

Results for the Fiscal Year Ended May 31, 2017

FY2016 (June 1, 2016 - May 31, 2017)

Pasona Group Inc.

First Section TSE (2168)

July 21, 2017

www.pasonagroup.co.jp/english/

Notice Concerning Difference between Financial Forecast and Actual Result for FY2016

- Due to solid demand for human resources, **net sales** mostly performed in line with forecast, while **operating income** and **ordinary income** exceeded forecast.
- Outsourcing business performed robustly, and profit attributable to non-controlling interests rose. Pasona Group Inc. posted a net loss, however, as it saw impairment losses on subsidiaries' non-current assets and an increase in tax burden resulting from certain subsidiaries' below-expected improvement of deficit reduction.

| FY2016 (Millions of yen) | Initial Forecast | Result | VS Initial Forecast | Difference (%) |
|--|-----------------------------|---------------|--------------------------------|---------------------------|
| Net Sales | 283,000 | 280,395 | (2,604) | (0.9)% |
| Gross Profit | 58,100 | 56,617 | (1,482) | (2.6)% |
| SG&A Expenses | 53,800 | 52,128 | (1,671) | (3.1)% |
| Operating Income | 4,300 | 4,488 | 188 | 4.4% |
| Ordinary Income | 4,200 | 4,319 | 119 | 2.8% |
| Profit Attributable to Owners of Parent | 500 | (129) | (629) | - |

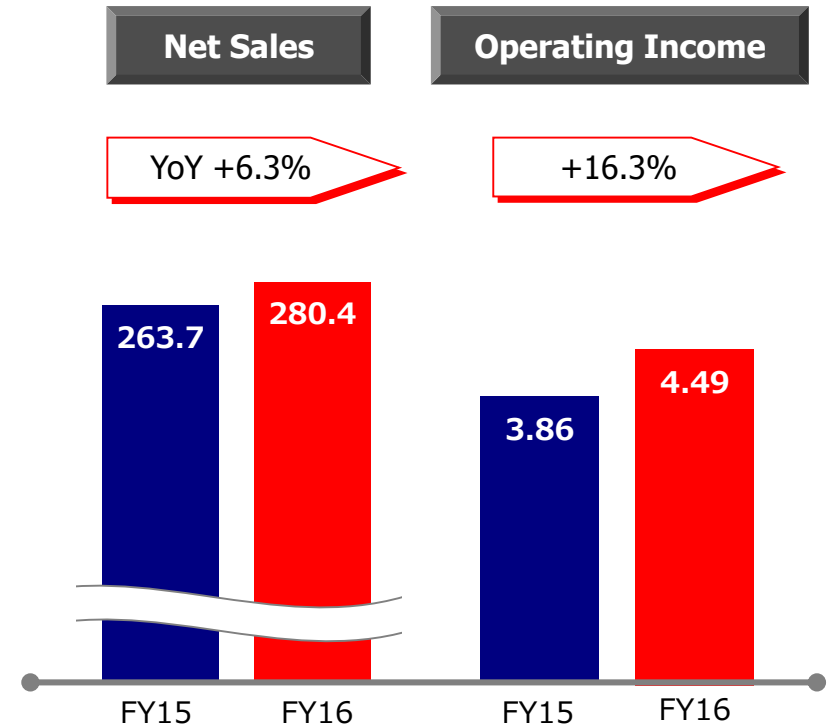
FY2016 Results



Consolidated Results

(Billions of yen)

| (Millions of yen) | FY15 | (%) | FY16 | (%) | VS FY15 Increase/Decrease |
|-------------------|---------|-------|---------|-------|------------------------------|
| Net sales | 263,728 | 100.0 | 280,395 | 100.0 | 16,667 +6.3% |
| Cost of sales | 210,919 | 80.0 | 223,778 | 79.8 | 12,858 +6.1% |
| Gross profit | 52,808 | 20.0 | 56,617 | 20.2 | 3,808 +7.2% |
| SG&A expenses | 48,948 | 18.6 | 52,128 | 18.6 | 3,180 +6.5% |
| Operating income | 3,860 | 1.5 | 4,488 | 1.6 | 628 +16.3% |



Major Items of Increase/Decrease

• Net Sales

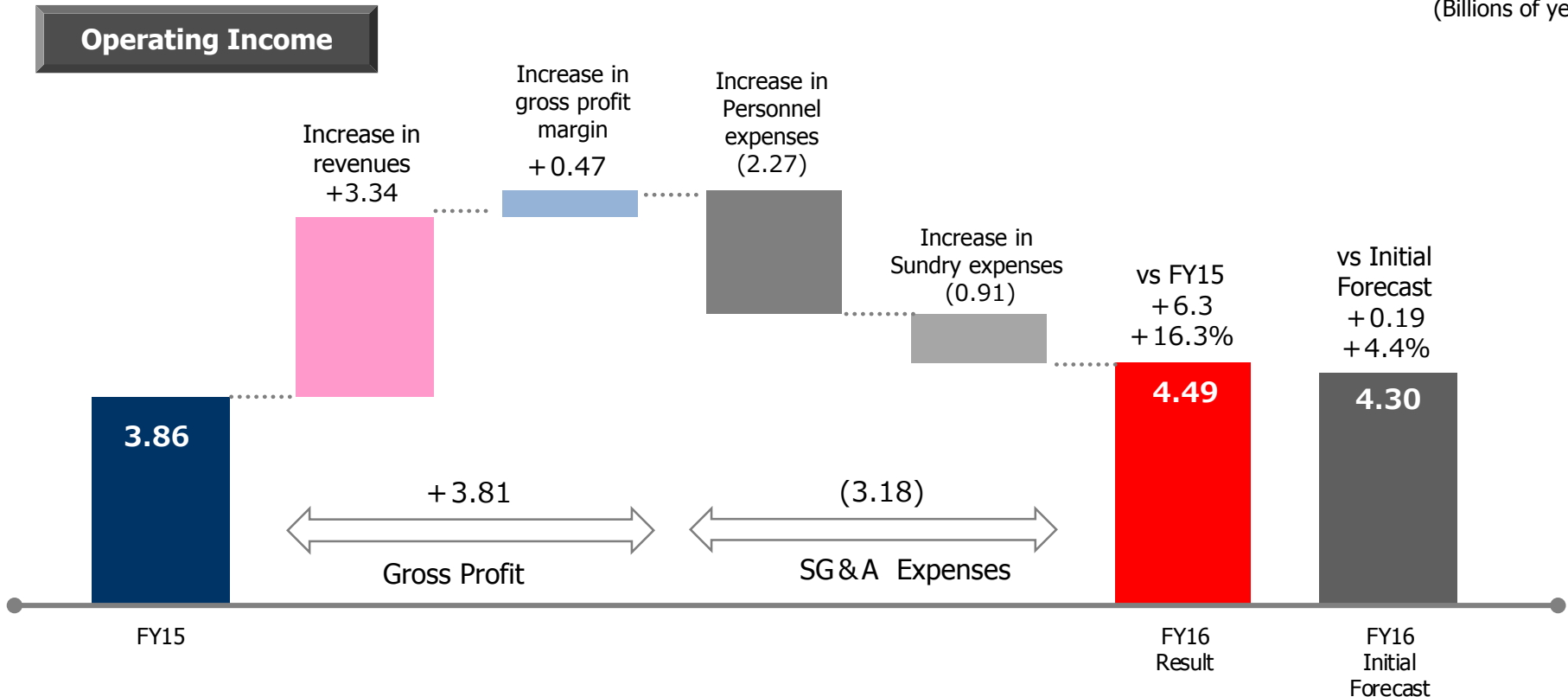
- Net Sales increased in most segments, especially Expert Services and Business Process Outsourcing (BPO) business; excluding M&A, net sales still saw an organic growth. Net sales have risen for six consecutive fiscal years.

• Operating Income

- Despite a sharp increase in retirement benefit costs, operating income rose by double digits. It marked the fifth straight fiscal year for operating income gains.

Analysis of Changes in Operating Income

(Billions of yen)



| | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | YoY |
|---------------------|-------|-------|-------|-------|-------|-------|-------|--------|
| Gross Profit margin | 18.8% | 18.6% | 19.3% | 19.3% | 20.3% | 20.0% | 20.2% | +0.2pt |
| SG&A/Sales ratio | 17.4% | 17.5% | 17.8% | 17.7% | 18.7% | 18.6% | 18.6% | +0.0pt |

Major Items of Increase/Decrease

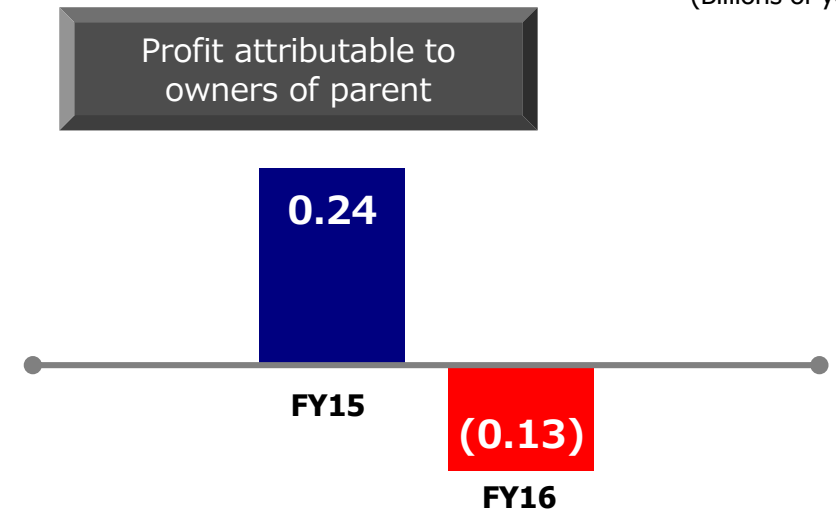
- **Gross profits** expanded thanks to growth in net sales. Gross profit margin went up by 0.2%.
- **SG&A expenses** increased due to personnel expenses which included a ¥1.06 billion increase in retirement benefit costs.

