January 24, 2008

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FISCAL YEAR ENDING MAY 31, 2008 (SIX-MONTH PERIOD ENDED NOVEMBER 30, 2007)

Pasona Group Inc. (Pasona Inc.) is listed on the First Section of the Tokyo Stock Exchange with the securities code number 2168, and on the Nippon New Market "Hercules," Osaka Securities Exchange.
(URL: http://www.pasona.co.jp/)

Representative:	Group CEO and President Yasuyuki Nambu
For further information contact:	Yoshimichi Kawasaki Senior Managing Director and CFO Tel: +81-3-6734-0200

Scheduled filing date of the interim report:	February 22, 2008
Scheduled date for the commencement of dividend payments:	February 27, 2008

(Millions of yen rounded down unless otherwise stated)

1. PERFORMANCE

(1) Consolidated Interim Business Results

1H of the FY Ending 2008 (June 1, 2007 to November 30, 2007)

(Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
Six Months Ended Nov. 30, 2007	119,516	5.6	3,071	(28.8)	3,145	(28.4)	1,063	(48.7)
Six Months Ended Nov. 30, 2006	113,202	15.2	4,314	38.1	4,392	41.5	2,073	39.8
FY Ended May 31, 2007	231,231	13.5	8,507	9.8	8,807	12.3	4,198	17.0

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six Months Ended Nov. 30, 2007	2,553.65	2,539.71
Six Months Ended Nov. 30, 2006	4,896.12	4,877.69
FY Ended May 31, 2007	10,003.68	9,925.72

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

Six Months Ended November 30, 2007:	¥	18 million
Six Months Ended November 30, 2006:	¥	43 million
Fiscal Year Ended May 31, 2007:	¥	144 million

(2) Consolidated Financial Position

As of November 30, 2007 and 2006, and May 31, 2007

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
			%	Yen
November 30, 2007	55,216	27,736	41.8	55,326.07
November 30, 2006	49,918	24,573	41.3	49,581.02
May 31, 2007	54,425	26,904	41.1	53,759.81

(Reference):
Equity capital

As of November 30, 2007:	¥	23,065 million
As of November 30, 2006:	¥	20,611 million
As of May 31, 2007:	¥	22,376 million

(3) Consolidated Cash Flows
1H of the FY Ending 2008 (June 1, 2007 to November 30, 2007)

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
Six Months Ended Nov. 30, 2007	(865)	(2,211)	3,007	11,683
Six Months Ended Nov. 30, 2006	(91)	(1,778)	(2,172)	10,629
FY Ended May 31, 2007	5,897	(3,226)	(5,607)	11,750

2. DIVIDENDS

(Yen)

	Dividend per Shares		
(Record Date)	Interim Dividend	Fiscal Year-End Dividend	Annual Dividend
FY Ended May 31, 2007	1,000	1,000	2,000
FY Ending May 31, 2008	1,200	—	2,500
FY Ending May 31, 2008 (Forecast)	—	1,300	

Note: Interim dividend for the fiscal year ended May 31, 2007 and the fiscal year ending May 31, 2008 were and are to be paid by Pasona Inc. Pasona Group Inc. intends to pay the fiscal year-end dividend.

3. OTHER

(1) Changes in Important Subsidiaries during the Period (Due to Changes in the Scope of Consolidation and Application of the Equity Method)

No. Two companies were newly consolidated (Kansai Employment Creation Organization Inc. and Kantou Employment Creation Organization Inc.)

Note: For further details, please refer to “Information on Group Companies” on page 12.

(2) Changes to Accounting Policies, Procedures, Disclosure Methods and Related Standards Used in the Preparation of Interim Consolidated Financial Statements (To be Entered as Changes to Important Items Fundamental to the Preparation of Interim Consolidated Financial Statements)

(1) Changes in line with revisions to accounting and other standards: No
(2) Other changes: Yes

Note: For further details, please refer to “Changes in method of presentation” on page 35.

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

(1) Number of shares issued and outstanding as of the period-end

As of November 30, 2007:	434,403 shares
As of November 30, 2006:	433,221 shares
As of May 31, 2007:	433,732 shares

(2) Number of treasury stock as of the period-end

As of November 30, 2007:	17,500 shares
As of November 30, 2006:	17,500 shares
As of May 31, 2007:	17,500 shares

Note: For information relating to the number of shares used as the basis for calculating interim net income per share, please refer to “Per share information” on page 53.

[Reference]

NON-CONSOLIDATED PERFORMANCE

Non-Consolidated Business Results

1H of the FY Ending 2008 (June 1, 2007 to November 30, 2007)

(1) Non-consolidated business results

(Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)	
		%		%		%		%
Six Months Ended Nov. 30, 2007	81,053	2.2	733	(68.7)	1,129	(54.9)	647	—
Six Months Ended Nov. 30, 2006	79,281	12.5	2,343	11.2	2,502	12.4	(730)	—
FY Ended May 31, 2007	162,085	11.9	4,822	(5.5)	4,970	(4.7)	360	(85.8)

	Net Income (Loss) per Share
	Yen
Six Months Ended Nov. 30, 2007	1,553.65
Six Months Ended Nov. 30, 2006	(1,724.67)
FY Ended May 31, 2007	858.36

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
November 30, 2007	36,048	18,452	51.2	44,262.09
November 30, 2006	32,656	17,408	53.3	41,875.80
May 31, 2007	33,939	18,131	53.4	43,561.29

(Reference):

Equity capital

As of November 30, 2007: ¥ 18,452 million

As of November 30, 2006: ¥ 17,408 million

As of May 31, 2007: ¥ 18,131 million

1. Business Performance

1) Analysis of Business Results

During the first half of the fiscal year ending May 31, 2008, the six-month period beginning June 1, 2007 and ended November 30, 2007, conditions in the domestic economy were mixed. On the one hand, Japan was spared any significant negative shift in its economic fundamentals and enjoyed a modest upswing in capital investment. Impacted by concerns surrounding a slowdown in the U.S. economy, the sharp rise in crude oil prices and other factors, however, signs of flat corporate earnings began to emerge following a period of prolonged and consistent growth. With signs that the unemployment rate had remained unchanged, and that the effective job offers to applicants' ratio was shifting toward a declining trend, the outlook for employment during the period under review appeared uncertain. Buoyed by growing discussion concerning the treatment and conditions for non-permanent employees, however, Japan's employment conditions looks to be entering a new phase.

Underpinned by the aforementioned operating circumstances, and while long-term contracts with quality temporary staff increased, growth in the number of temporary staff began to stall reflecting an imbalance between supply and demand in the temporary staffing business. Against this backdrop, the Pasona Group worked energetically to address the increasingly diverse needs of both its corporate clients and job seekers. At the same time, the Group implemented a variety of measures to strategically strengthen its business in such growth fields as placement and recruiting as well as outsourcing. As a result of these endeavors, consolidated net sales for the period under review were ¥119,516 million, an increase of 5.6% compared with the corresponding period of the previous fiscal year.

On the earnings front, the Group's consolidated gross profit margin edged up 0.1 of a percentage point year on year. This was attributed to significant growth in the relatively high-profit placement and recruiting and outsourcing businesses.

Impacted by a variety of factors, however, including the payment of travel expenses to temporary staff, initiatives designed to further improve employment conditions and the set up of new offices with the aim of promoting medium-term growth, the Group's overall earnings declined year on year. Consolidated operating income amounted to ¥3,071 million. In the fiscal year ended May 31, 2007, substantial selling, general and administrative expenses were transferred from the first half to the second half of the fiscal year, boosting operating income for the six-month period ended November 2006. This has contributed to the aforementioned decrease on a year-on-year comparative basis. Despite a year-on-year drop of 28.8%, operating income for the first half of the fiscal year ending May 31, 2008 was essentially in line with forecasts set at the beginning of the period. In similar fashion, consolidated ordinary income fell 28.4% year on year to ¥3,145 million.

Turning to the retained earnings of overseas subsidiaries, and the amount attributed to differing tax rates between Japan and host nations, the Company recorded an accumulated lump-sum amount of approximately ¥230 million as income taxes — deferred in connection with overseas subsidiaries acquired after 2003 for the first half of the fiscal year ending May 31, 2008. This is attributed to the application of tax-effect accounting. Accounting for this factor, consolidated net income for the period under review declined 48.7% compared with the corresponding period of the previous fiscal year to ¥1,063 million.

Consolidated Results for the First Half of the Fiscal Year Ending May 31, 2008

(Millions of yen unless otherwise stated)

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	Rate of Increase / (Decrease) (Year on Year)
Net sales	113,202	119,516	5.6%
Operating income	4,314	3,071	(28.8)%
Ordinary income	4,392	3,145	(28.4)%
Net income	2,073	1,063	(48.7)%

1. Temporary Staffing / Contracting and Placement / Recruiting
Net sales: ¥109,853 million
Operating income: ¥2,002 million

Temporary Staffing / Contracting
Net sales: ¥105,687 million

Looking at trends in the employment market throughout the six-month period ended November 30, 2007, the recruitment of full-time employees continued to intensify. Driven mainly by large companies, the corporate sector remained active in its focus on full-time employees including job seekers, who had only recently completed their education, and graduates with limited experience in the workforce. Coupled with the growing shift from part-time to full-time employment among certain companies, signs began to emerge of a slight pause in the demand for temporary staff. Small and medium-sized enterprises, on the other hand, continued to exhibit strong demand while confronting difficulties in their ability to secure human resources.

From a supply perspective, the period under review was again characterized by tight conditions. Impacted by increasing diversity in the requirements of certain client firms, indications of a mismatch between registered temporary staff and client needs became evident.

On an industry by industry basis, demand from the finance sector declined reflecting an end to special recruitment by life and casualty insurance companies. Activity by other industries for the six months to November 30, 2007, however, was essentially unchanged from the corresponding period of the previous fiscal year. By job type, results were flat for clerical (general office work) and technical positions. Despite this environment, demand from the sales and marketing sector remained robust, fueling significant year-on-year growth.

The Pasona Group is enjoying increased stability in its long-term staffing contracts. During the period under review, the Group commenced payment of travel expenses to temporary staff in certain regions, while at the same time continuing to expand the scope of employee welfare benefits and to implement measures designed to secure a pool of quality temporary staff. As a result of these endeavors, this trend is continuing,

The Company also engaged in educational activities in an effort to review its Group-wide compliance In addition to employee training, Pasona Group held a series of seminars for client firms to explain the intricacies of the Worker Dispatch Law.

Underpinned by efforts to promote long-term stability among quality temporary staff, the development and delivery of services grounded in comprehensive compliance, increased understanding from client firms of the Pasona Group’s initiatives and strategies and tenacious negotiations in connection with compensation, temporary staffing payments continued their upward spiral throughout the first half of the fiscal year under review.

Accounting for these and other factors, net sales from temporary staffing and contracting activities totaled ¥105,687 million, an increase of 3.7% compared with the corresponding period of the previous fiscal year.

Placement /Recruiting
Net sales: ¥4,166 million

While hiring interest within the domestic corporate sector remained high throughout the period under review, signs began to emerge of a downturn in demand growth, impacted by uncertainties surrounding underlying economic conditions.

Under the aforementioned operating environment, and in recognizing the significant growth potential of the placement and recruiting business domain, the Pasona Group is working diligently to fortify its systems and structure in an effort to deliver a wide range of services that encompass each service area, career level and age demographic. To this end, the Group is active in implementing a variety of measures including the development of placement and recruiting services on a nationwide level, and efforts to reinforce its management placement business. In the context of those individuals seeking a career change, the Pasona Group conducted events and promoted a variety of measures with the aim of expanding its customer base. Through these initiatives and the effective use of the Internet and other media, the Group focused on more efficient and effective means to attract registrants.

As a result, net sales in the domestic placement and recruiting business rose 46.0% compared with the corresponding period of the previous fiscal year to ¥2,738 million.

Taking into consideration contributions from this segment's overseas business, which increased 6.1% year on year to ¥1,427 million, total net sales in the placement and recruiting domain grew 29.4% compared with the corresponding period of the previous fiscal year to ¥4,166 million.

From a profit perspective, gross profit margins in the temporary staffing business declined in the first half of the fiscal year ending May 31, 2008. Despite continued moderate improvement in the earnings spread reflecting an increase in unit prices for temporary staff at the invoice level, this was attributable to the year-on-year upswing in the ratio of basic costs including the rise in employee social insurance rates, increased take up of paid holidays, the payment of travel expenses to temporary staff in certain regions and other factors. On a positive note, lower gross profit margins in the temporary staffing business were absorbed by increased earnings in the placement and recruiting business. On an overall basis, the Pasona Group enjoyed a year-on-year improvement in its gross profit margin for this segment.

In addition to the aforementioned costs, the Pasona Group undertook strategic payments for the establishment of a new headquarter structure in the Shin Marunouchi Building, to serve not only as a communication center with temporary staff and client firms, but also as the Group's core strategic facility, and "CLUB PASONA OMOTESANDO," an employee benefit welfare facility. As a result, selling, general and administrative expenses climbed in this segment compared with the corresponding period of the previous fiscal year. Accounting for all of these factors, net sales in the Temporary staffing / Contracting and Placement / Recruiting segment increased 4.5% year on year to ¥109,853 million, and operating income in the segment decreased 42.6% year on year to ¥2, 002 million.

2. Outplacement
Net sales: ¥2,634 million
Operating income: ¥587 million

In the six-month period ended November 30, 2007, calls for optional and voluntary early retirement at large companies increased on a year-on-year basis for the first time in five years. After continued contraction in the outplacement business over the past several years, signs began to emerge that the market had bottomed out. In an effort to maintain their profit levels, efforts by high earnings companies to promote optional and voluntary early retirement also became increasingly pronounced during the period under review.

Under the aforementioned operating environment, and as a leader in the outplacement industry, the Pasona Group made every effort, recognizing its responsibilities to consistently deliver high quality services. As a result of these endeavors, the Company continued to gain the trust and confidence of client firms, securing a record level of orders in the period under review.

