

Results for the First Quarter of the Fiscal Year Ending May 31, 2017

**FY2016 (June 1, 2016 - May 31, 2017)
Three months ended August 31, 2016**

Pasona Group Inc.

First Section TSE (2168)

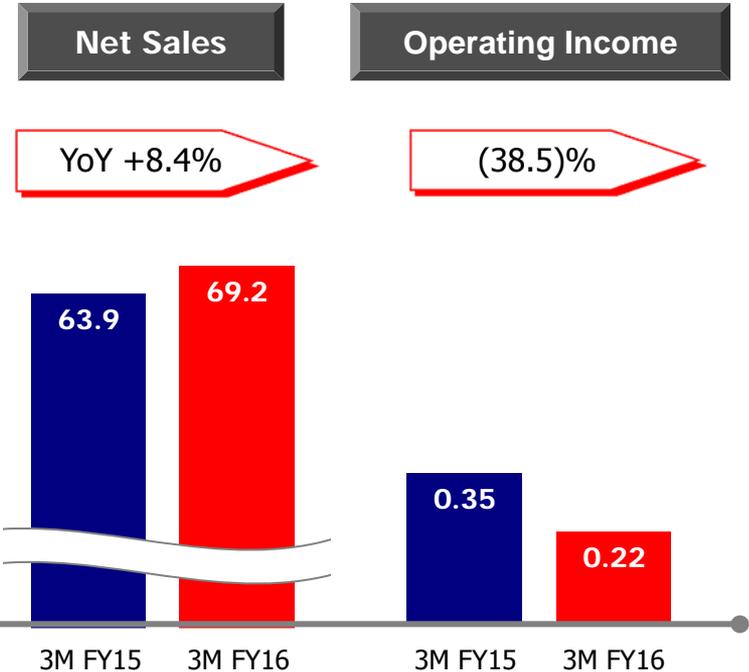
October 6, 2016

www.pasonagroup.co.jp/english

Consolidated Results

(Billions of yen)

(Millions of yen)	3M FY15	(%)	3M FY16	(%)	VS FY15 Increase/Decrease
Net sales	63,891	100.0	69,231	100.0	5,339 +8.4%
Cost of sales	50,479	79.0	55,858	80.7	5,379 +10.7%
Gross profit	13,412	21.0	13,372	19.3	(40) (0.3)%
SG&A expenses	13,061	20.4	13,156	19.0	94 +0.7%
Operating income	350	0.5	215	0.3	(135) (38.5)%



Major Item of Increase/Decrease

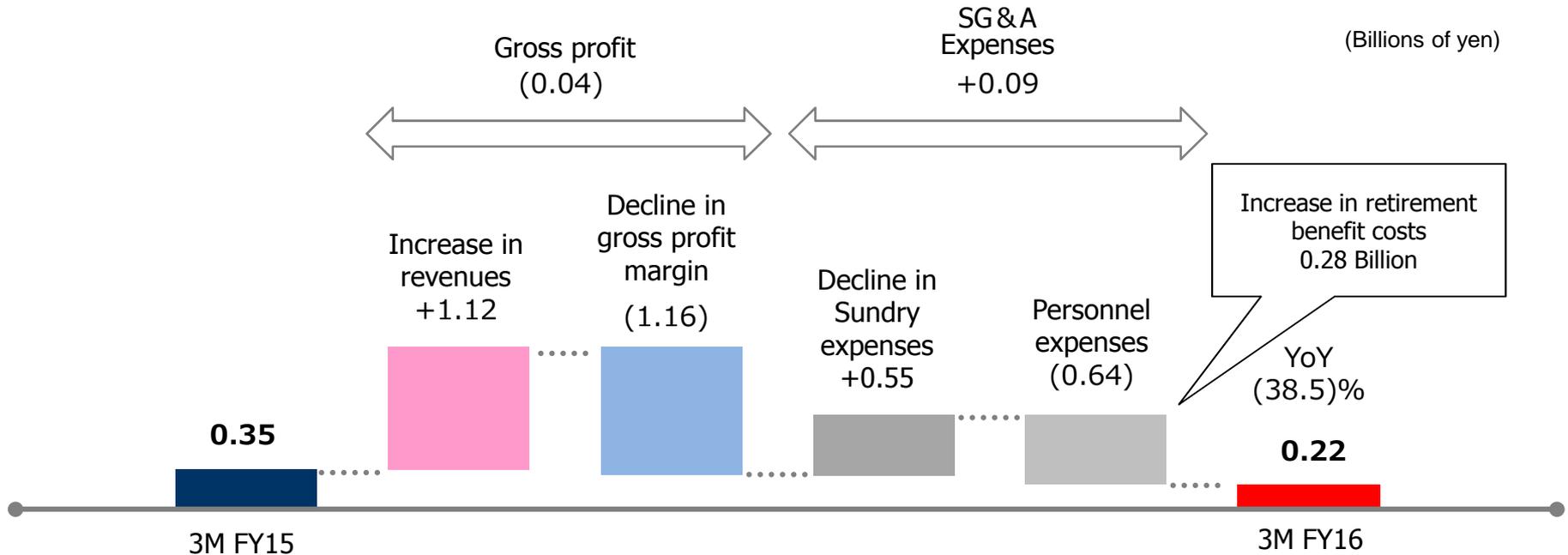
• Net Sales

- Sales rose in many segments, including Expert Services and business process outsourcing (BPO) businesses (Insourcing and Outsourcing), on growing demand and marketing measures

• Operating Income

- Earnings declined as a result of lower revenue in outplacement, and a sharp year-on-year rise in retirement benefit costs

Operating Income



	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	3M FY16
Gross Profit	19.9%	20.0%	18.8%	18.6%	19.3%	19.3%	20.3%	20.0%	19.3%
Gross Profit margin	18.6%	18.0%	17.4%	17.5%	17.8%	17.7%	18.7%	18.6%	19.0%

Major Item of Increase/Decrease

- Gross profit margin declined mainly as a result of the revenue decrease in outplacement
- SG&A expenses rose mainly due to higher personnel costs, including a ¥280 million increase in retirement benefit costs

Consolidated Results

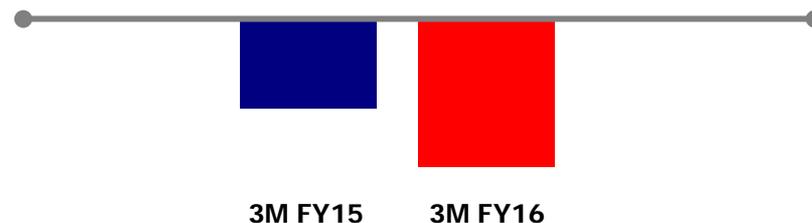
(Non-operating/Extraordinary income (loss), Others)

