

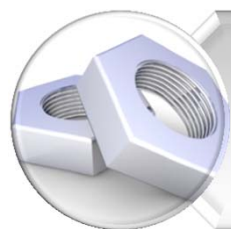
OUTSOURCING Inc.
(Securities Code: 2427/TSE 1st Section)

Medium-Term Management Plan for FY2015-2017 Vision 2017: Vector to the New Paradigm



**Vision 2017 Net Sales Target
for the Final Fiscal Year (FY2017)**

¥ 130bn



Manufacturing Outsourcing Business

31 % of Net Sales

¥ 40.3bn



Engineering Outsourcing Business

37 % of Net Sales

¥ 48.1bn



Overseas Business

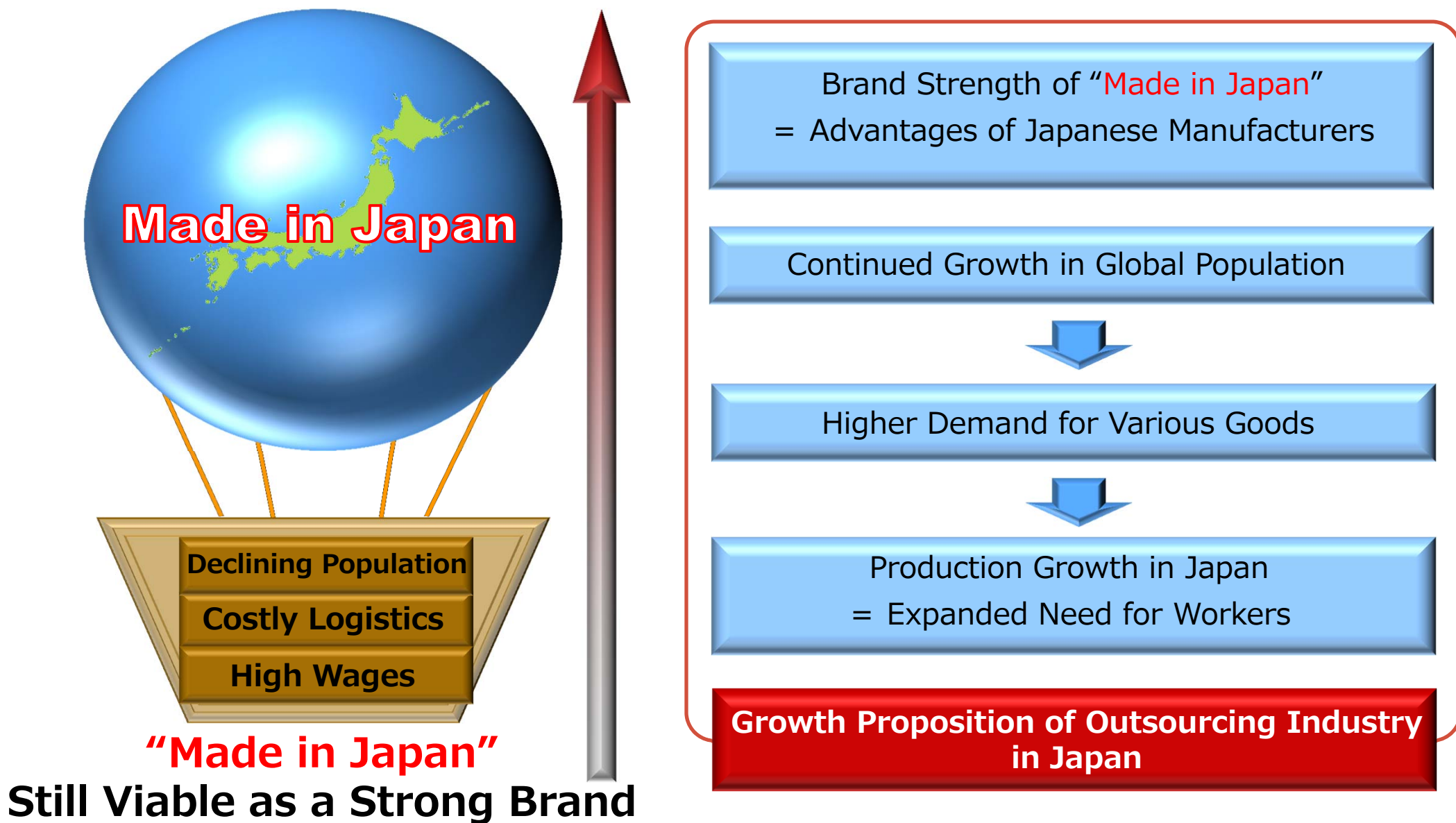
32 % of Net Sales

¥ 41.6bn

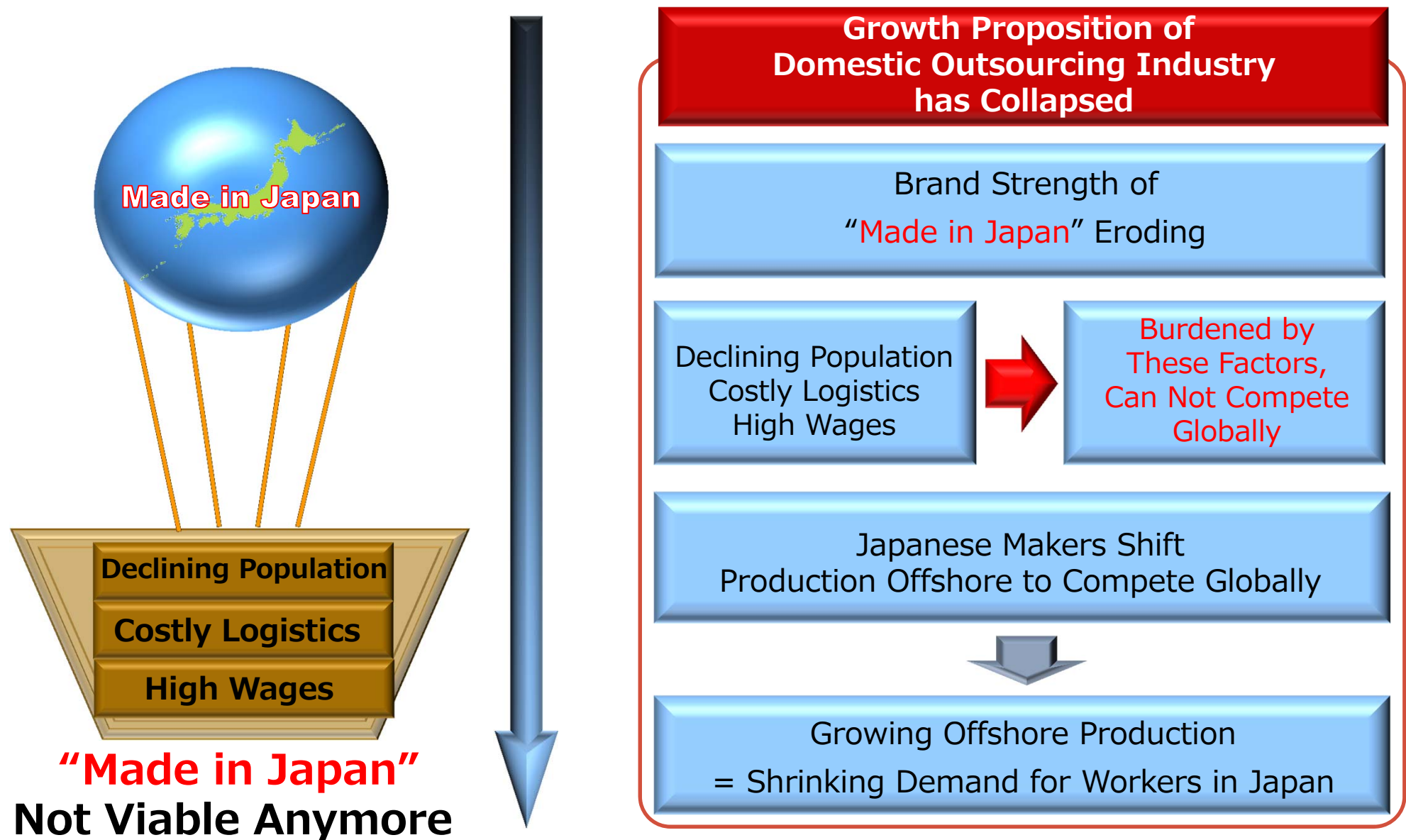
Operating Income Margin : 6.5%

¥ 8.5bn

Operating Environment: Japan's Manufacturing in the 20th Century



Operating Environment: Japan's Manufacturing in the 21st Century

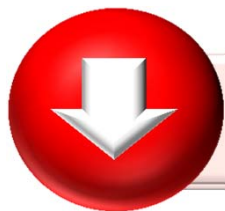


Operating Environment: Prospects of Japan's Manufacturing Outsourcing Business

"Manufacturers Shifting to Offshore Production"

Production Retained in Japan

- Auto Industry with Sustainable Added Value
- Products for Domestic Demand



