February 9, 2024

Consolidated Financial Results Announcement for the Fiscal Year Ended 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 Annual General Meeting of Shareholders (Planned): March 22, 2024
Date of submission of annual securities report (Planned): March 25, 2024
Date of dividend payments (Planned): March 7, 2024
Preparation of supplementary references regarding financial results: Yes (Shown on our website)
Briefing for financial results: Yes (For institutional investors and security analysts)

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1 to December 31, 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	%
FY12/23	68,974	6.7	8,658	(11.9)	8,686	(12.1)	5,889	(11.1)
FY12/22	64,645	23.4	9,823	29.4	9,884	29.7	6,622	32.1

(Note) Comprehensive income: FY12/23: 6,090 million yen ((11.4) %) FY12/22: 6,877 million yen (31.4%)

	Basic earnings per share	Diluted earnings per share	ROE	Ratio of ordinary profit to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
FY12/23	164.86	163.93	24.0	23.3	12.6
FY12/22	183.11	182.14	30.6	30.4	15.2

(Reference) Share of profit or loss of entities accounted for using equity method: FY12/23: 56 million yen FY12/22: 64 million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/23 End	38,977	26,785	65.2	721.42
FY12/22 End	35,604	24,928	66.7	657.21

(Reference) Equity: 25,401 million yen as of December 31, 2023 23,732 million yen as of December 31, 2022

(3) Consolidated Cash Flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
FY12/23	5,163	(6,366)	(4,954)	14,468
FY12/22	6,796	(958)	(2,622)	20,626

2. Dividend Status

	Dividend per share (yen)					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividend on net assets ratio (consolidated)
	Q1 End	1H End	Q3 End	FY End	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY12/22	-	23.00	-	35.00	58.00	2,094	31.7	9.7
FY12/23	-	29.00	-	32.00	61.00	2,160	37.0	8.8
FY12/24 Forecast	-	31.00	-	31.00	62.00		43.3	

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2024 (January 1 to December 31, 2024)

(% = year-on-year change for each quarter and full-year)

	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
First half	34,756	4.9	4,200	(8.6)	4,202	(8.0)	2,906	(9.2)	82.54
Full year	70,500	2.2	7,200	(16.8)	7,233	(16.7)	5,045	(14.3)	143.29

* Notes

(1) Important changes of subsidiaries during the period
(Changes in specific subsidiaries involving changes in the scope of consolidation): None

(2) 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

(3) Number of issued shares (Ordinary shares)

1) Number of issued shares at the term end (including treasury shares)	FY12/23	37,486,400	FY12/22	37,486,400
2) Number of treasury shares at the term end	FY12/23	2,277,051	FY12/22	1,377,051
3) Average number of shares outstanding during the current term	FY12/23	35,723,492	FY12/22	36,163,688

Reference: Non-Consolidated Financial Results

1. Financial Results for the Fiscal Year Ended December 31, 2023 (January 1 to December 31, 2023)

(1) Business Results (% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY12/23	8,897	10.4	6,357	12.0	6,335	11.2	6,083	18.4
FY12/22	8,062	24.4	5,674	33.1	5,696	32.1	5,138	35.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY12/23	170.27	169.31
FY12/22	142.08	141.33

(2) Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY12/23 End	23,677	18,233	76.1	512.07
FY12/22 End	20,176	16,386	80.5	449.56

(Reference) Equity: 18,030 million yen as of December 31, 2023 16,233 million yen as of December 31, 2022

* Financial results are not subject to audit by a certified public accountant or auditing firm.

* Explanation of the proper use of financial and 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 corporate infrastructure arising from disasters including earthquakes, and (3) changes in the relevant laws applicable to our Group’s business activities, 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 5 “1. (3) Future Outlook” of the Appendix.

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1. Operating Results and Financial Position

(1) Summary of Operating Results

During the current fiscal year, Japan’s economy continued to undergo a recovery trend amid an overall improvement in corporate earnings, a gradual improvement in corporate business conditions, and a continued recovery trend in personal consumption. Economic conditions are expected to continue to recover gradually given the effects of various government policies under the improving employment and wage environment. However, the economic horizon remains clouded due to a number of uncertainties including rising prices, the situation in the Middle East, and fluctuations in financial and capital markets, all of which requires close attention to assess their potential impacts, in addition to risks of a downturn in Japan’s economy caused by a weakening in overseas economies amid financial tightening around the world and an uncertain economic outlook in China.

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 new job offers ratio and the jobs offers-to-applicants ratio at high levels, and the continuing improvement of the employment ratio. As for the future outlook, the operating environment is expected to continue to recover.

Against this backdrop, in the current fiscal year, our 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.

Consolidated net sales increased by 6.7% year-on-year to 68,974 million yen, 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.”

In terms of profits, despite the increase in net sales, consolidated operating profit declined by 11.9% year-on-year to 8,658 million yen and consolidated ordinary profit decreased by 12.1% year-on-year to 8,686 million yen. This was 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.

Profit attributable to owners of parent decreased by 11.1% year-on-year to 5,889 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 the second quarter of the current fiscal year.

In the second quarter of the current fiscal year, our Group included 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 consolidation. Moreover, on October 1, 2023, an absorption-type merger was conducted with GLOBEAT JAPAN INC. as the surviving company and GLOBEAT INC. and GLOBEAT HOLDINGS INC. as the absorbed companies. Results for the current fiscal year include the profits and losses of the three aforementioned companies during eight months of April and November 2023.In addition, on October 27, 2023, our Company acquired shares of App X, Inc. and made it and its subsidiary Imple, Inc. and its sub-subsidiary Releasebase, Inc. consolidated subsidiaries. On October 31, 2023, our Company acquired shares of BPC, Inc. and made it a consolidated subsidiary.

Notes: 1. The mainstay “Part-Time Worker Placement” service, Hayfield inc.'s staffing service specializing in the real estate industry and App X Group’s job search application service are referred to as “Placement.”

2. The mainstay “Part-Time Worker Payroll Management” service, 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 business segments are as follows.

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

1) Short-Term Operational Support Business

Net sales in the “Short-Term Operational Support Business” decreased by 0.7% year-on-year to 59,019 million yen, 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.

In terms of profits, segment profit (operating profit) declined by 11.5% year-on-year to 9,318 million yen, mainly because the portion of social insurance premiums increased owing to the expansion of social insurance coverage and the COVID-19-related special demand, which has a high gross profit margin, dropped more than expected, in addition to the decrease in net sales.

2) Sales Support Business

Net sales of the “Sales Support Business” increased by 7.9% year-on-year to 3,111 million yen, due to sales of telecommunications products continuing to surpass the previous year’s result over the period in the sale of Internet access, which is a mainstay business.

In terms of profits, segment profit (operating profit) increased by 50.7% year-on-year to 134 million yen due to a curb in sales, general and administrative expenses, in addition to the growth in net sales.

3) Restaurant Business

Net sales in the Restaurant Business were 4,475 million yen due to the recovery of demand in the domestic business, and segment profit (operating profit) was 188 million yen due to the effect of cuts in sales, general and administrative expenses.

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

4) Security, Other Businesses

Net sales of “Security, Other Businesses” increased by 1.9% year-on-year to 2,369 million yen, due mainly to an increase in the number of temporary security projects acquired as the COVID-19-related risks decreased.

In terms of profits, despite an increase in net sales, segment profit (operating profit) declined by 12.9% year-on-year to 229 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) Summary of Financial Position

1) Assets, Liabilities and Net Assets

At the end of the current fiscal year, total assets increased by 3,373 million yen from the end of the previous fiscal year to 38,977 million yen. Equity increased by 1,669 to 25,401 million yen (equity-to-asset ratio of 65.2%), and net assets grew by 1,857 to 26,785 million yen.

