PASONA

July 17, 2009

CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MAY 31, 2009

(June 1, 2008 to May 31, 2009)

Stock exchanges on which shares are listed:	The First Section of the Tokyo Stock Exchange
Securities code number:	2168
URL:	http://www.pasonagroup.co.jp/
Representative:	Group CEO and President, Yasuyuki Nambu
For further information contact:	Yoshimichi Kawasaki Senior Managing Director and CFO Tel: +81-3-6734-0200
Date of the Annual General Meeting of shareholders:	August 26, 2009
Scheduled payment date of cash dividends:	August 27, 2009
Scheduled filing date of consolidated financial report:	August 27, 2009

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

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results For the fiscal year ended May 31, 2009

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2009	218,699	(7.7)	2,850	(55.8)	3,361	(49.4)	312	(89.4)
FY2008	236,945	—	6,444	—	6,637	—	2,962	—

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2009	834.30	792.12	1.4	5.9	1.3
FY2008	7,109.95	7,056.90	12.7	11.8	2.7

(Reference) Equity in earnings(losses) of unconsolidated subsidiaries and affiliates FY2009: ¥85 million
FY2008: ¥43 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2009	55,468	25,148	35.4	54,751.17
May 31, 2008	58,513	29,468	41.6	58,363.62

(Reference) Equity as of May 31, 2009: ¥19,636 million As of May 31, 2008: ¥24,331 million

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
FY2009	4,443	(4,966)	1,077	14,120
FY2008	5,974	(2,968)	(980)	13,612

2. DIVIDENDS

	Dividends per Share (Yen)					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
(Record Date)	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Annual			
FY2008	—	1,200.00	—	1,300.00	2,500.00	1,042	35.2%	4.5%
FY2009	—	600.00	—	650.00	1,250.00	448	149.8%	2.2%
FY2010(Forecast)	—	600.00	—	650.00	1,250.00		44.4%	

Notes:
1. The interim cash dividend for FY2008 was declared and paid by Pasona Inc.
The fiscal year-end cash dividend for FY2008 was declared and paid by Pasona Group Inc.
2. Source of the interim and fiscal year-end cash dividends for FY2009 was capital surplus. Please refer to "Capital Surplus as a Source of Cash Dividend Payment and Breakdown of Cash Dividends" on page 3 for details.

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2010

For the fiscal year ending May 31, 2010 (June 1, 2009 to May 31, 2010)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Shares
		%		%		%		%	Yen
FY2010 First Half	104,880	(9.7)	690	(56.8)	670	(62.9)	20	(90.2)	55.76
FY2010 Full Fiscal Year	224,390	2.6	3,540	24.2	3,690	9.8	1,010	223.1	2,816.12

4. OTHERS

(1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries due to Changes in the Scope of Consolidation and Application of the Equity Method) : None

(2) Changes in Accounting Principles, Procedures, Disclosure Methods and Related Standards in Connection with the Preparation of Consolidated Financial Statements (Recorded under "Changes in Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements")

i. Changes in line with revisions to accounting and other standards: Yes
ii. Changes in items other than 1. above: Yes

Note: Please refer to "Changes in Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements" on page 39 for details.

(3) Number of Shares Issued and Outstanding (Common Shares)

i. The number of shares issued and outstanding as of the period-end (including treasury stock)
May 31, 2009: 416,903 shares May 31, 2008: 434,403 shares
ii. The number of treasury stock as of the period-end
May 31, 2009: 58,253 shares May 31, 2008: 17,500 shares

Note: For details regarding the number of shares used to calculate net income per share on a consolidated basis, please refer to "Per share Information" on page 52.

(Reference) Summary of Non-Consolidated Business Results

1. NON-CONSOLIDATED BUSINESS RESULTS

(1) Non-Consolidated Financial Results For the fiscal year ended May 31, 2009

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

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
		%		%		%		%
FY2009	4,584	142.6	669	—	816	—	7	—
FY2008	1,889	—	(23)	—	(79)	—	(0)	—

	Net Income (Loss) per Share	Diluted Net Income per Share
	Yen	Yen
FY2009	21.29	—
FY2008	(1.40)	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2009	27,510	13,503	49.1	37,650.19
May 31, 2008	21,601	18,453	85.4	44,263.79

(Reference) Equity as of May 31, 2009: ¥13,503 million   As of May 31, 2008: ¥18,453 million

2. FORECAST OF NON-CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2010

A forecast of non-consolidated results for the fiscal year ending May 31, 2010 is not considered by the Company to be of sufficient importance to warrant disclosure. As a result, this information has been omitted.

3. CAPITAL SURPLUS AS A SOURCE OF CASH DIVIDEND PAYMENT AND BREAKDOWN OF CASH DIVIDENDS

Capital surplus will serve as the source of payment of cash dividends for the fiscal year ended May 31, 2008. Cash dividend breakdown is provided as follows.

Record Date	FY2008 Year–End	Annual
Cash dividend per share (Yen)	1,300.00	1,300.00
Total dividend payment (Millions of yen)	541	541

Note: Rate of net asset diminution: 0.017

Capital surplus will serve as the source of payment of cash dividends for the fiscal year ended May 31, 2009. Cash dividend breakdown is provided as follows.

Record Date	End of Second Quarter	FY2009 Year–End	Annual
Cash dividend per share (Yen)	600.00	650.00	1,250.00
Total dividend payment (Millions of yen)	215	233	448

Note: Rate of net asset diminution: End of Second Quarter 0.008   Year–End 0.009

Cautionary Statement and Other Explanatory Notes

1. 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. Consolidated financial statements for the fiscal period ended May 31, 2008 are carried forward from the consolidated financial statements of Pasona Inc. The commencement date is deemed the date of Company establishment. Non-consolidated business results for the fiscal period ended May 31, 2008 shows the result between December 3, 2007 to May 31, 2008.

2. The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts due to a variety of factors. With regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2010, please refer to “1. Business Results (1) Qualitative Information Concerning Consolidated Business Results” on page 5.

CONSOLIDATED FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED MAY 31, 2009

CONTENTS

1. Business Results
(1) Qualitative Information Concerning Consolidated Business Results

Business Results for the Fiscal Year Ended May 31, 2009

While the Japanese economy continued to slow throughout the fiscal year ended May 31, 2009 owing largely to the impact of the global financial crisis, signs of a bottoming out of the economic downturn as well as a recovery in production due to such factors as short-term progress in inventory adjustments, are beginning to emerge.

Turning to labor market conditions in the period following the bubble collapse, the corporate sector, which had previously adopted a cautious approach toward full-time, permanent employees including new graduates, was far more aggressive in its attitude regarding recruitment. Enjoying relatively favorable conditions in recent years, this reflected concerns of a potential shortfall in the supply of future labor. Buffeted by the full-fledged global financial crisis in autumn 2008, however, the corporate sector undertook abrupt and major corrections in employment cutting back on the recruitment of full-time, permanent employees.

Under these economic conditions, the human resources services industry and particularly placement and recruiting businesses that had prospered on the back of substantial demand from the young age group seeking to take up different employment, experienced negative growth. Demand for outplacement services, on the other hand, jumped dramatically as the corporate sector implemented optional early retirement and other programs.

From a temporary staffing business perspective, circumstances were generally bleak. Difficulties in securing temporary staff owing to the impact of a shortage of labor, which reflected the continuous growth in demand in recent years for full-time, permanent employees, resulted in stagnant growth. Furthermore, the sudden and sharp downturn in the economy from autumn 2008 prompted a drop in new demand mainly from the finance and export industries. Buffeted by administrative rationalization within temporary staffing client firms, the number of contracts saw a steady decline.

Despite the aforementioned industry trends, adverse conditions were also seen as an opportunity for business growth. In addition to enhancing efforts to secure high-quality staff, steps were taken to promote temporary staffing stability. Taking into consideration moves by the corporate sector to raise business efficiency and review human resource strategies, signs of an upswing in new demand and a qualitative change in the use of external personnel are beginning to emerge. On the basis that the drop in new demand is steadily bottoming out, the industry as a whole is essentially at a turning point.

Against the backdrop of the aforementioned operating environment, the Pasona Group’s Temporary Staffing business was affected by the downturn in new demand for personnel from various sectors including the finance and export industries. Coupled with the dramatic drop in Placement and Recruiting business demand, revenues from each of these segments declined. On a positive note, corporate sector demand was high in the “Insourcing (contracting)” business, which aims to enhance operating efficiency and reduce costs, as well as the Outsourcing business. Buoyed by successful efforts to proactively allocate personnel and to reinforce Group marketing, continued growth was enjoyed in each segment. Despite harsh economic conditions, demand in the Outplacement business remained firm. Accounting for the aforementioned factors, consolidated net sales for the fiscal year ended May 31, 2009 were ¥218,699 million, a decrease of 7.7% compared with the previous fiscal year.

On the earnings front, results were naturally affected by the drop in revenue. In addition, the substantial increase in health insurance premium payment rates and the large take up of paid holidays in the Temporary Staffing business saw input costs balloon considerably. As a result, gross profit for the fiscal year under review decreased 11.7% compared with the previous fiscal year to ¥43,585 million. On this basis, the gross profit margin contracted 0.9 of a percentage point year on year to 19.9%. In the area of selling, general and administrative (SG&A) expenses, the Pasona Group worked diligently to curtail costs focusing mainly on recruitment expenditure and personnel expenses. In the fiscal year under review, SG&A expenses totaled ¥40,735 million, down ¥2,190 million compared with the previous fiscal year. Unable to offset the downturn in gross profit, consolidated operating income dropped 55.8% year on year to ¥2,850 million. In the fiscal year ended May 31, 2009, Pasona Group recorded such non-operating income items as unused point settlement income amounting to ¥94 million following a review of temporary staff welfare benefits and compensation income of ¥78 million reflecting the Company's move to vacate certain premises prior to lease contract completion following the decision by the property owner to reconstruct the building. Taking these and other factors into consideration, ordinary income fell 49.4% compared with the previous fiscal year to ¥3,361 million.

Effective from the fiscal year ended May 31, 2009, Pasona Group and certain of its subsidiary companies decided to terminate and abandon their retirement benefit systems for directors and corporate auditors. As a result, the Pasona Group recorded extraordinary gains on reversal of provision for directors' retirement benefits totaling ¥637 million.

In addition, the Company reported a provision of allowance for investment loss totaling ¥350 million. This was attributable to the loss on sale of certain subsidiaries as a part of the Group's reorganization. Other extraordinary losses for the period included ¥256 million relating to losses on the sale and disposal of noncurrent assets as the Group worked toward consolidating offices, and ¥166 million representing subsidiary head office relocation expenses. Accounting for each of the aforementioned, income before income taxes and minority interests was ¥2,885 million, down 58.8% compared with the previous fiscal year. After taking into consideration the increase in the ratio of equity in minority interests of consolidated subsidiaries, consolidated net income for the fiscal year ended May 31, 2009 was ¥312 million, a decline of 89.4% year on year.

Consolidated Business Results

(Millions of yen unless otherwise stated)

	FY2009	FY2008	YoY
Net sales	218,699	236,945	(7.7)%
Operating income	2,850	6,444	(55.8)%
Ordinary income	3,361	6,637	(49.4)%
Net income	312	2,962	(89.4)%

Segment Information (Figures include intrasegment sales)

Note: The pure holding company was established on December 3, 2007. As a result, holding company expenses from the second half of the fiscal year ended May 31, 2008 are recorded as corporate expenses and included in “Eliminations and Corporate.”

1. Temporary staffing / Contracting, Placement / Recruiting
Sales: ¥197,333 million; Operating income: ¥3,291 million

(Temporary staffing / Contracting) Sales: ¥191,412 million

In its Temporary staffing business, an area in which the Pasona Group focuses mainly on general office work, demand and supply conditions remained tight up to autumn 2008. Thereafter, the downturn in new demand became increasingly marked particularly from the export and finance industries. Furthermore, citing individual circumstances, client firms completed temporary staffing contracts. This jump in the number of contracts completed was most evident in March 2009 when a large number were up for renewal. Accounting for the aforementioned factors, the Temporary staffing business experienced negative growth. Despite this weak operating environment, signs of a bottoming out in the drop in new orders from such sectors as the automobile and finance industries are recently emerging, indicating the completion of temporary staffing contracts are beginning to settle. Buoyed by successful effort to secure high-quality staff, stability in the supply of human resources is also improving.

In the fiscal year under review, long-term temporary staff declined. Reflecting the decision by many client firms to curtail overtime, the depth of decline in performance also increased particularly from the fourth quarter. In response to dramatic changes in the economic environment, steps were taken to review credit exposure management on an individual customer and business basis. This led to a contraction in transactions in certain areas. On a positive note, these endeavors are contributing to reductions in doubtful receivables as well as credit exposure costs.

Impacted by specified limitations on the permitted period of temporary staffing contracts, the number of contracts completed by job type increased particularly in the deregulated marketing and sales industries. While growth was negative across-the-board, the drop in IT engineering and technical (specialized office work) fields was in relative terms less severe. Furthermore, the Pasona Group established a foothold in the public sector market targeting new areas of nationwide outsourcing demand in connection with the payment of the government’s fixed cash handout.

In the strategic priority “Insourcing (contracting)” business growth was steady. Focusing on efforts to strengthen marketing capabilities, Pasona Group implemented various measures including changes to its Group organization and an increase in personnel. As a result, sales in this category climbed 8.6% compared with the previous fiscal year to ¥9,910 million.

Accounting for the aforementioned factors, sales in the Temporary staffing / Contracting segment for the fiscal year ended May 31, 2009 amounted to ¥191,412 million, a decrease of 8.3% compared with the previous fiscal year.

(Placement / Recruiting) Sales: ¥5,921 million

In the Placement and Recruiting business segment, the corporate sector cutback noticeably in their human resource recruitment activities due mainly to the downturn in economic conditions. In the period after autumn 2008, the number of job openings has therefore continued to decline. Exacerbating these trends, the degree of sophistication with respect to new human resource needs has steadily risen, making it increasingly difficult to match new orders particularly in the recent past. Under this pressure, sales in the domestic Placement and Recruiting segment amounted to ¥4,954 million, a decrease of

9.4% compared with the previous fiscal year.

Turning to overseas activities, results in this segment were weak. For the 12-month period ended May 31, 2009, Placement and Recruiting business segment sales outside of Japan dropped 56.3% year on year to ¥966 million. This was largely attributable to the sale of consolidated subsidiaries as a part of the Group's overall business reorganization.

On this basis, overall sales in the Placement and Recruiting business segment were ¥5,921 million, 22.9% lower than the previous fiscal year.

