

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2012 (June 1, 2012 to May 31, 2013)
First Half Ended November 30, 2012

Listing Stock exchange: The First Section of the Tokyo Stock Exchange
 Securities code number: 2168
 URL: <http://www.pasonagroup.co.jp/>
 Representative: Yasuyuki Nambu, Group CEO and President
 For further information contact: Yuko Nakase, Managing Director and CFO
 Tel. +81-3-6734-0200
 Scheduled filing date of quarterly report: January 11, 2013
 Supplementary materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

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

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)	
		%		%		%		%
First Half ended November 30, 2012	102,976	13.3	714	(1.4)	692	(7.0)	(454)	—
First Half ended November 30, 2011	90,880	2.1	724	35.7	744	28.2	75	—

(Note) Comprehensive income H1 FY2012: ¥(226) million H1 FY2011: ¥306 million

	Net Income (Loss) per Share	Diluted Net Income per Share
	Yen	Yen
First Half ended November 30, 2012	(1,214.06)	—
First Half ended November 30, 2011	200.28	199.63

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
November 30, 2012	68,768	24,619	28.5
May 31, 2012	70,889	26,295	29.0

(Reference) Equity As of November 30, 2012: ¥19,607 million As of May 31, 2012: ¥20,542 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
FY2011	—	0.00	—	1,000.00	1,000.00
FY2012	—	0.00			
FY2012 (Forecast)			—	1,000.00	1,000.00

(Note) Revision to dividend forecast in the current quarter: None

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2013

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	212,000	16.8	3,000	52.7	2,900	38.7	350	1,086.4	934.57

(Note) Revision to forecast of results in the current quarter: None

4. NOTES

- (1) Changes in important subsidiaries during the current period : None
(Changes in specified subsidiaries that caused changes in the scope of consolidation)
- (2) Application of the special accounting practices in the preparation of quarterly consolidated financial statements:
None
- (3) Changes of accounting principles, changes in accounting estimates and retrospective restatement
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: Yes
 - 2) Changes of accounting principles other than 1) above: None
 - 3) Changes in accounting estimates: Yes
 - 4) Retrospective restatement: NoneNote: In accordance with article 10-5 of “Regulations concerning the terms, forms and preparation methods for quarterly consolidated financial statements”. For more details, please refer to “2. Matters Relating to Notes” on page 6.
- (4) Number of shares issued and outstanding (Common shares)
 - 1) The number of shares issued and outstanding as of the period-end (including treasury stock)
November 30, 2012: 416,903 shares May 31, 2012: 416,903 shares
 - 2) The number of treasury stock as of the period-end
November 30, 2012: 42,401 shares May 31, 2012: 42,401 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
First Half ended November 30, 2012: 374,502 shares
First Half ended November 30, 2011: 374,502 shares

Information regarding the implementation of quarterly review procedures

As of the date of disclosure of this report, a review of the quarterly financial statements has been completed in accordance with the Financial Instruments and Exchange Act.

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 Concerning Consolidated Forecasts” on page 6 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2013.

Pasona Group Inc. intends to hold a financial results meeting in Tokyo on January 16, 2013 for the benefit of analysts and institutional investors. Presentation materials will be posted on our website after the meeting in a timely manner.

Consolidated Financial Report

First Half Ended November 30, 2012

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H1 FY2012 Consolidated Financial Report

(June 1, 2012 - November 30, 2012)

1. Qualitative Information Concerning Quarterly Consolidated Business Results

(1) Information Concerning Consolidated Business Results

Consolidated Business Results

	H1 FY2011	H1 FY2012	YoY
Net sales	90,880	102,976	13.3%
Operating income	724	714	(1.4)%
Ordinary income	744	692	(7.0)%
Net income (loss)	75	(454)	—

(Millions of yen)

