

# **FULLCAST HOLDINGS**

## **Business Result for the 2<sup>nd</sup> Quarter of the Fiscal Year Ending September 2011**

**May 6, 2011**

# Agenda

- ◆ **Influence of the East Japan Great Earthquake .....P.3**
- ◆ **Business Highlights for the 2<sup>nd</sup> Quarter of the Fiscal Year Ending September 2011 .....P.5**
- ◆ **Results by Business Segment for the 2<sup>nd</sup> Quarter of the Fiscal Year Ending September 2011 .....P.12**
- ◆ **Progress on Business Strategy for the Fiscal Year Ending September 2011 .....P.17**
- ◆ **Business Forecast for the Fiscal Year Ending September 2011 .....P.23**
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# Influence of the East Japan Great Earthquake

## ◆ Damage to personnel

We have confirmed that the employees and the temporary staff of Fullcast group who have concluded a contract for temporary employment at the time of the earthquake disaster are safe.

## ◆ Damage to property

Aftermath of the earthquake, Sendai branch, Chiba registration center, and Tsuchiura registration center were forced to close to confirm safe conditions of building. But Sendai branch and Chiba registration center were restarted operation as the safety confirmed.

## ◆ Business activities of Fullcast Group in disaster areas

### **Fullcast Co., Ltd.**

- Aftermath of the earthquake, its business was forced to suspend in the Tohoku region, but now the business is restarted.

### **Fullcast Advance Co., Ltd.**

- Fukushima branch is virtually closed, because its major clients have suspended their businesses.
- “Cloud business sector, Sendai branch” has been established, to relief disaster areas.  
To secure our safety, we plan to contribute to devastated areas by offering our staffing service.

## ◆ Effects to the business performance

- Effects of the earthquake to the business performance in the first half were slightly over 800 million yen to sales and slightly under 200 million yen to operating profit. This means our business performance in the 1<sup>st</sup> half was lower than the earning estimates, but still exceeded the level of the previous year.

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# Earnings Results 2Q/FY2011 (3 Months)

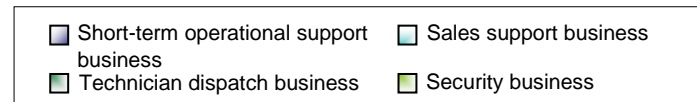
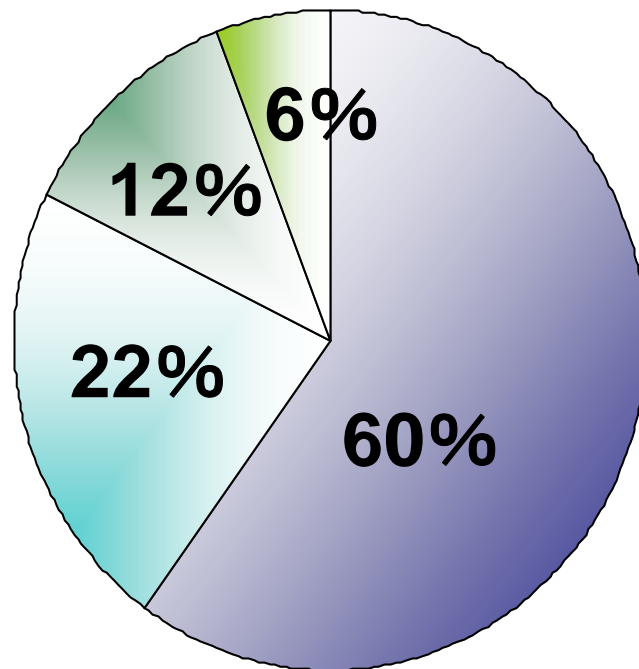
The consolidated sales for the 2<sup>nd</sup> quarter decreased 1.6% from the same quarter of the previous year, and operating income increased 66.4% from the same quarter of the previous year.

Unit: Million yen

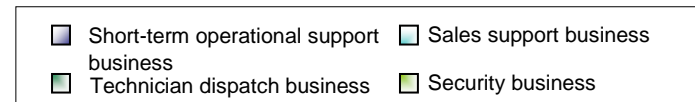
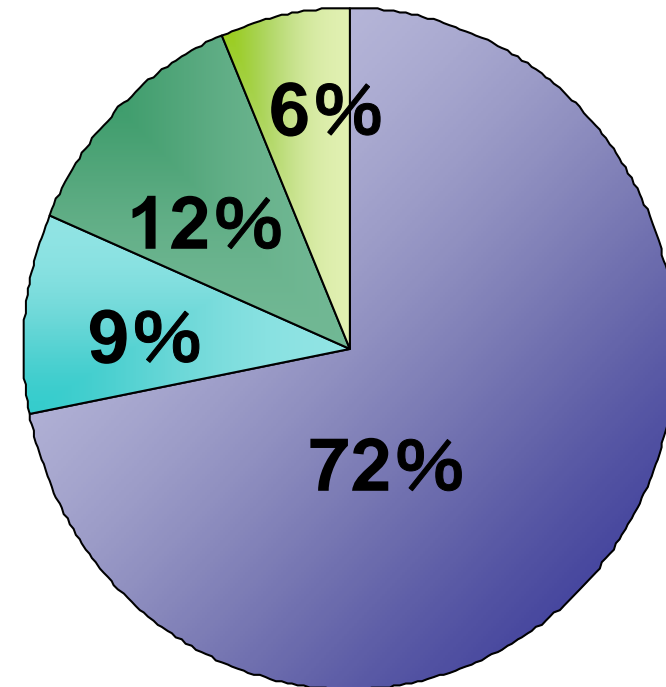
	2Q FY 2010	2Q FY 2011	Changes
Net Sales	8,848	<b>8,703</b>	-1.6%
Gross profit	2,110	<b>1,993</b>	-5.5%
Selling, general and administrative expenses	1,974	<b>1,768</b>	-10.4%
Operating income	136	<b>225</b>	66.4%
Operating income ratio	1.5%	<b>2.6%</b>	-
Ordinary income	108	<b>222</b>	105.5%
Net income	180	<b>166</b>	-8.1%

