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

Financial Results for the 1st Quarter of Fiscal Year Ending March 31, 2018

May 2018

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Consolidated Financial Results for Q1 FY12/18 (IFRS)

Consolidated Financial Results for Q1 FY12/18 (IFRS)

Consolidated Financial Results Summary

(¥ million)	FY12/17 Q1 Actual		FY12/18 Q1 Actual		YoY Changes	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
Revenue	**50,238**	**100.0%**	**63,198**	**100.0%**	**12,960**	**25.8%**
Cost of sales	40,895	81.4%	50,948	80.6%	10,053	24.6%
Gross profit	**9,343**	**18.6%**	**12,250**	**19.4%**	**2,907**	**31.1%**
SG&A expenses	8,009	15.9%	9,922	15.7%	1,913	23.9%
Operating profit	**1,422**	**2.8%**	**2,050**	**3.2%**	**628**	**44.3%**
Profit before tax	1,239	2.5%	1,935	3.1%	696	56.2%
Profit for the period	714	1.4%	1,311	2.1%	597	83.6%
Profit attributable to owners of the Company	**544**	**1.1%**	**1,186**	**1.9%**	**642**	**118.0%**

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

Highlights of Consolidated Financial Results

＊Operating segment classifications have been changed 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								
Construction & Plant-related								
Metals & Construction Materials								
Foods								
Retail								
Public works (name change)								
Finance (newly established)								
Others								

Overseas segments will also correspond to industry classification

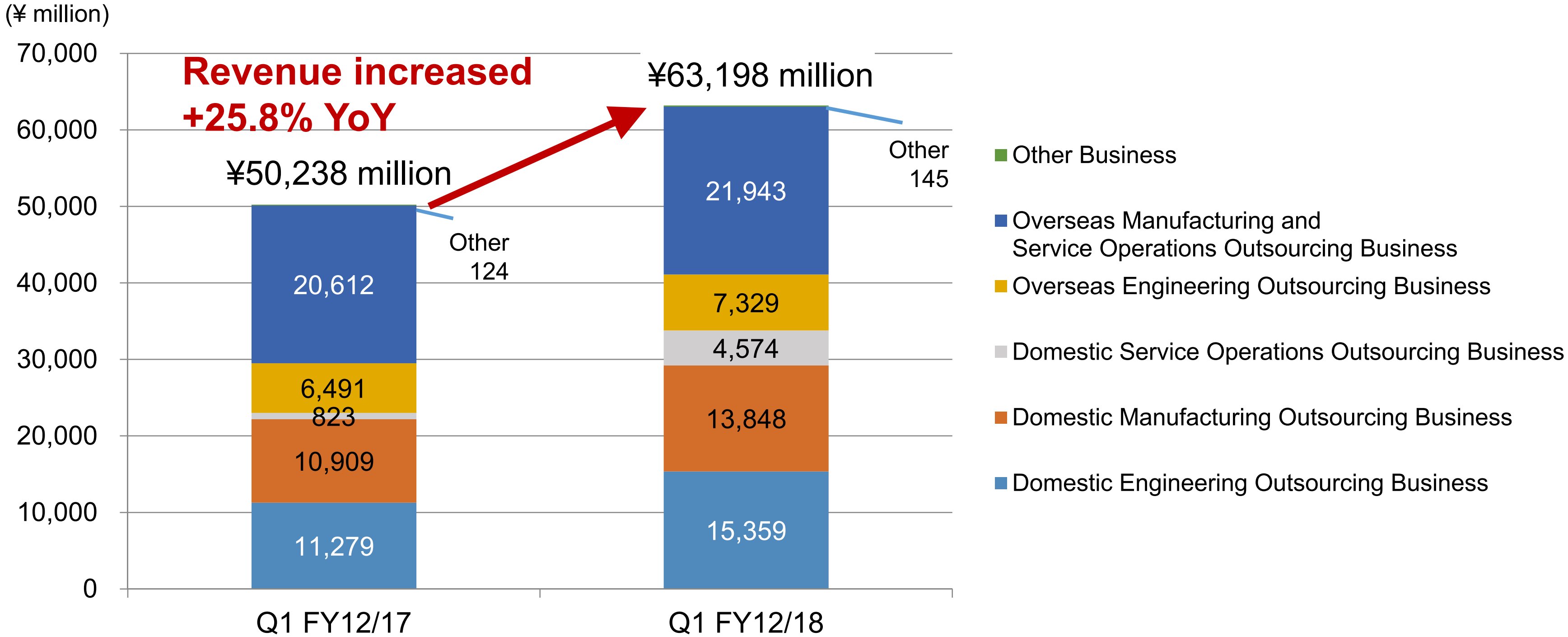
- Since the old segments of “Domestic Administrative Outsourcing Business” and “Domestic Recruiting and Placing Business” were services for makers, they are being integrated with “Domestic Manufacturing Outsourcing Business”, and going forward, recruiting and placing, etc., that arises for Engineering 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” is being booked separately from FY12/18.

Consolidated Financial Results for Q1 FY12/18 (IFRS)

Highlights of Consolidated Financial Results

Revenue ¥63,198 million (+25.8% YoY)

- Through promotion of maximizing group synergies, revenue exceeded initial forecast.
- In Japan, the KEN School scheme 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 service operations outsourcing, business for US military facilities which is less susceptible to impact from the economy expanded favorably.
- Overseas, business less susceptible to impact from the economy including securing demand from central and local government institutions which are expanding outsourcing of public work grew, and earnings for manufacturing and service operations outsourcing business expanded favorably in Asia, Europe, Australia and South America.



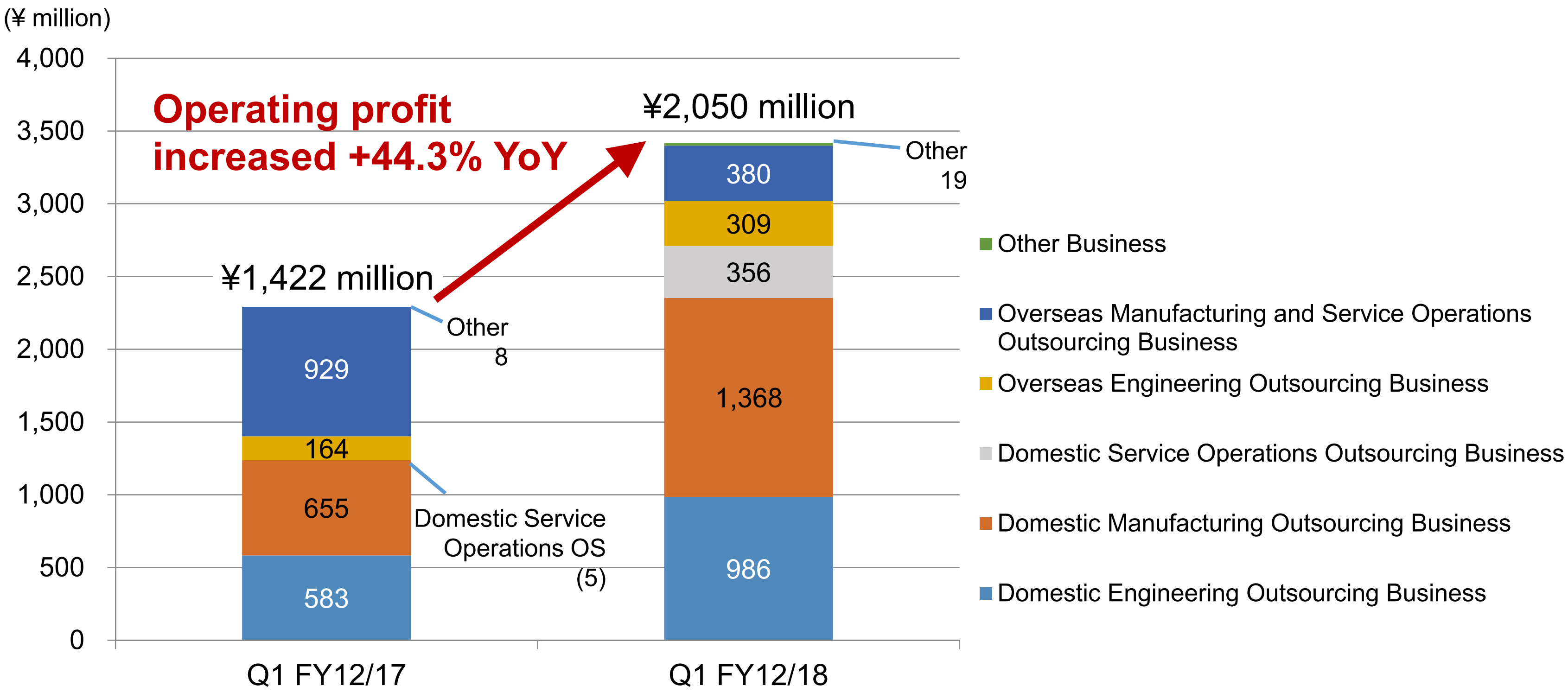
*Q1 FY12/17 results for Domestic Recruiting and Placing Business and Domestic Administrative Outsourcing Business are included in Domestic Manufacturing Outsourcing Business

Consolidated Financial Results for Q1 FY12/18 (IFRS)

Highlights of Consolidated Financial Results

Operating Profit ¥ 2,050 million (+44.3% YoY)

- As a result of the decline in the ratio of SG&A expenses due to growth in revenue, the Q1 ratio of operating profit reached 3.2% (2.8% in Q1 FY12/17), and the trend of "decline in the ratio of SG&A expenses = rise in the ratio of operating profit" is set to continue going forward.
- As a result of group synergies, operating profit trended favorably both in Japan and overseas, and there were no impairment losses from companies acquired through M&A.