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

With regards to assets, current assets decreased by 5,118 million yen from the end of the previous fiscal year to 24,849 million yen. This decline is attributed mainly to falls in cash and deposits of 6,158 to 14,468 million yen and notes and accounts receivable - trade of 569 to 8,416 million yen, which offset an increase in other under current assets of 1,587 to 1,943 million yen caused mainly by an increase in accounts receivable - other of 1,510 to 1,579 million yen.

Non-current assets increased by 8,491 million yen from the end of the previous fiscal year to 14,128 million yen. This growth is attributed mainly to rises in goodwill of 4,525 million yen to 5,829 million yen, trademark right of 1,650 million yen to 1,650 million yen, land of 961 million yen to 1,145 million yen, guarantee deposits of 615 million yen to 1,192 million yen, buildings and structures, net of 443 million yen to 712 million yen and investment securities of 213 million yen to 2,324 million yen.

With regard to liabilities, current liabilities increased by 133 million yen from the end of the previous fiscal year to 9,793 million yen. This growth is mainly attributed to increases in other under current liabilities of 1,127 million yen to 1,842 million yen, mainly due to an increase in deposits received of 1,187 million yen to 1,209 million yen, and notes and accounts payable-trade of 484 million yen to 537 million yen, which offset decreases in accrued consumption taxes of 802 million yen to 1,361 million yen, in income taxes payable of 460 million yen to 1,250 million yen, accounts payable-other of 109 million yen to 1,751 million yen, provision for bonuses of 109 million yen to 177 million yen.

Non-current liabilities increased by 1,382 million yen from the end of the previous fiscal year to 2,399 million yen. This growth is attributed mainly to rises in deferred tax liabilities of 560 million yen to 620 million yen, in other under non-current liabilities of 451 million yen to 481 million yen, mainly due to increases in leasehold deposits received of 290 million yen to 290 million yen, long-term guarantee deposits received of 143 million yen to 171 million yen, and asset retirement obligations of 294 million yen to 405 million yen.

2) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the fiscal year decreased by 6,158 million yen from the end of the previous fiscal year to 14,468 million yen (compared with an increase of 3,216 million yen in the previous fiscal year).

(Cash Flows from Operating Activities)

Funds provided by operating activities were 5,163 million yen (compared with 6,796 million yen provided in the previous fiscal year) due to profit before income taxes of 9,073 million yen, which covered income taxes paid of 4,208 million yen, a decrease in accrued consumption taxes of 857 million yen, an increase in accounts receivable-other of 855 million yen, as well as other under cash flows from operating activities of 1,062 million yen, and a decrease in trade receivables of 961 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities were 6,366 million yen (compared with 958 million yen used in the previous fiscal year) due to proceeds from the withdrawal of time deposits of 1,158 million yen, which offset purchase of shares of subsidiaries resulting in change in scope of consolidation of 7,511 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities were 4,954 million yen (compared with 2,622 million yen used in the previous fiscal year) due to dividends paid of 2,295 million yen, purchase of treasury shares of 2,026 million yen and repayments of long-term borrowings of 604 million yen.

(Trends in Cash Flow Indexes)

	FY12/21	FY12/22	FY12/23
Equity (million yen)	19,526	23,732	25,401
Equity-to-asset ratio (%)	66.2	66.7	65.2
Ratio of interest-bearing debt to cash flow (%)	12.5	10.1	10.7

Interest coverage ratio (times)	1,073.5	1,468.1	1,402.9
Market capitalization-based equity-to-asset ratio (%)	304.5	286.4	165.6

Equity = Total net assets − Share acquisition rights − Non-controlling interests
Equity-to-asset ratio = Equity ÷ Total assets
Ratio of interest-bearing debt to cash flow = Interest-bearing debt ÷ Operating cash flow (before interest and income taxes)
Interest coverage ratio = Operating cash flow (before interest and income taxes) ÷ Interest paid
Market capitalization-based equity-to-asset ratio = Stock market price ÷ Total assets

Notes:
1. Each index is calculated using consolidated financial data.
2. For operating cash flows (before interest and income taxes), net cash provided by operating activities from the consolidated cash flows statement (before deducting the amount of payment of interest and income taxes) is used.
3. All debt involving the payment of interest and stated in the consolidated balance sheet are included in interest-bearing debt.
4. For interest payment, the amount of interest paid in the consolidated statement of cash flow is used.
5. Market capitalization = Stock price at the end of the term × Number of shares outstanding at the end of the term (excluding treasury shares).

(3) Future Outlook

In the fiscal year ending December 2024, our Group aims “to further strengthen the business foundation to better respond to the demand related to the restart of various activities following the COVID-19 pandemic and to the labor shortage under the declining labor force, and to address the business environment where competition is expected to intensify in the spot work market, where the entry of players from other industries is also regarded as certain,” using 2,000 million yen of strategic investments dedicated to quickly and further developing the business foundation and quickly capturing demand, with concentrated capital investment limited to one fiscal year. In addition, our Group promotes PMI for new consolidated subsidiaries and group-wide collaboration.

Consolidated business forecast for the fiscal year ending December 2024 (January 1 to December 31, 2024)

(Million yen)

	FY12/23 results	FY12/24 business forecast	Rate of change
Net sales	68,974	70,500	2.2%
Operating profit	8,658	7,200	(16.8)%
Ordinary profit	8,686	7,233	(16.7)%
Profit attributable to owners of parent	5,889	5,045	(14.3)%
Basic earnings per share	164.9	143.3	(13.1)%

Notes: 1. Basic earnings per share for fiscal year ending December 2024 are calculated in accordance with the formula below.

$$\text{Basic earnings per share} = \frac{\text{Forecast for profit applicable to ordinary shares}}{\text{Average expected number of shares outstanding during the fiscal year ending December 31, 2024}}$$

2. “Profit” used in the calculation of basic earnings per share is now “profit attributable to owners of parent.”

(4) Fundamental Policy for Allocation of Earnings and Dividends for the Current and Coming Fiscal Years

We maintain a policy of enhancing returns of profits to shareholders with a target of achieving total return ratio of 50%.

We will implement shareholder returns with a target of achieving a total return ratio of 50% by enhancing profitability and further improving management efficiencies, in addition to offering dividends and share buybacks. Furthermore, we will seek to achieve our target indicator for “improvement of corporate value” of ROE of over 20%.

For the fiscal year ended December 2023, a total annual dividend will be 61 yen per share, increases of 3 yen compared to the previous year and 2 yen above the forecast, based on the goal of achieving a total return ratio of 50%. As a year-end dividend, a dividend of 32 yen per share (2 yen above the forecast) will be offered. Additionally, as stated in the “Announcement Regarding the Decision on Matters Related to the Acquisition of Treasury Shares” released on November 10, 2023 and the “Announcement Regarding the Results and Completion of the Acquisition of

Treasury Shares" released on December 25, 2023, our Company acquired treasury shares totaling 784 million yen by December 2023. With this year-end dividend, the total return ratio for the fiscal year ending December 2023 will be 50%.

Regarding dividends in the next fiscal year, we will maintain ROE of over 20% and a total return ratio of 50% as targets for our policy regarding returns of profits to shareholders. As part of our policy of maintaining a flexible return of profits to shareholders, we have the option to offer a dividend or share buyback, or both at the current point in time. We forecast an interim dividend of 31 yen per share and a year-end dividend of 31 yen per share, for a total annual dividend of 62 yen per share.

(5) Risks Associated with Our Businesses

The main risks recognized by management with the potential to seriously impact our consolidated financial position, business results, cash flow conditions and other matters concerning the business and accounting conditions appearing in our securities report, are as follows. As part of our policy of proactive disclosure of information to investors, descriptions of risks may also include matters that do not necessarily fall under the category of business risks, but those which may be regarded as important factors for investors in making investment decisions or understanding our Group's business activities.

