

OVERVIEW OF CONSOLIDATED BUSINESS RESULTS

FY2010 (June 1, 2010 to May 31, 2011)

Three Months Ended August 31, 2010

- **New orders for Expert Services (Temporary staffing) business increased. At the same time, the Place & Search (Placement / Recruiting) business also exhibited signs of an upswing, mainly reflected a recovery in job offers for mid-career employees, focusing primarily on employees with the skills to deliver immediate results**
- **Placement and recruiting in Asia is driving sales growth in the Global Sourcing (Overseas) business**
- **Completion of a round of employment adjustments by the corporate sector in the Outplacement business. While orders decreased, progress through the bringing forward of outplacement decisions due mainly to the focus placed on ensuring a quick and definitive turnaround in the placement of employees**
- **Selling, general & administrative (SG&A) expenses decreased 12.7% year on year. In addition to a reduction in costs, this was largely attributable to the redistribution of a portion of SG&A expenses to other periods**
- **Operating income and ordinary income were ¥310 million and ¥319 million, respectively, surpassing results in the corresponding period of the previous fiscal year**
- **Due to the loss on adjustment for changes of accounting standard for asset retirement obligations totaling ¥480 million, Pasona Group incurred a net loss for the period of ¥471 million**

1. Consolidated Business Results (June 1, 2010 to August 31, 2010)

(Millions of yen)

	3M FY2009	3M FY2010	Increase / (Decrease)	YoY
Net sales	47,161	44,574	(2,586)	(5.5)%
Gross profit	8,834	8,142	(691)	(7.8)%
to net sales	18.7%	18.3%	(0.4)%pt	
SG&A expenses	8,968	7,831	(1,136)	(12.7)%
to net sales	19.0%	17.6%	(1.4)%pt	
Operating income (loss)	(134)	310	444	-
to net sales	-	0.7%	-	
Ordinary income (loss)	(119)	319	438	-
to net sales	-	-	-	
Income (loss) before income taxes	(155)	(134)	21	-
to net sales	-	-	-	
Net income (loss)	(1,102)	(471)	630	-
to net sales	-	-	-	

Overview of Business Results

- Consolidated net sales for the first quarter of the fiscal year ending May 31, 2011 declined 5.5% compared with the corresponding period of the previous fiscal year to ¥44,574 million.

- The gross profit margin contracted 0.4 of a percentage point year on year to 18.3% due mainly to the increase in costs as priority was placed on the quick and definitive turnaround in the placement of service users in the Outplacement business, which had enjoyed a substantial increase in orders in the previous fiscal year. However, buoyed by steady career consulting endeavors that brought forward decisions on outplacement at a pace greater than anticipated consolidated gross profit fell 7.8% compared with the corresponding period of the previous fiscal year. Despite this year-on-year decrease, results surpassed initial plans.
- Turning to SG&A expenses, results were boosted by the consolidation of bases to a new comprehensive Group office as a part of efforts to raise business efficiency, successful steps to reduce costs and the redistribution of a portion of SG&A expenses to other periods. Accordingly, SG&A expenses decreased ¥1,136 million, or 12.7% year on year.
- Consolidated operating income and ordinary income were ¥310 million and ¥319 million, respectively. This was compared with an operating loss of ¥134 million and an ordinary loss of ¥119 million in the corresponding period of the previous fiscal year.
- Taking into account an extraordinary loss of ¥480 million attributable to the loss on adjustment for changes of accounting standard for asset retirement obligations, Pasona Group incurred a consolidated net loss for the period of ¥471 million compared with the net loss of ¥1,102 million incurred in the corresponding period of the previous fiscal year. Despite the net loss, this was a significant year-on-year improvement.

2. Segment Information (Figures include intersegment sales)

Note: In conjunction with the adoption the “Management Approach,” the Company reclassified its business segments effective from the fiscal year ending May 31, 2011. Therefore, percentage increases and decreases compared with the corresponding period of the fiscal year ended May 31, 2010 have not been provided.

