

FULLCAST HLDGS.

FULLCAST HOLDINGS CO., LTD. (4848) Consolidated Business Results for the First Half of the Fiscal Year Ending December 2023 (Jan.–Jun. 2023)

August 10, 2023

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1H FY12/23 Consolidated Business Highlights (Jan.–Jun. 2023)

Consolidated: 1H FY12/23 Comparison vs. Business Forecast

Throughout the first half of the fiscal year, results progressed within the range of the assumptions made at the start of the period, primarily in the mainstay “Short-Term Operational Business,” and mainly due to successful acquisition of short-term staffing needs as the recovery in client demand continued. As a result, consolidated business results were in line with the consolidated business forecast for the first half of the fiscal year ending December 31, 2023.

Since this second quarter of the current fiscal year, results include the profits and losses of GLOBEAT INC., etc. during two months as it became a consolidated subsidiary on June 23, 2023.

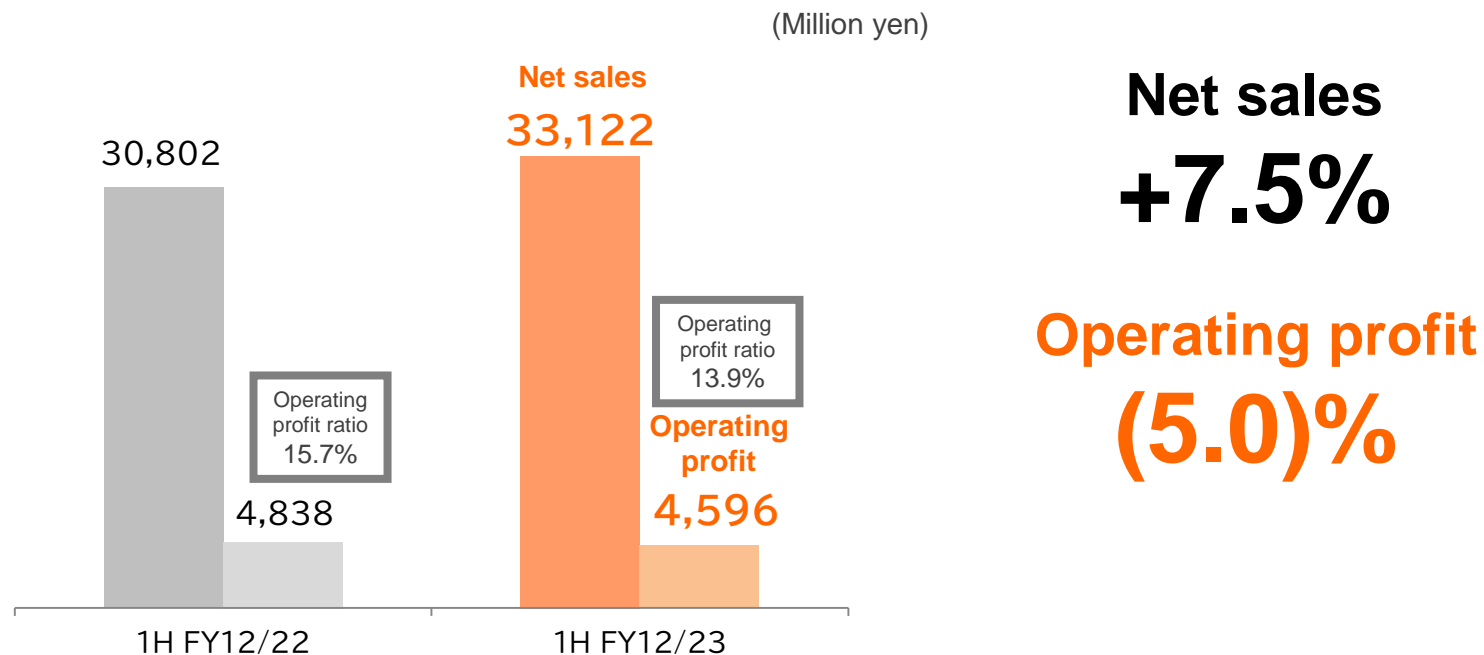
(Million yen)

	Results for 1H FY12/23	Business forecasts for 1H FY12/23	Difference	Achievement rate
Net sales	33,122	31,065	2,057	106.6%
Gross profit	10,933	10,622	311	102.9%
Operating profit	4,596	4,700	(104)	97.8%
Ordinary profit	4,566	4,717	(151)	96.8%
Profit attributable to owners of parent	3,201	3,176	25	100.8%

Consolidated: 1H FY12/23 Year-on-Year Comparison

Despite a decrease in public sector projects related to COVID-19-related operations as the pandemic risk abated, **net sales increased by 7.5% year-on-year**. 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., etc.

