

January 13, 2012

## OVERVIEW OF CONSOLIDATED BUSINESS RESULTS

**FY2011** (June 1, 2011 to May 31, 2012)

**First Half Ended November 30, 2011**

- Consolidated net sales in H1 FY2011 climbed by 2.1% year on year to ¥90,880 million.
- Emergency employment-related commissioned businesses in the Insourcing (Contracting) business increased. In addition, utilizing its accumulated know-how, the Company also continued to push forward proposals to the corporate sector. Accounting for the aforementioned, sales in the Insourcing business expanded.
- Increasingly intense hiring activity mainly in specialist fields including the IT, medical and manufacturing sectors contributed to substantial growth in the Place & Search (Placement / Recruiting) business. Moreover, Global Sourcing (Overseas) activities were firm owing to increased efforts by Japan's corporate sector to enter overseas markets.
- In the Expert Services (Temporary Staffing) business, despite the underlying strength provided by new orders, anxieties with respect to the future led to a drop in demand causing the number of long-term temporary staff to stagnate. As a result, revenue declined year on year.
- SG&A expenses increased slightly in line with the recovery in net sales. Consolidated operating income and ordinary income, however, significantly rose 35.7% and 28.2% year on year, to ¥724 million and ¥744 million, respectively.
- Net income of ¥75 million, significantly improved compared with the net loss in the previous corresponding period.

### 1. Consolidated Business Results

(Millions of yen unless otherwise stated)

	H1 FY2010	H1 FY2011	Increase / (Decrease)	YoY
<b>Net sales</b>	88,994	<b>90,880</b>	1,886	2.1%
Gross profit	16,174	<b>16,647</b>	473	2.9%
to net sales	18.2%	<b>18.3%</b>	0.1pt	
SG&A expenses	15,640	<b>15,922</b>	282	1.8%
to net sales	17.6%	<b>17.5%</b>	(0.1)pt	
<b>Operating income</b>	533	<b>724</b>	190	35.7%
to net sales	0.6%	<b>0.8%</b>	0.2pt	
<b>Ordinary income</b>	580	<b>744</b>	164	28.2%
to net sales	0.7%	<b>0.8%</b>	0.1pt	
Income before income taxes	112	<b>788</b>	675	600.4%
to net sales	0.1%	<b>0.9%</b>	0.8pt	
<b>Net income (loss)</b>	(549)	<b>75</b>	624	-
to net sales	-	<b>0.1%</b>	-	
Net income (loss) per share (Yen)	(1,466.29)	<b>200.28</b>	1,666.57	-

\*All YoY percentage figures in this document are year-on-year increases/decreases.

## Overview of Business Results

- Consolidated net sales climbed by 2.1% year on year to ¥90,880 million.
- The increase in revenues attributable to growth in the Insourcing as well as Place & Search businesses led to an increase in consolidated gross profit of 2.9% year on year to ¥16,647 million.
- SG&A expenses increased slightly in line with the recovery in net sales by 1.8% year on year to ¥15,922 million.
- Consolidated operating income increased by 35.7% year on year to ¥724 million and consolidated ordinary income climbed by 28.2% year on year to ¥744 million.
- Consolidated net income improved to ¥75 million compared with the net loss of ¥549 million incurred in H1 FY2010. In addition to the upswing in profit, this positive turnaround reflected the absence of asset retirement obligations recorded as an extraordinary loss in FY2010.

## 2. Segment Information (Figures include intersegment sales)

	(Millions of yen)			
	Net sales	YoY	Operating income	YoY
<b>HR Solutions</b>	90,432	2.3%	2,408	28.7%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	78,477	2.9%	1,049	60.6%
Expert Services (Temporary staffing) Insourcing (Contracting) HR Consulting	76,160	2.3%	1,049	60.6%
Place & Search (Placement / Recruiting)	1,244	57.8%		
Global Sourcing (Overseas)	1,072	7.1%		
Outplacement	4,886	(4.2)%	593	1.3%
Outsourcing	7,067	0.0%	765	21.1%
<b>Life Solutions Public Solutions Shared</b>	1,830	3.2%	47	(35.6)%
Eliminations and Corporate	(1,381)	-	(1,731)	-
Total	90,880	2.1%	724	35.7%

\*Following percentage figures in parentheses are year-on-year increases/decreases.

