PASONA

January 12, 2011

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)

FY2010 (June 1, 2010 to May 31, 2011)

Six Months Ended November 30, 2010

Listing stock exchange:	The First Section of the Tokyo Stock Exchange
Securities code number:	2168
URL:	http://www.pasonagroup.co.jp/
Representative:	Yasuyuki Nambu, Group CEO and President
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Scheduled filing date of quarterly report: January 14, 2011
Scheduled payment date of cash dividends: —
Supplemental materials prepared for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

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

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

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

	Net Sales		Operating Income		Ordinary Income		Net Loss	
		%		%		%		%
Six months ended November 30, 2010	88,994	(3.3)	533	(41.0)	580	(37.7)	(549)	—
Six months ended November 30, 2009	92,069	(20.7)	905	(43.4)	933	(48.3)	(1,696)	—

	Net Loss per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended November 30, 2010	(1,466.29)	—
Six months ended November 30, 2009	(4,730.99)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
November 30, 2010	55,084	24,260	36.4	53,576.77
May 31, 2010	52,269	24,979	39.6	55,243.50

(Reference) Equity as of November 30, 2010: ¥20,064 million As of May 31, 2010: ¥20,688 million

2. DIVIDENDS

	Dividends per Share				
Record Date	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2009	—	0.00	—	500.00	500.00
FY2010	—	0.00			
FY2010 (Forecast)			—	1,000.00	1,000.00

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

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2011

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	186,000	1.4	2,800	(23.5)	2,900	(28.3)	500	144.0	1,335.11

(Note) Revision to forecast of results in the current quarter: None

4. OTHERS

Please refer to “2. Others” on page 9 for details.

(1) Changes in important subsidiaries during the current period : None
(Changes in specified subsidiaries during the current period that caused changes in the scope of consolidation)

(2) Application of the simplified accounting method and special accounting practices: None
(Application of the simplified accounting method and special accounting practices in the preparation of quarterly consolidated financial statements)

(3) Changes in accounting principles, procedures and disclosure methods

1) Changes in line with revisions to accounting and other standards: Yes
2) Changes in items other than 1) above: None
(Recorded under “Changes in Important Items Considered Fundamental to the Preparation of Quarterly Consolidated Financial Statements”)

(4) Number of shares issued and outstanding (Common shares)

1) The number of shares issued and outstanding as of the period-end (including treasury stock)
November 30, 2010 : 416,903 shares   May 31, 2010: 416,903 shares

2) The number of treasury stock as of the period-end
November 30, 2010 :42,401 shares   May 31, 2010: 42,401 shares

3) Average number of shares for the period (Quarterly cumulative period)
Six Months ended November 30, 2010: 374,502 shares
Six Months ended November 30, 2009: 358,650 shares

Information regarding the implementation of quarterly review procedures

As of the date of disclosure of this report, a review of the quarterly financial statements has been completed in accordance with the Financial Instruments and Exchange Act.

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to “Qualitative Information Concerning Consolidated Forecasts” on page 8 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2011.

Consolidated Financial Report

FY2010 Six Months Ended November 30, 2010

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1. Qualitative Information Concerning Quarterly Consolidated Business Results

(1) Qualitative Information Concerning Consolidated Business Results

Throughout the first half of the fiscal year ending May 31, 2011, the six-month period from June 1, 2010 to November 30, 2010, a cloud of future uncertainty has spread increasingly across the Japanese economy. Despite signs of an improvement in corporate-sector earnings, buoyed by the underlying economic support of growth in such newly developing countries as China, this uncertainty can be attributed to the existence of various downside risks including economic instability throughout Europe, a downturn in the U.S. economy and deterioration in the performance of export-related companies on the back of appreciation in the value of the yen. Turning to employment conditions, there are indications of a recovery in the willingness to recruit human resources in certain industries and an upward trend in the effective ratio of job offers to applicants. In stark contrast, however, Japan's unemployment rate continues to hover at a high level. Furthermore, there has been a substantial impact on the young age bracket, reflected in the all-time low percentage of new graduates who have found work and the delay in any meaningful recovery in employment conditions.

