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OUTSOURCING Inc.

Q1 FY12/15 Financial Results and Follow-up Interview

OUTSOURCING Inc., hereafter the "Company" or "the OS Group", announced its Q1 FY12/15 (Jan-Mar) financial results, and Trias Corporation conducted an interview with Chairman and CEO Haruhiko Doi. The following is a summary of the interview.

Summary of Q1 FY12/15 Consolidated Financial Results

Consolidated financial results for Q1 exceeded initial company forecasts. While domestic business was above expectations, temporary factors from FY12/14 continued to weigh on overseas business, resulting in a slight shortfall. As can be seen in Table 1, consolidated net sales were ¥17,694 million (+28.3% YoY), gross profit ¥3,362 million (+27.0% YoY), operating income ¥314 million (+1.8% YoY), ordinary income ¥365 million (+10.9% YoY) and net income ¥205 million (+6.0% YoY). The reason for the slight YoY increase of operating income relative to the sharp increase in net sales was due to the occurrence of temporary increases in SG&A expenses.

●[Table 1] Summary of Q1 FY12/15 Consolidated Financial Results

(¥ million)	FY12/14				FY12/15		
	Q1	Q2	Q3	Q4	Q1	YoY Changes	
	Actual	Actual	Actual	Actual	Actual	Amount	Ratio
Net sales	**13,788**	**14,281**	**15,232**	**16,118**	**17,694**	**3,906**	**28.3%**
Cost of sales	11,141	11,407	12,162	12,746	14,332	3,190	28.6%
Gross profit	2,646	2,874	3,070	3,372	3,362	715	27.0%
Gross profit margin	*19.2%*	*20.1%*	*20.2%*	*20.9%*	*19.0%*	*-*	*- 0.2pp*
SG&A expenses	2,337	2,470	2,537	2,607	3,047	710	30.4%
SG&A expenses ratio	*17.0%*	*17.3%*	*16.7%*	*16.2%*	*17.2%*	*-*	*+0.2pp*
Operating income	**309**	**404**	**532**	**764**	**314**	**5**	**1.8%**
Operating income margin	*2.2%*	*2.8%*	*3.5%*	*4.7%*	*1.8%*	*-*	*- 0.4pp*
Ordinary income	**329**	**430**	**589**	**847**	**365**	**35**	**10.9%**
Ordinary income margin	*2.4%*	*3.0%*	*3.9%*	*5.3%*	*2.1%*	*-*	*- 0.3pp*
Net income	**193**	**181**	**412**	**529**	**205**	**11**	**6.0%**
Net income margin	*1.4%*	*1.3%*	*2.7%*	*3.3%*	*1.2%*	*-*	*- 0.2pp*

Source: Compiled by Trias Corporation from the Company IR materials

As can be seen in Table 2, at the time FY12/14 results were announced, compared with the initial forecasts for FY12/15 disclosed on February 12, 2015, net sales came in ¥380 million higher, and operating income ¥83 million higher, with the outlook for a decline in incomes actually increasing YoY.

For domestic outsourcing business, both Manufacturing Outsourcing Business and Engineering Outsourcing Business saw favorable demand across virtually all sectors, embarking on a new initiative from FY12/15 in order to meet this demand, with OS Group staff recruiting proceeding favorably, resulting in the overshoot of incomes. At the same time, for Overseas Business, local employment adjustments due to the coup and civil demonstrations last year in Thailand, Vietnam and Hong Kong were prolonged, and compared with initial forecasts, net sales were a shortfall of ¥28 million, and operating income a shortfall of ¥50 million.

●[Table 2] Q1 FY12/15 Actual vs. Q1 FY12/15 Initial Forecasts

(¥ million)	FY12/15			
	Q1	Q1	YoY Changes	
	Initial Forecasts	Actual	Amount	Ratio
Net sales	**17,314**	**17,694**	**380**	**2.2%**
Manufacturing Outsourcing Business	6,877	6,970	93	1.4%
Engineering Outsourcing Business	6,824	7,166	342	5.0%
Administrative Outsourcing Business	136	137	1	0.9%
Recruitment and Placement Business	178	167	(10)	-6.1%
Overseas Business	3,239	3,210	(28)	-0.9%
Other Business	60	42	(17)	-28.4%
Operating income	**231**	**314**	**83**	**36.3%**
Manufacturing Outsourcing Business	0	50	50	-
Engineering Outsourcing Business	264	421	157	59.6%
Administrative Outsourcing Business	9	14	5	56.6%
Recruitment and Placement Business	58	66	8	15.0%
Overseas Business	(13)	(63)	(50)	-
Other Business	6	3	(2)	-48.8%
Adjustment	(93)	(177)	(84)	-

Source: Compiled by Trias Corporation from the Company IR materials

Gross profit margin declined slightly from 19.2% in Q1 FY12/14 to 19.0%. All types of costs associated with staff recruiting rose sharply due to tight supply/demand in the overall domestic labor market, depressing incomes, however, this was mostly offset by increasing staff for Engineering Outsourcing which has high unit contract price, and boosting value added for temporary placement through education and training.

