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TSE2

OUTSOURCING Inc.

Q3 FY12/12 Business Results and Follow-up Interview

OUTSOURCING Inc., hereinafter the Company or OS Group, released its Q3 FY12/12 financial results, and Trias Corporation conducted an interview with Chairman and CEO Haruhiko Doi. The following is a summary of the interview.

Summary of Q3 FY12/12 Consolidated Financial Results

Consolidated Q3 results can be seen in Table 1, with high double-digit growth continuing for both top-line revenues and incomes. Cumulative 9 months operating income rose 277% YoY as a result of the contribution of 36% growth in net sales, as well as substantial easing of the sharp rise of SG&A expenses last term due to disruptions in the labor market following the Great East Japan Earthquake and floods in Thailand. Note that the ratio of SG&A expenses to net sales declined 1.5% from 19.6% to 18.1%. This effect is even more pronounced when you look at Q3 stand-alone results only. The ratio of SG&A expenses to net sales declined 3.5%, reflecting the spike in recruitment costs last term at a time when the company was strategically front-loading investment in personnel for expanding business opportunities in 2012. In retrospect management's decision to go ahead with this leading investment despite the higher associated costs was correct.

●【Table 1】Q3 FY12/12 Summary of Consolidated Earnings Results

(¥ million)	FY12/11 Q1-Q3	FY12/12 Q1-Q3	YoY Change	FY12/11 Q3	FY12/12 Q3	YoY Change
Net Sales	22,832	31,127	36.3%	7,958	10,719	34.7%
CoGS	18,220	24,959	37.0%	6,376	8,588	34.7%
Gross Profit	4,612	6,168	33.7%	1,582	2,131	34.6%
SG&A Expenses	4,469	5,631	26.0%	1,648	1,844	11.9%
Operating Income	142	536	277.5%	(65)	286	-
Ordinary Income	258	630	144.2%	(22)	321	-
Net Income	(24)	205	-	(35)	228	-
[Sales Margins/Ratio]						
Net Sales	100.0%	100.0%		100.0%	100.0%	
CoGS	79.8%	80.2%	0.4%	80.1%	80.1%	0.0%
Gross Profit	20.2%	19.8%	-0.4%	19.9%	19.9%	0.0%
SG&A Expenses	19.6%	18.1%	-1.5%	20.7%	17.2%	-3.5%
Operating Income	0.6%	1.7%	1.1%	-0.8%	2.7%	3.5%
Ordinary Income	1.1%	2.0%	0.9%	-0.3%	3.0%	3.3%
Net Income	-0.1%	0.7%	0.8%	-0.4%	2.1%	2.6%

Source: company IR materials, compiled by Trias Corporation.

By quarter the YoY growth rate of net sales was: Q1 +35.7%, Q2 +38.7%, and Q3 +34.7%, fairly consistent across the 9 months period. Also, it is important to keep in mind the one-time expenses of approximately ¥300mn for listing expense on the TSE 2nd Section in Q1 and moving expense for re-locating the head office from Shizuoka to Tokyo in Q1 and Q2. Stripping out these one-off charges, the ratio of operating income to net sales would be roughly 2.7% for the cumulative 9-month period.

Until mid-August strong demand mainly from the transport equipment (autos) sector, which has a wide scope of influence over multiple sub-sectors, drove high growth in sales, and while demand from the 2012 Issue, not correlated with underlying industrial production trends, took over after production cuts following the expiry of Eco-car subsidies, the territorial dispute between Japan and China escalated to China boycotting Japanese goods, forcing major production adjustments by manufacturer clients, putting the brakes on the high pace of growth. At the same time, overseas expansion to meet globalization and diversification needs of clients proceeded at a favorable pace. Table 2 below shows the quarterly trend of sales by industry.

