

# Business Results for the Fiscal Year Ended December 31, 2013

OUTSOURCING Inc.

(Securities Code: 2427 / TSE 1<sup>st</sup> Section)

February 2014



**Out-Sourcing!**  
inc.



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# Consolidated Financial Results for FY12/13



# Consolidated Financial Results for FY12/13

## ● Consolidated Financial Summary for FY12/13

(¥ million)	FY12/12		FY12/13		YoY Changes	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
<b>Net sales</b>	<b>42,090</b>	<b>100.0%</b>	<b>47,384</b>	<b>100.0%</b>	<b>5,293</b>	<b>12.6%</b>
Cost of sales	33,618	79.9%	38,102	80.4%	4,484	13.3%
<b>Gross profit</b>	<b>8,472</b>	<b>20.1%</b>	<b>9,281</b>	<b>19.6%</b>	<b>809</b>	<b>9.6%</b>
SG&A expenses	7,471	17.8%	8,078	17.0%	607	8.1%
<b>Operating income</b>	<b>1,000</b>	<b>2.4%</b>	<b>1,202</b>	<b>2.5%</b>	<b>202</b>	<b>20.2%</b>
Non-operating income	708	1.7%	700	1.5%	(7)	-1.1%
Non-operating expenses	554	1.3%	546	1.2%	(8)	-1.6%
<b>Ordinary income</b>	<b>1,153</b>	<b>2.7%</b>	<b>1,357</b>	<b>2.9%</b>	<b>203</b>	<b>17.6%</b>
Extraordinary income	16	0.0%	232	0.5%	216	-
Extraordinary loss	175	0.4%	-	-	(175)	-
<b>Net income</b>	<b>641</b>	<b>1.5%</b>	<b>1,122</b>	<b>2.4%</b>	<b>480</b>	<b>74.9%</b>

# Consolidated Financial Results for FY12/13

## ● Consolidated Financial Highlights for FY12/13

**Net Sales** **¥47,384 million (+12.6% YoY)**

- ❑ 1H smartphone-related demand deteriorated rapidly, resulting in unexpected cancellations
- ❑ Ongoing business reorganization of major general electrical makers resulted in unexpected cancellations
- ❑ Domestic economic recovery and strong overseas sales resulted in orders from major automakers expanding above expectations
- ❑ In the engineering field, IT-related demand for system construction etc. resulted in strong orders

**Operating Income** **¥1,202 million (+20.2% YoY)**

- ❑ Cost losses\* emerged from shifting contract outsourcing clients from depressed industries including electrical equipment and electronics makers to favorable industries including automakers

**Net Income** **¥1,122 million (+74.9% YoY)**

- ❑ Negative goodwill arose from M&A

**Net sales, operating income and net income all posted record highs**

\*Note: When transferring sales from electrical equipment and electronics makers to favorable industries including automakers, for clients where there were already transactions, we incurred one-off expenses (using up paid holidays and cancellation expenses for dormitories etc. in accordance with employees leaving) on termination of transactions. Also, on entering new transactions, we incurred one-off expenses (recruiting cost and various deposits for dormitories etc.) on start-up. Since these various one-off costs would not occur unless transferring to new contract outsourcing clients, they are expressed as "cost loss"

# Consolidated Financial Results for FY12/13

## ● Quarterly Consolidated Financial Results

(¥ million)	FY12/12 Actual				FY12/13 Actual			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	10,179	10,228	10,719	10,962	10,415	11,017	12,176	13,774
Gross profit	1,932	2,104	2,131	2,304	1,759	2,176	2,436	2,908
Gross profit margin	19.0%	20.6%	19.9%	21.0%	16.9%	19.8%	20.0%	21.1%
SG&A expenses	1,880	1,906	1,844	1,840	1,948	1,986	2,036	2,107
SG&A expenses ratio	18.5%	18.6%	17.2%	16.8%	18.7%	18.0%	16.7%	15.3%
Operating income	52	197	286	463	(188)	189	400	801
Operating income margin	0.5%	1.9%	2.7%	4.2%	-1.8%	1.7%	3.3%	5.8%
Ordinary income	70	238	321	523	(191)	230	435	882
Ordinary income margin	0.7%	2.3%	3.0%	4.8%	-1.8%	2.1%	3.6%	6.4%
Net income	(9)	(14)	228	436	(121)	151	303	788
Net income margin	-0.1%	-0.1%	2.1%	4.0%	-1.2%	1.4%	2.5%	5.7%

QoQ Changes	FY12/12 Actual				FY12/13 Actual			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	6.4%	0.5%	4.8%	2.3%	-5.0%	5.8%	10.5%	13.1%
Gross profit	-9.2%	8.9%	1.3%	8.1%	-23.6%	23.7%	12.0%	19.4%
SG&A expenses	10.1%	1.4%	-3.3%	-0.2%	5.9%	1.9%	2.5%	3.5%
Operating income	-87.6%	278.8%	45.2%	61.9%	-	-	110.9%	100.2%
Ordinary income	-84.2%	240.0%	34.9%	62.9%	-	-	89.3%	102.7%
Net income	-	-	-	91.2%	-	-	100.8%	159.4%

