

## Pasona Group Inc.

### CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)

#### FY2016 (June 1, 2016 to May 31, 2017)

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  
 Date of the Annual General Meeting of shareholders: August 18, 2017  
 Scheduled payment date of cash dividends: August 21, 2017  
 Scheduled filing date of the securities report: August 18, 2017  
 Supplemental materials prepared for financial results: Yes  
 Holding of financial results meeting: Yes (for analysts and institutional investors)

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

## 1. CONSOLIDATED BUSINESS RESULTS

### (1) Consolidated Financial Results

Percentage figures represent year-on-year increase / (decrease).

	Net Sales		Operating Income		Ordinary Income		Profit (loss) attributable to Owners of Parent	
		%		%		%		%
FY2016	280,395	6.3	4,488	16.3	4,319	12.0	(129)	—
FY2015	263,728	16.6	3,860	10.6	3,855	15.3	243	13.8

(Note) Comprehensive income FY2016: ¥2,431 million (511.5%) FY2015: ¥397 million(-74.4%)

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2016	(3.52)	—	(0.7)	4.8	1.6
FY2015	6.62	—	1.2	4.4	1.5

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates FY2016: ¥(74) million FY2015: ¥(49) million

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2017	94,584	28,062	20.1	517.74
May 31, 2016	85,356	26,735	22.2	515.22

(Reference) Equity As of May 31, 2017: ¥19,056 million As of May 31, 2016: ¥18,958 million

### (3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
FY2016	6,464	(3,713)	1,890	21,062
FY2015	482	(2,176)	(2,024)	16,441

## 2. DIVIDENDS

(Record Date)	Dividends per Share (Yen)					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Annual			
FY2015	—	0.00	—	12.00	12.00	447	181.3%	2.2%
FY2016	—	0.00	—	12.00	12.00	447	—	2.3%
FY2017(Forecast)	—	0.00	—	12.00	12.00		44.2%	

### 3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2018

FY2017 (June 1, 2017 to May 31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Profit (loss) attributable to owners of parent		Net Income (Loss) per Shares
		%		%		%		%	Yen
FY2017 First Half	154,620	13.0	1,240	56.0	1,190	56.7	(500)	—	(13.58)
FY2017 Full Fiscal Year	323,300	15.3	5,650	25.9	5,600	29.6	1,000	—	27.27

### 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) Changes of Accounting Principles, Changes in Accounting Estimates and Retrospective Restatement
  - i. Changes of accounting principles in line with revisions to accounting and other standards: None
  - ii. Changes of accounting principles other than 1) above: None
  - iii. Changes in accounting estimates: None
  - iv. Retrospective restatement: None
- (3) Number of Shares Issued and Outstanding (Common Shares)
  - i. The number of shares issued and outstanding as of the period-end (including treasury shares)
 

May 31, 2017: 41,690,300 shares	May 31, 2016: 41,690,300 shares
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  - ii. The number of treasury shares as of the period-end
 

May 31, 2017: 4,883,708 shares	May 31, 2016: 4,893,138 shares
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  - iii. Average number of shares for the period
 

FY2016: 36,806,610 shares	FY2015: 36,797,167 shares
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### (Reference) NON-CONSOLIDATED BUSINESS RESULTS

FY2016 (June 1, 2016 to May 31, 2017)

#### (1) Non-Consolidated Financial Results

Percentage figures represent year-on-year increase / (decrease).

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2016	7,806	5.7	602	(37.8)	(52)	—	402	(30.4)
FY2015	7,383	14.5	968	31.7	735	48.5	578	0.6

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
FY2016	10.94	—
FY2015	15.73	—

#### (2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2017	48,853	15,040	30.8	408.63
May 31, 2016	44,376	15,077	34.0	409.75

(Reference) Equity as of May 31, 2017: ¥15,040 million As of May 31, 2016: ¥15,077 million

(Note)

The Company has introduced “Board Benefit Trust (BBT)” and “Employment Stock Ownership Plan (J-ESOP)”. The Company’s shares in the BBT and J-ESOP, which are reported as treasury shares under Shareholders’ equity, are not counted toward the number of treasury shares as of the period-end and the average number of shares outstanding for the period for the purpose of computing earnings and net assets per share.

# FY2016 Consolidated Financial Report

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### Information regarding the implementation of audit procedures

This report is not subject to audit procedures.

### 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.

The Company intends to hold a financial results meeting in Tokyo on July 21, 2017 for the benefit of analysts and institutional investors. Supplementary materials will be posted on our website after the meeting in a timely manner.

