

January 26, 2004

Pasona Inc.

**Consolidated Financial Report for the
First Half of the Fiscal Year Ending May 31, 2004**

*Double digit percentage growth in revenue and earnings,
consolidated sales up 11.7% year on year, operating income up 30.8%
and net income up 36.6% due to continued recovery in the temporary staffing business*

Pasona Inc. (Headquarters: Chiyoda-ku, Tokyo; President & COO: Muneaki Ueda) today announced results for the first half of the fiscal year ending in 2004 (June 1, 2003 to November 30, 2003). The following is a summary of results for the first half.

【 1 】 Consolidated Business Results

(Millions of yen, rounded down)

	1H FY ending 2004	YoY	1H FY ended 2003
Net Sales	74,641	11.7%	66,822
Operating Income	2,892	30.8%	2,211
Ordinary Income	2,707	29.7%	2,086
Net Income	1,272	36.6%	931

Net Income per Share: ¥9,252.53 (1H FY ended 2003: ¥6,821.95)

Buoyed by an upswing in the general economy, the number of long-term staff in the mainstay Temporary staffing/Contracting business exceeded that of the corresponding period of the previous fiscal year. At the same time, results continued to improve in the Placement/Recruiting business driven by favorable market conditions. Pasona saw prolonged steady growth in the Outsourcing business and received a strong contribution to revenue from Pasona Sparkle Inc. and Pasona Kyoto Inc., included in the scope of consolidation in fiscal year ended 2003. As a result of these factors, consolidated net sales totaled ¥74,641 million, an increase of 11.7% from the corresponding period of the previous fiscal year.

Along with the growth in sales, earnings improved as basic costs declined following revisions to the social insurance system. For the six-month period ended November 30, 2003, operating income rose 30.8% year on year and ordinary income climbed 29.7% to ¥2,892 million and ¥2,707 million, respectively.

Net income for the period jumped 36.6% compared with the corresponding period of the previous fiscal year to ¥1,272 million.

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

【 2 】 Segment Information

(Millions of yen, rounded down)

	1H FY ending 2004					
	Net sales	YoY	%	Operating income	YoY	%
Temporary Staffing/Contracting	68,269	10.5%	91.5%	2,280	76.2%	78.9%
Placement/Recruiting	607	51.3%	0.8%			
Outplacement	1,509	-5.6%	2.0%	341	-51.4%	11.8%
Outsourcing	3,739	55.4%	5.0%	171	177.5%	5.9%
Other	872	9.2%	1.2%	104	-23.6%	3.6%
Elimination or Corporate	-356	-	-0.5%	-6	-	-0.2%
Total	74,641	11.7%	100.0%	2,892	30.8%	100.0%

Temporary staffing/Contracting and Placement/Recruiting
Temporary staffing/Contracting

Overall demand was strong with results fueled by temporary staffing particularly to manufacturing (the electric, automobile sectors) and communications industries. By job category, demand increased slightly year on year in the large volume clerical sector, while new orders significantly exceeded those of the corresponding period of the previous fiscal year for marketing and sales positions as well as IT technicians, particularly development engineers. As a result of these factors and contributions from newly consolidated subsidiary companies, sales in Temporary staffing/Contracting rose 10.5% to ¥68,269 million.

Monthly average of temporary staff at work

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

	FY ended 2003				FY ending 2004			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Monthly average of temporary staff at work	28,527	28,994	30,151	30,302	30,114	31,000	-	-
YoY	-3.5%	-3.0%	1.5%	2.4%	5.6%	6.9%	-	-

Temporary staffing/Contracting business—Sales by staffing type

(Consolidated: After eliminations or corporate)

(Millions of yen, rounded down)

	1H ending 2004			1H ended 2003	
	Net sales	YoY	%	Net sales	%
Clerical (General office work)	35,534	5.5%	52.1%	33,689	54.6%
Technical (Specialized office work)	12,522	3.8%	18.4%	12,068	19.6%
IT/Engineering	8,503	4.1%	12.5%	8,169	13.2%
Other	11,467	49.5%	16.8%	7,671	12.4%
Temporary staffing-related	115	-0.1%	0.2%	115	0.2%

Placement/Recruiting

Against the backdrop of a general economic recovery and across-the-board industry expansion, Pasona continued to experience strong growth in orders and contract starts. Sales for the for the six-month period ended November 30, 2003 surged 51.3% to ¥607 million also reflecting contributions from newly consolidated subsidiary companies. In addition, Pasona spun off its Placement and Recruiting Division and established Pasona Carent, Inc. in October 2003, in an effort to accelerate decision-making, reinforce the Pasona brand and further expand business activities.

As a result, sales in this segment increased 10.8% to ¥68,876 million, while operating income surged 76.2% to ¥2,280 million on the back of a decline in basic costs following revisions to the social insurance system.

Outplacement — Pasona career assets Inc.

While large-scale orders for outplacement services are on a downturn, demand is robust for relatively smaller orders across a wide range of industries. In the second quarter of the fiscal year ending 2004, orders acquired exceeded those of the corresponding period of the previous fiscal year and have surpassed targets set at the beginning of the period.

