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

Financial Results for the 1st Quarter of Fiscal Year Ending December 31, 2016

May 2016

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Consolidated Financial Results Summary

(¥ million)	FY12/15 Q1 Actual		FY12/16 Q1 Actual		YoY Changes	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
Net sales	**17,695**	**100.0%**	**24,991**	**100.0%**	**7,296**	**41.2%**
Cost of sales	14,332	81.0%	20,037	80.2%	5,704	39.8%
Gross profit	**3,362**	**19.0%**	**4,954**	19.8%	**1,592**	**47.3%**
SG&A expenses	3,048	17.2%	4,551	18.2%	1,503	49.3%
Operating income	**315**	**1.8%**	**403**	**1.6%**	**88**	**28.0%**
Non-operating income	151	0.9%	105	0.4%	(46)	-30.3%
Non-operating expenses	101	0.6%	204	0.8%	104	102.9%
Ordinary income	**365**	**2.1%**	**304**	**1.2%**	**(61)**	**-16.7%**
Extraordinary income	-	-	8	0.0%	8	-
Extraordinary losses	0	0.0%	8	0.0%	8	-
Profit attributable to owners of parent	**205**	**1.2%**	**29**	**0.1%**	**(176)**	**-85.7%**

* Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.

Consolidated Financial Results for Q1 FY12/16

Highlight for Q1 FY12/16 Consolidated Financial Results

*Red: negative factors; Black: positive factors

Net Sales ¥24,991 million (+41.2% YoY)

- Engineering Outsourcing Business grew as the scheme to encourage unexperienced staff to upgrade their careers worked favorably while demand for IT engineers, etc. remained strong.
- Manufacturing Outsourcing Business expanded as the PEO Scheme helped a transition to longer production cycle business field, absorbing the negative impacts from production suspension caused by an accident at an auto maker group in January 2016.
- Service Operations Outsourcing Business saw a healthy growth as US military base outsourcing operations, which were started at Kadena, Okinawa in FY12/15, extended both regions and business fields.
- Overseas Business grew sharply thanks to enhanced synergies among group companies including those in Europe and South America where the Company entered in FY12/15.

Operating Income ¥403 million (+28.0% YoY)

- Overall operating income decreased by ¥100 million due to a change in domestic accounting standard which now requires to recognize M&A-related expenses paid for financial advisers and due diligence as a one-time expense instead of booking as amortization of goodwill.
- Recorded historical high after absorbing the above expenses

Ordinary Income ¥304 million (-16.7% YoY)

- Posted foreign exchange losses of ¥81 million

Profit Attributable to Owners of Parent ¥29 million (-85.7% YoY)

- Decreased by ¥100 million as M&A-related expenses were only for consolidated accounts and not included in tax calculations

※Please refer to P.40 for the change in domestic accounting standard.

Consolidated Financial Results for Q1 FY12/16

Reference : Comparison between J-GAAP and IFRS

(¥ million)	Q1 FY12/15 Actual (J-GAAP) ①	Q1 FY12/16 Actual (J-GAAP) ②	YoY Changes (②−①)	[Reference] Q1FY12/16 Actual (IFRS) ③	[Reference] Differences from J-GAAP (③−②)
Net sales	17,695	24,991	41.2%	24,991	0
Operating income	315	403	28.0%	580	177
Profit attributable to owners of parent	205	29	-85.7%	300	271

*1: Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.
*2: Q1 FY12/16 forecasts based on IFRS are estimates.

Compared to J-GAAP, no amortization of goodwill works positively while provisions including paid leaves work negatively for IFRS operating income and profit attributable to owners of parent.

Consolidated Financial Results for Q1 FY12/16

Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/15 Actual					FY12/16 Actual
	Q1	Q2	Q3	Q4	Full-Year	Q1
Net sales	17,695	18,328	20,499	24,339	80,861	24,991
Gross profit	3,362	3,712	4,229	5,230	16,534	4,954
Gross profit margin	19.0%	20.3%	20.6%	21.5%	20.4%	19.8%
SG&A expenses	3,048	3,089	3,358	3,913	13,408	4,551
SG&A expenses ratio	17.2%	16.9%	16.4%	16.1%	16.6%	18.2%
Operating income	315	623	871	1,317	3,125	403
Operating income margin	1.8%	3.4%	4.2%	5.4%	3.9%	1.6%
Ordinary income	365	638	969	1,252	3,225	304
Ordinary income margin	2.1%	3.5%	4.7%	5.1%	4.0%	1.2%
Profit attributable to owners of parent	205	284	499	822	1,810	29
Net income margin	1.2%	1.5%	2.4%	3.4%	2.2%	0.1%

QoQ Changes	FY12/15 Actual					FY12/16 Actual
	Q1	Q2	Q3	Q4	Full-Year	Q1
Net sales	9.8%	3.6%	11.8%	18.7%	36.1%	2.7%
Gross profit	-0.3%	10.4%	13.9%	23.7%	38.2%	-5.3%
SG&A expenses	16.9%	1.4%	8.7%	16.5%	34.7%	16.3%
Operating income	-58.8%	97.9%	39.7%	51.3%	55.5%	-69.4%
Ordinary income	-56.9%	74.6%	52.0%	29.2%	46.8%	-75.7%
Profit attributable to owners of parent	-61.2%	38.4%	75.8%	64.8%	37.5%	-96.4%

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Consolidated Financial Results for Q1 FY12/16

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

(¥ million)		FY12/15 Actual Q1	FY12/15 Actual Q2	FY12/15 Actual Q3	FY12/15 Actual Q4	FY12/15 Actual Full-Year	FY12/16 Actual Q1
Domestic Engineering Outsourcing Business	Net sales	7,166	7,599	8,024	8,763	31,553	9,151
	Operating income	421	529	585	864	2,398	423
	No. of worksite employees at term-end	3,918	4,285	4,450	4,742	4,742	5,029
Domestic Manufacturing Outsourcing Business	Net sales	6,830	6,894	7,493	8,252	29,468	7,913
	Operating income	57	176	259	519	1,010	218
	No. of worksite employees at term-end	6,285	6,554	7,142	7,463	7,463	7,195
Domestic Service Operations Outsourcing Business	Net sales	140	157	247	538	1,083	618
	Operating income	(6)	(31)	(27)	(18)	(82)	(65)
	No. of worksite employees at term-end	375	381	840	1,671	1,671	1,710
Domestic Administrative Outsourcing Business	Net sales	137	143	136	121	537	149
	Operating income	14	11	14	18	56	35
	No. of outsourcing administrative workers at term-end	2,151	1,730	1,659	1,538	1,538	1,438
Domestic Recruiting and Placing Business	Net sales	167	175	257	273	872	278
	Operating income	67	76	137	134	413	117
	No. of placed workers	594	600	703	792	2,689	799
Overseas Engineering Outsourcing Business	Net sales	94	83	996	2,660	3,832	2,399
	Operating income	11	10	78	83	183	89
	No. of worksite employees at term-end	539	472	815	895	895	882
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	3,117	3,242	3,307	3,684	13,349	4,252
	Operating income	(75)	33	41	54	53	55
	No. of worksite employees at term-end	10,555	11,028	10,632	14,644	14,644	16,352
Other Business	Net sales	43	35	40	48	166	230
	Operating income	3	5	5	1	14	10
	No. of worksite employees at term-end	-	-	-	-	-	4
Adjustments	Operating income	(178)	(185)	(220)	(337)	(920)	(479)
Total	Net sales	17,695	18,328	20,499	24,339	80,861	24,991
	Operating income	315	623	871	1,317	3,125	403

Net Sales by Region (¥ million)	FY12/15 Actual Q1	FY12/15 Actual Q2	FY12/15 Actual Q3	FY12/15 Actual Q4	FY12/15 Actual Full-Year	FY12/16 Actual Q1
Japan	14,484	15,003	16,197	17,995	63,679	18,339
Asia (excl. Japan)	3,136	3,240	3,350	3,496	13,222	3,366
Oceania	75	85	588	1,499	2,246	1,420
Europe	-	-	365	1,001	1,365	889
South America	-	-	-	348	348	977
Total	17,695	18,328	20,499	24,339	80,861	24,991

*1: Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.

*2: Inter-segment transactions in net sales by region are elimiated.

