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Summary

Pasona Group Inc.
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Pasona Group Inc. Consolidated Financial Report for the Third Quarter of the Fiscal year Ending May 31, 2008 (June 1, 2007 to February 29, 2008)

- ***In the period under review, the Pasona Group stepped up efforts to further promote its diversification strategy, while experiencing substantial improvements in such growth fields as placement and recruiting as well as outsourcing, and steady growth in the outplacement business.***
- ***While enjoying ongoing stability in quality temporary staff long-term contracts, growth rates throughout the period under review stalled. Consolidated sales in the temporary staffing business totaled ¥177.8 billion, an increase of 4.1% year on year.***
- ***In its efforts to secure increased competitive advantage in the temporary staffing business, the Pasona Group undertook strategic investments in growth areas including initiatives to boost human resources. As a result selling, general and administrative expenses rose. For the period under review, consolidated operating income was ¥5.1 billion, down 23.4% year on year, while consolidated ordinary income fell 24.0% to ¥5.1 billion.***
- ***The Company revised its full fiscal year business results forecasts taking into account current conditions.***

Pasona Group Inc. (headquarters: Chiyoda-ku, Tokyo; Group CEO and President: Yasuyuki Nambu) today announced details of the Company’s operating results for the third quarter of the fiscal year ending May 31, 2008, the nine-month period ended February 29, 2008 (June 1, 2007 to February 29, 2008).

[1] Consolidated Business Results

Note: Results for the corresponding period of the previous fiscal year are for Pasona Inc.

(Millions of yen rounded down)

	3Q FY ended 2007 (June 1, 2006 to February 28, 2007)	**3Q FY ending 2008 (June 1, 2007 to February 29, 2008)**	YoY
Net Sales	170,700	**177,766**	+4.1%
Operating Income	6,644	**5,087**	(23.4) %
Ordinary Income	6,759	**5,140**	(24.0) %
Net Income	3,123	**2,349**	(24.8) %

Net income per share: **¥5,639.85** (Corresponding period of the previous fiscal year: ¥7,420.69

Notes:

Pasona Group Inc. was established on December 3, 2007 as a single wholly owning parent company of Pasona Inc. through the sole transfer of shares. As a result, there is no substantive change in the scope of the Group's consolidation. On this basis, business results of Pasona Inc. for the nine-month period ended February 28, 2007 are provided for comparative purposes.

During the nine-month period ended February 29, 2008, conditions within the domestic economy were tinged with significant downside risk. This reflected a variety of concerns including a slowdown in the U.S. economy and the sharp increase in the cost of crude oil. Conditions throughout the employment market were also difficult with signs of deterioration in key employment-related indicators. Under the aforementioned operating environment, the Pasona Group worked proactively to expand activities in such growth fields as placement and recruiting as well as outsourcing. At the same time, the Group focused on the outplacement business while continuing to promote business diversification. For the temporary staffing business, the operating environment was difficult. Conditions were characterized by difficulties in securing temporary staff from autumn 2007 through to the end of the year and a temporary lull in corporate sector demand. Despite continued long-term stability among quality temporary staff, overall growth rates in the temporary staffing business stalled. Accounting for the aforementioned factors, consolidated net sales for the nine-month period ended February 29, 2008 were ¥177,766 million, an increase of 4.1% compared with the corresponding period of the previous fiscal year. On the earnings front, the Pasona Group enjoyed an upswing in gross profit, buoyed by continued growth in the relatively high-profit placement and recruiting and outsourcing businesses. For the nine-month period ended February 29, 2008, the gross profit margin improved to 20.8%. Selling, general and administrative (SG&A) expenses, however, climbed substantially reflecting efforts to secure quality temporary staff, promote long-term contract stability and enhance employee welfare benefits as well as temporary staff employment terms and conditions. At the same time, the Group undertook investments in human resources, recruiting actively in growth fields, and incurred an increase in facility-related and other payments, most notably additional rental expenses. As a result, consolidated operating income for the period under review decreased 23.4% compared with the corresponding period of the previous fiscal year to ¥5,087 million while ordinary income declined 24.0% year on year to ¥5,140 million. Despite the sale of affiliated company shares and an extraordinary gain on sales of investment securities totaling ¥1,088 million, consolidated net income for the nine-month period ended February 29, 2008 was ¥2,349 million, a decrease of 24.8% compared with the corresponding period of the previous fiscal year.

