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OUTSOURCING Inc.

FY12/11 Business Results Meeting and Follow-up Interview

OUTSOURCING Inc., hereinafter the Company, held its FY12/11 Business Results Meeting. Following the meeting Trias Corporation conducted an interview with Chairman and CEO Haruhiko Doi regarding current conditions in the rapidly changing manufacturing market, and the Company's measures for dealing with accommodating the changing requirements as a result. The following is a summary of the Business Results Meeting by the Company, and interview that followed.

Summary of FY12/11 Consolidated Business Results

As can be seen in Table 1, consolidated net sales rose YOY, however incomes declined. While consolidated net sales posted a new record, the background for incomes from the operating level and below declining was aggressive new hirings in order to cement achievement of numeric targets of FY12/14 consolidated net sales of ¥117 billion and operating income of ¥8.3 billion, as published in the Medium-Term Management Plan Vision2014 (hereinafter Vision2014). As a result of this leading investment in new staff, SG&A expenses increased mainly from recruitment expense. As a result operating income halved YOY. In addition, the impact from the March disaster, strong yen, and damage from Thailand flooding all compounded to make an extremely unclear macro environment. While competitors cut back on investments under this environment, the Company took the opportunity to strengthen its leading position in the industry, focusing entirely on strengthening its foundation.

●【Table 1】FY12/11 Consolidated Business Results Summary

(¥ million)	FY12/10		FY12/11		
	Actual	Weighting	Actual	Weighting	YOY Change
Net Sales	**28,386**	**100.0%**	**32,397**	**100.0%**	**14.1%**
Gross Profit	6,007	21.2%	6,738	20.8%	12.2%
SG&A Expenses	4,834	17.0%	6,175	19.1%	27.7%
Operating Income	**1,173**	**4.1%**	**563**	**1.7%**	**-52.0%**
Ordinary Income	**1,401**	**4.9%**	**702**	**2.2%**	**-49.9%**
Net Income	**760**	**2.7%**	**194**	**0.6%**	**-74.5%**

Note: All tables prepared by Trias Corp. with the data disclosed by OUTSOURCING Inc.

For the term under review, continuing from the previous term, in addition to boosting new hirings, the Company strengthened infrastructure for its personnel outsourcing business for IT and telecommunications. Previously, in order to avoid large swings in earnings, the Company focused on diversifying sectors of its manufacturing clients. However, in the case of manufacturing industries, many sectors are correlated with the same economic business cycle. With a view toward securing stability of its business, the Company is pursuing M&A to expand its business in personnel outsourcing for the IT and telecommunications sectors, which are not geared into the same business cycle as manufacturing industries. The Company is also accelerating establishment of infrastructure for its overseas outsourcing business, and in the term under review, the Company made OS International, hereinafter OSI, which operates in six ASEAN countries, a subsidiary.

●【Table 2】Quarterly Trend of SG&A Expenses and Number of Contract Workers and PO Business Worksite Employees

(¥ million)	FY12/10 Actual				FY12/11 Actual			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A Expenses	**1,154**	**1,134**	**1,237**	**1,309**	**1,366**	**1,454**	**1,648**	**1,707**
YOY Change	45.8%	49.4%	49.7%	12.9%	18.4%	28.2%	33.2%	30.4%
【Production Outsourcing Business】 No. of Contract Workers (domestic)	**6,223**	**6,192**	**6,674**	**7,434**	**6,839**	**7,188**	**8,008**	**8,361**
YOY Change	29.0%	35.8%	32.7%	21.7%	9.9%	16.1%	20.0%	12.5%
【Administrative Operations Outsourcing Business】 Worksite Employees (domestic)	**90**	**459**	**1,079**	**721**	**531**	**513**	**1,079**	**928**
YOY Change	n.a.	n.a.	n.a.	n.a.	490.0%	11.8%	0.0%	28.7%

