

Business Results for the Second Quarter of Fiscal Year Ending December 31, 2011

OUTSOURCING Inc.

(JASDAQ 2427)

August 2011



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Consolidated Financial Summary for 1H FY12/11



Consolidated Financial Summary for 1H FY12/11

(¥ million)	FY12/10 1H Actual		Fy12/11 1H Actual		Change			
	Amount	Weighting	Amount	Weighting	Year-on Year Amount	Ratio	vs Fcst on Apr.27,2011 Amount	Ratio
Net Sales	12,839	100.0%	14,874	100.0%	2,034	15.8%	△ 85	-0.6%
Cost of Sales	10,294	80.2%	11,844	79.6%	1,550	15.1%	-	-
Gross Profit	2,545	19.8%	3,029	20.4%	484	19.0%	-	-
SG&A Expenses	2,288	17.8%	2,821	19.0%	533	23.3%	-	-
Operating Income	256	2.0%	208	1.4%	△ 48	-19.0%	98	89.2%
Non-Operating Income	311	2.4%	255	1.7%	△ 55	-17.8%	-	-
Non-Operating Expenses	188	1.5%	182	1.2%	△ 5	-2.9%	-	-
Ordinary Income	379	3.0%	280	1.9%	△ 98	-26.0%	100	56.1%
Extraordinary Income	31	0.2%	4	0.0%	△ 26	-84.1%	-	-
Extraordinary Loss	58	0.5%	79	0.5%	20	34.9%	-	-
Net Income	162	1.3%	10	0.1%	△ 151	-93.5%	55	-

Consolidated Financial highlight for Q2 FY12/11

- Suffered a major hit from the production slowdown following the March 11 disaster during April to early-June
 - Net sales increased 112.4% year-on-year
- Posted one-time loss in April and May due to the March 11 disaster
 - Posted ¥95 million in one-time expenses for temporary disability compensation and voluntary compensation
- Benefitting from the sustained expansion of our operating regime, the recovery in order inflows—led by the transportation equipment industry—has been swift and significant from mid-June
 - Orders for manufacturing temporary placement services: sales generated from June recruitment to be posted from July onward
 - Orders for recruitment agency services: sales generated from June agency services posted in the same month

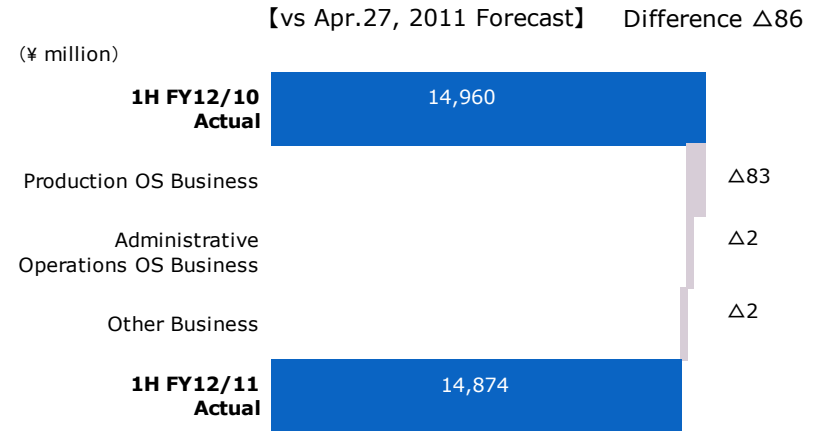
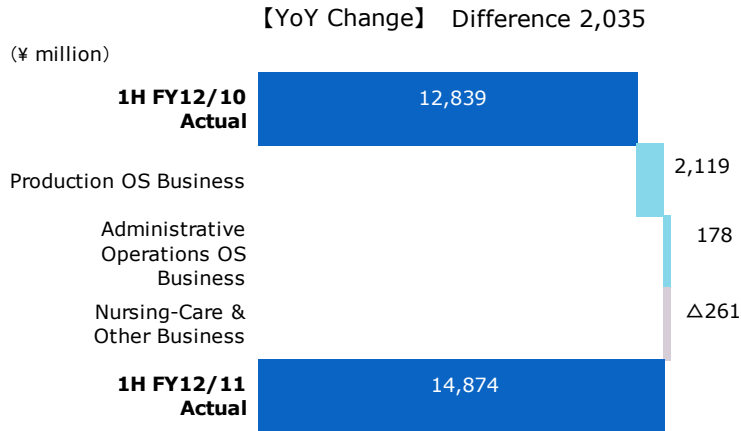
After posting the one-time loss incurred from the March 11 disaster, orders for our recruitment agency services increased. As a result, operating income in July was ¥178 million.

