

FULLCAST HLDGS.

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

November 10, 2023

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Agenda

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- 2 Acquisition of Treasury Shares**
- 3 3Q FY12/23 Consolidated Business Highlights (Jan.–Sep. 2023)**
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- 5 Concerning the Acquisition of App X, inc. and BPC, Inc.**
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Revision to Full-Year Business Forecast for FY12/23

Consolidated: Revision to Full-Year Business Forecast for FY12/23

Consolidated business results for the first three quarters of the fiscal year ending December 31, 2023 indicate that the rate of progress of net sales exceeded 75% of the full-year forecast due to the capture of the demand for human resources related to re-openings following the COVID-19 pandemic and the inclusion of net sales from the “Restaurant Business.” However, operating profit, ordinary profit, and profit attributable to owners of parent each fell below 75%, mainly due to the greater-than-expected drop in COVID-19-related special demand, which has a high gross profit margin.

In the fourth quarter, a decline in the COVID-19-related special demand is expected, as well as the expansion of “Year-End Tax Adjustment Management” services within “BPO” services in the “Short-Term Operational Support Business,” where only expenses are recorded during the period. Additional temporary M&A costs will also be recorded. For these reasons, at the Board of Directors’ Meeting held on November 10, 2023, we decided to revise (downward) the consolidated business forecast for the full fiscal year ending December 31, 2023.

Moreover, our year-end dividend forecast announced on February 10, 2023 will not be revised.

In addition, organic gross profit and operating profit, which excludes the impact of the “Restaurant Business” and COVID-19-related operations, are expected to continue to exceed that of the same period of the previous year in the downwardly revised forecast as well.

	Results for 3Q FY12/23	Previously announced forecast (A)	Rate of progress	Revised forecast (B)	Difference (B–A)	Rate of change
	(Million yen)					
Net sales	50,373	66,260	76.0%	67,200	940	1.4%
Gross profit	16,713	22,310	74.9%	22,786	476	2.1%
Operating profit	6,613	10,000	66.1%	8,400	(1,600)	(16.0)%
Ordinary profit	6,590	10,000	65.9%	8,400	(1,600)	(16.0)%
Profit attributable to owners of parent	4,566	6,668	68.5%	5,735	(933)	(14.0)%
(Reference)						
ROE	-	26.3%	-	23.5%	-	(2.9)PT

Consolidated: Revision to Full-Year Business Forecast for FY12/23 (Net Sales by Segment)

As the COVID-19-related special demand is expected to fall off in the fourth quarter as well, the forecasted sales values for each service in the “Short-Term Operational Support Business” take these factors into account.

(Million yen)

		Results for 3Q FY12/23	Previously announced forecast (A)	Rate of progress	Revised forecast (B)	Difference (B-A)	Rate of change
Short-Term Operational Support Business	Net sales	43,937	60,891	72.2%	58,008	(2,883)	(4.7)%
	Placement	4,848	7,342	66.0%	6,922	(420)	(5.7)%
	BPO	6,459	9,902	65.2%	8,753	(1,149)	(11.6)%
	Dispatching	25,521	36,284	70.3%	33,534	(2,751)	(7.6)%
	Outsourcing	7,109	7,362	96.6%	8,800	1,437	19.5%
Sales Support Business	Net sales	2,359	2,918	80.8%	3,103	186	6.4%
Restaurant Business	Net sales	2,327	-	-	3,738	-	-
Security, Other Businesses	Net sales	1,750	2,451	71.4%	2,351	(100)	(4.1)%

Acquisition of Treasury Shares

Acquisition of Treasury Shares

At the Board of Directors' Meeting held on November 10, 2023, we passed a resolution to acquire treasury shares through open market purchases.

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.

