PASONA

April 9, 2010

CONSOLIDATED FINANCIAL REPORT

THIRD QUARTER OF THE FISCAL YEAR ENDING MAY 31, 2010

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

Stock exchange on which shares are listed:	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 the second quarter consolidated financial report: April 14, 2010

(All amounts are in millions of yen rounded down unless otherwise stated)

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results Nine months ended February 28, 2010

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

	Net Sales		Operating Income		Ordinary Income		Net Loss	
		%		%		%		%
Nine months ended February 28, 2010	136,047	(19.3)	2,194	1.3	2,402	3.0	(1,404)	—
Nine months ended February 28, 2009	168,617	(5.1)	2,166	(57.4)	2,331	(54.6)	(607)	—

	Net Loss per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended February 28, 2010	(3,914.74)	—
Nine months ended February 28, 2009	(1,597.48)	—

(2) Changes in Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
February 28, 2010	48,201	23,129	37.3	50,146.90
May 31, 2009	55,468	25,148	35.4	54,751.17

(Reference) Equity as of February 28, 2010 : ¥17,985 million As of May 31, 2009: ¥19,636 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
FY2008	—	600.00	—	650.00	1,250.00
FY2009	—	0.00	—	—	—
FY2009 (Forecast)	—	—	—	(Note)	(Note)

(Notes)

1. Revision to dividend forecast in the current quarter: No
2. The projected amount of the fiscal year-end dividend for the fiscal year ending May 31, 2010 has not yet been determined.

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2010

June 1, 2009 to May 31, 2010

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
Full Fiscal Year	191,700	(12.3)	3,000	5.2	3,300	(1.8)	200	(36.0)	551.50

(Note) Revision to forecast of results in the current quarter: No

4. OTHERS

(1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries due to Changes in the Scope of Consolidation and Application of the Equity Method): None

(2) Application of the Simplified Accounting Method and Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements: None

(3) Changes in Accounting Principles, Procedures, Disclosure Methods and Related Standards in Connection with the Preparation of Quarterly Consolidated Financial Statements (Recorded under "Changes in Important Items Considered Fundamental to the Preparation of Quarterly Consolidated Financial Statements")

i. Changes in line with revisions to accounting and other standards: None
ii. Changes in items other than 1. above: None

(4) Number of Shares Issued and Outstanding (Common Shares)

i. The number of shares issued and outstanding as of the period-end (including treasury stock)
February 28, 2010 : 416,903 shares   May 31, 2009: 416,903 shares

ii. The number of treasury stock as of the period-end
February 28, 2010 : 58,253 shares   May 31, 2009: 58,253 shares

iii. Average number of shares for the period (Cumulative total for the first nine-month consolidated period)
FY2009 First Nine Months: 358,650 shares
FY2008 First Nine Months: 380,105 shares

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 / Financial Statements and Other 3. Qualitative Information and Other Matters Concerning Consolidated Forecasts" on page 8 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2010.

Implementing the return of profits to shareholders based on the Company's business results is a fundamental policy of Pasona Group. As a part of this policy, the Company targets a consolidated cash dividend payout ratio of 25% while at the same time making every effort to ensure the continuous and stable payment of cash dividends. With a deep sense of regret, however, the Company forewent the payment of an interim cash dividend. This decision reflects the net loss incurred for the first half of the fiscal year ending May 31, 2010 attributable to a number of factors including the reversal of deferred tax assets. As for the fiscal year-end cash dividend, a forecast is yet to be determined. Pasona Group will announce its fiscal year-end cash dividend forecast in due course taking into consideration future business result trends.

Qualitative Information / Financial Statements and Other

1. Qualitative Information Concerning Consolidated Business Results

Business Results for the First Nine Months of the Fiscal Year Ending May 31, 2010

During the nine-month period from June 1, 2009 to February 28, 2010 of the fiscal year ending May 31, 2010, signs of a recovery began to emerge throughout the Japanese economy. This was reflected in the steady pickup in production and the moderate increase in export activity. From an employment perspective, Japan appears to have broken free from its prolonged period of decline. In addition to a modest improvement in the unemployment rate, the effective ratio of job offers to applicants has experienced gradual improvement. Despite these positive factors, corporate sector operating conditions remain harsh. The willingness to recruit human resources lingers at a low level. At the same time, concerns surrounding the downside risks of a weak global economy and the impact of deflation on the business environment would indicate that a considerable amount of time is still required before a comprehensive recovery can be realized in earnest.

