

# **First Half Results ended November 30, 2002**

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**Pasona Inc.  
4332**

**January 24, 2003  
[www.pasona.co.jp](http://www.pasona.co.jp)**

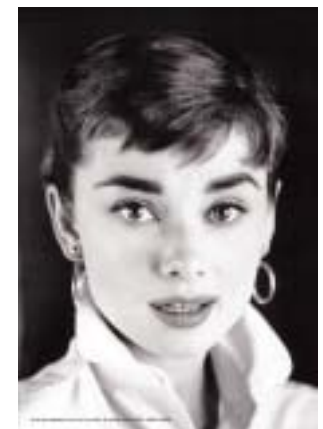
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## **Pasona’s Image Character: Audrey Hepburn**

Audrey Hepburn was a widely known and beloved actress. In her later years, she took on the role of Humanitarian Ambassador to UNICEF, and made extensive efforts in social and welfare activities to aid the world’s poverty-stricken peoples. Audrey, a revered figure even after her death by young and old alike, represents our ideal corporate image: a company needed by all, and a “long-selling” brand that remains loved, and respected by our clients and staff. For this reason, we chose Audrey as our “image character.”

“Work to do what you love.” With this message as our base, we continue to offer investors the stability and solid track record we have built in the human resources business since our founding in 1976.

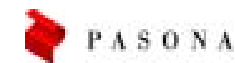


# **I. First Half Results ended Nov. 2002**

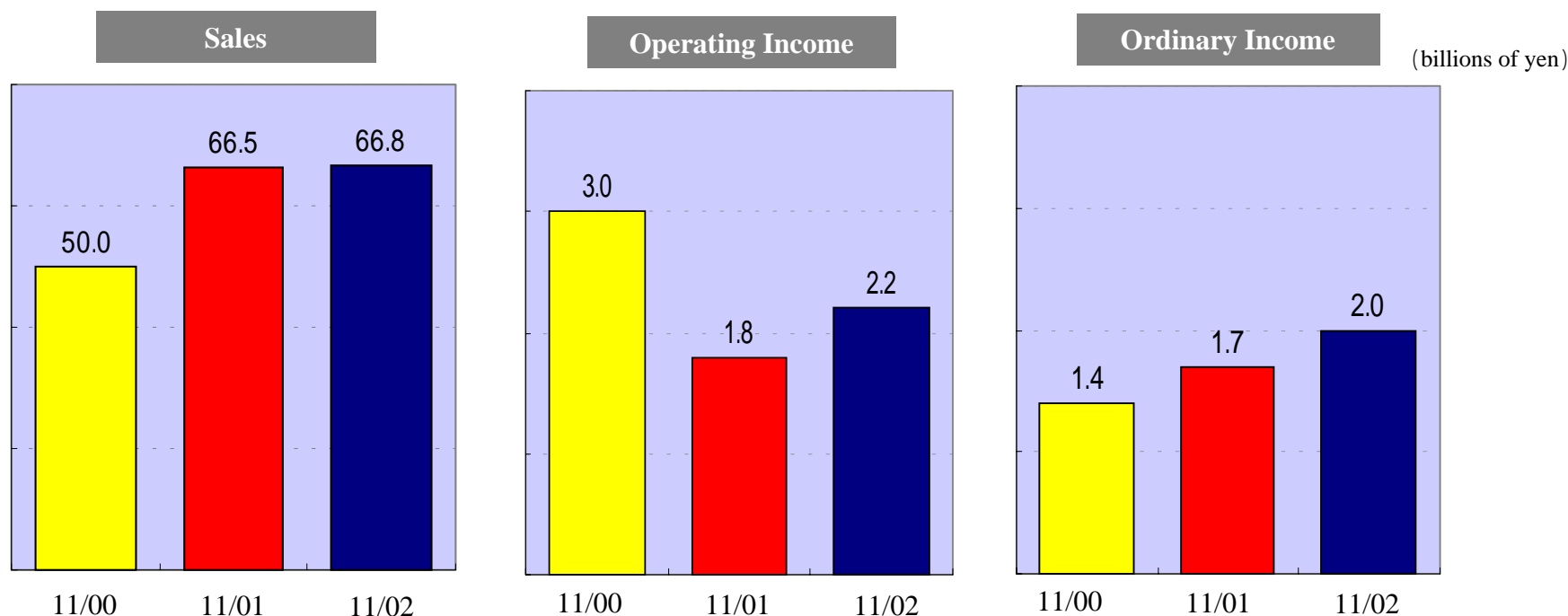
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\*Figures in this report have been rounded.

# First Half Results ended Nov. 2002



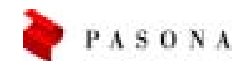
- Sales showed flat growth.
- Profit growth was achieved thanks to positive performance in the Outplacement, Personnel placement, and Outsourcing segments.



	11/00	11/01	YoY	11/02	YoY	Projections	vs.Projections
Sales	50.0	66.5	+33.2%	66.8	+0.3%	68.9	3.0%
Gross profit	10.7	11.7	+9.0%	12.5	+7.7%	11.9	+5.5%
SG&A	7.7	9.8	+27.1%	10.3	+5.7%	10.6	2.4%
Operating income	3.0	1.8	37.7%	2.2	+17.7%	1.3	+69.4%
Operating margin	6.0%	2.8%	-	3.3%	-	1.8%	-
Ordinary income	1.4	1.7	+23.8%	2.0	+20.0%	1.0	+89.9%
Net income	5.1	8.0	-	0.9	+13.3%	0.4	+116.4%

\*Pasona began reporting consolidated interim results from the fiscal year ended May 2002, so the figures included for the first half of the fiscal year ended November 2000 have not been audited, and are intended for reference purposes only.

# First Half Results ended Nov. 2002 by Service Segments

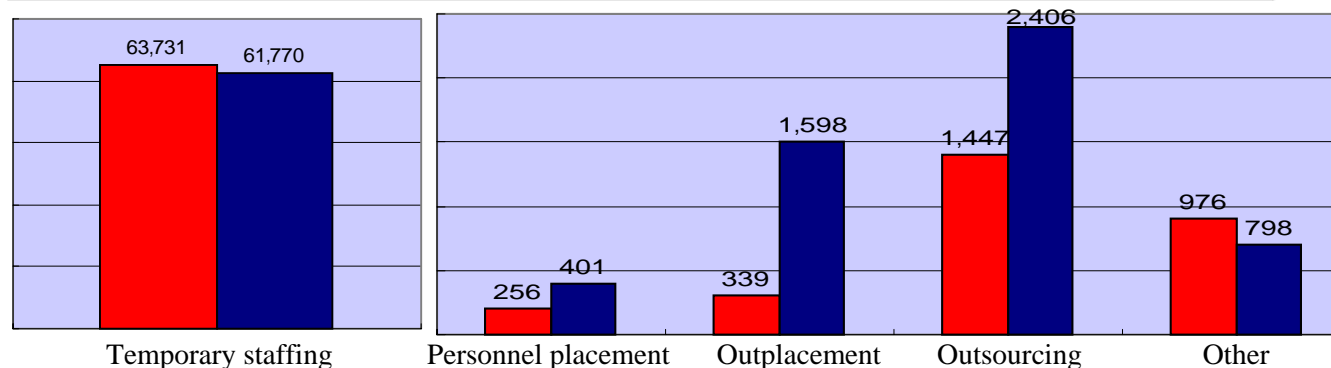


## Sales

- Slightly lower sales in the Temporary staffing Segment
- Substantial sales growth in the Outplacement and Outsourcing segments

(millions of yen)

1H 2002 (ended Nov 2001)  
1H 2003 (ended Nov 2002)

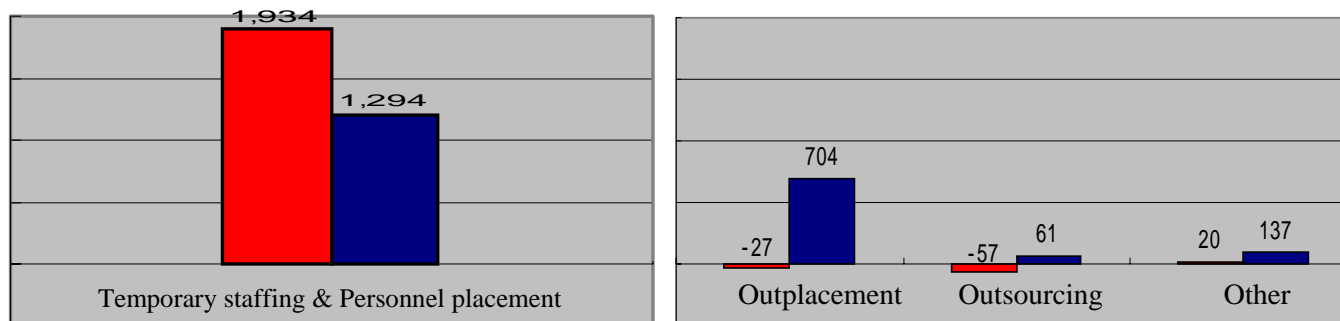


## Operating Income

- Profit decline in the Temporary staffing segment
- Outplacement segment enjoys substantial profit growth

