

Business Report for the Fiscal Year Ended May 31, 2007

June 1, 2006 to May 31, 2007



"Butterflies in a Field of Flowers" — A painting by Miyuki Satake (intellectually disabled)

Based on the concept "talent knows no handicap," the Art Village Project was launched in 1992. Since that time, Pasona has worked enthusiastically to promote increased participation of the disabled in society through the medium of art.

Pasona's "ambition" is realizing the "dreams" of each and every individual in their efforts to reenter the workforce, seek new challenges, and achieve new goals.

Our raison d'être is to build **a future where individuals can create their own comfortable lifestyles and freely choose the kind of work they wish to do.**

With unrelenting passion, Pasona is committed to creating **an infrastructure where each individual can nurture his or her own dream irrespective of age and gender.**

Unwavering in this mission, we will continue to stride forward, seek new challenges, and contribute to the prosperity of society.

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CLUB PASONA — OMOTESANDO —

Opened on April 26, 2007, CLUB PASONA OMOTESANDO is the Pasona Group's flagship staff-benefit facility. Opening onto Omotesando, an elegant avenue in the heart of Tokyo, the entranceway features an eye-catching picture of Audrey Hepburn.



Pasona has entered its 32nd year since foundation. I would like to thank all stakeholders for your continued support and understanding.

Serving as a Personnel Department to Japan's Corporate Sector

Recently, I had the opportunity to participate in a televised discussion panel organized by Japan's national broadcaster NHK. What struck me at that time was the large and growing number of people that held an erroneous image of temporary staffing as a work-style type and mode of employment.

Fundamentally, temporary staffing is a relatively new employment category that allows women, who have opted out of the full-time, permanent employment stream, to choose alternative opportunities that better suit their individual needs while retaining the same retirement and social insurance benefits. Despite this development, however, the temporary staffing category accounts for less than 8%, numbering 1.28 million, of the 17 million workers classified as "irregular employees." Another factor clouding perceptions surrounding temporary staffing is the confusion of clerical or administrative temporary staffing, Pasona's main business mainly comprised of women, with the long-standing practice of "part-time" employment and also "contracting" in the manufacturing sector, focusing ostensibly on male employees.

At the Pasona Group, our goal is to ensure that job seekers in all categories can pursue employment on an equal footing irrespective of location, including urban and rural areas, and employer scale, encompassing large, medium and small-sized enterprises. At the same time, we strive to secure a lifestyle safety net, providing physical and mental health care through education and training. Ultimately, serving as a personnel department to Japan's corporate sector, our mission is to create an employment environment that allows highly skilled professionals to work with confidence and pride.

Creating a Framework that Allows Job Seekers a Wide Selection of Opportunities

Providing an infrastructure that allows job seekers the choice to work for a limited number of hours or on a short-term basis; to successfully combine work with family needs, and; to enjoy a compensation level that matches both experience and skills; is the *raison d'être* for the Pasona Group's business activities. Recognizing the difficulties that many women faced in a corporate sector that remained entrenched in a life-time employment system was the driving force that first led me to promote temporary staffing as an employment alternative 31 years ago.

Under a life-time employment system, the opportunity to develop and expand one's abilities and skills is often limited. In a situation where the company becomes the nucleus of an individual's life, the ability to adapt work to a preferred lifestyle, to make the most of one's abilities and potential and to enhance skills as a means to generate increased earnings is problematic. For these reasons, I strongly believe in the need to create a framework that allows job seekers to choose the type of work that best fits their individual needs and lifestyles.

Becoming a Social Solutions Company

Since its foundation, Pasona has endeavored to build an employment and support infrastructure that incorporates the perspectives of job seekers. In the ensuing period, we have created a number of employment opportunities, providing a variety of "Solutions to Society's Problems." In the next step in the Group's ongoing evolution and in an effort to further fulfill our mission as a social solutions company, Pasona will adopt a pure holding company structure in December 2007. As a part of this endeavor, we will



establish Pasona Group Inc. and relocate our headquarters to the Shin-Marunouchi Building. Through these means, we will reinforce our overall Group business strategies and fortify the corporate governance function. At the same time, we will place increased weight on the education, training and development of human resources that will carry the Pasona Group forward and secure sustainable growth.

Realizing a Society where Individuals can Nurture their own Dreams and Lifestyles

Despite significant change, the government's policies and initiatives lean heavily toward life-time employment, focusing on full-time, permanent employees. This neglects recent developments and the growing diversity in attitudes toward employment and lifestyle needs. I firmly believe that by creating a wide selection of employment alternatives and a social system that facilitates diversity will promote new and challenging opportunities for a greater number of job seekers, serving to reenergize the economy. As a social activist, and with passion and a sense of mission, the Pasona Group will endeavor to realize a truly prosperous society in which individuals can create their own comfortable lifestyles with a dream and freely choose the kind of work they wish to do irrespective of age and gender.

August 2007

Yasuyuki Nambu
Group CEO and President

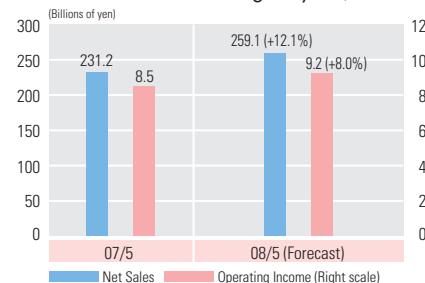
Implementing a Robust Group Growth Strategy — Expanding the Pasona Group’s Business Scale through Proactive Investment

Throughout the fiscal year ended May 31, 2007, the Pasona Group worked vigorously to expand its business activities by engaging in proactive investment and promoting an aggressive growth strategy. As a result of these efforts, Pasona experienced business expansion in its mainstay Temporary staffing and Contracting business as well as in key areas such as Placement and Recruiting and Outsourcing. Buoyed by an upswing in operating activities, the Pasona Group enjoyed double-digit percentage revenue growth for a fourth consecutive fiscal year.

In the fiscal year ending May 31, 2008, Pasona anticipates continued strong demand for personnel in the corporate sector. Recognizing this robust environment as an excellent opportunity for Group growth, Pasona will step up its proactive investment in key business fields and endeavor to secure further business expansion from a medium to long-term perspective.

Accounting for these factors, Pasona is targeting consolidated net sales of ¥259.1 billion in the fiscal year ending May 31, 2008, a fifth consecutive fiscal year of double-digit percentage growth.

Forecast of Consolidated Business Results for the Fiscal Year Ending May 31, 2008



Establishing the Pure Holding Company, Pasona Group Inc. — Building a Management Structure to Deliver Comprehensive Social Solutions Services

In an effort to secure robust and sound Group growth, the Company plans to establish Pasona Group Inc. in December 2007 as a part of its efforts to shift to a pure holding company structure.

Building on the Group’s achievements to date and its success in providing a variety of “Solutions to Society’s Problems,” Pasona’s ultimate goal is to shift from a management structure that focuses on the temporary staffing business to a “human resource incubation” orientation that maximizes the potential of each individual’s skills and abilities. At the same time, a pure holding company structure will better serve to formulate business strategies that encompass the entire Group, promote optimal allocation of financial and management resources to growth areas and help to accelerate growth strategies. In strengthening management systems relating to affiliated companies, a pure holding company structure is also expected to bolster the compliance and corporate governance functions, which continue to attract increasing social concern and interest. Furthermore, this new structure will facilitate the injection of youth, primarily in operating subsidiaries, serving to reenergize activities while nurturing the next generation of human resources.

A temporary staffing focused management structure

- ◆ Formulate a business strategy that encompasses the entire Group
- ◆ Optimal allocation of resources to growth areas, and common sharing throughout the Group of human resources, funding and information
- ◆ Strengthen governance and compliance
- ◆ Introduce and educate next generation human resources

Human resource incubation
(Making the most of each individual’s potential)

Toward a management structure that is active in the development of social solutions services

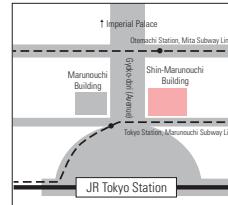
Note: As a part of the overall scheme to shift to a pure holding company structure, plans are in place to apply for the public listing of Pasona Group Inc. on the Tokyo Stock Exchange and the Osaka Securities Exchange. Subject to the public listing of the pure holding company, steps will be taken to delist the stock of the Group’s principal operating arm Pasona Inc. In the future, Pasona will disclose all relevant information in connection with the aforementioned procedures under separate advice. Details of the proposed schedule are provided briefly as follows.