Despite the increase in net sales, **operating profit declined by 5.0% year-on-year (operating profit ratio declined by 1.8 PT)**. This is partly attributed to an increase in the portion of social insurance premiums owing to the expansion of social insurance coverage.



Consolidated: 1H FY12/23 Year-on-Year Comparison

Ordinary profit declined by 6.9% year-on-year buoyed by the same factors as operating profit.

Profit attributable to owners of parent slightly decreased by 3.5% year-on-year, 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.

(Million yen)

	1H FY12/22	1H FY12/23	Difference	Rate of change
Net sales	30,802	33,122	2,321	7.5%
Gross profit	10,480	10,933	453	4.3%
SG&A expenses	5,642	6,337	695	12.3%
Operating profit	4,838	4,596	(242)	(5.0)%
Operating Profit Ratio	15.7%	13.9%	-	(1.8)PT
Ordinary profit	4,903	4,566	(337)	(6.9)%
Profit attributable to owners of parent	3,319	3,201	(117)	(3.5)%

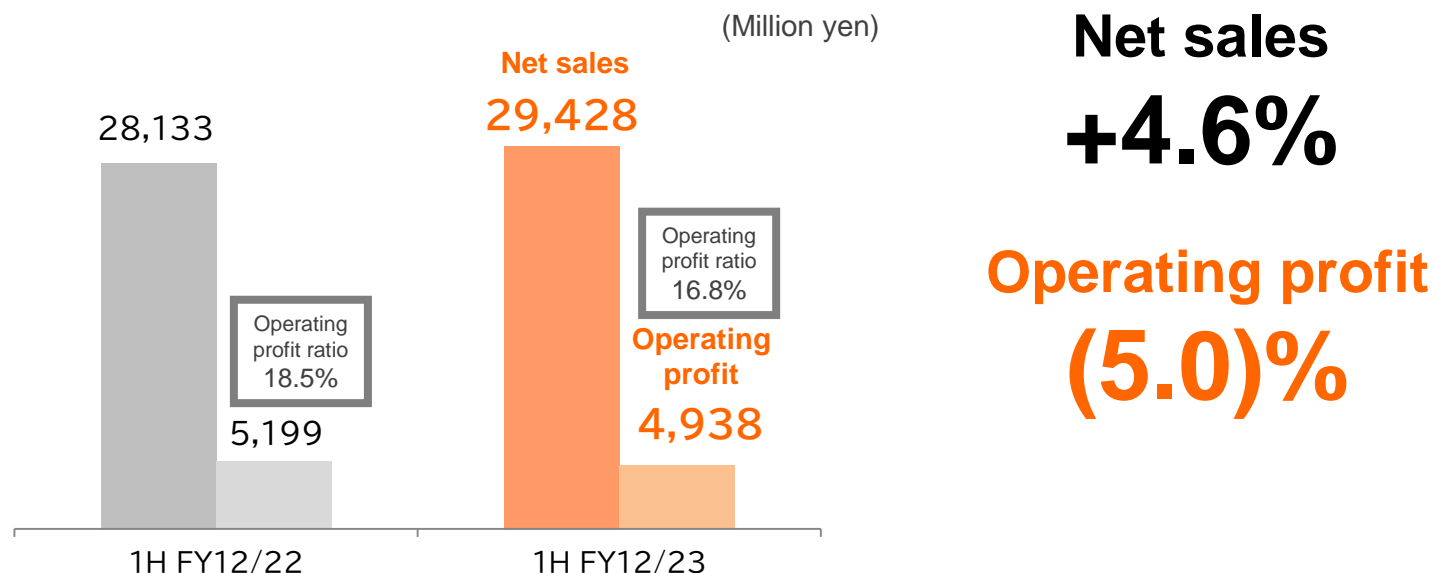
1H FY12/23 Segment Highlights (Jan.–Jun. 2023)

Short-Term: 1H FY12/23 Year-on-Year Comparison

Mainly because of the increase in the mainstay “Placement” and “BPO” services by capturing short-term staffing needs, **net sales increased by 4.6% year-on-year**, despite a decrease in public sector projects related to COVID-19-related operations.

Operating profit declined by 5.0% year-on-year (operating profit ratio declined by 1.7 PT) despite the increase in net sales, mainly because the portion of social insurance premiums increased owing to the expansion of social insurance coverage.

Organic gross profit, which excludes the impact of COVID-19-related operations, continued to exceed that of the same period of the previous year.



