Pasona Group Inc.
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Listing Code No.: 2168
Listing: First Section, Tokyo Stock Exchange
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Summary

July 17, 2009

Consolidated Financial Report

Fiscal Year Ended May 31, 2009

(June 1, 2008 to May 31, 2009)

- **In fiscal 2009, the fiscal year ended May 31, 2009, the Placement and Recruiting business experienced negative growth. This was largely attributable to the downturn in the economy resulting in adjustments to employment by the corporate sector. Outplacement demand, on the other hand, grew sharply.**
- **Each of the Insourcing (contracting) and Outsourcing businesses continued to expand throughout the period under review.**
- **In the Temporary Staffing business, new demand from the finance and export-related sectors was subdued. This resulted in a drop in temporary staff under contract. On a brighter note, positive steps were taken to secure high-quality staff as well as temporary staffing stability. Signs of change in the market also began to emerge together with an upswing in new demand for temporary staff.**
- **The gross profit margin declined compared with the previous fiscal year. This was mainly attributable to higher input costs including the substantial increase in health insurance premium payment rates for temporary staff and the large take up of paid holidays.**
- **The depth of profit decline in net income grew significantly due to a variety of factors. Most notable was the extraordinary loss recorded in connection with the consolidation of offices.**
- **Looking ahead, Pasona Group is anticipating a performance recovery toward the second half of fiscal 2010, the fiscal year ending May 31, 2010. As a result, an increase in both revenue and earnings is forecast.**

【1】Consolidated Business Results

(Millions of yen rounded down)

	FY ended May 31, 2008	**FY ended May 31, 2009**	Increase / (Decrease)	YoY
Net sales	236,945	**218,699**	(18,245)	(7.7)%
Cost of sales	187,575	**175,114**	(12,460)	(6.6)%
(to net sales)	(79.2%)	**(80.1%)**	(0.9%pt)	
Gross profit	49,369	**43,585**	(5,784)	(11.7)%
(to net sales)	(20.8%)	**(19.9%)**	(-0.9%pt)	
Selling, general and administrative expenses	42,925	**40,735**	(2,190)	(5.1)%
(to net sales)	(18.1%)	**(18.6%)**	(0.5%pt)	
Operating income	6,444	**2,850**	(3,594)	(55.8)%
(to net sales)	(2.7%)	**(1.3%)**	(-1.4%pt)	
Ordinary income	6,637	**3,361**	(3,276)	(49.4)%
(to net sales)	(2.8%)	**(1.5%)**	(-1.3%pt)	
Income before income taxes	7,000	**2,885**	(4,114)	(58.8)%
(to net sales)	(3.0%)	**(1.3%)**	(-1.7%pt)	
Net income	2,962	**312**	(2,650)	(89.4)%
(to net sales)	(1.3%)	**(0.1%)**	(-1.2%pt)	
Net income per share (Yen)	7,109.95	**834.30**	(6,275.65)	—

Overview of Business Results

- Consolidated net sales for the fiscal year ended May 31, 2009 decreased 7.7% compared with the previous fiscal year. This downturn in revenue was largely attributable to weak performances in each of the Temporary staffing / Contracting and Placement / Recruiting businesses.
- In addition to the affects of a decline in revenue, the substantial increase in health insurance premium payment rates and the large take up of paid holidays in the Temporary Staffing business saw input costs balloon. As a result, gross profit decreased 11.7% compared with the previous fiscal year. In the fiscal year under review, the gross profit margin contracted 0.9 of a percentage point year on year to 19.9%.
- In the area of selling, general and administrative (SG&A) expenses, the Pasona Group worked diligently to curtail costs focusing mainly on recruitment expenditure and personnel expenses. In the fiscal year under review, SG&A expenses declined ¥2,190 million compared with the previous fiscal year. Unable to offset the downturn in gross profit, consolidated operating income dropped 55.8% year on year to ¥2,850 million.
- In the fiscal year ended May 31, 2009, Pasona Group recorded such non-operating income items as unused point settlement income amounting to ¥94 million following a review of temporary staff welfare benefits and compensation income of ¥78 million reflecting the Company's move to vacate certain premises prior to lease contract completion following the decision by the property owner to reconstruct the building. Taking these and other factors into consideration, consolidated ordinary income fell 49.4% compared with the previous fiscal year to ¥3,361 million.
- Effective from the fiscal year ended May 31, 2009, Pasona Group and certain of its subsidiary companies decided to terminate and abandon their retirement benefit systems for directors and corporate auditors. As a result, the Pasona Group recorded extraordinary gains on reversal of provision for directors' retirement benefits totaling ¥637 million.
- In addition, the Company reported a provision of allowance for investment loss totaling ¥350 million. This was attributable to the loss on sale of certain subsidiaries as a part of the Group's reorganization. Other extraordinary losses for the period included ¥256 million relating to losses on the sale and disposal of noncurrent assets as the Group worked toward consolidating offices, and ¥166 million representing subsidiary head office relocation expenses. Accounting for each of the aforementioned, income before income taxes and minority interests was ¥2,885 million, down 58.8% compared with the previous fiscal year.
- After taking into consideration the increase in the ratio of equity in minority interests of consolidated subsidiaries, consolidated net income for the fiscal year ended May 31, 2009 was ¥312 million, a decline of 89.4% year on year.