August 22, 2007	Ratification of the shift to a pure holding company structure at the Company’s 19th Annual General Meeting of Shareholders
November 27, 2007	Delisting of Pasona Inc. (planned)
December 3, 2007	Effective date of the establishment and public listing of the pure holding company, Pasona Group Inc. (planned)
Late January 2008	Share delivery date (planned)

Opening a Flagship Office in the Shin-Marunouchi Building

Scheduled to open in autumn 2007, Pasona has positioned its new Shin-Marunouchi Building Headquarters as the Group's flagship office and core base of operations. Serving as its nerve center, this office is expected to establish new trends and to disseminate information across the entire Group while developing value-added services for both client firms and job seekers. Focusing particularly on its client firms, Pasona will leverage the wealth of information and experience available within the Japan Society for Chief Human Officer, an organization comprised of over 650 corporate members throughout Japan, to stage a variety of human resource-related seminars. As a business partner to the personnel departments of its client firms, this new office will also allow Pasona customers to gain direct experience with Group companies and their services.

► Scheduled to open in the Shin-Marunouchi Building, Pasona Group Inc.'s new headquarters is ideally located, linked directly to Tokyo Station and within walking distance of five railway stations serviced by 21 railway lines.



Toward a New Temporary Staffing Stage

During the fiscal year ending May 31, 2008, the Pasona Group will redouble efforts to ensure a temporary staffing business infrastructure that remains free of discrimination, differentiation and disparity. In this context, Pasona plans to assign "Career Therapist" to provide counseling, coaching and advisory services with the aim of promoting improved work-life balance.

As a part of the Company's efforts to improve temporary staffing compensation, Pasona will subsidize a portion of traveling expenses for temporary staff working in the Tokyo, Osaka and Nagoya Metropolitan areas. At the same time, Pasona will step up initiatives in education and training-oriented fields launching the "Precious Career Academy" catering to specialist fields. Through these and other means, the Group will pursue measures that allow temporary staff to engage in work with an enhanced sense of confidence and pride.

Promoting Work-Life Balance

● Assigning Career Therapists

Pasona is establishing a network of career therapists that provide career counseling, coaching and advice.

● Safety Net Services

The Pasona Group is establishing a counseling service that provides face-to-face helpful advice in non-work-related matters encompassing general lifestyle and health.

Augmenting Fringe Benefits and Education

● Providing Partial Traveling Expense Subsidies

● Bolstering Education and Training

Pasona is further expanding its "Precious Career Academy" to regional areas and developing an employment support infrastructure through its Shigoto (Work) College covering each generation including the young age group, the elderly and housewives.

Expanding the Scope of Human Resource Business Services

In the fiscal year ending May 31, 2008, the Pasona Group will work toward strengthening human resource activities outside the mainstay Temporary staffing and Contracting business and to expand the scope of its business domain. As a part of these endeavors, Pasona will particularly focus on such growth markets as Outsourcing and Global services.

[Outsourcing Services]

Consolidating its service functions, the Pasona Group will promote packaged services as well as place significant emphasis on the public sector by serving public and local governments.

[Global Services]

The Pasona Group continues to pursue a full-fledged entry into the global placement business. To this end, Pasona is committed to strengthening the pipeline between Japan and Asia, Japan and the United States as well as Japan and Europe, while accelerating the opening of offices in China, a market of considerable growth potential. Through these means, the Group is developing human resource services across a broad field.



▲ The Pasona Group has opened an office in Beijing in July 2007 and plans to open an office in Wuxi this autumn. Looking toward the Beijing Olympics and Shanghai Exposition, Pasona is working to broaden the scope of its business services.

Pasona Inc.

Website Renewal

In consolidating its official corporate information Website with PASONET, the Group's employment information portal, Pasona has launched a renewed Internet-based information service that encompasses the complete activities of the Group overall. Catering to the needs of a wide variety of job seekers, firms looking to fill their human resource requirements, as well as stakeholders including shareholders and investors, the renewed Pasona Group Website provides an easy to navigate and understand "one-stop" comprehensive information service.

Incorporating the perspectives of Website users, Pasona has placed the utmost emphasis on navigation efficiency and ease of use. Steps have been taken to streamline Website contents, unify portal design and enhance functionality. In its renewed form, the Pasona Group's Website provides an easy to understand Group job search function that offers over 8,000 employment opportunities at any one given point in time. In addition, the site provides timely information with regard to seminars and training programs held at each branch and office.

Encompassing the aspects of "work," "learn" and "general lifestyle," the site also provides a host of information on support systems as well as a variety of employee benefit programs.

The trend toward Internet-based temporary staffing registration is steadily increasing on an annual basis. Following this most recent renewal of its Website, the Pasona Group has enjoyed a 50% increase in the number of registrations. Looking ahead, Pasona will continue to enhance Website functions in an effort to secure an ever-increasing number of temporary staffing registrants.

www.pasona.co.jp/english



Utilizing the "Group Job Search" function, job seekers can gain access to significant employment opportunities encompassing specialist positions and the complete database of the Pasona Group.



The Pasona Group's renewed Website top page provides easy to use information and directions for both job seekers and corporate employers.

Pasona Inc.

The Human Incubation Institute Launched — Chaired by Heizo Takenaka

In February 2007, Heizo Takenaka, former Minister of Public Management, Home Affairs, Posts and Telecommunications, was appointed as a special advisor to the Group. At the same time, Mr. Takenaka was asked to chair the Human Incubation Institute, a newly launched Pasona initiative. In promoting the education and training



"Fostering 100 Social Entrepreneurs" — An initiative that generated more than 300 applications throughout Japan.

of human resources, the Institute will engage in a variety of activities with the aim of resolving diverse social issues. Supporting "social entrepreneurs," Pasona strives to revitalize regional areas and to contribute to the well being and prosperity of society.

Pasona NA, Inc.

Pasona MIC, Inc. Established — a Joint-Venture Company with Mitsubishi International Corporation

Pasona NA, Inc., Pasona's U.S.-based subsidiary, and Mitsubishi International Corporation (MIC) established a joint-venture company, Pasona MIC, Inc. to provide comprehensive outsourcing services mainly to Japanese companies operating in the Midwest area of the United States. In providing comprehensive outsourcing services, this newly



Headquartered in Chicago, U.S.A., Pasona MIC, Inc. maintains offices in Detroit, Nashville and Cincinnati.

established joint venture will combine Pasona NA's experience in personnel and accounting outsourcing services cultivated in the United States with MIC's strengths in information technology and logistics.

www.pasona.com

Pasona Inc.

Startup of the Freeter Association — Supporting the Young to Pursue New Challenges

Pasona launched the Freeter Association, an organization that provides a variety of services in support of the young age bracket not engaged in full-time work. In addition to career development support, the Association offers independent fringe benefit services including mental health care and lifestyle support. Selecting from a diverse service menu,



The Freeter Association provides young job seekers with a broad service menu that encompasses employment information as well as lifestyle support. With a host of functions, the Association is providing today's youth with both encouragement and motivation.

association members can freely exchange information utilizing F-navi, a freeter-oriented information portal, and F-friends, a social network service. At the same time, the Association provides a telephone consulting service as well as such employee benefits as accommodation at member rates.

www.fkyoukai.com

The Pasona Group Job Exposition

The Pasona Group Job Exposition — "Work Life Balance with Pasona" — Held Simultaneously across Japan

The Pasona Group held a Job Exposition, "Work Life Balance with Pasona," a series of seminars and events that helped individuals to review both their work and general life styles with the aim of providing hints and advice on how to better pursue a fulfilling life. Events were held simultaneously across 60 locations and attended by approximately 10,000



Keynote lectures were given by a variety of prominent speakers. Visitors to the Exposition listened enthusiastically to advice on how to better pursue a fulfilling lifestyle.

participants. Looking ahead, the Pasona Group will endeavor to create an environment that allows individuals to fulfill their personal expectations and potential while proposing a variety of diverse work styles. At the recently completed exposition, participants listened enthusiastically to a number of prominent speakers, who through keynote lectures offered pertinent advice on pursuing a rich and fulfilling life.

www.pasona.co.jp/shokuhaku
(Japanese only)

