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JASDAQ
OUTSOURCING Inc.
Summary of Q3 FY12/11 Business Results

OUTSOURCING Inc., hereinafter the Company, announced its Q3 FY12/11 business results, and Trias Corporation conducted an interview with Chairman and CEO Haruhiko Doi.

The following is a summary of the interview.

Summary of Q3 FY12/11 Consolidated Business Results

Q3 cumulative business results can be seen in Table 1, and while consolidated net sales rose YOY, incomes declined. While net sales increased as the Company achieved a record number of contract workers boosted by securing special demand for Tohoku restoration, supply/demand in the placement market tightened more than expectations, resulting in booking leading investment expenses to gain market share. This resulted in incomes from the operating line and below falling below the Company estimates announced on April 27. The Company booked additional recruitment expense for the hiring campaign of ¥100 million, hiring campaign related expense of ¥80 million, and TV commercial production and broadcasting expense of ¥80 million aimed at improving the industry's image and raising the Company's corporate brand. In particular hiring campaign related expense was well above the Company's original budget.

● [Table 1] FY12/11 Q3 Cumulative Consolidate Business Results Summary

(¥ million)	FY12/10 Actual		FY12/11 Actual			
	Q1-Q3 Weighting		Q1-Q3 Weighting	YOY Chg	Forecast	
Net Sales	20,249	100.0%	22,832	100.0%	12.8%	23,714
Gross Profit	4,160	20.5%	4,612	20.2%	10.9%	n.a.
SG&A Expenses	3,525	17.4%	4,469	19.6%	26.8%	n.a.
Operating Income	635	3.1%	142	0.6%	-77.6%	508
Ordinary Income	823	4.1%	258	1.1%	-68.7%	n.a.
Net Income	376	1.9%	(24)	-0.1%	-106.4%	n.a.

Note: All table prepared by Trias Corp. with the data disclosed by OURSOURCING INC.
Forecast announced on July 28, 2011

● [Table 2] Quarterly Trend of SG&A Expenses

(¥ million)	FY12/10 Actual				FY12/11 Actual		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SG&A Expenses	1,154	1,134	1,237	1,309	1,366	1,454	1,648
YOY Change	-0.5%	-1.7%	9.1%	5.8%	4.4%	6.4%	13.3%

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Regarding the hiring environment, workers whose employment contracts were cancelled directly following the March disaster utilized unemployment insurance concentrated in the April and May period. Then leading up to the expiration of the 3-month payment period in July and August, the recruiting market tightened with the overlap of the start of demand for reconstruction work. However, the number of increased outsourced workers improved MOM from September with the expiration of the payment period.

The Company revised down its full-term earnings forecast in light of Q3 results.

Summary of FY12/11 Q3 Cumulative Business Results by Segment

Production Outsourcing Business

Demand for production outsourcing expanded primarily for transportation equipment (autos) which saw special demand for reconstruction on the ground. The Company has been strategically targeting high value-added hybrid vehicles as a domestic surviving industry, and secured record contract orders, a driver of earnings growth. The Company sees the current environment with competitors holding down aggressive investment as an opportunity to gain market share, and rapidly strengthened its recruiting, paying transportation expense for job interviews, and conducting a recruiting campaign for a limited time offering free lodging. This resulted in expenses increasing greater than initial estimates, and operating profit declined.

In the ASEAN region, the company established a Thailand subsidiary in April, acquired two local temporary placement agencies, and established a subsidiary in Indonesia with an aim toward building an East Asian outsourcing network.

Administrative Operations Outsourcing Business

Similar to production outsourcing, transportation equipment (autos) saw a noticeable pickup to frontload normalization of production, and the Company benefitted from growing demand for recruitment agency services on behalf of primarily body makers of the major automakers. Additionally, demand for hiring term employees for 8 major domestic automakers from the autumn is expected to reach 10,000 workers, and the Company expects orders for recruitment agency services to grow. Further, demand for labor administration services on contract after employees join is also expected to grow, especially for relocation benefits (business model patent) to reduce the burden on real estate related operations, and the Company expects ORJ INC., a JV with RELOCATION JAPAN LIMITED, to give it a competitive advantage in growing orders.