[2] Segment Information (Figures include intrasegment sales)

(Millions of yen rounded down)

Net Sales	3Q FY ended 2007 (June 1, 2006 to February 28, 2007)	**3Q FY ending 2008 (June 1, 2007 to February 29, 2008)**			
			Share (Increase / Decrease)		YoY
Temporary staffing / Contracting	154,105	**156,849**	88.2%	(2.0)pt	+1.8%
Placement / Recruiting	4,750	**5,961**	3.4%	+0.6pt	+25.5%
Outplacement	3,526	**4,223**	2.4%	+0.3pt	+19.8%
Outsourcing	7,514	**10,093**	5.7%	+1.3pt	+34.3%
Other	1,506	**1,544**	0.8%	(0.1)pt	+2.5%
Elimination or Corporate	(703)	**(905)**	(0.5)%	(0.1)pt	―
Total	170,700	**177,766**	100.0%	―	+4.1%

Operating Income	3Q FY ended 2007 (June 1, 2006 to February 28, 2007)	3Q FY ending 2008 (June 1, 2007 to February 29, 2008)	Share	(Increase / Decrease)	YoY
Temporary staffing / Contracting Placement / Recruiting	5,328	**3,615**	71.1%	(9.1)pt	(32.1)%
Outplacement	842	**966**	19.0%	+6.3pt	+14.7%
Outsourcing	799	**1,406**	27.6%	+15.6pt	+76.0%
Other	(330)	**(15)**	(0.3) %	+4.7pt	―
Elimination or Corporate	4	**(885)**	(17.4)%	(17.5)pt	―
Total	6,644	**5,087**	100.0%	―	(23.4)%

Temporary staffing / Contracting, Placement / Recruiting
(Pasona Inc., Pasona Tech, Inc., Pasona Career Inc., Others)

Net sales: ¥162,810 million (2.5% increase YoY)
Operating income: ¥3,615 million (32.1% decrease YoY)

Temporary staffing / Contracting

Net sales: ¥156,849 million (1.8% increase YoY)

Looking at trends in the employment market throughout the nine-month period ended February 29, 2008, signs of a temporary lull in demand for temporary staff began to emerge. This was attributed to a variety of factors including the active recruitment of full-time employees mainly by large companies. From a supply perspective, the period under review was characterized by a growing and persistent sense of labor shortfall, coupled with continued downturn in the number of new registrants. On a positive note, the Pasona Group enjoyed increased stability in its long-term temporary staffing contracts due mainly to successful efforts to expand the scope of employee welfare benefits, enhance employment terms and conditions and strengthen its temporary staffing support structure and systems. While encountering ongoing difficulties in efforts to secure human resources, demand from such manufacturing sectors as electrical equipment and automobiles as well as the service sector remained stable. By job type, results were flat for clerical (general office work) positions, traditionally a large proportion of the temporary staffing employment market, while strong in specialist (technical) fields. Impacted by the absence of extraordinary demand during the corresponding period of the previous fiscal year from the communications as well as life and casualty insurance sectors, sales in the temporary staffing / contracting segment were held to ¥156,849 million, a 1.8% increase year on year. While growth in this segment remains stable, the pace of overall improvement is becoming moderate.

Note:
For the average of long-term temporary staff at work and temporary staffing / contracting — sales by staffing type data please refer to page 9.

