Consolidated Business Results for the First Three Quarters of the Fiscal Year Ending December 2020 (Jan.–Sep. 2020)

FASF
MEMBERSHIP

November 6, 2020
FULLCAST HOLDINGS CO., LTD. (4848)

1. 3Q FY12/20 Consolidated Business Highlights (Jan.–Sep. 2020)

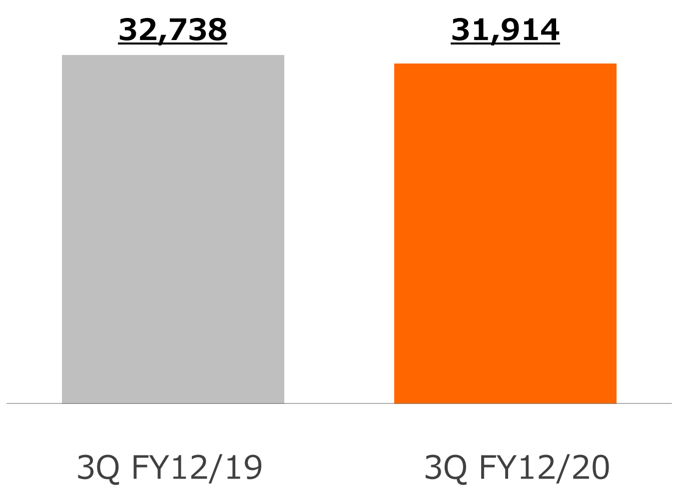
Consolidated: 3Q FY12/20 Year-on-Year Comparison

- **Net sales declined by 2.5% year-on-year** due to the impacts dampening overall client demand due to the slowdown in business activities caused by COVID-19 and the impacts on recovery in client demand caused by concerns over a second wave of infections, in the mainstay "Short-Term Operational Support Business".
- **Operating profit declined by 13.0% year-on-year and operating profit ratio dropped by 1.8 PT** due to the drop in revenue from the mainstay "Short-Term Operational Support Business".

Net Sales

(Million yen)

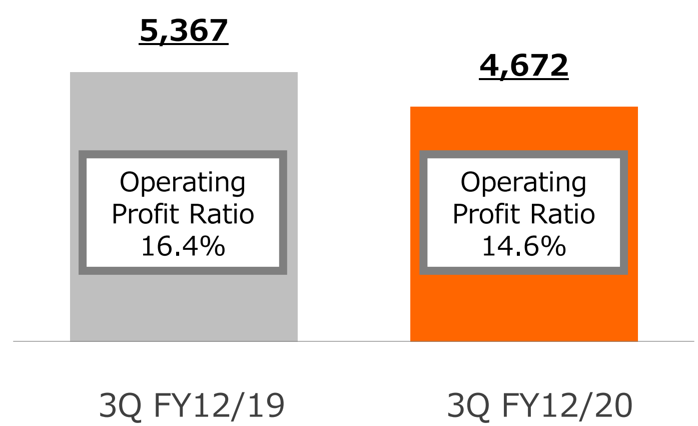
(2.5)%



Operating Profit

(Million yen)

(13.0)%



Consolidated: 3Q FY12/20 Year-on-Year Comparison

- **SG&A expenses rose by 1.5% year-on-year**, due mainly to the inclusion of the business performance of NIHON DENKI SERVICE Co., Ltd. and HR Management Co., Ltd. after the two companies became consolidated subsidiaries from this fiscal year. However, **excluding both companies, SG&A expenses declined by 2.0% year-on-year**.
- **Ordinary profit fell by 14.2% year-on-year** due to the impacts of the COVID-19 pandemic.
- **Profit attributable to owners of parent declined by 12.5% year-on-year**, because gain on sales of investment securities of 250 million yen was booked as an extraordinary income following the partial sale of investment securities during the second quarter, and loss on COVID-19 of 26 million yen was booked as an extraordinary loss, among other factors.

