

Financial Results for the 2nd Quarter of Fiscal Year Ending December 31, 2013

OUTSOURCING Inc.

(Securities Code:2427 / TSE 1st Section)

August 2013



Out-Sourcing!
inc.



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Consolidated Financial Results
for Q2 YTD FY12/13



Consolidated Financial Results for Q2 YTD FY12/13

● Consolidated Financial Summary for Q2 YTD FY12/13

(¥ million)	Q2 YTD FY12/12 Actual		Q2 YTD FY12/13 Actual		YoY Change	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
Net sales	20,408	100.0%	21,433	100.0%	1,024	5.0%
Cost of sales	16,371	80.2%	17,497	81.6%	1,126	6.9%
Gross profit	4,037	19.8%	3,935	18.4%	(101)	-2.5%
SG&A expenses	3,787	18.6%	3,934	18.4%	147	3.9%
Operating income	249	1.2%	1	0.0%	(248)	-99.6%
Non-operating income	338	1.7%	350	1.6%	12	3.7%
Non-operating expenses	279	1.4%	313	1.5%	34	12.2%
Ordinary income	309	1.5%	38	0.2%	(270)	-87.5%
Extraordinary income	16	0.1%	93	0.4%	76	463.9%
Extraordinary loss	115	0.6%	—	—	—	—
Net income	(23)	-0.1%	29	0.1%	53	—

Consolidated Financial Results for Q2 FY12/13

● Consolidated Financial Results by Quarter

(¥ million)	FY12/12 Actual				FY12/13 Actual	
	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	10,179	10,228	10,719	10,962	10,415	11,017
Gross Profit	1,932	2,104	2,131	2,304	1,759	2,176
Gross profit margin	19.0%	20.6%	19.9%	21.0%	16.9%	19.8%
SG&A expenses	1,880	1,906	1,844	1,840	1,948	1,986
SG&A expenses ratio	18.5%	18.6%	17.2%	16.8%	18.7%	18.0%
Operating income	52	197	286	463	(188)	189
Operating income margin	0.5%	1.9%	2.7%	4.2%	-1.8%	1.7%
Ordinary income	70	238	321	523	(191)	230
Ordinary income margin	0.7%	2.3%	3.0%	4.8%	-1.8%	2.1%
Net income	(9)	(14)	228	436	(121)	151
Net income margin	-0.1%	-0.1%	2.1%	4.0%	-1.2%	1.4%

Year-on-Year Change	FY12/12 Actual				FY12/13 Actual	
	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	6.4%	0.5%	4.8%	2.3%	-5.0%	5.8%
Gross Profit	-9.2%	8.9%	1.3%	8.1%	-23.6%	23.7%
SG&A expenses	10.1%	1.4%	-3.3%	-0.2%	5.9%	1.9%
Operating income	-87.6%	278.8%	45.2%	61.9%	—	—
Ordinary income	-84.2%	240.0%	34.9%	62.9%	—	—
Net income	—	—	—	91.2%	—	—

【Reference】 Regarding the Change of Business Segments

- FY12/12 Results by Business Segment (comparison of new versus old)

<Old detailed segments>

(¥ million)		FY12/12		
		1H	Actual 2H	Full-Year
Production Outsourcing Business	Net sales	18,055	18,850	36,905
	Operating income	246	533	779
Administrative Operations Outsourcing Business	Net sales	303	330	633
	Operating income	90	158	248
Recruitment Agency Services Outsourcing	Net sales	257	179	436
	Operating income	78	70	148
Overseas Outsourcing Business	Net sales	1,997	2,542	4,539
	Operating income	(76)	38	(38)
Other Business	Net sales	79	73	152
	Operating income	4	3	8
Internal transfer	Net sales	(286)	(295)	(582)
Eliminations	Operating income	(93)	(56)	(149)
Total	Net sales	20,408	21,682	42,090
	Operating income	249	750	1,000

<Restated for comparison using new segments>

(¥ million)		FY12/12		
		1H	Actual 2H	Full-Year
Manufacturing Outsourcing Business	Net sales	12,579	12,020	24,600
	Operating income	19	94	113
Engineering Outsourcing Business	Net sales	5,476	6,831	12,308
	Operating income	227	440	667
Administrative Outsourcing Business	Net sales	303	330	633
	Operating income	90	158	248
Staff Agency Business	Net sales	257	179	436
	Operating income	78	70	148
Overseas Business	Net sales	1,997	2,542	4,539
	Operating income	(76)	38	(38)
Other Business	Net sales	79	73	152
	Operating income	4	3	8
Internal transfer	Net sales	(286)	(295)	(582)
Eliminations	Operating income	(93)	(56)	(149)
Total	Net sales	20,408	21,682	42,090
	Operating income	249	750	1,000



【Reference】 Regarding the Change of Business Segments

- FY12/12 Net Sales Breakdown by Industry Sector (comparison of new versus old)

<Old industry classification>

FY12/12 Actual	FY12/12 Actual		Full Year
	1H	2H	
Production OS Business	19,768	21,127	40,895
Foods	868	986	1,854
Electrical & Electronics	3,703	4,079	7,782
Transport Equipment	6,245	5,708	11,954
Pharm. & Chemicals	2,093	2,302	4,396
Metal & Constructions Materials	1,919	1,820	3,740
IT-related	1,005	1,950	2,956
Others	3,932	4,278	8,211

<Restated for comparison using new industry classification>

FY12/12 Actual	FY12/12 Actual		Full Year
	1H	2H	
Manufacturing Outsourcing Business	12,303	11,875	24,178
Foods	866	872	1,739
Electrical & Electronics	2,516	2,803	5,320
Transport Equipment	4,254	3,368	7,623
Pharm. & Chemicals	1,732	1,929	3,662
Metal & Constructions Materials	1,903	1,802	3,706
Others	1,029	1,098	2,127
Engineering Outsourcing Business	5,470	6,789	12,260
Electrical & Electronics	1,159	1,142	2,301
Transport Equipment	1,974	2,134	4,108
Pharm. & Chemicals	358	370	728
Metal & Constructions Materials	13	9	23
IT-related	905	1,863	2,769
Construction & Plant-related	—	—	—
After-services Maintenance	—	—	—
Others	1,059	1,269	2,328
Overseas Business	1,994	2,462	4,456

Along with revising reporting business segments, we have revised industry sector classifications, and from FY12/13 we will use the new classifications as shown above.