Details relating to the acquisition

Type of shares	Total of acquirable shares	Total acquisition cost	Acquisition period
Ordinary shares	600,000 shares (max.)	784 million yen (max.)	Nov. 13, 2023 – Dec. 22, 2023

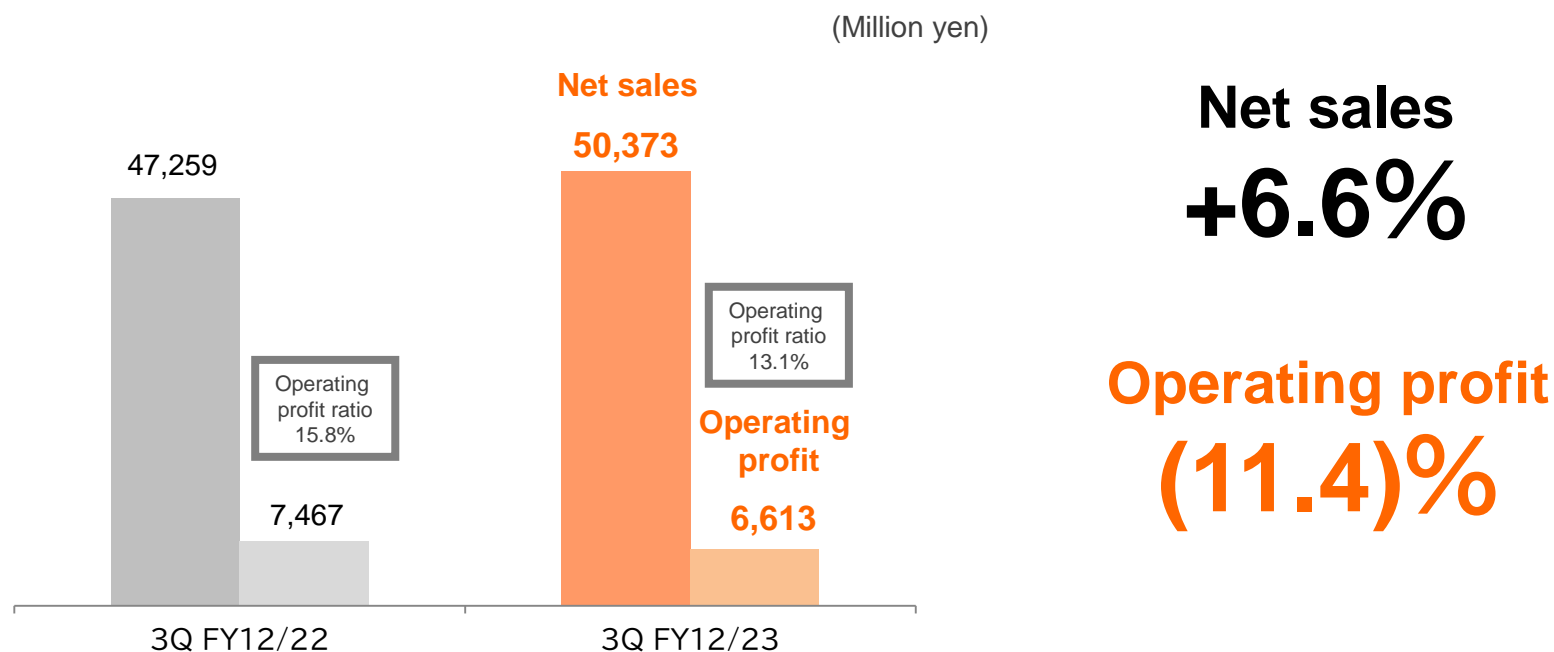
3Q FY12/23 Consolidated Business Highlights (Jan.–Sep. 2023)

Consolidated: 3Q FY12/23 Year-on-Year Comparison

Net sales increased 6.6% year-on-year, due to the successful growth of the mainstay “Placement” and “BPO” services in the “Short-Term Operational Support Business” by the capture of the demand for human resources related to restart of various activities following the COVID-19 pandemic, and the inclusion of profit and loss from the “Restaurant Business.”

Operating profit declined 11.4% year-on-year (operating profit ratio declined by 2.7 PT) despite the increase in net sales, mainly due to an increase in the portion of social insurance premiums owing to the expansion of social insurance coverage, and to the greater-than-expected drop in COVID-19-related special demand with high gross profit margin.