Placement / Recruiting

Net sales: ¥5,961 million (25.5% increase YoY)

During the nine-month period ended February 29, 2008, corporate sector demand remained robust in this segment. The number of registrants seeking a career change was also firm. As companies completed a round of mid-career recruiting, however, the vigor and growth in employment activity experienced in the past was replaced by a more prudent posture. At the same time, demand for human resources was characterized by an overall upswing in the level of skills and experience required. Under these circumstances, the Pasona Group is working diligently to fortify its systems and structures in an effort to address the needs of its client firms. To this end, we are endeavoring to deliver a wider range of services that encompass each service area and career level, and with the aim of enhancing service quality have commenced a number of initiatives including consultant education and training. Fueled by these strategic measures, results in the domestic placement and recruiting business continued to exhibit high rates of growth. Sales in Japan surged 42.5% compared with the corresponding period of the previous fiscal year to ¥4,049 million. Coupled with the nominal increase in overseas placement and recruiting sales by 0.1% to ¥1,911 million, overall sales in this segment climbed 25.5% year on year to ¥5,961 million.

Temporary staffing / Contracting, Placement / Recruiting

From a profit perspective, gross profit margins in the temporary staffing business declined year on year. Despite ongoing negotiating efforts and a modest improvement in the spread between unit prices for temporary staff at the invoice and payment levels, this is attributable to the year-on-year upswing in the ratio of basic costs encompassing the rise in employee social insurance rates, increased take up of paid holidays and 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 in this segment. In the temporary staffing business, long-term contract stability directly enhances the Group’s overall credibility as well as its brand image. Efforts in this area are therefore essential in the Group’s strategic plans to further secure competitive advantage. In the nine-month period ended February 29, 2008, the Pasona Group accordingly undertook increased payments compared with the corresponding period of the previous fiscal year encompassing SG&A and other expenses. In specific terms, the Group undertook strategic investments all in an effort to promote long-term contract stability. Accounting for the aforementioned factors, sales in the Temporary Staffing / Contracting and Placement / Recruiting segment edged up 2.5% compared with the corresponding period of the previous fiscal year to ¥162,810 million, while operating income declined 32.1% year on year to ¥3,615 million.

Outplacement
(Pasona Career Inc., Others)

Net sales: ¥4,223 million (19.8% increase YoY)
Operating income: ¥966 million (14.7% increase YoY)

Underpinned by uncertainties in connection with the future economic environment, large companies are anticipated to implement optional and voluntary early retirement programs. At the same time, the outplacement market is finally showing signs of having bottomed out. As the only company within the industry in Japan to boast a nationwide network, and through successful efforts to deliver high-quality services, the Pasona Group was able to increase its market share. During the period under review, the Group was able to secure orders in excess of initial plans. As a result, sales in the Outplacement segment were ¥4,223 million, an increase of 19.8% compared with the corresponding period of the previous fiscal year. Operating income totaled ¥966 million, a 14.7% upswing year on year.

Outsourcing
(Benefit One Inc., Others)

Net sales: ¥10,093 million (34.3% increase YoY)
Operating income: ¥1,406 million (76.0% increase YoY)

In the nine-month period ended February 29, 2008, the outsourcing market for employee benefit programs continued to experience steady growth on the back of firm corporate sector demand. Against this backdrop, the Pasona Group secured a steady stream of corporate members, buoyed by such marketing proposals as “Total Compensation,” an all-in-one management package that encompasses employee salary calculation and payment as well as a wide menu of employee benefits programs. In addition, working to better satisfy its valued customers, the Pasona Group took steps to develop new service menus that take into consideration work and lifestyle balance focusing mainly on care for children and the elderly. In the nine-month period ended February 29, 2008, the Group actively engaged in a variety of business activities for the benefit of its members and member families. As one example among a host of events, the Pasona Group staged “Benefit One Festa.” Taking into account the aforementioned endeavors, sales in the Outsourcing segment rose 34.3% compared with the corresponding period of the previous fiscal year to ¥10,093 million. Supported by successful efforts to enhance operating efficiency and reduce costs, segment operating income jumped 76.0% year on year to ¥1,406 million.

Other

Net sales: ¥1,544 million (2.5% increase YoY)
Operating loss: ¥15 million (3Q FY ended 2007 operating loss: ¥330 million)

During the nine-month period ended February 29, 2008, the Pasona Group continued to develop and promote its child-care and education businesses, lifestyle support services targeting the elderly and shared services covering the in-house temporary staffing subsidiaries of large companies. As a result, sales in the Other segment edged up 2.5% compared with the corresponding period of the previous fiscal year to ¥1,544 million. During the period under review, the operating loss narrowed substantially to ¥15 million, down from ¥330 million in the corresponding period of the previous fiscal year.

