PASONA

July 25, 2008

CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MAY 31, 2008

Pasona Group 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.pasonagroup.co.jp/)

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Scheduled date of the Annual General Meeting of shareholders:	August 20, 2008
Scheduled date for the commencement of dividend payments:	August 21, 2008
Scheduled filing date of the annual securities report:	August 21, 2008

(All amounts are millions of yen rounded down unless otherwise stated)

1. PERFORMANCE

(1) Consolidated Business Results

Fiscal year ended May 31, 2008 (June 1, 2007 to May 31, 2008)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY ended 2008	236,945	—	6,444	—	6,637	—	2,962	—

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY ended 2008	7,109.95	7,056.90	12.7	11.8	2.7

(Reference)
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates
FY ended May 31, 2008: ¥43 million

Note: This is the first fiscal period for Pasona Group Inc. As a result a comparison with the previous fiscal period is not provided.

(2) Consolidated Financial Position

As of May 31, 2008

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
			%	Yen
May 31, 2008	58,513	29,468	41.6	58,363.62

(Reference)
Equity
As of May 31, 2008: ¥24,331 million

(3) Consolidated Cash Flows

Years ended May 31, 2008

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
FY ended 2008	5,974	(2,968)	(980)	13,612

2. DIVIDENDS

Record Date	Cash Dividends per Share					Total Dividend Payment (Full Year)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	1Q End Aug. 31, 2007	2Q End Nov. 30, 2007	3Q Feb. 29, 2008	Fiscal Year-End May 31, 2008	Annual Dividend			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY ended 2008	0.00	1,200.00	0.00	1,300.00	2,500.00	1,042	35.2	4.5
FY ending 2009	0.00	1,200.00	0.00	1,300.00	2,500.00		40.7	

Notes:

1. Interim cash dividend for the fiscal year ended May 31, 2008 was declared and paid by Pasona Inc. The period-end cash dividend for the fiscal year ended May 31, 2008 was declared by Pasona Group Inc.
2. Capital surplus is included in the source of payment for cash dividends in connection with the fiscal year ended May 31, 2008. Please refer to “Capital Surplus as a Source of Cash Dividend Payment and Breakdown of Cash Dividends” on page 3 for details.

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2009

(June 1, 2008 to May 31, 2009)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
		%		%		%		%	Yen
Interim Period (Accumulated)	122,670	2.6	1,900	(38.1)	1,990	(36.7)	970	(8.8)	2,326.68
Full Fiscal Year	248,920	5.1	5,500	(14.7)	5,810	(12.5)	2,560	(13.6)	6,140.52

4. OTHERS

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

Yes.

New: 1 company (Pasona Inc.)

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

(2) Changes to Accounting Policies, Procedures, Disclosure Methods and Related Standards Used in the Preparation of Consolidated Financial Statements (To be entered as significant accounting changes)

(1) Changes in line with revisions to accounting and other standards: No

(2) Other changes: No

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

1. The number of shares issued and outstanding as of the fiscal year-end (including treasury stock)
   Fiscal year ended May 31, 2008: 434,403 shares
2. The number of treasury stock as of the fiscal year-end
   Fiscal year ended May 31, 2008: 17,500 shares

Note: For details regarding the number of shares used to calculate net income per share on a consolidated basis, please refer to “Per share Information” on page 49.

(Reference) Summary of Non-Consolidated Financial Results

1. PERFORMANCE

(1) Non-Consolidated Business Results

Fiscal Period ended May 31, 2008 (December 3, 2007 to May 31, 2008)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
Fiscal Period ended 2008	1,889	—	(23)	—	(79)	—	(0)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Period ended 2008	(1.40)	—

(2) Non-Consolidated Financial Position

As of May 31, 2008

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
			%	Yen
May 31, 2008	21,601	18,453	85.4	44,263.79

(Reference)
Equity
As of May 31, 2008: ¥18,453 million

2. FORECAST OF NON-CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2009

A forecast of non-consolidated results for the fiscal year ending May 31, 2009 is not considered by the Company to be of sufficient importance to warrant disclosure. As a result, this information has been omitted.

3. CAPITAL SURPLUS AS A SOURCE OF CASH DIVIDEND PAYMENT AND BREAKDOWN OF CASH DIVIDENDS

Capital surplus will provide a source of payment of cash dividends for the fiscal year ended May 31, 2008. Cash dividend breakdown is provided as follows.

Record Date	Period –End Dividend	Annual Dividend
Cash dividend per share (Yen)	1,300.00	1,300.00
Total dividend payment Millions of yen)	541	541

Note: rate of net asset diminution 0.017

Cautionary Statement and Other Explanatory Notes

1. 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. Consolidated financial statements for the fiscal period ended May 31, 2008 are carried forward from the consolidated financial statements of Pasona Inc. The commencement date is deemed the date of Company establishment.
2. The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation. Readers are advised that actual results may differ materially from forecasts due to a variety of factors.

PASONA GROUP INC.

CONSOLIDATED FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MAY 31, 2008

CONTENTS

1. BUSINESS RESULTS

Note: 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, consolidated business results of Pasona Inc. for the fiscal year ended May 31, 2007 are provided for comparative purposes.

(1) Analysis of Business Results

The fiscal year ended May 31, 2008 was a period of two distinct halves with respect to economic conditions in Japan. In the first half, the domestic economy experienced modest continuous growth. In the second half, however, signs of uncertainty with regard to economic conditions became increasingly evident owing to a variety of factors including the slowdown in the U.S. economy as well as sharp hikes in the price of such raw materials as crude oil. From an employment market perspective, the recruitment of full-time, permanent employees increased, focusing mainly on the young age bracket, amid concerns of a labor supply shortfall within the domestic corporate sector. Underlying conditions, however, were characterized by an overall weakness, with a drop in the number of job openings and a downturn in the ratio of jobs to applicants.

In addition, the temporary staffing and contracting industry is entering a period of significant change. This is attributable to growing societal concern and discussion with regard to disparities in compensation and benefits between permanent, full-time employees and temporary or non-permanent workers, the emergence of dispatching workers on a daily basis as a social issue and growing calls for further revisions to the Worker Dispatch Law.

Under these circumstances, the Pasona Group adopted a pure holding company structure in December 2007 with the dual aims of further strengthening the Group's overall management while implementing marketing strategies across the Group as a whole. At the same time, we placed additional weight on efforts to promote a comprehensive human resource strategy that encompasses not only the temporary staffing business but also activities in placement and recruiting, outplacement and outsourcing. Entering the second half of the fiscal year under review, we experienced a temporary lull in demand for personnel resulting in a slowdown in the temporary staffing and contracting business. In contrast, this was offset by substantial growth in the outplacement and outsourcing businesses. Accounting for these factors, consolidated net sales for the fiscal year ended May 31, 2008 amounted to ¥236,945 million, an increase of 2.5% compared with the previous fiscal year.

From a profit perspective, the ratio of direct service costs in the temporary staffing and contracting business increased reflecting efforts to lift the compensation and benefits paid to temporary staff and to further secure long-term employment stability. In this context, the Company led its industry in the payment of travel expenses to certain temporary staff. Buoyed by growth in the relatively high-profit placement and recruiting, outplacement and outsourcing businesses, however, the overall gross profit margin for the Group improved 0.5 of a percentage point compared with the previous fiscal year to 20.8%.

In addition to efforts to expand its employee welfare benefit facilities designed to further focus on and enhance communication with temporary staff, as well as such strategic investments as the establishment of a central operating base to promote an overall Group strategy, the Company undertook other initiatives including human resource investment in growth fields as a part of its endeavor to pursue a diversified strategy. As a result, selling, general and administrative expenses increased compared with the previous fiscal year.

Taking the aforementioned into consideration, consolidated operating income for the fiscal year under review decreased 24.2% compared with the previous fiscal year to ¥6,444 million. Consolidated ordinary income also declined 24.6% year on year to ¥6,637 million.

In addition, Pasona Group reported an extraordinary gain of ¥1,095 million representing gain on sales of securities in affiliated companies. This was partly offset by extraordinary losses posted in the fiscal year under review including a portion of head office relocation-related expenses amounting to approximately ¥430 million in line with the Company's relocation from the Otemachi Nomura Building scheduled for some time after June 2009. Accounting for these and other factors, Pasona Group recorded income before income taxes and minority interests of ¥7,000 million in the fiscal year ended May 31, 2008, a decrease of 19.7% compared with the previous fiscal year. After deducting minority interests of ¥853 million, consolidated net income amounted to ¥2,962 million, a year on year decline of 29.4%.

Consolidated Business Results

(Millions of yen unless otherwise stated)

	FY ended 2008 (June 1, 2007 to May 31, 2008)	(Reference) FY ended 2007 (June 1, 2006 to May 31, 2007)	(Reference) YoY
Net sales	236,945	231,231	2.5%
Operating income	6,444	8,507	(24.2)%
Ordinary income	6,637	8,807	(24.6)%
Net income	2,962	4,198	(29.4)%

Performance by business segment including intersegment sales and transfers for the fiscal year ended May 31, 2008 was as follows:

Note: Following the establishment of a pure holding company on December 3, 2007, holding company expenses are posted to corporate expenses included in "eliminations and corporate" from the second half of the fiscal year under review.

1. **Temporary Staffing / Contracting and Placement / Recruiting**
   Net sales: ¥216,486 million
   Operating income: ¥5,056 million

Temporary Staffing / Contracting
Net sales: ¥208,810 million

Conditions in the temporary staffing and contracting market during the period under review were mixed. In the first half, demand for temporary staff remained firm. In the second half, however, demand confronted a temporary lull. This was attributed to a variety of factors including an upswing in the recruitment of permanent, full-time staff, drawing mainly from the new graduate market as well as graduates with limited experience in the workforce. This downturn in demand was further exacerbated by the buildup of a sense of satisfaction among human resources within the corporate sector together with uncertainties relating to future economic conditions that emerged from the end of

2007.

