

OUTSOURCING Inc.
(Securities Code: 2427/TSE 1st Section)



Financial Results for the 1st Quarter of Fiscal Year Ending December 31, 2015

May 2015

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Consolidated Financial Results for Q1 FY12/15



Consolidated Financial Results for Q1 FY12/15

Consolidated Financial Results Summary

(¥ million)	FY12/14 Q1 Actual		FY12/15 Q1 Actual		YoY Changes	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
Net sales	13,788	100.0%	17,694	100.0%	3,906	28.3%
Cost of sales	11,141	80.8%	14,332	81.0%	3,190	28.6%
Gross profit	2,646	19.2%	3,362	19.0%	715	27.0%
SG&A expenses	2,337	17.0%	3,047	17.2%	710	30.4%
Operating income	309	2.2%	314	1.8%	5	1.8%
Non-operating income	149	1.1%	151	0.9%	1	1.2%
Non-operating expenses	129	0.9%	100	0.6%	(28)	-22.1%
Ordinary income	329	2.4%	365	2.1%	35	10.9%
Extraordinary income	-	-	-	-	-	-
Extraordinary losses	5	0.0%	0	0.0%	(4)	-99.4%
Net income	193	1.4%	205	1.2%	11	6.0%

Consolidated Financial Results for Q1 FY12/15

Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/14 Actual					FY12/15 Actual
	Q1	Q2	Q3	Q4	Full-Year	Q1
Net sales	13,788	14,281	15,232	16,118	59,421	17,694
Gross profit	2,646	2,874	3,070	3,372	11,963	3,362
Gross profit margin	19.2%	20.1%	20.2%	20.9%	20.1%	19.0%
SG&A expenses	2,337	2,470	2,537	2,607	9,953	3,047
SG&A expenses ratio	17.0%	17.3%	16.7%	16.2%	16.8%	17.2%
Operating income	309	404	532	764	2,010	314
Operating income margin	2.2%	2.8%	3.5%	4.7%	3.4%	1.8%
Ordinary income	329	430	589	847	2,197	365
Ordinary income margin	2.4%	3.0%	3.9%	5.3%	3.7%	2.1%
Net income	193	181	412	529	1,316	205
Net income margin	1.4%	1.3%	2.7%	3.3%	2.2%	1.2%

QoQ Changes	FY12/14 Actual					FY12/15 Actual
	Q1	Q2	Q3	Q4	Full-Year	Q1
Net sales	0.1%	3.6%	6.7%	5.8%	25.4%	9.8%
Gross profit	-9.0%	8.6%	6.8%	9.8%	28.9%	-0.3%
SG&A expenses	10.9%	5.7%	2.7%	2.8%	23.2%	16.9%
Operating income	-61.4%	30.6%	31.9%	43.4%	67.1%	-58.8%
Ordinary income	-62.7%	30.7%	36.9%	43.8%	61.9%	-56.9%
Net income	-75.5%	-6.0%	126.8%	28.3%	17.3%	-61.2%

Consolidated Financial Results for Q1 FY12/15

Financial Results by Operating Segment and Net Sales by Region (Quarterly Trends)

(¥ million)		FY12/14 Actual					FY12/15 Actual
		Q1	Q2	Q3	Q4	Full-Year	Q1
Manufacturing Outsourcing Business	Net sales	5,967	6,081	6,500	6,928	25,478	6,970
	Operating income	52	143	103	285	584	50
	No. of worksite employees at year-end	6,197	6,213	6,607	6,732	6,732	6,660
Engineering Outsourcing Business	Net sales	5,095	5,285	5,696	5,958	22,036	7,166
	Operating income	293	201	455	473	1,423	421
	No. of worksite employees at year-end	2,688	2,893	2,954	3,271	3,271	3,918
Administrative Outsourcing Business	Net sales	147	142	151	160	601	137
	Operating income	10	30	18	31	92	14
	No. of outsourcing administrative workers at year-end	2,102	2,018	2,140	2,092	2,092	2,151
Recruitment and Placement Business	Net sales	159	210	188	221	779	167
	Operating income	77	90	96	89	354	66
	No. of placed workers	690	765	744	683	2,882	594
Overseas Business	Net sales	2,353	2,526	2,658	2,808	10,346	3,210
	Operating income	(7)	42	18	34	87	(63)
	No. of worksite employees at year-end (Production Outsourcing Business)	6,924	7,545	8,412	7,554	7,554	7,677
	No. of worksite employees at year-end (Other Business)	2,222	2,543	2,694	2,871	2,871	3,417
Other Business	Net sales	63	36	36	41	178	42
	Operating income	6	(2)	0	1	6	3
Adjustments	Operating income	(123)	(102)	(159)	(151)	(537)	(177)
Total	Net sales	13,788	14,281	15,232	16,118	59,421	17,694
	Operating income	309	404	532	764	2,010	314

Net Sales by Region (¥ million)		FY12/14 Actual					FY12/15 Actual
		Q1	Q2	Q3	Q4	Full-Year	Q1
Japan		11,434	11,755	12,573	13,310	49,074	14,484
Asia/Oceania (excl. Japan)		2,353	2,526	2,658	2,808	10,346	3,210
Total		13,788	14,281	15,232	16,118	59,421	17,694

Note: Net sales by region for Asia/Oceania (excl. Japan) eliminate internal transfers from Overseas Business segment net sales.

Consolidated Financial Results for Q1 FY12/15

Summary of Consolidated Balance Sheet

(¥ million)	FY12/14 End		FY12/15 Q1 End		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	17,065	70.7%	18,178	69.3%	1,113
(Cash and deposits)	6,671	27.6%	6,388	24.3%	(283)
(Notes and accounts receivable - trade)	8,257	34.2%	9,258	35.3%	1,000
(Inventories)	823	3.4%	822	3.1%	(0)
Non-current assets	7,067	29.3%	8,064	30.7%	997
Property, plant and equipment	2,415	10.0%	2,421	9.2%	5
Intangible assets	2,294	9.5%	3,232	12.3%	938
Investments and other assets	2,358	9.8%	2,410	9.2%	52
Total assets	24,132	100.0%	26,243	100.0%	2,110
Current liabilities	12,967	53.7%	14,453	55.1%	1,486
(Notes and accounts payable - trade)	752	3.1%	785	3.0%	33
(Short-term loans payable)	4,666	19.3%	6,031	23.0%	1,365
(Accounts payable - other)	3,800	15.7%	4,282	16.3%	482
Non-current liabilities	3,596	14.9%	4,503	17.2%	906
(Bonds payable)	30	0.1%	65	0.2%	35
(Long-term loans payable)	1,763	7.3%	2,618	10.0%	855
Total liabilities	16,563	68.6%	18,956	72.2%	2,393
Shareholders' equity	6,219	25.8%	6,068	23.1%	(151)
Capital stock	613	2.5%	622	2.4%	8
Capital surplus	1,009	4.2%	1,018	3.9%	8
Retained earnings	4,988	20.7%	4,819	18.4%	(169)
Treasury shares	(391)	-1.6%	(391)	-1.5%	-
Accumulated other comprehensive income	663	2.7%	531	2.0%	(131)
Subscription rights to shares	43	0.2%	43	0.2%	(0)
Minority interests	643	2.7%	644	2.5%	1
Net assets	7,569	31.4%	7,287	27.8%	(282)
Total liabilities and net assets	24,132	100.0%	26,243	100.0%	2,110