[3] Status in Financial Position and Investments

Financial Position

Total assets as of February 29, 2008 stood at ¥54,559 million, a slight increase of ¥134 million, or 0.2%, compared with the end of the previous fiscal year. Net assets amounted to ¥28,877 million, up ¥1,972 million, or 7.3%, compared with May 31, 2007. Based on the aforementioned, the equity ratio improved 2.6 percentage points to 43.7% compared with the previous fiscal year-end.

Changes in Financial Position (Consolidated)

(Millions of yen unless otherwise stated)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
February 29, 2008	**54,559**	**28,877**	**43.7%**	**57,155.71**
February 28, 2007	48,775	25,576	43.6%	51,164.96
May 31, 2007	54,425	26,904	41.1%	53,759.81

Assets

Looking at principal movements, total assets included current assets of ¥38,181 million, which declined ¥905 million, or 2.3%, compared with the end of the previous fiscal year. The principal component was notes and accounts receivable — trade, which fell ¥1,158 million compared with May 31, 2007. Fixed assets stood at ¥16,378 million, up ¥1,039 million, or 6.8%, compared with the previous fiscal year-end. This is mainly attributed to the increase in property and equipment of ¥753 million, or 17.2%, reflecting the establishment of a strategic central office location for the Group in the Shin-Marunouchi Building, and intangible assets, which grew ¥448 million, or 16.9%, compared with May 31, 2007.

Liabilities

Total liabilities as of February 29, 2008 included current liabilities of ¥23,903 million, which declined ¥1,800 million, or 7.0%, compared with the end of the previous fiscal year. Long-term liabilities as of the period-end stood at ¥1,778 million, a drop of ¥37 million, or 2.1%, compared with May 31, 2007.

Status of Cash Flows

On a consolidated basis, cash and cash equivalents as of February 29, 2008 stood at ¥12,518 million, an increase of ¥768 million compared with the end of the previous fiscal year. (In the corresponding period of the previous fiscal year, cash and cash equivalents as of the end of the third quarter declined ¥4,055 million compared with May 31, 2006).

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥203 million compared with ¥981 million in the corresponding period of the previous fiscal year. Major components were income before income taxes of ¥6,051 million, a drop of ¥561 million year on year, a decrease in accounts payable — trade of ¥1,884 million and income taxes paid totaling ¥4,073 million.

Cash Flows from Investing Activities

In the third quarter of the fiscal year ending May 31, 2008, the Pasona Group undertook payments for purchases of fixed assets amounting to ¥1,960 million and payments for purchases of intangible assets including software of ¥1,027 million. Accounting for these and other cash flows, cash used in investing activities were ¥1,938 million, compared with ¥2,497 million in the corresponding period of the previous fiscal year.

Cash Flows from Financing Activities

Net provided by financing activities for the third quarter of the fiscal year ending May 31, 2008 totaled ¥2,517 million, compared with net cash used in financing activities of ¥2,572 million in the corresponding period of the previous fiscal year. Major components included payments for dividends amounting to ¥1,062 million. This was more than offset by the increase in short-term loans of ¥3,523 million. The turnaround amounting to ¥5,090 million was also attributed to the absence of acquisition of treasury stock of ¥4,287 million during the period under review and the year-on-year increase in short-term loans totaling ¥482 million.

Status of Cash Flows (Consolidated)

(Millions of yen rounded down)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Free Cash Flows
3Q FY ending 2008 (June 1, 2007 to February 29, 2008)	**203**	**(1,938)**	**2,517**	**(1,735)**
3Q FY ended 2007 (June 1, 2006 to February 28, 2007)	981	(2,497)	(2,572)	(1,516)
FY ended 2007	5,897	(3,226)	(5,607)	2,671