*Q1 FY12/17 results for Domestic Recruiting and Placing Business and Domestic Administrative Outsourcing Business are included in Domestic Manufacturing Outsourcing Business

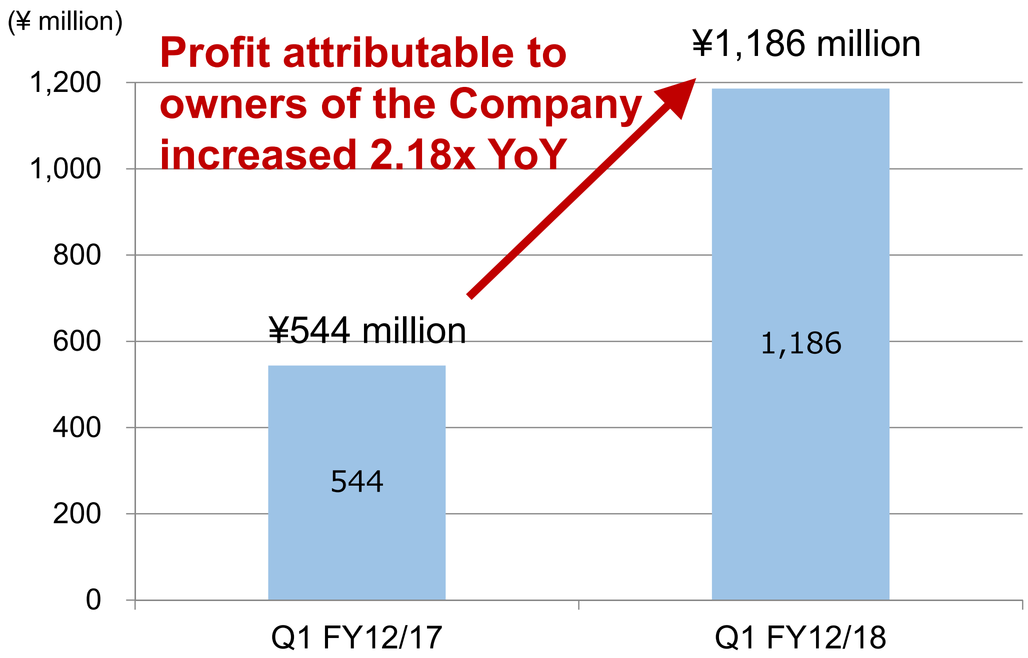
*Operating profit adjustments (-¥912 million in Q1 FY12/17 and -¥1,368 million in Q1 FY12/18) are not reflected in the graph, but are reflected in the total amounts.

Consolidated Financial Results for Q1 FY12/18 (IFRS)

- Highlights of Consolidated Financial Results

Profit Attributable to Owners of the Company ¥ 1,186million (+118.0% YoY)

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



Highlights of Consolidated Financial Results

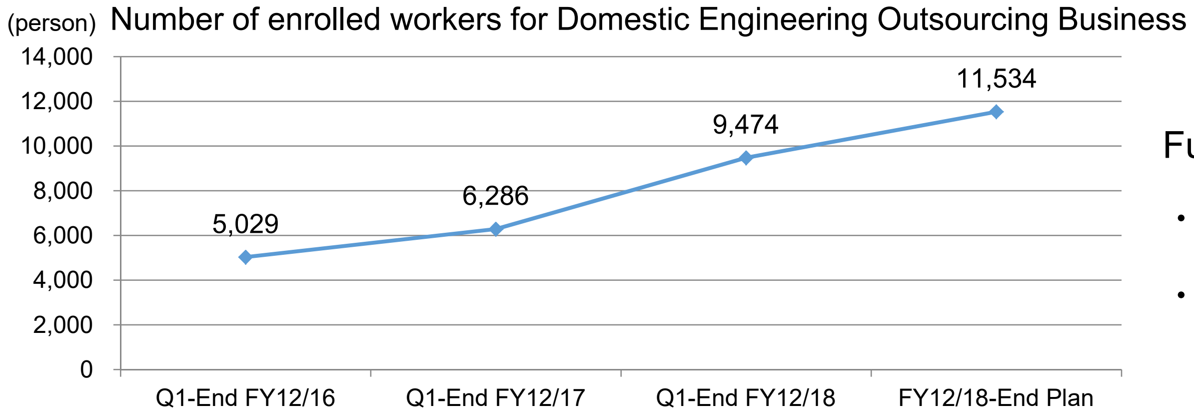
Overview by Operating Segment

Domestic Engineering Outsourcing Business

Revenue ¥ 15,359 million (+36.2% YoY) Operating Profit ¥986 million (+69.1% 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 — Q1 FY12/18 plan: 350 engineers ⇒ actual 362 engineers
- Hiring of new graduates (With the training period for new graduates finishing in May and assignment to client worksites from June, they are expected to become converted to a profit center) — April 2018 actual: 1,026 new graduates
- Incorporating workers displaced from natural consolidation of the industry in the wake of the Revised Worker Dispatching Act [*2] — Q1 FY12/18 plan: 150 engineers ⇒ actual: 205 engineers



■ Since new graduate hires are counted from April in the Q2, they are not included in the number enrolled at the end of the Q1

Full-Year FY12/18 plan

- KEN School scheme: 1,500 engineers
- Taking in natural industry consolidation: 650 engineers

*1 → please refer to P.41 *2 → please refer to P.36

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Manufacturing Outsourcing Business

Revenue ¥ 13,848 million (+26.9% YoY) Operating Profit ¥1,368 million (+108.7% YoY)

Both gross profit/ratio of gross profit and operating profit/ratio of operating profit are heading to the top in the manufacturing dispatch industry.

Through proposal/promotion of differentiated and high value-added schemes, contract unit prices with clients rose

Ratio of gross profit rose sharply, achieving 25.1% (+2.0pp YoY)

Ratio of operating profit achieved 9.9% (+3.9pp YoY), absorbing SG&A expenses including major leading investments toward future growth

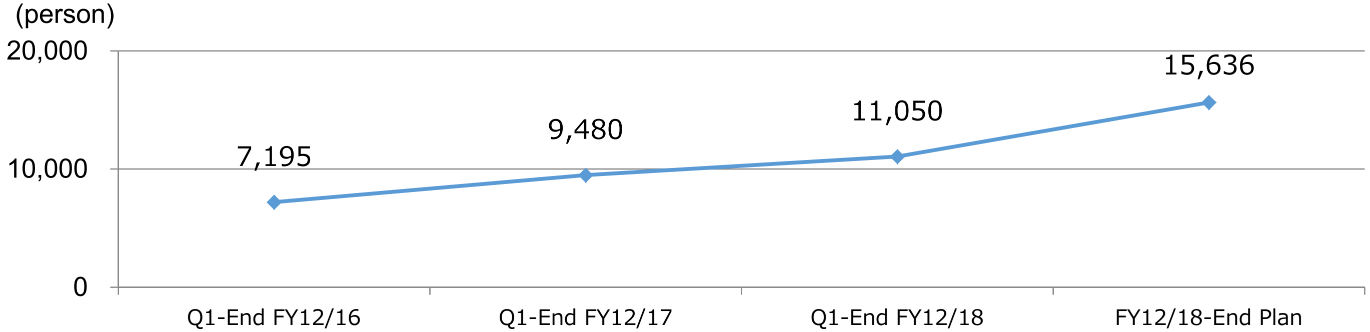
*3 Revised Labor Contracts Act (challenges for makers arose) → please refer to P.36
*4 PEO Scheme (challenges for makers resolved) → please refer to P.35-40

