

OVERVIEW OF CONSOLIDATED BUSINESS RESULTS

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

Fiscal Year Ended May 31, 2011

- **The Insourcing (Contracting) business exhibited substantial growth benefiting from increased orders from government and other public offices as well as local government authorities.**
- **Demand for personnel was buoyant in and outside Japan. As the shift overseas by Japan's corporate sector gathered pace, Global Sourcing (Overseas) activities expanded. Activity in the Place & Search (Placement / Recruiting) business was also robust. This was largely attributable to the upswing in job offers for personnel capable of achieving immediate results.**
- **In the Expert Services (Temporary staffing) business, new orders increased. At the same time, efforts by Japan's Health, Labour and Welfare Ministry to regulate temporary staffing job types, and the confusion that ensued after the earthquake, constrained demand for temporary staff.**
- **Revenue and earnings are forecast to increase in the fiscal year ending May 31, 2012. This is largely attributable to expectations that the Insourcing business will continue to grow and the projected recovery in earnings in the second half.**
- **The Company has declared a period-end cash dividend of ¥1,000 per share. The cash dividend for the fiscal year ending May 31, 2012 is projected to be ¥1,200 per share.**

1. Consolidated Business Results (June 1, 2010 to May 31, 2011)

(Millions of yen)

	FY2009	FY2010	Increase / (Decrease)	YoY
Net sales	183,515	178,806	(4,709)	(2.6)%
Gross profit	36,731	33,558	(3,172)	(8.6)%
to net sales	20.0%	18.8%	(1.2)pt	
SG&A expenses	33,070	31,125	(1,945)	(5.9)%
to net sales	18.0%	17.4%	(0.6)pt	
Operating income	3,660	2,432	(1,227)	(33.5)%
to net sales	2.0%	1.4%	(0.6)pt	
Ordinary income	4,044	2,571	(1,472)	(36.4)%
to net sales	2.2%	1.4%	(0.8)pt	
Income before income taxes	3,833	2,496	(1,336)	(34.9)%
to net sales	2.1%	1.4%	(0.7)pt	
Net loss	204	412	207	101.4%
to net sales	0.1%	0.2%	0.1pt	
Net income per share (Yen)	564.99	1,101.88	(536.89)	95.0%

Overview of Business Results

- Consolidated net sales declined 2.6% compared with the previous fiscal year to ¥178,806 million.
- 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.
- 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 offices.

- 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.
- 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.

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

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

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

Expert Services (Temporary staffing)

- New orders increased across most sectors including the service and manufacturing industries. However, due largely to the direct impact on employment of efforts by Japan's Health, Labour and Welfare Ministry to regulate temporary staffing job types, and cutbacks in demand for temporary staff reflecting the confusion that ensued after the earthquake and growing uncertainty surrounding the future of the corporate sector 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.

Note: For the monthly average of long-term temporary staff and Temporary staffing / Contracting — sales by staffing type data, please refer to page 6.

Insourcing (Contracting)

- In the Insourcing business, 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 climbed to ¥16,365 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. 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 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, results were firm in placement and recruiting activities in North America.
- 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.

[Profit perspective for the above segments]

- On the earnings front in each of the aforementioned segment activities, operating income totaled ¥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, the overall trend in new orders continued to decline leading to a drop in revenue.
- In placing priority on a quick and definitive turnaround in the placement of job seekers registered from the previous period and maintaining the number of consultants, costs ballooned.

Outsourcing**Net sales:** ¥14,690 million; **Operating income:** ¥2,227 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. Emphasis was also placed on the incentive business, a management and operating service that converts financial incentives into points.

Life Solutions, Public Solutions, Shared**Net sales:** ¥3,564 million; **Operating income:** ¥134 million

- In child-care-related activities, 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.