Notes and accounts receivable – trade:
Increased due to acquisitions of subsidiaries' share and business expansion

Intangible assets:
Larger goodwill on acquiring subsidiaries' share

Short-term loans payable:
Increased due to increased loans for working capital

Long-term loans payable:
Increased due to stable funds procurement with a view toward future M&A strategy

Retained earnings:
Reflects a net income increase and dividend payments, etc.

The Company's Differentiated Growth Strategy



The Company's Differentiated Growth Strategy

- 1 . Production Outsourcing Industry Entering a Transition Period
- 2 . The Company's Strategies in the Transition Period
 - ① PEO Scheme
 - ② IT-related Engineering Outsourcing Business
 - ③ Civil Engineering and Construction-related Engineering Outsourcing Business
 - ④ Developing Global Business

The Company's Differentiated Growth Strategy

1. Production Outsourcing Industry Entering a Transition Period

This industry grew by taking on the adjustment of supply/demand for staff during periods of production hikes and cuts by manufacturers.

Growth conditions for this industry whose business domain is on-site where production rises and falls	The past environment	The current environment
Flexible recruitment and contract cancellation of staff	With an abundant labor market, flexible recruitment to meet production fluctuation at low cost was possible.	With a tight labor market, recruitment unit price has soared, making flexible recruitment difficult.
Accumulation of the number of temporary placement workers	Since volatility was high in the business domain, continuing and stable accumulation was possible through diversifying transaction partner industries, and increasing the number of transaction partner firms.	Many industries have progressed in transferring production overseas, raising dependence on the transport equipment sector, and raising the risk of a reset when automobile-related enters a slump.
The busy period corresponding to the revenue recovery period	Revenues were stable due to the high value-added of "Made in Japan," and production increase periods were long with production mainly in Japan.	Due to structural change from manufacturers shifting production overseas, production increase periods are short, making profit generation uncertain.

Business models that target earnings growth through competitively winning orders from makers for increased staff associated with increased production, and recruiting and accumulating staff through recruitment media, are coming to an end.

The Company's Differentiated Growth Strategy

2. The Company's Strategies in the Transition Period

Past Perceiving it as a risk to have fixed personnel expenses, raised efficiency through flexibly increasing and decreasing staff according to production plans, **relying on recruitment media**

Tight labor markets and soaring recruitment unit price

Present **Relying on recruitment media has become a large risk**, so raising efficiency through transfers and career progression even with having fixed personnel expenses

The Company's strategies for minimizing risk and maximizing return under the present environment

- ① PEO Scheme
- ② IT-related Engineering Outsourcing Business
- ③ Civil Engineering and Construction-related Engineering Outsourcing Business
- ④ Developing Global Business

The Company's Differentiated Growth Strategy

※Refer to reference materials on P28-30

2. The Company's Strategies in the Transition Period

① PEO Scheme

Staff procurement that does not rely on recruitment media

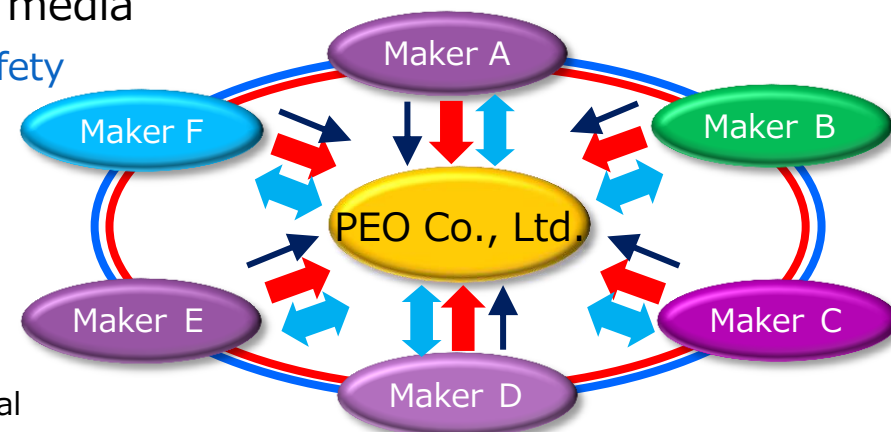
Under the Company's initiative, establish an employment safety net with the agreement of makers

【Steps and Flow of the PEO Scheme】

→ Makers join the PEO Association managed by PEO Co., Ltd.

→ PEO takes on seasonal workers recruited by the maker as **full-time employees** of PEO Co., Ltd.

↔ Temporary placement of full-time employees through cross-sectional rotating assignments according to maker production volume swings



[Q1 FY12/15 Recruitment Plan and Actual Results (including new graduates)]

Manufacturing Outsourcing	Q1 FY12/15 Plan	Q1 FY12/15 Actual
Number recruited through PEO	418	426
Number recruited through media	1,098	1,105
Recruitment unit price	92,569	91,251

Sharply below the average recruitment unit price of industry competitors of ¥160,000

Holding down the ongoing surge in recruitment unit price through the PEO scheme


The Company's Differentiated Growth Strategy

※Refer to reference materials on P28-30

2. The Company's Strategies in the Transition Period

① PEO Scheme

Positive factors from the Revised Law

FY12/14-End Actual	Q1 FY12/15-End Actual	FY12/15-End Initial Plan	 <u>Large potential for an upward revision</u>
Participating makers 87	Participating makers 102	Participating makers 150	
Workers at sites 1,025	Workers at sites 1,442	Workers at sites 2,700	

Revision of the Worker Dispatch Law was still unclear when the Medium-Term Management Plan was written, however potential has emerged for enactment of the Revised Law from the 2H FY12/15.

