PASONA

Pasona Group Inc.
1-5-1 Marunouchi, Chiyoda-ku, Tokyo
Listing Code No.: 2168
Listing: First Section, Tokyo Stock Exchange
www.pasonagroup.co.jp/english

Summary

January 8, 2010

Consolidated Financial Report

1st Half of the Fiscal Year Ending May 31, 2010
(The six-month period ended November 30, 2009)

- **Despite initial indications that the downturn in the Temporary staffing business seems to have bottomed out, these positive signs are yet to represent recovery. This can be attributed to conditions throughout the six-month period ended November 30, 2009 which included an ongoing sense of human resource over-supply in the corporate sector and the continued slump in Placement / Recruiting business demand**
- **Significant increase in demand in the Outplacement business; the Insourcing (contracting) business also continued to expand**
- **Despite the underlying strength provided by significant revenue growth in the Outplacement business, gross profit margins decreased. This was attributable to the increased take up of paid holidays by temporary staff as well as other factors, in addition to the drop in earnings due mainly to a decline the revenues of the Temporary Staffing and Placement / Recruiting businesses**
- **Substantial cut back in selling, general and administrative (SG&A) expenses focusing mainly on recruitment expenditure as well as personnel and other expenses**
- **Considerable net loss recorded for the six-month period ended November 30, 2009 reflecting such factors as an upswing in consolidated subsidiary minority interests in income and the increase in income taxes — deferred attributable to the reversal of the deferred tax assets of certain subsidiary companies**

【1】Consolidated Business Results
Six months ended November 30, 2009

(Millions of yen rounded down)

	6M FY2009	**6M FY2010**	Increase / (Decrease)	YoY
Net sales	116,086	**92,069**	(24,016)	(20.7)%
Gross profit	23,197	**17,689**	(5,508)	(23.7)%
to net sales	20.0%	**19.2%**	(0.8)%	-
SG&A expenses	21,598	**16,784**	(4,814)	(22.3)%
to net sales	18.6%	**18.2%**	(0.4)%	-
Operating income	1,598	**905**	(693)	(43.4)%
to net sales	1.4%	**1.0%**	(0.4)%	-
Ordinary income	1,803	**933**	(870)	(48.3)%
to net sales	1.6%	**1.0%**	(0.6)%	-
Income before income taxes	1,601	**877**	(724)	(45.3)%
to net sales	1.4%	**1.0%**	(0.4)%	-
Net income (loss)	203	**(1,696)**	(1,900)	-
to net sales	0.2%	**(1.8)%**	(2.0)%	-

Overview of Business Results

- Consolidated net sales declined 20.7% compared with the corresponding period of the previous fiscal year to ¥92,069 million. Despite growth in the Outplacement as well as Insourcing (contracting) businesses, this downturn in revenue was largely attributable to weak performances in each of the Temporary staffing and Placement / Recruiting businesses.
- Despite the underlying strength provided by significant revenue growth in the Outplacement business, the gross profit margin contracted 0.8 of a percentage point year on year to 19.2%. Gross profit decreased 23.7% compared with the corresponding period of the previous fiscal year. In addition to the decline in revenues in the Temporary Staffing and Placement / Recruiting businesses, this downturn in profits was exacerbated by an increase in the take up of temporary staffing paid holidays.

- In the area of SG&A expenses, the Pasona Group worked diligently to curtail costs focusing mainly on recruitment and personnel expenses. SG&A expenses declined substantially by ¥4,814 million, or 22.3%, compared with the corresponding period of the previous fiscal year. Unable to offset the downturn in gross profit, the Pasona Group reported a consolidated operating income decline of 43.4% and a consolidated ordinary income contraction of 48.3% year on year.
- After accounting for an upswing in consolidated subsidiary minority interests in income and the increase in income taxes — deferred attributable to the reversal of the deferred tax assets of certain subsidiary companies, the Pasona Group recorded a net loss for the period under review of ¥1,696 million.

