

## Brief Announcement of Consolidated Financial Results for the Fiscal Year Ending September 30, 2004

Company name:	Fullcast Co., Ltd.
Stock code:	4848
Stock Exchange listing:	First Section of the Tokyo Stock Exchange
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Board meeting for approving:	November 8, 2004
Accounting Principle:	Japanese GAAP

### 1. Consolidated Financial Results for the Fiscal Year Ending September 30, 2004 (October 1, 2003 – September 30, 2004)

#### (1) Consolidated business results

	Net sales		Operating income		Ordinary income	
	Millions of yen	YoY change (%)	Millions of yen	YoY change (%)	Millions of yen	YoY change (%)
Fiscal year ended September 2004	49,688	30.9	3,255	32.6	3,292	28.7
Fiscal year ended September 2003	37,945	44.2	2,455	62.5	2,558	72.4

	Net income for the current fiscal year		Net income per share for the current fiscal year	Diluted net income per share for the current fiscal year	ROE	Ratio of ordinary income to total capital	Ratio of ordinary income to sales
	Millions of yen	%	Yen	Yen	%	Yen	%
Fiscal year ended September 2004	1,511	26.3	5,603.88	5,578.67	15.4	18.8	6.6
Fiscal year ended September 2003	1,196	245.0	27,373.46	27,118.49	14.8	17.4	6.8

- Notes:
1. Investment profit and loss on equity method (millions of yen)  
 Fiscal year ended September 2004: 1  
 Fiscal year ended September 2003: 6
  2. Average number of shares outstanding (consolidated)  
 Fiscal year ended September 2004: 269,796 shares  
 Fiscal year ended September 2003: 43,715 shares
  3. Changes in accounting principles applied: None
  4. Each year-on-year (YoY) change represents its relevant change in percentage compared to the same period of the previous year.

**(2) Consolidated financial condition**

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended September 2004	19,461	10,977	56.4	40,165.04
Fiscal year ended September 2003	15,493	8,719	56.3	198,486.00

Note: Number of shares outstanding

As of September 30, 2004: 273,312 shares

As of September 30, 2003: 43,929 shares

**(3) Consolidated cash flows position**

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended September 2004	-5	-73	1,016	6,088
Fiscal year ended September 2003	1,545	1,604	-1,741	5,150

**(4) Scope of consolidation and application of equity method**

Consolidated subsidiaries: 7  
 Unconsolidated subsidiaries under equity method application: None  
 Affiliates under equity method application: 1

**(5) Changes in the scope of consolidation and affiliates under the equity method**

Consolidated subsidiaries  
 Newly added: 2  
 Excluded: None  
 Affiliates accounted for under the equity method  
 Newly added: None  
 Excluded: None

**2. Forecast for Consolidated Financial Results for the Year Ending September 2005**  
**(October 1, 2004 – September 30, 2005)**

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Half year	32,730	1,980	1,120
Full year	70,420	4,770	2,670

Reference: Estimated net income per common share for the full year: 9,769.05 yen

Note: Figures stated above are rounded down to the nearest million yen.

Estimated earnings per share for the fiscal year ending September 30, 2004 is calculated based on the average number of shares outstanding during the fiscal year after common stocks were split.

The above-mentioned forecast is based on the assumptions and other relevant factors discussed in the "Outlook for the September 2005 Fiscal Year" section on page 7.



**[Disclaimer Regarding Forecast and Projections]**

This Consolidated Financial Results includes forecasts, projections and other predictive statements that represent Fullcast's assumptions and expectations in light of currently available information. These forecasts, etc., are based on industry trends, circumstances involving clients and other factors, and they involve risks, variables and uncertainties. The Group's actual performance results may differ from those projected in this Consolidated Financial Results. Consequently, no guarantee is presented or implied as to the accuracy of specific forecasts, projections or predictive statements contained herein.

Attached Material to Brief Announcement of Consolidated Financial Results for the Fiscal Year Ended September 30, 2003.

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*\*Due to large volume of data, please refer to the page indicated by contents.*

Of all plans, forecasts, strategies and others, those which are not historical facts are future outlooks based upon certain conditions and our management's judgement based upon currently available data.

Therefore, we advise that you not rely solely on these outlooks in weighing our business results, corporate value and other factors. Please also be informed that actual financial results may vary widely from these outlooks due to various factors.

Important factors that may have an impact on actual financial results include: (1) The economic situation surrounding the company (index of mining and industrial output, inventory index, etc.) and changes in the employment situation; (2) Fluctuations in interest rates, etc.; (3) Damage to cooperate infrastructure due to disasters, including earthquakes; and (4) Changes in the relevant laws, including the Labor Standards Law and the Worker Dispatch Law, and in interpretations of thereof. However, the factors that may affect the financial results shall not be limited to these.

Furthermore, please bear in mind that notwithstanding new data, future events or any other results whatsoever, we will not always reexamine our outlooks.

# 1. Results of Operations

**At the Fullcast Group, sales, operating income, and ordinary income all set records for the consolidated fiscal year ended September 30, 2004. All business segments showed growth.**

## (1) Operating Highlights in the September 2004 Fiscal Year

Fiscal year ended September 30, 2004 (October 1, 2003 – September 30, 2004)

(Previous period ended September 30, 2003 (October 1, 2002 – September 30, 2003))

### 1) Consolidated operating highlights

	2004	2003	(Millions of yen) YoY change
Net sales	49,688	37,945	30.9%
Operating income	3,255	2,455	32.6%
Ordinary income	3,292	2,558	28.7%
Current net income	1,511	1,196	26.3%
Current net income per share	¥5,603.88	¥27,373.46	—

\*As of November 20, 2003 we split common shares on a three-for-one-stock-split basis. And as of May 20, 2004 we split common shares on a two-for-one-stock-split basis. Current net income per share was calculated on the assumption that the stock split was carried out at the beginning of the period.

## Summary

In the fiscal year ending September 30, 2004, the Fullcast Group's business successfully continued to grow thanks to an increase in orders from both existing and new client companies. This can be attributed to the following factors.

1. Demand for outsourcing services increased in Japan because companies strengthened their development, design, production, logistics and sales activities. We established a nationwide service system promptly by expanding our office network aggressively.
2. Our competitive services and quick response to customer needs enabled us to successfully meet demand proactively.

By segment, business performances by all the Spot, Factory and Technology Business segments improved steadily.

Geographically, orders continued to increase from the Tokai and Western Japan regions, where a local economy made a remarkable recovery, from the first half of the fiscal year.

Meanwhile, selling, general and administrative expenses (SG&A), mainly including personnel expenses, which tend to increased due to an aggressive office network expansion, increased as the Fullcast Group expanded its office network aggressively. As a result, the ratio of selling expenses in sales decreased to 21.9%, down 0.6 percentage points from the previous business year. In addition, 317 million yen in amortization of consolidation account adjustment, which was depreciated in a lump as a result of turning Apayours Co., Ltd. into the Company's wholly owned subsidiary through equity swap on June 1, 2004, was recorded as an extraordinary loss.

As a result, net sales increased 30.9% over the same period last year to 49,688 million yen, with operating income rising 32.6 % to 3,255 million yen and current net income being 1,511 million yen in the current fiscal year in review, up 26.3 % compared to the same time last year.

## 2) Operating highlight by business segment in the September 2004 Fiscal Year

### Spot Business

(Millions of yen)

	2004	2003	YoY change
Sales to external customers	30,814	22,205	38.8%
Inter-segment	319	382	-16.4%
Total sales	31,134	22,588	37.8%
Operating income	2,863	2,269	26.1%
Operating income margin	9.2%	10.0%	—

In the Spot Business area on the outsourcing market, demand continues to grow in various parts of the nation due to a change in the profit-earning structure and the employment system, which encourages companies to make effective use of outsourcing services instead of having regular employees carry out the entire range of business activities, in addition to a steady recovery of the Japanese economy. Under such business circumstances, in order to strengthen the ability to better meet the client company's needs, the Company continued to improve its network of outlets across the nation from the first half of the fiscal year by opening another 142 outlets in the quarter in review. At the end of the reporting quarter there were a total of 222 outlets for the Spot Business across the nation, namely, 215 operated by Fullcast Co., Ltd. and 7 by Fullcast Office Support Co., Ltd., up 142 from the same period last year. On top of this, 29 outlets by Apayours were added (original 24 outlets and additional 5 new outlets), which brought the total to 251 outlets across the nation, up 171 from the same period last year. Thanks to such aggressive placement of outlets, orders increased not only from the existing industries centered on physical distribution/warehouse-related businesses, which handle consumer electronics, beverages and others, but from new clients involved in food industry as well as nationwide events and sales promotion. As a result, operating results grew.

By region, orders from the Tokai regions increased in particular.

Furthermore, the number of client companies, which adopted the high-quality solution unique to the Group aimed at promoting qualitative improvements of operation to help them improve operational efficiency, rose smoothly. Meanwhile, in terms of SG&A, in order to avoid decrease in income by the increased cost of opening outlets and labor cost due to positive staffing, the Group made effective use of information technology in recruiting staffs efficiently. Thereby, it was able to restrain the cost of employing registered staffs.

As a result, segment sales increased 37.8% from a year earlier to 31,134 million yen, with operating income rising 26.1% to 2,863 million yen.

Note: The high-quality solution can be defined as a new style of outsourcing aimed at improving productivity of a company by involving ourselves into improving work efficiency as well.

### Factory Business

(Millions of yen)

Three months ended June 30	2004	2003	YoY change
Sales to external customers	12,234	10,713	14.2%
Inter-segment	34	39	-11.5%
Total sales	12,269	10,752	14.1%
Operating income	564	594	-4.9%
Operating income margin	4.6%	5.5%	—

In the Factory Business segment in the wake of the lifting of a ban on dispatching workers to production line work under the revised Worker Dispatch Law, which took effect as from March 1, 2004, Fullcast Factory Co., Ltd. and Fullcast Central Co., Ltd. made available the system, which allows a client company to choose between dispatching of temporary staffs and providing work by contract; thereby meeting its needs better.

Fullcast Factory, a specialist company that provides production line work for industries other than the automotive industry, saw orders from production lines for high-performance cellular phones with camera functionality and digital consumer electronics, such as DVD recorders with HDD or thin-type televisions, remained brisk throughout the fiscal year. In addition, orders from the food and beverage industries increased.

Similarly, business performance by Fullcast Central, a specialist company the provides production line work for the

automotive industry, grew further, thanks to a steady increase in orders from its main clients, but from new client companies as well due to strong overseas demand.

In terms of SG&A, foreseeing the future expansion of business, the Company beefed up staffing actively. In consequence, personnel expenses increased and the cost of hiring also rose because so-called “mismatch in employment” became evident and recruiting activities became increasingly difficult as employment conditions became better and better.

As a result, segment sales increased 14.1% from the same period of the preceding year to 12,269 million yen, with operating income, down 4.9% to 564 million yen.

At the end of the reporting quarter there were a total of 43 outlets across the nation, 24 operated by Fullcast Factory, up 5 from the same period last year, and 19 by Fullcast Central, up 6.



**Technology Business**

(Millions of yen)

	2004	2003	YoY change
Sales to external customers	6,212	4,313	44.0%
Inter-segment	52	489	-89.3%
Total sales	6,264	4,802	30.4%
Operating income	324	201	60.9%
Operating income margin	5.2%	4.2%	—

In the Technology Business, which is mainly specialized in dispatching technical experts, with a growing demand for semiconductors, personal computers and liquid crystal digital-related items as the backdrop, the information technology and electronics industries actively invested in research and development and plant and equipment. For this reason, there was a growing demand for technical experts. Against such background, the Company was able to assign 152 newly graduated engineers early. As a result, the utilization rate of engineers rose to 95.5% in the fiscal year in review. The unit cost of order continued to rise from the previous quarter.

As a result, segment sales increased 30.4% from the same time last year to 6,264 million yen and operating income was 324 million yen, up 60.9% from the same time last year.

**(2) Fourth Quarter Business Results Highlights for the September 2004 Fiscal Year**

Fourth quarter for FY 2004 (July 1, 2004 – September 30, 2004)

Fourth quarter for FY 2003 (July 1, 2003 – September 30, 2003)

**1) Consolidated**

(Millions of yen)

	2004 Q4	2003 Q4	YoY change
Net sales	14,819	10,054	47.4%
Operating income	1,100	768	43.3%
Ordinary income	1,131	782	44.6%
Current net income	666	342	94.9%
Current net income per share	2,438.59	7,792.92	—

\* As of November 20, 2003 we split common shares on a three-for-one-stock-split basis. And as of May 20, 2004 we split common shares on a two-for-one-stock-split basis.

**2) By business segment****Spot Business**

(Millions of yen)

	2004 Q4	2003 Q4	YoY change
Sales to external customers	9,536	5,657	68.5%
Inter-segment sales	65	99	-33.6%
Total sales	9,602	5,756	66.8%
Operating income	786	544	44.5%
Operating income margin	8.2%	9.5%	—

**Factory Business**

(Millions of yen)

	2004 Q4	2003 Q4	YoY change
Sales to external customers	3,296	2,946	11.9%
Inter-segment sales	4	11	-57.7%
Total sales	3,301	2,957	11.6%
Operating income	193	236	-18.4%
Operating income margin	5.8%	8.0%	—

**Technology Business**

(Millions of yen)

	2004 Q4	2003 Q4	YoY change
Sales to external customers	1,882	1,207	55.9%
Inter-segment sales	3	446	-99.3%
Total sales	1,885	1,653	14.0%
Operating income	182	144	26.5%
Operating income margin	9.7%	8.7%	—

**(3) Outlook for the September 2005 Fiscal Year**

Projected consolidated business results for the fiscal year ending September 2005 and current status  
(October 1, 2004 – September 30, 2005)

(Millions of yen)

	Original projection for the September 2005 fiscal year	Actual results for the September 2004 fiscal year	Rate of progress
Net sales	70,420	49,688	41.7%
Spot Business	45,530	30,814	47.8%
Apayours	4,290	1,319	225.2%
Factory Business	15,200	12,234	24.2%
Technology Business	8,150	6,212	31.2%
Other	1,540	426	261.5%
Operating income	4,830	3,255	48.6%
Ordinary income	4,770	3,292	44.9%
Current net income	2,670	1,511	76.9%
Current net income per share*	9,769.05	5,603.88	—

Reference: Estimated current net income per share (full year): 4,818.56 yen

\* Current net income per share was calculated on the assumption that stock split, which was implemented on November 20, 2003 (on a three-for-one stock split basis), and stock split, which was implemented on May 20, 2004 (on a two-for-one stock split basis), were implemented at the beginning of the accounting period.

The Group expects to post consolidated net sales of 70,420 million yen, up 41.7% from a year earlier, consolidated ordinary income of 4,770 million yen, up 44.9%, and consolidated current net income of 2,670 million yen, up 76.9%, for the fiscal year ending September 30, 2005

The outlook by business segment is as follows:

## 1) Spot Business

In the Spot Business segment, our vigorous efforts to open outlets across the nation, according with outlets placed by the fiscal year ended in September 2004, can be expected to begin contributing to operating results.

In the fourth quarter ended September 2004, the sales volume was 9,602 million yen (up 66.8% from the previous quarter) and the operating income was 786 million yen (up 44.5% from the previous quarter), due to the effect of outlet expansion.

By industry, while orders from the amusement industry can be expected to continue to grow as the Company took Apayours Co., Ltd. under its wing in this June, those not only from the physical distribution/warehouse industries, but from the advertising, event management and food industries will likely continue to increase as well.