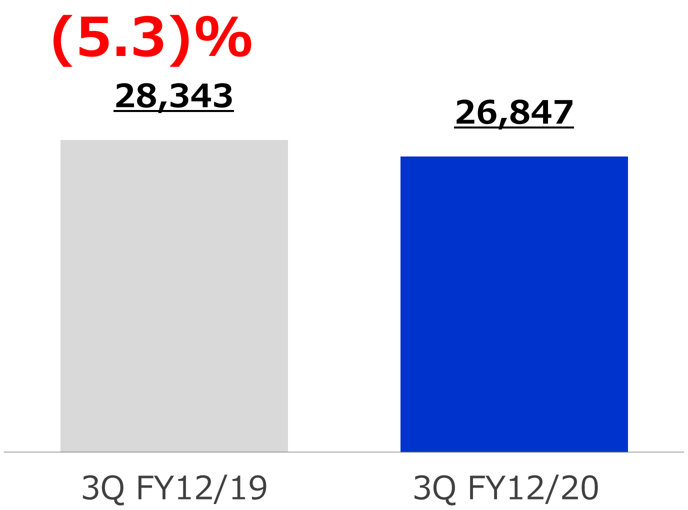
(Million yen)

	3Q FY12/19	3Q FY12/20	Difference	Rate of change
Net sales	32,738	31,914	(824)	(2.5)%
Gross profit	13,846	13,276	(570)	(4.1)%
SG&A expenses	8,479	8,605	125	1.5%
Operating profit	5,367	4,672	(695)	(13.0)%
Operating profit ratio	16.4%	14.6%	—	(1.8)PT
Ordinary profit	5,478	4,699	(779)	(14.2)%
Profit attributable to owners of parent	3,618	3,167	(451)	(12.5)%

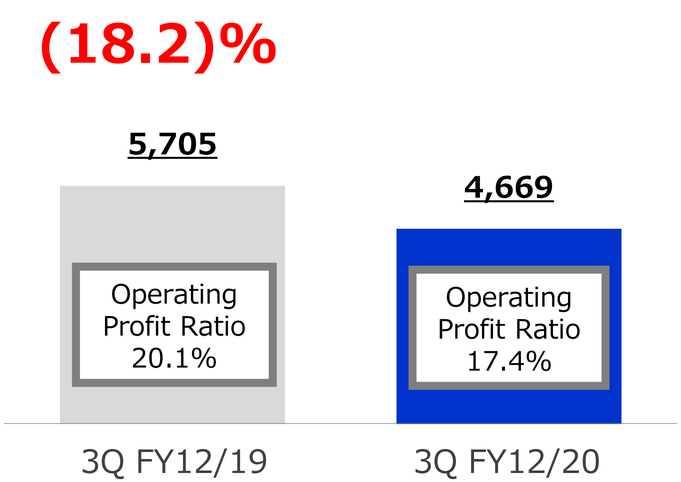
2. 3Q FY12/20 Segment Highlights (Jan.–Sep. 2020)

Short-Term: 3Q FY12/20 Year-on-Year Comparison

Net Sales (Million yen)



Operating Profit (Million yen)



Net Sales

- **Net sales declined by 5.3% year-on-year because in particular to the impacts from the contraction in overall demand among client companies in event- and service-related sectors (restaurants, retail, accommodations) caused by the COVID-19 pandemic, and the temporary peak demand for shipments of pharmaceuticals, daily essentials and foods in the logistics industry, which we had handled during the second quarter, calmed in the third quarter.**

Operating Profit

- **Operating profit decreased by 18.2% year-on-year and operating profit ratio declined by 2.7 PT, due mainly to the decline in gross profit resulting from the drop in net sales.**

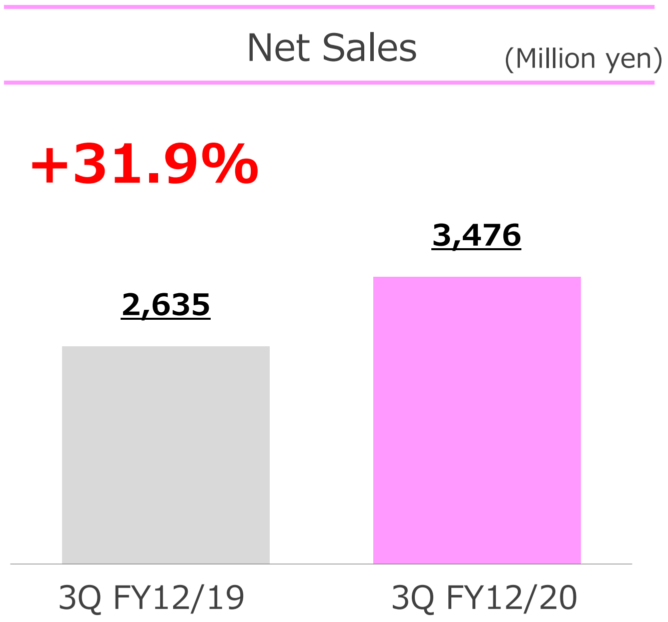
Short-Term: 3Q FY12/20 Year-on-Year Comparison (By Service Category)