In addition to the decline in gross profit reflecting the downturn in revenue, earnings were impacted by several factors including the significant upswing in temporary staffing health insurance premium payment rates and the higher than estimated level of paid holidays. As a result the gross profit margin in this business segment contracted year on year. Despite efforts to substantially contain such SG&A expenses as recruiting and personnel costs, overall sales in the Temporary staffing / Contracting and Placement / Recruiting segment for the period under review decreased 8.8% compared with the previous fiscal year to ¥197,333 million. Operating income also contracted 34.9% year on year to ¥3,291 million.

2. Outplacement

Sales: ¥5,794 million; Operating income: ¥1,025 million

Throughout the fiscal year under review, demand in the Outplacement business segment was generally firm. This was mainly attributable to the corporate sector's increased efforts to implement corrections in employment conditions in response to the downturn in the economy and was particularly evident from the fourth quarter when demand significantly surpassed levels recorded in the previous year. Against this backdrop, Pasona Career Inc., a leader in the outplacement industry, took steps to increase the number of consultants and to strengthen its marketing structure by assigning and relocating personnel from the Placement and Recruiting business segment. However, reflecting the carry forward into the next fiscal period of sales relating to a portion of orders and contracts attained during the fourth quarter, as well as the absence of large-scale demand that was concentrated in the fourth quarter of the fiscal year ended May 31, 2008, sales in the Outplacement business segment totaled ¥5,794 million, a slight decline of 1.1% compared with the previous fiscal year. Operating income also contracted 25.6% year on year to ¥1,025 million.

3. Outsourcing

Sales: ¥14,725 million; Operating income: ¥2,135 million

In overall terms, the outsourcing market is enjoying a period of sustainable growth as major companies, government and other public offices, the Pasona Group's principal customer base, strive to efficiently deliver wide ranging benefit programs that match the values and needs of employees.

Under these circumstances, Benefit One Inc., a subsidiary company, continues to promote marketing proposals to its corporate customers while providing employee benefit services that take into consideration work and lifestyle balance. The company strengthened its service proposal structure and systems targeting both individual and corporate members by introducing a host of new services including monetary rewards such as Incentive Café, a point system that encompasses incentives, and an innovative service that caters to statutory special medical checkups following revisions to the health Insurance Law.

Accounting for the aforementioned factors, net sales in the outsourcing business increased 7.2% compared with the previous fiscal year to ¥14,725 million. Turning to business segment profits, operating income climbed 13.4% year on year to ¥2,135 million for the period under review, buoyed by successful efforts to contain overall input costs including expenses related to the publication of a guidebook.

4. Other

Sales: ¥3,002 million; Operating income: ¥12 million

In the others business segment, the Pasona Group is engaged in child-care-related businesses, such educational activities as the management and operation of language classes and shared service company activities within the Group. In the fiscal year ended May 31, 2009, the Group placed particular emphasis on promoting shared services with the aim of raising business efficiency. As a result, sales from these activities during the fiscal year under review surged 41.9% compared with the previous fiscal year to ¥3,002 million. Operating income was ¥12 million compared with an operating loss of ¥26 million recorded in the previous fiscal year.

5. Eliminations and Corporate

Intragroup transaction and Pasona Group, the Group's pure holding company, selling, general and administrative expenses are included in eliminations and corporate.

The vast majority of these expenses were included in the Temporary staffing / Contracting and Placement / Recruiting business segment for the first half of the fiscal year ended May 31, 2008.

Net Sales by Business Segment

(Millions of yen unless otherwise stated)

	FY2009	FY2008	YoY
Temporary staffing / Contracting, Placement / Recruiting	197,333	216,486	(8.8)%
Temporary staffing / Contracting	191,412	208,810	(8.3)%
Placement / Recruiting	5,921	7,676	(22.9)%
Outplacement	5,794	5,858	(1.1)%
Outsourcing	14,725	13,732	7.2%
Other	3,002	2,115	41.9%
Eliminations and Corporate	(2,155)	(1,248)	—
Total	218,699	236,945	(7.7)%

Operating Income (Loss) by Business Segment

(Millions of yen unless otherwise stated)

	FY2009	FY2008	YoY
Temporary staffing / Contracting, Placement / Recruiting	3,291	5,056	(34.9)%
Outplacement	1,025	1,377	(25.6)%
Outsourcing	2,135	1,883	13.4%
Other	12	(26)	—
Eliminations and Corporate	(3,614)	(1,846)	—
Total	2,850	6,444	(55.8)%

Note: The pure holding company was established on December 3, 2007. As a result, holding company expenses from the second half of the fiscal year ended May 31, 2008 are recorded as corporate expenses and included in "Eliminations and Corporate."

Outlook for the Fiscal Year Ending May 31, 2010

Recent economic indices would indicate that the economy is in a recovery trend. Conditions appear to have bottomed out with the economic environment toward the end of the next fiscal period expected to enjoy modest improvement.

Despite this favorable outlook, there are presently little or no signs to indicate a marked improvement in the employment environment particularly for full-time, permanent employees. Accordingly prospects for the human resources industry are mixed. On the one hand, activities in the Placement and Recruiting business, which supports full-time, permanent employees in their efforts to realize a career change, are projected to confront ongoing difficult conditions. The “In-sourcing (contracting)” and Outsourcing businesses, on the other hand, are expected to experience further growth buoyed by the growing tide toward corporate sector reengineering (steps to rebuild operating workflows and implement organizational structural reforms).

Turning to the Temporary Staffing business, the drop in new demand appears to have abated. Signs are beginning to emerge of a spate of new demand for temporary staffing reflecting steps by the corporate sector to review its human resource strategies. Furthermore, buoyed by improvements in the ability to secure high-quality staff as well as an upswing in overall supply capabilities, this incidence of new demand is anticipated to promote real gains in Temporary staffing business performance.

Looking ahead, the Pasona Group will make every effort to accurately grasp the needs of the corporate sector, quickly build a total solutions service structure and further bolster its comprehensive and diverse capabilities.

Temporary Staffing

Buoyed by its ongoing efforts to improve compensation and conditions for temporary staff, the Pasona Group is continuing to promote temporary staffing stability, increase the number of new registrants through the effective use of temporary staff word-of-mouth and address the detailed needs of existing registrants. Through these and other means, the Pasona Group is steadily securing high-quality staff and improving its supply capabilities. Recently, signs are beginning to emerge that the drop in new demand for temporary staff has abated and that the corporate sector is adopting a favorable approach toward recruitment following a review of human resource strategies. Taking into consideration future cutbacks in the recruitment of full-time, permanent, employees by client firms, demand for specialized temporary staff characterized by their higher level of complexity is expected to recover. On this basis, the number of temporary staff is forecast to rise in the second half of the fiscal year ending May 31, 2010 on the back of improvements in the closure rate underpinned by the ability to secure high-quality human resources.

In an effort to take full advantage of the aforementioned forecast operating conditions, the Pasona Group will work diligently to reinforce its efforts in job types requiring a higher level of skill and expertise. In addition to converting its consolidated subsidiary Pasona Tech, Inc. into a wholly owned subsidiary, steps will be taken to further enhance collaboration throughout the Group and to expand human resource temporary staffing activities in the IT sector. Marking another milestone for the Group, a merger with MITSUI BUSSAN HUMAN RESOURCES CORPORATION, the temporary staffing subsidiary of Mitsui & Co., Ltd., was completed on July 1, 2009. In this manner, Pasona Group has bolstered its temporary staffing capabilities in the trading office field.

Looking ahead, and in addition to the aforementioned activities, the Pasona Group will place considerable weight on cultivating new customer fields focusing on the public market, which includes regional and local government authorities, universities and medical institutions. Over and above the

Temporary staffing business, the Pasona Group will strive to further expand its menu of personnel consulting and human resources services with the ultimate aim of providing total solution services.

Insourcing (contracting)

As client firms place greater emphasis on improving operating efficiency and reducing costs, the number of "Insourcing (contracting)" contracts continues to increase. On this basis, demand is expected to remain firm into the next fiscal period. In addition to the packaged outsourcing of receptionist, administration, general affairs, call center and related duties, there is a growing trend toward the changeover from the temporary staffing model. Based on the Group's wide-ranging service menu as well as its established track record and strength in marketing proposal development, the Pasona Group will focus on expanding sales while identifying client firm inherent needs.

Placement and Recruiting

Demand in the Placement and Recruiting business in Japan remains harsh impacted by the prolonged cautious stance adopted toward the recruitment of human resources by the corporate sector. In certain specialized fields, however, signs are beginning to emerge that the drop in demand has bottomed out. Against this backdrop, the Pasona Group will focus its efforts on strengthening activities in each of the executive, global human resource and specialized fields. At the same time, the Group will promote increased collaboration with the Outplacement business with the aim of securing placement and recruiting contracts. Accordingly, considerable weight will be placed on enhancing Group synergies.

In its overseas Placement and Recruiting activities, the Pasona Group will further fortify collaboration between overseas and domestic offices. Transcending borders, efforts will be made to promote increased human resource movement and liquidity in such areas as overseas students studying in Japan and Japanese working overseas.

Outplacement

From the fourth quarter of the fiscal year ended May 31, 2009 through to the present, orders have been extremely robust. As a leader in the industry, the Pasona Group will continue to provide the highest quality services. On this basis, substantial revenue growth is forecast in the next fiscal period. Notwithstanding the aforementioned, the Pasona Group is projecting delays in securing a definitive turnaround in the placement of employees, particularly when compared with past experience. Accordingly, earnings are anticipated to fall slightly in the fiscal year ending May 31, 2010.

Outsourcing

In the mainstay employee welfare benefit outsourcing business, demand primarily from large companies as well as government and other public offices is forecast to remain firm. As a second major, the Group steadily expanded its CRM business, providing services to the customers of client firms. Furthermore, significant growth is projected in the healthcare business in the fiscal year ending May 31, 2010. This is mainly attributable to the upswing in client firm outsourcing of large-scale medical checkup appointment and health guidance activities following the implementation of statutory special medical checkups and special health guidance.

Other

The Pasona Group anticipates that the childcare services and nursing care businesses will remain firm in the fiscal year ending May 31, 2010. Looking ahead, the Pasona Group will continue to promote shared services of each of the information systems and marketing functions. In this context, the Group is committed to further pursuing shared services with regard to the activities of support departments and divisions.

Taking into account all of the aforementioned factors and initiatives, the Pasona Group is anticipating a performance recovery in the second half of the fiscal year ending May 31, 2010. On this basis, consolidated net sales for the next fiscal period are expected to reach ¥224,390 million, an increase of 2.6% compared with the fiscal year ended May 31, 2009.

On the earnings front, the Group's overall gross profit margins are forecast to decline. This is mainly attributable to the projected drop in revenues in the Placement and Recruiting business, a segment that boasts high gross profit margins, and a drop in the gross profit margins for the Outplacement business.

Turning to SG&A expenses, the Pasona Group is predicting further reduction. This is the result of additional efforts to realize increased business and operating efficiency and the benefits that accrue from the concentration of Group offices to Otemachi, Tokyo and successful efforts to realize shared services among indirect, support departments and divisions.

Based on the aforementioned, consolidated operating income for the fiscal year ending May 31, 2010 is anticipated to total ¥3,540 million, up 24.2% compared with the fiscal year ended May 31, 2009. Ordinary income is also forecast to rise 9.8% year on year to ¥3,690 million while net income is projected to jump 223.1% to ¥1,010 million.

Consolidated Business Results Forecast

(Millions of yen unless otherwise stated)

	FY2010 (Forecast)	FY2009	YoY
Net sales	224,390	218,699	2.6%
Operating income	3,540	2,850	24.2%
Ordinary income	3,690	3,361	9.8%
Net income	1,010	312	223.1%

Net Sales by Business Segment Forecast

(Millions of yen unless otherwise stated)

	FY2010 (Forecast)	FY2009	YoY
Temporary staffing / Contracting, Placement / Recruiting	199,120	197,333	0.9%
Temporary staffing / Contracting	195,190	191,412	2.0%
Placement / Recruiting	3,930	5,921	(33.6)%
Outplacement	7,820	5,794	35.0%
Outsourcing	16,140	14,725	9.6%
Other	4,390	3,002	46.2%
Eliminations and Corporate	(3,080)	(2,155)	—
Total	224,390	218,699	2.6%

Operating Income (Loss) by Business Segment

(Millions of yen unless otherwise stated)

	FY2010 (Forecast)	FY2009	YoY
Temporary staffing / Contracting, Placement / Recruiting	3,980	3,291	20.9%
Outplacement	970	1,025	(5.4)%
Outsourcing	2,330	2,135	9.1%
Other	(230)	12	—
Eliminations and Corporate	(3,510)	(3,614)	—
Total	3,540	2,850	24.2%

(2) Qualitative Information and Other Matters Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

Total assets as of May 31, 2009 stood at ¥55,468 million, a drop of ¥3,045 million, or 5.2%, compared with the end of the previous fiscal year. This was attributable to certain factors including a decrease of ¥4,364 million in the balance of notes and accounts receivable−trade as well as an increase of ¥1,607 million in the balance of lease and guarantee deposits.

(2) Liabilities

Total liabilities as of May 31, 2009 rose ¥1,273 million or 4.4%, compared with May 31, 2008 totaling ¥30,319 million. The principal increase in total liabilities was short-term loans payable, which climbed ¥6,289 million compared with the balance as of May 31, 2008. This was partly offset by declines in accrued expenses of ¥2,301 million as well as income taxes payable of ¥1,266 million compared with the previous fiscal year-end.

(3) Net Assets

Net assets as of May 31, 2009 stood at ¥25,148 million, a decline of ¥4,319 million, or 14.7%, compared with the end of the previous fiscal year. This was mainly attributable to the payment of cash dividends totaling ¥757 million and the acquisition of treasury stock amounting to ¥4,154 million.

Accounting for the aforementioned, the equity ratio as of May 31, 2009 fell 6.2 percentage points to 35.4% compared with the end of the previous fiscal year.

Status of Cash Flows

As of May 31, 2009, the Group experienced a net year-on-year increase in cash and cash equivalents amounting to ¥507 million compared with a net increase of ¥1,861 million as of May 31, 2008. As a result, net cash at the end of the fiscal year under review stood at ¥14,120 million.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities was ¥4,443 million compared with ¥5,974 million in the fiscal year ended May 31, 2008. Major cash inflows included income before income taxes, which decreased by ¥4,114 million compared with the previous fiscal year to ¥2,885 million, a decrease in notes and accounts receivable-trade of ¥4,356 million. Principal cash outflow was income taxes paid amounting to ¥3,071 million.

(2) Cash Flows from Investing Activities

Net cash used in investing activities for the period under review was ¥4,966 million compared with ¥2,968 million in the previous fiscal year. The major components included payments for the purchase of property, plant and equipment of ¥1,553 million, payments for the purchase of intangible assets totaling ¥1,654 million as well as payments for lease and guarantee deposits involved in office relocations amounting to ¥1,817 million.