[4] Outlook for the FY Ending May 31, 2008

Uncertainties surrounding the future of Japan's economy intensified with signs of initial impact on the corporate sector. In its temporary staffing business, the Pasona Group experienced mixed conditions. On the one hand, there was a temporary lull in demand particularly from large companies and difficult conditions in securing high-quality temporary staff. This resulted in a slowdown in growth rates in the number of temporary staff. On the other hand, signs are emerging that the negative trends in temporary staffing orders and new registrants have bottomed out. This reflects successful efforts to boost marketing to medium and small sized enterprises as well as companies in regional markets and an upswing in registrants through word-of-mouth promotion by existing temporary staff. While uncertainties in connection with future economic conditions tend to favorably impact demand for external human resources, there remains significant potential for the forecast recovery in temporary staffing activity to fall below the pace of initial expectations. This is attributed to the lower level of demand from the communications sector. Accounting for the aforementioned factors, the Pasona Group has revised downward its initial sales forecast for the Temporary Staffing / Contracting segment.

As a part of its overall diversification strategy, the Pasona Group is placing considerable emphasis on the placement and recruiting, outplacement, outsourcing and other businesses during the fiscal year ending May 31, 2008. In the outplacement segment in particular, the Group attracted significant acclaim from client firms, increasing its market share. Contrary to the general economy, results in the outplacement business are extremely robust buoyed by a surge in demand. As a result, the pace of performance growth in this segment is outstripping the Group's initial estimate. While results in the placement and recruiting business have improved steadily throughout the nine-month period ended February 29, 2008, the Pasona Group anticipates a slight downturn in overall segment performance compared with forecasts established at the beginning of the period. This is attributed to uncertainties surrounding the economy, potential weakness in the willingness of the corporate sector to recruit full-time employees and the impact on overseas placement and recruiting results of sub-prime loan issues in the United States and certain foreign currency rate trends. Based on the aforementioned, the Pasona Group anticipates consolidated net sales for the fiscal year ending May 31, 2008 to reach ¥238,130 million, an increase of 3.0% compared with the previous fiscal year. This is down from the initial estimate established at the beginning of the period.

From a profit perspective, the Group's gross profit increased across all business segments excluding temporary staffing and contracting. At the same time, Pasona Group maintained a tight control over selling, general and administrative expenses through successful efforts to enhance operating efficiency and to curtail costs. Despite these favorable factors, earnings are expected to fall below the Group's estimate. Consolidated operating income is forecast to decline 23.8% compared with the previous fiscal year to ¥6,480 million, consolidated ordinary income is anticipated to fall 23.7% year on year to ¥6,720 million and consolidated net income at ¥2,820 million, a decrease of 32.8% compared with the previous fiscal year. This is attributed to the substantial decline in gross profit reflecting lower temporary staffing and contracting sales compared with initial plans.

Consolidated Earnings Forecast for the Fiscal Year Ending May 31, 2008 (June 1, 2007 to May 31, 2008)

For earnings forecasts, amounts of less than 10 million yen are rounded down

(Millions of yen rounded down)

Consolidated	FY Ended May 31, 2007	FY Ending May 31, 2008	YoY (Reference)
Net Sales	231,231	**238,130**	+3.0%
Operating Income	8,507	**6,480**	(23.8)%
Ordinary Income	8,807	**6,720**	(23.7)%
Net Income	4,198	**2,820**	(32.8)%

Estimated net income per share: **¥6,764.16** (Fiscal year ended May 31, 2007: ¥10,003.68)

Note:

1. Calculated on the basis of an estimated number of issued common shares as of May 31, 2008: 416,903 shares
2. Data for the fiscal year ended May 31, 2007 is the consolidated business results for Pasona Inc.

[5] Planned Cash Dividends for the Fiscal Year Ending May 31, 2008
(June 1, 2007 to May 31, 2008)

In connection with the period-end cash dividend, the initial estimate of ¥1,300 per share remains unchanged.

	FY Ended May 31, 2007	FY Ending May 31, 2008 (Estimate)		
		Interim	**Year-end**	**Full year**
Dividends per Share	¥2,000	**¥1,200**	**¥1,300**	**¥ 2,500**

The interim cash dividend for the fiscal year ending May 31, 2008 has been implemented by Pasona Inc. Pasona Group Inc. plans to implement the year-end dividend for the fiscal year ending May 31, 2008.