【2】Segment Information (Figures include intersegment sales and transfers)

(Millions of yen rounded down unless otherwise stated)

	FY ended May 31, 2008	**FY ended May 31, 2009**	Increase / (Decrease)	YoY	Share	YoY
Temporary staffing / Contracting, Placement / Recruiting	216,486	**197,333**	(19,153)	(8.8)%	90.2%	(1.1)%pt
Temporary staffing / Contracting	208,810	**191,412**	(17,398)	(8.3)%	87.5%	(0.6)%pt
Placement / Recruiting	7,676	**5,921**	(1,755)	(22.9)%	2.7%	(0.5)%pt
Outplacement	5,858	**5,794**	(63)	(1.1)%	2.7%	+0.2%pt
Outsourcing	13,732	**14,725**	992	7.2%	6.7%	+0.9%pt
Other	2,115	**3,002**	886	41.9%	1.4%	+0.5%pt
Eliminations and Corporate	(1,248)	**(2,155)**	(907)	—	(1.0)%	(0.5)%pt
Total Net Sales	236,945	**218,699**	(18,245)	(7.7)%	100.0%	—
Temporary staffing / Contracting, Placement / Recruiting	5,056	**3,291**	(1,764)	(34.9)%	115.5%	+37.1%pt
Outplacement	1,377	**1,025**	(352)	(25.6)%	36.0%	+14.6%pt
Outsourcing	1,883	**2,135**	252	13.4%	74.9%	+45.7%pt
Other	(26)	**12**	38	—	0.4%	+0.8%pt
Eliminations and Corporate	(1,846)	**(3,614)**	(1,768)	—	(126.8)%	(98.2)%pt
Total Operating Income	6,444	**2,850**	(3,594)	(55.8)%	100.0%	—

Note: From the second half of the fiscal year ended May 31, 2008, expenses of the holding company are recorded as corporate expenses within eliminations and corporate.

Temporary staffing / Contracting, Placement / Recruiting
(Pasona Inc., Pasona Tech, Inc., Pasona Career Inc., Others)

Temporary staffing / Contracting

- New demand for temporary staff declined in the export and finance industries. Furthermore, citing individual circumstances, client firms increasingly completed temporary staffing contracts in March. As a result, the number of long-term temporary staff declined. Reflecting the decision by many client firms to curtail overtime, the depth of decline in performance also expanded, particularly from the fourth quarter.
- Impacted by specified limitations on the permitted period of temporary staffing contracts, the number of contracts completed by job type increased particularly in the deregulated marketing and sales industries.
- Signs of a bottoming out in the drop in new orders from such sectors as the automobile and finance industries are recently emerging, indicating the completion of temporary staffing contracts are beginning to settle.
- Buoyed by continued progress in the Group’s ability to secure high-quality staff, stability in the supply of human resources is improving.
- In the “Insourcing (contracting)” business growth was steady. Focusing on efforts to strengthen marketing capabilities, Pasona Group implemented various measures including changes to its Group organization and an increase in personnel. As a result, sales in this category climbed 8.6% compared with the previous fiscal year to ¥9,910 million.

Note: For the monthly average of long-term temporary staff and Temporary staffing / Contracting — sales by staffing type data, please refer to page 7.

Placement / Recruiting

Domestic sales: ¥4,954 million (Down 9.4% YoY)
Overseas sales: ¥966 million (Down 56.3% YoY)

- In the Placement and Recruiting business segment, the corporate sector cutback noticeably in their human resource recruitment activities. In the period after autumn 2008, the number of job openings has therefore continued to decline.
- Exacerbating these trends, the degree of sophistication with respect to new human resource needs has steadily risen, making it increasingly difficult to match new orders particularly in the recent past.
- For the 12-month period ended May 31, 2009, Placement and Recruiting business segment sales outside of Japan dropped considerably. This was largely attributable to the sale of consolidated subsidiaries as a part of the Group’s overall business reorganization.