Accounting for these factors, net sales for the first half of the fiscal year ending May 31, 2008 were ¥2,634 million, an increase of 1.8% compared with the corresponding period of the previous fiscal year. Operating income, on the other hand, declined 26.7% year on year to ¥587 million. While a steady stream of orders has contributed to a solid start in the first half of the fiscal year under review, this drop in earnings is attributed to the absence of large scale order growth enjoyed in the second half of the fiscal year ended May 31, 2006, which generated significant sales growth and a one-off spike in operating income in the first half of the fiscal year ended May 31, 2007. Buoyed by the substantial jump in orders in the first half of the fiscal year under review, expectations are high that the Company will secure growth in the second half.

3. Outsourcing
Net sales: ¥6,606 million
Operating income: ¥477 million

In this segment, Pasona Group's consolidated subsidiary Benefit One Inc., a company active in the outsourcing market for employee benefit programs, continued to experience high rates of growth. Throughout the period under review, demands for more broad-based employee benefit program service menus intensified as the Pasona Group's mainstay large corporate customers and public authorities strove to address the needs and values of employees. With an increasing focus on work and lifestyle balance, employees are paying closer attention to childcare and nursing requirements.

Under these conditions, the Pasona Group worked diligently to promote its total compensation program that combines the management of employee salaries and wages with welfare benefits in a single package. Through these endeavors, the Group experienced order growth throughout the six months ended November 30, 2007. In addition, the Pasona Group recorded steady relative improvements in its new services including "Incentive Café," a points system that encompasses incentives, and "Customer Loyalty Program," a service designed to enhance client firm satisfaction. Working to further cement its position as an industry leader, the Pasona Group will continue to develop a host of employee welfare benefit programs and menus with the aim of consistently satisfying its valued customers.

On the earnings front, the Group again incurred an increase in costs throughout the first half of the fiscal year ending May 31, 2008 comprising publishing expenses in connection with benefit program guidebooks, accommodation subsidies covering the summer vacation period and other seasonal factors. Buoyed by efficient operations at a customer center established in Matsuyama City, Ehime Prefecture, and successful efforts to curtail costs and selling, general and administrative expenses, however, the Group experienced significant improvement in profitability.

Based on the aforementioned, the Pasona Group enjoyed substantial growth in both revenue and earnings. Net sales in the outsourcing segment for the first half of the fiscal year ending May 31, 2008 totaled ¥6,606 million, an increase of 34.3% compared with the corresponding period of the previous fiscal year. Operating income jumped 115.7% year on year to ¥477 million.

4. Other
Net sales: ¥970 million
Operating income: ¥1 million

In the first half of the fiscal year ending May 31, 2008, the Pasona Group's child-care and education businesses remained steady. In addition, the Group's new lifestyle support services targeting the elderly and shared services covering the temporary staffing subsidiaries of large companies took hold, gradually gaining impetus. Despite a decline in net sales for the six-month period ended November 30, 2007 to ¥970 million, down 2.3% compared with the corresponding period of the previous fiscal year, operating income for the period under review was ¥1 million against a net loss of ¥196 million in the six-month period to November 30, 2006.

Net Sales by Business Segment

(Millions of yen unless otherwise stated)

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	Rate of Increase / (Decrease) (Year on Year)
Temporary staffing / Contracting	101,937	105,687	3.7%
Placement / Recruiting	3,220	4,166	29.4%
Outplacement	2,589	2,634	1.8%
Outsourcing	4,918	6,606	34.3%
Other	992	970	(2.3)%
Elimination or Corporate	(456)	(549)	—
Total	113,202	119,516	5.6%

Operating Income (Loss) by Business Segment

(Millions of yen unless otherwise stated)

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	Rate of Increase / (Decrease) (Year on Year)
Temporary staffing / Contracting, Placement Recruiting	3,487	2,002	(42.6)%
Outplacement	802	587	(26.7)%
Outsourcing	221	477	115.7%
Other	(196)	1	—
Elimination or Corporate	0	2	314.1%
Total	4,314	3,071	(28.8)%

Full Fiscal Year Outlook

On December 3, 2007, Pasona Group Inc. was established through the transfer of stock as a pure holding company. This formed part of the Group's efforts to shift to a holding company structure and was a critical component in the Company's goal to achieve sound and robust Group growth.

Looking ahead, Pasona Group will in effect facilitate the formulation of Group-wide management strategies and optimize the allocation of resources to growth fields. At the same time, the holding company structure will bolster the corporate governance function and raise the level and quality of management transparency.

From an operating company perspective, Group companies will be better positioned to secure growth opportunities in their respective fields and to adequately respond in a strategic and flexible manner to rapid changes in the business environment. Through these endeavors, the Group intends to further enhance its corporate value.

(2) Analysis of Financial Condition and Cash Flows

(1) Changes in Consolidated Financial Condition

Total assets as of November 30, 2007 stood at ¥55,216 million, a slight increase of ¥791 million, or 1.5%, compared with the end of the previous fiscal year. Net assets also climbed ¥831 million, or 3.1%, from May 31, 2007 to ¥27,736 million. Accounting for these factors, the equity ratio edged up 0.7 of a percentage point compared with the previous fiscal year-end to 41.8%.

Turning to principal increases and decreases within total assets, current assets decreased ¥476 million, or 1.2%, compared with May 31, 2007 to ¥38,610 million. This was primarily attributed to the decline in notes and accounts receivable — trade to ¥23,314 million, a drop of ¥353 million, or 1.5%. Compared with the previous fiscal year-end, fixed assets rose ¥1,267 million, or 8.3%, to ¥16,606 million as of November 30, 2007. Major components were property and equipment, which increased ¥811 million, or 18.5%, compared with May 31, 2007 to ¥5,196 million, reflecting the establishment of an office in the Shin Marunouchi Building, to serve as the strategic nucleus of the Group, and intangible assets, which climbed ¥307 million, or 11.6%, to ¥2,954 million.

Within total liabilities, current liabilities edged down ¥97 million, or 0.4%, compared with the end of the previous fiscal year to ¥25,607 million. Total long-term liabilities, on the other hand, stood at ¥1,872 million as of November 30, 2007, a slight increase of ¥56 million, or 3.1%, compared with the previous fiscal year-end.

(2) Cash Flows

On a consolidated basis, cash and cash equivalents as of November 30, 2007 amounted to ¥11,683 million, a nominal decrease of ¥67 million compared with the beginning of the period. On a comparative basis, the balance of cash and cash equivalents fell ¥4,027 million between June 1, 2006 and November 30, 2006. The status of principal cash flow components and major factors contributing to their increase and decrease are provided as follows.

Cash Flows from Operating Activities

Net cash used in operating activities was ¥865 million compared with ¥91 million in the corresponding period of the previous fiscal year. While income before income taxes totaling ¥3,036 million provided the principal source of operating cash inflows, this was down ¥1,238 million on a year-on-year basis. In addition, major cash outflows included accounts payable — trade decreased ¥2,037 million and income taxes paid totaling ¥2,078 million.

Cash Flows from Investing Activities

The major components included payments for purchases of fixed assets totaling ¥1,167 million and payments for purchases of intangible assets such as software of ¥745 million. As a result net cash used in investing activities was ¥2,211 million compared with ¥1,778 million in the corresponding period of the previous fiscal year.

Cash Flows from Financing Activities

During the six-month period ended November 30, 2007, the Company undertook payments for dividends amounting to ¥554 million. This was more than offset by an increase in short-term loans payable of ¥3,509 million. Accounting for these factors, net cash provided by financing activities was ¥3,007 million. This was compared with net cash used in financing activities totaling ¥2,172 million for the corresponding period of the previous fiscal year.

This turnaround amounting to ¥5,179 million is attributed to the absence of acquisition of treasury stock of ¥4,287 million during the period under review and the aforementioned increase in short-term loans payable, which on a year-on-year basis rose ¥433 million.

Cash Flow Benchmarks

	1st Half, FY ended 2004 (June 1, 2003 to November 30, 2003)	1st Half, FY ended 2005 (June 1, 2004 to November 30, 2004)	1st Half, FY ended 2006 (June 1, 2005 to November 30, 2005)	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)
Equity ratio	40.8%	47.0%	49.4%	41.3%	41.8%
Equity ratio based on market capitalization	321.2%	331.8%	277.4%	183.2%	97.4%
Ratio of interest-bearing debt to cash flows	4.4	40.1	0.8	—	—
Interest coverage Ratio (times)	10.9	2.0	59.2	—	—

Equity ratio: Shareholders' equity / total assets

Equity ratio based on market capitalization: Market capitalization / total assets

Ratio of interest-bearing debt to cash flows: 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.

*Certain data is presented as "—" reflecting negative operating cash flows.

(3) Policy on the Appropriation of Profits, Dividends for the Fiscal Year Ending May 31, 2008

Policy on the Appropriation of Profits

In connection with the appropriation of profits, Pasona Group 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 prowess and to expand shareholder returns by enhancing corporate value. On this basis and for the foreseeable future, the Company has adopted the basic policy to implement a consolidated dividend payout ratio target of 25% in an effort to deliver adequate returns to shareholders taking into consideration its operating performance.

Dividends for the Fiscal Year Ending May 31, 2008

Based on the aforementioned basic policy in connection with the appropriation of profits, the Company has declared an interim dividend for the fiscal year ending May 31, 2008 of ¥1,200 per share in accordance with a resolution by Pasona Inc. at its Board of Directors' meeting held on January 24, 2008. This is consistent with forecasts announced at the beginning of the period. Based on a fiscal year-end dividend of ¥1,300 per share, Pasona Group intends to pay an annual cash dividend of ¥2,500 per share.

2. Information on Group Companies

(1) Companies newly included in the scope of consolidation

Name	Location	Capital (Millions of yen)	Main business	Ratio of voting rights (%)	Relations with the Company
Consolidated Subsidiaries Kansai Employment Creation Organization Inc.	Kita-ku, Osaka	120	Other	85.00	Outsourcing services 2 concurrent directors
Kantou Employment Creation Organization Inc.	Chiyoda-ku, Tokyo	100	Other	86.33 (1.11)	Temporary staffing services, Outsourcing services, 2 concurrent directors, Financial support

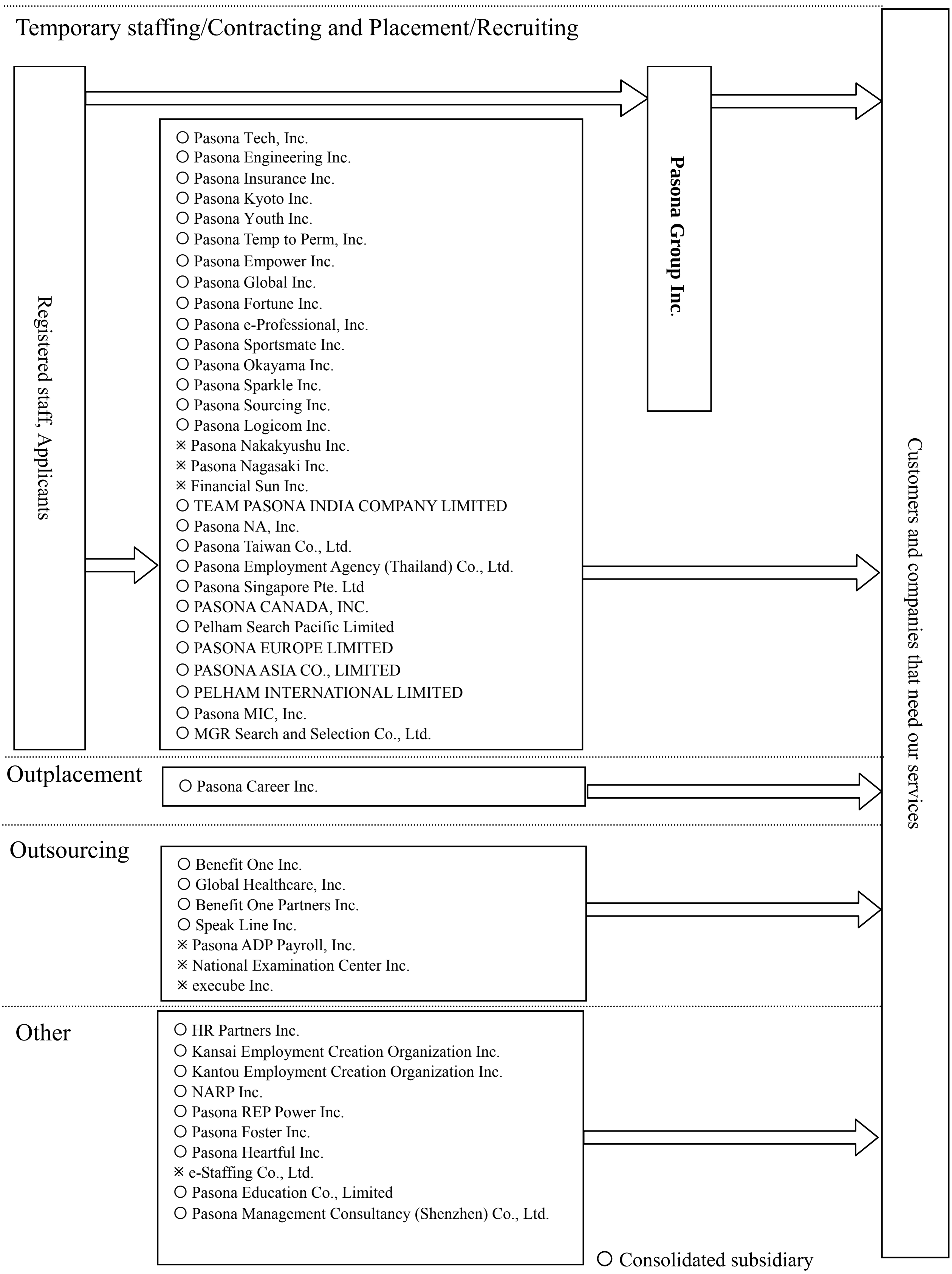
Notes:

1. Main business details for consolidated subsidiaries are consistent with the Company's business segment classification.
2. Ratio of voting rights in parentheses represents the percentage of indirect equity holdings.
3. Included in the scope of consolidation as a subsidiary company following the acquisition of additional shares.

