PASONA

Summary

Pasona Group Inc.
1-5-1 Marunouchi, Chiyoda-ku, Tokyo
Listing Code No.: 2168
Listing: First Section, Tokyo Stock Exchange
www.pasonagroup.co.jp/english

April 9, 2010

Consolidated Financial Report

FY2009 First Nine Months
(June 1, 2009 to February 28, 2010)

- **Indications were of a recovery in Temporary staffing business orders as well as a bottoming out in the drop in temporary staffing numbers under contract. Despite these upward trends, conditions are yet to reach a full-fledged turnaround. Revenues in the Placement / Recruiting business remain weak**
- **Significant increase in orders in the Outplacement business; the Insourcing (contracting) business experienced a steady increase**
- **While the Group's consolidated profits were supported by substantial contributions from the Outplacement business, gross profit margins were down. This was attributable to a variety of factors including the drop in Temporary staffing as well as Placement / Recruiting business revenues, coupled with a deterioration in the earnings spread reflecting a decline in unit prices for temporary staffing and a year-on-year increase in the take up of temporary staffing paid holidays**
- **Operating income and ordinary income saw a return to levels recorded in the corresponding period of the previous fiscal year. This was attributable to improvements in selling, general and administrative (SG&A) expenses, where the Pasona Group substantially cutback personnel, recruitment and related expenditure while successfully taking steps to raise business efficiency and curtail costs through office consolidation**
- **Income taxes — deferred increased due to the reversal of the deferred tax assets of certain subsidiary companies. In line with this, the Pasona Group recorded a consolidated net loss for the nine-month period ended February 28, 2010**

【1】Consolidated Business Results　Nine months ended February 28, 2010

(Millions of yen rounded down)

	9M FY2008	**9M FY2009**	Increase / (Decrease)	YoY
Net sales	168,617	**136,047**	(32,570)	(19.3)%
Gross profit	33,752	**26,751**	(7,000)	(20.7)%
to net sales	20.0%	**19.7%**	(0.3)%	-
SG&A expenses	31,585	**24,557**	(7,028)	(22.3)%
to net sales	18.7%	**18.1%**	(0.6)%	-
Operating income	2,166	**2,194**	27	1.3%
to net sales	1.3%	**1.6%**	0.3%	-
Ordinary income	2,331	**2,402**	70	3.0%
to net sales	1.4%	**1.8%**	0.4%	-
Income before income taxes	1,613	**2,256**	642	39.8%
to net sales	1.0%	**1.7%**	0.7%	-
Net loss	(607)	**(1,404)**	(796)	-
to net sales	(0.4)%	**(1.0)%**	(0.7)%	-

Overview of Business Results

- Consolidated net sales declined 19.3% compared with the corresponding period of the previous fiscal year to ¥136,047 million. Despite growth in the Outplacement as well as Insourcing (contracting) businesses, this downturn in revenue was largely attributable to weak performances in each of the Temporary staffing and Placement / Recruiting businesses.

- On the earnings front, the Group's consolidated profits were supported by substantial contributions from the Outplacement business. Buffeted, however, by the drop in Temporary staffing as well as Placement / Recruiting business revenues, coupled with a deterioration in the earnings spread reflecting a decline in unit prices for temporary staffing and a year-on-year increase in the take up of temporary staffing paid holidays, the gross profit margin edged down 0.3 of a percentage point compared with the corresponding period of the previous fiscal year to 19.7%. As a result, gross profit contracted 20.7% year on year.
- Turning to SG&A expenses, the Pasona Group substantially cutback personnel, recruitment and related expenditure. At the same time, successful steps were taken to raise business efficiency and curtail costs through consolidation and relocation to a new Group comprehensive office. Accounting for the aforementioned trends and initiatives, SG&A expenses declined ¥7,028 million, or 22.3%.
- Consolidated operating income and consolidated ordinary income increased 1.3% and 3.0%, respectively, year on year. Accordingly, results saw a return to levels recorded in the corresponding period of the previous fiscal year.
- With respect to certain consolidated subsidiaries, the decision was made to discontinue the system of retirement benefits for directors effective from the fiscal year under review. Taking into consideration the additional determination not to undertake termination payments, a reversal of the provision for directors' retirement benefits totaling ¥150 million was recorded as extraordinary income for the period. At the same time, the Pasona Group incurred extraordinary losses of ¥176 million and ¥143 million with respect to a loss on the sale and retirement of noncurrent assets in connection with office consolidation and related relocation expenses, respectively.
- Income taxes ― deferred increased due to the reversal of the deferred tax assets of certain subsidiary companies mainly during the first half of the fiscal year under review. In line with this, the Pasona Group recorded a consolidated net loss for the nine-month period ended February 28, 2010 of ¥1,404 million.