Consolidated Results

(Non-operating/Extraordinary income (loss))

(Billions of yen)

| (Millions of yen) | FY15 | FY16 | Increase/ Decrease | YoY |
|--|-------|-------|-----------------------|---------|
| Operating income | 3,860 | 4,488 | 628 | 16.3% |
| Non-operating income | 407 | 339 | (68) | (16.7)% |
| Non-operating expenses | 412 | 508 | 96 | 23.3% |
| Ordinary income | 3,855 | 4,319 | 464 | 12.0% |
| Extraordinary income | 164 | 36 | (128) | (77.7)% |
| Extraordinary loss | 158 | 265 | 107 | 67.9% |
| Income before income taxes | 3,861 | 4,090 | 228 | 5.9% |
| Income taxes - current | 2,437 | 2,883 | 446 | 18.3% |
| Income taxes - deferred | (45) | (396) | (351) | - |
| Income taxes | 2,391 | 2,487 | 95 | 4.0% |
| Profit attributable to non-controlling interests | 1,226 | 1,732 | 506 | 41.3% |
| Profit attributable to owners of parent | 243 | △ 129 | (373) | - |



Major Items of Increase/Decrease

- **Non-operating income**
 - Subsidy income ¥74 million (YoY -¥72 million)
- **Non-operating expenses**
 - Share of loss of entities accounted for using equity method ¥74 million (+¥25 million)
 - Provision of allowance for doubtful accounts ¥72 million (+¥65 million)
- **Extraordinary income**
 - Gain on sales of investment securities ¥17 million (-¥112 million)
- **Extraordinary loss**
 - Loss on sales of non-current assets ¥113 million (+¥41 million)
 - Impairment loss ¥140 million (+¥102 million)

Consolidated Results by Segment

(Millions of yen)

| Segment | | Net sales | | | | Operating income | | | | Operating income margin | | |
|--------------|---|-----------|---------|-----------------------|--------|------------------|---------|-----------------------|---------|-------------------------|-------|-----------------------|
| | | FY15 | FY16 | Increase/ Decrease | YoY | FY15 | FY16 | Increase/ Decrease | YoY | FY15 | FY16 | Increase/ Decrease |
| ① | Expert Services (Temporary Staffing) | 132,588 | 142,662 | 10,073 | 7.6% | 1,959 | 2,297 | 337 | 17.3% | 0.9% | 1.0% | 0.1pt |
| ② | Insourcing (Contracting) | 73,417 | 77,100 | 3,683 | 5.0% | | | | | | | |
| ③ | HR Consulting, Education, Training, etc. | 6,044 | 6,133 | 88 | 1.5% | | | | | | | |
| ④ | Global Sourcing (Overseas) | 6,180 | 6,388 | 208 | 3.4% | | | | | | | |
| Subtotal | | 218,231 | 232,285 | 14,053 | 6.4% | | | | | | | |
| ⑤ | Career Solutions (Placement/ Recruiting, Outplacement) | 16,265 | 15,008 | (1,256) | (7.7)% | 2,904 | 1,992 | (912) | (31.4)% | 17.9% | 13.3% | (4.6)pt |
| ⑥ | Outsourcing | 26,229 | 29,893 | 3,663 | 14.0% | 4,276 | 5,782 | 1,505 | 35.2% | 16.3% | 19.3% | 3.0pt |
| ⑦ | Life Solutions Public Solutions | 5,618 | 6,327 | 708 | 12.6% | (477) | (213) | 264 | - | - | - | - |
| ⑧ | Elimination/Corporate | (2,617) | (3,119) | (502) | - | (4,802) | (5,370) | (567) | - | - | - | - |
| Consolidated | | 263,728 | 280,395 | 16,667 | 6.3% | 3,860 | 4,488 | 628 | 16.3% | 1.5% | 1.6% | 0.1pt |

Balance sheet

(Billions of yen)

| Major Items of Increase/Decrease | May 31,2016 | May 31,2017 | Increase/ Decrease |
|---------------------------------------|-------------|-------------|-----------------------|
| Assets | 85.4 | 94.6 | 9.2 |
| Current assets | 56.2 | 64.6 | 8.4 |
| Cash and deposits | 16.8 | 21.8 | 5.0 |
| Notes and accounts receivable – trade | 32.0 | 34.2 | 2.2 |
| Other | 7.4 | 8.7 | 1.2 |
| Non-current assets | 29.2 | 30.0 | 0.8 |
| Property, plant and equipment | 8.7 | 9.3 | 0.5 |
| Intangible assets | 9.9 | 9.1 | (0.8) |
| Investments and other assets | 10.6 | 11.6 | 1.0 |
| Liabilities | 58.6 | 66.5 | 7.9 |
| Current liabilities | 45.2 | 49.8 | 4.6 |
| Accounts payable | 5.0 | 5.9 | 0.9 |
| Short-term loans payable | 4.9 | 5.4 | 0.5 |
| Accrued expenses | 5.4 | 7.1 | 1.7 |
| Accrued consumption taxes | 13.0 | 14.1 | 1.1 |
| Other | 16.9 | 17.3 | 0.4 |
| Non-current liabilities | 13.4 | 16.7 | 3.3 |
| Long-term loans payable | 8.8 | 12.0 | 3.2 |
| Other | 4.6 | 4.7 | 0.1 |
| Net assets | 26.7 | 28.1 | 1.3 |
| Shareholders' equity | 19.2 | 18.6 | (0.6) |
| Valuation and translation adjustments | (0.2) | 0.5 | 0.7 |
| Non-controlling interests | 7.8 | 9.0 | 1.2 |

Major Items of Increase/Decrease

[Cash and deposits]

| | |
|---------------------|--------------|
| Cash and deposits | ¥5.0 billion |
| (Loans payable) | ¥3.7 billion |
| Accounts Receivable | ¥2.2 billion |

[Investments and other assets]

| | |
|-----------------------------------|--------------|
| Increase in investment securities | ¥0.7 billion |
|-----------------------------------|--------------|

[Liabilities]

| | |
|--|--------------|
| Increase in short-term and long-term loans payable | ¥3.7 billion |
| Increase in accrued expenses | ¥1.7 billion |
| Increase in accrued consumption taxes | ¥1.1 billion |

[Retained earnings]

| | |
|---------------------------------------|----------------|
| Loss attributable to owners of parent | ¥(0.1) billion |
| Cash dividends payment | ¥(0.4) billion |

[Valuation and translation adjustments]

| | |
|---|--------------|
| Increase in remeasurements of defined benefit plans | ¥0.5 billion |
|---|--------------|

[Non-controlling interests]

| | |
|--|----------------|
| Benefit one earnings available to non-controlling shareholders | ¥1.7 billion |
| Benefit one cash dividends payment | ¥(0.6) billion |

Cash Flow Statement

(Billions of yen)

Major Items of Increase/Decrease

| Major Items of Increase/Decrease | FY15 | FY16 | Increase/ Decrease |
|--|-------|-------|-----------------------|
| Cash flow from operating activities | 0.5 | 6.5 | 6.0 |
| Income before income taxes | 3.9 | 4.1 | 0.2 |
| Depreciation and amortization | 3.3 | 3.3 | 0.0 |
| Impairment loss | 0.0 | 0.1 | 0.1 |
| Amortization of goodwill | 1.0 | 1.0 | (0.0) |
| Retirement benefit expenses | (0.5) | 0.7 | 1.2 |
| Decrease/increase in notes and accounts receivable—trade (numbers in parentheses represent increases) | (2.0) | (2.2) | (0.2) |
| Increase/decrease in operating debt (numbers in parentheses represent decreases) | 0.0 | 1.6 | 1.6 |
| Increase/decrease in accrued consumption taxes (numbers in parentheses represent decreases) | (3.0) | 0.2 | 3.2 |
| Income tax paid | (2.4) | (2.7) | (0.3) |
| Cash flow from investing activities | (2.2) | (3.7) | (1.5) |
| Decrease/increase in time deposits (numbers in parentheses represent increases) | 0.7 | (0.4) | (1.0) |
| Purchase of property, plant and equipment | (1.2) | (1.3) | (0.1) |
| Proceeds from sales of property, plant and equipment | 0.9 | 0.0 | (0.9) |
| Purchase of intangible fixed assets | (1.4) | (1.4) | (0.0) |
| Proceeds from sales of intangible fixed assets | | | |
| Purchase of investment securities | (0.6) | (0.4) | 0.2 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (0.7) | (0.1) | 0.6 |
| Cash flow from financing activities | (2.0) | 1.9 | 3.9 |
| Long and short-term loans payable | 2.1 | 3.7 | 1.6 |
| Purchase of treasury shares of subsidiaries | (1.5) | (0.0) | 1.5 |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (1.1) | (0.0) | 1.0 |
| Cash and cash equivalents at the end of the period | 20.3 | 16.4 | (3.9) |
| Cash and cash equivalents at the end of the period | 16.4 | 21.1 | 4.6 |
| Free cash flow | (1.7) | 2.8 | 4.4 |

【 Profit before amortization 】
¥8.5 billion (YoY +¥0.3 billion)

【 Retirement benefits 】
Increase in retirement benefits (YoY+¥1.2 billion)

【 Accrued consumption taxes 】
【FY15】 Payments of consumption
tax hike ¥(3.0) billion

【 Increase in time deposits 】
Increase in time deposits of subsidiaries ¥1.0 billion

【 Proceeds from sales of property, plant and equipment 】
【FY15】 Proceeds from sales of
Benefit One facilities ¥0.9 billion

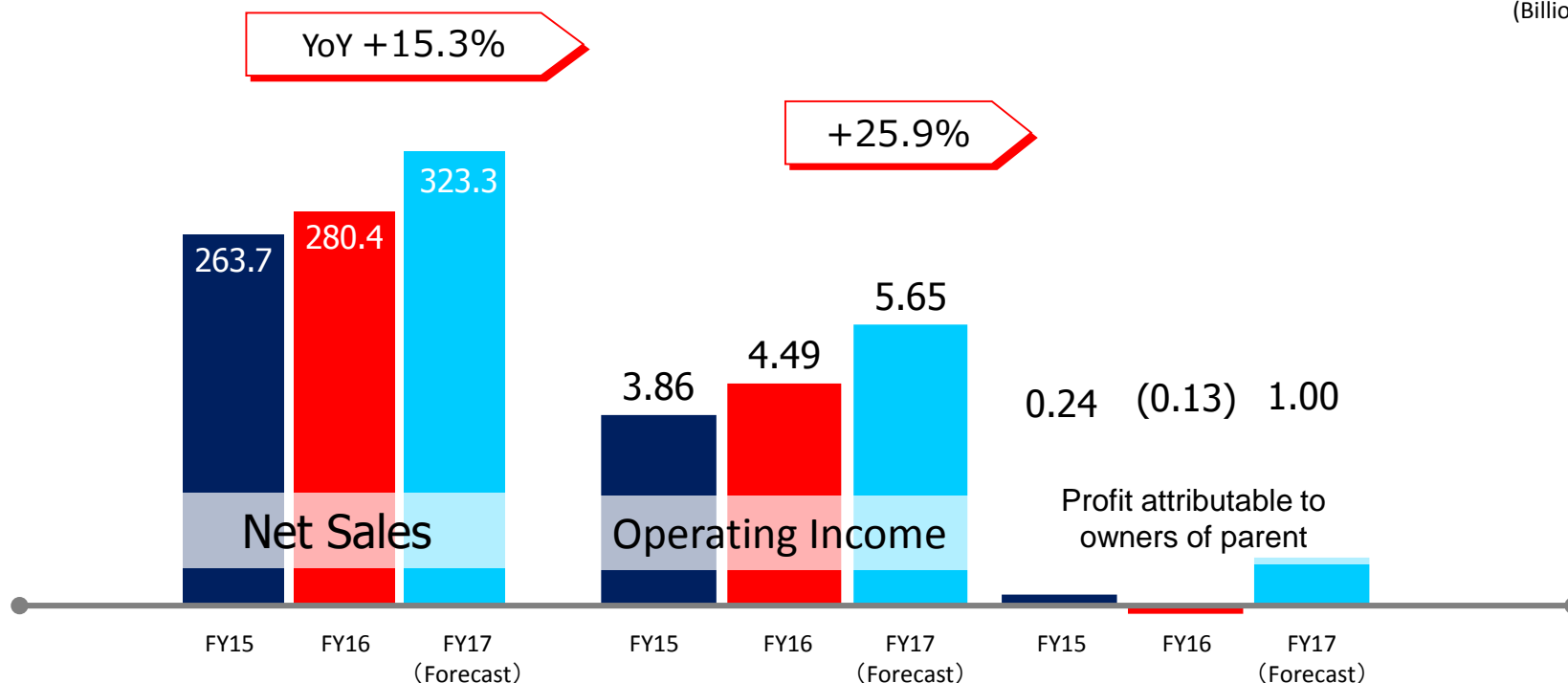
【 Increase/Decrease in long-term loan payable 】
Long-term loan payable ¥8.5 billion (+¥2.0 billion)
Repayment of long-term loan payable
¥(5.0) billion (-¥5.0 billion)

