

FULLCAST HLDGS.

Consolidated Business Results for the First Half of the Fiscal Year Ending December 2021 (Jan.–Jun. 2021)

FULLCAST HOLDINGS CO., LTD. (4848)

August 6, 2021

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Agenda

1. Difference between 1H FY12/21 Business Forecast and Financial Results and Revision of the Full-Year Business Forecast
2. 1H FY12/21 Dividend of Surplus (Interim Dividend) and Revised Year-End Dividend Forecast
3. 1H FY12/21 Consolidated Business Highlights (Jan.–Jun. 2021)
4. 1H FY12/21 Segment Highlights (Jan.–Jun. 2021)
5. FY12/21 Progress of Strategy Implementation and Ongoing Initiatives
6. 1H FY12/21 Progress Relative to Business Forecast

1. Difference between 1H FY12/21 Business Forecast and Financial Results and Revision of the Full-Year Business Forecast

Consolidated: Difference between Business Forecasts and Results for 1H FY12/21

- Consolidated business results exceeded each forecast indicator in the forecasts for the first half of the fiscal year ending December 2021 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.

(Million yen)

	Results for 1H FY12/21	Business forecasts for 1H FY12/21	Difference	Achievement rate
Net sales	23,717	21,280	2,437	111.5%
Gross profit	8,469	7,886	582	107.4%
Operating profit	3,570	2,750	820	129.8%
Ordinary profit	3,585	2,760	824	129.9%
Profit attributable to owners of parent	2,359	1,826	533	129.2%

Consolidated: Revisions to Business Forecast for FY12/21

- At the Board of Directors' Meeting held on August 6, 2021, we passed a resolution to revise the full-year consolidated business forecast for the fiscal year ending December 2021. We aim to continue to promptly restore the Group's performance in the mainstay "Short-Term Operational Support Business."
- The revised full-year business forecast takes into account the following elements, in addition to the results for the first half of the fiscal year ending December 2021.
 - Demand from client companies is assumed to recover from the impacts of COVID-19 at a moderate pace heading into the final month of this fiscal year.
 - Growth in the "Short-Term Operational Support Business" is factored into the forecast, assuming the acquisition of staffing demand from public sector projects mainly related to the vaccination roll out and those associated with the Tokyo Olympics.
 - 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 "BPO" services.
 - 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.

(Million yen)

	Previous forecast (A)	Revised forecast (B)	Difference (B-A)	Rate of change
Net sales	45,400	47,840	2,440	5.4%
Gross profit	16,810	17,370	560	3.3%
Operating profit	6,200	7,000	800	12.9%
Ordinary profit	6,230	7,040	810	13.0%
Profit attributable to owners of parent	4,117	4,645	528	12.8%
Basic earnings per share (yen)	112.5	127.3	14.8	13.2%

(Reference)

ROE	23.5%	26.2%	—	2.6PT
-----	-------	-------	---	-------

Consolidated: Revisions to Business Forecast for FY12/21 (Net Sales by Segment)

- We plan to continue focusing on restoring the performance of “Placement” and “BPO” services, both mainstay services of the “Short-Term Operational Support Business”.
- The net sales forecast for the services in the “Short-Term Operational Support Business” assumes that demand from client companies will recover moderately heading into the final month of this fiscal year, and factors in the acquisition of staffing demand from public sector projects mainly related to the vaccination roll out and those associated with the Tokyo Olympics.

(Million yen)

		Previous forecast (A)	Revised forecast (B)	Difference (B-A)	Rate of change
Short-Term Operational Support Business	Net sales	39,291	41,699	2,408	6.1%
	Placement	4,927	4,736	(191)	(3.9)%
	BPO	6,464	6,680	216	3.3%
	Dispatching	25,099	26,028	929	3.7%
	Outsourcing	2,802	4,256	1,454	51.9%
Sales Support Business	Net sales	3,896	3,842	(54)	(1.4)%
Security, Other Businesses	Net sales	2,213	2,299	86	3.9%
Consolidated	Net sales	45,400	47,840	2,440	5.4%

2. 1H FY12/21 Dividend of Surplus (Interim Dividend) and Revised Year-End Dividend Forecast

Interim Dividend of Surplus and Revised Year-End Dividend Forecast for FY12/21

- At the Board of Directors' Meeting held on August 6, 2021, we passed a resolution to pay a dividend (interim dividend) from retained earnings of 21 yen per share as forecast.
- The year-end dividend forecast has been changed from 21 to 22 yen per share, up 2 yen over the previous year on a full-year basis, according to revisions to the business forecast.

