PASONA

September 30, 2008

CONSOLIDATED FINANCIAL REPORT
FIRST QUARTER FISCAL YEAR ENDING MAY 31, 2009
(June 1, 2008 to August 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 filing date of the first quarter consolidated financial report: October 15, 2008

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

1. CONSOLIDATED PERFORMANCE

(1) Consolidated Business Results

1Q of FY Ending 2009 (June 1, 2008 to August 31, 2008)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
1Q FY ending 2009	59,136	—	860	—	909	—	313	—
1Q FY ended 2008	—	—	—	—	—	—	—	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
1Q FY ending 2009	771.06	765.97
1Q FY ended 2008	—	—

Notes:

Pasona Group Inc. was established on December 3, 2007. As a result, consolidated business results for the first quarter 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)
August 31, 2008	54,956	26,465	39.1	56,229.32
May 31, 2008	58,513	29,468	41.6	58,363.62

(Reference) Equity as of August 31, 2008: ¥21,466 million   As of May 31, 2008: ¥24,331 million

2. DIVIDENDS

	Dividends per Share				
(Record Date)	End of August	End of November	End of February	End of May	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended 2008	—	1,200.00	—	1,300.00	2,500.00
FY ending 2009	—				2,500.00
FY ending 2009 (Forecast)		1,200.00	—	1,300.00	

Notes:

1. Revision to dividend forecast for the first quarter of the fiscal year ending May 31, 2009 : None
2. The 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 and paid by Pasona Group Inc.

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
Six months ending November 30, 2008	122,670	—	1,900	—	1,990	—	970	—	2,540.78
Full Fiscal Year	248,920	5.1	5,500	(14.7)	5,810	(12.5)	2,560	(13.6)	6,705.57

Note: Revision to forecast of results for the first quarter of the fiscal year ending May 31, 2009 : None

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 : Yes

Note: For further information, please refer to “Qualitative Information / Financial Statements and Other” 4. Other on page 8.

(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 8.

(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)
   August 31, 2008: 416,903 shares   May 31, 2008 : 434,403 shares
2. The number of treasury stock as of the period-end
   August 31, 2008: 35,131 shares   May 31, 2008 : 17,500 shares
3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
   1Q FY ending 2009: 406,914 shares   1Q FY ended 2008 : — shares

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.
2. Effective from the fiscal year ending May 31, 2009, Pasona Group Inc. 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 Regulation for Quarterly Consolidated Financial Reporting.

Qualitative Information / Financial Statement and Other

1. Qualitative Information Concerning Consolidated Business Results

Note: Pasona Group Inc. was established on December 3, 2007 as the sole parent company of Pasona Inc. following the stand-alone and exclusive transfer of shares. As a result, there is no substantive change in the Group's overall organization and structure attributable to consolidation. Effective from the fiscal year ending May 31, 2009, Pasona Group has also 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). In view of the aforementioned, the consolidated business results of Pasona Inc. for the first quarter of the fiscal year ended May 31, 2008 are used as a reference for comparative purposes.

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

In the first quarter of the fiscal year ending May 31, 2009, the three-month period from June 1, 2008 to August 31, 2008, the overall Japanese economy was shrouded in uncertainty. Amid mounting instability across global financial markets, concerns in connection with a downturn in the domestic economy are increasingly taking hold, exacerbated by growing corporate sector caution toward business conditions. From an employment perspective, increasingly difficult conditions characterize the overall environment. This is reflected in the continuous drop in the effective ratio of job offers to applicants and deterioration in the unemployment rate.

Under the aforementioned operating environment, the Pasona Group placed additional weight on efforts to further promote its comprehensive and diversified human resource strategy. As a result, the Group experienced substantial revenue growth from its outplacement and outsourcing activities. Despite this upswing, overall business results were negatively impacted by persistent difficult conditions, forecast at the beginning of the period under review, in the Group's temporary staffing and placement and recruiting businesses. This was mainly attributable to the drop in the economy and moves by the public and private sectors to contain personnel demand. Taking the aforementioned into account, consolidated net sales for the first quarter of the fiscal year ending May 31, 2009 declined 2.2% compared with the corresponding period of the previous fiscal year to ¥59,136 million.

