July 20, 2007

CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MAY 31, 2007

Pasona Inc. is listed on the First Section of the Tokyo Stock Exchange with the securities code number 4332, and on the Nippon New Market "Hercules," Osaka Securities Exchange.
(URL: http://www.pasona.co.jp/)

Representative:	Group CEO and President Yasuyuki Nambu
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Scheduled date of the Annual General Meeting of shareholders:	August 22, 2007
Scheduled date for the commencement of dividend payments:	August 23, 2007
Scheduled filing date of the annual securities report:	August 23, 2007

This English language financial report is based on the Company's Japanese language financial report for the fiscal year ended May 31, 2007 and is provided for reference purpose only.

(Millions of yen rounded down unless otherwise stated)

1. PERFORMANCE

(1) Consolidated Business Results

Years ended May 31, 2007 and 2006

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY ended 2007	231,231	13.5	8,507	9.8	8,807	12.3	4,198	17.0
FY ended 2006	203,815	13.8	7,745	(6.0)	7,844	(5.4)	3,588	(17.8)

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY ended 2007	10,003.68	9,925.72	18.2	16.6	3.7
FY ended 2006	8,292.17	8,221.12	16.2	16.5	3.8

(Reference)
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates

FY ended May 31, 2007:	¥ 144 million
FY ended May 31, 2006:	¥ 57 million

(2) Consolidated Financial Position

As of May 31, 2007 and 2006

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
			%	Yen
May 31, 2007	54,425	26,904	41.1	53,759.81
May 31, 2006	51,931	27,634	45.5	54,599.58

(Reference)
Equity

As of May 31, 2007:	¥22,376 million
As of May 31, 2006:	¥23,645 million

(3) Consolidated Cash Flows

Years ended May 31, 2007 and 2006

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
FY ended 2007	5,897	(3,226)	(5,607)	11,750
FY ended 2006	6,895	(4,341)	(164)	14,656

2. DIVIDENDS

Record Date	Cash Dividends per Share			Total Dividend Payment (Full Year)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets
	Interim	Year-End	Annual			
	Yen	Yen	Yen	Million of yen	%	%
FY ended 2006	—	1,800	1,800	779	21.7	3.5
FY ended 2007	1,000	1,000	2,000	831	20.0	3.7
FY ending 2008	1,200	1,300	2,500	—	23.5	—

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2008

(June 1, 2007 to May 31, 2008)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
		%		%		%		%	Yen
Interim Period	123,790	9.4	2,270	(35.8)	2,780	(36.7)	1,300	(37.3)	3,123.26
FY ending 2008	259,130	12.1	9,190	8.0	9,230	4.8	4,430	5.5	10,643.10

Cautionary Statement

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation. Readers are advised that actual results may differ materially from forecasts due to a variety of factors.

4. OTHER

(1) Changes in the Scope of Consolidation and Application of the Equity Method

Change of condition of significant consolidated subsidiaries: None

Note: For further details, please refer to “Information on Group Companies” on page 22.

(2) Changes in Significant Accounting and Reporting Policies for Consolidated Financial Statements

1. Changes caused by revisions of accounting policies: Yes
2. Other changes: None

Note: For further details, please refer to “Change in Method of Presentation” on page 45.

(3) The Number of Shares Issued and Outstanding (Common Stock)

1. The number of shares issued and outstanding as of the fiscal year-end (including treasury stock)
    - Fiscal year ended May 31, 2007: 433,732 shares
    - Fiscal year ended May 31, 2006: 433,080 shares
2. The number of treasury stock as of the fiscal year-end
    - Fiscal year ended May 31, 2007: 17,500 shares
    - Fiscal year ended May 31, 2006: — shares

Note: For details regarding the number of shares used to calculate net income per share on a consolidated basis, please refer to “Per share Information” on page 86.

(Reference) Summary of Non-Consolidated Financial Results

1. PERFORMANCE

(1) Non-Consolidated Business Results

Years ended May 31, 2007 and 2006

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY ended 2007	162,085	11.9	4,822	(5.5)	4,970	(4.7)	360	(85.8)
FY ended 2006	144,864	9.7	5,101	(6.6)	5,214	(6.4)	2,542	(15.5)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
FY ended 2007	858.36	856.93
FY ended 2006	5,874.62	5,856.30

(2) Non-Consolidated Financial Position

As of May 31, 2007 and 2006

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
			%	Yen
May 31, 2007	33,939	18,131	53.4	43,561.29
May 31, 2006	36,820	23,209	63.0	53,592.60

(Reference)
Equity
As of May 31, 2007: ¥18,131 million
As of May 31, 2006: ¥23,209 million

2. FORECAST OF NON-CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2008

(June 1, 2007 to May 31, 2008)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
		%		%		%		%	Yen
Interim Period	85,850	8.3	1,440	(38.6)	1,660	(33.7)	950	—	2,282.38
FY ending 2008	179,190	10.6	4,600	(4.6)	4,670	(6.0)	2,680	644.0	6,438.72

Cautionary Statement

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation. Readers are advised that actual results may differ materially from forecasts due to a variety of factors. Please refer to page 10 for items relating to the aforementioned forecasts.

1. Business Performance

1) Results

In the fiscal year ended May 31, 2007, the Japanese economy remained firm overall buoyed primarily by export-oriented industries and an upward swing in capital investment. While disparities in the level of improvement have arisen among small- medium- and large-scale companies as well as among regions, the general economic climate experienced sustained growth on a moderate scale. From an employment perspective, conditions were characterized by continued low rates of unemployment and a persistent sense of insufficient labor supply. Despite this favorable operating environment, however, companies maintained a tight rein on costs, working to restrain employment compensation levels.

Under these circumstances, demand for not only full-time employees, but also temporary staff and other external human resources remained robust throughout the year. In its mainstay business, the Pasona Group successfully increased the number of temporary staff. This was attributed to a variety of factors including efforts to enhance welfare benefits and compensation as well as renewed initiatives to attract high-quality temporary staff.

In other strategic fields such as the placement and recruiting business, the Group took advantage of strong demand in the corporate sector. Due to a favorable operating environment, Pasona enjoyed significant growth both at home and abroad. Together with the outsourcing business, which generated solid results during the fiscal year, the Group experienced steady growth.

Accounting for these factors, consolidated net sales totaled ¥231,231 million, an increase of 13.5% compared with the previous fiscal year. This represented a fourth consecutive fiscal year of double-digit percentage growth.

On the earnings front, the Group’s performance was boosted by increased contributions from the relatively high-profit placement and recruiting, outsourcing and other businesses. Selling, general and administrative expenses also rose, however, as Pasona undertook anticipatory investments to promote future growth in its temporary staffing and other operations. As a result, consolidated operating income climbed 9.8% year on year to ¥8,507 million, consolidated ordinary income increased 12.3% to ¥8,807 million and consolidated net income rose 17.0% compared with the previous fiscal year to ¥4,198 million.

(Millions of yen unless otherwise stated)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)	YoY
Net sales	203,815	231,231	13.5%
Operating income	7,745	8,507	9.8%
Ordinary income	7,844	8,807	12.3%
Net income	3,588	4,198	17.0%

Performance by business segment including intersegment sales and transfers for the fiscal year ended May 31, 2007 was as follows:

1. Temporary staffing / Contracting and Placement / Recruiting

Net sales: ¥215,598 million

Operating income: ¥6,964 million

Temporary staffing / Contracting

Net sales: ¥208,952 million

Overall demand in the temporary staffing and contracting business remained strong throughout the fiscal year under review underpinned by demand for personnel from major manufacturers in the electric appliance and automobile sectors, which continued to peak at high levels, certain extraordinary demand from the finance sector, which remained generally robust and the telecommunications industry following introduction of the mobile number portability (MNP) system.

By job type, the volume clerical (general office work) zone experienced persistent double-digit percentage sales growth. Driven by MNP-related demand, sales positions also enjoyed double-digit percentage sales growth. From a geographical perspective, results remained steady in the Tokyo Metropolitan area and the Tokai region. Toward the end of the period, signs began to emerge of a pickup in demand in certain regional areas such as Kyushu.

In the fiscal year under review, the Pasona Group worked tirelessly to increase the number of new registrants and enhance temporary staffing welfare benefits and support systems as well as compensation. Among a host of initiatives, the Group opened facilities specifically targeting temporary staff and established a 24-hour consulting service relating not only to employment issues, but also mental health and overall lifestyle concerns. In addition to increasing the number of high-quality temporary staff, these measures served to stabilize long-term employment. Accounting for these factors, net sales in the Temporary staffing / Contracting segment climbed 12.6% compared with the previous fiscal year to ¥208,952 million.

Placement / Recruiting

Net sales: ¥6,645 million

In the Placement and Recruiting segment, corporate sector demand remained strong particularly for mid-career hiring, new graduates and graduate employees with limited work experience. Interest from the finance sector was marked, while demand increased in IT-related fields. In addition to large urban areas, the need for personnel spread to major regional cities.

In the fiscal year under review, the Pasona Group reinforced efforts to expand the number of registrants seeking a change of employment. In order to address robust demand from the corporate sector for graduate employees with limited work experience and mid-career hires, Pasona increased the number of consultants and raised the efficiency of its promotional activities. Leveraging the Pasona brand, the Group also raised its focus on the placement and recruiting of women. Furthermore, Pasona integrated the businesses of Pasona Carent, Inc., engaged in placement and recruiting activities, and Pasona career assets Inc., a company which boasts a top share in the outplacement market, in January 2007, establishing the new company Pasona Career, Inc. Utilizing an outplacement network that extends across Japan, the new company will develop placement and recruiting services on a nationwide basis. Buoyed by these initiatives, net sales in Japan in the Placement and Recruiting segment were ¥3,994 million, an increase of 34.7% compared with the previous fiscal year.

Overseas, conditions remained firm in the placement and recruiting business. Results were particularly strong in Europe. In Asia, the Group’s performance was also boosted by the inclusion of Pasona Human Resources (Shanghai) Co., Ltd. in the scope of consolidation. As a result, net overseas sales in this segment totaled ¥2,651 million, a significant jump of 68.2% year on year.

Combining domestic and overseas results, total net sales in the Placement and Recruiting segment surged 46.3% compared with the previous fiscal year to ¥6,645 million.

On the earnings front, the margin between unit prices at the invoice and payment levels saw a moderate improvement on the back of persistent negotiation. Despite this positive trend, however, the gross profit margin on temporary staffing activities declined year on year. This was attributed to a review of the rate applicable to employee pensions, the rise in health and social insurance payments and an increase in social insurance subscribers reflecting the trend toward stable long term temporary staffing contracts. Lower gross profit margins in the temporary staffing business were absorbed by improvements in gross profit margins in the placement and recruiting business reflecting sales growth. In the fiscal year under review, Pasona undertook proactive investment to facilitate the retention of quality temporary staff and promote future growth. This included expenses incurred in opening new registration offices. As a result, selling, general and administrative expenses increased, negatively impacting operating income margin, which declined year on year.

Accounting for the aforementioned factors, net sales in the segment rose 13.4% compared with the previous fiscal year to ¥215,598 million. Operating income increased 6.2% year on year to ¥6,964 million.

2. Outplacement

Net sales: ¥4,408 million

Operating income: ¥758 million

Continued recovery in the corporate sector has contributed to a decline in the use of early and voluntary retirement programs. This in turn places persistent downward pressure on market scale.

Against this backdrop, the Pasona Group is leveraging its nationwide network to provide full-range and sophisticated outplacement services. This has allowed the Group to steadily expand its market share. In the first half of the fiscal year, Pasona benefited from substantial large-scale orders received at the end of the previous fiscal year. Both the volume and pace of orders deteriorated slightly during the first half, impacting second half results. As a result, net sales in the Outplacement segment fir the full fiscal year were ¥4,408 million, an increase of 10.0% compared with the previous fiscal year. Despite difficult conditions in the second half, this represented double-digit percentage growth on a year-on-year basis. In terms of segment profits, operating income fell 21.5% to ¥758 million owing to office improvement and other costs incurred to maintain the quality of segment services.

3. Outsourcing

Net sales: ¥10,226 million

Operating income: ¥1,174 million

The market for employee benefit outsourcing services is enjoying high rates of sustained market growth. Driven by the need to better satisfy employees, this is attributed to demands from mainstay clients in both the corporate and public sectors for a broad range of services that match employee needs with value.

Under these circumstances, Group company Benefit One Inc. not only worked to promote its conventional employee benefit outsourcing services, but also to reinforce its total compensation proposal marketing that combines employee salaries and wages with benefits in a single package. Through these means, Benefit One is striving to expand its business development while distinguishing itself from competing companies. In addition, Benefit One took full advantage of its rich benefit menu on a number of levels to focus on the sale of new products. These included the introduction of “Anniversary Station,” a system of congratulatory and condolence payments as well as “Incentive Café,” a points system that encompasses incentives. In this manner, Benefit One successfully increased the number of corporate and individual members.

Furthermore, the “Customer Loyalty Program,” a members-only shopping service that was newly introduced to corporate clients in an effort to better utilize the Group’s welfare benefits menu and to raise customer satisfaction, began to generate concrete results during the fiscal year under review.

As a result, net sales in the Outsourcing segment increased 24.4% compared with the previous fiscal year to ¥10,226 million. Buoyed by the upswing in revenues from employee benefit services business, operating income rose 30.0% year on year to ¥1,174 million, representing a substantial increase in both revenues and earnings.

4. Other

Net sales: ¥1,975 million

Operating loss: ¥396 million

Results remained steady in the child-care and education businesses. Performance in the Other segment, however, was impacted by delays in the startup of certain operations including lifestyle support services targeting the baby-boomer generation and the elderly and the shared services business encompassing temporary staffing subsidiaries of major companies. Accounting for these factors, net sales in the segment totaled ¥1,975 million, a decrease of 14.3% compared with the previous fiscal year. Pasona incurred an operating loss in the Other segment of ¥396 million, down from ¥699 million in the previous fiscal year.

Net Sales

(Millions of yen unless otherwise stated)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)	YoY
Temporary staffing / Contracting	185,584	208,952	12.6%
Placement / Recruiting	4,542	6,645	46.3%
Outplacement	4,008	4,408	10.0%
Outsourcing	8,219	10,226	24.4%
Other	2,303	1,975	(14.3)%
Eliminations & Corporate	(842)	(976)	—
Total	230,815	231,231	13.5%

Operating Income (Loss)

(Millions of yen unless otherwise stated)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)	YoY
Temporary staffing / Contracting Placement / Recruiting	6,556	6,964	6.2%
Outplacement	966	758	(21.5)%
Outsourcing	903	1,174	30.0%
Other	(699)	(396)	—
Eliminations & Corporate	17	6	(66.1)%
Total	7,745	8,507	(9.8)%

2) Analysis of Results

Net Sales

In the fiscal year ended May 31, 2007, net sales climbed ¥27,416 million, or 13.5% compared with the previous fiscal year to ¥231,231 million. In the mainstay temporary staffing / contracting business, Pasona enjoyed a ¥23,368 million, 12.6% year-on-year increase due to growth in non-consolidated operations and improvements in temporary staffing activities at existing subsidiary companies.

In addition, net sales in the placement and recruiting business, recognized as a growth field, climbed ¥2,103 million, or 46.3%, and ¥2,006 million, or 24.4%, in the outsourcing business. As a ratio of total net sales, activities other than the mainstay temporary staffing and contracting business are gradually increasing in their overall share.

Operating Income

While the gross profit margin in the temporary staffing business declined owing to an increase in social insurance payment rates, the overall gross profit margin improved on the back of net sales growth in relatively high-profit businesses. In the fiscal year under review, the gross profit margin edged up from 20.2% in the previous fiscal year to 20.3%.

In areas other than temporary staffing and contracting such as the placement and recruiting, outplacement and outsourcing businesses, fields in which Pasona is strategically pursuing business scale expansion, personnel expenses increased consistent with the Group's efforts to augment human resources in growth areas. Pasona also reinforced expenditure in IT systems as well as recruitment and the retention of quality temporary staff. Accounting for these factors, selling, general and administrative expenses grew while the ratio of selling, general and administrative expenses to net sales edged up 0.2 of a percentage point from 16.4% to 16.6%.

Based on the aforementioned, operating income rose ¥761 million, or 9.8%, compared with the previous fiscal year to ¥8,507 million. The operating income margin edged down 0.1 of a percentage point to 3.7%.

Ordinary Income

Ordinary income grew ¥962 million, or 12.3%, compared with the previous fiscal year to ¥8,807 million. The investment gain on the equity method and positive differential between operating income and ordinary income were mainly attributed of ¥144 million, an increase of ¥87 million, or 154.2% year on year reflecting improved results at equity-method affiliated companies as well as contributions from Pasona ADP Payroll, Inc., a company engaged in corporate payroll calculation and agency services. The ordinary income margin was 3.8%, unchanged from the previous fiscal year.

Net Income

In the fiscal year under review, Pasona recorded an extraordinary gain of ¥205 million representing gain on sale of securities in affiliated companies. This reflected the partial sale of shares in consolidated subsidiary Benefit One Inc. Pasona also incurred an extraordinary impairment loss totaling ¥155 million. As a result, net income rose ¥609 million, or 17.0%, compared with the previous fiscal year to ¥4,198 million. On this basis, earnings per share climbed ¥1,711.51, or 20.6%, year on year to ¥10,003.68.

3) Outlook

Demand from the corporate sector for temporary staff is expected to remain steady during the fiscal year ending May 31, 2008. Expectations are also high that the speed of outsourcing will accelerate.

Taking this business environment as an opportunity to further expand, Pasona is aggressively investing in human resource-related businesses. At the same time, the Group is committed to differentiating itself by focusing on temporary staffing operations and reinforcing compliance.

In this context, Pasona plans to shift to a pure holding company structure in December 2007, with the aim of establishing a structure capable of accelerating implementation of the aforementioned strategies. In formulating and implementing business strategies and establishing a structure that encompasses the entire Group, Pasona will further reinforce its activities in the human resource-related field and bolster its governance and compliance framework. This is expected to lift the Group's overall performance.

The Temporary Staffing / Contracting Business

Tight supply and demand conditions in the overall labor market will continue in the fiscal year ending May 31, 2008. The temporary staffing market is no exception, and Pasona is confronted by an era in which temporary staff are closely examining the merits of each temporary staffing company.

In the natural course of its business activities, Pasona will therefore develop new initiatives based closely on the perspectives of temporary staff. In the current fiscal year, the Company will look to subsidize a portion of temporary staff traveling expenses and augment its training systems and programs specific to each generation group. In addition, Pasona will utilize the recently opened "Club Pasona—Omotesando" to hold a series of events throughout the year. Designed to attract temporary staff, these events will bolster communication and facilitate efforts to secure quality temporary staff and to stabilize long-term employment.

The Placement and Recruiting Business

In the domestic "change-of-career" market, both corporate job offer needs and white-collar workers seeking a change in employment are expected to remain robust in the fiscal year ending

May 31, 2008. On this basis, the market is forecast to enjoy continued high rates of growth. Against this backdrop, the Pasona Group will strive to secure and nurture a strong pool of consultants. At the same time, the Group will maximize synergy benefits through integration with the outplacement business and promote placement and recruiting activities across the length and breadth of Japan. Overseas, Pasona will accelerate the opening of new offices in China, recognized as a growth market, and pursue efforts to expand its business scale.

The Outplacement Business

Prospects in the outplacement business are mixed. Amid firm corporate sector results, demand for outplacement services as part of employment adjustment initiatives continues to decline. Demand for corporate integration and M&A, on the hand, is on the upswing, while personnel adjustments reflecting early and voluntary retirement remain on a par with the previous fiscal year. As a leader in the industry, the Pasona Group will maintain and enhance its network and consultancy services to ensure steady growth and increased market share.

The Outsourcing Business

In an effort to secure and retain human resources, leading companies, the central government and local government authorities are reviewing their employee benefit systems and programs and pursuing outsourcing services. Under these circumstances, the Pasona Group continues to enjoy a steady stream of orders. By providing high quality services that meet corporate needs, the Pasona Group is well positioned to secure new members. Amid signs that this demand in spreading to small- and medium-sized companies, Pasona is strengthening marketing efforts utilizing its agency network. Moreover, the Company is bolstering its new business platform including the Customer Loyalty Program and high-end services.

Buoyed by these growth initiatives, consolidated net sales for the fiscal year ending May 31, 2008 are forecast to rise 12.1% to ¥259,130 million. This will represent a fifth consecutive fiscal year of double-digit percentage year-on-year growth. In overall terms, Pasona anticipates the gross profit margin to improve reflecting growth in relatively high-profit human resource-related fields. This is, however, after an increase in anticipatory business investments including costs to retain temporary staff as well as efforts to differentiate Pasona from its competitors through the opening of new offices. As a result, consolidated operating income for the fiscal year ending May 31, 2008 is forecast to grow 8.0% year on year to ¥9,190 million. Consolidated ordinary income is expected to increase 4.8% to ¥9,230 million and consolidated net income 5.5% to ¥4,430 million.

(Millions of yen unless otherwise stated)

	FY ended 2007 (June 1, 2006 to May 31, 2007)	FY ending 2008 (June 1, 2007 to May 31, 2008)	YoY
Net sales	231,231	259,130	12.1%
Operating income	8,507	9,190	8.0%
Ordinary income	8,807	9,230	4.8%
Net income	4,198	4,430	5.5%

Net Sales

(Millions of yen unless otherwise stated)

	FY ended 2007 (June 1, 2006 to May 31, 2007)	FY ending 2008 (June 1, 2007 to May 31, 2008)	YoY
Temporary staffing / Contracting	208,952	231,380	10.7%
Placement / Recruiting	6,645	8,190	23.2%
Outplacement	4,408	5,070	15.0%
Outsourcing	10,226	13,550	32.5%
Other	1,975	2,040	3.3%
Eliminations & Corporate	(976)	(1,100)	—
Total	231,231	259,130	12.1%

Operating Income (Loss)

(Millions of yen unless otherwise stated)

	FY ended 2007 (June 1, 2006 to May 31, 2007)	FY ending 2008 (June 1, 2007 to May 31, 2008)	YoY
Temporary staffing / Contracting Placement / Recruiting	6,964	7,000	0.5%
Outplacement	758	770	1.5%
Outsourcing	1,174	1,450	23.4%
Other	(396)	(40)	—
Eliminations & Corporate	6	10	—
Total	8,507	9,190	8.0%

4) Analysis of Financial Condition

Financial Condition and Cash Flows

Financial Condition

Total assets as of May 31, 2007 stood at ¥54,425 million, an increase of ¥2,493 million, or 4.8%, compared with the end of the previous fiscal year. Net assets on the other hand contracted ¥729 million, or 2.6%, compared with May 31, 2006 to ¥26,904 million, reflecting the acquisition of 17,500 shares of treasury stock at an acquisition cost of ¥4,287 million in line with the Company's capital policy. Accounting for these factors, the shareholders' equity ratio declined 4.4 percentage points compared with the previous fiscal year-end to 41.1%.