Current Law: Temporary placement in manufacturing is limited to use for up to 3 years.

Revised Law: No time limit for temporary placement of full-time employees.

Current participating makers in PEO are mainly electronics makers which have short product cycles and are not confronted with legal risk from the 3-year limit on using temporary placement.



With the Revised Law, automakers which have long product cycles and face legal risk from the 3-year limit on using temporary placement will join in unison.

Needs for PEO are accelerating, and initial plans are expected to be sharply exceeded.

The Company's Differentiated Growth Strategy

2. The Company's Strategies in the Transition Period

※Refer to reference materials on P28, P29, P31

② IT-related Engineering Outsourcing Business

Recruiting inexperienced staff . . . Training engineers at the Group's school

Planning to commence online classes through video on demand (VOD) from the Q4 FY12/15

- Temporary placement workers in the Group
- Young adults
- Women during pregnancy/childcare

Staff with new skills are recruited as full-time IT engineers, and a system is secured for woman to work at home via telecommunications.



View of a school classroom

Recruiting experienced staff

- Rehiring (core business shifted to outsourcing: case in Q1 FY12/15)

The Company was consigned to take on the entire staff of a maker's infrastructure-related IT division, shifting them to its own enrollment and then outsourcing them to the maker.

- Foreign engineers

In collaboration with overseas group companies, the Company is establishing a recruitment system, and already several dozen engineers have come to Japan mainly from China and Vietnam.

Planning to complete strengthening of the supply system to meet brisk demand for IT engineers during FY12/15

Q1 FY12/14-End
Workers at site

749



Q1 FY12/15-End
Workers at site

959



FY12/15-End Estimate
Workers at site

1,149

The Company's Differentiated Growth Strategy

2. The Company's Strategies in the Transition Period

※Refer to reference materials on P28, P29, P32

③ Civil Engineering and Construction-related Engineering Outsourcing Business

■ New graduate engineers

Secured entry of roughly 2,000 staff for 2016, planning to strengthen this further going forward through a proprietary recruitment program

■ Young adults and temporary placement workers in the Group

Through the introduction of a practical training program by veterans of major general contractors, turning out full-time employee staffing matched with market needs

■ Developing long-term careers and raising retention

Through the introduction of training programs for inexperienced staff to obtain qualifications as on-site building supervisors, supporting long-term career development as full-time employees

■ Foreign engineers

From FY12/15, commencing an original course in partnership with the building construction-related public/national university in Vietnam, recruiting several dozen talented foreign engineers capable of functioning in global markets



View of a seminar for new graduates

Building a system for supplying staff as No.1 in the industry during FY12/15

Q1 FY12/14-End
Workers at site

93

Q1 FY12/15-End
Workers at site

563

FY12/15-End Estimate
Workers at site

617

The Company's Differentiated Growth Strategy

※Refer to reference materials on P28, P29

2. The Company's Strategies in the Transition Period

④ Developing Global Business

i. Foreigner Technical Intern Training Program

Prior Training in Japan



Comprehensive support services for visiting Japan

Dispatch as temporary placement workers



Local Japanese Firms



Undertake administrative work

Recruit interns after completion of training

Recruited/Trained by Japanese Firms



■ Planned number of seconded interns at the end of FY12/15 **800**

■ Actual number of seconded interns at the end of Q1 FY12/15 **343**

Favorable progress toward achievement of FY12/15 full-year plan

The Company's Differentiated Growth Strategy

※Refer to reference materials on P28, P29

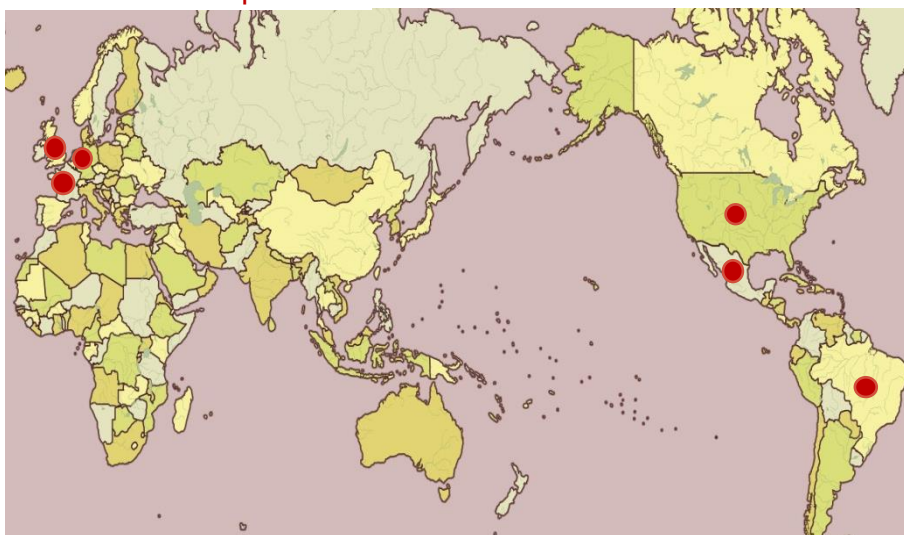
2. The Company's Strategies in the Transition Period

④ Developing Global Business ii . Entering new areas

Until now in mainly the ASEAN region, the Group has achieved entry, scale expansion and generation of synergies through M&A.

Going forward, the Company is planning to accelerate entering North/South America and Europe through large-scale M&A.

