

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



Financial Results for the 2nd Quarter of Fiscal Year Ending December 31, 2016

August 2016

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Consolidated Financial Results for Q2 FY12/16



Consolidated Financial Results for Q2 FY12/16

Consolidated Financial Results Summary

(¥ million)	FY12/15 Q2 YTD Actual		FY12/16 Q2 YTD Actual		YoY Changes	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
Net sales	36,022	100.0%	57,484	100.0%	21,461	59.6%
Cost of sales	28,948	80.4%	46,119	80.2%	17,171	59.3%
Gross profit	7,075	19.6%	11,365	19.8%	4,290	60.6%
SG&A expenses	6,137	17.0%	10,133	17.6%	3,996	65.1%
Operating income	938	2.6%	1,231	2.1%	294	31.3%
Non-operating income	266	0.7%	310	0.5%	44	16.5%
Non-operating expenses	201	0.6%	247	0.4%	47	23.3%
Ordinary income	1,003	2.8%	1,294	2.3%	291	29.0%
Extraordinary income	40	0.1%	12	0.0%	(28)	-70.8%
Extraordinary losses	0	0.0%	20	0.0%	20	-
Profit attributable to owners of parent	489	1.4%	302	0.5%	(187)	-38.2%

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

Consolidated Financial Results for Q2 FY12/16

Reference : Comparison between J-GAAP and IFRS

(¥ million)	FY12/15 Q2 YTD Actual (J-GAAP) ①	FY12/16 Q2 YTD Actual (J-GAAP) ②	YoY Changes (② - ①)	[Reference] FY12/16 Q2 YTD Actual (IFRS) ③	[Reference] Differences from J-GAAP (③ - ②)
Net sales	36,022	57,484	59.6%	57,484	0
Operating income	938	1,231	31.3%	1,800	569
Profit attributable to owners of parent	489	302	-38.2%	780	478

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

*2: Q2 FY12/16 actual 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 Q2 FY12/16

Highlights for Consolidated Financial Results

Net Sales **¥57,484 million (+59.6% YoY)**

Domestic Engineering Outsourcing Business

Favorable growth on the back of responding to brisk needs for engineers for the IT industry and on-site building supervisors for civil engineering and construction industries

- Number of assigned persons post-training at the OS Group's KEN School . . . Q2 YTD 608
- Number of career changes 1-year post-assignment . . . Q2 YTD 317

Q2 YTD FY12/16 segment sales actual results: ¥18,888 million (+27.9% YoY)

Domestic Manufacturing Outsourcing Business

Favorable growth on conversion to the long-term business field through the PEO Scheme

- Number of workers recruited through the PEO Scheme . . . Q2 YTD 1,525
- PEO Scheme number of workers enrolled . . . Q2-end 4,063

Q2 YTD FY12/16 segment sales actual results: ¥15,487 million (+12.8% YoY)

Consolidated Financial Results for Q2 FY12/16

Highlights for Consolidated Financial Results

Net Sales **¥57,484 million (+59.6% YoY)**

Domestic Service Operations Outsourcing Business

Favorable growth on outsourcing services, etc. within US military bases which are less susceptible to impact of the economy

Q2 YTD FY12/16 segment sales actual results: ¥1,475 million (+395.7% YoY)

Domestic Administrative Outsourcing Business

Foreign technical interns directly employed by makers due to labor shortages in Japan are increasing, and the related administrative contract operations expanded

• Number of foreign technical interns under administrative contract operations • • • Q2-end 1,560

Q2 YTD FY12/16 segment sales actual results: ¥356 million (+27.2% YoY)

Domestic Recruiting and Placing Business

Favorable earnings growth on responding to the brisk level of needs in accordance with production hikes by existing maker clients

Q2 YTD FY12/16 segment sales actual results: ¥592 million (+73.5% YoY)

Consolidated Financial Results for Q2 FY12/16

Highlights for Consolidated Financial Results

Net Sales **¥57,484 million (+59.6% YoY)**

Overseas Engineering Outsourcing Business

Favorable growth in orders from national and local government institutions on the back of M&A in Europe and Australia and realizing synergies among OS Group companies

Q2 YTD FY12/16 segment sales actual results: ¥8,519 million (+4,728.6% YoY)

Overseas Manufacturing and Service Operations Outsourcing Business

Both Manufacturing and Service Operations Outsourcing Business expanded in Asia, Australia and South America, and contracted service operations grew from national and local government institutions

Q2 YTD FY12/16 segment sales actual results: ¥11,780 million (+85.3% YoY)

Other Business

Development and sales of high performance auto parts, shared office services through a Special Subsidiary Company for hiring handicapped employees established in the 2H FY12/15, and sign language class business recently entered each trended favorably

Q2 YTD FY12/16 segment sales actual results: ¥382 million (+389.4% YoY)

Highlights for Consolidated Financial Results

Operating Income **¥1,231 million (+31.3% YoY)**

- For financial advisor and due diligence expenses related to M&A that had been booked in the goodwill account through FY12/15, due to a revised accounting standard these expenses were booked in one lump sum, resulting in a negative impact of ¥337 million, however, operating income absorbed this and posted a record high.