Turning to principal increases and decreases within total assets, current assets edged up ¥158 million, or 0.4%, compared with the end of the previous fiscal year to ¥39,086 million. Major movements were in cash and deposits, which fell ¥2,813 million, or 19.7% year on year to ¥11,470 million and accounts receivable — trade, which climbed ¥2,645 million, or 12.6% compared with the end of the previous fiscal year to ¥23,667 million. On a year-on-year basis, fixed assets increased ¥2,335 million, or 18.0%, to ¥15,338 million. This is attributed to an increase in property and equipment of ¥820 million, or 23.0%, compared with the previous fiscal year-end to ¥4,384 million, and an increase in lease guarantee deposits of ¥764 million, or 23.1%, compared with May 31, 2006 to ¥4,073 million in connection with the opening of new offices.

Within total liabilities, current liabilities stood at ¥25,704 million, an upswing of ¥2,915 million, or 12.8%, year on year. In line with sales growth, this is attributed to the increase in accrued expenses of ¥1,355 million, or 13.6%, compared with the end of the previous fiscal year to ¥11,300 million, and includes temporary staff expenses payable. In addition, accounts payable — other stood at ¥3,122 million, an increase of ¥655 million, or 26.6%, compared with the previous fiscal year-end. Total long-term liabilities stood at ¥1,816 million, up ¥307 million, or 20.4%, compared with May 31, 2006.

Cash Flows

As of May 31, 2007, Pasona experienced a net decrease in cash and cash equivalents of ¥2,905 million compared with a net increase of ¥2,452 million as of May 31, 2006. As a result, cash and cash equivalents at the end of the period stood at ¥11,750 million. The principal components of cash flows during the fiscal year under review were as follows.

Cash Flows from Operating Activities

For the fiscal year under review, major cash inflows included income before income taxes, which increased ¥1,304 million compared with the previous fiscal year to ¥8,720 million and accounts payable — trade, which rose ¥1,395 million. Major cash outflows, on the other hand, comprised accounts receivable — trade, which grew by ¥2,712 million and income taxes paid of ¥4,518 million. Accounting for these factors, net cash provided by operating activities totaled ¥5,897 million compared with net cash provided by operating activities in the previous fiscal year of ¥6,895 million.

Cash Flows from Investing Activities

Major components included payments for purchases of fixed assets of ¥1,021 million, payments for purchases of intangible assets such as software totaling ¥720 million and payment for purchases of investment securities amounting to ¥514 million. As a result, net cash used in investing activities was ¥3,226 million compared with net cash used in investing activities of ¥4,341 million in the previous fiscal year.

Cash Flows from Financing Activities

Impacted by payments for purchases of treasury stock of ¥4,287 million, payments for dividends totaling ¥1,306 million and other factors, net cash used in financing activities for the fiscal year under review amounted to ¥5,607 million compared with net cash used in financing activities a year earlier of ¥164 million.

Cash Flow Benchmarks

	FY ended 2003	FY ended 2004	FY ended 2005	FY ended 2006	FY ended 2007
Equity ratio	28.6%	42.5%	48.1%	45.5%	41.1%
Equity ratio based on market capitalization	142.5%	467.3%	250.1%	187.6%	176.7%
Years to redemption of liabilities (years)	0.9	0.3	0.1	0.1	0.0
Interest coverage ratio (times)	32.9	45.9	213.1	363.0	165.3

Equity ratio: Shareholders' equity / total assets
Equity ratio based on market capitalization: Market capitalization / total assets
Years to redemption of liabilities: Interest-bearing debt / cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities / interest payments

* Each benchmark is calculated based on the consolidated financial statements.

* Market capitalization is calculated by multiplying the period-end closing share price with the number of outstanding shares at the period-end (after deducting treasury stock).

* Cash flows from operating activities uses net cash provided by operating activities on the consolidated statements of cash flows. Interest-bearing debt includes all interest-bearing debt under liabilities recorded on the consolidated balance sheets. Interest payments use the amount of interest paid on the consolidated statements of cash flows.

5) Policy on the Appropriation of Profits, Dividends for the Fiscal Year Ended May 31, 2007 and Ending May 31, 2008

Policy on the Appropriation of Profits

In connection with the appropriation of profits, Pasona expects it will, for the foreseeable future, maintain a basic policy that takes into consideration the funds required to engage in new business and capital investment aimed at fulfilling the Company's responsibilities to continuously develop the growing human resources business market, to strengthen the Company's operating platform and earnings capability and to expand shareholder returns by enhancing corporate value. Based on these considerations and subject to the Company's performance, Pasona has established a non-consolidated dividend payout target of 30%. Looking ahead, and subject to ratification at the Company's 19th Annual General Meeting of Shareholders scheduled on August 22, 2007, Pasona plans to shift to a pure holding company structure in December 2007. On this basis, the Company intends to identify a consolidated dividend payout ratio target of 25% from the fiscal year ending May 31, 2008.

In an effort to pursue a flexible capital policy, the Company acquired treasury stock on August 22, 2006. Going forward, Pasona will ensure optimal balance between the Company's needs for essential working capital and the continuous improvement of its medium- and long-term corporate value.

Moreover, following ratification by shareholders at the Company's 18th Annual General Meeting of Shareholders held on August 24, 2006, Pasona amended its Articles of Incorporation to allow the Board of Directors to determine the payment of dividends from surplus.

Dividends for the Fiscal Year Ended May 31, 2007 and Ending May 31, 2008

In the fiscal year ended May 31, 2007, Pasona incurred an extraordinary valuation loss on investment in affiliated companies on a non-consolidated basis. As a result, the Company's non-consolidated net income declined compared with the previous fiscal year. However, buoyed by firm consolidated business results, Pasona has declared a fiscal year-end dividend of ¥1,000 per share, which is in line with estimates identified at the beginning of the period. In conjunction with the interim dividend of ¥1,000 per share paid on February 27, 2007, the annual dividend for the fiscal year under review is ¥2,000 per share.

Based on Pasona's aforementioned basic policy on the appropriation of profits, the Company plans to pay an interim dividend of ¥1,200 per share and a period-end dividend of ¥1,300 per share for an annual dividend of ¥2,500 per share for the fiscal year ending May 31, 2008. This represents a forecast year-on-year increase of ¥500 per share.

6) Risk Factors

The Pasona Group's business activities, financial position and business results may all be affected by a variety of factors. Accordingly, the Pasona Group is subject to a number of possible risk factors in the pursuit and development of its business. Principal risk factors are identified as follows.

Statements not of historical fact contained in this document are forward-looking statements and based on management's decisions and determinations as of May 31, 2007.

(1) Personal and Classified Information Risk

Each business segment within the Pasona Group collects, handles and stores a wealth of personal information relating to temporary staffing registrants, employment placement applicants and outplacement service users. In an effort to adequately fulfill its responsibility as a human resource service company, the Pasona Group has formulated its personal information protection policy. At the same time, the Group adopts comprehensive measures to fully educate its senior executive and employees and all reasonable preventative and corrective measures from a technical and organizational standpoint. In May 2006, the Group established systems and formulated rules in connection with the protection of important information assets including computers and data. Through its Information Systems Department and Operation Department, the Pasona Group has also acquired ISMS ISO 27001, the international standard for information systems management. Furthermore, Pasona pays particular attention to those departments that directly handle personal information, conducts periodic reviews relating to risk management and implements initiatives as necessary. The Internal Audit Department also conducts progressive audits into personal information protection risk management conditions. In July 2006, Pasona established the Information Management Department as a key measure to reinforce mainly IT security. Through these initiatives, the Group is endeavoring to construct more robust management systems and structure.

In connection with its registered temporary personnel, the Pasona Group formulates temporary staffing rules of employment and standards relating to confidentiality. Pasona seeks to obtain a pledge and acknowledgement to the aforementioned rules and confidentiality requirements as well as the confidentiality obligations of the relevant employer and all other related rules and regulations from all temporary personnel prior to the commencement of employment.

Notwithstanding the preceding measures, Pasona remains at risk to a claim for damages, loss of reputation and social credibility as well as a deterioration in its financial position in the event of a breach in the variety of rules and regulations outlined above or a leak in personal information due to unforeseen and other circumstances.

(2) Temporary Staff Procurement Risk

By its very nature, securing an ample pool of temporary staff is integral to the temporary staffing business. The Pasona Group strives to recruit temporary staff through the Internet, newspaper and magazine advertising as well as introductions from existing registrants. In addition to efforts to secure a stable supply of temporary staff, the Group is also actively engaged in endeavors to improve the location of registration offices and facilities, temporary staff remuneration, fringe benefits and to provide employment opportunities that accurately address the needs of each and every registrant. Pasona has also introduced the “My Coach” system and is expanding training and education. Collectively through these initiatives and measures, Pasona continues efforts to enhance the satisfaction of temporary staff. In addition, for those existing registrants not currently in employ, Pasona is making every effort to ensure their retention. Notwithstanding these efforts, however, in the event the demand for temporary staff exceeds the ability to secure temporary staff, the Group’s performance may be affected.

(3) Temporary Staffing Payment Risk

In the temporary staffing business, sales are recorded on a temporary staffing payment invoice basis to those companies to which temporary staff are dispatched. In this context, companies supplied with temporary staff are invoiced on either an hourly or monthly rate. In principle, cost of sales comprises payments to temporary staff on an hourly basis, which in turn reflects the relevant job description and skills as well as legal welfare, paid leave and other expenses. The Pasona Group is committed to securing reasonable and appropriate remuneration both at the invoice and payment levels and pursues negotiations with companies to which temporary staff are dispatched accordingly. The level of success in connection with negotiations relating to an increase in temporary staff remuneration may affect the Company's performance.

(4) Outplacement Risk

From a nationwide network of around 80 offices, Pasona provides a variety of services in an effort to help early retirees and those planning for retirement find reemployment in the outplacement business. These services include support in the preparation of resumes and interviews, the provision of information on job openings and mental health care. Pasona allocates a consultant to each individual client, who focuses on counseling, the collection of employment information an introduction. Through detailed outplacement activities, Pasona is in this manner well positioned to facilitate a quick and definitive turnaround in the placement of employees. By raising the level of services, the Group strives to secure repeat orders from client firms. At the same time, Pasona works diligently and aggressively in its marketing activities with the aim of securing new orders. Success in the outplacement business is dependent upon a number of factors. These factors include the employment policies of client firms, the impact of the economic environment, order trends and rates for each region and the ability to secure a quick and definitive turnaround in the placement of employees. Accordingly, fluctuations in profitability are a key issue. In addition, fixed overheads are another concern in the Company's ability to maintain a nationwide network, consistently provide comprehensive facilities at each point of representation, open new offices, allocate consultants and maintain a consistent level of services. In the event Pasona is unable to flexibly respond to changes in the economic environment and to adequately establish offices and allocate consultants, the Group's over all performance and profitability may suffer.

(5) Outsourcing Risk

Through its subsidiary Benefit One Inc., Pasona provides benefit-outsourcing services. Companies that contract with Benefit One become corporate members. Employees of corporate members receive access, at membership rates, to a variety of accommodation, sports club, school and other facility benefits.

Benefit One receives a joining fee and a monthly membership fee depending on the number of individual members from corporate members. Benefit One also undertakes a subsidy payment to cover the use of facilities by employees based on the type of membership and course for each corporate member. While revenues increase relative to the increase in individual members, if subsidy payments rise higher than revenues the Group's performance may be impacted.

(6) Statutory and Regulatory Risk

1. Temporary staffing / Contracting, Placement / Recruiting

a. Temporary staffing / Contracting

i) Business Approvals and Licenses

A mainstay activity of the Group, Pasona has been granted a temporary staffing business license by the Ministry of Health, Labour and Welfare. As a rule, temporary staffing activities in Japan are regulated by the Worker Dispatch Law, which serves to establish guidelines for the temporary staffing industry and parameters for disqualification, illegal activity, license cancellation and orders to terminate activities. Led by its CS Promotion Division, the Pasona Group has formulated guidelines for appropriate conduct and behavior in temporary staffing transactions. Underpinned by these guidelines, Pasona conducts comprehensive employee training, monitors the level of statutory compliance through internal auditing and other systems and implements preventive measures. Despite these endeavors, however, the Pasona Group remains at risk that the Company or a Group employee or director will materially contravene the Worker Dispatch Law or related laws and regulations leading to the cancellation of its license or an order for the termination of business. In addition, the Group's performance may also be affected by amendments to the Worker Dispatch Law and related laws and regulations in line with changes in the labor market.

ii) Types of Temporary Staffing Work

Prior to an amendment to the Worker Dispatch Law in December 1999, temporary staffing activities were restricted to 26 specialist fields. Following further amendments, however, the temporary staffing industry was effectively deregulated with the exception of certain restricted activities including harbor transport, construction, security, medicine and related fields and manufacturing. Furthermore, in March 2004, restrictions were lifted on temporary staffing to the manufacturing industry as well as Temp to Perm, the placement of employees on a full-time basis following completion of a temporary staffing assignment, to the medical field. In April 2006, restrictions on the temporary staffing of medical practitioners to remote areas and replacement personnel for doctors, nurses and health workers taking either maternity or education leave were lifted. Currently, the key sectors in which the temporary staffing industry operates are deregulated. There are, however, sectors for which the industry is yet to receive approval and is restricted in its ability to operate. Future growth in the temporary staffing industry is in part subject to the level and type of regulatory restrictions. In this context, the

Pasona Group's performance may be affected.

iii) Restrictions on Temporary Staffing Term

In accordance with amendments to the Worker Dispatch Law in December 1999, and excluding specifically identified fields such as manufacturing operations, the dispatch of temporary staff is in principle restricted to one year (this may be extended to a maximum of three years subject to an acknowledgement by a representative of a majority of the employees of the company to which temporary staff has been dispatched). Furthermore, companies are restricted from accepting temporary staff on a continuous basis for the same position and duties on completion of an existing temporary staffing contract. The temporary staffing company shall inform the company accepting temporary staff and the temporary staff in question on the day prior to the conclusion of the restricted term. In the event the company continues to employ temporary staff beyond this term, the company shall be obligated to employ temporary staff on a permanent and full-time basis.

In principle, there is no restriction on the temporary staffing term for the 26 fields identified prior to amendments to the Worker Dispatch Law in December 1999. In the event, however, that an employer after employing temporary staff for a continuous period exceeding three years seeks to employ full-time permanent staff for the subject position and duties, the temporary staff having been employed for a period of three years shall receive a first right of refusal.

Impacted by restrictions on the term of temporary staffing and an increase in the number of companies shifting from temporary to permanent employment, the incidence of companies dealing directly with temporary staff is expected to grow. In the event the number of those seeking temporary employment declines, the Company's performance may be affected.

b. Placement / Recruiting

As a fee-charging employment agency, the Pasona Group has received the approval of the Ministry of Health, Labour and Welfare to engage in placement and recruiting activities and is regulated by the Job Stabilization Law. In December 1999 following amendments to the Job Stabilization Law, the scope of placement and recruiting activities was expanded both in the number of industries covered and to include new graduates. At the same time, restrictions relating to placement fees were relaxed. In December 2000, further restrictions were lifted for both temporary placement and placement/recruiting activities heralding the birth of Temp to Perm.

Companies engaged in placement and recruiting can be stripped of their license or ordered to cease business activities in the event they fail to meet certain conditions. Accordingly, the Company may come under the same risks as the aforementioned business.

2. Outplacement

The profit structure and business model for the outplacement business differs from that of the placement and recruiting business. From the perspective of introducing job seekers to employers, however, the outplacement business is regulated, guided and monitored in the manner identified above for the placement and recruiting business. Accordingly, the Company may come under the same risks as the aforementioned business.

(7) Social Insurance Responsibility Risk

The Pasona Group adopts comprehensive measures to ensure that all eligible temporary staff join the current social insurance system. In the future, changes in insurance rates and the scope of persons insured due to further reforms of the social insurance system driven by shifts in socio-economic conditions may affect the Pasona Group's performance.

Following a reform of the pension system in fiscal 2004, the contribution by employers as a ratio of index monthly earnings is slated to rise from 6.967% as of the reporting date by 0.177% annually through to 2017 inclusive to a fixed contribution after 2017 of 9.15%.

(8) Interested-Party Transaction Risk (relationships with companies in which either Yasuyuki Nambu, Group CEO & President, or his family members maintain an equity interest)

Yasuyuki Nambu and his family members maintain a majority of voting rights in a number of companies collectively referred to as the Nambu Enterprise Group of Companies. As of November 30, 2006, the Nambu Enterprise Group of Companies held a 45.5% shareholding in the Company. The Pasona Group strives to ensure the appropriate management and operation of its business activities by continuously bolstering its corporate governance structures and systems and enhancing the corporate governance function.

(9) Business Investment Risk

1. Investment in Subsidiary and Affiliated Companies

As of May 31, 2007, the Pasona Group was comprised of 40 consolidated subsidiaries and 9 affiliated companies accounted for under the equity method. As a result, equity in subsidiaries and affiliated companies represented 21.8% of total non-consolidated assets.

Stock price of publicly listed subsidiaries may be impacted by market and other trends. Accordingly, the Company's non-consolidated performance and asset balance may in future be affected by revaluation due to movements in related company share prices.

In the first half of the fiscal year ending May 31, 2007, Pasona established three new companies, incorporating each new company into the scope of consolidation as subsidiaries. In this manner, the Pasona Group is committed to proactive investment in new businesses with the aim of better addressing the diverse needs of client firms and employees. The Pasona Group strives to monitor the progress of its ongoing business investments and to accelerate development through optimal use of existing Group infrastructure and marketing network. Despite these efforts, however, consolidated performance may be affected in the event new business earnings fail to meet expectations.

2. Corporate Acquisition

The Pasona Group considers all opportunities including the acquisition of companies actively involved in the human resources industry as a means to effectively supplement and reinforce its mainstay activities. The acquisition of companies includes temporary staffing companies that were established mainly for the purpose of providing temporary staff at Group companies or associated companies of their parent company (in-house-type), temporary staffing companies that specialize in particular sectors and fields and leading companies in peripheral industries. Through these means, the Pasona Group strives to complement existing business domains and to enhance consolidated profitability.

In line with the acquisition of other companies, the Pasona Group may incur significant demands for funds procurement. Acquisition will also generate an increase in amortization of goodwill and other items. All of the aforementioned may affect the Group’s performance. In addition, contributions to consolidated earnings through the acquisition of companies may not be achieved in the short-term and require a longer period.

2. Information on Group Companies

The Pasona Group is engaged in services in the areas of Temporary staffing / Contracting, Placement / Recruiting, Outplacement, Outsourcing, and Other. The following is a list of its 40 consolidated subsidiaries and 9 affiliated companies accounted for by the equity method.

