

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



# Financial Results for the Fiscal Year Ended December 31, 2015

February 2016

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# Consolidated Financial Results for FY12/15



# Consolidated Financial Results for FY12/15

## Consolidated Financial Results Summary (Annual and Semi-Annual Trends)

(¥ million)	FY12/14 Actual				FY12/15 Actual				YoY Changes	
	1H Amount	2H Amount	Full-Year Amount	Composition Ratio	1H Amount	2H Amount	Full-Year Amount	Composition Ratio	Amount	Ratio
<b>Net sales</b>	<b>28,070</b>	<b>31,351</b>	<b>59,421</b>	<b>100.0%</b>	<b>36,022</b>	<b>44,838</b>	<b>80,860</b>	<b>100.0%</b>	<b>21,439</b>	<b>36.1%</b>
Cost of sales	22,549	24,908	47,457	79.9%	28,947	35,379	64,327	79.6%	16,869	35.5%
<b>Gross profit</b>	<b>5,521</b>	<b>6,442</b>	<b>11,963</b>	<b>20.1%</b>	<b>7,074</b>	<b>9,458</b>	<b>16,533</b>	<b>20.4%</b>	<b>4,570</b>	<b>38.2%</b>
SG&A expenses	4,807	5,145	9,953	16.8%	6,136	7,271	13,408	16.6%	3,455	34.7%
<b>Operating income</b>	<b>713</b>	<b>1,297</b>	<b>2,010</b>	<b>3.4%</b>	<b>937</b>	<b>2,187</b>	<b>3,125</b>	<b>3.9%</b>	<b>1,114</b>	<b>55.5%</b>
Non-operating income	288	373	661	1.1%	266	261	527	0.7%	(134)	-20.3%
Non-operating expenses	241	233	474	0.8%	200	227	428	0.5%	(46)	-9.8%
<b>Ordinary income</b>	<b>759</b>	<b>1,437</b>	<b>2,197</b>	<b>3.7%</b>	<b>1,003</b>	<b>2,221</b>	<b>3,224</b>	<b>4.0%</b>	<b>1,027</b>	<b>46.8%</b>
Extraordinary income	58	55	113	0.2%	39	49	88	0.1%	(25)	-22.1%
Extraordinary losses	5	186	192	0.3%	0	0	1	0.0%	(191)	-99.4%
<b>Net income</b>	<b>375</b>	<b>941</b>	<b>1,316</b>	<b>2.2%</b>	<b>488</b>	<b>1,321</b>	<b>1,810</b>	<b>2.2%</b>	<b>493</b>	<b>37.5%</b>

# Consolidated Financial Results for FY12/15

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## Consolidated Financial Results Highlights for FY12/15

\*Red: negative factors; Black: positive factors

### **Net Sales**                      **¥80,860 million (+36.1% YoY)**

- Engineering Outsourcing Business increased by 43.2% YoY, boosted by success in career changes through the engineer training curriculum jointly developed with clients
- Manufacturing Outsourcing Business increased by 20.1% YoY, through expanded orders from advanced proposals that resolved issues relating to the Labor Contract Act and Revised Worker Dispatching Act
- Overseas Business increased by 66.1% YoY through successfully generating synergies among Group companies in each country

### **Operating Income**                      **¥3,125 million (+55.5% YoY)**

- Absorbed goodwill amortization of ¥923 million
- Absorbed upfront investments of ¥300 million that arose from entering new industries, including service operations provided within US military bases stationed in Japan, and those provided for the convenience store industry and primary industries (agriculture, forestry and fisheries), etc. from strategy aimed at leveling out business results

### **Ordinary Income**                      **¥3,224 million (+46.8% YoY)**

- Booked foreign exchange gains of ¥51 million

# Consolidated Financial Results for FY12/15

## ■ Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/14 Actual				FY12/15 Actual			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	13,788	14,281	15,232	16,118	17,694	18,327	20,499	24,338
Gross profit	2,646	2,874	3,070	3,372	3,362	3,712	4,228	5,230
Gross profit margin	19.2%	20.1%	20.2%	20.9%	19.0%	20.3%	20.6%	21.5%
SG&A expenses	2,337	2,470	2,537	2,607	3,047	3,089	3,358	3,913
SG&A expenses ratio	17.0%	17.3%	16.7%	16.2%	17.2%	16.9%	16.4%	16.1%
Operating income	309	404	532	764	314	622	870	1,317
Operating income margin	2.2%	2.8%	3.5%	4.7%	1.8%	3.4%	4.2%	5.4%
Ordinary income	329	430	589	847	365	637	969	1,252
Ordinary income margin	2.4%	3.0%	3.9%	5.3%	2.1%	3.5%	4.7%	5.1%
Net income	193	181	412	529	205	283	498	822
Net income margin	1.4%	1.3%	2.7%	3.3%	1.2%	1.5%	2.4%	3.4%

QoQ Changes Ratio	FY12/14 Actual				FY12/15 Actual			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	0.1%	3.6%	6.7%	5.8%	9.8%	3.6%	11.8%	18.7%
Gross profit	-9.0%	8.6%	6.8%	9.8%	-0.3%	10.4%	13.9%	23.7%
SG&A expenses	10.9%	5.7%	2.7%	2.8%	16.9%	1.4%	8.7%	16.5%
Operating income	-61.4%	30.6%	31.9%	43.4%	-58.8%	97.9%	39.7%	51.3%
Ordinary income	-62.7%	30.7%	36.9%	43.8%	-56.9%	74.6%	52.0%	29.2%
Net income	-75.5%	-6.0%	126.8%	28.3%	-61.2%	38.4%	75.8%	64.8%

# Consolidated Financial Results for FY12/15

## Financial Results by Reporting Segment and Net Sales by Region (Annual and Semi-Annual Trends)

(¥ million)		FY12/14 Actual				FY12/15 Actual			
		1H Amount	2H Amount	Full-Year Amount	Composition Ratio	1H Amount	2H Amount	Full-Year Amount	Composition Ratio
Engineering Outsourcing Business	Net sales	10,381	11,655	22,036	37.1%	14,765	16,787	31,552	39.0%
	Operating income	494	928	1,423	70.8%	949	1,448	2,398	76.7%
	No. of worksite employees at year-end	2,893	3,271	3,271	–	4,285	4,742	4,742	–
Manufacturing Outsourcing Business	Net sales	12,049	13,428	25,478	42.9%	14,031	16,560	30,591	37.9%
	Operating income	195	389	584	29.1%	189	732	921	29.5%
	No. of worksite employees at year-end	6,213	6,732	6,732	–	6,935	9,134	9,134	–
Administrative Outsourcing Business	Net sales	289	312	601	1.0%	270	226	497	0.6%
	Operating income	41	50	92	4.6%	30	31	62	2.0%
	No. of outsourcing administrative workers at year-end	2,018	2,092	2,092	–	1,730	1,538	1,538	–
Recruiting and Placing Business*	Net sales	370	409	779	1.3%	341	529	871	1.1%
	Operating income	167	186	354	17.6%	142	270	413	13.2%
	No. of placed workers	1,455	1,427	2,882	–	1,194	1,495	2,689	–
Overseas Business	Net sales	4,879	5,466	10,346	17.4%	6,535	10,646	17,181	21.2%
	Operating income	34	52	87	4.3%	(19)	255	235	7.5%
	No. of worksite employees at year-end (Production Outsourcing Business)	7,545	7,554	7,554	–	8,417	11,667	11,667	–
	No. of worksite employees at year-end (Other Business)	2,543	2,871	2,871	–	3,083	3,872	3,872	–
Other Business	Net sales	99	78	178	0.3%	78	87	165	0.2%
	Operating income	4	1	6	0.3%	7	6	14	0.4%
Adjustments	Operating income	(225)	(311)	(537)	-26.7%	(362)	(557)	(920)	-29.4%
Total	Net sales	28,070	31,351	59,421	100.0%	36,022	44,838	80,860	100.0%
	Operating income	713	1,297	2,010	100.0%	937	2,187	3,125	100.0%

\*From Q2 FY12/15, the Company has modified the English term of the reporting segment formerly titled "Recruitment and Placement Business" to "Recruiting and Placing Business". The contents and Japanese title of the reporting segment remain the same.