# Net Sales Ratio by Segment

Although the sales of the short-term operational support business increased, the sales of the sales support business decreased over 50% due to including the corporate restructuring in the previous year. This resulted in the ratio of the sales of the short-term operational support business increasing to 12%.



2Q FY 2010

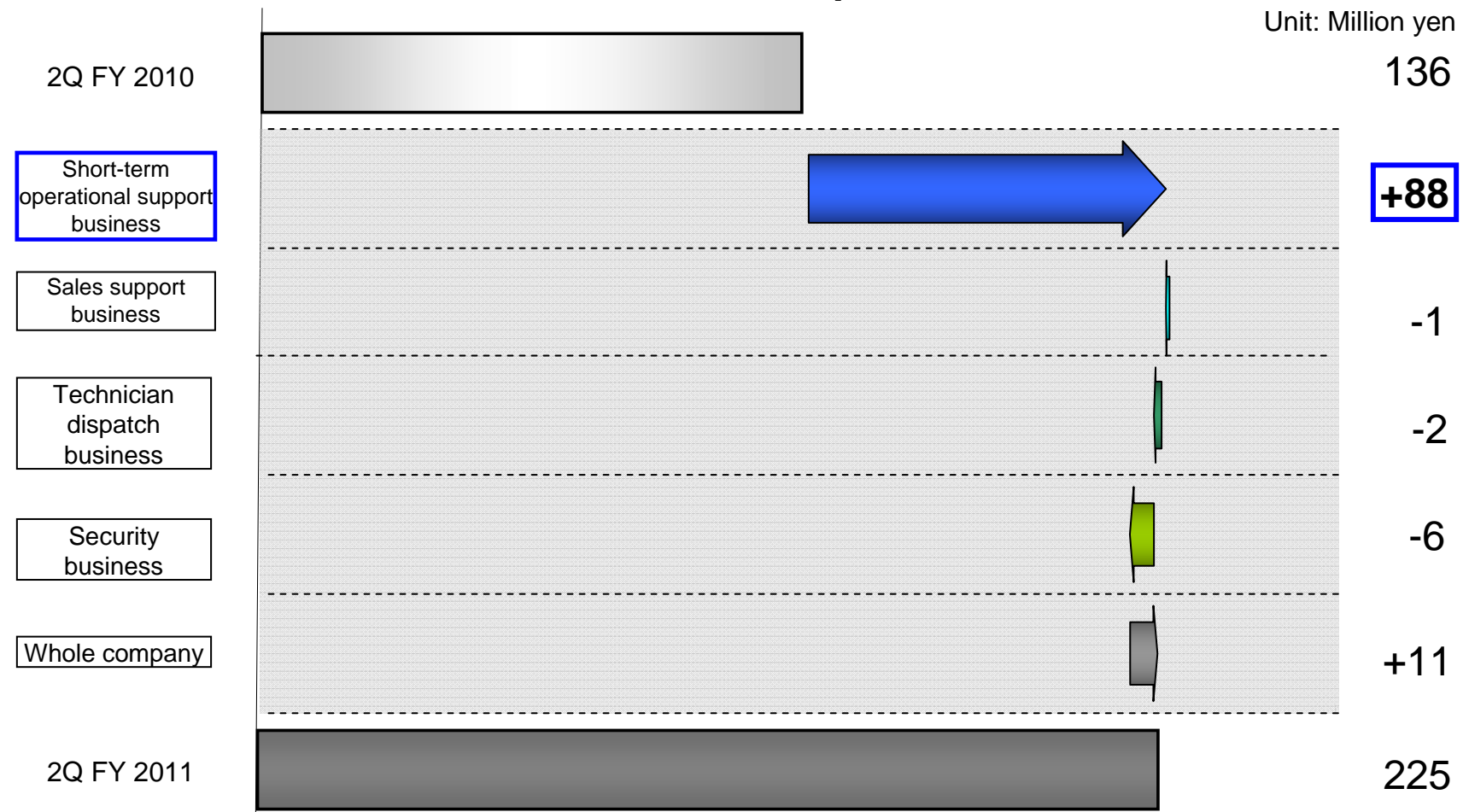


2Q FY 2011

# Analysis of Movement in Operating Income

Secured Increased profit by the short-term operational support business' leading

## <Year on Year comparison>



# Status of Extraordinary Income and Loss

Extraordinary profit and loss was -118 million yen in total, mainly because of a disaster loss of 81 million yen due to the Great Eastern Japan Earthquake.

