

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP) FY2014 (June 1, 2014 to May 31, 2015)

Nine Months Ended February 28, 2015

Listing Stock exchange: 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 quarterly report: April 13, 2015
 Supplementary materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(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	
		%		%		%		%
Nine months ended February 28, 2015	169,185	9.2	2,334	14.1	2,251	15.0	7	(37.2)
Nine months ended February 28, 2014	154,939	0.9	2,046	16.8	1,957	14.9	12	—

(Note) Comprehensive income 9M FY2014: ¥870 million (17.5%) 9M FY2013: ¥741 million (132.5%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended February 28, 2015	0.21	—
Nine months ended February 28, 2014	0.33	0.31

(Note)

The Company conducted a 1:100 stock split on common stock with an effective date of December 1, 2013. Net loss per share has been calculated as if the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
February 28, 2015	76,618	27,336	27.3
May 31, 2014	75,615	27,181	27.9

(Reference) Equity As of February 28, 2015: ¥20,894 million As of May 31, 2014: ¥21,097 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
FY2013	—	0.00	—	10.00	10.00
FY2014	—	0.00	—	—	—
FY2014(Forecast)	—	—	—	12.00	12.00

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

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2015

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	232,000	11.2	3,550	10.6	3,550	13.2	600	14.0	16.25

(Notes) 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: None
 - 4) Retrospective restatement: None
- (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)
February 28, 2015: 41,690,300 shares May 31, 2014: 41,690,300 shares
 - 2) The number of treasury stock as of the period-end
February 28, 2015: 4,893,100 shares May 31, 2014: 4,765,957 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
Nine months ended February 28, 2015: 36,825,143 shares
Nine months ended February 28, 2014: 37,450,200 shares

(Note)

Number of shares issued and outstanding (common shares) has been calculated as if the stock split was conducted at the beginning of the previous fiscal year.

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 5 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2015.

Method to obtain supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results under review were posted on the Company’s website on April 9, 2015.

As for FY2014 (June 1, 2014 – May 31, 2015), some of domestic consolidated subsidiaries changed their fiscal year end from March 31 to May 31, following adoption of consolidated taxation system. Therefore, business term for these subsidiaries is an irregular period of 14 months and eleven-month results combined in 9M FY2014.

Consolidated Financial Report

Nine months ended February 28, 2015

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9M FY2014 Consolidated Financial Report

(June 1, 2014 - February 28, 2015)

1. Qualitative Information Concerning Quarterly Consolidated Business Results

(1) Information Concerning Consolidated Business Results

Consolidated Business Results

	(Millions of yen)		
	9M FY2013	9M FY2014	YoY
Net sales	154,939	169,185	9.2%
Operating income	2,046	2,334	14.1%
Ordinary income	1,957	2,251	15.0%
Net income (loss)	12	7	(37.2)%

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

	(Millions of yen)		
	9M FY2013	9M FY2014	YoY
HR Solutions	153,227	166,491	8.7%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	130,494	144,551	10.8%
Expert Services (Temporary staffing)	92,561	99,719	7.7%
Insourcing (Contracting)	29,537	33,490	13.4%
HR Consulting, Education & Training, Others	3,291	4,118	25.1%
Place & Search (Placement / Recruiting)	2,369	3,739	57.9%
Global Sourcing (Overseas)	2,734	3,483	27.4%
Outplacement	8,013	6,439	(19.6)%
Outsourcing	14,719	15,500	5.3%
Life Solutions			
Public Solutions	3,979	4,147	4.2%
Shared			
Eliminations and Corporate	(2,267)	(1,453)	—
Total	154,939	169,185	9.2%

Consolidated Operating Income by Segment

	(Millions of yen)		
	9M FY2013	9M FY2014	YoY
HR Solutions	4,814	5,373	11.6%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	1,935	2,965	53.2%
Expert Services (Temporary staffing)			
Insourcing (Contracting)			
HR Consulting, Education & Training, Others	1,935	2,965	53.2%
Place & Search (Placement / Recruiting)			
Global Sourcing (Overseas)			
Outplacement	834	172	(79.4)%
Outsourcing	2,044	2,235	9.3%
Life Solutions			
Public Solutions	58	(46)	—
Shared			
Eliminations and Corporate	(2,826)	(2,992)	—
Total	2,046	2,334	14.1%

(2) Qualitative Information Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

1) Assets

Total assets as of February 28, 2015 stood at ¥76,618 million, an increase of ¥1,002 million or 1.3%, compared with May 31, 2014. This was mainly attributable to certain factors including an increase of ¥3,167 million in notes and accounts receivable—trade, ¥545 million in prepaid expenses as well as ¥330 million in investment securities. This was partly offset by a decrease of ¥3,254 million in the balance of cash and deposits.

