

October 7, 2011

OVERVIEW OF CONSOLIDATED BUSINESS RESULTS

FY2011 (June 1, 2011 to May 31, 2012)

Three Months Ended August 31, 2011

- **Results in the Insourcing (Contracting) business grew substantially. In addition to an upswing in the Place & Search (Placement / Recruiting) business due largely to the increased willingness to recruit human resources by the corporate sector, Global Sourcing (Overseas) activities were firm. As a result, consolidated net sales increased by 3.0% year on year to ¥45,901 million.**
- **In the Outplacement business, a quick and definitive turnaround in the placement of job seekers as well as successful efforts to enhance efficiency led to improved gross profit margins.**
- **In contrast, the number of long-term temporary staff declined slightly in the Expert Services (Temporary Staffing) business. Despite the underlying strength provided by new orders, this was largely attributable to the decline in demand reflecting a drop in corporate-sector confidence due to such factors as the earthquake disaster as well as the rapid and dramatic appreciation in the value of the yen.**
- **SG&A expenses increased slightly in line with the recovery in net sales. Consolidated operating income and ordinary income, however, significantly rose 93.9% and 75.4% year on year, to ¥601 million and ¥560 million, respectively.**
- **Net income of ¥111 million, significantly improved compared with the net loss in the previous corresponding period.**
- **Due to the deferment of a portion of costs to other periods together with profit improvements compared with plans reflecting the increase in earnings in the Insourcing and Place & Search businesses, the Company has decided to upwardly revise its consolidated business results forecasts for the first half of FY2011.**

1. Consolidated Business Results (June 1, 2011 to August 31, 2011)

(Millions of yen)

	3M FY2010	3M FY2011	Increase / (Decrease)	YoY
Net sales	44,574	45,901	1,326	3.0%
Gross profit	8,142	8,488	346	4.3%
to net sales	18.3%	18.5%	0.2pt	
SG&A expenses	7,831	7,886	54	0.7%
to net sales	17.6%	17.2%	(0.4)pt	
Operating income	310	601	291	93.9%
to net sales	0.7%	1.3%	0.6pt	
Ordinary income	319	560	240	75.4%
to net sales	0.7%	1.2%	0.5pt	
Income (loss) before income taxes	(134)	553	688	—
to net sales	—	1.2%	—	
Net income (loss)	(471)	111	583	—
to net sales	—	0.2%	—	
Net income (loss) per share (Yen)	(1,260.11)	297.99	1,558.10	—

Overview of Business Results

- Consolidated net sales increased by 3.0% year on year to ¥45,901 million.
- The increase in earnings attributable to growth in the Insourcing as well as Place & Search businesses, coupled with a quick and definitive turnaround in the placement of job seekers as well as successful efforts to enhance efficiency in the Outplacement business led to improved gross profit margins. As a result, gross profit increased by 4.3% year on year to ¥8,488 million.
- SG&A expenses increased slightly in line with the recovery in net sales by 0.7% year on year to ¥7,886 million.
- Consolidated operating income increased by 93.9% year on year to ¥601 million and consolidated ordinary income climbed by 75.4% year on year to ¥560 million.
- Consolidated net income improved to ¥111 million compared with the net loss of ¥471 million incurred in Q1 FY2010. In addition to the upswing in profit, this positive turnaround reflected the absence of asset retirement obligations recorded as an extraordinary loss following changes to accounting standards adopted from the corresponding period of the previous fiscal year.

2. Segment Information (Figures include intersegment sales)

	(Millions of yen)			
	Net sales	YoY	Operating income	YoY
HR Solutions	45,717	3.3%	1,376	44.1%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	39,787	4.1%	643	80.4%
Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting	38,646	3.4%	643	80.4%
Place & Search (Placement / Recruiting)	571	65.4%		
Global Sourcing (Overseas)	569	11.0%		
Outplacement	2,501	(5.1)%	361	15.6%
Outsourcing	3,428	0.7%	372	30.1%
Life Solutions Public Solutions Shared	889	(0.8)%	21	(48.5)%
Eliminations and Corporate	(706)	—	(796)	—
Total	45,901	3.0%	601	93.9%

*Following percentage figures in parenthesis are year-on-year increase/decrease.

HR Solutions

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

Net sales: ¥39,787 million (+4.1%); **Operating income:** ¥643 million (+80.4%)

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

Net sales: ¥38,646 million (+3.4%)

Expert Services (Temporary staffing)

- The number of long-term temporary staff declined slightly. Despite the underlying strength provided by new orders mainly from the service and manufacturing sectors, this was largely attributable to the decline in demand reflecting uncertainty with respect to future operating conditions due to such factors as the earthquake disaster as well as the rapid and dramatic appreciation in the value of the yen. As a result, sales declined by 6.6% year on year to ¥31,435 million.