Furthermore, Fullcast Office Support Co., Ltd., who advanced the expansion of service menu, can expect orders for the Japanese version of PEO, launched in this March, to increase. The division has enjoyed steady expansion of business with the sales volume of 595 million yen in seven months since the launch of the service. The division offering this service is slated to be expanded, which will contribute to profit.

At the same time, Apayours, which became the Company's wholly owned subsidiary through equity swap, will continue to work on rebuilding its profit-earning structure through expansion of customer base leveraged by focused sales efforts, deploying the system and reviewing expenses and others.

## 2) Factory Business

In the Factory Business segment orders can be expected to grow steadily from the manufacturing sector, which is the segment's main client. Also in the automotive industry, thanks to strong production trends among client companies, our operating results can be expected to grow further.

## 3) Technology Business

In the Technology Business segment the unit of dispatching technical experts can be expected to continue to grow steadily, serving as an engine of growth in operating results.

Not only Fullcast Technology, but also the unit of dispatching engineers to the auto industry by Fullcast Central will likely expand, which can be expected to contribute to boosting profit as well.

The unit is steadily expanding business with the sales volume of 267 million yen in the fourth quarter ended September 2004, resulting in restoring profitability.

\*The Japanese version of professional employer organization (PEO) is a new business model, which is based on expertise on dispatching manpower, outplacement or providing outsourcing services the Company has. In the United States, PEO has spread rapidly and been established as an employment system. The Company adapted it to the Japanese actual business climate in compliance with the relevant laws and regulations.

## Notes:

1. Comparisons with previous-year figures and planned figures are computed as follows:

Previous-year comparisons = (This fiscal year figure – prior fiscal year figure)/Prior fiscal year figure x 100

2. Estimated current net income per share = Forecast for current net income applicable to common stock/  
Estimated number of common stocks outstanding during the fiscal year ending September 30, 2005

**Reference: State of Capital Investment**

(Unit: Millions of yen)

Investment	Capital investment for the September 2004 fiscal year	Capital investment for the September 2005 fiscal year	Main facilities
	Actual amount	Projected	
Software	298	132	Development of attachments to the new core system, etc.
Others (ex. tools, instruments, fixtures)	398	296	Purchase of equipment and PCs for sales offices
Total	696	429	—

**Reference: Changes in Business Results (Consolidated)****1. Changes in profit and loss**

(Monetary unit: Millions of yen, YoY change %)

	Projection for the September 2005 fiscal year				September 2004 fiscal year		September 2003 fiscal year	
	First half	YoY change	Full year	YoY change	First half	Full year	First half	Full year
<b>Net sales</b>	32,730	45.0	70,420	41.7	22,580	49,688	18,717	37,945
Cost of sales	—	—	—	—	16,091	35,569	13,243	26,946
Gross income on sales	—	—	—	—	6,489	14,118	5,474	10,998
SG&A expense	—	—	—	—	4,894	10,863	4,243	8,543
<b>Operating income</b>	2,000	25.7	4,830	48.6	1,594	3,255	1,230	2,455
Nonoperating income	—	—	—	—	81	187	138	263
Nonoperating expenditure	—	—	—	—	62	150	72	160
<b>Ordinary income</b>	1,980	22.8	4,770	44.9	1,612	3,292	1,296	2,558
Extraordinary income	—	—	—	—	38	36	11	166
Extraordinary loss	—	—	—	—	10	363	88	173
Net income before taxes for current fiscal year	—	—	—	—	1,640	2,966	1,219	2,552
Corporate taxes (incl. other adjustments)	—	—	—	—	715	1,345	638	1,272
Minor shareholders' interests	—	—	—	—	29	109	40	83
<b>Current net income</b>	1,120	25.5	2,670	76.9	895	1,511	540	1,196
					59.2		45.1	

**2. Changes in ratio to net sales**

(Unit: %)

	Projection for the September 2005 fiscal year		September 2004 fiscal year		September 2003 fiscal year	
	First half	Full year	First half	Full year	First half	Full year
Cost of sales	70.4	70.4	71.3	71.6	70.8	71.0
Gross income on sales	29.6	29.6	28.7	28.4	29.2	29.0
SG&A expense	23.5	22.7	21.7	21.9	22.6	22.5
Operating income	6.1	6.9	7.0	6.6	6.6	6.5
Ordinary income	6.0	6.8	7.1	6.6	6.9	6.8
Current net income	3.4	3.8	4.0	3.1	2.9	3.1

**3. Changes in consolidated/non-consolidated ratio**

(Unit: %)

	Projection for the September 2005 fiscal year		September 2004 fiscal year		September 2003 fiscal year	
	First half	Full year	First half	Full year	First half	Full year
Net sales	1.79	1.81	1.66	1.73	1.66	1.70
Operating income	1.49	1.56	1.38	1.48	1.43	1.53
Ordinary income	1.47	1.53	1.35	1.47	1.36	1.43
Current net income	1.39	1.45	1.29	1.15	1.30	1.31

**Reference: Quarterly Results of Operations (Consolidated)**

Fiscal year ending September 2004

	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Full year
	Oct. – Dec. 2003	Jan. – Mar. 2004	Apr. – June 2004	July – Sep. 2004	Ending Sep. 2004
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	11,249	11,331	12,287	14,819	49,688
Gross profit	3,224	3,265	3,366	4,263	14,118
Operating income	813	781	560	1,100	3,255
Ordinary income	821	791	549	1,131	3,292
Income before income taxes and minority interests	824	815	223	1,102	2,966
Net income	415	479	-50	666	1,511
	Yen	Yen	Yen	Yen	Yen
Net income per share	3,132.34	3,606.94	-184.43	2,438.59	5,603.88
Diluted net income per share	3,124.52	3,592.60	–	–	5,578.67
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Total assets	15,689	16,649	18,193	19,461	19,461
Shareholders' equity	9,274	10,049	10,543	10,977	10,977
	Yen	Yen	Yen	Yen	Yen
Shareholders' equity per share	69,177.50	74,283.03	38,578.09	40,165.04	40,165.04
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Cash flows from operating activities	-1,384	900	106	372	-5
Cash flows from investing activities	-187	-17	133	-3	-73
Cash flows from financing activities	1,158	-778	640	-3	1,016
Cash and cash equivalents at end of period	4,737	4,842	5,723	6,088	6,088

Note: Net income per share for the 1<sup>st</sup> quarter to 3<sup>rd</sup> quarter and diluted net income per share for the 1<sup>st</sup> quarter and 2<sup>nd</sup> quarter of the fiscal year ending September 30, 2004 is calculated on the assumption that stock split, which was implemented on November 20, 2003 (on a three-for-one stock split basis) and on May 20, 2004 (on a two-for-one stock split basis), was implemented at the beginning of the accounting period. Diluted net income per share for the 3<sup>rd</sup> quarter is not reported since there is no outstanding potential stock.

## Fiscal year ended September 2003

	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Full year
	Oct. – Dec. 2002	Jan. – Mar. 2003	Apr. – June 2003	July – Sep. 2003	Ending Sep. 2003
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	9,066	9,650	9,173	10,054	37,945
Gross profit	2,652	2,821	2,586	2,938	10,998
Operating income	637	592	456	768	2,455
Ordinary income	672	624	479	782	2,558
Income before income taxes and minority interests	672	547	603	729	2,552
Net income	331	208	314	342	1,196
	Yen	Yen	Yen	Yen	Yen
Net income per share	7,637.99	4,764.38	7,179.04	7,792.92	27,373.46
Diluted net income per share	–	4,754.38	7,098.50	7,710.87	27,118.49
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Total assets	14,766	15,963	13,943	15,493	15,493
Shareholders' equity	7,707	8,029	8,332	8,719	8,719
	Yen	Yen	Yen	Yen	Yen
Shareholders' equity per share	177,402.01	183,441.13	190,057.46	198,486.00	198,486.00
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Cash flows from operating activities	-478	822	675	526	1,545
Cash flows from investing activities	-196	-287	1,644	443	1,604
Cash flows from financing activities	584	-499	-1,754	-71	-1,741
Cash and cash equivalents at end of period	3,650	3,686	4,252	5,150	5,150

Note: Diluted net income per share (for the 1st quarter of 2003) is not reported since there is no outstanding potential stock.



**Reference: Changes in Quarterly Business Results by Business Segment**

Fiscal year ending September 2004 (October 1, 2003 – September 30, 2004)

Fiscal year ended September 2003 (October 1, 2002 – September 30, 2003)

(Millions of yen)

Spot Business		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Fiscal year ending September 2004	(1) Sales to external customers	7,009	6,770	7,498	9,536	30,814
	(2) Inter-segment sales or the amount of transfers	54	88	110	65	319
	Total	7,064	6,859	7,608	9,602	31,134
	Operating expenses	6,270	6,165	7,019	8,816	28,271
	Operating income or loss	794	693	589	786	2,863
	Operating income margin	11.2%	10.1%	7.7%	8.2%	9.2%
Fiscal year ended September 2003	(1) Sales to external customers	5,626	5,555	5,366	5,657	22,205
	(2) Inter-segment sales or the amount of transfers	129	102	51	99	382
	Total	5,755	5,657	5,418	5,756	22,588
	Operating expenses	5,047	5,081	4,976	5,212	20,318
	Operating income or loss	708	575	441	544	2,269
	Operating income margin	12.3%	10.2%	8.2%	9.5%	10.0%

Factory Business		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Fiscal year ending September 2004	(1) Sales to external customers	2,898	2,996	3,043	3,296	12,234
	(2) Inter-segment sales or the amount of transfers	15	10	4	4	34
	Total	2,914	3,006	3,047	3,301	12,269
	Operating expenses	2,775	2,859	2,961	3,108	11,704
	Operating income or loss	138	147	85	193	564
	Operating income margin	4.8%	4.9%	2.8%	5.8%	4.6%
Fiscal year ended September 2003	(1) Sales to external customers	2,458	2,804	2,503	2,946	10,713
	(2) Inter-segment sales or the amount of transfers	8	6	13	11	39
	Total	2,466	2,811	2,516	2,957	10,752
	Operating expenses	2,367	2,630	2,440	2,721	10,158
	Operating income or loss	99	181	76	236	594
	Operating income margin	4.0%	6.4%	3.0%	8.0%	5.5%

Technology Business		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Fiscal year ending September 2004	(1) Sales to external customers	1,233	1,444	1,651	1,882	6,212
	(2) Inter-segment sales or the amount of transfers	—	41	8	3	52
	Total	1,233	1,485	1,660	1,885	6,264
	Operating expenses	1,222	1,407	1,608	1,702	5,940
	Operating income or loss	11	78	51	182	324
	Operating income margin	0.9%	5.3%	3.1%	9.7%	5.2%
Fiscal year ended September 2003	(1) Sales to external customers	887	1,042	1,175	1,207	4,313
	(2) Inter-segment sales or the amount of transfers	24	14	3	446	489
	Total	911	1,057	1,179	1,653	4,802
	Operating expenses	942	1,040	1,108	1,509	4,600
	Operating income or loss	-30	17	70	144	201
	Operating income margin	-3.4%	1.6%	6.0%	8.7%	4.2%

**(4) Changes in Consolidated Financial Condition**

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fourth quarter of FY 2004	19,461	10,977	56.4	40,165.04
Fourth quarter of FY 2003	15,493	8,719	56.3	198,486.00

\* Shares in the Company were split up on a one-for-three stock split basis as of November 20, 2003.

**[Consolidated cash flows]**

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Total amount for FY 2004	-5	-73	1,016	6,088
Total amount for FY 2003	1,545	1,604	-1,741	5,150
(Reference)				
Fourth quarter ended Sep. 2004	372	-3	-3	6,088
Fourth quarter ended Sep. 2003	526	443	-71	5,150

**Changes in consolidated financial condition**

At the end of the fourth quarter of the current accounting period, cash and cash equivalents totaled 6,088 million yen, 938 million yen more than the previous year.

***Cash flows from operating activities***

Net cash used in operating activities in the fourth quarter of the current accounting period was 500 million, compared with 1,545 million yen gained in the same time last year.

This was mainly due to the fact that net income before income taxes and minority interests was 2,966 million yen, trade receivable increased 1,540 million yen (trade payable increased 73 million yen) and income tax paid was 1,875 million yen.

***Cash flows from investing activities***

Net cash used in investing activities was 73 million yen, compared with 1,604 million yen used in the previous year.

This was mainly due to the fact that net income to acquire the shares of newly consolidated subsidiaries subject to change in scope of consolidation were 221 million yen, expenditures incurred to acquire tangible fixed assets as we opened outlets were 398 million yen and those incurred to acquire intangible fixed assets, such as software, were 298 million yen.

***Cash flows from financing activities***

Net cash provided by financing activities was 1,016 million yen, compared with 1,741 million yen used in the previous year.

The main reason was that while repayments of long-term borrowing were 270 million yen, short-term borrowing decreased 1,200 million yen and revenues from the issuance of shares through the exercise of incentive warrants were 349 million yen.

**Trends in Cash Flow Indexes**

	September 2004 fiscal year	September 2003 fiscal year	September 2002 fiscal year
	10,977 mil.	8,719 mil.	7,443 mil.
Shareholders' equity ratio (%)	56.4%	56.3%	53.4%
Interest coverage (times)	101.1 times	47.3 times	19.0 times
Dead equity ratio (%)	24.2%	18.2%	45.1%
Number of debt redemption years	1.4yrs.	0.7 yrs.	6.4 yrs.

Shareholders' equity ratio:  $\text{net assets} \div \text{gross assets}$

Interest coverage:  $(\text{operating income} + \text{interest earned} + \text{dividend received}) \div \text{interest paid}$

Dead equity ratio:  $\text{interest-bearing debt} \div \text{net assets}$

Number of debt redemption years:  $\text{interest-bearing debt} \div \text{operating cash flow (before interest and corporate taxes, etc.)}$

## Notes:

1. Each index is calculated based upon consolidated financial figures.
2. For interest payment, the amount of interest paid in the consolidated cash flow statement is used.
3. All the debts added upon in the consolidated balance sheet are included in interest-bearing debt.
4. For operating cash flows (before interest and corporate taxes, etc.), cash flows (before interest and corporate taxes, etc.) from operating activities in the consolidated cash flow statement are used.