SG&A expenses increased sharply by ¥710 million to ¥3,047 million. In addition to recruitment expenses in order to secure new staff of ¥130 million and amortization of goodwill increasing by ¥55 million, one-off expenses of ¥260 million were a major factor. These one-off expenses were not present in FY12/14, and included: preparation expenses for migrating to IFRS accounting, start-up expenses for a special subsidiary for the employment of persons with disabilities, and fees for M&A transactions that didn't come to fruition.

As a result, YoY growth of operating income was only +1.8%, and operating income margin declined by 0.4pp to 1.8%. Excluding the aforementioned one-off expenses, adjusted operating income actually increased by +85.8% YoY, and operating income margin improved by 1.0pp to 3.2%. The net balance of non-operating income and expenses improved by over ¥30 million including booking foreign exchange gains, so ordinary income rose by double-digits.

As can be seen in Table 3, total assets at the end of Q1 were ¥26.2 billion, increasing by ¥2.1 billion from the end of FY12/14. For assets, notes and accounts receivable-trade increased by ¥1.0 billion due to business expansion, and intangible assets increased by over ¥900 million from increased goodwill associated with acquisition of subsidiaries' shares. For liabilities and net assets, short-term and long-term loans payable increased a total of ¥2.2 billion, with a view toward increasing short-term working capital and long-term stable funds procurement for future M&A.

●[Table 3] Q1-End FY12/15 Consolidated Balance Sheet Summary

(¥ million)	FY12/14-End		Q1-End FY12/15		YoY Changes	
	Actual	Composition Ratio	Actual	Composition Ratio	Amount	Major Factors
Current assets	**17,065**	**70.7%**	**18,178**	**69.3%**	**1,113**	
Cash and deposits	6,671	27.6%	6,388	24.3%	(283)	
Notes and accounts receivable - trade	8,257	34.2%	9,258	35.3%	1,000	Acquisitions of subsidiaries' share and business expansion
Non-current assets	**7,067**	**29.3%**	**8,064**	**30.7%**	**997**	
Goodwill	1,791	7.4%	2,735	10.4%	943	Acquisitions of subsidiaries' share
Total assets	**24,132**	**100.0%**	**26,243**	**100.0%**	**2,110**	
Current liabilities	**12,967**	**53.7%**	**14,453**	**55.1%**	**1,486**	
Short-term loans payable	4,666	19.3%	6,031	23.0%	1,365	Loans for working capital
Accounts payable - other	3,800	15.7%	4,282	16.3%	482	
Non-current liabilities	**3,596**	**14.9%**	**4,503**	**17.2%**	**906**	
Long-term loans payable	1,763	7.3%	2,618	10.0%	855	Stable funds procurement for future M&A
Shareholders' equity	6,219	25.8%	6,068	23.1%	(151)	Divident payments
Net assets	**7,569**	**31.4%**	**7,287**	**27.8%**	**(282)**	
Total liabilities and net assets	**24,132**	**100.0%**	**26,243**	**100.0%**	**2,110**	

Source: Compiled by Trias Corporation from the Company IR materials

FY12/15 Consolidated Financial Forecasts

While Q1 results exceeded initial forecasts, the Company left full-year forecasts unchanged. The favorable trend for domestic business from FY12/14 is continuing, and in addition to overseas business gradually returning to normal, upfront investments until now have entered a recouping period, so the outlook is for the sharp increase in both net sales and incomes to continue. In addition to strong demand mainly for Engineering Outsourcing, staff recruiting is proceeding favorably, and since unit contract price are rising, there is likely potential for an overshoot.

