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OUTSOURCING Inc.

1H FY12/14 Financial Results Briefing and Follow-up Interview

OUTSOURCING Inc., hereinafter the Company or the OS Group, held its 1H FY12/14 Financial Results Briefing on August 6, 2014, and Trias Corporation conducted a follow-up interview with Chairman and CEO Haruhiko Doi. The following is a summary of the interview.

Summary of 1H FY12/14 Consolidated Financial Results

Regarding the industry's market environment, a sharp reactionary decline following frontloaded demand in the Q1 ahead of the consumption tax hike in the form of Q2 production adjustments by the Company's major manufacturing clients that was initially envisioned was milder than expected, in part driven by production increases by the Transport Equipment industry for new model launches. However, in addition to an increase in the effective job offers to applicants ratio reflecting the macro recovery, workers continuing to leave production worksites led to makers using multiple vendors to deal with production increases, resulting in excessive competition amongst temporary staffing agencies in order to secure required personnel numbers, sparking a rise in recruitment costs in the temporary placement market.

Under this environment, the OS Group has made a deliberate decision not to participate in this excessive competition to secure required numbers, instead focusing on its initiative to introduce a new scheme for securing personnel. According to the Company, these efforts have already started to produce results, and Domestic Manufacturing Outsourcing Business posted a strong increase. Overseas, there was production stagnation in Thailand and Vietnam in part as a result of the local political situation, and other Southeast Asian countries also experienced somewhat weak economic conditions, however strong local production by the Company's major Japanese manufacturing clients maintained the trend of production increases, and the OS Group's entry into India also began contributing to earnings during the Q2, resulting in a large increase in Overseas Business sales. Along with this, the OS Group also continued strengthening its Asian human resources network aimed at demand for utilizing foreign workers in Japan.

1H FY12/14 consolidated net sales rose 31.0% YoY to ¥28,070mn, and operating income rose sharply YoY in part reflecting the low base last term. As can be seen from Table 1 on the next page, the gross profit margin rose from 18.4% in 1H FY12/13 to 19.7% in 1H FY12/14, an improvement of

1.3pp, and the ratio of SG&A to sales declined from 18.4% in 1H FY12/13 to 17.1% in 1H FY12/14, also an improvement of 1.3pp. According to the Company, in addition to high top-line growth, the disappearance of one-off factors mainly in Q1 FY12/13 stemming from unexpected vertical ramp-ups by major Transport Equipment clients (booking leading investment costs without related revenues) was a major factor in margins improving in 1H FY12/14.This resulted in the operating income margin rising from 0.0% in 1H FY12/13 to 2.5% in 1H FY12/14.

【Table 1】Summary of 1H FY12/14 Consolidated Financial Results

(¥ mn, %)	FY12/13		FY12/14		FY12/13	FY12/14	
	Q1	Q2	Q1	Q2	1H	1H	
	Actual	Actual	Actual	Actual	Actual	Actual	YoY
Net sales	**10,415**	**11,017**	**13,788**	**14,281**	**21,433**	**28,070**	**31.0%**
Gross profit (loss)	1,759	2,176	2,646	2,874	3,935	5,521	40.3%
Gross profit margin	16.9%	19.8%	19.2%	20.1%	18.4%	19.7%	-
SG&A expenses	1,948	1,986	2,337	2,470	3,934	4,807	22.2%
SG&A expenses ratio	18.7%	18.0%	17.0%	17.3%	18.4%	17.1%	-
Operating income (loss)	**(188)**	**189**	**309**	**404**	**1**	**713**	**-**
Operating income margin	-1.8%	1.7%	2.2%	2.8%	0.0%	2.5%	-
Ordinary income (loss)	(191)	230	329	430	38	759	-
Ordinary income margin	-1.8%	2.1%	2.4%	3.0%	0.2%	2.7%	-
Net income (loss)	(121)	151	193	181	29	375	-
Net income margin	-1.2%	1.4%	1.4%	1.3%	0.1%	1.3%	-

Source: Company IR materials

Table 2 on the next page shows 1H FY12/14 results by operating segments. The biggest YoY improvements in operating income by segments before eliminations were: Manufacturing Outsourcing +¥350mn, Engineering Outsourcing +¥327mn and Recruitment & Placement +¥140mn, absorbing the -¥41mn decline for Administrative Outsourcing. According to the Company, orders for administrative operations outsourcing decreased due to the start of a structural shift in seasonal workers directly employed by makers being converted to temporary placement contracts. Engineering Outsourcing business maintained strong growth, and Manufacturing Outsourcing turned sharply into the black, driven by strong demand from the Transport Equipment industry. While average recruitment costs increased due to labor shortages emerging from the economic recovery, favorable progress was made in price hike negotiations, also boosting margins.

【Table 2】Summary of 1H FY12/14 Consolidated Financial Results by Operating Segment (Quarterly, Half-Year)