**Reference: Explanation of Balance Sheet (Consolidated)**

Figures below are the comparison from the previous period (September 30, 2003)

**1. Assets (up 3,967 million yen)****(1) Current assets (up 2,992 million yen)**

Cash and deposits	Up 952 million yen	Affects individually
Notes and accounts receivable trade	Up 1,950 million yen	Affects under consolidation, increase in sales

**(2) Fixed assets (up 975 million yen)**

Tangible fixed assets	Up 168 million yen	Affects individually; acquisition of tools and equipments accompanying outlet opening
Intangible fixed assets	Up 151 million yen	Affects individually; software acquisition
Investment and other assets	Up 654 million yen	Affects individually; acquisition of investment securities

**2. Liabilities (up 1,512 million yen)****(1) Current liabilities (Up 1,578 million yen)**

Short-term loans payable	Up 1,345 million yen	Affects individually
Accrued expenses payable	Up 765 million yen	Affects under consolidation, increase in salaries for employees/staffs
Accrued corporate tax, etc.	Down 474 million yen	Affects under consolidation

**(2) Fixed liabilities (down 65 million yen)**

Long-term loans payable	Down 114 million yen	Affects individually, repayment of loans
Deferred tax liability	Up 73 million yen	Affects under consolidation

**3. Capital stock (up 174 million yen)**

Capital surplus reserve	Up 1,200 million yen	Affects both (under consolidation, individually)
-------------------------	----------------------	--------------------------------------------------

**Changes in shareholders' equity**

	September 2004 fiscal year	September 2003 fiscal year	September 2002 fiscal year
Amount (Millions of yen)	10,977	8,719	7,443
Shareholders' equity ratio (%)	56.4	56.3	53.4
ROE (%)	15.4	14.8	4.6

## 2. Corporate Group

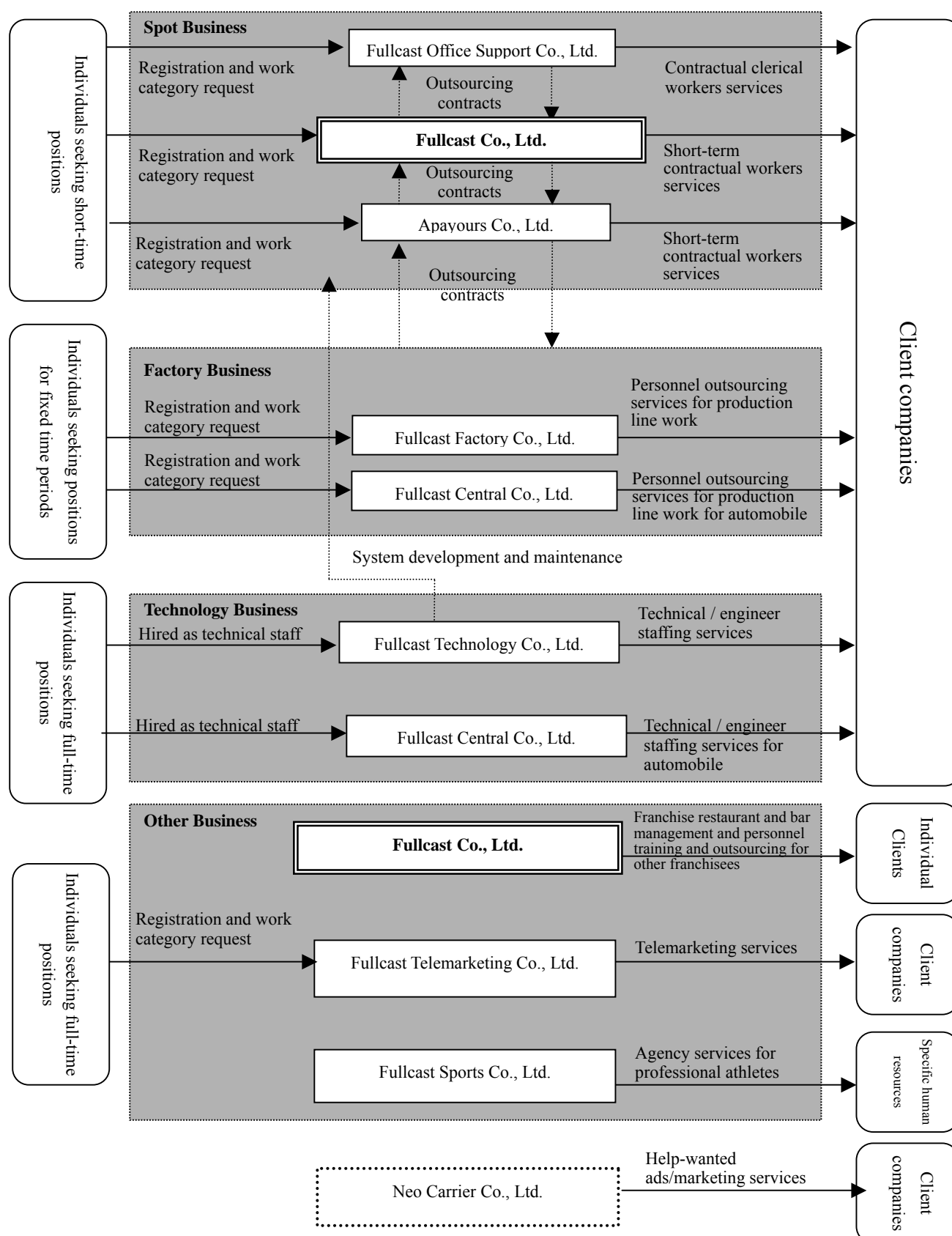
The Group, which is composed of the parent company and affiliated companies, is a comprehensive human resources solution provider. The Group is engaged primarily in the short-term staffing required during busy periods and to match fluctuations in work volume at client companies in areas such as logistics, events and clerical words. Other major activities include the provision of factory workers and engineers and other technicians.

A breakdown of companies and activities by business segment is as follows.

### Overview of business segments

Segment	Group company	Business activities
Spot Business (Short-term Contractual Workers Services)	Fullcast Co., Ltd.	Supplies workers, primarily for blue-collar positions, on a short-term basis as required by clients by providing them with additional work force during busy periods, giving them the flexibility to quickly adapt to fluctuations in work volume. Logistics: Packing and unpacking boxes, assisting in office relocations, carrying effects in and out, etc. Warehouse work: Sorting packing and inspection of products, assembly of precision machinery, etc. Sanitation & Cleaning: Concrete curing, cleaning, cleaning of buildings, cleaning of residential buildings and the like Events: Planning and coordinating events, management and removal of booths, etc. Restaurant-related work: Customer service and backyard work
	Fullcast Office Support Co., Ltd.	Specializes in staffing for clerical work, call center positions, sales promotion activities and a variety of office positions.
	Apayours Co., Ltd.	Offers staffing primarily for pachinko parlors and for sales promotion and various events on a short-term basis.
Factory Business (Staffing Services for Production Line Work)	Fullcast Factory Co., Ltd.	Offers staffing for production line work. Most services are extended to manufacturers in the fields such as seafood and food processing, machinery, electrical machinery, precision devices, chemicals and rubber, textiles and pulp, automobiles and other transportation equipment and steel and other metals, ranging from a handful of workers for a small operation to enough workers to staff an entire production line.
	Fullcast Central Co., Ltd.	Established in April 2002 by Fullcast, Toyota Group member Central Auto Co., Ltd. and Daisho Industry Co., Ltd. as a specialist in the provision of workers for automotive plants. Fullcast's ownership is 55.6%.
Technology Business (Technical/Engineer Staffing Services)	Fullcast Technology Co., Ltd.	Provides engineering-based contractual service and engineer dispatching service, primarily serving the semiconductor industry, mainly providing production facility workers and hardware/software development engineers as well as system development and consulting services to increase the efficiency of logistics systems and other tasks. Fullcast's ownership is 85.6%.
Other Business	Fullcast Telemarketing Co., Ltd.	Operates call centers. Established in September 2004 by Fullcast and Hikari Tsushin Inc and started operation from October 2004. Fullcast's ownership is 51.0%.
	Fullcast Sports Co., Ltd.	Extends agency services centering on the management of soccer players and their transfers to other teams.

A flowchart of business activities is shown below:



Notes:

- Flowchart is current as of September 30, 2004.
- > indicates transactions with companies outside the Group and -----> indicates internal transactions, none of which are monetary transactions.
- [Solid Box] indicates a consolidated subsidiary and [Dotted Box] indicates a company to which the equity method is applied.

**Status of Affiliated Companies**

Consolidated subsidiaries

As of September 30, 2004

Company	Location	Capital/ investment (mil. yen)	Major business activities	% of voting shares	Issues to be noted:
Fullcast Office Support Co., Ltd.	Shibuya-ward , Tokyo	40	Spot business and others	100.0	<ul style="list-style-type: none"> <li>• Places orders for jobs undertaken mutually with us.</li> <li>• Subleases part of the office we rent as office use.</li> <li>• Interlocking directorates:3</li> </ul>
Apayours Co., Ltd.	Oita City, Oita	220	Spot business and others	100.0	<ul style="list-style-type: none"> <li>• Places orders for jobs undertaken mutually with us.</li> <li>• Provides financial support (financing operating capital)</li> <li>• Interlocking directorates:4</li> </ul>
Fullcast Factory Co., Ltd	Shibuya-ward , Tokyo	100	Factory business and others	100.0	<ul style="list-style-type: none"> <li>• Places orders for jobs undertaken mutually with us.</li> <li>• Subleases part of the office we rent as office use.</li> <li>• Provides financial support (financing operating capital)</li> <li>• Interlocking directorates:3</li> </ul>
Fullcast Central Co., Ltd.	Shibuya-ward , Tokyo	90	Factory and technology business	55.6	<ul style="list-style-type: none"> <li>• Subleases part of the office we rent as office use.</li> <li>• Provides financial support (financing operating capital)</li> <li>• Interlocking directorates:1</li> </ul>
Fullcast Technology Co., Ltd.	Shibuya-ward , Tokyo	499	Technology business	85.6	<ul style="list-style-type: none"> <li>• Places orders for jobs undertaken mutually with us.</li> <li>• Develop and maintain our core system.</li> <li>• Subleases part of the office we rent as office use.</li> <li>• Interlocking directorates:1</li> </ul>
Fullcast Telemarketin g Co., Ltd.	Shinjuku-war d, Tokyo	90	Other business	51.0	<ul style="list-style-type: none"> <li>• Interlocking directorate: 3</li> </ul>
Fullcast Sports Co., Ltd.	Shibuya-ward , Tokyo	40	Other business	100.0	<ul style="list-style-type: none"> <li>• Undertakes part of our advertisement activities.</li> <li>• Subleases part of the office we rent as office use.</li> <li>• Provides financial support (financing operating capital)</li> <li>• Interlocking directorates: 2</li> </ul>

Notes: 1) The “Major business activities” category follows the business segment classification.  
“Interlocking directorates” include our operating officers.

Company subject to equity method

As of September 30, 2004

Company	Location	Capital/ investment (mil. yen)	Major business activities	% of voting shares	Issues to be noted:
Neo Career Co., Ltd.	Shibuya-war d, Tokyo	37	Other business	33.8	



### 3. Management Policies

#### (1) Fundamental Management Policies

The fundamental philosophy of the Group is “to contribute to society by providing employment opportunities that place importance on helping people grow and develop.” The Group aims to remain an organization that can provide employment opportunities where people can shine in any stage of their lines. Another aim is operating with the interests of shareholders in mind so as to maximize shareholder value.

To accomplish these goals, the Group is taking the following actions.

- 1) As the economy undergoes structural change and workers become more mobile in the 21 century, the Group is using human resources to meet the needs of all client companies while using the human resources business to supply as many motivated workers as possible.
- 2) As the leader in Japan’s human resources industry, the Group will solidify its position as a human resources organization that can bring about change on a global scale. Furthermore, the Group will never become complacent, always retaining a willingness to take on new challenges.

#### (2) Fundamental Policy for Allocation of Earnings

As the nucleus of the Group, Fullcast Co., Ltd. places priority on strengthening its financial position and increasing retained earnings as well as returning earnings to shareholders for the purpose of encouraging them to own shares for medium- to long-term.

The basic policy of Fullcast Co., Ltd regarding dividends is to decide the dividend amount on a basis of 20% of dividend ratio, considering the operating results while keeping in mind to distribute stable dividends.

Retained earnings will be used to strengthen core operations for enhancing internal systems, such as by developing systems that can further raise operating efficiency, by establishing new places for sales and recruiting, and through recruiting and training activities, for the purpose of building a sounder operating base.

The Projected annual dividend per share for fiscal year ended September 30 will be 2,000 yen, which consists of an interim dividend of 1,000 yen, a final dividend of 500 yen, and a commemorative dividend of 500 yen.

For this fiscal year, a three-for-one-stock-split and a two-for-one-stock-split were implemented as of November 20, 2003 and May 20, 2004, respectively.

Dividend ratio in the last three years

Fiscal term	FY2004 ended September 2004	FY2003 ended September 2003	FY2002 ended September 2002
Dividend Ratio (%)	41.2	23.9	44.2

#### (3) Policy Regarding Reduction in Investment Unit

Fullcast Co., Ltd. regards increasing the liquidity of its stock and attracting a broader range of investors as important issues with regard to its capital policy. Any decision involving a reduction in the investment unit will be made in the best interests of shareholders, and will be based on operating results and market conditions, as well as a careful examination of benefits in relation to expenses.

In order to expand the base of individual investors, the split-up of common shares on a three-for-one-stock-split and on a two-for-one-stock-split were implemented as of November 20, 2003 and May 20, 2004, respectively.

#### **(4) Medium- and Long-term Management Strategy**

Fullcast Co., Ltd. has developed the Group's medium- and long-term management plans applied for the fiscal year 2005 to 2007. By implementing the plans, we aim to achieve the consolidated net sales of exceeding 100 billion yen, the group operating profit of 8,900 million yen, and 20% or more ROE at the end of the fiscal year to be ended September 2007 when the mid-term- and long-term business plans will be finished.

The group plans to promote the strategy that foresees the future needs, by dealing with changes in the market flexibly, and to always promote new business operations positively by expanding the existing business operations.

In concrete terms, as we position the short-term human resource service business as the core business, we expand business operated by subsidiaries such as technical/engineer staffing services, personnel outsourcing services for production line work and contractual and dispatching clerical workers services as well as organically consolidate the entire group including the new business operations.

Also, we are determined to raise the company value for the entire group by proceeding with the M&A strategies and new business and by expanding the business sections to bring about synergy effects on the existing business.

The Group will meet all human resource-outsourcing needs that occur at every stage of the business cycles of its client companies. More than merely an outsourcing service contractor, the Group is working aggressively to build a framework that can supply "one-stop total solutions" that help maximize the performance of each client company. Building such a framework is how the Group plans to support growth over the medium and long terms.

To this end, the Group is taking the following actions.

- 1) Improving the customer satisfaction
- 2) Expanding upon the menu of human resources services
- 3) Promoting M&A strategies
- 4) Improving the ability of staff and employees by education and training
- 5) Promoting effective systemization that deals with expansion of the business scale and sections
- 6) Enhancing the Group's corporate image and awareness of the Fullcast name

**(5) Fundamental Position Regarding Corporate Governance and CSR (corporate social responsibility)**

The Group's fundamental policy regarding corporate governance is that governance should be conducted for the purpose of ensuring the transparency and efficiency of management from the standpoint of shareholders and all other stakeholders. In addition, we will be fully committed to a thorough corporate governance, sincere response to customers, and environmentally friendly activities as part of our CSR-related activities.

To carry out a thorough corporate governance and to create a system better able to adapt to changes now taking place in the operating environment, the corporate officer system has been adopted. Under this system, the directors are responsible for the oversight of the execution of business operations and decisions involving important management issues. Corporate officers are responsible for the execution of business operations. To strengthen the supervisory function for business execution and increase the transparency of management, one external director has been elected. Furthermore, in order to promote the transparency of the Company's operations, we stepped up investor relations activities by holding an explanatory meeting targeting the press and analysts on a quarterly basis, as well as by posting the disclosed information on our web site in a bid to make a disclosure of our business activities in a fair and timely manner. To assure this, we disclose the information based on the quality management system of ISO9001 on a timely basis. The Group strives to disclose information by maintaining information dissemination methods that can accurately convey information to not only domestic but also overseas investors. Through this stance, the Group aims to rank first in terms of disclosure activities within its industry.

In addition, we set a department in fiscal 2003 that is exclusively engaged in customer satisfaction activities under the direct control of the president to improve satisfaction of both customers and staff members.

