

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)

FY2015 (June 1, 2015 to May 31, 2016)

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
 Date of the Annual General Meeting of shareholders: August 19, 2016
 Scheduled payment date of cash dividends: August 22, 2016
 Scheduled filing date of the securities report: August 19, 2016
 Supplemental materials prepared for financial results: Yes
 Holding of 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 represent year-on-year increase / (decrease).

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
		%		%		%		%
FY2015	263,728	16.6	3,860	10.6	3,855	15.3	243	13.8
FY2014	226,227	8.4	3,490	8.7	3,343	6.6	214	(59.3)

(Note) Comprehensive income FY2015: ¥397 million(-74.4%) FY2014: ¥1,555 million (0.1%)

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2015	6.62	—	1.2	4.4	1.5
FY2014	5.82	—	1.0	4.1	1.5

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates FY2015: ¥(49) million FY2014: ¥(92) million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2016	85,356	26,735	22.2	515.22
May 31, 2015	88,641	29,620	24.1	579.76

(Reference) Equity As of May 31, 2016: ¥18,958 million As of May 31, 2015: ¥21,333 million

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
FY2015	482	(2,176)	(2,024)	16,441
FY2014	8,587	(4,645)	(2,004)	20,298

2. DIVIDENDS

(Record Date)	Dividends per Share (Yen)					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Annual			
FY2014	—	0.00	—	12.00	12.00	441	206.3%	2.1%
FY2015	—	0.00	—	12.00	12.00	447	181.3%	2.2%
FY2016(Forecast)	—	0.00	—	12.00	12.00		88.3%	

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2017

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

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

	Net Sales		Operating Income		Ordinary Income		Profit (loss) attributable to owners of parent		Net Income (Loss) per Shares
		%		%		%		%	Yen
FY2016 First Half	136,800	7.2	700	(34.7)	600	(38.6)	(700)	—	(19.02)
FY2016 Full Fiscal Year	283,000	7.3	4,300	11.4	4,200	8.9	500	105.1	13.59

4. OTHERS

(1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries due to Changes in the Scope of Consolidation and Application of the Equity Method) : None

(2) Changes of Accounting Principles, Changes in Accounting Estimates and Retrospective Restatement

i. Changes of accounting principles in line with revisions to accounting and other standards: Yes

ii. Changes of accounting principles other than 1) above: None

iii. Changes in accounting estimates: None

iv. Retrospective restatement: None

(Note) For further information, please refer to “Changes in Accounting Policies” in “(6) Notes to Consolidated Financial Statements.”

(3) Number of Shares Issued and Outstanding (Common Shares)

i. The number of shares issued and outstanding as of the period-end (including treasury stock)

May 31, 2016: 41,690,300 shares May 31, 2015: 41,690,300 shares

ii. The number of treasury stock as of the period-end

May 31, 2016: 4,893,138 shares May 31, 2015: 4,893,100 shares

iii. Average number of shares for the period

FY2015: 36,797,167 shares FY2014: 36,818,100 shares

(Note)

Effective from H1 FY2015, the Company has introduced “Employment Stock Ownership Plan (J-ESOP)” and “Board Benefit Trust (BBT)”. The Company’s shares in the J-ESOP and BBT, which are reported as treasury stock under Shareholders’ equity, are not counted toward the average number of shares outstanding for the period for the purpose of computing earnings and net assets per share.

(Reference) NON-CONSOLIDATED BUSINESS RESULTS

FY2015 (June 1, 2015 to May 31, 2016)

(1) Non-Consolidated Financial Results

Percentage figures represent year-on-year increase / (decrease).

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2015	7,383	14.5	968	31.7	735	48.5	578	0.6
FY2014	6,450	12.3	735	59.7	495	66.5	575	1.1

	Net Income per Share		Diluted Net Income per Share	
		Yen		Yen
FY2015		15.73		—
FY2014		15.60		—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2016	44,376	15,077	34.0	409.75
May 31, 2015	48,952	14,940	30.5	406.01

(Reference) Equity as of May 31, 2016: ¥15,077 million As of May 31, 2015: ¥14,940 million

FY2015 Consolidated Financial Report

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Information regarding the implementation of audit procedures

As of the date of disclosure of this report, the audit procedures of the financial statements is being carried out 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.

The Company intends to hold a financial results meeting in Tokyo on July 22, 2016 for the benefit of analysts and institutional investors. Supplementary materials will be posted on our website after the meeting in a timely manner.

Adoption of Consolidated Taxation System

As for FY2014 (June 1, 2014 – May 31, 2015), some of domestic consolidated subsidiaries changed their fiscal year end from March 31 to May 31, following adoption of consolidated taxation system. Therefore, FY2014 business term for these subsidiaries was an irregular period of 14 months.

In Q3 FY2015, Bewith, Inc. became a wholly owned subsidiary of Pasona Group Inc. In accordance with adoption of consolidated taxation system, Bewith, Inc. has been changed its fiscal year end from March 31 to May 31. Therefore, fourteen-month results (April 1, 2015 – May 31, 2016) combined in FY2015.

FY2015 Consolidated Financial Report

(June 1, 2015 - May 31, 2016)

1. Information Concerning Consolidated Business Results

(1) Consolidated Business Results

(Millions of yen)

	FY2014	FY2015	YoY
Net sales	226,227	263,728	16.6%
Operating income	3,490	3,860	10.6%
Ordinary income	3,343	3,855	15.3%
Profit attributable to owners of parent	214	243	13.8%

Segment Information (Figures include intersegment sales)

Effective from Q1 FY2015, the classification of the reporting segments has been revised. Comparison (YoY) is based on the new classification.

Consolidated Net Sales by Segment

(Millions of yen)

	FY2014	FY2015	YoY
HR Solutions	222,824	260,726	17.0%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	186,984	218,231	16.7%
Expert Services (Temporary staffing)	132,621	132,588	(0.0)%
Insourcing (Contracting)	43,985	73,417	66.9%
HR Consulting, Education & Training, Others	5,536	6,044	9.2%
Global Sourcing (Overseas)	4,840	6,180	27.7%
Career Solutions (Placement/Recruiting, Outplacement)	14,196	16,265	14.6%
Outsourcing	21,643	26,229	21.2%
Life Solutions, Public Solutions	5,433	5,618	3.4%
Eliminations and Corporate	(2,030)	(2,617)	-
Total	226,227	263,728	16.6%

Consolidated Operating Income (loss) by Segment

(Millions of yen)

	FY2014	FY2015	YoY
HR Solutions	7,534	9,140	21.3%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	2,485	1,959	(21.2)%
Expert Services (Temporary staffing)	2,485	1,959	(21.2)%
Insourcing (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)			
Career Solutions (Placement/Recruiting, Outplacement)	1,855	2,904	56.5%
Outsourcing	3,193	4,276	33.9%
Life Solutions, Public Solutions	(60)	(477)	-
Eliminations and Corporate	(3,983)	(4,802)	-
Total	3,490	3,860	10.6%

(2) Outlook for the Fiscal Year Ending May 31, 2017

Consolidated Business Results Forecast

(Millions of yen)

	FY2015	FY2016 Forecast	YoY
Net sales	263,728	283,000	7.3%
Operating income	3,860	4,300	11.4%
Ordinary income	3,855	4,200	8.9%
Profit attributable to owners of parent	243	500	105.1%

Segment Information (Figures include intersegment sales)