●【Table 2】Quarterly Trend of Sales Breakdown by Industry

(¥mn)	FY12/11				FY12/12		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Production Outsourcing	7,251	7,133	7,590	9,172	9,832	9,936	10,455
Foods	440	490	515	561	441	427	480
Electrical & Electronics	2,159	2,257	2,194	2,058	1,757	1,945	2,009
Transport Equipment	2,511	2,105	2,714	3,274	3,199	3,046	2,936
Pharm. & Chemicals	1,016	1,145	947	1,066	1,041	1,051	1,094
Metals & Bldg. Materials	84	102	183	467	1,004	915	948
IT-related	-	-	-	-	481	523	882
Others	1,040	1,032	1,034	1,749	1,905	2,026	2,104
[Sales Composition Ratio]							
Production Outsourcing	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Foods	6.1%	6.9%	6.8%	6.1%	4.5%	4.3%	4.6%
Electrical & Electronics	29.8%	31.6%	28.9%	22.4%	17.9%	19.6%	19.2%
Transport Equipment	34.6%	29.5%	35.8%	35.7%	32.5%	30.7%	28.1%
Pharm. & Chemicals	14.0%	16.1%	12.5%	11.6%	10.6%	10.6%	10.5%
Metals & Bldg. Materials	1.2%	1.4%	2.4%	5.1%	10.2%	9.2%	9.1%
IT-related	-	-	-	-	4.9%	5.3%	8.4%
Others	14.3%	14.5%	13.6%	19.1%	19.4%	20.4%	20.1%

Source: company IR materials, compiled by Trias Corporation.
Note: 'Others' reflects an increase in overseas sales from Q4 FY12/11 onward.

As can be seen from Table 2, the weight of electrical and electronics equipment makers continued to decline. While the operating environment for this sector continued to deteriorate as the strong yen and more pronounced global macro slowdown proceeded, the YoY rate of decline has actually slowed considerably: Q1 -18.6%, Q2 -13.8%, and Q3 -8.4%. According to the Company, replacement demand following early retirement as part of restructuring programs is starting to have a positive impact. The company also cited stabilization of management in the semiconductor sector allowing management to move forward with new plans. Conversely, the rate of YoY growth in the transport equipment sector slowed in Q3: Q1 +27.4%, Q2 +44.7%, Q3 +8.2%, for the reasons cited above.

In new business areas, Metals & Building Materials made a significant contribution. While actual results have been lower than initial expectations due to delays in passing budgets, delays in finding alternative building sites safe from Tsunamis, and delays in distributing loss compensation related to the nuclear accident, the industry now views the reconstruction of Tohoku as a longer term process, with no change in huge latent demand, and underlying demand continues to increase steadily. Also, the IT-related sector, which has a different earnings cycle from those sectors sensitive to the business cycle, continues to post high growth. Table 3 below shows the quarterly trend of earnings by operating segment.

●【Table 3】Quarterly Trend of Results by Operating Segment

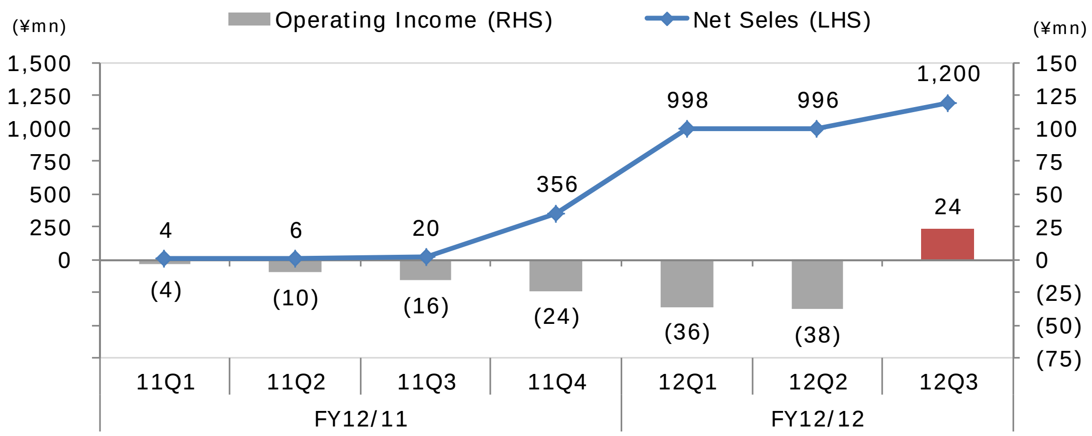
(¥mn)		FY12/11 Q1	FY12/11 Q2	FY12/11 Q3	FY12/11 Q4	FY12/12 Q1	FY12/12 Q2	FY12/12 Q3
Production Outsourcing Business	Number of contract workers	6,780	6,893	7,667	8,271	7,879	7,826	7,689
	Net sales	7,368	7,230	7,816	9,010	8,984	9,074	9,376
	Operating income	51	62	(106)	344	55	188	196
Administrative Operations Outsourcing Business	Number of outsourced administrative workers	4,409	4,682	4,636	6,273	8,500	5,070	5,879
	Net sales	97	104	103	140	189	112	161
	Operating income	52	51	79	59	62	40	94
Recruitment Agency Services Outsourcing	Workers hired through ORJ	618	513	1,079	928	512	694	498
	Net sales	116	102	231	219	115	144	93
	Operating income	30	29	16	75	18	48	14
Overseas Outsoursing Business	Net sales	4	6	20	356	998	996	1,200
	Operating income	(4)	(10)	(16)	(24)	(36)	(38)	24
Other Business	Net sales	36	33	33	34	43	35	36
	Operating income	0	(2)	0	2	2	2	3
Internal Transfer	Net sales	(121)	(104)	(246)	(196)	(150)	(136)	(148)
Eliminations	Operating income	(39)	(13)	(38)	(35)	(50)	(43)	(46)
Total	Net sales	7,501	7,372	7,958	9,564	10,179	10,228	10,719
	Operating income	90	117	(65)	421	52	197	286

