Consolidated Financial Results Announcement for the First Quarter of the Term Ending September 2010

February 8, 2010

Company name: **Fullcast Holdings Co., Ltd.**
Stock exchange listing: First Section of the Tokyo Stock Exchange
Stock code: 4848 URL: http://www.fullcast.co.jp
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Scheduled day for quarterly report submission: February 12, 2010
Scheduled day for commencement of dividend payments: –

(Figures are rounded to the nearest million yen.)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2010 (October 1, 2009 – December 31, 2009)

(1) Consolidated business results (aggregated) (Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q-FY9/10	9,187	-52.8	279	–	254	–	-397	–
1Q-FY9/09	19,456	–	-273	–	-282	–	-1,647	–

	Net income per share	Diluted net income per share
	Yen	Yen
1Q-FY9/10	-1,030.61	–
1Q-FY9/09	-6,216.70	–

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
1Q-FY9/10	11,332	1,318	7.8	2,307.79
FY9/09	13,072	1,724	9.9	3,357.40

(Reference) Shareholders' equity: 1Q-FY9/10, 888 million yen: FY9/09: 1,292 million yen

2. Dividends

	Dividend per share				
(Base date)	End of Q1	End of Q2	End of Q3	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
1Q-FY9/10	–	0.00	–	0.00	0.00
1Q-FY9/09	–				
FY9/10 (forecast)		0.00	–	0.00	0.00

(Note) Revision of the expected dividends in the first quarter under review: None

3. Forecast for Consolidated Financial Results for the Year Ending September 30, 2010 (October 1, 2009 – September 30, 2010) (Percentage figures denote the year-on-year increase or decrease.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	17,642	-49.3	551	–	469	–	-255	–	-662.57
Full-year	33,780	-41.0	1,777	–	1,664	–	782	–	2,031.89

(Note) Revision of the consolidated forecast in the first quarter under review: None

4. Others

(1) Important changes of subsidiaries during the term (changes of specified subsidiaries that lead to a change in the scope of consolidation): No

New: None

Eliminated: None

(2) Application of simplified accounting policies and accounting treatment specific to the production of consolidated financial statements: Yes

(Note) For more details, please see Page 6, “4. Other” of “Qualitative Data, Financial Statements and Other Information”

(3) Changes in accounting principles and procedures and the presentation method, etc. of consolidated financial statements (those which are included in changes to important matters that will be the bases for preparing consolidated financial statements)

1) Changes associated with the revision of accounting principles, etc.: No

2) Change other than 1): Yes

(Note) For more details, please see Page 6, “4. Other” of “Qualitative Data, Financial Statements and Other Information”

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the term (including treasury stock)

First quarter ended December 2009: 395,964 Fiscal year ended September 2009: 395,964

2) Number of treasury stock at the end of the term

First quarter ended December 2009: 11,100 Fiscal year ended September 2009: 11,100

3) Average number of shares outstanding during the term (consolidated quarter)

First quarter ended December 2009: 384,864: First quarter ended June 2009: 264,864

* Explanation about the proper use of financial forecasts and other important notes

Of all plans, forecasts, strategies and others, those which are not historical facts are future outlooks based upon certain conditions and our management’s judgement based upon currently available data.Therefore, we advise that you not rely solely on these outlooks in weighing our business results, corporate value and other factors. Please also be informed that actual financial results may vary widely from these outlooks due to various factors.

Important factors that may have an impact on actual financial results include: (1) The economic situation surrounding the company and changes in the employment situation; (2) Damage to cooperate infrastructure due to disasters, including earthquakes; and (3) Changes in the relevant laws, including the Labor Standards Law and the Worker Dispatch Law, and in interpretations of thereof. However, the factors that may affect the financial results shall not be limited to these.For the assumptions underlying earnings forecasts and related issues, please see Page5, (3) Qualitative Data on Consolidated Earnings Forecast.

1. Qualitative Data on Consolidated Financial Results

During the first quarter under review, the human resources sector began to face difficult market conditions as the employment situation continued to worsen, the overall unemployment ratio remained high, and the corporate workforce appeared excessive amid the economic downturn that began in 2008. These trends overwhelmed signs of a recovery in the factory sector, including manufacturing industries.

