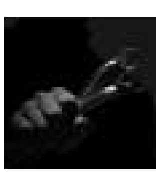
Fullcast Co., Ltd

New Benchmarks for Speedy Growth


Annual Report 2005

Year ended September 30, 2004

Profile

From lifetime employment to staff outsourcing...Human resources outsourcing is steadily growing in Japan, amid a series of deregulations by the government and corporate Japan's increasing tendency of adopting flexible employment systems.

Fullcast Co., Ltd., which has been a forerunner in short-term human resource services (the Spot Business), in September 2004 received a listing upgrade at the Tokyo Stock Exchange (TSE) from the second section to the first.

Established in September 1992, the Company was listed in the first section of TSE in September 2004, the 12th fiscal year since its inception and three years after it was first listed in the Jasdaq in June 2001, which is symptomatic of its remarkable growth during the period.

Providing corporations with "one-stop total solutions" in response to their needs for personnel outsourcing, the Fullcast Group is evaluated highly by Japanese companies as one of the trustworthiest staffing service companies.

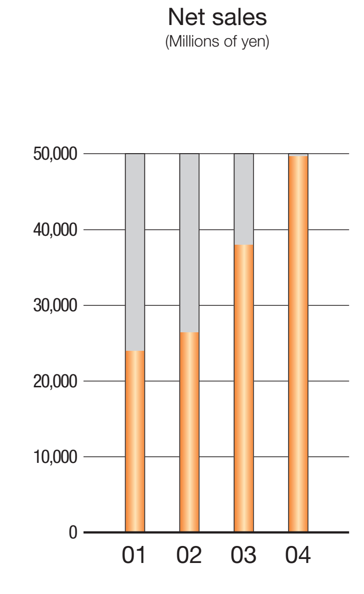
Contents

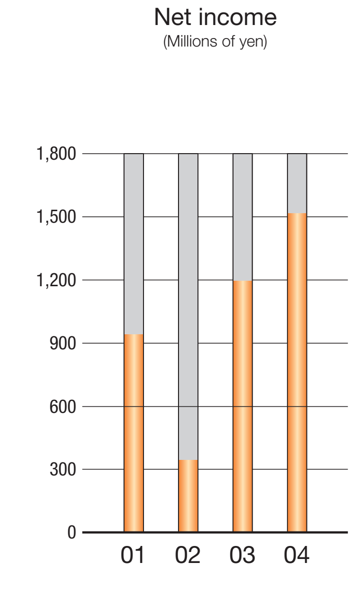
Financial Highlights

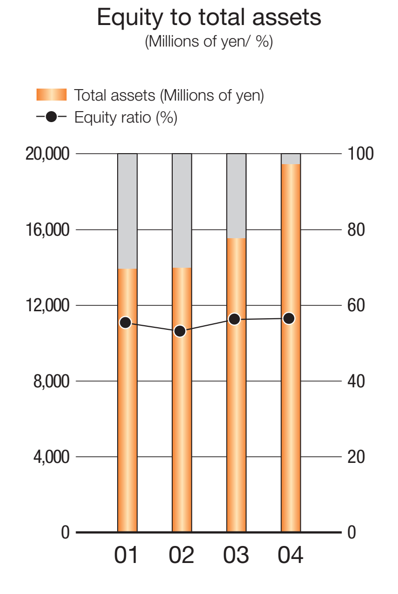
Fullcast Co., Ltd. and Consolidated Subsidiaries—Fiscal years ended September 30, 2001, 2002, 2003 and 2004

	Millions of yen				Thousands of U.S. dollars
	2001	2002	2003	**2004**	2004
For the year:					
Net sales	¥23,926	¥26,320	¥37,945	**¥49,688**	$447,439
Operating income	1,907	1,511	2,455	**3,256**	29,317
Net income	941	347	1,197	**1,512**	13,615
EBITDA	1,928	1,396	2,843	**3,297**	29,689
At year-end:					
Total assets	13,907	13,928	15,494	**19,462**	175,250
Shareholders' equity	7,726	7,443	8,719	**10,978**	98,852
Total number of shares issued (shares)	44,600	44,646	44,829	**275,964**	—
	Yen				U.S. dollars
Per share data:					
Shareholders' equity	¥173,226.55	¥171,327.33	¥198,486.00	**¥40,165.04**	$361.68
Cash dividends applicable to the period	2,000	2,500	5,000	**2,000**	18.01
Net income	22,910.83	7,902.31	27,373.46	**5,603.88**	50.46
Other data:					
Return on equity (%)	16.7	4.6	14.8	**15.4**	—
Equity ratio (%)	55.6	53.4	56.3	**56.4**	—
Number of employees	943	994	1,118	**1,671**	—

Notes: 1. U.S. dollar amounts represent translation of yen, for convenience only, at ¥111.05=U.S.$1, the approximate rate prevailing on September 30, 2004.
2. The Company executed a three-for-one stock split on November 20, 2003 and a two-for-one stock split on May 20, 2004. Per share data is calculated as if the stock splits were executed at the beginning of the fiscal year.







To Our Shareholders

The 1990s in Japan, often referred to as “a lost decade,” was actually “a decade of challenge and growth” for Fullcast. The Company, which built up its human outsourcing business from scratch, achieved remarkable results in the year ended September 30, 2004, with net sales of ¥49.7 billion and a net income of ¥1.5 billion.

In Japan, the employment system has changed dramatically in the past 10 years. An increasing number of corporations classify personnel into core and non-core human resources. They secure external non-core personnel flexibly and speedily from outside.

U.K. companies outsource an average 3.7%[*] of their entire labor requirements, following 2.0%[*] at U.S. firms. Meanwhile, temporary workers in Japan account for only 1.1%[*] of the labor force, the small figure suggesting that the fluidity of the Japanese labor market is just beginning.

The Fullcast Group is steadily continuing to “challenge and grow” through its three major operations: the core “Spot Business” that provides short-term human resource services; the “Factory Business” that offers human resource services for factory line work; and the “Technology Business“ that provides IT specialist/engineer staffing services.

Japan is experiencing an aging population with a declining birthrate, which indicates a considerable demographic shift, and the demand for outsourcing is likely to further increase in the years to come. Fullcast would like to contribute to sustainably developing society, while realizing that we have a social mission of ensuring employment by providing working opportunities.

*Sources: Recruitment & Employment Confederation Annual Recruitment Industry Survey
Global Staffing Review, Warburg Dillon Read

Takehito Hirano
President and CEO

Interview with the President

Q Fullcast was listed in the first section of the Tokyo Stock Exchange (TSE) on September 1 2004. What is your frank view on this?

Some are saying that Fullcast listed shares in the TSE only three years after listing in the Jasdaq market, an outstandingly speedy achievement. But, as I have had a blueprint in my mind of this since founding the Company, when I was 30 years old, I do not think our listing is too rapid. The Company posted net sales of ¥0.25 billion in the initial fiscal year, then ¥0.75 billion, ¥1.75 billion and ¥3.50 billion in the ensuing years. During the first several years, we saw net sales increase 200-300% from the previous year, and I think such annual growth is quite natural for a really growing corporation.

I started up the present business immediately after Japan's bubble economy collapsed. At that time, the entire economy was in the doldrums and the country was under pressure to change its societal and economic structures. I believe business opportunities exist even in periods of such social upheaval, because corporate Japan started to take a closer look at everything. In the 1990s, often referred to as "a lost decade," Japan's financial institutions were faced with the problem of non-performing loans, the aftereffects of the bubble economy, while non-finance sector companies had to reduce surplus facilities, inventories and employees.

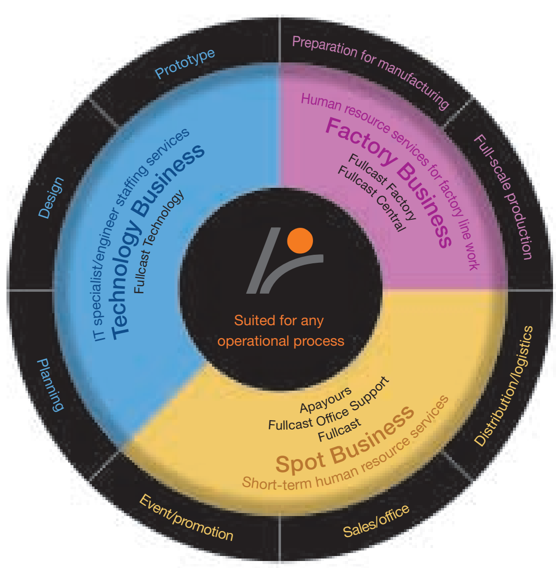


Diagram of Fullcast Group's Business Domain

Results for fiscal year ended September 30, 2004

Q What is your evaluation of the results for the year ended September 30, 2004?

We posted all-time high sales and incomes on a consolidated basis. Net sales sharply rose by 30.9% from the preceding year to ¥49,688 million, operating income soared 32.6% to ¥3,256 million. Net income registered ¥1,512 million, up 26.3%.

By business segment, the Spot Business, which provides short-term human resource services, remained strong, with sales increasing 38.8% from a year earlier. Meanwhile, sales in the Factory Business, which provides human resource services for factory line work, posted a relatively low growth of 14.2%. The ban on dispatch of contract workers to manufacturers was lifted with the enforcement on March 1, 2004 of the revision of the Worker Dispatching Law (Law for securing the proper operation of worker dispatching undertakings and improved working conditions for dispatched workers). This translated into a partial change to the category of services for the Factory Business: some conventional onsite subcontracting services were converted into staff dispatch services, which weighed down sales in the business. The Technology Business, which provides IT specialist/engineer staffing services, saw sales jump 44.0%.

Q Which service impacted earnings for the fiscal year ended September 30, 2004 and what were the major contributors?

The Spot and Technology businesses contributed greatly. Particularly, operating income from the Spot Business rose about ¥600 million from a year earlier, due to sharply growing demand for staffers to handle blue-collar work from the logistics and distribution-related sectors—including transport, delivery, moving, event organizing and warehousing. Distribution services for digital home electronics and IT-related electronics products are also included in this business. *High quality solutions services*, which we are now focusing on, accounted for 23.0% of total sales to third parties in the Spot Business, up from 17.5% the previous year. This service is Fullcast's proprietary service designed to help client companies improve their operational efficiency while raising the quality of contracting services. With the effect of this service visible, an increasing number of clients are introducing the service into, for instance, their warehouse management, costs for which they want to reduce quickly.

The Technology Business covers a wide range of fields—including semiconductors, digital home electronics, machinery, automobiles and chemicals—dispatching engineering staffers to companies in these sectors for R&D-related operations. We assigned 205 engineers, whom we recruited in April 2004 and provided with initial training, to client companies early on in the fiscal term under review. As a result, their services contributed to earnings of Fullcast Group already in May and June. The number of registered clients exceeded 30,000 companies on a consolidated basis as of the end of September 2004.

The external environment faced by the temporary staff business

Q What is your view on market trends over the short term?

I think the market will remain strong for another year and all our businesses are likely to fare well. The various indexes which we focus on are pretty strong at the moment. They include the job offers-to-seekers ratio, the cargo movement index and statistics in the short-term survey on corporate distribution trends by Nittsu Research Institute and Consulting, Inc. Corporate shifts to use external human resources are seldom temporary.

Corporations are trying to secure permanent workers for their core personnel, which translates into 20-40% of their entire staff. However, they consider utilizing non-permanent staff for non-core positions in view of cost saving, and it is apparent that they prefer to use outsourcing services which meet their needs flexibly and speedily. Meanwhile, more and more employees are seeking to enhance their careers and skills while working in various industries and businesses, without obtaining a position in a particular company. Thus, corporate needs actually match those of the employees.

Q And, how do you see the medium to long term market trends?

In the medium to long term, the temporary staff market will fluctuate affected by macroeconomic trends. However, the move to outsource non-core personnel is likely to continue. It is also true that there are still various regulations remaining in the human resources outsourcing sector. In the future, such businesses as construction, medical care and security services are expected to be gradually deregulated. Accordingly, the human resources outsourcing business is likely to grow significantly over the next three to five years. U.S. companies outsource an average 2.0%* of their entire labor needs, following 3.7%* at U.K. firms. This is in stark contrast to Japan, where temporary workers account for only 1.1%* of the labor force, but I believe this percentage will rise to about the same levels as the U.S. and Europe.

The major issue for us is how we can stably secure human resources in terms of both quality and quantity. As you know, it is clear the population of young workers to continue to decrease, and I think our top priority issue will be how we can stably hire quality personnel.

*Sources: Recruitment & Employment Confederation Annual Recruitment Industry Survey
: Global Staffing Review, Warburg Dillon Read

Company-wide strategy

Q A new medium-term management plan which applies from 2005 through 2007 was formulated. Could you please share with us the direction Fullcast Group will take in the years ahead?

The Fullcast Group formulated the medium-term management plan, "125 Speedy Growth Plan." The plan embodies our strong resolution to ensure growth, enhance our earnings structure and continually increase our corporate value. Under the plan, we aim to achieve consolidated net sales of more than ¥100.0 billion and an operating income of over ¥8.9 billion for the year ended September 30, 2007, the final year of the plan. (For further detail, please see page 9)

Over the next three years, we will expand our business portfolio to quickly satisfy human resource needs, which are expected to occur throughout the business cycle of client companies, with this midterm business plan as a benchmark. By doing this, we will expand the profit zone, while stabilizing and reinforcing our profitability structure. We regard M&A and business alliance as effective means to fulfill this plan.

As part of a concrete measure to expand and enhance business portfolios, Fullcast made Kyushu-based Apayours Co., Ltd. into a wholly owned subsidiary through stock exchange in June 2004. Apayours, a Kyushu-based temporary staff service firm, is the largest supplier of personnel outsourcing services for the Japanese pinball and other amusement arcades, which are expected to grow remarkably. By leveraging the firm's know-how, we aim to expand service menus for the amusement sector nationwide.

We established Fullcast Telemarketing Co., Ltd. which operates the call center business in September 2004, also Fullcast Finance Co., Ltd. which operates the credit card business targeting our registered staffers in October 2004. These companies will enable us to operate new businesses that can better leverage the diverse resources we have accumulated through the temporary staff operations.

Business strategies

Q In the Spot Business (short-term human resource services), the market is increasingly consolidating. What are your strategies to compete with your peers under these circumstances?