Major Events in the Second Half of the Fiscal Year under Review

Dec. 2006	Pasona Youth Inc. Pasona Inc. Pasona Inc. Pasona N A, Inc.	Commenced placement and recruiting services targeting the young age bracket. Launched the Shizuoka Commission of the Japan Society for Chief Human Officer. Established the Freeter Association as a service to help the young age bracket to pursue their dreams and challenges. Establish Pasona MIC, Inc., a joint-venture company in conjunction with Mitsubishi International Corporation, to provide comprehensive outsourcing services in the United States.
January 2007	Pasona Career Inc. Pasona Inc. Pasona Inc. Pasona Inc. Pasona Inc. Pasona Inc.	Commenced nationwide business activities as a placement/recruiting and outplacement services company. Received a comprehensive order from Aichi Prefecture encompassing general administrative activities. Held the Yoko Minami Embroidery Exhibition in Shibuya, in support of artists with physical disabilities. Launched the Sendai Commission of the Japan Society for Chief Human Officer. Held auditions for P-ChestraCLUB in support of the musical activities of temporary staff. Appointed Heizo Takenaka as special advisor to the Company and a member of the Pasona Group's Advisory Board.
February 2007	Pasona Inc. Pasona Tech, Inc. Pasona Inc. Pasona Group Job Exposition Pasona Sportsmate Inc. Pasona Inc.	Opened Pasona Fuchu Branch, a suburban-type office seeking to develop close ties to the local community. Commenced recruiting support services focusing on engineers and technicians from India. Launched the Human Incubation Institute, a new organization chaired by Special Advisor Heizo Takenaka. Held the "Work Life Balance with Pasona" Exposition, an event staged simultaneously across 60 branches in Japan. Held the "Business Etiquette Training Seminar for Athletes" in support of the sports persons seeking employment. Received a comprehensive order from Toyama Prefecture encompassing general administrative temporary staffing and contracting.
March 2007	Pasona Inc. PASONA O ₂ Benefit One Inc. PASONA O ₂	Launched the "Pasona Shadow Cabinet," an organization charged with the responsibility of discussing social issues and formulating solutions. Held an event in support of agricultural employment in conjunction with second year anniversary celebrations. Provided a free "voice messaging" service, targeting employee benefit members. Held a special event, "Let's enjoy rice harvesting while viewing the cherry blossoms," during the spring vacation.
April 2007	Pasona Inc. Pasona Education (Hong Kong) Pasona Inc. NARP Inc. Pasona Inc. Pasona Foster Inc. Pasona Inc.	Commenced a program to support civil servants employed by the national government seeking a career change. Commenced a business etiquette and customer service training seminar targeting Chinese companies. Opened "Agri-MBA Agricultural Business School," an agricultural support group that provides education and training in agricultural management. Concluded a business tie-up with the "Otona no Kyujitsu Club" of JR East. Held the 14th Angel Tennis Cup, a wheelchair tennis tournament. Established "Kids Sophia Hakusan," a child-care center accredited by Bunkyo Ward, in support of mothers and the rearing of children. Opened "CLUB PASONA — Omotesando," an employee benefit facility in support of the Pasona Group's nationwide temporary staff.
May 2007	HR Partners Inc. Pasona Inc. Pasona Career Inc. PASONA O ₂ Pasona Inc.	Renewed the "JOB ALL STARS" employment Website. Commenced "Mobile Edition" and "Mental Health Care Support." Commenced the Agriculture Internship Project 2007 in Wakayama. Commenced agency consultancy services on behalf of Hiroshima Prefecture. Held the "Basement Rose Garden" special talk event. Expanded Pasona Nagoya with the aim of providing services that leverage the collective strengths of the Pasona Group.

Corporate Social Activity Highlights

Pasona Taiwan December 2006
Charity Flea Market



Celebrating its 19th anniversary since establishment, Pasona Taiwan held a charity flea market. On this day, office booths were rearranged and decorated as individual stores. The proceeds raised were donated to United Way Taiwan.

Pasona Nagoya March 2007
Hori River Cleanup Activities



Pasona Nagoya took part in a cleanup campaign of the Hori River, which flows through the heart of Nagoya. Pasona strives to promote increased awareness as well as communication and information exchange with the local community through activities such as environmental beautification.

Pasona Kanazawa April 2007
Participation in the Special Olympics
Japan Sports Caravan in Ishikawa



Employees at Pasona's Kanazawa office were paired with athletes with disabilities, who together enjoyed the pleasures of sport. A resounding success, the event was filled with comments of enjoyment and gratitude.

Since its foundation, the Pasona Group has worked diligently to provide “Solutions to Society’s Problems” by creating employment opportunities. Guided by this corporate philosophy, our goal is to establish and develop an employment infrastructure that enables individuals to freely choose the kind of work they would like to do irrespective of age and gender.

Put simply, Pasona’s raison d’être is to support individuals in their efforts to realize their full potential. As “social activists,” the mission of each and every employee of the Pasona Group is to create a forum in which individuals can make the most of their talents and abilities. We are committed to helping job seekers secure a satisfying and challenging position within society and to support client firms in maintaining healthy corporate activities. Through these means, the Pasona Group will continue to help realize a comfortable and prosperous life for all and remain an essential member of the community at large.

Pasona’s “Ambition” Academy

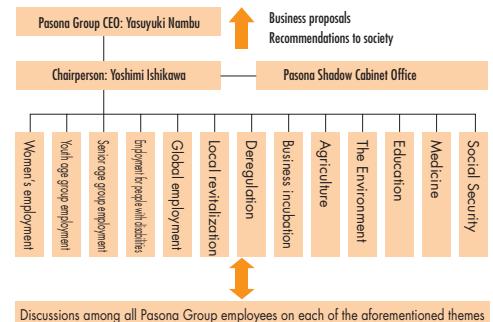
The Pasona Group strives to create an endless stream of employment opportunities that take full advantage of its younger employees as well as the advanced skills and experience of middle-aged and elderly staff. At the same time, the Group places significant emphasis on employee education and training. As a part of these endeavors, Pasona “Ambition” Academy was established in June 2007 with the aims of further cultivating the skills and capabilities of individual employees, enabling them to serve as human resource professionals, and creating a host of opportunities that contribute to the well being and prosperity of society.

The Pasona Shadow Cabinet

In celebration of the Company’s foundation, Pasona launched the Pasona Shadow Cabinet on February 16, 2007. This Cabinet is an in-house organization entrusted with the responsibility of reviewing social issues from the perspective of a corporate entity, and fostering the human resources capable of advancing appropriate solutions. Positioning “employment” as its starting point, the Pasona Shadow Cabinet discusses certain issues and formulates appropriate proposals across 13 broad themes, while adopting a stance consistent with the government and public administration. Sub-committees comprising executive officers and select employees are established to discuss, analyze and research each theme. In addition to nurturing in-house human resources, the activities of each sub-committee contribute to the actual activities of the Group and subsequently to the betterment of the local community.



Pasona Shadow Cabinet Organization Chart



Expanding the Scope of Social Contribution Activities across Japan

Throughout fiscal 2006, Pasona participated in a wide variety of social contribution activities both in Japan and overseas, specific to each Group company locality. These activities included environmental protection and beautification initiatives, local event participation and support for people with disabilities as well as social welfare programs. Recognizing its responsibility as a good corporate citizen, Pasona has continued to encourage Group employees to play an active role in social contribution activities. In the fiscal year under review, an aggregate total of 1,610 Pasona Group employees and registered temporary staff took part in programs and events that served to contribute to the local community.

● Global Environmental Protection Action Plan

Centering on the Pasona Group's Social Contribution Committee, each office of the Pasona Group formulates its own Global Environmental Protection Action Plan, which is reviewed on a quarterly basis. As the importance of environmental protection gradually takes hold within each Pasona office, the Group continuously ramps up its effort and initiatives.

Pasona Sapporo	Recycling activities, which include the collection of milk cartons
Pasona Tsukuba	Certification as an ECO office (eco-friendly office)
Tokyo Headquarters	Eco-Life seminars and the "My Cup" promotion
The Kanagawa Region	The "My Bag" and "My Chopsticks" campaigns

● The Eco-Run Grand Prix

Recognizing the harmful effects of CO₂ emissions, particularly as a direct cause of global warming, Pasona has been active in efforts to reduce automobile exhaust gas. As a part of these endeavors, Pasona implemented its second Eco-Run Grand Prix between February and April 2007, an environmentally friendly eco-drive promotion. As a result, Pasona achieved a 10% improvement in fuel consumption compared with the corresponding period of the previous year.