On a client industry by industry basis, demand was sound in the telecommunication and related sectors. Buffeted by signs of a downturn, however, demand for temporary staff in the manufacturing and finance sectors stalled.

By job type, demand for general office work(clerical) and technical temporary staffing positions was weak. In contrast, demand in the IT and engineering sectors increased on the back of efforts by such Group companies as Pasona Tech, Inc. to provide temporary staff with support in the acquisition of qualifications and proactive measures in connection with effective engineering training. At the same time, demand for marketing and sales positions was firm.

In its efforts to secure high quality staff, the Group continued to implement a host of initiatives. In addition to the "Introduce a Friend Campaign," significant emphasis was placed on word of mouth communication as a means to generate high quality human resource registration. In order to ensure a more detailed and personalized response, the Group also strategically narrowed its focus with regard to the number of registrants. As a result, the number of new registrants declined compared with the previous fiscal year. Driven by such initiatives as the opening a new employee welfare benefit facility that emphasizes staff counseling and relaxation, the Group took significant strides toward bolstering communication with temporary staff. As a result, Pasona Group enjoyed continued increase in the average length of its temporary staffing contracts, which contributed to long term stability within its pool of high quality temporary staff.

Accounting for these and other factors, net sales from temporary staffing and contracting activities amounted to ¥208,810 million, a nominal decrease of 0.1% compared with the previous fiscal year.

Placement and Recruiting
Net sales: ¥7,676 million

In the placement and recruiting business, demand was robust up to the third quarter of the fiscal year under review. Amid growing concerns in connection with a downturn in the economy, anxieties surrounding a shortfall in the supply of labor and strong demand for human resources continued to permeate the corporate sector. Despite little change in the number of job openings, the demand for higher levels of human resource skills and experience grew in relative terms.

Against the backdrop of this operating environment, the Group worked to expand its service area encompassing not only metropolitan but also regional areas. At the same time, efforts were made to reinforce the Group's business structure with the dual aims of better providing a wide range of services and responding to job offers for both management and global human resource positions. Among a raft of other initiatives, the Group sought to improve service quality through the enhancement of its training program for its human resource consultants, and endeavored to build a platform that is capable of addressing the level of needs required by both job seekers and client firms.

As a result, the Group recorded a substantial increase in domestic placement and recruiting business revenues with net sales in Japan rising 36.8% compared with the previous fiscal year to ¥5,465 million. Impacted in part by sub-prime loan issues in the United States as well as movements in foreign currency exchange rates, overseas net sales in the placement and recruiting business, on the other hand, declined 16.6% year on year to ¥2,210 million. In overall terms, segment sales therefore climbed 15.5% to ¥7,676 million for the fiscal year under review.

From a profit perspective in the temporary staffing and contracting business, the Group saw improvements in its segment earnings spread reflecting a moderate increase in unit prices at the invoice level on the back of tenacious rate negotiations. The ratio of basic costs in the temporary staffing and contracting business segment increased, however, due to a variety of factors including the rise in employee social insurance rates, the increased take up of paid holidays and the payment of travel expenses to temporary staff in certain regional areas. On a positive note, lower gross profit margins in the temporary staffing and contracting business were absorbed during the fiscal year under review by increased earnings in the placement and recruiting business. As a result, overall net sales of the Temporary Staffing / Contracting and Placement / Recruiting segment edged up 0.4% compared with the previous fiscal year to ¥216,486 million. The Group enjoyed a year-on-year improvement in its gross profit margin for the segment as a whole.

In addition to the aforementioned costs, the Group undertook strategic investments for the establishment of an employee welfare benefit facility. As a result, selling, general and administrative expenses climbed in this segment compared with the previous fiscal year. Accounting for all of the aforementioned factors, operating income in this segment, on the other hand, decreased 27.4% year on year to ¥5,056 million.

2. Outplacement
Net sales: ¥5,858 million
Operating income: ¥1,377 million

Concerns in connection with future operating conditions continued to spread throughout the fiscal year under review. Amid increasing calls for and implementation of optional and voluntary early retirement mainly at large companies, and after continued contraction in the outplacement business over the past several years, signs began to emerge that the market had bottomed out with firm demand in the short term.

Under the aforementioned circumstances, Group company Pasona Career Inc., a leader in the outplacement industry and the only company in its field to boast a nationwide network, worked diligently to deliver high quality outplacement services. At the same time, the Group endeavored to significantly increase the number of reemployment consultants with experience in some of Japan’s leading companies and of a similar age to reemployment seekers, and to provide detailed counseling services that closely match the needs of client firms and applicants. Furthermore, due to the large-scale and special demand evident throughout the fiscal year under review, the Group was able to provide services that efficiently utilized its network of branches and consultants. As a result, net sales in the outplacement business surged 32.9% compared with the previous fiscal year to ¥5,858 million. On the earnings front, operating income jumped 81.6% year on year to ¥1,377 million. This represented a significant milestone for the Group and historic highs in both revenues and earnings.

3. Outsourcing
Net sales: ¥13,732 million
Operating income: ¥1,883 million

In this segment, the Group’s consolidated subsidiary Benefit One Inc. worked to further expand its menu of employee welfare benefit programs and services. In the fiscal year under review, the company strove to promote its total compensation package that combines the management of employee salaries and wages with welfare benefits in a single package to client firm members, and in incorporating the needs of its customers, to focus on the development of diverse services including child as well as nursing care that take into consideration work and lifestyle balance.

In addition, the Group strove to develop and incorporate new businesses. In this context, the Group strengthened its service menu targeting both individual and corporate members focusing on “Incentive Café,” an operating and management point system service that encompasses financial incentives, “Customer Loyalty Program,” a special benefit business aimed at client firms as well as a gourmet food-related trademark and discount business.

On the earnings front, operating and other activities at the Group’s customer center in Matsuyama City, Ehime Prefecture as well as successful efforts to improve operating efficiency and to reduce costs contributed to segment earnings. Accounting for these and other factors, net sales in the outsourcing business increased 34.3% compared with the previous fiscal year to ¥13,732 million while operating income surged 60.3% year on year to ¥1,883 million. This represented substantial growth in both revenues and earnings.

4. Other
Net sales: ¥2,115 million
Operating loss: ¥26 million

The Group is also engaged in such activities as child care and in the education business encompassing language classes. Net sales in the other segment rose 7.1% compared with the previous fiscal year to ¥2,115 million. The Company posted an operating loss for the period under review amounting to ¥26 million, a significant improvement from the operating loss of ¥396 million in the fiscal year ended May 31, 2007.

Net Sales by Business Segment

(Millions of yen unless otherwise stated)

Net Sales	FY ended 2008 (June 1, 2007 to May 31, 2008)	(Reference) FY ended 2007 (June 1, 2006 to May 31, 2007)	(Reference) YoY
Temporary Staffing / Contracting	208,810	208,952	(0.1)%
Placement and Recruiting	7,676	6,645	15.5%
Outplacement	5,858	4,408	32.9%
Outsourcing	13,732	10,226	34.3%
Other	2,115	1,975	7.1%
Elimination and Corporate	(1,248)	(976)	—
Total	236,945	231,231	2.5%

Operating Income (Loss) by Business Segment

(Millions of yen unless otherwise stated)

Operating Income	FY ended 2008 (June 1, 2007 to May 31, 2008)	(Reference) FY ended 2007 (June 1, 2006 to May 31, 2007)	(Reference) YoY
Temporary Staffing / Contracting, Placement and Recruiting	5,056	6,964	(27.4)%
Outplacement	1,377	758	81.6%
Outsourcing	1,883	1,174	60.3%
Other	(26)	(396)	—
Elimination and Corporate	(1,846)	6	—
Total	6,444	8,507	(24.2)%

Note: In the second half of the fiscal year ended May 31, 2008, expenses of the holding company are recorded as corporate expenses within elimination and corporate. This is in accordance with the establishment of a pure holding company on December 3, 2007.

Outlook for the Fiscal Year Ending May 31, 2009

In the fiscal year ending May 31, 2009, uncertainties in connection with economic conditions are anticipated to mount. Under these circumstances, it is difficult to deny that the economy may drift into a period of decline. Turning to employment conditions, the trend that began last year in the corporate sector, focusing on full-time, permanent employees, is showing signs indicating that it is about to gradually weaken. While the current business trend will temporarily tighten demand for temporary staffing, persistent trends indicating constraint by the corporate sector toward the recruitment of permanent, full-time employees is expected to spur a recovery in temporary staffing demand from the second half of the fiscal year ending May 31, 2009 and growth in the outsourcing market.

In contrast, recent issues in connection with temporary staffing procedures and practices have served to foster a growing awareness and focus on compliance among both client firms as well as temporary staff. As a result of these concerns, whether the company in question can deliver a “sense of safety and security” or not has become a key factor in the selection of a temporary staffing and contracting company. On this basis, we recognize that a true compliance structure as well as the level of satisfaction in connection with employee welfare benefits and compensation must be rooted in this well-established “sense of safety and security.” Under these circumstances, the Pasona Group will continue to implement its existing initiatives. We are convinced that the time is ripe for new and significant business opportunities and that by continuing to strengthen our compliance structure, enhancing the compensation and benefits provided to temporary staff and implementing existing measures, we will clearly distinguish the Pasona Group from its competitors.

Furthermore, amid the foreseeable difficult operating environment, the Group anticipates a growing trend toward outsourcing in the corporate sector. In addition to traditional employee welfare benefit outsourcing services, the Pasona Group will pursue business growth in such complementary areas as contracting as well as in-sourcing of the internal administrative functions of client firms in the fiscal year ending May 31, 2009. On this basis, the Group will combine both outsourcing and in-sourcing to establish a total-outsourcing business model, develop innovative outsourcing service menus that include business alliance and tie up, bolster its operating platform aimed at implementing marketing proposals and ramp up its endeavors to promote a diversified business strategy.