[Table 4] FY12/15 Consolidated Financial Forecasts (1H and Full-Year)

(¥ million)	FY12/14		FY12/15			
	1H	Full-Year	1H		Full-Year	
	Actual	Actual	Forecasts	YoY Changes	Forecasts	YoY Changes
Net sales	**28,070**	**59,421**	**35,700**	**27.2%**	**74,000**	**24.5%**
Cost of sales	22,549	47,457	-	-	-	-
Gross profit	5,521	11,963	-	-	-	-
Gross profit margin	*19.7%*	*20.1%*	-	-	-	-
SG&A expenses	4,807	9,953	-	-	-	-
SG&A expenses ratio	*17.1%*	*16.8%*	-	-	-	-
Operating income	**713**	**2,010**	**830**	**16.4%**	**3,100**	**54.2%**
Operating income margin	*2.5%*	*3.4%*	*2.3%*	-	*4.2%*	*+0.8pp*
Ordinary income	**759**	**2,197**	**800**	**5.3%**	**3,000**	**36.5%**
Ordinary income margin	*2.7%*	*3.7%*	*2.2%*	-	*4.1%*	*+0.4pp*
Net income	**375**	**1,316**	**430**	**14.6%**	**1,620**	**23.1%**
Net income margin	*1.3%*	*2.2%*	*1.2%*	-	*2.2%*	*0.0pp*

Source: Compiled by Trias Corporation from the Company IR materials

As can be seen in Table 4, full-year consolidated forecasts are for net sales of ¥74.0 billion (+24.5% YoY), operating income ¥3.1 billion (+54.2% YoY), ordinary income ¥3.0 billion (+36.5% YoY), and net income ¥1.62 billion (+23.1% YoY). Operating income margin is forecast to increase from 3.4% in FY12/14 to 4.2%.

By operating segment, double-digit growth in net sales of Manufacturing Outsourcing is expected to continue, and growth rates for net sales of Engineering Outsourcing and Overseas Business are expected to accelerate. Operating income margins for the main three segments are all expected to rise, and above all Overseas Business is expected to increase sharply from 0.8% in FY12/14 to 3.3%, estimated to exceed that for Manufacturing Outsourcing. Q1 posted a slight shortfall, however, going forward the negative impact from the coup and civil demonstrations is waning, and with business structures now in place in each region, both net sales and incomes are expected to improve sharply. In Japan, while it is still uncertain whether the Revised Worker Dispatch Law, which will become a tailwind for the OS Group, will be passed by the end of the year, this impact is not incorporated in forecasts for FY12/15, according to the Company. Provisionally assuming the Revised Law is passed, it will become the source for further overshoot.

Trend of Main Operating Segments

Domestic outsourcing business exceeded forecasts in Q1

During Q1, favorable domestic demand from FY12/14 continued. Increased production by exporters which benefit from the weak yen, the shift back to domestic production by auto and electronics makers, and some demand for temporary placement workers in anticipation of passage of the Revised Law was seen, with brisk demand for staffing. At the same time, due to tight supply/demand in the overall labor market, recruitment unit price for the OS Group surged. As a result, recruitment expenses rose, becoming a major factor for expense increase. Under this type of environment, the OS Group has begun a new initiative for devoting effort to the education and training of worksite employees. As a result, value added per person is rising, leading to an overshoot for Q1 earnings.

Trend of Manufacturing Outsourcing Business

Q1 results by operating segment are shown in Table 5, and for Manufacturing Outsourcing, the number of worksite employees at year-end rose sharply from 6,197 in FY12/14 to 6,660 in-line with brisk demand, and net sales per employee rose nearly 10%, absorbing the sharp increase in recruitment expenses, securing virtually the same level of operating income as FY12/14.

By client industry, Electrical & Electronics net sales rose over 30%, and net sales for Transport Equipment led by autos rose over 30%, showing particular strength. Also, the number of employees for PEO business, the new employment scheme for leasing back as permanent employees temporary placement and fixed-term contract employees from client makers whose contracts have expired, rose from 1,025 at the end of FY12/14 to 1,442 at the end of Q1 FY12/15, and the number of participating client makers rose from 87 to 102, proceeding at a pace above the initial targets for the end of FY12/15 of 2,700 employees and 150 participating makers. This is also helping to hold down the rise in recruitment expenses for new staff.

Trend of Engineering Outsourcing Business

High margin Engineering Outsourcing also achieved high growth in the number of worksite employees to 3,918 at the end of Q1, an increase of 1,230, sharply exceeding the pace until now of roughly 500. This absorbed the sharp increase in costs through economies of scale, and operating income margin achieved an increase from 5.8% in FY12/14 to 5.9%, albeit a slight increase.

