

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2011 (June 1, 2011 to May 31, 2012)
First Half Ended November 30, 2011

Listing Stock exchange: The First Section of the Tokyo Stock Exchange
 Securities code number: 2168
 URL: <http://www.pasonagroup.co.jp/>
 Representative: Yasuyuki Nambu, Group CEO and President
 For further information contact: Yuko Nakase, Managing Director and CFO
 Tel. +81-3-6734-0200

Scheduled payment date of cash dividends: —
 Scheduled filing date of quarterly report: January 13, 2012
 Supplementary materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(All amounts are in millions of yen rounded down unless otherwise stated)

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)	
	Yen	%	Yen	%	Yen	%	Yen	%
First Half ended November 30, 2011	90,880	2.1	724	35.7	744	28.2	75	—
First Half ended November 30, 2010	88,994	(3.3)	533	(41.0)	580	(37.7)	(549)	—

(Note) Comprehensive income H1 FY2011: ¥306 million H1 FY2010: ¥(231) million

	Net Income (Loss)	Diluted Net Income
	per Share	per Share
First Half ended November 30, 2011	200.28	199.63
First Half ended November 30, 2010	(1,466.29)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
November 30, 2011	57,480	25,295	36.0
May 31, 2011	60,564	25,642	34.7

(Reference) Equity As of November 30, 2011: ¥20,698 million As of May 31, 2011: ¥21,004 million

2. DIVIDENDS

Record Date	Dividends per Share				Total
	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	
FY2010	—	0.00	—	1,000.00	1,000.00
FY2011	—	0.00	—	—	—
FY2011 (Forecast)	—	—	—	1,200.00	1,200.00

(Note) Revision to dividend forecast in the current quarter: None

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2012

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Shares
	Yen	%	Yen	%	Yen	%	Yen	%	Yen
Full Fiscal Year	183,000	2.3	2,850	17.1	2,900	12.8	650	57.5	1,735.64

(Note) Revision to forecast of results in the current quarter: None

4. OTHERS

- (1) Changes in important subsidiaries during the current period : None
(Changes in specified subsidiaries that caused changes in the scope of consolidation)
- (2) Application of the special accounting practices in the preparation of quarterly consolidated financial statements:
None
- (3) Changes of accounting principles, changes in accounting estimates and retrospective restatement
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: None
 - 2) Changes of accounting principles other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued and outstanding (Common shares)
 - 1) The number of shares issued and outstanding as of the period-end (including treasury stock)
November 30, 2011: 416,903 shares May 31, 2011: 416,903 shares
 - 2) The number of treasury stock as of the period-end
November 30, 2011: 42,401 shares May 31, 2011: 42,401 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
First Half ended November 30, 2011: 374,502 shares
First Half ended November 30, 2010: 374,502 shares

Information regarding the implementation of quarterly review procedures

As This Quarterly Consolidated Financial Report is not subject to the review procedures prescribed under the Financial Instruments and Exchange Act. As of the date of disclosure of this report, a review of the quarterly financial statements has been completed in accordance with the Financial Instruments and Exchange Act.

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to “Qualitative Information Concerning Consolidated Forecasts” on page 8 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2012.

Method to obtain supplementary materials for quarterly financial results

Pasona Group Inc. intends to hold a financial results meeting in Tokyo on January 16, 2012 for the benefit of analysts and institutional investors. Presentation materials will be posted on our website after the meeting in a timely manner.

Consolidated Financial Report

H1 FY2011

First Half Ended November 30, 2011

INDEX

1. Qualitative Information Concerning Quarterly Consolidated Business Results	
(1) Qualitative Information Concerning Consolidated Business Results	· · p. 4
(2) Qualitative Information Concerning Consolidated Financial Position	· · p. 7
(3) Qualitative Information Concerning Consolidated Forecasts	· · p. 8
2. Consolidated Financial Statements	
(1) Quarterly Consolidated Balance Sheets	· · p. 9
(2) Quarterly Consolidated Statements of Income	· · p.11
(3) Quarterly Consolidated Statements of Comprehensive Income	· · p.12
(4) Quarterly Consolidated Statements of Cash Flows	· · p.13
(5) Notes to Going Concern Assumption	· · p.15
(6) Segment Information	· · p.15
(7) Notes on Significant Changes in the Amount of Shareholders' Equity	· · p.16
(8) Important Subsequent Events	· · p.16