(2) Companies excluded from the scope of consolidation

Kansai Employment Creation Organization Inc. and Kantou Employment Creation Organization Inc., previously affiliated companies accounted for by the equity method, became consolidated subsidiaries. Accordingly, the aforementioned companies were removed from the Company's scope of consolidation as affiliated companies accounted for by the equity method.

(Business Flowchart)



○ 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 an industry leader in the development of a comprehensive human resources business, to 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 Group has identified key issues and objectives to drive the Company toward future growth. First and foremost, is Pasona Group'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 Group will also strive to raise the profile of temporary staffing within an established employment infrastructure by emphasizing strict compliance in all business activities and actively expanding business scale.

While aggressively expanding activities in the temporary staffing business, Pasona Group 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.

In an effort to achieve these objectives and long-term business goals, and ultimately to secure sound and robust Group growth, the Pasona Group decided to adopt a holding company structure. As a part of this initiative, the Group established Pasona Group Inc. as a pure holding company through the transfer of stock on December 3, 2007. In effect, Pasona Group will facilitate the formulation of Group-wide management strategies and optimize the allocation of resources to growth fields. At the same time, the holding company structure will bolster the corporate governance function and raise the level and quality of management transparency. From an operating company perspective, Group companies will be better positioned to secure growth opportunities in their respective fields and to adequately respond in a strategic and flexible manner to rapid changes in the business environment. Through these endeavors, the Group intends to further enhance its corporate value.

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 Group 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 Group 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 Group works tirelessly to cultivate businesses in each operating domain.
② Pasona Group 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 Group 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 Group 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 Group 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

For a lengthy period, numerous players have characterized the human resources industry in Japan with no one company securing a dominant market share. Without an overwhelming industry leader, companies engaged in human resources activities are pursuing mergers and acquisitions with entities in related fields as the means to achieve scale growth. Confronted by rapid changes in its business environment, the human resources industry is also experiencing reorganization and the entry of new, highly competitive overseas companies. Against this backdrop, the Pasona Group recognizes the critical need to further enhance its competitive prowess, corporate value and business platform.

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 Group continues to propose a variety of initiatives that both establish and develop a robust employment infrastructure. 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 Group's corporate philosophy and secure the further development of the Group, Pasona Group was established as a pure holding company. With this initiative, the Group intends to evolve from a corporate group that focuses on temporary staffing to a group that in leveraging its expertise in temporary staffing as a core competency establishes a broad-based, comprehensive human resource business portfolio. Furthermore, plans are in place to transfer Pasona's related company management function (including related company shares) as well as a portion of Pasona's training, research and counseling activities relating to employment creation to Pasona Group utilizing an acquisition and corporate separation method on March 1, 2008.

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 Group will endeavor to lift temporary staff satisfaction and raise the position of temporary employment within society.

At the same time, Pasona Group 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 BALANCE SHEETS

As of November 30, 2006 and 2007, and May 31, 2007

(Millions of yen)

	Notes	1st Half, FY ending 2007 (as of November 30, 2006)		(%)	1st Half, FY ending 2008 (as of November 30, 2007)		(%)	FY ended 2007 (as of May 31, 2007)		(%)
ASSETS										
Current assets:										
1. Cash and deposits			10,349			11,481			11,470	
2. Notes and accounts receivable — trade			22,123			23,314			23,667	
3. Marketable securities			361			362			361	
4. Inventories			267			246			320	
5. Deferred tax assets			964			1,111			1,106	
6. Income tax receivable			—			—			5	
7. Other current assets			2,039			2,183			2,240	
Less allowance for doubtful receivables			(85)			(90)			(87)	
Total current assets			36,020	72.2		38,610	70.0		39,086	71.8
Fixed assets:										
1. Property and equipment:	※1									
(1) Buildings		2,165			3,350			2,531		
(2) Land		793			883			793		
(3) Other tangible fixed assets		867	3,826	7.7	962	5,196	9.4	1,060	4,384	8.0
2. Intangible assets:										
(1) Goodwill		598			621			765		
(2) Software		1,838			2,250			1,799		
(3) Other intangibles		84	2,520	5.0	83	2,954	5.3	82	2,647	4.9
3. Investments and other assets:										
(1) Investment securities		1,779			1,708			1,846		
(2) Long-term loans		129			160			187		
(3) Deferred tax assets		967			599			787		
(4) Lease guarantee deposits		3,398			4,483			4,073		
(5) Other investments		1,361			1,575			1,503		
Less allowance for doubtful receivables		(85)	7,550	15.1	(72)	8,454	15.3	(92)	8,306	15.3
Total fixed assets			13,897	27.8		16,606	30.0		15,338	28.2
Total assets			49,918	100.0		55,216	100.0		54,425	100.0

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	Notes	1st Half, FY ending 2007 (as of November 30, 2006)	(%)	1st Half, FY ending 2008 (as of November 30, 2007)	(%)	FY ended 2007 (as of May 31, 2007)	(%)
LIABILITIES							
Current liabilities:							
1. Accounts payable — trade		575		705		1,387	
2. Short-term loans payable		3,275		3,622		111	
3. Accounts payable — other		1,984		2,670		3,122	
4. Accrued expenses		9,675		9,945		11,300	
5. Income taxes payable		2,161		1,586		2,169	
6. Consumption taxes payable	※ 2	1,993		1,856		2,665	
7. Reserve for bonus		1,538		1,876		1,594	
8. Reserve for directors' bonus		32		15		19	
9. Other current liabilities		2,408		3,329		3,331	
Total current liabilities		23,644	47.4	25,607	46.4	25,704	47.2
Long-term liabilities:							
1. Long-term loans payable		11		8		9	
2. Long-term payables — other		70		64		57	
3. Deferred tax liabilities		66		7		45	
4. Allowance for employees' severance retirement benefits		649		742		706	
5. Allowance for directors' retirement benefits		883		1,007		972	
6. Other long-term liabilities		19		43		24	
Total long-term liabilities		1,700	3.4	1,872	3.4	1,816	3.4
Total liabilities		25,345	50.8	27,480	49.8	27,520	50.6
NET ASSETS							
I. Shareholders' equity							
1. Common stock		8,329	16.7	8,391	15.2	8,358	15.4
2. Capital surplus		7,464	14.9	7,526	13.6	7,493	13.8
3. Retained earnings		8,931	17.9	11,283	20.4	10,636	19.5
4. Treasury stock		(4,287)	(8.6)	(4,287)	(7.7)	(4,287)	(7.9)
Total shareholders' equity		20,438	40.9	22,913	41.5	22,200	40.8
II. Valuation and conversions							
1. Net unrealized holding gain on other securities		98	0.2	75	0.1	96	0.2
2. Foreign currency translations adjustment		74	0.2	75	0.1	79	0.1
Total valuation and conversions		173	0.4	151	0.2	175	0.3
III. Minority interests		3,961	7.9	4,670	8.5	4,528	8.3
Total net assets		24,573	49.2	27,736	50.2	26,904	49.4
Total liabilities and net assets		49,918	100.0	55,216	100.0	54,425	100.0

CONSOLIDATED STATEMENTS OF INCOME

1Hs of the fiscal years ended 2007 and ending 2008, and the full fiscal year ended 2007

(Millions of yen)

		1st Half, FY ending 2007 (June 1, 2006 to November 30, 2006)			1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)			FY ended 2007 (June 1, 2006 to May 31, 2007)		
	Notes			(%)			(%)			(%)
Net sales			113,202	100.0		119,516	100.0		231,231	100.0
Cost of sales			90,233	79.7		95,169	79.6		184,181	79.7
Gross profit			22,969	20.3		24,346	20.4		47,050	20.3
Selling, general and administrative expenses	※1		18,654	16.5		21,274	17.8		38,542	16.6
Operating income			4,314	3.8		3,071	2.6		8,507	3.7
Non-operating income:										
1. Interest income		17			25			46		
2. Investment gain on the equity method		43			18			144		
3. Gain on goodwill amortization		—			9			—		
4. Subsidy from government		8			—			—		
5. Subsidy		—			148			64		
6. Insurance fund receivable		15			—			—		
7. Consumption tax and other tax exemption income		14			—			43		
8. Other income		33	132	0.1	94	296	0.2	111	410	0.2
Non-operating expenses:										
1. Interest expenses		16			14			36		
2. Commitment line of credit commission		14			19			39		
3. Amortization of share delivery expenses		3			—			—		
4. Bad debt loss		—			155			—		
5. Subsidiary Head office relocation expense		7			—			—		
6. Other expenses		13	55	0.0	32	222	0.2	34	110	0.1
Ordinary income			4,392	3.9		3,145	2.6		8,807	3.8
Extraordinary gains:										
1. Gain on sales of investment securities		—			8			43		
2. Gain on sales of investment in affiliated companies		—			—			205		
3. Constructive gain on change in equity		0			—			—		
4. Subsidy		—	0	0.0	35	44	0.0	—	249	0.1

		1st Half, FY ending 2007 (June 1, 2006 to November 30, 2006)			1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)			FY ended 2007 (June 1, 2006 to May 31, 2007)		
	Notes			(%)			(%)			(%)
Extraordinary losses:										
1. Loss on disposal of fixed assets	※2	28			48			60		
2. Loss on fixed asset rationalization		—			35			—		
3. Impairment loss	※3	63			45			155		
4. Valuation loss on investment securities		—			23			48		
5. Loss on sales of investment in affiliated companies		25			—			25		
6. Valuation loss on membership rights		—			—			8		
7. Constructive loss on change in equity of an affiliate		—			1			22		
8. Transfer to allowance for investment loss		—	117	0.1	—	153	0.1	14	335	0.1
Income before income taxes and minority interests			4,274	3.8		3,036	2.5		8,720	3.8
Income taxes — current		2,077			1,502			4,073		
Income taxes — deferred		(64)	2,012	1.8	183	1,685	1.4	(51)	4,022	1.8
Minority interests			188	0.2		287	0.2		500	0.2
Net income			2,073	1.8		1,063	0.9		4,198	1.8

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the 1st Half of the Fiscal Year ended May 31, 2007 (June 1, 2006 to November 30, 2006)

(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 first half of the fiscal year ended May 31, 2007:					
Issuance of new shares	7	7	—	—	14
Distribution of surplus	—	—	(779)	—	(779)
Net income	—	—	2,073	—	2,073
Payment of directors' bonus	—	—	(2)	—	(2)
Acquisition of treasury stock	—	—	—	(4,287)	(4,287)
Decrease due to the decrease in subsidiary companies	—	—	(23)	—	(23)
Net change in line items other than shareholders' equity	—	—	—	—	—
Total due to movements during the first half of the fiscal year ended May 31, 2007	7	7	1,267	(4,287)	(3,005)
Balance as of November 30, 2006	8,329	7,464	8,931	(4,287)	20,438

	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 first half of the fiscal year ended May 31, 2007:					
Issuance of new shares	—	—	—	—	14
Distribution of surplus	—	—	—	—	(779)
Net income	—	—	—	—	2,073
Payment of directors' bonus	—	—	—	—	(2)
Acquisition of treasury stock	—	—	—	—	(4,287)
Decrease due to the decrease in subsidiary companies	—	—	—	—	(23)
Net change in line items other than shareholders' equity	(41)	13	(28)	(26)	(55)
Total due to movements during the first half of the fiscal year ended May 31, 2007	(41)	13	(28)	(26)	(3,060)
Balance as of November 30, 2006	98	74	173	3,961	24,573

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the 1st Half of the Fiscal Year ending May 31, 2008 (June 1, 2007 to November 30, 2007)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of May 31, 2007	8,358	7,493	10,636	(4,287)	22,200
Movements during the first half of the fiscal year ending May 31, 2008:					
Issuance of new shares	32	32	—	—	65
Distribution of surplus	—	—	(416)	—	(416)
Net income	—	—	1,063	—	1,063
Net change in line items other than shareholders' equity	—	—	—	—	—
Total due to movements during the first half of the fiscal year ending May 31, 2008	32	32	647	—	713
Balance as of November 30, 2007	8,391	7,526	11,283	(4,287)	22,913

	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, 2007	96	79	175	4,528	26,904
Movements during the first half of the fiscal year ending May 31, 2008:					
Issuance of new shares	—	—	—	—	65
Distribution of surplus	—	—	—	—	(416)
Net income	—	—	—	—	1,063
Net change in line items other than shareholders' equity	(20)	(3)	(24)	142	118
Total due to movements during the first half of the fiscal year ending May 31, 2008	(20)	(3)	(24)	142	831
Balance as of November 30, 2007	75	75	151	4,670	27,736

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Fiscal Year ended May 31, 2007 (June 1, 2006 to 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 first half of 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 first half of 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

1Hs of the fiscal years ended 2007 and ending 2008, and the full fiscal year ended 2007

(Millions of yen)

	Notes	1st Half, FY ending 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Cash Flows from Operating Activities:				
Income before income taxes		4,274	3,036	8,720
Depreciation		525	566	1,071
Impairment loss		63	45	155
Amortization of others		5	10	16
Amortization of goodwill		77	100	276
Bad debt loss		—	156	—
Increase (decrease) in allowance for doubtful receivables		18	(10)	26
Increase in reserve for bonus		267	280	323
Decrease in reserve for directors' bonus		(97)	(4)	(111)
Increase in allowance for employees' severance retirement benefits		79	36	136
Increase in allowance for directors' retirement benefits		88	34	177
Interest and dividend income		(18)	(26)	(49)
Interest expenses		16	14	36
Subsidy		—	(183)	—
Foreign exchange gain		(4)	(3)	(15)
Investment gain on equity method		(43)	(18)	(144)
Constructive (gain) loss on change in equity		(0)	1	22
Loss on sale and disposal of fixed assets		28	48	60
Loss on fixed asset rationalization		—	35	—
Gain on sale of investment securities		—	(8)	(43)
Valuation loss on investment securities		—	23	48
Gain on sale of securities in affiliated companies		—	—	(205)
Loss on sale of securities in affiliated companies		25	—	25
Decrease (increase) in accounts receivable — trade		(1,158)	386	(2,712)
Decrease in inventories		64	74	14
Increase in other current assets		(241)	(316)	(587)
(Decrease) increase in accounts payable — trade		(874)	(2,037)	1,395
(Decrease) increase in consumption tax payable		(467)	(796)	242
(Decrease) increase in other current liabilities		(197)	(506)	1,507
Directors' bonuses paid		(4)	—	(4)
Others		—	—	12
Subtotal		2,425	936	10,397
Interest and dividends received		22	32	54
Interest paid		(15)	(15)	(35)
Subsidy received		—	259	—
Income taxes paid		(2,523)	(2,078)	(4,518)
Net cash (used in) provided by operating activities		(91)	(865)	5,897