Short-Term: 1H FY12/23 Year-on-Year Comparison (By Service Category)

(Million yen)

	1H FY12/22	1H FY12/23	Difference	Rate of change
Net sales	28,133	29,428	1,295	4.6%
Placement	2,859	3,190	331	11.6%
BPO	4,392	4,612	220	5.0%
Dispatching	16,868	17,069	201	1.2%
Outsourcing	4,014	4,557	543	13.5%
Gross profit	9,729	9,752	24	0.2%
Placement	2,770	3,124	354	12.8%
BPO	2,904	3,157	253	8.7%
Dispatching	2,627	1,877	(751)	(28.6)%
Outsourcing	1,428	1,595	167	11.7%

[Placement and BPO]

Throughout the first half of the fiscal year, amid the continued recovery in client demand, sales of mainstay “Placement” and “BPO” services increased and gross profit also rose.

[Dispatching]

Following the acquisition of long-term staffing needs of client companies, particularly in the logistics and manufacturing industries, net sales of “Dispatching” services increased by 1.2% year-on-year despite a decrease in public sector projects related to COVID-19-related operations. However, gross profit in “Dispatching” services declined by 28.6% year-on-year mainly because the portion of social insurance premiums for temporary staff increased owing to the expansion of social insurance coverage.

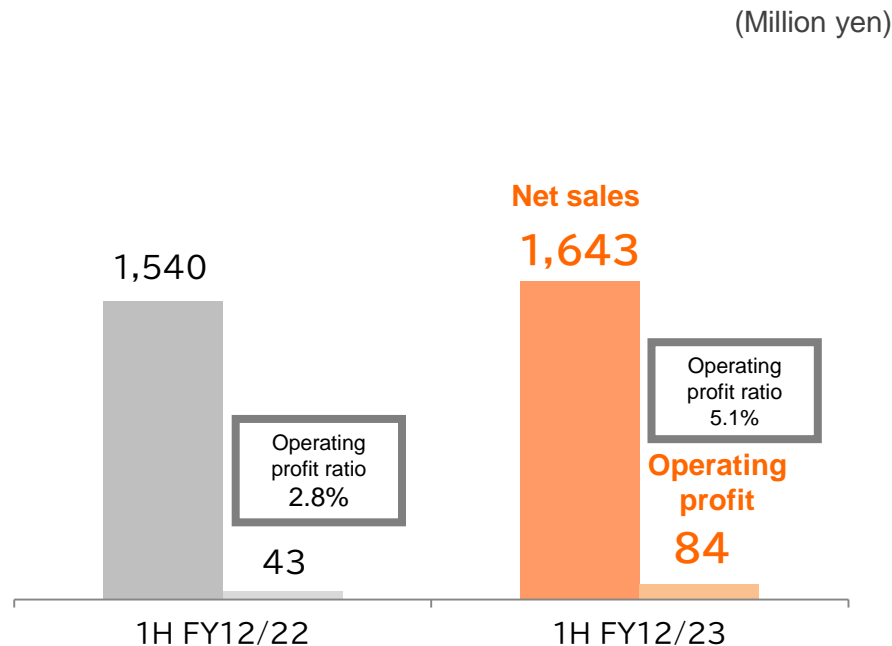
[Outsourcing]

Organic results grew despite the impact of a decrease in public sector projects related to COVID-19-related operations, due to an increase in the quantities of beverages sold by a stronger mobilization of professional baseball spectators and the continued acquisition of logistics subcontracting projects. As a result, net sales of “Outsourcing” services increased and gross profit also rose.

Sales Support: 1H FY12/23 Year-on-Year Comparison

Net sales increased by 6.7% year-on-year due to sales of telecommunications products surpassing the previous year's result within the sale of Internet access, which is a mainstay business.

Operating profit increased by 95.5% year-on-year due to a curb in SG&A expenses, in addition to the growth in net sales.



