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

Financial Results for the Fiscal Year Ended December 31, 2017

February 2018

Contents

Consolidated Financial Results for FY12/17 (IFRS)

Consolidated Financial Results for FY12/17 (IFRS)

Consolidated Financial Results Summary

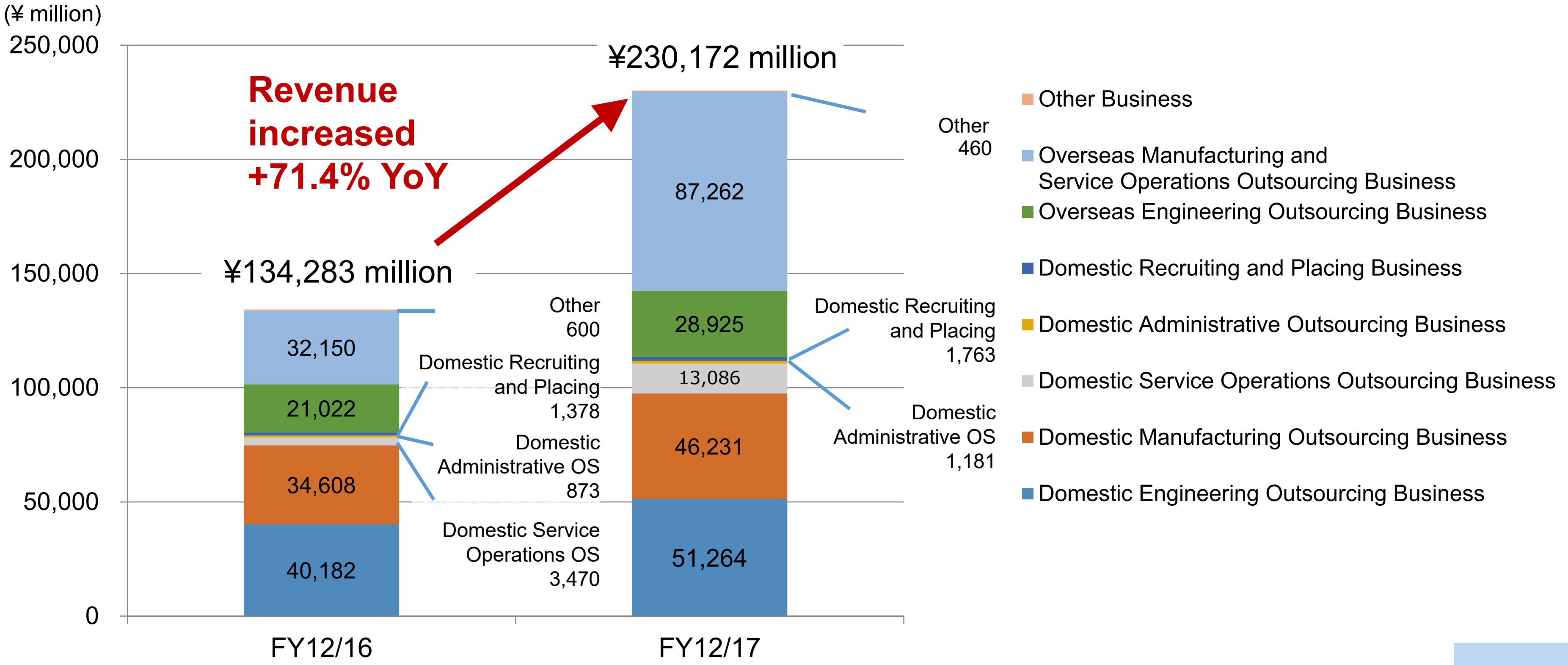
(¥ million)	FY12/16				FY12/17				YoY	
	1H	2H	Full-Year		1H	2H	Full-Year		Changes	
	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio	Amount	Ratio
Revenue	**57,380**	**76,903**	**134,283**	**100.0%**	**105,811**	**124,361**	**230,172**	**100.0%**	**95,889**	**71.4%**
Cost of sales	46,042	60,477	106,519	79.3%	86,035	98,321	184,356	80.1%	77,836	73.1%
Gross profit	**11,338**	**16,426**	**27,764**	**20.7%**	**19,776**	**26,040**	**45,816**	**19.9%**	**18,053**	**65.0%**
SG&A expenses	9,372	12,277	21,649	16.1%	16,489	18,297	34,786	15.1%	13,137	60.7%
Operating profit	**2,367**	**3,196**	**5,563**	**4.1%**	**3,474**	**7,886**	**11,360**	**4.9%**	**5,797**	**104.2%**
Profit before tax	1,708	3,231	4,939	3.7%	3,075	7,320	10,395	4.5%	5,456	110.5%
Profit for the period	899	2,549	3,448	2.6%	1,740	5,189	6,929	3.0%	3,480	100.9%
Profit attributable to owners of the Company	**827**	**2,210**	**3,037**	**2.3%**	**1,390**	**4,790**	**6,180**	**2.7%**	**3,142**	**103.4%**

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

Highlights of Consolidated Financial Results

Revenue ¥230,172 million (+71.4% YoY)

- Through promotion of maximizing group synergies, revenue sharply exceeded initial forecasts.
- In Japan, the KEN School for engineering and the PEO Scheme for manufacturing aimed at resolving issues facing clients as a result of revised labor laws and the declining birthrate progressed favorably, and for services, business for US military facilities which is less susceptible to impact from the economy also progressed favorably.
- Overseas, business less susceptible to impact from the economy including capturing demand from central and local government institutions which have rapidly begun to promote outsourcing of public work, etc. expanded sharply, and earnings for Manufacturing Outsourcing Business expanded favorably in Asia, Europe, Australia and South America.

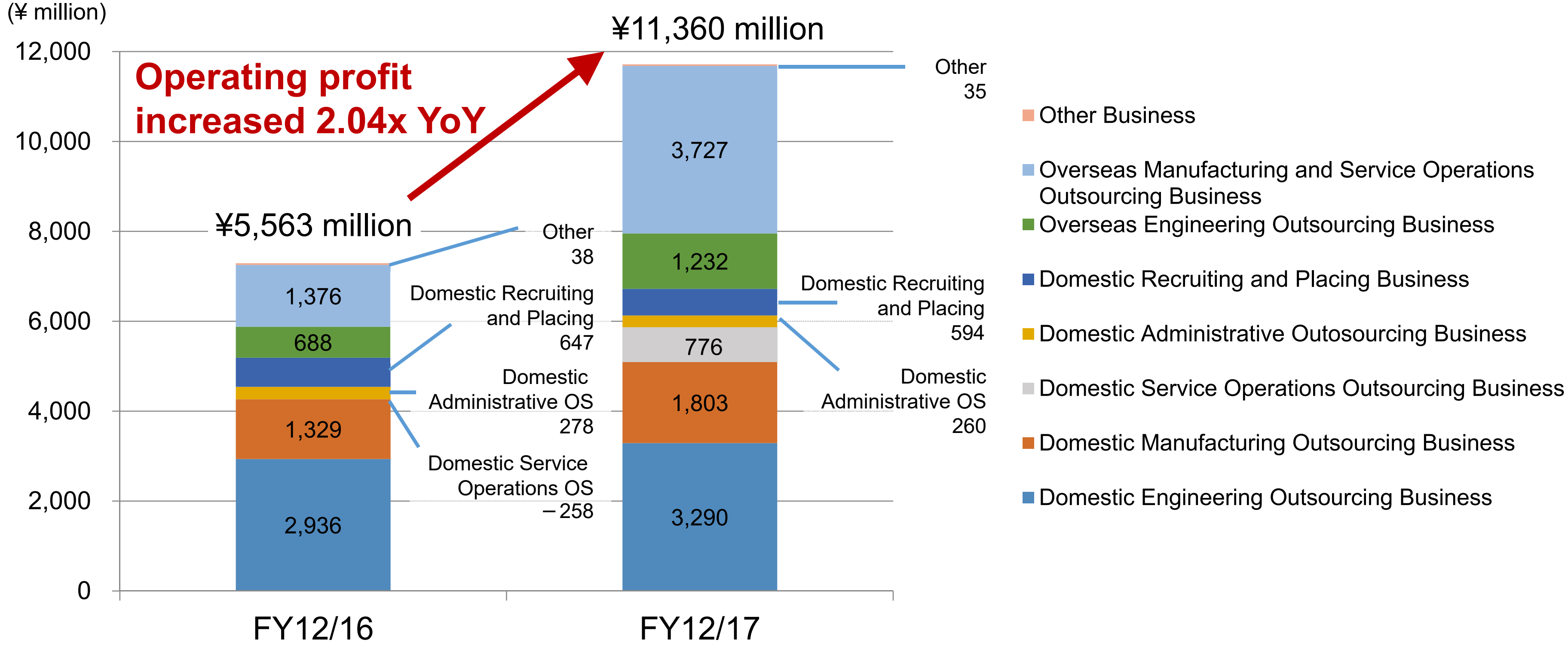


Consolidated Financial Results for FY12/17 (IFRS)

Highlights of Consolidated Financial Results

Operating Profit ¥11,360 million (+104.2% YoY)

- The decline in the ratio of SG&A expenses due to high growth in revenue boosted ratio of operating profit for the Q4 (Oct.-Dec.) to over 7.2% (approx. 5.4% for Q3, Jul.-Sep.), and going forward, the trend of "decline in the ratio of SG&A expenses = rise in ratio of operating profit" due to high revenue growth is set to continue.
- Through progress in strengthening corporate governance and group synergies, operating profit trended favorably both in Japan and overseas, and there were virtually no impairment losses from companies acquired through M&A.



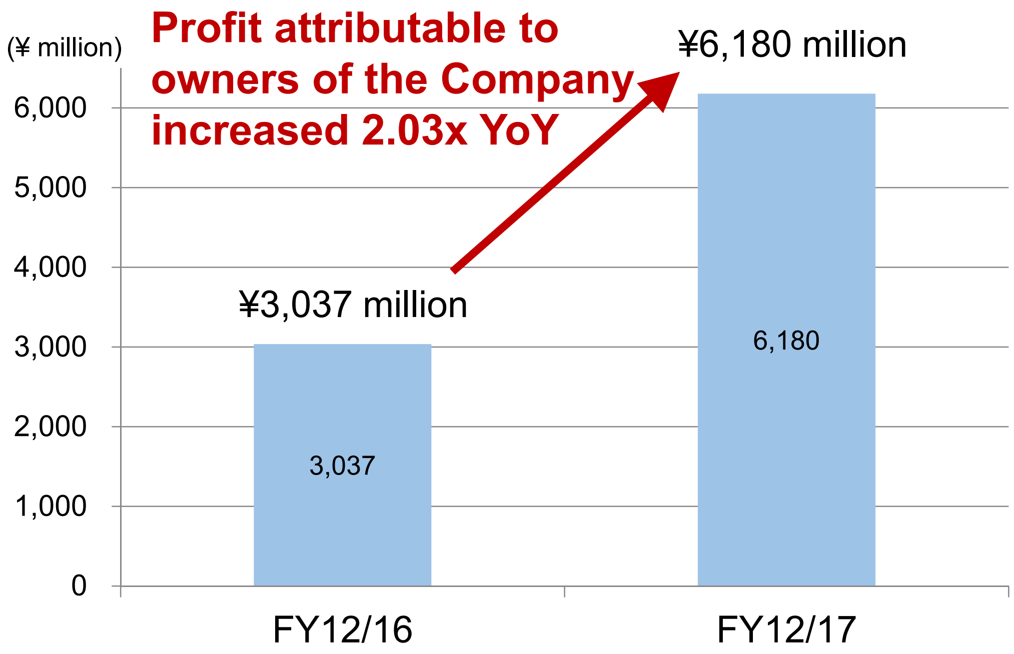
*Operating profit adjustments of -¥1,471 million in FY12/16 and -¥358 million in FY12/17 are not reflected in the graph, but are reflected in the total amounts.

Consolidated Financial Results for FY12/17 (IFRS)

- Highlights of Consolidated Financial Results

Profit Attributable to Owners of the Company ¥6,180 million (+103.4% YoY)

Revenue, operating profit and profit attributable to owners of the Company all increased sharply YoY, and all renewed record highs.



