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OUTSOURCING Inc.

Q1 FY12/16 Financial Results and Follow-up Interview

OUTSOURCING Inc. (hereafter the "Company" or the "OS Group") announced its Q1 FY12/16 (Jan-Mar) financial results, and Trias Corporation conducted an interview with Chairman and CEO Haruhiko Doi, as well as interviews with a relevant department in charge of overseas subsidiaries that entered the Group in FY12/16. The following is a summary of those interviews.

Q1 FY12/16 Consolidated Financial Results

Q1 FY12/16 consolidated financial results posted large YoY gains in both net sales and operating income, exceeding the Company's initial guidance. In addition to favorable growth continuing for domestic dispatching business, earnings from newly consolidated subsidiaries acquired through M&A deals implemented in FY12/15 made a large contribution. Also, the Company revised up its full-year guidance for FY12/16, reflecting earnings from newly consolidated subsidiaries acquired through M&A deals in FY12/16.

As shown in Table 1, Q1 FY12/16 results were: net sales ¥24,991 million (41.2% up YoY), gross profit ¥4,954 million (47.3% up YoY), operating income ¥403 million (28.0% up YoY), ordinary income ¥304 million (16.7% down YoY), and net income ¥29 million (85.7% down YoY).

● [Table 1] Summary of Q1 FY12/16 Consolidated Financial Results

(¥ million)	FY12/15				FY12/16		
	Q1	Q2	Q3	Q4	Q1	YoY Changes	
	Actual	Actual	Actual	Actual	Actual	Amount	Ratio
Net sales	17,695	18,328	20,499	24,339	24,991	7,296	41.2%
Cost of sales	14,332	14,616	16,271	19,109	20,037	5,704	39.8%
Gross profit	3,362	3,712	4,229	5,230	4,954	1,592	47.3%
Gross profit margin	*19.0%*	*20.3%*	*20.6%*	*21.5%*	*19.8%*	*-*	*+0.8pp*
SG&A expenses	3,048	3,089	3,358	3,913	4,551	1,503	49.3%
SG&A expenses ratio	*17.2%*	*16.9%*	*16.4%*	*16.1%*	*18.2%*	*-*	*+1.0pp*
Operating income	315	623	871	1,317	403	88	28.0%
Operating income margin	*1.8%*	*3.4%*	*4.2%*	*5.4%*	*1.6%*	*-*	*- 0.2pp*
Ordinary income	365	638	969	1,252	304	(61)	-16.7%
Ordinary income margin	*2.1%*	*3.5%*	*4.7%*	*5.1%*	*1.2%*	*-*	*- 0.8pp*
Profit attributable to owners of parent	205	284	499	822	29	(176)	-85.7%
Net income margin	*1.2%*	*1.5%*	*2.4%*	*3.4%*	*0.1%*	*-*	*- 1.0pp*

Source: Compiled by Trias Corporation from the Company IR materials
Note: The amounts shown are rounded off to the nearest million yen.

Demand for both Domestic Engineering Outsourcing Business and Domestic Manufacturing

Outsourcing Business remained strong. Also, Domestic Service Operations Outsourcing Business for US military bases made a new contribution. Overseas businesses also posted large YoY gains for both net sales and incomes driven mainly by the contribution from newly consolidated overseas subsidiaries (for details on trends by operating segment, please refer to page 6 onward).

The consolidated gross profit margin improved from 19.0% in Q1 FY12/15 to 19.8%. This was due to growth in high margin Domestic Engineering Outsourcing Business, as well as the contribution from newly consolidated subsidiaries for high value-added Overseas Engineering Outsourcing Business and Overseas Service Operations Outsourcing Business. Profitability for Domestic Manufacturing Outsourcing Business also improved.

SG&A expenses increased sharply by 49.3% YoY. The increase in variable expenses associated with the sharp increase in net sales was a major factor, however, in addition, amortization of goodwill increased by ¥200 million from newly acquired consolidated subsidiaries, and personnel expenses increased by roughly ¥600 million due to increase in consolidated subsidiaries, etc. Also, as a result of accounting rules changing from FY12/16 requiring M&A expenses which had previously been booked as part of goodwill assets to be booked as a one-time expense, an additional expense of ¥100 million was incurred. However, as a result of raising efficiency of staff recruiting, recruiting expenses only increased by 28% YoY.

Operating income increased by 28.0% YoY, however, the operating income margin decreased from 1.8% in Q1 FY12/15 to 1.6%. Excluding the aforementioned one-time expense of ¥100 million, actual adjusted operating income margin rose to 2.0%. Factors contributing to the rise in actual adjusted operating income margin include the contribution from newly consolidated subsidiaries for Overseas Engineering Outsourcing Business and Overseas Service Operations Outsourcing Business, as well as improved profitability for Domestic Manufacturing Outsourcing Business.

Ordinary income of ¥304 million decreased by ¥61 million from Q1 FY12/15, however, this was largely due to non-operating foreign exchange gains/losses swinging from a gain of ¥38 million in Q1 FY12/15 to a loss of ¥81 million in Q1 FY12/16. The Company explains that this arose from mutual transactions between Manufacturing Outsourcing subsidiaries in Southeast Asia and with the parent, and it is not necessarily the case that fluctuations in the yen rate are directly reflected in foreign exchange gains/losses.

The decline in Q1 FY12/16 net income was much larger than that for ordinary income. This mainly was due to booking the aforementioned ¥100 million for M&A expenses as a one-time operating expense and ¥200 million of amortized goodwill with no tax treatment as a special loss, and there were no other particular factors.

Results by operating segment are summarized in Table 2. Operating income before consolidated eliminations of ¥882 million increased sharply from ¥492 million in Q1 FY12/15, and the operating income margin before adjustments rose by 0.7pp to 3.5%.

● [Table 2] Q1 FY12/16 Financial Summary by Operating Segment

(¥ million)	FY12/15	FY12/16		
	Q1	Q1	YoY Changes	
	Actual	Actual	Amount	Ratio
Net sales	**17,695**	**24,991**	**7,296**	**41.2%**
Domestic Engineering Outsourcing Business	7,166	9,151	1,985	27.7%
Domestic Manufacturing Outsourcing Business	6,830	7,913	1,083	15.8%
Domestic Service Operations Outsourcing Business	140	618	477	340.0%
Domestic Administrative Outsourcing Business	137	149	12	8.4%
Domestic Recruiting and Placing Business	167	278	111	66.6%
Overseas Engineering Outsourcing Business	94	2,399	2,306	2461.4%
Overseas Manufacturing and Service Operations Outsourcing Business	**3,117**	**4,252**	**1,135**	**36.4%**
Other Business	43	230	187	435.5%
Operating income before adjustments	**492**	**882**	**389**	**79.0%**
Domestic Engineering Outsourcing Business	421	423	2	0.4%
Domestic Manufacturing Outsourcing Business	57	218	161	282.7%
Domestic Service Operations Outsourcing Business	(6)	(65)	(59)	-
Domestic Administrative Outsourcing Business	14	35	21	149.6%
Domestic Recruiting and Placing Business	67	117	50	75.0%
Overseas Engineering Outsourcing Business	11	89	78	703.7%
Overseas Manufacturing and Service Operations Outsourcing Business	(75)	55	129	-
Other Business	3	10	7	232.6%
Operating income margin before adjustments	**2.8%**	**3.5%**	**-**	**+0.7pp**
Domestic Engineering Outsourcing Business	5.9%	4.6%	-	- 1.3pp
Domestic Manufacturing Outsourcing Business	0.8%	2.8%	-	+2.0pp
Domestic Service Operations Outsourcing Business	-4.3%	-10.5%	-	- 6.2pp
Domestic Administrative Outsourcing Business	10.3%	23.6%	-	+13.3pp
Domestic Recruiting and Placing Business	39.9%	41.9%	-	+2.0pp
Overseas Engineering Outsourcing Business	11.8%	3.7%	-	- 8.1pp
Overseas Manufacturing and Service Operations Outsourcing Business	-2.4%	1.3%	-	+3.7pp
Other Business	7.1%	4.4%	-	- 2.7pp
Adjustments	(178)	(479)	(301)	-
Operating income	**315**	**403**	**88**	**28.0%**
Operating income margin	**1.8%**	**1.6%**	**-**	**- 0.2pp**
No. of worksite employees at term-end	No. of employee	No. of employees	No. of employees	Ratio
Domestic Engineering Outsourcing Business	3,918	5,029	1,111	28.4%
[Utilization rate for Domestic Engineering Outsourcing Business]	97.8%	98.7%	-	+0.9pp
Domestic Manufacturing Outsourcing Business	6,285	7,195	910	14.5%
Domestic Service Operations Outsourcing Business	375	1,710	1,335	356.0%
Overseas Engineering Outsourcing Business	539	882	343	63.6%
Overseas Manufacturing and Service Operations Outsourcing Business	10,555	16,352	5,797	54.9%

