

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2011 (June 1, 2011 to May 31, 2012)
Three Months Ended August 31, 2011

Listing Stock exchange: The First Section of the Tokyo Stock Exchange
 Securities code number: 2168
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 Scheduled filing date of quarterly report: October 13, 2011
 Supplementary materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

(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 (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
		%		%		%		%
Three months ended August 31, 2011	45,901	3.0	601	93.9	560	75.4	111	—
Three months ended August 31, 2010	44,574	(5.5)	310	—	319	—	(471)	—

(Note) Comprehensive income Q1 FY2011: ¥238 million Q1 FY2010: ¥(462) million

	Net Income (Loss) per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended August 31, 2011	297.99	297.68
Three months ended August 31, 2010	(1,260.11)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
August 31, 2011	58,012	25,233	35.8
May 31, 2011	60,564	25,642	34.7

(Reference) Equity As of August 31, 2011: ¥20,744 million As of May 31, 2011: ¥21,004 million

2. DIVIDENDS

Record Date	Dividends per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2010	—	0.00	—	1,000.00	1,000.00
FY2011	—	—	—	—	—
FY2011 (Forecast)	—	0.00	—	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
First Half	91,500	2.8	650	21.8	640	10.2	100	—	267.02
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: Yes

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)
August 31, 2011: 416,903 shares May 31, 2011: 416,903 shares
 - 2) The number of treasury stock as of the period-end
August 31, 2011: 42,401 shares May 31, 2011: 42,401 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
Three Months ended August 31, 2011: 374,502 shares
Three Months ended August 31, 2010: 374,502 shares

Information regarding the implementation of quarterly review procedures

As of the date of disclosure of this report, a review of the quarterly 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. Please refer to “Qualitative Information Concerning Consolidated Forecasts” on page 7 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

Supplementary materials for the quarterly financial results under review were posted on the Company’s website today (October 7, 2011).

Consolidated Financial Report

Q1 FY2011

Three Months Ended August 31, 2011

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1. Qualitative Information Concerning Quarterly Consolidated Business Results

(1) Qualitative Information Concerning Consolidated Business Results

In the first quarter of the fiscal year ending May 31, 2012, the three-month period from June 1, 2011 to August 31, 2011 (“Q1 FY2011”), conditions throughout the Japanese economy were mixed. Amid growing concerns surrounding the impact of the Great East Japan Earthquake on the economy, there were indications of a recovery in manufacturing activity on the back of an early re-establishment of the supply chain. While a modest recovery was anticipated during the second half of 2011 due mainly to reconstruction demand, this positive scenario was offset in the short term by growing uncertainty surrounding future operating conditions owing to a variety of factors including the slowdown of overseas economies reflecting turmoil in global financial markets, prolonged appreciation in the value of the yen and anxieties surrounding the hollowing out of domestic employment conditions as Japan’s corporate sector accelerates its shift of operations overseas. While the effective ratio of job offers to applicants continues to improve moderately, the unemployment rate remains entrenched at a high level.

Under these circumstances, results in the Insourcing (Contracting) business, identified as a strategic priority field during the fiscal year under review, grew substantially buoyed by an increase in public sector emergency employment measures and other orders from the government as well as regional and other public authorities. In addition to an upswing in the Place & Search (Placement / Recruiting) business due largely to the increased willingness to recruit human resources by the corporate sector particularly with respect to personnel with specialized skills and expertise, Global Sourcing (Overseas) activities were firm owing to increased efforts by Japan’s corporate sector to enter overseas markets. In contrast, the number of long-term temporary staff declined slightly in the Expert Services (Temporary Staffing) business. Despite the underlying strength provided by new orders mainly from the service and manufacturing sectors, this was largely attributable to the decline in demand reflecting a drop in corporate-sector confidence due to such factors as the earthquake disaster as well as the rapid and dramatic appreciation in the value of the yen.

As a result of the aforementioned factors, consolidated net sales in Q1 FY2011 climbed by 3.0% compared with the corresponding period of the previous fiscal year (“year on year”) to ¥45,901 million.

From a profit perspective, the increase in earnings attributable to growth in the Insourcing as well as Place & Search businesses, coupled with a quick and definitive turnaround in the placement of job seekers as well as successful efforts to enhance efficiency in the Outplacement business led to improved gross profit margins. As a result, gross profit increased by 4.3% year on year to ¥8,488 million.