Consolidated Financial Results for FY12/17 (IFRS)

Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/16 Actual					FY12/17 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Revenue	24,796	32,584	35,927	40,976	134,283	50,238	55,573	59,704	64,657	230,172
Gross profit	4,957	6,381	7,496	8,930	27,764	9,343	10,433	11,977	14,063	45,816
Ratio of gross profit	20.0%	19.6%	20.9%	21.8%	20.7%	18.6%	18.8%	20.1%	21.8%	19.9%
SG&A expenses	4,291	5,081	6,006	6,271	21,649	8,009	8,480	8,929	9,368	34,786
Ratio of SG&A expenses	17.3%	15.6%	16.7%	15.3%	16.1%	15.9%	15.3%	15.0%	14.5%	15.1%
Operating profit	635	1,732	1,580	1,616	5,563	1,422	2,052	3,231	4,655	11,360
Ratio of operating profit	2.6%	5.3%	4.4%	3.9%	4.1%	2.8%	3.7%	5.4%	7.2%	4.9%
Profit before tax	309	1,399	1,413	1,818	4,939	1,239	1,836	2,934	4,385	10,395
Ratio of profit before tax	1.2%	4.3%	3.9%	4.4%	3.7%	2.5%	3.3%	4.9%	6.8%	4.5%
Profit attributable to owners of the Company	59	768	815	1,395	3,037	544	846	1,750	3,040	6,180
Ratio of profit attributable to owners of the Company	0.2%	2.4%	2.3%	3.4%	2.3%	1.1%	1.5%	2.9%	4.7%	2.7%

QoQ/YoY Changes	FY12/16 Actual					FY12/17 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Revenue	-	31.4%	10.3%	14.1%	66.0%	22.6%	10.6%	7.4%	8.3%	71.4%
Gross profit	-	28.7%	17.5%	19.1%	70.4%	4.6%	11.7%	14.8%	17.4%	65.0%
SG&A expenses	-	18.4%	18.2%	4.4%	63.5%	27.7%	5.9%	5.3%	4.9%	60.7%
Operating profit	-	172.9%	-8.8%	2.3%	78.8%	-12.0%	44.4%	57.4%	44.1%	104.2%
Profit before tax	-	352.6%	1.1%	28.6%	70.9%	-31.8%	48.2%	59.8%	49.5%	110.5%
Profit attributable to owners of the Company	-	1212.0%	6.1%	71.3%	73.4%	-61.0%	55.4%	106.9%	73.7%	103.4%

Consolidated Financial Results for FY12/17 (IFRS)

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

(¥ million)		FY12/16 Actual				FY12/17 Actual			
		1H	2H	Full-Year		1H	2H	Full-Year	
		Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio
Domestic Engineering Outsourcing Business	Revenue	18,821	21,361	40,182	29.9%	23,315	27,949	51,264	22.3%
	Operating profit	869	2,067	2,936	52.8%	743	2,547	3,290	29.0%
	No. of worksite employees at year-end	5,720	6,066	6,066	-	7,161	8,716	8,716	-
Domestic Manufacturing Outsourcing Business	Revenue	15,452	19,156	34,608	25.8%	21,258	24,973	46,231	20.1%
	Operating profit	1,014	315	1,329	23.9%	337	1,466	1,803	15.9%
	No. of worksite employees at term-end	7,482	9,033	9,033	-	10,293	11,094	11,094	-
Domestic Service Operations Outsourcing Business	Revenue	1,475	1,995	3,470	2.6%	4,624	8,462	13,086	5.7%
	Operating profit	(80)	(178)	(258)	-4.6%	216	560	776	6.8%
	No. of worksite employees at term-end	1,521	1,609	1,609	-	2,503	2,932	2,932	-
Domestic Administrative Outsourcing Business	Revenue	356	517	873	0.7%	436	745	1,181	0.5%
	Operating profit	99	179	278	5.0%	48	212	260	2.3%
	No. of outsourcing administrative workers at term-end	1,401	1,478	1,478	-	3,480	5,628	5,628	-
Domestic Recruiting and Placing Business	Revenue	593	785	1,378	1.0%	848	915	1,763	0.7%
	Operating profit	280	367	647	11.6%	244	350	594	5.2%
	No. of placed workers	1,695	1,994	3,689	-	1,899	1,715	3,614	-
Overseas Engineering Outsourcing Business	Revenue	8,520	12,502	21,022	15.7%	13,560	15,365	28,925	12.6%
	Operating profit	287	401	688	12.4%	455	777	1,232	10.9%
	No. of worksite employees at term-end	1,778	1,836	1,836	-	2,038	1,956	1,956	-
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	11,781	20,369	32,150	23.9%	41,536	45,726	87,262	37.9%
	Operating profit	224	1,152	1,376	24.7%	1,584	2,143	3,727	32.8%
	No. of worksite employees at term-end	19,647	24,290	24,290	-	32,219	35,180	35,180	-
Other Business	Revenue	382	218	600	0.4%	234	226	460	0.2%
	Operating profit	14	24	38	0.7%	0	35	35	0.3%
	No. of worksite employees at term-end	4	4	4	-	5	3	3	-
Adjustments	Operating profit	(340)	(1,131)	(1,471)	-26.4%	(153)	(204)	(357)	-3.1%
Total	Revenue	57,380	76,903	134,283	100.0%	105,811	124,361	230,172	100.0%
	Operating profit	2,367	3,196	5,563	100.0%	3,474	7,886	11,360	100.0%

Revenue by Region	FY12/16 Actual				FY12/17 Actual			
	1H	2H	Full-Year		1H	2H	Full-Year	
(¥ million)	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio
Japan	37,079	44,032	81,111	60.4%	50,715	63,270	113,985	49.5%
Asia (excl. Japan)	6,461	6,734	13,195	9.8%	8,732	10,040	18,772	8.2%
Oceania	9,864	17,215	27,079	20.2%	18,225	20,226	38,451	16.7%
Europe	2,145	6,852	8,997	6.7%	25,788	28,339	54,127	23.5%
South America	1,831	2,070	3,901	2.9%	2,351	2,486	4,837	2.1%
Total	57,380	76,903	134,283	100.0%	105,811	124,361	230,172	100.0%

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

*2: Inter-segment transactions in revenue by region are eliminated.

Consolidated Financial Results for FY12/17 (IFRS)

Financial Results by Operating Segment and Revenue by Region (Quarterly Trends)

(¥ million)		FY12/16 Actual Q1	FY12/16 Actual Q2	FY12/16 Actual Q3	FY12/16 Actual Q4	FY12/16 Actual Full-Year	FY12/17 Actual Q1	FY12/17 Actual Q2	FY12/17 Actual Q3	FY12/17 Actual Q4	FY12/17 Actual Full-Year
Domestic Engineering Outsourcing Business	Revenue	8,971	9,850	10,318	11,043	40,182	11,279	12,036	13,174	14,775	51,264
	Operating profit	303	566	845	1,222	2,936	332	411	991	1,556	3,290
	No. of worksite employees at term-end	5,029	5,720	5,844	6,066	6,066	6,286	7,161	7,956	8,716	8,716
Domestic Manufacturing Outsourcing Business	Revenue	7,899	7,553	8,912	10,244	34,608	10,344	10,914	11,825	13,148	46,231
	Operating profit	296	718	124	191	1,329	47	290	303	1,163	1,803
	No. of worksite employees at term-end	7,195	7,482	9,033	9,033	9,033	9,478	10,293	10,684	11,094	11,094
Domestic Service Operations Outsourcing Business	Revenue	617	858	979	1,016	3,470	823	3,801	3,813	4,649	13,086
	Operating profit	(64)	(16)	260	(438)	(258)	(22)	238	272	288	776
	No. of worksite employees at term-end	1,710	1,521	1,557	1,609	1,609	1,762	2,503	2,803	2,932	2,932
Domestic Administrative Outsourcing Business	Revenue	149	207	263	254	873	198	238	292	453	1,181
	Operating profit	35	64	82	97	278	9	39	55	157	260
	No. of outsourcing administrative workers at term-end	1,438	1,401	1,500	1,478	1,478	3,381	3,480	4,095	5,628	5,628
Domestic Recruiting and Placing Business	Revenue	279	314	418	367	1,378	367	481	425	490	1,763
	Operating profit	117	163	227	140	647	98	146	148	202	594
	No. of placed workers	799	896	993	1,001	3,689	834	1,065	881	834	3,614
Overseas Engineering Outsourcing Business	Revenue	2,399	6,121	5,992	6,510	21,022	6,491	7,069	7,711	7,654	28,925
	Operating profit	81	206	240	161	688	164	291	388	389	1,232
	No. of worksite employees at term-end	882	1,778	1,787	1,836	1,836	1,893	2,038	2,132	1,956	1,956
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	4,252	7,529	8,932	11,437	32,150	20,612	20,924	22,351	23,375	87,262
	Operating profit	(48)	272	384	768	1,376	928	656	1,245	898	3,727
	No. of worksite employees at term-end	16,352	19,647	22,097	24,290	24,290	31,953	32,219	33,024	35,180	35,180
Other Business	Revenue	230	152	113	105	600	124	110	113	113	460
	Operating profit	11	3	(9)	33	38	8	(8)	16	19	35
	No. of worksite employees at term-end	4	4	4	4	4	4	5	5	3	3
Adjustments	Operating profit	(96)	(244)	(573)	(558)	(1,471)	(143)	(10)	(189)	(15)	(357)
Total	Revenue	24,796	32,584	35,927	40,976	134,283	50,238	55,573	59,704	64,657	230,172
	Operating profit	635	1,732	1,580	1,616	5,563	1,421	2,053	3,231	4,657	11,360

Revenue by Region (¥ million)	FY12/16 Actual Q1	FY12/16 Actual Q2	FY12/16 Actual Q3	FY12/16 Actual Q4	FY12/16 Actual Full-Year	FY12/17 Actual Q1	FY12/17 Actual Q2	FY12/17 Actual Q3	FY12/17 Actual Q4	FY12/17 Actual Full-Year
Japan	18,145	18,934	21,003	23,029	81,111	23,135	27,580	29,642	33,628	113,985
Asia (excl. Japan)	3,365	3,096	3,104	3,630	13,195	4,232	4,500	4,751	5,289	18,772
Oceania	1,420	8,444	7,959	9,256	27,079	8,685	9,540	10,178	10,047	38,451
Europe	889	1,256	2,987	3,865	8,997	12,922	12,866	14,030	14,309	54,127
South America	977	854	874	1,196	3,901	1,264	1,087	1,103	1,383	4,837
Total	24,796	32,584	35,927	40,976	134,283	50,238	55,573	59,704	64,657	230,172

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

*2: Inter-segment transactions in revenue by region are eliminated.

Consolidated Financial Results for FY12/17 (IFRS)

● Highlights of Consolidated Financial Results

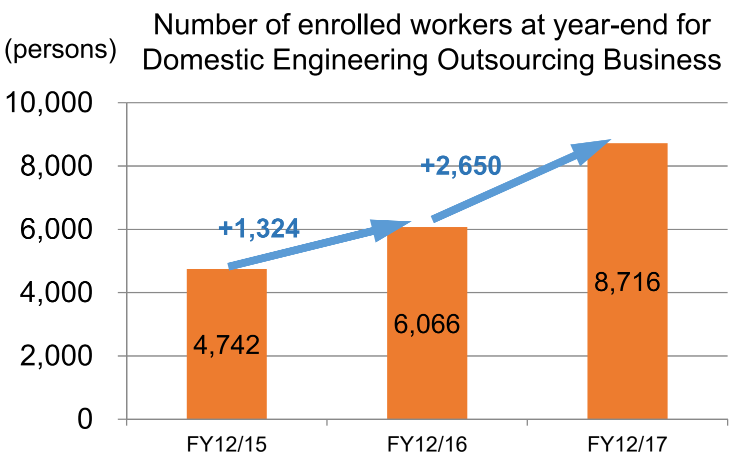
Overview by Operating Segment

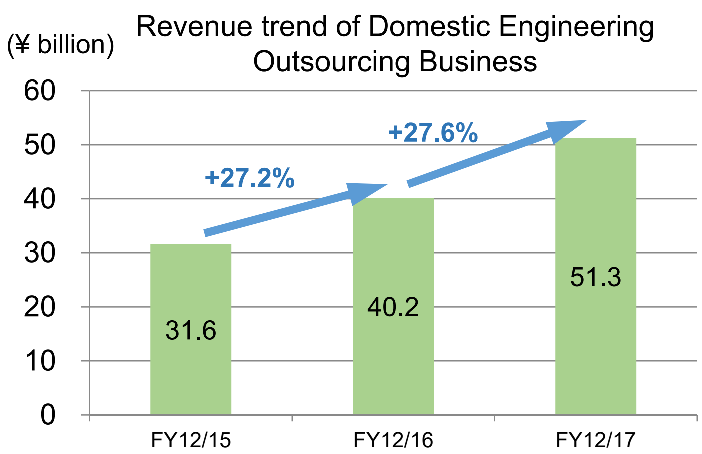
Domestic Engineering Outsourcing Business

Revenue ¥51,264 million (+27.6% YoY) Operating Profit ¥3,290 million (+12.0% YoY)

The Company is overcoming the problem faced by engineering dispatching firms of not being able to grow the top line much due to difficulty in hiring high-end engineers through its own proprietary schemes[*1] and is growing.

