July 20, 2007

Summary

Pasona Inc.
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Listing Code No.: 4332
Listing: First Section, Tokyo Stock Exchange
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Consolidated Financial Report for the Fiscal Year Ended May 31, 2007

- ***Consolidated net sales increased 13.5% compared with the previous fiscal year to ¥231.2 billion on the back of sales growth in the mainstay temporary staffing and contracting business and sound operating conditions in the placement and recruiting and outsourcing businesses. This represents a fourth consecutive fiscal year of double-digit percentage year-on-year growth.***
- ***Operating income improved 9.8% compared with the previous fiscal year to ¥8.5 billion owing to aggressive investment, while ordinary income climbed 12.3% year on year to ¥8.8 billion. Net income for the fiscal year under review increased 17.0% to ¥4.2 billion.***
- ***In December 2007, Pasona intends to adopt a pure holding company structure. With this initiative, the Company plans to accelerate the Group's growth in the fiscal year ending May 31, 2008 and to secure increases in both revenue and earnings.***
- ***Pasona plans to declare a fiscal year-end cash dividend of ¥1,000 per share for an annual cash dividend of ¥2,000 per share. From the fiscal year ending May 31, 2008 and beyond, the Company will target a consolidated dividend payout ratio of 25%. On this basis, Pasona intends to distribute an annual dividend of ¥2,500 per share for the fiscal year ending May 31, 2008, a year-on-year increase of ¥500 per share, comprising an interim cash dividend of ¥1,200 per share and a fiscal year-end cash dividend of ¥1,300 per share.***

Pasona Inc. (Headquarters: Chiyoda-ku, Tokyo; Group CEO and President: Yasuyuki Nambu) today announced the Group's consolidated operating results for the fiscal year ended May 31, 2007, covering the period from June 1, 2006 to May 31, 2007. Brief details are as follows.

[1] Consolidated Business Results

(Millions of yen, rounded down)

	Fiscal Year Ended May 31, 2006	**Fiscal Year Ended May 31, 2007**	YoY
Net Sales	203,815	**231,231**	+13.5%
Operating Income	7,745	**8,507**	+9.8%
Ordinary Income	7,844	**8,807**	+12.3%
Net Income	3,588	**4,198**	+17.0%

Net income per share: **¥10,003.68** (Fiscal year ended May 31, 2006: ¥8,292.17)

Note: Net income per share is calculated on the basis of an average number of 419,668 shares issued and outstanding for the period.

During the fiscal year ended May 31, 2007, Japan's human resources market was characterized by continued strong demand for personnel in the corporate sector. Against this backdrop, the Pasona Group worked diligently to enhance employee welfare benefits and compensation in the temporary staffing business and to bolster measures designed to attract and secure quality temporary staff. Based on these endeavors, the Company was successful in increasing the number of temporary staff. In strategic fields such as the placement and recruiting business, Pasona enjoyed significant growth both in Japan and overseas. Together with its outsourcing operations, the Company recorded steady business expansion. Accounting for these factors, consolidated net sales for the fiscal year ended May 31, 2007 totaled ¥231,231 million, an increase of 13.5% compared with the previous fiscal year. This represents a fourth consecutive fiscal year of double-digit percentage growth.

On the earnings front, Pasona recorded increased profit contributions from the placement and recruiting, outsourcing and related businesses due to the increase in net sales in each field. From a cost perspective, selling, general and administrative expenses increased reflecting anticipatory investments geared toward generating future growth. As a result consolidated operating income rose 9.8% compared with the previous fiscal year to ¥8,507 million, while consolidated ordinary income climbed 12.3% year on year to ¥8,807 million.

In the fiscal year under review, the Company recorded an extraordinary gain on sale of securities in affiliated companies following the partial sale of shares in Benefit One Inc., a consolidated subsidiary company. This was in part offset by an extraordinary impairment loss on fixed assets. In light of the aforementioned and other factors, net income for the fiscal year ended May 31, 2007 amounted to ¥4,198 million, a 17.0% improvement on the previous fiscal year's result.

