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

Financial Results for the Fiscal Year Ended December 31, 2016

February 2017

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Consolidated Financial Results for FY12/16 (J-GAAP)

Consolidated Financial Results Summary (Annual and Semi-Annual Trends)

(¥ million)	FY12/15 Actual				FY12/16 Actual				YoY	
	1H	2H	Full-Year		1H	2H	Full-Year		Changes	
	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio	Amount	Ratio
Net sales	**36,022**	**44,838**	**80,861**	**100.0%**	**57,484**	**76,998**	**134,482**	**100.0%**	**53,621**	**66.3%**
Cost of sales	28,948	35,379	64,327	79.6%	46,119	60,755	106,874	79.5%	42,547	66.1%
Gross profit	**7,075**	**9,459**	**16,534**	**20.4%**	**11,365**	**16,243**	**27,608**	**20.5%**	**11,074**	**67.0%**
SG&A expenses	6,137	7,271	13,408	16.6%	10,133	13,738	23,871	17.8%	10,463	78.0%
Operating income	**938**	**2,188**	**3,125**	**3.9%**	**1,231**	**2,505**	**3,737**	**2.8%**	**611**	**19.6%**
Non-operating income	266	262	528	0.7%	310	414	724	0.5%	196	37.1%
Non-operating expenses	201	228	428	0.5%	247	832	1,080	0.8%	651	152.1%
Ordinary income	**1,003**	**2,222**	**3,225**	**4.0%**	**1,294**	**2,086**	**3,380**	**2.5%**	**156**	**4.8%**
Extraordinary income	40	49	89	0.1%	12	105	117	0.1%	28	31.8%
Extraordinary losses	0	1	1	0.0%	20	454	475	0.4%	474	-
Profit attributable to owners of parent	**489**	**1,321**	**1,810**	**2.2%**	**302**	**362**	**664**	**0.5%**	**(1,146)**	**-63.3%**

Consolidated Financial Results for FY12/16 (J-GAAP)

Highlights for Consolidated Financial Results

Net Sales ¥134,482 million (+66.3% 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 where the shortage of engineers is pronounced

- Number of assigned persons post-training at the Group's KEN School・・・ Cumulative FY12/16 1,210 (Full-Year Target 1,200)
- Number of career changes 1-year post-assignment・・・ Cumulative FY12/16 749 (Full-Year Target 700)

FY12/16 segment sales actual results: ¥40,426 million (+28.1% YoY)

Domestic Manufacturing Outsourcing Business

Actualized the year 2018 problem (from the 2015 Revised Worker Dispatching Act) promoted the PEO scheme, and expanded the number of transferring of directly hired fixed-term contract workers and dispatched employees from other companies.

- Number of workers recruited through the PEO Scheme・・・ Cumulative FY12/16 3,430 (Full-Year Target 3,000)
- PEO Scheme number of workers enrolled・・・ FY12/16-end 5,519 (Full-Year Target 5,500)

FY12/16 segment sales actual results: ¥34,668 million (+17.6% YoY)

Consolidated Financial Results for FY12/16 (J-GAAP)

Highlights for Consolidated Financial Results

Net Sales ¥134,482 million (+66.3% YoY)

Domestic Service Operations Outsourcing Business

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

FY12/16 segment sales actual results: ¥3,470 million (+220.4% YoY)

Domestic Administrative Outsourcing Business

Due to the year 2018 problem (from the 2013 Revised Labor Contracts Act), makers have remarked on foreign technical interns, and expanded the utilization needs.

・Number of foreign technical interns under administrative contract operations ・・・ FY12/16-end 2,613 (Full-Year Target 2,400)

FY12/16 segment sales actual results: ¥873 million (+62.6% YoY)

Domestic Recruiting and Placing Business

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

FY12/16 segment sales actual results: ¥1,377 million (+58.1% YoY)

Consolidated Financial Results for FY12/16 (J-GAAP)

Highlights for Consolidated Financial Results

Net Sales ¥134,482 million (+66.3% YoY)

Overseas Engineering Outsourcing Business

Favorable growth in outsourcing orders from national and local government institutions in Europe and Australia

FY12/16 segment sales actual results: ¥20,976 million (+447.3% 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.

FY12/16 segment sales actual results: ¥32,088 million (+140.4% 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.

FY12/16 segment sales actual results: ¥600 million (+262.0% YoY)

Highlights for Consolidated Financial Results

Operating Income ¥3,737 million (+19.6% YoY)

- Related to larger-scale M&A deals than the initial plan of the fiscal year, there were booking of financial advisor and due diligence expenses, etc. of ¥1,400 million in one lump sum due to a revised accounting standard and goodwill amortization expense of ¥2,900 million, however, strong performance absorbed this and posted a record high.

Ordinary Income ¥3,380 million (+4.8% YoY)

- In addition to the expenses above, there were 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, however, ordinary income absorbed this and posted a record high.

Profit Attributable to Owners of Parent ¥664 million (-63.3% YoY)

- M&A-related initial one-off expenses (excluding finance-related expenses) and goodwill amortization expense were only for consolidated accounts and not included in tax calculations due to a revised accounting standard.

In FY12/17, in addition to earnings growth expected as a result of creation of synergies within the Group, initial one-off expenses related to M&A implemented disappearing as well as goodwill amortization expense of ¥2,900 million in FY12/16 except for a part of the amount considered as intangible assets as a result of the transition to IFRS-based accounting

Consolidated Financial Results for FY12/16 (J-GAAP)

Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/15 Actual					FY12/16 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Net sales	17,695	18,328	20,499	24,339	80,861	24,991	32,493	35,972	41,027	134,482
Gross profit	3,362	3,712	4,229	5,230	16,534	4,954	6,411	7,505	8,738	27,608
Gross profit margin	19.0%	20.3%	20.6%	21.5%	20.4%	19.8%	19.7%	20.9%	21.3%	20.5%
SG&A expenses	3,048	3,089	3,358	3,913	13,408	4,551	5,582	6,580	7,158	23,871
SG&A expenses ratio	17.2%	16.9%	16.4%	16.1%	16.6%	18.2%	17.2%	18.3%	17.4%	17.8%
Operating income	315	623	871	1,317	3,125	403	828	925	1,580	3,737
Operating income margin	1.8%	3.4%	4.2%	5.4%	3.9%	1.6%	2.5%	2.6%	3.9%	2.8%
Ordinary income	365	638	969	1,252	3,225	304	990	478	1,609	3,380
Ordinary income margin	2.1%	3.5%	4.7%	5.1%	4.0%	1.2%	3.0%	1.3%	3.9%	2.5%
Profit attributable to owners of parent	205	284	499	822	1,810	29	273	(121)	483	664
Net income margin	1.2%	1.5%	2.4%	3.4%	2.2%	0.1%	0.8%	-0.3%	1.2%	0.5%

QoQ Changes	FY12/15 Actual					FY12/16 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Net sales	9.8%	3.6%	11.8%	18.7%	36.1%	2.7%	30.0%	10.7%	14.1%	66.3%
Gross profit	-0.3%	10.4%	13.9%	23.7%	38.2%	-5.3%	29.4%	17.1%	16.4%	67.0%
SG&A expenses	16.9%	1.4%	8.7%	16.5%	34.7%	16.3%	22.7%	17.9%	8.8%	78.0%
Operating income	-58.8%	97.9%	39.7%	51.3%	55.5%	-69.4%	105.5%	11.7%	70.7%	19.6%
Ordinary income	-56.9%	74.6%	52.0%	29.2%	46.8%	-75.7%	-	-51.7%	-	4.8%
Profit attributable to owners of parent	-61.2%	38.4%	75.8%	64.8%	37.5%	-96.4%	-	-144.2%	-	-63.3%

Consolidated Financial Results for FY12/16 (J-GAAP)

Financial Results by Operating Segment and Net Sales by Region (Annual and Semi-Annual Trends)