Operating income: Temporary staffing / Contracting, Placement and Recruiting segment

- In addition to the downturn in revenue, earnings were impacted by several factors including the significant upswing in temporary staffing health insurance premium payment rates and the higher than estimated level of paid holidays. As a result the gross profit margin in this business segment contracted year on year. Despite efforts to substantially contain such SG&A expenses as recruiting and personnel costs in the Temporary staffing / Contracting and Placement / Recruiting segment, operating income declined.

Outplacement (Pasona Career Inc., Others)

- Throughout the fiscal year under review, the corporate sector continued efforts to implement corrections in employment conditions in response to the downturn in the economy. Against this backdrop, demand in the Outplacement business grew significantly, particularly from the fourth quarter.
- The Pasona Group took steps to increase the number of consultants and to strengthen its marketing structure by assigning and relocating personnel from the Placement and Recruiting business segment.
- However, reflecting the carry forward into the next fiscal period of sales relating to a portion of orders and contracts attained during the fourth quarter, both revenue and earnings in this segment declined compared with the previous fiscal year.

Outsourcing (Benefit One Inc.)

- The Pasona Group continues to promote marketing proposals to its corporate members while expanding its menu of employee benefit services that take into consideration work and lifestyle balance.
- The Group saw growth in such new services as Incentive Café and a service that caters to statutory special (metabolic) medical checkups following revisions to the Health Insurance Law.
- Operating income climbed buoyed by successful efforts to contain overall input costs including expenses related to the publication of a guidebook.

Other

- In the others business segment, the Pasona Group is engaged in child-care-related businesses, such educational activities as the management and operation of language classes and shared service company activities within the Group.

- In the fiscal year ended May 31, 2009, the Group placed particular emphasis on promoting shared services with the aim of raising business efficiency. As a result, sales from these activities increased substantially.

【3】Status of Financial Position and Investments

Changes in Financial Position (Consolidated)

(Millions of yen rounded down unless otherwise stated)

	May 31, 2008	**May 31, 2009**		Increase / (Decrease)	YoY
Current assets	41,213	**37,358**		(3,855)	(9.4)%
Noncurrent assets	17,300	**18,110**		809	4.7%
Total assets	58,513	**55,468**	*1	(3,045)	(5.2)%
Current liabilities	26,731	**28,834**		2,102	7.9%
Noncurrent liabilities	2,313	**1,485**		(828)	(35.8)%
Total liabilities	29,045	**30,319**	*2	1,273	4.4%
Net assets	29,468	**25,148**	*3	(4,319)	(14.7)%
Equity ratio (%)	41.6%	**35.4%**		(6.2)%pt	-
Net assets per share (Yen)	58,363.62	**54,751.17**		(3,612.45)	(6.2)%

Notes:

1. Major movements included a decrease of ¥4,364 million in the balance of notes and accounts receivable－trade as well as an increase of ¥1,607 million in the balance of lease and guarantee deposits compared with the end of the previous fiscal year.
2. The principal increase was short-term loans payable, which climbed ¥6,289 million compared with the balance as of May 31, 2008. This was partly offset by declines in accrued expenses of ¥2,301 million, income taxes payable of ¥1,266 million.
3. Major movements in net assets were the payment of dividends totaling ¥757 million and acquisition of treasury stock amounting to ¥4,154 million.

Status of Consolidated Cash Flows

Cash and cash equivalents as of May 31, 2009 increased ¥507 million compared with the end of the previous fiscal year to ¥14,120 million.

(Millions of yen rounded down)

	FY ended May 31, 2008				**FY ended May 31, 2009**					YoY Increase / (Decrease)
	3M	6M	9M	12M	3M	6M	9M	**12M**		
Cash flows from operating activities	(1,883)	(865)	203	5,974	(1,322)	609	477	**4,443**	*1	(1,530)
Cash flows from investing activities	(1,299)	(2,211)	(1,938)	(2,968)	(836)	(1,856)	(4,225)	**(4,966)**	*2	(1,998)
Cash flows from financing activities	1,424	3,007	2,517	(980)	641	(2,184)	797	**1,077**	*3	2,058
Free cash flows	(3,182)	(3,076)	(1,735)	3,006	(2,159)	(1,247)	(3,748)	**(523)**		(3,529)

Notes:

1. Major cash inflows included income before income taxes, which decreased by ¥4,114 million compared with the previous fiscal year to ¥2,885 million, a decrease in notes and accounts receivable-trade of ¥4,356 million. Principal cash outflow was income taxes paid amounting to ¥3,071 million.

