PASONA

July 20, 2011

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2010 (June 1, 2010 to May 31, 2011)

Listing stock exchange: The First Section of the Tokyo Stock Exchange
Securities code number: 2168
URL: http://www.pasonagroup.co.jp
Representative: Yasuyuki Nambu, Group CEO and President
For further information contact: Yuko Nakase, Managing Director and CFO Tel. +81-3-6734-0200
Date of the Annual General Meeting of shareholders: August 18, 2011
Scheduled payment date of cash dividends: August 19, 2011
Scheduled filing date of the securities report: August 19, 2011
Supplemental materials prepared for financial results: Yes
Holding of financial results meeting: Yes (for analysts and institutional investors)

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

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2010	178,806	(2.6)	2,432	(33.5)	2,571	(36.4)	412	101.4
FY2009	183,515	(16.1)	3,660	28.4	4,044	20.3	204	(34.5)

(Note) Comprehensive income FY2010: ¥1,198 million (5.6 %) FY2009: ¥1,134 million

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2010	1,101.88	1,098.68	2.0	4.6	1.4
FY2009	564.99	555.42	1.0	7.5	2.0

(Reference) Equity in earnings (losses) of unconsolidated subsidiaries and affiliates FY2010: ¥36 million
FY2009: ¥105 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2011	60,564	25,642	34.7	56,086.32
May 31, 2010	52,269	24,979	39.6	55,243.50

(Reference) Equity as of May 31, 2011: ¥21,004 million As of May 31, 2010: ¥20,688 million

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
FY2010	6,419	166	3,695	22,563
FY2009	2,875	(387)	(4,275)	12,324

2. DIVIDENDS

	Dividends per Share (Yen)					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
(Record Date)	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Annual			
FY2009	—	0.00	—	500.00	500.00	187	88.5%	0.9%
FY2010	—	0.00	—	1,000.00	1,000.00	374	90.8%	1.8%
FY2011(Forecast)	—	0.00	—	1,200.00	1,200.00		69.1%	

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2012

For the fiscal year ending May 31, 2012 (June 1, 2011 to May 31, 2012)

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

	Net Sales		Operating Income		Ordinary Income		Net Income(Loss)		Net Income per Shares
		%		%		%		%	Yen
FY2011 First Half	90,000	1.1	350	(34.4)	320	(44.9)	(120)	—	(320.43)
FY2011 Full Fiscal Year	183,000	2.3	2,850	17.1	2,900	12.8	650	57.5	1,735.64

4. OTHERS

(1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries due to Changes in the Scope of Consolidation and Application of the Equity Method) : None

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

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

Note: Please refer to "Changes in Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements" on page 38 for details.

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

i. The number of shares issued and outstanding as of the period-end (including treasury stock)
May 31, 2011: 416,903 shares May 31, 2010: 416,903 shares

ii. The number of treasury stock as of the period-end
May 31, 2011: 42,401 shares May 31, 2010: 42,401 shares

iii. Average number of shares for the period (Quarterly cumulative period)
FY2010: 374,502 shares FY2009: 362,645 shares

(Reference) **Summary of Non-Consolidated Business Results**

1. NON-CONSOLIDATED BUSINESS RESULTS

(1) Non-Consolidated Financial Results For the fiscal year ended May 31, 2011

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

	Net Sales		Operating Income		Ordinary Income(Loss)		Net Income	
		%		%		%		%
FY2010	3,772	(30.9)	30	(98.5)	(114)	—	443	(61.7)
FY2009	5,456	19.0	1,994	197.9	1,838	125.2	1,158	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
FY2010	1,184.40	—
FY2009	3,176.89	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2011	35,221	15,488	44.0	41,357.11
May 31, 2010	29,152	15,117	51.9	40,366.30

(Reference) Equity as of May 31, 2011: ¥15,488 million As of May 31, 2010: ¥15,117 million

2. FORECAST OF NON-CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2012

A forecast of non-consolidated results for the fiscal year ending May 31, 2012 is not considered by the Company to be of sufficient importance to warrant disclosure. As a result, this information has been omitted.

Information regarding the implementation of audit procedures

As of the date of disclosure of this report, the audit procedures of the financial statements is being carried out 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 due to a variety of factors. With regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2012, please refer to "1. Business Results (1) Qualitative Information Concerning Consolidated Business Results" on page 5.

Pasona Group Inc. intends to hold an financial results meeting in Tokyo on July 21, 2011 for the benefit of analysts and institutional investors. Presentation materials will be posted on our website after the meeting in a timely manner.

FY2010 Consolidated Financial Report

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1. Business Results

(1) Qualitative Information Concerning Consolidated Business Results

Business Results for the Fiscal Year Ended May 31, 2011

Looking at the Japanese economy in fiscal 2010, the fiscal year ended May 31, 2011, signs of a recovery in the corporate sector began to emerge on the back of growth in overseas demand primarily on emerging markets including Asia. Reflecting this trend, there were indications of a modest positive turnaround in employment conditions. In addition to an improvement in the effective ratio of job offers to applicants, the unemployment ratio while still at a high level began to decline. Having said this, the Great East Japan Earthquake that struck on March 11, 2011 had a devastating effect on the nation. Corporate-sector manufacturing activity and consumer spending slumped dramatically due to a variety of factors including blockages in the supply chain and shortages in electric power. Looking ahead, significant potential exists for employment conditions to suffer. This is largely attributable to the inevitable sharp rise in personnel forced to leave their jobs mainly in affected areas. The downside risk of extended shortages in electric power can also be expected to raise the possibility of a shift of production to overseas bases.

Turning to the operations of the Pasona Group, orders from government, regional and other public authorities in the priority Insourcing (Contracting) business increased. This reflected the Group’s exceptional track record in this area and the esteem in which its management systems are held. Combined with the Group’s parallel efforts to build a robust operating structure, growth in the Insourcing business substantially exceeded the level recorded in the previous fiscal year. Demand for personnel was also buoyant in and outside Japan. As the shift overseas by Japan’s corporate sector gathered pace, Global Sourcing (Overseas) activities expanded. On the domestic front, activity in the Place & Search (Placement / Recruiting) business was also robust. This was largely attributable to the recovery in corporate-sector results, which led to an upswing in job offers for personnel capable of making an immediate impact. In the Expert Services (Temporary staffing) business, results and conditions were mixed. On the one hand, new orders steadily increased, on the other hand, trends in the number of long-term temporary staff were essentially unchanged due largely to the direct impact on employment of efforts by Japan’s Health, Labour and Welfare Ministry to regulate temporary staffing job types, the confusion that ensued after the earthquake and growing uncertainty surrounding the future of the corporate sector reflecting constrained demand for temporary staff.

Taking into account all of the aforementioned factors, consolidated net sales for the fiscal year ended May 31, 2011 amounted to ¥178,806 million. This represented a 2.6% decrease compared with the previous fiscal year.

From a profit perspective, a drop in revenues and deterioration in the gross profit margin in the Outplacement business partly offset by growth in the Global Sourcing segment. Accordingly, gross profit in overall terms contracted 8.6% compared with the previous fiscal year to ¥33,558 million.

Selling, general and administrative（SG&A) expenses decreased ¥1,945 million, or 5.9%, year on year to ¥31,125 million. This was largely attributable to ongoing efforts to raise business efficiency and reduce costs by reorganization and the consolidation of certain key offices into a Group comprehensive office. Despite these endeavors, however, consolidated operating income fell 33.5% compared with the previous fiscal year to ¥2,432 million and consolidated ordinary income dropped 36.4% year on year to ¥2,571 million.

Pasona Group recorded extraordinary income on the gain on sales of investment securities totaling ¥463 million. After accounting for extraordinary losses of ¥480 million, representing the loss on adjustment for changes of accounting standard for asset retirement obligations in accordance with changes in accounting standards, and ¥63 million reflecting leave compensation payments to temporary staff as a result of the Great East Japan Earthquake, income before income taxes came in at ¥2,496 million, a decrease of 34.9% compared with the previous fiscal year. Based on the aforementioned, consolidated net income increased 101.4% year on year to ¥412 million. This was largely due to the considerably smaller impact of tax-effect accounting compared with the previous fiscal year.

Pasona Inc. (former Pasona Career Inc.) underwent a merger during the previous fiscal year. As a result, results are inclusive of an irregular settlement period of 14 months for that company.

Consolidated Business Results

(Millions of yen unless otherwise stated)

	FY2009	FY2010	YoY
Net sales	183,515	178,806	(2.6)%
Operating income	3,660	2,432	(33.5)%
Ordinary income	4,044	2,571	(36.4)%
Net income	204	412	101.4%

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 ended May 31, 2011. Therefore, percentage increases and decreases compared with the fiscal year ended May 31, 2010 have not been provided.

HR Solutions

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

Net Sales: ¥153,106 million; **Operating income:** ¥1,980 million

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

Net Sales: ¥149,240 million

In the Company's Expert Services business, which mainly encompasses general office work, new orders increased across most sectors including the service and manufacturing industries. However, due largely to efforts by Japan's Health, Labour and Welfare Ministry to tighten regulations relating to 26 specific types of work, and the possibility that temporary staffing would no longer be recognized for all other types of work following revisions to the Worker Dispatch Law, that were connecting through to direct employment in the corporate sector, and cutbacks in demand for temporary staff reflecting the confusion that ensued after the earthquake as well as growing uncertainty surrounding the future of the corporate sector and the sudden deterioration in consensus regarding the corporate sector's outlook, the number of long-term temporary staff remained stagnant. By job type, the Company was successful in promoting fostering-type temporary staffing in medical administrative fields and bolstering activities in such specialized areas as insurance and finance through effective M&A. As a result, Pasona Group reported growth in technical fields. In addition, sales totaled ¥130,735 million, which reflected the increase in demand also in sales and marketing positions from electronic retail stores due mainly to the impact of the eco-point incentive program.

In the Company's priority Insourcing business, results benefited from the positive flow-on effects of the corporate sector's efforts to raise business efficiency, as orders increased for reception, administrative and call center operations. Buoyed also by steady trends in government offices, local government authorities and other public sector-related activities, sales in the Insourcing business climbed to ¥16,365 million.

For the fiscal year ended May 31, 2011, collective sales in the Expert Services, Insourcing, HR Consulting business amounted to ¥149,240 million.

Place & Search (Placement / Recruiting) **Net Sales:** ¥1,833 million

On the domestic front, job offers increased focusing mainly on employees with the skills to achieve immediate results mainly in the sales and marketing as well as engineering fields. As a result, sales in this segment entered a recovery trajectory amounting to ¥1,833 million. In addition, results were firm in management level placement and recruiting activities.

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

Global Sourcing (Overseas) **Net Sales:** ¥2,031 million

As the shift of certain core operating functions to overseas locations by Japan's corporate sector gathers pace, demand for local personnel is becoming increasingly steady. This is particularly evident in such Asian countries as China, Taiwan and India. As a result, trends in placement and recruiting activities remain firm. In addition, the Group experienced an upswing in temporary staffing and payroll outsourcing as well as outsourcing services of peripheral overseas human resource fields. This was mainly attributable to the integration of Pasona Global Inc. into Pasona Inc. in December 2010 and efforts to strengthen marketing capabilities in Japan on a nationwide level. Taking each of the aforementioned into consideration as well as sound trends in placement and recruiting activities in North America, results in the Global Sourcing business grew substantially.

With respect to the aforementioned segment's earnings, operating income improved significantly to ¥1,980 million mainly due to increased contributions from Insourcing and Global Sourcing.

Outplacement

Net Sales: ¥9,807 million; **Operating income:** ¥1,011 million

Reflecting the shift by Japanese companies of their operations overseas, outplacement demand contributed to a steady increase in market share. This demand, however, failed to reach the substantial expansion in demand witnessed during the previous fiscal year. As a result, sales in this segment dropped in addition to the overall trend in new orders declined. Furthermore, in placing priority on a quick and definitive turnaround in the placement of job seekers registered from the previous period, costs ballooned. Accounting for each of the aforementioned, sales in this segment amounted to ¥9,807 million while operating income totaled ¥1,011 million.

Outsourcing

Net Sales: ¥14,690 million; **Operating income:** ¥2,227 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. Benefit One also places considerable emphasis on the incentive business, a management and operating service that converts financial incentives into points. As a result, results in the employee welfare benefit business were firm. Revenue in the Outsourcing segment expanded with net sales amounting to ¥14,690 million. Accounting for the upswing in input costs for a particular contract, earnings slightly declined with operating income totaling ¥2,227 million.

Life Solutions, Public Solutions, Shared

Net Sales: ¥3,564 million; **Operating income:** ¥134 million

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

FY2010 Consolidated Business Results by Segment

(Millions of yen)

<table>
<tr><th></th><th>Net sales</th><th>Operating income</th></tr>
<tr><td>HR Solutions</td><td>177,604</td><td>5,218</td></tr>
<tr><td>Expert Services (Temporary staffing),
Insourcing (Contracting), Others</td><td>153,106</td><td>1,980</td></tr>
<tr><td>Expert Services (Temporary staffing)
Insourcing (Contracting)
HR Consulting</td><td>149,240</td><td rowspan="3">1,980</td></tr>
<tr><td>Place & Search (Placement / Recruiting)</td><td>1,833</td></tr>
<tr><td>Global Sourcing (Overseas)</td><td>2,031</td></tr>
<tr><td>Outplacement</td><td>9,807</td><td>1,011</td></tr>
<tr><td>Outsourcing</td><td>14,690</td><td>2,227</td></tr>
<tr><td>Life Solutions
Public Solutions
Shared</td><td>3,564</td><td>134</td></tr>
<tr><td>Eliminations and Corporate</td><td>(2,362)</td><td>(2,920)</td></tr>
<tr><td>Total</td><td>178,806</td><td>2,432</td></tr>
</table>

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

(Reference)

FY2009 Consolidated Business Results by Former Segment

(Millions of yen)

<table>
<tr><th></th><th>Net sales</th><th>Operating income (loss)</th></tr>
<tr><td>Temporary staffing / Contracting, Placement / Recruiting</td><td>155,104</td><td rowspan="3">630</td></tr>
<tr><td>Temporary staffing / Contracting</td><td>152,128</td></tr>
<tr><td>Placement / Recruiting</td><td>2,975</td></tr>
<tr><td>Outplacement</td><td>13,481</td><td>3,854</td></tr>
<tr><td>Outsourcing</td><td>13,791</td><td>2,252</td></tr>
<tr><td>Other</td><td>4,458</td><td>(120)</td></tr>
<tr><td>Eliminations and Corporate</td><td>(3,320)</td><td>(2,957)</td></tr>
<tr><td>Total</td><td>183,515</td><td>3,660</td></tr>
</table>

Outlook for the Fiscal Year Ending May 31, 2012

As a result of the Great East Japan Earthquake, manufacturing activity in the corporate sector, which had entered a period of recovery, as well as consumer spending fell dramatically due to growing uncertainty surrounding trends following incidents at nuclear power stations and other factors. With the government yet to put forward specific and detailed plans for reconstruction, significant downward pressure is expected to be placed on the domestic economic for the foreseeable future.