(¥ million)		FY12/15 Actual				FY12/16 Actual			
		1H	2H	Full-Year		1H	2H	Full-Year	
		Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio
Domestic Engineering Outsourcing Business	Net sales	14,766	16,787	31,553	39.0%	18,889	21,538	40,426	30.1%
	Operating income	950	1,448	2,398	76.7%	1,045	2,146	3,191	85.4%
	No. of worksite employees at term-end	4,285	4,742	4,742	-	5,720	6,066	6,066	-
Domestic Manufacturing Outsourcing Business	Net sales	13,724	15,744	29,468	36.4%	15,487	19,181	34,669	25.8%
	Operating income	233	778	1,010	32.3%	552	975	1,527	40.9%
	No. of worksite employees at term-end	6,554	7,463	7,463	-	7,482	9,033	9,033	-
Domestic Service Operations Outsourcing Business	Net sales	298	786	1,083	1.3%	1,476	1,995	3,470	2.6%
	Operating income	(37)	(45)	(82)	-2.6%	(50)	276	226	6.0%
	No. of worksite employees at term-end	381	1,671	1,671	-	1,521	1,609	1,609	-
Domestic Administrative Outsourcing Business	Net sales	280	257	537	0.7%	356	517	874	0.6%
	Operating income	25	31	56	1.8%	99	179	278	7.4%
	No. of outsourcing administrative workers at term-end	1,730	1,538	1,538	-	1,401	1,478	1,478	-
Domestic Recruiting and Placing Business	Net sales	342	530	872	1.1%	593	785	1,378	1.0%
	Operating income	142	271	413	13.2%	280	366	647	17.3%
	No. of placed workers	1,194	1,495	2,689	-	1,695	1,994	3,689	-
Overseas Engineering Outsourcing Business	Net sales	176	3,656	3,832	4.7%	8,520	12,457	20,977	15.6%
	Operating income	21	161	183	5.8%	372	475	847	22.7%
	No. of worksite employees at term-end	472	895	895	-	1,778	1,836	1,836	-
Overseas Manufacturing and Service Operations Outsourcing Business	Net sales	6,359	6,991	13,349	16.5%	11,781	20,308	32,089	23.9%
	Operating income	(41)	94	53	1.7%	245	1,169	1,414	37.8%
	No. of worksite employees at term-end	11,028	14,644	14,644	-	19,647	24,290	24,290	-
Other Business	Net sales	78	88	166	0.2%	382	218	600	0.4%
	Operating income	8	6	14	0.4%	11	8	19	0.5%
	No. of worksite employees at term-end	-	-	-	-	4	4	4	-
Adjustments	Operating income	(363)	(557)	(920)	-29.4%	(1,322)	(3,089)	(4,411)	-118.0%
Total	Net sales	36,022	44,838	80,861	100.0%	57,484	76,998	134,482	100.0%
	Operating income	938	2,188	3,125	100.0%	1,231	2,505	3,737	100.0%

Net Sales by Region (¥ million)	FY12/15 Actual				FY12/16 Actual			
	1H	2H	Full-Year		1H	2H	Full-Year	
	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio
Japan	29,487	34,192	63,679	78.8%	37,183	44,234	81,417	60.5%
Asia (excl. Japan)	6,376	6,847	13,222	16.4%	6,461	6,713	13,174	9.8%
Oceania	160	2,087	2,246	2.8%	9,863	17,170	27,033	20.1%
Europe	-	1,365	1,365	1.7%	2,145	6,812	8,957	6.7%
South America	-	348	348	0.4%	1,831	2,070	3,901	2.9%
Total	36,022	44,838	80,861	100.0%	57,484	76,998	134,482	100.0%

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

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

*3: The results of ALLEN LANE CONSULTANCY LIMITED and LIBERATA UK LIMITED are included the segment of Overseas Manufacturing and Service Operations Outsourcing Business.

Consolidated Financial Results for FY12/16 (J-GAAP)

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	Q4	Full-Year
Domestic Engineering Outsourcing Business	Net sales	7,166	7,599	8,024	8,763	31,553	9,151	9,737	10,345	11,193	40,426
	Operating income	421	529	585	864	2,398	423	622	914	1,231	3,191
	No. of worksite employees at term-end	3,918	4,285	4,450	4,742	4,742	5,029	5,720	5,844	6,066	6,066
Domestic Manufacturing Outsourcing Business	Net sales	6,830	6,894	7,493	8,252	29,468	7,913	7,574	8,930	10,252	34,669
	Operating income	57	176	259	519	1,010	218	334	207	768	1,527
	No. of worksite employees at term-end	6,285	6,554	7,142	7,463	7,463	7,195	7,482	9,033	9,033	9,033
Domestic Service Operations Outsourcing Business	Net sales	140	157	247	538	1,083	618	858	979	1,016	3,470
	Operating income	(6)	(31)	(27)	(18)	(82)	(65)	14	218	58	226
	No. of worksite employees at term-end	375	381	840	1,671	1,671	1,710	1,521	1,557	1,609	1,609
Domestic Administrative Outsourcing Business	Net sales	137	143	136	121	537	149	207	263	254	874
	Operating income	14	11	14	18	56	35	64	91	88	278
	No. of outsourcing administrative workers at term-end	2,151	1,730	1,659	1,538	1,538	1,438	1,401	1,500	1,478	1,478
Domestic Recruiting and Placing Business	Net sales	167	175	257	273	872	278	314	418	367	1,378
	Operating income	67	76	137	134	413	117	164	227	139	647
	No. of placed workers	594	600	703	792	2,689	799	896	993	1,001	3,689
Overseas Engineering Outsourcing Business	Net sales	94	83	996	2,660	3,832	2,399	6,120	5,992	6,464	20,977
	Operating income	11	10	78	83	183	89	283	163	312	847
	No. of worksite employees at term-end	539	472	815	895	895	882	1,778	1,787	1,836	1,836
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	11,376	32,089
	Operating income	(75)	33	41	54	53	55	191	541	628	1,414
	No. of worksite employees at term-end	10,555	11,028	10,632	14,644	14,644	16,352	19,647	22,097	24,290	24,290
Other Business	Net sales	43	35	40	48	166	230	152	112	105	600
	Operating income	3	5	5	1	14	10	1	(9)	17	19
	No. of worksite employees at term-end	-	-	-	-	-	4	4	4	4	4
Adjustments	Operating income	(178)	(185)	(220)	(337)	(920)	(479)	(844)	(1,426)	(1,662)	(4,411)
Total	Net sales	17,695	18,328	20,499	24,339	80,861	24,991	32,493	35,972	41,027	134,482
	Operating income	315	623	871	1,317	3,125	403	828	925	1,580	3,737

Net Sales by Region	FY12/15 Actual					FY12/16 Actual				
(¥ million)	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Japan	14,484	15,003	16,197	17,995	63,679	18,339	18,844	21,047	23,186	81,417
Asia (excl. Japan)	3,136	3,240	3,350	3,496	13,222	3,366	3,095	3,105	3,609	13,174
Oceania	75	85	588	1,499	2,246	1,420	8,444	7,959	9,210	27,033
Europe	-	-	365	1,001	1,365	889	1,256	2,987	3,825	8,957
South America	-	-	-	348	348	977	854	874	1,196	3,901
Total	17,695	18,328	20,499	24,339	80,861	24,991	32,493	35,972	41,027	134,482

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

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

*3: The results of ALLEN LANE CONSULTANCY LIMITED and LIBERATA UK LIMITED are included the segment of Overseas Manufacturing and Service Operations Outsourcing Business.