[2] Segment Information (Figures include intrasegment sales)

(Millions of yen, rounded down)

Net Sales	Fiscal Year Ended May 31, 2006	**Fiscal Year Ended May 31, 2007**			
			Share (Increase / (Decrease))		YoY
Temporary staffing / Contracting	185,584	**208,952**	90.3%	(0.8)pt	+12.6%
Placement / Recruiting	4,542	**6,645**	2.9%	+0.7pt	+46.3%
Outplacement	4,008	**4,408**	1.9%	(0.1)pt	+10.0%
Outsourcing	8,219	**10,226**	4.4%	+0.4pt	+24.4%
Other	2,303	**1,975**	0.9%	(0.2)pt	(14.3)%
Elimination or Corporate	(842)	**(976)**	(0.4)%	0.0 pt	—
Total	203,815	**231,231**	100.0%	—	+13.5%

(Millions of yen, rounded down)

Operating Income	Fiscal Year Ended May 31, 2006	**Fiscal Year Ended May 31, 2007**			
			Share (Increase / (Decrease))		YoY
Temporary staffing / Contracting Placement / Recruiting	6,556	**6,964**	81.9%	(2.7)pt	+6.2%
Outplacement	966	**758**	8.9%	(3.6)pt	(21.5)%
Outsourcing	903	**1,174**	13.8%	+2.1pt	+30.0%
Other	(699)	**(396)**	(4.7)%	+4.3pt	—
Elimination or Corporate	17	**6**	0.1%	(0.1)pt	(66.1)%
Total	7,745	**8,507**	100.0%	—	+9.8%

Temporary staffing / Contracting, Placement / Recruiting
(Pasona Inc., Pasona Tech, Inc., Pasona Career Inc., Others)
Net sales: ¥215,598 million (13.4% increase YoY)
Operating income: ¥6,964 million (6.2% increase YoY)

Temporary staffing / Contracting
Net sales: ¥208,952 million (12.6% increase YoY)

Overall demand in the temporary staffing and contracting business remained strong throughout the fiscal year under review underpinned by demand for personnel from major manufacturers in the electric appliance and automobile sectors, which continued to peak at high levels, certain extraordinary demand from the finance sector, which remained generally robust and the telecommunications industry following introduction of the mobile number portability (MNP) system. By job type, the clerical (general office work) zone experienced persistent double-digit percentage sales growth. Driven by MNP-related demand, sales positions also enjoyed sales growth. From a geographical perspective, results remained steady in the Tokyo Metropolitan area and the Tokai region, where signs began to emerge of a pickup in demand in certain regional areas such as Kyushu. In the fiscal year under review, the Pasona Group worked tirelessly not only to increase the number of new registrants but also to enhance temporary staffing welfare benefits and support systems as well as compensation. Among a host of initiatives, the Group opened facilities specifically targeting temporary staff and established a 24-hour consulting service relating not only to employment issues, but also mental health and overall lifestyle concerns. In addition to increasing the number of temporary staff at work, these measures facilitated the retention of high-quality temporary staff and served to stabilize long-term employment. Accounting for these factors, net sales in the Temporary staffing / Contracting segment climbed 12.6% compared with the previous fiscal year to ¥208,952 million.

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

Placement/Recruiting
Net sales: ¥6,645 million (46.3% increase YoY)

In the Placement and Recruiting segment, corporate sector demand increased in the finance and IT-related sectors. In addition to large urban areas, the need for personnel is steadily increasing in major regional cities. In the fiscal year under review, the Pasona Group reinforced efforts to expand the number of registrants seeking a change of employment. In order to address robust demand from the corporate sector for graduate employees with limited work experience and mid-career hires, Pasona also increased the number of consultants. Leveraging the Pasona brand, the Group raised its focus on the placement and recruiting of women. Furthermore, Pasona integrated two subsidiary companies and established a new company Pasona Career, Inc. Utilizing a reemployment support network that extends across Japan, the new company commenced placement and recruiting services on a nationwide basis in January 2007. Buoyed by these initiatives, net sales in Japan in the Placement and Recruiting segment were ¥3,994 million, an increase of 34.7% compared with the previous fiscal year.