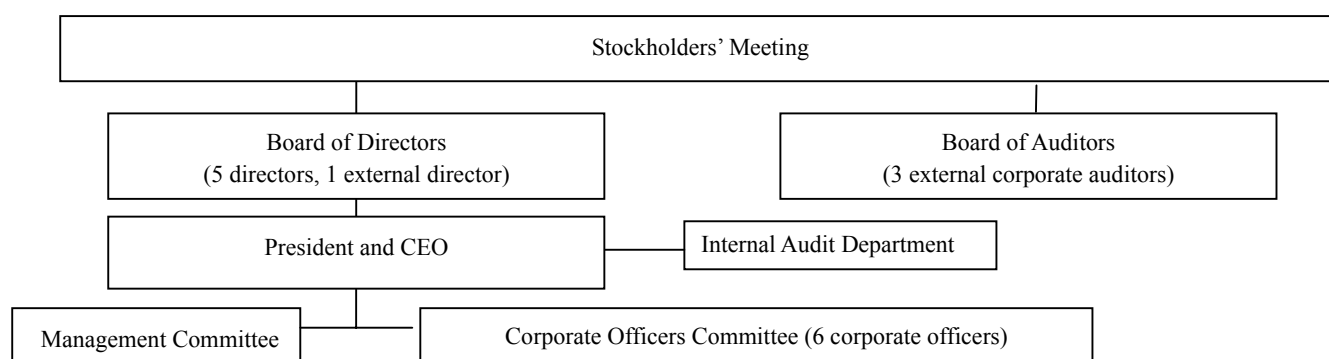
**(6) Status and Actions of Corporate Governance and CSR**

Fullcast Co., Ltd. holds meetings of the board of directors twice each month and the corporate officers committee weekly to facilitate speedy decision-making. This system allows the Group to respond with agility to changes in the operating environment. In addition, the management committee made up of the representatives of all Group companies is held monthly to promote the exchange of information and ensure that all companies are operating in line with a single strategy.

To improve the Group's corporate governance, Sumio Sano was elected as an external director. Mr. Sano is a Sony Corporation advisor who has considerable experience in corporate governance.

The board of auditors is responsible for auditing corporate activities. There are three corporate auditors. Each one comes from outside the Group, having never served as a director, manager or in any other capacity at Fullcast Co., Ltd. or a subsidiary.

Apart from the audit system, we set an internal audit department under the direct control of the president to conduct an audit of Fullcast Co., Ltd. and the Group companies in order to maintain sound business operations.



Interlocking directorates: (As of September 30, 2004)

Our external director and three external auditors own shares in the Company as given below:

(As of September 30, 2004)

Position	Name	Number of shares
External director	Sumio Sano	60
Statutory auditor	Kouji Sasaki	96
Auditor	Yutaka Onda	30
Auditor	Teruho Tougo	36

One of the Group members, Fullcast Central, obtained ISO14001, the international standards for the environmental management system, for the first time as a specialist company that provides production line work for the automotive industry. The Group will further continue environmental efforts in the future.

### **(7) Key Management Issues**

Growth in the scale of the market will not be the only change taking place in the human resources market. The Group also foresees a number of qualitative changes such as increasing diversification, sophistication and specialization, all against a backdrop of rapid advances in information and communications technology.

The Group expects that lifting on ban on dispatching workers in the manufacturing business by the revised Worker Dispatch Law implemented on March 1, 2004 will expand outsourcing demands for blue-color workers and will accelerate the further growth of the market.

The Group must respond to these changes in a flexible manner while implementing strategies that anticipate future needs. To accomplish this, the Group will constantly seek new opportunities while expanding its existing business activities.

In concrete terms, the Group will build on its short-term human resource service business by using subsidiaries to expand operating bases in market sectors such as Technical/engineer staffing services, staffing services for production line work and contractual and dispatching clerical workers services. At the same time, efforts will focus on seamlessly linking the entire Group, including all new businesses. Furthermore, the Group will promote M&A strategies and new business operations with the goal of maximizing the corporate value of the entire Group.

We will address the following issues by each business section:

- |                     |                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Spot business       | <ul style="list-style-type: none"> <li>1) Enhance services with high-added value that satisfactorily meet the needs of client customers and expand office networks</li> <li>2) Strengthen staff recruiting activities and increase the stability of the work force</li> <li>3) Promote efficiency of business operations and restrain selling and administrative expenses</li> <li>4) Expand industries to serve</li> </ul> |
| Factory business    | <ul style="list-style-type: none"> <li>1) Improve flexibility in the order receiving system for both outsourcing and dispatching that meets the needs of client customers.</li> <li>2) Grow human resources that ensure to satisfy the sophisticated needs of client customers</li> <li>3) Provide business operations with high performance that brings about merits to client customers</li> </ul>                        |
| Technology business | <ul style="list-style-type: none"> <li>1) Improve the training to engineers</li> <li>2) Increase engineers for development in the electronics and semiconductor sections</li> <li>3) Expand its talent base of engineers in other technological areas</li> </ul>                                                                                                                                                            |

### **(8) Key Management Issues (Summary of Key Management Issues Determined/Implemented) and Progress**

#### **1) Apayours Co., Ltd. became Fullcast's wholly owned subsidiary through equity swap**

The Company turned Apayours Co., Ltd. into its wholly owned subsidiary through equity swap with the aim of expanding its business activities to improve its human resources outsourcing services and to bolster the fiscal nature further.

Apayours currently provides mainly pachinko parlor operators, event management and sales promotion businesses with unique human resources outsourcing services in the Kyushu region. With Apayours added to the Group as Fullcast's wholly owned subsidiary, we will be able to step up our services in the Kyushu region, where there were few business outlets, and make inroads into the amusement market sector to expand our service menu. Thereby, the Group intends to enhance the value of the whole group as a general human resources outsourcing service provider even further.

[Summary of equity swap]

Basic agreement to swap shares signed:	March 8, 2004
Agreement to swap shares signed:	April 12, 2004
Date of equity swap:	June 1, 2004
Equity swap ratio:	1 share in Apayours was swapped for 0.6812 share in Fullcast. Through this swap, 2,765.56 shares of substitute treasury stock (common stock) were allotted.
Delivered money due to equity swap:	None

## 2) Stock split

In order to improve the liquidity of shares in Fullcast and lower the amount of investment per share; thereby expanding the base of individual investors, the Company split up common shares on a three-for-one stock split basis on November 20, 2003 and on a two-for-one stock split basis on May 20, 2004 in the fiscal year ended September 30, 2004.

## 3) Off-floor distribution of stock

In order to improve the Company's stock distribution situation, off-floor distribution of 1,000 shares was implemented on March 22, 2004. One share each was allotted per purchaser.

[Reference]

The stock situation as of September 30, 2004

Total number of shares outstanding	275,964 shares
Number of treasury stock owned during the accounting period	
Common stock	2,652 shares

## 4) Allotment of the stock options

Stock options were issued in accordance with a resolution passed by the 11th regular general meeting of shareholders on December 19, 2003. Under this, the subscription right will be offered free of charge as a stock option in order to boost the motivation to improve business performance and morale of directors, auditors and employees of the Company and its subsidiaries even further.

[Summary of the stock options]

Date of issue:	April 27, 2004
Type and number of stock intended by the stock options:	2,229 common stocks in the Company
Total number of stock options to be issued:	2,229 (the number of share per stock option is 1)
Issue price:	Free of charge
Amount to be paid when the stock options are exercised:	¥288,400 per share
Time period for exercising the stock options:	From January 1, 2006 through December 30, 2008

Those eligible to be allotted the stock options:	To be allotted to a total of 192 directors, auditors and employees of the Company and its subsidiaries
Total value of stock when new shares are issued through the exercise of the stock options:	¥642,843,600

(Note) 1. The Company split up common shares on a three-for-one stock split basis on November 20, 2003 and on a two-for-one stock split basis on May 20, 2004. For this reason, the upper limit of the number of shares was adjusted according to the following formula: the number of shares after adjustment = the number of shares before adjustment  $\times$  the ratio of stock split-up/consolidation. As of September 30, 2004, the number of latent shares involved in the subscription right was 2,229 shares.

#### **5) Establishment of Fullcast Telemarketing Co., Ltd.**

The Company jointly set up Fullcast Telemarketing Co., Ltd. with an affiliate of the group formed by Hikari Tsushin, Inc., which has know-how on managing a call center by making use of its telemarketing system.

The new company will run a call center by making use of the Company's expertise on human resources coordination and Hikari Tsushin's telemarketing system.

[Summary of the new company]

Type of business	Call center management business
Establishment	September 15, 2004
Start of operations	October 1, 2004
Capital	90 million yen
Accounting term	September 30
Representative	Kenji Nishimura, President and Representative Director

#### **(9) Business risks and others**

The matters that can be risk factors for the Group to operate are given below. From the standpoint of disclosing information proactively to investors, they include those deemed significant for investors to decide if he/she invests or understand the Group's business activities, even they are not supposed to fall under ordinary business risks. The Group intends to recognize the potential risks and do its utmost to avoid or deal with any risk should it arise. The following matters include future risk factors, but are based upon a judgement made by the Company's management as of the date of reporting these financial statements and the business risks and others are not limited to these.

##### **1) Ensuring staffs**

The young population in Japan has been declining due to the falling birthrate and the declining number of births since the mid-1980s, and this trend will likely continue according to forecasts by National Institute on Population and Social Security Research under the Ministry of Health, Labour and Welfare, and others. In the Spot Business, which is the nucleus of the Group's business, the majority of staffs are in the young age bracket ranging from the late teens to the twenties. Given this, the declining young population would make it difficult for the Group to ensure human resources it needs. In consequence, it could have an adverse effect on the Group's business performance. To cope with the decrease in the young population, we promote job offers on the Internet or via mobile devices to increase efficiency in ensuring staffs. In this regard, pay raises or an increase in advertising expenses to promote efforts to ensure staffs may have an adverse effect on the Group's business performance.

In addition, due to relatively low entry barriers, which is peculiar to the industry to which the Group belongs, or intensifying competition, there is a likelihood that competition to gain staffs will become fierce in the future. As a result, the Group may not be able to ensure an adequate number of staffs it needs, which results in preventing it from meeting the goals spelled out under the Group's business plan.

On top of these, those in the young age bracket ranging from the late teens to the twenties, which comprise the backbone of the Group's staffs, are the generation which is sensitive to a corporate image. Thus, the Company considers it important to establish a corporate brand which will be supported by this generation in order to enclose excellent human resources. The Group carries out strategies to improve its corporate image through business activities by companies, such as Fullcast Sports Co., Ltd., but whether it proves effective or not is uncertain. Thus, it is possible that we will be unable to ensure adequate staff members we need.

Under an organizational change effective on October 1, 2004, the Group set up the Staff Recruiting Strategy Office directly under the supervision of the general manger of Sales to carry out effective recruiting activities, which appeal to the young generation; thereby stepping up efforts to hire staffs.

## **2) Ensuring employees and job retention**

An average length of service of the Company's employees, excluding staff members, stands at 2 years and 9 months as of the end of September 2004. This can in part be attributed to a large number of those who leave the Company while it has increased those newly hired as its business has expanded rapidly. In order to cope with an external environment surrounding the Group where competition has intensified as a result of deregulation, it is important for the Company to improve human resources, i.e., employees other than registered staffs, as well.

On grounds that it is necessary to carry out business outlet-based hiring strategy to maintain the competitive edge, the Company has set up a large number of business outlets in a short period of time. And how to maintain the quality of branch managers and employees assigned to these outlets has become one of the key issues. The Company intends to recruit excellent human resources actively and appoint them branch manager or assign them to each business outlet. However, should it be unable to ensure adequate human resources it requires, or human resources which are currently in service drain out, it could hamper such business outlet-based business strategy. As a result, it could do harm to the Group's business performance. In addition, if revenues or income plans were not achieved as expected under such business outlet-based hiring strategy, it could increase selling, general and administrative expenses, which could in turn have an adverse effect on the Group's bottom line.

Running the human resources outsourcing business can sharply be streamlined through building a sophisticated mission-critical system, and others, but it cannot replace human know-how completely. Thus, it is essential to ensure capable branch managers and employees at each business outlet and retain them to expand our business in the future.

Hiring employees and nurturing human resources in accordance with the Company's business strategy is taken charge of by the Human Resources Department.

## **3) Management of database of client companies and staffs**

In order to swiftly coordinate the most suitable staffs who meet the client company's needs and increase efficiency of staffing, the Group makes use of the business management information system FASE in managing staffs' work behavior or experience by type of job and information about client companies in the form of a database. Moreover, it takes care of billing to the client company or checks accounts receivable and others under FASE as well. In this way, the Group's business efficiency significantly depends on FASE. To provide against a failure of the server on which FASE runs, for instance, the Group has deployed two servers, which have the same function. However, due to disaster, such as an earthquake, and others, should any mechanical trouble occur, in which both two servers halt simultaneously and FASE stops running, it could prevent the Group from conducting business activities. In consequence, it could have a material impact on the Group's business performance.

The Group intends to continue investing in information technology, including upgrading FASE, as needed; thereby setting ourselves apart from the competition in terms of the cost and service. However, these investments will not necessarily lead to an increase in sales in the future. If they do not produce returns commensurate to them, it would not be able to recover funds invested.

As regards management of data stored in FASE, including personal information, the Group has set clear standards for handling it, tightened control of those authorized to access to such information, and stepped up internal audit in a bid to prevent illegal access to personal information and loss, damage, falsification or leakage thereof. Despite that, should any piece of information be leaked for some reason, the Group could lose confidence in society. In consequence, sales might decline or someone would make a claim for damages. And this could have an adverse effect on the Group's business performance.

#### **4) Job-related accidents or trouble involved with staffs**

In the event that a staff member dies, gets injured or sick while he/she is performing a task, or as a result of a task, the employer, that is, the Company would be obliged to award accident compensation in compliance with the Labor Standards Law, the Workmen's Accident Compensation Insurance Law and/or any other relevant law or ordinance.

From the standpoint of giving staffs primary safety and hygiene training thoroughly and preventing injury and sickness, the Company lends safety equipment, puts up a warning sign regarding work, or distribute written instructions in order to help them increase their awareness of safety. In addition, from the viewpoint of protecting workers, it has taken out voluntary accident insurance and general liability insurance on top of workmen's accident compensation insurance. In the event that a disaster occurs which exceeds the scope to be covered by these insurance policies, however, the Company would be liable for damages on grounds of noncompliance of obligation of security under the labor agreement (Article 415 of the Civil Code and others), unlawful responsibility (Article 709 of the Civil Code), and others.

Furthermore, when a staff member performs a task, due to an accident owing to an error by him/her, a breach of contract between a client company, or his/her illegal act, a lawsuit would be brought against the Company or any other claim could be made. The Company has the system available to cope with legal risk management by assigning the person in charge of legal affairs, but depending on the type of litigation or the amount of damages to be sought, it could have a material impact on its business performance.

#### **5) Changes in legal restrictions**

If any of the Labor Standards Law, the Worker Dispatch Law, the Workmen's Accident Compensation Insurance Law, the Health Insurance Law, the Welfare Pension Fund Law and any other relevant law or ordinance, which apply to business activities conducted by the Group, is revised or whose interpretation is changed according to a change of social circumstances surrounding the labor market, depending upon the content, it could have a material impact on business activities conducted by the Group.

In terms of taking out social insurance, workers whose period of contract is up to two (2) months and those whose working hours are three quarters or less of those of regular workers, and others are exempted from the application of the Health Insurance Law. Nearly the same applies to the application of the Welfare Pension Fund Law. The Company employs staffs for a short period of time in principle; thus, at present it does not cover these expenses as one exempted from the application of social insurance.

However, a revision to the social insurance system can affect the Group's business performance depending upon the content, such as an extension of scope of application.

#### **6) The Company's business management**

##### **(1) Dependence on a certain person**

Takehito Hirano, founder and president and chief executive officer of the Company, plays a pivotal role in the entire range of its business management from formulation of business plans or strategies to sales activities or financial affairs. At this point, if he were to resign from the post, it could have a material impact on the Company's business strategy, business performance and other aspects.