(¥ mn, %)	FY12/13		FY12/14		FY12/13	FY12/14	
	Q1	Q2	Q1	Q2	1H	1H	
	Actual	Actual	Actual	Actual	Actual	Actual	YoY
Net sales	**10,415**	**11,017**	**13,788**	**14,281**	**21,433**	**28,070**	**31.0%**
Manufacturing Outsourcing	4,891	5,133	6,101	6,223	10,024	12,324	22.9%
Engineering Outsourcing	3,882	3,934	5,116	5,331	7,817	10,448	33.7%
Administrative Outsourcing	164	154	147	142	319	289	-9.2%
Recruitment and Placement	38	103	162	213	142	375	164.7%
Overseas	1,513	1,799	2,518	2,705	3,313	5,223	57.7%
Others	48	45	63	36	93	99	6.5%
Internal transfer	(123)	(153)	(322)	(370)	(277)	(692)	-
Operating income (loss)	**(188)**	**189**	**309**	**404**	**1**	**713**	**-**
Manufacturing Outsourcing	(255)	100	52	143	(155)	195	-
Engineering Outsourcing	112	55	293	201	167	494	194.9%
Administrative Outsourcing	45	36	10	30	82	41	-49.5%
Recruitment and Placement	15	11	77	90	27	167	521.2%
Overseas	(18)	57	(7)	42	39	34	-11.8%
Others	5	0	6	(2)	4	4	-0.6%
Eliminations	(93)	(71)	(123)	(102)	(165)	(225)	-
Operating income margin	**-1.8%**	**1.7%**	**2.2%**	**2.8%**	**0.0%**	**2.5%**	-
Manufacturing Outsourcing	-5.2%	2.0%	0.9%	2.3%	-1.5%	1.6%	-
Engineering Outsourcing	2.9%	1.4%	5.7%	3.8%	2.1%	4.7%	-
Administrative Outsourcing	27.9%	23.7%	7.5%	21.6%	25.9%	14.4%	-
Recruitment and Placement	39.4%	11.3%	47.6%	42.3%	19.0%	44.6%	-
Overseas	-1.2%	3.2%	-0.3%	1.6%	1.2%	0.7%	-
Others	10.9%	-1.0%	10.9%	-6.0%	5.2%	4.8%	-

Source: Compiled by Trias Corporation from Company IR materials
Note: Net sales and operating income by operating segments are figures before elimination of internal transfers

Manufacturing Outsourcing

In addition to booking orders for large staff increases for the Transport Equipment and home electronics industries for front-loaded demand ahead of the consumption tax hike and new product launches post-tax hike, measures to address the increase in recruitment costs began to take effect, resulting in a +22.9% YoY increase in net sales before eliminations of internal transfers, and operating income before eliminations moving solidly into the black.

Engineering Outsourcing

In addition to healthy growth in the IT-related industry, positioned as a strategic initiative to increase diversified exposure with a low correlation to the volatile domestic production cycle, demand from existing manufacturing clients for temporary placement of engineers contributed to strong growth, led by the Transport Equipment industry. Net sales before eliminations increased +33.7% YoY, and operating income before eliminations virtually tripled.

Administrative Outsourcing

With a view toward deregulation and passage of the Revised Temporary Worker Dispatch Law, demand for handling directly employed seasonal workers has toned down, however, through OS Group subsidiary ORJ, since makers that have traditionally used company-employed seasonal workers are realizing significant benefits by using ORJ's services, only few firms actually converted to temporary placement contracts, and net sales before eliminations only declined -9.2%. However, lower sales combined with cost increases from canceling company dormitories etc resulted in operating income before eliminations declining 49.5% YoY.

Recruitment and Placement

In addition to the structural shift in Administrative Outsourcing needs mentioned above, there were some orders from the Transport Equipment industry which is increasing production for recruiting seasonal workers, and paid job placement posted robust growth. Net sales before eliminations increased +164.7% YoY, and operating income before eliminations rose 521.2% YoY.

Overseas Business

While OS Group operations in Thailand and Vietnam experienced a significant impact from production stagnation caused in part by the local political situation, country risk in emerging markets is within expectations, and growth in Southeast Asia and South Asia is still high compared with Japan, and Japanese manufacturers' local production in those regions is posting significant growth. There are high expectations for the OS Group as a Japanese temporary staffing agencies offering precisely tailored services, and net sales before eliminations posted high growth, +57.7% YoY. Operating income before eliminations declined slightly as a result of ongoing leading investment costs for future growth.

Table 3 on the next page shows the trend of OS Group employees/workers on duty at client premises at term-end. The number of high-margin Engineering Outsourcing worksite employees rose by +611 at Q2-end FY12/14, increasing 2.5x more than the +244 Manufacturing Outsourcing worksite employees. Also, while the number of outsourcing administrative workers at Q2-end FY12/14 under Administrative Outsourcing decreased by -161, the number of placed workers in Recruitment and Placement rose by +220, largely reflecting the aforementioned structural shift from directly employed seasonal workers to temporary placement contracts.

[Table 3] Q2 FY12/14 Employees/Workers on Duty at Client Premises

(no. of employees/workers)		FY12/13 Q1 Actual	FY12/13 Q2 Actual	FY12/13 Q3 Actual	FY12/13 Q4 Actual	FY12/14 Q1 Actual	FY12/14 Q2 Actual	YoY
Manufacturing Outsourcing	No. of worksite employees at term-end	5,313	5,969	6,442	6,351	6,197	6,213	4.1%
Engineering Outsourcing	No. of worksite employees at term-end	2,097	2,282	2,441	2,600	2,688	2,893	26.8%
Administrative Outsourcing	No. of outsourcing admin. workers at term-end	2,317	2,179	2,325	2,344	2,102	2,018	-7.4%
Recruitment and Placement	No. of placed workers	261	545	755	655	690	765	40.4%
Overseas Prod. Outsourcing	No. of worksite employees at term-end	4,177	5,122	4,758	4,829	6,924	7,545	47.3%
Overseas Others	No. of worksite employees at term-end	1,719	1,834	1,763	1,733	2,222	2,543	38.7%

