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

Financial Results for the Fiscal Year Ended December 31, 2019

February 2020

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Consolidated Financial Results for FY12/19 (IFRS)

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Consolidated Financial Results for FY12/19 (IFRS)

Consolidated Financial Results Summary

(¥ million)	FY12/18 Actual				FY12/19 Actual				YoY Change	
	1H	2H	Full-Year		1H	2H	Full-Year			
	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio	Amount	Ratio
Revenue	**139,099**	**172,212**	**311,311**	**100.0%**	**177,585**	**183,664**	**361,249**	**100.0%**	**49,938**	**16.0%**
Cost of sales	112,618	136,293	248,911	80.0%	144,732	145,733	290,465	80.4%	41,554	16.7%
Gross profit	**26,481**	**35,919**	**62,400**	**20.0%**	**32,853**	**37,931**	**70,784**	**19.6%**	**8,384**	**13.4%**
SG&A expenses	21,615	26,136	47,751	15.3%	29,194	29,513	58,707	16.3%	10,956	22.9%
Operating profit	**4,807**	**9,784**	**14,591**	**4.7%**	**5,572**	**9,929**	**15,501**	**4.3%**	**910**	**6.2%**
Profit before tax	3,786	8,769	12,555	4.0%	3,401	10,077	13,478	3.7%	923	7.4%
Profit for the period	2,390	5,912	8,302	2.7%	1,826	7,269	9,095	2.5%	793	9.5%
Profit attributable to owners of the Company	**2,027**	**5,453**	**7,480**	**2.4%**	**1,400**	**6,936**	**8,336**	**2.3%**	**856**	**11.4%**

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

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Consolidated Financial Results for FY12/19 (IFRS)

Highlights of Consolidated Financial Results

Achieved YoY growth in revenue and profit

Revenue +16.0%, Operating Profit +6.2%, Profit Attributable to Owners of the Company +11.4%

However, the results posted a shortfall to the initial forecasts

Revenue: shortfall of ¥23,751 million to the initial forecast of ¥385,000 million (-6.2%)

Operating Profit: shortfall of ¥3,499 million to the initial forecast of ¥19,000 million (-18.4%)

Profit Attributable to Owners of the Company: shortfall of ¥1,664 million to the initial forecast of ¥10,000 million (-16.6%)

Segments which turned out to cause the shortfall

[Domestic Manufacturing Outsourcing Business] Production cuts due to the U.S.-China trade frictions, which were not anticipated when the initial targets were formulated, led to cancellation of orders for temporary staff increase in the manufacturing domain, and the actual number of term-end worksite employees (13,457) fell short by 4,229 to the initial forecast of 17,686.

■ (To the initial forecast) Revenue: shortfall of ¥14,070 million (-16.6%) Operating profit: shortfall of ¥1,466 million (-16.6%)

■ Outlook for 2020: Due to the ongoing impact from the U.S.-China trade frictions, domestic production is unlikely to achieve significant growth, so the growth plan for manufacturing dispatching business has been curtailed

[Domestic Engineering Outsourcing Business] We hired some 500 foreign engineers in an attempt to fill the shortage of engineers; however placement was delayed due to a stronger-than-expected negative impression by clients regarding foreign workers, and some 400 engineers were still unassigned at the year end.

■ (To the initial forecast) Revenue: shortfall of ¥4,133 million (-4.3%) Operating profit: shortfall of ¥1,707 million (-19.6%)

■ Outlook for 2020: Promote the high-level specifications of foreign engineers and establish a system for obtaining contract in advance from clients

[Overseas Manufacturing and Service Operations Outsourcing Business] In Germany, disruption from the revision of labor laws coincided with production cuts in the wake of the U.S.-China trade frictions caused a greater-than-expected reduction of employees. Companies in Asia were also impacted by the trade frictions, and the actual number of term-end worksite employees (44,580) fell short by 11,094 of the initial forecast of 55,674.