Local Community Contribution Activities Undertaken by the Social Contribution Committee in Fiscal 2006

December 2006

Pasona Mito	Cleanup of a facility for people with disabilities
Pasona Ginza	Cleanup of the Ginza area
Pasona Kinshicho	Cleanup of the area in front of Kinshicho station
Pasona Osaka	Participation in a Christmas event at a school for disabled children
Pasona Fukuoka	Holding of a milk carton-recycling program
Pasona Taiwan	Holding of a charity flea market

January 2007

Pasona Asia	Participation in "Walks for Millions Hong Kong and Kowloon Walk"
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February

Pasona Sendai	Registration as a disaster volunteer coordinator with the municipality of Sendai
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March

Tokyo Headquarters	Cleanup of the Daimaruyu Area Management Joban Park
Pasona Nagoya	Cleanup of the Hori River

April

Pasona Takasaki	Participation in the Takasaki City Environment Fair 2007 Cleanup Campaign
Pasona Chiba	Attendance at an emergency procedures seminar
Pasona Shizuoka	Visit to the Gotemba Children's Festival Kindergarten
Pasona Kanazawa	Participation in the Special Olympics Japan Sports Caravan in Ishikawa
Pasona Kanazawa	Support as a Noto earthquake disaster volunteer
Pasona Hiroshima	Participation in the Sakura Association mini concert

May

Pasona Sapporo	Participation in the Love Earth Cleanup in Hokkaido Campaign
Pasona Takasaki	Blood donation
Pasona Tsukuba	Cleanup of Mount Tsukuba, holding of an eco barbeque
Pasona Shinjuku	Attendance at an emergency procedures seminar, registration as a disaster volunteer
Pasona Shinagawa	Participation in the Shinagawa Inter-City Flea Market
The Kanagawa Region	Participation in the "Walk the World — Save the World from Starvation" event
Pasona Osaka	Participation in the Nakanoshima Eco Challenge
Pasona Kochi	Volunteer participation at a sports competition for people with disabilities in Kochi Prefecture

Year-Round

Pasona Tsukuba	Accreditation as an ECO office
The Chiba Region	Blood donation
Pasona Ikebukuro	Tackling the Issue of Bicycles Parked in front of Ikebukuro Station
Pasona Atsugi	Cleanup of the area in front of Atsugi station on the 30th of each month
Pasona Okazaki	Morning clean up once a month of the area around Otogawa River
Pasona Hiroshima	Clean up and maintenance of the flowerbeds along Heiwadaidori
Pasona Takamatsu	Clean up of areas throughout Takamatsu City on the first Thursday of each month, blood donation
Benefit One Inc.	Clean up of the area around Shibuya station on Friday of each week

Corporate Social Activity Highlights

Pasona Tsukuba May 2007
Mount Tsukuba Cleanup Activities
and an ECO Barbeque



Pasona participated in cleanup activities of the trail along Mount Tsukuba following the Golden Week holidays. An ECO barbeque was also held attended by 62 staff and family members focusing on efforts to reduce waste.

Pasona Shinjuku May 2007

Attendance at an Emergency Procedures Seminar and Registration as a Disaster Volunteer



Through participation in emergency procedure seminars and registration as a disaster volunteer, Pasona is endeavoring to take on a more active role in emergency situations in an effort to benefit the local community.

Pasona Ikebukuro Year-Round

Tackling the Issue of Bicycles Parked in front of Ikebukuro Station



Together with members of the Toshima NPO Promotion Conference, Pasona strives to promote a more beautiful city through a variety of activities. Five times a month, employees tackle the problem of bicycles parked in front of Ikebukuro station.

NARP Inc.

NARP was established in April 2005. Targeting the over 50s age bracket, comprising the baby boomer generation and elderly, the company is active in three broad business fields including employee benefits, employment creation and management of social and alumni associations.

Japan continues to experience a rapidly aging population and decline in its birthrate. The so-called “2007 Problem,” namely the large volume retirement of the baby boomer generation, is expected to drive significant change in employment conditions and the lifestyles of the middle-aged and elderly. Countering this phenomenon, however, is emergence of an over 50s age bracket that is increasingly characterized by its energy and vitality. Through retirement from a company with which they have maintained a lengthy relationship, there are therefore a growing number of people experiencing uncertainties surrounding the next step toward a second life.

Leveraging the services of Group companies such as the fringe benefit menu of Benefit One Inc., NARP provides the elderly age bracket with a host of services equivalent to those privileges enjoyed before retirement. Offering a variety of membership programs to broad-based lifestyle support services, NARP delivers post retirement fringe benefits as well as travel, leisure, asset management and legal advice and support for medical examinations. Furthermore, NARP offers second career support to the elderly. Maximizing the benefits of the Pasona Group infrastructure and network, NARP allows individuals with skills and expertise nurtured over a lengthy period to find highly specialized work, and delivers access to information that allows elderly job seekers to secure employment consistent with individual lifestyles such as work on a limited basis including two to three times a week.

With an initial registration cost of ¥10,000 and monthly membership fees of ¥500 (annual membership fee ¥6,000), NARP’s services are proving extremely popular.

While continuing to focus on the elderly age bracket, NARP will expand its business scope to encompass a variety of generations. Looking ahead, the company is committed to realizing a society in which all individuals can lead a fulfilling social and working life.



NARP provides second-life support through a diverse fringe benefit menu. Services included travel, leisure and sporting advice for medical examinations as well as asset management consulting.



NARP provides invaluable employment information that allows the elderly age bracket to secure work in line with their lifestyle needs while taking full advantage of their specialized knowledge, experience and human networks.

Company Profile

Company Name: NARP Inc.
 Representative: Hideo Nakamura, President
 Head Office: 9th Floor, Yamato Seimei Building
 1-1-7 Uchisaiwai-cho, Chiyoda-ku,
 Tokyo
 Established: April 25, 2005
 Capital: ¥100 million
 Business Activities: Fringe benefit membership
 business targeting the senior age
 bracket, Employment creation,
 Management of social
 and alumni associations.



www.narp.jp

●Request for information: +81-3-3580-5533

Corporate Clients



• Social and alumni
 association management
 services

NARP Inc.



• narclub
 membership
 registration

• Employment
 information
 • Lifestyle
 support
 services

NARP Members

(Service Menu)

- Medical examination,
 health consultation
- Child and nursing care
- Education and culture
- Discount services for health resorts
 and massage
- Discount services for fitness clubs
- Discount services for travel
 and hotel accommodation
- Discount services for restaurants



CLUB PASONA — OMOTESANDO — OPEN

omotesando

Working with Excitement and Vitality

CLUB PASONA — OMOTESANDO offers a resident concierge, who provides pertinent work and training advice. For individuals seeking to raise their skills and capabilities, the facility offers a wealth of seminars that enhance potential.



LEARNING



COMMUNICATION

Enjoyable Conversation

The facility houses a restaurant that provides Japanese style cuisine using select organic vegetables free of agricultural chemicals. Visitors can enjoy a healthy meal in a relaxing and leisurely environment.

An Elegant and Gracious Experience

In order to allow members of Pasona Musicmate to pursue both musical interests and a working life, the facility offers a series of quality concerts, particularly in the classical field. Members can enjoy the pleasures of music while enjoying a delicious meal.



MUSIC



RELAXATION

A Special Reward

CLUB PASONA OMOTESANDO provides nail care, reflexology and the increasingly popular oxygen capsule. Other facility services include a self makeup area that allows women to redo their makeup or restyle their hair.

CLUB PASONA

On April 26, 2007, Pasona opened CLUB PASONA — OMOTESANDO for the benefit of Pasona Group temporary staff across Japan.

The facility offers a host of features designed to enhance comfort, health, beauty and peace of mind. Pasona Group temporary staff, their friends and families can enjoy a quiet conversation in the café lounge, a healthy and exquisite meal as well as live classical music in the restaurant facility and bar, and health and beauty support at the relaxation salon that offers nail care and reflexology facilities. For those seeking to improve their business skills and capabilities, or to further expand their interests, CLUB PASONA — OMOTESANDO provides a culture school. From a work and career development perspective, the facility maintains a resident concierge, offering a host of personalized consulting services.

In addition to providing career development support, CLUB PASONA — OMOTESANDO strives to deliver an oasis for friends to come together and to enjoy a pleasurable, healthy and invigorating environment.

Information

OPEN Monday to Saturday 11:30 to 22:00 (Last order 21:30)
Sundays and Public Holidays 11:30 to 21:00 (Last order 20:30)

2nd & 3rd Floors, 1-13-9 Jingumae, Shibuya-ku, Tokyo
TEL: +81-3-6894-0001



- **Consolidated net sales increased 13.5% compared with the previous fiscal year to ¥231.2 billion. 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 growth in highly profitable fields. Ordinary income climbed 12.3% year on year to ¥8.8 billion while net income remained firm for the fiscal year under review, increasing 17.0% to ¥4.2 billion.**

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 reinforce initiatives designed to attract and secure high-quality temporary staff. Based on these endeavors, the Company was successful in increasing the number of temporary staff. In 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

Note: Results by business segment include intersegment sales and transfers.

Consolidated Results for the Fiscal Year Ended May 31, 2007

(Millions of yen)	06/5	(%)	07/5	(%)	Increase/Decrease	YoY	(%)
Net sales	203,815	(100.0)	231,231	(100.0)	27,416	+13.5%	(—)
Cost of sales	162,578	(79.8)	184,181	(79.7)	21,602	+13.3%	(-0.1)
Gross profit	41,236	(20.2)	47,050	(20.3)	5,813	+14.1%	(+0.1)
SGA expenses	33,491	(16.4)	38,542	(16.6)	5,051	+15.1%	(+0.2)
Operating income	7,745	(3.8)	8,507	(3.7)	761	+9.8%	(-0.1)
Ordinary income	7,844	(3.8)	8,807	(3.8)	962	+12.3%	(0.0)
Net income	3,588	(1.8)	4,198	(1.8)	609	+17.0%	(+0.1)

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 healthy 17.0% improvement on the previous fiscal year's result.

