January 9, 2009

CONSOLIDATED FINANCIAL REPORT
FIRST HALF OF THE FISCAL YEAR ENDING MAY 31, 2009
(THE SIX-MONTH PERIOD ENDED NOVEMBER 30, 2008)

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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Scheduled filing date of the second quarter consolidated financial report: January 14, 2009
Scheduled date for the commencement of dividend payments: February 27, 2009

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

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results FY2009 First Half (June 1, 2008 to November 30, 2008)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2009 First Half	116,086	—	1,598	—	1,803	—	203	—
FY2008 First Half	—	—	—	—	—	—	—	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
FY2009 First Half	521.44	503.70
FY2008 First Half	—	—

Notes:
Pasona Group Inc. was established on December 3, 2007. As a result, consolidated business results for the first half 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)
November 30, 2008	52,670	24,939	37.6	55,172.45
May 31, 2008	58,513	29,468	41.6	58,363.62

(Reference) Equity as of November 30, 2008: ¥19,787 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			1,250.00
FY2009 (Forecast)			—	650.00	

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 period-end cash dividend for the fiscal year ended May 31, 2008 was declared and paid by Pasona Group Inc.

3. The payment of the interim cash dividend will be made from the Company' capital surplus. Please refer to "Capital Surplus as a Source of Cash Dividend Payment and Breakdown of Cash Dividends".

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	224,730	(5.2)	3,790	(41.2)	4,220	(36.4)	1,040	(64.9)	2,775.57

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)
   November 30, 2008: 416,903 shares May 31, 2008 : 434,403 shares
2. The number of treasury stock as of the period-end
   November 30, 2008: 58,253 shares May 31, 2008 : 17,500 shares
3. Average number of shares for the period (Cumulative total for the interim consolidated period)
   FY2009 first half : 390,657 shares FY2008 first half : — 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 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. 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 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 Rules for Quarterly Consolidated Financial Statements.

Qualitative Information / Financial Statement and Other

1. Qualitative Information Concerning Consolidated Business Results

Note:
Pasona Group Inc. (“Pasona Group” or “the Company”) was established on December 3, 2007 as a sole parent company of Pasona Inc. (“Pasona”) 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 for the first half of the fiscal year ended May 31, 2008 are used as a reference for comparative purposes.

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

During the first half of the fiscal year ending May 31, 2009, the six-month period beginning June 1, 2008 and ended November 30, 2008, the Japanese economy showed signs that it was entering a period of economic decline. This was attributable to a variety of factors including financial market instability in the United States, which triggered a slump in global stock markets as well as rapid and dramatic appreciation in the value of the yen placing downward pressure on Japan’s corporate sector earnings, and a decline in the mindset of consumers reflecting stagnant personal incomes. From an employment perspective, the market confronted a difficult environment. Impacted by deterioration in employment-related indices including the continuous drop in the effective ratio of job offers to applicants, signs of employment correction began to emerge within certain sections of the corporate sector.

Under the aforementioned operating environment, revenues declined in the Temporary staffing business owing mainly to stagnant new personnel demand. Buoyed by its comprehensive and diversified human resource strategy, however, the Pasona Group experienced revenue growth in each of its Outplacement and Outsourcing businesses. As a result, the decline in net sales for the six-month period ended November 30, 2008 was held to 2.9% compared with the corresponding period of the previous fiscal year, for an overall total of ¥116,086 million.

On the earnings front, the aggregate gross profit margin for the period was 20.0%, down 0.4 of a percentage point compared with the corresponding period of the previous fiscal year. Despite successful efforts to raise business efficiency and contain input costs in the Outsourcing business, this was attributable to the upswing in temporary staffing costs reflecting the substantial increase in health insurance premium payment rates. During the six-month period ended November 30, 2008, the Pasona Group took steps to cutback selling, general and administrative (SG&A) expenses. As a result, SG&A expenses contracted year on year in the temporary staffing and contracting as well as the Placement and Recruiting businesses. In overall terms, however, SG&A expenses climbed slightly due mainly to information technology, human resource and other investments in growth fields.

