen, which offset increases in accounts payable - other of 333 to 1,500 million yen, in income taxes payable of 143 to 657 million, in provision for bonuses of 26 to 125 million yen, and notes and accounts payable - trade of 23 to 44 million yen.

Non-current liabilities increased by 39 million yen from the end of the previous fiscal year to 886 million yen. This increase is attributed mainly to a rise in retirement benefit liability of 25 to 716 million yen.

2) Cash Flows

Outstanding cash and cash equivalents (Hereinafter referred to as “funds”) at the end of the first half increased by 96 million yen from the end of the previous fiscal year to 13,405 million yen (compared with a decline of 597 million yen in the previous fiscal year).

(Cash Flows from Operating Activities)

Funds provided by operating activities were 1,527 million yen (compared with 947 million yen provided in the first half of the previous fiscal year) due to profit before income taxes of 3,579 million yen, which covered income taxes paid of 1,036 million yen and an increase in trade receivables of 1,021 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities were 29 million yen (compared with 230 million yen provided in the first half of the previous fiscal year) due to 24 million yen in proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation, 20 million yen in proceeds from sales of investment securities, which were offset by purchase of intangible assets of 62 million yen and purchase of property, plant and equipment of 17 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities were 1,403 million yen (compared with 1,774 million yen used in the first half of the previous fiscal year) due to dividends paid of 807 million yen and purchase of treasury shares of 554 million yen.

(3) Explanation of Consolidated Business Forecasts

As stated in the “Announcement on Difference between Business Forecast and Financial Results, Revision to Full-Year Consolidated Business Forecast, Dividend of Surplus (Interim Dividend), and Revision to Year-end Dividend Forecast” announced on August 6, 2021, the consolidated business results for the first half of the fiscal year ending December 2021 exceeded the corresponding indicators in the forecasts due primarily to the successful acquisition of staffing demand in excess of expectations because demand trends of client companies are experiencing a recovery in the mainstay “Short-Term Operational Support Business” and also because we acquired staffing demand from the public sector mainly related to the vaccination roll out. The Company made upward revision to full-year consolidated business forecast for the fiscal year ending December 2021, which was released on February 12, 2021.

The revised full-year business forecast for the fiscal year ending December 2021 takes into account the growth of each service in the “Short-Term Operational Support Business” driven by the acquisition of staffing demand from public sector projects mainly related to the vaccination roll out and of short-term staffing demand associated with the Tokyo Olympics, assuming that client company demand will be recovering in the second half moderately, heading into the final month of this fiscal year. In addition, the year-on-year decline in gross profit is due to in the more refined breakdown of tabulation elements used for cost of sales in the BPO services.

Furthermore, the Company does not assume that Japan will issue a fifth state of emergency in the second half of the fiscal year ending December 2021. Note that actual earnings could differ largely from forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY12/20 End (December 31, 2020)	1H FY12/21 End (June 30, 2021)
ASSETS		
Current assets		
Cash and deposits	13,309	13,405
Notes and accounts receivable - trade	5,671	6,701
Merchandise	22	34
Supplies	13	14
Other	313	335
Allowance for doubtful accounts	(24)	(18)
Total current assets	19,304	20,471
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	264	283
Tools, furniture and fixtures, net	186	160
Land	184	184
Other, net	1	0
Total property, plant and equipment	634	628
Intangible assets		
Goodwill	774	712
Other	321	336
Total intangible assets	1,096	1,047
Investments and other assets		
Investment securities	1,921	2,119
Other	1,042	965
Allowance for doubtful accounts	(44)	(34)
Total investments and other assets	2,919	3,049
Total non-current assets	4,649	4,724
Total assets	23,953	25,196

(Million yen)

	FY12/20 End (December 31, 2020)	1H FY12/21 End (June 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	21	44
Short-term borrowings	1,000	1,000
Accounts payable - other	1,167	1,500
Accrued expenses	1,226	1,139
Income taxes payable	514	657
Accrued consumption taxes	1,204	824
Provision for bonuses	100	125
Allowance for subscription cancellations	60	52
Other	417	291
Total current liabilities	5,710	5,632
Non-current liabilities		
Retirement benefit liability	691	716
Other	156	170
Total non-current liabilities	847	886
Total liabilities	6,557	6,518
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	14,721	14,520
Treasury shares	(3,099)	(1,890)
Total shareholders' equity	16,408	17,416
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	128	241
Foreign currency translation adjustment	(33)	12
Total accumulated other comprehensive income	95	254
Share acquisition rights	162	163
Non-controlling interests	730	845
Total net assets	17,396	18,677
Total liabilities and net assets	23,953	25,196

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

Quarterly Consolidated Statement of Income

[First Half of the Current Fiscal Year]

(Million yen)

	1H FY12/20 (January 1 to June 30, 2020)	1H FY12/21 (January 1 to June 30, 2021)
Net sales	21,435	23,717
Cost of sales	12,373	15,248
Gross profit	9,062	8,469
Selling, general and administrative expenses	5,781	4,898
Operating profit	3,281	3,570
Non-operating income		
Dividend income	2	2
Share of profit of entities accounted for using equity method	43	24
Revenue-advertising	-	17
Other	39	27
Total non-operating income	84	70
Non-operating expenses		
Interest expenses	3	3
Settlement package	19	30
Other	40	22
Total non-operating expenses	62	55
Ordinary profit	3,303	3,585
Extraordinary income		
Gain on sale of investment securities	250	20
Other	-	2
Total extraordinary income	250	22
Extraordinary losses		
Loss on retirement of non-current assets	3	12
Loss on COVID-19	17	16
Other	10	0
Total extraordinary losses	30	28
Profit before income taxes	3,523	3,579
Income taxes - current	1,045	1,163
Income taxes - deferred	45	10
Total income taxes	1,090	1,173
Profit	2,433	2,406
Profit attributable to non-controlling interests	177	48
Profit attributable to owners of parent	2,256	2,359