Organic gross profit and operating profit, which excludes the impact of the “Restaurant Business” and COVID-19-related operations, continued to exceed that of the same period of the previous year.



Consolidated: 3Q FY12/23 Year-on-Year Comparison

Ordinary profit declined by 12.5% year-on-year, buoyed by the same factors as operating profit.

Profit attributable to owners of parent decreased by 10.3% 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 the second quarter of the current fiscal year.

(Million yen)

	3Q FY12/22	3Q FY12/23	Difference	Rate of change
Net sales	47,259	50,373	3,114	6.6%
Gross profit	15,936	16,713	777	4.9%
SG&A expenses	8,469	10,100	1,631	19.3%
Operating profit	7,467	6,613	(854)	(11.4)%
Operating profit ratio	15.8%	13.1%	-	(2.7)PT
Ordinary profit	7,534	6,590	(944)	(12.5)%
Profit attributable to owners of parent	5,090	4,566	(524)	(10.3)%

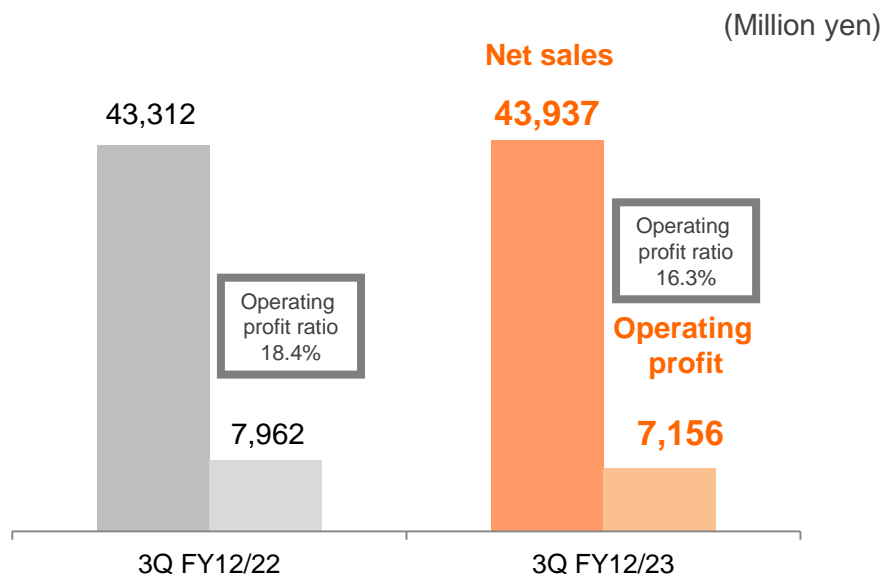
3Q FY12/23 Segment Highlights (Jan.–Sep. 2023)

Short-Term: 3Q FY12/23 Year-on-Year Comparison

Net sales increased by 1.4% year-on-year, due to the greater-than-expected drop in COVID-19-related special demand, despite the successful growth of the mainstay “Placement” and “BPO” services in the “Short-Term Operational Support Business” by the capture of the demand for human resources related to restart of various activities following the COVID-19 pandemic.

Operating profit declined 10.1% year-on-year (operating profit ratio declined by 2.1 PT) despite the increase in net sales, mainly because an increase in the portion of social insurance premiums owing to the expansion of social insurance coverage and the greater-than-expected drop in COVID-19-related special demand, which has a high gross profit margin.

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



Net sales
+1.4%

Operating profit
(10.1)%

Short-Term: 3Q FY12/23 Year-on-Year Comparison (By Service Category)

	3Q FY12/22	3Q FY12/23	Difference	Rate of change
Net sales	43,312	43,937	625	1.4%
Placement	4,445	4,848	403	9.1%
BPO	6,447	6,459	11	0.2%
Dispatching	25,622	25,521	(100)	(0.4)%
Outsourcing	6,798	7,109	311	4.6%
Gross profit	14,826	14,428	(398)	(2.7)%
Placement	4,298	4,754	456	10.6%
BPO	4,177	4,408	231	5.5%
Dispatching	3,929	2,873	(1,056)	(26.9)%
Outsourcing	2,422	2,393	(29)	(1.2)%

(Million yen)

[Placement and BPO]

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

[Dispatching]

Although we continued to acquire long-term staffing needs of client companies, particularly in the logistics and manufacturing industries, net sales in "Dispatching" declined 0.4% year-on-year due to a greater-than-expected decline in public sector projects related to COVID-19-related operations. In addition, gross profit in "Dispatching" declined 26.9% year-on-year, mainly due to an increase in the portion of social insurance premiums for temporary staff as a result of the expansion of social insurance coverage.