Name	Address	Capital (Millions of yen unless otherwise stated)	Main business	Ratio of voting rights (%)	Relations with Pasona
(Consolidated subsidiaries)					
Benefit One Inc. (Notes 3 and 4)	Shibuya-ku, Tokyo	1,408	Outsourcing	53.37	Temporary staffing services, Welfare benefit agency services, 3 concurrent director
Pasona Tech, Inc. (Note 4)	Shibuya-ku, Tokyo	551	Temporary staffing / Contracting, Placement / Recruiting	60.87	Temporary staffing services, Outsourcing services, 2 concurrent directors
Pasona Career Inc. (Note 14)	Chiyoda-ku, Tokyo	399	Temporary staffing / Contracting, Placement / Recruiting, Outplacement	83.62	Temporary staffing services, Outsourcing services, 2 concurrent directors
HR Partners Inc.	Chiyoda-ku, Tokyo	165	Other	76.36 (1.82)	Temporary staffing services, Outsourcing services, 1 concurrent director
Pasona Engineering Inc.	Chiyoda-ku, Tokyo	100	Temporary staffing / Contracting, Placement / Recruiting	100.00	3 concurrent directors financial support
NARP Inc.	Chiyoda-ku, Tokyo	100	Other	91.00 (23.00)	2 concurrent directors
Pasona Insurance Inc.	Chiyoda-ku, Tokyo	75	Temporary staffing / Contracting, Placement / Recruiting	60.00	2 concurrent directors
Pasona Kyoto Inc. (Note 5)	Shimogyo-ku, Kyoto	72	Temporary staffing / Contracting, Placement / Recruiting, Outplacement	40.00	Royalties, outsourcing services, 6 concurrent directors
Pasona Youth Inc. (Note 15)	Shibuya-ku, Tokyo	65	Temporary staffing / Contracting, Placement / Recruiting	100.00	Temporary staffing services, Outsourcing services, 4 concurrent directors
Pasona Temp to Perm, Inc.	Chiyoda-ku, Tokyo	60	Temporary staffing / Contracting, Placement / Recruiting	100.00	Temporary staffing services, 3 concurrent directors
Pasona Empower Inc.	Chuo-ku, Tokyo	55	Temporary staffing / Contracting, Placement / Recruiting	57.14	4 concurrent directors
Pasona Global Inc.	Chiyoda-ku, Tokyo	50	Temporary staffing / Contracting, Placement / Recruiting	100.00	2 concurrent directors
Pasona Fortune Inc.	Chiyoda-ku, Tokyo	50	Temporary staffing / Contracting, Placement / Recruiting , Other	93.00	Temporary staffing services, Outsourcing services, 3 concurrent directors
Pasona e-Professional, Inc.	Chuo-ku, Osaka	50	Temporary staffing / Contracting, Placement / Recruiting	51.00	2 concurrent directors financial support
Pasona Sportsmate Inc.	Chiyoda-ku, Tokyo	40	Temporary staffing /	100.00	Outsourcing services

			Contracting, Placement / Recruiting		3 concurrent directors
Pasona Okayama Inc.	Okayama, Okayama	30	Temporary staffing / Contracting, Placement / Recruiting, Outplacement	70.00	Royalties, outsourcing services, 2 concurrent directors
Pasona Sparkle Inc.	Kita-ku, Osaka	30	Temporary staffing / Contracting, Placement / Recruiting , Other	90.00	Outsourcing services, 2 concurrent directors
Pasona REP Power Inc.	Chiyoda-ku, Tokyo	25	Other	100.00	Temporary staffing services, Outsourcing services, 2 concurrent directors
Pasona Sourcing Inc.	Chiyoda-ku, Tokyo	20	Temporary staffing / Contracting, Placement / Recruiting	100.00	Temporary staffing services, 3 concurrent directors
Pasona Foster Inc.	Chiyoda-ku, Tokyo	10	Temporary staffing/ Contracting, Placement/ Recruiting , Other	100.00	Temporary staffing services, Outsourcing services, 3 concurrent directors
Pasona Logicom Inc.	Chuo-ku, Kobe	10	Temporary staffing / Contracting, Placement / Recruiting	100.00	Temporary staffing services, 2 concurrent directors
Pasona Heartful Inc.	Chiyoda-ku, Tokyo	10	Other	100.00	Outsourcing services, 2 concurrent directors
Global Healthcare, Inc. (Notes 7 and 10)	Shibuya-ku, Tokyo	72	Outsourcing	70.43 (70.43)	—
Benefit One Partners Inc. (Note 6 and 10)	Shibuya-ku, Tokyo	50	Outsourcing	100.00 (100.0)	Temporary staffing services, 2 concurrent director
Speak Line Inc. (Note 10)	Shibuya-ku, Tokyo	20	Outsourcing	85.00 (85.00)	—
TEAM PASONA INDIA COMPANY LIMITED (Note 10)	New Delhi, India	33,780 thousand Indian Rupee	Temporary staffing / Contracting, Placement / Recruiting	51.00	1 concurrent director
Pasona NA, Inc.	New York, USA	654 thousand U.S. Dollars	Temporary staffing / Contracting, Placement / Recruiting	100.00	Outsourcing services, 1 concurrent director, financial support
Pasona Taiwan Co., Ltd.	Taipei, Taiwan	12,000 thousand New Taiwan Dollars	Temporary staffing Contracting, Placement / Recruiting	100.00	1 concurrent director
Pasona Employment Agency (Thailand) Co., Ltd. (Note 5)	Bangkok, Thailand	12,000 thousand Thailand Bahts	Temporary staffing Contracting, Placement / Recruiting	49.00	Financial support
Pasona Singapore Pte. Ltd.	Singapore	500 thousand Singapore Dollars	Temporary staffing / Contracting, Placement / Recruiting	100.00	—
Pasona Canada, Inc.	Toronto, Canada	300 thousand Canadian Dollars	Temporary staffing / Contracting, Placement / Recruiting	100.00	—
Pelham Search Pacific Ltd.	Hong Kong, China	1,520 thousand Hong Kong Dollars	Temporary staffing / Contracting, Placement / Recruiting	100.00	1 concurrent director
Pasona Education Co. Limited	Hong Kong, China	1,500 thousand Hong Kong Dollars	Other	100.00	2 concurrent directors
Pasona Europe Limited	London, UK	40 thousand Pounds Sterling	Temporary staffing / Contracting, Placement / Recruiting	100.00	1 concurrent director financial support
Pasona Asia Co., Limited	Hong Kong, China	320 thousand Hong Kong	Temporary staffing / Contracting, Placement /	100.00	—

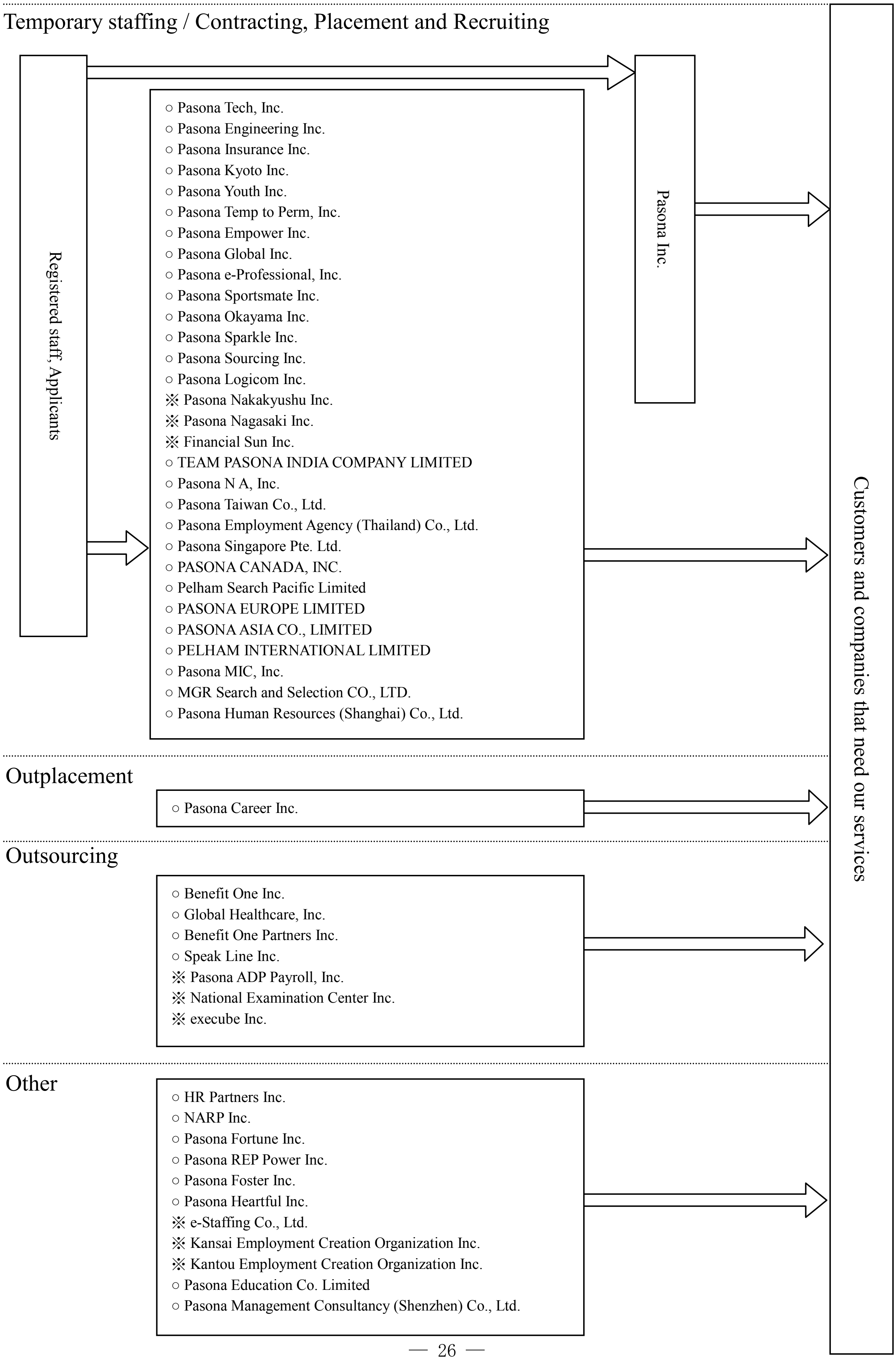
		Dollars	Recruiting		
Pelham International Limited	London, UK	1 thousand Pounds Sterling	Temporary staffing / Contracting, Placement / Recruiting	100.00	1 concurrent director
Pasona MIC, Inc. (Notes 6 and 11)	Chicago, USA	700 thousand U.S. Dollars	Temporary staffing / Contracting, Placement / Recruiting	60.00 (60.00)	1 concurrent director
MGR Search and Selection Co., Ltd. (Note 12)	Taipei, Taiwan	7,000 thousand New Taiwan Dollars	Temporary staffing / Contracting, Placement / Recruiting	67.00 (67.00)	1 concurrent director
Pasona Human Resources (Shanghai) Co., Ltd. (Notes 8 and 13)	Shanghai, China	125 thousand U.S. Dollars	Temporary staffing / Contracting, Placement / Recruiting	70.00 (70.00)	1 concurrent director
Pasona Management Consultancy (Shenzhen) Co., Ltd. (Note 13)	Shenzhen, China	100 thousand Hong Kong Dollars	Other	100.00 (100.00)	—
(Affiliated companies)					
Pasona Nakakyusyu Inc.	Kumamoto, Kumamoto	100	Temporary staffing / Contracting, Placement / Recruiting, Outplacement	49.00	Royalties, 2 concurrent directors
Pasona Nagasaki Inc.	Nagasaki, Nagasaki	70	Temporary staffing / Contracting, Placement / Recruiting, Outplacement	46.43	Royalties, 2 concurrent directors
Pasona ADP Payroll, Inc.	Setagaya-ku, Tokyo	997	Outsourcing	48.63	Temporary staffing services, Outsourcing services, 4 concurrent directors, debt guarantee
Financial Sun Inc.	Chiyoda-ku, Tokyo	150	Temporary staffing / Contracting, Placement / Recruiting	50.00	Temporary staffing services, 2 concurrent directors
e-Staffing Co., Ltd.	Chiyoda-ku, Tokyo	330	Other	33.33	Temporary staffing services, Outsourcing services, 2 concurrent directors
Kansai Employment Creation Organization Inc.	Kita-ku, Osaka	140	Other	35.71	Temporary staffing services, Outsourcing services, 2 concurrent directors, financial support
National Examination Center Inc.	Toshima-ku, Tokyo	75	Outsourcing	20.00	Temporary staffing services, 1concurrent director
Kanto Employment Creation Organization Inc.	Chiyoda-ku, Tokyo	200	Other	33.50	Outsourcing services, 2 concurrent directors, financial support
execube Inc. (Notes 9 and 10)	Minato-ku, Tokyo	140	Outsourcing	33.50 (33.50)	—

Notes:

1. Main business details for consolidated subsidiaries and affiliated companies are consistent with the Company's business segment classification.
2. Ratio of voting rights in parentheses represents the percentage of indirect equity holdings.
3. Company is a specified subsidiary.
4. Company recorded in financial report.
5. Holdings less than 50%, however, a consolidated subsidiary since it is under the control of the Board of Directors.
6. Newly incorporated company included in the Company's scope of consolidation as a subsidiary company.
7. Previously recorded in the scope of consolidation as an affiliated company accounted for by the equity method. Included in the scope of consolidation as a subsidiary company following the acquisition of additional shares.
8. Included in the scope of consolidation as an affiliated company accounted for by the equity method reflecting increased importance.
9. Included in the scope of consolidation as an affiliated company accounted for by the equity method following the acquisition of new shares.
10. Ratio of voting rights held by Benefit One Inc.

11. Ratio of voting rights held by Pasona NA, Inc.
12. Ratio of voting rights held by Pasona Taiwan Co., Ltd.
13. Ratio of voting rights held by Pasona Asia Co., Ltd.
14. Pasona career assets Inc. changed its name to Pasona Career Inc
15. Pasona On Inc. changed its name to Pasona Youth Inc.
16. The following consolidated subsidiaries are publicly listed on stock markets in Japan:
    Second Section, Tokyo Stock Exchange: Benefit One Inc.
    JASDAQ Market: Pasona Tech, Inc.

(Business Flowchart)



Temporary staffing / Contracting, Placement and Recruiting

- ○ Pasona Tech, Inc.
- ○ Pasona Engineering Inc.
- ○ Pasona Insurance Inc.
- ○ Pasona Kyoto Inc.
- ○ Pasona Youth Inc.
- ○ Pasona Temp to Perm, Inc.
- ○ Pasona Empower Inc.
- ○ Pasona Global Inc.
- ○ Pasona e-Professional, Inc.
- ○ Pasona Sportsmate Inc.
- ○ Pasona Okayama Inc.
- ○ Pasona Sparkle Inc.
- ○ Pasona Sourcing Inc.
- ○ Pasona Logicom Inc.
- ※ Pasona Nakakyushu Inc.
- ※ Pasona Nagasaki Inc.
- ※ Financial Sun Inc.
- ○ TEAM PASONA INDIA COMPANY LIMITED
- ○ Pasona N A, Inc.
- ○ Pasona Taiwan Co., Ltd.
- ○ Pasona Employment Agency (Thailand) Co., Ltd.
- ○ Pasona Singapore Pte. Ltd.
- ○ PASONA CANADA, INC.
- ○ Pelham Search Pacific Limited
- ○ PASONA EUROPE LIMITED
- ○ PASONA ASIA CO., LIMITED
- ○ PELHAM INTERNATIONAL LIMITED
- ○ Pasona MIC, Inc.
- ○ MGR Search and Selection CO., LTD.
- ○ Pasona Human Resources (Shanghai) Co., Ltd.

Outplacement

- ○ Pasona Career Inc.

Outsourcing

- ○ Benefit One Inc.
- ○ Global Healthcare, Inc.
- ○ Benefit One Partners Inc.
- ○ Speak Line Inc.
- ※ Pasona ADP Payroll, Inc.
- ※ National Examination Center Inc.
- ※ execube Inc.

Other

- ○ HR Partners Inc.
- ○ NARP Inc.
- ○ Pasona Fortune Inc.
- ○ Pasona REP Power Inc.
- ○ Pasona Foster Inc.
- ○ Pasona Heartful Inc.
- ※ e-Staffing Co., Ltd.
- ※ Kansai Employment Creation Organization Inc.
- ※ Kantou Employment Creation Organization Inc.
- ○ Pasona Education Co. Limited
- ○ Pasona Management Consultancy (Shenzhen) Co., Ltd.

○ Consolidated subsidiary

※ Equity-method affiliate

Note: For multiple businesses, only the principal business is disclosed.

3. Management Policies

1) Basic Management Policy of the Company

Based on the corporate philosophy and social mission of providing “Solutions to Society's Problems,” the Pasona Group strives to realize the dreams of each and every individual in their efforts to reenter the workforce, seek new challenges, achieve new goals by solving the diverse employment issues that confront job seekers and to cultivate new employment opportunities where individuals can create their own comfortable lifestyles and freely choose the kind of work they wish to do. To realize this vision, the Company implements the following basic management measures.

1. Establishing and developing an employment infrastructure that caters to all job seekers including temporary staff and also allows each individual to fulfill his or her potential. At the same time, improving the working environment and employment conditions. Through these means, the Company strives to increase brand power and credibility, and to build a structure that can sustain long-term growth by securing stable employment for all job seekers.
2. Recognizing the Group’s position as the industry leader, to leverage core competencies in the temporary staffing business and concentrate management resources into human resource-related fields with the aim of proactively cultivating new business. Based on these measures, the Company will enhance its ability to respond to job seeker and customer needs and to reinforce its business platform.
3. Positioning an acute awareness of society’s problems, a commitment to efforts that consistently benefit society, and the proactive resolve to uncover best-fit solutions, at the heart of management’s spirit and principles. Through these means, the Pasona Group will continue to expand employment opportunities and realize a better society that allows individuals to achieve their full potential.

2) Management Targets

Based on the assumption that human resource-related businesses will continue to grow over the medium to long term, Pasona has identified key issues and objectives to drive the Company toward future growth. First and foremost, is Pasona's ability to establish and maintain a management and business platform that engenders the confidence of its stakeholders including temporary staff and its customer base.

As a key management priority, Pasona will also strive to raise the profile of temporary staffing within an established employment infrastructure by emphasizing strict compliance in all temporary staffing transactions and actively expanding business scale.

While aggressively expanding activities in the temporary staffing business, Pasona will also focus on other human resource-related businesses that offer relatively high profit potential.

Accordingly, the Company will strive to maintain optimal balance in its business portfolio from a profit perspective and target double-digit growth in net sales together with an operating income margin that exceeds 5% over the medium to long term.

3) Medium- to Long-Term Business Strategy and Pending Issues

The Pasona Group strives to fulfill its social responsibilities by consistently building a new employment infrastructure and contributing to the wellbeing of all job seekers and workers. At the same time, our medium- to long-term business goals are to earn the unwavering trust of society on a Group-wide basis, enhance our corporate image, increase market share, and to secure a dominant position in the job creation market. To this end, we have identified three key initiatives.

1. To strengthen and expand our core Temporary staffing / Contracting business

    ① Positioning quality and satisfaction at the heart of its temporary staffing business activities, Pasona endeavors to establish and develop a comprehensive after-care, education and training and welfare benefits structure and system in an effort to secure a strong bond of trust with its temporary staff.
    ② The Company places significant emphasis on education and training with the aim of addressing strong demand for specialist temporary staffing services.
    ③ Pasona thoroughly implements measures to promote compliance.
    ④ The Company is active in business infrastructure investment including IT systems and branch network expenditure.

2. To build a high growth-oriented business portfolio

    ① Optimizing Group synergies, Pasona works tirelessly to cultivate businesses in each operating domain.
    ② Pasona is focusing on expanding its service lineup in new human resource-related fields.
    ③ The Company strives to consistently expand its business scope and to promote high value added through prudent M&A and business collaboration.

3. To further maximize corporate value.

    ① Conditions in Japan’s labor market continue to confront a harsh environment. These problems are exacerbated by the pending retirement of the baby-boomer generation and the declining birthrate. Faced with a declining working population, Pasona is creating new employment opportunities for the elderly and supporting the young with training and practical experience opportunities to find work in the agricultural field. The Company is also active in supporting women in the workforce such as creating opportunities for housewives. Leveraging the Group's employment creation capabilities and know-how accumulated over a number of years, the Company is taking bold strides to develop a new employment infrastructure.

② Through every facet of its business activities, Pasona is also endeavoring to contribute to society and promote environmental protection and conservation. In an effort to remain an integral member of society and to secure sustainable growth over the long term, the Company is strengthening its corporate governance structure and implementing comprehensive corporate social responsibility activities.

③ Pasona remains committed to ensuring adequate balance between growth-oriented retained earnings, an appropriate level of returns to shareholders and maintaining a stable and robust financial position.

4) Pending Issues

Guided by the corporate philosophy of providing "Solutions to Society's Problems," the Pasona Group has endeavored, since its foundation, to expand the number of employment opportunities available to a wide range of jobseekers and client firms. To this end, Pasona continues to propose a variety of initiatives that both establish and develop a robust employment infrastructure. In the ensuing period, the employment environment has undergone significant change and jobseeker and client firm needs have become increasingly diverse and sophisticated. In order to accurately grasp and address these changing needs, realize Pasona's corporate philosophy and secure the further development of the Group, the Company decided to shift to a pure holding company structure at a Board of Directors' meeting. In this manner, the Group intends to a group that in leveraging its expertise in temporary staffing as a core competency establishes a broad-based, comprehensive human resource business portfolio. In this manner, Pasona will be better placed to formulate management strategies that encompass the entire Group, optimally allocate management resources to growth areas, further reinforce corporate governance and enhance consolidated management transparency. Under a pure holding company structure, Pasona will also strive to secure growth opportunities for operating subsidiaries, respond promptly to changes in the operating environment by strategically and flexibly executing business activities and further enhance corporate value.

In specific terms, the transfer to a pure holding company structure is subject to ratification at the Company's Annual General Meeting of Shareholders scheduled on August 22, 2007. Targeting December 3, 2007, Pasona will establish a pure holding company through the transfer of shares. Looking toward March 2008, Pasona will then transfer subsidiary and affiliated company shares to the holding company while integrating and spinning off Group company administrative functions.

Guided by the new management structure, Pasona will renew its efforts to further improve compensation and employee benefit systems in the temporary staffing business. As a leading company within the human resources industry, Pasona will endeavor to lift temporary staff satisfaction and raise the position of temporary employment within society.