Consolidated Financial Results for Q1 FY12/16

Summary of Consolidated Balance Sheet

(¥ million)	FY12/15 End		FY12/16 Q1 End		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	**24,658**	**66.6%**	**34,138**	**74.1%**	**9,480**
(Cash and deposits)	9,215	24.9%	13,605	29.5%	4,390
(Notes and accounts receivable - trade)	12,979	35.0%	13,983	30.3%	1,004
(Inventories)	851	2.3%	788	1.7%	(64)
Non-current assets	**12,385**	**33.4%**	**11,948**	**25.9%**	**(437)**
Property, plant and equipment	2,734	7.4%	2,721	5.9%	(14)
Intangible assets	7,261	19.6%	6,981	15.1%	(279)
Investments and other assets	2,389	6.5%	2,246	4.9%	(144)
Total assets	**37,043**	**100.0%**	**46,086**	**100.0%**	**9,043**
Current liabilities	**20,155**	**54.4%**	**27,428**	**59.5%**	**7,272**
(Notes and accounts payable - trade)	731	2.0%	865	1.9%	134
(Short-term loans payable)	8,704	23.5%	15,989	34.7%	7,286
(Accounts payable - other)	5,745	15.5%	6,172	13.4%	426
Non-current liabilities	**4,515**	**12.2%**	**6,972**	**15.1%**	**2,457**
(Bonds payable)	25	0.1%	15	0.0%	(10)
(Long-term loans payable)	2,018	5.4%	4,631	10.0%	2,613
Total liabilities	**24,670**	**66.6%**	**34,400**	**74.6%**	**9,730**
Shareholders' equity	**11,574**	**31.2%**	**10,995**	**23.9%**	**(579)**
Capital stock	1,725	4.7%	1,725	3.7%	1
Capital surplus	3,425	9.2%	3,426	7.4%	1
Retained earnings	6,424	17.3%	5,844	12.7%	(580)
Treasury shares	(0)	0.0%	(0)	0.0%	0
Accumulated other comprehensive income	**90**	**0.2%**	**(26)**	**-0.1%**	**(115)**
Subscription rights to shares	**96**	**0.3%**	**116**	**0.3%**	**20**
Minority interests	**612**	**1.7%**	**600**	**1.3%**	**(12)**
Net assets	**12,372**	**33.4%**	**11,686**	**25.4%**	**(686)**
Total liabilities and net assets	**37,043**	**100.0%**	**46,086**	**100.0%**	**9,043**

*Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.

Cash and deposits:
Increased due to acquisition of subsidiaries' shares and loans for M&A funding

Intangible assets:
Decreased due to amortization of goodwill, etc.

Short-term loans payable:
Increased due to loans for working capital and M&A

Long-term loans payable:
Increased due to loans for M&A funding

Retained earnings:
Reflects a change in profit attributable to owners of parent and dividends paid

Revision to Consolidated Financial Forecasts

Revision to Consolidated Financial Forecasts

(¥ million)	1H FY12/16 Initial Forecasts (J-GAAP)	1H FY12/16 Revised Forecasts (J-GAAP)	FY12/16 Initial Forecasts (J-GAAP) ①	FY12/16 Revised Forecasts (as of April 28) (J-GAAP) ②	Changes ②−①
Net sales	51,000	58,000	110,000	134,000	24,000
Operating income	1,150	1,150	5,400	5,400	0
Ordinary income	1,000	1,000	5,100	5,100	0
Profit attributable to owners of parent	400	400	2,400	2,400	0

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Net Sales: Revised upwardly due to healthy growth at existing group companies and adds-on from consolidated group companies newly acquired during FY12/16

Operating Income, Ordinary Income, Profit Attributable to Owners of Parent:

All remain unchanged as amortization of goodwill continues in April and thereafter for acquired companies and as M&A related expenses of about ¥400 million paid for financial advisers, due diligence, etc. will be recognized as a one-time expense during FY12/16 instead of booking as goodwill previously while these expenses are only for consolidated accounting and not included in tax calculations, affecting all incomes down to profit attributable to owners of parent.

* The impacts of the Kumamoto earthquake to Domestic Manufacturing Outsourcing Business will be absorbed by favorable expansion to industries with different cycles from manufacturing and resilience against impacts from changes in market environment.
* From FY12/17 onward, the Company expects performance of companies acquired this time will contribute greatly due to absence of one-time expense related to the companies.

*Please refer to P.40 for the change in domestic accounting standard.

Revision to Consolidated Financial Forecasts

Reference: Summary of IFRS-base financial forecasts

Optionally applying the International Financial Reporting Standards (IFRS) from Annual Securities Report for FY12/16

(¥ million)	FY12/16 Initial Forecasts (J-GAAP)	FY12/16 Revised Forecasts (as of April 28) (J-GAAP) ①	[Reference] FY12/16 Forecasts (IFRS) ②	[Reference] FY12/16 Revised Forecasts (as of April 28) (IFRS) ③	[Reference] Changes ③－②	[Reference] Differences from J-GAAP ③－①
Net sales	110,000	134,000	110,000	**134,000**	24,000	0
Operating income	5,400	5,400	6,300	**6,500**	200	**1,100**
Ordinary income	5,100	5,100	―	―	―	―
Profit attributable to owners of parent	2,400	2,400	3,600	**4,000**	400	**1,600**

*1: Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.

*2: FY12/16 forecasts based on IFRS are estimates.

Factors for addition:
goodwill not amortized

Factors for subtraction:
provisions for paid leaves, etc.

Revision to Consolidated Financial Forecasts

*From timely disclosure material released on February 12, 2016

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

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 (*Kessan Tanshin*) Quarterly Securities Report	Japanese GAAP Japanese GAAP
	Fourth Quarter (Year End)	Annual Financial Results (*Kessan Tanshin*) 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.

The Company’s Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

1) Strengthening corporate governance to ensure healthy management amidst rapid expansion of overseas development
2) Challenges for stable growth not swayed by any type of changes in the macro environment

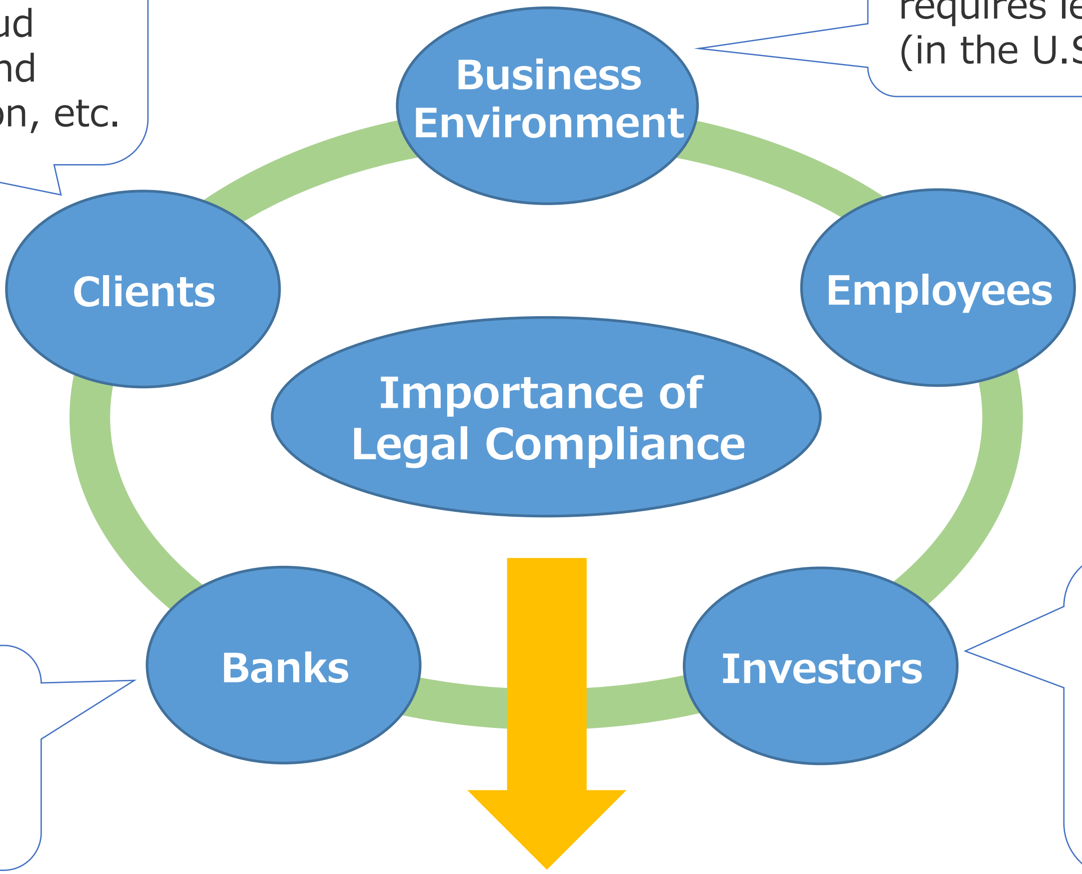
The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

1) Strengthening corporate governance to ensure healthy management amidst rapid expansion of overseas development

Demands for compliance

Trade conditions required by global companies:
IT security, bribe fraud prevention system and trademark registration, etc.