(millions of yen)

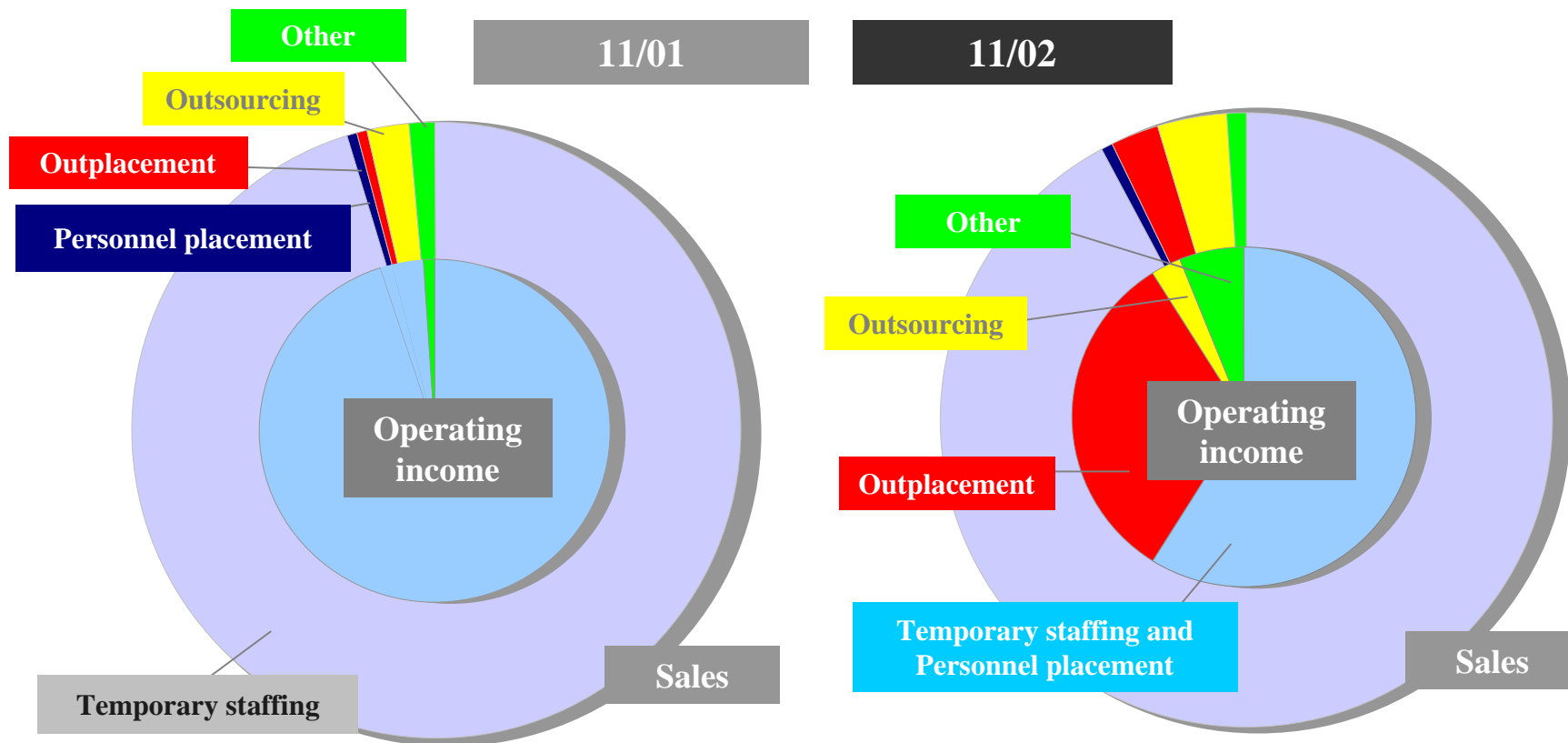
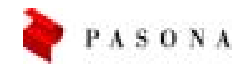
1H 2002 (ended Nov 2001)  
1H 2003 (ended Nov 2002)



	11/01		11/02			
	Sales	Operating income	Sales	YoY	Operating income	YoY
Temporary staffing	63,731	1,934	61,770	3.1%	1,294	33.1%
Personnel placement	256		401	+56.4%		
Outplacement	339	27	1,598	+371.5%	704	-
Outsourcing	1,447	57	2,406	+66.2%	61	-
Other	976	20	798	18.2%	137	+565.9%

# First Half Results ended Nov. 2002

## Sales and Operating Income Composition by Service Segment



(millions of yen)

	11/01				11/02			
	Sales	%	Operating income	%	Sales	%	Operating income	%
Temporary staffing	63,731	95.5%	1,934	103.4%	61,770	92.2%	1,294	58.9%
Personnel placement	256	0.4%			401	0.6%		
Outplacement	339	0.5%	27	-1.4%	1,598	2.4%	704	32.0%
Outsourcing	1,447	2.1%	57	-3.1%	2,406	3.6%	61	2.8%
Other	976	1.5%	20	1.1%	798	1.2%	137	6.3%

# Financial condition and investments

## Balance Sheet (11/02)

\* Figures in parentheses indicate changes from the beginning of this FY

<b>Total Assets</b>  <b>26.7 billion yen</b> <b>(+0.2 billion yen)</b>	<b>Liabilities</b> <b>18.4 billion yen</b> <b>(-0.8 billion yen)</b>
	<b>Minority interests</b> <b>1 billion yen</b> <b>(+0.1 billion)</b>
	<b>Shareholders' equity</b> <b>7.3 billion yen</b> <b>(+1 billion yen)</b>

**Reduction in debt and growth in shareholders' equity**

## Cash Flow

(billions of yen)

	11/01	11/02
Cash flow from operating activities	44	16
Pre-tax income	17	20
Increase/decrease in operating capital	16	12
Increase/decrease in paid corporate taxes and unpaid consumption tax	47	9
Other	2	17
Cash flow from investing activities	6	4
Cash flow from financing activities	4	11

**Branch investment 45 mil. yen**  
**IT-related investment**  
**193 mil. yen**  
**Investment in affiliate-company stock**  
**143 mil. yen**

**Planned repayment of long-term borrowings**

## II. Segment Results and Outlook

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- 1) Temporary staffing services
- 2) Personnel placement services
- 3) Outplacement services
- 4) Outsourcing services
- 5) Other services

\*Pasona Group did not report results by segment during the last fiscal year (ended May 2002). For this fiscal year, however, we are reporting results based on the following four categories, considering the relative markets and service content for each segment. The four categories are as follows: “Temporary staffing service and personnel placement services,” “Outplacement services,” “Outsourcing services,” and “Other services.” This new organization allows us to provide more accurate and useful information regarding the “Outplacement services” segment, reflecting its increasing importance to the company, and that new capital spending on the segment is being carried out.