【 Purchase of treasury share of subsidiary 】
【FY15】 Purchase of Benefit One treasury shares
¥(1.5) billion

FY2017 Forecasts

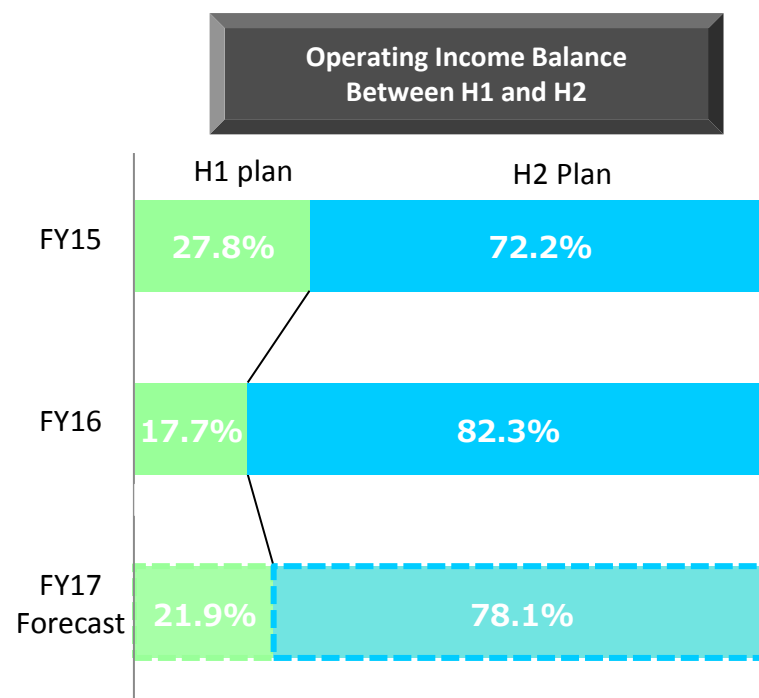
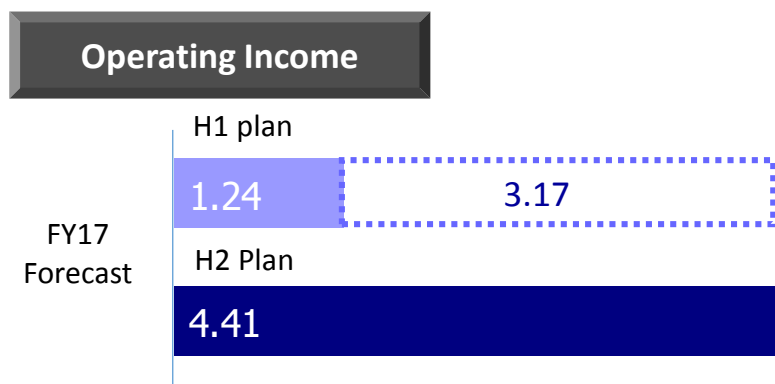
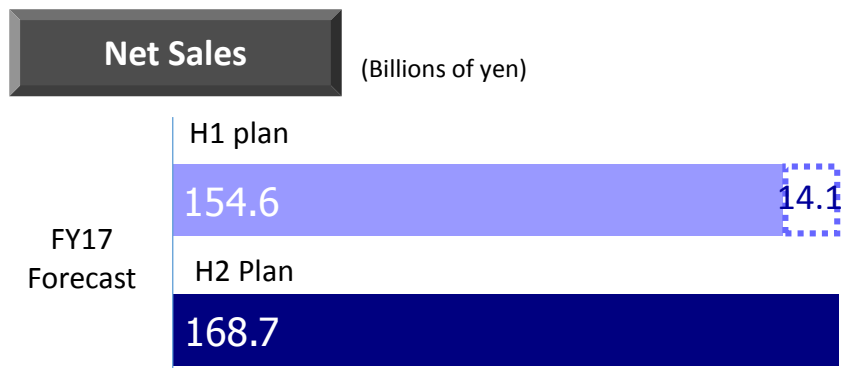
FY2017 Consolidated Forecasts

(Billions of yen)



| (Millions of yen) | FY15 | to net sales % | FY16 | to net sales % | FY17 Forecast | to net sales % | vs FY16 Increase/Decrease | YoY |
|---|---------|----------------|---------|----------------|---------------|----------------|---------------------------|--------|
| Net sales | 263,728 | 100.0 | 280,395 | 100.0 | 323,300 | 100.0 | +42,904 | +15.3% |
| Cost of sales | 210,919 | 80.0 | 223,778 | 79.8 | 254,770 | 78.8 | +30,991 | +13.8% |
| Gross profit | 52,808 | 20.0 | 56,617 | 20.2 | 68,530 | 21.2 | +11,912 | +21.0% |
| SG&A expenses | 48,948 | 18.6 | 52,128 | 18.6 | 62,880 | 19.4 | +10,751 | +20.6% |
| Operating income | 3,860 | 1.5 | 4,488 | 1.6 | 5,650 | 1.7 | +1,161 | +25.9% |
| Ordinary income | 3,855 | 1.5 | 4,319 | 1.5 | 5,600 | 1.7 | +1,280 | +29.6% |
| Profit attributable to owners of parent | 243 | 0.1 | (129) | - | 1,000 | 0.3 | +1,129 | - |

FY2017 Balance Between the First and Second Half



| (Millions of yen) | FY16 | | | | FY17 | | | |
|---|---------|---------|--------------|----------|---------|---------|--------------|----------|
| | H1 | H1 | to net sales | vsFY16 % | H2 | H2 | to net sales | vsFY16 % |
| Net Sales | 136,867 | 154,620 | 100.0 | 13.0% | 143,528 | 168,680 | 100.0 | 17.5% |
| Cost of sales | 109,867 | 121,780 | 78.8 | 10.8% | 113,911 | 132,990 | 78.8 | 16.7% |
| Gross profit | 27,000 | 32,840 | 21.2 | 21.6% | 29,616 | 35,690 | 21.2 | 20.5% |
| SG&A expenses | 26,205 | 31,600 | 20.4 | 20.6% | 25,922 | 31,280 | 18.5 | 20.7% |
| Operating income | 794 | 1,240 | 0.8 | 56.0% | 3,693 | 4,410 | 2.6 | 19.4% |
| Ordinary income | 759 | 1,190 | 0.8 | 56.7% | 3,559 | 4,410 | 2.6 | 23.9% |
| Profit(Loss) attributable to owners of parent | (816) | (500) | - | - | 686 | 1,500 | 0.9 | 118.4% |

FY2017 Consolidated Forecasts by Segment

(Millions of yen)

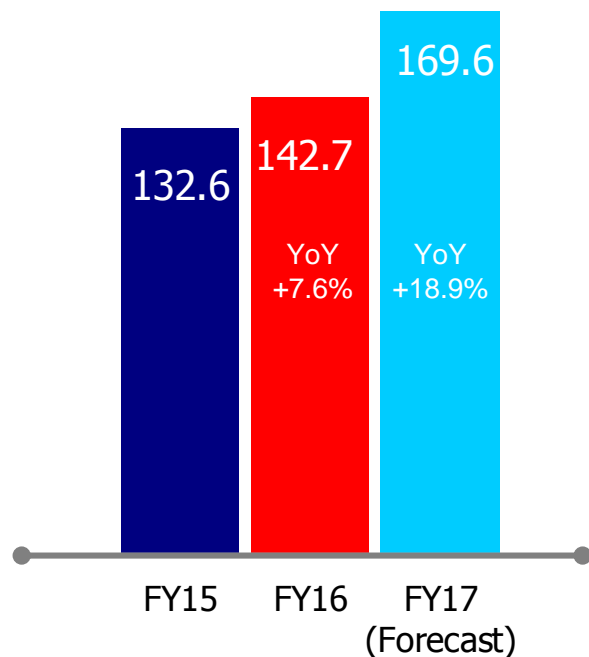
| Segment | Sales | | | | Operating income (loss) | | | | Operating income margin | | |
|---|---------|---------------|---------------------------|-----------|-------------------------|---------------|---------------------------|-----------|-------------------------|---------------|---------------------------|
| | FY16 | FY17 Forecast | VS FY16 Increase/Decrease | VS FY16 % | FY16 | FY17 Forecast | VS FY16 Increase/Decrease | VS FY16 % | FY16 | FY17 Forecast | VS FY16 Increase/Decrease |
| Expert Services (Temporary Staffing) | 142,662 | 169,600 | +26,937 | +18.9% | 2,297 | 3,030 | +732 | +31.9% | 1.0% | 1.1% | +0.2pt |
| Insourcing (Contracting) | 77,100 | 81,300 | +4,199 | +5.4% | | | | | | | |
| HR Consulting, Education, Training, etc. | 6,133 | 6,940 | +806 | +13.1% | | | | | | | |
| Global Sourcing (Overseas) | 6,388 | 7,060 | +671 | +10.5% | | | | | | | |
| Subtotal | 232,285 | 264,900 | +32,614 | +14.0% | | | | | | | |
| Career Solutions (Placement/Recruiting, Outplacement) | 15,008 | 16,500 | +1,491 | +9.9% | 1,992 | 2,150 | +157 | +7.9% | 13.3% | 13.0% | (0.2)pt |
| Outsourcing | 29,893 | 35,620 | +5,726 | +19.2% | 5,782 | 6,970 | +1,187 | +20.5% | 19.3% | 19.6% | +0.2pt |
| Life Solutions | 4,657 | 5,260 | +602 | +12.9% | 237 | 150 | (87) | (36.7)% | 5.1% | 2.9% | (2.2)pt |
| Public Solutions | 1,670 | 3,690 | +2,019 | +120.9% | (450) | (1,090) | (639) | - | - | - | - |
| Elimination/Corporate | (3,119) | (2,670) | +449 | - | (5,370) | (5,560) | (189) | - | - | - | - |
| Consolidated | 280,395 | 323,300 | +42,904 | +15.3% | 4,488 | 5,650 | +1,161 | +25.9% | 1.6% | 1.7% | +0.1pt |