●【Table 3】Sales Breakdown by Segment and Client Industrial Sector

(¥ million)	FY12/10 Actual	FY12/11 Actual	YOY Change Amount	YOY Change Ratio
Production Outsourcing Business	**27,016**	**31,146**	**4,130**	**15.3%**
No. of Contract Workers	**7,434**	**13,020**	**5,586**	**75.1%**
Foods	2,032	2,006	(26)	-1.3%
Electrical and Electronics	8,527	8,668	141	1.7%
Transport Equipment	7,394	10,604	3,210	43.4%
Chemicals and Medicals	4,107	4,174	67	1.6%
Metals	270	836	566	209.6%
Other	4,684	4,855	171	3.7%
Administrative Operations Outsourcing Business	**735**	**1,113**	**378**	**51.4%**
No. of Worksite Employees	**2,349**	**3,051**	**702**	**29.9%**
Nursing-Care Business	**471**	**-**	**-**	**-**
Other Business	**162**	**137**	**(25)**	**-15.4%**
Total	**28,386**	**32,397**	**4,011**	**14.1%**

The breakdown of trends by business are shown in Table 3 above, and production outsourcing overall was in-line with the company estimate, benefitting from hiring demand recovering from the auto sector (transportation equipment). Net sales from this sector increased ¥3.2 billion YOY, with a noticeable recovery from the 2H especially; Q3 sales were ¥2,714 million, and Q4 sales rose to ¥3,274 million. There was no major change in administrative operations outsourcing.

Key Strategies for FY12/12

Regarding the business environment for production outsourcing, the company expects special demand for Tohoku restoration work to continue for several years, however the larger medium-term structural change will be Japanese manufacturers accelerating globalization of their production bases. The Company believes strongly that personnel outsourcing needs will become more sophisticated and diverse as the business infrastructure of its major domestic clients undergoes a major transformation. Given this background and assumptions, the Company currently is focused on four key strategies:

① Expanding Market Share by Capturing Special Demand for Tohoku Restoration Work

Transportation equipment (autos), construction equipment and building materials are the core sectors targeted for this strategy:

Transportation Equipment (Autos)

Toyota Motor Corporation announced its vehicle sales plan for CY2012 on December 22, 2011. According to Toyota, it plans to increase global vehicle sales in CY2012 +20% YOY to 8.48 million units. The breakdown is domestic production +28% YOY to 1.53 million units, and overseas production targeting emerging market demand +19% YOY to 6.95 million units, however this does not include the impact of Eco-Car subsidies. Further, Toyota is planning total global production of 8.95 million units in CY2013, +5% YOY. Based on this, market expectations are for rising production amongst all major auto manufacturers. The Company shares this view, and expects demand from transportation equipment (autos) for production outsourcing to rise.

The Company has strategically built a structure over the last several years to offer a wide variety of solutions for the transportation equipment (autos) sector. Belonging to the Company's transportation equipment group, NISSO SERVICE Inc. and OUTSOURCING CENTRAL Inc. have strengths in the R&D process, the parent OUTSOURCING Inc. is responsible for the mass production process, OUTSOURCING TECHNOLOGY CO., Ltd. coordinates group engineering service, and ORJ INC. handles administrative operations outsourcing on contract. Working in concert these group companies offer a wide variety of solutions for transportation equipment manufacturers' outsourcing needs.

Further, the Company announced on March 14 it will re-organize the above structure aiming for May 1. As a result, the businesses related to the mass production process in NISSO SERVICE and OUTSOURCING CENTRAL will be split out and absorbed by the parent. The engineering division responsible for R&D will be aggregated under OUTSOURCING TECHNOLOGY. The engine testing division previously absorbed by OUTSOURCING CENTRAL will again be split out to a subsidiary Enable. By taking these measures, the Company is unifying production and engineering divisions spread across group companies under one structure, and aims to raise efficiency by re-organizing its business foundation to handle these specialized outsourcing needs.

Construction Equipment, Building Materials

The Company expects special demand related to Tohoku reconstruction to pick up in earnest from the spring. Ahead of this subsidiary ORJ INC. signed a contract with the largest domestic maker of building materials LIXIL* for administrative operations outsourcing. This contract facilitates bringing over several thousand workers displaced by Thailand flooding to Japan to handle administrative operations. This contract was undertaken in order to reduce the burden on both workers with different cultural background and customs, as well as domestic Japanese firms which will receive them. Although not directly related to special demand for Tohoku reconstruction, the capacity to precisely meet globally expanding client needs was highly evaluated from within the building materials industry, and has resulted in orders from other makers apart from LIXIL.