(Millions of yen)

	Net sales	Operating income (loss)
HR Solutions	44,259	955
Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting	37,360	356
Place & Search (Placement / Recruiting)	345	
Global Sourcing (Overseas)	513	
Outplacement	2,634	
Outsourcing	3,404	
Life Solutions		
Public Solutions	897	41
Shared		
Eliminations and Corporate	(581)	(685)
Total	44,574	310

HR Solutions

Expert Services (Temporary staffing), Insourcing (Contracting), Others

Net sales: ¥38,219 million; **Operating income:** ¥356 million

[Expert Services (Temporary staffing), Insourcing (contracting), HR Consulting]

Net sales: ¥37,360 million

Expert Services (Temporary staffing)

- Signs of a positive turnaround in new orders across most sectors, and particularly from the manufacturing and IT industries, began to emerge. As a result, new orders recovered to a level that surpassed that of the corresponding period of the previous fiscal year.
- By job type, in addition to trends in orders for clerical positions, demand for such job types as secretarial, trading and other technical positions were firm, where the rate of decline improved. On this basis, sales in the Expert Services (Temporary staffing) business amounted to ¥33,667 million.

Note: For the monthly average of long-term temporary staff and Temporary staffing / Contracting — sales by staffing type data, please refer to page 5.

Insourcing (Contracting)

- Buoyed by steady trends in commissioned reception, administrative and call center operations as well as measures to strengthen customer's solution-oriented consulting and marketing services to public sectors, sales in the Insourcing (Contracting) business climbed steadily to ¥3,177 million.

[Place & Search (Placement / Recruiting)] **Net sales:** ¥345 million

- On the domestic front, there were indications of a recovery in job offers particularly for human resources capable of delivering an immediate impact. As a result, sales in this segment entered a recovery trajectory.

Note: Placement and recruiting sales outside of Japan are included in the Global Sourcing (Overseas) segment.

[Global Sourcing (Overseas)] **Net sales:** ¥513 million

- Reflecting the globalization of activities undertaken by Japan's corporate sector and the ongoing trend toward engaging in business overseas, the demand for human resources capable of excelling on the world stage is rising with a positive turnaround in new demand particularly in Asia such as China.
- Most notably, this surge in placement and recruiting in Asia is surpassing activity in North America and driving sales growth.
- Orders for commissioned outsourcing services, encompassing salary and wage calculation as well as peripheral overseas human resource fields, are expanding.

[Profit perspective for the above segments]

- On the earnings front in each of the aforementioned segment activities, the Expert Services (Temporary staffing) business witnessed an upswing in temporary staffing employee social insurance rates as well as a drop in the unit price spread for temporary staffing in certain fields. In addition to growth in the Insourcing (Contracting) business and improvements in Place & Search (Placement / Recruiting) and Global Sourcing (Overseas) activities, on the other hand, the Group experienced an improvement in earnings on the back of successful efforts to reduce SG&A expenses.

Outplacement

Net sales: ¥2,634 million; **Operating income:** ¥312 million

- Following a round of corporate downsizing measures implemented throughout the corporate sector, orders, which had hovered at a high level during the previous fiscal year, declined.
- In placing priority on a quick and definitive turnaround in the placement of users who took up services in the previous period as well as the emphasis placed on counseling and efforts to cultivate job offers, costs ballooned. On a positive note, however, momentum gathered in the bringing forward ahead of plans outplacement decisions.

Outsourcing

Net sales: ¥3,404 million; **Operating income:** ¥285 million

- Continued efforts to promote customers' solution-oriented marketing to corporate member customers including major companies as well as government and other public offices, with considerable weight placed on increasing and upgrading the menu of employee fringe benefit services that help to realize work and lifestyle balance. As a result, sales in this segment were firm.

Life Solutions, Public Solutions, Shared

Net sales: ¥897 million; **Operating income:** ¥ 41 million

- Results from the Group's education business activities including child-care-related businesses and the management and operation of overseas language classes as well as from Group shared service companies are included in this segment.

