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August 10, 2023

Consolidated Financial Results Announcement for the First Half of the Fiscal Year Ending December 31, 2023 [Japanese Standards] (Consolidated)

Company name: Fullcast Holdings Co., Ltd.
 Stock exchange listing: TSE Prime Market
 Stock code: 4848
 URL: <https://www.fullcastholdings.co.jp>
 Representative: Kazuki Sakamaki, President, Representative Director and CEO
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Date of submission of quarterly report (Planned): August 10, 2023
 Date of commencements of dividend payments (Planned): September 4, 2023
 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, 2023 (January 1 to June 30, 2023)

(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 FY12/23 (June 30, 2023) | 33,122 | 7.5 | 4,596 | (5.0) | 4,566 | (6.9) | 3,201 | (3.5) |
| 1H FY12/22 (June 30, 2022) | 30,802 | 29.9 | 4,838 | 35.5 | 4,903 | 36.8 | 3,319 | 40.7 |

(Note) Comprehensive income: 3,387 million yen ((3.2)%) as of June 30, 2023 3,499 million yen (36.2%) as of June 30, 2022

| | Basic earnings per share | Diluted earnings per share |
|----------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| 1H FY12/23 (June 30, 2023) | 89.21 | 88.73 |
| 1H FY12/22 (June 30, 2022) | 91.61 | 91.13 |

(2) Consolidated Financial Conditions

| | Total assets | Net assets | Equity-to-asset ratio |
|--------------------------------|--------------|-------------|-----------------------|
| | Million yen | Million yen | % |
| 1H FY12/23 End (June 30, 2023) | 35,563 | 25,863 | 69.1 |
| FY12/22 End | 35,604 | 24,928 | 66.7 |

(Reference) Equity: 24,564 million yen as of June 30, 2023 23,732 million yen as of December 31, 2022

2. Dividend Status

| | Dividend per share (yen) | | | | |
|------------------|--------------------------|--------|--------|--------|--------|
| | 1Q End | 1H End | 3Q End | FY End | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY12/22 | - | 23.00 | - | 35.00 | 58.00 |
| FY12/23 | - | 29.00 | | | |
| FY12/23 Forecast | | | - | 30.00 | 59.00 |

(Note) Revision of dividends forecast during the current first half: None

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2023 (January 1 to December 31, 2023)

(% = 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 | 66,260 | 2.5 | 10,000 | 1.8 | 10,000 | 1.2 | 6,668 | 0.7 | 186.51 |

(Note) Revision of consolidated business forecasts in the current first half: None

* Notes

(1) Important changes of subsidiaries during the current first half: Yes

(Changes in specific subsidiaries involving changes in the scope of consolidation)

New: 1 (company name: GLOBEAT INC.) Exception: - (company name: -)

(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: Yes

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)

2) Number of treasury shares at the term end

3) Average number of shares outstanding during the current term

| | | | |
|------------|------------|------------|------------|
| 2Q FY12/23 | 37,486,400 | FY12/22 | 37,486,400 |
| 2Q FY12/23 | 1,855,651 | FY12/22 | 1,377,051 |
| 2Q FY12/23 | 35,880,111 | 2Q FY12/22 | 36,225,861 |

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

* Explanation of the proper use of 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 the 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

During the first half of the current fiscal year, Japan's economy continued to recover gradually due to gradual improvements in corporate earnings, signs of improvement in corporate business conditions, and continued signs of recovery in personal consumption and capital investments. Economic conditions are expected to continue to recover gradually given the effects of various government policies under the employment and wage environment are improving. Amid financial tightening around the world, however, the economic horizon remains clouded due to a number of uncertainties including rising prices and fluctuations in financial and capital markets, in addition to risks of a downturn in Japan's economy caused by a weakening in overseas economies, all of which requires close attention to assess their potential impacts.

With regards to the current operating environment surrounding the staffing service industry, the employment situation is showing signs of a recovery. This is indicated by a stabilization in the number of new job offers and the jobs offers-to-applicants ratio at high levels, and the continuing increase in the number of employed persons. As for the future outlook, the operating environment is expected to continue to recover.