In the context of ongoing operating conditions, the corporate sector is being confronted with a new issue, namely shortages in electric power, as a result of the earthquake disaster. With this in mind, the corporate sector is further accelerating its shift of business operations overseas. As a part of efforts to bolster supplementary structures in preparation for disaster and shortfalls in the supply of electric power, companies will likely step up efforts to decentralize branches including the backup of data. In order to address these corporate-sector requirements, the Pasona Group will strengthen the Global Sourcing business, which to provides support services overseas and the Insourcing and business process outsourcing (BPO = commissioned business process services) businesses, from the perspectives of further enhancing management efficiency and diversifying risk.

Forecasts of business results by segment are presented as follows.

Expert Services (Temporary staffing)

Due to the prolonged sense of uncertainty, particularly with respect to the residual effects of the Great East Japan Earthquake, orders, which had exhibited a steady recovery, have dropped off slightly over the past month or so. While there are lingering concerns of a continued downturn in demand for temporary staffing, reconstruction demand over the second half has provided a measure of underlying support. In light of emerging signs of an improvement in business sentiment, demand for temporary staff is projected to follow a path of modest recovery.

In the fiscal year ending May 31, 2012, the Pasona Group will take steps to put in place a platform that is capable of supporting a full-fledged recovery in the temporary staffing business. While further strengthening temporary staffing in specific types of work, particular emphasis will be placed on human resource training in the specialist medical, trading, IT and related fields.

Insourcing (Contracting)

In the fiscal year under review, the Pasona Group saw an increase in commissioned orders from the government as well as regional and other public authorities particularly with respect to emergency job creation contracts and projects encouraging engagement in the agriculture sector. Forecasts are for this growth trend to continue during the fiscal year ending May 31, 2012. Building on its track record with the government and regional public authorities, the Group will further expand its menu while broadening sales and marketing activities in the commissioned services field including administrative operations. By consolidating sales and marketing commissioned service as well as patent-related and other operations in specialist subsidiaries, the Group is also endeavoring to extend its business. In order to better respond to corporate-sector function distribution, the Pasona Group will open a BPO center in Osaka. Every effort will be made to bolster business activities in the Kansai area.

Place & Search (Placement / Recruiting)

Corporate sector willingness to recruit human resources fell dramatically in Japan following the Lehman Brothers shock. In the ensuing period, demand for human resources by the corporate sector recovered gradually, only to again drop away in the aftermath of the earthquake. More recently, demand has again begun to pick up with significant increases in job offers for such specialist positions as engineers as well as sales and marketing personnel. Buoyed by this operating environment, the Pasona Group will strengthen activities in fields including medicine, which require an extremely high level of specialist expertise, during the fiscal year ending May 31, 2012. At the same time, attention will be paid to the placement and recruiting of management level personnel in response to the strategic recruitment of human resources by the corporate sector.

Global Sourcing (Overseas)
In the fiscal year ending May 31, 2012, the corporate sector is projected to ramp up its efforts to shift certain operating functions such as production overseas. This is attributable to anticipated moves by the corporate sector to address issues and risks associated with shortages of electric power. As a direct consequence, the Pasona Group will further strengthen its support services for Japanese companies. In addition to proactively opening new branches as well as entering new regions, the Group will upgrade and expand its menu of human resource services in each country. Through these means, the Pasona Group will capture a larger customer base and expand its performance.

Outplacement
Following completion of a round of corrections in employment conditions by the corporate sector during the fiscal year under review, outplacement demand showed signs of settling. While orders temporarily declined in the immediate aftermath of the earthquake, the disaster triggered a review of management strategies by the corporate sector from the second half. Taking the aforementioned into consideration, demand is forecast to increase.

Outsourcing
In the mainstay employee fringe benefit outsourcing business, performance is forecast to be firm. In such new business fields as the customer relationship management business (which entails the provision of services aimed at enhancing the satisfaction of customers) and the incentive business (a management and operating service that concerts financial incentives into points), the Group plans to focus on further expanding customers. Accounting for each of the aforementioned, revenue and earnings are expected to increase in the Outsourcing business segment.

Life Solutions
Performances by the child-care related business and education activities business are anticipated to remain firm throughout the fiscal year ending May 31, 2012.

Accounting for all of the aforementioned factors and projections, the Pasona Group anticipates consolidated net sales will reach ¥183,000 million for the fiscal year ending May 31, 2012. This is a slight improvement of 2.3% compared with the fiscal year ended May, 31 2011. While the Group will continue to pursue efficiency and steadily implement reductions in costs, steps will be taken to engage in investment activity. As a result, SG&A expenses are estimated to rise slightly. In addition, taking into consideration the impact of seasonal factors in the Outsourcing business segment and forecast recovery toward the second half, profits are expected to concentrate in the six-month period to May 31, 2012. On this basis, consolidated operating income is forecast to total ¥2,850 million, an increase of 17.1% compared with the fiscal year ended May 31, 2011. In similar fashion, ordinary income is projected to climb 12.8% year on year to ¥2,900 million. Furthermore, in the fiscal year ending May 31, 2012, net income is forecast to surge 57.5% year on year to ¥650 million.

Consolidated Business Results Forecast

(Millions of yen unless otherwise stated)

	FY2010	FY2011 (Forecast)	YoY
Net sales	178,806	183,000	2.3%
Operating income	2,432	2,850	17.1%
Ordinary income	2,571	2,900	12.8%
Net income	412	650	57.5%

Forecasts of Sales by Segment

(Millions of yen unless otherwise stated)

	FY2010	FY2011 (Forecast)	YoY
HR Solutions	177,604	180,540	1.7%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	153,106	155,730	1.7%
Expert Services (Temporary staffing) Insourcing (Contracting) HR Consulting	149,240	151,100	1.2%
Place & Search (Placement / Recruiting)	1,833	2,360	28.7%
Global Sourcing (Overseas)	2,031	2,270	11.7%
Outplacement	9,807	9,160	(6.6)%
Outsourcing	14,690	15,650	6.5%
Life Solutions Public Solutions Shared	3,564	3,710	4.1%
Eliminations and Corporate	(2,362)	(1,250)	—
Total	178,806	183,00	2.3%

Forecasts of Operating Income (Loss) by Segment

(Millions of yen unless otherwise stated)

	FY2010	FY2011 (Forecast)	YoY
HR Solutions	5,218	6,200	18.8%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	1,980	3,080	55.5%
Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting Place & Search (Placement / Recruiting) Global Sourcing (Overseas)	1,980	3,080	55.5%
Outplacement	1,011	450	(55.5)%
Outsourcing	2,227	2,670	19.9%
Life Solutions, Public Solutions, Shared	134	(40)	—
Eliminations and Corporate	(2,920)	(3,310)	—
Total	2,432	2,850	17.1%

(2) Qualitative Information and Other Matters Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

Total assets as of May 31, 2011 stood at ¥60,564 million, a rise of ¥8,294 million, or 15.9%, compared with the end of the previous fiscal year. This was mainly attributable to certain factors including an increase of ¥9,998 million in the balance of cash and deposits, a decrease of ¥337 million in property, plant and equipment as well as a decrease of ¥530 million in the intangible assets.

(2) Liabilities

Total liabilities as of May 31, 2011 increased ¥7,632 million, or 28.0%, compared with May 31, 2010 totaling ¥34,922 million. The principal increases in total liabilities were long-term loans payable of ¥3,119 million, accrued expenses of ¥2,824 million due mainly to the change in salary payments to temporary staff from twice to once a month and short-term loans payable of ¥1,418 million.

(3) Net Assets

Net assets as of May 31, 2011 stood at ¥25,642 million, an increase of ¥662 million, or 2.7%, compared with the end of the previous fiscal year. This was mainly attributable to net income of ¥412 million.

Accounting for the aforementioned, the equity ratio as of May 31, 2011 declined 4.9 percentage points to 34.7% compared with the end of the previous fiscal year.

Status of Cash Flows

Cash and cash equivalents (hereafter "net cash") as of May 31, 2011 increased ¥10,239 million compared with the end of the previous fiscal year to ¥22,563 million.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities for the fiscal year ended May 31, 2011 amounted to ¥6,419 million (net cash provided by operating activities for the previous fiscal year was ¥2,875 million). Major cash inflows included income before income taxes totaling ¥2,496 million (income before income taxes for the previous fiscal year was ¥3,833 million), an increase in operating debt amounted to ¥2,963 million (a decrease in operating debt for the previous fiscal year was ¥1,250 million) as well as depreciation and amortization totaling ¥2,161 million (depreciation and amortization for the previous fiscal year was ¥1,902 million). The principal cash outflow was income taxes paid amounting to ¥1,030 million (income taxes paid for the previous fiscal year was ¥1,442 million).

(2) Cash Flows from Investing Activities

Net cash provided by activities for the period under review was ¥166 million (net cash used in investing activities for the previous fiscal year was ¥387 million). Major cash inflows included proceeds from sales of investment securities totaling ¥1,395 million (proceeds from sales of investment securities for the previous fiscal year was ¥88 million) and proceeds from collection of lease and guarantee deposits totaling ¥349 million (proceeds from collection of lease and guarantee deposits for the previous fiscal year was ¥2,246 million). Principal cash outflows were purchase of investment securities totaling ¥779 million (purchase of investment securities for the previous fiscal year was ¥68 million) and purchase of intangible assets totaling ¥612 million (purchase of intangible assets for the previous fiscal year was ¥490 million).

(3) Cash Flows from Financing Activities

Net cash provided by financing activities was ¥3,695 million (net cash used in financing activities for the previous fiscal year was ¥4,275 million). Major cash inflows included proceeds from long-term loans payable totaling ¥5,958 million (proceeds from long-term loans payable for the previous fiscal year was ¥2,900 million). Principal cash outflows were repayment of long-term loans payable amounting to ¥1,374 million (repayment of long-term loans payable for the previous fiscal year was ¥172 million), cash dividends paid totaling ¥464 million (cash dividends paid for the previous fiscal year was ¥518 million) and repayments of finance lease obligations totaling ¥348 million (repayments of finance lease obligations for the previous fiscal year was ¥141 million).

(Reference) **Cash Flow Benchmarks**

	(Reference) FY2006	FY2007	FY2008	FY2009	FY2010
Equity ratio	41.1%	41.6%	35.4%	39.6%	34.7%
Equity ratio based on market capitalization	176.7%	59.0%	33.9%	42.1%	44.8%
Ratio of interest-bearing debt to cash flows (years)	0.0	0.0	1.5	1.9	1.5
Interest coverage ratio	165.3	176.6	132.1	27.5	36.0

Notes:

1. Equity ratio: Shareholders' equity / total assets
   Equity ratio based on market capitalization: Market capitalization / total assets
   Ratio of interest-bearing debt to cash flows: Interest-bearing debt / cash flows
   Interest coverage ratio: Cash flows / interest payments
2. Each benchmark is calculated based on the consolidated financial statements.
3. Market capitalization is calculated by multiplying the period-end closing share price with the number of outstanding shares at the period-end (after deducting treasury stock).
4. Cash flows from operating activities are used in calculations that use cash flows.
5. Interest-bearing debt includes all interest-bearing debt under liabilities recorded on the consolidated balance sheets.
6. Financial data for the fiscal year ended May 31, 2007 is for Pasona Inc. on a consolidated basis.

(3) Policy on the Appropriation of Profits, Dividends for the Fiscal Year Ended May 31, 2011 and the Fiscal Year Ending May 31, 2012

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

Based on the aforementioned basic policy in connection with the appropriation of profits, the Company has declared an annual dividend for the fiscal year ended May 31, 2011 of ¥1,000 per share following ratification at a Board of Directors' meeting held on July 20, 2011.

Regarding dividends for the fiscal year ending May 31, 2012, the Company does not plan to pay an interim cash dividend in the subject fiscal year because a net loss is forecast for the first half period. The Company does however intend to pay a period-end cash dividend of ¥1,200 per share.

(4) Risk Factors

In order to prevent any crisis from substantially impacting the Company's management and to minimize loss in the event of a serious incident, Pasona Group has formulated a set of risk management rules. In addition, the Company has established the Risk Management Committee as an umbrella organization to oversee and monitor risk. Based on its Crisis Management Manual, Pasona Group has also created a framework of appropriate measures to be implemented in response to daily as well as emergency incidents. Furthermore, through a system of regular internal audits, the Internal Audit Department monitors the status of daily risk management undertaken by individual departments.

Information contained in this report in connection with current and future risks has been determined as of the date of its announcement unless otherwise stated. Accordingly, the issues identified do not cover all potential risks associated with investing in the Company's stock.

A. Personal and Classified Information Risk

Each business segment within the Pasona Group collects, handles and stores a wealth of personal information relating to temporary staffing registrants, employment placement applicants and outplacement service users as well as individual member information of client firm members of the outsourcing business. In addition to formulating its personal information protection policy and ensuring that personal information is procured, utilized, distributed and handled in an appropriate manner, the Pasona Group also clarifies the point of contact in connection with the disclosure and deletion of personal information. At the same time, the Group takes all essential and appropriate safety control measures from both the technical and organizational perspectives to prevent personal information leakage or loss, and places the utmost emphasis on personal information protection management education and training among all directors and employees of the Group.

Furthermore, the Pasona Group ensures that all appropriate information management systems, structure and procedures are in place to prevent leakage of trade secrets and other important information relating to the Group, its employees, temporary staffing registrants as well as client firms. Again, the Group works diligently to ensure that the aforementioned systems, structure and procedures are well known and implemented in an appropriate manner.