Until the year ended September 30 2003, Fullcast had taken a cautious stance toward expanding operational bases nationwide. However, in the year ended September 2004, it increased 171 outlets to a total 251 across the country. We will continue to increase our business bases, and concurrently, we will raise the proportional share of *high quality solutions services*—our strength—to gain the upper hand over our peers.

Q

In the Factory Business (human resource services for factory line work), the market was deregulated and various competitors are entering this sector. What is your strategy to cope with this heated competition?

In the Factory market, the ban on dispatch of contract workers to manufacturers was removed with the enforcement on March 1, 2004 of the revision of the Worker Dispatching Law (Law for securing the proper operation of worker dispatching undertakings and improved working conditions for dispatched workers). Now, we are reviewing related contracts with clients. However, given that production efficiency—among other factors—is needed at fabrication venues, there is strong demand from client companies for contracting entire production lines. In response, we are establishing a flexible contracting framework through which client corporations can select either regular staff dispatch or onsite subcontracting, as suits their needs. We emphasize education/training to foster personnel who can surely meet the highly advanced needs of our client companies and provide high-value-added operations that bring substantial benefits to clients. Through these efforts, we are expanding our business, while enhancing our standing as seen by client firms.

Q

In the Technology Business, Fullcast selected a business model in which its technical employees are dispatched to the clients. Why doesn't the Company choose a model where registered staffers are dispatched?

In the Technology Business, questions are now being raised about how to reliably secure able engineers. With this sector deeply involved in companies' R&D operations, it is crucial for a temporary staff service firm to reliably dispatch personnel who satisfy the needs of its clients over the medium to long term. We have concluded that to meet such needs, securing—not merely registering—able technical employees is more advantageous to us.

Q

In the Technology Business, there are a number of business fields that are affected by the so-called "silicon cycle" (trends of capital spending), including semiconductors and digital home electronics. What is your view on this?

In the semiconductors and home digital electronics sectors, booms and busts occur cyclically as the economy itself fluctuates. When the economy is in good shape, our earnings from operations in these businesses firm up. Thus, it is vital to map out measures for coping with weakened performance of such businesses when the economy is slowing down. Many of our clients in the Technology Business invest in R&D activities to a certain extent even when the economy is sluggish, and thus we need to secure the personnel that they need.

As for R&D operations, companies now tend to allocate engineers to peripheral fields of their core technology, and complete projects for over one to two year periods. They will break off R&D on a project unable to produce optimal results, while continuing to implement projects obtaining excellent results. In such fields, where in-house coordination is frequently needed, many companies show a strong tendency to minimize the allocation of permanent employees, while utilizing external human resources. The tendency of outsourcing 20-30% of R&D personnel is expected to continue. Yet, we need to develop complementary businesses such as that handled by Apayours, which are not affected by economic caprice, to prepare for the situation where client companies scale down R&D activities.

M&A strategy

Q

M&A appear to occupy an important position in Fullcast's growth strategy. What are your fundamental views on M&A?

In formulating the newly announced medium-term management plan, we actually did not take M&A into consideration at all, but only based it on the present operations to increase sales and income. Of course, this does not mean that we have no interest in M&A whatsoever. In fact, we are always researching in M&A. When the industry matures, I think it is natural that only companies with distinguishing traits—that set them apart—will survive. We are striving to raise our corporate value as a group, by expanding business fields and promoting M&A through which we can expect synergistic effects from the integration of other firm's operations with our own.

Corporate social responsibility (CSR)

Q **What is the Company's stance on environmental protection, societal contribution and compliance?**

I think that the public takes a great interest in these matters. From now on, corporations are required not only to pursue profits but also to send out a message to the public in terms of CSR. For the Fullcast Group, the largest corporate social responsibility is to create employment. In Japan, there is an increasing number of young people known here as *freeter*, who do not look for a permanent job, and those called NEET—young people Not in Education, Employment or Training—who have no intention whatsoever to find a fulltime job. Under such circumstances, I consider it important: to provide young people with the employment opportunity they seek; to support women in their quest to participate more actively in public affairs; and to create an opportunity for middle-aged and senior citizens to play an active part.

Raising shareholder value

Q **What steps are you taking to increase shareholder value?**

The Company has implemented measures for disbursing dividends commensurate with our business results. We aim to maintain a payout ratio of 20% or more.

Since its listing in the Jasdaq market, the Company has been attaching particular importance to our investors. For individual investors, in particular, we are endeavoring to disclose information by enhancing our Web site.

Vision

Q **Fullcast reportedly aims to catch up with Adecco S.A. in Europe and Manpower Inc. in the United States. What are the Company's future objectives?**

We hope to overtake Adecco and Manpower some day in the not too distant future, and achieving the medium-term management plan will be merely a first step toward this objective. We aim to be Japan's top in the human resources industry in 10 years. Then, we wish to surpass Adecco and Manpower. This is years ahead, but we would like to pursue this dream.

Hirano

Takehito Hirano
President and CEO

The Medium-Term Management Plan

125 Speedy Growth Plan (Fullcast 125 SG Plan)

The Fullcast Group formulated the three-year medium-term management plan, "125 Speedy Gross Plan," to last from fiscal years ended September 2005 through September 2007.

Under this plan, the group is expected to post consolidated net sales exceeding ¥100 billion and operating income of ¥8.9 billion for fiscal year ended September 2007, the plan's final year. The plan embodies our strong resolution to continue increasing corporate value, while ensuring a high level of growth and enhancing our earnings structure.

1. Management objectives and numerical goals

(1) Management objectives (Consolidated basis)

Year ended September 30, 2007

Net sales: Over ¥100 billion

Operating income on sales: 7.7% (a 1% improvement from the year ended September 2004)

ROE: 20% or more

Net income: ¥5.0 billion

(2) Numerical targets (Consolidated basis)

Year ended September	2004 (result)	2005 (estimate)	2006 (estimate)	2007 (estimate)
Trends in market size* (Billions of yen)	1,730.0	2,076.0	2,389.5	2,867.4
Net sales (Millions of yen)	49,688	70,420	91,000	116,000
Market share (%)	2.9	3.4	3.8	4.0
Operating income (Millions of yen)	3,256	4,830	6,700	8,900
Operating income on sales (%)	6.5	6.9	7.4	7.7
Net income (Millions of yen)	1,512	2,670	3,600	4,800
Net income per share (Yen)	5,603.88	9,769.05	13,171.75	17,562.34

* The Company's estimate based on data compiled by Fuji Chimera Research Institute, Inc. (Trends in market size represent the total of production/development and design/distribution handled by Japan's entire outsourcing services sector, based on the survey on the status of IT outsourcing/BPO business operations for 2004)

(3) Numerical targets by business segment

(Millions of yen)

Year ended September	2004 (result)	Year-on-year change	2005 (estimate)	Year-on-year change	2006 (estimate)	Year-on-year change	2007 (estimate)	Year-on-year change
Net sales	49,688	30.9%	70,420	41.7%	91,000	29.2%	116,000	27.5%
Spot Business	30,814	38.8%	45,530	47.8%	56,350	23.8%	70,600	25.3%
Apayours*	1,319	—	4,290	225.2%	7,000	63.2%	10,000	42.9%
Factory Business	12,235	14.2%	15,200	24.2%	22,360	47.1%	29,300	31.0%
Technology Business	6,212	44.0%	8,150	31.2%	11,300	38.7%	14,800	31.0%
Other Businesses	427	(40.1%)	1,540	261.5%	990	(35.7%)	1,300	31.3%
Operating income	3,256	32.6%	4,830	48.6%	6,700	38.7%	8,900	32.8%

* Sales of Apayours Co., Ltd. for the year ended September 2004 represent the total sales posted between June and September 2004.

2. Group strategy and segment strategy

(1) Group strategy

Key strategy

- Improving customer satisfaction
- Expanding human resource service spectrum
- Promoting M&A strategy
- Enhancing skills of staff and employees by training
- Developing systematized operations in sync with the expansion of business size and fields
- Enhancing the brand image and recognition of the Company

The Fullcast Group is expanding its existing businesses and developing new business fields, by flexibly responding to the changing business environment and customer needs while proactively embarking on new business opportunities.

In terms of business structure, we are positioning the short-term staffing services as the core business, and will further expand existing businesses operated by subsidiaries—including IT specialist/engineer staffing services, human resource services for factory line work and for clerical work. Moreover, we are striving to organically integrate and combine units of new and existing businesses. Furthermore, we are enhancing the existing operations and business fields by developing new businesses—through M&A and business alliances which are expected to produce synergistic effects from the integration with existing businesses. Through these efforts, we are raising the corporate value of the entire Fullcast Group.

We will strive to provide client companies with services that meet their needs for personnel outsourcing at every stage of their business cycle, and establish a system that offers “one-stop source for total outsourcing solutions,” which are not merely external resources but enable clients to improve productivity and maximize performance.

(2) Segment strategy

a. Spot Business (short-term human resource services)

Key strategy

- Enhancing high-value-added services—*high quality solutions*—that precisely fill the needs of client companies
- Increasing staffers by expanding operational bases
- Reducing selling, general and administrative expenses by improving operational efficiency

We will increase hiring of staff and strengthen the capability to better respond to clients’ needs, by expanding operational bases proactively and efficiently.

In an aim to increase the number of new client companies, we are cultivating operations for which we can provide our services, in the food, event organizing and amusement sectors.

We will raise the share of high-value-added services that are free from the influence of the economic fluctuations.

b. Factory Business (human resource services for factory line work)

Key strategy

- Establishing a framework through which we can flexibly respond to client corporations’ needs for either onsite subcontracting or staff dispatch
- Training personnel to allow best-fit response to the highly advanced needs of client companies
- Providing operations that help client firms improve their productivity and performance

In the Factory Business, we will focus on training staff to improve our ability to better satisfy clients’ needs, in order to increase our business with them.

c. Technology Business (IT specialist/engineer staffing services)

Key strategy

- Stepping up the training and education for engineers
- Increasing engineers engaging in electronics and semiconductor development

In the Technology Business, we are enhancing education, training and evaluation systems for engineers to be dispatched in order to make the recruiting process of engineers (including new graduates) more efficient, and enhance both their sense of belonging to the Fullcast Group and their motivation to work.

3. Basic strategy for allocation of profits, minimum stock trading unit and liquidity of shares

(1) Basic strategy for allocation of profits

Fullcast is striving to bolster its financial disposition and accumulate internal reserves to implement a flexible capital strategy as the core company of the Fullcast Group, while prioritizing the sharing of profits with shareholders as one of the most important managerial issues in view of having them hold our shares over the medium to long term.

The Company usually tries to disburse stable dividends with a 20% payout ratio, but ultimately decides on the amount of dividends taking into account business results.

We will allocate internal reserves for further enhancement of our corporate management base, including: development of the necessary systems for improving operational efficiency;

establishment of marketing and recruitment offices; strengthening the capability to hire personnel; enhancement of employees training; and M&A to reinforce core businesses which will eventually raise corporate value of the entire Fullcast Group.

Payout ratios for the past four years

Year ended September	2001	2002	2003	2004
Payout ratio	18.5%	44.2%	23.9%	41.2%

(2) View and policy on lowering the minimum stock trading unit

The Company regards increasing its share liquidity as well as shareholder base as a key issue for its capital policy. On the basic premise that we provide shareholders with returns, we will determine the minimum stock trading unit through consideration of trends in business performance and market movements while carefully discussing cost effectiveness and other factors.

4. Analysis of external environment

(1) Economic trends and employment environment

Due to its heavy reliance on the U.S. economy which is saddled with its "twin deficits"—trade and budget—and then the Chinese economy, which shows bubble-like signs, the Japanese economy is likely to continue to experience ups and downs over the next three years, while remaining dependent on external demand for an economic recovery. Under these circumstances, workers' concern over future employment and income is likely to continue unabated.

(2) Trends in the human resources outsourcing industry

Status of corporate Japan and its needs

a. Companies outsource staff for their non-core businesses rather than to simply adjust their staff numbers according to their operational capacity utilization or to reduce costs, but to further streamline operations and improve operational efficiency, while concentrating their own employees on the core businesses. This trend is likely to continue.

b. Retirement of the baby boomers is projected to continue until around 2007. However, corporations tend to minimize hiring of permanent employees, which is expected to increase demand for human resources outsourcing services.

c. The ban on dispatch of contract workers to manufacturers and other restrictions were lifted with the enforcement on March 1, 2004 of the revision of the Worker Dispatching Law (Law for securing the proper operation of worker dispatching undertakings and improved working conditions for dispatched workers). This deregulation resulted in raising recognition of the human resources outsourcing industry and providing companies with a variety of staffing services. Therefore, the entire human resources outsourcing market will expand in the years to come.

Status of employees and needs for them

a. Japan's working population is likely to turn downward after peaking at 68.7 million in 2005, declining to an estimated 67.5 million in 2010.*1

b. The number of *freeters*, who pursue diverse types of employment, is forecast to increase steadily in the future. The figure is estimated at around 4.0 million.*2

c. Although the jobless rate is decreasing in general, that for the younger generation is far from improving. The rate for men aged 15 to 24 stands at about 10%, and 6% for men aged 25 to 34, both higher than the national unemployment average. In the future, the jobless rate for young people is predicted to improve slightly, given that the population of young workers will decline. However, it is expected to take quite a time before staffing service firms can raise the wage units substantially for their staff.*3

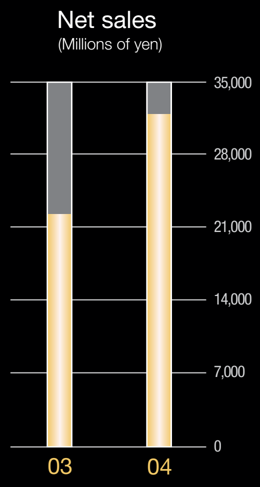
Sources: *1 Estimate by Employment Security Bureau, Ministry of Health, Labor and Welfare
*2 White Paper on National Life, 2003
*2 Labor force survey by Ministry of Internal Affairs and Communications

Status of the industry

a. Industry consolidation by major companies is likely to continue through friendly takeovers and other such means. This, combined with decrease in the population of young workers, is expected to push up the unit price for contracts of outsourcing service firms.

b. From now on, major issues for human resources outsourcing companies will be: how to match corporate and employees' needs at as low as possible a cost; decreasing costs for registering and recruiting; providing employees with opportunities to upgrade their skills; and devising appropriate career planning in an efficient manner. In the future, truly excellent employees will be hired and retained mainly by staff service corporations which can resolve these issues.