Accounting for these factors, consolidated operating income dropped 48.0% compared with the corresponding period of the previous fiscal year to ¥1,598 million. Consolidated ordinary income also fell 42.7% year on year to ¥1,803 million. In addition to the impact of an increase in minority interests in income of consolidated subsidiaries reflecting the upswing in Outsourcing business earnings, the Pasona Group gave cautious consideration to the collectability of consolidated subsidiary deferred tax assets. Adopting a conservative approach, Pasona Group accordingly reversed a portion of consolidated subsidiary deferred tax assets (¥251 million) during the fiscal period under review causing consolidated net income to decline 80.8% compared with the corresponding period of the previous fiscal year to ¥203 million.

Consolidated Business Results

(Millions of yen unless otherwise stated)

	FY2009 First Half	(Reference) FY2008 First Half	(Reference) YoY
Net sales	116,086	119,516	(2.9)%
Operating income	1,598	3,071	(48.0)%
Ordinary income	1,803	3,145	(42.7)%
Net income	203	1,063	(80.8)%

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: ¥105,161 million; Operating income: ¥2,025 million

(Temporary staffing / Contracting) Sales:* ¥101,665 *million

In its temporary staffing business, an area in which the Pasona Group focuses mainly on general office work, the number of long-term temporary staff declined. This was attributable to a variety of factors including the rapid and dramatic downturn in the economy as well as growing signs of weakness in new demand for human resources from companies confronted by a sense of surplus labor supply. As a result, new orders fell below estimates established at the beginning of the period. On a positive note, the trend toward long-term temporary staffing stability continued due mainly to a drop in the number of long-term contracts completed, reflecting successful efforts to bolster follow-up initiatives, and improvements in the average term of temporary staffing contracts.

By job type, despite a decline compared with the corresponding period of the previous fiscal year in clerical (general office work) staffing, Pasona Group experienced growth in the IT engineering field. In the specialist and administrative (technical) fields, results were generally unchanged year on year reflecting contributions from the inclusion of Financial Sun Inc., a company engaged in temporary staffing activities focusing on the financial sector, in the Group's scope of consolidation as a consolidated subsidiary, as well as generally firm conditions in fields requiring a high level of skill and expertise.

Pasona Group has positioned "Insourcing (contracting)" as a strategic priority business from the fiscal year ending May 31, 2009. On this basis, the Group is working to strengthen its marketing capabilities in this field by promoting organizational change and augmenting personnel. Buoyed by these endeavors, activities in the Insourcing business steadily progressed at a pace that exceeded the six-month period ended November 30, 2007.

Accounting for the aforementioned factors, sales in the Temporary staffing / Contracting segment for the first half of the fiscal year under review amounted to ¥101,665 million, a decline of 3.8% compared with the corresponding period of the previous fiscal year.

(Placement / Recruiting) Sales: ¥3,496 million

In the Placement and Recruiting business segment, the stance adopted by most major companies toward the recruitment of human resources became increasingly cautious throughout the six-month period ended November 30, 2008. While the number of orders remained essentially unchanged compared with the corresponding period of the previous fiscal year, corporate sector demand was characterized by a higher level of sophistication and complexity prompting increased difficulty in personnel selection. Following a round of significant interest, the demand for graduates with limited experience in the workforce as well as the young age bracket stalled. At the same time, movement in the temp-to-perm business declined. For executive positions and human resources with a higher level of specialized skills and expertise on the other hand demand provided underlying support. Accounting for these factors, results in the domestic Placement and Recruiting business were steady. Sales for the six-month period ended November 30, 2008 totaled ¥2,892 million, an increase of 5.6% compared with the corresponding period of the previous fiscal year.

Turning to overseas activities in the Placement and Recruiting business segment, results were substantially impacted by the sale of two consolidated subsidiaries at the end of March 2008. As a result segment sales outside of Japan dropped 57.7% year on year to ¥603 million for the six-month period under review.

On this basis, overall sales in the Placement and Recruiting business segment amounted to ¥3,496 million, down 16.1% compared with the corresponding period of the previous fiscal year.