# Consolidated Financial Results for FY12/13

## Quarterly Financial Results by Reporting Segment and Net Sales by Region

Financial Results by Reporting Segment		FY12/12 Actual					FY12/13 Actual				
(¥ million)		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Manufacturing Outsourcing Business	No. of contract workers at term-end	6,279	6,229	5,871	5,550	5,550	5,313	5,969	6,442	6,351	6,351
	Net sales	6,294	6,285	6,099	5,920	24,600	4,891	5,133	5,704	6,538	22,267
	Operating income	(32)	52	4	89	113	(255)	100	137	555	538
Engineering Outsourcing Business	No. of contract workers at term-end	1,600	1,597	1,818	1,902	1,902	2,097	2,282	2,441	2,600	2,600
	Net sales	2,688	2,788	3,245	3,587	12,308	3,882	3,934	4,474	4,876	17,169
	Operating income	90	136	191	249	667	112	55	280	294	742
Administrative Outsourcing Business	No. of outsourcing administrative workers at term-end	2,834	1,690	1,960	2,156	2,156	2,317	2,179	2,325	2,344	2,344
	Net sales	190	113	189	151	645	164	154	146	137	603
	Operating income	50	39	94	64	248	45	36	41	15	139
Recruiting and Placement Business	No. of placed workers	512	694	523	410	2,139	261	545	755	655	2,216
	Net sales	113	144	66	103	427	38	103	159	184	485
	Operating income	30	47	14	56	148	15	11	37	65	129
Overseas Business	No. of contract workers at term-end (production outsourcing business)	2,890	3,205	4,158	2,647	2,647	4,177	5,122	4,758	4,829	4,829
	No. of contract workers at term-end (other business)	2,039	1,911	1,671	1,732	1,732	1,719	1,834	1,763	1,733	1,733
	Net sales	999	997	1,231	1,309	4,539	1,513	1,799	1,802	2,422	7,537
	Operating income	(38)	(38)	24	13	(38)	(18)	57	40	(58)	22
	Net sales	43	35	36	37	152	48	45	54	41	190
Other Business	Operating income	2	2	3	0	8	5	0	(1)	2	5
Internal Transfer	Net sales	(150)	(136)	(148)	(147)	(582)	(123)	(153)	(165)	(426)	(869)
Elimination	Operating income	(50)	(43)	(46)	(9)	(149)	(93)	(71)	(135)	(73)	(374)
Total	Net sales	10,179	10,228	10,719	10,962	42,090	10,415	11,017	12,176	13,774	47,384
	Operating income	52	197	286	463	1,000	(188)	189	400	801	1,202

Net Sales by Region		FY12/12 Actual					FY12/13 Actual				
(¥ million)		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Japan		9,181	9,231	9,519	9,700	37,634	8,933	9,251	10,408	11,569	40,163
Asia / Oceania (excl. Japan)		998	996	1,199	1,262	4,456	1,482	1,766	1,767	2,204	7,220
Total		10,179	10,228	10,719	10,962	42,090	10,415	11,017	12,176	13,774	47,384

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

# Consolidated Financial Results for FY12/13

## ● Quarterly Net Sales Breakdown by Reporting Segment

Net Sales Breakdown by Reporting Segment (¥ million)	FY12/12 Actual					FY12/13 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
<b>Manufacturing Outsourcing Business</b>	<b>6,147</b>	<b>6,155</b>	<b>6,031</b>	<b>5,843</b>	<b>24,178</b>	<b>4,834</b>	<b>5,033</b>	<b>5,598</b>	<b>6,346</b>	<b>21,812</b>
Foods	439	427	425	447	1,739	378	375	405	457	1,615
Electrical & Electronics	1,230	1,285	1,405	1,398	5,320	1,049	965	1,056	1,087	4,158
Transport Equipment	2,119	2,135	1,849	1,518	7,623	1,355	1,532	1,730	1,940	6,558
Pharm. & Chemicals	869	863	909	1,019	3,662	897	888	934	980	3,701
Metals & Construction Materials	995	907	942	860	3,706	675	642	629	618	2,566
Others	493	535	500	598	2,127	478	628	843	1,261	3,211
<b>Engineering Outsourcing Business</b>	<b>2,686</b>	<b>2,784</b>	<b>3,224</b>	<b>3,566</b>	<b>12,260</b>	<b>3,850</b>	<b>3,917</b>	<b>4,451</b>	<b>4,861</b>	<b>17,079</b>
Electrical & Electronics	515	643	559	582	2,301	532	552	576	638	2,299
Transport Equipment	1,073	900	981	1,152	4,108	1,126	1,174	1,332	1,492	5,126
Pharm. & Chemicals	170	187	182	188	728	213	195	215	206	830
Metals & Construction Materials	7	6	4	4	23	1	3	3	4	13
IT-related	426	479	852	1,010	2,769	1,344	1,295	1,432	1,602	5,674
Construction & Plant-related	-	-	-	-	-	72	93	129	146	441
After-sales Maintenance	-	-	-	-	-	34	51	96	65	249
Others	491	567	642	627	2,329	525	550	665	703	2,444
<b>Overseas Business</b>	<b>998</b>	<b>996</b>	<b>1,199</b>	<b>1,262</b>	<b>4,456</b>	<b>1,482</b>	<b>1,766</b>	<b>1,767</b>	<b>2,204</b>	<b>7,220</b>

Note: Intra-segment transactions are offset eliminations



# Consolidated Financial Results for FY12/13

## ● Quarterly Net Sales Composition Ratio by Reporting Segment

Net Sales Ratio by Reporting Segment	FY12/12 Actual					FY12/13 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
<b>Manufacturing Outsourcing Business</b>	<b>60.4%</b>	<b>60.2%</b>	<b>56.3%</b>	<b>53.3%</b>	<b>57.4%</b>	<b>46.4%</b>	<b>45.7%</b>	<b>46.0%</b>	<b>46.1%</b>	<b>46.0%</b>
Foods	4.3%	4.2%	4.0%	4.1%	4.1%	3.6%	3.4%	3.3%	3.3%	3.4%
Electrical & Electronics	12.1%	12.6%	13.1%	12.8%	12.6%	10.1%	8.8%	8.7%	7.9%	8.8%
Transport Equipment	20.8%	20.9%	17.2%	13.8%	18.1%	13.0%	13.9%	14.2%	14.1%	13.8%
Pharm. & Chemicals	8.5%	8.4%	8.5%	9.3%	8.7%	8.6%	8.1%	7.7%	7.1%	7.8%
Metals & Construction Materials	9.8%	8.9%	8.8%	7.8%	8.8%	6.5%	5.8%	5.2%	4.5%	5.4%
Others	4.8%	5.2%	4.7%	5.5%	5.1%	4.6%	5.7%	6.9%	9.2%	6.8%
<b>Engineering Outsourcing Business</b>	<b>26.4%</b>	<b>27.2%</b>	<b>30.1%</b>	<b>32.5%</b>	<b>29.1%</b>	<b>37.0%</b>	<b>35.6%</b>	<b>36.6%</b>	<b>35.3%</b>	<b>36.0%</b>
Electrical & Electronics	5.1%	6.3%	5.2%	5.3%	5.5%	5.1%	5.0%	4.7%	4.6%	4.9%
Transport Equipment	10.5%	8.8%	9.2%	10.5%	9.8%	10.8%	10.7%	10.9%	10.8%	10.8%
Pharm. & Chemicals	1.7%	1.8%	1.7%	1.7%	1.7%	2.0%	1.8%	1.8%	1.5%	1.8%
Metals & Construction Materials	0.1%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
IT-related	4.2%	4.7%	7.9%	9.2%	6.6%	12.9%	11.8%	11.8%	11.6%	12.0%
Construction & Plant-related	-	-	-	-	-	0.7%	0.8%	1.1%	1.1%	0.9%
After-sales Maintenance	-	-	-	-	-	0.3%	0.5%	0.8%	0.5%	0.5%
Others	4.8%	5.5%	6.0%	5.7%	5.5%	5.0%	5.0%	5.5%	5.1%	5.2%
<b>Overseas Business</b>	<b>9.8%</b>	<b>9.7%</b>	<b>11.2%</b>	<b>11.5%</b>	<b>10.6%</b>	<b>14.2%</b>	<b>16.0%</b>	<b>14.5%</b>	<b>16.0%</b>	<b>15.2%</b>

