April 10, 2009

CONSOLIDATED FINANCIAL REPORT
THIRD QUARTER OF THE FISCAL YEAR ENDING MAY 31, 2009
(THE NINE-MONTH PERIOD ENDED FEBRUARY 28, 2009)

Pasona Group Inc. is listed on the First Section of the Tokyo Stock Exchange with the securities code number 2168.
(URL: http://www.pasonagroup.co.jp/)

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

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results Nine months ended February 28, 2009

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

	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)	
		%		%		%		%
FY2009 First Nine Months	168,617	—	2,166	—	2,331	—	(607)	—
FY2008 First Nine Months	177,766	—	5,087	—	5,140	—	2,349	—

	Net Income (Loss) per Share	Diluted Net Income per Share
	Yen	Yen
FY2009 First Nine Months	(1,597.48)	—
FY2008 First Nine Months	5,639.85	5,597.66

Note:
Pasona Group Inc. was established on December 3, 2007. As a result, consolidated business results for the first nine months of the fiscal year ended May 31, 2008 have not been recorded.

(2) Changes in Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
February 28, 2009	52,883	24,018	35.3	52,039.36
May 31, 2008	58,513	29,468	41.6	58,363.62

(Reference) Equity as of February 28, 2009: ¥18,863 million As of May 31, 2008: ¥24,331 million

2. DIVIDENDS

	Dividends per Share				
(Record Date)	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
FY2008	—	1,200.00	—	1,300.00	2,500.00
FY2009	—	600.00	—		
FY2009 (Forecast)				(Note)	(Note)

Notes:
1. Revision to dividend forecast in the current quarter: Yes
2. The interim cash dividend for the fiscal year ended May 31, 2008 was declared and paid by Pasona Inc.
   The year-end cash dividend for the fiscal year ended May 31, 2008 was declared and paid by Pasona Group Inc.
3. Payment of the interim cash dividend was made from the Company's capital surplus. Please refer to "Capital Surplus as a Source of Cash Dividend Payment and Breakdown of Cash Dividends" on page 2 for details.
4. While the Company has set forth under the Articles of Corporation of the Company that the record date for the payment of dividend shall be the last day of a relevant period, at the present time, the projected amount of the year-end dividends has not yet been determined.

3. FORECAST OF RESULTS FOR 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 Shares
		%		%		%		%	Yen
Full Fiscal Year	218,540	(7.8)	2,590	(59.8)	3,000	(54.8)	190	(93.6)	507.08

Note: Revision to forecast of results in the current quarter: Yes

4. OTHERS

(1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries due to Changes in the Scope of Consolidation and Application of the Equity Method) : None

(2) Application of the Simplified Accounting Method and Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements : None

(3) Changes in Accounting Principles, Procedures, Disclosure Methods and Related Standards in Connection with the Preparation of Quarterly Consolidated Financial Statements (Recorded under "Changes in Important Items Considered Fundamental to the Preparation of Quarterly Consolidated Financial Statements")

1. Changes in line with revisions to accounting and other standards: Yes
2. Changes in items other than 1. above: Yes

Note: For further information, please refer to "Qualitative Information / Financial Statements and Other" 4. Other on page 11.

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

1. The number of shares issued and outstanding as of the period-end (including treasury stock)
   February 28, 2009: 416,903 shares May 31, 2008: 434,403 shares
2. The number of treasury stock as of the period-end
   February 28, 2009: 58,253 shares May 31, 2008: 17,500 shares
3. Average number of shares for the period (Cumulative total for the first nine-month consolidated period)
   FY2009 First Nine Months: 380,105 shares
   FY2008 First Nine Months: 416,650 shares

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

Capital surplus will serve as the source of payment of interim cash dividends for the fiscal year ending May 31, 2009. Cash dividend breakdown is provided as follows.

Record Date	End of Second Quarter
Cash dividend per share (Yen)	600.00
Total dividend payment (Millions of yen)	215

Note: Rate of net asset diminution 0.008

Cautionary Statement and Other Explanatory Notes

1. The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts due to a variety of factors. Pasona Group announced details of its decision to revise the Company's business results forecasts for the full fiscal year ending May 31, 2009 previously disclosed on January 9, 2009. With regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2009, please refer to "Qualitative Information and Other Matters Concerning Consolidated Forecasts" on page 10.

2. Effective from the fiscal year ending May 31, 2009, Pasona Group has applied the Accounting Standard for Quarterly Financial Reporting Statement No. 12 and the Guidance on Accounting Standard for Quarterly Financial Reporting Guidance No. 14. Furthermore, quarterly consolidated financial statements have been prepared in accordance with the Rules for Quarterly Consolidated Financial Statements.