● Highlights of Consolidated Financial Results

Overview by Operating Segment

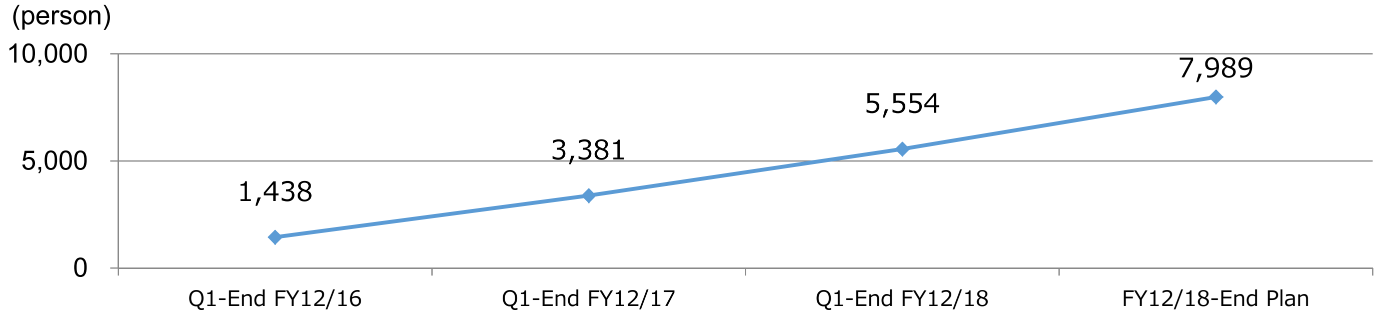
Domestic Manufacturing Outsourcing Business

Number of enrolled workers for Domestic Manufacturing Outsourcing Business
(excluding the number of workers under administrative contract and recruiting and placing)



As of the end of FY12/18 plan: 15,636 enrolled

Number of workers under administration



As of the end of Q1 FY12/18 (plan):
5,244 under administration

⇩

As of the end of Q1 FY12/18 (actual):
5,554 under administration

As of the end of FY12/18 plan:
7,989 under administration

As a result of the Revised Labor Contracts Act, administrative work for apartment contracts and subsequent matters, and administrative support work for everyday living, etc. required for the growing introduction of technical intern trainees[*5] as substitutes for fixed-term contract employees hired directly by makers is growing

*5 → please refer to P.36

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Service Operations Outsourcing Business

Revenue ¥ 4,574 million (+455.9% YoY) Operating Profit ¥356 million (Q1 FY12/17 -¥5 million)

・Orders increased on the back of expanded support from the parent in securing performance bonds (insurance) required for project bidding by AMERICAN ENGINEERING CORPORATION which is engaged in maintenance and repair work on structures and facilities on US military bases.

・Expanding development of 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

Overseas Engineering Outsourcing Business

Revenue ¥ 7,329 million (+12.9% YoY) Operating Profit ¥309 million (+87.8% 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 ¥21,943 million (+6.5% YoY) Operating Profit ¥380 million (-59.1% YoY)

・Both manufacturing outsourcing and service operations outsourcing business expanded favorably in Europe, Asia, Australia and South America, and service operations outsourcing 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.

・The YoY decline in operating profit was due to a revision in Germany's Dispatching Law this January, and in response a decline in the number of staff and significant cost arising, however, this was a one-off phenomenon, returning to a rising trend from February onward.

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.44

Consolidated Financial Results for Q1 FY12/18 (IFRS)

Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/17 Actual Q1	FY12/17 Actual Q2	FY12/17 Actual Q3	FY12/17 Actual Q4	FY12/17 Actual Full-Year	FY12/18 Actual Q1
Revenue	50,238	55,573	59,704	64,657	230,172	63,198
Gross profit	9,343	10,433	11,977	14,063	45,816	12,250
Ratio of gross profit	18.6%	18.8%	20.1%	21.8%	19.9%	19.4%
SG&A expenses	8,009	8,480	8,929	9,368	34,786	9,922
Ratio of SG&A expenses	15.9%	15.3%	15.0%	14.5%	15.1%	15.7%
Operating profit	1,422	2,052	3,231	4,655	11,360	2,050
Ratio of operating profit	2.8%	3.7%	5.4%	7.2%	4.9%	3.2%
Profit before tax	1,239	1,836	2,934	4,385	10,395	1,935
Ratio of profit before tax	2.5%	3.3%	4.9%	6.8%	4.5%	3.1%
Profit attributable to owners of the Company	544	846	1,750	3,040	6,180	1,186
Ratio of profit attributable to owners of the Company	1.1%	1.5%	2.9%	4.7%	2.7%	1.9%

QoQ/YoY Changes	FY12/17 Actual Q1	FY12/17 Actual Q2	FY12/17 Actual Q3	FY12/17 Actual Q4	FY12/17 Actual Full-Year	FY12/18 Actual Q1
Revenue	22.6%	10.6%	7.4%	8.3%	71.4%	-2.3%
Gross profit	4.6%	11.7%	14.8%	17.4%	65.0%	-12.9%
SG&A expenses	27.7%	5.9%	5.3%	4.9%	60.7%	5.9%
Operating profit	-12.0%	44.4%	57.4%	44.1%	104.2%	-56.0%
Profit before tax	-31.8%	48.2%	59.8%	49.5%	110.5%	-55.9%
Profit attributable to owners of the Company	-61.0%	55.4%	106.9%	73.7%	103.4%	-61.0%

Consolidated Financial Results for Q1 FY12/18 (IFRS)

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

(¥ million)		FY12/17 Actual Q1	FY12/18 Actual Q1	YoY Changes Amount (Person)	YoY Changes Ratio
Domestic Engineering Outsourcing Business	Revenue	11,279	15,359	4,080	36.2%
	Operating profit	583	986	403	69.1%
	No. of worksite employees at term-end	6,286	9,474	3,188	50.7%
Domestic Manufacturing Outsourcing Business	Revenue	10,909	13,848	2,939	26.9%
	Operating profit	655	1,368	713	108.7%
	No. of worksite employees at term-end	9,480	11,050	1,570	16.6%
	No. of outsourcing administrative workers at term-end	3,381	5,554	2,173	64.3%
	No. of placed workers	834	818	(16)	-1.9%
Domestic Service Operations Outsourcing Business	Revenue	823	4,574	3,751	455.9%
	Operating profit	(5)	356	361	-
	No. of worksite employees at term-end	1,762	2,890	1,128	64.0%
Overseas Engineering Outsourcing Business	Revenue	6,491	7,329	838	12.9%
	Operating profit	164	309	145	87.8%
	No. of worksite employees at term-end	1,893	2,091	198	10.5%
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	20,612	21,943	1,331	6.5%
	Operating profit	929	380	(549)	-59.1%
	No. of worksite employees at term-end	31,953	32,281	328	1.0%
Other Business	Revenue	124	145	21	17.2%
	Operating profit	8	19	11	153.2%
	No. of worksite employees at term-end	4	3	(1)	-25.0%
Adjustments	Operating profit	(912)	(1,368)	(456)	-
Total	Revenue	50,238	63,198	12,960	25.8%
	Operating profit	1,422	2,050	628	44.3%

Revenue by Region (¥ million)	FY12/17 Actual Q1	FY12/18 Actual Q1	YoY Changes Amount	YoY Changes Ratio
Japan	23,135	33,926	10,791	46.6%
Asia (excl. Japan)	4,232	4,716	484	11.4%
Oceania	8,685	9,149	464	5.3%
Europe	12,922	14,057	1,135	8.8%
South America	1,264	1,350	86	6.8%
Total	50,238	63,198	12,960	25.8%

*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 Q1 FY12/18 (IFRS)

Summary of Consolidated Statement of Financial Position

(¥ million)	FY12/17-End		Q1-End FY12/18		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	**59,312**	**47.6%**	**62,626**	**48.6%**	**3,314**
(Cash and cash equivalents)	19,108	15.3%	18,686	14.5%	(422)
(Trade and other receivables)	34,390	27.6%	32,959	25.6%	(1,431)
(Inventories)	1,373	1.1%	1,566	1.2%	193
Non-current assets	**65,333**	**52.4%**	**66,152**	**51.4%**	**819**
Property, plant and equipment	6,922	5.6%	7,055	5.5%	133
Goodwill	39,239	31.5%	40,205	31.2%	966
Intangible assets	10,936	8.8%	10,323	8.0%	(613)
Other non-current financial assets	3,137	2.5%	3,050	2.4%	(87)
Total assets	**124,645**	**100.0%**	**128,778**	**100.0%**	**4,133**
Current liabilities	**51,594**	**41.4%**	**54,457**	**42.3%**	**2,863**
(Trade and other payables)	23,758	19.1%	25,324	19.7%	1,566
(Bonds and borrowings)	14,354	11.5%	17,788	13.8%	3,434
(Income tax payables)	4,659	3.7%	2,163	1.7%	(2,496)
Non-current liabilities	**46,294**	**37.1%**	**49,634**	**38.5%**	**3,340**
(Bonds and borrowings)	33,727	27.1%	37,185	28.9%	3,458
Total liabilities	**97,888**	**78.5%**	**104,091**	**80.8%**	**6,203**
Share capital	7,131	5.7%	7,138	5.5%	7
Share premium	8,843	7.1%	8,850	6.9%	7
Treasury shares	(0)	-0.0%	(0)	-0.0%	-
Retained earnings	14,057	11.3%	13,333	10.4%	(724)
Equity attributable to owners of the Company	**24,958**	**20.0%**	**23,081**	**17.9%**	**(1,877)**
Non-controlling interests	**1,799**	**1.5%**	**1,606**	**1.3%**	**(193)**
Equity	**26,757**	**21.5%**	**24,687**	**19.2%**	**(2,070)**
Total liabilities and equity	**124,645**	**100.0%**	**128,778**	**100.0%**	**4,133**

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

Goodwill:
Increased from acquiring subsidiaries' shares

Bonds and borrowings:
Increased due to borrowing for business funds, etc.