Source: Company materials
Note: Administrative Operations and Recruitment Agency Services Outsourcing segments net sales figures

From FY12/12, the company has begun disclosing overseas group operating results. The overseas group includes 18 locally established subsidiaries overseas including China, Singapore, Indonesia, Thailand, Vietnam and Australia. Japanese manufacturers are rapidly pursuing globalization and diversification of production to address growth opportunities in emerging markets as well as to hedge foreign currency exposure, and the company has aggressively rolled out overseas operations to meet client needs. As can be seen from Table 3, Overseas Group sales have ramped up rapidly, absorbing initial startup investment costs and turning into the black in Q3.

In Southeast Asia, while there were was some impact from demonstrations opposing non-regular employees in Indonesia, demand in Thailand and Vietnam remains brisk, and the Company is winning growing orders from large Japanese clients. And in China while there is some concern regarding anti-Japan demonstrations, the Company has begun consulting services for Chinese interns as a bridge for Japanese companies, and the Company has also entered the market for factory facilities administration work. In Q3 the Overseas Outsourcing Business segment accounted for 11.2% of total net sales, and 8.4% of operating income.

● **[Graph 1] Quarterly Earnings Trend of Overseas Outsourcing Business**



Revised Full-term FY12/12 Earnings Outlook

Together with announcing Q3 cumulative 9-months earnings results, the Company revised down its outlook for the full-term FY12/12. Table 4 below shows a summary of the revisions. Net sales were revised down by ¥4.2bn (-9.0%), and operating income was revised down by ¥645mn (-38.9%). Previous company estimates had factored in a slowdown of auto production following the expiry of Eco-car subsidies, however the operating environment has clearly changed due to the widespread impact of the anti-Japan boycott movement in China. In addition to production adjustments by automakers, related electrical and electronics equipment makers have also been affected. According to the company, the biggest impact on estimates was actually felt in changed/cancelled orders it had expected related to the legal and regulatory environment changes.

●【Table 4】Summary of Revised Full-term FY12/12 Company Estimates

(¥mn)	FY12/11 Act	FY12/12 Old CE*	FY12/12 New CE*	Revised CHG	FY12/11 Q4 Act	FY12/12 Q4 CE*	YoY Change
Net Sales	32,397	46,470	42,270	-9.0%	9,565	11,143	16.5%
Gross Profit	6,738	-	-		2,127	-	-
SG&A Expenses	6,175	-	-		1,707	-	-
Operating Income	563	1,660	1,015	-38.9%	421	479	13.8%
Ordinary Income	702	1,750	1,135	-35.1%	444	505	13.7%
Net Income	194	875	535	-38.9%	219	330	51.4%
EPS(¥)	13.48	60.63	37.07	-	-	-	-
DPS(¥)	8.00	8.00	8.00	-	-	-	-

Source: Compiled by Trias Corporation from company materials.
Note: Act = Actual Results, CE = Initial Company Estimates

By sectors, the Transport Equipment sector has entered production and inventory adjustment, and Q4 domestic production outsourcing is estimated to decline 22.4% YoY. Recent changes to Toyota's global production plans actually increased unit production for high-margin Thailand and the US; while China production has been cut by roughly 200,000 units, the net decline is only 50,000 after factoring in increases in other locations. Although the operating environment for electrical & electronics makers remains extremely harsh, progress in moving forward with restructuring plans is creating a growing need for replacement hires; Q4 is estimated to decline only 2% YoY and post the third sequential QoQ gain. And Metals & Building Materials continue to ramp up steadily after initial delays, and the IT-related sector continues robust growth.

