

OVERVIEW OF CONSOLIDATED BUSINESS RESULTS

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

Six Months Ended November 30, 2010

- Consolidated net sales for the six months ended November 30 2010 declined 3.3% compared with the corresponding period of the previous fiscal year to ¥88,994 million. Despite this slight year-on-year contraction in the Group's revenue, the rate of decline in comparative terms has narrowed
- The Place & Search (Placement/Recruiting) business experienced signs of a pickup in job offers, focusing mainly on employees with the skills to make an immediate impact, reflecting a positive turnaround in the willingness of the corporate sector to recruit human resources. The Global Sourcing (Overseas) business exceeded initially established plans. Due to an upswing in public-sector orders, results in the Insourcing (Contracting) business were firm
- Following a round of corporate downsizing measures implemented throughout the corporate sector orders in the Outplacement business declined
- In the Expert Services (Temporary staffing) business, new orders increased while the drop in the number of long-term temporary staff bottomed out
- In the Outplacement business, cost of sales increased as priority was placed on a quick and definitive turnaround in the placement of employees during the first half of the fiscal year under review. This contributed to a drop in gross profit margins. Ongoing steps were taken to curtail selling, general and administrative (SG&A) expenses by raising business efficiency and reducing costs
- Earnings declined for the six months ended November 30, 2010 with operating income and ordinary income reported at ¥533 million and ¥580 million, respectively. While results were impacted by asset retirement obligations recorded in the first quarter of the fiscal year ending May 31, 2011, the Company's net loss of ¥549 million for the period under review was a substantial improvement

1. Consolidated Business Results (June 1, 2010 to November 30, 2010)

(Millions of yen)

	H1 FY2009	H1 FY2010	Increase / (Decrease)	YoY
Net sales	92,069	88,994	(3,074)	(3.3)%
Gross profit	17,689	16,174	(1,515)	(8.6)%
to net sales	19.2%	18.2%	(1.0)pt	
SG&A expenses	16,784	15,640	(1,144)	(6.8)%
to net sales	18.2%	17.6%	(0.6)pt	
Operating income	905	533	(371)	(41.0)%
to net sales	1.0%	0.6%	(0.4)pt	
Ordinary income	933	580	(352)	(37.7)%
to net sales	1.0%	0.7%	(0.3)pt	
Income before income taxes	877	112	(764)	(87.2)%
to net sales	1.0%	0.1%	(0.9)pt	
Net loss	(1,696)	(549)	1,147	-
to net sales	-	-	-	

Overview of Business Results

- Consolidated net sales for the six months ended November 30 2010 declined 3.3% compared with the corresponding period of the previous fiscal year to ¥88,994 million. Despite this slight year-on-year contraction in the Group's revenue, the rate of decline in comparative terms has narrowed.
- The gross profit margins declined owing mainly to the increase in costs as priority was placed on a quick and definitive turnaround in the placement of employees in the Outplacement business. While this downturn was partly offset by contributions from the Global Sourcing (Overseas) business, gross profit for the period under review amounted to ¥16,174 million, a decrease of 8.6% compared with the corresponding period of the previous fiscal year.
- SG&A expenses contracted ¥1,144 million, or 6.8%, year on year to ¥15,640 million largely reflecting efforts to raise business efficiency through the consolidation of certain bases into a single comprehensive Group office and successful steps to curtail costs.
- Consolidated operating income fell 41.0% to ¥533 million and consolidated ordinary income declined 37.7% to ¥580 million. This was largely attributable to the leveling off of contributions to profit from the Outplacement business, which had experienced a considerable increase in earnings in the previous period.
- The Company incurred an extraordinary loss on adjustment for changes of the accounting standard for asset retirement obligations of ¥480 million during the first quarter of the fiscal year ending May 31, 2011. Accounting for the aforementioned, Pasona Group reported a consolidated net loss for the period under review of ¥549 million. This was compared with the consolidated net loss of ¥1,696 million recorded for the corresponding period of fiscal 2009. Despite this result, the quarterly net loss improved substantially on a comparative basis with the previous period due largely to the smaller impact of tax-effect accounting.

2. Segment Information (Figures include intersegment sales)

Note: In conjunction with the adoption of the "Management Approach," the Company reclassified its business segments effective from the fiscal year ending May 31, 2011. Therefore, percentage increases and decreases compared with the corresponding period of the fiscal year ended May 31, 2010 have not been provided.

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

HR Solutions

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

Net sales: ¥76,260 million; Operating income: ¥653 million

[Expert Services (Temporary staffing), Insourcing (contracting), HR Consulting]

Net sales: ¥74,470 million

Expert Services (Temporary staffing)

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

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

Insourcing (Contracting)

- Buoyed by an increase in commissioned reception, administrative and call center operations as well as steady trends in public sector-related activities, sales in the Insourcing business remained firm at ¥6,827 million.