(Billions of yen)

(Millions of yen)	3M FY15	3M FY16	Increase/ Decrease	YoY
Operating income	350	215	(135)	(38.5)%
Non-operating income	57	58	0	1.6%
Non-operating expenses	151	99	(51)	(34.2)%
Ordinary income	256	174	(82)	(32.1)%
Extraordinary income	22	0	(22)	-
Extraordinary loss	21	34	12	60.5%
Income before income taxes	258	140	(118)	(45.7)%
Income taxes - current	479	591	111	23.3%
Income taxes - deferred	(61)	(198)	(136)	-
Income taxes	417	392	(25)	(6.0)%
Profit attributable to non-controlling interests	163	287	123	75.1%
Loss attributable to owners of parent	(323)	(539)	(216)	-

Loss attributable to owners of parent

(0.32) (0.54)



Major Item of Increase/Decrease

- **Non-operating expenses**
Share of loss of entities accounted for using equity method
¥15 million (YoY -¥53million)

Consolidated Results by Segment

(Millions of yen)

Segment		Net sales				Operating income (loss)				Operating income margin		
		3M FY15	3M FY16	Increase/ Decrease	YoY	3M FY15	3M FY16	Increase/ Decrease	YoY	3M FY15	3M FY16	Increase/ Decrease
①	Expert Services (Temporary Staffing)	33,221	36,378	3,157	9.5%							
②	Insourcing (Contracting)	16,925	18,174	1,248	7.4%							
③	HR Consulting, others	1,504	1,541	37	2.5%	325	380	54	16.8%	0.6%	0.7%	0.1pt
④	Global Sourcing (Overseas)	1,420	1,536	116	8.2%							
Subtotal		53,070	57,631	4,560	8.6%							
⑤	Career Solutions (Placement/ Recruiting, Outplacement)	4,032	3,386	(646)	(16.0)%	794	107	(687)	(86.5)%	19.7%	3.2%	(16.5)pt
⑥	Outsourcing	5,971	7,478	1,507	25.2%	641	1,134	492	76.9%	10.7%	15.2%	4.5pt
⑦	Life Solutions Public Solutions	1,342	1,508	166	12.4%	(192)	(100)	92	-	-	-	-
⑧	Eliminations and Corporate	(524)	(773)	(248)	-	(1,218)	(1,305)	(86)	-	-	-	-
Total		63,891	69,231	5,339	8.4%	350	215	(135)	(38.5)%	0.5%	0.3%	(0.2)pt

Balance sheet

(Billions of yen)

Major Item of Increase/Decrease	May 31,2016	Aug 31,2016	Increase/ Decrease
Assets	85.4	80.9	(4.5)
Current assets	56.2	52.0	(4.2)
Cash and deposits	16.8	13.8	(3.0)
Notes and accounts receivable—trade	32.0	30.0	(2.0)
Other	6.4	7.1	0.7
Non-current assets	29.2	28.8	(0.3)
Property, plant and equipment	8.7	8.8	0.1
Intangible assets	9.9	9.5	(0.3)
Investments and other assets	10.6	10.5	(0.1)
Liabilities	58.6	55.5	(3.1)
Current liabilities	45.2	42.5	(2.7)
Accounts payable	5.0	2.9	(2.0)
Short-term loans payable	4.9	4.4	(0.4)
Accrued expenses	13.0	13.4	0.4
Accrued income tax	1.6	0.7	(0.9)
Provision for bonuses	3.2	2.6	(0.6)
Non-current liabilities	13.4	13.1	(0.4)
Long-term loans payable	8.8	8.4	(0.4)
Net assets	26.7	25.3	(1.4)
Shareholders' equity	19.2	18.2	(1.0)
Valuation and translation adjustments	(0.2)	(0.3)	(0.1)
Non-controlling interests	7.8	7.4	(0.4)
Equity stock ratio	22.2%	22.2%	(0.0)pt

Major Item of Increase/Decrease

[Cash and deposits]

Accounts payable payment	¥(2.0) billion
Income taxes paid	¥(0.9) billion
Cash dividends paid	¥(0.4) billion

[Current liabilities]

Accounts payable payment	¥(2.0) billion
Income taxes paid	¥(0.9) billion
Bonuses	¥(0.6) billion

[Retained earnings]

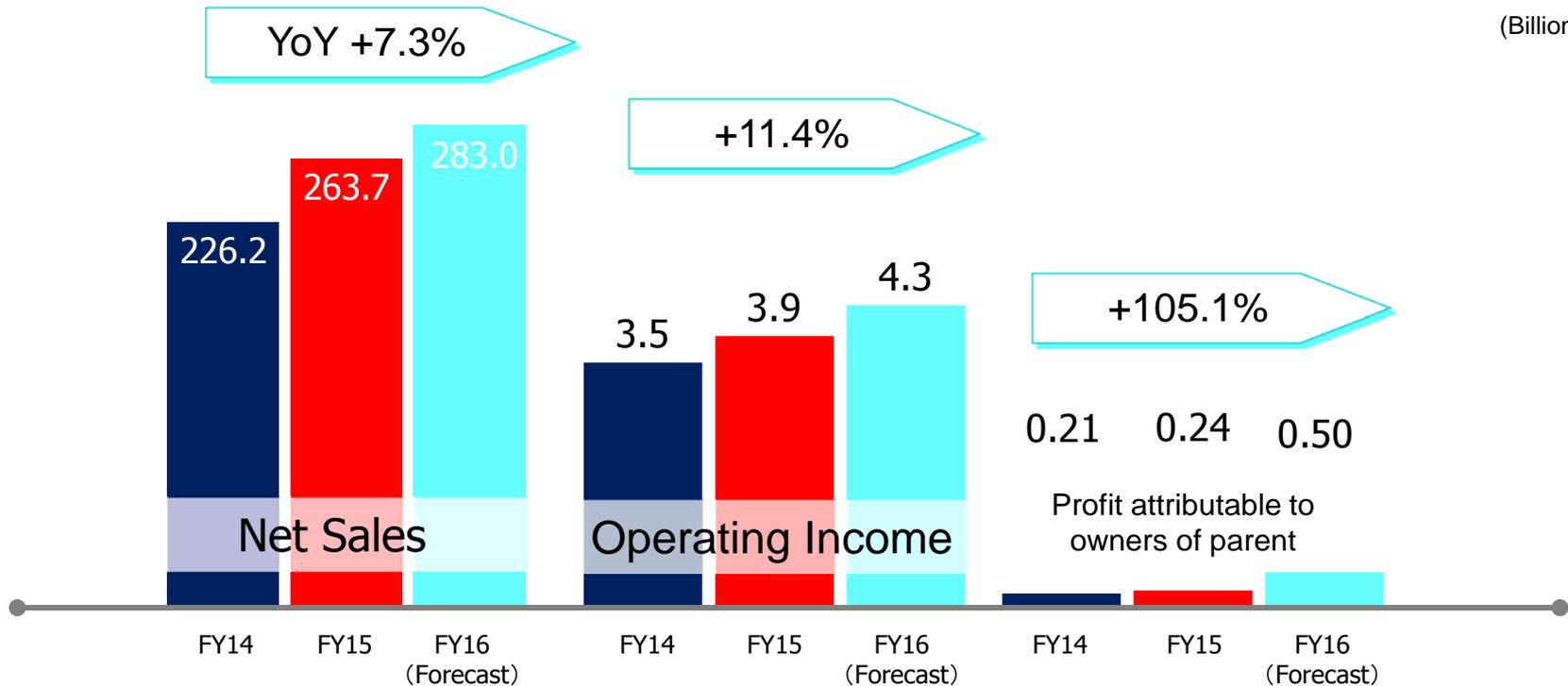
Loss attributable to owners of parent	¥(0.5) billion
Cash dividends paid	¥(0.4) billion