During the period under review, selling, general and administrative (SG&A) expenses increased slightly in line with the recovery in net sales. Consolidated operating income and ordinary income, however, rose 93.9% and 75.4% year on year, to ¥601 million and ¥560 million, respectively.

Again, during the period under review, Pasona Group recorded consolidated net income of ¥111 million compared with the net loss of ¥471 million incurred in Q1 FY2010. In addition to the upswing in profit, this positive turnaround reflected the absence of asset retirement obligations recorded as an extraordinary loss following changes to accounting standards adopted from the corresponding period of the previous fiscal year.

Consolidated Business Results

	Three months ended August 31, 2010	Three months ended August 31, 2011	YoY
Net sales	44,574	45,901	3.0%
Operating income	310	601	93.9%
Ordinary income	319	560	75.4%
Net income (loss)	(471)	111	—

(Millions of yen)

Segment Information (Figures include intersegment sales)

HR Solutions

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

Net Sales: ¥39,787 million; **Operating income:** ¥643 million

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

Net Sales: ¥38,646 million

In the Company's Expert Services business, which mainly encompasses general office work, the number of long-term temporary staff declined slightly. Despite the underlying strength provided by new orders mainly from the service and manufacturing sectors, this was largely attributable to the decline in demand reflecting uncertainty with respect to future operating conditions due to such factors as the earthquake disaster as well as the rapid and dramatic appreciation in the value of the yen. On this basis, sales in the Expert Services business dropped by 6.6% year on year to ¥31,435 million.

In the Company's priority Insourcing business, emergency employment measures and other contracts from the public sector were firm. In addition, steps were taken to shift personnel due mainly to increased commissioning activities and to strengthen the management structure. Taking the aforementioned factors into consideration, sales in the Insourcing business climbed by 111.4% year on year to ¥6,716 million.

For Q1 FY2011, collective sales in the Expert Services, Insourcing, HR Consulting businesses increased by 3.4% year on year to ¥38,646 million.

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

Net Sales: ¥571 million

On the domestic front, there was significant activity in the recruitment of sales, marketing, IT and other specialists capable of delivering immediate results as well as human resources with highly specialized skills and expertise reflecting the upswing in job offers commensurate with corporate-sector overseas business development and other factors. As a result, net sales in the Place & Search business climbed substantially by 65.4% year on year to ¥571 million.

▶ **Global Sourcing** (Overseas)

Net Sales: ¥569 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. 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. In overall terms, net sales in the Global Sourcing segment increased by 11.0% year on year to ¥569 million.

On the earnings front with respect to the aforementioned segment activities, operating income increased dramatically by 80.4% year on year to ¥643 million. Despite the drop in revenue in the Expert Services segment, this was largely attributable to the increase in gross profit on the back of growth in each of the Insourcing and Place & Search businesses.

▷ **Outplacement**

Net Sales: ¥2,501 million; **Operating income:** ¥361 million

The depth of the decline in new orders narrowed due to such factors as the implementation of contracts that had been postponed due to the earthquake disaster and the bringing forward of outplacement support demand owing to the shift by Japanese companies of their operations overseas. As a result, net sales in the Outplacement segment surpassed plans. On the earnings front, gross profit margins improved on the back of progress in the quick and definitive turnaround in the placement of job seekers reflecting demand for employees with the skills to achieve immediate results as well as successful efforts to increase efficiency. Taking these factors into consideration, while net sales in this segment decreased by 5.1% year on year to ¥2,501 million operating income increased by 15.6% year on year to ¥361 million.

▷ **Outsourcing**

Net Sales: ¥3,428 million; **Operating income:** ¥372 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, considerable emphasis is being placed on new services such as the Personal business which targets individuals in which the Group derives revenues directly from corporate clients' customers. As a result, net sales in the Outsourcing segment edged up by 0.7% year on year to ¥3,428 million. Taking into account such factors as the deferment of a portion of printing and other overhead expenses to other periods, operating income climbed by 30.1% year on year to ¥372 million.