● Dividend details (Interim dividend)

	Authorized amount	Latest dividend forecast (Announced on Feb. 12, 2021)	Results for the previous term (Interim dividend for FY12/20)
Record date	June 30, 2021	June 30, 2021	June 30, 2020
Dividend paid per share	21 yen	21 yen	19 yen
Total amount of dividend	765 million yen	—	697 million yen
Effective date	September 6, 2021	—	September 1, 2020
Resources for dividend	Retained earnings	—	Retained earnings

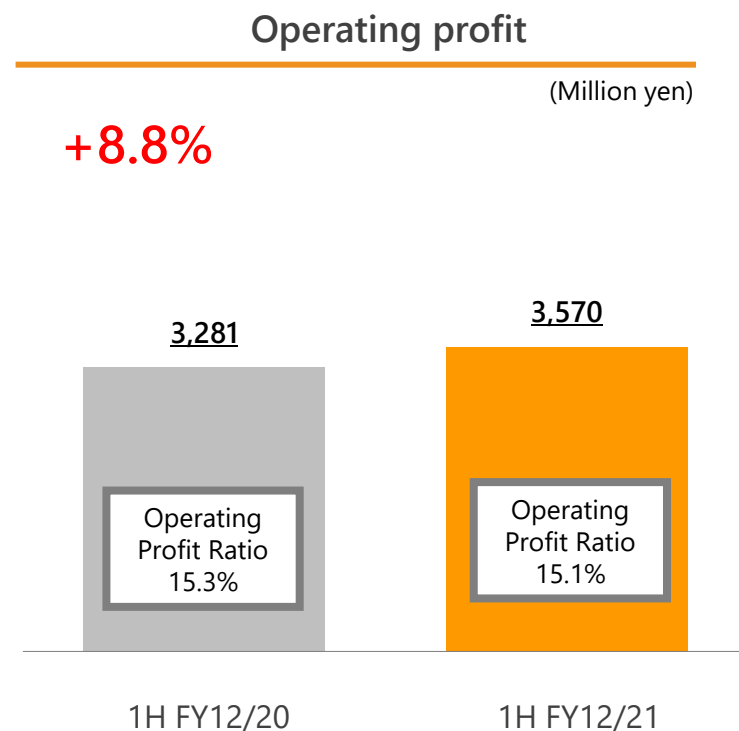
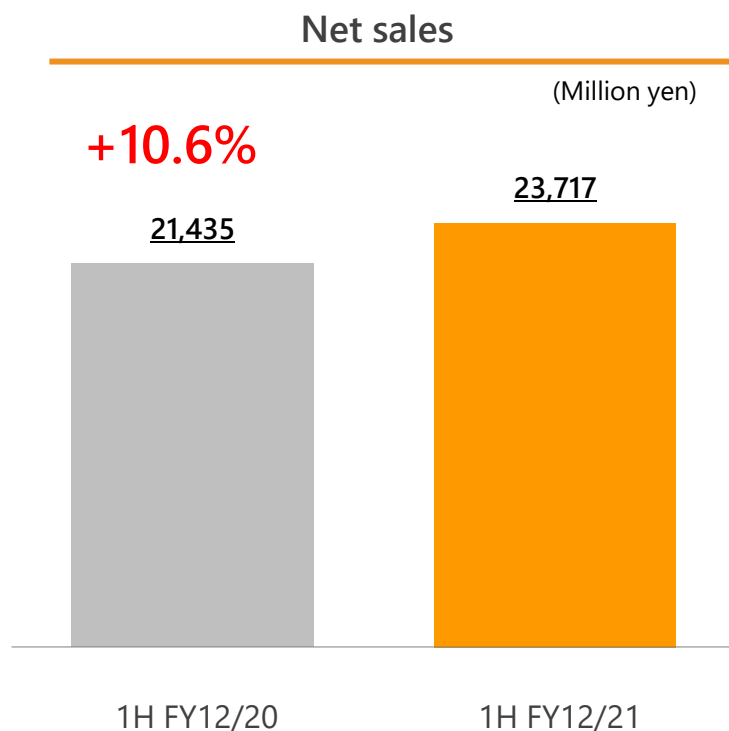
● Revised year-end dividend forecast

	Interim dividend results	Revised year-end dividend forecast	Revised forecast of annual dividend per share
Dividend paid per share (yen)	21 yen	22 yen (Previous year: 22 yen)	43 yen (Previous year: 41 yen)

3. 1H FY12/21 Consolidated Business Highlights (Jan.–Jun. 2021)

Consolidated: 1H FY12/21 Year-on-Year Comparison

- **Net sales increased by 10.6% year-on-year** driven by the sales growth in the “Short-Term Operational Support Business”, due mainly 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.
- **Operating profit increased 8.8% year-on-year (operating profit ratio inched down by 0.3 PT)** as supported by client demand showing a trend towards a recovery, despite the impacts of COVID-19.