# 1) Temporary staffing services - Trends in long-term staff, orders, and contract starts

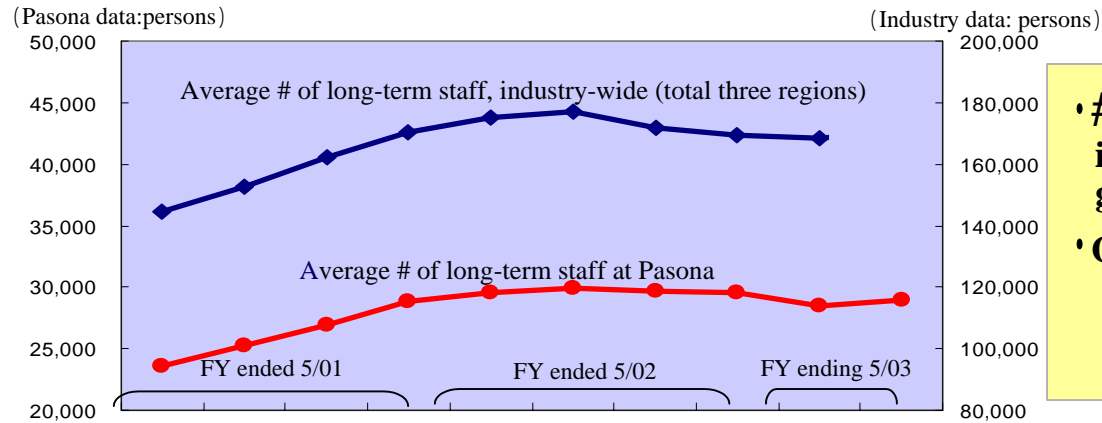
## Long-term staff

# of long-term staff at Pasona

\* Average number of workers with contracts longer than one month (parent-only)

Industry-wide # of long-term staff

\* Data from the Japan Temporary Staffing Association members (major companies with locations in the Tokyo metropolitan area, Nagoya and Osaka regions) for number of long-term staff

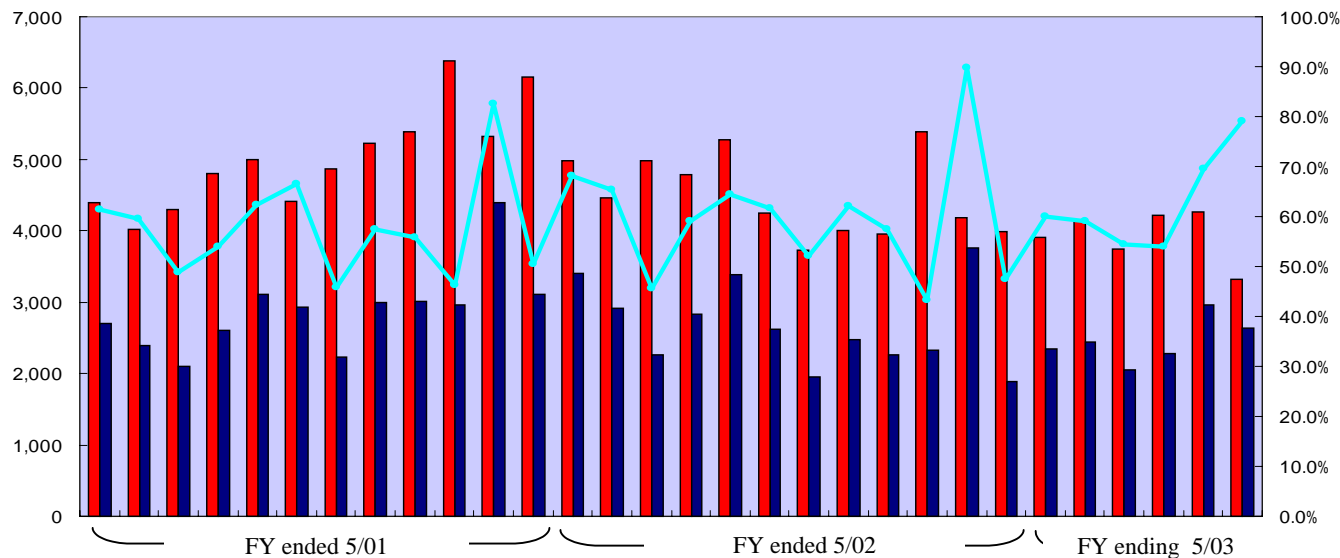


• # of long-term staff in 2Q turned to positive growth compared with 1Q  
• Orders were low, with contract starts on a slight upward trend

	Fiscal year ended May 2001				Fiscal year ended May 2002				Fiscal year ending May 2003			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	2Q	YoY
Pasona	23,598	25,207	26,966	28,819	29,553	29,883	29,697	29,564	28,527	( 3.5%)	28,994	( 3.0%)
Industry-wide	144,408	152,906	162,387	170,308	175,137	176,935	171,604	169,356	168,568	( 3.8%)	-	-

## Long-term orders and contract starts

# of Long-term Orders (A) # of Long-term contract starts (B)  
Start rate ( B ÷ A )



\*Half year average

Monthly # of long-term orders	
11/00	4,489
11/01	4,787 (+ 6.6%)
11/02	3,938 (- 17.7%)

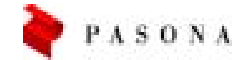
\*Half year average

Monthly # of long-term orders started	
11/00	2,642
11/01	2,903 (+ 9.9%)
11/02	2,453 (- 15.5%)

\*Half year average

Monthly start rate	
11/00	58.9%
11/01	60.6% (+ 1.8%)
11/02	62.3% (+ 1.6%)

# 1) Temporary staffing services - Trends in contracts terminated and contract unit prices

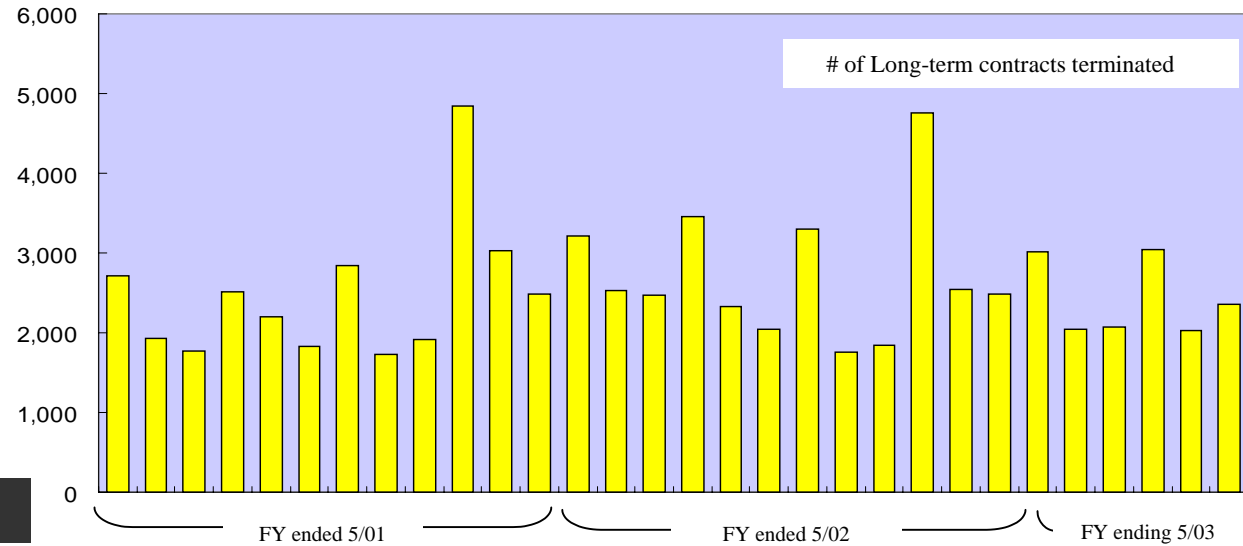


## Contract terminations

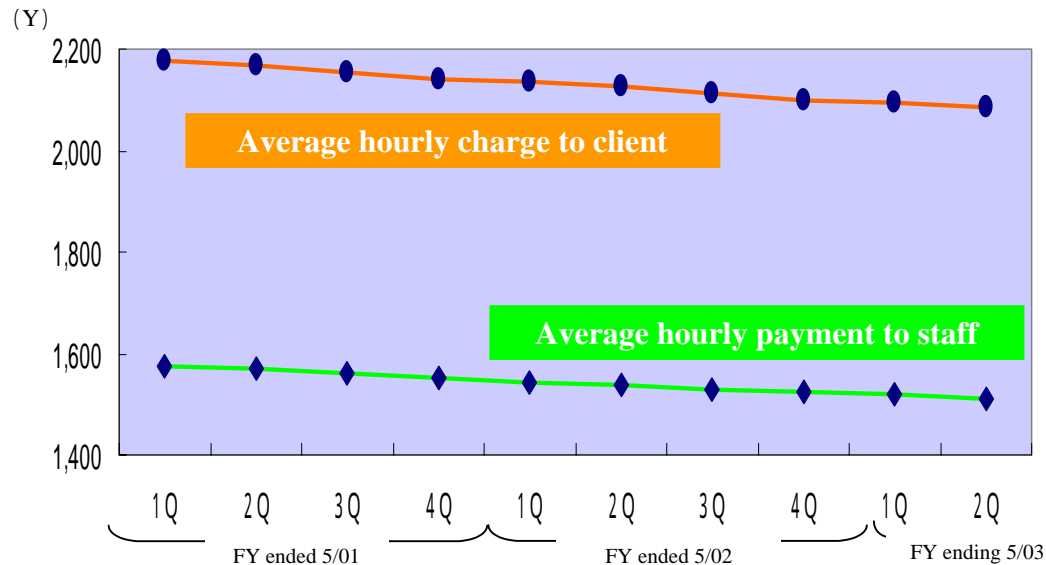
\*Half year average

Monthly # of contract terminations	
11/00	2,159
11/01	2,673 (+ 23.8%)
11/02	2,425 (- 9.3%)