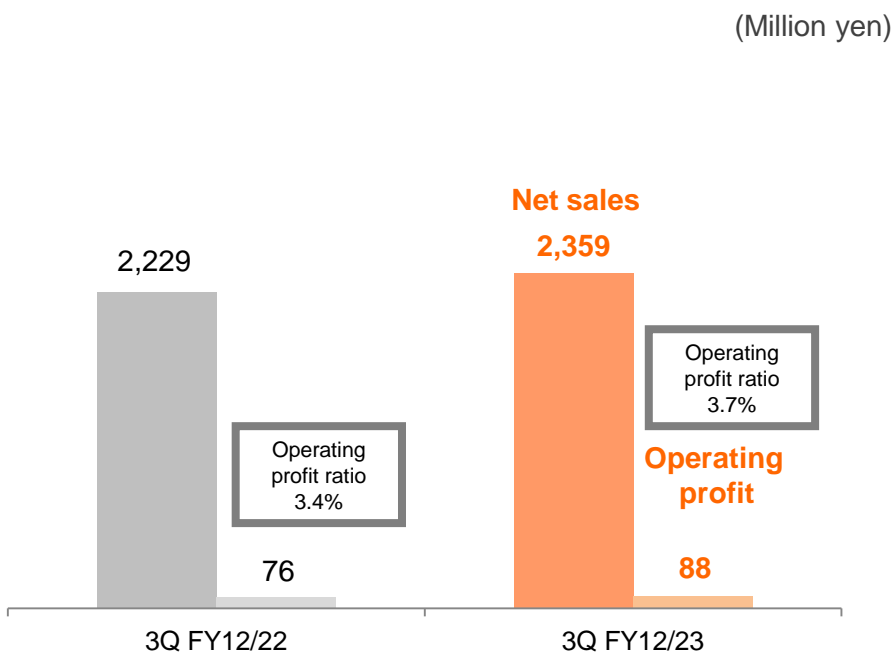
[Outsourcing]

Net sales in "Outsourcing" increased by 4.6% year-on-year due to the successful growth of organic by an increase in the quantities of beverages sold owing to the additional handling of one professional baseball stadium, and the steady acquisition of logistics subcontracting projects. However, gross profit decreased by 1.2% year-on-year due to a greater-than-expected decline in public sector projects related to COVID-19-related operations.

Sales Support: 3Q FY12/23 Year-on-Year Comparison

Net sales increased by 5.8% year-on-year, due to sales of telecommunications products continuing to surpass the previous year's result in the sale of Internet access, which is a mainstay business.

Operating profit increased by 14.6% year-on-year, due to a curb in sales, general and administrative expenses, in addition to the growth in net sales.



