PASONA

July 25, 2008

Summary

Pasona Group Inc.
1-5-1 Marunouchi, Chiyoda-ku, Tokyo
Listing Code No.: 2168
Listing: First Section, Tokyo Stock Exchange
Nippon New Market "Hercules,"
Osaka Securities Exchange
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Pasona Group Inc. Consolidated Financial Report for the Fiscal year Ended May 31, 2008

- ***In the period under review, Pasona Group continued to promote a diversification strategy, generating substantial growth in the Outplacement and Outsourcing businesses. This offset a slowdown in the pace of growth in the Temporary Staffing and Contracting business. As a result, consolidated net sales climbed 2.5% compared with the previous fiscal year to ¥236.9 billion.***
- ***The selling, general and administrative (SG&A) expenses ratio increased year on year owing to a variety of factors including strategic investment in the expansion of employee welfare benefit facilities and investment in human resources in growth fields. Accounting for the aforementioned, operating income declined 24.2% to ¥6.4 billion, ordinary income fell 24.6% to ¥6.6 billion and net income decreased 29.4% to ¥3.0 billion.***
- ***The Company plans to pay a fiscal year-end cash dividend of ¥1,300 per share for an annual cash dividend of ¥2,500 per share.***

【1】Consolidated Business Results (June 1, 2007 – May 31, 2008)

(Millions of yen rounded down)

	FY ended May 31, 2007	**FY ended May 31, 2008**	YoY
Net Sales	231,231	**236,945**	+2.5%
Operating Income	8,507	**6,444**	(24.2)%
Ordinary Income	8,807	**6,637**	(24.6)%
Net Income	4,198	**2,962**	(29.4)%

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

In the fiscal year ended May 31, 2008, employment conditions were generally regarded as difficult. Despite an upswing in the recruitment of full-time, permanent employees, focusing mainly on the young age bracket, the number of new job openings as well as the ratio of job offers to job seekers declined in the short term. Furthermore, the operating environment surrounding the temporary staffing and contracting industry is undergoing significant change due to a variety of factors including mounting social discussion and concern with regard to such issues as the dispatch of workers on a daily basis. Under these circumstances, the Pasona Group shifted to a pure holding company structure on December 3, 2007 and stepped up efforts to promote a diversified human resource service strategy with the aim of practicing more robust Group management. As a result, the Group experienced substantial growth in its Outplacement and Outsourcing businesses, an increase in consolidated net sales and improvement in its gross profit margin.

From a profit perspective, earnings declined in the fiscal year under review. This was attributed to a variety of factors including an increase in SG&A expenses as the Group undertook strategic investments to expand its employee welfare benefit facilities with the aim of further focusing on and enhancing communication with temporary staff, and establish a central operating base to promote an overall Group strategy. At the same time, the Group implemented other initiatives including human resource investment in growth fields. 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.

【2】 **Segment Information** (Figures including intersegment sales and transfers)

Fiscal Year Ended May 31, 2008

(Millions of yen, rounded down)

Segment	Net Sales			Operating Income		
		Share	YoY		Share	YoY
Temporary staffing / Contracting	**208,810**	88.1%	(0.1)%	**5,056**	78.4%	(27.4)%
Placement / Recruiting	**7,676**	3.2%	+15.5%			
Outplacement	**5,858**	2.5%	+32.9%	**1,377**	21.4%	+81.6%
Outsourcing	**13,732**	5.8%	+34.3%	**1,883**	29.2%	+60.3%
Other	**2,115**	0.9%	+7.1%	**(26)**	(0.4)%	—
Elimination and Corporate	**(1,248)**	(0.5)%	—	**(1,846)**	(28.6)%	—
Total	**236,945**	100.0%	+2.5%	**6,444**	100.0%	(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.

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

Temporary staffing / Contracting

Net sales: ¥208,810 million (0.1% decrease YoY)

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 the sense of satisfaction that permeated the market through the recruitment of permanent, full-time employees and the buildup of uncertainty in connection with future economic conditions. 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 were weak. In contrast, demand in the IT and engineering sectors increased, while demand in the marketing and sales fields was firm.

In its efforts to secure high quality staff, the Group continued to implement a host of initiatives. In addition to word of mouth communication as a means to generate high quality human resource registration, the Group placed considerable emphasis on providing a more detailed and personalized response, strategically narrowing its focus with regard to the number of registrants. As a result, the number of new registrants declined compared with the previous fiscal year. However, driven by such initiatives as the opening of 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 a 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.

Note: For the average of long-term temporary staff at work and temporary staffing / contracting — sales by staffing type data, please refer to page 8.

Placement / Recruiting

Net sales: ¥7,676 million (15.5% increase YoY)

In the placement and recruiting business, the operating environment was characterized by growing concerns in connection with a downturn in the economy. Despite little or no signs of a substantial change in the number of job openings, the demand for higher levels of human resource skills and experience is growing 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.

