



P A S O N A

**CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING MAY 31, 2004
(SIX-MONTH PERIOD ENDED NOVEMBER 30, 2003)**

Company Name: Pasona Inc.
 Listing: First Section, Tokyo Stock Exchange
 Nippon New Market "Hercules", Osaka Securities Exchange
 Securities Code: 4332
 Head Office: Tokyo
 Representative: President and COO Muneaki Ueda
 Managing Executive Officer Ryuichi Hosokawa
 Corporate Strategy & Planning Director
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 URL: <http://www.pasona.co.jp>
 Board of Directors Meeting: January 26, 2004
 U.S.GAAP: Not applied

PERFORMANCE

(1) Business Results (Millions of yen, rounded down)

	Net Sales		Operating Income		Ordinary Income	
Six Months Ended Nov. 30, 2003	74,641	11.7%	2,892	30.8%	2,707	29.7%
Six Months Ended Nov. 30, 2002	66,822	0.3%	2,211	17.7%	2,086	20.0%
Fiscal Year Ended May 31, 2003	135,625	1.3%	5,687	18.8%	5,373	27.3%

(Millions of yen, rounded down)

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six Months Ended Nov. 30, 2003	1,272	36.6%	9,252.53	9,164.53
Six Months Ended Nov. 30, 2002	931	13.3%	6,821.95	—
Fiscal Year Ended May 31, 2003	2,027	2.7%	14,813.83	—

- Notes: 1. Equity in earnings (losses) of unconsolidated subsidiaries and affiliates
 Six Months Ended November 30, 2003: ¥(36) million
 Six Months Ended November 30, 2002: ¥(96) million
 Fiscal Year Ended May 31, 2003: ¥(324) million
2. Average number of shares outstanding (consolidated)
 Six Months Ended November 30, 2003: 137,538 shares
 Six Months Ended November 30, 2002: 136,610 shares
 Fiscal Year Ended May 31, 2003: 136,610 shares
3. Changes in accounting policies: No
4. Percentages shown for net sales, operating income, ordinary income and net income are the rate of increase or decrease from the previous corresponding period.

(2) Financial Position (Millions of yen, rounded down)

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets (%)	Shareholders' Equity Per Share of Common Stock (Yen)
November 30, 2003	32,759	13,374	40.8%	94,443.66
November 30, 2002	26,796	7,316	27.3%	53,559.69
May 31, 2003	29,425	8,418	28.6%	61,600.04

Note: Number of shares outstanding at the end of the term (consolidated)
 As of November 30, 2003: 141,610 shares
 As of November 30, 2002: 136,610 shares
 As of May 31, 2003: 136,610 shares

(3) Cash Flows

(Millions of yen)

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Term
Six Months Ended Nov. 30, 2003	624	(871)	2,308	8,091
Six Months Ended Nov. 30, 2002	1,675	(472)	(1,183)	5,336
Fiscal Year Ended May 31, 2003	4,316	(1,087)	(2,525)	6,019

(4) Consolidated Subsidiaries and Application of the Equity Method

Number of consolidated subsidiaries:	25
Number of non-consolidated subsidiaries accounted for by the equity method:	0
Number of affiliated companies accounted for by the equity method:	10

(5) Changes in Scope of Consolidation and Application of the Equity Method

New consolidated companies:	13
Consolidated companies removed:	0
New companies accounted for by the equity method:	3
Companies accounted for by the equity method removed:	1

**FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING
MAY 31, 2004 (June 1, 2003 ~ May 31, 2004)**

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Fiscal Year Ending May 31, 2004	152,588	6,225	2,827

Reference: Estimated net income per share for the year: Consolidated: ¥19,915.77

Note: Estimated income per share is calculated on the basis of 141,610 shares outstanding as of the end of the term.

Cautionary Statement

The forecasts identified above are based on management's assumptions and beliefs in light of the information currently available to it. Pasona cautions that a number of factors could cause actual results to differ materially from forecasts.

INFORMATION ON GROUP COMPANIES

(1) New companies included in the scope of consolidation and application of the equity method.

Name	Address	Capital (millions of yen)	Main business	Ratio of voting rights (%)	Relationship with Pasona Inc.
(Consolidated companies)					
Pasona Carent, Inc. (Note 1)	Chiyoda-ku, Tokyo	150	Temporary staffing and contracting, Placement & recruiting	100.00	3 concurrent directors
Pasona Telemarketing Inc. (Note 2)	Toshima-ku, Tokyo	100	Outsourcing	100.00	Receives temporary personnel from Pasona Inc. Provides in-house call center services on a contract basis. 2 concurrent directors
PaHuma Consulting (Taiwan) Co., Ltd. (Notes 3, 4)	Taipei, Taiwan	12,000 thousand New Taiwan Dollars	Temporary staffing and contracting, Placement & recruiting	100.00 (100.0 0)	
PaHuma Consulting (Singapore) Pte. Ltd. (Notes 3, 4)	Orchard Road, Singapore	500 thousand Singapore Dollars	Temporary staffing and contracting, Placement & recruiting	100.00 (100.0 0)	
NEX Canada, Inc. (Note 3)	Toronto, Canada	300 thousand Canadian Dollars	Temporary staffing and contracting, Placement & recruiting	100.00	
MGR Search and Selection Co., Ltd. (Notes 3, 5)	Taipei, Taiwan	7,000 thousand New Taiwan Dollars	Temporary staffing and contracting, Placement & recruiting	67.00 (67.00)	
Pelham Search Pacific Ltd. (Note 3)	Queensway, Hong Kong	1,520 thousand Hong Kong Dollars	Temporary staffing and contracting, Placement & recruiting	100.00	1 concurrent director
PaHuma Education Co.Ltd. (Note 3)	Causeway Bay, Hong Kong	1,500 thousand Hong Kong Dollars	Other	100.00	
NEX USA Inc. (Note 3)	New York, USA	150 thousand U.S. Dollars	Temporary staffing and contracting, Placement & recruiting	100.00	
Employment Agency PaHuma Consulting (Thailand) Co., Ltd. (Notes 3, 4)	Bangkok, Thailand	6,000 thousand Thai Baht	Temporary staffing and contracting, Placement & recruiting	93.33 (93.33)	
PaHuma Asia Co., Ltd. (Note 3)	Causeway Bay, Hong Kong	320 thousand Hong Kong Dollars	Temporary staffing and contracting, Placement & recruiting	100.00	Financial support
NEX Outsourcing, Ltd. (Note 3)	New York, USA	10 thousand U.S. Dollars	Temporary staffing and contracting, Placement & recruiting	85.00	1 concurrent director
Pelham International Ltd. (Note 3)	London, UK	1 thousand Pounds Sterling	Temporary staffing and contracting, Placement & recruiting	100.00	1 concurrent director
(Affiliated companies)					
National Examination Center Inc. (Note 6)	Shibuya-ku, Tokyo	50	Other	30.00	Receives temporary personnel from Pasona Inc. 1 concurrent director
Kanto Employment Creation Organization Inc. (Note 6)	Chiyoda-ku, Tokyo	200	Other	33.50	1 concurrent director
Cannon-Persona Recruitment, Ltd. (Note 6)	London, UK	40 thousand Pounds Sterling	Temporary staffing and contracting, Placement & recruiting	30.00	