Against this backdrop, in the first half of the current fiscal year, our Group implemented group management activities to achieve our goal of "Aiming for create of the Group structure to flexibly address changes in the business environment, and business expansion by improving customer satisfaction based on further service improvement including DX." Our Group also carried out marketing activities focused on boosting overall profitability of our Group, particularly in the mainstay "Placement" (Note 1) and "BPO" (Note 2) services. In addition, our Company worked to further expand its business while maximizing profits by continuing to increase productivity and promote operational efficiencies across our entire Group.

Despite a decrease in public sector projects related to COVID-19-related operations as the pandemic risk abated, consolidated net sales increased by 7.5% year-on-year to 33,122 million yen. This was mainly due to increased net sales of the "Short-Term Operational Support Business," which was supported by growth in the mainstay "Placement" and "BPO" services caused by the acquisition of short-term staffing needs throughout the first half of the fiscal year, as well as the inclusion of profits and losses from GLOBEAT INC., its subsidiary GLOBEAT HOLDINGS INC. and its sub-subsidiary GLOBEAT JAPAN INC..

In terms of profits, despite the increase in net sales, consolidated operating profit declined by 5.0% year-on-year to 4,596 million yen and consolidated ordinary profit decreased by 6.9% year-on-year to 4,566 million yen. This is partly attributed to an increase in the portion of social insurance premiums owing to the expansion of social insurance coverage.

Profit attributable to owners of parent decreased by 3.5% year-on-year to 3,201 million yen, because of the 346 million yen in gain on sale of investment securities booked as an extraordinary income following the divestment of investment securities held in this second quarter of the current fiscal year.

In this first half of the current fiscal year, our Group includes GLOBEAT INC., whose shares we acquired on June 23, 2023, and its consolidated subsidiary GLOBEAT HOLDINGS INC., and its consolidated sub-subsidiary GLOBEAT JAPAN INC. within our scope of the consolidation. Moreover, results for the first half of the current fiscal year include the profits and losses of the three aforementioned companies during the two months of April and May 2023. Amortization of goodwill is not included as the amount of goodwill is calculated on a provisional basis.

Notes: 1. The mainstay "Part-Time Worker Placement" service and Hayfield inc.'s staffing service specializing in the real estate industry are 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 Group are referred to as "BPO."

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

In this second quarter of the current fiscal year, our Group includes GLOBEAT INC., whose shares we acquired, its consolidated subsidiary GLOBEAT HOLDINGS INC., and its consolidated sub-subsidiary GLOBEAT JAPAN INC. within the scope of our consolidation. The new segment "Restaurant Business" has been created consequently as a reported segment.

1) Short-Term Operational Support Business

Mainly because of the increase in the mainstay "Placement" and "BPO" services by capturing short-term staffing needs, net sales in "Short-Term Operational Support Business" increased by 4.6% year-on-year to 29,428 million yen, despite a decrease in public sector projects related to COVID-19-related operations.

In terms of profit, segment profit (operating profit) declined by 5.0% year-on-year to 4,938 million yen despite the increase in net sales, mainly because the portion of social insurance premiums increased owing to the expansion of social insurance coverage.

2) Sales Support Business

Net sales of the “Sales Support Business” increased by 6.7% year-on-year to 1,643 million yen due to sales of telecommunications products surpassing the previous year’s result within the sale of Internet access, which is a mainstay business.

In terms of profits, segment profit (operating profit) increased by 95.5% year-on-year to 84 million yen due to a curb in sales, general and administrative expenses, in addition to the growth in net sales.

3) Restaurant Business

Due to the booking of net sales related to the restaurant chain business, which is the principal business of GLOBEAT INC., GLOBEAT HOLDINGS INC., and GLOBEAT JAPAN INC., during two months, net sales in the “Restaurant Business” were 916 million yen and segment profit (operating profit) was 24 million yen.

Year-on-year comparisons are not stated because the “Restaurant Business” was added as new reported segment in this second quarter of the current year.