Overseas, conditions remained firm in the placement and recruiting business. Boosted by the inclusion of Pasona Human Resources (Shanghai) Co., Ltd. in the scope of consolidation, net overseas sales in this segment totaled ¥2,651 million, a significant jump of 68.2% year on year. Combining domestic and overseas results, total net sales in the Placement and Recruiting segment surged 46.3% compared with the previous fiscal year to ¥6,645 million.

Temporary staffing / Contracting, Placement / Recruiting

In the Temporary staffing / Contracting and Placement / Recruiting segment, the margin between unit prices at the invoice and payments levels saw a moderate improvement on the back of determined negotiation. Despite this positive trend, however, the gross profit margin on temporary staffing activities declined year on year. This was attributed to a review of the rate applicable to employee pensions and the rise in health and social insurance payments as well as the increase in the number of temporary staff eligible for paid vacation and social insurance reflecting the trend toward stable long term temporary staffing contracts. Lower gross profit margins in the temporary staffing business were absorbed by improvements in gross profit margins in the placement and recruiting business reflecting sales growth.

In the fiscal year under review, Pasona undertook proactive investment to facilitate the retention of quality temporary staff and promote future growth. This included expenses incurred in opening new registration offices. As a result, selling, general and administrative expenses increased, negatively impacting operating income margin, which declined year on year. Accounting for the aforementioned factors, net sales in the segment rose 13.4% compared with the previous fiscal year to ¥215,598 million. Operating income increased 6.2% year on year to ¥6,964 million.

Outplacement (Pasona Career Inc., Others)

Net sales: ¥4,408 million (10.0% increase YoY)

Operating income: ¥758 million (21.5% decrease YoY)

Continued recovery in the corporate sector has contributed to a decline in the incidence of early and voluntary retirement. This in turn places persistent downward pressure on market scale. Against this backdrop, the Pasona Group is leveraging its nationwide network to provide detailed and sophisticated outplacement services. This has allowed the Group to steadily expand its market share. In the first half of the fiscal year under review, Pasona benefited from substantial large-scale orders received at the end of the previous fiscal year. Both the volume and pace of orders deteriorated slightly during the second half, due to weak orders in the first half. As a result, net sales in the Outplacement segment for the full fiscal year were ¥4,408 million, an increase of 10.0% compared with the previous fiscal year. This represented double-digit percentage growth on a year-on-year basis. In terms of segment profits, operating income fell 21.5% to ¥758 million owing to the year-on-year increases in office improvement costs incurred to maintain the quality of segment services.

Outsourcing (Benefit One Inc.)

Net sales: ¥ 10,226 million (24.4% increase YoY)

Operating income: ¥1,174 million (30.0% increase YoY)

Pasona Group company Benefit One Inc. not only worked to promote its conventional employee benefit outsourcing services, but also to reinforce its total compensation proposal marketing that combines employee salaries and wages with benefits in a single package. Through these means, Benefit One is striving to expand its business development while distinguishing itself from competing companies. In addition, Benefit One took full advantage of its rich benefit menu on a number of levels to focus on the sale of new high-value-added products. In this manner, Benefit One successfully increased the number of corporate and individual members. Furthermore, the “Customer Loyalty Program,” a members-only shopping service that was newly introduced to corporate clients in an effort to better utilize the Group’s welfare benefits menu and to raise customer satisfaction, began to generate concrete results during the fiscal year under review. As a result, net sales in the Outsourcing segment increased 24.4% compared with the previous fiscal year to ¥10,226 million. Buoyed by the upswing in revenues from the highly profitable employee benefit services business, operating income rose 30.0% year on year to ¥1,174 million, representing a substantial increase in both revenues and earnings.