# FY2016 Consolidated Financial Report

(June 1, 2016 - May 31, 2017)

## 1. Information Concerning Consolidated Business Results

### (1) Consolidated Business Results

(Millions of yen)

	FY2015	FY2016	YoY
Net sales	263,728	280,395	6.3%
Operating income	3,860	4,488	16.3%
Ordinary income	3,855	4,319	12.0%
Profit (loss) attributable to owners of parent	243	(129)	-

### Segment Information (Figures include intersegment sales)

#### Consolidated Net Sales by Segment

(Millions of yen)

	FY2015	FY2016	YoY
<b>HR Solutions</b>	260,726	277,187	6.3%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	218,231	232,285	6.4%
Expert Services (Temporary staffing)	132,588	142,662	7.6%
Insourcing (Contracting)	73,417	77,100	5.0%
HR Consulting, Education & Training, Others	6,044	6,133	1.5%
Global Sourcing (Overseas)	6,180	6,388	3.4%
Career Solutions (Placement/Recruiting, Outplacement)	16,265	15,008	(7.7)%
Outsourcing	26,229	29,893	14.0%
<b>Life Solutions, Public Solutions</b>	5,618	6,327	12.6%
Eliminations and Corporate	(2,617)	(3,119)	-
Total	263,728	280,395	6.3%

#### Consolidated Operating Income (loss) by Segment

(Millions of yen)

	FY2015	FY2016	YoY
<b>HR Solutions</b>	9,140	10,072	10.2%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	1,959	2,297	17.3%
Expert Services (Temporary staffing)	1,959	2,297	17.3%
Insourcing (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)			
Career Solutions (Placement/Recruiting, Outplacement)	2,904	1,992	(31.4)%
Outsourcing	4,276	5,782	35.2%
<b>Life Solutions, Public Solutions</b>	(477)	(213)	-
Eliminations and Corporate	(4,802)	(5,370)	-
Total	3,860	4,488	16.3%

## **(2) Overview of Consolidated Financial Position**

### **Status of Assets, Liabilities and Net Assets**

#### **(1) Assets**

Total assets as of May 31, 2017 stood at ¥94,584 million, an increase of ¥9,228 million, or 10.8%, compared with the end of the previous fiscal year.

This result was mainly due to cash and deposits increased by ¥4,978 million, notes and accounts receivable - trade increased by ¥2,214 million as well as an increase in investment securities by ¥676 million.

#### **(2) Liabilities**

Total liabilities as of May 31, 2017 stood at ¥66,522 million, increased ¥7,900 million, or 13.5%, compared with the end of the previous fiscal year. This mainly reflected long-term loans payable increased by ¥3,210 million, accounts payable - other increased by ¥1,697 million, accrued expenses increased by ¥1,130 million.

#### **(3) Net Assets**

Net assets as of May 31, 2017 stood at ¥28,062 million, an increase of ¥1,327 million, or 5.0%, compared with the end of the previous fiscal year.

This mainly reflected an increase of ¥1,229 million in non-controlling interests, payment of cash dividends totaling ¥447 million and an increase of ¥497 million in remeasurements of defined benefit plans.

## **(3) Overview of Cash Flows**

Cash and cash equivalents (hereafter “net cash”) as of May 31, 2017 increased by ¥4,620 million compared with the end of the previous fiscal year to ¥21,062 million.

#### **(1) Cash Flows from Operating Activities**

Net cash provided by operating activities for FY2016 amounted to ¥6,464 million (Increased by ¥482 million for FY2015).

Major cash inflows included income before income taxes totaling ¥4,090 million (¥3,861 million for FY2015), depreciation and amortization totaling ¥3,327 million (¥3,293 million for FY2015), amortization of goodwill totaling ¥984 million (¥1,000 million for FY2015) as well as an increase in operating debt totaling ¥1,615 million (¥42 million for FY2015).

The principal cash outflows were an increase in notes and accounts receivable - trade totaling ¥2,187 million (¥1,971 million for FY2015) as well as income taxes paid amounting to ¥2,744 million (¥2,417 million for FY2015).

#### **(2) Cash Flows from Investing Activities**

Net cash used in investing activities for FY2016 amounted to ¥3,713 million (Decreased ¥2,176 million for FY2015).

Principal cash outflows were purchase of property, plant and equipment totaling ¥1,292 million (¥1,165 million for FY2015), purchase of intangible assets totaling ¥1,385 million (¥1,367 million for FY2015) as well as purchase of investment securities totaling ¥448 million. (¥615 million for FY2015)

#### **(3) Cash Flows from Financing Activities**

Net cash provided by financing activities for FY2016 amounted to ¥1,890 million (Decreased ¥2,024 million for FY2015).

Major cash inflow was proceeds from long-term loans payable totaling ¥8,500 million (¥6,500 million for FY2015).

Principal cash outflows were repayment of long-term loans payable amounting to ¥4,956 million (¥4,437 million for FY2015) and payment of cash dividends totaling ¥1,116 million (¥971 million for FY2015).