		1st Half, FY ending 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	Notes			
Cash Flows from Investing Activities:				
Decrease (increase) in time deposits		(12)	(70)	(52)
Payments for purchases of fixed assets		(560)	(1,167)	(1,020)
Proceeds from sale of fixed assets		—	1	—
Payments for purchases of intangible assets		(476)	(745)	(673)
Proceeds from sale of intangible assets		—	—	0
Payments for purchases of investment securities		(479)	(9)	(514)
Proceeds from sale of investment securities		—	89	2
Payments for purchase of securities of subsidiaries due to change in consolidated subsidiaries		(44)	—	(44)
Proceeds from purchase of securities of subsidiaries due to change in consolidated subsidiaries		—	42	—
Payments for sale of securities of subsidiaries due to change in consolidated subsidiaries		(91)	—	(91)
Proceeds from sale of securities of subsidiaries due to change in consolidated subsidiaries		—	—	3
Payments for purchase of additional securities of subsidiaries		—	(9)	(29)
Proceeds from sale of a portion of securities of subsidiaries		—	—	278
Payments for increase in loans receivable		(62)	(59)	(116)
Proceeds from collection of loans receivable		96	82	239
Payments for receipt of business rights	※	—	—	(363)
Proceeds from other investment securities		68	115	242
Payments for other investment securities		(217)	(481)	(1,086)
Net cash used in investing activities		(1,778)	(2,211)	(3,226)
Cash Flows from Financing Activities:				
Increase (decrease) in short-term loans payable		3,076	3,509	(87)
Repayment of long-term debt		—	(1)	(1)
Repayment of financial lease		(102)	(14)	(135)
Proceeds from issuance of shares		14	65	71
Proceeds from minority shareholder payments		4	—	82
Proceeds from issuance of shares to minority shareholders		14	1	57
Payments for acquisition of treasury stock		(4,287)	—	(4,287)
Payments for dividends by parent company		(775)	(415)	(1,190)
Payments for dividends to minority shareholders		(116)	(138)	(116)
Net cash (used in) provided by financing activities		(2,172)	3,007	(5,607)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		14	1	29
Net decrease in Cash and Cash Equivalents		(4,027)	(67)	(2,905)
Cash and Cash Equivalents at the Beginning of the Period		14,656	11,750	14,656
Cash and Cash Equivalents at the End of the Period	※1	10,629	11,683	11,750

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Basis of preparation of first-half consolidated financial statements

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	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 career assets Inc. Pasona Carent, Inc. Pasona Engineering Inc. NARP Inc. HR Partners 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. 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 Human Resources (Shanghai) Co., Ltd. Pasona Europe Limited Pasona Asia Co., Limited Pasona Management Consultancy (Shenzhen) Co., Ltd. Pelham International Limited Global Healthcare, Inc., previously an affiliated company accounted for by the equity method, became a consolidated subsidiary during the interim period under review through the acquisition of additional stock. Pasona Human Resources (Shanghai) Co., Ltd., previously a non-consolidated subsidiary, became a consolidated subsidiary during the interim period under review due to its growing importance. Home Computing Network Inc. was excluded from the scope of consolidation following the sale of its shares.	(1) Consolidated subsidiaries: 42 companies Names of consolidated subsidiaries: Benefit One Inc. Pasona Tech, Inc. Pasona Career Inc. HR Partners Inc. Kansai Employment Creation Organization Inc. Kantou Employment Creation Organization 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., LTD. PELHAM INTERNATIONAL LIMITED Pasona MIC, Inc. MGR Search and Selection Co., Ltd. Pasona Human Resources (Shanghai) Co., Ltd. Pasona Management Consultancy (Shenzhen) Co., Ltd. Kansai Employment Creation Organization Inc. and Kantou Employment Creation Organization Inc., previously affiliated companies accounted for by the equity method, became consolidated subsidiaries during the interim period under review through the acquisition of additional stock.	(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., LTD. 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 INDIA COMPANY LIMITED and Pasona MIC, Inc. were newly incorporate as consolidated subsidiaries. Global Healthcare, Inc., previously an affiliated company accounted for by the equity method, became a consolidated subsidiary during the fiscal year under review 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 due to its growing importance.

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	Pasona ai Inc. was excluded from the scope of consolidation following the transfer of all of its business to Pasona On Inc. (currently Pasona Youth Inc.) and its subsequent liquidation. Profit and loss for the period up to the date of exclusion has been included in interim consolidated financial statements. Pasona On Inc. changed its name to Pasona Youth Inc.		Home Computing Network Inc. was excluded from the scope of consolidation following the sale of a portion of its shares and the subsequent 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 excluded from the scope of consolidation following the transfer of all of its business to Pasona On Inc. (currently Pasona Youth Inc.) and its subsequent liquidation. 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.
	(2) Non-consolidated subsidiary: 1 company Name of non-consolidated subsidiary: Pasonatech Consulting (Dalian) Co., Ltd. The assets, sales, interim net profit and 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 interim consolidated financial statements. As a result, this non-consolidated subsidiary has been excluded from the scope of consolidation.	(2) Non-consolidated subsidiary: 1 company Name of non-consolidated subsidiary: Pasonatech Consulting (Dalian) Co., Ltd. The assets, sales, interim net profit and 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 interim consolidated financial statements. As a result, this non-consolidated subsidiary has been excluded from the scope of consolidation.	(2) Non-consolidated subsidiary: 1 company Name of non-consolidated subsidiary: Pasonatech Consulting (Dalian) Co., Ltd. The assets, sales, net profit and 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, this non-consolidated subsidiary has been excluded from the scope of consolidation.

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	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 The names of equity-method affiliates are as follows: Pasona Nakakyushu Inc. Pasona Nagasaki Inc. Pasona ADP Payroll, Inc. e-Staffing Co., Ltd. Kansai Employment Creation Organization Inc. National Examination Center Inc. Kantou Employment Creation Organization Inc. Financial Sun Inc execube Inc. execube Inc. was newly included in the scope of consolidation as an affiliated company accounted for by the equity method through the 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	(1) Affiliated companies that are accounted for by the equity method: 7 companies The names of equity-method affiliates are as follows: Pasona Nakakyushu Inc. Pasona Nagasaki Inc. Pasona ADP Payroll, Inc. Financial Sun Inc e-Staffing Co., Ltd. National Examination Center Inc. execube Inc. Kansai Employment Creation Organization Inc. and Kantou Employment Creation Organization Inc. became consolidated subsidiaries and were 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 The names of equity-method affiliates are as follows: Pasona Nakakyushu Inc. Pasona Nagasaki Inc. Pasona ADP Payroll, Inc. Financial Sun Inc. e-Staffing Co., Ltd. Kansai Employment Creation Organization Inc. National Examination Center Inc. Kantou Employment Creation Organization Inc. execube Inc. execube Inc. was newly included in the scope of consolidation as an affiliated company accounted for by the equity method through the 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 and affiliated companies not accounted for by the equity method: 1 non-consolidated company Pasonatech Consulting (Dalian) Co., Ltd. 1 affiliated company C4 & Pasona Tech Management Service, Inc. Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation as their interim net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group, and their overall importance to the Group's performance was limited.	(2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: 1 non-consolidated company Pasonatech Consulting (Dalian) Co., Ltd. 1 affiliated company C4 & Pasona Tech Management Service, Inc. Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation as their interim net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group, and their overall importance to the Group's performance was limited.	(2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: 1 non-consolidated company Pasonatech Consulting (Dalian) Co., Ltd. 1 affiliated company C4 & Pasona Tech Management Service, Inc. Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation as their net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group, and their overall importance to the Group's performance was limited.

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
3. First-half-end (fiscal year-end) of financial statements of consolidated subsidiaries	The first half-end of Pasona Europe Limited is February 28. The provisional financial statements of Pasona Europe Limited as of February 28 are used in the preparation of the consolidated financial statements. The first half-end of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. is June 30. The provisional financial statements of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. as of September 30 are used in the preparation of the consolidated financial statements. The first half-end of 38 other consolidated subsidiaries is September 30. The financial statements of these 38 other consolidated subsidiaries as of September 30 are used in the preparation of the consolidated financial statements. Where significant transactions have occurred during the period between these first half-ends and the consolidated first half-end, the consolidated financial statements are adjusted accordingly.	The first half-end of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. is June 30. The provisional financial statements of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. as of September 30 are used in the preparation of the consolidated financial statements. The first half-end of 40 other consolidated subsidiaries is September 30. The financial statements of these 40 other consolidated subsidiaries as of September 30 are used in the preparation of the consolidated financial statements. Where significant transactions have occurred during the period between these first half-ends and the consolidated first half-end, the consolidated financial statements are adjusted accordingly.	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 fiscal year-end of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. is December 31. The provisional financial statements of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. as of March 31 are used in the preparation of the consolidated financial statements. The fiscal year-end of 37 other consolidated subsidiaries is March 31. The financial statements of these 37 other consolidated subsidiaries as of March 31 are used in the preparation of the consolidated financial statements. Where significant transactions have occurred during the period between these fiscal 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 as of the closing date of the first half. (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. Valuation of inventories 1.Merchandise: Cost basis using the moving-average 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. Valuation of inventories 1.Merchandise: As left. 2.Stored goods: As left.	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. Cost of these securities is calculated based on the moving-average cost method.) 2.Securities without quoted market values As left. B. Valuation of inventories 1.Merchandise: As left. 2.Stored goods: As left.

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
(2) Depreciation of important depreciable assets	A. Tangible fixed assets 1.Buildings (excluding associated equipment and facilities): Straight-line method 2.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: Mainly the declining balance method Other tangible fixed assets other than those identified above: Mainly the pre-existing declining balance method B. Intangible fixed assets Software: As left.	A. Tangible fixed assets 1.Buildings (excluding associated equipment and facilities): As left. 2.Other tangible fixed assets: As left. B. Intangible fixed assets Software: As left.
(3) Accounting policies for important deferred assets	A. Share delivery expense Expenses relating to the issuance of new shares are charged to income in full when paid.	A. Share delivery expense As left	A. Share delivery 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 payments 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. The amounted that is deemed to have arisen as of the end of the first half under review is recorded in financial accounts.	A. Allowance for doubtful receivables As left. B. Reserve for bonus As left. C. Reserve for directors' bonus As left	A. Allowance for doubtful receivables As left. B. Reserve for bonus As left. 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..

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	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 first half under review. Actuarial gains and losses are recognized in expenses in the next fiscal year. 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 first half under review. F. ————	D. Allowance for employees' severance retirement benefits As left. E. Allowance for directors' retirement benefits As left. F. ————	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. 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 fiscal year-end. F. Allowance for investment loss At certain subsidiaries, an allowance for affiliated company-related investment losses is provided based on an estimated amount to be paid for the period taking into consideration the financial condition of the applicable affiliated company.
(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.	As left.
(6) Other significant accounting policies for preparing interim and full fiscal year consolidated financial statements	Consumption taxes Consumption taxes are separately recorded.	Consumption taxes As left.	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 goodwill and negative goodwill	————	For amortization of goodwill and negative goodwill, the Company and its consolidated subsidiaries employ a straight-line method over a period of two to five years. For immaterial amounts of goodwill and negative goodwill, the Company and its consolidated subsidiaries charge these amounts in full to the income statement at the time they occur.	For amortization of goodwill, the Company and its consolidated subsidiaries employ a 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 occur.
7. Scope for "Cash and Cash Equivalents" in first half and full fiscal year 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.	As left.

(6) Changes in significant basis for the preparation of first-half consolidated financial statements

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
(Accounting standards for business combination) For the first half of 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. There was no impact on profit and loss as a result of adoption. The following changes to first-half financial statements have been made in line with revisions to the rules on the preparation of first-half financial statements: (First-half consolidated balance sheet) As of November 30, 2006, "consolidation adjustment account" has been recorded as "goodwill." (First-half consolidated statement of income) For the first half of the fiscal year ending May 31, 2007, "amortization of consolidation adjustment account" has been recorded as "amortization of goodwill." (First-half consolidated statement of cash flows) For the first half of the fiscal year ending May 31, 2007, "amortization of consolidation adjustment account" has been recorded as "amortization of goodwill."	————	(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 sheet) For the fiscal year ended May 31, 2007, "consolidation adjustment account" has been recorded as "goodwill." (Consolidated statement of income) For the fiscal year ended May 31, 2007, "amortization of consolidation adjustment account" has been recorded as "amortization of goodwill." (Consolidated statement of cash flows) For the fiscal year ended May 31, 2007, "amortization of consolidation adjustment account" has been recorded as "amortization of goodwill."

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	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 first half of 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 Interim Financial Statements, the first-half financial statements for the first half of the fiscal year ended May 31, 2007 have been prepared in accordance with rule revisions.	————	(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.