On the earnings front, gross profit margins in each of the outplacement and outsourcing businesses improved owing mainly to successful efforts to raise business efficiency and contain overall input costs. In the temporary staffing business, however, health insurance premium payment rates increased significantly reflecting the substantially higher contribution burden following reforms to the medical system for the elderly, which continues to attract social debate and controversy. As a result, direct service costs in the temporary staffing business increased contributing to an overall drop in the consolidated gross profit margin of 0.1 of a percentage point compared with the corresponding period of the previous fiscal year to 19.9%.

Under these circumstances, the Group worked diligently to curtail overall costs. At the same time, Pasona Group continued to take aggressive steps to invest in growth areas. Accounting for these factors, selling, general and administrative expenses increased slightly compared with the corresponding period of the previous fiscal year. On the aforementioned basis, and in accordance with initial plans set at the beginning of the period, consolidated operating income for the first quarter of the fiscal year ending May 31, 2009 fell 43.8% year on year to ¥860 million. Consolidated ordinary income also declined 42.6% to ¥909 million while consolidated net income decreased 60.6% compared with the corresponding period of the previous fiscal year to ¥313 million. Profit results were essentially in line with plans established at the beginning of the period.

Consolidated Business Results

(Millions of yen unless otherwise stated)

	1Q FY ending 2009	(Reference) 1Q FY ended 2008	(Reference) YoY
Net sales	59,136	60,489	(2.2)%
Operating income	860	1,529	(43.8)%
Ordinary income	909	1,584	(42.6)%
Net income	313	795	(60.6)%

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: ¥53,591 million; Operating income: ¥1,112 million

(Temporary staffing / Contracting) Sales: ¥51,780 million

Overall conditions in the temporary staffing business were soft. Impacted by the downturn in the economy, signs of weak corporate sector demand became increasingly evident. During the period under review, orders and the number of contracts commenced were weak, which led to a drop in the number of long term temporary staff. Successful efforts to contain the number of contracts completed, on the other hand, contributed to the ongoing trend toward longer average contract terms.

On an industry by industry basis, difficult conditions were seen across the board due to a variety of factors including the sub-prime loan crisis in the United States and the high cost of crude oil. By job type, sales relating to clerical positions (general office work) declined significantly affected by harsh conditions. Demand for technical positions, on the other hand, increased compared with the corresponding period of the previous fiscal year. This was mainly attributable to year-on-year growth by Financial Sun Inc., a company engaged in temporary staffing activities focusing mainly on the financial sector that has been included in the Group’s scope of consolidation as a consolidated subsidiary from the fiscal year under review, and steady efforts to secure human resources by Pasona Tech, Inc., a company that is active mainly in the IT engineering field.

Despite persistent difficult operating conditions within the temporary staffing business, the Pasona Group continues to differentiate itself from competitors through a host of initiatives. These initiatives include the staging of customer seminars focusing on the theme of “compliance” relating to the take-up of temporary staff and increasing consulting services and points of customer contact. At the same time, the Pasona Group strives to generate and secure demand by strengthening its Group marketing structure and boosting cross marketing activities. In addition, the Group has positioned Insourcing (contracting) as a strategic priority business from the fiscal year ending May 31, 2009 and is working to strengthen its marketing capabilities in this field. Results during the first quarter are firm and are progressing at a pace that exceeds the corresponding period of the previous fiscal year.

Accounting for the aforementioned factors, first quarter sales in the Temporary staffing /

Contracting segment amounted to ¥51,780 million, a decrease of 3.4% compared with the corresponding period of the previous fiscal year.