In these circumstances, the Group focused on the short-term operational support business, where it has excelled since its founding, while striving to expand the sales support business, based on the Three-Year Plan announced on May 8, 2009.

Consolidated net sales stood at 9,187 million yen (a year-on-year decline of 52.8%), reflecting falls in sales from a year ago in the short-term operational support business and technician dispatch business due to sluggish demand for workers, and the transfer of shares in subsidiaries in the previous fiscal year. Without the effects of the exclusion of the scope of consolidation through stock transfer in the previous fiscal year*, consolidated net sales declined 25.1% year on year.

Looking at profits, consolidated operating income stood at 279 million yen (compared with an operating loss of 273 million yen in the same period last year) while ordinary income reached 254 million yen (compared with an ordinary loss of 282 million yen in the year-ago level), on the strength of initiatives to curb selling, general and administrative expenses in the preceding fiscal year.

However, the Group posted a net loss of 397 million yen (compared with a net loss of 1,647 million yen in the same quarter last year), attributable to the posting of a loss on valuation of investment securities of 543 million yen, an allowance for employment adjustment of 70 million yen in the technician dispatch business, and special retirement expenses of 45 million yen.

*Certain subsidiaries were excluded from the scope of consolidation through a transfer of shares in the preceding fiscal year. They are Asia Pacific System Research Co., Ltd. and its three consolidated subsidiaries, Info-P Co., Ltd., Fullcast Finance Co., Ltd., Fullcast Factory Co., Ltd., Fullcast Central Co., Ltd., and Net It Works, Inc.

Financial results by business segment are as follows. Figures for the previous fiscal year reflect segment information in accordance with new business segments*.

[Short term operational support business]

Because of sluggish demand for workers, sales declined 32.5%, to 5,421 million yen, despite sales activities for expanding market share in the short term operational support business.

Operating income was 264 million yen (compared to an operating loss of 297 million yen in the same quarter last year), attributable to the reduction of the size of the workforce, and the consolidation and closing of offices, especially in Fullcast Co., Ltd., in the previous fiscal year to cut selling, general and administrative expenses.

(Note) Starting the first quarter under review, new business segments are applied. The clerical employee dispatching services that were included in the Office Business in the fiscal year ended September 2009 are included in the short term operational support business. Without the effects of the transfer of subsidiaries, sales fell 31.5% year on year, and the operating loss was 295 million yen in the same quarter of the previous fiscal year.

[Sales support business]

Sales rose 46.2%, to 2,124 million yen, reflecting solid sales of Internet connections in the call center business.

Operating income stood at 50 million yen (compared with an operating loss of 7 million yen in the year-ago period), attributable to initiatives to curb selling, general and administrative expenses, including personnel cuts and the consolidation and closing of offices.

(Note) Starting the first quarter under review, new business segments are applied. The clerical employee dispatching services that were included in the Office Business in the fiscal year ended September 2009 are included in the short term operational support business. There is no impact from the sale of our subsidiary.

[Technician dispatch business]

Because of a decrease in the number of working employees from a year ago, sales fell 75.6% year on year, to 1,091 million yen.

Operating income declined 78.9%, to 52 million yen, attributable to the reduction in the size of workforce and cuts in rents through the consolidation of company housing to reduce selling, general and administrative expenses in the preceding fiscal year.

(Note) The figures in this segment have not been influenced by the change in business segments that take effect in the first quarter under review. Without the effects of the transfer of subsidiaries, sales fell 50.8% year on year, and operating income rose 40.5%.

Asia Pacific System Research Co., Ltd. and its three consolidated subsidiaries were excluded from the scope of consolidation, effective on October 1, 2008, due to the sale of all shares in the companies on November 18, 2008.

[Security, other business]

Sales in the segment declined 70.6% from a year earlier, to 551 million yen.