Expert Services (Temporary staffing)

Net Sales

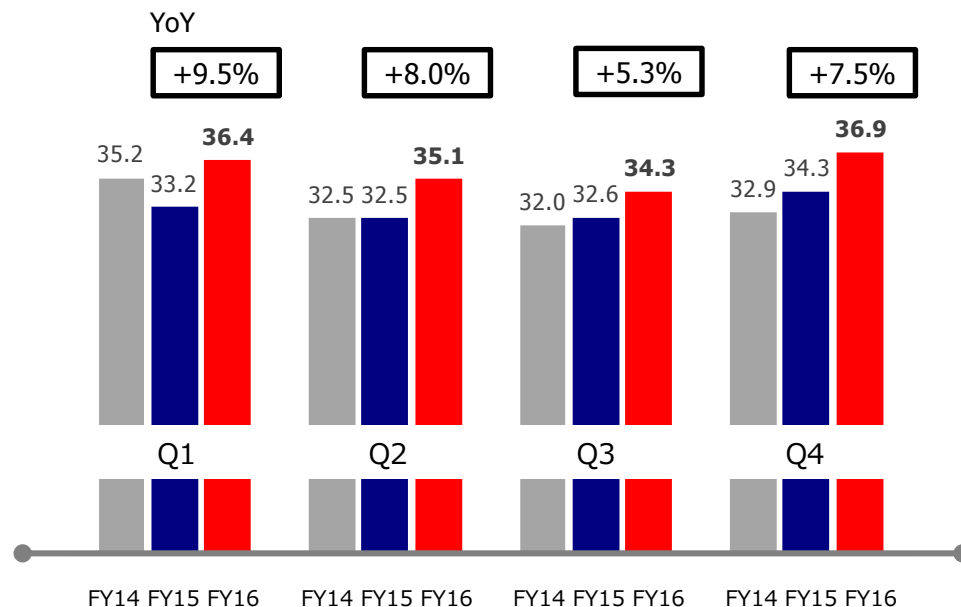
※ Segment figures include intersegment sales

(Billions of yen)



Sales Trends

(Billions of yen)



Business Conditions

●FY16 (result)

- With the use of temporary staffing, as a work-style reform measure, becoming widespread, our number of job order requests increased among the wide-ranging staffing industry.
- The number of new registrants increased more in FY 16 than in the previous fiscal year, along with a rise in the number of registrants employed.
- Job order requests for specialist positions in Accounting, Foreign Languages, Import-export, as well as Sales, grew.

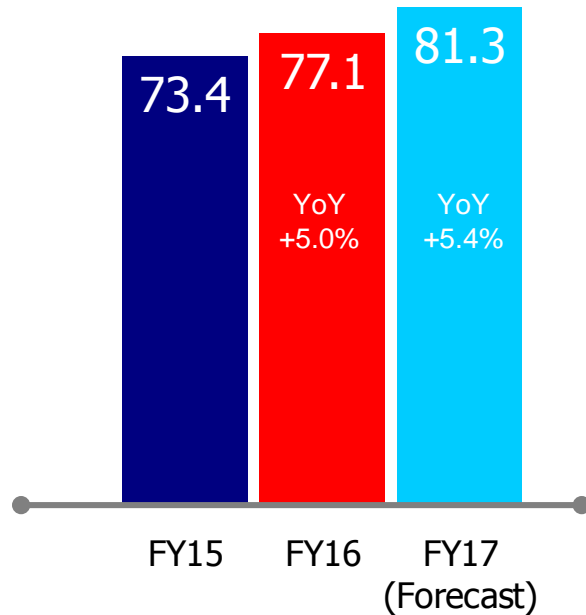
●FY17 (plan)

- Starting in August, recently acquired NTT's human resource company will contribute to Pasona's earnings.
- Strengthen human resource training and development in new fields such as robotics, AI, etc.

Insourcing (Contracting)

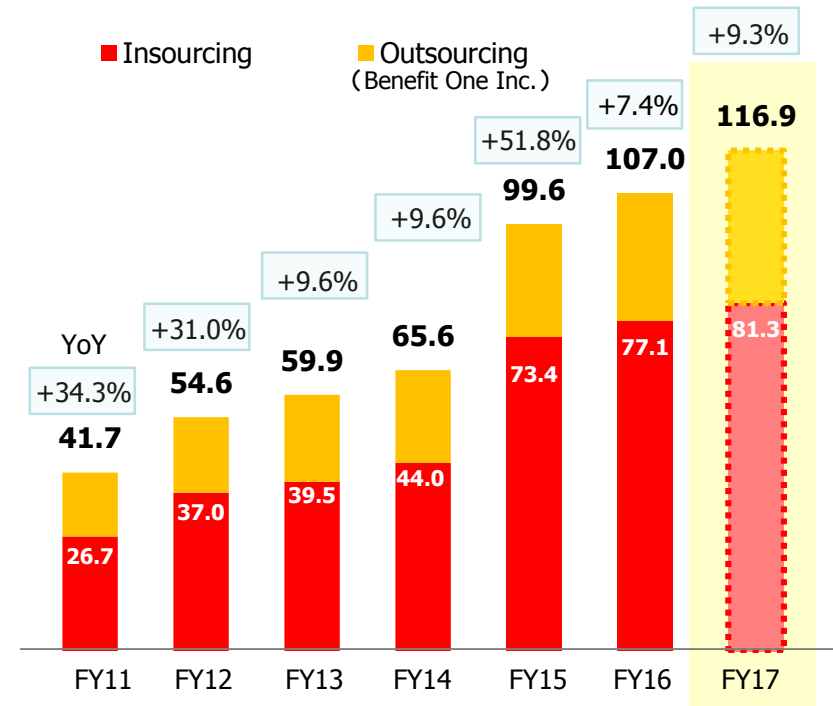
Net Sales

(Billions of yen)



BPO Sales Trend

(Billions of yen)



Business Conditions

● FY16 (result)

- Provided flexible services tailored to each client's preference.
- Previous solid performance enabled the Insourcing business focusing on public sector clients to pursue horizontal growth.
- Overall growth rate for Insourcing business was curbed as Bewith, Inc.'s record was based on a 14-month term due to fiscal period change in the previous fiscal year.

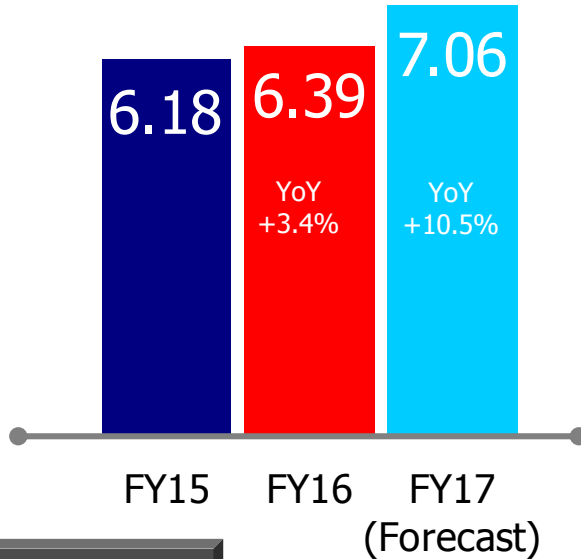
● FY17 (plan)

- Develop new services and accelerate business structure enhancement for existing private-sector Insourcing (Contracting) business.
- Place emphasis on efficiency of services for clients in public sector and aim for horizontal growth.

Global Sourcing (Overseas)

Net Sales

(Billions of yen)



Business Conditions

- **FY16 (result)**
 - Indonesia firm PT. Dutagriya Sarana (DGS), an newly made subsidiary in the previous fiscal year, with its increased client base, contributed to the overseas growth of temporary staffing business.
 - Expanded the training business of Caplan Thailand, which began its operations in September 2016.
- **FY17 (plan)**
 - Strengthen Caplan Thailand's personnel training programs in ASEAN region.
 - Provide job opportunities for foreign talents and build a borderless career counseling network through job fair (Job Haku).

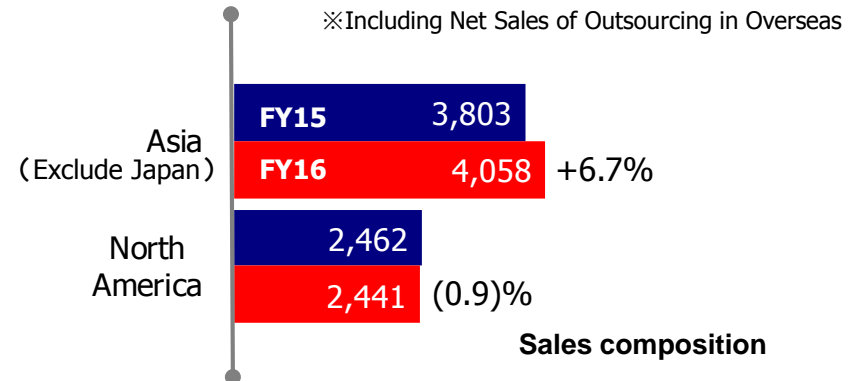
Sales by Business Segment

(Millions of yen)

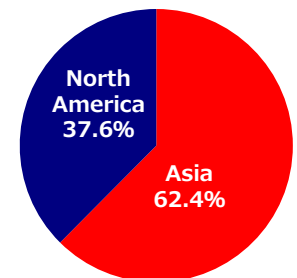
| | FY15 | FY16 | YoY |
|-------------------------------|--------------|--------------|-------------|
| Temporary Staffing | 2,473 | 2,707 | 9.4% |
| Placement / Recruiting | 2,001 | 1,778 | (11.2)% |
| Contracting (Payroll, others) | 1,167 | 1,180 | 1.1% |
| Others | 537 | 723 | 34.6% |
| Total | 6,180 | 6,388 | 3.4% |

Sales by Region

(Millions of yen)