Under these circumstances, the Pasona Group saw signs of a positive turnaround in Temporary Staffing business orders particularly from the service and trading company sectors as well as a certain number of manufacturing companies. Reflecting the persistent sense of corporate sector employment over-supply attributable to the payment of employment adjustment subsidies (a measure by the government to support employment levels) and other factors, however, this positive turnaround is yet to reach its full potential. In addition, demand in the Placement / Recruiting business remains weak. On the other hand, corrections in employment by the corporate sector have led to a substantial upswing in Outplacement business orders. At the same time, the priority Insourcing (contracting) business field experienced a steady increase. Taking into account the aforementioned factors, consolidated net sales for the first nine months of the fiscal year under review amounted to ¥136,047 million, a 19.3% decrease compared with the corresponding period of the previous fiscal year.

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 / Contracting and 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 to ¥26,751 million. Turning to selling, general and administrative (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%, year on year to ¥24,557 million. On this basis, consolidated operating income amounted to ¥2,194 million, a slight increase of 1.3% year on year. Consolidated ordinary income edged up 3.0% year on year to ¥2,402 million. 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 up from the consolidated net loss of ¥607 million incurred for the corresponding period of the previous fiscal year.

Consolidated Business Results

(Millions of yen unless otherwise stated)

	Nine months ended February 28, 2010	Nine months ended February 28, 2009	YoY
Net sales	136,047	168,617	(19.3)%
Operating income	2,194	2,166	1.3%
Ordinary income	2,402	2,331	3.0%
Net loss	(1,404)	(607)	—

Segment Information (Figures include intrasegment sales)

(1) Temporary staffing / Contracting, Placement / Recruiting

Sales: ¥116,796 million; Operating income: ¥492 million

(Temporary staffing / Contracting) Sales: ¥114,772 million

In the Temporary Staffing business in which the Pasona Group focuses largely on general office work, signs of a recovery in orders received as well as a bottoming out in the drop in temporary staffing numbers under contract began to emerge. Despite these upward trends, conditions are yet to reach a full-fledged turnaround. This is mainly attributable to the persistent sense of human resource over-supply within the corporate sector, cutbacks in the amount of overtime approved by client firms and the take up of paid holidays by temporary staff. Accounting for all of the aforementioned factors, the Pasona Group experienced a drop in revenues in the Temporary Staffing business segment.

By job type, indications were that the depth of decline across a wide variety of job classifications was relatively small from the first half. While the drop in activity in the general office work (clerical) field appears to have bottomed, the Pasona Group is yet to see a positive turnaround. 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 also able to minimize the overall depth of decline. In contrast, results were buffeted by the drop in demand in sales and marketing. This was exacerbated by the impact of contracts completed reflecting temporary staffing trends in deregulated fields.

In the Pasona Group's priority "Insourcing (contracting)" business, results benefited from the positive flow-on effects of the corporate sector's efforts to raise business efficiency, a steady increase in commissioned reception, administrative and call center operations as well as measures to strengthen customers' solution-oriented marketing capabilities to public sectors. Taking the aforementioned factors into consideration, sales in the "Insourcing (contracting)" business climbed 25.8% compared with the corresponding period of the previous fiscal year to ¥9,208 million.

For the first nine months of the fiscal year ending May 31, 2010, collective sales in the Temporary Staffing / Contracting business amounted to ¥114,772 million, a decrease of 22.4% year on year.

(Placement / Recruiting) Sales: ¥2,023 million

In the domestic Placement / Recruiting business the willingness by the corporate sector to recruit human resources remained at a low level. Exacerbating weak operating conditions, the matching of needs and demand is becoming increasingly difficult as selection standards continue to rise. Coupled with the slump in temp-to-perm business demand, sales in this segment declined 61.7% compared with the corresponding period of the previous fiscal year to ¥1,543 million. Turning to overseas markets, though the deterioration in demand has settled, segment sales outside of Japan fell 33.7% year on year to ¥479 million for the nine-month period ended February 28, 2010. On this basis, overall sales in the Placement / Recruiting business segment were ¥2,023 million, a substantial drop of 57.4% compared with the corresponding period of the previous fiscal year.