Source: Compiled by Trias Corporation from the Company IR materials
Note: The amounts shown are rounded off to the nearest million yen.

We discuss trends by major operating segment later, however, the breakdown of the contribution to income increase was: Domestic Manufacturing Outsourcing Business 41%, Overseas Manufacturing and Service Operations Outsourcing Business 33% and Overseas Engineering Outsourcing Business 20%, with the total increase in overseas businesses operating income before adjustments of ¥207 million accounting for 53% of the overall increase of ¥389 million, with overseas business driving Q1 FY12/16 incomes.

At the same time, as a negative factor, adjustments increased sharply by ¥301 million to ¥479 million. The breakdown of the increase was: amortization of goodwill ¥200 million, and one-time booking of M&A expenses ¥100 million.

As can be seen from Table 3, total assets at the end of Q1 (end of March 2016) were ¥46,086 million, an increase of ¥9,043 million (24.4% up) from the end of FY12/15 (end of December 2015). Although there was not a large increase from new consolidations during Q1 FY12/16, the main factor was an increase in loans payable in preparation for M&A transactions from April onward.

● [Table 3] Q1-End FY12/16 Consolidated Balance Sheet Summary

(¥ million)	FY12/15-End		Q1-End FY12/16		YoY Cahnges	
	Actual	Conposition Ratio	Actual	Conposition Ratio	Amount	Major Factors
Current assets	**24,658**	**66.6%**	**34,138**	**74.1%**	**9,480**	
Cash and deposits	9,215	24.9%	13,605	29.5%	4,390	Increased due to acquisition of subsidiaries' shares and loans for M&A funding
Notes and accounts receivable - trade	12,979	35.0%	13,983	30.3%	1,004	
Non-current assets	**12,385**	**33.4%**	**11,948**	**25.9%**	**(437)**	
Goodwill	6,697	18.1%	6,432	14.0%	(266)	Decreased due to amortization
Total assets	**37,043**	**100.0%**	**46,086**	**100.0%**	**9,043**	
Current liabilities	**20,155**	**54.4%**	**27,428**	**59.5%**	**7,272**	
Short-term loans payable	8,704	23.5%	15,989	34.7%	7,286	Increased due to loans for working capital and M&A
Accounts payable - other	5,745	15.5%	6,172	13.4%	426	
Non-current liabilities	**4,515**	**12.2%**	**6,972**	**15.1%**	**2,457**	
Bonds payable	25	0.1%	15	0.0%	(10)	
Long-term loans payable	2,018	5.4%	4,631	10.0%	2,613	Increased due to loans for M&A funding
Total liabilities	**24,670**	**66.6%**	**34,400**	**74.6%**	**9,730**	
Shareholders' equity	11,574	31.2%	10,995	23.9%	(579)	Reflects a change in profit attributable to owners of parent and dividends paid
Net assets	**12,372**	**33.4%**	**11,686**	**25.4%**	**(686)**	
Total assets and liabilities	**37,043**	**100.0%**	**46,086**	**100.0%**	**9,043**	

Source: Compiled by Trias Corporation from the Company IR materials
Note: The amounts shown are rounded off to the nearest million yen.

For assets, cash and deposits increased by ¥4,390 million mainly for loans payable for new M&A transactions already announced, and notes and accounts receivable – trade increased by ¥1,004 million as a result of the sharp increase in net sales. In addition, there were deposits for new M&A transactions, and current assets increased by ¥9,480 million. Non-current assets decreased by ¥437 million mainly due to amortization of goodwill. Goodwill of ¥6,432 million decreased by ¥266 million from the end of FY12/15, however, this marked a sharp increase of roughly ¥3.7 billion from the balance of ¥2,735 million at the end of Q1 FY12/15, increasing 2.4 times YoY.

For liabilities and net assets, short-term and long-term loans payable increased by ¥7,286 million and ¥2,613 million, respectively, both in preparation for M&A deals from April onward.

It is worth noting that since the Company is investing roughly ¥9 billion in new M&A transactions from April onward, total assets at the end of 1H FY12/16 (end of June 2016) are expected to reach at least ¥55 billion.

FY12/16 Consolidated Financial Forecasts Summary

The Company revised up its full-year FY12/16 guidance for net sales by ¥24 billion to ¥134 billion, however, it left initial income guidance unchanged (*1). The increase portion for net sales incorporates the contribution from new consolidations from M&A transactions decided as of the time of the financial results announcement, however, the Company explains the reason for leaving income guidance unchanged is due to incorporating new amortization of goodwill expenses arising, as well as one-time booking of M&A expenses of roughly ¥400 million. Trias assumes that some portion of M&A expenses for possible deals has been discounted in the forecasts

(*1) Reference guidance provided by the Company for incomes using IFRS-based accounting was revised up, with full-year IFRS operating income guidance revised up from ¥6.3 billion to ¥6.5 billion, and IFRS net income guidance revised up from ¥3.6 billion to ¥4.0 billion. This is mainly due to not amortizing goodwill under IFRS-based accounting.

Table 4 shows revised guidance forecasts announced on April 28. Initial guidance for 1H net sales of ¥51 billion and full-year net sales of ¥110 billion was revised up, but income guidance was left unchanged. However, according to the Company, revised forecasts do not incorporate the potential impact from further M&A transactions going forward that are currently under ongoing negotiations.

