

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2015 (June 1, 2015 to May 31, 2016)
Nine Months Ended February 29, 2016

Listing Stock exchange: The First Section of the Tokyo Stock Exchange
 Securities code number: 2168
 Representative: Yasuyuki Nambu, Group CEO and President
 For further information contact: Yuko Nakase, Managing Director and CFO
 Scheduled filing date of quarterly report: April 11, 2016
 Supplementary materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(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		Profit/loss attributable to owners of parent	
		%		%		%		%
Nine months ended February 29, 2016	194,430	14.9	2,002	(14.2)	1,933	(14.1)	(453)	—
Nine months ended February 28, 2015	169,185	9.2	2,334	14.1	2,251	15.0	7	(37.2)

(Note) Comprehensive income 9M FY2015: ¥(79) million (—) 9M FY2014: ¥870 million (17.5%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended February 29, 2016	(12.32)	—
Nine months ended February 28, 2015	0.21	—

(Note)

Effective from Q2 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 per share.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
February 29, 2016	79,689	26,275	23.7
May 31, 2015	88,641	29,620	24.1

(Reference) Equity As of February 29, 2016: ¥18,915 million As of May 31, 2015: ¥21,333 million

2. DIVIDENDS

Record Date	Dividends per Share				Total
	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	
	Yen	Yen	Yen	Yen	Yen
FY2014	—	0.00	—	12.00	12.00
FY2015	—	0.00	—		
FY2015(Forecast)				12.00	12.00

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

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2016

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Shares	
		%		%		%		%	Yen	
Full Fiscal Year	263,000	16.3	3,700	6.0	3,700	10.7	230	7.4		6.25

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

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: Yes
 - 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)
February 29, 2016: 41,690,300 shares May 31, 2015: 41,690,300 shares
 - 2) The number of treasury stock as of the period-end
February 29, 2016: 4,893,138 shares May 31, 2015: 4,893,100 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
Nine months ended February 29, 2016: 36,797,169 shares
Nine months ended February 28, 2015: 36,825,143 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 has been completed in accordance with the Financial Instruments and Exchange Act.

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to “Qualitative Information Concerning Consolidated Forecasts” on page 5 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2016.

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 on April 8, 2016.

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, business term for these subsidiaries was an irregular period of 14 months and eleven-month results combined in 9M FY2014.

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, eleven-month results (April 1, 2015 – February 29, 2016) combined in 9M FY2015.

Consolidated Financial Report

Nine months ended February 29, 2016

INDEX

1. Summary Concerning Quarterly Consolidated Business Results	
(1) Information Concerning Consolidated Business Results	..... p. 4
(2) Qualitative Information Concerning Consolidated Financial Position	..... p. 5
(3) Qualitative Information Concerning Consolidated Forecasts	..... p. 5
2. Matters Relating to Summary Information (Notes)	
(1) Changes of Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement	p. 5
(2) Additional Information	p. 6
3. Quarterly Consolidated Financial Statements	
(1) Quarterly Consolidated Balance Sheets	..... p. 7
(2) Quarterly Consolidated Statements of Income	..... p. 9
(3) Quarterly Consolidated Statements of Comprehensive Income	..... p. 10
(4) Notes to Going Concern Assumption	..... p. 10
(5) Notes on Significant Changes in the Amount of Shareholders' Equity	..... p. 10
(6) Segment Information	..... p. 10
(7) Important Subsequent Events	..... p. 11

9M FY2015 Consolidated Financial Report

(June 1, 2015 - February 29, 2016)

1. Summary Concerning Quarterly Consolidated Business Results

(1) Information Concerning Consolidated Business Results

Consolidated Business Results

	(Millions of yen)		
	9M FY2014	9M FY2015	YoY
Net sales	169,185	194,430	14.9%
Operating income	2,334	2,002	(14.2)%
Ordinary income	2,251	1,933	(14.1)%
Profit (Loss) attributable to owners of parent	7	(453)	—

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)		
	9M FY2014	9M FY2015	YoY
<i>HR Solutions</i>	166,491	192,151	15.4%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	140,811	161,345	14.6%
Expert Services (Temporary staffing)	99,719	98,270	(1.5)%
Insourcing (Contracting)	33,490	53,995	61.2%
HR Consulting, Education & Training, Others	4,118	4,623	12.3%
Global Sourcing (Overseas)	3,483	4,455	27.9%
Career Solutions (Placement/Recruiting, Outplacement)	10,179	12,132	19.2%
Outsourcing	15,500	18,672	20.5%
<i>Life Solutions, Public Solutions</i>	4,147	4,112	(0.8)%
Eliminations and Corporate	(1,453)	(1,833)	—
Total	169,185	194,430	14.9%

