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OUTSOURCING Inc.

Q3 FY12/16 Financial Results and Follow-up Interview

OUTSOURCING Inc., hereafter the “Company” or the “OS Group,” announced Q3 FY12/16 (July-September) financial results, and Trias Corporation conducted an interview with Executive Vice President Kazuhiko Suzuki. The following is a summary of the interview.

Summary of Q3 FY12/16 Consolidated Financial Results

As shown in [Table 1], Q3 FY12/16 results were: net sales at ¥93,455 million (up 65.3% YoY), gross profit ¥18,870 million (up 66.9% YoY), operating income ¥2,157 million (up 19.3% YoY), ordinary income ¥1,772 million (down 10.2% YoY), and profit attributable to owners of parent ¥182 million (down 81.6% YoY).

Net sales grew substantially and operating income recorded a historical high. Ordinary income, however, decreased year-on-year due to increases in M&A related financial commissions and the likes, and profit attributable to owners of parent dropped significantly as one-time M&A related expenses were non-deductible in terms of tax returns.

Real-term profits, which exclude these M&A related expenses, are in fact growing rapidly. In addition to continued favorable growth in domestic dispatching businesses, earnings from newly consolidated subsidiaries made large contributions. The Company's full-year forecasts were revised downward as additional M&A related expenses to be incurred were taken into account but, apart from those, new forecasts are mostly in line with the previous ones.

●[Table 1] Q3 FY12/16 Consolidated Financial Results Summary

(￥million)	FY1215	FY12/16	YoY Changes		FY1215	FY12/16	YoY Changes	
	Q3 alone	Q3 alone	Amount	Ratio	Q3 YTD	Q3 YTD	Amount	Ratio
Net sales	20,499	35,972	15,472	75.5%	56,522	93,455	36,934	65.3%
Cost of sales	16,271	28,466	12,196	75.0%	45,219	74,585	29,367	64.9%
Gross profit	4,229	7,505	3,277	77.5%	11,303	18,870	7,567	66.9%
Gross profit margin	*20.6%*	*20.9%*	-	*+0.3pp*	*20.0%*	*20.2%*	-	*+0.2pp*
SG&A expenses	3,358	6,580	3,222	95.9%	9,495	16,713	7,218	76.0%
SG&A expenses ratio	*16.4%*	*18.3%*	-	*+1.9pp*	*16.8%*	*17.9%*	-	*+1.1pp*
Operating income	871	925	55	6.3%	1,808	2,157	349	19.3%
Operating income margin	*4.2%*	*2.6%*	-	*- 1.6pp*	*3.2%*	*2.3%*	-	*- 0.9pp*
Ordinary income	969	478	(491)	-50.7%	1,973	1,772	(201)	-10.2%
Ordinary income margin	*4.7%*	*1.3%*	-	*- 3.4pp*	*3.5%*	*1.9%*	-	*- 1.6pp*
Profit attributable to owners of parent	499	(121)	(619)	-124.2%	988	182	(806)	-81.6%
Net income margin	*2.4%*	*-0.3%*	-	*- 2.7pp*	*1.7%*	*0.2%*	-	*- 1.5pp*

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

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Compared to Q3 FY12/15, domestic outsourcing businesses experienced continued demand strength in both engineering and manufacturing segments while newly added service outsourcing business for US military bases contributed. Also, overseas businesses saw significant increases in both net sales and incomes thanks mainly to newly consolidated subsidiaries. (See details on segment trends on page 6 and onward.)

Organic growth alone looks healthy too. Domestic businesses, which are in fact less affected by new consolidations, the sum of net sales rose by 27.5% YoY while aggregate operating income jumped by 56.4% YoY, and for the Q3 alone, they also sustained rapid growth, by 29.9% and 69.5% YoY, respectively.

The overall consolidated gross profit margin improved from 20.0% in Q3 FY12/15 to 20.2%. This was due to growth in high margin Domestic Engineering Outsourcing Business, as well as the contribution from newly consolidated and high value-added subsidiaries in Overseas Engineering Outsourcing Business and Overseas Service Operations Outsourcing Business. Profitability for Domestic Manufacturing Outsourcing Business also improved and is now comparable to that for Domestic Engineering Business, the Company says.

SG&A expenses increased sharply by 76.0% YoY. Large part of the increase was caused by the new consolidations and sales growth from existing businesses. But also, goodwill amortization increased by ¥1,148 million YoY. In addition, one-time M&A expenses of ¥903 million was incurred as a new accounting rule adopted from FY12/16 requires M&A expenses such as advisory commissions to be booked as one-time expenses rather than goodwill assets as previously.

The SG&A expenses to net sales ratio rose from 16.8% in the same period for the last fiscal year to 17.9%, however, excluding the above-mentioned M&A related one-time expenses, it would have improved from 15.8% to 15.1%. This was partly thanks to improved efficiency of staff recruiting expenses for which only increased by 26% YoY.

Operating income rose by 19.3% YoY and the operating income margin decreased from 3.2% in the same period for the last fiscal year to 2.3%. Again, on the pre-consolidation basis without M&A related expenses, the income would have soared by 105.1% YoY and the income margin widened from 4.2% to 5.2%. The rise in the real-term operating income margin should be attributable to high value-added operations at newly consolidated overseas subsidiaries in both engineering and service fields, as well as the rapidly improved profitability at Domestic Service Operations Outsourcing Business.

Non-operating balance deteriorated by ¥549 million, from a positive ¥164 million a year before to a negative ¥385 million. In addition to an actual of ¥310 million for borrowing commissions, interest paid increased by ¥137 million. As a result, ordinary income decreased by ¥201 million from the same

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period for the last fiscal year to ¥1,771 million.

Profit attributable to owners of parent plunged by ¥806 million to a mere ¥181 million. This was because the aforementioned one-time expenses for M&A (¥903 million) as well as an increase in amortized goodwill (¥1,148 million), both posted as expenses in consolidated accounting but non-deductible in terms of tax returns, led to higher tax burdens. The Company says this was almost the sole factor for the decline in profit attributable to owners of parent.

As in [Table 2] on page 4, total assets at the end of Q3 (the end of September 2016) were ¥68,442 million, an increase of ¥31,399 million, or up 84.8% from the end of FY12/15 (the end of December 2015). This is partly due to an increase in newly consolidated subsidiaries. Consolidation of each subsidiary started on the date shown below. These six groups caused an increase of roughly ¥8.9 billion in aggregate to consolidated total assets, according to the Company.

April 1: 2 groups - Beddison Group (Australia, hereafter "Beddison"), JBW/CDL Group (UK, hereafter "JBW/CDL")
May 1: OSHRS Group (Malaysia, hereafter "HRS")
August 1: 2 groups - Allen Lane Consultancy Limited (UK, hereafter "ALC"), Liberata UK Limited (UK, hereafter "Liberata")
September 1: OS Partners ("Recruit Factory Partners" at the time of the acquisition)

Major changes on the asset side of balance sheet include accounts receivable-other increasing by ¥6,234 million due to new consolidations as well as organic business expansions. Remaining goodwill increased also by ¥24,550 million to ¥26,342 million mainly because of aforementioned M&A deals.