Turning to segment earnings, gross profit declined due largely to a substantial drop in revenues in both the Temporary Staffing and Placement / Recruiting business segments. A number of additional factors served to exacerbate this downturn including 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. Accounting for these factors, segment gross profit margins declined. Despite efforts to substantially contain such SG&A expenses as recruiting and personnel costs, overall sales in the Temporary staffing / Contracting and Placement / Recruiting segment for the period under review decreased 23.5% compared with the corresponding period of the previous fiscal year to ¥116,796 million. Operating income for the nine-month period ended February 28, 2010 amounted to ¥492 million, a drop of 80.4% year on year.

(2) Outplacement

Sales: ¥8,253 million; Operating income: ¥2,541 million

Throughout the period under review, the corporate sector continued to promote such employment correction measures as optional early and voluntary retirement while implementing additional employment correction. Buoyed by these endeavors, orders received in the Outplacement business segment climbed substantially. The Pasona Group also 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, sales in this segment amounted to ¥8,253 million, a significant increase of 96.5% compared with the corresponding period of the previous fiscal year. Operating income also climbed substantially to ¥2,541 million, up 230.9% year on year.

(3) Outsourcing

Sales: ¥10,214 million; Operating income: ¥1,488 million

Benefit One Inc., a Pasona Group subsidiary company engaged in the provision of employee 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 delivering employee benefit services that take into consideration work and lifestyle balance. Throughout the period under review, the company strengthened its multilayered service proposal structure and systems targeting both individual and corporate members. At the same time, Benefit One took steps to enhance new service sales by augmenting its service lineup in the health care field that caters to statutory special medical checkups as well as the "Customer Loyalty Program" (a goods and services supply program designed to increase the level of customer satisfaction).

Despite the aforementioned, sales in the Outsourcing segment amounted to ¥10,214 million, a decrease of

8.1% compared with the corresponding period of the previous fiscal year. Operating income also declined 6.2% year on year to ¥1,488 million. While from a profit perspective results progressed steadily against plans, the Group's performance in this segment for the first nine months of the fiscal year ending May 31, 2010 is attributable to greater than expected delays in the launch of new services.

(4) Other

Sales: ¥3,296 million; Operating loss: ¥78 million

In the Other 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 established two subsidiaries as a part of efforts to promote shared services. In the period under review, sales from these activities rose 58.4% compared with the corresponding period of the previous fiscal year to ¥3,296 million. On the earnings front, however, the Pasona Group incurred an operating loss totaled ¥78 million in this segment compared with operating income of ¥77 million for the first nine months ended February 28, 2009.

(5) Eliminations and Corporate

Negative revenues: ¥2,513 million; Operating income: ¥(2,248) million

Intragroup transactions and Pasona Group, the Group's pure holding company, SG&A expenses are included in eliminations and corporate. Focusing largely on personnel as well as rent expenses, the Pasona Group secured reductions in Group-wide costs for the first nine months of the fiscal year ending May 31, 2010.

Net Sales by Business Segment

(Millions of yen unless otherwise stated)

	Nine months ended February 28, 2010	Nine months ended February 28, 2009	YoY
Temporary staffing / Contracting, Placement / Recruiting	116,796	152,683	(23.5)%
Temporary staffing / Contracting	114,772	147,932	(22.4)%
Placement / Recruiting	2,023	4,750	(57.4)%
Outplacement	8,253	4,200	96.5%
Outsourcing	10,214	11,117	(8.1)%
Other	3,296	2,080	58.4%
Eliminations and Corporate	(2,513)	(1,465)	—
Total	136,047	168,617	(19.3)%

Operating Income (Loss) by Business Segment

(Millions of yen unless otherwise stated)

	Nine months ended February 28, 2010	Nine months ended February 28, 2009	YoY
Temporary staffing / Contracting, Placement / Recruiting	492	2,509	(80.4)%
Outplacement	2,541	768	230.9%
Outsourcing	1,488	1,587	(6.2)%
Other	(78)	77	—
Eliminations and Corporate	(2,248)	(2,776)	—
Total	2,194	2,166	1.3%

2. Qualitative Information and Other Matters Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

Total assets as of February 28, 2010 stood at ¥48,201 million, a drop of ¥7,267 million, or 13.1%, compared with the end of the previous fiscal year. This was mainly attributable to certain factors including a decrease of ¥3,483 million in the balance of cash and deposits as well as a decline of ¥1,507 million in the balance of notes and accounts receivable－trade.

(2) Liabilities

Total liabilities as of February 28, 2010 fell ¥5,247 million or 17.3%, compared with May 31, 2009 totaling ¥25,071 million. The principal decreases in total liabilities were short-term loans payable of ¥5,720 million, accrued expenses of ¥1,415 million. These were partly offset by an increase in long-term loans payable of ¥2,244 million.