Ordinary Income **¥1,294 million (+29.0% YoY)**

- Booked a foreign exchange gain of ¥34 million, and posted a record high

Profit Attributable to Owners of Parent **¥302 million (-38.2% YoY)**

- Decreased by ¥337 million as M&A-related expenses were only for consolidated accounts and not included in tax calculations

Consolidated Financial Results for Q2 FY12/16

Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/15					FY12/16	
	Q1	Q2	Actual Q3	Q4	Full-Year	Actual Q1	Actual Q2
Net sales	17,695	18,328	20,499	24,339	80,861	24,991	32,493
Gross profit	3,362	3,712	4,229	5,230	16,534	4,954	6,411
Gross profit margin	19.0%	20.3%	20.6%	21.5%	20.4%	19.8%	19.7%
SG&A expenses	3,048	3,089	3,358	3,913	13,408	4,551	5,582
SG&A expenses ratio	17.2%	16.9%	16.4%	16.1%	16.6%	18.2%	17.2%
Operating income	315	623	871	1,317	3,125	403	828
Operating income margin	1.8%	3.4%	4.2%	5.4%	3.9%	1.6%	2.5%
Ordinary income	365	638	969	1,252	3,225	304	990
Ordinary income margin	2.1%	3.5%	4.7%	5.1%	4.0%	1.2%	3.0%
Profit attributable to owners of parent	205	284	499	822	1,810	29	273
Net income margin	1.2%	1.5%	2.4%	3.4%	2.2%	0.1%	0.8%

QoQ Changes	FY12/15					FY12/16	
	Q1	Q2	Actual Q3	Q4	Full-Year	Actual Q1	Actual Q2
Net sales	9.8%	3.6%	11.8%	18.7%	36.1%	2.7%	30.0%
Gross profit	-0.3%	10.4%	13.9%	23.7%	38.2%	-5.3%	29.4%
SG&A expenses	16.9%	1.4%	8.7%	16.5%	34.7%	16.3%	22.7%
Operating income	-58.8%	97.9%	39.7%	51.3%	55.5%	-69.4%	105.5%
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 Q2 FY12/16

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

(\$ million)		FY12/15 Actual					FY12/16 Actual	
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2
Domestic Engineering Outsourcing Business	Net sales	7,166	7,599	8,024	8,763	31,553	9,151	9,737
	Operating income	421	529	585	864	2,398	423	622
	No. of worksite employees at term-end	3,918	4,285	4,450	4,742	4,742	5,029	5,720
Domestic Manufacturing Outsourcing Business	Net sales	6,830	6,894	7,493	8,252	29,468	7,913	7,574
	Operating income	57	176	259	519	1,010	218	334
	No. of worksite employees at term-end	6,285	6,554	7,142	7,463	7,463	7,195	7,482
Domestic Service Operations Outsourcing Business	Net sales	140	157	247	538	1,083	618	858
	Operating income	(6)	(31)	(27)	(18)	(82)	(65)	14
	No. of worksite employees at term-end	375	381	840	1,671	1,671	1,710	1,521
Domestic Administrative Outsourcing Business	Net sales	137	143	136	121	537	149	207
	Operating income	14	11	14	18	56	35	64
	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	314
	Operating income	67	76	137	134	413	117	164
	No. of placed workers	594	600	703	792	2,689	799	896
Overseas Engineering Outsourcing Business	Net sales	94	83	996	2,660	3,832	2,399	6,120
	Operating income	11	10	78	83	183	89	283
	No. of worksite employees at term-end	539	472	815	895	895	882	1,778
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	3,117	3,242	3,307	3,684	13,349	4,252	7,529
	Operating income	(75)	33	41	54	53	55	191
	No. of worksite employees at term-end	10,555	11,028	10,632	14,644	14,644	16,352	19,647
Other Business	Net sales	43	35	40	48	166	230	152
	Operating income	3	5	5	1	14	10	1
	No. of worksite employees at term-end	-	-	-	-	-	4	4
Adjustments	Operating income	(178)	(185)	(220)	(337)	(920)	(479)	(844)
Total	Net sales	17,695	18,328	20,499	24,339	80,861	24,991	32,493
	Operating income	315	623	871	1,317	3,125	403	828