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

	H1 FY2011	H1 FY2012	YoY
HR Solutions	90,432	102,576	13.4%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	78,477	88,654	13.0%
Expert Services (Temporary staffing)	61,719	65,325	5.8%
Insourcing (Contracting)	13,486	18,657	38.3%
HR Consulting, Others	955	1,885	97.3%
Place & Search (Placement / Recruiting)	1,244	1,461	17.4%
Global Sourcing (Overseas)	1,072	1,323	23.5%
Outplacement	4,886	5,746	17.6%
Outsourcing	7,067	8,176	15.7%
Life Solutions			
Public Solutions	1,830	1,966	7.4%
Shared			
Eliminations and Corporate	(1,381)	(1,567)	—
Total	90,880	102,976	13.3%

(Millions of yen)

Consolidated Operating Income by Segment

	H1 FY2011	H1 FY2012	YoY
HR Solutions	2,408	3,068	27.4%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	1,049	1,276	21.6%
Expert Services (Temporary staffing)			
Insourcing (Contracting)			
HR Consulting, Others	1,049	1,276	21.6%
Place & Search (Placement / Recruiting)			
Global Sourcing (Overseas)			
Outplacement	593	916	54.4%
Outsourcing	765	875	14.3%
Life Solutions			
Public Solutions	47	18	(61.0)%
Shared			
Eliminations and Corporate	(1,731)	(2,371)	—
Total	724	714	(1.4)%

(Millions of yen)

(2) Qualitative Information Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

1) Assets

Total assets as of November 30, 2012 stood at ¥68,768 million, a decrease of ¥2,120 million or 3.0%, compared with May 31, 2012. This was mainly attributable to certain factors including a decrease of ¥7,149 million in the balance of cash and deposits due to the payment of cash dividends and income taxes as well as purchase of investments in subsidiaries, an increase of ¥1,474 million in the property, plant and equipment.

2) Liabilities

Total liabilities as of November 30, 2012 decreased ¥444 million or 1.0%, compared with May 31, 2012 totaling ¥44,149 million. The principal decrease in total liabilities was long-term loans payable of ¥1,303 million. This was partly offset by an increase in lease obligations of ¥949 million.

3) Net Assets

Net assets as of November 30, 2012 stood at ¥24,619 million, a decline of ¥1,675 million or 6.4%, compared with May 31, 2012. This was mainly attributable to the net loss of ¥454 million and the payment of cash dividends totaling ¥374 million, as well as a decrease of ¥740 million in minority interests.

Accounting for the aforementioned, the equity ratio as of November 30, 2012 decreased 0.5 percentage points to 28.5% compared with the end of the previous fiscal year.

Status of Cash Flows

Cash and cash equivalents (hereafter “net cash”) as of November 30, 2012 decreased ¥7,177 million compared with the end of the previous fiscal year to ¥15,561 million.

1) Cash Flows from Operating Activities

Net cash used in operating activities for H1 FY2012 amounted to ¥681 million (¥1,557 million for H1 FY2011). Major cash inflows included income before income taxes totaling ¥654 million (¥788 million for H1 FY2011), depreciation and amortization of ¥1,253 million (¥1,014 million for H1 FY2011). The principal cash outflows were an increase in notes and accounts receivable—trade of ¥688 million (¥2,255 million for H1 FY2011), decrease in operating debt of ¥765 million (¥733 million for H1 FY2011) as well as income taxes paid of ¥717 million (¥859 million for H1 FY2011).

2) Cash Flows from Investing Activities

Net cash used in investing activities for the period under review was ¥3,001 million (¥1,344 million for H1 FY2011). Major cash outflows were purchase of property, plant and equipment of ¥1,884 million (¥227 million for H1 FY2011) as well as purchase of investment securities of ¥595 million (¥28 million for H1 FY2011).

3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥3,688 million (¥2,077 million for H1 FY2011). Major cash outflows were repayment of long-term loans payable totaling ¥1,303 million (¥793 million for H1 FY2011) and payments made to trust account for acquisition of treasury stock of a subsidiary in consolidation totaling ¥1,400 million as well as cash dividends paid amounted to ¥790 million. (¥655 million for H1 FY2011)

(3) Qualitative Information Concerning Consolidated Forecasts

As of the date of this report, there are no changes to the forecast of full fiscal year results announced on July 13, 2012.