Forecasts of Sales by Segment

(Millions of yen)

	FY2015	FY2016 Forecast	YoY
HR Solutions	260,726	278,800	6.9%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	218,231	231,880	6.3%
Expert Services (Temporary staffing)	132,588	141,660	6.8%
Insourcing (Contracting)	73,417	76,580	4.3%
HR Consulting, Education & Training, Others	6,044	6,770	12.0%
Global Sourcing (Overseas)	6,180	6,870	11.2%
Career Solutions (Placement / Recruiting, Outplacement)	16,265	16,250	(0.1)%
Outsourcing	26,229	30,670	16.9%
Life Solutions, Public Solutions	5,618	6,370	13.4%
Eliminations and Corporate	(2,617)	(2,170)	—
Total	263,728	283,000	7.3%

Forecasts of Operating Income (Loss) by Segment

(Millions of yen)

	FY2015	FY2016 Forecast	YoY
HR Solutions	9,140	9,560	4.6%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	1,959	2,270	15.9%
Expert Services (Temporary staffing)	1,959	2,270	15.9%
Insourcing (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)			
Career Solutions (Placement / Recruiting, Outplacement)	2,904	2,040	(29.8)%
Outsourcing	4,276	5,250	22.8%
Life Solutions, Public Solutions	(477)	(160)	—
Eliminations and Corporate	(4,802)	(5,100)	—
Total	3,860	4,300	11.4%

(3) Qualitative Information and Other Matters Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

Total assets as of May 31, 2016 stood at ¥85,356 million, a decrease of ¥3,285 million, or 3.7%, compared with the end of the previous fiscal year.

This result was mainly due to cash and deposits decreased by ¥4,347 million, notes and accounts receivable - trade increased by ¥2,456 million, buildings decreased by ¥564 million, goodwill decreased by ¥401 million, customer assets rose by ¥465 million as well as net defined benefit asset decreased by ¥570 million.

(2) Liabilities

Total liabilities as of May 31, 2016 stood at ¥58,621 million, decreased ¥400 million, or 0.7%, compared with the end of the previous fiscal year. This mainly reflected accounts payable - trade decreased by ¥243 million, accrued expenses increased by ¥433 million, accrued consumption taxes decreased by ¥3,000 million, short-term loans payable increased by ¥889 million and long-term loans payable increased by ¥1,387 million.

(3) Net Assets

Net assets as of May 31, 2016 stood at ¥26,735 million, a decrease of ¥2,884 million, or 9.7%, compared with the end of the previous fiscal year.

This mainly reflected profit attributable to owners of parent of ¥243 million, a decrease of ¥509 million in non-controlling interests and a decrease of ¥166 million in foreign currency translation adjustment, a decrease of ¥739 million in remeasurements of defined benefit plans, payment of cash dividends totaling ¥441 million and a decrease of ¥1,161 million in capital surplus due to some factors including purchase of treasury shares of subsidiaries and additional purchase of shares of subsidiaries.

Accounting for the aforementioned, the equity ratio as of May 31, 2016 declined 1.9 percentage points to 22.2% compared with the end of the previous fiscal year.

Status of Cash Flows

Cash and cash equivalents (hereafter “net cash”) as of May 31, 2016 decreased by ¥3,857 million compared with the end of the previous fiscal year to ¥16,441 million.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities for the fiscal year ended May 31, 2016 amounted to ¥482 million (Increased by ¥8,587 million for FY2014).

Major cash inflows included income before income taxes totaling ¥3,861 million (¥3,208 million for FY2014), depreciation and amortization totaling ¥3,293 million (¥2,554 million for FY2014) as well as amortization of goodwill totaling ¥1,000 million (¥938 million for FY2014).

The principal cash outflows were an increase in net defined benefit asset totaling ¥516 million (¥567 million for FY2014), an increase in notes and accounts receivable-trade totaling ¥1,971 million (¥273 million for FY2014), a decrease in accrued consumption taxes of ¥2,986 million (Increased ¥4,280 million for FY2014) as well as income taxes paid amounting to ¥2,417 million (¥2,088 million for FY2014).

(2) Cash Flows from Investing Activities

Net cash used in investing activities for the fiscal year ended May 31, 2016 amounted to ¥2,176 million (Decreased ¥4,645 million for FY2014).

Major cash inflow was proceeds from sales of property, plant and equipment totaling ¥908 million (¥1 million for FY2014).

Principal cash outflows were purchase of property, plant and equipment totaling ¥1,165 million (¥1,228 million for FY2014), purchase of intangible assets totaling ¥1,367 million (¥1,520 million for FY2014),

purchase of investment securities totaling ¥615 million (¥402 million for FY2014) as well as purchase of investments in subsidiaries resulting in change in scope of consolidation totaling ¥670 million (¥1,115 million for FY2014).

(3) Cash Flows from Financing Activities

Net cash used in financing activities for the fiscal year ended May 31, 2016 amounted to ¥2,024 million (Decreased ¥2,004 million for FY2014).

Major cash inflow was proceeds from long-term loans payable totaling ¥6,500 million (¥5,100 million for FY2014).

Principal cash outflows were repayment of long-term loans payable amounting to ¥4,437 million (¥4,702 million for FY2014), purchase of treasury stock of subsidiaries in consolidation amounted to ¥1,464 million (none recognized for FY2014) and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation totaling ¥1,060 million (none recognized for FY2014).

(Reference) Cash Flow Benchmarks

	FY2011	FY2012	FY2013	FY2014	FY2015
Equity ratio	29.0%	29.3%	27.9%	24.1%	22.2%
Equity ratio based on market capitalization	29.1%	31.5%	24.1%	35.0%	32.2%
Ratio of interest-bearing debt to cash flows (years)	3.9	1.9	8.8	1.6	32.3
Interest coverage ratio	23.7	31.6	9.8	49.5	3.0

Notes:

- Equity ratio: Shareholders' equity / Total assets
Equity ratio based on market capitalization: Market capitalization / Total assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest payments
- Each benchmark is calculated based on the consolidated financial statements.
- Market capitalization is calculated by multiplying the period-end closing share price with the number of outstanding shares at the period-end (after deducting treasury stock).
- Cash flows from operating activities are used in calculations that use cash flows.
- Interest-bearing debt includes all interest-bearing debt under liabilities recorded on the consolidated balance sheets.

(4) Policy on the Appropriation of Profits, Dividends for FY2015 and FY2016

In connection with the appropriation of profits, the Company takes into consideration the funds required to engage in new businesses and capital investments aimed at fulfilling the Company's responsibilities to continuously develop the growing human resources business market, to strengthen the Company's operating platform and earnings capacity and to expand shareholders' returns by enhancing corporate value. On this basis and for the foreseeable future, the Company has adopted the basic policy to implement a consolidated dividend payout ratio target of 25% in an effort to continuously deliver adequate and stable returns to shareholders taking into consideration its operating performance.

Based on the aforementioned basic policy in connection with the appropriation of profits, the Company has declared an annual dividend for the fiscal year ended May 31, 2016 of ¥12 per share following ratification at a Board of Directors' meeting held on July 15, 2016.

Regarding dividends for the fiscal year ending May 31, 2017, the Company does not plan to pay an interim cash dividend because loss attributable to owners of parent is forecast for the first half period. The Company does however intend to pay a period-end cash dividend of ¥12 per share.