Quarterly Financial Results by Business Segment

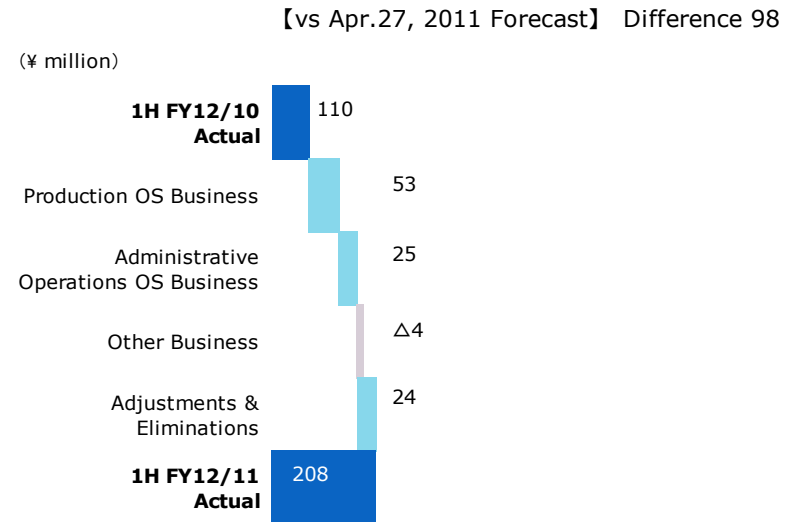
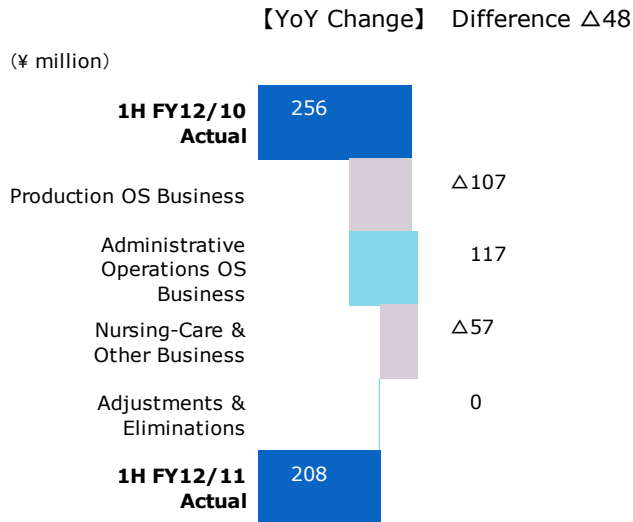
(¥ million)		FY12/10				FY12/11		
		Actual Q1	Actual Q2	Actual Q3	Actual Q4	Actual Q1	Actual Q2	vs Apr.27,2011 Forecast Q2
Production Outsourcing Business	Number of Worksite Employees at the end of the quarter (employees)	6,223	6,192	6,674	7,434	6,839	7,188	7,100
	Net Sales	6,020	6,245	6,984	7,767	7,251	7,133	7,216
	Operating Income	112	94	293	413	46	53	0
Administrative Operations Outsourcing Business	Workers Hired through Recruitment Agency (employees)	90	459	1,079	721	531	513	450
	Net Sales	80	161	276	218	213	206	208
	Operating Income	9	36	94	134	82	80	55
Nursing-Care Business	Net Sales	118	108	125	120	-	-	-
	Operating Income	28	22	27	22	-	-	-
Other Business	Net Sales	63	41	23	35	36	33	35
	Operating Income	5	0	△ 9	△ 7	0	△ 2	2
Adjustments & Eliminations	Operating Income	△ 26	△ 26	△ 28	△ 20	△ 39	△ 13	△ 37
Total	Net Sales	6,282	6,557	7,410	8,137	7,501	7,372	7,459
	Operating Income	128	128	378	539	90	117	20

