

OUTSOURCING Inc.  
(Securities Code: 2427/TSE 1st Section)



## Financial Results for the 3<sup>rd</sup> Quarter of Fiscal Year Ending December 31, 2016

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# Consolidated Financial Results for Q3 FY12/16



# Consolidated Financial Results for Q3 FY12/16

## Consolidated Financial Results Summary

(¥ million)	FY12/15 Q3 YTD Actual		FY12/16 Q3 YTD Actual		YoY Changes	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
<b>Net sales</b>	<b>56,522</b>	<b>100.0%</b>	<b>93,455</b>	<b>100.0%</b>	<b>36,934</b>	<b>65.3%</b>
Cost of sales	45,219	80.0%	74,585	79.8%	29,367	64.9%
<b>Gross profit</b>	<b>11,303</b>	<b>20.0%</b>	<b>18,870</b>	<b>20.2%</b>	<b>7,567</b>	<b>66.9%</b>
SG&A expenses	9,495	16.8%	16,713	17.9%	7,218	76.0%
<b>Operating income</b>	<b>1,808</b>	<b>3.2%</b>	<b>2,157</b>	<b>2.3%</b>	<b>349</b>	<b>19.3%</b>
Non-operating income	439	0.8%	411	0.4%	(28)	-6.3%
Non-operating expenses	274	0.5%	796	0.9%	522	190.2%
<b>Ordinary income</b>	<b>1,973</b>	<b>3.5%</b>	<b>1,772</b>	<b>1.9%</b>	<b>(201)</b>	<b>-10.2%</b>
Extraordinary income	40	0.1%	114	0.1%	74	185.8%
Extraordinary losses	0	0.0%	32	0.0%	32	-
<b>Profit attributable to owners of parent</b>	<b>988</b>	<b>1.7%</b>	<b>182</b>	<b>0.2%</b>	<b>(806)</b>	<b>-81.6%</b>

\* Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSIN financial statements.

# Consolidated Financial Results for Q3 FY12/16

## Reference : Comparison between J-GAAP and IFRS

(¥ million)	FY12/15 Q3 YTD Actual (J-GAAP) ①	FY12/16 Q3 YTD Actual (J-GAAP) ②	YoY Changes (②－①)	[Reference] FY12/16 Q3 YTD Actual (IFRS) ③	[Reference] Differences from J-GAAP (③－②)
Net sales	56,522	93,455	65.3%	93,455	0
Operating income	1,808	2,157	19.3%	3,250	1,093
Profit attributable to owners of parent	988	182	-81.6%	1,150	968

\*1: Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSIN financial statements.

\*2: Q3 FY12/16 actual based on IFRS are estimates.

Compared to J-GAAP, no amortization of goodwill works positively while provisions including paid leaves work negatively for IFRS operating income and profit attributable to owners of parent.

# Consolidated Financial Results for Q3 FY12/16

## Highlights for Consolidated Financial Results

**Net Sales**                      **¥93,455 million (+65.3% YoY)**

### Domestic Engineering Outsourcing Business

Favorable growth on the back of responding to brisk needs for engineers centering IT industry and civil engineering and construction industries

- Number of assigned persons post-training at the Group's KEN School . . .      Q3 YTD 931  
(Full-Year Target 1,200)
- Number of career changes 1-year post-assignment . . .      Q3 YTD 545  
(Full-Year Target 700)

Q3 YTD FY12/16 segment sales actual results: ¥29,233 million (+28.3% YoY)

### Domestic Manufacturing Outsourcing Business

Favorable growth on conversion to the long-term business field which the client makes utilize directly hired fixed-term contract workers field through the unique PEO Scheme

- Number of workers recruited through the PEO Scheme . . .      Q3 YTD 2,630  
(Full-Year Target 3,000)
- PEO Scheme number of workers enrolled . . .      Q3-end 4,825  
(Full-Year Target 5,500)

Q3 YTD FY12/16 segment sales actual results: ¥24,416 million (+15.1% YoY)

# Consolidated Financial Results for Q3 FY12/16

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## Highlights for Consolidated Financial Results

**Net Sales**                      **¥93,455 million (+65.3% YoY)**

### Domestic Service Operations Outsourcing Business

Growth on business for US military bases, etc. which are less susceptible to impact of the economy

Q3 YTD FY12/16 segment sales actual results: ¥2,454 million (+350.3% YoY)

### Domestic Administrative Outsourcing Business

Foreign technical interns directly employed by makers due to labor shortages in Japan are increasing, and the related administrative contract operations expanded

- Number of foreign technical interns under administrative contract operations                      . . . Q3-end 1,987 (Full-Year Target 2,400)

Q3 YTD FY12/16 segment sales actual results: ¥619 million (+48.9% YoY)

### Domestic Recruiting and Placing Business

Favorable growth responding to the brisk level of needs in accordance with production hikes by existing maker clients

Q3 YTD FY12/16 segment sales actual results: ¥1,010 million (+68.8% YoY)

# Consolidated Financial Results for Q3 FY12/16

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## Highlights for Consolidated Financial Results

**Net Sales**                      **¥93,455 million (+65.3% YoY)**

### Overseas Engineering Outsourcing Business

Favorable growth in orders from national and local government institutions on the back of realizing synergies among OS Group companies in Europe and Australia

Q3 YTD FY12/16 segment sales actual results: ¥14,512 million (+1137.9% YoY)

### Overseas Manufacturing and Service Operations Outsourcing Business

Both Manufacturing and Service Operations Outsourcing Business expanded, and contracted service operations grew from national and local government institutions

Q3 YTD FY12/16 segment sales actual results: ¥20,712 million (+114.3% YoY)

### Other Business

Development and sales of high performance auto parts, shared office services through a Special Subsidiary Company for hiring handicapped employees, and sign language class business each trended favorably

Q3 YTD FY12/16 segment sales actual results: ¥494 million (+320.4% YoY)



## Highlights for Consolidated Financial Results

### **Operating Income**      **¥2,157 million (+19.3% YoY)**

- Related to larger-scale M&A deals than the initial plan of the fiscal year, financial advisor and due diligence expenses of ¥903 million were booked in one lump sum due to a revised accounting standard, however, operating income absorbed this and posted a record high.

### **Ordinary Income**      **¥1,772 million (-10.2% YoY)**

- Booked financial expenses such as interest expenses and commission fee by increased loans due to larger-scale M&A deals than the initial plan of the fiscal year

### **Profit Attributable to Owners of Parent**      **¥182 million (-81.6% YoY)**

- Decreased by ¥903 million as M&A-related initial one-off expenses were only for consolidated accounts and not included in tax calculations due to a revised accounting standard.