(Placement / Recruiting) Sales: ¥1,810 million

In the placement and recruiting business, the willingness to recruit human resources by the corporate sector remained firm throughout the period under review. Positive conditions were tempered, however, by increasingly stringent recruiting requirements and the demand for higher levels of skills and experience. During the first quarter of the fiscal year ending May 31, 2009, the Pasona Group raised the volume of its overall activities while managing the process through to placement. Through these means, the Group is working to address the quality needs of its client firms. In the short term, focusing on executive and management positions, the Group strengthened the activities of specialist subsidiaries focusing on each area of expertise, further recognizing the growing demand for specialist personnel. Buoyed by these endeavors, results in the domestic Placement and Recruiting business were steady. Buffeted by soft conditions in the temp-to-perm business, however, growth rates stalled in Japan. As a result the increase in domestic placement and recruiting sales was held to 2.0% compared with the corresponding period of the previous fiscal year amounting to ¥1,476 million. While activities remained generally unchanged in those countries outside of Japan in which the Group operates, overseas placement and recruiting sales dropped 58.9% compared with the corresponding period of the previous fiscal year to ¥333 million. In addition to the impact of fluctuations in foreign currency exchange rates, this was mainly attributable to the sale of two consolidated subsidiaries at the end of March 2008.

As a result, overall sales in the Placement and Recruiting business totaled ¥1,810 million, a decline of 19.9% compared with the corresponding period of the previous fiscal year.

From a profit perspective, gross profit margins in the temporary staffing business declined substantially year on year. This decrease was attributable to the significant upswing in the cost burden in connection with large hikes in employee social insurance rates. Coupled with the year-on-year decline in Placement and Recruiting business sales, the Group was unable to offset increases in direct costs in the Temporary staffing business. Accounting for these factors, sales in the Temporary staffing / Contracting and Placement / Recruiting segment for the period under review fell 4.1% compared with the corresponding period of the previous fiscal year to ¥53,591 million while operating income declined 19.7% year on year to ¥1,112 million.

2. Outplacement

Sales: ¥1,545 million; Operating income: ¥434 million

In the Outplacement segment, concerns in connection with a downturn in the economy had more of a positive effect. Buoyed by corrections in employment conditions including calls by the corporate sector to implement optional and voluntary early retirement, demand was generally firm during the first quarter of the fiscal year ending May 31, 2009. Despite the trend toward smaller scale contracts and signs of a drop in prices, Pasona Career Inc., a leader in the outplacement industry, was successful in increasing orders on a year-on-year basis. As a result, Outplacement segment sales for the period under review climbed 27.3% year on year to ¥1,545 million. In addition, the Group worked tirelessly to raise the level of capacity utilization of branches and consultants. Driven by these initiatives, the Pasona Group enjoyed a substantial increase in segment profits. For the period under review, Outplacement segment operating income surged 91.9% compared with the corresponding period of the previous fiscal year to ¥434 million.

3. Outsourcing

Sales: ¥3,693 million; Operating income: ¥213 million

During the first quarter of the fiscal year ending May 31, 2009, the Pasona Group continued to promote its services in the outsourcing market for employee benefit programs, targeting its principal customer base that encompasses major companies as well as government and other public offices. Against the backdrop of a market that continues to exhibit signs of significant growth, the Group remains focused on efforts to augment its menu of employee benefit services including child as well as nursing care that take into consideration work and lifestyle balance.

In addition to promoting marketing proposals to its corporate members and expanding its employee benefit services, Benefit One Inc. also launched a series of new services that cater to compulsory special medical checkups and special health guidance procedures that were implemented from April 2008 upon the revision of the health insurance law. Furthermore, the Group strove to develop and advance new services outside the scope of employee benefits including the "Customer Loyalty Program" (A goods and services supply program designed to increase customer satisfaction) targeting both individual and corporate members, and strengthened its structure and capabilities in providing various services.