2. Information on Group Companies

The Pasona Group is comprised of Pasona Group Inc., its 58 consolidated subsidiaries and 4 affiliated companies accounted for by the equity method as of May 31, 2016. Major Group companies according to their principal business activity are listed as follows.

(Holding Company)
Pasona Group Inc.

Formulate strategies for group management and support operation execution.
Governance of management and proper allocation of management resources.
Developing new businesses related to job creation.

HR Solutions

Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, Education & Training, Others

Pasona Inc.	Pasona Medical Inc.	Pasona Tquila Inc.
Pasona Tech, Inc.	CAPLAN Corporation	Asahi Beer Communications Co, Ltd.
Pasona Marketing, Inc.	Bewith, Inc.	Pasona Tech Systems Inc.
Pasona Logicom Inc.	Yaskawa Business Staff Corporation	Nihon Employment Creation Organization Inc.
Pasona Okayama Inc.	KIS Co., Ltd.	Pasona OGXA Inc.
Pasona Agri-Partners Inc.	Pasona Panasonic Business Service Co., Ltd	
ECOLOVE Inc.	Shin nihon kogyo Co., Ltd.	Smart Style CO., Ltd. Others

Global Sourcing (Overseas)

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

Career Solutions (Placement/Recruiting, Outplacement)

Pasona Inc.	Pasona Fortune Inc.
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Outsourcing

Benefit One Inc.	Benefit One Solutions Inc.
Benefit one Health care Inc.	Benefit One Payroll Inc.
Benefit One Shanghai Inc.	Benefit One Asia Pte. Ltd.
Benefit One USA, Inc.	PT. BENEFIT ONE INDONESIA
Benefit One Deutschland GmbH	Benefit One (Thailand) Co., Ltd. Others

Life Solutions

Pasona Foster Inc.	Pasona Life Care Inc.
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Public Solutions

Pasona Heartful Inc.	Pasona Furusato Incubation Inc.	
Tango Kingdom Inc.	Pasona Tohoku Sousei Inc.	Others

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2015		As of May 31, 2016	
ASSETS				
Current assets				
Cash and deposits		21,123		16,775
Notes and accounts receivable - trade		29,531		31,987
Short-term investment securities		203		-
Inventories	*1	1,007	*1	1,074
Deferred tax assets		1,330		1,411
Income taxes receivable		438		548
Other		4,558		4,445
Allowance for doubtful accounts		(64)		(55)
Total current assets		58,129		56,187
Non-current assets				
Property, plant and equipment				
Buildings	*2	8,978	*2, 4	8,818
Accumulated depreciation		(4,510)		(4,915)
Buildings, net		4,467		3,903
Land		1,953	*4	1,977
Lease assets		4,529		4,752
Accumulated depreciation		(2,469)		(3,169)
Lease assets, net		2,059		1,582
Other	*2	5,210	*2, 4	5,349
Accumulated depreciation		(3,920)		(4,089)
Other, net		1,290		1,259
Total property, plant and equipment		9,770		8,722
Intangible assets				
Goodwill		4,884		4,483
Software		3,487	*2	3,516
Lease assets		75		44
Customer assets		1,223		1,689
Other		130		128
Total intangible assets		9,801		9,861
Investments and other assets				
Investment securities	*3	2,845	*3	3,022
Long-term loans receivable		127		107
Net defined benefit asset		1,430		859
Deferred tax assets		735		854
Lease and guarantee deposits		4,879		4,849
Other		967		942
Allowance for doubtful accounts		(45)		(51)
Total investments and other assets		10,940		10,584
Total non-current assets		30,512		29,169
Total assets		88,641		85,356

	As of May 31, 2015		As of May 31, 2016
LIABILITIES			
Current liabilities			
Accounts payable - trade	5,217		4,974
Short-term loans payable	3,972	*4	4,861
Lease obligations	714		1,060
Accounts payable - other	5,283		5,436
Accrued expenses	12,576		13,010
Income taxes payable	1,425		1,603
Accrued consumption taxes	6,248		3,248
Unearned revenue	2,037		2,035
Provision for bonuses	2,814		3,214
Provision for directors' bonuses	25		25
Asset retirement obligations	50		4
Other	5,900		5,719
Total current liabilities	46,267		45,195
Non-current liabilities			
Long-term loans payable	7,419		8,807
Lease obligations	1,568		863
Net defined benefit liability	1,692		1,705
Deferred tax liabilities	567		474
Asset retirement obligations	842		938
Other	662		637
Total non-current liabilities	12,753		13,426
Total liabilities	59,021		58,621
NET ASSETS			
Shareholders' equity			
Capital stock	5,000		5,000
Capital surplus	6,068		5,023
Retained earnings	13,370		13,172
Treasury stock	(3,899)		(4,016)
Total shareholders' equity	20,539		19,179
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	206		97
Foreign currency translation adjustment	271		104
Remeasurements of defined benefit plans	316		(422)
Total accumulated other comprehensive income	794		(221)
Non-controlling interests	8,286		7,776
Total net assets	29,620		26,735
Total liabilities and net assets	88,641		85,356

(2) Consolidated Statements of Income

(Millions of yen)

	FY2014 (For the fiscal year ended May 31, 2015)		FY2015 (For the fiscal year ended May 31, 2016)	
Net sales		226,227		263,728
Cost of sales		180,355		210,919
Gross profit		45,871		52,808
Selling, general and administrative expenses	*1	42,381	*1	48,948
Operating income		3,490		3,860
Non-operating income				
Interest income		30		49
Subsidy income		86		147
Real estate rent		56		43
Other		137		167
Total non-operating income		310		407
Non-operating expenses				
Interest expenses		161		170
Share of loss of entities accounted for using equity method		92		49
Commitment fee		41		46
Other		161		146
Total non-operating expenses		457		412
Ordinary income		3,343		3,855
Extraordinary income				
Gain on sales of non-current assets	*2	0	*2	18
Gain on sales of investment securities		-		129
Compensation income		90		-
Gain on change in equity		0		-
Gain on donation of non-current assets		-		17
Total extraordinary income		91		164
Extraordinary loss				
Loss on sales and retirement of non-current assets	*3	66	*3	72
Loss on valuation of investment securities		14		25
Impairment loss	*4	124	*4	37
Other		21		22
Total extraordinary loss		225		158
Income before income taxes		3,208		3,861
Income taxes - current		2,155		2,437
Income taxes - deferred		(87)		(45)
Income taxes		2,067		2,391
Net income		1,141		1,469
Profit attributable to non-controlling interests		927		1,226
Profit attributable to owners of parent		214		243

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2014 (For the fiscal year ended May 31, 2015)	FY2015 (For the fiscal year ended May 31, 2016)
Profit	1,141	1,469
Other comprehensive income		
Valuation difference on available-for-sale securities	210	(148)
Foreign currency translation adjustment	191	(181)
Remeasurements of defined benefit plans	1	(737)
Share of other comprehensive income of entities accounted for using equity method	10	(4)
Total other comprehensive income	*1 413	*1 (1,072)
Comprehensive income	1,555	397
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	524	(771)
Comprehensive income attributable to non-controlling interests	1,030	1,168