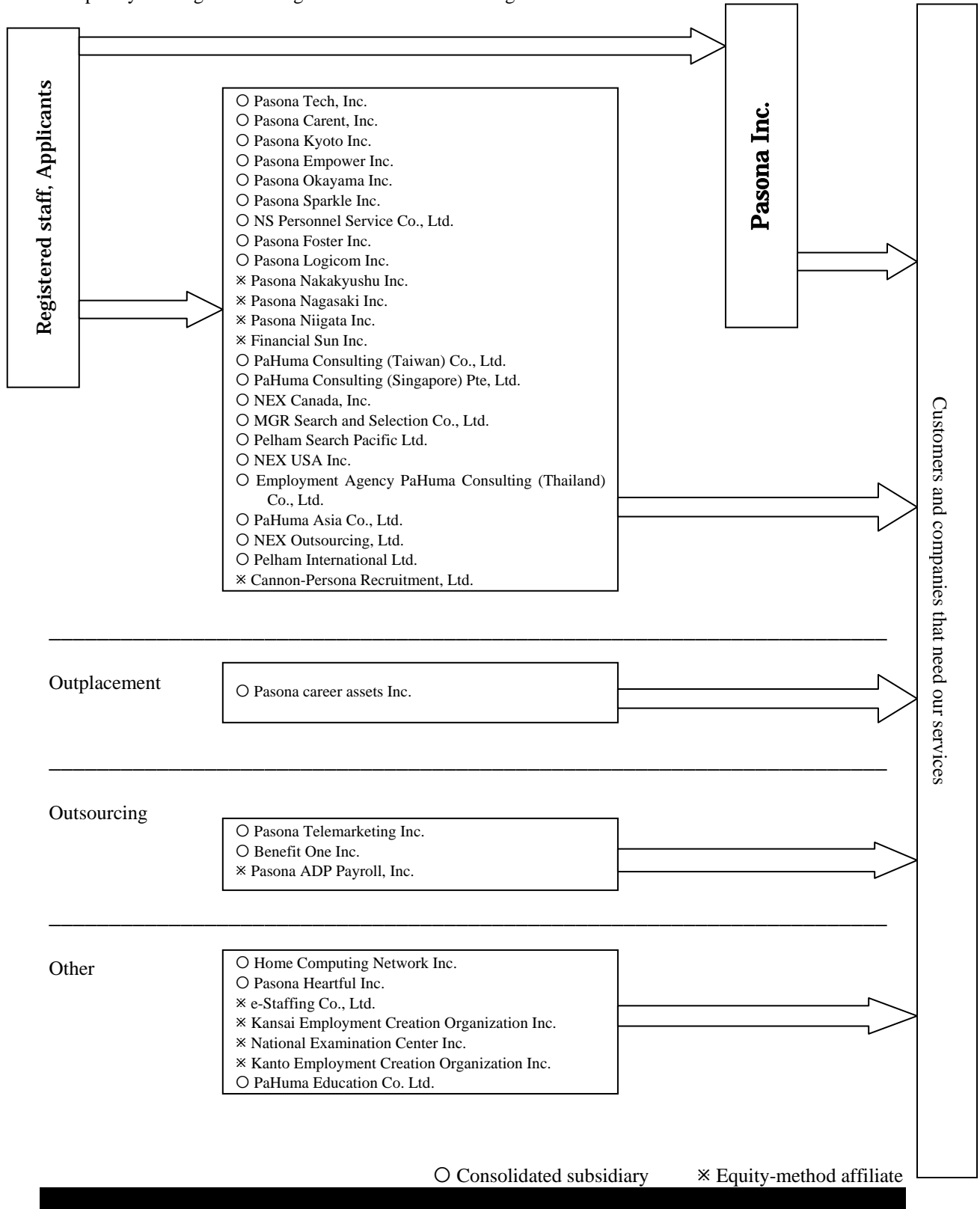
- Notes: 1) Pasona Carent, Inc. (formerly Vacs Inc.) was included as a subsidiary in the scope of consolidation during the six-month period ended November 30, 2003 due to its increasing importance to the Pasona Group.
- 2) Pasona Telemarketing Inc. (formerly Atento Pasona, Inc.) became a consolidated subsidiary during the six-month period ended November 30, 2003 following the acquisition of additional shares.
- 3) PaHuma Consulting (Taiwan) Co., Ltd. and 10 other overseas companies became consolidated subsidiaries during the six-month period ended November 30, 2003 following the acquisition of new shares.
- 4) Ratio of voting rights held by PaHuma Asia Co., Ltd.
- 5) Ratio of voting rights held by PaHuma Consulting (Taiwan) Co., Ltd.
- 6) Companies that became affiliated companies accounted for by the equity method following the acquisition of new shares.
- 7) There are no affiliated companies that submit notifications of financial statements or financial statements.
- 8) Ratio of voting rights in parentheses represents the percentage of equity holdings.

(2) Companies removed from the scope of consolidation and application of the equity method.

There were no companies removed from the scope of consolidation during the six-month period ended November 30, 2003.

(Business Flowchart)

Temporary staffing/Contracting and Placement/Recruiting



Management Policies

1) Basic Management Policy of the Company

Based on the corporate philosophy of providing "Solutions to Society's Problems," the Pasona Group is developing its business while fulfilling its social responsibilities by solving various issues related to people and employment. To realize this vision, the Company is implementing the following basic management measures.

1. By concentrating management resources in the human resource business, we aim to provide top-class, one-stop services and full support in the main categories of the human resource industry.
2. We aim to increase earning opportunities and optimize our customers' personnel policies through consulting and solutions-based marketing on how to effectively deploy human resources.
3. We aim to provide high-value-added services by optimizing our customers' organizational strategies in human resources and by improving the working environment for individual employees.
4. We aim to become a powerful and principled leader in the industry by emphasizing compliance.

2) Policy on Appropriation of Profits

In the fiscal year ended May 31, 2001, Pasona recorded a net loss from a write-off of goodwill following a business transfer in June 2000, and had recurring losses on a nonconsolidated basis through the fiscal year ended May 31, 2002. As such, the Company was unable to distribute dividends. For the six-month period ended November 30, 2003, although Pasona posted retained earnings of ¥1,785 million on a non-consolidated basis, it had retained loss of ¥1,578 million on a consolidated basis. Given these results, management has decided not to distribute dividends in order to reinforce capital reserves.

We believe that returning profits to our stockholders is an important management issue. We are making steady progress on eliminating the consolidated retained loss. With regard to future dividend payments, management will decide based on overall factors including the payout percentage rate and accumulation of sufficient capital reserves in order to realize distribution of profits according to the Company's performance in each period. Retained earnings are to be used for investments in new businesses and capital expenditures in order to ensure future growth and increase corporate value over the medium and long term.

3) Reason for Reducing the Trading Unit

In July 2002, Pasona conducted a 5:1 stock split in an aim to enhance share liquidity and broaden the investor base. Recognizing this as an important issue for the Company's capital policy, management will decide whether to reduce the trading unit in the future based on market trends, investor opinions, and cost-benefit ratios.

4) Management Targets

We believe that human resources is a market full of growth potential over the medium and long term. Pasona is striving to improve management efficiency, aiming to expand sales and increase profit margins at the same time. We aim to achieve double-digit growth in sales over the medium term and operating income margins of over 5% through efficient operations and the development of high-profit businesses.

5) Medium to Long-Term Business Strategy

Pasona's medium to long-term business strategy is to sophisticate operational know-how, backed by brand recognition and supply capacity, to establish a solid management base and to provide highly added value to the customers.

From an operational point of view, we will proceed to provide full-line support services. As for the temporary staffing business, we will increase our market share, taking advantage of the synergy of excellent people and job opportunities. In other businesses, we aim to position ourselves to become number one or two in each market. Pasona is also making effort to enhance brand recognition by satisfying both its corporate and individual customers, and also improving service quality through compliance-driven management.

To establish a stable management foundation, Pasona strives to maintain efficient management in existing businesses at most sophisticated levels in the industry. In order to improve profitability, the Company is aiming to improve proportion of

revenue from businesses with relatively higher margin. Pasona is focusing efforts on cultivating new fields subject to deregulation or with accelerating demand, such as IT and marketing and sales staffing, the placement and recruiting business and outsourcing business.

From the standpoint of providing high-value-added services, we will enhance our intellectual capital as know-how in the human resource business, to a highly sophisticated level as a leading company in the industry. Pasona, as a specialist that matches personnel to a wide variety of employment opportunities, is aggressively supporting our corporate customers' human resource and organizational strategies through ample information and analysis and a marketing style that proposes solutions best fit to the clients. Our abundant experience in the human resource business and deeply-cultivated know-how on employee motivation management and human resource development will contribute to higher organizational efficiency at our corporate customers.

6) Measures to Improve Corporate Governance

1. Directors, Auditors and Executive Directors

The Board of Directors is comprised of five directors (including one outside director) and three auditors (including one outside auditor), and it convenes once a month in principle. Keeping the number of directors minimum and inviting external directors with abundant experiences serves to enliven debate in making important decisions and to enhance auditing of business execution. The auditing and business execution functions of management are separated, and an executive director system comprising 13 directors as of November 30, 2003 was introduced to improve management efficiency. The Executive Board of Directors meets once a month in principle.

2. Strict Compliance Policy

Pasona aims to improve transparency in management through proactive information disclosure and strict observance of laws relevant to its industry in order to ensure the sound development of the personnel-related industry, which is in a growth phase.

In strictly observing relevant laws and regulations, Pasona is making every effort to gain the understanding and cooperation of its corporate and individual customers regarding the spirit of the law. In response to the growing concern for temporary staff not being able to participate in the social health insurance system, the Company immediately took measures to cover all Group company employees under social health insurance. In addition, Pasona is implementing a cross-divisional compliance program centered on the Customer Satisfaction Division and Administrative Division. We are making concerted efforts to offer high-quality services from a compliance perspective by continuing employee training and education programs and checking the status of compliance Companywide on a daily basis.