Unit: million yen

2Q FY 2010	
Gain on sales of subsidiaries and affiliates' stocks	114
Government subsidy received	68
Gain on sales of investment securities	7
Reversal of allowance for doubtful accounts	4
<b>Extraordinary income</b>	<b>194</b>
Allowance for employment adjustment	64
Loss on closing of stores	30
Cancellation loss of dormitory	13
Loss on retirement of noncurrent assets	4
Loss on insurance cancellation	3
Loss on sales of noncurrent assets	2
<b>Extraordinary loss</b>	<b>115</b>
<b>Total extraordinary income</b>	<b>79</b>

2Q FY 2011	
Government subsidy received	11
Other	2
<b>Extraordinary income</b>	<b>14</b>
Loss on disaster	81
Allowance for employment adjustment	19
Impairment loss	18
Loss on retirement of noncurrent assets	13
Loss on sales of noncurrent assets	1
<b>Extraordinary loss</b>	<b>132</b>
<b>Total extraordinary loss</b>	<b>- 118</b>



# Earnings Results 2Q/FY2011 (First Half)

For the first half, consolidated sales increased 3.4% and operating income increased 112.7% from the same period of the previous year.

Unit: Million yen

	2Q FY 2010	2Q FY 2011	Changes
Net sales	18,035	<b>18,651</b>	3.4%
Gross profit	4,260	<b>4,472</b>	5.0%
Sales, general and administrative expenses	3,846	<b>3,590</b>	-6.6%
Operating income	414	<b>881</b>	112.7%
Operating income ratio	2.3%	<b>4.7%</b>	-
Ordinary income	362	<b>875</b>	141.7%
Net income	-216	<b>748</b>	-

# Status of Balance Sheet and Cash Flows

Equity ratio has improved by 6.4% as a result of advanced profit and debt reduction.

Unit: Million yen

	As of 4Q FY2010	As of 2Q FY2011	Increase and decrease	Comparison of changes
Current assets	9,737	9,615	- 123	-1.3%
(Cash and deposits)	5,017	4,398	- 619	-12.3%
Noncurrent assets				
Property, plant and equipment	474	592	118	24.9%
Investment and other assets	1,267	953	- 314	-24.8%
【Total assets】	11,479	11,160	- 319	-2.8%

	As of 4Q FY2010	As of 2Q FY2011	Increase and decrease	Comparison of changes
Current liabilities	7,798	7,476	- 322	-4.1%
Noncurrent liabilities	1,190	587	- 603	-50.7%
Loans payable	5,411	4,418	- 993	-18.4%
Net assets	2,491	3,097	606	24.3%
【Liabilities and net assets】	11,479	11,160	- 319	-2.8%

Equity ratio	16.2%	22.6%	6.4	39.7%
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Unit: Million yen