From a profit perspective, the overall operating income margin for this segment improved in relative terms for the six-month period under review. Despite a decline compared with the corresponding period of the previous fiscal year in temporary staffing gross profit margins owing to the substantial upswing in the cost burden associated with large hikes in health insurance premium payment rates and other factors, this was attributable to the implementation of a variety of initiatives including efforts to curtail such costs as recruitment expenditure and the shift to a pure holding company structure in December 2007, which facilitated the allocation of selling, general and administrative expenses associated with the control of the overall Group across all Company-wide segments. Taking into consideration the aforementioned, sales in the Temporary staffing / Contracting and Placement / Recruiting segment for the first half of the fiscal year ending May 31, 2009 fell 4.3% compared with the corresponding period of the previous fiscal year to ¥105,161 million while operating income edged up 1.1% year on year to ¥2,025 million.

2. Outplacement

Sales: ¥2,893 million; Operating income: ¥618 million

Throughout the period under review, demand in the Outplacement business segment was generally robust. This was attributable to corrections in employment conditions including calls by the corporate sector to implement optional and voluntary early retirement in response to the downturn in the economy. On a year-on-year basis, the intake of personnel per company declined, prompting a trend toward smaller scale contracts. This contributed to a substantial increase in the number of client firms. Against this backdrop, Pasona Career Inc., a leader in the outplacement industry, was successful in increasing its market share, attracting high customer praise for its detailed counseling and after-care services. During the period under review, the Group took steps to upgrade and expand its career consultant training as well as implement a host of additional initiatives. In this manner, the Pasona Group is working diligently to further enhance the level of customer satisfaction.

As a result, sales in the Outplacement business segment totaled ¥2,893 million, an increase of 9.8% compared with the corresponding period of the previous fiscal year. Operating income also increased 5.2% year on year to ¥618 million for the six-month period ended November 30, 2008.

3. Outsourcing

Sales: ¥7,479 million; Operating income: ¥758 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.

Against this backdrop, Benefit One Inc. continues to promote marketing proposals to its corporate customers while expanding its menu of employee benefit services that takes into consideration work and lifestyle balance. As a part of these endeavors, the company has launched a new service that caters to statutory special (metabolic) medical checkups following revisions to the Health Insurance Law. Furthermore, the Group is striving to develop and advance new services outside the scope of employee benefits such as the “Customer Loyalty Program” (a goods and services supply program designed to increase the level of customer satisfaction) for the benefit of both individual and corporate members while strengthening its structure and capabilities in providing various services.

Turning to business segment profits, the Group was successful in containing overall input costs including expenses related to the publication of a guidebook. On this basis, business segment gross profit margins improved substantially. Accounting for the aforementioned factors, sales in the Outsourcing business segment amounted to ¥7,479 million for the six-month period ended November 30, 2008. This represented an increase of 13.2% compared with the corresponding period of the previous fiscal year. On the earnings front, operating income was ¥758 million, a significant year-on-year jump in profit of 58.9%.

4. Other

Sales: ¥1,287 million; Operating income: ¥24 million

During the first half of the fiscal year ending May 31, 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 32.7% compared with the corresponding period of the previous fiscal year to ¥1,287 million. Operating income surged 1,449.4% year on year to ¥24 million.

5. Eliminations and Corporate

Intragroup transactions and Pasona Group, the Group’s pure holding company, selling, general and administrative (SG&A) expenses are included in elimination and corporate. The majority of these SG&A expenses were included in the Temporary staffing / Contracting and Placement and Recruiting business segment in the corresponding period of the previous fiscal year.

Net Sales by Business Segment

(Millions of yen unless otherwise stated)

	FY2009 First Half	(Reference) FY2008 First Half	(Reference) YoY
Temporary staffing / Contracting, Placement / Recruiting	105,161	109,853	(4.3)%
Temporary staffing / Contracting	101,665	105,687	(3.8)%
Placement / Recruiting	3,496	4,166	(16.1)%
Outplacement	2,893	2,634	9.8%
Outsourcing	7,479	6,606	13.2%
Other	1,287	970	32.7%
Eliminations and Corporate	(735)	(549)	—
Total	116,086	119,516	(2.9)%

Operating Income by Business Segment

(Millions of yen unless otherwise stated)

	FY2009 First Half	(Reference) FY2008 First Half	(Reference) YoY
Temporary staffing / Contracting, Placement / Recruiting	2,025	2,002	1.1%
Outplacement	618	587	5.2%
Outsourcing	758	477	58.9%
Other	24	1	1,449.4%
Eliminations and Corporate	(1,828)	2	—
Total	1,598	3,071	(48.0)%

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 November 30, 2008 stood at ¥52,670 million, a drop of ¥5,842 million, or 10.0%, compared with the end of the previous fiscal year. This was attributable to certain factors including a decrease of ¥3,411 million in the balance of cash and deposits and a decline of ¥1,964 million in the balance of notes and accounts receivable — trade.