At a Glance



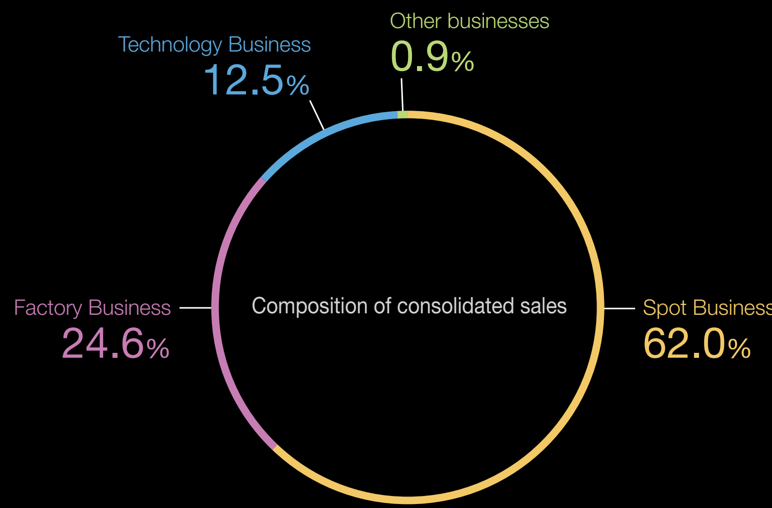
Year ended September	2003 (Millions of yen)	2004 (Millions of yen)	Year-on-year change (%)
Spot Business			
Net sales	¥22,206	**¥30,814**	138.8
Operating income	2,270	**2,863**	126.1
Factory Business			
Net sales	10,714	**12,235**	114.2
Operating income	594	**565**	95.1
Technology Business			
Net sales	4,313	**6,212**	144.0
Operating income	201	**324**	160.9
Other businesses			
Net sales	712	**427**	59.9
Operating income	25	**(38)**	—

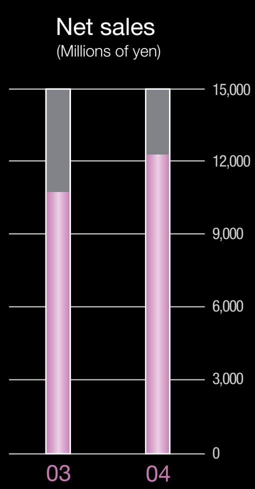
Spot Business
(Short-term human resource services)

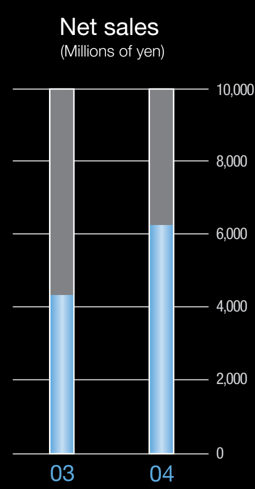
Fullcast Co., Ltd.
The core of the Fullcast Group, which provides short-term human resource services, centering on distribution, work in warehouses, event organizing, etc.

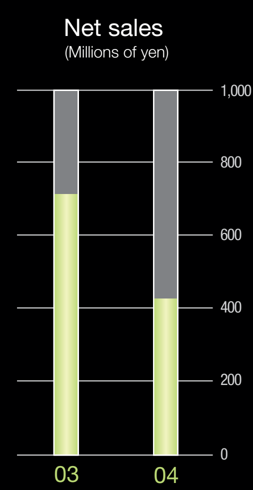
Fullcast Office Support Co., Ltd.
Engages in personnel outsourcing services for clerical work such as office admin tasks and sales promotion activities.

Apayours Co., Ltd.
Involved in short-term human resource services mainly for the so-called parlor (Japanese pinball centers) business, followed by events and sales promotion activities.









Factory Business
(Human resource services for factory line work)

Fullcast Factory Co., Ltd.
Provides human resource services for factory line work centering on the manufacturing industry, and receives orders for partial work of production site or all line work.

Fullcast Central Co., Ltd.
Established in April 2004 as a joint venture by three companies; provides human resource services for factory line work specialized in the automotive sector.

Technology Business
(IT specialist/engineer staffing services)

Fullcast Technology Co., Ltd.
Offers IT specialist/engineer staffing services mainly for development and production of hardware and development of software in the semiconductor and electronics-related fields. Also engaged in making distribution systems more efficient by developing related systems and providing consulting services.

Other businesses

Other businesses complement the three core businesses (human resources-related businesses) by providing value-added services.

Fullcast Telemarketing Co., Ltd.
Established in September 2004 as a joint venture with Hikari Tsushin Group; operates call-center business.

Fullcast Sports Co., Ltd.
Engaged in the sports agent business, focused on representing of athletes' (soccer players, etc.) interests.

Spot Business

Short-term human resource services

Sales in the Spot Business were ¥30,814 million in the fiscal year ended September 2004, up 38.8% from the previous year, while operating income increased by 26.1% to ¥2,863 million, marking a record high performance.

By industry, demand remained strong from companies in the logistics and warehouse industries, our main clients, and demand in the advertising, event organizing and food sectors rose as well.

By region, contracted business from nationwide corporations—especially those located in the Tokyo Metropolitan area, as well as in the Tokai and Western Japan regions—increased, reflecting a recovery in the local economies.

This solid performance is attributable to the implementation of two key measures while placing greater emphasis on better response to the needs of client firms. First, we further expanded bases to step up our service systems operated nationwide. Second, we provided outsourcing services which did not simply augment the human resources that clients lacked, but contributed to restructuring their operations and improving operational efficiency by proactively using outsourcing as part of drastic cost-cutting efforts to achieve benefit.

In the industry of short-term staffing services for blue-collar operations, client firms are outsourcing to fewer select service companies to enhance their operational efficiency, as well as seeking those owning comprehensive capability to handle various business operations. Against this backdrop, the Fullcast Group leveraged comprehensive capability, its competitive edge, to obtain contracts.

Our *high quality solutions* are Fullcast's proprietary service designed to help client companies improve their operational efficiency. The number of firms introducing *high quality solution services* has risen steadily, and we are now increasingly receiving stable, long-term and volume transactions which are less susceptible to economic fluctuations.

Though increased costs for extending operational bases weighed down our profits, the Company weathered this by reducing selling, general and administrative expenses while incurring lower costs for employing registered staff members. To achieve this, we effectively used information technology, such as Web sites and mobile phone networks.

Issues and future prospects

In the industry of short-term staffing services for blue-collar operations, competition is further intensifying as oligopoly of leading companies is being eroded. From the long-term perspective, it is forecast that young workers will decrease, which is expected to make it difficult for the Company to secure necessary human resources.

To cope with the drop in available young workers, we will strive to further reduce costs for registering and hiring staff members through more effective use of information technology, while securing many competent human resources. As it becomes vital to secure and retain excellent staffers prepared to work, we will carry out measures to encourage them to work more often. The steps include providing such members with opportunities to improve skills, enhancing the welfare benefits they get by working in the Fullcast Group, and promoting a branding strategy that makes young workers feel proud of working for the Group.

In order to ensure its growth while strengthening its earnings base, the Fullcast Group is also endeavoring to differentiate itself from its peers by recommending the use of proprietary outsourcing service—*high quality solutions*—to our clients. In doing this, we stress the superiority of the service designed to help client firms boost productivity based on sound proposals to improve operational efficiency. By the fiscal year ended September 2007, we intend to increase the share of *high quality solutions* in Fullcasts total sales to 50%, hoping to build a stable earnings base independent of any economic fluctuation.

Moreover, the Fullcast Group is always seeking out new business opportunities, regarding it important to pursue the strategy for anticipating clients' needs in advance while responding flexibly to the changing market.

In June 2004, the Company made Apayours Co., Ltd. (a Kyushu-based firm supplying outsourcing services mainly for the Japanese pinball and other amusement centers) into a wholly owned subsidiary through stock exchange arrangement, aiming to boost services in the Kyushu area, where the Company only had a small number of operational bases, and expand its selection of relevant services.

In the field of outsourcing services for blue-collar occupations, the Fullcast Group will continue striving to provide valuable services for client companies, aiming to maintain earnings growth higher than market average in the business.

Factory Business

Human resource services for factory line work

In the Factory Business, we could secure favorable earnings in the fiscal year ended September 2004, with sales posting ¥12,235 million, up 14.2% from a year earlier, while operating income decreasing 4.9% to ¥565 million.

The Factory Business is operated by Fullcast Factory Co., Ltd. and Fullcast Central Co., Ltd.

Fullcast Factory covers a wide range of industries, including food/seafood processing, machinery, electronic equipment, precision devices, chemicals/rubber, textile/pulp, transport equipment and steel/metals. Its strength lies in its ability to precisely respond to the various needs of clients. Meanwhile, Fullcast Central was established in April 2002 as a joint venture by Central Motor Co., Ltd., a manufacturer of complete vehicles affiliated with Toyota Motor Corp.; Daisho Industry Co., Ltd., a firm with high technology for producing autoparts; and the Fullcast Group with its extensive know-how on human resource services. By combining the three entities' distinctive technologies, Fullcast Central runs operations as a highly professional company which exclusively accepts production line work from automakers.

Fullcast Central optimally deploys its staffers, who have received safety training and acquired advanced technical skills on the in-house training center so that they can immediately offer practical assistance at an actual production site. As its services are highly regarded by the clients, its business is growing favorably.

The ban on dispatch of contract workers to manufacturers was lifted with the enforcement on March 1, 2004 of the revision of the Worker Dispatching Law (Law for securing the proper operation of worker dispatching undertakings and improved working conditions for dispatched workers). Since then, the business climate in the Factory Business has dramatically changed.

Under such circumstances, to meet the needs of client firms, Fullcast Factory and Fullcast Central established a flexible contracting framework through which client corporations can select regular staff dispatch or onsite subcontracting.

Seen by sector, Fullcast Factory's demand remained strong from manufacturers of digital home appliances, such as advanced cell phones equipped with camera functions, HDD-based DVD recorders and slim TVs. Demand from the food and beverage industries also increased.

Fullcast Central, an outsourcing service firm specializing in automobile production line work, showed better business performance than that posted the previous year, thanks to an increase in contracts from new client firms in addition to key existing clients.

In the Factory Business, personnel costs rose due to an active deployment of staffers with an eye toward expanding business domains, as did expenses for recruitment reflecting a strict employment environment caused by the improved labor market.

■ Issues and strategies

As a result of lifting the ban on dispatch of contract workers to manufacturers, client companies now have two options when contracting personnel from outsourcing service firms: onsite subcontracting (at their facility) or regular staff dispatch. Following the deregulation, the tendency to actively utilize outsourcing in-line work is growing. Under such circumstances, an increasing number of major staffing service corporations, which have been engaged mainly in dispatching contractual clerical workers, are entering the factory staffing market, in anticipation of a rise in demand.

On the other hand, client firms are more prone to prioritize staff's technical ability and know-how pertaining to streamlining operational efficiency, when choosing an outsourcing service company.

To survive in the toughening competitive market environment, the Fullcast Group will implement the following three strategies, by leveraging its extensive experience and competitive edge, which have been accumulated in the outsourcing business for manufacturers. The strategies include: 1) establishing a system to receive orders for both onsite subcontracting and regular staff dispatch so that the Group can flexibly respond to the needs of client companies; 2) training staffers to precisely meet the highly advanced needs of client firms; and 3) providing high-performance services that will benefit clients.

In the Factory Business, the Fullcast Group will ensure the implementation of the above-mentioned strategies and concentrate on training staffers by leveraging the know-how which it has accumulated for years. Concurrently, it seeks to enhance corporate capability to better respond to the needs of clients, aiming at expanding its business.

Technology Business

IT specialist/engineer staffing services

Earnings in the Technology Business sharply rose in the fiscal year ended September 2004, as sales increased by 44.0% year on year to ¥6,212 million while operating income gained 60.9% to ¥324 million.

In the Technology Business, the Fullcast Group which has a large number of technicians with cutting-edge technologies at its disposal, dispatches and refers such personnel where they are needed in a timely manner, contracts work by teams, develops software and hardware, as well as provides consulting services. Concentrating on IT-related and electronics companies, the Group has consolidated its status as a highly competitive technical outsourcer that precisely identifies the needs of its clients and provides them with timely services.

In the fiscal year ended September 2004, our primary clients in the IT and electronics industries proactively stepped up R&D investment and capital spending, encouraged by a recovery in their earnings and an expansion in demand for digital home electronics. As a result, demand from companies which develop, design, evaluate and test advanced camera-equipped cell phones, HDD-based DVD recorders and slim TVs, rose. On top of this, demand by its longstanding main clients in semiconductor devices and manufacturing equipment increased. Against the backdrop of such a robust demand, the prices for receiving orders for staffers turned upward. The Fullcast Group could assign newly graduated technicians, whom it recruited in April 2004, to client companies at an early stage, and therefore the utilization of technical employees remained at a high level throughout the fiscal term.

In the contracted IT development business, the Group strove to win orders by implementing sales activities putting emphasis on profitability, thus contributing to an increase in profits.

Issues to be addressed

In the electronics industry where prices are dropping and product cycles are becoming shorter, manufacturers need to concentrate management resources on their core competencies, while utilizing outside resources. To survive in this business environment, staffing service companies are increasingly feeling the need to secure staffers with advanced technical skills.

The Fullcast Group is devising a career plan for its existing technicians and implementing steps to enhance both their sense of belonging to the Group and motivation to work, aiming to raise their retention rate.

Focusing on dispatching the mid-career technicians only to the IT and electronics industries, we are striving to make the Group more attractive to them hoping to enter these industries. Thereby, we aim to secure new staffs.

Also, by increasing various technical training programs—which eventually enhance our competitive edge over the peers—we are stepping up our efforts to secure new graduates.

Hoping to make the earnings base more independent of economic fluctuations, the Fullcast Group is seeking to enhance its corporate value and position as a technical outsourcer, by securing more IT design and development technicians in the electronics and semiconductor fields.