(3) Net Assets

Net assets as of February 28, 2010 stood at ¥23,129 million, a decline of ¥2,019 million, or 8.0%, compared with the end of the previous fiscal year. This was mainly attributable to the net loss of ¥1,404 million and the payment of cash dividends totaling ¥233 million.

Accounting for the aforementioned, the equity ratio as of February 28, 2010 increased 1.9 percentage points to 37.3% compared with the end of the previous fiscal year.

Status of Cash Flows

Cash and cash equivalents (hereafter “net cash”) as of February 28, 2010 declined ¥3,436 million compared with the end of the previous fiscal year to ¥10,683 million.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities for the first nine months of the fiscal year ending May 31, 2010 amounted to ¥766 million. (Net cash provided by operating activities for the corresponding period of the previous fiscal year was ¥477 million.) This is 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.

(2) Cash Flows from Investing Activities

Net cash used in investing activities for the period under review was ¥128 million. (Net cash used in investing activities for the corresponding period of the previous fiscal year was ¥4,225 million.) 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.

(3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥4,056 million. (Net cash provided by financing activities for the corresponding period of the previous fiscal year was ¥797 million.) 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.

3. Qualitative Information and Other Matters Concerning Consolidated Forecasts

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.

4. Other

(1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries due to Changes in the Scope of Consolidation and Application of the Equity Method)

None

(2) Application of the Simplified Accounting Method and Accounting Procedures Specific to the Preparation of Quarterly Consolidated Financial Statements

None

(3) Changes in Accounting Principles, Procedures, Disclosure Methods and Related Standards in connection with the Preparation of Quarterly Consolidated Financial Statements

None

(4) Additional information

(Accounting method for subsidy income)

Historically, subsidy income has been recorded as non-operating income for accounting purposes. Taking into consideration the growing importance of the development support and training directed toward the agriculture, forestry and fisheries sectors conducted by workers in other industries, as well as efforts by Japan’s Ministry of Agriculture, Forestry and Fisheries to put into effect its policy initiatives and to further distinguish the subsidy of operating costs in this area, the Pasona Group has decided to adopt an accounting method that offsets subsidy income against SG&A expenses effective from the first quarter of the fiscal year ending May 31, 2010. As a result, for the first nine months of the fiscal year ending May 31, 2010, SG&A expenses decreased by ¥80 million and operating income increased ¥80 million compared with the previously implemented accounting method. The impacts of the adoption of this revised accounting method have also been recorded on an individual business segment basis.

5. Consolidated Financial Statements

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As of February 28, 2010	As of May 31, 2009
ASSETS		
Current assets		
Cash and deposits	10,935	14,419
Notes and accounts receivable－trade	17,441	18,948
Other	2,810	4,069
Allowance for doubtful accounts	(65)	(80)
Total current assets	31,121	37,358
Noncurrent assets		
Property, plant and equipment	6,441	5,029
Intangible assets		
Goodwill	545	331
Other	3,095	3,410
Total intangible assets	3,640	3,741
Investments and other assets		
Other	7,378	9,728
Allowance for doubtful accounts	(29)	(38)
Allowance for investment loss	(350)	(350)
Total investments and other assets	6,997	9,338
Total noncurrent assets	17,079	18,110
Total assets	48,201	55,468

(Millions of yen)

	As of February 28, 2010	As of May 31, 2009
LIABILITIES		
Current liabilities		
Accounts payable－trade	762	1,568
Short-term loans payable	681	6,401
Current portion of bonds	36	36
Accrued expenses	7,541	8,957
Income taxes payable	757	830
Provision for bonuses	670	1,650
Provision for directors' bonuses	2	7
Other	9,275	9,382
Total current liabilities	19,727	28,834
Noncurrent liabilities		
Bonds payable	146	164
Long-term loans payable	2,249	4
Provision for retirement benefits	942	872
Provision for directors' retirement benefits	45	306
Other	1,960	136
Total noncurrent liabilities	5,344	1,485
Total liabilities	25,071	30,319
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,284	6,517
Retained earnings	11,591	12,995
Treasury stock	(4,799)	(4,799)
Total shareholders' equity	18,076	19,713
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1)	0
Foreign currency translation adjustment	(89)	(77)
Total valuation and translation adjustments	(90)	(76)
Minority interests	5,144	5,512
Total net assets	23,129	25,148
Total liabilities and net assets	48,201	55,468