1. Qualitative Information Concerning Quarterly Consolidated Business Results

(1) Qualitative Information Concerning Consolidated Business Results

In the first half of the fiscal year ending May 31, 2012, the six-month period from June 1, 2011 to November 30, 2011 (“H1 FY2011”), a strong sense of uncertainty continued to cloud the future of the Japanese economy. Despite signs of a partial recovery due mainly to reconstruction demand following the earthquake disaster, this uncertainty was largely attributable to the slowdown of overseas economies reflecting turmoil in global financial markets, prolonged appreciation in the value of the yen and the impact of flood damage in Thailand. Turning to employment conditions in Japan, improvements in the effective ratio of job offers to applicants were offset by unemployment rates which continued to hover at a high level. Coupled with other factors including the ongoing shift of operations overseas by Japan’s corporate sector in the aftermath of the earthquake disaster, the period under review was left with lingering anxieties surrounding the hollowing out of domestic employment conditions.

Under these circumstances, the Pasona Group expanded its overall Insourcing (Contracting) business. In addition to growth in businesses related to career support for the young age group of regional public authorities, this expansion was attributable to the upswing in emergency employment-related commissioned businesses including job assistance for those who suffered as a result of the earthquake disaster as well as progress in the promotion of proposals to the corporate sector. In addition, increasingly intense hiring activity mainly in specialist fields including the IT and medical 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 contrast, Pasona Group reported a drop in revenue compared with the corresponding period of the previous fiscal year (“year on year”) in its Expert Services (Temporary Staffing) business. 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.

As a result of the aforementioned factors, consolidated net sales in H1 FY2011 climbed by 2.1% year on year to ¥90,880 million.

From a profit perspective, 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. Despite a slight increase in selling, general and administrative (SG&A) expenses in line with the upswing in revenues, consolidated operating income and ordinary income rose 35.7% and 28.2% year on year, to ¥724 million and ¥744million, respectively.

During the period under review, Pasona Group recorded consolidated net income of ¥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 the previous fiscal year.

Consolidated Business Results

	H1 FY2010	H1 FY2011	YoY
Net sales	88,994	90,880	2.1%
Operating income	533	724	35.7%
Ordinary income	580	744	28.2%
Net income (loss)	(549)	75	—

Segment Information (Figures include intersegment sales)

HR Solutions

▷ **Expert Services** (Temporary staffing), **Insourcing** (Contracting), Others

Net Sales: ¥78,477 million; **Operating Income:** ¥1,049 million

▶ **Expert Services, Insourcing, HR Consulting**

Net Sales: ¥76,160 million

In the Group's Expert Services business, which mainly encompasses general office work, sales contracted year on year. 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.

In the Company's priority Insourcing business, 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. In addition, the Company recorded higher commissioning activities in such fields as administration and general affairs from government and other public offices as well as regional public authorities. Utilizing its accumulated know-how, the Company also continued to push forward proposals to the corporate sector. Taking the aforementioned factors into consideration, sales in the Insourcing business climbed by 97.5% year on year to ¥13,486 million.

For H1 FY2011, collective sales in the Expert Services, Insourcing, and HR Consulting businesses increased by 2.3% year on year to ¥76,160 million.

▶ **Place & Search** (Placement / Recruiting)

Net Sales: ¥1,244 million

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 in the Place & Search business climbed substantially by 57.8% year on year to ¥1,244 million.

▶ **Global Sourcing** (Overseas)

Net Sales: ¥1,072 million

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. At the same time, Pasona Group worked diligently to strengthen its full line of support services. As a result, the Company's Temporary staffing business activities increased steadily. 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. Accounting for the aforementioned, net sales in the Global Sourcing segment increased by 7.1% year on year to ¥1,072 million.

On the earnings front, segment operating income increased by 60.6% year on year to ¥1,049 million. This was largely attributable to the increase in revenue in each of the Insourcing and Place & Search businesses.