Source: Company IR materials

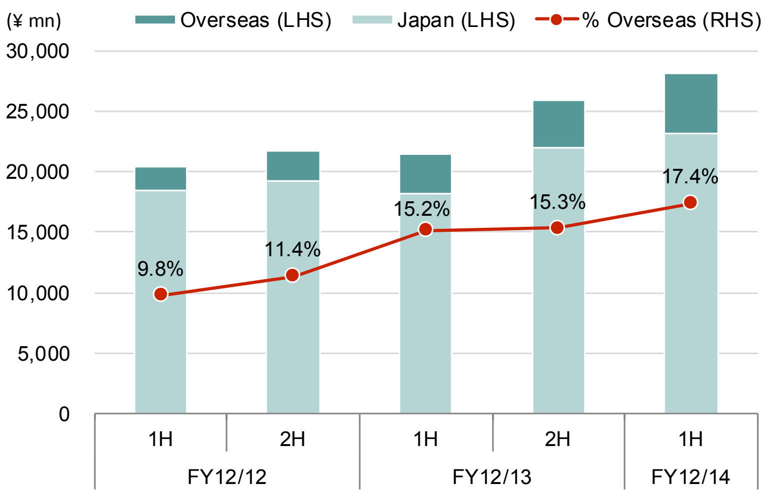
Table 4 below shows the quarterly and half-year trend of the sales breakdown by region for 1H FY12/14. Graph 1 shows the trend by half-year. In the 2½year period shown in Graph 1, Overseas sales grew at +56.5% CAGR, versus Japan sales +12.3% CAGR. The ratio of Overseas sales rose from 9.8% in 1H FY12/12 to 17.4% in 1H FY12/14. Overseas sales increased by nearly 2.5x in just two years, versus only 26% for Japan over the same period.

【Table 4】1H FY12/14 Sales Breakdown by Region

(¥ mn, %)	FY12/13 Q1 Actual	FY12/13 Q2 Actual	FY12/14 Q1 Actual	FY12/14 Q2 Actual	FY12/13 1H Actual	FY12/14 1H Actual	YoY
Japan	8,933	9,251	11,434	11,755	18,184	23,190	27.5%
Asia/Oceania (excl. Japan)	1,482	1,766	2,353	2,526	3,248	4,879	50.2%
% Overseas	14.2%	16.0%	17.1%	17.7%	15.2%	17.4%	-
Total	10,415	11,017	13,788	14,281	21,433	28,070	31.0%

Source: Compiled by Trias Corporation from Company IR materials

【Graph 1】Overseas Sales Growing at +56.5% 2YR CAGR, versus Japan Sales +12.3% 2YR CAGR



Source: Company IR materials

Tables 5-1 and 5-2 below show the quarterly trend of the sales breakdown by industry. For Manufacturing Outsourcing, it is interesting to note the YoY increase in Q2 FY12/14 for Electrical & Electronics was +702mn, versus +414mn for Transport Equipment. For Engineering Outsourcing, the biggest YoY increases were: IT-related +672mn, Transport Equipment +468mn and Electrical & Electronics +213mn. However, the single largest increase YoY was for Overseas Business, +760mn.

【Table 5-1】Q2 FY12/14 Sales Breakdown by Industry (Quarterly): Amount

(¥ mn)	FY12/13				FY12/14		
	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Q1 Actual	Q2 Actual	YoY
Manufacturing Outsourcing	**4,834**	**5,033**	**5,598**	**6,346**	**5,967**	**6,081**	**20.8%**
Transport Equipment	1,355	1,532	1,730	1,940	2,015	1,946	27.0%
Electrical & Electronics	1,049	965	1,056	1,087	1,407	1,667	72.7%
Pharm. & Chemicals	897	888	934	980	948	998	12.4%
Metals & Construction Materials	675	642	629	618	521	561	-12.6%
Foods	378	375	405	457	394	399	6.5%
Others	478	628	843	1,261	680	507	-19.2%
Engineering Outsourcing	**3,850**	**3,917**	**4,451**	**4,861**	**5,095**	**5,285**	**34.9%**
Transport Equipment	1,126	1,174	1,332	1,492	1,544	1,642	39.9%
Electrical & Electronics	532	552	576	638	684	765	38.7%
Pharm. & Chemicals	213	195	215	206	211	211	8.2%
Metals & Construction Materials	1	3	3	4	16	29	730.6%
Others	525	550	665	703	497	456	-17.1%
IT-related	1,344	1,295	1,432	1,602	1,913	1,967	51.9%
Construction & Plant-related	72	93	129	146	141	138	48.3%
After-sales Maintenance	34	51	96	65	87	73	41.7%
Overseas	**1,482**	**1,766**	**1,767**	**2,204**	**2,353**	**2,526**	**43.0%**

Source: Compiled by Trias Corporation from Company IR materials

【Table 5-2】Q2 FY12/14 Sales Breakdown by Industry (Quarterly): Composition Ratio

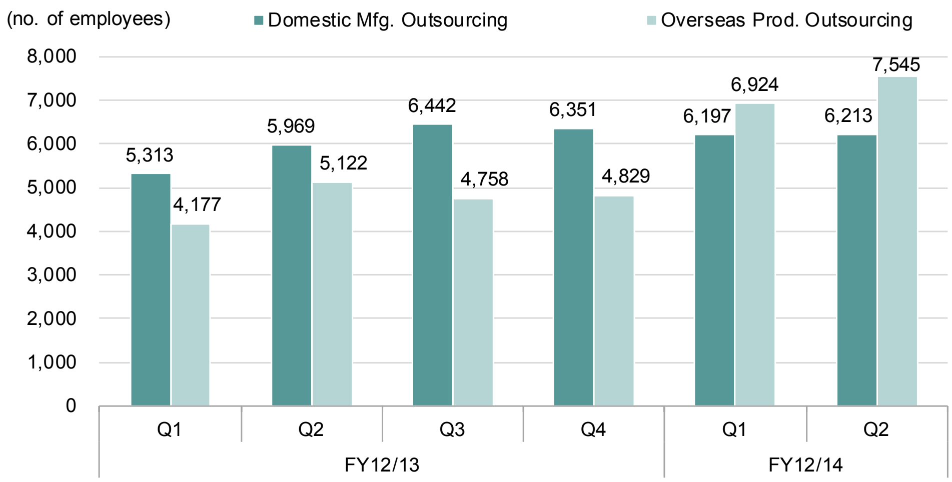
(% of total sales)	FY12/13				FY12/14	
	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Q1 Actual	Q2 Actual
Manufacturing Outsourcing	**46.4%**	**45.7%**	**46.0%**	**46.1%**	**43.3%**	**42.6%**
Transport Equipment	13.0%	13.9%	14.2%	14.1%	14.6%	13.6%
Electrical & Electronics	10.1%	8.8%	8.7%	7.9%	10.2%	11.7%
Pharm. & Chemicals	8.6%	8.1%	7.7%	7.1%	6.9%	7.0%
Metals & Construction Materials	6.5%	5.8%	5.2%	4.5%	3.8%	3.9%
Foods	3.6%	3.4%	3.3%	3.3%	2.9%	2.8%
Others	4.6%	5.7%	6.9%	9.2%	4.9%	3.6%
Engineering Outsourcing	**37.0%**	**35.6%**	**36.6%**	**35.3%**	**36.9%**	**37.0%**
Transport Equipment	10.8%	10.7%	10.9%	10.8%	11.2%	11.5%
Electrical & Electronics	5.1%	5.0%	4.7%	4.6%	5.0%	5.4%
Pharm. & Chemicals	2.1%	1.8%	1.8%	1.5%	1.5%	1.5%
Metals & Construction Materials	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Others	5.1%	5.0%	5.5%	5.1%	3.6%	3.2%
IT-related	12.9%	11.8%	11.8%	11.7%	13.9%	13.8%
Construction & Plant-related	0.7%	0.8%	1.1%	1.1%	1.0%	1.0%
After-sales Maintenance	0.3%	0.5%	0.8%	0.5%	0.6%	0.5%
Overseas	**14.2%**	**16.0%**	**14.5%**	**16.0%**	**17.1%**	**17.7%**