For liabilities and net assets, short- and long-term loans payable (including corporate bonds) increased by ¥7,122 million and ¥19,807 million respectively, both mainly to finance M&A deals. The sum of the short- and long-term loans amounted to ¥10,747 million at the end of FY12/15 and ¥37,676 million at the Q3 end.

Net assets decreased by ¥2,063 million, mainly caused by appreciation of the yen toward the close of Q3. Foreign currency translation adjustments for overseas subsidiaries turned to a negative ¥2,702 million, or ¥2,827 million below that booked at the end of FY12/15. Majority of the negative contributions came from GBP and AUD.

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● [Table 2] Consolidated Balance Sheet Summary as of the end of Q3 FY12/16

(¥ million)	FY12/15-End		Q3-End FY12/16		YoY	
	Amount	Composition Ratio	Amount	Composition Ratio	Changes Amount	Major Factors
Current assets	**24,658**	**66.6%**	**33,855**	**49.5%**	**9,198**	
Cash and deposits	9,215	24.9%	10,934	16.0%	1,719	
Notes and accounts receivable - trade	12,979	35.0%	19,213	28.1%	6,234	Increased due to acquisition of subsidiaries' shares and expansion of business scale
Non-current assets	**12,385**	**33.4%**	**34,586**	**50.5%**	**22,202**	
Property, plant and equipment	2,734	7.4%	2,915	4.3%	180	
Intangible assets	7,261	19.6%	28,264	41.3%	21,003	Increased due to acquisition of subsidiaries' shares
Investments and other assets	2,389	6.5%	3,408	5.0%	1,018	
Total assets	**37,043**	**100.0%**	**68,442**	**100.0%**	**31,399**	
Current liabilities	**20,155**	**54.4%**	**32,426**	**47.4%**	**12,270**	
Short-term loans payable	8,704	23.5%	15,826	23.1%	7,122	Increased due to loans for working capital and M&A
Accounts payable - other	5,745	15.5%	8,327	12.2%	2,581	
Non-current liabilities	**4,515**	**12.2%**	**25,707**	**37.6%**	**21,192**	
Bonds payable	25	0.1%	-	-	(25)	
Long-term loans payable	2,018	5.4%	21,850	31.9%	19,832	Increased due to loans for M&A funding
Total liabilities	**24,670**	**66.6%**	**58,133**	**84.9%**	**33,463**	
Shareholders' equity	11,574	31.2%	11,208	16.4%	(367)	Reflects a change in profit attributable to owners of parent and dividends paid
Total net assets	**12,372**	**33.4%**	**10,309**	**15.1%**	**(2,063)**	
Total liabilities and net assets	**37,043**	**100.0%**	**68,442**	**100.0%**	**31,399**	

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

FY12/16 Consolidated Financial Forecasts Summary

The Company revised its full-year forecasts downward on December 14, 2016. This reflects relevant earnings and expenses to M&A deals completed after it had raised only net sales on April 28, 2016.

[Table 3] on page 5 shows revised forecast figures this time. Net sales were revised downward by only ¥1.5 billion despite a dent of ¥5.0 billion caused by the higher-than-expected appreciation of yen, helped by organic growths at existing group companies as well as new additions from M&A deals realized in FY12/16. For profits, an aggregate negative impact of about ¥2.0 billion, including ¥200 million decrease from the higher yen as well as additional one-time expenses and goodwill amortization for new M&A activities, should be partly offset by favorable organic growth and additions of new consolidations.

Compared to FY12/15, net sales are forecasted to increase by 63.9% thanks to robust existing

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businesses and new consolidations, while operating and ordinary incomes to grow by much more moderate 18.4% and 2.3%, and profit attributable to owners of parent to plunge by 80.7%. This is due to increase in M&A related expenses as are discussed later, and without these, profits from real operations should grow sharply.

●[Table 3] Revised FY12/16 Full-Year Forecasts (As of April 28, 2016→December 14, 2016)

(¥million)	FY12/15	FY12/16	FY12/16		FY12/16		
	Actual	Forecasts As of Dec. 14	Changes Amount	Changes Ratio	Forecasts As of Apr. 28	Revised Amount	Revised Ratio
Net sales	80,861	132,500	51,639	63.9%	134,000	(1,500)	-1.1%
Cost of sales	64,327	-	-	-	-	-	-
Gross profit	16,534	-	-	-	-	-	-
Gross profit margin	*20.4%*	-	-	-	-	-	-
SG&A expenses	13,408	-	-	-	-	-	-
SG&A expenses ratio	*16.6%*	-	-	-	-	-	-
Operating income	3,125	3,700	575	18.4%	5,400	(1,700)	-31.5%
Operating income margin	*3.9%*	*2.8%*	-	*- 1.1pp*	*4.0%*	-	-
Ordinary income	3,225	3,300	75	2.3%	5,100	(1,800)	-35.3%
Ordinary income margin	*4.0%*	*2.5%*	-	*- 1.5pp*	*3.8%*	-	-
Profit attributable to owners of parent	1,810	350	(1,460)	-80.7%	2,400	(2,050)	-85.4%
Net income margin	*2.2%*	*0.3%*	-	*- 1.9pp*	*1.8%*	-	-

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

By segment, the Company anticipates favorable growth continuing for both Domestic Engineering Outsourcing Business and Domestic Manufacturing Outsourcing Business. Also, overseas businesses are expected to record strong YoY gains in earnings driven by the contribution from M&A deals realized in 2H FY12/15 and FY12/16. Full-year trends of key operating segments are discussed in the "Trends by Key Operating Segments" section on page 6 onward.

Operating income is expected to increase by 18.4% YoY. Before consolidation adjustment, however, the income should grow sharply from ¥4,046 million last fiscal year to ¥7,626 million. The reasons behind are also discussed in "Trends by Key Operating Segments."

Operating income margin is estimated to decrease from 3.9% in FY12/15 to 2.8%. This is because the consolidated adjustment will increase by ¥3.4 billion or slightly more from the previous fiscal year to roughly ¥4.3 billion which includes about ¥1.8 billion and ¥2.7 billion for one-time M&A related expenses and amortization of goodwill, respectively. Without these adjustments, operating income would increase by 88.5% YoY which translates for the implicit income margin to expand from 5.0% the last fiscal year to 5.8%. In addition to a sharp rise in profitability at Overseas Manufacturing and Service Operations Outsourcing Business, a turnaround of Domestic Service Operations Outsourcing Business to a profit should also contribute to enhance the overall pre-adjusted income margin.

Ordinary income is expected to increase by marginal 2.3% as a result of non-operating balance deteriorating by ¥500 million to negative ¥400 million YoY as M&A deals cause increases in loan commissions and interest paid.

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Profit attributable to owners of parent is to plunge by roughly 80% because non-deductible expenses in terms of tax returns such as one-time M&A expenses are leading to cause much heavier tax burdens as was discussed earlier for the Q3 results.