- Scheme of training applicants in KEN School and then assigning them — FY12/17 initial plan: 1,300 engineers ⇒ actual 1,356 engineers
- Hiring of new graduates (The training period for new graduates finished in June, and assignment to client worksites from July converted them to a profit center) — April 2017 actual: 550 new graduates
- Incorporating workers displaced from natural consolidation of the industry in the wake of the Revised Worker Dispatching Act[*2] — FY12/17 initial plan: 315 engineers ⇒ actual: 452 engineers





*1: please refer to P.51 *2: please refer to P.46

● Highlights of Consolidated Financial Results

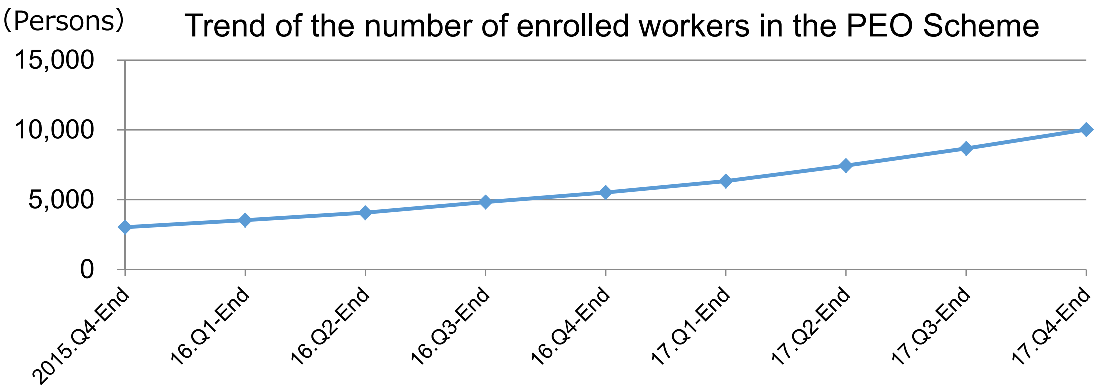
Overview by Operating Segment

Domestic Manufacturing Outsourcing Business

Revenue ¥46,231 million (+33.6% YoY) Operating Profit ¥1,803 million (+35.7% YoY)

・The PEO Scheme*3 has become a measure in response to the Revised Labor Contracts Act*4 achieving growth on accepting transfer of fixed-term contract employees hired by makers.

・Since this is dispatching based on taking employment risk and accepting workers as full-time employees, contract unit prices with clients are rising relative to short-term use of dispatched employees by competitors ⇒ Value-added of the PEO Scheme has led to achieving the industry's highest contract unit prices and ratio of gross profit.



PEO Scheme

As of the end of FY12/17 (Initial plan): 10,000 enrolled

⇩

As of the end of FY12/17 (Actual): 10,021 enrolled

FY12/17 operating profit for the segment before deducting holding company expenses was ¥4,995 million.

*Domestic Manufacturing Outsourcing Business is charged with holding company expenses, and since this increased sharply with growth of the overall Group, operating profit has been affected, but this will be booked separately from FY12/18 to clarify the true operating profit.

*3: please refer to P.45-50 *4: please refer to P.46

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Service Operations Outsourcing Business

Revenue ¥13,086 million (+277.1% YoY) Operating Profit ¥776 million (FY12/16 -¥258 million)

・Expanded bonded insurance required for bidding in auctions for group subsidiary AMERICAN ENGINEERING CORPORATION which has know-how for maintenance and repairs of military facilities through leveraging synergies with credit quality of the parent.

・Expanded dispatching business such as for welfare facilities to over 20 locations nationwide of the major US military bases, leveraging the Group's domestic sales network.

Service Operations Outsourcing Business for US military bases which is less susceptible to impact from the economy grew.

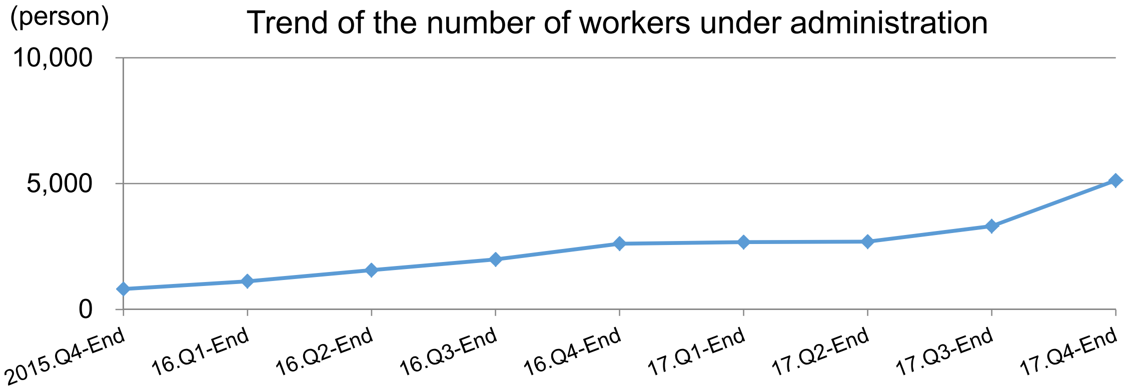
Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Administrative Outsourcing Business

Revenue ¥1,181 million (+35.2% YoY) Operating Profit ¥260 million (-6.7% YoY)

- In response to the Revised Labor Contracts Act,[*4] makers are introducing technical intern trainees as[*5] substitutes for fixed-term contract employees hired directly.
- Makers do not have know-how in company housing contracts and management, supporting everyday living, etc., but the Company has a rich track record in administrative work on consignment.
- Through the Q4, the Company completed a large number of roughly 4-month training programs before coming to Japan which are conducted locally, and administrative work on consignment expanded with the sharp increase in the number of interns coming to Japan.
- Since internship periods are normally 3 years (up to a maximum 5 years possible on successfully passing examinations), the Company can expect to earn revenue and profit during that period.



As of the end of FY12/17 (Plan): 5,100 under administration

As of the end of FY12/17 (Actual): 5,127 under administration

*Operating profit declined YoY due to transfer cost from needs for administrative work on consignment shifting from Japanese workers to technical intern trainees, however, recovered sharply from the 9-month cumulative YoY decline of -43.2% through the Q3.

*4: please refer to P.46 *5: please refer to P.46

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Recruiting and Placing Business

Revenue ¥1,763 million (+28.0% YoY) Operating Profit ¥594 million (-7.9% YoY)

Revenue grew from meeting brisk demand of existing client-makers for production hikes.

*Operating profit declined YoY due to high-margin demand from automobile makers shifting from recruiting and placing to dispatching under the PEO Scheme.

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Overseas Engineering Outsourcing Business

Revenue ¥28,925 million (+37.6% YoY) Operating Profit ¥1,232 million (+78.9% YoY)

In Europe and Australia, various work on consignment from central and local governments using proprietary systems and various outsourcing business for public facilities expanded favorably.

Government-related business which is less susceptible to impact from the economy expanded.

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Overseas Manufacturing and Service Operations Outsourcing Business

Revenue ¥87,262 million (+171.4% YoY) Operating Profit ¥3,727 million (+170.9% YoY)

Both Manufacturing and Service Operations Outsourcing Business expanded favorably in Europe, Asia, Australia and South America, and Service Operations including human resource services for central government agencies and institution, BPO for public work on consignment and payroll business[*6], which are less susceptible to impact from the economy, expanded.

Smoothing out of earnings

・Expansion of business less susceptible to impact from the economy

・Securing orders from production bases moving on a global scale due to environmental changes such as population trends and wage levels, etc. in each country

The Company will continue to respond globally to potential for production bases to move from Japan, achieving growth even in the manufacturing field as a result of smoothing out.

*6: please refer to P.54

Consolidated Financial Results for FY12/17 (IFRS)

Summary of Consolidated Statement of Financial Position

(¥ million)	FY12/16-End		FY12/17-End		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	**36,251**	**40.1%**	**59,312**	**47.6%**	**23,062**
(Cash and cash equivalents)	11,746	13.0%	19,108	15.3%	7,362
(Trade and other receivables)	21,006	23.2%	34,390	27.6%	13,385
(Inventories)	808	0.9%	1,373	1.1%	565
Non-current assets	**54,104**	**59.9%**	**65,333**	**52.4%**	**11,229**
Property, plant and equipment	4,994	5.5%	6,922	5.6%	1,928
Goodwill	26,315	29.1%	39,239	31.5%	12,924
Intangible assets	8,640	9.6%	10,936	8.8%	2,295
Other non-current financial assets	9,671	10.7%	3,137	2.5%	(6,534)
Total assets	**90,355**	**100.0%**	**124,645**	**100.0%**	**34,290**
Current liabilities	**45,521**	**50.4%**	**51,594**	**41.4%**	**6,074**
(Trade and other payables)	13,763	15.2%	23,758	19.1%	9,995
(Bonds and borrowings)	24,375	27.0%	14,354	11.5%	(10,021)
(Income tax payables)	948	1.0%	4,659	3.7%	3,712
Non-current liabilities	**34,833**	**38.6%**	**46,294**	**37.1%**	**11,461**
(Bonds and borrowings)	21,114	23.4%	33,727	27.1%	12,614
Total liabilities	**80,354**	**88.9%**	**97,888**	**78.5%**	**17,535**
Share capital	1,759	1.9%	7,131	5.7%	5,371
Share premium	3,502	3.9%	8,843	7.1%	5,341
Treasury shares	(0)	-0.0%	(0)	-0.0%	-
Retained earnings	8,391	9.3%	14,057	11.3%	5,664
Equity attributable to owners of the Company	**7,699**	**8.5%**	**24,958**	**20.0%**	**17,259**
Non-controlling interests	**2,302**	**2.5%**	**1,799**	**1.4%**	**(503)**
Equity	**10,001**	**11.1%**	**26,757**	**21.5%**	**16,756**
Total liabilities and equity	**90,355**	**100.0%**	**124,645**	**100.0%**	**34,290**

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

Cash and cash equivalents:

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

Goodwill:

Increased from acquiring subsidiaries' shares

Trade and other payables:

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

Share capital/Share premium:

Increased from the exercise of subscription rights to shares

Summary of Consolidated Statement of Cash Flows

(¥ million)	FY12/16 Actual Amount	FY12/17 Actual Amount	YoY Changes Amount
Profit before tax	4,939	10,395	5,456
Depreciation and amortization	1,624	2,481	856
Decrease (increase) in trade and other receivables	(3,759)	(4,094)	(335)
Increase (decrease) in trade and other payables	649	2,640	1,991
Cash flows from operating activities	**1,246**	**10,132**	**8,886**
Payments for purchase of business	(21,917)	(7,817)	14,100
Cash flows from investing activities	**(28,717)**	**(8,498)**	**20,219**
Increase (decrease) of borrowings	32,709	(759)	(33,468)
Dividends paid	(610)	(733)	(122)
Cash flows from financing activities	**31,688**	**5,389**	**(26,299)**
Cash and cash equivalents at end of period	**11,746**	**19,108**	**7,362**

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

Cash flows from operating activities:

Increased from increase in profit before tax and operating payable

Cash flows from investing activities:

Increased from decrease in payments for purchases of business

Cash flows from financing activities:

Reflects the exercise of subscription rights to shares and decrease of borrowings

Consolidated Financial Results for FY12/17 (IFRS)

Operating segment changes from FY12/18

Operating Segment / Client industry	Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Domestic Administrative Outsourcing Business (*Integrated)	Domestic Recruiting and Placing Business (*Integrated)	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business	Other Business
Electrical & Electronics								
Transport Equipment								
Pharm. & Chemicals								
IT-related						Overseas segments will also correspond to industry classification		
Construction & Plant-related								
Metals & Construction Materials								
Foods								
Retail								
Public works (name change)								
Finance (newly established)								
Others								

- Since clients for the old segments of “Domestic Administrative Outsourcing Business” and “Domestic Recruiting and Placing Business” are makers, they are being eliminated and integrated with “Domestic Manufacturing Outsourcing Business”, and going forward, recruiting and placing, etc, that arises for Engineering and Service Operations will be booked in the respective segments.
- For client industries, “Civil Service” is being changed to “Public works”, and “Finance” is being newly established.
- Holding company expenses that had previously been booked under “Domestic Manufacturing Outsourcing Business” will be booked separately from FY12/18.

Consolidated Financial Forecasts for FY12/18 (IFRS)

Out-Sourcing! inc.