Retained earnings:
Reflected profit attributable to owners of the Company and dividends paid, etc.

Consolidated Financial Forecasts for FY12/18 (IFRS)

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%**

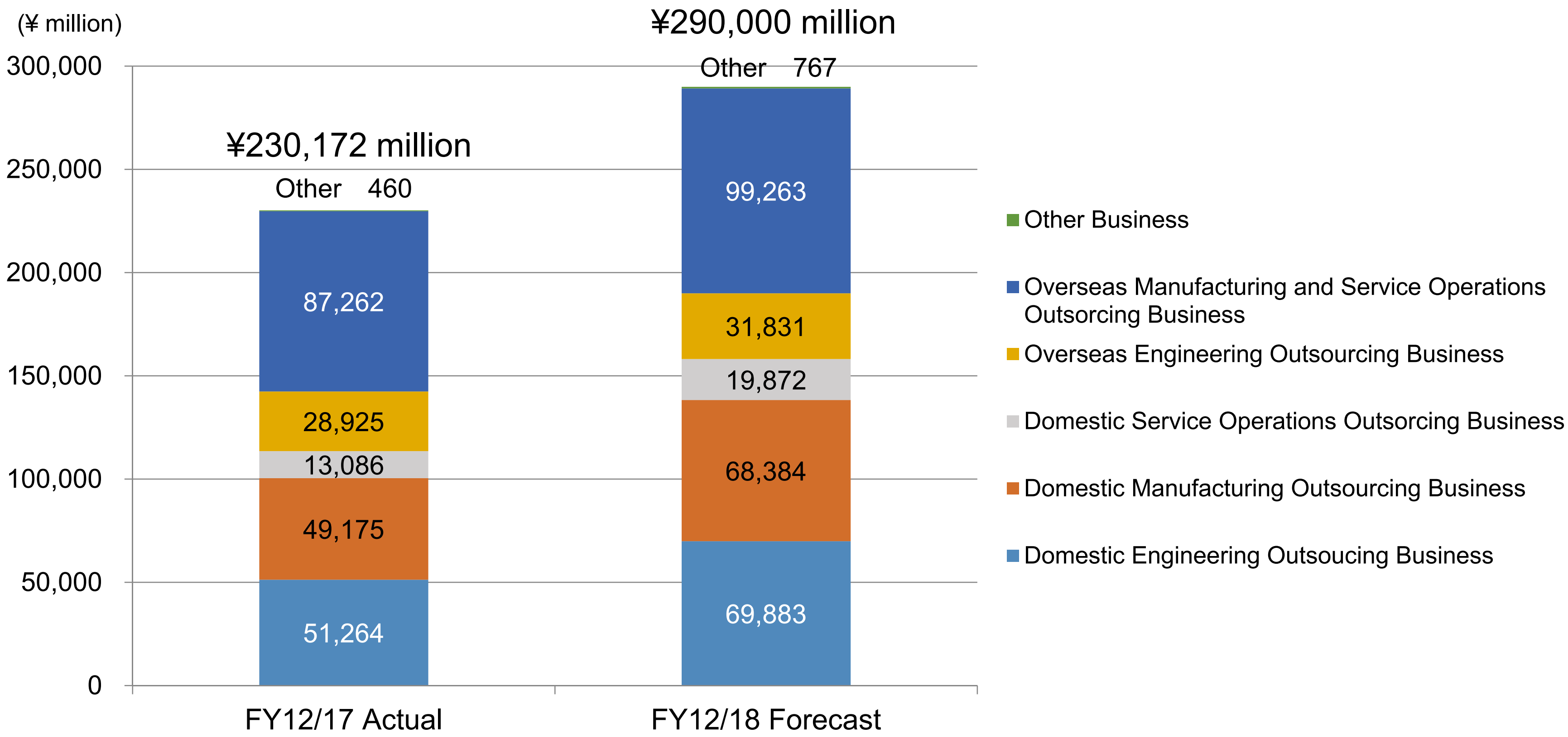
*The amounts shown are rounded off to the nearest million yen.

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.



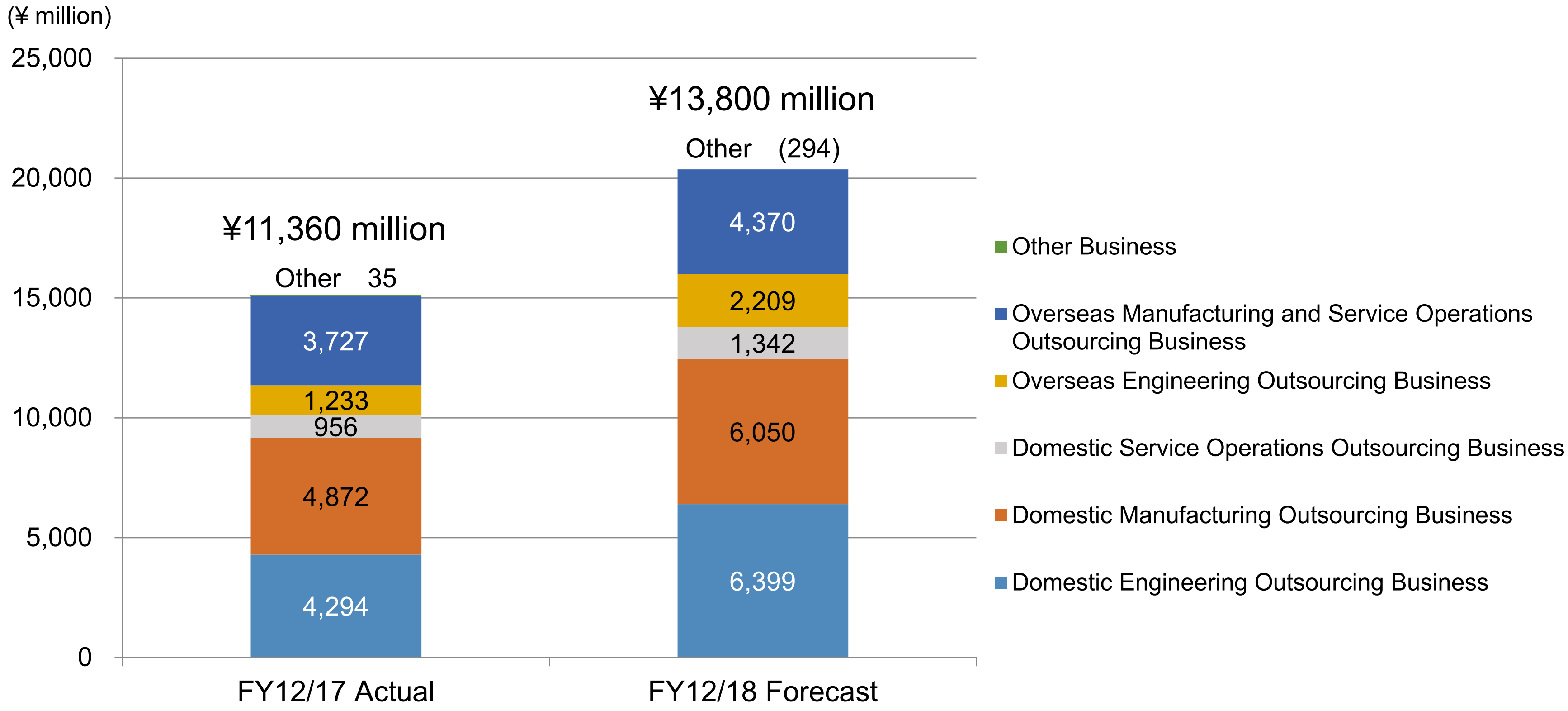
*Operating segment classifications have been changed from FY12/18. Figures for each segment under the new classifications are unaudited.

