PASONA

January 8, 2010

CONSOLIDATED FINANCIAL REPORT

FIRST HALF OF THE FISCAL YEAR ENDING MAY 31, 2010
(THE SIX-MONTH PERIOD ENDED NOVEMBER 30, 2009)

Stock exchange on which shares are listed: The First Section of the Tokyo Stock Exchange
Securities code number: 2168
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Scheduled filing date of the second quarter consolidated financial report: January 14, 2010

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

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results Six months ended November 30, 2009

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

	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)	
		%		%		%		%
FY2010 First Half	92,069	(20.7)	905	(43.4)	933	(48.3)	(1,696)	—
FY2009 First Half	116,086	—	1,598	—	1,803	—	203	—

	Net Income (Loss) per Share	Diluted Net Income per Share
	Yen	Yen
FY2010 First Half	(4,730.99)	—
FY2009 First Half	521.44	503.70

(2) Changes in Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
November 30, 2009	42,866	22,497	41.3	49,323.33
May 31, 2009	55,468	25,148	35.4	54,751.17

(Reference) Equity as of November 30, 2009: ¥17,689 million As of May 31, 2009: ¥19,636 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
FY2009	—	600.00	—	650.00	1,250.00
FY2010	—	—	—	—	—
FY2010 (Forecast)	—	600.00	—	(Note)	(Note)

(Notes)
1. Revision to dividend forecast in the current quarter: No
2. The projected amount of the fiscal year-end dividend for the fiscal year ending May 31, 2010 has notyet been determined.

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2010

June 1, 2009 to May 31, 2010

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	191,700	(12.3)	3,000	5.2	3,300	(1.8)	200	(36.0)	551.50

(Note) Revision to forecast of results in the current quarter: No

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) Application of the Simplified Accounting Method and Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements: None

(3) Changes in Accounting Principles, Procedures, Disclosure Methods and Related Standards in Connection with the Preparation of Quarterly Consolidated Financial Statements (Recorded under "Changes in Important Items Considered Fundamental to the Preparation of Quarterly Consolidated Financial Statements")

i. Changes in line with revisions to accounting and other standards: None
ii. Changes in items other than 1. above: None

(4) Number of Shares Issued and Outstanding (Common Shares)

i. The number of shares issued and outstanding as of the period-end (including treasury stock)
November 30, 2009: 416,903 shares May 31, 2009: 416,903 shares

ii. The number of treasury stock as of the period-end
November 30, 2009: 58,253 shares May 31, 2009: 58,253 shares

iii. Average number of shares for the period (Cumulative total for the first six-month consolidated period)
FY2010 First Half: 358,650 shares
FY2009 First Half: 390,657 shares

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.

On December 18, 2009, the Pasona Group announced revisions to its business results forecasts for the fiscal year ending May 31, 2010. In addition to relevant information disclosed on a timely basis, please refer to "Qualitative Information / Financial Statements and Other 3. Qualitative Information and Other Matters Concerning Consolidated Forecasts" on page 7 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2010.

Implementing the return of profits to shareholders based on the Company's business results is a fundamental policy of Pasona Group. As a part of this policy, the Company targets a consolidated cash dividend payout ratio of 25% while at the same time making every effort to ensure the continuous and stable payment of cash dividends. With a deep sense of regret, however, the Company has decided to forego the payment of an interim cash dividend. This decision reflects the net loss incurred for the first half of the fiscal year ending May 31, 2010 attributable to a number of factors including the reversal of deferred tax assets. As for the fiscal year-end cash dividend, a forecast is yet to be determined. Pasona Group will announce its fiscal year-end cash dividend forecast in due course taking into consideration future business result trends.

Qualitative Information / Financial Statements and Other

1. Qualitative Information Concerning Consolidated Business Results

Business Results for the First Half of the Fiscal Year Ending May 31, 2010

Throughout the first half of the fiscal year ending May 31, 2010, the six-month period from June 1, 2009 to November 30, 2009, a sense of uncertainty with regard to the future continued to plague the Japanese economy. This was despite signs of a partial recovery on the back of a pickup in exports. From an employment perspective, conditions remained bleak. Reflecting the payment of employment adjustment subsidies (a measure by the government to support employment levels), there was a persistent sense of human resource over-supply in the corporate-sector that underpinned continued high rates of unemployment.

Under these circumstances, the Group's overall operating environment was difficult. Despite indications that the drop in new orders most notably from the finance and service sectors seems to have bottomed out, the pickup in the Temporary Staffing business fell short of recovery. This was attributable to the ongoing sense of human resource over-supply in corporate-sector. In its Placement and Recruiting business, Pasona Group experienced a prolonged slump in demand. On a positive note, however, activity increased substantially in the Outplacement business reflecting steps by the corporate sector to correct employment. In the mainstay Insourcing (contracting) field, business continued to expand as companies throughout the corporate sector overhauled their operating structures and systems. Taking into account the aforementioned business trends, consolidated net sales for the first half of the fiscal year ending May 31, 2010 declined 20.7% compared with the corresponding period of the previous fiscal year to ¥92,069 million.