Net Sales by Region (\$ million)		FY12/15 Actual					FY12/16 Actual	
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2
Japan		14,484	15,003	16,197	17,995	63,679	18,339	18,844
Asia (excl. Japan)		3,136	3,240	3,350	3,496	13,222	3,366	3,095
Oceania		75	85	588	1,499	2,246	1,420	8,444
Europe		-	-	365	1,001	1,365	889	1,256
South America		-	-	-	348	348	977	854
Total		17,695	18,328	20,499	24,339	80,861	24,991	32,493

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

Consolidated Financial Results for Q2 FY12/16

Summary of Consolidated Balance Sheet

(¥ million)	FY12/15-End		Q2-End FY12/16		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	24,658	66.6%	29,655	59.5%	4,997
(Cash and deposits)	9,215	24.9%	10,324	20.7%	1,109
(Notes and accounts receivable - trade)	12,979	35.0%	16,031	32.2%	3,052
(Inventories)	851	2.3%	883	1.8%	31
Non-current assets	12,385	33.4%	20,203	40.5%	7,818
Property, plant and equipment	2,734	7.4%	2,827	5.7%	92
Intangible assets	7,261	19.6%	15,135	30.4%	7,874
Investments and other assets	2,389	6.5%	2,241	4.5%	(148)
Total assets	37,043	100.0%	49,857	100.0%	12,815
Current liabilities	20,155	54.4%	31,049	62.3%	10,894
(Notes and accounts payable - trade)	731	2.0%	691	1.4%	(39)
(Short-term loans payable)	8,704	23.5%	16,141	32.4%	7,437
(Accounts payable - other)	5,745	15.5%	9,040	18.1%	3,295
Non-current liabilities	4,515	12.2%	7,790	15.6%	3,275
(Bonds payable)	25	0.1%	-	-	(25)
(Long-term loans payable)	2,018	5.4%	5,131	10.3%	3,113
Total liabilities	24,670	66.6%	38,839	77.9%	14,169
Shareholders' equity	11,574	31.2%	11,297	22.7%	(277)
Capital stock	1,725	4.7%	1,740	3.5%	15
Capital surplus	3,425	9.2%	3,440	6.9%	15
Retained earnings	6,424	17.3%	6,117	12.3%	(307)
Treasury shares	(0)	0.0%	(0)	0.0%	0
Accumulated other comprehensive income	90	0.2%	(1,972)	-4.0%	(2,062)
Subscription rights to shares	96	0.3%	131	0.3%	35
Non-controlling interests	612	1.7%	1,562	3.1%	950
Total net assets	12,372	33.4%	11,018	22.1%	(1,354)
Total liabilities and net assets	37,043	100.0%	49,857	100.0%	12,815

Notes and accounts receivable - trade:
Increased from acquisition of subsidiary shares and business scale expansion, etc.

Intangible assets:
Increased from acquisition of subsidiary shares

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

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Consolidated Financial Results for Q2 FY12/16

Summary of Consolidated Statements of Cash Flows

(¥ million)	FY12/15 Q2 YTD Amount	FY12/16 Q2 YTD Amount	YoY Changes Amount
Income before income taxes and minority interests	1,043	1,285	243
Depreciation	198	333	135
Amortization of goodwill	361	917	556
Amortization of negative goodwill	(0)	-	-
Decrease (increase) in notes and accounts receivable - trade	(827)	(1,179)	(353)
Increase (decrease) in notes and accounts payable - trade	1,464	1,823	359
Net cash provided by (used in) operating activities	817	711	(106)
Net cash provided by (used in) investing activities	(1,546)	(6,583)	(5,037)
Increase (decrease) in loans payable	(2,098)	8,789	10,886
Cash dividends paid	(401)	(612)	(211)
Other, net	3,879	(9)	(3,888)
Net cash provided by (used in) financing activities	1,381	8,168	6,787
Cash and cash equivalents at end of period	5,304	9,342	4,038

Cash flows from operating activities:
Decreased due to an increase in notes and accounts receivable – trade, etc.

Cash flows from investing activities:
Decreased due to an increase in expenditures for acquisition of subsidiary shares

Cash flows from financing activities:
Increased due to loans for working capital and M&A

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Regarding Strengthening Corporate Governance



Regarding Strengthening Corporate Governance

Governance Progress Table for OUTSOURCING Group Overseas Subsidiaries

In order to ensure healthy management even under rapid growth of overseas development, strengthening corporate governance is progressing in-line with the planned schedule shown below.