The Companies Act of each country requires legal compliance strongly.
(in the U.S.A., the U.K., and Asia)



Cleaner companies are desired.
(Morality is important.)

One of review items for Medium-Term Plans is the Legal Compliance System.

Foreign investors focus on legal compliance quality.
(Foreign shareholders ratio of the Company: 30%)

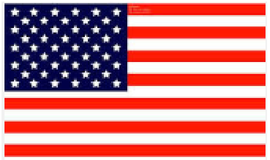
Pursuit of corporate responsibility

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

1) Strengthening corporate governance to ensure healthy management amidst rapid expansion of overseas development

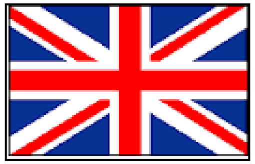
Demands for compliance

Acts related to bribery in each country



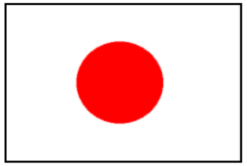
FCPA
(The Foreign Corruption Practice Act)　1977~

- The number of cases involving Japanese firms has increased from around 2007, and compensation amounts are also increasing.
- Payments through agents and consultants are subject to penalty cases.
- Can be subject to punishment even if not an American citizen or the Act was not committed in the U.S.A.



UKBA
(UK Bribery Act)　2011~

- The severest bribery regulation in the world
- Applicable not only to corporates, but to individuals as well
- Individuals face possible imprisonment up to 10 years or unlimited fines.
- Can be subject to punishment even if not a British citizen or the Act was not committed within the U.K.



Unfair Competition Prevention Act
Convention on Combating Bribery of Foreign Public Officials　1999~

- In international business transactions, it is a crime to offer to give money either directly or through a third party to foreign public officials for personal gain or favor.
- Individuals face possible imprisonment up to 5 years or fines up to ¥5 million.
- Negligent firms failing to confirm such action are subject to fines up to ¥300 million.

Since there are cases of extraordinary fines in the U.S.A. and Europe, the Company is strengthening governance across its Group as a top priority for risk management.

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

1) Strengthening corporate governance to ensure healthy management amidst rapid expansion of overseas development

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 OUTSOURCING Group
- ■Scheduled to disclose 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
- ■Transferred 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 approved at the Ordinary General Meeting of Shareholders held 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.

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

1) Strengthening corporate governance to ensure healthy management amidst rapid expansion of overseas development

FY12/16 Governance Progress Table for OUTSOURCING Group Overseas Subsidiaries

Item	Main Dept. in Charge	1	2	3	4	5	6	7	8	9	10	11	12	Description
FCPA/UKBA (Bribery Regulations)	Legal Affairs							Facilitate creation of a training program and internal compliance manual, and management of course attendance records						Explain bribery regulations to each company representative director, and require each to sign an anti-bribery pledge statement
Information Security Web/Mail Server Management and Electronic Authorization	System Section				Introduce a workflow system to overseas subsidiaries, making possible company approval									Aim at improving transparency through enabling company approval, storing and managing approval procedure data files
Alert Star	General Affairs	Establish a system for alerts to come to the head office on a 24-hour basis. Register new entrant companies on a continuous basis, and establish a crisis management system for terrorism, etc.												Establish a crisis management system Case example: the Company received an alert regarding the terrorist bombing in Indonesia on January 4, 2016, allowing the Company to contact and confirm the status of local operations.
IFRS	Accounting	Create FY12/14 financial statements		Create FY12/15 financial statements					Q1 FY12/16	Q2 FY12/16		Q3 FY12/16		FY12/16 accounts settlement is being handled in parallel for both J-GAAP and IFRS, running the overseas IFRS package.
Preparation of Consolidated Financial Results	Accounting/ Business Management		Working on a consolidation system for monthly provisional figures			Local surveys/improvements								From March 2016, after batch processing through the consolidation system, conduct local surveys/improvements
Overseas Management Rules (Reporting System to Head Office)	Legal Affairs/ Business Management	Establish a reporting system to the Company, ensuring thorough compliance by new overseas subsidiaries with overseas management rules												The Revised Companies Act Article 348-3 (May 1, 2015): Introduce SPA/SHA (Stock Purchase Agreement/Shareholders Agreement) to newly acquired M&A companies
Response to J-SOX (Japan-Version Sarbanes-Oxley Act)	Internal Audit					Introduce J-SOX not only in Japan but also in overseas subsidiaries								Commence introduction to new entrant overseas subsidiaries

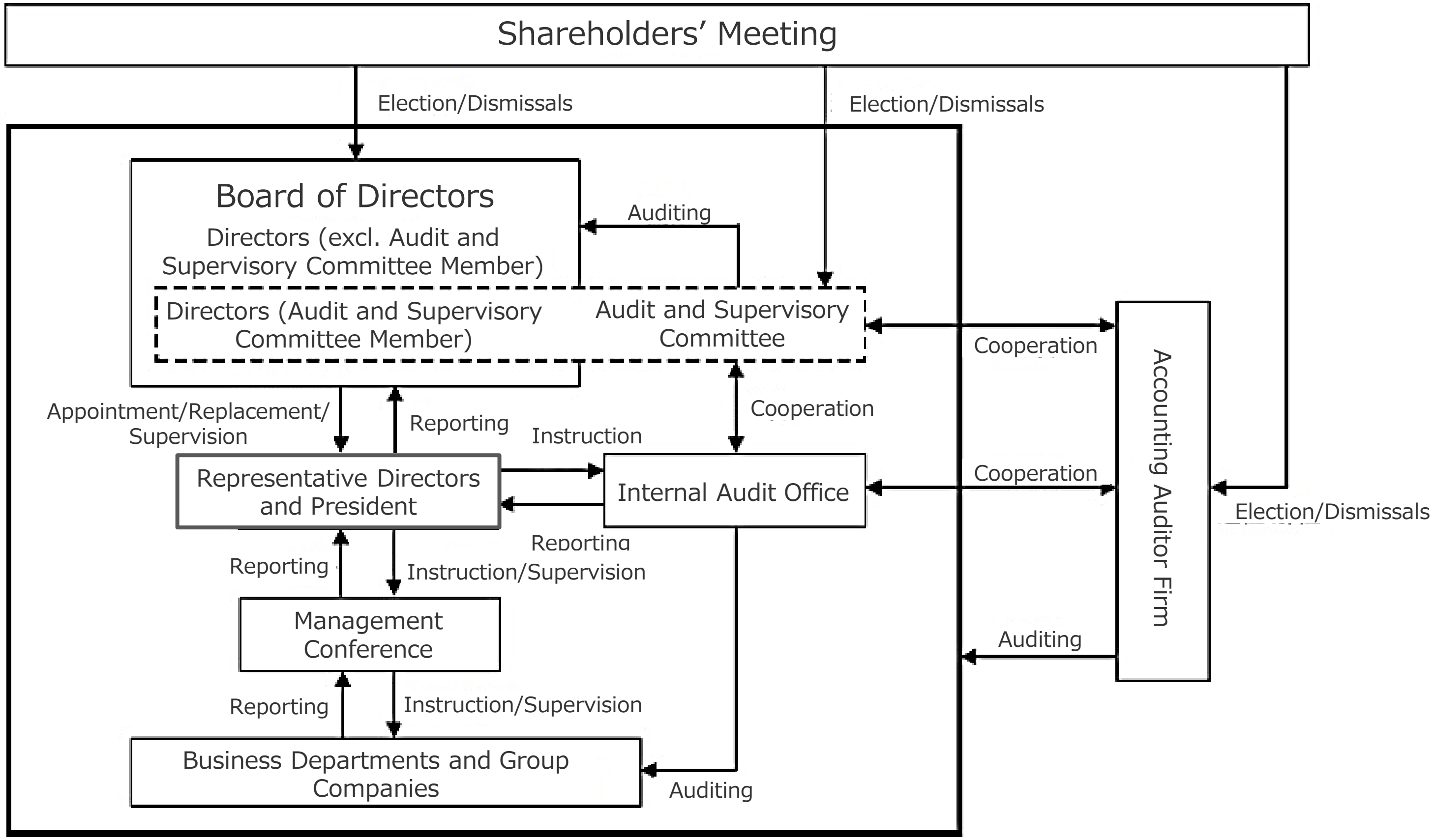
The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