Against the backdrop of this operating environment, the Pasona Group experienced a drop in orders in its Outplacement business as the corporate sector implemented a round of employment correction measures. The Group's Place & Search (Placement / Recruiting) business, on the other hand, experienced signs of a pickup in job offers, focusing mainly on employees with the skills to make an immediate impact, reflecting a positive turnaround in the willingness of the corporate sector to recruit human resources after a period of limited activity. Turning to markets outside of Japan, the increased pace at which Japanese companies are shifting their operations overseas has resulted in increased demand for human resources that can excel on the world stage. This has in turn contributed to the Group's Global Sourcing (Overseas) business, which exceeded initially established plans. In the Expert Services (Temporary staffing) business, new orders increased while the drop in the number of long-term temporary staff bottomed out. Recognized for its proactive proposals and performance, the Pasona Group saw an upswing in public office, local government authority and other public-sector orders. As a result, results in the Insourcing (Contracting) business were firm. While a comprehensive recovery in the economy is forecast to require more time, corporate-sector demand for human resources is in overall terms exhibiting a steady positive turnaround.

Accounting for each of the aforementioned factors, consolidated net sales for the first half of the fiscal year ending May 31, 2011 declined 3.3% compared with the corresponding period of the previous fiscal year to ¥88,994 million. Despite this slight year-on-year contraction in the Group's revenue, the rate of decline in comparative terms has narrowed.

From a profit perspective, gross profit margins declined owing mainly to the increase in costs as priority was placed on a quick and definitive turnaround in the placement of employees in the Outplacement business. While this downturn was partly offset by contributions from the Global Sourcing business, gross profit for the period under review amounted to ¥16,174 million, a decrease of 8.6% compared with the corresponding period of the previous fiscal year. Selling, general and administrative (SG&A) expenses contracted ¥1,144 million year on year to ¥15,640 million, a decrease of 6.8% compared with the previous fiscal year. This was attained by efforts to raise business efficiency through the consolidation of certain bases into a single comprehensive Group office and successful steps to curtail costs. Despite these endeavors, consolidated operating income fell 41.0% to ¥533 million and consolidated ordinary income declined 37.7% to ¥580 million. This was largely attributable to the leveling off of contributions to profit from the Outplacement business, which had experienced a considerable increase in earnings in the previous period.

The Company incurred an extraordinary loss on adjustment for changes of accounting standard for asset retirement obligations of ¥480 million during the first quarter of the fiscal year ending May 31, 2011. Accounting for the aforementioned, Pasona Group reported a consolidated net loss for the period under review of ¥549 million. This was compared with the consolidated net loss of ¥1,696 million recorded for the corresponding period of fiscal 2009. Despite this result, the quarterly net loss improved substantially on a comparative basis with the previous period due largely to the smaller impact of tax-effect accounting.

Consolidated Business Results

(Millions of yen)

	Six months ended November 30, 2010	Six months ended November 30, 2009	YoY
Net sales	88,994	92,069	(3.3)%
Operating income	533	905	(41.0)%
Ordinary income	580	933	(37.7)%
Net loss	(549)	(1,696)	—

Segment Information (Figures include intersegment sales)

In conjunction with the implementation of the Accounting Standard on Disclosure of Segment Information, and moves to introduce and adopt the “Management Approach,” the Company reclassified its business segments effective from the fiscal year ending May 31, 2011. Therefore, percentage increases and decreases compared with the corresponding period of the fiscal year ended May 31, 2010 have not been provided.