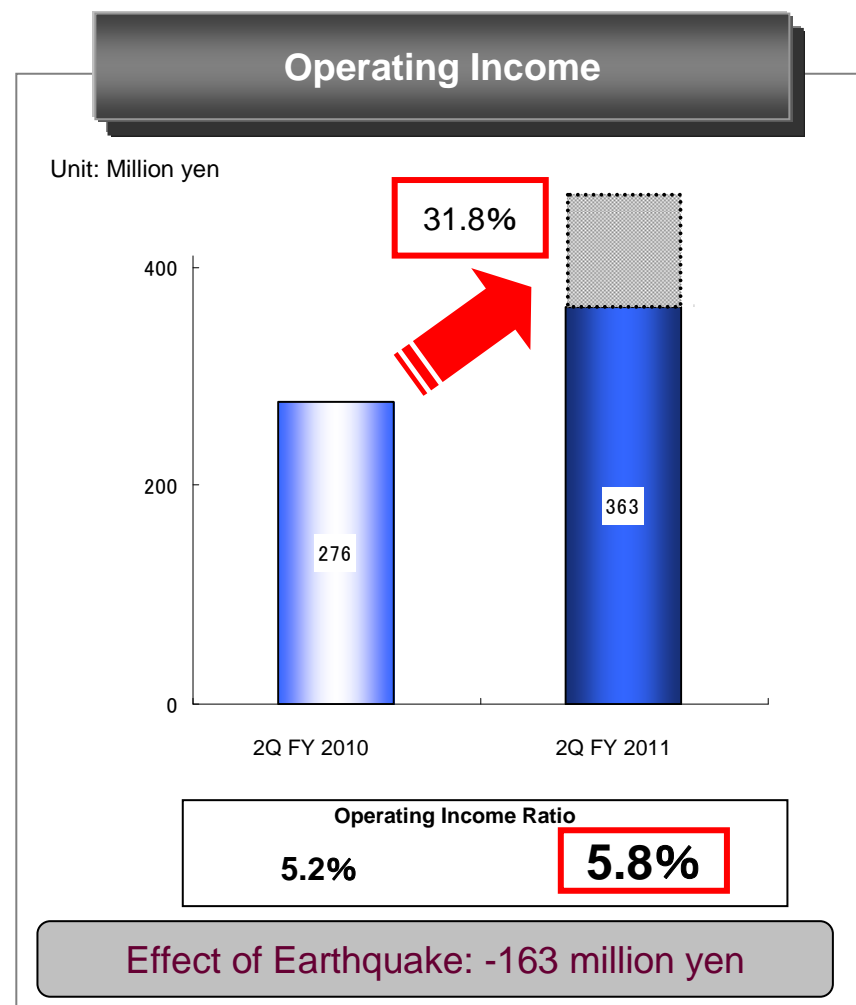
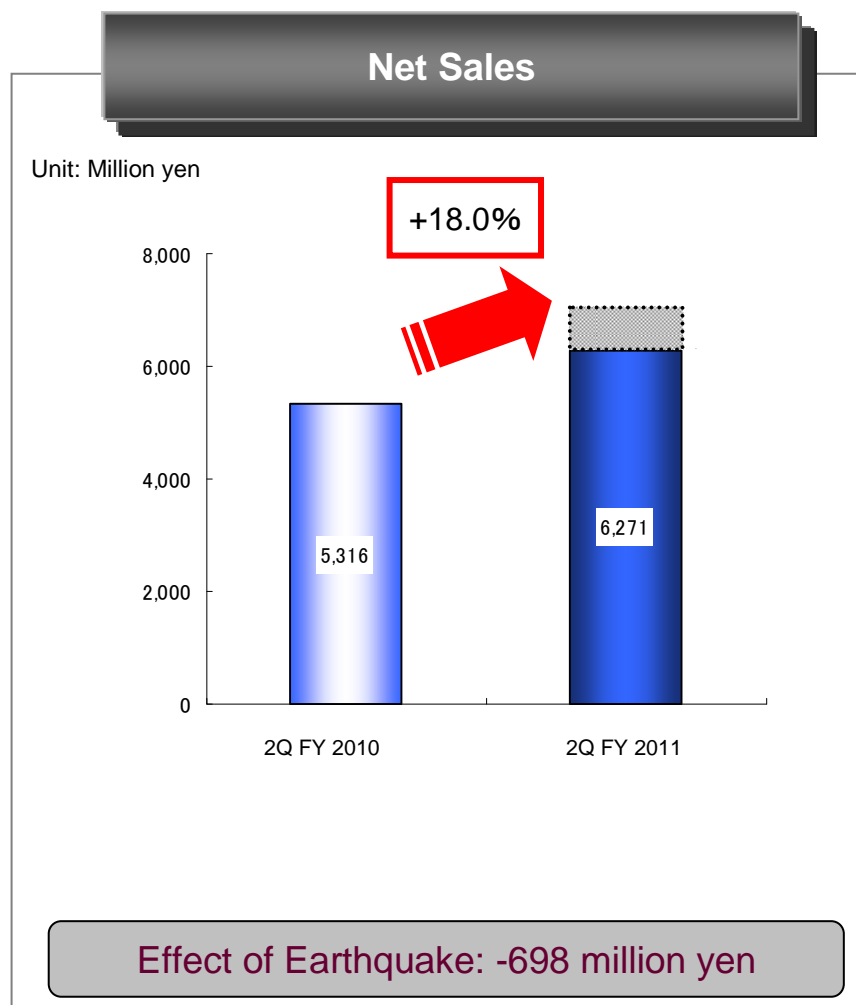
	1Q FY2011	2Q FY2011
Operating cash flows	356	168
Investing cash flows	65	- 161
Financing cash flows	- 476	- 522
Free cash flows	421	7