1H FY12/11 Net Sales and Operating Income by Business Segment

Breakdown of Changes in Net Sales



Breakdown of Changes in Operating Income



Quarterly Consolidated Financial Results

(¥ million)	FY12/10				FY12/11	
	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Actual Q1	Actual Q2
Net Sales	6,282	6,557	7,410	8,137	7,501	7,372
Gross Profit	1,282	1,262	1,615	1,848	1,457	1,572
Gross Profit Margin	20.4%	19.2%	21.8%	22.7%	19.4%	21.3%
SG&A Expenses	1,154	1,134	1,237	1,309	1,366	1,454
SG&A Expenses Ratio	18.4%	17.3%	16.7%	16.1%	18.2%	19.7%
Operating Income	128	128	378	539	90	117
Operating Margin	2.0%	2.0%	5.1%	6.6%	1.2%	1.6%
Ordinary Income	207	172	444	578	132	148
Ordinary Margin	3.3%	2.6%	6.0%	7.1%	1.8%	2.0%
Net Income	111	50	214	385	△ 24	34
Net Margin	1.8%	0.8%	2.9%	4.7%	-0.3%	0.5%

Quarter-on-Quarter Changes	FY12/10				FY12/11	
	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Actual Q1	Actual Q2
Net Sales	7.7%	4.4%	13.0%	9.8%	-7.8%	-1.7%
Gross Profit	-3.8%	-1.6%	27.9%	14.4%	-21.2%	7.9%
SG&A Expenses	-0.5%	-1.7%	9.1%	5.8%	4.4%	6.4%
Operating Income	-25.6%	-0.2%	194.5%	42.5%	-83.3%	30.0%
Ordinary Income	-12.8%	-17.0%	157.8%	30.1%	-77.2%	12.1%
Net Income	-22.1%	-54.4%	321.3%	79.9%	—	—

Quarterly Consolidated Financial Results by Business Field

(¥ million)	FY12/10				FY12/11	
	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Actual Q1	Actual Q2
Production OS Business	6,020	6,245	6,984	7,767	7,251	7,133
Electrical & Electronics	1,754	2,074	2,277	2,422	2,159	2,257
Foods	510	478	500	544	440	490
Transport Equipment	1,564	1,448	1,826	2,556	2,511	2,105
Pharm & Chemicals	1,017	975	1,055	1,060	1,016	1,145
Metal	72	59	59	80	84	102
Other	1,100	1,167	1,264	1,153	1,040	1,032

(Weighting)	FY12/10				FY12/11	
	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Actual Q1	Actual Q2
Production OS Business	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Electrical & Electronics	29.1%	33.2%	32.6%	31.2%	29.8%	31.6%
Foods	8.5%	7.7%	7.2%	7.0%	6.1%	7.0%
Transport Equipment	26.0%	23.2%	26.1%	32.9%	34.6%	29.5%
Pharm & Chemicals	16.9%	15.6%	15.1%	13.6%	14.0%	16.1%
Metal	1.2%	0.9%	0.8%	1.0%	1.2%	1.4%
Other	18.3%	18.7%	18.1%	14.8%	14.3%	14.5%