At the same time, Pasona will pursue robust Group growth by concentrating the allocation of resources into other human resource-related fields such as placement and recruiting, outplacement, outsourcing and other businesses.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As of May 31, 2006 and May 31, 2007 (Millions of yen)

		May 31, 2006			May 31, 2007		
	Notes			%			%
ASSETS							
Current assets:							
1 Cash and deposits			14,284			11,470	
2 Notes and accounts receivable — trade			21,022			23,667	
3 Marketable securities			461			361	
4 Inventories			348			320	
5 Deferred tax assets			950			1,106	
6 Income tax receivable			5			5	
7 Other current assets			1,928			2,240	
Less allowance for doubtful receivables			(72)			(87)	
Total current assets			38,928	75.0		39,086	71.8
Fixed assets:							
1 Property and equipment:							
(1) Buildings		2,580			3,336		
Accumulated depreciation		556	2,023		805	2,531	
(2) Land			793			793	
(3) Other tangibles		1,317			1,858		
Accumulated depreciation		571	746		798	1,060	
Total tangible fixed assets			3,563	6.8		4,384	8.0
2 Intangible assets:							
(1) Software			1,713			1,799	
(2) Consolidation adjustment account			585			—	
(3) Goodwill			—			765	
(4) Other intangibles			92			82	
Total intangible fixed assets			2,390	4.6		2,647	4.9
3 Investments and other assets:							
(1) Investment securities	※1,2		1,523			1,846	
(2) Long-term loans			165			187	
(3) Deferred tax assets			907			787	
(4) Lease guarantee deposits			3,309			4,073	
(5) Other investments			1,246			1,503	
Allowance for doubtful receivables			(103)			(92)	
Total investments and other assets			7,048	13.6		8,306	15.3
Total fixed assets			13,003	25.0		15,338	28.2
Total assets			51,931	100.0		54,425	100.0

CONSOLIDATED BALANCE SHEETS

As of May 31, 2006 and May 31, 2007 (Millions of yen)

		May 31, 2006			May 31, 2007		
	Notes			%			%
LIABILITIES							
Current liabilities:							
1 Accounts payable－trade			1,039			1,387	
2 Short-term loans payable			191			111	
3 Accounts payable－other			2,467			3,122	
4 Accrued expenses			9,944			11,300	
5 Income taxes payable			2,626			2,169	
6 Consumption taxes payable			2,480			2,665	
7 Reserve for bonus			1,279			1,594	
8 Reserve for directors' bonus			128			19	
9 Other current liabilities			2,631			3,331	
Total current liabilities			22,788	43.9		25,704	47.2
Long-term liabilities:							
1 Long-term debt			—			9	
2 Long-term payables－other			31			57	
3 Deferred tax liabilities			99			45	
4 Allowance for employees' severance retirement benefits			570			706	
5 Allowance for directors' retirement benefits			794			972	
6 Other long-term liabilities			12			24	
Total long-term liabilities			1,508	2.9		1,816	3.4
Total liabilities			24,297	46.8		27,520	50.6
NET ASSETS							
Ⅰ Shareholders' equity							
1 Common stock			8,322	16.0		8,358	15.4
2 Capital surplus			7,457	14.4		7,493	13.8
3 Retained earnings			7,664	14.7		10,636	19.5
4 Treasury stock			—			(4,287)	(7.9)
Total shareholders' equity			23,444	45.1		22,200	40.8
II Valuation and conversions							
1 Net unrealized holding gain on other securities			140	0.3		96	0.2
2 Foreign currency translation adjustment			61	0.1		79	0.1
Total valuation and conversions			201	0.4		175	0.3
III Minority interests			3,988	7.7		4,528	8.3
Total net assets			27,634	53.2		26,904	49.4
Total liabilities and net assets			51,931	100.0		54,425	100.0

CONSOLIDATED STATEMENTS OF INCOME

Years ended May 31, 2006 and 2007 (Millions of yen)

	Notes	FY Ended May 31, 2006 (June 1, 2005 to May 31, 2006)		%	FY Ended May 31, 2007 (June 1, 2006 to May 31, 2007)		%
Net sales			203,815	100.0		231,231	100.0
Cost of sales			162,578	79.8		184,181	79.7
Gross profit			41,236	20.2		47,050	20.3
Selling, general and administrative expenses	※1		33,491	16.4		38,542	16.6
Operating income			7,745	3.8		8,507	3.7
Non-operating income:							
1 Interest income		21			46		
2 Investment gain on the equity method		57			144		
3 Subsidy from government		20			—		
4 Subsidy		—			64		
5 Insurance fund income		48			—		
6 Consumption tax and other tax exemption income		—			43		
7 Other income		69	217	0.1	111	410	0.2
Non-operating expenses:							
1 Interest expenses		18			36		
2 Commitment line of credit commission		35			39		
3 Amortization of new share issuance expenses		22			—		
4 Other expenses		42	118	0.1	34	110	0.1
Ordinary income			7,844	3.8		8,807	3.8
Extraordinary gains:							
1 Gain on sale of investment securities		6			43		
2 Gain on sale of securities in affiliated companies		3			205		
3 Constructive gain on change in equity		223	233	0.1	—	249	0.1
Extraordinary loss:							
1 Loss on disposal of fixed assets	※2	98			60		
2 Impairment loss		—			155		
3 Valuation loss on investment securities		2			48		
4 Loss on sale of securities in affiliated companies		—			25		
5 Valuation loss on membership rights		—			8		
6 Constructive loss on change in equity		—			22		
7 Amortization of goodwill due to merger		561			—		
8 Transfer to allowance for investment loss		—	662	0.3	14	335	0.1
Income before income taxes and minority interests			7,415	3.6		8,720	3.8
Income taxes－current		3,856			4,073		
Income taxes－deferred		(473)	3,383	1.6	(51)	4,022	1.8
Minority interests			444	0.2		500	0.2
Net income			3,588	1.8		4,198	1.8

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY

Year ended May 31, 2006 (Millions of yen)

	Shareholders’ Equity			
	Common Stock	Capital Surplus	Retained Earnings	Total
Balance as of May 31, 2005	8,285	7,420	4,821	20,526
Movements during fiscal year ended May 31, 2006:				
Issuance of new shares	37	37	—	74
Distribution of surplus	—	—	(648)	(648)
Net income	—	—	3,588	3,588
Payment of directors’ bonus	—	—	(92)	(92)
Decrease due to the increase in affiliated companies accounted for by the equity method	—	—	(4)	(4)
Net change in line items other than shareholders’ equity	—	—	—	—
Total due to movements during the fiscal year ended May 31, 2006	37	37	2,843	2,917
Balance as of May 31, 2006	8,322	7,457	7,664	23,444

	Valuation and Conversions			Minority Interests	Total Net Assets
	Net Unrealized Holding Gain on Other Securities	Foreign Currency Translation Adjustment	Total Valuation and Conversions		
Balance as of May 31, 2005	124	(6)	118	3,135	23,780
Movements during the fiscal year ended May 31, 2006:					
Issuance of new shares	—	—	—	—	74
Distribution of surplus	—	—	—	—	(648)
Net income	—	—	—	—	3,588
Payment of directors’ bonus	—	—	—	—	(92)
Decrease due to the increase in affiliated companies accounted for by the equity method	—	—	—	—	(4)
Net change in line items other than shareholders’ equity	15	67	83	852	936
Total due to movements during the fiscal year ended May 31, 2006	15	67	83	852	3,853
Balance as of May 31, 2006	140	61	201	3,988	27,634

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended May 31, 2007 (Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of May 31, 2006	8,322	7,457	7,664	—	23,444
Movements during the fiscal year ended May 31, 2007:					
Issuance of new shares	35	35	—	—	71
Distribution of surplus	—	—	(1,195)	—	(1,195)
Net income	—	—	4,198	—	4,198
Payment of directors' bonus	—	—	(2)	—	(2)
Acquisition of treasury stock	—	—	—	(4,287)	(4,287)
Decrease due to the decrease in subsidiary companies	—	—	(27)	—	(27)
Net change in line items other than shareholders' equity	—	—	—	—	—
Total due to movements during the fiscal year ended May 31, 2007	35	35	2,972	(4,287)	(1,243)
Balance as of May 31, 2007	8,358	7,493	10,636	(4,287)	22,200

	Valuation and Conversions			Minority Interests	Total Net Assets
	Net Unrealized Holding Gain on Other Securities	Foreign Currency Translation Adjustment	Total Valuation and Conversions		
Balance as of May 31, 2006	140	61	201	3,988	27,634
Movements during the fiscal year ended May 31, 2007:					
Issuance of new shares	—	—	—	—	71
Distribution of surplus	—	—	—	—	(1,195)
Net income	—	—	—	—	4,198
Payment of directors' bonus	—	—	—	—	(2)
Acquisition of treasury stock	—	—	—	—	(4,287)
Decrease due to the decrease in subsidiary companies	—	—	—	—	(27)
Net change in line items other than shareholders' equity	(43)	17	(25)	539	514
Total due to movements during the fiscal year ended May 31, 2007	(43)	17	(25)	539	(729)
Balance as of May 31, 2007	96	79	175	4,528	26,904

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended May 31, 2006 and 2007 (Millions of yen)

		FY Ended May 31, 2006 (June 1, 2005 to May 31, 2006)	FY Ended May 31, 2007 (June 1, 2006 to May 31, 2007)
	Notes		
Cash Flows from Operating Activities:			
Income before income taxes		7,415	8,720
Depreciation		939	1,071
Impairment loss		—	155
Amortization of others		17	16
Amortization of consolidation adjustment account		688	—
Amortization of goodwill		—	276
Increase in allowance for doubtful receivables		34	26
Increase in reserve for bonus		83	323
Increase (decrease) in reserve for directors' bonus		128	(111)
Increase in allowance for employees' severance retirement benefits		169	136
Increase in allowance for directors' retirement benefits		148	177
Interest and dividend income		(25)	(49)
Interest expenses		18	36
Foreign exchange loss (gain)		5	(15)
Investment gain on equity method		(57)	(144)
Constructive (gain) loss on change in equity		(223)	22
Loss on sale and disposal of fixed assets		98	60
Gain on sale of investment securities		(6)	(43)
Valuation loss on investment securities		2	48
Gain on sale of securities in affiliated companies		(3)	(205)
Loss on sale of securities in affiliated companies		—	25
Increase in accounts receivable — trade		(2,388)	(2,712)
(Increase) decrease in inventories		(11)	14
Increase in other current assets		(343)	(587)
Increase in accounts payable — trade		1,112	1,395
Increase in consumption tax payable		385	242
Increase in other liabilities		1,416	1,507
Directors' bonuses paid		(107)	(4)
Others		—	12
Subtotal		9,495	10,397
Interest and dividends received		37	54
Interest paid		(18)	(35)
Income taxes paid		(2,618)	(4,518)
Net cash provided by operating activities		6,895	5,897

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended May 31, 2006 and 2007 (Millions of yen)

		FY Ended May 31, 2006 (June 1, 2005 to May 31, 2006)	FY Ended May 31, 2007 (June 1, 2006 to May 31, 2007)
	Notes		
Cash Flows from Investing Activities:			
Payments for time deposits		(36)	(52)
Payments for purchases of fixed assets		(1,048)	(1,021)
Proceeds from sale of fixed assets		3	—
Payments for purchases of intangible assets		(933)	(720)
Proceeds from sale of intangible assets		—	0
Payments for purchases of investment securities		(177)	(514)
Proceeds from sale of investment securities		22	2
Payments for acquisition of securities of subsidiaries due to change in consolidated subsidiaries	※2	(858)	(44)
Proceeds from acquisition of securities of subsidiaries due to change in consolidated subsidiaries	※3	6	—
Payments for sale of securities of subsidiaries due to change in consolidated subsidiaries	※4	—	(91)
Proceeds from sale of securities of subsidiaries due to change in consolidated subsidiaries	※5	—	3
Payments for additional purchases of securities of subsidiaries		(761)	(29)
Proceeds from sale of certain securities of subsidiaries		27	278
Payments for increase in loans receivable		(229)	(116)
Proceeds from collection of loans receivable		104	239
Payments for receipt of business rights		—	(312)
Proceeds from other investments		259	242
Payments for other investments		(720)	(1,090)
Net cash used in investing activities		(4,341)	(3,226)
Cash Flows from Financing Activities:			
Decrease in short-term loans payable — trade		(122)	(87)
Repayment of long-term debt		—	(1)
Repayment of financial lease		(213)	(135)
Proceeds from issuance of shares		74	71
Proceeds from minority shareholder payments		125	82
Value of underwriting rights to minority shareholders due to public offering of subsidiaries		695	57
Payments for purchases of treasury stock		—	(4,287)
Payments for dividends by parent company		(645)	(1,190)
Payments for dividends to minority shareholders		(78)	(116)
Net cash used in financing activities		(164)	(5,607)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		63	29
Net (Decrease) Increase in Cash and Cash Equivalents		2,452	(2,905)
Cash and Cash Equivalents at Beginning of the Year		12,203	14,656
Cash and Cash Equivalents at End of the Year	※1	14,656	11,750

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Basis of preparation of consolidated financial statements

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
1. Scope of Consolidation	(1) Consolidated subsidiaries: 41 companies Names of consolidated subsidiaries: Benefit One Inc. Pasona Tech, Inc. Pasona ai Inc. Pasona career assets Inc. Pasona Carent, Inc. Pasona Engineering Inc. NARP Inc. HR Partners Inc. Pasona Insurance Inc. Pasona Kyoto Inc. Home Computing Network Inc. Pasona On Inc. Pasona Temp to Perm, Inc. Pasona Empower Inc. Pasona Global Inc. Pasona Fortune Inc. Pasona e-Professional, Inc, Pasona Okayama Inc. Pasona Sparkle Inc. Pasona REP Power Inc. Pasona Sportsmate Inc. Pasona Sourcing Inc. Pasona Foster Inc. Pasona Logicom Inc. Pasona Heartful Inc. Benefit One Partners Inc. Speak Line Inc. SEIKATSU OASIS Ltd. Fortune Club Association Pasona NA, Inc. Pasona Taiwan Co., Ltd. Pasona Singapore Pte. Ltd. Pasona Canada, Inc. MGR Search and Selection Co., Ltd. Pasona Employment Agency (Thailand) Co., Ltd. Pelham Search Pacific Limited Pasona Education Co. Limited Pasona Europe Limited Pasona Asia Co., Limited Pasona Management Consultancy (Shenzhen) Co., Ltd. Pelham International Limited HR Partners Inc., Pasona Temp to Perm, Inc., Pasona Fortune Inc., Pasona e-Professional, Inc., Benefit One Partners Inc., Speak Line Inc., Fortune Club Association, and Pasona Management Consultancy (Shenzhen) Co., Ltd. were newly incorporated as consolidated subsidiaries.	(1) Consolidated subsidiaries: 40 companies Names of consolidated subsidiaries: Benefit One Inc. Pasona Tech, Inc. Pasona Career Inc. HR Partners Inc. Pasona Engineering Inc. NARP Inc. Pasona Insurance Inc. Pasona Kyoto Inc. Pasona Youth Inc. Pasona Temp to Perm, Inc. Pasona Empower Inc. Pasona Global Inc. Pasona Fortune Inc. Pasona e-Professional, Inc. Pasona Sportsmate Inc. Pasona Okayama Inc. Pasona Sparkle Inc. Pasona REP Power Inc. Pasona Sourcing Inc. Pasona Foster Inc. Pasona Logicom Inc. Pasona Heartful Inc. Global Healthcare, Inc. Benefit One Partners Inc. Speak Line Inc. TEAM PASONA INDIA COMPANY LIMITED Pasona NA, Inc. Pasona Taiwan Co., Ltd. Pasona Employment Agency (Thailand) Co., Ltd. Pasona Singapore Pte. Ltd. Pasona Canada, Inc. Pelham Search Pacific Limited Pasona Education Co. Limited Pasona Europe Limited Pasona Asia Co., Limited Pelham International Limited Pasona MIC, Inc. MGR Search and Selection Co., Ltd. Pasona Human Resources (Shanghai) Co., Ltd. Pasona Management Consultancy (Shenzhen) Co., Ltd. TEAM PASONA INDAI COMPANY LIMITED and Pasona MIC, Inc. were newly incorporated as consolidated subsidiaries.

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	SEIKATSU OASIS Ltd. was newly acquired as a consolidated subsidiary. Pasona Europe Limited, previously an affiliated company accounted for by the equity method, became a consolidated subsidiary through the acquisition of additional stock. Socio Inc., previously a consolidated subsidiary due to the acquisition of new shares, was excluded from the scope of consolidation following a merger with Pasona Inc. Profit and loss for the period up to the date of exclusion has been included in consolidated financial statements. Cannon-Persona Recruitment Limited changed its name to Pasona Europe Limited.	Global Healthcare, Inc, previously an affiliated company accounted for by the equity method, became a consolidated subsidiary through the acquisition of additional stock. Pasona Human Resources (Shanghai) Co., Ltd., was included in the scope of consolidation as a consolidated subsidiary from the fiscal year under review. Home Computing Network Inc. was excluded from the scope of consolidation following the sale of shares and a decline in equity holding. SEIKATSU OASIS Ltd. was excluded from the scope of consolidation following the sale of all of its shares. Fortune Club Association was excluded from the scope of consolidation following its dissolution and liquidation Pasona ai Inc. was dissolved following the transfer of the company's business operations to Pasona On Inc. (currently Pasona Youth Inc.). Accordingly, the company was excluded from the scope of consolidation. Profit and loss for the period up to the date of exclusion has been included in consolidated financial statements. Pasona career assets Inc. and Pasona Carent, Inc. merged with Pasona career assets Inc. as the surviving company. Pasona career assets Inc. changed its name to Pasona Career Inc.

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	(2) Non-consolidated subsidiaries: Names of non-consolidated subsidiaries Pasona Human Resources (Shanghai) Co., Ltd. Pasonatech Consulting (Dalian) Co., Ltd. The assets, sales, net income (loss) and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on consolidated financial statements. As a result, non-consolidated subsidiaries have been excluded from the scope of consolidation.	(2) Non-consolidated subsidiaries: Name of non-consolidated subsidiary Pasonatech Consulting (Dalian) Co., Ltd. The assets, sales, net income (loss) (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on consolidated financial statements. As a result, non-consolidated subsidiary has been excluded from the scope of consolidation.

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
2. Application of the Equity Method	(1) Affiliated companies that are accounted for by the equity method: 9 companies Names of affiliated companies that are accounted for by the equity method: Pasona Nakakyusyu Inc. Pasona Nagasaki Inc. Pasona ADP Payroll, Inc. Financial Sun Inc. e-Staffing Co., Ltd. Kansai Employment Creation Organization Inc. National Examination Center Inc. Kanto Employment Creation Organization Inc. Global Healthcare, Inc. Global Healthcare, Inc. was included in the scope of consolidation as an affiliated company accounted for by the equity method due to its growing importance. Pasona Europe Limited (formerly Cannon-Persona Recruitment Limited) became a consolidated subsidiary and was excluded from the scope of consolidation as an affiliated company accounted for by the equity method. (2) Non-consolidated subsidiaries not included in the scope of consolidation as affiliated companies accounted for by the equity method: Names of non-consolidated subsidiaries not included in the scope of consolidation as affiliated companies accounted for by the equity method Pasona Human Resources (Shanghai) Co., Ltd. Pasonatech Consulting (Dalian) Co., Ltd. The assets, sales, net income (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) have only a slight affect on consolidated financial statements and are considered insignificant overall. As a result, non-consolidated subsidiaries have been excluded from the scope of consolidation as affiliated companies accounted for by the equity method.	(1) Affiliated companies that are accounted for by the equity method: 9 companies Names of affiliated companies that are accounted for by the equity method: Pasona Nakakyusyu Inc. Pasona Nagasaki Inc. Pasona ADP Payroll, Inc. Financial Sun Inc. e-Staffing Co., Ltd. Kansai Employment Creation Organization Inc. National Examination Center Inc. Kanto Employment Creation Organization Inc. execube Inc. execube Inc. was included in the scope of consolidation as an affiliated company accounted for by the equity method due to the new acquisition of shares. Global Healthcare, Inc. became a consolidated subsidiary and was excluded from the scope of consolidation as an affiliated company accounted for by the equity method. (2) Non-consolidated subsidiaries not included in the scope of consolidation as affiliated companies accounted for by the equity method: Names of non-consolidated subsidiaries not included in the scope of consolidation as affiliated companies accounted for by the equity method Pasonatech Consulting (Dalian) Co., Ltd. C4 & Pasona Tech Management Service, Inc. The assets, sales, net income (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) have only a slight affect on consolidated financial statements and are considered insignificant overall. As a result, non-consolidated subsidiaries and affiliates have been excluded from the scope of consolidation as affiliated companies accounted for by the equity method.

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
3. Year-End Financial Statements of Consolidated Subsidiaries	The fiscal year-end of Pasona Europe Limited is August 31. Provisional financial statements as of May 31 are used in the preparation of the consolidated financial statements.	PASONA EUROPE LIMITED's balance date has been amended from August 31 to March 31. In the fiscal year under review, financial statements for the 10-month period commencing June 1, 2006 (provisional settlement date) through March 31, 2007 have been used in the preparation of consolidated financial statements. The impact on consolidated financial statements as a result of this change is considered immaterial.
	The fiscal year-end of Pasona Management Consultancy (Shenzhen) Co., Ltd. is December 31. Provisional financial statements as of March 31 are used in the preparation of the consolidated financial statements.	The fiscal year-end of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. is December 31. Provisional financial statements as of March 31 are used in the preparation of the consolidated financial statements.
	The fiscal year-end of 39 other consolidated subsidiaries is March 31. These financial statements of the respective year-ends are used in the preparation of the consolidated financial statements.	The fiscal year-end of 38 other consolidated subsidiaries is March 31. These financial statements of the respective year-ends are used in the preparation of the consolidated financial statements.
	Where significant transactions have occurred during the period between these year-ends and the consolidated fiscal year-end, the consolidated financial statements are adjusted accordingly.	Where significant transactions have occurred during the period between these year-ends and the consolidated fiscal year-end, the consolidated financial statements are adjusted accordingly.
4. Accounting Policies (1) Valuation standard and valuation method of important assets	A. Securities (other securities) 1. Securities with quoted market values Securities with quoted market value are stated at fair value on the closing date. (Net unrealized gains and losses on other securities are reported, directly to net assets. The cost of these securities is calculated based on the moving-average cost method.) 2. Securities without quoted market values Securities without quoted market value are stated on a cost basis using the moving-average cost method. B. Inventories 1. Merchandise: cost basis using the identified cost method 2. Stored goods: cost basis at last invoice cost method	A. Securities (other securities) 1. Securities with quoted market values As left. 2. Securities without quoted market values As left. B. Inventories 1. Merchandise: mainly the cost basis using the moving-average cost method. 2. Stored goods: As left.

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
(2) Depreciation of important depreciable assets	A. Tangible fixed assets Buildings (excluding associated equipment and facilities): Straight-line method Other tangible fixed assets: Mainly the declining balance method B. Intangible fixed assets Software: Straight-line method over the useful life of the asset estimated by the Company (within five years)	A. Tangible fixed assets 1.Buildings (excluding associated equipment and facilities) Acquired after April 1, 2007: Straight-line method Buildings other than those identified above: Pre-existing straight-line method 2.Other tangible fixed assets Acquired after April 1, 2007 Primarily the declining-balance method Other tangible fixed assets other than those identified above: Primarily the pre-existing declining-balance method B. Intangible fixed assets Software: As left.
(3) Accounting policies for important deferred assets	A. New share issuance expense Expenses relating to the issuance of new shares are charged to income in full when paid.	A. New share issuance expense As left.
(4) Accounting policies for important provisions	A. Allowance for doubtful receivables The Company and its consolidated subsidiaries provide for doubtful receivables based on the historical deterioration rate as for normal loans, and the amount deemed necessary to cover individual accounts estimated to be uncollectible. B. Reserve for bonus The Company and its consolidated subsidiaries provide for employee bonus payment at an estimated amount to be paid for the period. C. Reserve for directors' bonus The Company and its consolidated subsidiaries provide for directors' bonus payments at an estimated amount to be paid for the period. D. Allowance for employees' severance retirement benefits The Company and its consolidated subsidiaries provide an allowance for severance retirement benefits for employees based on the calculated amount of accrued retirement funds and accrued pension assets as of the end of the fiscal period. Actuarial gains and losses are recognized in expenses in the next fiscal year.	A. Allowance for doubtful receivables As left. B. Reserve for bonus As left. C. Reserve for directors' bonus As left. D. Allowance for employees' severance retirement benefits As left.