In connection with its registered temporary personnel, the Pasona Group formulates temporary staffing rules of employment and standards relating to confidentiality. Pasona Group seeks to obtain a pledge and acknowledgement to the aforementioned rules and confidentiality requirements as well as the confidentiality obligations of the relevant employer and all other related rules and regulations from all temporary personnel prior to the commencement of employment.

Notwithstanding the preceding measures, Pasona Group remains at risk to a claim for damages, loss of reputation and social credibility as well as a deterioration in its financial position in the event of a breach in the variety of rules and regulations outlined above or a leak in personal information due to unforeseen and other circumstances.

B. Temporary Staff Procurement Risk

By its very nature, securing an ample pool of temporary staff is integral to the Pasona Group's Expert Services (Temporary staffing) business. The Pasona Group strives to recruit temporary staff through the Internet, newspaper and magazine advertising as well as introductions from existing registrants. In addition to efforts to secure a stable supply of temporary staff, the Group is also actively engaged in endeavors to improve the location of registration offices and facilities, temporary staff remuneration, fringe benefits and to provide employment opportunities that accurately address the needs of each and every registrant. Pasona Group has also introduced person in charge system and is expanding training and education. Collectively through these initiatives and measures, Pasona Group continues efforts to enhance the satisfaction of temporary staff. In addition, for those existing registrants not currently in employ, Pasona Group is making every effort to ensure their retention. Notwithstanding these efforts, however, in the event the demand for temporary staff exceeds the ability to secure temporary staff, the Group's performance may be affected.

C. Temporary Staffing Payment Risk

In the Expert Services business, sales are recorded on a temporary staffing payment invoice basis to those companies to which temporary staff are dispatched. In this context, companies supplied with temporary staff are invoiced on either an hourly or monthly rate. In principle, cost of sales comprises payments to temporary staff on an hourly basis, which in turn reflects the relevant job description and skills as well as legal welfare, paid leave and other expenses. The Pasona Group is committed to securing reasonable and appropriate remuneration both at the invoice and payment levels and pursues negotiations with companies to which temporary staff are dispatched accordingly. Both increases and decreases at each of the temporary staffing invoice and payment levels do not always occur in a synchronized manner. In the event of a sudden or prolonged upswing in large volumes of contracts where the discrepancy between temporary staffing invoice and payment levels is detrimental, profitability in the Group's Expert Services business may decline significantly affecting overall performance.

D. Outplacement Risk

From a nationwide network, Pasona Group provides a variety of services in an effort to help early retirees and those planning for retirement find reemployment in the Outplacement business. These services include support in the preparation of resumes and interviews, the provision of information on job openings and mental health care. Pasona Group allocates a consultant to each individual client, who focuses on counseling, the collection of employment information and job placement. Through detailed outplacement activities, Pasona Group is well positioned to facilitate a quick and definitive turnaround in the placement of employees. By raising the level of services, the Group strives to secure repeat orders from client firms. At the same time, Pasona Group works diligently and aggressively in its marketing activities with the aim of securing new orders. Success in the outplacement business is dependent upon a number of factors. These factors include the employment policies of client firms, the impact of the economic environment, order trends and rates for each region and the ability to secure a quick and definitive turnaround in the placement of employees. Accordingly, fluctuations in profitability are a key issue.

In addition, fixed overheads are another concern in the Company's ability to maintain a nationwide network, consistently provide comprehensive facilities at each point of representation, open new offices, allocate consultants and maintain a consistent level of services. In the event Pasona Group is unable to flexibly respond to changes in the economic environment and to adequately establish offices and allocate consultants, the Group's overall performance and profitability may suffer. Furthermore, in the event that re-employment determination rates decline or there are lengthy delays in any definitive turnaround in the placement of employees due to the future economic environment, fixed overheads are expected to increase impacting negatively on profitability and the Pasona Group's performance.

E. Outsourcing Risk

Through its subsidiary Benefit One Inc., Pasona Group provides benefit-outsourcing services.

Companies that contract with Benefit One become corporate members. Employees of corporate members receive access, at membership rates, to a variety of accommodation, sports club, school and other facility benefits.

Benefit One receives a joining fee and a monthly membership fee depending on the number of individual members from corporate members. Benefit One also undertakes a subsidy payment to cover the use of facilities by employees based on the type of membership and course for each corporate member. While revenues increase relative to the increase in individual members, if subsidy payments rise higher than revenues the Group's performance may be impacted.

F. Statutory and Regulatory Risk

1. Expert Services (Temporary staffing), Place & Search (Placement / Recruiting) business

a. Expert Services (Temporary staffing) business

i) Business Approvals and Licenses

A mainstay activity of the Group, Pasona Group has been granted a Temporary staffing business license by the Ministry of Health, Labour and Welfare. As a rule, temporary staffing activities in Japan are regulated by the Worker Dispatch Law, which serves to establish guidelines for the temporary staffing industry and parameters for disqualification, illegal activity, license cancellation and orders to terminate activities. Led by its Legal and Compliance Department, the Pasona Group has formulated guidelines for appropriate conduct and behavior in temporary staffing transactions. Underpinned by these guidelines, Pasona Group conducts comprehensive employee training, monitors the level of statutory compliance through internal auditing and other systems and implements preventive measures. Despite these endeavors, however, the Pasona Group remains at risk that the Company or a Group employee or director will materially contravene the Worker Dispatch Law or related laws and regulations leading to the cancellation of its license or an order for the termination of business. In addition, the Group's performance may also be affected by amendments to the Worker Dispatch Law and related laws and regulations in line with changes in the labor market.

ii) Types of Temporary Staffing Work

Prior to the amendment to the Worker Dispatch Law in December 1999, temporary staffing activities were restricted to 26 specialist fields. Following further amendments, however, the temporary staffing industry was effectively deregulated with the exception of certain restricted activities including harbor transport, construction, security, medicine and related fields and manufacturing. Furthermore, in March 2004, restrictions were lifted on temporary staffing to the manufacturing industry as well as Temp to Perm, the placement of employees on a full-time basis following completion of a temporary staffing assignment, to the medical field. In April 2006, restrictions on the temporary staffing of medical practitioners to remote areas and replacement personnel for doctors, nurses and health workers taking either maternity or education leave were lifted. Looking ahead, however, depending on the details of any future revisions to the Worker Dispatch Law, restrictions may be placed on the Expert Services business, which impede growth. In this context, the Pasona Group's performance may be affected.

iii) Restrictions on Temporary Staffing Term

In connection with restrictions on the terms applicable to the dispatch of workers (temporary staffing) as stipulated under the Worker Dispatch Law, restrictions on 26 forms of work designated by the government under a Cabinet order were removed pursuant to an amendment to the Law in

March 2004. With respect to sales and marketing positions, deregulated in December 1999, while the maximum term for which dispatching is possible has been extended from one year to three years (subject to receipt of the acknowledgement of an individual representing a majority of the employees of the company to which temporary staff have been dispatched) companies are restricted from accepting temporary staff and temporary staffing companies are restricted from dispatching workers on a continuous basis for a period exceeding three years for the same duties with respect to temporary staffing work on an individual location basis. The temporary staffing company shall inform the company accepting temporary staff and the temporary staff in question on the day prior to the conclusion of the restricted term. In the event the company continues to employ temporary staff beyond this term, the company shall be obligated to employ temporary staff on a permanent and full-time basis.

In principle, there is no restriction on the temporary staffing term for the 26 fields identified prior to amendments to the Worker Dispatch Law in December 1999. In the event, however, that an employer after employing temporary staff for a continuous period exceeding three years seeks to employ full-time, permanent employees for the subject position and duties, the temporary staff having been employed for a period of three years shall receive a first right of refusal.

Impacted by restrictions on the term of temporary staffing and an increase in the number of companies shifting from temporary to permanent employment, the incidence of companies dealing directly with temporary staff is expected to grow. In the event the number of those seeking temporary employment declines, the Company's performance may be affected.

iv) Revision of the Worker Dispatch Law

Revisions to the Worker Dispatch Law were submitted for Japan's Diet on March 29, 2010. As of the date of this report, deliberations by the House of Representatives had been carried forward.

Included in the subject draft revision of the Worker Dispatch Law is the proposal to prohibit in principle the dispatch of registration type workers with the exception of the 26 designated specific types of work. The vast proportion of the Pasona Group's Expert Services business encompasses these 26 designated specific types of work. In addition, the Pasona Group has positioned the Insourcing (Contracting) business as a field of priority focus in response to customer needs. At the same time, the Pasona Group as a whole is pursuing and promoting total solution services. By building up and accumulating know-how in the Insourcing business, the Pasona Group plans to offset restrictions placed on the scope of temporary staffing in other fields. Furthermore, the Pasona Group has adopted the policy to maintain and develop the Group's growth platform by diversifying its human resource services in the event that the draft revision of the Worker Dispatch Law is enacted.

In February 2010, Japan's Ministry of Health, Labour and Welfare drew up a plan to rectify the dispatch of workers in 26 fields of work that require specialized skills. By promoting a policy that stricter regulations will apply to the classification and distinction between the 26 fields of work that require specialized skills and deregulated forms of work, the potential exists for the Pasona Group's business activities to be affected depending on the status, terms and conditions of guidance. In addition, in accordance with the draft revision of the Worker Dispatch Law, the Pasona Group's performance may be affected in the event of any contraction in temporary staffing contracts, any increase in the changeover to direct employment contracts and where the pace of human resource temporary staffing market contraction exceeds the Pasona Group's ability to respond.

b. Place & Search (Placement / Recruiting) business

As a fee-charging employment agency, the Pasona Group has received the approval of the Ministry of Health, Labour and Welfare to engage in placement and recruiting activities and is regulated by the Job Stabilization Law. In December 1999 following amendments to the Job Stabilization Law, the scope of placement and recruiting activities was expanded both in the number of industries covered and to include new graduates. At the same time, restrictions relating to placement fees were relaxed. In December 2000, further restrictions were lifted for both temporary placement and placement/recruiting activities heralding the birth of Temp to Perm.

Companies engaged in placement and recruiting can be stripped of their license or ordered to cease business activities in the event they fail to meet certain conditions. Accordingly, the Company may come under the same risks as the aforementioned business.

2. Outplacement business

The profit structure and business model for the Outplacement business differs from that of the Place & Search business. From the perspective of introducing job seekers to employers, however, the Outplacement business is regulated, guided and monitored in the manner identified above for the placement and recruiting business. Accordingly, the Company may come under the same risks as the aforementioned business.

G. Social Insurance Responsibility Risk

The Pasona Group adopts comprehensive measures to ensure that all eligible temporary staff join the current social insurance system. In connection with health insurance, the participation rate by the elderly in the Temporary Staffing Health Insurance Association, to which Pasona Group employees and temporary staff belong, is low. Accordingly, insurance contributions by the elderly have also been lower when compared to other health insurance associations. Following a reform of the health insurance system in April 2008, however, and the imposition of new financial support payments for individuals over 75 years of age and payments for individuals aged between 65 and 75 in lieu of insurance contributions by the elderly, the contribution by employers to temporary staffing health insurance associations have risen substantially from 3.05%, the level in fiscal 2007, to 3.8% in fiscal 2008. In the ensuing period, the level of contribution has risen annually and is scheduled to increase to 4.08% in fiscal 2011. Recognizing the financial standing of the Temporary Staffing Health Insurance Association is extremely difficult, the potential exists for additional increases in contribution rates in the future.

Furthermore, following a reform of the pension system in fiscal 2004, the contribution by employers as a ratio of index monthly earnings has risen from 6.967% as of October 2004 by 0.177% annually through to 2017 inclusive to a fixed contribution after 2017 of 9.15%.

Moreover, following revision to the employment insurance system on April 1, 2010, the contribution by employers for employment insurance also increased. At the same time, the application criterion for employment insurance was loosened. As a result, the scope of application was amended from “prospective employment of more than six months” (fiscal 2009) to “prospective employment of more than 31 days” increasing the number of workers.

In the future, changes in insurance rates and the scope of persons insured due to further reforms of the social insurance system may affect the Pasona Group’s financial position and performance.

H.Interested-Party Transaction Risk (relationships with companies in which either Yasuyuki Nambu,Group CEO & President, or his family members maintain an equity interest)

While Yasuyuki Nambu, Group CEO and President of the Company, his immediate and close relatives, companies in which Yasuyuki Nambu and his close relatives hold a majority of voting rights on their own account, and subsidiaries of those companies combined for 49.46% of Pasona Group's voting rights as of May 31, 2011, the Company has continued to promote appropriate business management and operations by ensuring that its corporate governance structure and systems function properly.

I. Business Investment Risk

1. Investment in Subsidiary and Affiliated Companies

As of May 31, 2011, the Pasona Group was comprised of 28 consolidated subsidiaries and 2 affiliated companies accounted for under the equity method.

Stock price of publicly listed subsidiaries may be impacted by market and other trends. Accordingly, the Company's non-consolidated performance and asset balance may in future be affected by revaluation due to movements in related company share prices.

In addition, the Pasona Group is committed to proactive investment in new businesses with the aim of better addressing the diverse needs of client firms and employees. The Pasona Group strives to monitor the progress of its ongoing business investments and to accelerate development through optimal use of existing Group infrastructure and marketing network. Despite these efforts, however, consolidated performance may be affected in the event new business earnings fail to meet expectations.

2. Corporate Acquisition

The Pasona Group considers all opportunities including the acquisition of companies actively involved in the human resources industry as a means to effectively supplement and reinforce its mainstay activities. The acquisition of companies includes temporary staffing companies that were established mainly for the purpose of providing temporary staff at Group companies or associated companies of their parent company (in-house-type), temporary staffing companies that specialize in particular sectors and fields and leading companies in peripheral industries. Through these means, the Pasona Group strives to complement existing business domains and to enhance consolidated profitability.

In line with the acquisition of other companies, the Pasona Group may incur significant demands for funds procurement. Acquisition will also generate an increase in amortization of goodwill and other items. All of the aforementioned may affect the Group's performance. In addition, contributions to consolidated earnings through the acquisition of companies may not be achieved in the short-term and require a longer period.

J. Financing Risk

The Pasona Group strives to ensure the efficient application of Group funds through the effective use of its Group Cash Management Service (CMS). At the same time, the Group establishes commitment lines with financial institutions. Through these means, the Pasona Group makes every effort to maintain an appropriate level of liquidity. In the event, however, that the Group is unable to procure funds as and when required and at acceptable terms and conditions due to the status of its financial condition and future trends in financial markets, the ability of the Group to pursue its business activities may be affected.