By industry, in addition to net sales growth to client makers in Electrical & Electronics and Transport Equipment continuing at roughly 30%, IT-related which has high growth expectations for the OS Group also rose by 30%, and Civil Engineering and Construction-related net sales rose sharply from ¥140 million in Q1 FY12/14 to ¥1.04 billion. For the latter, M&A at the end of FY12/14 coming into the beginning of FY12/15 made a large contribution. Despite the sharp increase in personnel, the utilization rate of this business rose 0.3pp to 97.8%, a high level, and a factor for increasing incomes.

At the same time, Overseas Business, a major pillar of both net sales and incomes growth going forward, fell short of initial forecasts, however, this was due to prolonged local employment adjustment from the coup and civil demonstrations in Thailand, Vietnam and Hong Kong carrying over from FY12/14. Net sales increased +36.4% YoY to ¥3.21 billion, marking a slowdown from the +50% pace through Q3 FY12/14, and resulting in a ¥30 million shortfall to initial forecasts. Operating income dropped into the red for the first time in 4 quarters, expanding the loss from Q1 FY12/14. Over the last several years, establishing new bases in succession in Southeast Asia has resulted in upfront investment expenses coming first.

●[Table 5] Q1 FY12/15 Trend of Operating Segment

(¥ million)	FY12/14	FY12/15		
	Q1	Q1	YoY Changes	
	Actual	Actual	Amount	Ratio
Net sales	**13,788**	**17,694**	**3,906**	**28.3%**
Manufacturing Outsourcing Business	5,967	6,970	1,002	16.8%
Engineering Outsourcing Business	5,095	7,166	2,070	40.6%
Administrative Outsourcing Business	147	137	(10)	-6.8%
Recruitment and Placement Business	159	167	7	4.6%
Overseas Business	2,353	3,210	857	36.4%
Other Business	63	42	(20)	-32.7%
Operating income	**309**	**314**	**5**	**1.8%**
Manufacturing Outsourcing Business	52	50	(1)	-2.6%
Engineering Outsourcing Business	293	421	128	43.8%
Administrative Outsourcing Business	10	14	3	28.3%
Recruitment and Placement Business	77	66	(10)	-13.9%
Overseas Business	(7)	(63)	(55)	-
Other Business	6	3	(3)	-56.0%
Adjustment	(123)	(177)	(54)	-

Source: Compiled by Trias Corporation from the Company IR materials

Full-year forecasts were left unchanged, however, there is large potential for an overshoot

The OS Group left full-year consolidated forecasts unchanged, also leaving segment estimates unchanged, however, considering Q1 results, overall earnings are likely to overshoot forecasts. While there is still potential for a slight shortfall in Overseas Business, favorable domestic business is running well ahead of that.

Manufacturing Outsourcing net sales growth is continuing at double-digits, albeit slightly lower than FY12/14, and operating income is growing at over +20%, with operating income margin expected to rise 0.2pp to 2.5%. Plans call for increasing the number of worksite employees by 1,200 to 7,891 at the end of FY12/15, however, in the event the Ordinary Session of the Diet currently in session passes the Revised Worker Dispatch Law, there is potential for a large overshoot on PEO business.

For Engineering Outsourcing to which the Company is currently devoting efforts, the Company is planning to increase the number of worksite employees by 1,100, and is guiding for net sales to increase by +29.6% YoY. For worksite employees in this segment, in order to take on personnel as permanent employees for regular use-type temporary placement “Specified Dispatch”, initial recruiting temporary expenses increase, however, this is absorbed by increased net sales, and the Company is guiding for operating income to increase by +38.1% YoY, with the operating income margin rising 0.4pp to 6.9%. However, securing staff for the strategy to expand value added commenced in Q1 (please refer to the next section for details) is proceeding ahead of expectations, and if net sales per employee increase, there is potential for incomes of this segment to also overshoot.

Initial forecasts called for a sharp improvement in the income margin for Overseas Business, however, the point going forward is whether or not the Q1 shortfall can be made up. Upfront investments through FY12/14 are gradually entering a recouping period, and net sales are estimated to increase +47.5% YoY, operating income was 5.7 times higher, with operating income margin improving from 0.8% in FY12/14 to 3.3%, making operating income margin higher than that for Manufacturing Outsourcing. While there is still risk of a slight shortfall, the ratio in total net sales is increasing from 10.6% 3 years ago in FY12/12 to 20.6%. Structural reforms of the OS Group in preparation for contraction of domestic production are making definite and steady progress toward achieving targets for the final year of the Medium-Term Management Plan (FY2017) discussed later.