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	E. Allowance for directors' retirement benefits The Company and its consolidated subsidiaries provide an allowance for retirement benefits for directors and executive officers in conformity with bylaws to meet obligations as of the end of the fiscal period. F. Transfer to allowance for investment loss ——————	E. Allowance for directors' retirement benefits As left. F. Transfer to allowance for investment loss The Company and its consolidated subsidiaries provide for an allowance on investment loss based on an estimated amount to be paid for the period after taking into consideration the financial condition of applicable affiliated companies.
(5) Accounting for lease transactions	Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.	As left.
(6) Other significant accounting policies for preparing consolidated financial statements	A. Consumption taxes Consumption taxes are separately recorded.	A. Consumption taxes As left.
5. Valuation of Assets and Liabilities of Consolidated Subsidiaries	The assets and liabilities of consolidated subsidiaries are evaluated at mark to market value.	As left.
6. Amortization of Consolidation Adjustment Account	For amortization of consolidation adjustment account, the Company and its consolidated subsidiaries employ the straight-line method over five years. For immaterial amounts of consolidation adjustment account, the Company and its consolidated subsidiaries charge these amounts in full to the income statement at the time they occurred. However, in line with the acquisition of shares and merger with Socio Inc., the Company incurred an extraordinary loss representing amortization of consolidation adjustment amount in full.	——————
7. Amortization of Goodwill	——————	For amortization of goodwill, the Company and its consolidated subsidiaries employ the straight-line method over a period of two to five years. For immaterial amounts of goodwill, the Company and its consolidated subsidiaries charge these amounts in full to the income statement at the time they occurred.
8. Scope for "Cash and Cash Equivalents" in Consolidated Statements of Cash Flows	"Cash and cash equivalents" in the consolidated statements of cash flows includes cash on hand, readily available deposits, and short-term investments with original maturities not exceeding three months, which are highly liquid and virtually risk-free with respect to change of value.	As left.

Change in method of presentation

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
(Accounting standard for directors' bonuses) From the fiscal year ended May 31, 2006, the Company introduced accounting standards for directors' bonuses presented in "Corporate Accounting Standards Guideline 4" issued on November 29, 2005. In comparison with the previous method, operating income, ordinary income and income before income taxes all decreased by ¥83 million, as a result of the introduction of relevant accounting standards	――――――
(Accounting standard for the impairment of fixed assets) For the fiscal year ended May 31, 2006, the Company introduced accounting standards for the impairment of fixed assets presented in the "Accounting Standard for Impairment of Fixed Assets" by the Business Accounting Council in Japan issued on August 9, 2002) and the "Guidance for Accounting Standard for the Impairment of Fixed Assets" (Accounting Standard Board of Japan, Financial Accounting Standards Implementation Guidance No. 6 issued on October 31, 2003). There was no impact on profit and loss as a result of adoption.	――――――
(Accounting standard for the presentation of net assets on the balance sheet) For the fiscal year ended May 31, 2006, the Company introduced accounting standards for the presentation of net assets on the balance sheet presented in "Accounting Standard for the Presentation of Net Assets on the Balance Sheet No. 5" issued by the Accounting Standards Board of Japan on December 9, 2005 and "Guidance on the Accounting Standard for the Presentation of Net Assets on the Balance Sheet No. 8" issued by the Accounting Standards Board of Japan on December 9, 2005. Under the previous standard, the total of shareholders' equity is ¥23,645 million. There was no impact on profit and loss as a result of adoption. The balance sheet for the fiscal year ended May 31, 2006 has been prepared to include a section for net assets composed of line items consistent with revisions to standards relating to the preparation of financial statements.	――――――

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
——————	(Accounting standards for business combination) For the fiscal year ended May 31, 2007, the Company introduced accounting standards for business combination presented in "Accounting Standard for Business Combinations" ("Statement of Opinion, Accounting for Business Combinations" by the Business Accounting Council in Japan issued on October 31, 2003) and accounting standards for business separation presented in "Accounting Standard for Business Separations" ("Accounting Standard No. 7" issued by the Accounting Standards Board of Japan on December 27, 2005) as well as guidance concerning the implementation of business combinations and business separations presented in "Financial Accounting Standards Implementation Guidance No. 10" issued by the Accounting Standards Board of Japan on December 27, 2005. The following changes to financial statements have been made in line with revisions to the rules on the preparation of financial statements: (Consolidated balance sheets) For the fiscal year ended May 31, 2007, "consolidation adjustment account" has been recorded as "goodwill." (Consolidated statements of income) For the fiscal year ended May 31, 2007, "amortization of consolidation adjustment account" has been recorded as "amortization of goodwill." (Consolidated statements of cash flows) For the fiscal year ended May 31, 2007, "amortization of consolidation adjustment account" has been recorded as "amortization of goodwill."

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
―――――	(Partial revision of the accounting standard for treasury stock and the reversal of legal reserves) For the fiscal year ended May 31, 2007, the Company introduced the revised "Accounting Standard for Treasury Stock and the Reversal of Legal Reserves" (Accounting Standards Board of Japan, Revised Corporate Accounting Standards Guideline No. 1, finally revised on August 11, 2006) and "Implementation Guidance on the Accounting Standard for Treasury Stock and the Reversal of Legal Reserves" (Accounting Standards Board of Japan, Revised Financial Accounting Standards Implementation Guidance No. 2, finally revised on August 11, 2006). There was no impact of profit and loss as a result of adoption. Furthermore, as a result of revisions to the Rules for Financial Statements, the financial statements for the fiscal year ended May 31, 2007 have been prepared in accordance with rule revisions.
―――――	(Tentative solutions on accounting for deferred assets) For the fiscal year ended May 31, 2007, the Company introduced the "Tentative Solution on Accounting for Deferred Assets" (practical solutions No. 19 issued by the Accounting Standards Board of Japan on August 11, 2006) There was no impact on profit and loss as a result of adoption.
―――――	(Change in depreciations methods applicable to tangible fixed assets) From the fiscal year ended May 31, 2007, the Company has adopted depreciations methods due to fiscal 2007 tax reform measures. The straight-line method of depreciation shall be applied to buildings (excluding structures) purchased after April 1, 2007. For all other tangible fixed assets the declining-balance method of depreciation shall be used. In connection with existing assets, previously applied straight-line and declining-balance methods of depreciation shall be applied. The impact of this change was immaterial.

Change in method of presentation

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
(Consolidated statements of income) Non-operating income item "insurance fund income" for the fiscal year ended May 31, 2006 was more than 10% of the total of "other income." Accordingly, it was recorded as a separate item. For the previous fiscal year, "insurance fund income" was ¥2 million.	(Consolidated statements of income) Non-operating income item "consumption tax and other tax exemption income" for the fiscal year ended May 31, 2007 was more than 10% of the total of "other income." Accordingly, it was recorded as a separate item. For the previous fiscal year, "consumption tax and other tax exemption income" was ¥2 million.

Notes to consolidated balance sheets

(Millions of yen, unless otherwise stated)

As of March 31, 2006		As of March 31, 2007	
1. Shares in non-consolidated subsidiaries and affiliated companies Investment securities (stocks)	654	1. Shares in non-consolidated subsidiaries and affiliated companies Investment securities (stocks)	904
2. ——————		2. The investment in securities (affiliates the stocks) deducts and displays the investment loss reserve 14 million yen.	
3. Contingent liability for guarantee For the following affiliate, the unpaid balance on leasing expenses is guaranteed: Pasona ADP Payroll Inc. For the following individual, the unpaid balance on rents received is guaranteed Koichi Yamanaka	50 408	3. Contingent liability for guarantee For the following affiliate, the unpaid balance on leasing expenses is guaranteed: Pasona ADP Payroll Inc. --------------	29

Notes to consolidated statements of income

(Millions of yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
1. Breakdown of major selling, general and administrative expenses:		1. Breakdown of major selling, general and administrative expenses:	
Salaries and bonuses for employees	13,026	Salaries and bonuses for employees	14,703
Reserve for bonuses	1,139	Reserve for bonuses	1,442
Reserve for directors' bonus	128	Reserve for directors' bonus	19
Welfare benefits expenses	2,491	Welfare benefits expenses	2,960
Provision for employees' retirement benefits	273	Provision for employees' retirement benefits	81
Provision for directors' retirement benefits	201	Provision for directors' retirement benefits	204
Recruiting expenses	2,282	Recruiting expenses	2,705
Rent expenses	3,482	Rent expenses	3,812
Depreciation and amortization	819	Depreciation and amortization	908
Provision for doubtful receivables	43	Provision for doubtful receivables	42
Amortization of consolidation adjustment account	127	Amortization of goodwill	276
2. Breakdown of loss on sales and disposal of fixed assets:		2. Breakdown of loss on sales and disposal of fixed assets:	
Loss on disposal		Loss on disposal	
Buildings	73	Buildings	33
Other tangible fixed assets	9	Other tangible fixed assets	12
Software	8	Software	13
Loss on sales		Loss on sales	
Buildings	5	Other intangible fixed assets	0
Land	1		60
	98		

(Millions of yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
※3 ———	※3 Impairment loss

For the fiscal year ended May 31, 2007, the Group reported impairment losses in connection the following asset groups:

(1) Overview of asset groups in which impairment losses were recognized:

Location	Application	Type
Shibuya-ku, Tokyo	Idle assets	Equipment, furniture and fixtures, software
Chiyoda-ku, Tokyo	Internet service	Software
Chiyoda-ku, Tokyo	Temporary staffing systems, other	Buildings, equipment, furniture and fixtures, software, finance lease assets
Chiyoda-ku, Tokyo	Membership management system, other	Software, other intangible fixed assets
Chiyoda-ku, Tokyo	Internet service, other	Software, other non-tangible fixed assets
Bangkok, Thailand	Office facilities	Equipment, furniture and fixtures

(2) Background leading to the recognition of impairment losses

In principle, the Pasona Group adopts each individual company as the basic unit for assets groupings and the smallest unit in independent cash flow generation.

Of the assets identified above, impairment losses have been recognized for assets that remain idle in Shibuya-ku, Tokyo with no clear future plan for use. For impairment losses in the Internet service asset group, attributed to the reorganization of businesses, and the other asset group, attributed to losses from operating activities, an impairment loss has been recorded as the book value of each relevant asset written down to the amount estimated as recoverable.

(3) Impairment loss

Type	Amount
Buildings	0
Equipment, furniture and fixtures	27
Software	112
Other intangible fixed assets	4
Finance lease assets	10
Total	155

The recoverable amount for asset groups is calculated based on the net sales value. The income approach and other methods are used to calculate the net sales value for assets that are transferable. For assets that are not transferable, net sales value is zero reflecting the difficulty of their sale.

(Calculation Statements Relating to Changes in Consolidated Shareholders' Equity)
The Fiscal Year Ended May, 31, 2006 (June 1, 2005 to May 31, 2006)

1. Matters Relating to the Type of and Total Number of Shares Issued and Outstanding

	Number of Shares as of May 31, 2005	Increase in the Number of Shares during the Fiscal Year Ended May 31, 2006	Decrease in the Number of Shares during the Fiscal Year Ended May 31, 2006	Number of Shares as of May 31, 2006
Share Issued and Outstanding:	432,560	520	—	433,080
Common shares	432,560	520	—	433,080

Notes:

1. The additional 520 shares issued during the fiscal year ended May 31, 2006 related to the exercise of share subscription rights and warrants.
2. The Company has not acquired and does not hold treasury stock up to May 31, 2006.

2. Matters Relating to Dividends

(1) Cash Dividend Payments

	Type of Shares	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Annual General Meeting of Shareholders Held on August 25, 2005	Common shares	¥648 million	¥1,500	May 31, 2005	August 26, 2005

(2) Dividends with a Base Date that Falls within the Fiscal Year under Review and an Effective Date that Falls due during the Following Fiscal Year

	Type of Shares	Source of Cash Dividend Payments	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Annual General Meeting of Shareholders to be Held on August 24, 2006	Common shares	Retained earnings	¥779 million	¥1,800	May 31, 2006	August 25, 2006

Fiscal Year Ended May 31, 2007 (June 1, 2006 to May 31, 2007)

1. Matters Relating to Shares Issued and Outstanding

Type of Shares	Number of Shares As of May 31, 2006	Increase	Decrease	Number of Shares As of May 31, 2007
Commons shares	433,080	652	—	433,732

(Overview)

The increase of 652 shares is attributed to the exercise of new subscription rights and warrants during the fiscal year ended May 31, 2007.

2. Matters Relating the Treasury Stock

Type of Shares	Number of Shares As of May 31, 2006	Increase	Decrease	Number of Shares As of November 30, 2006
Commons shares	—	17,500	—	17,500

(Overview)
To enable the implementation of a flexible capital policy in line with changes in the business environment

3. Matters Relating the New Subscription Rights
None.

4. Matters Relating to Dividends
(1) Cash Dividend Payments

	Type of Shares	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Annual General Meeting of Shareholders Held on August 24, 2006	Common shares	¥779 million	¥1,800	May 31, 2006	August 25, 2006
Board of Directors' Meeting Held on January 24, 2007	Common shares	¥415 million	¥1,000	November 30, 2006	February 27, 2007

(2) Dividends with a Base Date that Falls within the Fiscal Year under Review and an Effective Date that Falls due during the Following Fiscal Year

	Type of Shares	Source of Cash Dividend Payments	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Annual General Meeting of Shareholders to be Held on August 22, 2007	Common shares	Retained earnings	¥416 million	¥1,000	May 31, 2007	August 23, 2007

Notes to consolidated statements of cash flows

(Millions of yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
1. Relationship between the balance of cash and cash equivalents at period-end and cash and deposits reported in the consolidated balance sheets.		1. Relationship between the balance of cash and cash equivalents at period-end and cash and deposits reported in the consolidated balance sheets.	
As of May 31, 2006		As of May 31, 2007	
Cash and deposits		Cash and deposits	11,470
Time deposits with deposit term exceeding three months	14,284	Time deposits with deposit term exceeding three months	(82)
Securities (MMF, FFF)	(89)	Securities (MMF, FFF)	361
Cash and cash equivalents	461	Cash and cash equivalents	11,750
	14,656		
2. Breakdown of the major assets and liabilities inherited from newly acquired companies included in the scope of consolidation.		2. Breakdown of the major assets and liabilities inherited from newly acquired companies included in the scope of consolidation.	
Breakdown of major assets and liabilities and the relationship between acquisition costs from the acquisition of stocks (net) of Pasona Europe Limited and Socio Inc. as of the date of each company's inclusion in Pasona's scope of consolidation is as follows.		Breakdown of major assets and liabilities and the relationship between acquisition costs and the acquisition of stocks (net) of Global Healthcare, Inc. as of the date of inclusion in Pasona's scope of consolidation is as follows.	
Current assets	967	Current assets	35
Fixed assets	92	Fixed assets	21
Consolidation adjustment account	602	Goodwill	44
Current liabilities	(597)	Current liabilities	(20)
Existing share	(7)	Fixed liabilities	(12)
		Minority interests	(7)
		Acquisition costs of subsidiary	(12)
		Investment value accounted for by the equity method	25
Acquisition costs of subsidiary Companies	1,057	Acquisition costs of subsidiary companies	75
Subsidiary companies' cash and cash equivalents	(199)	Subsidiary company's cash and cash equivalents	(30)
Difference: Payments for the acquisition of subsidiary companies	858	Difference: Payments for the acquisition of subsidiary company	44
3. Breakdown of the major assets and liabilities inherited from newly acquired company included in the scope of consolidation.		3. ———	
Breakdown of major assets and liabilities and the relationship between acquisition costs and the acquisition of stocks (net) of SEIKATSU OASIS Ltd. as of the date of the company's inclusion in Pasona's scope of consolidation is as follows.	38		
Current assets	0		
Fixed assets	(5)		
Consolidation adjustments account	(27)		
Current liabilities	6		
Acquisition cost of subsidiary company	(12)		
Subsidiary company's cash and cash equivalents	(6)		
Difference: Proceeds from the acquisition of subsidiary company			

(Millions of yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)	
4. ———	4. Breakdown of the major assets and liabilities removed from consolidated assets and liabilities as a result of the sales and exclusion of a subsidiary from the scope of consolidation. Breakdown of major assets and liabilities and the relationship between sale costs and the sale of stocks (net) of Home Computing Network Inc. as of the date of exclusion from Pasona's scope of consolidation.	
	Current assets	610
	Fixed assets	69
	Total assets	680
	Current liabilities	129
	Fixed liabilities	2
	Total liabilities	132
	Sale value of subsidiary stock	393
	Subsidiary company's cash and cash equivalents	(484)
	Difference: Payments for the sale of subsidiary company	(91)
5. ———	5. Breakdown of the major assets and liabilities removed from consolidated assets and liabilities as a result of the sales and exclusion of a subsidiary from the scope of consolidation. Breakdown of major assets and liabilities and the relationship between sale costs and the sale of stocks (net) of SEIKATSU OASIS Ltd. as of the date of exclusion from Pasona's scope of consolidation.	
	Current assets	30
	Total assets	30
	Current liabilities	20
	Total liabilities	20
	Sale value of subsidiary stock	6
	Subsidiary company's cash and cash equivalents	(2)
	Difference: Payments for the sale of subsidiary company	3

Segment information

1. Performance by business segment

FY ended May 31, 2006 (June 1, 2005 to May 31, 2006) (Millions of yen, unless otherwise stated)

	Temporary staffing / Contracting, Placement / Recruiting	Outplace-ment	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Sales and operating income							
Sales to outside customers	189,875	4,000	7,944	1,995	203,815	—	203,815
Intersegment sales and transfers	250	8	274	308	842	(842)	—
Total	190,126	4,008	8,219	2,303	204,658	(842)	203,815
Operating expenses	183,569	3,042	7,315	3,002	196,930	(860)	196,069
Operating income (loss)	6,556	966	903	(699)	7,727	17	7,745
Assets, depreciation expense and capital expenditures:							
Assets	39,446	4,072	7,195	1,516	52,231	(299)	51,931
Depreciation expense	1,322	76	168	62	1,630	—	1,630
Capital expenditures	1,267	159	1,718	36	3,182	—	3,182

Notes:

1. Business segments are classified on the basis of operating markets and service details.
2. Principal components of each business segment

Business segment	Principal services
Temporary staffing / Contracting, Placement / Recruiting	Temporary staffing and contracting, placement and recruiting, other
Outplacement	Outplacement support services
Outsourcing	Employee welfare and benefit agency services
Other	Computer school operation and management, child-care operation services, recruitment portal site management, other

FY ended May 31, 2007 (June 1, 2006 to May 31, 2007) (Millions of yen, unless otherwise stated)

	Temporary staffing / Contracting, Placement / Recruiting	Outplace-ment	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Sales and operating income							
Sales to outside customers	215,372	4,392	9,878	1,588	231,231	—	231,231
Intersegment sales and transfers	226	15	347	386	976	(976)	—
Total	215,598	4,408	10,226	1,975	232,208	(976)	231,231
Operating expenses	208,634	3,649	9,051	2,371	223,706	(982)	222,724
Operating income (loss)	6,964	758	1,174	(396)	8,501	6	8,507
Assets, depreciation expense and capital expenditures:							
Assets	41,502	4,801	8,956	1,015	56,275	(1,850)	54,425
Depreciation expense	784	104	349	113	1,351	—	1,351
Impairment loss	27	26	—	128	155	—	155
Capital expenditures	920	175	1,031	94	2,221	—	2,221

Notes:

1. Business segments are classified on the basis of operating markets and service details.
2. Principal components of each business segment

Business segment	Principal services
Temporary staffing / Contracting, Placement / Recruiting	Temporary staffing and contracting, placement and recruiting, other
Outplacement	Outplacement support services
Outsourcing	Employee welfare and benefit agency services
Other	Child-care operation services, recruitment portal site management, other

2. Information on geographic areas

FY ended 2006 (June 1, 2005 to May 31, 2006)

Since the percentage of total segment sales and segment assets in Japan exceeds 90%, information on geographic areas is omitted from this report.

FY ended 2007 (June 1, 2006 to May 31, 2007)

Since the percentage of total segment sales and segment assets in Japan exceeds 90%, information on geographic areas is omitted from this report.

3. Overseas sales

FY ended 2006 (June 1, 2005 to May 31, 2006)

Since the percentage of overseas sales to total consolidated sales is less than 10%, information relating to overseas sales is omitted from this report.

FY ended 2007 (June 1, 2006 to May 31, 2007)

Since the percentage of overseas sales to total consolidated sales is less than 10%, information relating to overseas sales is omitted from this report.

Leases

(Millions of yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)				FY ended 2007 (June 1, 2006 to May 31, 2007)			
1. Finance leases other than those that transfer ownership to the lessee (1) Acquisition cost, accumulated depreciation and period-end balance of lease assets				1. Finance leases other than those that transfer ownership to the lessee (1) Acquisition cost, accumulated depreciation and period-end balance of lease assets			
	Acquisition cost	Accumulated depreciation	Period-end balance		Acquisition cost	Accumulated depreciation	Period-end balance
Buildings	34	18	15	Buildings	23	9	14
Other tangibles assets	841	459	382	Other tangibles assets	776	420	355
Software	807	569	237	Software	378	254	123
Total	1,683	1,047	636	Total	1,178	684	493

(2) Period-end balance of unpaid lease expenses		(2) Period-end balance of unpaid lease expenses	
Due within one year	297	Due within one year	260
Due after one year	350	Due after one year	247
Total	648	Total	508
(3) Lease expense payments, depreciation, interest expenses		(3) Lease expense payments, depreciation, interest expenses	
Lease expense payment	489	Lease expense payment	353
Accumulated depreciation	465	Accumulated depreciation	336
Interest expenses	19	Interest expenses	15
(4) Method of calculation for amortization Straight-line method over the useful life with no remaining value is used to calculate amortization.		(4) Method of calculation for amortization As left.	
(5) Method for calculation for interest The difference between total lease expenses and acquisition cost of leased assets is considered as interest portion and the allocation of this interest is calculated by the interest method.		(5) Method for calculation for interest As left	
2. Operating lease Amount of unpaid lease expenses		2. Operating lease Amount of unpaid lease expenses	
Due within one year	1,382	Due within one year	644
Due after one year	323	Due after one year	1,335
Total	1,705	Total	1,979

Transactions with related parties

FY ended 2006 (June 1, 2005 to May 31, 2006)

(1) Directors and major individual stockholders

(Millions of yen, unless otherwise stated)

Name	Address	Capital or Investment	Activities or Profession	Ratio of PASONA shares with voting rights (%)	Relationship		Details of transaction	Amount of transaction	Account	Ending balance
					Interlocking directors	Business relationship				
KOBE CRUISER Inc.	Kobe-shi, Hyogo	260	Marine passenger transport	0.39 (Direct ownership)	—	Receiving services	Entertain-ment expenses and other	9	Accounts payable	1
							Welfare benefit expenses and other	3	Accounts payable	0
Kasumi Empowerment Research Institute	Chiyoda-ku, Tokyo	10	Management consulting	—	—	Providing services	Temporary staffing revenue	8	Accounts receivable	0
						Payment of membership fees	Overhead expenses	1	—	—
Eizaburo Nambu	—	—	Honorary Chairman, Pasona Inc.	2.08 (Direct ownership)	—	—	Advisory fee	18	—	—

Notes:

1. Transaction amounts are exclusive of consumption taxes. Ending balances are inclusive of consumption taxes.
2. KOBE CRUISER Inc. is the subsidiary of a company with more than half of its voting rights owned by Yasuyuki Nambu, representative director of the Company, and his close relatives.
3. Kasumi Empowerment Research Institute is an entity with more than half of its voting rights owned by Yoshiharu Hayakawa, an auditor of the Company.
4. Eizaburo Nambu is the father of Yasuyuki Nambu, Representative Director of the Company.
5. Conditions regarding transactions and policy for determining transaction conditions
   All conditions on transactions are essentially the same as those for other non-related companies, and are decided under general conditions based on market value, or at the stockholders' meeting.