Net Sales by Region		FY12/14 Actual				FY12/15 Actual			
(¥ million)		1H	2H	Full-Year	Composition Ratio	1H	2H	Full-Year	Composition Ratio
Japan		23,190	25,884	49,074	82.6%	29,487	34,191	63,678	78.8%
Asia/Oceania (excl. Japan)		4,879	5,466	10,346	17.4%	6,535	8,933	15,468	19.1%
Other		–	–	–	–	–	1,713	1,713	2.1%
Total		28,070	31,351	59,421	100.0%	36,022	44,838	80,860	100.0%

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

# Consolidated Financial Results for FY12/15

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

(¥ million)		FY12/14 Actual				FY12/15 Actual			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Engineering Outsourcing Business	Net sales	5,095	5,285	5,696	5,958	7,166	7,599	8,024	8,762
	Operating income	293	201	455	473	421	528	584	863
	No. of worksite employees at term-end	2,688	2,893	2,954	3,271	3,918	4,285	4,450	4,742
Manufacturing Outsourcing Business	Net sales	5,967	6,081	6,500	6,928	6,970	7,060	7,751	8,808
	Operating income	52	143	103	285	50	138	228	503
	No. of worksite employees at term-end	6,197	6,213	6,607	6,732	6,660	6,935	7,982	9,134
Administrative Outsourcing Business	Net sales	147	142	151	160	137	133	124	102
	Operating income	10	30	18	31	14	16	17	14
	No. of outsourcing administrative workers at term-end	2,102	2,018	2,140	2,092	2,151	1,730	1,659	1,538
Recruiting and Placing Business*	Net sales	159	210	188	221	167	174	257	272
	Operating income	77	90	96	89	66	75	136	134
	No. of placed workers	690	765	744	683	594	600	703	792
Overseas Business	Net sales	2,353	2,526	2,658	2,808	3,210	3,324	4,302	6,343
	Operating income	(7)	42	18	34	(63)	43	118	136
	No. of worksite employees at term-end (Production Outsourcing Business)	6,924	7,545	8,412	7,554	7,677	8,417	8,460	11,667
	No. of worksite employees at term-end (Other Business)	2,222	2,543	2,694	2,871	3,417	3,083	2,987	3,872
Other Business	Net sales	63	36	36	41	42	35	39	48
	Operating income	6	(2)	(0)	1	3	4	5	1
Adjustments	Operating income	(123)	(102)	(159)	(151)	(177)	(185)	(220)	(336)
Total	Net sales	13,788	14,281	15,232	16,118	17,694	18,327	20,499	24,338
	Operating income	309	404	532	764	314	622	870	1,317

\*From Q2 FY12/15, the Company has modified the English term of the reporting segment formerly titled "Recruitment and Placement Business" to "Recruiting and Placing Business". The contents and Japanese title of the reporting segment remain the same.

Net Sales by Region		FY12/14 Actual				FY12/15 Actual			
(¥ million)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan		11,434	11,755	12,573	13,310	14,484	15,003	16,196	17,994
Asia/Oceania (excl. Japan)		2,353	2,526	2,658	2,808	3,210	3,324	3,937	4,995
Other		—	—	—	—	—	—	364	1,348
Total		13,788	14,281	15,232	16,118	17,694	18,327	20,499	24,338

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



# Consolidated Financial Results for FY12/15

## Summary of Consolidated Balance Sheet

(¥ million)	FY12/14 End		FY12/15 End		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
<b>Current assets</b>	<b>17,065</b>	<b>70.7%</b>	<b>24,657</b>	<b>66.6%</b>	<b>7,592</b>
(Cash and deposits)	6,671	27.6%	9,215	24.9%	2,543
(Notes and accounts receivable - trade)	8,257	34.2%	12,979	35.0%	4,721
(Inventories)	823	3.4%	851	2.3%	28
<b>Non-current assets</b>	<b>7,067</b>	<b>29.3%</b>	<b>12,384</b>	<b>33.4%</b>	<b>5,316</b>
Property, plant and equipment	2,415	10.0%	2,734	7.4%	318
Intangible assets	2,294	9.5%	7,260	19.6%	4,966
Investments and other assets	2,358	9.8%	2,389	6.5%	31
<b>Total assets</b>	<b>24,132</b>	<b>100.0%</b>	<b>37,042</b>	<b>100.0%</b>	<b>12,909</b>
<b>Current liabilities</b>	<b>12,967</b>	<b>53.7%</b>	<b>20,155</b>	<b>54.4%</b>	<b>7,188</b>
(Notes and accounts payable - trade)	752	3.1%	730	2.0%	(21)
(Short-term loans payable)	4,666	19.3%	8,703	23.5%	4,037
(Accounts payable - other)	3,800	15.7%	5,745	15.5%	1,945
<b>Non-current liabilities</b>	<b>3,596</b>	<b>14.9%</b>	<b>4,515</b>	<b>12.2%</b>	<b>918</b>
(Bonds payable)	30	0.1%	25	0.1%	(5)
(Long-term loans payable)	1,763	7.3%	2,018	5.4%	255
<b>Total liabilities</b>	<b>16,563</b>	<b>68.6%</b>	<b>24,670</b>	<b>66.6%</b>	<b>8,107</b>
<b>Shareholders' equity</b>	<b>6,219</b>	<b>25.8%</b>	<b>11,574</b>	<b>31.2%</b>	<b>5,354</b>
Capital stock	613	2.5%	1,724	4.7%	1,111
Capital surplus	1,009	4.2%	3,425	9.2%	2,415
Retained earnings	4,988	20.7%	6,424	17.3%	1,435
Treasury shares	(391)	-1.6%	(0)	0.0%	390
<b>Accumulated other comprehensive income</b>	<b>663</b>	<b>2.7%</b>	<b>89</b>	<b>0.2%</b>	<b>(573)</b>
<b>Subscription rights to shares</b>	<b>43</b>	<b>0.2%</b>	<b>96</b>	<b>0.3%</b>	<b>52</b>
<b>Minority interests</b>	<b>643</b>	<b>2.7%</b>	<b>611</b>	<b>1.7%</b>	<b>(31)</b>
<b>Net assets</b>	<b>7,569</b>	<b>31.4%</b>	<b>12,372</b>	<b>33.4%</b>	<b>4,802</b>
<b>Total liabilities and net assets</b>	<b>24,132</b>	<b>100.0%</b>	<b>37,042</b>	<b>100.0%</b>	<b>12,909</b>

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

Intangible assets:  
Larger goodwill on acquiring subsidiaries' shares

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

Capital stock, capital surplus:  
Increased from the exercise of subscription rights to shares

# Consolidated Financial Results for FY12/15

## ■ Summary of Consolidated Statements of Cash Flows

(¥ million)	FY12/14 Full-Year	FY12/15 Full-Year	YoY Changes
	Amount	Amount	Amount
Income (loss) before income taxes	2,119	3,312	1,193
Depreciation	344	446	101
Gain on bargain purchase	–	(45)	(45)
Amortization of goodwill	518	923	404
Amortization of negative goodwill	(46)	(0)	46
Decrease (increase) in notes and accounts receivable - trade	(1,299)	(1,550)	(250)
Increase (decrease) in notes and accounts payable - trade	516	655	139
Other, net	131	(1,643)	(1,775)
<b>Net cash provided by (used in) operating activities</b>	<b>2,284</b>	<b>2,097</b>	<b>(187)</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(1,351)</b>	<b>(5,039)</b>	<b>(3,688)</b>
Increase (decrease) in loans payable	(837)	2,349	3,186
Cash dividends paid	(232)	(401)	(168)
Proceeds from issuance of common shares	196	3,900	3,703
Other, net	(56)	(55)	1
<b>Net cash provided by (used in) financing activities</b>	<b>(930)</b>	<b>5,793</b>	<b>6,723</b>
<b>Cash and cash equivalents at end of period</b>	<b>4,671</b>	<b>7,396</b>	<b>2,725</b>

Increased acquisition of shares of subsidiaries

Increased from increase in loans payable, and proceeds from issuance of common shares

# FY12/16 OS Group Growth Strategies



- (1) Changing Business Environment and the OS Group's Response
- (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment
- (3) Initiatives for Strengthening Management Structure and Corporate Governance

## (1) Changing Business Environment and the OS Group's Response

The Company was established for the purpose of providing outsourcing services in the field of manufacturing in Japan.

For human resources (staffing) business, growth in net sales is tied directly to net increase in personnel

⇒ since there is high volatility in manufacturing lines, business was expanded through the use of fixed-term contract employees.

### 【Changing Business Environment】

1. Until now, growth was achieved through recruiting more than the number of those leaving each month from expiration of employment terms, however, due to the tight labor market, recruiting has become difficult, leading to the collapse of this business model.

Efforts toward regular employees became necessary, which doesn't produce retirees due to expiration of employment terms.

2. The Revised Labor Contract Act was enacted in 2013, which made mandatory making fixed-term contract employees who worked continuously over 5 years into regular employees upon their request.

\* Please refer to P.46 reference material regarding details of the Revised Act.

The Company is also subject to this mandatory requirement.

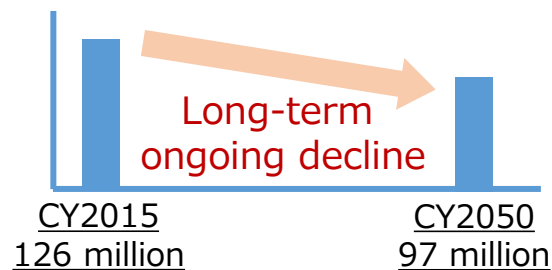
In order to maintain employment after making regular employees, expansion of scale and stabilization of business results is indispensable.

## (1) Changing Business Environment and the OS Group's Response

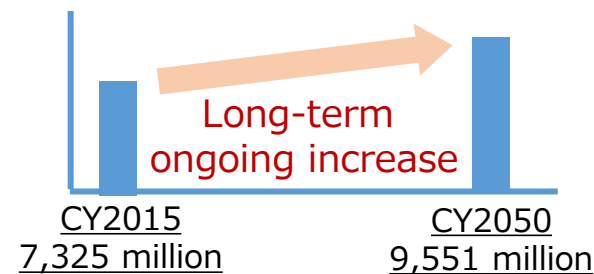
Strategies aimed at expansion of scale and stabilization of business results

In Japan, population, which is the source of growth, is declining, while it is increasing overseas.

