September 30, 2008

***Summary***

Pasona Group Inc.
1-5-1 Marunouchi, Chiyoda-ku, Tokyo
Listing Code No.: 2168
Listing: First Section, Tokyo Stock Exchange
Nippon New Market "Hercules,"
Osaka Securities Exchange
www.pasonagroup.co.jp

# Pasona Group Inc. Consolidated Financial Report for the First Quarter of the Fiscal Year Ending May 31, 2009

- *In the period under review, Pasona Group continued to further promote its diversification strategy, generating growth in the Outplacement and Outsourcing businesses.*
- *In line with forecasts set at the beginning of the period, the Temporary staffing business as well as the Placement and Recruiting business continued to confront difficult operating conditions. Impacted by a downturn in the economy, demand for personnel in each business domain was subdued.*
- *Gross profit margins declined. This was attributable to a variety of factors including an increase in health insurance premium following reforms to the medical system for the elderly.*
- *Pasona Group took steps to restrain its overall costs. Spurred by continued aggressive investment in growth areas, selling, general and administrative expenses climbed slightly for the period under review.*
- *Business and earnings results were essentially in line with plans established at the beginning of the period. Consolidated net sales decreased 2.2% compared with the corresponding period of the previous fiscal year to ¥59.1 billion. Operating income declined 43.8% year on year to ¥0.8 billion, ordinary income fell 42.6% to ¥0.9 billion and net income dropped 60.6% to ¥0.3 billion.*

## 【1】Consolidated Business Results （June 1, 2008 – August 31, 2008）

(Millions of yen rounded down)

| | 1Q FY ended 2008 | **1Q FY ending 2009** | YoY |
|---|---|---|---|
| Net Sales | 60,489 | **59,136** | (2.2)% |
| Operating Income | 1,529 | **860** | (43.8)% |
| Ordinary Income | 1,584 | **909** | (42.6)% |
| Net Income | 795 | **313** | (60.6)% |

Note: Pasona Group Inc. was established on December 3, 2007 as a single wholly owning parent company of Pasona Inc. through the sole transfer of shares. As a result, there is no substantive change in the scope of the Group's consolidation. On this basis, business results of Pasona Inc. for the corresponding period of the fiscal year ended May 31, 2008 are provided for comparative purposes.

During the first quarter of the fiscal year ending May 31, 2009, Pasona Group stepped up efforts to further promote its diversification strategy. Buoyed by these endeavors, the Group recorded a significant increase in revenues in the Outplacement and Outsourcing businesses. Impacted by the downturn in the economy, however, the Temporary staffing business as well as the Placement and Recruiting business continued to confront a difficult operating environment. On the earnings front, Pasona Group enjoyed improvements in its gross profit margins in the Outplacement and Outsourcing businesses owing to a variety of factors including successful efforts to raise business efficiency and contain overall direct input costs. In the Temporary staffing business, on the other hand, the significant upswing in health insurance premium payment rates reflecting the substantially higher contribution burden due to reforms to the medical system for the elderly served to drive up direct service costs. As a result, the consolidated gross profit margin edged down 0.1 of a percentage point compared with the corresponding period of the previous fiscal year. Under these circumstances, Pasona Group continued to take aggressive steps to invest in growth areas. Taking the aforementioned into consideration, selling, general and administrative expenses saw a slight year-on-year increase. On a collective basis, business results and earnings were essentially in line with plans established at the beginning of the period.

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

The First Quarter of the Fiscal Year Ending May 31, 2009

(Millions of yen, rounded down)

| Segment | Net Sales | | | Operating Income | | |
|---|---|---|---|---|---|---|
| | | Share | YoY | | Share | YoY |
| Temporary staffing / Contracting, Placement / Recruiting | **53,591** | 90.6% | (4.1)% | **1,112** | 129.2% | (19.7)% |
| Temporary staffing / Contracting | **51,780** | 87.5% | (3.4)% | | | |
| Placement / Recruiting | **1,810** | 3.1% | (19.9)% | | | |
| Outplacement | **1,545** | 2.6% | +27.3% | **434** | 50.5% | +91.9% |
| Outsourcing | **3,693** | 6.3% | +14.8% | **213** | 24.8% | — |
| Other | **655** | 1.1% | +38.7% | **(31)** | (3.6)% | — |
| Elimination and Corporate | **(349)** | (0.6)% | — | **(868)** | (100.9)% | — |
| Total | **59,136** | 100.0% | (2.2)% | **860** | 100.0% | (43.8)% |

Note: From the second half of the fiscal year ended May 31, 2008, expenses of the holding company are recorded as corporate expenses within elimination and corporate.