(3) Cash Flows from Financing Activities

Net cash provided by financing activities was ¥1,077 million. This was an increase over the net cash used in financing activities for the fiscal year ended May 31, 2008 of ¥980 million. Major cash inflows included an increase in short-term loans payable of ¥6,289 million. Principal cash outflows were payments for the purchase of treasury stock of ¥4,490 million and cash dividends paid totaling ¥1,040 million.

(Reference) **Cash Flow Benchmarks**

	(Reference) FY2005	(Reference) FY2006	(Reference) FY2007	(Reference) FY2008	FY2009
Equity ratio	48.1%	45.5%	41.1%	41.6%	35.4%
Equity ratio based on market capitalization	250.1%	187.6%	176.7%	59.0%	33.9%
Ratio of interest-bearing debt to cash flows (years)	0.1	0.1	0.0	0.0	1.5
Interest coverage ratio (times)	213.1	363.0	165.3	176.6	132.1

Notes:

1. Equity ratio: Shareholders' equity / total assets
   Equity ratio based on market capitalization: Market capitalization / total assets
   Ratio of interest-bearing debt to cash flows: Interest-bearing debt / cash flows
   Interest coverage ratio: Cash flows / interest payments
2. Each benchmark is calculated based on the consolidated financial statements.
3. Market capitalization is calculated by multiplying the period-end closing share price with the number of outstanding shares at the period-end (after deducting treasury stock).
4. Cash flows from operating activities are used in calculations that use cash flows.
5. Interest-bearing debt includes all interest-bearing debt under liabilities recorded on the consolidated balance sheets.
6. Financial data for the period between the fiscal year ended May 31, 2005 and the fiscal year ended May 31, 2007 is for Pasona Inc. on a consolidated basis.

(3) Policy on the Appropriation of Profits, Dividends for the Fiscal Year Ended May 31, 2009 and the Fiscal Year Ending May 31, 2010

In connection with the appropriation of profits, the Company takes into consideration the funds required to engage in new businesses and capital investments aimed at fulfilling the Company's responsibilities to continuously develop the growing human resources business market, to strengthen the Company's operating platform and earnings capacity and to expand shareholders' returns by enhancing corporate value. On this basis and for the foreseeable future, the Company has adopted the basic policy to implement a consolidated dividend payout ratio target of 25% in an effort to continuously deliver adequate and stable returns to shareholders taking into consideration its operating performance.

Based on the aforementioned basic policy in connection with the appropriation of profits, the Company has declared a fiscal year-end dividend for the fiscal year ended May 31, 2009 of ¥650 per share following ratification at a Board of Directors' meeting held on July 17, 2009. Plans are in place to draw the appropriate funds required from the Company's capital surplus.

Together with the interim dividend of ¥600 per share on February 27, 2009, the full fiscal year cash dividend is ¥1,250 per share.

In addition, Pasona Group acquired 58,253 shares of its own stock by way of open market purchase for an amount totaling ¥4,154 million as a part of the Company's ongoing efforts to return profits to shareholders and in line with its capital policy. Moreover, Pasona Group cancelled 17,500 shares of treasury stock in August 2008.

Furthermore, the Company plans to pay an interim cash dividend of ¥600 per share for the fiscal year ending May 31, 2010 and a fiscal year-end cash dividend of ¥650 per share for a forecast full fiscal year cash dividend of ¥1,250 per share.

(4) Risk Factors

In order to prevent any crisis from substantially impacting the Company's management and to minimize loss in the event of a serious incident, Pasona Group has formulated a set of risk management rules. In addition, the Company has established the Risk Management Committee as an umbrella organization to oversee and monitor risk. Based on its Crisis Management Manual, Pasona Group has also created a framework of appropriate measures to be implemented in response to daily as well as emergency incidents. Furthermore, through a system of regular internal audits, the Internal Audit Department monitors the status of daily risk management undertaken by individual departments.

Information contained in this report in connection with current and future risks has been determined as of the date of its announcement unless otherwise stated. Accordingly, the issues identified do not cover all potential risks associated with investing in the Company's stock.

A. Personal and Classified Information Risk

Each business segment within the Pasona Group collects, handles and stores a wealth of personal information relating to temporary staffing registrants, employment placement applicants and outplacement service users. In addition to formulating its personal information protection policy and ensuring that personal information is procured, utilized, distributed and handled in an appropriate manner, the Pasona Group also clarifies the point of contact in connection with the disclosure and deletion of personal information. At the same time, the Group takes all essential and appropriate safety control measures from both the technical and organizational perspectives to prevent personal information leakage or loss, and places the utmost emphasis on personal information protection management education and training among all directors and employees of the Group.

Furthermore, the Pasona Group ensures that all appropriate information management systems, structure and procedures are in place to prevent leakage of trade secrets and other important information relating to the Group, its employees, temporary staffing registrants as well as client firms. Again, the Group works diligently to ensure that the aforementioned systems, structure and procedures are well known and implemented in an appropriate manner.

In connection with its registered temporary personnel, the Pasona Group formulates temporary staffing rules of employment and standards relating to confidentiality. Pasona Group seeks to obtain a pledge and acknowledgement to the aforementioned rules and confidentiality requirements as well as the confidentiality obligations of the relevant employer and all other related rules and regulations from all temporary personnel prior to the commencement of employment.

Notwithstanding the preceding measures, Pasona Group remains at risk to a claim for damages, loss of reputation and social credibility as well as a deterioration in its financial position in the event of a breach in the variety of rules and regulations outlined above or a leak in personal information due to unforeseen and other circumstances.

B. Temporary Staff Procurement Risk

By its very nature, securing an ample pool of temporary staff is integral to the Pasona Group's temporary staffing business. The Pasona Group strives to recruit temporary staff through the Internet, newspaper and magazine advertising as well as introductions from existing registrants. In addition to efforts to secure a stable supply of temporary staff, the Group is also actively engaged in endeavors to improve the location of registration offices and facilities, temporary staff remuneration, fringe benefits and to provide employment opportunities that accurately address the needs of each and every registrant. Pasona Group has also introduced the "My Coach" system and is expanding training and education. Collectively through these initiatives and measures, Pasona Group continues efforts to enhance the satisfaction of temporary staff. In addition, for those existing registrants not currently in employ, Pasona Group is making every effort to ensure their retention. Notwithstanding these efforts, however, in the event the demand for temporary staff exceeds the ability to secure temporary staff, the Group's performance may be affected.

C. Temporary Staffing Payment Risk

In the temporary staffing business, sales are recorded on a temporary staffing payment invoice basis to those companies to which temporary staff are dispatched. In this context, companies supplied with temporary staff are invoiced on either an hourly or monthly rate. In principle, cost of sales comprises payments to temporary staff on an hourly basis, which in turn reflects the relevant job description and skills as well as legal welfare, paid leave and other expenses. The Pasona Group is committed to securing reasonable and appropriate remuneration both at the invoice and payment levels and pursues negotiations with companies to which temporary staff are dispatched accordingly. Both increases and decreases at each of the temporary staffing invoice and payment levels do not always occur in a synchronized manner. In the event of a sudden or prolonged upswing in large volumes of contracts where the discrepancy between temporary staffing invoice and payment levels is detrimental, profitability in the Group's Temporary staffing business may decline significantly affecting overall performance.

D. Outplacement Risk

From a nationwide network of around 80 offices, Pasona Group provides a variety of services in an effort to help early retirees and those planning for retirement find reemployment in the outplacement business. These services include support in the preparation of resumes and interviews, the provision of information on job openings and mental health care. Pasona Group allocates a consultant to each individual client, who focuses on counseling, the collection of employment information and job placement. Through detailed outplacement activities, Pasona Group is well positioned to facilitate a quick and definitive turnaround in the placement of employees. By raising the level of services, the Group strives to secure repeat orders from client firms. At the same time, Pasona Group works diligently and aggressively in its marketing activities with the aim of securing new orders. Success in the outplacement business is dependent upon a number of factors. These factors include the employment policies of client firms, the impact of the economic environment, order trends and rates for each region and the ability to secure a quick and definitive turnaround in the placement of employees. Accordingly, fluctuations in profitability are a key issue.

In addition, fixed overheads are another concern in the Company's ability to maintain a nationwide network, consistently provide comprehensive facilities at each point of representation, open new offices, allocate consultants and maintain a consistent level of services. In the event Pasona Group is unable to flexibly respond to changes in the economic environment and to adequately establish offices and allocate consultants, the Group's overall performance and profitability may suffer. Furthermore, in the event that re-employment determination rates decline or there are lengthy delays in any definitive turnaround in the placement of employees due to the future economic environment, fixed overheads are expected to increase impacting negatively on profitability and the Pasona Group's performance.

E. Outsourcing Risk

Through its subsidiary Benefit One Inc., Pasona Group provides benefit-outsourcing services. Companies that contract with Benefit One become corporate members. Employees of corporate members receive access, at membership rates, to a variety of accommodation, sports club, school and other facility benefits.

Benefit One receives a joining fee and a monthly membership fee depending on the number of individual members from corporate members. Benefit One also undertakes a subsidy payment to cover the use of facilities by employees based on the type of membership and course for each corporate member. While revenues increase relative to the increase in individual members, if subsidy payments rise higher than revenues the Group's performance may be impacted.

F. Statutory and Regulatory Risk

1. Temporary staffing / Contracting, Placement / Recruiting

a. Temporary staffing / Contracting

i) Business Approvals and Licenses

A mainstay activity of the Group, Pasona Group has been granted a temporary staffing business license by the Ministry of Health, Labour and Welfare. As a rule, temporary staffing activities in Japan are regulated by the Worker Dispatch Law, which serves to establish guidelines for the temporary staffing industry and parameters for disqualification, illegal activity, license cancellation and orders to terminate activities. Led by its CS Promotion Division, the Pasona Group has formulated guidelines for appropriate conduct and behavior in temporary staffing transactions. Underpinned by these guidelines, Pasona Group conducts comprehensive employee training, monitors the level of statutory compliance through internal auditing and other systems and implements preventive measures. Despite these endeavors, however, the Pasona Group remains at risk that the Company or a Group employee or director will materially contravene the Worker Dispatch Law or related laws and regulations leading to the cancellation of its license or an order for the termination of business. In addition, the Group's performance may also be affected by amendments to the Worker Dispatch Law and related laws and regulations in line with changes in the labor market.

ii) Types of Temporary Staffing Work

Prior to the amendment to the Worker Dispatch Law in December 1999, temporary staffing activities were restricted to 26 specialist fields. Following further amendments, however, the temporary staffing industry was effectively deregulated with the exception of certain restricted activities including harbor transport, construction, security, medicine and related fields and manufacturing. Furthermore, in March 2004, restrictions were lifted on temporary staffing to the manufacturing industry as well as Temp to Perm, the placement of employees on a full-time basis following completion of a temporary staffing assignment, to the medical field. In April 2006, restrictions on the temporary staffing of medical practitioners to remote areas and replacement personnel for doctors, nurses and health workers taking either maternity or education leave were lifted. Looking ahead, however, depending on the details of any future revisions to the Worker Dispatch Law, restrictions may be placed on the temporary staffing business, which impede growth. In this context, the Pasona Group’s performance may be affected.

iii) Restrictions on Temporary Staffing Term

In accordance with amendments to the Worker Dispatch Law in December 1999, and excluding specifically identified fields such as manufacturing operations, the dispatch of temporary staff is in principle restricted to one year (this may be extended to a maximum of three years subject to an acknowledgement by a representative of a majority of the employees of the company to which temporary staff has been dispatched). Furthermore, companies are restricted from accepting temporary staff on a continuous basis for the same position and duties on completion of an existing temporary staffing contract. The temporary staffing company shall inform the company accepting temporary staff and the temporary staff in question on the day prior to the conclusion of the restricted term. In the event the company continues to employ temporary staff beyond this term, the company shall be obligated to employ temporary staff on a permanent and full-time basis.

In principle, there is no restriction on the temporary staffing term for the 26 fields identified prior to amendments to the Worker Dispatch Law in December 1999. In the event, however, that an employer after employing temporary staff for a continuous period exceeding three years seeks to employ full-time, permanent employees for the subject position and duties, the temporary staff having been employed for a period of three years shall receive a first right of refusal.

Impacted by restrictions on the term of temporary staffing and an increase in the number of companies shifting from temporary to permanent employment, the incidence of companies dealing directly with temporary staff is expected to grow. In the event the number of those seeking temporary employment declines, the Company’s performance may be affected.

b. Placement / Recruiting

As a fee-charging employment agency, the Pasona Group has received the approval of the Ministry of Health, Labour and Welfare to engage in placement and recruiting activities and is regulated by the Job Stabilization Law. In December 1999 following amendments to the Job Stabilization Law, the scope of placement and recruiting activities was expanded both in the number of industries covered and to include new graduates. At the same time, restrictions relating to placement fees were relaxed. In December 2000, further restrictions were lifted for both temporary placement and placement/recruiting activities heralding the birth of Temp to Perm.

Companies engaged in placement and recruiting can be stripped of their license or ordered to cease business activities in the event they fail to meet certain conditions. Accordingly, the Company may come under the same risks as the aforementioned business.

2. Outplacement

The profit structure and business model for the outplacement business differs from that of the placement and recruiting business. From the perspective of introducing job seekers to employers, however, the outplacement business is regulated, guided and monitored in the manner identified above for the placement and recruiting business. Accordingly, the Company may come under the same risks as the aforementioned business.

G. Social Insurance Responsibility Risk

The Pasona Group adopts comprehensive measures to ensure that all eligible temporary staff join the current social insurance system. In connection with health insurance, the participation rate by the elderly in the Temporary Staffing Health Insurance Association, to which Pasona Group employees and temporary staff belong, is low. Accordingly, insurance contributions by the elderly have also been lower when compared to other health insurance associations. Following a reform of the health insurance system in April 2008, however, and the imposition of new financial support payments for individuals over 75 years of age and payments for individuals aged between 65 and 75 in lieu of insurance contributions by the elderly, the contribution by employers to temporary staffing health insurance associations have risen from 3.05%, the level in fiscal 2007, to 3.8%.

Furthermore, following a reform of the pension system in fiscal 2004, the contribution by employers as a ratio of index monthly earnings has risen from 6.967% as of October 2004 by 0.177% annually through to 2017 inclusive to a fixed contribution after 2017 of 9.15%.

In the future, changes in insurance rates and the scope of persons insured due to further reforms of the social insurance system may affect the Pasona Group's financial position and performance.

H.Interested-Party Transaction Risk (relationships with companies in which either Yasuyuki Nambu,Group CEO & President, or his family members maintain an equity interest)

While Yasuyuki Nambu, Group CEO and President of the Company, his immediate and close relatives, companies in which Yasuyuki Nambu and his close relatives hold a majority of voting rights on their own account, and subsidiaries of those companies combined for 55.0% of Pasona Group's voting rights; and Yasuyuki Nambu was the controlling shareholder of Pasona Group as of May 31, 2009, the Company has continued to promote appropriate business management and operations by ensuring that its corporate governance structure and systems function properly.