Consolidated Financial Results for FY12/16 (J-GAAP)

Summary of Consolidated Balance Sheet

(¥ million)	FY12/15-End		FY12/16-End		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	**24,658**	**66.6%**	**43,937**	**53.6%**	**19,280**
(Cash and deposits)	9,215	24.9%	12,602	15.4%	3,386
(Notes and accounts receivable - trade)	12,979	35.0%	20,401	24.9%	7,422
(Inventories)	851	2.3%	1,156	1.4%	304
Non-current assets	**12,385**	**33.4%**	**38,097**	**46.4%**	**25,712**
Property, plant and equipment	2,734	7.4%	2,989	3.6%	254
Intangible assets	7,261	19.6%	30,448	37.1%	23,187
Investments and other assets	2,389	6.5%	4,660	5.7%	2,271
Total assets	**37,043**	**100.0%**	**82,034**	**100.0%**	**44,992**
Current liabilities	**20,155**	**54.4%**	**41,990**	**51.2%**	**21,834**
(Notes and accounts payable - trade)	731	2.0%	1,091	1.3%	360
(Short-term loans payable)	8,704	23.5%	24,445	29.8%	15,742
(Accounts payable - other)	5,745	15.5%	8,788	10.7%	3,042
Non-current liabilities	**4,515**	**12.2%**	**26,846**	**32.7%**	**22,331**
(Bonds payable)	25	0.1%	-	-	-
(Long-term loans payable)	2,018	5.4%	20,915	25.5%	18,897
Total liabilities	**24,670**	**66.6%**	**68,836**	**83.9%**	**44,165**
Shareholders' equity	**11,574**	**31.2%**	**11,698**	**14.3%**	**123**
Capital stock	1,725	4.7%	1,759	2.1%	34
Capital surplus	3,425	9.2%	3,460	4.2%	34
Retained earnings	6,424	17.3%	6,479	7.9%	55
Treasury shares	(0)	0.0%	(0)	0.0%	(0)
Accumulated other comprehensive income	**90**	**0.2%**	**(951)**	**-1.2%**	**(1,041)**
Subscription rights to shares	**96**	**0.3%**	**125**	**0.2%**	**29**
Non-controlling interests	**612**	**1.7%**	**2,327**	**2.8%**	**1,715**
Total net assets	**12,372**	**33.4%**	**13,199**	**16.1%**	**827**
Total liabilities and net assets	**37,043**	**100.0%**	**82,034**	**100.0%**	**44,992**

Notes and accounts receivable - trade:

Increased from acquisition of subsidiary shares and business scale expansion, etc.

Intangible assets:

Larger goodwill on acquiring subsidiaries' shares

Short-term loans payable:

Increased due to increased loans for working capital

Long-term loans payable:

Increased due to increased loans for M&A

Capital stock, capital surplus:

Increased from the exercise of subscription rights to shares

Consolidated Financial Results for FY12/16 (J-GAAP)

Summary of Consolidated Statements of Cash Flows

(¥ million)	FY12/15 Full-Year Amount	FY12/16 Full-Year Amount	YoY Changes Amount
Profit before income taxes	3,313	3,023	(290)
Depreciation	446	979	533
Amortization of goodwill	923	2,611	1,688
Amortization of negative goodwill	(0)	-	-
Decrease (increase) in notes and accounts receivable - trade	(1,550)	(3,547)	(1,997)
Increase (decrease) in notes and accounts payable - trade	656	993	338
Net cash provided by (used in) operating activities	**2,097**	**906**	**(1,192)**
Net cash provided by (used in) investing activities	**(5,040)**	**(28,613)**	**(23,574)**
Increase (decrease) in loans payable	2,349	32,709	30,360
Cash dividends paid	(401)	(610)	(209)
Other, net	3,845	(71)	(3,916)
Net cash provided by (used in) financing activities	**5,793**	**32,028**	**26,235**
Cash and cash equivalents at end of period	**7,397**	**11,746**	**4,349**

Net cash provided by (used in) operating activities:
Increased from increase in notes and accounts receivable - trade

Net cash provided by (used in) investing activities:
Increased acquisition of shares of subsidiaries

Net cash provided by (used in) financing activities:
Increased from increase in loans payable and working capital

Strategies for Medium-Term Management Plan

Vision for Medium-Term Management Plan

Establish a tenacious Group that is not affected

by any type of economic fluctuation or changes

in the natural environment,

aiming at employment stability

Strategies for Medium-Term Management Plan

For human resource services, people are the source of net sales, and creating a net increase in the number of people is directly linked to net sales growth.

Many providers continue to steadily follow schemes of the past that are already obsolete and collapsing.

Focus efforts on marketing activities in order to secure more demand for increased workers when makers hike production

⇒ In response to orders received, deploy advertising expense on recruiting media by publishing a large number of job offer listings, and conduct interviews for the high volume of applicants

⇒ Annual hiring and assignment of several thousand up to 10,000 from those interviewed is the limit, limiting annual growth to a maximum of roughly 20%

⇒ Going forward, as the labor force population declines, there is extremely high risk of large-scale employment cancellations as a result of production volatility which is a feature of the industry, raising a sense of uncertainty for the future

The Group views the paradigm shift for client needs occurring on a global scale as a result of legal and regulatory changes as a major business opportunity, and has absolutely no interest in the aforementioned low growth, obsolete schemes of the past.

In response to the global scale paradigm shift, the Company will achieve growth on a different dimension by taking maximum risk and challenging aggressively.

Strategies for Medium-Term Management Plan

Overview of strategies

- Winning demand as a result of industry consolidation caused by legal and regulatory changes (Worker Dispatching Act revised in 2015)
- Resolving client issues arising as a result of legal and regulatory changes (Labor Contracts Act revised in 2013)
- Accelerating entry into markets for the privatization of public work, reducing government employees, that are growing in developed countries
- Expanding business for the US military bases that is not affected by changes in the economy or environment

(Unit: ¥ billion)

	Consolidated Net Sales	EBITDA
FY12/16 Actual	134.4	7.3
FY12/17 Plan	213.0	12.4
FY12/18 Plan	274.0	17.5
FY12/19 Plan	346.0	23.6
FY12/20 Plan	441.0	34.4

※The value of FY12/17 onward is based on International Financial Reporting Standards=IFRS.

[Net increases in staff to achieve revenue growth will not rely on recruiting media]

As a result of the global paradigm shift in client needs, providers that have many engineers enrolled perceive attractive synergies with the Group, joining the Group voluntarily

Strategies for Medium-Term Management Plan

Growth through building a fortified financial position

Fiscal Year	Strategies
FY12/16	M&A-related investment funds exceeded ¥43.0 billion (including Orizon and a portion of AEC), with loans from financial institutions increasing, and the shareholders' equity ratio dipping in the lower 10% range.
FY12/17	・Hold deals of large-scale M&A transactions planned for FY12/17, shortening the initially assumed period for recouping investments with maximizing synergy with already acquired companies, and build a road to 14% organic net sales growth during the fiscal year in medium-term plan. ・FY12/17 initial full-term guidance for net income is ¥5.1 billion. ・Including the equity financing from January, the shareholders' equity ratio is expected to recover to the mid 20%.
FY12/18	The Company is building a fortified financial position through shortened recouping period, targeting FY12/18 full-term net income over ¥8.0 billion, and aim at achieving the shareholders' equity ratio over 30%.
FY12/19	・On the back of a fortified financial position, implementing M&A on the same scale as FY12/16 of around ¥50.0 billion in net sales. ・The Company is putting in place a structure that can generate real adjusted net income of over ¥10.0 billion.
FY12/20	On the back of a fortified financial position, implementing M&A on the same scale as FY12/16 of around ¥50.0 billion in net sales. ＊Achieving consolidated net sales of ¥360.0 billion through organic growth of roughly 20% from FY12/18.

The business plan for FY12/20 which is the last fiscal year of the Medium-Term Management Plan shows conservative figures.

Various Growth Strategies from FY12/16 to FY12/17

Various Growth Strategies from FY12/16 to FY12/17

FY12/17 Growth Plan

	Consolidated Net Sales	EBITDA	Operating Income
FY12/16 Actual	¥134.4 billion	¥7.3 billion	¥3.7 billion
FY12/17 Plan	¥213.0 billion	¥12.4 billion	¥9.5 billion
Growth Amount	¥78.6 billion	¥5.1 billion	¥5.8 billion
Growth Ratio	58.5%	69.9%	156.8%

※The value of FY12/17 onward is based on International Financial Reporting Standards=IFRS.

Establish the foundation for a tenacious Group structure globally aiming at becoming No.1 in the world

Ⅰ Net sales growth logic ・・・ P.20～

Ⅱ EBITDA growth logic ・・・ P.27

Various Growth Strategies from FY12/16 to FY12/17

Ⅰ. Net sales growth logic

Actual net sales for FY12/16	¥134.4 billion
Planned net sales for FY12/17	¥213.0 billion
Net sales growth amount	¥78.6 billion

(1) Organic growth of ¥36.7 billion ・・・P.21 ～

(2) Additional ¥41.9 billion from M&A that has already concluded basic agreements ・・・P.26

Various Growth Strategies from FY12/16 to FY12/17

I . Net sales growth logic

(1) Organic growth of ¥36.7 billion

■Organic growth plan for key businesses

	FY12/16 Actual		FY12/17 Plan	Growth Amount
① Domestic Engineering Outsourcing Business	¥40.4 billion	⇒	¥48.7 billion	= ¥8.3 billion
② Domestic Manufacturing/Administrative Outsourcing Business (total)	¥35.5 billion	⇒	¥45.6 billion	= ¥10.1 billion
③ Overseas Business (total)	¥53.1 billion	⇒	¥70.2 billion	= ¥17.1 billion
④ Dispatching business such as for welfare facilities in the US military base	¥5.4 billion	⇒	¥6.6 billion	= ¥1.2 billion
Total	¥ 134.4 billion	⇒	¥171.1 billion	= ¥36.7 billion

※FY12/17 plan estimates for ③ and ④ do not include the Orizon transaction completed on January 4, 2017, and AEC transaction scheduled to be completed on April 1, 2017.