On the earnings front, results generally mirrored the Group’s net sales trends. Despite the underlying strength provided by significant revenue growth in the Outplacement business, the gross profit margin contracted 0.8 of a percentage point compared with the corresponding period of the previous fiscal year to 19.2%. Gross profit for the six-month period ended November 30, 2009 amounted to ¥17,689 million, a year-on-year drop of 23.7%. In addition to the decline in revenues in the Temporary Staffing as well as Placement and Recruiting businesses, this downturn in profits was exacerbated by an increase in the take up of temporary staffing paid holidays. Turning to selling, general and administrative (SG&A) expenses, the Pasona Group continued with efforts aimed at further reducing operating costs. Focusing mainly on cutbacks in recruitment, personnel and related expenses, SG&A expenses fell ¥4,814 million, or 22.3%, compared with the corresponding period of the previous fiscal year to ¥16,784 million. Despite this substantial improvement, the Pasona Group was unable to fully offset the drop in gross profit. For the first half of the fiscal year ending May 31, 2010, the Pasona Group therefore reported consolidated operating income of ¥905 million, a decline of 43.4%. Consolidated ordinary income dropped 48.3% year on year to ¥933 million.

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 compared with net income of ¥203 million for the corresponding period of the previous fiscal year.

Consolidated Business Results

(Millions of yen unless otherwise stated)

	Six months ended November 30, 2009	Six months ended November 30, 2008	YoY
Net sales	92,069	116,086	(20.7)%
Operating income	905	1,598	(43.4)%
Ordinary income	933	1,803	(48.3)%
Net income (loss)	(1,696)	203	—

Segment Information (Figures include intrasegment sales)

(1) Temporary staffing / Contracting, Placement / Recruiting

Sales: ¥79,658 million; Operating income: ¥281 million

(Temporary staffing / Contracting) Sales: ¥78,239 million

In the Temporary staffing and Contracting business in which the Pasona Group focuses largely on general office work, the drop in new orders received, particularly from the finance, service and other sectors, continued to bottom out. At the same time, indications appear to have arisen that the recent round of temporary staffing contract completions seems to have come to an end. Buffeted, however, by a 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.

By job type, activity in the general office work (clerical) field remained weak. The merger with MITSUI BUSSAN HUMAN RESOURCES CORPORATION, designed to bolster the Group's specialized (technical) temporary staffing endeavors, on the other hand, contributed to growth in the trading office-related business. Taking the aforementioned into consideration, the Pasona Group was able to minimize the depth of decline in technical (specialized office work) fields compared with other job types. In contrast, the size of the downturn in other fields increased reflecting the negative impact of temporary staffing contracts completed in such deregulated fields as sales and marketing.

In the Pasona Group's priority "Insourcing (contracting)" business, results benefited from the positive flow-on effects of the corporate sector's efforts to improve operating efficiency, steady trends in commissioned reception, administrative and call center operations and an increase in the number of new contracts particularly from public sector. Taking the aforementioned factors into account, sales in this business segment climbed 24.0% compared with the corresponding period of the previous fiscal year to ¥6,034 million.

For the first half of the fiscal year ending May 31, 2010, collective sales in the Temporary staffing and Contracting business amounted to ¥78,239 million, a decrease of 23.0% year on year.

(Placement / Recruiting) Sales: ¥1,418 million

In the domestic Placement and Recruiting business overall corporate sector recruitment activities remained subdued. At the same time, the matching of needs and demand is becoming increasingly difficult as selection standards continue to rise. Coupled with the slump in temp-to-perm business demand, sales in this segment declined 61.4% compared with the corresponding period of the previous fiscal year to ¥1,117 million. Turning to overseas markets, weak demand continued to characterize Placement and Recruiting activities. For the six-month period ended November 30, 2009, segment sales outside of Japan fell 50.1% year on year to ¥301 million.

On this basis, overall sales in the Placement and Recruiting business segment were ¥1,418 million, a substantial drop of 59.4% compared with the corresponding period of the previous fiscal year.

Turning to segment earnings, in addition to the decline in gross profit attributable to the large-scale contraction in both Temporary staffing/Contracting and Placement/Recruiting sales, gross profit margins in this segment deteriorated due to a number of factors including the increase in paid holidays taken by temporary staff. Despite efforts to substantially contain such SG&A expenses as recruiting and personnel costs, overall sales in the Temporary staffing/Contracting and Placement/Recruiting segment for the period under review decreased 24.3% compared with the corresponding period of the previous fiscal year to ¥79,658 million. Operating income for the six-month period ended November 30, 2009 amounted to ¥281 million, a drop of 86.1% year on year.