Note: column sums don't total 100% due to Administrative Outsourcing, Recruitment and Placement and other domestic business (auto racing parts etc)

Source: Compiled by Trias Corporation from Company IR materials

Graph 2 below highlights the fact that Overseas Production Outsourcing worksite employees exceeded Domestic Manufacturing Outsourcing worksite employees for the first time in Q1 FY12/14. In the short-term, this largely reflects rapid expansion of the OS Group itself in establishing a human resources network across Southeast Asia, recently making new inroads in penetrating growth opportunities across South Asia. However, over the medium-term, the decline in value-added of “Made in Japan”, workers leaving manufacturing industries, and demographic limitations with domestic population starting to decline, all point to an irreversible trend of Japanese manufacturers continuing to shift production offshore, and the OS Group is positioning itself to fully take advantage of growth opportunities in overseas markets.

● 【Graph 2】Q2 FY12/14: Overseas Production Outsourcing Worksite Employees at Term-End Exceeded Domestic Manufacturing Worksite Employees

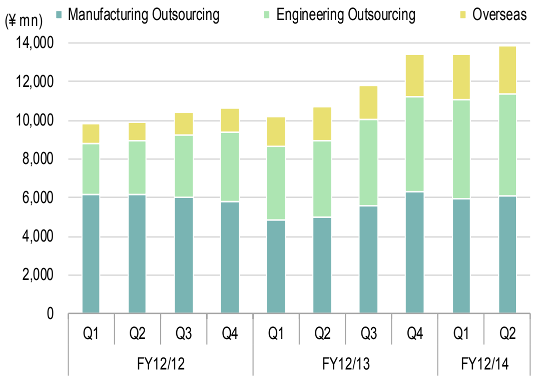


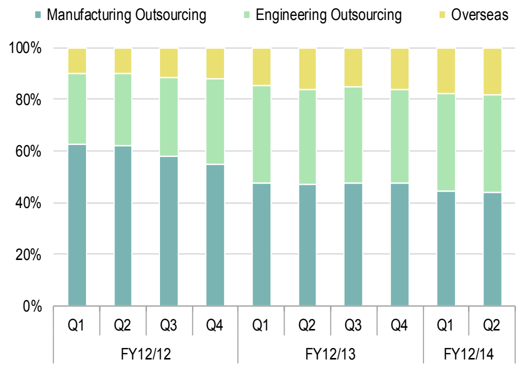
Source: Compiled by Trias Corporation from Company IR materials
Note: Overseas Production Outsourcing includes IT-related employees

Graph 3 on the next page highlights the dramatic change in the sales composition. The graph on the left in million yen shows that, with the exception of the impact from production adjustment in China by the Transport Equipment industry in the wake of the Senkaku Islands dispute and high volatility in the Electrical & Electronics industry due to severe stress and loss of competitiveness caused by the strong yen, domestic Manufacturing Outsourcing sales have been fairly constant. At the same time, there is high growth in Engineering Outsourcing sales, driven by deliberate efforts by the company to expand in diversification fields with low exposure to the volatile domestic production cycle including IT-related, and Overseas Business continues to grow, as described above. As a result, the graph on the right shows the ratio of domestic Manufacturing Outsourcing in total sales has declined from over 60.4% in Q1 FY12/12 to 42.6% in Q2 FY12/14, -17.8pp in just 2½ years, while the weights of Engineering Outsourcing and Overseas Businesses continue to rise. This trend is expected to continue.

Graph 4 below highlights the importance of the sales trends mentioned in also changing the profit structure of the Company. Relative to high volatility of operating income for Manufacturing Outsourcing, Engineering Outsourcing led by diversification fields including IT-related is posting healthy, relatively steady increases. Operating income for Overseas Business has been depressed by heavy leading investments and start-up costs, however since major investments are largely completed now, Overseas Business is entering a period of rising returns in recouping initial investments. The implication of this is a higher quality earnings stream going forward with reduced dependence on highly volatile Manufacturing Outsourcing.