2. Matters Relating to Notes

Changes of accounting principles, changes in accounting estimates and retrospective restatement

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In accordance with the revision of the Corporation Tax Act of Japan, the depreciation method for property, plant and equipment acquired on or after June 1, 2012 has been changed to the method under the revised act from the first quarter of this fiscal year. The impact of this change to operating income, ordinary income, and income before income taxes are immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2012	As of November 30, 2012
ASSETS		
Current assets		
Cash and deposits	22,763	15,614
Notes and accounts receivable—trade	22,379	23,280
Other	4,335	6,958
Allowance for doubtful accounts	(61)	(50)
Total current assets	49,417	45,801
Noncurrent assets		
Property, plant and equipment	7,009	8,483
Intangible assets		
Goodwill	4,292	4,232
Other	3,410	3,735
Total intangible assets	7,702	7,967
Investments and other assets		
Other	7,125	6,882
Allowance for doubtful accounts	(25)	(27)
Allowance for investment loss	(340)	(340)
Total investments and other assets	6,759	6,515
Total noncurrent assets	21,471	22,967
Total assets	70,889	68,768

As of May 31, 2012

As of November 30, 2012

LIABILITIES		
Current liabilities		
Accounts payable—trade	2,034	1,166
Short-term loans payable	3,105	3,125
Accrued expenses	12,611	12,355
Income taxes payable	941	820
Provision for bonuses	1,969	1,970
Provision for directors' bonuses	16	7
Asset retirement obligations	10	12
Other	11,259	12,265
Total current liabilities	31,949	31,723
Noncurrent liabilities		
Long-term loans payable	8,262	6,958
Provision for retirement benefits	1,164	1,296
Asset retirement obligations	796	801
Other	2,421	3,369
Total noncurrent liabilities	12,644	12,426
Total liabilities	44,593	44,149
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,054	6,054
Retained earnings	13,075	12,218
Treasury stock	(3,493)	(3,493)
Total shareholders' equity	20,636	19,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40	29
Foreign currency translation adjustment	(134)	(202)
Total accumulated other comprehensive income	(93)	(172)
Minority interests	5,752	5,011
Total net assets	26,295	24,619
Total liabilities and net assets	70,889	68,768

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	H1 FY2011	H1 FY2012
Net sales	90,880	102,976
Cost of sales	74,233	83,905
Gross profit	16,647	19,070
Selling, general and administrative expenses	15,922	18,355
Operating income	724	714
Non-operating income		
Interest income	6	7
Equity in earnings of affiliates	15	21
Subsidy	75	23
Other	70	73
Total non-operating income	167	125
Non-operating expenses		
Interest expenses	76	94
Commitment fee	31	24
Other	38	28
Total non-operating expenses	146	147
Ordinary income	744	692
Extraordinary income		
Gain on donation of noncurrent assets	58	—
Total extraordinary income	58	—
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	12	36
Loss on change in equity	2	1
Total extraordinary loss	15	38
Income before income taxes	788	654
Income taxes—current	483	716
Income taxes—deferred	(14)	91
Income taxes	468	807
Income (loss) before minority interests	319	(152)
Minority interests in income	244	301
Net income (loss)	75	(454)

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	H1 FY2011	H1 FY2012
Income (loss) before minority interests	319	(152)
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	67	(16)
Foreign currency translation adjustment	(80)	(56)
Total other comprehensive income (loss)	(13)	(73)
Comprehensive income (loss)	306	(226)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	68	(518)
Comprehensive income attributable to minority interests	238	292

(4) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	H1 FY2011	H1 FY2012
Cash flows from operating activities		
Income before income taxes	788	654
Depreciation and amortization	1,014	1,253
Amortization of goodwill	159	325
Increase (decrease) in allowance for doubtful accounts	(4)	(8)
Increase (decrease) in provision for bonuses	90	(8)
Increase (decrease) in provision for directors' bonuses	(2)	(9)
Increase (decrease) in provision for retirement benefits	(102)	132
Interest and dividends income	(19)	(17)
Interest expenses	76	94
Subsidy income	(75)	(23)
Equity in (earnings) losses of affiliates	(15)	(21)
Loss (gain) on change in equity	2	1
Loss (gain) on sales and retirement of noncurrent assets	12	36
Gain on donation of noncurrent assets	(58)	—
Decrease (increase) in notes and accounts receivable—trade	(2,255)	(688)
Increase (decrease) in operating debt	(733)	(765)
Other	324	(943)
Subtotal	(798)	13
Interest and dividends income received	26	29
Interest expenses paid	(78)	(96)
Proceeds from subsidy	152	89
Income taxes paid	(859)	(717)
Net cash used in operating activities	(1,557)	(681)