■ (To the initial forecast) Revenue: shortfall of ¥5,152 million (-3.7%) Operating profit: shortfall of ¥2,147 million (-45.7%)

■ Outlook for 2020: Although we believe disruption following the revision of German labor laws is a one-off factor and does not affect the performance in 2020, we assume production is unlikely to increase, so the growth plan for manufacturing dispatching business has been curtailed

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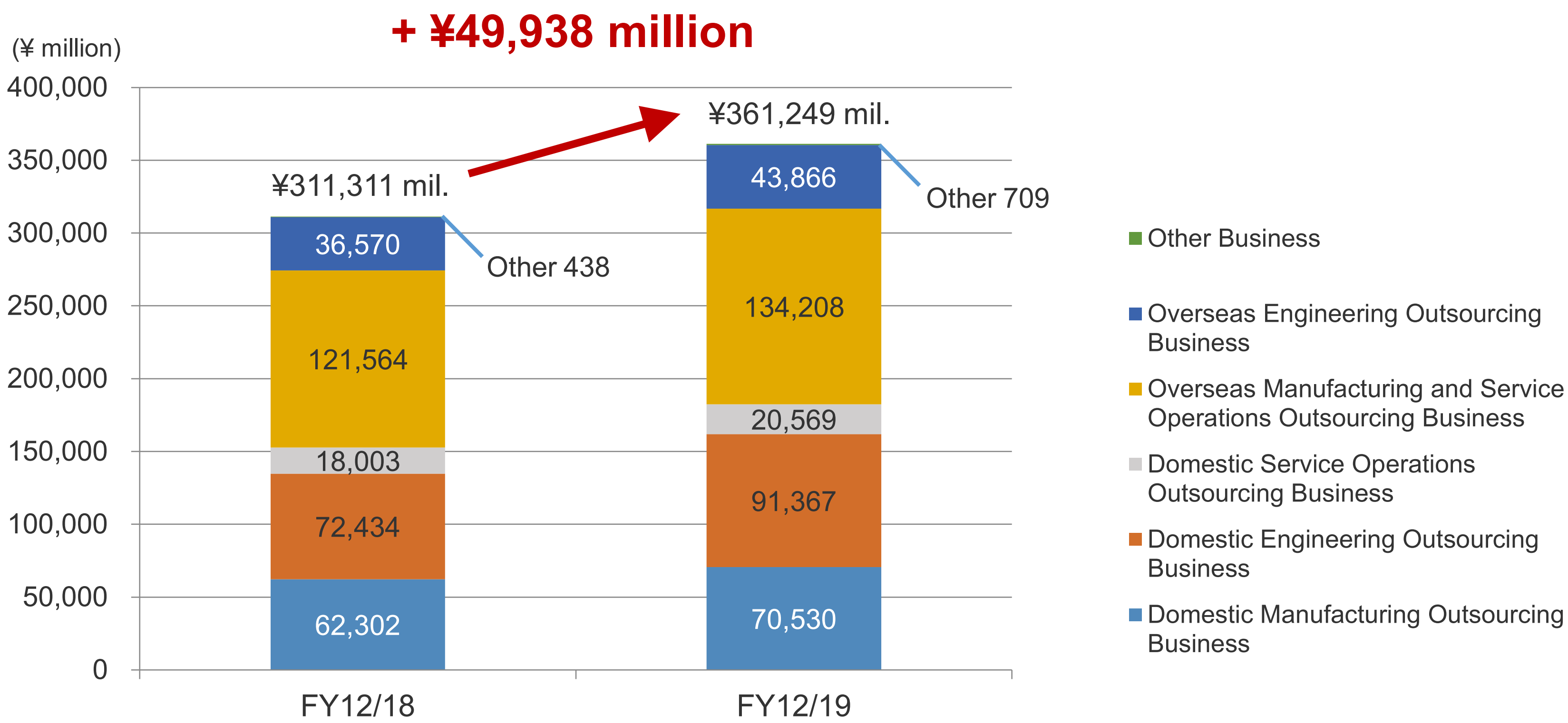
Highlights of Consolidated Financial Results