Consolidated: 1H FY12/21 Year-on-Year Comparison

- **Ordinary profit** increased **due to the same factors as operating profit**.
- **Profit attributable to owners of parent increased by 4.6% year-on-year**, 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.
- From the beginning of this fiscal year, in “BPO” services of the “Short-Term Operational Support Business” segment have been broken down into more refined tabulation elements so that they are booked in cost of sales from SG&A expenses to ensure more appropriate cost price management. Gross profit prior to this refined booking method increased by 1.3% and SG&A expenses decreased by 3.0%.

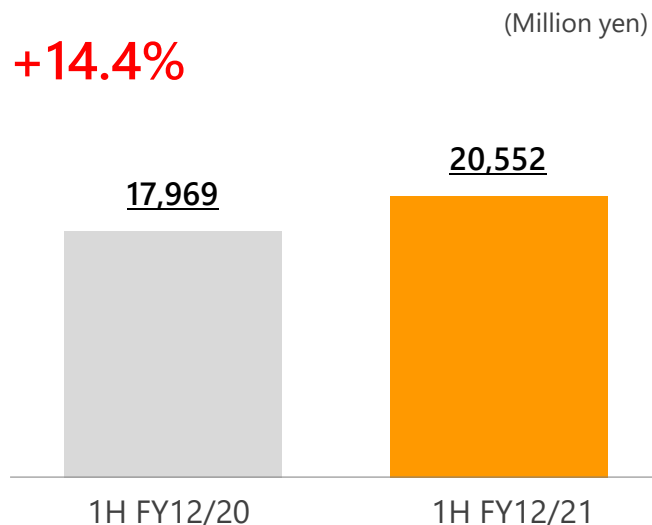
(Million yen)

	1H FY12/20	1H FY12/21	Difference	Rate of change
Net sales	21,435	23,717	2,282	10.6%
Gross profit	9,062	8,469	(594)	(6.6)%
SG&A expenses	5,781	4,898	(883)	(15.3)%
Operating profit	3,281	3,570	289	8.8%
Operating Profit Ratio	15.3%	15.1%	—	(0.3) PT
Ordinary profit	3,303	3,585	282	8.5%
Profit attributable to owners of parent	2,256	2,359	103	4.6%

4. 1H FY12/21 Segment Highlights (Jan.–Jun. 2021)

Short-Term: 1H FY12/21 Year-on-Year Comparison

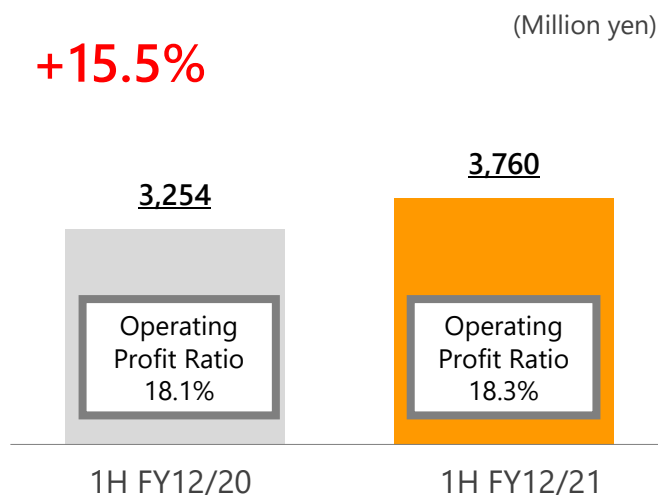
Net Sales



Net sales

- **Net sales increased by 14.4% year-on-year**, due mainly 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 state of emergency.

Operating Profit



Operating Profit

- **Operating profit increased 15.5% year-on-year (operating profit ratio inched up by 0.2 PT)** as supported by client demand showing a trend towards a recovery, despite the impacts of COVID-19.

Short-Term: 1H FY12/21 Year-on-Year Comparison (By Service Category)

(Million yen)

	1H FY12/20	1H FY12/21	Difference	Rate of change
Net sales	17,969	20,552	2,583	14.4%
Placement	2,206	2,199	(7)	(0.3)%
BPO	3,375	3,398	22	0.7%
Dispatching	11,343	13,024	1,681	14.8%
Outsourcing	1,045	1,932	887	84.9%
Gross profit	7,715	7,401	(314)	(4.1)%
Placement	2,160	2,147	(12)	(0.6)%
BPO	3,180	2,361	(819)	(25.8)%
Dispatching	1,992	2,139	147	7.4%
Outsourcing	383	754	370	96.7%