Consolidated Operating Income (Loss) by Segment

	(Millions of yen)		
	9M FY2014	9M FY2015	YoY
<i>HR Solutions</i>	5,373	6,058	12.8%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	2,066	1,086	(47.4)%
Expert Services (Temporary staffing)	2,066	1,086	(47.4)%
Insourcing (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)			
Career Solutions (Placement/Recruiting, Outplacement)	1,071	2,108	96.8%
Outsourcing	2,235	2,863	28.1%
<i>Life Solutions, Public Solutions</i>	(46)	(472)	—
Eliminations and Corporate	(2,992)	(3,583)	—
Total	2,334	2,002	(14.2)%

(2) Qualitative Information Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

1) Assets

Total assets as of February 29, 2016 stood at ¥79,689 million, a decrease of ¥8,952 million or 10.1%, compared with May 31, 2015. This was mainly attributable to a decrease of ¥9,438 million in cash and deposits. This was partly offset by an increase of ¥1,199 million in notes and accounts receivable—trade.

2) Liabilities

Total liabilities as of February 29, 2016 stood at ¥53,414 million, a decrease of ¥5,607 million or 9.5%, compared with May 31, 2015. The principal decreases in total liabilities were accounts payable—trade of ¥2,577 million and accrued consumption taxes of ¥3,246 million.

3) Net Assets

Net assets as of February 29, 2016 stood at ¥26,275 million, a decrease of ¥3,344 million or 11.3%, compared with May 31, 2015. This was mainly due to the net loss attributable to owners of parent of ¥453 million, 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, the payment of cash dividends totaling ¥441 million as well as a decrease of ¥926 million in non-controlling interests.

Accounting for the aforementioned, the equity ratio as of February 29, 2016 decreased 0.4 points to 23.7% compared with the end of the previous fiscal year.

(3) Qualitative Information Concerning Consolidated Forecasts

Based on recent performance trends, the Company has decided to revise downward its business forecast for the fiscal year ending May 31, 2016 previously announced on July 15, 2015.

2. Matters Relating to Summary Information (Notes)

(1) Changes of Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

(Changes in Accounting Policies)

Effective from Q1 FY2015, the Company adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter, “Business Combinations Standard”), the 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 9M and full FY2014.

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 9M FY2015 increased by ¥65 million. Capital surplus as of February 29, 2016 decreased by ¥1,161 million.

(2) 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.

i) 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.

ii) 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.

iii) 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.

i) 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.

ii) 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.

iii) Aggregate Book Value of Loan under the Gross Method

Not applicable

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2015	As of February 29, 2016
ASSETS		
Current assets		
Cash and deposits	21,123	11,685
Notes and accounts receivable — trade	29,531	30,730
Inventories	1,007	1,021
Other	6,531	6,632
Allowance for doubtful accounts	(64)	(54)
Total current assets	58,129	50,015
Non-current assets		
Property, plant and equipment	9,770	8,843
Intangible assets		
Goodwill	4,884	4,130
Other	4,916	5,370
Total intangible assets	9,801	9,501
Investments and other assets		
Other	10,986	11,375
Allowance for doubtful accounts	(45)	(46)
Total investments and other assets	10,940	11,329
Total non-current assets	30,512	29,673
Total assets	88,641	79,689

	As of May 31, 2015	As of February 29, 2016
LIABILITIES		
Current liabilities		
Accounts payable — trade	5,217	2,640
Short-term loans payable	3,972	5,364
Accrued expenses	12,576	12,770
Income taxes payable	1,425	716
Provision for bonuses	2,814	2,097
Provision for directors' bonuses	25	20
Asset retirement obligations	50	—
Other	20,184	16,110
Total current liabilities	46,267	39,720
Non-current liabilities		
Long-term loans payable	7,419	8,425
Net defined benefit liability	1,692	1,669
Asset retirement obligations	842	921
Other	2,799	2,678
Total non-current liabilities	12,753	13,693
Total liabilities	59,021	53,414
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,068	5,023
Retained earnings	13,370	12,475
Treasury stock	(3,899)	(4,016)
Total shareholders' equity	20,539	18,482
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	206	155
Foreign currency translation adjustment	271	198
Remeasurements of defined benefit plans	316	79
Total accumulated other comprehensive income	794	432
Non-controlling interests	8,286	7,359
Total net assets	29,620	26,275
Total liabilities and net assets	88,641	79,689