Furthermore, the possibility or timing for these risks to emerge and the impact for our Group's business results if these risks will materialize, are not included because of the difficulty in making reasonable assessments of these.

Our Group seeks to proactively identify potential business risks, prevent their occurrence and take adequate measures to address them should they appear. The following statements may contain potential risk factors which may occur in the future, and they are based on our best judgment as of the date of reporting of these financial statements.

1) Fullcast Group's Policy for Business Growth

We endeavor to raise our competitive position by strengthening corporate governance and by promoting speed in both our strategic decision-making process and in the implementation of various strategies by our management. However, should these decisions and implementation take longer than anticipated and the contribution to our earnings does not proceed as planned, our Group's earnings could be negatively impacted.

Within the "Short-Term Operational Support Business," our Company engages in both "Placement" and "BPO" services and other services in response to the Revised Worker Dispatching Act implemented on October 1, 2012. In addition, BOD Group provides "Back Office BPO Services," Minimaid Service Co., Ltd. provides "Housekeeping Services," Hayfield inc. provides "Recruitment Agency Services Specializing in the Real Estate Industry," and App X Group provides "Job Search Application Services." If these business results do not progress according to forecasts, our Group's business results could be materially affected.

In the "Sales Support Business," our Company engages in sales support for telecommunications products and call center operations. If business revenues are not generated in line with forecasts, or if large amounts of capital must be invested, or if the appeal of the products sold deteriorates, our Group's business results could be affected.

In the "Restaurant Business," we operate a restaurant chain business. If its business results do not progress according to forecasts, our Group's business results could be affected.

In the "Security, Other Businesses," we operate security services mainly for public facilities and ordinary corporations. If its business results do not progress according to forecasts, our Group's business results could be affected.

In addition to reinforcing our existing businesses with a view to the future, our Group has the potential to launch new business ventures through the establishment of new companies, M&A, business tie-ups and among other means. However, there are many elements of uncertainty surrounding new business ventures, and in cases where the initially expected synergies are not achieved and business profit does not meet forecasts due to changes in the business environment surrounding our Group or changes in legal regulations related to the new business venture, the performance of our Group could potentially be materially affected.

Moreover, due to the acquisition of overseas companies, our Group is exposed to foreign exchange risks, risks related to local regulations applied to businesses of acquired companies, and country risks. If these risks appear, they may adversely affect our Group's business results and financial condition.

We maintain a policy of selling shares in affiliates or marketable securities of companies which cease to provide synergies with our Group's various businesses. Also, our Group's earnings could be profoundly impacted by the implementation of impairment accounting related to goodwill as well as the shares of affiliated companies and investment securities during times when market capitalization or the actual value of companies whose shares we hold deteriorate.

2) Legal Regulations

a) Changes in Legal Regulations

If the laws and other related ordinances applied to the business operations of the Fullcast Group are enforced or revised or legal interpretations modified due to changes in societal conditions surrounding the labor market, these enforcement, revisions or new legal interpretations could materially affect the business performance of the Fullcast Group. Applicable laws include the Worker Dispatching Act, Labor Standards Act, Employment Security Act, Industrial Accident Compensation Insurance Act, Health Insurance Act, Employees Pension Insurance Act, the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures (My Number Act), and Immigration Control and Refugee Recognition Act (Immigration Control Act), Act on the Arrangement of Related Acts to Promote Work Style Reform (Work Style Reform Act). As a countermeasure against these risks, our Group endeavors to gather information in a timely manner concerning revisions to or changes in the interpretation of the laws and regulations applied to our Group's business operations, to address these in an appropriate manner, and quickly understand the impacts on our Group's results and financial condition.

b) Recruitment Agency Business

Our Group provides paid-for employment placement services under the license of Minister of Health, Labor and Welfare and in accordance with the Employment Security Act. This license is valid for 5 years, and if it cannot be renewed when required because of non-compliance with the licensing requirements of Article 31 of the Act, if there are grounds to disqualify our license as prescribed in Article 32 of the Act, or if there is grounds to cancel our license, our license could be canceled or orders to suspend or halt our operations could be issued. As a countermeasure against these risks, our Group is committed to implementing compliance and risk management to prevent any violation of acts and ordinances. However, if licenses are canceled or if other measures are taken due to some reason in the future, we may be unable to continue providing paid-for employment placement services and our Group's business performance could be seriously affected.

c) Worker Dispatching Service

Our Group provides worker dispatching services under the license of Minister of Health, Labor and Welfare in accordance with the Worker Dispatching Act. This license is valid for 5 years, and if it cannot be renewed when required because of non-compliance with the licensing requirements of Article 7, if there is a violation of relevant laws and regulations, if there are grounds to disqualify our license as prescribed in Article 6, or if there is grounds to cancel our license as prescribed in Article 14, our license could be canceled or orders to suspend or halt our operations could be issued.

As a countermeasure against these risks, our Group is committed to implementing compliance and risk management to prevent any violation of acts and ordinances. However, if licenses are canceled or if other measures are taken due to some reason in the future, we may be unable to continue providing worker dispatching services and our Group's business performance could be seriously affected.

d) Various Management Services Including Part-Time Worker Payroll Management Service

Because our Group conducts outsourcing services independent of the contracting client company based upon an outsourcing agreement, we may become liable for damages caused by the incompletion of outsourcing services or delays in reporting. Should this risk materialize, our Group will work to mitigate damages by reducing costs with internal efforts, such as increasing the efficiency of operations. However, depending upon the amount of compensation for damages, our Group's earnings could be adversely impacted if we cannot absorb these costs.

e) Onsite Subcontracting Service

As an onsite subcontracting service provider based on subcontracts, our Group completes its subcontracting services independently at the client company of said contracts. In carrying out the work involved, we follow commonly accepted practices (as defined in Notice No. 37 of 1986 by Japan's Ministry of Labor) that separates and distinguishes between the employee dispatching and the subcontracting services and other relevant laws and regulations.

Due to the nature of the subcontracting business, our Group is exposed to productivity risks and defective product risks. As a countermeasure against these risks, our Group will work to absorb damages by reducing costs with internal efforts, such as increasing efficiency of operations. However, our Group's earnings could be adversely impacted if we cannot absorb these costs.

f) Sharing of Social Insurance Contributions

If legal revisions further expand the scope of social insurance and employment insurance in the future, or if the number of employees enrolled in social insurance increases due to growth in the worker dispatch or subcontracting businesses owing to the prolonged need for short-term human resources arising from chronic labor shortages at customer companies, the amount of social insurance premiums borne by our Company will increase. Also, this could lead to an increase in the number of cases requiring procedures for obtaining or losing coverage qualifications, which in turn could increase costs for clerical work. As a countermeasure against these risks, our Group strives to quickly understand the impacts on our Group's business results and financial condition by gathering information in a timely manner concerning revisions to laws and regulations. At the same time, should this risk materialize, our Group will work to pass on the cost increase to the invoice amount for customers or make internal efforts to cut costs, such as increasing efficiency of operations. However, if the cost increase cannot be absorbed through these efforts, our Group's earnings could be materially impacted.

3) Economic Trends

Our Group's business composition focused upon the "Short-Term Operational Support Business" is not susceptible to the impacts of economic trends during the current environment where there is a worker shortage due to structural factors regarding the population. However, if the economy deteriorates beyond our Group's assumptions, our Group's business results and financial condition could be affected. As a countermeasure against these risks, our Group regularly monitors economic trends and market developments, and promotes a sales strategy tailored to specific geographic regions and characteristics of customer industry. In addition to improving sales capabilities, our Group continues to work on increasing profit margin by enhancing productivity, and then working to mitigate the said risk.