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
(Tentative solutions on accounting for deferred assets) For the first half of 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. (First-half consolidated statement of income) From the first half of the fiscal year ended May 31, 2007, the Company recorded "Amortization of new share issuance expenses" as "Amortization of share delivery expenses."	————	(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 depreciation 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

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)
————	(First-half consolidated statement of income) Non-operating income items “insurance fund receivable” and “consumption tax and other tax exemption income” recorded in the previous first-half consolidated statement of income was less than 10% of the total of “non-operating income” in the first-half consolidated statement of income in the fiscal year under review. Accordingly, these items were included in “other income.” For the first half of the fiscal year under review, “insurance fund receivable” was ¥13 million and “consumption tax and other tax exemption income” was ¥21 million. Non-operating expenses item “amortization of share delivery expenses” recorded in the previous first-half consolidated statement of income was less than 10% of the total of “non-operating expenses” in the first-half consolidated statement of income in the fiscal year under review. Accordingly, this item was included in “other expenses.” For the first half of the fiscal year under review, “amortization of share delivery expenses” was ¥0 million.

Additional information

<table>
<tr><th>1st Half, FY ended 2007
(June 1, 2006 to November 30, 2006)</th><th>1st Half, FY ending 2008
(June 1, 2007 to November 30, 2007)</th><th>FY ended 2007
(June 1, 2006 to May 31, 2007)</th></tr>
<tr><td>(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 ¥20,611 million. There was no impact on profit and loss as a result of adoption.

The balance sheet for the first half of the fiscal year ended May 31, 2007 has been prepared to include a section for net assets composed of line items consistent with revisions to standards relating to the preparation of interim financial statements.</td><td>————</td><td>————</td></tr>
<tr><td>————</td><td>(Change in depreciations methods applicable to tangible fixed assets)

The Company and its domestic consolidated subsidiaries, following tax law revisions, depreciate equally over five years, and book as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, of tangible fixed assets acquired before March 31, 2007, beginning in the fiscal year following the fiscal year in which the asset’s value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions.

The impact of this change on operating income, ordinary income and income before income taxes and minority interests is negligible.</td><td>————</td></tr>
</table>

(7) Notes to first-half consolidated financial statements

Notes to first-half consolidated balance sheets

(Millions of yen)

1st Half, FY ended 2007 (as of November 30, 2006)	1st Half, FY ending 2008 (as of November 30, 2007)	FY ended 2007 (as of May 31, 2007)
※1. Accumulated depreciation of tangible fixed assets 1,348	※1. Accumulated depreciation of tangible fixed assets 1,902	※1. Accumulated depreciation of tangible fixed assets 1,603
※2. Consumption tax Consumption tax payable is recorded after deducting for consumption tax receipts.	※2. Consumption tax As left.	2. ————
3. Contingent liability for guarantee (1) For the following affiliate, the unpaid balance on leasing expenses are guaranteed: Pasona ADP Payroll, Inc. 39	3. Contingent liability for guarantee (1) For the following affiliate, the unpaid balance on leasing expenses are guaranteed: Pasona ADP Payroll, Inc. 19	3. 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 individual, building lease rentals are guaranteed: Koichi Yamanaka 388	(2) ————	(2) ————

Notes to first-half consolidated statements of income

(Millions of yen)

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)		1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)		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:		※1. Breakdown of major selling, general and administrative expenses:	
Salaries and bonuses for employees	6,692	Salaries and bonuses for employees	7,577	Salaries and bonuses for employees	14,703
Accrual of bonuses	1,228	Accrual of bonuses	1,474	Accrual of bonuses	1,442
Accrual of directors' bonuses	32	Accrual of directors' bonuses	10	Accrual of directors' bonuses	19
Provision for employees' retirement benefits	50	Provision for employees' retirement benefits	45	Welfare benefits expenses	2,960
				Provision for employees' retirement benefits	81
Provision for director's retirement benefits	109	Provision for director's retirement benefits	122	Provision for director's retirement benefits	204
Rent expenses	1,817	Rent expenses	2,488	Recruiting expenses	2,705
Depreciation and amortization	457	Depreciation and amortization	482	Rent expenses	3,812
Provision for doubtful receivables	18	Provision for doubtful receivables	0	Depreciation and amortization	908
Amortization of goodwill	77	Amortization of goodwill	110	Provision for doubtful receivables	42
				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:		※2. Breakdown of loss on sales and disposal of fixed assets:	
Loss on disposal		Loss on disposal		Loss on disposal	
Buildings	13	Buildings	33	Buildings	33
Other tangible fixed assets	4	Other tangible fixed assets	8	Other tangible fixed assets	12
Software	10	Software	0	Software	13
Other intangible fixed assets	0	Loss on sales		Loss on sales	
	28	Buildings	4	Other intangible fixed assets	0
		Land	0		60
			48		

(Millions of yen)

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)

※3 Impairment loss

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

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

Location	Application	Type
Shibuya-ku, Tokyo	Server	Equipment, furniture and fixtures
Chiyoda-ku, Tokyo	Internet service	Software
Chiyoda-ku, Tokyo	Trademarks	Other intangible fixed assets

(2) Background leading to the recognition of impairment losses

In principle, the Pasona Group adopts each individual company as the basic unit for asset groupings and the smallest unit in independent cash flow generation. Of the assets identified above, impairment losses have been recognized for equipment, furniture and fixtures that remain idle with no clear future plan for use. In addition, extraordinary impairment losses have been recognized for software and other intangible assets in connection with the transfer, sale and disposal of businesses. The impairment loss is the book value of each relevant asset written down to the amount estimated as recoverable.

1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)

※3 Impairment loss

For the first half of the fiscal year ending May 31, 2008, the Group reported impairment losses in connection with 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
Chiyoda-ku, Tokyo	Temporary staffing systems	Software
---	Other	Goodwill

(2) Background leading to the recognition of impairment losses

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

Impairment losses have been recognized for equipment, furniture and fixtures that remain idle with no clear future plan for use. In addition, impairment losses have been recognized for software for which continued operating use is deemed to have contributed to losses. The impairment loss is the book value of each relevant asset written down to the amount estimated as recoverable.

Furthermore, impairment losses have been recognized for goodwill. This is attributed to the assessment that income forecast at the time of stock acquisition cannot be achieved in line with business plan considerations.

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

※3 Impairment loss

For the fiscal year ended May 31, 2007, the Group reported impairment losses in connection with 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.

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 ongoing operating activities, an impairment loss has been recorded as the book value of each relevant asset written down to the amount estimated as recoverable.

(Millions of yen)

<table>
<tr>
<th>1st Half, FY ended 2007
(June 1, 2006 to November 30, 2006)</th>
<th>1st Half, FY ending 2008
(June 1, 2007 to November 30, 2007)</th>
<th>FY ended 2007
(June 1, 2006 to May 31, 2007)</th>
</tr>
<tr>
<td>(3) Impairment loss
<table>
<tr><th>Type</th><th>Amount</th></tr>
<tr><td>Equipment, furniture and fixtures</td><td>10</td></tr>
<tr><td>Software</td><td>50</td></tr>
<tr><td>Other intangible fixed assets</td><td>2</td></tr>
<tr><td>Total</td><td>63</td></tr>
</table>
The recoverable amount for asset groups is calculated based on the net sales value.

The estimated recoverable amount for equipment, furniture and fixtures is zero reflecting the difficulty of their sale. The estimated recoverable amount for software is based on replacement costs, the average of future cash flow and an evaluation of future cash flows. The estimated recoverable amount for other intangible assets is based on replacement costs.</td>
<td>(3) Impairment loss
<table>
<tr><th>Type</th><th>Amount</th></tr>
<tr><td>Equipment, furniture and fixtures</td><td>2</td></tr>
<tr><td>Software</td><td>4</td></tr>
<tr><td>Goodwill</td><td>38</td></tr>
<tr><td>Total</td><td>45</td></tr>
</table>
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.</td>
<td>(3) Impairment loss
<table>
<tr><th>Type</th><th>Amount</th></tr>
<tr><td>Buildings</td><td>0</td></tr>
<tr><td>Equipment, furniture and fixtures</td><td>27</td></tr>
<tr><td>Software</td><td>112</td></tr>
<tr><td>Other intangible fixed assets</td><td>4</td></tr>
<tr><td>Finance lease assets</td><td>10</td></tr>
<tr><td>Total</td><td>155</td></tr>
</table>
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.</td>
</tr>
</table>

(Calculation Statement Relating to Changes in First-Half Consolidated Shareholders' Equity)

First Half of the Fiscal Year Ended May 31, 2007
(June 1, 2006 to November 30, 2006)
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 November 30, 2006
Commons shares	433,080	141	—	433,221

(Overview)
The increase of 141 shares is attributed to the exercise of warrants during the first half of 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) Dividend payment amount

Resolution	Type of Shares	Total Cash Dividends Paid (Millions of Yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Annual General Meeting of Shareholders held on August 24, 2006	Common shares	779	1,800	May 31, 2006	August 25, 2006

(2) Dividends for which the effective date falls after the first half of the fiscal year ended May 31, 2007 included in dividends for which the base date falls within the first half of the fiscal year ended May 31, 2007

Resolution	Type of Shares	Source of Dividend Payment	Total Cash Dividends Paid (Millions of Yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Board of Directors' meeting held on January 24, 2007	Common shares	Retained earnings	415	1,000	November 30, 2006	February 27, 2007

First Half of the Fiscal Year Ending May 31, 2008
(June 1, 2007 to November 30, 2007)
1. Matters Relating to Shares Issued and Outstanding

Type of Shares	Number of Shares As of May 31, 2007	Increase	Decrease	Number of Shares As of November 30, 2007
Commons shares	433,732	671	—	434,403

(Overview)
The increase of 671 shares is attributed to the exercise of warrants during the first half of the fiscal year ending May 31, 2008.

2. Matters Relating the Treasury Stock

Type of Shares	Number of Shares As of May 31, 2007	Increase	Decrease	Number of Shares As of November 30, 2007
Commons shares	17,500	—	—	17,500

3. Matters Relating the New Subscription Rights
None.

4. Matters Relating to Dividends
(1) Dividend payment amount

Resolution	Type of Shares	Total Cash Dividends Paid (Millions of Yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Board of Directors' meeting held on July 20, 2007	Common shares	416	1,000	May 31, 2007	August 23, 2007

(2) Dividends for which the effective date falls after the first half of the fiscal year ending May 31, 2008 included in dividends for which the base date falls within the first half of the fiscal year ending May 31, 2008

Resolution	Type of Shares	Source of Dividend Payment	Total Cash Dividends Paid (Millions of Yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Board of Directors' meeting held on January 24, 2008	Common shares	Retained earnings	500	1,200	November 30, 2007	February 27, 2008

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 May 31, 2007
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 (Millions of Yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Annual General Meeting of Shareholders held on August 24, 2006	Common shares	779	1,800	May 31, 2006	August 25, 2006
Board of Directors' Meeting held on January 24, 2007	Common shares	415	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 (Millions of Yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Board of Directors' meeting held on July 20, 2007	Common shares	Retained earnings	416	1,000	May 31, 2007	August 23, 2007

Notes to first-half consolidated statements of cash flows

(Millions of yen)

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)		1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)		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.		※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 November 30, 2006		As of November 30, 2007		As of May 31, 2007	
Cash and deposits	10,349	Cash and deposits	11,481	Cash and deposits	11,470
Time deposits with deposit term exceeding three months	(81)	Time deposits with deposit term exceeding three months	(161)	Time deposits with deposit term exceeding three months	(82)
Securities (MMF・FFF)	361	Securities (MMF・FFF)	362	Securities (MMF・FFF)	361
Cash and cash equivalents	10,629	Cash and cash equivalents	11,683	Cash and cash equivalents	11,750

Segment information

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)

(Millions of yen)

	Temporary staffing/Contracting, Placement/Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) Sales to outside customers	105,051	2,581	4,759	809	113,202	—	113,202
(2) Intersegment sales and transfers	106	7	159	183	456	(456)	—
Total	105,158	2,589	4,918	992	113,658	(456)	113,202
Operating expenses	101,671	1,786	4,697	1,189	109,345	(456)	108,888
Operating income (loss)	3,487	802	221	(196)	4,313	0	4,314

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, recruiting portal site management, other

1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)

(Millions of yen)

	Temporary staffing/Contracting, Placement/Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) Sales to outside customers	109,730	2,633	6,414	737	119,516	—	119,516
(2) Intersegment sales and transfers	122	1	192	233	549	(549)	—
Total	109,853	2,634	6,606	970	120,065	(549)	119,516
Operating expenses	107,850	2,046	6,129	968	116,995	(551)	116,444
Operating income (loss)	2,002	587	477	1	3,069	2	3,071

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, recruiting portal site management, other

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

(Millions of yen)

	Temporary staffing/Contracting, Placement/Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) Sales to outside customers	215,372	4,392	9,878	1,588	231,231	—	231,231
(2) 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

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, recruiting portal site management, other

2. Information on geographic areas

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)

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

1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)

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

3. Overseas sales

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)

Since the percentage of overseas sales to total consolidated net sales is less than 10%, information on overseas sales is omitted in the report.

1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)

Since the percentage of overseas sales to total consolidated net sales is less than 10%, information on overseas sales is omitted in the report.

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

Since the percentage of overseas sales to total consolidated net sales is less than 10%, information on overseas sales is omitted in the report.

Leases

(Millions of yen)

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)

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
Buildings	38	21	17
Other tangible assets	834	404	430
Software	510	338	171
Total	1,383	764	619

(2) Period-end balance of unpaid lease expenses

Due within one year	293
Due after one year	341
Total	634

(3) Lease expense payments, accumulated depreciation and interest expenses

Lease expense payment	188
Accumulated depreciation	180
Interest expenses	7

(4) Method of calculation for amortization

Straight-line method over the useful life with no remaining value is used to calculate amortization.

(5) Method of calculation for interest

The difference between total lease expenses and the acquisition cost of leased assets is considered as the interest portion and the allocation of this interest is calculated by the interest method

2. Operating lease

Amount of unpaid lease expenses

Due within one	894
Due after one year	127
Total	1,021

1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)

1. Finance leases other than those that transfer ownership to the lessee

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss and period-end balance of lease assets

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Period-end balance
Buildings	26	11	—	14
Other tangible fixed assets	827	448	10	367
Software	311	224	—	87
Total	1,165	684	10	469

(2) Period-end balance of unpaid lease expenses

Due within one year	261
Due after one year	230
Total	492
Balance of leased assets impairment loss account as of the end of the first half of the fiscal year	8

(3) Lease expense payments, reversal of lease asset impairment loss account, accumulated depreciation and interest expenses

Lease expense payment	168
Reversal of lease asset impairment loss account	1
Accumulated depreciation	159
Interest expenses	6

(4) Method of calculation for amortization

As left.