Board of Directors

Sumio Sano
External director

Shoji Tanzawa
Director

Tsutomu Okada
Director

Takehito Hirano
President and CEO

Takahiro Ishikawa
Director

Shiro Kaizuka
Director

Corporate Executive Officer

Koji Iwata
In charge of finance and accounting, serving concurrently as General Manager of the Financial Department

Yutaka Kubo
In charge of management strategy

Yasushi Kamiguchi
In charge of personnel/general affairs

Hiroyuki Gokita
Head of the East Japan Bloc

Tsuyoshi Kanno
Head of the West Japan Bloc

Statutory Auditor (full-time)

Kouji Sasaki

Auditor (part-time)

Yutaka Onda

Teruho Tougou

(As of September 30, 2004)

Financial Section

Contents

Operating results

Net sales

The Fullcast Group posted consolidated net sales of ¥49,688 million in the year ended September 30, 2004, up 30.9% (¥11,743 million) from the previous year. With the Japanese economy recovering on a full-scale basis, demand for human resources outsourcing increased throughout the nation. Under such circumstances, the group enhanced its nationwide service structure by accelerating the opening of more offices as well as fostering human resources to provide services that can better respond to diversified and highly advanced needs of client companies. As a result, the group could increase the number of orders received from existing clients while obtaining new orders from various industries and regions, both different from the ones it previously did business with. The number of group offices totaled 309 at the end of the fiscal term under review, up 184 from a year earlier. Of the 184 outlets, 29 are associated with Apayours, which the Company made into its wholly owned subsidiary.

In the Spot Business, which mainly provides short-term human resource services, sales jumped 38.8% (¥8,608 million) from the previous year to ¥30,814 million, which contributed most significantly to growth in the group's net sales. The rise in sales for this business is attributable to an increase in orders received from existing client companies in the distribution and warehousing sectors that deal in home electronics and foods, as a result of the rapid enhancement of its nationwide service structure by proactively opening more outlets. On top of this, the group received orders from new client companies, including operators of restaurants and nationwide organizers of events and providers of sales promotion services. Apayours, which the Company turned into a wholly owned subsidiary on June 1, 2004, posted sales of ¥1,319 million (for the period from June to September 2004), or 2.7% of consolidated net sales.

The Factory Business, which mainly provides human resource services for factory line work, saw sales rise 14.2% (¥1,521 million) to ¥12,235 million. The robust sales are due to an increase in orders received from both existing clients—who have boosted production amid growing demand overseas—and additional orders from new clients. In addition, the number of orders increased throughout the year in the digital home electronics as well as the foods and beverages sectors.

Sales for the Technology Business soared 44.0% (¥1,899 million) to ¥6,212 million, chiefly thanks to solid demand for the dispatch of engineers to the IT-related and electronics industries, which proactively invested in R&D, plants and equipment amid growing demand for digital-related products such as semiconductors, personal computers and liquid crystal displays. Due to high demand for the dispatch of engineers, the utilization of technical employees was an average 95.5% in the fiscal term under review, and the unit value of projects remained high.

Operating income and expenses

Cost of sales—comprising mainly wages for registered staff and personnel expenses for technical employees in the Technology Business—jumped 32.0% from the previous year in the fiscal term under review. The cost-to-sales ratio was 71.6%, up from 71.0%. In response to growing demand for human resources outsourcing, the group proactively established new offices and increased staff numbers. As a result, personnel costs (mainly wages) increased in every business.

Selling, general and administrative expenses—consisting mainly of personnel expenses, real estate rent (land and buildings) and recruitment expenses—increased 27.1% from the previous year. However, the group strove to curtail overall costs through an all-out effort to allocate funds efficiently for expenses, centering on personnel expenses that tend to rise due to proactive opening of new Fullcast venues. Accordingly, the ratio of selling, general and administrative expenses to net sales declined to 21.9% from the 22.5% posted a year earlier.

As a result, operating income sharply rose by 32.6% (¥801 million), year on year, to ¥3,256 million, and operating income margin was 6.5%, unchanged from the previous year.

Income before income taxes and minority interests gained 16.2% (¥414 million) to ¥2,966 million. In the fiscal term under review, the Company made an one-time amortization of consolidation goodwill of ¥318 million in the wake of turning Apayours into its wholly owned subsidiary, which the group booked as an extraordinary loss.

Income taxes increased 5.7% (¥72 million), year on year, to ¥1,345 million, and its effective tax rate was 45.4%, compared with 49.9% the previous year. As a result, net income jumped 26.3% (¥315 million) to ¥1,512 million. Net income per share was ¥5,603.88, down from ¥27,373.46. The decline is mainly attributable to the issuance of a total of 227,640 new shares following a three-for-one stock split on November 20, 2003 and a two-for-one stock split on May 20, 2004.

Financial position

Cash flows

Cash and cash equivalents amounted to ¥6,089 million at the end of the fiscal year ended September 2004, up ¥938 million from the previous year.

Net cash used in operating activities was ¥5 million, compared with a net cash inflow of ¥1,546 million a year earlier, as trade notes and accounts receivable increased ¥1,541 million due chiefly to a sharp growth in sales, and income taxes paid amounted to ¥1,876 million, although income before income taxes and minority interests totaled ¥2,966 million.

Net cash used in investing activities was ¥74 million, compared with a net cash inflow of ¥1,604 million the previous year. This was mainly due to a proceed of ¥221 million, resulting from the acquisition of shares of a newly consolidated subsidiary in the context of converting Apayours into a wholly owned subsidiary, and net proceeds of ¥301 million from purchase and sale of marketable securities. However, these were offset by ¥398 million in the purchase of property and equipment—such as interior fixtures and personal computers—due to establishment of new outlets, as well as ¥298 million in the acquisition of intangible assets such as software for upgrading mission-critical information systems.

Net cash provided by financing activities was ¥1,017, against a cash outflow of ¥1,741 million the previous year. While repayment of long-term debt totaled ¥271 million, there were increases in short-term borrowings amounting ¥1,200 million and a proceed of ¥350 million from issuance of stock in association with the exercise of incentive warrants.

Working capital

At the end of the fiscal year ended September 2004, current assets were up ¥2,993 million from the previous year, due mainly to a ¥938 million increase in cash and cash equivalents and a ¥1,951 million rise in trade notes and accounts receivable resulted from an expansion of business domains.

Current liabilities increased ¥1,578 million from the previous year, mainly because short-term borrowings rose ¥1,345 million, although income taxes payable decreased by ¥475 million.

As a result, working capital was ¥6,541 million at the end of the fiscal year ended September 2004, up ¥1,415 million from a year earlier, and the current ratio increased 0.7 percentage points, year on year, to 187.1%.

The Company and one of its consolidated subsidiaries have signed overdraft contracts with nine banks they do business with to efficiently procure working capital. At the end of the term, limits on overdrafts amounted to ¥7,600 million, with effective borrowings of ¥2,100 million and outstanding non-effective borrowings of ¥5,500 million.

Capital expenditures

In the fiscal term ended September 2004, capital expenditures—including the purchase of software and fixtures, which are described in "cash flows from investing activities"—came to ¥696 million, up from ¥484 posted in the previous year. Capital expenditures are expected to be ¥429 million for the year ended September 2005.

Interest-bearing debts

At the end of the fiscal year ended September 2004, interest-bearing debts stood at a total of ¥2,657 million, up ¥1,080 million from a year earlier. Of the total, short-term borrowings were ¥2,245 million, up ¥1,345 million, long-term debt including current portion of long-term debt was ¥397 million, down ¥233 million, and other obligations consisting of short- and long-term obligations under financial lease were ¥15 million, down ¥41 million.

Shareholders' equity

Shareholders' equity was ¥10,978 million at the end of the fiscal term ended September 30 2004, up ¥2,259 million from the preceding year. The increase is attributable to the fact that retained earnings rose ¥1,201 million, year on year, with net income of ¥1,512 million, in addition to capital increase of ¥353 million due to a warrant exercise. As a result, return on equity (ROE) rose 0.6 percentage points to 15.4%.

Cash dividends per share for the term ended September 2004 was ¥2,000, including a commemorative dividend of ¥500 related to the listing of shares in the first section of the Tokyo Stock Exchange (¥5,000 when including a commemorative dividend for the previous fiscal year). The cash dividends per share for the term would have been ¥9,000 if calculated for the number of outstanding shares posted immediately before the stock splits executed by the Company during the term.

The Company on April 27, 2004 granted stock purchase warrants to directors, auditors and employees of the Company and its subsidiaries (the upper limit of new common stock to be issued is 2,229 shares). The exercise period of the warrants will be between January 1, 2006 and December 30, 2008. The granting of the warrants was approved by the ordinary shareholders' meeting held on December 19, 2003.

Risks Associated with Businesses

Major potential risk factors for the Fullcast Group in the course of its operating businesses are described below. However, in view of active information disclosure to investors, the description also includes the matters that do not necessarily fall under the category of business risk but are regarded as important for investors in making investment decisions or understanding the Group's business activities. Assuming that a business risk could occur, the Group maps out measures to evade that risk, and does its utmost effort to cope with such a risk once it actually occurs. In the description, we tried to contain risk factors forecast for the future, but given that the forecast is based on our judgment as current when earnings results for fiscal year ended September 30, 2004 were announced, it should be noted that more business risks may yet emerge.

Securing staffers*

The population of young people in Japan has been declining since 1985 due to a drop in the birthrate, leading to a decline in the number of children, and this trend is likely to continue, according to forecasts by research institutes such as the National Institute of Population and Social Security Research (of the Ministry of Health, Labor and Welfare). In the Spot Business, the Fullcast Group's core operation, the staff is primarily made up of the younger generation in their late teens and 20s. Therefore, a decline in the younger generation makes it difficult for the Group to secure the human resources it needs, which is likely to adversely influence the Group's earnings. To cope with this decline in the population of young people, the Group is recruiting staffers through the Web sites and mobile phone networks, in a bid to make its staff procurement process more efficient. However, to step up such recruiting activities, the Group needs to raise the salaries of in-house employees and spend more on employment ads, which will put some strain on its earnings.

Furthermore, the competition for securing staffers will likely heat up in the industry, where entry level obstacles are relatively small, and this may prevent the Group from procuring enough of the staff it needs and ultimately achieving its business plan.

Given that the younger generation in their late teens and 20s—who make up a large proportion of our staff—are sensitive to corporate image, the Group regards it vital to build a corporate brand that will gain the support of this generation in order to procure and retain excellent staffers. To this end, the Group is implementing the strategy to improve its image through the operations of Fullcast Sports Co., Ltd. But, it is still unclear if this strategy will be effective, and we may not be able to procure as many staff as we would like.

As part of the change of the organization on October 1, 2004, Fullcast Co., Ltd. set up the Staff Recruitment Strategy Office directly under the control of the general manager of the Sales Division, which is now striving to enhance its staff-hiring capability by carrying out recruiting activities in a manner that appeals to the younger generation.

*Staffers denote personnel who are already registered to the Group and intend to work.

Retaining employees

The average length of continuous service of Fullcast's employees, excluding the dispatched staff, is two years and nine months as of the end of September 2004. This rather short period is attributable to the fact that despite increased new hiring by the Company amid a rapid expansion of its business, the number of those who resigned remains high. To cope with the changing external environment of the Group, created by deregulation and the resultant fierce competition, we need to hire more employees apart from staff for dispatch.

Convinced of the importance of concentrating the efforts of hiring employees on its regional sales office to maintain its competitive edge, the Company has set up a great number of such branches in a short period of time. The crucial issue is how to maintain the quality of the branch managers and members alike. The Company seeks to proactively hire skilled people to deploy as managers and members at regional offices. However, if we cannot secure sufficient number of personnel meeting our needs or if current employees leave the Company, the strategy to locally hire employees may be hindered and the Group's earnings could deteriorate. Furthermore, under such a strategy, if sales and profit targets are not achieved as scheduled, the percentage ratio of selling, general and administrative expenses to sales will go up, which could adversely affect the Group's earnings.

It is true that advanced mission-critical systems can significantly improve operations of the staffing service business, but such systems, of course, cannot fully replace human know-how. Accordingly, the Company needs to procure and retain capable managers and members at individual branch offices, in order to expand its businesses.

Managing the database on client firms and staffers

The Fullcast Group always strives to provide the staff most suited to the need of client companies and deploy staffers for clients promptly and efficiently. To facilitate this, the Group manages a database compiled with its business management information system "FASE" that contains information on the staff's work attitudes and experience by job classification as well as on client corporations. In addition, the Group uses FASE to bill clients for work services and closely monitor accounts receivable, which means the Group relies strongly on FASE for its operational efficiency. To be prepared for the eventuality of a malfunction in a server on which FASE runs, the Group uses other back-up server with the same functions. However, if both servers were simultaneously down due to a trouble resulting from a natural disaster such as an earthquake and FASE stops working, the Group's operations will be seriously hindered and its earnings may suffer a serious blow.

We are continuing to invest in the improvement of information systems, such as upgrading FASE whenever necessary, in a bid to differentiate ourselves from our peers in terms of costs and services. But, it seems that this investment will not always contribute to a growth in sales. So, if we cannot obtain sufficient return on investment, expenditures may not be fully recouped.

As for managing data contained in FASE, including personal information, we are striving to prevent unauthorized access, as well as loss, destruction, falsification and leakage of personal information, by establishing clear handling rules, strictly controlling access rights to the system and strengthening internal inspections. However, if any personal information should ever leak out for whatever reason, the Group will lose the public's confidence, which can be expected to push down sales and cause claims for damages. This may have a serious impact on the Group's earnings.

Workplace accidents and transaction-related trouble

In the event that a staffer dies, is injured or becomes ill at work or due to some causes attributable to the work, the Company, as an employer, has the duty to pay compensation according to the Labor Standards Law and the Workers' Accident Compensation Insurance Law.

The Company is enhancing staff awareness on safety by promoting occupational safety and hygiene training, as well as safety equipment and releasing bulletins for on-the-job vigilance to prevent injury and illness. To provide better worker protection, the Company has taken out a voluntary casualty insurance program and a liability insurance program as a supplement to the workmen's accident compensation insurance. However, should an accident not covered by any of this insurance occur, the Company could be forced to pay damages on the grounds of neglecting its duty to safety (Article 415 of Civil Code) and its liability for any illegal activity (Article 709 of Civil Code), which are stipulated in labor contracts.