[Non-controlling interests]

Cash dividends paid of Benefit One	¥(0.6) billion
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FY2016 Consolidated Forecasts

(Billions of yen)



(Millions of yen)	FY14	to net sales %	FY15	to net sales %	FY16 Forecast	to net sales %	vs FY15 Increase/Decrease	YoY
Net sales	226,227	100.0	263,728	100.0	283,000	100.0	19,271	7.3%
Cost of sales	180,355	79.7	210,919	80.0	224,900	79.5	13,980	6.6%
Gross profit	45,871	20.3	52,808	20.0	58,100	20.5	5,291	10.0%
SG&A expenses	42,381	18.7	48,948	18.6	53,800	19.0	4,851	9.9%
Operating income	3,490	1.5	3,860	1.5	4,300	1.5	439	11.4%
Ordinary income	3,343	1.5	3,855	1.5	4,200	1.5	344	8.9%
Profit attributable to owners of parent	214	0.1	243	0.1	500	0.2	256	105.1%

FY2016 Consolidated Forecasts by Segment

(Millions of yen)

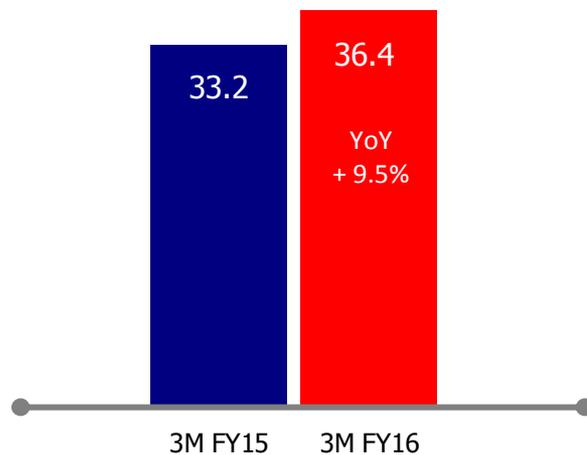
Segment	Sales				Operating income (loss)				Operating income margin		
	FY15	FY16 Forecast	VS FY15 Increase/Decrease	VS FY15 %	FY15	FY16 Forecast	VS FY15 Increase/Decrease	VS FY15 %	FY15	FY16 Forecast	VS FY15 Increase/Decrease
Expert Services	132,588	141,660	9,071	6.8%	1,959	2,270	310	15.9%	0.9%	1.0%	+0.1%pt
Insourcing	73,417	76,580	3,162	4.3%							
HR Consulting, others	6,044	6,770	725	12.0%							
Global Sourcing	6,180	6,870	689	11.2%							
Subtotal	218,231	231,880	13,648	6.3%							
Career Solutions	16,265	16,250	(15)	(0.1)%	2,904	2,040	(864)	(29.8)%	17.9%	12.6%	(5.3)%pt
Outsourcing	26,229	30,670	4,440	16.9%	4,276	5,250	973	22.8%	16.3%	17.1%	+0.8%pt
Life Solutions Public Solutions	5,618	6,370	751	13.4%	(477)	(160)	317	-	-	-	-
Eliminations and Corporate	(2,617)	(2,170)	447	-	(4,802)	(5,100)	(297)	-	-	-	-
Consolidated	263,728	283,000	19,271	7.3%	3,860	4,300	439	11.4%	1.5%	1.5%	+0.1%pt

Segment information

Expert Services (Temporary staffing)

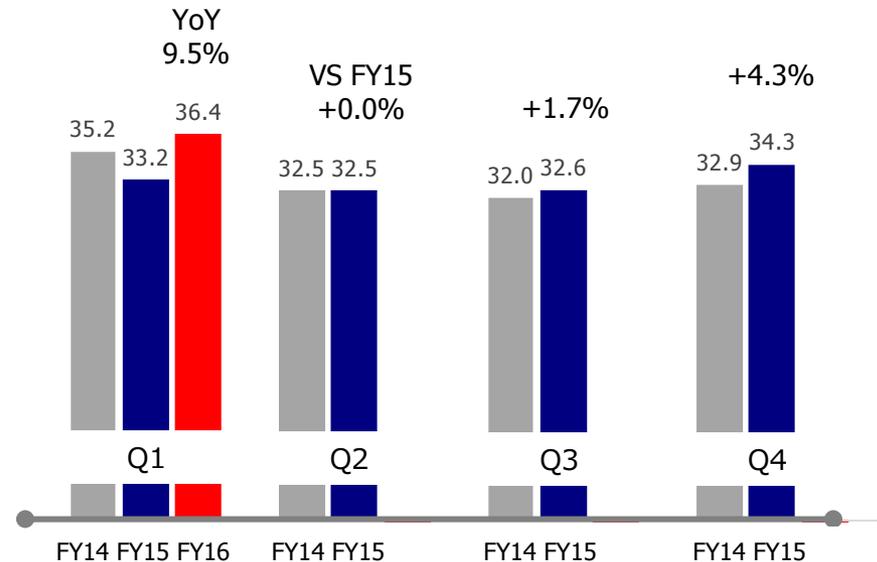
Net Sales

(Billions of yen)



Sales Trends

(Billions of yen)



Business Conditions

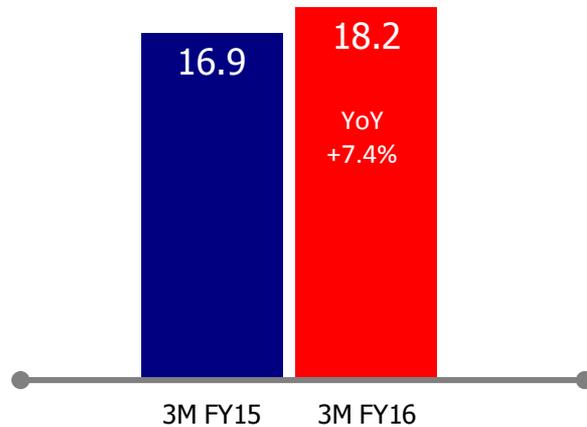
- **3M FY16**
- Firm demand for personnel, and improved operational efficiency through utilization of IT, have led to an increase in the number of staff on the job
- Pasona OGXA Inc. (formerly Osaka Gas Excellent Agency Co., Ltd.) contributing to earnings from the current fiscal year

Some subsidiaries combined five-month results in Q1 FY2014 following the change of their fiscal year end from March 31 to May 31.