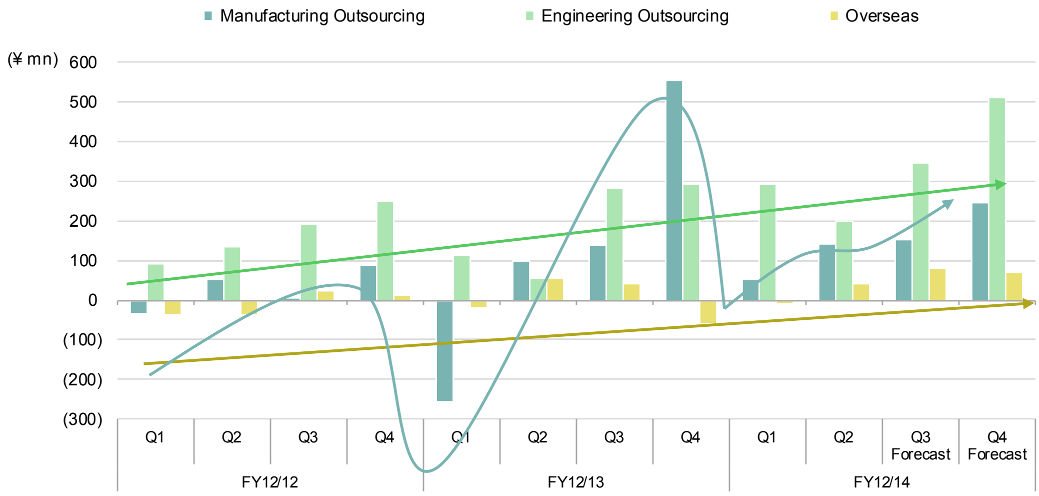
● 【Graph 3】Sales Composition Changing Dramatically Driven by High Growth in Engineering Outsourcing and Overseas Businesses





Source: Compiled by Trias Corporation from Company IR materials

● 【Graph 4】Operating Income for Selected Operating Segments (¥ mn): In contrast to high volatility in Manufacturing Outsourcing, Engineering Outsourcing and Overseas Businesses are posting consistent growth



Source: Compiled by Trias Corporation from Company IR materials

As shown in Table 6 below, notable changes in the Q2-end FY12/14 B/S include: increase in notes and accounts receivable due to higher sales and acquisition of subsidiary shares, increase in intangible assets due to increased goodwill from acquisition of subsidiary shares, increase in short-term loans payable as a result of fund procurement of stable funds for working capital and with a view toward potential M&A going forward, increase in accounts payable due to higher sales and acquisition of subsidiary shares, and increased retained earnings reflecting growth in net income and dividend payment.

● 【Table 6】Q2-end FY12/14 Consolidated Balance Sheet Summary

(¥ mn, %)	FY12/13		FY12/14		
	Q4-end Actual	% total	Q2-end Actual	% total	YoY Change
Current assets	**14,119**	**69.4%**	**15,461**	**70.0%**	**1,342**
Cash and deposits	6,032	29.7%	6,060	27.4%	27
Notes and accounts receivable - trade	6,529	32.1%	7,258	32.9%	729
Inventories	578	2.8%	781	3.5%	202
Non-current assets	**6,223**	**30.6%**	**6,629**	**30.0%**	**406**
Plant, property and equipment	1,953	9.6%	2,132	9.7%	179
Intangible assets	1,827	9.0%	2,153	9.8%	326
Investment and other assets	**2,442**	**12.0%**	**2,342**	**10.6%**	**(100)**
Total assets	**20,343**	**100.0%**	**22,091**	**100.0%**	**1,748**
Current liabilities	**10,003**	**49.2%**	**12,039**	**54.5%**	**2,035**
Notes and accounts payable - trade	609	3.0%	652	3.0%	42
Short-term loans payable	4,380	21.5%	4,749	21.5%	369
Accounts payable - other	2,905	14.3%	3,935	17.8%	1,030
Non-current liabilities	**4,423**	**21.7%**	**3,907**	**17.7%**	**(515)**
Bonds payable	50	0.2%	70	0.3%	20
Long-term loans payable	2,578	12.7%	2,115	9.6%	(463)
Total Liabilities	**14,427**	**70.9%**	**15,947**	**72.2%**	**1,519**
Shareholders' equity	**4,945**	**24.3%**	**5,212**	**23.6%**	**267**
Capital stock	514	2.5%	534	2.4%	20
Capital surplus	910	4.5%	931	4.2%	20
Retained earnings	3,910	19.2%	4,138	18.7%	227
Treasury shares	(391)	-1.9%	(391)	-1.8%	-
Accumulated other comprehensive income	**382**	**1.9%**	**299**	**1.4%**	**(83)**
Subscription rights to shares	**100**	**0.5%**	**99**	**0.4%**	**(1)**
Minority interests	**486**	**2.4%**	**532**	**2.4%**	**45**
Net Assets	**5,915**	**29.1%**	**6,144**	**27.8%**	**228**
Total Net Assets & Liabilities	**20,343**	**100.0%**	**22,091**	**100.0%**	**1,748**

Source: Company IR materials

2H FY12/14 Growth Initiatives

The Company's two key assumptions for growth are: 1) expanding sales from a net increase in temporary placement employees, and 2) securing healthy growth in profits by holding down recruitment costs. Structural factors that supported growth in the past were high value-added of "Made in Japan", and long-term rising trend of production supported by growth in exports and domestic consumption. Long-term growth in demand for increasing workers provided ample opportunity to recoup recruitment costs and expand profits, offsetting short-term declines from temporary production adjustments.