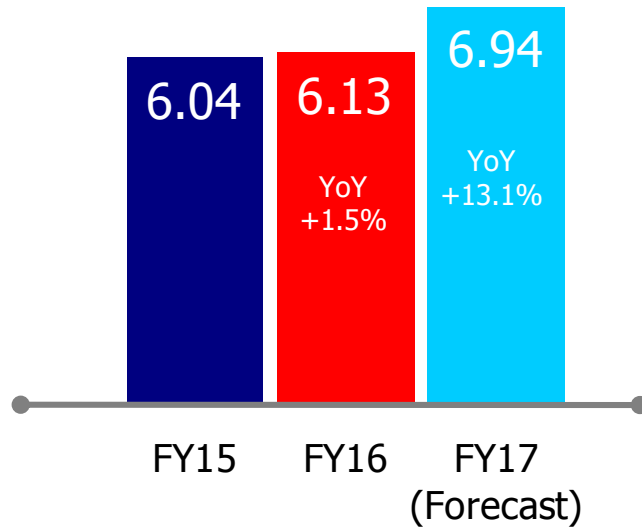
Sales composition



HR Consulting, etc. / Operating Income by Segments

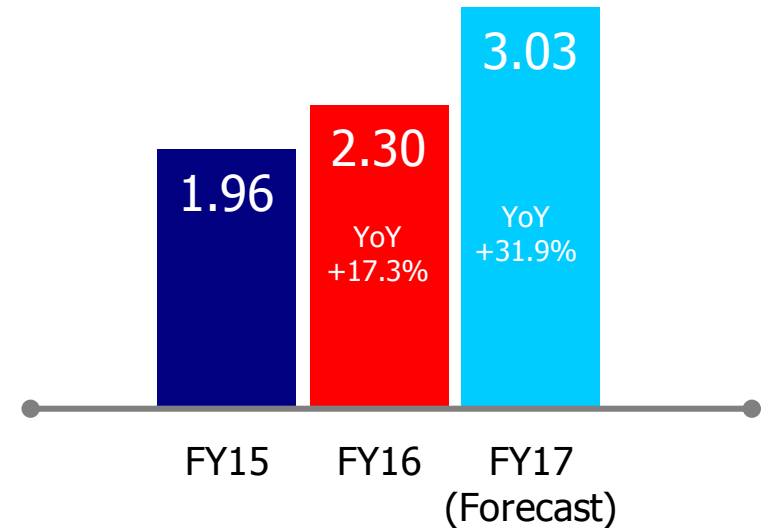
Net Sales (HR Consulting, education, training, etc.)

(Billions of yen)



ES~GS Operating Income

※ES~GS: Expert Service, Insourcing, HR Consulting, Global Sourcing
(Billions of yen)



Business Conditions

- **FY16 (result)**
 - HR training programs for receptionist services focusing on foreign tourists grew because of increasing demand.
- **FY17 (plan)**
 - Provide training programs which help companies adapt to new business environment such as Omotenashi Standard Certification System and work-style reforms.

Business Conditions

- **FY16 (result)**
 - Expert Service and Insourcing grew steadily.
 - Revenue gains and back office cost reduction were effective.
- **FY17 (plan)**
 - Boost profitability by constructing common IT infrastructure among group's companies.

Career Solutions (Placement/Recruiting, Outplacement)

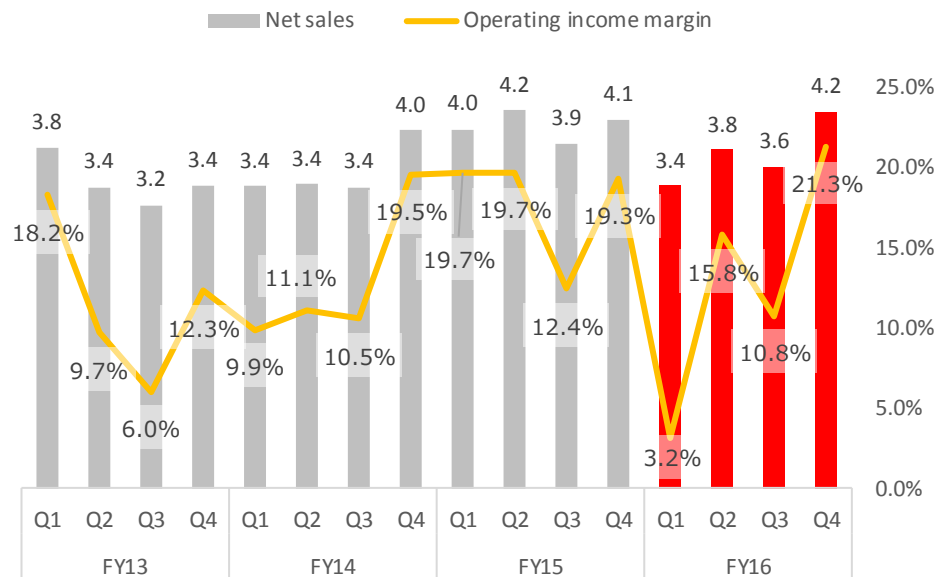
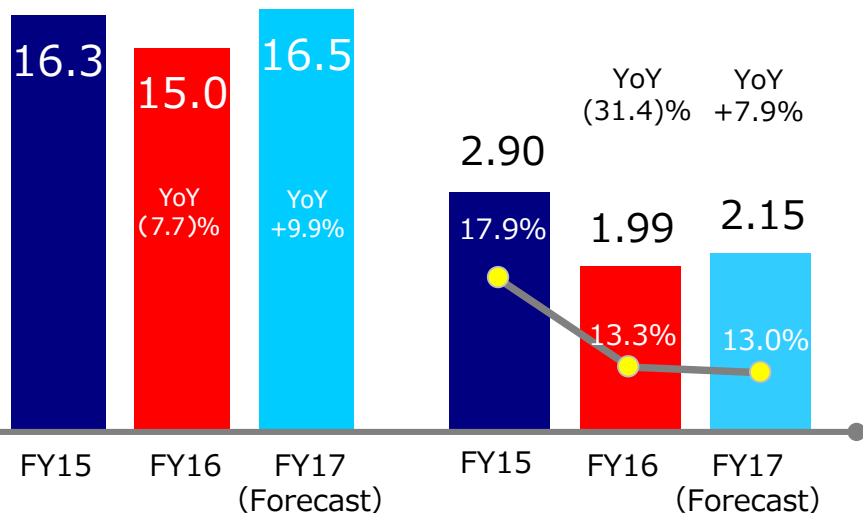
Net Sales

(Billions of yen)

Operating Income, Operating Income Margin

Trends in Net Sales & Operating Income Margin

(Billions of yen)



※FY2013-2014 are reference figure before change of segment classification.

Business Conditions

● FY16 (result)

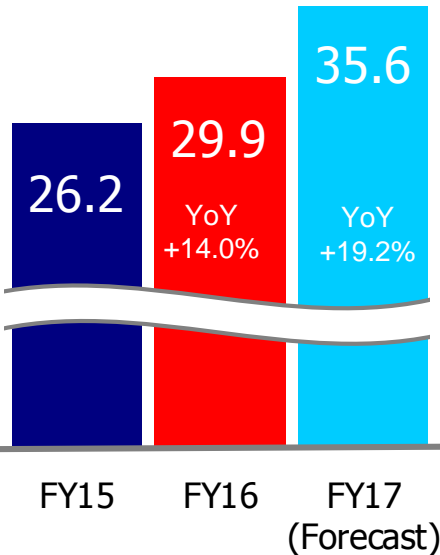
- Placement/Recruiting business grew steadily. Signed contracts with women and seniors increased
- Outplacement business faced significant market contraction and persistently tough market conditions

● FY17 (plan)

- Strengthen recruitment of IT engineers, including foreign talents, to satisfy the growing demand.
- Set up the organizational structure that enables agencies nationwide to offer full services including placement/recruiting and career (outplacement) counseling.

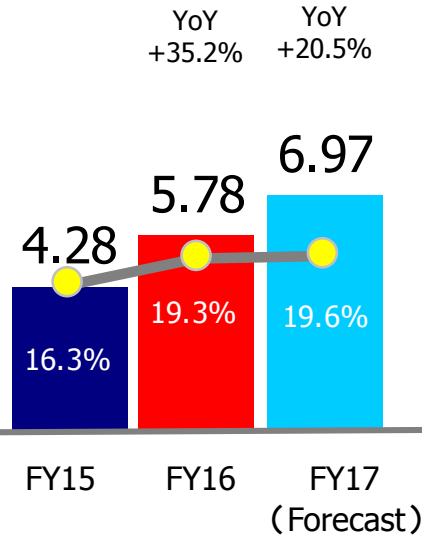
Outsourcing (Benefit One Inc.)

Net Sales



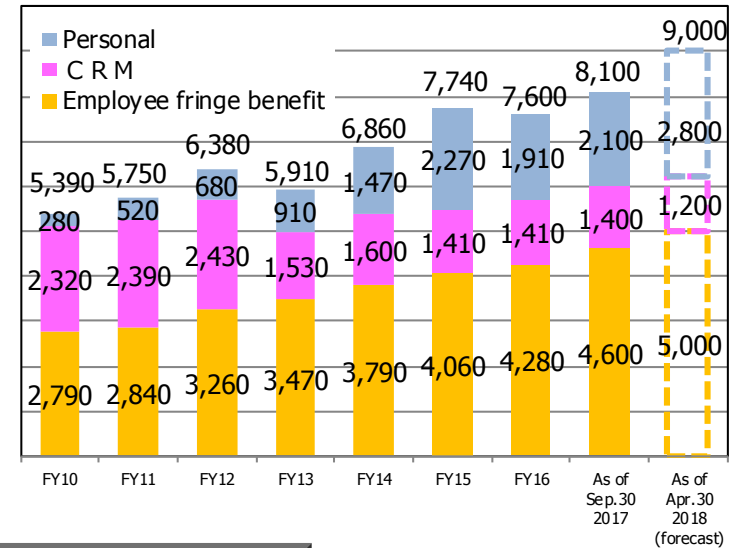
Operating Income, Operating Income Margin

(Billions of yen)



Benefit One Membership

(Thousand people)



Business Conditions

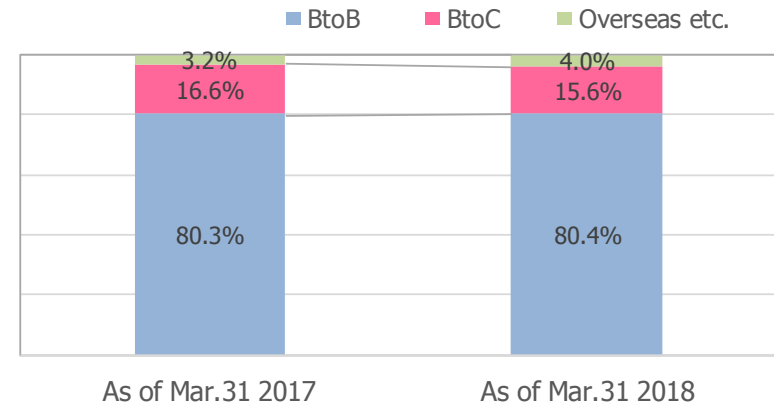
●FY16 (result)

- Employee fringe benefit business saw steady growth in the numbers of participating companies.
- Incentive business also performed strongly.
- Health care business considerably improved its earnings.