The Temporary Staffing / Contracting Business

In the first half of the fiscal year ending May 31, 2009, we hold little expectation of an early recovery in corporate sector demand. Under these circumstances, the Group plans to bolster communication with temporary staff currently under contract with the aim of securing long-term contract stability. In addition, we intend to distinguish the Group through its robust compliance structure in an effort to promote an increase overall market share. Looking ahead to the next fiscal year and beyond, the Group anticipates a recovery in demand for temporary staff reflecting efforts by the corporate sector to constrain the recruitment of permanent, full-time employees. As we work toward entering a demand recovery phase, the Group will implement measures designed to secure high quality temporary staff, particularly in specialized and technical fields.

The Contracting Business (In-Sourcing)

In order to bolster activities in the outsourcing field, the Group will position the contracting business as a priority domain and allocate management resources to further strengthen its structure and systems. While focusing on efforts to increase existing service menu sales encompassing contract employees working as receptionists, in general affairs and related job types, the Group will also develop new menus in connection with such activities as human resource consulting, recruiting agency services and health administration. Taking full advantage of the Group's resources, we will endeavor to augment our proposal-based marketing capabilities.

The Placement and Recruiting Business

Amid signs of a conservative approach toward human resource recruiting within the corporate sector, recognizing that our ability to accurately match the needs of both client firms and job seekers is the key to future growth, we have concentrated on implementing a variety of core initiatives. These include efforts to strengthen consultant education and training with the aim of enhancing service quality, build the necessary platform to address the skills and experience levels required by both job seekers and client firms, cater to the needs of companies engaged in global business development and further bolster global human resource introductory services.

The Outplacement Business

Impacted by continued uncertainty toward future economic conditions, demand is expected to grow steadily. While the ability to secure adequate reemployment is anticipated to be difficult, the Group will leverage its collective strengths as a leader within its industry work to provide high quality services. Looking to the next fiscal year, we will take concrete steps to secure demand and promote a host of initiatives that focus on lifting productivity. Despite these endeavors, the Group is expecting both revenues and earnings to decline year on year due mainly to the absence of as-hoc demand experienced during the fiscal year under review.

The Outsourcing Business

Business is expected to remain firm in the fiscal year ending May 31, 2009 in this segment. This is attributable to the foreseeable ongoing trends toward employee welfare benefit system review and system outsourcing by large companies, government and other public offices that take into consideration efficiency concerns as well as efforts to secure personnel, and the steady start up of related businesses.

Based on the aforementioned initiatives and forecasts, consolidated net sales for the fiscal year ending May 31, 2009 are anticipated to reach ¥248,920 million, a 5.1% increase compared with the fiscal year under review. From a profit perspective, the Group will place considerable weight on the reduction of costs by conducting a full review of internal Group-wide workflow and processes, promoting shared administrative services and reorganizing the Group's businesses all with the aim of increasing business efficiency. Despite these endeavors, consolidated operating income is expected to decline 14.7% compared with the fiscal year ended May 31, 2008 to ¥5,500 million. Consolidated ordinary income is also forecast to contract 12.5% year on year to ¥5,810 million while consolidated net income is set to drop 13.6% to ¥2,560 million. This anticipated deterioration in earnings is attributable to a variety of factors including the upswing in costs in the temporary staffing and contracting business owing mainly to the substantial increase in health care premiums on the back of additional contributions in connection with the Health Service Program for the Elderly, which commenced in March 2008, costs incurred to maintain and develop existing business growth as well as anticipatory investments in human resources and new business development aimed at securing growth over the medium to long term.

From a profit perspective, in the outsourcing business, which is significantly impacted by seasonal factors, earnings are expected to grow during the second half of the fiscal year ending May 31, 2009. This is attributed to the concentration in the first half of the year of expenses for the expected production of a guide book and the payment of subsidies for accommodation.

In the fiscal year under review, the Company posted an extraordinary loss totaling approximately ¥430 million representing an allowance for a portion of the Group's head office relocation expenses. This in part covers the scheduled relocation of certain subsidiary companies to the Otemachi Nomura Building some time after June 2009.

In the event that an additional allowance allocation is deemed to be required and that this allocation has the potential to impact the Group's business results, after determining the destination and timing of relocation and rationally estimating the amount of relocation-related expenses, the Pasona Group will disclose relevant details in a timely manner.

(Millions of yen unless otherwise stated)

■ Consolidated Business Results

	FY ending 2009 (June 1, 2008 to May 31, 2009) Forecast	FY ended 2008 (June 1, 2007 to May 31, 2008)	YoY
Net sales	248,920	236,945	5.1%
Operating income	5,500	6,444	(14.7)%
Ordinary income	5,810	6,637	(12.5)%
Net income	2,560	2,962	(13.6)%

■ Net Sales by Business Segment

	FY ending 2009 (June 1, 2008 to May 31, 2009) Forecast	FY ended 2008 (June 1, 2007 to May 31, 2008)	YoY
Temporary staffing / Contracting	218,390	208,810	4.6%
Placement / Recruiting	7,770	7,676	1.2%
Outplacement	5,680	5,858	(3.0)%
Outsourcing	15,600	13,732	13.6%
Other	2,670	2,115	26.2%
Eliminations and Corporate	(1,190)	(1,248)	—
Total	248,920	236,945	5.1%

■ Operating Income by Business Segment

	FY ending 2009 (June 1, 2008 to May 31, 2009) Forecast	FY ended 2008 (June 1, 2007 to May 31, 2008)	YoY
Temporary staffing / Contracting, Placement / Recruiting	5,990	5,056	18.5%
Outplacement	980	1,377	(28.9)%
Outsourcing	1,930	1,883	2.5%
Other	100	(26)	—
Eliminations and Corporate	(3,500)	(1,846)	—
Total	5,500	6,444	(14.7)%

Note: Following the establishment of a pure holding company on December 3, 2007, holding company expenses have been included in corporate expenses within eliminations and corporate.

(2) Analysis of Financial Condition

1. Changes in Consolidated Financial Condition

Total assets as of May 31, 2008 stood at ¥58,513 million, an increase of ¥4,087 million, or 7.5%, compared with the end of the previous fiscal year. Net assets rose by ¥2,563 million, or 9.5%, compared with May 31, 2007 to ¥29,468 million. Accounting for these factors, the shareholders' equity ratio edged up 0.5 of a percentage point year on year to 41.6%.

Turning to principal increases and decreases within total assets, current assets increased by ¥2,126 million, or 5.4%, compared with the previous fiscal year-end to ¥41,213 million. Major movement was in cash and deposits, which rose by ¥2,201 million, or 19.2%, year on year to ¥13,672 million. On a year-on-year basis, fixed assets grew by ¥1,961 million, or 12.8%, to ¥17,300 million. This is attributed to an increase in property and equipment of ¥605 million, or 13.8%, compared with the end of the previous fiscal year to ¥4,990 million in connection with the establishment of a new office in the Shin-Marunouchi Building to serve as the Group's strategic central location, and an increase of ¥690 million, or 26.1%, year on year to ¥3,338 million in intangible assets reflecting systems and other investments.

Within total liabilities, current liabilities stood at ¥26,731 million, an upswing of ¥1,027 million, or 4.0%, compared with the previous fiscal year-end. Total long-term liabilities stood at ¥2,313 million, an increase of ¥497 million, or 27.4%, year on year partly reflecting an allowance for head office relocation expenses totaling ¥430 million posted at the end of the fiscal year under review.

2. Cash Flows

As of May 31, 2008, the Group experienced a net year-on-year increase in cash and cash equivalents amounting to ¥1,861 million compared with a net decrease of ¥2,905 million as of May 31, 2007. As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥13,612 million. The principal components of cash flows during the fiscal year ended May 31, 2008 were as follows.

Cash Flows from Operating Activities

For the fiscal year under review, major cash inflows included income before income taxes, which decreased by ¥1,720 million compared with the previous fiscal year to ¥7,000 million, a decrease in *accounts receivable — trade* of ¥309 million and an increase in *accounts payable — trade* totaling ¥214 million. Principal cash outflow was income taxes paid amounting to ¥4,093 million. Accounting for these factors, net cash provided by operating activities was ¥5,974 million compared with ¥5,897 million in the fiscal year ended May 31, 2007.

Cash Flows from Investing Activities

Major components include payments for purchases of fixed assets of ¥2,118 million and payments for purchases of intangible assets totaling ¥1,375 million. As a result, net cash used in investing activities for the fiscal year under review was ¥2,968 million compared with ¥3,226 million in the previous fiscal year.

Cash Flows from Financing Activities

Impacted by payments for dividends totaling ¥1,060 million, net cash used in financing activities for the fiscal year ended May 31, 2008 amounted to ¥980 million. This was a decrease in net cash used in financing activities for the fiscal year ended May 31, 2007 of ¥5,607 million.

On a year on year basis, this decline in net cash used in financing activities of ¥4,626 million is mainly attributed to the absence of payments for purchases of treasury stock totaling ¥4,287 million undertaken in the previous fiscal year.

(Reference) **Cash Flow Benchmarks**

	(Reference) FY ended 2004	(Reference) FY ended 2005	(Reference) FY ended 2006	(Reference) FY ended 2007	FY ended 2008
Equity ratio	42.5%	48.1%	45.5%	41.1%	41.6%
Equity ratio based on market capitalization	467.3%	250.1%	187.6%	176.7%	59.0%
Ratio of interest-bearing debt to cash flows (years)	0.3	0.1	0.1	0.0	0.0
Interest coverage ratio (times)	45.9	213.1	363.0	165.3	176.6

Notes:

1. 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
   Interest coverage ratio: Cash flows / interest payments
2. Each benchmark is calculated based on the consolidated financial statements.
3. 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).
4. Cash flows from operating activities are used in calculations that use cash flows.
5. Interest-bearing debt includes all interest-bearing debt under liabilities recorded on the consolidated balance sheets.
6. Financial data for the period between the fiscal year ended May 31, 2004 and the fiscal year ended May 31, 2007 is for Pasona Inc. on a consolidated basis.