2. Movements in cash flows from investing activities were mainly attributable to payments for the purchase of property, plant and equipment totaling ¥1,553 million, payments for the purchase of intangible assets amounting to ¥1,654 million as well as payments for lease and guarantee deposits involved in the relocation of its office amounting to ¥1,817 million.

3. Major cash inflows included an increase in short-term loans payable of ¥6,289 million. Principal cash outflows were payments for the purchase of treasury stock of ¥4,490 million and cash dividends paid totaling ¥1,040 million.

【4】FY2010 Consolidated Forecasts of Business Results (June 1, 2009 to May 31, 2010)

Recent economic indices would indicate that the economy is in a recovery trend. The economic environment is therefore expected to enjoy modest improvement. Despite this favorable outlook, there are presently little or no signs to indicate a marked improvement in the employment environment particularly for full-time, permanent employees. Accordingly prospects for the human resources industry are mixed. On the one hand, activities in the Placement and Recruiting business are projected to confront ongoing difficult conditions. The "Insourcing (contracting)" and Outsourcing businesses, on the other hand, are expected to experience further growth buoyed by the growing tide toward corporate sector reengineering (steps to rebuild operating workflows and implement organizational structural reforms).

Turning to the Temporary Staffing business, the drop in new demand appears to have abated. Signs are beginning to emerge of a spate of new demand for temporary staffing reflecting steps by the corporate sector to review its human resource strategies. Furthermore, buoyed by improvements in the overall ability to supply high-quality staff this incidence of new demand is anticipated to promote real gains in Temporary staffing business performance.

Looking ahead, the Pasona Group will make every effort to accurately grasp the needs of the corporate sector, quickly build a total solutions service structure and further bolster its comprehensive and diverse capabilities.

On the earnings front, the Group's overall gross profit margins are forecast to decline. This is mainly attributable to the projected drop in revenues in the Placement and Recruiting business, a segment that boasts high gross profit margins, and a drop in the gross profit margins for the Outplacement business. Turning to SG&A expenses, the Pasona Group is predicting further reduction. This is the result of additional efforts to realize the concentration of Group offices to Otemachi, Tokyo and successful efforts to secure shared services among indirect, support departments and divisions.

(Millions of yen rounded down)

	FY2009 Full-Year	FY ending May 31, 2010						
		Full-Year	Increase/ (Decrease)	YoY	**1st Half**	YoY	**2nd Half**	YoY
Net sales	218,699	**224,390**	5,690	2.6%	**104,880**	(9.7)%	**119,510**	16.5%
Operating income	2,850	**3,540**	689	24.2%	**690**	(56.8)%	**2,850**	127.7%
Ordinary income	3,361	**3,690**	328	9.8%	**670**	(62.9)%	**3,020**	93.9%
Net income	312	**1,010**	697	223.1%	**20**	(90.2)%	**990**	809.0%

Temporary Staffing

- Taking into consideration future cutbacks in the recruitment of full-time, permanent, employees by client firms, demand for specialized temporary staff characterized by their higher level of complexity is expected to recover. On this basis, the number of temporary staff is forecast to rise in the second half of the fiscal year ending May 31, 2010.
- In addition to converting its consolidated subsidiary Pasona Tech, Inc. into a wholly owned subsidiary, steps will be taken to further expand human resource temporary staffing activities in the IT sector.
- Marking another milestone for the Group, a merger with MITSUI BUSSAN HUMAN RESOURCES CORPORATION was completed in July 2009. In this manner, Pasona Group is bolstering its temporary staffing capabilities in the trading office field.
- Looking ahead, the Pasona Group will place considerable weight on cultivating new customer fields focusing on the public market, which includes regional and local government authorities, universities and medical institutions. The Pasona Group will also strive to further expand its menu of personnel consulting and human resources services with the ultimate aim of providing total solution services.

Insourcing (contracting)

- As client firms place greater emphasis on improving operating efficiency and reducing costs, demand in the "Insourcing (contracting)" business is expected to remain firm into the next fiscal period.
- In addition to the packaged outsourcing of receptionist, administration, general affairs, call center and related duties, there is a growing trend toward a changeover from the temporary staffing model.
- Based on the Group's wide-ranging service menu as well as its established track record and strength in marketing proposal development, the Pasona Group will focus on expanding sales while identifying client firm inherent needs.