[Place & Search (Placement / Recruiting)]

Net sales: ¥788 million

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

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

[Global Sourcing (Overseas)]

Net sales: ¥1,000 million

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

[Profit perspective for the above segments]

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

Outplacement

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

- Following a round of corporate downsizing measures implemented throughout the corporate sector, orders, which had hovered at a high level during the previous fiscal year, declined.
- In placing priority on a quick and definitive turnaround in the placement of job seekers using our service from the previous period as well as the emphasis placed on counseling and efforts to cultivate job offers, costs ballooned. Compared with the robust results recorded in the corresponding period of the previous fiscal year, gross profit decreased substantially.

Outsourcing

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

- Continued efforts were made to promote customers' solution-oriented marketing to corporate member customers including major companies as well as government and other public offices, with considerable weight placed on increasing and promoting employee fringe benefit services that help to realize work-life balance. As a result, sales in this segment were firm.

Life Solutions, Public Solutions, Shared

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

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

3. Status of Financial Position and Investments

Changes in Consolidated Financial Position

(Millions of yen)

	May 31, 2010	November 30, 2010	Increase / (Decrease)	YoY	Causes for difference
Current assets	34,986	37,533	2,546	7.3%	The increase in total assets was mainly attributable to certain factors including an increase of ¥4,353 million in the balance of cash and deposits.
Noncurrent assets	17,282	17,550	268	1.6%	
Total assets	52,269	55,084	2,814	5.4%	
Current liabilities	21,426	19,680	(1,745)	(8.1)%	The principal increases in total liabilities were short-term loans payable of ¥973 million and long-term loans payable of ¥4,376 million. These were partly offset by a decrease in accounts payable-trade of ¥649 million.
Noncurrent liabilities	5,863	11,143	5,279	90.0%	
Total liabilities	27,289	30,823	3,533	12.9%	
Total net assets	24,979	24,260	(719)	(2.9)%	This was mainly attributable to the net loss of ¥549 million and the payment of cash dividends totaling ¥187 million.
Equity ratio	39.6%	36.4%	(3.2)pt		

Status of Consolidated Cash Flows

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

(Millions of yen)

	H1 FY2009	H1 FY2010	Increase / (Decrease)	Major cash flows in each activity
CF from operating activities	(1,235)	634	1,870	Major cash inflows were income before income taxes of ¥112 million and depreciation and amortization of ¥1,075 million. Principal cash outflow included income taxes paid of ¥337 million.
CF from investing activities	(25)	(716)	(690)	Major cash outflow was purchase of investment securities of ¥779 million. Principal cash inflow was proceeds from collection of lease and guarantee deposits of ¥253 million.
CF from financing activities	(6,180)	4,711	10,891	Major cash inflows included proceeds from long-term loans payable totaling ¥5,946 million. Principal cash outflow was cash dividends paid totaling ¥453 million.
Free CF	(1,261)	(81)	1,180	

4. Consolidated Forecast of Business Results for FY2010 (June 1, 2010 to May 31, 2011)

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

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

Taking into consideration the aforementioned conditions, a somewhat cautious approach is anticipated to characterize the Expert Services business. The Insourcing (Contracting) business is forecast to witness demand for commissioned services. Anticipating contract orders from public office, local government authority and other entities from the public sector, the Group is projecting a steady trend. In addition, the Global Sourcing (Overseas) business is projected to remain firm on the back of overseas human resource needs. In the Outplacement business, signs are emerging of a recovery in orders in the immediate term. Taking into consideration the priority placed on maintaining service levels and the quick and definitive turnaround in the placement of employees by service users, the cost of sales ratio is forecast to hover at a high level.

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

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
FY2010 Full-year Forecast	186,000	2,800	2,900	500
YoY	1.4%	(23.5)%	(28.3)%	144.0%

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

(Figures include intersegment sales)

(Millions of yen)