(3) Policy on the Appropriation of Profits, Dividends for the Fiscal Year Ended May 31, 2008 and the Fiscal Year Ending May 31, 2009

Policy on the Appropriation of Profits

In connection with the appropriation of profits, the Company takes into consideration the funds required to engage in new businesses and capital investments 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 capacity and to expand shareholders' 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 continuously deliver adequate and stable returns to shareholders taking into consideration its operating performance.

Dividends for the Fiscal Year Ended May 31, 2008 and the Fiscal Year Ending May 31, 2009

Based on the aforementioned basic policy in connection with the appropriation of profits, the Company has declared a fiscal year-end dividend for the fiscal year ended May 31, 2008 of ¥1,300 per share following ratification at a Board of Directors' meeting held on July 25, 2008. Plans are in place to draw the appropriate funds required from the Company's capital surplus.

Together with the interim dividend of ¥1,200 per share paid by Pasona Inc. on February 27, 2008, the full fiscal year cash dividend is ¥2,500 per share.

Furthermore, based on the aforementioned basic policy in connection with the appropriation of profits, the Company plans to pay an interim cash dividend of ¥1,200 per share for the fiscal year ending May 31, 2009 and a fiscal year-end cash dividend of ¥1,300 per share for a forecast full fiscal year cash dividend of ¥2,500 per share.

(4) Risk Factors

In order to prevent any crisis from substantially impacting the Company's management and to minimize loss in the event of a serious incident, Pasona Group has formulated a set of risk management rules. In addition, the Company has established the Risk Management Committee as an umbrella organization to oversee and monitor risk. Based on its Crisis Management Manual, Pasona Group has also created a framework to ensure that information is relayed in an appropriate and timely manner in the event of an emergency. Furthermore, through a system of regular internal audits, the Internal Audit Department monitors the status of daily risk management undertaken by individual departments.

Information contained in this report in connection with current and future risks has been determined as of the date of its announcement unless otherwise stated. Accordingly, the issues identified do not cover all potential risks associated with investing in the Company's stock.

(1) Personal and Classified Information Risk

Each business segment within the Pasona Group collects, handles and stores a wealth of personal information relating to temporary staffing registrants, employment placement applicants and outplacement service users. In addition to formulating its personal information protection policy and ensuring that personal information is procured, utilized, distributed and handled in an appropriate manner, the Pasona Group also clarifies the point of contact in connection with the disclosure and deletion of personal information. At the same time, the Group takes all essential and appropriate safety control measures from both the technical and organizational perspectives to prevent personal information leakage or loss, and places the utmost emphasis on personal information protection management education and training among all directors and employees of the Group.

Furthermore, the Pasona Group ensures that all appropriate information management systems, structure and procedures are in place to prevent leakage of trade secrets and other important information relating to the Group, its employees, temporary staffing registrants as well as client firms. Again, the Group works diligently to ensure that the aforementioned systems, structure and procedures are well known and implemented in an appropriate manner.

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

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

(2) Temporary Staff Procurement Risk

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

(3) Temporary Staffing Payment Risk

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

(4) Outplacement Risk

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

(5) Outsourcing Risk

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

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

(6) Statutory and Regulatory Risk

1. Temporary staffing / Contracting, Placement / Recruiting

a. Temporary staffing / Contracting

i) Business Approvals and Licenses

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

ii) Types of Temporary Staffing Work

Prior to the amendment to the Worker Dispatch Law in December 1999, temporary staffing activities were restricted to 26 specialist fields. Following further amendments, however, the temporary staffing industry was effectively deregulated with the exception of certain restricted activities including harbor transport, construction, security, medicine and related fields and manufacturing. Furthermore, in March 2004, restrictions were lifted on temporary staffing to the manufacturing industry as well as Temp to Perm, the placement of employees on a full-time basis following completion of a temporary staffing assignment, to the medical field. In April 2006, restrictions on the temporary staffing of medical practitioners to remote areas and replacement personnel for doctors, nurses and health workers taking either maternity or education leave were lifted. There are, however, activities that are yet to receive approval. This necessarily has the potential to impact and restrict the ability of the temporary staffing business to expand. In this context, the Pasona Group's performance may be affected.

iii) Restrictions on Temporary Staffing Term

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

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

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

b. Placement / Recruiting

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

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

2. Outplacement

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

(7) Social Insurance Responsibility Risk

The Pasona Group adopts comprehensive measures to ensure that all eligible temporary staff join the current social insurance system. In connection with health insurance, the participation rate by the elderly in the Temporary Staffing Health Insurance Association, to which Pasona Group employees and temporary staff belong, is low. Accordingly, insurance contributions by the elderly have also been lower when compared to other health insurance associations. Following a reform of the health insurance system in April 2008, however, and the imposition of new financial support payments for individuals over 75 years of age and payments for individuals aged between 65 and 75 in lieu of insurance contributions by the elderly, the contribution by employers to temporary staffing health insurance associations have risen from 3.05%, the level in fiscal 2007, to 3.8%.

Furthermore, following a reform of the pension system in fiscal 2004, the contribution by employers as a ratio of index monthly earnings has risen from 6.967% as of October 2004 by 0.177% annually through to 2017 inclusive to a fixed contribution after 2017 of 9.15%.

In the future, changes in insurance rates and the scope of persons insured due to further reforms of the social insurance system may affect the Pasona Group's financial position and performance.

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

Yasuyuki Nambu and his family members maintain a majority of voting rights in a number of companies collectively referred to as the Nambu Enterprise Group of Companies. As of May 31, 2008, the Nambu Enterprise Group of Companies held a 45.4% shareholding in the Company. The Pasona Group strives to ensure the appropriate management and operation of its business activities by continuously bolstering its corporate governance structures and systems and enhancing the corporate governance function.

(9) Business Investment Risk

1. Investment in Subsidiary and Affiliated Companies

As of May 31, 2008, the Pasona Group was comprised of 42 consolidated subsidiaries and 5 affiliated companies accounted for under the equity method.

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

In addition, the Pasona Group is committed to proactive investment in new businesses with the aim of better addressing the diverse needs of client firms and employees. The Pasona Group strives to monitor the progress of its ongoing business investments and to accelerate development through optimal use of existing Group infrastructure and marketing network. Despite these efforts, however, consolidated performance may be affected in the event new business earnings fail to meet expectations.

2. Corporate Acquisition

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

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

(10) Human Resource Service Market

The Pasona Group strives to build a balanced business portfolio that remains unrestricted to the constraints of any specific field. Accordingly, the Group pursues a diversified human resource business that encompasses temporary staffing and contracting, placement and recruiting, outplacement, outsourcing and related activities. At the same time, the Group is actively engaged in the distribution of information relating to a variety of employment modes, education as well as diverse proposals. The Pasona Group's business, however, is impacted by trends in personnel demand reflecting changes in economic conditions both in Japan and overseas as well as the business environment, recruitment trends, as well as the application of external human resources and strategies relating to human resource training. In the event of a sharp fluctuation in market conditions and a rapid drop in demand from client firms, the Pasona Group's performance may be affected.

2. INFORMATION ON GROUP COMPANIES

The Pasona Group shifted to a pure holding company structure on December 3, 2007. The Pasona Group is comprised of Pasona Group Inc., its 42 consolidated subsidiaries and five affiliated companies accounted for by the equity method. Major Group companies according to their principal business activity are listed as follows. The classification of businesses identified below is consistent with segment information provided in 4. Consolidated financial statements: important matters fundamental to the preparation of financial statements.

Pasona Group Inc. (Holding Company)

Formulate strategies for group management and support operation execution.

Governance of management and proper allocation of management resources.

Developing new businesses related to job creation.

Temporary Staffing and Contracting, Placement and Recruiting

30 companies

Pasona Inc.
Pasona Tech, Inc.
Financial Sun Inc.
Pasona Engineering Inc.
Pasona Insurance Inc.
Pasona Kyoto Inc.
Pasona Youth Inc.
Pasona Temp to Perm, Inc.
Pasona Empower Inc.
Pasona Global Inc.
Pasona Fortune Inc.
Pasona e-Professional, Inc.
Pasona Sportsmate Inc.
Pasona Okayama Inc.
Pasona Sparkle Inc.
Pasona Sourcing Inc.
Pasona Logicom Inc.
Pasona Nakakyushu Inc. (※)
Pasona Nagasaki Inc. (※)
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.
PASONA EUROPE LIMITED
PASONA ASIA CO., LIMITED
Three other companies

Outplacement

One company

Pasona Career Inc.

Outsourcing

Six companies

Benefit One Inc.
National Examination Center Inc. (※)
Four other companies

Other

10 companies

HR Partners Inc.
NARP Inc.
Kansai Employment Creation Organization Inc.
Kantou Employment Creation Organization Inc.
Pasona REP Power Inc.
Pasona Foster Inc.
Pasona Heartful Inc.
e-Staffing Co., Ltd. (※)
Pasona Education Co. Limited
One other company

※ Equity-method affiliate
All other unmarked companies are consolidated subsidiaries

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.** In order to realize this vision, the Group is committed to business development in line with its overarching social mission. To this end, we work diligently to resolve the variety of issues that confront both people and employment while endeavoring to create new employment opportunities.

Japan’s labor market is entering a significant transition period reflecting an increase in the number of elderly, a declining birth rate and an overall drop in the general population. Accordingly, the traditional relationship between “employer” and “employee” is steadily evolving. In similar fashion to the United States and Europe, the Japanese labor market is recognizing a diversity of work styles and placing greater emphasis on the individual and individual strengths. From an employee perspective the focus is less on employment security, shifting increasingly toward efforts that enhance each individual’s market value. In this context, we believe that the ability of Japan’s labor market to rely less on the corporate sector and to realize an “independent society” is the key to its future development.