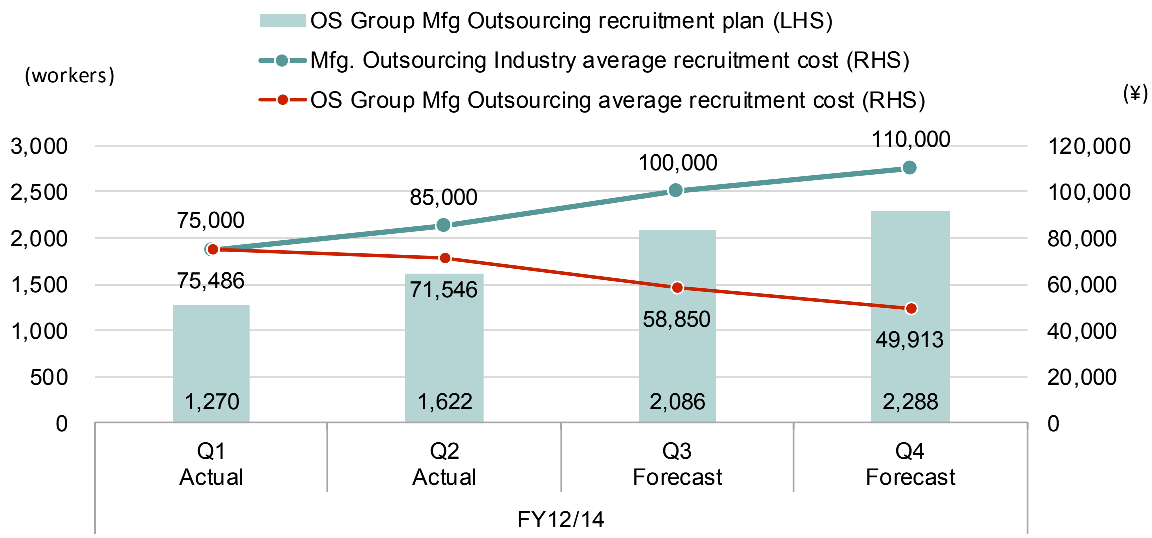
However, these structural growth factors are breaking down in the current market environment. Value-added of "Made in Japan" has declined, and manufacturers are pursuing globalization strategies, seeking low cost labor, raising efficiency of logistics etc. The long-term trend of production is now declining, making it difficult to recoup recruitment cost from increased use of vertical start-ups in short periods. In addition, decline in the domestic workforce population and the younger generation leaving manufacturing has resulted in intensified competition to secure required personnel for manufacturing outsourcing demand.

In the past makers could rely on a limited number of temporary staffing agencies to secure required personnel based on long-term production plans. Currently production plans have become more short-term in response to volatility in the global economy, resulting in increased use of vertical start-ups, forcing makers to place orders for staff increases to an unspecified and large number of vendors simultaneously, giving rise to excessive competition between vendors to secure numbers, sparking a rapid increase in recruitment costs, and decline of visibility on the period for recouping these increased recruitment costs. Major changes in the market environment present two major challenges: 1) rise in recruitment costs, and 2) difficulty in recruiting due to decline in the domestic workforce population.

According to the Company, recouping recruitment cost within 2 months is an absolute requirement. Graph 5 on the next page shows the trend of average recruitment cost for the manufacturing outsourcing industry. In addition, initial dormitory expense per person is roughly ¥56,700. The Company's 1H FY12/14 average monthly gross profit per employee was ¥66,048 x 2 months = ¥132,096. Based on the industry average recruitment cost in Q2 FY12/14 of ¥85,000 + ¥56,700 = ¥141,700, recruitment cost can't be recovered in 2 months under the existing scheme. The Company has made a deliberate decision here not to participate in this excessive competition in order to secure increased staffing needs for makers.

The Company's response to issue 1) rise in recruitment costs is to propose a unique scheme that is more efficient than makers handling it on their own, expanding the outsourcing domain of makers through deregulation (the Revised Worker Dispatch Law etc), and offering as a set to transfer directly employed seasonal workers to enrollment at the Company. One of the key elements here is not going through traditional advertising media, and the Company is aggressively accelerating implementation of its new scheme. As can be seen from Graph 5 below, recruitment cost reduction measures are starting to take effect, with average recruitment cost significantly below the industry average.

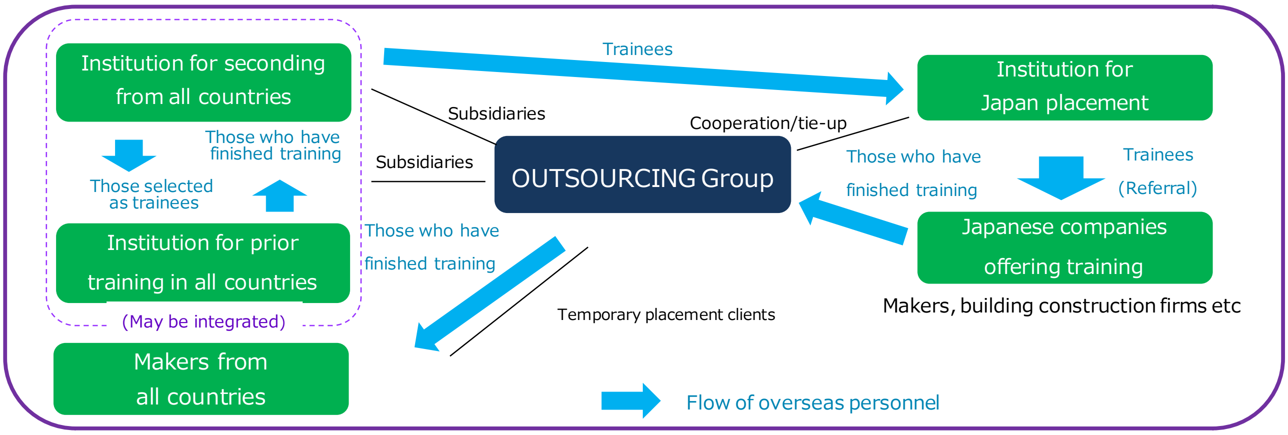
● 【Graph 5】Recruitment Cost Reduction Measures are Starting to Take Effect



Source: Compiled by Trias Corporation from Company IR materials

The second major issue is addressing the 2) difficulty in recruiting due to decline in the domestic workforce population. The OS Group has launched a scheme in line with the government's "Foreigner Technical Intern Training Program". The general concept of the program is inviting qualified candidates to work in Japan for 3 years as trainees, and leveraging those acquired skills and know-how in their home countries after completion of the internship. The OS Group's scheme for efficient utilization of technical intern trainees is shown in Chart 1 on the next page. Overseas the Company handles local screening and selection of candidates, procedures and documentation for seconding trainees, and in Japan, on behalf of domestic manufacturing clients who will take on trainees, the OS Group ties-up with cooperatives that take care of the trainees while in Japan. Overseas OS Group subsidiaries will effectively utilize the trainees once they return to their home countries. Related offices were set up overseas this September.