Summary of Consolidated Balance Sheets at the End of 1H FY12/11

(¥ million)	FY12/10		FY12/11		YoY Change
	1H End		1H End		
[Assets]	Amount	Weighting	Amount	Weighting	Amount
Current Assets	5,766	60.7%	6,809	65.1%	1,043
(Cash and deposits)	1,425	15.0%	1,723	16.5%	297
(Note and accounts receivable-trade)	3,531	37.2%	4,168	39.8%	637
Noncurrent Assets	3,732	39.3%	3,654	34.9%	△ 78
Property, plant and equipment	2,153	22.7%	2,015	19.3%	△ 137
Intangible assets	590	6.2%	657	6.3%	67
Investments and Other Assets	989	10.4%	980	9.4%	△ 8
Total Assets	9,502	100.0%	10,465	100.0%	963
Current Liabilities	4,691	70.5%	5,377	76.4%	685
(Notes and accounts payable-trade)	64	1.0%	17	0.3%	△ 46
(Short-term borrowing and others)	1,496	22.5%	1,592	22.6%	95
(Accouts payable-other)	1,746	26.3%	2,041	29.0%	294
Noncurrent Liabilities	1,959	29.5%	1,658	23.6%	△ 300
(Bonds, long-term loans payable)	980	14.7%	685	9.7%	△ 295
Total Liabilities	6,651	100.0%	7,036	100.0%	385
Shareholders' Equity	2,754	29.0%	3,251	31.1%	497
Capital Stock	483	5.1%	485	4.6%	1
Capital Surplus	879	9.3%	881	8.4%	1
Retained Earnings	1,781	18.7%	2,275	21.7%	494
Treasury Stocks	△ 391	-4.1%	△ 391	-3.7%	0
Valuation and Translation Adjustments	1	0.0%	2	0.0%	0
Subscription Rights to Shares	49	0.5%	73	0.7%	24
Minority Interests	45	0.5%	101	1.0%	55
Total Net Assets	2,850	30.0%	3,429	32.8%	578
Total Liabilities and Net Assets	9,502	100.0%	10,465	100.0%	963

Increase in trade receivables due to acquisition of subsidiaries and business volume growth

Subsidiaries acquisition and business volume growth accompanied by increase in unpaid salaries and other costs

Decrease due to repayment of long-term loans

Increase in net income

Summary of Consolidated Statements of Cash Flows for 1H FY12/11

(¥ million)	FY12/10 1H Amount	FY12/11 1H Amount	YoY Change Amount
Income (Loss) before Income Taxes	352	206	△ 145
Depreciation	114	116	1
Amortization of Goodwill	60	80	20
Negative Amortization of Goodwill	△ 77	△ 70	6
Decrease (Increase) in Notes and Accounts Receivable-trade	△ 486	13	500
Decrease (Increase) in Notes and Accounts Payable-trade	520	759	238
Others	△ 50	△ 1,021	△ 972
Net Cash Provided by (Used in) Operating Activities	433	84	△ 349
Net Cash Provided by (Used in) Investment Activities	269	252	△ 17
Increase (Decrease) in Borrowings	△ 629	△ 229	399
Share Buyback	△ 172	-	172
Payment of Dividend	△ 95	△ 103	△ 7
Others	△ 54	△ 34	20
Net Cash Provided by (Used in) Financial Activities	△ 951	△ 367	584
Increase in Cash and Cash Equivalents Resulting from Merger	-	-	-
Cash and Cash Equivalents, End of Term	1,386	1,682	295

**Increase due to collected
trade receivables**

**Decrease due to payment of
corporate income tax**

**Increase due to lower
repayment of short-term
loans**

Revision to Consolidated Earnings Forecast for 1H FY12/11



Revision to 1H FY12/11 Earnings Forecast

(¥ million)	FY12/11					
	1H (Initial projection) as of Apr.27, 2011		1H (Revised) as of July 20, 2011		1H Actual	
Sales	14,960	100.0%	14,874	100.0%	14,874	100.0%
Cost of Sales	-	-	-	-	11,844	-
Gross Profit	-	-	-	-	3,029	20.4%
SG&A Expenses	-	-	-	-	2,821	-
Operating Income	110	0.7%	208	1.4%	208	1.4%
Non-operating Income	-	-	-	-	255	-
Non-operating Expenses	-	-	-	-	182	-
Ordinary Income	180	1.2%	280	1.9%	280	1.9%
Extraordinary Income	-	-	-	-	4	-
Extraordinary Loss	-	-	-	-	79	-
Net Income	△ 45	-0.3%	10	0.1%	10	0.1%