(# of contracts)



## Contract unit prices (parent-only)



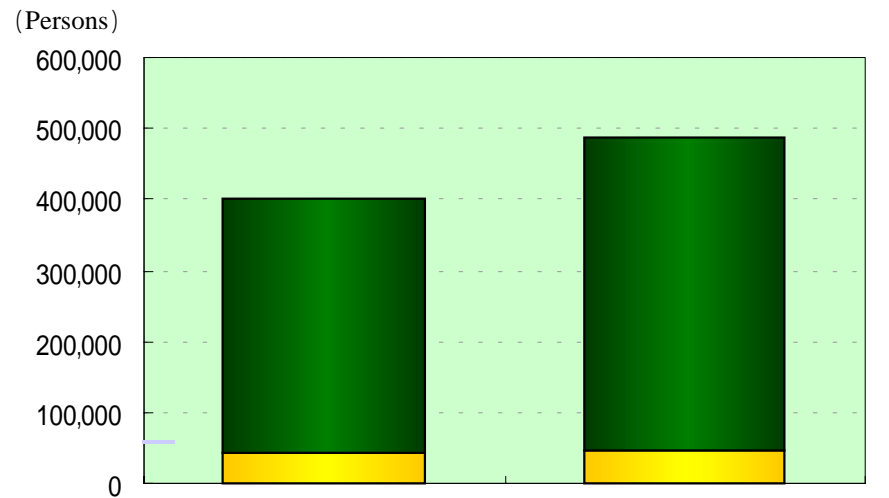
	Requested price		Paid price	
11/00	Y2,172		Y1,517	
11/01	Y2,130	(- 1.9%)	Y1,542	(- 1.9%)
11/02	Y2,090	(- 1.9%)	Y1,515	(- 1.7%)

\*Quarterly average

- Contract termination has decreased
- Slight downward trend continues in contract unit prices

# 1) Temporary staffing services - Staff recruitment and registration efforts

## Registered staff



\*Consolidated

	11/01	11/02	YoY
New registered staff	44,206	47,295	+7.0%
Total registered staff	402,540	440,873	+9.5%

Advertisements for staff recruitment using the Audrey Hepburn image



Strengthening specialized staffing divisions:  
(Staffing for financial, foreign-affiliated firms, and promotion work)

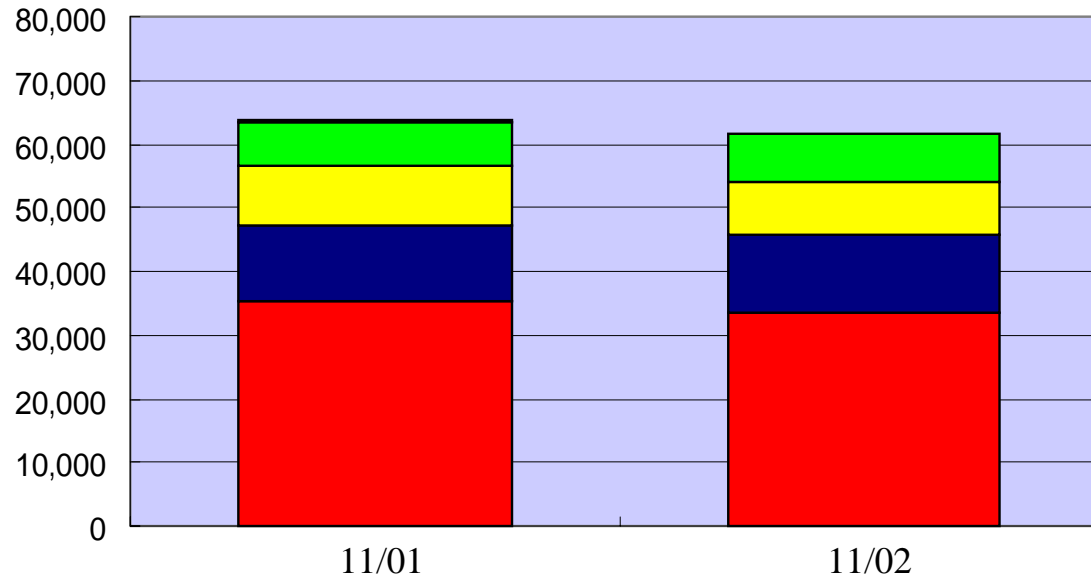
**PASONET**  
あなたの働き方を応援します。

Accelerating growth in number of staff registering over the Internet

# 1) Temporary staffing services - Sales by staffing type

## Sales

(millions of yen)



**Decline in clerical staff  
Increase in technical staff**

**IT/Engineering Staff:  
Temporary slowdown in  
low-end staffing demand**

**Other Staff:  
Continued favorable sales  
growth, mainly in new  
deregulated areas**

	11/01	11/02	YoY	5/02
<b>Clerical</b>	35,491	33,689	5.1%	70,178
<b>Technical</b>	11,592	12,068	+4.1%	23,427
<b>IT/Engineering</b>	9,448	8,169	13.5%	18,947
<b>Other</b>	7,136	7,787	+9.1%	15,069

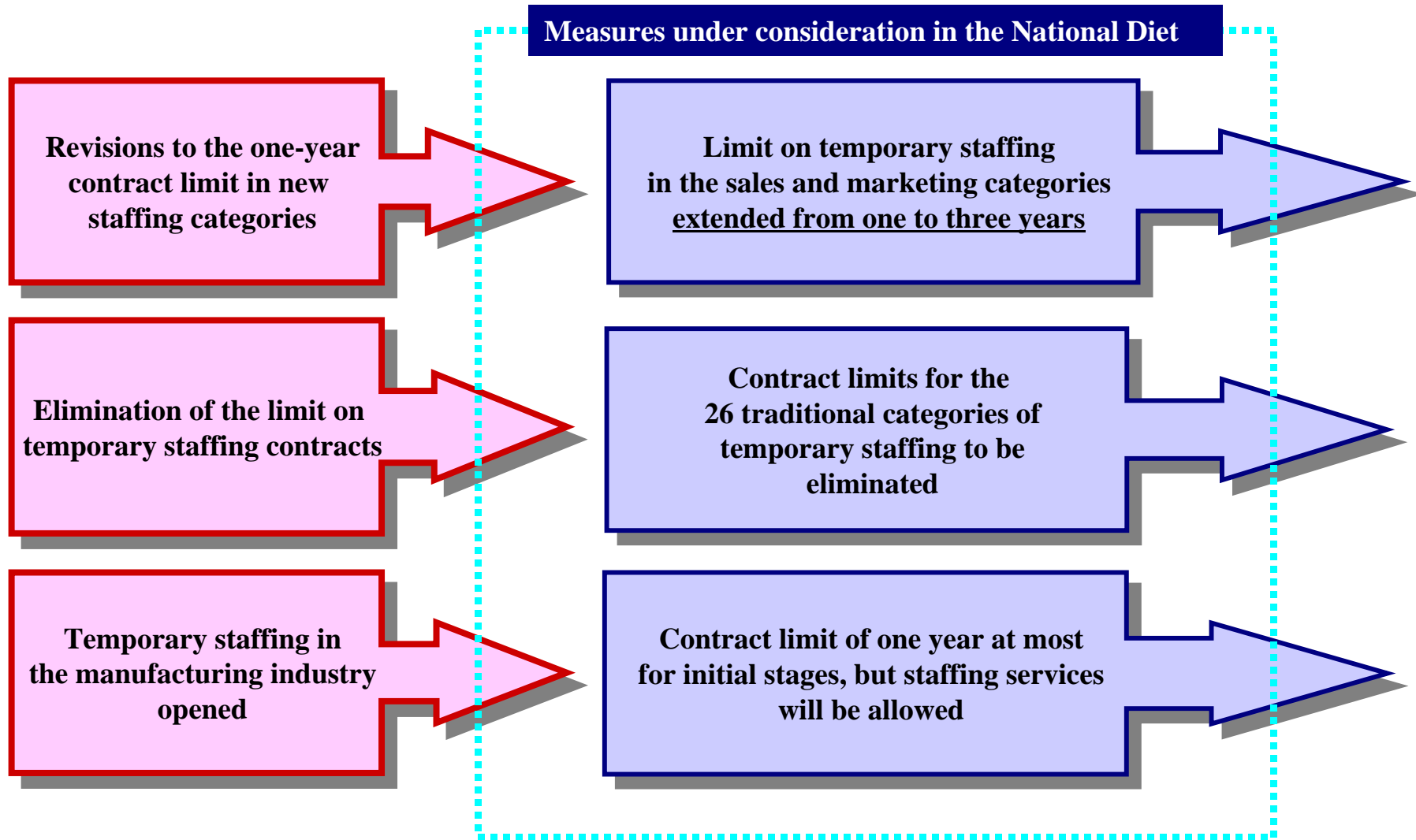
Clerical (Standard office work) staffing features various temporary jobs for standard office work, covering all fields of office staffing necessary for any industry.