Despite this positive performance however, sales fell 5.6% to ¥1,509 million. This is attributed to the relatively smaller number of orders at the beginning of the period, compared with the corresponding period of the previous fiscal year. In addition, operating income was ¥341 million, a decline of 51.4% year on year, reflecting an increase in SG&A expenses due to enriching personnel of career consultants and efforts to bolster the branch network.

Outsourcing — Benefit One Inc., Pasona Telemarketing Inc.

The market for outsourcing employee benefit programs, serviced by Benefit One Inc., a consolidated subsidiary, is characterized by continued growth on one hand and intense competition on the other. As the number of companies introducing “Cafeteria Plans” (selective benefit programs) increases, Pasona, a pioneer in the field with a strong track record, is expanding sales of its cafeteria plan and strengthening efforts in the public sector. Despite the seasonal effect in the first half of expenditure incurred to cover the peak summer season, earnings exceeded the corresponding period of the previous fiscal year due to the increase in new members and efforts to diversify the earnings base. At the same time, Pasona Telemarketing Inc., which engages in the call center outsourcing business, was included in the scope of the outsourcing segment’s activities.

Buoyed by overall favorable conditions, Pasona recorded sales of ¥3,739 million in Outsourcing, an increase of 55.4%. Operating income was ¥171 million, up 177.5% year on year.

Other — Home Computing Network Inc., Pasona Foster Inc., Other

The Pasona Group is also engaged in the operations such as PC training classes and child-care facilities. In this segment, sales for the six-month period ended November 30, 2003 totaled ¥872 million, an increase of 9.2% year on year, while operating income fell 23.6% to ¥104 million.

【 3 】 Non-consolidated Business Results

(Millions of yen, rounded down)

	1H FY ending 2004	YoY	1H FY ended 2003
Net Sales	56,980	3.2%	55,210
Operating Income	2,109	68.1%	1,254
Ordinary Income	2,014	65.0%	1,220
Net Income	1,127	73.9%	648

【 4 】 Forecast of Results for Fiscal year ending May 31, 2004 (June 1, 2003 to May 31, 2004)

(Millions of yen, rounded down)

	Full year	YoY
Net Sales	152,588	12.5%
Ordinary Income	6,225	15.9%
Net Income	2,827	39.5%

(Reference) Net Income per Share: ¥19,915.77 (FY ended 2003: ¥14,813.83)

[Reference]
Business Results Per Quarter

(Millions of yen, rounded down)

Net Sales	1 Q	2 Q	3 Q	4 Q	Full year
FY ended 2002	32,850	33,743	32,717	34,511	133,822
FY ended 2003	33,168	33,653	33,363	35,439	135,625
FY ending 2004	37,024	37,616	-	-	-
YoY	11.6%	11.8%			

Operating Income	1 Q	2 Q	3 Q	4 Q	Full year
FY ended 2002	967	910	1,440	1,467	4,786
FY ended 2003	939	1,272	1,629	1,845	5,687
FY ending 2004	1,362	1,529	-	-	-
YoY	45.1%	20.2%			

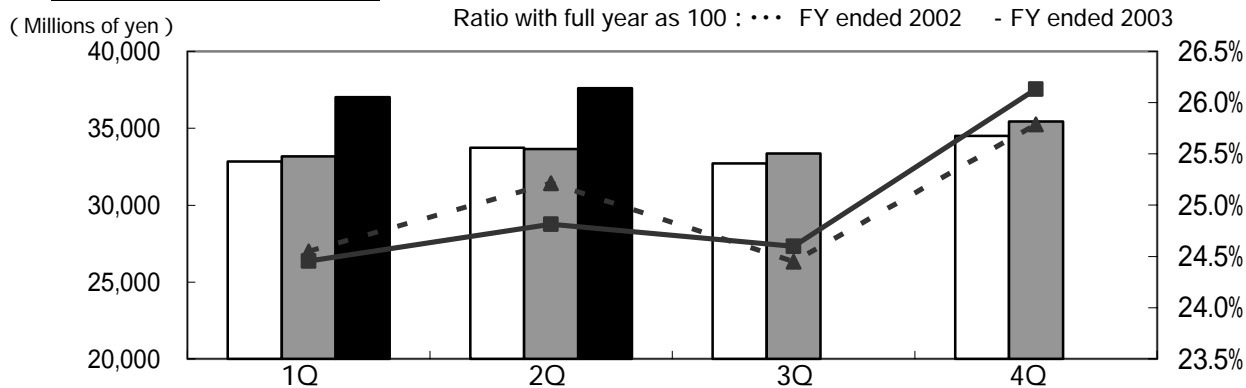
Ordinary Income	1 Q	2 Q	3 Q	4 Q	Full year
FY ended 2002	886	851	1,113	1,370	4,222
FY ended 2003	884	1,201	1,638	1,648	5,373
FY ending 2004	1,348	1,359	-	-	-
YoY	52.4%	13.1%			

Net Income	1 Q	2 Q	3 Q	4 Q	Full year
FY ended 2002	290	532	476	675	1,974
FY ended 2003	394	537	768	326	2,027
FY ending 2004	642	630	-	-	-
YoY	62.6%	17.4%			

Consolidated Net Sales

Net Sales : FY ended 2002 FY ended 2003 FY ending 2004

Ratio with full year as 100 : ... FY ended 2002 - FY ended 2003


Consolidated Operating Income

(Millions of yen)