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 adjustments (-¥3,759 million in FY12/17 and -¥6,275 million in FY12/18) are not reflected in the graph, but are reflected in the total amounts.

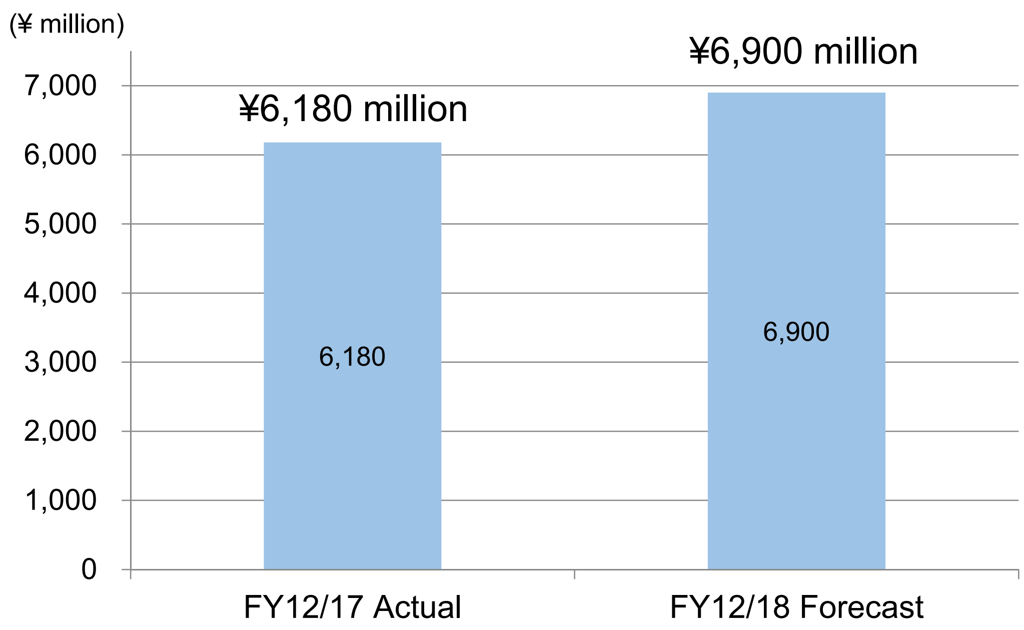
*Operating segment classifications have been changed from FY12/18. Figures for each segment under the new classifications are unaudited.

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)

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

(¥ million)		FY12/17	FY12/18							
		Actual	Actual	Forecasts						
		Q1	Q1	Q1	Q2	Q3	Q4	1H	2H	Full-Year
Domestic Engineering Outsourcing Business	Revenue	11,279	15,359	15,634	17,356	17,800	19,093	32,990	36,893	69,883
	Operating profit	583	986	913	1,181	1,459	2,846	2,094	4,305	6,399
	No. of worksite employees at term-end	6,286	9,474	9,156	10,495	11,091	11,534	10,495	11,534	11,534
Domestic Manufacturing Outsourcing Business	Revenue	10,909	13,848	13,830	15,550	17,470	21,534	29,380	39,004	68,384
	Operating profit	655	1,368	1,252	1,325	1,544	1,929	2,577	3,473	6,050
	No. of worksite employees at term-end	9,480	11,050	11,621	12,118	13,630	15,636	12,118	15,636	15,636
	No. of outsourcing administrative workers at term-end	3,381	5,554	5,244	6,626	7,309	7,989	6,626	7,989	7,989
	No. of placed workers	834	818	810	846	898	865	1,656	1,763	3,419
Domestic Service Operations Outsourcing Business	Revenue	823	4,574	4,521	4,633	5,217	5,501	9,154	10,718	19,872
	Operating profit	(5)	356	223	248	429	442	471	871	1,342
	No. of worksite employees at term-end	1,762	2,890	3,487	4,090	4,822	5,316	4,090	5,316	5,316
Overseas Engineering Outsourcing Business	Revenue	6,491	7,329	6,843	7,958	8,525	8,505	14,801	17,030	31,831
	Operating profit	164	309	267	432	730	780	699	1,510	2,209
	No. of worksite employees at term-end	1,893	2,091	2,072	2,242	2,144	2,113	2,242	2,113	2,113
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	20,612	21,943	19,582	23,723	27,800	28,158	43,305	55,958	99,263
	Operating profit	929	380	512	730	1,562	1,566	1,242	3,128	4,370
	No. of worksite employees at term-end	31,953	32,281	33,113	34,385	36,621	38,979	34,385	38,979	38,979
Other Business	Revenue	124	145	190	180	188	209	370	397	767
	Operating profit	8	19	(65)	(74)	(79)	(76)	(139)	(155)	(294)
	No. of worksite employees at term-end	4	3	4	4	4	4	4	4	4
Adjustments	Operating profit	(912)	(1,368)	(1,451)	(1,792)	(1,645)	(1,387)	(3,243)	(3,032)	(6,275)
Total	Revenue	50,238	63,198	60,600	69,400	77,000	83,000	130,000	160,000	290,000
	Operating profit	1,422	2,050	1,650	2,050	4,000	6,100	3,700	10,100	13,800

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

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

Out-Sourcing! inc.

Domestic Recruitment Plan for FY12/18

Annual and Semi-Annual Trends

		FY12/17 Actual 1H	FY12/17 Actual 2H	FY12/17 Actual Full-Year	FY12/18 Forecasts 1H	FY12/18 Forecasts 2H	FY12/18 Forecasts 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

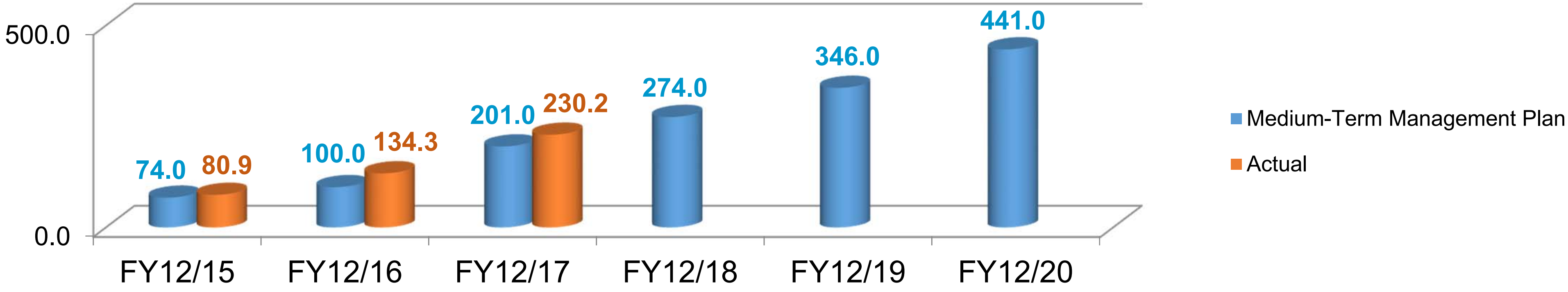
Quarterly Trends

		FY12/17 Actual Q1	FY12/17 Actual Q2	FY12/17 Actual Q3	FY12/17 Actual Q4	FY12/17 Actual Full-Year	FY12/18 Actual Q1	FY12/18 Forecasts Q2	FY12/18 Forecasts Q3	FY12/18 Forecasts Q4	FY12/18 Forecasts Full-Year
Engineering	**No. of workers recruited (persons)**	**475**	**1,328**	**1,134**	**1,143**	**4,080**	**1,017**	**1,868**	**874**	**817**	**4,251**
	Recruitment unit price (¥/worker)	638,072	241,584	277,031	367,182	332,782	610,174	171,360	514,907	262,350	380,306
Manufacturing	**No. of workers recruited (persons)**	**1,729**	**2,159**	**1,994**	**1,965**	**7,847**	**1,681**	**2,170**	**2,672**	**3,212**	**9,411**
	Recruitment unit price (¥/worker)	73,625	56,920	70,294	65,004	66,024	101,105	90,116	81,194	60,948	82,519
Service Operations	**No. of workers recruited (persons)**	**598**	**1,584**	**1,232**	**994**	**4,408**	**1,338**	**1,799**	**2,047**	**2,003**	**7,279**
	Recruitment unit price (¥/worker)	25,346	10,737	18,630	10,326	14,832	19,229	22,540	19,300	19,422	20,183
Recruiting and Placing	**No. of workers recruited (persons)**	**834**	**1,065**	**881**	**834**	**3,614**	**818**	**846**	**898**	**865**	**3,419**
	Recruitment unit price (¥/worker)	146,327	119,434	149,185	139,226	137,460	162,725	167,416	167,772	153,766	168,474