(2) Subsidiaries and other

(Million of yen unless otherwise stated)

Name	Address	Capital or Investment	Activities or Profession	Ratio of PASONA shares with voting rights (%)	Relationship		Details of transaction	Amount of transaction	Account	Ending balance
					Interlocking directors	Business relationship				
Affiliated companies										
Pasona ADP Payroll Inc.	Setagaya -ku, Tokyo	997	Employee salary administrative services	48.63 (Direct ownership)	4	Financial support	—	—	Long-term loans payable within one year	115

Note: Funds to Pasona ADP Payroll are provided on an unsecured basis with a repayment term of five years. Interest is calculated based on market rates.

FY ended 2007 (June 1, 2006 to May 31, 2007)

(1) Directors and major individual stockholders

(Millions of yen, unless otherwise stated)

Name	Address	Capital or Investment	Activities or Profession	Ratio of PASONA shares with voting rights (%)	Relationship		Details of transaction	Amount of transaction	Account	Ending balance
					Interlocking directors	Business relationship				
KOBE CRUISER Inc.	Kobe-shi, Hyogo	260	Marine passenger transport	0.41 (Direct ownership)	—	Receiving services	Entertainment expenses and other	21	Accounts payable	0
							Welfare benefit expenses and other	2	Accounts payable	0
Kasumi Empowerment Research Institute	Chiyoda-ku, Tokyo	10	Management consulting	—	—	Providing services	Temporary staffing revenue	6	Accounts receivable	0
						Payment of membership fees	Overhead expenses	1	—	—
Eizaburo Nambu	—	—	Honorary Chairman, Pasona Inc.	2.16 (Direct ownership)	—	—	Advisory fee	18	—	—

Notes:

1. Transaction amounts are exclusive of consumption taxes. Ending balances are inclusive of consumption taxes.
2. KOBE CRUISER Inc. is the subsidiary of a company with more than half of its voting rights owned by Yasuyuki Nambu, representative director of the Company, and his close relatives.
3. Kasumi Empowerment Research Institute is an entity with more than half of its voting rights owned by Yoshiharu Hayakawa, an auditor of the Company.
4. Eizaburo Nambu is the father of Yasuyuki Nambu, Representative Director of the Company.
5. Conditions regarding transactions and policy for determining transaction conditions
   All conditions on transactions are essentially the same as those for other non-related companies, and are decided under general conditions based on market value, or at the stockholders' meeting.

(2) Subsidiaries and other

None.

Tax-effect accounting

(Millions of yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
1. Breakdown for major causes of occurrence in deferred tax assets and deferred tax liabilities		1. Breakdown for major causes of occurrence in deferred tax assets and deferred tax liabilities	
a. Deferred tax assets		a. Deferred tax assets	
Operating loss carry forwards	402	Operating loss carry forwards	373
Amount exceeded amortization of trademarks	121	Amount exceeded amortization of trademarks	97
Reserve for bonus	513	Reserve for bonus	646
Amount exceeded allowance for doubtful receivables	43	Amount exceeded allowance for doubtful receivables	42
Provision for employees' severance retirement benefits	220	Provision for employees' severance retirement benefits	279
Provision for directors' retirement benefits	316	Provision for directors' retirement benefits	397
Accrued business office taxes	125	Accrued business office taxes	141
Accrued enterprise taxes	183	Accrued enterprise taxes	181
Loss on devaluation of investment in affiliated company shares	211		
Others	256	Others	325
Total gross deferred tax	2,394	Total gross deferred tax	2,484
Less valuation allowance assets	(419)	Less valuation allowance assets	(377)
Total deferred tax assets	1,974	Total deferred tax assets	2,106
Countervailing with deferred tax liability	(117)	Countervailing with deferred tax liability	(212)
Net deferred tax assets	1,857	Net deferred tax assets	1,894
b. Deferred tax liabilities		b. Deferred tax liabilities	
Net unrealized holding gain on other securities	(153)	Net unrealized holding gain on other securities	(113)
Amount exceeded funded portion of defined retirement benefit	(48)	Amount exceeded funded portion of defined retirement benefit	(114)
Others	(16)	Others	(30)
Total gross deferred tax	(218)	Total gross deferred tax	(259)
Countervailing with deferred tax asset	117	Countervailing with deferred tax asset	212
Net deferred tax assets	(100)	Net deferred tax assets	(46)
c. Net deferred tax assets as of May 31, 2006, are included in the consolidate balance sheets as follows:		c. Net deferred tax assets as of May 31, 2007, are included in the consolidate balance sheets as follows:	
Current assets — Deferred tax assets — current	950	Current assets — Deferred tax assets — current	1,106
Fixed assets — Deferred tax assets — non-current	907	Fixed assets — Deferred tax assets — non-current	787
Current liabilities — Deferred tax liabilities — current	(1)	Current liabilities — Deferred tax liabilities — current	(1)
Long-term liabilities — Deferred tax liabilities — non-current	(99)	Long-term liabilities — Deferred tax liabilities — non-current	(45)
2. Breakdown of major differences between the statutory tax rate and the effective tax rate after adoption of tax effect accounting		2. Breakdown of major differences between the statutory tax rate and the effective tax rate after adoption of tax effect accounting	
Statutory tax rate	40.69%	Statutory tax rate	40.69%
(Adjustments)		(Adjustments)	
Inhabitant taxes per capita	1.52	Inhabitant taxes per capita	1.34
Profit(loss) on equity method	(1.23)	Profit(loss) on equity method	1.17
Amortization of goodwill	3.78		
Consolidated elimination of valuation loss of securities in affiliated companies	(3.64)	Consolidated elimination of valuation loss of securities in affiliated companies	1.67
Increase / decrease in valuation reserve	4.01		
Others	0.48	Others	1.25
Effective income tax rate	45.62	Effective income tax rate	46.12

Securities

FY ended May 31, 2006

1. Other securities with quoted market value (as of May 31, 2006)

(Millions of yen, unless otherwise stated)

Classification	Type of security	Acquisition cost	Amount stated on consolidated balance sheet	Difference
Securities for which the amount stated on consolidated balance sheets exceeds their acquisition costs	(1) Stocks	222	605	382
	(2) Debt securities	—	—	—
	(3) Others	—	—	—
Subtotal		222	605	382
Securities for which acquisition costs exceed the amount stated on consolidated balance sheets	(1) Stocks	0	0	(0)
	(2) Debt securities	—	—	—
	(3) Others	15	9	(5)
Subtotal		15	9	(5)
Total		237	614	377

2. Other securities sold in the FY ended May 31, 2006

(Millions of yen, unless otherwise stated)

Sales amount	Total profit from sales	Total loss from sales
22	6	—

3. Other securities without quoted market value (as of May 31, 2006)

(Millions of yen, unless otherwise stated)

	Amount stated on consolidated balance sheet
Other securities	
Non-listed stocks (excludes over-the-counter stocks)	254
Money management fund (MMF)	301
Free financial fund (FFF)	160

FY ended May 31, 2007

1. Other securities with quoted market value (as of May 31, 2007)

(Millions of yen, unless otherwise stated)

Classification	Type of security	Acquisition cost	Amount stated on consolidated balance sheet	Difference
Securities for which the amount stated on consolidated balance sheets exceeds their acquisition costs	(1) Stocks	271	537	266
	(2) Debt securities	—	—	—
	(3) Others	—	—	—
Subtotal		271	537	266
Securities for which acquisition costs exceed the amount stated on consolidated balance sheets	(1) Stocks	164	154	(9)
	(2) Debt securities	—	—	—
	(3) Others	15	11	(3)
Subtotal		179	166	(13)
Total		451	704	252

2. Other securities sold in the FY ended May 31, 2007

(Millions of yen, unless otherwise stated)

Sales amount	Total profit from sales	Total loss from sales
44	43	—

3. Other securities without quoted market value (as of May 31, 2007)

(Millions of yen, unless otherwise stated)

	Amount stated on consolidated balance sheet
Other securities	
Non-listed stocks (excludes over-the-counter stocks)	237
Money management fund (MMF)	200
Free financial fund (FFF)	160

Derivatives

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Since the Company and its consolidated subsidiaries do not have any derivative transactions, there is no applicable information.	As left.

Pension and retirement benefits

(Millions of yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
1. Retirement benefit plan The Company and its consolidated subsidiaries have qualified pension plan and retirement lump-benefit plan as defined benefits. For retirement of employees, the Company and its consolidated subsidiaries may pay pension premiums that are not counted as benefit obligation, which is actuarially calculated. There are five companies that employ a defined retirement benefit plan.		1. Retirement benefit plan The Company and its consolidated subsidiaries have qualified pension plan and retirement lump-benefit plan as defined benefits. For retirement of employees, the Company and its consolidated subsidiaries may pay pension premiums that are not counted as benefit obligation, which is actuarially calculated. There are five companies that employ a defined retirement benefit plan.	
2. Breakdown of benefit obligation (as of May 31, 2006)		2. Breakdown of benefit obligation (as of May 31, 2007)	
A. Benefit obligation	(1,631)	A. Benefit obligation	(1,966)
B. Plan assets	1,283	B. Plan assets	1,678
C. Unpaid benefit obligation (A+B)	(348)	C. Unpaid benefit obligation (A+B)	(287)
D. Unrecognized differences in actuarial calculation	(128)	D. Unrecognized differences in actuarial calculation	(137)
E. Unrecognized prior service cost (deducted from obligation)	—	E. Unrecognized prior service cost (deducted from obligation)	—
F. Figures on the consolidated balance sheets (net) (C+D+E)	(477)	F. Figures on the consolidated balance sheets (net) (C+D+E)	(425)
G. Prepaid pension cost	93	G. Prepaid pension cost	281
H. Accrued retirement benefits (F-G)	(570)	H. Accrued retirement benefits (F-G)	(706)
Note: For some subsidiaries, the simplified method is used to calculate benefit obligation.		Note: For some subsidiaries, the simplified method is used to calculate benefit obligation.	
3. Breakdown of pension cost in fiscal year 2006		3. Breakdown of pension cost in fiscal year 2007	
A. Service expenses	467	A. Service expenses	622
B. Interest expenses	16	B. Interest expenses	19
C. Expected return on plan assets	(16)	C. Expected return on plan assets	(24)
D. Expensed amount for differences in actuarial calculation	92	D. Expensed amount for differences in actuarial calculation	(128)
E. Expensed amount for prior service cost	—	E. Expensed amount for prior service cost	—
F. Adjustment for transition to principle method	3	F. Adjustment for transition to principle method	— 488
G. Pension cost (A+B+C+D+E)	564	G. Pension cost (A+B+C+D+E)	
Note: For subsidiaries that use the simplified method, pension cost is recorded as "A. Service expenses."		Note: For subsidiaries that use the simplified method, pension cost is recorded as "A. Service expenses."	
4. Calculation basis for retirement benefit		4. Calculation basis for retirement benefit	
A. Method of attributing benefit to periods of service	Straight-line method	A. Method of attributing benefit to periods of service	Straight-line method
B. Discount rate	2.0%	B. Discount rate	2.0%
C. Long-term rate of expected return on fund assets	2.0%	C. Long-term rate of expected return on fund assets	2.0%
D. Amortization period for prior service cost	1 year	D. Amortization period for prior service cost	1 year
E. Amortization period for difference in actuarial calculation (batch processed as loss or profit in the consolidated fiscal year after the year of occurrence)	1 year	E. Amortization period for difference in actuarial calculation (batch processed as loss or profit in the consolidated fiscal year after the year of occurrence)	1 year

Stock Options and Other
The fiscal year ended May 31, 2006 (June 1, 2005 to May 31, 2006)

1. Details, Scale and Changes in Stock Options

(1) Stock Option Details

Pasona Inc.

	Fiscal 2001 Stock Subscription Rights	Fiscal 2002 Stock Warrants	Fiscal 2003 Stock Warrants (1)
Number and status of individuals eligible to receive stock options	Directors of Pasona Inc.: 3 Employees of Pasona Inc. : 6	Directors of Pasona Inc.: 3 Employees of Pasona Inc.: 127	Directors of Pasona Inc.: 4 Employees of Pasona Inc. : 284
Type and number of shares (Note 1)	Common stock 5,400 shares	Common stock 4,287 shares	Common stock 4,110 shares
Date on which stock options were granted	March 14, 2001	June 2, 2003	January 30, 2004
Specified conditions relating to stock option rights	—	Note 2	Note 2
Eligible period of employment	From March 14, 2001 to May 31, 2001	From June 2, 2003 to August 31, 2004	January 30, 2004 to August 31, 2005
Stock option rights execution period	From June 1, 2001 to February 28, 2011	From September 1, 2004 to August 31, 2007	September 1, 2005 to August 31, 2008

	Fiscal 2003 Stock Warrants (2)	Fiscal 2004 Stock Warrants	Fiscal 2005 Stock Warrants
Number and status of individuals eligible to receive stock options	Employees of Pasona Inc. : 20	Directors of Pasona Inc.: 9 Executive Officers of Pasona Inc.: 19 Employees of Pasona Inc.: 839 Directors of Wholly Owned Subsidiaries of Pasona Inc.: 10 Directors of Affiliated Companies of Pasona Inc.: 8 Employee of an Affiliated Company Pasona Inc.: 1	Directors of Pasona Inc.: 11 Executive Officers of Pasona Inc.: 22 Employees of Pasona Inc. 966 Directors of Subsidiary Companies of Pasona Inc.: 10 Directors of Affiliated Companies of Pasona Inc.: 11 Employees of an Affiliated Company Pasona Inc.: 2
Type and number of shares (Note 1)	Common stock 60 shares	Common stock 3,827 shares	Common stock 4,898 shares
Date on which stock options were granted	February 4, 2004	July 8, 2005	April 6, 2006
Specified conditions relating to stock option rights	Note 2	Note 2	Note 2
Eligible period of employment	From February 4, 2004 to August 31, 2005	From July 8, 2005 to August 31, 2006	April 6, 2006 to August 31, 2007
Stock option rights execution period	From September 1, 2005 to August 31, 2008	From September 1, 2005 to August 31, 2011	September 1, 2007 to August 31, 2012

Notes:
1. Data converted to a number of shares basis.
2. “Specified conditions relating to stock option rights” is omitted.

Benefit One Inc.

	Fiscal 2000 Stock Subscription Rights (1)	Fiscal 2000 Stock Subscription Rights (2)	Fiscal 2001 Stock Subscription Rights
Number and status of individuals eligible to receive stock options	Directors of the Company.: 1 Employees of the Company's subsidiary. : 36	Directors of the Company's subsidiary: 1	Directors of the Company's subsidiary: 1 Employees of the Company's subsidiary: 35
Type and number of shares (Note 1)	Common stock 3,730 shares	Common stock 195 shares	Common stock 500 shares
Date on which stock options were granted	April 1, 2000	April 25, 2000	April 1, 2001
Specified conditions relating to stock option rights	—	—	—
Eligible period of employment	Note 3	Note 3	Note 3
Stock option rights execution period	From April 1, 2002 to March 21, 2010	From April 25, 2002 to April 20, 2010	From April 1, 2003 to March 13, 2011

	Fiscal 2003 Stock Warrants	Fiscal 2004 Stock Warrants
Number and status of individuals eligible to receive stock options	Directors of the Company's subsidiary: 1	Special Advisor of the Company's subsidiary: 1
Type and number of shares (Note 1)	Common stock 1,500 shares	Common stock 500 shares
Date on which stock options were granted	June 27, 2003	June 30, 2004
Specified conditions relating to stock option rights	Note 2	Note 2
Eligible period of employment	Note 3	Note 3
Stock option rights execution period	From July 1, 2005 to June 30, 2013	From July 1, 2006 to June 30, 2014

Notes:
1. Data converted to a number of shares basis.
2. "Specified conditions relating to stock option rights" is omitted.
3. Eligible period of employment has not been fixed.

Pasona Tech, Inc.

	Fiscal 2004 Stock Warrants	Fiscal 2005 Stock Warrants
Number and status of individuals eligible to receive stock options	Directors of the Company's subsidiary: 5 Employees of the Company's subsidiary: 85	Directors of the Company's subsidiary: 5 Employees of the Company's subsidiary: 29
Type and number of shares (Note 1)	Common stock 900 shares	Common stock 270 shares
Date on which stock options were granted	November 19, 2004	November 18, 2005
Specified conditions relating to stock option rights	Note 2	Note 2
Eligible period of employment	Note 3	Note 3
Stock option rights execution period	From November 19, 2004 to June 24, 2014	From June 29, 2007 to June 28, 2010

Notes:
1. Data converted to a number of shares basis.
2. "Specified conditions relating to stock option rights" is omitted.
3. Eligible period of employment has not been fixed.

Pasona career assets Inc.

	Fiscal 2003 Stock Warrants
Number and status of individuals eligible to receive stock options	Directors of the Company's wholly owned subsidiary: 3 Employees of the Company's wholly owned subsidiary: 116
Type and number of shares (Note 1)	Common stock 1,890 shares
Date on which stock options were granted	April 1, 2003
Specified conditions relating to stock option rights	Note 2
Eligible period of employment	Note 3
Stock option rights execution period	From April 1, 2005 to March 31, 2011

Notes:

1. Data converted to a number of shares basis.
2. "Specified conditions relating to stock option rights" is omitted.
3. Eligible period of employment has not been fixed.

(2) Stock Option Scale and Details of Change

The number of stock options current during the fiscal year ended May 31, 2006 has been converted to a number of shares basis.

Pasona Inc.

a. Number of Stock Options

	2001	2002	2003 (1)	2003 (2)	2004	2005
Prior to rights determination (shares)						
As of the previous fiscal year-end	—	—	—	—	—	—
Granted	—	—	—	—	3,585	4,848
Forfeited	—	—	—	—	70	306
Rights determined	—	—	—	—	3,515	—
Balance of undetermined rights	—	—	—	—	—	4,542
After rights determination (shares)						
As of the previous fiscal year-end	525	834	1,767	51	—	—
Granted	—	—	—	—	3,515	—
Rights exercised	175	432	45	—	—	—
Forfeited	—	—	135	3	181	—
Balance of unexercised rights	350	402	1,587	48	3,334	—

b. Unit Price Information

	2001	2002	2003 (1)	2003 (2)	2004	2005
Rights exercise price	93,334	103,334	240,000	240,000	260,000	310,000
Average price at the time of rights exercise	242,350	233,786	235,333	—	—	—
Fair evaluation price (date rights are granted)	—	—	—	—	—	—

Benefit One Inc.

a. Number of Stock Options

	2000 (1)	2000 (2)	2001	2003	2004
Prior to rights determination (shares)					
As of the previous fiscal year-end	—	—	—	1,500	500
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Rights determined	—	—	—	1,500	—
Balance of undetermined rights	—	—	—	—	500
After rights determination (shares)					
As of the previous fiscal year-end	2,010	195	220	—	—
Granted	—	—	—	1,500	—
Rights exercised	630	—	150	—	—
Forfeited	—	—	—	—	—
Balance of unexercised rights	1,380	195	70	1,500	—

b. Unit Price Information

	2000 (1)	2000 (2)	2001	2003	2004
Rights exercise price	30,000	30,000	108,714	120,000	140,000
Average price at the time of rights exercise	568,279	—	385,798	—	—
Fair evaluation price (date rights are granted)	—	—	—	—	—

Pasona Tech, Inc.

a. Number of Stock Options

	2004	2005
Prior to rights determination (shares)		
As of the previous fiscal year-end	—	—
Granted	—	270
Forfeited	—	—
Rights determined	—	—
Balance of undetermined rights	—	270
After rights determination (shares)		
As of the previous fiscal year-end	900	—
Granted	—	—
Rights exercised	—	—
Forfeited	—	—
Balance of unexercised rights	900	—

b. Unit Price Information

	2004	2005
Rights exercise price	345,285	231,578
Average price at the time of rights exercise	—	—
Fair evaluation price (date rights are granted)	—	—

Pasona career assets Inc.

a. Number of Stock Options

	2003
Prior to rights determination (shares)	
As of the previous fiscal year-end	1,890
Granted	—
Forfeited	—
Rights determined	1,890
Balance of undetermined rights	—
After rights determination (shares)	
As of the previous fiscal year-end	—
Granted	1,890
Rights exercised	—
Forfeited	370
Balance of unexercised rights	1,520

b. Unit Price Information

	2003
Rights exercise price	20,000
Average price at the time of rights exercise	—
Fair evaluation price (date rights are granted)	—

Stock Options and Other
The fiscal year ended May 31, 2007 (June 1, 2006 to May 31, 2007)

2. Details, Scale and Changes in Stock Options
(1) Stock Option Details
Pasona Inc.

	Fiscal 2001 Stock Subscription Rights	Fiscal 2002 Stock Warrants	Fiscal 2003 Stock Warrants (1)
Number and status of individuals eligible to receive stock options	Directors of Pasona Inc.: 3 Employees of Pasona Inc. : 6	Directors of Pasona Inc.: 3 Employees of Pasona Inc.: 127	Directors of Pasona Inc.: 4 Employees of Pasona Inc. : 284
Type and number of shares (Note 1)	Common stock 5,400 shares	Common stock 4,287 shares	Common stock 4,110 shares
Date on which stock options were granted	March 14, 2001	June 2, 2003	January 30, 2004
Specified conditions relating to stock option rights	—	Note 2	Note 2
Eligible period of employment	From March 14, 2001 to May 31, 2001	From June 2, 2003 to August 31, 2004	January 30, 2004 to August 31, 2005
Stock option rights execution period	From June 1, 2001 to February 28, 2011	From September 1, 2004 to August 31, 2007	September 1, 2005 to August 31, 2008

	Fiscal 2003 Stock Warrants (2)	Fiscal 2004 Stock Warrants	Fiscal 2005 Stock Warrants
Number and status of individuals eligible to receive stock options	Employees of Pasona Inc. : 20	Directors of Pasona Inc.: 9 Executive Officers of Pasona Inc.: 19 Employees of Pasona Inc.: 839 Directors of Wholly Owned Subsidiaries of Pasona Inc.: 10 Directors of Affiliated Companies of Pasona Inc.: 8 Employee of an Affiliated Company Pasona Inc.: 1	Directors of Pasona Inc.: 11 Executive Officers of Pasona Inc.: 22 Employees of Pasona Inc. 966 Directors of Subsidiary Companies of Pasona Inc.: 10 Directors of Affiliated Companies of Pasona Inc.: 11 Employees of an Affiliated Company Pasona Inc.: 2
Type and number of shares (Note 1)	Common stock 60 shares	Common stock 3,827 shares	Common stock 4,898 shares
Date on which stock options were granted	February 4, 2004	July 8, 2005	April 6, 2006
Specified conditions relating to stock option rights	Note 2	Note 2	Note 2
Eligible period of employment	From February 4, 2004 to August 31, 2005	From July 8, 2005 to August 31, 2006	April 6, 2006 to August 31, 2007
Stock option rights execution period	From September 1, 2005 to August 31, 2008	From September 1, 2005 to August 31, 2011	September 1, 2007 to August 31, 2012

Notes:
1. Data converted to a number of shares basis.
2. “Specified conditions relating to stock option rights” is omitted.