(2) Liabilities

Total liabilities as of the end of the first half of the fiscal year ending May 31, 2009 fell ¥1,314 million or 4.5%, compared with May 31, 2008 totaling ¥27,731million. The principal increase in total liabilities was short-term loans payable, which climbed ¥2,813 million compared with the balance as of May 31, 2008. This was more than offset by declines in accrued expenses of ¥1,500 million, income taxes payable of ¥1,075 million attributable to the payment of income and other taxes as well as accounts payable — trade of ¥785 million compared with the previous fiscal year-end.

(3) Net Assets

Net assets as of November 30, 2008 stood at ¥24,939 million, a decline of ¥4,528 million, or 15.4%, 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 ¥4,154 million.
Accounting for the aforementioned, the equity ratio as of November 30, 2008 fell 4.0 percentage points to 37.6% compared with the end of the previous fiscal year.

Status of Cash Flow

Cash and cash equivalents as of November 30, 2008 declined ¥3,424 million compared with the end of the previous fiscal year to ¥10,188 million.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities during the six-month period ended November 30, 2008 amounted to ¥609 million.

(2) Cash Flows from Investing Activities

Net cash used in investing activities for the period under review was ¥1,856 million. The major components included payments for the purchase of property, plant and equipment of ¥825 million and payments for the purchase of intangible assets totaling ¥1,066 million.

(3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥2,184 million. Major cash inflows included an increase in short-term loans payable of ¥2,810 million. Principal cash outflows were payments for the purchase of treasury stock of ¥4,154 million and cash dividends paid totaling ¥826 million.

3. Qualitative Information and Other Matters Concerning Consolidated Forecasts

Looking ahead, and in connection with the remainder of the fiscal year ending May 31, 2009, operating conditions are expected to deteriorate even further. This reflects uncertainties surrounding the future due mainly to the rapid and dramatic downturn in the global economy, which has contributed to weak corporate sector earnings.

Under these circumstances, companies that have advanced a recent aggressive approach toward the recruitment of human resources encompassing new graduates, graduates with limited experience in the workforce, mid-careeer hires as well as full-time staff are exhibiting signs of an excess in personnel, resulting in a stringent review of existing human resources including permanent and full-time employees. On the other, hand, mid-sized companies, venture capital organizations and the service industry, which had previously suffered from a chronic shortage of labor, are taking steps to secure human resources. On this basis, current conditions indicate disparities in the employment situation of each company and industry.

Taking the aforementioned into consideration, Pasona Group is experiencing mixed results. While the total number of new temporary staffing orders received, focusing mainly on the Group's mainstay office work segment, showed signs of a decline, demand for job types requiring a higher level of skill and expertise and from companies and industries experiencing a labor shortage was firm. In addition, the number of temporary staffing contracts completed decreased compared with the corresponding period of the previous fiscal year while the average contract term increased. This reflects the ongoing trend toward long-term stability.

Turning to the Outplacement and Outsourcing business segments, which experienced steady conditions throughout the first half of the fiscal year under review, demand remains firm throughout. At the same time, Pasona Group anticipates a steady buildup in its performance in each segment due mainly to the concentrated allocation of management resources and the ongoing implementation of its comprehensive and diversified strategy.

Despite the aforementioned, Pasona Group is unable to deny that there exists a significant amount of uncertainty in connection with the demand for human resources from spring 2009. Forced to adopt a cautious approach toward future operating conditions, the Company has decided to revise its net sales forecast for the full fiscal year ending May 31, 2009 identified at the beginning of the period, focusing mainly on the Temporary staffing, Contracting, Placement and Recruiting businesses.