Contracting Manufacturing Sector in Japan



Smaller Population



Shrinking Manufacturing Outsourcing Markets

Operating Environment: Overseas Temporary Placement Markets

[FY2012 : Global Sales for Temporary Placement] **€299.3bn**

Japan's Global Share: **16.6%**

US Share: **28.9%** Europe Share: **36.5%**



[Population Growth] (estimated change between 2013-2050) Japan: **-23.6%**

U.S. and Europe: **+20.8%**

[Total Temporary Placement Workforce] Japan: **2.5mn**

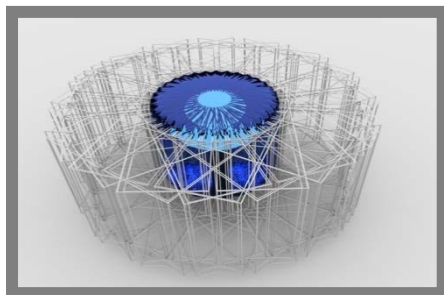
U.S.: **11.5mn** Europe: **8.3mn**

**Overseas markets are not only vastly larger than Japan's,
but promise sustainable growth**

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

Medium-Term Management Plan Vision2017: Vector to the New Paradigm

Operating Environment: Transforming Japan's Major Industries Strong Prospects for IT Industry



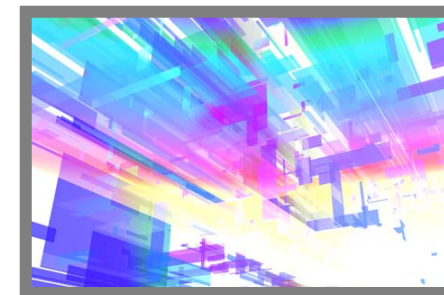
Backbone Systems Upgrades at Megabanks

- Acquiring specialist SIers, etc.