● [Table 4] Revised FY12/16 Consolidated Financial Forecasts

(¥ million)	FY12/15		FY12/16			
	1H	Full-Year	1H		Full-Year	
	Actual	Actual	Revised Forecasts	YoY Changes	Revised Forecasts	YoY Changes
Net sales	36,022	80,861	58,000	61.0%	134,000	65.7%
Cost of sales	28,948	64,327	-	-	-	-
Gross profit	7,075	16,534	-	-	-	-
Gross profit margin	*19.6%*	*20.4%*	-	-	-	-
SG&A expenses	6,137	13,408	-	-	-	-
SG&A expenses ratio	*17.0%*	*16.6%*	-	-	-	-
Operating income	938	3,125	1,150	22.6%	5,400	72.8%
Operating income margin	*2.6%*	*3.9%*	*2.0%*	-	*4.0%*	*+0.1pp*
Ordinary income	1,003	3,225	1,000	-0.3%	5,100	58.1%
Ordinary income margin	*2.8%*	*4.0%*	*1.7%*	-	*3.8%*	*- 0.2pp*
Profit attributable to owners of parent	489	1,810	400	-18.2%	2,400	32.6%
Net income margin	*1.4%*	*2.2%*	*0.7%*	-	*1.8%*	*- 0.4pp*

Source: Compiled by Trias Corporation from the Company IR materials
Note: The amounts shown are rounded off to the nearest million yen.

The large increase in guidance for net sales is attributed to the two segments of Overseas Manufacturing and Service Operations Outsourcing Business revised up by roughly ¥12.6 billion

(67% up) and Overseas Engineering Outsourcing Business revised up by ¥10.5 billion (double). This is mainly due to the increased contribution from 3 Groups to be newly consolidated from April onwards including the Beddison Group in Australia.

We discuss full-year trends of key operating segments from page 6 onward, however, favorable growth is continuing for both Domestic Engineering Outsourcing Business and Domestic Manufacturing Outsourcing Business, and overseas businesses are also expected to post large YoY gains in earnings driven by the contribution from new M&A transactions implemented from 2H FY12/15 coming into FY12/16.

The Company is guiding for operating income to rise sharply by 72.8% YoY, and large contributions to the roughly ¥2.3 billion increase in operating income are attributed to: Overseas Manufacturing and Service Operations Outsourcing Business, and Domestic Manufacturing Outsourcing Business, increases of ¥1.0 billion and ¥0.75 billion, respectively, followed by Domestic Engineering Outsourcing Business, with an increase of over ¥0.5 billion. For overseas businesses, the new contribution from M&A deals is a major factor, and for Domestic Manufacturing Outsourcing Business, in addition to ongoing brisk demand for workforce, the OS Group's proprietary PEO Scheme is contributing to income growth.

Operating income margin is only estimated to increase slightly from 3.9% in FY12/15 to 4.0%. This is basically due to the consolidated adjustment account increasing by over ¥1.4 billion due to one-time booking of M&A expenses and increased amortization of goodwill, however, operating income before adjustments is forecast to increase by 91.6% YoY, and operating income margin before adjustments is forecast to increase from 5.0% to 5.8%. Improved profitability for Overseas Manufacturing and Service Operations Outsourcing Business and Domestic Manufacturing Outsourcing Business is making a large contribution.

However, since revised forecasts do not incorporate the potential impact from further M&A transactions going forward that are currently under ongoing negotiations, in the event that further deals are brought to fruition during FY12/16, there is potential for further upside in earnings.

Trends of Key Operating Segments

Q1 FY12/16 domestic outsourcing businesses remained strong, and overseas businesses grew rapidly from the contribution of M&A deals

In addition to demand for domestic outsourcing businesses remaining strong during Q1 FY12/16, the contribution from newly consolidated subsidiaries from M&A deals implemented in FY12/15 greatly extended earnings for Overseas Engineering Outsourcing Business, and Overseas

Manufacturing and Service Operations Outsourcing Business. Results by operating segment are summarized in Table 2 on page 3.

Net sales for the OS Group's largest developed segment, Domestic Engineering Outsourcing Business, increased by 27.7% YoY, continuing the trend of strong growth, however, operating income only increased fractionally by 0.4%, and operating income margin before adjustments actually decreased from 5.9% during Q1 FY12/15 to 4.6%. This was due to increased SG&A expenses as Domestic and Overseas Engineering Business Units started engaging in holding company functions.

Looking at net sales trends by client industry, IT-related which has the largest weight increased by 27.5% YoY, followed by Transport Equipment 18.8% up YoY, and in addition to high growth by the two largest sectors, Electrical & Electronics surged by 72.5%. While the M&A effect for Construction & Plant-related, a key focus sector for the Company alongside IT-related, finished up, net sales still grew at a favorable 13.4% increase.

As of the end of Q1 FY12/16, the number of worksite employees for Domestic Engineering Outsourcing Business reached 5,029, increasing sharply by 28.4% YoY from 3,918 at the end of Q1 FY12/15. The utilization rate rose by 0.9pp YoY during Q1 FY12/16 to 98.7%, continuing effectively full utilization above 98% since Q3 FY12/15. Definite progress was made in the internal job sector conversion policy (*2) from manufacturing to engineering started in earnest from FY12/15, and 111 individuals additionally made career changes during Q1 FY12/16. The initial target at the beginning of FY12/16 was to raise the cumulative total from 370 at the end of FY12/15 to over 500 in FY12/16, however, since this job sector conversion policy has reached a stable growth trajectory, the target for FY12/16 was raised to "over 700."

(*2) This initiative carefully selects individuals who applied for positions at manufacturing worksites based on suitability and abilities, and with the consent of each individual, converts them to engineering using the Group's proprietary training to increase skills. Recruitment through this type of career change contributes not only to increased net sales, but also helps restrain recruiting expenses. In the case of using external recruitment media, recruiting expenses per person for engineers are over ¥600,000, while for manufacturing jobs only requires roughly ¥160,000, according to the Company.

At the same time, net sales for Domestic Manufacturing Business increased by 15.8% YoY, and as a result of operating income surging by 3.8 times YoY, operating income margin before adjustments jumped sharply from 0.8% during Q1 FY12/15 to 2.8%. As a new HR utilization scheme, PEO Business (*3), to which the OS Group is devoting efforts, is growing favorably, making a positive contribution to improved margins.

As of the end of Q1 FY12/16, the number of employees enrolled in PEO was 3,528, up sharply from

1,442 at the end of Q1 FY12/15, now accounting for nearly half of the 7,195 worksite employees for Domestic Manufacturing Outsourcing Business as of the end of Q1 FY12/16. Recruitment media expenses are not required for hiring, and high dispatching contract unit prices are leading to improved profitability. The number of makers participating in this scheme continues to grow, up from 102 at the end of Q1 FY12/15 and 158 at the end of Q4 FY12/15 to 174.

(*3) The Company is refraining from sales activity for traditional manufacturing dispatching business. Reasons for this include: demand fluctuation is severe for rapid response to client production ramps for new models, contract unit prices are over 20% lower than those for engineering, and using external media results in high recruiting expenses. As an alternative, the Company is devoting energy to its PEO Scheme, which takes fixed-term contract employees directly employed by client makers whose contracts will be expired, and hires them as regular employees of PEO Co., Ltd., later leasing them back to makers participating in the Scheme. Since many of the OS Group's maker clients are being confronted from March 2018 onward with being legally required to make fixed-term contract employees with continuous employment over 5 years into regular employees under the Labor Contract Act, many are taking a positive stance to the Scheme.

Looking at net sales trends by client industry, mainstay Electrical & Electronics and Transport Equipment increased by 18.5% and 15.4%, respectively, continuing favorable growth. As a result of the explosion at a Toyota Group company plant in January 2016, Toyota was forced to temporarily halt domestic production completely, however, the Company's efforts until now to diversify business sectors successfully paid off, absorbing the negative impact.