3. Status of Financial Position and Investments

Changes in Financial Position (Consolidated)

(Millions of yen)

	May 31, 2010	August 31, 2010	Increase / (Decrease)	YoY	Causes for difference
Current assets	34,986	37,550	2,563	7.3%	The increase in total assets was mainly attributable to certain factors including an increase of ¥4,183 million in the balance of cash and deposits.
Noncurrent assets	17,282	17,714	431	2.5%	
Total assets	52,269	55,264	2,995	5.7%	
Current liabilities	21,426	19,723	(1,703)	(7.9)%	The principal increases in total liabilities were short-term loans payable of ¥999 million and long-term loans payable of ¥4,726 million. These were partly offset by a decrease in accounts payable-trade of ¥913 million.
Noncurrent liabilities	5,863	11,485	5,621	95.9%	
Total liabilities	27,289	31,208	3,918	14.4%	
Total net assets	24,979	24,056	(923)	(3.7)%	This was mainly attributable to the net loss of ¥471 million and the payment of cash dividends totaling ¥187 million.
Equity ratio	39.6%	36.1%	(3.5)%pt		

Status of Consolidated Cash Flows

Cash and cash equivalents as of August 31, 2010 increased ¥4,427 million compared with the end of the previous fiscal year to ¥16,751 million.

(Millions of yen)

	3M FY2009	3M FY2010	Increase / (Decrease)	Major cash flows in each activity
CF from operating activities	(1,528)	(504)	1,024	Major cash inflows included depreciation and amortization of ¥537 million. Principal cash outflows were the loss before income taxes of ¥134 million and income taxes paid of ¥767 million.
CF from investing activities	48	(275)	(323)	Major cash outflow was purchase of investment securities of ¥380 million. Principal cash inflow was proceeds from collection of lease and guarantee deposits of ¥118 million.
CF from financing activities	(3,914)	5,234	9,148	Major cash inflows included proceeds from long-term loans payable totaling ¥5,946 million. Principal cash outflow was cash dividends paid totaling ¥403 million.
Free CF	(1,480)	(780)	700	

4. Consolidated Forecasts of Business Results for FY2010 (June 1, 2010 to May 31, 2011)

In addition to successful efforts to contain SG&A expenses, the Pasona Group's high earnings overseas businesses are performing well during the first half of the fiscal year ending May 31, 2011. At the same time, with the redistribution of a portion of SG&A expenses as well as direct input costs to other periods and other factors both operating income and ordinary income are projected to surpass plans. Taking into consideration the decision to forego the recording of the tax effect relating to asset disposal liabilities for accounting purposes the forecast for net income remains unchanged. Moreover, the Company has decided to leave the forecasts of consolidated business results for the full fiscal year ending May 31, 2011 previously disclosed on July 20, 2010 unchanged.