# Consolidated Financial Results for Q3 FY12/16

## Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/15 Actual					FY12/16 Actual		
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3
Net sales	17,695	18,328	20,499	24,339	80,861	24,991	32,493	35,972
Gross profit	3,362	3,712	4,229	5,230	16,534	4,954	6,411	7,505
Gross profit margin	19.0%	20.3%	20.6%	21.5%	20.4%	19.8%	19.7%	20.9%
SG&A expenses	3,048	3,089	3,358	3,913	13,408	4,551	5,582	6,580
SG&A expenses ratio	17.2%	16.9%	16.4%	16.1%	16.6%	18.2%	17.2%	18.3%
Operating income	315	623	871	1,317	3,125	403	828	925
Operating income margin	1.8%	3.4%	4.2%	5.4%	3.9%	1.6%	2.5%	2.6%
Ordinary income	365	638	969	1,252	3,225	304	990	478
Ordinary income margin	2.1%	3.5%	4.7%	5.1%	4.0%	1.2%	3.0%	1.3%
Profit attributable to owners of parent	205	284	499	822	1,810	29	273	(121)
Net income margin	1.2%	1.5%	2.4%	3.4%	2.2%	0.1%	0.8%	-0.3%

QoQ Changes	FY12/15 Actual					FY12/16 Actual		
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3
Net sales	9.8%	3.6%	11.8%	18.7%	36.1%	2.7%	30.0%	10.7%
Gross profit	-0.3%	10.4%	13.9%	23.7%	38.2%	-5.3%	29.4%	17.1%
SG&A expenses	16.9%	1.4%	8.7%	16.5%	34.7%	16.3%	22.7%	17.9%
Operating income	-58.8%	97.9%	39.7%	51.3%	55.5%	-69.4%	105.5%	11.7%
Ordinary income	-56.9%	74.6%	52.0%	29.2%	46.8%	-75.7%	-	-51.7%
Profit attributable to owners of parent	-61.2%	38.4%	75.8%	64.8%	37.5%	-96.4%	-	-144.2%

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# Consolidated Financial Results for Q3 FY12/16

## Financial Results by Operating Segment and Net Sales by Region (Quarterly Trends)

(\$ million)		FY12/15 Actual					FY12/16 Actual		
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3
Domestic Engineering Outsourcing Business	Net sales	7,166	7,599	8,024	8,763	31,553	9,151	9,737	10,345
	Operating income	421	529	585	864	2,398	423	622	914
	No. of worksite employees at term-end	3,918	4,285	4,450	4,742	4,742	5,029	5,720	5,844
Domestic Manufacturing Outsourcing Business	Net sales	6,830	6,894	7,493	8,252	29,468	7,913	7,574	8,930
	Operating income	57	176	259	519	1,010	218	334	207
	No. of worksite employees at term-end	6,285	6,554	7,142	7,463	7,463	7,195	7,482	9,033
Domestic Service Operations Outsourcing Business	Net sales	140	157	247	538	1,083	618	858	979
	Operating income	(6)	(31)	(27)	(18)	(82)	(65)	14	218
	No. of worksite employees at term-end	375	381	840	1,671	1,671	1,710	1,521	1,557
Domestic Administrative Outsourcing Business	Net sales	137	143	136	121	537	149	207	263
	Operating income	14	11	14	18	56	35	64	91
	No. of outsourcing administrative workers at term-end	2,151	1,730	1,659	1,538	1,538	1,438	1,401	1,500
Domestic Recruiting and Placing Business	Net sales	167	175	257	273	872	278	314	418
	Operating income	67	76	137	134	413	117	164	227
	No. of placed workers	594	600	703	792	2,689	799	896	993
Overseas Engineering Outsourcing Business	Net sales	94	83	996	2,660	3,832	2,399	6,120	5,992
	Operating income	11	10	78	83	183	89	283	163
	No. of worksite employees at term-end	539	472	815	895	895	882	1,778	1,787
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	3,117	3,242	3,307	3,684	13,349	4,252	7,529	8,932
	Operating income	(75)	33	41	54	53	55	191	541
	No. of worksite employees at term-end	10,555	11,028	10,632	14,644	14,644	16,352	19,647	22,097
Other Business	Net sales	43	35	40	48	166	230	152	112
	Operating income	3	5	5	1	14	10	1	(9)
	No. of worksite employees at term-end	-	-	-	-	-	4	4	4
Adjustments	Operating income	(178)	(185)	(220)	(337)	(920)	(479)	(844)	(1,426)
	Net sales	17,695	18,328	20,499	24,339	80,861	24,991	32,493	35,972
Total		315	623	871	1,317	3,125	403	828	925

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Net Sales by Region (\$ million)		FY12/15 Actual					FY12/16 Actual		
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3
Japan		14,484	15,003	16,197	17,995	63,679	18,339	18,844	21,047
Asia (excl. Japan)		3,136	3,240	3,350	3,496	13,222	3,366	3,095	3,105
Oceania		75	85	588	1,499	2,246	1,420	8,444	7,959
Europe		-	-	365	1,001	1,365	889	1,256	2,987
South America		-	-	-	348	348	977	854	874
Total		17,695	18,328	20,499	24,339	80,861	24,991	32,493	35,972

\*2: Inter-segment transactions in net sales by region are eliminated.

\*3: The results of Allen Lane Consultancy Limited and Liberata UK Limited are included in the segment of Overseas Manufacturing and Service Operations Outsourcing Business.

# Consolidated Financial Results for Q3 FY12/16

## Summary of Consolidated Balance Sheet

(¥ million)	FY12/15-End		Q3-End FY12/16		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
<b>Current assets</b>	<b>24,658</b>	<b>66.6%</b>	<b>33,855</b>	<b>49.5%</b>	<b>9,198</b>
(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
(Inventories)	851	2.3%	954	1.4%	102
<b>Non-current assets</b>	<b>12,385</b>	<b>33.4%</b>	<b>34,586</b>	<b>50.5%</b>	<b>22,202</b>
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
Investments and other assets	2,389	6.5%	3,408	5.0%	1,018
<b>Total assets</b>	<b>37,043</b>	<b>100.0%</b>	<b>68,442</b>	<b>100.0%</b>	<b>31,399</b>
<b>Current liabilities</b>	<b>20,155</b>	<b>54.4%</b>	<b>32,426</b>	<b>47.4%</b>	<b>12,270</b>
(Notes and accounts payable - trade)	731	2.0%	757	1.1%	26
(Short-term loans payable)	8,704	23.5%	15,826	23.1%	7,122
(Accounts payable - other)	5,745	15.5%	8,327	12.2%	2,581
<b>Non-current liabilities</b>	<b>4,515</b>	<b>12.2%</b>	<b>25,707</b>	<b>37.6%</b>	<b>21,192</b>
(Bonds payable)	25	0.1%	-	-	(25)
(Long-term loans payable)	2,018	5.4%	21,850	31.9%	19,832
<b>Total liabilities</b>	<b>24,670</b>	<b>66.6%</b>	<b>58,133</b>	<b>84.9%</b>	<b>33,463</b>
<b>Shareholders' equity</b>	<b>11,574</b>	<b>31.2%</b>	<b>11,208</b>	<b>16.4%</b>	<b>(367)</b>
Capital stock	1,725	4.7%	1,756	2.6%	31
Capital surplus	3,425	9.2%	3,456	5.0%	31
Retained earnings	6,424	17.3%	5,996	8.8%	(428)
Treasury shares	(0)	0.0%	(0)	0.0%	0
<b>Accumulated other comprehensive income</b>	<b>90</b>	<b>0.2%</b>	<b>(2,690)</b>	<b>-3.9%</b>	<b>(2,779)</b>
<b>Subscription rights to shares</b>	<b>96</b>	<b>0.3%</b>	<b>146</b>	<b>0.2%</b>	<b>50</b>
<b>Non-controlling interests</b>	<b>612</b>	<b>1.7%</b>	<b>1,645</b>	<b>2.4%</b>	<b>1,033</b>
<b>Total net assets</b>	<b>12,372</b>	<b>33.4%</b>	<b>10,309</b>	<b>15.1%</b>	<b>(2,063)</b>
<b>Total liabilities and net assets</b>	<b>37,043</b>	<b>100.0%</b>	<b>68,442</b>	<b>100.0%</b>	<b>31,399</b>