(4) Consolidated Statements of Changes in Shareholders' Equity

FY2014 (For the fiscal year ended May 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	5,000	6,054	13,402	(3,827)	20,629
Cumulative effects of changes in accounting policies			206		206
Restated balance	5,000	6,054	13,608	(3,827)	20,836
Changes of items during the period					
Dividends from surplus			(374)		(374)
Net income attributable to owners of parent			214		214
Purchase of treasury stock				(72)	(72)
Disposal of treasury stock					-
Purchase of treasury stock by Employment Stock Ownership Plan (J-ESOP) and Board Benefit Trust (BBT)					-
Change of scope of consolidation			(78)		(78)
Change in treasury shares of parent arising from transactions with non-controlling shareholders					-
Capital increase of consolidated subsidiaries					-
Others		13			13
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	13	(238)	(72)	(296)
Balance at the end of current period	5,000	6,068	13,370	(3,899)	20,539

	Total accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	82	70	314	467	6,083	27,181
Cumulative effects of changes in accounting policies				-		206
Restated balance	82	70	314	467	6,083	27,388
Changes of items during the period						
Dividends from surplus				-		(374)
Net income attributable to owners of parent				-		214
Purchase of treasury stock				-		(72)
Disposal of treasury stock				-		-
Purchase of treasury stock by Employment Stock Ownership Plan (J-ESOP) and Board Benefit Trust (BBT)				-		-
Change of scope of consolidation				-		(78)
Change in treasury shares of parent arising from transactions with non-controlling shareholders				-		-
Capital increase of consolidated subsidiaries				-		-
Others				-		13
Net changes of items other than shareholders' equity	123	201	1	326	2,202	2,528
Total changes of items during the period	123	201	1	326	2,202	2,231
Balance at the end of current period	206	271	316	794	8,286	29,620

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	5,000	6,068	13,370	(3,899)	20,539
Cumulative effects of changes in accounting policies					-
Restated balance	5,000	6,068	13,370	(3,899)	20,539
Changes of items during the period					
Dividends from surplus			(441)		(441)
Net income attributable to owners of parent			243		243
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		116		382	499
Purchase of treasury stock by Employment Stock Ownership Plan (J-ESOP) and Board Benefit Trust (BBT)				(499)	(499)
Change of scope of consolidation					-
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(1,149)			(1,149)
Capital increase of consolidated subsidiaries		(12)			(12)
Others					-
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	(1,045)	(197)	(116)	(1,359)
Balance at the end of current period	5,000	5,023	13,172	(4,016)	19,179

	Total accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	206	271	316	794	8,286	29,620
Cumulative effects of changes in accounting policies				-		-
Restated balance	206	271	316	794	8,286	29,620
Changes of items during the period						
Dividends from surplus				-		(441)
Net income attributable to owners of parent				-		243
Purchase of treasury stock				-		(0)
Disposal of treasury stock				-		499
Purchase of treasury stock by Employment Stock Ownership Plan (J-ESOP) and Board Benefit Trust (BBT)				-		(499)
Change of scope of consolidation				-		-
Change in treasury shares of parent arising from transactions with non-controlling shareholders				-		(1,149)
Capital increase of consolidated subsidiaries				-		(12)
Others				-		-
Net changes of items other than shareholders' equity	(109)	(166)	(739)	(1,015)	(509)	(1,525)
Total changes of items during the period	(109)	(166)	(739)	(1,015)	(509)	(2,884)
Balance at the end of current period	97	104	(422)	(221)	7,776	26,735

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2014 (For the fiscal year ended May 31, 2015)	FY2015 (For the fiscal year ended May 31, 2016)
Cash flows from operating activities		
Income before income taxes	3,208	3,861
Depreciation and amortization	2,554	3,293
Impairment loss	124	37
Amortization of goodwill	938	1,000
Increase (decrease) in allowance for doubtful accounts	(9)	(2)
Increase (decrease) in provision for bonuses	223	374
Increase (decrease) in net defined benefit liability	1	(28)
Decrease (increase) in net defined benefit asset	(567)	(516)
Interest and dividends income	(48)	(63)
Interest expenses	161	170
Subsidy income	(86)	(147)
Share of (profit) loss of entities accounted for using equity method	92	49
Loss (gain) on sales and retirement of non-current assets	66	53
Loss (gain) on sales of investment securities	-	(120)
Loss (gain) on valuation of investment securities	14	25
Decrease (increase) in notes and accounts receivable - trade	(273)	(1,971)
Decrease (increase) in inventories	(164)	(6)
Decrease (increase) in other assets	(816)	(71)
Increase (decrease) in operating debt	(806)	42
Increase (decrease) in accrued consumption taxes	4,280	(2,986)
Increase (decrease) in other liabilities	1,699	(52)
Other	93	(102)
Subtotal	10,686	2,840
Interest and dividends income received	60	73
Interest expenses paid	(173)	(161)
Proceeds from subsidy	102	147
Income taxes paid	(2,088)	(2,417)
Net cash provided by operating activities	8,587	482

(Millions of yen)

	FY2014 (For the fiscal year ended May 31, 2015)	FY2015 (For the fiscal year ended May 31, 2016)
Cash flows from investment activities		
Decrease (increase) in time deposits	112	682
Purchase of property, plant and equipment	(1,228)	(1,165)
Proceeds from sales of property, plant and equipment	1	908
Purchase of intangible assets	(1,520)	(1,367)
Purchase of investment securities	(402)	(615)
Proceeds from sales of investment securities	1	331
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (1,115)	*2 (670)
Purchase of investments in subsidiaries	(29)	-
Payments of loans receivable	(9)	(54)
Collection of loans receivable	19	75
Payments for lease and guarantee deposits	(571)	(388)
Proceeds from collection of lease and guarantee deposits	352	449
Payments for transfer of business	(25)	(288)
Other	(229)	(74)
Net cash used in investment activities	(4,645)	(2,176)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(816)	10
Proceeds from long-term loans payable	5,100	6,500
Repayment of long-term loans payable	(4,702)	(4,437)
Repayments of finance lease obligations	(690)	(731)
Redemption of bonds	(52)	(56)
Proceeds from share issuance to non-controlling shareholders	15	185
Purchase of treasury stock	(64)	*3 (499)
Proceeds from sales of treasury shares	-	*3 499
Purchase of treasury shares of subsidiaries	-	(1,464)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(1,060)
Cash dividends paid	(373)	(440)
Dividends paid to non-controlling interests	(420)	(531)
Other	-	0
Net cash used in financing activities	(2,004)	(2,024)
Effect of exchange rate change on cash and cash equivalents	170	(159)
Net increase in cash and cash equivalents	2,107	(3,877)
Cash and cash equivalents at the beginning of the period	18,021	20,298
Increase in cash and cash equivalents resulting from change of scope of consolidation	169	20
Cash and cash equivalents at the end of the period	*1 20,298	*1 16,441

(6) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

(1) Consolidated subsidiaries

a. No. of consolidated subsidiaries: 58 companies

b. Leading consolidated subsidiaries

Pasona Inc.
Benefit One Inc.
Bewith, Inc.
Pasona Tech, Inc.
CAPLAN Corporation
Pasona Panasonic Business Service Co., Ltd.

c. New consolidated subsidiaries : 7 companies

Establishment
Pasona Biznize Corporation
Benefit One Payroll Inc.
Pasona Knowledge Partner Inc.