●[Table 6] FY12/15 Consolidated Forecasts by Operating Segment (1H and Full-Year)

(¥ million)	FY12/14		FY12/15			
	1H	Full-Year	1H		Full-Year	
	Actual	Actual	Forecasts	YoY Changes	Forecasts	YoY Changes
Net sales	**28,070**	**59,421**	**35,700**	**27.2%**	**74,000**	**24.5%**
Manufacturing Outsourcing Business	12,049	25,478	14,049	16.6%	28,399	11.5%
Engineering Outsourcing Business	10,381	22,036	13,991	34.8%	28,568	29.6%
Administrative Outsourcing Business	289	601	282	-2.7%	620	3.0%
Recruitment and Placement Business	370	779	375	1.3%	783	0.4%
Overseas Business	4,879	10,346	6,860	40.6%	15,256	47.5%
Other Business	99	178	143	43.2%	374	109.7%
Operating income	**713**	**2,010**	**830**	**16.4%**	**3,100**	**54.2%**
Manufacturing Outsourcing Business	195	584	107	-45.3%	713	21.9%
Engineering Outsourcing Business	494	1,423	678	37.1%	1,965	38.1%
Administrative Outsourcing Business	41	92	18	-56.9%	59	-35.9%
Recruitment and Placement Business	167	354	115	-31.4%	237	-33.2%
Overseas Business	34	87	95	172.0%	497	468.9%
Other Business	4	6	8	66.3%	9	48.7%
Adjustment	(225)	(537)	(191)	-	(380)	-
Operating income Margin	**2.5%**	**3.4%**	**2.3%**	**- 0.2pp**	**4.2%**	**+0.8pp**
Manufacturing Outsourcing Business	1.6%	2.3%	0.8%	- 0.9pp	2.5%	+0.2pp
Engineering Outsourcing Business	4.8%	6.5%	4.8%	+0.1pp	6.9%	+0.4pp
Administrative Outsourcing Business	14.4%	15.3%	6.4%	- 8.0pp	9.5%	- 5.8pp
Recruitment and Placement Business	45.3%	45.5%	30.7%	- 14.6pp	30.3%	- 15.2pp
Overseas Business	0.7%	0.8%	1.4%	+0.7pp	3.3%	+2.4pp
Other Business	4.8%	3.4%	5.6%	+0.8pp	2.4%	- 1.0pp

Source: Compiled by Trias Corporation from the Company IR materials

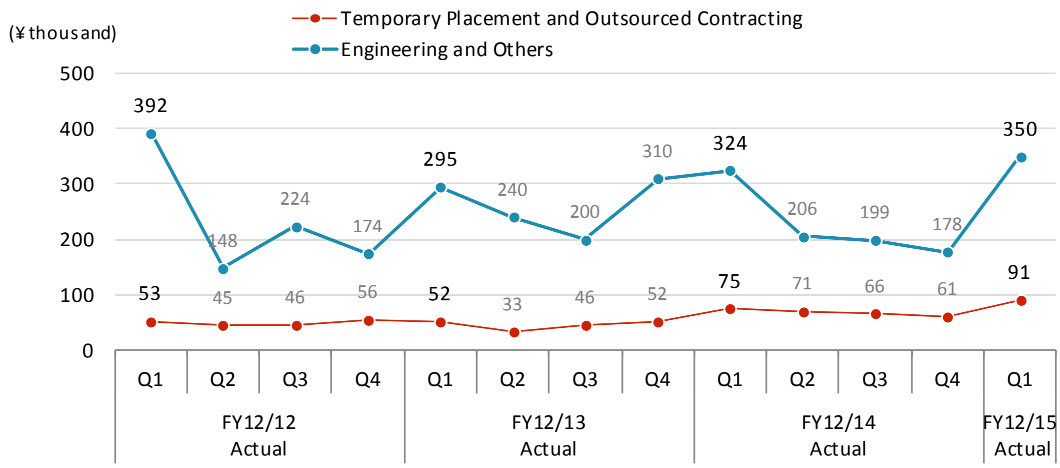
TOPICS: Initiative for Rising Value Added of Domestic and Implementation of Allocation of New Shares to a Third Party

Commenced an initiative for raising value added of domestic outsourcing business

In order to respond to staff procurement difficulty and increased personnel expenses since FY12/14, the OS Group has commenced from FY12/15 a new initiative for domestic outsourcing business. Through implementing education and training for Manufacturing Outsourcing worksite employees, the Company plans to develop them into Engineering Outsourcing personnel with relatively higher unit contract price, thereby expanding value added.