Systems Upgrades & Cloud Platform Transition at Leading Firms (¥600bn domestic market in 2015)

- Develop/operate proprietary cloud services



IT Usage Acceleration among SME/ Consumers Wearable Devices (2015: 1.03mn ⇒2020: 5.56mn/Japan)

- Develop mobile apps, and hardware and related software of wearable devices



IoT (Internet of Things) Taking Off (2019: ¥16.4tn/Japan)

- Design/develop apps for information appliances
- R&D Businesses for AI robots and robotics



Entering Business Analytics Market using Big Data (2017: ¥1.14tn/Japan)

- Develop middleware/systems supporting both synergy of existing systems and big data

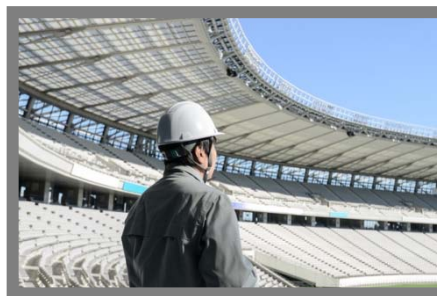
*Note: Figures, values etc. researched by OUTSOURCING Inc.

Medium-Term Management Plan Vision2017: Vector to the New Paradigm

Operating Environment: Transforming Japan's Major Industries Strong Prospects for Civil Engineering and Construction Industry



**Rebuild/Restore Houses
for Urban Renewal
(FY2015 budget: ¥1.3tn)**



**2020 Olympics/Paralympics
(¥450bn just for facilities)
(Follow-on effects: ¥3.5tn)**



**Renovation Demand for Social
Infrastructure (Highways) in 2020
(for some 90% of 3 Tokyo
metropolitan beltways)**



**Front-loaded Hokkaido
Shinkansen Project
(Some ¥1.67tn)**



**Linear Shinkansen Project
(Total construction cost: ¥5.43tn)**



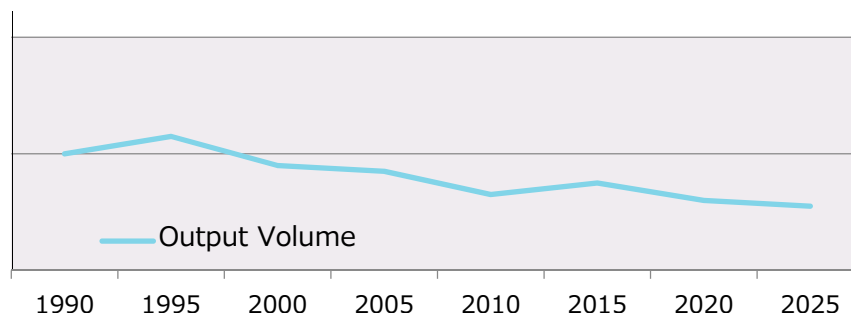
**National Resilience Initiative
(FY2015 budget: ¥3.79tn)**

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

Medium-Term Management Plan Vision2017: Vector to the New Paradigm

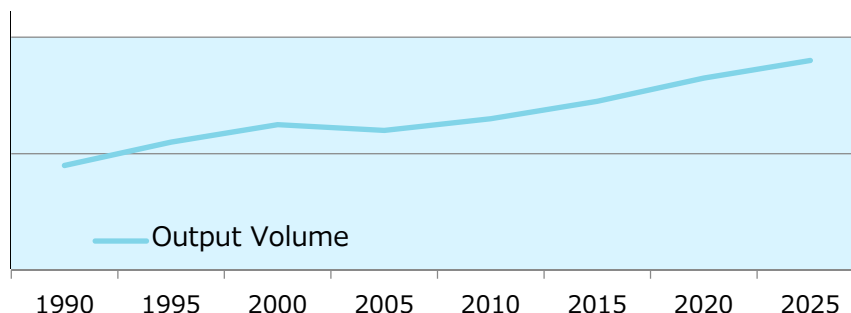
Operating Environment: Trend Prospects in Japan's Major Industries

Mining and Manufacturing Sectors



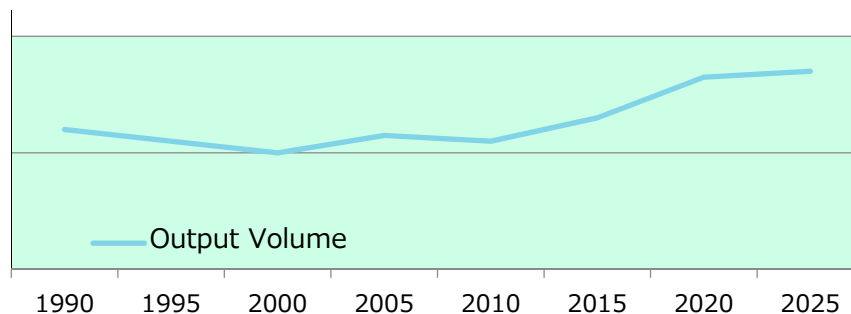
Long-term decline but with occasional surges

IT Sector



Strong long-term growth

Civil Engineering and Construction Sector



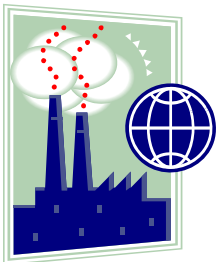
Strong medium-term growth due to Olympics and 3/11 mega-quake reconstruction, followed by moderate growth backed by national resilience initiatives, etc.