1) Strengthening corporate governance to ensure healthy management amidst rapid expansion of overseas development

Strengthen overseas management rules in accordance with the Revised Companies Act

Clarify the reporting system of Group companies, and with thorough management becoming mandated by laws and regulations, report on important matters of Group companies (in accordance with management rules) at the Board of Directors Meeting, making understanding by each director mandatory

* Corporate Governance Regime of OUTSOURCING Group



The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

1) Strengthening corporate governance to ensure healthy management amidst rapid expansion of overseas development

Strengthening information security

Promote unification of Internet servers of each overseas subsidiary with the Company's server

- Incident prevention from malfunction of vulnerable servers, and improved efficiency from raising processing speed
- Strengthened control by the Company, and thorough management of websites

Promote unification of email servers of each overseas subsidiary with the Company's server

- Resolve the issue of emails not-delivered that had occurred frequently in the past, and prevent information leaks from external venders and cyber attacks
- Raise efficiency and security by unified mail account management by the Company

Strengthen risk management of overseas subsidiaries

Be able to respond to occurrence of disasters and incidents in all base regions of overseas subsidiaries, and to check for early signs of terrorism, demonstrations, etc.

- Introduction of Alert ☆ Star (from October 2015)

  Occurrence of disasters and incidents, early signs of terrorism, demonstrations, etc.

  ⇒ Email alerts are delivered addressed to the Company's Business Management Department.

  ⇒ Contact the concerned site, and confirm the local status (damage situation, safety)

The Company’s Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

1) Strengthening corporate governance to ensure healthy management amidst rapid expansion of overseas development

Dealing with IFRS

Phase Ⅰ

Studying impacts (on employee benefits/leases/goodwill) by fixing B/S and introducing IFRS at the timing of transfer day (January 1, 2014)

*Completed in September 2015

↓

Phase Ⅱ

Preparing the financial statements based on IFRS for the reference year (FY12/14)

↓

Phase Ⅲ

Preparing the financial statements based on IFRS for the reporting year (FY12/15) (scheduled for around June 2016)

↓

Plan to disclose in 2H 2016

Promote completing the system since financial statements based on IFRS will be required to be disclosed on a quarterly basis from FY12/17 onward

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

Changes in Reporting Segments

Amidst entering new industry sectors and accelerating global expansion aimed at stable growth, since the segment classification through FY12/15 no longer corresponds with actual business conditions, new reporting segments are being introduced from FY12/16.

Segments by Operating Type

【Until FY12/15】

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

【From FY12/16】

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 Region

【Until FY12/15】

Region		
Japan	Asia/Oceania (excl. Japan)	Other

【From FY12/16】

Region				
Japan	Asia (excl. Japan)	Oceania	Europe	South America

The Company’s Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

New Segment: Domestic Engineering Outsourcing Business

Focusing on engineers for IT industries and on-site building supervisors for civil engineering and construction industries in both of which demand remains robust

Since mid-career recruitment of engineers is difficult, the Company has developed a training scheme for inexperienced individuals.

【Scheme Utilizing a School for Training Engineers】

The OUTSOURCING Group’s KEN School utilizes a training curriculum for engineers jointly developed with telecom carriers and leading general contractors, providing 2 months training for inexperienced individuals hired from previous employment in other manufacturing fields.

*Since the School’s training period is brief, the contract unit price for clients is reduced slightly on initial assignment, however, after assignment, further practical training is implemented, and 1 year later, contract unit prices are raised in line with the average technical level for engineers.

Q1 FY12/16: Actual results of the scheme utilizing a school for training engineers 295 persons

For FY12/16, the Company is targeting a cumulative total of assignment of over 1,200 persons.

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

New Segment: Domestic Engineering Outsourcing Business

Performing strongly due to effective personnel securing through career changes to engineers

Focusing on engineers for IT industries and on-site building supervisors for civil engineering and construction industries in both of which demand remains robust

The OUTSOURCING Group's KEN School encourages employees with no experience in manufacturing fields, etc. to upgrade careers through training/education in line with curriculum jointly developed with telecom carriers and leading general contractors.

Q1 FY12/16: Career Change Actual Targets and Results

Career Change Occupations	Career Change Targets	Career Change Actual
IT-related Engineers	Q1 cumulative total number of persons: 73	Q1 cumulative total number of persons: 78
Civil Engineering and Construction-related Engineers	Q1 cumulative total number of persons: 33	Q1 cumulative total number of persons: 33

Targeting career changes of total for all job types over 700 persons in FY12/16

*Revised upwardly from the initial plan of over 500 persons

Q1 FY12/16 segment net sales actual result: ¥9,151 million (+27.7% YoY)

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

New Segment: Domestic Manufacturing Outsourcing Business

Enhancing the PEO Scheme which takes on fixed-term contract employees recruited by the maker as regular employees and lease them back to the clients

*The Revisions to the Labor Contract Act and the Worker Dispatching Act resulted in improved efficiencies at makers who can now use dispatched regular employees instead of fixed-term contract employees directly employed by them.

*Please refer to P.41, P.42 for details of the PEO Scheme

【Advantages for the Company】

- No need for recruitment media expenses
- Contract periods between the Company and makers have become longer as dispatched workers supplement expired fixed-term contract employees had assumed to use longer.
- Unit contract prices rose 30% or more compared to dispatching to business fields where production levels change in short cycles.

【Challenges】

Solid strategies are needed to hedge the Company's dispatched employees expenses which are increasingly becoming fixed.

Q1 FY12/16: Recruiting Target and Results by the PEO Scheme

	Cumulative Number Recruited	No. of Worksite Employees at Term-End	No. of Participating Makers at Term-End
Q1 FY12/16 Target	740	3,500	170
Q1 FY12/16 Actual	745	3,528	174

FY12/16 Target

Cumulative Number Recruited 3,000 No. of Worksite Employees at Year-End 5,500 No. of Participating Makers at Year-End 215

Q1 FY12/16 segment net sales actual result: ¥7,913 million (+15.8% YoY)

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

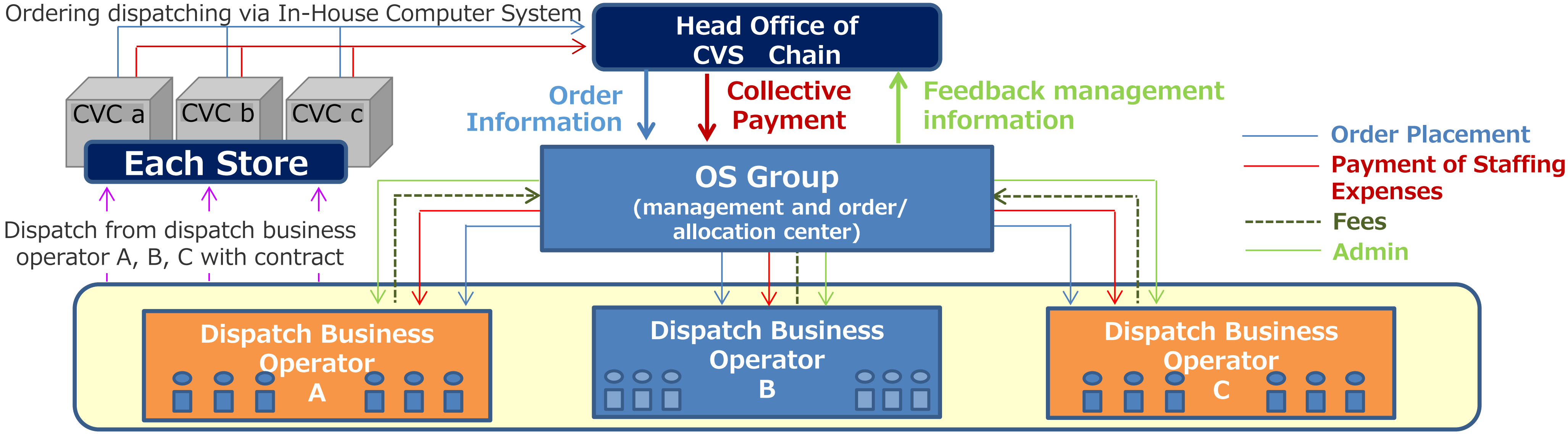
New Segment: Domestic Service Operations Outsourcing Business

Entering into the convenience store industry which was one of the growing segments at the Lehman Brothers collapse.