**(Reference) Cash Flow Benchmarks**

	FY2012	FY2013	FY2014	FY2015	FY2016
Equity ratio	29.3%	27.9%	24.1%	22.2%	20.1%
Equity ratio based on market capitalization	31.5%	24.1%	35.0%	32.2%	35.8%
Ratio of interest-bearing debt to cash flows (years)	1.9	8.8	1.6	32.3	2.9
Interest coverage ratio	31.6	9.8	49.5	3.0	43.0

Notes:

- Equity ratio: Shareholders' equity / Total assets  
Equity ratio based on market capitalization: Market capitalization / Total assets  
Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows  
Interest coverage ratio: Cash flows / Interest payments
- Each benchmark is calculated based on the consolidated financial statements.
- Market capitalization is calculated by multiplying the period-end closing share price with the number of outstanding shares at the period-end (after deducting treasury stock).
- Cash flows from operating activities are used in calculations that use cash flows.
- Interest-bearing debt includes all interest-bearing debt under liabilities recorded on the consolidated balance sheets.
- FY2016's ratio of interest-bearing debt to cash flows, in comparison to FY2015's ratio, changed drastically. The main reason behind this was the reduction in accrued consumption taxes of cash flows from operating activities.  
Due to consumption tax rate increase, the balance of accrued consumption taxes had grown largely by the end of FY2015. Payment of these accrued consumption taxes led to a decrease in cash flows from operating activities in FY2016.

**(3) Outlook for the Fiscal Year Ending May 31, 2018****Consolidated Business Results Forecast**

(Millions of yen)

	FY2016	FY2017 Forecast	YoY
Net sales	280,395	323,300	15.3%
Operating income	4,488	5,650	25.9%
Ordinary income	4,319	5,600	29.6%
Profit (loss) attributable to owners of parent	(129)	1,000	

**Segment Information** (Figures include intersegment sales)**Forecasts of Sales by Segment**

(Millions of yen)

	FY2016	FY2017 Forecast	YoY
<b>HR Solutions</b>	277,187	317,020	14.4%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	232,285	264,900	14.0%
Expert Services (Temporary staffing)	142,662	169,600	18.9%
Insourcing (Contracting)	77,100	81,300	5.4%
HR Consulting, Education & Training, Others	6,133	6,940	13.1%
Global Sourcing (Overseas)	6,388	7,060	10.5%
Career Solutions (Placement / Recruiting, Outplacement)	15,008	16,500	9.9%
Outsourcing	29,893	35,620	19.2%
<b>Life Solutions, Public Solutions</b>	6,327	8,950	41.4%
Eliminations and Corporate	(3,119)	(2,670)	—
Total	280,395	323,300	15.3%

**Forecasts of Operating Income (Loss) by Segment**

(Millions of yen)

	FY2016	FY2017 Forecast	YoY
<b>HR Solutions</b>	10,072	12,150	20.6%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	2,297	3,030	31.9%
Expert Services (Temporary staffing)	2,297	3,030	31.9%
Insourcing (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)			
Career Solutions (Placement / Recruiting, Outplacement)	1,992	2,150	7.9%
Outsourcing	5,782	6,970	20.5%
<b>Life Solutions, Public Solutions</b>	(213)	(940)	—
Eliminations and Corporate	(5,370)	(5,560)	—
Total	4,488	5,650	25.9%

**(4) Policy on the Appropriation of Profits, Dividends for FY2016 and FY2017**

In connection with the appropriation of profits, the Company takes into consideration the funds required to engage in new businesses and capital investments aimed at fulfilling the Company's responsibilities to continuously develop the growing human resources business market, to strengthen the Company's operating platform and earnings capacity and to expand shareholders' returns by enhancing corporate value. On this basis and for the foreseeable future, the Company has adopted the basic policy to implement a consolidated dividend payout ratio target of 25% in an effort to continuously deliver adequate and stable returns to shareholders taking into consideration its operating performance.

Based on the aforementioned basic policy in connection with the appropriation of profits, the Company has declared an annual dividend for the fiscal year ended May 31, 2017 of ¥12 per share following ratification at a Board of Directors' meeting held on July 14, 2017.

Regarding dividends for the fiscal year ending May 31, 2018, the Company does not plan to pay an interim cash dividend because loss attributable to owners of parent is forecast for the first half period. The Company does however intend to pay a period-end cash dividend of ¥12 per share.

## 2. Information on Group Companies

The Pasona Group is comprised of Pasona Group Inc., its 60 consolidated subsidiaries and 5 affiliated companies accounted for by the equity method as of May 31, 2017. Major Group companies according to their principal business activity are listed as follows.

(Holding Company)  
**Pasona Group Inc.**

Formulate strategies for group management and support operation execution.  
Governance of management and proper allocation of management resources.  
Developing new businesses related to job creation.