Revenue ¥361,249 million (+16.0% YoY)

- Amidst the growing negative impact on Manufacturing Outsourcing Business from the U.S.-China trade frictions, our strategy focused on smoothing out earnings through sector and industry diversification was successful, and all segments achieved increased revenues and renewed record highs.
  - In Japan, Engineering Outsourcing Business and business for the U.S. military facilities grew sharply
  - Overseas, e-commerce logistics business mainly in the Netherlands and outsourcing business for the public sector achieved high growth



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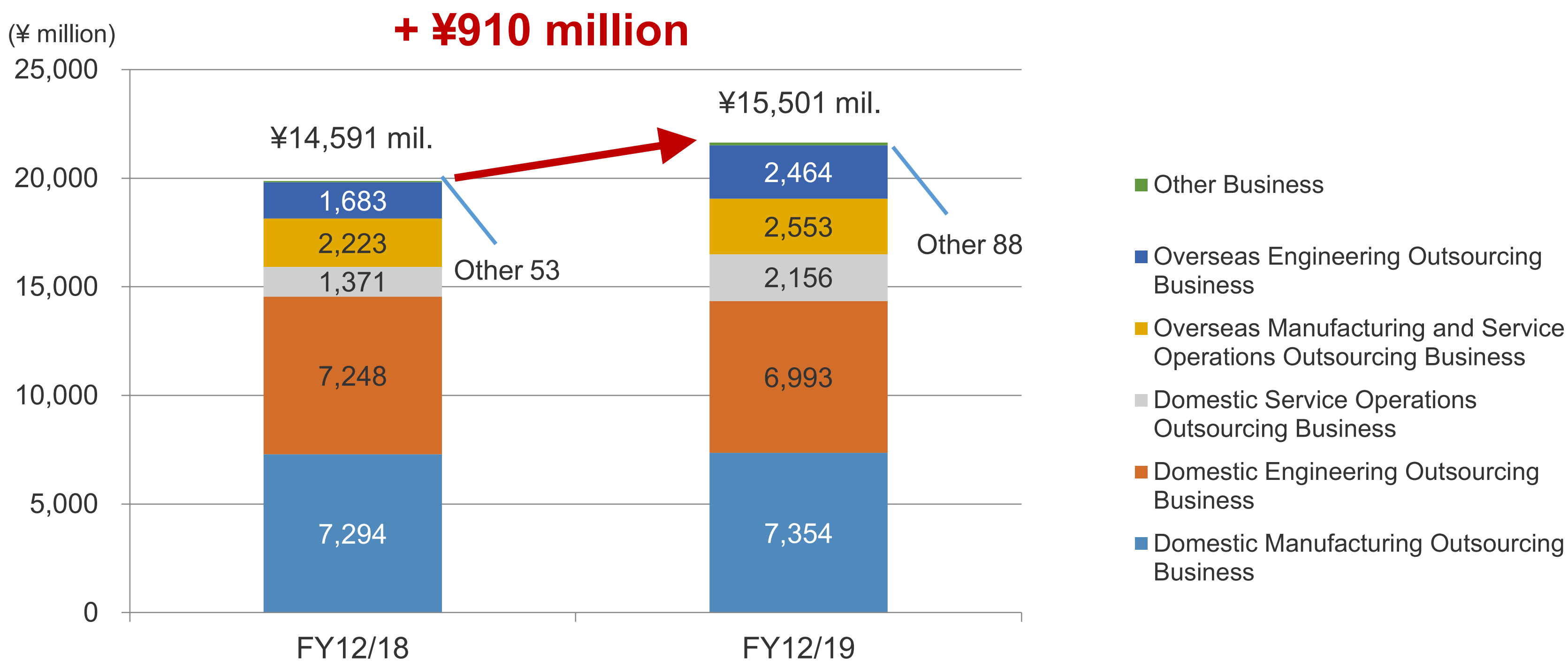
Highlights of Consolidated Financial Results

Operating Profit ¥15,501 million (+6.2% YoY)

- In line with revenue, operating profit posted a shortfall to the initial forecast. However, progress in implementing the strategy to smooth out earnings and high profit growth for businesses relatively impervious to economic changes (which include business for the U.S. military facilities, overseas outsourcing business for the public sector, and e-commerce logistics business) absorbed the initial cost of hiring some 2,100 new graduates (one of the largest intakes in Japan) and the Company maintains the growth trend and renewed a record high.