Note: Intra-segment transactions are offset eliminations

# Consolidated Financial Results for FY12/13

## ● Summary of Consolidated Balance Sheets

(¥ million)	FY12/12 End		FY12/13 End		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	<b>9,431</b>	<b>68.0%</b>	<b>14,119</b>	<b>69.4%</b>	<b>4,688</b>
(Cash and deposits)	3,363	24.3%	6,032	29.7%	2,669
(Notes and accounts receivable-trade)	5,232	37.7%	6,529	32.1%	1,296
(Inventories)	132	1.0%	578	2.8%	445
Noncurrent assets	<b>4,433</b>	<b>32.0%</b>	<b>6,223</b>	<b>30.6%</b>	<b>1,789</b>
Property, plant and equipment	2,008	14.5%	1,953	9.6%	(55)
Intangible assets	1,372	9.9%	1,827	9.0%	454
Investments and other assets	1,051	7.6%	2,442	12.0%	1,391
<b>Total assets</b>	<b>13,866</b>	<b>100.0%</b>	<b>20,343</b>	<b>100.0%</b>	<b>6,476</b>
Current liabilities	<b>6,875</b>	<b>49.6%</b>	<b>10,003</b>	<b>49.2%</b>	<b>3,128</b>
(Notes and accounts payable-trade)	208	1.5%	609	3.0%	400
(Short-term loans payable)	2,020	14.6%	3,550	17.5%	1,530
(Accounts payable-other)	2,341	16.9%	2,905	14.3%	564
Noncurrent liabilities	<b>2,478</b>	<b>17.9%</b>	<b>4,423</b>	<b>21.7%</b>	<b>1,944</b>
(Bonds payable)	76	0.6%	50	0.2%	(26)
(Long-term loans payable)	1,582	11.4%	2,578	12.7%	996
<b>Total liabilities</b>	<b>9,354</b>	<b>67.5%</b>	<b>14,427</b>	<b>70.9%</b>	<b>5,072</b>
Shareholders' equity	<b>4,008</b>	<b>28.9%</b>	<b>4,945</b>	<b>24.3%</b>	<b>936</b>
Capital stock	485	3.5%	514	2.5%	29
Capital surplus	881	6.4%	910	4.5%	29
Retained earnings	3,032	21.9%	3,910	19.2%	878
Treasury stock	(391)	-2.8%	(391)	-1.9%	-
Accumulated other comprehensive income	<b>78</b>	<b>0.6%</b>	<b>382</b>	<b>1.9%</b>	<b>304</b>
Subscription rights to shares	<b>103</b>	<b>0.7%</b>	<b>100</b>	<b>0.5%</b>	<b>(3)</b>
Minority interests	<b>321</b>	<b>2.3%</b>	<b>486</b>	<b>2.4%</b>	<b>165</b>
Net assets	<b>4,511</b>	<b>32.5%</b>	<b>5,915</b>	<b>29.1%</b>	<b>1,403</b>
<b>Total liabilities and net assets</b>	<b>13,866</b>	<b>100.0%</b>	<b>20,343</b>	<b>100.0%</b>	<b>6,476</b>

(Cash and deposits)

Increased from acquisition of subsidiaries' shares and business scale expansion

(Investments and other assets)

Increased from goodwill in accordance with acquisition of subsidiaries' shares and portfolio investment securities

(Loans payable)

Increased due to stable funds raised for working capital and a view towards future M&As

(Retained earnings)

Reflects net income and dividend payments etc.

# Consolidated Financial Results for FY12/13

## ● Summary of Consolidated Statements of Cash Flows

(¥ million)	FY12/12 Amount	FY12/13 Amount	YoY Changes Amount
Income (loss) before income taxes	995	1,589	594
Depreciation and amortization	320	348	27
Gain on bargain purchase	(15)	(203)	(188)
Amortization of goodwill	330	371	41
Amortization of negative goodwill	(138)	(138)	0
Decrease (increase) in notes and accounts receivable-trade	151	(82)	(233)
Increase (decrease) in notes and accounts payable-trade	(234)	(349)	(114)
Other, net	(346)	(237)	109
<b>Net cash provided by (used in) operating activities</b>	<b>1,062</b>	<b>1,298</b>	<b>236</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(755)</b>	<b>(1,982)</b>	<b>(1,226)</b>
Net increase (decrease) in loans payable	921	2,168	1,247
Cash dividends paid	(115)	(187)	(72)
Other, net	(107)	(180)	(72)
<b>Net cash provided by (used in) financing activities</b>	<b>697</b>	<b>1,800</b>	<b>1,102</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,248</b>	<b>4,520</b>	<b>1,271</b>

Increased from the increase in income before income taxes

Decreased from the purchase of investments in subsidiaries

Increased due to stable funds raised

# Consolidated Financial Forecasts for FY12/14



# Consolidated Financial Forecasts for FY12/14

(¥ million)	FY12/13		FY12/14						YoY Changes	
	Actual		1H Forecast		2H Forecast		Full-Year Forecast			
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
Net sales	47,384	100.0%	28,400	100.0%	32,900	100.0%	61,300	100.0%	13,916	29.4%
Cost of sales	38,102	80.4%	-	-	-	-	-	-	-	-
Gross profit	9,281	19.6%	-	-	-	-	-	-	-	-
SG&A expenses	8,078	17.0%	-	-	-	-	-	-	-	-
Operating income	1,202	2.5%	600	2.1%	1,400	4.3%	2,000	3.3%	798	66.4%
Non-operating income	700	1.5%	-	-	-	-	-	-	-	-
Non-operating expenses	546	1.2%	-	-	-	-	-	-	-	-
Ordinary income	1,357	2.9%	650	2.3%	1,400	4.3%	2,050	3.3%	693	51.1%
Extraordinary income	232	0.5%	-	-	-	-	-	-	-	-
Extraordinary loss	-	-	-	-	-	-	-	-	-	-
Net income	1,122	2.4%	350	1.2%	710	2.2%	1,060	1.7%	(62)	-5.5%