Consolidated Financial Results for Q2 FY12/13

- Quarterly Financial Results by New Reporting Segments and Geographic Net Sales Breakdown

Financial Results by Business Segment (¥ million)		FY12/12 Actual					FY12/13 Actual	
		Q1	Q2	Q3	Q4	Full Year	Q1	Q2
Manufacturing Outsourcing Business	Net sales	6,294	6,285	6,099	5,920	24,600	4,891	5,133
	Operating income	(32)	52	4	89	113	(255)	100
Engineering Outsourcing Business	Net sales	2,688	2,788	3,243	3,588	12,308	3,882	3,934
	Operating income	90	136	191	249	667	112	55
Administrative Outsourcing Business	Net sales	190	112	161	168	633	164	154
	Operating income	50	40	94	64	248	45	36
Staff Agency Business	Net sales	113	144	93	86	436	38	103
	Operating income	30	48	14	56	148	15	11
Overseas Business	Net sales	999	997	1,233	1,308	4,539	1,513	1,799
	Operating income	(38)	(38)	24	13	(38)	(18)	57
Other Business	Net sales	43	35	36	37	152	48	45
	Operating income	2	2	3	0	8	5	△0
Internal Transfer	Net sales	(150)	(136)	(148)	(147)	(582)	(123)	(153)
Elimination	Operating income	(50)	(43)	(46)	(9)	(149)	(93)	(71)
Total	Net sales	10,179	10,228	10,719	10,962	42,090	10,415	11,017
	Operating income	52	197	286	463	1,000	(188)	189

Geographic Net Sales Breakdown (¥ million)		FY12/12 Actual					FY12/13 Actual	
		Q1	Q2	Q3	Q4	Full Year	Q1	Q2
Japan		9,181	9,231	9,519	9,700	37,634	8,933	9,251
Asia / Oceania (excl. Japan)		998	996	1,199	1,262	4,456	1,482	1,766
Total		10,179	10,228	10,719	10,962	42,090	10,415	11,017

Note: Regional sales for Asia / Oceania (excl. Japan) eliminates internal transfers from Overseas Business segment net sales.

Consolidated Financial Results for Q2 FY12/13

Quarterly Net Sales Breakdown by New Reporting Segments

Net Sales Breakdown by Business Segment (¥ million)	FY12/12 Actual					FY12/13 Actual	
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2
Manufacturing Outsourcing Business	6,147	6,155	6,031	5,843	24,178	4,834	5,033
Foods	439	427	425	447	1,739	378	375
Electrical & Electronics	1,230	1,285	1,405	1,398	5,320	1,049	965
Transport Equipment	2,119	2,135	1,849	1,518	7,623	1,355	1,532
Pharm. & Chemicals	869	863	909	1,019	3,662	897	888
Metal & Constructions Materials	995	907	942	860	3,706	675	642
Others	493	535	500	598	2,127	478	628
Engineering Outsourcing Business	2,686	2,784	3,222	3,566	12,260	3,850	3,917
Electrical & Electronics	515	643	559	582	2,301	532	552
Transport Equipment	1,073	900	981	1,152	4,108	1,126	1,174
Pharm. & Chemicals	170	187	182	188	728	213	195
Metal & Constructions Materials	7	6	4	4	23	1	3
IT-related	426	479	852	1,010	2,769	1,344	1,295
Construction & Plant-related	—	—	—	—	—	72	93
After services	—	—	—	—	—	34	51
Others	491	567	640	628	2,328	525	550
Overseas Business	998	996	1,199	1,262	4,456	1,482	1,766

Note: Intra-segment transactions are offset eliminations

Consolidated Financial Results for Q2 FY12/13

Quarterly Net Sales Composition Ratio by New Reporting Segments

Net Sales Ratio by Business Segment	FY12/12 Actual					FY12/13 Actual	
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2
Manufacturing Outsourcing Business	60.4%	60.2%	56.3%	53.3%	57.4%	46.4%	45.7%
Foods	4.3%	4.2%	4.0%	4.1%	4.1%	3.6%	3.4%
Electrical & Electronics	12.1%	12.6%	13.1%	12.8%	12.6%	10.1%	8.8%
Transport Equipment	20.8%	20.9%	17.2%	13.8%	18.1%	13.0%	13.9%
Pharm. & Chemicals	8.5%	8.4%	8.5%	9.3%	8.7%	8.6%	8.1%
Metal & Constructions Materials	9.8%	8.9%	8.8%	7.8%	8.8%	6.5%	5.8%
Others	4.8%	5.2%	4.7%	5.5%	5.1%	4.6%	5.7%
Engineering Outsourcing Business	26.4%	27.2%	30.1%	32.5%	29.1%	37.0%	35.6%
Electrical & Electronics	5.1%	6.3%	5.2%	5.3%	5.5%	5.1%	5.0%
Transport Equipment	10.5%	8.8%	9.2%	10.5%	9.8%	10.8%	10.7%
Pharm. & Chemicals	1.7%	1.8%	1.7%	1.7%	1.7%	2.0%	1.8%
Metal & Constructions Materials	0.1%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%
IT-related	4.2%	4.7%	7.9%	9.2%	6.6%	12.9%	11.8%
Construction & Plant-related	—	—	—	—	—	0.7%	0.8%
After services	—	—	—	—	—	0.3%	0.5%
Others	4.8%	5.5%	6.0%	5.7%	5.5%	5.0%	5.0%
Overseas Business	9.8%	9.7%	11.2%	11.5%	10.6%	14.2%	16.0%

Note: Intra-segment transactions are offset eliminations

Consolidated Financial Results for Q2 FY12/13

Summary of Consolidated Balance Sheets

(¥ million)	FY12/12 FY End		FY12/13 Q2 End		YoY Change
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	9,431	68.0%	10,946	64.0%	1,515
(Cash and deposits)	3,363	24.3%	4,402	25.7%	1,038
(Notes and accounts receivable-trade)	5,232	37.7%	5,341	31.2%	108
(Inventories)	132	1.0%	165	1.0%	33
Fixed assets	4,433	32.0%	6,167	36.0%	1,733
Property, plant and equipment	2,008	14.5%	2,053	12.0%	44
Intangible assets	1,372	9.9%	1,872	10.9%	499
Investments and other assets	1,051	7.6%	2,241	13.1%	1,190
Total assets	13,866	100.0%	17,114	100.0%	3,247
Current liabilities	6,875	49.6%	9,302	54.4%	2,426
(Notes and accounts payable-trade)	208	1.5%	243	1.4%	34
(Short-term loans payable)	2,574	18.6%	3,729	21.8%	1,154
(Accounts payable-other)	2,341	16.9%	3,434	20.1%	1,093
Non-current liabilities	2,478	17.9%	3,141	18.4%	662
Bonds payable	76	0.6%	60	0.4%	(16)
(Long-term loans payable)	1,582	11.4%	1,907	11.1%	325
Total liabilities	9,354	67.5%	12,444	72.7%	3,089
Shareholders' equity	4,008	28.9%	3,918	22.9%	(90)
Capital stock	485	3.5%	492	2.9%	6
Capital surplus	881	6.4%	888	5.2%	6
Retained earnings	3,032	21.9%	2,928	17.1%	(103)
Treasury stocks	(391)	-2.8%	(391)	-2.3%	—
Accumulated other comprehensive income	78	0.6%	165	1.0%	87
Subscription rights to shares	103	0.7%	127	0.7%	23
Minority interests	321	2.3%	458	2.7%	137
Total net assets	4,511	32.5%	4,670	27.3%	158
Total liabilities and net assets	13,866	100.0%	17,114	100.0%	3,247