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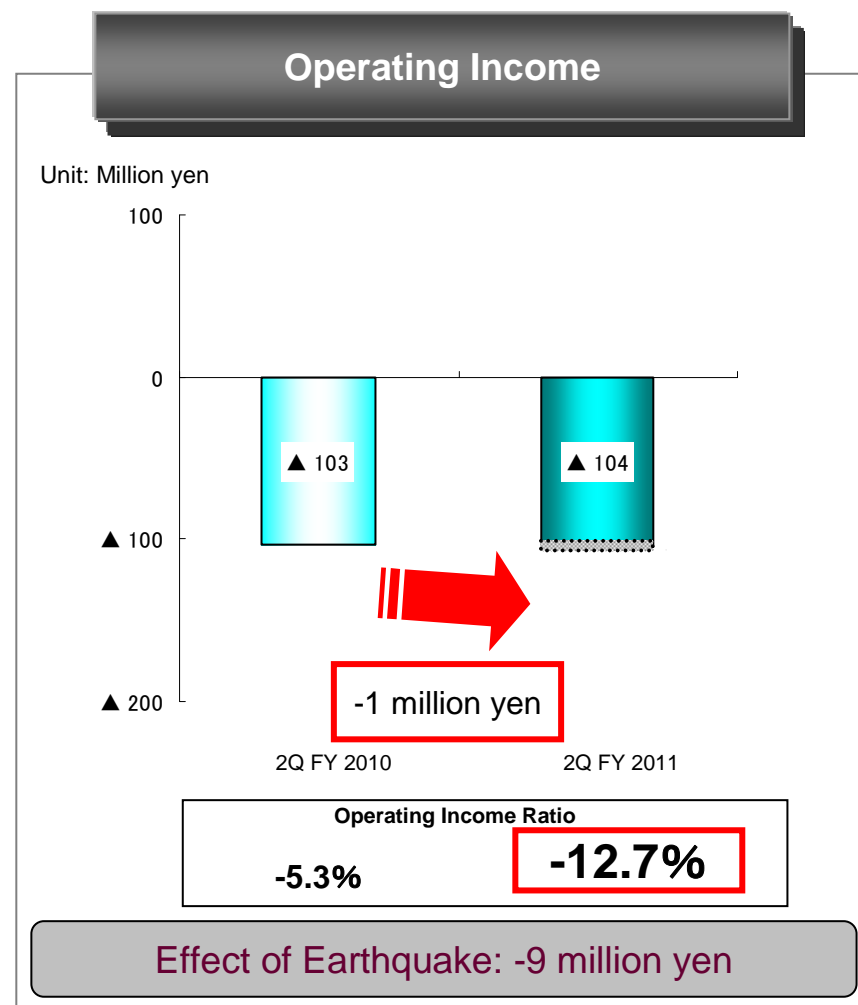
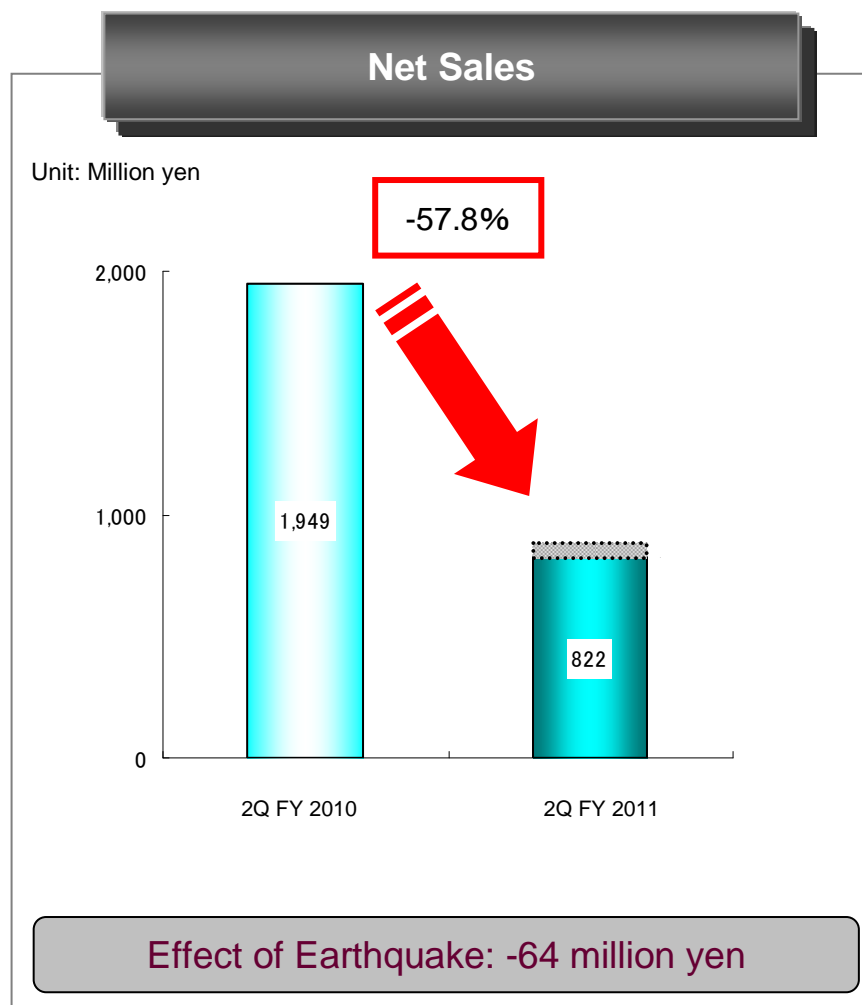
# Short-term Operational Support Business

Despite the effects of the East Japan Great Earthquake, which occurred in the busy period of March, the sales and operating income for the second quarter were 18.0% and 31.8% larger than the values for the same period of the previous year, respectively.