4) Security, Other Businesses

Net sales of “Security, Other Businesses” increased by 0.7% year-on-year to 1,136 million yen due mainly to an increase in the number of temporary security projects acquired throughout the first half of the fiscal year.

In terms of profits, despite an increase in net sales, segment profit (operating profit) declined by 15.9% year-on-year to 106 million yen due mainly to a decrease in COVID-19-related operations with relatively high gross profit margin and an increase in the portion of social insurance premiums for security staff owing to the expansion of social insurance coverage.

(2) Explanation of Consolidated Financial Position

1) Assets, Liabilities and Net Assets

At the end of the first half, total assets decreased by 42 million yen from the end of the previous fiscal year to 35,563 million yen. Equity increased by 832 to 24,564 million yen (equity-to-asset ratio of 69.1%), and net assets grew by 936 to 25,863 million yen.

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

With regards to assets, current assets decreased by 5,465 million yen from the end of the previous fiscal year to 24,502 million yen. This decline is attributed mainly to falls in cash and deposits of 5,174 to 15,451 million yen and notes and accounts receivable - trade of 1,129 to 7,857 million yen, which offset an increase in other under current assets of 799 to 1,155 million yen caused mainly by an increase in accounts receivable - other of 715 to 784 million yen.

Non-current assets increased by 5,423 million yen from the end of the previous fiscal year to 11,060 million yen. This growth is attributed mainly to rises in goodwill of 3,433 million yen to 4,738 million yen, land of 651 million yen to 835 million yen, buildings and structures, net of 605 million yen to 874 million yen and other under investments and other assets of 488 million yen to 1,705 million yen mainly due to an increase in leasehold deposits of 294 million yen to 855 million yen. The amount of goodwill is calculated on a provisional basis, as the allocation of the cost of acquisition at the end of the first half of the current fiscal year is still ongoing.

With regard to liabilities, current liabilities decreased by 1,547 million yen from the end of the previous fiscal year to 8,112 million yen. This decline is attributed mainly to falls in accrued consumption taxes of 1,163 million yen to 1,000 million yen, income taxes payable of 353 million yen to 1,357 million yen, accrued expenses of 277 million yen to 1,597 million yen, and accounts payable - other of 175 million yen to 1,685 million yen, which offset an increase in notes and accounts payable - trade of 549 million yen to 602 million yen.

Non-current liabilities increased by 570 million yen from the end of the previous fiscal year to 1,587 million yen. This growth is

attributed mainly to rises in long-term borrowings of 301 million yen to 301 million yen, and other under non-current liabilities of 244 million yen to 446 million yen, mainly due to increases in long-term guarantee deposits of 149 million yen to 177 million yen.

2) Cash Flows

Outstanding cash and cash equivalents (Hereinafter referred to as “funds”) at the end of the first half decreased by 6,305 million yen from the end of the previous fiscal year to 14,321 million yen (compared with a decrease of 1,049 million yen in the previous fiscal year).

(Cash Flows from Operating Activities)

Funds provided by operating activities were 1,661 million yen (compared with 1,452 million yen provided in the first half of the previous fiscal year) due to profit before income taxes of 4,894 million yen, which covered income taxes paid of 2,620 million yen, a decrease in accrued consumption taxes of 1,210 million yen, a decrease in accrued expenses of 380 million yen, gain on sale of investment securities of 346 million yen, as well as a decrease in trade receivables of 1,397 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities were 5,403 million yen (compared with 754 million yen used in the first half of the previous fiscal year) due to purchase of shares of subsidiaries resulting in change in scope of consolidation of 5,241 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities were 2,563 million yen (compared with 1,747 million yen used in the first half of the previous fiscal year) due to dividends paid of 1,262 million yen and purchase of treasury shares of 1,238 million yen.