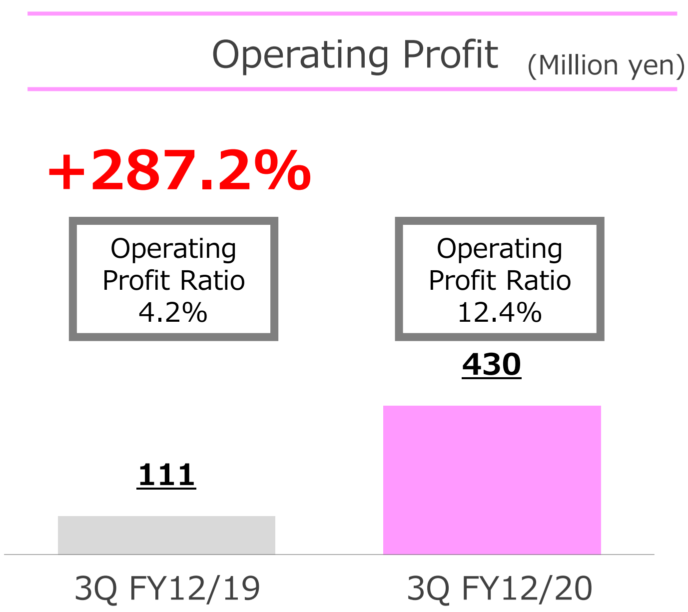
(Million yen)

	3Q FY12/19	3Q FY12/20	Difference	Rate of change
Net sales	28,343	26,847	(1,495)	(5.3)%
Placement	4,470	3,222	(1,248)	(27.9)%
BPO	4,809	4,759	(51)	(1.1)%
Dispatching	15,530	17,079	1,549	10.0%
Outsourcing	3,533	1,788	(1,745)	(49.4)%
Gross profit	12,400	11,288	(1,112)	(9.0)%
Placement	4,335	3,152	(1,183)	(27.3)%
BPO	4,585	4,469	(116)	(2.5)%
Dispatching	2,603	2,999	395	15.2%
Outsourcing	877	669	(208)	(23.8)%

- **We were able to increase sales of "Dispatching" services and boost gross profit, even in an environment impacted by COVID-19, because we responded to long-term staffing needs from among hiring demand of client companies.**
- **However, the increase in gross profit of "Dispatching" was not able to cover the drop in gross profit of "Placement" due to the COVID-19 impacts.**
- **Both net sales from "Outsourcing" and gross profit declined due to the COVID-19 impacts of postponements and cutbacks in the size of professional baseball games and various other events.**
- **Among our "BPO" services, the "Part-Time Worker Payroll Management" service posted smaller declines in sales and gross profit than "Placement" services. In addition, HR Management Co., Ltd. was newly added as a consolidated subsidiary and BOD Co., Ltd. grew, which resulted in sales and gross profit for "BPO" services on par with the previous year.**

Sales Support: 3Q FY12/20 Year-on-Year Comparison





Net Sales

- **Net sales increased by 31.9% year-on-year, due mainly to the acquisition of telework for the sale of Internet access, which is a mainstay business, during Japan's state of emergency as special demand in the second quarter of the fiscal year, and the inclusion of the earnings of NIHON DENKI SERVICE Co., Ltd., a newly consolidated subsidiary from this fiscal year.**

Operating Profit

- **Operating profit increased by 287.2% year-on-year due to the increase in net sales.**

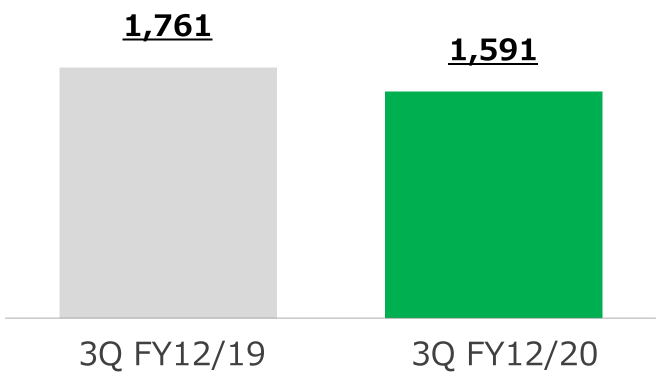
✓ NIHON DENKI SERVICE Co., Ltd., which was an unconsolidated subsidiary equity method affiliate, has been included in the scope of consolidation from the first quarter of the fiscal year ending December 2020.

✓ The "Sales Support Business" segment is mainly comprised of the "call center", "online", "alliance", "entertainment" and "electricity charge reduction service" businesses.