### **HR Solutions**

#### **Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, Education & Training, Others**

Pasona Inc.	Pasona Tech, Inc.	Pasona Marketing, Inc.
Pasona Okayama Inc.	Pasona Logicom Inc.	Pasona Tech Systems Inc.
Bewith, Inc.	CAPLAN Corporation	Asahi Beer Communications Co, Ltd.
Pasona Tquila Inc.	Yaskawa Business Staff Corporation	ECOLOVE Inc.
KIS Co., Ltd.	Pasona Agri-Partners Inc.	Nihon Employment Creation Organization Inc.
Pasona Knowledge Partner Inc.	Pasona Panasonic Business Service Co., Ltd	
Smart Style CO., Ltd.	Shin nihon kogyo Co., Ltd.	Others

### **Global Sourcing (Overseas)**

Pasona N A, Inc.	Pasona Human Resources (Shanghai) Co., Ltd.
PASONA CANADA, INC.	Pasona India Private Limited
Pasona Taiwan Co., Ltd.	Pasona Education Co. Limited
MGR Consulting Co., Ltd.	Pasona HR Malaysia Sdn. Bhd.
PASONA ASIA CO., LIMITED	Pasona Singapore Pte. Ltd.
PT Pasona HR Indonesia	Pasona HR Consulting Recruitment (Thailand) Co., Ltd.
PT. Dutagriya Sarana	CAPLAN (Thailand) Co., Ltd.
Pasona Korea Co., Ltd.	Pasona Tech Vietnam Co., Ltd.
	Others

### **Career Solutions (Placement/Recruiting, Outplacement)**

Pasona Inc.	Pasona Fortune Inc.
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### **Outsourcing**

Benefit One Inc.	Benefit One Solutions Inc.
Benefit one Health care Inc.	Benefit One Payroll Inc.
Benefit One Shanghai Inc.	BENEFIT ONE ASIA PTE. LTD.
BENEFIT ONE USA, INC.	PT. BENEFIT ONE INDONESIA
Benefit One Deutschland GmbH	BENEFIT ONE (THAILAND) COMPANY LIMITED
REWARDS PRIVATE LIMITED	Others

### **Life Solutions**

Pasona Foster Inc.	Pasona Life Care Inc.
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### **Public Solutions**

Pasona Heartful Inc.	Pasona Furusato Incubation Inc.
Tango Kingdom Inc.	Pasona Tohoku Sousei Inc.
Nijjennomori Inc.	Others

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2016	As of May 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	16,775	21,754
Notes and accounts receivable - trade	31,987	34,202
Inventories	1,074	1,504
Deferred tax assets	1,411	1,431
Income taxes receivable	548	647
Other	4,445	5,131
Allowance for doubtful accounts	(55)	(53)
<b>Total current assets</b>	<b>56,187</b>	<b>64,617</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	8,818	9,418
Accumulated depreciation	(4,915)	(4,995)
<b>Buildings, net</b>	<b>3,903</b>	<b>4,422</b>
Land	1,977	2,089
Lease assets	4,752	3,042
Accumulated depreciation	(3,169)	(1,985)
<b>Lease assets, net</b>	<b>1,582</b>	<b>1,056</b>
Other	5,349	5,983
Accumulated depreciation	(4,089)	(4,294)
<b>Other, net</b>	<b>1,259</b>	<b>1,688</b>
<b>Total property, plant and equipment</b>	<b>8,722</b>	<b>9,258</b>
Intangible assets		
Goodwill	4,483	3,701
Software	3,516	3,733
Lease assets	44	91
Customer assets	1,689	1,425
Other	128	127
<b>Total intangible assets</b>	<b>9,861</b>	<b>9,079</b>
Investments and other assets		
Investment securities	3,022	3,699
Long-term loans receivable	107	187
Net defined benefit asset	859	1,015
Deferred tax assets	854	745
Lease and guarantee deposits	4,849	4,987
Other	942	1,104
Allowance for doubtful accounts	(51)	(111)
<b>Total investments and other assets</b>	<b>10,584</b>	<b>11,629</b>
<b>Total non-current assets</b>	<b>29,169</b>	<b>29,966</b>
<b>Total assets</b>	<b>85,356</b>	<b>94,584</b>

	As of May 31, 2016	As of May 31, 2017
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - trade	4,974	5,850
Short-term loans payable	4,861	5,362
Lease obligations	1,060	514
Accounts payable - other	5,436	7,133
Accrued expenses	13,010	14,140
Income taxes payable	1,603	1,730
Accrued consumption taxes	3,248	3,427
Unearned revenue	2,035	1,630
Provision for bonuses	3,214	3,189
Provision for directors' bonuses	25	27
Asset retirement obligations	4	97
Other	5,719	6,705
<b>Total current liabilities</b>	<b>45,195</b>	<b>49,811</b>
<b>Non-current liabilities</b>		
Long-term loans payable	8,807	12,017
Lease obligations	863	839
Provision for board benefit trust	-	28
Provision for stocks payment	-	34
Net defined benefit liability	1,705	1,829
Deferred tax liabilities	474	365
Asset retirement obligations	938	879
Other	637	716
<b>Total non-current liabilities</b>	<b>13,426</b>	<b>16,710</b>
<b>Total liabilities</b>	<b>58,621</b>	<b>66,522</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Capital shares	5,000	5,000
Capital surplus	5,023	5,013
Retained earnings	13,172	12,593
Treasury shares	(4,016)	(4,008)
<b>Total shareholders' equity</b>	<b>19,179</b>	<b>18,598</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	97	293
Foreign currency translation adjustment	104	90
Remeasurements of defined benefit plans	(422)	74
<b>Total other comprehensive income</b>	<b>(221)</b>	<b>458</b>
<b>Non-controlling interests</b>	<b>7,776</b>	<b>9,006</b>
<b>Total net assets</b>	<b>26,735</b>	<b>28,062</b>
<b>Total liabilities and net assets</b>	<b>85,356</b>	<b>94,584</b>