# Environment Assumptions for Consolidated Financial Forecasts and Strategies for FY12/14



- 1) Government policy initiatives for mobilization of employment
  - ① Conversion of seasonal workers employed by makers to temporary placement workers
  - ② Aggregation of engineering temporary staffing agencies through the revised law
- 2) Change of value-added from 'Made in Japan'
  - Reinforcing capability for overseas outsourced contracting
- 3) Ongoing growth in the ASEAN market
  - Building a global staffing network

# Environment Assumptions for Consolidated Financial Forecasts and Strategies for FY12/14

## 1) Government policy initiatives for mobilization of employment

### ① Conversion of seasonal workers employed by makers to temporary placement workers

2007	Utilization of manufacturing temporary placement by makers peaked, reaching 1 million workers and a market of ¥3 trillion
2008	Global recession due to the Lehman crisis, and cancellation of manufacturing temporary placement contracts became a social issue of "cutting temporary placement workers"
2009	Use of temporary placement itself was deemed as 'bad', and the Democratic Party of Japan moved ahead with full-scale efforts to ban temporary placement, forming a bottom in the market for temporary placement around this time, shrinking to roughly one-third of the peak level
2010	While production headed for recovery, makers handled demand through directly employed seasonal workers in light of reputational risk from utilization of temporary placement and moves toward a ban
2011	The economy deteriorated due to the March 11 disaster and Thailand flooding, resulting once again in widespread cancellations of temporary placement
2012	The Revised Worker Dispatch Law went into effect, but period limits were reset due to the Senkaku Islands dispute with China
2013	Despite the economic recovery becoming pronounced and production returning to pre-Lehman levels, makers overwhelmingly handled demand through directly employed seasonal workers, and the market for manufacturing temporary placement only recovered to roughly half of the peak level



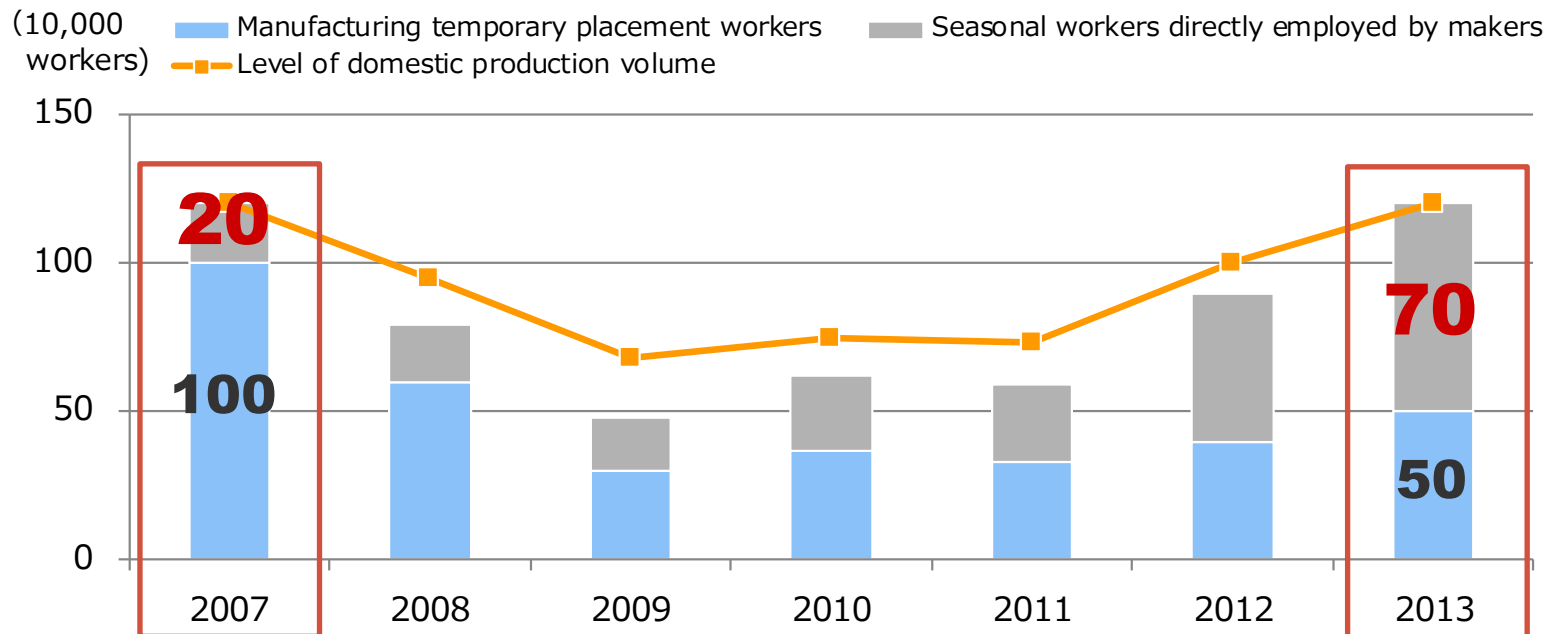
# Environment Assumptions for Consolidated Financial Forecasts and Strategies for FY12/14

## 1) Government policy initiatives for mobilization of employment

- ① Conversion of seasonal workers employed by makers to temporary placement workers

Reputational risk of makers utilizing manufacturing temporary placement and the Revised Law heading toward ban of manufacturing temporary placement resulted in sharp growth of directly employed seasonal workers

### 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  
The level of domestic production volume is indexed to 2007 = 100

## 1) Government policy initiatives for mobilization of employment

### ① Conversion of seasonal workers employed by makers to temporary placement workers

For makers utilizing directly employed seasonal workers, handling the transition to regular employees mandated by laws and regulations, and management skills for makers who don't have dormitories are required

#### Demerits compared with temporary placement

- Surplus resources for production cutbacks during the term of employment contracts
- Indirect costs from recruitment/hiring, company housing preparations and management
- Maker welfare benefits are applicable
- Cost of recruitment/hiring in a tight labor market
- Employment risk
- . . . etc.