Technical (Specialized office work) includes positions in accounting, English document operation, financial planning, insurance and securities work, and translation and interpretation. This work requires a comparatively high level of skill or certifications.

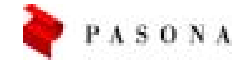
IT/Engineering includes temp positions for network engineers, programmers, manufacturing and design engineers, PC experts, and other work in IT-related fields.

Other includes fields that were made possible by the revised 1999 Temporary Workers' Law. These positions include sales, marketing, as well as part-time employment opportunities in the manual labor and routine labor fields.

## Outlook for Revisions over the Temporary Workers' Law



# Progress Report on Important Measures

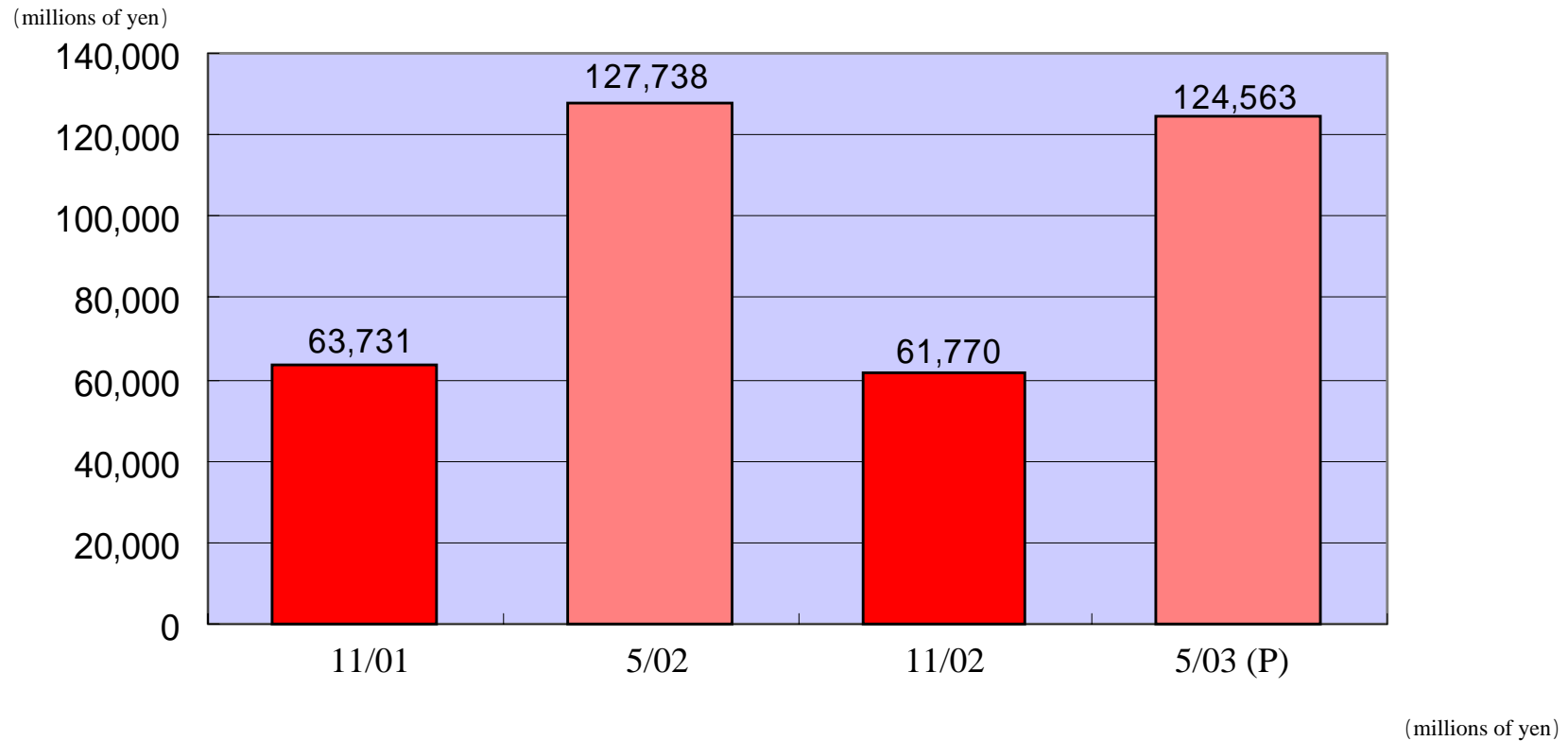


Policy	Progress in 1H ended 11/02
Allocate “Solution Planning” staff around the country	24 Solution Planners placed in the Tokyo, Osaka, and Nagoya area, working towards diversifying the temporary staffing business
Completion and installation of the web-based temporary staffing management system, “e-Staffing”	“e-Staffing Inc.” has established
Start “mini-branch” trial aimed at advancing in the retail market	Branch opened in Kawagoe, suburb of Tokyo Retail-market teams organized in the Yokohama and Ginza branches
Strengthening training of IT engineer temp staff	IBM database engineering course SAN storage engineer course Implementing O’Reilly training
Move into new staffing areas (Manufacturing, pharmaceutical related)	Establishment of “Industrial Outsourcing Inc.” Tie-up with Quintiles (Clinical Research Team)

# Temporary Staffing services – Business Outlook



## Sales

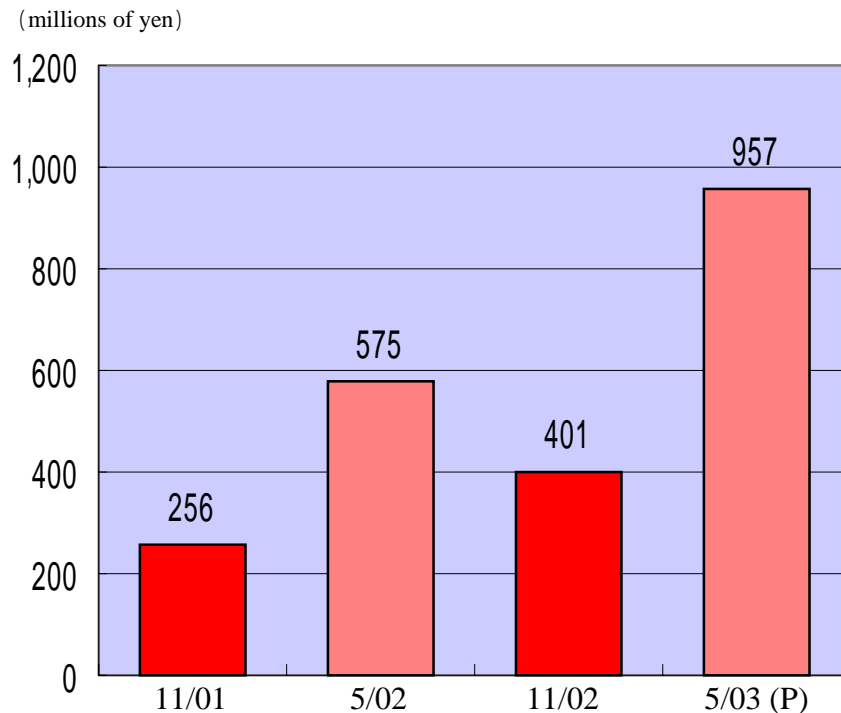


	11/01	5/02	11/02	YoY	5/03(P)	YoY
Sales	63,731	127,738	61,770	3.1%	124,563	2.5%

\*P=Company Projections

## 2) Personnel placement Services

### Sales



(millions of yen)