(Cash and deposits)

Increased as a result of acquisition of subsidiaries and loans for working capital

(Investments and other assets)

Investment securities increased with the acquisition of subsidiaries shares

(Short-term loans and others)

Increased due to the increase in sales and securing stable funding with a view toward future M&A

(Retained earnings)

Increased from net income, but decreased after dividends payment

Consolidated Financial Results for Q2 FY12/13

● Summary of Consolidated Cash Flow

(¥ million)	1H FY12/12	1H FY12/13	YoY
	Amount	Amount	Change Amount
Income (loss) before income taxes	210	131	(78)
Depreciation and amortization	145	156	11
Gain on negative goodwill	(15)	(78)	(63)
Amortization of goodwill	118	188	70
Amortization of negative goodwill	(69)	(69)	0
Increase (decrease) in notes and accounts receivable-trade	(62)	265	328
Increase (decrease) in notes and accounts payable-trade	793	573	(220)
Others	(558)	(327)	231
Net cash provided by (used in) operating activities	561	840	278
Net cash provided by (used in) investing activities	(445)	(714)	(269)
Increase (decrease) in loans	842	833	(9)
Cash dividends paid	(112)	(115)	(3)
Others	(1)	(12)	(11)
Net cash provided by (used in) financing activities	729	705	(24)
Cash and cash equivalents at end of period	3,021	4,181	1,159

Increased due to a decrease
in accounts receivable

Decreased due to acquisition
of subsidiary shares

2H FY12/13 Forecasts



● Domestic Operating Environment

- Q1 FY12/13 was the bottom for transport equipment, with exports, minis and hybrid vehicles all picking up sharply, and this trend is expected to continue across the board in the 2H

Toyota Motor Corporation ⇒ raised 2013 Group global unit production target by 200,000 units to 10.12mn units

Toyota's own 2013 domestic unit production target was raised by 250,000 units to 3.35mn units



- Continuing to book orders for increased staff for all automakers and auto parts makers

- The environment for electrical and electronics makers is mixed with positive and negative conditions, and a clear split in production activity

Sony Corporation ⇒ Q1 FY12/13 turned into the black boosted by favorable demand for flat panel TVs and smartphones

NEC Corp., Fujitsu Ltd. ⇒ domestic feature phone and smartphone business struggling, NEC withdrew from smartphones



- Estimate balance between increased orders for rising production offset by order cancellations from declining production
- Increase in replacing providers who can't cope with rising volatility from shortening production cycles

- Building materials are expected to see an increase in front-loaded housing demand from autumn ahead of the consumption tax hike next spring



- Production of housing materials, sashes, system kitchens/baths etc is expected to rise

- Maker Needs in the Past

- Stable production increases from the high value-added of “Made in Japan”



Basically handle production increases with increased staff

- Contract price
- Hiring ability

Provider competition benefits makers



**Benefits expand through utilization of multiple providers
(Labor intensive model)**



【Disadvantage of using multiple providers】

- Administrative cost overlap for each provider arises



As long as production increases steadily, the benefits of using multiple providers outweigh any disadvantages

- Maker Needs in the Present

- “Made in Japan” value added erodes, production flattens out or declines



In order to raise efficiency under flat or declining production, a true outsourcing partner is necessary

- Disadvantages of using multiple providers are a burden for makers
 - Labor administrators for each provider overlap on production sites
 - Transport vehicles for each provider with low vehicle occupancy rates
 - Overlapping advertising expense for recruiting by each provider
 - Burden of managing multiple providers etc.

**Benefit of risk sharing from benefit of supplying of cheaper labor
(Value-added creation model)**



Shifting from use of multiple providers to provider selection and concentration

- High Level and Diversified Maker Needs
 - Ability to provide versatile services that raise maker efficiency
 - Scale and know-how to handle fluidity flexibly
 - Succession of production technology
 - Succession of production facilities
 - Handling maker excess workers
 - Compliance with labor laws as the workforce becomes increasingly more part-time
 - Issues that arise from transferring production offshore
 - Securing a compliance system
 - M&A and capital tie-ups with maker temporary placement subsidiaries etc.



Shifting from simple price competition to value-added competition on solutions service



Consolidation of the outsourcing industry progresses

2H FY12/13 Forecasts

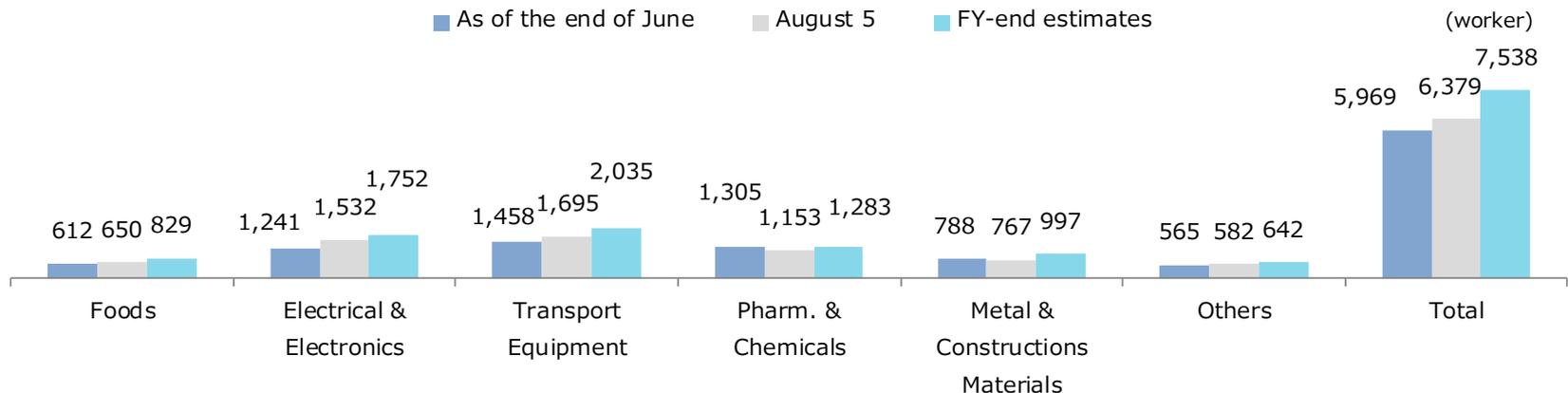
- New Orders Outlook by Industry and Type (Manufacturing Outsourcing Business)