Stock acquisition
Smart Style Co., Ltd.
Pasona OGXA Inc.
PT. Dutagriya Sarana

Excluded from the scope of consolidation as an affiliated company accounted for by the equity method
Pasona Tquila Inc. *1

d. Exclusion from the scope of consolidation : 1 company

Pasona Language Inc. *2

*1 Pasona Tquila Inc. previously an affiliated company accounted for by the equity method became a consolidated subsidiary since the end of Q1 FY2015.

*2 Pasona Language Inc. merged with Pasona Inc. and expired.

(2) Non-consolidated subsidiary

a. No. of non-consolidated subsidiaries : 14 companies

b. Leading non-consolidated subsidiaries
DF Management Co., Ltd.
General Incorporated Association DIRECTFORCE
ed1. co., Ltd.

c. Reasons for exclusion from the scope of consolidation

The assets, sales, net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on the consolidated financial statements. As a result, these non-consolidated subsidiaries have been excluded from the scope of consolidation.

2. Application of the Equity Method

(1) Affiliated companies that are accounted for by the equity method

a. No. of affiliated companies that are accounted for by the equity method : 4 companies

b. Leading affiliated companies that are accounted for by the equity method

E-Staffing Co., Ltd.
National Examination Center Inc.
Pasona Cyber Lab Inc.
Chunghwa Benefit One Co., Ltd.

Pasona Cyber Lab Inc. established as a joint-venture company with Tquila International PTE Ltd and has been included in the scope of consolidation as affiliated companies accounted for by the equity method. Paradigmshift Inc. was excluded from the scope of consolidation as affiliated companies were accounted for by the equity method following the sale of all of its shares by Benefit One Inc.

- (2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method
- a. No. of non-consolidated subsidiaries and affiliated companies not accounted for by the equity method : 15 companies
 - b. Leading non-consolidated subsidiaries and affiliated companies not accounted for by the equity method
DF Management Co., Ltd.
General Incorporated Association DIRECTFORCE
ed1. co., Ltd.
 - c. Reasons for exclusion from the scope of the equity method
Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation as their net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group, and their overall importance to the Group's performance was limited.

(Changes in Accounting Policies)

1. Adoption of "Business Combinations Standard" revised on September 13, 2013

Effective from FY2015, the Company adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter, "Business Combinations Standard"), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter, "Consolidated Financial Statements Standard") and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter, "Business Divestitures Standard") and other related pronouncements. Accordingly, the Company's accounting policies have been changed, whereby the differences arising from changes in the Company's equity in a subsidiary over which the Company retains control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year of incurrence. In addition, for business combinations to be performed from the beginning of FY2015 onward, changes have been made whereby adjustments to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost are recognized in the quarterly consolidated financial statements during which the business combination occurred. In addition, the Company has changed the presentation of net income and other related items, and the presentation of "minority interests" to "non-controlling interests." To reflect this change in presentation, a reclassification of accounts has been made to the consolidated financial statements for FY2014.

In the consolidated statements of cash flows for FY2015, cash flows relating to the purchase or sales of investments in subsidiaries that do not result in change in scope of consolidation have been reclassified under "cash flows from financing activities," and cash flows relating to expenses incurred in connection with the purchase of investments in subsidiaries resulting in change in scope of consolidation and cash flows relating to expenses incurred in connection with the purchase or sales of investments in subsidiaries that do not result in change in scope of consolidation have been reclassified under "cash flows from operating activities."

The Business Combinations Standard and other related pronouncements were adopted in accordance with transitional treatments stipulated in Paragraph 58-2(4) of the Business Combinations Standard, Paragraph 44-5(4) of the Consolidated Financial Statements Standard and Paragraph 57-4(4) of the Business Divestitures Standard, and they have been prospectively adopted from the beginning of FY2015.

As a result, each of operating income, ordinary income and income before income taxes for FY2015 increased by ¥115 million. Capital surplus as of May 31, 2016 decreased by ¥1,161 million.

2. Application of Practical Solution on a change in depreciation method due to Tax Reform 2016

Following revisions to Corporation Tax Act, the Company has applied "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No.32 issued on June 17, 2016) to FY2015, and has changed its depreciation method for buildings as well as accompanying facilities and structures which gained on or after April 1, 2016 from declining balance method to straight-line method.

The impact on consolidated financial results for FY2015 was immaterial.

(Unapplied Accounting Standards, etc.)

Implementation Guidance on Recoverability of Deferred Tax Assets (The Accounting Standards Board of Japan Guidance No. 26 of March 28, 2016)

1. Outline

With regard to treatments concerning the recoverability of deferred tax assets, necessary reviews of the following have been made, basically following the framework of Auditing Standards Board Report No.66 of the Japanese Institute of Certified Public Accountants, the "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets," which classifies companies into five groups and estimates the recorded amount of deferred tax assets in accordance with said classifications.

- i. The treatment of companies that do not fulfill any of the requirements of classifications pertaining to (Classification 1) to (Classification 5)
- ii. Requirements of classifications pertaining to (Classification 2) and (Classification 3)
- iii. Treatment related to deductible temporary difference that cannot be scheduled at companies that fall under (Classification 2)
- iv. Treatment related to the reasonable period when estimation of deductible temporary difference and other taxable income before addition or subtraction is possible at companies that fall under (Classification 3)
- v. For companies that fulfill the requirements of classification pertaining to (Classification 4), the treatment in cases where they fall under (Classification 2) or (Classification 3)

2. Scheduled date of adoption

This standard will be applied from the start of FY2016.

3. Impact of adoption of this accounting standard

The impact on the Company's consolidated financial statements from the adoption of Implementation Guidance on Recoverability of Deferred Tax Assets is under evaluation at the time of the preparation of consolidated financial statements.

(Changes in Presentation Methods)

Consolidated Statement of Cash Flows

Proceeds from sales of property, plant and equipment in the net cash provided by (used in) investment activities as well as proceeds from share issuance to non-controlling shareholders in the net cash provided by (used in) financing activities accounting line item "other" for FY2014 has been recorded as a separate and independent accounting line item for FY2015 due to their increases significance.

To reflect this change, Consolidated Statements of Cash Flows for the previous fiscal year has been revised. As a result, "other" totaling ¥(227) million in the net cash provided by (used in) investment activities accounting line for FY2014 was reclassified to proceeds from sales of property, plant and equipment totaling ¥1 million and "other" totaling ¥(229) million. In addition, "other" totaling ¥15 million in the net cash provided by (used in) financing activities accounting line for FY2014 was reclassified to proceeds from stock issuance to non-controlling shareholders totaling ¥15 million.

(Additional information)

1. Employment Stock Ownership Plan (J-ESOP)

On October 26, 2015, the Company introduced an Employment Stock Ownership Plan (J-ESOP), an incentive plan that grants the Company's shares to employees of the Company and the officers and employees of its subsidiaries ("Employees, etc.") thus motivating them to boost corporate performance and the share price.

(1) Summary of the Transaction

Prior to the launch of the J-ESOP program, the Company established share granting rules. The Company set up a trust with a trust bank and contributed cash, which was used by the trust bank to purchase the Company's shares for later distribution in accordance with the rules. J-ESOP is a mechanism in which the Employees, etc. are given points in accordance with the rules and are granted shares of the Company commensurate with the points earned.

The Company has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

The trust is accounted for with a method (the gross method), in which assets and liabilities of the trust are recorded on the balance sheet as assets and liabilities of the Company.