- ❑ When we revised our 1H earnings forecast on April 27, we projected that client-makers would resume full-fledge production in November; in actuality, full production resumption occurred by mid-June
- ❑ In particular, the transportation equipment industry, which is a major contributor to our Group's earnings, has been recovering at a rapid pace
- ❑ In our original forecast, the operating deficits posted in April and May were to be negated by improved earnings in June, which actually reached ¥178 million; as a result, net income for Q2 rebounded from a deficit to a surplus

FY12/11 Consolidated Earnings Forecast



2H FY12/11 Operating Environment

- Damage status of stricken areas
 - ▣ Number of damaged vehicles: approx. 410,000
 - ▣ Number of homes damaged beyond repair: approx. 50,000
- Impact on production from electric power shortage and supply chain disruption
 - ▣ Among the most difficult to replace through alternative suppliers are semiconductors and electronic components, devices that are used by a wide range of makers, companies that produce parts and materials, as well as finished products; the loss of such devices thus proved devastating



Given the broad industrial foundations of the automotive, electrical equipment and housing sectors, which were hit hardest in the March 11 disaster, production across all sectors is expected to surge in the latter half of the year, driven by demand from the recovery and reconstruction effort, as well as the rebound from the previous production slowdown.

Makers' Selection Criteria of Service Providers to Meet Reconstruction Demand

- After the Lehman Bros. collapse, the risks of using inexperienced service providers became apparent
 - Accountability of worker contract cancellations
 - Originally, the responsibility of cancelled work contracts lies with the service provider and the worker who has contracted



- However, the service provider industry has numerous firms that lack the expertise and experience to deal with cancellations of placement contracts with makers, the media blamed the mass terminations on the client, not provider

As a result, makers are placing orders with service providers that have the compliance and labor administration capability for reconstruction-related work

Makers' Production Outsourcing Needs to Meet Reconstruction Demand

- Changes in makers' personnel policy at production sites
 - **Before the March 11 Disaster**

In wake of the public outcry over the mass layoffs of temp workers and proposed revisions to the Worker Dispatch Law, a major shift from manufacturing temporary placement to outsourced contracting was progressing



- **After March 11**

Given moves to shelve the Worker Dispatch Law amendment, makers are focusing on manufacturing temporary placement and direct employment in order achieve vertical ramp-up of production to meet reconstruction demand

Projected Orders for 2H FY12/11

- Production Outsourcing Services
(Manufacturing Placement Contracts)

(person)	FY12/11		
	Q3	Q4	Total
Transportation Equipment	1,401	1,709	3,110
■ Auto Chassis Makers	■ 354	■ 275	■ 629
■ Parts Makers	■ 1,047	■ 1,434	■ 2,481
Electrical & Electronics	496	1,521	2,017
Construction Machinery & Materials	1,508	1,167	2,675
Foods	337	466	803
Other Industries	397	272	669
Total	4,139	5,135	9,274

Projected Orders for 2H FY12/11

- Recruitment Agency Services

(person)	FY12/11		
	Q3	Q4	Total
Transportation Equipment	2,025	2,090	4,115
■ Auto Chassis Makers	■ 1,400	■ 1,195	■ 2,595
■ Parts Makers	■ 625	■ 895	■ 1,520
Electrical & Electronics	382	622	1,004
Construction Machinery & Materials	280	170	450
Other Industries	16	0	16
Total	2,703	2,882	5,585

- Factors for Projected 2H Order Surge for Production Outsourcing and Recruitment Agency Services

- **Transportation Equipment:** Because our client base has grown from one centering on Toyota to one that includes 8 major final assembly makers in Japan, not only are orders for our recruitment agency services to increase, so too will contracts with auto parts makers
- **Electrical & Electronics:** Orders will increase from such growth fields as renewable energy and environmental industries
- **Construction Machinery & Materials, Food Products:** Secured contracts for reconstruction demand even after March 11 due to continued upgrading of our marketing/sales organization