August 6, 2013: New Orders Outlook Breakdown by Industry and Type

Industry	Total expected number of persons	Number of new orders by type						Total expected number of orders
		Number of newly acquired orders	Number of persons	Orders won from competitors	Number of persons	Orders won from changed enrollment	Number of persons	
Foods	280	3	160	2	70	1	55	6
Electrical & Electronics	370	3	130	3	140	2	100	8
Transport Equipment	520	4	220	4	200	3	100	11
Pharm. & Chemicals	290	1	120	2	40	1	130	4
Metal & Constructions Materials	460	3	200	3	120	1	140	7
Others	220	2	60	5	130	1	30	8
Total	2,140	16	890	19	700	9	555	44

Note: for number of projects and number of persons, only orders over 15 persons are included

- Comparison of number of persons enrolled as of the end of June, August 5, and FY-end estimates (Manufacturing Outsourcing Business)



2H FY12/13 Forecasts

● Manufacturing Outsourcing Business Recruitment Plan

	FY12/13					
	Actual Q1	Actual Q2	Initial Plan Q2	Q3	Revised Plan Q4	Full-Year
No. of workers recruited	1,116	1,426	1,672	2,173	1,894	6,609
Recruitment unit price (¥/worker)	52,412	33,245	45,000	42,000	40,000	41,296
Ratio of stay after 2 months	72.8%	72.2% (*)	70.5%	72.5%	73.5%	72.8%
Hiring cost for staying workers	71,981	46,046 (*)	63,830	57,931	54,422	56,745

*Note: "Ratio of stay after 2 months" and "Hiring cost for staying workers" for Q2 FY12/13 is a forecasted value as the ratio of stay for workers recruited in June will not be fixed until August.

Raising efficiency of hiring

FY12/13 initial targets

Ratio of stay after 2 months

70.8%

Hiring cost for staying workers

63,141

The initial target for the ratio of staying two months is likely to be achieved

- Overseas Business Conditions

- Opened an office in Ho Chi Minh City, Vietnam in the Q2, and we are targeting raising our share, but since this was slightly delayed, the contribution will be from the Q3
- Particularly in Thailand and Vietnam, orders from Japanese transport equipment makers are expanding
- Additionally, local due diligence in Malaysia, Myanmar, the Philippines and India has been undertaken, with a view toward establishing local subsidiaries by year end
- Currently, there is not much impact from China's macro slowdown or the recession in Europe



2H is expected to grow favorably, and full-year targets are expected to be achieved

Net Sales Forecast

(¥ million)

FY12/13					
Actual Q1	Actual Q2	Initial Forecast Q2	Revised Forecast Q3	Revised Forecast Q4	Full-Year
1,513	1,799	1,835	1,908	2,030	7,250

Consolidated Financial Forecasts for FY12/13



Consolidated Financial Forecasts for FY12/13

- Summary of Consolidated Financial Forecasts (Revised 2H Forecasts)

(¥ million)	FY12/12		FY12/13		FY12/13				YoY	
	Actual		Actual		Revised Forecast				Change	
	Full-Year	Composition Ratio	1H	Composition Ratio	2H	Composition Ratio	Full-Year	Composition Ratio	Amount	Ratio
Net sales	42,090	100.0%	21,433	100.0%	28,566	100.0%	50,000	100.0%	7,910	18.8%
Cost of sales	33,618	79.9%	17,497	81.6%	-	-	-	-	-	-
Gross Profit	8,472	20.1%	3,935	18.4%	-	-	-	-	-	-
SG&A expenses	7,471	17.8%	3,934	18.4%	-	-	-	-	-	-
Operating income	1,000	2.4%	1	0.0%	1,518	5.3%	1,520	3.0%	520	52.0%
Non-operating income	708	1.7%	350	1.6%	-	-	-	-	-	-
Non-operating expenses	554	1.3%	313	1.5%	-	-	-	-	-	-
Ordinary income	1,153	2.7%	38	0.2%	1,551	5.4%	1,590	3.2%	437	37.9%
Extraordinary income	16	0.0%	93	0.4%	-	-	-	-	-	-
Extraordinary expenses	175	0.4%	-	-	-	-	-	-	-	-
Net income	641	1.5%	29	0.1%	970	3.4%	1,000	2.0%	359	56.0%

Consolidated Financial Forecasts for FY12/13

Financial Results by New Reporting Segments (Revised 2H Forecasts)

(¥ million)		FY12/12			FY12/13		
		1H	Actual 2H	Full-Year	Actual 1H	Revised Forecast 2H	Forecast Full-Year
Manufacturing Outsourcing Business	No. of contract workers at term-end	6,229	5,550	5,550	5,969	7,538	7,538
	Net Sales	12,579	12,020	24,600	10,024	13,557	23,582
	Operating Income	19	94	113	(155)	759	603
Engineering Outsourcing Business	No. of contract workers at term-end	1,597	1,902	1,902	2,282	2,991	2,991
	Net Sales	5,476	6,831	12,308	7,817	10,657	18,475
	Operating Income	227	440	667	167	601	769
Administrative Outsourcing Business	No. of outsourced administrative workers at term-end	1,690	2,156	2,156	2,179	2,147	2,147
	Net Sales	303	330	633	319	270	590
	Operating Income	90	158	248	82	78	160
Staff Agency Business	No. of hired through ORJ	1,206	1,009	2,215	792	1,509	2,301
	Net Sales	257	179	436	142	259	401
	Operating Income	78	70	148	27	73	100
Overseas Business	Net Sales	1,997	2,542	4,539	3,313	3,936	7,250
	Operating Income	(76)	38	(38)	39	128	167
Other Business	Net Sales	79	73	152	93	91	184
	Operating Income	4	3	8	4	11	16
Internal transfer	Net Sales	(286)	(295)	(582)	(277)	(206)	(483)
Elimination	Operating Income	(93)	(56)	(149)	(165)	(133)	(298)
Total	Net Sales	20,408	21,682	42,090	21,433	28,566	50,000
	Operating Income	249	750	1,000	1	1,518	1,520