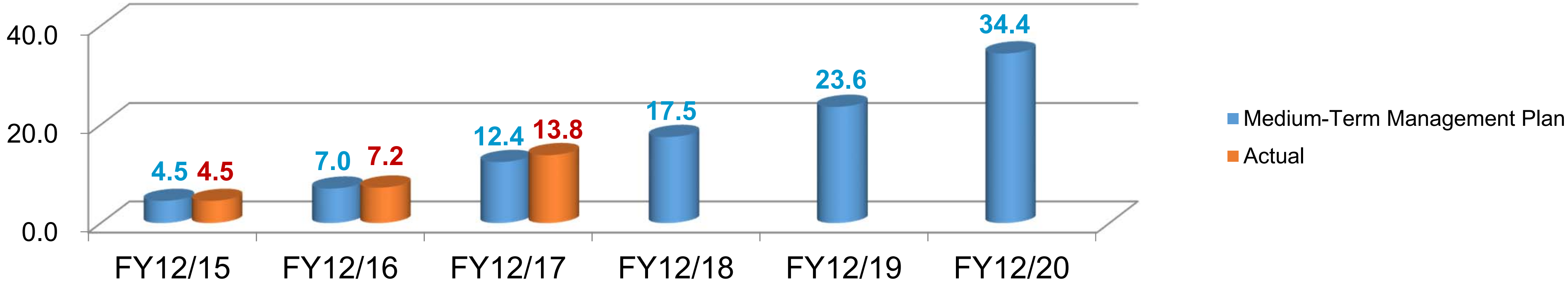
Progress on the Medium-Term Management Plan and long-term vision

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.

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.

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.”

Growth strategy summary in the Medium-Term Management Plan

Japan

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

Overseas

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.

Regarding the acquisition of shares (making it a subsidiary) of the Netherlands OTTO Holding B.V. (hereinafter "OTTO")

OTTO

Has a certain position in cross-border employment services, mainly in the EU in the Netherlands (ranks 8th in the dispatching industry) and in Poland (ranks 6th)

⇒ Background for the EU's characteristic of free movement of people, goods, capital and services

・Built a recruitment network in Central and Eastern EU countries, supplying workforce to the Netherlands and Germany

・From the Ukraine and Moldova, etc. where it has concluded labor agreements, using the workforce in Poland

Through synergies between OS group companies in the UK, Germany, etc. and the roughly 40 companies in the OTTO Group, establish a recruitment network across all of Europe, aiming at business expansion as well as realization of cross-border mobility of human resources not only in Europe but on a global scale.

■Outline of OTTO

(1)	Company Name	OTTO Holding B.V.	
(2)	Head Office	Keizersveld 51, 5803 AP, Venray, the Netherlands	
(3)	Name and Title of Representative	van Gool, Franciscus Wilhelmus Antonius Titus Maria, Managing Director	
(4)	Major Business	Holding company	
(5)	Shared Capital	EUR 90,760	
(6)	Established	March 5, 1999	
(7)	Major Shareholders, % owned	STICHTING ADMINISTRATIEKANTOOR OTTO HOLDING 100%	
(8)	Relationship between the Company and OTTO	Capital Relationship	None
		Personal Relationship	None
		Business Relationship	None

Regarding the acquisition of shares (making it a subsidiary) of the Netherlands OTTO Holding B.V. (hereinafter "OTTO")

■ Outline of OTTO

(9) Consolidated Financial Results and Financial Status for the Past Three Fiscal Years (Unit: 000 EUR)

Fiscal Year	December 2015	December 2016	December 2017 (unaudited)
Net Assets	6,457	8,721	13,046
Total Assets	64,614	71,673	82,718
Net Assets Per Share	3.22	4.36	6.52
Net Sales	244,831	262,027	281,999
Operating Income	4,646	8,284	13,118
Income Before Income Taxes	3,978	7,691	13,290
Net Income	2,890	6,272	9,898
Net Income Per Share	1.44	3.13	4.94
Dividends Per Share	-	2.00	2.75

■ Acquisition schedule

(1) Date of board of directors resolution: March 30, 2018
(2) Date of agreement: March 30, 2018
(3) Date of share transfer: May 2, 2018

・For other details, please refer to the Company's press release dated March 30, 2018

Establishment of a holding company

The Company resolved in a meeting of the Board of Directors on April 23, 2018, to establish a holding company in the Netherlands, and to acquire the shares of OTTO through said holding company.

・For other details, please refer to the Company's press release dated April 23, 2018

Strengthening Group’s Governance

2018 Global governance project initiative

In FY2018, implementing an initiative to strengthen governance for all group companies

Key Challenges

- Development of global governance policy
- Taking hold of risk management
- Ongoing evolution of the accounting function
- Strengthening information systems security
- More in-depth compliance training

Strengthening Group's Governance

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

Item	Jan. – Dec.
◆**Development of global governance policy**	Asia & South America: Explanation to all group companies and monitoring (Jan.–Jun.) Europe & Australia: Explanation to all group companies and monitoring (Jun.–Dec.)
◆**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: Strengthening the check function of the consolidated accounts settlement process and ongoing initiatives to speed up and raise efficiency and accuracy of accounts settlement operations Finance: Strengthening international competitiveness through "Global Cash Management (GCM)" based on financial strategy Training: Thorough learning of international accounting standards through internal and external training, and raising the accuracy of accounts settlement processing work overall through revision of manuals, regulations, etc.
◆**Strengthening information systems security**	Promoting the global information security infrastructure construction project Making preparations for introduction to group companies in Europe & Australia (Jan.–Jun.) Infrastructure construction (Jun.–Nov.) Development (Nov.–Dec.)
◆**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

References

Details on *4 (P.35-40)

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 2017

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

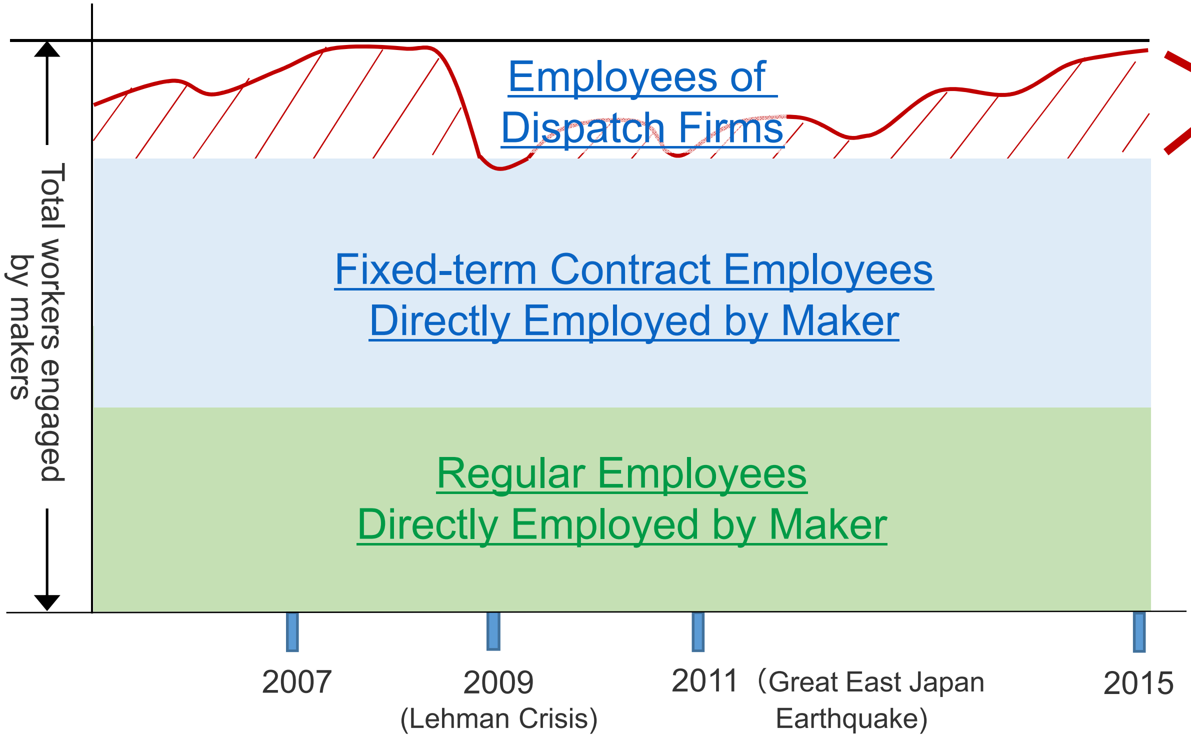
Technical intern trainee ⇒ based on Japan's official program, the Foreign Technical Intern Trainee System, makers hire foreigners mainly from Asia technical intern trainees, and after they return to their home countries when the internship is completed, have them use the skills they acquired locally