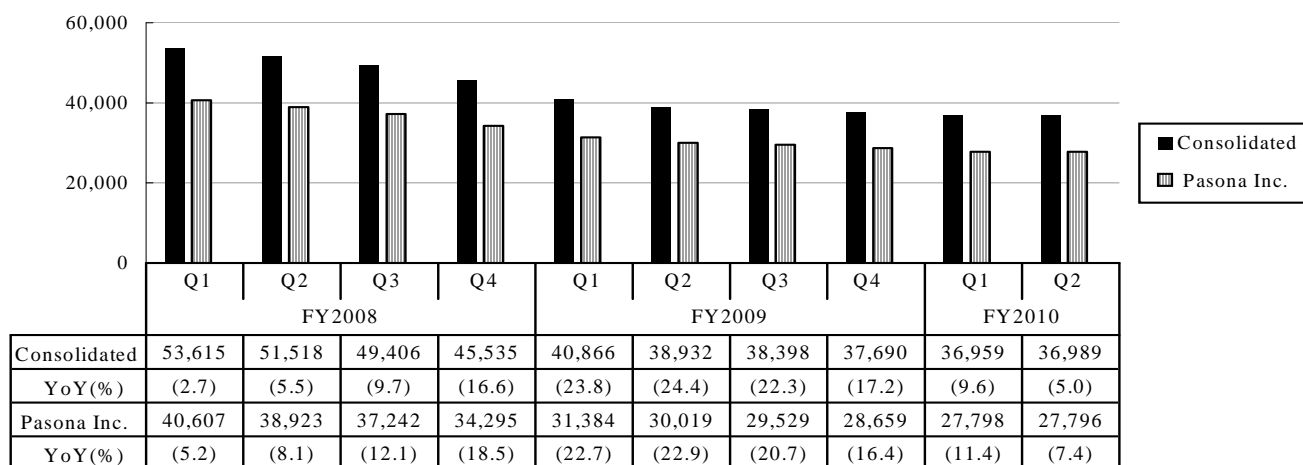
	Net sales	Operating income
HR Solutions	184,660	5,640
Expert Services (Temporary staffing), Insourcing (Contracting), Others	159,530	2,480
Expert Services (Temporary staffing)	155,780	2,480
Insourcing (Contracting)		
HR Consulting		
Place & Search (Placement / Recruiting)	1,850	
Global Sourcing (Overseas)	1,900	
Outplacement	9,730	760
Outsourcing	15,400	2,400
Life Solutions Public Solutions Shared	3,530	15
Eliminations and Corporate	(2,190)	(2,855)
Total	186,000	2,800

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

5. Reference Data

◆ Monthly Average of Long-term Temporary Staff

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



◆ Expert Services (Temporary staffing), Insourcing (Contracting) - Consolidated Sales by Staffing Type

(Excludes intersegment sales)

(Millions of yen)

	H1 FY2009	H1 FY2010		vs FY2009	
		Net Sales	Share	Increase / (Decrease)	YoY
Clerical	42,087	38,735	52.6%	(3,352)	(8.0)%
Technical	13,366	12,833	17.4%	(533)	(4.0)%
IT engineering	8,999	8,019	10.9%	(980)	(10.9)%
Sales and Marketing	4,067	4,098	5.6%	31	0.7%
Other Expert Services	3,314	3,043	4.1%	(271)	(8.2)%
Insourcing	5,856	6,927	9.4%	1,071	18.3%
Total	77,693	73,658	100.0%	(4,035)	(5.2)%

Note: Figures for the corresponding period of the previous fiscal year have been adjusted in accordance with the current segments.

◆ Quarterly Earnings Trends

(Millions of yen)

	FY2009				FY2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	47,161	44,908	43,977	47,468	44,574	44,419	-	-
YoY	(20.2)%	(21.1)%	(16.3)%	(5.2)%	(5.5)%	(1.1)%	-	-
Cost of sales	38,326	36,053	34,915	37,489	36,432	36,388	-	-
YoY	(19.1)%	(20.8)%	(16.8)%	(6.9)%	(4.9)%	0.9%	-	-
Gross profit	8,834	8,855	9,062	9,979	8,142	8,031	-	-
YoY	(24.9)%	(22.6)%	(14.1)%	1.5%	(7.8)%	(9.3)%	-	-
SG&A expenses	8,968	7,815	7,772	8,513	7,831	7,811	-	-
YoY	(17.7)%	(26.9)%	(22.2)%	(6.9)%	(12.7)%	(0.1)%	-	-
Operating income (loss)	(134)	1,039	1,289	1,465	310	220	-	-
YoY	-	40.7%	127.0%	114.4%	-	(78.8)%	-	-
Ordinary income (loss)	(119)	1,052	1,469	1,641	319	258	-	-
YoY	-	17.6%	178.2%	59.5%	-	(75.4)%	-	-
Income (loss) before income taxes	(155)	1,032	1,379	1,576	(134)	247	-	-
YoY	-	69.0%	11,497.9%	24.0%	-	(76.1)%	-	-
Net income (loss)	(1,102)	(594)	292	1,608	(471)	(77)	-	-
YoY	-	-	-	74.9%	-	-	-	-

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