HR Solutions

Expert Services (Temporary staffing)**, Insourcing** (Contracting)**, Others**

Net Sales: ¥76,260 million; **Operating income:** ¥653 million

Expert Services (Temporary staffing)**, Insourcing** (Contracting)**, HR Consulting**

Net Sales: ¥74,470 million

In the Company’s Expert Services (Temporary staffing) business, which mainly encompasses general office work, new orders increased across most sectors including the manufacturing and IT industries while the decline in the number of long-term temporary staff bottomed out. By job type, the Company was successful in promoting development-type temporary staffing in medical administrative fields and bolstering activities in specialized areas through effective M&A. Accordingly, results in technical (specialized office work) fields during the period under review were firm. In addition, there were indications of a recovery in sales and marketing positions. Taking each of the aforementioned factors into consideration, sales in the Expert Services business amounted to ¥66,583 million.

In the Company’s priority Insourcing (Contracting) business, results benefited from the positive flow-on effects of the corporate sector’s efforts to raise business efficiency, an increase in commissioned reception, administrative and call center operations. Buoyed also by steady trends in public sector-related activities, sales in the Insourcing business remained firm at ¥6,827 million.

For the first six months of the fiscal year ending May 31, 2011, collective sales in the Expert Services, Insourcing, HR Consulting business amounted to ¥74,470 million.

Place & Search (Placement / Recruiting) **Net Sales:** ¥788 million

On the domestic front, orders increased on the back of signs of an emerging recovery in job offers focusing mainly on employees with the skills to make an immediate impact mainly in the sales and marketing as well as engineering fields. As a result, sales in this segment entered a recovery trajectory amounting to ¥788 million.

Note: Placement and recruiting sales outside of Japan are included in the Global Sourcing (Overseas) segment.

Global Sourcing (Overseas) **Net Sales:** ¥1,000 million

Amid the increased shift of operations overseas by Japan's corporate sector, the market was characterized by an upswing in the willingness to recruit human resources that are capable of excelling on the world stage in Japan as well as an emphasis on expanding the employment of local employees. This phenomenon triggered increased new demand particularly in Asia including China. In addition, orders for temporary staffing and outsourcing services, encompassing salary and wage calculation as well as peripheral overseas human resource fields, are expanding.

On the earnings front in each of the aforementioned segment activities, the Expert Services business witnessed an upswing in temporary staffing employee social insurance rates as well as a drop in the unit price spread for temporary staffing. In addition to growth in the Insourcing business and Global Sourcing as well as improvements in Place & Search activities, on the other hand, the Company experienced an improvement in earnings on the back of successful efforts to reduce SG&A expenses. As a result, operating income in this segment was ¥653 million.

Outplacement

Net Sales: ¥5,103 million; **Operating income:** ¥586 million

Following a round of corporate downsizing measures implemented throughout the corporate sector, orders, which had hovered at a high level during the previous fiscal year, declined. In placing priority on a quick and definitive turnaround in the placement of job seekers using our service from the previous period as well as the emphasis placed on counseling and efforts to cultivate job offers, costs ballooned. Compared with the robust results recorded in the corresponding period of the previous fiscal year, gross profit decreased substantially. As a result, sales in this segment amounted to ¥5,103 million while operating income totaled ¥586 million.

Outsourcing

Net Sales: ¥7,064 million; **Operating income:** ¥632 million

Benefit One Inc., a Pasona Group subsidiary company engaged in the provision of employee fringe 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 increasing and proposing employee benefit services that help to realize work-life balance. As a result, sales in this segment amounted to ¥7,064 million while operating income came to ¥632 million.

Life Solutions, Public Solutions, Shared

Net Sales: ¥1,774 million; **Operating income:** ¥73 million

In child-care-related activities in the Life Solutions business, the Pasona Group increased its childminder temporary staffing and childcare service commissioning activities. Supported by these endeavors, results in this segment were firm.