To this end, we recognize the need to establish and develop a diverse infrastructure that allows each individual to choose freely his or her type of employment. While acknowledging the critical nature of a social platform that facilitates each individual in obtaining personal independence, we are also aware that existing support structures are far from adequate. It is therefore in these very circumstances that we recognize our social missions and a business opportunity of significant substance.

For the working individual, the Pasona Group strives to provide positive and appealing work as well as opportunities to advance and a support infrastructure that encompasses employee welfare benefit, administrative and marketing agency services that facilitate each individual in his or her quest for independence. For the company (employer), we put forward effective and efficient human resource strategies, proposals for the optimal use of personnel as a part of wide ranging menu of human resource services as well as undertake other initiatives. Ultimately, our goal is to fulfill the role of a personnel department to Japan’s corporate sector, to effectively change the Japanese employment system and to play a central role in human resource development and business. For the Pasona Group, this is the driving force that underpins sustainable growth and efforts to increase corporate value.

(2) Management Target

Recognizing that human resource-related businesses will in overall terms experience growth over the medium to long term, the Pasona Group will not only focus on the temporary staffing business but also all other highly profitable human resource-related service businesses. In addition, we will actively pursue new businesses with the potential to generate new employment opportunities. Working to diversify our overall Group business activities, we will target double-digit percentage sales growth and an operating income margin of 5% while building a balanced business portfolio from a profit perspective.

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

In order to fulfill our goals of becoming a personnel department to Japan's corporate sector, to effectively change the Japanese employment system and to play a central role in human resource development and business, the Pasona Group has positioned efforts to build a robust structure and strengthen its operating functions as a key medium-term management objective. Working to realize this objective, we are actively pursuing the following management strategies.

1. Strengthen Group Collaboration

In order to fully function as a robust Group, we will focus on employee education and training as well as the optimal allocation of human resources. At the same time, we will endeavor to enhance the Group's overall human resource and organizational capabilities, build a structure that is capable of promoting effective Group sales and marketing and further raise market competitiveness.

2. Further Enhance Administrative Efficiency

The Pasona Group will further enhance administrative efficiency throughout the Group by promoting shared services among back office departments and other initiatives including Group business reorganization.

3. Bolster the Service Function

Efforts will be made to strengthen the specialist temporary staffing business as well as consulting functions in the human resource field. Positioning the outsourcing business as a key area of operation, we will pursue a variety of initiatives including business tie up and alliance, develop and propose new service menus and strive to bolster functions across the board. Through these means, the Pasona Group is committed to becoming a personnel department to Japan's corporate sector.

At the same time, we will support cross-border human resource exchange. The Pasona Group will work to secure high quality personnel from around the globe in an effort to bolster its activities in the human resource placement and related businesses.

Moreover, in order to achieve its management objectives and to realize sound and robust Group growth, we shifted to a holding company structure. To this end, we established Pasona Group Inc., a pure holding company, through the transfer of shares on December 3, 2007. In adopting a holding company structure, we have taken steps to formulate management strategies that encompass the entire Group, to ensure the optimal allocation of resources to growth fields and to further strengthen Group collaboration and cooperation. At the same time, we are bolstering corporate governance with the ultimate aim of increasing Group management transparency. Furthermore, in securing growth opportunities for operating subsidiaries and ensuring that business execution is conducted in a strategic and flexible manner, we are placing ourselves in a position to swiftly respond to changes in the operating environment and to further enhance corporate value.

(4) Pending Issues

Currently, uncertainties in connection with economic conditions are continuing to mount. Under these circumstances, it is difficult to deny that the economy may drift into a period of decline. Turning to employment conditions, signs of a halt to the corporate sectors focus on full-time, permanent employees, emerged in 2007. While economic conditions have contributed to tight demand for temporary staffing in the short term, persistent trends indicate that constraints on the corporate sector toward the recruitment of permanent, full-time employees is expected to spur a recovery in temporary staffing demand from the second half of the fiscal year ending May 31, 2009 and growth in the outsourcing market.

In addition, recent issues in connection with temporary staffing procedures and practices have served to foster a growing awareness and focus on compliance among both client firms as well as temporary staff. As a result of these concerns, whether the company in question can deliver a “sense of safety and security” or not has become a key factor in the selection of a temporary staffing and contracting company. On this basis, we recognize that a true compliance structure as well as the level of satisfaction in connection with employee welfare benefits and compensation must be rooted in this well-established “sense of safety and security.” Under these circumstances, the Pasona Group will continue to implement its existing initiatives. We are convinced that the time is ripe for new and significant business opportunities and that by continuing to strengthen our compliance structure, enhancing the compensation and benefits provided to temporary staff and implementing existing measures, we will clearly distinguish the Pasona Group from its competitors.

Furthermore, amid the foreseeable difficult operating environment, the Group anticipates a growing trend toward outsourcing in the corporate sector. In addition to traditional employee welfare benefit outsourcing services, the Pasona Group will pursue business growth in such complementary areas as contracting as well as in-sourcing of the internal administrative functions of client firms. On this basis, the Group will combine both outsourcing and in-sourcing to establish a total-outsourcing business model, develop innovative outsourcing service menus that include business alliance and tie up, bolster its operating platform aimed at implementing marketing proposals and ramp up its endeavors to promote a diversified business strategy.

In addition, we will pursue streamlining efforts that encompass a review of the Group’s internal work flows, promote shared services in connection with the administrative function and reorganize the Group’s businesses with the aim of increasing efficiency.

Impacted by fraudulent contracting and improper procedures and practices with regard to daily staffing by certain human resource and related companies, significant attention has been drawn toward discrepancies in connection with non-permanent employees. As these issues increasingly become a problem for the general society, we are seeing significant changes in the temporary staffing and contracting business environment. In this context, the Pasona Group recognizes its role in society as extending beyond that of the temporary staffing and contracting function. Our social mission therefore is to deliver opportunities that allow all job seekers to freely choose their mode and style of employment and to provide diverse opportunities for career advancement. Looking ahead, we will continue to build a support infrastructure that generates new employment opportunities and to provide a wealth of advice and information for the benefit of society.

(5) Other, Important Matters relating to the Company's Management

None.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheet

(Millions of yen)

		As of May 31, 2008		
	Notes	Amount		(%)
ASSETS				
I Current assets:				
1. Cash and deposits			13,672	
2. Notes and accounts receivable — trade			23,313	
3. Marketable securities			201	
4. Inventories			511	
5. Deferred tax assets			1,129	
6. Income tax receivable			533	
7. Other current taxes			1,934	
Allowance for doubtful receivables			(81)	
Total current assets			41,213	70.4
II Fixed assets:				
1. Property and equipment				
(1) Buildings		4,418		
Accumulated depreciation		(1,275)	3,142	
(2) Land			885	
(3) Other tangibles		2,012		
Accumulated depreciation		(1,050)	962	
Total property and equipment			4,990	8.5
2. Intangible assets:				
(1) Goodwill			516	
(2) Software			2,736	
(3) Other intangibles			84	
Total intangible fixed assets			3,338	5.7
3. Investments and other assets:				
(1) Investment securities	1		1,581	
(2) Long-term loans			189	
(3) Deferred tax assets			1,127	
(4) Lease guarantee deposits			4,538	
(5) Other investments			1,599	
Allowance for doubtful receivables			(64)	
Total investments and other assets			8,971	15.4
Total fixed assets			17,300	29.6
Total assets			58,513	100.0

		As of May 31, 2008	
	Notes	Amount	(%)
LIABILITIES			
I Current liabilities:			
1. Accounts payable — trade		1,773	
2. Short-term loans payable		112	
3. Accounts payable — other		2,404	
4. Accrued expenses		11,259	
5. Income taxes payable		2,096	
6. Consumption taxes payable		2,639	
7. Reserve for bonus		1,910	
8. Reserve for directors' bonus		14	
9. Other current liabilities		4,521	
Total current liabilities		26,731	45.7
II Long-term liabilities:			
1. Long-term debt		7	
2. Long-term payables — other		51	
3. Allowance for employees' severance retirement benefits		813	
4. Allowance for directors' retirement benefits		943	
5. Allowance for head office relocation expenses		430	
6. Other long-term liabilities		68	
Total long-term liabilities		2,313	3.9
Total liabilities		29,045	49.6
NET ASSETS			
I Shareholders' equity:			
1. Common stock		5,000	8.5
2. Capital surplus		8,887	15.2
3. Retained earnings		12,682	21.7
4. Treasury stock		(2,257)	(3.8)
Total shareholders' equity		24,312	41.6
II Valuation and conversions:			
1. Net unrealized holding gain on other securities		41	0.0
2. Foreign currency translation adjustment		(22)	(0.0)
Total valuation and conversions		19	0.0
III Minority interests		5,136	8.8
Total net assets		29,468	50.4
Total liabilities and net assets		58,513	100.0

(2) Consolidated Statements of Income

(Millions of yen)

		FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)		
	Notes	Amount		(%)
I Net sales			236,945	100.0
II Cost of sales			187,575	79.2
Gross profit			49,369	20.8
III Selling, general and administrative expenses	1, 2		42,925	18.1
Operating income			6,444	2.7
IV Non-operating income:				
1. Interest income		53		
2. Investment gain on the equity method		43		
3. Subsidy		273		
4. Other income		190	560	0.2
V Non-operating expenses:				
1. Interest expenses		32		
2. Commitment line of credit commission		49		
3. Bad debt loss		133		
4. Establishment expenses		53		
5. Other expenses		97	366	0.1
Ordinary income			6,637	2.8
VI Extraordinary gains:				
1. Gain on sales of investment securities		8		
2. Gain on sales of securities in affiliated companies		1,095		
3. Facility subsidy income		35	1,139	0.5
VII Extraordinary losses:				
1. Loss on sale and disposal of fixed assets	3	133		
2. Loss on fixed asset rationalization		35		
3. Valuation loss on investment securities		25		
4. Loss on sale of securities in affiliated companies		9		
5. Valuation loss on securities in affiliated companies		10		
6. Impairment loss	4	47		
7. Valuation loss on membership rights		70		
8. Constructive loss on change in equity of an affiliate		15		
9. Head office relocation expenses		430	777	0.3
Income before income taxes and minority interests			7,000	3.0
Income taxes — current		3,488		
Income taxes — deferred		(304)	3,183	1.3
Minority interests			853	0.4
Net income			2,962	1.3