Business Segment Information

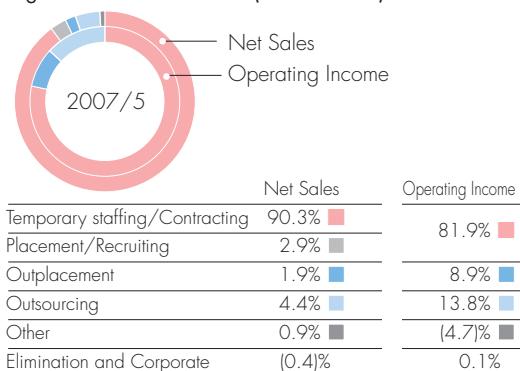
Temporary Staffing / Contracting / Placement and Recruiting

[Temporary Staffing / Contracting]

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, while signs began to

Segment Share Information (Consolidated)



emerge of a pickup in demand in certain regional areas such as Kyushu.

In the fiscal year under review, the Pasona Group worked tirelessly to enhance temporary staffing welfare benefits and support systems as well as compensation. This contributed to long-term stability and steady results in the number of temporary staff at work. 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.

[Placement / Recruiting]

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. The Group also raised its focus on the placement and recruiting of women. Looking ahead, 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

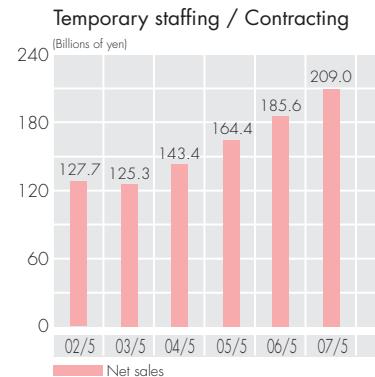
Resources (Shanghai) Co., Ltd. in the scope of consolidation, net overseas sales in this segment totaled ¥2,651 million, a significant jump of 68.2% year on year. Combining domestic and overseas results, total net sales in the Placement and Recruiting segment surged 46.3% compared with the previous fiscal year to ¥6,645 million.

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 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 the 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.

Results by Business Segment

Net Sales	(Millions of yen)		
	06/5	07/5	YoY
Temporary staffing/Contracting	185,584	208,952	+12.6%
Placement/Recruiting	4,542	6,645	+46.3%
Outplacement	4,008	4,408	+10.0%
Outsourcing	8,219	10,226	+24.4%
Other	2,303	1,975	(14.3)%
Elimination and Corporate	(842)	(976)	—

Operating Income	(Millions of yen)		
	06/5	07/5	YoY
Temporary staffing/Contracting, Placement/Recruiting	6,556	6,964	+6.2%
Outplacement	966	758	(21.5)%
Outsourcing	903	1,174	+30.0%
Other	(699)	(396)	—
Elimination and Corporate	17	6	(66.1)%



Outplacement

Continued recovery in the corporate sector has contributed to a decline in the incidence of early and voluntary retirement. This in turn has placed 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. 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 year-on-year increases in office improvement costs.

Outsourcing

The market for employee benefit outsourcing services is enjoying high rates of sustained market growth. Driven by the need to better satisfy employees, this is attributed to demands from mainstay clients in both the corporate and public sectors for a broad range of services. Under these circumstances, Pasona Group company Benefit One Inc. is working to expand its business by promoting its conventional employee benefit outsourcing services, while reinforcing its total compensation proposal marketing.

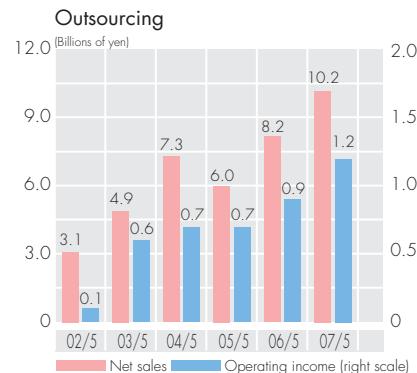
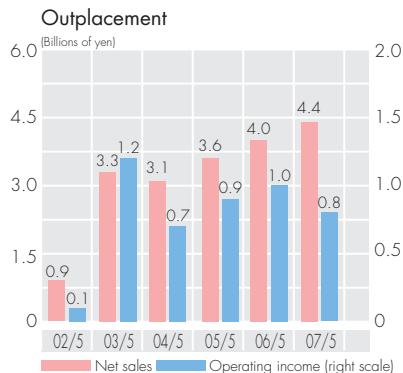
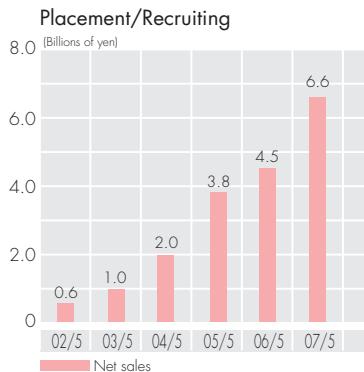
In addition, Benefit One took full advantage of its rich benefit

menu on a number of levels to focus on the sale of new products. These included the introduction of a points system that encompasses “Anniversary Station,” a system of congratulatory and condolence payments as well as incentives, such as “Incentive Café.” 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, 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

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 Other segment totaled ¥1,975 million, a decrease of 14.3% compared with the previous fiscal year. Pasona also incurred an operating loss in the Other segment of ¥396 million, down from ¥699 million in the previous fiscal year.



Outlook for the Fiscal Year Ending May 31, 2008

The Pasona Group recognizes that amid strong demand for human resources, the opportunity exists to secure significant growth. On this basis, Pasona will proactively pursue investments in each of its human resource-related business activities. At the same time, the Group is committed to further strengthening compliance while focusing on its temporary staffing business as the means to better differentiate the Group from its competitors.

In the temporary staffing and contracting business, Pasona will develop new initiatives based closely on the perspectives of temporary staff. Among a variety of measures, Pasona will look to subsidize a portion of temporary staff traveling expenses and augment its training systems and programs. In addition, the Company will utilize Club Pasona — Omotesando, the Group's flagship employee benefit facility, to stage a series of events targeting temporary staff. In this fashion, Pasona is endeavoring to bolster communication and facilitate efforts to secure quality temporary staff and to stabilize long-term employment.

In the placement and recruiting business, Pasona will continue to promote the development of nationwide services in Japan with the aim of maximizing synergy benefits through integration with the Group's outplacement activities. Overseas, Pasona will expand its business scale in China, market recognized for its significant growth potential.

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

In the Outsourcing segment, the Pasona Group will work to

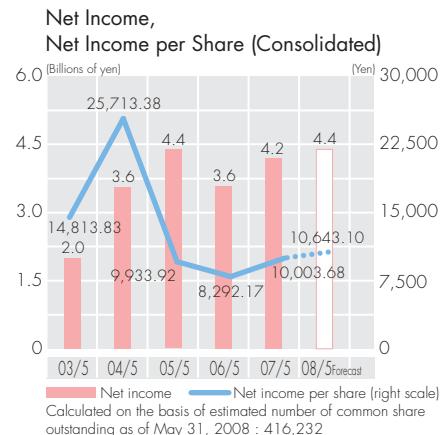
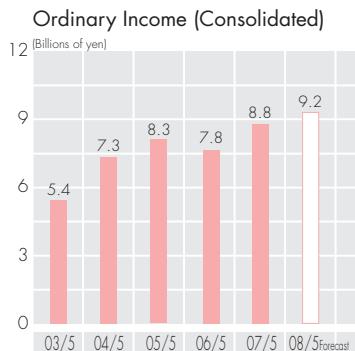
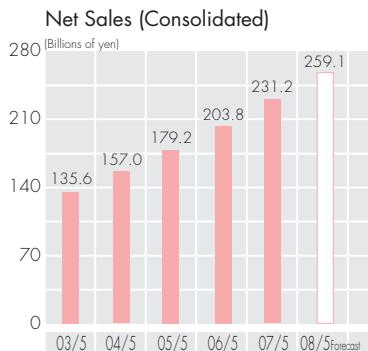
secure new members by providing high quality services that accurately address corporate needs. The Group will also reinforce marketing efforts as demand spreads to small- and medium-sized companies.

Buoyed by these major 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. On the earnings front, the operating income margin is estimated to fall 0.2 of a percentage point to 3.5%. This is attributed to strategic expenditure targeting medium- to long-term growth. As a result, consolidated operating income for the fiscal year ending May 31, 2008 is expected to grow 8.0% compared with the fiscal year under review to ¥9,190 million. Consolidated ordinary income is anticipated to increase 4.8% year on year to ¥9,230 million and consolidated net income to rise 5.5% to ¥4,430 million.