Total cost: manufacturing temporary placement < seasonal workers directly employed by makers



Reputation from use of temporary placement and risk avoidance cost of the ban on manufacturing temporary placement

## 1) Government policy initiatives for mobilization of employment

- ① Conversion of seasonal workers employed by makers to temporary placement workers

The Revised Worker Dispatch Law is expected to be enacted in April 2015

Putting in place a law to satisfy both workforce mobilization and stable employment of mobilized workers

### Key points of the Revision

- ◆ Including manufacturing operations, long-term continuous and flexible use of temporary placement
  - \*Makes possible the use of temporary placement for unlimited periods by indefinite term employers
- ◆ Strengthens responsibility of temporary staffing agencies (assuming widened use of temporary placement)
  - \*Rigorous screening of temporary placement approval requirements etc



Risks of reputation and ban on manufacturing temporary placement disappear

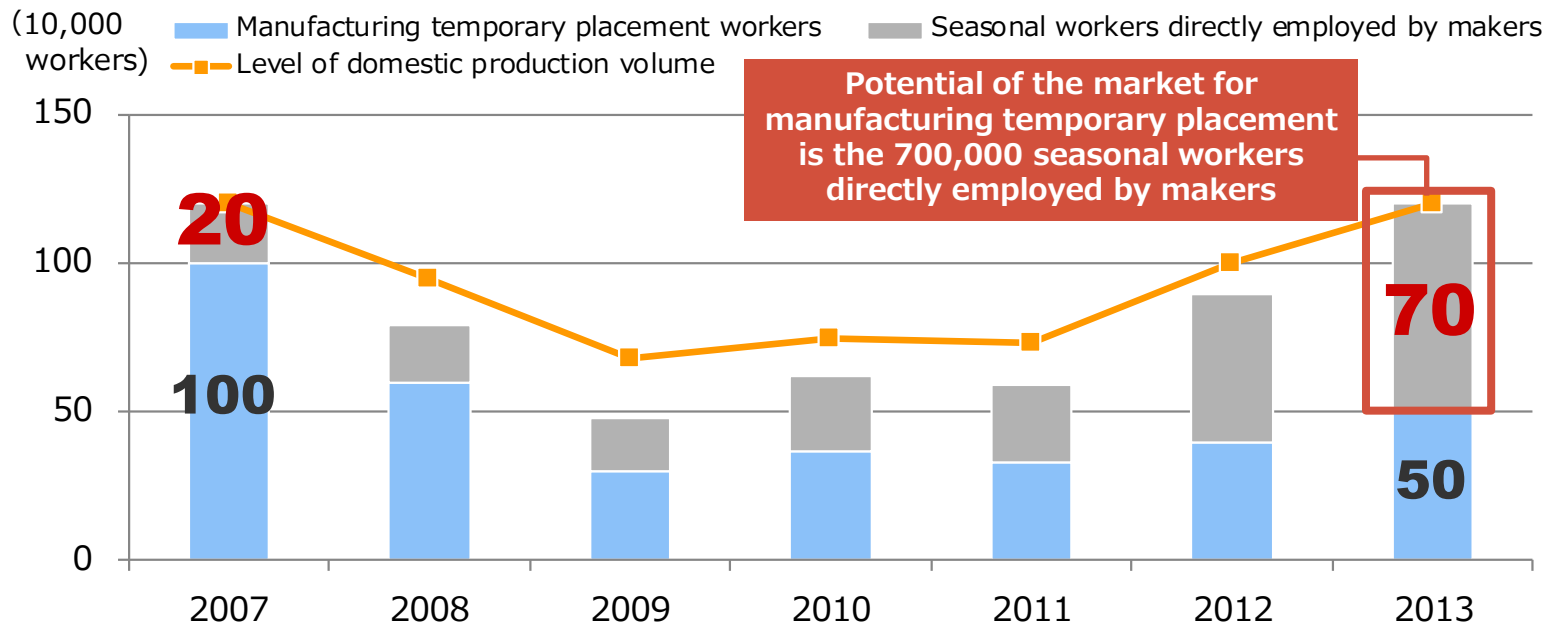
# Environment Assumptions for Consolidated Financial Forecasts and Strategies for FY12/14

## 1) Government policy initiatives for mobilization of employment

- ① Conversion of seasonal workers employed by makers to temporary placement workers

With revision of the Dispatch Law and social recognition of the importance of employment mobilization, maker utilization of manufacturing temporary placement is set to recover

### 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  
The level of domestic production volume is indexed to 2007 = 100

- 1) Government policy initiatives for mobilization of employment
  - ① Conversion of seasonal workers employed by makers to temporary placement workers

## OUTSOURCING Inc. Strategy and Competitive Advantage

Seasonal workers directly employed by makers are transferred to enrollment in Outsourcing Inc. and converted to temporary placement

Employment = contract between Outsourcing Inc. and workers  
---- indefinite term employment (part fixed term employment)

Temporary placement = contract between Outsourcing Inc. and makers  
----limited term

Accepted as indefinite term employees,  
satisfying both mobilization and stable employment



The number of service vendors that can realize true maker structural reforms through equal bargaining and cooperation between maker managements and labor unions is extremely limited

# Environment Assumptions for Consolidated Financial Forecasts and Strategies for FY12/14

- 1) Government policy initiatives for mobilization of employment
  - ② Aggregation of engineering temporary staffing agencies through the revised law

Temporary placement business under the current notification system (placing regular workers) is unpredictable, and in the event the employment position disappears, temporary staffing agencies forced to resort to dismissals are rampant

\*Abolished under the Revised Worker Dispatch Law (expected enactment April 2015)

Temporary placement business under the new licensing system will have strict examination of approval requirements in terms of assets, organization and structure, as well as mandatory annual temporary placement business reporting, securing regular temporary placement workers from vendors of questionable quality and weak/small vendors facing difficulty in continuing business

Of some 53,600 temporary staffing agencies nationwide under the notification system: over half will likely be weeded out

Source: estimates by OUTSOURCING Inc. based on the Ministry of Health, Labour and Welfare "Survey of Worker Dispatch Business as of June 1, 2012"



**The OUTSOURCING Group has a competitive advantage  
in terms of reputation and funding strength**

## 2) Change of value-added from 'Made in Japan'

- Reinforcing capability for overseas outsourced contracting

### Domestic Growth Industries

High demand from Japanese people for functionality, design, ease of use, "newness" and "safeness"

- ◆Automobiles, housing fixtures/building materials and pharmaceuticals/medical equipment: these three industries have firm domestic production



