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OUTSOURCING Inc.

FY12/12 Business Results Follow-Up Interview

OUTSOURCING Inc., hereinafter the Company or OS Group, held its Q4 FY12/12 financial results meeting, and Trias Corporation conducted an interview with Chairman and CEO Haruhiko Doi. The following is a summary of that interview.

Summary of FY12/12 Consolidated Earnings Results

Consolidated full-term earnings results are shown in Table 1, with brisk double-digit growth in both net sales and operating income, recovering from the sharp decline in profits the previous fiscal year as a result of the negative impacts from the March 2011 disaster and Thailand flooding. Net sales rose 29.9% YoY, operating income rose 77.6% YoY, and net income rose 230.4 YoY. The operating income margin recovered from 1.7% to 2.4%, however this would have been 3.1% without the one-time charges of ¥300 million related to listing expense in Q1 and relocation expense of the head office from Shizuoka to Tokyo in Q1 and Q2.

●【Table 1】Q4 FY12/12 Consolidated Earnings Results Summary

(¥ million)	FY12/11	FY12/12	YoY Change	FY12/11 Q4	FY12/12 Q4	YoY Change
Net Sales	32,397	42,090	29.9%	9,565	10,962	14.6%
Gross Profit	6,738	8,472	25.7%	2,126	2,304	8.4%
SG&A Expenses	6,175	7,471	21.0%	1,706	1,840	7.9%
Operating Income	563	1,000	77.6%	421	464	10.2%
Ordinary Income	702	1,153	64.2%	444	523	17.8%
Net Income	194	641	230.4%	218	436	100.0%
[Ratio to Net Sales]						
Net Sales	100.0%	100.0%		100.0%	100.0%	
Gross Profit	20.8%	20.1%		22.2%	21.0%	
SG&A Expenses	19.1%	17.8%		17.8%	16.8%	
Operating Income	1.7%	2.4%		4.4%	4.2%	
Ordinary Income	2.2%	2.7%		4.6%	4.8%	
Net Income	0.6%	1.5%		2.3%	4.0%	

Source: Company financial statements, compiled by Trias Corporation

However, the Company was forced to revise down its full-term net sales by ¥4.2 billion (-9.0%) at 3Q results (Table 2 below) as a result of the Senkaku Islands territorial dispute escalating to a boycotting of Japanese products in China, negatively impacting the Transport Equipment sector. The Company estimates had factored in a slowdown following the expiration of Eco-car tax subsidies, however, this was something entirely different. Major automakers were forced to make drastic cuts in production, which resulted in the disappearance of not only orders for the normal autumn seasonal pickup, but also cancellation of various plans to deal with the 3-year term limit on use of temporary placement which had been anticipated.

●【Table 2】October 29 Downward Revision of FY12/12 Company Estimates

(¥ million)	FY12/12 Initial CE	FY12/12 Rev'd CE	Change Ratio	Change Amount	FY12/11 (ref.)
Net Sales	46,470	42,270	-9.0%	(4,200)	32,397
Operating Income	1,660	1,015	-38.9%	(645)	563
Ordinary Income	1,750	1,135	-35.1%	(615)	702
Net Income	875	535	-38.9%	(340)	194
EPS (¥)	60.63	37.07			13.48

Source: Company press release. Note: CE = Company Estimates

The impact on Q4 Production Outsourcing for Transport Equipment is shown in Table 3. The Company notes that 2H production tends to average roughly 20% higher than 1H with the normal autumn seasonal pickup boosted by new model launches etc, however in 2012, 2H Japan domestic vehicle production declined 10.5% HoH, and the Company's Transport Equipment Production Outsourcing sales declined 8.6% HoH. On a YoY basis, 4Q12 Transport Equipment Production Outsourcing sales declined 15.3% YoY, and the weight of Transport Equipment in Total Production Outsourcing declined from 35.7% to 26.0% (Table 3 below). We examine in detail the Company's response to rising volatility of production post-Lehman later in the Topics section. Suffice it to say that unexpected abrupt cancellations negatively impact efficiency and lower margins, the primary cause of the 4Q decline of the operating income margin YoY from 4.4% to 4.2%.

●【Table 3】Quarterly Seasonality of Transport Equipment Production Outsourcing Sales

(¥ million)	Q1		Q2		Q3		Q4	
	Net Sales	Ratio to Net Sales	**Net Sales**	Ratio to Net Sales	**Net Sales**	Ratio to Net Sales	**Net Sales**	Ratio to Net Sales
FY12/09	**465**	11.9%	**261**	7.4%	**751**	18.0%	**1,333**	23.9%
FY12/10	**1,564**	26.0%	**1,488**	23.8%	**1,826**	26.1%	**2,516**	32.4%
FY12/11	**2,511**	34.6%	**2,105**	29.5%	**2,714**	35.8%	**3,274**	35.7%
FY12/12	**3,199**	32.5%	**3,046**	30.7%	**2,936**	28.1%	**2,773**	26.0%

Source: Company financial statements, compiled by Trias Corporation

Note: Ratio to Net Sales = Transport Equiptment related sales / total sales from Proudction Outsourcing Business

Table 4 below summarizes the sales breakdown by industry of Production Outsourcing. **The noteworthy point is that despite the 15.3% 4Q decline in its largest sector Transport Equipment, total Production Outsourcing sales actually increased 16.3% YoY**. As can be seen from Table 4, the biggest drivers of the 31.3% YoY net increase of ¥9.7 billion in FY12/12 Production

Outsourcing were not the traditional sectors of autos and electronics (which accounted for 59.5% of the total in FY12/11), but rather new sectors not correlated with the busy/slack cycle, including 1) Metals/Building Materials, 2) IT/Software and 3) Overseas Outsourcing included in “Others”. These three sectors highlighted in orange below accounted for ¥9.2 billion, or 94.5% of the net increase in FY12/12, versus only 4.8% for the combined traditional sectors of autos and electronics.