(3) Explanation of Consolidated Business Forecasts

With respect to the consolidated business forecasts for the fiscal year ending December 2023, our consolidated business performance in the first half of the current fiscal year progressed centered on the mainstay “Short-Term Operational Support Business” within the assumptions estimated at the beginning of the fiscal year and at a level which does not require revising the business forecast, therefore our Company does not revise the consolidated business forecasts for the fiscal year ending December 2023 released on February 10, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes**(1) Quarterly Consolidated Balance Sheet**

(Million yen)

| | FY12/22 End (December 31, 2022) | 1H FY12/23 End (June 30, 2023) |
|--|------------------------------------|-----------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 20,626 | 15,451 |
| Notes and accounts receivable - trade | 8,986 | 7,857 |
| Merchandise | 30 | 61 |
| Supplies | 20 | 34 |
| Other | 356 | 1,155 |
| Allowance for doubtful accounts | (50) | (55) |
| Total current assets | 29,967 | 24,502 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 269 | 874 |
| Tools, furniture and fixtures, net | 160 | 290 |
| Land | 184 | 835 |
| Other, net | 4 | 1 |
| Total property, plant and equipment | 617 | 2,001 |
| Intangible assets | | |
| Goodwill | 1,305 | 4,738 |
| Other | 395 | 385 |
| Total intangible assets | 1,699 | 5,122 |
| Investments and other assets | | |
| Investment securities | 2,111 | 2,242 |
| Other | 1,217 | 1,705 |
| Allowance for doubtful accounts | (7) | (10) |
| Total investments and other assets | 3,321 | 3,937 |
| Total non-current assets | 5,637 | 11,060 |
| Total assets | 35,604 | 35,563 |

(Million yen)

| | FY12/22 End (December 31, 2022) | 1H FY12/23 End (June 30, 2023) |
|---|------------------------------------|-----------------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 52 | 602 |
| Short-term borrowings | 1,000 | 1,000 |
| Current portion of long-term borrowings | - | 75 |
| Accounts payable - other | 1,860 | 1,685 |
| Accrued expenses | 1,874 | 1,597 |
| Income taxes payable | 1,710 | 1,357 |
| Accrued consumption taxes | 2,163 | 1,000 |
| Provision for bonuses | 286 | 156 |
| Other | 715 | 643 |
| Total current liabilities | 9,659 | 8,112 |
| Non-current liabilities | | |
| Long-term borrowings | - | 301 |
| Retirement benefit liability | 816 | 841 |
| Other | 202 | 446 |
| Total non-current liabilities | 1,017 | 1,587 |
| Total liabilities | 10,676 | 9,699 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Share capital | 2,780 | 2,780 |
| Capital surplus | 2,006 | 2,006 |
| Retained earnings | 21,286 | 23,215 |
| Treasury shares | (2,664) | (3,867) |
| Total shareholders' equity | 23,409 | 24,135 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 149 | 179 |
| Foreign currency translation adjustment | 174 | 250 |
| Total accumulated other comprehensive income | 323 | 429 |
| Share acquisition rights | 152 | 176 |
| Non-controlling interests | 1,044 | 1,123 |
| Total net assets | 24,928 | 25,863 |
| Total liabilities and net assets | 35,604 | 35,563 |

(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 FY12/22 (January 1 to June 30, 2022) | 1H FY12/23 (January 1 to June 30, 2023) |
|---|--|--|
| Net sales | 30,802 | 33,122 |
| Cost of sales | 20,321 | 22,190 |
| Gross profit | 10,480 | 10,933 |
| Selling, general and administrative expenses | 5,642 | 6,337 |
| Operating profit | 4,838 | 4,596 |
| Non-operating income | | |
| Dividend income | 2 | 2 |
| Share of profit of entities accounted for using equity method | 73 | - |
| Revenue - advertising | 26 | 27 |
| Other | 22 | 29 |
| Total non-operating income | 122 | 58 |
| Non-operating expenses | | |
| Interest expenses | 3 | 4 |
| Share of loss of entities accounted for using equity method | - | 9 |
| Settlement payments | 33 | 38 |
| Commission for purchase of treasury shares | 4 | 21 |
| Other | 18 | 16 |
| Total non-operating expenses | 57 | 88 |
| Ordinary profit | 4,903 | 4,566 |
| Extraordinary income | | |
| Gain on sale of investment securities | 69 | 346 |
| Other | 13 | - |
| Total extraordinary income | 81 | 346 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 22 | 17 |
| Loss on COVID-19 | 16 | - |
| Total extraordinary losses | 38 | 17 |
| Profit before income taxes | 4,947 | 4,894 |
| Income taxes - current | 1,602 | 1,538 |
| Income taxes - deferred | (29) | 87 |
| Total income taxes | 1,572 | 1,625 |
| Profit | 3,374 | 3,270 |
| Profit attributable to non-controlling interests | 56 | 69 |
| Profit attributable to owners of parent | 3,319 | 3,201 |