(2) Own Stock Remaining in the Trust

The Company recorded own stocks in the trust as treasury stocks under net assets at book value excluding associated costs in the trust. The book value of own stocks as of February 29, 2016 was ¥199 million, and the number of the stocks was 194,000 shares.

(3) Aggregate Book Value of Loan under the Gross Method

Not applicable

2. Board Benefit Trust (BBT)

On October 26, 2015, the Company introduced Board Benefit Trust (BBT) as a performance-linked stock compensation for directors (excluding outside directors) based on a resolution of the General Meeting of Shareholders on August 19, 2015.

(1) Summary of the Transaction

Prior to the launch of the BBT program, the Company established share granting rules. The Company set up a trust with a trust bank and contributed cash, which was used by the trust bank to purchase the Company's shares for later distribution in accordance with the rules. BBT is a mechanism in which directors are given points in accordance with the rules and are granted shares of the Company commensurate with the points earned.

The Company has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015) for directors as a replacement.

The trust is accounted for with a method (the gross method), in which assets and liabilities of the trust are recorded on the balance sheet as assets and liabilities of the Company.

(2) Own Stock Remaining in the Trust

The Company recorded own stocks in the trust as treasury stocks under net assets at book value excluding associated costs in the trust. The book value of own stocks as of February 29, 2016 was ¥299 million, and the number of the stocks was 291,000 shares.

(3) Aggregate Book Value of Loan under the Gross Method

Not applicable

(Revision of the Amount of Deferred Tax Assets and Deferred Tax Liabilities due to Changes in Corporation Tax Rate)

According to the enactment of the “Act on Partial Revision of the Income Tax Act” and the “Act on Partial Revision of the Local Tax Act” on March 29, 2016, the effective tax rate which the Company used for calculation of deferred tax assets and deferred tax liabilities for FY2015 has been changed from 32.30% for FY2014 to 30.86% for those which are expected to be recovered or paid from June 1, 2016 to May 31, 2018 and to 30.62% for those which are expected to be recovered or paid from June 1, 2018, respectively.

As a result, deferred tax assets after deducting deferred tax liabilities decreased by ¥24 million and income tax-deferred increased by ¥18 million, valuation difference on available-for-sale securities increased by ¥2 million, remeasurements of defined benefit plans decreased by ¥9 million, respectively.

(Notes to Consolidated Balance Sheets)

*1 Breakdown of Inventories

	(Millions of yen)	
	As of May 31, 2015	As of May 31, 2016
Merchandise	797	720
Supplies	101	121
Work in process	73	195
Finished goods	19	19
Raw materials	14	16

*2 Amount of noncurrent assets advanced depreciation in connection with the acceptance of government and other subsidies

	(Millions of yen)	
	As of May 31, 2015	As of May 31, 2016
Advanced depreciation amount	93	93
Buildings	8	8
Other tangible assets	85	84
Software	-	0

*3 Shares in non-consolidated subsidiaries and affiliated companies

	(Millions of yen)	
	As of May 31, 2015	As of May 31, 2016
Investment securities (stocks)	875	867
Investment amount for the Jointly-controlled companies	0	16

*4 Collateral assets and liabilities collateralized

Assets with collateral pledged as collateral are as follows.

	(Millions of yen)	
	As of May 31, 2015	As of May 31, 2016
Buildings	-	10
Land	-	24
Other tangible assets	-	0
Total	-	35

	(Millions of yen)	
	As of May 31, 2015	As of May 31, 2016
Short-term loans payable	-	86
Total	-	86

(Notes to Consolidated Statements of Income)

*1 Breakdown of major selling, general and administrative expenses

	(Millions of yen)	
	FY2014	FY2015
Employees' salaries and bonuses	18,752	21,086
Provision for bonuses	1,778	1,894
Provision for directors' bonuses	28	25
Welfare expenses	3,888	4,582
Retirement benefit expenses	(171)	(46)
Offering expenses	1,148	1,441
Rent expenses	4,011	4,405
Depreciation	1,572	1,960
Provision of allowance for doubtful accounts	9	6
Amortization of goodwill	938	1,000

*2 Breakdown of gain on sales of noncurrent assets

	(Millions of yen)	
	FY2014	FY2015
Gain on sales	0	18
Buildings	-	26
Land	-	(20)
Other tangible assets	0	12

*3 Breakdown of loss on sales and disposal of fixed assets

	(Millions of yen)	
	FY2014	FY2015
Loss on retirement	65	65
Buildings	52	35
Other tangible assets	5	5
Software	8	24
Loss on sales	0	6
Buildings	0	-
Land	-	6
Other tangible assets	0	0

*4 Breakdown of major impairment losses

FY2014 (For the fiscal year ended May 31, 2015)

(1) Overview of asset groups in which impairment losses were recognized

Location	Application	Type
Chiyoda-ku, Tokyo	Backbone system	Software
Shanghai, China	Facilities for business	Software, tools, furniture and fixtures
San Jose, USA	Facilities for business	Software, tools, furniture and fixtures

(2) Background leading to the recognition of impairment loss

In accordance with a partly revision of backbone system development plan, impairment loss is the book value of written down to the amount estimated as recoverable. In addition, as for the above asset group of facilities for business, impairment loss is the book value of written down to the amount estimated as recoverable.

(3) Amount of impairment loss

(Millions of yen)

Type	Amount
Software	96
Buildings	11
Tools, furniture and fixtures	9
Other tangible assets	6
Total	124

(4) Grouping of assets

In principle, the Group adopts each individual company as the basic unit for asset groupings and the smallest unit in independent cash flow generation. Assets which are not expected to be used in the future are grouped as assets to be disposed.

(5) The recoverable amount estimation method

The recoverable amount for asset groups is calculated based on the net sales value. Net sales value is zero reflecting the difficulty of their sale.

FY2015 (For the fiscal year ended May 31, 2016)

(1) Overview of asset groups in which impairment losses were recognized

Location	Application	Type
Chiyoda-ku, Tokyo	Backbone system	Software

(2) Background leading to the recognition of impairment loss

In accordance with a partly revision of backbone system development plan, impairment loss is the book value of written down to the amount estimated as recoverable.

(3) Amount of impairment loss

(Millions of yen)

Type	Amount
Software	37

(4) Grouping of assets

In principle, the Group adopts each individual company as the basic unit for asset groupings and the smallest unit in independent cash flow generation. Assets which are not expected to be used in the future are grouped as assets to be disposed.

(5) The recoverable amount estimation method

The recoverable amount for asset groups is calculated based on the net sales value. Net sales value is zero reflecting the difficulty of their sale.

(Notes to Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and income tax relating to components of other comprehensive income

	(Millions of yen)	
	FY2014	FY2015
Valuation difference on available-for-sale securities		
Amount recognized during the period	286	(69)
Reclassification adjustments	-	(127)
Before income tax effect	286	(197)
Amount of income tax effect	(75)	48
Valuation difference on available-for-sale securities	210	(148)
Foreign currency translation adjustment		
Amount recognized during the period	191	(181)
Remeasurements of defined benefit plans		
Amount recognized during the period	464	(608)
Reclassification adjustments	(486)	(464)
Before income tax effect	(22)	(1,073)
Amount of income tax effect	24	335
Remeasurements of defined benefit plans	1	(737)
Share of other comprehensive income of entities accounted for using equity method		
Amount recognized during the period	10	(4)
Total amount of other comprehensive income	413	(1,072)

(Notes to Consolidated Statements of Changes in Shareholders' Equity)

FY2014 (For the fiscal year ended May 31, 2015)

1. Matters Relating to Shares Issued and Outstanding

(Shares)

Type of Shares	Number of Shares As of June 1, 2014	Increase	Decrease	Number of Shares As of May 31, 2015
Common shares	41,690,300	-	-	41,690,300

2. Matters Relating to Treasury Stock

(Shares)

Type of Shares	Number of Shares As of June 1, 2014	Increase	Decrease	Number of Shares As of May 31, 2015
Common shares	4,765,957	127,143	-	4,893,100

(Note) Increase of treasury stock is due to the acquisition of 127,143 treasury stocks resolved at the board of directors' meeting on 23 July, 2014.