Trends by Key Operating Segments

✓ **Q3 saw Domestic Businesses sustain good growth and Overseas Businesses expand sharply thanks to M&A deals**

Q3 performances of each segment are summarized in [Table 4]. Operating income before consolidated eliminations more than doubled from ¥2,391 million in Q3 FY12/15 to ¥4,905 million in Q3 FY12/16 and the operating income margin before the adjustment rose by 1.0 pp to 5.2%.

●[Table 4] Q3 FY12/16 Financial Summary by Operating Segment

(¥ million)	FY12/15	FY12/16	YoY Changes		FY12/15	FY12/16	YoY Changes	
	3Q alone	3Q alone	Amount	Ratio	3Q YTD	3Q YTD	Amount	Ratio
Net sales	**20,499**	**35,972**	**15,472**	**75.5%**	**56,522**	**93,455**	**36,934**	**65.3%**
Domestic Engineering Outsourcing (OS)	8,024	10,345	2,321	28.9%	22,790	29,234	6,444	28.3%
Domestic Manufacturing OS	7,493	8,930	1,437	19.2%	21,217	24,417	3,200	15.1%
Domestic Service Operations OS	247	979	732	295.7%	545	2,455	1,910	350.3%
Domestic Administrative OS	136	263	127	93.7%	416	619	203	48.9%
Domestic Recruiting and Placing	257	418	161	62.6%	599	1,011	412	68.8%
Overseas Engineering OS	996	5,992	4,997	501.7%	1,172	14,512	13,340	1137.9%
Overseas Manufacturing and Service Operations OS	3,307	8,932	5,625	170.1%	9,665	20,713	11,047	114.3%
Other	40	112	73	184.2%	118	495	377	320.4%
Operating income before adjustments	**1,091**	**2,352**	**1,261**	**115.5%**	**2,391**	**4,905**	**2,514**	**105.1%**
Domestic Engineering OS	585	914	330	56.4%	1,535	1,959	424	27.7%
Domestic Manufacturing OS	259	207	(52)	-20.1%	492	759	267	54.3%
Domestic Service Operations OS	(27)	218	245	-	(65)	167	232	-
Domestic Administrative OS	14	91	77	557.6%	38	190	151	393.5%
Domestic Recruiting and Placing	137	227	90	65.9%	279	507	228	81.7%
Overseas Engineering OS	78	163	85	108.4%	100	535	435	437.0%
Overseas Manufacturing and Service Operations OS	41	541	500	1234%	(1)	786	787	-
Other	5	(9)	(14)	-	13	2	(11)	-83.6%
Operating income margin before adjustments	**5.3%**	**6.5%**	**-**	**+1.2pp**	**4.2%**	**5.2%**	**-**	**+1.0pp**
Domestic Engineering OS	7.3%	8.8%	-	+1.5pp	6.7%	6.7%	-	- 0.0pp
Domestic Manufacturing OS	3.5%	2.3%	-	- 1.2pp	2.3%	3.1%	-	+0.8pp
Domestic Service Operations OS	-11.1%	22.2%	-	+33.3pp	-11.8%	6.8%	-	+18.6pp
Domestic Administrative OS	10.2%	34.6%	-	+24.4pp	9.3%	30.7%	-	+21.4pp
Domestic Recruiting and Placing	53.2%	54.3%	-	+1.1pp	46.6%	50.2%	-	+3.6pp
Overseas Engineering OS	7.8%	2.7%	-	- 5.1pp	8.5%	3.7%	-	- 4.8pp
Overseas Manufacturing and Service Operations OS	1.2%	6.1%	-	+4.9pp	-0.0%	3.8%	-	+3.8pp
Other	13.3%	-7.9%	-	- 21.2pp	11.0%	0.4%	-	- 10.6pp
Adjustments	(220)	(1,426)	(1,206)	-	(583)	(2,748)	(2,165)	-
Operating income	**871**	**925**	**55**	**6.3%**	**1,808**	**2,157**	**349**	**19.3%**
Operating income margin	**4.2%**	**2.6%**	**-**	**- 1.6pp**	**3.2%**	**2.3%**	**-**	**- 0.9pp**
No. of worksite employees at term-end	**No. of Employees**	**No. of Employees**	**Changed No.**	**Ratio**	**No. of Employees**	**No. of Employees**	**Changed No.**	**Ratio**
Domestic Engineering OS	4,450	5,844	1,394	31.3%	4,450	5,844	1,394	31.3%
[Utilization rate for Domestic Engineering OS]	98.4%	98.3%	-	- 0.1pp	98.4%	98.3%	-	- 0.1pp
Domestic Manufacturing OS	7,142	9,033	1,891	26.5%	7,142	9,033	1,891	26.5%
Domestic Service Operations OS	840	1,557	717	85.4%	840	1,557	717	85.4%
Overseas Engineering OS	815	1,787	972	119.3%	815	1,787	972	119.3%
Overseas Manufacturing and Service Operations OS	10,632	22,097	11,465	107.8%	10,632	22,097	11,465	107.8%

Source: Compiled by Trias Corporation from the Company IR materials

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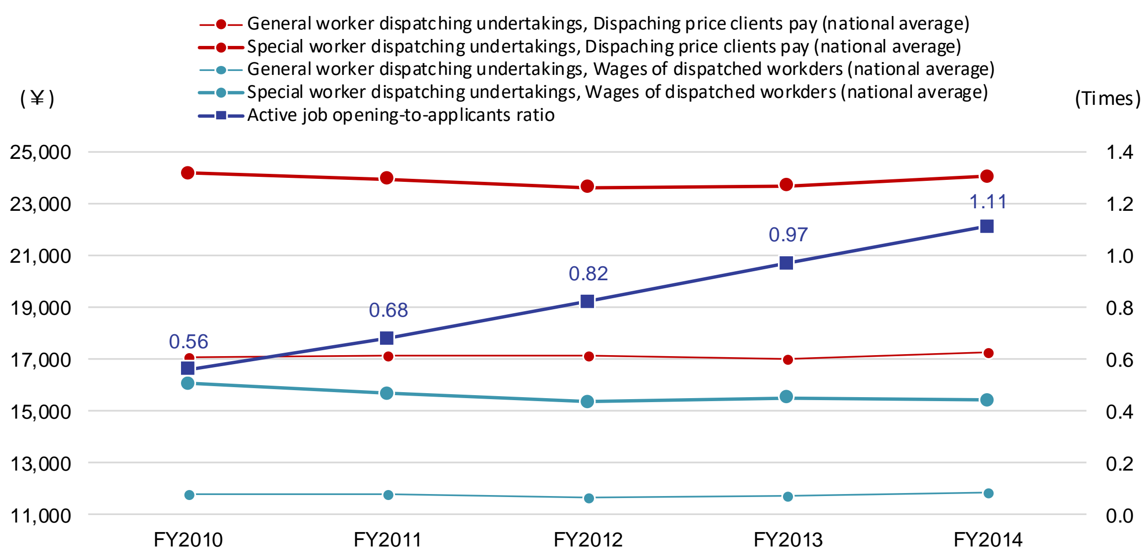
The Q3 consolidation adjustment, a negative factor against the overall consolidated profit, increased to ¥2,748 million from ¥583 million in the same period for the last fiscal year. The increase is largely broken down to amortization of goodwill ¥1,730 million and one-time booking of M&A expenses of ¥903 million.