Item	Main Dept. in Charge	1	2	3	4	5	6	7	8	9	10	11	12	Description
FCPA/UKBA (Bribery Regulations)	Legal Affairs													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	Systems													Aim at improving transparency through enabling company approval, storing and managing approval procedure data files
Alert Star	General Affairs													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													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													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													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													This is also applied to newly acquired overseas subsidiaries upon entering the Group.

View on the Company's Financial Position



View on the Company's Financial Position

In the Medium-Term Management Plan announced in February 2015, the Company outlined a paradigm shift from being a firm that simply provides domestic manufacturing outsourcing services, to targeting generation and growth of new outsourcing business through global entry into business fields and regions expected to grow going forward.

Entry into business fields and regions expected to grow going forward will be implemented by deploying large funds ⇒ loans for upfront investments will be increased

Interest-bearing debt total

As of Q2-end FY12/16:

¥21.4 billion + ¥12.4 billion loan for an M&A transaction dated August 1

Consolidated EBITDA

FY12/17 Plan: ¥11.3 billion

¥33.8 billion ÷ ¥11.3 billion = 2.99 times

*In general, even for companies with balance sheet heavy with non-current assets including buildings and equipment, a ratio of roughly 3-4 times interest-bearing debt / EBITDA is considered healthy.

Since M&A target firms for the Company don't have balance sheet heavy with non-current assets including buildings and equipment, etc., and funds can become recouped rapidly from business that generates high levels of cash flows, the current level of interest-bearing debt is healthy.

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 Full-Year		FY12/16 Actual 1H		FY12/16 Forecasts (as of April 28)				YoY Changes	
	Amount	Composition Ratio	Amount	Composition Ratio	1H Amount	2H Amount	Full-Year		Amount	Ratio
							Amount	Composition Ratio		
Net sales	80,861	100.0%	57,484	100.0%	58,000	76,000	134,000	100.0%	53,139	65.7%
Cost of sales	64,327	79.6%	46,119	80.2%	-	-	-	-	-	-
Gross profit	16,534	20.4%	11,365	19.8%	-	-	-	-	-	-
SG&A expenses	13,408	16.6%	10,133	17.6%	-	-	-	-	-	-
Operating income	3,125	3.9%	1,231	2.1%	1,150	4,250	5,400	4.0%	2,275	72.8%
Non-operating income	528	0.7%	310	0.5%	-	-	-	-	-	-
Non-operating expenses	428	0.5%	247	0.4%	-	-	-	-	-	-
Ordinary income	3,225	4.0%	1,294	2.3%	1,000	4,100	5,100	3.8%	1,875	58.1%
Extraordinary income	89	0.1%	12	0.0%	-	-	-	-	-	-
Extraordinary losses	1	0.0%	20	0.0%	-	-	-	-	-	-
Profit attributable to owners of parent	1,810	2.2%	302	0.5%	400	2,000	2,400	1.8%	590	32.6%

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

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

(¥ million)		FY12/15 Actual				FY12/16 Actual	FY12/16 Forecasts (April 28)		
		1H Amount	2H Amount	Full-Year Amount	Composition Ratio	1H Amount	2H Amount	Full-Year Amount	Composition Ratio
Domestic Engineering Outsourcing Business	Net sales	14,766	16,787	31,553	39.0%	18,889	21,366	40,156	30.0%
	Operating income	950	1,448	2,398	76.7%	1,045	1,979	2,927	54.2%
	No. of worksite employees at term-end	4,285	4,742	4,742	-	5,720	6,014	6,014	-
Domestic Manufacturing Outsourcing Business	Net sales	13,724	15,744	29,468	36.4%	15,487	17,466	33,572	25.1%
	Operating income	233	778	1,010	32.3%	552	1,218	1,761	32.6%
	No. of worksite employees at term-end	6,554	7,463	7,463	-	7,482	10,262	10,262	-
Domestic Service Operations Outsourcing Business	Net sales	298	786	1,083	1.3%	1,476	3,192	4,841	3.6%
	Operating income	(37)	(45)	(82)	-2.6%	(50)	257	203	3.8%
	No. of worksite employees at term-end	381	1,671	1,671	-	1,521	2,952	2,952	-
Domestic Administrative Outsourcing Business	Net sales	280	257	537	0.7%	356	522	858	0.6%
	Operating income	25	31	56	1.8%	99	200	268	5.0%
	No. of outsourcing administrative workers at term-end	1,730	1,538	1,538	-	1,401	2,535	2,535	-
Domestic Recruiting and Placing Business	Net sales	342	530	872	1.1%	593	745	1,351	1.0%
	Operating income	142	271	413	13.2%	280	253	458	8.5%
	No. of placed workers	1,194	1,495	2,689	-	1,695	1,757	3,350	-
Overseas Engineering Outsourcing Business	Net sales	176	3,656	3,832	4.7%	8,520	13,197	20,986	15.7%
	Operating income	21	161	183	5.8%	372	673	1,051	19.5%
	No. of worksite employees at term-end	472	895	895	-	1,778	1,851	1,851	-
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	6,359	6,991	13,349	16.5%	11,781	19,118	31,410	23.4%
	Operating income	(41)	94	53	1.7%	245	775	1,059	19.6%
	No. of worksite employees at term-end	11,028	14,644	14,644	-	19,647	27,766	27,766	-
Other Business	Net sales	78	88	166	0.2%	382	394	825	0.6%
	Operating income	8	6	14	0.4%	11	11	26	0.5%
	No. of worksite employees at term-end	-	-	-	-	4	4	4	-
Adjustments	Operating income	(363)	(557)	(920)	-29.4%	(1,322)	(1,116)	(2,353)	-43.6%
Total	Net sales	36,022	44,838	80,861	100.0%	57,484	76,000	134,000	100.0%
	Operating income	938	2,188	3,125	100.0%	1,231	4,250	5,400	100.0%