Overseas businesses expanded rapidly mainly from the contribution of M&A deals implemented in FY12/15. Net sales for Overseas Manufacturing and Service Operations Outsourcing Business increased by 36.4% YoY, and operating income/loss rebounded to positive from an operating loss of ¥75 million in Q1 FY12/15 to operating income of ¥55 million, accounting for roughly one-third of the increase in overall operating income before adjustments. Earnings from Expro Group (Chile) companies acquired at the end of FY12/15 made a new contribution, and weakness in Southeast Asia Manufacturing Outsourcing Business in 1H FY12/15 also recovered.

Net sales for Overseas Engineering Outsourcing Business which were less than ¥100 million in Q1 FY12/15 increased to ¥2,399 million thanks to the added contribution from the acquisitions in August 2015 of BLUEFIN RESOURCES Group (Australia) and NTRINSIC Group (the U.K./Europe), and operating income jumped from ¥11 million to ¥89 million.

Net sales for Domestic Service Operations Outsourcing Business, a new segment disclosed from FY12/16, increased from ¥140 million during Q1 FY12/15 to ¥618 million, and although the overall level is still low, this segment is expected to achieve high growth going forward. The operating loss expanded from ¥6 million to ¥65 million, however, this was due to dispatching and contracting businesses for welfare facilities within US military bases in Okinawa still in the start-up phase, incurring upfront expenses. Also, the scope of these businesses has potential to expand to other facilities installation and maintenance.

Additional contribution to full-year earnings from M&A transactions from April onwards

The upward revision to full-year net sales guidance announced on April 28 incorporates an additional contribution of ¥24 billion from new M&A deals from April onwards. Revised full-year forecasts by operating segment are shown in Table 5.

[Table 5] Revised FY12/16 Forecasts by Operating Segment

(¥ million)	FY12/15		FY12/16			
	1H	Full-Year	1H		Full-Year	
	Actual	Actual	Revised Forecasts	YoY Changes	Revised Forecasts	YoY Changes
Net sales	**36,022**	**80,861**	**58,000**	**61.0%**	**134,000**	**65.7%**
Domestic Engineering Outsourcing Business	14,766	31,553	18,790	27.3%	40,156	27.3%
Domestic Manufacturing Outsourcing Business	13,724	29,468	16,106	17.4%	33,572	13.9%
Domestic Service Operations Outsourcing Business	298	1,083	1,649	453.9%	4,841	346.9%
Domestic Administrative Outsourcing Business	280	537	336	20.0%	858	59.7%
Domestic Recruiting and Placing Business	342	872	606	77.3%	1,351	55.0%
Overseas Engineering Outsourcing Business	176	3,832	7,789	4314.3%	20,986	447.6%
Overseas Manufacturing and Service Operations Outsourcing Business	6,359	13,349	12,292	93.3%	31,410	135.3%
Other Business	78	166	431	451.5%	825	397.6%
Operating income before adjustments	**1,300**	**4,046**	**2,387**	**83.6%**	**7,753**	**91.6%**
Domestic Engineering Outsourcing Business	950	2,398	948	-0.2%	2,927	22.0%
Domestic Manufacturing Outsourcing Business	233	1,010	543	133.2%	1,761	74.3%
Domestic Service Operations Outsourcing Business	(37)	(82)	(54)	45.2%	203	-346.5%
Domestic Administrative Outsourcing Business	25	56	68	176.0%	268	378.4%
Domestic Recruiting and Placing Business	142	413	205	44.1%	458	10.8%
Overseas Engineering Outsourcing Business	21	183	378	1659.3%	1,051	475.1%
Overseas Manufacturing and Service Operations Outsourcing Business	(41)	53	284	-787.5%	1,059	1897.9%
Other Business	8	14	15	95.7%	26	84.9%
Operating income margin before adjustments	**3.6%**	**5.0%**	**4.1%**	**+0.5pp**	**5.8%**	**+0.8pp**
Domestic Engineering Outsourcing Business	6.4%	7.6%	5.0%	- 1.4pp	7.3%	- 0.3pp
Domestic Manufacturing Outsourcing Business	1.7%	3.4%	3.4%	+1.7pp	5.2%	+1.8pp
Domestic Service Operations Outsourcing Business	-12.5%	-7.6%	-3.3%	+9.2pp	4.2%	+11.8pp
Domestic Administrative Outsourcing Business	8.8%	10.4%	20.2%	+11.4pp	31.2%	+20.8pp
Domestic Recruiting and Placing Business	41.6%	47.4%	33.8%	- 7.8pp	33.9%	- 13.5pp
Overseas Engineering Outsourcing Business	12.2%	4.8%	4.9%	- 7.3pp	5.0%	+0.2pp
Overseas Manufacturing and Service Operations Outsourcing Business	-0.6%	0.4%	2.3%	+2.9pp	3.4%	+3.0pp
Other Business	9.8%	8.5%	3.5%	- 6.3pp	3.2%	- 5.3pp
Adjustments	(363)	(920)	(1,237)	-	(2,353)	-
Operating income	**938**	**3,125**	**1,150**	**22.6%**	**5,400**	**369.6%**
Operating income margin	**2.6%**	**3.9%**	**2.0%**	**- 0.2pp**	**4.0%**	**+0.1pp**
No. of worksite employees at term-end	**No. of employees**	**No. of employees**	**No. of employees**	**Ratio**	**No. of employees**	**Ratio**
Domestic Engineering Outsourcing Business	4,285	4,742	5,391	25.8%	6,014	26.8%
[Utilization rate for Domestic Engineering Outsourcing Business]	97.5%	98.4%	-	-	-	-
Domestic Manufacturing Outsourcing Business	6,554	7,463	8,496	29.6%	10,262	37.5%
Domestic Service Operations Outsourcing Business	381	1,671	2,348	516.3%	2,952	76.7%
Overseas Engineering Outsourcing Business	472	895	1,667	253.2%	1,851	106.8%
Overseas Manufacturing and Service Operations Outsourcing Business	11,028	14,644	20,771	88.3%	27,766	89.6%

Source: Compiled by Trias Corporation from the Company IR materials

Note: The amounts shown are rounded off to the nearest million yen.

Net sales for existing Domestic Engineering Outsourcing Business and Domestic Manufacturing Outsourcing Business were revised up by roughly ¥700 million and ¥300 million, respectively, reflecting strong demand for each domain. For YoY comparisons with FY12/15, revised guidance for Domestic Engineering Outsourcing Business is net sales 27.3% up YoY, and operating income 22.0% up. The target for the number of worksite employees at the end of FY12/16 was revised up from the initial target of 5,877 to 6,014, however, this apparently incorporates the increase from career changes. Revised guidance for Domestic Manufacturing Outsourcing Business is net sales 13.9% up YoY, and operating income 74.3% up, and operating income margin is estimated to increase further from 2H mainly due to the impact from PEO.

Guidance for Domestic Service Operations Outsourcing Business is virtually unchanged from the initial forecasts, however, net sales are forecast to rise roughly 4.5 times versus ¥1,083 million in FY12/15 to ¥4,841 million, and operating income/loss is forecast to improve from an operating loss of ¥82 million in FY12/15 into the black for operating income of ¥203 million, expected to turn positive in 2H, however, there is an upside potential from the aforementioned expanded scope of business.