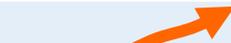
Consolidated Financial Forecasts for FY12/13

Financial Results by New Reporting Segments (Revised Quarterly Forecasts)

(¥ million)		FY12/12				FY12/13			
		Actual				Actual		Revised forecast	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Manufacturing Outsourcing Business	No. of contract workers at term-end	6,279	6,229	5,871	5,550	5,313	5,969	7,147	7,538
	Net Sales	6,294	6,285	6,099	5,920	4,891	5,133	6,250	7,307
	Operating Income	(32)	52	4	89	(255)	100	248	510
Engineering Outsourcing Business	No. of contract workers at term-end	1,600	1,597	1,818	1,902	2,097	2,282	2,726	2,991
	Net Sales	2,688	2,788	3,243	3,588	3,882	3,934	4,776	5,881
	Operating Income	90	136	191	249	112	55	171	430
Administrative Outsourcing Business	No. of outsourced administrative workers at term-end	2,834	1,690	1,960	2,156	2,317	2,179	2,168	2,147
	Net Sales	190	112	161	168	164	154	135	135
	Operating Income	50	40	94	64	45	36	30	47
Staff Agency Business	No. of hired through ORJ	512	694	498	511	261	531	799	710
	Net Sales	113	144	93	86	38	103	135	124
	Operating Income	30	48	14	56	15	11	35	38
Overseas Business	Net Sales	999	997	1,233	1,308	1,513	1,799	1,908	2,030
	Operating Income	(38)	(38)	24	13	(18)	57	58	69
Other Business	Net Sales	43	35	36	37	48	45	41	50
	Operating Income	2	2	3	0	5	0	5	5
Internal transfer	Net Sales	(150)	(136)	(148)	(147)	(123)	(153)	(115)	(90)
Elimination	Operating Income	(50)	(43)	(46)	(9)	(93)	(71)	(66)	(66)
Total	Net Sales	10,179	10,228	10,719	10,962	10,415	11,017	13,129	15,437
	Operating Income	52	197	286	463	(188)	189	482	1,036

Trend of Transactions by Industry Sector for 2H FY12/13

● Trend of Transactions by Industry Sector

Industry	Initial Forecast	2H Forecast	Outsourcing Demand Forecasts
Foods	+0-5%增 	+0-5% 	Demand to be flat since the sector has low impact from the business cycle. Demand is expected to grow at the launch of new products and going into year end.
Electrical & Electronics	+15-20% 	+5% - -5% 	Transport equipment related is maintaining a high level, but smart phone devices, AV and white goods, and semiconductors are weak.
Transport Equipment	+25-30% 	+25-30% 	Overseas is firm, and demand is expected to become brisk ahead of the consumption tax hike.
Pharm. & Chemicals	+0-5% 	+0-5% 	Deregulation is supportive, but demand is flat due to production shifting overseas.
Metal & Construction Materials	+20-30% 	+20-30% 	Demand growth from disaster restoration, disaster prevention, economic stimulus, front-loaded buying ahead of the consumption tax etc was delayed in the 1H, but is expected to grow in the 2H.
IT-related	+20-30% 	+20-30% 	Demand growing from disaster provision relocation, system upgrades and reinforcement.
Others	+5-10% 	+5-10% 	Domestic racing industry is flat, but commercial cars are favorable and business is growing.
Construction & Plant-related			Demand growing from brisk conditions in the building industry.
After-Service Maintenance			Brisk demand from increasing repairs for electric appliance white goods and digital consumer electronics.

Recruitment Plan for 2H FY12/13

● Domestic Recruitment, Actual and Forecasts

Initial Plan

	FY12/12 Actual	FY12/13 (Initial plan)							
		Q1 Plan	Q2 Plan	1H Plan	Q3 Plan	Q4 Plan	2H Plan	Full Year Plan	
	No. of workers recruited	6,789	948	1,672	2,620	1,818	1,070	2,888	5,508
Contract and Temporary Workers	Recruitment unit price (¥/worker)	49,443	48,000	45,000	46,085	44,000	42,500	43,444	44,701
	Ratio of stay after 2 months	65.9%	69.0%	70.5%	70.0%	71.0%	72.5%	71.6%	70.8%
	Hiring cost for staying workers	75,027	69,565	63,830	65,877	61,972	58,621	60,714	63,141
	No. of workers recruited	2,139	350	462	812	547	389	936	1,748
Fee-charging Employment Agency	Recruitment unit price (¥/worker)	109,807	120,000	113,000	116,017	106,000	100,000	103,506	109,318
	No. of workers recruited	578	258	373	631	306	292	598	1,229
Engineers and Others	Recruitment unit price (¥/worker)	226,998	316,547	211,823	254,642	221,761	210,993	216,503	236,085

Revised Plan

	FY12/12 Actual	FY12/13 (Revised plan)							
		Q1 Actual	Q2 Actual	1H Actual	Q3 Plan	Q4 Plan	2H Plan	Full Year Plan	
	No. of workers recruited	6,789	1,116	1,426	2,542	2,173	1,894	4,067	6,609
Contract and Temporary Workers	Recruitment unit price (¥/worker)	49,443	52,412	33,245	41,660	42,000	40,000	41,069	41,296
	Ratio of stay after 2 months	65.9%	72.8%	72.2% (*)	72.5% (*)	72.5%	73.5%	73.0%	72.8%
	Hiring cost for staying workers	75,027	71,981	46,046 (*)	57,486 (*)	57,931	54,422	56,285	56,745
	No. of workers recruited	2,139	261	545	806	675	550	1,225	2,031
Fee-charging Employment Agency	Recruitment unit price (¥/worker)	109,807	128,066	78,967	92,196	106,000	100,000	103,306	99,957
	No. of workers recruited	578	153	326	479	306	292	598	1,077
Engineers and Others	Recruitment unit price (¥/worker)	226,998	295,977	240,018	257,892	221,761	210,993	216,503	234,911

*Note: "Ratio of stay after 2 months" and "Hiring cost for staying workers" for 2Q and 1H FY12/13 are forecasted values as the ratio of stay for workers recruited in June will not be fixed until August.

Return to Shareholder



Return to Shareholder

- Dividend forecast revised (dividend increase)
- Additionally decided a commemorative dividend for successfully moving up to the TSE First Section

March 12, 2013 listed on the TSE First Section

As an expression of our deep gratitude to all of our shareholders, we approved a commemorative dividend as shown below.