Operating income stood at 18 million yen (compared with an operating loss of 4 million yen in the same period last year), reflecting initiatives to curb selling, general and administrative expenses through improvements in business efficiency.

(Note) The figures in this segment have not been influenced by the change in business segments that takes effect in the first quarter under review. Without the effects of the transfer of subsidiaries, sales fell 18.7% year on year, and the operating loss was 34 million yen in the same quarter of the previous fiscal year.

2. Qualitative Data on Consolidated Financial Position

[Assets, Liabilities and Shareholders' Equity]

Total consolidated assets at the end of the first quarter declined by 1,740 million yen from the end of the preceding consolidated fiscal year, to 11,332 million yen. Shareholder's equity dropped by 404 million yen, to 888 million yen (shareholder's equity ratio: 7.8%), and net assets fell by 406 million yen, to 1,318 million yen.

Major changes in assets and liabilities are as follows:

In terms of assets, current assets fell by 690 million yen from the end of the previous fiscal year to 9,467 million yen. The decline is due primarily to cash and deposits, which decreased by 587 million yen, to 4,327 million yen through the repayment of long-term debt. Fixed assets fell by 1,050 million yen from the end of the previous fiscal year, to 1,864 million yen. The main reasons for this were a decrease in deposits paid by 181 million yen, to 857 million yen, and a fall in “other” of investments and other assets by 838 million yen, to 430 million yen, through a loss on the revaluation of investment securities, a decrease in insurance funds, and other factors. In terms of liabilities, current liabilities declined by 862 million yen from the end of the previous fiscal year, to 7,570 million yen. This result reflects a reduction in accounts payable-other of 628 million yen, to 1,209 million yen, due to payments relating to voluntary retirement, a fall in the provision for bonuses of 158 million yen, to 132 million yen, and a drop in income taxes payable of 68 million yen, to 32 million yen. noncurrent liabilities decreased by 472 million yen from the end of the previous fiscal year, to 2,443 million yen, due primarily to a decrease in long-term debt of 472 million yen, to 1,928 million yen, (the current portion of long-term loans payable fell 8 million yen).

[Cash Flows]

As of the end of the first quarter under review, cash and cash equivalents (hereinafter “cash”) decreased by 688 million yen, to 4,227 million yen (fell 2,002 million yen a year ago).

[Cash flows from operating activities]

Cash used in operating activities was 79 million yen (1,255 million yen was generated a year ago), mainly reflecting a quarterly net loss before income taxes and minority interests of 357 million yen, an increase in notes and accounts receivable-trade of 140 million yen (a decrease in notes and accounts payable-trade of 287 million yen), a decrease in accrued consumption tax of 343 million yen, a loss on valuation of investment securities of 543 million yen, a decrease in insurance funds of 222 million yen, and a decrease in accrued income of 247 million yen.

[Cash flows from investment activities]

Cash used in investment activities was 129 million yen (464 million yen was used a year ago), primarily attributable to payments into time deposits of 100 million yen by Fullcast Technology Co., Ltd., a listed subsidiary, and payments for the purchase of property, plant and equipment of 26 million yen.

[Cash flows from financing activities]

Cash used in financing activities was 480 million yen (2,793 million yen was used a year ago), mainly due to the repayment of long-term debt of 480 million yen.

3. Qualitative Data on Consolidated Earnings Forecast

Consolidated results in the first quarter under review were within the scope of the consolidated earnings forecasts for the fiscal year ending September 30, 2010 (for the first half and for the full year) announced on November 13, 2009, although discrepancies between results and plans varied among business segments. The earnings forecasts have therefore not been changed.

4. Others

(1) Important changes in subsidiaries during the term (change in specified subsidiaries that led to a change in the scope of consolidation)

Not applicable

(2) Adoption of simplified accounting policies and of accounting policies particular to the preparation of quarterly consolidated financial statements

(Simplified accounting policies)

Calculation method for depreciation of fixed assets

For assets subject to the declining balance method, depreciation expenses are calculated by proportionally distributing the amount of depreciation for the consolidated fiscal year to the period.