The Business Environment Has Changed Sharply

When 1H results were announced, the outlook for the 2H included: 1) rising demand for production outsourcing related to changes in the legal and regulatory framework, 2) the Transport Equipment sector will enter production consolidation after the expiry of Eco-car tax subsidies, 3) while Metals & Building Materials got off to a slower than expected start as a result in delayed progress in disaster reconstruction, demand is ramping up and is increasing steadily, and 4) the Electrical & Electronics sector is seeing rising replacement demand following progress in implementing major restructuring programs. Numbers 1) and 4) represent demand not correlated with trends in underlying industrial production.

The 2012 Issue refers to the large convergence of production outsourcing temporary placement workers running into the three-year limitation on contract extensions, coinciding with the period in 2009 post-Lehman when makers rushed to restore staffing levels. However as mentioned earlier, the territorial dispute with China escalating to a movement to boycott Japanese goods forced a major production adjustment across multiple industries, and although the company booked orders related to legal and regulatory changes as well as the 2012 Issue, initially anticipated demand for Q3 and Q4 has been revised down sharply.

Table 5 below summarizes initial 2H order targets for demand not correlated with production, and revised estimates for Q3 and Q4 for Contracted Outsourcing, Temporary Placement and Recruitment and Administrative Operations Outsourcing/Paid Introductions. While Q3 orders for Temporary Placement and Administrative Operations Outsourcing were basically in-line with initial estimates, the number of recruits for Contracted Outsourcing fell short by roughly 1,000 staff. Q4 orders are now estimated by the Company to fall short in all three categories, with the number of recruits for Contracted Outsourcing to fall short by roughly 2,000 staff. According to the Company, a number of client firms that had given order indications related to legal and regulatory changes and the 2012 Issue suddenly decided to let temporary contracts expire and not renew them.

●【Table 5】Revised 2H Sales Estimates for Orders Not Correlated with Production

	Outsourced Contracting			Temporary Placement			Administrative Outsourcing and Paid Introductions		
	No. of prospects (co's)	Order volume (persons)	Sales (¥mn)	No. of prospects (co's)	Order volume (persons)	Sales (¥mn)	No. of prospects (co's)	Order volume (persons)	Sales (¥mn)
Q3 Acttual									
Electrical & Electronics	1	200	170	2	70	46	2	200	48
Transport Equipment	2	70	58	5	80	54	5	445	98
Pharm. & Chemicals	0	0	0	0	0	0	1	15	5
Metals & Bldg. Materials	4	120	100	3	70	49	3	100	24
Subtotal	**7**	**390**	**328**	**10**	**220**	**149**	**11**	**760**	**175**
Q4 CE*									
Electrical & Electronics	2	50	24	2	60	24	6	160	23
Transport Equipment	0	0	0	3	30	13	2	80	16
Pharm. & Chemicals	0	0	0	0	0	0	2	70	24
Metals & Bldg. Materials	2	60	24	2	30	9	4	120	21
Subtotal	**4**	**110**	**48**	**7**	**120**	**46**	**14**	**430**	**84**
Initial 2H Target Orders									
Q3 TOTAL	20	1,400	-	5	200	-	3	770	-
Q4 TOTAL	40	2,250	-	12	320	-	6	1,340	-

Source: Compiled by Trias Corporation from company materials.
*Note: Estimates by the company.

The revised outlook by sectors is discussed above, but to review the impact on demand not correlated with production, the Transport Equipment sector stopped production of vehicles for the China market from September onward, resulting in a stoppage of anticipated orders related to changes in the legal and regulatory environment, and as this sector has a wide scope of influence, the impact spread to other sectors. The Electrical & Electronics sector also suffered a major impact, and anticipated orders are expected to decline by over 20%. Disaster reconstruction is now viewed as a longer term process, and anticipated orders are expected to decline by over 10%. Relative to the initial plan, 2H sales from anticipated orders are expected to fall short by ¥3.5bn, with the number of monthly on-site contract workers running 2,700 below the initial plan.