**(2) Stock option**

The Company has issued stock options with the aim at further boosting the motivation to improve business performance and morale of directors, auditors and employees of the Company and its subsidiaries. The term of exercising these stock options are as from January 1, 2006 through December 30, 2008. The number of latent shares involved in these stock options stands at 2,229 shares at the end of September 2004, accounting for 0.8 % of the Company's outstanding stock of 275,964 shares (including treasury stock).

The Company intends to continue to grant stock options to those directors and employees who can be expected to contribute to boosting corporate performance substantially, but when new stock is issued through the exercise of these stock options, the Company's stock value could be diluted.

**(3) Strategy for acquisition of business/alliance and new business**

In June 2004 the Company turned Apayours Co., Ltd. into its wholly owned subsidiary through equity swap based upon a cautious feasibility study. However, if the cost of realigning and strengthening Apayours exceeds what was expected or its contribution to profit-earning turns out to be less than anticipated, it could have an adverse effect on the Group's business performance.

The Group plans to expand the existing business through acquiring businesses or entering into business tieups with other companies, while groping for opportunities to start up a new business in a bid to broaden the scope of business and bolster corporate value of the Group as a whole. However, if such business expansion strategy through acquisitions and others does not contribute to income-earning as initially expected, or massive funds might need to be injected, or due to amortization of consolidation account adjustment and others, the Group's profit and loss could deteriorate temporarily.

## 4. Manufacturing, Orders Received and Sales

The Group does not have any manufacturing activities and, for the reasons listed below, the Group does not disclose figures for orders received.

- 1) In the Spot Business, most orders are received one or two days prior to the provision of a service. As a result, there is an extremely short time between the receipt of an order and the posting of the corresponding sales.
- 2) In the Factory Business and Technology Business, the volume of work performed is frequently revised in accordance with the request of the client company after receipt of an order.
- 3) In the employee search and placement services sector of the Other Business, business is performed on the basis of orders tied to incentive fees.

**Net Sales**

(Millions of yen)

Business segment classification	12 months ended September 2003 (from October 1 to September 30)	YoY Change
Spot Business	30,814	38.8
Factory Business	12,234	14.2
Technology Business	6,212	44.0
Other Business	426	-40.1
Total	49,688	30.9

**Notes:**

1. The above sales figures do not include consumption taxes.
2. Trading between segments has been offset.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousands of yen)

		As of September 30, 2004		As of September 30, 2003	
		Amount	%	Amount	%
<b>Assets</b>					
I	Current assets				
1	Cash and deposits	5,603,756		4,650,781	
2	Trade notes and accounts receivable	6,968,667		5,018,484	
3	Securities	500,048		801,233	
4	Inventories	74,585		70,665	
5	Deferred tax asset	308,960		284,097	
6	Other current assets	666,270		292,041	
	Allowance for doubtful accounts	-69,320		-56,894	
	Total current assets	14,052,969	72.2	11,060,408	71.4
II	Fixed assets				
1	Tangible fixed assets				
(1)	Buildings and structures *1	508,713		557,871	
	Accumulated depreciation	150,574	358,138	125,378	432,493
(2)	Machinery and vehicles	56,679		25,900	
	Accumulated depreciation	27,824	28,854	12,791	13,108
(3)	Furniture and fixtures	726,552		370,929	
	Accumulated depreciation	314,197	412,354	195,676	175,253
(4)	Land *1		606,469		606,469
(5)	Constriction in progress		—		9,720
	Total tangible fixed assets		1,405,816		1,237,044
			7.2		8.0
2	Intangible fixed assets				
(1)	Software		803,359		644,336
(2)	Other		51,044		58,262
	Total intangible fixed assets		854,403		702,598
			4.4		4.5
3	Investment and other assets				
(1)	Investment securities *2		901,972		601,649
(2)	Long-term loan receivable		4,363		3,358
(3)	Insurance reserve fund		1,088,686		809,927
(4)	Deferred tax asset		124,992		178,270
(5)	Other		1,078,070		936,648
	Allowance for doubtful accounts		-49,754		-36,355
	Total investment and other assets		3,148,330		2,493,497
			16.2		16.1
	Total fixed assets		5,408,551		4,433,139
			27.8		28.6
III	Deferred assets				
1	Discount on bond		—		16
	Total deferred assets		—		16
			—		0.0
	Total assets		19,461,520		15,493,565
			100.0		100.0

		As of September 30, 2004		As of September 30, 2003	
		Amount	%	Amount	%
<b>Liabilities</b>					
I	Current liabilities				
1	Notes payable and accounts payable trade	80,518		64,155	
2	Short-term borrowings *1	2,245,136		900,000	
3	Current portion of long-term debt *1	137,878		247,314	
4	Accounts payable-other	2,047,219		2,059,843	
5	Accrued expenses	1,575,118		810,182	
6	Income taxes payable	687,710		1,162,544	
7	Deferred tax liability	128		—	
8	Accrued bonuses	519,872		449,017	
9	Other current liabilities	218,150		240,291	
	Total current liabilities	7,511,733	38.6	5,933,348	38.3
II	Long-term liabilities				
1	Long-term debt *1	258,808		373,386	
2	Deferred tax liability	73,628		—	
3	Allowance for retirement benefits	271,120		257,081	
4	Allowance for officers' retirement benefits	—		1,739	
5	Other long-term liabilities	33,185		70,189	
	Total long-term liabilities	636,742	3.3	702,395	4.5
	Total liabilities	8,148,475	41.9	6,635,744	42.8
<b>Minority interests</b>					
	Minority interests	335,455	1.7	138,529	0.9
<b>Shareholders' equity</b>					
I	Common stock *3	3,464,100	17.8	3,289,350	21.3
II	Capital surplus	3,018,338	15.5	2,514,473	16.2
III	Retained surplus	4,465,902	22.9	3,264,994	21.1
IV	Net unrealized holding gains on securities	219,460	1.1	31,440	0.2
V	Treasury stock *4	-190,211	-1.0	-380,966	-2.5
	Total shareholder's equity	10,977,589	56.4	8,719,291	56.3
	Total liabilities, minority interests and shareholders' equity	19,461,520	100.0	15,493,565	100.0

**(2) Consolidated Income Statements**

(Thousands of yen)

		October 1, 2003 to September 30, 2004			October 1, 2002 to September 30, 2003			
		Amount		%	Amount		%	
I	Net sales		49,688,065	100.0		37,945,412	100.0	
II	Cost of sales		35,569,211	71.6		26,946,684	71.0	
	Gross profit		14,118,854	28.4		10,998,727	29.0	
III	Selling, general and administrative expenses	*1	10,863,235	21.9		8,543,412	22.5	
	Operating income		3,255,618	6.5		2,455,315	6.5	
IV	Non-operating income							
1	Interest income	5,814			42,831			
2	Rental income	20,883			77,268			
3	Profit on investment in anonymous association	40,166			57,746			
4	Amortization of consolidation goodwill	22,568			—			
5	Equity in earnings of affiliates	1,754			6,721			
6	Royalty of the trademark	-			30,000			
7	Other	96,619	187,806	0.4	49,208	263,775	0.7	
V	Non-operating expenses							
1	Interest expense	32,293			53,003			
2	Expenses incurred for initial public offering	16,999			31,542			
3	Amortization of software	2,510			10,000			
4	Other	98,756	150,558	0.3	65,886	160,432	0.4	
	Ordinary income		3,292,866	6.6		2,558,658	6.8	
VI	Extraordinary income							
1	Gain on sale of fixed assets	*2	16		109,486			
2	Gain on sale of investment securities		29,161		30,685			
3	Reversal of allowances for doubtful accounts		4,472		6,424			
4	Gain from a returned allowance of retirement benefits		3,059		648			
5	Reversal of allowances for officers' retirement benefits		—		14,906			
6	Life insurance surrendered value		—	36,709	0.1	4,806	166,958	0.4
VII	Extraordinary losses							
1	Loss on sales of fixed assets	*3	—		341			
2	Loss on disposal of fixed assets	*4	9,080		28,081			
3	Loss on sale of investment securities		314		3,318			
4	Loss on valuation of investment securities		11,109		43,567			
5	Penalty	*5	18,000		16,001			
6	Losses on insurance cancellation		7,188		—			

		October 1, 2003 to September 30, 2004		October 1, 2002 to September 30, 2003	
		Amount	%	Amount	%
7	Amortization of consolidation goodwill	<b>317,708</b>		—	
8	Expenses incurred in relocating *6 the head office	—	<b>0.7</b>	81,955	173,266
					0.5
	Current net income before income taxes		<b>6.0</b>		2,552,349
					6.7
	Corporate/residential/enterprise tax	<b>1,372,254</b>		1,479,602	
	Corporate taxes (incl. other adjustments)	<b>-27,051</b>	<b>1,345,203</b>	<b>2.7</b>	-207,058
					1,272,543
					3.4
	Minority interests		<b>109,063</b>	<b>0.2</b>	83,175
					0.2
	Current net income		<b>1,511,906</b>	<b>3.1</b>	1,196,630
					3.1

**(3) Consolidated Retained Earnings Statements**

(Thousands of yen)

	October 1, 2003 to September 30, 2004		October 1, 2002 to September 30, 2003	
	Amount		Amount	
<b>Capital surplus</b>				
I Capital surplus at beginning of period	2,514,473	2,514,473	2,486,474	2,486,474
II Increase in capital surplus				
1 New stock issuance	178,245		27,999	
2 Gain on disposal of treasury stock	325,620	503,865	—	27,999
III Capital surplus at end of period		3,018,338		2,514,473
<b>Retained surplus</b>				
I Retained surplus at beginning of period	3,264,994	3,264,994	2,199,480	2,199,480
II Increase in retained surplus				
1 Current net income	1,511,906		1,196,630	
2 Increase in retained surplus for merger of consolidated subsidiary	—		24,763	
3 Increase in retained surplus due to exclusion of the application of the equity method	—	1,511,906	0	1,221,395
III Decrease in retained surplus				
1 Dividends paid	310,998		108,943	
2 Loss on disposal of treasury stock	—	310,998	46,938	155,881
IV Retained surplus at end of period		4,465,902		3,264,994

**(4) Consolidated Cash Flows Statements**

(Thousands of yen)

	October 1, 2003 to September 30, 2004	October 1, 2002 to September 30, 2003
	Amount	Amount
1 Cash flows from operating activities		
1 Current net income before income taxes	<b>2,966,173</b>	2,552,349
2 Depreciation and amortization	<b>298,989</b>	237,265
3 Increase (decrease) in allowance for doubtful accounts	<b>-11,040</b>	16,196
4 Decrease in accrued bonuses	<b>65,185</b>	135,550
5 Increase in allowance for retirement benefits	<b>1,765</b>	28,509
6 Decrease in allowance for officers' retirement benefits	<b>-1,739</b>	-663
7 Interest and dividend income	<b>-10,088</b>	-42,976
8 Interest expenses	<b>32,293</b>	53,003
9 Gain on sale of fixed assets	<b>-16</b>	-109,486
10 Loss on sales of fixed assets		341
11 Loss on disposal of fixed assets	<b>9,080</b>	49,292
12 New stock issue expenses and amortization of discount on bonds	<b>8,074</b>	753
13 Profit on investment in anonymous association	<b>-40,166</b>	-57,746
14 Loss from doubtful accounts		294
15 Gain from sales of investment securities	<b>-29,161</b>	-30,685
16 Loss on valuation of investment securities	<b>11,109</b>	43,567
17 Amortization of goodwill	<b>8,517</b>	8,717
18 Amortization of consolidated adjustment accounts	<b>296,471</b>	29,166
19 Equity in earnings of affiliates	<b>-1,754</b>	-6,721
20 Increase in trade receivable	<b>-1,540,817</b>	-1,089,832
21 Increase in inventories	<b>-2,134</b>	-29,020
22 Increase in trade payable	<b>-73,902</b>	286,790
23 Increase in accrued expenses	<b>683,376</b>	—
24 Increase in insurance reserve fund	<b>-277,542</b>	-158,977
25 Other	<b>-498,700</b>	428,531
Subtotal	<b>1,893,975</b>	2,344,220
26 Interest and dividend received	<b>9,020</b>	37,838
27 Interest paid	<b>-32,161</b>	-50,733
28 Income taxes paid	<b>-1,875,846</b>	-785,495
Net cash provided by (used in) operating activities	<b>-5,012</b>	1,545,830

		October 1, 2003 to September 30, 2004	October 1, 2002 to September 30, 2003
		Amount	Amount
II	Cash flows from investing activities		
1	Expenditure on payment of time deposits	-16,810	—
2	Income from refund of time deposits	11,000	—
3	Purchase of securities	-298,540	-299,700
4	Proceeds from sales of securities	600,000	200,000
5	Purchase of tangible fixed assets	-398,404	-188,696
6	Proceeds from sales of tangible fixed assets	65,021	1,959,759
7	Purchase of intangible fixed assets	-298,383	-294,696
8	Proceeds from intangible fixed assets	6,221	—
9	Purchase of investment securities	-14,550	-323,934
10	Proceeds from sales of investment securities	52,081	80,577
11	Expenditure incurred for acquiring shares in subsidiaries	-1,400	-27,000
12	Advanced for loans receivable	-40,379	-6,630
13	Collection on loans receivable	39,220	504,973
14	Expenditure incurred for selling shares in subsidiaries *2 involved in changes in the scope of consolidation	221,098	—
15	Other	-10	-329
	Net cash used in investing activities	-73,835	1,604,324
III	Cash flows from financing activities		
1	Increase (decrease) in short-term borrowings	1,200,136	-429,100
2	Proceeds from long-term debt	—	200,000
3	Repayments of long-term debt	-270,914	-1,486,456
4	Redemption of debenture	-9,900	—
5	Issuance of common stock	349,500	54,900
6	Revenue from payment by minority shareholders	118,500	—
7	Proceeds from sales of treasury stock	—	80,050
8	Payments of dividends	-309,703	-107,156
9	Payments of dividends to minority shareholders	-8,000	—
10	Other	-52,695	-53,361
	Net cash provided by (used in) financing activities	1,016,923	-1,741,123
IV	FOREX gain in cash and cash equivalents	24	—
V	Net increase in cash and cash equivalents	938,100	1,409,030
VI	Cash and cash equivalents at beginning of period	5,150,894	3,741,864
VII	Cash and cash equivalents at end of period *1	6,088,994	5,150,894



## Significant Accounting Policies in the Preparation of the Consolidated Financial Statements

Item	Oct. 1, 2003 – Sep. 30, 2004	Oct. 1, 2002 – Sep. 30, 2003
1. Matters concerning the scope of consolidation	<p>The accompanying financial statements include the accounts of the parent company and all seven of its consolidated subsidiaries.</p> <p>Fullcast Office Support Co., Ltd. Fullcast Technology Co., Ltd. Fullcast Sports Co., Ltd. Fullcast Factory Co., Ltd. Fullcast Central Co., Ltd. Apayours Co., Ltd. Fullcast Telemarketing Co., Ltd.</p> <p>Since Apayours Co., Ltd. has become a fully consolidated subsidiary through stock exchange as of June 1, 2004 in the current fiscal year, it is included in the scope of consolidation from the same day being taken as the reference date.</p> <p>Fullcast Telemarketing Co., Ltd. was newly formed as of September 15, 2004, which is included in the scope of consolidation.</p>	<p>The accompanying financial statements include the accounts of the parent company and all five of its consolidated subsidiaries.</p> <p>Fullcast Office Support Co., Ltd. Fullcast Technology Co., Ltd. Fullcast Sports Co., Ltd. Fullcast Factory Co., Ltd. Fullcast Central Co., Ltd.</p> <p>Organizational changes in the fiscal year were as follows:</p> <p>Fullcast With Co., Ltd. and Fullcast System Consulting Co., Ltd. merged on October 1, 2002 and the new entity formed through the merger was named Fullcast Technology Co., Ltd.</p> <p>Fullcast Lady Co., Ltd. was split and transferred a part of its business to the parent company on October 1, 2002. Following the split, the company was renamed Fullcast Office Support Co., Ltd.</p> <p>Fullcast HR Consulting Co., Ltd. was merged by Fullcast Office Support Co., Ltd. on January 1, 2003.</p>
2. Matters concerning the application of the equity method	<p>(1) The accompanying financial statements include the accounts of the following affiliate accounted for by the equity method.</p> <p>(Equity methods are applied to all affiliates)</p> <p>Neo Career Inc.</p>	<p>(1) The accompanying financial statements include the accounts of the following affiliate accounted for by the equity method.</p> <p>Neo Career Inc.</p> <p>Adgrams Inc. was excluded from the application of the equity method as of September 24, 2003 due to a lowered shareholding ratio as a result of the sale of part of equity interest in the company.</p>
3. Fiscal year accounting period of consolidated subsidiaries	The date of account settlement of the Company's consolidated subsidiaries coincides with that of consolidated account settlement of the Company's.	Same as on the left.