▷ **Outplacement**

Net Sales: ¥4,886 million; **Operating income:** ¥593 million

While new orders continued to decline 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 by 4.2% year on year to ¥4,886 million. 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 an increase in operating income by 1.3% year on year to ¥593 million.

▷ **Outsourcing**

Net Sales: ¥7,067 million; **Operating income:** ¥765 million

Benefit One Inc., a Pasona Group subsidiary company engaged in the provision of employee fringe benefit outsourcing services, continues 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 addition, and 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. As a result, net sales in the Outsourcing segment edged up slightly by 0.0% year on year to ¥7,067 million while operating income climbed by 21.1% year on year to ¥765 million.

Life Solutions, Public Solutions, Shared

Net Sales: ¥1,830 million; **Operating income:** ¥47 million

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.

Based on the aforementioned, net sales increased by 3.2% year on year to ¥1,830 million. Operating income, on the other hand, declined by 35.6% year on year to ¥47 million.

Consolidated Net Sales by Segment

	(Millions of yen)		
	H1 FY2010	H1 FY2011	YoY
<i>HR Solutions</i>	88,428	90,432	2.3%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	76,260	78,477	2.9%
Expert Services (Temporary staffing) Insourcing (Contracting) HR Consulting	74,470	76,160	2.3%
Place & Search (Placement / Recruiting)	788	1,244	57.8%
Global Sourcing (Overseas)	1,000	1,072	7.1%
Outplacement	5,103	4,886	(4.2)%
Outsourcing	7,064	7,067	0.0%
<i>Life Solutions Public Solutions Shared</i>	1,774	1,830	3.2%
Eliminations and Corporate	(1,207)	(1,381)	—
Total	88,994	90,880	2.1%

Consolidated Operating Income by Segment

(Millions of yen)

	H1 FY2010	H1 FY2011	YoY
<i>HR Solutions</i>	1,871	2,408	28.7%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	653	1,049	60.6%
Expert Services (Temporary staffing) Insourcing (Contracting) HR Consulting	653	1,049	60.6%
Place & Search (Placement / Recruiting)			
Global Sourcing (Overseas)			
Outplacement	586	593	1.3%
Outsourcing	632	765	21.1%
<i>Life Solutions</i>			
<i>Public Solutions</i>	73	47	(35.6)%
<i>Shared</i>			
Eliminations and Corporate	(1,411)	(1,731)	—
Total	533	724	35.7%

(2) Qualitative Information Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

1) Assets

Total assets as of November 30, 2011 stood at ¥57,480 million, a decrease of ¥3,083 million or 5.1%, compared with May 31, 2011. 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 (Contracting) business.

2) Liabilities

Total liabilities as of November 30, 2011 decreased ¥2,737 million or 7.8%, compared with May 31, 2011 totaling ¥32,184 million. 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.

3) Net Assets

Net assets as of November 30, 2011 stood at ¥25,295 million, a decline of ¥346 million or 1.4%, compared with May 31, 2011. The difference was mainly attributable to the net income of ¥75 million and the payment of cash dividends totaling ¥374 million.

Accounting for the aforementioned, the equity ratio as of November 30, 2011 increased 1.3 percentage points to 36.0% compared with May 31, 2011.

Status of Cash Flows

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

1) Cash Flows from Operating Activities

Net cash used in operating activities for H1 FY2011 amounted to ¥1,557 million (net cash provided by operating activities for H1 FY2010 was ¥634 million). This was mainly attributable to income before income taxes of ¥788 million (¥112 million for H1 FY2010), depreciation and amortization of ¥1,014 million (¥1,075 million for H1 FY2010), income taxes paid of ¥859 million (¥337 million for H1 FY2010) 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 (Contracting) business (¥23 million for H1 FY2010).

2) Cash Flows from Investing Activities

Net cash used in investing activities for the period under review was ¥1,344 million (net cash used in investing activities for H1 FY2010 was ¥716 million). The major components included purchase of intangible assets totaling ¥488 million (¥239 million for H1 FY2010) and payments for transfer of business amounted to ¥410 million.

3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥2,077 million (net cash provided by financing activities for H1 FY2010 was ¥4,711 million). Principal cash outflows were repayment of long-term loans payable totaling ¥793 million (¥569 million for H1 FY2010) and cash dividends paid amounted to ¥655 million (¥453 million for H1 FY2010).