In sourcing (Contracting)

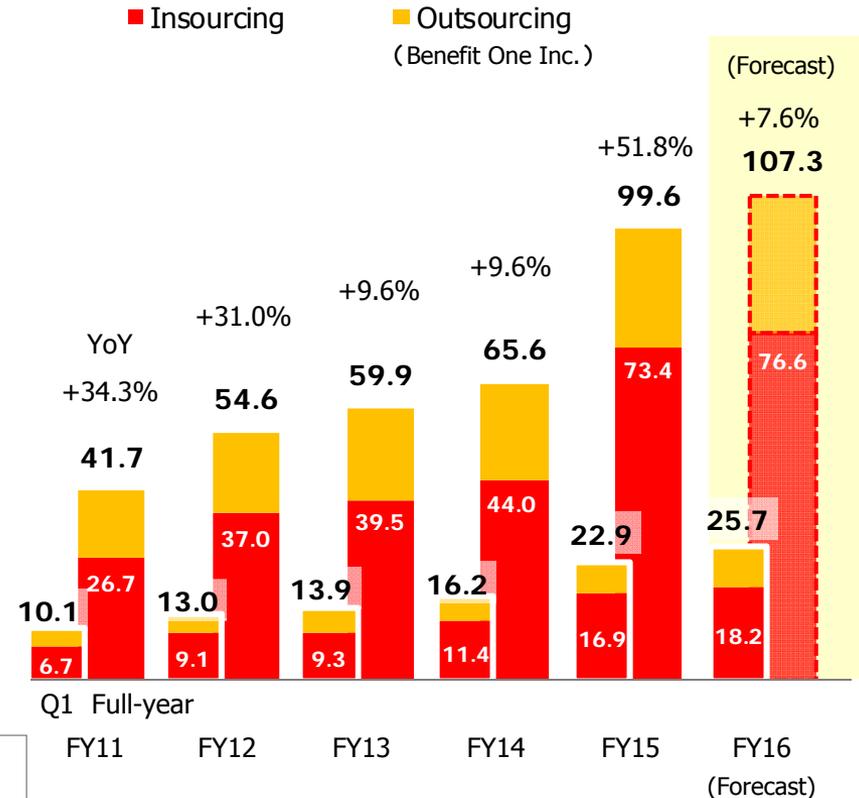
Net Sales

(Billions of yen)



BPO Sales

(Billions of yen)



Business Conditions

• 3M FY16

- Moving forward with optimal solutions for temporary staffing and BPO businesses
- Success for the project management office (PMO) division specializing in project management
- Growth in the public sector drawing on Pasona's strengths in such areas as contracts for regional revitalization business, and public affairs work

Global Sourcing (Overseas)

Net Sales

(Billions of yen)



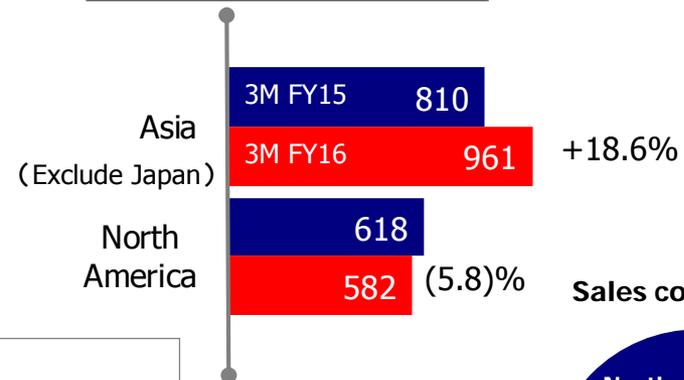
Sales by Business Segment

(Millions of yen)

	3M FY15	3M FY16	YoY
Temporary Staffing	468	702	50.1%
Placement / Recruiting	576	418	(27.4)%
Contracting (Payroll, others)	270	259	(4.1)%
Others	105	156	48.3%
Total	1,420	1,536	8.2%

Sales by Region

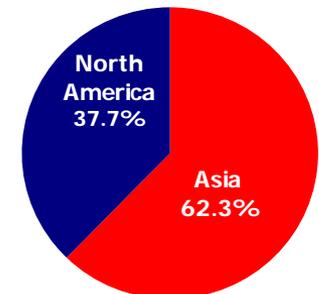
(Millions of yen)



Business Conditions

- 3M FY16**
 - M&A deal with Indonesian firm PT. Dutagriya Sarana (DGS) contributed to earnings gain
Revenue increase as losses were offset by foreign exchange rate gains
 - CAPLAN (Thailand) Co., Ltd. launched operations in September
Continued expansion of education and training business in the ASEAN region

Sales composition



Career Solutions (Placement/Recruiting, Outplacement)