（Accounting policies particular to the preparation of quarterly consolidated financial statements）

Not applicable

(3) Changes in principles, procedures, presentation methods of accounting procedures for quarterly consolidated financial statements

（Change in presentation methods）

Quarterly consolidated cash flows statement

Since “Decrease (increase) in accrued income” and “Increase (decrease) in accrued consumption tax” included in “Other” of cash flows from operating activities for the first quarter of the previous fiscal year have become significant in terms of amount, they are presented as separate items for the first quarter under review.

“Decrease (increase) in accrued income” and “Increase (decrease) in accrued consumption tax” included in “Other” of cash flows from operating activities for the first quarter of the previous fiscal year are 5 million yen and 183 million yen, respectively.

5. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Million yen)

	End of consolidated accounting period for the current first quarter under review (December 31, 2009)	Condensed consolidated balance sheets at end of the previous fiscal year (September 30, 2009)
ASSETS		
Current assets:		
Cash and deposits	4,327	4,914
Notes and accounts receivable-trade	4,216	4,041
Merchandise	154	134
Work in process	2	1
Supplies	35	39
Other	793	1,090
Allowance for doubtful accounts	-59	-62
Total current assets	9,467	10,157
Noncurrent assets:		
Property, plant and equipment		
Buildings and structures, net	119	116
Tools, furniture and fixtures, net	132	147
Other, net	1	1
Total property, plant and equipment	252	263
Intangible assets		
Goodwill	36	39
Other	368	425
Total intangible assets	404	464
Investments and other assets		
Guarantee deposits	857	1,038
Other	430	1,268
Allowance for doubtful accounts	-78	-119
Total investments and other assets	1,209	2,187
Total noncurrent assets	1,864	2,914
Total assets	11,332	13,072

(Million yen)

	End of consolidated accounting period for the current first quarter under review (December 31, 2009)	Condensed consolidated balance sheets at end of the previous fiscal year (September 30, 2009)
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	171	210
Short-term loans payable	3,011	3,011
Current portion of long-term loans payable	2,003	2,012
Accounts payable-other	1,209	1,837
Accrued expenses	718	706
Income taxes payable	32	100
Provision for bonuses	132	290
Allowance for cancellation adjustments	31	91
Other	262	175
Total current liabilities	7,570	8,432
Noncurrent liabilities:		
Long-term loans payable	1,928	2,400
Provision for retirement benefits	501	495
Other	14	20
Total noncurrent liabilities	2,443	2,915
Total liabilities	10,013	11,347
NET ASSETS		
Shareholders' equity		
Capital stock	3,741	3,741
Capital surplus	3,183	3,183
Retained earnings	-3,289	-2,893
Treasury stock	-2,747	-2,747
Total shareholders' equity	888	1,284
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1	8
Total valuation and translation adjustments	1	8
Minority interests	430	432
Total net assets	1,318	1,724
Total liabilities and net assets	11,332	13,072

(2) Consolidated Quarterly Profit and Loss Statement

First Quarter Aggregate Period of the Consolidated Fiscal Year (Million yen)

	First Quarter Aggregate Period of the previous Consolidated Fiscal Year (October 1, 2008 – December 31,2008)	First Quarter Aggregate Period of the Current Consolidated Fiscal Year (October 1, 2009 - December 31, 2009) under review
Net sales	19,456	9,187
Cost of sales	14,895	7,037
Gross profit	4,561	2,151
Selling, general and administrative expenses	4,834	1,872
Operating income (loss)	-273	279
Non-operating income		
Real estate rent	64	—
Dividends income	44	3
Other	78	38
Total non-operating income	187	41
Non-operating expenses		
Interest expenses	62	31
Rent cost of real estate	56	—
Equity in losses of affiliates	18	9
Other	60	26
Total non-operating expenses	196	66
Ordinary income (loss)	-282	254
Extraordinary income		
Reversal of allowance for doubtful accounts	13	19
Surrender value of insurance	—	12
Government subsidy received	—	50
Other	0	—
Total extraordinary income	13	80
Extraordinary loss		
Loss on sales of stocks of subsidiaries and affiliates	837	—
Loss on valuation of investment securities	53	543
Loss on insurance cancellation	60	—
Loss on closing of stores	241	—
Special retirement expenses	—	45
Allowance for employment adjustment	—	70
Litigation expenses	—	30
Other	6	3
Total extraordinary losses	1,197	691
Loss before income taxes and minority interests	-1,466	-357
Income taxes-current	176	21
Income taxes-deferred	-17	21
Total income taxes	159	42
Minority interests in income (loss)	21	-2
Net loss	-1,647	-397