In addition, the Company could be sued or pressured to make other payments, on allegations of staff negligence, the violation of a contract with a client or our staff's illegal activities. Although we have a compliance system under which personnel in charge of legal affairs can handle various legal risks, the Company's performance may suffer a serious impact through such an accident depending on its nature and the amount of money involved.

Changes in legal regulations

The Company's businesses should be in conformity with such laws as the Labor Standards Law, the Labor Services Temporary Assignment Law, the Workers' Accident Compensation Insurance Law, the Health Insurance Law, the Welfare Pension Insurance Law and other relevant laws. If these laws would be revised or their interpretation modified following a change in the prevailing social situation in the labor market, the Fullcast Group may suffer a serious setback in its operations depending on the contents of such revision or any new interpretation.

Regarding social insurance, workers whose contract period is up to two months and those whose total working hours do not exceed 75% of that of full-time workers are exempt from the requirements stipulated in the Health Insurance Law. The Welfare Pension Insurance Law has provisions almost identical to those of the Health Insurance Law in this regard. Fullcast Group generally hires staffers on a short-term contract so that they are exempt from the social insurance requirements, ergo, the Group does not incur any expenses that such a program would require.

Depending on the content, any revision of the social insurance system could affect the Group's performance, for instance if it entailed an expansion of the insurance coverage.

Management of the Company

(1) Reliance on an individual person

President Takehito Hirano, the founder of Fullcast, plays a key role on the frontline of all the Company's businesses, including decision making on management policies and strategies as well as sales and financial activities. If Mr. Hirano were to leave his job now, the Company could be prone to suffer a setback in its business strategy and performance.

(2) Stock options system

The Company is granting stock purchase warrants, with an exercise period from January 1, 2006 to December 30, 2008, for its managerial staff to enhance their willingness and morale towards improving performance. The number of dilutive shares associated with subscription rights is 2,229 shares as of the end of September 2004, which accounts for 0.8% of the Company's 275,964 outstanding shares (including treasury stocks).

In the future, the Company will grant subscription rights to any directors and ordinary employees expected to contribute substantially to the expansion of its businesses. However, the issuance of new shares following the exercise of subscription rights may dilute the value of the Company's stock.

(3) Strategies on corporate acquisition/alliance and a new business

In June 2004, the Company made Apayours Co., Ltd. a wholly owned subsidiary through stock exchange arrangement after a preliminary study. However, if more costs than expected are needed for restructuring and shoring up the subsidiary's corporate management base, or if its contribution to the parent's earnings does not suffice as scheduled, the Fullcast Group's performance may deteriorate.

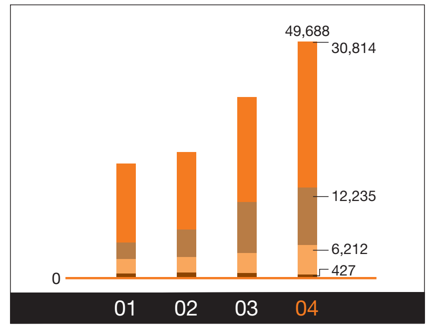
The Fullcast Group is continuing to upscale its existing operations through corporate acquisition and alliances, while expanding business fields and raising the entire Group's corporate value by identifying new business opportunities. In the course of this, however, there seem to be a number of possibilities: a business expansion through corporate acquisition and other measures may not contribute to increasing profits as originally projected; the Group may have to spend substantial amounts of funds on corporate acquisition; and amortization of consolidation goodwill, which could temporarily deteriorate the Group's profits.

Historical Trends in Operating Results

Net Sales by Business Division

	Millions of yen			
	2001	2002	2003	**2004**
Spot Business	16,750	16,392	22,206	**30,814**
Factory Business	3,461	5,824	10,714	**12,235**
Technology Business	3,045	3,285	4,313	**6,212**
Other Business	670	819	712	**427**
Total	23,926	26,320	37,945	**49,688**

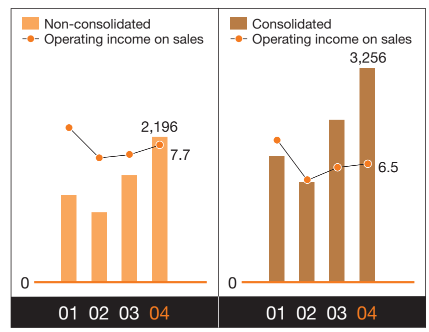
*Due to the Fullcast Group's reorganization, the financial results for the engineering-based contracting and engineer dispatching services (previously classified under Technical Business in the fiscal year ended September 2002) as well as the telecommunication business (classified under Other Business) are included in the Technology Business since the fiscal year ended September 2003.



Operating Income/Operating Income on Sales

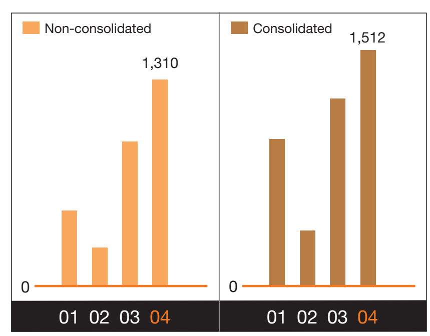
	Millions of yen/%			
Non-consolidated	2001	2002	2003	**2004**
Operating income	1,309	1,040	1,608	**2,196**
Operating income on sales	8.7	7.0	7.2	**7.7**
Consolidated				
Operating income	1,907	1,511	2,455	**3,256**
Operating income on sales	8.0	5.7	6.5	**6.5**

Operating income on sales = Operating income / net sales



Net Income

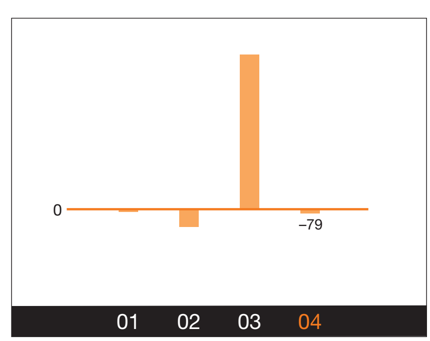
	Millions of yen			
	2001	2002	2003	**2004**
Non-consolidated	482	246	915	**1,310**
Consolidated	941	347	1,197	**1,512**



Free Cash Flow

	Millions of yen			
Consolidated	2001	2002	2003	**2004**
Free cash flow	(12)	(345)	3,150	**(79)**

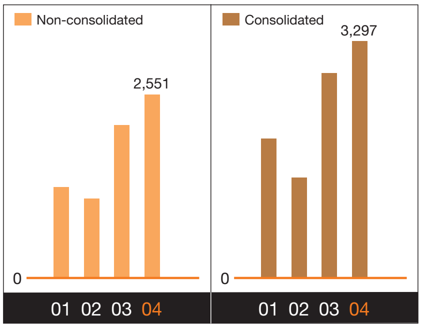
Free cash flow = Cash flow from operating activities + cash flow from investing activities



EBITDA

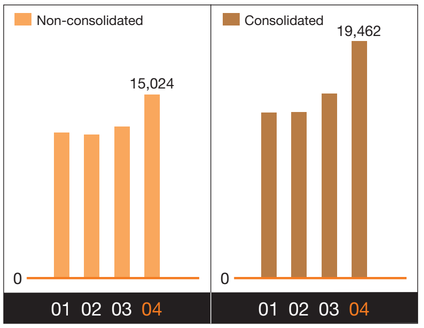
	Millions of yen			
	2001	2002	2003	**2004**
Non-consolidated	1,258	1,104	2,118	**2,551**
Consolidated	1,928	1,396	2,843	**3,297**

EBITDA = Income before income taxes and minority interest + interest expense + depreciation of fixed assets



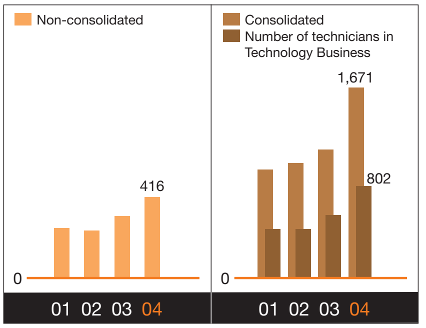
Total Assets

	Millions of yen			
	2001	2002	2003	**2004**
Non-consolidated	11,886	11,744	12,369	**15,024**
Consolidated	13,907	13,928	15,494	**19,462**



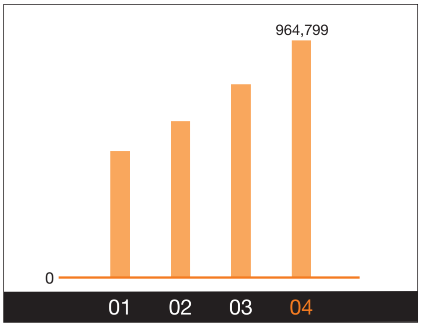
Number of Employees

	Number of employees			
	2001	2002	2003	**2004**
Non-consolidated	254	242	317	**416**
Consolidated	943	994	1,118	**1,671**
Number of technicians in Technology Business	425	426	548	**802**



Trends in Numbers of Registered Staff

	Numbers of registered staff			
Consolidated	2001	2002	2003	**2004**
Numbers of registered staff	505,652	628,987	779,961	**964,799**

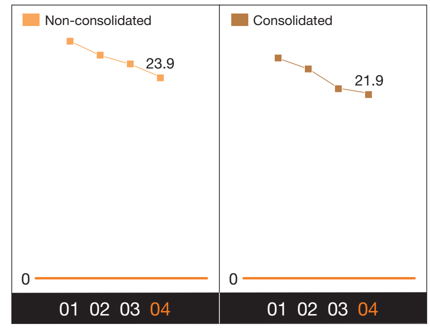


Profitability Indicators

SG&A Expenses to Net Sales Ratio

%	2001	2002	2003	**2004**
Non-consolidated	28.1	26.4	25.4	**23.9**
Consolidated	26.2	24.8	22.5	**21.9**

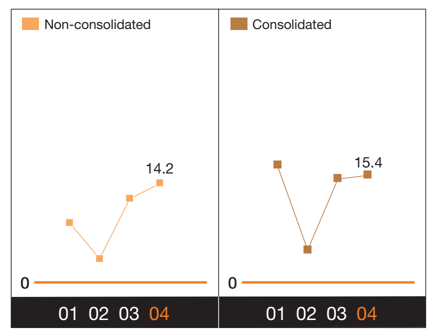
SG&A expenses to net sales ratio = SG&A expenses / net sales



Return on Equity (ROE)

%	2001	2002	2003	**2004**
Non-consolidated	8.6	3.4	11.9	**14.2**
Consolidated	16.7	4.6	14.8	**15.4**

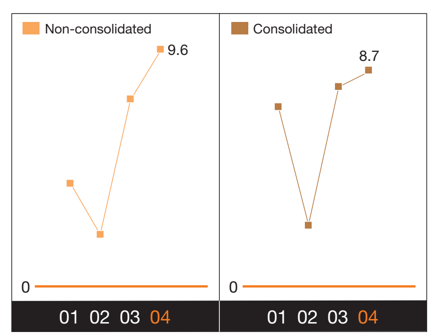
ROE = Net income / total shareholders' equity



Return on Assets (ROA)

%	2001	2002	2003	**2004**
Non-consolidated	4.2	2.1	7.6	**9.6**
Consolidated	7.3	2.5	8.1	**8.7**

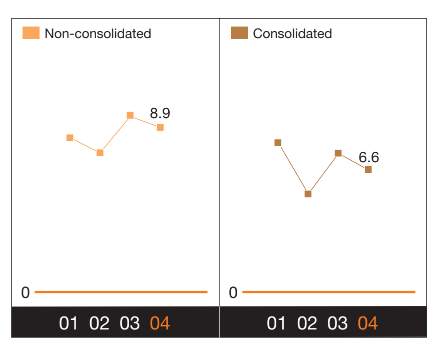
ROA = Net income / total assets



EBITDA Margin

%	2001	2002	2003	**2004**
Non-consolidated	8.3	7.5	9.5	**8.9**
Consolidated	8.1	5.3	7.5	**6.6**

EBITDA margin = EBITDA / net sales

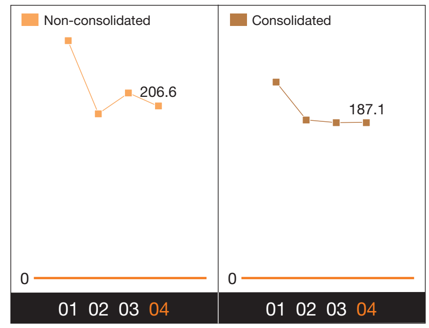


Safety/Stability Indicators

Current Ratio

	2001	2002	2003	2004
		%		
Non-consolidated	284.3	196.9	222.1	**206.6**
Consolidated	235.9	190.0	186.4	**187.1**

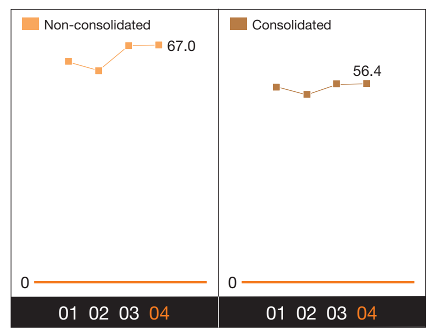
Current ratio = Current assets / current liabilities



Shareholders' Equity Ratio

	2001	2002	2003	2004
		%		
Non-consolidated	62.7	60.2	67.3	**67.0**
Consolidated	55.6	53.4	56.3	**56.4**

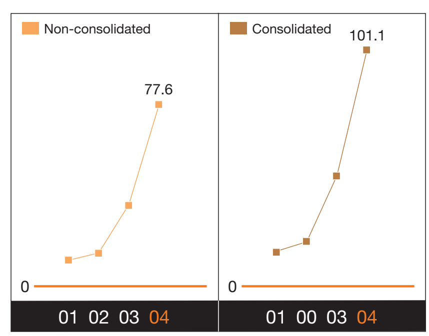
Shareholders' equity ratio = Net assets / total assets