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Notes and accounts receivable - trade:  
Increased from acquisition of subsidiary shares and business scale expansion, etc.

Intangible assets:  
Increased from acquisition of subsidiary shares

Short-term loans payable:  
Increased due to loans for working capital and M&A

Long-term loans payable:  
Increased due to loans for M&A funding

Retained earnings:  
Reflects a change in profit attributable to owners of parent and dividends paid

# New Group Company Holding Common Resolution



# New Group Company Holding Common Resolution

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## Domestic Service Operations Outsourcing Business

### AMERICAN ENGINEERING CORPORATION (AEC)

Scheduled to acquire AEC as a wholly-owned subsidiary on April 1, 2017 (announced signing a Memorandum of Understanding pursuant to resolution of the Board of Directors on August 4, 2016)

⇒ AEC will have meaningful management resources of the Group in taking on consignment air conditioning and electrical facilities construction work as well as maintenance and repairs work of military facilities on US military bases in Japan including Okinawa, Yokota, Atsugi, Yokosuka, Misawa, Iwakuni, Sasebo, etc.

FY12/15    Net Sales: ¥10,556 million    Operation Income: ¥172 million



### Collaboration with the Group's US military base operations

⇒ Since AEC is headquartered in the U.S., this is expected to generate large synergies in business development into major US military bases in the Pacific Rim including California, Alaska, Hawaii, Guam, etc.

# New Group Company Holding Common Resolution

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## Overseas Manufacturing and Service Operations Outsourcing Business

### Orizon Holding GmbH (Orizon Holding)

Acquisition as a wholly-owned subsidiary was completed on January 4, 2017 (announced acquisition pursuant to resolution of the Board of Directors on December 14, 2016)

⇒ As the 8<sup>th</sup> largest staffing company in Germany, Orizon Holding is particularly strong in the mechanical engineering, aviation and medical sectors, targeting to raise organizational efficiency with state-of-the-art IT technology to drive future business growth, and has high profitability relative to industry peers.

FY12/15   Net Sales: €265 million   Operation Income: €12 million



## Collaboration with the Group companies engaged in developing Domestic and Overseas Manufacturing Outsourcing Business

⇒ The Company is involved in the expansion of manufacturing in one of the largest industrial powers in Europe in Germany, and buoyant demand for expanding industrialization into Eastern Europe, which is expected to generate synergies with the Group companies in global labor procurement, etc.

# Summary of Revisions to FY12/16 Full-Year Forecasts and Revisions to the Medium-Term Management Plan





# Summary of Revisions to FY12/16 Full-Year Forecasts and Revisions to the Medium-Term Management Plan

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## Revisions of FY12/16 Consolidated Financial Forecasts

(J-GAAP, announced on December 14, 2016)

Net Sales: ¥132.5 billion (Previously announced forecast: ¥134.0 billion)

Business plans in each country are proceeding extremely favorably, however, for consolidation of overseas sales in Japan, the stronger than expected yen rate is resulting in a reduction of ¥5.0 billion on translation.

Operating Income ¥3.7 billion (Previously announced forecast: ¥5.4 billion)

Larger than initially expected implementation of M&A investment is resulting in booking total related expenses of ¥1.8 billion, and the stronger than expected yen rate is resulting in a reduction of ¥0.2 billion on translation.

Ordinary Income ¥3.3 billion (Previously announced forecast: ¥5.1 billion)

In addition to the factors above, larger than initially expected implementation of M&A investment is resulting in interest and fees on loans of ¥0.6 billion.

Profit Attributable to Owners of Parent ¥0.35 billion (Previously announced forecast: ¥2.4 billion)

As a result of a change in accounting standards, initial one-off expenses related to M&A of ¥1.8 billion (excluding financial expenses) and goodwill amortization expense of ¥2.7 billion are treated under consolidated accounting and are not considered for calculating tax, resulting in higher tax expense.

## Summary of Revisions to FY12/16 Full-Year Forecasts and Revisions to the Medium-Term Management Plan

### Revisions to the Medium-Term Management Plan (announced on December 14, 2016)

As a result of larger than initially expected implementation of M&A investment, numerical targets included in the new Medium-Term Management Plan “VISION 2020: Tackling New Frontiers” announced on July 29, 2016 were revised down for FY12/16, and revised up from FY12/17 onward.

#### Revision Details

(Unit : Millions of JPY)

Fiscal Year	Previously Announced Plan Targets		Revised Plan Targets	
	Consolidated Net Sales	EBITDA	Consolidated Net Sales	EBITDA
Reference: Fiscal 2015 Actual	80,860	4,500		
Fiscal 2016	134,000	8,500	132,500	7,000
Fiscal 2017	175,000	11,300	201,000	12,400
Fiscal 2018	228,000	15,300	274,000	17,500
Fiscal 2019	297,000	21,100	346,000	23,600
Fiscal 2020	387,000	31,500	441,000	34,400

※The value of Fiscal 2017 onward is based on International Financial Reporting Standards=IFRS.

From FY12/17 onward, in addition to initial one-off expenses related to M&A implemented in FY12/16 disappearing, as a result of the transition to IFRS-based accounting, the majority of goodwill amortization expense in FY12/16 of ¥2.7 billion also disappears, and as a result of creation of synergies within the Group, earnings are expected to grow sharply.