3. Matters Related to the New Subscription Rights

None

4. Matters Relating to Dividends

(1) Cash dividend payment amount

Resolution	Type of Shares	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Board of Directors' meeting held on July 11, 2014	Common shares	¥374 million	¥10	May 31, 2014	August 29, 2014

(2)Dividends whose record date falls in the current fiscal year but whose effective date comes in the following fiscal year

Resolution	Type of Shares	Source of Dividend	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Board of Directors' meeting held on July 15, 2015	Common shares	Retained earnings	¥441 million	¥12	May 31, 2015	August 20, 2015

FY2015 (For the fiscal year ended May 31, 2016)

1. Matters Relating to Shares Issued and Outstanding (Shares)

Type of Shares	Number of Shares As of June 1, 2015	Increase	Decrease	Number of Shares As of May 31, 2016
Common shares	41,690,300	-	-	41,690,300

2. Matters Relating to Treasury Stock (Shares)

Type of Shares	Number of Shares As of June 1, 2015	Increase	Decrease	Number of Shares As of May 31, 2015
Common shares	4,893,100	485,038	485,000	4,893,138

(Note)

- The number of common shares of treasury stock included common shares of the Company owned by Employment Stock Ownership Plan (J-ESOP) Trust (194,000 shares) and Board Benefit Trust (BBT) (291,000 shares), respectively
- The number of common shares of treasury stock increased by 485,000 shares due to the purchase by the J-ESOP/BBT Trust, increased by 38 shares due to the purchases of odd-lot shares.
- The number of common shares of treasury stock decreased by 485,000 shares due to the transfer of treasury stock to J-ESOP/BBT Trust

3. Matters Related to the New Subscription Rights

None

4. Matters Relating to Dividends

(1) Cash dividend payment amount

Resolution	Type of Shares	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Board of Directors' meeting held on July 15, 2015	Common shares	¥441 million	¥12	May 31, 2015	August 20, 2015

(2)Dividends whose record date falls in the current fiscal year but whose effective date comes in the following fiscal year

Resolution	Type of Shares	Source of Dividend	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Board of Directors' meeting held on July 15, 2016	Common shares	Retained earnings	¥447 million	¥12	May 31, 2016	August 22, 2016

(Note) Total cash dividends paid includes ¥5 million paid for 485,000 shares owned by the J-ESOP/BBT Trust.

(Notes to Consolidated Statements of Cash Flows)

- *1 Relationship between the balance of cash and cash equivalents at period-end and cash and deposits reported in the consolidated balance sheets.

	(Millions of yen)	
	FY2014	FY2015
Cash and deposits	21,123	16,775
Time deposits with deposit term exceeding three months	(1,028)	(334)
Securities (MMF)	203	-
Cash and cash equivalents	20,298	16,441

- *2 Breakdown of major assets and liabilities of new subsidiary

FY2014 (For the fiscal year ended May 31, 2015)

Breakdown of major assets and liabilities and the relationship between acquisition costs from the acquisition of stocks (net) of Pasona Panasonic Business Service Co., Ltd. (hereafter "Pasona Panasonic Business Service") as of the date of Pasona Panasonic Business Service's inclusion in the Company's scope of consolidation is as follows.

	(Millions of yen)
Current assets	3,670
Non-current assets	2,130
Goodwill	818
Current liabilities	(3,414)
Non-current liabilities	(335)
Non-controlling interests	(687)
Acquisition costs of Pasona Panasonic Business Service	2,183
Pasona Panasonic Business Service's cash and cash equivalents	1,067
Difference: Payment for purchase of Pasona Panasonic Business	1,115

With respect to Pasona Panasonic Business Service, in the previous fiscal year the Company applied provisional accounting treatment because allocation of acquisition costs had not yet been completed. However, such allocation was completed in FY2015.

	(Millions of yen)
Current assets	3,692
Non-current assets	2,897
Goodwill	586
Current liabilities	(3,492)
Non-current liabilities	(695)
Non-controlling interests	(804)
Acquisition costs of Pasona Panasonic Business Service	2,183
Pasona Panasonic Business Service's cash and cash equivalents	1,067
Difference: Payment for purchase of Pasona Panasonic Business	1,115

FY2015 (For the fiscal year ended May 31, 2016)

There were no important matters.

(Segment Information)

1. Overview of reportable segments

The business segments reported by Pasona Group are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine the distribution of management resources and evaluate their business results. The Pasona Group's principal business activities are human resource-related support services as typified by temporary staffing, contracting, placement and recruiting, outplacement as well as employee fringe benefit outsourcing services. Accordingly, the Company has designated "Expert Services (Temporary staffing), Insourcing (Contracting), Others", "Career Solutions (Placement/Recruiting, Outplacement)" and "Outsourcing" as its reporting segments. Pasona Group, a holding company, pursues the formulation of strategies for Group management and support operation execution, governance of management and the proper allocation of management resources, as well as developing new businesses related to job creation.

Effective from FY2015, "Place & Search", previously included in the "Expert Services (Temporary staffing), Insourcing (Contracting), Others", was integrated into "Career Solutions (Placement/Recruiting, Outplacement)" segment.

The Pasona Group, which conducts Placement/Recruiting and Outplacement in an integrated manner for the purpose of making decisions regarding the allocation of managerial resources, has concluded that it would be more reasonable to report both Placement/Recruiting and Outplacement under one reporting segment especially in light of the similarity of the services that fall under the two.

Segment information for FY2014 is prepared based on the new reporting segments.

2. Method of computing net sales, income (loss), assets, liabilities and other items by reporting segment

The accounting treatment method for the Group's reporting segments is generally the same as the preparation of consolidated financial statements. Also, segment income is based on operating income. The prices of intersegment transactions and transfers are determined by price negotiations based on the Company's submission of preferred prices after taking market conditions into account.

Reporting segments income is adjusted with operating income under consolidated statements of income.

In accordance with the revision of the depreciation method for buildings and accompanying facilities and structures from declining balance method to straight-line method, the depreciation method in each business segment has been revised accordingly. The effect of the revision on the segment income is immaterial.