3. The Company is yet to determine its year-end cash dividend forecast for the fiscal year ending May 31, 2009. Pasona Group will announce its year-end cash dividend forecast in due course taking into consideration its actual business results for the fiscal year under review and forecasts of business results for the fiscal year ending May 31, 2010.

Qualitative Information / Financial Statements and Other

1. Qualitative Information Concerning Consolidated Business Results

Business Results for the First Nine Months of the Fiscal Year Ending May 31, 2009

Increasingly harsh operating conditions have characterized the nine-month period ended February 28, 2009. In addition to the persistent decline in the domestic economy, concerns in connection with a further downturn in the global economy have become particularly evident in the short term, together with an escalation in the worldwide financial crisis. Beginning with the export industry, corporate-sector earnings remain entrenched in a downward spiral, with the sudden and rapid downturn in the economic environment exacerbated by the slump in consumer spending. From an employment perspective, the unemployment rate has increased significantly. At the same time, the effective ratio of job offers to applicants has slumped to a record low. Taking the aforementioned into consideration, together with the growing trend toward employment adjustment, the corporate sector has entered an increasingly difficult phase.

On a positive note, and reflecting employment adjustments by the corporate sector, demand for outplacement services has increased. Buoyed by the growing focus on efforts to improve operating efficiency and reduce costs, outsourcing services have also experienced a pickup in demand.

In addition to solid contributions from its outplacement and employee benefit outsourcing activities during the nine-month period ended February 28, 2009, the Pasona Group took steps from the fiscal year under review to strengthen its insourcing (contracting) activities and to allocate human resources and promote Group marketing on a priority basis to areas exhibiting potential growth. In specific terms, sales from the Outplacement segment were unchanged from the corresponding period of the previous fiscal year reflecting delays in the commencement of services due to external factors. Contributions from the Outsourcing and Insourcing (Contracting) business segments, on the other hand, increased. Buffeted by client firm cutbacks in both new personnel demand as well as temporary staff overtime, sales from the Temporary staffing / Contracting and Placement / Recruiting business segments declined. Accounting for the aforementioned factors, consolidated net sales for the nine-month period ended February 28, 2009 amounted to ¥168,617 million, a decrease of 5.1% compared with the corresponding period of the previous fiscal year.

On the earnings front, results were impacted by the drop in sales. At the same time, the upswing in temporary staffing costs reflecting the substantial hike in health insurance premium payment rates and a suspension in operations by certain client firms toward and over the end of the year, which prompted a greater than expected take up of paid leave, placed additional pressure on direct costs. Accordingly, gross profit for the nine-month period ended February 28, 2009 declined 8.8% compared with the corresponding period of the previous fiscal year to ¥33,752 million, while the gross profit margin contracted 0.8 of a percentage point year on year to 20.0%.

During the nine-month period under review, the Pasona Group redoubled its efforts to curtail costs including personnel, recruitment as well as advertising and promotion expenses. Based on these endeavors, selling, general and administrative (SG&A) expenses decreased ¥344 million compared with the corresponding period of the previous fiscal year to ¥31,585 million.

Unfortunately, this decrease in SG&A expenses was insufficient to fully offset the drop in gross profit. As a result, consolidated operating income for the nine-month period ended February 28, 2009 fell 57.4% compared with the corresponding period of the previous fiscal year to ¥2,166 million.

Consolidated ordinary income also declined 54.6% year on year to ¥2,331 million.

Reflecting dramatic fluctuations in the business environment since the previous year, Pasona Group recognized that it would encounter difficulties in the early collection of proceeds from the sale of subsidiary company shares. As a result, the Company recorded an extraordinary loss of ¥364 million for the nine-month period ended February 28, 2009 representing the provision of allowance for investment loss. In order to enhance operating efficiency and to reduce costs, Pasona Group also took steps to consolidate certain offices. As a part of this initiative, the Company incurred an extraordinary loss of ¥108 million attributable to office relocation costs. Furthermore, Pasona Group reversed a portion of its deferred tax assets (¥548 million). Accordingly ¥548 million was recorded as income taxes−deferred. Accounting for all of the aforementioned factors, Pasona Group reported a consolidated net loss for the nine-month period ended February 28, 2009 of ¥607 million compared with consolidated net income for the corresponding period of the previous fiscal year of ¥2,349 million.

Consolidated Business Results

(Millions of yen unless otherwise stated)

	FY 2009 First Nine Months	(Reference) FY2008 First Nine Months	(Reference) YoY
Net sales	168,617	177,766	(5.1)%
Operating income	2,166	5,087	(57.4)%
Ordinary income	2,331	5,140	(54.6)%
Net income (loss)	(607)	2,349	—

Segment Information (Figures include intrasegment sales)

Note: The pure holding company was established on December 3, 2007. As a result, holding company expenses from the second half of the fiscal year ended May 31, 2008 are recorded as corporate expenses and included in “Eliminations and Corporate.”