1) Overview

In the six-month period ended November 30, 2003, the Japanese economy continued to move toward a recovery, as corporate earnings improved and capital investment entered an upturn following adjustments to capital stock. The employment situation in Japan remained in a slump but showed signs of recovering. The number of new job openings increased and over-employment at corporations fell.

Under these circumstances, the number of workers entering temporary positions increased year-on-year in Pasona's mainstay Temporary staffing/Contracting business. However, the recovery was milder than previous market recoveries in such areas as the Tokyo metropolitan and Kansai region. The Placement/Recruiting business sustained high growth, buoyed by a favorable turn in market conditions. Outsourcing also achieved growth in earnings, keeping a robust growth from the previous period. Pasona Sparkle Inc. and Pasona Kyoto Inc., which became consolidated subsidiaries in the previous fiscal year, contributed to sales growth as well. As a result, consolidated net sales rose 11.7% compared with the corresponding period of the previous fiscal year, to ¥74,641 million. In addition to higher profits from sales growth, costs declined as a result of reforms to the social insurance system. Accordingly, operating income surged 30.8% to ¥2,892 million and ordinary income climbed 29.7% to ¥2,707 million. Owing to the write-off of goodwill related to acquisitions in mainly the outsourcing business, net income increased 36.6% to ¥1,272 million.

2) Segment Performance

1. Temporary staffing/Contracting and Placement/Recruiting

“Temporary staffing/Contracting”

In Temporary staffing/Contracting, performance was driven by temporary staffing in the manufacturing (electric equipment and automobile sectors) and communications industries, backed by increased forward-looking capital investment and strong demand overall, with the exception of some sectors in the financial industry. Demand in the largest work category of general administrative positions edged up from the corresponding period of the previous fiscal year. Meanwhile, demand increased considerably for marketing and staffing divisions and development engineer divisions. In addition, newly consolidated subsidiaries contributed to earnings. As a result, sales in Temporary staffing/Contracting grew 10.5% to ¥68,269 million, compared with the corresponding period of the previous fiscal year.

“Placement/Recruiting”

Businesses' appetite for hiring workers improved, supported by the economic recovery, expanding demand in the placement and recruiting industry overall. Pasona maintained high growth in terms of both orders and contracts. Newly consolidated subsidiaries contributed to results. Accordingly, consolidated sales in Placement/Recruiting surged 51.3% to ¥607 million. In October 2003, Pasona transferred its Placement and Recruiting Division to subsidiary Pasona Carent, Inc. in a move to establish its brand name in the placement and recruiting market and to accelerate decision making.

As a result of the above, sales in the Temporary staffing/Contracting and Placement/Recruiting business rose 10.8% to ¥68,876 million. Operating income grew 76.2% to ¥2,280 million, owing to an improvement in costs in accordance with reforms to the social insurance system, virtually no change in costs in areas unrelated to social insurance, and the carrying forward of some expenses into the second half that were to be posted in the first half.

2. Outplacement

In the outplacement market, large-scale orders are on the decline, while relatively small-scale inquiries are strong in a broad base of industry, including small and medium-size businesses, providing support to the overall market. Amid these conditions, Pasona increased orders on hand due to greater-than-expected strength in orders in the second quarter compared with the corresponding period of the previous fiscal year.

Sales and profits finished in line with initial estimates. Sales declined in proportion to the decline in orders on hand at the beginning of the current fiscal year. Sales in the outplacement business decreased 5.6% to ¥1,509 million, and operating income fell 51.4% to ¥341 million

on account of an increase in SG&A expenses from planned increases in personnel and store openings.

3. Outsourcing

Expansion in the outsourcing market for benefit programs continues, and competition is intensifying from the emergence of new players in the industry, as society grows more accustomed to outsourcing services. Recently, there have been an increasing number of companies introducing “Cafeteria Plan” outsourcing services (operational management of selective benefit programs, transactions services) along with benefit program outsourcing services. Benefit One Inc. is gaining experience through the introduction of such services under the names “Benefit Station” and “Benefit Café,” and made efforts during the six-month period ended November 30, 2003 to expand sales by strengthening its response to interested government agencies. Despite the seasonality of some expenses in the first half, including summer vacations, profits increased year-on-year owing to an increase in membership, the diversification of revenue sources and strict cost controls.

In addition, Pasona Telemarketing Inc., a call center outsourcing business added to the segment in the six-month period ended November 30, 2003, posted a profit due to improvements in business efficiency.

As a result of these factors, sales in Outsourcing rose 55.4% to ¥3,739 million and operating income increased 177.5% to ¥171 million.

4. Other

Sales in this segment including PC training business and child-care business, grew 9.2% to ¥872 million, while operating income fell 23.6% to ¥104 million.

3) Cash Flows

As of November 30, 2003, cash and cash equivalents totaled ¥8,091 million, an increase of ¥2,057 million from a year earlier, compared with an increase of ¥19 million in the corresponding period of the previous fiscal year. The following is a description of activities affecting cash flows during the six-month period ended November 30, 2003.

1. Cash Flows from Operating Activities

Income before income taxes and minority interests increased ¥578 million to ¥2,631 million. The increase in accounts receivable—trade was ¥532 million, and income taxes paid totaled ¥1,645 million. As a result, net cash provided by operating activities was ¥624 million, compared with net cash provided by operating activities of ¥1,675 million in the corresponding period of the previous fiscal year.

The ¥1,051 million decrease in cash flows from operating activities was due mainly to an increase of ¥1,604 million in income taxes paid.

2. Cash Flows from Investing Activities

Payments for additional purchases of securities of subsidiaries (mainly 11 overseas subsidiaries) were ¥360 million, payments for purchases of fixed assets (buildings fixtures) were ¥254 million and payments for purchases of intangible assets (software) were ¥223 million. As a result, net cash used in investing activities was ¥871 million, compared with ¥472 million in the corresponding period of the previous fiscal year.

3. Cash Flows from Financing Activities

Pasona procured capital of ¥3,693 million through a primary and secondary offering in October 2003. However, repayment of long-term debt was ¥1,035 million. As a result, net cash provided by financing activities was ¥2,308 million, compared with net cash used in financing activities of ¥1,183 million in the corresponding period of the previous fiscal year.

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	Six Months Ended November 30, 2002		Six Months Ended November 30, 2003		Fiscal Year Ended May 31, 2003		
		(%)		(%)		(%)	
(ASSETS)							
Current assets:							
1 Cash and deposits	4,884		7,752		5,591		
2 Notes and accounts receivable - trade	12,343		14,537		13,561		
3 Marketable securities	462		463		462		
4 Inventories	159		213		204		
5 Deferred tax assets	461		621		606		
6 Other current assets	596		873		1,088		
Less allowance for doubtful receivables	(75)		(77)		(83)		
Total current assets	18,831	70.3	24,383	74.4	21,431	72.8	
Fixed assets:							
1 Property and equipment: ※1							
(1) Buildings	671		1,058		736		
(2) Land	655		656		656		
(3) Other tangible fixed assets	99	1,427	5.3	265	1,980	6.1	
					159	1,551	5.3
2 Intangible assets:							
(1) Software	1,167		1,131		1,193		
(2) Goodwill	273		333		265		
(3) Other intangibles	73	1,514	5.7	84	1,550	4.7	
					79	1,537	5.2
3 Investments and other assets:							
(1) Investment securities	777		831		784		
(2) Long-term loans	139		83		97		
(3) Deferred tax assets	2,164		1,519		1,806		
(4) Lease guarantee deposits	1,701		2,082		1,916		
(5) Other investments	299		395		395		
Less allowance for doubtful accounts	(58)	5,023	18.7	(67)	4,845	14.8	
Total fixed assets	7,965	29.7	8,376	25.6	7,994	27.2	
Total assets	26,796	100.0	32,759	100.0	29,425	100.0	

(Millions of yen)