*The operating profit adjustments (reduced by ¥5,281 million in 2018 and reduced by ¥6,107 million in 2019) are not shown in the graph but are reflected in the total amounts since budgets are secured outside of each segment.

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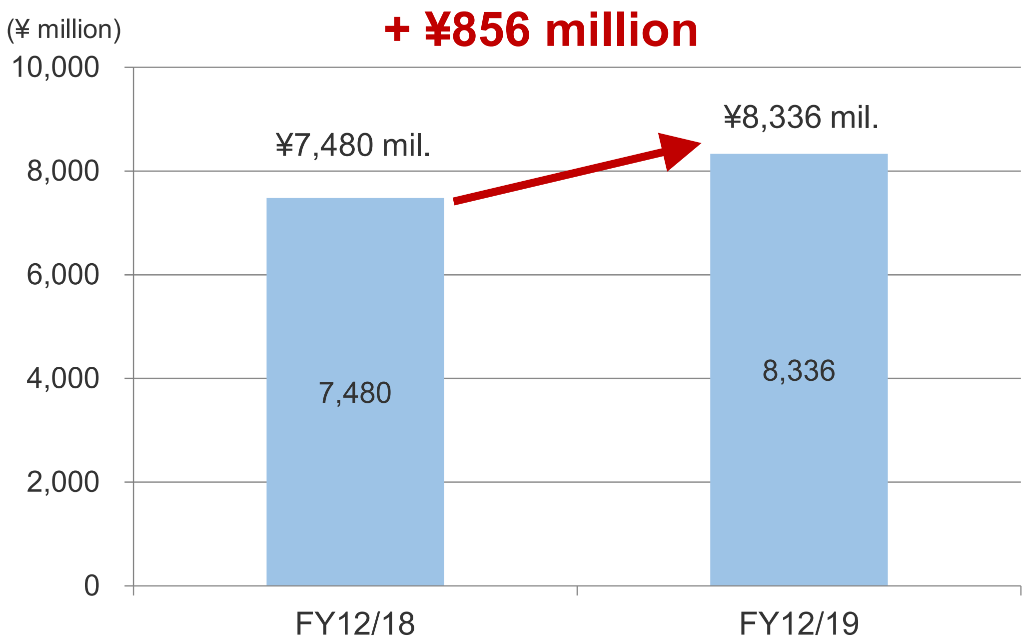
Consolidated Financial Results for FY12/19 (IFRS)

Highlights of Consolidated Financial Results

Profit Attributable to Owners of the Company ¥ 8,336 million (+11.4% YoY)

- The one-off financial expense of roughly ¥1.0 billion due to revaluation of the fair value of put options had a large impact, but profit still managed to rise YoY. *



＊In revaluation of the fair value of put option (please refer to P.40) for the year under review, the fair value increased due to better-than-expected earnings performance of a corresponding group company, and the difference with the fair value calculated at the end of the previous year was booked as a one-off financial expense.
Since this is treated on a consolidated basis, it is not considered for tax calculations, and profit for the year is impacted by the same amount.

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Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Manufacturing Outsourcing Business

Please refer to P.23-25

Revenue	¥70,530 million	+13.2% YoY
Operating profit	¥7,354 million	+0.8% YoY

No. of worksite employees at term-end 13,457 (down 241) No. of outsourcing administrative workers at term-end 18,670 (up 7,445)
No. of placed workers 3,725 (down 127)

Figures in parentheses ( ) indicate the change from the previous fiscal year

Manufacturing Outsourcing Business was affected by production cuts due to the impact of the trade frictions which was unexpected at the end of FY12/18 when the forecasts for FY12/19 were formulated.
(Production cuts due to the U.S.-China trade frictions were unexpected at the time we formulated the forecasts, but now we believe the ongoing production cutback has become normalized and are not a one-off occurrence.)