●【Table 6】Revised Q4 FY12/12 Operating Segment Forecast

(¥mn)		FY12/12 Actual Q1	Actual Q2	Actual Q3	Q4 CE* Q4
Production Outsourcing Business	Number of contract workers at term end*	12,892	13,010	13,593	14,082
	■Domestic Companies Group	7,963	7,894	7,763	8,065
	■Overseas Companies Group	4,929	5,116	5,830	6,017
	Net income	9,832	10,070	10,576	10,869
	■Domestic Companies Group	8,834	9,074	9,376	9,410
	■Overseas Companies Group	998	996	1,200	1,459
	Operating income	19	150	220	361
	■Domestic Companies Group	55	188	196	335
	■Overseas Companies Group	(36)	(38)	24	26
Administrative Operations Outsourcing Business	Workers hired through ORJ	512	694	523	550
	Net income	304	257	255	320
	Operating income	80	88	108	166
Other Business	Net income	42	35	36	39
	Operating income	2	2	3	3
Internal transfer	Net income	(150)	(136)	(148)	(84)
Eliminations	Operating income	(50)	(43)	(46)	(50)
Total	Net income	10,179	10,228	10,719	11,144
	Operating income	52	197	286	480

Source: Company materials

Note: Administrative Operations Outsourcing net sales figures do not include worker salaries as are included in Production Outsourcing

*Note: Act = Actual Results, CE = Initial Company Estimates as of Oct.29, 2012

**Note: includes workforce, actual and forecast, of Indonesia-based PT. SELNAJAYA PRIMA, an equity-method affiliate.

Table 6 above summarizes the revised Q4 FY12/12 forecast by operating segment. According to management, while the impact of China dramatically lowered 2H orders related to changes in the legal and regulatory framework, the underlying demand for solutions to avoid compliance violations is still there, and has only been postponed by this short-term major production adjustment.

A number of clients have already indicated they will need to proceed in 2013 when the outlook for production plans firms up. In the next section, we look at in detail the Revised Worker Dispatch Law, which went into effect on October 1, 2012, and proposed solutions by the Company. We also examine the Revised Labor Contract Law, and Law Concerning Stabilization of Employment of Older Persons, both expected to go into effect from April 2013.

Initiative on Outsourcing Business Started to Target Domestic Demand Sectors

OS Group has been making aggressive investments at home and abroad, aiming toward the goal of 【Vision2014: Vector to the Top】—"Earn the highest customer satisfaction ratings in the industry; Then become the first choice among job applicants; And emerge as the undisputed leader in production outsourcing services", which was started in 2011.

Significant changes in production activities among the Company's clients, which resulted from the territorial dispute with China, influenced the Company's business momentum sharply, much larger than the Company's initial estimate, however the influence should last for a short period of time. To implement ongoing investments for achieving the next growth phase in Vision 2014, the Company has advanced at the same time business developments to earn stable cash flows.

In the previous term the Company entered the business fields of Metals & Building Materials and IT-related, which are exposed to domestic demand, to reduce risks in its business portfolio from higher reliance on external demand-related sectors, including Transport Equipment and Electrical and Electronics. The sales composition ratio of both businesses is still small at 17.5% in the Q3, as seen in Table 2.

Considering the structural changes of domestic manufacturing sector over the medium- to long-term, it is quite important for the Company to earn more stable cash flows, not affected by external demand, for continuing aggressive business investments at home and abroad to become the No.1 production outsourcing company under any circumstances in its mainstay of Production Outsourcing Business, which is easily affected by the macro-economic environment. The Company has therefore accelerated developing outsourcing business models for domestic demand-related sectors, including construction and logistics.

Legal and Regulatory Changes Impacting Production Outsourcing: Major Business Opportunity

Background of Dispatch Workers in Japan

The temporary staffing industry in Japan has been regulated since 1985 by the Worker Dispatch Law. The original aim was to provide a formal regulatory framework for subcontractor personnel dispatching that had become commonplace in the automobile and electronics sectors. Originally designed to allow project-based work and temporary staffing for sectors plagued by chronic shortages of skilled personnel, such as software engineers, the 1985 law limited temporary staffing to a "positive list" of 13 occupations. Subsequent revisions steadily expanded the list, and the 1999 revision replaced the "positive list" with a short "negative list" of occupations where temporary staffing was still restricted. This basically opened up the majority of the labor market, and the 2003 revision eliminated most of the remaining restrictions on temporary staffing in the manufacturing sector.