**Net sales
+6.7%**

**Operating profit
+95.5%**

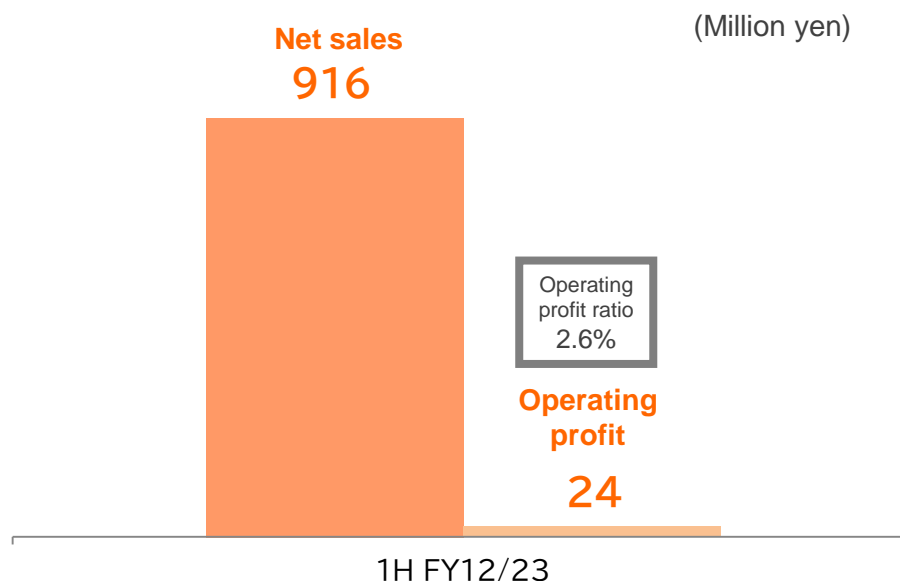
Restaurant: 1H FY12/23 Result

Net sales were 916 million yen due to the booking of net sales related to the restaurant chain business, which is the principal business of GLOBEAT INC., etc., during two months.

Operating profit was 24 million yen.

* Since results of the previous period are not disclosed, only results for this second quarter of the fiscal year ending December 31, 2023 are stated.

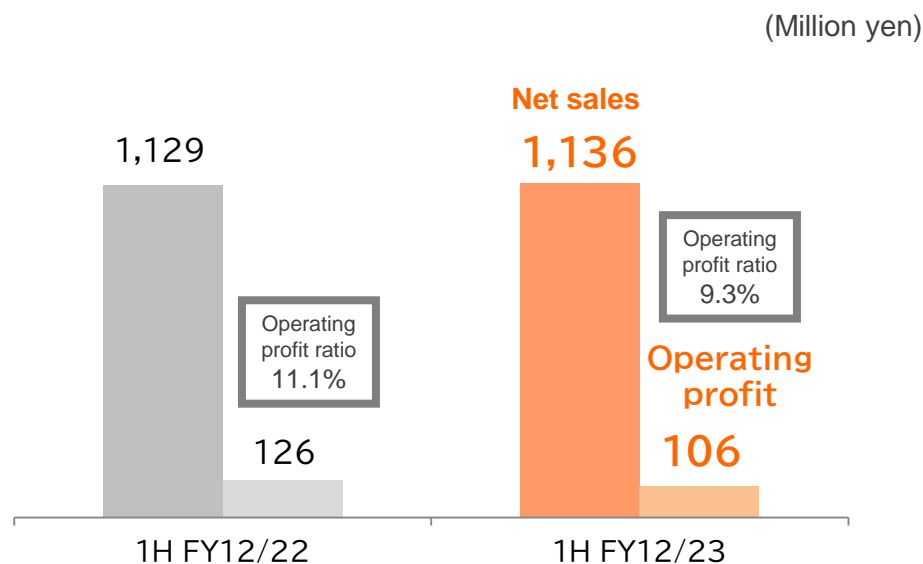
* The results do not reflect the amortization of goodwill related to the acquisition of GLOBEAT INC. as the amount of goodwill is a tentative figure.



Security, Other: 1H FY12/23 Year-on-Year Comparison

Net sales increased by 0.7% year-on-year due mainly to an increase in the number of temporary security projects acquired throughout the first half of the fiscal year.

Despite an increase in net sales, operating profit declined by 15.9% year-on-year (operating profit ratio declined by 1.8 PT) 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.



Net sales
+0.7%

Operating profit
(15.9)%

FY12/23 Progress of Strategy Implementation and Ongoing Initiatives

FY12/23 Business Targets and Strategy

Business Targets for the Fiscal Year Ending December 2023

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

DX-related measures

- Move registration procedures, contracts, and various ledgers for clients online
- Improve web-based staffing order system and upgrade matching system
- Update the “Cast Portal,” the dedicated website for registered staff, and its app version
- Promote work efficiency by utilizing RPA

Continue opening new offices (around 10 new offices annually)

Rolling out a public sector sales department regionally

Share our Group’s client data and assign talented individuals to appropriate positions

Develop specialized recruitment business into multi-industry

Continue to expand logistics subcontracting business and various BPO, and increase collaboration between Group companies related to staffing human resources

Further examine M&A opportunities to expand group synergies

FY12/23 Business Targets and Strategy

We opened 6 new sales offices in the first half as initially planned.

In the second half, we plan to open 3 new sales offices.