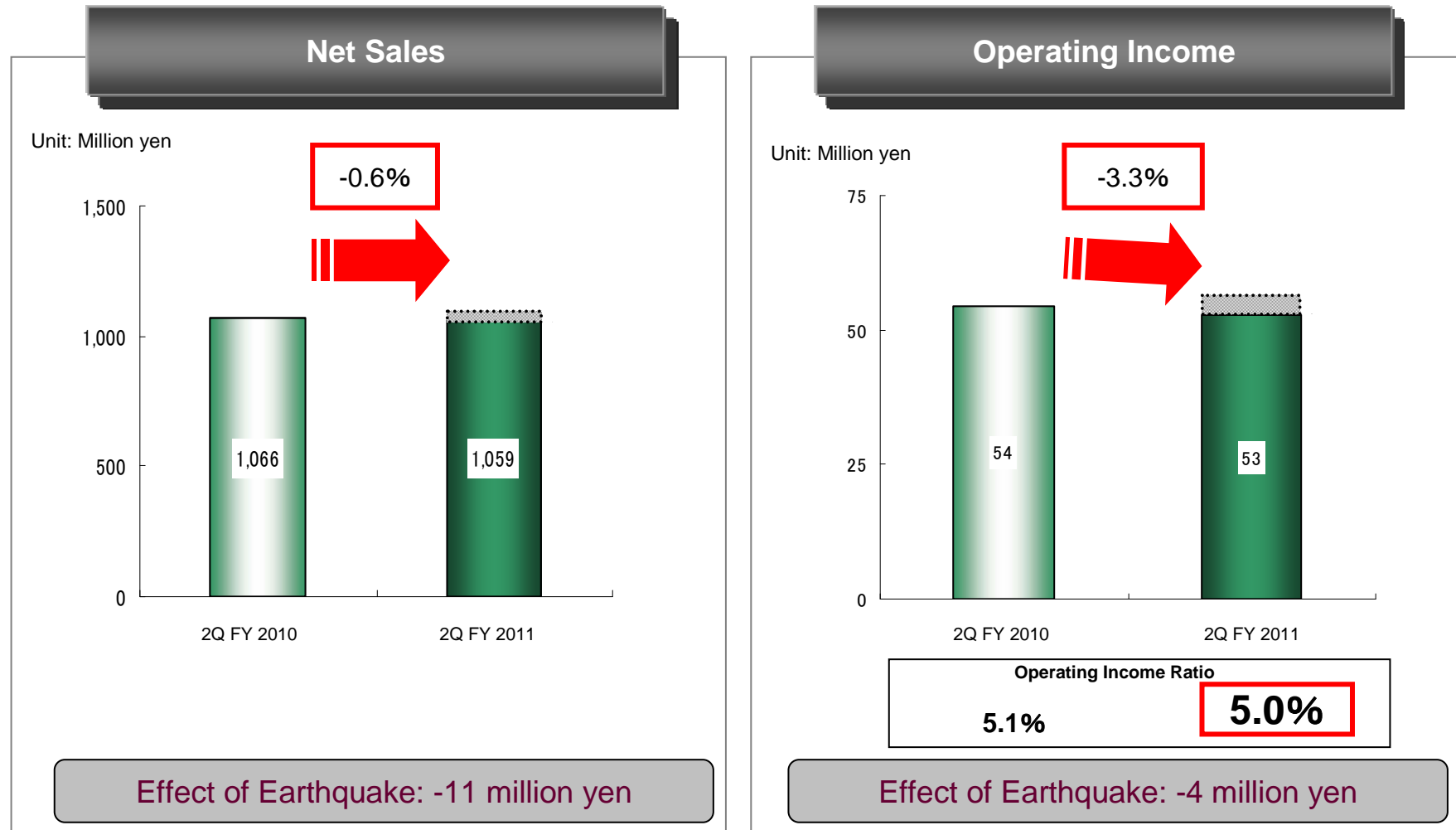
# Sales Support Business

In addition to the influence of the East Japan Great Earthquake, due to delay to adopt a system to meet the change of the contract in call center business, the sales was 57.8% lower than the same period of the previous year and operating profit was 1 million yen lower than the values for the same period of the previous year.