Item	Oct. 1, 2003 – Sep. 30, 2004	Oct. 1, 2002 – Sep. 30, 2003												
4. Matters concerning significant accounting policies	<p>(1) Valuation criteria and methods for principal assets</p> <p>a. <u>Securities</u> Other securities <i>Securities with market quotations</i> Other securities that have market value are carried at fair value on the fiscal year balance sheet date. (Unrealized holding gain or loss is included in shareholders' equity. The cost of securities sold is determined by the moving-average method.)</p> <p><i>Securities without market quotations</i> Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>b. <u>Derivatives</u> Market value method.</p> <p>c. <u>Inventories</u> <i>Raw materials and supplies</i> Raw materials and supplies are stated at cost determined primarily by the first-in-first-out method.</p> <p><i>Work in process</i> Work in process is stated at cost, cost being determined by the specific identification method.</p>	<p>(1) Valuation criteria and methods for principal assets</p> <p>a. <u>Securities</u> Other securities <i>Securities with market quotations</i> Other securities that have market value are carried at fair value on the fiscal year balance sheet date. (Unrealized holding gain or loss is included in shareholders' equity. The cost of securities sold is determined by the moving-average method.)</p> <p>Embedded derivatives: Since it is not possible to measure embedded derivatives separately from their respective hybrid host contracts on the financial reporting date, entire contracts are treated as financial instruments and changes in their fair value are reported in net profit or loss.</p> <p><i>Securities without market quotations</i> Same as on the left.</p> <p>b. <u>Derivatives</u> Same as on the left.</p> <p>c. <u>Inventories</u> <i>Raw materials and supplies</i> Same as on the left.</p> <p><i>Work in process</i> Same as on the left.</p>												
	<p>(2) Depreciation method for major depreciable assets</p> <p>a. <u>Tangible fixed assets</u> Declining-balance method Depreciation on buildings (excluding furniture and fixtures) acquired on or after April 1, 1998 is computed using the straight-line method. The useful life of principal assets is as follows:</p> <table><tr><td>Buildings and structures</td><td>3-56 years</td></tr><tr><td>Machinery and vehicles</td><td>2-10 years</td></tr><tr><td>Furniture and fixtures</td><td>3-15 years</td></tr></table>	Buildings and structures	3-56 years	Machinery and vehicles	2-10 years	Furniture and fixtures	3-15 years	<p>(2) Depreciation method for major depreciable assets</p> <p>a. <u>Tangible fixed assets</u> Same as on the left.</p> <p>The useful life of principal assets is as follows:</p> <table><tr><td>Buildings and structures</td><td>2-56 years</td></tr><tr><td>Machinery and vehicles</td><td>2-10 years</td></tr><tr><td>Furniture and fixtures</td><td>2-19 years</td></tr></table>	Buildings and structures	2-56 years	Machinery and vehicles	2-10 years	Furniture and fixtures	2-19 years
Buildings and structures	3-56 years													
Machinery and vehicles	2-10 years													
Furniture and fixtures	3-15 years													
Buildings and structures	2-56 years													
Machinery and vehicles	2-10 years													
Furniture and fixtures	2-19 years													

Item	Oct. 1, 2003 – Sep. 30, 2004	Oct. 1, 2002 – Sep. 30, 2003
	<p>b. <u>Intangible fixed assets</u> Straight-line method The development costs of software intended for internal use are amortized over an expected useful life of 3-5 years by the straight-line method. As for software intended for commercial use, whichever larger amount is given, amortized value based upon estimated sales over an expected effective life of 3 years, or equated amortized value based upon the remaining marketable life.</p> <p>(3) Deferred assets <i>New stock issue expenses</i> Expensed as accrued. <i>Discount on bond</i> Discount on bond is amortized using the straight-line method in accordance with the provisions of the Commercial Code of Japan.</p>	<p>b. <u>Intangible fixed assets</u> Same as on the left.</p> <p>(3) Deferred assets <i>New stock issue expenses</i> Same as on the left. <i>Discount on bond</i> Same as on the left.</p>
	<p>(4) Recognition of significant allowances a. <u>Allowance for doubtful accounts</u> To prepare for credit losses on accounts receivable and loans receivable etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.</p> <p>b. <u>Accrued bonuses</u> To allow the provision of bonuses for employees, of the estimated amount thereof, a share in this consolidated fiscal year is appropriated.</p>	<p>(4) Recognition of significant allowances a. <u>Allowance for doubtful accounts</u> Same as on the left.</p> <p>b. <u>Accrued bonuses</u> Same as on the left.</p>

Item	Oct. 1, 2003 – Sep. 30, 2004	Oct. 1, 2002 – Sep. 30, 2003
	<p>c. <u>Allowance for retirement benefits</u>            To provide for accrued employees' retirement benefits, the Company and part of its consolidated affiliates provides an allowance in the amount deemed to have accrued at the end of the fiscal year based on projected benefit obligations and pension assets at the end of the fiscal year.            Actuarial differences are primarily amortized in the fiscal year in which they are recognized.</p>	<p>c. <u>Allowance for retirement benefits</u>            Same as on the left.</p> <p>(Additional information)            As for one of the consolidated affiliates, to allow the provision of retirement benefits for employees, the amount that can be acknowledged to be accrued at end of this consolidated fiscal year had been appropriated based upon estimated amounts of retirement benefit debts and pension funds at end of this consolidated fiscal year. However, the board of directors decided to abolish this retirement benefit program on September 17, 2003. In the wake of this decision, the unused balance of this term of the balance of the retirement benefit allowance at end of this consolidated fiscal year of ¥14,906 thousand was withdrawn to be included in extraordinary income.</p>

Item	Oct. 1, 2003 – Sep. 30, 2004	Oct. 1, 2002 – Sep. 30, 2003
	<p>d. <u>Allowance for officers' retirement benefits</u></p> <p>(Additional information) As for the Company and part of its consolidated affiliates, to allow the provision of retirement bonuses for members of the board, the amount equivalent to the amount of provision at end of the period in accordance with the bylaws had been appropriated. However, the board of directors decided to abolish this retirement bonus program for board members on September 28, 2004. In the wake of this decision, the unused balance of this term of the balance of the retirement bonus allowance at end of this consolidated fiscal year of ¥3,059 thousand was withdrawn to be included in extraordinary income.</p>	<p>d. <u>Allowance for officers' retirement benefits</u> Part of the consolidated affiliates appropriated the amount equivalent to the amount of provision at end of the period according to the bylaws to allow the provision of retirement bonuses for board members.</p>
	<p>(5) Translation of significant foreign currency-denominated assets and liabilities Cash, bond and claim in foreign currency is converted into the yen according to the spot exchange rate as of the end of the consolidated fiscal year and processed as exchange gains or losses.</p>	<p>(5) Translation of significant foreign currency-denominated assets and liabilities Same as on the left.</p>
	<p>(6) Accounting for leases Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by the method similar to that applicable to ordinary operating leases.</p>	<p>(6) Accounting for leases Same as on the left.</p>

Item	Oct. 1, 2003 – Sep. 30, 2004	Oct. 1, 2002 – Sep. 30, 2003
	<p>(6) Accounting for major hedges</p> <p>a. <u>Hedge accounting method</u> The company applies the deferred accounting method.</p> <p>Interest rate swap transactions that qualify for special treatment under Note 14 of the “Opinion Concerning Establishment of Accounting Standards for Financial Instruments” are accounted for by the short-cut method.</p> <p>b. <u>Hedge method and transactions</u> The hedge method and risk hedge are as follows: <i>Hedge method:</i> Interest rate swap <i>Risk hedged:</i> Interests on borrowings</p> <p>c. <u>Hedging policy</u> The Company uses hedge transactions to reduce interest rate risk. The responsible division executes all the derivative transactions the company enters into. Internal audit executive checks the procedures and ascertains the adequacy of individual derivative transactions.</p> <p>d. <u>Evaluation of hedge effectiveness</u> Interest rate swap transactions In principle, the Company assesses the effectiveness of individual hedge transactions at the end of consolidated fiscal year (including the consolidated interim period). The Company does not assess the effectiveness of a hedge transaction if there is a high correlation (principal, interest rate, period etc.) and high degree of effectiveness between the hedging instrument and the risk hedged</p>	<p>(6) Accounting for major hedges</p> <p>a. <u>Hedge accounting method</u> Same as on the left.</p> <p>b. <u>Hedge method and transactions</u> Same as on the left.</p> <p>c. <u>Hedging policy</u> Same as on the left.</p> <p>d. <u>Evaluation of hedge effectiveness</u> Interest rate swap transactions Same as on the left.</p>
	<p>(8) Other significant accounting policies in the preparation of fiscal year financial statements</p> <p>Accounting for consumption taxes All amounts stated are exclusive of national consumption tax and local consumption tax.</p>	<p>(8) Other significant accounting policies in the preparation of fiscal year financial statements</p> <p>Accounting for consumption taxes Same as on the left.</p>
5. Matters concerning the appraisal of assets and liabilities of the consolidated affiliates	Assets and liabilities of the consolidated affiliates are appraised entirely based upon the current value method.	Same as on the left.

Item	Oct. 1, 2003 – Sep. 30, 2004	Oct. 1, 2002 – Sep. 30, 2003
6. Matters concerning the amortization of consolidated adjustment account	Consolidated adjustment account is amortized collectively upon accrual.	Same as on the left.
7. Matters concerning the treatment of matters, including profit appropriation	Handled based upon either profit appropriation or loss disposition determined in the consolidated fiscal year.	Same as on the left.
8. Scope of cash and cash equivalents on consolidated cash flows statements	For the purpose of consolidated cash flows statements, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.	Same as on the left.

**Reclassifications**

Item	October 1, 2003 – September 30, 2004	October 1, 2002 – September 30, 2003
Insurance reserve fund	—	“Insurance reserve fund,” reported as a component of “Other” in investment and other assets in the previous consolidated fiscal year, is reclassified and listed separately as from the current consolidated fiscal year, given that the amount of “Insurance reserve fund” exceeds 5% of the total assets. The “Insurance reserve fund” for the previous consolidated fiscal year was ¥650,949 thousand.
Accrued expenses payable	—	“Accrued expenses payable,” reported as a component of “Other” in current liabilities in the previous consolidated fiscal year, is reclassified and listed separately as from the current consolidated fiscal year, given that the amount of “Accrued expenses payable” exceeds 5% of the total of liabilities, minority interest and capital. The “Accrued expenses payable” for the previous consolidated fiscal year was ¥379,379 thousand.
Royalty of the trademark	“Royalty of the trademark,” listed separately as non-operating income in the previous consolidated fiscal year, is reclassified and is reported as a component of “Other” in non-operating income as from the current consolidated fiscal year, given that the amount of “Royalty of the trademark” has fallen to 10% or less of non-operating income. The “Royalty of the trademark” for the current consolidated fiscal year is ¥6,628 thousand.	—
Increase in accrued expenses payable	“Increase in accrued expenses payable,” reported as a component of “Other” in cash flow from operating activities in the previous consolidated fiscal year, is reclassified and is listed separately as from the current consolidated fiscal year, given that the amount of “Increase in accrued expenses payable” has increased materiality of impact on consolidated fiscal statements. The “Increase in accrued expenses payable” for the previous consolidated fiscal year was ¥430,939 thousand.	—



## Notes on Financial Statements

### Notes on Consolidated Balance Sheets

(Thousands of yen)

As of September 30, 2004	As of September 30, 2003																																																				
<p>*1. Assets pledged as collateral</p> <p>Assets pledged as collateral were as follows:</p> <table> <tr> <td>Buildings and structures</td><td>232,775</td></tr> <tr> <td>Land</td><td>606,469</td></tr> <tr> <td>Total</td><td>839,244</td></tr> </table> <p>Liabilities corresponding to assets pledged as collateral:</p> <table> <tr> <td>Short-term borrowings</td><td>1,000,000</td></tr> <tr> <td>Long-term debt</td><td>323,336</td></tr> <tr> <td>[Current portion of long-term debt]</td><td>75,568</td></tr> <tr> <td>Total</td><td>1,323,336</td></tr> </table> <p>*2. Non-consolidated subsidiary and affiliate stock includes the following:</p> <table> <tr> <td>Investment securities</td><td>11,545</td></tr> </table> <p>These include advances on stock subscription for Fullcast Finance Co., Ltd. formed on October 1, 2004.</p> <p>*3. Total number of outstanding stocks in the Company</p> <table> <tr> <td>Common stock</td><td>275,964 shares</td></tr> </table> <p>*4. Number of treasury stock the Company owns</p> <table> <tr> <td>Common stock</td><td>2,652 shares</td></tr> </table> <p>*5. The Company and its consolidated subsidiaries signed an agreement for overdraft with nine banks to procure operating capital efficiently.</p> <p>The balance of borrowing involved in the agreement for overdraft at the end of this consolidated fiscal year is as follows:</p> <table> <tr> <td>Limit of overdraft account</td><td>7,600,000</td></tr> <tr> <td>Borrowing</td><td>2,100,136</td></tr> <tr> <td>Balance</td><td>5,499,864</td></tr> </table>	Buildings and structures	232,775	Land	606,469	Total	839,244	Short-term borrowings	1,000,000	Long-term debt	323,336	[Current portion of long-term debt]	75,568	Total	1,323,336	Investment securities	11,545	Common stock	275,964 shares	Common stock	2,652 shares	Limit of overdraft account	7,600,000	Borrowing	2,100,136	Balance	5,499,864	<p>*1. Assets pledged as collateral</p> <p>Assets pledged as collateral were as follows:</p> <table> <tr> <td>Buildings and structures</td><td>243,091</td></tr> <tr> <td>Land</td><td>606,469</td></tr> <tr> <td>Total</td><td>849,560</td></tr> </table> <p>Liabilities corresponding to assets pledged as collateral:</p> <table> <tr> <td>Short-term borrowings</td><td>500,000</td></tr> <tr> <td>Long-term debt</td><td>408,894</td></tr> <tr> <td>[Current portion of long-term debt]</td><td>85,558</td></tr> <tr> <td>Total</td><td>908,894</td></tr> </table> <p>*2. Non-consolidated subsidiary and affiliate stock includes the following:</p> <table> <tr> <td>Investment securities</td><td>9,791</td></tr> </table> <p>*3. Total number of outstanding stocks in the Company</p> <table> <tr> <td>Common stock</td><td>44,829 shares</td></tr> </table> <p>*4. Number of treasury stock the Company owns</p> <table> <tr> <td>Common stock</td><td>900 shares</td></tr> </table> <p>5 The Company and three of its consolidated subsidiaries signed an agreement for overdraft with seven banks to procure operating capital efficiently.</p> <p>The balance of borrowing involved in the agreement for overdraft at the end of this consolidated fiscal year is as follows:</p> <table> <tr> <td>Limit of overdraft account</td><td>3,700,000</td></tr> <tr> <td>Borrowing</td><td>800,000</td></tr> <tr> <td>Balance</td><td>2,900,000</td></tr> </table>	Buildings and structures	243,091	Land	606,469	Total	849,560	Short-term borrowings	500,000	Long-term debt	408,894	[Current portion of long-term debt]	85,558	Total	908,894	Investment securities	9,791	Common stock	44,829 shares	Common stock	900 shares	Limit of overdraft account	3,700,000	Borrowing	800,000	Balance	2,900,000
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## Notes on Consolidated Income Statements