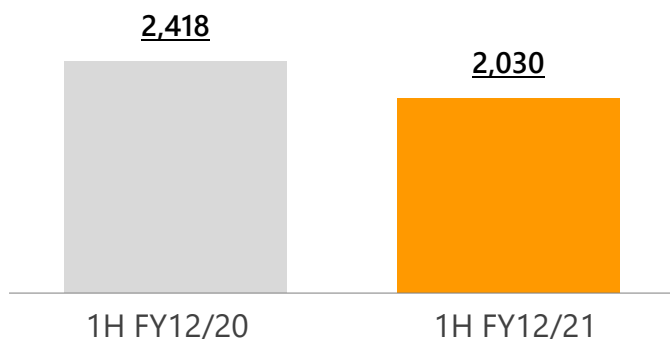
- Client demand, even during Japan's state of emergency, showed signs of recovery, and gross profit of "Placement" service inched down by 0.6% due mainly to an increase of 26.9% in the quarterly gross profit.
- Gross profit of "BPO" service declined by 25.8% due to breaking down personnel expenses equivalent to the cost of sales into more refined tabulation elements so that they are booked in cost of sales from SG&A expenses. Gross profit of "BPO" services prior to this refined breakdown of cost of sales inched down by 3.5%.
- "Outsourcing" services posted an increase in sales and gross profit on growth in the earnings of from Housekeeping Services by Minimaid Service Co., Ltd., the restart of professional baseball games with spectators, and the acquisition of staffing demand from public sector projects mainly related to the vaccination roll out.
- "Dispatching" services posted an increase in sales and gross profit mainly because we responded to the long-term staffing needs of client companies, particularly from logistics and manufacturing fields, throughout the first half, and captured public sector projects mainly related to the vaccination roll out.

Sales Support: 1H FY12/21 Year-on-Year Comparison

Net Sales

(Million yen)

(16.1)%



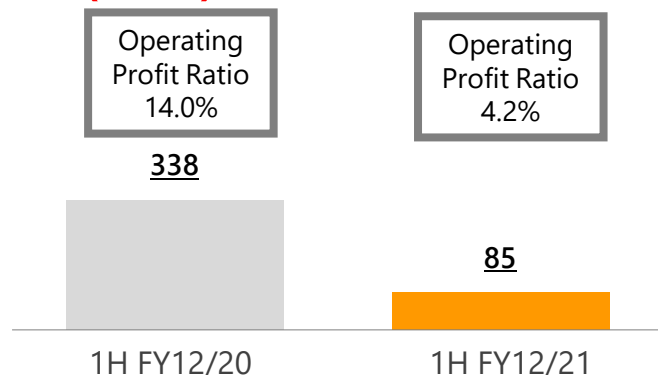
Net sales

- **Net sales decreased by 16.1% year-on-year** due mainly to the 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.

Operating Profit

(Million yen)

(74.8)%



Operating Profit

- **Operating profit decreased by 74.8% year-on-year** due mainly to the drop in net sales.

Note: In the second quarter, net sales and operating profit exceeded that of the fiscal year ended December 2019 when there was no impact due to COVID-19.

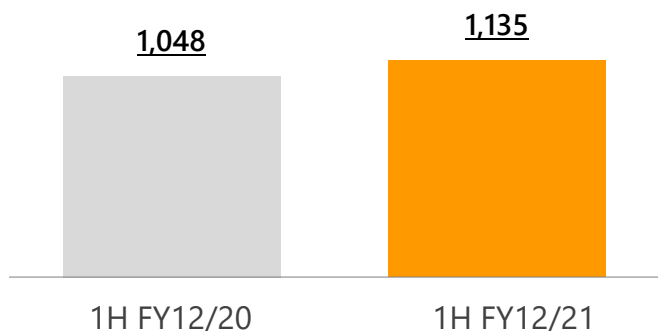
- ✓ NIHON DENKI SERVICE Co., Ltd. is excluded from the scope of consolidation from the start of the fiscal year ending December 2021 following the partial sale of the share we owned.
- ✓ The "Sales Support Business" segment is mainly comprised of the "call center", "online", "alliance", and "entertainment" businesses.

Security, Other: 1H FY12/21 Year-on-Year Comparison

Net Sales

(Million yen)

+8.3%



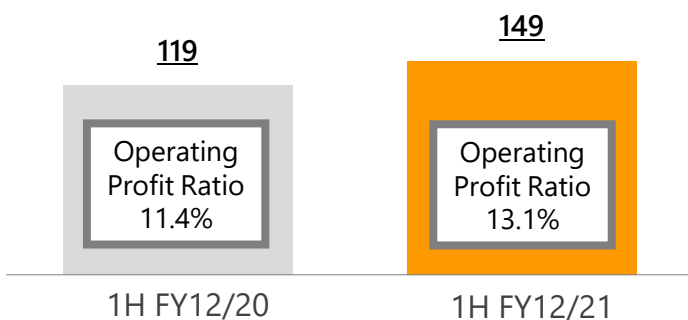
Net sales

- **Net sales increased by 8.3% year-on-year** 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.

Operating Profit

(Million yen)

+24.9%



Operating Profit

- **Operating profit increased by 24.9% year-on-year and operating profit ratio rose by 1.7 PT** due to the increase in net sales.