** LIXIL was established in April 2011 through the integration of 5 building materials and housing fixture companies: Tostem, INAX, SHINNIKKEI, Sunwave (excluding the manufacturing division) and Toyo Exterior.*

② Expansion of the Business Scale of Tertiary Industry (Service Sector) including R&D Divisions

In order to stabilize earnings, the Company is working towards expanding business in new fields not correlated with the economic business cycle, and as part of that process, acquired in January 2012 Asuka Creation which specializes in system development on consignment for smart-phone applications and outsourcing of system engineers for ¥300 million. This resulted in a goodwill amortization charge of ¥150 million which was not included in the original budget for the term under review (5-year amortization). For reference Asuka Creation had annual sales of ¥1 billion in FY7/11, and operating profit of ¥39 million.

Presently there are three group companies in the field of IT and telecommunications: Out-Sourcing System Consulting (corporate name changed from February 1, 2012, hereinafter OSSC, formerly GIM Inc.), Asuka Creation Co., Ltd. and STS Co., Ltd. Going forward the Company will seek to leverage the Group's sales strength centering on the parent, and target primary vendor project awards which have high margins and high business stability. The Company is targeting net sales of ¥3 billion for IT and telecommunications in FY12/12.

In the IT and telecommunications market, there are a large number of system development firms with sales over ¥1 billion, however many are being caught up in the industry shakeout as a result of the recent harsh economic environment. Therefore many engineers are migrating to large firms, and talented personnel are becoming more mobile, and the Company concludes the market environment has become more favorable for large firms. Based on this analysis, the Company is hurrying to build a business base with the capacity to take development projects on contract rather than development itself, by acquiring small systems development firms with talented engineers. The Company estimates the market for outsourcing system engineers for this field is approximately ¥400 billion, and over the medium-term the Company is targeting a 10% share through a business model based on development projects on contract and outsourcing system engineers. During the period of Vision2014, the Company plans to further strengthen M&A in the IT and telecommunications field in order to benefit from the market environment favoring large firms.

③ Establishment of an East Asian Staffing Network Focused on the ASEAN Region

The Company is proceeding with the establishment of an East Asian staffing network in line with growth in the Asian economic region. As part of this process, the Company formed a capital tie-up with previously mentioned OSI in November 2011, acquiring OSI shares for ¥725 million. OSI has 10 group companies in 6 Asian emerging economies, and handles white collar temporary placements. OSI's business results for the term under review were net sales ¥4 billion, and ordinary income ¥130 million. With OSI entering the Group, the Company has 18 overseas group companies, boasting staff of 4,000, expanding its presence sharply. Until recently aggressive penetration of the China market was difficult due to the regulatory environment, however the Company has begun offering a one-stop service in the IT and telecommunications field through the collaboration of OSSC and OUTSOURCING Shanghai.

Previously the Company focused on building a business infrastructure targeting primarily blue collar temporary placement outsourcing in Asian countries. Until now this meant inviting senior management with actual production experience in Asia, and then starting up business, however there was one major bottleneck in this method. This issue relates to the basic core of the business base, requiring the Company to acquire a license in each country. Temporary placement outsourcing related regulations naturally differ from country to country. Also, once operations were actually started and there were many local blue collar staff to manage, it became clear that white collar staff that could understand the local customs were also required, and that more local business resources were required than originally estimated.

As a result, the Company did a comprehensive overhaul of its overseas business strategy. Namely, the

Company switched to acquiring to the Group successful temporary placement outsourcing firms that had already acquired local licenses, with an immediate priority on establishing the business base for temporary placement outsourcing first. Going forward the Company will leverage the licenses held by OSI to accelerate development of blue collar temporary placement outsourcing.