# Strengthening Group's Governance



# Strengthening Group's Governance

## Governance Strengthening Plan for OUTSOURCING Group

Item	Main Dept. in Charge	1	2	3	4	5	6	7	8	9	10	11	12	Description
FCPA/UKBA (Bribery Regulations)	Legal Affairs													Explain bribery regulations to each company representative director, and require each to sign an anti-bribery pledge statement
Information Security Web/Mail Server Management and Electronic Authorization	Systems													Aim at improving transparency through enabling company approval, storing and managing approval procedure data files
Alert Star	General Affairs													Establish a crisis management system Case example: the Company received an alert regarding the terrorist bombing in Indonesia on January 4, 2016, allowing the Company to contact and confirm the status of local operations.
IFRS	Accounting													FY12/16 accounts settlement is being handled in parallel for both J-GAAP and IFRS, running the overseas IFRS package.
Preparation of Consolidated Financial Results	Accounting/ Business Management													From March 2016, after batch processing through the consolidation system, conduct local surveys/improvements
Overseas Management Rules (Reporting System to Head Office)	Legal Affairs/ Business Management													The Revised Companies Act Article 348-3 (May 1, 2015): Introduce SPA/SHA (Stock Purchase Agreement/Shareholders Agreement) to newly acquired M&A companies
Response to J-SOX (Japan-Version Sarbanes-Oxley Act)	Internal Audit													This is also applied to newly acquired overseas subsidiaries upon entering the Group.

In order to ensure healthy management even under rapid growth of overseas development, strengthening corporate governance is progressing in-line with the planned schedule shown below.

New Medium-Term Management Plan announced July 29, 2016

VISION 2020: Tackling New Frontiers



The year 2017 is positioned as a strategic base-building period towards the next major step up.

- After establishing corporate governance for newly acquired companies and conducting a thorough review of recouping investments, the Company will establish the business structure and generate cash flows.



On September 15, 2016, the Company announced the establishment of "Corporate Governance Guidelines."

## Key issues

### ■ Quick decision-making (Agility)

Weekly forecast analysis on a global basis

### ■ Highly transparent decision-making (Transparency)

- Rapid communication of items decided by the Company to each Group company
- Timely reporting of important local items (thorough familiarization with management regulations)

### ■ Strict observance of compliance (Compliance)

- Establishment of a Compliance Division and review by Internal Audit

### ■ Strengthening cash flow management

### ■ Strengthening information security

# Strengthening Group's Governance

## Strengthening Group collaboration

Strengthening organizational activities through a cross-sectional governance project across the entire Group

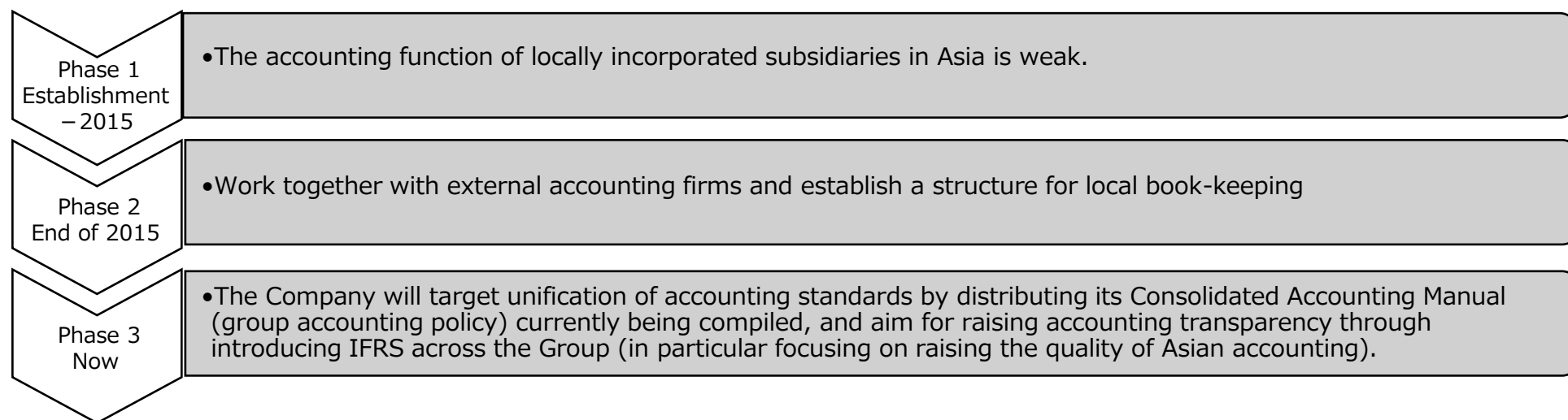
### Establishment of a Regional Coordinator



# Strengthening Group's Governance

## Quick decision-making (Agility)

### ■ Strengthening the local accounting function



### Progress status of early reporting

- Monthly accounts settlement (6 business days):  
achieved book-closing in 6 business days in all Group companies
- Quarterly accounts settlement (10 business days):  
re-emphasize the importance of early reporting to governance officers, and establish a structure for handling the introduction of IFRS from 2017 by full-year results for FY12/16.



## Highly transparent decision-making (Transparency)

### ■ Thorough familiarization of management regulations by overseas subsidiaries

- In June 2015, subsidiary management regulations were compiled and introduced, and the third edition is now in effect.
- This is always included in stock transfer agreements at the time of M&A deals.

#### Promotion item 1

- Provide thorough guidance after individual reviews of how each Group company is implementing management regulations.

#### Promotion item 2

- Provide thorough guidance on acknowledgement of the importance of items decided by the Company
- Strengthen thorough familiarization of the approval process of the Company's Board of Directors, as well as strengthening the system for prior reporting, communication and consultation

# Strengthening Group's Governance

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## Strict observance of compliance (Compliance)

### ■ Thorough familiarization with anti-corruption regulations

- Being introduced in due course in all companies in Europe and Oceania

Issue: dealing with introduction in all companies in Asia

- Since cultures and laws are different, the Company is promoting preparation of separate anti-corruption regulations for South East Asia
- Anti-corruption regulations are currently under preparation, but the Company has already received signed statements from presidents of each South East Asian subsidiary pledging to renounce bribery, putting in place at least minimum measures for corruption prevention.