Turning to segment profits, results were again impacted by seasonal factors, and in particular by the concentration of publishing expenses in connection with an employee benefit program guidebook in the first quarter of each fiscal year. Buoyed by a review of guidebook production unit prices and cutbacks in certain costs including accommodation subsidies, the Group enjoyed improvements in its ratio of basic costs. As a result, sales in the Outsourcing segment increased 14.8% year on year to ¥3,693 million. Operating income for the period under review was ¥213 million, a turnaround from an operating loss of ¥72 million in the corresponding period of the previous fiscal year.

4. Other

Sales: ¥655 million; Operating loss: ¥31 million

During the first quarter of the fiscal year ending May 31, 2009, the Pasona Group engaged in child-care related businesses and education activities including the operation and management of language classes. Sales from these activities rose 38.7% year on year to ¥655 million. The operating loss for the period under review was ¥31 million, down from the loss of ¥9 million in the corresponding period of the previous fiscal year.

Net Sales by Business Segment

(Millions of yen unless otherwise stated)

	1Q FY ending 2009	(Reference) 1Q FY ended 2008	(Reference) YoY
Temporary staffing / Contracting, Placement / Recruiting	53,591	55,857	(4.1)%
Temporary staffing / Contracting	51,780	53,596	(3.4)%
Placement / Recruiting	1,810	2,260	(19.9)%
Outplacement	1,545	1,213	27.3%
Outsourcing	3,693	3,217	14.8%
Other	655	472	38.7%
Elimination and Corporate	(349)	(270)	—
Total	59,136	60,489	(2.2)%

Operating Income (Loss) by Business Segment

(Millions of yen unless otherwise stated)

	1Q FY ending 2009	(Reference) 1Q FY ended 2008	(Reference) YoY
Temporary staffing / Contracting, Placement / Recruiting	1,112	1,384	(19.7)%
Outplacement	434	226	91.9%
Outsourcing	213	(72)	—
Other	(31)	(9)	—
Elimination and Corporate	(868)	0	—
Total	860	1,529	(43.8)%

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 August 31, 2008 stood at ¥54,956 million, a drop of ¥3,557 million, or 6.1%, compared with the end of the previous fiscal year. This was attributable to certain factors including a decrease of ¥1,448 million in the balance of cash and deposits and a decline of ¥1,293 million in the balance of notes and accounts receivable — trade.

(2) Liabilities

Total liabilities as of the end of the first quarter of the fiscal year ending May 31, 2009 fell ¥554 million or 1.9%, compared with May 31, 2008 totaling ¥28,490 million. The principal components were short-term loans payable, which increased ¥4,014 million, income taxes payable, which declined ¥1,782 million in line with the payment of income and other taxes, accounts payable — trade, which fell ¥1,071 million, accrued expenses, which contracted ¥780 million, and provision for bonuses, which decreased ¥776 million.

(3) Net Assets

Net assets as of August 31, 2008 stood at ¥26,465 million, a decline of ¥3,002 million, or 10.2%, compared with the end of the previous fiscal year. This was mainly attributable to the payment of cash dividends totaling ¥541 million and the acquisition of treasury stock amounting to ¥2,593 million.

Accounting for the aforementioned, the equity ratio as of August 31, 2008 fell 2.5 percentage points to 39.1% compared with the end of the previous fiscal year.

Status of Cash Flow

Cash and cash equivalents as of August 31, 2008 declined ¥1,474 million compared with the end of the previous fiscal year to ¥12,137 million.

(1) Cash Flows from Operating Activities

Net cash used in operating activities for the first quarter of the fiscal year ending May 31, 2009 amounted to ¥1,322 million. This is mainly attributable to income taxes paid totaling ¥1,598 million and other factors.

(2) Cash Flows from Investing Activities

Net cash used in investing activities for the period under review was ¥836 million. The major components included payments for purchases of property, plant and equipment of ¥498 million and payments for purchases of intangible assets totaling ¥292 million.