Net sales
+5.8%

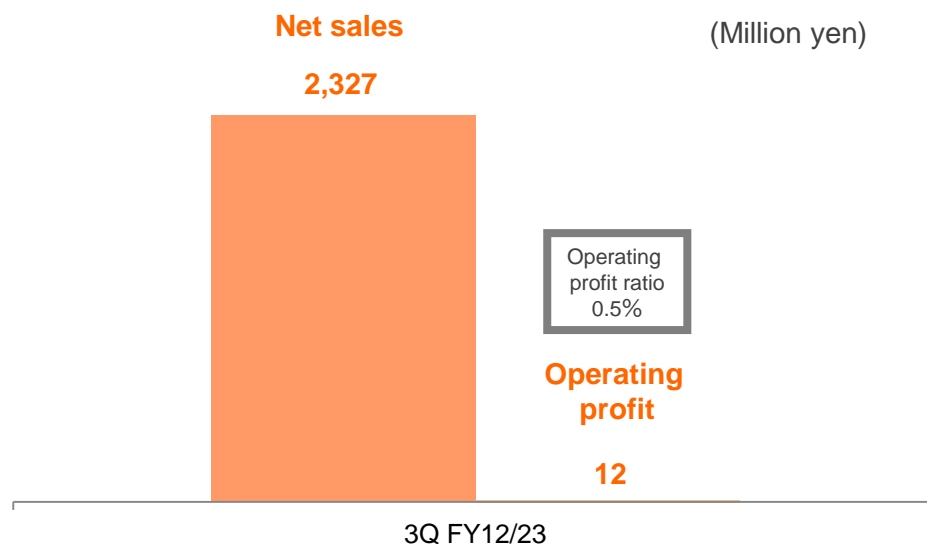
Operating profit
+14.6%

Restaurant: 3Q FY12/23 Result

Net sales were 2,327 million yen, due to the booking of result related to the restaurant chain business during 5 months, and operating profit was 12 million yen, due to recording goodwill amortization expenses during 5 months after tentatively setting the goodwill amortization period to 20 years.

We have implemented cost reductions since July 2023, and continue to initiate further improvements. We are also progressively extending business hours and renovating some stores.

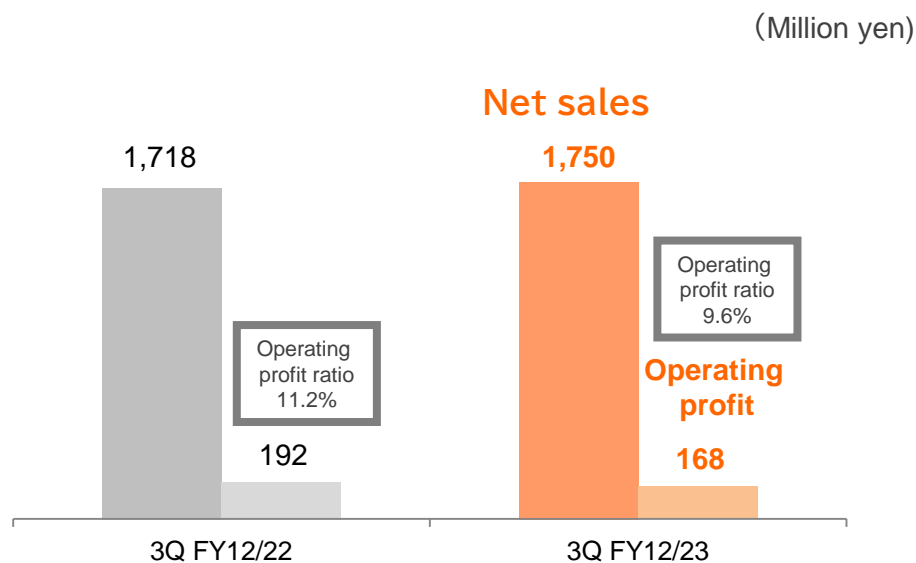
- ※ Since results of the previous period are not disclosed, only results for this 3 quarters of the fiscal year ending December 31, 2023 are stated.
- ※ On October 1, 2023, GLOBEAT INC. and others merged with GLOBEAT JAPAN INC. by absorption, with GLOBEAT JAPAN INC. as the surviving company.



Security, Other: 3Q FY12/23 Year-on-Year Comparison

Net sales increased by 1.9% year on year, due mainly to an increase in the number of temporary security projects acquired as the COVID-19-related risks decreased.

Despite an increase in net sales, operating profit declined by 12.4% year-on-year (operating profit ratio declined by 1.6 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
+1.9%

Operating profit
(12.4)%

Concerning the Acquisition of App X, inc. and BPC, Inc.

(Reference) Concerning App X, inc.

On October 27, 2023, our Company acquired shares of App X, inc., in order to expand earnings through synergies with our Group's recruiting capabilities. Imple, Inc., a subsidiary of App X, inc. has developed a job search application business, and retains an extremely high ability to attract and send customers based on its accumulated know-how. An overview of App X, inc. is provided below.