(¥)	1Q End	2Q End	3Q End	Full-Year End	Total
Previous forecast (Feb 12, 2013)	-	0.00	-	8.00	8.00
Newly revised forecast	-	5.00	-	8.00	13.00
Previous term actual result for reference	-	0.00	-	8.00	8.00

References



Consolidated Financial Forecasts for FY12/13

- Summary of Consolidated Financial Forecasts (Initial 2H Forecasts)

(¥ million)	FY12/12		FY12/13		FY12/13						YoY Change	
	Actual		Actual		Initial Forecast		Initial Forecast		Initial Forecast		Change	
	Full Year	Composition Ratio	1H	Composition Ratio	1H	Composition Ratio	2H	Composition Ratio	Full Year	Composition Ratio	Amount	Ratio
Net sales	42,090	100.0%	21,433	100.0%	22,330	100.0%	27,670	100.0%	50,000	100.0%	7,910	18.8%
Cost of sales	33,618	79.9%	17,497	81.6%	-	-	-	-	-	-	-	-
Gross Profit	8,472	20.1%	3,935	18.4%	-	-	-	-	-	-	-	-
SG&A expenses	7,471	17.8%	3,934	18.4%	-	-	-	-	-	-	-	-
Operating income	1,000	2.4%	1	0.0%	265	1.2%	1,255	4.5%	1,520	3.0%	520	52.0%
Non-operating income	708	1.7%	350	1.6%	-	-	-	-	-	-	-	-
Non-operating expenses	554	1.3%	313	1.5%	-	-	-	-	-	-	-	-
Ordinary income	1,153	2.7%	38	0.2%	300	1.3%	1,290	4.7%	1,590	3.2%	437	37.9%
Extraordinary income	16	0.0%	93	0.4%	-	-	-	-	-	-	-	-
Extraordinary expenses	175	0.4%	-	-	-	-	-	-	-	-	-	-
Net income	641	1.5%	29	0.1%	155	0.7%	845	3.1%	1,000	2.0%	359	56.0%

Consolidated Financial Forecasts for FY12/13

Financial Results by New Reporting Segments (Initial 1H and 2H Forecasts)

(¥ million)		FY12/12			FY12/13			
		1H	Actual 2H	Full-Year	Actual 1H	Initial Forecast		
					1H	2H	Full-Year	
Manufacturing Outsourcing Business	No. of contract workers at term-end	6,229	5,550	5,550	5,969	6,077	6,888	6,888
	Net Sales	12,579	12,020	24,600	10,024	10,579	12,393	22,972
	Operating Income	19	94	113	(155)	98	298	396
Engineering Outsourcing Business	No. of contract workers at term-end	1,597	1,902	1,902	2,282	2,453	2,937	2,937
	Net Sales	5,476	6,831	12,308	7,817	7,977	10,646	18,623
	Operating Income	227	440	667	167	11	610	621
Administrative Outsourcing Business	No. of outsourced administrative workers at term-end	1,690	2,156	2,156	2,179	3,205	4,405	4,405
	Net Sales	303	330	633	319	446	715	1,161
	Operating Income	90	158	248	82	88	217	305
Staff Agency Business	No. of hired through ORJ	1,206	1,009	2,215	792	812	936	1,748
	Net Sales	257	179	436	142	113	135	248
	Operating Income	78	70	148	27	35	42	77
Overseas Business	Net Sales	1,997	2,542	4,539	3,313	3,339	3,911	7,250
	Operating Income	(76)	38	(38)	39	108	162	270
Other Business	Net Sales	79	73	152	93	94	96	190
	Operating Income	4	3	8	4	7	7	14
Internal transfer	Net Sales	(286)	(295)	(582)	(277)	(220)	(229)	(449)
Elimination	Operating Income	(93)	(56)	(149)	(165)	(86)	(86)	(172)
Total	Net Sales	20,408	21,682	42,090	21,433	22,330	27,670	50,000
	Operating Income	249	750	1,000	1	265	1,255	1,520

Consolidated Financial Forecasts for FY12/13

Financial Results by New Reporting Segments (Initial Quarterly Forecasts)