As can be seen in Graph 1, Q1 recruitment unit price for temporary placement and outsourced contracting format mainly for Manufacturing Outsourcing reached ¥91,251, with that for engineering and others reaching ¥350,935, rising sharply YoY in both cases. Since these are unique, company-specific expenses that can't be passed on to clients, the direct effect is to squeeze incomes. At the same time, for the hourly rate for worksite employees which is correlated with OS Group net sales, a large gap has opened between Manufacturing Outsourcing temporary placement at ¥2,000-2,500 and Engineering Outsourcing, for example IT-related, at roughly ¥3,500.

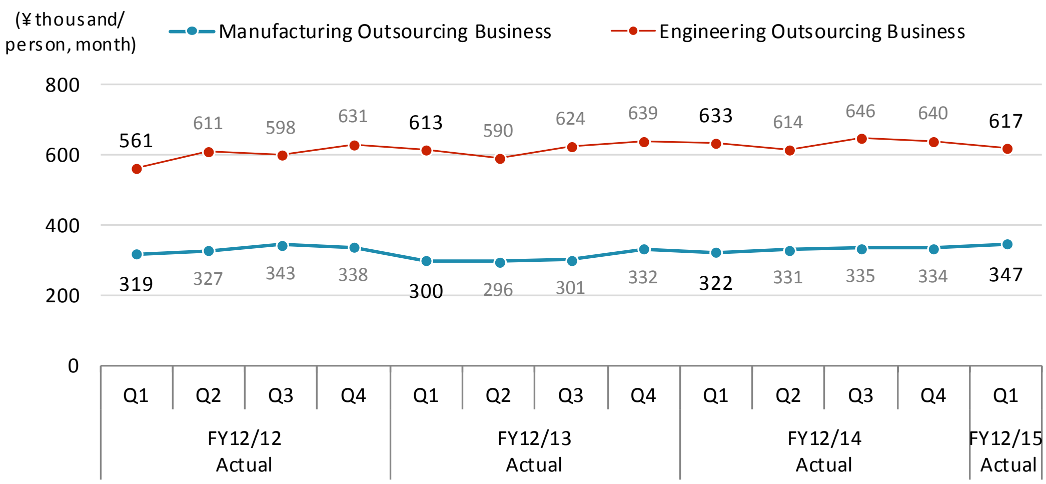
●[Graph 1] Trend of Recruitment Unit Price



Source: Compiled by Trias Corporation from the Company IR materials

Here, the Company is taking Manufacturing Outsourcing staff, and for example having them receive education and training at the Group's own IT school, promoting a conversion to Engineering Outsourcing personnel. Graph 2 shows the trend of monthly net sales per employee for domestic outsourcing business, and relative to Q1 monthly net sales per employee for Manufacturing Outsourcing of ¥347,000, that for Engineering Outsourcing was nearly 1.8 times higher at ¥617,000, so if conversion to Engineering Outsourcing progresses, net sales would grow without hiring new staff, and income margins would rise. Also, this would help in lowering overall recruitment expenses. As can be seen in Graph 1, the recruitment unit price for Manufacturing Outsourcing is rising, however, even if this is raised somewhat further, it can still be held lower than that for Engineering Outsourcing staff.

●[Graph 2] Trend of Monthly Net Sales per Employee for Domestic Outsourcing Business



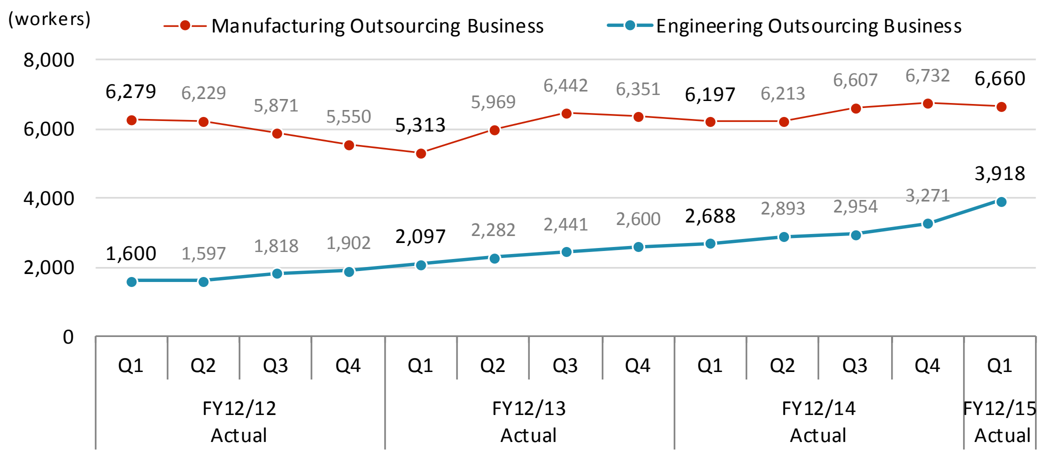
Source: Compiled by Trias Corporation from the Company IR materials