【Japan Total Population Estimates】



【World Total Population Estimates】



Source: "World Statistics 2015" (Ministry of Internal Affairs and Communications Statistics Bureau)

On a global scale, entering various industries that have a different cycle from manufacturing industries

## (1) Changing Business Environment and the OS Group's Response

### Japan

1. Expanding scale through capturing newly created demand amidst declining population
2. Leveling out business results through capturing industry demand with a different cycle from manufacturing industries

#### 【Engineering Outsourcing Business】

- IT Industry Growing demand for dispatching and contracting due to chronic shortage of engineers as a result of long-term market growth
- Civil Engineering and Construction Industry  
Growing demand for dispatching as a result of ongoing start-up of various types of construction projects and ageing of engineers

#### 【Manufacturing Outsourcing Business】

- Manufacturing Industries  
Growing demand for switching over from fixed-term contract employees hired directly by makers to dispatching of regular employee \*Please refer to P.46 reference material regarding details of the Revised Act.

#### 【Administrative Outsourcing Business】

- Foreigner Technical Intern Training Program  
Since the Technical Intern Training Program also helps to compensate for the domestic labour shortage, the number of firms expanding direct acceptance of interns is growing, resulting in increased demand for administrative consignment.

#### 【Outsourcing Business for New Fields】

- Convenience store industry  
Growing demand for outsourcing as a result of structural reforms aimed at efficient business operations of convenience store head office
- US military bases in Japan  
Growing demand for outsourcing to raise efficiency of facilities operations, repairs and maintenance

Concerned about the contraction of domestic human resources (staffing) business from a long-term perspective due to the population decline, the OS Group is strengthening global expansion efforts.

## (1) Changing Business Environment and the OS Group's Response

### Overseas

Aiming at maximization of Group synergies, the OS Group is targeting to become the No.1 provider in each of the countries it has entered, aggressively pursuing expansion of its geographic footprint and business fields.

#### 【Geographic Regions】

- For Southeast Asia which it entered first, country risks are high, while economic growth is also high. The OS Group is accelerating entry into large and stable markets in the U.S.A. and Europe therefore.
- While promoting maximization of synergies with countries into which the OS Group has already entered, it is also proceeding to enter countries where it has yet to establish a presence.

#### 【Business Fields】

- The OS Group is creating outsourcing business outside of existing norms in Japan including contract outsourcing of public debt collection works in the UK and contract labour of operations inside prisons in Australia.



# FY12/16 OS Group Growth Strategies

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

### Changes in Reporting Segments

Amidst entering new industry sectors and accelerating global expansion aimed at business results stabilization and scale expansion, since current segment classifications correspond with actual business conditions, new reporting segments are being introduced from FY12/16.

### Segments by Operating Type

【Current】

Reporting Segments				
Engineering Outsourcing Business	Manufacturing Outsourcing Business	Administrative Outsourcing Business	Recruiting and Placing Business	Overseas Business

【After the change】

Reporting Segments						
Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Domestic Administrative Outsourcing Business	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### Segments by Geographic Location

【Current】

Region		
Japan	Asia/Oceania (excl. Japan)	Other

【After the change】

Region				
Japan	Asia	Oceania	Europe	South America

# FY12/16 OS Group Growth Strategies

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
<b>Domestic Engineering Outsourcing Business</b>	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Domestic Administrative Outsourcing Business	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Engineering Outsourcing Business

#### Overview

- Dispatching and contracting of engineers to IT firms
- Dispatching of onsite supervisory engineers, etc. to civil engineering and construction contractors
- Dispatching and contracting of engineers to R&D divisions of makers in transport equipment, electrical & electronics, metals & construction materials and pharmaceuticals, etc.

#### Principal Group companies belonging to this segment

OUTSOURCING TECHNOLOGY Inc. (engineering outsourcing overall)

Computer System Laboratory (IT industry)

Kyodo Engineering Corporation (civil engineering and construction industry)

RPM Co., Ltd., TryAngle Co., Ltd. (chemicals, pharmaceuticals and medical equipment industries)

enable Inc. (transport equipment industry)

OS SEMITEC Inc. (repair/maintenance of semiconductor equipment)

Thinketh Bank Co., Ltd. (training/education on consignment for all types of engineers) ...etc.

# FY12/16 OS Group Growth Strategies

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
<b>Domestic Engineering Outsourcing Business</b>	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Domestic Administrative Outsourcing Business	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Engineering Outsourcing Business

#### Strategies

- At the OS Group's KEN School, conduct training/education using training curriculum jointly developed with clients, expanding career changes from those with no experience or from different industries, securing engineers efficiently
- Commencing the latest technical training reflecting clients' demand, newly adding mechatronics and pharmaceuticals

#### Progress

- FY12/15-FY12/16 Career Change Actual Results and Targets

Career Change Occupations	FY12/15 Career Change Actual	FY12/16 Career Change Targets
IT-related Engineers	Cumulative total number of persons: 242	Total for all job types over 500 (IT-related over 300, civil engineering and construction-related over 200)
Civil Engineering and Construction-related Engineers	Cumulative total number of persons: 128	

FY12/15 segment net sales actual results: ¥31,552 million ⇒ FY12/16 segment net sales estimate: ¥39,423 million

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
Domestic Engineering Outsourcing Business	<b>Domestic Manufacturing Outsourcing Business</b>	Domestic Service Operations Outsourcing Business	Domestic Administrative Outsourcing Business	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Engineering Outsourcing Business

#### Overview

- Dispatching and contracting on maker manufacturing lines

#### Principal Group companies belonging to this segment

OUTSOURCING Inc. (manufacturing industries overall)

PEO Co., Ltd. (manufacturing industries overall mainly in transport equipment)

Sanshin Electric Co., Ltd. (development and production on consignment of electronic components)

FOS Inc. (manufacturing industries overall, mainly contract labour)

Oomura Industrial Co., Ltd. (contract labour at Hitachi Metals electric cable plant) ...etc.

# FY12/16 Group Growth Strategies

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
Domestic Engineering Outsourcing Business	<b>Domestic Manufacturing Outsourcing Business</b>	Domestic Service Operations Outsourcing Business	Domestic Administrative Outsourcing Business	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Engineering Outsourcing Business

#### Strategies

- Through the PEO scheme, conversion from the field of short-term production adjustment handled by makers through dispatching to the long-term field of direct employment of fixed-term contract employees
- Expanding recruiting at zero recruitment media expenses through the PEO scheme and industry shakeout

\* Please refer to P.47 reference material with details regarding PEO.

#### Progress

- FY12/15-FY12/16 PEO Actual Results and Targets

	Number Recruited	Number of Worksite Employees	Number of Participating Makers
FY12/15 Target	1,800	2,700	150
FY12/15 Actual	2,412	3,024	158
FY12/16 Target	3,000	5,500	215

Targeting 3,000 recruits at zero recruitment media expense

- FY12/15-FY12/16 Recruiting via Recruitment Media Actual Results and Targets

	Number Recruited	Recruiting Expenses
FY12/15 Target	4,827	¥479 million
FY12/15 Actual	6,928	¥488 million
FY12/16 Target	5,379	¥442 million

FY12/15 segment net sales actual results: ¥29,468 million ⇒ FY12/16 segment net sales estimate: ¥33,300 million

\* FY12/15 net sales actual results are a reference value estimate along with the new reporting segment.

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	<b>Domestic Service Operations Outsourcing Business</b>	Domestic Administrative Outsourcing Business	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Service Operations Outsourcing Business

#### Overview

- Consignment outsourcing and dispatching for store administrative operations in the convenience store industry
- Dispatching and contracting for welfare facilities within US Military bases, contracting of repair and maintenance work of military facilities including runways, etc.
- Dispatching and contracting of sales promotion work for all types of companies  
...etc.

#### Principal Group companies belonging to this segment

CRS Co., Ltd., ISE INTERNATIONAL Co., Ltd. (convenience store industry)  
IOD Inc., DAIEI KENSETSU, LTD. (business within US military bases stationed in Japan)  
BROTHERS CO., LTD. (sales promotion works) ...etc.

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	<b>Domestic Service Operations Outsourcing Business</b>	Domestic Administrative Outsourcing Business	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Service Operations Outsourcing Business

#### Strategies

##### Convenience Store Industry

- Partial consignment of collective management of all stores being pursued by a leading convenience store chain head office
- Using the Group's know-how for increasing mobility of human resources among stores, a challenge for the convenience store industry, and restraining early departures due to lack of training for new hires

##### US Military Bases

- From all US military bases in Okinawa, expanding to all areas in Japan, and selected US military bases in the US, Australia and Pacific Rim

##### Sales Promotion Work

- Expanding from the present major Tokyo metropolitan area to entering major cities where consumption can be expected.

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	<b>Domestic Service Operations Outsourcing Business</b>	Domestic Administrative Outsourcing Business	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Service Operations Outsourcing Business

#### Progress

##### Convenience Store Industry

- Collective administration on consignment of dispatch business operators used in each store from the head office to all stores in the major Tokyo metropolitan area for a leading convenience store chain, and going forward, rolling this out nationwide
- Completed development of a training program for new recruits in cooperation with the head office of a leading convenience store chain in order to make newly recruited store staff immediately useful
- Expect to win orders from several leading firms that operate drug stores and other chain stores

##### US Military Bases

- Dispatching and contracting for welfare facilities within all US military bases in Okinawa on a scale of 300 persons, targeting 500 by the end of FY12/16
- In December 2015, won an order for welfare facilities within all US military bases in Okinawa, and repair and maintenance work for military facilities
- Newly won an order from the US military bases in Iwakuni, accelerating efforts toward other bases

##### Sales Promotion Work

- Expanding business in Osaka, Hyogo and Hiroshima, etc.

FY12/15 segment net sales actual results: ¥1,083 million ⇒ FY12/16 segment net sales estimate: ¥4,869 million

\* FY12/15 net sales actual results are a reference value estimate corresponding to services-related in other segments.



## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	<b>Domestic Administrative Outsourcing Business</b>	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Administrative Outsourcing Business

#### Overview

- Contracting of company housing contracts/administration, daily living assistance, etc. for fixed-term contract employees directly employed by makers
- Contracting of company housing contracts/administration, daily living assistance, etc. for foreign technical interns accepted directly by makers

#### Principal Group companies belonging to this segment

ORJ INC.

# FY12/16 Group Growth Strategies

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	<b>Domestic Administrative Outsourcing Business</b>	Domestic Recruiting and Placing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Administrative Outsourcing Business

(Regarding contracting of administrative operations for foreign technical interns)

\*Technical Intern Training program is a program which defines by law that foreigners can have internships at worksites in Japan for a maximum 3 years (construction-related up to 5 years), utilizing their acquired skills after returning to their home countries.

- Strategies
- Strengthening the training program for Japanese language and basic knowledge required for the job in Japan for those wishing to become interns from Southeast Asian countries, confirming immigration procedures and internship plans, and expanding secondment through tie-up and strengthened cooperation with associations that are supervisory organizations that conduct proper guidance.
  - Seconding interns from local areas to makers who accept them directly, expanding contracting for company housing contracts/administration and daily living assistance, etc.
  - The OS Group recruits interns that have successfully completed their training programs, expanding dispatching and contracting based on utilizing their acquired skills locally.

- Progress
- Secondment ⇒ the OS Group operates secondment institutions in Indonesia and Cambodia, planning to expand this to other countries going forward.
  - Association tie-ups ⇒ made a tie-up with one association in FY12/15, expanding this to three in FY12/16, expanding secondment
  - Expanding contract labour ⇒ in FY12/16, expanding contracting of administrative operations and secondment to leading makers
  - Local dispatching ⇒ developing in all Southeast Asia countries, aiming to expand this from FY12/17 when the first batch of intern training is completed

FY12/15-end number of interns in Japan  
Initial target: 800 ⇒ actual results: 810



FY12/16-end target: 2,400

FY12/15 segment net sales actual results: ¥537 million ⇒ FY12/16 segment net sales estimate: ¥858 million

\*Seconding interns from local countries and dispatching after their returns home fall under Overseas Business.

\*\* FY12/15 net sales actual results are a reference value estimate along with the new reporting segment.

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Reporting Segments						
Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Domestic Administrative Outsourcing Business	<b>Domestic Recruiting and Placing Business</b>	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

### New Segment: Domestic Recruiting and Placing Business

#### Overview

- Introduction business for fixed-term contract employees hired directly by makers and candidates for regular employees (agency recruitment)

#### Principal Group companies belonging to this segment

OUTSOURCING Inc.

ORJ INC.

#### Strategies

- Ability to respond by utilizing the OS Group's recruiting network including overseas, not available in leading makers or those of competitors

#### Progress

- As a result of the Labor Contract Act and Revised Worker Dispatching Act, overall market demand contracts, however, orders for the OS Group are expanding.

FY12/15 segment net sales actual results: ¥871 million ⇒ FY12/16 segment net sales estimate: ¥1,411 million

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Region				
Japan	Asia	Oceania	Europe	South America

### Segments by Geographic Location: Asia

Have already entered 8 countries in 1 region, establishing a subsidiary in Cambodia in April, and acquiring a local firm in Thailand in October through M&A

#### Progress

- Strengthening Manufacturing and Services Operations Outsourcing, and Engineering Outsourcing Businesses in each country, expanding to greater Asia

#### Principal local Group companies

Thailand: OS Recruitment (Thailand) Co., Ltd.	Singapore: FARO RECRUITMENT (SINGAPORE) PTE. LTD.
Viet Nam: OS POWER VIETNAM CO., LTD.	Cambodia: OUTSOURCING (CAMBODIA) Inc.
China: Out-Sourcing China, Inc.	Hong Kong: FARO RECRUITMENT (HONG KONG) CO., LIMITED
Indonesia: PT. OS SELNAJAYA INDONESIA	Malaysia: SANSHIN (MALAYSIA) SDN. BHD.
India: ALP CONSULTING LIMITED	

FY12/15 Asia net sales actual results: roughly ¥13.2 billion

⇒ FY12/16 Asia net sales estimate: roughly ¥15.3 billion

\* FY12/15 actual results are an estimated value.

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Region				
Japan	Asia	Oceania	Europe	South America

### Segments by Geographic Location: Oceania

In August 2015, expanded business by newly acquiring local group companies

#### Progress

- In Australia, operates engineer-related outsourcing business including dispatching of IT-related and system engineers, and Service Operations Outsourcing Business including administrative consultants, expanding to New Zealand.

#### Principal local Group companies

Australia: BLUEFIN RESOURCES GROUP PTY LIMITED

STAFF SOLUTIONS AUSTRALIA PTY LTD

FY12/15 Oceania net sales actual results: roughly ¥2.2 billion

⇒ FY12/16 Oceania net sales estimate: roughly ¥5.5 billion

\* FY12/15 actual results are an estimated value.

# FY12/16 Group Growth Strategies

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Region				
Japan	Asia	Oceania	Europe	South America

### Segments by Geographic Location: Europe

In August 2015, entered the UK and Belgium through acquisition of a local corporate group through M&A

#### Progress

- In the UK and Belgium, engaged in promoting engineering outsourcing including dispatching of IT engineers and system engineers, and contracting of Oracle products consultant work, first expanding business to all countries in Northern Europe

#### Principal local Group companies

UK: NTRINSIC HOLDINGS LIMITED  
NTRINSIC CONSULTING EUROPE LIMITED  
Belgium: NTRINSIC CONSULTING SPRL

FY12/15 Europe net sales actual results: roughly ¥1.3 billion

⇒ FY12/16 Europe net sales estimate: roughly ¥4.8 billion

\* FY12/15 actual results are an estimated value.

## (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

Region				
Japan	Asia	Oceania	Europe	South America

### Segments by Geographic Location: South America

In December 2015, entered by acquiring a local corporate group in Chile through M&A

#### Progress

- Expanding Engineering, Manufacturing and Service Operations Outsourcing Businesses to Mexico, etc. in Central America

#### Principal local Group companies

Chile: EST EXPROSERVICIOS S.A.  
EXPROCHILE S.A.

FY12/15 South America sales actual results: roughly ¥0.3 billion

⇒ FY12/16 South America sales estimate: roughly ¥3.7 billion

\* FY12/15 actual results are an estimated value.

### (2) Changes in Reporting Segments, and Strategies and Progress for Each New Business Segment

#### Overseas Business Overall

- Going forward, while continuing to seek to generate synergies among countries entered, the OS Group will strengthen M&A activities in each region.
  - Management resources will be shared mutually including know-how, service models and client lists, etc.
  - The OS Group aims to secure a global structure for procuring, training and supplying engineers.
  - Support for software development, etc. with Asia as the offshore base
  - Expand contracting businesses in countries promoting outsourcing to the private sector all types of low volatility public works

FY12/15 Overseas sales actual results total: roughly ¥17.1 billion

⇒ FY12/16 Overseas sales estimate total: roughly ¥29.3 billion

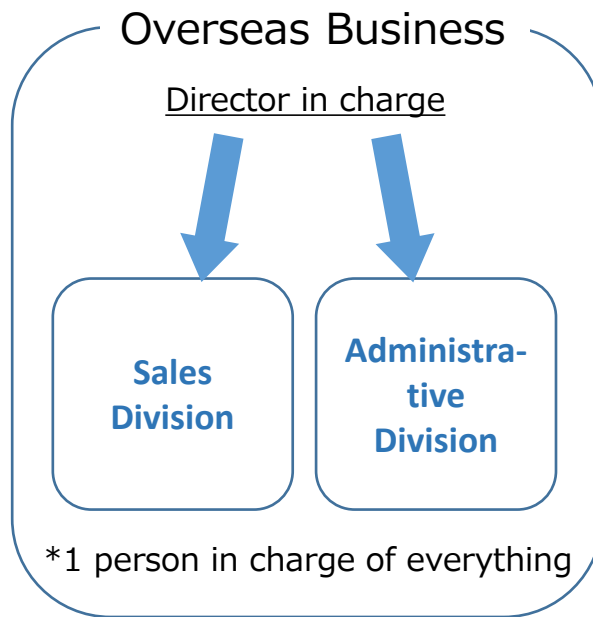
\* FY12/15 actual results are an estimated value.