Details on *4

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

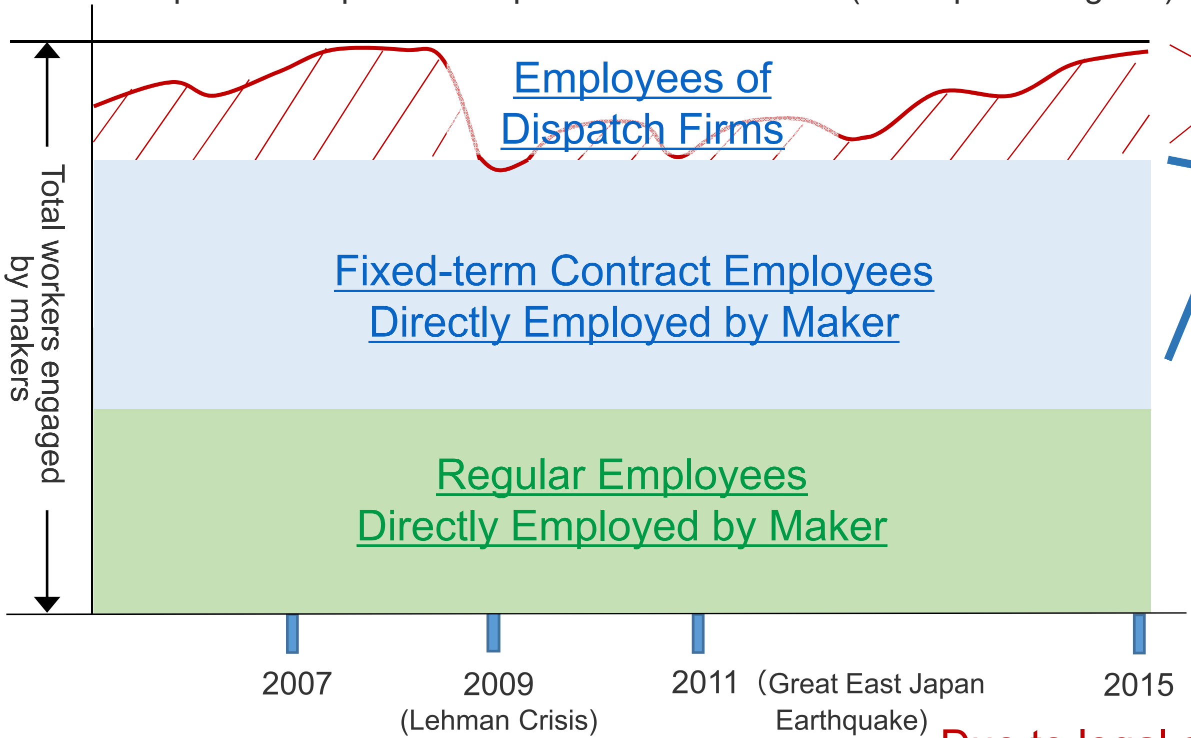
The Company has determined that the mechanism for growth in the past in manufacturing outsourcing business has collapsed

Details on *4

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

Details on *4

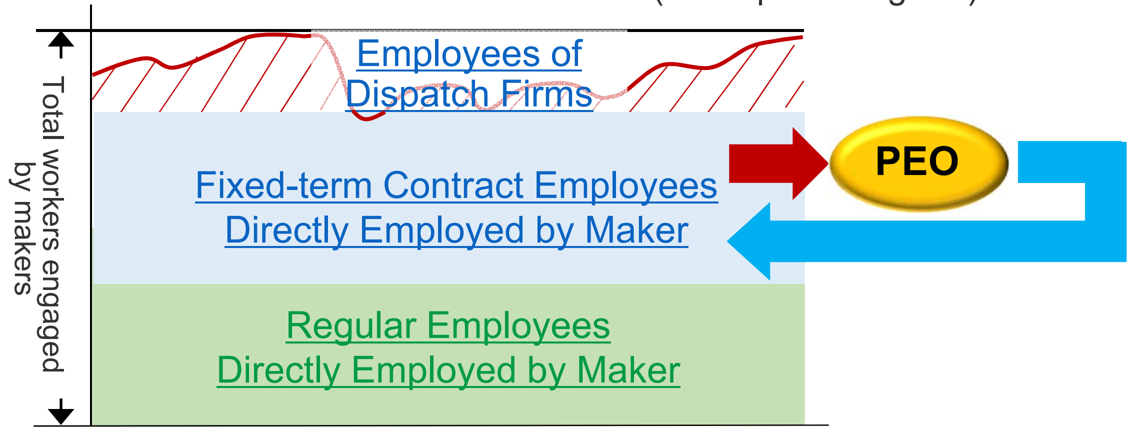
Building and expanding the PEO Scheme as a countermeasure in response to when makers are faced with the decision to make fixed-term contract employees whose employment terms have exceeded 5 years into full-time employees

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

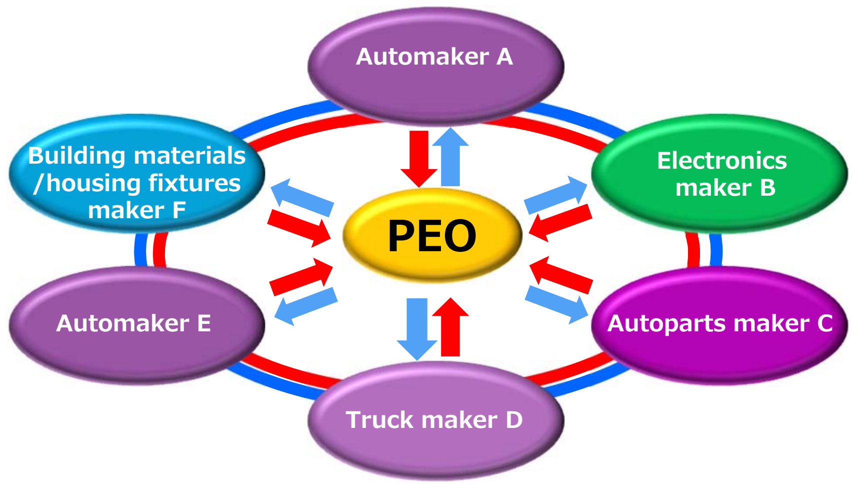
Many makers participate in the PEO Scheme run by the Group

- 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 *4

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.

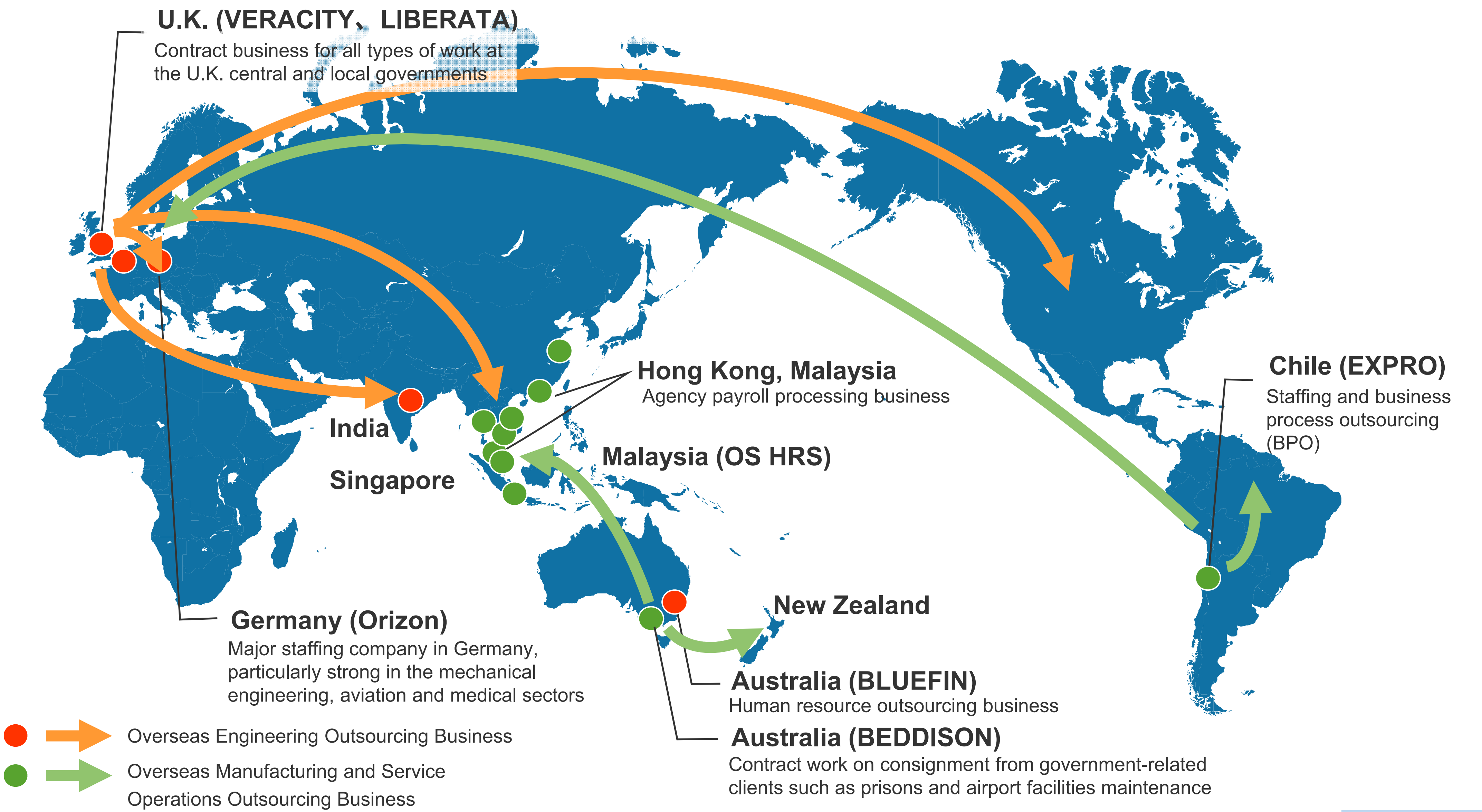
Accelerating growth through strengthening support for each local group company