Benefit One Inc.

	Fiscal 2000 Stock Subscription Rights (1)	Fiscal 2000 Stock Subscription Rights (2)	Fiscal 2001 Stock Subscription Rights
Number and status of individuals eligible to receive stock options	Directors of the Company.: 1 Employees of the Company's subsidiary. : 36	Directors of the Company's subsidiary: 1	Directors of the Company's subsidiary: 1 Employees of the Company's subsidiary: 35
Type and number of shares (Note 1)	Common stock 14,920 shares	Common stock 780 shares	Common stock 2,000 shares
Date on which stock options were granted	April 1, 2000	June 2, 2003	April 1, 2001
Specified conditions relating to stock option rights	—	—	—
Eligible period of employment	Note 3	Note 3	Note 3
Stock option rights execution period	From April 1, 2002 to March 21, 2010	From April 25, 2002 to April 20, 2010	From April 1, 2003 to March 13, 2011

	Fiscal 2003 Stock Warrants	Fiscal 2004 Stock Warrants
Number and status of individuals eligible to receive stock options	Directors of the Company's subsidiary: 1	Special Advisor of the Company's subsidiary: 1
Type and number of shares (Note 1)	Common stock 6,000 shares	Common stock 2,000 shares
Date on which stock options were granted	June 27, 2003	June 30, 2004
Specified conditions relating to stock option rights	Note 2	Note 2
Eligible period of employment	Note 3	Note 3
Stock option rights execution period	From July 1, 2005 to June 30, 2013	From July 1, 2006 to June 30, 2014

Notes:

1. Data converted to a number of shares basis.
2. "Specified conditions relating to stock option rights" is omitted.
3. Eligible period of employment has not been fixed.

Pasona Tech, Inc.

	Fiscal 2004 Stock Warrants	Fiscal 2005 Stock Warrants
Number and status of individuals eligible to receive stock options	Directors of the Company's subsidiary: 5 Employees of the Company's subsidiary: 85	Directors of the Company's subsidiary: 5 Employees of the Company's subsidiary: 29
Type and number of shares (Note 1)	Common stock 900 shares	Common stock 270 shares
Date on which stock options were granted	November 19, 2004	November 18, 2005
Specified conditions relating to stock option rights	Note 2	Note 2
Eligible period of employment	Note 3	Note 3
Stock option rights execution period	From November 19, 2004 to June 24, 2014	From June 29, 2007 to June 28, 2010

Notes:

1. Data converted to a number of shares basis.
2. "Specified conditions relating to stock option rights" is omitted.
3. Eligible period of employment has not been fixed.

Pasona career Inc.

	Fiscal 2003 Stock Warrants	Fiscal 2004 Stock Warrants
Number and status of individuals eligible to receive stock options	Directors of the Company's subsidiary: 3 Employees of the Company's subsidiary: 116	Directors of the Company's subsidiary: 4 Employees of the Company's subsidiary: 211
Type and number of shares (Note 1)	Common stock 1,890 shares	Common stock 1,229 shares
Date on which stock options were granted	April 1, 2003	April 24, 2006
Specified conditions relating to stock option rights	Note 2	Note 2
Eligible period of employment	Note 3	Note 3
Stock option rights execution period	From April 1, 2005 to March 31, 2011	From April 24, 2008 to January 31, 2014

Notes:

1. Data converted to a number of shares basis.
2. "Specified conditions relating to stock option rights" is omitted.
3. Eligible period of employment has not been fixed.

(2) Stock Option Scale and Details of Change

The number of stock options current during the fiscal year ended May 31, 2007 has been converted to a number of shares basis.

Pasona Inc.

a. Number of Stock Options

	2001	2002	2003 (1)	2003 (2)	2004	2005
Prior to rights determination (shares)						
As of the previous fiscal year-end	—	—	—	—	—	—
Granted	—	—	—	—	3,585	4,848
Forfeited	—	—	—	—	70	306
Rights determined	—	—	—	—	—	—
Balance of undetermined rights	—	—	—	—	3,515	4,542
After rights determination (shares)						
As of the previous fiscal year-end	525	834	1,767	51	—	—
Granted	—	—	—	—	3,515	—
Rights exercised	175	432	45	—	—	—
Forfeited	—	—	135	3	181	—
Balance of unexercised rights	350	402	1,587	48	3,334	—

b. Unit Price Information

	2001	2002	2003 (1)	2003 (2)	2004	2005
Rights exercise price	93,334	103,334	240,000	240,000	260,000	310,000
Average price at the time of rights exercise	242,350	233,786	235,333	—	—	—
Fair evaluation price (date rights are granted)	—	—	—	—	—	—

Benefit One Inc.

a. Number of Stock Options

	2000 (1)	2000 (2)	2001	2003	2004
Prior to rights determination (shares)					
As of the previous fiscal year-end	—	—	—	—	2,000
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Rights determined	—	—	—	—	2,000
Balance of undetermined rights	—	—	—	—	—
After rights determination (shares)					
As of the previous fiscal year-end	5,520	780	280	6,000	—
Granted	—	—	—	—	2,000
Rights exercised	1,940	—	40	400	680
Forfeited	—	—	60	—	—
Balance of unexercised rights	3,580	780	180	5,600	1,320

The number of stock options identified above is based on the number of shares after accounting for the five-for-one stock split conducted on May 20, 2005 and the four-for-one stock split conducted on April 1, 2006.

b. Unit Price Information

	2000 (1)	2000 (2)	2001	2003	2004
Rights exercise price	7,500	7,500	27,179	30,000	35,000
Average price at the time of rights exercise	133,166	—	114,126	183,600	131,721
Fair evaluation price (date rights are granted)	—	—	—	—	—

Pasona Tech, Inc.

a. Number of Stock Options

	2004	2005
Prior to rights determination (shares)		
As of the previous fiscal year-end	—	270
Granted	—	—
Forfeited	—	10
Rights determined	—	—
Balance of undetermined rights	—	260
After rights determination (shares)		
As of the previous fiscal year-end	883	—
Granted	—	—
Rights exercised	—	—
Forfeited	25	—
Balance of unexercised rights	858	—

b. Unit Price Information

	2004	2005
Rights exercise price	345,285	231,578
Average price at the time of rights exercise	—	—
Fair evaluation price (date rights are granted)	—	—

Pasona career Inc.

a. Number of Stock Options

	2003	2003
Prior to rights determination (shares)		
As of the previous fiscal year-end	1,890	—
Granted	—	1,229
Forfeited	—	6
Rights determined	1,890	—
Balance of undetermined rights	—	1,223
After rights determination (shares)		
As of the previous fiscal year-end	—	—
Granted	1,890	—
Rights exercised	—	—
Forfeited	370	—
Balance of unexercised rights	1,520	—

b. Unit Price Information

	2003	2006
Rights exercise price	20,000	76,000
Average price at the time of rights exercise	—	—
Fair evaluation price (date rights are granted)	—	—

Business Combination

1. Benefit One Inc.

(1) Rationale for business combination

To augment gourmet (discount) contents, while at the same time expanding the customer's customer base.

(2) Name and business activities of the company acquired

① Name: Overseas Human Resources, Inc.
② Business activities: Membership and seal business

(3) Date of business combination

March 1, 2007

(4) Business combination legal structure

Business transfer

(5) Period for which results of the business acquired are included in financial statements

March 1, 2007 to March 31, 2007

(6) Business acquisition cost and breakdown

Acquisition cost:	¥312 million
Breakdown:	Consideration (Cash) ¥312 million

(7) Goodwill, factors contributing to goodwill, depreciation method and period

① Amount: ¥300 million
② Factors contributingto goodwill: Estimate of future excess earnings power as a result of ongoing business development
③ Depreciation method: Straight-line method
④ Depreciation period: Five years

(8) Assets and liabilities transferred on the date of business combination

Current assets:	¥24 million
Current liabilities:	¥12 million

3. Pasona Career, Inc.

(1) Name and business activities of the companies acquired

1 Name: Pasona career assets Inc. (Combining company)
Business activities: Outplacement, human resource consulting, education and training, employment portal site management
2 Name: Pasona Carent, Inc. (Company to be combined)
Business activities: Fee-based placement services

(2) Business combination legal structure

Pasona career assets Inc. and Pasona Carent, Inc. were merged with Pasona career assets Inc. as the surviving company. Pasona Carent, Inc. was subsequently dissolved. In accordance with Article 796 Paragraph 3 of the Corporation Law, integration was conducted using a simplified method and not subject to approval by Pasona career assets Inc. shareholders.

(3) Name of the company after business combination

Pasona Career Inc.

(4) Rationale for business combination

Maximizing the synergy benefits to be gained through business combination, the objective is to raise the quality and efficiency of the Group's placement and recruiting as well as its outplacement services on a nationwide basis.

(5) Business combination overview

1 Share allocation rate:

One common share of Pasona career assets inc. was allocated for one common share of Pasona Carent, Inc.

2 Number of new shares issued as a result of business combination

3,520 common shares of Pasona career assets Inc. were newly issued as a result of integration.

3 Business combination date:
January 1, 2007

4 Financial condition at the time of business combination:

Capital	¥399 million
Total assets	¥4,691 million

(6) Accounting treatment overview in connection with business combination

From an accounting perspective, business combination was effected in accordance with the “Accounting Standard for Business Combination” (Business Accounting Council, October 31, 2003) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 27, 2005).

4. Pasona Youth Inc.

(1) Rationale for business combination

To provide a full line of support services including temporary staffing and contracting, placement and recruiting, placement of temporary staff and employment advertising to job seekers in the young age group and client firms.

(2) Name and business activities of the companies acquired

1	Name:	Pasona On Inc. (Transferee company)
	Business activities:	Temporary staffing and contracting and placement and recruiting business targeting new graduates and former workers with limited work experience; Education and training, and; Outsourcing primarily targeting universities
2	Name:	Pasona ai Inc. (Transferor company)
	Business activities:	Employment advertising portal site management targeting young job seekers in their 20s

(3) Date of business combination

July 1, 2006

(4) Business combination legal structure

Business transfer

(5) Name of the company after business combination

Pasona Youth Inc.

(6) Business acquisition cost and breakdown

Not applicable

(7) Asset and liabilities transferred on the date of business combination

Current assets:	¥16 million
Fixed assets:	¥17 million
Current liabilities:	¥31 million
Fixed liabilities:	¥2 million

(8) Accounting treatment overview in connection with business combination

From an accounting perspective, business combination was effected in accordance with the “Accounting Standard for Business Combination” (Business Accounting Council, October 31, 2003) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 27, 2005).

5. Pasona e-Professional Inc.

(1) Rationale for business combination

To strengthen and expand marketing network and marketing capabilities in the Chugoku, Shikoku and Kyushu regions; To secure temporary staff

(2) Name and business activities of the company acquired

1	Name:	JHN Chugoku Co., Ltd.
2	Business activities:	Temporary staffing and fee-based placement services

(3) Date of business combination

August 1, 2006

(4) Business combination legal structure

Business transfer

(5) Period for which results of the business acquired are included in financial statements

August 1, 2006 to March 31, 2007

(6) Business acquisition cost and breakdown

Acquisition cost:	¥51 million

Breakdown:	Consideration (Cash) ¥51 million

(7) Goodwill, factors contributing to goodwill, depreciation method and period

1	Amount:	¥49 million
2	Factors contributing to goodwill:	Estimate of future excess earnings power as a result of ongoing business development
3	Depreciation method:	Straight-line method
4	Depreciation period:	Two years

(8) Assets and liabilities transferred on the date of business combination

Current assets:	¥0 million
Fixed assets:	¥1 million

Per share information

(Yen unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
Net assets per share	54,599.58	Net assets per share	53,759.81
Earnings per share	8,292.17	Earnings per share	10,003.68
Earnings per diluted share	8,221.12	Earnings per diluted share	9,925.72

Note: Net assets per share, earnings per share and earnings per diluted share are calculated on the following basis:

1. Net assets per share

(Millions of yen, unless otherwise stated)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Total net assets	27,634	26,904
Amount deducted from total net assets Minority interests	3,988	4,528
Net assets applicable to common stock	23,645	22,376
Number of common stock issued and outstanding as of the end of the period (Shares)	433,080	433,732
Number of treasury stock (Shares)	—	17,500
Number of common stock used in the calculation of net assets per share (Shares)	—	416,232

2. Earnings per share and earnings per diluted share

(Millions of yen, unless otherwise stated)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Earnings per share		
Net income	3,588	4,198
Net income applicable to common stock	3,588	4,198
Average number of shares for the period	432,782	419,668
Earnings per diluted share		
Net income adjustment amount	19	25
Increase in the number of common shares (shares)	1,352	696
(Common stock subscription rights)	(349)	(304)
(Common stock with warrants)	(1,003)	(392)
Since there was no effect on earnings per share after applying calculations adjusted for the dilution of stocks, per diluted share amounts have been omitted from this report	Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,848 shares)	Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 26, 2003 (number of common stock with warrants: 545 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 3,334 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,542 shares)

Significant subsequent events

(Yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
1. Sale of consolidated subsidiary shares (1)Rationale for sale Home Computing Network Inc. (HCN) was engaged in the management and operation of community-based personal computer (PC) training classes. In an effort to further develop HCN's business activities, the decision was made to sell the company's shares to ThreePro Group Inc., a company that is primarily engaged in PC-related support services. (2)Name of purchaser ThreePro Group Inc. (3)Date of share sale June 30, 2006 (4)Name of subsidiary company to be sold Home Computing Network Inc. (5)Business activities of subsidiary company Management and operation of PC training classes. (6)Transaction details with the Company There are no ongoing business transactions between HCN and Pasona. (7)Shareholding before sale 1,124 shares (79.49%) (8)Number of shares to be sold 1,339 shares (shareholding of Pasona and 258 shares transferred by other parties) (9)Shareholding after sale 43 share (3.04%) (10) Sales amount ¥507 million (11) Loss on sale ¥25 million 2. Acquisition of treasury stock Following a Board of Directors' meeting held on August 21, 2006, the Company resolved to acquire treasury stock pursuant to Article 156 applied in accordance with Article 165 Paragraph 3 of the Corporation Law. Brief details are outlined as follows. (1) Details of the Board of Directors' resolution in connection with the acquisition of treasury stock i) Rationale for the acquisition of treasury stock The decision to acquire treasury stock was made to enable the implementation of flexible capital policies in line with changes in the business environment. ii) Method of acquisition The Company placed a buy order outside trading session hours for its common stock (closing price order) via ToSTNet-2 (Tokyo Stock Exchange Trading Network System) iii) Type and number of shares to be acquired A maximum limit of 17,500 shares of common stock iv) Total acquisition amount A maximum amount of ¥4,287 million (2) Acquisition date August 22, 2006 (3) Type and number of shares acquired 17,500 shares of common stock (4) Acquisition amount ¥4,287 million	———

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED BALANCE SHEETS

As of May 31, 2006 and May 31, 2007 (Millions of yen)

		May 31, 2006			May 31, 2007		
	Notes			%			%
ASSETS							
Current assets:							
1 Cash and deposits			3,770			703	
2 Accounts receivable — trade	※1		14,457			15,954	
3 Stored goods	※1		75			68	
4 Prepaid expenses			602			686	
5 Deferred tax assets			668			714	
6 Short-term loans receivable from affiliated companies			148			134	
7 Other current assets	※1		377			438	
Less allowance for doubtful receivables			(43)			(51)	
Total current assets			20,057	54.5		18,649	55.0
Fixed assets:							
1 Property and equipment:							
(1) Buildings		1,780			2,437		
Accumulated depreciation		347	1,433		526	1,910	
(2) Structures		—			3		
Accumulated depreciation		—	—		1	2	
(3) Machinery & equipment		7			7		
Accumulated depreciation		2	5		3	4	
(4) Vehicles & transportation		1			1		
Accumulated depreciation		1	0		1	0	
(5) Tools, furniture & fixtures		443			571		
Accumulated depreciation		172	271		248	323	
(6) Land			653			653	
(7) Construction work in progress			30			2	
Total tangible fixed assets			2,393	6.5		2,896	8.5
2 Intangible assets:							
(1) Goodwill			—			14	
(2) Software			553			567	
(3) Telephone subscription rights			62			62	
Total intangible fixed assets			616	1.7		645	1.9
3 Investments and other assets:							
(1) Investment securities			269			389	
(2) Investments in affiliated companies			10,184			7,398	
(3) Long-term loans receivable from affiliated companies			49			136	
(4) Bankruptcy and rehabilitation receivables			57			64	
(5) Long-term prepaid expenses			123			297	
(6) Deferred tax assets			545			366	
(7) Security and guarantee deposits			2,563			3,167	
(8) Other investments			24			10	
Allowance for doubtful receivables			(65)			(83)	
Total investments and other assets			13,753	37.3		11,747	34.6
Total fixed assets			16,763	45.5		15,290	45.0
Total assets			36,820	100.0		33,939	100.0

NON-CONSOLIDATED BALANCE SHEETS

As of May 31, 2006 and May 31, 2007 (Millions of yen)

		May 31, 2006			May 31, 2007		
	Notes			%			%
LIABILITIES							
Current liabilities:							
1 Short-term loans payable to affiliated companies			—			1,500	
2 Accounts payable－other			1,100			1,647	
3 Accrued expenses			7,005			7,630	
4 Income taxes payable			1,766			930	
5 Consumption taxes payable			1,725			1,866	
6 Advances received			1			3	
7 Deposits held			373			267	
8 Unearned income			0			0	
9 Reserve for bonus			831			1,041	
10 Reserve for directors' bonus			50			—	
11 Other current liabilities			—			0	
Total current liabilities			12,853	34.9		14,886	43.9
Long-term liabilities:							
1 Allowance for directors' retirement benefits			575			720	
2 Other long-term liabilities			181			200	
Total long-term liabilities			757	2.1		921	2.7
Total liabilities			13,610	37.0		15,808	46.6
NET ASSETS							
I Shareholders' equity							
1 Common stock			8,322	22.6		8,358	24.6
2 Capital surplus							
(1) Capital reserve		3,860			3,896		
(2) Other capital surplus		3,597			3,597		
Total capital surplus			7,457	20.2		7,493	22.1
3 Retained earnings							
(1) Other retained earnings							
Other reserve		4,500			4,500		
Unappropriated retained earnings brought forward		2,882			2,047		
Total retained earnings			7,382	20.1		6,547	19.3
4 Treasury stock			—	—		(4,287)	(12.6)
Total shareholders' equity			23,162	62.9		18,111	53.4
II Valuation and conversions							
1 Net unrealized holding gain on other securities			47			20	
Total valuation and conversions			47	0.1		20	0.0
Total net assets			23,209	63.0		18,131	53.4
Total liabilities and net assets			36,820	100.0		33,939	100.0

NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended May 31, 2006 and 2007 (Millions of yen)

