

Consolidated Financial Report

1st Quarter of the Fiscal Year Ending May 31, 2010

(The three-month period ended August 31, 2009)

- Substantial decline in revenues reflecting the persistent slump in demand in each of the Temporary staffing and Placement / Recruiting businesses
- Significant increases in both revenues and earnings in the Outplacement business; solid results from “Insourcing (contracting)” activities
- In addition to the impact of lower revenue, the drop in gross profit margins attributable to the increased take up of paid holidays by temporary staff as well as other factors; Efforts to substantially curtail selling, general and administrative (SG&A) expenses unable to offset this decline in gross profit margins; Accordingly, the Pasona Group incurred an operating loss for the period under review
- Considerable net loss recorded for the three-month period ended August 31, 2009 reflecting such factors as losses on the retirement of noncurrent assets and the results of a review of the recoverability of the deferred tax assets of certain deficit-ridden subsidiary companies

[1] Consolidated Business Results Three months ended August 31, 2009

(Millions of yen rounded down)

	3M FY2009	3M FY2010	Increase / (Decrease)	YoY
Net sales	59,136	47,161	(11,974)	(20.2)%
Gross profit	11,762	8,834	(2,928)	(24.9)%
to net sales	19.9%	18.7%	(1.2)%	-
SG&A expenses	10,902	8,968	(1,933)	(17.7)%
to net sales	18.4%	19.0%	0.6%	-
Operating income (loss)	860	(134)	(994)	-
to net sales	1.5%	(0.3)%	(1.8)%	-
Ordinary income (loss)	909	(119)	(1,028)	-
to net sales	1.5%	(0.3)%	(1.8)%	-
Income (loss) before income taxes	990	(155)	(1,146)	-
to net sales	1.7%	(0.3)%	(2.0)%	-
Net income (loss)	313	(1,102)	(1,416)	-
to net sales	0.5%	(2.3)%	(2.8)%	-

Overview of Business Results

- Consolidated net sales decreased 20.2% compared with the corresponding period of the previous fiscal year. This downturn in revenue was largely attributable to weak performances in each of the Temporary staffing and Placement / Recruiting businesses.
- In addition to the affects of a decline in revenue, the substantial effects of a greater than expected increase in the take up of paid holidays in the Temporary staffing business saw input costs balloon. As a result, gross profit margin contracted 1.2 of a percentage point year on year to 18.7%. Gross profit decreased 24.9% compared with the corresponding period of the previous fiscal year.
- In the area of SG&A expenses, the Pasona Group worked diligently to curtail costs focusing mainly on recruitment and personnel expenses. SG&A expenses declined substantially by ¥1,933 million, or 17.7%, compared with the corresponding period of the previous fiscal year. Unable to offset the downturn in gross profit, the Pasona Group reported a consolidated operating loss of ¥134 million and a consolidated ordinary loss of ¥119 million.
- In addition, the Company reported extraordinary losses of ¥56 million relating to losses on the sale and retirement of noncurrent assets. This was due to the relocation of subsidiary companies reflecting efforts to consolidate offices.

- After reviewing the recoverability of the deferred tax assets of certain deficit-ridden subsidiary companies, which contributed to an increase in income taxes — deferred, and accounting for an upswing in consolidated subsidiary minority interests in income, the Pasona Group recorded a net loss for the period under review of ¥1,102 million.