5. FY12/21 Progress of Strategy Implementation and Ongoing Initiatives

FY12/21 Business Targets and Strategy

Business Targets for the Fiscal Year Ending December 2021

Quickly restoring performance using customer-first approaches by addressing the external environment in a flexible manner

Business Strategy for the Fiscal Year Ending December 2021

Strategy 1

Prepare for further business growth by investing in digital transformation aimed at a post-COVID-19 world and by cultivating new businesses

- Increase convenience for clients and staff by improving services and utilizing digital transformation and other tools
- Examine M&A opportunities to expanding our services or employment opportunities for staff
- Continue opening new offices in areas with high sales effect (around 10 locations/year)
- Expand sales of BPO services by increasing headcount at BPO departments and strengthening Group collaboration

Strategy 2

Transform into an organization that can yield profits even with the negative impacts of COVID-19

- Improve operating efficiency using RPA and BI tools
- Implement initiatives to improve profitability through increased work flow efficiency, shifting fixed costs to variable costs, improving productivity and thoroughly managing costs

FY12/21 Business Strategy

Progress of Strategy 1

- We opened 3 new sales offices in the first half as initially planned, and closed 3 registration centers following the penetration of “online registration services” in an effort to rationalize operations. In the second half, we plan to open 7 new sales offices.

	New office openings in 1H (opened Feb. 1)	New office openings in 2H (opening Sept. 1)
Fullcast Co., Ltd.	Iwamizawa, Hokkaido Pref.; Ina and Iida, Nagano Pref.; Okinawa, Okinawa Pref.	Yokote, Akita Pref.; Ishinomaki, Miyagi Pref.; Ota, Gunma Pref.; Fukuchiyama, Kyoto Pref.; Iizuka, Fukuoka Pref.; Yatsushiro, Kumamoto Pref.
Minimaid Service Co., Ltd.	—	Hakata, Fukuoka Pref.

- We are working to embrace digital transformation (DX) in order to increase customer satisfaction and improve operational efficiency. Currently, we are conducting a feasibility test of an “online attendance entry system” that will increase convenience for client companies and staff alike. After identifying any issues, we will make the preparations to roll out this system. In addition, the Company is preparing to digitalize contracts and various ledgers and to roll out an online recruitment order system.
- On April 1, 2021, we acquired Progress, Inc., which provides back office “BPO” services for insurance operations, and included it in the scope of consolidation from the current second quarter with the goal of increasing profits through the synergistic effects with the Group’s know-how and infrastructure related to “BPO” services. Progress, Inc. is featured with in-depth knowledge of streamlining business operations and compliance in the insurance field.
- In addition to increasing the head office sales force of our dedicated BPO department at the beginning of the fiscal year, we also organized a two-team sales structure. As a result of this reinforcement, we are working to create a structure enabling us to share know-how, such as sales approaches and proposal methods, increase collaboration within these teams, and carry out sales activities that are more focused and specialized in nature.
- On March 22, 2021, we concluded a business partnership agreement with Agekke Co., Ltd. The goal of this partnership is to use synergistic effects to boost profits. This will involve combining the Group’s powerful capability to supply human resources nationwide in Japan with the Agekke Group’s diverse outsourcing systems.

Progress of Strategy 2

- Departments and business sites are each working to examine matters aimed at improving operational efficiency using RPA and BI tools and moving work online.
- The Company is striving to reduce working effort by reviewing its work flows.



With the recognition that each strategy is a medium- to long-term issue, rather than transient in nature, we will continue to prepare, review and implement strategies to realize the effects in this fiscal year and subsequent fiscal years.

(Reference) About Progress, Inc.

1. Reason for purchase of shares

- Increase profits through the synergistic effects with the Group's know-how and infrastructure related to BPO services.

2. Overview

- Name: Progress, Inc.
- Location: 4-1-7, Toyo, Koto-ku, Tokyo
- Representative: Yoshinari Tonomura, Representative Director
- Business: Business process outsourcing for insurance companies
- Capital: 50 million yen
- Established: November 27, 2019
- Major shareholders and ratio of shareholding:
(prior to acquisition) NFC Holdings, Inc. 100%
(after acquisition) BOD Co., Ltd. 60% and NFC Holdings, Inc. 40%
- Relationship between the Company and Progress, Inc.:
No capital relationship, personal or transactions relationship
- Net sales: Estimated at 428 million yen

3. Schedule

- Stock transfer: April 1, 2021

4. Future outlook

- The impacts on the Group's business activities during the fiscal year ending December 2021 are minimal.