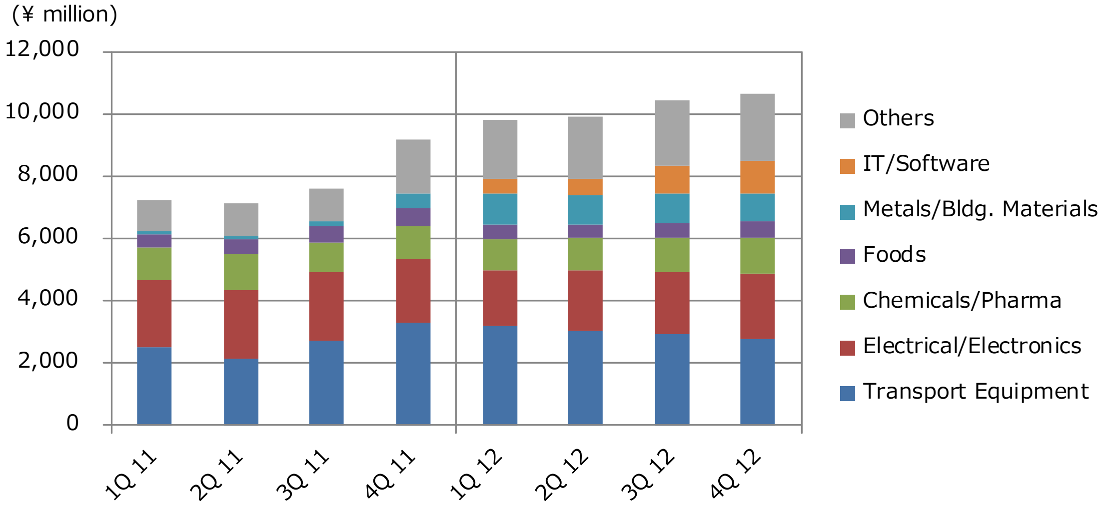
●【Table 4】Production Outsourcing Sales Breakdown by Industry

(¥ million)	FY12/11	FY12/12	YoY Change	FY12/11 Q4	FY12/12 Q4	YoY Change
Production Outsourcing	**31,146**	**40,895**	**31.3%**	**9,172**	**10,671**	**16.3%**
Transport Equipment	10,604	11,954	12.7%	3,274	2,773	-15.3%
Electrical/Electronics	8,668	7,782	-10.2%	2,058	2,069	0.5%
Chemicals/Pharma	4,174	4,396	5.3%	1,066	1,209	13.4%
Metals/Bldg. Materials	836	3,740	347.4%	467	872	86.7%
IT/Software	--	2,956	new	--	1,069	new
Foods	2,006	1,854	-7.6%	561	505	-10.0%
Others	4,855	8,211	69.1%	1,749	2,174	24.3%
[Ratio to Net Sales]						
Production Outsourcing	100.0%	100.0		100.0%	100.0%	
Transport Equipment	34.0%	29.2		35.7%	26.0%	
Electrical/Electronics	27.8%	19.0		22.4%	19.4%	
Chemicals/Pharma	13.4%	10.7		11.6%	11.3%	
Metals/Bldg. Materials	2.7%	9.1		5.1%	8.2%	
IT/Software	--	7.2		--	10.0%	
Foods	6.4%	4.5		6.1%	4.7%	
Others	15.6%	20.1		19.1%	20.4%	

Source: Company IR materials, compiled by Trias Corporation

Metals/Building Materials got a boost as disaster reconstruction work finally got underway, and the domestic building market continued its favorable trend. IT/Software is a new sector also separate from the domestic production cycle, and made a solid contribution driven by demand for IT and telecommunications infrastructure, network formation and installation outsourcing. Overseas business continues to expand rapidly, with the Vietnam JV established in March 2012 together with its local partner, acquiring the first human resources license of a Japanese production outsourcing firm. According to the Company, demand in Thailand and Vietnam has been particularly strong.

● [Graph 1] Metals/Building Materials, IT/Software and Others drove the net increase in FY12/12



Source: Company IR materials, compiled by Trias Corporation.

Table 5 shows results by operating segment. In addition to revenue growth in Domestic Production Outsourcing and Overseas Outsourcing, Administrative Operations Outsourcing posted a solid gain of +41.9% YoY. As mentioned earlier, the operating income margin for core Production Outsourcing posted a strong recovery after the negative impacts of the Mar-2011 disaster and Thailand flooding. The other noteworthy point on operating income is that the Overseas Outsourcing segment turned into the black from the 3Q: 1Q, -¥36 million, 2Q -¥38 million, 3Q ¥24 million and 4Q ¥13 million.