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Nine months ended February 28, 2009	Nine months ended February 28, 2010
Net sales	168,617	136,047
Cost of sales	134,865	109,295
Gross profit	33,752	26,751
Selling, general and administrative expenses	31,585	24,557
Operating income	2,166	2,194
Non-operating income		
Interest income	25	11
Equity in earnings of affiliates	26	75
Subsidy income	155	—
Compensation income	—	160
Other	104	92
Total non-operating income	312	338
Non-operating expenses		
Interest expenses	47	40
Commitment fee	35	38
Other	64	52
Total non-operating expenses	147	131
Ordinary income	2,331	2,402
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Gain on sales of investment securities	87	—
Gain on sales of subsidiaries and affiliates' stocks	—	0
Reversal of allowance for doubtful accounts	—	13
Reversal of provision for directors' retirement benefits	—	150
Reversal of loss on liquidation of subsidiaries and affiliates	—	18
Total extraordinary income	87	183
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	80	176
Loss on sales of investment securities	75	—
Loss on valuation of investment securities	99	0
Loss on sales of stocks of subsidiaries and affiliates	39	—
Impairment loss	11	—
Provision of allowance for investment loss	364	—
Loss on change in equity	25	9
Head office transfer cost	108	143
Total extraordinary loss	805	329
Income before income taxes	1,613	2,256
Income taxes—current	1,159	1,407
Income taxes—deferred	461	1,579
Income taxes	1,620	2,987
Minority interests in income	600	673
Net income (loss)	(607)	(1,404)

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Nine months ended February 28, 2009	Nine months ended February 28, 2010
Cash flows from operating activities		
Income before income taxes	1,613	2,256
Depreciation and amortization	1,348	1,326
Impairment loss	11	—
Amortization of goodwill	266	229
Increase (decrease) in allowance for doubtful accounts	8	(24)
Increase (decrease) in allowance for investment loss	364	—
Increase (decrease) in provision for bonuses	(878)	(983)
Increase (decrease) in provision for directors' bonuses	(0)	(4)
Increase (decrease) in provision for retirement benefits	63	54
Increase (decrease) in provision for directors' retirement benefits	121	(261)
Increase(decrease) in allowance for head office relocation expenses	108	—
Interest and dividends income	(31)	(15)
Interest expenses	47	40
Subsidy income	(155)	(27)
Equity in (earnings) losses of affiliates	(26)	(75)
Loss (gain) on change in equity	25	9
Loss (gain) on sales and retirement of noncurrent assets	80	174
Loss (gain) on sales of investment securities	(12)	—
Loss (gain) on valuation of investment securities	99	0
Loss (gain) on sales of stocks of subsidiaries and affiliates	39	(0)
Decrease (increase) in notes and accounts receivable－trade	3,503	2,043
Increase (decrease) in operating debt	(2,350)	(2,490)
Other	(960)	(537)
Subtotal	3,286	1,712
Interest and dividends income received	34	16
Interest expenses paid	(30)	(74)
Proceeds from subsidy	238	135
Income taxes paid	(3,053)	(1,022)
Net cash provided by operating activities	477	766

(Millions of yen)

	Nine months ended February 28, 2009	Nine months ended February 28, 2010
Cash flows from investment activities		
Purchase of property, plant and equipment	(1,122)	(318)
Proceeds from sales of property, plant and equipment	0	1
Purchase of intangible assets	(1,589)	(341)
Purchase of investments in subsidiaries	—	(1,018)
Payments for lease and guarantee deposits	(1,688)	(143)
Proceeds from collection of lease and guarantee deposits	—	1,684
Other	174	6
Net cash used in investment activities	(4,225)	(128)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,000	(6,300)
Proceeds from long-term loans payable	—	2,900
Repayment of long-term loans payable	(1)	(72)
Proceeds from issuance of bonds	196	—
Redemption of bonds	—	(18)
Proceeds from stock issuance to minority shareholders	156	17
Purchase of treasury stock	(4,154)	—
Purchase of treasury stock of subsidiaries in consolidation	(335)	—
Cash dividends paid	(756)	(233)
Cash dividends paid to minority shareholders	(287)	(284)
Other	(18)	(66)
Net cash provided (used) financing activities	797	(4,056)
Effect of exchange rate change on cash and cash equivalents	(76)	(18)
Net increase (decrease) in cash and cash equivalents	(3,027)	(3,436)
Cash and cash equivalents at the beginning of the period	13,612	14,120
Cash and cash equivalents at the end of the period	10,585	10,683