(*Charts are images)

Operating Environment

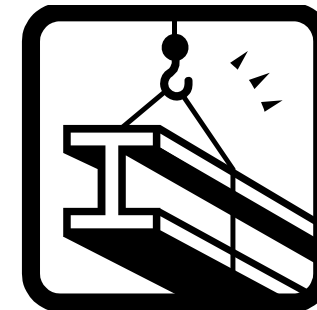
Paradigm Shifts in Japan's Leading Industries

**Mining and
Manufacturing
Industry**

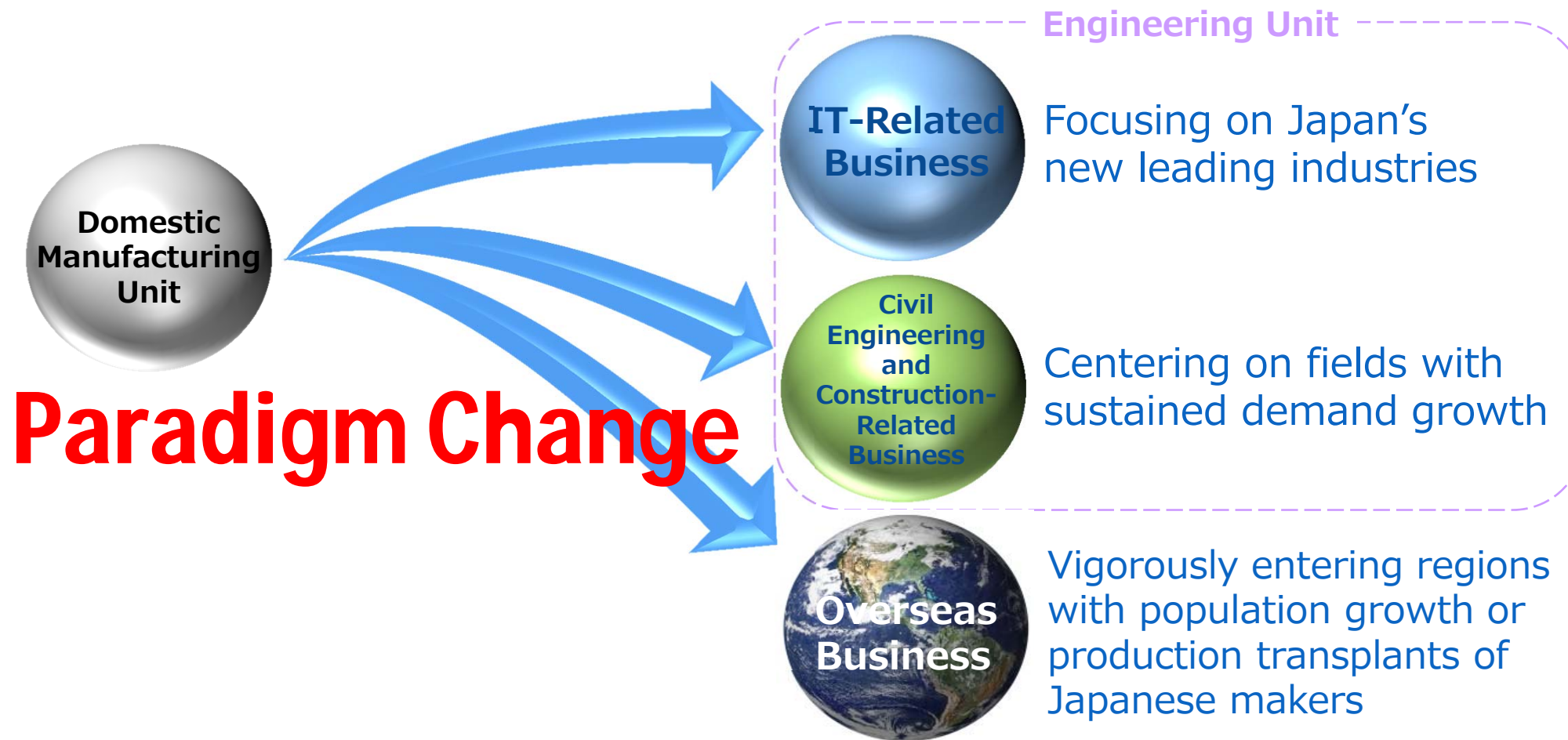


IT Industry

**Civil Engineering
and Construction
Industry**



Strategies: Matching Business Structures with Changing Environments



Initiative 1: Focus on Growth in Japan's Shrinking Manufacturing Outsourcing Markets (i)

Expanding Outsourcing Needs of Manufacturers

More diversified/sophisticated demand for results/productivity gains



Still...

**Sustained Growth is Not Viable for OUTSOURCING,
a Non-Manufacturer**



Restructuring of Manufacturing Outsourcing Industry

Shakeout of players unable to adapt to legal changes or diversified/sophisticated client needs

Still...

Overall Market Size Remains Unchanged

Our Strategy

◆ **Fence in manufacturers through PEO Scheme
unmatched by competitors**

Medium-Term Management Plan Vision2017: Vector to the New Paradigm

Initiative 1: Focus on Growth in Japan's Shrinking Manufacturing Outsourcing Markets (ii)

[Steps and Flow of the PEO Scheme]

- ➡ Makers become member of PEO Association established by PEO Co., Ltd.
- ➡ PEO takes on seasonal workers recruited by the maker as full-time Employees of PEO Co., Ltd.
- ↔ Employees are "leased backed" through cross-sectional rotating assignments according to maker production volume swings.