Quarterly Consolidated Statement of Comprehensive Income
 [First Half of the Current Fiscal Year]

(Million yen)

	1H FY12/20 (January 1 to June 30, 2020)	1H FY12/21 (January 1 to June 30, 2021)
Profit	2,433	2,406
Other comprehensive income		
Valuation difference on available-for-sale securities	(486)	117
Foreign currency translation adjustment	(40)	46
Total other comprehensive income	(525)	162
Comprehensive income	1,908	2,569
(Comprehensive income attributable to)		
Owners of parent	1,759	2,517
Non-controlling interests	149	51

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	1H FY12/20 (January 1 to June 30, 2020)	1H FY12/21 (January 1 to June 30, 2021)
Cash flows from operating activities		
Profit before income taxes	3,523	3,579
Depreciation	134	109
Amortization of goodwill	100	102
Increase (decrease) in allowance for doubtful accounts	(11)	(15)
Increase (decrease) in provision for bonuses	2	1
Increase (decrease) in allowance for subscription cancellations	8	(8)
Interest and dividend income	(2)	(2)
Interest expenses	3	3
Share of loss (profit) of entities accounted for using equity method	(43)	(24)
Loss on retirement of non-current assets	3	12
Loss (gain) on sale of investment securities	(250)	(20)
Loss (gain) on valuation of investment securities	10	0
Loss on COVID-19	17	16
Decrease (increase) in trade receivables	388	(1,021)
Decrease (increase) in inventories	(2)	(14)
Decrease (increase) in accounts receivable - other	(4)	65
Increase (decrease) in trade payables	(204)	305
Increase (decrease) in accrued expenses	(219)	(91)
Increase (decrease) in accrued consumption taxes	(499)	(398)
Increase (decrease) in retirement benefit liability	36	25
Other, net	(208)	(95)
Subtotal	2,782	2,528
Interest and dividends received	2	44
Interest paid	(3)	(4)
Payment of loss on COVID-19	(17)	(13)
Income taxes paid	(1,818)	(1,036)
Income taxes refund	1	7
Net cash provided by (used in) operating activities	947	1,527
Cash flows from investing activities		
Purchase of property, plant and equipment	(110)	(17)
Purchase of intangible assets	(65)	(62)
Proceeds from sale of investment securities	416	20
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(18)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	24
Proceeds from collection of loans receivable	9	9
Other, net	(1)	(3)
Net cash provided by (used in) investing activities	230	(29)
Cash flows from financing activities		
Repayments of short-term borrowings	-	(80)
Purchase of treasury shares	(994)	(554)
Dividends paid	(779)	(807)
Other, net	(1)	38
Net cash provided by (used in) financing activities	(1,774)	(1,403)
Net increase (decrease) in cash and cash equivalents	(597)	96
Cash and cash equivalents at beginning of the period	11,811	13,309
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	80	-
Cash and cash equivalents at end of period	11,294	13,405

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There are no relevant matters.

(Notes on Significant Change of Shareholders' Equity)

(Cancellation of treasury shares)

The Company cancelled 1,000,000 treasury shares on February 16, 2021 based on the resolution passed at the meeting of the Board of Directors held on February 12, 2021. As a result, in the current first half, retained earnings and treasury shares each declined by 1,742 million yen, and as of the end of the second quarter, retained earnings totaled 14,520 million yen and treasury shares, 1,890 million yen.

(Segment Information and Others)

[Segment information]

First Half of the Previous Fiscal Year (January 1 to June 30, 2020)

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	17,969	2,418	1,048	21,435	-	21,435
Inter-segment sales or transfers	6	-	5	11	(11)	-
Total	17,975	2,418	1,053	21,446	(11)	21,435
Segment profit	3,254	338	119	3,712	(431)	3,281

Notes: 1. (0) million yen in inter-segment eliminations and (431) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (431) million yen segment profit adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segments.

2. Segment profit is adjusted with operating profit as listed in quarterly consolidated statement of income.

First Half of the Current Fiscal Year (January 1 to June 30, 2021)

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	20,552	2,030	1,135	23,717	-	23,717
Inter-segment sales or transfers	9	6	4	19	(19)	-
Total	20,561	2,036	1,138	23,736	(19)	23,717
Segment profit	3,760	85	149	3,994	(423)	3,570

Notes: 1. (5) million yen in inter-segment eliminations and (418) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (423) million yen segment profit adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segments.

2. Segment profit is adjusted with operating profit as listed in quarterly consolidated statement of income.

(Additional Information)

(Accounting Estimates Associated with the COVID-19 Pandemic)

There are no material changes regarding the assumptions regarding the impacts of the COVID-19 pandemic stated in the securities report for the previous fiscal year, “Additional Information”, “Accounting Estimates Associated with the COVID-19 Pandemic”.

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

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