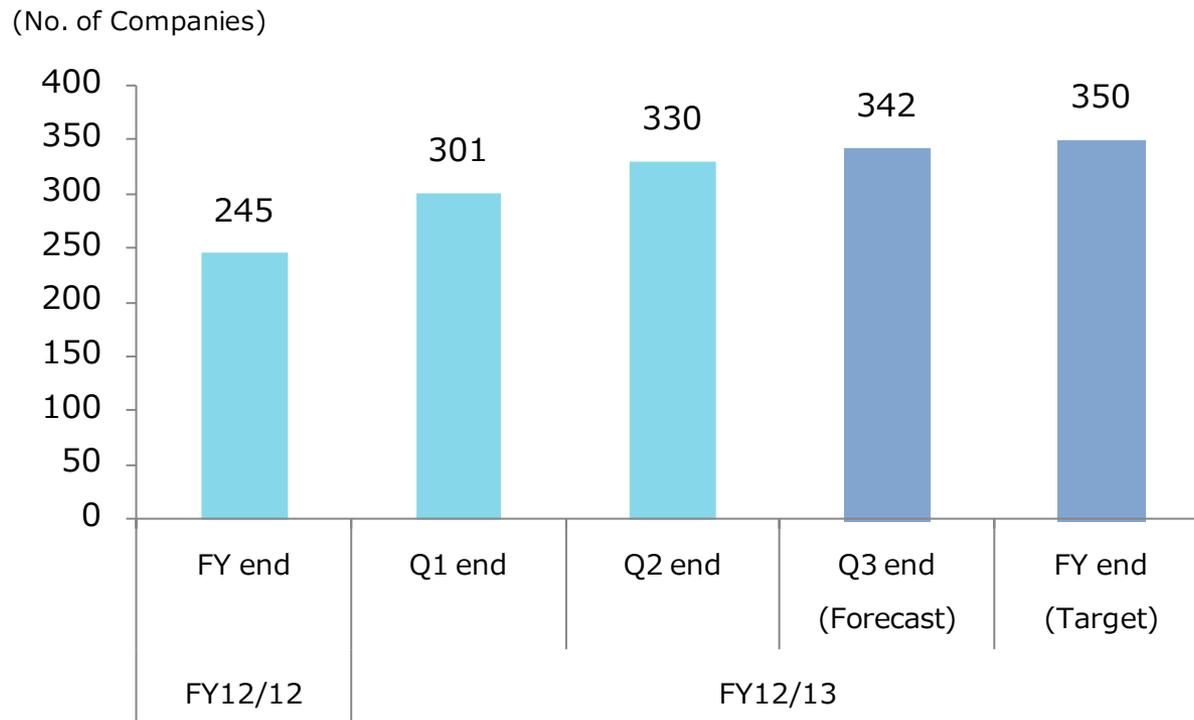
(¥ million)		FY12/12				FY12/13				
		Q1	Q2	Actual		Actual		Initial Forecast		
				Q3	Q4	Q1	Q2	Q2	Q3	Q4
Manufacturing Outsourcing Business	No. of contract workers at term-end	6,279	6,229	5,871	5,550	5,313	5,969	6,077	6,695	6,888
	Net Sales	6,294	6,285	6,099	5,920	4,891	5,133	5,570	5,962	6,431
	Operating Income	(32)	52	4	89	(255)	100	185	85	213
Engineering Outsourcing Business	No. of contract workers at term-end	1,600	1,597	1,818	1,902	2,097	2,282	2,453	2,777	2,937
	Net Sales	2,688	2,788	3,243	3,588	3,882	3,934	4,317	5,034	5,612
	Operating Income	90	136	191	249	112	55	11	202	408
Administrative Outsourcing Business	No. of outsourced administrative workers at term-end	2,834	1,690	1,960	2,156	2,317	2,179	3,205	4,105	4,405
	Net Sales	190	112	161	168	164	154	263	337	378
	Operating Income	50	40	94	64	45	36	64	100	117
Staff Agency Business	No. of hired through ORJ	512	694	498	511	261	531	462	547	389
	Net Sales	113	144	93	86	38	103	64	76	59
	Operating Income	30	48	14	56	15	11	20	23	19
Overseas Business	Net Sales	999	997	1,233	1,308	1,513	1,799	1,835	1,910	2,001
	Operating Income	(38)	(38)	24	13	(18)	57	75	73	89
Other Business	Net Sales	43	35	36	37	48	45	47	47	49
	Operating Income	2	2	3	0	5	0	3	3	4
Internal transfer	Net Sales	(150)	(136)	(148)	(147)	(123)	(153)	(122)	(127)	(102)
Elimination	Operating Income	(50)	(43)	(46)	(9)	(93)	(71)	(43)	(43)	(43)
Total	Net Sales	10,179	10,228	10,719	10,963	10,415	11,017	11,976	13,240	14,430
	Operating Income	52	197	286	463	(188)	189	317	445	810

- I Raise efficiency to respond to rising production volatility
- II Expand market share from group solutions that comply with law revisions and government policy

Progress of Group Strategy since the Beginning of the Period

- I Raise efficiency to respond to rising production volatility
 - 1) Increasing the number of transacting companies by raising efficiency of basic strategy

Trend of Transacting Companies



Progress of Group Strategy since the Beginning of the Period

I Raise efficiency to respond to rising production volatility

2) Raising the efficiency of hiring cost

	FY12/12 Actual				FY12/13 Actual	
	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing Outsourcing Business						
No. of workers recruited	6,279	6,229	5,871	5,550	5,313	5,969
Ratio of stay after 2 months	60.6%	66.6%	68.0%	70.2%	72.8%	72.2% (*)
Recruitment unit price (¥/worker)	53,085	45,048	46,249	56,183	52,412	33,245
Engineering Outsourcing Business						
No. of workers registered	1,600	1,597	1,818	1,902	2,097	2,282
Recruitment unit price (¥/worker)	392,666	148,673	224,977	174,995	295,977	240,018
Utilization rate	97.2%	96.3%	97.3%	96.1%	96.5%	96.1%
Staff Agency Business						
No. of paid referrals (persons)	512	694	498	511	261	545
Recruitment unit price (¥/worker)	131,733	134,314	72,474	88,515	128,066	78,967

*Note: Q2 FY12/13 "Ratio of stay after 2 months" is a forecasted value, as the ratio of stay for workers recruited in June will not be fixed until August.

Progress of Group Strategy since the Beginning of the Period

I Raise efficiency to respond to rising production volatility

3) Expand business in new fields separate from production and the busy/slack cycle

① Progress of temporary placement of onsite building supervisors

● Current status

- During 1H, 100 supervisors were assigned to major general contractors
- Demand from major general contractors is extremely brisk
- During Q2, there were some delays from verifying skills and qualifications, slightly behind schedule



- Expected to grow strongly in 2H, making up for delays, and the full year target is expected to be achieved

Net Sales Forecast

(¥ million)

FY12/13					
Actual	Actual	Initial Forecast	Revised Forecast		
Q1	Q2	Q2	Q3	Q4	Full-Year
72	93	125	300	435	900

Progress of Group Strategy since the Beginning of the Period

I Raise efficiency to respond to rising production volatility

3) Expand business in new fields separate from production and the busy/slack cycle

② Progress of IT/Telecom network construction/installation outsourcing business

● Estimated new orders projects

- Strengthening communication networks, and installations for the core system for next-generation LTE
 - Mobile applications for existing systems in response to growing diffusion of smart devices by corporate customers
 - Operations and maintenance for cloud service providers and data center operators who are diversifying service offerings
- 
- Q2 is the beginning of the new FY for most clients, and as there were a number of projects with orders coming later, the full-term sales target is expected to be achieved

Net Sales Forecast

(¥ million)

FY12/13					
Actual	Actual	Initial Forecast	Revised Forecast		
Q1	Q2	Q2	Q3	Q4	Full-Year
1,344	1,295	1,390	1,550	2,111	6,300

Progress of Group Strategy since the Beginning of the Period

- I Raise efficiency to respond to rising production volatility
- 3) Expand business in new fields separate from production and the busy/slack cycle
- ③ Progress of electric appliance maintenance and repair service business
- Large-lot orders from major makers both domestically and overseas that require nationwide capability continue to grow
 - Building a service network from Kanto-only to major cities Tokyo, Nagoya, Osaka etc to handle wide-area orders
 - Utilizing early retirees from electrical and electronics makers who can be put to work immediately
 - Since maker early retirees alone are insufficient, general hiring is also being conducted, however time is required for training, so Q2 fell below estimates
- 
- From 2H, proceeding to focus on wide-area orders and strategizing general hiring will support favorable growth, and the full year target is expected to be achieved

Net Sales Forecast

(¥ million)

FY12/13

Actual		Initial Forecast	Revised Forecast		
Q1	Q2	Q2	Q3	Q4	Full-Year
34	51	163	323	592	1,000