(2) Outplacement

Sales: ¥5,179 million; Operating income: ¥1,614 million

Throughout the period under review, the corporate sector continued to promote such employment correction measures as optional early and voluntary retirement while implementing additional employment correction. Buoyed by these endeavors, orders received in the Outplacement business segment climbed substantially. Against this backdrop, 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. As a result, sales in this segment amounted to ¥5,179 million, a significant increase of 79.0% compared with the corresponding period of the previous fiscal year. Operating income also climbed substantially to ¥1,614 million, up 161.1% year on year.

(3) Outsourcing

Sales: ¥6,758 million; Operating income: ¥663 million

Benefit One Inc., a Pasona Group subsidiary company engaged in the provision of employee benefit outsourcing services, 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. Throughout the period under review, the company strengthened its multilayered service proposal structure and systems targeting both individual and corporate members. At the same time, Benefit One took steps to expand new service sales by augmenting its service lineup in the health care field that caters to statutory special medical checkups as well as the "Customer Loyalty Program" (a goods and services supply program designed to increase the level of customer satisfaction).

Despite the aforementioned, sales in the Outsourcing segment amounted to ¥6,758 million, a decrease of 9.6% compared with the corresponding period of the previous fiscal year. Operating income also declined 12.5% year on year to ¥663 million. While from a profit perspective results progressed steadily against plans, the Group's performance in this segment for the first half of the fiscal year ending May 31, 2010 is attributable to greater than expected delays in the launch of new services.

(4) Other

Sales: ¥2,122 million; Operating loss: ¥107 million

In the Other business segment, the Pasona Group is engaged in child-care-related businesses, such educational activities as the management and operation of language classes and shared service company activities within the Group. In the fiscal year ended May 31, 2009, the Group established two subsidiaries as a part of efforts to promote shared services. In the period under review, sales from these activities rose 64.8% compared with the corresponding period of the previous fiscal year to ¥2,122 million. On the earnings front, however, the Pasona Group incurred an operating loss totaled ¥107 million in this segment compared with operating income of ¥24 million for the six months ended November 30, 2008.

(5) Eliminations and Corporate

Negative revenues: ¥1,648 million; Operating income: ¥(1,547) million

Intragroup transactions and Pasona Group, the Group's pure holding company, SG&A expenses are included in eliminations and corporate. Focusing largely on rent as well as personnel expenses, the Pasona Group secured reductions in Group-wide costs for the first half of the fiscal year ending May 31, 2010.

Net Sales by Business Segment

(Millions of yen unless otherwise stated)

	Six months ended November 30, 2009	Six months ended November 30, 2008	YoY
Temporary staffing / Contracting, Placement / Recruiting	79,658	105,161	(24.3)%
Temporary staffing / Contracting	78,239	101,665	(23.0)%
Placement / Recruiting	1,418	3,496	(59.4)%
Outplacement	5,179	2,893	79.0%
Outsourcing	6,758	7,479	(9.6)%
Other	2,122	1,287	64.8%
Eliminations and Corporate	(1,648)	(735)	—
Total	92,069	116,086	(20.7)%

Operating Income (Loss) by Business Segment

(Millions of yen unless otherwise stated)

	Six months ended November 30, 2009	Six months ended November 30, 2008	YoY
Temporary staffing / Contracting, Placement / Recruiting	281	2,025	(86.1)%
Outplacement	1,614	618	161.1%
Outsourcing	663	758	(12.5)%
Other	(107)	24	—
Eliminations and Corporate	(1,547)	(1,828)	—
Total	905	1,598	(43.4)%

2. Qualitative Information and Other Matters Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

Total assets as of November 30, 2009 stood at ¥42,866 million, a drop of ¥12,601 million, or 22.7%, compared with the end of the previous fiscal year. This was mainly attributable to certain factors including a decrease of ¥7,237 million in the balance of cash and deposits as well as a decline of ¥1,489 million in the balance of accounts receivable－trade.

(2) Liabilities

Total liabilities as of November 30, 2009 fell ¥9,950 million or 32.8%, compared with May 31, 2009 totaling ¥20,368 million. This 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 compared with the previous fiscal year-end.

(3) Net Assets

Net assets as of November 30, 2009 stood at ¥22,497 million, a decline of ¥2,651 million, or 10.5%, compared with the end of the previous fiscal year. This was mainly attributable to the net loss of ¥1,696 million and the payment of cash dividends totaling ¥233 million.

Accounting for the aforementioned, the equity ratio as of November 30, 2009 increased 5.9 percentage points to 41.3% compared with the end of the previous fiscal year.

Status of Cash Flows

Cash and cash equivalents (hereafter "net cash") as of November 30, 2009 declined ¥7,471 million compared with the end of the previous fiscal year to ¥6,648 million.

(1) Cash Flows from Operating Activities

Net cash used in operating activities for the first half of the fiscal year ending May 31, 2010 amounted to ¥1,235 million. (Net cash provided by operating activities for the corresponding period of the previous fiscal year was ¥609 million.) This is mainly attributable to a decline in notes and accounts receivable — trade of ¥1,867 million and a decrease in operating debt of ¥2,667 million as well as a decrease in deposits received of ¥1,663 million.