●【Table 3】 Sales Breakdown by Consolidated Segment and Client Industry Sector

(¥ Million)	FY12/10 Actual	FY12/11 Actual	YOY Change	
	Q3 (Jul.-Sep.)	Q3 (Jul.-Sep.)	Amount	Ratio
Production Outsourcing Business	6,984	7,590	606	8.7%
No. of Contract Workers	6,674	8,008	1,334	20.0%
Electrical and Electronics	2,277	2,194	(83)	-3.6%
Foods	500	515	15	3.0%
Transport Equipment	1,826	2,714	888	48.6%
Chemicals and Medicals	1,055	947	(108)	-10.2%
Metals	59	183	124	210.2%
Other	1,264	1,034	(230)	-18.2%
Administrative Operations Outsourcing Business	276	334	58	21.0%
No. of PO Business worksite employe	1,079	1,079	0	0.0%
Nursing-Care Business	125	-	-	-
Other Business	23	33	10	43.5%
Total	7,410	7,958	548	7.4%

FY12/11 Consolidated Earnings Forecast

The Company reported Q3 cumulative business results, and revised down its full-term forecast for FY12/11. Seasonal and temporary workers whose employment contracts were cancelled following the March disaster are utilizing the country's safety net, and despite swelling special demand for reconstruction, Q3 was during the period of unemployment payouts. As a result many did not return to production sites, and the hiring market tightened more than initial expectations. The number of contract workers fell below the initial budget, causing both sales and profits to miss estimates. In addition, the Company booked a large hiring expense in order to meet targets in its mid-term management plan ending FY12/14 aiming to be number 1 in the industry, resulting in a downward revision of full-term estimates originally announced in April. In addition to ¥300 million for ongoing TV commercials, the company booked miscellaneous hiring expenses of ¥50 million targeting large orders for replacement production following Thailand flooding.

●【Table 4】 Revised FY12/11 Consolidated Earnings Forecast

(¥ million)	FY12/10		FY12/11 Forecast (as of 28-Oct-11)						FY12/11 Forecast (as of 27-Apr-11)		
	Actual	Weighting	1H Actual	2H	Full-Year	Weighting	YOY Change		1H	2H	Full-Year
							Amount	Ratio			
Net Sales	28,386	100.0%	14,874	17,496	32,370	100.0%	3,984	14.0%	14,960	19,620	34,580
Operating Income	1,173	4.1%	208	312	520	1.6%	(653)	-55.7%	110	1,020	1,130
Ordinary Income	1,401	4.9%	280	385	665	2.1%	(736)	-52.5%	180	1,070	1,250
Net Income	760	2.7%	10	215	225	0.7%	(535)	-70.4%	(45)	700	655



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Reference
● Consolidated Key Stock Indicators / Financial Data and Business Results

No. of Shares Issued	Sep-12	15,569,800	Total Assets (¥million)	Sep-12	10,815
No. of Treasury Stock	Sep-12	1,139,500	Shareholders' Equity (¥million)	Sep-12	3,215
Market Value (¥million)	18-Jan-12	4,453	Interest-Bearing Debt (¥million)	Sep-12	2,807
BPS (¥)	Sep-12	222.8	Equity Ratio (%)	Sep-12	29.7
ROE (%)	Sep-12	(0.7)	Ratio of Interest-Bearing Debt (%)	Sep-12	87.3
ROA (%)	Sep-12	(0.2)	Free Cash Flows (¥million)	Sep-12	(18)
PER (times)	FY12/11 fcst	18.3	ROE=Current Net Income÷Shareholders' Equity		
PCFR (times)	Sep-12	28.0	ROA=Current Net Income÷Total Assets		
PBR (times)	Sep-12	1.3	PCFR=Market Value÷(Current Net Income+Depreciation)		
Share Price (¥)	18-Jan-12	286	Ave. Daily Vol.=Ave. Daily Vol. for the last 12 months		
Unit Share (shs)	Sep-12	1	Interest-Bearing Debts Ratio=I.B.D.÷Shareholders' Equity		
Average Daily Volume (shs)	18-Jan-12	50,618	Free Cash Flows=Operating CF+Investment CF		

Consolidated (¥million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
FY12/07	24,321	1,013	1,004	583	4,917.29	492.00
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
1H FY12/11	14,874	208	280	10	0.73	--
FY12/11 fcst	32,370	520	665	225	15.59	8.00

Note: FY12/11 forecast announced on October 28, 2011

● 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

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