(4) Notes to Going Concern Assumption

Nine months ended February 28, 2010

None

(5) Segment Information

Nine months ended February 28, 2009

(Millions of yen)

	Temporary staffing / Contracting, Placement / Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) Sales to outside customers	152,397	4,197	10,794	1,228	168,617	—	168,617
(2) Intersegment sales and transfers	285	3	323	852	1,465	(1,465)	—
Total	152,683	4,200	11,117	2,080	170,082	(1,465)	168,617
Operating income (loss)	2,509	768	1,587	77	4,942	(2,776)	2,166

Notes:

1. Business segments are classified on the basis of operating markets and service details.
2. Principal components of each business segment

Business segment	Principal services
Temporary staffing / Contracting, Placement / Recruiting	Temporary staffing and contracting, placement and recruiting, other
Outplacement	Outplacement support services
Outsourcing	Employee welfare and benefit agency services
Other	Child-care operation services, other

Nine months ended February 28, 2010

(Millions of yen)

	Temporary staffing / Contracting, Placement / Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) Sales to outside customers	116,419	8,250	10,016	1,360	136,047	—	136,047
(2) Intersegment sales and transfers	376	2	197	1,936	2,513	(2,513)	—
Total	116,796	8,253	10,214	3,296	138,560	(2,513)	136,047
Operating income (loss)	492	2,541	1,488	(78)	4,443	(2,248)	2,194

Notes:

1. Business segments are classified on the basis of operating markets and service details.
2. Principal components of each business segment

Business segment	Principal services
Temporary staffing / Contracting, Placement / Recruiting	Temporary staffing and contracting, placement and recruiting, other
Outplacement	Outplacement support services
Outsourcing	Employee welfare and benefit agency services
Other	Group shared services, child-care operation services, other

3. Additional information

(Accounting method for subsidy income)

As identified in 4. Other of "Qualitative Information / Financial Statements and Other, the Pasona Group has changed its accounting method for subsidy income relating to development support and training directed toward the agriculture, forestry and fisheries sectors from the first quarter of the fiscal year ending May 31, 2010. Under the newly adopted method, subsidy income is no longer posted as non-operating. Effective the first quarter of the fiscal year under review, subsidy income is offset against SG&A expenses. As a result, the operating income recorded under Eliminations and Corporate for the first nine months of the fiscal year ending May 31, 2010 increased ¥80 million compared with the previous implemented method.

Information on Geographic Areas

Nine months ended February 28, 2009

Since the percentage of total segment sales in Japan exceeds 90%, information on geographic areas is omitted from this report.

Nine months ended February 28, 2010

Since the percentage of total segment sales in Japan exceeds 90%, information on geographic areas is omitted from this report.

Overseas Sales

Nine months ended February 28, 2009

Since the percentage of overseas sales to total consolidated sales is less than 10%, information relating to overseas sales is omitted from this report.

Nine months ended February 28, 2010

Since the percentage of overseas sales to total consolidated sales is less than 10%, information relating to overseas sales is omitted from this report.

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

None

(7) Important Subsequent Events

<u>The third quarter of the fiscal year ending May 31, 2010 (December 1, 2009 to February 28, 2010)</u>

1. The disposal of treasury stock by way of a third-party allotment, corporate separation, exchange of consolidated subsidiary shares and consolidated subsidiary merger for the purpose of reorganizing the group's corporate structure.

Pasona Group resolved to dispose of treasury stock by way of a third-party allotment and undertake corporate separation for the purpose of reorganizing its Group company structure following a meeting of its Board of Directors held on December 18, 2009. Brief details mainly after March 31, 2010 are as follows.

(1) Objectives of Reorganization

Consolidated subsidiaries Pasona Inc. and Pasona Career Inc. merged for the purpose of securing a one-stop comprehensive human resource service portfolio that encompasses the entire gambit of high customer need temporary staffing and contracting, placement and recruiting as well as outplacement services. In terms of the overall process to be implemented, Pasona Group transferred to Pasona all of its Pasona Career shares held by way of corporate acquisition and separation. Thereafter, Pasona conducted a triangular share exchange. Pasona Group common shares were exchanged as compensation for Pasona Career shares held by parties other than the Company.