K. Human Resource Service Market

The Pasona Group strives to build a balanced business portfolio that remains unrestricted to the constraints of any specific field. Accordingly, the Group pursues a diversified human resource business that encompasses temporary staffing and contracting, placement and recruiting, outplacement, outsourcing and related activities. At the same time, the Group is actively engaged in the distribution of information relating to a variety of employment modes, education as well as diverse proposals. The Pasona Group's business, however, is impacted by trends in personnel demand reflecting changes in economic conditions both in Japan and overseas as well as the business environment, recruitment trends, as well as the application of external human resources and strategies relating to human resource training. In the event of a sharp fluctuation in market conditions and a rapid drop in demand from client firms, the Pasona Group's performance may be affected.

L. Natural, Systems and Other Disasters

The Pasona Group maintains Group companies as well as sales and marketing offices across the length and breadth of Japan. Accordingly, the Group has put together a crisis management manual which outlines measures for the purpose of confirming the safety of employees and temporary staff as well as other actions to be undertaken to ensure safety in the event of a major natural disaster such as an earthquake or flood. In addition, various countermeasures have been put in place to ensure business continuity. This includes the distribution of business office and information systems functions. In the event, however, of a large-scale natural disaster that exceeds all expectations, the Group's performance may be affected.

Furthermore, the Pasona Group makes heavy use of its IT systems in its business and information management activities. In the event of a major breakdown in the Group's systems for whatever reason, the Group's business management and operations may be affected.

2. Information on Group Companies

The Pasona Group shifted to a pure holding company structure on December 3, 2007. The Pasona Group is comprised of Pasona Group Inc., its 28 consolidated subsidiaries and 2 affiliated companies accounted for by the equity method. Major Group companies according to their principal business activity are listed as follows.

Pasona Group Inc. (Holding Company)

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

HR Solutions

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

Pasona Inc.
Pasona Tech, Inc.
Pasona Dotank Inc.
Kansai Employment Creation Organization Inc.
Kantou Employment Creation Organization Inc.
Pasona Okayama Inc.
Pasona Sourcing Inc.
Pasona Empower Inc.
Pasona Engineering Inc.
Pasona Logicom Inc.
Pasona Marketing Inc. (Note.1)
KIS Co., Ltd.
e-Staffing Co., Ltd.*

Place & Search (Placement / Recruiting)

Pasona Inc.
Pasona Fortune, Inc.

Outplacement

Pasona Inc.

Outsourcing

Benefit One Inc.
National Examination Center Inc. *

Global Sourcing (Overseas)

Pasona N A, Inc.
PASONA CANADA, INC.
PASONA MIC, Inc.
MGR Search and Selection CO., LTD.
TEAM PASONA INDIA COMPANY LIMITED
Pasona Taiwan Co., Ltd.
Pasona Singapore Pte. Ltd.
PASONA ASIA CO., LIMITED
Pasona Human Resources (Shanghai) Co., Ltd.

Life Solutions

Pasona Foster Inc.
Pasona Education Co. Limited

Public Solutions

Pasona Heartful Inc.

Shared

Pasona CIO Inc.

* Equity-method affiliate
All other unmarked companies are consolidated subsidiaries

Note 1: With an effective date of June 1, 2011, Pasona e-Professional, Inc. has changed its name to Pasona Marketing Inc.
2: For multiple businesses, only the principal business is disclosed.

3. Management Policies

(1) Basic Management Policy of the Company

Since its establishment, the Pasona Group has maintained an unwavering commitment to its corporate philosophy which identifies the Group's mission as providing "Solutions to Society's Problems." The Group has continued to channel its endeavors toward realizing a society in which each and every individual can create their own comfortable lifestyles and freely choose the kind of work they wish to do irrespective of age and gender.

The Pasona Group's job is to bring out the best in each individual and to create rich and prosperous lifestyles for each and every individual. Put simply, the Group's work is to "Life Produce." In order to fulfill this role and responsibility, the Pasona Group will continue to build a new social infrastructure and endeavor to become a company that integral to the needs of society.

(2) Management Target

As a social solutions company, Pasona Group's mission is to produce both comfortable and rich environments for every facet of life. Extending well beyond the boundaries of the temporary staffing business, the Company is consistent in its proactive efforts to nurture new business domains. Engaged in human resources-related endeavors as a matter of course, Pasona Group continues to spread its wings across increasingly broad fields as a company that strongly promotes work-life balance. Working to diversify our overall Group business activities, we will build a balanced business portfolio from a profit perspective.

(3) Medium- to Long-Term Business Strategy and Pending Issues

In order to definitively bring to fruition its mission as a social solutions company, Pasona Group recognizes the need to diversify its service infrastructure and further focus its business development endeavors on new service fields. In taking up the challenge leading into fiscal 2015, the Company has identified the five MESIA+G* fields. By succeeding across each of these fields, Pasona Group is better positioned to ensure the further substantial development of industry and regional revitalization.

* M (Medical), E (Environment), S (Sightseeing, regional revitalization), I (Information Communication Technology), A (Agriculture), G (Global)

Looking ahead, the Pasona Group will expand existing businesses while at the same time focusing on creating new business domains of the future. To this end, the Group will build the prerequisite structure and strengthen functions. Guided by the following operating strategies, the Pasona Group will actively engage in wide-ranging business activities.

a. Strengthen Group Collaboration

Steps will be taken to formulate a management strategy that embraces the entire Group and ensure the optimal allocation of management resources to growth fields. At the same time, every effort will be made to lift the Group's human resource and organizational capabilities while building a structure that is capable of promoting the Group's business effectively. Moving forward, Pasona Group will harness synergy effects and bolster collaboration.

b. Further Enhance Administrative Efficiency

The Pasona Group will further enhance administrative efficiency throughout the Group by promoting shared services among back office departments. In addition to reorganizing the business of the Group, the Company will promote business process reengineering (BPR), efforts to rebuild business processes, encompassing such endeavors as improving work flows and reviewing systems. Through these and other means, Pasona Group will work diligently to further enhance operating efficiency across the entire Group.

c. Bolster the Service Function
Positioning the comprehensive outsourcing business as a key area of operation both in and outside Japan, we will pursue a variety of initiatives including business tie up and alliance, develop and propose new service menus and strive to bolster functions across the board.

d. Strengthen Human Resource Training
Pasona Group will focus on nurturing human resources including HR consultants who possess professional skills in corporate organizational and personnel consulting as well as career counselors who strive to create employment opportunities that help draw out the skills and abilities of each and every individual. The Company will set its sights on garnering trust as a social solutions company and to enhance corporate value.

Working to realize its Group global strategy, Pasona Group will place every emphasis on developing genuinely global human resources who in addition to language skills as a matter of course possess a broad perspective and the ability to think creatively and innovatively. At the same time, the Company will link this human resource development process to efforts that aim to enhance the quality of solution services.

(4) Pending Issues
As a result of the Great East Japan Earthquake, manufacturing activity in the corporate sector, which had entered a period of recovery, as well as consumer spending fell dramatically. With the government yet to put forward specific and detailed plans for reconstruction, significant downward pressure is expected to be placed on the domestic economic for the foreseeable future.

Under these circumstances, the Pasona Group's mission is first and foremost to create employment in affected areas and to provide victims of the disaster with nationwide employment opportunities.

In the context of ongoing operating conditions, the corporate sector is being confronted with a new issue, namely shortages in electric power, as a result of the earthquake disaster. With this in mind, the corporate sector is further accelerating its shift of business operations overseas. As a part of efforts to bolster supplementary structures in preparation for disaster and shortfalls in the supply of electric power, companies will likely step up efforts to decentralize branches including the backup of data. In order to address these corporate-sector requirements, the Pasona Group will promote the following strategic priorities during the fiscal year ending May 31, 2012 with the aims of strengthening Insourcing and BPO from the perspectives of further enhancing management efficiency and diversifying risk in addition to overseas support services.

a. Promote Increased Sophistication and Specialization in Expert Services
In the fiscal year under review, the Group as a whole focused on nurturing human resources, raising the level of temporary staffing skills and expanding efforts to develop new job types in an effort to bolster specialized temporary staffing. Steps were also taken to strengthen regional subsidiaries particularly in the Kyushu area and to build a structure that would cover the entire area of Kyushu with the aim of reinforcing sales and marketing in regional areas.

In the fiscal year ending May 31, 2012, the Group will continue to push forward efforts to develop a robust platform undertaken during the fiscal under review. In addition to reinforcing activities aimed at specialist job types and enhancing sales and marketing in regional areas, the Group will work diligently to develop human resources who are capable of revitalizing outlying regions.

b. Actively develop the Global Sourcing and overseas-related businesses
Responding to the shift overseas by Japan's corporate sector, the Pasona Group is bolstering its local human resource support services targeting Japanese companies operating overseas. In the fiscal year under review, Pasona Global Inc. was integrated into Pasona Inc. In addition to strengthening domestic

marketing on a nationwide scale, the Group focused on operating commissions services for overseas human resource peripheral fields. Furthermore, steps were taken to expand overseas branches. Following on from New Delhi, three new branches were established in India in Mumbai, Chennai and Bangalore.

In the fiscal year ending May 31, 2012, the Group will proactively open new overseas branches and expand its service area. At the same time, efforts will be made to upgrade and expand human resource service menus in each country.

c. Reinforce and expand the Insourcing business

In the fiscal year ended May 31, 2011, the Pasona Group's ongoing Insourcing efforts including emergency employment creation endeavors and encouraging engagement in the agriculture sector and its track record of commissioned service performance and management structure garnered significant recognition. As a result, orders from government and other public offices as well as regional public authorities increased substantially surpassing results of the previous fiscal year. In addition, steps taken to expand the menus for such activities as education and training, as well as the establishment of a project management office (PMO) aimed at building a more robust management structure contributed to business growth.

In the fiscal year ending May 31, 2012, the Group will build on this performance with the aim of further expanding its business. Moreover, the Group will promote the further specialization of Group companies to concentrate know-how in such operations as sales, marketing and patents. In this manner, particular weight will be placed on expanding business.

d. Expand the BPO business

Against the backdrop of a growing emphasis on raising management efficiency throughout the corporate sector, the BPO market continues to expand. In the fiscal year ended May 31, 2011, the Pasona Group opened BPO centers in Matsuyama and Gifu and promoted commissioned call center operations as well as website development. Overseas, the Group undertook BPO center commissioned service activities for technical support in Dalian, China while developing software in Vietnam.

In the fiscal year ending May 31, 2012, the Pasona Group will open a BPO center in Osaka with an eye to corporate sector function decentralization while expanding business scale in the Kansai area. Outside of Japan, the Group will expand its existing BPO centers. Moving forward, steps will be taken to further strengthen the Group's total solution services in an effort to address from a wider range of perspectives the needs of the corporate sector. In this manner, the Group will focus on steadfastly securing opportunities to boost profits.

4. Consolidated Financial Statements

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

		As of May 31, 2010		As of May 31, 2011
ASSETS				
Current assets				
Cash and deposits		12,629		22,628
Notes and accounts receivable－trade		17,900		18,356
Short-term investment securities		202		202
Inventories	*2	318	*2	312
Deferred tax assets		817		916
Income taxes receivable		526		90
Other		2,658		1,916
Allowance for doubtful accounts		(65)		(54)
Total current assets		34,986		44,368
Noncurrent assets				
Property, plant and equipment				
Buildings	*3	4,390	*3	5,228
Accumulated depreciation		(1,391)		(2,333)
Buildings, net		2,999		2,894
Land		1,256		1,256
Lease assets		2,215		2,455
Accumulated depreciation		(117)		(419)
Lease assets, net		2,098		2,036
Other	*3	2,036	*3	1,977
Accumulated depreciation		(1,418)		(1,530)
Other, net		618		447
Total property, plant and equipment		6,972		6,634
Intangible assets				
Goodwill		798		514
Software	*3	2,886	*3	2,630
Lease assets		78		88
Other		86		86
Total intangible assets		3,850		3,320
Investments and other assets				
Investment securities	*1	1,304	*1	1,390
Long-term loans receivable		270		230
Deferred tax assets		331		368
Lease and guarantee deposits		4,143		3,919
Other		760		686
Allowance for doubtful accounts		(13)		(13)
Allowance for investment loss		(337)		(341)
Total investments and other assets		6,460		6,240
Total noncurrent assets		17,282		16,195
Total assets		52,269		60,564

(Millions of yen)

	As of May 31, 2010	As of May 31, 2011
LIABILITIES		
Current liabilities		
Accounts payable—trade	1,523	1,585
Short-term loans payable	657	2,075
Current portion of bonds	36	128
Lease obligations	314	366
Accounts payable—other	2,387	2,061
Accrued expenses	7,952	10,777
Income taxes payable	862	987
Accrued consumption taxes	1,190	1,319
Unearned revenue	3,379	2,811
Provision for bonuses	1,615	1,479
Provision for directors' bonuses	4	7
Asset retirement obligations	—	4
Other	1,501	1,725
Total current liabilities	21,426	25,329
Noncurrent liabilities		
Bonds payable	128	—
Long-term loans payable	2,149	5,269
Lease obligations	2,215	2,090
Provision for retirement benefits	1,065	910
Asset retirement obligations	—	722
Other	304	600
Total noncurrent liabilities	5,863	9,592
Total liabilities	27,289	34,922
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,054	6,054
Retained earnings	13,200	13,425
Treasury stock	(3,493)	(3,493)
Total shareholders' equity	20,761	20,986
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	135
Foreign currency translation adjustment	(81)	(117)
Total accumulated other comprehensive income	(72)	17
Minority interests	4,290	4,637
Total net assets	24,979	25,642
Total liabilities and net assets	52,269	60,564