Dividends

For the fiscal year ended May 31, 2007, Pasona has declared a period-end dividend of ¥1,000 per share. Together with the interim dividend of ¥1,000 per share, the annual dividend for the fiscal year under review is ¥2,000 per share.

Looking to the future, and the shift to a pure holding company structure in December 2007, Pasona has identified a consolidated dividend payout ratio target of 25% from the fiscal year ending May 31, 2008. Accordingly, for the current fiscal year, the Pasona Group plans to pay an interim dividend of ¥1,200 per share and a period-end dividend of ¥1,300 per share for an annual dividend of ¥2,500 per share.



Consolidated Balance Sheets (Summary)

(Millions of yen)

	FY ended 2006 (As of May 31, 2006)	FY ended 2007 (As of May 31, 2007)
ASSETS		
Current assets	38,928	39,086
Fixed assets	13,003	15,338
Property and equipment	3,563	4,384
Intangible assets	2,390	2,647
Investments and other assets	7,048	8,306
Total assets	51,931	54,425
LIABILITIES		
Current liabilities	22,788	25,704
Long-term liabilities	1,508	1,816
Total liabilities	24,297	27,520
NET ASSETS		
Common stock	8,322	8,358
Capital surplus	7,457	7,493
Retained earnings	7,664	10,636
Treasury stock	—	(4,287)
Total shareholders' equity	23,444	22,200
Total valuation and conversions	201	175
Minority interests	3,988	4,528
Total net assets	27,634	26,904
Total liabilities and net assets	51,931	54,425

Net Assets

Net assets contracted ¥729 million, or 2.6%, compared with the end of the previous fiscal year 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. The shareholders' equity ratio declined 4.4 percentage points compared with the previous fiscal year-end to 41.1%.

Consolidated Statements of Income (Summary)

(Millions of yen)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Net sales	203,815	231,231
Cost of sales	162,578	184,181
Gross profit	41,236	47,050
Selling, general and administrative expenses	33,491	38,542
Operating income	7,745	8,507
Non-operating income	217	410
Non-operating expenses	118	110
Ordinary income	7,844	8,807
Extraordinary gain	233	249
Extraordinary loss	662	335
Income before income taxes and minority interests	7,415	8,720
Income taxes - current	3,856	4,073
Income taxes - deferred	(473)	(51)
Minority interests	444	500
Net Income	3,588	4,198

Net Sales

Net sales in growth areas continued to expand steadily. This included Placement and Recruiting business sales, which climbed 46.3% compared with the previous fiscal year to ¥2,103 million, and Outsourcing business sales, which rose 24.4% year on year to ¥2,006 million. As a result, human resource-related sales outside the mainstay Temporary staffing and Contracting business increased gradually as a percentage of total net sales.

Operating Income

The Pasona Group enjoyed sales growth in relatively high profit business fields. This was partly offset by an increase in selling, general and administrative expenses reflecting initiatives to attract and retain high quality temporary staff. Accounting for these factors, operating income improved ¥761 million, or 9.8%, compared with the previous fiscal year to ¥8,507 million, while the operating income margin edged down 0.1 of a percentage point to 3.7%.

Net Income

In the fiscal year under review, Pasona 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. At the same time, the Company incurred 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, an increase of ¥609 million, or 17.0%, compared with the previous fiscal year.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	Shareholders' Equity					Valuation and Conversions			Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Net Unrealized Gain on Other Securities	Foreign Currency Translation Adjustment	Total Valuation and Conversions		
Balance as of May 31, 2005	8,285	7,420	4,821	—	20,526	124	(6)	118	3,135	23,780
Movements during fiscal year ended May 31, 2006:										
Issuance of new shares	37	37	—	—	74	—	—	—	—	74
Distribution of surplus	—	—	(648)	—	(648)	—	—	—	—	(648)
Net income	—	—	3,588	—	3,588	—	—	—	—	3,588
Payment of directors' bonus	—	—	(92)	—	(92)	—	—	—	—	(92)
Decrease due to the increase in affiliated companies accounted for by the equity method	—	—	(4)	—	(4)	—	—	—	—	(4)
Net change in line items other than shareholders' equity	—	—	—	—	—	15	67	83	852	936
Total due to movements during the fiscal year ended May 31, 2006	37	37	2,843	—	2,917	15	67	83	852	3,853
Balance as of May 31, 2006	8,322	7,457	7,664	—	23,444	140	61	201	3,988	27,634
Balance as of May 31, 2006	8,322	7,457	7,664	—	23,444	140	61	201	3,988	27,634
Movements during the fiscal year ended May 31, 2007:										
Issuance of new shares	35	35	—	—	71	—	—	—	—	71
Distribution of surplus	—	—	(1,195)	—	(1,195)	—	—	—	—	(1,195)
Net income	—	—	4,198	—	4,198	—	—	—	—	4,198
Payment of directors' bonus	—	—	(2)	—	(2)	—	—	—	—	(2)
Acquisition of treasury stock	—	—	—	(4,287)	(4,287)	—	—	—	—	(4,287)
Decrease due to the decrease in subsidiary companies	—	—	(27)	—	(27)	—	—	—	—	(27)
Net change in line items other than shareholders' equity	—	—	—	—	—	(43)	17	(25)	539	514
Total due to movements during the fiscal year ended May 31, 2007	35	35	2,972	(4,287)	(1,243)	(43)	17	(25)	539	(729)
Balance as of May 31, 2007	8,358	7,493	10,636	(4,287)	22,200	96	79	175	4,528	26,904

Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Cash flows from operating activities	6,895	5,897
Cash flows from investing activities	(4,341)	(3,226)
Cash flows from financing activities	(164)	(5,607)
Effect of exchange rate changes on cash and cash equivalents	63	29
Net (decrease) increase in cash and cash equivalents	2,452	(2,905)
Cash and cash equivalents at beginning of the year	12,203	14,656
Cash and cash equivalents at end of the year	14,656	11,750

Cash Flows from Operating Activities

Principal movements in operating cash flows included income before income taxes, which increased ¥1,304 million compared with the previous fiscal year, a 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.

Cash Flows from Investing Activities

Major components in cash flows from investing activities included payments for purchases of fixed assets totaling ¥1,020 million, payments for purchases of intangible assets such as software amounting to ¥673 million and payments for purchases of investment securities of ¥514 million.

Cash Flows from Financing Activities

Principal movement in financing cash flows comprised payments for purchases of treasury stock amounting to ¥4,287 million and payments for dividends totaling ¥1,306 million.

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-Consolidated Balance Sheets (Summary)

(Millions of yen)

	FY ended 2006 (As of May 31, 2006)	FY ended 2007 (As of May 31, 2007)
ASSETS		
Current assets	20,057	18,649
Fixed assets	16,763	15,290
Property and equipment	2,393	2,896
Intangible assets	616	645
Investments and other assets	13,753	11,747
Total assets	36,820	33,939
LIABILITIES		
Current liabilities	12,853	14,886
Long-term liabilities	757	921
Total liabilities	13,610	15,808
NET ASSETS		
Common stock	8,322	8,358
Capital surplus	7,457	7,493
Retained earnings	7,382	6,547
Treasury stock	—	(4,287)
Total shareholders' equity	23,162	18,111
Total valuation and conversions	47	20
Total net assets	23,209	18,131
Total liabilities and net assets	36,820	33,939

Non-Consolidated Statements of Income (Summary)

(Millions of yen)

	FY ended 2006 (June 1, 2005 to May 31, 2006)	FY ended 2007 (June 1, 2006 to May 31, 2007)
Net sales	144,864	162,085
Cost of sales	121,161	135,980
Gross profit	23,703	26,104
Selling, general and administrative expenses	18,602	21,281
Operating income	5,101	4,822
Non-operating income	159	213
Non-operating expenses	45	66
Ordinary income	5,214	4,970
Extraordinary gain	—	564
Extraordinary loss	694	2,978
Income before income taxes	4,520	2,556
Income taxes - current	2,323	2,044
Income taxes - deferred	(345)	152
Net Income	2,542	360