(5) Method of calculation for interest

As left.

2. Operating lease

Amount of unpaid lease expenses

Due within one	1,145
Due after one year	3,246
Total	4,392

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, accumulated impairment loss and period-end balance of lease assets

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Period-end balance
Buildings	23	9	—	14
Other tangible fixed assets	776	420	10	344
Software	378	254	—	123
Total	1,178	684	10	482

(2) Period-end balance of unpaid lease expenses

Due within one year	260
Due after one year	247
Total	508
Balance of leased asset impairment loss account as of the end of the fiscal year	10

(3) Lease expense payments, reversal of lease asset impairment loss account, accumulated depreciation, interest expenses and impairment loss

Lease expense payment	353
Reversal of lease asset impairment loss account	—
Accumulated depreciation	336
Interest expenses	15
Impairment loss	10

(4) Method of calculation for amortization

As left.

(5) Method of calculation for interest

As left.

2. Operating lease

Amount of unpaid lease expenses

Due within one year	617
Due after one year	921
Total	1,538

Securities

1st Half, FY ended May 31, 2007 (as of November 30, 2006)

1. Other securities with quoted market value

(Millions of yen)

Type of security	Acquisition cost	Amount stated on consolidated balance sheet	Difference
(1) Stocks	435	708	272
(2) Others	15	12	(2)
Total	450	720	269

2. Other securities without quoted market value

(Millions of yen)

	Amount stated on consolidated balance sheet
Other securities	
Non-listed stocks	286
Money management fund (MMF)	200
Free financial fund (FFF)	160

1st Half, FY ending May 31, 2008 (as of November 30, 2007)

1. Other securities with quoted market value

(Millions of yen)

Type of security	Acquisition cost	Amount stated on consolidated balance sheet	Difference
(1) Stocks	410	599	188
Total	410	599	188

2. Other securities without quoted market value

(Millions of yen)

	Amount stated on consolidated balance sheet
Other securities	
Non-listed stocks	219
Money management fund (MMF)	201
Free financial fund (FFF)	161
Others	8

FY ended May 31, 2007 (as of May 31, 2007)

1. Other securities with quoted market value

(Millions of yen)

Type of security	Acquisition cost	Amount stated on consolidated balance sheet	Difference
(1) Stocks	436	692	256
(2) Others	15	11	(3)
Total	451	704	252

2. Other securities without quoted market value

(Millions of yen)

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

Derivatives

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	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.	As left.

Stock Options and Other

Notes relating to stock options and related instruments are deemed to have little relevance or importance as disclosure items for consolidated interim financial report purposes. Accordingly, this information has been omitted.

Per share information

(Yen)

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)		1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
Net assets per share	49,581.02	Net assets per share	55,326.07	Net assets per share	53,759.81
Earnings per share	4,896.12	Earnings per share	2,553.65	Earnings per share	10,003.68
Earnings per diluted share	4,877.69	Earnings per diluted share	2,539.71	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)

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Total net assets	24,573	27,736	26,904
Amount deducted from total net assets Minority interests	3,961	4,670	4,528
Net assets applicable to common stock	20,611	23,065	22,376
Number of common stock issued and outstanding as of the end of the period (Shares)	433,221	434,403	433,732
Number of treasury stock (Shares)	17,500	17,500	17,500
Number of common stock used in the calculation of net assets per share (Shares)	415,721	416,903	416,232

2. Earnings per share and earnings per diluted share

(Millions of yen unless otherwise stated)

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Earnings per share			
Net income	2,073	1,063	4,198
Amount not applicable to shareholders of common stock	—	—	—
Net income applicable to common stock	2,073	1,063	4,198
Average number of shares for the period (Shares)	423,427	416,524	419,668
Earnings per diluted share			
Net income adjustment amount	4	5	25
Increase in number of shares of common stock (Shares)	753	206	696
(Common stock with subscription rights)	(306)	(113)	(304)
(Common stock with warrants as stock options)	(447)	(93)	(392)

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Since there was no effect on earningsper share after applying calculations adjusted for the dilution of stocks, per diluted share amounts have been omitted from this report	Type of stock options: 3 Number of stock option rights: 8,792 shares Consistent with details outlined in "Status of common stock with warrants as stock options and other"	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: 530 shares) Resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 3,214 shares) Resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,402 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) Resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 3,334 shares) Resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,542 shares)

Important subsequent events

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
————	1. Establishment of a pure holding company structure through the transfer of stock Following ratification at the Company's Annual General Meeting of Shareholders on August 22, 2007, Pasona Inc. plans to establish the true parent company, Pasona Group Inc., through the transfer of stock on December 3, 2007 in order to implement a pure holding company structure. On this basis, Pasona Inc. will become a wholly owned subsidiary within the framework of this pure holding company structure. (1) The effective dates for the transfer of stock and registration of the holding company December 3, 2007 (2) Stock transfer ratio An allotment of common shares of the pure holding company shall be conducted at the ratio of 1:1 between Pasona Inc. and the pure holding company. (3) Overview of the pure holding company a. Corporate Name: Pasona Group Inc. b. Business Activities: Management and support of its wholly owned and other Group companies engaged in human resource-related activities based on the ownership of stock c. Head Office Address: 1-5-1 Marunouchi, Chiyoda-ku, Tokyo d. Paid-up Capital: ¥5,000,000,000	1. Shift to a pure holding company structure through the transfer of stock At a Board of Directors' meeting held on July 20, 2007, Pasona Inc. decided to establish a true parent company effective December 3, 2007 through the transfer of stock. This decision by the Board of Directors was ratified at the Company's Annual General Meeting of Shareholders held on August 22, 2007. An overview of the transfer of stock is provided as follows: (1) Purpose for establishing a pure holding company Pasona Inc. decided to adopt a pure holding company structure as a part of the Company's efforts to enhance its corporate value in its human resource business activities. In specific terms, and in an effort to strengthen the Pasona Group's management capabilities, a holding company structure will better enhance the oversight function, facilitate the formulation of Group-wide management strategies and optimize the allocation of resources to growth fields. At the same time, a holding company structure will also bolster the corporate governance function and raise the level and quality of overall Group management transparency. From an operating company perspective, Group companies will be better positioned to secure growth opportunities in their respective fields and better respond in a strategic and flexible manner to rapid changes in the business environment. (2) Date of the transfer of stock December 3, 2007 (3) Stock transfer ratio An allotment of common shares of the pure holding company shall be conducted at the ratio of 1:1 between Pasona Inc. and the pure holding company. (4) Payment in connection with the transfer of stock No payment will be made as a result of the transfer of stock (5) Matters relating the application for public listing of the pure holding company Plans are in place to publicly list the pure holding company on the Tokyo Stock exchange and the Osaka Securities Exchange. On this basis, plans are also in place to delist the shares of Pasona Inc.

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
		(6) Overview of the pure holding company a. Corporate Name: Pasona Group Inc. b. Business Activities: Management and support of its wholly owned and other Group companies engaged in human resource-related activities based on the ownership of stock c. Head Office Location: Chiyoda-ku, Tokyo d. Paid-up Capital: ¥5,000,000,000 (7) Transfer of new share subscription rights and bonds with new share subscription rights to the pure holding company In connection with new share subscription rights, the pure holding company intends to issue and a lot new share subscription rights of the pure holding company to the new share subscription rights holders of the Company (equivalent to Pasona Inc.). Pasona Inc. has not issued bonds with new share subscription rights.
―――――	2. Execution of a corporate separation (acquisition and spin-off) agreement In connection with a January 24, 2008 Board of Directors' meeting, Pasona Inc. decided to transfer its related company management function and a portion of its business to Pasona Group Inc. by means of corporate spin off. On the same date, an acquisition and spin separation agreement was executed between the two companies. An overview of the corporate separation is provided as follows: (1) Purpose for the corporate separation As an initial step toward a pure holding company, the Pasona Group established Pasona Group Inc. on December 3, 2007 through the transfer of stock. As a second and follow-up step toward separation pure holding company, Pasona Inc.'s related company functions and certain of its businesses are scheduled for transfer to Pasona Group Inc. As a result of these initiatives, the Group intends to enhance the corporate governance function and raise the level of overall Group management transparency at the same time. From an operating company perspective, Group companies will also be better positioned to secure growth opportunities in their respective fields and better respond in a strategic and flexible manner to rapid changes in the business environment.	―――――

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
―――――	(2) Method of corporate separation The succession and corporate separation involve Pasona Group as the successor company and Pasona as the separating company identified for acquisition and corporate separation. (3) Scheduled date of corporate separation March 1, 2008 (4) Matters relating to payments in connection with corporate separation Pasona Group holds all of Pasona's issued and outstanding shares. As a result, there is no monetary payment to Pasona in connection with this corporate separation. (5) Rights and obligations to be transferred to Pasona Group Inc. Pasona Group Inc. shall receive such rights and obligations as assets, liabilities and contractual arrangements relating to the control and management functions over related companies as well as new business in connection with employment creation for private and public sector clients (6) Business results of successor company divisions. Operating net sales for the period prior to the first half of the fiscal year ending May 31, 2008 are immaterial. (7) Categories and amount of successor company assets and liabilities (As of November 30, 2007) (see table below) (8) Overview of Pasona Group Inc. a. Corporate Name: Pasona Group Inc. b. Business Activities: Management and support of its wholly owned and other Group companies engaged in human resource-related activities based on the ownership of stock c. Head Office Address: 1-5-1 Marunouchi, Chiyoda-ku, Tokyo d. Paid-up Capital: ¥5,000,000,000	―――――

Assets		Liabilities	
Category	Book Value (Millions of yen)	Category	Book Value (Millions of yen)
Current assets	108	Current liabilities	95
Fixed assets	10,348	Long-term liabilities	187
Total assets	10,456	Total liabilities	282

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	3. Sales of ADP Payroll, Inc.'s shares At a Board of Directors' meeting held on January 23, 2008, the Company decided to sell its shareholding in Pasona ADP Payroll, Inc., an affiliated company accounted for by the equity method. Consistent with this decision, a share transfer agreement was also executed on January 23, 2008. (1) Rationale for the sale. Pasona ADP Payroll is a joint venture company that was established with Automatic Data Processing, Inc. (hereafter "ADP"), a U.S.-based company. Following receipt of a buyout offer by Baring Private Equity Asia, and as a result of discussions with ADP, both ADP and Pasona Group decided to sell all of their respective shareholdings in Pasona ADP Payroll. (2) Corporate name of the entity to which shares were sold Baring Private Equity Asia. III Holding (2) B.V (3) Date shares sold January 23, 2008 (4)Number of shares to be sold 13,495 shares (5)Share sales price ¥1,331,000,000 (6) Gain on sale ¥1,088,000,000 (7)Share ownership before shares to be sold 48.63% (8) Share ownership after shares to be sold 0.00% (9) Overview of Pasona ADP Payroll, Inc. a. Business Activities Payroll calculation full outsourcing services **a.** Contents of transaction with the Company Detachment, subcontracting, debt guarantee **b.**Paid-in Capital ¥997,000,000	

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	5.. Concerning the Otemachi Office At a Board of Directors' meeting held on January 24, 2008, the Company adopted a resolution in connection with its Otemachi Nomura Building lease agreement. (1) Resolution Members of the Pasona Group including Pasona Inc. occupy a portion of the Otemachi Nomura Building under a fixed term lease agreement. This agreement is scheduled to expire on July 31, 2008. The Company has decided to limit an extension of the aforementioned lease agreement to one year subject to appropriate terms and conditions, thereby terminating the agreement on July 31, 2009. This decision is attributed to an inability by the lessor and Pasona to reach an agreement, and is consistent with the company's management strategy. (2) Impact on business results Pasona Group intends to include a portion of restoration and associated costs related to the Otemachi Nomura Building in its accounts for the full fiscal year ending May 31, 2008. The relevant amount is yet to be determined.	