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

**Temporary staffing / Contracting**

**Net sales: ¥51,780 million (3.4% decrease YoY)**

In accordance with forecasts identified at the beginning of the period, orders and the number of contracts commenced were weak due to the downturn in the economy. This led to a drop in the number of long term temporary staff. Successful efforts to contain the number of contracts completed, on the other hand, contributed to the ongoing trend toward longer average contract terms. By job type, sales relating to clerical positions (general office work) declined. In the technical position domain, on the other hand, the Group enjoyed growth on the back of the new inclusion within Pasona Group's scope of consolidation of a subsidiary that engages in temporary staffing activities focusing mainly on the financial sector. The Group also took positive steps toward securing human resources in the IT engineering fields. Taking the aforementioned into consideration, results increased compared with the corresponding period of the previous fiscal year. Furthermore, the Pasona Group continues to differentiate itself from competitors through a host of initiatives. These initiatives include the staging of customer seminars focusing on the theme of “compliance” relating to the take-up of temporary staff and increasing consulting services and points of customer contact. At the same time, the Pasona Group is striving to strengthen its Group marketing structure. In the strategic priority Insourcing (contracting) business, results are progressing at a pace that exceeds the corresponding period of the previous fiscal year.

Note: For the monthly average of long-term temporary staff at work and temporary staffing / contracting — sales by staffing type data, please refer to page 6.

**Placement / Recruiting**

**Net sales: ¥1,810 million (19.9% decrease YoY)**

During the period under review, the Pasona Group strengthened the activities of subsidiaries focusing on each of the executive, management and specialist fields. While the domestic Placement and Recruiting business was steady, results in temp-to-perm activities stalled. Accounting for these factors, placement and recruiting growth rates were weak. Overall sales edged up 2.0% compared with the corresponding period of the previous fiscal year to ¥1,476 million. While activities remained generally unchanged in those countries outside of Japan in which the Group operates, overseas placement and recruiting sales dropped 58.9% year on year to ¥333 million. In addition to the impact of fluctuations in foreign currency exchange rates, this was mainly attributable to the sale of consolidated subsidiaries.

**Temporary staffing / Contracting, Placement / Recruiting**

**Net sales: ¥53,591 million (4.1% decrease YoY)**

**Operating income: ¥1,112 million (19.7% decrease YoY)**

From a profit perspective, gross profit margins in the temporary staffing business declined substantially year on year. This decrease was attributable to a significant upswing in the cost burden in connection with large hikes in employee social insurance rates. Coupled with the year-on-year decline in Placement and Recruiting business sales, the Group was unable to offset increases in direct costs in the Temporary staffing business.

**Outplacement (Pasona Career Inc., Others)**

**Net sales: ¥1,545 million (27.3% increase YoY)**

**Operating income: ¥ 434 million (91.9% increase YoY)**

In the Outplacement segment, concerns in connection with a downturn in the economy had more of a positive effect with demand generally firm throughout the first quarter of the fiscal year ending May 31, 2009. Group company Pasona Career Inc. was successful in increasing orders on a year-on-year basis. At the same time, the Group worked tirelessly to raise the level of capacity utilization of branches and consultants. As a result, consolidated segment earnings climbed substantially.

**Outsourcing (Benefit One Inc.)**

**Net sales: ¥ 3,693 million (14.8% increase YoY)**

**Operating income: ¥213 million (1Q FY ended 2008 operating loss: ¥72 million)**

In addition to promoting marketing proposals to its corporate members and expanding its employee benefit services, Group company Benefit One Inc. also launched a series of new services that cater to compulsory special medical checkups and special health guidance procedures. Furthermore, the Group strove to develop and advance new services outside the scope of employee benefits and strengthened its structure and capabilities in providing various services targeting both individual and corporate members. Profit results were again impacted by seasonal factors, and in particular by the concentration of publishing expenses in connection with an employee benefit program guidebook in the first quarter of each fiscal year. Buoyed by a review of costs and other initiatives, the Group enjoyed improvements in its ratio of basic costs. Taking into account all of the aforementioned factors, Pasona Group recorded an increase in revenues and earnings in the Outsourcing segment.

## 【3】Status in Financial Position and Investments

### Changes in Financial Position (Consolidated)

(Millions of yen rounded down unless other stated)

| | **August 31, 2008** | August 31, 2007 | May 31, 2008 | YoY Increase /Decrease | YoY |
|---|---|---|---|---|---|
| Total Assets | **54,956** | 53,338 | 58,513 | (3,557) | (6.1)% |
| Net Assets | **26,465** | 27,275 | 29,468 | (3,002) | (10.2)% |
| Equity Ratio (%) | **39.1%** | 42.8% | 41.6% | (2.5)% | — |
| Net Assets per Share (Yen) | **56,229.32** | 54,814.81 | 58,363.62 | (2,134.30) | (3.7)% |

***Assets***

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

***Liabilities***

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

***Net Assets***

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

### Status of Consolidated Cash Flows

(Millions of yen rounded down)

| | Cash Flows from Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Free Cash Flows |
|---|---|---|---|---|
| **1Q FY ending May 31, 2009 (June 1, 2008 to August 31, 2008)** | **(1,322)** | **(836)** | **641** | **(2,159)** |
| 1Q FY ended May 31, 2008 (June 1, 2007 to August 31, 2007) | (1,883) | (1,299) | 1,424 | (3,182) |
| FY ended May 31, 2008 | 5,974 | (2,968) | (980) | 3,006 |