- While many manufacturing outsourcing service providers saw a decline in sales and profits due to the production cuts, we achieved YoY increase in both revenue and profit despite the loss of orders to increase staff, thanks to the long-term contracts under the Company's PEO scheme.
- The PEO scheme, which guarantees workers remuneration upon accepting their transfer, has been becoming a higher risk business compared with the time when the scheme was established, due to working hour reduction etc. under workstyle reforms; we have switched to a more cautious approach regarding the expansion of the business.

Administrative Outsourcing Business successfully captured growing demand from manufacturers to employ foreign workers, with our cooperation with local group companies in sending technical intern trainees and the Company's level of administration receiving favorable evaluation.

- As a result of the delays in entry of trainees into Japan due to the slow screening process by government agencies, the number of interns under administrative outsourcing at the year end (18,670) fell short of the initial forecast by 1,330 but achieved a QoQ increase of 2,352 from the end of the Q3.

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Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Engineering Outsourcing Business

Please refer to P.26

Revenue	¥91,367 million	+ 26.1% YoY
Operating profit	¥6,993 million	- 3.5% YoY

No. of worksite employees at term-end 15,888 (up 3,125)

Figures in parentheses ( ) indicate the change from the previous fiscal year

As technological innovation takes place in various industrial fields and the shortage of engineers persists, the Company captured demands for engineers by taking the advantage of its KEN School scheme and various technical fields of expertise, and leveraged its overwhelming hiring capability to realize assignment of new graduates and mid-career change workers.

The expenses were incurred for responding to the changes of recruitment rules for new graduates as well as for the employment of foreign engineers in order to fill the engineer shortage.

- In addition to the expenses for recruiting those joining the Company in April 2020, incurred expenses for recruiting those joining the Company in April 2021, due to the abolishment of the recruitment agreement for college graduates
- Coordination involved with the assignment of foreign engineers in Japan took longer than expected, resulting in putting some foreign engineers a period of unassignment.

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Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Service Operations Outsourcing Business

Please refer to P.27

Revenue	¥20,569 million	+14.3% YoY
Operating profit	¥2,156 million	+57.2% YoY

Participation in bidding on large-scale projects increased as a result of expanding the amount of contract surety bond required for projects for the U.S. military facilities to ¥70 billion.

- Actual results greatly exceeded the initial forecast.
- Profit margins rose on greatly improved profitability as a result of projects becoming large-scaled.
- The booking of some revenue and profits was pushed out due to construction delays resulting from the impact of typhoons.

Incurred one-off costs from the liquidation of unprofitable business

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Highlights of Consolidated Financial Results

Overview by Operating Segment

Overseas Manufacturing and Service Operations Outsourcing Business

Please refer to P.28-29

Revenue	¥134,208 million	+10.4% YoY
Operating profit	¥2,553 million	+14.9% YoY

Manufacturing Outsourcing

- In Germany, disruption from the Revised Worker Dispatch Law was overlapped with production cuts stemming from the U.S.-China trade frictions, and consequently, one-off expenses were incurred due to greater-than-expected employee reductions.
- Other European and Asian group companies were affected by production cuts due to the U.S.-China trade frictions, and one-off expenses were incurred due to the withdrawal from unprofitable business in Asia.

Service Operations Outsourcing

- E-commerce logistics business benefitted from the growth in transaction volume with the progress in its global network response capability, and achieved growth through leveraging cross-border HR mobilization.
- Outsourcing business for the public sector is relatively less susceptible to impact from business cycle fluctuations and expanded through favorable order growth.