● 【Chart 1】Scheme for efficient utilization of technical intern trainees



Source: Company IR materials

FY12/14 Consolidated Financial Forecasts

Table 7 below shows a comparison of 1H FY12/14 actual results with initial company estimates, and initial 2H and full-term guidance for FY12/14, which were left unchanged after 1H results. Despite a slight 1.2% shortfall in sales, operating income exceeded guidance by 18.9%, largely due to improved gross profit margin and successful restraint of SG&A expense mentioned at the top of this report. Since full-term estimates were left unchanged, there is a buffer of over ¥100mn toward achieving initial guidance.

Table 8 on the next page shows 2H and full-term FY12/14 initial company estimates by operating segment. Based on 1H FY12/14 actual results, Administrative Outsourcing estimates probably look slightly optimistic, and at the same time, Recruitment & Placement looks somewhat conservative.

● 【Table 7】FY12/14 Consolidated Financial Forecasts (1H)

(¥ mn, %)	FY12/14					
	1H Actual	1H Initial Forecast	1H Act. vs Forecast	Difference %	2H Initial Forecast	Full-Year Initial Forecast
Net sales	28,070	28,400	(329)	-1.2%	32,900	61,300
Operating income	713	600	113	18.9%	1,400	2,000
Operating income margin	*2.5%*	*2.1%*	*0.4%*	-	*4.3%*	*3.3%*
Ordinary income	759	650	109	16.9%	1,400	2,050
Net income	375	350	25	7.2%	710	1,060

Source: Company IR materials

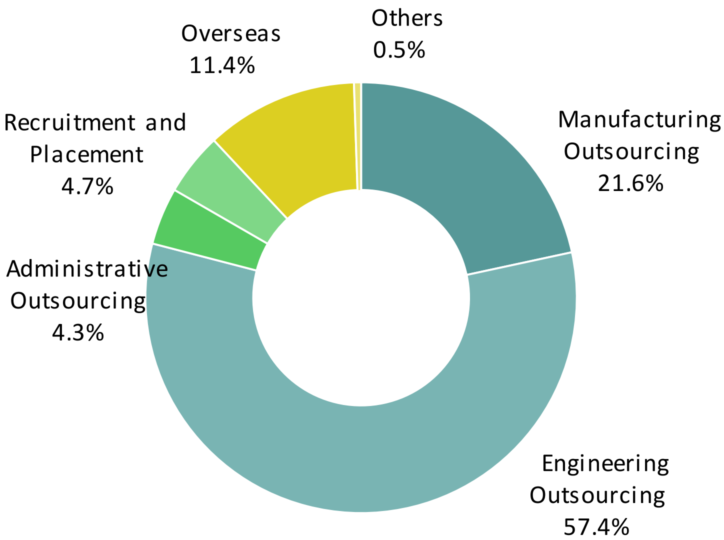
【Table 8】1H FY12/14 Results and FY12/14 Initial Forecasts by Operating Segment

(¥ mn, %)	FY12/14				
	Q1 Actual	Q2 Actual	Q3 Forecasts	Q4 Forecasts	Full-Year Forecasts
Net sales	**13,788**	**14,281**	**16,064**	**16,835**	**61,300**
Manufacturing Outsourcing	6,101	6,223	7,086	7,367	26,775
Engineering Outsourcing	5,116	5,331	5,932	6,342	22,713
Administrative Outsourcing	147	142	136	140	547
Recruitment and Placement	162	213	130	122	506
Overseas	2,518	2,705	2,887	2,967	11,188
Others	63	36	57	65	238
Internal transfer	(322)	(370)	(167)	(169)	(669)
Net sales YoY	**32.4%**	**29.6%**	**31.9%**	**22.2%**	**29.4%**
Manufacturing Outsourcing	24.7%	21.2%	24.2%	12.7%	20.2%
Engineering Outsourcing	31.8%	35.5%	32.6%	30.1%	32.3%
Administrative Outsourcing	-10.4%	-7.8%	-6.8%	2.2%	-9.3%
Recruitment and Placement	326.3%	106.8%	-18.2%	-33.7%	4.3%
Overseas	66.4%	50.4%	60.2%	22.5%	48.4%
Others	31.3%	-20.0%	5.6%	58.5%	25.3%
Operating income (loss)	**309**	**404**	**572**	**827**	**2,000**
Manufacturing Outsourcing	52	143	151	246	488
Engineering Outsourcing	293	201	348	510	1,298
Administrative Outsourcing	10	30	30	36	97
Recruitment and Placement	77	90	27	19	106
Overseas	(7)	42	80	71	258
Others	6	(2)	3	4	12
Eliminations	(123)	(102)	(70)	(59)	(262)
Operating income margin	**2.2%**	**2.8%**	**3.6%**	**4.9%**	**3.3%**
Manufacturing Outsourcing	0.9%	2.3%	2.1%	3.3%	1.8%
Engineering Outsourcing	5.7%	3.8%	5.9%	8.0%	5.7%
Administrative Outsourcing	6.8%	21.1%	22.1%	25.7%	17.7%
Recruitment and Placement	47.5%	42.3%	20.8%	15.6%	20.9%
Overseas	-0.3%	1.6%	2.8%	2.4%	2.3%
Others	9.5%	-5.6%	5.3%	6.2%	5.0%

Source: Compiled by Trias Corporation from Company IR materials
Note: Net sales and operating income by Operating Segments are figures before elimination of internal transfers

Graph 6 on the next page shows the breakdown of estimated operating income by segments before eliminations. Noteworthy points of full-term forecasts include the 74.8% YoY increase in Engineering Outsourcing to ¥1,298mn, raising its weight in total operating income from 47.1% in FY12/13 to 57.4%. In addition, with major leading investments in overseas operations largely completed for now, the contribution from Overseas Business is estimated to increase 11.7x YoY to ¥258mn, raising its weight in total operating income from 1.4% in FY12/13 to 11.4% in FY12/14.