Undertaking whole management of dispatch business operators used by franchisees from leading convenience chains, including compliance matters for employment

- Upon receiving aggregate orders from every franchisees via chain headquarters, allocates them to dispatch business operators
- Manage and advise appropriateness regarding dispatched workers' insurance subscriptions and salary payments including overtime
- Receive 5% of sales as fees

【Image View】



Establishing the above business model and promoting the know-how to potential clients with national chains

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

New Segment: Domestic Service Operations Outsourcing Business

Entering into US military base outsourcing business resilient to economic fluctuations

Responding to outsourcing needs from US military bases for enhancing efficiencies in facility operations, repairs and maintenance

Started dispatching and contract operations in welfare facilities at US military bases in Okinawa from the end of last fiscal year

- Accelerating expansion from Okinawa to other domestic bases nationwide after newly receiving orders from US Iwakuni Base at the end of last fiscal year
- Eager to extend to Pacific rim regions: the U.S.A. (California, Alaska, Hawaii and Guam), Australia and South Korea

Expecting to receive additional orders within FY12/16 for repair and maintenance operations for military facilities including runways and hangars

Q1 FY12/16 segment net sales actual result: ¥618 million (+340.0% YoY)

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

New Segment: Domestic Administrative Outsourcing Business

- Demand is largely soft for administrative works as manufacturers are using their own directly employed fixed-term staff encouraged by moderated restrictions by the revisions to the Worker Dispatching Act.

  ⇒ Demand was firm at existing clients.

- Outsourcing needs are increasing for administrative works for the sake of directly employed foreign technical intern trainees by manufacturers.

  ⇒ Increased orders from leading automakers have been stimulating inquiries from their suppliers.

Q1-end FY12/16 number of interns in Japan   Initial target: 1,100 ⇒ Actual result: 1,120

*FY12/16-end target: 2,400

Q1 FY12/16 segment net sales actual result: ¥149 million (+8.4% YoY)

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

New Segment: Domestic Recruiting and Placing Business

Demand is largely soft for fixed-term staff directly employed by manufacturers due to moderated restrictions by the revisions to the Worker Dispatching Act.

⇒ Orders from existing clients have strengthened thanks to continued solid needs to correspond to increased production.

Q1 FY12/16 segment net sales actual result: ¥278 million (+66.6% YoY)

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

New Segment: Overseas Engineering Outsourcing Business

Fully entered into the segment from FY12/15

⇒ Rapid growth in both net sales and incomes/profit contributed by successful M&A strategy progress and accelerating businesses going forward to other yet entered nations in the U.S.A. and Europe

Q1 FY12/16 segment net sales actual result: ¥2,399 million (+2461.4% YoY)

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

New Segment: Overseas Manufacturing and Service Operations Outsourcing Business

- Growth in China and Asian nations were stronger relative to Japan albeit their economies are somewhat stagnant.
  ⇒ Growth is expanding thanks to broad needs to utilize the outsourcing industry with the Company's strength as a Japanese staffing firm.

- Newly entered into South America through M&A at the end of the last fiscal year
  ⇒ Extending businesses going forward to other yet entered nations in Latin America

- Overall segment earnings structures are improving.

Q1 FY12/16 segment net sales actual result: ¥4,252 million (+36.4% YoY)

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

Reference : Regarding M&A aiming for overseas steady growth
(Overseas Service Operations Outsourcing Business)

Acquired Malaysian group SYMPHONY HRS SDN. BHD. on April 28, 2016.

* Acquired 60% of voting rights. Estimated annual net sales at ¥900 million and estimated annual operating income at ¥200 million. To be consolidated from May 2016

Undertaking payroll calculation services for about 90,000 local staff at Asian offices of global companies, including German luxury auto maker, US investment bank and precision equipment manufacturer, in 19 countries mainly in Asia

- Payroll services in Asia will be picking up going forward while US and European companies are outsourcing estimated 70% or more.
- OUTSOURCING Group has already been operating in payroll services for 27,000 people mainly in Asia.

Promoting proposals to more than 10,000 clients including those with other business relationships and creating synergies through cooperation of the two

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

Reference : Regarding M&A aiming for overseas steady growth
(Overseas Engineering Outsourcing Business, Overseas Service Operations Outsourcing Business)

Developed countries are increasingly reducing public employees and transferring public services to private entities. The markets to be created through these moves are estimated to reach several trillion yen level. The Company acquired the following 2 firms in order to enter into these markets.

■ Acquired Beddison Group in Australia on April 1, 2016

*Please refer to P. 32 for details of the M&A.

Group net sales estimated at ¥24.5 billion for FY6/16

Planning to expand a variety of public services, the above group's focus, including maintenance of jailhouses and airport facilities, and extend these to highly correlated nations such as Hong Kong, Malaysia and Singapore

■ Acquired J.B.W. GROUP LIMITED Group in the U.K. on April 1, 2016

*Please refer to P. 32 for details of the M&A.

Group net sales estimated at ¥2.0 billion for FY12/16

Extending the above group's public claim collection services to across Europe and North Americas

The Company's Strategy Aims at Becoming a Tenacious Firm Rather than Just a Strong Firm

2) Challenges for stable growth not swayed by any type of changes in the macro environment

Reference : Regarding M&A aiming for overseas steady growth
(Overseas Engineering Outsourcing Business, Overseas Service Operations Outsourcing Business)

As of April 1, 2016, the Company acquired a group of companies in Australia and the U.K., respectively.

Australia

Acquired about 80% of shares each of five Beddison Group subsidiaries and about 80% of holdings of 4 unit trusts

*A unit trust is a trust beneficiary which administers and operates each group corporate body (Pty Ltd.) , or the trustee.

Beddison Group

・A leading staffing firm group founded in 1977 with offices in 6 states in the country

・Having an expertise in recruitment/placement, dispatching and outsourcing operations for central and local governments with outsourcing businesses for airport and jailhouse operations as well as for IT-/manufacturing-/service-related industries

The U.K.

Acquired 90.5% ownership of Hamsard 3393 Limited* which acquired 100% ownership of J.B.W. GROUP LIMITED（hereafter "JBW"; the Company's indirectly owned subsidiary）

Acquired 51.0% ownership of Hamsard 3394 Limited* which acquired 100% ownership of CASE DYNAMICS LIMITED（hereafter "CDL"; the Company's indirectly owned subsidiary）

*Hamsard 3393 Limited and Hamsard 3394 Limited are holding companies.

JBW

・Undertaking public claim collection services for central government and local public bodies, ranked the 3rd in the nation's industry.

CDL

・Building our original systems for public claim collection works with JBW and promote the business by overwhelmingly differentiate from rival firms

Consolidated Financial Forecasts for FY12/16

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

Summary for FY12/16 Consolidated Financial Forecasts

(¥ million)	FY12/15 Actual		FY12/16 Actual		FY12/16 Revised Forecasts (as of April 28)				YoY Changes	
	Full-Year		Q1		1H	2H	Full-Year			
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio	Amount	Ratio
Net sales	**80,861**	**100.0%**	**24,991**	**100.0%**	**58,000**	**76,000**	**134,000**	**100.0%**	**53,139**	**65.7%**
Cost of sales	64,327	79.6%	20,037	80.2%	-	-	-	-	-	-
Gross profit	**16,534**	**20.4%**	**4,954**	**19.8%**	**-**	**-**	**-**	**-**	**-**	**-**
SG&A expenses	13,408	16.6%	4,551	18.2%	-	-	-	-	-	-
Operating income	**3,125**	**3.9%**	**403**	**1.6%**	**1,150**	**4,250**	**5,400**	**4.0%**	**2,275**	**72.8%**
Non-operating income	528	0.7%	105	0.4%	-	-	-	-	-	-
Non-operating expenses	428	0.5%	204	0.8%	-	-	-	-	-	-
Ordinary income	**3,225**	**4.0%**	**304**	**1.2%**	**1,000**	**4,100**	**5,100**	**3.8%**	**1,875**	**58.1%**
Extraordinary income	89	0.1%	8	0.0%	-	-	-	-	-	-
Extraordinary losses	1	0.0%	8	0.0%	-	-	-	-	-	-
Profit attributable to owners of parent	**1,810**	**2.2%**	**29**	**0.1%**	**400**	**2,000**	**2,400**	**1.8%**	**590**	**32.6%**

*Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.