2) Liabilities

Total liabilities as of February 28, 2015 stood at ¥49,282, an increase of ¥847 million or 1.8%, compared with May 31, 2014. This was mainly attributable to an increase of ¥923 million in unearned revenue.

3) Net Assets

Net assets as of February 28, 2015 stood at ¥27,336 million, an increase of ¥155 million or 0.6%, compared with May 31, 2014. This was mainly attributable to the net income of ¥7 million and the payment of cash dividends totaling ¥374 million, as well as an increase of ¥221 million in foreign currency translation adjustment and a rise of ¥358 million in minority interests.

Accounting for the aforementioned, the equity ratio as of February 28, 2015 decreased 0.6 points to 27.3% compared with the end of the previous fiscal year.

(3) Qualitative Information Concerning Consolidated Forecasts

Currently, demand for human resources remains steady. There is no change to the consolidated forecasts of business results for the fiscal year ending May 31, 2015 previously announced on July 11, 2014.

2. Matters Relating to Summary Information (notes)

(1) Changes of accounting principles, changes in accounting estimates and retrospective restatement

(Changes in Accounting Policies)

The Company adopted the provisions of the main clauses in Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and in Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) starting in the first quarter of the current fiscal year. Accordingly, the Company has revised the method of calculating retirement benefit obligations and service costs; changed the method of attributing expected retirement benefits to periods from a straight line-basis to a benefit formula basis; and changed the method of determining a discount rate from a method in which bond duration as the basis for determining the discount rate is determined based on a number of years similar to the average remaining service period of employees to a method that mainly uses multiple discount rates established for each period of expected retirement benefit payments.

With the adoption of the Accounting Standard for Retirement Benefits, in accordance with the transitional treatment stipulated in Paragraph 37, the Company reflected in retained earnings the amount of the impact of the change in the method of calculating retirement benefit obligations and service costs at the beginning of the current fiscal year.

As a result, net defined benefit asset increased by ¥318 million, and retained earnings increased by ¥206 million at the beginning of the current fiscal year. The effect of these adjustments on consolidated operating income, ordinary income and income before income taxes for 9M FY2014 is immaterial.

(2) Additional Information

(Adoption of Consolidated Taxation System)

The Company and some of its domestic consolidated subsidiaries adopted consolidated taxation system from the first quarter of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of May 31, 2014	As of February 28, 2015
ASSETS		
Current assets		
Cash and deposits	18,203	14,948
Notes and accounts receivable — trade	24,666	27,833
Other	5,732	6,566
Allowance for doubtful accounts	(56)	(54)
Total current assets	48,545	49,294
Noncurrent assets		
Property, plant and equipment	8,342	8,338
Intangible assets		
Goodwill	5,173	4,247
Other	4,200	4,729
Total intangible assets	9,373	8,977
Investments and other assets		
Other	9,700	10,353
Allowance for doubtful accounts	(10)	(9)
Allowance for investment loss	(335)	(335)
Total investments and other assets	9,353	10,008
Total noncurrent assets	27,069	27,324
Total assets	75,615	76,618

	As of May 31, 2014	As of February 28, 2015
LIABILITIES		
Current liabilities		
Accounts payable—trade	2,547	1,621
Short-term loans payable	5,306	4,808
Accrued expenses	12,884	12,957
Income taxes payable	1,121	592
Provision for bonuses	2,268	1,431
Provision for directors' bonuses	22	18
Asset retirement obligations	18	2
Other	12,798	17,139
Total current liabilities	36,967	38,572
Noncurrent liabilities		
Bonds payable	56	30
Long-term loans payable	6,503	5,959
Provision for retirement benefits	1,139	1,152
Asset retirement obligations	835	842
Other	2,931	2,725
Total noncurrent liabilities	11,467	10,710
Total liabilities	48,434	49,282
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,054	6,068
Retained earnings	13,402	13,184
Treasury stock	(3,827)	(3,899)
Total shareholders' equity	20,692	20,354
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	82	170
Foreign currency translation adjustment	70	291
Remeasurements of defined benefit plans	314	78
Total accumulated other comprehensive income	467	540
Minority interests	6,083	6,441
Total net assets	27,181	27,336
Total liabilities and net assets	75,615	76,618