Interest Coverage

	2001	2002	2003	2004
		Multiplication		
Non-consolidated	11.2	14.2	34.5	**77.6**
Consolidated	15.0	19.0	47.1	**101.1**

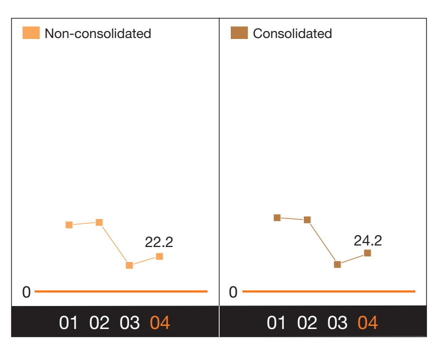
Interest coverage = (Operating income + interest income + dividends received) / interest expenses



Debt Equity Ratio

	2001	2002	2003	2004
		%		
Non-consolidated	42.0	43.5	16.5	**22.2**
Consolidated	46.9	45.1	18.2	**24.2**

Debt equity ratio = Interest-bearing debts (short-term borrowings + long-term debt + lease obligations) / net assets



Fullcast Co., Ltd.
Consolidated Balance Sheets

As of September 30, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2003	**2004**	**2004**
Current Assets:			
Cash and cash equivalents (Note 1)	¥ 5,151	**¥ 6,089**	**$ 54,831**
Time deposits with original maturities over three months	-	**15**	**133**
Short-term investments (Notes 1 and 2)	301	**-**	**-**
Trade notes and accounts receivable	5,018	**6,969**	**62,752**
Less- Allowance for doubtful accounts (Note 1)	(57)	**(69)**	**(624)**
Inventories (Note 1)	71	**74**	**672**
Deferred tax assets (Notes 1 and 8)	284	**309**	**2,782**
Other current assets	292	**666**	**6,000**
Total current assets	11,060	**14,053**	**126,546**
Property and Equipment, at Cost (Notes 1 and 4):			
Land	606	**607**	**5,461**
Buildings and structures	558	**509**	**4,581**
Furniture, fixtures and equipment	397	**783**	**7,053**
Construction in progress	10	**-**	**-**
Less- Accumulated depreciation	(334)	**(493)**	**(4,436)**
Total property and equipment	1,237	**1,406**	**12,659**
Investments and Other Assets:			
Investment securities (Notes 1, 2 and 3)	602	**902**	**8,122**
Intangible fixed assets (Note 1)	703	**855**	**7,694**
Deferred tax assets (Notes 1 and 8)	178	**125**	**1,126**
Other	1,714	**2,121**	**19,103**
Total investments and other assets	3,197	**4,003**	**36,045**
	¥ 15,494	**¥ 19,462**	**$ 175,250**

The accompanying notes to the consolidated financial statements are an integral part of these balance sheets.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2003	2004	Thousands of U.S. dollars (Note 1) 2004
Current Liabilities:			
Short-term borrowings (Notes 4 and 5)	¥ 900	¥ **2,245**	$ **20,217**
Current portion of long-term debt (Notes 4 and 5)	257	**138**	**1,242**
Accounts payable			
Trade	64	**81**	**725**
Other	2,060	**2,047**	**18,435**
Income taxes payable (Notes 1 and 8)	1,163	**688**	**6,193**
Accrued bonuses	449	**520**	**4,682**
Deferred tax liabilities (Notes 1 and 8)	-	**0**	**1**
Other current liabilities	1,041	**1,793**	**16,148**
Total current liabilities	5,934	**7,512**	**67,643**
Long-term Liabilities:			
Long-term debt (Notes 4 and 5)	373	**259**	**2,331**
Accrued severance and retirement cost (Notes 1 and 7)	259	**271**	**2,441**
Deferred tax liabilities (Notes 1 and 8)	-	**74**	**663**
Other long-term liabilities	70	**33**	**299**
Total long-term liabilities	702	**637**	**5,734**
Minority Interests	139	**335**	**3,021**
Commitments and Contingent Liabilities (Note 15)			
Shareholders' Equity (Note 9)**:**			
Common stock;			
Authorized – 178,400 shares in 2003 and 537,900 shares in 2004			
Issued – 44,829 shares in 2003 and 275,964 shares in 2004	3,289	**3,464**	**31,194**
Capital surplus;			
Additional paid-in capital (Note 1)	2,515	**3,018**	**27,180**
Retained earnings	3,265	**4,466**	**40,215**
Net unrealized holding gains on securities (Note 1)	31	**220**	**1,976**
Less – Treasury stock, at cost; 900 shares in 2003 and 2,652 shares in 2004	(381)	**(190)**	**(1,713)**
Total shareholders' equity	8,719	**10,978**	**98,852**
	¥ 15,494	¥ **19,462**	$ **175,250**

The accompanying notes to the consolidated financial statements are an integral part of these balance sheets.

Fullcast Co., Ltd.
Consolidated Statements of Income

Years ended September 30, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	**2004**	**2004**
Net Sales (Note 13)	¥ 37,945	¥ **49,688**	$ **447,439**
Cost of Sales (Note 13)	26,946	**35,569**	**320,299**
Gross profit	10,999	**14,119**	**127,140**
Selling, General and Administrative Expenses (Note 13)	8,544	**10,863**	**97,823**
Operating income (Note 13)	2,455	**3,256**	**29,317**
Other Income (Expenses):			
Interest income	43	**6**	**52**
Interest expense	(53)	**(32)**	**(291)**
Rental income	77	**21**	**188**
Amortization of goodwill arising from consolidation	-	**(295)**	**(2,658)**
Loss on valuation of investment securities	(44)	**(11)**	**(100)**
Other, net	74	**21**	**202**
	97	**(290)**	**(2,607)**
Income before income taxes and minority interests	2,552	**2,966**	**26,710**
Provision for Income Taxes (Notes 1 and 8):			
Current	1,479	**1,372**	**12,357**
Deferred	(207)	**(27)**	**(244)**
Income taxes	1,273	**1,345**	**12,113**
Net income before minority interests	1,280	**1,621**	**14,597**
Minority Interests	(83)	**(109)**	**(982)**
Net income	¥ 1,197	¥ **1,512**	$ **13,615**

	Yen		U.S. dollars (Note 1)
Per Share of Common Stock (Notes 1 and 11):			
Net income	¥ 27,373.46	¥ **5,603.88**	$ **50.46**
Diluted net income	27,118.49	**5,578.67**	**50.24**
Cash dividends applicable to the period	5,000.00	**2,000.00**	**18.01**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Fullcast Co., Ltd.
Consolidated Statements of Shareholders' Equity

Years ended September 30, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	**2004**	**2004**
Common Stock:			
Beginning balance	¥ 3,262	**¥ 3,289**	**$ 29,620**
Exercise of stock purchase warrants	27	**175**	**1,574**
Ending balance	¥ 3,289	**¥ 3,464**	**$ 31,194**
Capital Surplus:			
Additional paid-in capital (Note 1)			
Beginning balance	2,486	**2,515**	**22,643**
Exercise of stock purchase warrants	29	**178**	**1,605**
Gain on sales of treasury stock	-	**325**	**2,932**
Ending balance	¥ 2,515	**¥ 3,018**	**$ 27,180**
Retained Earnings:			
Beginning balance	2,199	**3,265**	**29,401**
Net income	1,197	**1,512**	**13,615**
Increase in the Company's ownership by merger among the consolidated subsidiaries	25	**-**	**-**
Effect of change in scope of consolidation	0	**-**	**-**
Cash dividends paid	(109)	**(311)**	**(2,801)**
Loss on sales of treasury stock	(47)	**-**	**-**
Ending balance	¥ 3,265	**¥ 4,466**	**$ 40,215**
Net Unrealized Holding Gains on Securities (Note 1):			
Beginning balance	4	**31**	**283**
Change: Unrealized holding gains occurring during the period	27	**189**	**1,693**
Ending balance	¥ 31	**¥ 220**	**$ 1,976**
Treasury Stock:			
Beginning balance	(508)	**(381)**	**(3,431)**
Sales of treasury stock	127	**-**	**-**
Issuance of treasury stock in exchange for subsidiary's stock	-	**191**	**1,718**
Ending balance	¥ (381)	**¥ (190)**	**$ (1,713)**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Fullcast Co., Ltd.
Consolidated Statements of Cash Flows

Years ended September 30, 2003 and 2004

	Millions of yen		Thousand of U.S. dollars (Note 1)
	2003	**2004**	**2004**
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥2,552	**¥2,966**	**$26,710**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation	237	**299**	**2,692**
Allowance for doubtful accounts	16	**(11)**	**(99)**
Accrued bonuses	136	**65**	**587**
Accrued severance and retirement cost	28	**0**	**0**
Interest and dividend income	(43)	**(10)**	**(91)**
Interest expense	53	**32**	**291**
Loss on sales and disposal of property and equipment, net	(60)	**9**	**82**
Loss on valuation of investment securities	44	**11**	**100**
Equity in losses (profits) of affiliates	(7)	**(2)**	**(16)**
Amortization of consolidation goodwill	29	**297**	**2,670**
Other, net	(79)	**(52)**	**(475)**
Changes in current assets and liabilities:			
Trade notes and accounts receivable	(1,090)	**(1,541)**	**(13,875)**
Accounts payable	287	**(74)**	**(666)**
Other, net	241	**(95)**	**(855)**
Subtotal	2,344	**1,894**	**17,055**
Interest and dividends received	38	**9**	**81**
Interest paid	(51)	**(32)**	**(289)**
Income taxes paid	(785)	**(1,876)**	**(16,892)**
Net cash provided by (used in) operating activities	1,546	**(5)**	**(45)**
Cash Flows from Investing Activities:			
Increase in time deposits	-	**(17)**	**(151)**
Proceeds from withdrawal of time deposits	-	**11**	**99**
Purchase of short-term investments	(300)	**(299)**	**(2,688)**
Proceeds from sales of short-term investment securities	200	**600**	**5,403**
Expenditures for property and equipment	(189)	**(398)**	**(3,588)**
Proceeds from sales of property and equipment	1,960	**65**	**586**
Purchase of intangible assets	(295)	**(298)**	**(2,687)**
Proceeds from sales of intangible assets	-	**6**	**56**
Purchase of investment securities	(323)	**(15)**	**(131)**
Proceeds from sales of investment securities	81	**52**	**469**
Purchase of subsidiary's securities	(27)	**(1)**	**(13)**
Advance for loans receivable	(7)	**(40)**	**(364)**
Collection of loans receivable	505	**39**	**353**
Acquisition of cash owned by new subsidiaries, net of payment for purchase of subsidiaries' shares	–	**221**	**1,991**

Other, net	(1)	**0**	**0**
Net cash provided by (used in) investing activities	1,604	**(74)**	**(665)**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings	(429)	**1,200**	**10,807**
Proceeds from long-term debt	200	**-**	**-**
Repayment of long-term debt	(1,486)	**(271)**	**(2,440)**
Issuance of common stock	55	**350**	**3,147**
Contribution from minority shareholders of a consolidated subsidiary	-	**119**	**1,067**
Repayments of bonds	-	**(10)**	**(89)**
Proceeds from sales of treasury stock	80	**-**	**-**
Payment of dividends	(107)	**(310)**	**(2,789)**
Payments of dividends to minority shareholders from a consolidated subsidiary	-	**(8)**	**(72)**
Other, net	(54)	**(53)**	**(474)**
Net cash provided by (used in) financing activities	(1,741)	**1,017**	**9,157**
Net increase in Cash and Cash Equivalents	1,409	**938**	**8,447**
Cash and Cash Equivalents at Beginning of Period	3,742	**5,151**	**46,384**
Effect of Changes in Consolidation Scope on Cash and Cash Equivalents	-	**0**	**0**
Cash and Cash Equivalents at End of Period	¥5,151	**¥6,089**	**$54,831**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Fullcast Co., Ltd.

Notes to Consolidated Financial Statements

1. Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by Fullcast Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Companies") in the preparation of the accompanying consolidated financial statements.

(a) Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in Japan in order to present these statements in a more familiar form for readers outside Japan. In addition, the accompanying notes include information that is not required under Japanese GAAP but is presented herein as supplemental information.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at September 30, 2004, which was ¥111.05 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) Principles of Consolidation and Accounting for Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and 7 subsidiaries for the year ended September 30, 2004, as well as 5 subsidiaries for the year ended September 30, 2003.

All significant intra-company transactions and accounts have been eliminated.

All Companies over which the Company has control through majority voting rights or certain other conditions evidencing control by the Company are regarded as subsidiaries and consolidated.

Investments in affiliates (generally 20% - 50% ownership), over which the Company has the ability to exercise significant influence as to operating and financial policies, are accounted for by the equity method.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority stockholders, are recorded based on their fair value at the time the Company acquired control of the respective subsidiary.

Differences between acquisition cost and the underlying net equity at the time of acquisition were charged or credited to income on the dates of acquisition.

The Company made APAYOURS Co., Ltd. a wholly-owned subsidiary through stock exchange on June 1, 2004. Accordingly, the Company made it a consolidated subsidiary as of the transfer date.

The Company established a consolidated subsidiary named FULLCAST TELE MARKETING Co., Ltd. on September 15, 2004.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, readily available deposits and short-term investments, which are easily convertible into cash and present insignificant risk of changes in value, with original maturities of three months or less.

(d) Short-term Investments and Investment Securities

Short-term investments and investment securities are classified and accounted for, depending on management’s intent, as follows:

a) securities held for trading purposes (hereafter, “trading securities”), b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities), c) equity securities issued by subsidiaries and affiliated companies, and d) all other securities not classified under any of the above categories (hereafter, “available-for-sale securities”).

The Companies did not possess trading securities and held-to-maturity debt securities.

Available-for-sale securities whose fair value is readily determinable are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Realized gains and losses on sale of such securities are computed using moving-average method. Available-for-sale securities whose fair value cannot readily be determined are stated at cost according to the moving-average cost method.

(e) Allowance for Doubtful Accounts

Under the Japanese accounting standard for financial instruments, all companies are required to classify receivables into the following three categories and make provision for possible losses.

For receivables from insolvent customers who are undergoing bankruptcy or other collection proceedings or in a similar financial predicament, an allowance for doubtful accounts is provided in the full amount of such receivables, excluding the portion that is estimated to be recoverable due to the existence of collateral or guarantees.

