

May 11, 2004

Fullcast Co., Ltd. (Second Section of the Tokyo Stock Exchange: 4848)

Fullcast Office Support Co., Ltd.

**A new challenge has been taken up by Fullcast Office Support Co., Ltd.,  
whose operations are centered on dispatching manpower for white-collar work!**

**Fullcast Office Support has launched  
a Japanese version of PEO (Professional Employer Organization),  
which has been an established mode of employment in the United States.**

**As the initial step, Sony Music Group has introduced Fullcast Office Support's PEO  
for its part-time workers. Its approximately 300 part-time workers were transferred  
to Fullcast Office Support, who in turn has been dispatched  
to the Sony Music Group as from April 2004.**

Fullcast Office Support Co., Ltd. (FOS) and Sony Music Group (SMG) signed an agreement for the Japanese version of PEO in December last year. FOS is an affiliate of the group formed by general human resources outsourcing business operator Fullcast Co., Ltd. (headed by Chief Executive Officer Takehito Hirano) specialized in dispatching manpower, introducing personnel and providing contractual work for white-collar work (based in Tokyo's Shibuya Ward; headed by President Kazuki Sakamaki).

Under this deal, as part of a personnel program to be newly introduced by SMG, about 300 part-time workers, which were on SMG's payroll, have been transferred to FOS, subject to their consent, as of April 1, 2004 and dispatched to SMG as FOS's personnel as from the same day to be engaged in the same job as before.

The Japanese version of PEO is a new business model based upon Fullcast Group's expertise on dispatching/introducing manpower and providing contractual work. In the U.S. PEO has been growing rapidly and already established as a mode of employment. FOS has adapted PEO to the situation specific to Japan (in terms of laws and regulations).

This PEO deal closed between SMG is the very first one for the Fullcast Group. FOS has launched this program in the Tokyo Metropolitan area, but is scheduled to expand it throughout the nation by the end of this fiscal year.

Companies, which introduce the Japanese version of PEO, can expect to enjoy benefits in terms of the cost thanks to efficient/strategic staffing and those resulting from turning personnel expenses into variable expenses, reduction in human resources/labor management business and in risk of employment, or being able to focus on their core competence to name but a few.

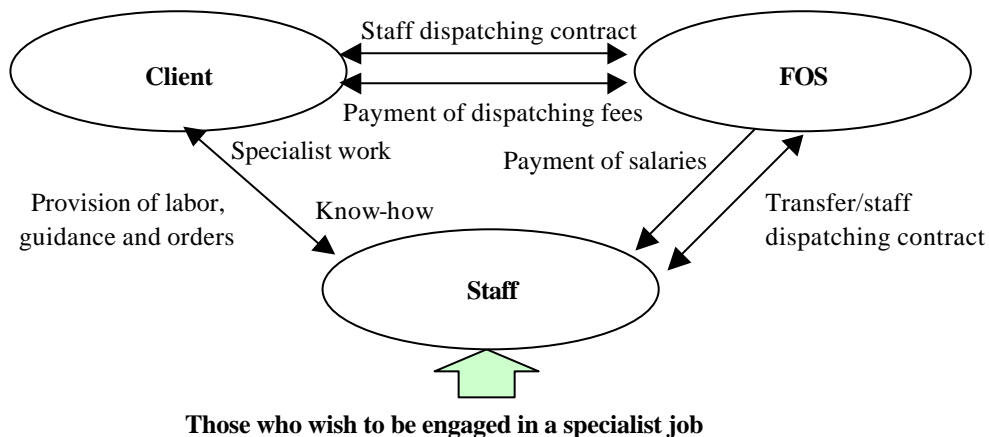
Furthermore, staff members, who work as FOS's dispatched workers, are the same as before; thus, they can be transferred without a hitch under business operations. SMG has rated the program highly by saying that it has proven useful from a business strategic perspective.

The Fullcast Group's Japanese version of PEO is not to reduce workers as part of companies' restructuring measures, but to replace employment; thereby creating jobs, which is unprecedented in this regard as well. From the standpoint of transferred staff members, though the form of employment (labor and management relations) changes, there will be no change to the application of social insurance, salaries and others. On top of these, they will enjoy yet another benefit of being able to use the Fullcast Group's welfare program.

Under the Japanese version of PEO, there are a large number of highly skilled staff members in the respective fields available, who will become workers dispatched by FOS. Thus, they can be engaged not only in clerical work, but also in other specialist areas.

Though they will be dispatched to SMG alone for now, FOS intends to propose the Japanese version of PEO to other companies in other industries, including music and mass communication, in a bid to expand it in those where special skills are required, such as the retail, franchise or sales promotion industries, as well. Thereby, it aims at attaining net sales of 5 billion yen under this project three years later in 2007.

**The concept of the Japanese version of PEO**



**PEO (Professional Employer Organization) established in the U.S.**

PEO is a mode of employment under which personnel are jointly employed. This was created in the U.S. about 10 years ago and has been growing rapidly since then. PEO takes care of various businesses involved with employment (human resources/general administration function) in a professional manner as the second employer of workers. The client company focuses on giving guidance/orders and exercising the power to shuffle personnel as the first employer. Salaries for workers will be paid by PEO. In principle, with long-term employment as a precondition, PEO improves a welfare program for employees at low cost. As a result, it expanded among medium- and small-size businesses first and has been spreading into large corporations widely as well by now.

In the U.S., the PEO market has grown at an annual rate of more than 30% and the size reached 72 billion dollars (roughly a little more than 7 trillion yen) in 2003, accounting for roughly 35% of the human resources market (according to a projection by Staffing Industry Analysts, Inc.). The U.S. PEO Association has been established, while it has already won adequate social recognition.

Such rapid growth of the market can in part be attributed to a decrease in full-time employees due to an acceleration of core competence management in the 1990s and diversification of non-full-time workers in the wake of the restructuring trend in the 1980s.

*Note: In Japan, the form of joint employment is not approved under laws and regulations. Thus, it is impossible to conduct the U.S.-style PEO business in actuality.*



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