1. Temporary staffing / Contracting, Placement / Recruiting

Sales: ¥152,683 million; Operating income: ¥2,509 million

(Temporary staffing / Contracting) Sales:* ¥147,932 *million

In its temporary staffing business, an area in which the Pasona Group focuses mainly on general office work, new orders together with the number of long-term temporary staff declined. While signs began to emerge during the nine-month period under review that the drop in new orders over the short term due to the full-fledged restructure of permanent and full-time staff was bottoming out, this was primarily attributable to the weak performance by the corporate sector from autumn 2008 including the finance, automobile manufacturing and other export-oriented industries.

In the period under review, and particularly the third quarter of the fiscal year, the depth of decline in economic growth was notable. Despite these conditions, demand in the IT engineering field increased compared with the corresponding period of the previous fiscal year while the drop in technical (specialized office work) fields was held to a minimum. On this basis, results in highly specialized fields remained firm. Impacted by specified limitations on the permitted period of temporary staffing contracts, the number of contracts completed in the deregulated marketing and sales industries increased considerably reflecting contract expiration. Furthermore, in response to dramatic changes in the economic environment, steps were taken to review credit exposure management on an individual customer and business type basis as well as contracts with client firms.

On a positive note, the strategic priority “Insourcing (contracting)” business exhibited steady growth. Focusing on efforts to strengthen marketing capabilities, Pasona Group implemented various measures including changes to its Group organization and an increase in personnel. As a result, “Insourcing (contracting)” sales climbed 6.5% compared with the corresponding period of the previous fiscal year to ¥7,295 million.

Accounting for the aforementioned factors, sales in the Temporary staffing / Contracting segment for the nine-month period ended February 28, 2009 amounted to ¥147,932 million, a decrease of 5.7% compared with the corresponding period of the previous fiscal year.

(Placement / Recruiting) Sales:* ¥4,750 *million

In the Placement and Recruiting business segment, the growing lack of enthusiasm by the corporate sector to recruit human resources became increasingly evident due mainly to deterioration in the overall economy. As a result, the number of job openings declined during the nine-month period ended February 28, 2009. At the same time, recruiting criteria throughout the period under review exhibited signs of further tightening. This difficult trend was particularly marked over the short term exacerbating the decline in the closure rate. While the number of new registrants increased steadily, this drop in the closure rate put a brake on growth. Taking into consideration the aforementioned factors, sales in the domestic Placement and Recruiting business segment amounted to ¥4,027 million, a slight drop of 0.6% compared with the corresponding period of the previous fiscal year.

Turning to overseas activities, results in this segment were weak. For the nine-month period ended February 28, 2009 Placement and Recruiting business segment sales outside of Japan fell 62.2% year on year to ¥723 million. This mainly reflected the sale of consolidated subsidiaries, which experienced marked declines in sales.

On this basis, overall sales in the Placement and Recruiting business segment were ¥4,750 million, 20.3% lower compared with the corresponding period of the previous fiscal year.

On the earnings front, gross profit margins in the Temporary staffing / Contracting and Placement / Recruiting segment declined year on year during the nine-month period ended February 28, 2009. In addition to the drop in gross profit attributable to lower revenue, this mainly reflected the significant upswing in temporary staffing health insurance premium payment rates, the higher than estimated level of paid holidays due to business suspension by certain client firms and other factors. Despite efforts to contain such SG&A expenses as recruiting costs, overall sales in the Temporary staffing / Contracting and Placement / Recruiting segment for the period under review decreased 6.2% compared with the corresponding period of the previous fiscal year to ¥152,683 million. Operating income also contracted 30.6% year on year to ¥2,509 million.

2. Outplacement

Sales: ¥4,200 million; Operating income: ¥768 million

Throughout the nine-month period ended February 28, 2009, demand in the Outplacement business segment was generally firm. This was mainly attributable to the corporate sector’s increased efforts to implement corrections in employment conditions in response to the downturn in the economy. Against this backdrop, Pasona Career Inc., a leader in the outplacement industry, took steps to increase the number of consultants by assigning and relocating personnel from the Placement and Recruiting business segment, reinforce initiatives aimed at fostering offers of employment and maintain a high conclusion rate. Despite these endeavors, sales in the Outplacement business segment edged down 0.5% compared with the corresponding period of the previous fiscal year to ¥4,200 million and operating income declined 20.5% year on year to ¥768 million due primarily to delays in the commencement of certain services as client firms moved back such correction efforts in employment conditions as optional and voluntary early retirement into the fourth quarter of the fiscal year ending May 31, 2009 and the lack of large-scale demand experienced in the nine-month period ended February 29, 2008.