● : Planned Expansion



[Existing Locations Q1 Net Sales for FY12/14 and FY12/15]
(¥ thousand)

Existing Locations	Q1 FY12/14 Net Sales	Q1 FY12/15 Net Sales
China	168,009	221,187
Hong Kong	704,534	772,672
Thailand	384,610	692,254
Indonesia	110,405	137,983
Vietnam	144,052	254,812
Malaysia	459,345	470,080
Singapore	64,284	43,963
Australia	100,070	75,385
India	218,211	542,364
Total	2,353,525	3,210,703

Consolidated Financial Forecasts for FY12/15



Consolidated Financial Forecasts for FY12/15

Consolidated Financial Forecasts Summary

(¥ million)	FY12/14 Actual		FY12/15 Actual		FY12/15 Forecasts				YoY Changes	
	Full-Year		Q1		1H	2H	Full-Year			
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio	Amount	Ratio
Net sales	59,421	100.0%	17,694	100.0%	35,700	38,300	74,000	100.0%	14,578	24.5%
Cost of sales	47,457	79.9%	14,332	81.0%	-	-	-	-	-	-
Gross profit	11,963	20.1%	3,362	19.0%	-	-	-	-	-	-
SG&A expenses	9,953	16.8%	3,047	17.2%	-	-	-	-	-	-
Operating income	2,010	3.4%	314	1.8%	830	2,270	3,100	4.2%	1,089	54.2%
Non-operating income	661	1.1%	151	0.9%	-	-	-	-	-	-
Non-operating expenses	474	0.8%	100	0.6%	-	-	-	-	-	-
Ordinary income	2,197	3.7%	365	2.1%	800	2,200	3,000	4.1%	802	36.5%
Extraordinary income	113	0.2%	-	-	-	-	-	-	-	-
Extraordinary losses	192	0.3%	0	0.0%	-	-	-	-	-	-
Net income	1,316	2.2%	205	1.2%	430	1,190	1,620	2.2%	303	23.1%

Consolidated Financial Forecasts for FY12/15

Financial Forecasts by Operating Segment (Annual and Semi-Annual Trends)

(¥ million)		FY12/14 Actual				FY12/15 Forecasts			
		1H Amount	2H Amount	Full-Year Amount	Composition Ratio	1H Amount	2H Amount	Full-Year Amount	Composition Ratio
Manufacturing Outsourcing Business	Net sales	12,049	13,428	25,478	42.9%	14,049	14,350	28,399	38.4%
	Operating income	195	389	584	29.1%	107	606	713	23.0%
	No. of worksite employees at year-end	6,213	6,732	6,732	–	7,601	7,891	7,891	–
Engineering Outsourcing Business	Net sales	10,381	11,655	22,036	37.1%	13,991	14,577	28,568	38.6%
	Operating income	494	928	1,423	70.8%	678	1,287	1,965	63.4%
	No. of worksite employees at year-end	2,893	3,271	3,271	–	4,147	4,367	4,367	–
Administrative Outsourcing Business	Net sales	289	312	601	1.0%	282	338	620	0.8%
	Operating income	41	50	92	4.6%	18	41	59	1.9%
	No. of outsourcing administrative workers at year-end	2,018	2,092	2,092	–	2,294	2,791	2,791	–
Recruitment and Placement Business	Net sales	370	409	779	1.3%	375	408	783	1.1%
	Operating income	167	186	354	17.6%	115	122	237	7.6%
	No. of placed workers	1,455	1,427	2,882	–	1,339	1,528	2,867	–
Overseas Business	Net sales	4,879	5,466	10,346	17.4%	6,860	8,396	15,256	20.6%
	Operating income	34	52	87	4.3%	95	402	497	16.0%
	No. of worksite employees at year-end (Production Outsourcing Business)	7,545	7,554	7,554	–	10,052	12,671	12,671	–
	No. of worksite employees at year-end (Other Business)	2,543	2,871	2,871	–	2,818	2,894	2,894	–
Other Business	Net sales	99	78	178	0.3%	143	231	374	0.5%
	Operating income	4	1	6	0.3%	8	1	9	0.3%
Adjustments	Operating income	(225)	(311)	(537)	-26.7%	(191)	(189)	(380)	-12.3%
Total	Net sales	28,070	31,351	59,421	100.0%	35,700	38,300	74,000	100.0%
	Operating income	713	1,297	2,010	100.0%	830	2,270	3,100	100.0%

Consolidated Financial Forecasts for FY12/15

Financial Forecasts by Operating Segment (Quarterly Trends)

(¥ million)		FY12/14				Actual	FY12/15		
		Actual					Initial Forecasts		
		Q1	Q2	Q3	Q4		Q1	Q2	Q3
Manufacturing Outsourcing Business	Net sales	5,967	6,081	6,500	6,928	6,970	7,172	7,102	7,248
	Operating income	52	143	103	285	50	107	271	335
	No. of worksite employees at year-end	6,197	6,213	6,607	6,732	6,660	7,601	7,856	7,891
Engineering Outsourcing Business	Net sales	5,095	5,285	5,696	5,958	7,166	7,167	7,216	7,361
	Operating income	293	201	455	473	421	414	506	781
	No. of worksite employees at year-end	2,688	2,893	2,954	3,271	3,918	4,147	4,212	4,367
Administrative Outsourcing Business	Net sales	147	142	151	160	137	146	160	178
	Operating income	10	30	18	31	14	9	17	24
	No. of outsourcing administrative workers at year-end	2,102	2,018	2,140	2,092	2,151	2,294	2,716	2,791
Recruitment and Placement Business	Net sales	159	210	188	221	167	197	213	195
	Operating income	77	90	96	89	66	57	67	55
	No. of placed workers	690	765	744	683	594	730	800	728
Overseas Business	Net sales	2,353	2,526	2,658	2,808	3,210	3,621	4,039	4,357
	Operating income	(7)	42	18	34	(63)	108	182	220
	No. of worksite employees at year-end (Production Outsourcing Business)	6,924	7,545	8,412	7,554	7,677	10,052	12,185	12,671
	No. of worksite employees at year-end (Other Business)	2,222	2,543	2,694	2,871	3,417	2,818	2,883	2,894
Other Business	Net sales	63	36	36	41	42	83	104	127
	Operating income	6	(2)	0	1	3	2	2	(1)
Adjustments	Operating income	(123)	(102)	(159)	(151)	(177)	(98)	(98)	(91)
Total	Net sales	13,788	14,281	15,232	16,118	17,694	18,386	18,834	19,466
	Operating income	309	404	532	764	314	599	947	1,323

Domestic Recruitment Plan for FY12/15

Annual and Semi-Annual Trends

		FY12/14			FY12/15		
		Actual			Plan		
		1H	2H	Full-Year	1H	2H	Full-Year
Temporary Placement and Outsourced Contracting	No. of Workers Recruited	2,892	3,357	6,249	3,364	3,263	6,627
	Recruitment unit price (¥/worker)	73,276	64,406	68,511	82,393	61,932	72,318
Engineering and Others	No. of Workers Recruited	545	738	1,283	882	610	1,492
	Recruitment unit price (¥/worker)	241,758	187,367	210,472	220,156	268,982	240,119
Recruitment and Placement	No. of Workers Recruited	1,412	1,427	2,839	1,339	1,528	2,867
	Recruitment unit price (¥/worker)	116,930	116,166	116,546	145,009	109,720	126,201