Consolidated Financial Forecasts for FY12/18 (IFRS)

Summary for FY12/18 Consolidated Financial Forecasts

(¥ million)	FY12/17 Actual				FY12/18 Forecasts				YoY Changes	
	1H	2H	Full-Year		1H	2H	Full-Year			
	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio	Amount	Ratio
Revenue	**105,811**	**124,361**	**230,172**	**100.0%**	**130,000**	**160,000**	**290,000**	**100.0%**	**59,828**	**26.0%**
Cost of sales	86,035	98,321	184,356	80.1%	-	-	-	-	-	-
Gross profit	**19,776**	**26,040**	**45,816**	**19.9%**	**-**	**-**	**-**	**-**	**-**	**-**
SG&A expenses	16,489	18,297	34,786	15.1%	-	-	-	-	-	-
Operating profit	**3,474**	**7,886**	**11,360**	**4.9%**	**3,700**	**10,100**	**13,800**	**4.8%**	**2,440**	**21.5%**
Finance income	227	135	362	0.2%	-	-	-	-	-	-
Finance costs	626	701	1,327	0.6%	-	-	-	-	-	-
Profit before tax	**3,075**	**7,320**	**10,395**	**4.5%**	**3,200**	**9,600**	**12,800**	**4.4%**	**2,405**	**23.1%**
Profit for the period	**1,740**	**5,189**	**6,929**	**3.0%**	**1,700**	**6,900**	**8,600**	**3.0%**	**1,671**	**24.1%**
Profit attributable to owners of the Company	**1,390**	**4,790**	**6,180**	**2.7%**	**1,100**	**5,800**	**6,900**	**2.4%**	**720**	**11.7%**

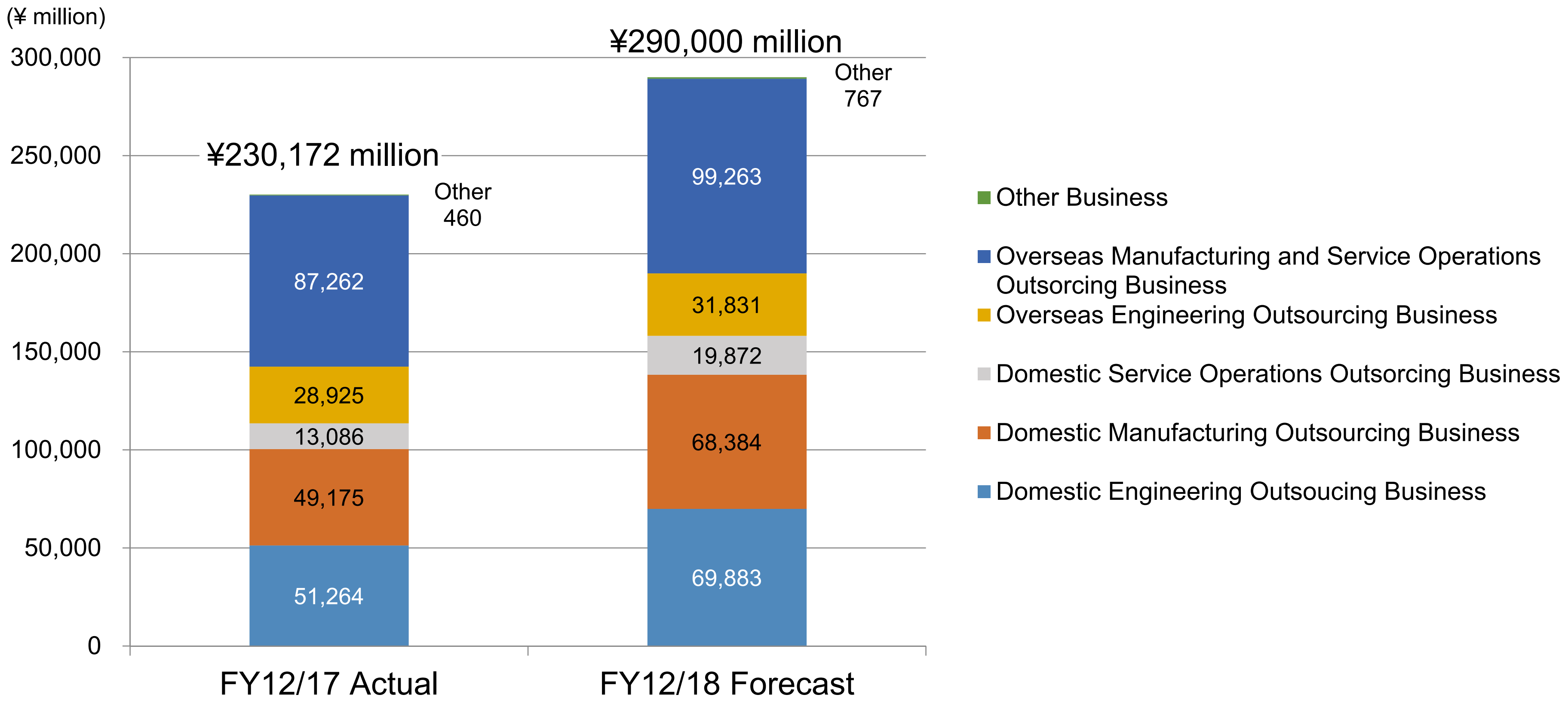
*The amounts shown are rounded off to the nearest million yen.

Consolidated Financial Forecasts for FY12/18 (IFRS)

- Revenue

¥290,000 million (+26.0% YoY)

*The graph shows the changed new operating segment from FY12/18, and actual results for FY12/17 are the sum of Domestic Administrative Outsourcing Business and Domestic Recruiting and Placing Business added to Domestic Manufacturing Outsourcing Business.

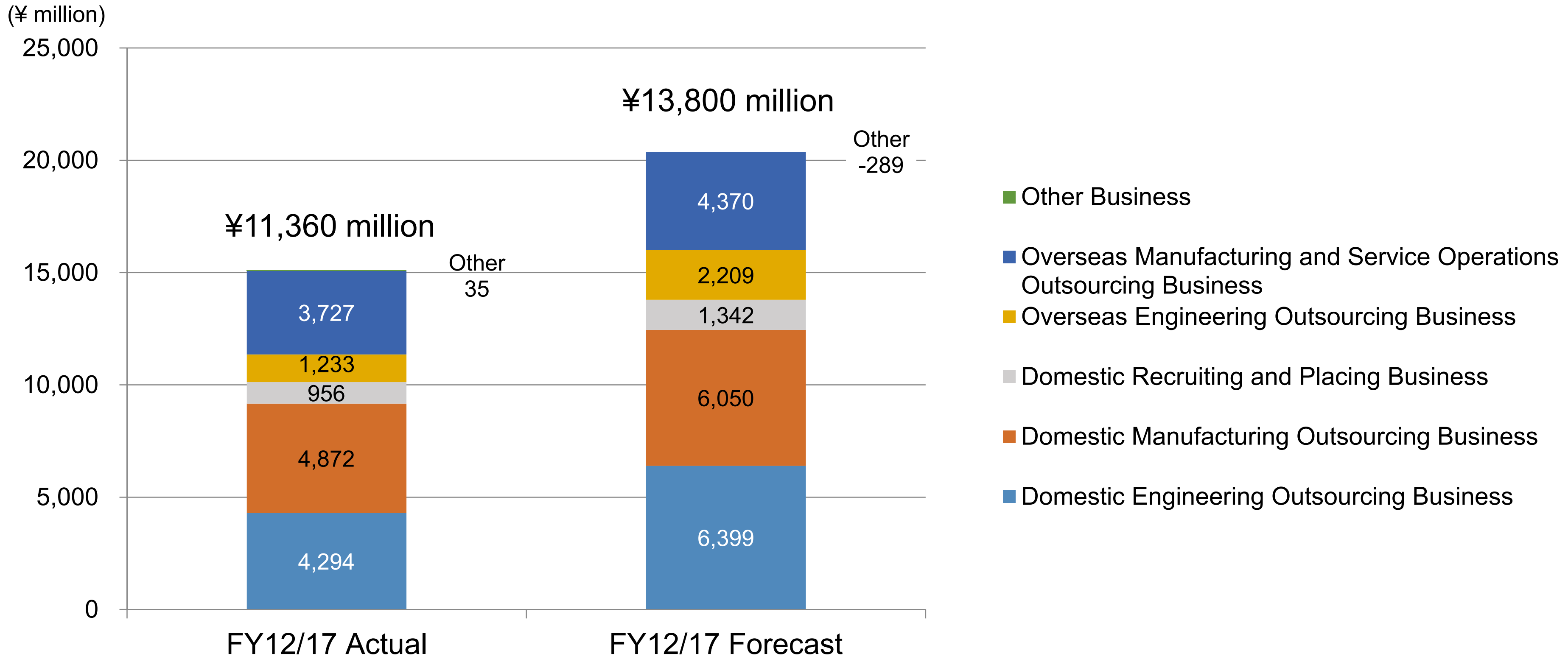


Consolidated Financial Forecasts for FY12/18 (IFRS)

Operating Profit

¥13,800 million (+21.5% YoY)

*The graph shows the changed new operating segment from FY12/18, and actual results for FY12/17 are the sum of Domestic Administrative Outsourcing Business and Domestic Recruiting and Placing Business added to Domestic Manufacturing Outsourcing Business.



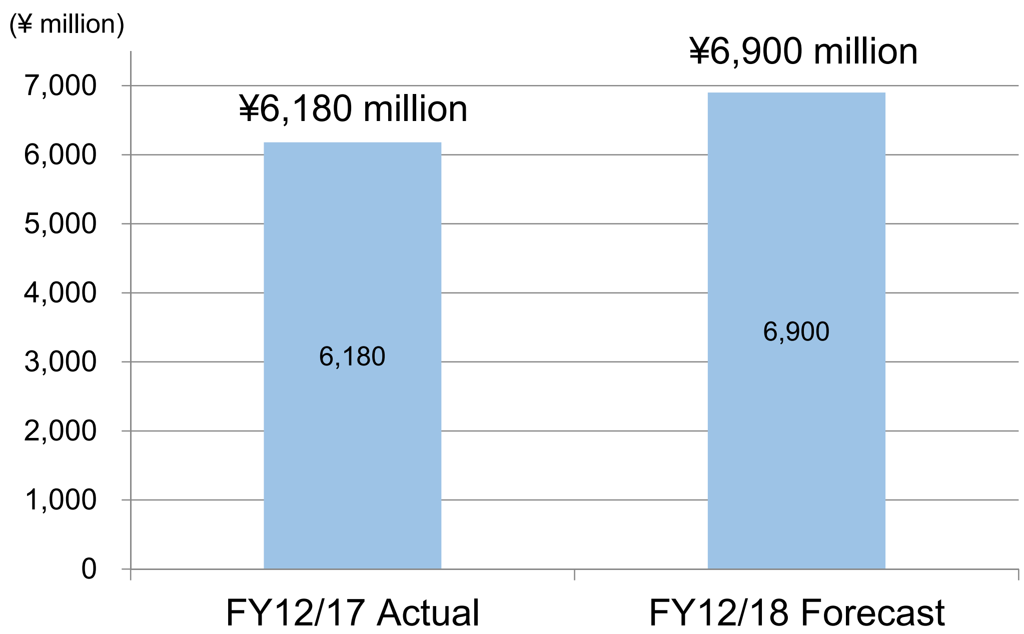
*The operating profit adjustment amount of -¥3,759 million in FY12/17 and -¥6,275million in FY12/18 (includes the holding company expense of ¥4,940 million booked under Domestic Manufacturing Outsourcing Business until FY12/17) is not reflected in the graph, but is reflected in the total amounts.

Consolidated Financial Forecasts for FY12/18 (IFRS)

- Profit Attributable to Owners of the Company

¥6,900 million (+11.7% YoY)

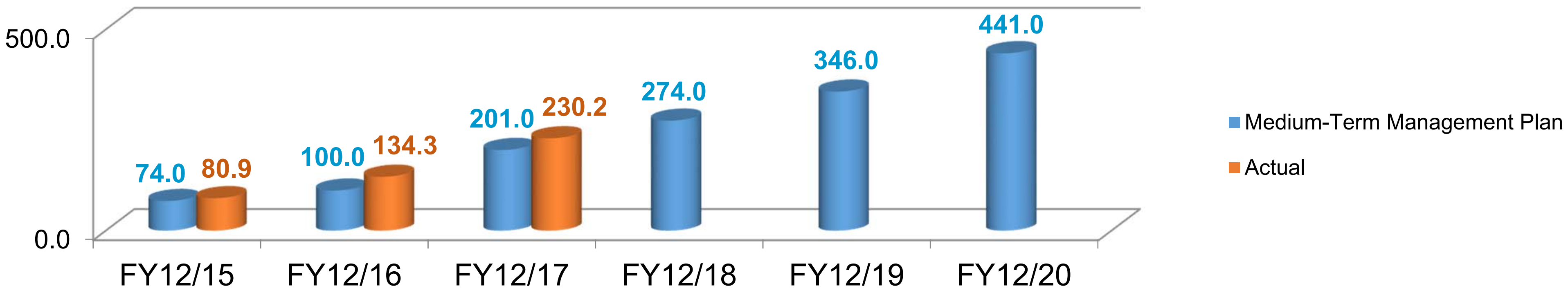
Revenue, operating profit and profit attributable to owners of the Company are all expected to renew record highs.



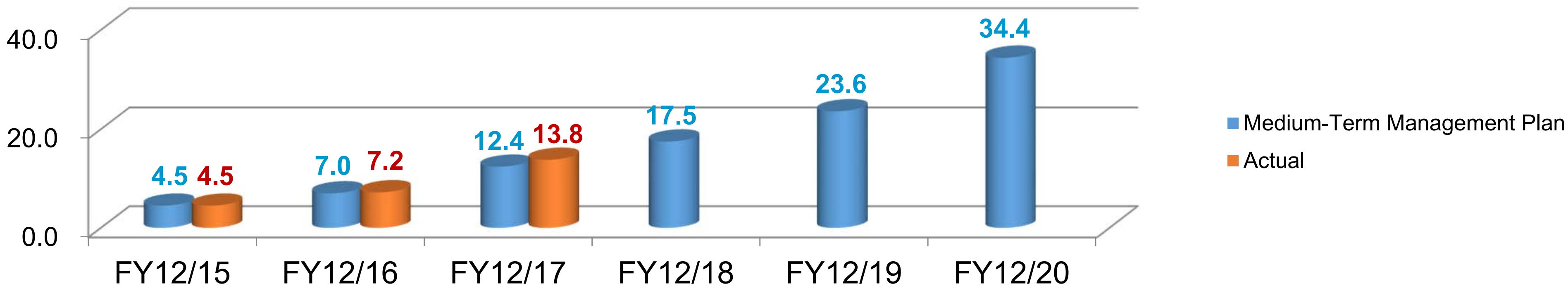
Consolidated Financial Forecasts for FY12/18 (IFRS)

- Progress on the Medium-Term Management Plan and long-term vision

Revenue unit: ¥ billion



EBITDA unit: ¥ billion



Continuing growth ahead of the aggressive Medium-Term Management Plan through FY12/20, which is a minimum commitment level to the market.