【2】Segment Information (Figures include intersegment sales and transfers)

(Millions of yen rounded down unless otherwise stated)

	6M FY2009	**6M FY2010**	Increase / (Decrease)	YoY
Temporary staffing / Contracting, Placement / Recruiting	105,161	**79,658**	(25,503)	(24.3)%
Temporary staffing / Contracting	101,665	**78,239**	(23,425)	(23.0)%
Placement / Recruiting	3,496	**1,418**	(2,078)	(59.4)%
Outplacement	2,893	**5,179**	2,285	79.0%
Outsourcing	7,479	**6,758**	(720)	(9.6)%
Other	1,287	**2,122**	834	64.8%
Eliminations and Corporate	(735)	**(1,648)**	(912)	-
Total Net Sales	116,086	**92,069**	(24,016)	(20.7)%
Temporary staffing / Contracting, Placement / Recruiting	2,025	**281**	(1,744)	(86.1)%
Outplacement	618	**1,614**	996	161.1%
Outsourcing	758	**663**	(94)	(12.5)%
Other	24	**(107)**	(131)	-
Eliminations and Corporate	(1,828)	**(1,547)**	281	-
Total Operating Income	1,598	**905**	(693)	(43.4)%

Note: Expenses of the holding company are recorded as corporate expenses within eliminations and corporate.

Temporary staffing / Contracting, Placement / Recruiting

(Pasona Inc., Pasona Tech, Inc., Pasona Career Inc., Others)

Temporary staffing / Contracting **Net sales:** ¥78,239 million (Down 23.0% YoY)

- The drop in new orders received, particularly from the finance, service and other sectors, continued to bottom out. At the same time, signs appear to have arisen indicating that the recent round of temporary staffing contract completions seems to have come to an end.
- Due to the persistent sense of human resource over-supply in corporate-sector, these favorable factors failed to achieve recovery. In addition, the Group's downturn in Temporary staffing revenues can be attributable to the ongoing decline in temporary staffing numbers under contract, cutbacks in the amount of overtime approved by client firms and the take-up of paid holidays by temporary staff.
- Activity in the general office work (clerical) field remained weak. Difficult conditions were exacerbated by the increase in contracts fulfilled in deregulated fields such as sales and marketing.
- The merger with MITSUI BUSSAN HUMAN RESOURCES CORPORATION in July 2009, designed to bolster the Group's specialized (technical) temporary staffing endeavors contributed to growth in the trading office-related business together with successful efforts to minimize the depth of decline in technical (specialized office work) fields compared with other job types.
- Buoyed by steady trends in commissioned reception, administrative and call center operations and an increase in the number of new contracts particularly from the public sector, sales in the priority "Insourcing (contracting)" business climbed 24.0% compared with the corresponding period of the previous fiscal year to ¥6,034 million.

Note: For the monthly average of long-term temporary staff and Temporary staffing / Contracting — sales by staffing type data, please refer to page 6.

Placement / Recruiting **Domestic sales:** ¥1,117 million (Down 61.4% YoY)
Overseas sales: ¥301 million (Down 50.1% YoY)

- In the domestic Placement and Recruiting business overall recruitment activities remain subdued. In addition to the slump in temp-to-perm business demand, the matching of needs and demand is becoming increasingly difficult as selection standards continue to rise.
- Turning to overseas activities, results remained weak. On this basis, overall sales in this segment dropped substantially.

Operating income: Temporary staffing / Contracting, Placement / Recruiting segment

- Decline in gross profit margins attributable to the considerable decrease in gross profit reflecting the impact of lower revenue in the Temporary staffing and Placement / Recruiting businesses. Gross profit margins were also impacted by the increased take up of paid holidays by temporary staff and other factors.
- Significant cutbacks in SG&A expenses, focusing mainly on recruiting and personnel expenditures, were insufficient to offset the decline in gross profit. As a result, segment sales contracted 24.3% compared with the corresponding period of the previous fiscal year to ¥79,658 million. Operating income amounted to ¥281 million, a drop of 86.1% year on year.

Outplacement (Pasona Career Inc., Others)

Net sales: ¥5,179 million (Up 79.0% YoY)
Operating income: ¥ 1,614 million (Up 161.1% YoY)

- Substantial increase in orders reflecting such employment correction measures as optional early and voluntary retirement together with additional employment adjustment initiatives and other endeavors.
- The Pasona Group took steps to increase the number of consultants by relocating personnel from the Placement / Recruiting and other businesses, worked to maintain service levels and strove to cultivate companies seeking external human resources.