Consolidated Business Results for the Six Months Ended November 30, 2010 by Segment

(Millions of yen)

	Net sales	Operating income
HR Solutions	88,428	1,871
Expert Services (Temporary staffing), Insourcing (Contracting), Others	76,260	653
Expert Services (Temporary staffing) Insourcing (Contracting) HR Consulting	74,470	653
Place & Search (Placement / Recruiting)	788	
Global Sourcing (Overseas)	1,000	
Outplacement	5,103	586
Outsourcing	7,064	632
Life Solutions ***Public Solutions*** ***Shared***	1,774	73
Eliminations and Corporate	(1,207)	(1,411)
Total	88,994	533

Note: Percentage increases and decreases compared with the corresponding period of the fiscal year ended May 31, 2010 have not been provided due to the reclassification of business segments.

(Reference)

Consolidated Business Results for the Six Months Ended November 30, 2009 by Former Segment

(Millions of yen)

	Net sales	Operating income (loss)
Temporary staffing / Contracting, Placement / Recruiting	79,658	281
Temporary staffing / Contracting	78,239	
Placement / Recruiting	1,418	
Outplacement	5,179	1,614
Outsourcing	6,758	663
Other	2,122	(107)
Eliminations and Corporate	(1,648)	(1,547)
Total	92,069	905

(2) Qualitative Information Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

1) Assets

Total assets as of November 30, 2010 stood at ¥55,084 million, an increase of ¥2,814 million, or 5.4%, compared with the end of the previous fiscal year. This was mainly attributable to certain factors including an increase of ¥4,353 million in the balance of cash and deposits.

2) Liabilities

Total liabilities as of November 30, 2010 increased ¥3,533 million, or 12.9%, compared with May 31, 2010 totaling ¥30,823 million. The principal increases in total liabilities were short-term loans payable of ¥973 million and long-term loans payable of ¥4,376 million. These were partly offset by a decrease in accounts payable-trade of ¥649 million.

3) Net Assets

Net assets as of November 30, 2010 stood at ¥24,260 million, a decline of ¥719 million, or 2.9%, compared with the end of the previous fiscal year. This was mainly attributable to the net loss of ¥549 million and the payment of cash dividends totaling ¥187 million.

Accounting for the aforementioned, the equity ratio as of November 30, 2010 decreased 3.2 percentage points to 36.4% compared with the end of the previous fiscal year.

Status of Cash Flows

Cash and cash equivalents (hereafter "net cash") as of November 30, 2010 increased ¥4,581 million compared with the end of the previous fiscal year to ¥16,905 million.

1) Cash Flows from Operating Activities

Net cash provided by operating activities for the six months ended November 30, 2010 amounted to ¥634 million (net cash used in operating activities for the corresponding period of the previous fiscal year was ¥1,235 million). This is mainly attributable to income before income taxes of ¥112 million (¥877 million for the corresponding period of the previous fiscal year), depreciation and amortization of ¥1,075 million (¥856 million for the corresponding period of the previous fiscal year) as well as income taxes paid of ¥337 million (¥260 million for the corresponding period of the previous fiscal year).

2) Cash Flows from Investing Activities

Net cash used in investing activities for the period under review was ¥716 million (net cash used in investing activities for the corresponding period of the previous fiscal year was ¥25 million). The major components included purchase of investment securities of ¥779 million as well as proceeds from collection of lease and guarantee deposits of ¥253 million (¥1,555 million for the corresponding period of the previous fiscal year).

3) Cash Flows from Financing Activities

Net cash provided by financing activities was ¥4,711 million (net cash used in financing activities for the corresponding period of the previous fiscal year was ¥6,180 million). Major cash inflow was proceeds from long-term loans payable of ¥5,946 million (¥649 million for the corresponding period of the previous fiscal year). Principal cash outflow was cash dividends paid totaling ¥453 million (¥509 million for the corresponding period of the previous fiscal year).

(3) Qualitative Information Concerning Consolidated Forecasts

Pasona Group has made no changes to the forecasts of consolidated business results for the full fiscal year ending May 31, 2011 previously disclosed on July 20, 2010.