Consolidated Financial Forecasts for FY12/18 (IFRS)

Progress on the Medium-Term Management Plan and long-term vision

1．Current challenges facing the Company

In Manufacturing Outsourcing Business, earnings will shrink if we terminate employment when the economy turns down as in the past since it will be difficult to hire people when the economy recovers, so it is necessary to have a structure which can get through the downturn with the overall Group remaining in the black even while maintaining employment, and when the economy recovers, those retained employees can be used immediately, allowing vertical growth in earnings.

To that end, we aim to establish a tenacious Group that is developing outsourcing business globally in fields that have a different business cycle with manufacturing and fields that are less susceptible to impact from the economy, targeting a revenue composition ratio for Manufacturing Outsourcing Business less than 10% of the total.

2．Potential for the Company to grow sharply

In Japan, population has begun to decline, making it difficult to achieve major growth, however, since global population is on course to increase from 7 billion to over 10 billion, it is necessary to establish a structure that frees up people globally in order to capture the 3 billion person opportunity, and if we can achieve that, we will aim to become the No.1 global human resource services provider.

Since clearing the challenges in point 1 put us at the start line for point 2,

we aim to become a ¥1 trillion revenue enterprise by FY12/23.

Consolidated Financial Forecasts for FY12/18 (IFRS)

Progress on the Medium-Term Management Plan and long-term vision

Regarding FY12/18 operating profit forecast for ¥13.8 billion

If we are only in pursuit of operating profit figures for FY12/18, ¥16.0 billion, which is sharply ahead of the Medium-Term Management Plan, is within striking distance.

Rather than being overly conscious about profits for a single year, we determined that it is more important to speed up building a structure that can aim at becoming No. 1 globally.

<Strategy that should be adopted by the OUTSOURCING Group>

While clearing the aggressive commitments pledged to the market in the Medium-Term Management Plan as a minimum, we will deploy the portion exceeding the Medium-Term Management Plan in leading investments toward securing even greater future earnings expansion.

Aiming at FY12/23 revenue of ¥1 trillion

FY12/18 operating profit forecast for ¥13.8 billion is not a conservative figure, rather contains a hidden message of maximum aggressiveness “achieving at a minimum the aggressive earnings targets put forward in the Medium-Term Management Plan, deploying the portion exceeding that in leading investments, carrying through an ‘offensive stance’ to achieve growth on a different dimension.”

Consolidated Financial Forecasts for FY12/18 (IFRS)

Growth strategy summary in the Medium-Term Management Plan

Japan | **Overseas**

Growth through securing demand arising from legal and regulatory changes

Manufacturing Outsourcing

- ✓ Entered the market for fixed-term contract employees hired directly by makers through the Company's proprietary PEO Scheme and the Technical Intern Training Program

Revisions to labor-related laws

Engineering Outsourcing

- ✓ Enhancing an initiative to respond to shortage in engineers using the Group's KEN School
- ✓ Acquiring venders that are being weeded out from legal and regulatory changes

Growth through entering new business fields that are less susceptible to impact from the economy

Businesses for US Military Facilities

- ✓ Developing a staffing business for welfare facilities in 20 US military facilities and more in Japan
- ✓ Launching a maintenance business for military facilities in the US military commenced from FY12/17

Scheduled to accelerate developing into the Pacific Rim

Contract Service Market for Public Work

U.K.

- ✓ BPO businesses extended to central and local governments

Australia

- ✓ Outsourcing businesses for public facilities operated by public institutions including government

Promote mutual development on a global scale of government-related businesses being promoted among group companies

Asia

- ✓ Global payroll business (Payroll calculation business on a global scale)

Even if domestic business shrinks due to dramatic changes in the economic environment, etc., new businesses less susceptible to impact from the economy will take up the slack.

Consolidated Financial Forecasts for FY12/18 (IFRS)

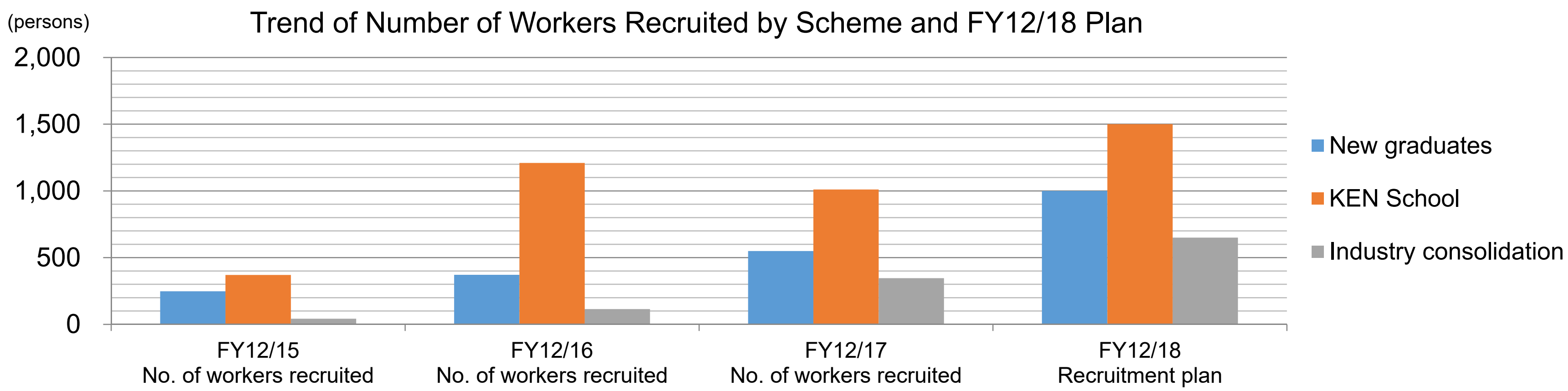
Plans by operating segment

Domestic Engineering Outsourcing Business

Revenue ¥69,883 million (+36.3% YoY) Operating Profit ¥6,399 million (+49.0% YoY)

The Company is overcoming “the challenge of not being able to grow the top line much due to difficulty in hiring high-end engineers” through its own proprietary scheme[*1], and expects further growth in 2018.

・Scheme of training applicants in the Group’s KEN School and assigning them:	Full-Year FY12/18 plan	1,500 engineers
・Strengthening hiring of new graduates:	April 2018 plan	1,000 new graduates
・Incorporating workers displaced from natural consolidation of the industry in the wake of the Revised Worker Dispatching Act[*2]:	Full-Year FY12/18 plan	650 engineers



*1: please refer to P.51 *2: please refer to P.46

Consolidated Financial Forecasts for FY12/18 (IFRS)

Plans by operating segment

Domestic Manufacturing Outsourcing Business

Revenue ¥68,384 million (+39.1% YoY)   Operating Profit ¥6,050 million (+24.2% YoY)

・PEO Scheme[*3]

Due to the Revised Labor Contracts Act,[*4] accepting transfer of fixed-term contract employees hired by makers is set to accelerate further.

The Company had been disclosing the number of transfers and those enrolled in PEO, however, due to successive media reports such as the story below that could lead to misunderstanding regarding PEO, participating makers asked us to refrain from making disclosures, so from FY12/18 we will not disclose the number of transfers and those enrolled.

Major automakers avoid making fixed-term contract employees into indefinite-term contract employees, taking the teeth out of revised laws (excerpt from The Asahi Shimbun, November 4, 2017)

It has been learned that leading automakers including Toyota Motor and Honda Motor have changed employment rules so as to avoid converting contracts for fixed-term contract employees into regular full-term contracts with indefinite-terms. Ahead of next April when conversion to indefinite-term contracts under the Revised Labor Contracts Act is set to go into full swing, all major automakers will be able to avoid conversion of fixed-term contract employees into indefinite-term contract employees. This situation will invariably lead to revised laws intended to encourage improved employment conditions becoming "watered down".

・Technical intern trainees[*5] (former Domestic Administrative Outsourcing Business)

Under the Revised Labor Contracts Act, further expansion of administrative work on consignment for technical trainees being introduced as substitutes for fixed-term contract employees hired by makers.

Administrative work on consignment: as of the end of FY12/18 (plan) 7,000 under administration

*Internship periods were extended for up to a maximum 5 years, however, there are expected to be some interns returning to their home countries after 3 years under the previous system, and their replacements will be necessary.

*Holding company expenses had been charged to Domestic Manufacturing Outsourcing Business until FY12/17, however, this will be booked separately from FY12/18, clarifying the true operating profit.

*3: please refer to P.45-50   *4: please refer to P.46   *5: please refer to P.46

Consolidated Financial Forecasts for FY12/18 (IFRS)

Plans by operating segment

Domestic Service Operations Outsourcing Business

Revenue ¥19,872 million (+51.9% YoY) Operating Profit ¥1,342 million (+40.4% YoY)

Dispatching business for work within welfare and recreation facilities such as shops and cafeterias in US military facilities on Okinawa, and consignment business for maintenance and repairs of buildings and facilities such as hangars and runways, etc. are being developed through generating Group synergies to US military facilities nationwide in Japan and in the Pacific Rim.

- Bonded insurance required for bidding on business for US military facilities by AMERICAN ENGINEERING CORPORAIOTN has been further expanded through support from the parent, with outsourcing business for US military facilities which is less susceptible to impact from the economy growing sharply.

- Accelerated development of dispatching business for welfare and recreation facilities within US military bases through utilizing the sales networks of OUTSOURCING group companies.

Consolidated Financial Forecasts for FY12/18 (IFRS)

Plans by operating segment

Overseas Engineering Outsourcing Business

Revenue ¥31,831 million (+10.0% YoY) Operating Profit ¥2,209 million (+79.1% YoY)

Through generating synergies among group companies and lateral development of proprietary systems in Europe and Australia, expanded all types of work on consignment for central and local governments and all types of outsourcing business for public facilities which are less susceptible to impact from the economy.

Achieving global business development, and at the same time freeing up human resources globally

Consolidated Financial Forecasts for FY12/18 (IFRS)

Plans by operating segment

Overseas Manufacturing and Service Operations Outsourcing Business

Revenue ¥99,263 million (+13.8% YoY) Operating Profit ¥4,370 million (+17.2% YoY)

Expanded Manufacturing Outsourcing Business in Europe, Asia, Australia and South America, and in Service Operations Outsourcing Business, focused on further growth in human resource services for central government institutions and consignment business through BPO of public work and payroll business,[*6] which are less susceptible to impact from the economy.

Achieving global business development, and at the same time freeing up human resources globally

*6: please refer to P.54

Consolidated Financial Forecasts for FY12/18 (IFRS)

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

(¥ million)		FY12/17 Actual Full-Year Amount	FY12/17 Actual Full-Year Composition Ratio	FY12/18 Forecasts 1H Amount	FY12/18 Forecasts 2H Amount	FY12/18 Forecasts Full-Year Amount	FY12/18 Forecasts Full-Year Composition Ratio
Domestic Engineering Outsourcing Business	Revenue	51,264	22.3%	32,990	36,893	69,883	24.1%
	Operating profit	4,294	37.8%	2,094	4,305	6,399	46.4%
	No. of worksite employees at term-end	8,716	-	10,495	11,534	11,534	-
Domestic Manufacturing Outsourcing Business	Revenue	49,175	21.4%	29,380	39,004	68,384	23.6%
	Operating profit	4,872	42.9%	2,577	3,473	6,050	43.8%
	No. of worksite employees at term-end	11,094	-	12,118	15,636	15,636	-
	No. of outsourcing administrative workers at term-end	5,628	-	6,626	7,989	7,989	-
	No. of placed workers	3,614	-	1,656	1,763	3,419	-
Domestic Service Operations Outsourcing Business	Revenue	13,086	5.7%	9,154	10,718	19,872	6.9%
	Operating profit	956	8.4%	471	871	1,342	9.7%
	No. of worksite employees at term-end	2,932	-	4,090	5,316	5,316	-
Overseas Engineering Outsourcing Business	Revenue	28,925	12.6%	14,801	17,030	31,831	11.0%
	Operating profit	1,233	10.9%	699	1,510	2,209	16.0%
	No. of worksite employees at term-end	1,956	-	2,242	2,113	2,113	-
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	87,262	37.9%	43,305	55,958	99,263	34.2%
	Operating profit	3,727	32.8%	1,242	3,128	4,370	31.7%
	No. of worksite employees at term-end	35,180	-	34,385	38,979	38,979	-
Other Business	Revenue	460	0.2%	370	397	767	0.3%
	Operating profit	38	0.3%	(139)	(155)	(294)	-2.1%
	No. of worksite employees at term-end	3	-	4	4	4	-
Adjustments	Operating profit	(3,759)	-33.1%	(3,243)	(3,032)	(6,275)	-45.5%
Total	Revenue	230,172	100.0%	130,000	160,000	290,000	100.0%
	Operating profit	11,360	100.0%	3,700	10,100	13,800	100.0%

*1: The amounts shown are rounded off to the nearest million yen.
*2: Inter-segment transactions in revenue are eliminated.
Note: For Domestic Engineering Outsourcing Business, the number of worksite employees at term-end of FY12/17 initial forecasts were calculated incorrectly, and has been revised.