	New office openings in 1H (opened Feb. 1)	New office openings in 2H (opening Sept. 1)
Fullcast Co., Ltd.	Ichinoseki , Iwate Pref.; Ueda, Nagano Pref.; Nagareyama, Chiba Pref.; Tsuyama, Okayama Pref.; Shimonoseki, Yamaguchi Pref.; Miyakonojo, Miyazaki Pref.;	Suwa, Nagano Pref.; Higashihiroshima, Hiroshima Pref.; Marugame, Kagawa Pref.;

Promotion of the use of DX to improve convenience and satisfaction for both clients and staff

- Following the launch of the app version of “Cast Portal”, our Group’s dedicated website for registered staff, implementation of improvement measures based on feedback
- Feasibility study on the digitalization of registration procedures, contracts, and various ledgers for clients Planned introduction in the entire country in the second half
- Promotion of customer introduction to the “WEB Attendance” service
- Planned release of the “Web Vacancy Order” service within the year
- Implementation of improvement measures for the better utilization of the automatic matching function

Strengthening of cooperation with sales sites in each region through personnel increase in the Public Sector Sales Division and deployment of area-specialized contact personnel

Increase of industry-focused contracted projects such as logistics-related contracted work and contracted work for the public sector (mainly related to My Number Management, various benefits, and Hometown Tax Donation)

Acquisition of GLOBEAT INC., the holding company and owner of the sub-subsubsidiary GLOBEAT JAPAN INC. which manages restaurant chains businesses (June 23, 2023)

Launch of a human resources placement service specialized in the construction industry

Based on the recognition that these strategies are not one-time events, but rather medium-to-long-term issues, we will continue to prepare, discuss, and implement them with the hope that they demonstrate their effectiveness in the current and following fiscal years.

(Reference) About GLOBEAT INC.

The acquisition of shares (making the company a subsidiary) of GLOBEAT INC. (hereinafter referred to as “GLOBEAT”) was approved by our Group’s Board of Directors’ Meeting on June 23, 2023 and disclosed on the same day. Please refer to “Announcement Regarding the Acquisition of Shares (Transformation into a Subsidiary) of GLOBEAT INC.” for a summary of the acquisition of shares.

A supplementary explanation is provided below.

- Details of the acquisition
 - Acquisition based on a direct proposal from the other party to our Group
 - Start of review process after the reception of a proposal aiming to break away from family management, improve creditworthiness by becoming affiliated to a listed company and expand the management base
- Acquisition price
 - 8,000 million yen
 - As cash and equivalents amounted to over 3,500 million yen, the real acquisition price was slightly under 4,500 million yen
- Conditions at the time of acquisition
 - Cost reductions on a scale on several hundreds of millions of yen
 - Achievement of an improvement in earnings, in addition to the variation at the time of acquisition stabilized at a standard range due to cost reductions
- Concerning the acquisition decision
 - Investment decision made after comprehensive evaluation of the company’s foundation, structure, earning power, growth potential and investment efficiency as a business entity
 - Determination that the company possesses reliable strength in the highly competitive restaurant industry, as demonstrated by its ability to maintain its pre-coronavirus EBITDA of over 500 million yen despite the pandemic impact and the expectation that its earnings for the current fiscal year will reach pre-coronavirus levels
 - Determination that growth was possible thanks to the future growth strategy as the development structure does not depend on an individual director or an individual employee in the development department. Additionally, since the current team of directors will also remain as a management team after the acquisition, business operations can proceed with continuity
- Significance of the acquisition
 - Revenue base and EPS improvement
 - Provision of job opportunities and opportunities for full-time employment to job seekers, which is the traditional goal of M&A for our Group
 - Inclusion of addition revenue due to the realization of the below-mentioned growth strategy of GLOBEAT
- GLOBEAT’s growth strategy
 - GLOBEAT was unable to open new stores according to plan and unable to resume late night service due to labor shortages. These labor shortages will be resolved by our Group which will lead to the resumption of store openings in Japan and the expansion of business hours.
 - GLOBEAT is currently present overseas in Shanghai, Taiwan and Thailand. As strong demand for Japanese ramen is expected overseas, especially in Asia, overseas expansion will be accelerated centering on Asia.
 - Capture of domestic demand and inbound tourism demand with the development of lunch menus
 - Acquisition of a fan base (customers) through synergies in various campaigns targeted at registered staff in our Group

Ongoing Initiatives

Initiative 1: Trend in the number of hires and recruitment expenses

Number of hires

Hiring activities were carried out following the recovery trend in client company demand; therefore, the number of hires totaled 308,086 persons (up 11.1% year-on-year).