	H1 FY2011	H1 FY2012
Cash flows from investment activities		
Purchase of property, plant and equipment	(227)	(1,884)
Proceeds from sales of property, plant and equipment	0	—
Purchase of intangible assets	(488)	(455)
Purchase of investment securities	(28)	(595)
Payments of loans receivable	(8)	(207)
Payments for lease and guarantee deposits	(260)	(168)
Proceeds from collection of lease and guarantee deposits	83	430
Payments for transfer of business	(410)	—
Other	(4)	(120)
Net cash used in investment activities	(1,344)	(3,001)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(24)	20
Repayment of long-term loans payable	(793)	(1,303)
Redemption of bonds	(18)	—
Cash dividends paid	(373)	(373)
Cash dividends paid to minority shareholders	(282)	(417)
Payments made to trust account	—	(1,400)
Other	(586)	(214)
Net cash used in financing activities	(2,077)	(3,688)
Effect of exchange rate change on cash and cash equivalents	(61)	(40)
Net increase (decrease) in cash and cash equivalents	(5,040)	(7,411)
Cash and cash equivalents at the beginning of the period	22,563	22,739
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	234
Cash and cash equivalents at the end of the period	17,523	15,561

(5) Notes to Going Concern Assumption

Not applicable

(6) Segment Information

Information regarding net sales and segment income (loss) by reporting segment

First Half ended November 30, 2011

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment (Note 3)	Figures in consolidated statements of income (Note 4)
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Outplacement	Outsourcing					
Net sales								
(1) Sales to outside customers	78,297	4,881	6,953	90,133	747	90,880	—	90,880
(2) Intersegment sales and transfers	180	4	113	298	1,083	1,381	(1,381)	—
Total	78,477	4,886	7,067	90,432	1,830	92,262	(1,381)	90,880
Operating income	1,049	593	765	2,408	47	2,455	(1,731)	724

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, Place & Search (Placement / Recruiting) and Global Sourcing (Overseas).
2. The “Others” segment includes Life Solutions, Public Solutions, and Shared operations, is not included in reporting segments.
3. Adjustment is as follows: Operating loss of ¥1,731 million includes the elimination of intersegment transactions of ¥3 million and corporate expenses of ¥1,735 million. Corporate expenses are not allocated to reporting segments. Corporate expenses primarily consist of Group management costs relating to the Company.
4. Segment income is adjusted with operating income under consolidated statements of income.

First Half ended November 30, 2012

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment (Note 3)	Figures in consolidated statements of income (Note 4)
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Outplacement	Outsourcing					
Net sales								
(1) Sales to outside customers	88,332	5,745	8,064	102,142	833	102,976	—	102,976
(2) Intersegment sales and transfers	321	0	111	434	1,133	1,567	(1,567)	—
Total	88,654	5,746	8,176	102,576	1,966	104,543	(1,567)	102,976
Operating income	1,276	916	875	3,068	18	3,086	(2,371)	714

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, Place & Search (Placement / Recruiting) and Global Sourcing (Overseas).
2. The “Others” segment includes Life Solutions, Public Solutions, and Shared operations, is not included in reporting segments.
3. Adjustment is as follows: Operating loss of ¥2,371 million includes the elimination of intersegment transactions of ¥2 million and corporate expenses of ¥2,373 million. Corporate expenses are not allocated to reporting segments. Corporate expenses primarily consist of Group management costs relating to the Company.
4. Segment income is adjusted with operating income under consolidated statements of income.

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

Not applicable

(8) Important Subsequent Events

Not applicable