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	Shareholders' Equity								Valuation and Conversions	Total Net Assets	
	Common Stock	Capital Surplus			Retained Earnings			Treasury Stock			Total Shareholders' Equity
		Capital Reserve	Other Capital Surplus	Total Capital Surplus	Other Reserve	Unappropriated Retained Earnings Brought Forward	Total Retained Earnings				
Balance as of May 31, 2005	8,285	3,823	3,597	7,420	—	6,123	6,123	—	21,828	123	21,952
Movements during fiscal year ended May 31, 2006:											
Issuance of new shares	37	37	—	37	—	—	—	—	74	—	74
Distribution of surplus	—	—	—	—	—	(648)	(648)	—	(648)	—	(648)
Net income	—	—	—	—	—	2,542	2,542	—	2,542	—	2,542
Payment of directors' bonus	—	—	—	—	—	(75)	(75)	—	(75)	—	(75)
Transfer to other reserve	—	—	—	—	4,500	(4,500)	—	—	—	—	—
Loss on retirement of shares following merger	—	—	—	—	—	(559)	(559)	—	(559)	—	(559)
Net change in line items other than shareholders' equity	—	—	—	—	—	—	—	—	—	(75)	(75)
Total due to movements during the fiscal year ended May 31, 2006	37	37	—	37	4,500	(3,240)	1,259	—	1,333	(75)	1,257
Balance as of May 31, 2006	8,322	3,860	3,597	7,457	4,500	2,882	7,382	—	23,162	47	23,209
Balance as of May 31, 2006	8,322	3,860	3,597	7,457	4,500	2,882	7,382	—	23,162	47	23,209
Movements during fiscal year ended May 31, 2007:											
Issuance of new shares	35	35	—	35	—	—	—	—	71	—	71
Distribution of surplus	—	—	—	—	—	(1,195)	(1,195)	—	(1,195)	—	(1,195)
Net income	—	—	—	—	—	360	360	—	360	—	360
Acquisition of treasury stock	—	—	—	—	—	—	—	(4,287)	(4,287)	—	(4,287)
Net change in line items other than shareholders' equity	—	—	—	—	—	—	—	—	—	(27)	(27)
Total due to movements during the fiscal year ended May 31, 2007	35	35	—	35	—	(835)	(835)	(4,287)	(5,050)	(27)	(5,078)
Balance as of May 31, 2007	8,358	3,896	3,597	7,493	4,500	2,047	6,547	(4,287)	18,111	20	18,131

PRINCIPAL FINANCIAL INDICATORS

Consolidated

(Millions of yen)

		FY ended May 2002	FY ended May 2003	FY ended May 2004	FY ended May 2005	FY ended May 2006	FY ended May 2007
Results	Net sales	133,822	135,625	156,979	179,156	203,815	231,231
	Gross profit margin	18.2%	19.7%	20.9%	20.8%	20.2%	20.3%
	Selling, general and administrative expenses	19,557	21,058	25,104	28,992	33,491	38,542
	SG&A expenses ratio	14.6%	15.5%	16.0%	16.2%	16.4%	16.6%
	Operating income	4,786	5,687	7,648	8,238	7,745	8,507
	Operating income margin	3.6%	4.2%	4.9%	4.6%	3.8%	3.7%
	Ordinary income	4,222	5,373	7,329	8,289	7,844	8,807
	Ordinary income margin	3.2%	4.0%	4.7%	4.6%	3.8%	3.8%
	Net income	1,974	2,027	3,647	4,363	3,588	4,198
	Net income to net sales	1.5%	1.5%	2.3%	2.4%	1.8%	1.8%
Financial Position	Total assets	26,526	29,425	37,004	42,884	51,931	54,425
	Net assets* ¹	6,388	8,418	15,732	20,644	27,634	26,904
	Shareholders' equity ratio* ^{2,3}	24.1%	28.6%	42.5%	48.1%	45.5%	41.1%
	Current ratio* ⁴	121.6%	122.3%	160.2%	182.8%	170.8%	152.1%
Per Share Data* ⁵	Net income (Yen)* ⁶	73,738.60	14,813.83	25,713.38	9,933.92	8,292.17	10,003.68
	Total shareholders' equity (Yen)* ^{1,7}	233,808.15	61,600.04	110,676.06	47,510.68	54,599.58	53,759.81
Number of Employees *Excludes contract workers		1,537	1,687	1,979	2,204	2,608	3,126

*1 The Pasona Group adopted "Accounting Standards for the Presentation of Net Assets in the Balance Sheet" from the fiscal year ended May 31, 2006.

*2 While the criteria for calculating net assets has changed in line with changes in accounting standards, Pasona has applied the conventional standard and utilized an amount equivalent to net assets applicable to common stock in the calculation of the shareholders' equity ratio from the fiscal year ended May 31, 2006. *3 Net Assets applicable to common stock / Total Assets x 100 *4 Current Assets / Current Liabilities x 100 *5 Pasona conducted a 5:1 stock split on July 22, 2002. *6 Net Income / Average Outstanding Shares *7 Net Assets applicable to common stock / Average Outstanding Shares

NETWORK Number of consolidated subsidiaries: 40 *Number of affiliated companies accounted for by the equity method: 9 Total: 49 (As of May 31, 2007)

Group Companies

■ Temporary Staffing/Contracting, Placement/Recruiting

Pasona Kyoto Inc.
Pasona Okayama Inc.
Pasona Nakakyushu Inc.*
Pasona Nagasaki Inc.*
Pasona Tech, Inc.
Pasona Youth Inc.
Pasona Sourcing Inc.
Pasona Sparkle Inc.
Pasona Empower Inc.
Pasona Engineering Inc.
Pasona Global Inc.
Pasona Logicom Inc.
Pasona Insurance Inc.
Pasona Sportsmate Inc.
Pasona Temp to Perm, Inc.
Pasona e-Professional, Inc.
Financial Sun Inc.*

■ Outplacement

Pasona Career Inc.

■ Outsourcing

Benefit One Inc.
Global Healthcare, Inc.
Benefit One Partners Inc.
Speak Line Inc.
Pasona ADP Payroll, Inc.*
National Examination Center Inc.*
execube Inc.*

■ Other

Pasona Foster Inc.
Pasona Fortune Inc.
NARP Inc.
Pasona REP Power Inc.
Pasona Hearful Inc.
HR Partners Inc.
Kansai Employment Creation Organization Inc.*
Kantou Employment Creation Organization Inc.*
e-Staffing Co., Ltd.*

■ Overseas

Pasona NA New York Atlanta Los Angeles
South Bay Orange County San Francisco
Pasona MIC Chicago Detroit Cincinnati Nashville
PASONA CANADA Toronto
PASONA EUROPE London
Pelham Search Pacific Hong Kong
PELHAM INTERNATIONAL London
Pasona Education Hong Kong
PASONA ASIA Hong Kong
Pasona Taiwan Taipei Hsinchu Kaohsiung
MGR Search and Selection Taipei
Pasona Employment Agency (Thailand) Bangkok Sriracha
Pasona Singapore Singapore
Pasona Management Consultancy (Shenzhen) Shenzhen
Pasona Human Resources (Shanghai) Shanghai Guang Zhou Beijing
TEAM PASONA INDIA New Delhi

■ Pasona Inc. Network in Japan (Including joint ventures)

Sapporo, Aomori, Morioka, Sendai, Fukushima, Koriyama, Utsunomiya, Takasaki, Hitachi, Mito, Tsubata, Saitama, Kawagoe, Kashiwa, Chiba, Funabashi, Shinyokohama, Kawasaki, Yokohama, Atsugi, Fujisawa, Chiyoda, Shinjuku, Ginza, Nihonbashi, Ueno, Kinshicho, Shibuya, Omotesando, Ikebukuro, Shinagawa, Fuchu, Tachikawa, Numazu, Shizuoka, Hamamatsu, Kakegawa, Toyohashi, Okazaki, Nagoya, Sakae, Toyota, Handa, Niigata, Nagano, Matsumoto, Gifu, Yokkaichi, Toyama, Kanazawa, Fukui, Shiga, Kyoto, Nara, Wakayama, Osaka, Namba, Kyobashi, Kobe, Himeji, Matsue, Okayama, Kurashiki, Fukuyama, Onomichi, Mihara, Hiroshima, Yamaguchi, Takamatsu, Takushima, Matsuyama, Kochi, Kitakyushu, Fukuoka, Nagasaki, Sasebo, Isahaya, Kumamoto, Oita, Miyazaki, Kagoshima

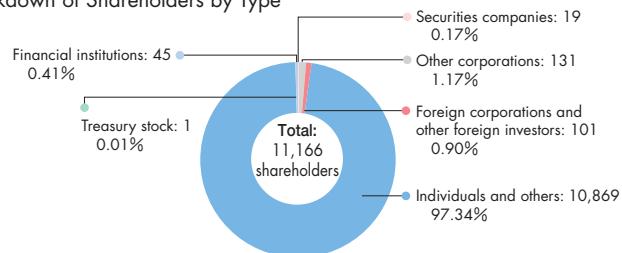
Stock Information

Number of authorized shares: 1,500,000 shares

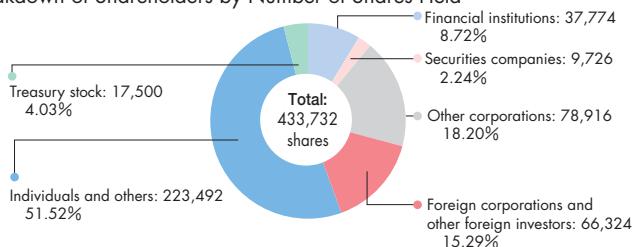
Number of shares issued and outstanding: 433,732 shares