(2) Cash Flows from Investing Activities

Net cash used in investing activities for the period under review was ¥25 million. (Net cash used in investing activities for the corresponding period of the previous fiscal year was ¥1,856 million.) The major components included purchase of investments in subsidiaries of ¥731 million as well as proceeds from the collection of lease and guarantee deposits totaling ¥1,555 million.

(3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥6,180 million. (Net cash used in financing activities for the corresponding period of the previous fiscal year was ¥2,184 million.) Principal cash outflows included a decrease in short-term loans payable of ¥6,290 million and cash dividends paid totaling ¥509 million. Major cash inflow was proceeds from long-term loans payable of ¥649 million.

3. Qualitative Information and Other Matters Concerning Consolidated Forecasts

Note: On December 18, 2009, the Pasona Group announced revisions to its business results forecasts for the fiscal year ending 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 with the aim of reducing fixed and other costs. 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, and particularly from the second half of the current term through to the fiscal year ending May 31, 2011 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. While recognizing that any pickup may take time, the Pasona Group does anticipate an eventual full-fledged recovery in demand for external human resources focusing mainly on the Temporary staffing business. Turning to the Outplacement business, corrections in employment by the corporate sector are also projected to continue. Compared with estimates set at the beginning of the period, the Pasona Group is experiencing a substantial improvement in performance. At the same time, further future increases in demand are anticipated.

Notwithstanding the aforementioned favorable scenario, Pasona Group has decided to revise downward its net sales forecast for the full fiscal year ending May 31, 2010. This is based on recent performance trends and the delay in realizing improved conditions compared with estimates identified at the beginning of the period.

From a profit perspective, however, and again in comparison with assumptions at the start of the fiscal year under review, earnings are experiencing a modest recovery. In addition to the improvement in gross profit margins attributable to the positive impact of a robust Outplacement business, operating income also reflects successful efforts to significantly reduce SG&A expenses. While Pasona Group will continue throughout the third quarter of the fiscal year under review and beyond to reduce costs, there are, however, limited prospects that it will be in a position to offset the drop in gross profit due to the estimated shortfall in comparison with net sales plans. On this basis, the Company has therefore decided to revise downward its full fiscal year forecasts for operating income, ordinary income and net income. 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.

<u>Consolidated business results forecasts for the fiscal year ending May 31, 2010</u>

Net Sales	¥191,700	million, a year-on-year decrease of 12.3%
Operating Income	¥3,000	million, a year-on-year increase of 5.2%
Ordinary Income	¥3,300	million, a year-on-year decrease of 1.8%
Net Income	¥200	million, a year-on-year decrease of 36.0%

In another major initiative by the Group, consolidated subsidiaries Pasona Inc. and Pasona Career Inc. will merge on March 1, 2010 with the aim of building a highly competitive organizational structure that takes full advantage of the steady demand for personnel. In this manner, the Pasona Group is shifting to a structure and system that is capable of delivering one-stop human resource services that fully address the diverse and sophisticated needs of customers. In tune with the establishment in January 2010 of a comprehensive Group office, the Pasona Group will take steps to further bolster its Group-wide marketing capabilities. At the same time, every effort will be made to streamline internal administrative operations with a view to further enhancing efficiency. Through these and other collective means, the Group will promote measures to further strengthen management.

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.

4. Other

(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) Application of the Simplified Accounting Method and Accounting Procedures Specific to the Preparation of Quarterly Consolidated Financial Statements

None

(3) Changes in Accounting Principles, Procedures, Disclosure Methods and Related Standards in connection with the Preparation of Quarterly Consolidated Financial Statements

None

(4) Additional information

(Accounting method for subsidy income)

Historically, subsidy income has been recorded as non-operating income for accounting purposes. Taking into consideration the growing importance of the development support and training directed toward the agriculture, forestry and fisheries sectors conducted by workers in other industries, as well as efforts by Japan's Ministry of Agriculture, Forestry and Fisheries to put into effect its policy initiatives and to further distinguish the subsidy of operating costs in this area, the Pasona Group has decided to adopt an accounting method that offsets subsidy income against SG&A expenses effective from the first quarter of the fiscal year ending May 31, 2010. As a result, for the first half of the fiscal year ending May 31, 2010, SG&A expenses decreased by ¥47 million and operating income increased ¥47 million compared with the previously implemented accounting method. The impacts of the adoption of this revised accounting method have also been recorded on an individual business segment basis.