●FY17 (plan)

- Bring in new customers from small and medium-sized enterprises for employee fringe benefit outsourcing business.
- Develop new cooperation model that contributes to future growth for Personal (individual-based) business.

Sales Composition



*BtoB: Employee fringe benefit, Incentive, Health care, BTM, Cost reduction
BtoC: Personal, CRM, Inbound

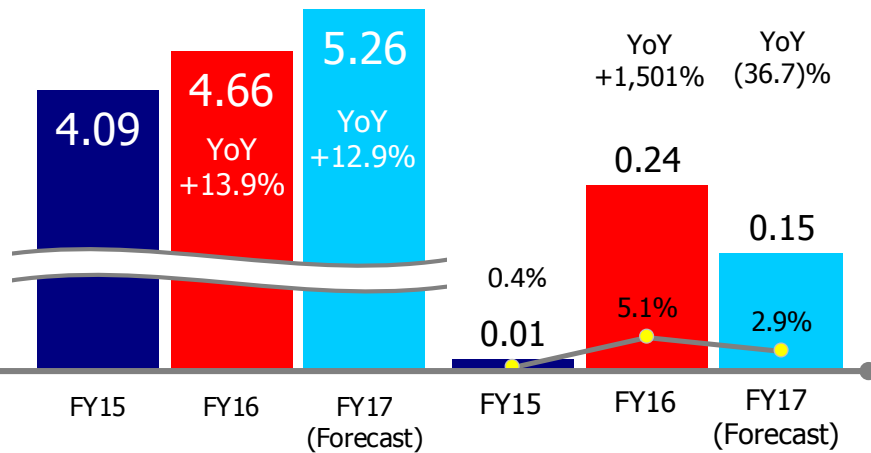
Life Solutions · Public Solutions

Life Solutions

Net Sales

Operating Income, Operating Income Margin

(Billions of Yen)



Business Conditions

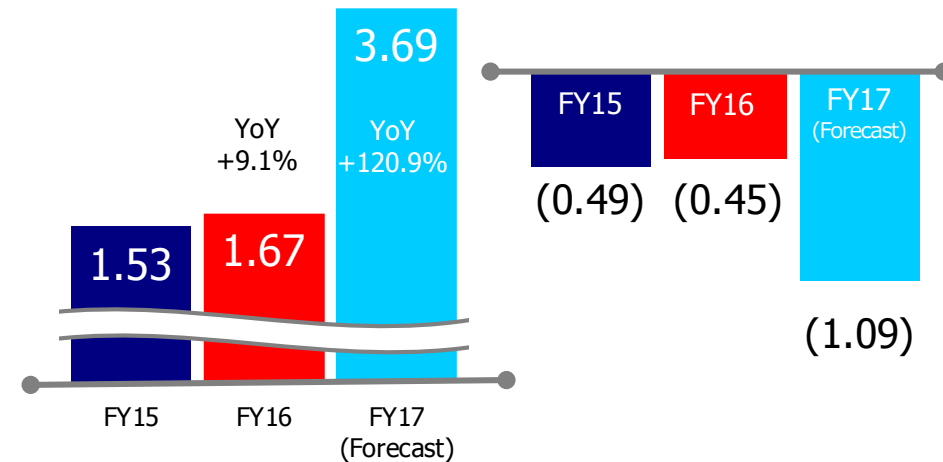
- **FY16 (result)**
 - Pasona Foster Inc. increased its contracts with companies to operate their daycare facilities.
 - Pasona Life Care Inc. expanded its nursing services and increased the dispatch of care staffs. Developed sales channels and boosted revenue and earnings for housekeeping services
- **FY17 (plan)**
 - Further strengthen contracted on-site day care services.
 - Achieve synergy with Kurashinity on housekeeping services.

Public Solutions

Net Sales

Operating Income

(Billions of Yen)



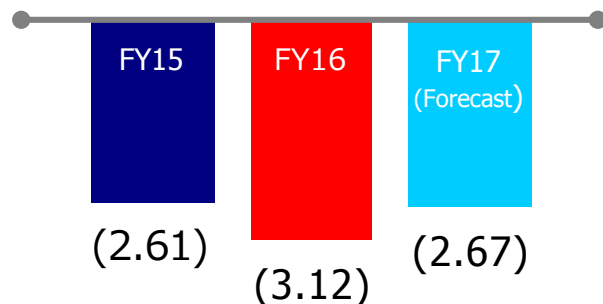
Business Conditions

- **FY16 (result)**
 - Tango Kingdom Inc.: Advanced in the new form of "regional business," on track for earnings improvement.
- **FY17 (plan)**
 - Launch Nijigen no Mori. Spend up-front investment in the next fiscal year
 - Tango Kingdom Inc.: Strengthen measures for external sales and wholesale business

Elimination/Corporate Segment Costs

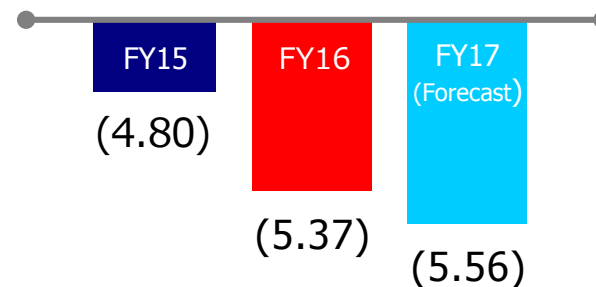
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Main Reasons for Cost Increase

●FY16 (result)

- Retirement benefit costs, head office relocation expenses, initial investment spending on new businesses increased.

●FY17 (plan)

- Rent will increase temporarily because of office relocation.
- Employee education and training (recurrent education, etc.) fees will increase.

Returns to Shareholders

Dividend Policy

Basic policy to deliver adequate returns to shareholders relative to corporate performance, while at the same time endeavor to provide continuous and stable dividends

Dividends

Plan to pay **¥12** per share for the fiscal year ending May 31, 2018

- FY2016 Dividend per share **¥12** Interim — **Period-End** **¥12**
- FY2017 Dividend forecast per share **¥12** Interim — **Period-End** **¥12**

| | FY13 | FY14 | FY15 | FY16 | FY17 (Forecast) |
|---|-------|--------|--------|------|--------------------|
| Dividend per share | ¥10 | ¥12 | ¥12 | ¥12 | ¥12 |
| Dividend payout ratio (consolidated) | 71.2% | 206.3% | 181.3% | - | 44.2% |

Reference

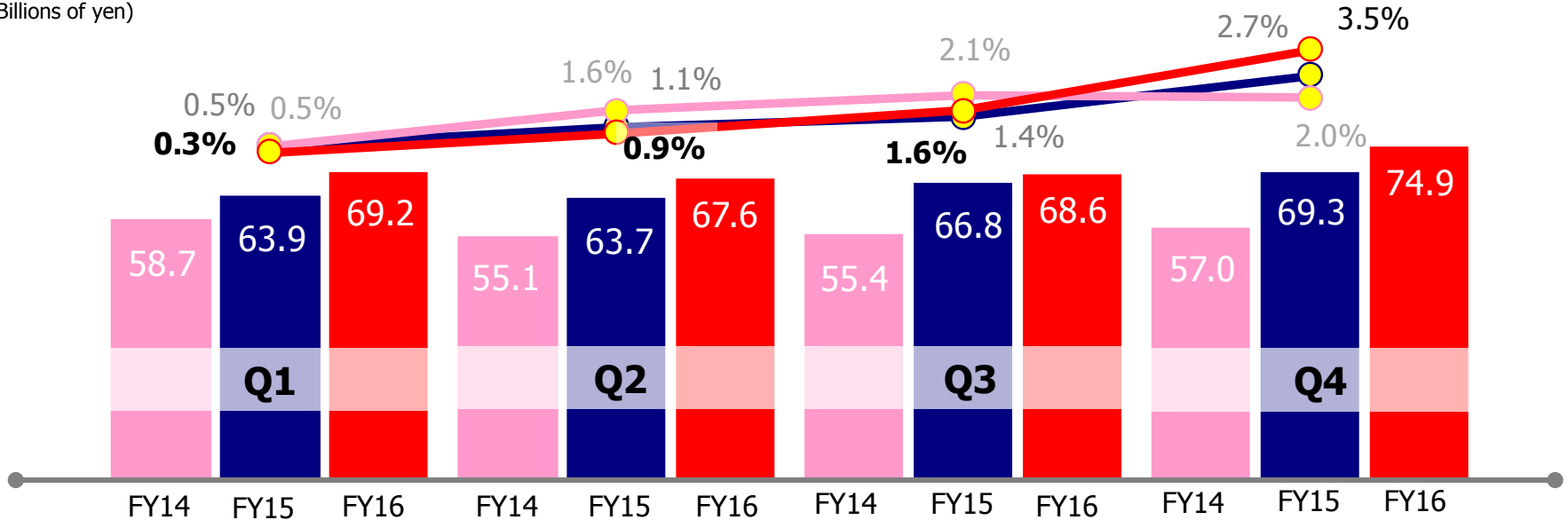
Quarterly Earnings Trends

Net Sales

(Billions of yen)

Operating Income Margin

- Operating Income Margin FY14
- Operating Income Margin FY15
- Operating Income Margin FY16