As a result of the amended Worker Dispatching Act, manufacturers are willing to accept the Scheme to exploit cost advantages rather than directly recruit seasonal workers

[Fiscal Year-End Worker Forecasts at PEO Co., Ltd. for the Medium-Term Management Plan]

| PEO Co., Ltd. at end-FY2014 | PEO Co., Ltd. at end-FY2015* | PEO Co., Ltd. at end-FY2016* | PEO Co., Ltd. at end-FY2017* |
|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| No. of Member-Makers: 87 | Member-Makers: 150 | Member-Makers: 215 | Member-Makers : 335 |
| Recruited Workers: 1,127 | Workers at Sites: 2,700 | Workers at Sites: 5,500 | Workers at Sites: 10,000 |

Still, number of seasonal workers capped by makers' directly-employed workers = Needs are limited

(*Projected images)

Initiative 2: Securing Engineers on Growing Needs for IT-Related Outsourcing Business

Boosting New Graduates and Mid-Career Recruitment Schemes

- New graduates
- Young adults
- Women during pregnancy/childcare
- Foreign engineers
- Rehiring/seniors
- Staff in our Group

Recruiting via SNS, upgraded career support programs

Tapping 390,000 NEETs/part-timers

Job creation for the 1.16mn unemployed due to unfavorable working conditions

Hiring/staffing local college students/engineers at offshore group companies

Tapping restructured early-retirees/ex-engineers

Transfers to other units, including manufacturing outsourcing

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

Training Candidates at Group's IT Schools

Employ IT School Graduates as Engineers

*Note: Our IT school have trained more than 50,000 graduates

Initiative 3: Securing Engineers on Growing Needs for Civil Engineering and Construction Outsourcing Businesses

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

Kyodo Engineering Corporation

Civil Engineering and Construction-
Related Temporary Placement

Became 100% owned subsidiary
on January 5, 2015

LINETEC Co., Ltd.

Civil Engineering and Construction-
Related System Development Contracting

Became 100% owned subsidiary
on December 1, 2014

DAISEI ENGINEERING Co., Ltd.

Plant and Construction Engineering-
Related Temporary Placement



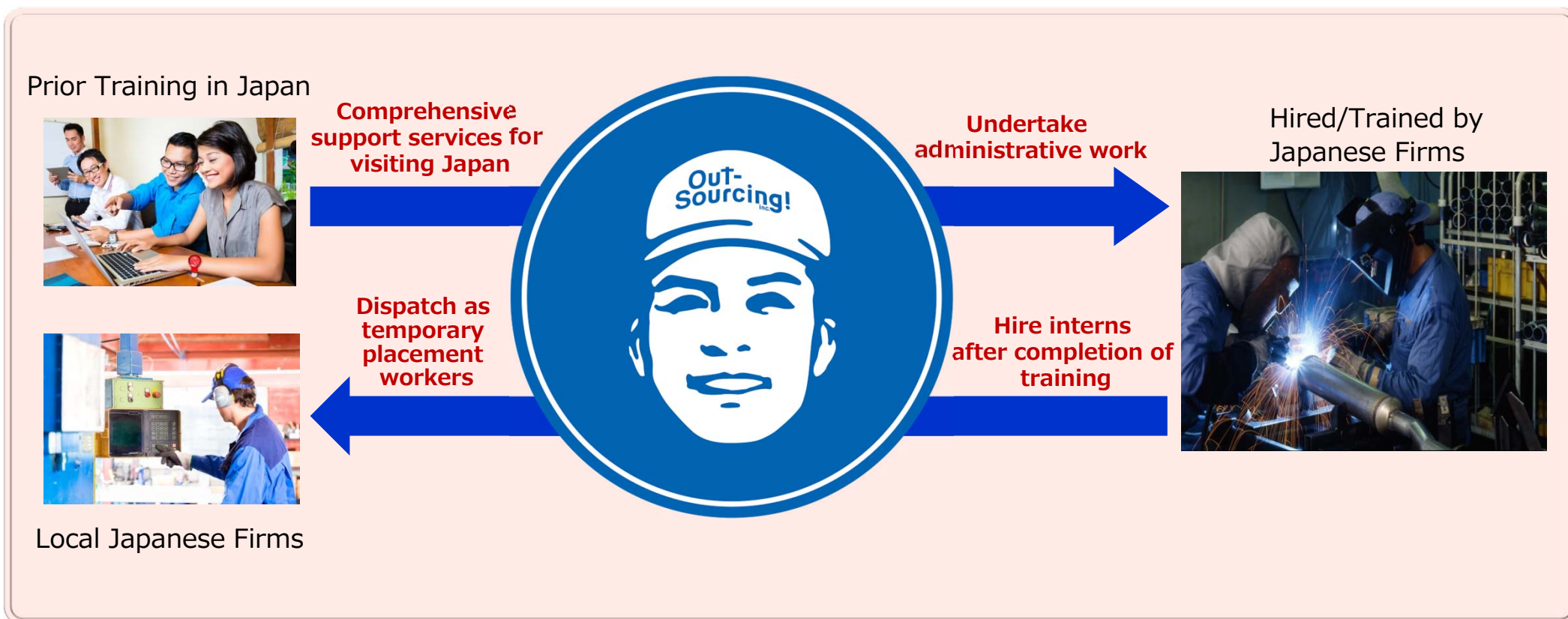
We Aim to Become the #1 Outsourcing Provider in the Civil Engineering and Construction Field!!