Quarterly Trends

		FY12/14				Actual	FY12/15			
		Actual					Plan			
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4
Temporary Placement and Outsourced Contracting	No. of Workers Recruited	1,270	1,622	1,838	1,519	1,531	1,848	1,731	1,532	
	Recruitment unit price (¥/worker)	75,486	71,546	66,892	61,398	91,251	74,044	64,635	58,877	
Engineering and Others	No. of Workers Recruited	164	381	312	426	325	615	339	271	
	Recruitment unit price (¥/worker)	324,323	206,218	199,247	178,667	350,935	128,702	246,841	296,679	
Recruitment and Placement	No. of Workers Recruited	651	761	744	683	594	730	800	728	
	Recruitment unit price (¥/worker)	133,644	102,632	113,849	118,689	131,552	137,414	115,275	103,615	

References



Net Sales Breakdown by Industry for FY12/15

Quarterly Trends

(¥million)	FY12/14 Actual					FY12/15 Actual
	Q1	Q2	Q3	Q4	Full-Year	Q1
Manufacturing Outsourcing Business	5,967	6,081	6,500	6,928	25,478	6,970
Foods	394	399	465	462	1,721	401
Electrical & Electronics	1,407	1,667	1,793	1,905	6,774	1,909
Transport Equipment	2,015	1,946	2,193	2,524	8,680	2,714
Pharm. & Chemicals	948	998	989	935	3,872	908
Metals & Construction Materials	521	561	518	502	2,104	486
Others	680	507	541	596	2,324	550
Engineering Outsourcing Business	5,095	5,285	5,696	5,958	22,036	7,166
Electrical & Electronics	684	765	776	815	3,042	901
Transport Equipment	1,544	1,642	1,868	1,890	6,946	1,980
Pharm. & Chemicals	211	211	237	294	954	352
Metals & Construction Materials	16	29	32	21	100	23
IT-related	1,913	1,967	2,199	2,255	8,335	2,443
Construction & Plant-related	141	138	136	161	576	1,043
After-sales Maintenance	87	73	37	35	233	30
Others	497	456	408	484	1,846	390
Overseas Business	2,353	2,526	2,658	2,808	10,346	3,210

Net Sales Ratio by Industry for FY12/15

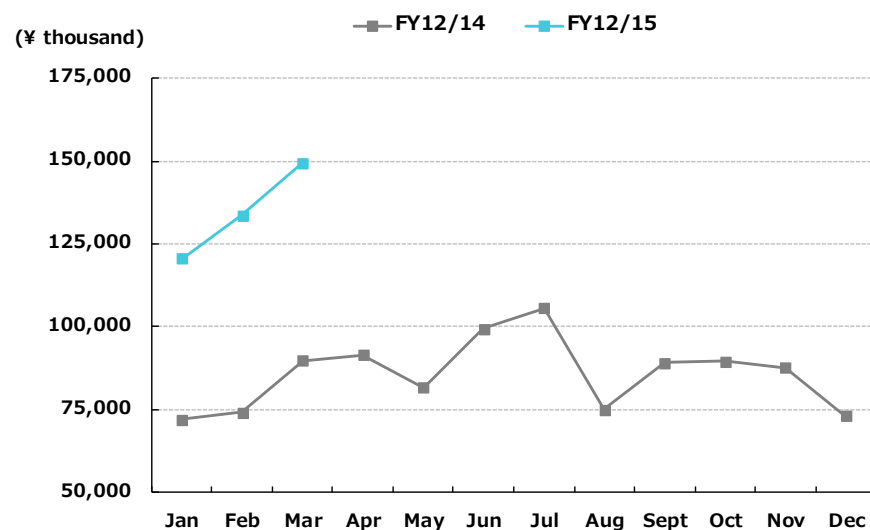
Quarterly Trends

	FY12/14 Actual					FY12/15 Actual
	Q1	Q2	Q3	Q4	Full-Year	Q1
Manufacturing Outsourcing Business	43.3%	42.6%	42.7%	43.0%	42.9%	39.4%
Foods	2.9%	2.8%	3.1%	2.9%	2.9%	2.3%
Electrical & Electronics	10.2%	11.7%	11.8%	11.8%	11.4%	10.8%
Transport Equipment	14.6%	13.6%	14.4%	15.7%	14.6%	15.3%
Pharm. & Chemicals	6.9%	7.0%	6.5%	5.8%	6.5%	5.1%
Metals & Construction Materials	3.8%	3.9%	3.4%	3.1%	3.6%	2.8%
Others	4.9%	3.6%	3.6%	3.7%	3.9%	3.1%
Engineering Outsourcing Business	36.9%	37.0%	37.4%	37.0%	37.1%	40.5%
Electrical & Electronics	5.0%	5.4%	5.1%	5.1%	5.1%	5.1%
Transport Equipment	11.2%	11.5%	12.3%	11.7%	11.7%	11.2%
Pharm. & Chemicals	1.5%	1.5%	1.6%	1.8%	1.6%	2.0%
Metals & Construction Materials	0.1%	0.2%	0.2%	0.1%	0.2%	0.1%
IT-related	13.9%	13.8%	14.4%	14.0%	14.0%	13.8%
Construction & Plant-related	1.0%	1.0%	0.9%	1.0%	1.0%	5.9%
After-sales Maintenance	0.6%	0.5%	0.2%	0.2%	0.4%	0.2%
Others	3.6%	3.2%	2.7%	3.0%	3.1%	2.2%
Overseas Business	17.1%	17.7%	17.5%	17.4%	17.4%	18.2%