(3) Qualitative Information Concerning Consolidated Forecasts

Pasona Group has made no changes to the forecasts of consolidated business results for the full fiscal year ending May 31, 2012 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.

2. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2011	As of November 30, 2011
ASSETS		
Current assets		
Cash and deposits	22,628	17,604
Notes and accounts receivable—trade	18,356	20,596
Other	3,438	3,096
Allowance for doubtful accounts	(54)	(49)
Total current assets	44,368	41,247
Noncurrent assets		
Property, plant and equipment	6,634	6,437
Intangible assets		
Goodwill	514	767
Other	2,805	2,460
Total intangible assets	3,320	3,227
Investments and other assets		
Other	6,595	6,922
Allowance for doubtful accounts	(13)	(13)
Allowance for investment loss	(341)	(341)
Total investments and other assets	6,240	6,568
Total noncurrent assets	16,195	16,233
Total assets	60,564	57,480

	As of May 31, 2011	As of November 30, 2011
LIABILITIES		
Current liabilities		
Accounts payable—trade	1,585	1,030
Short-term loans payable	2,075	2,050
Current portion of bonds	128	110
Accrued expenses	10,777	10,813
Income taxes payable	987	560
Provision for bonuses	1,479	1,568
Provision for directors' bonuses	7	3
Asset retirement obligations	4	4
Other	8,283	7,782
Total current liabilities	25,329	23,924
Noncurrent liabilities		
Long-term loans payable	5,269	4,475
Provision for retirement benefits	910	804
Asset retirement obligations	722	723
Other	2,690	2,256
Total noncurrent liabilities	9,592	8,260
Total liabilities	34,922	32,184
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,054	6,054
Retained earnings	13,425	13,126
Treasury stock	(3,493)	(3,493)
Total shareholders' equity	20,986	20,687
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	135	203
Foreign currency translation adjustment	(117)	(193)
Total accumulated other comprehensive income	17	10
Minority interests	4,637	4,597
Total net assets	25,642	25,295
Total liabilities and net assets	60,564	57,480

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	H1 FY2010	H1 FY2011
Net sales	88,994	90,880
Cost of sales	72,820	74,233
Gross profit	16,174	16,647
Selling, general and administrative expenses	15,640	15,922
Operating income	533	724
Non-operating income		
Interest income	6	6
Equity in earnings of affiliates	17	15
Subsidy	81	75
Insurance premiums refunded cancellation	42	—
Other	66	70
Total non-operating income	214	167
Non-operating expenses		
Interest expenses	86	76
Commitment fee	31	31
Other	49	38
Total non-operating expenses	167	146
Ordinary income	580	744
Extraordinary income		
Gain on sales of investment securities	1	—
Gain on change in equity	3	—
Reversal of allowance for doubtful accounts	2	—
Other reversal of provision	25	—
Gain on donation of noncurrent assets	—	58
Total extraordinary income	34	58
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	16	12
Loss on sales of investment securities	1	—
Loss on valuation of investment securities	4	—
Loss on change in equity	—	2
Loss on adjustment for changes of accounting standard for asset retirement obligations	480	—
Total extraordinary loss	502	15
Income before income taxes	112	788
Income taxes—current	503	483
Income taxes—deferred	(51)	(14)
Income taxes	451	468
Income (loss) before minority interests	(339)	319
Minority interests in income	209	244
Net income (loss)	(549)	75

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	H1 FY2010	H1 FY2011
Income (loss) before minority interests	(339)	319
Other comprehensive income		
Valuation difference on available-for-sale securities	157	67
Foreign currency translation adjustment	(49)	(80)
Total other comprehensive income	107	(13)
Comprehensive income	(231)	306
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(436)	68
Comprehensive income attributable to minority interests	205	238