Ongoing Initiatives

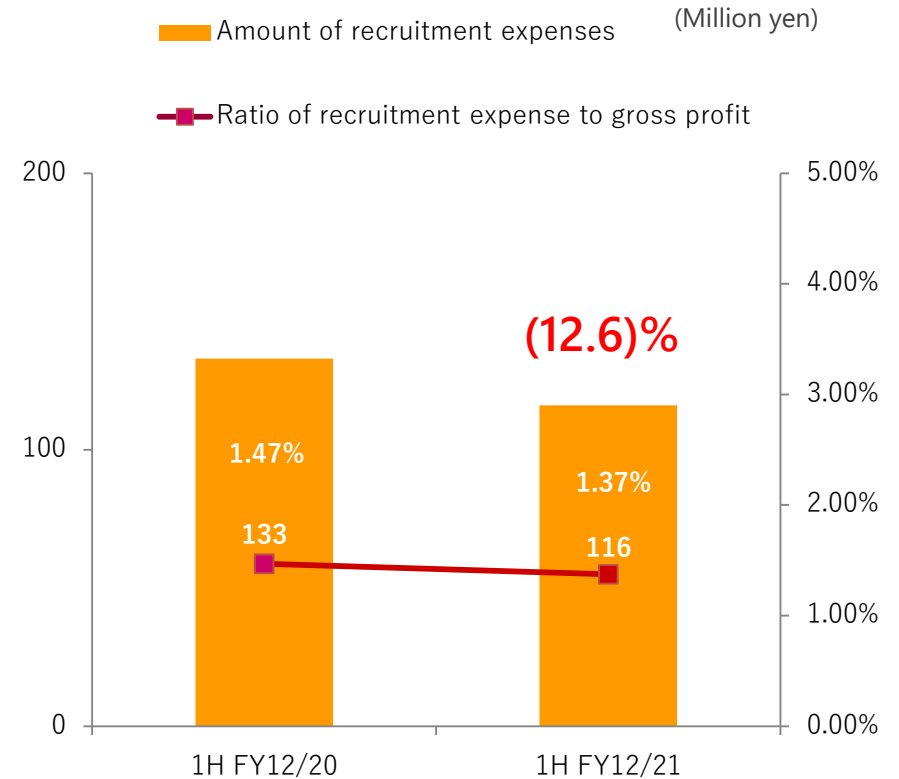
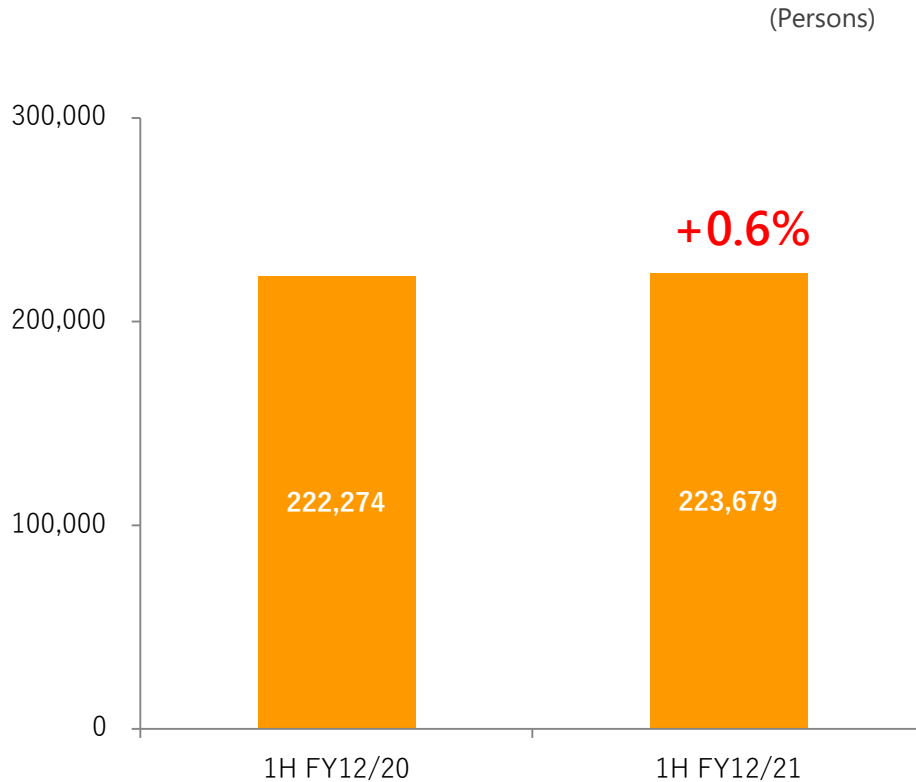
Initiative 1: Strengthen Hiring Capability

Number of hires

- Hiring activities were carried out following the recovery trend in client company demand; therefore, the number of hires totaled 223,679 persons (up 0.6% year-on-year).

Recruitment expenses

- After appropriate cost controls were implemented, recruitment expenses declined by 12.6% year-on-year, and the recruitment expense to gross profit ratio declined by 0.10 PT.