4) Managing the Database on Client Firms and Staff

Our Group always strives to provide staff best matched to the needs of client companies and deploy staff for clients promptly and efficiently. To facilitate this, our Group manages a database that contains information on staff work attitudes and experiences by job classification, and similar information regarding our clients.

To be prepared for the potential of a malfunction in servers, our Group makes backup databases and servers themselves are operated in a redundant configuration using multiple machines in preparation for any potential problems. However, if these servers were to fail simultaneously as a result of problems such as earthquakes or other natural disasters, cyberattacks, human errors or other factors, and this results in a system failure, our Group's operations could be seriously impeded and our earnings may be materially affected.

As a countermeasure against these risks in the future, our Group expects to make investments in information technologies as needed to help differentiate our Company from our competitors in terms of costs and services offered. Deterioration in the effectiveness of these investments could contribute to reductions in their contribution to sales growth in the future.

To appropriately manage personal information and other data, we endeavor to prevent unauthorized access, destruction, lost or unauthorized disclosure of personal information by establishing clear handling rules, strictly controlling access rights to the system and stepping up internal inspections. However, our Group's earnings could be affected by potential security breaches of personal information, and our Group could lose the trust of the public, suffer decreased sales, and become subject of claims for damages.

5) Workplace Accidents and Transaction-Related Trouble

a) Recruitment Agency Business

In the process of selecting staff members who apply for jobs, the client company may file a suit against us for breach of contract or demand other compensation in the event that our Company selects and places a staff member who does not meet the recruitment requirements of the client company due to our negligence. As a countermeasure against these risks, our Group has a compliance system under which it ensures personnel in charge of legal affairs can handle various legal risks. However, our performance may be seriously affected by accidents depending upon the legal nature and the amount of money involved.

b) Employee Dispatching Service

In the event that a staff member is injured, becomes ill or dies during the course of performing work tasks or due to causes attributable to work at the dispatched workplace, our Group as an employer may become responsible to pay compensation according to the relevant laws and regulations including the Labor Standards Act and the Industrial Accident Compensation Insurance Act (Destination business owners that are our clients bear the employer's liability in accordance with the Industrial Safety and Health Act, and are obliged to protect the safety of staff in accordance with the Civil Code.).

As a countermeasure against these risks, our Group fortifies staff awareness of safety by promoting occupational health and safety training for staff, as well as by posting and providing safety bulletins for on-the-job vigilance to prevent injury and illness. To provide better worker protection, our Group maintains a comprehensive general liability insurance and other insurances as an insurance program to pay agreed claims. However, should an accident not covered by this insurance occur, our Group could be forced to pay damages on the grounds of neglecting its duty to secure safety and tort liability as stipulated in labor contracts.

In addition, our Group could be sued or pressured to make other payments on allegations of accidents due to staff negligence, for violations of contracts with clients or for illegal activities of staff members in the course of performing services at the dispatched workplace. As a countermeasure against these risks, our Group has a compliance system under which it ensures personnel in charge of legal affairs can handle various legal risks. However, our performance may be seriously affected by accidents depending upon the legal nature and the amount of money involved.

6) Securing and Retaining Employees

In order to improve employee retention, our Group implements measures to enhance employee training and motivation. However, the loss of a greater than expected number of personnel could adversely influence the various business segments of our Group.

7) Exchange Risk

Our Group assumes foreign exchange risk because it receives remittances in the local currency when converting transactions denominated in a foreign currency, including conducting sales transaction with overseas companies and dividend incomes from overseas affiliated companies. In addition, and as a general rule, the financial statements of overseas affiliates are prepared in local currency and converted into yen when preparing consolidated financial statements. Therefore, even if the value in local currency does not change with the exchange rate at the time of closing, the value after the conversion to yen may affect our Group’s business results and financial statements. As a countermeasure against these risks, our Group works to mitigate risks by means of foreign exchange contracts as needed, while considering foreign currency trends.

8) Changes in Accounting or Tax Systems, Others.

The new introduction of or changes to accounting standards or tax systems that cannot be anticipated by our Group could affect our Group’s business results and financial condition. As a countermeasure against these risks, our Group strives to gather information in a timely manner concerning changes and the introduction of new accounting standards or tax systems in order to quickly understand impacts on our Group’s business results and financial condition.

9) Large-Scale Natural Disasters and Pandemics

Our Group has implemented countermeasures after working to put into place a crisis management system for contingencies. However, if natural disasters, such as typhoons, earthquakes or tsunamis, occur that exceed our Group’s expectations or a pandemic occurs and spreads far beyond our Group’s expectations, these events could impact the business activities of our Group or our Group’s business partners, and have a negative effect on our Group’s business results and financial position. As a countermeasure against these risks, the Fullcast Group has established a business continuity plan (BCP) that it reviews as necessary to be able to continue or quickly restore important business operations even during a contingency.

10) Climate Change

Opportunity losses and other factors resulting from the suspension of business activities could affect our Group's business results and financial position if our business offices and supply chains are damaged due to the intensification of natural disasters caused by climate change. Recently, social demands for climate change countermeasures have been increasing. As such, if these efforts are inadequate or do not gain sufficient understanding from stakeholders, our Group's business results and financial position may be affected by a decline in social credibility. Furthermore, if new laws and regulations related to climate change countermeasures are introduced, an increase in response costs may affect our Group's business results and financial position.

Our Group continuously analyzes the business impact of climate change-related risks and opportunities based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), striving to proactively disclose information.

2. Corporate Group

The Fullcast Group is engaged in the “Short-Term Operational Support Business” (providing timely short-term personnel services in response to changes in the amount of work at client companies), the “Sales Support Business” (mainly engaging in agency sales of telecommunications products focused on distributor networks and call center operations), the “Restaurant Business” (operating a restaurant chain business), and the “Security, Other Businesses” (providing security services mainly for public facilities and ordinary corporations, others.).

We provide descriptions of the status of affiliated companies and a diagram of our business activities as of December 31, 2023 as below.

(1) Status of Affiliated Companies

Company	Location	Capital (mil. yen)	Major business activities	Voting shares (%)	Issues to be noted
(Consolidated subsidiary) Fullcast Co., Ltd. (Notes 3, 9)	Shinagawa-ku, Tokyo	100	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Top Spot Co., Ltd	Shinagawa-ku, Tokyo	113	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Work & Smile Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Senior Works Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Porter Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Global Co., Ltd.	Shinagawa-ku, Tokyo	80	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast International Co., Ltd.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business	51.0	- Provides services such as business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Otetsudai Networks Inc.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business	100.0	- Sublets a part of our rented building to this company for office use. - Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
BOD Co., Ltd.	Toshima-ku, Tokyo	80	Short-Term Operational Support Business	51.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
HR Management Co., Ltd.	Toshima-ku, Tokyo	20	Short-Term Operational Support Business	51.0 (51.0)	- Provides services such as management advice and system leases.