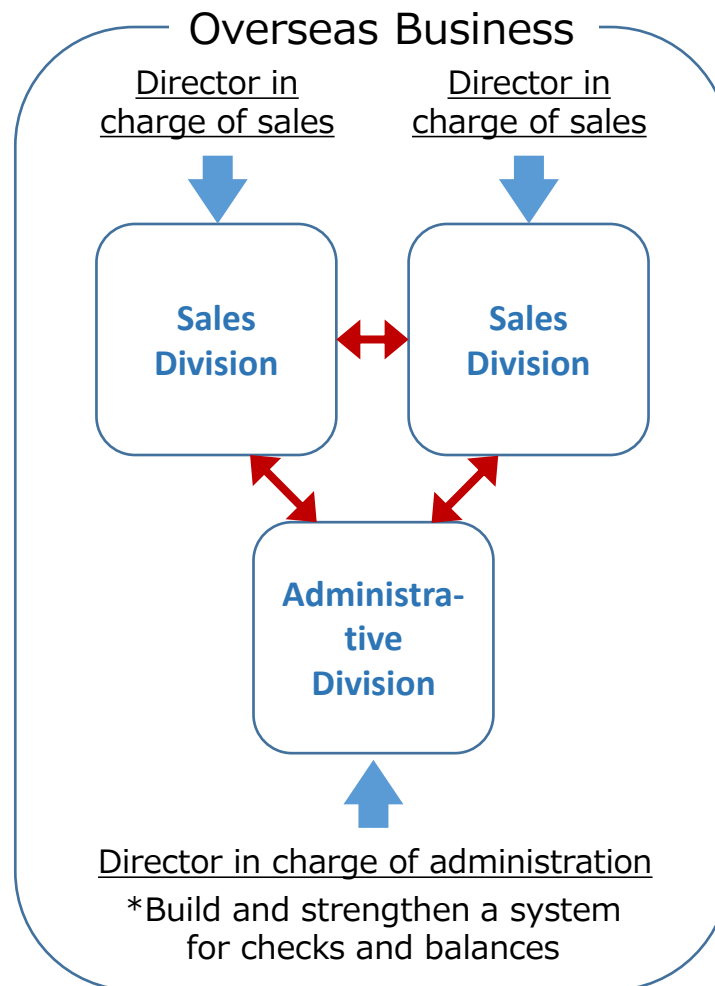
## (3) Initiatives for Strengthening Management Structure and Corporate Governance

Strengthening the governance system to ensure healthy and rapid growth of Overseas Business

【2015】



【2016】



Items to be strengthened and details

- ◆ Create and apply overseas administrative regulations
  - Strict observance of administrative regulations for affiliates
- ◆ Thorough compliance
  - Bribery regulations based on the Foreign Corrupt Practices Act (FCPA), etc.
  - Trademark registration
  - Strengthen tax management
- ◆ Accounting
  - Unify accounting standards in preparation for IFRS
  - Simplification of consolidated accounting
- ◆ Unify information systems
- ◆ Strengthen risk management
  - Introduction of Alert ☆ Star (JTB overseas crisis management support)

### (3) Initiatives for Strengthening Management Structure and Corporate Governance

#### Introduction of International Financial Reporting Standards (IFRS)

- Decided to introduce IFRS for the purpose of increasing international comparability of financial statements in capital markets, and to unify accounting treatment, etc. within the OS Group
- Scheduled to be disclosed with FY12/16 Annual Securities Report (March 2017)

#### Transfer to a Company with an Audit and Supervisory Committee

- System for this newly designed organization “Company with an Audit and Supervisory Committee” was introduced in May 2015 with the Revised Companies Act going into effect.
- Strengthen corporate governance even further by strengthening the supervisory function of the Board of Directors
- Scheduled to transfer to a “Company with an Audit and Supervisory Committee”, which has high affinity to forms of governance in the U.S.A. and Europe

\*A change in the Articles of Incorporation related to the transfer to a Company with an Audit and Supervisory Committee will be proposed at the Ordinary General Meeting of Shareholders scheduled on March 25, 2016.

#### Measures for Corporate Governance Code

- In order to construct an effective corporate governance system, listed companies disclose the status for measures for Japan’s Corporate Governance Code.
- The Company is currently preparing policy measures that will allow it to build a corporate governance system that links corporate philosophy and strategies with shareholders, toward the realization of an offensive governance system that targets raising corporate value over the medium-term.

# Consolidated Financial Forecasts for FY12/16



# Consolidated Financial Forecasts for FY12/16

## Notice Regarding Voluntary Adoption of International Financial Reporting Standards (IFRS)

\*From timely disclosure materials  
released on February 12, 2016

OUTSOURCING Inc. (hereinafter the “Company”) hereby announces that the Board of Directors, at its meeting held today, resolved to voluntarily adopt International Financial Reporting Standards (hereinafter “IFRS”) in place of the Japanese Generally Accepted Accounting Principles (hereafter “Japanese GAAP”).

The Company will disclose its consolidated financial statements based on IFRS from the end of the fiscal year ending December 31, 2016.

The OUTSOURCING Group regards global business development as an important management strategy towards achieving its medium-term management plan “Vector to the New Paradigm.” In this context, the Company aims to enhance international comparability of financial information on the capital market, and unify accounting processes within the Group, and has thus decided to voluntarily adopt IFRS.

### Schedule of Disclosure Accompanying the Transition to IFRS (planned)

Fiscal Term		Materials to be Disclosed (Japanese Only)	Accounting Standard
Fiscal Year ending December 31, 2016	First, Second and Third Quarters	Quarterly Financial Results ( <i>Kessan Tanshin</i> ) Quarterly Securities Report	Japanese GAAP Japanese GAAP
	Fourth Quarter (Year End)	Annual Financial Results ( <i>Kessan Tanshin</i> ) Consolidated Financial Statements in accordance with the Companies Act Annual Securities Report	Japanese GAAP* Japanese GAAP IFRS

\* The Annual Financial Results (*Kessan Tanshin*) based on IFRS for the fiscal year ending December 31, 2016 will be disclosed in March 2017.

## Reference: Consolidated Financial Forecasts for FY12/16 (IFRS)

### □ Financial Forecasts Summary (IFRS)

- International Financial Reporting Standards (IFRS) will be introduced from Annual Securities Report for FY12/16.

The following table is provided as supplemental reference information regarding financial forecasts based on IFRS.

- FY12/16 financial forecasts do not discount any effects from potential M&A activities during the fiscal year.

(¥ million)	FY12/15 Actual (J-GAAP)	FY12/16 Forecasts (J-GAAP) ①	[Reference] FY12/16 Forecasts (IFRS) ②	[Reference] YoY Changes ② – ①
Net sales	80,860	110,000	<b>110,000</b>	0
Operating income	3,125	5,400	<b>6,300</b>	900
Net income	1,810	2,400	<b>3,600</b>	1,200

Factors for addition:  
goodwill not amortized

Factors for subtraction:  
provisions for paid leaves, etc.

\*FY12/16 forecasts based on IFRS are estimates.

# Consolidated Financial Forecasts for FY12/16 (J-GAAP)

## Annual and Semi-Annual Trends

(¥ million)	FY12/15 Actual				FY12/16 Forecasts				YoY Changes	
	1H Amount	2H Amount	Full-Year Amount	Composition Ratio	1H Amount	2H Amount	Full-Year Amount	Composition Ratio	Amount	Ratio
<b>Net sales</b>	<b>36,022</b>	<b>44,838</b>	<b>80,860</b>	<b>100.0%</b>	<b>51,000</b>	<b>59,000</b>	<b>110,000</b>	<b>100.0%</b>	<b>29,139</b>	<b>36.0%</b>
Cost of sales	28,947	35,379	64,327	79.6%	—	—	—	—	—	—
<b>Gross profit</b>	<b>7,074</b>	<b>9,458</b>	<b>16,533</b>	<b>20.4%</b>	—	—	—	—	—	—
SG&A expenses	6,136	7,271	13,408	16.6%	—	—	—	—	—	—
<b>Operating income</b>	<b>937</b>	<b>2,187</b>	<b>3,125</b>	<b>3.9%</b>	<b>1,150</b>	<b>4,250</b>	<b>5,400</b>	<b>4.9%</b>	<b>2,274</b>	<b>72.8%</b>
Non-operating income	266	261	527	0.7%	—	—	—	—	—	—
Non-operating expenses	200	227	428	0.5%	—	—	—	—	—	—
<b>Ordinary income</b>	<b>1,003</b>	<b>2,221</b>	<b>3,224</b>	<b>4.0%</b>	<b>1,000</b>	<b>4,100</b>	<b>5,100</b>	<b>4.6%</b>	<b>1,875</b>	<b>58.1%</b>
Extraordinary income	39	49	88	0.1%	—	—	—	—	—	—
Extraordinary losses	0	0	1	0.0%	—	—	—	—	—	—
<b>Profit attributable to owners of parent</b>	<b>488</b>	<b>1,321</b>	<b>1,810</b>	<b>2.2%</b>	<b>400</b>	<b>2,000</b>	<b>2,400</b>	<b>2.2%</b>	<b>589</b>	<b>32.6%</b>

\* FY12/16 consolidated financial forecasts do not include any effects from potential M&A activities during the fiscal year.

# Consolidated Financial Forecasts for FY12/16 (J-GAAP)

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## □ Financial Forecasts Highlights

### Net Sales

**¥110,000 million (+36.0% YoY)**

- Engineering Outsourcing Business will grow from the industry shakeout from the Revised Worker Dispatching Act and increased career changes.
- Manufacturing Outsourcing Business will grow from favorable expansion of the PEO scheme on clarification of the 5-year rule in the Labor Contract Act.
- Overseas Business is set to grow sharply from organic growth from maximizing synergies among countries entered as well as entry into new countries.

### Operating Income

**¥5,400 million (+72.8% YoY)**

- The amount of operating income and operating income margin are set increase sharply from growth in net sales and decline in SG&A expenses ratio.

### Profit Attributable to Owners of Parent

**¥2,400 million (+32.6% YoY)**

- Set to grow favorably from growth in net sales

\* FY12/16 consolidated financial forecasts do not include any effects from potential M&A activity during the fiscal year.