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

Summary for Financial Forecasts by Operating Segment (Quarterly Trends)

(¥ million)		FY12/15				FY12/16			
		Actual				Actual		Forecasts (as of April 28)	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Domestic Engineering Outsourcing Business	Net sales	7,166	7,599	8,024	8,763	9,151	9,737	10,359	11,007
	Operating income	421	529	585	864	423	622	820	1,159
	No. of worksite employees at term-end	3,918	4,285	4,450	4,742	5,029	5,720	5,752	6,014
Domestic Manufacturing Outsourcing Business	Net sales	6,830	6,894	7,493	8,252	7,913	7,574	8,254	9,212
	Operating income	57	176	259	519	218	334	421	797
	No. of worksite employees at term-end	6,285	6,554	7,142	7,463	7,195	7,482	9,576	10,262
Domestic Service Operations Outsourcing Business	Net sales	140	157	247	538	618	858	1,400	1,792
	Operating income	(6)	(31)	(27)	(18)	(65)	14	84	173
	No. of worksite employees at term-end	375	381	840	1,671	1,710	1,521	2,710	2,952
Domestic Administrative Outsourcing Business	Net sales	137	143	136	121	149	207	232	290
	Operating income	14	11	14	18	35	64	82	118
	No. of outsourcing administrative workers at term-end	2,151	1,730	1,659	1,538	1,438	1,401	2,358	2,535
Domestic Recruiting and Placing Business	Net sales	167	175	257	273	278	314	370	375
	Operating income	67	76	137	134	117	164	123	130
	No. of placed workers	594	600	703	792	799	896	872	885
Overseas Engineering Outsourcing Business	Net sales	94	83	996	2,660	2,399	6,120	6,139	7,058
	Operating income	11	10	78	83	89	283	293	380
	No. of worksite employees at term-end	539	472	815	895	882	1,778	1,689	1,851
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	3,117	3,242	3,307	3,684	4,252	7,529	8,748	10,370
	Operating income	(75)	33	41	54	55	191	329	446
	No. of worksite employees at term-end	10,555	11,028	10,632	14,644	16,352	19,647	24,214	27,766
Other Business	Net sales	43	35	40	48	230	152	191	203
	Operating income	3	5	5	1	10	1	2	9
	No. of worksite employees at term-end	-	-	-	-	4	4	4	4
Adjustments	Operating income	(178)	(185)	(220)	(337)	(479)	(844)	(532)	(584)
Total	Net sales	17,695	18,328	20,499	24,339	24,991	32,493	35,692	40,308
	Operating income	315	623	871	1,317	403	828	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 TANSIN 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		
	Actual					Forecasts (as of April 28)		
	1H	2H	Full-Year	Composition Ratio		1H	2H	Full-Year
Japan	29,487	34,192	63,679	78.8%	37,183	43,684	81,603	60.9%
Asia (excl. Japan)	6,376	6,847	13,222	16.3%	6,461	8,927	15,991	11.9%
Oceania	160	2,087	2,246	2.8%	9,863	17,933	26,661	19.9%
Europe	-	1,365	1,365	1.7%	2,145	3,584	6,022	4.5%
South America	-	348	348	0.4%	1,831	1,872	3,723	2.8%
Total	36,022	44,838	80,861	100.0%	57,484	76,000	134,000	100.0%

Summary for Financial Forecasts by Region (Quarterly Trends)

(¥ million)	FY12/15				FY12/16			
	Actual				Actual		Forecasts (as of April 28)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	14,484	15,003	16,197	17,995	18,339	18,844	20,805	22,879
Asia (excl. Japan)	3,136	3,240	3,350	3,496	3,366	3,095	4,212	4,715
Oceania	75	85	588	1,499	1,420	8,444	8,091	9,842
Europe	-	-	365	1,001	889	1,256	1,714	1,870
South America	-	-	-	348	977	854	870	1,002
Total	17,695	18,328	20,499	24,339	24,991	32,493	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 TANSBIN financial statements.