Progress, Inc.	Toshima-ku, Tokyo	50	Short-Term Operational Support Business	60.0 (60.0)	- Provides services such as management advice and system leases.
BPC Inc. (Note 6)	Minato-ku, Tokyo	20	Short-Term Operational Support Business	65.0 (65.0)	- Provides services such as system leases.
Minimaid Service Co., Ltd.	Shibuya-ku, Tokyo	30	Short-Term Operational Support Business	100.0	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Hayfield inc.	Shinagawa-ku, Tokyo	4	Short-Term Operational Support Business	100.0	- Provides services such as management advice. - Concurrent directorates: 1
App X, Inc. (Note 7)	Chiyoda-ku, Tokyo	190	Short-Term Operational Support Business	100.0	-
Imple, Inc. (Note 7)	Shinjuku-ku Tokyo	3	Short-Term Operational Support Business	100.0 (100.0)	- Concurrent directorates: 1
Releasebase Inc. (Note 7)	Shinjuku-ku Tokyo	1	Short-Term Operational Support Business	100.0 (100.0)	-
F-PLAIN Corporation.	Minato-ku, Tokyo	80	Sales Support Business	78.2	- Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 2
M's Line Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provides services such as management advice and system leases.
FSP Co., Ltd.	Minato-ku, Tokyo	1	Sales Support Business	78.2 (78.2)	- Provides services such as management advice and system leases.
GLOBEAT JAPAN INC. (Note 3,8)	Suginami-ku Tokyo	10	Restaurant Business	100.0	- Concurrent directorates: 2 - Provides financial support: borrowing and lending operating capital
Fullcast Advance Co., Ltd.	Shinagawa-ku, Tokyo	50	Short-Term Operational Support Business Security, Other Businesses	100.0	- Sublets a part of our rented building to this company for office use. - Provides services such as management advice, business outsourcing, and system leases. - Concurrent directorates: 1 - Provides financial support: borrowing and lending operating capital
Fullcast Business Support Co., Ltd.	Shinagawa-ku, Tokyo	9	Whole company	100.0	- Sublets a part of our rented building to this company for office use. - Provides services such as business outsourcing and system leases. - Provides financial support: borrowing and lending operating capital
(Equity method affiliate) Beat Co., Ltd	Yokohama-shi, Kanagawa	50	Business process outsourcing Worker dispatch business	30.0	- Concurrent directorates: 1
(Equity method affiliate) DeliArt Co., Ltd.	Chiyoda-ku, Tokyo	43	Worker dispatch business	20.0	—
(Equity method affiliate) Advancer Global Limited (Note 2)	Singapore	(million Singapore dollars) 41	Employment services Facility management services	25.8	- Concurrent directorates: 1

Notes: 1. The "Major business activities" category follows the business segment classification.
2. The capital stock of Advancer Global Limited is the amount as of June 30, 2023
3. Specified subsidiary.
4. The ownership ratio of voting rights indicated in parentheses represents the ratio of voting rights held indirectly.

5. None of the companies have submitted annual securities report or securities registration statement.
6. On October 31, 2023, our Company acquired shares of BPC, Inc. and made it a consolidated subsidiary.
7. On October 27, 2023, our Company acquired shares of App X, Inc. and made it and its subsidiary Imple, Inc. and its sub-subsidiary Releasebase, Inc. consolidated subsidiaries.
8. On June 23, 2023, 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 consolidation. Moreover, on October 1, 2023, an absorption-type merger was conducted with GLOBEAT JAPAN INC. as the surviving company and GLOBEAT INC. and GLOBEAT HOLDINGS INC. as the absorbed companies.
9. Sales by Fullcast Co., Ltd. account for over 10% of consolidated net sales (excluding internal sales among consolidated companies).

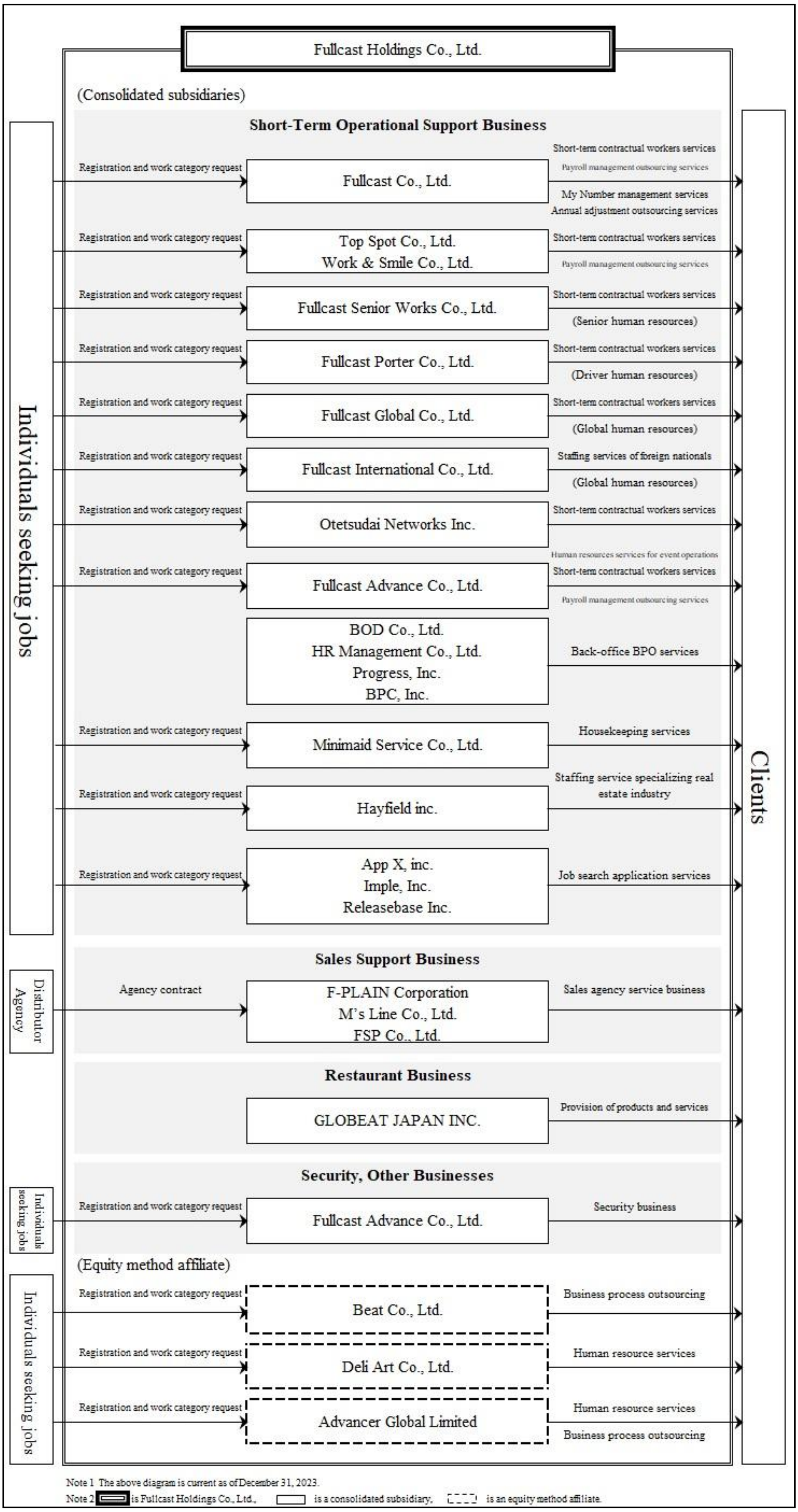
Key Information about Profit and Loss

(Million yen)

	Fullcast Co., Ltd.
Net sales	43,163
Ordinary profit	5,199
Profit	3,577
Net assets	3,753
Total assets	9,784

(2) Diagram of Business Activities

A diagram of our business activities is shown below.



3. Management Policies

(1) Fundamental Management Policies

Our Group considers the “sustained improvement of corporate value” to be one of its most important management issues.

We manage our business by focusing upon capital efficiency and identify ROE as a target indicator to reflect “improvement of corporate value” with the goal of realizing ROE in excess of our capital cost, which represents the expected returns by shareholders and investors from our company.

(2) Target Management Indicators

Our Group will endeavor to maximize corporate value by striking a balance between profitability and growth. At the same time, our management will endeavor maintain a solid financial standing and implement strategies that focus upon capital efficiency. Also, we maintain a goal of realizing a debt-to-equity ratio target of no more than 1.0 time to maintain appropriate debt levels that will enable us to make investments necessary to secure growth, while at the same time maintaining financial soundness. The Fullcast Group also seeks to achieve an ROE of over 20% as a target indicator of “improvement of corporate value.”