The first nine months enjoyed continued growth and better profitability as tight labor markets helped elevate dispatch prices to clients. Overseas businesses also grew rapidly as newly consolidated companies contributed through M&A deals. For a reference, medium-term trends of domestic labor market are displayed in [Graph 1].

●[Graph 1] Medium-Term Trends of Domestic Labor Market (FY2010-FY2014)



Source: Compiled by Trias Corporation from FY2010-FY2014 aggregation results of business reports on Worker Dispatching Undertaking by the Ministry of Health, Labour and Walfare

The Company's largest operation Domestic Engineering Outsourcing Business continued to grow nicely with net sales jumping by 28.3% YoY and pre-adjusted operating income expanding by 27.7%. Pre-adjusted operating income margin, nominally flat at 6.7% from a year earlier, in fact appears widening. This was because Domestic and Overseas Engineering Business units started engaging in holding company functions. The reason behind is that these two units are now able to afford relevant part of M&A related administration expenses which were previously concentrated mostly in Domestic Manufacturing Outsourcing Business (*1). Nonetheless, the segment operating income margin for the Q3 alone rose to 8.8% from 7.3% in the same period for the last fiscal year and 6.4% in this Q2 (April-June).

(*1) Most costs incurred from head office functions as well as investments for company-wide growth had been heavily allocated to Domestic Manufacturing Outsourcing Business as the segment was the Company's mainstay up until recently. However, these costs are now allocated more proportionately to each of Domestic Engineering Outsourcing Business and Overseas Engineering Outsourcing Business as the two segments grew enough to share more reasonable burdens.

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By client industry, IT-related net sales (34% of the segment net sales) grew sharply by 38% YoY, Transport Equipment-related (26%) by 22% YoY and Electrical & Electronics-related (17%) by 32% YoY. As for Construction & Plant-related, a key focus sector for the Company alongside IT-related, net sales grew handsomely by 18% YoY even after the M&A effects run its course.

The number of worksite employees for Domestic Engineering Outsourcing Business reached 5,844 at the end of September, increasing by 31% YoY from 4,450 a year earlier. The utilization rate during the Q3 FY12/16 quarter was running at 98.3%, or nearly full capacity. The Company's Career Change Scheme (*2), from the manufacturing to engineering works, has been making solid progress since its earnest implementation from FY12/15, with cumulative 545 individuals already assigned at the Q3 end, increasing from 370 at the end of the last fiscal year.

(*2) This initiative carefully selects individuals working at manufacturing worksites and converts them, with the consent of each, to engineering works based on suitability and abilities of the person by using the Group's proprietary training programs for their skill-ups. Internal recruitment through the career change scheme contributes not only to higher sales, but also helps restrain recruiting expenses. When using external recruitment media, recruiting expenses per person for engineers are typically over ¥600,000, while for manufacturing jobs only requiring roughly ¥160,000, according to the Company.

For Domestic Manufacturing Business, net sales increased by 15.1% YoY, and as a result of pre-adjusted operating income soaring 54.3% YoY, its operating income margin jumped from 2.3% a year before to 3.1%. Solid growth in the PEO Business (*3), a relatively new HR utilization scheme which the Group has been devoting efforts to, and aforementioned transfers of M&A related administration expenses to other segments contributed to the better profitability. Looking at the Q3 alone, however, the income margin declined to 2.3% from 3.5% for Q3 FY12/15 and 4.4% for Q2 FY12/16 due to increased expenses for vigorous M&A activities and mass hiring of worksite employees in the quarter.

(*3) The Company has been refraining from sales activities for traditional manufacturing dispatching business. Reasons for this include: demand is very volatile as clients request rapid response to their production ramps for new models, contract unit prices are over 20% lower than those for engineering work dispatching, and using external media incurs high recruiting expenses. As an alternative, the Company is devoting its efforts to the PEO Scheme, which attempts to hire fixed-term contract employees of client makers, whose contracts will soon be expired, as regular employees of PEO Co., Ltd., and later lease them back to makers participating in the Scheme. Since many of the OS Group's maker clients must comply with the Labor Contract Act from April 2018 onward which demands these companies to hire fixed-term contract employees with over 5-year consecutive employment as regular employees, many are taking a positive stance to the Scheme.

The number of worksite employees for the segment increased sharply to 9,033 at Q3 end FY12/16 from 7,482 at Q2 end FY12/16. Newly consolidated OS Partners and an increase in PEO employees largely explain this rise. The number of employees enrolled at PEO accelerated to 4,825 from 3,024 at FY12/15 end and 4,063 at Q2 end FY12/16, now accounting for more than a half of the whole worksite employees for Domestic Manufacturing Outsourcing Business. Recruitment media expenses are not necessary for this hiring scheme, and higher dispatching contract unit prices have been leading to improved profitability. The number of makers participating in this scheme continued to grow, up from

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158 at FY12/15 end to 202 at Q3 end FY12/16.

By client industry, Transport Equipment-related net sales (38% of the segment net sales) grew by healthy 11% YoY and Electrical & Electronics-related (31%), largely for auto batteries, jumped by 21% YoY thanks partly to the addition of OS Partners.

In 2016, some makers were obliged to suspend production due to large-scale earthquakes and fires, impacts from these proved to be minor for the Company. This should be attributable to its tireless efforts in diversifying business arenas.

Overseas businesses expanded rapidly mainly from the new contributions from M&A deals realized from FY12/15 to FY12/16. For Overseas Engineering Outsourcing Business, net sales skyrocketed by 12 times to ¥14,512 million from ¥1,172 for the same period of the last fiscal year. This is thanks to full contributions from BLUEFIN RESOURCES Group (Australia, hereafter "BLUEFIN") and NTRINSIC Group (UK and Europe, hereafter "NTRINSIC") both acquired in August 2015, and new additions of JBW/CDL (UK) and part of Beddison (Australia) in April 2016 onward. Pre-adjusted operating income for the segment expanded notably from ¥100 million to ¥535 million.

However, both net sales and operating income were dented by forex rates as the yen appreciated markedly against the GBP and the AUD during the period. Three-month segment net sales for Q2 and Q3 quarters decreased from ¥6,120 million to ¥5,992 million. Meanwhile, pre-adjusted operating income declined from ¥283 million to ¥163 million. However, this is just forex losses for the purpose of consolidated accounting and the Company notes every overseas subsidiary has been faring well on the local currency basis.

Meanwhile, Overseas Manufacturing and Service Operations Outsourcing Business saw net sales jumping by 2.1 times and pre-adjusted operating income turning from a loss of ¥1 million into a large profit of ¥786 million, accounting for most significant 31% of an increase in the whole pre-adjusted operating income. New earnings contributions were added from Expro Group (Chile, hereafter "Expro") acquired at the end of FY12/15, Beddison's service-oriented operations and HRS (Malaysia), consolidated from April and May 2016, respectively and then ALC and Liberata joining from August. In terms of earnings contributions, ALC and Liberata appear significant as the quarterly segment operating income soared from ¥191 million in Q2 to ¥541 million in Q3.