There are two basic types of dispatch workers in Japan: 1) "Specified Dispatch Workers" where a temporary agency hires workers on a regular basis, and dispatches them on assignment to work at a client firm, and 2) "General Dispatch Workers" where the temporary agency registers temporary workers, and dispatches them to client firms on a contingent basis by signing a contract each time the agency receives a job assignment from the client firm.

Widespread Layoffs of Temporary Workers Post-Lehman

The background for changes to the legal environment impacting production outsourcing lies in the social backlash observed in the period directly after the bankruptcy of Lehman Brothers. The sudden evaporation of global demand as a result of negative effects from the ensuing credit crunch is still fresh in investors' memories, and manufacturers reacting to the harsh environment quickly retrenched and adjusted production, resulting in contracts of many temporary workers not being renewed, at least until production ramped up again. The mass media closed up on this, reporting on conditions of temporary workers who had become homeless after losing company housing etc, concluding that temporary workers were unfairly treated relative to full-time workers by virtue of the nature of their employment contracts.

In March 2012 portions of a bill that was initially put forward in 2010 finally passed both houses of Parliament, and The Revised Worker Dispatch Law has gone into effect from October 1, 2012. Sticking points to the original bill proposed by the DPJ ruling party were: 1) a proposed ban on the use of registered dispatched workers, 2) a proposed ban on the use of dispatch workers in manufacturing jobs in principle, and 3) implementation of a deemed direct employment system whereby dispatched workers from temporary staffing agencies who continue to work beyond the term in their fixed term contracts will be able to notify their employers that they are now regular employees of the company, as opposed to their temporary staffing agency. Given strong opposition from the LDP and the current gridlocked situation in the Diet where the LDP has a majority in the Upper House, points 1) and 2) were removed, and through a compromise point 3) will not be implemented until 2015.

2012 Revised Worker Dispatch Law

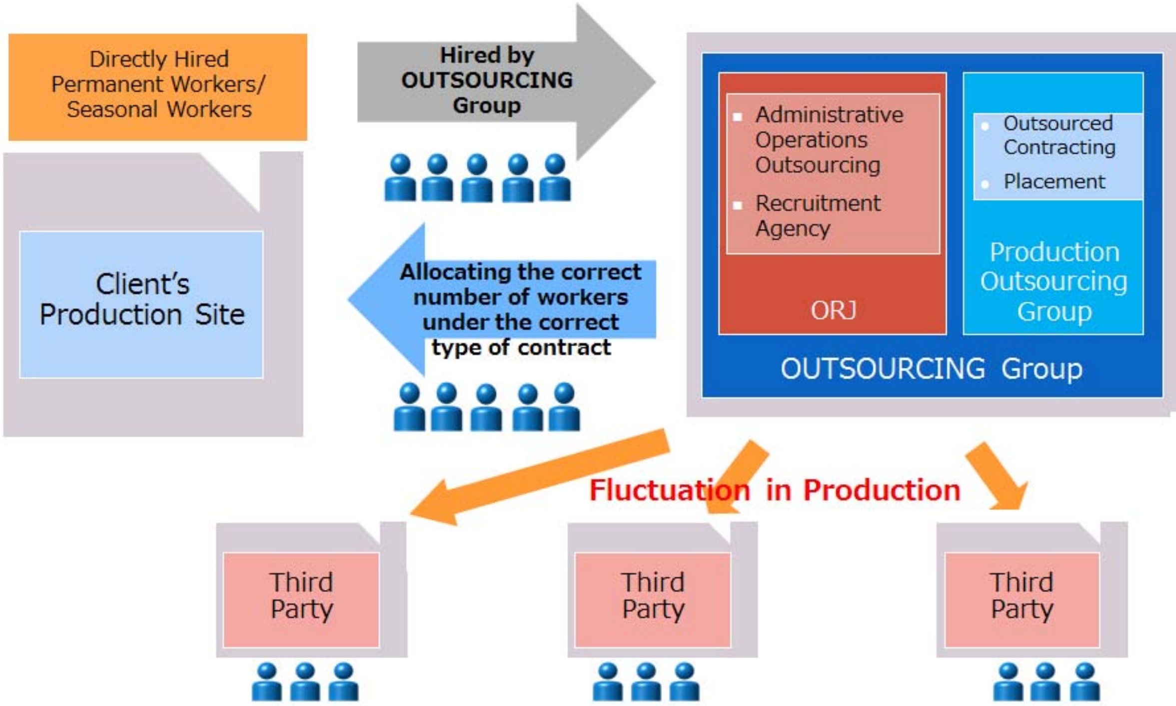
Amendments tighten regulation of both the temporary dispatch agencies and the host employers that hire from these agencies, with a stated aim of bringing the use of such programs back in line with the original intent: to meet only temporary staffing requirements, to encourage employers to enter permanent long-term contracts with employees, and to improve employment stability of dispatch workers. Employers found in violation of the law will face fines and restrictions on future hiring. Specifically, the revised law prohibits temporary worker dispatch contracts of 30 days or less, and employers must consider a fairness in wages between temporary workers and regular employees.