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	9M FY2013	9M FY2014
Net sales	154,939	169,185
Cost of sales	125,394	135,404
Gross profit	29,544	33,781
Selling, general and administrative expenses	27,497	31,446
Operating income	2,046	2,334
Non-operating income		
Interest income	18	22
Subsidy	31	40
Rent expenses on real estates	37	36
Other	100	111
Total non-operating income	188	210
Non-operating expenses		
Interest expenses	124	122
Commitment fee	31	32
Equity in losses of affiliates	50	59
Other	72	78
Total non-operating expenses	277	293
Ordinary income	1,957	2,251
Extraordinary income		
Gain on sales of noncurrent assets	0	—
Gain on sales of investment securities	0	—
Gain on sales of subsidiaries and affiliates' stocks	0	—
Compensation income	—	90
Gain on change in equity	—	0
Total extraordinary income	0	91
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	30	40
Impairment loss	12	62
Loss on valuation of investment securities	—	12
Loss on change in equity	1	—
Other	4	—
Total extraordinary loss	48	116
Income before income taxes	1,908	2,226
Income taxes—current	1,100	1,311
Income taxes—deferred	203	194
Income taxes	1,303	1,505
Income before minority interests	604	721
Minority interests in income	592	713
Net income	12	7

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	9M FY2013	9M FY2014
Income before minority interests	604	721
Other comprehensive income		
Valuation difference on available-for-sale securities	15	154
Foreign currency translation adjustment	121	223
Remeasurements of defined benefit plans	—	(236)
Share of other comprehensive income of entities accounted for using equity method	—	9
Total other comprehensive income	136	149
Comprehensive income	741	870
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	122	65
Comprehensive income attributable to minority interests	618	805

(4) Notes to Going Concern Assumption

Not applicable

(5) Segment Information

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

Nine Months ended February 28, 2014

(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	129,971	8,012	14,549	152,532	2,406	154,939	—	154,939
(2) Intersegment sales and transfers	523	1	170	694	1,573	2,267	(2,267)	—
Total	130,494	8,013	14,719	153,227	3,979	157,207	(2,267)	154,939
Operating income	1,935	834	2,044	4,814	58	4,873	(2,826)	2,046

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 and others, Place & Search (Placement / Recruiting) as well as 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 ¥2,826 million includes the elimination of intersegment transactions of ¥2 million and corporate expenses of ¥2,829 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.

Nine Months ended February 28, 2015

(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	143,887	6,439	15,304	165,631	3,553	169,185	—	169,185
(2) Intersegment sales and transfers	664	—	195	859	593	1,453	(1,453)	—
Total	144,551	6,439	15,500	166,491	4,147	170,639	(1,453)	169,185
Operating income	2,965	172	2,235	5,373	(46)	5,327	(2,992)	2,334

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 and others, Place & Search (Placement / Recruiting) as well as 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 ¥2,992 million includes the elimination of intersegment transactions of ¥36 million and corporate expenses of ¥3,028 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.

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

Not applicable

(7) Important Subsequent Events

Company and other purchases through the acquisition of shares

In accordance with a resolution of the Board of Directors at a meeting held on September 30, 2014, Pasona Group resolved to execute a Letter of Intent to acquire 66.5% equity interest in Panasonic Business Services Co., Ltd. (Hereafter “Panasonic Business Services”, changed its name to Pasona Panasonic Business Service Co., Ltd. as of April 1, 2015)

As of April 1, 2015, the Company acquired equity interest in Panasonic Business Services.

i. Seller of Panasonic Business Services shares

Panasonic Corporation

ii. Name, business activities and size of acquired company

(Fiscal year ended March 31, 2014)

Company name	Panasonic Business Services Co., Ltd.
Business activities	General affairs and office support, manual and promotional materials preparation
Total shareholders' equity	¥2,212 million
Total assets	¥6,603 million
Net sales	¥20,350 million
Operating income	¥154 million
Ordinary income	¥122 million
Net income	¥34 million

(Note) Above figures based on financial statements of Panasonic Business Services for the fiscal year ended March 31, 2014 are unaudited by accounting auditors of the Company.

iii. Scheduled date of share transfer

April 1, 2015

iv. Number of shares acquired, acquisition amount and shareholding ratio after acquisition

Number of shares acquired : 266 shares

Acquisition amount : ¥2,175 million

Shareholding ratio after acquisition : 66.5%

Note: Acquisition amount is subject to adjustment.