I. Business Investment Risk

1. Investment in Subsidiary and Affiliated Companies

As of May 31, 2009, the Pasona Group was comprised of 36 consolidated subsidiaries and 5 affiliated companies accounted for under the equity method.

Stock price of publicly listed subsidiaries may be impacted by market and other trends. Accordingly, the Company's non-consolidated performance and asset balance may in future be affected by revaluation due to movements in related company share prices.

In addition, the Pasona Group is committed to proactive investment in new businesses with the aim of better addressing the diverse needs of client firms and employees. The Pasona Group strives to monitor the progress of its ongoing business investments and to accelerate development through optimal use of existing Group infrastructure and marketing network. Despite these efforts, however, consolidated performance may be affected in the event new business earnings fail to meet expectations.

2. Corporate Acquisition

The Pasona Group considers all opportunities including the acquisition of companies actively involved in the human resources industry as a means to effectively supplement and reinforce its mainstay activities. The acquisition of companies includes temporary staffing companies that were established mainly for the purpose of providing temporary staff at Group companies or associated companies of their parent company (in-house-type), temporary staffing companies that specialize in particular sectors and fields and leading companies in peripheral industries. Through these means, the Pasona Group strives to complement existing business domains and to enhance consolidated profitability.

In line with the acquisition of other companies, the Pasona Group may incur significant demands for funds procurement. Acquisition will also generate an increase in amortization of goodwill and other items. All of the aforementioned may affect the Group’s performance. In addition, contributions to consolidated earnings through the acquisition of companies may not be achieved in the short-term and require a longer period.

J. Financing Risk

The Pasona Group strives to ensure the efficient application of Group funds through the effective use of its Group Cash Management Service (CMS). At the same time, the Group establishes commitment lines with financial institutions. Through these means, the Pasona Group makes every effort to maintain an appropriate level of liquidity. In the event, however, that the Group is unable to procure funds as and when required and at acceptable terms and conditions due to the status of its financial condition and future trends in financial markets, the ability of the Group to pursue its business activities may be affected.

K. Human Resource Service Market

The Pasona Group strives to build a balanced business portfolio that remains unrestricted to the constraints of any specific field. Accordingly, the Group pursues a diversified human resource business that encompasses temporary staffing and contracting, placement and recruiting, outplacement, outsourcing and related activities. At the same time, the Group is actively engaged in the distribution of information relating to a variety of employment modes, education as well as diverse proposals. The Pasona Group’s business, however, is impacted by trends in personnel demand reflecting changes in economic conditions both in Japan and overseas as well as the business environment, recruitment trends, as well as the application of external human resources and strategies relating to human resource training. In the event of a sharp fluctuation in market conditions and a rapid drop in demand from client firms, the Pasona Group’s performance may be affected.

2. Information on Group Companies

The Pasona Group shifted to a pure holding company structure on December 3, 2007. The Pasona Group is comprised of Pasona Group Inc., its 36 consolidated subsidiaries and five affiliated companies accounted for by the equity method. Major Group companies according to their principal business activity are listed as follows.

Pasona Group Inc. (Holding Company)

Formulate strategies for group management and support operation execution.

Governance of management and proper allocation of management resources.

Developing new businesses related to job creation.

Temporary Staffing and Contracting, Placement and Recruiting

24 companies

Pasona Inc.
Pasona Tech, Inc.
Pasona Kyoto Inc.
Pasona Empower Inc.
Pasona Global Inc.
Pasona Fortune Inc.
Pasona e-Professional, Inc.
Pasona Okayama Inc.
Pasona Sparkle Inc.
Pasona Sourcing Inc.
Pasona Logicom Inc.
Pasona Engineering Inc.
Pasona Nakakyushu Inc. (※)
Pasona Nagasaki Inc. (※)
TEAM PASONA INDIA COMPANY LIMITED
Pasona NA, Inc.
Pasona Taiwan Co., Ltd.
Pasona Employment Agency (Thailand) Co., Ltd.
Pasona Singapore Pte. Ltd.
PASONA CANADA, INC.
PASONA ASIA CO., LIMITED
Three other companies

Outplacement

One company

Pasona Career Inc.

Outsourcing

6 companies

Benefit One Inc.
National Examination Center Inc. (※)
Four other companies

Other

10 companies

HR Partners Inc.
NARP Inc.
Kansai Employment Creation Organization Inc.
Kantou Employment Creation Organization Inc.
Pasona Dotank Inc.
Pasona CIO Inc.
Pasona Foster Inc.
Pasona Heartful Inc.
e-Staffing Co., Ltd. (※)
Pasona Education Co. Limited

※ Equity-method affiliate
All other unmarked companies are consolidated subsidiaries

Note: For multiple businesses, only the principal business is disclosed.

3. Management Policies

(1) Basic Management Policy of the Company

Based on the corporate philosophy and social mission of providing "Solutions to Society's Problems," the Pasona Group strives to realize the dreams of each and every individual in their efforts to reenter the workforce, seek new challenges, achieve new goals by solving the diverse employment issues that confront job seekers and to **cultivate new employment opportunities where individuals can create their own comfortable lifestyles and freely choose the kind of work they wish to do.** In order to realize this vision, the Group is committed to business development in line with its overarching social mission. To this end, we work diligently to resolve the variety of issues that confront both people and employment while endeavoring to create new employment opportunities.

Japan's labor market is entering a significant transition period reflecting an increase in the number of elderly, a declining birth rate and an overall drop in the general population. Accordingly, the traditional relationship between "employer" and "employee" is steadily evolving. In similar fashion to the United States and Europe, the Japanese labor market is recognizing a diversity of work styles and placing greater emphasis on the individual and individual strengths. From an employee perspective the focus is less on employment security, shifting increasingly toward efforts that enhance each individual's market value. In this context, we believe that the ability of Japan's labor market to rely less on the corporate sector and to realize an **"independent society"** is the key to its future development.

To this end, we recognize the need to establish and develop a diverse infrastructure that allows each individual to choose freely his or her type of employment. While acknowledging the critical nature of a social platform that facilitates each individual in obtaining personal independence, we are also aware that existing support structures are far from adequate. It is therefore in these very circumstances that we recognize our social missions and a business opportunity of significant substance.

For the working individual, the Pasona Group strives to provide positive and appealing work as well as opportunities to advance and a support infrastructure that encompasses employee welfare benefit, administrative and marketing agency services that facilitate each individual in his or her quest for independence. For the company (employer), we put forward effective and efficient human resource strategies, proposals for the optimal use of personnel as a part of wide ranging menu of human resource services as well as undertake other initiatives. Ultimately, our goal is to fulfill the role of a personnel department to Japan's corporate sector, to effectively change the Japanese employment system and to play a central role in human resource development and business. For the Pasona Group, this is the driving force that underpins sustainable growth and efforts to increase corporate value.

(2) Management Target

Recognizing that human resource-related businesses will in overall terms experience growth over the medium to long term, the Pasona Group will not only focus on the temporary staffing business but also all other highly profitable human resource-related service businesses. In addition, we will actively pursue new businesses with the potential to generate new employment opportunities. Working to diversify our overall Group business activities, we will target sustainable sales growth over the medium to long term while building a balanced business portfolio from a profit perspective.

(3) Medium- to Long-Term Business Strategy and Pending Issues

In order to fulfill our goals of becoming a personnel department to Japan’s corporate sector, to effectively change the Japanese employment system and to play a central role in human resource development and business, the Pasona Group has positioned efforts to build a robust structure and strengthen its operating functions as a key medium-term management objective. Working to realize this objective, we are actively pursuing the following management strategies.

a. Strengthen Group Collaboration

In order to fully function as a robust Group, we will focus on employee education and training as well as the optimal allocation of human resources. At the same time, we will endeavor to enhance the Group’s overall human resource and organizational capabilities, build a structure that is capable of promoting effective Group sales and marketing and further raise market competitiveness.

b. Further Enhance Administrative Efficiency

The Pasona Group will further enhance administrative efficiency throughout the Group by promoting shared services among back office departments and other initiatives including Group business reorganization.

c. Bolster the Service Function

Efforts will be made to strengthen the specialist temporary staffing business as well as consulting functions in the human resource field. Positioning the outsourcing business as a key area of operation, we will pursue a variety of initiatives including business tie up and alliance, develop and propose new service menus and strive to bolster functions across the board. Through these means, the Pasona Group is committed to becoming a personnel department to Japan’s corporate sector.

At the same time, we will support cross-border human resource exchange. The Pasona Group will work to secure high quality personnel from around the globe in an effort to bolster its activities in the human resource placement and related businesses.

Moreover, in order to achieve its management objectives and to realize sound and robust Group growth, we shifted to a holding company structure. To this end, we established Pasona Group Inc., a pure holding company, through the transfer of shares on December 3, 2007.

In adopting a holding company structure, we are taking steps to formulate management strategies that encompass the entire Group, to ensure the optimal allocation of resources to growth fields and to further strengthen Group collaboration and cooperation. At the same time, we are bolstering corporate governance with the ultimate aim of increasing Group management transparency. Furthermore, in securing growth opportunities for operating subsidiaries and ensuring that business execution is conducted in a strategic and flexible manner, we are placing ourselves in a position to swiftly respond to changes in the operating environment and to further enhance corporate value.

(4) Pending Issues

Recent economic indices would indicate that the economy is in a recovery trend. Conditions appear to have bottomed out with the economic environment toward the end of the next fiscal period expected to enjoy modest improvement.

Despite this favorable outlook, there are presently little or no signs to indicate a marked improvement in the employment environment particularly for full-time, permanent employees. Accordingly prospects for the human resources industry are mixed. On the one hand, activities in the

Placement and Recruiting business, which supports full-time, permanent employees in their efforts to realize a career change, are projected to confront ongoing difficult conditions. The In-sourcing (contracting) and Outsourcing businesses, on the other hand, are expected to experience further growth buoyed by the growing tide toward corporate sector reengineering (steps to rebuild operating workflows and implement organizational structural reforms).

Turning to the Temporary Staffing business, the drop in new demand appears to have abated. Signs are beginning to emerge of a spate of new demand for temporary staffing reflecting steps by the corporate sector to review its human resource strategies. Furthermore, buoyed by improvements in the ability to secure high-quality staff as well as an upswing in overall supply capabilities, this incidence of new demand is anticipated to promote real gains in temporary staffing business performance.

Looking ahead, the Pasona Group will make every effort to accurately grasp the needs of the corporate sector, and to emphasize the following three strategic priorities in each of its business activities.

1. Strengthen the Pasona Group's Total Solutions Services

In addition to its existing service menu, the Pasona Group will expand its In-sourcing (contracting) and Outsourcing lineups while at the same time bolstering the consulting marketing capabilities mainly of Pasona Dotank Inc., the Group's overall marketing company. The Pasona Group's overarching goals in this area are to provide total solutions services while at the same time cultivating new areas of demand including the public sector market which continues to seek a wide-ranging and diverse menu.

2. Promote an IT Total Provider Strategy

Pasona Group plans to acquire all of the issued and outstanding shares and share options of Pasona Tech, Inc., a company that mainly engages in human resource-related activities focusing on the field of IT engineering, through a public tender offer, and to include the company within its scope of consolidation as a wholly owned subsidiary. Looking ahead, Pasona Group will ramp up its efforts to bolster Pasona Tech's core business activities and to promote full-fledged, comprehensive human resource services focusing on the IT engineering field. As an IT total provider, the Pasona Group will further enhance its Group-wide integrity, cohesion and unity, bolster initiatives aimed at cultivating, educating and training IT human resources, encompassing not only the high-end IT human resources that form the nucleus of Pasona Tech's business, but also low- and middle-end personnel, and develop a broad spectrum of services.

3. Pursue Increased Business Efficiency and Cost Reduction

The Pasona Group plans to relocate and consolidate certain offices and bases to a central location in Otemachi, Tokyo in January 2010, and to establish a comprehensive Group office. In this manner, Pasona Group expects to strengthen the Group's overall marketing capabilities and to improve business and operating efficiency. At the same time, the Group is reviewing the operating procedures, processes and workflows of individual businesses and promoting shared services among indirect support departments and divisions with the aim of further increasing overall Group business and operating efficiency. In addition, Pasona Group is implementing ongoing measures to review the Group's overall cost structure in an effort to realize further cost reduction.

The Pasona Group is committed to ensuring more powerful and sound Group growth on the back of the aforementioned strategic priorities.