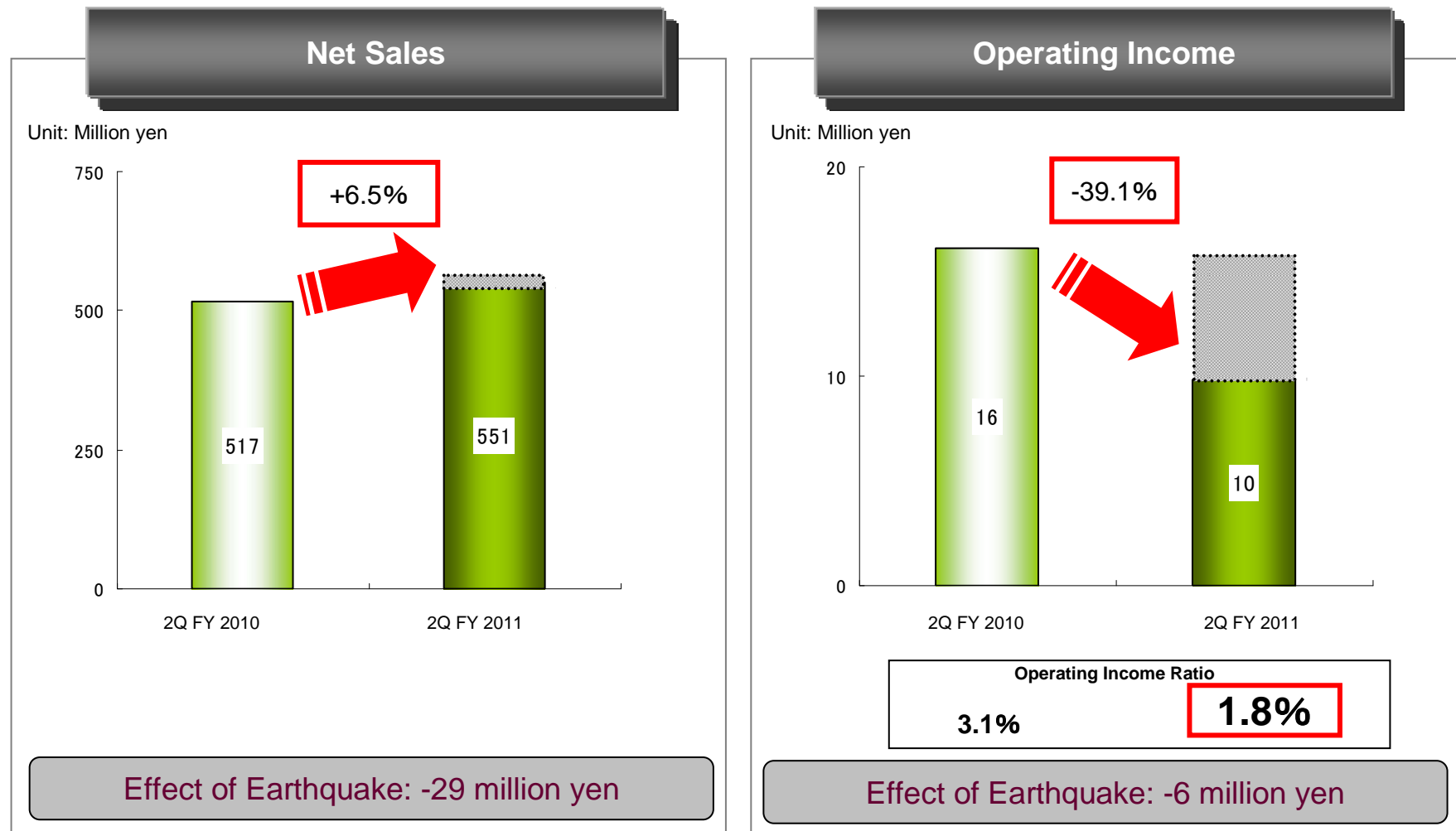
# Technician Dispatch Business

Sales was almost same level as the same quarter of the previous year. Gross margin declined because the bonuses for dispatched engineers were increased. While made an effort to reduce a selling, general and administrative expenses, operating income decreased 3.3% from the same quarter of the previous year.



# Security Business

Sales increased but not significantly 6.5% from the same quarter of the previous year. Because the effects of the East Japan Great Earthquake and the establishment of sales frameworks being behind its initial schedule. We could not curb selling, general and administrative expenses, and so operating income decreased 39.1% from the same quarter of the previous year.



\* From Oct. 2010, the title "security business" has been used instead of "security and other businesses."

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## Group policy for FY 2011

**Our Group will focus upon  
the Short-term operational support  
business, which is our original business**

## Goal for FY 2011

**Increase profit and establish  
the foundations for a sustainable business**

## **Divided of local areas; from Nov. 2010**

(Outline)

The region to the north of northern Kanto and to the west of Okayama has been divided into 4 areas instead of 2 areas.

(Purpose)

To motivate employees and improve their skills, by increasing contact points between area managers and members.

## **Integrated the footholds and the differentiation of functions; from Jan. 2011**

(Outline)

The footholds have integrated to one place in each prefecture of Tokyo, Kanagawa, Chiba, Saitama, and Osaka.

Sales and matching functions have integrated, while the recruiting function has transferred to the registration center.

(Purpose)

To motivate employees and improve their skills, by increasing contact points between area managers and members.

## **Installed “immediate payment” system; from Jan. 2011**

(Outline)

Salary “prepayment” system: Salary being paid into an account in the next day morning of the working day, at the earliest.

This system has installed in Tokyo, Kanagawa, Chiba, Saitama, and Osaka firstly.

(Purpose)

To make more convenient to temporary staff and streamline businesses by reducing payment work at branches

## **Established “a suggestion box”; from Jan. 2011**

(Outline)

We have opened a web site for collecting various opinions and suggestions from temporary staff.

(Purpose)

To improve temporary staff satisfaction and improve the skills of employees

## **Upgraded System; Jan. 2011**

(Outline)

Capacity and speed are improved, to distribute a large number of attendance confirmation emails to each of all staff at once.

(Purpose)

To improve temporary staff satisfaction

To streamline businesses and improve productivity

## **Employment of elderly personnel at the registration center; from Apr. 2011**

(Outline)

Experienced elderly personnel has hired as the representative of a registration center.

Feasibility study has started in Saitama District, and this system will be installed in all registration centers by Aug.

(Purpose)

To improve reception services, enhance temporary staff satisfaction, and improve the skills of employees, by hiring experienced personnel.

## **Manner training by new hired instructors; from Apr. 2011**

(Outline)

Former JAL employees has hired, and the field training has conducted, to learn the standards for attending to customers.

(Purpose)

To improve Fullcast's capability to attend to customers, establish the standards for attending to customers, brush up the skills of employees, and improve the satisfaction of clients and temporary staff.