For Domestic Service Operations Outsourcing Business, a newly disclosed segment from FY12/16, net sales for Q3 increased from ¥545 million in the same period of the last fiscal year to ¥2,455 million, and although not yet significant in light of the overall performance, the segment is seen to achieve high growth going forward. Pre-adjusted operating income/loss turned from a loss of ¥65 million to a profit of ¥167 million. On a quarterly basis, the segment has turned into a profit in the Q2 and since been

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tracking growth trajectory. In Q2 FY12/16, expenses had been up front in the start-up phases of dispatching and sub-contracting businesses for welfare facilities within Okinawa US military bases which started from FY12/15 as well as in the outsourcing business dispatching convenience store clerks.

As [Table 5] shows, major contributions by segment to the operating income growth were: Overseas Manufacturing and Service Operations Outsourcing Business (31.3% of the YoY increment of the pre-adjusted operating income), Overseas Engineering Outsourcing Business and Domestic Engineering Outsourcing Business (17.3% and 16.9%, respectively) and Domestic Manufacturing Outsourcing Business (10.6%). The two overseas segments drove overall income growth, with aggregate operating income before adjustments increasing by ¥1,222 million, which accounted for 48.6% of the total increase of ¥2,514 million.

●[Table 5] Q3 FY12/16 Summary of Earnings Contribution Ratio by Operating Segment

(¥ million)	FY12/15 3Q YTD	FY12/16 3Q YTD	YoY Changes	Earnings Contribution Ratio
Net sales				
Domestic Engineering Outsourcing (OS)	22,790	29,234	6,444	17.4%
Domestic Manufacturing OS	21,217	24,417	3,200	8.7%
Domestic Service Operations OS	545	2,455	1,910	5.2%
Domestic Administrative OS	416	619	203	0.6%
Domestic Recruiting and Placing	599	1,011	412	1.1%
Domestic Business net sales total	**45,566**	**57,735**	**12,169**	**32.9%**
Overseas Engineering OS	1,172	14,512	13,340	36.1%
Overseas Manufacturing and Service Operations OS	9,665	20,713	11,047	29.9%
Overseas Business net sales total	**10,838**	**35,225**	**24,387**	**66.0%**
Other	118	495	377	1.0%
Net sales total	**56,522**	**93,455**	**36,934**	**100.0%**
Consolidated operating income before adjustments				
Domestic Engineering OS	1,535	1,959	424	16.9%
Domestic Manufacturing OS	492	759	267	10.6%
Domestic Service Operations OS	(65)	167	232	9.2%
Domestic Administrative OS	38	190	151	6.0%
Domestic Recruiting and Placing	279	507	228	9.1%
Domestic Business operating income total	**2,280**	**3,583**	**1,303**	**51.8%**
Overseas Engineering OS	100	535	435	17.3%
Overseas Manufacturing and Service Operations OS	(1)	786	787	31.3%
Overseas Business operating income total	**99**	**1,321**	**1,222**	**48.6%**
Other	13	2	(11)	-0.4%
Consolidated operating income before adjustments total	**2,391**	**4,905**	**2,514**	**100.0%**

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

✓ **Full-year downward revisions: largely due to additional M&A expenses burdens since August**

Full-year forecasts by operating segment are shown in [Table 6] on page 12. Distinct changes from

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April 28 forecasts are: (i) Consolidated income adjustment expanded from negative ¥2,353 million to negative ¥4,326 million, (ii) operating income for Domestic Manufacturing Outsourcing Business was cut by roughly ¥600 million, and (iii) net sales for Domestic Service Operations Outsourcing Business were reduced by about ¥1.4 billion.

Of these, (i) and (ii) are, as have been mentioned, explained by the additional expenses caused by new M&A activities taken into account. The reason for (iii) is that the M&A for American Engineer Corporation (hereafter "AEC") announced on August 4, 2016 was almost settled.

AEC offers air-conditioner and other electrical works, repair and maintenance works for military facilities and corresponding services to US military bases in Japan. Initially, OS Group was planning to add these new operations from scratch to its existing businesses for Okinawa US bases. However, it now finds little need for its own spending as the M&A terms were mostly settled for AEC which already has qualifications, permissions and enough staffs strictly required for the operations. The downward revision for segment net sales this time reflects the slash in the relevant sales. Little need for above-mentioned new investments should lead to better cost structures, the effects of which have already been apparent as Q3 quarterly operating income for the segment grew sharply to ¥218 million from ¥14 million in Q2 FY12/16.

Business trends in major operating segments are summarized below.

For Domestic Engineering Outsourcing Business, net sales and pre-adjusted operating income are expected to grow identically by 26.5%. Year-over-year growth rate in net sales in 2H FY12/16 should be similar to that of this 1H and profits should accelerate further towards 2H thanks to economies of scale. Domestic Manufacturing Outsourcing Business looks for net sales up 15.8% YoY, and pre-adjusted operating income up 16.8% with its income margin expected to remain almost flat at 3.5% from a year before. Better income margins for real operations thanks largely to PEO effects would be offset by aforementioned M&A related burdens.

For Domestic Service Operations Outsourcing Business, net sales are forecasted to grow roughly 3.2 times, from ¥1,083 million in FY12/15 to ¥3,487 million, and pre-adjusted operating income/loss should turn from a loss of ¥82 million in FY12/15 into a profit of ¥264 million. The segment should enjoy a solid income growth in 2H FY12/16 partly due to the aforementioned lighter upfront investments, after posting its first profit in the Q2 FY12/16. The Company is looking for seemingly conservative operating income at ¥97 million for this Q4 alone, it could be comparable to the Q3 quarterly level (¥218 million).

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●[Table 6] Revised FY12/16 Forecasts by Operating Segment