4. Consolidated Financial Statements

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

		As of May 31, 2008		As of May 31, 2009
ASSETS				
Current assets				
Cash and deposits		13,672		14,419
Notes and accounts receivable－trade		23,313		18,948
Short-term investment securities		201		202
Inventories		511	*2	328
Deferred tax assets		1,129		1,380
Income taxes receivable		533		557
Other		1,934		1,600
Allowance for doubtful accounts		(81)		(80)
Total current assets		41,213		37,358
Noncurrent assets				
Property, plant and equipment		4,990		5,029
Buildings	*3	4,418	*3	4,236
Accumulated depreciation		(1,275)		(1,303)
Buildings, net		3,142		2,933
Land		885		1,255
Lease assets		—		34
Accumulated depreciation		—		(5)
Lease assets, net		—		29
Other	*3	2,012	*3	2,023
Accumulated depreciation		(1,050)		(1,212)
Other, net		962		810
Total property, plant and equipment		4,990		5,029
Intangible assets				
Goodwill		516		331
Software	*3	2,736	*3	3,324
Lease assets		—		2
Other		84		83
Total intangible assets		3,338		3,741
Investments and other assets				
Investment securities	*1	1,581	*1	1,272
Long-term loans receivable		189		227
Deferred tax assets		1,127		839
Lease and guarantee deposits		4,538		6,146
Other		1,599		1,243
Allowance for doubtful accounts		(64)		(38)
Allowance for investment loss		—		(350)
Total investments and other assets		8,971		9,338
Total noncurrent assets		17,300		18,110
Total assets		58,513		55,468

(Millions of yen)

	As of May 31, 2008	As of May 31, 2009
LIABILITIES		
Current liabilities		
Accounts payable—trade	1,773	1,568
Short-term loans payable	112	6,401
Current portion of bonds	—	36
Lease obligations	—	31
Accounts payable—other	2,404	2,510
Accrued expenses	11,259	8,957
Income taxes payable	2,096	830
Accrued consumption taxes	2,639	1,712
Provision for bonuses	1,910	1,650
Provision for directors' bonuses	14	7
Other	4,521	5,127
Total current liabilities	26,731	28,834
Noncurrent liabilities		
Bonds payable	—	164
Long-term loans payable	7	4
Lease obligations	—	39
Long-term accounts payable—other	51	—
Provision for retirement benefits	813	872
Provision for directors' retirement benefits	943	306
Allowance for head office relocation expenses	430	—
Other	68	97
Total noncurrent liabilities	2,313	1,485
Total liabilities	29,045	30,319
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	8,887	6,517
Retained earnings	12,682	12,995
Treasury stock	(2,257)	(4,799)
Total shareholders' equity	24,312	19,713
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	41	0
Foreign currency translation adjustment	(22)	(77)
Total valuation and translation adjustments	19	(76)
Minority interests	5,136	5,512
Total net assets	29,468	25,148
Total liabilities and net assets	58,513	55,468

(2) CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

		FY2008 (For the year ended May 31, 2008)		FY2009 (For the year ended May 31, 2009)
Net sales		236,945		218,699
Cost of sales		187,575		175,114
Gross profit		49,369		43,585
Selling, general and administrative expenses	*1,2	42,925	*1,2	40,735
Operating income		6,444		2,850
Non-operating income				
Interest income		53		35
Equity in earnings of affiliates		43		85
Subsidy income		273		323
Unused point settlement income		—	*6	94
Compensation income		—		78
Other		190		125
Total non-operating income		560		742
Non-operating expenses				
Interest expenses		32		75
Commitment fee		49		60
Deferred organization expenses		53		—
Bad debts expenses		133		—
Other		97		96
Total non-operating expenses		366		231
Ordinary income		6,637		3,361
Extraordinary income				
Gain on sales of noncurrent assets		—		0
Gain on sales of investment securities		8		87
Gain on sales of subsidiaries and affiliates' stocks		1,095		—
Subsidy		35		25
Reversal of provision for directors' retirement benefit		—		643
Total extraordinary income		1,139		757
Extraordinary loss				
Loss on sales and retirement of noncurrent assets	*3	133	*3	256
Loss on reduction of noncurrent assets	*4	35	*4	25
Loss on sales of investment securities		—		75
Loss on valuation of investment securities		25		215
Loss on sales of stocks of subsidiaries and affiliates		9		39
Loss on valuation of stocks of subsidiaries and affiliates		10		—
Impairment loss	*5	47	*5	11
Loss on valuation of membership		70		—
Provision of allowance for investment loss		—		350
Loss on change in equity		15		25
Head office transfer cost		430		166
Loss on liquidation of subsidiaries and affiliates		—		64
Total extraordinary loss		777		1,232
Income before income taxes		7,000		2,885
Income taxes—current		3,488		1,765
Income taxes—deferred		(304)		52
Income taxes		3,183		1,818
Minority interests in income		853		755
Net income		2,962		312

(3) CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
Shareholders' Equity		
Common Stock		
Balance as of May 31, 2008	8,358	5,000
Changes of items during the period		
Stock issuance cost	32	—
Increase by share transfers	(3,391)	—
Total changes of items during the period	(3,358)	—
Balance as of May 31, 2009	5,000	5,000
Capital surplus		
Balance as of May 31, 2008	7,493	8,887
Changes of items during the period		
Stock issuance cost	32	—
Dividends from surplus-other capital surplus	—	(757)
Increase by share transfers	1,361	—
Retirement of treasury stock	—	(1,613)
Total changes of items during the period	1,394	(2,370)
Balance as of May 31, 2009	8,887	6,517
Retained earnings		
Balance as of May 31, 2008	10,636	12,682
Changes of items during the period		
Dividends from surplus	(916)	—
Net income	2,962	312
Total changes of items during the period	2,046	312
Balance as of May 31, 2009	12,682	12,995
Treasury stock		
Balance as of May 31, 2008	(4,287)	(2,257)
Changes of items during the period		
Increase by share transfers	2,030	—
Purchase of treasury stock	—	(4,154)
Retirement of treasury stock	—	1,613
Total changes of items during the period	2,030	(2,541)
Balance as of May 31, 2009	(2,257)	(4,799)
Total shareholders' equity		
Balance as of May 31, 2008	22,200	24,312
Changes of items during the period		
Stock issuance cost	65	—
Dividends from surplus	(916)	(757)
Net income	2,962	312
Increase by share transfers	—	—
Purchase of treasury stock	—	(4,154)
Retirement of treasury stock	—	—
Total changes of items during the period	2,112	(4,599)
Balance as of May 31, 2009	24,312	19,713

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance as of May 31, 2008	96	41
Changes of items during the period		
Net changes of items other than shareholders' equity	(54)	(41)
Total changes of items during the period	(54)	(41)
Balance as of May 31, 2009	41	0
Foreign currency translation adjustment		
Balance as of May 31, 2008	79	(22)
Changes of items during the period		
Net changes of items other than shareholders' equity	(102)	(54)
Total changes of items during the period	(102)	(54)
Balance as of May 31, 2009	(22)	(77)
Total valuation and translation adjustments		
Balance as of May 31, 2008	175	19
Changes of items during the period		
Net changes of items other than shareholders' equity	(156)	(95)
Total changes of items during the period	(156)	(95)
Balance as of May 31, 2009	19	(76)
Minority interests		
Balance as of May 31, 2008	4,528	5,136
Changes of items during the period		
Net changes of items other than shareholders' equity	607	376
Total changes of items during the period	607	376
Balance as of May 31, 2009	5,136	5,512
Total net assets		
Balance as of May 31, 2008	26,904	29,468
Changes of items during the period		
Stock issuance cost	65	—
Dividends from surplus	(916)	(757)
Net income	2,962	312
Purchase of treasury stock	—	(4,154)
Net changes of items other than shareholders' equity	451	280
Total changes of items during the period	2,563	(4,319)
Balance as of May 31, 2009	29,468	25,418

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes	7,000	2,885
Depreciation and amortization	1,403	1,911
Impairment loss	47	11
Amortization of goodwill	275	314
Bad debts expenses	134	—
Increase (decrease) in allowance for doubtful accounts	(26)	(24)
Increase (decrease) in allowance for investment loss	—	350
Increase (decrease) in provision for bonuses	306	(258)
Increase (decrease) in provision for directors' bonuses	(4)	(5)
Increase (decrease) in provision for retirement benefits	109	63
Increase (decrease) in provision for directors' retirement benefits	(28)	(636)
Increase (decrease) in allowance for head office transfer cost	430	(430)
Interest and dividends income	(60)	(40)
Interest expenses	32	75
Subsidy income	(308)	(349)
Foreign exchange losses (gains)	24	9
Equity in (earnings) losses of affiliates	(43)	(85)
Loss (gain) on change in equity	15	25
Loss (gain) on sales and retirement of noncurrent assets	133	256
Loss on reduction of noncurrent assets	35	25
Loss (gain) on sales of investment securities	(8)	(12)
Loss (gain) on valuation of investment securities	25	215
Loss (gain) on sales of stocks of subsidiaries and affiliates	(1,085)	39
Loss on valuation of stocks of subsidiaries and affiliates	10	—
Decrease (increase) in notes and accounts receivable－trade	309	4,356
Decrease (increase) in inventories	(189)	182
Decrease (increase) in other assets	(81)	625
Increase (decrease) in operating debt	214	(2,266)
Increase (decrease) in accrued consumption taxes	(0)	(790)
Increase (decrease) in other liabilities	986	725
Other	81	5
Subtotal	9,736	7,181
Interest and dividends income received	65	43
Interest expenses paid	(33)	(33)
Proceeds from subsidy	300	324
Income taxes paid	(4,093)	(3,071)
Net cash provided by operating activities	5,974	4,443

(Millions of yen)

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
Net cash provided by (used in) investment activities		
Decrease (increase) in time deposits	(175)	(82)
Purchase of property, plant and equipment	(2,118)	(1,553)
Proceeds from sales of property, plant and equipment	5	1
Purchase of intangible assets	(1,375)	(1,654)
Purchase of investment securities	(17)	(53)
Proceeds from sales of investment securities	1,421	185
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 158	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	*3 (186)	*3 (30)
Purchase of investments in subsidiaries	(181)	(63)
Payments of loans receivable	(108)	(115)
Collection of loans receivable	102	78
Payments for lease and guarantee deposits	—	(1,817)
Proceeds from collection of lease and guarantee deposits	—	186
Other	(491)	(47)
Total net cash used in investment activities	(2,968)	(4,966)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3	6,289
Repayment of long-term loans payable	(2)	(2)
Repayments of finance lease obligations	(27)	(29)
Proceeds from issuance of bonds	—	196
Proceeds from issuance of common stock	65	—
Proceeds from stock issuance to minority shareholders	39	154
Purchase of treasury stock	—	(4,154)
Purchase of treasury stock of subsidiaries in consolidation	—	(335)
Cash dividends paid	(914)	(754)
Cash dividends paid for minority	(146)	(285)
Total net cash provided by (used in) financing activities	(980)	1,077
Effect of exchange rate change on cash and cash equivalents	(164)	(46)
Net increase (decrease) in cash and cash equivalents	1,861	507
Cash and cash equivalents at the beginning of the period	11,750	13,612
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(0)
Cash and cash equivalents at the end of the period	*1 13,612	*1 14,120

(5) Notes to Going Concern Assumption

None

(6) Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
1. Scope of Consolidation	(1) Consolidated subsidiaries: 42 companies Names of consolidated subsidiaries: Pasona Inc. Benefit One Inc. Pasona Tech, Inc. Pasona Career Inc. HR Partners Inc. NARP Inc. Financial Sun, Inc. Kansai Employment Creation Organization Inc. Kantou Employment Creation Organization Inc. Pasona Engineering Inc. Pasona Insurance Inc. Pasona Kyoto Inc. Pasona Youth Inc. Pasona Temp to Perm, Inc. Pasona Empower Inc. Pasona Global Inc. Pasona Fortune Inc. Pasona e-Professional, Inc. Pasona Sportsmate Inc. Pasona Okayama Inc. Pasona Sparkle Inc. Pasona REP Power Inc. Pasona Sourcing Inc. Pasona Foster Inc. Pasona Logicom Inc. Pasona Heartful Inc. Global Healthcare, Inc. Benefit One Partners Inc. Speak Line Inc. TEAM PASONA INDIA COMPANY LIMITED Pasona NA, Inc. Pasona Taiwan Co., Ltd. Pasona Employment Agency (Thailand) Co., Ltd. Pasona Singapore Pte. Ltd. PASONA CANADA, INC. Pasona Education Co. Limited PASONA EUROPE LIMITED PASONA ASIA CO., LIMITED	(1) Consolidated subsidiaries: 36 consolidated subsidiaries: Pasona Inc. Benefit One Inc. Pasona Tech, Inc. Pasona Career Inc. HR Partners Inc. NARP Inc. Kansai Employment Creation Organization Inc. Kantou Employment Creation Organization Inc. Pasona CIO Inc. Pasona Kyoto Inc. Pasona Empower Inc. Pasona Global Inc. Pasona Fortune Inc. Pasona e-Professional, Inc. Pasona Okayama Inc. Pasona Sparkle Inc. Pasona Dotank Inc. Pasona Sourcing Inc. Pasona Foster Inc. Pasona Logicom Inc. Pasona Heartful Inc. Pasona Engineering Inc. Global Healthcare, Inc. Benefit One Partners Inc. TEAM PASONA INDIA COMPANY LIMITED Pasona NA, Inc. Pasona Taiwan Co., Ltd. Pasona Employment Agency (Thailand) Co., Ltd. Pasona Singapore Pte. Ltd. PASONA CANADA, INC. Pasona Education Co. Limited PASONA ASIA CO., LIMITED Pasona MIC, Inc. MGR Search and Selection Co., Ltd. Pasona Human Resources (Shanghai) Co., Ltd. Pasona Management Consultancy (Shenzhen) Co., Ltd.

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
	Pasona MIC, Inc. MGR Search and Selection Co., Ltd. Pasona Human Resources (Shanghai) Co., Ltd. Pasona Management Consultancy (Shenzhen) Co., Ltd. Kansai Employment Creation Organization Inc., Kantou Employment Creation Organization Inc. and Financial Sun, Inc. previously affiliated companies accounted for by the equity method, became consolidated subsidiaries during the period under review through the acquisition of additional stock. Pelham Search Pacific Limited and PELHAM INTERNATIONAL LIMITED were excluded from the scope of consolidation following the sale of all of their shares. (2) Non-consolidated subsidiary: Names of non-consolidated subsidiaries: Pasonatech Consulting (Dalian) Co., Ltd. C.S. factory Co., Ltd. The assets, sales, net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on the consolidated financial statements. As a result, these non-consolidated subsidiaries have been excluded from the scope of consolidation.	Pasona CIO Inc. was newly incorporated as consolidated subsidiaries. Financial Sun, Inc., Pasona Sportsmate Inc., Pasona Temp to Perm, Inc. and Pasona Insurance Inc. were excluded from the scope of consolidation following a merger with Pasona Inc. Speak Line Inc. was excluded from the scope of consolidation following its liquidation. PASONA EUROPE LIMITED was excluded from the scope of consolidation following the sale of all of its shares. Pasona Youth Inc. transferred a portion of its marketing function to Pasona by way of corporate separation and spin off. Those functions that fell outside the scope of the aforementioned corporate separation and spin off were merged utilizing a consolidation and takeover method with Pasona REP Power Inc. as the surviving company. Pasona REP Power Inc. has subsequently changed its name to Pasona Dotank Inc. (2) Non-consolidated subsidiary: Names of non-consolidated subsidiaries: Pasonatech Consulting (Dalian) Co., Ltd. Pasona Tech Vietnam Co., Ltd. The assets, sales, net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on the consolidated financial statements. As a result, these non-consolidated subsidiaries have been excluded from the scope of consolidation.
2. Application of the Equity Method	(1) Number of affiliated companies that are accounted for by the equity method: 5 companies The names of equity-method affiliates are as follows: E-Staffing Co., Ltd. Pasona Nakakyushu Inc. National Examination Center Inc. Pasona Nagasaki Inc. Execube Inc.	(1) Number of affiliated companies that are accounted for by the equity method: 5 companies The names of equity-method affiliates are as follows: E-Staffing Co., Ltd. Pasona Nakakyushu Inc. National Examination Center Inc. Pasona Nagasaki Inc. Execube Inc.