(2) CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

		FY2009 (For the fiscal year ended May 31, 2010)		FY2010 (For the fiscal year ended May 31, 2011)
Net sales		183,515		178,806
Cost of sales		146,784		145,247
Gross profit		36,731		33,558
Selling, general and administrative expenses	*1	33,070	*1	31,125
Operating income		3,660		2,432
Non-operating income				
Interest income		12		12
Equity in earnings of affiliates		105		36
Subsidy income		205		228
Compensation income		160		—
Insurance premiums refunded cancellation		—		71
Other		96		88
Total non-operating income		581		437
Non-operating expenses				
Interest expenses		71		177
Commitment fee		68		58
Other		58		62
Total non-operating expenses		197		298
Ordinary income		4,044		2,571
Extraordinary income				
Gain on sales of noncurrent assets	*2	1		—
Gain on sales of investment securities		—		463
Gain on sales of subsidiaries and affiliates' stocks		0		11
Gain on change in equity		—		3
Reversal of allowance for doubtful accounts		15		0
Gain on negative goodwill		—		43
Reversal of provision for directors' retirement benefit		150		—
Reversal of loss on liquidation of subsidiaries and affiliates		18		—
Reversal of allowance for investment loss		13		0
Other		—		0
Total extraordinary income		198		523
Extraordinary loss				
Loss on sales and retirement of noncurrent assets	*3	238	*3	37
Loss on sales of investment securities		6		8
Loss on valuation of investment securities		3		0
Impairment loss	*4	1	*4	2
Loss on change in equity		9		—
Head office transfer cost		149		—
Loss on disaster		—		63
Loss on adjustment for changes of accounting standard for asset retirement obligations		—		480
Other		—		5
Total extraordinary loss		409		598
Income before income taxes		3,833		2,496
Income taxes—current		1,533		1,533
Income taxes—deferred		1,171		(148)
Income taxes		2,704		1,385
Income before minority interests		—		1,111
Minority interests in income		923		698
Net income		204		412

(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

		FY2010 (For the fiscal year ended May 31, 2011)
Income before minority interests		1,111
Other comprehensive income		
Valuation difference on available-for-sale securities		124
Foreign currency translation adjustment		(38)
Total other comprehensive income	*2	86
Comprehensive income	*1	1,198
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent		502
Comprehensive income attributable to minority interests		695

(4) CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
Shareholders' Equity		
Common Stock		
Balance at the end of previous period	5,000	5,000
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	5,000	5,000
Capital surplus		
Balance at the end of previous period	6,517	6,054
Changes of items during the period		
Dividends from surplus-other capital surplus	(233)	—
Disposal of treasury stock	(229)	—
Total changes of items during the period	(462)	—
Balance at the end of current period	6,054	6,054
Retained earnings		
Balance at the end of previous period	12,995	13,200
Changes of items during the period		
Dividends from surplus	—	(187)
Net income	204	412
Total changes of items during the period	204	225
Balance at the end of current period	13,200	13,425
Treasury stock		
Balance at the end of previous period	(4,799)	(3,493)
Changes of items during the period		
Disposal of treasury stock	1,306	—
Total changes of items during the period	1,306	—
Balance at the end of current period	(3,493)	(3,493)
Total shareholders' equity		
Balance at the end of previous period	19,713	20,761
Changes of items during the period		
Dividends from surplus	—	(187)
Dividends from surplus-other capital surplus	(233)	—
Net income	204	412
Disposal of treasury stock	1,076	—
Total changes of items during the period	1,048	225
Balance at the end of current period	20,761	20,986
Total other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	0	8
Changes of items during the period		
Net changes of items other than shareholders' equity	8	127
Total changes of items during the period	8	127
Balance at the end of current period	8	135

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
Foreign currency translation adjustment		
Balance at the end of previous period	(77)	(81)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3)	(36)
Total changes of items during the period	(3)	(36)
Balance at the end of current period	(81)	(117)
Total other comprehensive income		
Balance at the end of previous period	(76)	(72)
Changes of items during the period		
Net changes of items other than shareholders' equity	4	90
Total changes of items during the period	4	90
Balance at the end of current period	(72)	17
Minority interests		
Balance at the end of previous period	5,512	4,290
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,221)	346
Total changes of items during the period	(1,221)	346
Balance at the end of current period	4,290	4,637
Total net assets		
Balance at the end of previous period	25,148	24,979
Changes of items during the period		
Dividends from surplus	—	(187)
Dividends from surplus-other capital surplus	(233)	—
Net income	204	412
Disposal of treasury stock	1,076	—
Net changes of items other than shareholders' equity	(1,217)	437
Total changes of items during the period	(169)	662
Balance at the end of current period	24,979	25,642

(5) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes	3,833	2,496
Depreciation and amortization	1,902	2,161
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	480
Impairment loss	1	2
Amortization of goodwill	308	309
Gain on negative goodwill	—	(43)
Increase (decrease) in allowance for doubtful accounts	(37)	(11)
Increase (decrease) in allowance for investment loss	(13)	4
Increase (decrease) in provision for bonuses	(41)	(138)
Increase (decrease) in provision for directors' bonuses	(2)	2
Increase (decrease) in provision for retirement benefits	145	(157)
Increase (decrease) in provision for directors' retirement benefits	(306)	—
Interest and dividends income	(19)	(22)
Interest expenses	71	177
Subsidy income	(205)	(228)
Equity in (earnings) losses of affiliates	(105)	(36)
Loss (gain) on change in equity	9	(3)
Loss (gain) on sales and retirement of noncurrent assets	236	37
Loss (gain) on sales of investment securities	6	(454)
Loss (gain) on valuation of investment securities	3	0
Loss (gain) on sales of stocks of subsidiaries and affiliates	(0)	(11)
Decrease (increase) in notes and accounts receivable—trade	1,653	(423)
Decrease (increase) in inventories	10	6
Decrease (increase) in other assets	(463)	442
Increase (decrease) in operating debt	(1,250)	2,963
Increase (decrease) in accrued consumption taxes	(725)	439
Increase (decrease) in deposits received	(1,670)	—
Increase (decrease) in other liabilities	853	(653)
Other	1	(7)
Subtotal	4,194	7,332
Interest and dividends income received	20	26
Interest expenses paid	(104)	(178)
Proceeds from subsidy	208	269
Income taxes paid	(1,442)	(1,030)
Net cash provided by operating activities	2,875	6,419

(Millions of yen)

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
Net cash provided by (used in) investment activities		
Decrease (increase) in time deposits	202	316
Purchase of property, plant and equipment	(614)	(318)
Proceeds from sales of property, plant and equipment	1	13
Purchase of intangible assets	(490)	(612)
Purchase of investment securities	(68)	(779)
Proceeds from sales of investment securities	88	1,395
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (25)	―
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	*3 29	*3 1
Purchase of investments in subsidiaries	(1,386)	(43)
Payments of loans receivable	(109)	(52)
Collection of loans receivable	66	92
Payments for lease and guarantee deposits	(212)	(165)
Proceeds from collection of lease and guarantee deposits	2,246	349
Other	(117)	(28)
Total net cash provided by (used in) investment activities	(387)	166
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(6,324)	(43)
Proceeds from long-term loans payable	2,900	5,958
Repayment of long-term loans payable	(172)	(1,374)
Repayments of finance lease obligations	(141)	(348)
Redemption of bonds	(36)	(36)
Proceeds from stock issuance to minority shareholders	17	3
Cash dividends paid	(233)	(187)
Cash dividends paid for minority	(284)	(277)
Other, net	(0)	―
Total net cash provided by (used in) financing activities	(4,275)	3,695
Effect of exchange rate change on cash and cash equivalents	(9)	(42)
Net increase (decrease) in cash and cash equivalents	(1,796)	10,239
Cash and cash equivalents at the beginning of the period	14,120	12,324
Cash and cash equivalents at the end of the period	*1 12,324	*1 22,563

(6) Notes to Going Concern Assumption

None

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

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
1. Scope of Consolidation	(1) Consolidated subsidiaries: 33 consolidated subsidiaries: Pasona Inc. Benefit One Inc. Pasona Tech, Inc. Pasona Dotank Inc. HR Partners Inc. Kansai Employment Creation Organization Inc. Kantou Employment Creation Organization Inc. Pasona CIO Inc. Pasona Kyoto Inc. Pasona Nagasaki Inc. Pasona Empower Inc. Pasona Global Inc. Pasona Fortune Inc. Pasona e-Professional, Inc. Pasona Okayama Inc. Pasona Foster Inc. Pasona Sparkle Inc. Pasona Sourcing Inc. Pasona Engineering Inc. AIG STAFF Co., Ltd. Pasona Logicom Inc. Pasona Heartful Inc. TEAM PASONA INDIA COMPANY LIMITED Pasona NA, Inc. Pasona Taiwan Co., Ltd. Pasona Employment Agency (Thailand) Co., Ltd. Pasona Singapore Pte. Ltd. PASONA CANADA, INC. Pasona Education Co. Limited PASONA ASIA CO., LIMITED Pasona MIC, Inc. MGR Search and Selection Co., Ltd. Pasona Human Resources (Shanghai) Co., Ltd. Benefit One Partners Inc. and Global Healthcare, Inc. merged with Benefit One Inc. and expired. NARP Inc. and Pasona Management Consultancy(Shenzhen) Co.,Ltd were excluded from the scope of consolidation following its liquidation. AIG STAFF Co., Ltd. became a consolidated subsidiary during the period under review through the acquisition of stock.	(1) Consolidated subsidiaries: 28 consolidated subsidiaries: Pasona Inc. Benefit One Inc. Pasona Tech, Inc. Pasona Dotank Inc. Pasona CIO Inc. Kansai Employment Creation Organization Inc. Kantou Employment Creation Organization Inc. Pasona Empower Inc. Pasona Fortune Inc. Pasona e-Professional, Inc. Pasona Okayama Inc. Pasona Foster Inc. Pasona Sourcing Inc. Pasona Engineering Inc. Pasona Logicom Inc. Pasona Heartful Inc. KIS Co., Ltd. TEAM PASONA INDIA COMPANY LIMITED Pasona Employment Agency (Thailand) Co., Ltd. Pasona NA, Inc. Pasona Taiwan Co., Ltd. PASONA ASIA CO., LIMITED Pasona Singapore Pte. Ltd. PASONA CANADA, INC. Pasona Education Co. Limited Pasona MIC, Inc. MGR Search and Selection Co., Ltd. Pasona Human Resources (Shanghai) Co., Ltd. Pasona Sourcing Inc. merged with Pasona Sparkle Inc. and expired. Moreover, after completion of the aforementioned merger, Pasona Sparkle Inc. changed its corporate name to Pasona Sourcing Inc. HR Partners Inc. was excluded from the scope of consolidation following its liquidation. AIG STAFF Co., Ltd., Pasona Nagasaki Inc., Pasona Nagasaki Inc. and Pasona Global Inc. merged with Pasona Inc. and expired.

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
	Pasona Nagasaki Inc. previously an affiliated company accounted for by the equity method, became a consolidated subsidiary during the period under review through the acquisition of additional stock. Pasona Inc. merged with Pasona Career Inc. and expired. Moreover, after completion of the aforementioned merger, Pasona Career Inc. changed its corporate name to Pasona Inc. (Additional information) With an effective date of April 1, 2010, Pasona Sourcing Inc. were merged utilizing a consolidation and takeover method with Pasona Sparkle Inc. as the surviving company. Pasona Sparkle Inc. has subsequently changed its name to Pasona Sourcing Inc. (2) Non-consolidated subsidiary: Names of non-consolidated subsidiaries: Pasonatech Consulting (Dalian) Co., Ltd. Pasona Tech Vietnam Co., Ltd. DFMANAGEMENT Corporation General Incorporated Association DIRECTFORCE The assets, sales, net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on the consolidated financial statements. As a result, these non-consolidated subsidiaries have been excluded from the scope of consolidation.	KIS Co., Ltd. became a consolidated subsidiary during the period under review through the acquisition of stock. ―――――――――― (2) Non-consolidated subsidiary: As left.
2. Application of the Equity Method	(1) Number of affiliated companies that are accounted for by the equity method: 3 companies The names of equity-method affiliates are as follows: E-Staffing Co., Ltd. Pasona Nakakyushu Inc. National Examination Center Inc. Pasona Nagasaki Inc. became a consolidated subsidiary and was excluded from the scope of consolidation as affiliated companies were accounted for by the equity method. Execube Inc. was excluded from the scope of consolidation as affiliated companies were accounted for by the equity method following the sale of all of its shares by Benefit One Inc.	(1) Number of affiliated companies that are accounted for by the equity method: 2 companies The names of equity-method affiliates are as follows: E-Staffing Co., Ltd. National Examination Center Inc. Pasona Nakakyushu Inc.(current Souple Inc.) was excluded from the scope of consolidation as affiliated companies were accounted for by the equity method following the sale of all of its shares by the Company.

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
	(2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: Names of non-consolidated subsidiaries and affiliated companies: Pasonatech Consulting (Dalian) Co., Ltd. Pasona Tech Vietnam Co.,Ltd. DFMANAGEMENT Corporation General Incorporated Association DIRECTFORCE Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation as their net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group, and their overall importance to the Group's performance was limited.	(2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: As left.
3. Fiscal Year-End Financial Statements of Consolidated Subsidiaries	The fiscal year-end of Pasona Inc. (former Pasona Career Inc.) has been changed from March 31 to May 31 and is now the same as the consolidated fiscal year-end. The fiscal year-end of Pasona Human Resources (Shanghai) Co., Ltd. is December 31. The provisional financial statements of Pasona Human Resources (Shanghai) Co., Ltd. as of March 31 are used in the preparation of the consolidated financial statements. The fiscal year-end of 31 remaining consolidated subsidiaries is March 31. The financial statements of these consolidated subsidiaries as of March 31 are used in the preparation of the consolidated financial statements. Where significant transactions have occurred during the period between these fiscal year-ends and the consolidated fiscal year-end, the consolidated financial statements are adjusted accordingly.	The fiscal year-end of Pasona Inc. is the same as the consolidated fiscal year-end. The fiscal year-end of Pasona Human Resources (Shanghai) Co., Ltd. is December 31. The provisional financial statements of Pasona Human Resources (Shanghai) Co., Ltd. as of March 31 are used in the preparation of the consolidated financial statements. The fiscal year-end of 26 remaining consolidated subsidiaries is March 31. The financial statements of these consolidated subsidiaries as of March 31 are used in the preparation of the consolidated financial statements. Where significant transactions have occurred during the period between these fiscal year-ends and the consolidated fiscal year-end, the consolidated financial statements are adjusted accordingly.
4. Accounting Policies (1) Valuation standard and valuation method of important assets	A. Securities (other securities) 1. Securities with quoted market values Securities with quoted market value are stated at fair value on the closing date. (Net unrealized gains and losses on other securities are reported, directly to net assets. Costs of these securities are calculated based on the moving-average cost method.) 2. Securities without quoted market values Securities without quoted market value are stated on cost basis using the moving-average cost method.	A. Securities (other securities) 1. Securities with quoted market values As left. 2. Securities without quoted market values As left.