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Highlights of Consolidated Financial Results

Overview by Operating Segment

Overseas Engineering Outsourcing Business

Please refer to P.30

Revenue	¥43,866 million	+20.0% YoY
Operating profit	¥2,464 million	+46.4% YoY

Captured the growing demand in advanced countries for reducing government workers in central and local governments and privatizing public works through establishing a structure which enables more efficient work operations and processing systems, and earnings expanded sharply

Secured demands for engineers who can handle IT and financial systems which continue to become more advanced and widespread

・In response to demands for engineers, launched a scheme in Australia similar to that of the KEN School in Japan, which trains workers with inexperience or low-level skills to become assigned as engineers

OuT-Sourcing!

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Consolidated Financial Results for FY12/19 (IFRS)

Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/18 Actual					FY12/19 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Revenue	63,198	75,901	81,959	90,253	311,311	86,404	91,181	89,909	93,755	361,249
Gross profit	12,250	14,231	16,360	19,559	62,400	16,065	16,788	18,014	19,917	70,784
Ratio of gross profit	19.4%	18.7%	20.0%	21.7%	20.0%	18.6%	18.4%	20.0%	21.2%	19.6%
SG&A expenses	9,922	11,693	12,260	13,876	47,751	14,427	14,767	14,607	14,906	58,707
Ratio of SG&A expenses	15.7%	15.4%	15.0%	15.4%	15.3%	16.7%	16.2%	16.2%	15.9%	16.3%
Operating profit	2,050	2,757	4,204	5,580	14,591	2,477	3,095	4,523	5,406	15,501
Ratio of operating profit	3.2%	3.6%	5.1%	6.2%	4.7%	2.9%	3.4%	5.0%	5.8%	4.3%
Profit before tax	1,935	1,851	4,023	4,746	12,555	1,337	2,064	3,597	6,480	13,478
Ratio of profit before tax	3.1%	2.4%	4.9%	5.3%	4.0%	1.5%	2.3%	4.0%	6.9%	3.7%
Profit attributable to owners of the Company	1,186	841	2,006	3,447	7,480	456	944	1,992	4,944	8,336
Ratio of profit attributable to owners of the Company	1.9%	1.1%	2.4%	3.8%	2.4%	0.5%	1.0%	2.2%	5.3%	2.3%

QoQ/YoY Changes	FY12/18 Actual					FY12/19 Actual				
	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Revenue	-2.3%	20.1%	8.0%	10.1%	35.3%	-4.3%	5.5%	-1.4%	4.3%	16.0%
Gross profit	-12.9%	16.2%	15.0%	19.5%	36.2%	-17.9%	4.5%	7.3%	10.6%	13.4%
SG&A expenses	5.9%	17.8%	4.9%	13.2%	37.3%	4.0%	2.4%	-1.1%	2.0%	22.9%
Operating profit	-56.0%	34.5%	52.5%	32.7%	28.4%	-55.6%	24.9%	46.1%	19.5%	6.2%
Profit before tax	-55.9%	-4.4%	117.3%	18.0%	20.8%	-71.8%	54.2%	74.3%	80.2%	7.4%
Profit attributable to owners of the Company	-61.0%	-29.0%	138.4%	71.8%	21.1%	-86.8%	107.3%	110.9%	148.3%	11.4%

*1 The increase in Other operating income is due to the impact of changes in accounting policies applied from the current fiscal year.
Dormitory fees received from employees at company-rented employee dormitories were offset by the cost of sales in the previous fiscal year, but are partially recorded as rent income in Other operating income in the current fiscal year.
While causing a decline in the amount of cost of sales offset and the gross profit, this fee should in nature be included in adjusted profit.
*2 The amounts shown are rounded off to the nearest million yen.