Net Sales

Operating Income, Operating Income Margin

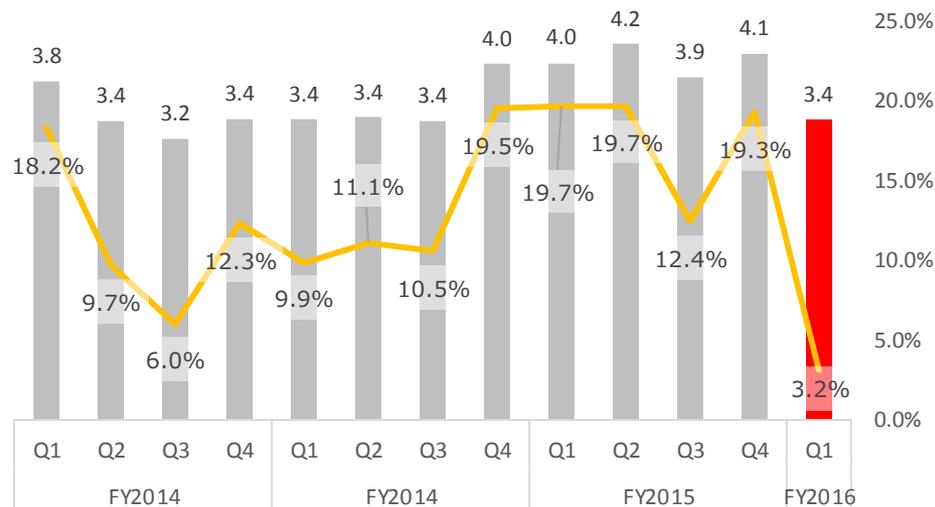
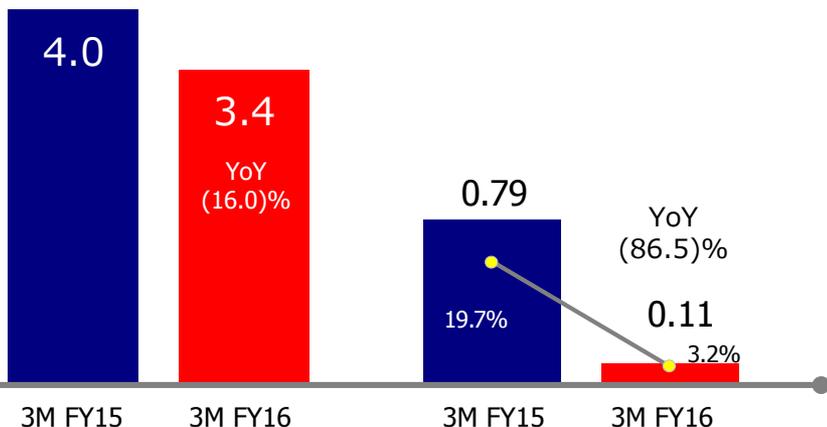
(Billions of yen)

Active opening ratio by occupation

(Full-time employees including part-time workers)

(Billions of yen)

Net sales Operating income margin



Business Conditions

Placement / Recruiting

● 3M FY16

- Continued dynamic conditions for both recruiters and job seekers, Positive environment for managerial divisions, and successful placement of female managerial-level candidates
- Temporary decline in productivity from switchover to new IT system

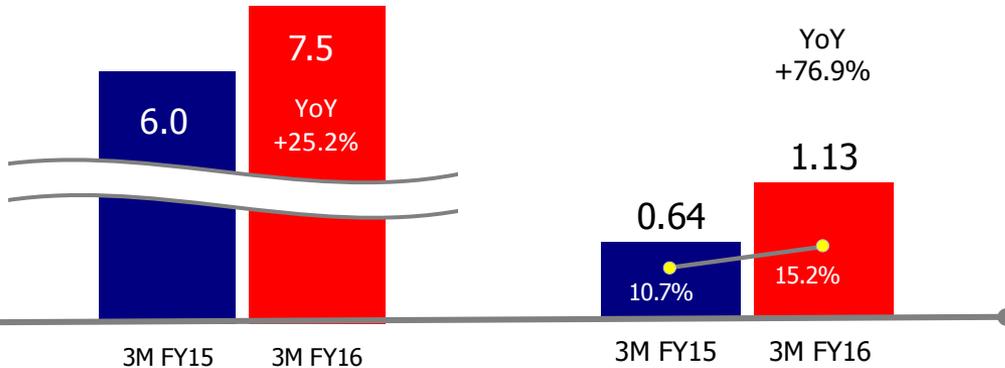
Outplacement

● 3M FY16

- Demand slowing as a result of economic recovery, and concerns over labor shortage
- Slowdown in demand led to relative increase in the fixed cost rate, and decline in operating margin

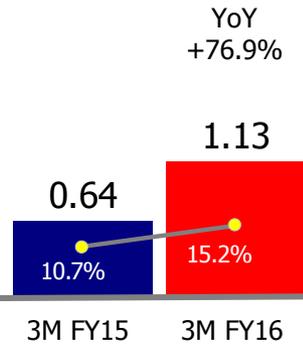
Outsourcing (Benefit One Inc.)

Net Sales



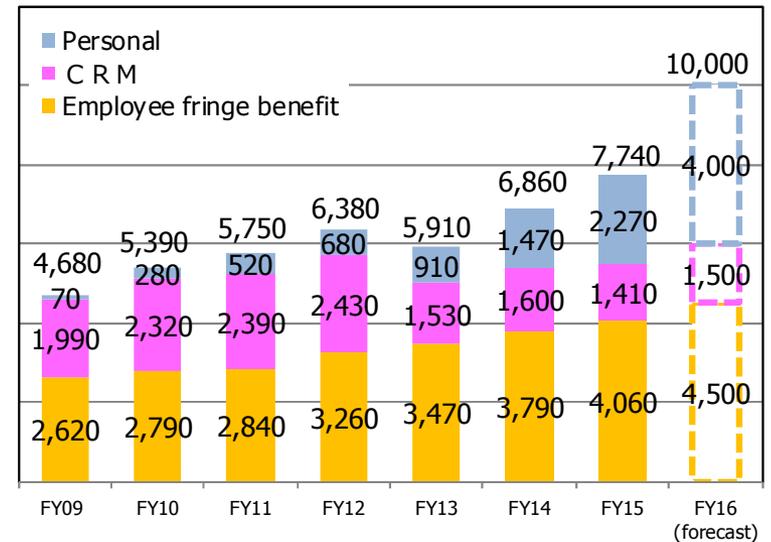
Operating Income, Operating Income Margin

(Billions of yen)



Benefit One Membership

(Thousands people)

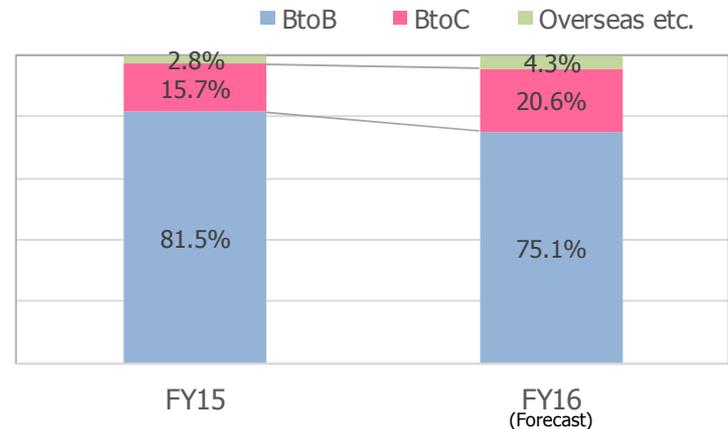


Business Conditions

3M FY16

- Successful solutions-oriented marketing in the employee fringe benefit business
Increase in number of companies utilizing service, centered on small and medium-sized enterprises (SMEs)
- Steady growth in the Incentive Business, which manages the converting of rewards and other incentives to points