3. Status of Financial Position and Investments**Changes in Consolidated Financial Position**

(Millions of yen)

	May 31, 2010	May 31, 2011	Increase / (Decrease)	YoY	Causes for difference
Current assets	34,986	44,368	9,381	26.8%	The increase in total assets was mainly attributable to an increase of ¥9,998 million in the balance of cash and deposits, a decrease of ¥337 million in the property, plant and equipment as well as a decrease of ¥530 million in the intangible assets.
Noncurrent assets	17,282	16,195	(1,086)	(6.3)%	
Total assets	52,269	60,564	8,294	15.9%	
Current liabilities	21,426	25,329	3,903	18.2%	The principal increases 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.
Noncurrent liabilities	5,863	9,592	3,728	63.6%	
Total liabilities	27,289	34,922	7,632	28.0%	
Total net assets	24,979	25,642	662	2.7%	This was mainly attributable to the net income of ¥412 million.
Equity ratio	39.6%	34.7%	(4.9)pt		

Status of Consolidated Cash Flows

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

(Millions of yen)

	FY2009	FY2010	Increase / (Decrease)	Major cash flows in each activity
CF from operating activities	2,875	6,419	3,543	Major cash inflows included income before income taxes totaling ¥2,496 million, increase in operating debt amounted to ¥2,963 million as well as depreciation and amortization totaling ¥2,161 million. Principal cash outflow was income taxes paid amounting to ¥1,030 million.
CF from investing activities	(387)	166	553	Major cash inflows included proceeds from sales of investment securities totaling ¥1,395 million, proceeds from collection of lease and guarantee deposits totaling ¥349 million. Principal cash outflows were purchase of investment securities totaling ¥779 million and payments for the purchase of intangible assets totaling ¥612 million.
CF from financing activities	(4,275)	3,695	7,971	Major cash inflows included proceeds from long-term loans payable totaling ¥5,958 million. Principal cash outflows were repayment of long-term loans payable amounting to ¥1,374 million, cash dividends paid totaling ¥464 million and repayments of finance lease obligations totaling ¥348 million.
Free CF	2,488	6,586	4,097	

4. Consolidated Forecast of Business Results for FY2011 (June 1, 2011 to May 31, 2012)

As a result of the Great East Japan Earthquake, significant downward pressure is expected on the domestic economic for the foreseeable future. In the context of shortages in electric power, 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 provides support services overseas, and the Insourcing and business process outsourcing (BPO) businesses, from the perspectives of further enhancing management efficiency and diversifying risk. 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, revenue and earnings are expected to increase.

(Millions of yen)

	FY2010 Full-Year	FY2011 Forecasts						
		Full-Year	Increase/ (Decrease)	YoY	1H	YoY	2H	YoY
Net sales	178,806	183,000	4,193	2.3%	90,000	1.1%	93,000	3.6%
Operating income	2,432	2,850	417	17.1%	350	(34.4)%	2,500	31.6%
Ordinary income	2,571	2,900	328	12.8%	320	(44.9)%	2,580	29.6%
Net income (loss)	412	650	237	57.5%	(120)	—	770	(19.9)%

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

(Figures include intersegment sales)

(Millions of yen)

	Net sales	YoY	Operating income	YoY
HR Solutions	180,540	1.7%	6,200	18.8%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	155,730	1.7%	3,080	55.5%
Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting	151,100	1.2%	3,080	55.5%
Place & Search (Placement / Recruiting)	2,360	28.7%		
Global Sourcing (Overseas)	2,270	11.7%		
Outplacement	9,160	(6.6)%	450	(55.5)%
Outsourcing	15,650	6.5%	2,670	19.9%
Life Solutions, Public Solutions, Shared	3,710	4.1%	(40)	—
Eliminations and Corporate	(1,250)	—	(3,310)	—
Total	183,000	2.3%	2,850	17.1%

Expert Services (Temporary staffing)

- Due to the prolonged sense of uncertainty, particularly with respect to the residual effects of the Great East Japan Earthquake, there are lingering concerns of a continued downturn in demand for temporary staffing. Reconstruction demand over the second half, on the other hand, is expected to provide 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.
- 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 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.
- The Pasona Group will strengthen activities in fields including medicine, which require an extremely high level of specialist expertise. 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)

- 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. At the same time, 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

- 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.

Life Solutions

- Performances by the child-care-related business and education activities business are anticipated to remain firm.