Outsourcing (Benefit One Inc.)

Net sales: ¥6,758 million (Down 9.6% YoY)
Operating income: ¥ 663 million (Down 12.5% YoY)

- Benefit One Inc. continues to promote customers' solution-oriented marketing to its corporate member customers including major companies as well as government and other public offices, while placing considerable weight on delivering employee benefit services that take into consideration work and lifestyle balance.
- The company continues to promote a host of new services in the health care field that caters to statutory special medical checkups, and the "Customer Loyalty Program" (a goods and services supply program designed to increase the level of customer satisfaction).
- From a profit perspective, results progressed steadily against plans in spite of greater than expected delays in the launch of new services.

Other

- Results from the Group's education business activities including child-care-related businesses and the management and operation of language classes as well as from Group shared service companies is included in other business sales.
- Reflecting the promotion of shared services, the Pasona Group established two new companies in this field during the previous fiscal year. As a result, sales in the Other segment increased substantially.

【3】Status of Financial Position and Investments

Changes in Financial Position (Consolidated)

(Millions of yen rounded down unless otherwise stated)

	May 31, 2009	**November 30, 2009**	Increase / (Decrease)	YoY	Causes for difference
Current assets	37,358	**27,033**	(10,324)	(27.6)%	The decline in total assets was mainly attributable to such factors as the decrease of ¥7,237 million in the balance of cash and deposits as well as the decline of ¥1,489 million in the balance of accounts receivable－trade.
Noncurrent assets	18,110	**15,832**	(2,277)	(12.6)%	
Total assets	55,468	**42,866**	(12,601)	(22.7)%	
Current liabilities	28,834	**18,248**	(10,585)	(36.7)%	The fall in total liabilities was mainly attributable to a decline in short-term loans payable of ¥6,166 million, accrued expenses of ¥1,733 million, as well as accounts payable — trade of ¥839 million.
Noncurrent liabilities	1,485	**2,120**	635	42.8%	
Total liabilities	30,319	**20,368**	(9,950)	(32.8)%	
Total net assets	25,148	**22,497**	(2,651)	(10.5)%	The decline in net assets was mainly attributable to the net loss of ¥1,696 million and the payment of cash dividends totaling ¥233 million.

Status of Consolidated Cash Flows

Cash and cash equivalents as of November 30, 2009 decreased ¥7,471 million compared with the end of the previous fiscal year to ¥6,648 million.

(Millions of yen rounded down)

	6M FY2009	**6M FY2010**	Increase / (Decrease)	Major cash flows in each activity
CF from operating activities	609	**(1,235)**	(1,845)	Mainly attributable to a decline in notes and accounts receivable-trade of ¥1,867 million, a decrease in operating debt of ¥2,667 million as well as a decrease in deposits received of ¥1,663 million.
CF from investing activities	(1,856)	**(25)**	1,830	The major components included purchase of investments in subsidiaries of ¥731 million as well as proceeds from collection of lease and guarantee deposits totaling ¥1,555 million.
CF from financing activities	(2,184)	**(6,180)**	(3,995)	Major movements included the decrease in short-term loans payable of ¥6,290 million. Other principal movements were proceeds from long-term loans payable of ¥649 million and cash dividends paid of ¥509 million.
Free CF	(1,247)	**(1,261)**	(14)	

【4】FY2010 Revised Consolidated Forecasts of Business Results (June 1, 2009 to May 31, 2010)

Looking ahead over the short term, the unemployment rate is projected to hover at its current high rate, with little or no sign of an improvement in employment conditions. To make matters worse, such government measures as the employment adjustment subsidy (a measure by the government to support employment levels) have contributed to a persistent sense of human resource over-supply in the corporate sector. In addition to the implementation of employment correction measures, there are companies that are overhauling their operating structures and systems. At the same time, a growing number of companies are taking steps to efficiently utilize external human resources.