| | Q1 (June to August) | | | | | Q2 (September to November) | | | | | Q3 (December to February) | | | | | Q4 (March to May) | | | | |
|--|---------------------|--------|---------|--------|---------|----------------------------|--------|---------|--------|---------|---------------------------|--------|---------|--------|--------|-------------------|--------|---------|--------|--------|
| | FY14 | FY15 | YoY | FY16 | YoY | FY14 | FY15 | YoY | FY16 | YoY | FY14 | FY15 | YoY | FY16 | YoY | FY14 | FY15 | YoY | FY16 | YoY |
| Net sales | 58,727 | 63,891 | +8.8% | 69,231 | +8.4% | 55,078 | 63,710 | +15.7% | 67,636 | +6.2% | 55,379 | 66,827 | +20.7% | 68,613 | +2.7% | 57,042 | 69,297 | +21.5% | 74,915 | +8.1% |
| Gross profit | 11,450 | 13,412 | +17.1% | 13,372 | (0.3)% | 11,010 | 12,023 | +9.2% | 13,628 | +13.3% | 11,319 | 13,041 | +15.2% | 13,529 | +3.7% | 12,090 | 14,331 | +18.5% | 16,086 | +12.3% |
| SG&A expenses | 11,130 | 13,061 | +17.4% | 13,156 | +0.7% | 10,135 | 11,300 | +11.5% | 13,048 | +15.5% | 10,180 | 12,111 | +19.0% | 12,446 | +2.8% | 10,934 | 12,473 | +14.1% | 13,476 | +8.0% |
| Operating income | 320 | 350 | +9.5% | 215 | (38.5)% | 875 | 722 | (17.5)% | 579 | (19.8)% | 1,139 | 929 | (18.4)% | 1,083 | +16.5% | 1,155 | 1,857 | +60.8% | 2,610 | +40.5% |
| Ordinary income | 286 | 256 | (10.2)% | 174 | (32.1)% | 832 | 720 | (13.5)% | 585 | (18.8)% | 1,132 | 956 | (15.6)% | 1,039 | +8.7% | 1,092 | 1,921 | +76.0% | 2,520 | +31.2% |
| Profit (Loss) attributable to owners of parent | (253) | (323) | - | (539) | - | 97 | (10) | - | (276) | - | 163 | (119) | - | (98) | - | 206 | 697 | +237.6% | 785 | +12.6% |
| Gross profit margin | 19.5% | 21.0% | +1.5pt | 19.3% | (1.7)pt | 20.0% | 18.9% | (1.1)pt | 20.1% | +1.2pt | 20.4% | 19.5% | (0.9)pt | 19.7% | +0.2pt | 21.2% | 20.7% | (0.5)pt | 21.5% | +0.8pt |
| SG&A expense ratio | 19.0% | 20.4% | +1.4pt | 19.0% | (1.4)pt | 18.4% | 17.7% | (0.7)pt | 19.3% | +1.6pt | 18.4% | 18.1% | (0.3)pt | 18.1% | +0.0pt | 19.2% | 18.0% | (1.2)pt | 18.0% | +0.0pt |
| Operating income margin | 0.5% | 0.5% | +0.0pt | 0.3% | (0.2)pt | 1.6% | 1.1% | (0.5)pt | 0.9% | (0.2)pt | 2.1% | 1.4% | (0.7)pt | 1.6% | +0.2pt | 2.0% | 2.7% | +0.7pt | 3.5% | +0.8pt |
| Ordinary income margin | 0.5% | 0.4% | (0.1)pt | 0.3% | (0.1)pt | 1.5% | 1.1% | (0.4)pt | 0.9% | (0.2)pt | 2.0% | 1.4% | (0.6)pt | 1.5% | +0.1pt | 1.9% | 2.8% | +0.9pt | 3.4% | +0.6pt |
| Profit attributable to owners of parent margin | - | - | - | - | - | 0.2% | - | - | - | - | 0.3% | - | - | - | - | 0.4% | 1.0% | +0.6pt | 1.0% | +0.0pt |

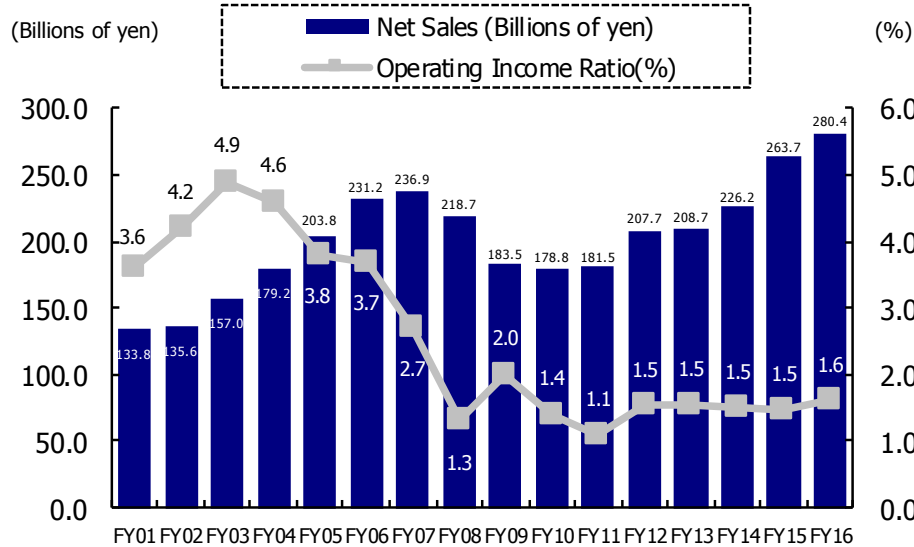
Quarterly Earnings Trends by Segment

(Millic)

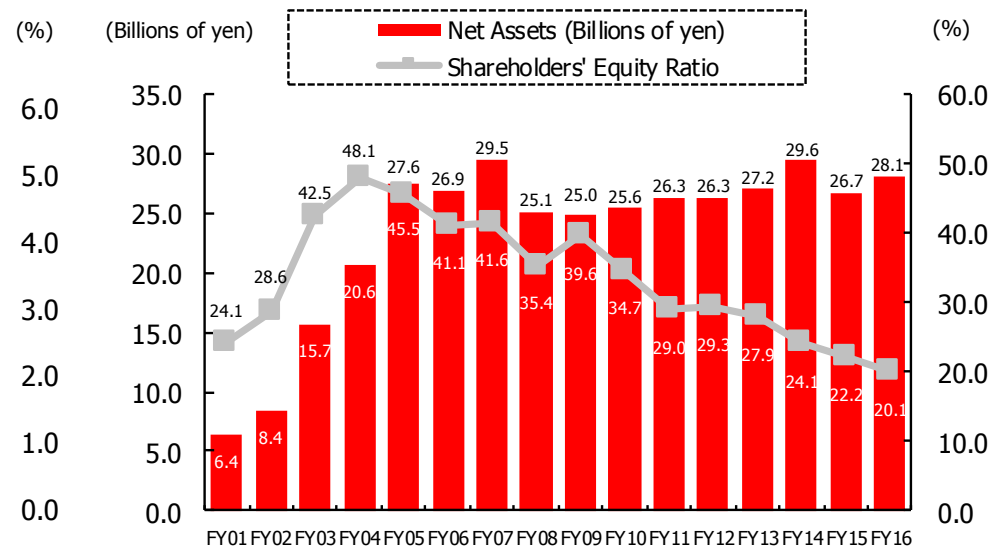
| Segment | Sales | | | | | | | | | Operating income (loss) | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|-------|-------------------------|---------|---------|---------|---------|---------|---------|---------|
| | Q1 FY15 | Q2 FY15 | Q3 FY15 | Q4 FY15 | Q1 FY16 | Q2 FY16 | Q3 FY16 | Q4 FY16 | YoY | Q1 FY15 | Q2 FY15 | Q3 FY15 | Q4 FY15 | Q1 FY16 | Q2 FY16 | Q3 FY16 | Q4 FY16 |
| Expert Services (Temporary Staffing) | 33,221 | 32,487 | 32,562 | 34,317 | 36,378 | 35,090 | 34,298 | 36,894 | 7.5% | | | | | | | | |
| Insourcing (Contracting) | 16,925 | 17,450 | 19,620 | 19,421 | 18,174 | 17,908 | 19,338 | 21,679 | 11.6% | | | | | | | | |
| HR Consulting, others | 1,504 | 1,420 | 1,698 | 1,421 | 1,541 | 1,376 | 1,666 | 1,548 | 9.0% | 325 | 430 | 330 | 872 | 380 | 56 | 397 | 1,463 |
| Global Sourcing (Overseas) | 1,420 | 1,389 | 1,645 | 1,725 | 1,536 | 1,530 | 1,509 | 1,811 | 5.0% | | | | | | | | |
| Subtotal | 53,070 | 52,747 | 55,527 | 56,885 | 57,631 | 55,905 | 56,813 | 61,934 | 8.9% | | | | | | | | |
| Career Solutions (Placement/Recruiting, Outplacement) | 4,032 | 4,235 | 3,865 | 4,132 | 3,386 | 3,791 | 3,607 | 4,223 | 2.2% | 794 | 834 | 479 | 796 | 107 | 597 | 388 | 899 |
| Outsourcing | 5,971 | 5,981 | 6,719 | 7,557 | 7,478 | 7,066 | 7,408 | 7,939 | 5.1% | 641 | 840 | 1,382 | 1,412 | 1,134 | 1,348 | 1,659 | 1,640 |
| Life Solutions Public Solutions | 1,342 | 1,392 | 1,377 | 1,505 | 1,508 | 1,598 | 1,555 | 1,664 | 10.5% | (192) | (164) | (116) | (5) | (100) | (61) | (50) | (2) |
| Elimination/Corporate | (524) | (646) | (662) | (783) | (773) | (726) | (772) | (846) | - | (1,218) | (1,218) | (1,146) | (1,218) | (1,305) | (1,361) | (1,311) | (1,391) |
| Consolidated | 63,891 | 63,710 | 66,827 | 69,297 | 69,231 | 67,636 | 68,613 | 74,915 | 8.1% | 350 | 722 | 929 | 1,857 | 215 | 579 | 1,083 | 2,610 |

Full-Year Key Indicators

Net Sales and Operating Income Ratio



Net Assets and Shareholders' Equity Ratio



Results

| Key Indicators | '02/05 | '03/05 | '04/05 | '05/05 | '06/05 | '07/05 | '08/05 | '09/05 | '10/05 | '11/05 | '12/05 | '13/05 | '14/05 | '15/05 | '16/05 | '17/05 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net Sales | 133,822 | 135,625 | 156,979 | 179,156 | 203,815 | 231,231 | 236,945 | 218,699 | 183,515 | 178,806 | 181,498 | 207,685 | 208,660 | 226,227 | 263,728 | 280,395 |
| Gross Profit Margin | 18.2% | 19.7% | 20.9% | 20.8% | 20.2% | 20.3% | 20.8% | 19.9% | 20.0% | 18.8% | 18.6% | 19.3% | 19.3% | 20.3% | 20.0% | 20.2% |
| SG&A Expenses | 19,557 | 21,058 | 25,104 | 28,992 | 33,491 | 38,542 | 42,925 | 40,735 | 33,070 | 31,125 | 31,840 | 36,898 | 37,029 | 42,381 | 48,948 | 52,128 |
| SG&A Expense Ratio | 14.6% | 15.5% | 16.0% | 16.2% | 16.4% | 16.6% | 18.1% | 18.6% | 18.0% | 17.4% | 17.5% | 17.8% | 17.7% | 18.7% | 18.6% | 18.6% |
| Operating Income | 4,786 | 5,687 | 7,648 | 8,238 | 7,745 | 8,507 | 6,444 | 2,850 | 3,660 | 2,432 | 1,964 | 3,176 | 3,210 | 3,490 | 3,860 | 4,488 |
| Operating Income Ratio | 3.6% | 4.2% | 4.9% | 4.6% | 3.8% | 3.7% | 2.7% | 1.3% | 2.0% | 1.4% | 1.1% | 1.5% | 1.5% | 1.5% | 1.5% | 1.6% |
| Ordinary Income | 4,222 | 5,373 | 7,329 | 8,289 | 7,844 | 8,807 | 6,637 | 3,361 | 4,044 | 2,571 | 2,091 | 3,187 | 3,135 | 3,343 | 3,855 | 4,319 |
| Ordinary Income Ratio | 3.2% | 4.0% | 4.7% | 4.6% | 3.8% | 3.8% | 2.8% | 1.5% | 2.2% | 1.4% | 1.2% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| Net Income *4 | 1,974 | 2,027 | 3,647 | 4,363 | 3,588 | 4,198 | 2,962 | 312 | 204 | 412 | 29 | 610 | 526 | 214 | 243 | (129) |
| Net Income Ratio | 1.5% | 1.5% | 2.3% | 2.4% | 1.8% | 1.8% | 1.3% | 0.1% | 0.1% | 0.2% | 0.0% | 0.3% | 0.3% | 0.1% | 0.1% | - |
| Total Assets | 26,526 | 29,425 | 37,004 | 42,884 | 51,931 | 54,425 | 58,513 | 55,468 | 52,269 | 60,564 | 70,889 | 71,276 | 75,615 | 88,641 | 85,356 | 94,584 |
| Net Assets *1 | 6,388 | 8,418 | 15,732 | 20,644 | 27,634 | 26,904 | 29,468 | 25,148 | 24,979 | 25,642 | 26,295 | 26,253 | 27,181 | 29,620 | 26,735 | 28,062 |
| Shareholders' Equity Ratio *2 | 24.1% | 28.6% | 42.5% | 48.1% | 45.5% | 41.1% | 41.6% | 35.4% | 39.6% | 34.7% | 29.0% | 29.3% | 27.9% | 24.1% | 22.2% | 20.1% |
| Return on Equity *2 | 42.0% | 27.4% | 30.2% | 24.0% | 16.2% | 18.2% | 12.7% | 1.4% | 1.0% | 2.0% | 0.1% | 2.9% | 2.5% | 1.0% | 1.2% | (0.7)% |
| Number of Employees (exclude contract workers) | 1,537 | 1,687 | 1,979 | 2,204 | 2,608 | 3,126 | 3,647 | 3,671 | 3,643 | 3,956 | 4,452 | 4,778 | 5,022 | 6,584 | 7,144 | 7,238 |