For the unsecured portion of receivables from customers not presently in the above circumstances, but for which there is a high probability of them becoming so, an allowance for doubtful accounts is provided for individually estimated uncollectable amounts, primarily determined after an evaluation of collaterals, guarantees and the respective customer's overall financial condition.

For other receivables, an allowance for doubtful accounts is provided based on the Companies' actual rate of receivable losses in the past.

(f) Inventories

The Companies' raw materials and supplies are stated at cost, which is determined by first-in, first-out method. The Companies' products in progress are stated at specific-identified cost.

(g) Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the declining-balance method over the following estimated useful lives of the assets except for buildings acquired after April 1, 1998, which are computed on a straight-line method.

The estimated useful lives of depreciable assets are as follows:

Buildings and structures:	3 years to 56 years
Furniture, fixtures and equipment:	2 years to 15 years

Ordinary maintenance and repairs are charged to income as incurred and major replacements and improvements are capitalized.

(h) Intangible Fixed Assets

Intangible fixed assets primarily represent the costs of purchased software, which are amortized using the straight-line method over a period of up to five years in accordance with their estimated useful lives.

The costs of software for sales are provided at the greater of the amounts computed using a) the ratio that current unit sales for a product bear to the total of current and anticipated future unit sales for that product or b) the straight-line method over the remaining estimated economic life of the product (three years).

(i) Finance Leases

Finance leases that do not transfer ownership are accounted for in the same manner as operating leases in accordance with Japanese GAAP. Under Japanese accounting policies for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions on condition that certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(j) Provisions

Provisions are recognized where a present (legal or constructive) obligation has been incurred which may lead to an outflow of resources, and which can be reasonably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(k) Severance and Retirement Plans

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Company and certain consolidated subsidiaries calculated projected benefit obligation and severance and retirement benefit expenses based on the amounts actuarially calculated using certain assumptions. Actuarial gains and losses are charged to income except for certain consolidated subsidiaries.

In addition, directors and corporate auditors of the Companies had been entitled to lump-sum payments based on current rates of pay, length of services and certain other factors. The Companies had accrued 100% of obligations based on the internal rules required under the assumption that all directors and corporate auditors terminated their employment at the end of the fiscal year.

Board of Directors Meetings of one of the consolidated subsidiaries held on September 28, 2004 approved to abolish the internal rules of retirement benefits for directors and corporate auditors. As a result, the rules of retirement benefits for directors and corporate auditors were completely abolished in the Companies.

(l) Income Taxes

Income taxes comprise corporation tax, inhabitant taxes and enterprise taxes.

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(m) Foreign Currency Transaction

Foreign currency transactions are translated into Japanese yen using the exchange rates in effect at the time of the transactions. All short term and long term monetary receivables and payables denominated in foreign currencies are translated at the exchange rates prevailing at the end of each fiscal year and the resulting gains and losses are included in current income.

(n) Derivative Financial Instruments

The Companies use derivative financial instruments to manage their exposure to fluctuations in interest rates. Interest rate swaps are utilized by the Companies to reduce interest rate risks. The Companies use derivative transactions only to hedge market risk, and not for speculation or dealing purposes.

The Companies adopt the method that defers gains and losses resulting from changes in fair value of derivative financial instruments until the hedged transactions occur. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(o) Reclassifications

Certain reclassifications have been made in the accompanying consolidated financial statements and notes to facilitate understanding by non-Japanese readers, but no change has been made in the application of accounting policies. These reclassifications had no impact on previously reported results of operations or shareholders' equity.

(p) Accounting Standard for Impairment of Fixed Assets

In the year ended September 30, 2004, the Companies did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption. The Companies have begun its analysis of possible impairment of fixed assets. The Company cannot currently estimate the effect of adoption of the new standard, because the Companies have not yet completed its analysis.

2. Short-term investments and Investment Securities

(a) The following tables summarize acquisition costs, book value and fair value of available-for-sale securities with their available fair value as of September 30, 2003 and 2004:

Securities with book value exceeding acquisition costs

Type		Millions of yen						Thousands of U.S. dollars		
		2003			**2004**			**2004**		
		Acquisition costs	Book value	Difference	**Acquisition costs**	**Book value**	**Difference**	**Acquisition costs**	**Book value**	**Difference**
Equity securities	…	¥ 336	¥ 393	¥ 57	**¥ 424**	**¥ 794**	**¥ 370**	**$ 3,817**	**$ 7,150**	**$ 3,333**
Bonds	…	300	301	1	**-**	**-**	**-**	**-**	**-**	**-**
Others	…	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**
		¥ 636	¥ 694	¥ 58	**¥ 424**	**¥ 794**	**¥ 370**	**$ 3,817**	**$ 7,150**	**$ 3,333**

Securities with book value below acquisition costs

Type		Millions of yen						Thousands of U.S. dollars		
		2003			**2004**			**2004**		
		Acquisition costs	Book value	Difference	**Acquisition costs**	**Book value**	**Difference**	**Acquisition costs**	**Book value**	**Difference**
Equity securities	…	¥ 16	¥ 11	¥ (5)	**¥ -**	**¥ -**	**¥ -**	**$ -**	**$ -**	**$ -**
Bonds	…	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**
Others	…	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**
		¥ 16	¥ 11	¥ (5)	**¥ -**	**¥ -**	**¥ -**	**$ -**	**$ -**	**$ -**

Financial instrument attached derivatives (contracted amount by 200 millions of yen) which is included in Bonds were evaluated at fair value as of September 30, 2003. As a result, the gains and losses of evaluation were charged other income (expense) of Consolidated Statements of Income.

(b) The following tables summarize book value of available-for-sale securities without available fair value as of September 30, 2003 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Non-listed equity securities	¥ 188	**¥ 86**	**$ 778**
Non-listed foreign Bonds	-	-	-
	¥ 188	**¥ 86**	**$ 778**

(c) The planned redemption schedule of available-for-sale securities with maturity is as follows:

	Millions of yen				
	2003				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds- Others	¥ 100	-	-	-	-
Total	¥ 100	-	-	-	-

	Millions of yen				
	2004				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds- Others	**¥ -**	-	-	-	-
Total	**¥ -**	-	-	-	-

	Thousands of U.S. dollars				
	2004				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds- Others	**$ -**	-	-	-	-
Total	**$ -**	-	-	-	-

(d) Total sales of available-for-sale securities in the year ended September 30, 2003 amounted to ¥81 million and the related gains/losses amounted to ¥31 million and ¥3 million, respectively.

Total sales of available-for-sale securities in the year ended September 30, 2004 amounted to ¥52 million ($469 thousand) and the related gains/losses amounted to ¥29 million ($263 thousand) and ¥0 million ($3 thousand), respectively.

3. Investment in Related Companies

At September 30, 2003 and 2004, investment in related companies was as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Paid for stock of a new subsidiary	¥ -	¥ 10	$ 90
Investment securities	10	12	104

4. Pledged Assets

At September 30, 2003 and 2004, assets pledged as collateral for short-term borrowings and long-term debt were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Property and equipment – Less accumulated depreciation	¥850	¥839	$7,557
Total	¥850	¥839	$7,557

5. Short-term Borrowings and Long-term Debt

Short-term borrowings principally consist of loans to banks generally due within 366 days, bank overdrafts at an average interest rate of 0.80% as of September 30, 2003 and 0.67% as of September 30, 2004.

Long-term debt at interest rates ranging from 1.18% to 3.78% as of September 30, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Unsecured loans, representing obligations principally to banks:	¥ 211	¥ 74	$ 661
Secured loans, representing obligations principally to banks:	409	323	2,912
Unsecured bonds, due 2004 with detachable warrants:	10	-	-
	630	397	3,573
Less- Portion due within one year	(257)	(138)	(1,242)
	¥ 373	¥ 259	$ 2,331

Annual maturities of long-term debt subsequent to September 30, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
Year ending September 30	2003	**2004**	**2004**
2006	¥ 114	**¥ 86**	**$ 772**
2007	87	**76**	**681**
2008	76	**70**	**631**
2009	69	**27**	**247**
2010 and thereafter	27	**-**	**-**
Total	¥ 373	**¥ 259**	**$ 2,331**

As is customary in Japan, substantially all of the bank borrowings are subject to a general agreement with each bank, which provides, among other things, that the bank may request additional security for the loans concerned and may treat any security furnished to the bank as collateral for all present and future indebtedness and has the right to offset cash deposited against any short-term or long-term debts that become due, and, in case of default or other specified events, against all other debts payable to the bank. The Company has never been requested to submit such additional security.

6. Leases

As of September 30, 2003 and 2004, assets leased under non-capitalized financial leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Furniture, fixtures and equipment, etc.	¥ 542	**¥ 501**	**$ 4,511**
Less accumulated depreciation and amortization	(223)	**(268)**	**(2,409)**
Total	¥ 319	**¥ 233**	**$ 2,102**

The above “as if capitalized” depreciation and amortization is calculated on the straight-line method over lease terms. If the above lease terms were capitalized, depreciation and amortization of ¥110 million and ¥112 million ($1,007 thousand) would have been recorded for the years ended September 30, 2003 and 2004, respectively.

Total lease payments on non-capitalized finance leases were ¥120 million and ¥126 million ($1,138 thousand) for the years ended September 30, 2003 and 2004, respectively.

Total interest expenses on non-capitalized finance leases were ¥13 million and ¥15 million ($132 thousand) for the years ended September 30, 2003 and 2004, respectively.

Obligations under finance leases at September 30, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Due within one year ……	¥ 110	**¥ 90**	**$ 811**
Due after one year ……	217	**152**	**1,366**
Total	¥ 327	**¥ 242**	**$ 2,177**

7. Severance and Retirement Plans

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of September 30, 2003 and 2004, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Projected benefit obligation ……	¥ 261	**¥ 292**	**$ 2,633**
Less fair value of pension assets ……	(46)	**(62)**	**(561)**
Unrecognized actuarial differences ……	42	**29**	**259**
Prepaid pension costs ……	-	**12**	**110**
Liability for severance and retirement benefits	¥ 257	**¥ 271**	**$ 2,441**

Included in the consolidated statements of income for the years ended September 30, 2003 and 2004, are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Service costs ……	¥ 86	**¥ 71**	**$ 640**
Interest cost on projected benefit obligation ……	6	**7**	**59**
Expected return on plan assets ……	(0)	**(1)**	**(6)**
Amortization of actuarial differences ……	(22)	**(54)**	**(482)**
Contribution on welfare pension fund ……	125	**104**	**932**
Severance and retirement benefit expenses	¥ 195	**¥ 127**	**$ 1,143**

The Companies also have other pension assets regarding welfare pension funds which includes on acting part of welfare pension insurance, and fair value of the pension assets allocated based on the ratio of total payroll amount of each member corporations as of September 30, 2003 and 2004, are ¥1,307 million and ¥1,270 million ($11,433 thousand), respectively.

Significant assumptions of pension plans used to determine these amounts for the years ended September 30, 2003 and 2004

		2003	**2004**
Discounted rate	…………………	2.5%	**2.3%**
Expected long-term rate of return on plan assets	…………………	1.5%	**1.5%**

In addition, one of the consolidated subsidiaries had put pertinent rules of unfunded termination and retirement allowance plans for directors and statutory auditors, payments of which were subject to the approval at the ordinary shareholders' meeting. The balance of accrued directors and statutory auditors' termination and retirement allowance was ¥2 million at September 30, 2003.

Board of Directors Meetings of one of the consolidated subsidiaries held on September 28, 2004, approved to abolish the internal rules of retirement benefits for directors and statutory auditors. As a result, the Companies reversed accrued severance and retirement cost and recorded other income of ¥3 million ($28 thousand).

The total provisions charged to income under the above plans were ¥1 million in the year ended September 30, 2003 and ¥1 million ($12 thousand) in the year ended September 30, 2004, respectively.

8. Income Taxes

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 42.0% for the year ended September 30, 2002. Effective for years commencing on October 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and consolidated domestic subsidiaries used the aggregate statutory income tax rates of 42.0% and 40.5% for current items and non-current items, respectively, at September 30, 2003, and 40.5% for all items at September 30, 2004.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended September 30, 2003 and 2004:

	2003	**2004**
Statutory tax rate	42.0%	**42.0%**
Tax on undistributed profits	4.5	-
Non-tax deductible expense	0.7	**0.6**
Per capita inhabitant tax	2.1	**2.8**
Tax credit on corporate tax	–	**(1.0)**
Elimination of unrealized gain of subsidiaries in no application of tax effect accounting	–	**(0.6)**
Amortization of goodwill arising from consolidation	–	**4.2**
Valuation allowance	–	**(2.2)**
Other	0.6	**(0.4)**
Effective tax rate	49.9%	**45.4%**

Significant components of deferred tax assets and liabilities as of September 30, 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Deferred tax assets:			
Excess bonuses accrued	¥ 156	**¥ 211**	**$ 1,905**
Excess allowance and write-off for doubtful accounts	19	**25**	**222**
Enterprise taxes accrued	94	**62**	**558**
Retirement benefits	101	**103**	**931**
Excess depreciation	5	**11**	**102**
Unrealized gains on sales of fixed assets	59	**66**	**593**
Valuation of available-for-sale securities	154	**90**	**809**
Accrued social insurance premiums	–	**24**	**217**
Other	50	**38**	**340**
Total deferred tax assets	638	**630**	**5,677**
Valuation allowance	(152)	**(116)**	**(1,043)**
	486	**514**	**4,634**
Deferred tax liabilities:			
Allowance for doubtful accounts related to consolidated elimination	(2)	**(4)**	**(34)**
Net unrealized holding gains on securities	(22)	**(150)**	**(1,356)**
	(24)	**(154)**	**(1,390)**
Net deferred tax assets	¥ 462	**¥ 360**	**$ 3,244**

9. Shareholders' Equity

The Japanese Commercial Code requires at least 50% of the issue price of new shares to be designated as the stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Japanese Commercial Code also requires that at least 10% of the aggregate amount of cash dividends and directors' and statutory auditors' bonuses which are disbursed as an appropriation of retained earnings allocable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve plus additional paid-in capital equals 25% of stated capital.