Against this backdrop, continued human resource over-supply throughout the corporate sector was greater than first expected at the beginning of the period. As a result, overall operating conditions were characterized by cutbacks in new temporary staffing demand. Currently, however, the drop in new orders has tended to bottom out. Reflecting a commensurate lull in the most recent round of temporary staffing contract completions, employment markets would appear to be heading toward a modest recovery. In the future, however, the possibility of a further deterioration in economic conditions leading to a double-dip recession cannot be completely denied. On this basis, it is anticipated that further adjustments in employment will be necessary to resolve corporate sector over-supply. In the process required to complete this cycle, steps will be taken to promote human resource mobility. On this basis, the Pasona Group does anticipate an eventual recovery in demand for external human resources focusing mainly on the Temporary staffing business. Turning to the Outplacement business, further future increases in demand are anticipated.

Notwithstanding the aforementioned favorable scenario, Pasona Group has decided to revise downward its forecasts for the full fiscal year ending May 31, 2010 taking into consideration business results trends in the short term. In specific terms, the substantial drop in net income relative to ordinary income is attributable to a variety of factors including the increase in minority interests in income of a consolidated subsidiary as well as the reversal of the deferred tax assets of certain subsidiaries. Moreover, in line with Group company reorganization, Pasona Career will amend its account settlement date from March 31 each year to May 31 each year. Accordingly, and for the fiscal year under review only, the Group's business results on a consolidated basis will include the irregular account settlement of 14 months for Pasona Career. The impact of this Group company reorganization has been factored into revisions to full fiscal year business results forecasts.

(Millions of yen rounded down)

	Full-Year Revised Forecasts	vs FY2009		vs Initial Forecasts		Full-Year Initial Forecasts
		Increase/ (Decrease)	YoY	Increase/ (Decrease)	YoY	
Net sales	**191,700**	(26,999)	(12.3)%	(32,690)	(14.6)%	**224,390**
Operating income	**3,000**	149	5.2%	(540)	(15.3)%	**3,540**
Ordinary income	**3,300**	(61)	(1.8)%	(390)	(10.6)%	**3,690**
Net income	**200**	(112)	(36.0)%	(810)	(80.2)%	**1,010**

Revised Forecasts of Consolidated Results by Business Segment (Full Fiscal Year)

(Millions of yen rounded down unless otherwise stated)

	Net Sales	YoY		Operating Income(loss)	YoY	
		Increase/(Decrease)	%		Increase/(Decrease)	%
Temporary staffing / Contracting, Placement / Recruiting	162,910	(34,423)	(17.4)%	1,060	(2,231)	(67.8)%
Temporary staffing / Contracting	159,660	(31,752)	(16.6)%			
Placement / Recruiting	3,250	(2,671)	(45.1)%			
Outplacement	12,510	6,715	115.9%	2,770	1,744	170.1%
Outsourcing	15,000	274	1.9%	2,330	194	9.1%
Other	4,660	1,657	55.2%	(160)	(172)	-
Eliminations and Corporate	(3,380)	(1,224)	-	(3,000)	614	-
Total	191,700	(26,999)	(12.3)%	3,000	149	5.2%

【5】Revised Cash Dividends for the Fiscal Year Ending May 31, 2010

(June 1, 2009 to May 31, 2010)

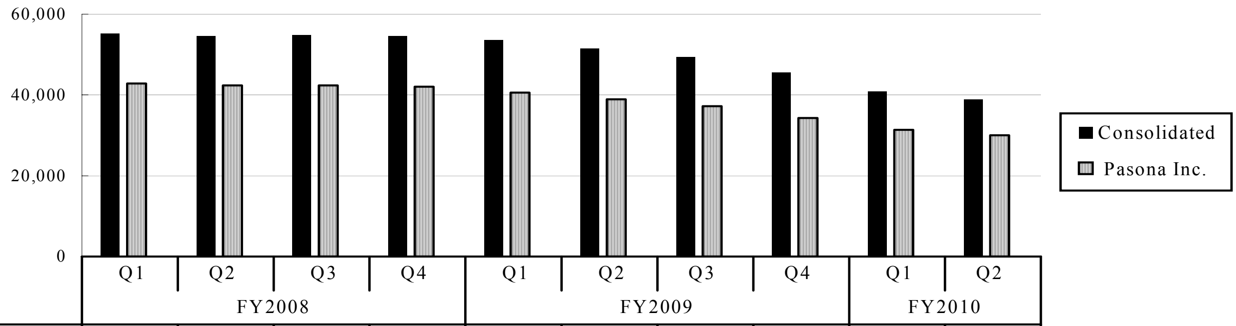
With a deep sense of regret, Pasona Group will forego the payment of an interim cash dividend. Regarding the payment of a fiscal year-end cash dividend, a decision is yet to be determined. The Company will announce its fiscal year-end cash dividend forecast in due course taking into consideration future business result trends.