As a result of net sales guidance for Overseas Manufacturing and Service Operations Outsourcing Business being revised up by roughly ¥12.6 billion, full-year net sales are expected to increase nearly 2.4 times YoY to ¥31.4 billion, closely rivaling the estimated ¥33.6 billion for Domestic Manufacturing Outsourcing Business. Operating income is forecast to jump sharply from ¥53 million in FY12/15 to ¥1,059 million. M&A acquisitions of 3 groups including Expro Group in FY12/15 and Beddison Group in FY12/16 will contribute, however, among these, the impact from Beddison Group which has annual net sales of roughly ¥24.5 billion is expected to be large.

Net sales for Overseas Engineering Outsourcing Business are forecast to increase by roughly 5.5 times YoY, and operating income is forecast to increase by 5.7 times YoY from ¥183 million to ¥1,051 million. In addition to the contribution period for the 2 groups acquired in FY12/15 including BLUEFIN RESOURCES Group increasing from 4 months in FY12/15 to a full 12 months in FY12/16, a portion of the newly consolidated 3 groups from FY12/16 will also contribute.

Combined net sales for these two overseas segments become roughly ¥52.4 billion, and combined operating income before adjustments becomes roughly ¥2.1 billion, with the ratios of overseas businesses in total consolidated earnings reaching 39% and 27%, respectively, a rapid increase from 21% and 6% in FY12/15.

*Note: Although there is a large nominal difference in operating income margin between Manufacturing Outsourcing Business and Engineering Outsourcing Business, according to the Company, there is not a major difference in the profit structure for each. The difference in the nominal values is due to certain unallocated head office expenses and some expenses associated with growth investments being allocated to Manufacturing Outsourcing Business.

TOPIC 1: Summary of Overseas M&A Deals and Expansion of IP (Intellectual Property)

Following overseas M&A transactions in FY12/15 of Engineering and Service Operations Outsourcing firms, the Company is continuing active overseas M&A deals in FY12/16. Table 6 shows a summary of the 3 overseas M&A transactions implemented so far in FY12/16.

As can be seen from Table 7 on page 12, while overseas M&A deals in FY12/15 were mainly for firms in the Engineering Business field, overseas M&A deals so far in FY12/16 fall into the Service Operations Business field, and firms engaged in outsourcing business for public work stand out. For example, Australia's Beddison Group provides facilities maintenance service for Australia's prisons, etc. Also J.B.W. GROUP LIMITED (hereafter "JBW")/CASE DYNAMICS LIMITED (hereafter "CDL") Group has main businesses in agency collection and legal enforcement services for unpaid debts on behalf of the U.K. central government and local governments.

● [Table 6] Summary of Overseas M&A Deals Implemented So Far in FY12/16 (as of June 2016)

	Beddison Group	JBW/CDL Group	OS HRS Group
Date of Announcement	April 1, 2016	April 1, 2016	April 28, 2016
Major Operation Region	Australia	the U.K.	Asia/Europe
Business Scale (est.)	Net Sales: ¥24.5 billion	Net Sales: ¥2.0 billion	Net Sales: ¥0.9 billion Opearting Income: ¥0.2 billion
Major Businesses	• Provides comprehensive HR solution services nationwide in Australia, ranks 6th overall in Australia's dispatching market • Engaged in dispatching, and recruiting & placing, RPO (recruitment process outsourcing), hotel housekeeping services, ITO (IT outsourcing), in addition to a wide range of HR consulting services • Strengths in recruiting and placing/dispatching/contracting (consigned projects) for central and	• JBW provides agency debt collection services for unpaid claims and legal enforcement services for the UK central government and local governments in England and Wales • Developed in-house its proprietary *AR-12* system for optimizing the collection process for each type of claim, establishing CDL as a business entity for technology licensing business	• Based in Malaysia, with offices in Japan, the U.K., India, etc, provides BPO (business process outsourcing) HR services covering employee-related services, payroll processing, tax law compliance, SI (system integration), etc. • In 19 countries in Asia and Europe, handles agency payroll processing for over 90,000 employees for global enterprises in technology, finance and autos-related
Consolidated Segment	Overseas Engineering Outsourcing Business Overseas Manufacturing and Service Operations Outsourcing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business
Investment Stake (%)	approx. 80%	90.5/51.0%	60%
Investment (including M&A expenses)	¥3,856 million	¥3,581 million	¥1,635 million
Consolidation Date	April 2016	April 2016	May 2016

Source: Compiled by Trias Corporation from related websites for each company and information from Outsourcing Inc.

[Table 7] Summary of Overseas M&A Deals Implemented in FY12/15

	BLUEFIN RESOURCES GROUP	NTRINSIC Group	Expro Group
Date of Announcement	August 6, 2015	August 25, 2015	December 1, 2015
Major Operation Region	Australia and New Zealand	the U.K./Europe	Chile
Business Scale*	Net Sales: roughly ¥3.7 billion Net Income before Income Taxes: roughly ¥260 million	Net Sales: roughly ¥4.0 billion Net Income before Income Taxes: roughly ¥87 million	Net Sales: roughly ¥4.1 billion Ordinary Income: roughly ¥100 million
Major Businesses	HR outsourcing business specialized in the sectors of financials, IT, retailers, media, consulting, public, local governments, etc.	Dispatching of consultants and system engineers mainly for Oracle's enterprise resource planning (ERP) packages, and staff introductions	Specialized in business process outsourcing (BPO) and dispatching; engaged in the sectors of manufacturing, logistics, insurance, retailers, etc.
Consolidated Segment	Overseas Engineering Outsourcing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business

*Note: Business scale is taken from financial results of the most recent FY at the time of M&A announcement
Source: Compiled by Trias Corporation from Outsourcing Inc. results briefing materials

During the month of June, Trias interviewed a relevant department regarding business overviews for newly acquired Beddison Group (Australia) and JBW/CDL Group (the U.K.), as well as BLUEFIN RESOURCES Group (Australia) which was acquired in FY12/15. The following is a summary of business development including trends in the market for private outsourcing of public work, as well as intellectual property (IP) acquired by the OS Group through M&A deals.

The Beddison Group and JBW/CDL Group which are strong in outsourcing of public work

[Beddison Group]

The Beddison Group has 11 offices in Australia, engaged in providing HR solutions nationwide, and under the umbrella of the Beddison Group which has the head office administrative function, there are 4 other companies including: Hoban Recruitment Pty Ltd (hereafter “HOBAN”), which provides HR solution services to both the public and corporate sectors, Clicks Recruit (Australia) Pty Ltd (hereafter “Clicks”), which is a provider of IT staff with strength in the public sector, Index Consultants Pty Ltd (hereafter “INDEX”), which is starting up IT professional services, and LUXXE Outsourced Hotel Services Pty Ltd (hereafter “LUXXE”), which handles housekeeping services for hotels and is in the incubation phase. HOBAN and Clicks account for the majority of revenues.

Strengths of the Beddison Group within Australia’s HR services industry include: ability to assess and select new graduates and volume recruitment solutions which enable organizations to hire in large numbers. The organization runs its own in-house training academy providing hands on recruitment skills training through to leadership training to ensure its personnel develop their capabilities with the organization. The Beddison Group prides itself on its systems for selection and evaluation of candidates in order to provide customized solutions, achieving positioning close to an “only one” in the industry.

Also, based on these strengths, it has strength in the public sector including state governments. In particular, in the market for public sector in the HRM (human resources management) domain, both HOBAN and Clicks are the leading providers of agency hiring in the industry.