	FY2009 (For the fiscal year ended May 31, 2010)	(For the fiscal year ended May 31, 2011)
	B. Inventories Inventories are stated at cost (marking down the book value of balance sheet items in line the decrease in profitability) method 1.Merchandise: Moving-average cost method 2. Supplies: Last invoice cost method	B. Inventories As left.
(2) Depreciation of important depreciable assets (3) Accounting policies for important deferred assets (4) Accounting policies for important provisions	A. Property, plant and equipment (excluding lease assets) 1. Buildings (excluding associated equipment and facilities): Straight-line method 2. Other property, plant and equipment: Mainly the declining balance method B. Noncurrent assets (excluding lease assets) Software: Straight-line method over the useful life of the asset estimated by the Company (within five years) C. Lease assets Finance lease transactions that transfer ownership: The same depreciation and amortization methods used for fixed assets held are applied. Finance lease transactions that do not transfer ownership: Lease assets are depreciated with the lease periods as their useful lives and no residual value. Stock issuance cost Expenses relating to the issuance of new shares are charged to income in full when paid. A. Allowance for doubtful receivables The Company and its consolidated subsidiaries provide for doubtful receivables based on the historical bad-debt rate as normal loans, and the amount deemed necessary to cover individual accounts estimated to be uncollectible. B. Provision for bonuses The Company and its consolidated subsidiaries provide for employee bonus payments at an estimated amount to be paid for the period. C. Provision for directors' bonuses The Company and its consolidated subsidiaries provide for directors' bonus payments at an estimated amount to be paid for the period.	A. Property, plant and equipment (excluding lease assets) As left. B. Noncurrent assets (excluding lease assets) Software As left. C. Lease assets As left. Stock issuance cost As left. A. Allowance for doubtful receivables As left. B. Provision for bonuses As left. C. Provision for directors' bonuses As left.

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
	D. Provision for retirement benefits The Company and its consolidated subsidiaries provide an allowance for severance retirement benefits for employees based on the calculated amount of accrued retirement funds and accrued pension assets as of the end of the fiscal period. Actuarial gains and losses are recognized as expenses in the next fiscal year. In addition, the amount of pension assets exceeded the amount payable for employees' severance and retirement benefits adjusted for unrecognized actuarial differences as of the end of the fiscal year for certain consolidated subsidiaries. As a result, an amount of ¥19 million representing prepaid pension expenses was included in the "other investments" accounting line item of "investments and other assets." (Changes in Accounting Methods) Effective from the fiscal year under review, the Company has applied the "Partial Amendments to Accounting Standards for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan Statement No. 19, issued on July 31, 2008). There was no impact on profit and loss as a result of the application of the statement. (Additional information) A portion of consolidated subsidiaries terminated and abandoned their respective retirement benefit systems for directors, corporate auditors and executive officers. As a result, steps were taken to reverse an amount totaling ¥150 million from the provision for directors' retirement benefits. E. Allowance for investment loss For marketable securities with no market value, an amount deemed necessary has been recorded to cover potential future losses.	D. Provision for retirement benefits The Company and its consolidated subsidiaries provide an allowance for severance retirement benefits for employees based on the calculated amount of accrued retirement funds and accrued pension assets as of the end of the fiscal period. Actuarial gains and losses are recognized as expenses in the next fiscal year. In addition, the amount of pension assets exceeded the amount payable for employees' severance and retirement benefits adjusted for unrecognized actuarial differences as of the end of the fiscal year for certain consolidated subsidiaries. As a result, an amount of ¥29 million representing prepaid pension expenses was included in the "other investments" accounting line item of "investments and other assets." ——— ——— E. Allowance for investment loss As left.
(5) Goodwill depreciation method and period	———	For amortization of goodwill, the Company and its consolidated subsidiaries employ a straight-line method over a period of two to five years. For immaterial amounts of goodwill, the Company and its consolidated subsidiaries charge these amounts in full to the income statement at the time they occur.

	FY2009 (For the fiscal year ended May 31, 2010)	(For the fiscal year ended May 31, 2011)
(6) Scope of "Cash and Cash Equivalents" in Full Fiscal Year Consolidated Statement of Cash Flows	――――――――――	"Cash and cash equivalents" in the consolidated statement of cash flows includes cash on hand, readily available deposits, and short-term investments with original maturities not exceeding three months, which are highly liquid and virtually risk-free with respect to change of value.
(7) Other Significant Accounting Policies for preparing Full Fiscal Year Consolidated Financial Statement	Consumption taxes Consumption taxes are separately recorded.	As left.
5. Valuation of Assets and Liabilities of Consolidated Subsidiaries	The assets and liabilities of the consolidated subsidiaries are evaluated at mark to market value.	――――――――――
6. Amortization of Goodwill and Negative Goodwill	For amortization of goodwill, the Company and its consolidated subsidiaries employ a straight-line method over a period of two to five years. For immaterial amounts of goodwill, the Company and its consolidated subsidiaries charge these amounts in full to the income statement at the time they occur.	――――――――――
7. Scope of "Cash and Cash Equivalents" in Full Fiscal Year Consolidated Statement of Cash Flows	"Cash and cash equivalents" in the consolidated statement of cash flows includes cash on hand, readily available deposits, and short-term investments with original maturities not exceeding three months, which are highly liquid and virtually risk-free with respect to change of value.	――――――――――

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

(Changes in Accounting Policy)

FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
(Application of the "Implementation Guidance on Determining the Scope of Subsidiaries and Affiliates in Consolidated Financial Statements") Effective from the fiscal year under review, the Company has applied the "Implementation Guidance on Determining the Scope of Subsidiaries and Affiliates in Consolidated Financial Statements" (Accounting Standards Board of Japan Implementation Guidance for Accounting Standard No. 22, issued on May 13, 2008). There was no impact on profit and loss or segment information as a result of the application of the implementation guidance.	――――――――

FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
————————	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 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. This change had no impact on operating income, ordinary income and income before income taxes.
————————	Application of the Accounting Standard for Asset Retirement Obligations Effective from 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 fiscal year ended May 31, 2011 decreased by ¥79 million. In addition, income before income taxes decreased by ¥559 million.
————————	Application of the Accounting Standard for Business Combinations Effective from 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.

(Changes in Presentation Methods)

FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
(Consolidated Balance Sheet) Unearned revenue totaling ¥2,093 million recorded in the current liabilities accounting line item "other" for the fiscal year ended May 31, 2009 has been recorded as a separate and independent accounting line item in current liabilities effective from the fiscal year ended May 31, 2010 due to their increases significance.	――――――――――――
――――――――――――	(Consolidated Statement of Income) Insurance premiums refunded cancellation totaling ¥16 million recorded in the non-operating income accounting line item "other" for the fiscal year ended May 31, 2010 has been recorded as a separate and independent accounting line item in the fiscal year ended May 31, 2011 due to their increases significance.
――――――――――――	(Consolidated Statement of Income) With the application of "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No.5, March 24, 2009) which is based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), the Company has used the term "Income before minority interests" in the fiscal year under review.
(Consolidated Statement of Cash Flows) In the fiscal year ended May 31, 2009, increase in deposits received totaling ¥312 million was recorded in "other" cash flows from operating activities. In the fiscal year ended May 31, 2010, a separate accounting line item amount was recorded for "increase in deposits received" due to their increased importance.	(Consolidated Statement of Cash Flows) Due to the relative unimportance of item in the fiscal year ended May 31, 2011, amount totaling ¥3 million of decrease in deposits received was recorded under "other" in operating cash flows.

(Additional information)

FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
(Accounting method for subsidy income) Previously, the Company has recorded subsidy income as non-operating income. In connection with that portion of subsidy income that relates to development support and training directed toward the agriculture, forestry and fisheries management bodies of persons engaged in other industries, effective from the fiscal year under review, subsidy income is offset against SG&A expenses due to the growing importance of its amount. This also takes into account the policy objective of the Ministry of Agriculture, Forestry and Fisheries of Japan to subsidize the overhead expenses of this business. On a comparative basis utilizing the previous method, SG&A expenses for the fiscal year ended May 31, 2010 decrease ¥111 million while operating income increases ¥111 million. The impact on the business segments of the Company are outlined in each business segment section of this report.	――――――――――――

FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
―――――――――――――	(Disclosure of Comprehensive Income) Effective the fiscal year in review, the Company has applied "Accounting Standard for Disclosure of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). However, "Other Comprehensive Income" and "Total Other Comprehensive Income" for the previous fiscal year are included in "Valuation and Translation Adjustments" and "Total Valuation and Translation Adjustments."

(9) Notes to Consolidated Financial Statement

Notes to Consolidated Balance Sheets

(Millions of yen unless otherwise stated)

As of May 31, 2010	As of May 31, 2011
*1 Shares in non-consolidated subsidiaries and affiliated companies Investment securities (stocks) 756 *2 Breakdown of Inventories Merchandise 232 Supplies 82 Work in process 2 *3 In connection with the acceptance of government and other subsidies, a noncurrent assets advanced depreciation accumulated amount of ¥57 million was deducted from the acquisition amount. The breakdown of this advanced depreciation accumulated amount was buildings ¥0 million, other tangible assets ¥55 million and software ¥0 million.	*1 Shares in non-consolidated subsidiaries and affiliated companies Investment securities (stocks) 478 *2 Breakdown of Inventories Merchandise 222 Supplies 88 Work in process 1 *3 In connection with the acceptance of government and other subsidies, a noncurrent assets advanced depreciation accumulated amount of ¥57 million was deducted from the acquisition amount. The breakdown of this advanced depreciation accumulated amount was buildings ¥0 million, other tangible assets ¥55 million and software ¥0 million.

Notes to Consolidated Statements of Income

(Millions of yen unless otherwise stated)

FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
*1 Breakdown of major selling, general and administrative expenses Employees' salaries and bonuses 13,992 Provision for bonuses 1,105 Provision for directors' bonuses 4 Welfare expenses 2,522 Retirement benefit expenses 621 Offering expenses 549 Rent expenses 4,231 Depreciation 1,407 Amortization of goodwill 315	*1 Breakdown of major selling, general and administrative expenses Employees' salaries and bonuses 13,580 Provision for bonuses 1,063 Provision for directors' bonuses 7 Welfare expenses 2,589 Retirement benefit expenses 314 Offering expenses 615 Rent expenses 3,562 Depreciation 1,667 Amortization of goodwill 309

FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
*2 Breakdown of gain on sales of noncurrent assets: Other tangible assets 1	――――――――
*3 Breakdown of loss on sales and disposal of fixed assets: Loss on retirement Buildings 182 Other tangible assets 33 Software 22 Loss on sales Other tangible assets 0 238	*3 Breakdown of loss on sales and disposal of fixed assets: Loss on retirement Buildings 23 Other tangible assets 3 Software 10 Loss on sales Other tangible assets 0 37

*4 Impairment loss (FY2009)

For the fiscal year ended May 31, 2010, the Group reported impairment losses in connection with the following asset groups:

(1) Overview of asset groups in which impairment losses were recognized:

Location	Application	Type
Shibuya-ku Tokyo	Idle assets	Tools, furniture and fixtures

(2) Background leading to the recognition of impairment loss

In principle, the Group adopts each individual company as the basic unit for asset groupings and the smallest unit in independent cash flow generation.

Impairment losses have been recognized for idle assets with no clear future plan for use located in Shibuya-ku, Tokyo. The impairment loss is the book value of each relevant asset written down to the amount estimated as recoverable.

(3) Amount of impairment loss:

(Millions of yen)

Type	Amount
Tools, furniture and fixtures	1
Total	1

The recoverable amount for asset groups is calculated based on the net sales value. The income approach and other methods are used to calculate the net sales value for assets that are transferable. For assets that are not transferable, net sales value is zero reflecting the difficulty of their sale.

*4 Impairment loss (FY2010)

For the fiscal year ended May 31, 2011, the Group reported impairment losses in connection with the following asset groups:

(1) Overview of asset groups in which impairment losses were recognized:

Location	Application	Type
Chiyoda-ku Tokyo	Idle assets	Tools, furniture and fixtures

(2) Background leading to the recognition of impairment loss

In principle, the Group adopts each individual company as the basic unit for asset groupings and the smallest unit in independent cash flow generation.

Impairment losses have been recognized for idle assets with no clear future plan for use located in Chiyoda-ku, Tokyo. The impairment loss is the book value of each relevant asset written down to the amount estimated as recoverable.

(3) Amount of impairment loss:

(Millions of yen)

Type	Amount
Tools, furniture and fixtures	2
Total	2

The recoverable amount for asset groups is calculated based on the net sales value. The income approach and other methods are used to calculate the net sales value for assets that are transferable. For assets that are not transferable, net sales value is zero reflecting the difficulty of their sale.

Notes to Consolidated Statements of Comprehensive Income

FY2010 (For the fiscal year ended May 31, 2011)

1. Comprehensive Income for the fiscal year ended May 31, 2010

(Millions of yen)

Comprehensive income attributable to owners of the parent	209
Comprehensive income attributable to minority interests	925
Total	1,134

2. Other comprehensive Income for the fiscal year ended May 31, 2010

(Millions of yen)

Valuation difference on available-for-sale securities	11
Foreign currency translation adjustment	(5)
Total	6

Notes to Consolidated Statements of Changes in Shareholders' Equity

FY2009 (For the fiscal year ended May 31, 2010)

1. Matters Relating to Shares Issued and Outstanding

(Shares)

Type of Shares	Number of Shares As of May 31, 2009	Increase	Decrease	Number of Shares As of May 31, 2010
Common shares	416,903	—	—	416,903

2. Matters Relating to Treasury Stock

(Shares)

Type of Shares	Number of Shares As of May 31, 2009	Increase	Decrease	Number of Shares As of May 31, 2010
Common shares	58,253	—	15,852	42,401

Notes:
The decrease in the number of shares of 15,852 shares during the fiscal year under review is attributable to a third-party allotment. This third-party allotment was undertaken as a part of the Group's efforts to reorganize its company structure and was in accordance with a resolution of the Board of Directors.

3. Matters Related to the New Subscription Rights

None.