3. Outsourcing

Sales: ¥11,117 million; Operating income: ¥1,587 million

In overall terms, the outsourcing market is enjoying a period of sustainable growth as major companies, government and other public offices, the Pasona Group's principal customer base, strive to efficiently deliver wide ranging benefit programs that match the values and needs of employees.

Under these circumstances, Benefit One Inc., a subsidiary company, continues to promote marketing proposals to its corporate customers while expanding its menu of employee benefit services that take into consideration work and lifestyle balance focusing on child as well as nursing care. Benefit One is also making every effort to secure a robust growth trajectory by launching a host of new services that cater to compulsory special medical checkups and special health guidance procedures.

Accounting for the aforementioned factors, sales in the Outsourcing business segment amounted to ¥11,117 million for the nine-month period ended February 28, 2009. This represented an increase of 10.1% compared with the corresponding period of the previous fiscal year. Turning to business segment profits, operating income climbed 12.9% year on year to ¥1,587 million for the period under review, buoyed by successful efforts to contain overall input costs including expenses related to the publication of a guidebook.

4. Other

Sales: ¥2,080 million; Operating income: ¥77 million

During the nine-month period ended February 28, 2009, the Pasona Group continued to engage in child-care related businesses and education activities including the operation and management of language classes. Sales from these activities rose 34.7% compared with the corresponding period of the previous fiscal year to ¥2,080 million. For the period under review, operating income totaled ¥77 million compared with an operating loss of ¥15 million for the nine months ended February 29, 2008.

5. Eliminations and Corporate

Intragroup transaction and Pasona Group, the Group's pure holding company, selling, general and administrative expenses are included in eliminations and corporate.

The vast majority of these expenses were included in the Temporary staffing / Contracting and Placement / Recruiting business segment for the first half of the fiscal year ended May 31, 2008.

Net Sales by Business Segment

(Millions of yen unless otherwise stated)

		FY 2009 First Nine Months	(Reference) FY2008 First Nine Months	(Reference) YoY
Temporary staffing / Contracting, Placement / Recruiting		152,683	162,810	(6.2)%
	Temporary staffing / Contracting	147,932	156,849	(5.7)%
	Placement / Recruiting	4,750	5,961	(20.3)%
Outplacement		4,200	4,223	(0.5)%
Outsourcing		11,117	10,093	10.1%
Other		2,080	1,544	34.7%
Eliminations and Corporate		(1,465)	(905)	—
Total		168,617	177,766	(5.1)%

Operating Income (Loss) by Business Segment

(Millions of yen unless otherwise stated)

	FY 2009 First Nine Months	(Reference) FY2008 First Nine Months	(Reference) YoY
Temporary staffing / Contracting, Placement / Recruiting	2,509	3,615	(30.6)%
Outplacement	768	966	(20.5)%
Outsourcing	1,587	1,406	12.9%
Other	77	(15)	—
Eliminations and Corporate	(2,776)	(885)	—
Total	2,166	5,087	(57.4)%

Note: The pure holding company was established on December 3, 2007. As a result, holding company expenses from the second half of the fiscal year ended May 31, 2008 are recorded as corporate expenses and included in "Eliminations and Corporate."

2. Qualitative Information and Other Matters Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

Total assets as of February 28, 2009 stood at ¥52,883 million, a drop of ¥5,630 million, or 9.6%, compared with the end of the previous fiscal year. This was attributable to certain factors including a decrease of ¥3,044 million in the balance of cash and deposits as well as a decline of ¥3,544 million in the balance of notes and accounts receivable−trade.

(2) Liabilities

Total liabilities as of February 28, 2009 fell ¥181 million or 0.6%, compared with May 31, 2008 totaling ¥28,864 million. The principal increase in total liabilities was short-term loans payable, which climbed ¥5,996 million compared with the balance as of May 31, 2008. This was partly offset by declines in accrued expenses of ¥1,592 million, income taxes payable of ¥1,694 million attributable to the payment of income and other taxes as well as accounts payable−trade of ¥1,010 million compared with the previous fiscal year-end.

(3) Net Assets

Net assets as of February 28, 2009 stood at ¥24,018 million, a decline of ¥5,449 million, or 18.5%, compared with the end of the previous fiscal year. This was mainly attributable to the payment of cash dividends totaling ¥757 million and the acquisition of treasury stock amounting to ¥4,154 million.
Accounting for the aforementioned, the equity ratio as of February 28, 2009 fell 6.3 percentage points to 35.3% compared with the end of the previous fiscal year.