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

(Millions of yen rounded down unless otherwise stated)

	9M FY2008	**9M FY2009**	Increase / (Decrease)	YoY
Temporary staffing / Contracting, Placement / Recruiting	152,683	**116,796**	(35,887)	(23.5)%
Temporary staffing / Contracting	147,932	**114,772**	(33,160)	(22.4)%
Placement / Recruiting	4,750	**2,023**	(2,726)	(57.4)%
Outplacement	4,200	**8,253**	4,052	96.5%
Outsourcing	11,117	**10,214**	(903)	(8.1)%
Other	2,080	**3,296**	1,216	58.4%
Eliminations and Corporate	(1,465)	**(2,513)**	(1,048)	-
Total Net Sales	168,617	**136,047**	(32,570)	(19.3)%
Temporary staffing / Contracting, Placement / Recruiting	2,509	**492**	(2,017)	(80.4)%
Outplacement	768	**2,541**	1,773	230.9%
Outsourcing	1,587	**1,488**	(98)	(6.2)%
Other	77	**(78)**	(156)	-
Eliminations and Corporate	(2,776)	**(2,248)**	527	-
Total Operating Income	2,166	**2,194**	27	1.3%

Note: 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 **Net sales:** ¥114,772 million (Down 22.4% YoY)

- Despite a recovery in orders mainly in the service, trading-related and a portion of the manufacturing sector fields as well as signs that the drop in temporary staffing numbers under contract has bottomed out, conditions are yet to reach a full-fledged turnaround due to the persistent sense of human resource over-supply within the corporate sector. Coupled with cutbacks in the amount of overtime approved by client firms and the take up of paid holidays by temporary staff, revenues in the Temporary staffing / Contracting business segment declined.

- While the drop in activity in the general office work (clerical) field appears to have bottomed out, the Pasona Group is yet to see a positive turnaround. In addition to the decrease in demand in sales and marketing, results were impacted by contracts completed reflecting temporary staffing trends in deregulated fields.
- In the technical (specialized office work) field, the merger in July 2009 with the temporary staffing subsidiary of the Mitsui & Co. group contributed to growth in trading office-related activities. In telemarketing, the rate of decline was less than rates recorded by other job types. As a result, the Pasona Group was able to minimize the overall depth of decline.
- Buoyed by steady trends in commissioned reception, administrative and call center operations as well as measures to strengthen customer's solution-oriented marketing capabilities to public sectors, sales in the priority "Insourcing (contracting)" business climbed 25.8% compared with the corresponding period of the previous fiscal year to ¥9,208 million.

Note: For the monthly average of long-term temporary staff and Temporary staffing / Contracting — sales by staffing type data, please refer to page 6.

Placement / Recruiting **Domestic sales:** ¥1,543 million (Down 61.7% YoY)
Overseas sales: ¥479 million (Down 33.7% YoY)

- In the domestic Placement / Recruiting business the willingness by the corporate sector to recruit human resources remained at a low level. In addition, matching needs and demand is becoming increasingly difficult as selection standards continue to rise while the temp-to-perm business is also in a slump.
- Turning to overseas activities, though the deterioration in demand has settled, overall sales in this segment dropped substantially.