The Japanese Commercial Code permits the partial transfer of additional paid-in capital to stated capital by resolution of the Board of Directors. The Japanese Commercial Code also permits the transfer portions of unappropriated retained earnings to stated capital by resolution at the shareholders' meeting.

A year-end or an interim dividend may be approved by the shareholders after the end of each fiscal period or declared by the Board of Directors after the end of each interim six-month period. In accordance with the Japanese Commercial code, these dividends and the related appropriations of retained earnings are not reflected in the financial statements at the end of such fiscal or interim six-month period but are recorded at the time they are approved.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Commercial Code of Japan.

The Company effected a capital increase for exercise of stock purchase warrants, which increased 183 of shares issued and outstanding from 44,646 to 44,829 for the year ended September 30, 2003.

The Company also effected a capital increase for exercise of stock purchase warrants, which increased 3,495 of shares issued, for the three-for-one stock split, which increased the number of 89,658 of shares on November 20, 2003, and for the two-for-one stock split, which increased the number of 137,982 of shares on May 20, 2004, and outstanding from 44,829 to 275,964 for the year ended September 30, 2004.

10. Supplement Disclosure of Cash Flow Information

The following non-cash transactions have been excluded from the consolidated statement of cash flow for the year ended September 30, 2004:

	Millions of yen	Thousands of U.S. dollars
	2004	**2004**
Assets increased by consolidation of previously unconsolidated subsidiaries ……	**¥ 708**	**$ 6,375**
Liabilities increased by consolidation of previously unconsolidated subsidiaries ……	**(501)**	**(4,510)**
Goodwill arising from consolidation ……	**318**	**2,861**
Issuance of treasury stock in exchange for subsidiary’s stock	**¥ 525**	**$ 4,726**

11. Per Share Data

Net income and cash dividends per share are based on the weighted average number of outstanding shares of common stock, as retroactively adjusted for free share distribution and stock splits.

Cash dividends per share shown in the accompanying consolidated statements of income have been presented on an accrual basis and include, in each fiscal period, dividends approved by the shareholders after such fiscal period-end but applicable to the fiscal period then ended. The diluted net income per share is based on the weighted-average number of outstanding shares of common stock and common stock equivalents.

Net income and diluted net income per share, calculated assuming that the three-for-one stock split made on November 20, 2003 and the two-for-one stock split made on May 20, 2004 were recorded as of October 1, 2002, at the fiscal year ended September 30, 2003 were as follows:

Per Share of Common Stock	Millions of yen
Net income	¥ 4,562.24
Diluted net income	4,519.74

12. Derivatives

Contracted amount and recognized gains of derivatives, which are attached to in the financial instrument, are disclosed at the note of “2. Short-term Investments and Investment Securities”.

13. Segment Information

The operating segments reported below are the segments of the Companies for which separate financial information is available and for which operating profit or loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The Spot group segment consists of the operation including short-term human resource services and personnel outsourcing services for clerical work.

The Factory group segment is mainly engaged in the operations of human resource services for factory line work.

The Technology group segment consists of the operations for IT specialist/engineer staffing services.

The Other segment consists of the business operation including information communication business and so on.

Geographical segment information was not presented as there was no foreign subsidiary in the years ended September 30, 2003 and 2004.

Overseas sales information was not presented as there was no overseas sales for the years ended September 30, 2003 and 2004.

Segment information of the Companies for the years ended September 30, 2003 and 2004, were as follows:

	Millions of yen						
2003	Spot	Factory	Technology	Other	Total	Elimination and corporate	Consolidated
Sales to third parties	¥22,206	¥10,714	¥4,313	¥ 712	¥37,945	¥ –	¥37,945
Inter-segment sales and transfers	382	39	489	54	964	(964)	–
Total sales	22,588	10,753	4,802	766	38,909	(964)	37,945
Cost of sales and selling, general and administrative expenses	20,318	10,159	4,601	741	35,819	(329)	35,490
Operating income (loss)	¥ 2,270	¥ 594	¥ 201	¥ 25	¥ 3,090	¥ (635)	¥ 2,455
Identifiable assets	¥ 9,339	¥ 2,513	¥1,605	¥ 246	¥13,703	¥1,790	¥15,493
Depreciation	226	22	11	11	270	(24)	246
Capital Expenditure	309	68	42	87	506	(23)	483

2004	Millions of yen						
	Spot	Factory	Technology	Other	Total	Elimination and corporate	Consolidated
Sales to third parties	**¥30,814**	**¥12,235**	**¥6,212**	**¥427**	**¥49,688**	**¥ -**	**¥49,688**
Inter-segment sales and transfers	**320**	**35**	**52**	**21**	**428**	**(428)**	**-**
Total sales	**31,134**	**12,270**	**6,264**	**448**	**50,116**	**(428)**	**49,688**
Cost of sales and selling, general and administrative expenses	**28,271**	**11,705**	**5,940**	**486**	**46,402**	**30**	**46,432**
Operating income (loss)	**¥2,863**	**¥565**	**¥324**	**¥(38)**	**¥3,714**	**¥ (458)**	**¥3,256**
Identifiable assets	**¥12,249**	**¥2,984**	**¥2,361**	**¥628**	**¥18,222**	**¥1,240**	**¥19,462**
Depreciation	**261**	**32**	**43**	**8**	**344**	**(36)**	**308**
Capital Expenditure	**573**	**60**	**69**	**12**	**714**	**(17)**	**697**

2004	Thousands of U.S. dollars						
	Spot	Factory	Technology	Other	Total	Elimination and corporate	Consolidated
Sales to third parties	**$277,481**	**$110,175**	**$55,940**	**$3,843**	**$447,439**	**$ –**	**$447,439**
Inter-segment sales and transfers	**2,881**	**313**	**471**	**188**	**3,853**	**(3,853)**	**–**
Total sales	**280,362**	**110,488**	**56,411**	**4,031**	**451,292**	**(3,853)**	**447,439**
Cost of sales and selling, general and administrative expenses	**254,580**	**105,403**	**53,493**	**4,371**	**417,847**	**275**	**418,122**
Operating income (loss)	**$ 25,782**	**$ 5,085**	**$ 2,918**	**$ (340)**	**$ 33,445**	**$ (4,128)**	**$ 29,317**
Identifiable assets	**$ 110,296**	**$26,869**	**$21,263**	**$5,655**	**$164,083**	**$ 11,167**	**$175,250**
Depreciation	**2,353**	**283**	**386**	**74**	**3,096**	**(327)**	**2,769**
Capital Expenditure	**5,161**	**544**	**619**	**106**	**6,430**	**(155)**	**6,275**

14. Related Party Transactions

The transaction with a director during the year ended September 30, 2003 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Director, Mr. Kaizuka:			
Purchase of FULLCAST TECHNOLOGY Co., Ltd. stocks	¥ 5	**¥ -**	**$ -**

15. Subsequent Events

At the ordinary shareholders' meeting of the Company held on December 22, 2004, the appropriation of retained earnings at September 30, 2004 was duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥1.0 thousand ($9) per share ………	¥ 273	$ 2,461

Independent Auditors' Report

To the Board of Directors and Shareholders of FULLCAST Co., Ltd.

We have audited the accompanying consolidated balance sheets of FULLCAST Co., Ltd. and subsidiaries as of September 30, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FULLCAST Co., Ltd. and subsidiaries as of September 30, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended September 30, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 (a) to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
December 22, 2004

Corporate History

1990~

September	**1990**	Established Resort World Co., Ltd. in Minato-ku, Tokyo.
September	**1992**	Name changed to Fullcast Co., Ltd.
October	**1992**	Started the Spot business (providing short-term contractual workers).
October	**1994**	Moved head office to Shibuya-ku, Tokyo.
January	**1995**	Signed franchise contract with Fullcast Osaka Co., Ltd.
October	**1997**	Established Fullcast Lady (now a consolidated subsidiary, currently named Fullcast Office Support Co., Ltd.; incorporated in October 1999).
May	**1998**	Kanagawa Shingaku Kenkyukai Co., Ltd. (established in July 1988) renamed Fullcast With Co., Ltd. (now a consolidated subsidiary, currently named Fullcast Technology Co., Ltd.)
October	**1998**	Fullcast With Co., Ltd. licensed as a general worker dispatching agency.
January	**1999**	Established Factory Division and started human resource services for factory line work.
		Fullcast Lady licensed as a general worker dispatching agency.
April	**1999**	Fullcast With Co., Ltd. licensed as a job introduction agency.
November	**1999**	Established Fullcast System Consulting Co., Ltd.

2000~

June	**2000**	Established Fullcast Sports Co., Ltd. (now a consolidated subsidiary) to begin a sports agency (representation) business.
September	**2000**	Reorganized the Factory Division as Fullcast Factory Co., Ltd. (now a consolidated subsidiary).
June	**2001**	Conducted IPO and trading of our shares began on Jasdaq.
April	**2002**	Established Fullcast Central Co., Ltd. jointly with Central Motor Co. and Daisho Industry Co., Ltd. to provide human resource services for factory line work specialized in the automotive sector.
October	**2002**	Fullcast With Co., Ltd. and Fullcast System Consulting Co., Ltd. merged and the new firm was named Fullcast Technology Co., Ltd.
		Took over part of sales functions of Fullcast Lady Co., Ltd. through partial absorption and split-up. Fullcast Lady Co., Ltd. specializes in personnel outsourcing services for clerical work. Its corporate name was changed to Fullcast Office Support Co., Ltd.
January	**2003**	Fullcast Office Support Co., Ltd. licensed as a job introduction agency.
May	**2003**	Fullcast Central Co., Ltd. licensed as a general worker dispatching agency.
September	**2003**	Integrated the Fullcast's and the subsidiaries' offices in Shibuya Mark City.
		Fullcast Co., Ltd. was listed in the second section of the Tokyo Stock Exchange.
January	**2004**	Fullcast Factory Co., Ltd. licensed as a general worker dispatching agency.
June	**2004**	Apayours Co., Ltd. became a wholly owned subsidiary of Fullcast Co., Ltd. through stock transfer.
September	**2004**	Listed in the first section of the Tokyo Stock Exchange.
		Established Fullcast Telemarketing Co., Ltd. jointly with Hikari Tsushin Group.

Investor Information

(As of September 2004)

Corporate Data

Head office	Fullcast Co., Ltd. Shibuya Mark City West 13F 1-12-1 Dogenzaka, Shibuya-ku, Tokyo 150-0043, Japan Tel: +81-3-3780-9507 Fax: +81-3-3780-9510
Established	September 1990
Start of operations	October 1, 1992
Capital	¥3,464 million
President and CEO	Takehito Hirano
Core business	Provider of human resource services
Group employees	1,671 (including 802 technicians)
Group network	309 branches nationwide
Group companies	Fullcast Co., Ltd. Fullcast Office Support Co., Ltd. Apayours Co., Ltd. Fullcast Factory Co., Ltd. Fullcast Central Co., Ltd. Fullcast Technology Co., Ltd. Fullcast Telemarketing Co., Ltd. Fullcast Sports Co., Ltd.

Stock Information

Fiscal year-end	September 30
Annual meeting of shareholders	December
Independent auditor	KPMG AZSA & Co.
Domestic stock listings	Tokyo
Date of record for dividend payout	Interim dividend: March 31 Year-ended dividend: September 30
Transfer agent	UFJ Trust Bank Limited
Co-transfer agent	Corporate Agency Department UFJ Trust Bank Limited 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan Tel: +81-3-5683-5111
Share transfer registration	Nationwide branches of UFJ Trust Bank Limited

Notice

Notification of changes in address/name/name seal, and request for the dividend remittance form/fractional share purchase form/stock transfer form should be made directly to the above-mentioned transfer agent via telephone or Internet (24 hours).

Toll free: 0120-232-711 (Telephone operators serve from 9:00 to 17:00; in Japan only)

Toll free: 0120-244-479 (Interactive voice response available 24 hours; in Japan only)

Toll free: 0120-684-479 (Interactive voice response available 24 hours; in Japan only)

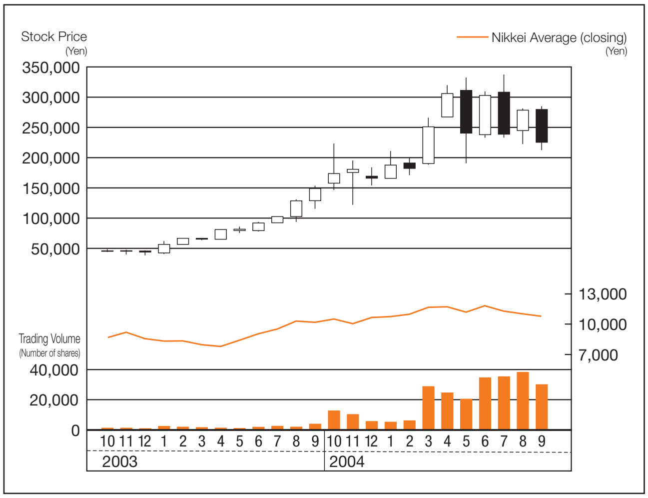
URL: http://www.ufjtrustbank.co.jp/

Stock Price (Year ended September 30)

	Yen	
	2003	**2004**
At year-end	¥149,000	**¥224,000**
High	153,167	**334,000**
Low	40,833	**122,500**
Annual increase/decrease	+208.3%	**+42.2%**
Number of shares issued at year-end (shares)	44,829	**275,964**
Market capitalization at year-end (trillion yen)	400.7	**618.1**

Note: Stock prices have been adjusted as a result of the three-for-one stock split completed on November 20, 2003 as well as the two-for-one stock split completed on May 20, 2004. Number of shares and market capitalization have not been adjusted for these stock splits.

Stock Price Range and Trading Volume (Common Stocks)



Notes 1: Stock prices (high/low) have been adjusted as a result of listing in the second section and subsequently first section of the Tokyo Stock Exchange (transferred from the Jasdaq market) and the three-for-one stock split completed on November 20, 2003, as well as the two-for-one stock split completed on May 20, 2004.

2: Stock prices (high/low) and trading volume here indicate monthly fluctuations in the Jasdaq market and the Tokyo Stock Exchange.

3: The Nikkei Stock Average here represents the simple average closing price in the respective month.

www.fullcast.co.jp

Printed in Japan.