4. Matters Relating to Dividends

(1) Cash dividend payment amount

Resolution	Type of Shares	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Board of Directors' meeting held on July 17, 2009	Common shares	¥233 million	¥650	May 31, 2009	August 27, 2009

(2) Dividends for which the effective date falls after the fiscal year ended May 31, 2011 included in dividends for the fiscal year ended May 31, 2010

Resolution	Type of Shares	Source of Dividend Payment	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Board of Directors' meeting held on July 20, 2010	Common shares	Retained earnings	¥187 million	¥500	May 31, 2010	August 23, 2010

FY2010 (For the fiscal year ended May 31, 2011)

1. Matters Relating to Shares Issued and Outstanding

(Shares)

Type of Shares	Number of Shares As of May 31, 2010	Increase	Decrease	Number of Shares As of May 31, 2011
Common shares	416,903	—	—	416,903

2. Matters Relating to Treasury Stock

(Shares)

Type of Shares	Number of Shares As of May 31, 2010	Increase	Decrease	Number of Shares As of May 31, 2011
Common shares	42,401	—	—	42,401

3. Matters Related to the New Subscription Rights

None.

4. Matters Relating to Dividends

(1) Cash dividend payment amount

Resolution	Type of Shares	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Board of Directors' meeting held on July 20, 2010	Common shares	¥187 million	¥500	May 31, 2010	August 23, 2010

(2) Dividends for which the effective date falls after the fiscal year ending May 31, 2012 included in dividends for the fiscal year ended May 31, 2011

Resolution	Type of Shares	Source of Dividend Payment	Total Cash Dividends Paid	Cash Dividend per Common Share	Base Date	Effective Date
Board of Directors' meeting held on July 20, 2011	Common shares	Retained earnings	¥374 million	¥1,000	May 31, 2011	August 19, 2011

Notes to Consolidated Statements of Cash Flows

(Millions of yen)

FY2009 (For the fiscal year ended May 31, 2010)		FY2010 (For the fiscal year ended May 31, 2011)	
*1 Relationship between the balance of cash and cash equivalents at period-end and cash and deposits reported in the consolidated balance sheets.		*1 Relationship between the balance of cash and cash equivalents at period-end and cash and deposits reported in the consolidated balance sheets.	
	As of May 31, 2010		As of May 31, 2011
Cash and deposits	12,629	Cash and deposits	22,628
Time deposits with deposit term exceeding three months	(508)	Time deposits with deposit term exceeding three months	(267)
Securities (MMF)	202	Securities (MMF)	202
Cash and cash equivalents	12,324	Cash and cash equivalents	22,563

(Millions of yen)

<table>
<tr><th>FY2009
(For the fiscal year ended May 31, 2010)</th><th>FY2010
(For the fiscal year ended May 31, 2011)</th></tr>
<tr><td>*2 Breakdown of major assets and liabilities inherited from newly acquired companies included in the scope of consolidation.

Breakdown of major assets and liabilities and the relationship between acquisition costs from the acquisition of stocks (net) of AIG STAFF Co., Ltd. as of the date of the each company's inclusion in the Company's scope of consolidation is as follows.

<table>
<tr><td>Current assets</td><td>233</td></tr>
<tr><td>Noncurrent assets</td><td>25</td></tr>
<tr><td>Goodwill</td><td>33</td></tr>
<tr><td>Total assets</td><td>292</td></tr>
<tr><td>Current liabilities</td><td>(185)</td></tr>
<tr><td>Noncurrent liabilities</td><td>(15)</td></tr>
<tr><td>Total liabilities</td><td>(201)</td></tr>
<tr><td>Acquisition costs of subsidiary companies</td><td>90</td></tr>
<tr><td>Subsidiary companies' cash and cash equivalents</td><td>65</td></tr>
<tr><td>Difference: Payment for purchase of subsidiaries</td><td>(25)</td></tr>
</table></td><td>―――――――</td></tr>
<tr><td>*3 Breakdown of major assets and liabilities inherited from newly acquired companies included in the scope of consolidation.

Breakdown of major assets and liabilities and the relationship between acquisition proceeds from the acquisition of stocks (net) of Pasona Nagasaki, Inc. as of the date of the company's inclusion in the Company's scope of consolidation is as follows.

<table>
<tr><td>Current assets</td><td>183</td></tr>
<tr><td>Noncurrent assets</td><td>14</td></tr>
<tr><td>Goodwill</td><td>(3)</td></tr>
<tr><td>Total assets</td><td>195</td></tr>
<tr><td>Current liabilities</td><td>(35)</td></tr>
<tr><td>Noncurrent liabilities</td><td>(30)</td></tr>
<tr><td>Total liabilities</td><td>(66)</td></tr>
<tr><td>Existing shares</td><td>(44)</td></tr>
<tr><td>Investment value accounted for by the equity method</td><td>(16)</td></tr>
<tr><td>Acquisition costs of subsidiary companies</td><td>67</td></tr>
<tr><td>Subsidiary companies' cash and cash equivalents</td><td>97</td></tr>
<tr><td>Difference: Proceeds from purchase of subsidiaries</td><td>29</td></tr>
</table>
*4 Details of importance non-fund transactions
The amount of assets and liabilities applicable to newly recorded finance lease transactions for the fiscal year under review amounted to ¥2,598 million, respectively.</td><td>*3 Breakdown of major assets and liabilities inherited from newly acquired companies included in the scope of consolidation.

Breakdown of major assets and liabilities and the relationship between acquisition costs from the acquisition of stocks (net) of KIS Co., Ltd. as of the date of the company's inclusion in the Company's scope of consolidation is as follows.

<table>
<tr><td>Current assets</td><td>102</td></tr>
<tr><td>Noncurrent assets</td><td>8</td></tr>
<tr><td>Negative Goodwill</td><td>(2)</td></tr>
<tr><td>Total assets</td><td>107</td></tr>
<tr><td>Current liabilities</td><td>(42)</td></tr>
<tr><td>Noncurrent liabilities</td><td>(5)</td></tr>
<tr><td>Total liabilities</td><td>(48)</td></tr>
<tr><td>Minority interests</td><td>(12)</td></tr>
<tr><td>Acquisition costs of subsidiary companies</td><td>46</td></tr>
<tr><td>Subsidiary companies' cash and cash equivalents</td><td>48</td></tr>
<tr><td>Difference: Proceeds from purchase of subsidiaries</td><td>1</td></tr>
</table>
―――――――</td></tr>
</table>

(5) Segment Information

FY2009 (For the fiscal year ended May 31, 2010)

(Millions of yen)

	Temporary staffing/ Contracting, Placement/ Recruiting	Outplacement	Outsourcing	Other	Total	Eliminations and Corporate	Consolidated
Net sales and operating income (loss)							
(1) Sales to outside customers	154,614	13,478	13,530	1,892	183,515	—	183,515
(2) Intersegment sales and transfers	489	3	261	2,565	3,320	(3,320)	—
Total	155,104	13,481	13,791	4,458	186,835	(3,320)	183,515
Operating expenses	154,474	9,626	11,538	4,578	180,218	(362)	179,855
Operating income (loss)	630	3,854	2,252	(120)	6,617	(2,957)	3,660
Assets, depreciation, impairment loss and capital expenditures:							
Assets	29,876	9,945	11,433	2,313	53,569	(1,299)	52,269
Depreciation	918	315	737	132	2,104	95	2,200
Impairment loss	1	—	—	—	1	—	1
Capital expenditures	2,155	656	290	659	3,760	748	4,509

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. Unallocated operating expenses included in "Eliminations and Corporate" totaled ¥2,965 million and principally related to Group administrative and management expenses.
4. Assets included in "Eliminations and Corporate" totaled ¥8,718 million and principally related to surplus funds (Cash and deposits) and Group asset management.
5. Additional information

   (Accounting method for subsidy income)

   As identified in Additional Information, 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 ended May 31, 2010. Under the newly adopted method, subsidy income is no longer posted as non-operating income. 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 fiscal year ended May 31, 2010 increased ¥111 million compared with the previous implemented method.

Information on geographic areas

FY2009 (For the fiscal year ended May 31, 2010)

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

Overseas sales

FY2009 (For the fiscal year ended May 31, 2010)

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

Segment Information

1. Overview of reportable segments

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

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

The accounting treatment method for the Group's reporting segments is generally the same as described in "(7) Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements." Also, segment income is based on operating income. The prices of intersegment transactions and transfers are determined by price negotiations based on the Company's submission of preferred prices after taking market conditions into account.

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

FY2009 (For the fiscal year ended May 31, 2010)

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment	Figures in consolidated statements of income
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Outplacement	Outsourcing					
Net sales								
Sales to outside customers	154,837	13,510	13,534	181,881	1,265	183,146	369	183,515
Intersegment sales and transfers	919	3	261	1,184	2,016	3,200	(3,200)	—
Total	155,756	13,513	13,795	183,065	3,281	186,347	(2,831)	183,515
Segment income	650	3,705	2,248	6,604	119	6,723	(3,063)	3,660
Segment assets	30,614	9,945	11,433	51,993	1,509	53,503	(1,233)	52,269
Other items								
Depreciation and amortization	807	298	573	1,679	116	1,795	95	1,891
Increase in tangible and intangible fixed assets	2,285	664	275	3,225	608	3,833	713	4,547
Impairment loss	1	—	—	1	—	1	—	1
Amortization of goodwill	127	16	164	308	—	308	—	308
Unamortized balance of goodwill	311	320	166	798	—	798	—	798

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services, Insourcing, HR Consulting, Place & Search as well as Global Sourcing.
2. The “Others” segment incorporates operations not included in reporting segments, including Life Solutions, Public Solutions, Shared.
3. Segment income is adjusted with operating income under consolidated statements of income.

FY2010 (For the fiscal year ended May 31, 2011)

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment	Figures in consolidated statements of income
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Outplacement	Outsourcing					
Net sales								
Sales to outside customers	152,234	9,805	14,464	176,504	1,550	178,055	750	178,806
Intersegment sales and transfers	871	2	225	1,099	2,013	3,112	(3,112)	—
Total	153,106	9,807	14,690	177,604	3,564	181,168	(2,362)	178,806
Segment income	1,980	1,011	2,227	5,218	134	5,352	(2,920)	2,432
Segment assets	32,592	10,157	12,527	55,277	2,118	57,395	3,168	60,564
Other items								
Depreciation and amortization	922	277	549	1,749	216	1,965	194	2,160
Increase in tangible and intangible fixed assets	975	240	327	1,543	355	1,898	120	2,019
Impairment loss	2	—	—	2	—	2	—	2
Amortization of goodwill	130	67	111	309	—	309	—	309
Unamortized balance of goodwill	206	253	55	514	—	514	—	514
Gain on negative goodwill	43	—	—	43	—	43	—	43

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services, Insourcing, HR Consulting, Place & Search as well as Global Sourcing.
2. The “Others” segment incorporates operations not included in reporting segments, including Life Solutions, Public Solutions, Shared.
3. Segment income is adjusted with operating income under consolidated statements of income.

4. Reconciliation of differences between total amounts of reporting segments and amounts appearing in the consolidated financial statements (adjustment of difference)

Segment income

(Millions of yen)

Income	FY2009	FY2010
Total reporting segments	6,604	5,218
Segment income classified under “Others”	119	134
Corporate earnings	371	753
Corporate expenses	(3,443)	(3,698)
Elimination of intersegment sales	8	25
Operating income under consolidated statements of income	3,660	2,432

Notes:

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.

Segment assets

(Millions of yen)

Assets	FY2009	FY2010
Total reporting segments	51,993	55,277
Segment assets classified under "Others"	1,509	2,118
Corporate assets	8,718	15,156
Elimination of intersegment sales	(9,952)	(11,987)
Total assets under consolidated balance sheets	52,269	60,564

Note: Corporate assets are mainly attributed to the Company's surplus management funds (Cash and deposits) and Group management costs relating to the Company.

Related information

FY2010 (For the fiscal year ended May 31, 2011)

1. Information by product and service

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

2. Information on geographic areas

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

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

(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).

Important Matters Concerning Business Combination

FY2009 (For the fiscal year ended May 31, 2010)

Common Control Business Relationship

1. Corporate separation

(1) The name, business activities and details of the company subject to business combination or the subject business

a. Name of the company subject to business combination

Pasona Inc.

b. Absorbed company
Pasona Group Inc.

c. The subject business
The administration businesses of Pasona Career Inc., a subsidiary of Pasona Group Inc.

(2) Legal format of business combination
The corporate acquisition and separation involves Pasona Group and the Company's wholly owned subsidiary Pasona as the acquired, separating and succeeding company.

(3) Name of the company after business combination
Pasona Inc.

(4) Overview of the transaction including the purpose of the transaction

a. Purpose of the transaction
As a preliminary measure in the Group's efforts to reorganize and integrate its company structure encompassing all services of the temporary staffing, placement and recruiting and outplacements businesses where customer needs are high, the management business of the Company's Pasona Career Inc. was transferred to Pasona Inc.

b. Overview of the transaction
The Company and Pasona Inc. concluded a merger and corporate separation agreement on December 18, 2009. Corporate separation was effected on March 1, 2010.

(5) Overview of accounting procedures implemented

From an accounting perspective, the subject corporate separation and acquisition was effected in accordance with the "Accounting Standard for Business Combination" (Business Accounting Council, October 31, 2003) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10: Accounting Standards Board of Japan, issued on November 15, 2007). Accounting procedures were conducted on a consolidated financial statement basis as a common control transaction.

2. Corporate Acquisition

(1) The name, business activities and details of the company subject to business combination or the subject business

Company Name	Business Activities
Pasona Career Inc.	Outplacement, Placement / Recruiting business
Pasona Inc.	Temporary staffing / Contracting, Placement / Recruiting business

(2) Legal format of business combination
The corporate acquisition and merger were implemented with Pasona Career as the surviving company and Pasona as the expiring company.

(3) Name of the company after business combination
Pasona Inc.