2H FY12/11 Recruitment Plan

● Recruitment Regime for 2H FY12/11

(persons)	FY12/10	FY12/11	
	End of Q4	End of Q2	End of Q4
No. of Recruitment Staff	103	134	179
No. of Recruitment Offices	14 Offices ■ None functioning concurrently as sales offices	30 Offices ■ 12 functioning concurrently as sales offices	41 Offices ■ 17 functioning concurrently as sales offices

● Recruitment Workforce for 2H FY12/11

(persons)	FY12/11		
	Q3	Q4	Total
Temporary Placement/ Outsourced Contracting	2,830	3,580	6,410
Recruitment Agency	1,900	1,920	3,820
Total	4,730	5,500	10,230

Summary of FY12/11 Consolidated Earnings Forecast

(¥ million)	FY12/10		FY12/11					
	Full Year Actual Amount	Weighting	1H (Revised Forecast) as of July 20, 2011		2H (Revised Forecast) as of July 20, 2011		Full Year (Initial Fcst.) as of Apr. 27, 2011	
Sales	28,386	100.0%	14,874	100.0%	19,706	100.0%	34,580	100.0%
Cost of Sales	22,378	78.8%	-	-	-	-	-	-
Gross Profit	6,007	21.2%	-	-	-	-	-	-
SG&A Expenses	4,834	17.0%	-	-	-	-	-	-
Operating Income	1,173	4.1%	208	1.4%	922	4.7%	1,130	3.3%
Non-operating Income	634	2.2%	-	-	-	-	-	-
Non-operating Expenses	407	1.4%	-	-	-	-	-	-
Ordinary Income	1,401	4.9%	280	1.9%	970	4.9%	1,250	3.6%
Extraordinary Income	213	0.8%	-	-	-	-	-	-
Extraordinary Loss	126	0.4%	-	-	-	-	-	-
Net Income	760	2.7%	10	0.1%	645	3.3%	655	1.9%

FY12/11 Quarterly Earnings Forecast by Segment

	(¥ million)	FY12/11			
		Actual Q1	Actual Q2	Revised Fcst. as of Apr. 27, 2011	
				Q3	Q4
Production Outsourcing Business	Number of Worksite Employees at the End of the Quarter (employees)	6,839	7,188	8,450	11,500
	Net Sales	7,251	7,133	8,338	10,333
	Operating Income	46	53	257	667
Administrative Operations Outsourcing Business	Workers Hired through Recruitment Agency (employees)	531	513	1,200	1,000
	Net Sales	213	206	462	401
	Operating Income	82	80	76	84
Others	Net Sales	36	33	40	46
	Operating Income	0	△ 2	4	6
Adjustments & Eliminations	Operating Income	△ 39	△ 13	△ 37	△ 37
Total	Net Sales	7,501	7,372	8,840	10,780
	Operating Income	90	117	300	720

FY12/11 Quarterly Earnings Forecast for Major Group Subsidiaries

	(¥ million)	FY12/10 Actual Full Year	FY12/11			
			Actual Q1	Actual Q2	Revised Fcst ad of Apr.27, 2011	
					Q3	Q4
OUTSOURCING Inc.	Net Sales	17,270	4,266	4,185	4,501	4,999
	Operating Income	916	54	104	154	296
Transport Equip. Group						
OUTSOURCING CENTRAL Inc.	Net Sales	4,282	1,479	1,267	1,680	2,153
NISSO SERVICES, INC.	Operating Income	83	40	△ 25	32	103
Electrical and Electronics Group						
SEISHOW Group	※1 Net Sales	4,809	1,129	1,262	1,394	1,848
ELZEX Group	※2 Operating Income	19	△ 19	△ 0	33	152
Pharmaceutical & Chemicals Group						
TryAngle Co., Ltd.	Net Sales	478	135	148	276	404
RPM Co., Ltd.	Operating Income	△ 89	△ 24	△ 22	24	54
ORJ Group	※3	Net Sales	961	520	524	958
		Operating Income	218	78	84	81
Others	※4	Net Sales	377	93	90	151
		Operating Income	17	0	△ 14	13
Initial Elimination	Net Sales	△ 313	△ 121	△ 104	△ 120	△ 152
Adjustments & Eliminations	Operating Income	△ 100	△ 39	△ 10	△ 37	△ 37
Total	Net Sales	27,864	7,501	7,372	8,840	10,780
	Operating Income	1,064	90	117	300	720