	FY2009			**FY2010 (Forecast)**		
Dividends per share	Interim ¥600	Year-End ¥650	Full-Year ¥1,250	**Interim** -	**Year-End** TBD	**Full-Year** TBD
Total amount of cash dividend (Millions of yen)	215	233	448	-		

Reference Data

◆ Monthly Average of Long-term Temporary Staff

(Average per quarter of long-term temporary staff with a contract over one month)



	FY2008				FY2009				FY2010	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Consolidated	55,168	54,619	54,758	54,573	53,615	51,518	49,406	45,535	40,866	38,932
YoY(%)	6.9	3.3	(1.5)	(4.1)	(2.7)	(5.5)	(9.7)	(16.6)	(23.8)	(24.4)
Pasona Inc.	42,825	42,350	42,387	42,073	40,607	38,923	37,242	34,295	31,384	30,019
YoY(%)	5.1	1.6	(3.3)	(5.7)	(5.2)	(8.1)	(12.1)	(18.5)	(22.7)	(22.9)

◆ Temporary staffing / Contracting - Consolidated sales by staffing type

(Excludes intrasegment sales)

(Millions of yen rounded down)

	6M FY2009	6M FY2010				
		Net Sales	Share	Increase / (Decrease)	Increase / (Decrease)	YoY
Clerical (General office work)	54,206	**40,782**	52.3%	(1.1)%pt	(13,424)	(24.8)%
Technical (Specialized office work)	16,962	**13,336**	17.1%	0.4%pt	(3,595)	(21.2)%
IT engineering	11,544	**8,999**	11.5%	0.1%pt	(2,545)	(22.0)%
Sales and Marketing	8,322	**5,372**	6.9%	(1.3)%pt	(2,950)	(35.4)%
Other	5,503	**3,401**	4.4%	(1.0)%pt	(2,101)	(38.2)%
Insourcing (contracting)	4,860	**5,997**	7.7%	2.9%pt	1,136	23.4%
Temporary staffing related	96	**69**	0.1%	0.0%pt	(27)	(28.3)%
Total	101,497	**77,989**	100.0%	-	(23,507)	(23.2)%

◆ Quarterly Earnings Trends

(Millions of yen rounded down)

	FY2009				**FY2010**			
	Q1	Q2	Q3	Q4	**Q1**	**Q2**	Q3	Q4
Net sales	59,136	56,950	52,531	50,082	47,161	**44,908**	-	-
YoY	(2.2)%	(3.5)%	(9.8)%	(15.4)%	(20.2)%	**(21.1)%**	-	-
Cost of sales	47,373	45,514	41,976	40,249	38,326	**36,053**	-	-
YoY	(2.1)%	(2.7)%	(7.9)%	(14.0)%	(19.1)%	**(20.8)%**	-	-
Gross profit	11,762	11,435	10,554	9,833	8,834	**8,855**	-	-
YoY	(2.9)%	(6.5)%	(16.7)%	(20.4)%	(24.9)%	**(22.6)%**	-	-
SG&A expenses	10,902	10,696	9,986	9,149	8,968	**7,815**	-	-
YoY	3.0%	0.1%	(6.3)%	(16.8)%	(17.7)%	**(26.9)%**	-	-
Operating income (loss)	860	738	567	683	(134)	**1,039**	-	-
YoY	(43.8)%	(52.1)%	(71.8)%	(49.6)%	-	**40.7%**	-	-
Ordinary income (loss)	909	894	527	1,029	(119)	**1,052**	-	-
YoY	(42.6)%	(42.7)%	(73.5)%	(31.3)%	-	**17.6%**	-	-
Income (loss) before income taxes	990	610	11	1,272	(155)	**1,032**	-	-
YoY	(36.4)%	(58.7)%	(99.6)%	34.1%	-	**69.0%**	-	-
Net income (loss)	313	(110)	(810)	919	(1,102)	**(594)**	-	-
YoY	(60.6)%	-	-	50.1%	-	-	-	-