(3) Management Environment and Key Management Issues

Management Environment

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 new job offers ratio and the jobs offers-to-applicants ratio at high levels, and the continuing improvement of the employment ratio. As for the future outlook, the operating environment is expected to continue to recover.

Our Group’s mainstay segment of “Short-Term Operational Support Business” accounts for a high percentage of our Group’s consolidated net sales and operating profit at around 90%. The “Short-Term Operational Support Business” segment engages in the 4 services of placement, BPO, dispatching and outsourcing, and provides short-term staffing services in a timely manner based on changes in workload at customer companies. Our Company recognizes that the “Short-Term Operational Support Business” is moving from the conventional domain of providing necessary human resources in response to gaps in the busy period and slow periods of clients driven by the declining labor force population in Japan recently, to business domains for part-time workers directly hired by companies to maintain the minimum necessary workforce. Going forward, we will endeavor to the alleviate workers shortages in Japan by providing a more sophisticated of short-term staffing services.

Key Management Issues

To achieve the management policy in (1) and (2) and the management indicators, our Group recognizes that the business and financial issues to address in priority are as follows.

1) Sustained Improvement of Corporate Value

As stated in (1) Fundamental Management Policies and (2) Target Management Indicators, we consider the “sustained improvement of corporate value” as one of our most important management issues. Accordingly, we will manage our businesses by focusing upon capital efficiency through the maintenance of an appropriate level of shareholder equity while at the same time continuing to return profits to shareholders. In addition, we seek to realize further expansion of profits in the “Placement” and “BPO” services in the Group’s mainstay “Short-Term Operational Support Business”.

In the future, we will continue to promote rationalization as a means of fortifying our management structure, while at the same time assigning the highest priority to compliance. We also seek to further increase the confidence of all stakeholders in our Company.

2) Business Targets for the Fiscal Year Ending December 2024

The set objective for the fiscal year ending December 31, 2024 is “to further strengthen the business foundation to better respond to the demand related to the restart of various activities following the COVID-19 pandemic and to the labor shortage under the declining labor force, and to address the business environment where competition is expected to intensify in the spot work market, where the entry of players from other industries is also regarded as certain,” and the following measures will be implemented.

■ Implementation of strategic investments

We will quickly and further develop the business foundation and quickly capture demand through concentrated capital investment limited to the current fiscal year.

・Strengthen sales
  - Increase in sales staff and use of web advertising
・Media promotion, including digital media development, to strengthen the brand and increase recognition
・Strengthen hiring
  - Strengthen placement on job ads, social media, etc.
・Reinforce systems and strengthen operations
  - Move registration procedures, contracts, and various ledgers for clients online and promote client introduction
  - Improve web-based staffing order system and matching system
  - Improve and update the UI of the “Cast Portal,” the dedicated website for registered staff, and its app version, revise rules of use, revise payroll flow

Total amount 2,000 million yen

■ Promote PMI at new consolidated subsidiaries (GLOBEAT JAPAN INC., Imple, Inc.)

■ Promote partnerships between Group subsidiaries

3) “Fullcast Group Sustainability Basic Policy”

The Fullcast Group’s basic policy on sustainability is to contribute to solving social issues and to win the trust of all stakeholders involved in our business by achieving sustainable enhancement of corporate value based on our corporate philosophy of “Providing the best place for people to bring out their best.” We will implement the following sustainability activities.

1. As we are primarily engaged in short-term staffing services, it is difficult to imagine that climate change will have a major impact on our business. However, we will reduce our environmental impact and use resources efficiently in areas where we can contribute for the sustainable development of the global environment.
2. We will respond appropriately to the human rights impact and risks of corporate activities and strive to prevent human rights violations.
3. We are aware that the growth of our employees is the source of sustained enhancement of corporate value and we will strive for recruitment and training not tied to race, nationality, age, gender, and other attributes, as well as implement efforts to improve the working environment with a consideration to work-life balance.
4. We will strive to establish trust and engage in fair and appropriate transactions with jobseekers and client companies, our important business partners in operating the staffing services business.

4. Fundamental Principles on Selection of Accounting Standards

Our Group has a policy of preparing consolidated financial statements in accordance with Japanese Accounting Standards (Japanese GAAP) because of the ease of comparison with other companies and given the increased burden required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

Furthermore, we will continue to consider conditions in both Japan and abroad with regards to the potential implementation of IFRS.

5. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Million yen)

	FY12/22 End (December 31, 2022)	FY12/23 End (December 31, 2023)
ASSETS		
Current assets		
Cash and deposits	20,626	14,468
Notes and accounts receivable - trade	8,986	8,416
Merchandise	30	43
Supplies	20	30
Other	356	1,943
Allowance for doubtful accounts	(50)	(52)
Total current assets	29,967	24,849
Non-current assets		
Property, plant and equipment		
Buildings and structures	682	1,965
Accumulated depreciation and impairment	(413)	(1,254)
Buildings and structures, net	269	712
Machinery, equipment and vehicles	8	8
Accumulated depreciation and impairment	(6)	(7)
Machinery, equipment and vehicles, net	1	1
Tools, furniture and fixtures	805	1,078
Accumulated depreciation and impairment	(645)	(894)
Tools, furniture and fixtures, net	160	184
Land	184	1,145
Construction in progress	3	-
Total property, plant and equipment	617	2,042
Intangible assets		
Software	373	448
Goodwill	1,305	5,829
Trademark right	0	1,650
Other	22	22
Total intangible assets	1,699	7,950
Investments and other assets		
Investment securities	2,111	2,324
Guarantee deposits	576	1,192
Deferred tax assets	551	477
Other	89	156
Allowance for doubtful accounts	(7)	(12)
Total investments and other assets	3,321	4,137
Total non-current assets	5,637	14,128
Total assets	35,604	38,977

(Million yen)

	FY12/22 End (December 31, 2022)	FY12/23 End (December 31, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	52	537
Short-term borrowings	1,000	1,000
Accounts payable - other	1,860	1,751
Accrued expenses	1,874	1,876
Income taxes payable	1,710	1,250
Accrued consumption taxes	2,163	1,361
Provision for bonuses	286	177
Other	715	1,842
Total current liabilities	9,659	9,793
Non-current liabilities		
Retirement benefit liability	816	893
Asset retirement obligations	111	405
Deferred tax liabilities	60	620
Other	30	481
Total non-current liabilities	1,017	2,399
Total liabilities	10,676	12,192
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	21,286	24,868
Treasury shares	(2,664)	(4,647)
Total shareholders' equity	23,409	25,007
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	149	140
Foreign currency translation adjustment	174	253
Total accumulated other comprehensive income	323	394
Share acquisition rights	152	204
Non-controlling interests	1,044	1,181
Total net assets	24,928	26,785
Total liabilities and net assets	35,604	38,977

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

Consolidated Statement of Income

(Million yen)

	FY12/22 (January 1 to December 31, 2022)	FY12/23 (January 1 to December 31, 2023)
Net sales	64,645	68,974
Cost of sales	43,184	45,961
Gross profit	21,460	23,013
Selling, general and administrative expenses		
Salaries and bonuses	3,807	4,963
Other salaries	1,492	1,652
Provision for bonuses	126	(136)
Legal welfare expenses	820	971
Retirement benefit expenses	107	152
Communication expenses	360	369
Travel and transportation expenses	433	502
Rent expenses on land and buildings	893	1,153
Depreciation	214	351
Advertising expenses	303	374
Recruitment expenses	691	785
Provision of allowance for doubtful accounts	44	15
Amortization of goodwill	164	385
Other	2,185	2,819
Total selling, general and administrative expenses	11,637	14,355
Operating profit	9,823	8,658
Non-operating income		
Interest income	0	2
Dividend income	3	3
Share of profit of entities accounted for using equity method	64	56
Revenue - advertising	39	52
Other	38	62
Total non-operating income	144	175
Non-operating expenses		
Interest expenses	7	7
Handicapped employment fee	2	18
Settlement payments	47	48
Commission for purchase of treasury shares	4	24
Other	23	51
Total non-operating expenses	83	148
Ordinary profit	9,884	8,686