### HR Solutions

#### Expert Services (Temporary staffing), Insourcing (Contracting), Others

**Net sales:** ¥78,477 million (+2.9%); **Operating income:** ¥1,049 million (+60.6%)

#### [Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting]

**Net sales:** ¥76,160 million (+2.3%)

#### **Expert Services (Temporary staffing)**

- Despite the underlying strength provided by new orders mainly from the service and manufacturing sectors, this decline was largely attributable to anxieties with respect to the future due to concerns surrounding a downturn in the economy, persistent appreciation in the value of the yen and uncertainties regarding revisions to the Worker Dispatch Law. Moreover, these factors led to a drop in demand causing the number of long-term temporary staff to stagnate.
- By job type, the Group was successful particularly in secretarial and other specialist fields in which the Group aims to foster staffs through intensive training. The rate of decline was also contained in the technical and IT engineering fields. Despite these positive factors, sales in the Expert Services business dropped by 7.2% year on year to ¥61,719 million.

Note: For the monthly average number of long-term temporary staff and sales by staffing type data, please refer to page 6.

### **Insourcing** (Contracting)

- Contracts continued to increase in businesses related to career support for the young age group of regional public authorities and emergency employment-related areas including job assistance for those who suffered as a result of the earthquake disaster.
- Higher commissioning activities in such fields as administration and general affairs from government and other public offices as well as regional public authorities are recorded.
- Utilizing its accumulated know-how, the Company also continued to push forward proposals to the corporate sector. Taking the aforementioned factors into consideration, sales climbed by 97.5% year on year to ¥13,486 million.

### **[Place & Search** (Placement / Recruiting)]

**Net sales:** ¥1,244 million (+57.8%)

- Hiring activity was increasingly robust in highly specialized human resource fields. This included opportunities in the IT and other specialist technical fields as well as job offers that reflect the corporate sectors emphasis on overseas business development. As a result, net sales climbed substantially.

### **[Global Sourcing** (Overseas)]

**Net sales:** ¥ 1,072 million (+7.1%)

- With Japan's corporate sector increasingly shifting operations overseas, Japanese companies have continued to expand their recruitment activities with a particular focus on Asia including India and China.
- As a result of strengthening full line support services, Temporary staffing services were also firm.
- In October 2011, the Pasona Group opened its fifth branch office in India in the city of Gurgaon. This initiative forms a part of the Group's ongoing efforts to develop an increasingly robust structure that is capable of global support to the human resource strategies of the corporate sector.

### **[Profit perspective for the above segments]**

- Operating income for the above segments increased by 60.6% year on year. This was largely attributable to the increase in revenue in each of the Insourcing and Place & Search businesses.

### **Outplacement**

**Net sales:** ¥4,886 million (-4.2%); **Operating income:** ¥593 million (+1.3%)

- While new orders declined in a year-on-year basis, signs of a pickup in contracts that had been temporarily postponed after the earthquake disaster began to emerge. In addition, such factors as outplacement demand reflecting corporate sector activities including the shift of operations overseas had a positive impact on results. Taking these factors into consideration, net sales in this segment decreased year on year.
- From a profit perspective, progress in securing a quick and definitive turnaround in the placement of job seekers on the back of successful efforts to promote detailed consulting services, coupled with cutbacks in costs including the appropriate allocation of personnel, led to a slight increase in operating income.

### **Outsourcing**

**Net sales:** ¥7,067 million (+0.0%); **Operating income:** ¥765 million (+21.1%)

- Took steps to promote customers' solution-oriented marketing to its corporate member customers including major companies as well as government and other public offices, while placing considerable weight on increasing and upgrading its menu of employee benefit services that help to realize work and lifestyle balance.
- In the context of the customer relationship management (CRM) business, which entails the provision of services aimed at enhancing the satisfaction of corporate clients' customers, considerable emphasis is being placed on new services such as the Personal business which derives revenues directly from corporate clients' customers.

### Life Solutions, Public Solutions, Shared

Net sales: ¥1,830 million (+3.2%); Operating income: ¥47 million (-35.6%)

- In child-care-related activities in the Life Solutions business, revenues increased due to an upswing in demand for commissioned temporary childcare facility services in line with a variety of efforts including the conservation of electric power. Costs, on the other hand, climbed due to anticipatory investments aimed at expanding operations. As a result, operating income decreased.