Consolidated Financial Forecasts for FY12/18 (IFRS)

Summary for Financial Forecasts by Operating Segment (Quarterly Trends)

(¥ million)		FY12/17 Actual	FY12/18 Forecasts				
		Full-Year	Q1	Q2	Q3	Q4	Full-Year
Domestic Engineering Outsourcing Business	Revenue	51,264	15,634	17,356	17,800	19,093	69,883
	Operating profit	4,294	913	1,181	1,459	2,846	6,399
	No. of worksite employees at term-end	8,716	9,156	10,495	11,091	11,534	11,534
Domestic Manufacturing Outsourcing Business	Revenue	49,175	13,830	15,550	17,470	21,534	68,384
	Operating profit	4,872	1,252	1,325	1,544	1,929	6,050
	No. of worksite employees at term-end	11,094	11,621	12,118	13,630	15,636	15,636
	No. of outsourcing administrative workers at term-end	5,628	5,244	6,626	7,309	7,989	7,989
	No. of placed workers	3,614	810	846	898	865	3,419
Domestic Service Operations Outsourcing Business	Revenue	13,086	4,521	4,633	5,217	5,501	19,872
	Operating profit	956	223	248	429	442	1,342
	No. of worksite employees at term-end	2,932	3,487	4,090	4,822	5,316	5,316
Overseas Engineering Outsourcing Business	Revenue	28,925	6,843	7,958	8,525	8,505	31,831
	Operating profit	1,233	267	432	730	780	2,209
	No. of worksite employees at term-end	1,956	2,072	2,242	2,144	2,113	2,113
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	87,262	19,582	23,723	27,800	28,158	99,263
	Operating profit	3,727	512	730	1,562	1,566	4,370
	No. of worksite employees at term-end	35,180	33,113	34,385	36,621	38,979	38,979
Other Business	Revenue	460	190	180	188	209	767
	Operating profit	38	(65)	(74)	(79)	(76)	(294)
	No. of worksite employees at term-end	3	4	4	4	4	4
Adjustments	Operating profit	(3,759)	(1,451)	(1,792)	(1,645)	(1,387)	(6,275)
Total	Revenue	230,172	60,600	69,400	77,000	83,000	290,000
	Operating profit	11,360	1,650	2,050	4,000	6,100	13,800

*1: The amounts shown are rounded off to the nearest million yen.
*2: Inter-segment transactions in revenue are eliminated.
Note: For Domestic Engineering Outsourcing Business, the number of worksite employees at term-end of FY12/17 initial forecasts were calculated incorrectly, and has been revised.

Domestic Recruitment Plan for FY12/18

Annual and Semi-Annual Trends

		FY12/17 Actual 1H	FY12/17 Actual 2H	FY12/17 Full-Year	FY12/18 Forecasts 1H	FY12/18 Forecasts 2H	FY12/18 Full-Year
Engineering	**No. of workers recruited (persons)**	**1,803**	**2,277**	**4,080**	**2,560**	**1,691**	**4,251**
	Recruitment unit price (¥/worker)	346,039	322,285	332,782	371,996	392,885	380,306
Manufacturing	**No. of workers recruited (persons)**	**3,888**	**3,959**	**7,847**	**3,527**	**5,884**	**9,411**
	Recruitment unit price (¥/worker)	64,349	67,669	66,024	103,164	70,142	82,519
Service Operations	**No. of workers recruited (persons)**	**2,182**	**2,226**	**4,408**	**3,229**	**4,050**	**7,279**
	Recruitment unit price (¥/worker)	14,741	14,922	14,832	21,214	19,361	20,183
Recruiting and Placing	**No. of workers recruited (persons)**	**1,899**	**1,715**	**3,614**	**1,656**	**1,763**	**3,419**
	Recruitment unit price (¥/worker)	131,245	144,342	137,460	176,538	160,900	168,474

Quarterly Trends

		FY12/17 Actual Q1	Q2	Q3	Q4	Full-Year	FY12/18 Forecasts Q1	Q2	Q3	Q4	Full-Year
Engineering	**No. of workers recruited (persons)**	**475**	**1,328**	**1,134**	**1,143**	**4,080**	**692**	**1,868**	**874**	**817**	**4,251**
	Recruitment unit price (¥/worker)	638,072	241,584	277,031	367,182	332,782	913,887	171,360	514,907	262,350	380,306
Manufacturing	**No. of workers recruited (persons)**	**1,729**	**2,159**	**1,994**	**1,965**	**7,847**	**1,358**	**2,170**	**2,672**	**3,212**	**9,411**
	Recruitment unit price (¥/worker)	73,625	56,920	70,294	65,004	66,024	124,017	90,116	81,194	60,948	82,519
Service Operations	**No. of workers recruited (persons)**	**598**	**1,584**	**1,232**	**994**	**4,408**	**1,430**	**1,799**	**2,047**	**2,003**	**7,279**
	Recruitment unit price (¥/worker)	25,346	10,737	18,630	10,326	14,832	19,545	22,540	19,300	19,422	20,183
Recruiting and Placing	**No. of workers recruited (persons)**	**834**	**1,065**	**881**	**834**	**3,614**	**810**	**846**	**898**	**865**	**3,419**
	Recruitment unit price (¥/worker)	146,327	119,434	149,185	139,226	137,460	186,065	167,416	167,772	153,766	168,474

Strengthening Group's Governance

Strengthening Group's Governance

2017 Global governance project initiative

In FY2017, implementing an initiative to strengthen governance for mainly the overseas group companies

Key Challenges

- Re-designing global governance policy
- Establishing a base for risk management
- Further strengthening the financial reporting function
- Building a base for information systems security
- Thorough compliance system

Strengthening Group's Governance

Achievements of the global governance project activities in FY12/17

- **Promoting governance for the global group**
  — Formulation of common group regulations in response to globalization of business has been completed, and promoting their introduction is underway —
  - OUTSOURCING Group Code of Corporate Ethics and Conduct
  - Global Governance Policy
  - Anti-Corruption Policy

- **Strengthening risk management**
  — Promoting "visualization" activities through a list of companywide risks and internal control standards manual (checklist) —
  - Commenced creation of a risk map by overseas group companies (partially completed)
  - Based on the internal control standards manual, commenced checking the status of internal controls by managements of each group company
  - Currently introducing governance due diligence on a trial basis in the M&A process

- **Further strengthening of the financial reporting function**
  - Preparations completed for new IFRS standards going into effect from FY12/18
  - Completed review of new regulations and the accounts settlement package, and development to each group company in order to speed up accounts settlement

- **Thorough compliance system**
  - Training for Asia group companies on affiliate company anti-corruption policy, and construction of an e-learning environment for ongoing education are currently underway

Strengthening Group's Governance

Progress of global governance project activities in FY12/17 based on the timeline

Item	-Jun.	Jul.-Sep.	Oct.-Dec.	2018- (Present)
◆**Re-designing global governance policy**	Ascertaining the current situation of all overseas subsidiaries and formulating basic policy	Overview design	Detailed design Preparing internal control standards Pilot introduction	Sequential introduction to overseas companies & Monitoring
◆**Establishing a base for risk management**	Ascertaining the current situation of all overseas subsidiaries Task extraction	Making risk maps (ongoing)	Creation of an internal control standards manual (checklist) Preparation for use on new M&A transactions	Checking internal controls Conducting governance due diligence
◆**Further strengthening of financial reporting function**	Task extraction in IFRS account settlement work Revision and improvement of the consolidation package and work flow Conforming to new IFRS standards Formulate new accounting regulations		Pilot introduction Review	Speeding up accounts settlement Introduction of new IFRS standards
◆**Building a base for information systems security**	Information gathering Preparations prior to the project launch	Global information security base Construction project		
◆**Through compliance system**	Preparing Anti-Corruption Policy Consider training planning and ongoing promotion structure	Head office training commenced	Developing anti-corruption policy for all companies in Asia →rolling out globally, e-learning Respond to other compliance risks	

Strengthening Group's Governance

Promoting activities for FY12/18 to be the year of group governance "permeation"

Item	Jan. Feb. Mar. Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec.
◆**Development of global governance policy**	Asia & South America: Explanation to all group companies and monitoring Europe & Australia: Explanation to all group companies and monitoring
◆**Taking hold of risk management**	Application of the internal controls checklist and ongoing creation of risk maps Strengthening the internal reporting system (establishment and operation of a common window for Asia) Implementing governance due diligence and governance post-merger integration (PMI)
◆**Ongoing evolution of the accounting function**	Accounting: ongoing initiatives to speed up and raise efficiency of accounts settlement operations and handling internal controls Finance: Strengthening international competitiveness through "Global Cash Management (GCM)" based on financial strategy Training: promoting training through "accounting staff training program"
◆**Strengthening information systems security**	Promoting the global information security infrastructure construction project Making preparations for introduction to group companies in Europe & Australia → Infrastructure construction → Development
◆**More in-depth compliance training**	Developing "training for anti-corruption policy" through e-learning for all group companies "Compliance study to raise corporate value (=legal compliance mechanism)" through e-learning

Return to Shareholders

Return on Shareholders

Details of the Dividend

	FY12/16*	FY12/17 Initial Dividend Forecasts (Announced on February 14 , 2017)	FY12/17	FY12/18 Dividend Forecasts
Record Date	December 31, 2016	December 31, 2017	December 31, 2017	December 31, 2018
Dividend per Share	¥8.40	¥17.00	¥19.00	¥21.00
Total Amount of Dividends	¥733 million	—	¥1,937 million	—
Dividend Payment Starting Date	March 30, 2017	—	March 29, 2018	—
Source of Dividends	Retained earnings	—	Retained earnings	—

*The Company implemented a five-for-one stock split on its common stock on October 1, 2017. DPS (Dividend Per Share) shown for FY12/16 actual results and for FY12/17 forecasts were retrospectively adjusted to reflect the share split.

In order to enhance rebate of earnings to shareholders and to expand the shareholder base, the Company targets a consolidated payout ratio of 30% in principle.

Regarding the FY12/17 year-end dividend, despite over 13% dilution arising from new shares issued during the term, basic earnings per share exceeded initial forecast due to strong growth in earnings, so we hiked DPS from initial forecast for ¥17.00 by ¥2.00 to ¥19.00 (30.4% payout)

In addition, regarding the FY12/18 year-end dividend, initial forecast is for a YoY hike of ¥2.00 to ¥21.00.

References

Details on *3 (P.45-50)

Legal definition of employment

The Civil Code stipulates that “an employment contract shall become effective when one of the parties promises to the other party that he/she will engage in work and the other party promises to pay remuneration for the same”, and both parties have equal standing.

The Labor Contracts Act stipulates that “a labor contract is established by agreement between a Worker and an Employer on the basis that the Worker will work by being employed by the Employer and the Employer will pay wages for such work”, however, in the real world, since employers are positioned advantageously while workers are subordinate, the special laws of the Labor Standards Act and the Labor Contracts Act, etc. contain mandatory criteria and provisions regarding labor contracts (=employment contracts) to protect workers.

Main names and forms of employment

■ Regular employees, indefinite-term contract employees, regularly employed employees

Form of employment where employment contracts do not specify fixed terms, and both workers and employers enter the agreement under the assumption of long-term employment with the aim of raising skills, etc.

■ Non-regular employees, fixed-term contract employees, non-regularly employed employees

Form of employment where employment contracts specify fixed terms, and both workers and employers enter the agreement under the assumption that when the term is completed, if needs require, fixed-term employment can be renewed, however, at times when there is a surplus of workers, employment contracts can be cancelled or terminated.