Accordingly, full fiscal year consolidated net sales are expected to total ¥224,730 million, a decrease of 5.2% compared with the corresponding period of the previous fiscal year. In addition, while Pasona Group continues to promote cutbacks in selling, general and administrative expense estimates established at the beginning of the period based on the comprehensive review and reduction of operating costs, these endeavors are not anticipated to fully offset the decline in gross profit. As a result, the Company has also revised its forecasts for operating income, ordinary income and net income. Consolidated operating income is now expected to drop 41.2% compared with the corresponding period of the previous fiscal year to ¥3,790 million. Consolidated ordinary income is anticipated to fall 36.4% year on year to ¥4,220 million and consolidated net income to decrease 64.9% to ¥1,040 million.

In specific terms, the substantial drop in net income relative to ordinary income is attributable to a variety of factors including the increase in minority interests in income of consolidated subsidiaries as well as

Pasona Group's decision to undertake a partial reversal of consolidated subsidiary deferred tax assets during the second quarter of the fiscal year ending May 31, 2009.

From the fiscal year ending May 31, 2010 and beyond, corporate employment adjustments are expected to progress even further. At the same time, the pace of temporary staffing demand and stability recovery focusing mainly on positions requiring specific skills and expertise is expected to exceed that of the general economy. In its efforts to better prepare for this bottoming out and positive turnaround in temporary staffing demand, Pasona Group will continue to place additional weight throughout the fiscal year under review on efforts to enhance temporary staffing education and training and to implement measures that are designed to secure a growing pool of quality staff. From a medium to long term perspective, the Company will continue to concentrate management resources into such growth fields as Outsourcing with the aim of realizing medium to long term improvements.

In conjunction with the aforementioned initiatives, Pasona Group will also promote a Group strategy that entails the reorganization of Group businesses and the consolidation of the Group's administrative infrastructure including offices. Through these means, the Company will further strengthen its Group management and to swiftly establish a robust operating structure that is unaffected by fluctuations in the economic environment.

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)

	FY2009 First Half (as of November 30, 2008)	FY2008 (as of May 31, 2008)
ASSETS		
Current assets		
Cash and deposits	10,260	13,672
Notes and accounts receivable —trade	21,349	23,313
Other	3,571	4,309
Allowance for doubtful accounts	(89)	(81)
Total current assets	35,091	41,213
Noncurrent assets		
Property, plant and equipment	5,147	4,990
Intangible assets		
Goodwill	419	516
Other	3,678	2,821
Total intangible assets	4,098	3,338
Investments and other assets		
Other	8,394	9,036
Allowance for doubtful accounts	(61)	(64)
Total investments and other assets	8,333	8,971
Total noncurrent assets	17,578	17,300
Total assets	52,670	58,513
LIABILITIES		
Current liabilities		
Accounts payable —trade	988	1,773
Short-term loans payable	2,925	112
Accrued expenses	9,759	11,259
Income taxes payable	1,021	2,096
Provision for bonuses	1,886	1,910
Provision for directors' bonuses	13	14
Allowance for head office relocation expenses	430	—
Other	8,699	9,565
Total current liabilities	25,723	26,731
Noncurrent liabilities		
Long-term loans payable	6	7
Provision for retirement benefits	863	813
Provision for directors' retirement benefits	1,009	943
Allowance for head office relocation expenses	—	430
Other	128	119
Total noncurrent liabilities	2,007	2,313
Total liabilities	27,731	29,045

	FY2009 First Half (as of November 30, 2008)	FY2008 (as of May 31, 2008)
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,732	8,887
Retained earnings	12,886	12,682
Treasury stock	(4,799)	(2,257)
Total shareholders' equity	19,819	24,312
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(13)	41
Foreign currency translation adjustment	(18)	(22)
Total valuation and translation adjustments	(31)	19
Minority interests	5,152	5,136
Total net assets	24,939	29,468
Total liabilities and net assets	52,670	58,513

(2) CONSOLIDATED STATEMENTS OF INCOME

First half of the fiscal year ending May 31, 2009 (the six-month period ended November 30, 2008)

(Millions of yen)