5. Consolidated Financial Statements

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As of November 30, 2009	As of May 31, 2009
ASSETS		
Current assets		
Cash and deposits	7,181	14,419
Notes and accounts receivable－trade	17,459	18,948
Other	2,462	4,069
Allowance for doubtful accounts	(69)	(80)
Total current assets	27,033	37,358
Noncurrent assets		
Property, plant and equipment	4,863	5,029
Intangible assets		
Goodwill	612	331
Other	3,168	3,410
Total intangible assets	3,781	3,741
Investments and other assets		
Other	7,572	9,728
Allowance for doubtful accounts	(33)	(38)
Allowance for investment loss	(350)	(350)
Total investments and other assets	7,187	9,338
Total noncurrent assets	15,832	18,110
Total assets	42,866	55,468

(Millions of yen)

	As of November 30, 2009	As of May 31, 2009
LIABILITIES		
Current liabilities		
Accounts payable－trade	729	1,568
Short-term loans payable	235	6,401
Current portion of bonds	36	36
Accrued expenses	7,224	8,957
Income taxes payable	846	830
Provision for bonuses	1,272	1,650
Provision for directors' bonuses	3	7
Other	7,901	9,382
Total current liabilities	18,248	28,834
Noncurrent liabilities		
Bonds payable	146	164
Long-term loans payable	519	4
Provision for retirement benefits	897	872
Provision for directors' retirement benefits	303	306
Other	254	136
Total noncurrent liabilities	2,120	1,485
Total liabilities	20,368	30,319
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,284	6,517
Retained earnings	11,298	12,995
Treasury stock	(4,799)	(4,799)
Total shareholders' equity	17,783	19,713
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7	0
Foreign currency translation adjustment	(100)	(77)
Total valuation and translation adjustments	(93)	(76)
Minority interests	4,807	5,512
Total net assets	22,497	25,148
Total liabilities and net assets	42,866	55,468

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six months ended November 30, 2008	Six months ended November 30, 2009
Net sales	116,086	92,069
Cost of sales	92,888	74,380
Gross profit	23,197	17,689
Selling, general and administrative expenses	21,598	16,784
Operating income	1,598	905
Non-operating income		
Interest income	20	6
Equity in earnings of affiliates	18	36
Subsidy income	151	―
Other	88	65
Total non-operating income	278	108
Non-operating expenses		
Interest expenses	21	21
Commitment fee	18	25
Other	34	33
Total non-operating expenses	73	80
Ordinary income	1,803	933
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Gain on sales of investment securities	87	―
Gain on sales of subsidiaries and affiliates' stocks	―	0
Reversal of allowance for doubtful accounts	―	8
Reversal of loss on liquidation of subsidiaries and affiliates	―	18
Total extraordinary income	87	28
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	77	79
Loss on sales of investment securities	75	―
Loss on valuation of investment securities	99	0
Impairment loss	11	―
Loss on change in equity	―	4
Other	25	―
Total extraordinary loss	289	84
Income before income taxes	1,601	877
Income taxes―current	1,018	831
Income taxes―deferred	63	1,408
Income taxes	1,081	2,240
Minority interests in income	316	333
Net income (loss)	203	(1,696)

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Six months ended November 30, 2008	Six months ended November 30, 2009
Cash flows from operating activities		
Income before income taxes	1,601	877
Depreciation and amortization	845	856
Impairment loss	11	—
Amortization of goodwill	96	127
Increase (decrease) in allowance for doubtful accounts	7	(15)
Increase (decrease) in provision for bonuses	(24)	(377)
Increase (decrease) in provision for directors' bonuses	(0)	(3)
Increase (decrease) in provision for retirement benefits	50	26
Increase (decrease) in provision for directors' retirement benefits	65	(3)
Interest and dividends income	(24)	(10)
Interest expenses	21	21
Subsidy income	(151)	(14)
Equity in (earnings) losses of affiliates	(18)	(36)
Loss (gain) on change in equity	—	4
Loss (gain) on sales and retirement of noncurrent assets	77	77
Loss (gain) on sales of investment securities	(12)	—
Loss (gain) on valuation of investment securities	99	0
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(0)
Decrease (increase) in notes and accounts receivable—trade	1,966	1,867
Increase (decrease) in operating debt	(2,094)	(2,667)
Increase (decrease) in deposits received	—	(1,663)
Other	(566)	(117)
Subtotal	1,952	(1,051)
Interest and dividends income received	29	11
Interest expenses paid	(20)	(57)
Proceeds from subsidy	233	121
Income taxes paid	(1,586)	(260)
Net cash (used in) provided by operating activities	609	(1,235)

(Millions of yen)

	Six months ended November 30, 2008	Six months ended November 30, 2009
Cash flows from investment activities		
Purchase of property, plant and equipment	(825)	(275)
Proceeds from sales of property, plant and equipment	0	1
Purchase of intangible assets	(1,066)	(218)
Purchase of investments in subsidiaries	—	(731)
Payments for lease and guarantee deposits	—	(118)
Proceeds from collection of lease and guarantee deposits	—	1,555
Other	34	(239)
Net cash used in investment activities	(1,856)	(25)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,810	(6,290)
Proceeds from long-term loans payable	—	649
Repayment of long-term loans payable	(1)	(7)
Repayment of long-term loans payable	—	(18)
Redemption of bonds	—	14
Purchase of treasury stock	(4,154)	—
Cash dividends paid	(539)	(232)
Cash dividends paid to minority shareholders	(286)	(276)
Other	(12)	(19)
Net cash used in financing activities	(2,184)	(6,180)
Effect of exchange rate change on cash and cash equivalents	8	(29)
Net increase (decrease) in cash and cash equivalents	(3,424)	(7,471)
Cash and cash equivalents at the beginning of the period	13,612	14,120
Cash and cash equivalents at the end of the period	10,188	6,648