※1 Includes S.T.S. Co., Ltd., a subsidiary of our subsidiary

※2 Includes REVSONIC-ES Inc. and ASTRON, Inc., a subsidiary of our subsidiary

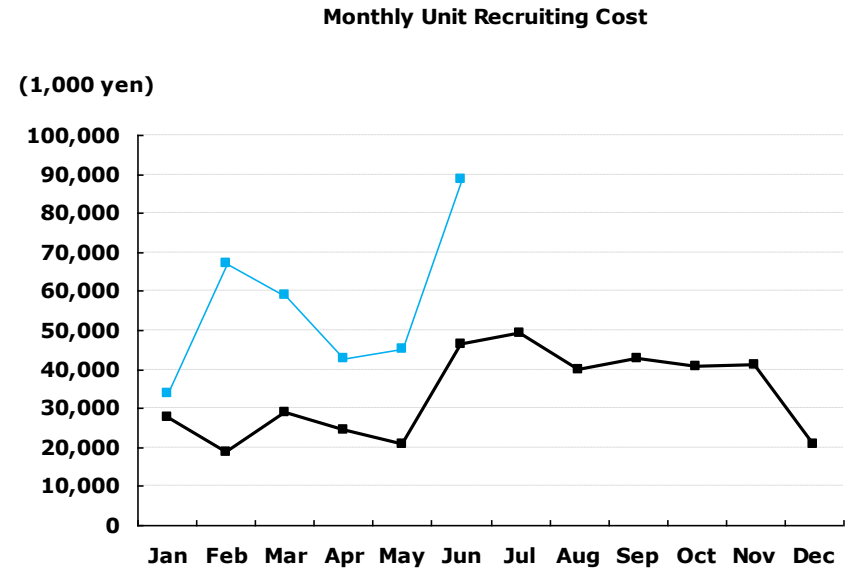
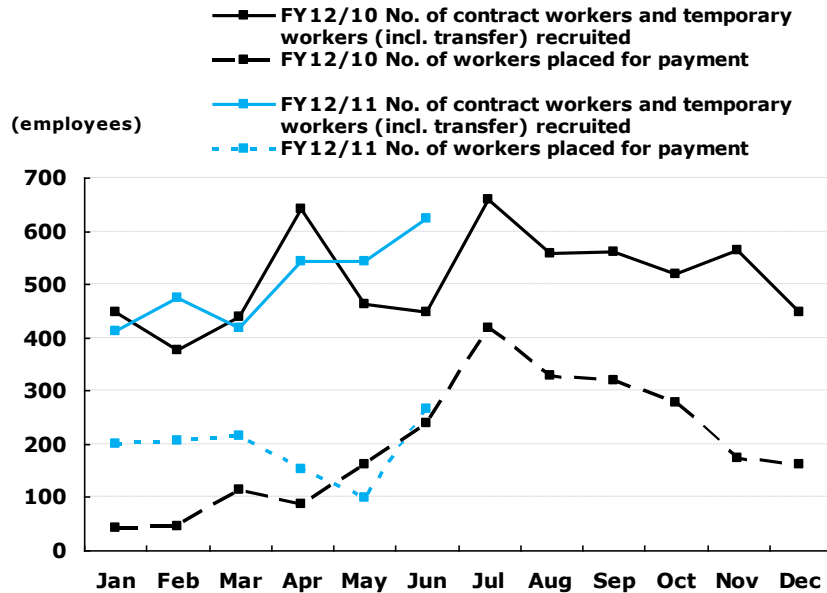
※3 Includes OS. SEMITEC Inc., a subsidiary of our subsidiary