	FY2009 First Half (June 1, 2008 to November 30, 2008)
Net sales	116,086
Cost of sales	92,888
Gross profit	23,197
Selling, general and administrative expenses	21,598
Operating income	1,598
Non-operating income	
Interest income	20
Equity in earnings of affiliates	18
Subsidy income	151
Other	88
Total non-operating income	278
Non-operating expenses	
Interest expenses	21
Commitment fee	18
Other	34
Total non-operating expenses	73
Ordinary income	1,803
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	77
Loss on sales of investment securities	75
Loss on valuation of investment securities	99
Impairment loss	11
Other	25
Total extraordinary loss	289
Income before income taxes	1,601
Income taxes －current	1,018
Income taxes －deferred	63
Income taxes	1,081
Minority interests in income	316
Net income	203

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	FY2009 First Half (June 1, 2008 to November 30,,2008)
Net cash provided by (used in) operating activities	
Income before income taxes	1,601
Depreciation and amortization	845
Impairment loss	11
Amortization of goodwill	96
Increase (decrease) in allowance for doubtful accounts	7
Increase (decrease) in provision for bonuses	(24)
Increase (decrease) in provision for directors' bonuses	(0)
Increase (decrease) in provision for retirement benefits	50
Increase (decrease) in provision for directors' retirement benefits	65
Interest and dividends income	(24)
Interest expenses	21
Subsidy income	(151)
Equity in (earnings) losses of affiliates	(18)
Loss (gain) on sales and retirement of noncurrent assets	77
Loss (gain) on sales of investment securities	(12)
Loss (gain) on valuation of investment securities	99
Decrease (increase) in notes and accounts receivable —trade	1,966
Increase (decrease) in operating debt	(2,094)
Other	(566)
Subtotal	1,952
Interest and dividends income received	29
Interest expenses paid	(20)
Proceeds from subsidy	233
Income taxes paid	(1,586)
Total net cash provided by (used in) operating activities	609

Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(825)
Proceeds from sales of property, plant and equipment	0
Purchase of intangible assets	(1,066)
Other	34
Total net cash provided by investment activities	(1,856)

	FY2009 First Half (June 1, 2008 to November 30,,2008)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	2,810
Repayment of long-term loans payable	(1)
Purchase of treasury stock	(4,154)
Cash dividends paid	(539)
Cash dividends paid for minority	(286)
Other	(12)
Total net cash provided by (used in) financing activities	(2,184)
Effect of exchange rate change on cash and cash equivalents	8
Net increase (decrease) in cash and cash equivalents	(3,424)
Cash and cash equivalents at the beginning of the period	13,612
Cash and cash equivalents at the end of the period	10,188

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

FY2009 First Half (June 1, 2008 to November 30, 2008)

None

(5) Segment Information

FY2009 First Half (June 1, 2008 to November 30, 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	104,991	2,890	7,277	926	116,086	—	116,086
(2) Intersegment sales and transfers	170	2	201	361	735	(735)	—
Total	105,161	2,893	7,479	1,287	116,822	(735)	116,086
Operating income (loss)	2,025	618	758	24	3,427	(1,828)	1,598

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

FY2009 First Half (June 1, 2008 to November 30, 2008)

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

Overseas sales

FY2009 First Half (June 1, 2008 to November 30, 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

FY2009 First Half (June 1, 2008 to November 30, 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 1H of FY2009:					
Distribution of surplus	—	(541)	—	—	(541)
Net income	—	—	203	—	203
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 the 1H of FY2009	—	(2,155)	203	(2,541)	(4,493)
Balance as of November 30, 2008	5,000	6,732	12,886	(4,799)	19,819

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

(1) Interim Consolidated Statements of Income

FY2008 First Half

(Millions of yen)