In this manner, Pasona Career became a Pasona wholly owned subsidiary. At the same time, the two consolidated subsidiaries (Pasona Career and Pasona) merged, Pasona merging with Pasona Career with the latter as the surviving company. On completion of the aforementioned merger, Pasona Career changed its name to Pasona Inc.

The subject disposal of treasury stock was implemented on Pasona's behalf as a part of the Group's reorganization. Pasona implemented this share exchange (triangular share exchange) utilizing Pasona Group's common shares as compensation following allotment.

(2) Schedule

December 18, 2009 (Friday)	Resolution by the Board of Directors approving the disposal of treasury stock (Pasona Group) Execution of the corporate acquisition and separation agreement (Pasona Group, Pasona) Execution of the share exchange agreement (Pasona, Pasona Career) Execution of the merger agreement (Pasona, Pasona Career)
January 8, 2010 (Friday)	Ratification of the share exchange agreement at respective meetings of shareholders (Pasona, Pasona Career) Ratification of the merger agreement at respective meetings of shareholders (Pasona, Pasona Career)
March 1, 2010 (Monday)	Effective date of the corporate acquisition and separation agreement (Pasona Group, Pasona) Effective date of the share exchange agreement (Pasona, Pasona Career) Effective date of the merger agreement (Pasona, Pasona Career)

Note: As this corporate acquisition and separation meets the requirements of a simplified corporate acquisition and separation prescribed under Article 784 Paragraph 3 of the Corporation Law for Pasona Group and the requirements of an informal corporate acquisition and separation prescribed under Article 796 Paragraph 1 of the Corporation Law for Pasona (the succeeding company), ratification to the corporate acquisition and separation between Pasona Group and Pasona by their respective shareholders is not required.

(3) Overview of Group Company Reorganization (Corporate Separation)

i. Corporate Separation from Pasona Group to Pasona

a. Method of corporate separation

The corporate acquisition and separation involves Pasona Group and the Company's wholly owned subsidiary Pasona as the acquired, separating and succeeding company.

b. Details of allotment relating to corporate separation

Due to the adoption of the corporate acquisition and separation method with a wholly owned subsidiary as the succeeding company, the shares and other assets of Pasona will not be allotted to Pasona Group.

c. The handling of new share subscription rights and bonds with new share subscription rights in association with corporate separation
The subject corporate separation will have no impact on the new share subscription rights issued by Pasona Group. The Company has not issued bonds with new share subscription rights.

d. Decrease in capital stock as a result of corporate separation
There will be no decrease in the Company's capital stock as a result of corporate separation.

e. The rights and obligations to be succeeded by the succeeding company
Pasona Group succeeded to Pasona its entire shareholding (21,472 shares) in Pasona Career together with all applicable rights and obligations at the time of corporate separation.

f. Prospects of fulfillment of obligations
Expectations are that Pasona, the succeeding company, will incur little or no difficulty in fulfilling all obligations after the effective date of corporate separation.

ii. Overview of the Parties Involved in Corporate Separation (Pasona Group and Pasona)

(As of May 31, 2009)

a. Company Name	Pasona Group Inc.
b. Head Office Address	1-5-1 Marunouchi, Chiyoda-ku, Tokyo
c. Representative	Yasuyuki Nambu Group CEO and President
d. Business Activities	Management and support of its wholly owned and other Group companies engaged in human resource-related activities based on the ownership of stock
e. Paid-in Capital	¥5,000 million
f. Number of Shares Issued and Outstanding	416,903 shares
g. Fiscal Year-End	May 31
h. Number of Employees	4,916 (Consolidated)

i. Major Shareholders and Percentage Shareholdings after Disposal (As of November 30, 2009)

Yasuyuki Nambu	35.41%
Nambu Enterprise Inc.	8.56%
State Street Bank and Trust Company 505223 (Standing Proxy : Mizuho Corporate Bank, Ltd.)	5.74%
State Street Bank and Trust Company (Standing Proxy : Mizuho Corporate Bank, Ltd.)	2.77%
Eizaburo Nambu	2.16%
State Street Bank and Trust Company (Standing Proxy : The Hongkong and Shanghai Banking Corporation Limited)	1.89%
Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension (Standing Proxy : Mizuho Corporate Bank, Ltd.)	1.67%
Japan Trustees Service Bank, Ltd. (Trust Account)	1.35%
Pasona Group Employees' Shareholding Association	1.20%
State Street Bank and Trust Company 505103 (Standing Proxy : Mizuho Corporate Bank, Ltd.)	1.07%