(3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal year ended May 31, 2008 (June 1, 2007 to May 31, 2008)

(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 fiscal year ended May 31, 2008:					
Issuance of new shares	32	32	—	—	65
Distribution of surplus	—	—	(916)	—	(916)
Net Income	—	—	2,962	—	2,962
Change due to the establishment of a holding company through the transfer of shares	(3,391)	1,361	—	2,030	—
Net change in line items other than shareholders' equity	—	—	—	—	—
Total due to movements during the fiscal year ended May 31, 2008	(3,358)	1,394	2,046	2,030	2,112
Balance as of May 31, 2008	5,000	8,887	12,682	(2,257)	24,312

	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 fiscal year ended May 31, 2008:					
Issuance of new shares	—	—	—	—	65
Distribution of surplus	—	—	—	—	(916)
Net Income	—	—	—	—	2,962
Change due to the establishment of a holding company through the transfer of shares	—	—	—	—	—
Net change in line items other than shareholders' equity	(54)	(102)	(156)	607	451
Total due to movements during the fiscal year ended May 31, 2008	(54)	(102)	(156)	607	2,563
Balance as of May 31, 2008	41	(22)	19	5,136	29,468

(4) Consolidated Statements of Cash Flows

(Millions of yen)

		FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
	Notes	Amount
I Cash Flows from Operating Activities:		
Income before income taxes		7,000
Depreciation		1,403
Impairment loss		47
Amortization of goodwill		275
Bad debt loss		134
Decrease in allowance for doubtful receivables		(26)
Increase in reserve for bonus		306
Decrease in reserve for directors' bonus		(4)
Increase in allowance for employees' severance retirement benefits		109
Decrease in allowance for directors' retirement benefits		(28)
Increase in allowance for head office relocation expenses		430
Interest and dividend income		(60)
Interest expenses		32
Subsidy		(308)
Foreign exchange loss		24
Investment gain on equity method		(43)
Constructive loss on change in equity of an affiliate		15
Loss on sale and disposal of fixed assets		133
Loss on fixed asset rationalization		35
Gain on sale of investment securities		(8)
Valuation loss on investment securities		25
Gain on sale of securities in affiliated companies		(1,095)
Loss on sale of securities in affiliated companies		9
Valuation loss on securities of affiliated companies		10
Decrease in accounts receivable — trade		309
Increase in inventories		(189)
Increase in other current assets		(81)
Increase in accounts payable — trade		214
Decrease in consumption tax payable		(0)
Increase in other liabilities		986
Others		81
Subtotal		9,736

		FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
	Notes	Amount
Interest and dividends received		65
Interest paid		(33)
Subsidy received		300
Income taxes paid		(4,093)
Net cash provided by operating activities		5,974
II Cash Flows from Investing Activities:		
Increase in time deposits		(175)
Payments for purchases of tangible fixed assets		(2,118)
Proceeds from sale of tangible fixed assets		5
Payment for purchases of intangible fixed assets		(1,375)
Payments for purchases of investment securities		(17)
Proceeds from sale of investment securities		1,421
Proceeds from purchase of securities of subsidiaries due to change in consolidated subsidiaries	2	158
Payments for sale of securities of subsidiaries due to change in consolidated subsidiaries	3	(186)
Payments for additional purchase of securities of subsidiaries		(181)
Payments for increase in loans receivable		(108)
Proceeds from collection of loans receivable		102
Others		(491)
Net cash used in investing activities		(2,968)
III Cash Flows from Financing Activities:		
Increase in short-term loans payable		3
Repayment of long-term debt		(2)
Repayment of financial lease		(27)
Proceeds from issuance of shares		65
Proceeds from issuance of shares to minority shareholders		39
Payments for dividends		(914)
Payments of dividends to minority shareholders		(146)
Net cash used in financing activities		(980)
IV Effect of exchange rate changes on cash and cash equivalents		(164)
V Net increase in cash and cash equivalents		1,861
VI Cash and cash equivalents at the beginning of the period		11,750
VII Cash and cash equivalents at the end of the period	1	13,612

(5) Events or circumstances which raise doubts as to the validity of the going-concern assumption.

None

(6) Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements

Basis of preparation of first-half consolidated financial statements

	FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
1. Scope of Consolidation	(1) Consolidated subsidiaries: 42 companies Names of consolidated subsidiaries: Pasona Inc. Benefit One Inc. Pasona Tech, Inc. Pasona Career Inc. HR Partners Inc. NARP Inc. Financial Sun, Inc. Kansai Employment Creation Organization Inc. Kantou Employment Creation Organization Inc. Pasona Engineering Inc. Pasona Insurance Inc. Pasona Kyoto Inc. Pasona Youth Inc. Pasona Temp to Perm, Inc. Pasona Empower Inc. Pasona Global Inc. Pasona 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. Pasona Education Co. Limited PASONA EUROPE LIMITED PASONA ASIA CO., 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., Kantou Employment Creation Organization Inc. and Financial Sun, Inc. previously affiliated companies accounted for by the equity method, became consolidated subsidiaries during the period under review through the acquisition of additional stock.

	FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
	Pelham Search Pacific Limited and PELHAM INTERNATIONAL LIMITED were excluded from the scope of consolidation following the sale of all of their shares. (2) Non-consolidated subsidiary: Names of non-consolidated subsidiaries: Pasonatech Consulting (Dalian) Co., Ltd. C.S. factory 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 the consolidated financial statements. As a result, these non-consolidated subsidiaries have been excluded from the scope of consolidation.
2. Application of the Equity Method	(1) Affiliated companies that are accounted for by the equity method: The names of equity-method affiliates are as follows: E-Staffing Co., Ltd. National Examination Center Inc. Pasona Nakakyushu Inc. Pasona Nagasaki Inc. Execube Inc. Kansai Employment Creation Organization Inc., Kantou Employment Creation Organization Inc. and Financial Sun, Inc. became consolidated subsidiaries and were excluded from the scope of consolidation as affiliated companies were accounted for by the equity method. Pasona ADP Payroll, Inc. was excluded from the scope of consolidation as affiliated companies were accounted for by the equity method following the sale of all of its shares. (2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: Names of non-consolidated subsidiaries And affiliated companies: Pasonatech Consulting (Dalian) Co., Ltd. C.S. Factory Co., Ltd. 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.

	FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
3. Fiscal Year-End Financial Statements of Consolidated Subsidiaries	The fiscal year-end of Pasona Inc. is the same as the fiscal year-end of the Company. 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 39 remaining consolidated subsidiaries is March 31. The financial statements of these 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.

	FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
4. Accounting Policies (1) Valuation standard and valuation method of important assets	A. Securities (other securities) 1.Securities with quoted market values Securities with quoted market value are stated at fair value on the closing date. (Net unrealized gains and losses on other securities are reported, directly to net assets. Costs of these securities are calculated based on the moving-average cost method.) 2.Securities without quoted market values Securities without quoted market value are stated on 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
(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 A. Intangible fixed assets Software: Straight-line method over the useful life of the asset estimated by the Company (within five years)
(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. B. Establishment expenses Establishment expenses are charged to income in full when paid.

(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 bad-debt rate as 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. 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 as expenses in the next fiscal year. In addition, the amount of pension assets exceeded the amount payable for employees' severance and retirement benefits adjusted for unrecognized actuarial differences as of the end of the fiscal year for certain consolidated subsidiaries. As a result, an amount of ¥428 million representing prepaid pension expenses was included in the "other investments" accounting line item of "investments and other assets." E. Allowance for directors' retirement benefits The Company and its consolidated subsidiaries provide an allowance for retirement benefits for directors and executive officers in conformity with bylaws to meet obligations as of the end of the fiscal year under review. F. Allowance for head office relocation expenses The Company provides for restoration costs and other expenses in connection with the perspective relocation to the head office of certain of its consolidated subsidiary Pasona Inc. at an estimated amount payable in the future.

	FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
(5) Accounting for lease transactions (6) Amortization of Goodwill and Negative Goodwill	Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases. 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) Other significant accounting policies for preparing full fiscal year consolidated financial statements	Consumption taxes Consumption taxes are separately recorded.
5. Valuation of Assets and Liabilities of Consolidated Subsidiaries	The assets and liabilities of the consolidated subsidiaries are evaluated at mark to market value.
6. Scope of “Cash and Cash Equivalents” in Full Fiscal Year Consolidated Statement of Cash Flows	“Cash and cash equivalents” in the consolidated statement 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.

(Additional information)

FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
Method of depreciation for property, plant, and equipment In conjunction with changes in Japanese income tax laws, for assets acquired prior to March 31, 2007, the difference between 5% of the acquisition cost and the memorandum price is depreciated in a straight line over five years starting in the fiscal year after the one in which the value of the asset reaches 5% of the acquisition cost as a result of the application of depreciation methods based on Japanese income tax laws prior to the changes. This change has a minimal impact on earnings. Additional depreciation of the headquarters building It has been decided that some consolidated subsidiaries will relocate to different rental headquarters buildings starting on August 1, 2009, without entering into new lease contracts. Of the fixed assets owned from that fiscal year, the building construction work-related assets are depreciated in a straight line so that the value reaches the memorandum price in July 2009. As a result, operating income, ordinary income, and income before income taxes and minority interests have each declined by ¥132 million.

(7) Notes to Consolidated Financial Statement

Note:

(Disclosure omitted)

The Company deems that there is no item of significant importance in connection with lease transactions, transactions with related parties, tax-effect accounting, securities, derivatives, severance and retirement benefits, stock options and other matters to be disclosed in this consolidated financial report. Accordingly, this information has been omitted.