By these measures, not only is domestic outsourcing value added rising, but also secondary effects are beginning to appear. Specifically, this is securing new staff is proceeding more favorably than expected. Rising unit contract price mean increased income for those working. As a result, it appears that applicants from other industries and competitors are increasing.

This can also be seen from Graph 3 which shows the trend of the number of worksite employees. Despite difficulty in procuring staff in the overall domestic market, Manufacturing Outsourcing increased by nearly 500 YoY to 6,660 at the end of Q1, and Engineering Outsourcing increased by over 1,200 YoY to 3.918, a sharp increase even from the end of FY12/14. With Manufacturing Outsourcing personnel converting to Engineering Outsourcing and restraining unprofitable projects, although the Manufacturing Outsourcing number fell short to the initial plan for 7,169, Engineering Outsourcing sharply exceeded the initial plan for 3,700.

Through these measures as described above, net sales per employee expanded relative to initial forecasts, progress was made in holding down recruitment unit price, and staff procurement advanced favorably, growth in full-year both net sales and incomes for domestic outsourcing business likely have high potential to exceed initial forecasts.

●[Graph 3] Trend of Number of Worksite Employees



Source: Compiled by Trias Corporation from the Company IR materials

In preparation for future M&A, the Company implemented allocation of new shares to a third party in April

On April 8, 2015, the OS Group announced implementation of allocation of new shares to a third party to a Japanese domestic investment bank (for details, please refer to Table 7). The Company raised roughly ¥4.8 billion through allotment of 25,000 subscription rights to shares.

●[Table 7] Outline of Offering

Allotment Date	April 27, 2015
Total Number of Subscription Rights of Shares	25,000 units
Number of Dilutive Shares After the Issuance	2,500,000 shares (100 shares underlying 1 Subscription Rights to Shares unit)
Amount to be Procured	¥4,840,425 thousand
Offering or Allotment Method	Third-party allotment to a Japanese domestic investment bank

This funds procurement was in preparation for future M&A, and the OS Group will target "acquiring multiple firms with net sales of several tens of billions of yen, with deal sizes of ¥5-10 billion per deal." Considering that during the period between FY12/12 and FY12/14, the cumulative acquisition price value of the Company's M&A transactions amounted to roughly ¥5 billion, for average deal size of ¥1 billion, the Company's aggressive stance towards M&A is strengthening further. Although the Company currently has secured a loan commitment line of ¥10 billion, the capital increase this time was likely preparing funding in advance.

This time the Company selected a capital increase format with relatively high associated issuance costs for Subscription Rights to Shares with exercise price revision clause, and according to the Company, this shortened the time frame until the capital increase, and creating a flexible situation that doesn't miss opportunities on good prospective deals is relatively more important under present circumstances, which was behind management's decision.

Regarding potential M&A targets, while both domestic and overseas firms are included as potential targets, according to the New Medium-Term Management Plan "Vision 2017" announced on February 20, 2015, expansion of Overseas Business is cited as a major pillar of its growth strategy, specifically flagging new entrance into the U.S. and Europe.

The capital increase this time represents a dilution factor of 15.6% of the 16 million shares outstanding as of the end of Q1, however, since it is prioritizing allotment of 1.14 million shares of Treasury shares, actual adjusted dilution is roughly 8.5%.

According to the press release "Notice Regarding Large-Scale Exercise and the Monthly Exercise Status of Subscription Rights to Shares with Exercise Price Revision Clause" dated May 22, 2015, the Company announced that the number of subscription rights to shares exercised for the month of May had reached the upper limit for the month at 16,011 units between May 1 and May 22, and in less than 1 month of the 3-year period for exercise from April 28, 2015 through April 27, 2018, 64% of total units issued had already been exercised. Since this reached the maximum limit of 10% of shares outstanding, there will be no further exercise in May, however, going forward, this favorable pace of fund raising is expected to continue.