【Graph 6】Breakdown Forecast for FY12/14 Operating Income by Operating Segment (before eliminations)



Source: Compiled by Trias Corporation from Company IR materials

The Company issued an ¥8.00 commemorative interim dividend, coming up on the 10-year anniversary of listing on the JASDAQ exchange on December 15, 2004. Last year, the ¥5.00 interim dividend commemorated the Company's successful move to the TSE First Section. The forecast for the full-term annual dividend is ¥30.00 (¥22.00 at the end of the Q4). As was announced in February, the Company has changed its consolidated dividend payout policy from 10% in principle to 30%. However, as a result of the commemorative interim dividend, payout this term is estimated to reach 40%.

Reference

Key Financial Data (Consolidated)

No. of Shares Issued	Jun-14	15,728,200
No. of Treasury Stock	Jun-14	1,139,500
Market Value (¥mn)	14-Oct-14	22,932
BPS (¥)	Jun-14	377.84
ROE (%)	Dec-13	23.8
ROA (%)	Dec-13	6.6
PER (times)	14-Oct-14	20.0
PCFR(times)	14-Oct-14	42.7
PBR (times)	14-Oct-14	3.9
Share Price (¥)	14-Oct-14	1,458
Unit Share (shares)	14-Oct-14	100
Average Daily Volume (shs)	14-Oct-14	194,133

Total Assets (¥mn)	Jun-14	22,091
Shareholders' Equity (¥mn)	Jun-14	5,512
Interest-Bearing Debt (¥mn)	Jun-14	(*) 7,126
Equity Ratio (%)	Jun-14	25.0
Ratio of Interest-Bearing Debt (%)	Jun-14	129.3
Free Cash Flows (¥mn)	1H FY12/14	474

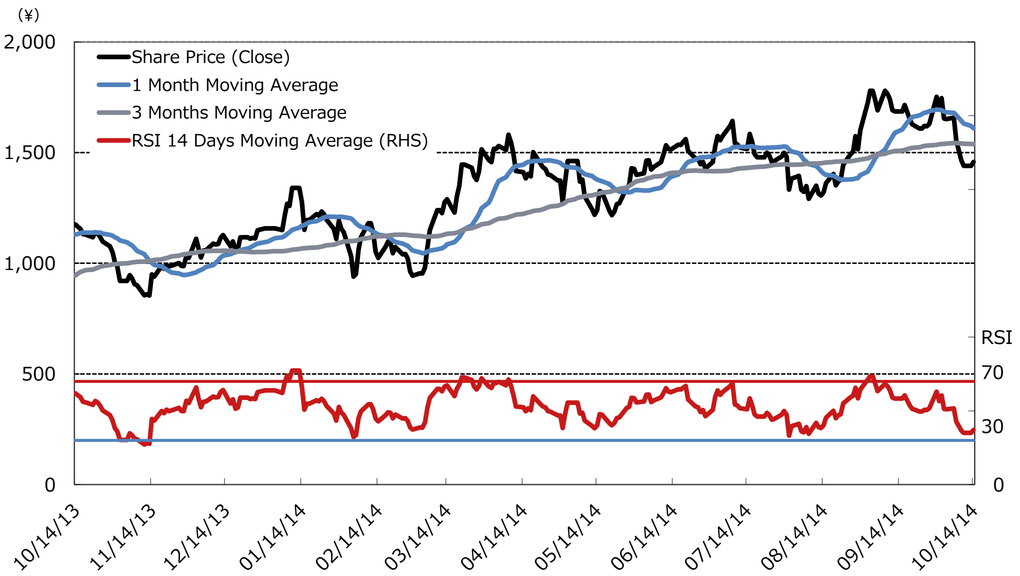
ROE = Net Income ÷ Shareholders' Equity
ROA = Net Income ÷ Total Assets
PCFR = Maket Value ÷ (Net Income+Depreciation)
Ave. Daily Vol. = Ave. Daily Vol. for the last 12 months
Interest-Bearing Debts Ratio = I.B.D. ÷ Shareholders' Equity*
Free Cash Flows = Operating CF + Investment CF
** Incl. current portion of accounts payable-installment purchase*

Financial Results (Consolidated)

(¥mn) Consolidated	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
FY12/10	28,386	1,173	1,401	760	52.46	7.21
FY12/11	32,397	563	702	194	13.48	8.00
FY12/12	42,090	1,000	1,153	641	44.46	8.00
FY12/13	47,384	1,202	1,357	1,122	77.54	13.00
FY12/14 1H	28,070	713	759	375	25.77	8.00
FY12/14 Full-Year fcst.	61,300	2,000	2,050	1,060	72.95	30.00

Notes: FY12/14 forecasts announced on July 30, 2014
Stock splits from 1 to 100 shares implemented in November 2010

Stock Price Charts and RSI



Source: Prepared by Trias Corp. with Bloomberg data.
Note: RSI, Relative Strength Index, is the index representing the ratio of overbought or oversold share prices. In general, over 70 in RSI shows overbought share price range, while below 30 shows oversold share price range.
RSI=averaged share price appreciation for N days÷(averaged share price appreciation for N days +averaged share price decline for N days) x100