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
	Kansai Employment Creation Organization Inc., Kantou Employment Creation Organization Inc. and Financial Sun, Inc. became consolidated subsidiaries and were excluded from the scope of consolidation as affiliated companies were accounted for by the equity method. Pasona ADP Payroll, Inc. was excluded from the scope of consolidation as affiliated companies were accounted for by the equity method following the sale of all of its shares.	
	(2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: Names of non-consolidated subsidiaries and affiliated companies: Pasonatech Consulting (Dalian) Co., Ltd. C.S. Factory Co., Ltd. Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation as their net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group, and their overall importance to the Group's performance was limited.	(2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: Names of non-consolidated subsidiaries and affiliated companies: Pasonatech Consulting (Dalian) Co., Ltd. Pasona Tech Vietnam Co.,Ltd. Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation as their net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group, and their overall importance to the Group's performance was limited.
3. Fiscal Year-End Financial Statements of Consolidated Subsidiaries	The fiscal year-end of Pasona Inc. is the same as the fiscal year-end of the Company. The fiscal year-end of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. is December 31. The provisional financial statements of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. as of March 31 are used in the preparation of the consolidated financial statements. The fiscal year-end of 39 remaining consolidated subsidiaries is March 31. The financial statements of these consolidated subsidiaries as of March 31 are used in the preparation of the consolidated financial statements. Where significant transactions have occurred during the period between these fiscal year-ends and the consolidated fiscal year-end, the consolidated financial statements are adjusted accordingly.	The fiscal year-end of Pasona Inc. is the same as the fiscal year-end of the Company. The fiscal year-end of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. is December 31. The provisional financial statements of Pasona Human Resources (Shanghai) Co., Ltd. and Pasona Management Consultancy (Shenzhen) Co., Ltd. as of March 31 are used in the preparation of the consolidated financial statements. The fiscal year-end of 33 remaining consolidated subsidiaries is March 31. The financial statements of these consolidated subsidiaries as of March 31 are used in the preparation of the consolidated financial statements. Where significant transactions have occurred during the period between these fiscal year-ends and the consolidated fiscal year-end, the consolidated financial statements are adjusted accordingly.

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
4. Accounting Policies (1) Valuation standard and valuation method of important assets	A. Securities (other securities) 1. Securities with quoted market values Securities with quoted market value are stated at fair value on the closing date. (Net unrealized gains and losses on other securities are reported, directly to net assets. Costs of these securities are calculated based on the moving-average cost method.) 2. Securities without quoted market values Securities without quoted market value are stated on cost basis using the moving-average cost method. B. Inventories 1. Merchandise: Cost basis using the moving-average cost method 2. Supplies: Cost basis at last invoice cost method	A. Securities (other securities) 1. Securities with quoted market values As left. 2. Securities without quoted market values As left. B. Inventories Inventories are stated at cost (marking down the book value of balance sheet items in line the decrease in profitability) method 1.Merchandise: Moving-average cost method 2. Supplies: Last invoice cost method
(2) Depreciation of important depreciable assets	A. Property, plant and equipment 1. Buildings (excluding associated equipment and facilities): Straight-line method 2. Other property, plant and equipment: Mainly the declining balance method B. Noncurrent assets Software: Straight-line method over the useful life of the asset estimated by the Company (within five years) ―――――――	A. Property, plant and equipment (excluding lease assets) 1. Buildings (excluding associated equipment and facilities): Straight-line method 2. Other property, plant and equipment: Mainly the declining balance method B. Noncurrent assets (excluding lease assets) Software: Straight-line method over the useful life of the asset estimated by the Company (within five years) C. Lease assets Finance lease transactions that do not transfer ownership: Lease assets are depreciated with the lease periods as their useful lives and no residual value.

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
(3) Accounting policies for important deferred assets	A. Stock issuance cost Expenses relating to the issuance of new shares are charged to income in full when paid. B. Deferred organization expenses Deferred organization expenses are charged to income in full when paid.	A. Stock issuance cost As left. B. Deferred organization expenses ————————
(4) Accounting policies for important provisions	A. Allowance for doubtful receivables The Company and its consolidated subsidiaries provide for doubtful receivables based on the historical bad-debt rate as normal loans, and the amount deemed necessary to cover individual accounts estimated to be uncollectible. B. Provision for bonuses The Company and its consolidated subsidiaries provide for employee bonus payments at an estimated amount to be paid for the period. C. Provision for directors' bonuses The Company and its consolidated subsidiaries provide for directors' bonus payments at an estimated amount to be paid for the period. D. Provision for retirement benefits The Company and its consolidated subsidiaries provide an allowance for severance retirement benefits for employees based on the calculated amount of accrued retirement funds and accrued pension assets as of the end of the fiscal period. Actuarial gains and losses are recognized as expenses in the next fiscal year. In addition, the amount of pension assets exceeded the amount payable for employees' severance and retirement benefits adjusted for unrecognized actuarial differences as of the end of the fiscal year for certain consolidated subsidiaries. As a result, an amount of ¥428 million representing prepaid pension expenses was included in the "other investments" accounting line item of "investments and other assets."	A. Allowance for doubtful receivables As left. B. Provision for bonuses As left. C. Provision for directors' bonuses As left. D. Provision for retirement benefits The Company and its consolidated subsidiaries provide an allowance for severance retirement benefits for employees based on the calculated amount of accrued retirement funds and accrued pension assets as of the end of the fiscal period. Actuarial gains and losses are recognized as expenses in the next fiscal year. In addition, the amount of pension assets exceeded the amount payable for employees' severance and retirement benefits adjusted for unrecognized actuarial differences as of the end of the fiscal year for certain consolidated subsidiaries. As a result, an amount of ¥243 million representing prepaid pension expenses was included in the "other investments" accounting line item of "investments and other assets."

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
	E. Provision for directors' retirement benefits The Company and its consolidated subsidiaries provide an allowance for retirement benefits for directors and executive officers in conformity with bylaws to meet obligations as of the end of the fiscal year under review. F. Allowance for head office relocation expenses The Company provides for restoration costs and other expenses in connection with the perspective relocation to the head office of certain of its consolidated subsidiary Pasona Inc. at an estimated amount payable in the future. ―――――――	E. Provision for directors' retirement benefits A portion of consolidated subsidiaries provide an allowance for retirement benefits for directors and executive officers in conformity with bylaws to meet obligations as of the end of the fiscal year under review. (Additional information) The Company and a portion of consolidated subsidiaries terminated and abandoned their respective retirement benefit systems for directors, corporate auditors and executive officers. As a result, steps were taken to reverse an amount totaling ¥637 million from the provision for directors' retirement benefits. ――――――― G. Allowance for investment loss For marketable securities with no market value, an amount deemed necessary has been recorded to cover potential future losses. (Additional information) For marketable securities with no market value, an amount deemed necessary has been recorded in the fiscal year ended May 31, 2009 to cover potential future losses taking into consideration to financial conditions of the relevant companies and collectability. In the fiscal year ended May 31, 2009, an extraordinary loss totaling ¥350 million has been recorded as provision of allowance for investment loss.
(5) Accounting for lease Transactions	Finance leases in which ownership is not transferred to a lessee are accounted for in the same manner as operating leases.	―――――――
(6) Other significant accounting policies for preparing full fiscal year consolidated financial Statements	Consumption taxes Consumption taxes are separately recorded.	Consumption taxes As left.
5. Valuation of Assets and Liabilities of Consolidated Subsidiaries	The assets and liabilities of the consolidated subsidiaries are evaluated at mark to market value.	As left.

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
6. Amortization of Goodwill and Negative Goodwill	For amortization of goodwill, the Company and its consolidated subsidiaries employ a straight-line method over a period of two to five years. For immaterial amounts of goodwill, the Company and its consolidated subsidiaries charge these amounts in full to the income statement at the time they occur.	As left.
7. Scope of “Cash and Cash Equivalents” in Full Fiscal Year Consolidated Statement of Cash Flows	“Cash and cash equivalents” in the consolidated statement of cash flows includes cash on hand, readily available deposits, and short-term investments with original maturities not exceeding three months, which are highly liquid and virtually risk-free with respect to change of value.	As left.

(7)Changes in Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements

FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
―――――――――	(Valuation standard and valuation method for inventories) From the fiscal year ended May 31, 2009, Pasona Group has applied "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Standard No. 9 issued on July 5, 2006). There was no impact on the Group's earnings as a result of the application of this accounting standard.
―――――――――	(Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Statements") Effective the fiscal year ended May 31, 2009, Pasona Group has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006) and at the same time undertaken all necessary modifications from a consolidated account settlement perspective. The impact of the application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Statements" on the Group's earnings is immaterial.
―――――――――	(Application of the "Accounting Standard for Lease Transactions") Finance lease transactions that do not transfer ownership have historically been accounted for as operating leases. Effective from the fiscal year ended May 31, 2009, Pasona Group applied the "Accounting Standard for Lease Transactions" (Business Accounting Council, the 1st Committee Standard No. 13, first implemented on June 17, 1993 and last amended by the ASBJ on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions," (the Japanese Institute of Certified Public Accountants, Accounting Practice Committee Guidance No. 16, first implemented on January 18, 1994 and last amended by the ASBJ on March 30, 2007). As a result of this application, finance lease transactions that do not transfer ownership are treated as sales and purchase transactions. With regard to finance lease transactions that do not transfer ownership that occurred prior to the beginning of the fiscal year to which they are applied, the accounting treatment applicable to operating lease transactions is applied. Taking the aforementioned into consideration, the impact on pasona Group's consolidated earnings is immaterial.

(Changes in Presentation Methods)

FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
――――――――	(Consolidated Balance Sheet) As of May 31, 2008 an amount totaling ¥12 million was recorded as the separate accounting line item “long-term accounts payable-other.” Due to the relative unimportance of this item as of May 31, 2009, the applicable amount was recorded under “other long-term liabilities.” (Statement of Cash Flows) In the fiscal year ended May 31, 2008, payment for lease and guarantee deposits totaling ¥676 million and proceeds from collection of lease and guarantee deposits amounting to ¥222 million were recorded in “other” cash flows from investing activities. In the fiscal year ended May 31, 2009, separate accounting line item amounts were recorded for each of “payment for lease and guarantee deposits” and “proceeds from collection of lease and guarantee deposits” due to their increased importance.

(Additional information)

FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
(Method of depreciation for property, plant, and equipment) In conjunction with changes in Japanese income tax laws, for assets acquired prior to March 31, 2007, the difference between 5% of the acquisition cost and the memorandum price is depreciated in a straight line over five years starting in the fiscal year after the one in which the value of the asset reaches 5% of the acquisition cost as a result of the application of depreciation methods based on Japanese income tax laws prior to the changes. This change has a minimal impact on earnings.	――――――――
(Additional depreciation of the headquarters building) It has been decided that some consolidated subsidiaries will relocate to different rental headquarters buildings starting on August 1, 2009, without entering into new lease contracts. Of the fixed assets owned from that fiscal year, the building construction work-related assets are depreciated in a straight line so that the value reaches the memorandum price in July 2009. As a result, operating income, ordinary income, and income before income taxes and minority interests have each declined by ¥132 million.	――――――――

(8) Notes to Consolidated Financial Statement

Disclosure omitted

The Company deems that there is no item of significant importance in connection with lease transactions, transactions with related parties, tax-effect accounting, securities, derivatives, severance and retirement benefits, stock options and other matters to be disclosed in this consolidated financial report. Accordingly, this information has been omitted.

Notes to Consolidated Balance Sheets

(Millions of yen unless otherwise stated)

As of May 31, 2008	As of May 31, 2009
*1 Shares in non-consolidated subsidiaries and affiliated companies Investment securities (stocks) 523	*1 Shares in non-consolidated subsidiaries and affiliated companies Investment securities (stocks) 645
————————	*2 Breakdown of Inventories Merchandise 227 Supplies 100 Work in process 0
*3 In connection with the acceptance of government and other subsidies, a noncurrent assets advanced depreciation accumulated amount of ¥35 million was deducted from the acquisition amount. The breakdown of this advanced depreciation accumulated amount was buildings ¥0 million, other tangible assets ¥33 million and software ¥0 million.	*3 In connection with the acceptance of government and other subsidies, a noncurrent assets advanced depreciation accumulated amount of ¥60 million was deducted from the acquisition amount. The breakdown of this advanced depreciation accumulated amount was buildings ¥1 million, other tangible assets ¥58 million and software ¥0 million.

Notes to Consolidated Statements of Income

(Millions of yen unless otherwise stated)

FY2008 (For the year ended May 31, 2008) / FY2009 (For the year ended May 31, 2009)

*1 Breakdown of major selling, general and administrative expenses

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
Employees' salaries and bonuses	16,492	16,050
Provision for bonuses	1,642	1,345
Provision for directors' bonuses	10	4
Welfare expenses	3,164	3,225
Retirement benefit expenses	117	493
Provision for directors' retirement benefits	222	57
Offering expenses	2,773	1,777
Rent expenses	4,966	4 ,921
Depreciation	1,200	1,582
Provision of allowance for doubtful accounts	36	25
Amortization of goodwill	286	315

FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
*2 Research and development expenses Research and development expenses included in selling, general and administrative expenses: 32	*2 Research and development expenses Research and development expenses included in selling, general and administrative expenses: 2
*3 Breakdown of loss on sales and disposal of fixed assets: Loss on retirement Buildings 90 Other tangible assets 13 Software 20 Other intangible assets 0 Loss on sales Buildings 4 Land 0 Other tangible assets 2 133	*3 Breakdown of loss on sales and disposal of fixed assets: Loss on retirement Buildings 174 Other tangible assets 37 Software 43 Loss on sales Buildings 0 Other tangible assets 0 256
*4 The breakdown of the amount directly deducted from the acquisition amount of assets acquired relating to government and other subsidies is as follows: Buildings 0 Other tangible assets 33 Software 0 35	*4 The breakdown of the amount directly deducted from the acquisition amount of assets acquired relating to government and other subsidies is as follows: Buildings 0 Other tangible assets 24 25
*5 Impairment loss For the fiscal year ended May 31, 2008, the Group reported impairment losses in connection with the following asset groups: (1) Overview of asset groups in which impairment losses were recognized:	*5 Impairment loss For the fiscal year ended May 31, 2009, the Group reported impairment losses in connection with the following asset groups: (1) Overview of asset groups in which impairment losses were recognized:

FY2008:

Location	Application	Type
Shibuya-ku Tokyo	Idle assets	Tools, furniture and fixtures Software
Chiyoda-ku Tokyo	Temporary staffing systems, other	Software
—	Other	Goodwill

FY2009:

Location	Application	Type
New Delhi India	Office equipment, other	- Buildings and accompanying facilities - Tools, furniture and fixtures - Software

FY2008
(For the year ended May 31, 2008)

(2) Background leading to the recognition of impairment loss

In principle, the Group adopts each individual company as the basic unit for asset groupings and the smallest unit in independent cash flow generation.

Impairment losses have been recognized for idle assets with no clear future plan for use located in Shibuya-ku, Tokyo. In addition, impairment losses have been recognized for asset groups used in connection with the management and operation of human resource company service sites for which continued operating use is deemed to have contributed to losses. The impairment loss is the book value of each relevant asset written down to the amount estimated as recoverable.

Furthermore, impairment losses have been recognized for goodwill. This is attributed to the assessment that income forecast at the time of stock acquisition cannot be achieved in line with business plan considerations.