Status of Cash Flows

Cash and cash equivalents (hereafter “net cash”) as of February 28, 2009 declined ¥3,027 million compared with the end of the previous fiscal year to ¥10,585 million.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities during the nine-month period ended February 28, 2009 amounted to ¥477 million.

(2) Cash Flows from Investing Activities

Net cash used in investing activities for the period under review was ¥4,225 million. The major components included payments for the purchase of property, plant and equipment of ¥1,122 million, payments for the purchase of intangible assets totaling ¥1,589 million as well as payments for lease and guarantee deposits involved in the relocation of its office amounting to ¥1,688 million.

(3) Cash Flows from Financing Activities

Net cash provided by financing activities was ¥797 million. Major cash inflows included an increase in short-term loans payable of ¥6,000 million. Principal cash outflows were payments for the purchase of treasury stock of ¥4,490 million and cash dividends paid totaling ¥1,043 million.

3. Qualitative Information and Other Matters Concerning Consolidated Forecasts

In the Temporary staffing and Contracting business segment, Pasona Group anticipates additional weight will be placed on outsourcing services and is factoring in an increase in special demand from the fourth quarter of the fiscal year under review through to the fiscal year ending May 31, 2010. In the first instance, the Company has received orders from every region from March 2009 to assist in administrative work relating to the payment of the national government's supplementary income initiative.

With the aim of increasing operating efficiency, the trend toward outsourcing with the corporate sector is also accelerating with demand in the Insourcing (contracting) business segment steadily gathering momentum.

Impacted by sudden and rapid corrections in future employment conditions by the corporate sector, Pasona Group is moving ahead of the economic climate, anticipating a recovery in new demand in the Temporary staffing and Contracting business. In the short term, there are in fact signs emerging that the drop in new orders has bottomed out.

Despite the aforementioned positive factors, Pasona Group recognizes the need to adopt a cautious approach with regard to future personnel demand due mainly to the current extraordinary economic environment. On this basis, the Company has decided to revise its net sales forecasts for the fiscal year ending May 31, 2009 as identified.

On the earnings front, demand in the Placement and Recruiting business segment, which traditionally enjoys a high gross profit margin, is expected to fall further. At the same time, the greater than expected take up of paid leave by temporary staff due to the suspension of operations by certain client firms and other factors is placing downward pressures on Temporary staffing and Contracting business segment profits. Given that these trends are forecast to continue for the foreseeable future, a further decline in gross profit margins is anticipated.

While Pasona Group is committed to ramping up efforts to curtail overall selling, general and administrative expenses including personnel, advertising and promotion as well as recruitment costs, the Company has been forced to revise downward its previous forecasts for full fiscal year operating and ordinary income.

For the nine-month period under review, net income is expected to fall below the previously disclosed forecast. In addition to the drop in earnings outlined above, this is also attributable to Pasona Group's decision to record extraordinary losses and reverse a portion of its deferred tax assets for the third quarter of the fiscal year ending May 31, 2009.

Accordingly, full fiscal year consolidated net sales are expected to total ¥218,540 million, a decrease of 7.8% compared with the corresponding period of the previous fiscal year. Consolidated operating income is now expected to drop 59.8% compared with the corresponding period of the previous fiscal year to ¥2,590 million. Consolidated ordinary income is anticipated to fall 54.8% year on year to ¥3,000 million and consolidated net income to decrease 93.6% to ¥190 million.

Looking ahead, as the Company moves toward a period of demand recovery in its Temporary staffing and Contracting business segment, Pasona Group will work diligently to improve its customers' solution-oriented marketing capabilities both to the private and public sectors including regional and other agencies and to build a robust structure and system that encompasses efforts to reinforce staff support, follow-up and other services.

In order to secure a stable earnings base, Pasona Group will at the same time further accelerate the promotion of Group strategies including Group business reorganization and the consolidation of its operating infrastructure encompassing offices and other bases. While these initiatives are not expected to yield tangible performance contributions until the next fiscal year and beyond, Pasona Group is confident that their steady implementation will provide the driving force for medium- to long-term growth.