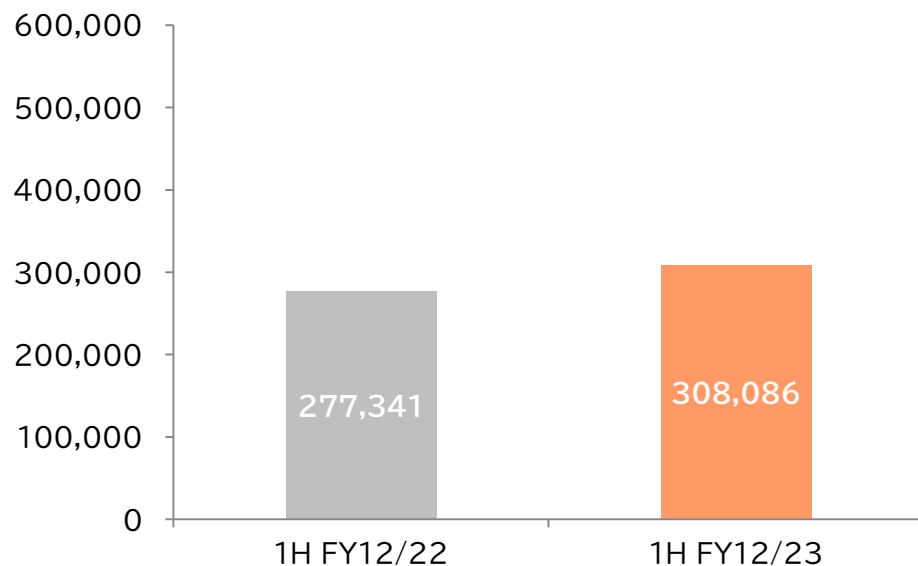
Recruitment expenses

As a result of appropriate cost control measures, recruitment expenses decreased by 16.2% and the ratio of recruitment expense (to gross profit) declined by 0.24PT year-on-year.

Number of hires

+11.1%

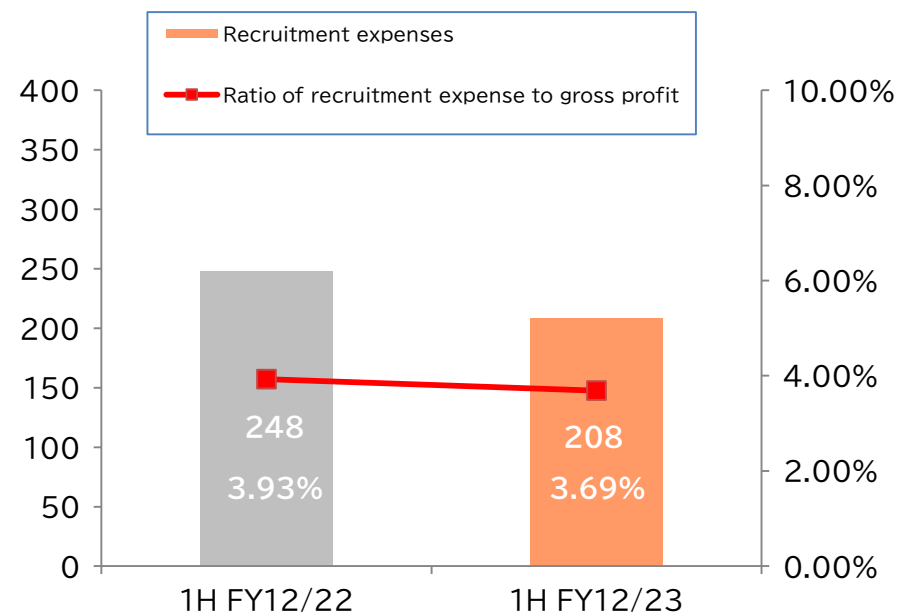
(Persons)



Recruitment expenses

(16.2)%

(Million yen)



Ongoing Initiatives

Initiative 2: Trend in the number of operating workers

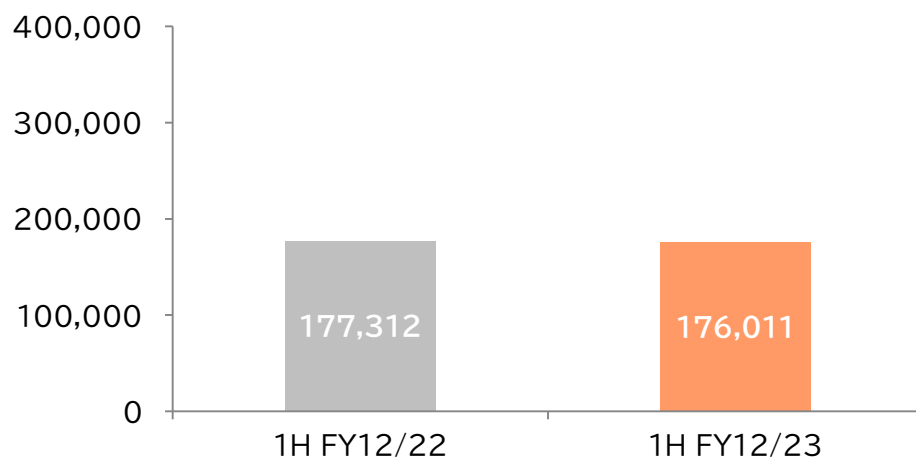
Number of operating workers

The number of operating workers remained at the same level as the previous year ((0.7)%), mainly due to the decline in operating workers in the “Dispatching” and “Outsourcing” services.