# Consolidated Financial Forecasts for FY12/16 (J-GAAP)

## Financial Forecasts by Reporting Segment (Annual and Semi-Annual Trends)

(¥ million)		FY12/15 Actual		FY12/16 Forecasts			
		Full-Year		1H	2H	Full-Year	
		Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio
Domestic Engineering Outsourcing Business	Net sales	31,552	39.0%	18,401	21,022	39,423	35.8%
	Operating income	2,398	76.7%	856	1,929	2,785	51.6%
	No. of worksite employees at year-end	4,742	–	5,254	5,877	5,877	–
Domestic Manufacturing Outsourcing Business	Net sales	29,468	36.4%	15,834	17,466	33,300	30.3%
	Operating income	1,010	32.3%	435	1,218	1,653	30.6%
	No. of worksite employees at year-end	7,463	–	8,496	10,262	10,262	–
Domestic Service Operations Outsourcing Business	Net sales	1,083	1.3%	1,677	3,192	4,869	4.4%
	Operating income	(82)	-2.6%	(46)	257	211	3.9%
	No. of worksite employees at year-end	1,671	–	2,348	2,952	2,952	–
Domestic Administrative Outsourcing Business	Net sales	537	0.7%	336	522	858	0.8%
	Operating income	56	1.8%	92	200	292	5.4%
	No. of outsourcing administrative workers at year-end	1,538	–	1,916	2,535	2,535	–
Domestic Recruiting and Placing Business	Net sales	871	1.1%	666	745	1,411	1.3%
	Operating income	413	13.2%	181	253	434	8.0%
	No. of placed workers	2,689	–	1,584	1,757	3,341	–
Overseas Engineering Outsourcing Business	Net sales	3,832	4.7%	5,117	5,418	10,535	9.6%
	Operating income	182	5.8%	195	261	456	8.4%
	No. of worksite employees at year-end	895	–	780	901	901	–
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	13,349	16.5%	8,579	10,242	18,821	17.1%
	Operating income	53	1.7%	199	499	698	12.9%
	No. of worksite employees at year-end	14,644	–	17,754	23,986	23,986	–
Other Business	Net sales	165	0.2%	389	394	783	0.7%
	Operating income	14	0.4%	8	11	19	0.4%
	No. of worksite employees at year-end	–	–	4	4	4	–
Adjustments	Operating income	(920)	-29.4%	(770)	(378)	(1,148)	-21.3%
Total	Net sales	80,860	100.0%	51,000	59,000	110,000	100.0%
	Operating income	3,125	100.0%	1,150	4,250	5,400	100.0%



# Consolidated Financial Forecasts for FY12/16 (J-GAAP)

## Financial Forecasts by Reporting Segment (Quarterly Trends)

( ¥ million)		FY12/15 Actual	FY12/16 Forecasts				
		Amount	Q1	Q2	Q3	Q4	Full-Year
Domestic Engineering Outsourcing Business	Net sales	31,552	8,943	9,458	10,177	10,845	39,423
	Operating income	2,398	357	499	789	1,140	2,785
	No. of worksite employees at term-end	4,742	4,720	5,254	5,615	5,877	5,877
Domestic Manufacturing Outsourcing Business	Net sales	29,468	7,641	8,193	8,254	9,212	33,300
	Operating income	1,010	133	302	421	797	1,653
	No. of worksite employees at term-end	7,463	7,723	8,496	9,576	10,262	10,262
Domestic Service Operations Outsourcing Business	Net sales	1,083	646	1,031	1,400	1,792	4,869
	Operating income	(82)	(57)	11	84	173	211
	No. of worksite employees at term-end	1,671	1,939	2,348	2,710	2,952	2,952
Domestic Administrative Outsourcing Business	Net sales	537	149	187	232	290	858
	Operating income	56	36	56	82	118	292
	No. of outsourcing administrative workers at term-end	1,538	1,550	1,916	2,358	2,535	2,535
Domestic Recruiting and Placing Business	Net sales	871	338	328	370	375	1,411
	Operating income	413	93	88	123	130	434
	No. of placed workers	2,689	790	794	872	885	3,341
Overseas Engineering Outsourcing Business	Net sales	3,832	2,472	2,645	2,741	2,677	10,535
	Operating income	182	89	106	124	137	456
	No. of worksite employees at term-end	895	752	780	830	901	901
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	13,349	4,205	4,374	4,813	5,429	18,821
	Operating income	53	53	146	221	278	698
	No. of worksite employees at term-end	14,644	15,526	17,754	20,861	23,986	23,986
Other Business	Net sales	165	188	201	191	203	783
	Operating income	14	3	5	2	9	19
	No. of worksite employees at term-end	–	4	4	4	4	4
Adjustments	Operating income	(920)	(406)	(364)	(225)	(153)	(1,148)
Total	Net sales	80,860	24,583	26,417	28,178	30,822	110,000
	Operating income	3,125	301	849	1,622	2,628	5,400

# Consolidated Financial Forecasts for FY12/16 (J-GAAP)

## Financial Forecasts by Region (Annual and Semi-Annual Trends)

(¥ million)	FY12/15 Actual				FY12/16 Forecasts			
	1H	2H	Full-Year	Composition Ratio	1H	2H	Full-Year	Composition Ratio
Japan	29,487	34,191	63,678	78.8%	37,303	43,341	80,644	73.3%
Asia	6,375	6,846	13,222	16.3%	6,872	8,506	15,378	14.0%
Oceania	159	2,086	2,246	2.8%	2,745	2,741	5,486	5.0%
Europe	0	1,365	1,365	1.7%	2,259	2,540	4,799	4.4%
South America	0	347	347	0.4%	1,821	1,872	3,693	3.4%
Total	36,022	44,838	80,860	100.0%	51,000	59,000	110,000	100.0%

## Financial Forecasts by Region (Quarterly Trends)

(¥ million)	FY12/15 Actual				FY12/16 Forecasts			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	14,484	15,003	16,196	17,994	17,905	19,398	20,624	22,717
Asia	3,135	3,240	3,350	3,496	3,315	3,557	3,999	4,507
Oceania	75	84	587	1,498	1,303	1,442	1,445	1,296
Europe	0	0	364	1,000	1,112	1,147	1,240	1,300
South America	0	0	0	347	947	874	870	1,002
Total	17,694	18,327	20,499	24,338	24,583	26,417	28,178	30,822

# Domestic Recruitment Plan for FY12/16

## Annual and Semi-Annual Trends

		FY12/15 Actual			FY12/16 Forecasts		
		1H	2H	Full-Year	1H	2H	Full-Year
Engineering*	<b>No. of workers recruited (persons)</b>	<b>1,073</b>	<b>806</b>	<b>1,879</b>	<b>1,068</b>	<b>834</b>	<b>1,902</b>
	Recruitment unit price (¥/worker)	197,892	286,492	235,897	265,500	297,174	279,389
Manufacturing*	<b>No. of workers recruited (persons)</b>	<b>3,418</b>	<b>5,922</b>	<b>9,340</b>	<b>3,499</b>	<b>4,880</b>	<b>8,379</b>
	Recruitment unit price (¥/worker)	77,678	37,614	52,276	65,991	47,921	55,467
Service Operations	<b>No. of workers recruited (persons)</b>	–	–	–	<b>1,328</b>	<b>1,885</b>	<b>3,213</b>
	Recruitment unit price (¥/worker)	–	–	–	24,394	21,757	22,847
Recruiting and Placing	<b>No. of workers recruited (persons)</b>	<b>1,194</b>	<b>1,495</b>	<b>2,689</b>	<b>1,584</b>	<b>1,757</b>	<b>3,341</b>
	Recruitment unit price (¥/worker)	121,715	104,939	112,388	121,911	109,316	115,288

## Quarterly Trends

		FY12/15 Actual				FY12/16 Forecasts			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Engineering*	<b>No. of workers recruited (persons)</b>	<b>325</b>	<b>748</b>	<b>358</b>	<b>448</b>	<b>325</b>	<b>743</b>	<b>475</b>	<b>359</b>
	Recruitment unit price (¥/worker)	350,935	131,396	259,985	307,674	530,311	149,668	293,463	302,084
Manufacturing*	<b>No. of workers recruited (persons)</b>	<b>1,531</b>	<b>1,887</b>	<b>2,656</b>	<b>3,266</b>	<b>1,340</b>	<b>2,159</b>	<b>2,703</b>	<b>2,177</b>
	Recruitment unit price (¥/worker)	91,251	66,665	43,829	32,560	86,543	53,235	46,427	49,777
Service Operations	<b>No. of workers recruited (persons)</b>	–	–	–	–	<b>576</b>	<b>752</b>	<b>917</b>	<b>968</b>
	Recruitment unit price (¥/worker)	–	–	–	–	23,463	25,108	22,093	21,439
Recruiting and Placing	<b>No. of workers recruited (persons)</b>	<b>594</b>	<b>600</b>	<b>703</b>	<b>792</b>	<b>790</b>	<b>794</b>	<b>872</b>	<b>885</b>
	Recruitment unit price (¥/worker)	131,552	111,977	108,889	101,433	126,606	117,239	112,984	105,703

\* From FY12/15, the Company adopts the following English terms to describe its recruiting formats. The contents of the recruiting formats remain the same.  
Engineering (formerly Engineering and others), and Manufacturing (formerly Dispatching and Outsourced Contracting)

# Return to Shareholders



## Return to Shareholders

Confident in potential for high growth under the Company's global strategy, while the Company requires funding for upfront investments toward expanding its business formats, with a view toward remaining committed to our recent emphasis on shareholder dividends, we set our dividend payout ratio at 30% of EPS.

	Dividend per Share		
	At the End of Second Quarter	At the End of Fiscal Year	Total
FY12/14 Actual	*1 ¥8.00	¥27.00	¥35.00
FY12/15 Scheduled	¥0.00	*2 ¥35.00	¥35.00
FY12/16 Forecasts	¥0.00	¥42.00	¥42.00

\*1 Commemorative dividend for 10-year anniversary of listing

\*2 The number of shares increased from the capital increase implemented during the period under review, and at that time the Company maintained dividend guidance, and plans to pay dividends in-line with initial guidance.