(3) Amount of impairment loss:

(Millions of yen)

Type	Amount
Tools, furniture and fixtures	2
Software	6
Goodwill	38
Total	47

The recoverable amount for asset groups is calculated based on the net sales value. The income approach and other methods are used to calculate the net sales value for assets that are transferable. For assets that are not transferable, net sales value is zero reflecting the difficulty of their sale.

―――――

FY2009
(For the year ended May 31, 2009)

(2) Background leading to the recognition of impairment loss

In principle, the Group adopts each individual company as the basic unit for asset groupings and the smallest unit in independent cash flow generation.

Impairment losses have been recognized for office facilities, equipment and related items of TEAM PASONA INDIA COMPANY LIMITED for which continued operating use is deemed to have contributed to losses. The impairment loss is the book value of each relevant asset written down to the amount estimated as recoverable.

(3) Amount of impairment loss:

(Millions of yen)

Type	Amount
Buildings and accompanying facilities	4
Tools, furniture and fixtures	2
Software	4
Total	11

The recoverable amount for asset groups is calculated based on the net sales value. The income approach and other methods are used to calculate the net sales value for assets that are transferable. For assets that are not transferable, net sales value is zero reflecting the difficulty of their sale.

*6 Unused point settlement income
Effective March 31, 2009, Pasona Inc., Pasona Group's consolidated subsidiary, terminated its operating staff point service due to changes in its employee welfare benefit system. As a result, the unused portion of unpaid points brought to account in previous fiscal years has been reversed.

Calculation Statement Relating to Changes in Consolidated Shareholders' Equity

FY2008 (For the year ended May 31, 2008)

1. Matters Relating to Shares Issued and Outstanding (Shares)

Type of Shares	Number of Shares As of May 31, 2007	Increase	Decrease	Number of Shares As of May 31, 2008
Common shares	433,732	671	—	434,403

Notes:
1. The major breakdown of the increase in the number of shares is provided as follows:
   Increase in the number of shares due to the exercise of stock option and new subscription rights: 671 shares
2. The number of shares as of the end of the previous fiscal year and the increase in the number of shares in connection with the fiscal year in question relate to the shares of Pasona Inc.

2. Matters Relating to Treasury Stock (Shares)

Type of Shares	Number of Shares As of May 31, 2007	Increase	Decrease	Number of Shares As of May 31, 2008
Common shares	17,500	—	—	17,500

Note:
The number of treasury stock shares as of the end of the previous fiscal year relate to the number of treasury stock shares of Pasona Inc.

3. Matters Related to the New Subscription Rights

None.

4. Matters Relating to Dividends

(1) Cash dividend payment amount

Resolution	Type of Shares	Total Cash Dividends Paid (Millions of yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Board of Directors' meeting held on July 20, 2007	Common shares	416	1,000	May 31, 2007	August 23, 2007
Board of Directors' meeting held on January 24, 2008	Common shares	500	1,200	November 30, 2007	February 27, 2008

Note:
The aforementioned total amounts of cash dividends paid were determined by the Board of Directors of Pasona Inc., which reflects the establishment of Pasona Group Inc., Pasona Inc.'s complete parent company, through the transfer of shares on December 3, 2007.

(2) Dividends for which the effective date falls after the fiscal year ended May 31, 2009 included in dividends for fiscal year ended May 31, 2008

Resolution	Type of Shares	Source of Dividend Payment	Total Cash Dividends Paid (Millions of Yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Board of Directors' meeting held on July 25, 2008	Common shares	Capital surplus	541	1,300	May 31, 2008	August 21, 2008

FY2009 (For the year ended May 31, 2009)

1. Matters Relating to Shares Issued and Outstanding (Shares)

Type of Shares	Number of Shares As of May 31, 2008	Increase	Decrease	Number of Shares As of May 31, 2009
Common shares	434,403	–	17,500	416,903

Note:
The decrease of 17,500 issued and outstanding shares is attributable to the cancellation of treasury stock on August 29, 2008.

2. Matters Relating to Treasury Stock (Shares)

Type of Shares	Number of Shares As of May 31, 2008	Increase	Decrease	Number of Shares As of May 31, 2009
Common shares	17,500	58,253	17,500	58,253

Notes:
1. The increase of 58,253 shares of treasury stock during the fiscal year ended May 31, 2009 is attributable to the acquisition of additional treasury stock during the period in accordance with a resolution of the Board of Directors.
2. The decrease of 17,500 shares of treasury stock during the fiscal year ended May 31, 2009 is attributable to the cancellation of treasury stock in accordance with a resolution of the Board of Directors.

3. Matters Related to the New Subscription Rights

None.

4. Matters Relating to Dividends

(1) Cash dividend payment amount

Resolution	Type of Shares	Total Cash Dividends Paid (Millions of yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Board of Directors' meeting held on July 25, 2008	Common shares	541	1,300	May 31, 2008	August 21, 2008
Board of Directors' meeting held on January 9, 2009	Common shares	215	600	November 30, 2008	February 27, 2009

(2) Dividends for which the effective date falls after the fiscal year ended May 31, 2010 included in dividends for the fiscal year ended May 31, 2009

Resolution	Type of Shares	Source of Dividend Payment	Total Cash Dividends Paid (Millions of yen)	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Board of Directors' meeting held on July 17, 2009	Common shares	Capital surplus	233	650	May 31, 2009	August 27, 2009

Notes to Consolidated Statements of Cash Flows

(Millions of yen)

FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
*1 Relationship between the balance of cash and cash equivalents at period-end and cash and deposits reported in the consolidated balance sheets.	*1 Relationship between the balance of cash and cash equivalents at period-end and cash and deposits reported in the consolidated balance sheets.

	As of May 31, 2008		As of May 31, 2009
Cash and deposits	13,672	Cash and deposits	14,419
Time deposits with deposit term exceeding three months	(261)	Time deposits with deposit term exceeding three months	(501)
Securities (MMF)	201	Securities (MMF)	202
Cash and cash equivalents	13,612	Cash and cash equivalents	14,120

*2 Breakdown of major assets and liabilities inherited from newly acquired companies included in the scope of consolidation.

Breakdown of major assets and liabilities and the relationship between acquisition costs from the acquisition of stocks (net) of Kansai Employment Creation Organization Inc., Kantou Employment Creation Organization Inc. and Financial Sun, Inc. as of the date of each company’s inclusion in the Company’s scope of consolidation is as follows.

Current assets	731
Noncurrent assets	80
Goodwill	(8)
Current liabilities	(286)
Noncurrent liabilities	(38)
Minority interests	(33)
Existing shares	(193)
Investment value accounted for by the equity method	38
Acquisition costs of subsidiary companies	288
Subsidiary companies' cash and cash equivalents	446
Difference: Proceeds from purchase of subsidiaries	158

(FY2009: ———)

FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
*3 Breakdown of the major assets and liabilities removed from consolidated assets and liabilities as a result of the sale and exclusion of subsidiary companies from the scope of consolidation. Breakdown of the major assets and liabilities and the relationship between sales costs and the sale of stocks (net) of Pelham Search Pacific Limited and PELHAM INTERNATIONAL LIMITED as of the date of exclusion from the Company's scope of consolidation.	*3 Breakdown of the major assets and liabilities removed from consolidated assets and liabilities as a result of the sale and exclusion of subsidiary companies from the scope of consolidation. Breakdown of the major assets and liabilities and the relationship between sales costs and the sale of stocks (net) of PASONA EUROPE LIMITED as of the date of exclusion from the Company's scope of consolidation.

FY2008

Current assets	569
Noncurrent assets	34
Total assets	604
Current liabilities	272
Noncurrent liabilities	—
Total liabilities	272
Sale value of subsidiaries' stocks	630
Amount yet to be paid	(607)
	22
Subsidiary companies' cash and cash equivalents	209
Difference: Payments from sales of investments in subsidiaries	(186)

FY2009

Current assets	31
Noncurrent assets	10
Total assets	42
Current liabilities	60
Noncurrent liabilities	10
Total liabilities	70
Sale value of subsidiaries' stocks	0
Expenditure at the time of sales	(25)
	(25)
Subsidiary companies' cash and cash equivalents	5
Difference: Payments from sales of investments in subsidiaries	(30)

(5) Segment Information

FY2008 (For the year ended May 31, 2008)

(Millions of yen unless otherwise stated)

	Temporary staffing/ Contracting, Placement/ Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales and operating income (loss)							
(1) Sales to outside customers	216,168	5,855	13,309	1,577	236,910	34	236,945
(2) Intersegment sales and transfers	318	2	423	538	1,282	(1,282)	—
Total	216,486	5,858	13,732	2,115	238,193	(1,248)	236,945
Operating expenses	211,430	4,480	11,849	2,142	229,902	597	230,500
Operating income (loss)	5,056	1,377	1,883	(26)	8,290	(1,846)	6,444
Assets, depreciation, impairment loss and capital expenditures:							
Assets	40,354	6,674	10,455	1,385	58,870	(356)	58,513
Depreciation	846	153	438	24	1,462	216	1,679
Impairment loss	4	—	—	43	47	—	47
Capital expenditures	1,701	393	530	153	2,779	793	3,573

Notes:

1. Business segments are classified on the basis of operating markets and service details.
2. Principal components of each business segment

Business segment	Principal services
Temporary staffing/Contracting, Placement/Recruiting	Temporary staffing and contracting, placement and recruiting, other
Outplacement	Outplacement support services
Outsourcing	Employee welfare and benefit agency services
Other	Child-care operation services, other

3. Unallocable operating expenses included in “Eliminations and Corporate” totaled ¥1,917 million and principally related to Group administrative and management expenses.
4. Assets included in “Eliminations and Corporate” totaled ¥4,680 million and principally related to Group asset management.

FY2009 (For the year ended May 31, 2009)

(Millions of yen unless otherwise stated)

	Temporary staffing/ Contracting, Placement/ Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales and operating income (loss)							
(1) Sales to outside customers	196,920	5,789	14,308	1,681	218,699	—	218,699
(2) Intersegment sales and transfers	413	4	416	1,321	2,155	(2,155)	—
Total	197,333	5,794	14,725	3,002	220,855	(2,155)	218,699
Operating expenses	194,041	4,768	12,589	2,990	214,391	1,458	215,849
Operating income (loss)	3,291	1,025	2,135	12	6,464	(3,614)	2,850
Assets, depreciation, impairment loss and capital expenditures:							
Assets	34,617	6,213	11,321	2,234	54,387	1,080	55,468
Depreciation expense	1,006	202	718	57	1,984	241	2,225
Impairment loss	11	—	—	—	11	—	11
Capital expenditures	1,223	142	1,868	83	3,318	26	3,344

Notes:

1. Business segments are classified on the basis of operating markets and service details.
2. Principal components of each business segment

Business segment	Principal services
Temporary staffing/Contracting, Placement/Recruiting	Temporary staffing and contracting, placement and recruiting, other
Outplacement	Outplacement support services
Outsourcing	Employee welfare and benefit agency services
Other	Child-care operation services, other

3. Unallocable operating expenses included in “Eliminations and Corporate” totaled ¥3,662 million and principally related to Group administrative and management expenses.
4. Assets included in “Eliminations and Corporate” totaled ¥9,872 million and principally related to surplus funds (Cash and deposits) and Group asset management.

Information on geographic areas

FY2008 (For the year ended May 31, 2008)

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

FY2009 (For the year ended May 31, 2009)

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

Overseas sales

FY2008 (For the year ended May 31, 2008)
Since the percentage of overseas sales to total consolidated sales is less than 10%, information relating to overseas sales is omitted from this report.

FY2009 (For the year ended May 31, 2009)
Since the percentage of overseas sales to total consolidated sales is less than 10%, information relating to overseas sales is omitted from this report.

Important Matters Concerning Business Combination

FY2008 (For the year ended May 31, 2008)

Common Control Business Relationship

1. Transfer of stock

(1) The name, business activities and details of the company subject to business combination

a. Name of the company subject to business combination
Pasona Inc.

b. Business activities of the company subject to business combination
Temporary staffing and contracting, placement and recruiting and related activities

c. Purpose of business combination
The Group as a whole decided to shift to a pure holding company structure with the aim of further enhancing its overall corporate value within the human resources business. The rationale underlying this purpose is provided in the following two key points.

- As a part of the Group's efforts to strengthen its management capabilities, the decision to shift to a pure holding company was taken to ensure the formulation and implementation of a comprehensive management strategy that encompasses the entire Group, to optimize the allocation of resources to growth field, and to further bolster corporate governance and to raise the level of overall management transparency.

- From an individual operating company perspective, the decision to shift to a pure holding company was taken to ensure that each operating subsidiary company was in a better position to secure opportunities for business growth and to execute its business activities in a strategic and flexible manner in order to respond swiftly to changes in individual operating environments.

d. Date of business combination
December 3, 2007

e. Legal format of business combination
Establishment of a pure holding company through the transfer of stock shares

f. Name of the company after business combination
Pasona Group Inc.

(2) Overview of accounting procedures implemented

From an accounting perspective, the subject transfer of stock was effected in accordance with the “Accounting Standard for Business Combination” (Business Accounting Council, October 31, 2003) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 22, 2006). Accounting procedures were conducted on a consolidated financial statement basis as a common control transaction. On this basis, there was no impact on profit and loss.

2. Corporate separation

(1) The name, business activities and details of the company subject to business combination or the subject business

a. Company instigating business combination

Pasona Group Inc.

b. Company to be combined for business purposes

Pasona Inc.

c. The subject business

Related company management function and new businesses related to the creation of employment opportunities for public institutions and private sector companies.

(2) Legal format of business combination

The succession and corporate separation involves Pasona Group Inc., as the successor company, and Pasona Inc., its wholly owned subsidiary as the separating company identified for acquisition and corporate separation.

(3) Name of the company after business combination

Pasona Group Inc.

(4) Overview of the transaction including the purpose of the transaction

a. Purpose of the transaction

As an initial step toward adopting a pure holding company structure, the Pasona Group established Pasona Group Inc. on December 3, 2007 through the transfer of stock. This corporate separation is a second and follow up step toward adopting a pure holding company structure and involves the transfer and succession of Pasona Inc’s related company functions and certain of its businesses to be transferred to Pasona Group Inc. As a result of these initiatives, the intentions are to enhance the corporate governance function and raise the level of overall Group management transparency. From an individual operating company perspective, Group companies will also be better positioned to secure growth opportunities in their respective fields and better respond in a strategic and flexible manner to rapid changes in the business environment.

b. Overview of the transaction

In connection with a Board of Directors’ meeting held on January 24, 2008, Pasona Inc. decided to transfer its related company management function and a portion of its business to Pasona Group Inc. by means of a corporate spin off and succession. On the same date, a corporate separation and acquisition agreement was executed between the two companies. The corporate separation and acquisition was effected on March 1, 2008.