(Thousands of yen)

October 1, 2003 – September 30, 2004		October 1, 2002 – September 30, 2003	
*1. Significant components of selling, general and administrative expenses		*1. Significant components of selling, general and administrative expenses	
Salaries and wages	3,180,239	Salaries and wages	2,466,512
Miscellaneous wages	1,726,542	Miscellaneous wages	1,335,796
Legal welfare	463,982	Legal welfare	399,544
Provision of accrued bonuses	304,153	Provision of accrued bonuses	277,718
Retirement benefit expenses	109,832	Retirement benefit expenses	171,175
Provision of allowance for officers' retirement benefit	1,320	Provision of allowance for officers' retirement benefit	1,195
Communications expenses	500,667	Communications expenses	374,057
Advertisement and sales promotion	130,708	Advertisement and sales promotion	158,702
Travel and transportation	542,508	Travel and transportation	421,603
Rents	929,571	Rents	644,452
Depreciation and amortization	261,935	Depreciation and amortization	219,535
Recruitment expense	805,326	Recruitment expense	529,884
Provision of allowance for doubtful accounts	29,713	Provision of allowance for doubtful accounts	40,694
*2. Significant components of gain on sale of fixed assets		*2. Significant components of gain on sale of fixed assets	
Furniture and fixtures	16	Machinery and vehicles	666
		Furniture and fixtures	3,033
		Land	105,786
		Total	109,486
*3. —		*3. Significant components of loss on sale of fixed assets	
		Machinery and vehicles	341
*4. Significant components of loss on disposal of fixed assets		*4. Significant components of loss on disposal of fixed assets	
Buildings and structures	585	Buildings and structures	370
Machinery and vehicles	843	Machinery and vehicles	5,164
Furniture and fixtures	3,152	Furniture and fixtures	4,718
Software	4,500	Software	17,828
Total	9,080	Total	28,081
*5. Penalty on a change in the contract period of management consignment contract		*5. Penalty on lump-sum advance repayment of debt	
*6. —		*6. The expenses incurred in relocating the head office include the cost incurred in returning to the original condition, the labor cost and loss on retirement of fixed assets. The details of the loss on retirement of fixed assets, included as a component of the expenses incurred in relocating the head office, are as given below:	
		Buildings and structures	20,543
		Furniture and fixtures	667
		Total	21,210

## Notes on Consolidated Cash Flows Statements

(Thousand of yen)

October 1, 2003 – September 30, 2004	October 1, 2002 – September 30, 2003
<p>*1. Reconciliation of consolidated balance sheet items to cash and cash equivalents in fiscal year consolidated cash flows statements</p> <p>Cash and deposits 5,603,756</p> <p>Time deposits with deposit term over 3 months -14,810</p> <p>Money Management Fund 300,032</p> <p>Free Financial Fund 200,016</p> <p>Cash and cash equivalents 6,088,994</p>	<p>*1. Reconciliation of consolidated balance sheet items to cash and cash equivalents in fiscal year consolidated cash flows statements</p> <p>Cash and deposits 4,650,781</p> <p>Money Management Fund 300,104</p> <p>Free Financial Fund 200,008</p> <p>Cash and cash equivalents 5,150,894</p>
<p>*2. Major breakdown of assets and liabilities of a newly consolidated subsidiary</p> <p>The following shows a breakdown of assets and liabilities at the start of consolidation of Apayours Co., Ltd. and the relation with net expenditure for acquisition of the company.</p> <p>Current assets 652,029</p> <p>Fixed assets 55,915</p> <p>Consolidation adjustments 317,708</p> <p>Current liabilities 498,161</p> <p>Fixed liabilities 2,620</p> <p>Acquisition price of the company's shares 524,872</p> <p>Self-stock substitution treasury stocks exchanged with the company's share -524,872</p> <p>Cash and cash equivalents held by the company -229,596</p> <p>Cost for acquisition of the company 8,497</p> <p>Net expenditure for acquisition of the company -221,098</p> <p>Income</p>	<p>*2 -</p>

## Notes on Securities

## Current consolidated fiscal year

## 1. Securities with market quotations classified as “Other” (as of September 30, 2004)

(Thousands of yen)

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Carrying value exceeds acquisition cost			
(1) Equity securities	423,973	794,058	370,084
(2) Debt securities			
JGB's and municipal bonds			
Corporate bonds			
Other bonds			
(3) Other securities			
Subtotal	423,973	794,058	370,084
Carrying value does not exceed acquisition cost			
(1) Equity securities <sup>Note</sup>			
(2) Debt securities			
JGB's and municipal bonds			
Corporate bonds			
Other bonds			
(3) Other securities			
Subtotal			
Total	423,973	794,058	370,084

## 2. Other securities sold during the consolidated fiscal year (October 1, 2003 – September 30, 2004)

(Thousands of yen)

Selling price	Total profit on sale	Total loss on sale
52,081	29,161	314

## 3. Securities without market quotations classified as “Other” (as of September 30, 2004)

(Thousands of yen)

Security	Carrying value
Subsidiary and affiliate stock	
Advances on subscription of subsidiary and affiliate stock	10,000
Affiliate stock	11,545
Other securities	
Securities without market quotations (excluding OTC shares)	86,369
Free Financial Fund	200,016
Money Management Fund	300,032

Note: Equity securities (carrying value) are reported at fair value after adjustment for impairment on the consolidated balance sheet.

(Impairment: ¥11,109 thousand)

**Previous consolidated fiscal year****1. Securities with market quotations classified as “Other” (as of September 30, 2003)**

(Thousands of yen)

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Carrying value exceeds acquisition cost			
(1) Equity securities	335,505	392,444	56,938
(2) Debt securities			
JGB's and municipal bonds			
Corporate bonds			
Other bonds (note)	300,000	301,120	1,120
(3) Other securities			
Subtotal	635,505	693,564	58,058
Carrying value does not exceed acquisition cost			
(1) Equity securities	16,650	11,433	-5,217
(2) Debt securities			
JGB's and municipal bonds			
Corporate bonds			
Other bonds			
(3) Other securities			
Subtotal	16,650	11,433	-5,217
Total	652,155	704,997	52,841

(Note) In the consolidated accounting in this fiscal year, we've estimated the market value of the compound financial instrument (whose contract price is 200 million yen) that is included in "Others" in the securities and we've recorded the variance of the estimate in the loss and gain account. The acquisition cost of the compound financial instrument is based on the price after the completion of recording the valuation loss.

**2. Other securities sold during the consolidated fiscal year (October 1, 2002 – September 30, 2003)**

(Thousands of yen)

Selling price	Total profit on sale	Total loss on sale
80,577	30,685	3,318

**3. Securities without market quotations classified as “Other” (as of September 30, 2003)**

(Thousands of yen)

Security	Carrying value
Subsidiary and affiliate stock	
Affiliate stock	9,791
Other securities	
Securities without market quotations (excluding OTC shares)	187,980
Free Financial Fund	200,008
Money Management Fund	300,104

Note: Equity securities (carrying value) are reported at fair value after adjustment for impairment on the consolidated balance sheet.

(Impairment: ¥43,567 thousand)

**4. Securities with maturity and the estimated amount of redemption at maturity of debt securities classified as “Other”**

(Thousands of yen)

Security	As of September 30, 2003			
	Within 1 year	1-5 years	5-10 years	10 years or longer
Debt securities				
JGB's and municipal bonds	—	—	—	—
Corporate bonds	—	—	—	—
Other bonds	100,000	—	—	—
Other securities	—	—	—	—
Total	100,000	—	—	—

## Notes on Retirement Benefits

(Thousands of yen)

October 1, 2003 – September 30, 2004	October 1, 2002 – September 30, 2003																								
<p>1. Summary of the retirement benefit scheme adopted The Company and part of its consolidated subsidiaries have established employees' pension fund, approved retirement annuity system and termination allowance plan as fixed benefit-type programs. As of the current consolidated accounting period, 4 companies of the Group own the termination allowance plan, while 2 of those own a taxation approved retirement plan as for the approved retirement annuity system. As for the employees' pension fund, 3 companies of the Group have the "Billboard Display Employees' Pension Fund" (general type).</p>	<p>1. Summary of the retirement benefit scheme adopted The Company and part of its consolidated subsidiaries have established employees' pension fund, approved retirement annuity system and termination allowance plan as fixed benefit-type programs. As of the current consolidated accounting period, 5 companies of the Group own the termination allowance plan, while 2 of those own a taxation approved retirement plan as for the approved retirement annuity system. As for the employees' pension fund, 3 companies of the Group have the "Billboard Display Employees' Pension Fund" (general type). One of the consolidated subsidiaries decided to abolish the retirement benefit program in a board of directors' meeting on September 17, 2003. In the wake of this decision, the unused balance of this term of the balance of the retirement benefit allowance at the end of the current consolidated fiscal year of ¥14,906 thousand was withdrawn to be included in extraordinary income.</p>																								
<p>2. Matters concerning retirement benefit obligation (as of September 30, 2004)</p> <table> <tr> <td>a. Retirement benefit obligation</td><td>-292,391</td></tr> <tr> <td>b. Pension assets</td><td>62,287</td></tr> <tr> <td>c. Non-accumulated retirement benefit obligation (a + b)</td><td>-230,104</td></tr> <tr> <td>d.</td><td>12,273</td></tr> <tr> <td>e. Unconfirmed computational differential</td><td>-28,742</td></tr> <tr> <td>f. Retirement benefit allowance (c – d + e)</td><td>-271,120</td></tr> </table>	a. Retirement benefit obligation	-292,391	b. Pension assets	62,287	c. Non-accumulated retirement benefit obligation (a + b)	-230,104	d.	12,273	e. Unconfirmed computational differential	-28,742	f. Retirement benefit allowance (c – d + e)	-271,120	<p>2. Matters concerning retirement benefit obligation (as of September 30, 2003)</p> <table> <tr> <td>a. Retirement benefit obligation</td><td>-261,312</td></tr> <tr> <td>b. Pension assets</td><td>46,472</td></tr> <tr> <td>c. Non-accumulated retirement benefit obligation (a + b)</td><td>-214,840</td></tr> <tr> <td>d. Unconfirmed computational differential</td><td>-42,241</td></tr> <tr> <td>e. Retirement benefit allowance (c + d)</td><td>-257,081</td></tr> </table>	a. Retirement benefit obligation	-261,312	b. Pension assets	46,472	c. Non-accumulated retirement benefit obligation (a + b)	-214,840	d. Unconfirmed computational differential	-42,241	e. Retirement benefit allowance (c + d)	-257,081		
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c. Non-accumulated retirement benefit obligation (a + b)	-230,104																								
d.	12,273																								
e. Unconfirmed computational differential	-28,742																								
f. Retirement benefit allowance (c – d + e)	-271,120																								
a. Retirement benefit obligation	-261,312																								
b. Pension assets	46,472																								
c. Non-accumulated retirement benefit obligation (a + b)	-214,840																								
d. Unconfirmed computational differential	-42,241																								
e. Retirement benefit allowance (c + d)	-257,081																								
<p>3. Matters concerning retirement benefit expenses</p> <table> <tr> <td>a. Service cost</td><td>71,050</td></tr> <tr> <td>b. Interest cost</td><td>6,515</td></tr> <tr> <td>c. Expected return on plan assets</td><td>-697</td></tr> <tr> <td>d. Cost to dispose of computational differentials</td><td>-53,509</td></tr> <tr> <td>e. Contribution to employees' pension fund</td><td>103,541</td></tr> <tr> <td>f. Retirement benefit expenses (a + b + c + d + e)</td><td>126,901</td></tr> </table>	a. Service cost	71,050	b. Interest cost	6,515	c. Expected return on plan assets	-697	d. Cost to dispose of computational differentials	-53,509	e. Contribution to employees' pension fund	103,541	f. Retirement benefit expenses (a + b + c + d + e)	126,901	<p>3. Matters concerning retirement benefit expenses</p> <table> <tr> <td>a. Service cost</td><td>86,155</td></tr> <tr> <td>b. Interest cost</td><td>6,132</td></tr> <tr> <td>c. Expected return on plan assets</td><td>-585</td></tr> <tr> <td>d. Cost to dispose of computational differentials</td><td>-22,182</td></tr> <tr> <td>e. Contribution to employees' pension fund</td><td>125,776</td></tr> <tr> <td>f. Retirement benefit expenses (a + b + c + d + e)</td><td>195,297</td></tr> </table>	a. Service cost	86,155	b. Interest cost	6,132	c. Expected return on plan assets	-585	d. Cost to dispose of computational differentials	-22,182	e. Contribution to employees' pension fund	125,776	f. Retirement benefit expenses (a + b + c + d + e)	195,297
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f. Retirement benefit expenses (a + b + c + d + e)	195,297																								
<p>4. Matters concerning the basis of calculation of retirement benefit obligation, etc.</p> <table> <tr> <td>a. Distribution of estimated retirement benefits during term</td><td>Fixed amount standards during term</td></tr> <tr> <td>b. Discount rate</td><td>Mainly 2.3%</td></tr> <tr> <td>c. Expected rate of return on plan assets</td><td>1.5%</td></tr> <tr> <td>d. Number of years to dispose of computational differentials</td><td>Mainly 1 year</td></tr> </table>	a. Distribution of estimated retirement benefits during term	Fixed amount standards during term	b. Discount rate	Mainly 2.3%	c. Expected rate of return on plan assets	1.5%	d. Number of years to dispose of computational differentials	Mainly 1 year	<p>4. Matters concerning the basis of calculation of retirement benefit obligation, etc.</p> <table> <tr> <td>a. Distribution of estimated retirement benefits during term</td><td>Fixed amount standards during term</td></tr> <tr> <td>b. Discount rate</td><td>2.5%</td></tr> <tr> <td>c. Expected rate of return on plan assets</td><td>1.5%</td></tr> <tr> <td>d. Number of years to dispose of computational differentials</td><td>Mainly 1 year</td></tr> </table>	a. Distribution of estimated retirement benefits during term	Fixed amount standards during term	b. Discount rate	2.5%	c. Expected rate of return on plan assets	1.5%	d. Number of years to dispose of computational differentials	Mainly 1 year								
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## Notes on Tax Effect Accounting

(Thousands of yen)