【Table 5】Q4 FY12/12 Consolidated Financial Results by Operating Segment

(¥ million)	FY12/11	FY12/12	YoY Change	FY12/11 Q4	FY12/12 Q4	YoY Change
Total Net Sales	**32,397**	**42,090**	**29.9%**	**9,565**	**10,962**	**14.6%**
Domestic Production OS	31,424	36,990	17.7%	9,010	9,556	6.1%
Admin. Operations OS	444	630	41.9%	140	168	20.0%
Recruitment Agency Services	668	438	-34.4%	219	86	-60.7%
Overseas Outsourcing	386	4,456	1054.4%	356	1,261	254.2%
Others	136	152	11.8%	34	37	8.8%
(internal transfers)	(667)	(581)		(196)	(147)	
[Ratio to Total Net Sales]						
Total Net Sales	100.0	100.0		100.0	100.0	
Domestic Production OS	97.0	87.9		94.2	87.2	
Admin. Operations OS	1.4	1.5		1.5	1.5	
Recruitment Agency Services	2.1	1.0		2.3	0.8	
Overseas Outsourcing	1.2	10.6		3.7	11.5	
Others	0.4	0.4		0.4	0.3	
(internal transfers)	-2.1	-1.4		-2.0	-1.3	
Total Operating Income	**563**	**1,000**	**77.6%**	**421**	**464**	**10.2%**
Domestic Production OS	351	778	121.7%	344	339	-1.5%
Admin. Operations OS	241	259	7.5%	59	64	8.5%
Recruitment Agency Services	150	137	-8.7%	75	56	-25.3%
Overseas Outsourcing	(54)	(38)	shrank	(24)	13	black
Others	0	8	--	2	0	--
(eliminations)	(125)	(148)		(35)	(9)	
[Ratio to Total Operating Income]						
Total Operating Income	100.0	100.0		100.0	100.0	
Domestic Production OS	62.3	77.8		81.7	73.1	
Admin. Operations OS	42.8	25.9		14.0	13.8	
Recruitment Agency Services	26.6	13.7		17.8	12.1	
Overseas Outsourcing	-9.6	-3.8		-5.7	2.8	
Others	0.0	0.8		0.5	0.0	
(eliminations)	-22.2	-14.8		-8.3	-1.9	

Source: Company IR materials, compiled by Trias Corporation; Note: Net sales for Administrative Operations Outsourcing and Recruitment Agency Services do not include worker salaries as in the case of Production Outsourcing.

FY12/13 Consolidated Financial Forecasts

The initial Company estimates for FY12/13 full-term consolidated earnings are shown in Table 6. According to the Company, the estimated ¥7.9 billion increase in net sales only incorporates an increased contribution from: 1) ¥1.9 billion from new industry sectors Building Operation and Management Engineer Temporary Placement Business and Home Appliance Maintenance and Repair Service Business; 2) ¥3.3 billion from IT/Software including M&A; and 3) ¥2.8 billion from Overseas Outsourcing. We look at each of these in more detail in the Topics section. In other words there is potential upside to the Company's sales forecast if the recovery in Transport Equipment Production Outsourcing momentum extends beyond the summer.

●【Table 6】FY12/13 Consolidated Financial Forecasts

(¥ million)	FY12/12 Actual	FY12/13 Initial CE	YoY Change	YoY Amount
Net Sales	42,090	50,000	18.8%	7,910
Operating Income	1,000	1,520	52.0%	520
Ordinary Income	1,153	1,590	37.9%	437
Net Income	641	1,000	56.0%	359
[Ratio to Net Sales]				
Net Sales	100.0%	100.0%		
Operating Income	2.4%	3.0%		
Ordinary Income	2.7%	3.2%		
Net Income	1.5%	2.0%		
EPS (¥)	44.46	69.29		
DPS (¥)	8.00	8.00		
BPS (¥)	283.24	--		

Source: Company financial statements, compiled by Trias Corporation
Note: CE = Company Estimate

The increase in the operating income margin includes the disappearance of one-time charges of ¥300 million last term, in addition to the increase in net sales and further review of SG&A expenses (discussed in the next section). Stripping out the ¥300 million from the estimated net increase of operating income, the operating income margin on the estimated net increase of net sales is roughly 2.8%. The point is that the estimated 52% YoY increase in operating income is mostly due to one-time charges dropping out. Table 7 gives an overview of the demand outlook by industry.

●【Table 7】 FY12/13 Production Outsourcing Order Outlook by Industry

Industrial Fields	FY12/13 Initial CE	Outsourcing Demand Outlook
Transport Equipment	+25-30%	Overseas firm, front-loading demand expected ahead of the consumption tax hike
Electrical/Electronics	+15-20%	Currently weak, but production to pick up from new product launches in the 2H
Chemicals/Pharma	+0-5%	Deregulation is supportive, but production is shifting overseas
Metals/Bldg. Materials	+20-30%	Disaster reconstruction, disaster provision, economic stimulus etc, overall firm
IT/Software	+20-30%	Disaster provision including relocation and system upgrades brisk, overall firm
Foods	+0-5%	Defensive sector, so no cyclical pickup
Others	+5-10%	Domestic racing industry is flat, but commercial car market is favorable
Bldg. Operation and Management Engineer Temporary Placement	**new**	**Demand growing from brisk conditions in the building industry**
Home Appliance Maint.	**new**	**Brisk demand from increasing repairs for imported appliances and consumer AV**

Source: Company IR materials. Note: CE = Company Estimate.