※4 DAISEI ENGINEERING Co., Ltd. and Out-Sourcing China, Inc.
OS(THAILAND)、Power Net Inter、J.A.R Services

Reference



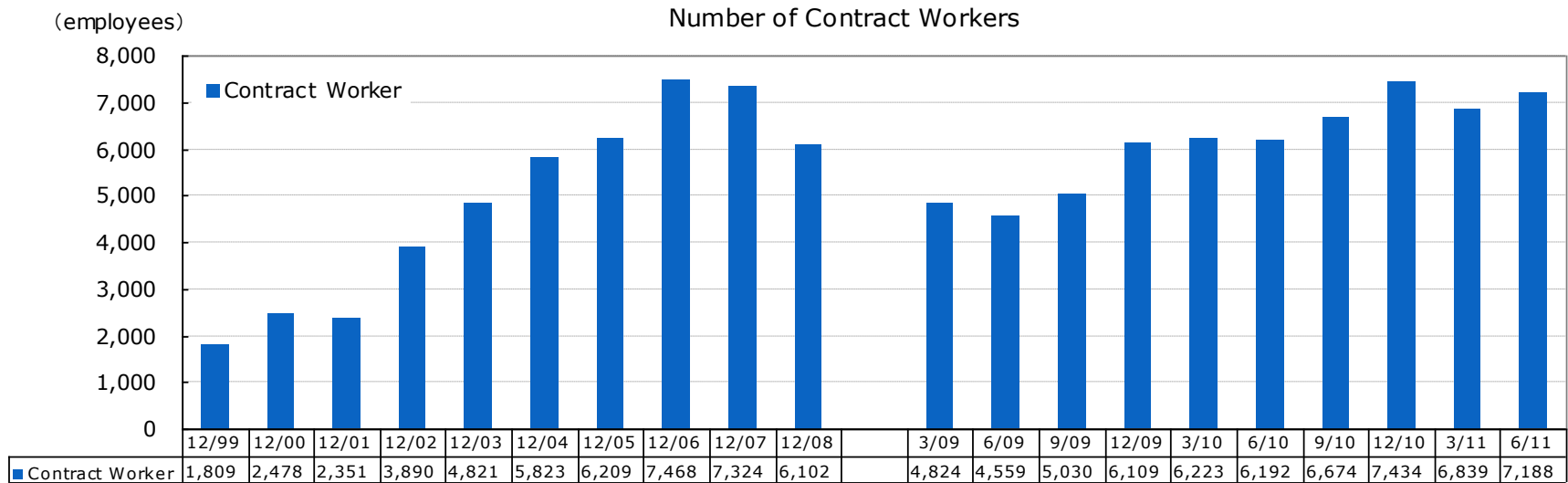
Monthly Changes in Recruited Workers and Recruitment Cost (Consolidated)



FY12/10	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
■ No. of contract workers and temporary workers (incl. transfer) recruited	448	376	439	640	461	447	658	558	560	519	564	447
- ■ - No. of workers placed for payment	41	46	114	86	160	239	416	327	319	278	173	162
■ Cost of recruitment (in thousands of yen)	27,761	18,582	28,684	24,423	20,745	46,365	49,184	39,945	42,586	40,628	41,046	20,917

FY12/11	1月	2月	3月	4月	5月	6月	7月	8月	9月	10月	11月	12月
■ No. of contract workers and temporary workers (incl. transfer) recruited	410	474	417	541	543	624						
- ■ - No. of workers placed for payment	199	206	213	152	97	264						
■ Cost of recruitment (in thousands of yen)	33,824	67,098	59,132	42,750	44,983	88,441						

Quarterly Changes in No. of Contract Workers



* Contract workers are those working at clients' manufacturer's worksites, including currently active temp workers.

A cautionary note on forward-looking statements:

This material contains forward-looking statements about the Company's future plans and forecasts, which are based on the Company's assumptions and beliefs judged from the information currently available and are subject to a number of risks and uncertainties. This may cause actual results differ materially from those projected.

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