	Six Months Ended November 30, 2002		Six Months Ended November 30, 2003		Fiscal Year Ended May 31, 2003	
		(%)		(%)		(%)
(LIABILITIES)						
Current liabilities:						
1 Accounts payable - trade	258		353		640	
2 Short-term loans payable	2,461		2,730		2,665	
3 Accounts payable - other	1,142		1,574		1,565	
4 Accrued expenses	5,901		6,152		6,408	
5 Income taxes payable	820		1,002		1,664	
6 Consumption taxes payable 2	1,488		1,695		1,638	
7 Reserve for bonus	940		1,049		958	
8 Other current liabilities	2,340		2,034		1,983	
Total current liabilities	15,353	57.3	16,593	50.6	17,524	59.6
Long-term liabilities:						
1 Long-term debt	2,100		-		1,065	
2 Long-term payables - other	684		566		575	
3 Allowance for employees' severance retirement benefits	30		155		58	
4 Allowance for directors' retirement benefits	288		489		353	
5 Deferred tax liabilities	5		5		5	
6 Other long-term liabilities	1		13		7	
Total long-term liabilities	3,110	11.6	1,230	3.8	2,065	7.0
Total liabilities	18,463	68.9	17,823	54.4	19,589	66.6
(MINORITY INTERESTS)						
Minority interests	1,015	3.8	1,561	4.8	1,417	4.8
(SHAREHOLDERS' EQUITY)						
Common stock	6,062	22.6	7,909	24.1	6,062	20.6
Capital surplus	5,197	19.4	7,044	21.5	5,197	17.7
Retained earnings (loss)	(3,944)	(14.7)	(1,578)	(4.8)	(2,841)	(9.7)
Net unrealized holding gain on other securities	0	0.0	1	0.0	(0)	0.0
Foreign currency translation adjustment	-		(3)	(0.0)	-	
Total shareholders' equity	7,316	27.3	13,374	40.8	8,418	28.6
Total liabilities, minority interests and shareholders' equity	26,796	100.0	32,759	100.0	29,425	100.0

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six Months Ended November 30, 2002		Six Months Ended November 30, 2003		Fiscal Year Ended May 31, 2003	
		(%)		(%)		(%)
Net sales	66,822	100.0	74,641	100.0	135,625	100.0
Cost of sales	54,223	81.1	59,657	79.9	108,879	80.3
Gross profit	12,598	18.9	14,983	20.1	26,746	19.7
Selling, general and administrative expenses 1	10,386	15.6	12,091	16.2	21,058	15.5
Operating income	2,211	3.3	2,892	3.9	5,687	4.2
Non-operating income:						
1. Interest income	0		2		2	
2. Subsidy from government	23		11		35	
3. Dividend income	4		2		4	
4. Insurance fund receivable	7		16		7	
5. Refund of payments to disabled employees - tax	-		-		59	
6. Other income	16	52	17	49	41	150
		0.1		0.0		0.1
Non-operating expenses:						
1. Interest expenses	65		53		118	
2. IPO-related expenses	-		35		-	
3. Investment loss on equity method	96		36		324	
4. Other expenses	15	177	109	234	20	464
		0.3		0.3		0.3
Ordinary income	2,086	3.1	2,707	3.6	5,373	4.0
Extraordinary gain:						
1. Gain on sale of fixed assets 2	-		-		1	
2. Gain on sales of investment in affiliated companies	0		-		6	
3. Constructive gain on change in equity	-	0	29	29	-	8
		0.0		0.0		0.0
Extraordinary loss:						
1. Loss on disposal of fixed assets 3	12		29		36	
2. Amortization of goodwill	-		-		328	
3. Valuation loss of investment securities	-		11		0	
4. Loss on sales of investment in affiliated companies	21		-		21	
5. Constructive loss on change in equity	-		-		14	
6. Amortization of business rights	-	34	64	104	-	401
		0.0		0.1		0.3
Income before income taxes and minority interests	2,053	3.1	2,631	3.5	4,980	3.7
Income taxes - current	805		981		2,218	
Income taxes - deferred	208	1,013	267	1,249	434	2,653
		1.5		1.7		2.0
Minority interests	107	0.2	109	0.1	300	0.2
Net income	931	1.4	1,272	1.7	2,027	1.5

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

	Six Months Ended November 30, 2002		Six Months Ended November 30, 2003		Fiscal Year Ended May 31, 2003	
(CAPITAL SURPLUS)						
Capital surplus at the beginning of the year		5,197		5,197		5,197
Increase in capital surplus						
Increase due to new share issuance	-	-	1,846	1,846	-	-
Capital surplus at the end of the first half		5,197		7,044		5,197
(RETAINED EARNINGS)						
Retained earnings at the beginning of the year		(4,873)		(2,841)		(4,873)
Increase in retained earnings:						
Net income	931		1,272		2,027	
Increase due to merger	-	931	-	1,272	7	2,034
Decrease in retained earnings:						
Bonuses for directors	2		3		2	
Decrease due to the increase in consolidated subsidiaries	-	2	6	9	-	2
Retained earnings at the end of the first half		(3,944)		(1,578)		(2,841)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
Cash Flows from Operating Activities:			
Income before income taxes	2,053	2,631	4,980
Depreciation	182	261	380
Amortization of others	11	87	21
Amortization of goodwill (excess of costs over assets acquired)	42	142	459
Increase (decrease) in allow- ance for doubtful accounts	15	(48)	48
Increase (decrease) in reserve for bonus	69	64	37
Increase (decrease) in allow- ance for employees' severance retirement benefits	(1)	79	17
Increase in allowance for directors' retirement benefits	54	135	115
Interest and dividend income	(1)	(2)	(4)
Interest expenses	65	53	118
Foreign exchange loss (gain)	(0)	0	(0)
Investment loss on equity method	96	36	324
Constructive gain on change in equity	-	(29)	14
Gain on sale of fixed assets	-	-	(1)
Loss on sale and disposal of fixed assets	12	29	36
Valuation loss on investment securities	-	11	0
Gain on sales of shares of affiliates	-	-	-
Loss on sales of shares of affiliates	20	-	15
Decrease (increase) in accounts receivable - trade	(499)	(532)	(1,099)
Increase in inventories	(34)	(6)	(78)
Decrease (increase) in other current assets	135	306	(146)
Decrease in accounts payable - trade	(709)	(458)	(206)
Decrease in consumption tax payable	(880)	33	(809)
Increase in other current liabilities	1,155	(464)	939
Directors' bonuses paid	(4)	(7)	(4)
Subtotal	1,785	2,323	5,161
Interest and dividends received	3	4	7
Interest paid	(72)	(57)	(131)
Income taxes paid	(41)	(1,645)	(721)
Net cash provided by operating activities	1,675	624	4,316

Cash Flows from Investing Activities:			
Payments for time deposits	-	16	(0)
Payments for purchases of fixed assets	(70)	(254)	(149)
Proceeds from sale of fixed assets	-	38	3
Payments for purchases of intangible assets	(193)	(223)	(357)
Proceeds from sale of intangible assets	-	17	80
Payments for purchases of investment securities	(143)	(95)	(208)
Proceeds from sale of investment securities	25	20	42
Payments for acquisition of securities of subsidiaries 2	11	(360)	(194)
Proceeds from sale of securities in subsidiaries 3	(4)	-	(4)
Payments for additional purchases of securities of subsidiaries	(0)	-	(72)
Payments for increase in loans receivable	(32)	(3)	(36)
Proceeds from collection in loans receivable	30	12	34
Proceeds from other investing activities	78	156	124
Payments for other investing activities	(173)	(196)	(349)
Net cash used in investing activities	(472)	(871)	(1,087)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term loans payable - trade	16	(277)	(200)
Proceeds from long-term debt	30	-	30
Repayment of long-term debt	(1,121)	(1,035)	(2,156)
Repayment of financial lease	(106)	(129)	(213)
Proceeds from issuance of shares	-	3,693	-
Proceeds from issuance of shares to minority shareholders	-	82	16
Payments for dividends to minority shareholders	(2)	(26)	(2)
Net cash used in financing activities	(1,183)	2,308	(2,525)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	(4)	0
Net Increase in Cash and Cash Equivalents	19	2,057	703
Cash and Cash Equivalents at Beginning of the Period	5,316	6,019	5,316
Increase (Decrease) in Cash and Cash Equivalents due to Change in Scope of Consolidation	-	13	-
Cash and Cash Equivalents at End of the Period 1	5,336	8,091	6,019

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of consolidated financial statements

	Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
1. Scope of Consolidation	<p>(1) Consolidated subsidiaries: 9 companies</p> <p>Names of consolidated subsidiaries: Benefit One Inc. Pasona Tech, Inc. Pasona career assets Inc. Home Computing Network Inc. Osaka Home Computing Network Inc. Pasona Empower Inc. Pasona Okayama Inc. NS Personnel Service Co., Ltd. Pasona Foster Inc.</p> <p>Pasona Employer Inc. became a consolidated subsidiary through the acquisition of stock. Pasona Caregiver Inc. was excluded from the scope of consolidation following the sale of its shares.</p>	<p>(1) Consolidated subsidiaries: 25 companies</p> <p>Names of consolidated subsidiaries: Benefit One Inc. Pasona Tech, Inc. Pasona career assets Inc. Pasona Carent, Inc. Pasona Telemarketing Inc. Pasona Kyoto Inc. Home Computing Network Inc. Pasona Empower Inc. Pasona Okayama Inc. Pasona Sparkle Inc. NS Personnel Service Co., Ltd. Pasona Foster Inc. Pasona Logicom Inc. Pasona Heartful Inc. PaHuma Consulting (Taiwan) Co., Ltd. PaHuma Consulting (Singapore) Pte, Ltd. NEX Canada, Inc. MGR Search and Selection Co., Ltd. Pelham Search Pacific Ltd. PaHuma Education Co. Ltd. NEX USA Inc. Employment Agency PaHuma Consulting (Thailand) Co., Ltd. PaHuma Asia Co., Ltd. NEX Outsourcing, Ltd. Pelham International Ltd.</p> <p>Pasona Telemarketing Inc. (formerly Atento Pasona, Inc.) became a consolidated subsidiary through the acquisition of additional stock. Pasona Carent, Inc. (formerly Vacs Inc.) became a consolidated subsidiary due to its increasing importance to the Pasona Group. Con-Be Inc. changed its name to Pasona Sparkle Inc.</p>	<p>(1) Consolidated subsidiaries: 12 companies</p> <p>Names of consolidated subsidiaries: Benefit One Inc. Pasona Tech, Inc. Pasona career assets Inc. Pasona Kyoto Inc. Home Computing Network Inc. Pasona Empower Inc. Pasona Okayama Inc. Con-Be Inc. NS Personnel Service Co., Ltd. Pasona Foster Inc. Pasona Logicom Inc. Pasona Heartful Inc.</p> <p>Pasona Empower Inc., Con-Be Inc. and Pasona Logicom Inc. became consolidated subsidiaries through the acquisition of stock. Pasona Heartful Inc. became a consolidated subsidiary following corporate spin-off. The Company increased its shareholding in Pasona Kyoto Inc. through the additional purchase of stock and effectively controls that company's board of directors. Accordingly, Pasona Kyoto Inc. has been included in the scope of consolidation. Home Computing Network Inc. and Osaka Home Computing Network Inc. merged. Accordingly, Osaka Home Computing network Inc. has been excluded from the scope of consolidated. Pasona Caregiver Inc. was excluded from the scope of consolidation following the sale of its shares.</p>

	Six Months Ended November 30, 2002)	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
	<p>(2) Non-consolidated subsidiary Vacs Inc. (Reason for exclusion from the scope of consolidation) This company is excluded from the scope of consolidation because the amounts of its total assets, net sales, net income equivalent to its ownership and retained earnings for the six months ended November 30, 2002 are small compared with the total assets, net sales, net income and retained earnings of the consolidated companies.</p>	<p>PaHuma Consulting (Taiwan) Co., Ltd. and ten other overseas companies became consolidated subsidiaries through the acquisition of stock.</p> <p style="text-align: center;">-</p>	<p>(2) Non-consolidated subsidiary Vacs Inc. (Reason for exclusion from the scope of consolidation) This company is excluded from the scope of consolidation because the amounts of its total assets, net sales, and net income equivalent to its ownership and retained earnings are small and have an immaterial impact on consolidation.</p>

	Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
2. Application of the Equity Method	<p>(1) Affiliated companies that are accounted for by the equity method: 9 companies</p> <p>Pasona Nagasaki Inc. Pasona Nakakyusyu Inc. Pasona Niigata Inc. Pasona Kyoto Inc. Atento Pasona, Inc. Pasona ADP Payroll, Inc. Financial Human Planet Inc. Industrial Outsourcing Inc. e-Staffing Co., Ltd.</p> <p>Jinzai Haken Hokuriku Inc. was excluded from the scope of consolidation as an affiliated company accounted for by the equity method following the sale of its shares. Industrial Outsourcing Inc. and e-Staffing Co., Ltd. became affiliated companies accounted for by the equity method following the acquisition of shares.</p>	<p>(1) Affiliated companies that are accounted for by the equity method: 10 companies</p> <p>Pasona Nakakyusyu Inc. Pasona Nagasaki Inc. Pasona Niigata Inc. Pasona ADP Payroll, Inc. Financial Sun Inc. e-Staffing Co., Ltd. Kansai Employment Creation Organization Inc. National Examination Center Inc. Kanto Employment Creation Organization Inc. Cannon-Persona Recruitment, Ltd.</p> <p>National Examination Center Inc., Kanto Employment Creation Organization Inc. and Cannon-Persona Recruitment, Ltd. became affiliated companies accounted for by the equity method following the acquisition of shares. Atento Pasona, Inc. became a consolidated subsidiary through the additional purchase of stock and was excluded from the scope of consolidation as an affiliated company accounted for by the equity method. The company changed its name to Pasona Telemarketing Inc. Financial Human Planet Inc. changed its name to Financial Sun Inc.</p>	<p>(1) Affiliated companies that are accounted for by the equity method: 8 companies</p> <p>Pasona Nakakyusyu Inc. Pasona Nagasaki Inc. Pasona Niigata Inc. Atento Pasona, Inc. Pasona ADP Payroll, Inc. Financial Human Planet Inc. e-Staffing Co., Ltd. Kansai Employment Creation Organization Inc.</p> <p>e-Staffing Co., Ltd. and Kansai Employment Creation Organization Inc. became affiliated companies accounted for by the equity method through the acquisition of stock. Pasona Kyoto Inc. became a consolidated subsidiary through the additional purchase of stock and was excluded from the scope of consolidation as an affiliated company accounted for by the equity method. Jinzai Haken Hokuriku Inc. was excluded from the scope of consolidation as an affiliated company accounted for by the equity method following the sale of its shares. Industrial Outsourcing Inc. became an affiliated company accounted for by the equity method, however was later excluded from the scope of consolidation following the sale of its shares.</p>

	Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
	<p>(2) Non-consolidated subsidiary not accounted for by the equity method Vacs Inc.</p> <p>(Reason for exclusion from being accounted for by the equity method)</p> <p>Investment in this affiliated company is not accounted for by the equity method because the amounts of its net income and retained earnings equivalent to its ownership for the six months ended November 30, 2002 are small compared with the net income and retained earnings of affiliated companies accounted for by the equity method.</p>	-	<p>(2) Non-consolidated subsidiary not accounted for by the equity method Vacs Inc.</p> <p>(Reason for exclusion from being accounted for by the equity method)</p> <p>Investment in this affiliated company is not accounted for by the equity method because the amounts of its net income and retained earnings equivalent to its ownership are small compared with net income and retained earnings of affiliated companies accounted for by the equity method.</p>
3. Period-end of Financial Statements of Consolidated Subsidiaries	<p>The first half-end of Pasona Tech, Inc. and eight other consolidated subsidiaries is September 30.</p> <p>These financial statements of the respective first half-ends are used in the preparation of the consolidated financial statements.</p> <p>Where significant transactions have occurred during the period between these first half-ends and the consolidated first half-end, the consolidated financial statements are adjusted accordingly.</p>	<p>The first half-end of Pasona Telemarketing Inc. is November 30. The first half-end of Pasona Tech, Inc. and 23 other consolidated subsidiaries is September 30.</p> <p>These financial statements of the respective first half-ends are used in the preparation of the consolidated financial statements.</p> <p>Where significant transactions have occurred during the period between these first half-ends and the consolidated first half-end, the consolidated financial statements are adjusted accordingly.</p>	<p>The fiscal year-end of Pasona Tech Inc. and 11 other consolidated subsidiaries is March 31.</p> <p>These financial statements of the respective year-ends are used in the preparation of the consolidated financial statements. Where significant transactions have occurred during the period between these year-ends and the consolidated fiscal year-end, the consolidated financial statements are adjusted accordingly.</p>