Table 8 below provides the Company forecasts by operating segment. The first point worth noting about net sales is the Company is only budgeting for a 12.5% increase in Domestic Production

Outsourcing, versus 62.7% growth in Overseas Outsourcing. According to the Company, Recruitment Agency Services is declining due to demand shifting back to main Production Outsourcing, and Administrative Operations Outsourcing is increasing sharply as the termination of temporary placement contracts following the Senkaku Islands dispute “reset the clock” after a 3-month cooling period, and many makers are looking at restarting temporary placement. The second point worth noting regarding operating income is Overseas Outsourcing turning sharply into the black on a full-term basis.

●【Table 8】FY12/13 Consolidated Forecasts by Operating Segment

(¥ million)	FY12/12 Actual	FY12/13 Initial CE	YoY Change Ratio	YoY Change Amount
Total Net Sales	**42,090**	**50,000**	**18.8%**	**7,910**
Domestic Production OS	36,990	41,598	12.5%	4,608
Admin. Operations OS	630	1,161	84.3%	531
Recruitment Agency Services	438	248	-43.4%	(190)
Overseas Outsourcing	4,456	7,250	62.7%	2,794
Others	152	190	25.0%	38
(internal transfers)	(581)	(449)		
[Ratio to Total Net Sales]				
Total Net Sales	**100.0%**	**100.0%**		**100.0%**
Domestic Production OS	87.9%	83.2%		58.3%
Admin. Operations OS	1.5%	2.3%		6.7%
Recruitment Agency Services	1.0%	0.5%		-2.4%
Overseas Outsourcing	10.6%	14.5%		35.3%
Others	0.4%	0.4%		0.5%
(internal transfers)	-1.4%	-0.9%		
Total Operating Income	**1,000**	**1,520**	**52.0%**	**520**
Domestic Production OS	778	1,018	30.8%	240
Admin. Operations OS	259	305	17.8%	46
Recruitment Agency Services	137	77	-43.8%	(60)
Overseas Outsourcing	(38)	270	in black	308
Others	8	14	75.0%	6
(eliminations)	(148)	(172)		
[Ratio to Total Operating Income]				
Total Operating Income	**100.0%**	**100.0%**		**100.0%**
Domestic Production OS	77.8%	67.0%		46.2%
Admin. Operations OS	25.9%	20.1%		8.8%
Recruitment Agency Services	13.7%	5.1%		-11.5%
Overseas Outsourcing	-3.8%	17.8%		59.2%
Others	0.8%	0.9%		1.2%
(eliminations)	-14.8%	-11.3%		

Source: Company financial statements, compiled by Trias Corporation.
Note: CE = Company Estimate.

TOPICS:

Diversification Driving Sustainable Growth: Focus Initiatives for FY12/13

The Company has recognized for some time that with the shift in production offshore continuing to progress, forming a sustainable growth strategy from traditional domestic production outsourcing alone is not possible. The Management has identified three key phenomena in the current operating environment that while challenging, offer the Company an opportunity to continue growing its market share:

- Rise in production volatility from declining value added of "Made in Japan"
- Ongoing growth of emerging markets including ASEAN
- Effect of changes in the legal and regulatory framework

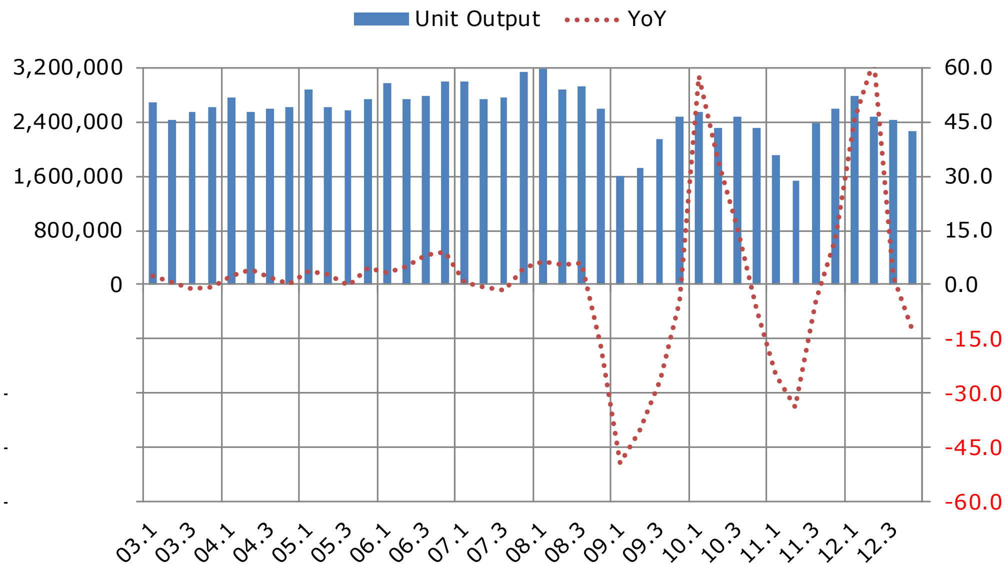
Key strategies to meet these changing needs of the operating environment are summarized below. We will look at each of these in more detail, however, first we review the current operating environment itself.