(4) Notes to Going Concern Assumption

Six months ended November 30, 2009

None

(5) Segment Information

Six months ended November 30, 2008

(Millions of yen)

	Temporary staffing / Contracting, Placement / Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) Sales to outside customers	104,991	2,890	7,277	926	116,086	—	116,086
(2) Intersegment sales and transfers	170	2	201	361	735	(735)	—
Total	105,161	2,893	7,479	1,287	116,822	(735)	116,086
Operating income (loss)	2,025	618	758	24	3,427	(1,828)	1,598

Notes:

1. Business segments are classified on the basis of operating markets and service details.
2. Principal components of each business segment

Business segment	Principal services
Temporary staffing / Contracting, Placement / Recruiting	Temporary staffing and contracting, placement and recruiting, other
Outplacement	Outplacement support services
Outsourcing	Employee welfare and benefit agency services
Other	Child-care operation services, other

Six months ended November 30, 2009

(Millions of yen)

	Temporary staffing / Contracting, Placement / Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) Sales to outside customers	79,405	5,176	6,629	858	92,069	—	92,069
(2) Intersegment sales and transfers	252	2	128	1,264	1,648	(1,648)	—
Total	79,658	5,179	6,758	2,122	93,718	(1,648)	92,069
Operating income (loss)	281	1,614	663	(107)	2,452	(1,547)	905

Notes:

1. Business segments are classified on the basis of operating markets and service details.
2. Principal components of each business segment

Business segment	Principal services
Temporary staffing / Contracting, Placement / Recruiting	Temporary staffing and contracting, placement and recruiting, other
Outplacement	Outplacement support services
Outsourcing	Employee welfare and benefit agency services
Other	Group shared services, child-care operation services, other

3. Additional information

(Accounting method for subsidy income)

As identified in 4. Other of “Qualitative Information / Financial Statements and Other, the Pasona Group has changed its accounting method for subsidy income relating to development support and training directed toward the agriculture, forestry and fisheries sectors from the first quarter of the fiscal year ending May 31, 2010. Under the newly adopted method, subsidy income is no longer posted as non-operating. Effective the first quarter of the fiscal year under review, subsidy income is offset against SG&A expenses. As a result, the operating income recorded under Eliminations and Corporate for the first half of the fiscal year ending May 31, 2010 increased ¥47 million compared with the previous implemented method.

Information on Geographic Areas

Six months ended November 30, 2008

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

Six months ended November 30, 2009

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

Overseas Sales

Six months ended November 30, 2008

Since the percentage of overseas sales to total consolidated sales is less than 10%, information relating to overseas sales is omitted from this report.

Six months ended November 30, 2009

Since the percentage of overseas sales to total consolidated sales is less than 10%, information relating to overseas sales is omitted from this report.

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

None

(7) Important Subsequent Events

The second quarter of the fiscal year ending May 31, 2010 (September 1, 2009 to November 30, 2009)

1. The disposal of treasury stock by way of a third-party allotment, corporate separation, exchange of consolidated subsidiary shares and consolidated subsidiary merger for the purpose of reorganizing the group’s corporate structure.

Pasona Group resolved to dispose of treasury stock by way of a third-party allotment and undertake corporate separation for the purpose of reorganizing its Group company structure following a meeting of its Board of Directors held on December 18, 2009. Brief details are as follows.

(1) Objectives of Reorganization

Consolidated subsidiaries Pasona Inc. and Pasona Career Inc. will merge for the purpose of securing a one-stop comprehensive human resource service portfolio that encompasses the entire gambit of high customer need temporary staffing and contracting, placement and recruiting as well as outplacement services. In terms of the overall process to be implemented, Pasona Group will transfer to Pasona all of its Pasona Career shares held by way of corporate acquisition and separation. Thereafter, Pasona will conduct a triangular share exchange. Pasona Group common shares will be exchanged as compensation for Pasona Career shares held by parties other than the Company.

In this manner, Pasona Career will become a Pasona wholly owned subsidiary. At the same time, the two consolidated subsidiaries (Pasona Career and Pasona) will merge, Pasona merging with Pasona Career with the latter as the surviving company. On completion of the aforementioned merger, plans are in place for Pasona Career to change its name to Pasona Inc.

The subject disposal of treasury stock will be implemented on Pasona's behalf as a part of the Group's reorganization. Pasona plans to implement this share exchange (triangular share exchange) utilizing Pasona Group's common shares as compensation following allotment.