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

- Decline in gross profit margins attributable to the considerable decrease in gross profit reflecting the impact of lower revenue in the Temporary staffing and Placement / Recruiting businesses. Gross profit margins were also impacted by the increased take up of paid holidays by temporary staff and deterioration in the earnings spread reflecting a decline in unit prices for temporary staffing.
- Significant cutbacks in SG&A expenses, focusing mainly on recruiting and personnel expenditures, were insufficient to offset the decline in gross profit. As a result, segment sales contracted 23.5% compared with the corresponding period of the previous fiscal year to ¥116,796 million. Operating income amounted to ¥492 million, an 80.4% decrease compared with the corresponding period of the previous fiscal year.

Outplacement (Pasona Career Inc., Others) **Net sales:** ¥8,253 million (Up 96.5% YoY)
Operating income: ¥ 2,541 million (Up 230.9% YoY)

- Substantial increase in orders reflecting such employment correction measures as optional early and voluntary retirement.
- The Pasona Group took steps to increase the number of consultants by relocating personnel from the Placement / Recruiting and other businesses. At the same time, considerable emphasis was placed on maintaining service levels while cultivating companies seeking human resources. Through these means, every effort was made to secure a quick and definitive turnaround in the placement of employees throughout the nine-month period under review. As a result, revenues and earnings increased substantially in the Outplacement business segment.

Outsourcing (Benefit One Inc.) **Net sales:** ¥10,214 million (Down 8.1% YoY)
Operating income: ¥ 1,488 million (Down 6.2% YoY)

- Benefit One Inc. 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 delivering employee benefit services that take into consideration work and lifestyle balance.

- The company continues to promote a host of new services in the health care field that caters to statutory special medical checkups, and the "Customer Loyalty Program" (a goods and services supply program designed to increase the level of customer satisfaction).
- From a profit perspective, results progressed steadily against plans in spite of greater than expected delays in the launch of new services.

Other

- Results from the Group's education business activities including child-care-related businesses and the management and operation of language classes as well as from Group shared service companies is included in other business sales.
- Reflecting the promotion of shared services, the Pasona Group established two new companies in this field during the previous fiscal year. As a result, sales in the Other segment increased substantially.

【3】Status of Financial Position and Investments

Changes in Financial Position (Consolidated)

(Millions of yen rounded down unless otherwise stated)

	May 31, 2009	**February 28, 2010**	Increase / (Decrease)	YoY	Causes for difference
Current assets	37,358	**31,121**	(6,236)	(16.7)%	The decline in total assets was mainly attributable to such factors as the decrease of ¥3,483 million in the balance of cash and deposits as well as the decline of ¥1,507 million in the balance of notes and accounts receivable－trade.
Noncurrent assets	18,110	**17,079**	(1,030)	(5.7)%	
Total assets	55,468	**48,201**	(7,267)	(13.1)%	
Current liabilities	28,834	**19,727**	(9,106)	(31.6)%	The fall in total liabilities was mainly attributable to a decline in short-term loans payable of ¥5,720 million and accrued expenses of ¥1,415 million. These were partly offset by an increase in long-term loans payable of ¥2,244 million.
Noncurrent liabilities	1,485	**5,344**	3,858	259.8%	
Total liabilities	30,319	**25,071**	(5,247)	(17.3)%	
Total net assets	25,148	**23,129**	(2,019)	(8.0)%	The decline in net assets was mainly attributable to the net loss of ¥1,404 million and the payment of cash dividends totaling ¥233 million.

Status of Consolidated Cash Flows

Cash and cash equivalents as of February 28, 2010 decreased ¥3,436 million compared with the end of the previous fiscal year to ¥10,683 million.