Current consolidated fiscal year (September 30, 2004)	Previous consolidated fiscal year (September 30, 2003)
1. Breakdown of main reasons for deferred tax asset and deferred liability	1. Breakdown of main reasons for deferred tax asset and deferred liability
Deferred tax asset	Deferred tax asset
Allowance for bad debts and bad debt loss 24,629	Allowance for bad debts and bad debt loss 18,539
Allowance for retirement benefits 103,433	Allowance for retirement bonuses for board members 704
Allowance for bonuses 211,592	Allowance for retirement benefits 100,816
Excess of allowance for depreciation 11,270	Allowance for bonuses 156,386
Unrealized profit on fixed assets 65,888	Excess of allowance for depreciation 4,584
Loss from revaluation of investment securities 89,790	Unrealized profit on fixed assets 59,492
Accrued enterprise taxes 61,936	Loss from revaluation of investment securities 153,540
Accrued social insurance premiums 24,109	Accrued enterprise taxes 93,567
Other 37,772	Other 50,679
Subtotal of deferred tax asset 630,419	Subtotal of deferred tax asset 638,310
Valuation reserve -115,800	Valuation reserve -152,290
Total deferred tax asset 514,619	Total deferred tax asset 486,020
Deferred tax liability	Deferred tax liability
Allowance for bad debts involved in elimination of debts and credits -3,798	Allowance for bad debts involved in elimination of debts and credits -2,251
Revaluation differentials of other securities -150,624	Revaluation differentials of other securities -21,400
Subtotal of deferred tax liability -154,423	Subtotal of deferred tax liability -23,652
Net deferred tax asset 360,195	Net deferred tax asset 462,368
2. Breakdown by item of the main reasons for differentials between the legal effective tax rates and the ratio of tax expenses, including corporate taxes, after tax effect accounting is applied	2. Breakdown by item of the main reasons for differentials between the legal effective tax rates and the ratio of tax expenses, including corporate taxes, after tax effect accounting is applied
Legal effective tax rate (Adjusted) 42.0%	Legal effective tax rate (Adjusted) 42.0%
Expense from exclusion of profit and loss 0.6	Taxable undistributed profits 4.5%
Per capita rate or inhabitants tax 2.8	Expense from exclusion of profit and loss 0.7%
Special credit of corporation tax -1.0	Per capita rate or inhabitants tax 2.1%
Unrealized profit elimination that is not applied to tax effect -0.6	Other 0.6%
Amortization of consolidation account adjustment 4.2	The ratio of tax expenses, including corporate taxes, after tax effect accounting is applied 49.9%
Allowance account -2.2	
Other -0.4	
The ratio of tax expenses, including corporate taxes, after tax effect accounting is applied 45.4%	
	3. As regards the legal effective tax rate applied in calculating deferred tax asset and liability, in line with the revision to the Local Tax Law (due to the No. 9 of the law for 2003, imposing taxes on a pro forma basis will be introduced into corporate taxes from the business year starting April 1, 2004), of temporary differentials in the current consolidated fiscal year, as for those due to be eliminated by the end of September 2004, the tax rate of 42.0% prior to the revision is applied and as for those due to be eliminated in October 2004 or later, the tax rate of 40.5% is applied. Due to this change in tax rates, the amount of deferred tax asset (with the amount of deferred tax liability deducted) decreased ¥4,397 thousand and the amount of corporate taxes adjusted and the amount of revaluation differential of other securities increased ¥5,190 thousand and ¥792 thousand, respectively as of the end of the current consolidated fiscal year.



**Segment Information****(1) Operating segment information**

Current consolidated fiscal year (October 1, 2003 – September 30, 2004)

(Thousands of yen)

	Spot Business	Factory Business	Technology Business	Other Business	Subtotal	Elimination or company total	Total
I Net sales and operating income and loss							
Net sales							
(1) Sales to external customers	30,814,275	12,234,864	6,212,128	426,796	49,688,065	—	49,688,065
(2) Inter-segment sales or transfers	319,888	34,778	52,333	20,916	427,917	(427,917)	
Total	31,134,163	12,269,642	6,264,462	447,712	50,115,982	(427,917)	49,688,065
Operating expenses	28,271,124	11,704,956	5,940,350	485,475	46,401,906	30,540	46,432,446
Operating income	2,863,039	564,686	324,112	-37,762	3,714,076	(458,458)	3,255,618
II Assets, allowance for depreciation and capital expenditure							
Assets	12,248,377	2,983,847	2,361,216	628,012	18,221,453	1,240,066	19,461,520
Allowance for depreciation	261,335	31,391	42,832	8,283	343,843	(36,335)	307,507
Capital expenditure	573,157	60,333	68,765	11,736	713,993	(17,205)	696,788

**Notes**

- The company's business activities are divided as given below for the purpose of internal management.
- Major services by business segments
  - Spot Business: Short-term contractual workers services, short-term employee dispatching services
  - Factory Business: Personnel outsourcing services for production line work
  - Technology Business: Human resources contracting of technical staff, engineer dispatching services, data communication services
  - Other Business: Agency services for professional athletes, restaurant management, call center business
- Of the operating expenses during the current consolidated fiscal year, the amount of operating expenses included in the eliminations or company total item, which cannot be allocated, is 494,815 thousand yen. It is mainly expenses associated with the administrative departments of the parent company's head office, such as Accounting.
- Of assets for the current consolidated fiscal year, the total amount of assets of the whole Company included into the eliminations or company total items was 3,828,352 thousand yen. They were primarily made up of long-term investment assets (investment securities) and assets involved in the administrative department.

**Previous consolidated fiscal year (October 1, 2002 – September 30, 2003)**

(Thousands of yen)

	Spot Business	Factory Business	Technology Business	Other Business	Subtotal	Elimination or company total	Total
I Net sales and operating income and loss							
Net sales							
(1) Sales to external customers	22,205,911	10,713,647	4,313,317	712,535	37,945,412	—	37,945,412
(2) Inter-segment sales or transfers	382,414	39,293	489,027	53,246	963,982	(963,982)	—
Total	22,588,326	10,752,940	4,802,345	765,782	38,909,394	(963,982)	37,945,412
Operating expenses	20,318,356	10,158,932	4,600,921	741,118	35,819,328	(329,231)	35,490,096
Operating income or loss (-)	2,269,970	594,007	201,424	24,663	3,090,065	(634,750)	2,455,315
II Assets, allowance for depreciation and capital expenditure							
Assets	9,338,834	2,513,363	1,605,306	245,848	13,703,353	1,790,211	15,493,565
Allowance for depreciation	225,555	21,639	11,555	10,990	269,740	(23,756)	245,983
Capital expenditure	309,035	67,752	41,729	87,423	505,940	(22,548)	483,392

## Notes

- The company's business activities are divided as given below for the purpose of internal management.
- Business segments
  - Spot Business: Short-term contractual workers services, short-term employee dispatching services
  - Factory Business: Personnel outsourcing services for production line work
  - Technology Business: Human resources contracting of technical staff, engineer dispatching services, data communication services
  - Other Business: Employee search and placement services, agency services for professional athletes, restaurant chain franchisee, etc.
- Of the operating expenses during the current consolidated fiscal year, the amount of operating expenses included in the eliminations or company total item, which cannot be allocated, is 581,355 thousand yen. It is mainly expenses associated with the administrative departments of the parent company's head office, such as Accounting.
- Of assets for the current consolidated fiscal year, the total amount of assets of the whole Company included into the eliminations or company total items was 3,222,035 thousand yen. They were primarily made up of long-term investment assets (investment securities) and assets involved in the administrative department.

## (2) Geographic segment information

Geographic segment information is not presented since the Companies did not have consolidated subsidiaries in areas other than Japan in the current consolidated fiscal year and the previous fiscal year.

## (3) Overseas sales

Overseas sales are not presented since they represent less than 10% of total consolidated net sales in the current consolidated fiscal year.

The Companies operated mainly in Japan and had no overseas sales in the previous consolidated fiscal year.

**Transactions with the Parties Concerned**

Current consolidated fiscal year (October 1, 2003 – September 30, 2004)

There are no relevant matters.

Previous consolidated fiscal year (October 1, 2002 – September 30, 2003)

Board members, main individual shareholders, etc.

(Thousands of yen)

Attribute	Name and company, etc.	Domicile	Capital or amount invested	Details of business or occupation	Percentage of voting right owned	Relations		Details of transaction	Transaction amount	Item	Balance at the end of the term
						Whether a board member or not	Business relations				
Directors and their relatives	Shiro Kaizuka	—	—	Board member of the Company	Direct ownership: 0.59%	—	—	Purchase of shares in Fullcast Technology Co., Ltd. (Note 2)	5,000	—	—

Note 1 The aforementioned amounts do not include consumption taxes.

2 Business terms and policy for determining them

Determined based upon an actual transaction case with the immediate third party.

**Per Share Information**

Current consolidated fiscal year October 1, 2003 – September 30, 2004		Previous consolidated fiscal year October 1, 2002 – September 30, 2003	
Shareholders' equity per share	¥40,165.04	Shareholders' equity per share	¥198,486.00
Net income per share (basic)	¥5,603.88	Net income per share (basic)	¥27,373.46
Net income per share (diluted)	¥5,578.67	Net income per share (diluted)	¥27,118.49

Notes:

1. The following is a reconciliation of net income per share (basic) and net income per share (diluted)

(Thousands of yen)

	Oct. 1, 2003 – Sep. 30, 2004	Oct. 1, 2002 – Sep. 30, 2003
Net income	1,511,906	1,196,630
Net income (basic)	1,511,906	1,196,630
Net income not available to common stock	—	—
Average number of common stock outstanding during the period	269,796 shares	43,715 shares
Net income available to common stock after effect of dilutive stock	—	—
Effect of dilutive stock		
Stock acquisition rights	1,218 shares	411 shares
Increase in common shares	1,218 shares	411 shares
Potential stock not included in the calculation of net income per share (diluted) since it did not have dilative effect.	—	—

2. In the current fiscal year the Company split common shares on a three-for-one-stock-split basis as of November 20, 2003 (number of shares issued: 89,658). And as of May 20, 2004 we split common shares on a two-for-one-stock-split basis (number of shares issued: 137,982).

Current net income per share (basic) and current net income per share (diluted) were calculated on the assumption that the stock split was carried out at the beginning of the period.

Per share information for the previous-year consolidated third quarter the prior consolidated fiscal year calculated on the assumption that this stock split was carried out at the beginning of the previous-year period is given as follows:

Oct. 1, 2002 – Sep. 30, 2003	
Shareholders' equity per share	¥33,081.00
Net income per share (basic)	¥4,562.24
Net income per share (diluted)	¥4,519.74

## Subsequent Events

October 1, 2003 – September 30, 2004	October 1, 2002 – September 30, 2003																
	<p>1. Stock split</p> <p>In accordance with the decision by the Company’s board of directors on September 8, 2003, it will float new stock through stock split as given below:</p> <p>(1) Objective of the stock split</p> <p>To lower the amount of investment per share; thereby expanding the base of individual investors, as well as increase the liquidity of shares in the Company.</p> <p>(2) Summary of the stock split</p> <p>As of November 20, 2003, the Company will split common shares on a three-for-one-stock-split basis according to the following:</p> <p>a. Number of shares to be increased through the stock split</p> <p>Common stock: 89,658 share</p> <p>b. How to split up</p> <p>The number of shares owned by stockholders listed/recorded on the final list of shareholders and substantial shareholders as of September 30, 2003 will be split on a basis of three-for-one stock split.</p> <p>c. The initial date of reckoning stock dividends</p> <p>October 1, 2003</p> <p>Per share information for the previous consolidated fiscal year if this stock split had been implemented at the beginning of the prior term and per share information for the current consolidated fiscal year if it had been implemented at the beginning of the current term would have been as follows:</p> <table><tr><th colspan="2">Current consolidated fiscal year</th><th colspan="2">Previous consolidated fiscal year</th></tr><tr><td>Per share gross asset</td><td>¥66,162.00</td><td>Per share gross asset</td><td>¥57,109.11</td></tr><tr><td>Per share current net income</td><td>¥9,124.48</td><td>Per share current net income</td><td>¥2,634.10</td></tr><tr><td>Diluted per share current net income</td><td>¥9,039.49</td><td>Diluted per share current net income</td><td>¥2,604.61</td></tr></table>	Current consolidated fiscal year		Previous consolidated fiscal year		Per share gross asset	¥66,162.00	Per share gross asset	¥57,109.11	Per share current net income	¥9,124.48	Per share current net income	¥2,634.10	Diluted per share current net income	¥9,039.49	Diluted per share current net income	¥2,604.61
Current consolidated fiscal year		Previous consolidated fiscal year															
Per share gross asset	¥66,162.00	Per share gross asset	¥57,109.11														
Per share current net income	¥9,124.48	Per share current net income	¥2,634.10														
Diluted per share current net income	¥9,039.49	Diluted per share current net income	¥2,604.61														

October 1, 2003 – September 30, 2004	October 1, 2002 – September 30, 2003
	<p>2. Stock acquisition rights</p> <p>The Annual General Meeting of Shareholders on December 20, 2002 approved the issuance of stock acquisition rights up to 1,200 shares of common stock of the Company in accordance with Article 280-20 and 280-21 of the Commercial Code of Japan to directors, auditors and employees of the Company and its subsidiaries and affiliates. However, The Board of Directors on November 20, 2003 decided not to issue the stock acquisition rights based on the approval.</p> <p>The Board of Directors on November 20, 2003 resolved the issuance of stock acquisition rights in accordance with Article 280-20 and 280-21 of the Commercial Code of Japan to directors, auditors and employees of the Company and its subsidiaries and affiliates. The resolution passed at the Annual General Meeting of Shareholders held on December 19, 2003.</p> <p>Details of stock acquisition rights:</p> <p>(1) Type of shares Common stock of the Company</p> <p>(2) Number of shares to be issued under stock acquisition rights Up to 2,000 shares</p> <p>(3) Total number of stock acquisition rights to be issued 2,000</p> <p>(4) Issue price of stock acquisition rights To be issued without receipt of consideration</p> <p>(5) Amount to be paid upon exercise of stock acquisition rights The amount to be paid upon exercise of the stock acquisition rights (the “exercise price”) shall be the amount which is equal to the product of the higher price of either the average of daily closing prices of common stock in regular transactions on the TSE market in the month preceding the month in which the stock acquisition rights are issued (excluding those dates on which no trade was made) or the closing price on the issue date (if there is no closing price on the issue date, the most recent closing price prior to the issue date shall apply) and 1.03. Any fraction less than one yen shall be rounded up to the nearest yen.</p> <p>(6) Exercise period Within five years from the date of issuing the rights, the period will be decided at a meeting of the Board of Directors of the Company.</p> <p>(7) Conditions for exercise a. A person granted the stock acquisition rights must be in the position of director, auditor or employee of the Company, its subsidiary or affiliate at the time of exercise of the stock acquisition rights.</p>

	<p>b. A person granted the stock acquisition rights shall be deemed to maintain the position of director, auditor or employee of the Company, its subsidiary or affiliate, in case the said person loses this position on account of retirement from office or retirement due to the attainment of retirement age. The Conditions regarding the exercise of the rights by the said person follow the contract mentioned in d.</p> <p>c. If a person who was allocated the rights dies, that person's successor will be able to exercise the person's rights. The Conditions regarding the exercise of the rights by the successor follow the contract mentioned in d.</p> <p>d. Other conditions regarding exercise of the right follow the contract concluded between the Company and the person allocated the Rights, in accordance with the resolution of the 11<sup>th</sup> Annual General Meeting of Shareholders and the meeting of the Board of Directors.</p> <p>(8) Restriction on transfer of stock acquisition rights Transfer of stock acquisition rights shall be subject to approval of the Board of Directors.</p>
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