[2] Segment Information (Figures include intersegment sales and transfers)

(Millions of yen rounded down unless otherwise stated)

	3M FY2009	3M FY2010	Increase / (Decrease)	YoY
Temporary staffing / Contracting, Placement / Recruiting	53,591	41,220	(12,371)	(23.1)%
Temporary staffing / Contracting	51,780	40,396	(11,384)	(22.0)%
Placement / Recruiting	1,810	823	(987)	(54.5)%
Outplacement	1,545	2,280	734	47.5%
Outsourcing	3,693	3,432	(261)	(7.1)%
Other	655	1,020	365	55.8%
Eliminations and Corporate	(349)	(791)	(441)	-
Total Net Sales	59,136	47,161	(11,974)	(20.2)%
Temporary staffing / Contracting, Placement / Recruiting	1,112	(154)	(1,266)	-
Outplacement	434	616	181	41.9%
Outsourcing	213	165	(47)	(22.4)%
Other	(31)	(25)	5	-
Eliminations and Corporate	(868)	(735)	132	-
Total Operating Income (loss)	860	(134)	(994)	-

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

Temporary staffing / Contracting, Placement / Recruiting

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

Temporary staffing / Contracting

- Signs began to emerge that the drop in new orders, particularly from the export and finance industries, had bottomed out.
- Decrease in the number of temporary staff coupled with cutbacks in overtime approved by client firms and other factors contributed to a significant decline in revenues. Despite these adverse conditions, successful efforts to secure and maintain high-quality staff as well as increased stability in the supply of human resources contributed to year-on-year improvements in closure rates.
- Substantial drop in revenues attributable to negative growth in clerical staff and IT engineering temporary staffing. Difficult conditions exacerbated by the increase in contracts fulfilled in deregulated fields such as sales and marketing.
- Despite the merger with MITSUI BUSSAN HUMAN RESOURCES CORPORATION in July 2009, as well as successful efforts to expand its trading office-related business, the Pasona Group experienced a drop in revenue in technical (specialized office work) fields.
- Buoyed by the increase in new contracts, particularly from public sector, sales in the priority “Insourcing (contracting)” business amounted to ¥2,899 million. This represented steady growth of 25.0% compared with the previous period.

Note: For the monthly average of long-term temporary staff and Temporary staffing / Contracting — sales by staffing type data, please refer to page 5.

Placement / Recruiting Domestic sales: ¥664 million (Down 55.0% YoY)
Overseas sales: ¥159 million (Down 52.3% YoY)

- In the domestic Placement and Recruiting business, while demand in each of the executive, management and specialist personnel fields is beginning to recover, overall recruitment activities remain subdued.
- Turning to overseas activities, results remained weak. On this basis, overall sales in this segment dropped substantially.

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

- Decline in gross profit margins attributable to the considerable decrease in gross profit reflecting the impact of lower revenue. Gross profit margins were also impacted by the increased take up of paid holidays by temporary staff and other factors.
- Significant cutbacks in SG&A expenses, focusing mainly on recruiting and personnel expenditures, were insufficient to offset the decline in gross profit. As a result, segment sales contracted 23.1% compared with the corresponding period of the previous fiscal year to ¥41,220 million. The Pasona Group recorded an operating loss of ¥154 million in the Temporary staffing / Contracting, Placement / Recruiting segment.

Outplacement (Pasona Career Inc., Others)

- Despite extremely harsh employment conditions, the Pasona Group experienced a substantial upswing in demand compared with the corresponding period of the previous fiscal year. This contributed to an increase in both revenue and earnings in this segment.
- The Pasona Group took steps to increase the number of consultants and to strengthen its marketing structure by relocating personnel from the Placement and Recruiting business and other sections in order to maintain service levels.
- The Group is stepping up its efforts to cultivate clients in the Outplacement business. This reflects the recognition that the process leading through to a quick and definitive turnaround in the placement of employees may be delayed.

Outsourcing (Benefit One Inc.)

- Steady ongoing demand in the Outsourcing segment owing mainly to successful efforts to promote employee benefit outsourcing among the Group's major corporate, government and other public office principal customer base.
- Benefit One Inc. continues to promote a host of new services in the health care field that caters to statutory special medical checkups, and the "Customer Loyalty Program" (a goods and services supply program designed to increase the level of customer satisfaction).