(¥ million)	FY12/15	FY12/16	FY12/16		FY12/16		
	Full-Year Actual	Full-Year Forecasts As of Dec. 14	Full-Year Changes Amount	Full-Year Changes Ratio	Full-Year Forecasts As of Apr. 28	Full-Year Revised Amount	Full-Year Revised Ratio
Net sales	**80,861**	**132,500**	**51,639**	**63.9%**	**134,000**	**(1,500)**	**-1.1%**
Domestic Engineering Outsourcing (OS)	31,553	39,909	8,356	26.5%	40,156	(247)	-0.6%
Domestic Manufacturing OS	29,468	34,131	4,663	15.8%	33,572	559	1.7%
Domestic Service Operations OS	1,083	3,487	2,404	221.9%	4,841	(1,354)	-28.0%
Domestic Administrative OS	537	854	317	59.0%	858	(4)	-0.5%
Domestic Recruiting and Placing	872	1,470	598	68.6%	1,351	119	8.8%
Overseas Engineering OS	3,832	21,171	17,339	452.4%	20,986	185	0.9%
Overseas Manufacturing and Service Operations OS	13,349	30,880	17,531	131.3%	31,410	(530)	-1.7%
Other	166	598	432	260.7%	825	(227)	-27.5%
Operating income before adjustments	**4,046**	**7,626**	**3,580**	**88.5%**	**7,753**	**(127)**	**-1.6%**
Domestic Engineering OS	2,398	3,034	636	26.5%	2,927	107	3.7%
Domestic Manufacturing OS	1,010	1,180	170	16.8%	1,761	(581)	-33.0%
Domestic Service Operations OS	(82)	264	346	-	203	61	30.0%
Domestic Administrative OS	56	280	224	399.8%	268	12	4.5%
Domestic Recruiting and Placing	413	719	306	74.0%	458	261	57.0%
Overseas Engineering OS	183	788	605	331.2%	1,051	(263)	-25.0%
Overseas Manufacturing and Service Operations OS	53	1,359	1,306	2463.8%	1,059	300	28.3%
Other	14	2	(12)	-85.8%	26	(24)	-92.3%
Operating income margin before adjustments	**5.0%**	**5.8%**	**-**	**+0.8pp**	**5.8%**	**-**	**- 0.0pp**
Domestic Engineering OS	7.6%	7.6%	-	+0.0pp	7.3%	-	+0.3pp
Domestic Manufacturing OS	3.4%	3.5%	-	+0.1pp	5.2%	-	- 1.7pp
Domestic Service Operations OS	-7.6%	7.6%	-	+15.2pp	4.2%	-	+3.4pp
Domestic Administrative OS	10.4%	32.8%	-	+22.4pp	31.2%	-	+1.6pp
Domestic Recruiting and Placing	47.4%	48.9%	-	+1.5pp	33.9%	-	+15.0pp
Overseas Engineering OS	4.8%	3.7%	-	- 1.1pp	5.0%	-	- 1.3pp
Overseas Manufacturing and Service Operations OS	0.4%	4.4%	-	+4.0pp	3.4%	-	+1.0pp
Other	8.5%	0.3%	-	- 8.2pp	3.2%	-	- 2.9pp
Adjustments	(920)	(4,326)	(3,406)	-	(2,353)	(1,973)	-
Operating income	**3,125**	**3,300**	**175**	**5.6%**	**5,400**	**(2,100)**	**-38.9%**
Operating income margin	**3.9%**	**2.5%**	**-**	**- 1.4pp**	**4.0%**	-	- 1.5pp
No. of worksite employees at term-end	**No. of Employees**	**No. of Employees**	**Changed No.**	**Changes Ratio**	**No. of Employees**	**Revised No.**	**Revised Ratio**
Domestic Engineering OS	4,742	5,891	1,149	24.2%	6,014	(123)	-2.0%
[Utilization rate for Domestic Engineering OS]	98.4%	-	-	-	-	-	-
Domestic Manufacturing OS	7,463	9,104	1,641	22.0%	10,262	(1,158)	-11.3%
Domestic Service Operations OS	1,671	1,640	(31)	-1.9%	2,952	(1,312)	-44.4%
Overseas Engineering OS	895	1,826	931	104.0%	1,851	(25)	-1.4%
Overseas Manufacturing and Service Operations OS	14,644	23,089	8,445	57.7%	27,766	(4,677)	-16.8%

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

Overseas Engineering Outsourcing Business should see net sales increasing by roughly 5.5 times YoY, and pre-adjusted operating income by about 4.3 times YoY, from ¥183 million to ¥788 million. Pre-adjusted operating income margin would erode from 4.8% a year ago to 3.7%, hit by forex losses expected mainly in 2H FY12/16. Nonetheless, the segment will perform notably as consolidation periods for 2 groups including BLUEFIN extends from only 4 months in FY12/15 to 12 months in

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FY12/16 as well as additions of Beddison's engineering outsourcing units and JBW/CDL newly contribute from April 2016.

Overseas Manufacturing and Service Operations Outsourcing Business is expected to drive its net sales by about 2.3 times to ¥30,880 million, nearly catching up with those for Domestic Manufacturing Outsourcing Business. The segment's pre-adjusted operating income is forecasted to soar from ¥53 million of the last fiscal year to ¥1,359 million. Newly added are consolidations of Expro in the last fiscal year and 4 groups including Beddison, ALC and Liberata this fiscal year. In particular, strong contributions are expected from Beddison to net sales and both ALC and Liberata to incomes. Pre-adjusted operating income margin for the segment should be rising substantially from 0.4% of the last fiscal year to 4.4%.

These two overseas segments are forecasted to add to roughly ¥52.0 billion in net sales and about ¥2.1 billion in pre-adjusted operating income, leading overseas compositions to 39% and 28% each of overall consolidated performance, up markedly from respective 21% and 6 % for the last fiscal year.

Forecasts for earnings contribution ratios by operating segment are shown in [Table 7] on page 14. Majority of contributions to the ¥3,580 million surges in the overall pre-adjusted income should be attributable to ¥1,306 million from Overseas Manufacturing and Service Operations Outsourcing Business and respective ¥636 million and ¥605 million from Domestic Engineering Outsourcing Business and Overseas Engineering Outsourcing Business. Other key segments should also see incomes growing by ¥200-300 million. For overseas businesses, new contributions from M&A deals are major factors, and for domestic businesses, the OS Group’s proprietary PEO Scheme should support income growth on top of ongoing brisk demand for workforce.

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●[Table 7] Q3 FY12/16 Forecasts of Earnings Contribution Ratio by Operating Segment

(¥ million)	FY12/15 Full-Year Actual	FY12/16 Full-Year Forecasts As of Dec. 14	YoY Changes	Earnings Contribution Ratio
Net sales				
Domestic Engineering Outsourcing (OS)	31,553	39,909	8,356	16.2%
Domestic Manufacturing OS	29,468	34,131	4,663	9.0%
Domestic Service Operations OS	1,083	3,487	2,404	4.7%
Domestic Administrative OS	537	854	317	0.6%
Domestic Recruiting and Placing	872	1,470	598	1.2%
Domestic Business net sales total	**63,513**	**79,851**	**16,338**	**31.6%**
Overseas Engineering OS	3,832	21,171	17,339	33.6%
Overseas Manufacturing and Service Operations OS	13,349	30,880	17,531	33.9%
Overseas Business net sales total	**17,182**	**52,051**	**34,869**	**67.5%**
Other	166	598	432	0.8%
Net sales total	**80,861**	**132,500**	**51,639**	**100.0%**
Consolidated operating income before adjustments				
Domestic Engineering OS	2,398	3,034	636	17.8%
Domestic Manufacturing OS	1,010	1,180	170	4.7%
Domestic Service Operations OS	(82)	264	346	9.7%
Domestic Administrative OS	56	280	224	6.3%
Domestic Recruiting and Placing	413	719	306	8.5%
Domestic Business operating income total	**3,796**	**5,477**	**1,681**	**47.0%**
Overseas Engineering OS	183	788	605	16.9%
Overseas Manufacturing and Service Operations OS	53	1,359	1,306	36.5%
Overseas Business operating income total	**236**	**2,147**	**1,911**	**53.4%**
Other	14	2	(12)	-0.3%
Consolidated operating income before adjustments total	**4,046**	**7,626**	**3,580**	**100.0%**

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

On the other hand, numerical targets for the Company's Medium-Term Management Plan “VISION 2020,” which was announced on July 29, 2016, were also partly revised as in [Table 8] on page 15. This also reflects upcoming new consolidations of AEC and Orizon Holding GmbH (hereafter "Orizon") which are summarized in [Table 9] on page 16. These two subsidiaries will be contributing from FY12/17. In the revised Plan, now revised upward are net sales and EBITDA for both Domestic Service Operations Outsourcing Business and Overseas Manufacturing and Service Operations Outsourcing Business thanks to the additions of AEC and Orizon, respectively.