3. Information regarding net sales, income (loss), assets, liabilities and other items by reporting segment

FY2014 (For the fiscal year ended May 31, 2015)

(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)	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing					
Net sales								
(1) Sales to outside customers	186,080	14,163	21,364	221,609	4,617	226,227	-	226,227
(2) Intersegment sales and transfers	903	32	278	1,214	815	2,030	(2,030)	-
Total	186,984	14,196	21,643	222,824	5,433	228,257	(2,030)	226,227
Operating income (loss)	2,485	1,855	3,193	7,534	(60)	7,473	(3,983)	3,490
Segment assets	52,245	16,750	20,856	89,852	1,818	91,671	(3,029)	88,641
Other items								
Depreciation and amortization	1,067	234	607	1,909	102	2,012	541	2,554
Amortization of goodwill	733	50	154	938	-	938	-	938
Impairment losses	14	60	37	111	12	124	-	124
Increase in tangible and intangible fixed assets	3,657	171	1,093	4,922	71	4,993	564	5,558

Notes:

- The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
- The “Others” segment is not included in reporting segments, and includes Life Solutions, Public Solutions as well as Shared.
- The following are included in the adjustment item.
 - Adjustment of segment income (loss) totaling ¥(3,983) million includes Group management costs relating to the Company totaling ¥(4,021) million as well as intersegment sales and transfers totaling ¥38 million.
 - Adjustment of segment assets totaling ¥(3,029) million includes the Company’s cash and deposits and assets relating to Group management totaling ¥18,139 million as well as intersegment sales and transfers totaling ¥(21,169) million.
 - Adjustment of depreciation and amortization totaling ¥541 million are mainly comprised of depreciation and amortization of assets relating to Group management.
 - Adjustment of increase in tangible and intangible fixed assets totaling ¥564 million are mainly comprised of an increase of assets relating to Group management.
- Segment income (loss) is adjusted with operating income under consolidated statements of income.

FY2015 (For the fiscal year ended May 31, 2016)

(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)	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing					
Net sales								
(1) Sales to outside customers	217,057	16,222	25,718	258,998	4,729	263,728	-	263,728
(2) Intersegment sales and transfers	1,173	42	511	1,727	889	2,617	(2,617)	-
Total	218,231	16,265	26,229	260,726	5,618	266,345	(2,617)	263,728
Operating income (loss)	1,959	2,904	4,276	9,140	(477)	8,662	(4,802)	3,860
Segment assets	50,662	13,504	22,433	86,600	2,015	88,615	(3,259)	85,356
Other items								
Depreciation and amortization	1,526	230	731	2,488	101	2,590	703	3,293
Amortization of goodwill	846	-	154	1,000	-	1,000	-	1,000
Impairment losses	-	37	-	37	-	37	-	37
Increase in tangible and intangible fixed assets	2,445	209	883	3,537	504	4,042	467	4,510

Notes:

- The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
- The “Others” segment is not included in reporting segments, and includes Life Solutions as well as Public Solutions.
- The following are included in the adjustment item.
 - Adjustment of segment income (loss) totaling ¥(4,802) million includes Group management costs relating to the Company totaling ¥(4,805) million as well as intersegment sales and transfers totaling ¥3 million.
 - Adjustment of segment assets totaling ¥(3,259) million includes the Company’s cash and deposits and assets relating to Group management totaling ¥12,552 million as well as intersegment sales and transfers totaling ¥(15,811) million.
 - Adjustment of depreciation and amortization totaling ¥703 million are mainly comprised of depreciation and amortization of assets relating to Group management.
 - Adjustment of increase in tangible and intangible fixed assets totaling ¥467 million are mainly comprised of an increase of assets relating to Group management.
- Segment income (loss) is adjusted with operating income under consolidated statements of income.

Related information

FY2014 (For the fiscal year ended May 31, 2015)

1. Information by product and service

Nothing is stated herein as similar information is disclosed in Segment information.

2. Information on geographic areas

(1) Net sales

Since the percentage of net sales in Japan exceeds 90%, information on geographic areas is omitted from this report.

(2) Property, plant and equipment

Since the percentage of total property, plant and equipment located in Japan exceeds 90%, information on geographic areas is omitted from this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

FY2015 (For the fiscal year ended May 31, 2016)

1. Information by product and service

Nothing is stated herein as similar information is disclosed in Segment information.

2. Information on geographic areas

(1) Net sales

Since the percentage of net sales in Japan exceeds 90%, information on geographic areas is omitted from this report.

(2) Property, plant and equipment

Since the percentage of total property, plant and equipment located in Japan exceeds 90%, information on geographic areas is omitted from this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

Information regarding impairment loss of noncurrent assets by reporting segment

FY2014 (For the fiscal year ended May 31, 2015)

(Millions of yen)

	Reporting segments				Others (Note)	Adjustment	Total
	Expert Services (Temporary staffing), Insourcing (Contracting), Others	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing	Subtotal			
Impairment loss	14	60	37	111	12	-	124

Note: The "Others" segment incorporates operations not included in reporting segments such as "Life Solutions, Public Solutions and Shared".

FY2015 (For the fiscal year ended May 31, 2016)

(Millions of yen)

	Reporting segments				Others (Note)	Adjustment	Total
	Expert Services (Temporary staffing), Insourcing (Contracting), Others	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing	Subtotal			
Impairment loss	-	37	-	37	-	-	37

Note: The "Others" segment incorporates operations not included in reporting segments such as "Life Solutions, Public Solutions".

Information regarding unamortized balance of goodwill by reporting segment

FY2014 (For the fiscal year ended May 31, 2015)

(Millions of yen)

	Reporting segments				Others (Note)	Adjustment	Total
	Expert Services (Temporary staffing), Insourcing (Contracting), Others	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing	Subtotal			
Balance at the end of current period	4,520	-	363	4,884	-	-	4,884

Note: The "Others" segment incorporates operations not included in reporting segments such as "Life Solutions, Public Solutions and Shared".

FY2015 (For the fiscal year ended May 31, 2016)

(Millions of yen)

	Reporting segments				Others (Note)	Adjustment	Total
	Expert Services (Temporary staffing), Insourcing (Contracting), Others	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing	Subtotal			
Balance at the end of current period	4,273	-	209	4,483	-	-	4,483

Note: The "Others" segment incorporates operations not included in reporting segments such as "Life Solutions, Public Solutions".

Information regarding gain on negative goodwill by reporting segment

FY2014 (For the fiscal year ended May 31, 2015)

None

FY2015 (For the fiscal year ended May 31, 2016)

None

(Per Share Information)

(Yen)

	FY2014	FY2015
Net assets per share	579.76	515.22
Net income per share	5.82	6.62

(Notes)

- Diluted net income per share of the current consolidated fiscal year is not stated because there was no diluted share.
- The Company's shares in the J-ESOP and BBT, which are reported as treasury stock under Shareholders' equity, are not counted toward the average number of shares outstanding for the period for the purpose of computing earnings and net assets per share.
- As described in "Changes in Accounting Policies", with regard to application of "Business Combinations Standard". As a result, net assets per share at the end of the current consolidated fiscal year decreased ¥28.45, net income per share at the end of the current consolidated fiscal year increased ¥3.13.
- Net earnings per share and earnings per diluted share are calculated on the following basis

(Millions of yen)

Items	FY2014	FY2014
Earnings per share		
Profit attributable to owners of parent	214	243
Amount not applicable to shareholders of common stock	-	-
Net income applicable to common stock	214	243
Average number of shares for the period (shares)	36,818,100	36,797,167

5. The following shows the basis of calculating net assets per share

(Millions of yen)

Items	As of May 31, 2015	As of May 31, 2016
Total net assets	29,620	26,735
Amount deducted from total net assets	8,286	7,776
Net assets applicable to common stock as of the fiscal period-end	21,333	18,958
Number of common stock used to calculate net assets per share (shares)	36,797,200	36,797,162

(Important Subsequent Events)

Not applicable.