Pursuing profits from development and production of higher value-added products

### Overseas Growth Industries

Production is being shifted to overseas markets where features and design beyond current levels are not demanded by domestic consumers

- ◆Electrical equipment/electronics and semiconductors have firm overseas growth



Pursuing profits from highly efficient production using a cheaper workforce amidst global competition

## 2) Change of value-added from 'Made in Japan'

- Reinforcing capability for overseas outsourced contracting

[Past strategy when domestic production was high value-added]

Expand business by intentionally diversifying sectors, with economic fluctuation by each sector being offset by other sectors



[Present strategy where production has become polarized due to changing value-added]

Expand business domestically by pulling together synergies from subsidiaries specialized in the three industries that are maintaining value-added, and expand overseas through the Overseas Group targeting industries transferring overseas



## 3) Ongoing growth in the ASEAN market

- Building a global staffing network
- ▣ Market growth as a production base
  - ◆ Establish and strengthen production bases in ASEAN as a consumption region from countries around the world
  - ◆ Makers from developed countries transfer production seeking a cheap workforce
- ▣ Market growth as a consumption region
  - ◆ In accordance with rising populations and middle classes, building construction and civil engineering infrastructure work is growing sharply

Labor shortages are emerging in production intensive regions of Thailand, Vietnam, Indonesia, Malaysia etc.



Building a staffing network spanning across all ASEAN countries is indispensable.

## 3) Ongoing growth in the ASEAN market

- Building a global staffing network

The OUTSOURCING Group has already completed building of a business base to mainly Japanese makers in Thailand, Vietnam, Indonesia and Malaysia

Note: The Company defines Thailand, Vietnam, Indonesia and Malaysia as ASEAN industrial developed countries, and Myanmar, Laos and Cambodia as industrial emerging countries

Entering Myanmar, Laos and Cambodia as staffing supply bases



Can't win support of workers from each country if used as "disposable workers away from home"



Aiming to raise the skills of "manufacturing" through implementing education and training of know-how and technology, not simply as workers away from home



Secure workforce in ASEAN developed countries and support acquisition of skills and know-how for developed countries to attract industry

## 3) Ongoing growth in the ASEAN market

- Building a global staffing network

Overseas business development outside of the ASEAN region

Entered the market in India : South Asia developing as a global growth area

- ❑ In January 2014 made ALP CONSULTING LIMITED and DATACORE TECHNOLOGIES PRIVATE LIMITED into subsidiaries

### ①ALP

( 1 )	Company Name	ALP CONSULTING LIMITED
( 2 )	Head Office	No.3, Palace Road, 12 <sup>th</sup> Main, Vasanth Nagar, Bengaluru, Karnataka, India
( 3 )	Name and Title of Representative	Jayachandran Pillai, Director
( 4 )	Major Business	IT engineering temporary placement, manufacturing temporary placement, payrolls services
( 5 )	Capital Stock	INR12,775,000
( 6 )	Established	May 4, 1999

### ②DATACORE

( 1 )	Company Name	DATACORE TECHNOLOGIES PRIVATE LIMITED
( 2 )	Head Office	No.3, Palace Road, 12 <sup>th</sup> Main, Vasanth Nagar, Bengaluru, Karnataka, India
( 3 )	Name and Title of Representative	Jayachandran Pillai, Director
( 4 )	Major Business	IT engineering temporary placement services
( 5 )	Capital Stock	INR5,000,000
( 6 )	Established	September 23, 2008

Acquired a manufacturing and IT engineering outsourcing group with 3,000 workers enrolled in India where is the huge growth market

# Outline of Consolidated Net Sales Forecasts for FY12/14



- Through government policy and the revised law, will capture maker needs generated from promoting structural reforms regardless of macro trends
- Will capture demand from market growth expected to exceed the impact of the global economy

The business plan for FY12/14 is focused on capturing demand that is less susceptible to the impact of production fluctuation from the economy

[Reference]

Q4 FY12/13 (Oct-Dec) consolidated net sales were ¥13.7billion.

\*Since M&A in India was in January 2014, figures are not included in the Q4.

# Outline of Consolidated Net Sales Forecasts for FY12/14

FY12/14 Domestic Production Outsourcing Business: Net Sales ¥26.7 billion

FY12/14 Overseas Production Outsourcing Business: Net Sales ¥11.1 billion

FY12/14 Engineering Outsourcing Business: Net Sales ¥22.7 billion

FY12/14 Other Business: Net Sales ¥0.8 billion

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**Total:** Net Sales ¥61.3 billion

# Details of Consolidated Financial Forecasts for FY12/14



# Details of Consolidated Financial Forecasts for FY12/14

## ● Semi-annually Financial Results by Reporting Segment

(¥ million)		FY12/13 Actual			FY12/14 Forecast		
		1H	2H	Full-Year	1H	2H	Full-Year
Manufacturing Outsourcing Business	No. of contract workers at term-end	5,969	6,351	6,351	6,924	7,955	7,955
	Net sales	10,024	12,242	22,267	12,321	14,453	26,775
	Operating income	(155)	693	538	90	398	488
Engineering Outsourcing Business	No. of contract workers at term-end	2,282	2,600	2,600	2,916	3,311	3,311
	Net sales	7,817	9,351	17,169	10,437	12,275	22,713
	Operating income	167	574	742	439	859	1,298
Administrative Outsourcing Business	No. of outsourcing administrative workers at term-end	2,179	2,344	2,344	2,810	2,932	2,932
	Net sales	319	284	603	270	277	547
	Operating income	82	56	139	31	66	97
Recruiting and Placement Business	No. of placed workers	806	1,410	2,216	1,181	1,199	2,380
	Net sales	142	343	485	253	253	506
	Operating income	27	102	129	60	46	106
Overseas Business	No. of contract workers at term-end (production outsourcing business)	5,122	4,829	4,829	9,295	12,816	12,816
	No. of contract workers at term-end (other business)	1,834	1,733	1,733	2,021	2,024	2,024
	Net sales	3,313	4,224	7,537	5,333	5,855	11,188
	Operating income	39	(17)	22	106	151	258
	Net sales	93	96	190	115	122	238
Other Business	Operating income	4	0	5	4	7	12
Internal Transfer	Net sales	(277)	(592)	(869)	(331)	(337)	(669)
Elimination	Operating income	(165)	(209)	(374)	(132)	(129)	(262)
Total	Net sales	21,433	25,951	47,384	28,400	32,900	61,300
	Operating income	1	1,201	1,202	600	1,400	2,000