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

***Cash Flows from Operating Activities***

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

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***Cash Flows from Investing Activities***

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

***Cash Flows from Financing Activities***

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

## 【4】Consolidated Forecasts of Business Results for the Fiscal Year Ending May 31, 2009

(June 1, 2008 to May 31, 2009)

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

(Millions of yen rounded down unless otherwise stated)

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

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

(Millions of yen rounded down unless otherwise stated)

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

## 【5】Planned Cash Dividends for the Fiscal Year Ending May 31, 2009

(June 1, 2008 to May 31, 2009)

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

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## Reference Data

### ◆ Monthly average of long term temporary staff at work

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

| | Pasona Inc. | | | | The Pasona Group (Consolidated / Japan) | | | |
|---|---|---|---|---|---|---|---|---|
| | FY ended May 31, 2007 | | | | FY ended May 31, 2007 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Monthly average of temporary staff at work | 40,745 | 41,676 | 43,832 | 44,619 | 51,586 | 52,889 | 55,566 | 56,881 |
| YoY | +12.2% | +12.3% | +14.0% | +11.3% | +13.4% | +13.1% | +14.9% | +12.8% |
| | FY ended May 31, 2008 | | | | FY ended May 31, 2008 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Monthly average of temporary staff at work | 42,825 | 42,350 | 42,387 | 42,073 | 55,168 | 54,619 | 54,758 | 54,573 |
| YoY | +5.1% | +1.6% | (3.3)% | (5.7)% | +6.9% | +3.3% | (1.5)% | (4.1)% |
| | **FY ending May 31, 2009** | | | | **FY ending May 31, 2009** | | | |
| | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** |
| Monthly average of temporary staff at work | **40,607** | — | — | — | **53,615** | — | — | — |
| YoY | **(5.2)%** | — | — | — | **(2.8)%** | — | — | — |

Notes :

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

### ◆ Temporary staffing / Contracting - Consolidated sales by staffing type (Excludes intrasegment sales)

(Millions of yen rounded down)

| | FY ended May 31, 2008 | **FY ending May 31, 2009** | | | |
|---|---|---|---|---|---|
| | Net Sales | **Net Sales** | Share (YoY) | | YoY |
| Clerical (General office work) | 29,126 | **27,488** | 53.2% | (1.2)pt | (5.6)% |
| Technical (Specialized office work) | 8,611 | **8,818** | 17.0% | +0.9pt | +2.4% |
| IT/Engineering | 5,562 | **5,839** | 11.3% | +0.9pt | +5.0% |
| Sales/Marketing | 4,813 | **4,274** | 8.3% | (0.7)pt | (11.2)% |
| Other | 5,369 | **5,223** | 10.1% | +0.1pt | (2.7)% |
| Temporary staffing related | 50 | **47** | 0.1% | (0.0)pt | (5.7)% |
| Total | 53,534 | **51,692** | 100.0% | — | (3.4)% |

## Quarterly Earnings Trends

| **Net Sales** | **1Q** | **2Q** | **3Q** | **4Q** | **Full-Year** |
|---|---|---|---|---|---|
| FY ended May 31, 2008 | 60,489 | 59,026 | 58,250 | 59,178 | 236,945 |
| FY ending May 31, 2009 | 59,136 | — | — | — | — |
| YoY | (2.2)% | — | — | — | — |

| **Operating Income** | **1Q** | **2Q** | **3Q** | **4Q** | **Full-Year** |
|---|---|---|---|---|---|
| FY ended May 31, 2008 | 1,529 | 1,541 | 2,015 | 1,356 | 6,444 |
| FY ending May 31, 2009 | 860 | — | — | — | — |
| YoY | (43.8)% | — | — | — | — |

| **Ordinary Income** | **1Q** | **2Q** | **3Q** | **4Q** | **Full-Year** |
|---|---|---|---|---|---|
| FY ended May 31, 2008 | 1,584 | 1,560 | 1,994 | 1,497 | 6,637 |
| FY ending May 31, 2009 | 909 | — | — | — | — |
| YoY | (42.6)% | — | — | — | — |

| **Net Income** | **1Q** | **2Q** | **3Q** | **4Q** | **Full-Year** |
|---|---|---|---|---|---|
| FY ended May 31, 2008 | 795 | 268 | 1,286 | 612 | 2,962 |
| FY ending May 31, 2009 | 313 | — | — | — | — |
| YoY | (60.6)% | — | — | — | — |

This document has been prepared for public circulation and includes information that may constitute "forward-looking statements." Such statements are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties that may cause actual results to differ materially from forecasts. These uncertainties include, but are not limited to changes in economic conditions and market trends. Accordingly, Pasona Group does not guarantee the accuracy of the information contained in this document. In addition, this document has not been prepared as an inducement or invitation for investment. We caution readers to undertake investment decisions subject to individual determination.