(3) Cash Flows from Financing Activities

Net cash provided by financing activities was ¥641 million. Major cash inflows included an increase in short-term loans payable of ¥4,010 million. Principal cash outflows were payments for the purchase of treasury stock of ¥2,593 million and cash dividends paid totaling ¥766 million.

3. Qualitative Information and Other Matters Concerning Consolidated Forecasts

Consolidated business results for the first quarter of the fiscal year ending May 31, 2009 are essentially in line with initial plans. Accordingly, there is no change to the consolidated forecasts of business results for the fiscal year ending May 31, 2009 previously announced on July 25, 2008.

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

Method for Calculating Income and Other Taxes, Deferred Tax Assets and Deferred Tax Liabilities

In computing the amount of income tax payable, the Company undertook certain additions and subtractions in conjunction with tax deductions with regard to important items only.

For determining the collectability of deferred tax assets, no significant change in operating and other conditions as well as temporary differences can be confirmed since the end of the previous fiscal year. As a result, the same forecast of results and tax planning method used for the previous fiscal year is applied.

(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)

	1Q FY ending 2009 (as of August 31, 2008)	FY ended 2008 (as of May 31, 2008)
ASSETS		
Current assets		
Cash and deposits	12,223	13,672
Notes and accounts receivable —trade	22,020	23,313
Other	3,489	4,309
Allowance for doubtful accounts	(85)	(81)
Total current assets	37,647	41,213
Noncurrent assets		
Property, plant and equipment	5,138	4,990
Intangible assets		
Goodwill	466	516
Other	2,949	2,821
Total intangible assets	3,416	3,338
Investments and other assets		
Other	8,820	9,036
Allowance for doubtful accounts	(66)	(64)
Total investments and other assets	8,754	8,971
Total noncurrent assets	17,308	17,300
Total assets	54,956	58,513
LIABILITIES		
Current liabilities		
Accounts payable —trade	702	1,773
Short-term loans payable	4,126	112
Accrued expenses	10,478	11,259
Income taxes payable	314	2,096
Provision for bonuses	1,133	1,910
Provision for directors' bonuses	13	14
Allowance for head office relocation expenses	430	—
Other	9,374	9,565
Total current liabilities	26,572	26,731
Noncurrent liabilities		
Long-term loans payable	6	7
Provision for retirement benefits	833	813
Provision for directors' retirement benefits	952	943
Allowance for head office relocation expenses	—	430
Other	125	119
Total noncurrent liabilities	1,918	2,313
Total liabilities	28,490	29,045

	1Q FY ending 2009 (as of August 31, 2008)	FY ended 2008 (as of May 31, 2008)
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,732	8,887
Retained earnings	12,996	12,682
Treasury stock	(3,238)	(2,257)
Total shareholders' equity	21,490	24,312
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(38)	41
Foreign currency translation adjustment	14	(22)
Total valuation and translation adjustments	(23)	19
Minority interests	4,998	5,136
Total net assets	26,465	29,468
Total liabilities and net assets	54,956	58,513

(2) CONSOLIDATED STATEMENTS OF INCOME

1Q Fiscal Year ending 2009

(Millions of yen)

	1Q FY ending May 31, 2009 (June 1, 2008 to August 31, 2008)
Net sales	59,136
Cost of sales	47,373
Gross profit	11,762
Selling, general and administrative expenses	10,902
Operating income	860
Non-operating income	
Interest income	8
Equity in earnings of affiliates	5
Subsidy income	7
Other	61
Total non-operating income	83
Non-operating expenses	
Interest expenses	8
Commitment fee	10
Other	16
Total non-operating expenses	34
Ordinary income	909
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	5
Total extraordinary loss	5
Income before income taxes	990
Income taxes —current	367
Income taxes —deferred	172
Income taxes	539
Minority interests in income	137
Net income	313