Other

Net sales: ¥1,975 million (14.3% decrease YoY)

Operating loss: ¥396 million (FY ended 2006 operating loss: ¥699 million)

Results remained steady in the child-care and education businesses. Performance in the Other segment, however, was impacted by delays in the startup of certain operations including lifestyle support services targeting the baby-boomer generation and the elderly and the shared services business encompassing temporary staffing subsidiaries of major companies. Accounting for these factors, net sales in the segment totaled ¥1,975 million, a decrease of 14.3% compared with the previous fiscal year. Pasona incurred an operating loss in the Other segment of ¥396 million, down from ¥699 million in the previous fiscal year.

[3] Financial Position and Investment

Financial Position

Total assets as of May 31, 2007 stood at ¥54,425 million, an increase of ¥2,493 million, or 4.8%, compared with the end of the previous fiscal year. Net assets on the other hand contracted ¥729 million, or 2.6%, compared with May 31, 2006 to ¥26,904 million, reflecting the acquisition of 17,500 shares of treasury stock at an acquisition cost of ¥4,287 million in line with the Company's capital policy.

Accounting for these factors, the shareholders' equity ratio declined 4.4 percentage points compared with the previous fiscal year-end to 41.1%.

Trends in Financial Position (Consolidated)

	Total Assets (Millions of yen)	Net Assets (Millions of yen)	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2007	**54,425**	**26,904**	**41.1%**	**53,759.81**
May 31, 2006	51,931	27,634	45.5%	54,599.58

Assets

Current assets edged up ¥158 million, or 0.4%, compared with the end of the previous fiscal year to ¥39,086 million. Major movements were a decline in cash and deposits reflecting the increase in notes and accounts receivable — trade. On a year-on-year basis, fixed assets increased ¥2,335 million, or 18.0%, to ¥15,338 million. This is attributed to an increase in property and equipment, as well as an increase in lease guarantee deposits due to the opening of new offices.

Liabilities

Within total liabilities, current liabilities stood at ¥25,704 million, an upswing of ¥2,915 million, or 12.8%, year on year. In line with sales growth, this is attributed to the increase in accrued expenses and includes temporary staff expenses payable. In addition, accounts payable — other increased. Total long-term liabilities stood at ¥1,816 million, up ¥307 million, or 20.4%, compared with May 31, 2006.

Consolidated Cash Flows

On a consolidated basis, cash and cash equivalents totaled ¥11,750 million as of May 31, 2007, a decrease of ¥2,905 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Income before income taxes increased ¥1,304 million compared with the previous fiscal year to ¥8,720 million. Other major components included the decrease in accounts receivable — trade of ¥2,712 million, decrease in accounts payable — trade of ¥1,395 million and income taxes paid of ¥4,518 million. Accounting for these factors, net cash provided by operating activities totaled ¥5,897 million compared with net cash provided by operating activities in the previous fiscal year of ¥6,895 million.

Cash Flows from Investing Activities

Major components included payments for purchases of fixed assets of ¥1,021 million, payments for purchases of intangible assets such as software totaling ¥720 million and payment for purchases of investment securities amounting to ¥514 million. As a result, net cash used in investing activities was ¥3,226 million compared with net cash used in investing activities of ¥4,341 million in the previous fiscal year.

Cash Flows from Financing Activities

Impacted by payments for purchases of treasury stock of ¥4,287 million, payments for dividends totaling ¥1,306 million and other factors, net cash used in financing activities for the fiscal year under review amounted to ¥5,607 million compared with net cash used in financing activities a year earlier of ¥164 million.

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
Fiscal Year Ended May 31, 2007	**5,897**	**(3,226)**	**(5,607)**	**2,671**
Fiscal Year Ended May 31, 2006	6,895	(4,341)	(164)	2,553

[4] Consolidated Forecasts of Business Results for the Fiscal Year Ending May 31, 2008 (June 1, 2007 to May 31, 2008)

Demand from the corporate sector for human resources is expected to remain steady during the fiscal year ending May 31, 2008. Expectations are also high that the speed of outsourcing will accelerate. The Pasona Group recognizes that amid this strong demand for personnel, the opportunity exists to expand. Accordingly, Pasona is aggressively investing in human resource-related businesses. At the same time, the Group is committed to differentiating itself by focusing on temporary staffing operations and reinforcing compliance.