Placement and Recruiting

- While demand in the Placement and Recruiting business in Japan remains harsh, signs are beginning to emerge that the drop in demand has bottomed out in certain specialized fields.

- In addition to strengthening activities in each of the executive and global human resource fields, the Group will promote increased collaboration with the Outplacement business with the aim of securing placement and recruiting contracts. Accordingly, considerable weight will be placed on enhancing Group synergies.
- In its overseas Placement and Recruiting activities, the Pasona Group will further fortify collaboration between overseas and domestic offices. Transcending borders, efforts will be made to promote increased human resource movement and liquidity in such areas as overseas students studying in Japan and Japanese working overseas.

Outplacement
- Based on an extremely robust order performance, substantial revenue growth is forecast in the next fiscal period.
- Notwithstanding the aforementioned, the Pasona Group is projecting delays in securing a definitive turnaround in the placement of employees. Accordingly, earnings are anticipated to fall slightly in the fiscal year ending May 31, 2010.

Outsourcing
- In the mainstay employee welfare benefit outsourcing business, demand primarily from large companies as well as government and other public offices is forecast to remain firm.
- Significant growth is projected in the healthcare business in the fiscal year ending May 31, 2010. This is mainly attributable to the upswing in client firm outsourcing of large-scale medical checkup appointment and health guidance activities following the implementation of statutory special medical checkups and special health guidance.

Forecasts of Consolidated Results by Business Segment (Full Fiscal Year)

(Millions of yen rounded down unless otherwise stated)

	Net Sales	YoY		Operating Income	YoY	
		Increase/(Decrease)	%		Increase/(Decrease)	%
Temporary staffing / Contracting, Placement / Recruiting	199,120	1,786	0.9%	3,980	688	20.9%
Temporary staffing / Contracting	195,190	3,777	2.0%			
Placement / Recruiting	3,930	(1,991)	(33.6)%			
Outplacement	7,820	2,025	35.0%	970	(55)	(5.4)%
Outsourcing	16,140	1,414	9.6%	2,330	194	9.1%
Other	4,390	1,387	46.2%	(230)	(242)	—
Eliminations and Corporate	(3,080)	(924)	—	(3,510)	104	—
Total	224,390	5,690	2.6%	3,540	689	24.2%

【5】Planned Cash Dividends for the Fiscal Year Ending May 31, 2010

(June 1, 2009 to May 31, 2010)

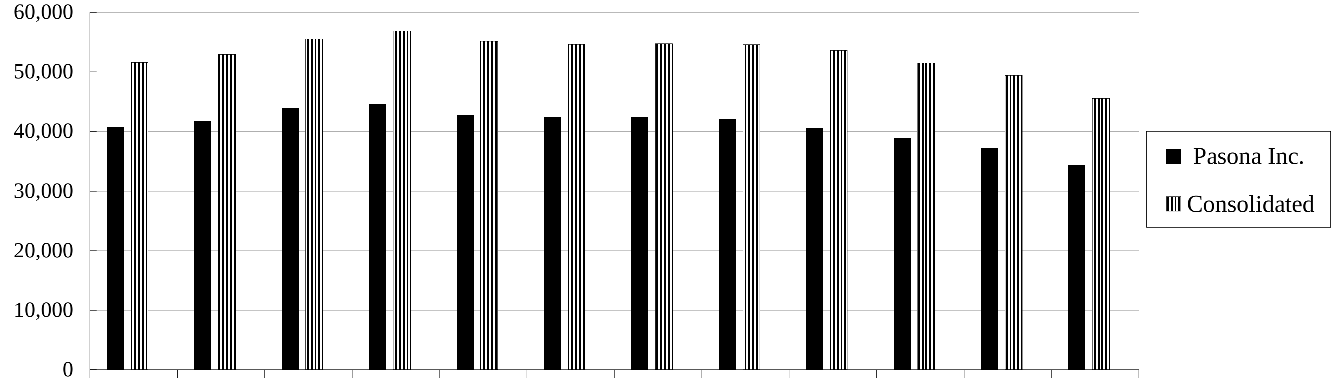
	FY ended May 31, 2009			**FY ending May 31, 2010** (Forecast)		
	Interim	Year-End	Full-Year	**Interim**	**Year-End**	**Full-Year**
Dividends per share	¥600	¥650	¥1,250	¥600	¥650	¥1,250
Total Amount of Cash Dividend (Millions of yen)	215	233	448			—

Reference Data

◆ Monthly average of long-term temporary staff

(Average per quarter of long-term temporary staff with a contract over one month)

- Data include figures that were considered immaterial due to the impact of special projects from the first quarter of the fiscal year ended May 31, 2008.