**(2) Consolidated Statements of Income**

(Millions of yen)

	FY2015 (For the fiscal year ended May 31, 2016)	FY2016 (For the fiscal year ended May 31, 2017)
Net sales	263,728	280,395
Cost of sales	210,919	223,778
Gross profit	52,808	56,617
Selling, general and administrative expenses	48,948	52,128
Operating income	3,860	4,488
Non-operating income		
Interest income	49	31
Subsidy income	147	74
Real estate rent	43	74
Other	167	158
Total non-operating income	407	339
Non-operating expenses		
Interest expenses	170	161
Share of loss of entities accounted for using equity method	49	74
Commitment fee	46	48
Provision of allowance for doubtful accounts	7	72
Other	138	151
Total non-operating expenses	412	508
Ordinary income	3,855	4,319
Extraordinary income		
Gain on sales of non-current assets	18	-
Gain on donation of non-current assets	17	-
Gain on sales of investment securities	129	17
Gain on sales of shares of subsidiaries and associates	-	19
Total extraordinary income	164	36
Extraordinary loss		
Loss on sales and retirement of non-current assets	72	113
Impairment loss	37	140
Loss on valuation of investment securities	25	-
Loss on valuation of shares of subsidiaries and associates	-	11
Other	22	-
Total extraordinary loss	158	265
Income before income taxes	3,861	4,090
Income taxes - current	2,437	2,883
Income taxes - deferred	(45)	(396)
Income taxes	2,391	2,487
Profit	1,469	1,603
Profit attributable to non-controlling interests	1,226	1,732
Profit (loss) attributable to owners of parent	243	(129)

**(3) Consolidated Statements of Comprehensive Income**

	(Millions of yen)	
	FY2015 (For the fiscal year ended May 31, 2016)	FY2016 (For the fiscal year ended May 31, 2017)
Profit	1,469	1,603
Other comprehensive income		
Valuation difference on available-for-sale securities	(148)	354
Foreign currency translation adjustment	(181)	(25)
Remeasurements of defined benefit plans	(737)	498
Share of other comprehensive income of entities accounted for using equity method	(4)	(0)
Total other comprehensive income	(1,072)	828
Comprehensive income	397	2,431
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(771)	549
Comprehensive income attributable to non-controlling interests	1,168	1,881

#### (4) Consolidated Statements of Changes in Shareholders' Equity

FY2015 (For the fiscal year ended May 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,000	6,068	13,370	(3,899)	20,539
Changes of items during the period					
Dividends from surplus			(441)		(441)
Net income attributable to owners of parent			243		243
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		116		382	499
Purchase of treasury shares by Board Benefit Trust (BBT) and Employment Stock Ownership Plan (J-ESOP)				(499)	(499)
Change of scope of consolidation					—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(1,149)			(1,149)
Capital increase of consolidated subsidiaries		(12)			(12)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	(1,045)	(197)	(116)	(1,359)
Balance at the end of current period	5,000	5,023	13,172	(4,016)	19,179

	Total accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	206	271	316	794	8,286	29,620
Changes of items during the period						
Dividends from surplus				—		(441)
Net income attributable to owners of parent				—		243
Purchase of treasury shares				—		(0)
Disposal of treasury shares				—		499
Purchase of treasury shares by Board Benefit Trust (BBT) and Employment Stock Ownership Plan (J-ESOP)				—		(499)
Change of scope of consolidation				—		—
Change in treasury shares of parent arising from transactions with non-controlling shareholders				—		(1,149)
Capital increase of consolidated subsidiaries				—		(12)
Net changes of items other than shareholders' equity	(109)	(166)	(739)	(1,015)	(509)	(1,525)
Total changes of items during the period	(109)	(166)	(739)	(1,015)	(509)	(2,884)
Balance at the end of current period	97	104	(422)	(221)	7,776	26,735

FY2016 (For the fiscal year ended May 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	5,000	5,023	13,172	(4,016)	19,179
Changes of items during the period					
Dividends from surplus			(447)		(447)
Net loss attributable to owners of parent			(129)		(129)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		7	7
Purchase of treasury shares by Board Benefit Trust (BBT) and Employment Stock Ownership Plan (J-ESOP)					—
Change of scope of consolidation			(2)		(2)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(6)			(6)
Capital increase of consolidated subsidiaries		(2)			(2)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	(9)	(579)	7	(581)
Balance at the end of current period	5,000	5,013	12,593	(4,008)	18,598