More importantly, the revised law prohibits dispatching between group firms in excess of 80%, or prohibition against “exclusive dispatching”. Also, a worker can’t be re-hired within one year after leaving work as a dispatch worker. The aim of the prohibition against “exclusive dispatching” is to prevent companies from using subsidiaries as a dumping ground for dispatch workers, drastically cutting wages of personnel over a certain age. The choices presented to manufacturers in order to secure adequate personnel to meet temporary production overflow needs are 1) either to outsource on contract or dispatch externally, or 2) convert qualified temporary staff to regular employees.

Proposed Solutions by OS Group

OS Group has over 9,000 domestic employees, and transactions with over 350 firms, so is uniquely qualified to offer sophisticated solutions for clients to be in compliance with the new law and regulations. Chart 1 below highlights the multiple solutions OS Group can provide. Obviously option 1) of the two choices mentioned above can be met by firms transferring personnel to the Company to be hired on contracted outsourcing or dispatch by the Production Outsourcing Group. Alternatively, after opting for 2) and making qualified staff into regular workers, the Company’s subsidiary ORJ can handle Administrative Operations Outsourcing and hiring on behalf of the client. One of the Company’s competitive strengths is the ability to fully utilize and coordinate between firms in its transaction firm network in securing the correct number of workers under the correct type of contract to meet fluctuation demand for production outsourcing.

● 【Chart 1】Outsourcing Inc. Proposed Solutions for Compliance with the Revised Worker Dispatch Law: Scheme Utilizing Third Parties (Transaction firm Network)



Source: Company materials.

Revised Labor Contract Law, expected to go into effect from April 2013

I. Conversion to permanent contracts

In the event a fixed-term contract is renewed on multiple occasions over a total of 5 years, the company must convert the contract to an unlimited duration employee contract (regular employee contract) on notification from the employee. ⇒ In order to avoid conversion to regular employee contracts, makers can outsource on contract or dispatch externally.

II. Legalization of court precedents for employment termination

Supreme Court precedents regarding employment terminations have been legalized. Employment termination is not allowed unless meeting certain criteria. ⇒ In order to avoid potential labor disputes or conversion to regular employee contracts, makers can avoid renewing fixed-term contracts exceeding 2 years and 11months, and instead outsource on contract or dispatch externally (there have been precedents deeming contracts renewed for over 3 years as regular employment).

III. Prohibition against unfair/unreasonable condition of employment

It is prohibited to set unfair/unreasonable differences in condition of employment between employees of fixed-term employee contracts and unlimited duration (regular) employee contracts. ⇒ In order to avoid potential personnel cost increases, makers can outsource on contract or dispatch externally.

Law Regarding Stabilization of Employment of Older Persons, expected to go into effect from April 2013

I. Elimination of any structure limiting eligibility for the continuing employment system

Companies must hire anyone desiring to continue working after reaching 60 years old retirement age. ⇒ Companies can further decrease the ratio of regular employees and increase the usage of outsourcing on contract or dispatching externally.