## 3. Status of Financial Position and Investments

### Changes in Consolidated Financial Position

(Millions of yen)

	May 31, 2011	November 30, 2011	Increase / (Decrease)	YoY	Causes for difference
Current assets	44,368	41,247	(3,121)	(7.0)%	The decrease in total assets reflected a decline of ¥5,023 million in the balance of cash and deposits. There was, however, a brief increase in accounts receivable - trade of ¥2,239 million attributable to the upswing in commissioned activities in the Insourcing business.
Noncurrent assets	16,195	16,233	37	0.2%	
Total assets	60,564	57,480	(3,083)	(5.1)%	
Current liabilities	25,329	23,924	(1,405)	(5.5)%	The principal decreases in total liabilities were accounts payable - trade of ¥555 million, long-term loans payable of ¥793 million and income taxes payable of ¥427 million.
Noncurrent liabilities	9,592	8,260	(1,332)	(13.9)%	
Total liabilities	34,922	32,184	(2,737)	(7.8)%	
Total net assets	25,642	25,295	(346)	(1.4)%	The difference was mainly attributable to the net income of ¥75 million and the payment of cash dividends totaling ¥374 million.
Equity ratio	34.7%	36.0%	1.3pt		

### Status of Consolidated Cash Flows

Cash and cash equivalents as of November 30, 2011 decreased ¥5,040 million compared with the end of the previous fiscal year to ¥17,523 million.

(Millions of yen)

	H1 FY2010	H1 FY2011	Increase / (Decrease)	Major cash flows in each activity
CF from operating activities	634	(1,557)	(2,191)	Major cash inflows were income before income taxes of ¥788 million as well as depreciation and amortization of ¥1,014 million. Principal cash outflows included income taxes paid of ¥859 million as well as the brief increase in notes and accounts receivable - trade of ¥2,255 million attributable to the upswing in commissioned activities in the Insourcing business.
CF from investing activities	(716)	(1,344)	(628)	Major cash outflows were purchase of intangible assets of ¥488 million and payments for transfer of business of ¥410 million.
CF from financing activities	4,711	(2,077)	(6,788)	Principal cash outflows were repayment of long-term loans payable totaling ¥793 million and cash dividends paid totaling ¥655 million.
Free CF	(81)	(2,902)	(2,820)	

#### 4. Consolidated Forecast of Business Results for FY2011

Pasona Group has made no changes to the forecasts of consolidated business results for FY2011 previously disclosed on July 20, 2011.

Turning to employment conditions over the short term, there are indications of an improvement in the willingness to recruit human resources by a portion of the corporate sector. Against the backdrop of such factors as the prolonged appreciation in the value of the yen and a slowdown in the global economy, however, there are concerns surrounding export trends, which had driven the Japanese economy, as well as the potential for a resultant negative impact on employment. While continued cutbacks in demand are forecast in the Expert Services (Temporary Staffing) business, the Pasona Group plans to further expand business by placing particular weight on efforts aimed at expanding and strengthening proposals in the Insourcing (Contracting) business.

##### Consolidated Business Results Forecasts

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
<b>FY2011 Forecast</b>	<b>183,000</b>	<b>2,850</b>	<b>2,900</b>	<b>650</b>	<b>1,735.64</b>
FY2010 Results	178,806	2,432	2,571	412	1,101.88
YoY	2.3%	17.1%	12.8%	57.5%	-

##### Consolidated Business Results Forecasts by segment (Figures include intersegment sales)

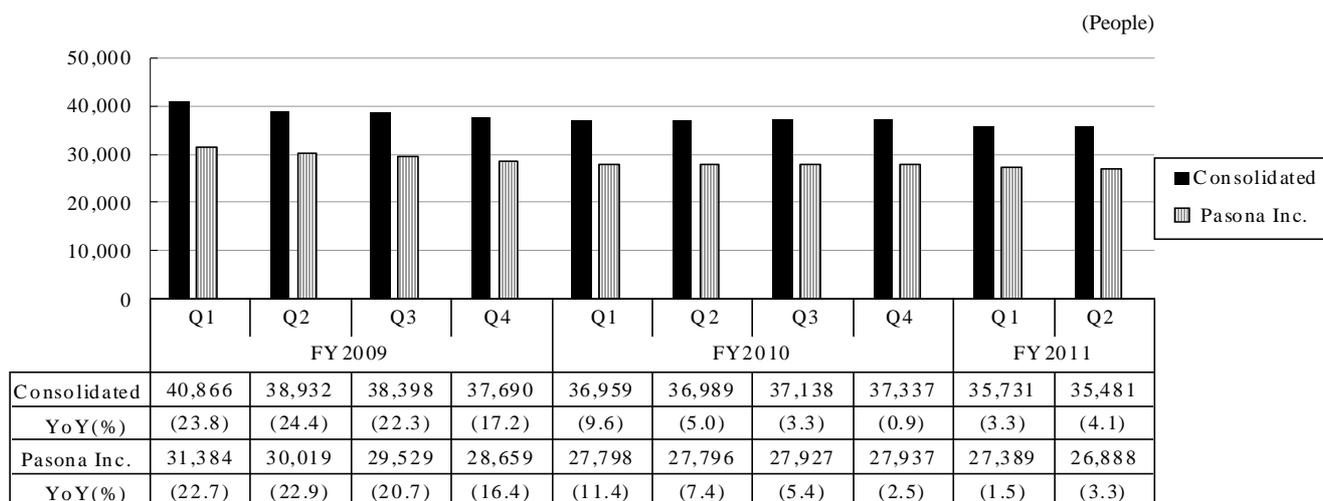
(Millions of yen)