(4) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	H1 FY2010	H1 FY2011
Cash flows from operating activities		
Income before income taxes	112	788
Depreciation and amortization	1,075	1,014
Loss on adjustment for changes of accounting standard for asset retirement obligations	480	—
Amortization of goodwill	170	159
Increase (decrease) in allowance for doubtful accounts	(6)	(4)
Increase (decrease) in provision for bonuses	(89)	90
Increase (decrease) in provision for directors' bonuses	(0)	(2)
Increase (decrease) in provision for retirement benefits	(47)	(102)
Interest and dividends income	(12)	(19)
Interest expenses	86	76
Subsidy income	(81)	(75)
Insurance premiums refunded cancellation	(42)	—
Equity in (earnings) losses of affiliates	(17)	(15)
Loss (gain) on change in equity	(3)	2
Loss (gain) on sales and retirement of noncurrent assets	16	12
Gain on donation of noncurrent assets	—	(58)
Loss (gain) on sales of investment securities	(0)	—
Loss (gain) on valuation of investment securities	4	—
Decrease (increase) in notes and accounts receivable — trade	23	(2,255)
Increase (decrease) in operating debt	(1,178)	(733)
Other	324	324
Subtotal	814	(798)
Interest and dividends income received	16	26
Interest expenses paid	(87)	(78)
Proceeds from subsidy	186	152
Insurance premiums refunded cancellation received	42	—
Income taxes paid	(337)	(859)
Net cash provided by (used in) operating activities	634	(1,557)

	H1 FY2010	H1 FY2011
Cash flows from investment activities		
Purchase of property, plant and equipment	(153)	(227)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(239)	(488)
Purchase of investment securities	(779)	(28)
Payments for lease and guarantee deposits	(57)	(260)
Proceeds from collection of lease and guarantee deposits	253	83
Payments for transfer of business	—	(410)
Other	259	(13)
Net cash used in investment activities	(716)	(1,344)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(24)	(24)
Proceeds from long-term loans payable	5,946	—
Repayment of long-term loans payable	(569)	(793)
Redemption of bonds	(18)	(18)
Cash dividends paid	(186)	(373)
Cash dividends paid to minority shareholders	(267)	(282)
Other	(170)	(586)
Net cash provided by (used in) financing activities	4,711	(2,077)
Effect of exchange rate change on cash and cash equivalents	(48)	(61)
Net increase (decrease) in cash and cash equivalents	4,581	(5,040)
Cash and cash equivalents at the beginning of the period	12,324	22,563
Cash and cash equivalents at the end of the period	16,905	17,523

(5) Notes to Going Concern Assumption

Not applicable

(6) Segment Information

Information regarding net sales and segment income (loss) by reporting segment

First Half ended November 30, 2010

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment (Note 3)	Figures in consolidated statements of income (Note 4)
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Outplacement	Outsourcing					
Net sales								
(1) Sales to outside customers	75,829	5,103	6,953	87,885	775	88,660	333	88,994
(2) Intersegment sales and transfers	431	—	111	542	999	1,541	(1,541)	—
Total	76,260	5,103	7,064	88,428	1,774	90,202	(1,207)	88,994
Operating income	653	586	632	1,871	73	1,945	(1,411)	533

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, Place & Search (Placement / Recruiting) and Global Sourcing (Overseas).
2. The “Others” segment is not included in reporting segments, and includes Life Solutions, Public Solutions, as well as Shared operations.
3. Adjustment is as follows: Operating loss of ¥1,411 million includes the elimination of intersegment transactions of ¥7 million, corporate earnings of ¥334 million and corporate expenses of ¥1,753 million. Corporate earnings and expenses are not allocated to reporting segments. Corporate earnings are mainly comprised of sales relating to operations commissioned from government and other public offices. Corporate expenses primarily consist of Group management costs relating to the Company.
4. Segment income is adjusted with operating income under consolidated statements of income.

First Half ended November 30, 2011

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment (Note 3)	Figures in consolidated statements of income (Note 4)
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Outplacement	Outsourcing					
Net sales								
(1) Sales to outside customers	78,297	4,881	6,953	90,133	747	90,880	—	90,880
(2) Intersegment sales and transfers	180	4	113	298	1,083	1,381	(1,381)	—
Total	78,477	4,886	7,067	90,432	1,830	92,262	(1,381)	90,880
Operating income	1,049	593	765	2,408	47	2,455	(1,731)	724

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, Place & Search (Placement / Recruiting) and Global Sourcing (Overseas).
2. The “Others” segment is not included in reporting segments, and includes Life Solutions, Public Solutions, and Shared operations.
3. Adjustment is as follows: Operating loss of ¥1,731 million includes the elimination of intersegment transactions of ¥3 million and corporate expenses of ¥1,735 million. Corporate expenses primarily consist of Group management costs relating to the Company, are not allocated to reporting segments.
4. Segment income is adjusted with operating income under consolidated statements of income.