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.

Entering New Markets which are Less Susceptible to Impact from the Economy on a Global Scale

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



Details on *6

Global payroll business

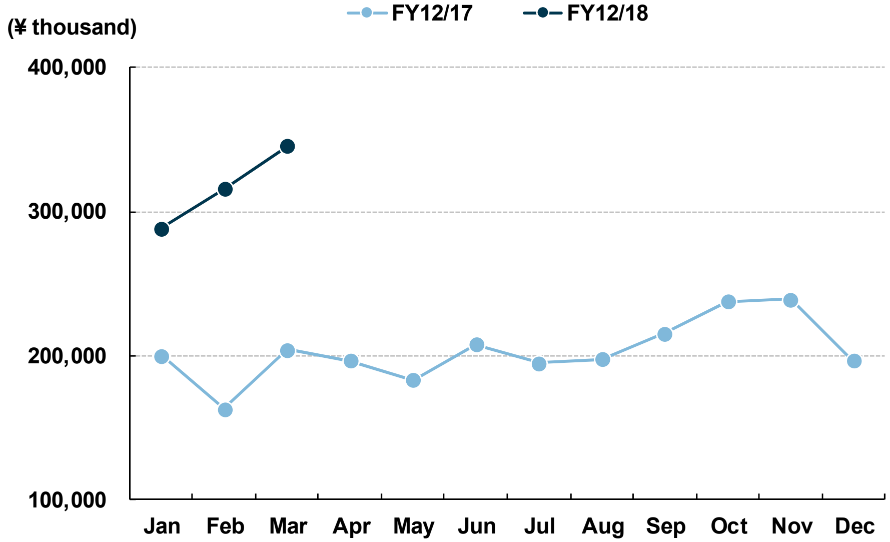
Payroll business (agency calculation of salaries) where consignment is expanding from European and US companies entering Asia.

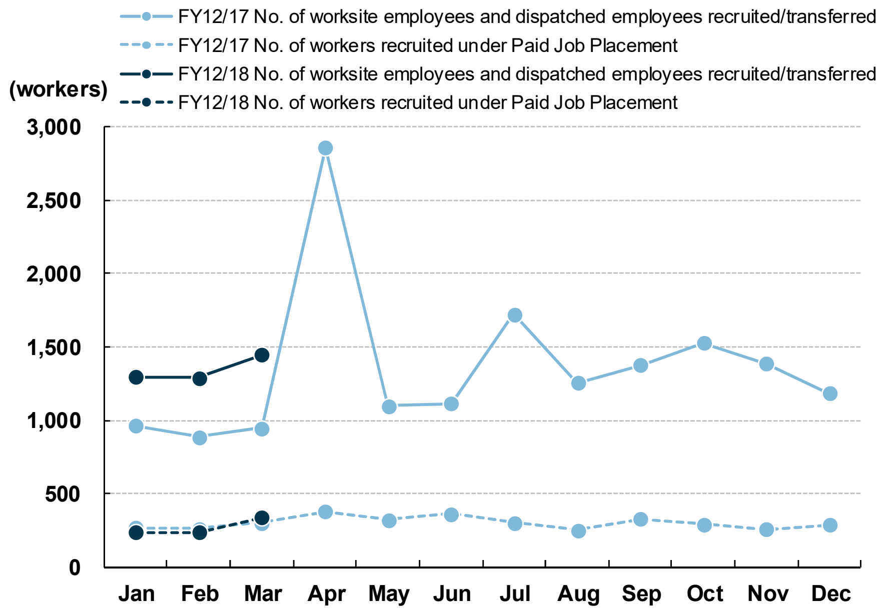
Promoting payroll business in 19 Asian countries for major firms including a German global luxury car maker, US investment bank, US precision equipment maker, etc., where consignment is for payrolls for total staff in regional bases of over 120,000

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)





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

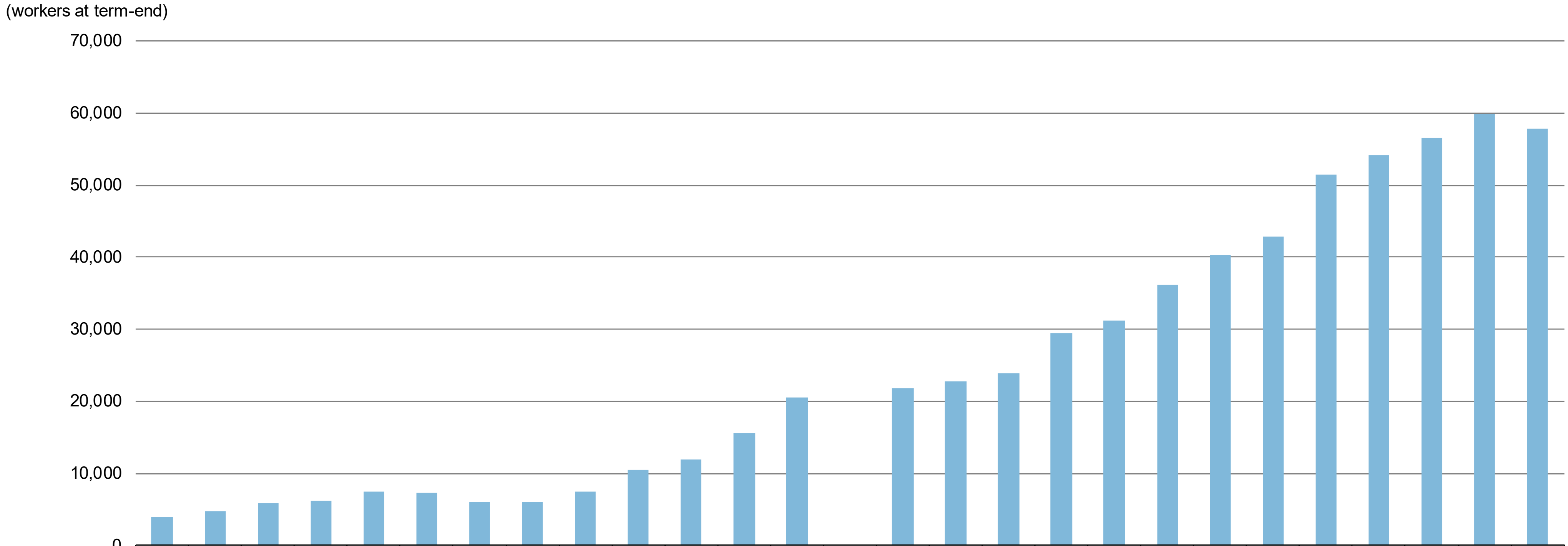
FY12/18	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
No. of worksite employees and dispatched employees recruited/transferred	1,298	1,291	1,447									
No. of workers recruited under Paid Job Placement	240	239	339									
Recruiting expenses (¥ thousand)	288,522	315,618	345,201									

*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



	12/02	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	3/18
Worksite Employees	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	57,789

*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 etc. were inconsistent with IFRS specific accounting treatments, consolidated financial statements in FY12/17 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.

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