In light of the most recent past, the employment environment and in particular the stance toward new hires has seen a modest improvement. While the corporate sector's willingness to recruit human resources is recovering, the tightening of temporary staffing to 26 specific job categories and liberalization of job classifications by Japan's Ministry of Health, Labour and Welfare has the potential to impact temporary staffing activities and client needs particularly in the area of Expert Services (Temporary staffing).

Taking into consideration the aforementioned conditions, a somewhat cautious approach is anticipated to characterize the Expert Services business. The Insourcing (Contracting) business is forecast to witness demand for commissioned services. Anticipating contract orders from public office, local government authority and other entities from the public sector, the Group is projecting a steady trend.

In addition, the Global Sourcing (Overseas) business is projected to remain firm on the back of overseas human resource needs. In the Outplacement business, signs are emerging of a recovery in orders in the immediate term. Taking into consideration the priority placed on maintaining service levels and the quick and definitive turnaround in the placement of employees by service users, the cost of sales ratio is forecast to hover at a high level.

Looking ahead, the Pasona Group will continue to reduce costs and to pursue reorganization aimed at increasing efficiency. In addition to considering opportunities for M&A, the Group will maintain its focus on securing a steady stream of earnings.

2. Others

(1) Changes in Significant Subsidiaries (specified subsidiaries that caused changes in the scope of consolidation)

Not applicable

(2) Simplified Accounting Method and Special Accounting Practices

Not applicable

(3) Changes in Accounting Principles, Procedures and Disclosure Methods

1) Application of the Accounting Standard for Equity Method of Accounting for Investments and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Effective from the first quarter of the current fiscal year, the Accounting Standard for Equity Method of Accounting for Investments (Accounting Standards Board of Japan [ASBJ] Statement No. 16, issued on March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (ASBJ Practical Issues Task Force [PITF] No. 24, issued on March 10, 2008) have been applied. As a result of this application, the Company made all necessary adjustments to its quarterly consolidated financial statements. Accordingly, each of ordinary income and income before income taxes increased by ¥1 million for the six months ended November 30, 2010.

2) Application of the Accounting Standard for Asset Retirement Obligations

Effective from the first quarter of the current fiscal year, the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, issued on March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, issued on March 31, 2008) have been applied. As a result, each of operating income and ordinary income for the six months ended November 30, 2010 decreased by ¥34 million. In addition, income before income taxes decreased by ¥514 million. The amount of change in asset retirement obligations incurred due to the initial application of the accounting standard for the period was ¥753 million.

3) Application of the Accounting Standard for Business Combinations

Effective from the first quarter of the current fiscal year, the Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on December 26, 2008), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on December 26, 2008), Partial

Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23, issued on December 26, 2008), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on December 26, 2008), the Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, revised on December 26, 2008), and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on December 26, 2008) have been applied.

3. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of November 30, 2010	As of May 31, 2010
ASSETS		
Current assets		
Cash and deposits	16,982	12,629
Notes and accounts receivable－trade	17,865	17,900
Other	2,744	4,522
Allowance for doubtful accounts	(58)	(65)
Total current assets	37,533	34,986
Noncurrent assets		
Property, plant and equipment	6,867	6,972
Intangible assets		
Goodwill	630	798
Other	2,731	3,051
Total intangible assets	3,361	3,850
Investments and other assets		
Other	7,672	6,810
Allowance for doubtful accounts	(13)	(13)
Allowance for investment loss	(337)	(337)
Total investments and other assets	7,321	6,460
Total noncurrent assets	17,550	17,282
Total assets	55,084	52,269

(Millions of yen)