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Consolidated Financial Results for FY12/19 (IFRS)

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

(¥ million)		FY12/18 Actual					FY12/19 Actual				
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Domestic Manufacturing Outsourcing Business	Revenue	13,848	14,937	15,853	17,664	62,302	17,546	17,957	17,603	17,424	70,530
	Operating profit	1,368	1,370	1,640	2,916	7,294	1,364	1,643	1,655	2,692	7,354
	No. of worksite employees at term-end	11,050	11,826	12,363	13,698	13,698	13,531	14,018	13,661	13,457	13,457
	No. of outsourcing administrative workers at term-end	5,554	6,716	7,467	11,225	11,225	12,418	13,528	16,318	18,670	18,670
	No. of placed workers	818	1,033	971	1,030	3,852	924	1,034	967	800	3,725
Domestic Engineering Outsourcing Business	Revenue	15,359	17,188	18,826	21,061	72,434	20,513	22,321	23,865	24,668	91,367
	Operating profit	986	1,299	1,759	3,204	7,248	1,336	1,038	2,061	2,558	6,993
	No. of worksite employees at term-end	9,474	10,943	12,138	12,763	12,763	13,214	15,036	15,461	15,888	15,888
Domestic Service Operations Outsourcing Business	Revenue	4,574	4,675	4,145	4,609	18,003	4,806	5,351	4,476	5,936	20,569
	Operating profit	356	301	387	327	1,371	400	643	451	662	2,156
	No. of worksite employees at term-end	2,890	2,985	2,815	3,370	3,370	2,670	2,657	2,424	2,560	2,560
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	21,943	30,159	33,748	35,714	121,564	33,014	33,834	32,742	34,618	134,208
	Operating profit	380	917	1,236	(310)	2,223	316	1,004	562	671	2,553
	No. of worksite employees at term-end	32,281	46,034	47,197	44,868	44,868	42,280	44,707	44,968	44,580	44,580
Overseas Engineering Outsourcing Business	Revenue	7,329	8,836	9,305	11,100	36,570	10,364	11,561	11,093	10,848	43,866
	Operating profit	309	355	478	541	1,683	553	589	1,107	215	2,464
	No. of worksite employees at term-end	2,091	2,252	2,507	3,043	3,043	3,280	3,718	3,600	3,468	3,468
Other Business	Revenue	145	106	82	105	438	161	157	130	261	709
	Operating profit	19	42	23	(31)	53	2	44	21	21	88
	No. of worksite employees at term-end	3	3	4	4	4	3	4	4	5	5
Adjustments	Operating profit	(1,368)	(1,527)	(1,319)	(1,067)	(5,281)	(1,494)	(1,866)	(1,334)	(1,413)	(6,107)
Total	Revenue	63,198	75,901	81,959	90,253	311,311	86,404	91,181	89,909	93,755	361,249
	Operating profit	2,050	2,757	4,204	5,580	14,591	2,477	3,095	4,523	5,406	15,501

Revenue by Region	FY12/18 Actual					FY12/19 Actual				
(¥ million)	Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Japan	33,926	36,906	38,906	43,439	153,177	43,026	45,786	46,074	48,289	183,175
Asia (excl. Japan)	4,716	4,367	4,453	3,340	16,876	3,414	3,427	3,166	3,390	13,397
Oceania	9,149	11,133	11,347	12,821	44,450	11,783	13,271	12,027	12,157	49,238
Europe	14,057	21,785	25,456	28,357	89,655	26,225	26,573	26,330	27,522	106,650
South America	1,350	1,710	1,797	2,296	7,153	1,956	2,124	2,312	2,397	8,789
Total	63,198	75,901	81,959	90,253	311,311	86,404	91,181	89,909	93,755	361,249

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

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

*3: Actual forex rates used in Q4 (cumulative) FY12/19 results (average rates for Jan-Dec 2019)

・EUR 122.03
・GBP 139.19
・AUD 75.78
・USD 109.03

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Consolidated Financial Results for FY12/19 (IFRS)

