

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2013 (June 1, 2013 to May 31, 2014)
Three Months Ended August 31, 2013

Listing Stock exchange: The First Section of the Tokyo Stock Exchange
 Securities code number: 2168
 URL: <http://www.pasonagroup.co.jp/>
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Scheduled filing date of quarterly report: October 10, 2013
 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		Ordinary Income		Net Income (Loss)	
		%		%		%		%
Three months ended August 31, 2013	51,212	(0.1)	834	149.0	798	141.5	103	—
Three months ended August 31, 2012	51,270	11.7	335	(44.3)	330	(41.0)	(193)	—

(Note) Comprehensive income 3M FY2013: ¥270 million 3M FY2012: ¥(104) million

	Net Income (Loss)	Diluted Net Income
	per Share	per Share
Three months ended August 31, 2013	276.03	275.51
Three months ended August 31, 2012	(517.74)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
August 31, 2013	69,812	25,765	29.6
May 31, 2013	71,276	26,253	29.3

(Reference) Equity As of August 31, 2013: ¥20,635 million As of May 31, 2012: ¥20,915 million

2. DIVIDENDS PER SHARE

Record Date	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2012	—	0.00	—	1,000.00	1,000.00
FY2013	—				
FY2013(Forecast)		0.00	—	10.00	10.00

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

The Company plans to implement a 1:100 stock split on its common stock with an effective date of December 1, 2013, at the same time, adopt a unit share system that will set unit share at 100 shares. Dividend forecast for FY2013 takes into account a 1:100 stock split.

If adjusted to reflect the number of shares prior to the stock split, the forecast of fiscal year end dividend amount will be equivalent to ¥1,000.

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2014

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

	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)		Net Income (Loss)
		%		%		%		%	per Shares
FY2013 First Half	108,500	5.4	880	23.1	820	18.3	(110)	—	(2.94)
FY2013 Full Fiscal Year	222,000	6.9	3,430	8.0	3,320	4.2	480	(21.4)	12.82

(Note) Revision to forecast of results in the current quarter: Yes

Forecast of net income (loss) per share take into account the effect of a 1:100 stock split with an effective date of December 1, 2013.

4. NOTES

- (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, 2013: 416,903 shares May 31, 2013: 416,903 shares
 - 2) The number of treasury stock as of the period-end
August 31, 2013: 42,401 shares May 31, 2013: 42,401 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
Three Months ended August 31, 2013: 374,502 shares
Three Months ended August 31, 2012: 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

1. 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 5 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2014.
2. The Company plans to implement a 1:100 stock split on its common stock with an effective date of December 1, 2013, at the same time, adopt a unit share system that will set unit share at 100 shares.

Method to obtain supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results under review have been posted on the Company’s website on October 4, 2013.

Consolidated Financial Report

Three Months Ended August 31, 2013

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3M FY2013 Consolidated Financial Report

(June 1, 2013 - August 31, 2013)

1. Qualitative Information Concerning Quarterly Consolidated Business Results

(1) Information Concerning Consolidated Business Results

Consolidated Business Results

	3M FY2012	3M FY2013	YoY
Net sales	51,270	51,212	(0.1)%
Operating income	335	834	149.0%
Ordinary income	330	798	141.5%
Net income (loss)	(193)	103	—

(Millions of yen)

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

	3M FY2012	3M FY2013	YoY
HR Solutions	51,061	50,753	(0.6)%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	44,449	43,140	(2.9)%
Expert Services (Temporary staffing)	32,971	31,169	(5.5)%
Insourcing (Contracting)	9,149	9,327	1.9%
HR Consulting, Education & Training, Others	916	1,013	10.6%
Place & Search (Placement / Recruiting)	743	762	2.5%
Global Sourcing (Overseas)	668	866	29.7%
Outplacement	2,724	3,060	12.3%
Outsourcing	3,886	4,552	17.1%
Life Solutions			
Public Solutions	987	1,194	21.0%
Shared			
Eliminations and Corporate	(777)	(735)	—
Total	51,270	51,212	(0.1)%

(Millions of yen)

Consolidated Operating Income by Segment

	3M FY2012	3M FY2013	YoY
HR Solutions	1,461	1,798	23.0%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	603	653	8.3%
Expert Services (Temporary staffing)			
Insourcing (Contracting)			
HR Consulting, Education & Training, Others	603	653	8.3%
Place & Search (Placement / Recruiting)			
Global Sourcing (Overseas)			
Outplacement	388	613	58.0%
Outsourcing	469	530	13.1%
Life Solutions			
Public Solutions	40	(19)	—
Shared			
Eliminations and Corporate	(1,166)	(944)	—
Total	335	834	149.0%

(Millions of yen)

(2) Qualitative Information Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

1) Assets

Total assets as of August 31, 2013 stood at ¥69,812 million, a decrease of ¥1,463 million or 2.1%, compared with May 31, 2013. This was mainly attributable to certain factors including a decrease of ¥427 million in the balance of cash as well as a decrease of ¥539 million in notes and accounts receivable-trade.

2) Liabilities

Total liabilities as of August 31, 2013 decreased ¥976 million or 2.2%, compared with May 31, 2013 totaling ¥44,046 million. The principal decreases in total liabilities were accounts payable-trade of ¥1,173 million and provision for bonuses of ¥842 million. They were partly offset by an increase of ¥1,142 million in long-term loans payable

3) Net Assets

Net assets as of August 31, 2013 stood at ¥25,765 million, a decline of ¥487 million or 1.9%, compared with May 31, 2013. This was mainly attributable to the net income of ¥103 million and the payment of cash dividends totaling ¥374 million, as well as a decrease of ¥207 million in minority interests.