Notes: 1. Presentation of shareholders' equity amended to a net assets basis in line with changes to accounting standards and policies. Non-controlling interests included in presentation of net assets since the fiscal year ended May 31, 2007.

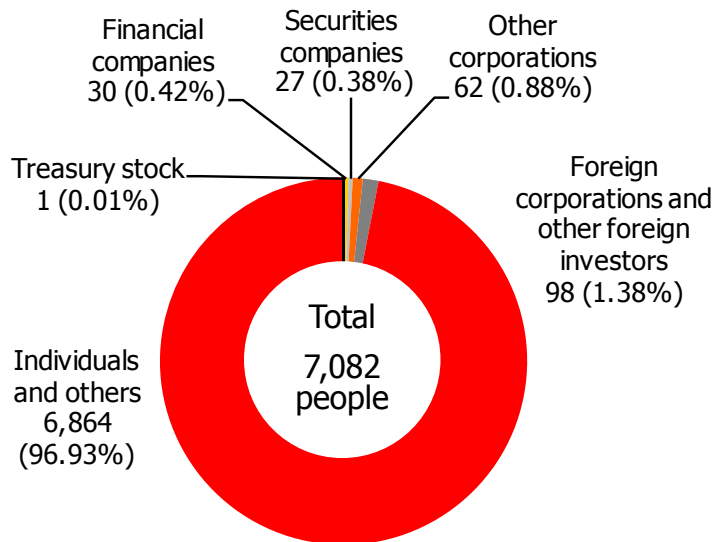
2. Despite changes in calculation methods for net assets following the introduction of changes to accounting standards and policies, the shareholders' equity ratio since the fiscal year ended May 31, 2007 is calculated utilizing an amount equivalent to net assets applicable to common shares.

3. The data for the periods up to and including the fiscal year ended May 31, 2007 are consolidated data for Pasona Inc. The data for the periods commencing the fiscal year ended May 31, 2008 and beyond are consolidated data for Pasona Group Inc.

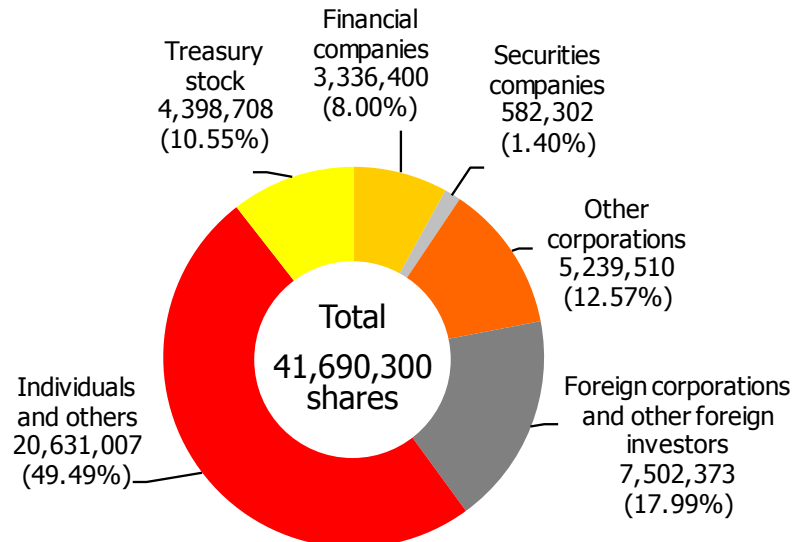
4. Since the fiscal year ended on May 31, 2016, net income has been referred to profit attributable to owners of parent.

Stock Information (As of May. 31, 2017)

Breakdown of Shareholders by Type



Breakdown of Shareholders by Number of Share Held



Principal Shareholders

| | No. of Shares Held | % |
|---|--------------------|--------|
| Yasuyuki Nambu | 14,763,200 | 35.41% |
| Pasona Group Inc. | 4,398,708 | 10.55% |
| Nambu Enterprise Inc. | 3,737,800 | 8.97% |
| BNYM TREATY DTT 10 | 1,851,600 | 4.44% |
| Credit Suisse AG Hong Kong Trust A/C Client | 1,227,000 | 2.94% |
| State Street Bank and Trust Company 505004 | 930,900 | 2.23% |
| Pasona Group Employees' Shareholding Association | 707,100 | 1.70% |
| Gratitude Inc. | 596,600 | 1.43% |
| The Master Trust Bank of Japan, Ltd (Trust Account) | 576,300 | 1.38% |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 530,200 | 1.27% |

- The Company's treasury stock (4,398,708 shares, 10.55% of total issued shares) ranked second. In accordance with Article 308.2 of the Corporations Law, there are no voting rights attached to treasury stock.
- Pasona Group received a notification from Tempered Investment Management LTD. , that it held 2,114,600 shares as of April 6, 2017 outlined the delivery of a Substantial Shareholding Report submitted to the Kanto Local Finance Bureau on April 11, 2017. As the Company is unable to confirm the number of shares held as of 31 May, 2017, Tempered Investment Management LTD. has been omitted from the list of major shareholders identified.

Group Companies (by segment)

Expert Services, Insourcing HR Consulting, Education and Training, Others

| | |
|---|---|
| Pasona Inc. | KIS Co.,Ltd. |
| Pasona Tech, Inc. | CAPLAN Corporation |
| Pasona Okayama Inc. | YASKAWA BUSINESS STAFF CORPORATION |
| PASONA LOGICOM Inc. | Bewith, Inc. |
| Pasona Marketing, Inc. | Asahi Beer Communications Co, Ltd. |
| Pasona Agri-Partners Inc. | Pasona Panasonic Business Service Co.,Ltd |
| ECOLOVE Inc. | Smart Style Co.,Ltd. |
| Nihon Employment Creation Organization Inc. | |
| Pasona Tech Systems Inc. | e-Staffing Co., Ltd.* |
| Shin nihon kogyo Co.,Ltd. | Pasona Knowledge Partner Inc. |
| Pasona Tquila Inc. | Others * |

Global Sourcing

| | |
|---|------------------------------|
| Pasona N A, Inc. | PASONA CANADA, INC. |
| Pasona Taiwan Co., Ltd. | Pasona Singapore Pte. Ltd. |
| PASONA ASIA CO., LIMITED | PT Pasona HR Indonesia |
| Pasona Korea Co., Ltd. | Pasona Education Co. Limited |
| Pasona India Private Limited | PT. Dutagriya Sarana |
| MGR Consulting Co., Ltd | |
| Pasona Human Resources (Shanghai) Co., Ltd. | |
| Pasona HR Consulting Recruitment (Thailand) Co., Ltd. | |
| Pasona Tech Vietnam Co., Ltd. | |
| Pasona HR Malaysia Sdn. Bhd. | |
| CAPLAN (Thailand) Co., Ltd. | Other |

Career Solutions

| | | |
|-------------|---------------------|-------|
| Pasona Inc. | Pasona Fortune Inc. | Other |
|-------------|---------------------|-------|

Outsourcing

| | |
|---|----------|
| Benefit One Inc. | |
| Benefit one Health care Inc. | |
| Benefit One Solutions Inc. | |
| Benefit One Payroll Inc. | |
| Benefit One ASIA PTE. LTD. | |
| 贝那商务咨询（上海）有限公司 | |
| Benefit ONE USA, INC. | |
| Benefit One (THAILAND) COMPANY LYIMITED | |
| PT. BENEFIT ONE INDONESIA | |
| Benefit One Deutschland GmbH | |
| REWARDZ PRIVATE LIMITED | |
| National Examination Center Inc.* | Others * |

Life Solutions

| |
|-----------------------|
| Pasona Foster Inc. |
| Pasona Life Care Inc. |

Public Solutions

| | |
|---------------------------------|--------|
| Pasona Heartful Inc. | |
| Pasona Furusato Incubation Inc. | |
| Tango Kingdom Inc. | |
| Pasona Tohoku Sousei Inc. | |
| Nijigennomori Inc. | Others |

● Consolidated subsidiaries 60
Equity-method affiliates 5*

(As of May. 31, 2017)

Corporate Information

Tokyo Stock Exchange, 1st Section 2168

| | | |
|-------------------------------------|---|---|
| Corporate Name | Pasona Group Inc. | |
| Headquarters | Shin Marunouchi Bldg. 1-5-1, Marunouchi, Chiyoda-ku, Tokyo 100-6514 | <u>Comprehensive Group office</u> Otemachi 2-6-2 Chiyoda-ku, Tokyo 100-8228 Phone 03-6734-0200 |
| Established | December 3, 2007 (Founding February 1976) | |
| Paid-in Capital | 5,000 million yen | |
| Representative | Yasuyuki Nambu | |
| Business Activities | Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, education and training, others Global Sourcing (Overseas) Career Solutions (Placement/Recruiting, Outplacement) Outsourcing Life Solutions, Public Solutions | |
| Number of Employees | 8,682 (Consolidated, including contract workers) | |
| Consolidated Group Companies | Subsidiaries 60 , Affiliates 5 | |
| URL | www.pasonagroup.co.jp/english/ | |

(As of May. 31, 2017)