Domestic Recruitment Plan for FY12/16

Annual and Semi-Annual Trends

		FY12/15			FY12/16		
		Actual			Actual 1H	Forecasts (as of April 28)	
		1H	2H	Full-Year		2H	Full-Year
Engineering	No. of workers recruited (persons)	1,073	806	1,879	1,482	847	2,123
	Recruitment unit price (¥/worker)	197,892	286,492	235,897	206,814	296,863	273,938
Manufacturing	No. of workers recruited (persons)	3,418	5,922	9,340	2,819	4,880	8,198
	Recruitment unit price (¥/worker)	77,678	37,614	52,276	73,466	47,921	54,200
Service Operations	No. of workers recruited (persons)	-	-	-	1,478	1,885	3,324
	Recruitment unit price (¥/worker)	-	-	-	13,934	21,757	21,341
Recruiting and Placing	No. of workers recruited (persons)	1,194	1,495	2,689	1,695	1,757	3,350
	Recruitment unit price (¥/worker)	121,715	104,939	112,388	127,053	109,316	117,836

Quarterly Trends

		FY12/15				FY12/16			
		Actual				Actual		Forecasts (as of April 28)	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Engineering	No. of workers recruited (persons)	325	748	358	448	532	950	481	366
	Recruitment unit price (¥/worker)	350,935	131,396	259,985	307,674	394,709	101,593	293,545	301,224
Manufacturing	No. of workers recruited (persons)	1,531	1,887	2,656	3,266	1,159	1,660	2,703	2,177
	Recruitment unit price (¥/worker)	91,251	66,665	43,829	32,560	82,432	67,207	46,427	49,777
Service Operations	No. of workers recruited (persons)	-	-	-	-	687	791	917	968
	Recruitment unit price (¥/worker)	-	-	-	-	16,079	12,071	22,093	21,439
Recruiting and Placing	No. of workers recruited (persons)	594	600	703	792	799	896	872	885
	Recruitment unit price (¥/worker)	131,552	111,977	108,889	101,433	137,164	118,036	112,984	105,703

References



Changes in Accounting Standard

*From Q1 FY12/16 TANSWIN 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.

Sales Breakdown by Industry for FY12/16

Quarterly Trends

(¥million)	FY12/15 Actual					FY12/16 Actual	
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2
Domestic Engineering Outsourcing Business	7,166	7,599	8,024	8,763	31,553	9,151	9,737
Electrical & Electronics	902	1,381	1,492	1,561	5,335	1,556	1,631
Transport Equipment	1,981	1,946	2,214	2,333	8,474	2,353	2,477
Pharm. & Chemicals	352	335	330	365	1,383	387	398
IT-related	2,443	2,419	2,390	2,730	9,982	3,116	3,364
Construction & Plant-related	1,044	1,017	1,082	1,177	4,319	1,183	1,223
Others	444	502	516	598	2,060	556	644
Domestic Manufacturing Outsourcing Business	6,830	6,894	7,493	8,252	29,468	7,913	7,574
Electrical & Electronics	1,909	2,005	2,370	2,573	8,858	2,262	2,159
Transport Equipment	2,714	2,728	2,885	3,205	11,533	3,134	2,999
Pharm. & Chemicals	909	897	884	896	3,586	894	907
Metals & Construction Materials	486	485	510	528	2,010	623	630
Foods	401	334	390	522	1,647	474	338
Others	410	444	453	528	1,836	526	541
Domestic Service Operations Outsourcing Business	140	157	247	538	1,083	618	858
Retail	132	139	164	402	837	412	421
Civil Service	-	-	48	85	133	166	146
Others	8	19	35	51	113	40	291
Overseas Engineering Outsourcing Business	94	83	996	2,660	3,832	2,399	6,120
Overseas Manufacturing and Service Operations Outsourcing Business	3,117	3,242	3,307	3,684	13,349	4,252	7,529