(Millions of yen rounded down)

	9M FY2008	**9M FY2009**	Increase / (Decrease)	Major cash flows in each activity
CF from operating activities	477	**766**	289	Mainly attributable to income before income taxes of ¥2,256, a decline in notes and accounts receivable — trade of ¥2,043 million and a decrease in operating debt of ¥2,490 million as well as income taxes paid of ¥1,022 million.
CF from investing activities	(4,225)	**(128)**	4,097	The major components included purchase of property, plant and equipment of ¥318 million, purchase of intangible assets of ¥341 million, purchase of investments in subsidiaries of ¥1,018 million as well as proceeds from the collection of lease and guarantee deposits totaling ¥1,684 million.
CF from financing activities	797	**(4,056)**	(4,854)	Principal cash outflows included a net decrease in short-term loans payable of ¥6,300 million and cash dividends paid totaling ¥517 million. Major cash inflow was proceeds from long-term loans payable of ¥2,900 million.
Free CF	(3,748)	**638**	4,386	

【4】FY2009 Consolidated Forecasts of Business Results (June 1, 2009 to May 31, 2010)

In the Temporary Staffing business, the downturn in new orders has essentially bottomed out with signs that the deterioration in demand has settled. Despite these favorable conditions, it is projected that more time will be required before a full-fledged turnaround in demand is realized. Turning to the Placement / Recruiting business, corporate sector business conditions are anticipated to remain difficult. Buffeted by persistently low and subdued sentiment toward human resource recruitment, continued weak conditions are forecast throughout the fourth quarter. On a brighter note, the Insourcing (contracting) business is expected to see steady growth buoyed by a further upswing in demand. Demand in the Outplacement business is projected to be firm.

While disparities in the degree of recovery exist between business segments, consolidated results for the first nine months of the fiscal year ending May 31, 2010 are essentially in line with plans. From a profit perspective, results are also supported by Outplacement business earnings. Taking into consideration the positive turnaround consistent with plans that are attributable to successful cutbacks in SG&A expenses, the Pasona Group does not at this stage contemplate revising its forecast of results for the full fiscal year ending May 31, 2010 announced on December 18, 2009.

(Millions of yen rounded down)

	FY2009 Forecasts	vs FY2008		FY2008
		Increase/ (Decrease)	YoY	
Net sales	**191,700**	(26,999)	(12.3)%	218,699
Operating income	**3,000**	149	5.2%	2,850
Ordinary income	**3,300**	(61)	(1.8)%	3,361
Net income	**200**	(112)	(36.0)%	312

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

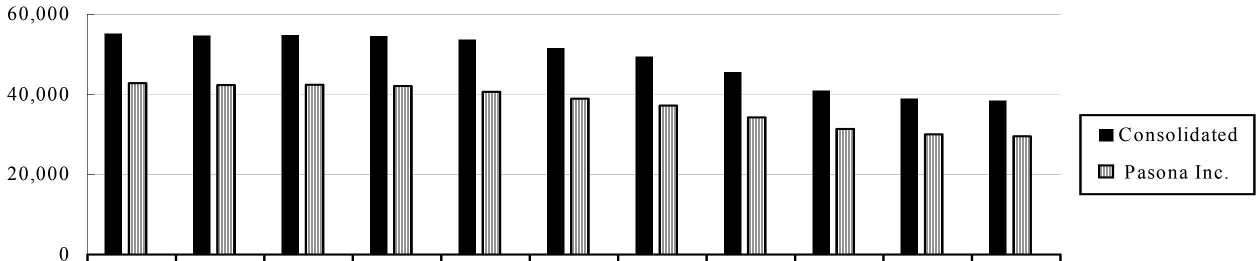
(Millions of yen rounded down)

	Net Sales	YoY		Operating Income(loss)	YoY	
		Increase/(Decrease)	%		Increase/(Decrease)	%
Temporary staffing / Contracting, Placement / Recruiting	162,910	(34,423)	(17.4)%	1,060	(2,231)	(67.8)%
Temporary staffing / Contracting	159,660	(31,752)	(16.6)%			
Placement / Recruiting	3,250	(2,671)	(45.1)%			
Outplacement	12,510	6,715	115.9%	2,770	1,744	170.1%
Outsourcing	15,000	274	1.9%	2,330	194	9.1%
Other	4,660	1,657	55.2%	(160)	(172)	-
Eliminations and Corporate	(3,380)	(1,224)	-	(3,000)	614	-
Total	191,700	(26,999)	(12.3)%	3,000	149	5.2%