5. Cash Dividends

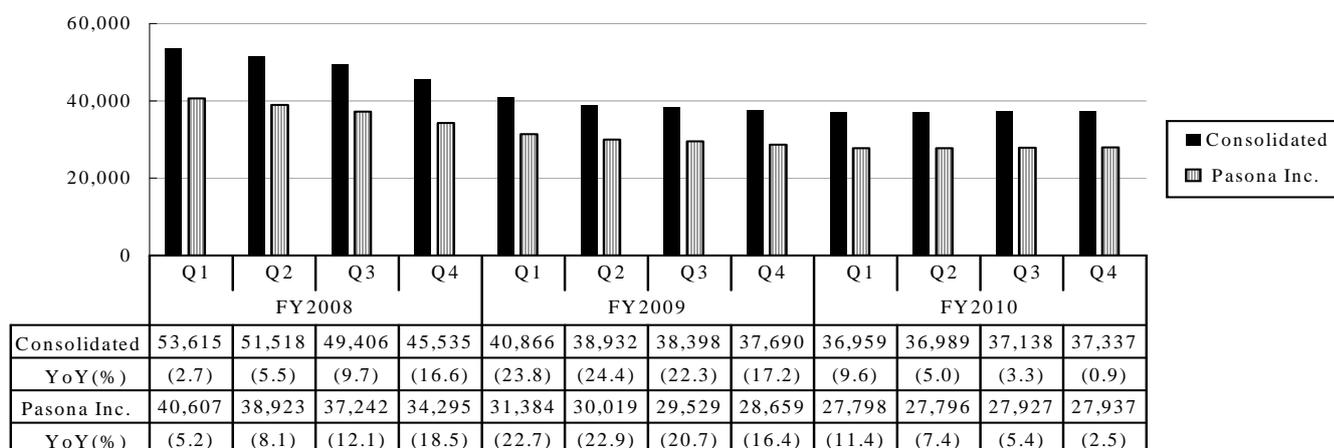
The Company has declared a period-end cash dividend of ¥1,000 per share taking into consideration such comprehensive factors as the Group's performance for the fiscal year under review and its established policy to ensure an appropriate level of shareholder return. Regarding dividends for the fiscal year ending May 31, 2012, in similar fashion to the previous fiscal year, 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.

	FY2010			FY2011 Forecast		
	Interim ¥0	Year-End ¥1,000	Full-Year ¥1,000	Interim ¥0	Year-End ¥1,200	Full-Year ¥1,200
Dividends per share						
Total amount of cash dividend (Millions of yen)	—	374	374	—		
Payout ratio	90.8%			69.1%		

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)

	(Reference) FY2009	FY2010		vs FY2009	
		Net Sales	Share	Increase / (Decrease)	YoY
Clerical	81,713	72,450	49.0%	(9,263)	(11.3)%
Technical	25,820	28,061	19.0%	2,241	8.7%
IT engineering	17,559	16,029	10.8%	(1,530)	(8.7)%
Sales and Marketing	7,665	8,577	5.8%	912	11.9%
Other Expert Services	6,368	5,992	4.1%	(376)	(5.9)%
Insourcing	11,837	16,625	11.3%	4,788	40.4%
Total	150,964	147,736	100.0%	(3,228)	(2.1)%

Note: Figures for 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	43,669	46,142
YoY	(20.2)%	(21.1)%	(16.3)%	(5.2)%	(5.5)%	(1.1)%	(0.7)%	(2.8)%
Cost of sales	38,326	36,053	34,915	37,489	36,432	36,388	35,288	37,138
YoY	(19.1)%	(20.8)%	(16.8)%	(6.9)%	(4.9)%	0.9%	1.1%	(0.9)%
Gross profit	8,834	8,855	9,062	9,979	8,142	8,031	8,381	9,003
YoY	(24.9)%	(22.6)%	(14.1)%	1.5%	(7.8)%	(9.3)%	(7.5)%	(9.8)%
SG&A expenses	8,968	7,815	7,772	8,513	7,831	7,811	7,630	7,857
YoY	(17.7)%	(26.9)%	(22.2)%	(6.9)%	(12.7)%	(0.1)%	(1.8)%	(7.7)%
Operating income (loss)	(134)	1,039	1,289	1,465	310	220	750	1,145
YoY	-	40.7%	127.0%	114.4%	-	(78.8)%	(41.8)%	(21.8)%
Ordinary income (loss)	(119)	1,052	1,469	1,641	319	258	747	1,240
YoY	-	17.6%	178.2%	59.5%	-	(75.4)%	(49.1)%	(24.4)%
Income (loss) before income taxes	(155)	1,032	1,379	1,576	(134)	247	788	1,595
YoY	-	69.0%	11,497.9%	24.0%	-	(76.1)%	(42.8)%	1.2%
Net income (loss)	(1,102)	(594)	292	1,608	(471)	(77)	214	747
YoY	-	-	-	74.9%	-	-	(26.8)%	(53.5)%

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