(3) Consolidated Quarterly Cash Flows Statement

(Million yen)

	First Quarter Aggregate Period of the Previous Consolidated Fiscal Year (From October 1, 2008 to December 31, 2008)	First Quarter Aggregate Period of the Current Consolidated Fiscal Year under review (From October 1, 2009 to December 31, 2009)
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	-1,466	-357
Depreciation and amortization	148	82
Amortization of goodwill	56	3
Loss (gain) on valuation of investment securities	53	543
Loss (gain) on sales of stocks of subsidiaries and affiliates	837	—
Equity in (earnings) losses of affiliates	18	9
Increase (decrease) in allowance for doubtful accounts	102	-44
Increase (decrease) in provision for retirement benefits	26	7
Increase (decrease) in provision for bonuses	-427	-158
Interest and dividends income	-45	-3
Interest expenses	62	31
Decrease (increase) in notes and accounts	1,806	-140
Increase (decrease) in notes and accounts payable-trade	-131	-287
Decrease (increase) in insurance funds	342	222
Decrease (increase) in accounts receivable-other	—	247
Increase (decrease) in accrued expenses	-292	11
Increase (decrease) in accrued consumption taxes	—	-343
Other, net	577	200
Subtotal	1,667	22
Interest and dividends income received	45	3
Interest expenses paid	-72	-30
Income taxes paid	-427	-74
Income taxes refund	42	1
Net cash provided by (used in) operating activities	1,255	-79
Net cash provided by (used in) investing activities		
Payments into time deposits	—	-100
Purchase of property, plant and equipment	-47	-26
Purchase of intangible assets	-51	-4
Payments for sales of investments in subsidiaries	-368	—
Other, net	1	0
Net cash provided by (used in) investing activities	-464	-129
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-694	—
Repayment of long-term loans payable	-2,099	-480
Other, net	-0	-0
Net cash provided by (used in) financing activities	-2,793	-480
Net increase (decrease) in cash and cash equivalents	-2,002	-688
Cash and cash equivalents at end of period	9,878	4,914
Net cash provided by (used in) financing activities	7,875	4,227

(4) Concerning notes about going concern assumption

The Group continued to face challenging management circumstances, reflecting the sharply worsening Japanese economy and the worsening employment situation. As a result, consolidated net sales in the fiscal year ended September 2009 declined sharply (down 42.1% year on year) from a year ago, and the Group posted a consolidated operating loss of 682 million yen. Under the circumstances, the Group is continuing discussions with certain financial institutions to review the conditions of loan agreements for the future.

We recognize there is a situation raising significant concern about the going concern assumption as of the day of the announcement of the results for the first quarter under review.

To overcome the situation, the Group developed a Three-Year Plan, a medium-term management plan, in the fiscal year ended September 2009 and proceeded with the reorganization and restructuring of the Group. In the reorganization, the Group focused on two business domains: the Short term operational support business and sales support business. Meanwhile, the Group undertook restructuring, especially workforce reductions at subsidiaries and the consolidation of branches, and reduced selling, general and administrative expenses. The Group will reinforce its operating base through these streamlining initiatives, continuing to put priority on compliance.

The Group believes that it will be able to eliminate the situation raising significant concern about the going concern assumption by strengthening its overall operating foundations. At present, however, material uncertainty is recognized concerning the Group’s profit outlook and the prospect of achieving the revenue and expenditure plan, reflecting the unclear outlook for improvements in the management environment.

The consolidated financial statements for the first quarter under review have been prepared on the premise that Fullcast Holdings will operate as a going concern and do not reflect the effect of the significant doubt about the going concern assumption.