【5】Reference Data

◆ Monthly Average of Long-term Temporary Staff

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



	FY2007				FY2008				FY2009		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Consolidated	55,168	54,619	54,758	54,573	53,615	51,518	49,406	45,535	40,866	38,932	38,398
YoY(%)	6.9	3.3	(1.5)	(4.1)	(2.7)	(5.5)	(9.7)	(16.6)	(23.8)	(24.4)	(22.3)
Pasona Inc.	42,825	42,350	42,387	42,073	40,607	38,923	37,242	34,295	31,384	30,019	29,529
YoY(%)	5.1	1.6	(3.3)	(5.7)	(5.2)	(8.1)	(12.1)	(18.5)	(22.7)	(22.9)	(20.7)

◆ Temporary staffing / Contracting - Consolidated sales by staffing type

(Excludes intersegment sales)

(Millions of yen rounded down)

	9M FY2008	9M FY2009				
		Net Sales	Share	Increase / (Decrease)	Increase / (Decrease)	YoY
Clerical (General office work)	78,666	**59,629**	52.1%	(1.2)%pt	(19,037)	(24.2)%
Technical (Specialized office work)	24,587	**19,500**	17.1%	0.4%pt	(5,086)	(20.7)%
IT engineering	17,019	**13,290**	11.6%	0.1%pt	(3,728)	(21.9)%
Sales and Marketing	11,828	**7,780**	6.8%	(1.2)%pt	(4,047)	(34.2)%
Other	8,116	**4,950**	4.3%	(1.2)%pt	(3,165)	(39.0)%
Insourcing (contracting)	7,295	**9,151**	8.0%	3.1%pt	1,856	25.4%
Temporary staffing related	136	**97**	0.1%	0.0%pt	(38)	(28.6)%
Total	147,649	**114,400**	100.0%	-	(33,249)	(22.5)%

◆ Quarterly Earnings Trends

(Millions of yen rounded down)

	FY2008				FY2009			
	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**	Q4
Net sales	59,136	56,950	52,531	50,082	47,161	44,908	**43,977**	-
YoY	(2.2)%	(3.5)%	(9.8)%	(15.4)%	(20.2)%	(21.1)%	**(16.3)%**	-
Cost of sales	47,373	45,514	41,976	40,249	38,326	36,053	**34,915**	-
YoY	(2.1)%	(2.7)%	(7.9)%	(14.0)%	(19.1)%	(20.8)%	**(16.8)%**	-
Gross profit	11,762	11,435	10,554	9,833	8,834	8,855	**9,062**	-
YoY	(2.9)%	(6.5)%	(16.7)%	(20.4)%	(24.9)%	(22.6)%	**(14.1)%**	-
SG&A expenses	10,902	10,696	9,986	9,149	8,968	7,815	**7,772**	-
YoY	3.0%	0.1%	(6.3)%	(16.8)%	(17.7)%	(26.9)%	**(22.2)%**	-
Operating income (loss)	860	738	567	683	(134)	1,039	**1,289**	-
YoY	(43.8)%	(52.1)%	(71.8)%	(49.6)%	-	40.7%	**127.0%**	-
Ordinary income (loss)	909	894	527	1,029	(119)	1,052	**1,469**	-
YoY	(42.6)%	(42.7)%	(73.5)%	(31.3)%	-	17.6%	**178.2%**	-
Income (loss) before income taxes	990	610	11	1,272	(155)	1,032	**1,379**	-
YoY	(36.4)%	(58.7)%	(99.6)%	34.1%	-	69.0%	**11,497.9%**	-
Net income (loss)	313	(110)	(810)	919	(1,102)	(594)	**292**	-
YoY	(60.6)%	-	-	50.1%	-	-	-	-