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	1Q FY ending May 31, 2009 (June 1, 2008 to August 31, 2008)
Net cash provided by (used in) operating activities	
Income before income taxes	990
Depreciation and amortization	401
Amortization of goodwill	50
Increase (decrease) in allowance for doubtful accounts	5
Increase (decrease) in provision for bonuses	(777)
Increase (decrease) in provision for directors' bonuses	(1)
Increase (decrease) in provision for retirement benefits	18
Increase (decrease) in provision for directors' retirement benefits	8
Interest and dividends income	(9)
Interest expenses	8
Subsidy income	(7)
Equity in (earnings) losses of affiliates	(5)
Loss (gain) on sales and retirement of noncurrent assets	5
Loss (gain) on sales of investment securities	(87)
Decrease (increase) in notes and accounts receivable —trade	1,305
Increase (decrease) in operating debt	(1,649)
Other	(79)
Subtotal	177
Interest and dividends income received	15
Interest expenses paid	(6)
Proceeds from subsidy	89
Income taxes paid	(1,598)
Total net cash provided by (used in) operating activities	(1,322)
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(498)
Proceeds from sales of property, plant and equipment	0
Purchase of intangible assets	(292)
Other	(46)
Total net cash provided by investment activities	(836)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	4,010
Repayment of long-term loans payable	(0)
Purchase of treasury stock	(2,593)
Cash dividends paid	(766)
Other	(7)
Total net cash provided by (used in) financing activities	641
Effect of exchange rate change on cash and cash equivalents	42
Net increase (decrease) in cash and cash equivalents	(1,474)
Cash and cash equivalents at the beginning of the period	13,612
Cash and cash equivalents at the end of the period	12,137

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

1Q of the FY ending May 31, 2009 (June 1, 2008 to August 31, 2008)

None

(5) Segment Information

1Q of the FY ending May 31, 2009 (June 1, 2008 to August 31, 2008)

(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	53,502	1,544	3,596	492	59,136	—	59,136
(2) Intersegment sales and transfers	88	1	97	162	349	(349)	—
Total	53,591	1,545	3,693	655	59,485	(349)	59,136
Operating income (loss)	1,112	434	213	(31)	1,728	(868)	860

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

1Q of the FY ending May 31, 2009 (June 1, 2008 to August 31, 2008)

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

Overseas sales

1Q of the FY ending May 31, 2009 (June 1, 2008 to August 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.

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

1Q of the FY ending May 31, 2009 (June 1, 2008 to August 31, 2008)

(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 the 1Q of the FY ending May 31, 2009:					
Distribution of surplus	—	(541)	—	—	(541)
Net income	—	—	313	—	313
Acquisition of own shares	—	—	—	(2,593)	(2,593)
Cancellation of treasury stock	—	(1,613)	—	1,613	—
Total changes due to the movements during the 1Q of the FY ending May 31, 2009	—	(2,155)	313	(980)	(2,822)
Balance as of August 31, 2008	5,000	6,732	12,996	(3,238)	21,490

Notes:

1. In accordance with a resolution of the Board of Directors following a meeting held on July 25, 2008, Pasona Group acquired 35,131 of its own shares through to August 29, 2008.

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) **Pasona Inc. —** Summary of quarterly consolidated financial statements

(1) Quarterly Consolidated Statements of Income

1Q Fiscal Year ended 2008

(Millions of yen)

	1Q FY ended May 31, 2008 (June 1, 2007 to August 31, 2007)		
			(%)
1. Net sales		60,489	100.0
2. Cost of sales		48,373	80.0
Gross profit		12,115	20.0
3. Selling, general and administrative expenses		10,585	17.5
Operating income		1,529	2.5
4. Non-operating income:			
1 Interest income	10		
2 Equity in earnings of affiliates	16		
3 Insurance fund income	13		
4 Consumption tax and other exemption income	9		
5 Other income	42	92	0.2
5. Non-operating expenses:			
1 Interest expenses	6		
2 Commitment line of credit commission	10		
3 Previous period adjustment loss	15		
4 Other expenses	5	37	0.1
Ordinary income		1,584	2.6
6. Extraordinary income:			
1 Subsidity income	35	35	
7. Extraordinary loss:			
1 Loss on disposal of fixed assets	26		
2 Loss on reduction of noncurrent assets	35	61	0.1
Income before income taxes and minority interests		1,558	2.6
Income taxes — current	398		
Income taxes — deferred	301	699	1.2
Minority interests in income		63	0.1
Net income		795	1.3