Temporary staffing / Contracting, Placement / Recruiting

Net sales: ¥216,486 million (0.4% increase YoY)

Operating income: ¥5,056 million (27.4% decrease YoY)

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 and the increased take up of paid holidays. While gross profit margins in this segment improved year on year due to an increases in net sales in the relatively high profitable Placement and Recruiting businesses, operating income declined due to higher selling, general and administrative expenses for the fiscal year under review. This is attributable to strategic investment including the establishment of an employee welfare benefit facility for temporary staff.

Outplacement (Pasona Career Inc., Others)

Net sales: ¥5,858 million (32.9% increase YoY)

Operating income: ¥1,377 million (81.6% increase YoY)

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, demand was firm in the short term. Under the aforementioned circumstances, Group company Pasona Career Inc., a leader in the outplacement industry, worked diligently to implement services that leverage its unique nationwide network. At the same time, the Group endeavored to significantly increase the number of reemployment consultants 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, the Group recorded an historic high performance in this segment.

Outsourcing (Benefit One Inc.)

Net sales: ¥ 13,732 million (34.3% increase YoY)

Operating income: ¥1,883 million (60.3% increase YoY)

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. 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 substantial growth in both revenues and earnings.

Other

Net sales: ¥2,115 million (7.1% increase YoY)

Operating loss: ¥26 million (FY ended 2007 operating loss: ¥396 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 while a significant improvement in the operating loss was also achieved.

【3】Status in Financial Position and Investments

Changes in Financial Position (Consolidated)

(Millions of yen rounded down)

	FY ended May 31, 2007	**FY ended May 31, 2008**	Increase / Decrease	YoY
Total Assets	54,425	**58,513**	4,088	7.5%
Net Assets	26,904	**29,468**	2,563	9.5%
Equity Ratio (%)	41.1	**41.6**	−	0.5%
Net Assets per Share (Yen)	53,759.81	**58,363.62**	4,603.81	8.6%

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%. 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.

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.

Status of Consolidated Cash Flows

(Millions of yen rounded down)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Free Cash Flows
FY ended May 31, 2008	**5,974**	**(2,968)**	**(980)**	**3,006**
FY ended May 31, 2007	5,897	(3,226)	(5,607)	2,671

As of May 31, 2008, the Group experienced a net year-on-year increase in cash and cash equivalents amounting to ¥1,861 million. 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 and other 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 such as software 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.

【4】Consolidated Forecasts of Business Results for the Fiscal Year Ending May 31, 2009 (June 1, 2008 to May 31, 2009)

(Millions of yen rounded down)

	FY ended May 31, 2008	FY ending May 31, 2009			
Consolidated	Full-Year	**1st Half**	**2nd Half**	**Full-Year Forecast**	YoY
Net Sales	236,945	**122,670**	**126,250**	**248,920**	5.1%
Operating Income	6,444	**1,900**	**3,600**	**5,500**	(14.7)%
Ordinary Income	6,637	**1,990**	**3,820**	**5,810**	(12.5)%
Net Income	2,962	**970**	**1,590**	**2,560**	(13.6)%

In the fiscal year ending May 31, 2009, economic trends are expected to see a temporary tightening of demand for temporary staffing as well as persistent constraints by the corporate sector toward the recruitment of full-time, permanent employees. This is forecast 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 a “sense of safety and security” among both client firms as well as temporary staff. Under these circumstances, the Pasona Group is 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, in addition to the 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 ramp up its endeavors to promote a diversified business strategy.

From a profit perspective, the Group will place considerable weight on the reduction of costs by promoting shared administrative services and reorganizing the Group’s businesses all with the aim of increasing business efficiency. Despite these endeavors, earnings are expected to decline year on year. This anticipated deterioration in profits is attributable to a variety of factors including the upswing in costs in the temporary staffing and contracting business owing mainly to additional contributions in connection with the Health Service Program for the Elderly, which commenced in March 2008, substantial increase in social insurance premiums and anticipatory costs incurred to develop growth businesses.

The Temporary Staffing

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 second half and beyond, the Group anticipates a recovery in corporate sector demand for temporary staff. 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

In the Placement and Recruiting business, we will strengthen consultant education and training with the aim of enhancing service quality, building the necessary platform to address the skill levels required by both job seekers and client firms, to cater to the needs of companies engaged in global business development and to further bolster global human resource introductory services.

The Outplacement Business

The Group will leverage its collective strengths as a leader within its industry and work to provide high quality services. Looking to the next fiscal year, we will accordingly take concrete steps to secure demand. Despite these endeavors, the Group is expecting both revenues and earnings to decline year on year due mainly to the absence of ad-hoc demand experienced during the fiscal year under review

The Outsourcing Business

Business is expected to remain firm 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.