5. NON-CONSOLIDATED FINANCIAL STATEMENTS
NON-CONSOLIDATED BALANCE SHEETS

As of November 30, 2006 and 2007, and May 31, 2007 (Millions of yen)

		1st Half, FY ended 2007 (as of November 30, 2006)			1st Half, FY ending 2008 (as of November 30, 2007)			FY ended 2007 (as of May 31, 2007)		
	Notes			(%)			(%)			(%)
ASSETS										
Current assets:										
1. Cash and deposits		716			1,768			703		
2. Accounts receivable		15,241			15,627			15,954		
3. Stored goods		75			79			68		
4. Deferred tax assets		599			601			714		
5. Other current assets		1,485			1,617			1,259		
Less allowance for doubtful receivables		(52)			(54)			(51)		
Total current assets			18,065	55.3		19,640	54.5		18,649	55.0
Fixed assets:										
1. Property and equipment:	※1									
(1) Buildings		1,581			2,415			1,910		
(2) Land		653			652			653		
(3) Other tangible fixed assets		287			462			332		
Total		2,522		7.7	3,530		9.8	2,896		8.5
2. Intangible assets:										
(1) Goodwill		—			9			14		
(2) Software		513			715			567		
(3) Other intangibles		62			62			62		
Total		576		1.8	788		2.2	645		1.9
3. Investments and other assets:										
(1) Investment securities		408			426			389		
(2) Investments in subsidiaries and affiliates		7,706			7,526			7,398		
(3) Deferred tax assets		569			342			366		
(4) Lease guarantee deposits		2,539			3,292			3,167		
(5) Other investments		362			593			509		
Less allowance for doubtful receivables		(95)			(93)			(83)		
Total		11,491		35.2	12,088		33.5	11,747		34.6
Total fixed assets			14,590	44.7		16,407	45.5		15,290	45.0
Total assets			32,656	100.0		36,048	100.0		33,939	100.0

	Notes	1st Half, FY ended 2007 (as of November 30, 2006)		(%)	1st Half, FY ending 2008 (as of November 30, 2007)		(%)	FY ended 2007 (as of May 31, 2007)		(%)
LIABILITIES										
Current liabilities:										
1. Short-term loans payable		3,000			5,500			1,500		
2. Accrued expenses		6,524			6,624			7,630		
3. Income taxes payable		1,079			344			930		
4. Consumption taxes payable		1,427			1,201			1,866		
5. Reserve for bonus		961			1,040			1,041		
6. Reserve for directors' bonus		—			—			—		
7. Other		1,416			1,959			1,918		
Total current liabilities			14,410	44.1		16,670	46.2		14,886	43.9
Long-term liabilities:										
1. Allowance for directors' retirement benefits		652			742			720		
2. Other		184			182			200		
Total long-term liabilities			837	2.6		924	2.6		921	2.7
Total liabilities			15,247	46.7		17,595	48.8		15,808	46.6
NET ASSETS										
I Shareholders' equity										
1. Common stock			8,329	25.5		8,391	23.3		8,358	24.6
2. Capital surplus										
(1) Capital reserve		3,867			3,929			3,896		
(2) Other capital surplus		3,597			3,597			3,597		
Total capital surplus			7,464	22.8		7,526	20.9		7,493	22.1
3. Retained earnings										
(1) Other retained earnings										
General reserve		4,500			4,500			4,500		
Retained earnings brought forward		1,372			2,278			2,047		
Total retained earnings			5,872	18.0		6,778	18.8		6,547	19.3
4. Treasury stock			(4,287)	(13.1)		(4,287)	(11.9)		(4,287)	(12.6)
Total shareholders' equity			17,379	53.2		18,407	51.1		18,111	53.4
II Valuation and conversion										
1. Net unrealized holding gain on other securities			29	0.1		44	0.1		20	0.0
Total valuation and conversion			29	0.1		44	0.1		20	0.0
Total net assets			17,408	53.3		18,452	51.2		18,131	53.4
Total liabilities and net assets			32,656	100.0		36,048	100.0		33,939	100.0

NON-CONSOLIDATED STATEMENTS OF INCOME

1 Hs of the fiscal years ended 2007 and ending 2008, and the full fiscal year ended 2007 (Millions of yen)

		1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)			1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)			FY ended 2007 (June 1, 2006 to May 31, 2007)		
	Notes			(%)			(%)			(%)
Net sales			79,281	100.0		81,053	100.0		162,085	100.0
Cost of sales			66,669	84.0		68,561	84.6		135,980	83.9
Gross profit			12,611	16.0		12,492	15.4		26,104	16.1
Selling, general and administrative expenses			10,268	13.0		11,758	14.5		21,281	13.1
Operating income			2,343	3.0		733	0.9		4,822	3.0
Non-operating income	※1		189	0.2		438	0.5		213	0.1
Non-operating expenses	※2		30	0.0		42	0.0		66	0.0
Ordinary income			2,502	3.2		1,129	1.4		4,970	3.1
Extraordinary gain	※3		327	0.4		8	0.0		564	0.3
Extraordinary loss	※4		2,470	3.1		48	0.0		2,978	1.8
Income before income taxes			359	0.5		1,090	1.4		2,556	1.6
Income taxes — current		1,032			323			2,044		
Income taxes — deferred		57	1,089	1.4	120	443	0.6	152	2,196	1.4
Net income (loss)			(730)	(0.9)		647	0.8		360	0.2

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the 1st Half of the Fiscal Year ended May 31, 2007 (June 1, 2006 to November 30, 2006)

(Millions of yen)

	Shareholders' Equity						
		Capital Surplus			Retained Earnings		
					Other Retained Earnings		
	Common Stock	Capital Reserve	Other Capital Surplus	Total Capital Surplus	General Reserve	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 the 1st Half of the Fiscal Year Ended May 31, 2007							
Issuance of new shares	7	7	—	7	—	—	—
Distribution of surplus	—	—	—	—	—	(779)	(779)
Interim net loss	—	—	—	—	—	(730)	(730)
Acquisition of treasury stock	—	—	—	—	—	—	—
Net change in line items other than shareholders' equity	—	—	—	—	—	—	—
Total of Movements during the 1st Half of the Fiscal Year Ended May 31, 2007	7	7	—	7	—	(1,509)	(1,509)
Balance as of November 30, 2006	8,329	3,867	3,597	7,464	4,500	1,372	5,872

	Shareholders' Equity		Valuation and Conversion	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 the 1st Half of the Fiscal Year Ended May 31, 2007				
Issuance of new shares	—	14	—	14
Distribution of surplus	—	(779)	—	(779)
Interim net loss	—	(730)	—	(730)
Acquisition of treasury stock	(4,287)	(4,287)	—	(4,287)
Net change in line items other than shareholders' equity	—	—	(18)	(18)
Total of Movements during the 1st Half of the Fiscal Year Ended May 31, 2007	(4,287)	(5,782)	(18)	(5,801)
Balance as of November 30, 2006	(4,287)	17,379	29	17,408

For the 1st Half of the Fiscal Year ending May 31, 2008 (June 1, 2007 to November 30, 2007)

(Millions of yen)

	Shareholders' Equity						
		Capital Surplus			Retained Earnings		
					Other Retained Earnings		
	Common Stock	Capital Reserve	Other Capital Surplus	Total Capital Surplus	General Reserve	Retained Earnings Brought Forward	Total Retained Earnings
Balance as of May, 31, 2007	8,358	3,896	3,597	7,493	4,500	2,047	6,547
Movements during the 1st Half of the Fiscal Year Ending May 31, 2008							
Issuance of new shares	32	32	—	32	—	—	—
Distribution of surplus	—	—	—	—	—	(416)	(416)
Interim net income	—	—	—	—	—	647	647
Acquisition of treasury stock	—	—	—	—	—	—	—
Net change in line items other than shareholders' equity	—	—	—	—	—	—	—
Total of Movements during the 1st Half of the Fiscal Year Ending May 31, 2008	32	32	—	32	—	230	230
Balance as of November 30, 2007	8,391	3,929	3,597	7,526	4,500	2,278	6,778

	Shareholders' Equity		Valuation and Conversion	Total Net Assets
	Treasury Stock	Total Shareholders' Equity	Net Unrealized Holding Gain on Other Securities	
Balance as of May, 31, 2007	(4,287)	18,111	20	18,131
Movements during the 1st Half of the Fiscal Year Ending May 31, 2008				
Issuance of new shares	—	65	—	65
Distribution of surplus	—	(416)	—	(416)
Interim net income	—	647	—	647
Net change in line items other than shareholders' equity	—	—	24	24
Total of Movements during the 1st Half of the Fiscal Year Ending May 31, 2008	—	296	24	321
Balance as of November 30, 2007	(4,287)	18,407	44	18,452

For the Fiscal Year ended May 31, 2007 (June 1, 2006 to 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	General Reserve	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 the 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 of 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 Conversion	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 the 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 of 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

(4) Basis of preparation of first-half non-consolidated financial statements

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
1. Valuation standard and valuation method of assets	(1) Securities: A. Equity in subsidiary and affiliated companies Cost basis using the moving-average cost method. B. Securities (other securities) 1. Securities with quoted market values: Securities with quoted market value are stated at fair value on the closing date of first-half 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. (2) Inventories: Stored goods: Cost basis at last invoice cost method	(1) Securities: A. Equity in subsidiary and affiliated companies As left. B. Securities (other securities) 1. Securities with quoted market value As left. 2. Securities without quoted market values: As left. (2) Inventories: Stored goods: As left.	(1) Securities: A. Equity in subsidiary and affiliated companies As left. B. Securities (other securities) 1. Securities with quoted market value: Securities with quoted market value are stated at fair value on the closing date of full fiscal year 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: As left. (2) Inventories: Stored goods: As left.
2. Depreciation methods of fixed assets	A. Tangible fixed assets 1.Buildings (excluding associated equipment and facilities): Straight-line method	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	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

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	2.Other tangible fixed assets: 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)	2. Other tangible fixed assets: Acquired after April 1, 2007: The declining balance method Other tangible fixed assets other than those identified above: The pre-existing declining balance method B. Intangible fixed assets Software: As left.	2. Other tangible fixed assets: Acquired after April 1, 2007: The declining balance method Other tangible fixed assets other than those identified above: The pre-existing declining balance method B. Intangible fixed assets Software: As left.
3. 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 director bonus payments at an estimated amount to be paid for the period. The amounted that is deemed to have arisen as of the end of the first half of the fiscal year under review is recorded in financial accounts. Furthermore, director's bonuses are calculated based on general business results. An amount has not been recorded reflecting the difficulty in legitimately estimating an amount for the first-half period under review.	(1) Allowance for doubtful receivables: As left. (2) Reserve for bonus: As left. (3) Reserve for directors' bonus: As left.	(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.

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	(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 expenses as of November 30, 2006. Actual gains and losses are recognized in expenses in the next fiscal year. As of the end of the first-half period 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 ¥147 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 November 30, 2006.	(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 expenses as of November 30, 2007. Actual gains and losses are recognized in expenses in the next fiscal year. As of the end of the first-half period 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 ¥304 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 November 30, 2007.	(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: 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.
4. 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.	As left.
5. Other significant accounting policies for preparing first half and full fiscal year financial statements	Consumption taxes: Consumption taxes are separately recorded.	Consumption taxes: As left.	Consumption taxes: As left.

(5)Changes in Significant Basis for the Preparation of First-Half Non-Consolidated Financial Statements

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	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 first-half 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 Interim Financial Statements, the first-half financial statements for the first half of the fiscal year ended May 31, 2007 have been prepared in accordance with rule revisions.	————	(Partial revision of the accounting standard for treasury stock and the reversal of legal reserves) For the fiscal year 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 full fiscal year financial statements for the fiscal year ended May 31, 2007 have been prepared in accordance with rule revisions.
————	————	(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.
————	————	(Change in depreciations methods applicable to tangible fixed assets) From the fiscal year ended May 31, 2007, the Company has adopted depreciation 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.

Additional information

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
(Accounting standard for the presentation of net assets on the balance sheet) For the first-half period 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 ¥17,408 million. There was no impact on profit and loss as a result of adoption. The balance sheet for the first-half of the fiscal year ended May 31, 2007 has been prepared to include a section for net assets composed of line items consistent with revisions to standards relating to the preparation of first-half financial statements.	————	————
————	(Change in depreciations methods applicable to tangible fixed assets) The Company, following tax law revisions, depreciates equally over five years, and books as a depreciation expense, the difference between the memorandum value and 5% of the acquisition value of tangible fixed assets acquired before March 31, 2007, beginning in the first half of the fiscal year following the fiscal year in which the asset's value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions. The impact of this change on operating income, ordinary income and income before income taxes is negligible.	————

(6)Notes to first-half non-consolidated balance sheets

(Millions of yen)

1st Half, FY ended 2007 (as of November 30, 2006)	1st Half, FY ending 2008 (as of November 30, 2007)	FY ended 2007 (as of May 31, 2007)
※1 Accumulated depreciation of tangible fixed assets 646	※1 Accumulated depreciation of tangible fixed assets 974	※1 Accumulated depreciation of tangible fixed assets 779
※ 2 Consumption tax Consumption tax payable is recorded after deducting for consumption tax receipts.	※ 2 Consumption tax As left.	————
3 Contingent liability for guarantee (1) For the following affiliate, the unpaid balance on leasing expenses are guaranteed: Pasona ADP Payroll, Inc. 39	3 Contingent liability for guarantee (1) For the following affiliate, the unpaid balance on leasing expenses are guaranteed: Pasona ADP Payroll, Inc. 19	3 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, external debt financing are guaranteed: Pasona Human Resources (Shanghai) Co., Ltd. 52	(2) For the following affiliate, external debt financing are guaranteed: Pasona Human Resources (Shanghai) Co., Ltd. 52	(2) For the following affiliate, external debt financing are guaranteed: Pasona Human Resources (Shanghai) Co., Ltd. 55

Notes to first-half non-consolidated statements of income

(Millions of yen)

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
※ 1 Principal component of non-operating income: Dividend income 171	※ 1 Principal component of non-operating income: Dividend income 260 Subsidy income 147	※ 1 Principal component of non-operating income: Dividend income 173
※ 2 Principal component of non-operating expenses: Interest expenses 12	※ 2 Principal component of non-operating expenses: Interest expenses 21	※ 2 Principal component of non-operating expenses: Interest expenses 29
※ 3 Extraordinary gain: Gain on sales of investment in affiliated companies 327	※ 3 Extraordinary gain: Gain on sales of investment securities 8	※ 3 Extraordinary gain: Gain on sales of investment in affiliated companies 564
※ 4 Principal component of extraordinary loss: Valuation loss on investment in affiliated companies Pasona Tech, Inc. 2,290 Other 146 Total 2,436	※ 4 Principal component of extraordinary loss: Valuation loss on investment in affiliated companies HR Partners Inc. 23 NARP Inc. 19 Total 42	※ 4 Principal component of extraordinary loss: Valuation loss on investment in affiliated companies Pasona Tech, Inc. 2,290 Other 668 Total 2,958
5 Depreciation and amortization: Tangible fixed assets 131 Intangible fixed assets 159	5 Depreciation and amortization: 124Tangible fixed assets 200 147Intangible fixed assets 105	5 Depreciation and amortization: Tangible fixed assets 286 Intangible fixed assets 277

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

First Half of the Fiscal Year Ended May 31, 2007
(June 1, 2006 to November 30, 2006)
1. 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
Common shares	—	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..