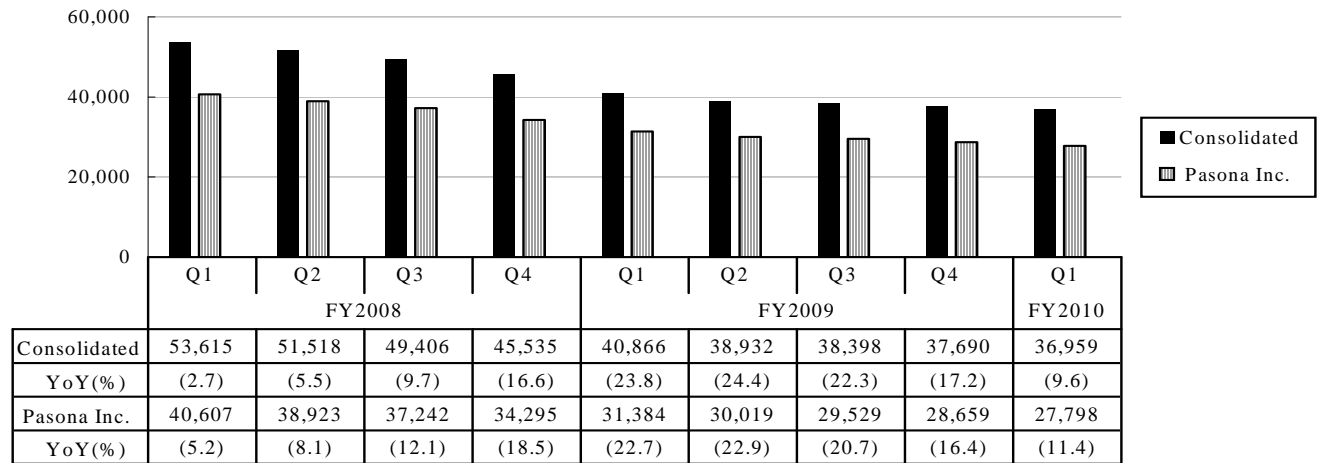
(Millions of yen unless otherwise stated)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous forecast (A)	90,000	100	100	(500)	(1,335.11)
Revised forecast (B)	90,000	500	550	(500)	(1,335.11)
Net change (B – A)	0	400	450	0	—
Net change (%)	0.0	400.0	450.0	0.0	—
(Reference) First half of the fiscal year ended May 31, 2010	92,069	905	933	(1,696)	(4,730.99)
(Reference) Forecasts of consolidated business results for the full fiscal year ending May 31, 2011	186,000	2,800	2,900	500	1,335.11

5. Reference Data

◆ Monthly Average of Long-term Temporary Staff

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



◆ Expert Services (Temporary staffing), Insourcing (Contracting) - Consolidated sales by staffing type

(Excludes intersegment sales)

(Millions of yen)

	3M FY2009	3M FY2010		vs 3M FY2009	
		Net Sales	Share	Increase / (Decrease)	YoY
Clerical	21,838	19,932	53.9%	(1,905)	(8.7)%
Technical	6,938	6,328	17.1%	(610)	(8.8)%
IT engineering	4,623	4,047	11.0%	(576)	(12.5)%
Sales and Marketing	2,216	1,949	5.3%	(266)	(12.0)%
Other Expert Services	1,688	1,491	4.0%	(197)	(11.7)%
Insourcing (Contracting)	2,817	3,233	8.7%	416	14.8%
Total	40,123	36,982	100.0%	(3,140)	(7.8)%

Note: Figures for the corresponding period of the previous fiscal year have been adjusted in accordance with the new segments.

◆ Quarterly Earnings Trends

(Millions of yen)

	FY2009				FY2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	47,161	44,908	43,977	47,468	44,574	-	-	-
YoY	(20.2)%	(21.1)%	(16.3)%	(5.2)%	(5.5)%	-	-	-
Cost of sales	38,326	36,053	34,915	37,489	36,432	-	-	-
YoY	(19.1)%	(20.8)%	(16.8)%	(6.9)%	(4.9)%	-	-	-
Gross profit	8,834	8,855	9,062	9,979	8,142	-	-	-
YoY	(24.9)%	(22.6)%	(14.1)%	1.5%	(7.8)%	-	-	-
SG&A expenses	8,968	7,815	7,772	8,513	7,831	-	-	-
YoY	(17.7)%	(26.9)%	(22.2)%	(6.9)%	(12.7)%	-	-	-
Operating income (loss)	(134)	1,039	1,289	1,465	310	-	-	-
YoY	-	40.7%	127.0%	114.4%	-	-	-	-
Ordinary income (loss)	(119)	1,052	1,469	1,641	319	-	-	-
YoY	-	17.6%	178.2%	59.5%	-	-	-	-
Income (loss) before income taxes	(155)	1,032	1,379	1,576	(134)	-	-	-
YoY	-	69.0%	11,497.9%	24.0%	-	-	-	-
Net income (loss)	(1,102)	(594)	292	1,608	(471)	-	-	-
YoY	-	-	-	74.9%	-	-	-	-

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