Note:
In addition to the above, Pasona Group held 58,253 shares, representing 13.97% of the total number of shares issued and outstanding, of treasury stock as of November 30, 2009. Of this number, 15,852 shares of treasury stock were retired on January 12, 2010. Accounting for the aforementioned, the number of treasury stock held as of February 28, 2010 was 42,401 shares, representing 10.17% of the total number of shares issued and outstanding.

j. Business results and financial condition over the last fiscal year (Consolidated Basis)

(Millions of yen unless otherwise stated)

Fiscal Year Ended	May 31, 2009
Total Net Assets	25,148
Total Assets	55,468
Total Net Assets per Share (Yen)	54,751.17
Net Sales	218,699
Operating Income	2,850
Ordinary Income	3,361
Net Income	312
Net Income per Share (Yen)	834.30
Dividends per Share (Yen)	1,250

a. Company Name	Pasona Inc.
b. Head Office Address	1-5-1 Marunouchi, Chiyoda-ku, Tokyo
c. Representative	Yasuyuki Nambu CEO
d. Business Activities	Temporary staffing and contracting business
e. Paid-in Capital	¥3,000 million
f. Number of Shares Issued and Outstanding	434,403 shares
g. Fiscal Year-End	May 31
h. Number of Employees	1,815
i. Major Shareholders and its Shareholding Ratio	Pasona Group Inc. 100%

j. Business results and financial condition over the last three fiscal years (Millions of yen unless otherwise stated)

Fiscal Year Ended	May 31, 2007	May 31, 2008	May 31, 2009
Total Net Assets	18,131	10,820	11,166
Total Assets	33,939	26,721	22,063
Total Net Assets per Share (Yen)	43,561.29	24,907.79	25,706.24
Net Sales	162,085	159,326	141,812
Operating Income	4,822	1,493	(334)
Ordinary Income	4,970	1,967	(135)
Net Income	360	1,591	165
Net Income per Share (Yen)	858.36	3,741.96	379.89
Dividends per Share (Yen)	2,000	1,200	—

Note:
In the fiscal year ended May 31, 2008 (December 3, 2007), Pasona Group Inc. was established as a pure holding company. Subsidiary shares together with all administrative operations and functions were transferred to Pasona Group on March 1, 2008.

iii. Overview of the Businesses to be Separated

a. Details of the businesses to be separated

The administration businesses of Pasona Career, a subsidiary of Pasona Group

b. Assets to be separated

In accordance with the corporate acquisition and separation agreement executed by the Company and Pasona on December 18, 2009, Pasona Group separated all of its shares held in Pasona Career, which were succeeded to Pasona, at the time the Company undertook the corporate separation.

iv. Status of the Publicly Listed Company after Corporate Separation

There is no change in Pasona Group's name, head office address, representative (name and title), business activities, capital and balance date.

(4) Overview of Group Company Reorganization (Exchange of Shares between Consolidated Subsidiaries and Corporate Acquisition/Merger)

i. Exchange of Shares between Pasona and Pasona Career

On the condition that the subject corporate separation came into effect, Pasona and Pasona Career participated in the aforementioned exchange of shares. With an effective date of March 1, 2010, Pasona, Pasona Group's wholly owned subsidiary, became a sole parent company, and Pasona Career, Pasona Group's subsidiary company, became a Pasona wholly owned subsidiary, through the exchange of shares. Moreover, on the day prior to the share exchange effective date, Pasona acquired from Pasona Group a portion of the latter's own shares. Pasona Group's own shares were delivered to shareholders of Pasona Career other than Pasona as compensation for the subject share exchange.

ii. Corporate Acquisition between Pasona and Pasona Career

On the conditions that the subject corporate separation and share exchange came into effect, Pasona and Pasona Career participated in a corporate acquisition and merger. With and effect date of March 1, 2010, a corporate acquisition and merger were implemented with Pasona Career as the surviving company and Pasona as the expiring company. Furthermore, and as previously identified, Pasona Career changed its company name to Pasona Inc. on the condition that the subject corporate acquisition came into effect. At the same time, the account settlement period was amended from April 1 to March 31 of the following year to June 1 to May 31 of the following year. On this basis, plans were in place to modify the fiscal year from April 1 2009 to March 31, 2010 to the 14-month period of April 1, 2009 to May 31, 2010.