Sales Composition



Reference

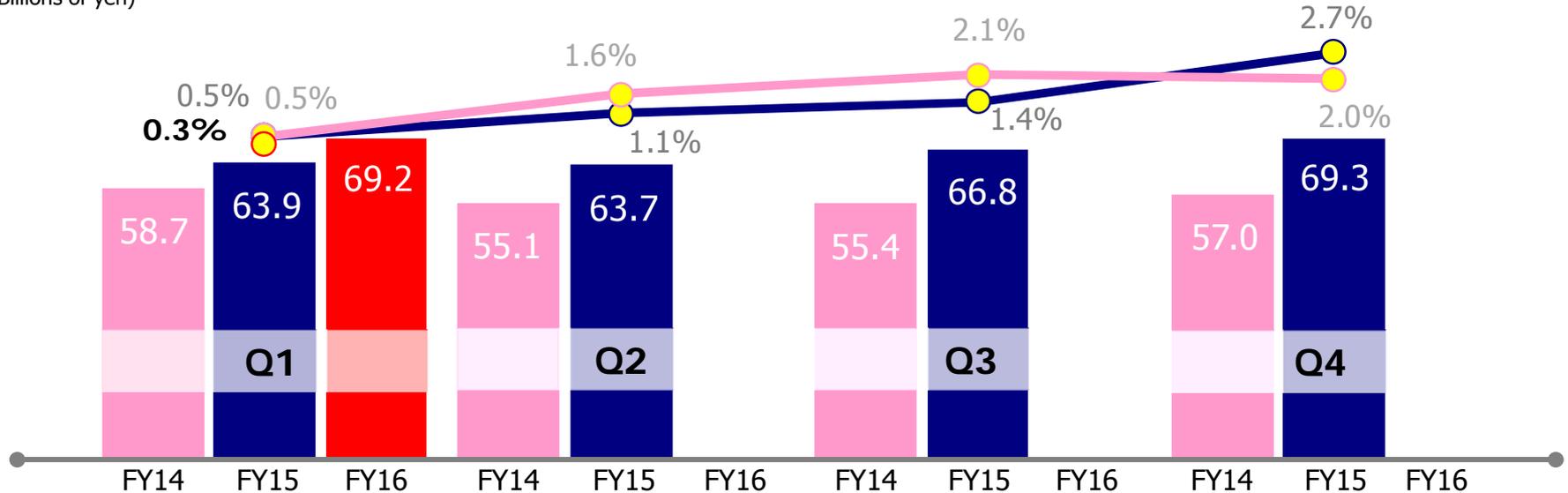
Quarterly Earnings Trends

Net Sales

(Billions of yen)

Operating Income Margin

- Operating Income Margin FY14
- Operating Income Margin FY15
- Operating Income Margin FY16



	Q1 (June to August)					Q2 (September to November)			Q3 (December to February)			Q4 (March to May)		
	FY14	FY15	YoY	FY16	YoY	FY14	FY15	YoY	FY14	FY15	YoY	FY14	FY15	YoY
Net sales	58,727	63,891	+8.8%	69,231	+8.4%	55,078	63,710	+15.7%	55,379	66,827	+20.7%	57,042	69,297	+21.5%
Gross profit	11,450	13,412	+17.1%	13,372	(0.3)%	11,010	12,023	+9.2%	11,319	13,041	+15.2%	12,090	14,331	+18.5%
SG&A expenses	11,130	13,061	+17.4%	13,156	+0.7%	10,135	11,300	+11.5%	10,180	12,111	+19.0%	10,934	12,473	+14.1%
Operating income	320	350	+9.5%	215	(38.5)%	875	722	(17.5)%	1,139	929	(18.4)%	1,155	1,857	+60.8%
Ordinary income	286	256	(10.2)%	174	(32.1)%	832	720	(13.5)%	1,132	956	(15.6)%	1,092	1,921	+76.0%
Profit (Loss) attributable to owners of parent	(253)	(323)	-	(539)	-	97	(10)	-	163	(119)	-	206	697	+237.6%
Gross profit margin	19.5%	21.0%	+1.5pt	19.3%	(1.7)pt	20.0%	18.9%	(1.1)pt	20.4%	19.5%	(0.9)pt	21.2%	20.7%	(0.5)pt
SG&A expense ratio	19.0%	20.4%	+1.4pt	19.0%	(1.4)pt	18.4%	17.7%	(0.7)pt	18.4%	18.1%	(0.3)pt	19.2%	18.0%	(1.2)pt
Operating income margin	0.5%	0.5%	+0.0pt	0.3%	(0.2)pt	1.6%	1.1%	(0.5)pt	2.1%	1.4%	(0.7)pt	2.0%	2.7%	+0.7pt
Ordinary income margin	0.5%	0.4%	(0.1)pt	0.3%	(0.1)pt	1.5%	1.1%	(0.4)pt	2.0%	1.4%	(0.6)pt	1.9%	2.8%	+0.9pt
Profit attributable to owners of parent margin	-	-	-	-	-	0.2%	-	-	0.3%	-	-	0.4%	1.0%	+0.6pt

Consolidated

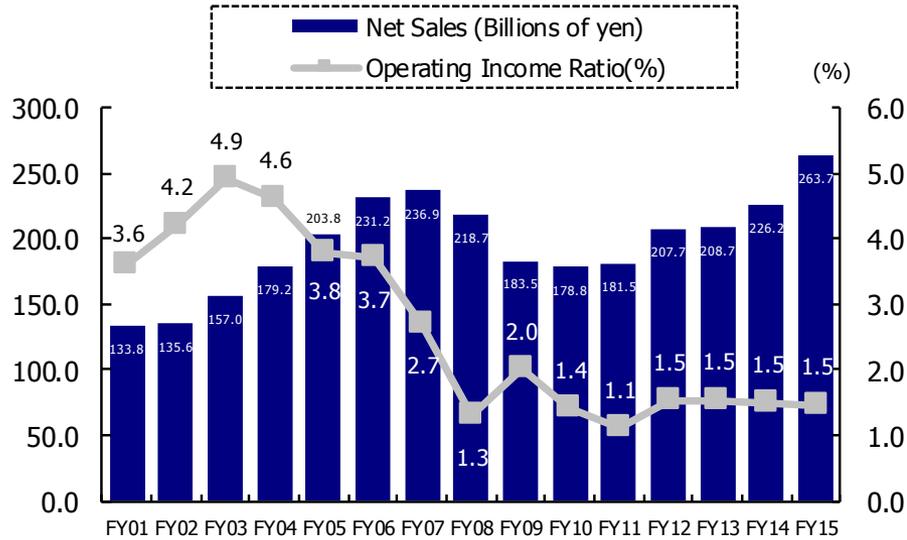
Quarterly Earnings Trends by Segment

(Millions of yen)