4. Other

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

None

(2) Application of the Simplified Accounting Method and Accounting Procedures Specific to the Preparation of Quarterly Consolidated Financial Statements

None

(3) Changes in Accounting Principles, Procedures, Disclosure Methods and Related Standards in connection with the Preparation of Quarterly Consolidated Financial Statements

a. Application of “Accounting Standard for Quarterly Financial Reporting” and Related Guidance

Effective from the fiscal year ending May 31, 2009, Pasona Group has applied “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Furthermore, quarterly consolidated financial statements have been prepared in accordance with the “Rules for Quarterly Consolidated Financial Statements.”

b. Application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Effective the first quarter of the fiscal year ending May 31, 2009, Pasona Group has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, May 17, 2006) and at the same time undertaken all necessary modifications from a consolidated account settlement perspective. The impact of the application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” on Pasona Group’s consolidated earnings is immaterial.

c. Application of the “Accounting Standard for Lease Transactions”

Finance lease transactions that do not transfer ownership have historically been accounted for as operating leases. Effective the first quarter of the fiscal year ending May 31, 2009, Pasona Group applied the “Accounting Standard for Lease Transactions” (Business Accounting Council, the 1st Committee Standard No. 13, first implemented on June 17, 1993 and last amended by the ABSJ on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions,” (the Japanese Institute of Certified Public Accountants, Accounting Practice Committee Guidance No. 16, first implemented on January 18, 1994 and last amended by the ABSJ on March 30, 2007), which permitted adoption for fiscal years beginning on or after April 1, 2008. As a result of this application, finance lease transactions that do not transfer ownership are treated as sales and purchase transactions. In addition, lease assets relating to finance lease transactions that do not transfer ownership are depreciated on a straight-line basis with the lease periods as their useful lives and no residual value.

With regard to finance lease transactions that do not transfer ownership that occurred prior to the beginning of the fiscal year to which they are applied, the accounting treatment applicable to operating lease transactions is applied. Taking the aforementioned into consideration, the impact on Pasona Group’s consolidated earnings is immaterial.

5. Consolidated Financial Statements

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As of February 28, 2009	As of May 31, 2008
ASSETS		
Current assets		
Cash and deposits	10,627	13,672
Notes and accounts receivable—trade	19,769	23,313
Other	4,289	4,309
Allowance for doubtful accounts	(94)	(81)
Total current assets	34,591	41,213
Noncurrent assets		
Property, plant and equipment	5,137	4,990
Intangible assets		
Goodwill	372	516
Other	3,535	2,821
Total intangible assets	3,908	3,338
Investments and other assets		
Other	9,667	9,036
Allowance for doubtful accounts	(57)	(64)
Allowance for investment loss	(364)	—
Total investments and other assets	9,245	8,971
Total noncurrent assets	18,291	17,300
Total assets	52,883	58,513

(Millions of yen)

	As of February 28, 2009	As of May 31, 2008
LIABILITIES		
Current liabilities		
Accounts payable—trade	763	1,773
Short-term loans payable	6,108	112
Accrued expenses	9,666	11,259
Income taxes payable	402	2,096
Provision for bonuses	1,029	1,910
Provision for directors' bonuses	12	14
Allowance for head office relocation expenses	538	—
Other	8,058	9,565
Total current liabilities	26,579	26,731
Noncurrent liabilities		
Bonds payable	200	—
Long-term loans payable	5	7
Provision for retirement benefits	871	813
Provision for directors' retirement benefits	1,064	943
Allowance for head office relocation expenses	—	430
Other	143	119
Total noncurrent liabilities	2,284	2,313
Total liabilities	28,864	29,045
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,517	8,887
Retained earnings	12,075	12,682
Treasury stock	(4,799)	(2,257)
Total shareholders' equity	18,793	24,312
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(26)	41
Foreign currency translation adjustment	(102)	(22)
Total valuation and translation adjustments	(129)	19
Minority interests	5,355	5,136
Total net assets	24,018	29,468
Total liabilities and net assets	52,883	58,513

(2) CONSOLIDATED STATEMENT OF INCOME

(Millions of yen)

	First nine months FY ending 2009 (June 1, 2008 to February 28, 2009)
Net sales	168,617
Cost of sales	134,865
Gross profit	33,752
Selling, general and administrative expenses	31,585
Operating income	2,166
Non-operating income	
Interest income	25
Equity in earnings of affiliates	26
Subsidy income	155
Other	104
Total non-operating income	312
Non-operating expenses	
Interest expenses	47
Commitment fee	35
Other	64
Total non-operating expenses	147
Ordinary income	2,331
Extraordinary income	
Gain on sales and retirement of noncurrent assets	0
Gain on sales of investment securities	87
Total extraordinary income	87
Extraordinary loss	
Loss on sales and retirement of noncurrent assets	80
Loss on sales of investment securities	75
Loss on valuation of investment securities	99
Loss on sales of stocks of subsidiaries and affiliates	39
Impairment loss	11
Provision of allowance for investment loss	364
Loss on change in equity	25
Head office transfer cost	108
Total extraordinary loss	805
Income before income taxes	1,613
Income taxes—current	1,159
Income taxes—deferred	461
Income taxes	1,620
Minority interests in income	600
Net loss	(607)