	As of November 30, 2010	As of May 31, 2010
LIABILITIES		
Current liabilities		
Accounts payable－trade	874	1,523
Short-term loans payable	1,630	657
Current portion of bonds	36	36
Accrued expenses	7,454	7,952
Income taxes payable	578	862
Provision for bonuses	1,524	1,615
Provision for directors' bonuses	3	4
Asset retirement obligations	69	—
Other	7,508	8,773
Total current liabilities	19,680	21,426
Noncurrent liabilities		
Bonds payable	110	128
Long-term loans payable	6,526	2,149
Provision for retirement benefits	1,015	1,065
Asset retirement obligations	685	—
Other	2,806	2,520
Total noncurrent liabilities	11,143	5,863
Total liabilities	30,823	27,289
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,054	6,054
Retained earnings	12,463	13,200
Treasury stock	(3,493)	(3,493)
Total shareholders' equity	20,024	20,761
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	168	8
Foreign currency translation adjustment	(129)	(81)
Total valuation and translation adjustments	39	(72)
Minority interests	4,195	4,290
Total net assets	24,260	24,979
Total liabilities and net assets	55,084	52,269

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Six months ended November 30, 2009	Six months ended November 30, 2010
Net sales	92,069	88,994
Cost of sales	74,380	72,820
Gross profit	17,689	16,174
Selling, general and administrative expenses	16,784	15,640
Operating income	905	533
Non-operating income		
Interest income	6	6
Equity in earnings of affiliates	36	17
Subsidy	—	81
Insurance premiums refunded cancellation	—	42
Other	65	66
Total non-operating income	108	214
Non-operating expenses		
Interest expenses	21	86
Commitment fee	25	31
Other	33	49
Total non-operating expenses	80	167
Ordinary income	933	580
Extraordinary income		
Gain on sales of noncurrent assets	1	—
Gain on sales of investment securities	—	1
Gain on sales of subsidiaries and affiliates' stocks	0	—
Gain on change in equity	—	3
Reversal of allowance for doubtful accounts	8	2
Reversal of loss on liquidation of subsidiaries and affiliates	18	—
Other reversal of provision	—	25
Total extraordinary income	28	34
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	79	16
Loss on sales of investment securities	—	1
Loss on valuation of investment securities	0	4
Loss on change in equity	4	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	480
Total extraordinary loss	84	502
Income before income taxes	877	112
Income taxes－current	831	503
Income taxes－deferred	1,408	(51)
Income taxes	2,240	451
Income (loss) before minority interests	—	(339)
Minority interests in income	333	209
Net loss	(1,696)	(549)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended November 30, 2009	Six months ended November 30, 2010
Cash flows from operating activities		
Income (loss) before income taxes	877	112
Depreciation and amortization	856	1,075
Loss on adjustment for changes of accounting standard for asset retirement obligations	―	480
Amortization of goodwill	127	170
Increase (decrease) in allowance for doubtful accounts	(15)	(6)
Increase (decrease) in provision for bonuses	(377)	(89)
Increase (decrease) in provision for directors' bonuses	(3)	(0)
Increase (decrease) in provision for retirement benefits	26	(47)
Increase (decrease) in provision for directors' retirement benefits	(3)	―
Interest and dividends income	(10)	(12)
Interest expenses	21	86
Subsidy income	(14)	(81)
Insurance premiums refunded cancellation	―	(42)
Equity in (earnings) losses of affiliates	(36)	(17)
Loss (gain) on change in equity	4	(3)
Loss (gain) on sales and retirement of noncurrent assets	77	16
Loss (gain) on sales of investment securities	―	(0)
Loss (gain) on valuation of investment securities	0	4
Loss (gain) on sales of stocks of subsidiaries and affiliates	(0)	―
Decrease (increase) in notes and accounts receivable―trade	1,867	23
Increase (decrease) in operating debt	(2,667)	(1,178)
Increase (decrease) in deposits received	(1,663)	―
Other	(117)	324
Subtotal	(1,051)	814
Interest and dividends income received	11	16
Interest expenses paid	(57)	(87)
Proceeds from subsidy	121	186
Insurance premiums refunded cancellation received	―	42
Income taxes paid	(260)	(337)
Net cash provided by (used in) operating activities	(1,235)	634