	Six Months Ended November 30, 2002	Six Months Ended November, 2003	Fiscal Year Ended May 31, 2003
<p>4. Accounting Policies</p> <p>(1) Valuation standard and valuation method of important assets</p>	<p>A. Securities (other securities)</p> <p>1. Securities with quoted market value Securities with quoted market value are stated at fair value on November 30, 2002. (Net unrealized gains and losses on other securities are reported, directly to shareholders' equity. Cost of these securities is calculated based on the moving-average cost method.)</p> <p>2. Securities without quoted market value Securities without quoted market value are stated on a cost basis using the moving-average cost method.</p> <p>B. Valuation of inventories</p> <p>1. Merchandise: cost basis using the identified cost method</p> <p>2. Stored goods: cost basis at last invoice cost method</p>	<p>A. Securities (other securities)</p> <p>1. Securities with quoted market value As left.</p> <p>2. Securities without quoted market value As left.</p> <p>B. Valuation of inventories As left.</p>	<p>A. Securities (other securities)</p> <p>1. Securities with quoted market value 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 shareholders' equity. Cost of these securities is calculated based on the moving-average cost method.)</p> <p>2. Securities without quoted market value As left.</p> <p>B. Valuation of inventories As left.</p>

	Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
(2) Depreciation of important depreciable assets	<p>A. Tangible fixed assets</p> <p>1. Buildings (excluding associated equipment and facilities): straight-line method</p> <p>2. Other tangible assets: declining-balance method</p> <p>B. Intangible fixed assets</p> <p>Software: straight-line method over its useful life as estimated by the Company (within 5 years)</p>	<p>A. Tangible fixed assets</p> <p>As left.</p> <p>B. Intangible fixed assets</p> <p>Software</p> <p>As left.</p>	<p>A. Tangible fixed assets</p> <p>As left.</p> <p>B. Intangible fixed assets</p> <p>Software</p> <p>As left.</p>
(3) Accounting policies for important provisions	<p>A. Allowance for doubtful accounts</p> <p>The Company and its consolidated subsidiaries provide for doubtful receivables based on the historical deterioration rate as for normal loans, and the amount deemed necessary to cover individual accounts estimated to be uncollectible.</p> <p>B. Reserve for bonus</p> <p>The Company and its consolidated subsidiaries provide for employee bonus payment at an estimated amount to be paid for the period.</p> <p>C. Allowance for employees' severance retirement benefits</p> <p>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 expenses as of November 30, 2002. Actuarial gains and losses are recognized in expenses in the next fiscal year.</p>	<p>A. Allowance for doubtful accounts</p> <p>As left.</p> <p>B. Reserve for bonus</p> <p>As left.</p> <p>C. Allowance for employees' severance retirement benefits</p> <p>As left.</p>	<p>A. Allowance for doubtful accounts</p> <p>As left.</p> <p>B. Reserve for bonus</p> <p>As left.</p> <p>C. Allowance for employees' severance retirement benefits</p> <p>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 expenses. Actuarial gains and losses are recognized in expenses in the next fiscal year.</p>

	Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
	D. Allowance for directors' retirement benefits The Company and its consolidated subsidiaries provide an allowance for retirement benefits for directors and corporate officers in conformity with bylaws to meet obligations as of November 30, 2002.	D. Allowance for directors' retirement benefits As left.	D. Allowance for directors' retirement benefits The Company and its consolidated subsidiaries provide allowance for retirement benefits for directors and corporate officers in conformity with bylaws to meet obligations at the fiscal year-end.
(4) 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.	As left.	As left.
(5) Other significant accounting policies for preparing consolidated financial statements	A. Consumption taxes Consumption taxes are separately recorded.	A. Consumption taxes As left.	A. Consumption taxes As left. B. Accounting standard for treasury stock and reversal of legal reserves Effective April 1, 2002, the Company has applied Accounting Standard No. 1 "Accounting Standard for Treasury Stock and Reversal of Legal Reserves." There was no effect on income from the adoption of this standard in the fiscal year ended May 31, 2003. Effective May 31, 2003, the shareholders' equity section of the consolidated balance sheet has been prepared in accordance with amendments to standards for the preparation of consolidated financial statements.

	Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
			C. Per share information “Accounting Standard for Earnings per Share” (Accounting Standards Board of Japan, Accounting Standard No. 2) and “Implementation Guidance for Accounting Standard for Earnings per Share” (Accounting Standards Board of Japan Implementation Guidance No. 4) have been applied to the Company’s consolidated financial statements commencing April 1, 2002. The effects of the application of this standard and guidance are presented in the note to per share information.
5. Scope for “Cash and Cash Equivalents” in Consolidated Statements of Cash Flows	“Cash and cash equivalents” in the consolidated statements of cash flows includes cash on hand, readily available deposits, and short-term investments with original maturities of not exceeding three months, which are highly liquid and virtually risk-free with respect to change of value.	As left.	As left.

Change in method of presentation

Six Months Ended November 30, 2002	Six Months Ended November 30, 2003
(Consolidated statements of income) Printing revenues for the six months ended November 30, 2002 was not of sufficient amount to warrant separate classification. Accordingly, printing revenues were recorded under other income in non-operating income. The total of printing revenues for the six months ended November 30, 2002 was ¥ 2,000.	-

Additional Information

Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
(Accounting for treasury stock and reversal of legal reserves) The Company has applied Accounting Standard No. 1 “Accounting Standard for Treasury Stock and Reversal of Legal Reserves” from the six months ended November 30, 2002. There was no effect on income from the adoption of this standard for the period. Effective June 1, 2002, the shareholders’ equity section of the consolidated balance sheet has been prepared in accordance with amendments to standards for the preparation of consolidated financial statements.	-	-

Notes to consolidated balance sheets

(Millions of yen)

November 30, 2002	November 30, 2003	May 31, 2003
Note 1. Accumulated depreciation of tangible fixed assets 223	Note 1. Accumulated depreciation of tangible fixed assets 552	Note 1. Accumulated depreciation of tangible fixed assets 326
Note 2. Consumption tax Consumption tax payable is recorded after deducting for consumption tax receipts.	Note 2. Consumption tax As left.	-

(Millions of yen)

November 30, 2002	November 30, 2003	May 31, 2003
Note 3. Contingent liability for guarantee For the following affiliate, the unpaid balance on leasing expenses are guaranteed: Pasona ADP Payroll, Inc. 144	Note 3. Contingent liability for guarantee For the following affiliate, the unpaid balance on leasing expenses are guaranteed: Pasona ADP Payroll, Inc. 106	Note 3. Contingent liability for guarantee For the following affiliate, the unpaid balance on leasing expenses are guaranteed: Pasona ADP Payroll, Inc. 135

Notes to consolidated statements of income

(Millions of yen)

Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
Note 1. Breakdown of the major selling, general and administrative expenses:	Note 1. Breakdown of the major selling, general and administrative expenses:	Note 1. Breakdown of the major selling, general and administrative expenses:
Salaries and bonuses for employees 3,992	Salaries and bonuses for employees 4,523	Salaries and bonuses for employees 8,790
Accrual of bonuses 725	Accrual of bonuses 829	Accrual of bonuses 738
Provision for employees' retirement benefits 105	Provision for employees' retirement benefits 117	Welfare benefits expenses 1,869
Provision for directors' retirement benefits 59	Provision for directors' retirement benefits 142	Provision for employees' retirement benefits 217
Depreciation and amortization 181	Depreciation and amortization 235	Provision for directors' retirement benefits 121
Provision for doubtful receivables 19	Provision for doubtful receivables 0	Recruiting expenses 1,381
Amortization of goodwill 42	Amortization of goodwill 142	Rent expenses 1,845
-	-	Depreciation and amortization 379
		Provision for doubtful receivables 60
		Amortization of goodwill 130
		Note 2.
		Breakdown of gain on sale of fixed assets:
		Software 1
		Other tangible assets 0
		1

(Millions of yen)

Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
Note 3. Breakdown of loss on sales and disposal of fixed assets:	Note 3. Breakdown of loss on sales and disposal of fixed assets:	Note 3. Breakdown of loss on sales and disposal of fixed assets:
Loss on disposal	Loss on disposal	Loss on disposal
Buildings 6	Buildings 2	Buildings 14
Other intangible assets 1	Other tangible assets 2	Other tangible assets 1
Software 5	Software 23	Software 20
12	Other intangible assets 0	Loss on sale
	Loss on sale	Other intangible assets 0
	Other tangible assets 0	36
	29	

Notes to consolidated statements of cash flow

(Millions of yen)

Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003																								
<p>Note 1. Relationship between the balance of cash and cash equivalents and cash and deposits reported in the consolidated balance sheets at period-end. As of November 30, 2002</p> <table> <tr> <td>Cash and deposits</td> <td>4,884</td> </tr> <tr> <td>Term deposit (exceedin 3 months)</td> <td>(10)</td> </tr> <tr> <td>Securities (Midterm JGB Fund, MMF, FFF)</td> <td>462</td> </tr> <tr> <td>Cash and cash equivalents</td> <td><u>5,336</u></td> </tr> </table>	Cash and deposits	4,884	Term deposit (exceedin 3 months)	(10)	Securities (Midterm JGB Fund, MMF, FFF)	462	Cash and cash equivalents	<u>5,336</u>	<p>Note 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 November 30, 2003</p> <table> <tr> <td>Cash and deposits</td> <td>7,752</td> </tr> <tr> <td>Term deposit (exceedin 3 months)</td> <td>(124)</td> </tr> <tr> <td>Securities (MMF, FFF, GIC)</td> <td>463</td> </tr> <tr> <td>Cash and cash equivalents</td> <td><u>8,091</u></td> </tr> </table>	Cash and deposits	7,752	Term deposit (exceedin 3 months)	(124)	Securities (MMF, FFF, GIC)	463	Cash and cash equivalents	<u>8,091</u>	<p>Note 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, 2003</p> <table> <tr> <td>Cash and deposits</td> <td>5,591</td> </tr> <tr> <td>Term deposit (exceedin 3 months)</td> <td>(33)</td> </tr> <tr> <td>Securities (Midterm JGB Fund, MMF, FFF)</td> <td>462</td> </tr> <tr> <td>Cash and cash equivalents</td> <td><u>6,019</u></td> </tr> </table>	Cash and deposits	5,591	Term deposit (exceedin 3 months)	(33)	Securities (Midterm JGB Fund, MMF, FFF)	462	Cash and cash equivalents	<u>6,019</u>
Cash and deposits	4,884																									
Term deposit (exceedin 3 months)	(10)																									
Securities (Midterm JGB Fund, MMF, FFF)	462																									
Cash and cash equivalents	<u>5,336</u>																									
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Term deposit (exceedin 3 months)	(124)																									
Securities (MMF, FFF, GIC)	463																									
Cash and cash equivalents	<u>8,091</u>																									
Cash and deposits	5,591																									
Term deposit (exceedin 3 months)	(33)																									
Securities (Midterm JGB Fund, MMF, FFF)	462																									
Cash and cash equivalents	<u>6,019</u>																									

(Millions of yen)

Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
<p>Note 2. Breakdown of the major assets and liabilities inherited from newly acquired subsidiaries. Breakdown of major assets and liabilities inherited from Pasona Empower Inc., a newly acquired subsidiary, is given below together with related acquisition cost and net expenditure.</p>	<p>Note 2. Breakdown of the major assets and liabilities inherited from newly acquired subsidiaries. Breakdown of major assets and liabilities inherited from newly acquired subsidiaries Pasona Telemarketing Inc., PaHuma Consulting (Taiwan) Co., Ltd. and 10 other overseas companies, is given below together with related acquisition cost and net expenditure.</p>	<p>Note 2. Breakdown of the major assets and liabilities inherited from newly acquired subsidiaries. Breakdown of major assets and liabilities inherited from Pasona Empower Inc., a newly acquired subsidiary, is given below together with related acquisition cost and net expenditure.</p>
<p>Current assets 95</p> <p>Fixed assets 0</p> <p>Current liabilities (41)</p> <p>Consolidation (1)</p> <p>Adjustments Account</p> <p>Minority interests (21)</p> <p>Acquisition cost of Pasona Empower Inc. 30</p> <p>Cash and cash equivalents of Pasona Empower Inc. (41)</p> <p>Less: Payment for acquisition of Pasona Empower Inc. (11)</p>	<p>Current assets 1,210</p> <p>Fixed assets 648</p> <p>Deferred assets 14</p> <p>Consolidation 212</p> <p>Adjustments Account</p> <p>Current liabilities (1,023)</p> <p>Long-term liabilities (213)</p> <p>Minority interests (10)</p> <p>Acquisition cost of subsidiary companies 807</p> <p>Cash and cash equivalents of subsidiary companies 446</p> <p>Less: Payment for acquisition of subsidiary companies 360</p>	<p>Current assets 95</p> <p>Fixed assets 0</p> <p>Current liabilities (41)</p> <p>Consolidation (1)</p> <p>Adjustments Account</p> <p>Minority interests (21)</p> <p>Acquisition cost of Pasona Empower Inc. 30</p> <p>Cash and cash equivalents of Pasona Empower Inc. (41)</p> <p>Less: Payment for acquisition of Pasona Empower Inc. (11)</p>

(Millions of yen)

Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
		<p>Breakdown of major assets and liabilities inherited from Con-Be Inc., a newly acquired subsidiary, is given below together with related acquisition cost and net expenditure.</p> <p>Current assets 394</p> <p>Fixed assets 73</p> <p>Current liabilities (374)</p> <p>Long-term liabilities (13)</p> <p>Consolidation 328</p> <p>Adjustments Account</p> <p>Minority interests (7)</p> <p>Acquisition cost of 400</p> <p>Con-Be Inc.</p> <p>Cash and cash equivalents (20)</p> <p>of Con-Be Inc.</p> <p>Less: Payment for 379</p> <p>acquisition of Con-Be Inc.</p>
		<p>Breakdown of major assets and liabilities inherited from Pasona Kyoto Inc., a newly acquired subsidiary, is given below together with related acquisition cost and net expenditure.</p> <p>Current assets 657</p> <p>Fixed assets 277</p> <p>Current liabilities (605)</p> <p>Consolidation 34</p> <p>Adjustments Account</p> <p>Minority interests (197)</p> <p>Existing shareholding (55)</p> <p>Acquisition cost of 110</p> <p>Pasona Kyoto Inc.</p> <p>Cash and cash equivalents (290)</p> <p>of Pasona Kyoto Inc.</p> <p>Less: Payment for (180)</p> <p>acquisition of Pasona Kyoto Inc.</p>

(Millions of yen)

Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
		Breakdown of major assets and liabilities inherited from Pasona Logicom Inc., a newly acquired subsidiary, is given below together with related acquisition cost and net expenditure. Current assets 5 Fixed assets 3 Consolidation 0 Adjustments Account _____ Acquisition cost of Pasona Logicom Inc. 10 Cash and cash equivalents of Pasona Logicom Inc. (3) Less: Payment for acquisition of Pasona Logicom Inc. _____ 6
Note 3. Breakdown of the major assets and liabilities excluded due to the sale of a consolidated subsidiary. Breakdown of major assets and liabilities excluded following the sale of Pasona Caregiver Inc. Current assets 26 Fixed assets 4 Total assets 30 Current liabilities 8 Long-term liabilities - Total liabilities 8	-	Note 3. Breakdown of the major assets and liabilities excluded due to the sale of a consolidated subsidiary. Breakdown of major assets and liabilities excluded following the sale of Pasona Caregiver Inc. Current assets 26 Fixed assets 4 Total assets 30 Current liabilities 8 Long-term liabilities - Total liabilities 8

Leases

(Millions of yen)

Six Months Ended November 30, 2002				Six Months Ended November 30, 2003				Fiscal Year Ended May 31, 2003			
1. Finance lease other than those that transfer ownership to the lessee (1) Acquisition cost, accumulated depreciation and period-end balance of lease assets				1. Finance lease other than those that transfer ownership to the lessee (1) Acquisition cost, accumulated depreciation and period-end balance of lease assets				1. Finance lease other than those that transfer ownership to the lessee (1) Acquisition cost, accumulated depreciation and period-end balance of lease assets			
	Acquisition cost	Accumulated depreciation	Period-end balance		Acquisition cost	Accumulated depreciation	Period-end balance		Acquisition cost	Accumulated depreciation	Period-end balance
Buildings	97	46	51	Buildings	101	55	45	Buildings	104	46	57
Other tangible assets	976	555	421	Other tangible assets	1,094	474	619	Other tangible assets	1,098	426	671
Software	697	229	467	Software	699	283	415	Software	723	284	439
Total	1,771	831	940	Total	1,895	814	1,080	Total	1,926	757	1,168
(2) Period-end balance of unpaid lease expenses Due within one year 342 Due after one year 613 <u>956</u>				(2) Period-end balance of unpaid lease expenses Due within one year 443 Due after one year 659 <u>1,103</u>				(2) Period-end balance of unpaid lease expenses Due within one year 422 Due after one year 724 <u>1,147</u>			
(3) Lease expenses, depreciation, interest expenses Lease expenses 268 Accumulated depreciation 255 Interest expenses 13				(3) Lease expenses, depreciation, interest expenses Lease expenses 236 Accumulated depreciation 224 Interest expenses 13				(3) Lease expenses, depreciation, interest expenses Lease expenses 494 Accumulated depreciation 470 Interest expenses 26			
(4) Method of calculation for amortization Straight-line method over the useful life assuming no residual value is used to calculate amortization.				(4) Method of calculation for amortization As left.				(4) Method of calculation for amortization As left			
(5) Method for calculation for interest The difference between total lease expenses and acquisition cost of leased assets is considered as interest portion and the allocation of this interest is calculated by the interest method.				(5) Method for calculation for interest As left.				(5) Method for calculation for interest As left.			