# Details of Consolidated Financial Forecasts for FY12/14

## ● Quarterly Financial Results by Reporting Segment

(¥ million)		FY12/13 Actual					FY12/14 Forecast				
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Manufacturing Outsourcing Business	No. of contract workers at term-end	5,313	5,969	6,442	6,351	6,351	6,527	6,924	7,584	7,955	7,955
	Net sales	4,891	5,133	5,704	6,538	22,267	6,065	6,255	7,086	7,367	26,775
	Operating income	(255)	100	137	555	538	3	86	151	246	488
Engineering Outsourcing Business	No. of contract workers at term-end	2,097	2,282	2,441	2,600	2,600	2,673	2,916	3,146	3,311	3,311
	Net sales	3,882	3,934	4,474	4,876	17,169	4,935	5,502	5,932	6,342	22,713
	Operating income	112	55	280	294	742	243	195	348	510	1,298
Administrative Outsourcing Business	No. of outsourcing administrative workers at term-end	2,317	2,179	2,325	2,344	2,344	2,808	2,810	2,968	2,932	2,932
	Net sales	164	154	146	137	603	134	135	136	140	547
	Operating income	45	36	41	15	139	10	21	30	36	97
Recruiting and Placement Business	No. of placed workers	261	545	755	655	2,216	569	612	610	589	2,380
	Net sales	38	103	159	184	485	117	135	130	122	506
	Operating income	15	11	37	65	129	24	35	27	19	106
Overseas Business	No. of contract workers at term-end (production outsourcing business)	4,177	5,122	4,758	4,829	4,829	8,275	9,295	10,873	12,816	12,816
	No. of contract workers at term-end (other business)	1,719	1,834	1,763	1,733	1,733	2,001	2,021	2,021	2,024	2,024
	Net sales	1,513	1,799	1,802	2,422	7,537	2,567	2,765	2,887	2,967	11,188
	Operating income	(18)	57	40	(58)	22	19	86	80	71	258
Other Business	Net sales	48	45	54	41	190	55	60	57	65	238
	Operating income	5	0	(1)	2	5	1	3	3	4	12
Internal Transfer	Net sales	(123)	(153)	(165)	(426)	(869)	(162)	(169)	(167)	(169)	(669)
Elimination	Operating income	(93)	(71)	(135)	(73)	(374)	(54)	(78)	(70)	(59)	(262)
Total	Net sales	10,415	11,017	12,176	13,774	47,384	13,712	14,687	16,064	16,835	61,300
	Operating income	(188)	189	400	801	1,202	249	350	572	827	2,000

# Recruitment Plan for FY12/14

## ● Quarterly Domestic Recruitment

		FY12/13	FY12/14						
		Actual	Q1 Plan	Q2 Plan	1H Plan	Q3 Plan	Q4 Plan	2H Plan	Full-Year Plan
Contract and Temporary Workers	<b>No. of workers recruited</b>	<b>6,754</b>	<b>1,249</b>	<b>1,535</b>	<b>2,784</b>	<b>2,065</b>	<b>1,853</b>	<b>3,918</b>	<b>6,702</b>
	Recruitment unit price (¥/worker)	47,130	77,127	65,819	71,064	59,215	50,087	54,834	62,121
Recruiting and Placement	<b>No. of workers recruited</b>	<b>2,156</b>	<b>569</b>	<b>612</b>	<b>1,181</b>	<b>610</b>	<b>589</b>	<b>1,199</b>	<b>2,380</b>
	Recruitment unit price (¥/worker)	98,432	154,255	131,638	142,129	118,429	100,173	109,668	124,242
Engineers and Others	<b>No. of workers recruited</b>	<b>954</b>	<b>171</b>	<b>408</b>	<b>579</b>	<b>272</b>	<b>206</b>	<b>478</b>	<b>1,057</b>
	Recruitment unit price (¥/worker)	296,003	434,494	205,012	272,787	280,708	274,614	278,082	275,181

Return to Shareholders



## ● Change in Dividend Policy

- Until now strategy aimed at expanding business reinvested a portion of profits in order to prevail amidst industry consolidation

Minimum term-end DPS set at ¥8.00, and if EPS exceeds ¥80.00,  
target 10% consolidated dividend payout ratio



- Now a certain level of base building has been achieved toward future large growth
- Planning to raise rebates for existing shareholders further, as well as expanding the shareholder base

From FY12/14, the target for consolidated dividend payout ratio is raised from 10% in principle in the past to 30%

## ● Dividend Forecast for FY12/14




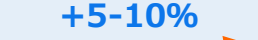

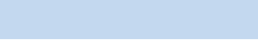
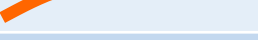
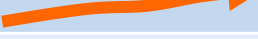
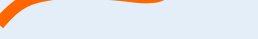
(¥)	Q1 End	Q2 End	Q3 End	Q4 End	Total
FY12/14 Forecast	-	0.00	-	22.00	22.00
FY12/13 Actual	-	5.00	-	8.00	13.00

\*The Q2 end interim dividend of ¥5.00 in FY12/13 was a commemorative dividend on successfully moving up to the TSE First Section

## References



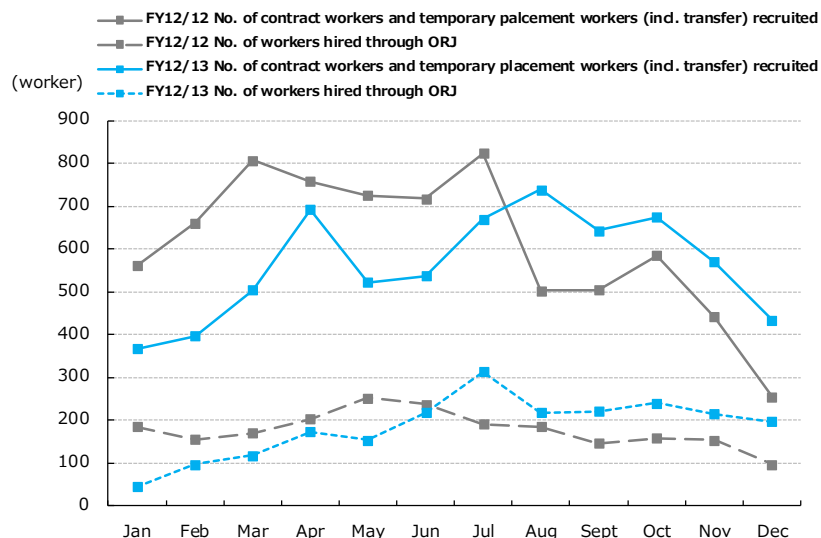
## [Reference] Trend of Transactions by Industry Sector for FY12/14