	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4
Pasona Inc.	40,745	41,676	43,832	44,619	42,825	42,350	42,387	42,073	40,607	38,923	37,242	34,295
YoY(%)	12.2	12.3	14.0	11.3	5.1	1.6	(3.3)	(5.7)	(5.2)	(8.1)	(12.1)	(18.5)
Consolidated	51,586	52,889	55,566	56,881	55,168	54,619	54,758	54,573	53,615	51,518	49,406	45,535
YoY(%)	13.4	13.1	14.9	12.8	6.9	3.3	(1.5)	(4.1)	(2.7)	(5.5)	(9.7)	(16.6)

◆ Temporary staffing / Contracting - Consolidated sales by staffing type (Excludes intrasegment sales)

(Millions of yen rounded down)

	FY ended May 31, 2008	FY ended May 31, 2009				
		Net Sales	Share	Increase / (Decrease)	Increase / (Decrease)	YoY
Clerical (General office work)	112,968	**101,518**	53.1%	(1.1)%pt	(11,449)	(10.1)%
Technical (Specialized office work)	33,653	**31,819**	16.7%	+0.6%pt	(1,833)	(5.4)%
IT engineering	22,253	**21,994**	11.5%	+0.8%pt	(258)	(1.2)%
Sales / Marketing	18,794	**15,312**	8.0%	(1.0)%pt	(3,481)	(18.5)%
Other	20,623	**20,154**	10.6%	+0.7%pt	(468)	(2.3)%
Temporary staffing related	220	**201**	0.1%	0.0%pt	(19)	(8.9)%
Total	208,513	**191,002**	100.0%	−	(17,511)	(8.4)%

◆ Quarterly Earnings Trends

(Millions of yen rounded down)

	FY ended May 31, 2008				**FY ended May 31, 2009**			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Net sales	60,489	59,026	58,250	59,178	59,136	56,950	52,531	**50,082**
YoY	+7.2%	+4.0%	+1.3%	(2.2)%	(2.2)%	(3.5)%	(9.8)%	**(15.4)%**
Cost of sales	48,373	46,795	45,579	46,825	47,373	45,514	41,976	**40,249**
YoY	+7.2%	+3.8%	(0.0)%	(3.1)%	(2.1)%	(2.7)%	(7.9)%	**(14.0)%**
Gross profit	12,115	12,230	12,671	12,352	11,762	11,435	10,554	**9,833**
YoY	+7.1%	+4.9%	+6.5%	+1.4%	(2.9)%	(6.5)%	(16.7)%	**(20.4)%**
SG&A expenses	10,585	10,688	10,655	10,995	10,902	10,696	9,986	**9,149**
YoY	+17.2%	+11.1%	+11.4%	+6.5%	+3.0%	+0.1%	(6.3)%	**(16.8)%**
Operating income	1,529	1,541	2,015	1,356	860	738	567	**683**
YoY	(32.8)%	(24.3)%	(13.5)%	(27.1)%	(43.8)%	(52.1)%	(71.8)%	**(49.6)%**
Ordinary income	1,584	1,560	1,994	1,497	909	894	527	**1,029**
YoY	(33.4)%	(22.5)%	(15.8)%	(26.9)%	(42.6)%	(42.7)%	(73.5)%	**(31.3)%**
Income before income taxes	1,558	1,478	3,015	948	990	610	11	**1,272**
YoY	(33.7)%	(23.1)%	+28.9%	(55.0)%	(36.4)%	(58.7)%	(99.6)%	**34.1%**
Net income	795	268	1,286	612	313	(110)	(810)	**919**
YoY	(29.4)%	(71.7)%	+22.5%	(43.0)%	(60.6)%	−	−	**50.1%**

This document has been prepared for public circulation and includes information that may constitute “forward-looking statements”. Such statements are based on management’s assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties that may cause actual results to differ materially from forecasts. These uncertainties include, but are not limited to changes in economic conditions and market trends. Accordingly, Pasona Group does not guarantee the accuracy of the information contained in this document. In addition, this document has not been prepared as an inducement or invitation for investment. We caution readers to undertake investment decisions subject to individual determination.