Other

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

[3] Status of Financial Position and Investments

Changes in Financial Position (Consolidated)

(Millions of yen rounded down unless otherwise stated)

	May 31, 2009	August 31, 2009	Increase / (Decrease)	YoY	Causes for difference
Current assets	37,358	29,945	(7,413)	(19.8)%	The decline in total assets was mainly attributable to such factors as the decrease of ¥5,187 million in the balance of cash and deposits as well as the decline of ¥1,386 million in the balance of notes and accounts receivable—trade.
Noncurrent assets	18,110	16,671	(1,438)	(7.9)%	
Total assets	55,468	46,616	(8,851)	(16.0)%	
Current liabilities	28,834	21,392	(7,441)	(25.8)%	The fall in total liabilities was mainly attributable to the declines in short-term loans payable of ¥3,973 million, accrued expenses of ¥1,099 million, as well as accounts payable—trade of ¥980 million.
Noncurrent liabilities	1,485	2,113	628	42.3%	
Total liabilities	30,319	23,506	(6,813)	(22.5)%	
Net assets	25,148	23,110	(2,038)	(8.1)%	The decline in net assets was mainly attributable to the net loss of ¥1,102 million and the payment of cash dividends totaling ¥233 million.

Status of Consolidated Cash Flows

Cash and cash equivalents as of August 31, 2009 decreased ¥5,397 million compared with the end of the previous fiscal year to ¥8,722 million.

(Millions of yen rounded down)

	3M FY2009	3M FY2010	Increase / (Decrease)	Major cash flows in each activity
CF from operating activities	(1,322)	(1,528)	(206)	Mainly attributable to income taxes paid totaling ¥771 million, a decline in notes and accounts receivable-trade of ¥1,763 million as well as a decrease in operating debt of ¥2,225 million.
CF from investing activities	(836)	48	884	The major components included purchase of investments in subsidiaries of ¥729 million as well as proceeds from collection of lease and guarantee deposits totaling ¥1,271 million.
CF from financing activities	641	(3,914)	(4,555)	Major movements included the decrease in short-term loans payable of ¥4,100 million. Other principal movements were proceeds from long-term loans payable of ¥649 million and cash dividends paid of ¥448 million.
Free CF	(2,159)	(1,480)	678	

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

The Pasona Group is currently in the process of determining its forecast of consolidated results for the fiscal year ending May 31, 2010. In the event the Company decides that a revision to those forecasts announced on July 17, 2009 is required, relevant details will be disclosed in a timely manner as appropriate.

(Millions of yen rounded down)

	FY2009 Full-Year	FY2010						
		Full-Year	Increase/ (Decrease)	YoY	H1	YoY	H2	YoY
Net sales	218,699	224,390	5,690	2.6%	104,880	(9.7)%	119,510	16.5%
Operating income	2,850	3,540	689	24.2%	690	(56.8)%	2,850	127.7%
Ordinary income	3,361	3,690	328	9.8%	670	(62.9)%	3,020	93.9%
Net income	312	1,010	697	223.1%	20	(90.2)%	990	809.0%

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

(Millions of yen rounded down unless otherwise stated)

	Net Sales	YoY		Operating Income	YoY	
		Increase/(Decrease)	%		Increase/(Decrease)	%
Temporary staffing / Contracting, Placement / Recruiting	199,120	1,786	0.9%	3,980	688	20.9%
Temporary staffing / Contracting	195,190	3,777	2.0%			
Placement / Recruiting	3,930	(1,991)	(33.6)%			
Outplacement	7,820	2,025	35.0%	970	(55)	(5.4)%
Outsourcing	16,140	1,414	9.6%	2,330	194	9.1%
Other	4,390	1,387	46.2%	(230)	(242)	-
Eliminations and Corporate	(3,080)	(924)	-	(3,510)	104	-
Total	224,390	5,690	2.6%	3,540	689	24.2%