Quarterly Consolidated Statement of Comprehensive Income

[First Half of the Current Fiscal Year]

(Million yen)

| | 1H FY12/22 (January 1 to June 30, 2022) | 1H FY12/23 (January 1 to June 30, 2023) |
|---|--|--|
| Profit | 3,374 | 3,270 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (6) | 42 |
| Foreign currency translation adjustment | 130 | 76 |
| Total other comprehensive income | 124 | 117 |
| Comprehensive income | 3,499 | 3,387 |
| (Comprehensive income attributable to) | | |
| Owners of parent | 3,440 | 3,307 |
| Non-controlling interests | 59 | 80 |

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

| | 1H FY12/22 (January 1 to June 30, 2022) | 1H FY12/23 (January 1 to June 30, 2023) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 4,947 | 4,894 |
| Depreciation | 106 | 139 |
| Amortization of goodwill | 71 | 149 |
| Increase (decrease) in allowance for doubtful accounts | (3) | 5 |
| Increase (decrease) in provision for bonuses | 76 | (168) |
| Interest and dividend income | (2) | (3) |
| Interest expenses | 3 | 4 |
| Share of loss (profit) of entities accounted for using equity method | (73) | 9 |
| Loss on retirement of non-current assets | 22 | 17 |
| Loss (gain) on sale of investment securities | (69) | (346) |
| Loss on COVID-19 | 16 | - |
| Decrease (increase) in trade receivables | (636) | 1,397 |
| Decrease (increase) in inventories | (30) | (13) |
| Decrease (increase) in accounts receivable - other | 13 | 28 |
| Increase (decrease) in trade payables | 76 | (130) |
| Increase (decrease) in accrued expenses | (149) | (380) |
| Increase (decrease) in accrued consumption taxes | (611) | (1,210) |
| Increase (decrease) in retirement benefit liability | 23 | 25 |
| Other, net | (179) | (154) |
| Subtotal | 3,602 | 4,263 |
| Interest and dividends received | 2 | 3 |
| Interest paid | (3) | (4) |
| Payment of loss on COVID-19 | (15) | - |
| Income taxes paid | (2,135) | (2,620) |
| Income taxes refund | 1 | 19 |
| Net cash provided by (used in) operating activities | 1,452 | 1,661 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (25) | (35) |
| Purchase of intangible assets | (63) | (29) |
| Proceeds from sale of investment securities | 186 | 346 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (844) | (5,241) |
| Additional purchase of investment in consolidated subsidiaries | - | (450) |
| Proceeds from collection of loans receivable | 3 | 9 |
| Other, net | (12) | (2) |
| Net cash provided by (used in) investing activities | (754) | (5,403) |

(Million yen)

| | 1H FY12/22 (January 1 to June 30, 2022) | 1H FY12/23 (January 1 to June 30, 2023) |
|---|--|--|
| Cash flows from financing activities | | |
| Repayments of long-term borrowings | (1) | (58) |
| Purchase of treasury shares | (907) | (1,238) |
| Dividends paid | (838) | (1,262) |
| Other, net | (1) | (5) |
| Net cash provided by (used in) financing activities | (1,747) | (2,563) |
| Effect of exchange rate change on cash and cash equivalents | 0 | - |
| Net increase (decrease) in cash and cash equivalents | (1,049) | (6,305) |
| Cash and cash equivalents at beginning of period | 17,410 | 20,626 |
| Cash and cash equivalents at end of period | 16,361 | 14,321 |

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There are no relevant matters.