	Total accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	97	104	(422)	(221)	7,776	26,735
Changes of items during the period						
Dividends from surplus				—		(447)
Net loss attributable to owners of parent				—		(129)
Purchase of treasury shares				—		(0)
Disposal of treasury shares				—		7
Purchase of treasury shares by Board Benefit Trust (BBT) and Employment Stock Ownership Plan (J-ESOP)				—		—
Change of scope of consolidation				—		(2)
Change in treasury shares of parent arising from transactions with non-controlling shareholders				—		(6)
Capital increase of consolidated subsidiaries				—		(2)
Net changes of items other than shareholders' equity	196	(14)	497	679	1,229	1,908
Total changes of items during the period	196	(14)	497	679	1,229	1,327
Balance at the end of current period	293	90	74	458	9,006	28,062

**(5) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2015 (For the fiscal year ended May 31, 2016)	FY2016 (For the fiscal year ended May 31, 2017)
Cash flows from operating activities		
Income before income taxes	3,861	4,090
Depreciation and amortization	3,293	3,327
Impairment loss	37	140
Amortization of goodwill	1,000	984
Increase (decrease) in allowance for doubtful accounts	(2)	58
Increase (decrease) in provision for bonuses	374	(25)
Increase (decrease) in net defined benefit liability	(28)	118
Decrease (increase) in net defined benefit asset	(516)	573
Interest and dividends income	(63)	(46)
Interest expenses	170	161
Subsidy income	(147)	(74)
Share of (profit) loss of entities accounted for using equity method	49	74
Loss (gain) on sales and retirement of non-current assets	53	113
Loss (gain) on sales of investment securities	(120)	(17)
Loss (gain) on valuation of investment securities	25	11
Decrease (increase) in notes and accounts receivable - trade	(1,971)	(2,187)
Decrease (increase) in inventories	(6)	(425)
Decrease (increase) in other assets	(71)	(628)
Increase in operating debt	42	1,615
Increase (decrease) in accrued consumption taxes	(2,986)	232
Increase (decrease) in other liabilities	(52)	1,096
Other	(102)	29
Subtotal	2,840	9,222
Interest and dividends income received	73	62
Interest expenses paid	(161)	(150)
Proceeds from subsidy	147	74
Income taxes paid	(2,417)	(2,744)
Net cash provided by operating activities	482	6,464

(Millions of yen)

	FY2015 (For the fiscal year ended May 31, 2016)	FY2016 (For the fiscal year ended May 31, 2017)
Cash flows from investment activities		
Decrease (increase) in time deposits	682	(354)
Purchase of property, plant and equipment	(1,165)	(1,292)
Proceeds from sales of property, plant and equipment	908	0
Purchase of intangible assets	(1,367)	(1,385)
Purchase of investment securities	(615)	(448)
Proceeds from sales of investment securities	331	121
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(670)	(95)
Payments of loans receivable	(54)	(161)
Collection of loans receivable	75	48
Payments for lease and guarantee deposits	(388)	(320)
Proceeds from collection of lease and guarantee deposits	449	176
Payments for transfer of business	(288)	-
Other	(74)	(1)
Net cash used in investment activities	(2,176)	(3,713)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10	137
Proceeds from long-term loans payable	6,500	8,500
Repayment of long-term loans payable	(4,437)	(4,956)
Repayments of finance lease obligations	(731)	(746)
Redemption of bonds	(56)	-
Proceeds from share issuance to non-controlling shareholders	185	19
Purchase of treasury stock	(499)	(0)
Proceeds from sales of treasury shares	499	-
Purchase of treasury shares of subsidiaries	(1,464)	(230)
Proceeds from disposal of treasury shares of subsidiaries	-	229
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,060)	(31)
Cash dividends paid	(440)	(446)
Dividends paid to non-controlling interests	(531)	(669)
Other	0	84
Net cash provided by (used in) financing activities	(2,024)	1,890
Effect of exchange rate change on cash and cash equivalents	(159)	(21)
Net increase (decrease) in cash and cash equivalents	(3,877)	4,620
Cash and cash equivalents at the beginning of the period	20,298	16,441
Increase in cash and cash equivalents resulting from change of scope of consolidation	20	-
Cash and cash equivalents at the end of the period	16,441	21,062

## (6) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements)

### 1. Scope of Consolidation

#### (1) Consolidated subsidiaries

a. No. of consolidated subsidiaries: 60 companies

b. Leading consolidated subsidiaries

- Pasona Inc.
- Benefit One Inc.
- Bewith, Inc.
- Pasona Tech, Inc.
- CAPLAN Corporation
- Pasona Panasonic Business Service Co., Ltd.

c. New consolidated subsidiaries : 6 companies

Establishment

- PCA Consulting Inc.
- Nijigennomori Inc.
- CAPLAN Holdings (Thailand) Co., Ltd.
- CAPLAN (Thailand) Co., Ltd.

Stock acquisition

- iBRID.Co.Ltd
- REWARDZ PRIVATE LIMITED

d. Exclusion from the scope of consolidation : 4 companies

- Pasona Medical Inc.\*1
- Pasona Biznize Corporation\*2
- Pasona OGXA Inc. \*3
- Pasonatech Consulting (Dalian) Co.,Ltd. \*4

\*1 Pasona Medical Inc. merged with Pasona Inc. and expired.