Accounting for the aforementioned, the equity ratio as of August 31, 2013 raised 0.3 percentage points to 29.6% compared with the end of the previous fiscal year.

(3) Qualitative Information Concerning Consolidated Forecasts

Taking into consideration recent performance trends, the Company today announced revisions to its earnings forecast for the first half of the fiscal year ending May 31, 2014 previously disclosed on July 12, 2013.

In addition to the deferment of a portion of SG&A expenses as well as input costs to other periods, this trend largely reflects orders brought forward in the Outplacement business, the quick and definitive turnaround in the placement of users, and successful efforts to control costs.

However, the Company leaves full fiscal year forecasts unchanged. In addition to such factors as the deferment of costs mentioned above, this decision is based on expectations that movements in Outplacement orders will settle.

Revisions to Consolidated Business Results Forecasts

For the First Half of the Fiscal Year Ending May 31, 2014 (June 1, 2013 to November 30, 2013)

(Millions of yen unless otherwise stated)

	Net sales	Operating income	Ordinary income	Net income (loss)	Net income (loss) per share (Yen)
Previous forecast (A)	108,500	730	620	(170)	(4.54)
Revised forecast (B)	108,500	880	820	(110)	(2.94)
Net change (B – A)	0	150	200	60	—
Net change (%)	0.0	20.5	32.3	—	—
(Reference) First half of the fiscal year ended May 31, 2013	102,976	714	692	(454)	(1,214.06)

Note:

The Company plans to implement a 1:100 stock split on its common stock with an effective date of December 1, 2013, at the same time, adopt a unit share system that will set unit share at 100 shares. Forecast of net income (loss) per share take into account the effect of stock split.

2. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2013	As of August 31, 2013
ASSETS		
Current assets		
Cash and deposits	20,572	20,144
Notes and accounts receivable—trade	22,280	21,741
Other	5,037	4,822
Allowance for doubtful accounts	(53)	(54)
Total current assets	47,836	46,653
Noncurrent assets		
Property, plant and equipment	8,468	8,261
Intangible assets		
Goodwill	4,063	3,919
Other	3,650	3,692
Total intangible assets	7,714	7,611
Investments and other assets		
Other	7,610	7,638
Allowance for doubtful accounts	(14)	(12)
Allowance for investment loss	(340)	(340)
Total investments and other assets	7,256	7,285
Total noncurrent assets	23,439	23,158
Total assets	71,276	69,812

(Millions of yen)

	As of May 31, 2013	As of August 31, 2013
LIABILITIES		
Current liabilities		
Accounts payable—trade	2,282	1,108
Short-term loans payable	3,005	3,351
Accrued expenses	12,119	12,613
Income taxes payable	1,535	361
Provision for bonuses	2,113	1,270
Provision for directors' bonuses	15	10
Asset retirement obligations	8	5
Other	12,658	13,026
Total current liabilities	33,737	31,747
Noncurrent liabilities		
Long-term loans payable	5,655	6,798
Provision for retirement benefits	1,614	1,514
Asset retirement obligations	821	813
Other	3,193	3,173
Total noncurrent liabilities	11,284	12,299
Total liabilities	45,022	44,046
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,054	6,054
Retained earnings	13,283	12,979
Treasury stock	(3,493)	(3,493)
Total shareholders' equity	20,845	20,540
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	85	66
Foreign currency translation adjustment	(14)	27
Total accumulated other comprehensive income	70	94
Minority interests	5,337	5,130
Total net assets	26,253	25,765
Total liabilities and net assets	71,276	69,812

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended August 31, 2012	Three months ended August 31, 2013
Net sales	51,270	51,212
Cost of sales	41,753	41,179
Gross profit	9,517	10,032
Selling, general and administrative expenses	9,181	9,197
Operating income	335	834
Non-operating income		
Interest income	3	3
Equity in earnings of affiliates	6	—
Subsidy	4	14
Rent expenses on real estates	1	12
Other	40	19
Total non-operating income	56	50
Non-operating expenses		
Interest expenses	45	41
Commitment fee	7	7
Equity in losses of affiliates	—	20
Other	7	17
Total non-operating expenses	60	86
Ordinary income	330	798
Extraordinary income		
Gain on sales of investment securities	—	0
Total extraordinary income	—	0
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	23	19
Total extraordinary loss	23	19
Income before income taxes	306	778
Income taxes—current	233	290
Income taxes—deferred	103	243
Income taxes	337	533
Income (loss) before minority interests	(30)	245
Minority interests in income	163	142
Net income (loss)	(193)	103

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended August 31, 2012	Three months ended August 31, 2013
Income (loss) before minority interests	(30)	245
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(19)	(19)
Foreign currency translation adjustment	(53)	44
Total other comprehensive income (loss)	(73)	25
Comprehensive income (loss)	(104)	270
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(258)	127
Comprehensive income attributable to minority interests	154	143

(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, 2012

(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	44,289	2,724	3,833	50,847	423	51,270	—	51,270
(2) Intersegment sales and transfers	160	0	53	213	563	777	(777)	—
Total	44,449	2,724	3,886	51,061	987	52,048	(777)	51,270
Operating income	603	388	469	1,461	40	1,501	(1,166)	335

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 income of ¥(1,166) million includes the elimination of intersegment transactions of ¥(4) million and corporate expenses of ¥1,161 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.

Three months ended August 31, 2013

(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	42,981	3,060	4,497	50,539	673	51,212	—	51,212
(2) Intersegment sales and transfers	158	0	55	214	521	735	(735)	—
Total	43,140	3,060	4,552	50,753	1,194	51,947	(735)	51,212
Operating income (loss)	653	613	530	1,798	(19)	1,779	(944)	834

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 income of ¥(944) million includes the elimination of intersegment transactions of ¥2 million and corporate expenses of ¥947 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