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

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

(¥ million)		FY12/15 Actual				FY12/16 Revised Forecasts (April 28)			
		1H	2H	Full-Year		1H	2H	Full-Year	
		Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio
Domestic Engineering Outsourcing Business	Net sales	14,766	16,787	31,553	39.0%	18,790	21,366	40,156	30.0%
	Operating income	950	1,448	2,398	76.7%	948	1,979	2,927	54.2%
	No. of worksite employees at term-end	4,285	4,742	4,742	-	5,391	6,014	6,014	-
Domestic Manufacturing Outsourcing Business	Net sales	13,724	15,744	29,468	36.4%	16,106	17,466	33,572	25.1%
	Operating income	233	778	1,010	32.3%	543	1,218	1,761	32.6%
	No. of worksite employees at term-end	6,554	7,463	7,463	-	8,496	10,262	10,262	-
Domestic Service Operations Outsourcing Business	Net sales	298	786	1,083	1.3%	1,649	3,192	4,841	3.6%
	Operating income	(37)	(45)	(82)	-2.6%	(54)	257	203	3.8%
	No. of worksite employees at term-end	381	1,671	1,671	-	2,348	2,952	2,952	-
Domestic Administrative Outsourcing Business	Net sales	280	257	537	0.7%	336	522	858	0.6%
	Operating income	25	31	56	1.8%	68	200	268	5.0%
	No. of outsourcing administrative workers at term-end	1,730	1,538	1,538	-	1,916	2,535	2,535	-
Domestic Recruiting and Placing Business	Net sales	342	530	872	1.1%	606	745	1,351	1.0%
	Operating income	142	271	413	13.2%	205	253	458	8.5%
	No. of placed workers	1,194	1,495	2,689	-	1,593	1,757	3,350	-
Overseas Engineering Outsourcing Business	Net sales	176	3,656	3,832	4.7%	7,789	13,197	20,986	15.7%
	Operating income	21	161	183	5.8%	378	673	1,051	19.5%
	No. of worksite employees at term-end	472	895	895	-	1,667	1,851	1,851	-
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	6,359	6,991	13,349	16.5%	12,292	19,118	31,410	23.4%
	Operating income	(41)	94	53	1.7%	284	775	1,059	19.6%
	No. of worksite employees at term-end	11,028	14,644	14,644	-	20,771	27,766	27,766	-
Other Business	Net sales	78	88	166	0.2%	431	394	825	0.6%
	Operating income	8	6	14	0.4%	15	11	26	0.5%
	No. of worksite employees at term-end	-	-	-	-	4	4	4	-
Adjustments	Operating income	(363)	(557)	(920)	-29.4%	(1,237)	(1,116)	(2,353)	-43.6%
Total	Net sales	36,022	44,838	80,861	100.0%	58,000	76,000	134,000	100.0%
	Operating income	938	2,188	3,125	100.0%	1,150	4,250	5,400	100.0%

*Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.

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

Summary for Financial Forecasts by Reporting Segment (Quarterly Trends)

(¥ million)		FY12/15				FY12/16				
		Actual				Initial Forecasts	Actual	Revised Forecasts (as of April 28)		
		Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4
Domestic Engineering Outsourcing Business	Net sales	7,166	7,599	8,024	8,763	8,943	9,151	9,639	10,359	11,007
	Operating income	421	529	585	864	357	423	525	820	1,159
	No. of worksite employees at term-end	3,918	4,285	4,450	4,742	4,720	5,029	5,391	5,752	6,014
Domestic Manufacturing Outsourcing Business	Net sales	6,830	6,894	7,493	8,252	7,641	7,913	8,193	8,254	9,212
	Operating income	57	176	259	519	133	218	302	421	797
	No. of worksite employees at term-end	6,285	6,554	7,142	7,463	7,723	7,195	8,496	9,576	10,262
Domestic Service Operations Outsourcing Business	Net sales	140	157	247	538	646	618	1,031	1,400	1,792
	Operating income	(6)	(31)	(27)	(18)	(57)	(65)	11	84	173
	No. of worksite employees at term-end	375	381	840	1,671	1,939	1,710	2,348	2,710	2,952
Domestic Administrative Outsourcing Business	Net sales	137	143	136	121	149	149	187	232	290
	Operating income	14	11	14	18	36	35	56	82	118
	No. of outsourcing administrative workers at term-end	2,151	1,730	1,659	1,538	1,550	1,438	1,916	2,358	2,535
Domestic Recruiting and Placing Business	Net sales	167	175	257	273	338	278	328	370	375
	Operating income	67	76	137	134	93	117	88	123	130
	No. of placed workers	594	600	703	792	790	799	794	872	885
Overseas Engineering Outsourcing Business	Net sales	94	83	996	2,660	2,472	2,399	5,390	6,139	7,058
	Operating income	11	10	78	83	89	89	289	293	380
	No. of worksite employees at term-end	539	472	815	895	752	882	1,667	1,689	1,851
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	3,117	3,242	3,307	3,684	4,205	4,252	8,040	8,748	10,370
	Operating income	(75)	33	41	54	53	55	229	329	446
	No. of worksite employees at term-end	10,555	11,028	10,632	14,644	15,526	16,352	20,771	24,214	27,766
Other Business	Net sales	43	35	40	48	188	230	201	191	203
	Operating income	3	5	5	1	3	10	5	2	9
	No. of worksite employees at term-end	-	-	-	-	4	4	4	4	4
Adjustments	Operating income	(178)	(185)	(220)	(337)	(406)	(479)	(758)	(532)	(584)
Total	Net sales	17,695	18,328	20,499	24,339	24,583	24,991	33,009	35,692	40,308
	Operating income	315	623	871	1,317	301	403	747	1,622	2,628

*Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.

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

Summary for Financial Forecasts by Region (Annual and Semi-Annual Trends)

(¥ million)	FY12/15 Actual				FY12/16 Revised Forecasts (as of April 28)			
	1H	2H	Full-Year	Composition Ratio	1H	2H	Full-Year	Composition Ratio
Japan	29,487	34,192	63,679	78.8%	37,919	43,684	81,603	60.9%
Asia (excl. Japan)	6,376	6,847	13,222	16.3%	7,064	8,927	15,991	11.9%
Oceania	160	2,087	2,246	2.8%	8,728	17,933	26,661	19.9%
Europe	-	1,365	1,365	1.7%	2,438	3,584	6,022	4.5%
South America	-	348	348	0.4%	1,851	1,872	3,723	2.8%
Total	36,022	44,838	80,861	100.0%	58,000	76,000	134,000	100.0%

Summary for Financial Forecasts by Region (Quarterly Trends)

Net Sales by Region	FY12/15 Actual				FY12/16			
					Actual	Revised Forecasts (as of April 28)		
(¥ million)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	14,484	15,003	16,197	17,995	18,339	19,580	20,805	22,879
Asia (excl. Japan)	3,136	3,240	3,350	3,496	3,366	3,698	4,212	4,715
Oceania	75	85	588	1,499	1,420	7,308	8,091	9,842
Europe	-	-	365	1,001	889	1,549	1,714	1,870
South America	-	-	-	348	977	874	870	1,002
Total	17,695	18,328	20,499	24,339	24,991	33,009	35,692	40,308

*Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.