Industry	Forecast	Outsourcing Demand Forecasts
Foods	+0-5% 	Since this sector has little impact from the economy, demand is basically flat and grows when new products are launched
Electrical & Electronics	+5-10% 	While auto-related and smartphone components are maintaining a high level, all others are expected to remain depressed, however, a certain level of front-loaded demand ahead of the consumption tax hike is expected in the Q1
Transport Equipment	+15-25% 	Hybrids and minis are strong, and new model launches are expected to maintain firm growth even after the consumption tax hike
Pharm. & Chemicals	+5-10% 	Boosted by deregulation, new drug development and regenerative medical related demand is strong, and medical equipment R&D for new products is generating stable demand growth
Metals & Construction Materials	+20-25% 	Disaster restoration, the plan for strengthening infrastructure, the policy-driven economic recovery, the rush to start contracted projects ahead of the consumption tax hike and Olympics-related demand are all contributing to stable demand growth
IT-related	+20-30% 	Demand continues to expand from urban redevelopment and system renewal and upgrade/expansion projects etc.
Others	+5-10% 	While the domestic racing industry is flat, after-market strength is supporting mild growth
Construction & Plant-related		In addition to disaster prevention, disaster restoration, urban redevelopment and government economic policies, there is special demand for the Olympics, and the construction industry is experiencing ongoing demand growth
After-sales Maintenance		Demand for collection repairs of digital AV products is brisk

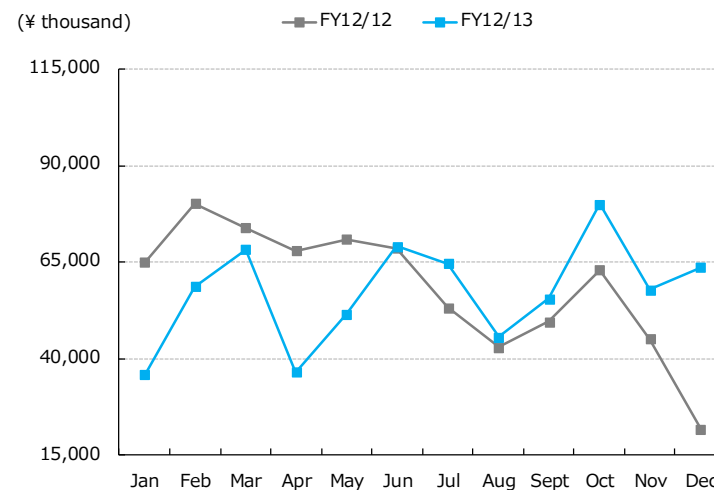
# [Reference] Trend in Recruited Number of Workers and Recruitment Costs

## ● Monthly Trend in Recruited Number of Workers and Recruitment Costs (Consolidated)

No. of Contract Workers and Temporary Placement Workers (incl. transfer) Recruited



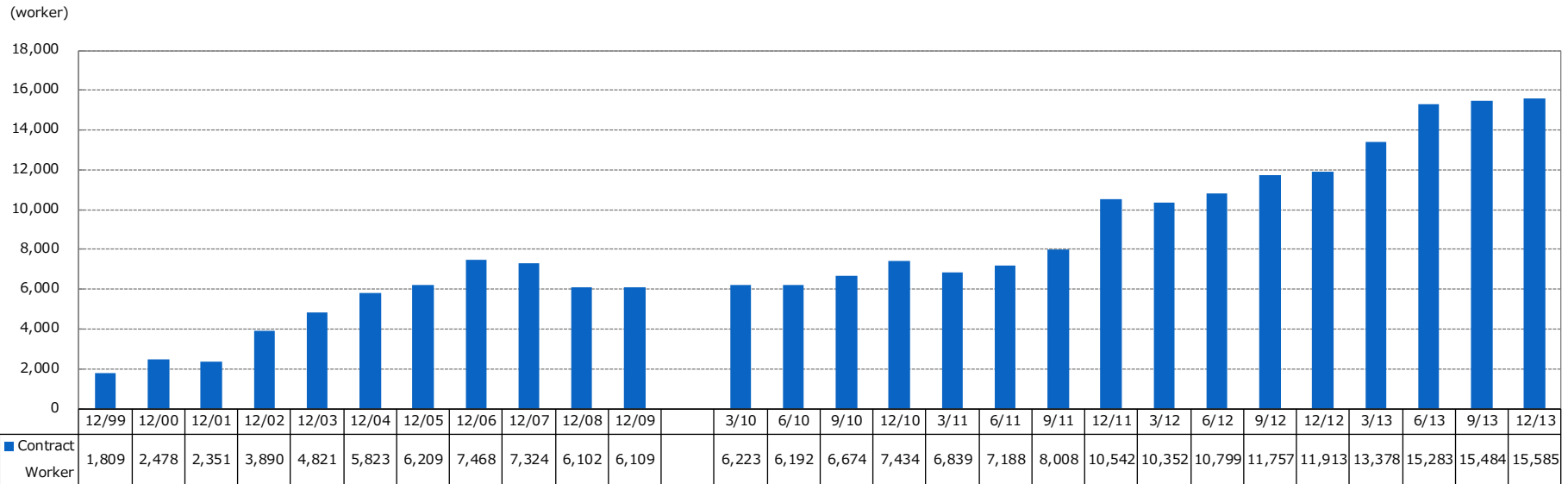
Monthly Recruitment Expenses



FY12/12	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
No. of contract workers and temporary placement workers (incl. transfer) recruited	562	661	808	759	726	718	824	503	504	585	442	256
No. of workers hired through ORJ	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	Sept	Oct	Nov	Dec
No. of contract workers and temporary placement workers (incl. transfer) recruited	368	397	504	692	522	538	670	739	644	675	571	434
No. of workers hired through ORJ	45	97	119	173	154	218	314	219	222	241	216	198
Recruitment expenses (¥ thousand)	35,872	58,662	68,226	36,554	51,512	69,048	64,612	45,576	55,471	80,074	57,834	63,681

## [Reference] 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' manufacturer's worksites, including currently active temporary placement 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.

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