## Strengthening cash flow management

### ■ Drafting of regulations and thorough familiarization of retained receivables of overseas subsidiaries

- Formulation of shortening of payment terms with clients and approval rules
- Formulation of provisioning rules for retained receivables

## Strengthening information security

- Information gathering on overseas subsidiaries
- Distribution of IT governance rules
- Introduction of group security software

# Consolidated Financial Forecasts for FY12/16



# Consolidated Financial Forecasts for FY12/16 (J-GAAP)

## Summary for FY12/16 Consolidated Financial Forecasts

(¥ million)	FY12/15		FY12/16		Revised Forecasts (as of December 14)		FY12/16 Previous Forecasts (as of April 28)		
	Actual		Actual						
	Full-Year		1H						
	Amount	Composition Ratio	Amount	Composition Ratio	2H Amount	Full-Year Amount	1H Amount	2H Amount	Full-Year Amount
<b>Net sales</b>	<b>80,861</b>	<b>100.0%</b>	<b>57,484</b>	<b>100.0%</b>	<b>74,500</b>	<b>132,500</b>	<b>58,000</b>	<b>76,000</b>	<b>134,000</b>
Cost of sales	64,327	79.6%	46,119	80.2%	-	-	-	-	-
<b>Gross profit</b>	<b>16,534</b>	<b>20.4%</b>	<b>11,365</b>	<b>19.8%</b>	-	-	-	-	-
SG&A expenses	13,408	16.6%	10,133	17.6%	-	-	-	-	-
<b>Operating income</b>	<b>3,125</b>	<b>3.9%</b>	<b>1,231</b>	<b>2.1%</b>	<b>2,550</b>	<b>3,700</b>	<b>1,150</b>	<b>4,250</b>	<b>5,400</b>
Non-operating income	528	0.7%	310	0.5%	-	-	-	-	-
Non-operating expenses	428	0.5%	247	0.4%	-	-	-	-	-
<b>Ordinary income</b>	<b>3,225</b>	<b>4.0%</b>	<b>1,294</b>	<b>2.3%</b>	<b>2,300</b>	<b>3,300</b>	<b>1,000</b>	<b>4,100</b>	<b>5,100</b>
Extraordinary income	89	0.1%	12	0.0%	-	-	-	-	-
Extraordinary losses	1	0.0%	20	0.0%	-	-	-	-	-
<b>Profit attributable to owners of parent</b>	<b>1,810</b>	<b>2.2%</b>	<b>302</b>	<b>0.5%</b>	<b>(50)</b>	<b>350</b>	<b>400</b>	<b>2,000</b>	<b>2,400</b>

\* Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSIN financial statements.

# Consolidated Financial Forecasts for FY12/16 (J-GAAP)

## Summary for Financial Forecasts by Operating Segment (Annual and Semi-Annual Trends)

(¥ million)		FY12/15				FY12/16	FY12/16			
		Actual				Actual	Revised Forecasts (as of December 14)			
		1H	2H	Full-Year		1H	2H	Full-Year		Previous Forecasts (as of April 28)
		Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio	Amount
Domestic Engineering Outsourcing Business	Net sales	14,766	16,787	31,553	39.0%	18,889	21,021	39,909	30.1%	40,156
	Operating income	950	1,448	2,398	76.7%	1,045	1,989	3,034	91.9%	2,927
	No. of worksite employees at term-end	4,285	4,742	4,742	-	5,720	5,891	5,891	-	6,014
Domestic Manufacturing Outsourcing Business	Net sales	13,724	15,744	29,468	36.4%	15,487	18,643	34,131	25.8%	33,572
	Operating income	233	778	1,010	32.3%	552	628	1,180	35.8%	1,761
	No. of worksite employees at term-end	6,554	7,463	7,463	-	7,482	9,104	9,104	-	10,262
Domestic Service Operations Outsourcing Business	Net sales	298	786	1,083	1.3%	1,476	2,011	3,487	2.6%	4,841
	Operating income	(37)	(45)	(82)	-2.6%	(50)	315	264	8.0%	203
	No. of worksite employees at term-end	381	1,671	1,671	-	1,521	1,640	1,640	-	2,952
Domestic Administrative Outsourcing Business	Net sales	280	257	537	0.7%	356	497	854	0.6%	858
	Operating income	25	31	56	1.8%	99	181	280	8.5%	268
	No. of outsourcing administrative workers at term-end	1,730	1,538	1,538	-	1,401	1,664	1,664	-	2,535
Domestic Recruiting and Placing Business	Net sales	342	530	872	1.1%	593	877	1,470	1.1%	1,351
	Operating income	142	271	413	13.2%	280	439	719	21.8%	458
	No. of placed workers	1,194	1,495	2,689	-	1,695	1,878	3,573	-	3,350
Overseas Engineering Outsourcing Business	Net sales	176	3,656	3,832	4.7%	8,520	12,651	21,171	16.0%	20,986
	Operating income	21	161	183	5.8%	372	416	788	23.9%	1,051
	No. of worksite employees at term-end	472	895	895	-	1,778	1,826	1,826	-	1,851
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	6,359	6,991	13,349	16.5%	11,781	19,100	30,880	23.3%	31,410
	Operating income	(41)	94	53	1.7%	245	1,114	1,359	41.2%	1,059
	No. of worksite employees at term-end	11,028	14,644	14,644	-	19,647	23,089	23,089	-	27,766
Other Business	Net sales	78	88	166	0.2%	382	216	598	0.5%	825
	Operating income	8	6	14	0.4%	11	(9)	2	0.1%	26
	No. of worksite employees at term-end	-	-	-	-	4	4	4	-	4
Adjustments	Operating income	(363)	(557)	(920)	-29.4%	(1,322)	(3,004)	(4,326)	-131.1%	(2,353)
	Net sales	36,022	44,838	80,861	100.0%	57,484	75,016	132,500	100.0%	134,000
Total	Operating income	938	2,188	3,125	100.0%	1,231	2,069	3,300	100.0%	5,400

\*Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSIN financial statements.

# Consolidated Financial Forecasts for FY12/16 (J-GAAP)

## Summary for Financial Forecasts by Operating Segment (Quarterly Trends)

( ¥ million)		FY12/15				FY12/16			Forecasts (as of December 14)
		Actual				Actual			Q4
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Domestic Engineering Outsourcing Business	Net sales	7,166	7,599	8,024	8,763	9,151	9,737	10,345	10,676
	Operating income	421	529	585	864	423	622	914	1,075
	No. of worksite employees at term-end	3,918	4,285	4,450	4,742	5,029	5,720	5,844	5,891
Domestic Manufacturing Outsourcing Business	Net sales	6,830	6,894	7,493	8,252	7,913	7,574	8,930	9,714
	Operating income	57	176	259	519	218	334	207	421
	No. of worksite employees at term-end	6,285	6,554	7,142	7,463	7,195	7,482	9,033	9,104
Domestic Service Operations Outsourcing Business	Net sales	140	157	247	538	618	858	979	1,032
	Operating income	(6)	(31)	(27)	(18)	(65)	14	218	97
	No. of worksite employees at term-end	375	381	840	1,671	1,710	1,521	1,557	1,640
Domestic Administrative Outsourcing Business	Net sales	137	143	136	121	149	207	263	234
	Operating income	14	11	14	18	35	64	91	90
	No. of outsourcing administrative workers at term-end	2,151	1,730	1,659	1,538	1,438	1,401	1,500	1,664
Domestic Recruiting and Placing Business	Net sales	167	175	257	273	278	314	418	459
	Operating income	67	76	137	134	117	164	227	212
	No. of placed workers	594	600	703	792	799	896	993	885
Overseas Engineering Outsourcing Business	Net sales	94	83	996	2,660	2,399	6,120	5,992	6,658
	Operating income	11	10	78	83	89	283	163	253
	No. of worksite employees at term-end	539	472	815	895	882	1,778	1,787	1,826
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	3,117	3,242	3,307	3,684	4,252	7,529	8,932	10,168
	Operating income	(75)	33	41	54	55	191	541	573
	No. of worksite employees at term-end	10,555	11,028	10,632	14,644	16,352	19,647	22,097	23,089
Other Business	Net sales	43	35	40	48	230	152	112	103
	Operating income	3	5	5	1	10	1	(9)	0
	No. of worksite employees at term-end	-	-	-	-	4	4	4	4
Adjustments	Operating income	(178)	(185)	(220)	(337)	(479)	(844)	(1,426)	(1,578)
Total	Net sales	17,695	18,328	20,499	24,339	24,991	32,493	35,972	39,045
	Operating income	315	623	871	1,317	403	828	925	1,143

\*Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSIN financial statements.