■The growth rate from actual FY12/16 net sales of ¥134.4 billion to FY12/17 organic net sales estimate for ¥171.1 billion is +27%, however, assuming FY12/16 net sales to include a full contribution from M&A acquisitions undertaken in FY12/16, adjusted FY12/16 net sales becomes ¥150.7 billion, making a real organic growth rate of +14%.

Various Growth Strategies from FY12/16 to FY12/17

Ⅰ. Net sales growth logic

(1) Organic growth of ¥36.7 billion

① Domestic Engineering Outsourcing Business (¥8.3 billion growth)

The 2018 issue (from the 2015 Revised Worker Dispatching Act) is emerging as demand for 2017

There are many SMEs among engineering dispatching firms, and roughly 80% of estimated 6,000 firms will likely be unable to obtain business approval and are on course to be weeded out.

The Company's strategy for dealing with industry consolidation

Pursuing M&A of dispatching firms facing difficulties as going concerns and increasing enrollment transfer and concentration of temporary placement workers

As a buffer to its net sales plan, the Company is establishing a JV company for the purpose of dealing with SME dispatching firms that are being weeded out

The Company's strategy for the shortage of engineers in a continuously growing labor market

Leveraging the Group's KEN School, the Company is expanding the scheme for training inexperienced workers hired from other industries and then assigns after receiving engineering education

Toward recruiting 8,566 enrollment required for growth of ¥8.3 billion from FY12/16 to FY12/17

Recruiting Method	Actual No. of Worksite Employees at FY12/16-end: 6,066		Planned No. of Worksite Employees at FY12/17-end: 8,566	
Transferring/Aggregation	No. of employees	115	No. of employees	315
School Utilizing Scheme	No. of employees	1,510	No. of employees	2,810
New Graduates	No. of employees	875	No. of employees	1,475
General Recruitment	No. of employees	3,566	No. of employees	3,966

Various Growth Strategies from FY12/16 to FY12/17

I. Net sales growth logic

(1) Organic growth of ¥36.7 billion

② Domestic Manufacturing/Administrative Outsourcing Business (¥10.1 billion growth)

*Assuming including a full contribution of ¥3.5 billion from M&A deals handled during FY12/16

The year 2018 problem (from the 2013 Revised Labor Contracts Act) emerges as demand for 2017
Demand for handling over 600,000 fixed-term contract workers (estimate) hired directly by makers

Makers' response to the year 2018 problem

① Transfer enrollment as full-time employees with no term restriction on temporary placement to temporary dispatching firms, and receive them as dispatching workers

② Expand taking on foreign technical interns

The Company's strategy in response to the needs of manufacturers

① Results of the PEO Scheme are a major advantage, and further expanding acceptance of transfer enrollment of maker fixed-term contract workers

② Results of administrative work on consignment of foreign technical interns for multiple manufacturers, collaboration with intern supervisory groups for over 6,000 trainees, and connections with local institutions in Asia for seconding interns are advantages, and the Company is expanding administrative work on consignment.

Toward recruiting 19,000 enrollment required for growth of ¥10.1 billion from FY12/16 to FY12/17

Recruiting Method	Actual No. of Worksite Employees at FY12/16-end: 12,017	Planned No. of Worksite Employees at FY12/17-end: 19,000
PEO Scheme	No. of employees 5,519	No. of employees 10,000
Foreign Technical Interns	No. of employees 2,613	No. of employees 5,100
General Recruitment, New Graduates, etc.	No. of employees 3,885	No. of employees 3,900

Foreign technical interns are the employment of the clients, however, the number is included in the Company's employees because of administrative work consignment.

Various Growth Strategies from FY12/16 to FY12/17

Ⅰ. Net sales growth logic

(1) Organic growth of ¥36.7 billion

③ Overseas Business (¥17.1 billion growth)

*Assuming including a full contribution of ¥12.8 billion from M&A deals handled during FY12/16

Expanding contract services for public work etc. not influenced by the economy

Accelerating growth of local subsidiaries for BPO business for all types of work for the central and local governments in the U.K., all types of outsourcing projects for public facilities including prisons and airports where public institutions including the Australian government are the client, and in Asia strengthening payroll support business for major corporations of both Europe and Asia

Global development of each business

Aggressively promote mutual development of government-related business being conducted by each group subsidiary, aiming at maximizing synergies

Various Growth Strategies from FY12/16 to FY12/17

Ⅰ. Net sales growth logic

(1) Organic growth of ¥36.7 billion

④ Dispatching business such as for welfare facilities in US military base (¥1.2 billion growth)

*Excluding repairs and maintenance work for military facilities of the US military by AEC

Expanding business for the US military bases not influenced by changes in the economy or the environment

Leveraging the Group's domestic sales network, expanding business to over 20 locations nationwide of the major US military bases

・Maintenance business for military facilities of the US military commenced from FY12/17, so the amount and percentage of organic growth can't be calculated

・Maintenance business for military facilities of the US military by AEC is explained on P.26

Various Growth Strategies from FY12/16 to FY12/17

Ⅰ. Net sales growth logic

(2) Additional ¥41.9 billion from M&A that has already concluded basic agreements

■Organic growth of FY12/17 net sales of ¥171.1 billion is boosted by the contribution from 2 companies acquired in FY12/17 to ¥213.0 billion

・January 4, 2017 M&A: Orizon Holding GmbH (Orizon): planned ¥34.3 billion in FY12/17

Ranked as the 8th largest temporary placement agency in Germany, the company has strengths in temporary placement to manufacturing sectors including machinery, aircraft, pharmaceuticals etc., and for future growth is promoting raising organizational efficiency through employing the latest IT technologies, and is a highly profitable company relative to peers.

Through collaboration between Orizon which has a widespread sales network in Europe mainly in Germany and the Group companies in the U.K. which have many engineers and know-how for contract services for privatized public work not influenced by the economy, the Company aims to expand public work on consignment to Germany and surrounding countries.

・April 1, 2017 M&A scheduled: AMERICAN ENGINEERING CORPORATION (AEC): planned ¥7.6 billion in FY12/17

Subcontractor of repairs and maintenance of military facilities and air conditioning and electrical construction work on the US military bases in Japan

It is possible for the OS Group to provide support for expanding the required amount of bonded insurance for expanding contract service work for the US military bases, and through synergies generated from leveraging AEC management resources, the Company will promote expanding orders for maintenance of military facilities etc. at the US military bases in the Pacific Rim.

Various Growth Strategies from FY12/16 to FY12/17

Ⅱ. EBITDA growth logic

EBITDA growth plan

FY12/16 actual		FY12/17 plan		Growth amount
¥7.3 billion	⇒	¥12.4 billion	:	¥5.1 billion

- ■ Estimated FY12/17 EBITDA of ¥12.4 billion includes a boost of ¥1.4 billion from Orizon and AEC, and subtracting this amount gives an organic estimate of ¥11.0 billion, +51% YoY versus FY12/16 EBITDA of ¥7.3 billion, however, assuming a full contribution from M&A acquisitions undertaken in FY12/16, adjusted EBITDA for FY12/16 becomes ¥8.6 billion, making the real adjusted organic growth rate of +28%.

The reason for a higher organic growth rate for EBITDA than net sales is the decline of the SG&A ratio for increased sales, as well as decline of SG&A expense itself from owners and directors leaving companies acquired through M&A.

The Company has generated GPM of roughly 20% for more than the last 10 years, and through achieving sales guidance and effectively controlling one-time SG&A expenses arising from M&A transactions, achieving EBITDA plan is relatively easy.