\*2 Pasona Biznize Corporation was excluded from the scope of consolidation following the sale of all of its shares by Pasona Inc.

\*3 Pasona OGXA Inc. merged with Pasona Inc. and expired.

\*4 Pasonatech Consulting (Dalian) Co.,Ltd. was excluded from the scope of consolidation following the completion of the liquidation.

#### (2) Non-consolidated subsidiary

a. No. of non-consolidated subsidiaries : 18 companies

b. Leading non-consolidated subsidiaries

- DF Management Co., Ltd.
- General Incorporated Association DIRECTFORCE
- ed1. co., Ltd.

c. Reasons for exclusion from the scope of consolidation

The assets, sales, net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on the consolidated financial statements. As a result, these non-consolidated subsidiaries have been excluded from the scope of consolidation.

## 2. Application of the Equity Method

### (1) Affiliated companies that are accounted for by the equity method

a. No. of affiliated companies that are accounted for by the equity method : 5 companies

b. Leading affiliated companies that are accounted for by the equity method

E-Staffing Co., Ltd.  
National Examination Center Inc.  
Pasona Cyber Lab Inc.  
MYDC Co., Ltd.  
Chunghwa Benefit One Co., Ltd.

MYDC Co., Ltd. established by Benefit One Inc. as a joint-venture company with MONEY DESIGN Co., Ltd. and has been included in the scope of consolidation as affiliated companies accounted for by the equity method.

### (2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

a. No. of non-consolidated subsidiaries and affiliated companies not accounted for by the equity method : 19 companies

b. Leading non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

DF Management Co., Ltd.  
General Incorporated Association DIRECTFORCE  
ed1. co., Ltd.

c. Reasons for exclusion from the scope of the equity method

Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation as their net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group, and their overall importance to the Group's performance was limited.

## (Segment Information)

### 1. Overview of reportable segments

The business segments reported by Pasona Group are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine the distribution of management resources and evaluate their business results. The Pasona Group's principal business activities are human resource-related support services as typified by temporary staffing, contracting, placement and recruiting, outplacement as well as employee fringe benefit outsourcing services. Accordingly, the Company has designated "Expert Services (Temporary staffing), Insourcing (Contracting), Others", "Career Solutions (Placement/Recruiting, Outplacement)" and "Outsourcing" as its reporting segments. Pasona Group, a holding company, pursues the formulation of strategies for Group management and support operation execution, governance of management and the proper allocation of management resources, as well as developing new businesses related to job creation.

### 2. Method of computing net sales, income (loss), assets, liabilities and other items by reporting segment

The accounting treatment method for the Group's reporting segments is generally the same as the preparation of consolidated financial statements. Also, segment income is based on operating income. The prices of intersegment transactions and transfers are determined by price negotiations based on the Company's submission of preferred prices after taking market conditions into account.

Reporting segments income is adjusted with operating income under consolidated statements of income.

### 3. Information regarding net sales, income (loss), assets, liabilities and other items by reporting segment

FY2015 (For the fiscal year ended May 31, 2016)

(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)	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing					
Net sales								
(1) Sales to outside customers	217,057	16,222	25,718	258,998	4,729	263,728	-	263,728
(2) Intersegment sales and transfers	1,173	42	511	1,727	889	2,617	(2,617)	-
Total	218,231	16,265	26,229	260,726	5,618	266,345	(2,617)	263,728
Operating income (loss)	1,959	2,904	4,276	9,140	(477)	8,662	(4,802)	3,860
Segment assets	50,662	13,504	22,433	86,600	2,015	88,615	(3,259)	85,356
Other items								
Depreciation and amortization	1,526	230	731	2,488	101	2,590	703	3,293
Amortization of goodwill	846	-	154	1,000	-	1,000	-	1,000
Impairment losses	-	37	-	37	-	37	-	37
Increase in tangible and intangible fixed assets	2,445	209	883	3,537	504	4,042	467	4,510

#### Notes:

- The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
- The “Others” segment is not included in reporting segments, and includes Life Solutions as well as Public Solutions.
- The following are included in the adjustment item.
  - Adjustment of segment income (loss) totaling ¥(4,802) million includes Group management costs relating to the Company totaling ¥(4,805) million as well as intersegment sales and transfers totaling ¥3 million.
  - Adjustment of segment assets totaling ¥(3,259) million includes the Company’s cash and deposits and assets relating to Group management totaling ¥12,552 million as well as intersegment sales and transfers totaling ¥(15,811) million.
  - Adjustment of depreciation and amortization totaling ¥703 million are mainly comprised of depreciation and amortization of assets relating to Group management.
  - Adjustment of increase in tangible and intangible fixed assets totaling ¥467 million are mainly comprised of an increase of assets relating to Group management.
- Segment income (loss) is adjusted with operating income under consolidated statements of income.