II. Expanding the scope of employment within companies for those eligible under the continuing employment system

system will be established to expand the scope of employment of older persons who are eligible under the continuing employment system, to group companies.⇒Companies can also choose to outsource on contract with a temporary agency within their group companies. However, since exclusive dispatching is prohibited, companies will become increasingly likely to seek co-parent company arrangements between their temporary agency subsidiary businesses and Outsourcing Inc., or decide to transfer or sell their temporary agency subsidiary businesses.

Reference

Key Financial Data and Business Results (Consolidated)

No. of Shares Issued	Sep-12	15,569,800
No. of Treasury Stock	Sep-12	1,139,500
Market Value (¥mn)	10-Dec-12	5,917
BPS (¥)	Sep-12	238.4
ROE (%)	Sep-12	5.7
ROA (%)	Sep-12	1.4
PER (times)	FY12/12 fcst	10.3
PCFR (times)	Jun-12	48.9
PBR (times)	Sep-12	1.6
Share Price (¥)	10-Dec-12	380
Unit Share (shares)	10-Dec-12	100
Average Daily Volume (shs)	10-Dec-12	30,298

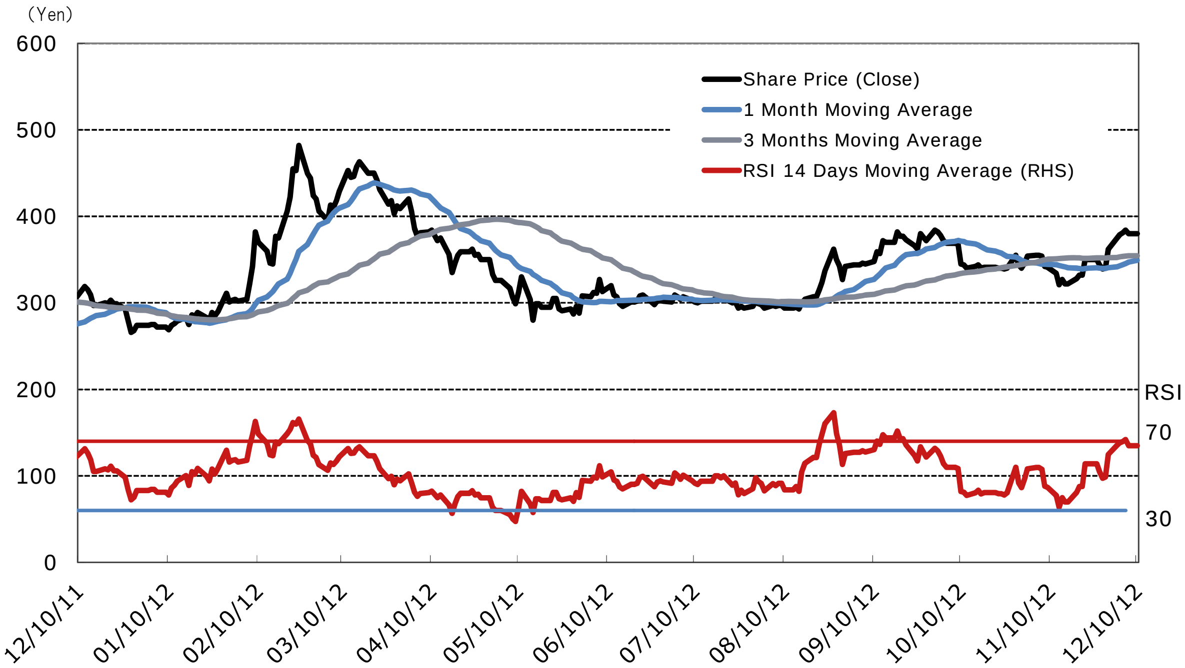
Total Assets (¥mn)	Sep-12	14,234
Shareholders' Equity (¥mn)	Sep-12	3,563
Interest-Bearing Debt (¥mn)	Sep-12	4,669
Equity Ratio (%)	Sep-12	25.0
Ratio of Interest-Bearing Debt (%)	Sep-12	131.0
Free Cash Flows (¥mn)	Jun-12	116

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 (¥mn)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	Dividend per Share (¥)
FY12/08	24,148	1,113	1,134	641	5412.28	644.00
FY12/09	17,964	(150)	22	(215)	(1511.00)	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
FY12/12 1H	20,408	249	309	(23)	(1.63)	0.00
FY12/12 full year fcst.	42,270	1,015	1,135	535	37.07	8.00

Note: FY12/12 forecasts announced on October 29, 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