On March 26, the Company announced the establishment of a joint venture between its consolidated subsidiary OS VIETNAM CO., LTD. and locally incorporated Asia Human Resources Power Co., Ltd., OS POWER VIETNAM CO., LTD., the first Japan-affiliated production outsourcing firm in Vietnam. Japan manufacturers primarily in transportation equipment (autos) and electronics/electronic parts sectors have set up production bases in Vietnam, and demand has been rising for a production outsourcing firm that can deliver the same level of high quality service in Japan. The Company is proceeding along similar lines in other ASEAN regions, and the company is planning to achieve its Vision2014 final year target of overseas sales of ¥6 billion in FY12/12.

④ Raising the Standard of Living of Outsource Employees

The Company believes that raising the retention rate of outsource employees will result in higher productivity going forward. In order to achieve this, the Company is promoting welfare benefits. Currently the Company is using the T-Point scheme to build a system from which employees can directly benefit.

FY12/12 Consolidated Financial Forecast

The forecast for the current term FY12/12 can be seen in Table 4 on page 8, which projects a large increase in both sales and incomes. However, Vision2014 announced in July 2011 targeted FY12/12 consolidated net sales of ¥52 billion, and the new forecast for this term is ¥46.47 billion, ¥5.5 billion below the previous forecast. According to the Company, it has made a more conservative forecast for the current term taking into consideration the recent macro environment, however it has not given up on its original forecast of ¥52 billion.

Manufacturers are faced with deciding on contracting or direct hiring as the number of outsourced staff that will fall under the three year restriction for production outsourcing rises from 2012 through 2014. The Company believes that demand to deal with this 2012 problem presents a major business opportunity over the next several years. According to Chairman Doi, based on talks with manufacturing firms, a rough calculation estimates that a market of ¥60 billion equivalent to 200,000 temporary placement workers will reach the date for falling under the three year restriction during that period. The Company believes roughly half will go to production outsourced contracting dontracts. Presently competition for outsourced contracting orders is gravitating toward large firms that can strictly observe the law, especially large listed firms. The Company plans to aggressively pursue market share gains over this period.

Last year even in the uncertain period following the March disaster, the company continued to strive for being able to take on 1,500 staff per month. This foundation will support the Company's aim to grow market share over the next several years, and while expenses for changing contracts will arise for contract orders related to the 2012 problem, many of the orders will not result in large recruitment fees. As a result, the Company says it will become clear that the 2012 problem is a business opportunity, when the number of outsource workers is expanded without a sharp increase in recruitment cost.

Also for the 2012 problem, subsidiary ORJ INC. will act as an agent for direct employment of seasonal workers, offering administrative operations outsourcing for handling labor administration even after joining the company, so there is a business opportunity even in the direct employment market. Further, manufacturers must make non-regular employees full employees after the 3 years are up, so the same problem will arise in 2 years and 11 months.

Demand for dealing with changing market conditions remains strong without change, both for sweeping changes in production globalization as well as domestically, and the Company continues to aim at becoming the industry leader in production outsourcing, perfecting the ability to meet changing client temporary placement outsourcing needs, while adopting a flexible business organization to rapidly respond to changing requirements in the daily manufacturing workplace.

Current term forecasts include moving expense of ¥0.2 billion for relocating the head office from Shizuoka to Tokyo.