(Millions of yen)

	Six months ended November 30, 2009	Six months ended November 30, 2010
Cash flows from investment activities		
Purchase of property, plant and equipment	(275)	(153)
Proceeds from sales of property, plant and equipment	1	0
Purchase of intangible assets	(218)	(239)
Purchase of investment securities	—	(779)
Purchase of investments in subsidiaries	(731)	(18)
Payments for lease and guarantee deposits	(118)	(57)
Proceeds from collection of lease and guarantee deposits	1,555	253
Other	(239)	278
Net cash used in investment activities	(25)	(716)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,290)	(24)
Proceeds from long-term loans payable	649	5,946
Repayment of long-term loans payable	(7)	(569)
Redemption of bonds	(18)	(18)
Proceeds from stock issuance to minority shareholders	14	—
Cash dividends paid	(232)	(186)
Cash dividends paid to minority shareholders	(276)	(267)
Other	(19)	(170)
Net cash provided by (used in) financing activities	(6,180)	4,711
Effect of exchange rate change on cash and cash equivalents	(29)	(48)
Net increase (decrease) in cash and cash equivalents	(7,471)	4,581
Cash and cash equivalents at the beginning of the period	14,120	12,324
Cash and cash equivalents at the end of the period	6,648	16,905

(4) Notes to Going Concern Assumption

Not applicable

(5) Segment Information

Business Results by segment

(Six months ended November 30, 2009)

(Millions of yen)

	Temporary staffing / Contracting, Placement / Recruiting	Outplacement	Outsourcing	Others	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
Others	Group shared services, child-care operation services, other

3. Additional information

   (Accounting method for subsidy income)

   Effective from the first quarter of the fiscal year ended May 31, 2010, the Pasona Group changed its accounting method for subsidy income relating to development support and training directed toward the agriculture, forestry and fisheries sectors. Under the newly adopted method, subsidy income is no longer posted as non-operating and it 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 ended May 31, 2010 increased ¥47 million compared with the previous implemented method.

Information on Geographic Areas

(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, 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.

(Additional information)

Effective from the first quarter ended August 31, 2010, Pasona Group applied the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17, issued on March 27, 2009) and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, issued on March 21, 2008).

1. Overview of reportable segments

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

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

(Six months ended November 30, 2010)

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment (Note 3)	Figures in consolidated statements of income (Note 4)
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Outplacement	Outsourcing					
Net sales								
(1) Sales to outside customers	75,829	5,103	6,953	87,885	775	88,660	333	88,994
(2) Intersegment sales and transfers	431	—	111	542	999	1,541	(1,541)	—
Total	76,260	5,103	7,064	88,428	1,774	90,202	(1,207)	88,994
Operating income	653	586	632	1,871	73	1,945	(1,411)	533

Notes:

1. The "Expert Services (Temporary staffing), Insourcing (Contracting), Others" segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, Place & Search (Placement / Recruiting) and Global Sourcing (Overseas).
2. The "Others" segment incorporates operations not included in reporting segments, including Life Solutions, Public Solutions, Shared.
3. Adjustment is as follows: Included within the operating loss of ¥1,411 million is the elimination of intersegment transactions of ¥7 million, corporate earnings of ¥334 million and corporate expenses of ¥1,753 million. Corporate earnings and expenses are not allocated to reporting segments. Corporate earnings are mainly comprised of sales relating to operations commissioned from government and other public offices. Corporate expenses primarily consist of Group management costs relating to the Company.
4. Segment income is adjusted with operating income under consolidated statements of income.

3. Information regarding impairment loss on noncurrent assets and goodwill by reporting segment

Not applicable

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

Not applicable

(7) Important Subsequent Events

Not applicable