# Consolidated Financial Forecasts for FY12/16 (J-GAAP)

## Summary for Financial Forecasts by Region (Annual and Semi-Annual Trends)

(¥ million)	FY12/15				Actual	FY12/16		
	Actual					Forecasts (as of Decembr 14)		
	1H	2H	Full-Year	Composition Ratio		1H	2H	Full-Year
Japan	29,487	34,192	63,679	78.8%	37,183	43,265	80,449	60.7%
Asia (excl. Japan)	6,376	6,847	13,222	16.3%	6,461	6,254	12,715	9.6%
Oceania	160	2,087	2,246	2.8%	9,863	16,815	26,678	20.1%
Europe	-	1,365	1,365	1.7%	2,145	6,885	9,030	6.8%
South America	-	348	348	0.4%	1,831	1,797	3,629	2.7%
Total	36,022	44,838	80,861	100.0%	57,484	75,017	132,500	100.0%

## Summary for Financial Forecasts by Region (Quarterly Trends)

(¥ million)	FY12/15				FY12/16			
	Actual				Actual			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Forecasts (as of December 14) Q4
Japan	14,484	15,003	16,197	17,995	18,339	18,844	21,047	22,218
Asia (excl. Japan)	3,136	3,240	3,350	3,496	3,366	3,095	3,105	3,150
Oceania	75	85	588	1,499	1,420	8,444	7,959	8,856
Europe	-	-	365	1,001	889	1,256	2,987	3,898
South America	-	-	-	348	977	854	874	923
Total	17,695	18,328	20,499	24,339	24,991	32,493	35,972	39,045

\* Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSIN financial statements.

# Domestic Recruitment Plan for FY12/16

## Annual and Semi-Annual Trends

		FY12/15			Actual	FY12/16	
		Actual				Forecasts (as of April 28)	
		1H	2H	Full-Year		1H	2H
Engineering	No. of workers recruited (persons)	1,073	806	1,879	1,482	847	2,123
	Recruitment unit price (¥/worker)	197,892	286,492	235,897	206,814	296,863	273,938
Manufacturing	No. of workers recruited (persons)	3,418	5,922	9,340	2,819	4,880	8,198
	Recruitment unit price (¥/worker)	77,678	37,614	52,276	73,466	47,921	54,200
Service Operations	No. of workers recruited (persons)	-	-	-	1,478	1,885	3,324
	Recruitment unit price (¥/worker)	-	-	-	13,934	21,757	21,341
Recruiting and Placing	No. of workers recruited (persons)	1,194	1,495	2,689	1,695	1,757	3,350
	Recruitment unit price (¥/worker)	121,715	104,939	112,388	127,053	109,316	117,836

## Quarterly Trends

		FY12/15				FY12/16			
		Actual				Actual			Forecasts (as of April 28)
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Engineering	No. of workers recruited (persons)	325	748	358	448	532	950	436	366
	Recruitment unit price (¥/worker)	350,935	131,396	259,985	307,674	394,709	101,593	288,644	301,224
Manufacturing	No. of workers recruited (persons)	1,531	1,887	2,656	3,266	1,159	1,660	3,202	2,177
	Recruitment unit price (¥/worker)	91,251	66,665	43,829	32,560	82,432	67,207	39,770	49,777
Service Operations	No. of workers recruited (persons)	-	-	-	-	687	791	618	968
	Recruitment unit price (¥/worker)	-	-	-	-	16,079	12,071	9,663	21,439
Recruiting and Placing	No. of workers recruited (persons)	594	600	703	792	799	896	993	885
	Recruitment unit price (¥/worker)	131,552	111,977	108,889	101,433	137,164	118,036	137,779	105,703



# References



# Changes in Accounting Standard

\*From Q3 FY12/16 TANSBIN consolidated financial statements (J-GAAP) announced on October 28, 2016

## Change in Accounting Policies

(Application of Accounting Standard for Business Combinations and others)

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) (hereinafter, the “Business Combinations Accounting Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) (hereinafter, the “Consolidation Accounting Standard”) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) (hereinafter, the “Business Divestitures Accounting Standard”) and other standards from the first quarter ended March 31, 2016. Accordingly, the accounting methods have been changed to record the difference arising from changes in equity in subsidiaries which the Company continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which incurred. In addition, regarding business combinations occurring on or after January 1, 2016, the accounting method has been changed to retroactively reflect adjustments to the amount allocated to acquisition costs arising from the finalization of the provisional accounting treatment on the consolidated financial statements of the period in which the business combination occurs. Furthermore, presentation of Net Income and others has been changed and presentation of Minority Interests has been changed to Non-controlling Interests. In order to reflect the changes in presentation of financial statements, reclassification was made accordingly in the quarterly consolidated financial statements for the three months ended March 31, 2015 and the consolidated financial statements for the fiscal year ended December 31, 2015.

The applications of the Business Combination Accounting Standards and other standards comply with transitional treatments defined in Article 58, Paragraph 2(4) of the Business Combination Accounting Standards, Article 44, Paragraph 5(4) of the Consolidated Accounting Standards and Article 57, Paragraph 4(4) of the Business Divestitures Accounting Standards, which have been in effect from the three months ended March 31, 2016 and thereafter.

As a result, Operating Income, Ordinary Income and Income before Income Taxes for the three months ended September 30, 2016 decreased by 903 million yen respectively.