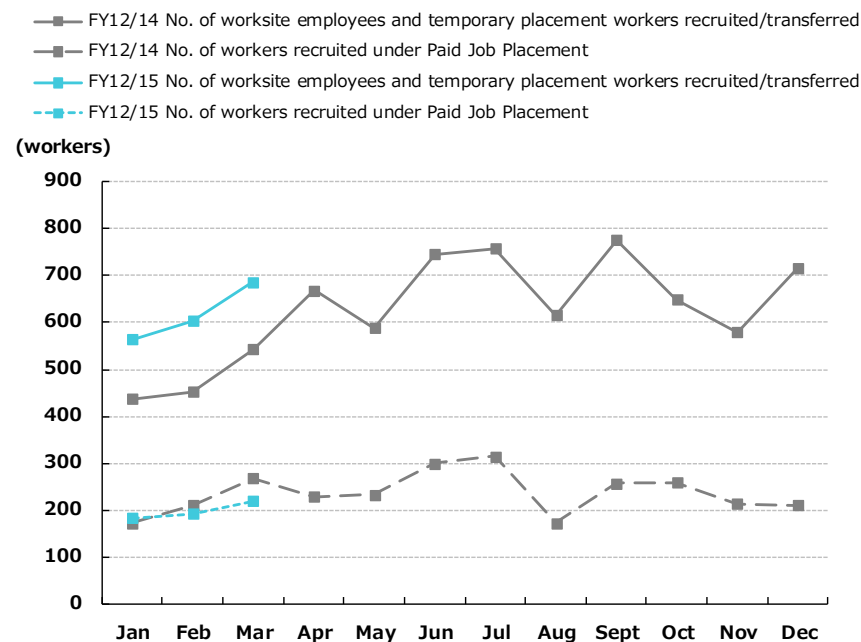
Trends in Recruited Number of Workers and Recruitment Expenses

Monthly Trends in Recruited Number of Workers and Recruitment Expenses in Japan (Consolidated)

Monthly Recruitment Expenses



No. of Worksite Employees and Temporary Placement Workers Recruited/transferred



FY12/14		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
■	No. of worksite employees and temporary placement workers recruited/transferred	438	453	543	668	589	746	758	616	776	649	580	716
■	No. of workers recruited under Paid Job Placement	173	210	268	229	233	299	315	172	257	259	214	210
■	Recruitment expenses (¥ thousand)	72,093	74,093	89,872	91,575	81,711	99,433	105,639	75,051	89,126	89,672	87,611	73,157

FY12/15		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
■	No. of worksite employees and temporary placement workers recruited/transferred	565	604	687									
■	No. of workers recruited under Paid Job Placement	183	192	219									
■	Recruitment expenses (¥ thousand)	120,520	133,573	149,480									

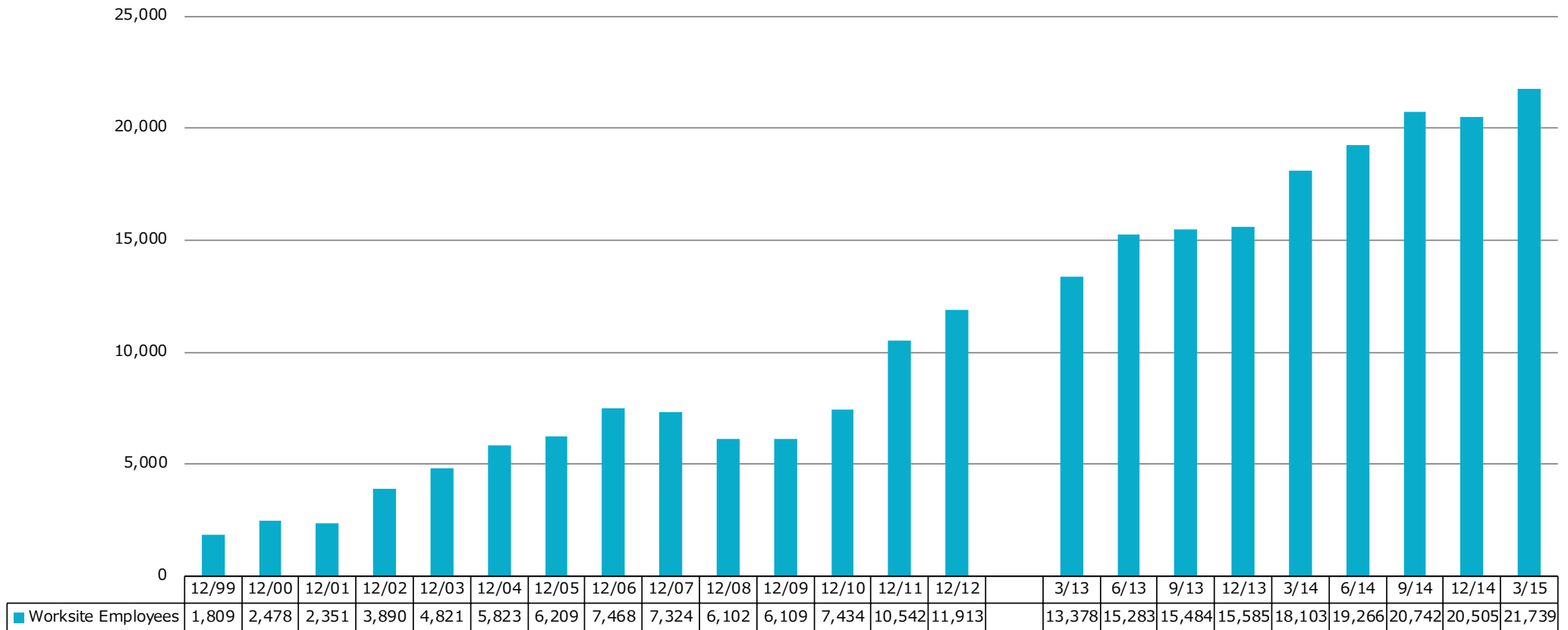
*Total number of recruited workers and recruitment expenses in Japan (Temporary Placement and Outsourced Contracting, Recruitment and Placement, and Engineering)

Changes in Number of Worksite Employees and Temporary Placement Workers

Quarterly Changes in Number of Worksite Employees and Temporary Placement Workers (Consolidated)

- Up to FY12/12: Annual trend
- From FY12/13: Quarterly trend

(workers at year-end)



*Worksite employees are those working at client manufacturers' worksites, including currently active temporary placement workers.