KEY STRATEGIES

1. **Raise efficiency in response to rising production volatility**
2. **Expand business in new fields not correlated with production and the busy/slack cycle**
3. **Strengthen efforts to implement globalization**
4. **Increase market share by leveraging group synergies to offer clients comprehensive solutions to changes in the legal and regulatory framework**

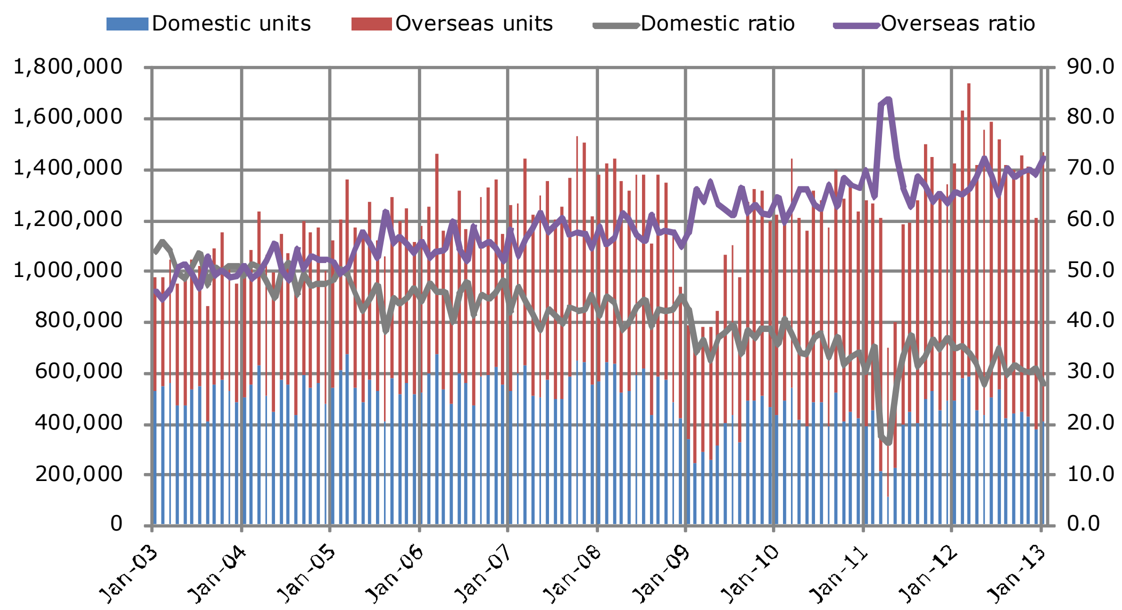
Following the collapse of Lehman Brothers in September 2008, global production went into a tailspin. Graph 4 below shows that between 2003 and 2008, Japan domestic automobile production was quite stable within a fairly narrow band. Post-Lehman, production volatility has risen sharply. Following the Lehman Crisis, there was the earthquake/tsunami in March 2011, Thailand flooding in October 2011, and most recently boycotting of Japanese goods in China from escalation of the Senkaku Islands issue in September 2012. This sharp rise in volatility has been a double-edged sword for production outsourcing firms. On the one hand there has been increased demand for use of production outsourcing by manufacturers to deal with these fluctuations. On the other hand the degree of intensity of volatility has resulted in declining efficiency of production outsourcing, with abrupt cancellations damaging profit margins.

● 【Graph 2】Quarterly Domestic Vehicle Production: post-Lehman volatility has increased sharply



Source: Japan Automobile Manufacturers Association (JAMA)

● 【Graph 3】Japan Big 3 (Toyota, Nissan, Honda) Monthly Global Production



Source: Japan Automobile Manufacturers Association (JAMA)

The automobile industry has been a leader in growing its production capacity overseas, partly in response to potential risks from trade restrictions.

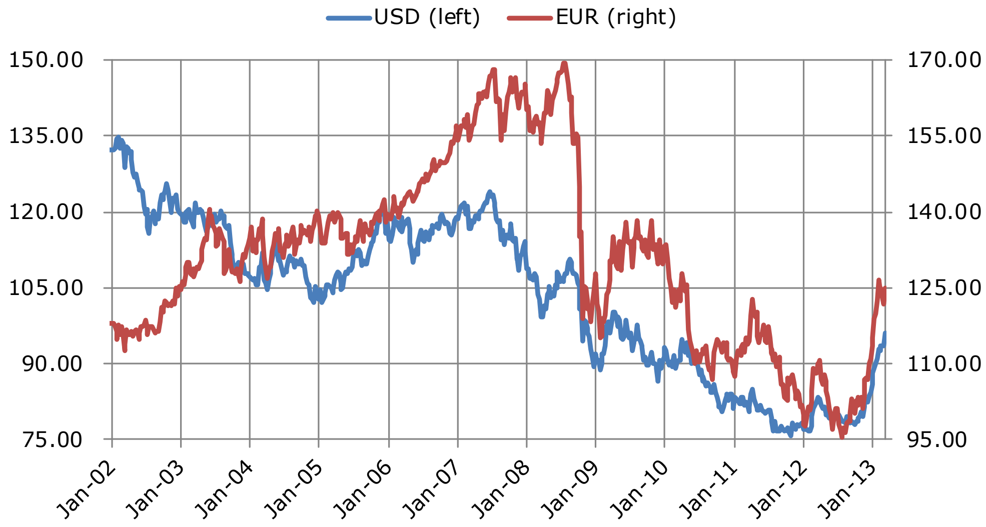
Despite the prolonged period of yen strength, and massive disruptions to the supply chain from events in 2011, the Japanese auto industry does not appear to have suffered a loss of its competitive position in the global marketplace.