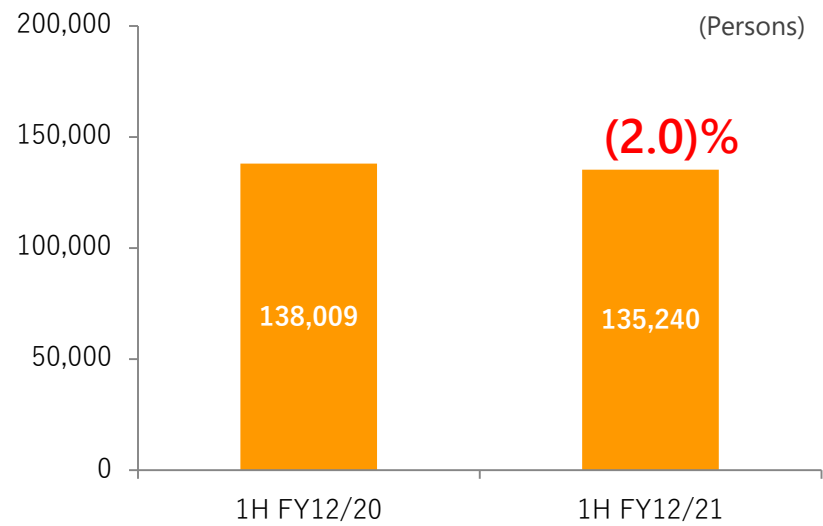


Ongoing Initiatives

Initiative 2: Increase Number of Operating Workers

Number of operating workers

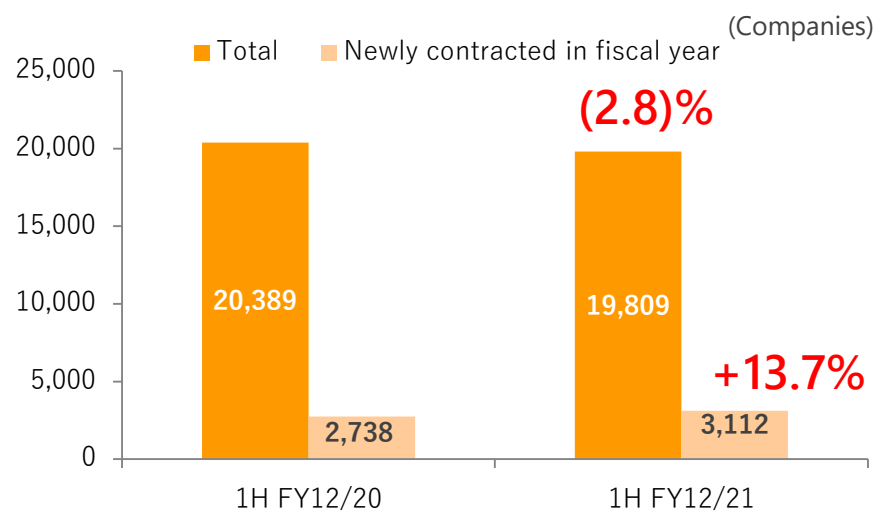
- The number of operating workers decreased by 2.0% year-on-year due mainly to the drop in the number of active workers of "Placement" services.



Initiative 3: Increase Number of Customers

Number of customers

- The number of clients for the first half declined by 2.8% over the previous year of which the first quarter had not been affected by the COVID-19 pandemic. However, the number of new clients increased 13.7% year-on-year owing to improvements in the environment for carrying out sales activities.



Initiative 4: Gross profit per 1 yen of personnel costs

	1H FY12/20	1H FY12/21	Rate of change
Gross profit per 1 yen of personnel costs (yen)	2.5	2.9	15.1%

- Gross profit per 1 yen of personnel costs increased by 15.1% year-on-year to 2.9 yen due to efforts to flexible control personnel numbers.
- "Gross profit per 1 yen of personnel costs" prior to this refined breakdown of cost of sales increased by 4.8% year-on-year to 2.7 yen.

6. 1H FY12/21 Progress Relative to Business Forecast

1H FY12/21 Progress Relative to Business Forecast

- Results for the first half of the fiscal year ending December 2021 indicate a rate of progress of 51.0% for operating profit, 50.9% for ordinary profit, and 50.8% for profit attributable to owners of parent, in comparison to the revised full-year business forecast released today. As a result, each rate of progress exceeds 50%.

(Million yen)

		1H FY12/21	Revised full-year FY12/21 forecast	Rate of progress
Net sales		23,717	47,840	49.6%
Gross profit		8,469	17,370	48.8%
Operating profit		3,570	7,000	51.0%
Ordinary profit		3,585	7,040	50.9%
Profit attributable to owners of parent		2,359	4,645	50.8%
Short-Term Operational Support Business	Net sales	20,552	41,699	49.3%
	Placement	2,199	4,736	46.4%
	BPO	3,398	6,680	50.9%
	Dispatching	13,024	26,028	50.0%
	Outsourcing	1,932	4,256	45.4%
Sales Support Business	Net sales	2,030	3,842	52.8%
Security, Other Businesses	Net sales	1,135	2,299	49.4%

(Reference) Basic Stance on Capital Policy

■ Basic Stance on Capital Policy

The Fullcast Group maintains a basic policy of maximizing capital efficiency and securing financial soundness to achieve sustained improvement in corporate value.

