

Company name: Fullcast Co., Ltd.
Chairman and Takehito Hirano
Chief Executive Officer:
(Stock code: 4848; Stock Exchange listing: First Section of the Tokyo Stock Exchange)
(ADR information: Symbol: FULCY, CUSIP: 35968P100)

Contact: Yasushi Kamiguchi,
Managing Director and Chief Administrative Officer
Shingo Tsukahara,
Executive Officer and General Manager of Finance and Investor Relations

Telephone: +81-3-3780-9507

Company name: FREE WORK Co., Ltd.
Representative: Masahiko Dorin
President and Representative Director

(Stock code: 2486; Stock listing: Hercules-S of the Osaka Securities Exchange)

Contact: Mitsuhiko Ito
Managing Director and Chief Administrative Officer

Telephone: 06-6377-0808

For Immediate Release:

Basic Agreement on Merger of FREE WORK Co., Ltd. and Fullcast Factory Co., Ltd. and Capital and Business Alliances between FREE WORK Co., Ltd. and Fullcast Co., Ltd.

Fullcast Co., Ltd. (“Fullcast”) and its subsidiaries Fullcast Factory Co., Ltd. (“FC Factory”) and FREE WORK Co., Ltd. (FREE WORK) are pleased to announce an agreement under which FREE WORK and Fullcast Factory will merge by October 1, 2007 and FREE WORK and Fullcast will form capital and business alliances. The companies involved have been discussing the capital and business alliances and other measures and have today signed a memorandum of understanding.

Details of the merger and the capital and business alliances will be discussed and determined later by Fullcast, FC Factory and FREE WORK.

Notes

I. Purpose of Merger and Capital and Business Alliances

Fullcast and its subsidiaries and affiliates (“the Fullcast Group”) is a comprehensive provider of human resources solutions. Its principal business is to provide short-term staffing services in areas such as logistics and event support when required during busy periods and in line with fluctuations in work volume at client companies (Sport Business). Other major activities include the provision of factory workers in manufacturing (Factory Business), engineers and other technicians (Technology Business) and office workers for clerical support (Office Business). The Fullcast Group is endeavoring to expand its businesses with a network of 586 offices (including 59 offices in the Factory Business as of March 31, 2007) throughout Japan, the capacity to mobilize more than 1.74 million staff and strong marketing power.

FREE WORK and its subsidiaries (“the FREE WORK Group”) offer a broad array of services in the factory business tailored to individual customer needs with a network of nine offices, primarily in the Kinki and Chugoku regions. These services ranges from dispatching staff to the production process to offering a comprehensive outsourcing service that encompasses the contracting of not only part of the production process, but all factory operations including those requiring advanced technologies, hitherto provided only by regular employees of client companies.

The use of human resources outsourcing businesses provided by the Fullcast Group and the FREE WORK Group (“the Both Groups”) has been rising significantly since the bursting of the so-called economic bubble, and these businesses have been proliferating at an accelerating pace, particularly in recent years. Although these human resources outsourcing businesses are expected to continue to grow in the future, tougher competition with industry rivals and companies entering this market from other

industry sectors is anticipated, given that worker dispatch to the production process in the manufacturing industry has been legalized under the revised Worker Dispatch Law in March 2004 and that the market is expected to grow given ongoing deregulation anticipated going forward.

In this environment, Fullcast, FC Factory and FREE WORK have been carefully discussing and examining the possibility of capital and business alliances, among other measures. Judging that the cooperation between the Groups will bolster their respective corporate values, the three companies have reached a basic agreement (“the basic agreement”) on the merger of FC Factory and FREE WORK and for capital and business alliances between Fullcast and FREE WORK. A memorandum of understanding has been understood. The purpose of the basic agreement is to generate a high degree of synergy by leveraging the outsourcing know-how, including the total outsourcing service that FREE WORK has been cultivating and the office network of FC Factory, as well as to enable both Fullcast and FREE WORK to further expand their businesses.

II. Merger of FREE WORK and FC Factory

1. Overview of the merger

(1) Merger schedule

- Signing of memorandum of understanding: May 1, 2007
- Conclusion of merger agreement: Late May 2007 (planned)
- Record date for general meeting of shareholders: June 30, 2007 (FREE WORK and FC Factory)
- Approval of merger agreement at general meeting of shareholders: Late August 2007 (planned)
- Effective date of merger: October 1, 2007 (planned)

(2) Merger method

A merger by absorption in which FREE WORK will be a surviving company, while FC Factory will be the expiring company.

(3) Merger ratio

The merger ratio will be determined by the time the merger agreement is concluded, referring to the assessment of external institutions.

(4) Treatment of stock subscription rights and corporate bonds with stock subscription rights of the expiring company.