Security, Other: 3Q FY12/20 Year-on-Year Comparison

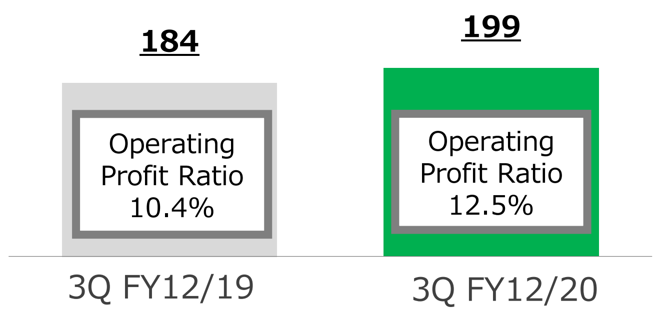
Net Sales (Million yen)

(9.6)%



Operating Profit (Million yen)

+8.4%



Net Sales

- **Net sales declined by 9.6% year-on-year due mainly to a decline in temporary security projects caused by the impacts of COVID-19 pandemic.**

Operating Profit

- **Operating profit remained largely unchanged year-on-year, up 8.4%, due to an increase in operating profit ratio of 2.1 PT through curtailing SG&A expenses, mainly recruitment expenses and personnel costs, and despite the drop in net sales.**

3. 3Q FY12/20 Progress Relative to Business Forecast

3Q FY12/20 Progress Relative to Business Forecast

- Results for the first three quarters of the fiscal year ending December 2020 indicate a rate of progress of 76.7% for net sales, 82.0% for operating profit, 82.7% for ordinary profit, and 82.4% for profit attributable to owners of parent, in comparison to the revised full-year business forecast. As a result, each rate of progress exceeds 75%, which is a level where revisions to the business forecast will not be required.
- We expect demand to continue recovering heading toward the end of this fiscal year. Note that we post quarter-specific expenses in the fourth quarter, including actuarial differences related to retirement benefits, and expenses of the "Year-End Tax Adjustment Management" service under "BPO" services are booked in the said quarter while sales in the subsequent fiscal year.

(Million yen)

		3Q FY12/20	Revised full-year FY12/20 forecast	Rate of progress
Net sales		31,914	41,600	76.7%
Gross profit		13,276	17,279	76.8%
Operating profit		4,672	5,700	82.0%
Ordinary profit		4,699	5,680	82.7%
Profit attributable to owners of parent		3,167	3,845	82.4%
Short-Term Operational Support Business	Net sales	26,847	35,333	76.0%
Sales Support Business	Net sales	3,476	4,275	81.3%
Security, Other Businesses	Net sales	1,591	1,992	79.9%

(Reference) Basic Stance on Capital Policy

■ Basic Stance on Capital Policy

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

- **Maintaining a total return ratio of 50% relative to shareholders as an indicator to support sustained improvement in corporate value and to maximize capital efficiency.**
- **Our goal of enhancing corporate value is to maintain an ROE of 20% or greater.**
- **We will maintain a maximum D/E ratio of 0.5x in order to enhance corporate value and to maintain financial soundness.**

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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 is referred to as "Placement"; and "Part-Time Worker Payroll Management", "My Number Management", "Year-End Tax Adjustment Management" etc, and BPO services by BOD Co., Ltd. are referred to as "BPO" in the "Short-Term Operational Support Business", which were launched along with the implementation of the Revised Worker Dispatching Act on October 1, 2012. In addition, "Long-Term Dispatching" services with a contract period of 31 days or longer, which has been conducted after the implementation of the Revised Worker Dispatching Act, is referred to as "Dispatching."

● Short-Term Operational Support Business

- The earnings of HR Management Co., Ltd., which became a consolidated subsidiary on January 1, 2020, have been included in "BPO" services since the first quarter of the fiscal year ending December 2020.
- "BPO" services represent the aggregated total of "Part-Time Worker Payroll Management", "My Number Management", "Year-End Tax Adjustment Management", and BPO services conducted by BOD Co., Ltd.
- The figures for each service category of the "Short-Term Operational Support Business" segment represent reference figures and have not been audited by our accounting auditor.

● Sales Support Business

- NIHON DENKI SERVICE Co., Ltd., which was an unconsolidated subsidiary equity method affiliate, has been included in the scope of consolidation from the first quarter of the fiscal year ending December 2020.
- The "Sales Support Business" segment is mainly comprised of the "call center", "online", "alliance", "entertainment" and "electricity charge reduction service" businesses.
- The "call center", "online" and "alliance" businesses each involve the sale of Internet access.

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

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