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

Medium-Term Management Plan Vision2017: Vector to the New Paradigm

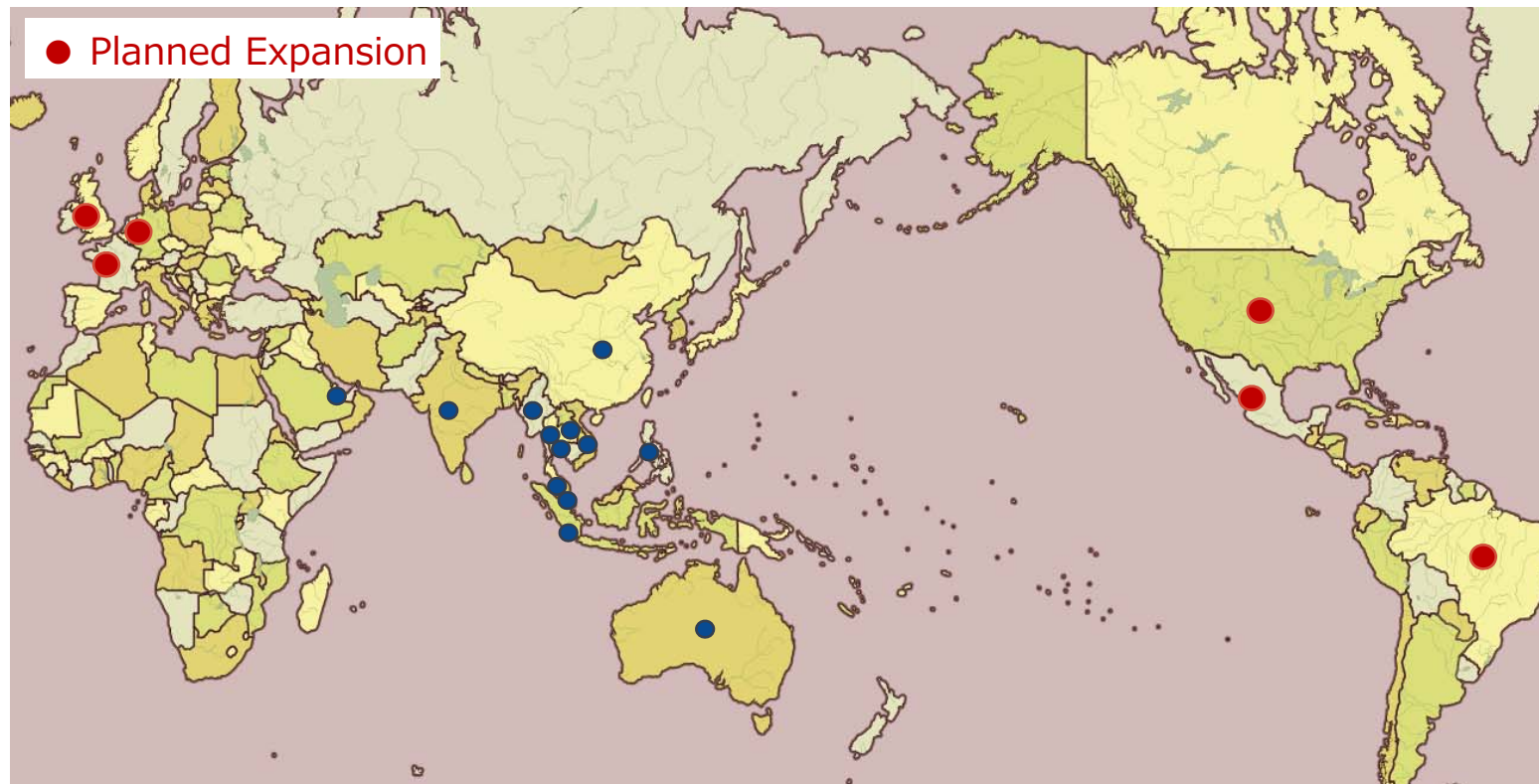
Initiative 4: Fortifying Global Staffing Network through Our Intern Training Program



Projected Intern Seconding in Medium-Term Management Plan (at each fiscal-year end)