Not applicable

2. Overview of the companies involved in the merger

(1) Company name	FREE WORK Co., Ltd. (surviving company) consolidated	Fullcast Factory Co., Ltd. (expired company) non-consolidated
(2) Type(s) of business	Total human resource outsourcing business	Total human resource outsourcing business
(3) Date of establishment	December 1993	September 2000
(4) Location of head office	19-19 Chayamachi, Kita-ku, Osaka	1-12-1 Dogenzaka, Shibuya-ku, Tokyo
(5) Representative Director	Masahiko Dorin, President and Representative Director	Takahiro Ishikawa, President and Representative Director
(6) Capital	283 million yen	100 million yen
(7) No. of shares issued	12,027 shares	2,000 shares
(8) Net assets	1,104 million yen	807 million yen
(9) Total assets	1,817 million yen	2,514 million yen
(10) End of fiscal year	September 30	September 30
(11) No. of employees	1,236 (Number of staffs 1,140)	260

(12) Main clients	Panasonic Photo & Lighting Co., Ltd. Panasonic Electronic Devices Tajima Co., Ltd.	Tsubakimoto Chain Co. Toshiba Mobile Communications Company
(13) Main shareholder and shareholding	Masahiko Dorin (47.3%) Yuhki Dorin (8.3%) Naoki Dorin (8.3%) Ai Corporation Ltd. (8.3%)	Fullcast Co., Ltd. (100.0%)
(14) Main banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Kyoto Hokuto Shinkin Bank	The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Yokohama, Ltd.
(15) Relationship of the companies involved	Capital relationship	NA
	Personnel relationship	NA
	Business relationship	NA
	Conditions for qualifying as interested party	NA

(Note) The information above is as of September 30, 2006.

(16) Results for the most recent three fiscal years

(Unit: Million yen)

Fiscal year	FREE WORK Co., Ltd. (surviving company) consolidated			Fullcast Factory Co., Ltd. (expired company) non-consolidated		
	FY9/04 (non-consolidated) Note 1	FY9/05	FY9/06	FY9/04	FY9/05	FY9/06
Net sales	2,083	3,039	3,735	6,995	7,307	9,649
Operating income	161	217	239	177	315	371
Ordinary income	173	223	226	170	308	365
Net income	94	128	130	101	170	206
Net income per share (yen)	457,253.12	12,375.35	11,474.92	50,599.13	85,194.93	104,276.39
Dividend per share(yen)	-	-	1,000	-	-	-
Net assets per share(yen)	1,311,437.90	55,007.98	91,836.62	216,679.14	299,023.36	403,299.76

(Note) 1. Although FREE WORK has been preparing consolidated financial statements since the fiscal year ended September 30, 2004, non-consolidated data are listed for the fiscal year ended September 30, 2004, as only the balance sheets are consolidated.

2. FREE WORK conducted a 30-to-one stock split as of May 31, 2005.

3. Status after the Merger

- (1) Company name (Not yet decided)
- (2) Type(s) of business Total human resource outsourcing business
- (3) Location of head office 19-19 Chayamachi, Kita-ku, Osaka
- (4) Representative Director (Not yet decided)
- (5) Capital (Not yet decided)
- (6) Net assets (Not yet decided)
- (7) Total assets (Not yet decided)
- (8) End of fiscal year September 30
- (9) Overview of accounting treatment
Not yet decided.
- (10) Results forecast after the merger

The results forecast remains unchanged, as the influence on the full year results for the fiscal year ending September 30, 2007 of Fullcast and FREE WORK is minor.

III. Capital and Business Alliances between FREE WORK and Fullcast

1. Details of the Alliance

(1) Details of the business alliance

Although the details of the business alliance will be determined later through consultations between the companies, FREE WORK and Fullcast have agreed to form a business alliance in the following areas, adhering to related laws and regulations:

- (1) Introduction of customers
- (2) Development of customers

(2) Details of the capital alliance

Although the details of the capital alliance will also be determined later through consultation between the companies, FREE WORK and Fullcast have agreed that Fullcast will acquire a certain number of shares in FREE WORK from existing shareholders of the company prior to the merger of FC Factory and FREE WORK. To acquire the shares, Fullcast will conduct a tender offer as required under the Securities and Exchange Law.

(Note) If the ratio of stock certificates, etc. held by Fullcast to the total number of stock certificates, etc. of FREE WORK after the merger, calculated based on the number of new shares in FREE WORK to be allocated to Fullcast according to the merger ratio to be subsequently determined, is less than 66.6%, Fullcast will acquire shares in FREE WORK from existing shareholders of the company until the ratio reaches 66.6%, before the merger becomes effective.

2. Overview of the Companies Involved in the Alliance

(1) Company name	Fullcast Co., Ltd. (consolidated)	
(2) Type(s) of business	Total human resources outsourcing	
(3) Date of establishment	September 1990	
(4) Location of head office	2-6 Sakuragaoka, Shibuya-ku, Tokyo	
(5) Representative Director	CEO Takehito Hirano	
(6) Capital	3,464 million yen	
(7) No. of shares issued	275,964 shares	
(8) Net assets	17,278 million yen	
(9) Total assets	37,180 million yen	
(10) End of fiscal year	September 30	
(11) No. of employees	3,304	
(12) Main clients	Nippon Express Co., Ltd. Yamato Transport Co., Ltd.	
(13) Main shareholder and shareholding	Takehito Hirano (29.3%)	
(14) Main banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Yokohama, Ltd. Mizuho Bank, Ltd.	
(15) Relationship of the companies involved	Capital relationship	NA
	Personnel relationship	NA
	Business relationship	NA
	Conditions for qualifying as interested party	NA

(Note)

1. The information above is as of September 30, 2006.
2. For an overview of FREE WORK, please see II. 2. "Overview of the Companies Involved in the Merger" above.

3. Results forecast after the capital and business alliances

The impact of the capital and business alliances on the full year results for the fiscal year ending September 30, 2007 will be announced as soon as the figures are determined.

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