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

Insourcing (Contracting)

- Emergency employment measures and other contracts from the public sector including those from the government and other public and regional authorities were firm.
- Steps were taken to shift personnel due mainly to strengthen the management structure. Taking the aforementioned factors into consideration, sales climbed by 111.4% year on year to ¥6,716 million.

[Place & Search (Placement / Recruiting)]

Net sales: ¥571 million (+65.4%)

- On the domestic front, there was significant activity in the recruitment of sales, marketing, IT and other specialists capable of delivering immediate results as well as human resources with highly specialized skills and expertise reflecting the upswing in job offers commensurate with corporate-sector overseas business development and other factors. As a result, net sales climbed substantially.

[Global Sourcing (Overseas)]

Net sales: ¥ 569 million (+11.0%)

- With the growing shift by Japan's corporate sector of its operations overseas, Japanese companies have continued to expand their recruitment activities with a particular focus on Asia.
- At the same time, Pasona Group worked diligently to strengthen its full line of support services. As a result, the Company's Temporary staffing business activities increased.

[Profit perspective for the above segments]

- Operating income for the above segments increased dramatically. Despite the drop in revenue in the Expert Services segment, this was largely attributable to the increase in gross profit on the back of growth in each of the Insourcing and Place & Search businesses.

Outplacement

Net sales: ¥2,501 million (-5.1%); **Operating income:** ¥361 million (+15.6%)

- The depth of the decline in new orders narrowed due to such factors as the implementation of contracts that had been postponed due to the earthquake disaster and the bringing forward of outplacement support demand owing to the shift by Japanese companies of their operations overseas. As a result, net sales surpassed plans.
- On the earnings front, gross profit margins improved on the back of progress in the quick and definitive turnaround in the placement of job seekers reflecting demand for employees with the skills to achieve immediate results as well as successful efforts to increase efficiency.

Outsourcing

Net sales: ¥3,428 million (+0.7%); **Operating income:** ¥372 million (+30.1%)

- In this segment, which largely entails the provision of employee fringe benefit outsourcing services, ongoing steps were taken to promote customers' solution-oriented marketing to corporate member customers including major companies as well as government and other public offices, while placing considerable weight on increasing and upgrading the menu of employee benefit services that help to realize work and lifestyle balance. In addition, considerable emphasis is being placed on new services such as the Personal business which targets individuals in which the Group derives revenues directly from corporate clients' customers.
- Taking into account such factors as the deferment of a portion of printing and other overhead expenses to other periods, operating income climbed by a large amount.

Life Solutions, Public Solutions, Shared

Net sales: ¥ 889 million (-0.8%); **Operating income:** ¥21 million (-48.5%)

- In child-care-related activities in the Life Solutions business, operating income declined year on year. While demand for temporary childcare facility services increased in line with companies' efforts to conserve electric power and childminder temporary staffing increased, this was largely attributable to anticipatory investments encompassing a variety of areas including personnel expenses.

3. Status of Financial Position and Investments

Changes in Consolidated Financial Position

(Millions of yen)

	May 31, 2011	August 31, 2011	Increase / (Decrease)	YoY	Causes for difference
Current assets	44,368	41,641	(2,726)	(6.1)%	The decrease in total assets was mainly attributable to a decline of ¥4,537 million in the balance of cash and deposits.
Noncurrent assets	16,195	16,370	174	1.1%	
Total assets	60,564	58,012	(2,551)	(4.2)%	
Current liabilities	25,329	24,137	(1,192)	(4.7)%	The principal decreases in total liabilities were accounts payable—trade of ¥866 million, provision for bonuses of ¥634 million and income taxes payable of ¥737 million.
Noncurrent liabilities	9,592	8,642	(950)	(9.9)%	
Total liabilities	34,922	32,779	(2,142)	(6.1)%	
Total net assets	25,642	25,233	(408)	(1.6)%	This was mainly attributable to the net income of ¥111 million and the payment of cash dividends totaling ¥374 million.
Equity ratio	34.7%	35.8%	1.1pt		

4. Consolidated Forecast of Business Results for FY2011 (June 1, 2011 to May 31, 2012)

Pasona Group has decided to revise its consolidated business results forecasts for H1 FY2011. This is mainly due to the deferment of a portion of Q1 FY2011 SG&A expenses as well as input costs to other periods together with profit improvements compared with plans reflecting the increase in earnings in the Insourcing (Contracting) and highly profitable Place & Search (Placement / Recruiting) businesses.

At the same time, the Company has decided to leave the forecasts of consolidated business results for the full FY2011 period previously disclosed on July 20, 2011 unchanged. Despite the deferment of costs to other periods and the recording of profits brought forward as well as such external factors as measures implemented by the government to stimulate the economy, this decision is based on growing uncertainty surrounding appreciation in the value of the yen and other future economic conditions, which is forcing the corporate sector to adopt a cautious approach toward recruitment trends.