Changing Operating Environment = Contracting Domestic Production =

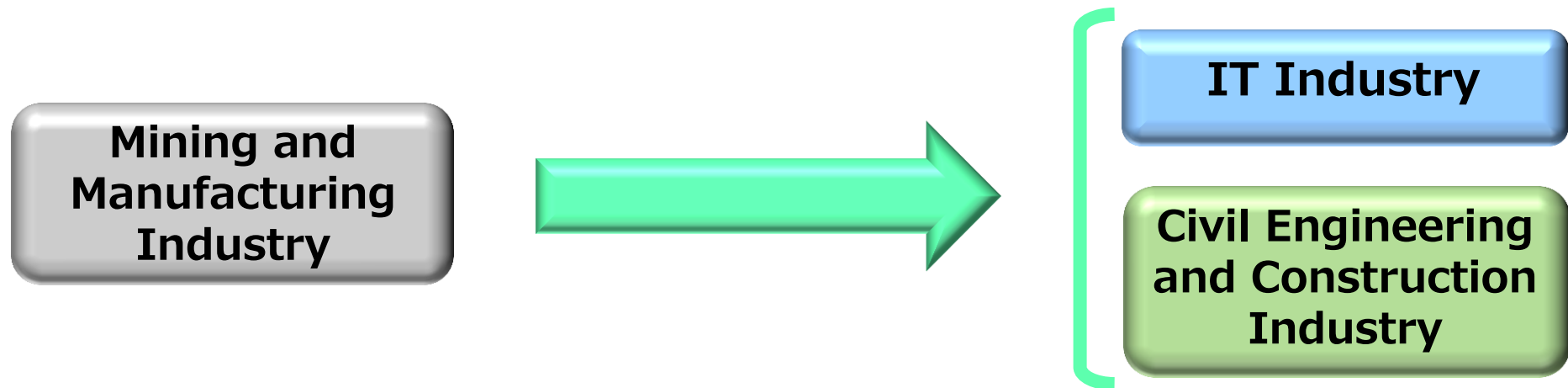
Value-added of "Made in Japan" was high in the past.

⇒ Manufacturer production was upwardly sloping.

Value-added of "Made in Japan" has declined in the present.

⇒ Manufacturers are shifting production overseas.

Paradigm Shifts in Japan's Leading Industries



Changing Operating Environment
= Matching Business Structures with Changing Environments =

Short- and Medium-Term Growth Sphere

[Domestic Manufacturing Unit]

Capture needs that emerge during the transition period for the shift of major industries

Medium- and Long-Term Growth Spheres

[Engineering Unit]



IT-related Business

Focusing on Japan's new leading industries



Civil Engineering and Construction-related Business

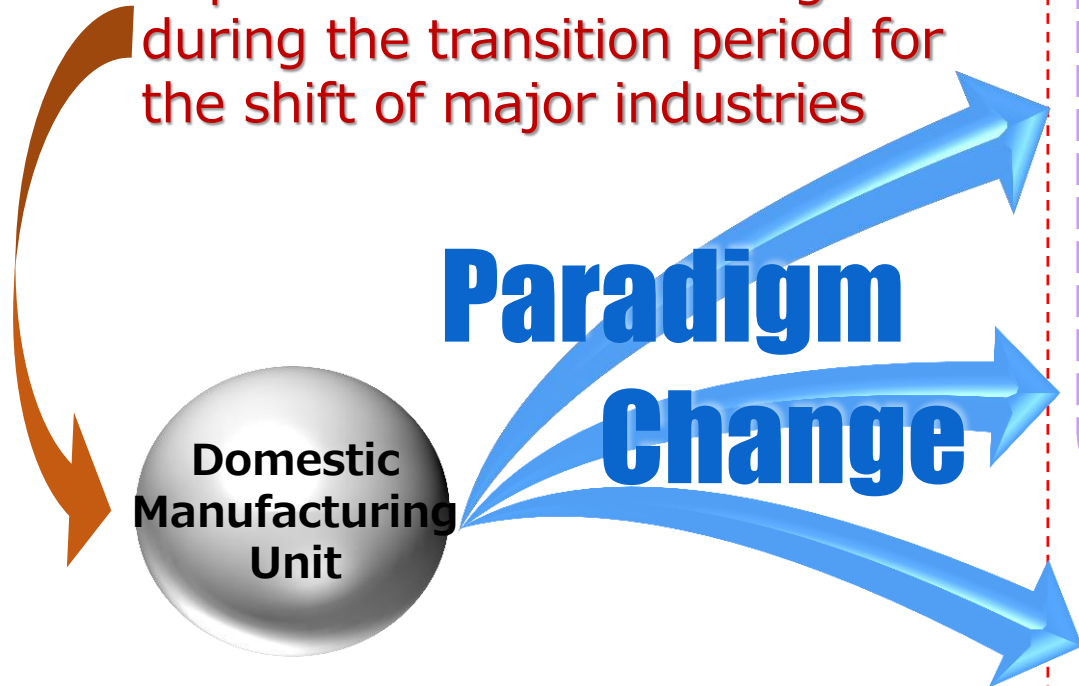
Centering on fields with sustained demand growth



Overseas Business

Vigorously entering regions with population growth or production transplants of Japanese makers