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

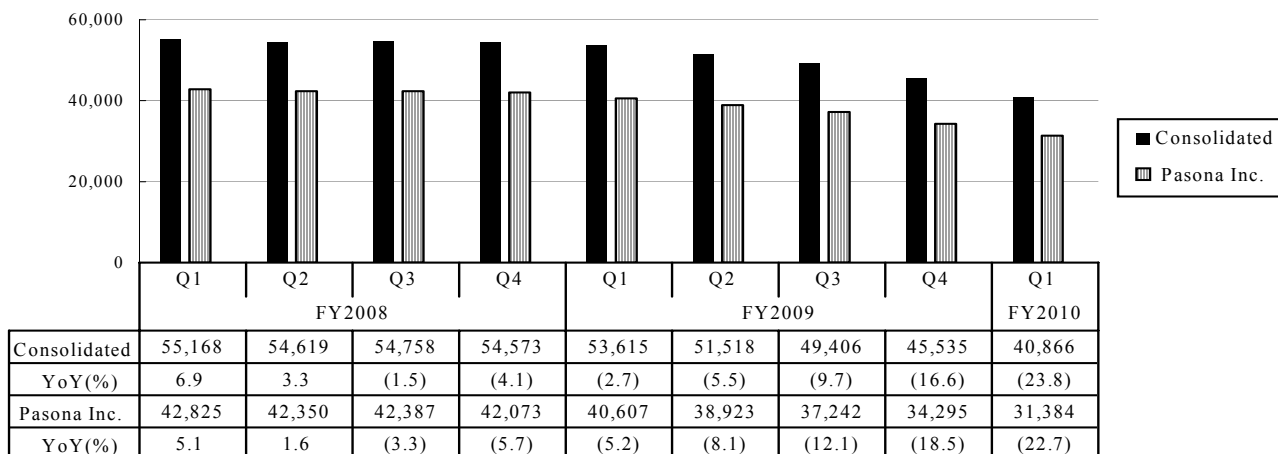
(June 1, 2009 to May 31, 2010)

	FY2009			FY2010 (Forecast)		
	Interim ¥600	Year-End ¥650	Full-Year ¥1,250	Interim ¥600	Year-End ¥650	Full-Year ¥1,250
Dividends per share						
Total Amount of Cash Dividend (Millions of yen)	215	233	448			-

Reference Data

◆ Monthly Average of Long-term Temporary Staff

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



◆ Temporary staffing / Contracting - Consolidated sales by staffing type

(Excludes intrasegment sales)

(Millions of yen rounded down)

	3M FY2009	3M FY2010				
		Net Sales	Share	Increase / (Decrease)	Increase / (Decrease)	YoY
Clerical (General office work)	27,488	21,150	52.5%	(0.7)%pt	(6,337)	(23.1)%
Technical (Specialized office work)	8,818	6,938	17.2%	0.2%pt	(1,879)	(21.3)%
IT engineering	5,839	4,623	11.5%	0.2%pt	(1,216)	(20.8)%
Sales and Marketing	4,274	2,904	7.2%	(1.1)%pt	(1,370)	(32.1)%
Other	2,906	1,729	4.3%	(1.3)%pt	(1,176)	(40.5)%
Insourcing (contracting)	2,317	2,882	7.2%	2.7%pt	564	24.4%
Temporary staffing related	47	44	0.1%	0.0%pt	(3)	(7.2)%
Total	51,692	40,274	100.0%	-	(11,418)	(22.1)%

◆ Quarterly Earnings Trends

(Millions of yen rounded down)

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

This document has been prepared for public circulation and includes information that may constitute "forward-looking statements". Such statements are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties that may cause actual results to differ materially from forecasts. These uncertainties include, but are not limited to changes in economic conditions and market trends. Accordingly, Pasona Group does not guarantee the accuracy of the information contained in this document. In addition, this document has not been prepared as an inducement or invitation for investment. We caution readers to undertake investment decisions subject to individual determination.