The major business opportunity for the Outsourcing Group is capturing demand for outsourcing needs of its clients in high growth emerging markets in Asia.

However, the Japanese electronics industry has suffered some loss of its competitive position as a result of the prolonged period of yen strength.

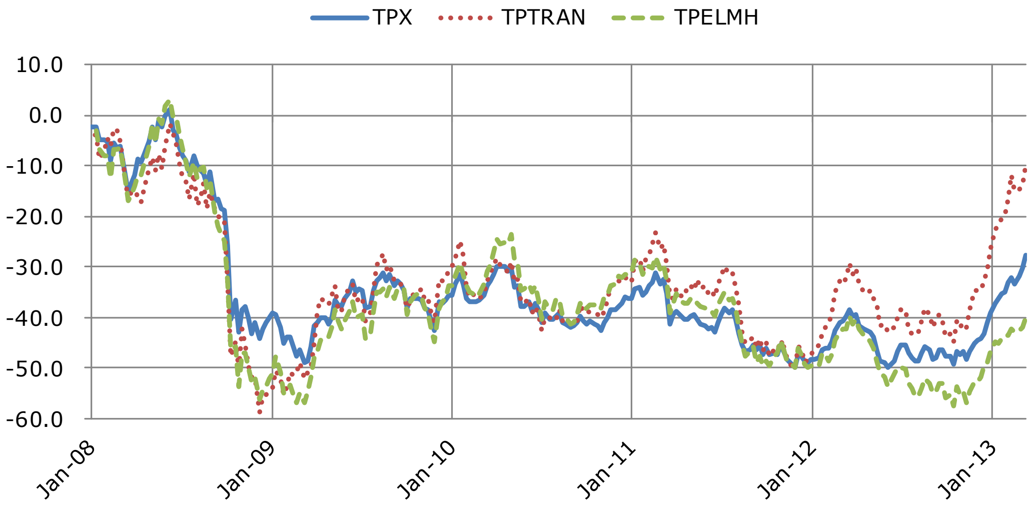
A number of major manufacturers, notably in the semiconductor industry, have been forced into business reorganization, and the major opportunity for the Company is providing solutions for efficient use of excess skilled workers.

●【Graph 4】Prolonged rise of the yen lowered value added of "Made in Japan"



Source: Bloomberg

● 【Graph 5】Electronics likely suffered the biggest loss of competitiveness under the "super yen"



Source: Bloomberg
Note: TPX = Topix, TPTRAN = TSE1 Transport Equipt Index, TPELMH = TSE1 Electric Appliances Index

1. Raise efficiency in response to rising production volatility

As mentioned earlier, the degree of intensity of production volatility has resulted in declining efficiency of production outsourcing.

As this high level of volatility may continue for some time, the Company has reviewed various SG&A expenses that previously had been taken for granted. The Company's strategies for raising efficiency could be summarized as follows, targeting a reduction of domestic SG&A expenses by 20% YoY:

- Raise efficiency of the basic strategy
- Raise efficiency of recruiting cost
- Raise efficiency of labor management employees

First, the Company is aiming to raise efficiency by switching the emphasis from higher productivity to higher liquidity, **reducing** the lot of outsourcing business locations and **increasing** the number of client projects. As of the end of FY12/12 the Company had 245 transacting clients for volume production outsourcing services, and the Company is targeting 350 for FY12/13. Second, the Company is including various social benefit costs such as National Health Insurance associated with new recruiting in calculating total recruiting expenses. Analysis by management shows that a minimum of two months is required to recover recruiting expenses. This term the company is targeting raising the ratio of workers that stay at least two months from 66% to 71%, which it calculates will lower total recruiting expenses per head from ¥75,000 to ¥63,000. Third, it has discovered that social benefits are often calculated by round cut-off dates, and that by careful management of these, further cost savings are possible. This of course requires raising awareness of labor and insurance related laws by labor management employees.

2. Expand business in new fields not correlated with production and the busy/slack cycle

As mentioned earlier, the big drivers of the net increase in FY12/12 sales were growth from new fields of Metals/Building Materials and IT/Software. The Company notes that only 60% of workers return to manufacturing jobs through the course of a business reorganization, and the point is to leverage Outsourcing Group's portfolio of a wide range of industries for placement when making proposals to makers undergoing business reorganization. The clear goal for entering new fields is diversification from the traditional production cycle. Conditions required for entering a new field are as follows:

- Separate from production and the busy/slack cycle
- Possible to utilize maker excess workers
- Structural shortage of engineers emerges

From last term the Company has identified two new fields for FY12/13: 1) Building Operation and Management Engineer Temporary Placement Business, and 2) Home Appliance Maintenance and Repair Service Business. First, favorable growth is continuing for urban redevelopment, disaster reconstruction and earthquake-proofing work, and certified personnel with supervisor qualifications must be stationed on each worksite. However, general contractors find it difficult to employ these personnel full-time because of the fixed job periods. Together with design and maintenance work, the Company is making efficient use of early retirees, and has already registered a large number of staff through its nationwide recruiting network.