(4) Overview of the transaction including the purpose of the transaction

a. Purpose of the transaction

Consolidated subsidiaries Pasona Inc. and Pasona Career Inc. merged 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.

b. Overview of the transaction

i) Exchange of Shares between Pasona and Pasona Career

On the condition that the subject corporate separation came into effect, Pasona and Pasona Career participated in the aforementioned exchange of shares. With an effective date of March 1, 2010, Pasona, Pasona Group's wholly owned subsidiary, became a sole parent company, and Pasona Career, Pasona Group's subsidiary company, became a Pasona wholly owned subsidiary, through the exchange of shares. Moreover, on the day prior to the share exchange effective date, Pasona acquired from Pasona Group a portion of the latter's own shares. Pasona Group's own shares were 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 came into effect, Pasona and Pasona Career participated in a corporate acquisition and merger. With and effect date of March 1, 2010, a corporate acquisition and merger were implemented with Pasona Career as the surviving company and Pasona as the expiring company. Furthermore, and as previously identified, Pasona Career changed its company name to Pasona Inc. on the condition that the subject corporate acquisition came into effect. At the same time, the account settlement period was 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 were 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.

(5) Overview of accounting procedures implemented

From an accounting perspective, the subject corporate separation and acquisition was effected in accordance with the "Accounting Standard for Business Combination" (Business Accounting Council, October 31, 2003) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10: Accounting Standards Board of Japan issued on November 15, 2007). Accounting procedures were conducted on a consolidated financial statement basis as a common control transaction.

(6) Additional purchase of shares in the subsidiary

a. Purchase price and breakdown

Common stocks of Pasona Group Inc.	¥1,076 million
Cost of purchase	¥1,076 million

b. Swap ratio by type of shares, method for calculating the swap ratio, number of allocated shares and valuation of stocks

i) Swap ratio by type of shares

Four shares of common stock of Pasona Group Inc. was allotted for one common stock of Pasona Career Inc.

ii) Method for calculating the swap ratio

On an individual and separate basis, each company requested the services of independent third-parties to calculate the swap ratio. Using the results of each calculation as a reference, both companies undertook prudent deliberations to agree and settle on the aforementioned swap ratio.

iii) Number and valuation of allocated shares

Number of allocated shares	15,852 shares
Valuation	¥1,076 million

c. Goodwill amount, reason and amortization period

i) Goodwill amount

¥337 million

ii) Reason

The incidence of goodwill is attributable to the acquisition cost of additionally acquired Pasona Career Inc. common shares exceeding the amount of minority interests which decreased as a result of the share swap.

iii) Amortization period

5 years

FY2010 (For the fiscal year ended May 31, 2011)

Common Control Business Relationship

(1) The name, business activities and details of the company subject to business combination or the subject business

Company Name	Business Activities
Pasona Sparkle Inc.	Expert Services (Temporary staffing), Insourcing (Contracting)
Pasona Sourcing Inc.	Expert Services (Temporary staffing), Insourcing (Contracting)

(2) Legal format of business combination

The corporate acquisition and merger were implemented with Pasona Sparkle as the surviving company and Pasona Sourcing as the expiring company.

(3) Name of the company after business combination

Pasona Sourcing Inc.

(4) Overview of the transaction including the purpose of the transaction

a. Purpose of the transaction

The Pasona Group continues to reorganize its business structure in order to build a more robust Group. As a part of these efforts, the Company has decided to merge Pasona Sourcing, whose business activities are centered in eastern Japan, with Pasona Sparkle, whose business platforms mainly based in western Japan. On this basis, and taking into account the current upswing in unemployment while targeting the younger generation with limited social and business experience and stay-at-home wives, Pasona Group has decided to launch a new training-oriented temporary staffing service that combines training and education programs with on-the-job training. Maximizing the strengths of each company, Pasona Group will build and develop a nationwide service menu that encompasses such wide-ranging fields as nursing care in addition to its standard clerical work services.

b. Overview of the transaction

With and effect date of April 1, 2010, a corporate acquisition and merger were implemented with Pasona Sparkle as the surviving company and Pasona Sourcing as the expiring company. Furthermore, Pasona Sparkle changed its company name to Pasona Sourcing Inc. on the same day.

(5) Overview of accounting procedures implemented

From an accounting perspective, the subject corporate separation and acquisition was effected in accordance with the “Accounting Standard for Business Combination” (ASBJ Statement No. 21, issued on December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 26, 2008). Accounting procedures were conducted on a consolidated financial statement basis as a common control transaction.

FY2010 (For the fiscal year ended May 31, 2011)

Per Share Information

(Yen)

FY2009 (For the fiscal year ended May 31, 2010)		FY2010 (For the fiscal year ended May 31, 2011)	
Net assets per share	55,243.50	Net assets per share	56,086.32
Earnings per share	564.99	Earnings per share	1,101.88
Earnings per diluted share	555.42	Earnings per diluted share	1,098.68

Note:

Net assets per share, earnings per share and earnings per diluted share are calculated on the following basis:

1. Net assets per share

(Millions of yen)

	As of May 31, 2010	As of May 31, 2011
Total net assets	24,979	25,642
Amount deducted from total net assets	4,290	4,637
Net assets applicable to common stock as of the fiscal period-end	20,688	21,004
Number of common stock issued and outstanding as of the end of the period (shares)	416,903	416,903
Number of treasury common stock (shares)	42,401	42,401
Number of common stock used to calculate net assets per share (shares)	374,502	374,502

2. Earnings per share and earnings per diluted share

(Millions of yen)

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
Earnings per share		
Net income	204	412
Amount not applicable to shareholders of common stock	–	–
Net income applicable to common stock	204	412
Average number of shares for the period (shares)	362,645	374,502
Earnings per diluted shares		
Net income adjustment amount	(3)	(1)
Since there was no effect on earnings per share after applying calculations adjusted for the dilution of stocks, per diluted share amounts have been omitted from this report Note: The resolution dates identified in the column on the right related to Annual General Meetings of Shareholders of Pasona Inc.	Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 2,984 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 4,011 shares)	Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 26, 2004 (number of common stock with warrants: 2,843 shares) Common stock with warrants as stock options resolution at the Annual General Meeting of Shareholders held on August 25, 2005 (number of common stock with warrants: 3,832 shares)

Important Subsequent Events

None

5. Non-Consolidated Financial Statements

(1) NON-CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As of May 31, 2010	As of May 31, 2011
ASSETS		
Current assets		
Cash and deposits	4,822	11,325
Accounts receivable－trade	309	367
Supplies	16	19
Prepaid expenses	216	246
Income taxes receivable	361	90
Consumption taxes receivable	117	―
Short-term loans receivable to subsidiaries and affiliates	63	74
Deposit paid in CMS	55	―
Accounts receivable－other	647	187
Other	10	2
Allowance for doubtful accounts	(52)	(24)
Total current assets	6,566	12,288
Noncurrent assets		
Property, plant and equipment		
Buildings	532	743
Accumulated depreciation	(29)	(167)
Buildings, net	502	576
Structures	11	14
Accumulated depreciation	(1)	(4)
Structures, net	9	9
Machinery and equipment	―	3
Accumulated depreciation	―	(0)
Machinery and equipment, net	―	3
Tools, furniture and fixtures	27	52
Accumulated depreciation	(17)	(23)
Tools, furniture and fixtures, net	10	28
Lease assets	1,934	1,934
Accumulated depreciation	(83)	(303)
Lease assets, net	1,850	1,630
Construction in progress	40	3
Total property, plant and equipment	2,414	2,251
Intangible assets		
Software	3	5
Total intangible assets	3	5
Investments and other assets		
Investment securities	331	699
Stocks of subsidiaries and affiliates	18,565	18,660
Long-term loans receivable from subsidiaries and affiliates	107	98
Lease and guarantee deposits	1,470	1,490
Other	96	97
Allowance for doubtful accounts	(91)	(60)
Allowance for investment loss	(312)	(311)
Total investments and other assets	20,168	20,675
Total noncurrent assets	22,585	22,932
Total assets	29,152	35,221

(Millions of yen)

	As of May 31, 2010	As of May 31, 2011
LIABILITIES		
Current liabilities		
Short-term loans payable	585	1,531
Short-term loans payable to subsidiaries and affiliates	164	591
CMS deposits received	7,767	8,952
Lease obligations	228	236
Accounts payable－other	911	261
Accrued expenses	46	103
Income taxes payable	20	18
Accrued consumption taxes	—	65
Deferred tax liabilities	0	—
Provision for bonuses	52	50
Other	32	40
Total current liabilities	9,810	11,852
Noncurrent liabilities		
Long-term loans payable	2,149	5,104
Lease obligations	1,953	1,716
Provision for retirement benefits	2	0
Deferred tax liabilities	8	92
Long-term guarantee deposited	—	654
Asset retirement obligations	—	18
Other	110	294
Total noncurrent liabilities	4,224	7,880
Total liabilities	14,035	19,733
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus		
Legal capital surplus	5,000	5,000
Other capital surplus	7,444	7,444
Total capital surpluses	12,444	12,444
Retained earnings		
Other retained earnings		
Reserve for reduction entry	12	19
Retained earnings brought forward	1,153	1,402
Total earned surpluses	1,166	1,422
Treasury stock	(3,493)	(3,493)
Total shareholders' equity	15,117	15,373
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	114
Total valuation and translation adjustments	0	114
Total net assets	15,117	15,488
Total liabilities and net assets	29,152	35,221

(2) NON-CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
Net sales	5,456	3,772
Cost of sales	477	782
Gross profit	4,978	2,989
Selling, general and administrative expenses		
Directors' compensations	291	293
Salaries and bonuses	738	726
Provision for bonuses	52	48
Welfare expenses	148	154
Business consignment expenses	542	513
Advertising expenses	31	23
Compensations	187	157
Rent expenses	616	507
Depreciation	92	103
Other	281	430
Total selling, general and administrative expenses	2,983	2,959
Operating income	1,994	30
Non-operating income		
Interest income	22	14
Subsidy income	26	28
Gain on sales of goods	8	14
Other	10	16
Total non-operating income	67	74
Non-operating expenses		
Interest expenses	65	153
Commitment fee	55	56
Amortization of deferred organization expenses	93	—
Other	8	8
Total non-operating expenses	223	219
Ordinary income	1,838	(114)
Extraordinary income		
Gain on sales of investment securities	—	460
Gain on sales of subsidiaries and affiliates' stocks	—	185
Reversal of allowance for doubtful accounts	—	58
Reversal of loss on liquidation of subsidiaries and affiliates	18	20
Reversal of allowance for investment loss	13	0
Other	—	1
Total extraordinary income	31	726
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	8	1
Head office transfer cost	4	—
Loss on sales of investment securities	6	3
Loss on valuation of investment securities	3	—
Loss on valuation of stocks of subsidiaries and affiliates	479	110
Loss on liquidation of subsidiaries and affiliates	29	—
Loss on adjustment for changes of accounting standard for asset	—	34
Loss on liquidation of subsidiaries and affiliates	—	0
Total extraordinary loss	530	150
Income before income taxes	1,339	461
Income taxes—current	13	13
Income taxes—deferred	167	4
Income taxes	181	17
Net income	1,158	443

(3) NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
Shareholders' Equity		
Common Stock		
Balance at the end of previous period	5,000	5,000
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	5,000	5,000
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	5,000	5,000
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	5,000	5,000
Other capital surplus		
Balance at the end of previous period	8,295	7,444
Changes of items during the period		
Dividends from surplus-other capital surplus	(233)	—
Increase (decrease) by corporate division	(387)	—
Disposal of treasury stock	(229)	—
Total changes of items during the period	(850)	—
Balance at the end of current period	7,444	7,444
Total capital surplus		
Balance at the end of previous period	13,295	12,444
Changes of items during the period		
Dividends from surplus-other capital surplus	(233)	—
Increase (decrease) by corporate division	(387)	—
Disposal of treasury stock	(229)	—
Total changes of items during the period	(850)	—
Balance at the end of current period	12,444	12,444
Retained earnings		
Other retained earnings		
Reserve for reduction entry		
Balance at the end of previous period	—	12
Changes of items during the period		
Provision of reserve for reduction entry	14	11
Reversal of reserve for reduction entry	(1)	(4)
Total changes of items during the period	12	6
Balance at the end of current period	12	19
Retained earnings brought forward		
Balance at the end of previous period	7	1,153
Changes of items during the period		
Dividends from surplus	—	(187)
Provision of reserve for reduction entry	(14)	(11)
Reversal of reserve for reduction entry	1	4
Net income	1,158	443
Total changes of items during the period	1,145	249
Balance at the end of current period	1,153	1,402

	FY2009 (For the fiscal year ended May 31, 2010)	FY2010 (For the fiscal year ended May 31, 2011)
Total Retained earnings		
Balance at the end of previous period	7	1,166
Changes of items during the period		
Dividends from surplus	—	(187)
Provision of reserve for reduction entry	—	—
Reversal of reserve for reduction entry	—	—
Net income	1,158	443
Total changes of items during the period	1,158	256
Balance at the end of current period	1,166	1,422
Treasury stock		
Balance at the end of previous period	(4,799)	(3,493)
Changes of items during the period		
Disposal of treasury stock	1,306	—
Total changes of items during the period	1,306	—
Balance at the end of current period	(3,493)	(3,493)
Total shareholders' equity		
Balance at the end of previous period	13,503	15,117
Changes of items during the period		
Dividends from surplus	—	(187)
Dividends from surplus-other capital surplus	(233)	—
Net income	1,158	443
Increase (decrease) by corporate division	(387)	—
Retirement of treasury stock	—	—
Disposal of treasury stock	1,076	—
Total changes of items during the period	1,614	256
Balance at the end of current period	15,117	15,373
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	—	0
Changes of items during the period		
Net changes of items other than shareholders' equity	0	114
Total changes of items during the period	0	114
Balance at the end of current period	0	114
Total valuation and translation adjustments		
Balance at the end of previous period	—	0
Changes of items during the period		
Net changes of items other than shareholders' equity	0	114
Total changes of items during the period	0	114
Balance at the end of current period	0	114
Total net assets		
Balance at the end of previous period	13,503	15,117
Changes of items during the period		
Dividends from surplus	—	(187)
Dividends from surplus-other capital surplus	(233)	—
Net income	1,158	443
Increase (decrease) by corporate division	(387)	—
Disposal of treasury stock	1,076	—
Net changes of items other than shareholders' equity	0	114
Total changes of items during the period	1,614	371
Balance at the end of current period	15,117	15,488

(4) Notes to Going Concern Assumption

None

6. Others

Changes and Movements in Directors

(1) Changes and movements in representative directors

None

(2) Changes and movements in other directors

Information relating to other movements and changes in directors is as outlined in the press release "Notice Concerning Change in the Company's Auditor" released today.