Number of shareholders: 11,166

Breakdown of Shareholders by Type

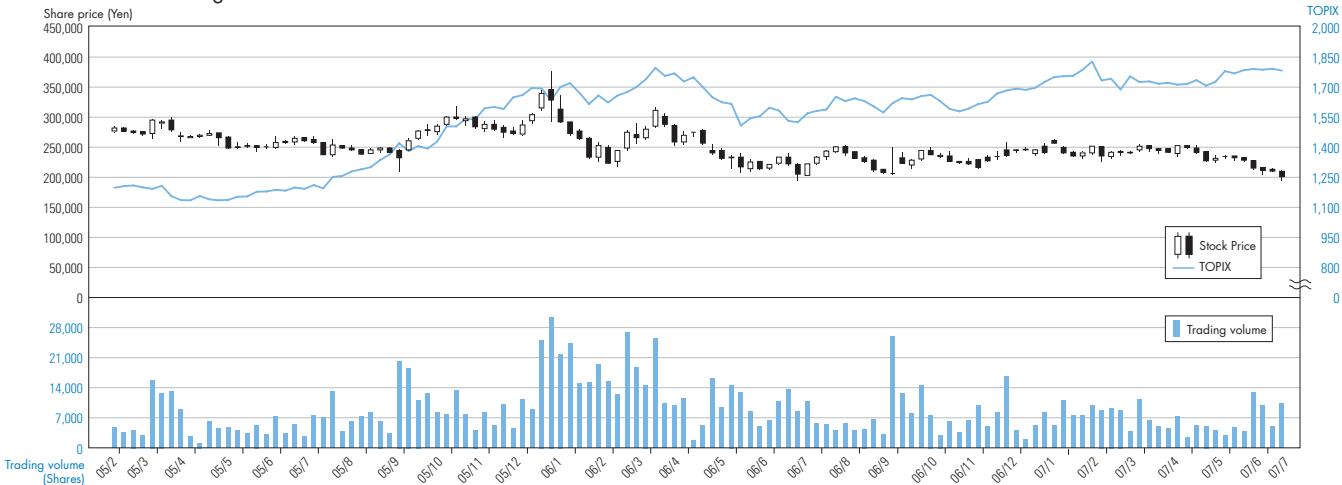


Breakdown of Shareholders by Number of Shares Held



Note: Shares held by Japan Securities Depository Center, Inc. are included in "Other corporation."

Share Price and Trading Volume



Principal Stockholders

Yasuyuki Nambu	147,632 shares	(34.04%)
Nambu Enterprise Inc.	35,688 shares	(8.23%)
Nikko Cordial Corporation	33,330 shares	(7.68%)
Investors Bank	16,077 shares	(3.71%)
State Street Bank and Trust Company	10,685 shares	(2.46%)
Yamato Life Insurance Co.	9,918 shares	(2.29%)
Eizaburo Nambu	9,000 shares	(2.08%)
Merrill Lynch Japan Securities Co., Ltd.	7,893 shares	(1.82%)
Japan Trustee Services Bank, Ltd. (Trust Account)	7,685 shares	(1.77%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,086 shares	(1.17%)

In addition to the aforementioned, the Company holds 17,500 shares of treasury stock, representing 4.03% of Pasona's total shares issued and outstanding. In accordance with Article 308.2 of the Corporations Law, there are no voting rights attached to treasury stock.

Breakdown of Shareholders by Region

Hokkaido	149	(1.33%)
Tohoku	227	(2.03%)
Kanto	4,975	(44.55%)
Chubu	1,762	(15.80%)
Kinki	2,689	(24.07%)
Chugoku	500	(4.48%)
Shikoku	261	(2.33%)
Kyushu	504	(4.52%)
Overseas	97	(0.87%)
Japan Securities Depository Center, Inc.	1	(0.01%)
Treasury Stock	1	(0.01%)

Directors and Auditors

Group CEO and President	Yasuyuki Nambu
Senior Managing Director	Junko Fukasawa
Senior Managing Director	Masako Suzuki
Senior Managing Director	Kinuko Yamamoto
Managing Director	Yoshimichi Kawasaki
Managing Director	Hirota Wakamoto
Managing Director	Yoshikazu Shibano
External Director	Hironori Aihara
External Director	Hajime Hirasawa
External Director	Hiroaki Eto
Standing Auditor	Kazuo Higo
External Auditor	Yoshiharu Hayakawa
External Auditor	Yuumi Akimoto

Notes:

- Hironori Aihara, Hajime Hirasawa and Hiroaki Eto have been appointed as external directors pursuant to Article 2 Clause 15 of the Corporation Law.
- Yoshiharu Hayakawa and Yuumi Akimoto have been appointed as an external auditor pursuant to Article 2 Clause 16 of the Corporation Law.

CORPORATE DATA (As of May 31, 2007)

Corporate Name:	Pasona Inc.
Headquarters:	Otemachi-Nomura Bldg. 2-1-1 Otemachi, Chiyoda-ku Tokyo 100-0004 Tel: +81-3-6734-1100
Founded:	February 16, 1976
Established:	September 27, 1989
Paid-In Capital:	¥8,358 million
Business Activities:	Temporary staffing/Contracting Placement/Recruiting Outplacement Outsourcing Other
Employees:	3,126 (consolidated) 1,512 (non-consolidated)

*Excludes contract workers

Advisory Board

President, Research Institute for Local Government	Nobuo Ishihara
Chairman, Japan Information Processing Development Corporation	Yukiharu Kodama
President, National Federation of Workers and Consumers Insurance Cooperatives	Etsuya Washio
External Director of the Company	Hironori Aihara
Senior Advisor of the company (Professor Keio University, Director Global Security Research Institute)	Heizo Takenaka

Website Information

Pasona reopened its Website in May 2007 following significant upgrade and improvement. In addition to detailed Company data, press releases and information on comprehensive human resource-related services, Pasona has redesigned its investor relations Website to provide a host of beneficial information to shareholders and investors relating to the Company's business activities, financial performance and standing as well as its daily stock price. In 2007, Pasona received the Internet IR Best Company Award from Daiwa Investor Relations Co., Ltd. for the third consecutive year. Looking ahead, the Company will continue to enhance its IR and general information Website and redouble efforts to promote its site as a communication tool with shareholders, investors and all stakeholders.



Pasona is pleased to offer an e-mail service to ensure that registered parties are informed of any update to the Company's IR Website in a timely manner. Please feel free to access the following address and to register your details for this service.



www.pasona.co.jp/english/ir

Securities Code: 4332

IR Calendar

Fiscal Year-End: May 31
 Annual General Meeting: August
 Record Date: Annual General Meeting May 31 (Annually)
 (The Company will announce other dates as and when required)
 Share Trading Unit: 1 share
 Notification Method: The Nihon Keizai Shimbun. Information in connection with the Company's balance sheets and statements of income, is provided on Pasona's Website. Homepage address: <http://www.pasona.co.jp/english/ir>
 Stock Exchange Listing: First Section, Tokyo Stock Exchange
 Hercules Nippon New Market, Osaka Securities Exchange
 Stock Transfer Agent: Mizuho Trust & Banking Co., Ltd.
 1-2-1 Yaesu, Chuo-ku, Tokyo
 Stock Handling Office: Mizuho Trust & Banking Co., Ltd.
 Head Office Securities Agent Department
 1-2-1 Yaesu, Chuo-ku, Tokyo
 (Mailing Address): Mizuho Trust & Banking Co., Ltd.
 Securities Agent Department
 1-17-7 Saga, Koto-ku, Tokyo
 135-8722
 (Telephone): +81-3-5213-5213
 Notifying Agent: All domestic branches of the Mizuho Trust & Banking Co., Ltd.
 Head office and all domestic branches of Mizuho Investors Securities Co., Ltd.

2007

Jun.

Jul.

July 20 Earnings announcement for the fiscal year ended May 31, 2007

Aug.

August 22 Annual General Meeting of Shareholders

Sep.

Earnings announcement for the 1st quarter of the fiscal year ending May 31, 2008 (planned)

Oct.

Nov.

Dec.

2008

Jan.

Earnings announcement for the interim period of the fiscal year ending May 31, 2008 (planned)

Feb.

Mar.

Earnings announcement for the 3rd quarter of the fiscal year ending May 31, 2008 (planned)

Apr.

May.

Jun.

Jul.

Earnings announcement for the fiscal year ending May 31, 2008 (planned)

Aug.

Annual General Meeting of Shareholders (planned)

Pasona Inc.

Otemachi-Nomura Bldg.

2-1-1, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

Phone: +81-3-6734-1100

<http://www.pasona.co.jp/english>