		FY Ended May 31, 2006 (June 1, 2005 to May 31, 2006)			FY Ended May 31, 2007 (June 1, 2006 to May 31, 2007)		
	Notes			%			%
Net sales			144,864	100.0		162,085	100.0
Cost of sales			121,161	83.6		135,980	83.9
Gross profit			23,703	16.4		26,104	16.1
Selling, general and administrative expenses							
1 Directors' remuneration		449			494		
2 Transfer to reserve for directors' bonus		50			—		
3 Salaries and bonuses		7,182			8,027		
4 Transfer to reserve for bonus		821			1,039		
5 Welfare expenses		1,564			1,870		
6 Retirement expenses		211			0		
7 Transfer to allowance for directors' retirement benefits		160			156		
8 Recruiting expenses		1,095			1,377		
9 Outsourcing expenses		1,399			1,914		
10 Advertising and promotion expenses		199			434		
11 Communication expenses		564			618		
12 Rental and leasing expenses		2,319			2,523		
13 Depreciation and amortization		550			568		
14 Transfer to allowance for doubtful receivables		33			28		
15 Bad debt expenses		—			0		
16 Other		2,000	18,602	12.9	2,226	21,281	13.1
Operating income			5,101	3.5		4,822	3.0
Non-operating income:							
1 Interest income	※1	12			15		
2 Dividend income	※1	128			173		
3 Other income	※1	18	159	0.1	25	213	0.1
Non-operating expenses:							
1 Interest expenses		5			29		
2 Commitment line of credit commission		35			29		
3 Other expenses		5	45	0.0	7	66	0.0
Ordinary income			5,214	3.6		4,970	3.1
Extraordinary gains:							
1 Gain on sale of securities in affiliated companies		—	—	—	564	564	0.3
Extraordinary loss:							
1 Loss on disposal of fixed assets	※2	40	—		15		
2 Valuation loss on investment in affiliated companies		653	—		2,958		
3 Other extraordinary losses		—	694	0.5	4	2,978	1.8
Income before income taxes and minority interests			4,520	3.1		2,556	1.6
Income taxes－current		2,323			2,044		
Income taxes－deferred		(345)	1,978	1.3	152	2,196	1.4
Net income			2,542	1.8		360	0.2

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY

Year ended May 31, 2006 (Millions of yen)

	Shareholders’ Equity			
	Common Stock	Capital Surplus		
		Capital Reserve	Other Capital Surplus	Total Capital Surplus
Balance as of May 31, 2005	8,285	3,823	3,597	7,420
Movements during fiscal year ended May 31, 2006:				
Issuance of new shares	37	37	—	37
Distribution of surplus	—	—	—	—
Net income	—	—	—	—
Payment of directors’ bonus	—	—	—	—
Transfer to other reserve	—	—	—	—
Loss on retirement of shares following merger	—	—	—	—
Net change in line items other than shareholders’ equity	—	—	—	—
Total due to movements during the fiscal year ended May 31, 2006	37	37	—	37
Balance as of May 31, 2006	8,322	3,860	3,597	7,457

	Shareholders’ Equity				Valuation and Conversions	Total Net Assets
	Retained Earnings			Total Shareholders’ Equity	Net Unrealized Holding Gain on Other Securities	
	Other Retained Earnings		Total Retained Earnings			
	Other Reserve	Unappropriated Retained Earnings Brought Forward				
Balance as of May 31, 2005	—	6,123	6,123	21,828	123	21,952
Movements during fiscal year ended May 31, 2006:						
Issuance of new shares	—	—	—	74	—	74
Distribution of surplus	—	(648)	(648)	(648)	—	(648)
Net income	—	2,542	2,542	2,542	—	2,542
Payment of directors’ bonus	—	(75)	(75)	(75)	—	(75)
Transfer to other reserve	4,500	(4,500)	—	—	—	—
Loss on retirement of shares following merger	—	(559)	(559)	(559)	—	(559)
Net change in line items other than shareholders’ equity	—	—	—	—	(75)	(75)
Total due to movements during the fiscal year ended May 31, 2006	4,500	(3,240)	1,259	1,333	(75)	1,257
Balance as of May 31, 2006	4,500	2,882	7,382	23,162	47	23,209

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended May 31, 2007 (Millions of yen)

	Shareholders' Equity						
		Capital Surplus			Retained Earnings		
					Other Retained Earnings		
	Common Stock	Capital Reserve	Other Capital Surplus	Total Capital Surplus	Other Reserve	Unappropriated Retained Earnings Brought Forward	Total Retained Earnings
Balance as of May 31, 2006	8,322	3,860	3,597	7,457	4,500	2,882	7,382
Movements during fiscal year ended May 31, 2007:							
Issuance of new shares	35	35	—	35	—	—	—
Distribution of surplus	—	—	—	—	—	(1,195)	(1,195)
Net income	—	—	—	—	—	360	360
Acquisition of treasury stock	—	—	—	—	—	—	—
Net change in line items other than shareholders' equity	—	—	—	—	—	—	—
Total due to movements during the fiscal year ended May 31, 2007	35	35	—	35	—	(835)	(835)
Balance as of May 31, 2007	8,358	3,896	3,597	7,493	4,500	2,047	6,547

	Shareholders' Equity		Valuation and Conversions	Total Net Assets
	Treasury Stock	Total Shareholders' Equity	Net Unrealized Holding Gain on Other Securities	
Balance as of May 31, 2006	—	23,162	47	23,209
Movements during fiscal year ended May 31, 2007:				
Issuance of new shares	—	71	—	71
Distribution of surplus	—	(1,195)	—	(1,195)
Net income	—	360	—	360
Acquisition of treasury stock	(4,287)	(4,287)	—	(4,287)
Net change in line items other than shareholders' equity	—	—	(27)	(27)
Total due to movements during the fiscal year ended May 31, 2007	(4,287)	(5,050)	(27)	(5,078)
Balance as of May 31, 2007	(4,287)	18,111	20	18,131

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation of non-consolidated financial statements

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
1. Valuation standard and valuation method of investment securities	(1) Equity in subsidiary and affiliated companies Cost basis using the moving-average cost method. (2) Securities (other securities) 1. Securities with quoted market values: Securities with quoted market value are stated at fair value on the closing date of financial accounts. (Net unrealized gains and losses on other securities are reported, directly to net assets. The cost of these securities is calculated based on the moving-average cost method.) 2. Securities without quoted market values: Securities without quoted market values are stated at cost using the moving-average cost method.	(1) Equity in subsidiary and affiliated companies (2) Securities (other securities) 1. Securities with quoted market values 2. Securities without quoted market values: As left.
2. Valuation standard and valuation method of inventories	(1) Inventories: Stored goods: Stored goods are stated on a cost basis using the last invoice cost method.	(1) Inventories: Stored goods: As left.
3. Depreciation methods of fixed assets	(1) Tangible fixed assets: 1.Buildings (excluding associated equipment and facilities): Straight-line method 2.Other tangible fixed assets: Declining - balance method (2) Intangible fixed assets Software: Straight-line method over the useful life of the asset estimated by the Company (within five years)	(1) Tangible fixed assets 1.Buildings (excluding associated equipment and facilities) Acquired after April 1, 2007: Straight-line method Buildings other than those identified above: Pre-existing straight-line method 2.Other tangible fixed assets Acquired after April 1, 2007 Primarily the declining-balance method Other tangible fixed assets other than those identified above: Primarily the pre-existing declining-balance method (2) Intangible fixed assets Software: As left.

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
4. Accounting policies for provisions	(1) Allowance for doubtful receivables: The Company provides for doubtful receivables based on the historical deterioration rate as for normal loans, and the amount deemed necessary to cover individual accounts estimated to be uncollectible (2) Reserve for bonus: The Company provides for employee bonus payments at an estimated amount to be paid for the period. (3) Reserve for directors' bonus: The Company provides for directors' bonus payments at an estimated amount to be paid for the period. (4) Allowance for employees' severance retirement benefits: The Company provides an allowance for severance retirement benefits for employees based on the calculated amount of accrued retirement funds and accrued pension assets as of the end of the fiscal period. Actual gains and losses are recognized in expenses in the next fiscal year. As of the end of the fiscal year under review, the amount of accrued pension assets exceeded the unrecognized differences in actuarial calculation applicable to the amount of accrued retirement funds. Accordingly, an amount of ¥72 million was recorded as long-term prepaid expenses (5) Allowance for directors' retirement benefits: The Company provides an allowance for retirement benefits for directors and executive officers in conformity with bylaws to meet obligations as of the end of the fiscal period.	(1) Allowance for doubtful receivables: As left. (2) Reserve for bonus: As left. (3) Reserve for directors' bonus: The Company provides for directors' bonus payments at an estimated amount to be paid for the period. There are no items to record in the fiscal year under review. (4) Allowance for employees' severance retirement benefits: The Company provides an allowance for severance retirement benefits for employees based on the calculated amount of accrued retirement funds and accrued pension assets as of the end of the fiscal period. Actual gains and losses are recognized in expenses in the next fiscal year. As of the end of the fiscal year under review, the amount of accrued pension assets exceeded the unrecognized differences in actuarial calculation applicable to the amount of accrued retirement funds. Accordingly, an amount of ¥224 million was recorded as long-term prepaid expenses (5) Allowance for directors' retirement benefits: As left.

5. Accounting for lease transactions	Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.	As left.
6. Other significant accounting policies for preparing financial statements	(1) Consumption taxes: Consumption taxes are separately recorded.	(1) Consumption taxes: As left.

Changes in significant basis for the preparation of non-consolidated financial statements

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
(Accounting standard for directors' bonuses) For the fiscal year under review, the Company introduced accounting standards for directors' bonuses presented in "Corporate Accounting Standards Guideline 4" issued on November 29, 2005. In comparison with the previous method, operating income, ordinary income and income before income taxes all decrease by ¥50 million.	——————
(Accounting standard for the impairment of fixed assets) For the fiscal year under review, the Company introduced accounting standards for the impairment of fixed assets presented in the "Accounting Standard for Impairment of Fixed Assets" ("Comments on the Accounting Standard for Impairment of Fixed Assets" by the Business Accounting Council in Japan issued on August 9, 2002) and the "Guidance for Accounting Standard for Impairment of Fixed Assets" (Accounting Standards Board of Japan, Financial Accounting Standards Implementation Guidance No. 6 issued on October 31, 2003). There was no impact on profit and loss as a result of adoption.	——————
(Partial revision of the accounting standard for treasury stock and the reversal of legal reserves) For the period under review, the Company introduced the revised "Accounting Standard for Treasury Stock and the Reversal of Legal Reserves" (Accounting Standards Board of Japan, Revised Corporate Accounting Standards Guideline No.1, finally revised on August 11, 2006) and "Implementation Guidance on the Accounting Standard for Treasury Stock and the Reversal of Legal Reserves" (Accounting Standards Board of Japan, Revised Financial Accounting Standards Implementation Guidance No.2, finally revised on August 11, 2006). There was no impact on profit and loss as a result of adoption. Furthermore, as a result of revisions to the Rules for Financial Statements, the financial statements for the fiscal year ended May 31, 2007 have been prepared in accordance with rule revisions.	——————

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
(Accounting standard for the presentation of net assets on the balance sheet) For the fiscal year under review, the Company introduced accounting standards for the presentation of net assets on the balance sheet presented in "Accounting Standard for the Presentation of Net Assets on the Balance Sheet No. 5" issued by the Accounting Standards Board of Japan on December 9, 2005 and "Guidance on the Accounting Standard for the Presentation of Net Assets on the Balance Sheet No. 8" issued by the Accounting Standards Board of Japan on December 9, 2005. Under the previous standard, the total of shareholders' equity is ¥23,209 million. There was no impact on profit and loss as a result of adoption. The balance sheet for the fiscal year under review has been prepared to include a section for net assets composed of line items consistent with revisions to standards relating to the preparation of financial statements.	――――――
――――――	(Change in depreciations methods applicable to tangible fixed assets) From the fiscal year ended May 31, 2007, the Company has adopted fiscal 2007 tax reform measures. The straight-line method of depreciation shall be applied to buildings (excluding structures) purchased after April 1, 2007. For all other tangible fixed assets the declining-balance method of depreciation shall be used. In connection with existing assets, previously applied straight-line and declining-balance methods of depreciation shall be applied. The impact of this change was immaterial.

Notes to consolidated balance sheets

(Millions of yen, unless otherwise stated)

As of March 31, 2006	As of March 31, 2007
1. ――――	1.Transactions with affiliated companies were as follows: Accounts payable other 117 Accrued expenses 34 Deposits held 204
2. Contingent liability for guarantee (1) For the following affiliate, the unpaid balance on leasing expenses are guaranteed: Pasona ADP Payroll, Inc. 50	2. Contingent liability for guarantee (1) For the following affiliate, the unpaid balance on leasing expenses are guaranteed: Pasona ADP Payroll, Inc. 29
(2) For the following affiliate, debt financing from financial institutions are guaranteed: Pasona N A, Inc. 28	(2) For the following affiliate, debt financing from financial institutions are guaranteed: ――――
(3) For the following affiliate, external debt financing are guaranteed: ――――	(3) For the following affiliate, external debt financing are guaranteed: Pasona Human Resources (Shanghai) Co., Ltd. 55

Notes to non-consolidated statements of income

(Millions of yen unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
1. Transactions with affiliated companies are as follows:		1. Transactions with affiliated companies are as follows:	
Interest income	11	Interest income	14
Dividend income	126	Dividend income	171
Other non-operating income	1	Other non-operating income	2
2. Breakdown of loss on disposal and sale of fixed assets:		2. Breakdown of loss on disposal and sale of fixed assets:	
Loss on disposal:		Loss on disposal:	
Buildings	24	Buildings	10
Equipment, furniture and fixtures	5	Equipment, furniture and fixtures	4
Software	3		15
Other	0		
Loss on sale:			
Land	1		
Buildings	5		
	40		

Notes to non-consolidated statements of changes in shareholders' equity

FY ended 2006 (June 1, 2005 to May 31, 2006)

Not applicable.

FY ended 2007 (June 1, 2006 to May 31, 2007)

1. Matters concerning treasury stock

(Shares)

Type of Shares	FY ended 2006 (as of May 31, 2006)	Increase	Decrease	FY ended 2007 (as of May 31, 2007)
Common stock	—	17,500	—	17,500

(Reasons for the change)
To enable the implementation of a flexible capital policy in line with changes in the business environment..

Leases

(Millions of yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
1. Finance leases other than those that transfer ownership to the lessee (1) Acquisition cost, accumulated depreciation and period-end balance of lease assets	1. Finance leases other than those that transfer ownership to the lessee (1) Acquisition cost, accumulated depreciation and period-end balance of lease assets

	Acquisition cost	Accumulated depreciation	Period-end balance		Acquisition cost	Accumulated depreciation	Period-end balance
Vehicles and transportation	14	3	11	Vehicles and transportation	14	5	8
Equipment, furniture and fixtures	242	143	99	Equipment, furniture and fixtures	344	174	169
Software	338	308	29	Software	24	18	5
Total	595	454	140	Total	382	198	184

(2) Period-end balance of unpaid lease expenses	FY ended 2006	(2) Period-end balance of unpaid lease expenses	FY ended 2007
Due within one year	86	Due within one year	98
Due after one year	56	Due after one year	88
Total	142	Total	186

(3) Lease expense payments, depreciation, interest expenses	FY ended 2006	(3) Lease expense payments, depreciation, interest expenses	FY ended 2007
Lease expense payment	236	Lease expense payment	130
Accumulated depreciation	229	Accumulated depreciation	126
Interest expenses	3	Interest expenses	4

FY ended 2006	FY ended 2007
(4) Method of calculation for amortization Straight-line method over the useful life with no remaining value is used to calculate amortization.	(4) Method of calculation for amortization As left.
(5) Method for calculation for interest The difference between total lease expenses and acquisition cost of leased assets is considered as interest portion and the allocation of this interest is calculated by the interest method.	(5) Method for calculation for interest As left

2. Operating lease Amount of unpaid lease expenses	FY ended 2006	2. Operating lease Amount of unpaid lease expenses	FY ended 2007
Due within one year	1,191	Due within one year	458
Due after one year	189	Due after one year	648
Total	1,381	Total	1,106

Securities

FY ended May 31, 2006
Shares of subsidiary and affiliated companies with quoted market value (as of May 31, 2006)

(Millions of yen)

	Amount Stated on the Balance Sheet	Market Value	Difference
Shares in subsidiary companies	6,056	20,504	14,448
Total	6,056	20,504	14,448

FY ended May 31, 2007
Shares of subsidiary and affiliated companies with quoted market value (as of May 31, 2007)

(Millions of yen)

	Amount Stated on the Balance Sheet	Market Value	Difference
Shares in subsidiary companies	3,724	14,377	10,652
Total	3,724	14,377	10,652

Tax-effect accounting

(Millions of yen, unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
3. Breakdown for major causes of occurrence in deferred tax assets and deferred tax liabilities		6. Breakdown for major causes of occurrence in deferred tax assets and deferred tax liabilities	
a. Deferred tax assets		a. Deferred tax assets	
Amount exceeded amortization of trademarks	121	Amount exceeded amortization of trademarks	96
Amount exceeded depreciation expense	14	Amount exceeded depreciation expense	33
Amount exceeded small sum asset depreciation expense	8	Amount exceeded small sum asset depreciation expense	8
Reserve for bonus	338	Reserve for bonus	423
Amount exceeded allowance for doubtful receivables	26	Amount exceeded allowance for doubtful receivables	32
Provision for directors' retirement benefits	234	Provision for directors' retirement benefits	293
Accrued business office taxes	106	Accrued business office taxes	116
Accrued enterprise taxes	142	Accrued enterprise taxes	83
Accrued expenses	33	Accrued expenses	30
Loss on devaluation of investment in affiliated company shares	249	Loss on devaluation of investment in affiliated company shares	1,131
Others	73	Others	86
Total gross deferred tax	1,349	Total gross deferred tax	2,336
Less valuation allowance assets	(72)	Less valuation allowance assets	(1,149)
Total deferred tax assets	1,276	Total deferred tax assets	1,186
b. Deferred tax liabilities		b. Deferred tax liabilities	
Long-term prepaid expenses	(29)	Long-term prepaid expenses	(91)
Net unrealized holding gain on other securities	(32)	Net unrealized holding gain on other Securities	(13)
Total deferred tax liabilities	(62)	Total deferred tax liabilities	(105)
Net deferred tax assets	1,214	Net deferred tax assets	1,081
7. Breakdown of major differences between the statutory tax rate and the effective tax rate after adoption of tax effect accounting		4. Breakdown of major differences between the statutory tax rate and the effective tax rate after adoption of tax effect accounting	
Statutory tax rate	40.69%	Statutory tax rate	40.69%
(Adjustments)		(Adjustments)	
Inhabitant taxes per capita	1.60	Valuation reserve	41.90
Previous period's tax	1.37	Inhabitant taxes per capita	2.85
Others	0.10	Others	0.47
Effective income tax rate	43.76	Effective income tax rate	85.91

Business Combination

Years ended May 31, 2007 and 2006

None

Per share information

(Yen unless otherwise stated)

FY ended 2006 (June 1, 2005 to May 31, 2006)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
Net assets per share	53,592.60	Net assets per share	43,561.29
Earnings per share	5,874.62	Earnings per share	858.36
Earnings per diluted share	5,856.30	Earnings per diluted share	856.93

Note: Net assets per share, earnings per share and earnings per diluted share are calculated on the following basis:

1. Net assets per share

(Millions of yen, unless otherwise stated)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Total net assets	23,209	18,131
Net assets applicable to common stock	23,209	18,131
Number of common stock issued and outstanding as of the end of the period (Shares)	433,080	433,732
Number of treasury stock (Shares)	—	17,500
Number of common stock used in the calculation of net assets per share (Shares)	—	416,232

2. Earnings per share and earnings per diluted share

(Millions of yen, unless otherwise stated)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Earnings per share		
Net income	2,542	360
Net income not applicable to shareholders of common stock, appropriation of retained earnings attributed to directors' bonus	—	—
Net income applicable to common stock	2,542	360
Average number of shares for the period	432,782	419,668
Earnings per diluted share		
Net income adjustment amount	—	—
Increase in the number of common shares (shares)	1,352	696
(Common stock subscription rights)	(349)	(304)
(Common stock with warrants)	(1,003)	(392)
Since there was no effect on earnings per share after applying calculations adjusted for the dilution of stocks, per diluted share amounts have been omitted from this report	Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,848 shares)	Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 26, 2003 (number of common stock with warrants: 545 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 24, 2004 (number of common stock with warrants: 3,334 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,542 shares) As recorded in "Status of Common Stock with Warrants".

Important subsequent events

FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
1. Sale of consolidated subsidiary shares (1) Rationale for sale Home Computing Network Inc. (HCN) was engaged in the management and operation of community-based personal computer (PC) training classes. In an effort to further develop HCN's business activities, the decision was made to sell the company's shares to ThreePro Group Inc. (ThreePro Group), a company that is primarily engaged in PC-related support services. (2) Name of the purchaser ThreePro Group Inc. (3) Date of the share sale June 30, 2006 (4) Name of the subsidiary company to be sold Home Computing Network Inc. (5) Business activities of the subsidiary company Management and operation of PC training classes. (6) Translation details with Pasona Inc. There are no ongoing business transactions between HCN and Pasona. (7) Number of shares held prior to the sale of shares 1,124 shares (79.49%) (8) Number of shares to be sold 1,339 shares (shareholding of Pasona and 258 shares transferred by other parties) (9) Number of shares held after the sale of shares 43 shares (3.04%) (10) Share sale price ¥507 million (11) Gain on sales of shares ¥327 million 2. Acquisition of treasury stock Following a Board of Directors' meeting held on August 21, 2006, the Company resolved to acquire treasury stock pursuant to Article 156 applied in accordance with Article 165 Paragraph 3 of the Corporation Law. Brief details are outlined as follows. (1) Details of the Board of Directors' resolution in connection with the acquisition of treasury stock i) Rationale for the acquisition The decision to acquire treasury stock was made to enable the implementation of a flexible capital policy in line with changes in the business environment. ii) Method of acquisition The Company to place a buy order for its common stock at the closing price via ToSTNeT-2 (Tokyo Stock Exchange Trading Network System). iii) Type and number of shares to be acquired A maximum of 17,500 Pasona Inc. common stock. iv) Acquisition price ¥4,287 million (maximum limit) (2) Date of acquisition August 22, 2006 (3) Type and number of shares to be acquired 17,500 shares of Pasona Inc. common stock. (4) Acquisition amount ¥4,287 million	―――――

6. Other

(1) Change in directors

1. Change of representatives

   No change

2. Changes in other directors (scheduled from August 22, 2007)

   a. Retiring directors (planned)

      Senior Managing Director　Ken Watanabe

      Managing Director　Keumaru Ogura

   b. Retiring auditor (planned)

      Standing Auditor　Katsuhiko Aoki

   c. Candidate for appointment as an alternate auditor

      Takeshi Goto

      Note: Takeshi Goto, a candidate for appointment as an alternative auditor has been appointed as an external auditor pursuant to Article 2 Clause 16 of the Corporation Law.