	11/01	5/02	11/02	YoY	5/03(P)	YoY
<b>Sales</b>	256	575	401	+56.4%	957	+66.3%

\*P=Company Projections

### Progress on important measures

#### Strengthen collaboration with the temporary staffing sales network

*Temp-to-perm (TTP) marketing efforts developed at all national branches*

#### Increase the number of career consultants

*40 career consultants so far  
20 more staff increase is planned by May 2003*

#### Put web registration site into full use

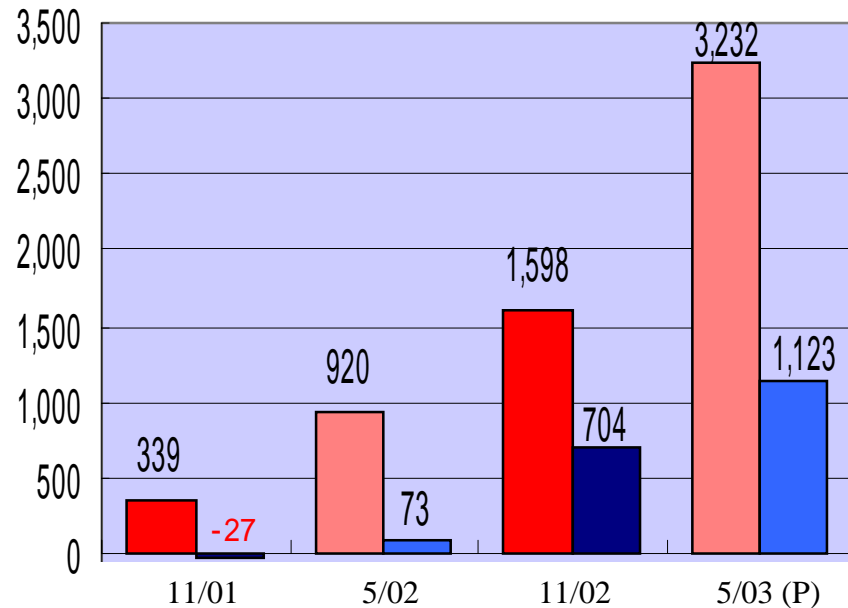
*Number of new staff registered: 7,000 persons*

		11/01	11/02	YoY
TTP sales	mil.yen	116	178	+53.4%
# of Consultants	persons	24	40	+66.7%
# of registered staff (accumulated)	persons	12,000	19,000	+58.3%

### 3) Outplacement Services

#### Sales and operating income

(millions of yen)



(millions of yen)

	11/01	5/02	11/02	YoY	5/03(P)	YoY
Sales	339	920	1,598	+371.5%	3,232	+251.2%
Operating income	27	73	704	-	1,123	+1422.3%

\*P=Company Projections

#### Progress on important measures

**Complete a nationwide network of branches**

Expansion to 70 branches, progress made in regional market

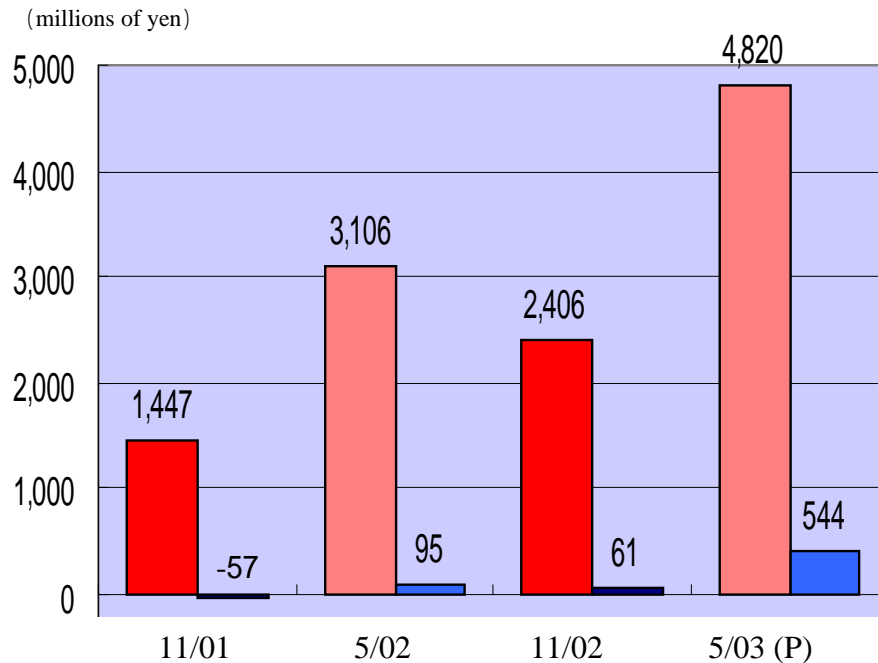
**Improve rate of placement through nationwide job network**

Maintained placement rate thanks to increased searching effort for job offers

	11/01	11/02	YoY
# of branches	38	70	+84.2%
New orders	(mil.yen) 319	1,686	+428.5%

## 4) Outsourcing Services – (Benefits Administration Service)

### Sales and operating income



(millions of yen)

	11/01	5/02	11/02	YoY	5/03(P)	YoY
Sales	1,447	3,106	2,406	+66.2%	4,820	+55.2%
Operating income	57	95	61	-	544	+472.5%

\*P=Company Projections

### Progress on important measures

#### Branch Network Expanded

Opened 6 branches: Sendai, Chiba, Shikoku, and other location  
End 1H No. of branches: 13

#### Strengthen marketing efforts in the retail market, target local and municipal governments

Specialized marketing team organized, marketing efforts expanded to universities and other institutions

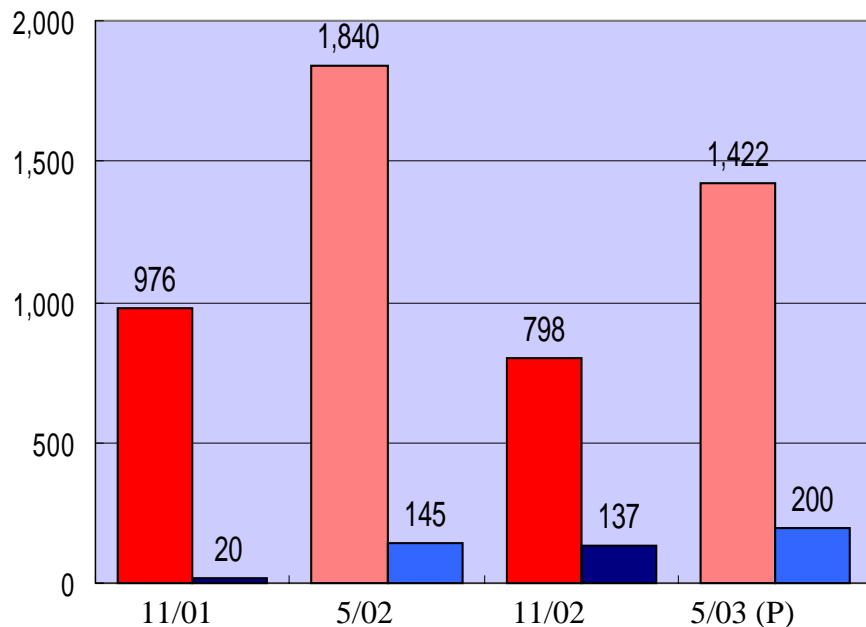
#### Promote total compensation services

Expand offering of comprehensive outsourcing services in labor force management, including payroll, “cafeteria plan” benefits management, etc.