Strengthening Group’s Governance

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.

5 key issues in FY12/16

■ 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 (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

Quick decision-making (Agility)

Progress status of early reporting

・Monthly accounts settlement (6 business days):

Finished establishing a structure for realizing book closing for all Group companies within 6 business days

⇒ With respect to mainly Asia group companies which had become a bottleneck, established a structure for local book closing working together with external auditing firms

⇒ Leadership advanced and information gathering was promoted by appointing an executive officer in charge of Asia governance.

・Quarterly accounts settlement (10 business days):

For the FY12/16 full-year financial results, completed submission of results for all but 2 firms within 10 business days and finished establishing the basic structure

⇒ With respect to introducing IFRS accounting, consolidated accounting regulations (Group Accounting Policy) were distributed to all Group companies to ensure establishing uniform accounting standards and clarification of rules

◆ In due course, the Company plans to strengthen the accounting function, aiming at raising accuracy and further speeding up of financial reporting.

⇒ Mainly through persons in charge of promoting governance in each region, the Company will promote raising the skills of local representatives and appropriate staff appointments.

Strengthening Group's Governance

Highly transparent decision-making (Transparency)

Thorough familiarization of management regulations by overseas subsidiaries

Currently implementing the 3rd edition as of September 2016, the Company is strengthening management through persons in charge of promoting governance in each region, and applying the regulations smoothly when becoming a group member by incorporating it in stock transfer agreements at the time of M&A deals.

With clarifying the prior consultation, procedures and period of application, the number of management meeting at the head office, the approval authority, has been increased from once to twice a month to establish a speedy and thoughtful deliberation system.

Strict observance of compliance (Compliance)

Thorough familiarization with anti-corruption regulations (FCPA, UKBA, etc.)

- Introduces in due course in all companies in Europe and Oceania
- Issue: dealing with introduction in all companies in South East Asia

"Start of the Asia Anti-Corruption Project"

in cooperation with major foreign capital law office

SE Asia Focus (selection criteria: Corruption Perceptions Index, CPI)

Overseas Group companies in Thailand, Vietnam, Indonesia, Malaysia, India

Strengthening Group's Governance

Strengthening cash flow management

Drafting of directions and thorough familiarization of retained receivables of overseas subsidiaries

- Formulation of shortening of payment terms with clients and approval rules
- Reinforcement of credit management structure (personnel)
- Formulation of provisioning rules and increasing the mindfulness for retained receivables

Through implementation of the measures above for overseas Group companies, retained receivables over 90 days declined from approximately 3% at the end of July 2016 to as low as 1.9% currently.

Strengthening information security

- Completed information gathering on overseas subsidiaries
- Through drafting the IT Governance Rule, developed the rules for information system management and IT regulations
- Group Security Software ⇒ Introducing

Toward further improvement of the information security system, the Company promotes standardization of IT infrastructure and core software based on IT Governance Rule and building supporting framework focused on overseas Group companies.

Strengthening Group’s Governance

Through progress in addressing 5 major issues, steadily strengthening the internal control system (the first internal control evaluation: J-SOX based on IFRS)

・For expanding the scope of “the Company-wide internal control system evaluation” following increased net sales including increased overseas group companies, there has been great progress in widely informing and operation of common rules of the Group, and currently a favorable result is expected.

・Regarding evaluation of the operation and IT control processes as well, a favorable evaluation result is expected through supplementing differences between regions and business scales with thorough implementation of the Group rules.

・With regard to the financial reporting process, introduction of a new consolidation system, introduction and thorough implementation of consolidated accounting regulations, speeding up of reporting for each Group company and ongoing guidance through appointment of persons in charge of governance in each region have resulted in dramatic improvement of speed and accuracy.

Priority Measures for Strengthening the Governance Structure in 2017

1. Targeting raising the speed and accuracy of weekly, monthly and quarterly reporting and through fortifying of the accounting function.
2. Strengthening information system security (ongoing efforts from 2016)
3. Compliance Project (checks familiarization and operation of anti-corruption regulations)

Consolidated Financial Forecasts for FY12/17 (IFRS)

Consolidated Financial Forecasts for FY12/17 (IFRS)

*From timely disclosure materials released on February 12, 2016

Notice Regarding Voluntary Adoption of International Financial Reporting Standards (IFRS)

OUTSOURCING Inc. (hereinafter the "Company") hereby announces that the Board of Directors, at its meeting held today, resolved to voluntarily adopt International Financial Reporting Standards (hereinafter "IFRS*") in place of the Japanese Generally Accepted Accounting Principles (hereafter "Japanese GAAP").

The Company will disclose its consolidated financial statements based on IFRS from the end of the fiscal year ending December 31, 2016.

The OUTSOURCING Group regards global business development as an important management strategy towards achieving its medium-term management plan "Vector to the New Paradigm." In this context, the Company aims to enhance international comparability of financial information on the capital market, and unify accounting processes within the Group, and has thus decided to voluntarily adopt IFRS.

Schedule of Disclosure Accompanying the Transition to IFRS (planned)

Fiscal Term		Materials to be Disclosed (Japanese Only)	Accounting Standard
Fiscal Year ending December 31, 2016	First, Second and Third Quarters	Quarterly Financial Results (*Kessan Tanshin*)	Japanese GAAP
		Quarterly Securities Report	Japanese GAAP
	Fourth Quarter (Year End)	Annual Financial Results (*Kessan Tanshin*)	Japanese GAAP**
		Consolidated Financial Statements in accordance with the Companies Act	Japanese GAAP
		Annual Securities Report	IFRS

* IFRS = International Financial Reporting Standards

** The Annual Financial Results (Kessan Tanshin) based on IFRS for the fiscal year ending December 31, 2016 will be disclosed in March 2017.

Consolidated Financial Forecasts for FY12/17 (IFRS)

Annual and Semi-Annual Trends

(¥ million)	FY12/17 Forecasts			
	1H	2H	Full-Year	
	Amount	Amount	Amount	Composition Ratio
Revenue	**97,000**	**116,000**	**213,000**	**100.0%**
Operating profit	**2,900**	**6,600**	**9,500**	**4.5%**
Profit before tax	**2,600**	**6,300**	**8,900**	**4.2%**
Profit for the period	**1,600**	**4,200**	**5,800**	**2.7%**
Profit for the period attributable to owners of parent	**1,400**	**3,700**	**5,100**	**2.4%**

Consolidated Financial Forecasts for FY12/17 (IFRS)

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

(¥ million)		FY12/17 Forecasts 1H Amount	FY12/17 Forecasts 2H Amount	FY12/17 Forecasts Full-Year Amount	FY12/17 Forecasts Full-Year Composition Ratio
Domestic Engineering Outsourcing Business	Revenue	22,439	26,227	48,666	22.8%
	Operating profit	1,130	2,748	3,879	40.8%
	No. of worksite employees at term-end	7,464	8,566	8,566	-
Domestic Manufacturing Outsourcing Business	Revenue	20,657	23,852	44,509	20.9%
	Operating profit	929	1,401	2,330	24.5%
	No. of worksite employees at term-end	10,010	13,097	13,097	-
Domestic Service Operations Outsourcing Business	Revenue	3,189	8,912	12,101	5.7%
	Operating profit	12	480	492	5.2%
	No. of worksite employees at term-end	2,435	3,836	3,836	-
Domestic Administrative Outsourcing Business	Revenue	427	671	1,098	0.5%
	Operating profit	229	473	702	7.4%
	No. of outsourcing administrative workers at term-end	4,400	5,900	5,900	-
Domestic Recruiting and Placing Business	Revenue	762	739	1,501	0.7%
	Operating profit	179	123	302	3.2%
	No. of placed workers	1,765	1,986	3,751	-
Overseas Engineering Outsourcing Business	Revenue	11,425	13,420	24,845	11.7%
	Operating profit	383	774	1,157	12.2%
	No. of worksite employees at term-end	1,856	1,982	1,982	-
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	37,776	41,869	79,645	37.4%
	Operating profit	1,083	1,924	3,007	31.7%
	No. of worksite employees at term-end	34,146	39,456	39,456	-
Other Business	Revenue	325	310	635	0.3%
	Operating profit	(101)	(197)	(298)	-3.1%
	No. of worksite employees at term-end	5	5	5	-
Adjustments	Operating profit	(945)	(1,126)	(2,071)	-21.8%
Total	Revenue	97,000	116,000	213,000	100.0%
	Operating profit	2,900	6,600	9,500	100.0%

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

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

*3: The results of ALLEN LANE CONSULTANCY LIMITED and LIBERATA UK LIMITED are included the segment of Overseas Manufacturing and Service Operations Outsourcing Business.