	Net sales	YoY	Operating income	YoY
<b>HR Solutions</b>	182,000	2.5%	6,170	18.2%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	156,850	2.4%	2,670	34.8%
Expert Services (Temporary staffing) Insourcing (Contracting) HR Consulting	152,100	1.9%	2,670	34.8%
Place & Search (Placement / Recruiting)	2,600	41.8%		
Global Sourcing (Overseas)	2,150	5.8%		
Outplacement	9,500	(3.1)%	830	(17.9)%
Outsourcing	15,650	6.5%	2,670	19.9%
<b>Life Solutions Public Solutions Shared</b>	3,700	3.8%	30	(77.7)%
Eliminations and Corporate	(2,700)	-	(3,350)	-
<b>Total</b>	<b>183,000</b>	<b>2.3%</b>	<b>2,850</b>	<b>17.1%</b>

## 5. Reference Data

### Monthly Average of Long-term Temporary Staff

(Average per quarter of long-term temporary staff with a contract over one month)



### Expert Services (Temporary staffing) Consolidated Sales by Staffing Type \*Excludes intersegment sales

(Millions of yen)

	(Reference) H1 FY2010 Net Sales	H1 FY2011		(Reference) vs H1 FY2010	
		Net Sales	Share	Increase / (Decrease)	YoY
Clerical	38,347	<b>34,949</b>	56.7%	(3,397)	(8.9)%
Technical	12,936	<b>12,436</b>	20.2%	(500)	(3.9)%
IT engineering	8,019	<b>7,884</b>	12.8%	(135)	(1.7)%
Sales and Marketing	4,098	<b>3,905</b>	6.3%	(192)	(4.7)%
Other Expert Services	2,981	<b>2,431</b>	4.0%	(549)	(18.4)%
Total	66,383	<b>61,607</b>	100.0%	(4,776)	(7.2)%

Note: Figures for H1 FY2010 are adjusted in accordance with the current segments for reference.

### Quarterly Earnings Trends

(Millions of yen)

	FY2010				FY2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	44,574	44,419	43,669	46,142	45,901	<b>44,979</b>		
YoY	(5.5)%	(1.1)%	(0.7)%	(2.8)%	3.0%	<b>1.3%</b>		
Cost of sales	36,432	36,388	35,288	37,138	37,412	<b>36,821</b>		
YoY	(4.9)%	0.9%	1.1%	(0.9)%	2.7%	<b>1.2%</b>		
Gross profit	8,142	8,031	8,381	9,003	8,488	<b>8,158</b>		
YoY	(7.8)%	(9.3)%	(7.5)%	(9.8)%	4.3%	<b>1.6%</b>		
SG&A expenses	7,831	7,811	7,630	7,857	7,886	<b>8,035</b>		
YoY	(12.7)%	(0.1)%	(1.8)%	(7.7)%	0.7%	<b>2.9%</b>		
Operating income	310	220	750	1,145	601	<b>122</b>		
YoY	-	(78.8)%	(41.8)%	(21.8)%	93.9%	<b>(44.4)%</b>		
Ordinary income	319	258	747	1,240	560	<b>184</b>		
YoY	-	(75.4)%	(49.1)%	(24.4)%	75.4%	<b>(28.7)%</b>		
Income (loss) before income taxes	(134)	247	788	1,595	553	<b>234</b>		
YoY	-	(76.1)%	(42.8)%	1.2%	-	<b>(5.1)%</b>		
Net income (loss)	(471)	(77)	214	747	111	<b>(36)</b>		
YoY	-	-	(26.8)%	(53.5)%	-	-		

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