- Maintaining a total return ratio of 50% relative to shareholders as an indicator to support sustained improvement in corporate value and to maximize capital efficiency.
- Our goal of enhancing corporate value is to maintain an ROE of 20% or greater.
- We will maintain a maximum D/E ratio of 1.0x in order to enhance corporate value and to maintain financial soundness.

(Reference) Sustainability Policy

We endorse all 17 goals of SDGs. In addition, we consider contributing to the following the goals of SDGs by implementing and promoting our corporate philosophy of “Providing the best place for people to bring out their best” as a core value of our Company.



8. Decent Work and Economic Growth

The Group will constantly offer employment opportunities to job seekers and a workforce to hiring companies by continually providing matching opportunities for short-term positions to job seekers and hiring companies. Thereby, we will contribute to providing decent work for job seekers and economic growth for hiring companies.



5. Gender Equality

We will contribute to gender equality by providing job seekers with employment opportunities not tied to age, gender or attribution.



10. Reduced Inequalities

We will contribute to reducing inequalities by providing job seekers with employment opportunities not tied to region or nationality.



9. Industry, Innovation and Infrastructure

In response to Japan’s labor environment, which is experiencing a declining workforce, we will contribute to industrial growth and building infrastructures for technological innovation by providing matching services for short-term positions to companies seeking growth or innovation, thus expanding their workforce in the process.

Disclaimer

- Fullcast Holdings' IR materials have been prepared for the purpose of providing information about the company, and are not a solicitation for investment. Readers are advised to use these materials at their own discretion and are solely responsible for all decisions based on such use. Although every effort has been taken to ensure the accuracy of the information provided herein, Fullcast Holdings Co., Ltd. makes no guarantees with regard to the contents. Fullcast Holdings Co., Ltd. assumes no responsibility for any damages resulting from the use of this information, either directly, indirectly or to any extent, which originates from any cause including but not limited to the accuracy, reliability and safety concerning the text, data or other information herein. Fullcast Holdings' IR materials are copyrighted and use without Fullcast Holdings' express written consent is strictly prohibited.

Notes

About this Document

- In this document, the "Short-Term Operational Support Business" is referred to as "Short-Term", and the "Sales Support Business" is referred to as "Sales" in some parts.
- In this document, names of services are written in an abbreviated form; "Part-Time Worker Placement" service is referred to as "Placement"; and "Part-Time Worker Payroll Management", "My Number Management", "Year-End Tax Adjustment Management", and BPO services by BOD Co., Ltd. are referred to as "BPO" in the "Short-Term Operational Support Business", which were launched along with the implementation of the Revised Worker Dispatching Act on October 1, 2012. In addition, "Long-Term Dispatching" services with a contract period of 31 days or longer, which has been conducted after the implementation of the Revised Worker Dispatching Act, is referred to as "Dispatching."
- "Gross profit per 1 yen of personnel costs" appears rounded off to the second decimal place.
- The "number of hires" is the sum total of the number of hires at Fullcast Co., Ltd., Top Spot Co., Ltd., Work & Smile Co., Ltd., Fullcast Senior Works Co., Ltd., Fullcast Porter Co., Ltd. and Fullcast Global Co., Ltd. as well as the number of hires in the "Short-Term Operational Support Business" at Fullcast Advance Co., Ltd.
- The "number of operating workers" is the total number of unique individuals working at Fullcast Co., Ltd., Top Spot Co., Ltd., Work & Smile Co., Ltd., Fullcast Senior Works Co., Ltd., Fullcast Porter Co., Ltd. and Fullcast Global Co., Ltd. as well as in the "Short-Term Operational Support Business" at Fullcast Advance Co., Ltd., excluding those working in the "BPO" service area.

Short-Term Operational Support Business

- "BPO" services represent the aggregated total of "Part-Time Worker Payroll Management", "My Number Management", "Year-End Tax Adjustment Management", and BPO services conducted by BOD Co., Ltd.
- The figures for each service category of the "Short-Term Operational Support Business" segment represent reference figures and have not been audited by our accounting auditor.

Sales Support Business

- NIHON DENKI SERVICE Co., Ltd. is excluded from the scope of consolidation from the start of the fiscal year ending December 2021 following the partial sale of the share we owned.
- The "Sales Support Business" segment is mainly comprised of the "call center", "online", "alliance", and "entertainment" businesses.
- The "call center", "online" and "alliance" businesses each involve the sale of Internet access.

Providing the **best place** for
people to bring out **their best.**

[Inquiries]

IR: +81-3-4530-4830

URL: <https://www.fullcastholdings.co.jp/ir>

e-mail: IR@fullcast.co.jp