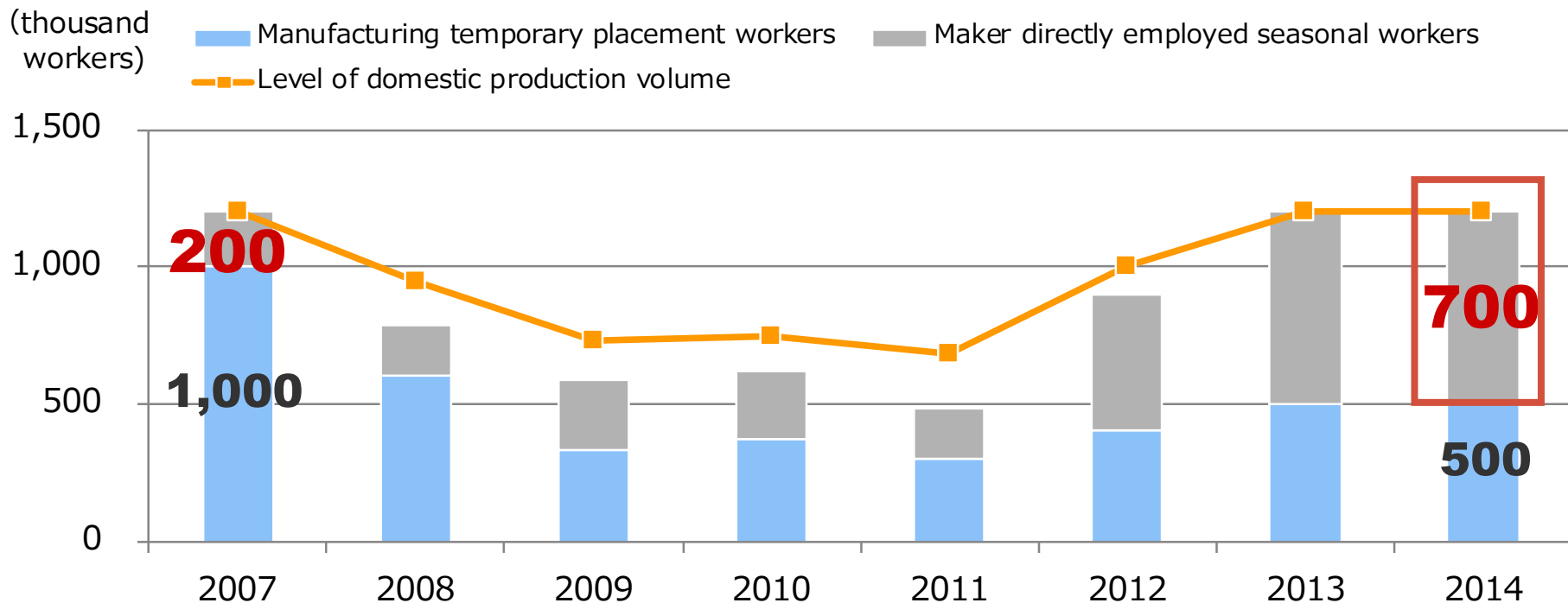
Paradigm Change



Needs During the Transition Period of the Shift of Leading Industries:
Market Scale for Manufacturing under the PEO Scheme

Makers are going back to using temporary placement due to deregulation with the Revised Law aimed at further mobility of employment.

[Trend of the Number of Manufacturing Temporary Placement Workers and Seasonal Workers Directly Employed by Makers]



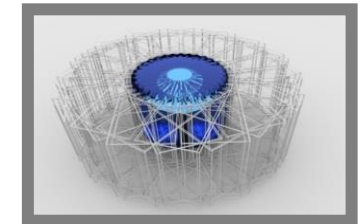
*Company estimates based on the Ministry of Internal Affairs and Communications Labor Force Survey results

700,000 seasonal workers directly employed by makers
= The potential market for manufacturing temporary placement

Strategies for IT-related Outsourcing Business

Growing Demand from the IT Industry

- **Backbone Systems Upgrades at Megabanks**
 - Acquiring specialist SIers, etc.
- **Systems Upgrades & Cloud Platform Transition at Leading Firms (2015: ¥600bn/Japan)**
 - Develop/operate proprietary cloud services
- **IT Usage Acceleration among SME/ Consumers Wearable Devices (2015: 1.03mn ⇒2020: 5.56mn/Japan)**
 - Develop mobile apps, and hardware and related software of wearable devices
- **IoT (Internet of Things) Taking Off (2019: ¥16.4tn/Japan)**
 - Design/develop apps for information appliances, R&D businesses for AI robots and robotics
- **Entering Business Analytics Market using Big Data (2017: ¥1.14tn/Japan)**
 - Develop middleware/systems supporting both synergy of existing systems and big data



Boosting New Graduates and Mid-Career Recruitment Schemes

- | | |
|------------------------------------|--|
| ■ New graduates | Recruiting via SNS, upgraded career support programs |
| ■ Young adults | Tapping 390,000 NEETs/part-timers |
| ■ Women during pregnancy/childcare | Job creation for the 1.16mn unemployed due to unfavorable working conditions |
| ■ Foreign engineers | Hiring/staffing local college students/engineers at offshore group companies |
| ■ Rehiring/seniors | Tapping restructured early-retirees/ex-engineers |
| ■ Staff in the Group | Transfers to other units, including manufacturing outsourcing |

Training candidates with few skills at the Group's IT schools



Employ IT school graduates as engineers

Strengthening the supply system for IT engineers which are tight relative to staffing needs

(*Note: Figures, values etc. researched by OUTSOURCING Inc.)

Strategies for Civil Engineering and Construction-related Outsourcing Business

Growing Demand from the Civil Engineering and Construction Industry

- Rebuild/Restore Houses for Urban Renewal (FY2015 budget: ¥1.3tn)
- 2020 Olympics/Paralympics (¥450bn just for facilities) (follow-on effects: ¥3.5tn)
- Renovation Demand for Social Infrastructure (Highways) in 2020 (for some 90% of 3 Tokyo metropolitan beltways)
- Front-loaded Hokkaido Shinkansen Project (some ¥1.67tn)
- Linear Shinkansen Project (total construction cost: ¥5.43tn)
- National Resilience Initiative (FY2015 budget: ¥3.79tn)



(*Note: Figures, values etc. researched by OUTSOURCING Inc.)

Restructuring the Group's M&A-Acquired Civil Engineering and Construction Outsourcing Companies

DAISEI ENGINEERING Co., Ltd.

Plant and Construction Engineering-related Temporary Placement

LINETEC Co., Ltd.

(Became 100% owned subsidiary on December 1, 2014)

Civil Engineering and Construction-related System Development Contracting

Kyodo Engineering Corporation

(Became 100% owned subsidiary on January 5, 2015)

Civil Engineering and Construction-related Temporary Placement

We Aim to Become the #1 Outsourcing Provider in the Civil Engineering and Construction Field.

- ◆ Increase recruitment of new university graduates (from both Japan and abroad)
- ◆ Secure engineers through M&As, etc.
- ◆ Boost use of technical intern trainees
- ◆ Intra-Group transfers of capable staff

Strengthening the supply system for on-site civil engineering and construction engineers which are tight relative to staffing needs

Measures that can Obtain the Required Management Resources
with a Sense of Speed in Strengthening Business
= **Placing heavy emphasis on M&A strategy**

FY12/12 – FY12/14: Implemented M&A for total cumulative acquisition value of ¥5 billion,
averaging roughly ¥1 billion per deal

Implementing a strategy with a view toward relatively larger M&A deals
both in Japan and overseas toward accelerating growth in FY12/15
Targeting M&A of multiple firms with sales of several tens of billion yen,
with average deal size of roughly ¥5-10 billion

Currently it's possible to secure
borrowing in units of ¥10 billion.

HOWEVER

It's possible that the borrowing
facility could be insufficient soon,
and, M&A in the US and Europe
assumes having fund-raising
capacity.

On April 8, 2015, announced fund-raising of ¥4.84 billion (estimated net proceeds)
through third-party allotment of subscription rights to shares

- Announcement April 8, 2015: For details please refer to the following press release:
Notice Regarding Issuance of the 16th Subscription Rights to Shares with Exercise Price
Revision Clause (with Exercise and Suspension Instruction Clauses) by way of Third-Party
Allotment

Legal Disclaimer

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.

OUTSOURCING Inc.

CEO Office

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

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