(7) Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable

(8) Important Subsequent Events

Q2 FY2010 (September 1, 2010 to November 30, 2010)	Q2 FY2011 (September 1, 2011 to November 30, 2011)
—	(Company and other purchases through the acquisition of shares) In accordance with a resolution of the Board of Directors at a meeting held on January 6, 2012, Pasona Group resolved to acquire an 85.51% equity interest in CAPLAN Corporation (hereafter “CAPLAN”), a Group company of ITOCHU Corporation (hereafter “ITOCHU”). Following completion of the acquisition, CAPLAN will be included in the Company’s scope of consolidation as a subsidiary. In addition, stock purchase agreement was executed on the same day.

Q2 FY2010 (September 1, 2010 to November 30, 2010)	Q2 FY2011 (September 1, 2011 to November 30, 2011)												
	<p>1. Objective of the share acquisition CAPLAN provides comprehensive human resources services to a wide customer base. In addition to ITOCHU Corporation as well as the Japan Airlines Co., Ltd. (hereafter “JAL”) group, clients include major corporations operating in the general trading, manufacturing, logistics and related sectors. Building on its in-house strengths in trading company-related activities, CAPLAN is also well versed in a number of specialist fields including for example aviation and travel operations. The company provides communication manner and business etiquette training that draws on its long-standing knowledge and experience in aviation businesses while also supporting career development activities.</p> <p>Against this backdrop, the acquisition of CAPLAN shares will not only enable the Company to broaden its customer base and bolster its temporary staffing capabilities in technical fields, but also to offer human resource solutions that utilize IT, enhance synergy effects with respect to education and training, diversify its training menu and improve the quality of its services. Through these and other means, Pasona Group will strive for further growth.</p> <p>2. Seller of CAPLAN shares: ITOCHU Corporation Up to the scheduled date of share transfer, ITOCHU will acquire the 33.40% equity share that JAL currently holds in CAPLAN. Plans are in place for Pasona Group to acquire this equity share as well as the 52.11% equity share in CAPLAN already held by ITOCHU for a total equity share of 85.51%.</p> <p>3. Name, business activities and size of company to be purchased (1) Company name: CAPLAN Corporation (2) Business activities : Temporary staffing, outsourcing services, placement and recruiting, training and human resources development services (3) Non-consolidated Results and Financial Condition for the fiscal year ended March 31, 2011:</p> <table border="1" data-bbox="798 1377 1401 1601"> <tbody> <tr> <td>Total Shareholders' Equity</td> <td>¥372 million</td> </tr> <tr> <td>Total Assets</td> <td>¥2,112 million</td> </tr> <tr> <td>Net Sales</td> <td>¥15,190 million</td> </tr> <tr> <td>Operating Income</td> <td>¥305 million</td> </tr> <tr> <td>Ordinary Income</td> <td>¥308 million</td> </tr> <tr> <td>Net Income</td> <td>¥64 million</td> </tr> </tbody> </table> <p>Note: Above figures based on CAPLAN's financial statements are unaudited by Pasona Group's auditor.</p> <p>4. Scheduled date of share transfer: March 26, 2012 (planned)</p> <p>5. Number of shares to be acquired, acquisition amount and shareholding ratio after acquisition (1) Number of shares to be acquired: 5,136 shares (2) Acquisition amount: Up to the scheduled date of share transfer, acquisition amount will be finalized. (3) Shareholding ratio after acquisition: 85.51%</p>	Total Shareholders' Equity	¥372 million	Total Assets	¥2,112 million	Net Sales	¥15,190 million	Operating Income	¥305 million	Ordinary Income	¥308 million	Net Income	¥64 million
Total Shareholders' Equity	¥372 million												
Total Assets	¥2,112 million												
Net Sales	¥15,190 million												
Operating Income	¥305 million												
Ordinary Income	¥308 million												
Net Income	¥64 million												