■ FY2015: 800 ■ FY2016: 2,400 ■ FY2017: 5,000

Initiative 5: Overseas Operations Covering the Americas and Europe



● Existing Locations

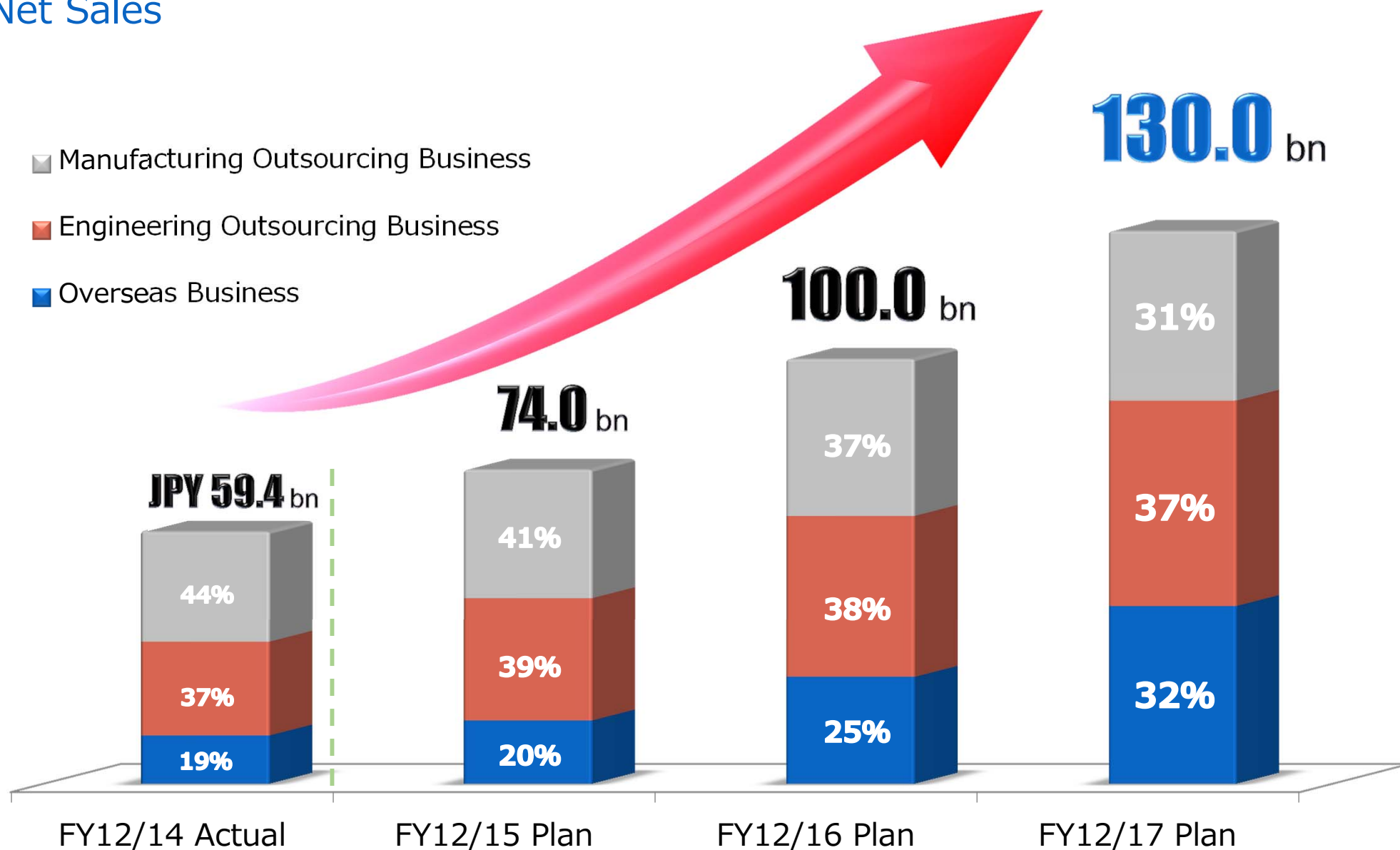
China
Philippines
Vietnam
Laos
Thailand
Malaysia
Myanmar
Singapore
Indonesia
Cambodia
India
UAE
Australia

● New Entries Planned

USA Mexico Brazil UK Germany France

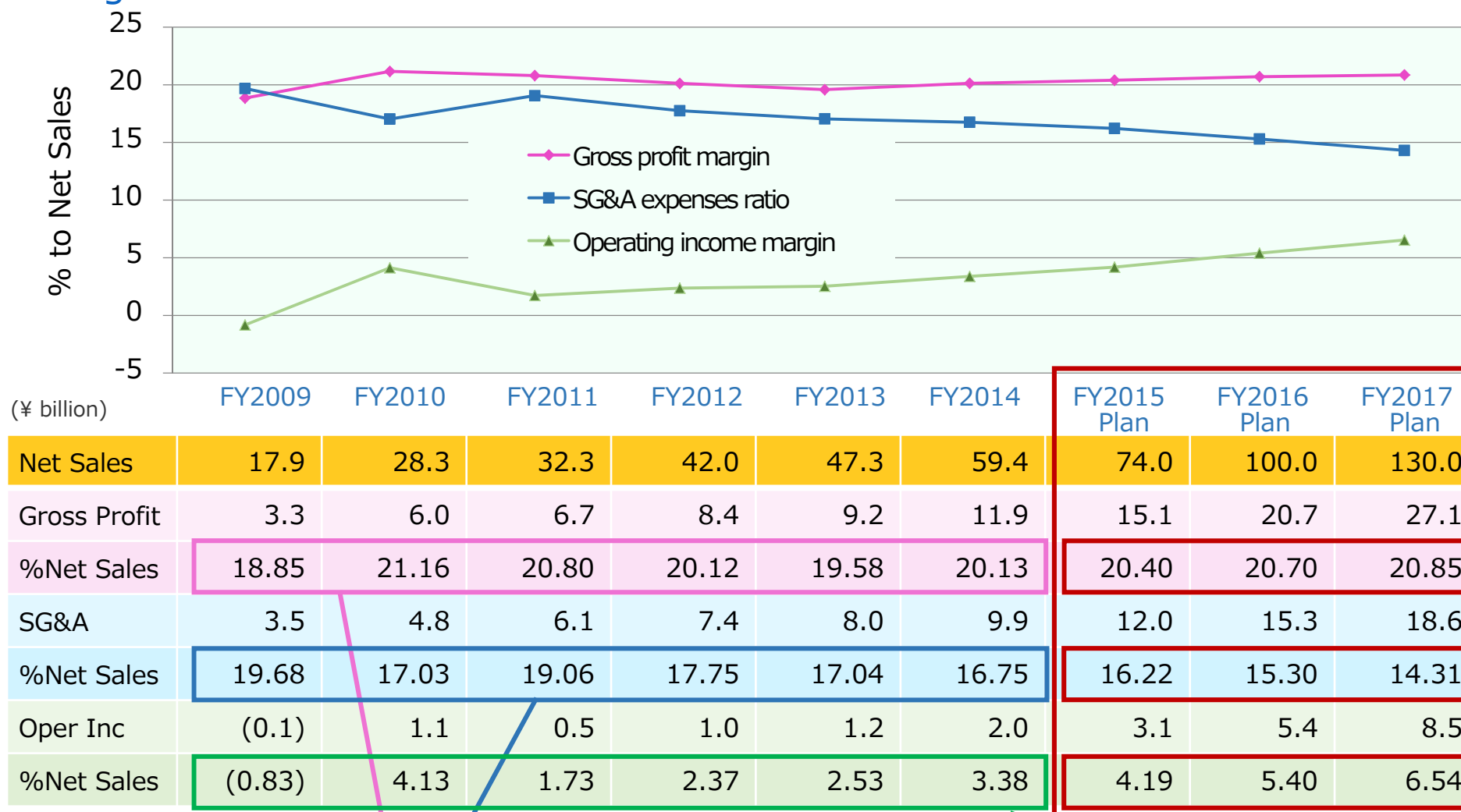
Medium-Term Management Plan Vision2017: Vector to the New Paradigm