Consolidated Financial Forecasts for FY12/17 (IFRS)

Summary for Financial Forecasts by Operating Segment (Quarterly Trends)

(¥ million)		FY12/17 Forecasts Q1	Q2	Q3	Q4	Full-Year
Domestic Engineering Outsourcing Business	Revenue	11,214	11,225	12,232	13,995	48,666
	Operating profit	376	755	1,092	1,656	3,879
	No. of worksite employees at term-end	6,566	7,464	8,040	8,566	8,566
Domestic Manufacturing Outsourcing Business	Revenue	10,026	10,631	11,087	12,765	44,509
	Operating profit	361	569	661	740	2,330
	No. of worksite employees at term-end	9,389	10,010	10,754	13,097	13,097
Domestic Service Operations Outsourcing Business	Revenue	824	2,365	3,639	5,273	12,101
	Operating profit	1	11	170	310	492
	No. of worksite employees at term-end	1,798	2,435	3,765	3,836	3,836
Domestic Administrative Outsourcing Business	Revenue	184	243	306	365	1,098
	Operating profit	82	147	208	265	702
	No. of outsourcing administrative workers at term-end	3,600	4,400	5,150	5,900	5,900
Domestic Recruiting and Placing Business	Revenue	314	448	381	358	1,501
	Operating profit	28	151	58	65	302
	No. of placed workers	855	910	1,035	951	3,751
Overseas Engineering Outsourcing Business	Revenue	5,374	6,051	6,733	6,687	24,845
	Operating profit	156	227	385	389	1,157
	No. of worksite employees at term-end	1,723	1,856	1,916	1,982	1,982
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	18,946	18,830	20,473	21,396	79,645
	Operating profit	738	345	1,015	909	3,007
	No. of worksite employees at term-end	32,549	34,146	38,504	39,456	39,456
Other Business	Revenue	218	107	149	161	635
	Operating profit	(39)	(62)	(93)	(104)	(298)
	No. of worksite employees at term-end	4	5	5	5	5
Adjustments	Operating profit	(432)	(512)	(517)	(609)	(2,071)
Total	Revenue	47,100	49,900	55,000	61,000	213,000
	Operating profit	1,270	1,630	2,980	3,620	9,500

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

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

*3: The results of ALLEN LANE CONSULTANCY LIMITED and LIBERATA UK LIMITED are included the segment of Overseas Manufacturing and Service Operations Outsourcing Business.

Consolidated Financial Forecasts for FY12/17 (IFRS)

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

(¥ million)	FY12/17 Forecasts			
	1H	2H	Full-Year	Composition Ratio
Japan	47,799	60,711	108,510	50.9%
Asia (excl. Japan)	7,636	8,966	16,602	7.8%
Oceania	15,269	18,120	33,389	15.7%
Europe	24,446	26,289	50,735	23.8%
South America	1,850	1,914	3,764	1.8%
Total	97,000	116,000	213,000	100.0%

Summary for Financial Forecasts by Region (Quarterly Trends)

(¥ million)	FY12/17 Forecasts				
	Q1	Q2	Q3	Q4	Full-Year
Japan	22,780	25,019	27,794	32,917	108,510
Asia (excl. Japan)	3,735	3,901	4,353	4,613	16,602
Oceania	7,202	8,067	8,841	9,279	33,389
Europe	12,393	12,053	13,114	13,175	50,735
South America	990	860	898	1,016	3,764
Total	47,100	49,900	55,000	61,000	213,000

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

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

Domestic Recruitment Plan for FY12/17

Annual and Semi-Annual Trends

		FY12/16 Actual 1H	FY12/16 Actual 2H	FY12/16 Actual Full-Year	FY12/17 Forecasts 1H	FY12/17 Forecasts 2H	FY12/17 Forecasts Full-Year
Engineering	**No. of workers recruited (persons)**	**1,482**	**878**	**2,360**	**1,388**	**939**	**2,327**
	Recruitment unit price (¥/worker)	206,814	309,956	245,186	273,963	317,771	291,641
Manufacturing	**No. of workers recruited (persons)**	**2,819**	**4,724**	**7,543**	**3,490**	**5,584**	**9,074**
	Recruitment unit price (¥/worker)	73,466	47,353	57,112	66,951	34,048	46,703
Service Operations	**No. of workers recruited (persons)**	**1,478**	**1,181**	**2,659**	**2,061**	**2,960**	**5,021**
	Recruitment unit price (¥/worker)	13,934	12,559	13,323	23,489	21,711	22,441
Recruiting and Placing	**No. of workers recruited (persons)**	**1,695**	**1,994**	**3,689**	**1,765**	**1,986**	**3,751**
	Recruitment unit price (¥/worker)	127,053	133,819	130,710	159,857	143,541	151,218

Quarterly Trends

		FY12/16 Actual Q1	FY12/16 Actual Q2	FY12/16 Actual Q3	FY12/16 Actual Q4	FY12/16 Actual Full-Year	FY12/17 Forecasts Q1	FY12/17 Forecasts Q2	FY12/17 Forecasts Q3	FY12/17 Forecasts Q4	FY12/17 Forecasts Full-Year
Engineering	**No. of workers recruited (persons)**	**532**	**950**	**436**	**442**	**2,360**	**428**	**960**	**490**	**449**	**2,327**
	Recruitment unit price (¥/worker)	394,709	101,593	288,644	330,977	245,186	502,703	171,983	322,414	312,704	291,641
Manufacturing	**No. of workers recruited (persons)**	**1,159**	**1,660**	**3,202**	**1,522**	**7,543**	**1,573**	**1,917**	**2,103**	**3,481**	**9,074**
	Recruitment unit price (¥/worker)	82,432	67,207	39,770	63,307	57,112	72,701	62,232	57,025	20,166	46,703
Service Operations	**No. of workers recruited (persons)**	**687**	**791**	**618**	**563**	**2,659**	**694**	**1,367**	**1,986**	**974**	**5,021**
	Recruitment unit price (¥/worker)	16,079	12,071	9,663	15,737	13,323	29,532	20,421	16,376	32,590	22,441
Recruiting and Placing	**No. of workers recruited (persons)**	**799**	**896**	**993**	**1,001**	**3,689**	**855**	**910**	**1,035**	**951**	**3,751**
	Recruitment unit price (¥/worker)	137,164	118,036	137,779	129,891	130,710	152,898	166,395	151,140	135,271	151,218

Return to Shareholders

Return to Shareholders

Confident in potential for unprecedented growth under the global Group structure resistant to economic situations, while the Company requires funding for upfront investments toward expanding its business formats, with a view toward remaining committed to our recent emphasis on shareholder dividends, we set our dividend payout ratio at 30% of EPS.

	Dividend per Share		
	At the End of Second Quarter	At the End of Fiscal Year	Total
FY12/15 Actual	¥0.00	*1 35.00	¥35.00
FY12/16 Scheduled	¥0.00	*2 ¥42.00	¥42.00
FY12/17 Forecasts	¥0.00	¥85.00	¥85.00

*1 The number of shares increased from the capital increase implemented during the period under review, and at that time the Company maintained dividend guidance, and made dividends payment in-line with initial guidance.

*2 Net income per share decreased along with the revision of financial forecasts during the period, however, the Company maintained dividend guidance, and plans to pay dividends in-line with initial guidance.

References

Changes in Accounting Standards

＊ From FY12/16 TANSHIN consolidated financial statements (J-GAAP) announced on February 14, 2017

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 consolidated fiscal year ended December 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 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 consolidated fiscal year ended December 31, 2016 and thereafter.
As a result, Operating Income, Ordinary Income and Income before Income Taxes for the consolidated fiscal year ended December 31, 2016 decreased by 1,476 million yen respectively.