# References



# Revised Worker Dispatching Act and Labor Contract Act

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## Revised Worker Dispatching Act Enforced in September 2015 (abstract)

- Requiring dispatch business operators to secure employment stabilization measures for dispatched workers at the expiration of dispatching period \*Partly obligation to make efforts
- No restriction on period for regular worker dispatching  
\*Before revised: Up to 3 years at the same manufacturing workplace
- For dispatch business operators, planned education and training for dispatched workers and career consulting for those who desire it become mandatory
- Specified worker dispatching undertaking (notification system) is abolished, and all worker dispatching undertakings come under a license system. \*Tightened the terms of license permissions
- Abolishing specified works had no restriction on period and limiting up to 3 years for dispatching all fixed-term contract employees employed by dispatch business operators to the same workplace

## Revised Labor Contract Act Enforced in April 2013 (abstract)

Requiring employers to convert fixed-term contracts to regular employments when requested by fixed-term contract employees after 5 consecutive years of services

- ◆ The Revised Worker Dispatching Act aims for employment stabilization through foreclosing malicious businesses by imposing various requirements on dispatch business operators and relaxed term limit for regular worker dispatching.
- ◆ The Revised Labor Contract Act aims to reduce unstable employments at any companies.

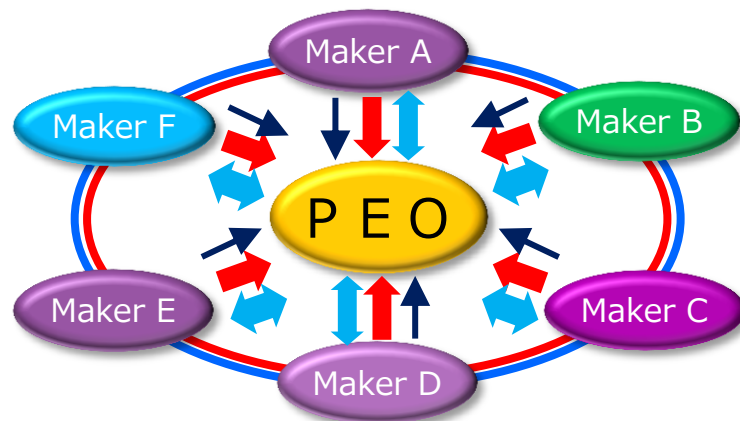
# PEO Scheme

【Summary】 <PEO stands for Professional Employer Organization>

- ➡ Makers become members of the PEO Association managed by PEO Co., Ltd.
- ➡ PEO takes on fixed-term contract employees recruited by the maker as regular employees.
- ↔ Long-term service etc., lateral dispatching of regular employees to each participating maker based on needs

【Scheme Incidental to PEO】

Taking on dispatched employees of dispatch business operator that will find it difficult to continue operations under tightened regulations of the Revised Worker Dispatching Act, and implementing M&A



In the event there is no employment destination at PEO member makers, stable employment is achieved through employment at non-member makers and jobs outside of manufacturing.

Stable employment is realized through the OS Group, not makers requiring personnel adjustment during periods of production cuts.



# Sales Breakdown by Industry for FY12/15

## ■ Annual and Semi-Annual Trends

(¥ million)	FY12/14 Actual			FY12/15 Actual		
	1H	2H	Full-Year	1H	2H	Full-Year
<b>Engineering Outsourcing Business</b>	<b>10,381</b>	<b>11,655</b>	<b>22,036</b>	<b>14,765</b>	<b>16,787</b>	<b>31,552</b>
Electrical & Electronics	1,449	1,592	3,042	2,282	3,052	5,334
Transport Equipment	3,187	3,759	6,946	3,926	4,547	8,473
Pharm. & Chemicals	423	531	954	687	695	1,382
Metals & Construction Materials	46	53	100	49	54	103
IT-related	3,880	4,454	8,335	4,861	5,120	9,982
Construction & Plant-related	279	297	576	2,060	2,258	4,319
After-sales Maintenance	160	72	233	62	63	126
Others	953	893	1,846	834	995	1,829
<b>Manufacturing Outsourcing Business</b>	<b>12,049</b>	<b>13,428</b>	<b>25,478</b>	<b>14,031</b>	<b>16,560</b>	<b>30,591</b>
Foods	793	928	1,721	734	964	1,699
Electrical & Electronics	3,075	3,699	6,774	3,914	4,943	8,857
Transport Equipment	3,962	4,717	8,680	5,442	6,089	11,532
Pharm. & Chemicals	1,947	1,924	3,872	1,805	1,780	3,585
Metals & Construction Materials	1,083	1,021	2,104	971	1,038	2,009
Others	1,187	1,137	2,324	1,161	1,743	2,905
<b>Overseas Business</b>	<b>4,879</b>	<b>5,466</b>	<b>10,346</b>	<b>6,535</b>	<b>10,646</b>	<b>17,181</b>

# Sales Breakdown by Industry for FY12/15

## Quarterly Trends

(¥ million)	FY12/14 Actual				FY12/15 Actual			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Engineering Outsourcing Business</b>	<b>5,095</b>	<b>5,285</b>	<b>5,696</b>	<b>5,958</b>	<b>7,166</b>	<b>7,599</b>	<b>8,024</b>	<b>8,762</b>
Electrical & Electronics	684	765	776	815	901	1,380	1,491	1,560
Transport Equipment	1,544	1,642	1,868	1,890	1,980	1,945	2,214	2,333
Pharm. & Chemicals	211	211	237	294	352	335	330	364
Metals & Construction Materials	16	29	32	21	23	25	24	29
IT-related	1,913	1,967	2,199	2,255	2,443	2,418	2,390	2,730
Construction & Plant-related	141	138	136	161	1,043	1,016	1,082	1,176
After-sales Maintenance	87	73	37	35	30	32	31	32
Others	497	456	408	484	390	443	459	535
<b>Manufacturing Outsourcing Business</b>	<b>5,967</b>	<b>6,081</b>	<b>6,500</b>	<b>6,928</b>	<b>6,970</b>	<b>7,060</b>	<b>7,751</b>	<b>8,808</b>
Foods	394	399	465	462	401	333	400	564
Electrical & Electronics	1,407	1,667	1,793	1,905	1,909	2,004	2,370	2,573
Transport Equipment	2,015	1,946	2,193	2,524	2,714	2,728	2,884	3,205
Pharm. & Chemicals	948	998	989	935	908	897	884	895
Metals & Construction Materials	521	561	518	502	486	485	510	527
Others	680	507	541	596	550	611	701	1,041
<b>Overseas Business</b>	<b>2,353</b>	<b>2,526</b>	<b>2,658</b>	<b>2,808</b>	<b>3,210</b>	<b>3,324</b>	<b>4,302</b>	<b>6,343</b>

# Sales Breakdown Ratio by Industry for FY12/15

## ▣ Annual and Semi-Annual Trends

	FY12/14 Actual			FY12/15 Actual		
	1H	2H	Full-Year	1H	2H	Full-Year
<b>Engineering Outsourcing Business</b>	<b>37.0%</b>	<b>37.2%</b>	<b>37.1%</b>	<b>41.0%</b>	<b>37.5%</b>	<b>39.0%</b>
Electrical & Electronics	5.2%	5.1%	5.1%	6.3%	6.8%	6.6%
Transport Equipment	11.3%	12.0%	11.7%	10.9%	10.2%	10.5%
Pharm. & Chemicals	1.5%	1.7%	1.6%	1.9%	1.6%	1.7%
Metals & Construction Materials	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%
IT-related	13.8%	14.2%	14.0%	13.5%	11.4%	12.3%
Construction & Plant-related	1.0%	0.9%	1.0%	5.7%	5.0%	5.3%
After-sales Maintenance	0.6%	0.2%	0.4%	0.2%	0.2%	0.2%
Others	3.4%	2.8%	3.1%	2.3%	2.2%	2.3%
<b>Manufacturing Outsourcing Business</b>	<b>42.9%</b>	<b>42.8%</b>	<b>42.9%</b>	<b>39.0%</b>	<b>36.9%</b>	<b>37.9%</b>
Foods	2.8%	3.0%	2.9%	2.1%	2.1%	2.1%
Electrical & Electronics	11.0%	11.8%	11.4%	10.9%	11.0%	11.0%
Transport Equipment	14.1%	15.0%	14.6%	15.1%	13.6%	14.3%
Pharm. & Chemicals	6.9%	6.1%	6.5%	5.0%	4.0%	4.4%
Metals & Construction Materials	3.9%	3.3%	3.6%	2.7%	2.3%	2.5%
Others	4.2%	3.6%	3.9%	3.2%	3.9%	3.6%
<b>Overseas Business</b>	<b>17.4%</b>	<b>17.4%</b>	<b>17.4%</b>	<b>18.1%</b>	<b>23.7%</b>	<b>21.2%</b>