	FY2008 First Half (June 1, 2007 to November 30, 2007)		
			(%)
1. Net sales		119,516	100.0
2. Cost of sales		95,169	79.6
Gross profit		24,346	20.4
3. Selling, general and administrative expenses		21,274	17.8
Operating income		3,071	2.6
4. Non-operating income:			
1 Interest income	25		
2 Equity in earnings of affiliates	18		
3 Gain on goodwill amortization	9		
4 Subsidy	148		
5 Other income	94	296	0.2
5. Non-operating expenses:			
1 Interest expenses	14		
2 Commitment line of credit commission	19		
3 Previous period adjustment loss	155		
4 Other expenses	32	222	0.2
Ordinary income		3,145	2.6
6. Extraordinary income:			
1 Gain on sales of investment securities	8		
2 Subsidity	35	44	0.0
7. Extraordinary loss:			
1 Loss on disposal of fixed assets	48		
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	1	153	0.1
Income before income taxes and minority interests		3,036	2.5
Income taxes — current	1,502		
Income taxes — deferred	183	1,685	1.4
Minority interests in income		287	0.2
Net income		1,063	0.9

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

(2) Interim Consolidated Statements of Cash Flows

FY2008 First Half

(Millions of yen)

	FY2008 First Half (June 1, 2007 to November 30, 2007)
1. Cash Flows from Operating Activities:	
Income before income taxes	3,036
Depreciation	566
Impairment loss	45
Amortization of others	10
Amortization of goodwill	100
Bad debt loss	156
Decrease in allowance for doubtful receivables	(10)
Increase in reserve for bonus	280
Decrease in reserve for directors' bonus	(4)
Increase in allowance for employees' severance retirement benefits	36
Increase in allowance for directors' retirement benefits	34
Interest and dividend income	(26)
Interest expenses	14
Subsidy	(183)
Foreign exchange gain	(3)
Investment gain on equity method	(18)
Constructive (gain) loss on change in equity	1
Loss on sale and disposal of fixed assets	48
Loss on fixed asset rationalization	35
Gain on sale of investment securities	(8)
Valuation loss on investment securities	23
Decrease in accounts receivable — trade	386
Decrease in inventories	74
Increase in other current assets	(316)
Decrease in accounts payable — trade	(2,037)
Decrease in consumption tax payable	(796)
Decrease in other current liabilities	(506)
Subtotal	936
Interest and dividends received	32
Interest paid	(15)
Subsidy received	259
Income taxes paid	(2,078)
Net cash (used in) provided by operating activities	(865)

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

(Millions of yen)

	FY2008 First Half (June 1, 2007 to November 30, 2007
2. Cash Flows from Investing Activities:	
Increase in time deposits	(70)
Payments for purchases of fixed assets	(1,167)
Proceeds from sale of fixed assets	1
Payments for purchases of intangible assets	(745)
Payments for purchases of investment securities	(9)
Proceeds from sale of investment securities	89
Proceeds from purchase of securities of subsidiaries due to change in consolidated subsidiaries	42
Payments for additional purchases of securities of subsidiaries	(9)
Payments for increase in loans receivable	(59)
Proceeds from collection of loans receivable	82
Proceeds from other investments	115
Payments for other investments	(481)
Net cash used in investing activities	(2,211)
3. Cash Flows from Financing Activities:	
Increase (decrease) in short-term loans payable	3,509
Repayment of long-term debt	(1)
Repayment of financial lease	(14)
Proceeds from issuance of shares	65
Proceeds from issuance of shares to minority shareholders	1
Payments for dividends by parent company	(415)
Payments for dividends to minority shareholders	(138)
Net cash provided by (used in) financing activities	3,007
4. Effect of Exchange Rate Changes on Cash and Cash Equivalents	1
5. Net (decrease) increase in Cash and Cash Equivalents	(67)
6. Cash and Cash Equivalents at the Beginning of the Period	11,750
7. Cash and Cash Equivalents at the End of the Period	11,683

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

(3) Segment information

FY2008 First Half (June 1, 2007 to November 30, 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	109,730	2,633	6,414	737	119,516	—	119,516
(2) Intersegment sales and transfers	122	1	192	233	549	(549)	—
Total	109,853	2,634	6,606	970	120,065	(549)	119,516
Operating expenses	107,850	2,046	6,129	968	116,995	(551)	116,444
Operating income	2,002	587	477	1	3,069	2	3,071

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

FY2008 First Half (June 1, 2007 to November 30, 2007)

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

Overseas sales

FY2008 First Half (June 1, 2007 to November 30, 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.