In this context, Pasona plans to shift to a pure holding company structure, targeting December 2007, with the aim of establishing a structure capable of accelerating implementation of the aforementioned strategies. In formulating and implementing business strategies and establishing a structure that encompasses the entire Group, Pasona will further reinforce its activities in the human resource-related field and bolster its governance and compliance framework. This is expected to lift the Group's overall performance.

The Temporary Staffing / Contracting Business

In the natural course of its business activities, Pasona will develop new initiatives based closely on the perspectives of temporary staff. In the current fiscal year, the Company will look to subsidize a portion of temporary staff traveling expenses and augment its training systems and programs. In addition, Pasona will utilize Club Pasona—Omotesando, a temporary staff benefit facility, to hold a series of events throughout the year. Designed to attract temporary staff, these events will bolster communication.

The Placement and Recruiting Business

The Pasona Group will maximize synergy benefits through integration with the outplacement business and promote placement and recruiting activities across the length and breadth of Japan. Overseas, Pasona will accelerate the opening of new offices in China, recognized as a growth market, and pursue efforts to expand its business scale.

The Outplacement Business

As a leader in the industry, the Pasona Group will maintain and enhance its network and consultancy services to ensure steady growth and increased market share.

The Outsourcing Business

The Pasona Group will provide high quality services that accurately match corporate needs in an effort to secure new members. Amid signs that demand in spreading to small- and medium-sized companies, Pasona is strengthening marketing efforts utilizing its agency network.

Buoyed by these growth initiatives, consolidated net sales for the fiscal year ending May 31, 2008 are forecast to rise 12.1% to ¥259,130 million. This will represent a fifth consecutive fiscal year of double-digit percentage year-on-year growth. While Pasona anticipates the overall gross profit margin to improve, reflecting growth in relatively high-profit human resource-related fields, an increase in business investments is forecast. As a result, consolidated operating income for the fiscal year ending May 31, 2008 is estimated to grow 8.0% year on year to ¥9,190 million. Consolidated ordinary income is expected to increase 4.8% to ¥9,230 million and consolidated net income 5.5% to ¥4,430 million.

For the fiscal year ending May 31, 2008, Pasona intends to declare a cash dividend of ¥2,500 per share, an increase of ¥500 per share compared with the fiscal year ended May 31, 2007. This is comprised of an interim dividend of ¥1,200 per share and a fiscal year-end dividend of ¥1,300 per share.

Consolidated Earnings Forecasts for the Fiscal Year Ending May 31, 2008 (June 1, 2007 to May 31, 2008)

(Millions of yen, rounded down)

Consolidated	Fiscal Year Ended May 31, 2007	Fiscal Year Ending May 31, 2008 (Estimate)	YoY
Net Sales	231,231	**259,130**	+12.1%
Operating Income	8,507	**9,190**	+8.0%
Ordinary Income	8,807	**9,230**	+4.8%
Net Income	4,198	**4,430**	+5.5%

Estimated net income per share: **¥10,643.10** (Fiscal year ended May 31, 2007: ¥10,003.68)
Calculated on the basis of an estimated number of common shares issued and outstanding as of May 31, 2008: 416,232 shares.

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

Note: For earnings forecasts, amounts of less than 10 million yen are rounded down

(Millions of yen, rounded down)

Consolidated	Net Sales	YoY	Operating Income	YoY
Temporary staffing / Contracting	**231,380**	+10.7%	**7,000**	+0.5%
Placement / Recruiting	**8,190**	+23.2%		
Outplacement	**5,070**	+15.0%	**770**	+1.5%
Outsourcing	**13,550**	+32.5%	**1,450**	+23.4%
Other	**2,040**	+3.3%	**(40)**	—

[5] Planned Cash Dividends

	Fiscal Year Ended May 31, 2007	Fiscal Year Ending May 31, 2008 (Estimate)		
		Interim	**Year-End**	**Full Year**
Dividends per Share	¥2,000	**¥1,200**	**¥1,300**	**¥2,500**
Dividend Payout Ratio	20.0%			**23.5%**

Note: Calculated on the basis of an estimated number of common shares issued and outstanding as of May 31, 2008 of 4416,232 shares.