(2) Schedule

December 18, 2009 (Friday)	Resolution by the Board of Directors approving the disposal of treasury stock (Pasona Group)
	Execution of the corporate acquisition and separation agreement (Pasona Group, Pasona)
	Execution of the share exchange agreement (Pasona, Pasona Career)
	Execution of the merger agreement (Pasona, Pasona Career)
January 8, 2010 (Friday)	Ratification of the share exchange agreement at respective meetings of shareholders (Pasona, Pasona Career)
	Ratification of the merger agreement at respective meetings of shareholders (Pasona, Pasona Career)
March 1, 2010 (Monday) Planned	Effective date of the corporate acquisition and separation agreement (Pasona Group, Pasona)
	Effective date of the share exchange agreement (Pasona, Pasona Career)
	Effective date of the merger agreement (Pasona, Pasona Career)

Note: As this corporate acquisition and separation meets the requirements of a simplified corporate acquisition and separation prescribed under Article 784 Paragraph 3 of the Corporation Law for Pasona Group and the requirements of an informal corporate acquisition and separation prescribed under Article 796 Paragraph 1 of the Corporation Law for Pasona (the succeeding company), ratification to the corporate acquisition and separation between Pasona Group and Pasona by their respective shareholders is not required.

(3) With Respect to the Disposal of Treasury Stock

i. Overview of Treasury Stock Disposal

a. Disposal Date	January 12, 2010 (Tuesday)
b. Number of Shares Disposed	15,852 shares
c. Disposal Value	¥67,900 per share
d. Funds Procured	¥1,076,350,800
e. Subscription or Disposal Method	Disposal by way of third-party allotment
f. Allottee	Pasona Inc.
g. Other	Not applicable

ii. The Amount of Funds Procured following the Disposal of Treasury Stock

Total Disposal Value	¥1,076,350,800
Estimated Amount of Disposal and Other Expenses	¥0
Net Estimated Disposal Value	¥1,076,350,800

iii. Specific Application of Funds Procured

The aforementioned decision to dispose of treasury stock, in specific terms to Pasona, is for the express purpose of Group company reorganization outlined in "(1) Objectives of Reorganization" above and not for the purpose of funds procurement.

iv. The Foundation for Treasury Stock Disposal Terms and Conditions

a. The basis for determining disposal terms and conditions (disposal value and other)

The disposal value is ¥67,900, the closing price of the Company's common shares traded on the Tokyo Stock Exchange as of December 17, 2009, the day prior to the day of the Board of Directors' resolution.

b. The basis for determining the number of treasury stock disposed and the scale of share dilution

The number of treasury stock to be disposed represents 3.80% of the Company's total shares issued and outstanding. As a result, the level of share dilution and impact on market liquidity are considered to be immaterial.

c. Confirmation of the existence of sufficient assets to ensure payment by the allottee

Taking into consideration the net sales, total assets and net assets of Pasona, the allottee, and based on the company's financial statements, payment in connection with the subject disposal of treasury stock has been confirmed.

v. Overview of the Allottee Company in connection with the Disposal of Treasury Stock

(As of May 31, 2009)

a. Company Name	Pasona Inc.
b. Head Office Address	1-5-1 Marunouchi, Chiyoda-ku, Tokyo
c. Representative	Yasuyuki Nambu CEO
d. Business Activities	Temporary staffing and contracting business
e. Paid-in Capital	¥3,000 million
f. Number of Shares Issued and Outstanding	434,403 shares
g. Fiscal Year-End	May 31
h. Number of Employees	1,815
i. Major Shareholders and its Shareholding Ratio	Pasona Group Inc. 100%

j. Business results and financial condition over the last three fiscal years (Millions of yen unless otherwise stated)

Fiscal Year Ended	May 31, 2007	May 31, 2008	May 31, 2009
Total Net Assets	18,131	10,820	11,166
Total Assets	33,939	26,721	22,063
Total Net Assets per Share (Yen)	43,561.29	24,907.79	25,706.24
Net Sales	162,085	159,326	141,812
Operating Income	4,822	1,493	(334)
Ordinary Income	4,970	1,967	(135)
Net Income	360	1,591	165
Net Income per Share (Yen)	858.36	3,741.96	379.89
Dividends per Share (Yen)	2,000	1,200	—

Note:

In the fiscal year ended May 31, 2008 (December 3, 2007), Pasona Group Inc. was established as a pure holding company. Subsidiary shares together with all administrative operations and functions were transferred to Pasona Group on March 1, 2008.