Second, many overseas makers of electric appliances and digital consumer electronics products such as Korean makers are rapidly penetrating the Japanese market, but do not have the infrastructure locally to handle repairs and maintenance service. This type of work for Japanese brands had been done in workshops of individual appliance retailers, but their number continues to decline with expanded share of mass-retail chains.

FY12/13 net sales targets for these two new fields are: 1) Building Operation and Management Engineer Temporary Placement Business; targeting ¥0.9 billion, and 2) Home Appliance Maintenance Service Business; targeting ¥1.0 billion.

IT/Software made a large contribution to net sales in FY12/12 as a new field of ¥2.9 billion, and this fiscal year the Company is targeting ¥6.3 billion, including ¥1.4 billion contribution from M&A discussed under point 4. This sector will become the third largest domestic outsourcing sector after Transport Equipment and Electrical/Electronics. Demand for network projects related to renewal of corporate IT systems, IT network rebuilding at relocation of offices and disaster provision is rising sharply, but engineering graduates are declining due to demographic factors. There is a large potential pool of skilled staff amongst early retirees, and is an immediate resource.

3. Strengthen efforts to implement globalization

The Company has already acquired licenses from the 6 major ASEAN countries, implementing a globalization strategy that emphasizes the culture and business practices of each location. Board members of local subsidiaries include former politicians and bureaucrats, as well as former managers of Japanese and locally based large manufacturers. In FY12/13 the Company plans to expand the number of ASEAN countries to 9, including Malaysia, Myanmar and the Philippines. The Company is targeting FY12/13 net sales of ¥7.3 billion for the Overseas Group. The medium-term goal is for over half of total consolidated profits to come from overseas business.

4. Increase market share by leveraging group synergies to offer clients comprehensive solutions to changes in the legal and regulatory framework

Trias Corporation summarized in detail the numerous changes in the legal and regulatory framework for production's outsourcing and temporary placement in the TOPICS section of our last 3Q memo: please refer to that memo for a detailed background. The Company's strategies for dealing with these changes could be summarized as follows:

- Increase market share from new demand for temporary placement
- Increase market share related to the "Year 2013 Issue"
- Provide group solutions to the prohibition against exclusive dispatching

The prolonged recession and Senkaku Islands issue resulted in termination of a large number of temporary placement contracts. Since 3-months is considered a cooling period, a large number of makers are now looking at restarting temporary placement to meet rising production needs from economic stimulus. The Revised Labor Contract Law goes into effect April 1, 2013, which stipulates "Prohibition against unfair terms of employment for the reason of limited term employment contracts", and many makers are switching from using seasonal workers to temporary placement. The Company notes a growing number of compliance violations by smaller outsourcing firms suffering from reduced efficiency as a result of higher production volatility, and sees this as another opportunity to increase market share.

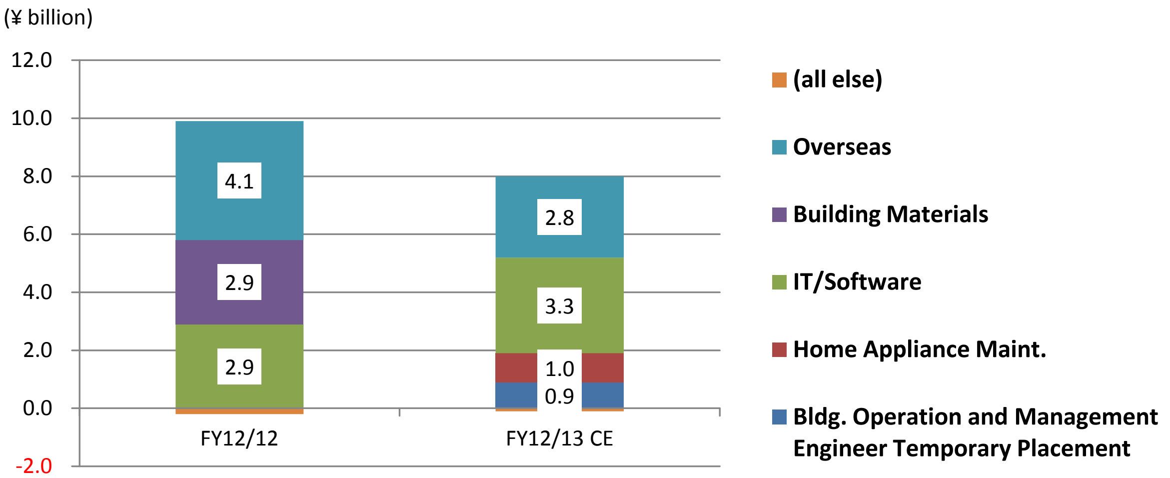
That having been said, there is still a large group of makers coming up against limits of maximum 3-years use of temporary placement, contracts that were started in the post-Lehman recovery period, and are faced with either 1) shifting to direct employment of seasonal workers, or 2) converting to production outsourcing. Makers selecting the first alternative are handled by subsidiary ORJ through Administration Operations Outsourcing and Hiring Agency Services, and the second option is the Company's main business in production outsourcing. The Company is targeting a market share of 10% by 2014.