Number of operating workers

(0.7)%

(Persons)



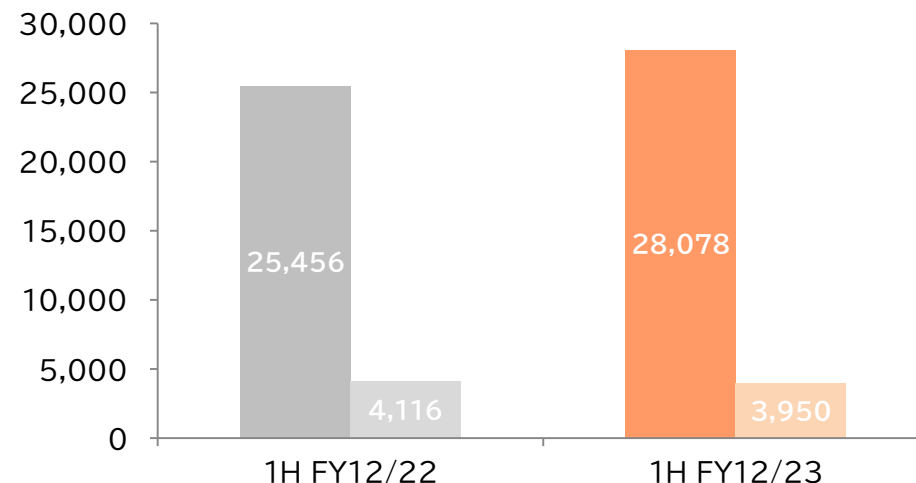
Initiative 3: Trend in the number of customers

Number of customers

The number of customers increased by 10.3% year-on-year thanks to the continued recovery of customer demand and the acquisition of projects from existing customers, despite the decrease of 4.0% in the number of new customers during the same period mainly caused by a decrease in the acquisition of new projects related to COVID-19-related operations.

**Total
+10.3%**

**New customers
(4.0)%**



Initiative 4: Gross profit per 1 yen of personnel costs

Gross profit per 1 yen of personnel costs (yen)

	1H FY12/22	1H FY12/23	Rate of change
Gross profit per 1 yen of personnel costs (yen)	3.1	2.9	(6.5)%

“Gross profit per 1 yen of personnel costs” decreased by 6.5% year-on-year to 2.9 yen, mainly due to the downward pressure on gross profit caused by the impact of the expansion of social security coverage. The organic “gross profit per 1 yen of personnel costs,” which excludes the impact of GLOBEAT INC. and Hayfield Inc., was 3.1 yen, the same level as the previous year ((0.7)%).

1H FY12/23 Progress Relative to Business Forecast

Consolidated: 1H FY12/23 Progress Relative to Business Forecast

Consolidated performance in the first half of the current fiscal year trended within the assumptions estimated at the beginning of the fiscal year due to steady progress in the mainstay “Short-Term Operational Support Business”.

Since our consolidated business performance in the first half of the current fiscal year progressed at a level which does not require revising the business forecast, our Company does not revise the business forecast for the full year ending December 31, 2023.

(Million yen)

		Results for 1H FY12/23	Full-year business forecasts for FY12/23	Rate of progress
Net sales		33,122	66,260	50.0%
Gross profit		10,933	22,310	49.0%
Operating profit		4,596	10,000	46.0%
Ordinary profit		4,566	10,000	45.7%
Profit attributable to owners of parent		3,201	6,668	48.0%
Short-Term Operational Support Business	Net sales	29,428	60,891	48.3%
	Placement	3,190	7,342	43.4%
	BPO	4,612	9,902	46.6%
	Dispatching	17,069	36,284	47.0%
	Outsourcing	4,557	7,362	61.9%
Sales Support Business	Net sales	1,643	2,918	56.3%
Restaurant Business	Net sales	916	-	-
Security, Other Businesses	Net sales	1,136	2,451	46.4%

FY12/23 Interim Dividends

FY12/23 Dividends from surplus (interim dividends)

At the Board of Directors' Meeting held on August 10, 2023, we passed a resolution to pay a dividend (interim dividend) from retained earnings of 29 yen per share as forecast.