1 First Half of the Fiscal Year Ending May 31, 2008
(June 1, 2007 to November 30, 2007)
1. Matters Relating the Treasury Stock

(

Type of Shares	Number of Shares As of May 31, 2007	Increase	Decrease	Number of Shares As of November 30, 2007
Common shares	17,500	—	—	17,500

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

1. Matters Relating the Treasury Stock

Type of Shares	Number of Shares As of May 31, 2006	Increase	Decrease	Number of Shares As of May 31, 2007
Common shares	—	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)

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)

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
Other Tangible Assets	338	124	213
Software	86	78	8
Total	425	202	222

(2) Period-end balance of unpaid lease expenses

Due within one year	109
Due after one year	114
Total	223

(3) Lease expense payments, depreciation, interest expenses

Lease expense payments	70
Accumulated depreciation	68
Interest expense	1

(4) Method of calculation for amortization
Straight-line method over the useful life with no remaining value is used to calculate amortization.

(5) Method of calculation for interest
The difference between total lease expenses and the acquisition cost of leased assets is considered as the interest portion and the allocation of this interest is calculated by the interest method.

2 Operating lease
Amount of unpaid lease expenses

Due within one year	756
Due after one year	3
Total	760

1st Half, FY ending 2008 (June 1, 2007 to November 30, 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

	Acquisition Cost	Accumulated Depreciation	Period-End Balance
Other Tangible Assets	405	172	233
Software	22	17	4
Total	428	189	238

(2) Period-end balance of unpaid lease expenses

Due within one year	157	122
Due after one year	82	119
Total	239	241

(3) Lease expense payments, depreciation, interest expenses

Lease expense payments	29	80
Accumulated depreciation	125	78
Interest expense	2	2

(4) Method of calculation for amortization
As left.

(5) Method of calculation for interest
As left.

2 Operating lease
Amount of unpaid lease expenses

Due within one year	951
Due after one year	2,661
Total	3,612

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

	Acquisition Cost	Accumulated Depreciation	Period -End Balance
Other Tangible Assets	358	180	178
Software	24	18	5
Total	382	198	184

(2) Period-end balance of unpaid lease expenses

Due within one year	98
Due after one year	88
Total	186

(3) Lease expense payments, depreciation, interest expenses

Lease expense payments	130
Accumulated depreciation	126
Interest expense	4

(4) Method of calculation for amortization
As left.

(5) Method of calculation for interest
As left.

2 Operating lease
Amount of unpaid lease expenses

Due within one year	458
Due after one year	648
Total	1,106

Securities

1st Half, FY ended May 31, 2007 (as of November 30, 2006)

Shares of subsidiary and affiliated companies with quoted market value

(Millions of yen)

	Amount Stated on the Balance Sheet	Market Value	Difference
Shares in subsidiary companies	3,766	17,743	13,977
Total	3,766	17,743	13,977

1st Half, FY ending May 31, 2008 (as of November 30, 2007)

Shares of subsidiary and affiliated companies with quoted market value

(Millions of yen)

	Amount Stated on the Balance Sheet	Market Value	Difference
Shares in subsidiary companies	3,724	16,544	12,819
Total	3,724	16,544	12,819

FY ended May 31, 2007 (as of May 31, 2007)

Shares of subsidiary and affiliated companies with quoted market value

(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

Per share information

(Yen)

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)		1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)		FY ended 2007 (June 1, 2006 to May 31, 2007)	
Net assets per share	41,875.80	Net assets per share	44,262.09	Net assets per share	43,561.29
Loss per share	1,724.67	Loss per share	1,553.65	Earnings per share	858.36
Earnings per diluted share		Earnings per diluted share	1,552.88	Earnings per diluted share	856.93
In the first-half period under review, the Company reported a net loss. Accordingly, loss per diluted share data has not been provided.					

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

1. Net assets per share

(Millions of yen unless otherwise stated)

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Total net assets	17,408	18,452	18,131
Net assets applicable to common stock	17,408	18,452	18,131
Number of common stock issued and outstanding as of the end of the period (shares)	433,221	434,403	433,732
Number of treasury stock (shares)	17,500	17,500	17,500
Number of common stock used in the calculation of net assets per share (shares)	415,721	416,903	416,232

2. Earnings per share, loss per share and earnings per diluted share

(Millions of yen unless otherwise stated)

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Earnings (loss) per share			
Net income (loss)	(730)	647	360
Net income not applicable to shareholders of common stock	—	—	—
Net income (loss) applicable to common stock	(730)	647	360
Average number of shares for the period (shares)	423,427	416,524	419,668
Earnings per diluted share			
Net income adjustment amount	—	—	—
Increase in the number of common stock (shares)	—	206	696
(Common stock with subscription rights)	—	(113)	(304)
(Common stock with warrants as stock options)	—	(93)	(392)

	1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
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.	Type of stock options: 3 Number of stock option rights: 8,792 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: 530 shares) Resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 3,214 shares) Resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,402 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) Resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 3,334 shares) Resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,542 shares)

Important subsequent events

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
―――――	1. Establishment of a pure holding company structure through the transfer of stock Following ratification at the Company's Annual General Meeting of Shareholders on August 22, 2007, Pasona Inc. plans to establish the true parent company, Pasona Group Inc., through the transfer of stock on December 3, 2007 in order to implement a pure holding company structure. On this basis, Pasona Inc. will become a wholly owned subsidiary within the framework of this pure holding company structure. (1) The effective dates for the transfer of stock and registration of the holding company December 3, 2007 (2) Stock transfer ratio An allotment of common shares of the pure holding company shall be conducted at the ratio of 1:1 between Pasona Inc. and the pure holding company. (3) Overview of the pure holding company a. Corporate Name: Pasona Group Inc. b. Business Activities: Management and support of its wholly owned and other Group companies engaged in human resource-related activities based on the ownership of stock c. Head Office Address: 1-5-1 Marunouchi, Chiyoda-ku, Tokyo d. Paid-up Capital: ¥5,000,000,000	1. Shift to a pure holding company structure through the transfer of stock At a Board of Directors' meeting held on July 20, 2007, Pasona Inc. decided to establish a true parent company effective December 3, 2007 through the transfer of stock. This decision by the Board of Directors was ratified at the Company's Annual General Meeting of Shareholders held on August 22, 2007. An overview of the transfer of stock is provided as follows: (1) Purpose for establishing a pure holding company Pasona Inc. decided to adopt a pure holding company structure as a part of the Company's efforts to enhance its corporate value in its human resource business activities. In specific terms, and in an effort to strengthen the Pasona Group's management capabilities, a holding company structure will better enhance the oversight function, facilitate the formulation of Group-wide management strategies and optimize the allocation of resources to growth fields. At the same time, a holding company structure will also bolster the corporate governance function and raise the level and quality of overall Group management transparency. From an operating company perspective, Group companies will be better positioned to secure growth opportunities in their respective fields and better respond in a strategic and flexible manner to rapid changes in the business environment. (2) Date of the transfer of stock December 3, 2007 (3) Stock transfer ratio An allotment of common shares of the pure holding company shall be conducted at the ratio of 1:1 between Pasona Inc. and the pure holding company. (4) Payment in connection with the transfer of stock No payment will be made as a result of the transfer of stock (5) Matters relating the application for public listing of the pure holding company Plans are in place to publicly list the pure holding company on the Tokyo Stock exchange and the Osaka Securities Exchange. On this basis, plans are also in place to delist the shares of Pasona Inc.

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
		(6) Overview of the pure holding company a. Corporate Name: Pasona Group Inc. b. Business Activities: Management and support of its wholly owned and other Group companies engaged in human resource-related activities based on the ownership of stock c. Head Office Location: Chiyoda-ku, Tokyo d. Paid-up Capital: ¥5,000,000,000 (7) Transfer of new share subscription rights and bonds with new share subscription rights to the pure holding company In connection with new share subscription rights, the pure holding company intends to issue and a lot new share subscription rights of the pure holding company to the new share subscription rights holders of the Company (equivalent to Pasona Inc.). Pasona Inc. has not issued bonds with new share subscription rights.
――――――	2. Execution of a corporate separation (acquisition and spin-off) agreement In connection with a January 24, 2008 Board of Directors' meeting, Pasona Inc. decided to transfer its related company management function and a portion of its business to Pasona Group Inc. by means of corporate separation. On the same date, an acquisition and spin-off agreement was executed between the two companies. An overview of the corporate separation is provided as follows: (1) Purpose for the corporate separation As an initial step toward a pure holding company, the Pasona Group established Pasona Group Inc. on December 3, 2007 through the transfer of stock. As a second and follow-up step toward separation pure holding company, Pasona Inc.'s related company functions and certain of its businesses are scheduled for transfer to Pasona Group Inc. As a result of these initiatives, the Group intends to enhance the corporate governance function and raise the level of overall Group management transparency at the same time. From an operating company perspective, Group companies will also be better positioned to secure growth opportunities in their respective fields and better respond in a strategic and flexible manner to rapid changes in the business environment.	――――――

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
―――――	(2)Method of corporate separation The succession and corporate separation involve Pasona Group as the successor company and Pasona as the separating company identified for acquisition and corporate separation.. (3)Scheduled date of corporate separation March 1, 2008 (4)Matters relating to payments in connection with corporate separation Pasona Group holds all of Pasona's issued and outstanding shares. As a result, there is no monetary payment to Pasona in connection with this corporate separation. (5)Rights and obligations to be transferred to Pasona Group Inc. Pasona Group Inc. shall receive such rights and obligations as assets, liabilities and contractual arrangements relating to the control and management functions over related companies as well as new business in connection with employment creation for private and public sector clients (6) Business results of successor company divisions. Operating net sales for the period prior to the first half of the fiscal year ending May 31, 2008 are immaterial. (7)Categories and amount of successor company assets and liabilities (As of November 30, 2007)	―――――

Assets		Liabilities	
Category	Book Value (Millions of yen)	Category	Book Value (Millions of yen)
Current assets	108	Current liabilities	95
Fixed assets	10,348	Long-term liabilities	187
Total assets	10,456	Total liabilities	282

(8)Overview of Pasona Group Inc.
a. Corporate Name:
Pasona Group Inc.
b. Business Activities:
Management and support of its wholly owned and other Group companies engaged in human resource-related activities based on the ownership of stock
c. Head Office Address:
1-5-1 Marunouchi, Chiyoda-ku, Tokyo
d. Paid-up Capital:
¥5,000,000,000

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	3. Reduction of common stock and capital reserve Following a Board of Directors' meeting held on December 21, 2007 and ratified by the Company's shareholders at a meeting held on December 27, 2007, Pasona has decided to reduce its common stock and capital reserve. Consistent with this initiative, the Company plans to transfer the amounts of each reduction to other capital surplus. (1) Purpose for the reduction in common stock and capital reserve In conjunction with the shift to a pure holding company structure, and in an effort to maximize the amount available for future distribution as dividends to shareholders as well as ensure a flexible and mobile capital policy, Pasona Inc. plans to reduce the level of its common stock and capital reserve pursuant to articles 447 and 448 of the Corporation Law. Consistent with this plan, Pasona Inc. intends to transfer the amounts of each reduction to other capital surplus. (2) Overview of the reduction in common stock a. Amount of common stock reduction Pasona Inc. plans to reduce its common stock of ¥8,391,238,110 by ¥5,391,238,110 for a revised common stock balance of ¥3,000,000,000 b. Method of common stock reduction Pasona Inc. does not plan to modify the number of its total shares issued and outstanding. The Company intends to transfer the amount of common stock reduction to other capital surplus (3) Overview of the reduction in capital reserve Pasona Inc. plans to reduce its current capital reserve of ¥3,929,238,110 by ¥3,179,238,110 for a revised capital reserve balance of ¥750,000,000. The Company intends to transfer the amount of capital reserve reduction to other capital surplus (4) Schedule a. Commencement date for creditors to lodge any objections January 15, 2008 b.Termination date for creditors to lodge any objections February 15, 2008 (planned) c. Effective date February 29, 2008 (planned) 4. Sales of ADP Payroll, Inc.'s shares At a Board of Directors' meeting held on January 23, 2008, the Company decided to sell its shareholding in Pasona ADP Payroll, Inc., an affiliated company accounted for by the equity method. Consistent with this decision, a share transfer agreement was also executed on January 23, 2008. (1) Rationale for the sale. Pasona ADP Payroll is a joint venture company that was established with Automatic Data Processing, Inc. (hereafter "ADP"), a U.S.-based company. Following receipt of a buyout offer by Baring Private Equity Asia, and as a result of discussions with ADP, both ADP and Pasona Group decided to sell all of their respective shareholdings in Pasona ADP Payroll.	

1st Half, FY ended 2007 (June 1, 2006 to November 30, 2006)	1st Half, FY ending 2008 (June 1, 2007 to November 30, 2007)	FY ended 2007 (June 1, 2006 to May 31, 2007)
	(2) Corporate name of the entity to which shares were sold Baring Private Equity Asia. III Holding (2) B.V (3) Date shares sold January 23, 2008 (4)Number of shares to be sold 13,495 shares (5)Share sales price ¥1,331,000,000 (6) Gain on sale ¥1,083,000,000 (7) Share ownership before shares to be sold 48.63% (8) Share ownership after shares to be sold 0.00% (9)Overview of Pasona ADP Payroll, Inc. a.Business Activities Payroll calculation full outsourcing services b.Contents of transaction with the Company Detachment, subcontracting, debt guarantee **c.** Paid-in Capital ¥997,000,000 5. Concerning the Otemachi Office At a Board of Directors' meeting held on January 24, 2008, the Company adopted a resolution in connection with its Otemachi Nomura Building lease agreement. (1) Resolution Members of the Pasona Group including Pasona Inc. occupy a portion of the Otemachi Nomura Building under a fixed term lease agreement. This agreement is scheduled to expire on July 31, 2008. The Company has decided to limit an extension of the aforementioned lease agreement to one year subject to appropriate terms and conditions, thereby terminating the agreement on July 31, 2009. This decision is attributed to an inability by the lessor and Pasona to reach an agreement, and is consistent with the company's management strategy. (2) Impact on business results Pasona Group intends to include a portion of restoration and associated costs related to the Otemachi Nomura Building in its accounts for the full fiscal year ending May 31, 2008. The relevant amount is yet to be determined.	