# Sales Breakdown by Industry for FY12/16

## Quarterly Trends

(¥million)	FY12/15 Actual					FY12/16 Actual		
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3
<b>Domestic Engineering Outsourcing Business</b>	<b>7,166</b>	<b>7,599</b>	<b>8,024</b>	<b>8,763</b>	<b>31,553</b>	<b>9,151</b>	<b>9,737</b>	<b>10,345</b>
Electrical & Electronics	902	1,381	1,492	1,561	5,335	1,556	1,631	1,786
Transport Equipment	1,981	1,946	2,214	2,333	8,474	2,353	2,477	2,631
Pharm. & Chemicals	352	335	330	365	1,383	387	398	405
IT-related	2,443	2,419	2,390	2,730	9,982	3,116	3,364	3,541
Construction & Plant-related	1,044	1,017	1,082	1,177	4,319	1,183	1,223	1,300
Others	444	502	516	598	2,060	556	644	682
<b>Domestic Manufacturing Outsourcing Business</b>	<b>6,830</b>	<b>6,894</b>	<b>7,493</b>	<b>8,252</b>	<b>29,468</b>	<b>7,913</b>	<b>7,574</b>	<b>8,930</b>
Electrical & Electronics	1,909	2,005	2,370	2,573	8,858	2,262	2,159	3,209
Transport Equipment	2,714	2,728	2,885	3,205	11,533	3,134	2,999	3,106
Pharm. & Chemicals	909	897	884	896	3,586	894	907	922
Metals & Construction Materials	486	485	510	528	2,010	623	630	710
Foods	401	334	390	522	1,647	474	338	355
Others	410	444	453	528	1,836	526	541	628
<b>Domestic Service Operations Outsourcing Business</b>	<b>140</b>	<b>157</b>	<b>247</b>	<b>538</b>	<b>1,083</b>	<b>618</b>	<b>858</b>	<b>979</b>
Retail	132	139	164	402	837	412	421	430
Civil Service	-	-	48	85	133	166	146	189
Others	8	19	35	51	113	40	291	359
<b>Overseas Engineering Outsourcing Business</b>	<b>94</b>	<b>83</b>	<b>996</b>	<b>2,660</b>	<b>3,832</b>	<b>2,399</b>	<b>6,120</b>	<b>5,992</b>
<b>Overseas Manufacturing and Service Operations Outsourcing Business</b>	<b>3,117</b>	<b>3,242</b>	<b>3,307</b>	<b>3,684</b>	<b>13,349</b>	<b>4,252</b>	<b>7,529</b>	<b>8,932</b>

\* Fractions less than unit in the above amount figures are rounded off in this results briefing material, while being rounded down in the TANSIN financial statements.

# Sales Breakdown Ratio by Industry for FY12/16

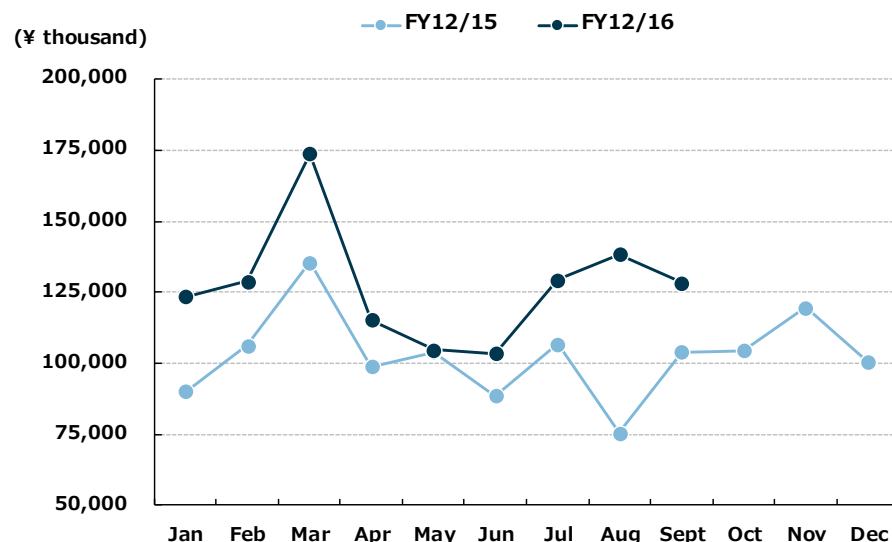
## Quarterly Trends

	FY12/15 Actual					FY12/16 Actual		
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3
<b>Domestic Engineering Outsourcing Business</b>	<b>40.5%</b>	<b>41.7%</b>	<b>39.1%</b>	<b>36.0%</b>	<b>39.0%</b>	<b>36.6%</b>	<b>30.0%</b>	<b>28.8%</b>
Electrical & Electronics	5.1%	7.5%	7.3%	6.4%	6.6%	6.2%	5.0%	5.0%
Transport Equipment	11.2%	10.6%	10.8%	9.6%	10.5%	9.4%	7.6%	7.3%
Pharm. & Chemicals	2.0%	1.8%	1.6%	1.5%	1.7%	1.6%	1.2%	1.1%
IT-related	13.8%	13.2%	11.7%	11.2%	12.3%	12.5%	10.4%	9.8%
Construction & Plant-related	5.9%	5.6%	5.2%	4.8%	5.3%	4.7%	3.8%	3.6%
Others	2.5%	2.8%	2.5%	2.5%	2.6%	2.2%	2.0%	1.9%
<b>Domestic Manufacturing Outsourcing Business</b>	<b>38.6%</b>	<b>37.7%</b>	<b>36.6%</b>	<b>33.9%</b>	<b>36.5%</b>	<b>31.7%</b>	<b>23.3%</b>	<b>24.8%</b>
Electrical & Electronics	10.8%	10.9%	11.6%	10.6%	11.0%	9.1%	6.6%	8.9%
Transport Equipment	15.3%	14.9%	14.1%	13.1%	14.3%	12.5%	9.2%	8.6%
Pharm. & Chemicals	5.1%	4.9%	4.3%	3.7%	4.4%	3.6%	2.8%	2.6%
Metals & Construction Materials	2.8%	2.7%	2.5%	2.2%	2.5%	2.5%	1.9%	2.0%
Foods	2.3%	1.8%	1.9%	2.1%	2.0%	1.9%	1.0%	1.0%
Others	2.3%	2.4%	2.2%	2.2%	2.3%	2.1%	1.7%	1.7%
<b>Domestic Service Operations Outsourcing Business</b>	<b>0.8%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>2.2%</b>	<b>1.3%</b>	<b>2.5%</b>	<b>2.6%</b>	<b>2.7%</b>
Retail	0.7%	0.8%	0.8%	1.7%	1.0%	1.6%	1.3%	1.2%
Civil Service	-	-	0.2%	0.3%	0.2%	0.7%	0.4%	0.5%
Others	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.9%	1.0%
<b>Overseas Engineering Outsourcing Business</b>	<b>0.6%</b>	<b>0.4%</b>	<b>4.9%</b>	<b>10.9%</b>	<b>4.7%</b>	<b>9.6%</b>	<b>18.8%</b>	<b>16.7%</b>
<b>Overseas Manufacturing and Service Operations Outsourcing Business</b>	<b>17.6%</b>	<b>17.7%</b>	<b>16.1%</b>	<b>15.2%</b>	<b>16.5%</b>	<b>17.0%</b>	<b>23.2%</b>	<b>24.8%</b>