(5) Overview of accounting procedures implemented

From an accounting perspective, the subject corporate separation and acquisition was effected in accordance with the "Accounting Standard for Business Combination" (Business Accounting Council, October 31, 2003) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 22, 2006). Accounting procedures were conducted on a consolidated financial statement basis as a common control transaction. On this basis, there was no impact on profit and loss.

FY2009 (For the year ended May 31, 2009)

None

Per Share Information

(Yen unless otherwise stated)

FY2008 (For the year ended May 31, 2008)		FY2009 (For the year ended May 31, 2009)	
Net assets per share	58,363.62	Net assets per share	54,751.17
Earnings per share	7,109.95	Earnings per share	834.30
Earnings per diluted share	7,056.90	Earnings per diluted share	792.12

Note:

Net assets per share, earnings per share and earnings per diluted share are calculated on the following basis:

1. Net assets per share

(Millions of yen, unless otherwise stated)

	As of May 31, 2008	As of May 31, 2009
Total net assets	29,468	25,148
Amount deducted from total net assets	5,136	5,512
Net assets applicable to common stock as of the fiscal period-end	24,331	19,636
Number of common stock issued and outstanding as of the end of the period (shares)	434,403	416,903
Number of treasury common stock (shares)	17,500	58,253
Number of common stock used to calculate net assets per share (shares)	416,903	358,650

2. Earnings per share and earnings per diluted share

(Millions of yen, unless otherwise stated)

	FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
Earnings per share		
Net income	2,962	312
Amount not applicable to shareholders of common stock	—	—
Net income applicable to common stock	2,962	312
Average number of shares for the period (shares)	416,713	374,697
Earnings per diluted shares		
Net income adjustment amount	(21)	(15)
Increase in the number of shares for the period (shares)	102	—
(Common stock with subscription rights) (shares)	(56)	(—)
(Common stock with warrants as stock options) (shares)	(46)	(—)
Since there was no effect on earnings per share after applying calculations adjusted for the dilution of stocks, per diluted share amounts have been omitted from this report Note: The resolution dates identified in the column on the right related to Annual General Meetings of Shareholders of Pasona Inc.	Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 26, 2003 (number of common stock with warrants: 525 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 3,150 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,260 shares)	Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 3,033 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,070 shares)

Important Subsequent Events

FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
1. Acquisition of own shares Pasona Group resolved to acquire its own shares pursuant to Article 459, Paragraph 1.1 of the Corporation Law of Japan following a Board of Directors' meeting held on July 25, 2008. Brief details are as follows. (1) Rationale for acquisition Under the provisions of its Articles of Incorporation, the Company has decided to acquire its own shares in order to facilitate its ability to pursue a flexible capital policy in response to changes in its business environment. (2) Type of shares to be acquired Common stock of Pasona Group Inc. (3) Total number of shares to be acquired Up to 50,000 shares (4) Total cost of acquisition Up to ¥3,500 million (5) Period of acquisition From July 28, 2008 to October 31, 2008 Note: The Company may decide not to undertake a portion or all of the proposed acquisition of own shares depending on market trends. 2. Cancellation of treasury stock Pasona Group resolved to cancel treasury stock pursuant to Article 178 of the Corporation Law of Japan following a Board of Directors' meeting held on July 25, 2008. Brief details are as follows. (1) Rationale for cancellation Pasona Group has decided to cancel treasury stock in an effort to reduce the total number of the Company's issued shares. In this manner, Pasona Group is endeavoring to increase returns to shareholders. (2) Type of shares to be cancelled Common stock of Pasona Group Inc. (3) Number of shares to be cancelled 17,500 shares (4.03% of issued shares before cancellation) (4) Cancellation date (planned) August 29, 2008	―――――――

FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
――――――――	1. Acquisition of Additional Shares of Pasona Tech, Inc. In accordance with a resolution of the Board of Directors at a meeting held on May 21, 2009, Pasona Group acquired all of the issued and outstanding common shares and new share options of Pasona Tech, Inc. (hereafter referred to as "Pasona Tech") by way of a public tender offer. Brief details are provided as follows. (1) Objective of the share acquisition The decision to acquire all of the issued and outstanding common shares and new share options of Pasona Tech was based on the recognition that there was an urgent need to develop a more cohesive relationship with Pasona Tech in order to further enhance the corporate value of Pasona Group, Pasona Tech and the Group as a whole. The decision was also made as a part of Pasona Group's ongoing efforts to rebuild a business structure that will ensure prompt and efficient decision making together with flexible and speedy business development. By positioning Pasona Tech within the Group's cope of consolidation as a wholly owned subsidiary, Pasona Group anticipates it will secure the following specific benefits: a. An increase in sales owing to business domain growth and increased opportunities on the back of a swift and efficient decision-making process as well as flexible and speedy business development specific to Pasona Tech's field of operations which are expected to experience an ongoing positive trajectory b. An improvement in service quality and increased competitive advantage due to a wider range of proposals that accurately address customer needs, and success in the development of comprehensive human resource services built on the concentrated allocation of management resources to areas of growth and greater cohesion and coordination throughout the Group c. A reduction in operating and management costs built on an ability to simultaneously allocate management resources to marketing activities while strengthening the Group's business structure through the combined application of compliance and Group control functions.

FY2008 (For the year ended May 31, 2008)	FY2009 (For the year ended May 31, 2009)
	(2) Name of the company whose shares were acquired, business details and other a. Name: Pasona Tech, Inc. b. Business details; Human resource temporary staffing / contracting, placement / recruiting focusing on IT- and Internet-related engineers c. Head office location: Shibuya-ku, Tokyo d. Paid-in capital: ¥551,500,000 (as of March 31, 2009) e. Name of publicly listed financial product trading exchange: JASDAQ Securities Exchange (3) Date of share acquisition June 22, 2009 (4) Number of shares acquired, acquisition amount and shareholding ratio a. Number of shares acquired: 7,378 shares b. Acquisition amount: ¥727 million c. Shareholding ratio prior to acquisition: 61.10% d. Shareholding ratio after acquisition: 88.07% (5) Procurement method of funds paid and payment method Own funds (6) Plans after share acquisition Pasona Group was unable to acquire all of the issued and outstanding shares and new share options (excluding treasury stock) of Pasona Tech through the tender offer. Looking ahead, the Company will seek to provide Pasona Tech shareholders with compensation for their shares and remains steadfast in its plans to include Pasona Tech within its scope of consolidation as a wholly owned subsidiary.

5. Non-Consolidated Financial Statements

(1) NON-CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As of May 31, 2008	As of May 31, 2009
ASSETS		
Current assets		
Cash and deposits	672	6,891
Accounts receivable－trade	131	341
Supplies	10	4
Prepaid expenses	6	52
Income taxes receivable	—	125
Deferred tax assets	54	82
Short-term loans receivable to subsidiaries and affiliates	1,923	117
Accounts receivable－other	33	86
Other	11	27
Allowance for doubtful accounts	(7)	(20)
Total current assets	2,835	7,707
Noncurrent assets		
Property, plant and equipment		
Buildings	—	50
Accumulated depreciation	—	(5)
Buildings, net	—	44
Structures	—	0
Accumulated depreciation	—	(0)
Structures, net	—	0
Tools, furniture and fixtures	3	26
Accumulated depreciation	(0)	(10)
Tools, furniture and fixtures, net	3	16
Construction in progress	—	39
Total property, plant and equipment	3	100
Intangible assets		
Software	18	14
Total intangible assets	18	14
Investments and other assets		
Investment securities	763	428
Stocks of subsidiaries and affiliates	17,716	17,542
Long-term loans receivable from subsidiaries and affiliates	101	350
Long-term prepaid expenses	—	23
Deferred tax assets	156	75
Lease and guarantee deposits	—	1,557
Other	27	65
Allowance for doubtful accounts	(21)	(29)
Allowance for investment loss	—	(325)
Total investments and other assets	18,744	19,688
Total noncurrent assets	18,765	19,802
Total assets	21,601	27,510

(Millions of yen)

	As of May 31, 2008	As of May 31, 2009
LIABILITIES		
Current liabilities		
Short-term loans payable	—	6,000
Short-term loans payable to subsidiaries and affiliates	2,518	200
CMS deposits received	—	7,196
Accounts payable—other	242	367
Accrued expenses	46	84
Income taxes payable	124	6
Accrued consumption taxes	36	23
Deposits received	—	30
Provision for bonuses	84	72
Other	28	20
Total current liabilities	3,081	14,001
Noncurrent liabilities		
Provision for directors' retirement benefits	66	—
Long-term guarantee deposited	—	5
Total noncurrent liabilities	66	5
Total liabilities	3,147	14,007
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus		
Legal capital surplus	5,000	5,000
Other capital surplus	10,665	8,295
Total capital surpluses	15,665	13,295
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(0)	7
Total earned surpluses	(0)	7
Treasury stock	(2,257)	(4,799)
Total shareholders' equity	18,407	13,503
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	46	—
Total valuation and translation adjustments	46	—
Total net assets	18,453	13,503
Total liabilities and net assets	21,601	27,510

(2) NON-CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	FY2008 (Dec 3, 2007 to May 31, 2008)	FY2009 (June 1, 2008 to May 31, 2009)
Net sales	1,889	4,584
Cost of sales	34	253
Cost of sales	34	253
Gross profit	1,855	4,331
Selling, general and administrative expenses		
Advertising expenses	―	229
Directors' compensations	159	305
Provision for bonuses	73	72
Provision for directors' retirement benefits	42	―
Salaries and bonuses	437	932
Welfare expenses	106	185
Business consignment expenses	180	567
Compensations	108	228
Rent expenses	458	871
Depreciation	―	17
Other	311	250
Total selling, general and administrative expenses	1,878	3,662
Operating income (loss)	(23)	669
Non-operating income		
Interest income	2	33
Subsidy income	3	218
Other	2	31
Total non-operating income	8	283
Non-operating expenses		
Interest expenses	10	88
Commitment fee	―	30
Amortization of deferred organization expenses	53	―
Other	0	17
Total non-operating expenses	64	136
Ordinary income (loss)	(79)	816
Extraordinary income		
Gain on sales of investment securities	―	87
Reversal of provision for directors' retirement benefits	―	56
Gain on extinguishment of tie-in shares	164	―
Other	―	14
Total extraordinary income	164	159
Extraordinary loss		
Loss on sales of investment securities	―	75
Loss on valuation of investment securities	―	106
Loss on valuation of stocks of subsidiaries and affiliates	47	76
Loss on sales of stocks of subsidiaries and affiliates	74	212
Provision of allowance for investment loss	―	325
Loss on liquidation of subsidiaries and affiliates	―	85
Total extraordinary loss	121	882
Income (loss) before income taxes	(36)	93
Income taxes―current	118	6
Income taxes―deferred	(154)	79
Income taxes	(36)	85
Net income (loss)	(0)	7

(3) NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	FY2008 (Dec 3, 2007 to May 31, 2008)	FY2009 (June 1, 2008 to May 31, 2009)
Shareholders' Equity		
Common Stock		
Balance as of May 31, 2008	—	5,000
Changes of items during the period		
Establishment by share transfers	5,000	—
Total changes of items during the period	5,000	—
Balance as of May 31, 2009	5,000	5,000
Capital surplus		
Legal capital surplus		
Balance as of May 31, 2008	—	5,000
Changes of items during the period		
Establishment by share transfers	5,000	—
Total changes of items during the period	5,000	—
Balance as of May 31, 2009	5,000	5,000
Other capital surplus		
Balance as of May 31, 2008	—	10,665
Changes of items during the period		
Dividends from surplus	—	(757)
Establishment by share transfers	10,665	—
Retirement of treasury stock	—	(1,613)
Total changes of items during the period	10,665	(2,370)
Balance as of May 31, 2009	10,665	8,295
Total capital surplus		
Balance as of May 31, 2008	—	15,665
Changes of items during the period		
Dividends from surplus	—	(757)
Establishment by share transfers	15,665	—
Retirement of treasury stock	—	(1,613)
Total changes of items during the period	15,665	(2,370)
Balance as of May 31, 2009	15,665	13,295
Retained earnings		
Other retained earnings		
Retained earnings brought forward	—	(0)
Balance as of May 31, 2008		
Changes of items during the period		
Net income (loss)	(0)	7
Total changes of items during the period	(0)	7
Balance as of May 31, 2009	(0)	7
Total Retained earnings		
Balance as of May 31, 2008	—	(0)
Changes of items during the period		
Net income (loss)	(0)	7
Total changes of items during the period	(0)	7
Balance as of May 31, 2009	(0)	7

	FY2008 (Dec 3, 2007 to May 31, 2008)	FY2009 (June 1, 2008 to May 31, 2009)
Treasury stock		
Balance as of May 31, 2008	—	(2,257)
Changes of items during the period		
Changes by corporate division	(2,257)	—
Purchase of treasury stock	—	(4,154)
Retirement of treasury stock	—	1,613
Total changes of items during the period	(2,257)	(2,541)
Balance as of May 31, 2009	(2,257)	(4,799)
Total shareholders' equity		
Balance as of May 31, 2008	—	18,407
Changes of items during the period		
Dividends from surplus	—	(757)
Net income (loss)	(0)	7
Establishment by share transfers	20,665	—
Changes by corporate division	(2,257)	—
Purchase of treasury stock	—	(4,154)
Retirement of treasury stock	—	—
Total changes of items during the period	18,407	(4,904)
Balance as of May 31, 2009	18,407	13,503
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance as of May 31, 2008	—	46
Changes of items during the period		
Changes by corporate division	45	—
Net changes of items other than shareholders' equity	1	(46)
Total changes of items during the period	46	(46)
Balance as of May 31, 2009	46	—
Total valuation and translation adjustments		
Balance as of May 31, 2008	—	46
Changes of items during the period		
Changes by corporate division	45	—
Net changes of items other than shareholders' equity	1	(46)
Total changes of items during the period	46	(46)
Balance as of May 31, 2009	46	—
Total net assets		
Balance as of May 31, 2008	—	18,453
Changes of items during the period		
Dividends from surplus	—	(757)
Net income (loss)	(0)	7
Establishment by share transfers	20,665	—
Changes by corporate division	(2,212)	—
Purchase of treasury stock	—	(4,154)
Net changes of items other than shareholders' equity	1	(46)
Total changes of items during the period	18,453	(4,950)
Balance as of May 31, 2009	18,453	13,503

(4) Notes to Going Concern Assumption

None

(5) Notes to Non-Consolidated Financial Statements

(Important Subsequent Events)

FY2008 (Dec. 3, 2007 to May 31,2008)	FY2009 (Jun. 1, 2008 to May 31, 2009)
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6. Other

Changes and Movements in Directors

(1) Changes and movements in representative directors

None

(2) Changes and movements in other directors

Details are disclosed as and when determined.