(4) Overview of Group Company Reorganization (Corporate Separation)

i. Corporate Separation from Pasona Group to Pasona

a. Method of corporate separation

The corporate acquisition and separation involves Pasona Group and the Company’s wholly owned subsidiary Pasona as the acquired, separating and succeeding company.

b. Details of allotment relating to corporate separation

Due to the adoption of the corporate acquisition and separation method with a wholly owned subsidiary as the succeeding company, the shares and other assets of Pasona will not be allotted to Pasona Group.

c. The handling of new share subscription rights and bonds with new share subscription rights in association with corporate separation

The subject corporate separation will have no impact on the new share subscription rights issued by Pasona Group. The Company has not issued bonds with new share subscription rights.

d. Decrease in capital stock as a result of corporate separation

There will be no decrease in the Company’s capital stock as a result of corporate separation.

e. The rights and obligations to be succeeded by the succeeding company

Pasona Group shall succeed to Pasona its entire shareholding (21,472 shares) in Pasona Career together with all applicable rights and obligations at the time of corporate separation.

f. Prospects of fulfillment of obligations

Expectations are that Pasona, the succeeding company, will incur little or no difficulty in fulfilling all obligations after the effective date of corporate separation.

ii. Overview of the Parties Involved in Corporate Separation (As of May 31, 2009)

a. Company Name	Pasona Group Inc.
b. Head Office Address	1-5-1 Marunouchi, Chiyoda-ku, Tokyo
c. Representative	Yasuyuki Nambu Group CEO and President
d. Business Activities	Management and support of its wholly owned and other Group companies engaged in human resource-related activities based on the ownership of stock
e. Paid-in Capital	¥5,000 million
f. Number of Shares Issued and Outstanding	416,903 shares
g. Fiscal Year-End	May 31
h. Number of Employees	4,916 (Consolidated)

i. Major Shareholders and Percentage Shareholdings after Disposal (As of November 30, 2009)

Yasuyuki Nambu	35.41%
Nambu Enterprise Inc.	8.56%
State Street Bank and Trust Company 505223 (Standing Proxy : Mizuho Corporate Bank, Ltd.)	5.74%
State Street Bank and Trust Company (Standing Proxy : Mizuho Corporate Bank, Ltd.)	2.77%
Eizaburo Nambu	2.16%
State Street Bank and Trust Company (Standing Proxy : The Hongkong and Shanghai Banking Corporation Limited)	1.89%
Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension (Standing Proxy : Mizuho Corporate Bank, Ltd.)	1.67%
Japan Trustees Service Bank, Ltd. (Trust Account)	1.35%
Pasona Group Employees' Shareholding Association	1.20%
State Street Bank and Trust Company 505103 (Standing Proxy : Mizuho Corporate Bank, Ltd.)	1.07%

Note:
Pasona Group held 58,253 shares, or 13.97%, of its own stock.

j. Business results and financial condition over the last fiscal year (Consolidated Basis)

(Millions of yen unless otherwise stated)

Fiscal Year Ended	May 31, 2009
Total Net Assets	25,148
Total Assets	55,468
Total Net Assets per Share (Yen)	54,751.17
Net Sales	218,699
Operating Income	2,850
Ordinary Income	3,361
Net Income	312
Net Income per Share (Yen)	834.30
Dividends per Share (Yen)	1,250

Note:
Details of Pasona Inc., the succeeding company, are provided in “(3) v. Overview of the Allottee Company in connection with the Disposal of Treasury Stock.”

iii. Overview of the Businesses to be Separated

a. Details of the businesses to be separated

The administration businesses of Pasona Career, a subsidiary of Pasona Group

b. Assets to be separated

In accordance with the corporate acquisition and separation agreement executed by the Company and Pasona on December 18, 2009, Pasona Group will separate all of its shares held in Pasona Career, which will be succeeded to Pasona, at the time the Company undertakes the corporate separation.

iv. Status of the Publicly Listed Company after Corporate Separation

There is no change in Pasona Group’s name, head office address, representative (name and title), business activities, capital and balance date.

(5) Overview of Group Company Reorganization (Exchange of Shares between Consolidated Subsidiaries and Corporate Acquisition/Merger)

i. Exchange of Shares between Pasona and Pasona Career

On the condition that the subject corporate separation comes into effect, Pasona and Pasona Career will participate in the aforementioned exchange of shares. With an effective date of March 1, 2010, Pasona, Pasona Group's wholly owned subsidiary, will become a sole parent company, and Pasona Career, Pasona Group's subsidiary company, will become a Pasona wholly owned subsidiary, through the exchange of shares.

Moreover, on the day prior to the share exchange effective date, Pasona will acquire from Pasona Group a portion of the latter's own shares. Pasona Group's own shares will be delivered to shareholders of Pasona Career other than Pasona as compensation for the subject share exchange.

ii. Corporate Acquisition between Pasona and Pasona Career

On the conditions that the subject corporate separation and share exchange comes into effect, Pasona and Pasona Career will participate in a corporate acquisition and merger. With and effect date of March 1, 2010, a corporate acquisition and merger will be implemented with Pasona Career as the surviving company and Pasona as the expiring company. Furthermore, and as previously identified, Pasona Career will change its company name to Pasona Inc. on the condition that the subject corporate acquisition comes into effect. At the same time, the account settlement period will be amended from April 1 to March 31 of the following year to June 1 to May 31 of the following year. On this basis, plans are in place to modify the fiscal year from April 1 2009 to March 31, 2010 to the 14-month period of April 1, 2009 to May 31, 2010.