(Notes on Significant Change of Shareholders' Equity)

There are no relevant matters.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Our Company applied "Implementation Guideline on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter the "Fair Value Measurement Standards") from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Standards, the new accounting policy stipulated by the Fair Value Measurement Standards is to be applied into the future. This will have no impact on the quarterly consolidated financial statements.

(Additional Information)

(Accounting Estimates Associated with the Impact of the COVID-19 Pandemic)

In the accounting estimates associated with the impact of the COVID-19 pandemic, no material change has been made to our assumptions published in the "Additional Information" section of the Securities Report for the previous fiscal year.

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

Effective from the first quarter of the current fiscal year, our Company and some of its subsidiaries have shifted to the Group Tax Sharing System from the Consolidated Taxation System. Accordingly, the accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42; August 12, 2021, hereinafter "ASBJ PITF No. 42"). In accordance with Paragraph 32 (1) of the ASBJ PITF No. 42, our Company has assumed that there is no impact from the change in accounting policy resulting from the application of the ASBJ PITF No. 42.

(Segment Information and Others)

[Segment information]

First Half of the Previous Fiscal Year (January 1 to June 30, 2022)

Information Concerning Net 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 | Restaurant Business | Security, Other Businesses | | | |
| Net sales | | | | | | | |
| Sales to external customers | 28,133 | 1,540 | - | 1,129 | 30,802 | - | 30,802 |
| Inter-segment sales or transfers | 6 | 6 | - | 4 | 15 | (15) | - |
| Total | 28,139 | 1,546 | - | 1,132 | 30,817 | (15) | 30,802 |
| Segment profit | 5,199 | 43 | - | 126 | 5,368 | (530) | 4,838 |

Notes: 1. (3) million yen in inter-segment eliminations and (527) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (530) 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, 2023)

Information Concerning Net 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 | Restaurant Business | Security, Other Businesses | | | |
| Net sales | | | | | | | |
| Sales to external customers | 29,428 | 1,643 | 916 | 1,136 | 33,122 | - | 33,122 |
| Inter-segment sales or transfers | 5 | 12 | - | 6 | 22 | (22) | - |
| Total | 29,433 | 1,654 | 916 | 1,142 | 33,145 | (22) | 33,122 |
| Segment profit | 4,938 | 84 | 24 | 106 | 5,152 | (556) | 4,596 |

Notes: 1. (4) million yen in inter-segment eliminations and (552) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (556) 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.

2. Information Concerning Assets by Reported Segment

(Considerable growth of assets due to the acquisition of subsidiaries)

In this second quarter of the current fiscal year, our Group includes GLOBEAT INC., whose shares we acquired, its consolidated subsidiary GLOBEAT HOLDINGS INC., and its consolidated sub-subsidiary GLOBEAT JAPAN INC. within the scope of the consolidation. Assets in the "Restaurant Business" segment have increased by 9,298 million yen compared to the last day of the previous fiscal year. The amount of assets for said segment is calculated on a provisional basis, as the allocation of the cost of acquisition at the end of the first half of the current fiscal year is ongoing.

3. Notes Concerning Changes, etc. in Reported Segments

In this second quarter of the current fiscal year, our Group includes GLOBEAT INC., whose shares we acquired, its consolidated subsidiary GLOBEAT HOLDINGS INC., and its consolidated sub-subsidiary GLOBEAT JAPAN INC. within the scope of the consolidation. The new segment “Restaurant Business” is created consequently. Moreover, segment information for the first half of the previous fiscal year reflect the reclassification of segments.

4. Information Concerning Impairment Loss on Fixed Assets, Goodwill and Others by Reported Segment

(Important fluctuations of the amount of goodwill)

In this second quarter of the current fiscal year, our Group includes GLOBEAT INC., whose shares we acquired, its consolidated subsidiary GLOBEAT HOLDINGS INC., and its consolidated sub-subsidiary GLOBEAT JAPAN INC. within the scope of the consolidation. The increase in goodwill in the first half of the current fiscal year due to the aforementioned event in the “Restaurant business” was 3,114 million yen.

The increase in goodwill is calculated on a provisional basis, as the allocation of the cost of acquisition at the end of the first half of the current fiscal year is ongoing.