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● [Table 8] The New Medium-Term Management Plan "Vision 2020: Tackling New Frontiers"

(¥ billion)	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20	Composition Ratio FY12/16	Composition Ratio FY12/20	FY12/16-FY12/20 CAGR
Consolidated net sales	**132.5**	**201.0**	**274.0**	**346.0**	**441.0**	**100.0%**	**100.0%**	**35.1%**
Domestic Engineering Outsourcing Business	39.9	48.0	62.0	75.0	97.0	**30.1%**	**22.0%**	24.9%
Domestic Manufacturing Outsourcing Business	34.1	47.0	59.0	72.0	88.0	**25.7%**	**20.0%**	26.7%
Domestic Service Operations Outsourcing Business	3.4	12.5	20.0	25.0	38.0	**2.6%**	**8.6%**	82.8%
Overseas Engineering Outsourcing Business	21.1	23.5	34.0	59.0	83.0	**15.9%**	**18.8%**	40.8%
Overseas Manufacturing and Service Operations Outsourcing Business	30.8	67.1	95.5	110.0	129.0	**23.2%**	**29.3%**	43.1%
Other Business Total	3.2	2.9	3.5	5.0	6.0	**2.4%**	**1.4%**	17.0%
EBITDA	**7.0**	**12.4**	**17.5**	**23.6**	**34.4**			**48.9%**
EBITDA margin	*5.3%*	*6.2%*	*6.4%*	*6.8%*	*7.8%*			

Source: Compiled by Trias Corporation from the Company's Medium-Term Management Plan materials
Note:IRFS based

In order to achieve the targets for the Plan, the Company has been entering into new fields in advance which are involved in different cylcles from those in manufacturing sectors and/or resilient to economic cycles or environmental changes, chiefly through M&A deals. In FY12/16, it expanded businesses vigorously through M&A deals shown in [Table 10] through [Table 12] on page 17 to 18 while its borrowings increased accordingly. At Q3 end FY12/16, interest-bearing debt amounted to roughly ¥37.8 billion and eauity ratio dropped to 12.4%.

Topic: Overview of Two Companies Newly Consolidated from FY12/17

The Company has been vigorously continuing M&A activities chiefly overseas as has been discussed so far. After it brought 3 groups under its umbrella such as in Australia and Europe in FY12/15, it realized totally 7 deals out of 9 ones announcement and consolidated 6 companies in FY12/16. Majority of these M&A companies are brainpower offering advanced know-how and technologies. These are in a sense highly value-added service operations, or very different compared to the Company's legacy businesses which mainly offer labor centric outsourcing services to manufacturing and services industries. This would be viewed that the Company are now entering into new business models, including its now acquiring broader client bases with solid demand such as public institutions and US forces.

[Table 9] on page 16 overviews AEC and Orizon to be newly consolidated from FY12/17. In addition, major M&A deals already completed in FY12/15 and 1H FY12/16 are shown in [Table 11] and [Table 12] on page 18 (details on these 6 groups are found in our IRTV reports dated on July 19 and September 29, 2016).

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●[Table 9] Summary of AEC and Orizon

	AMERICAN ENGINEERING CORPORATION	Orizon Holding GmbH
Date of Announcement	August 4, 2016	December 14, 2016
Major Operation Region	Japan	Germany
Business Scale	Net Sales: ¥10.6 billion (FY12/15)	Net Sales: ¥31.9 billion (FY12/15: unaudited)
Major Businesses	・Provides maintenance and repair work services for military facilities, and incidental services provided at US bases in Japan ・Develop busines in 5 bases: Okinawa, Tokyo, Misawa, Iwakuni and Sasebo	・The eighth largest staffing company in Germany ・Strong in the mechanical engineering, aviation and medical sectors. It focuses on the mid-sized segment and has a broad range of client base and wide network coverage mainly in the southern part of Germany.
Consolidated Segment	Domestic Service Operations Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business
Investment Stake (%)	100%	100%
Investment (including M&A expenses)	￥8,142 million	￥9,789 million
Consolidation Date	April 2017 (planned)	January 2017

Source: Compiled by Trias Corporation from related websites for each company and information from Outsourcing Inc., Conversion rate is EUR 1=JPY 120

The acquisition of AEC, after being disclosed on August 4, is planned to complete at the end of March 2017 and its consolidation will start from the following April. As was mentioned earlier, the subsidiary offers electrical works, repair and maintenance works as well as accompanied services to US military bases in Japan and is a US entity registered in Delaware, USA. Currently it operates 5 offices in Japan as shown in the table. The acquisition of AEC should allow OS Group to significantly broaden operations for US bases, adding to the ongoing operations of staff outsourcing services for mainly welfare facilities at US Kadena Base in Okinawa. Performance of AEC for FY12/15 indicated net sales at roughly ¥10.6 billion and operating income about ¥170 million, which would be greatly contributing to the Company's Domestic Service Operations Outsourcing Business (FY12/16 segment forecasts: net sales roughly ¥3.5 billion, operating income ¥260 million).

On the other hand, Orizon, whose M&A were announced on December 14, 2016, is a leading staffing service company in Germany and its expertise lies in dispatching operations mainly for manufacturing sectors including machinery, air crafts and medicines. It will be a sub-subsidiary as it is under the control of a local subsidiary holding company set up in August 2016. For FY12/15, net sales were reported at €266 million (roughly ¥31.9 billion at a conversion rate of €1 = ¥120) and operating income at €12 million (roughly ¥1.5 billion). It is planned to be consolidated from January 2017, according to the Company.