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

Sales Breakdown Ratio by Industry for FY12/16

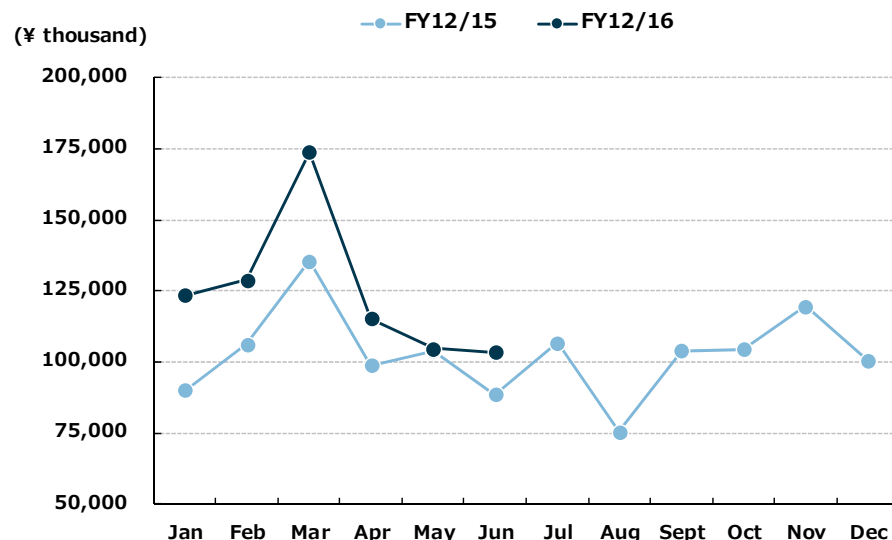
Quarterly Trends

	FY12/15 Actual					FY12/16 Actual	
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2
Domestic Engineering Outsourcing Business	40.5%	41.7%	39.1%	36.0%	39.0%	36.6%	30.0%
Electrical & Electronics	5.1%	7.5%	7.3%	6.4%	6.6%	6.2%	5.0%
Transport Equipment	11.2%	10.6%	10.8%	9.6%	10.5%	9.4%	7.6%
Pharm. & Chemicals	2.0%	1.8%	1.6%	1.5%	1.7%	1.6%	1.2%
IT-related	13.8%	13.2%	11.7%	11.2%	12.3%	12.5%	10.4%
Construction & Plant-related	5.9%	5.6%	5.2%	4.8%	5.3%	4.7%	3.8%
Others	2.5%	2.8%	2.5%	2.5%	2.6%	2.2%	2.0%
Domestic Manufacturing Outsourcing Business	38.6%	37.7%	36.6%	33.9%	36.5%	31.7%	23.3%
Electrical & Electronics	10.8%	10.9%	11.6%	10.6%	11.0%	9.1%	6.6%
Transport Equipment	15.3%	14.9%	14.1%	13.1%	14.3%	12.5%	9.2%
Pharm. & Chemicals	5.1%	4.9%	4.3%	3.7%	4.4%	3.6%	2.8%
Metals & Construction Materials	2.8%	2.7%	2.5%	2.2%	2.5%	2.5%	1.9%
Foods	2.3%	1.8%	1.9%	2.1%	2.0%	1.9%	1.0%
Others	2.3%	2.4%	2.2%	2.2%	2.3%	2.1%	1.7%
Domestic Service Operations Outsourcing Business	0.8%	0.9%	1.2%	2.2%	1.3%	2.5%	2.6%
Retail	0.7%	0.8%	0.8%	1.7%	1.0%	1.6%	1.3%
Civil Service	-	-	0.2%	0.3%	0.2%	0.7%	0.4%
Others	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.9%
Overseas Engineering Outsourcing Business	0.6%	0.4%	4.9%	10.9%	4.7%	9.6%	18.8%
Overseas Manufacturing and Service Operations Outsourcing Business	17.6%	17.7%	16.1%	15.2%	16.5%	17.0%	23.2%

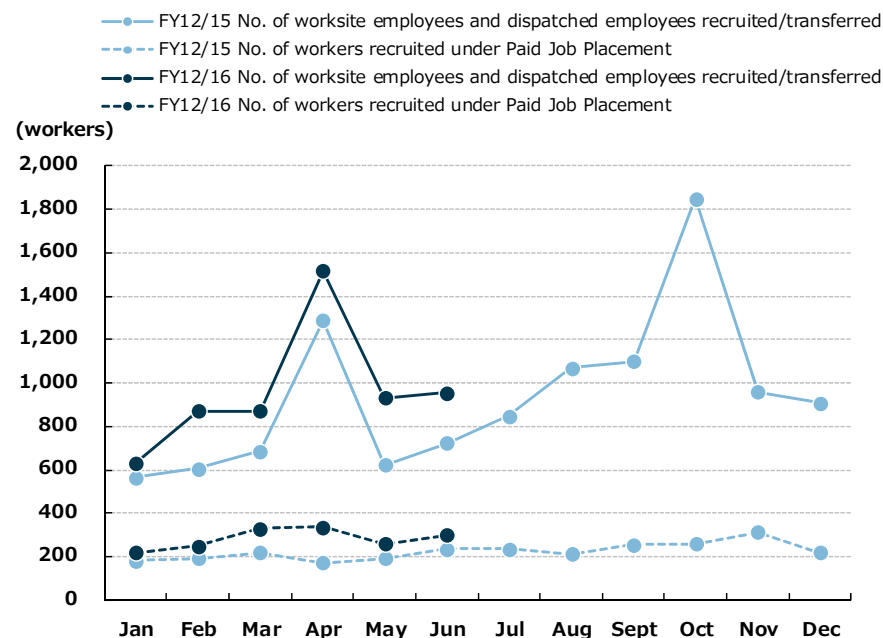
Trends in Recruited Number of Workers and Recruiting Expenses in Japan