Corporate name	App X, inc.
Home office address	Kokusai Building, 3-1-1 Marunouchi, Chiyoda-ku, Tokyo
Representative	Katsuya Inoura, Representative Director
Business	Special purpose company and owner of the subsidiary Imple, Inc. which operates a job search application business
Capital	109 million yen
Date of establishment	July 29, 2021
Major shareholders and ratio of shareholdings	(Before the transfer) Japanese corporation 100.0% (After the transfer) Our Company 100.0%
Relationship between Fullcast Holdings Co., Ltd. and App X, inc.	Capital relationship/Personnel relationship/Transactions relationship None

Please refer to “Announcement Regarding the Acquisition of Shares Involving the Transfer of a Subsidiary” for a summary of the acquisition of shares.

The acquisition of AppX Inc.’s shares is expected to have an insignificant impact on our Company's consolidated financial results for the fiscal year ending December 31, 2023.

(Reference) Concerning BPC, Inc.

We acquired shares of BPC, Inc., which operates a back-office BPO business, on October 31, 2023, in order to expand earnings through synergies with our Group's know-how and infrastructure related to BPO services. The company develops efficient and compliant business operations as the back office of the EPARK Group, which provides services for the medical, dental, and restaurant industries. An overview of BPC, Inc. is provided below.

Corporate name	BPC, Inc.
Home office address	4-16-25, Shibaura, Minato-ku, Tokyo
Representative	Taiichi Nishimura, Representative Director
Business	Back-office clerical work and human resources services contracting
Capital	20 million yen
Date of establishment	June 21, 2023
Major shareholders and ratio of shareholdings	(Before the transfer) EPARK, Inc. 100.0% (After the transfer) BOD Co., Ltd. 65.0% EPARK, Inc. 35.0%
Relationship between BOD Co., Ltd. and BPC, Inc.	Capital relationship/Personnel relationship/Transactions relationship None

The acquisition of BPC, Inc.'s shares is expected to have an insignificant impact on our Company's consolidated financial results for the fiscal year ending December 31, 2023.

3Q FY12/23

Progress Relative to Business Forecast

Consolidated: 3Q FY12/23 Progress Relative to Business Forecast

Results for the first three quarters of the fiscal year ending December 31, 2023 indicate a rate of progress of 78.7% for operating profit, 78.5% for ordinary profit, and 79.6% 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 75%.

(Million yen)

		Results for 3Q FY12/23	Revised full-year FY12/23 forecast	Rate of progress
Net sales		50,373	67,200	75.0%
Gross profit		16,713	22,786	73.3%
Operating profit		6,613	8,400	78.7%
Ordinary profit		6,590	8,400	78.5%
Profit attributable to owners of parent		4,566	5,735	79.6%
Short-Term Operational Support Business	Net sales	43,937	58,008	75.7%
	Placement	4,848	6,922	70.0%
	BPO	6,459	8,753	73.8%
	Dispatching	25,521	33,534	76.1%
	Outsourcing	7,109	8,800	80.8%
Sales Support Business	Net sales	2,359	3,103	76.0%
Restaurant Business	Net sales	2,327	3,738	62.2%
Security, Other Businesses	Net sales	1,750	2,351	74.4%

■ Basic Stance on Capital Policy

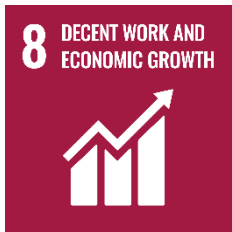
The Fullcast Group maintains a basic policy of maximizing capital efficiency and securing financial soundness to achieve sustained improvement in corporate value.

- 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.	
	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.	Operates the sales agency service business for IT and telecommunications products utilizing call centers and a distributor agency network
	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		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."

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 the 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.
- On October 1, 2023, GLOBEAT INC. and others merged with GLOBEAT JAPAN INC. by absorption, with GLOBEAT JAPAN INC. as the surviving company.

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

[Inquiries]

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