PASONA

Reference Data

◆ Average number of long term temporary staff at work

(Average per quarter of long-term staff with a contract over one month)

	Pasona Inc.							
	FY ended May 31, 2006							
	Q1	Q2	Q3	Q4				
Average no. of temporary staff at work	36,314	37,103	38,446	40,096				
YoY	+8.4%	+8.5%	+8.0%	+10.2%	The Pasona Group (Consolidated / Japan)			
	FY ended May 31, 2007				FY ended May 31, 2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average no. of temporary staff at work	40,745	41,676	43,832	44,619	51,586	52,889	55,566	56,881
YoY	+12.2%	+12.3%	+14.0%	+11.3%	+13.4%	+13.1%	+14.9%	+12.8%
	FY ending May 31, 2008				**FY ending May 31, 2008**			
	Q1	**Q2**	**Q3**	Q4	**Q1**	**Q2**	**Q3**	Q4
Average no. of temporary staff at work	**42,825**	**42,350**	**42,387**	—	**55,168**	**54,619**	**54,758**	—
YoY	**+5.1%**	**+1.6%**	**(3.3)%**	—	**+6.9%**	**+3.3%**	**(1.5)%**	—

Notes:
1. Figures include Socio Inc., which was absorbed by Pasona Inc. during the fourth quarter of the fiscal year ended May 31, 2006
2. Data include figures that were considered immaterial due to the impact of special projects from the first quarter of the fiscal year ending May 31, 2008. (Reference data)

◆ Temporary staffing / Contracting — Consolidated sales by staffing type

(Excludes intrasegment sales)

(Millions of yen rounded down)

	3Q FY ended 2007	**3Q FY ending 2008**			
	Net Sales	**Net Sales**	Share (YoY)		YoY
Clerical (General office work)	84,295	**84,915**	54.2%	(0.6)pt	+0.7%
Technical (Specialized office work)	25,393	**25,202**	16.1%	(0.4)pt	(0.8)%
IT/Engineering	15,718	**16,639**	10.6%	0.4pt	+5.9%
Sales/Marketing	12,138	**14,092**	9.0%	1.1pt	+16.1%
Other	16,180	**15,640**	10.0%	(0.5)pt	(3.3)%
Temporary staffing related	215	**158**	0.1%	0.0pt	(26.4)%
Total	153,941	**156,649**	100.0%	—	+1.8%

Quarterly Earnings Trends

(Millions of yen rounded down)

Net Sales	**1Q**	**2Q**	**3Q**	**4Q**	**Full Year**
FY ended May 31, 2006	48,726	49,520	50,484	55,084	203,815
FY ended May 31, 2007	56,444	56,757	57,498	60,531	231,231
FY ending May 31, 2008	60,489	59,026	**58,250**	—	—
YoY	+7.2%	+4.0%	**+1.3%**	—	—

Operating Income	**1Q**	**2Q**	**3Q**	**4Q**	**Full Year**
FY ended May 31, 2006	1,188	1,934	2,382	2,240	7,745
FY ended May 31, 2007	2,277	2,037	2,330	1,862	8,507
FY ending May 31, 2008	1,529	1,541	**2,015**	—	—
YoY	(32.8)%	(24.3)%	**(13.5)%**	—	—

Ordinary Income	**1Q**	**2Q**	**3Q**	**4Q**	**Full Year**
FY ended May 31, 2006	1,207	1,895	2,381	2,360	7,844
FY ended May 31, 2007	2,377	2,014	2,367	2,047	8,807
FY ending May 31, 2008	1,584	1,560	**1,994**	—	—
YoY	(33.4)%	(22.5)%	**(15.8)%**	—	—

Net Income	**1Q**	**2Q**	**3Q**	**4Q**	**Full Year**
FY ended May 31, 2006	543	939	1,113	992	3,588
FY ended May 31, 2007	1,125	947	1,050	1,074	4,198
FY ending May 31, 2008	795	268	**1,286**	—	—
YoY	(29.4)%	(71.7)%	**+22.5%**	—	—