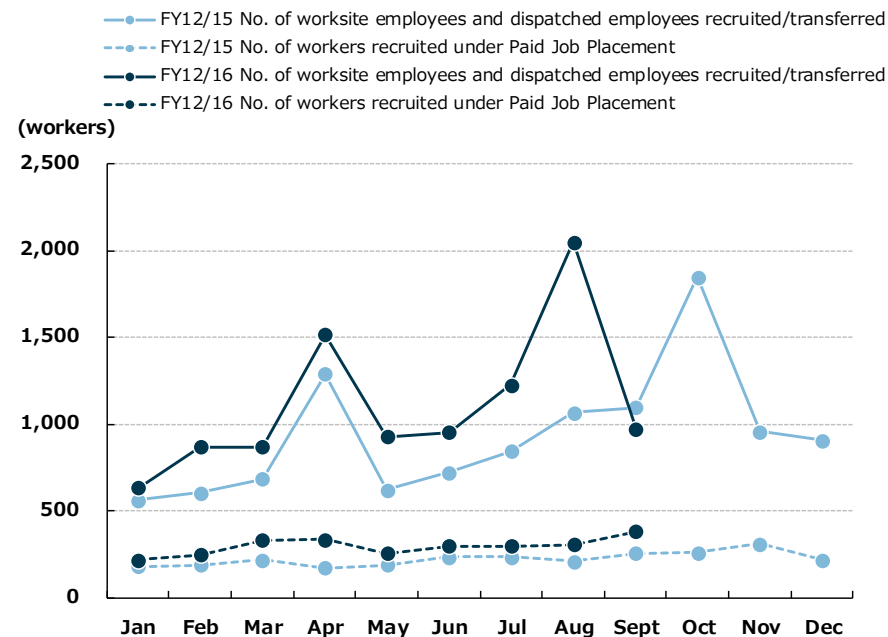
# Trends in Recruited Number of Workers and Recruiting Expenses in Japan

## Monthly Trends (Consolidated)

Monthly Recruiting Expenses



No. of Worksite Employees and Dispatched Employees Recruited/Transferred

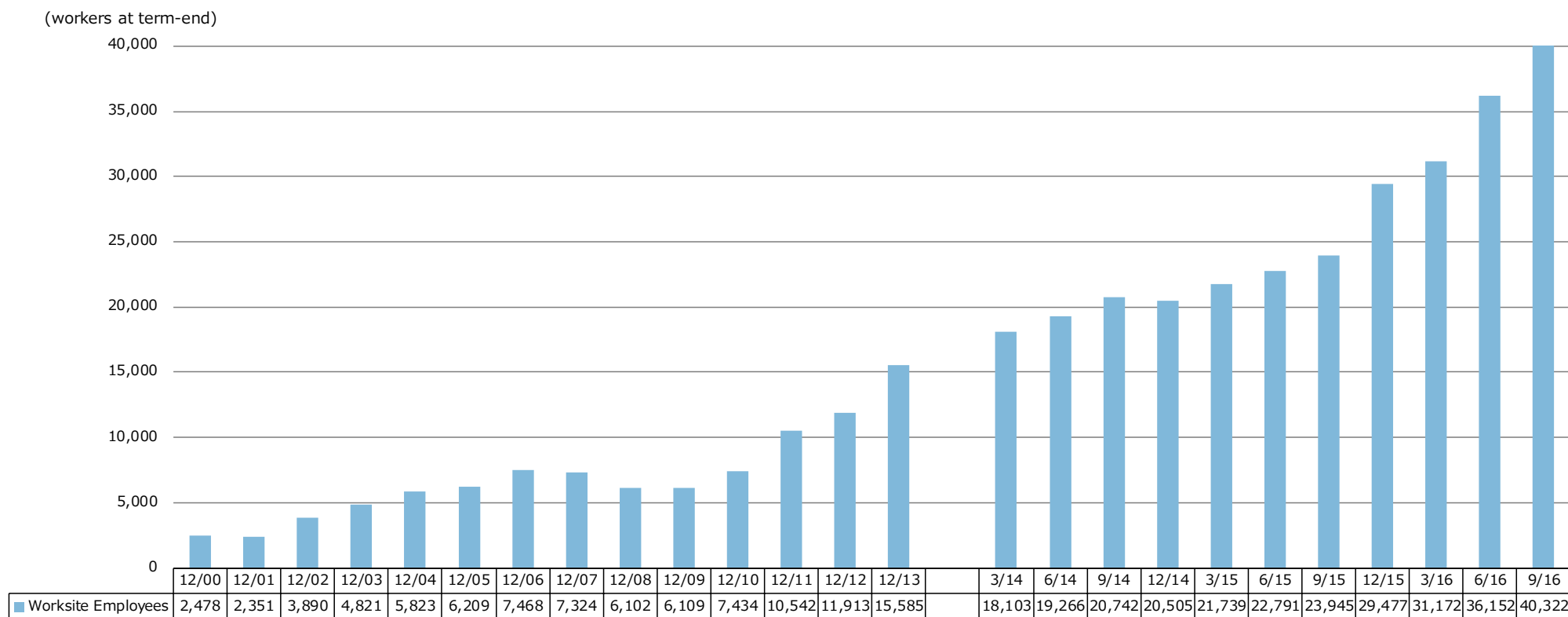


FY12/15		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
	No. of worksite employees and dispatched employees recruited/transferred	565	604	687	1,289	622	724	847	1,068	1,099	1,850	957	907
	No. of workers recruited under Paid Job Placement	183	192	219	173	192	235	235	212	256	261	312	219
	Recruiting expenses (¥ thousand)	90,149	106,324	135,429	98,732	104,026	88,508	106,653	75,482	103,899	104,334	119,706	100,474
FY12/16		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
	No. of worksite employees and dispatched employees recruited/transferred	634	872	872	1,515	930	956	1,229	2,050	977			
	No. of workers recruited under Paid Job Placement	218	250	331	337	259	300	301	309	383			
	Recruiting expenses (¥ thousand)	123,495	128,926	173,743	115,195	104,675	103,514	129,325	138,235	128,418			

※Total number of recruited workers and recruiting expenses in Japan (Worker Dispatching and Contracting, Recruiting and Placing, and Engineering)

# Changes in Number of Worksite Employees and Dispatched Workers

- ▣ Quarterly Changes (Consolidated)
  - Up to FY12/13: Annual trend
  - From FY12/14: Quarterly trend



\*Worksite employees are those working at client manufacturers' worksites, including currently active dispatched workers.

A cautionary note on forward-looking statements:

This material contains forward-looking statements about the Company's future plans and forecasts, which are based on the Company's assumptions and beliefs judged from the information currently available and are subject to a number of risks and uncertainties. This may cause actual results to differ materially from those projected.

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