Monthly Trends (Consolidated)

Monthly Recruiting Expenses



No. of Worksite Employees and Dispatched Employees Recruited/Transferred



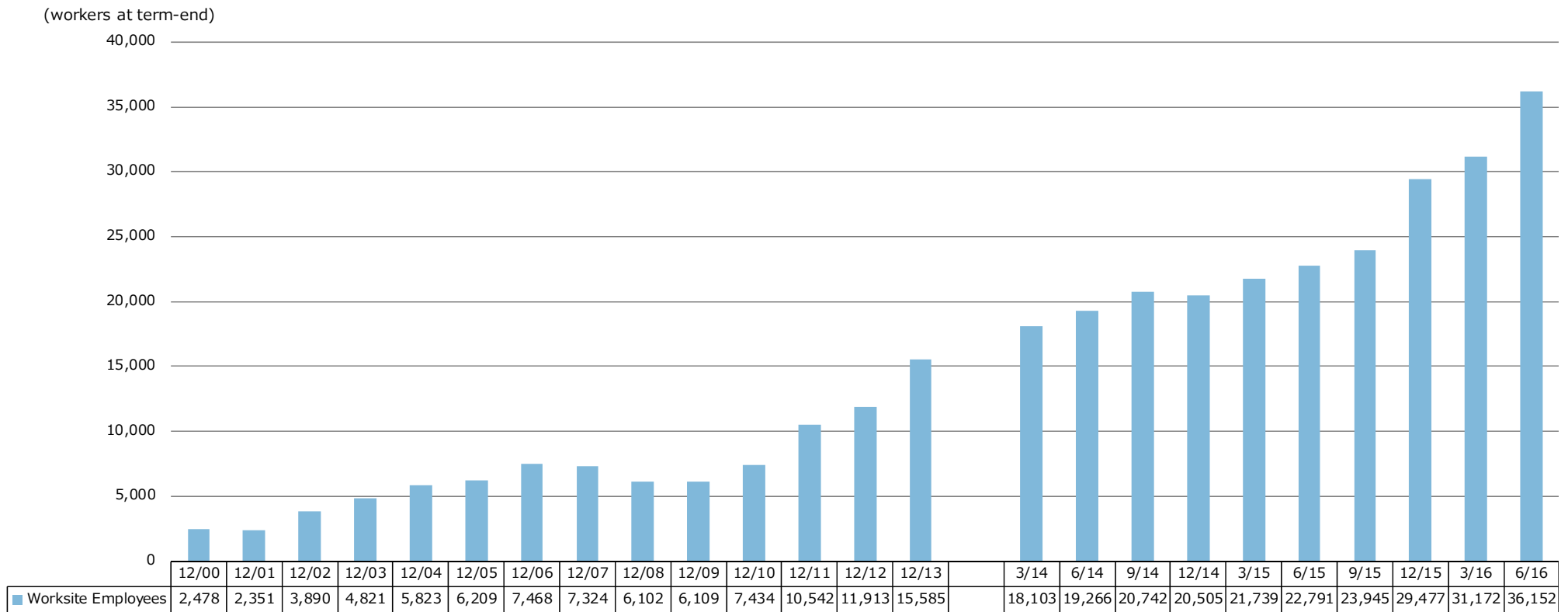
FY12/15		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
—●—	No. of worksite employees and dispatched employees recruited/transferred	565	604	687	1,289	622	724	847	1,068	1,099	1,850	957	907
- - -	No. of workers recruited under Paid Job Placement	183	192	219	173	192	235	235	212	256	261	312	219
—■—	Recruiting 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	1,515	930	956						
- - -	No. of workers recruited under Paid Job Placement	218	250	331	337	259	300						
—■—	Recruiting expenses (¥ thousand)	123,495	128,926	173,743	115,195	104,675	103,514						

※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



*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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