(5) Segment information

Information on the business segments

First quarter aggregate period of the previous consolidated fiscal year

(October 1, 2008 – December 31, 2008) (Million yen)

	Spot Business	Factory Business	Technology Business	Office Business	Other Business	Total	Elimination or company total	Consoli-dated
Net sales (1) Sales to external customers	7,017	3,636	4,465	2,467	1,871	19,456	—	19,456
(2) Inter-segment sales or transfers	77	2	1	3	3	86	-86	—
Total	7,094	3,638	4,466	2,470	1,874	19,542	-86	19,456
Operating income or loss (-)	-281	-1	247	-24	-4	-63	-210	-273

Notes:

1. The company's business activities are divided as given below for the purpose of internal management.
2. Business segments
   - (1) Spot Business: Short-term employee dispatching services, short-term contractual workers services
   - (2) Factory Business: Staffing services for production line work, contracted-out services for production line work
   - (3) Technology Business: Engineer dispatching services, human resources contracting of technical staff, data communication services
   - (4) Office Business: Clerical manpower dispatching, clerical work contracting
   - (5) Other Business: Restaurant and bar management, security services, advertising agency services, etc.

First Quarter Aggregate Period of the Current Consolidated Fiscal Year

(October 1, 2009 - December 31, 2009) (Million yen)

	Short term operational support business	Sales support business	Technician dispatch business	Security, other business	Total	Elimination or company total	Consoli-dated
Net sales (1) Sales to external customers	5,421	2,124	1,091	551	9,187	—	9,187
(2) Inter-segment sales or transfers	0	12	2	1	15	-15	—
Total	5,422	2,136	1,094	551	9,203	-15	9,187
Operating income or loss (-)	264	50	52	18	384	-105	279

Notes:

1. The company's business activities are divided as given below for the purpose of internal management.
2. Business segments
   (1) Short term operational support business: Short-term human outsourcing services
   (2) Sales support business: Sales outsourcing services
   (3) Technician dispatch business: Engineer dispatching services, human resources contracting of technical staff
   (4) Security, other business: Security services, restaurant and bar management

3.Changes in the Business Segments

Until the preceding fiscal year, the Group had divided its businesses into five business segments: Spot Business, Factory Business, Technology Business, Office Business, and Other Business. Through business restructuring, the Company withdrew from the Factory Business, and starting the first quarter under review, is dividing its businesses into the business segments as described in note 2 above. The clerical manpower dispatching services that was included in the Office Business in the fiscal year ended September 2009 is included in the short-term operational support business.

The table below shows segment information by business segment in the first quarter of the preceding fiscal year in accordance with the new business segments.

First quarter aggregate period of the previous consolidated fiscal year

(October 1, 2008 – December 31, 2008) (Million yen)

	Short term operational support business	Sales support business	Technician dispatch business	Security, other business	Factory Business	Total	Elimination or company total	Consoli-dated
Net sales (1) Sales to external customers	8,031	1,453	4,465	1,871	3,636	19,456	—	19,456
(2) Inter-segment sales or transfers	79	0	1	3	2	86	-86	—
Total	8,110	1,453	4,466	1,874	3,638	19,542	-86	19,456
Operating income or loss (-)	-297	-7	247	-4	-1	-63	-210	-273

Geographic segment information

First quarter aggregate period of the previous consolidated fiscal year (October 1, 2008 – December 31, 2008) and First Quarter Aggregate Period of the Current Consolidated Fiscal Year (October 1, 2009 - December 31, 2009)

Geographical segment information is not disclosed because we did not have consolidated subsidiaries or branches offices outside of Japan.

Overseas sales

First quarter aggregate period of the previous consolidated fiscal year (October 1, 2008 – December 31, 2008) and First Quarter Aggregate Period of the Current Consolidated Fiscal Year (October 1, 2009 - December 31, 2009)

Overseas sales are not disclosed because we did not have overseas sales.

(6) Notes in case of significant change of Shareholders' equity

Not applicable