(Millions of yen)

Six Months Ended November 30, 2002		Six Months Ended November 30, 2003		Fiscal Year Ended May 31, 2003	
2. Operating lease		2. Operating lease		2. Operating lease	
Amount of unpaid lease expenses		Amount of unpaid lease expenses		Amount of unpaid lease expenses	
Due within one year	3	Due within one year	3	Due within one year	3
Due after one year	8	Due after one year	4	Due after one year	6
Total	11	Total	8	Total	9

Securities

1. Other securities with market value (as of November 30, 2002)

(Millions of yen)

Type of securities	Acquisition cost	Amount stated on consolidated balance sheet	Difference
(1) Stocks	1	1	0
(2) Debt securities	10	10	0
① JGB/municipal bonds	-	-	-
② Corporate bonds	10	10	0
③ Others	-	-	-
(3) Other securities	-	-	-
Total	11	12	0

2. Other securities without market value (as of November 30, 2002)

(Millions of yen)

	Amount stated on consolidated balance sheet
Other securities	
Non-listed stocks (excludes over-the-counter stocks)	203
Money management fund (MMF)	301
Free financial fund (FFF)	160

1. Other securities with market value (as of November 30, 2003)

(Millions of yen)

Type of securities	Acquisition cost	Amount stated on consolidated balance sheet	Difference
(1) Stocks	35	36	0
(2) Debt securities	30	30	0
① JGB/municipal bonds	-	-	-
② Corporate bonds	10	10	0
③ Others	20	20	-
(3) Other securities	32	26	(5)
Total	98	93	(5)

2. Other securities without market value (as of November 30, 2003)

(Millions of yen)

	Amount stated on consolidated balance sheet
Other securities	
Non-listed stocks (excludes over-the-counter stocks)	195
Money management fund (MMF)	302
Free financial fund (FFF)	160

1. Other securities with quoted market value (as of May 31, 2003)

(Millions of yen)

Type of securities	Acquisition cost	Amount stated on consolidated balance sheet	Difference
(1) Stocks	47	31	(15)
(2) Debt securities	10	10	0
① JGB/municipal bonds	-	-	-
② Corporate bonds	10	10	0
③ Others	-	-	-
(3) Other securities	-	-	-
Total	57	41	(15)

2. Other securities without quoted market value (as of May 31, 2003)

(Millions of yen)

	Amount stated on consolidated balance sheet
Other securities	
Non-listed stocks (excludes over-the-counter stocks)	248
Money management fund (MMF)	301
Free financial fund (FFF)	160

Derivatives

Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
The Company and its consolidated subsidiaries do not have any derivative transactions.	As left.	As left.

Segment information

1. Performance by business segment for the six-month period ended November 30, 2002

(Millions of yen)

	Temporary staffing/Contracting, Placement/Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Sales							
(1) Sales to outside customers	62,114	1,598	2,311	797	66,822	-	66,822
(2) Intersegment sales and transfers	57	0	94	1	153	(153)	-
Total	62,172	1,598	2,406	798	66,976	(153)	66,822
Operating expenses	60,877	894	2,344	661	64,778	(168)	64,610
Operating income	1,294	704	61	137	2,197	14	2,211

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 services
Outsourcing	Employee welfare and benefit agency services
Other	Computer school operation and management, child-care operation services, other

1. Changes in business segment classification

The Company and its consolidated subsidiaries only operated in the one human resource services segment until the fiscal year ended May 31, 2002. In the six-month period ended November 30, 2002, the Company classified its business operations into the following segments: Temporary staffing/Contracting, Outplacement, Outsourcing, and Other, based on its operating markets and service details.

This change was made on growing incidence and importance of Outplacement services. The purpose is to provide more useful information that shows our performance by segment.

Performance by business segment for the six-month period ended November 30, 2003

(Millions of yen)

	Temporary staffing/Contracting, Placement/Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Sales							
(1) Sales to outside customers	68,751	1,509	3,614	765	74,641	-	74,641
(2) Intersegment sales and transfers	125	0	124	106	356	(356)	-
Total	68,876	1,509	3,739	872	74,997	(356)	74,641
Operating expenses	66,595	1,167	3,568	767	72,098	(349)	71,748
Operating income	2,280	341	171	104	2,899	(6)	2,892

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/Contract, Placement/Recruiting	Temporary staffing and contracting, placement and recruiting, Other
Outplacement	Outplacement services
Outsourcing	Employee welfare and benefit agency services
Other	Computer school operation and management, Child-care operation, Other

Performance by business segment for the fiscal year ended May 31, 2003

(Millions of yen)

	Temporary staffing/Contracting, Placement/Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Sales							
(1) Sales to outside customers	126,120	3,298	4,697	1,509	135,625	-	135,625
(2) Intersegment sales and transfers	127	0	188	5	321	(321)	-
Total	126,248	3,299	4,885	1,515	135,947	(321)	135,625
Operating expenses	122,535	2,109	4,333	1,298	130,276	(338)	129,938
Operating income	3,712	1,189	551	216	5,671	16	5,687

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 services
Outsourcing	Employee welfare and benefit agency services
Other	Computer school operation and management, Child-care operation, Other

2. Information on geographic areas

Six-month period ended November 30, 2002

Since there are no consolidated subsidiaries or branches in other countries, information on geographic areas is not applicable in the report.

Six-month period ended November 30, 2003

Since there are no sales in other countries outside Japan, information on geographic areas is not applicable in the report.

Fiscal year ended May 31, 2003

Since there are no consolidated subsidiaries or branches in other countries, information on geographic areas is not applicable in the report.

3. Overseas sales

Six-month period ended November 30, 2002

Since there are no overseas sales, information on overseas sales is not applicable in the report.

Six-month period ended November 30, 2003

Since there are no overseas sales, information on overseas sales is not applicable in the report.

Fiscal year ended May 31, 2003

Since there are no overseas sales, information on overseas sales is not applicable in the report.

Per share information

(Yen)

Six Months Ended November 30, 2002		Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003)
Shareholders' equity per share 53,559.69		Shareholders' equity per share 94,443.66	Shareholders' equity per share 61,600.04
Earnings per share 6,821.95		Earnings per share 9,252.53	Earnings per share 14,813.83
Diluted net income per share is not shown due to no diluted effect.		Diluted net income per share 9,164.53	Diluted net income per share is not shown due to no diluted effect.
(Additional information) "Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan, Accounting Standard No. 2) and "Implementation Guidance for Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan Implementation Guidance No. 4) have been applied to the Company's consolidated financial statements commencing April 1, 2002. The Company conducted a 5:1 stock split on July 22, 2002. Per share information based on the standards adopted and accounting for the stock split effected on July 22, 2002 is restated as follows:			(Additional information) "Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan, Accounting Standard No. 2) and "Implementation Guidance for Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan Implementation Guidance No. 4) have been applied to the Company's consolidated financial statements. The Company conducted a 5:1 stock split on July 22, 2002. Per share information based on the standards adopted and accounting for the stock split effected on July 22, 2002 for the previous fiscal year is restated as follows:
Six-month period ended November 20, 2001	Fiscal year ended May 31, 2002		Shareholders' equity per share 46,732.35
Shareholders' equity per share \29,058.30	Shareholders' equity per share \46,732.35		Earnings per share 14,717.87
Earnings per share \6,247.83	Earnings per share \14,717.87		

Note: Earnings per share is calculated on the following basis:

(Millions of yen)

	Six Months Ended November 30, 2002	Six Months Ended November 30, 2003	Fiscal Year Ended May 31, 2003
Net income	931	1,272	2,027
Net income not applicable to shareholders of common stock	-	-	-
Net income applicable to common stock	931	1,272	2,027
Average number of shares for the period	136,610	137,538	136,610
Adjustment to net income for the period	-	-	-
Increase in number of shares of common stock	-	1,320	-
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.	New share subscription rights as stock options issued in accordance with Article 280.19 of the pre-commercial code of Japan revision 1,790 shares	-	New share subscription rights as stock options issued in accordance with Article 280.19 of the pre-commercial code of Japan revision 1,780 shares