The Revised Worker Dispatch Law went into effect October 1, 2012, and prohibits exclusive dispatching defined as dispatching between group firms in excess of 80% of total dispatched hours worked. Here the Company is uniquely positioned amongst only several firms that have corporate scale, social credibility, ability to make proposals, and ability to handle accepting orders. A high-level group solution is required to eliminate an exclusive dispatching subsidiary at a maker. Implementation of the strategy requires selling off the exclusive dispatching subsidiary to an external dispatch firm, and then through a capital tie-up with a partner firm, a third party is introduced according to the capital ratio.

The Company acquired shares in Computer System Laboratory (CSL) on January 31, 2013 as part of its response to the prohibition against exclusive dispatching, which it sees as a major opportunity to increase market share, and is already working on projects which now number in double-digits. The Company acquired 80.9% of voting rights in CSL. In FY2/12, CSL had net sales of ¥1,682 million, operating income of ¥31 million, and ordinary income of ¥92 million. The Company is budgeting for a sales contribution in FY12/13 of ¥1.4 billion.

Graph 8 below summarizes factor analysis for the major sales drivers in FY12/12 and FY12/13. In both cases, it is clear that **diversification is driving sustainable growth**, diversifying both industries and geographies, and the initiatives outlined above are likely to sustain growth going forward.

●【Graph 6】IT/Software, Overseas and two new sectors will drive the net sales increase in FY12/13



Source: Company IR materials. Note: CE = Company Estimates

Reference

Key Financial Data and Business Results (Consolidated)

No. of Shares Issued	Dec-12	15,569,800
No. of Treasury Stock	Dec-12	1,139,500
Market Value (¥mn)	3-Apr-13	9,186
BPS (¥)	Sep-12	283.2
ROE (%)	Sep-12	15.7
ROA (%)	Sep-12	4.7
PER (times)	FY12/13 fcst.	8.5
PCFR (times)	Dec-12	9.5
PBR (times)	Dec-12	2.1
Share Price (¥)	3-Apr-13	590
Unit Share (shares)	3-Apr-13	100
Average Daily Volume (shs)	3-Apr-13	46,313

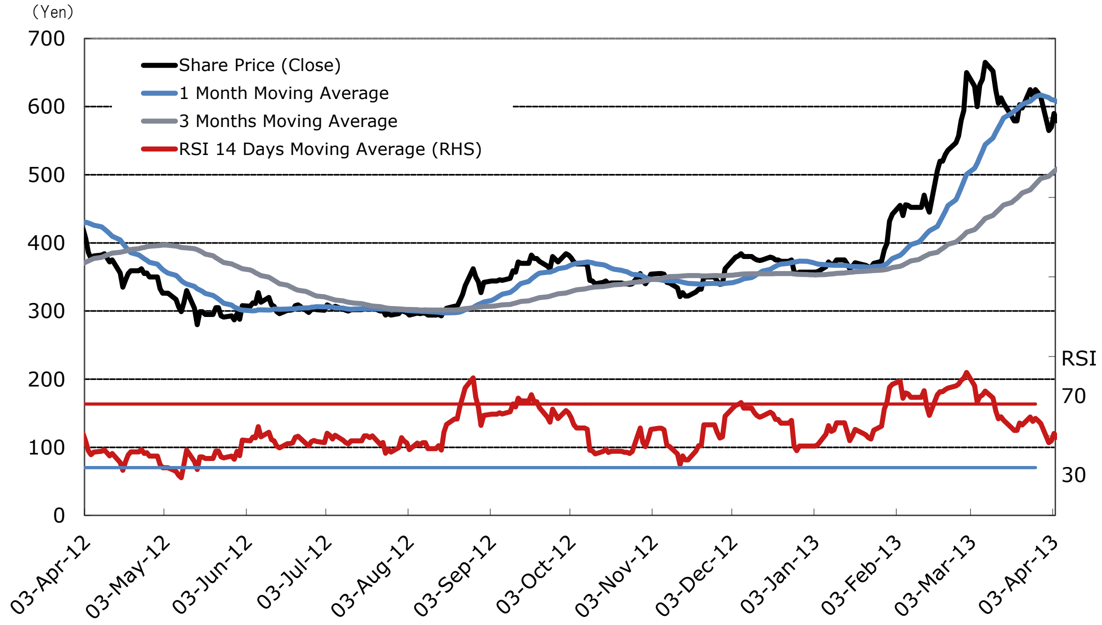
Total Assets (¥mn)	Dec-12	13,866
Shareholders' Equity (¥mn)	Dec-12	4,087
Interest-Bearing Debt (¥mn)	Dec-12	4,502
Equity Ratio (%)	Dec-12	29.5
Ratio of Interest-Bearing Debt (%)	Dec-12	110.2
Free Cash Flows (¥mn)	Dec-12	306

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

Consolidated (¥million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
FY12/08	24,148	1,113	1,134	641	5,412.28	644.00
FY12/09	17,964	(150)	22	(215)	(1,511.00)	644.00
FY12/10	28,386	1,173	1,401	760	52.46	7.21
FY12/11	32,397	563	702	194	13.48	8.00
FY12/12	42,090	1,000	1,153	641	44.46	8.00
FY12/13 1H fcst.	22,330	265	300	155	10.74	--
FY12/13 Full Year fcst.	50,000	1,520	1,590	1,000	69.29	8.00

Note: FY12/13 forecasts announced on February 12, 2013

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