Addendum:

According to the press release "Notice of All the Subscription Rights Exercised and the Monthly Exercise Status, Regarding the Subscription Rights to Shares with Exercise Price Revision Clause" dated June 3, 2015, exercise of all of the subscription rights to shares issued had been completed as of June 3. Despite the 3-year period for exercise, exercise of the entire allotment had been completed in just over 5 weeks.

References

Consolidated Key Financial Data

No. of Shares Issued	Dec-14	15,984,900
No. of Treasury Shares	Dec-14	1,139,500
Market Value (¥mn)	1-Jun-15	28,549
BPS (¥)	Dec-14	463.65
ROE (%)	Dec-14	21.6
ROA (%)	Dec-14	5.9
PER (times)	FY12/15 fcst.	16.4
PCFR (times)	Dec-14	17.2
PBR (times)	Dec-14	3.9
Share Price (¥)	1-Jun-15	1,786
Unit Share (shares)	1-Jun-15	100
Average Daily Volume (shs)	1-Jun-15	203,726

Total Assets (¥mn)	Dec-14	24,132
Shareholders' Equity (¥mn)	Dec-14	6,883
Interest-Bearing Debt (¥mn)	Dec-14	(*)6,641
Equity Ratio (%)	Dec-14	28.5
Ratio of Interest-Bearing Debt (%)	Dec-14	96.5
Free Cash Flows (¥mn)	Dec-14	932

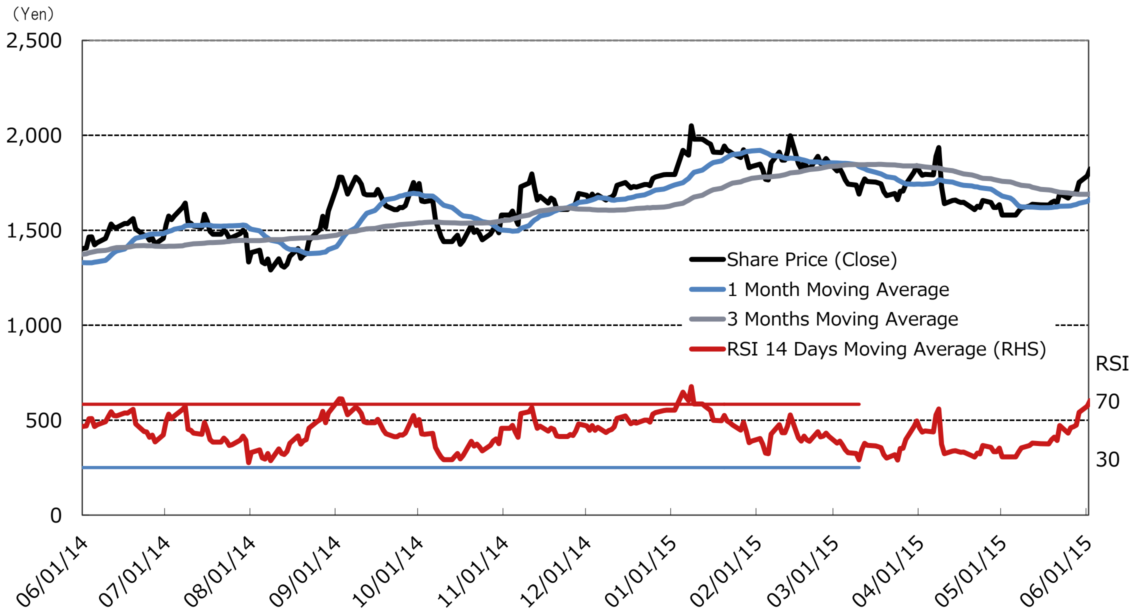
ROE = Net Income ÷ Averaged Shareholders' Equity
ROA = Net Income ÷ Averaged Total Assets
PCFR = Market Value ÷ (Net Income + Depreciation)
Ave. Daily Vol. = Ave. Daily Vol. for the last 12 months
Interest-Bearing Debts* Ratio = I.B.D. ÷ Shareholders' Equity
*Incl. current portion of accounts payable-installment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

Consolidated Financial Results

Consolidated (¥million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
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	59,421	2,010	2,197	1,316	89.81	35.00
FY12/15 1H fcst.	35,700	830	800	430	28.96	0.00
FY12/15 full year fcst.	74,000	3,100	3,000	1,620	109.12	35.00

Note: FY12/15 forecasts announced on Apr. 30, 2015.

Share Prices and RSI (June 1, 2014～June 1, 2015)



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