Notes to Consolidated Balance Sheet

(Millions of yen unless otherwise stated)

As of May 31, 2008	
※1 Shares in non-consolidated subsidiaries and affiliated companies	
Investment securities (stocks)	523

Notes to Consolidated Statement of Income

(Millions of yen unless otherwise stated)

FY ended May 31, 2008
(June 1, 2007 to May 31, 2008)

※1 Breakdown of major selling, general and administrative expenses

Salaries and bonuses for employees	16,492
Accrued bonuses	1,642
Accrued directors' bonuses	10
Welfare benefit expenses	3,164
Provision for employees' retirement benefits	117
Provision for directors' retirement benefits	222
Recruiting expenses	2,773
Rent expenses	4,966
Depreciation and amortization	1,200
Provision for doubtful receivables	36
Amortization of goodwill	286

※2 Research and development expenses

Research and development expenses included in selling, general and administrative expenses:

32

※3 Breakdown of loss on sales and disposal of fixed assets:

Loss on disposal	
Buildings	90
Other tangible fixed assets	13
Software	20
Other intangible fixed assets	0
Loss on sales	
Buildings	4
Land	0
Other tangible fixed assets	2
	133

FY ended May 31, 2008
(June 1, 2007 to May 31, 2008)

※4 Impairment loss

For the fiscal year ended 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, software
Chiyoda-ku Tokyo	Temporary staffing systems, other	Software
—	Other	Goodwill

(2) Background leading to the recognition of impairment losses

In principle, the 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.

(3) Impairment loss: (Millions of yen)

Type	Amount
Equipment, furniture and fixtures	2
Software	6
Goodwill	38
Total	47

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

Calculation Statement Relating to Changes in Consolidated Shareholders' Equity

Fiscal Year Ended May 31, 2008 (June 1, 2007 to May 31, 2008)

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 May 31, 2008
Common shares	433,732	671	—	434,403

(Overview)

1. The major breakdown of the increase in the number of shares is provided as follows:
   Increase in the number of shares due to the exercise of stock option and new subscription rights: 671 shares
2. The number of shares as of the end of the previous fiscal year and the increase in the number of shares in connection with the fiscal year in question relate to the shares of Pasona Inc.

2. Matters Relating to Treasury Stock

Type of Shares	Number of Shares As of May 31, 2007	Increase	Decrease	Number of Shares As of May 31, 2008
Common shares	17,500	—	—	17,500

(Overview)
The number of treasury stock shares as of the end of the previous fiscal year relate to the number of treasury stock shares of Pasona Inc.

3. Matters Related to the New Subscription Rights
None.

4. Matters Relating to Dividends
(1) Cash dividend payment amount

Resolution	Type of Shares	Source of Dividend Payment	Total Amount of 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
Board of Directors' meeting held on January 24, 2008	Common shares	Retained Earnings	500	1,200	November 30, 2007	February 27, 2008

Note: The aforementioned total amounts of cash dividends paid were determined by the Board of Directors of Pasona Inc., which reflects the establishment of Pasona Group Inc., Pasona Inc.'s complete parent company, through the transfer of shares on December 3, 2007.

(2) Dividends for which the effective date falls after the fiscal year ended May 31, 2008 included in dividends for which the base date falls within the fiscal year ended 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 July 25, 2008	Common shares	Capital surplus	541	1,300	May 31, 2008	August 21, 2008

Note: The source of cash dividend payment for cash dividends with a base date of May 31, 2008 is capital surplus.

Notes to Consolidated Statement of Cash Flows

(Millions of yen)

FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
※1 Relationship between the balance of cash and cash equivalents at period-end and cash and deposits reported in the consolidated balance sheets.

	As of May 31, 2008
Cash and deposits	13,672
Time deposits with deposit term exceeding three months	(261)
Securities (MMF)	201
Cash and cash equivalents	13,612

※2 Breakdown of major assets and liabilities inherited from newly acquired companies included in the scope of consolidation.

Breakdown of major assets and liabilities and the relationship between acquisition costs from the acquisition of stocks (net) of Kansai Employment Creation Organization Inc., Kantou Employment Creation Organization Inc. and Financial Sun, Inc. as of the date of each company's inclusion in the Company's scope of consolidation is as follows.

Current assets	731
Fixed assets	80
Goodwill	(8)
Current liabilities	(286)
Long-term liabilities	(38)
Minority interests	(33)
Existing shares	(193)
Investment value accounted for by the equity method	38
Acquisition costs of subsidiary companies	288
Subsidiary companies' cash and cash equivalents	446
Difference: Payments for the acquisition of subsidiary companies	158

(Millions of yen)

FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
※3 Breakdown of the major assets and liabilities removed from consolidated assets and liabilities as a result of the sale and exclusion of subsidiary companies from the scope of consolidation. Breakdown of the major assets and liabilities and the relationship between sales costs and the sale of stocks (net) of Pelham Search Pacific Limited and PELHAM INTERNATIONAL LIMITED as of the date of exclusion from the Company’s scope of consolidation.

Current assets	569
Fixed assets	34
Total assets	604
Current liabilities	272
Long-term liabilities	−
Total liabilities	272
Sale value of subsidiaries' stocks	630
Amount yet to be paid	(607)
	22
Subsidiary companies' cash and cash equivalents	209
Difference: Payments for the sale of subsidiary companies	(186)

Segment Information

Fiscal year ended May 31, 2008 (June 1, 2007 to May 31, 2008)

(Millions of yen unless otherwise stated)

	Temporary staffing/ Contracting, Placement/ Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales and operating income (loss)							
(1) Sales to outside customers	216,168	5,855	13,309	1,577	236,910	34	236,945
(2) Intersegment sales and transfers	318	2	423	538	1,282	(1,282)	—
Total	216,486	5,858	13,732	2,115	238,193	(1,248)	236,945
Operating expenses	211,430	4,480	11,849	2,142	229,902	597	230,500
Operating income (loss)	5,056	1,377	1,883	(26)	8,290	(1,846)	6,444
Assets, depreciation expense and capital expenditures:							
Assets	40,354	6,674	10,455	1,385	58,870	(356)	58,513
Depreciation expense	846	153	438	24	1,462	216	1,679
Impairment loss	4	—	—	43	47	—	47
Capital expenditures	1,701	393	530	153	2,779	793	3,573

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, other

3. Unallocable operating expenses included in “Eliminations and Corporate” totaled ¥1,917 million and principally related to Group administrative and management expenses.
4. Assets included in “Eliminations and Corporate” totaled ¥4,680 million and principally related to Group asset management.

Information on geographic areas

Fiscal year ended May 31, 2008 (June 1, 2007 to May 31, 2008)

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

Overseas sales

Fiscal year ended May 31, 2008 (June 1, 2007 to May 31, 2008)

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

Important Matters Concerning Business Combination

Fiscal Period Under Review (June 1, 2007 to May 31, 2008)
Common Control Business Relationship 1. Transfer of stock Pasona Group Inc. was established on December 3, 2007 as a pure holding company through the transfer of Pasona Inc. shares, which became a wholly owned subsidiary company. (1) The name, business activities and details of the company subject to business combination a. Name of the company subject to business combination Pasona Inc. b. Business activities of the company subject to business combination Temporary staffing and contracting, placement and recruiting and related activities c. Purpose of business combination The Group as a whole decided to shift to a pure holding company structure with the aim of further enhancing its overall corporate value within the human resources business. The rationale underlying this purpose is provided in the following two key points. - As a part of the Group's efforts to strengthen its management capabilities, the decision to shift to a pure holding company was taken to ensure the formulation and implementation of a comprehensive management strategy that encompasses the entire Group, to optimize the allocation of resources to growth field, and to further bolster corporate governance and to raise the level of overall management transparency. - From an individual operating company perspective, the decision to shift to a pure holding company was taken to ensure that each operating subsidiary company was in a better position to secure opportunities for business growth and to execute its business activities in a strategic and flexible manner in order to respond swiftly to changes in individual operating environments. d. Date of business combination December 3, 2007 e. Legal format of business combination Establishment of a pure holding company through the transfer of stock shares f. Name of the company after business combination Pasona Group Inc. (2) Overview of accounting procedures implemented From an accounting perspective, the subject transfer of stock was effected in accordance with the "Accounting Standard for Business Combination" (Business Accounting Council, October 31, 2003) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 22, 2006). Accounting procedures were conducted on a consolidated financial statement basis as a common control transaction. On this basis, there was no impact on profit and loss.

Fiscal Period Under Review (June 1, 2007 to May 31, 2008)
2. Corporate separation (1) The name, business activities and details of the company subject to business combination or the subject business a. Company instigating business combination Pasona Group Inc. b. Company to be combined for business purposes Pasona Inc. c. The subject business Related company management function and new businesses related to the creation of employment opportunities for public institutions and private sector companies. (2) Legal format of business combination The succession and corporate separation involves Pasona Group Inc., as the successor company, and Pasona Inc., its wholly owned subsidiary as the separating company identified for acquisition and corporate separation. (3) Name of the company after business combination Pasona Group Inc. (4) Overview of the transaction including the purpose of the transaction a. Purpose of the transaction As an initial step toward adopting a pure holding company structure, the Pasona Group established Pasona Group Inc. on December 3, 2007 through the transfer of stock. This corporate separation is a second and follow up step toward adopting a pure holding company structure and involves the transfer and succession of Pasona Inc's related company functions and certain of its businesses to be transferred to Pasona Group Inc. As a result of these initiatives, the intentions are to enhance the corporate governance function and raise the level of overall Group management transparency. From an individual 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. b. Overview of the transaction In connection with a Board of Directors' meeting held on January 24, 2008, Pasona Inc. decided to transfer its related company management function and a portion of its business to Pasona Group Inc. by means of a corporate spin off and succession. On the same date, a corporate separation and acquisition agreement was executed between the two companies. The corporate separation and acquisition was effected on March 1, 2008. (5) Overview of accounting procedures implemented From an accounting perspective, the subject corporate separation and acquisition was effected in accordance with the "Accounting Standard for Business Combination" (Business Accounting Council, October 31, 2003) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 22, 2006). Accounting procedures were conducted on a consolidated financial statement basis as a common control transaction. On this basis, there was no impact on profit and loss.