Net Sales



Medium-Term Management Plan Vision2017: Vector to the New Paradigm

Earnings Structure

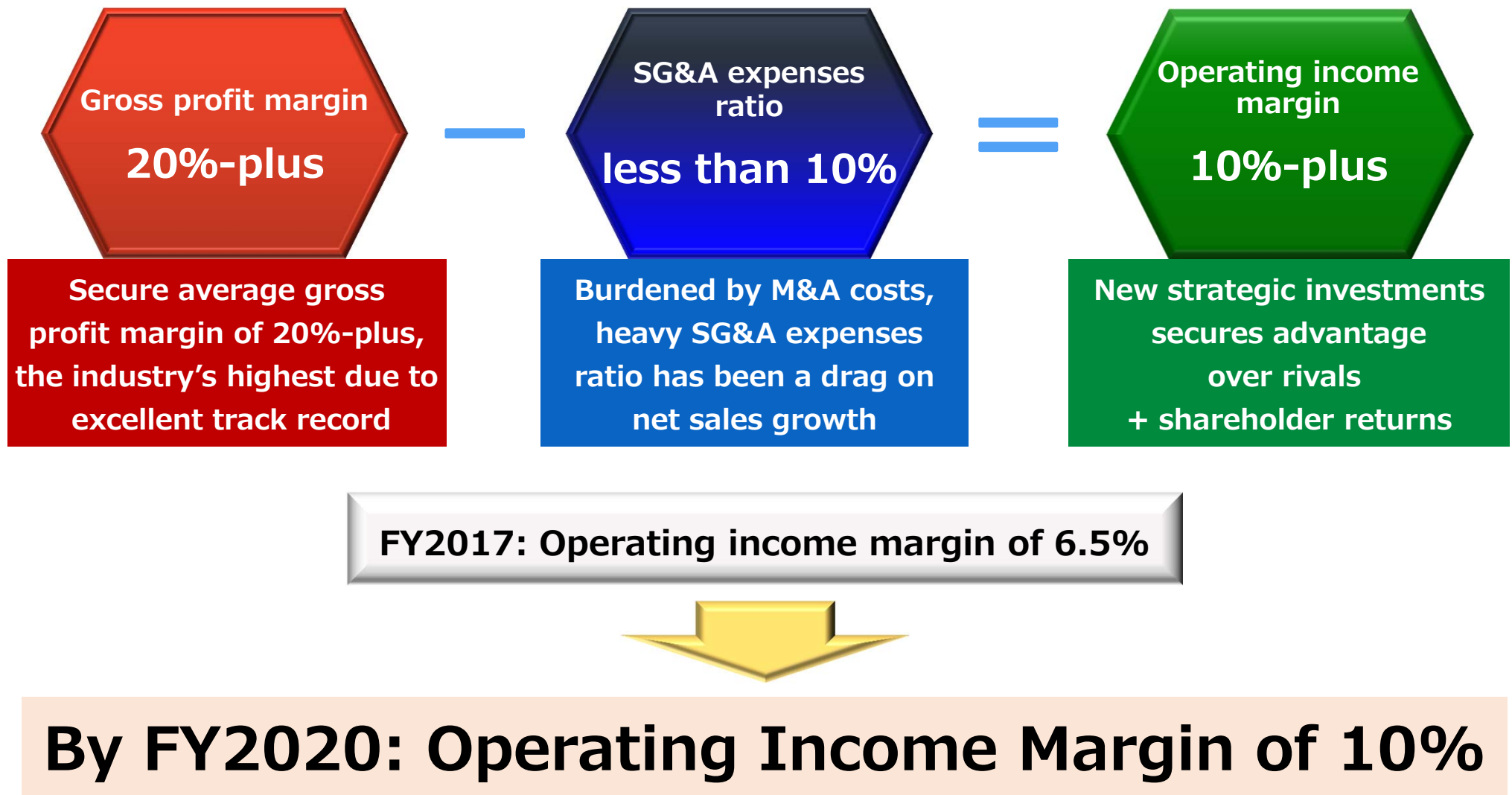


Creating basis to earn 20%-plus by focusing on gross profit margin as a proof of added-value

Burdened by M&A costs, heavy SG&A expenses ratio has been a drag on net sales growth

Operating income margin is on an upward trend

Creating More Corporate Value



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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