Domestic Recruitment Plan for FY12/16

Annual and Semi-Annual Trends

		FY12/15 Actual			FY12/16 Revised Forecasts (as of April 28)		
		1H	2H	Full-Year	1H	2H	Full-Year
Engineering	**No. of workers recruited (persons)**	**1,073**	**806**	**1,879**	**1,276**	**847**	**2,123**
	Recruitment unit price (¥/worker)	197,892	286,492	235,897	258,721	296,863	273,938
Manufacturing	**No. of workers recruited (persons)**	**3,418**	**5,922**	**9,340**	**3,318**	**4,880**	**8,198**
	Recruitment unit price (¥/worker)	77,678	37,614	52,276	63,434	47,921	54,200
Service Operations	**No. of workers recruited (persons)**	**-**	**-**	**-**	**1,439**	**1,885**	**3,324**
	Recruitment unit price (¥/worker)	-	-	-	20,797	21,757	21,341
Recruiting and Placing	**No. of workers recruited (persons)**	**1,194**	**1,495**	**2,689**	**1,593**	**1,757**	**3,350**
	Recruitment unit price (¥/worker)	121,715	104,939	112,388	127,233	109,316	117,836

Quarterly Trends

		FY12/15 Actual				FY12/16 Actual	FY12/16 Revised Forecasts (as of April 28)		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Engineering	**No. of workers recruited (persons)**	**325**	**748**	**358**	**448**	**532**	**744**	**481**	**366**
	Recruitment unit price (¥/worker)	350,935	131,396	259,985	307,674	394,709	161,483	293,545	301,244
Manufacturing	**No. of workers recruited (persons)**	**1,531**	**1,887**	**2,656**	**3,266**	**1,159**	**2,159**	**2,703**	**2,177**
	Recruitment unit price (¥/worker)	91,251	66,665	43,829	32,560	82,432	53,235	46,427	49,777
Service Operations	**No. of workers recruited (persons)**	**-**	**-**	**-**	**-**	**687**	**752**	**917**	**968**
	Recruitment unit price (¥/worker)	-	-	-	-	16,079	25,108	22,093	21,439
Recruiting and Placing	**No. of workers recruited (persons)**	**594**	**600**	**703**	**792**	**799**	**794**	**872**	**885**
	Recruitment unit price (¥/worker)	131,552	111,977	108,889	101,433	137,164	117,239	112,984	105,703

References

Changes in Accounting Standard

*From Q1 FY12/16 TANSHIN consolidated financial statements (J-GAAP) announced on February 28, 2016

Change in Accounting Policies

(Application of Accounting Standard for Business Combinations and others)

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) (hereinafter, the “Business Combinations Accounting Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) (hereinafter, the “Consolidation Accounting Standard”) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) (hereinafter, the “Business Divestitures Accounting Standard”) and other standards from the first quarter ended March 31, 2016. Accordingly, the accounting methods have been changed to record the difference arising from changes in equity in subsidiaries which the Company continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which incurred. In addition, regarding business combinations occurring on or after January 1, 2016, the accounting method has been changed to retroactively reflect adjustments to the amount allocated to acquisition costs arising from the finalization of the provisional accounting treatment on the consolidated financial statements of the period in which the business combination occurs. Furthermore, presentation of Net Income and others has been changed and presentation of Minority Interests has been changed to Non-controlling Interests. In order to reflect the changes in presentation of financial statements, reclassification was made accordingly in the quarterly consolidated financial statements for the three months ended March 31, 2015 and the consolidated financial statements for the fiscal year ended December 31, 2015.

The applications of the Business Combination Accounting Standards and other standards comply with transitional treatments defined in Article 58, Paragraph 2(4) of the Business Combination Accounting Standards, Article 44, Paragraph 5(4) of the Consolidated Accounting Standards and Article 57, Paragraph 4(4) of the Business Divestitures Accounting Standards, which have been in effect from the three months ended March 31, 2016 and thereafter.
As a result, Operating Income, Ordinary Income and Income before Income Taxes for the three months ended March 31, 2016 decreased by 100 million yen respectively.

PEO Scheme

Revisions to the Labor Contract Act and the Worker Dispatching Act

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

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
- 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 and tightened the terms of license permissions.
- Abolishing works had no restriction on period and limiting up to 3 years for dispatching all fixed-term contract employees to the same workplace
- No restriction on period for regular worker dispatching
  *Before revised: For manufacturing jobs, dispatching of even regular employees at the same worksite was limited to a maximum 3 years

◆The Revised Labor Contract Act aims to reduce unstable employments at any companies.

◆The Revised Worker Dispatch Law makes dispatching business more strict, and at the same time has high expectations for generating stable employment in the dispatching industry.

Makers can raise efficiency as a result of the Revised Act, converting from using directly employed fixed-term contract employees to use of dispatching of regular employees.

PEO Scheme

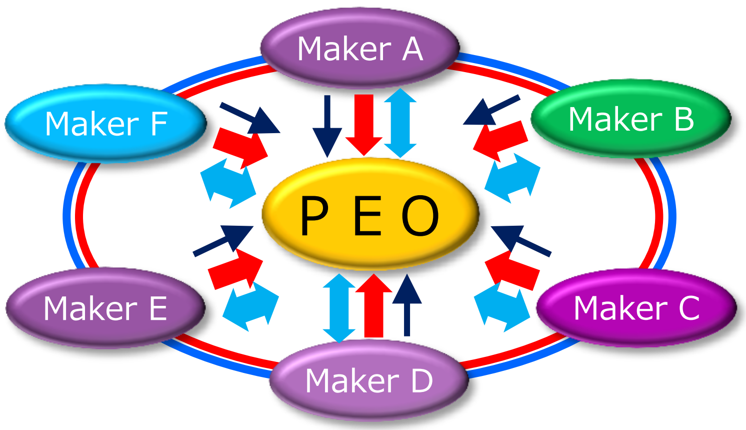
Company’s unique scheme for dispatching regular employees in accordance with revision to labor acts

【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 OUTSOURCING Group, not makers requiring personnel adjustment during periods of production cuts.

Sales Breakdown by Industry for FY12/16

Quarterly Trends

(¥million)	FY12/15 Actual					FY12/16 Actual
	Q1	Q2	Q3	Q4	Full-Year	Q1
Domestic Engineering Outsourcing Business	**7,166**	**7,599**	**8,024**	**8,763**	**31,553**	**9,151**
Electrical & Electronics	902	1,381	1,492	1,561	5,335	1,556
Transport Equipment	1,981	1,946	2,214	2,333	8,474	2,353
Pharm. & Chemicals	352	335	330	365	1,383	387
IT-related	2,443	2,419	2,390	2,730	9,982	3,116
Construction & Plant-related	1,044	1,017	1,082	1,177	4,319	1,183
Others	444	502	516	598	2,060	556
Domestic Manufacturing Outsourcing Business	**6,830**	**6,894**	**7,493**	**8,252**	**29,468**	**7,913**
Electrical & Electronics	1,909	2,005	2,370	2,573	8,858	2,262
Transport Equipment	2,714	2,728	2,885	3,205	11,533	3,134
Pharm. & Chemicals	909	897	884	896	3,586	894
Metals & Construction Materials	486	485	510	528	2,010	623
Foods	401	334	390	522	1,647	474
Others	410	444	453	528	1,836	526
Domestic Service Operations Outsourcing Business	**140**	**157**	**247**	**538**	**1,083**	**618**
Retail	132	139	164	402	837	412
Civil Service	-	-	48	85	133	166
Others	8	19	35	51	113	40
Overseas Engineering Outsourcing Business	**94**	**83**	**996**	**2,660**	**3,832**	**2,399**
Overseas Manufacturing and Service Operations Outsourcing Business	**3,117**	**3,242**	**3,307**	**3,684**	**13,349**	**4,252**

*Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSHIN financial statements.

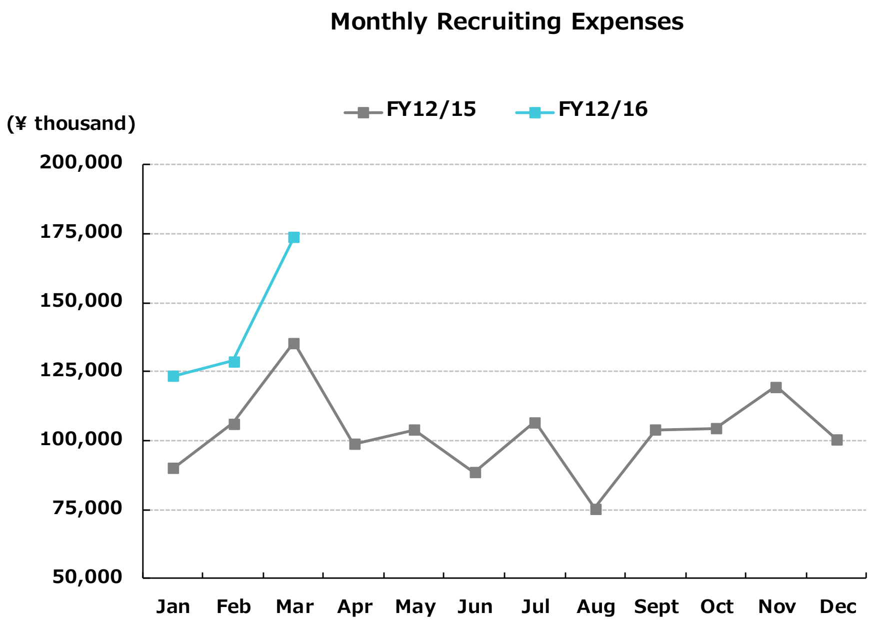
Sales Breakdown Ratio by Industry for FY12/16