Sales Breakdown by Industry for FY12/16 (J-GAAP)

Annual and Semi-Annual Trends

(¥million)	FY12/15 Actual			FY12/16 Actual		
	1H	2H	Full-Year	1H	2H	Full-Year
Domestic Engineering Outsourcing Business	**14,766**	**16,787**	**31,553**	**18,889**	**21,538**	**40,426**
Electrical & Electronics	2,283	3,052	5,335	3,187	3,828	7,015
Transport Equipment	3,926	4,548	8,474	4,830	5,521	10,351
Pharm. & Chemicals	688	695	1,383	786	944	1,729
IT-related	4,862	5,120	9,982	6,480	7,143	13,624
Construction & Plant-related	2,061	2,259	4,319	2,407	2,728	5,134
Others	946	1,113	2,060	1,199	1,374	2,573
Domestic Manufacturing Outsourcing Business	**13,724**	**15,744**	**29,468**	**15,487**	**19,181**	**34,669**
Electrical & Electronics	3,914	4,943	8,858	4,421	7,470	11,891
Transport Equipment	5,443	6,090	11,533	6,133	6,244	12,377
Pharm. & Chemicals	1,806	1,780	3,586	1,801	1,881	3,681
Metals & Construction Materials	972	1,038	2,010	1,253	1,512	2,765
Foods	735	912	1,647	812	717	1,529
Others	854	981	1,836	1,068	1,357	2,425
Domestic Service Operations Outsourcing Business	**298**	**786**	**1,083**	**1,476**	**1,995**	**3,470**
Retail	271	567	837	833	835	1,668
Civil Service	-	133	133	311	468	779
Others	27	86	113	332	692	1,024
Overseas Engineering Outsourcing Business	**176**	**3,656**	**3,832**	**8,520**	**12,457**	**20,977**
Overseas Manufacturing and Service Operations Outsourcing Business	**6,359**	**6,991**	**13,349**	**11,781**	**20,308**	**32,089**

Sales Breakdown by Industry for FY12/16 (J-GAAP)

Quarterly Trends

(¥million)	FY12/15 Actual					FY12/16 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Domestic Engineering Outsourcing Business	**7,166**	**7,599**	**8,024**	**8,763**	**31,553**	**9,151**	**9,737**	**10,345**	**11,193**	**40,426**
Electrical & Electronics	902	1,381	1,492	1,561	5,335	1,556	1,631	1,786	2,042	7,015
Transport Equipment	1,981	1,946	2,214	2,333	8,474	2,353	2,477	2,631	2,889	10,351
Pharm. & Chemicals	352	335	330	365	1,383	387	398	405	539	1,729
IT-related	2,443	2,419	2,390	2,730	9,982	3,116	3,364	3,541	3,603	13,624
Construction & Plant-related	1,044	1,017	1,082	1,177	4,319	1,183	1,223	1,300	1,428	5,134
Others	444	502	516	598	2,060	556	644	682	692	2,573
Domestic Manufacturing Outsourcing Business	**6,830**	**6,894**	**7,493**	**8,252**	**29,468**	**7,913**	**7,574**	**8,930**	**10,252**	**34,669**
Electrical & Electronics	1,909	2,005	2,370	2,573	8,858	2,262	2,159	3,209	4,261	11,891
Transport Equipment	2,714	2,728	2,885	3,205	11,533	3,134	2,999	3,106	3,138	12,377
Pharm. & Chemicals	909	897	884	896	3,586	894	907	922	958	3,681
Metals & Construction Materials	486	485	510	528	2,010	623	630	710	802	2,765
Foods	401	334	390	522	1,647	474	338	355	362	1,529
Others	410	444	453	528	1,836	526	541	628	730	2,425
Domestic Service Operations Outsourcing Business	**140**	**157**	**247**	**538**	**1,083**	**618**	**858**	**979**	**1,016**	**3,470**
Retail	132	139	164	402	837	412	421	430	404	1,668
Civil Service	-	-	48	85	133	166	146	189	278	779
Others	8	19	35	51	113	40	291	359	333	1,024
Overseas Engineering Outsourcing Business	**94**	**83**	**996**	**2,660**	**3,832**	**2,399**	**6,120**	**5,992**	**6,464**	**20,977**
Overseas Manufacturing and Service Operations Outsourcing Business	**3,117**	**3,242**	**3,307**	**3,684**	**13,349**	**4,252**	**7,529**	**8,932**	**11,376**	**32,089**

Sales Breakdown Ratio by Industry for FY12/16 (J-GAAP)

Annual and Semi-Annual Trends

	FY12/15 Actual			FY12/16 Actual		
	1H	2H	Full-Year	1H	2H	Full-Year
Domestic Engineering Outsourcing Business	**41.0%**	**37.4%**	**39.0%**	**32.9%**	**28.0%**	**30.1%**
Electrical & Electronics	6.3%	6.8%	6.6%	5.5%	5.0%	5.2%
Transport Equipment	10.9%	10.1%	10.5%	8.4%	7.2%	7.7%
Pharm. & Chemicals	1.9%	1.6%	1.7%	1.4%	1.2%	1.3%
IT-related	13.5%	11.4%	12.3%	11.3%	9.3%	10.2%
Construction & Plant-related	5.7%	5.0%	5.3%	4.2%	3.5%	3.8%
Others	2.7%	2.5%	2.6%	2.1%	1.8%	1.9%
Domestic Manufacturing Outsourcing Business	**38.1%**	**35.1%**	**36.5%**	**26.9%**	**24.9%**	**25.8%**
Electrical & Electronics	10.9%	11.0%	11.0%	7.7%	9.7%	8.9%
Transport Equipment	15.1%	13.6%	14.3%	10.7%	8.1%	9.2%
Pharm. & Chemicals	5.0%	4.0%	4.4%	3.1%	2.4%	2.7%
Metals & Construction Materials	2.7%	2.3%	2.5%	2.2%	2.0%	2.1%
Foods	2.0%	2.0%	2.0%	1.4%	0.9%	1.1%
Others	2.4%	2.2%	2.3%	1.8%	1.8%	1.8%
Domestic Service Operations Outsourcing Business	**0.9%**	**1.8%**	**1.3%**	**2.6%**	**2.6%**	**2.6%**
Retail	0.8%	1.3%	1.0%	1.5%	1.1%	1.2%
Civil Service	-	0.3%	0.2%	0.5%	0.6%	0.6%
Others	0.1%	0.2%	0.1%	0.6%	0.9%	0.8%
Overseas Engineering Outsourcing Business	**0.5%**	**8.1%**	**4.7%**	**14.8%**	**16.2%**	**15.6%**
Overseas Manufacturing and Service Operations Outsourcing Business	**17.6%**	**15.6%**	**16.5%**	**20.5%**	**26.4%**	**23.9%**

Sales Breakdown Ratio by Industry for FY12/16 (J-GAAP)