# 4) Others Services

## Sales and operating income

(millions of yen)



	11/01	5/02	11/02	YoY	5/03(P)	YoY
Sales	976	1,840	798	18.2%	1,422	22.7%
Operating income	20	145	137	+565.9%	200	+37.9%

\*P=Company Projections

## Progress on important measures

### Computer education services

#### Develop value-added services for seniors

*Position PC school franchisees as part of the regional community  
Sell original PC products aimed at senior citizens*

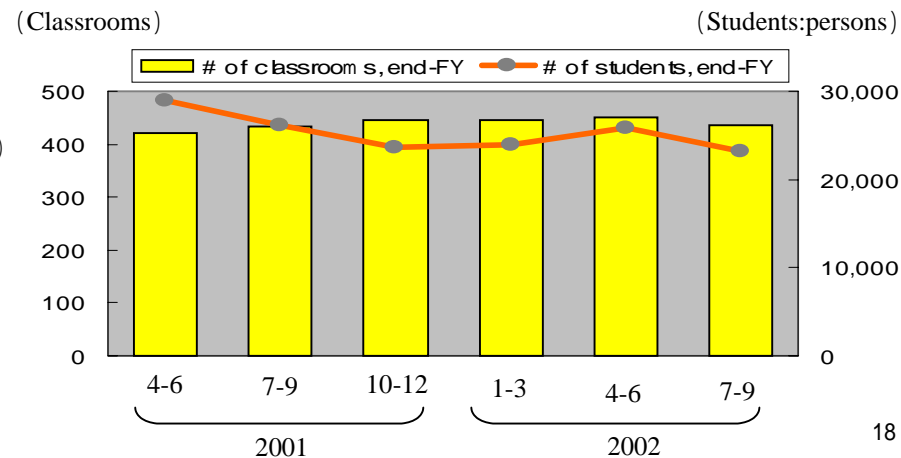
#### Expansion in the education business

*Provide PC education classes in place of local governments and companies*

### Other

#### Withdrawal from home health-aid temporary staffing service

### Number of students and schools in the nation-wide Home Computing Network



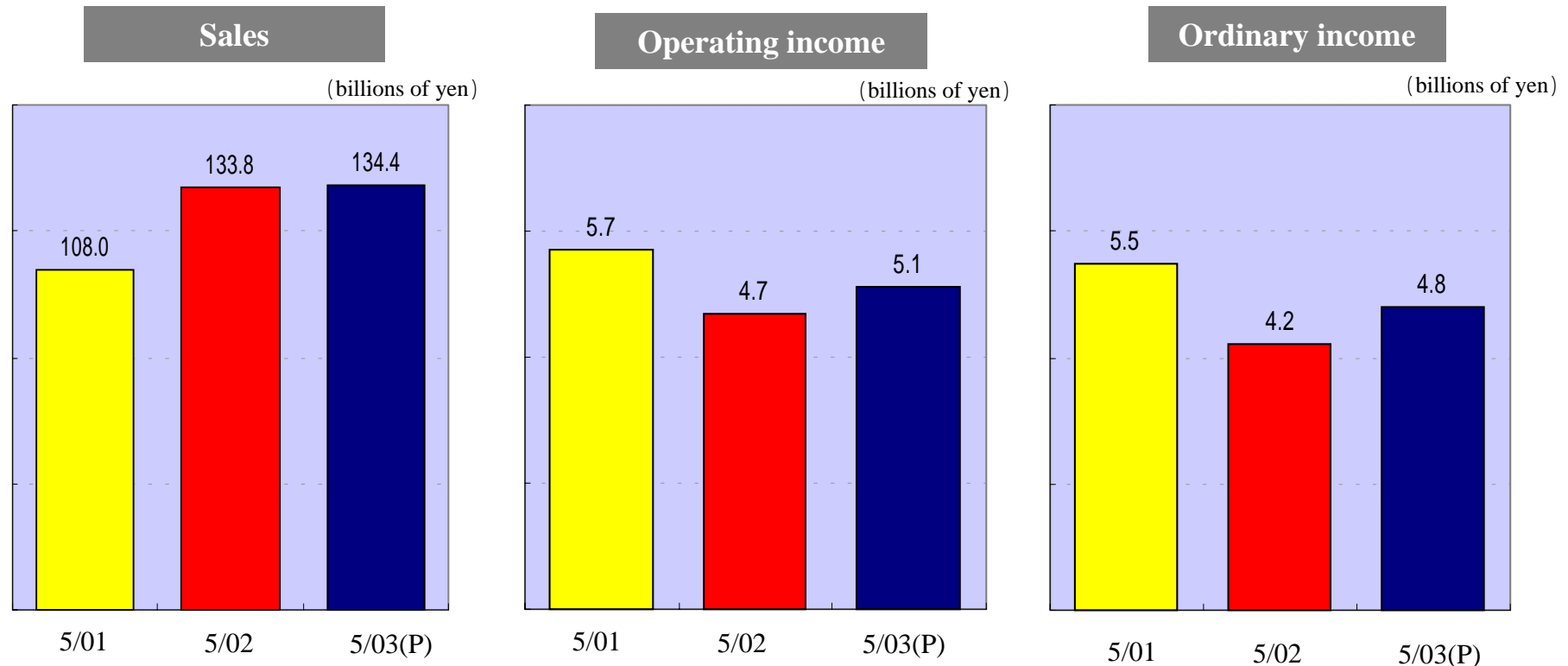
## **III. Consolidated Earnings Outlook**

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# Consolidated Earnings Outlook



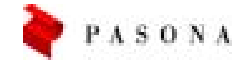
- Sales growth is likely to be flat year on year.
- Ordinary profit is forecast to grow 14.2% year on year, thanks to favorable performance in the outplacement and outsourcing service segments.



	5/01	5/02	YoY	5/03(P)	YoY	FY-start Projections	vs. Projections	(billions of yen)
Sales	108.0	133.8	+23.9%	134.4	+0.5%	143.9	6.6%	
Gross profit	22.4	24.3	+8.5%	26.2	+7.8%	26.4	1.0%	
SG&A	16.7	19.5	+17.1%	21.1	+8.1%	21.4	1.5%	
Operating income	5.7	4.7	16.7%	5.1	+6.6%	5.0	+1.4%	
Ordinary income	5.5	4.2	22.7%	4.8	+14.2%	4.8	+0.0%	
Net income	6.8	1.9	-	2.2	+13.1%	2.3	4.2%	

\*P=Company Projections

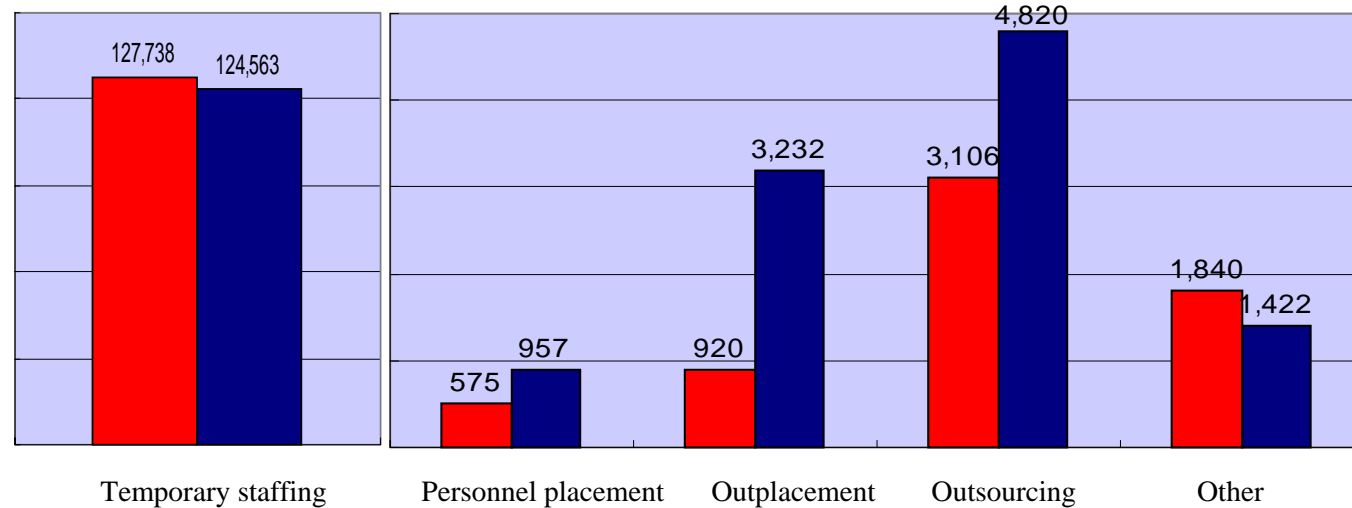
# Consolidated Earnings Outlook by Segment



## Sales

(millions of yen)