Per Share Information

(Yen unless otherwise stated)

FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)	
Net assets per share	58,363.62
Earnings per share	7,109.95
Earnings per diluted share	7,056.90

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)

	As of May 31, 2008
Total net assets	29,468
Amount deducted from total net assets	5,136
Minority interests	(5,136)
Net assets applicable to common stock as of the fiscal period-end	24,331
Number of common stock issued and outstanding as of the end of the period (shares)	416,903

2. Earnings per share and earnings per diluted share

(Millions of yen, unless otherwise stated)

	FY ended May 31, 2008 (June 1, 2007 to May 31, 2008)
Earnings per share	
Net income	2,962
Amount not applicable to shareholders of common stock	—
Net income applicable to common stock	2,962
Average number of shares for the period (shares)	416,713
Earnings per diluted shares	
Net income adjustment amount	(21)
Increase in the number of shares for the period (shares)	102
(Common stock with subscription rights) (shares)	(56)
(Common stock with warrants as stock options) (shares)	(46)
Since there was no effect on earnings per share after applying calculations adjusted for the dilution of stocks, per diluted share amounts have been omitted from this report Note: The resolution dates identified in the column on the right related to Annual General Meetings of Shareholders of Pasona Inc.	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: 525 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 3,150 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,260 shares)

Important Subsequent Events

FY ended 2008 (June 1, 2007 to May 31, 2008)
1. Acquisition of own shares Pasona Group resolved to acquire its own shares pursuant to Article 459, Paragraph 1.1 of the Corporation Law of Japan following a Board of Directors' meeting held on July 25, 2008. Brief details are as follows. (1) Rationale for acquisition Under the provisions of its Articles of Incorporation, the Company has decided to acquire its own shares in order to facilitate its ability to pursue a flexible capital policy in response to changes in its business environment. (2) Type of shares to be acquired Common stock of Pasona Group Inc. (3) Total number of shares to be acquired Up to 50,000 shares (4) Total cost of acquisition Up to ¥3,500 million (5) Period of acquisition From July 28, 2008 to October 31, 2008 Note: The Company may decide not to undertake a portion or all of the proposed acquisition of own shares depending on market trends. 2. Cancellation of treasury stock Pasona Group resolved to cancel treasury stock pursuant to Article 178 of the Corporation Law of Japan following a Board of Directors' meeting held on July 25, 2008. Brief details are as follows. (1) Rationale for cancellation Pasona Group has decided to cancel treasury stock in an effort to reduce the total number of the Company's issued shares. In this manner, Pasona Group is endeavoring to increase returns to shareholders. (2) Type of shares to be cancelled Common stock of Pasona Group Inc. (3) Number of shares to be cancelled 17,500 shares (4.03% of issued shares before cancellation) (4) Cancellation date (planned) August 29, 2008

(Millions of yen unless otherwise stated)

5. NON-CONSOLIDATED FINANCIAL STATEMENTS

(1) Non-Consolidated Balance Sheet

(Millions of yen)

		May 31, 2008		
	Notes	Amount		(%)
ASSETS				
I Current assets:				
1. Cash and deposits			672	
2. Accounts receivable—trade			131	
3. Stored goods			10	
4. Prepaid expenses			6	
5. Deferred tax assets			54	
6. Short-term loans receivable from affiliated companies			1,923	
7. Other receivables			33	
8. Other current assets			11	
Allowance for doubtful receivable			(7)	
Total current assets			2,835	13.1
II Fixed assets:				
1. Property and equipment:				
(1) Tools, furniture and fixtures		3		
Accumulated depreciation		(0)	3	
Total property and equipment			3	0.0
2. Intangible assets:				
(1) Software			18	
Total intangible assets			18	0.1
3. Investments and other assets:				
(1) Investment securities			763	
(2) Investments in affiliated companies			17,716	
(3) Long-term loans receivable from affiliated companies			101	
(4) Deferred tax assets			156	
(5) Other investments			27	
Allowance for doubtful receivables			(21)	
Total investments and other assets			18,744	86.8
Total fixed assets			18,765	86.9
Total Assets			21,601	100.0

		May 31, 2008		
	Notes	Amount		(%)
LIABILITIES				
I Current liabilities:				
1. Short-term loans payable to affiliated companies			2,518	
2. Accounts payable—other			242	
3. Accrued expenses			46	
4. Income taxes payable			124	
5. Consumption taxes payable			36	
6. Other current liabilities			112	
Total current liabilities			3,081	14.3
II Long-term liabilities:				
1. Allowance for directors' retirement benefits			66	
Total long-term liabilities			66	0.3
Total liabilities			3,147	14.6
NET ASETS				
I Shareholders' equity				
1. Common stock			5,000	23.1
2. Capital surplus				
(1) Capital reserve		5,000		
(2) Other capital reserve		10,665		
Total capital surplus			15,665	72.5
3. Retained earnings				
(1) Other retained earnings				
Unappropriated retained earnings brought forward		(0)		
Total retained earnings			(0)	(0.0)
4. Treasury stock			(2,257)	(10.4)
Total shareholders' equity			18,407	85.2
II Valuation and conversions				
1. Net unrealized holding gain on other securities			46	0.2
Total valuation and conversions			46	0.2
Total net assets			18,453	85.4
Total liabilities and net assets			21,601	100.0

(2) Non-Consolidated Statements of Income

(Millions of yen)

		FY Ended May 31, 2008 (December 3, 2007 to May 31, 2008)		
	Notes	Amount		(%)
I Net sales			1,889	100.0
II Cost of sales				
Total cost of sales			34	1.8
Gross Profit			1,855	98.2
III Selling, general and administrative expenses:				
1. Directors' remuneration		159		
2. Salaries and bonuses		437		
3. Welfare expenses		106		
4. Outsourcing expenses		180		
5. Compensation expenses		108		
6. Rental and leasing expenses		458		
7. Other		427	1,878	99.4
Operating loss			23	(1.2)
IV Non-operating income:				
1. Interest income		2		
2. Subsidy		3		
3. Other income		2	8	0.4
V Non-operating expenses:				
1. Interest expenses		10		
2. Company establishment expenses		53		
3. Other expenses		0	64	3.4
Ordinary loss			79	(4.2)
VI Extraordinary gains:				
1. Gain on extinguishment of tie-in shares		164	164	8.7
VII Extraordinary losses:				
1. Valuation loss on securities in affiliated companies		74		
2. Loss on sale of securities in affiliated companies		47	121	6.4
Loss before income taxes and minority interests			36	(1.9)
Income taxes—current		118		
Income taxes—deferred		(154)	(36)	(1.9)
Net loss			0	(0.0)

(3) Non-Consolidated Statements of Changes in Shareholders' Equity

Fiscal Period Ended May 31, 2008 (December 3, 2007 to May 31, 2008)

(Millions of yen)

	Shareholders' Equity							
		Capital Surplus			Retained Earnings			
	Common Stock	Capital Reserve	Other Capital Reserve	Total Capital Surplus	Unappro-priated Retained Earnings Brought Forward	Total Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of December 3, 2007	5,000	5,000	10,665	15,665	—	—	—	20,665
Movements during the fiscal period ended May 31, 2008								
Net loss	—	—	—	—	(0)	(0)	—	(0)
Change due to corporate spin-off	—	—	—	—	—	—	(2,257)	(2,257)
Net change in line items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes due to the movements during the fiscal period ended May 31, 2008	—	—	—	—	(0)	(0)	(2,257)	(2,258)
Balance as of May 31, 2008	5,000	5,000	10,665	15,665	(0)	(0)	(2,257)	18,407

	Valuation and Conversions	
	Net Unrealized Holdings Gain on Other Securities	Total Net Assets
Balance as of December 3, 2007	—	20,665
Movements during the fiscal period ended May 31, 2008		
Net loss	—	(0)
Change due to corporate spin-off	45	(2,212)
Net change in line items other than shareholders' equity	1	1
Total due to movements during the fiscal period ended May 31, 2008	46	(2,211)
Balance as of May 31, 2008	46	18,453

(4) Events or circumstances which raise doubts as to the validity of the going-concern assumption

None

(5) Notes to Non-Consolidated Financial Statements

(Important Subsequent Events)

FY ended 2008 (Dec. 3, 2007 to May 31, 2008)
1. Acquisition of own shares Pasona Group resolved to acquire its own shares pursuant to Article 459, Paragraph 1.1 of the Corporation Law of Japan following a Board of Directors' meeting held on July 25, 2008. Brief details are as follows. (1) Rationale for acquisition Under the provisions of its Articles of Incorporation, the Company has decided to acquire its own shares in order to facilitate its ability to pursue a flexible capital policy in response to changes in its business environment. (2) Type of shares to be acquired Common stock of Pasona Group Inc. (3) Total number of shares to be acquired Up to 50,000 shares (4) Total cost of acquisition Up to ¥3,500 million (5) Period of acquisition From July 28, 2008 to October 31, 2008 Note: The Company may decide not to undertake a portion or all of the proposed acquisition of own shares depending on market trends. 2. Cancellation of treasury stock Pasona Group resolved to cancel treasury stock pursuant to Article 178 of the Corporation Law of Japan following a Board of Directors' meeting held on July 25, 2008. Brief details are as follows. (1) Rationale for cancellation Pasona Group has decided to cancel treasury stock in an effort to reduce the total number of the Company's issued shares. In this manner, Pasona Group is endeavoring to increase returns to shareholders. (2) Type of shares to be cancelled Common stock of Pasona Group Inc. (3) Number of shares to be cancelled 17,500 shares (4.03% of issued shares before cancellation) (4) Cancellation date (planned) August 29, 2008

6. OTHER

None.