Revisions to Consolidated Business Results Forecasts for H1 FY2011

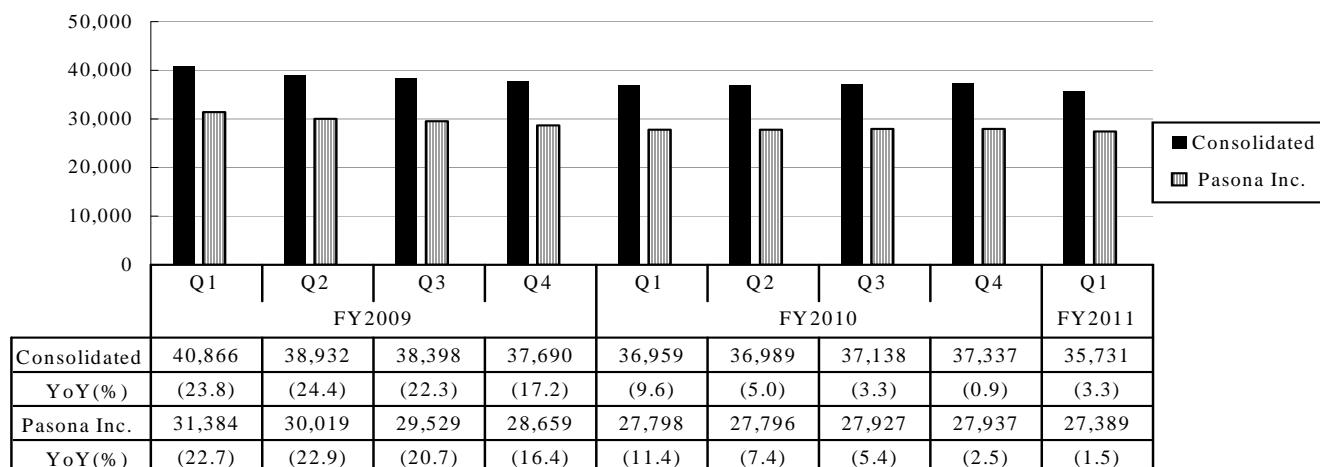
(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income (loss)	Net income (loss) per share (Yen)
Previous forecast (A)	90,000	350	320	(120)	(320.43)
Revised forecast (B)	91,500	650	640	100	267.02
Net change (B – A)	1,500	300	320	220	—
Net change	1.7%	85.7%	100.0%	—	—
(Reference) H1 FY2010	88,994	533	580	(549)	(1,466.29)
(Reference) Full FY2011 Forecast	183,000	2,850	2,900	650	1,735.64

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) Consolidated Sales by Staffing Type *Excludes intersegment sales

(Millions of yen)

	(Reference) 3M FY2010 Net Sales	3M FY2011		(Reference) vs 3M FY2010	
		Net Sales	Share	Increase / (Decrease)	YoY
Clerical	19,584	17,834	56.8%	(1,749)	(8.9)%
Technical	6,508	6,402	20.4%	(105)	(1.6)%
IT engineering	4,047	3,992	12.7%	(54)	(1.3)%
Sales and Marketing	1,949	1,872	6.0%	(77)	(4.0)%
Other Expert Services	1,480	1,275	4.1%	(204)	(13.8)%
Total	33,570	31,378	100.0%	(2,191)	(6.5)%

Note: Figures for 3M FY2010 are adjusted in accordance with the current segments for reference.

◆ Quarterly Earnings Trends

(Millions of yen)

	FY2010				FY2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	44,574	44,419	43,669	46,142	45,901			
YoY	(5.5)%	(1.1)%	(0.7)%	(2.8)%	3.0%			
Cost of sales	36,432	36,388	35,288	37,138	37,412			
YoY	(4.9)%	0.9%	1.1%	(0.9)%	2.7%			
Gross profit	8,142	8,031	8,381	9,003	8,488			
YoY	(7.8)%	(9.3)%	(7.5)%	(9.8)%	4.3%			
SG&A expenses	7,831	7,811	7,630	7,857	7,886			
YoY	(12.7)%	(0.1)%	(1.8)%	(7.7)%	0.7%			
Operating income	310	220	750	1,145	601			
YoY	-	(78.8)%	(41.8)%	(21.8)%	93.9%			
Ordinary income	319	258	747	1,240	560			
YoY	-	(75.4)%	(49.1)%	(24.4)%	75.4%			
Income (loss) before income taxes	(134)	247	788	1,595	553			
YoY	-	(76.1)%	(42.8)%	1.2%	-			
Net income (loss)	(471)	(77)	214	747	111			
YoY	-	-	(26.8)%	(53.5)%	-			

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