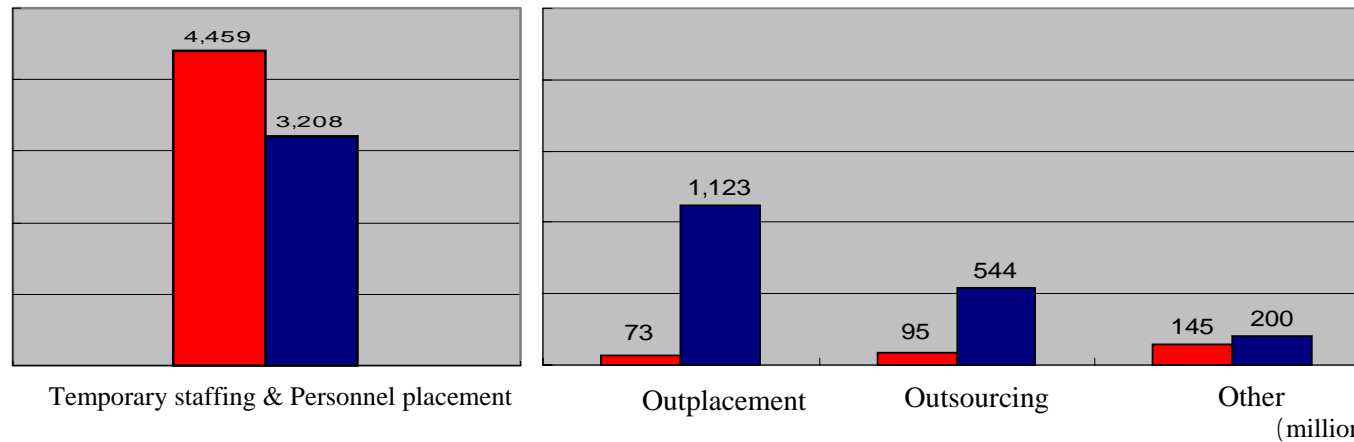
FY 2002 (ended May 2002)  
FY 2003 (ended May 2003)



## Operating Income

(millions of yen)

FY 2002 (ended May 2002)  
FY 2003 (ended May 2003)



	FY ended 5/02		FY ending 5/03 (Forecasts)			
	Sales	Operating income	Sales	YoY	Operating income	YoY
Temporary staffing	127,738	4,459	124,563	2.5%	3,208	28.0%
Personnel placement	575		957	+66.3%		
Outplacement	920	73	3,232	+251.2%	1,123	+1422.2%
Outsourcing	3,106	95	4,820	+55.2%	544	+472.5%
Other	1,840	145	1,422	22.7%	200	+37.9%

## **IV. Enhancing Corporate Value**

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## Temporary Staffing Service Area

- Establish a stable base for a sustainable growth
- Benefit from economies of scale by expanding market share in traditional service categories
- Emphasis on our compliance policy

## Business Portfolio

- Establish a diversified earnings structure, resistant to economic cycles
- Secure a top share in the temporary staffing business, and in all areas
- Move forward with M&A efforts

## Enhancing Corporate Value

- Be conscious of growth in market capitalization
- Target operating margin greater than 4%

# V. Reference

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# Changes in Roster of Subsidiaries and Affiliates

Status as of End-May 2002
Pasona Okayama Inc.
NS Personnel Service Co.,Ltd.
Pasona Tech, Inc.
Pasona career assets Inc.
Benefit One Inc.
Home Computing Network Inc.
Osaka Home Computing Network Inc.
Pasona Foster Inc.
Pasona Caregiver Inc. (*1)
Pasona Nagasaki Inc.
Pasona Niigata Inc.
Pasona Nakakyusyu Inc.
Pasona Kyoto Inc.
Financial Human Planet, Inc.
Atento Pasona, Inc.
Pasona ADP Payroll, Inc.
Jinzai Haken Hokuriku, Inc. (*2)



Status as of End-November 2002	
Pasona Okayama Inc.	Temporary staffing/placement
NS Personnel Service Co.,Ltd.	Temporary staffing/placement
Pasona Tech, Inc.	Temporary staffing/placement
Pasona career assets Inc.	Outplacement
Benefit One Inc.	Outsourcing
Home Computing Network Inc.*	Other
Osaka Home Computing Network Inc.*	Other
Pasona Foster Inc.	Other
Pasona Empower Inc. (*3)	Temporary staffing/placement
Pasona Nagasaki Inc.	Temporary staffing/placement
Pasona Niigata Inc.	Temporary staffing/placement
Pasona Nakakyusyu Inc.	Temporary staffing/placement
Pasona Kyoto Inc.	Temporary staffing/placement
Financial Human Planet, Inc.	Temporary staffing/placement
Atento Pasona, Inc.	Outsourcing
Pasona ADP Payroll, Inc.	Outsourcing
Industrial Outsourcing Inc. (*4)	Temporary staffing/placement
e-Staffing Co.,Ltd. (*5)	Other
<hr style="border-top: 1px dashed black;"/>	
Kansai Employment Creation Organization Inc. (*6)	Other

\*1 On October 15, 2002, Pasona Caregiver Inc. ceased to be a subsidiary of Pasona following the sale of all shares held in that company.

\*2 On July 30, 2002, Jinzai Haken Hokuriku, Inc. ceased to be an affiliate of Pasona following the sale of all shares held in that company.

\*3 On September 1, 2002, Osaka Toshiba Management Center Co.,Ltd. became a subsidiary following the assumption of new shares, and the business name changed to Pasona Empower Inc.

\*4 On July 31, 2002, Industrial Outsourcing Inc. was established as a joint investment with Ikai Co.,Ltd. and became an equity method affiliate.

\*5 On October 1, 2002, e-Staffing Co.,Ltd. became an equity method affiliate following a joint investment with Tempstaff Co.,Ltd. and Recruit Staffing Co.,Ltd. that gave Pasona an interest in the e-Staffing Co.,Ltd. subsidiary.

\*6 On December 5, 2002, Kansai Employment Creation Organization Inc. was established as a joint investment with some high-profile companies around Osaka region, and became an equity method affiliate.

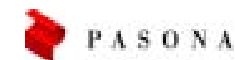
**\*Osaka Home Computing Network is planned to be merged with Home Computing Network on April 1, 2003.**

Total consolidated subsidiaries: **9**  
Total equity-method affiliates: **10**

**Overall Total: 19**

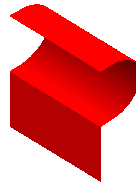
\*As of 22 January 2003

# Corporate Outline



<b>Company Name</b>	<b>Pasona Inc.</b>			
<b>Establishment</b>	<b>Establishment : September 1989    Founded : February 1976</b>			
<b>Capital Stock</b>	<b>6.0629 billion yen</b>			
<b>Directors and Corporate auditors</b>	<b>Group CEO</b>	<b>Yasuyuki Nambu</b>	<b>Standing Auditor</b>	<b>Haruo Takihana</b>
	<b>Chairman and CEO</b>	<b>Hayao Nakayama</b>	<b>Standing Auditor</b>	<b>Katsuhiko Aoki</b>
	<b>President and COO</b>	<b>Muneaki Ueda</b>	<b>Auditor</b>	<b>Mitsuharu Sekiguchi</b>
	<b>Senior Managing Director and CFO</b>	<b>Ken Watanabe</b>	<b>Auditor</b>	<b>Yoshiharu Hayakawa</b>
	<b>Corporate Executive Officers</b>			<b>13</b>
<b>Employees</b>	<b>Consolidated 1,501</b>	<b>Non-consolidated 1,181</b>	<b>*including contract employees</b>	
<b>Business Field</b>	<b>Temporary Staffing, Personnel placement, Outplacement, Outsourcing, Other</b>			
<b>Group Companies</b>	<b>9 Subsidiaries and 10 Affiliates</b> *As of Jan.22,2003			
<b>Common Stock</b>	<b>Authorized : 500,000    Issued : 136,610</b>			
<b>Number of Shareholders</b>	<b>1,576</b>			
<b>Major Shareholders</b>	<b>Yasuyuki Nambu (36.89%), Nikko Cordial Corporation (17.26%), Nambu Finance Inc. (7.32%), Eizaburo Nambu (3.66%), Pasona Employees' Shareholders' Association (2.87%), Hayao Nakayama (2.24%)</b>			

\*As of Nov.30,2002



P A S O N A

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Disclaimer: This data has been compiled for the express purpose of disclosing our financial situation for 1H ended Nov.2002, not to persuade investors to purchase our stock. Furthermore, this has been prepared using recent data from year ended Nov.30,2002. When data based on published opinions, predictions etc. is used, it is at our discretion and we cannot guarantee the accuracy or completeness of this information. Finally, this data may change without notice.