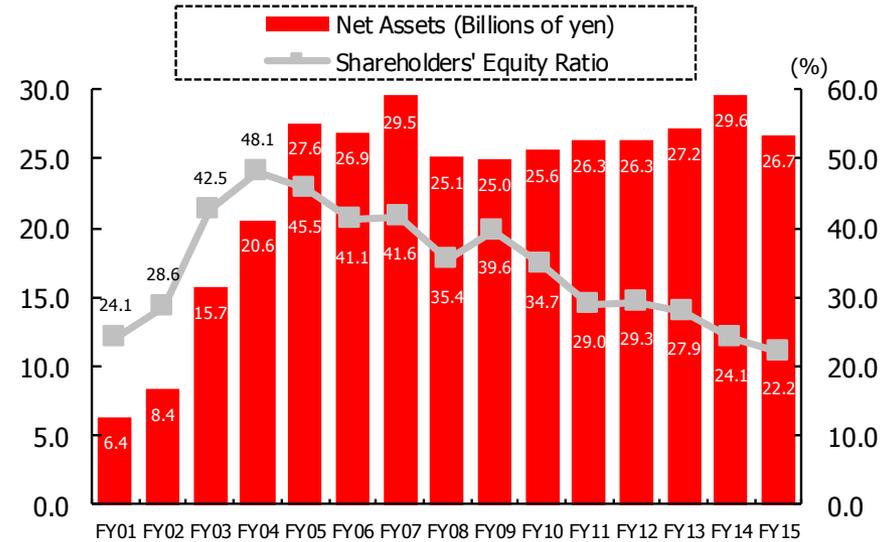
Segment	Sales						Operating income (loss)					
	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	YoY	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	YoY
Expert Services (Temporary Staffing)	33,221	32,487	32,562	34,317	36,378	9.5%						
Insourcing (Contracting)	16,925	17,450	19,620	19,421	18,174	7.4%						
HR Consulting, others	1,504	1,420	1,698	1,421	1,541	2.5%	325	430	330	872	380	16.8%
Global Sourcing (Overseas)	1,420	1,389	1,645	1,725	1,536	8.2%						
Subtotal	53,070	52,747	55,527	56,885	57,631	8.6%						
Career Solutions (Placement/Recruiting, Outplacement)	4,032	4,235	3,865	4,132	3,386	(16.0)%	794	834	479	796	107	(86.5)%
Outsourcing	5,971	5,981	6,719	7,557	7,478	25.2%	641	840	1,382	1,412	1,134	76.9%
Life Solutions Public Solutions	1,342	1,392	1,377	1,505	1,508	12.4%	(192)	(164)	(116)	(5)	(100)	-
Eliminations and Corporate	(524)	(646)	(662)	(783)	(773)	-	(1,218)	(1,218)	(1,146)	(1,218)	(1,305)	-
Total	63,891	63,710	66,827	69,297	69,231	8.4%	350	722	929	1,857	215	(38.5)%

Full-Year Key Indicators

Net Sales and Operating Income Ratio



Net Assets and Shareholders' Equity Ratio



Results

Key Indicators	'02/05	'03/05	'04/05	'05/05	'06/05	'07/05	'08/05	'09/05	'10/05	'11/05	'12/05	'13/05	'14/05	'15/05	'16/05
Net Sales	133,822	135,625	156,979	179,156	203,815	231,231	236,945	218,699	183,515	178,806	181,498	207,685	208,660	226,227	263,728
Gross Profit Margin	18.2%	19.7%	20.9%	20.8%	20.2%	20.3%	20.8%	19.9%	20.0%	18.8%	18.6%	19.3%	19.3%	20.3%	20.0%
SG&A Expenses	19,557	21,058	25,104	28,992	33,491	38,542	42,925	40,735	33,070	31,125	31,840	36,898	37,029	42,381	48,948
SG&A Expense Ratio	14.6%	15.5%	16.0%	16.2%	16.4%	16.6%	18.1%	18.6%	18.0%	17.4%	17.5%	17.8%	17.7%	18.7%	18.6%
Operating Income	4,786	5,687	7,648	8,238	7,745	8,507	6,444	2,850	3,660	2,432	1,964	3,176	3,210	3,490	3,860
Operating Income Ratio	3.6%	4.2%	4.9%	4.6%	3.8%	3.7%	2.7%	1.3%	2.0%	1.4%	1.1%	1.5%	1.5%	1.5%	1.5%
Ordinary Income	4,222	5,373	7,329	8,289	7,844	8,807	6,637	3,361	4,044	2,571	2,091	3,187	3,135	3,343	3,855
Ordinary Income Ratio	3.2%	4.0%	4.7%	4.6%	3.8%	3.8%	2.8%	1.5%	2.2%	1.4%	1.2%	1.5%	1.5%	1.5%	1.5%
Net Income	1,974	2,027	3,647	4,363	3,588	4,198	2,962	312	204	412	29	610	526	214	243
Net Income Ratio	1.5%	1.5%	2.3%	2.4%	1.8%	1.8%	1.3%	0.1%	0.1%	0.2%	0.0%	0.3%	0.3%	0.1%	0.1%
Total Assets	26,526	29,425	37,004	42,884	51,931	54,425	58,513	55,468	52,269	60,564	70,889	71,276	75,615	88,641	85,356
Net Assets *1	6,388	8,418	15,732	20,644	27,634	26,904	29,468	25,148	24,979	25,642	26,295	26,253	27,181	29,620	26,735
Shareholders' Equity Ratio *2	24.1%	28.6%	42.5%	48.1%	45.5%	41.1%	41.6%	35.4%	39.6%	34.7%	29.0%	29.3%	27.9%	24.1%	22.2%
Current Ratio	121.6%	122.3%	160.2%	182.8%	170.8%	152.1%	154.2%	129.6%	163.3%	175.2%	154.7%	141.8%	131.3%	125.6%	124.3%
Number of Employees (exclude contract workers)	1,537	1,687	1,979	2,204	2,608	3,126	3,647	3,671	3,643	3,956	4,452	4,778	5,022	6,584	7,144

Notes: 1. Presentation of shareholders' equity amended to a net assets basis in line with changes to accounting standards and policies. Minority interests included in presentation of net assets since the fiscal year ended May 31, 2006.