Life Solutions, Public Solutions, Shared

Net Sales: ¥889 million; **Operating income:** ¥21 million

In child-care-related activities in the Life Solutions business, operating income declined year on year. While demand for temporary childcare facility services increased in line with companies' efforts to conserve electric power and childminder temporary staffing increased, this was largely attributable to anticipatory investments encompassing a variety of areas including personnel expenses. Based on the aforementioned, net sales decreased by 0.8% year on year to ¥889 million and operating income declined by 48.5% year on year to ¥21 million.

Consolidated Net Sales by Segment for the First Three Month

	(Millions of yen)		
	FY2010	FY2011	YoY
<i>HR Solutions</i>	44,259	45,717	3.3%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	38,219	39,787	4.1%
Expert Services (Temporary staffing) Insourcing (Contracting) HR Consulting	37,360	38,646	3.4%
Place & Search (Placement / Recruiting)	345	571	65.4%
Global Sourcing (Overseas)	513	569	11.0%
Outplacement	2,634	2,501	(5.1)%
Outsourcing	3,404	3,428	0.7%
<i>Life Solutions Public Solutions Shared</i>	897	889	(0.8)%
Eliminations and Corporate	(581)	(706)	—
Total	44,574	45,901	3.0%

Consolidated Operating Income by Segment for the First Three Month

(Millions of yen)

	FY2010	FY2011	YoY
HR Solutions	955	1,376	44.1%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	356	643	80.4%
Expert Services (Temporary staffing) Insourcing (Contracting) HR Consulting	356	643	80.4%
Place & Search (Placement / Recruiting)			
Global Sourcing (Overseas)			
Outplacement	312	361	15.6%
Outsourcing	285	372	30.1%
Life Solutions Public Solutions Shared	41	21	(48.5)%
Eliminations and Corporate	(685)	(796)	—
Total	310	601	93.9%

(2) Qualitative Information Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

1) Assets

Total assets as of August 31, 2011 stood at ¥58,012 million, a decrease of ¥2,551 million or 4.2%, compared with May 31, 2011. This was mainly attributable to certain factors including a decrease of ¥4,537 million in the balance of cash and deposits.

2) Liabilities

Total liabilities as of August 31, 2011 decreased ¥2,142 million or 6.1%, compared with May 31, 2011 totaling ¥32,779 million. The principal decreases in total liabilities were accounts payable—trade of ¥866 million, provision for bonuses of ¥634 million and income taxes payable of ¥737 million.

3) Net Assets

Net assets as of August 31, 2011 stood at ¥25,233 million, a decline of ¥408 million or 1.6%, compared with May 31, 2011. This was mainly attributable to the net income of ¥111 million and the payment of cash dividends totaling ¥374 million.

Accounting for the aforementioned, the equity ratio as of August 31, 2011 increased 1.1 percentage points to 35.8% compared with May 31, 2011.

(3) Qualitative Information Concerning Consolidated Forecasts

Pasona Group has decided to revise its consolidated business results forecasts for the first half of FY2011. This is mainly due to the deferment of a portion of Q1 FY2011 SG&A expenses as well as input costs to other periods together with profit improvements compared with plans reflecting the increase in earnings in the Insourcing (Contracting) and highly profitable Place & Search (Placement / Recruiting) businesses.

At the same time, the Company has decided to leave the forecasts of consolidated business results for the full FY2011 period previously disclosed on July 20, 2011 unchanged. Despite the deferment of costs to other periods and the recording of profits brought forward as well as such external factors as

measures implemented by the government to stimulate the economy, this decision is based on growing uncertainty surrounding appreciation in the value of the yen and other future economic conditions, which is forcing the corporate sector to adopt a cautious approach toward recruitment trends.

Revisions to Consolidated Business Results Forecasts

For the First Half of the Fiscal Year Ending May 31, 2012 (June 1, 2011 to November 30, 2011)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income (loss)	Net income (loss) per share (Yen)
Previous forecast (A)	90,000	350	320	(120)	(320.43)
Revised forecast (B)	91,500	650	640	100	267.02
Net change (B – A)	1,500	300	320	220	—
Net change	1.7%	85.7%	100.0%	—	—
(Reference) First half of the fiscal year ended May 31, 2011	88,994	533	580	(549)	(1,466.29)

2. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2011	As of August 31, 2011
ASSETS		
Current assets		
Cash and deposits	22,628	18,090
Notes and accounts receivable—trade	18,356	20,592
Other	3,438	3,007
Allowance for doubtful accounts	(54)	(49)
Total current assets	44,368	41,641
Noncurrent assets		
Property, plant and equipment	6,634	6,505
Intangible assets		
Goodwill	514	845
Other	2,805	2,624
Total intangible assets	3,320	3,470
Investments and other assets		
Other	6,595	6,750
Allowance for doubtful accounts	(13)	(14)
Allowance for investment loss	(341)	(341)
Total investments and other assets	6,240	6,394
Total noncurrent assets	16,195	16,370
Total assets	60,564	58,012

(Millions of yen)

	As of May 31, 2011	As of August 31, 2011
LIABILITIES		
Current liabilities		
Accounts payable—trade	1,585	719
Short-term loans payable	2,075	2,069
Current portion of bonds	128	128
Accrued expenses	10,777	11,310
Income taxes payable	987	249
Provision for bonuses	1,479	845
Provision for directors' bonuses	7	6
Asset retirement obligations	4	6
Other	8,283	8,801
Total current liabilities	25,329	24,137
Noncurrent liabilities		
Long-term loans payable	5,269	4,826
Provision for retirement benefits	910	835
Asset retirement obligations	722	714
Other	2,690	2,265
Total noncurrent liabilities	9,592	8,642
Total liabilities	34,922	32,779
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,054	6,054
Retained earnings	13,425	13,162
Treasury stock	(3,493)	(3,493)
Total shareholders' equity	20,986	20,723
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	135	149
Foreign currency translation adjustment	(117)	(129)
Total accumulated other comprehensive income	17	20
Minority interests	4,637	4,489
Total net assets	25,642	25,233
Total liabilities and net assets	60,564	58,012

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended August 31, 2010	Three months ended August 31, 2011
Net sales	44,574	45,901
Cost of sales	36,432	37,412
Gross profit	8,142	8,488
Selling, general and administrative expenses	7,831	7,886
Operating income	310	601
Non-operating income		
Interest income	3	3
Equity in earnings of affiliates	13	—
Subsidy	60	24
Other	13	18
Total non-operating income	90	47
Non-operating expenses		
Interest expenses	39	42
Commitment fee	16	13
Commission fee	10	22
Equity in losses of affiliates	—	3
Other	15	6
Total non-operating expenses	81	88
Ordinary income	319	560
Extraordinary income		
Gain on change in equity	3	—
Reversal of allowance for doubtful accounts	5	—
Other reversal of provision	25	—
Total extraordinary income	34	—
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	4	7
Loss on valuation of investment securities	4	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	480	—
Total extraordinary loss	488	7
Income (loss) before income taxes	(134)	553
Income taxes—current	170	206
Income taxes—deferred	79	112
Income taxes	250	318
Income (loss) before minority interests	(385)	234
Minority interests in income	86	123
Net income (loss)	(471)	111

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended August 31, 2010	Three months ended August 31, 2011
Income (loss) before minority interests	(385)	234
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(47)	15
Foreign currency translation adjustment	(29)	(12)
Total other comprehensive income (loss)	(77)	3
Comprehensive income (loss)	(462)	238
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(546)	114
Comprehensive income attributable to minority interests	84	124

(4) Notes to Going Concern Assumption

Not applicable

(5) Segment Information

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

Three months ended August 31, 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	38,004	2,634	3,348	43,987	404	44,392	182	44,574
(2) Intersegment sales and transfers	215	—	56	271	492	763	(763)	—
Total	38,219	2,634	3,404	44,259	897	45,156	(581)	44,574
Operating income	356	312	285	955	41	996	(685)	310

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 ¥685 million includes the elimination of intersegment transactions of ¥4 million, corporate earnings of ¥182 million and corporate expenses of ¥872 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.

Three months ended August 31, 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	39,692	2,497	3,370	45,560	340	45,901	—	45,901
(2) Intersegment sales and transfers	94	4	57	156	549	706	(706)	—
Total	39,787	2,501	3,428	45,717	889	46,607	(706)	45,901
Operating income	643	361	372	1,376	21	1,398	(796)	601

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 ¥796 million includes the elimination of intersegment transactions of ¥3 million and corporate expenses of ¥799 million. Corporate expenses are not allocated to reporting segments. 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.

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

Not applicable

(7) Important Subsequent Events

Not applicable