Forecast of Consolidated Results by Business Segment (Full Fiscal Year)

(Millions of yen rounded down)

Consolidated	**Net Sales**	YoY	**Operating Income**	YoY
Temporary staffing / Contracting	**218,390**	+4.6%	**5,990**	+18.5%
Placement / Recruiting	**7,770**	+1.2%		
Outplacement	**5,680**	(3.0)%	**980**	(28.9)%
Outsourcing	**15,600**	+13.6%	**1,930**	+2.5%
Other	**2,670**	+26.2%	**100**	−
Elimination or Corporate	**(1,190)**	−	**(3,500)**	−
Total	**248,920**	+5.1%	**5,500**	(14.7)%

【5】Planned Cash Dividends

(June 1, 2008 to May 31, 2009)

	FY ended May 31, 2008	**Fiscal Year ending May 31, 2009 (Estimate)**		
		Interim	**Year-End**	**Full-Year**
Dividends per Share	¥2,500	**¥1,200**	**¥1,300**	**¥2,500**
Dividend Payout Ratio	35.2%			**40.7%**

Reference Data

◆ Monthly average of long term temporary staff at work

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

	Pasona Inc.				The Pasona Group (Consolidated / Japan)			
	FY ended May 31, 2006							
	Q1	Q2	Q3	Q4				
Monthly average of temporary staff at work	36,314	37,103	38,446	40,096				
YoY	+8.4%	+8.5%	+8.0%	+10.2%				
	FY ended May 31, 2007				FY ended May 31, 2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Monthly average of temporary staff at work	40,745	41,676	43,832	44,619	51,586	52,889	55,566	56,881
YoY	+12.2%	+12.3%	+14.0%	+11.3%	+13.4%	+13.1%	+14.9%	+ 12.8%
	FY ended May 31, 2008				**FY ended May 31, 2008**			
	Q1	**Q1**	**Q1**	**Q1**	**Q1**	**Q2**	Q3	Q4
Monthly average of temporary staff at work	**42,825**	**42,350**	**42,387**	**42,073**	**55,168**	**54,619**	**54,758**	**54,573**
YoY	**+5.1%**	**+1.6%**	**(3.3)%**	**(5.7)%**	**+6.9%**	**+3.3%**	**(1.5)%**	**(4.1)%**

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

◆ Temporary staffing / Contracting — Consolidated sales by staffing type

(Excludes intrasegment sales)

(Millions of yen rounded down)

	FY ended May 31, 2007	**FY ended May 31, 2008**			
	Net Sales	**Net Sales**	Share (YoY)		YoY
Clerical (General office work)	114,418	**112,968**	54.2%	(0.6)pt	(1.3)%
Technical (Specialized office work)	34,050	**33,653**	16.1%	(0.2)pt	(1.2)%
IT/Engineering	21,143	**22,253**	10.7%	+0.6pt	+5.2%
Sales/Marketing	17,367	**18,794**	9.0%	(0.7)pt	+8.2%
Other	21,469	**20,623**	9.9%	(0.4)pt	(3.9)%
Temporary staffing related	281	**220**	0.1%	(0.0)pt	(21.4)%
Total	208,730	**208,513**	100.0%	—	(0.1)%

Quarterly Earnings Trends

(Millions of yen rounded down)

Net Sales	**1Q**	**2Q**	**3Q**	**4Q**	**Full-Year**
FY ended May 31, 2007	56,444	56,757	57,498	60,531	231,231
FY ended May 31, 2008	60,489	59,026	58,250	59,178	236,945
YoY	+7.2%	+4.0%	+1.3%	(2.2)%	+2.5%

Operating Income	**1Q**	**2Q**	**3Q**	**4Q**	**Full-Year**
FY ended May 31, 2007	2,277	2,037	2,330	1,862	8,507
FY ended May 31, 2008	1,529	1,541	2,015	1,356	6,444
YoY	(32.8)%	(24.3)%	(13.5)%	(27.1)%	(24.2)%

Ordinary Income	**1Q**	**2Q**	**3Q**	**4Q**	**Full-Year**
FY ended May 31, 2007	2,377	2,014	2,367	2,047	8,807
FY ended May 31, 2008	1,584	1,560	1,994	1,497	6,637
YoY	(33.4)%	(22.5)%	(15.8)%	(26.9)%	(24.6)%

Net Income	**1Q**	**2Q**	**3Q**	**4Q**	**Full-Year**
FY ended May 31, 2007	1,125	947	1,050	1,074	4,198
FY ended May 31, 2008	795	268	1,286	612	2,692
YoY	(29.4)%	(71.7)%	+22.5%	(43.0)%	(29.4)%

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