(Million yen)

	FY12/22 (January 1 to December 31, 2022)	FY12/23 (January 1 to December 31, 2023)
Extraordinary income		
Gain on sale of investment securities	69	346
Gain on sale of non-current assets	-	66
Subsidy income	16	-
Total extraordinary income	84	412
Extraordinary losses		
Loss on retirement of non-current assets	25	24
Loss on COVID-19	22	-
Other	-	0
Total extraordinary losses	47	24
Profit before income taxes	9,922	9,073
Income taxes - current	3,293	3,075
Income taxes - deferred	(112)	(25)
Total income taxes	3,181	3,050
Profit	6,741	6,024
Profit attributable to non-controlling interests	119	134
Profit attributable to owners of parent	6,622	5,889

Consolidated Statement of Comprehensive Income

(Million yen)

	FY12/22 (January 1 to December 31, 2022)	FY12/23 (January 1 to December 31, 2023)
Profit	6,741	6,024
Other comprehensive income		
Valuation difference on available-for-sale securities	3	(13)
Foreign currency translation adjustment	133	79
Total other comprehensive income	136	66
Comprehensive income	6,877	6,090
(Comprehensive income attributable to)		
Owners of parent	6,752	5,960
Non-controlling interests	125	130

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (January 1 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,780	2,006	16,369	(1,821)	19,334
Changes during period					
Dividends of surplus			(1,669)		(1,669)
Profit attributable to owners of parent			6,622		6,622
Purchase of treasury shares				(903)	(903)
Disposal of treasury shares			(36)	61	25
Net changes in items other than shareholders' equity					
Total changes during period	-	-	4,918	(842)	4,075
Balance at end of period	2,780	2,006	21,286	(2,664)	23,409

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	152	41	193	133	919	20,579
Changes during period						
Dividends of surplus						(1,669)
Profit attributable to owners of parent						6,622
Purchase of treasury shares						(903)
Disposal of treasury shares						25
Net changes in items other than shareholders' equity	(3)	133	130	19	125	274
Total changes during period	(3)	133	130	19	125	4,349
Balance at end of period	149	174	323	152	1,044	24,928

Current consolidated fiscal year (January 1 to December 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,780	2,006	21,286	(2,664)	23,409
Changes during period					
Dividends of surplus			(2,297)		(2,297)
Profit attributable to owners of parent			5,889		5,889
Purchase of treasury shares				(2,001)	(2,001)
Disposal of treasury shares			(11)	18	7
Net changes in items other than shareholders' equity					
Total changes during period	-	-	3,582	(1,983)	1,598
Balance at end of period	2,780	2,006	24,868	(4,647)	25,007

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	149	174	323	152	1,044	24,928
Changes during period						
Dividends of surplus						(2,297)
Profit attributable to owners of parent						5,889
Purchase of treasury shares						(2,001)
Disposal of treasury shares						7
Net changes in items other than shareholders' equity	(8)	79	71	51	137	259
Total changes during period	(8)	79	71	51	137	1,857
Balance at end of period	140	253	394	204	1,181	26,785

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY12/22 (January 1 to December 31, 2022)	FY12/23 (January 1 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	9,922	9,073
Depreciation	228	363
Amortization of goodwill	164	385
Increase (decrease) in allowance for doubtful accounts	31	4
Increase (decrease) in provision for bonuses	125	(132)
Interest and dividend income	(3)	(5)
Interest expenses	7	7
Share of loss (profit) of entities accounted for using equity method	(64)	(56)
Gain on sale of non-current assets	-	(66)
Loss on retirement of non-current assets	25	24
Loss (gain) on sale of investment securities	(69)	(346)
Loss on COVID-19	22	-
Decrease (increase) in trade receivables	(1,771)	961
Decrease (increase) in accounts receivable - other	(8)	(855)
Increase (decrease) in trade payables	310	(204)
Increase (decrease) in accrued expenses	330	(33)
Increase (decrease) in accrued consumption taxes	395	(857)
Increase (decrease) in accrued enterprise taxes	37	(49)
Increase (decrease) in retirement benefit liability	68	78
Other, net	197	1,062
Subtotal	9,946	9,354
Interest and dividends received	3	5
Interest paid	(7)	(7)
Payment of loss on COVID-19	(21)	-
Income taxes paid	(3,126)	(4,208)
Income taxes refund	1	18
Net cash provided by (used in) operating activities	6,796	5,163
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	-	1,158
Purchase of property, plant and equipment	(103)	(116)
Proceeds from sale of property, plant and equipment	-	266
Purchase of intangible assets	(181)	(183)
Purchase of investment securities	(13)	(98)
Proceeds from sale of investment securities	186	346
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(844)	(7,511)
Additional purchase of investments in consolidated subsidiaries	-	(450)
Proceeds from collection of loans receivable	6	27
Other, net	(9)	196
Net cash provided by (used in) investing activities	(958)	(6,366)

(Million yen)

	FY12/22 (January 1 to December 31, 2022)	FY12/23 (January 1 to December 31, 2023)
Cash flows from financing activities		
Repayments of long-term borrowings	(46)	(604)
Purchase of treasury shares	(907)	(2,026)
Dividends paid	(1,667)	(2,295)
Other, net	(2)	(30)
Net cash provided by (used in) financing activities	(2,622)	(4,954)
Effect of exchange rate change on cash and cash equivalents	0	-
Net increase (decrease) in cash and cash equivalents	3,216	(6,158)
Cash and cash equivalents at beginning of period	17,410	20,626
Cash and cash equivalents at end of period	20,626	14,468

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

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 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 consolidated financial statements.

(Additional Information)

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

Our Group has thus conducted accounting estimates assuming that there are no material impacts from COVID-19 during the current consolidated fiscal year because it is difficult to predict when the COVID-19 pandemic will end. However, there is a possibility that material impacts will occur on the consolidated financial statements in subsequent fiscal years, if we review our judgments according to changes in the future situation.

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

Effective from 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]

Previous consolidated fiscal year (January 1 to December 31, 2022)

1. Description of reportable segments

Our Company’s reporting segments are business units for which financial information can be obtained independently from our Company’s various structural units, and they are subject to regular examination by the Board of Directors to form decisions about allocations of management resources and to evaluate their performance.

Our Group has three reporting segments: 1) “Short-Term Operational Support Business,” 2) “Sales Support Business” and 3) “Security, Other Businesses.” The “Short-Term Operational Support Business” provides timely short-term staffing services that cater to fluctuations in client companies’ workloads. The “Sales Support Business” mainly engages in agency sales of telecommunications products focused on distributor networks and call center operations. The “Security, Other Businesses” mainly conducts security work for public facilities and general companies.

2. Explanation of measurements of sales, profit (loss), asset, and other items for each reportable segment

The accounting methods for each segment reported are similar to those described in the “Significant Accounting Policies in the Preparation of the Consolidated Financial Statements.”

The profit of each reporting segment is an amount based upon its operating profit. Inter-segment profits and transfers are based on market prices.