(3) CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	First nine months FY ending 2009 (June 1, 2008 to February 28, 2009)
Net cash provided by (used in) operating activities	
Income before income taxes	1,613
Depreciation and amortization	1,348
Impairment loss	11
Amortization of goodwill	266
Increase (decrease) in allowance for doubtful accounts	8
Increase (decrease) in allowance for investment loss	364
Increase (decrease) in provision for bonuses	(878)
Increase (decrease) in provision for directors' bonuses	(0)
Increase (decrease) in provision for retirement benefits	63
Increase (decrease) in provision for directors' retirement benefits	121
Increase (decrease) in allowance for head office transfer cost	108
Interest and dividends income	(31)
Interest expenses	47
Subsidy income	(155)
Equity in (earnings) losses of affiliates	(26)
Loss (gain) on change in equity	25
Loss (gain) on sales and retirement of noncurrent assets	80
Loss (gain) on sales of investment securities	(12)
Loss (gain) on valuation of investment securities	99
Loss (gain) on sales of stocks of subsidiaries and affiliates	39
Decrease (increase) in notes and accounts receivable—trade	3,503
Increase (decrease) in operating debt	(2,350)
Other	(960)
Subtotal	3,286
Interest and dividends income received	34
Interest expenses paid	(30)
Proceeds from subsidy	238
Income taxes paid	(3,053)
Total net cash provided by operating activities	477

(Millions of yen)

	First nine months FY ending 2009 (June 1, 2008 to February 28, 2009)
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(1,122)
Proceeds from sales of property, plant and equipment	0
Purchase of intangible assets	(1,589)
Payments for lease and guarantee deposits	(1,688)
Other	174
Total net cash used in investment activities	(4,225)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	6,000
Repayment of long-term loans payable	(1)
Proceeds from issuance of bonds	196
Proceeds from stock issuance to minority shareholders	156
Purchase of treasury stock	(4,154)
Purchase of treasury stock of subsidiaries in consolidation	(335)
Cash dividends paid	(756)
Cash dividends paid for minority	(287)
Other	(18)
Total net cash provided by (used in) financing activities	797
Effect of exchange rate change on cash and cash equivalents	(76)
Net increase (decrease) in cash and cash equivalents	(3,027)
Cash and cash equivalents at the beginning of the period	13,612
Cash and cash equivalents at the end of the period	10,585

Effective from the fiscal year ending May 31, 2009, Pasona Group has applied "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). Furthermore, quarterly consolidated financial statements have been prepared in accordance with the "Rules for Quarterly Consolidated Financial Statements."

(4) Notes to Going Concern Assumption

First nine months FY ending 2009 (June 1, 2008 to February 28, 2009)

None

(5) Segment Information

First nine months FY ending 2009 (June 1, 2008 to February 28, 2009)

(Millions of yen unless otherwise stated)

	Temporary staffing / Contracting, Placement / Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) Sales to outside customers	152,397	4,197	10,794	1,228	168,617	—	168,617
(2) Intersegment sales and transfers	285	3	323	852	1,465	(1,465)	—
Total	152,683	4,200	11,117	2,080	170,082	(1,465)	168,617
Operating income (loss)	2,509	768	1,587	77	4,942	(2,776)	2,166

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

Information on geographic areas

First nine months FY ending 2009 (June 1, 2008 to February 28, 2009)

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

Overseas sales

First nine months FY ending 2009 (June 1, 2008 to February 28, 2009)

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

(6) Special Note Required in the event of a Substantial Change in the Monetary Value of Shareholders' Equity

First nine months FY ending 2009 (June 1, 2008 to February 28, 2009)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of May 31, 2008	5,000	8,887	12,682	(2,257)	24,312
Movements during nine months ended February 28, 2009:					
Distribution of surplus	—	(757)	—	—	(757)
Net loss	—	—	(607)	—	(607)
Acquisition of own shares (Note 1)	—	—	—	(4,154)	(4,154)
Cancellation of treasury stock (Note 2)	—	(1,613)	—	1,613	—
Total changes due to movements during nine months ended February 28, 2009	—	(2,370)	(607)	(2,541)	(5,519)
Balance as of February 28, 2009	5,000	6,517	12,075	(4,799)	18,793

Notes:

1. In accordance with resolutions of the Board of Directors following meetings held on July 25 and November 13, 2008, Pasona Group acquired 58,253 of its own shares.

2. In accordance with a resolution of the Board of Directors following a meeting held on July 25, 2008, the Company cancelled 17,500 shares of treasury stock on August 29, 2008.