Looking at the net sales breakdown by business for HOBAN, of which major clients are public sector institutions, blue collar dispatching for mainly warehousing and logistics accounts for roughly half, and the remainder is white collar business covering a wide scope from the CRM (customer relationship management) field including call centers and customer service, to payroll processing and recruitment agency services.

Contract formats range from dispatching and recruiting & placing to projects on contract (subcontracting) and external consignment of work processes, conducting comprehensive business through various formats. In particular, in the market for public institutions, in addition to recruitment of enforcement roles, the company is strengthening legal enforcement services for what it calls the field of "public safety."

The company is placing emphasis on organic growth of its existing main business, and by leveraging its strength in solution proposals, the company is targeting to expand business in the public and healthcare/medical sectors where there is large room to cultivate market development. Until now the company has aimed to diversify business domains and operating areas, which also serves as a hedge against business risk.

For IT-related HR Solutions business, Clicks is promoting industry specialized business, and at the same time, INDEX is targeting market development through technology specialized business. Going forward focus markets include universities, etc. in the education sector, and the energy sector, and for technologies, big data and cloud computing, aiming to devote efforts to new technology areas. In addition, for the corporate market, in addition to large enterprises until now, the company intends to strengthen marketing efforts to medium-scale companies with 100 – 5,000 employees.

The Beddison Group, which was founded in 1977, has been providing HR Solution Services that meet the exacting needs of clients, growing as an independent unlisted firm for nearly 40 years. The background for joining the OS Group was a belief by the founder of the group that looking at the next 40 years, in order to achieve further growth, building an even stronger management base and accelerating new business development, etc. are indispensable, which requires working together with another firm that has strengths that don't exist in-house. The OS Group, while having mutual respect for each company's corporate culture, decided that it could become a partner for pursuing business synergies, making the decision to bring Beddison Group into the OS Group.

[JBW/CDL Group]

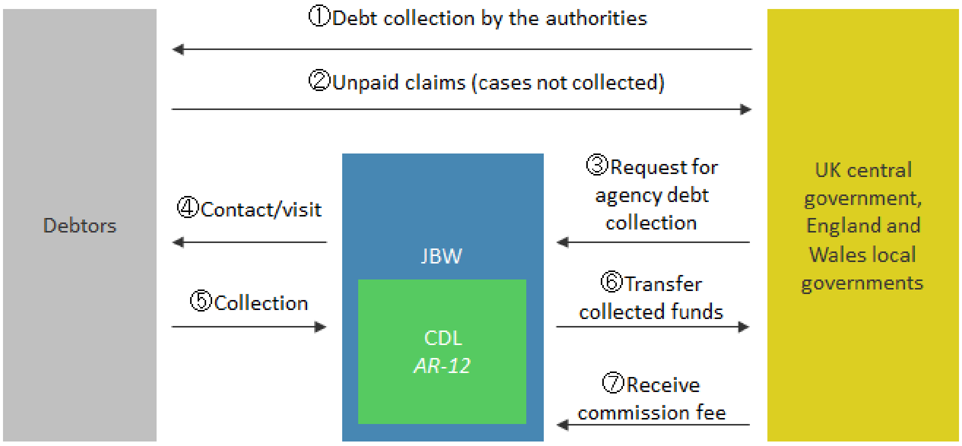
Founded in 2000, the JBW provides agency collection and legal enforcement services for public debts, including unpaid council taxes, parking fines, and congestion charges, on behalf of central government and local governments in England and Wales.

It developed in-house its proprietary *AR-12* system for optimizing the collection process for all types of creditors by conducting behavior analyses using big data, having an enforcement structure with fewer people than competitors, generating high profit margins. Features of *AR-12* include a digitally dynamic automated task (role) assignment function, along with tracking and monitoring functions, etc., and won the UK IT Industry Award as a state-of-the-art system in debt collection.

Based on *AR-12* technology, CDL was established in 2012 for debt collection system development, as well as a view toward licensing business for related technologies, in order to achieve positioning as a leader in debt collection business optimization both at home and abroad.

Since debt collection service fee rates are fixed in the U.K., in order to differentiate itself from competitors, business flow for the JBW Group, which has promoted technical development and strategic use of IT, is shown in Graph 1. This type of revolutionary approach was highly evaluated, and in 2015, the JBW Group won several awards including the Outstanding Debt Management Award of the Institute of Revenues Rating and Valuation (IRRV).

● [Graph 1] Business Flow for the JBW Group



Source: Compiled by Trias Corporation based on interviews with OUTSOURCING Inc.

In the market for agency collection service of public debts where paper-based analog-type approaches are mainstream, JBW Group has been a leader over competitors in introducing a new type of approach based on digital technology, namely IT system utilizing big data, growing sharply over the last several years, and by joining the OS Group, the company plans to go after winning larger projects through leveraging the credit strength of the Company. In addition, the company will benefit from the OS Group's know-how in strengthening management and corporate governance to build a business base for sustaining growth going forward.

Potential for realizing synergies within the Group includes a view toward working jointly with Hoban Recruitment which excels in HR training. In the final phase of the debt collection process, a collection agent directly visits the debtor, conducting legal enforcement on an agency basis, and in order to accelerate growth for JBW, securing debt collection agents is a critical element. In order to realize this, a training program for collection agents can be established with know-how from Hoban Recruitment, and the Company plans to strengthen the business by putting in place an in-house HR training program.

BLUEFIN RESOURCES (Australia) and JBW/CDL Group (the U.K.) which have proprietary IT technology bases

[BLUEFIN RESOURCES]

BLUEFIN RESOURCES, which was acquired by the Company in August 2015, has been engaged in providing a wide range of Recruitment services related to the supply of permanent, contract and SOW (Statement of Work) professionals across Australia since its founding in 2003. BLUEFIN RESOURCES is based in both Sydney and Melbourne.

Focused specialized domains include Technology (BI, Infrastructure Engineers, Software Developers, Security, UI/ UX, Architects), Risk/Compliance/Audit, Data Analytics, Tax, Marketing, Market Research, Project Services, Executive, IT Sales, Digital, Actuarial, etc., developing these business traits across a wide range of sectors including retail, finance, telecommunications, media, consulting, local governments, etc.

One of the strengths of BLUEFIN RESOURCES is its scientific approach based on accumulation of market data related to hiring, and data analysis utilizing IT (for a summary, please refer to the TOPIC section "Expanding Business Portfolio Driven by Overseas M&A" of the IRTV memo Q3 FY12/15 Financial Results and Follow-up Interview, dated December 25, 2015).

Leveraging these strengths, since 2015 the company has been developing an online real-time proprietary technology platform called *KEN*. *KEN* can be utilized in a variety of ways including talent pipelining, diversity management, workforce planning and detailed market mapping. Marketing activity commenced from July 2016. Being a first in the industry there is much excitement with many large global enterprises in particular showing strong interest.