We plan to firmly maintain our target of a total return ratio of 50% and return profits to shareholders, in order to realize ROE of 20% or higher. To return profits in a flexible manner, at the current point in time, we will select both the dividend and the purchase of treasury shares as options, based on a year-end dividend forecast of 30 yen per share, exactly as stated in the most recent dividend forecast.

Details of dividends

	Authorized amount	Latest dividend forecast (Announced on Feb. 10, 2023)	Results for the previous term (Interim dividend for FY12/22)
Record date	June 30, 2023	June 30, 2023	-
Dividend paid per share	29 yen	29 yen	23 yen
Total amount of dividend	1,033 million yen	-	830 million yen
Effective date	September 4, 2023	-	September 5, 2022
Resource for dividend	Retained earnings	-	Retained earnings

(Reference) Basic Stance on Capital Policy

■ Basic Stance on Capital Policy

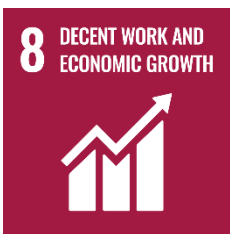
The Fullcast Group maintains a basic policy of maximizing capital efficiency and securing financial soundness to achieve sustained improvement in corporate value.

- **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.

(Reference) Group Companies List

	Fullcast Holdings Co., Ltd.	Optimizes Group-wide resources and strategies, as well as directing the business operations of group companies		BOD Co., Ltd.	Provides services such as data entry and order management outsourcing, credit sales screening agency, billing agency and processing outsourcing, payment management, order management, account recording and accounting outsourcing
	Fullcast Business Support Co., Ltd.	Consolidates and conducts various intra-Group operations on behalf of the Group		HR Management Co., Ltd.	Provides services in recruitment agency, training support, establishment of personnel system, and risk management and auditing, and meeting management
	Fullcast Co., Ltd.	Provides short-term human resource services in various business sectors		Progress, Inc.	Provides general office work agency and outsourcing services, administrative work services for life and non-life insurance
	Top Spot Co., Ltd.	Community-based brand, provides short-term human resource services focused on specific Regions		Minimaid Service Co., Ltd.	Provides housekeeping services
	Fullcast Advance Co., Ltd.	Provides business process outsourcing, including construction, repairs, and event planning and management, human resource services for reception and information services, and security services, including permanent security, crowd control, and traffic security		Hayfield inc.	Human resource placement specializing in the real estate industry
	Work & Smile Co., Ltd.	Provides “prompt” and “reliable” services centered on the Tokyo metropolitan area to meet the human resource needs that arise in various industries and business sectors		F-PLAIN Corporation.	Operates the sales agency service business for IT and telecommunications products utilizing call centers and a distributor agency network
	Fullcast Senior Works Co., Ltd.	Provides human resource services for active seniors focused on the Tokyo metropolitan area (Tokyo City and three prefectures)		M's Line Co., Ltd.	
	Fullcast Porter Co., Ltd.	Provides human resource services with an exclusive focus on drivers		FSP Co., Ltd.	
	Otetsudai Networks Inc.	Operates “Otetsudai Networks,” short-term human resource services that utilize location information		GLOBEAT JAPAN INC.	Restaurant chains businesses
	Fullcast Global Co., Ltd.	Provides human resources services focused on foreign nationals		Beat Co., Ltd.	Provides comprehensive human resource outsourcing services, mainly business process outsourcing
	Fullcast International Co., Ltd.	Provides human resource placement services for placement of foreign nationals with specified skill visas who are ready to work immediately		Deli Art Co., Ltd.	Provides human resource outsourcing services
				Advancer Global Limited	Provides human resource services for foreign national workers, focused on Southeast Asia

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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 and Hayfield inc.'s staffing service specializing in the real estate industry are referred to as “Placement”; and “Part-Time Worker Payroll Management”, “My Number Management”, “Year-End Tax Adjustment Management”, and the back office BPO services by BOD Group 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.”
- The number of hires, number of operating workers, recruitment expenses, and recruitment expense ratio in this report are counted only in relation to the hiring of job seekers in the “Short-Term Operational Support Business.” Plus, recruitment expenses, are limited to and counted with expenses related to the hiring of job seekers.
- “Gross profit per 1 yen of personnel costs” appears rounded off to the first decimal place.

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 the back office BPO services by BOD Group.
- 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

- 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.

Restaurant Business

- 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” is created consequently. Moreover, since there are no results for the previous fiscal year, which would allow comparisons, only results are disclosed without year-on-year comparisons.

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

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