Details on *2, *3, *4, *5

The Revised Labor Contracts Act Enforced in April 2013

- Requiring employers to convert fixed-term contracts to regular employments when requested by fixed-term contract employees after 5 consecutive years of services

The Revised Worker Dispatching Act Enforced in September 2015

- Requiring dispatch business operators to secure employment stabilization measures for dispatched workers at the expiration of dispatching period *Partly obligation to make efforts
- Abolished specified occupations which had no term limits for use on dispatching, and limiting the use of all fixed-term contract employees employed by dispatch business operators to a maximum of 3 years at the same workplace
- No restriction on period for regular worker dispatching
- For dispatch business operators, planned education and training for dispatched workers and career consulting for those who desire it become mandatory
- Specified worker dispatching undertaking (notification system) is abolished, and all worker dispatching undertakings come under a license system. *Tightened the terms of license permissions

Act on Proper Technical Intern Training and Protection of Technical Intern Trainees (Technical Intern Training Act) Enacted in November 2016

- The maximum 3 years internship period was extended to a maximum 5 years

Technical intern trainee ⇒ based on Japan’s official program, the Foreign Technical Intern Trainee System, makers hire foreigners mainly from Asia technical intern trainees, and after they return to their home countries when the internship is completed, have them use the skills they acquired locally

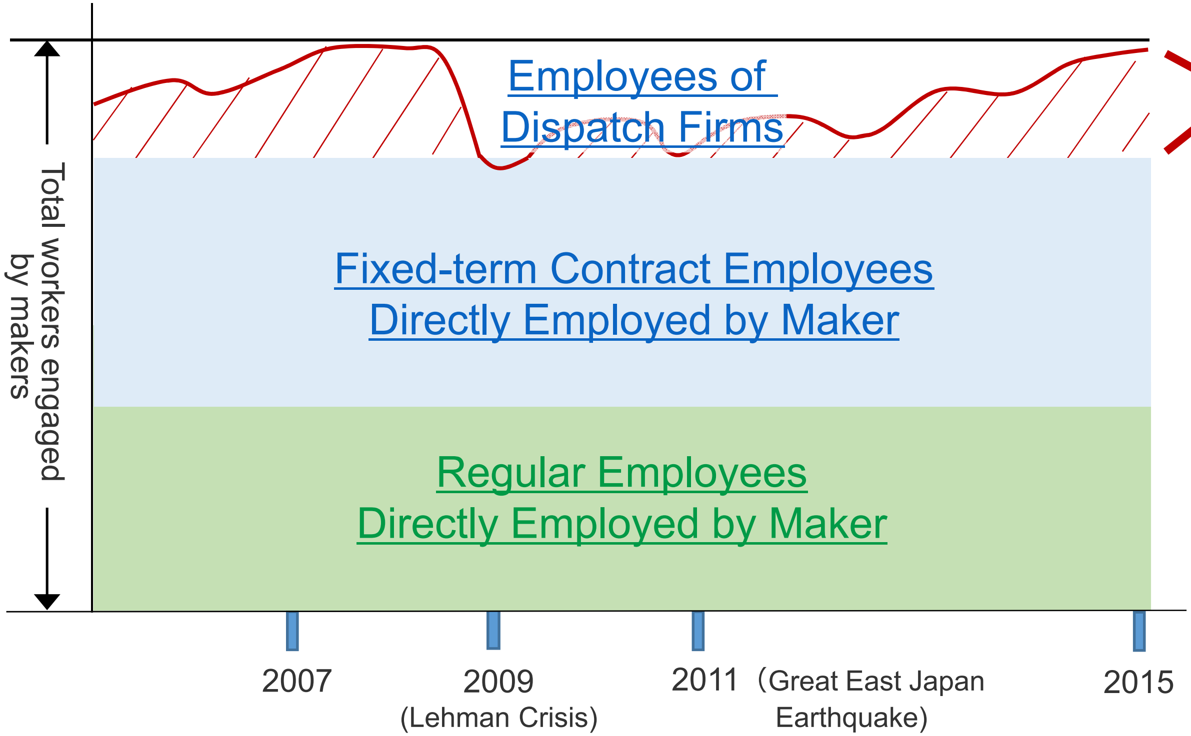
Capturing Demand Following Revisions of Labor-related Laws Through the PEO Scheme

Details on *3

Previous growth mechanism in dispatching business in the manufacturing field

In dispatching business, net addition of personnel was directly linked to revenue growth

■ Composition of production personnel for makers (conceptual diagram)



The Company's core business domain in the past

Adjustment domain repeated in short-term cycles depending on production fluctuation due to maker production hikes and production cuts

Handled through repeatedly hiring and cancelling short-term employment contracts

- In the past there was an abundance of people, so even if employment was terminated, it was easy to hire relatively large numbers when production increased again
- At present, if you terminate employment, it is difficult to hire again when production increases, so there is no net addition of personnel and revenue does not increase

The Company has determined that the mechanism for growth in the past in Manufacturing Outsourcing Business has collapsed

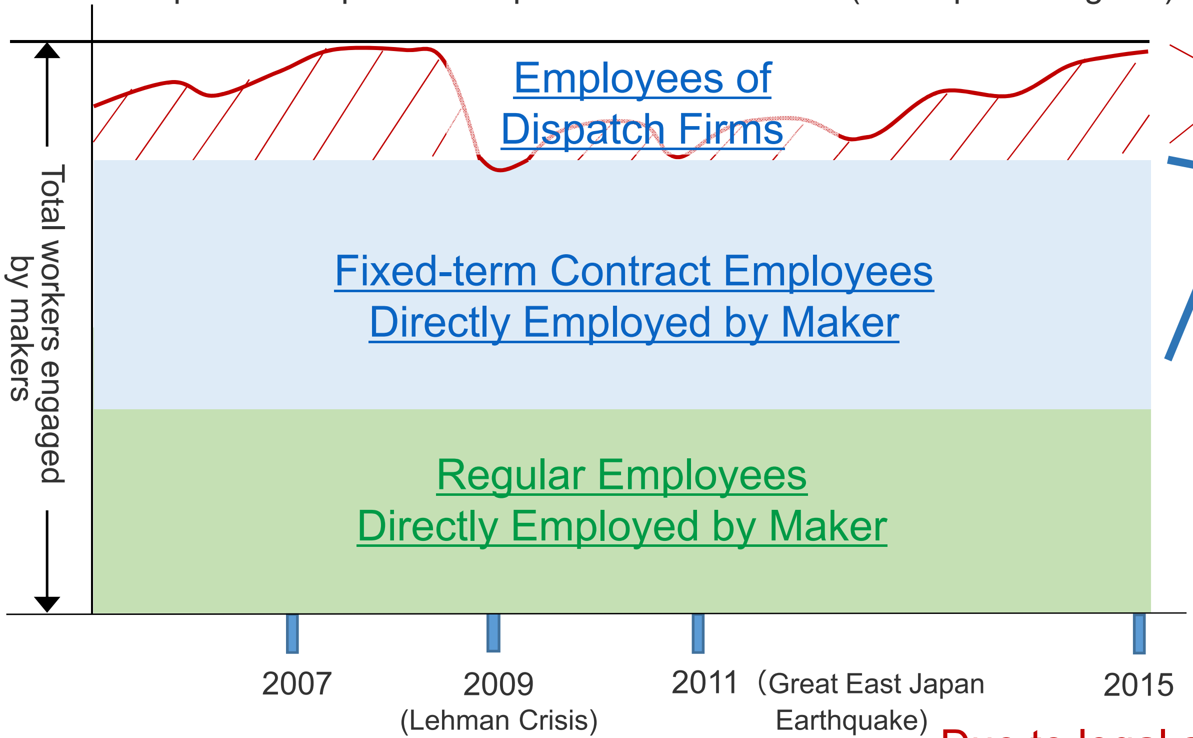
Capturing Demand Following Revisions of Labor-related Laws Through the PEO Scheme

Details on *3

Capturing demand newly arising in the manufacturing field following legal and regulatory revisions

Makers compartmentalize use of dispatching, directly hired fixed-term contract employees and full-time employees depending on the degree of necessity to respond to production fluctuation

■ Composition of production personnel for makers (conceptual diagram)



For competitors in manufacturing outsourcing, this is currently the core business domain

The domain of long-term use by makers repeatedly renewing directly hired, fixed-term contracts after developing skills

2013: Revised Labor Contracts Act enacted
- Continuous renewal of fixed-term contract employees limited to 5 years

2015: Revised Worker Dispatching Act enacted
- No term limit for dispatching of full-time employees

Due to legal and regulatory revised, maintaining employment of fixed-term contract employees hired directly is no longer possible

Converting the business domain to the adjustment domain of the long-term cycle where makers in the past had used direct hiring of fixed-term contract employees to the Company's effective solution of dispatching using full-time employees

Capturing Demand Following Revisions of Labor-related Laws Through the PEO Scheme

Details on *3

Building and expanding the PEO Scheme as a countermeasure in response to when makers are faced with the decision to make fixed-term contract employees whose employment terms have exceeded 5 years into full-time employees

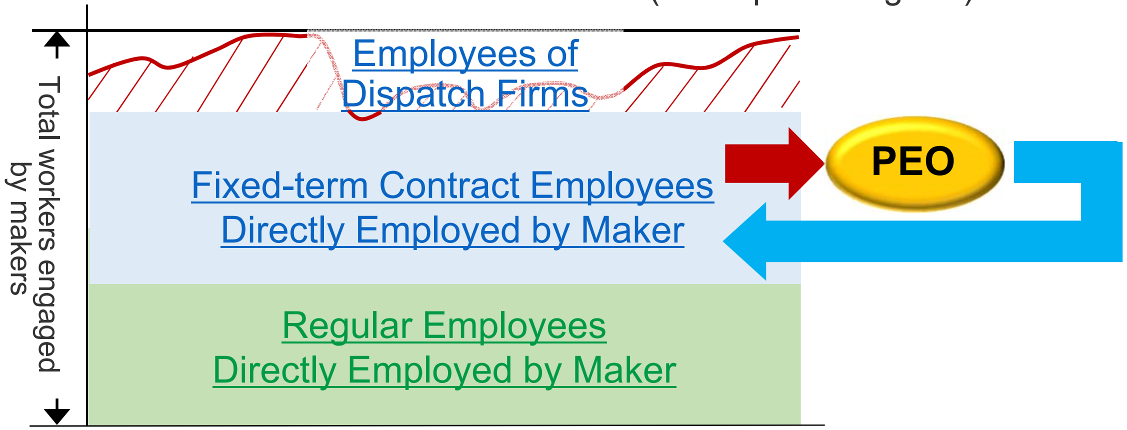
*PEO Scheme = Professional Employer Organization (skilled worker employment organization) mechanism

Many makers participate in the PEO Scheme run by the Group

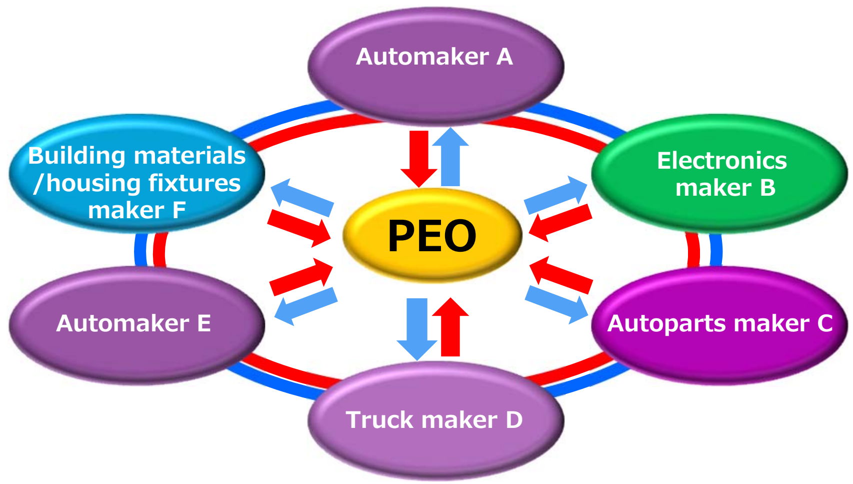
Fixed-term contract employees directly hired by makers are transferred to PEO as full-time employees

Dispatching from PEO as full-time employees who can be used by makers on a long-term basis

■PEO Scheme for individual makers (conceptual diagram)



■Overall image of the PEO Scheme



PEO Scheme

■Since workers are rotated within the PEO Scheme after being transferred as fixed-term contract employees hired by makers to the dispatch business operator for placement as full-time employees, the corresponding dispatch business operator can not be established as multiple companies.

■Since 2015, the Company has developed the PEO Scheme from mainly automobile-related makers in the Toyota group and others to many leading makers from all sectors

■Although it is possible for competitors to develop a similar mechanism for makers who have not joined the PEO Scheme, the Company has already signed contracts with the majority of leading makers

Details on *3

Benefits and Demerits for the Group from the PEO Scheme

[Benefits from the PEO Scheme]

- Recruitment media expenses for hiring which have risen due to the labor shortage is not required
- Since fixed-term contract employees for long-term use by makers are being converted to full-time employee dispatching, contract periods with makers are getting longer
- Since the Company is taking the employment risk of making employees full-time, contract unit prices with makers are roughly 30% higher relative to those of competitors on the presumption of short-term use of dispatching

[Demerits from the PEO Scheme]

- Since this is employment of full-time employees, even when the economy deteriorates and clients for dispatching disappear, employment must be maintained
- Due to the Revised Worker Dispatching Act being enacted in 2015, since makers are expanding use of dispatched employees which has become more convenient, the PEO Scheme will not be able to grow from 2021 onward

Along with promoting the PEO Scheme from 2015, the Company developed entry on a global scale into fields which have a different business cycle from manufacturing, and into new markets which are less susceptible to the economy with the aim of resolving demerits of PEO, which is leading to high growth for the Company.

Expanding Entry into Fields Which have a Different Business Cycle From Manufacturing

Details on *1

Domestic Engineering Outsourcing Business

Focusing on engineers in IT and construction which have different business cycles from manufacturing, the Company is achieving high growth on proprietary schemes including use of the OUTSOURCING Group's KEN School, strengthening hiring of new graduates and capturing share from natural consolidation of the industry due to the Revised Worker Dispatching Act.

- Scheme using the OUTSOURCING Group's KEN School, which jointly developed engineer training curriculum with telecom carriers and major general contractors
  - ■Individuals with low technical skills are hired, then after implementing roughly 2 months of training using KEN School curriculum, they are assigned to appropriate worksites on slightly reduced contract unit prices.
  - ■Training is continued after assignment, officially making a career change as an engineer after 1 year, and contract unit prices are hiked by 30%.

- Strengthening hiring of new graduates

  Through enhancing the size and contents of business, and acceleration of global development of the Group, recognition and corporate value have been raised.

- Capturing share from natural consolidation of the industry due to the Revised Worker Dispatching Act

  Specified dispatch which was possible as dispatching business just through registration has disappeared, with all firms falling under a license system where requirements have become strict, and since an estimated 80% of dispatch business operators will likely be unable to obtain the required license for dispatching, the Company is expanding acquisition of dispatch business operators who are being weeded out through industry consolidation.