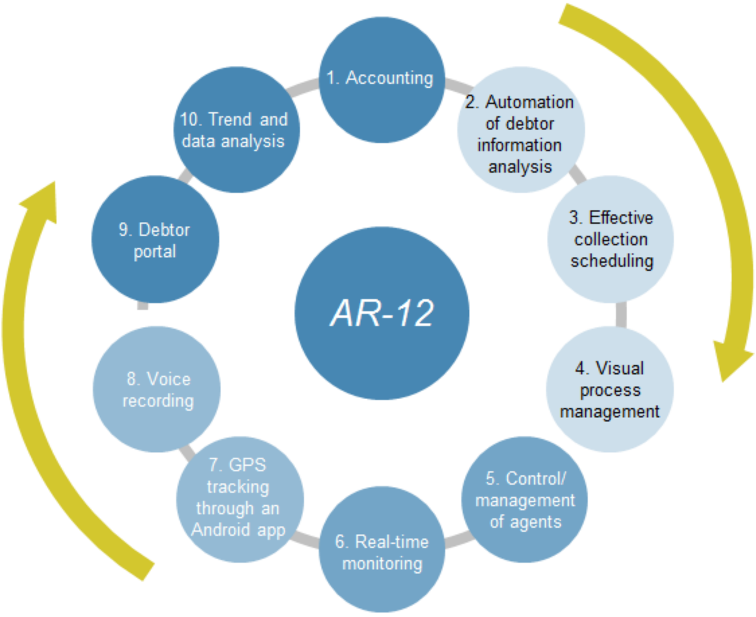
Gender diversity has become a prevalent issue for the HR Industry in Australia, and in response, BLUEFIN RESOURCES plans to strengthen its services with industry leading measures including enhancing its database, its related functionality and by offering *Diversity+*. *Diversity+* is a specific solution utilizing *KEN*, offering a real time view to clients into Female Diversity particularly for females in technology and women in leadership, allowing clients to increase the female diversity of their candidate shortlists and ultimately their workforce.

Improving quality and efficiency of hiring using a scientific approach has demand in regions outside of Australia, and in the future, through leveraging the global network of the OS Group, the IP related to BLUEFIN RESOURCES' database and real-time technology based on the database, is expected to become the core business base for the Group's global business development.

[JBW/CDL Group]

The debt collection case management system *AR-12* developed by JBW, which uses a platform of the UK's largest taxi company, Addison Lee, can set the optimal method of debt collection for each case, and allows for larger debt collection with fewer collection agents. *AR-12* employs digital technology which dynamically and automatically assigns tasks (roles), for integrated management of work between the JBW office and field agents. Specifically, as can be seen in Graph 2, the system aims at raising work efficiency through operating functions responding to the workflow, as field agents can grasp real-time operational status with their PDA terminals.

- **[Graph 2] Main Functions and Workflow of *AR-12***



Source: Compiled by Trias Corporation based on interviews with OUTSOURCING Inc.

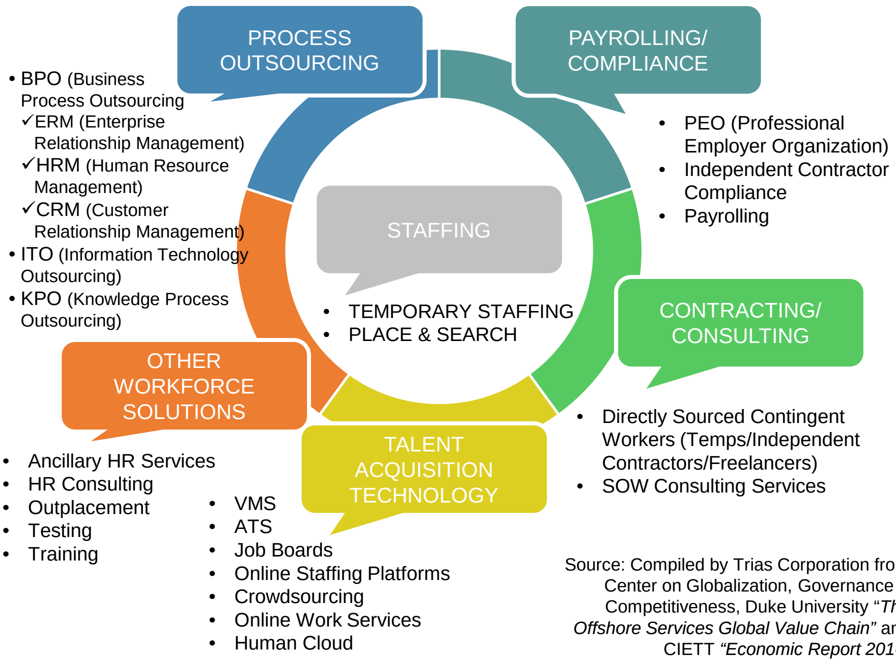
In the global market, basic technologies can be used by any industry through the acquisition of patents, and going forward, application of the technology for fields other than debt collection through CDL is expected. By joining the OS Group, in the future, lateral development of business based on *AR-12* for regions with similar environments for public debt collection markets will likely come within view.

TOPIC 2: HR Solutions Business Being Developed by the OS Group

Based on The Offshore Services Global Value Chain by Duke University's Center on Globalization, Governance & Competitiveness, and CIETT's (International Confederation of Private Employment Services) *Economic Report, 2016 Edition*, Trias prepared Graph 3 which summarizes global trends in the business domain for HR solutions, and as can be seen from this graph, for the global market for HR staff outsourcing, depending on the area and degree of specialization, each has become increasingly segmented.

The OS Group started out from the area of manufacturing dispatching, however, through aggressive M&A acquisitions, is beginning to enter domains included in the HR solutions ecosystem.

[Graph 3] HR Solutions Ecosystem



Source: Compiled by Trias Corporation from Center on Globalization, Governance & Competitiveness, Duke University "*The Offshore Services Global Value Chain*" and CIETT *"Economic Report 2016"*

Based on the concept of this ecosystem, Table 8 on page 18 arranges major overseas subsidiaries/groups in the OS Group business portfolio. Also, for reference, Table 9 on page 19 provides business summaries by new segment classifications, and main subsidiaries/groups that belong to each segment.

[Table 8] OS Group Overseas Business Portfolio (excluding Manufacturing Outsourcing-related)

Region	Company	Established	Horizontal Activities								Vertical Activities: Industry Specific
			Payroll Processing/ Compliance	Contracting/ Consulting	ITO	BPO			KPO		
						ERM	HRM	CRM	Business	Legal	
MALAYSIA	OS HRS Group	2011	○ (Payroll processing)								
INDIA	ALP	1999	○ (Payroll processing)			△	○ (Recruiting)			△ (Labor manage-ment)	○
	DATACORE	2008			○				△		
AUSTRALIA	BLUEFIN	2003		○ (IT-related)	○		○ (Recruiting)		○ (Specializing in banking sector)		○
AUSTRALIA	Beddison Group	1977	○ (Payroll processing/ Hoban)	○ (Contracting/ Hoban)	○ (Clicks/ Index)	○ (Especially for logistics sector/ Hoban)	○ (Hoban)	○ (Especially for call & customer centers/ Hoban)			○ (Especially local & central governments/ Hoban, Clicks) (Hotels/LUXXE)
UK/Europe	NTRINSIC Group	2006		○ (IT consulting)	○ (Software develop-ment)						○ (IT/Oracle products)
UK	JBW/CDL Group	2000 (JPW) 2012 (CDL)			○ (Software develop-ment)	○ (Debt collection)					○(Local & central governments)
CHILE	Expro Group	2008				○	○	○			○

○ Already entered △ Planning to enter

Source: Compiled by Trias Corporation based on interviews with group companies

[Table 9] Business Summaries by New Segment Classification; Main Subsidiaries Belonging to Each Segment