II Expand market share from group solutions that comply with law revisions and government policy

● Response to prohibition of exclusive dispatching

□ Actual results

- Acquired shares of Computer System Laboratory on January 31, 2013

P/L (¥ million)	FY2/12
Net sales	1,682
Operating income	31
Ordinary income	92

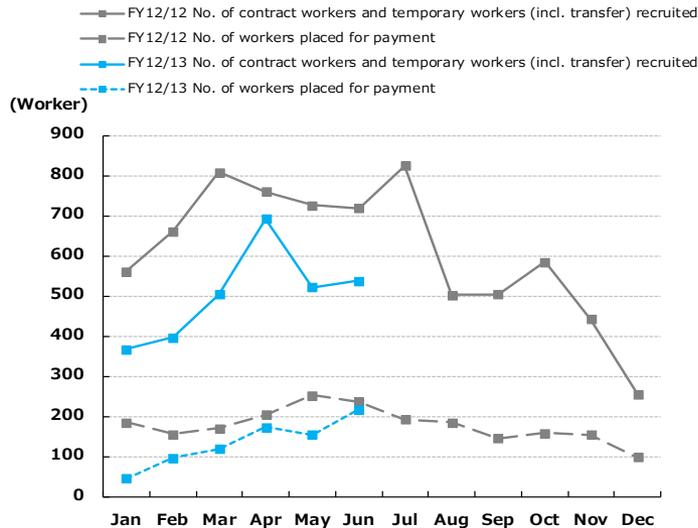
□ Projects currently under negotiation

- Precision instruments maker subsidiary: roughly 500 persons
- Transportation equipment (autos) maker subsidiary: roughly 250 persons
- Others, projects to reach double-digits

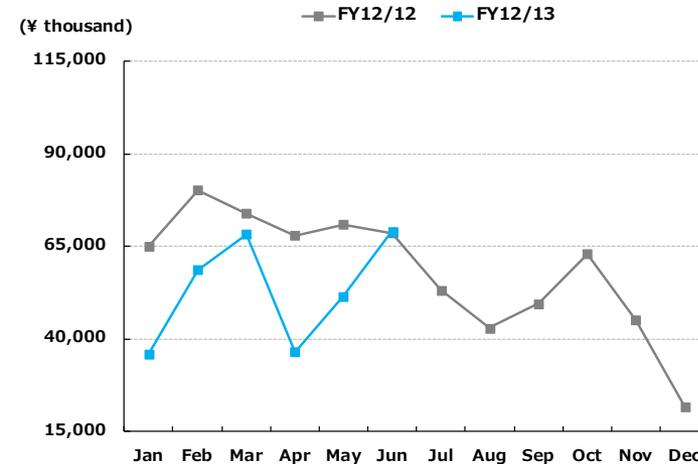
Trend in in Recruited Worker Number and Recruitment Costs

● Monthly Trend in Recruited Worker Number and Recruitment Costs (Consolidated)

No. of contract workers and temporary workers
(incl. transfer) recruited



Monthly recruitment expenses

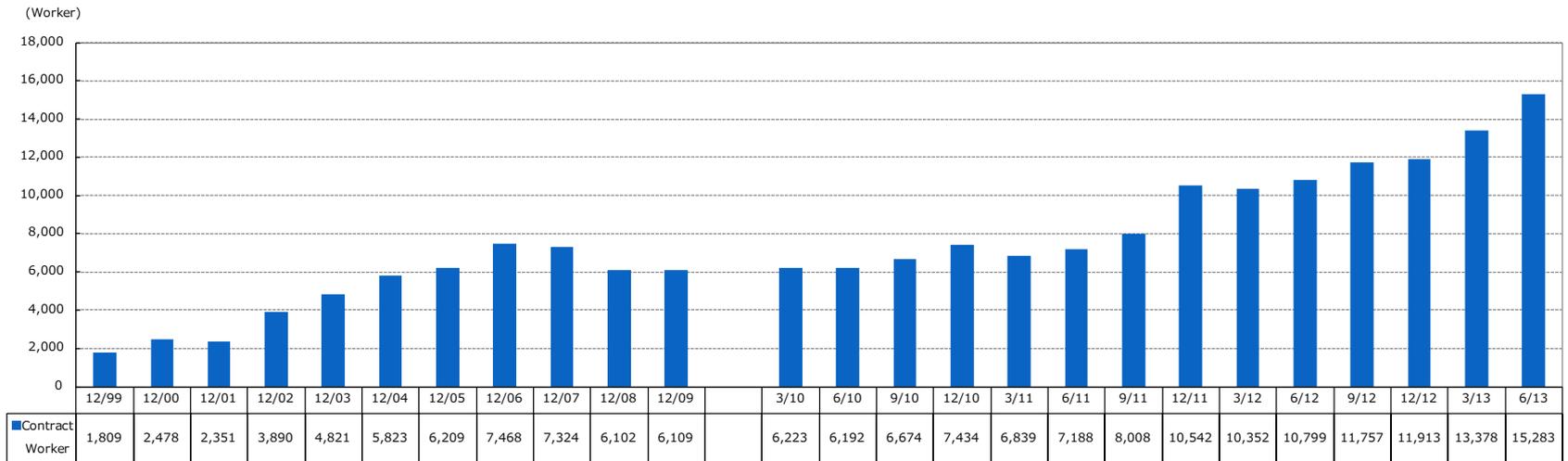


FY12/12	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
—■— No. of contract workers and temporary workers (incl. transfer) recruited	562	661	808	759	726	718	824	503	504	585	442	256
—■— No. of workers placed for payment	185	156	171	204	253	237	192	185	146	158	154	98
—■— Recruitment expenses (¥ thousand)	64,961	80,186	73,931	67,971	70,958	68,551	53,157	42,894	49,588	62,902	45,079	21,809

FY12/13	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
—■— No. of contract workers and temporary workers (incl. transfer) recruited	368	397	504	692	522	538						
—■— No. of workers placed for payment	45	97	119	173	154	218						
—■— Recruitment expenses (¥ thousand)	35,872	58,662	68,226	36,554	51,512	69,048						

Changes in Number of Contract and Temporary Workers

- Quarterly Changes in Number of Contract and Temporary Workers (Consolidated)



*Contract workers are those working at clients' manufacturere'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 to differ materially from those projected.

Out-Sourcing! inc.

CEO Office

Phone: +81-3-3286-4887 FAX: +81-3-3286-4880

E-Mail: os-ir@outsourcing.co.jp

URL: <http://www.outsourcing.co.jp/en/>