3. Disclosure of sales, profit (loss), asset, and other items for each reportable segment

(Million yen)

	Reporting segment				Total	Adjustment amount (Note)	Amount in consolidated financial statement
	Short-Term Operational Support Business	Sales Support Business	Restaurant Business	Security, Other Businesses			
Net sales							
Sales to external customers	59,439	2,882	-	2,324	64,645	-	64,645
Inter-segment sales or transfers	25	18	-	7	50	(50)	-
Total	59,463	2,900	-	2,332	64,695	(50)	64,645
Segment profit	10,533	89	-	263	10,885	(1,062)	9,823
Segment assets	17,627	2,692	-	867	21,186	14,418	35,604
Other							
Depreciation	199	12	-	4	215	13	228
Amortization of goodwill	164	-	-	-	164	-	164
Increase of property, plant and equipment and intangible assets	81	12	-	0	93	191	284

Notes: 1. (24) million yen in inter-segment eliminations and (1,038) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (1,062) 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 has been adjusted with the operating profit shown in the consolidated statement of income.
3. The amount of 14,418 million yen in adjustment of segment-based assets primarily consists of long-term investment assets (investment securities), assets involved in the administrative departments and other items incurred by the head office of the parent company.
4. The amount of 13 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings and structures, and software of the head office of our Company.
5. The amount of 191 million yen in adjustment for increased amount of the property, plant and equipment, and intangible assets is primarily comprised of those for buildings and structures of the head office of our Company and tools, furniture and fixtures, and software for a new system.

Current consolidated fiscal year (January 1 to December 31, 2023)

1. Description of reportable segments

Our Company’s reporting segments are business units for which financial information can be obtained independently from our Company’s various structural units, and they are subject to regular examination by the Board of Directors to form decisions about allocations of management resources and to evaluate their performance.

Our Group has 4 reporting segments: 1) “Short-Term Operational Support Business,” 2) “Sales Support Business,” 3) “Restaurant Business,” and 4) “Security, Other Businesses.” The “Short-Term Operational Support Business” provides timely short-term staffing services that cater to fluctuations in client companies’ workloads. The “Sales Support Business” mainly engages in agency sales of telecommunications products focused on distributor networks and call center operations. The “Restaurant Business” engages in restaurant chain management and the franchise business. The “Security, Other Businesses” mainly conducts security work for public facilities and general companies.

In the current fiscal year, our Group included 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” was therefore created in the Reporting Segments. Moreover, on October 1, 2023, an absorption-type merger was conducted with GLOBEAT JAPAN INC. as the surviving company and GLOBEAT INC. and GLOBEAT HOLDINGS INC. as the absorbed companies. In addition, segment information for the previous consolidated fiscal year has been prepared in accordance with the classification after the change and is presented in "3. Disclosure of sales, profit (loss), asset, and other items for each reportable segment” in the previous consolidated fiscal year.

2. Explanation of measurements of sales, profit (loss), asset, and other items for each reportable segment

The accounting methods for each segment reported are similar to those described in the "Significant Accounting Policies in the Preparation of the Consolidated Financial Statements."

The profit of each reporting segment is an amount based upon its operating profit. Inter-segment profits and transfers are based on market prices.

3. Disclosure of sales, profit (loss), asset, and other items for each reportable segment

(Million yen)

	Reporting segment				Total	Adjustment amount (Note)	Amount in consolidated financial statement
	Short-Term Operational Support Business	Sales Support Business	Restaurant Business	Security, Other Businesses			
Net sales							
Sales to external customers	59,019	3,111	4,475	2,369	68,974	-	68,974
Inter-segment sales or transfers	13	18	-	8	39	(39)	-
Total	59,032	3,129	4,475	2,377	69,013	(39)	68,974
Segment profit	9,318	134	188	229	9,868	(1,210)	8,658
Segment assets	18,398	2,735	10,225	788	32,146	6,831	38,977
Other							
Depreciation	217	11	118	3	349	14	363
Amortization of goodwill	317	-	68	-	385	-	385
Increase of property, plant and equipment and intangible assets	74	3	64	0	142	158	299

Notes:
1. (12) million yen in inter-segment eliminations and (1,198) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (1,210) 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 has been adjusted with the operating profit shown in the consolidated statement of income.
3. The amount of 6,831 million yen in adjustment of segment-based assets primarily consists of long-term investment assets (investment securities), assets involved in the administrative departments and other items incurred by the head office of the parent company.
4. The amount of 14 million yen for adjusting the depreciation expenses primarily consists of depreciation for the buildings and structures, and software of the head office of our Company.
5. The amount of 158 million yen in adjustment for increased amount of the property, plant and equipment, and intangible assets is primarily comprised of those for buildings and structures of the head office of our Company and tools, furniture and fixtures, and software for a new system.

(Related Information)

Previous consolidated fiscal year (January 1 to December 31, 2022)

1. Information about each product or service

Information in this section is omitted because it is similar to information disclosed in the segment information section.

2. Information for geographical regions

Information in this section is omitted, as we did not have any consolidated subsidiaries or offices located in foreign countries or regions outside of Japan.

3. Information about major customers

The information in this section is omitted, as there is no single external customer representing 10.0% or more of net sales of the consolidated statement of income.

Current consolidated fiscal year (January 1 to December 31, 2023)

1. Information about each product or service

Information in this section is omitted because it is similar to information disclosed in the segment information section.

2. Information for geographical regions

Information in this section is omitted, as we did not have any consolidated subsidiaries or offices located in foreign countries or regions outside of Japan.

3. Information about major customers

The information in this section is omitted, as there is no single external customer representing 10.0% or more of net sales of the consolidated statement of income.

(Information concerning impairment loss on non-current assets for each reporting segment)

Previous consolidated fiscal year (January 1 to December 31, 2022)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2023)

There are no relevant matters.

(Information regarding the amount of amortization of goodwill and unamortized balance for each reporting segment)

Previous consolidated fiscal year (January 1 to December 31, 2022)

(Million yen)

	Reporting segment					Company-wide/ amortization	Total
	Short-Term Operational Support Business	Sales Support Business	Restaurant Business	Security, Other Businesses	Total		
Amount of amortization for the fiscal year	164	-	-	-	164	-	164
Balance at end of period	1,305	-	-	-	1,305	-	1,305

Current consolidated fiscal year (January 1 to December 31, 2023)

(Million yen)

	Reporting segment					Company-wide/ amortization	Total
	Short-Term Operational Support Business	Sales Support Business	Restaurant Business	Security, Other Businesses	Total		
Amount of amortization for the fiscal year	317	-	68	-	385	-	385
Balance at end of period	3,860	-	1,969	-	5,829	-	5,829

(Information concerning gain on negative goodwill for each reporting segment)

Previous consolidated fiscal year (January 1 to December 31, 2022)

There are no relevant matters.

Current consolidated fiscal year (January 1 to December 31, 2023)

There are no relevant matters.

(Per-share Information)

FY12/22 (January 1 to December 31, 2022)		FY12/23 (January 1 to December 31, 2023)	
Net assets per share	657.21 yen	Net assets per share	721.42 yen
Basic earnings per share	183.11 yen	Basic earnings per share	164.86 yen
Diluted earnings per share	182.14 yen	Diluted earnings per share	163.93 yen

Notes: The basis for calculating basic earnings per share and diluted earnings per share in the current fiscal year is as follows.

Item	FY12/22 (January 1 to December 31, 2022)	FY12/23 (January 1 to December 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	6,622	5,889
Profit attributable to owners of parent related to ordinary shares (million yen)	6,622	5,889
Profit not available to ordinary shares (million yen)	-	-
Average number of ordinary shares outstanding during the period (shares)	36,163,688	35,723,492
Diluted earnings per share		
Adjusted profit attributable to owners of parent (million yen)	-	-
Increase of ordinary shares (shares)	193,284	202,713
(of these, share acquisition rights [shares])	(193,284)	(202,713)
Overview of potential stock not included in calculation of diluted earnings per share because the stock has no dilution effect	-	-

(Major Subsequent Events)

There are no relevant matters.