Global development and acceleration of freeing up human resources in public works-related outsourcing business

Expanding entry into markets where civil servants are being reduced and public work is being outsourced to the private sector, a trend that is spreading in advanced countries due to fiscal constraints

Consignment of public work that is less susceptible to impact of the economy

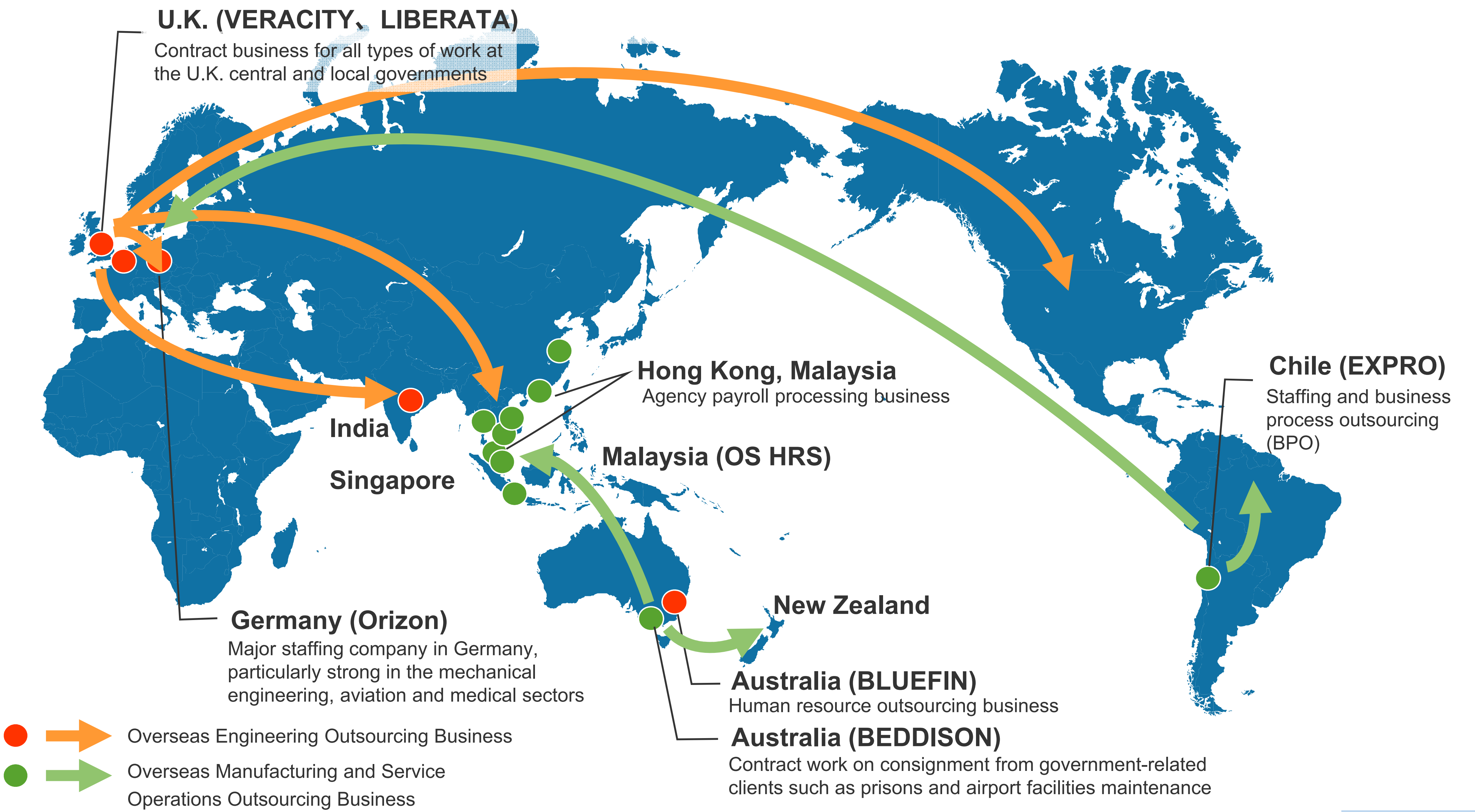
- BPO business for various operations of central and local governments in the U.K., etc., utilizing proprietary systems
- Various outsourcing business for public facilities including prisons and airports where the clients are public institutions in Australia, the U.K., etc.

Accelerating growth through strengthening support for each local group company

Global development by overseas group companies

Promoting mutual development of public-related business within the Group, optimizing synergies among companies that have many engineers and much know-how in consignment of public work, and collaboration among companies with wide sales networks in Europe, accelerating global development of all businesses.

Global development and acceleration of freeing up human resources in public works-related outsourcing business



Details on *6

Global payroll business

Payroll business (agency calculation of salaries) where consignment is expanding from European and US companies entering Asia.

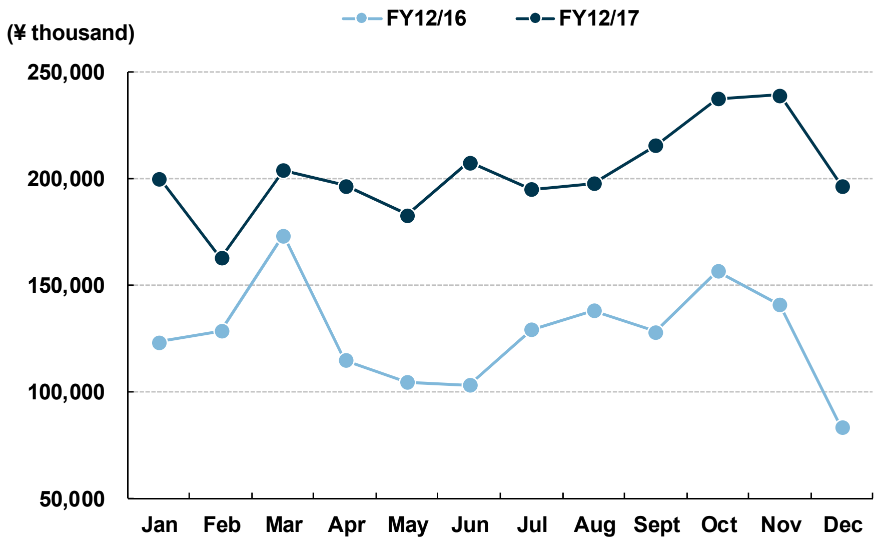
Promoting payroll business in 19 Asian countries for major firms including a German global luxury car maker, US investment bank, US precision equipment maker, etc., where consignment is for payrolls for total staff in regional bases of over 120,000

Expanding business in Asia where diffusion of payroll business, which is less susceptible to impact from the economy, has begun, and at the same time through collaboration with OUTSOURCING group companies in the clients' home countries, accelerating business development in Europe, the U.S., etc.

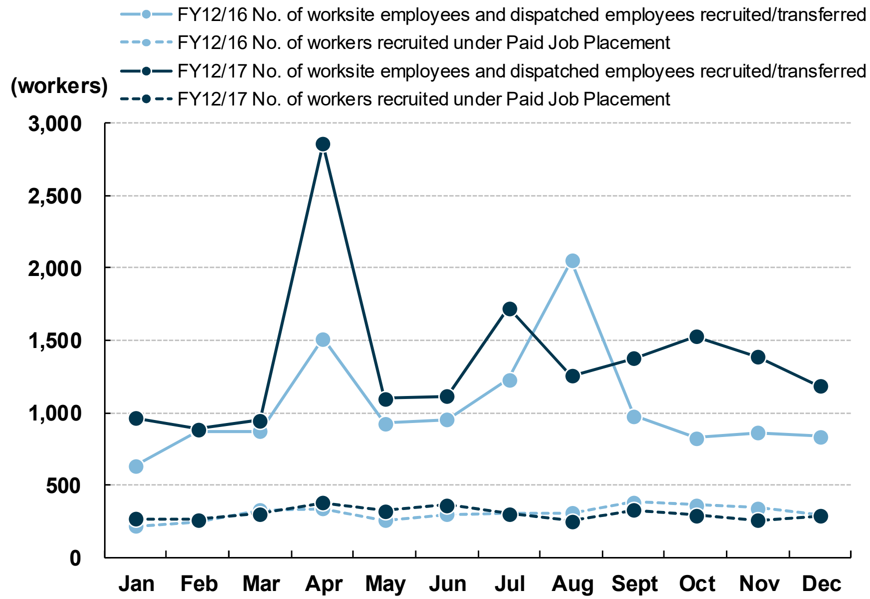
Trends in Recruited Number of Workers and Recruiting Expenses in Japan

Monthly Trends (Consolidated)

Monthly Recruiting Expenses



No. of Worksite Employees and Dispatched Employees Recruited/Transferred



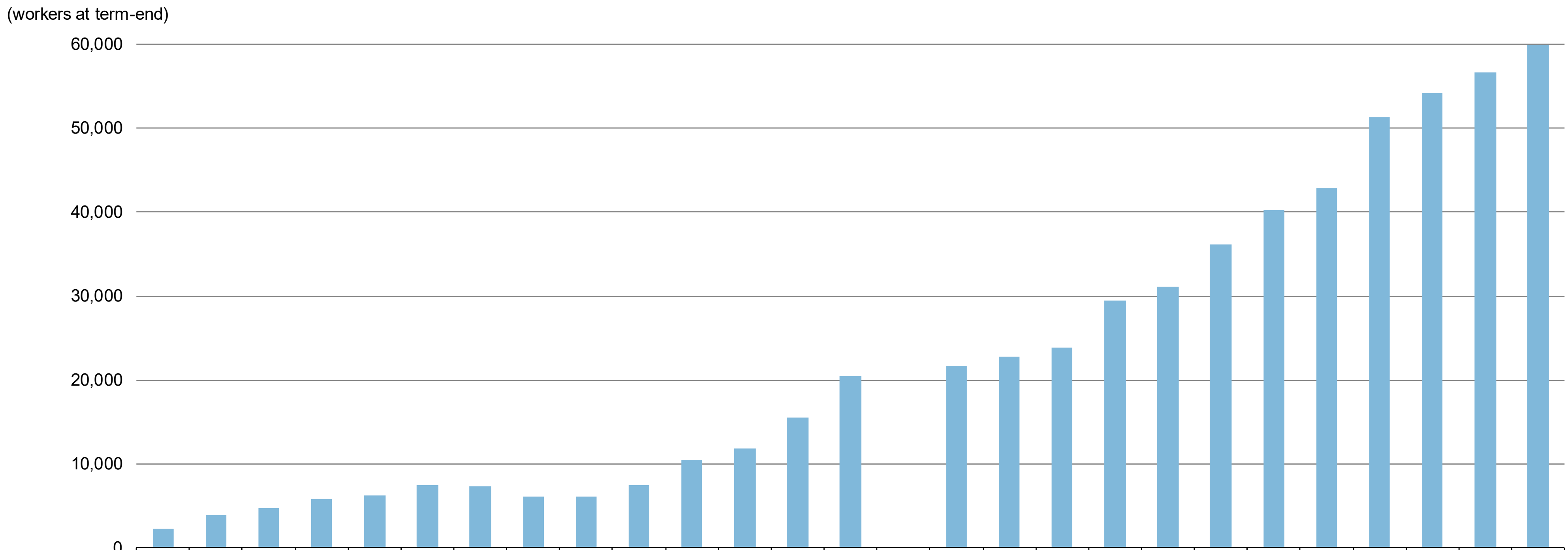
FY12/16	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
No. of worksite employees and dispatched employees recruited/transferred	634	872	872	1,515	930	956	1,229	2,050	977	826	862	839
No. of workers recruited under Paid Job Placement	218	250	331	337	259	300	301	309	383	364	346	291
Recruiting expenses (¥ 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

FY12/17	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
No. of worksite employees and dispatched employees recruited/transferred	963	889	950	2,860	1,098	1,113	1,727	1,254	1,379	1,529	1,387	1,186
No. of workers recruited under Paid Job Placement	268	265	301	377	323	365	302	252	327	291	256	287
Recruiting expenses (¥ thousand)	200,402	163,084	204,090	196,759	183,252	207,908	195,140	197,760	215,804	237,753	239,310	196,738

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

Trends in Number of Worksite Employees and Dispatched Workers

- Quarterly Trends (Consolidated)
  - Up to FY12/14: Annual trend
  - From FY12/15: Quarterly trend



	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	12/14		3/15	6/15	9/15	12/15	3/16	6/16	9/16	12/16	3/17	6/17	9/17	12/17
Worksite Employees	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	20,505		21,739	22,791	23,945	29,477	31,172	36,152	40,322	42,838	51,378	54,221	56,606	59,883

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

Note

In accordance with provisional accounting treatments associated with business combinations made between August 2016 through April 2017 being finalized, consolidated financial statements from FY12/16 onward have been retrospectively revised.

In addition, since certain accounting treatments for M&A were inconsistent with IFRS specific accounting treatments, consolidated financial statements from FY12/15 onward have been amended.

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.

OUTSOURCING Inc.

CEO Office

E-Mail: os-ir@outsourcing.co.jp

URL: https://www.outsourcing.co.jp/en