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

(2) Quarterly Consolidated Statements of Cash Flows

1Q Fiscal Year ended 2008

(Millions of yen)

	1Q FY ended May 31, 2008 (June 1, 2007 to August 31, 2007)
1. Cash Flows from Operating Activities:	
Income before income taxes	1,558
Depreciation	249
Amortization of others	2
Amortization of goodwill	62
Increase (decrease) in allowance for doubtful receivables	(2)
(Decrease) increase in reserve for bonus	(530)
Decrease in reserve for directors' bonus	(0)
Increase in allowance for employees' severance retirement benefits	14
(Decrease) increase in allowance for directors' retirement benefits	(29)
Interest and dividend income	(11)
Interest expenses	6
Foreign exchange loss (gain)	(11)
Investment gain on equity method	(16)
Loss on sale and disposal of fixed assets	26
Loss on fixed asset rationalization	35
Increase in accounts receivable — trade	(0)
Decrease in inventories	73
Decrease (increase) in other current assets	167
(Decrease) increase in accounts payable — trade	(1,371)
(Decrease) increase in consumption tax payable	(38)
Increase (decrease) in other current liabilities	(32)
Subtotal	148
Interest and dividends received	18
Interest paid	(6)
Income taxes paid	(2,044)
Net cash (used in) provided by operating activities	(1,883)
2. Cash Flows from Investing Activities:	
Increase in time deposits	(50)
Payments for purchases of fixed assets	(768)
Proceeds from sale of fixed assets	1
Payments for purchases of intangible assets	(257)
Payments for purchases of investment securities	(9)
Proceeds from sale of investment securities	89
Payments for additional purchases of securities of subsidiaries	(9)
Payments for increase in loans receivable	(21)
Proceeds from collection of loans receivable	28
Proceeds from other investments	89
Payments for other investments	(393)
Net cash used in investing activities	(1,299)

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

(Millions of yen)

	1Q FY ended May 31, 2008 (June 1, 2007 to August 31, 2007)
3. Cash Flows from Financing Activities:	
Increase (decrease) in short-term loans payable	1,907
Repayment of long-term debt	(0)
Repayment of financial lease	(9)
Proceeds from issuance of shares	51
Proceeds from issuance of shares to minority shareholders	0
Payments for dividends by parent company	(417)
Payments for dividends to minority shareholders	(107)
Net cash provided by (used in) financing activities	1,424
4. Effect of Exchange Rate Changes on Cash and Cash Equivalents	73
5. Net (decrease) increase in Cash and Cash Equivalents	(1,684)
6. Cash and Cash Equivalents at the Beginning of the Period	11,750
7. Cash and Cash Equivalents at the End of the Period	10,066

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

(3) Segment information

1Q, FY ended 2008 (June 1, 2007 to August 31, 2007)

(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	55,793	1,213	3,122	360	60,489	—	60,489
(2) Intersegment sales and transfers	64	0	94	112	270	(270)	—
Total	55,857	1,213	3,217	472	60,760	(270)	60,489
Operating expenses	54,472	987	3,290	481	59,231	(271)	58,959
Operating income (loss)	1,384	226	(72)	(9)	1,529	0	1,529

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

1Q of the FY ended May 31, 2008 (June 1, 2007 to August 31, 2007)

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

Overseas sales

1Q of the FY ended May 31, 2008 (June 1, 2007 to August 31, 2007)

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