	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)	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing					
Net sales								
(1) Sales to outside customers	230,873	14,961	29,184	275,019	5,376	280,395	-	280,395
(2) Intersegment sales and transfers	1,411	47	708	2,168	951	3,119	(3,119)	-
Total	232,285	15,008	29,893	277,187	6,327	283,514	(3,119)	280,395
Operating income (loss)	2,297	1,992	5,782	10,072	(213)	9,859	(5,370)	4,488
Segment assets	51,484	12,939	27,167	91,592	2,870	94,463	121	94,584
Other items								
Depreciation and amortization	1,522	245	724	2,492	133	2,625	702	3,327
Amortization of goodwill	822	-	162	984	-	984	-	984
Impairment losses	32	-	-	32	107	140	-	140
Increase in tangible and intangible fixed assets	1,486	279	807	2,573	199	2,772	1,559	4,332

## Notes:

- The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
- The “Others” segment is not included in reporting segments, and includes Life Solutions as well as Public Solutions.
- The following are included in the adjustment item.
  - Adjustment of segment income (loss) totaling ¥(5,370) million includes Group management costs relating to the Company and the cost of business incubation totaling ¥(5,396) million, as well as intersegment sales and transfers totaling ¥26 million.
  - Adjustment of segment assets totaling ¥121 million includes the Company’s cash and deposits and assets relating to Group management totaling ¥17,464 million as well as intersegment sales and transfers totaling ¥(17,342) million.
  - Adjustment of depreciation and amortization totaling ¥702 million are mainly comprised of depreciation and amortization of assets relating to Group management as well as intersegment sales and transfers totaling ¥(5) million.
  - Adjustment of increase in tangible and intangible fixed assets totaling ¥1,559 million are mainly comprised of an increase of assets relating to Group management totaling ¥1,581 million as well as intersegment sales and transfers totaling ¥(21) million.
- Segment income (loss) is adjusted with operating income under consolidated statements of income.

## Related information

FY2015 (For the fiscal year ended May 31, 2016)

1. Information by product and service

Nothing is stated herein as similar information is disclosed in Segment information.

2. Information on geographic areas

(1) Net sales

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

(2) Property, plant and equipment

Since the percentage of total property, plant and equipment located in Japan exceeds 90%, information on geographic areas is omitted from this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

FY2016 (For the fiscal year ended May 31, 2017)

1. Information by product and service

Nothing is stated herein as similar information is disclosed in Segment information.

2. Information on geographic areas

(1) Net sales

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

(2) Property, plant and equipment

Since the percentage of total property, plant and equipment located in Japan exceeds 90%, information on geographic areas is omitted from this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

## Information regarding unamortized balance of goodwill by reporting segment

FY2015 (For the fiscal year ended May 31, 2016)

(Millions of yen)

	Reporting segments				Others (Note)	Adjustment	Total
	Expert Services (Temporary staffing), Insourcing (Contracting), Others	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing	Subtotal			
Balance at the end of current period	4,273	-	209	4,483	-	-	4,483

Note: The "Others" segment incorporates operations not included in reporting segments such as "Life Solutions, Public Solutions".

FY2016 (For the fiscal year ended May 31, 2017)

(Millions of yen)

	Reporting segments				Others (Note)	Adjustment	Total
	Expert Services (Temporary staffing), Insourcing (Contracting), Others	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing	Subtotal			
Balance at the end of current period	3,487	-	213	3,701	-	-	3,701

Note: The "Others" segment incorporates operations not included in reporting segments such as "Life Solutions, Public Solutions".

## Information regarding gain on negative goodwill by reporting segment

FY2015 (For the fiscal year ended May 31, 2016)

None

FY2016 (For the fiscal year ended May 31, 2017)

None

(Per Share Information)

	(Yen)	
	FY2015	FY2016
Net assets per share	515.22	517.74
Net income (loss) per share	6.62	(3.52)

(Notes)

1. Diluted net income per share of the current consolidated fiscal year is not stated because there was no diluted share.
2. The Company's shares in the BBT and J-ESOP, which are reported as treasury shares under Shareholders' equity, are not counted toward the number of treasury shares as of the period-end and the average number of shares outstanding for the period for the purpose of computing earnings and net assets per share.  
The number of treasury shares outstanding for the period for the purpose of computing earnings and net assets per share consist of 291,000 shares for BBT and 194,000 shares for J-ESOP.
3. The following shows the basis of calculating net earnings per share

	(Millions of yen)	
Items	FY2015	FY2016
Earnings per share		
Profit (loss) attributable to owners of parent	243	(129)
Amount not applicable to shareholders of common stock	-	-
Profit (loss) attributable to owners of parent applicable to common stock	243	(129)
Average number of shares for the period (shares)	36,797,167	36,806,610

4. The following shows the basis of calculating net assets per share

	(Millions of yen)	
Items	As of May 31, 2016	As of May 31, 2017
Total net assets	26,735	28,062
Amount deducted from total net assets	7,776	9,006
Net assets applicable to common stock as of the fiscal period-end	18,958	19,056
Number of common stock used to calculate net assets per share (shares)	36,797,162	36,806,592

(Important Subsequent Events)

Not applicable.