## **Nationwide installation of the “immediate payment” system; from May 2011**

(Outline)

The “immediate payment” system, which has been adopted in Tokyo and Osaka, is introduced to the offices nationwide.

(Purpose)

To make more convenient to temporary staff and streamline businesses by reducing payment work at branches

## **Establishment of Sendai Branch of Fullcast Advance; from May 2011**

(Outline)

We will build Sendai branch of Fullcast Advance, which undertakes jobs such as construction managements.

(Purpose)

To contribute to relief disaster areas, we will not dispatch temporary staff but undertake jobs to secure the safety.

## **Installation of backup servers; Aug. 2011**

(Outline)

Backup servers are to be installed outside the area controlled by Tokyo Electric Power.

(Purpose)

To be able to continue our business even if electric power outage occurs this summer

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# Outline of the Reshuffling of Subsidiaries

## 【Sales support business group: change form subsidiaries to equity method affiliate】

Our shareholding ratio changes as follows, due to the transfer of some shares of the subsidiary Fullcast Marketing Co., Ltd. ( FCM) and the allocation of new shares to a third party.

- Change in our shareholding ratio due to share transfer and the allocation of new shares to a third party

Shareholding ratio before share transfer and increase	Shareholding ratio after share transfer and increase
<b>54.39%</b>	<b>33.33%</b>

## 【Technician dispatch business group: excluded subsidiaries from consolidation 】

Sale of the shares of Fullcast Technology Co., Ltd. ( FCT) for tender offer

- Buyer: Yumeshin Holdings Co., Ltd. (Securities identification code: 2362, JASDAQ)
- Outline of share selling for tender offer: Sale of all of the shares owned by our company (38,864 shares)
- Deadline for tender offer: May 26, 2011



# Sales Support Business: Effect on the Consolidated Financial Result

- (A) The income/loss due to minority equity for external shareholders had been removed, after reviewing the profit-and-loss statement, but from the 3rd quarter of the term ending Sep. 2011, the change in current net profit is reflected in non-operating income according to our equity.
- (B) As temporary profits due to this reshuffling, “gain on sale of affiliate’s shares” and “gain on change in equity method scope” are included in extraordinary profit.

	2Q FY 2011	3Q FY 2011	4Q FY 2011
Operating profit/loss	<b>A</b> Sales support business	—	—
Non-operating income/ expenses Equity in income/losses of affiliates		Sales support business -61	Sales support business -15
Extraordinary income Gain on change in equity method scope	—	<b>B</b> Sales support business 109	—
Gain on sale of affiliate's shares	—	Sales support business 199	—
Minority interests	Sales support business	—	—



# Technician Dispatched Business: Effect on the Consolidated Financial Result

- (A) As the technician dispatch business is excluded from consolidated businesses, and so this is not included in the consolidated profit-and-loss statement from the 4th quarter of the term ending Sep. 2011. There is no influence
- (B) As temporary profits due to this reshuffling, "gain on sale of affiliate's shares" is included in extraordinary profit.

	2Q FY 2011	3Q FY 2011	4Q FY 2011
<b>Operating profit/loss</b>	<b>A</b> Technician dispatch business	Technician dispatch business	—
<b>Non-operating income/ expenses</b> Equity in income/losses of affiliates			—
<b>Extraordinary income</b> Gain on change in equity method scope Gain on sale of affiliate's shares	— —	— <b>B</b> Technician dispatch business	— —
<b>Minority interests</b>	Technician dispatch business	Technician dispatch business	—

# Effect on the Revision of the Earnings Forecast for the Term Ending Sep. 2011

Earnings forecast after deducting the influence of the reshuffling of sales support business and technician dispatch business from initial earnings forecast are as follow.

	Initial Earnings forecast	Effect on the reshuffling of sales support business	Effect on the reshuffling of technician dispatch business	Unit: million yen Initial earnings forecast after deducting the influence
Net sales	38,393	- 3,422	- 1,439	33,532
Short-term operational support	25,703	-	-	25,703
Sales support	5,423	- 3,422	-	2,001
Technician dispatch	4,686	-	- 1,439	3,247
Security	2,580	-	-	2,580
Operating income	2,125	- 273	- 147	1,705
Ordinary income	2,057	- 349	- 147	1,561
Net income	1,749	106	192	2,047

# Revision of the Earnings Forecast for the Term Ending Sep. FY2011

In revised earnings estimates, decline in security business is offset by short-term operational support business, and sales and operating profit are in line with initial earnings forecasts (after deducting the influence of the reshuffling of subsidiaries).

Unit: million yen

	Initial earnings forecast (After deducting the influence of the reshuffling of subsidiaries)	Revised earnings forecast (Announced on May 6)	Difference
Net sales	33,532	33,532	-
Short-term operational support	25,703	25,877	173
Sales support	2,001	2,001	-
Technician dispatch	3,247	3,247	-
Security	2,580	2,407	- 173
Operating income	1,705	1,705	-
Ordinary income	1,561	1,606	44
Net income	2,047	2,029	- 18

# As a corporate group that can keep offering values



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