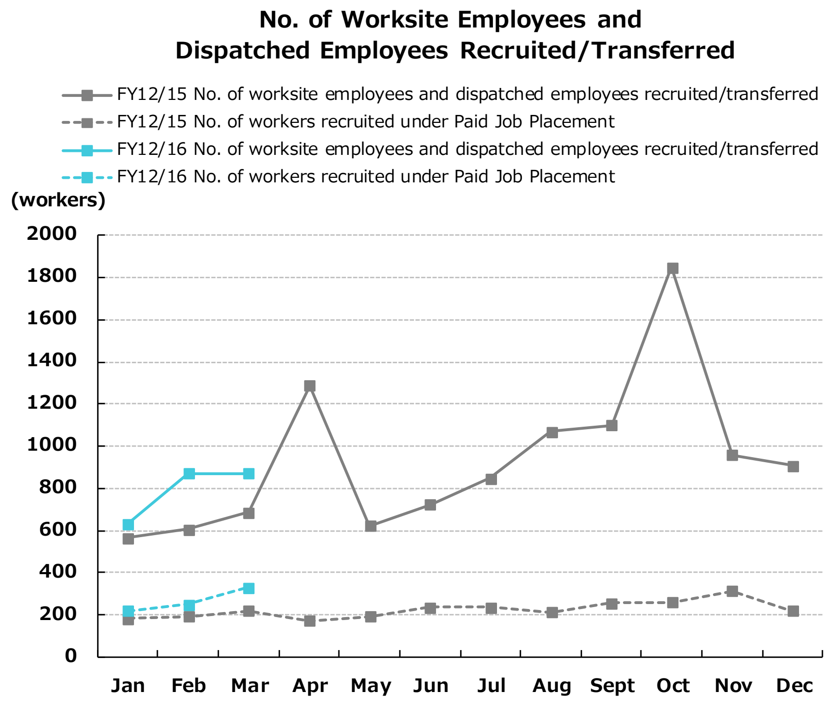
Quarterly Trends

	FY12/15 Actual					FY12/16 Actual
	Q1	Q2	Q3	Q4	Full-Year	Q1
Domestic Engineering Outsourcing Business	**40.5%**	**41.7%**	**39.1%**	**36.0%**	**39.0%**	**36.6%**
Electrical & Electronics	5.1%	7.5%	7.3%	6.4%	6.6%	6.2%
Transport Equipment	11.2%	10.6%	10.8%	9.6%	10.5%	9.4%
Pharm. & Chemicals	2.0%	1.8%	1.6%	1.5%	1.7%	1.6%
IT-related	13.8%	13.2%	11.7%	11.2%	12.3%	12.5%
Construction & Plant-related	5.9%	5.6%	5.2%	4.8%	5.3%	4.7%
Others	2.5%	2.8%	2.5%	2.5%	2.6%	2.2%
Domestic Manufacturing Outsourcing Business	**38.6%**	**37.7%**	**36.6%**	**33.9%**	**36.5%**	**31.7%**
Electrical & Electronics	10.8%	10.9%	11.6%	10.6%	11.0%	9.1%
Transport Equipment	15.3%	14.9%	14.1%	13.1%	14.3%	12.5%
Pharm. & Chemicals	5.1%	4.9%	4.3%	3.7%	4.4%	3.6%
Metals & Construction Materials	2.8%	2.7%	2.5%	2.2%	2.5%	2.5%
Foods	2.3%	1.8%	1.9%	2.1%	2.0%	1.9%
Others	2.3%	2.4%	2.2%	2.2%	2.3%	2.1%
Domestic Service Operations Outsourcing Business	**0.8%**	**0.9%**	**1.2%**	**2.2%**	**1.3%**	**2.5%**
Retail	0.7%	0.8%	0.8%	1.7%	1.0%	1.6%
Civil Service	-	-	0.2%	0.3%	0.2%	0.7%
Others	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%
Overseas Engineering Outsourcing Business	**0.6%**	**0.4%**	**4.9%**	**10.9%**	**4.7%**	**9.6%**
Overseas Manufacturing and Service Operations Outsourcing Business	**17.6%**	**17.7%**	**16.1%**	**15.2%**	**16.5%**	**17.0%**

Trends in Recruited Number of Workers and Recruiting Expenses in Japan

Monthly Trends (Consolidated)





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

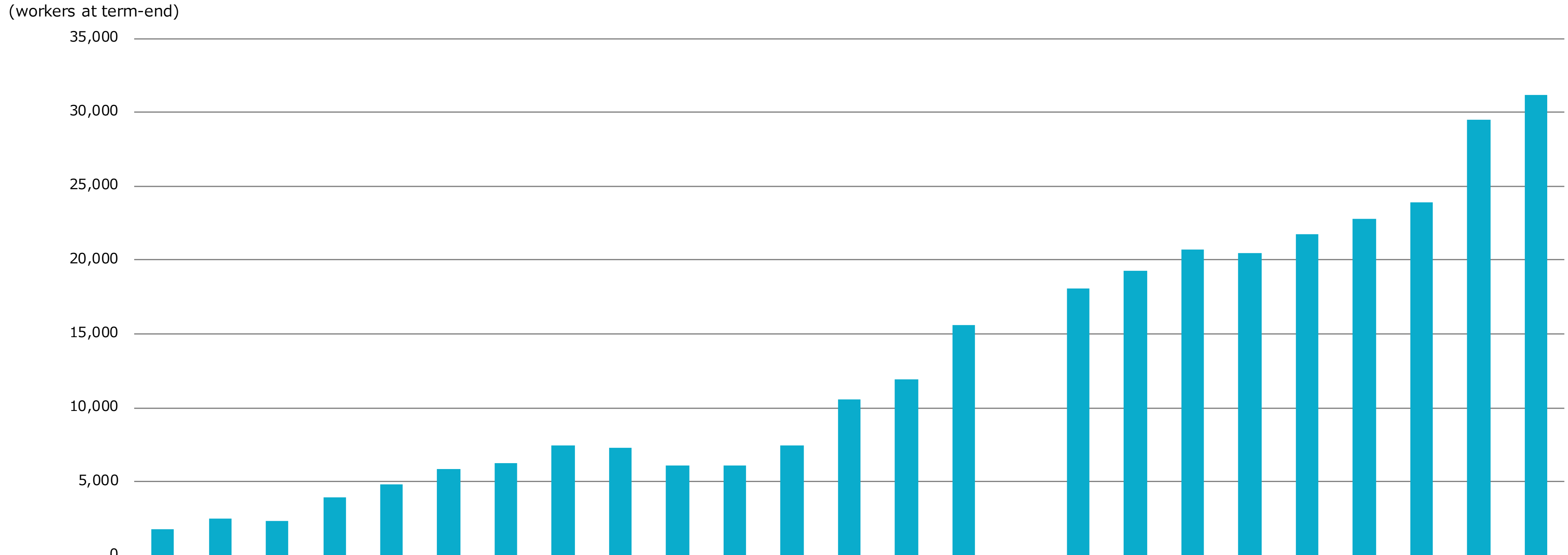
FY12/16	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
No. of worksite employees and dispatched employees recruited/transferred	634	872	872									
No. of workers recruited under Paid Job Placement	218	250	331									
Recruiting expenses (¥ thousand)	123,495	128,926	173,743									

※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 (Consolidated)

- Up to FY12/13: Annual trend
- From FY12/14: Quarterly trend



	12/99	12/00	12/01	12/02	12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13		3/14	6/14	9/14	12/14	3/15	6/15	9/15	12/15	3/16
Worksite Employees	1,809	2,478	2,351	3,890	4,821	5,823	6,209	7,468	7,324	6,102	6,109	7,434	10,542	11,913	15,585		18,103	19,266	20,742	20,505	21,739	22,791	23,945	29,477	31,168

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

Legal Disclaimer

A cautionary note on forward-looking statements:

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

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