●【Table 4】FY12/12 Consolidated Financial Forecast

(¥ million)	FY12/11 Actual 1H	FY12/11 Actual 2H	FY12/11 Actual Full Year	FY12/12 Forecast (as of Feb. 10, 2012) 1H	FY12/12 Forecast 2H	FY12/12 Forecast Full Year	YOY Chg Amount
Net Sales	**14,874**	**17,523**	**32,397**	**21,180**	**25,290**	**46,470**	**14,073**
Production Outsourcing Business	**14,385**	**16,761**	**31,146**	**20,950**	**25,010**	**45,960**	**14,814**
Domestic Business Group	*n.a.*	*n.a.*	*30,771*	*18,805*	*22,425*	*41,230*	*10,459*
Overseas Business Group	*n.a.*	*n.a.*	*375*	*2,145*	*2,585*	*4,730*	*4,355*
Administrative Operations Outsourcing Business	**419**	**693**	**1,113**	**565**	**670**	**1,235**	**122**
Other	**70**	**67**	**137**	**90**	**90**	**180**	**43**
Intercompany elimination	(225)	(443)	(669)	(425)	(480)	(905)	(236)
Operating Income	**208**	**355**	**563**	**235**	**1,425**	**1,660**	**1,097**
Production Outsourcing Business	**99**	**196**	**295**	**183**	**1,320**	**1,503**	**1,208**
Domestic Business Group	*n.a.*	*n.a.*	*370*	*193*	*1,190*	*1,383*	*1,013*
Overseas Business Group	*n.a.*	*n.a.*	*(75)*	*(10)*	*130*	*120*	*195*
Administrative Operations Outsourcing Business	**163**	**228**	**391**	**158**	**209**	**367**	**(24)**
Other	**(1)**	**2**	**+0**	**4**	**6**	**10**	**10**
Elimination/All company	(52)	(72)	(125)	(110)	(110)	(220)	(95)
Ordinary Income	**280**	**422**	**702**	**280**	**1,470**	**1,750**	**1,048**
Net Income	**10**	**184**	**194**	**65**	**810**	**875**	**681**
Operating Income Margin	**1.4%**	**2.0%**	**1.7%**	**1.1%**	**5.6%**	**3.6%**	
Production Outsourcing Business	**0.7%**	**1.2%**	**0.9%**	**0.9%**	**5.3%**	**3.3%**	
Domestic Business Group	*n.a.*	*n.a.*	*1.2%*	*1.0%*	*5.3%*	*3.4%*	
Overseas Business Group	*n.a.*	*n.a.*	*-20.0%*	*-0.5%*	*5.0%*	*2.5%*	
Administrative Operations Outsourcing Business	**38.9%**	**32.9%**	**35.1%**	**28.0%**	**31.2%**	**29.7%**	
Other	**-1.4%**	**3.0%**	**0.0%**	**4.4%**	**6.7%**	**5.6%**	
Elimination/All company	-0.3%	-0.4%	-0.4%	-0.5%	-0.4%	-0.5%	

No. of Contract Workers (Production Outsourcing Business)/
No. of PO Business worksite employees (Administrative Operations Outsourcing Business)

(Workes)	FY12/11 Actual 1H	FY12/11 Actual 2H	FY12/11 Actual Full Year	FY12/12 Forecast (as of 12-Feb-12) 1H	FY12/12 Forecast 2H	FY12/12 Forecast Full Year	YOY Chg Amount
Production Outsourcing Business	**7,188**	**13,020**	**13,020**	**15,338**	**18,845**	**18,845**	**5,825**
Domestic Business Group	*n.a.*	*8,361*	*8,361*	*9,384*	*10,951*	*10,951*	*2,590*
Overseas Business Group	*n.a.*	*4,659*	*4,659*	*5,954*	*7,894*	*7,894*	*3,235*
Administrative Operations Outsourcing Business	**1,044**	**2,007**	**3,051**	**1,650**	**2,038**	**3,688**	**637**

Q&A Session

Q1. SG&A expenses are not expected to rise sharply this term, but what are the factors outside of moving expense for an increase in SG&A expenses?

A1. Last term SG&A expenses were ¥6.1 billion, and this term's estimate is ¥8.1 billion, an increase of ¥2 billion. Roughly ¥0.6 billion is for recruitment expense, down over ¥0.3 billion from last term's ¥0.93 billion. The Company expects supply/demand of the domestic production outsourcing market to soften as a result of the impact of manufacturers stepping up globalization of production, and the domestic temporary placement market loosening. The main factor for the increase in SG&A expenses is the number of consolidated subsidiaries increasing, resulting in higher personnel expense.

Q2. How much earnings growth is factored in from M&A?

A2. The number of consolidated subsidiaries has increased substantially from M&A, and the contribution to earnings started from last year. Fullcast Central was acquired from Fullcast Holdings in 2009, however this transaction occurred during the downturn in autos, resulting in a negative earnings contribution. We have not yet calculated the present state of the earnings contribution from M&A, however going forward we will make an appropriate calculation and disclose it.