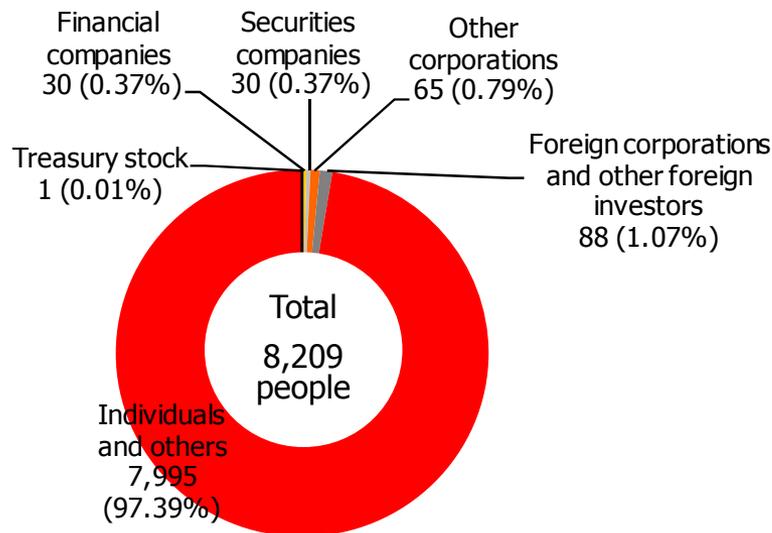
2. Despite changes in calculation methods for net assets following the introduction of changes to accounting standards and policies, the shareholders' equity ratio since the fiscal year ended May 31, 2006 is calculated utilizing an amount equivalent to net assets applicable to common shares.

3. The data for the periods up to and including the fiscal year ended May 31, 2007 are consolidated data for Pasona Inc. The data for the periods commencing the fiscal year ended May 31, 2008 and beyond are consolidated data for Pasona Group Inc.

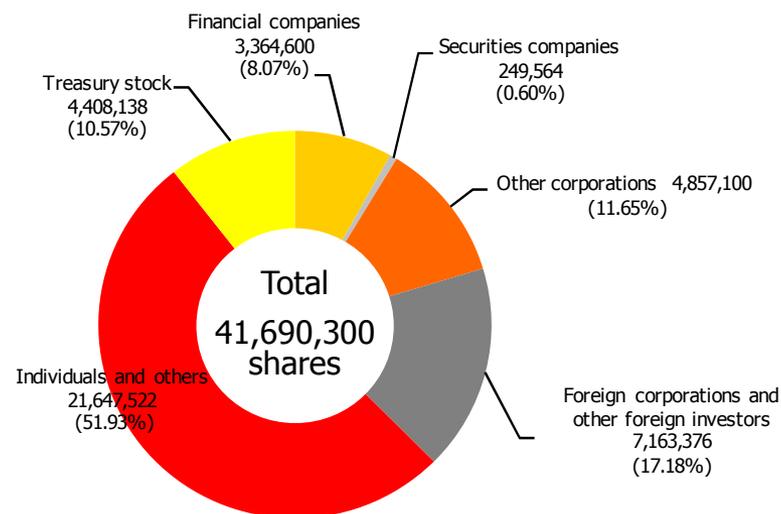
4. Profit attributable to owners of parent for FY15 is equal to net income for FY01-14.

Stock Information (As of May 31, 2016)

Breakdown of Shareholders by Type



Breakdown of Shareholders by Number of Share Held



Principal Shareholders

	No. of Shares Held	%
Yasuyuki Nambu	14,763,200	35.41%
Pasona Group Inc.	4,408,138	10.57%
Nambu Enterprise Inc.	3,737,800	8.97%
Goldman Sachs International	2,078,862	4.99%
BNYM TREATY DTT 10	1,341,800	3.22%
Credit Suisse AG Hong Kong Trust A/C Client	1,227,000	2.94%
The Master Trust Bank of Japan, Ltd (Trust Account)	711,300	1.71%
Pasona Group Employees' Shareholding Association	689,300	1.65%
Trust & Custody Services Bank, Ltd. (Trust Account E)	485,000	1.16%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	433,800	1.04%

The Company's treasury stock (4,408,138 shares, 10.57% of total issued shares) ranked second. In accordance with Article 308.2 of the Corporations Law, there are no voting rights attached to treasury stock.

Group Companies (by segment)

Expert Services, Insourcing HR Consulting, Education and Training, Others

Pasona Inc.	KIS Co.,Ltd.	
Pasona Tech, Inc.	CAPLAN Corporation	
Pasona Okayama Inc.	YASKAWA BUSINESS STAFF CORPORATION	
PASONA LOGICOM Inc.	Bewith, Inc.	
Pasona Marketing, Inc.	Asahi Beer Communications Co, Ltd.	
Pasona Agri-Partners Inc.	Pasona Medical Inc.	
ECOLOVE Inc.	Pasona Panasonic Business Service Co.,Ltd	
Nihon Employment Creation Organization Inc.		
Pasona Tech Systems Inc.	e-Staffing Co., Ltd.*	
Shin nihon kogyo Co.,Ltd.	Pasona Knowledge Partner Inc.	
Pasona Tquila Inc.	Pasona Cyber Lab, Inc.*	
Pasona OGXA Inc.		Other

Global Sourcing

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

Career Solutions

Pasona Inc.	Pasona Fortune Inc.	Other
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Outsourcing

Benefit One Inc.
Benefit one Health care Inc.
Benefit One Solutions Inc.
Benefit One Payroll Inc.
Benefit One Asia Pte. Ltd.
Benefit One Shanghai Inc.
Benefit One USA, Inc.
Benefit One (Thailand) Co., Ltd.
PT. BENEFIT ONE INDONESIA
Benefit One Deutschland GmbH
Chunghwa Benefit One Co., Ltd.*
National Examination Center Inc.*

Life Solutions

Pasona Foster Inc.
Pasona Life Care Inc.

Public Solutions

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

- Consolidated subsidiaries 58
- Equity-method affiliates 4*

Corporate Data

Tokyo Stock Exchange, 1st Section 2168

Corporate Name	Pasona Group Inc.	
Headquarters	Shin Marunouchi Bldg. 1-5-1, Marunouchi, Chiyoda-ku, Tokyo 100-6514	<u>Comprehensive Group office</u> Otemachi 2-6-4 Chiyoda-ku, Tokyo 100-8228 Phone 03-6734-0200
Established	December 3, 2007 (Founding February 1976)	
Paid-in Capital	5,000 million yen	
Representative	Yasuyuki Nambu	
Business Activities	Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, education and training, others Global Sourcing (Overseas) Career Solutions (Placement/Recruiting, Outplacement) Outsourcing Life Solutions, Public Solutions	
Number of Employees	8,550 (Consolidated, including contract workers) (As of May 31, 2016)	
Consolidated Group Companies	Subsidiaries 58 , Affiliates 4	
URL	www.pasonagroup.co.jp/english/	

(As of Aug 31, 2016)