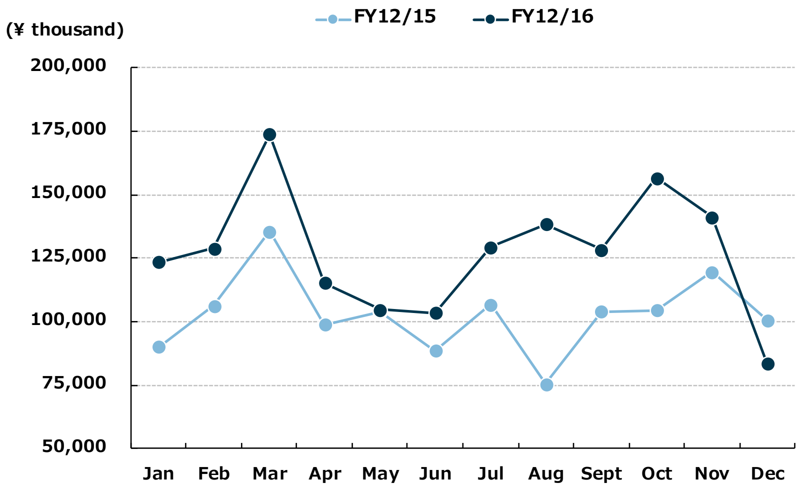
Quarterly Trends

	FY12/15 Actual					FY12/16 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Domestic Engineering Outsourcing Business	**40.5%**	**41.7%**	**39.1%**	**36.0%**	**39.0%**	**36.6%**	**30.0%**	**28.8%**	**27.3%**	**30.1%**
Electrical & Electronics	5.1%	7.5%	7.3%	6.4%	6.6%	6.2%	5.0%	5.0%	5.0%	5.2%
Transport Equipment	11.2%	10.6%	10.8%	9.6%	10.5%	9.4%	7.6%	7.3%	7.0%	7.7%
Pharm. & Chemicals	2.0%	1.8%	1.6%	1.5%	1.7%	1.6%	1.2%	1.1%	1.3%	1.3%
IT-related	13.8%	13.2%	11.7%	11.2%	12.3%	12.5%	10.4%	9.8%	8.8%	10.2%
Construction & Plant-related	5.9%	5.6%	5.2%	4.8%	5.3%	4.7%	3.8%	3.6%	3.5%	3.8%
Others	2.5%	2.8%	2.5%	2.5%	2.6%	2.2%	2.0%	1.9%	1.7%	1.9%
Domestic Manufacturing Outsourcing Business	**38.6%**	**37.7%**	**36.6%**	**33.9%**	**36.5%**	**31.7%**	**23.3%**	**24.8%**	**25.0%**	**25.8%**
Electrical & Electronics	10.8%	10.9%	11.6%	10.6%	11.0%	9.1%	6.6%	8.9%	10.4%	8.9%
Transport Equipment	15.3%	14.9%	14.1%	13.1%	14.3%	12.5%	9.2%	8.6%	7.6%	9.2%
Pharm. & Chemicals	5.1%	4.9%	4.3%	3.7%	4.4%	3.6%	2.8%	2.6%	2.3%	2.7%
Metals & Construction Materials	2.8%	2.7%	2.5%	2.2%	2.5%	2.5%	1.9%	2.0%	2.0%	2.1%
Foods	2.3%	1.8%	1.9%	2.1%	2.0%	1.9%	1.0%	1.0%	0.9%	1.1%
Others	2.3%	2.4%	2.2%	2.2%	2.3%	2.1%	1.7%	1.7%	1.8%	1.8%
Domestic Service Operations Outsourcing Business	**0.8%**	**0.9%**	**1.2%**	**2.2%**	**1.3%**	**2.5%**	**2.6%**	**2.7%**	**2.5%**	**2.6%**
Retail	0.7%	0.8%	0.8%	1.7%	1.0%	1.6%	1.3%	1.2%	1.0%	1.2%
Civil Service	-	-	0.2%	0.3%	0.2%	0.7%	0.4%	0.5%	0.7%	0.6%
Others	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.9%	1.0%	0.8%	0.8%
Overseas Engineering Outsourcing Business	**0.6%**	**0.4%**	**4.9%**	**10.9%**	**4.7%**	**9.6%**	**18.8%**	**16.7%**	**15.8%**	**15.6%**
Overseas Manufacturing and Service Operations Outsourcing Business	**17.6%**	**17.7%**	**16.1%**	**15.2%**	**16.5%**	**17.0%**	**23.2%**	**24.8%**	**27.7%**	**23.9%**

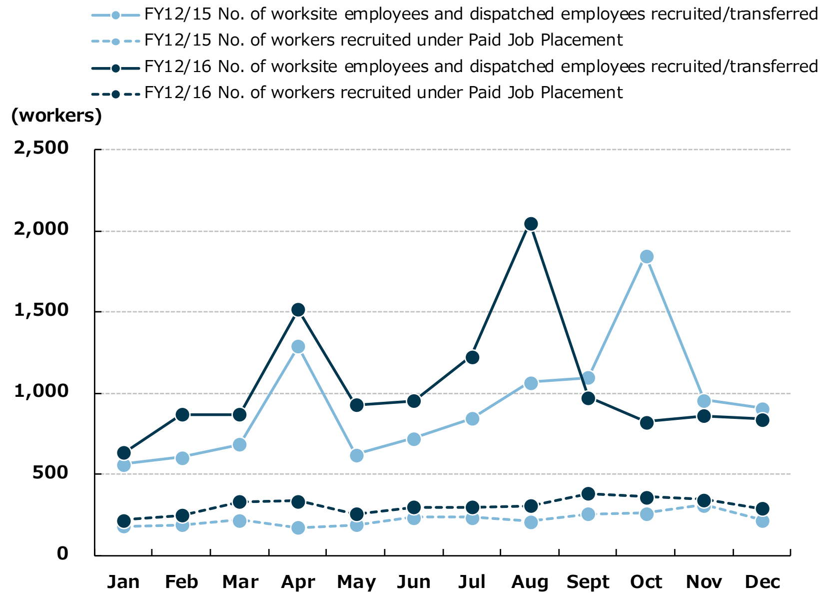
Trends in Recruited Number of Workers and Recruiting Expenses in Japan

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

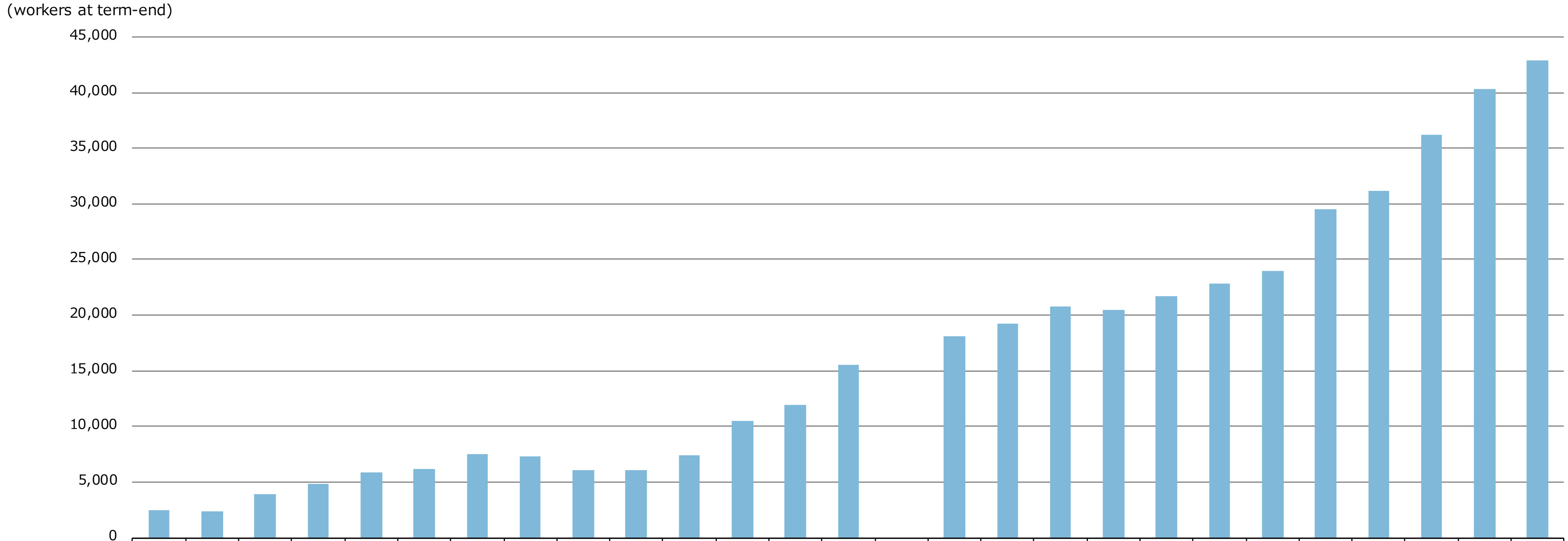
FY12/16	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
No. of worksite employees and dispatched employees recruited/transferred	634	872	872	1,515	930	956	1,229	2,050	977	826	862	839
No. of workers recruited under Paid Job Placement	218	250	331	337	259	300	301	309	383	364	346	291
Recruiting expenses (¥ thousand)	123,495	128,926	173,743	115,195	104,675	103,514	129,325	138,235	128,418	156,677	141,129	83,720

※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



	12/00	12/01	12/02	12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13		3/14	6/14	9/14	12/14	3/15	6/15	9/15	12/15	3/16	6/16	9/16	12/16
Worksite Employees	2,478	2,351	3,890	4,821	5,823	6,209	7,468	7,324	6,102	6,109	7,434	10,542	11,913	15,585		18,103	19,266	20,742	20,505	21,739	22,791	23,945	29,477	31,172	36,152	40,322	42,838

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

Legal Disclaimer

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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