Growth potentials of these two companies are expected to be significant. AEC, being a US entity, could be a crucial beachhead going forward for the Group to expand operations to US bases located at Pacific Rim regions other than Japan. Orizon, meanwhile, will be the first manufacturing outsourcing

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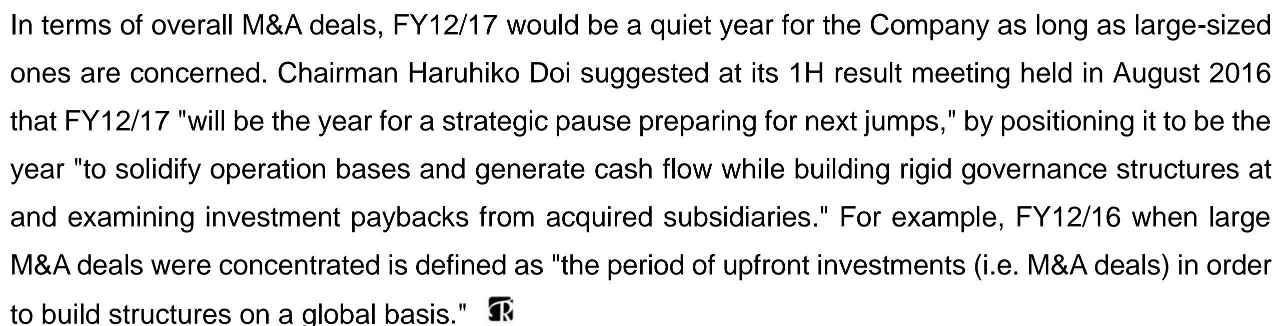
operation in Europe for the Group. It currently has broad client bases mainly in the southern German regions and, by positioning it as a pivot in Europe, the Group aims to enter into other European nations such as in East Europe where manufacturing industries are prospering.



In terms of overall M&A deals, FY12/17 would be a quiet year for the Company as long as large-sized ones are concerned. Chairman Haruhiko Doi suggested at its 1H result meeting held in August 2016 that FY12/17 "will be the year for a strategic pause preparing for next jumps," by positioning it to be the year "to solidify operation bases and generate cash flow while building rigid governance structures at and examining investment paybacks from acquired subsidiaries." For example, FY12/16 when large M&A deals were concentrated is defined as "the period of upfront investments (i.e. M&A deals) in order to build structures on a global basis."

●[Table 10] Summary of 2 UK Companies' M&A Deal (announced on July 29, 2016)

	Allen Lane Consultancy Limited	Liberata UK Limited
Date of Announcement	July 29, 2016	
Major Operation Region	the U.K.	
Business Scale (est.)	Net Sales: ¥2.2 billion (FY05/16)	Net Sales: ¥9.2 billion (FY12/15)
Major Businesses	･Provides accounting, account settlement, business process improvement and project management operations to all branches of the UK government .Engages in high-end operations by specialized accountant-operated outsourcing services ･Provides advisory service on critical decision-making to the central government including outsourcing operations and selling its department to the private sector	･Develops managed service (BPS:Business Process Services) including BPO (Business Processing Outsourcing) business and operation process optimization services (BPA: Business Process Automation) ･More than 1,400 staff members in 11 offices in the U.K. provide services for over 400 projects, accounts for roughly 70% of the local governments
Consolidated Segment	Overseas Manufacturing and Service Operations Outsourcing Business	
Investment Stake (%)	65%	100%
Investment (including M&A expenses)	Total ¥12,460 million	
Consolidation Date	August 2016	

Source: Compiled by Trias Corporation from related websites for each company and information from Outsourcing Inc., Conversion rate is GBP 1=JPY 133.

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●[Table 11] Summary of Overseas M&A Deals Implemented in April 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 state government institutions	・JBW provides agency debt collection services for unpaid claims and legal enforcement services for the U.K. central government and local governments in England and Wales, and it ranks third in the industry, sustaintially ・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/ 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 12] Summary of Overseas M&A Deals Implemented in December 2015

	BLUEFIN RESOURCES Group	NTRINSIC Group	Expro Group
Date of Announcement	August 6, 2015	August 25, 2015	November 30, 2015
Major Operation Region	Australia	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
Consolidation Date	September 2015	September 2015	December 2015

*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

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References

●Consolidated Key Financial Data

No. of Shares Issued	Jun-16	17,430,700	Total Assets (¥mn)	Jun-16	49,857
No. of Treasury Shares	Jun-16	51	Shareholders' Equity (¥mn)	Jun-16	9,325
Market Value (¥mn)	1-Feb-17	64,580	Interest-Bearing Debt (¥mn)	Jun-16	(*) 21,448
BPS (¥)	Jun-16	535.00	Equity Ratio (%)	Jun-16	18.7
ROE (%)	Dec-15	19.5	Ratio of Interest-Bearing Debt (%)	Jun-16	230.0
ROA (%)	Dec-15	5.9	Free Cash Flows (¥mn)	Jun-16	(5,872)
PER (times) FY12/16 fcst.	1-Feb-17	26.9			
PCFR (times) Q2 FY12/16 actual	1-Feb-17	101.7			
PBR (times) Q2 FY12/16 actual	1-Feb-17	6.9			
Share Price (¥)	1-Feb-17	3,705			
Unit Share (shares)	1-Feb-17	100			
Average Daily Volume (shs)	1-Feb-17	300,369			

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 16-Sep-15 to 16-Sep-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

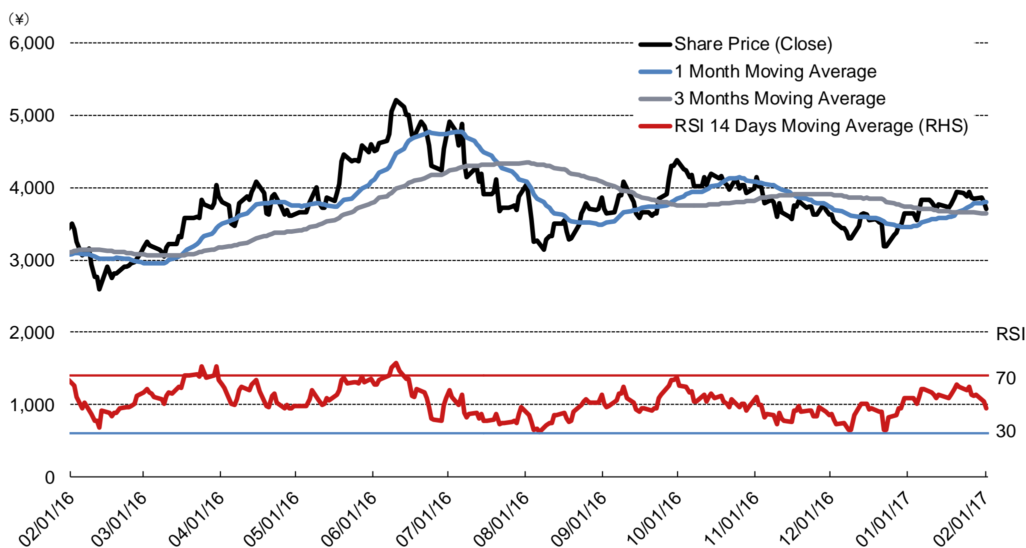
Note: The amounts shown are rounded off to the nearest million yen.

●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	1,317	89.81	35.00
FY12/15	80,860	3,125	3,224	1,810	110.15	35.00
FY12/16 1H	57,484	1,231	1,294	302	17.34	0.00
FY12/16 full year fcst.	132,500	3,700	3,300	350	20.04	42.00

Note 1: FY12/16 forecasts announced on December 14, 2016.
Note 2: The amounts shown are rounded off to the nearest million yen.

●Stock Price Charts and RSI (February 1, 2016 － February 1, 2017)



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

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