Q3. Why use T-Points instead of cash for welfare benefits to raise the standard of living?

A3. T-Points have the advantage that they can be saved, so we believe the impact will be large. Saved points can also be accessed immediately with no time delay.

Reference

●Consolidated Key Stock Indicators / Financial Data and Business Results

Key Stock Indicators		
No. of Shares Issued	Dec-11	15,569,800
No. of Treasury Stock	Dec-11	1,139,500
Market Value (¥million)	3-Apr-12	6,321
BPS (¥)	Dec-11	238.4
ROE (%)	Dec-11	5.8
ROA (%)	Dec-11	1.6
PER (times)	FY12/11 fcst	6.7
PCFR (times)	Dec-11	13.6
PBR (times)	Dec-11	1.7
Share Price (¥)	3-Apr-12	406
Unit Share (shares)	Dec-11	1
Average Daily Volume (shares)	3-Apr-12	34,065

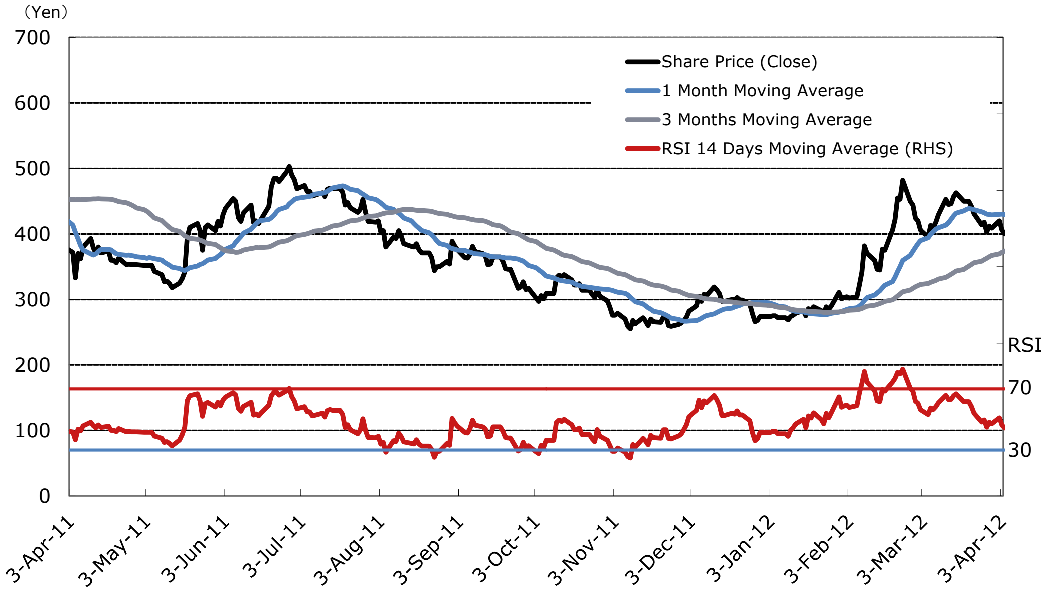
Key Financial Data		
Total Assets (¥million)	Dec-11	11,921
Shareholders' Equity (¥million)	Dec-11	3,440
Interest-Bearing Debt (¥million)	Dec-11	3,342
Equity Ratio (%)	Dec-11	28.9
Ratio of Interest-Bearing Debt (%)	Dec-11	97.2
Free Cash Flows (¥million)	Dec-11	138

ROE=Current Net Income÷Shareholders' Equity
ROA=Current Net Income÷Total Assets
PCFR=Maket Value÷(Current 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

Consolidated (¥million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
FY12/08	24,148	1,113	1,134	641	5,412.28	644.00
FY12/09	17,964	(150)	22	(215)	(1,511.00)	644.00
FY12/10	28,386	1,173	1,401	760	52.46	7.21
FY12/11	32,397	563	702	194	13.48	8.00
1H FY12/12 fcst	21,180	235	280	65	4.50	0.00
FY12/12 fcst	46,470	1,660	1,750	875	60.63	8.00

Note: FY12/12 forecast announced on Feburuary 10, 2012

●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