Segment	Business Overview	Group Company Overview
Domestic Engineering Outsourcing Business	Service providing advanced technology/know-how to makers in the design/development, and verification testing/appraisal phases, building web/smart phone telecom applications and e-commerce sites, all type of solution services and construction for backbone IT systems/infrastructure/networks, outsourcing service for R&D work specialized in medical/chemical-related, service providing specialized technical know-how for on-site construction supervision/design and design/installation/management of all types of plants, IT-related schools, etc.	**Total 14 Companies** [Main Group Companies] enable Inc., RPM Co., Ltd., TryAngle Co., Ltd., OUTSOURCING TECHNOLOGY Inc., OS SEMITECH Inc., Computer System Laboratory Co., Ltd., Thinketh Bank Co., Ltd., Kyodo Engineering Corporation
Domestic Manufacturing Outsourcing Business	In response to maker outsourcing needs for the manufacturing process, provides production technology and administrative know-how, and service achieving higher productivity	**Total 10 Companies** [Main Group Companies] OUTSOURCING Inc., ORJ INC., Sanshin Electric Co., Ltd., PEO Co., Ltd.
Domestic Service Operations Outsourcing Business	Provides HR services for facilities within US military bases, public institutions, and convenience stores	**Total 5 Companies** [Main Group Companies] OTS Inc., ISE INTERNATIONAL Co., Ltd., IOD Inc.
Domestic Administrative Outsourcing Business	Provides total administrative work on consignment including labor management for seasonal workers directly employed by makers as well as interns after hiring, housing management, as well as outplacement assistance for workers whose contracts have expired	**Total 2 Companies** OUTSOURCING Inc., ORJ INC.
Domestic Recruiting and Placing Business	Provides agency hiring for seasonal workers directly employed by makers	**Total 2 Companies** OUTSOURCING Inc., ORJ INC.
Overseas Engineering Outsourcing Business	At overseas subsidiaries mainly in Europe and Australia, provides temporary placement services for IT engineers and financial industry specialists	**Total 20 Companies** [Main Group Companies] DATACORE TECHNOLOGIES PRIVATE LIMITED, BLUEFIN RESOURCES PTY. LIMITED, NTRINSIC CONSULTING EUROPE LIMITED, NTRINSIC CONSULTING SPRL, J.B.W. GROUP LIMITED, Clicks Recruit (Australia) Unit Trust, Index Consultants Unit Trust
Overseas Engineering Outsourcing Business	At overseas subsidiaries mainly in Europe and Australia, provides temporary placement services for IT engineers and financial industry specialists	**Total 35 Companies** [Main Group Companies] OS (THAILAND) CO,. LTD., OS VIETNAM CO., LTD., SANSHIN (MALAYSIA) SDN. BHD., PT. OS SELNAJAYA INDONESIA, EXPROCHILE S.A.,ALP CONSULTING LIMITED, Hoban Recruitment Unit Trust, FARO RECRUITMENT (CHINA) CO., LTD., FARO RECRUITMENT (HONG KONG) CO., LIMITED
Other Business	Product development/manufacturing/sales as well as providing payroll processing and secretarial work, etc.	**Total 3 Companies** enable Inc., Outsourcing Business Service Inc., WP Co., Ltd.

Source: Compiled by Trias Corporation based on interviews with OUTSOURCING Inc.

Trias Corporation

July-19-2016

References

Consolidated Key Financial Data

No. of Shares Issued	Dec-15	17,407,300
No. of Treasury Shares	Dec-15	51
Market Value (￥mn)	15-Jul-16	68,149
BPS (￥)	Dec-15	670.06
ROE (%)	Dec-15	19.5
ROA (%)	Dec-15	5.9
PER (times) FY12/16 fcst.	15-Jul-16	28.4
PCFR (times) FY12/15 actual	15-Jul-16	30.2
PBR (times) FY12/15 actual	15-Jul-16	5.8
Share Price (￥)	15-Jul-16	3,915
Unit Share (shares)	15-Jul-16	100
Average Daily Volume (shs)	15-Jul-16	277,841

Total Assets (￥mn)	Dec-15	37,042
Shareholders' Equity (￥mn)	Dec-15	11,664
Interest-Bearing Debt (￥mn)	Dec-15	(*)10,902
Equity Ratio (%)	Dec-15	31.5
Ratio of Interest-Bearing Debt (%)	Dec-15	93.5
Free Cash Flows (￥mn)	Dec-15	(2,942)

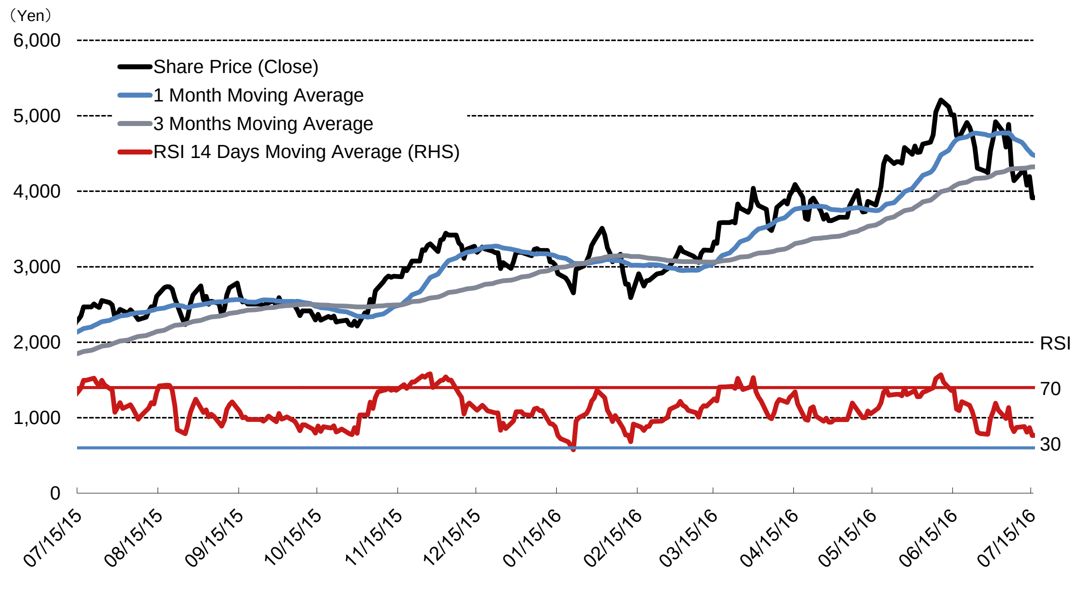
ROE = Net Income ÷ Averaged Shareholders' Equity
ROA = Net Income ÷ Averaged Total Assets
PCFR = Market Value ÷ (Net Income + Depreciation)
Ave. Daily Vol. = Ave. Daily Vol. (from 15-Jul-15 to 15-Jul-16)
Interest-Bearing Debts* Ratio = I.B.D. ÷ Shareholders' Equity
Free Cash Flows = Operating CF + Investment CF
*Incl. current portion of accounts payable-installment purchase

Consolidated Financial Results

Consolidated (￥million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (￥)	DPS (￥)
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	80,860	3,125	3,224	1,810	110.15	35.00
FY12/16 1H fcst.	58,000	1,150	1,000	400	22.97	0.00
FY12/16 full year fcst.	134,000	5,400	5,100	2,400	137.87	42.00

Note: FY12/16 forecasts announced on Apr. 28, 2016.

Stock Price Charts and RSI (July 15, 2015 – July 15, 2016)



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