[Reference]

Consolidated Financial Statements for the Corresponding Period of the Previous Fiscal Year

(1) Consolidated Statement of Income

(Millions of yen)

	First nine months FY ended 2008 (June 1, 2007to February 29, 2008)		
			(%)
1. Net sales		177,766	100.0
2. Cost of sales		140,749	79.2
Gross profit		37,017	20.8
3. Selling, general and administrative expenses		31,929	17.9
Operating income		5,087	2.9
4. Non-operating income:			
1 Interest income	41		
2 Equity in earnings of affiliates	33		
3 Subsidy	156		
4 Other income	139	371	0.2
5. Non-operating expenses:			
1 Interest expenses	25		
2 Bad debt loss	151		
3 Holding company establishment expenses	54		
4 Other expenses	87	318	0.2
Ordinary income		5,140	2.9
6. Extraordinary income:			
1 Gain on sales of investment securities	1,097		
2 Subsidy	35	1,133	0.6
7. Extraordinary loss:			
1 Loss on disposal of fixed assets	98		
2 Loss on reduction of noncurrent assets	35		
3 Impairment loss	45		
4 Loss on valuation of investment securities	23		
5 Constructive loss on change in equity of an affiliate	18	221	0.1
Income before income taxes and minority interests		6,051	3.4
Income taxes — current	2,440		
Income taxes — deferred	602	3,043	1.7
Minority interests in income		658	0.4
Net income		2,349	1.3

Note: Figures are stated in millions of yen rounded down.

(2) Consolidated Statement of Cash Flows

(Millions of yen)

	First nine months FY ended 2008 (June 1, 2007 to February 29, 2008)
1. Cash Flows from Operating Activities:	
Income before income taxes	6,051
Depreciation	978
Impairment loss	45
Amortization of goodwill	160
Bad debt loss	152
Decrease in allowance for doubtful receivables	(5)
Decrease in reserve for bonus	(447)
Decrease in reserve for directors' bonus	(4)
Increase in allowance for employees' severance retirement benefits	77
Decrease in allowance for directors' retirement benefits	(91)
Interest and dividend income	(46)
Interest expenses	25
Subsidy	(192)
Foreign exchange gain	(0)
Investment gain on equity method	(33)
Constructive (gain) loss on change in equity	18
Loss on sale and disposal of fixed assets	98
Loss on fixed asset rationalization	35
Gain on sale of investment securities	(1,097)
Valuation loss on investment securities	23
Decrease in accounts receivable — trade	1,185
Decrease in accounts payable — trade	(1,884)
Decrease in consumption tax payable	(806)
Decrease in other current liabilities	(508)
Other	247
Subtotal	3,983
Interest and dividends received	52
Interest paid	(26)
Subsidy received	267
Income taxes paid	(4,073)
Net cash provided by operating activities	203

Note: Figures are stated in millions of yen rounded down.

(Millions of yen)

	First nine months FY ended 2008 (June 1, 2007 to February 29, 2008)
2. Cash Flows from Investing Activities:	
Increase in time deposits	(90)
Payments for purchases of fixed assets	(1,960)
Proceeds from sale of fixed assets	1
Payments for purchases of intangible assets	(1,027)
Payments for purchases of investment securities	(12)
Proceeds from sale of investment securities	1,421
Other	(270)
Net cash used in investing activities	(1,938)
3. Cash Flows from Financing Activities:	
Increase (decrease) in short-term loans payable	3,523
Repayment of long-term debt	(1)
Repayment of financial lease	(22)
Proceeds from issuance of shares	65
Payments for dividends	(1,062)
Other	14
Net cash provided by financing activities	2,517
4. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(14)
5. Net (decrease) increase in Cash and Cash Equivalents	768
6. Cash and Cash Equivalents at the Beginning of the Period	11,750
7. Cash and Cash Equivalents at the End of the Period	12,518

Note: Figures are stated in millions of yen rounded down.

(3) Segment information

First nine months FY ended 2008 (June 1, 2007 to February 29, 2008)

(Millions of yen)

	Temporary staffing / Contracting, Placement / Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales and operating income (loss)							
(1) Sales to outside customers	162,596	4,221	9,798	1,150	177,765	0	177,766
(2) Intersegment sales and transfers	214	2	295	394	906	(906)	—
Total	162,810	4,223	10,093	1,544	178,672	(905)	177,766
Operating expenses	159,194	3,256	8,687	1,560	172,699	(20)	172,679
Operating income (loss)	3,615	966	1,406	(15)	5,972	(885)	5,087

Notes:

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

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

Information on geographic areas

First nine months FY ended 2008 (June 1, 2007 to February 29, 2008)

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

Overseas sales

First nine months FY ended 2008 (June 1, 2007 to February 29, 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.