# Sales Breakdown Ratio by Industry for FY12/15

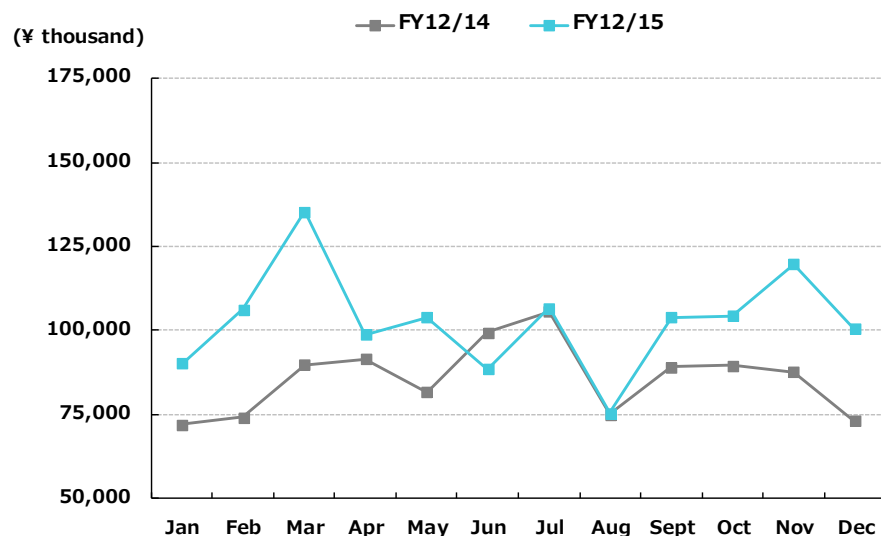
## Quarterly Trends

	FY12/14 Actual				FY12/15 Actual			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Engineering Outsourcing Business</b>	<b>36.9%</b>	<b>37.0%</b>	<b>37.4%</b>	<b>37.0%</b>	<b>40.5%</b>	<b>41.5%</b>	<b>39.1%</b>	<b>36.0%</b>
Electrical & Electronics	5.0%	5.4%	5.1%	5.1%	5.1%	7.5%	7.3%	6.4%
Transport Equipment	11.2%	11.5%	12.3%	11.7%	11.2%	10.6%	10.8%	9.6%
Pharm. & Chemicals	1.5%	1.5%	1.6%	1.8%	2.0%	1.8%	1.6%	1.5%
Metals & Construction Materials	0.1%	0.2%	0.2%	0.1%	0.1%	0.2%	0.1%	0.1%
IT-related	13.9%	13.8%	14.4%	14.0%	13.8%	13.2%	11.7%	11.2%
Construction & Plant-related	1.0%	1.0%	0.9%	1.0%	5.9%	5.6%	5.3%	4.9%
After-sales Maintenance	0.6%	0.5%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%
Others	3.6%	3.2%	2.7%	3.0%	2.2%	2.4%	2.2%	2.2%
<b>Manufacturing Outsourcing Business</b>	<b>43.3%</b>	<b>42.6%</b>	<b>42.7%</b>	<b>43.0%</b>	<b>39.4%</b>	<b>38.5%</b>	<b>37.8%</b>	<b>36.2%</b>
Foods	2.9%	2.8%	3.1%	2.9%	2.3%	1.8%	1.9%	2.3%
Electrical & Electronics	10.2%	11.7%	11.8%	11.8%	10.8%	10.9%	11.6%	10.6%
Transport Equipment	14.6%	13.6%	14.4%	15.7%	15.3%	14.9%	14.1%	13.1%
Pharm. & Chemicals	6.9%	7.0%	6.5%	5.8%	5.1%	4.9%	4.3%	3.7%
Metals & Construction Materials	3.8%	3.9%	3.4%	3.1%	2.8%	2.7%	2.5%	2.2%
Others	4.9%	3.6%	3.6%	3.7%	3.1%	3.3%	3.4%	4.3%
<b>Overseas Business</b>	<b>17.1%</b>	<b>17.7%</b>	<b>17.5%</b>	<b>17.4%</b>	<b>18.2%</b>	<b>18.1%</b>	<b>21.0%</b>	<b>26.1%</b>

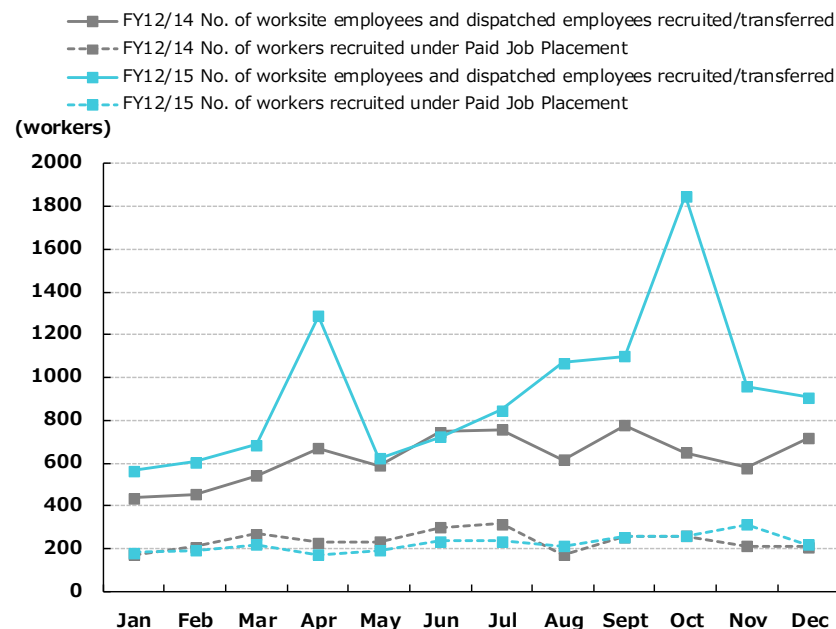
# Trends in Recruited Number of Workers and Recruiting Expenses

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

Monthly Recruiting Expenses



No. of Worksite Employees and Dispatched Employees Recruited/Transferred



FY12/14		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
■	No. of worksite employees and dispatched employees 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
■	Recruiting 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

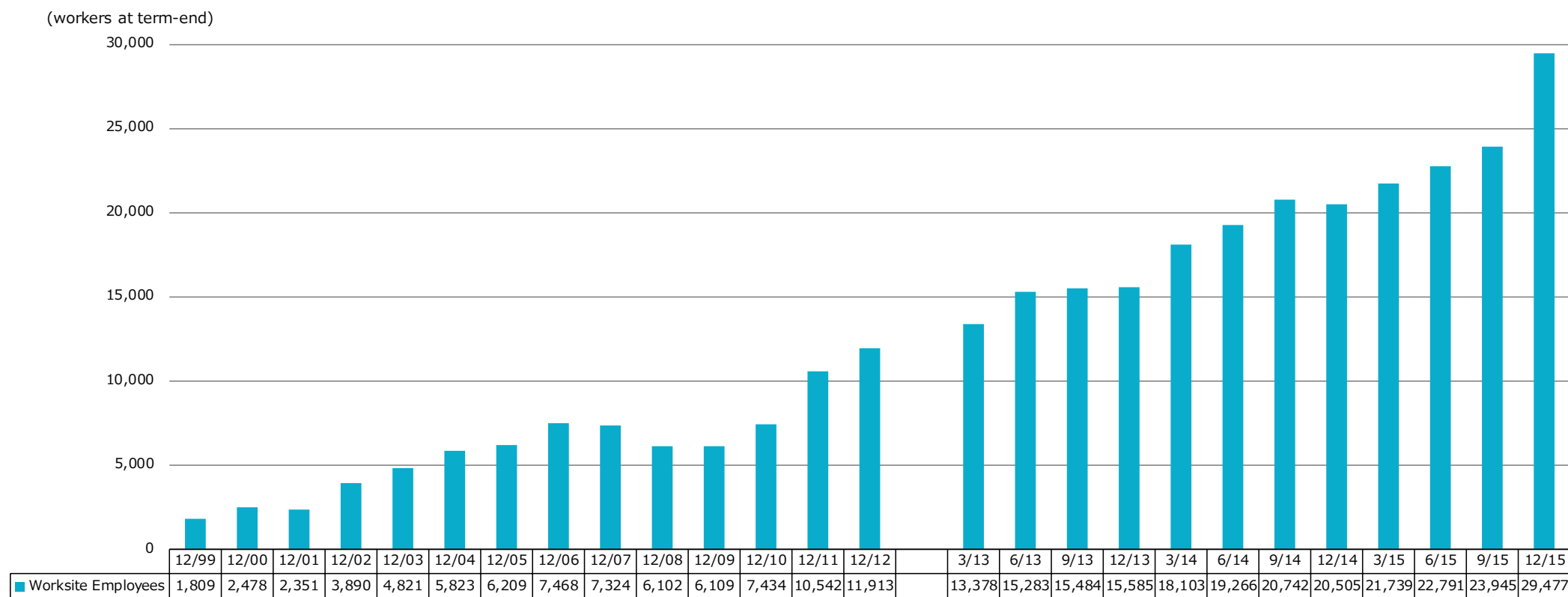
FY12/15		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
■	No. of worksite employees and dispatched employees recruited/transferred	565	604	687	1,289	622	724	847	1,068	1,099	1,850	957	907
■	No. of workers recruited under Paid Job Placement	183	192	219	173	192	235	235	212	256	261	312	219
■	Recruiting expenses (¥ thousand)	90,149	106,324	135,429	98,732	104,026	88,508	106,653	75,482	103,899	104,334	119,706	100,474

\* Total number of recruited workers and recruiting expenses in Japan (Worker Dispatching and Contracting, Recruiting and Placing, and Engineering)

# Changes in Number of Worksite Employees and Dispatched Workers

## Quarterly Changes in Number of Worksite Employees and Dispatched Workers (Consolidated)

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



\*Worksite employees are those working at client manufacturers' worksites, including currently active dispatched 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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