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	9M FY2014	9M FY2015
Net sales	169,185	194,430
Cost of sales	135,404	155,953
Gross profit	33,781	38,477
Selling, general and administrative expenses	31,446	36,474
Operating income	2,334	2,002
Non-operating income		
Interest income	22	34
Subsidy	40	56
Real estate rent	36	33
Other	111	114
Total non-operating income	210	238
Non-operating expenses		
Interest expenses	122	125
Commitment fee	32	37
Share of loss of entities accounted for using equity method	59	62
Other	78	81
Total non-operating expenses	293	307
Ordinary income	2,251	1,933
Extraordinary income		
Gain on sales of non-current assets	—	5
Gain on sales of investment securities	—	63
Compensation income	90	—
Gain on change in equity	0	—
Gain on donation of non-current assets	—	17
Total extraordinary income	91	86
Extraordinary loss		
Loss on sales and retirement of non-current assets	40	35
Impairment loss	62	37
Loss on valuation of investment securities	12	10
Loss on sales of shares of subsidiaries and associates	—	9
Total extraordinary loss	116	92
Income before income taxes	2,226	1,926
Income taxes—current	1,311	1,477
Income taxes—deferred	194	143
Income taxes	1,505	1,620
Net income	721	306
Profit attributable to non-controlling interests	713	759
Profit (loss) attributable to owners of parent	7	(453)

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	9M FY2014	9M FY2015
Profit (loss)	721	306
Other comprehensive income		
Valuation difference on available-for-sale securities	154	(67)
Foreign currency translation adjustment	223	(79)
Remeasurements of defined benefit plans	(236)	(237)
Share of other comprehensive income of entities accounted for using equity method	9	(2)
Total other comprehensive income	149	(385)
Comprehensive income	870	(79)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	65	(814)
Comprehensive income attributable to non-controlling interests	805	735

(4) Notes to Going Concern Assumption

Not applicable

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

Not applicable

(6) Segment Information

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

9M FY2014

(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	140,163	10,163	15,304	165,631	3,553	169,185	—	169,185
(2) Intersegment sales and transfers	648	16	195	859	593	1,453	(1,453)	—
Total	140,811	10,179	15,500	166,491	4,147	170,639	(1,453)	169,185
Operating income (loss)	2,066	1,071	2,235	5,373	(46)	5,327	(2,992)	2,334

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/Education & Training/Others 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 ¥(2,992) million includes the elimination of intersegment transactions of ¥36 million and corporate expenses of ¥3,028 million. Corporate expenses, primarily consist of Group management costs relating to the Company, are not allocated to reporting segments.
4. Segment income is adjusted with operating income under consolidated statements of income.

9M FY2015

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

(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	160,521	12,111	18,328	190,961	3,468	194,430	—	194,430
(2) Intersegment sales and transfers	824	21	343	1,189	643	1,833	(1,833)	—
Total	161,345	12,132	18,672	192,151	4,112	196,264	(1,833)	194,430
Operating income (loss)	1,086	2,108	2,863	6,058	(472)	5,586	(3,583)	2,002

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/Education & Training/Others and Global Sourcing (Overseas).
2. The “Others” segment is not included in reporting segments, and includes Life Solutions as well as Public Solutions.
3. Adjustment is as follows: Operating income of ¥(3,583) million includes the elimination of intersegment transactions of ¥(4) million and corporate expenses of ¥3,579 million. Corporate expenses, primarily consist of Group management costs relating to the Company, are not allocated to reporting segments.
4. Segment income is adjusted with operating income under consolidated statements of income.

ii) Information concerning changes to reporting segments, etc.

Effective from Q1 FY2015, “Place & Search”, previously included in the “Expert Services (Temporary staffing), Insourcing (Contracting), Others”, was integrated into “Career Solutions (Placement/ Recruiting, Outplacement)” segment. In line with this change, the classification of the reporting segments has been revised.

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 9M FY2014 is prepared based on the new reporting segments.

(7) Important Subsequent Events

Not applicable