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Reference Data

◆ Monthly average of temporary staff at work

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

	Fiscal Year Ended May 31, 2005				(Reference) Fiscal Year Ended May 31, 2005 (Revised for new graduates and the care business)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Monthly average of temporary staff at work	33,510	34,208	35,611	36,395				
YoY	+18.1%	+15.8%	+13.8%	+9.8%	+17.8%	+17.9%	+16.2%	+12.3%
	Fiscal Year Ended May 31, 2006				(Reference) Fiscal Year Ended May 31, 2006 (Revised for new graduates and the care business)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Monthly average of temporary staff at work	36,314	37,103	38,446	40,096				
YoY	+8.4%	+8.5%	+8.0%	+10.2%	+10.9%	+8.7%	—	—
	Fiscal Year Ended May 31, 2007							
	1Q	**2Q**	**3Q**	**4Q**				
Monthly average of temporary staff at work	**40,745**	**41,676**	**43,832**	**44,619**				
YoY	**+12.2%**	**+12.3%**	**+14.0%**	**+11.3%**				

Note: Figures for the fiscal year ended May 31, 2005 have been revised to reflect the spin off of the New Graduate Temporary Staffing business and the Nursing Care Temporary Staffing business. Figures include Socio Inc., which was merged with Pasona Inc. during the fourth quarter of the fiscal year ended May 31, 2006.

◆ Temporary staffing / Contracting — Consolidated sales by staffing type

(Excludes intrasegment sales) (Millions of yen, rounded down)

	FY ended May 31, 2006	**FY ended May 31, 2007**			
	Net Sales	**Net Sales**	Share (YoY)		YoY
Clerical (General office work)	100,629	**114,418**	54.8%	+0.5pt	+13.7%
Technical (Specialized office work)	31,204	**34,050**	16.3%	(0.5)pt	+9.1%
IT/Engineering	20,100	**21,143**	10.1%	(0.8)pt	+5.2%
Sales / Marketing	13,789	**17,367**	8.3%	+0.9pt	+25.9%
Other	19,292	**21,469**	10.4%	0.0pt	+11.3%
Temporary staffing related	322	**281**	0.1%	(0.1)pt	(12.9)%
Total	185,339	**208,730**	100.0%	—	+12.6%

Quarterly Earnings Trends

(Millions of yen, rounded down)

Net Sales	**1Q**	**2Q**	**3Q**	**4Q**	**Full Year**
FY ended May 31, 2005	43,227	43,789	44,619	47,520	179,156
FY ended May 31, 2006	48,726	49,520	50,484	55,084	203,815
FY ended May 31, 2007	56,444	56,757	57,498	60,531	231,231
YoY	+15.8%	+14.6%	+13.9%	+9.9%	+13.5%

Operating Income	**1Q**	**2Q**	**3Q**	**4Q**	**Full Year**
FY ended May 31, 2005	1,888	2,093	2,159	2,096	8,238
FY ended May 31, 2006	1,188	1,934	2,382	2,240	7,745
FY ended May 31, 2007	2,277	2,037	2,330	1,862	8,507
YoY	+91.6%	+5.3%	(2.2)%	(16.9)%	+9.8%

Ordinary Income	**1Q**	**2Q**	**3Q**	**4Q**	**Full Year**
FY ended May 31, 2005	1,906	2,083	2,116	2,183	8,289
FY ended May 31, 2006	1,207	1,895	2,381	2,360	7,844
FY ended May 31, 2007	2,377	2,014	2,367	2,047	8,807
YoY	+96.9%	+6.2%	(0.6)%	(13.2)%	+12.3%

Net Income	**1Q**	**2Q**	**3Q**	**4Q**	**Full Year**
FY ended May 31, 2005	955	1,364	979	1,065	4,363
FY ended May 31, 2006	543	939	1,113	992	3,588
FY ended May 31, 2007	1,125	947	1,050	1,074	4,198
YoY	+107.1%	+0.9%	(5.7)%	+8.3%	+17.0%