Summary of Consolidated Statement of Financial Position

(¥ million)	FY12/18-End		FY12/19-End		YoY Change
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	**93,636**	**50.3%**	**112,441**	**47.0%**	**18,805**
Cash and cash equivalents	29,451	15.8%	40,246	16.8%	10,795
Trade and other receivables	50,165	27.0%	51,722	21.6%	1,557
Inventories	1,509	0.8%	1,608	0.7%	99
Non-current assets	**92,505**	**49.7%**	**126,738**	**53.0%**	**34,233**
Property, plant and equipment	10,249	5.5%	9,421	3.9%	(828)
Right-of-use assets	-	-	18,246	7.6%	-
Goodwill	52,621	28.3%	58,073	24.3%	5,452
Intangible assets	20,156	10.8%	18,023	7.5%	(2,133)
Other non-current financial assets	5,518	3.0%	15,891	6.6%	10,373
Total assets	**186,141**	**100.0%**	**239,179**	**100.0%**	**53,038**
Current liabilities	67,246	**36.1%**	**90,192**	**37.7%**	**22,946**
Trade and other payables	32,038	17.2%	35,033	14.6%	2,995
Bonds and borrowings	14,822	8.0%	20,146	8.4%	5,324
Lease Liabilities	-	-	15,577	6.5%	-
Income tax payables	4,635	2.5%	3,922	1.6%	(713)
Non-current liabilities	**58,238**	**31.3%**	**83,994**	**35.1%**	**25,756**
Bonds and borrowings	39,265	21.1%	47,664	19.9%	8,399
Lease Liabilities	-	-	20,120	8.4%	-
Other non-current financial liabilities	11,125	4.8%	272	0.1%	(10,853)
Total liabilities	**125,484**	**67.4%**	**174,186**	**72.8%**	**48,702**
Share capital	25,123	13.5%	25,187	10.5%	64
Share premium	26,587	14.3%	26,620	11.1%	33
Treasury shares	(0)	△0.0%	(0)	△0.0%	(0)
Other share premium	(14,178)	-7.6%	(14,056)	-5.9%	122
Retained earnings	19,774	10.6%	25,667	10.7%	5,893
Equity attributable to owners of the Company	**55,210**	**29.7%**	**60,811**	**25.4%**	**5,601**
Non-controlling interests	5,447	**2.9%**	**4,182**	**1.7%**	**(1,265)**
Equity	60,657	**32.6%**	**64,993**	**27.2%**	**4,336**
Total liabilities and equity	**186,141**	**100.0%**	**239,179**	**100.0%**	**53,038**

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

Booked due to the start of application of IFRS 16 *Leases*

IFRS 16 *Leases*
⇒ This accounting standard requires all leases in principle to be on the Statement of Financial Position, and its application commenced on January 1, 2019.

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Summary of Consolidated Statement of Cash Flows

(¥ million)	FY12/18 Actual Amount	FY12/19 Actual Amount	YoY Change Amount
Profit before tax	12,555	13,478	923
Depreciation and amortization	3,672	10,762	7,090
Decrease (increase) in trade and other receivables	(7,226)	(1,410)	5,816
Increase (decrease) in trade and other payables	2,657	2,601	(56)
Cash flows from operating activities	**8,496**	**22,560**	**14,064**
Payments for purchase of business	(22,739)	(6,344)	16,395
Cash flows from investing activities	**(30,018)**	**(8,572)**	**21,446**
Increase (decrease) of borrowings	2,517	12,724	10,207
Dividends paid	(1,937)	(2,636)	(699)
Cash flows from financing activities	**32,442**	**(3,207)**	**(35,649)**
Cash and cash equivalents at end of period	**29,451**	**40,246**	**10,795**

Cash flows from operating activities:

increased from decrease of trade receivables

Cash flows from investing activities:

increased from decrease in payments for purchase of businesses

Cash flows from financing activities:

decreased due to proceeds from issuing shares

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Return to Shareholders

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Dividend details

	FY12/19 Initial Dividend Forecast (February 14, 2019)	FY12/19	FY12/20 Dividend Forecast (February 14, 2020)
Record Date	December 31, 2019	December 31, 2019	December 31, 2020
Dividend per Share	¥24.00	¥24.00	¥27.00
Total Amount of Dividends	-	¥3,019 million	-
Dividend Payment Starting Date	-	March 26, 2020	-
Source of Dividends	-	Retained earnings	-

While reinvesting a portion of profits to expand business, the Company maintains a consolidated payout ratio of 30% in principle in order to enhance the return of profits to shareholders and to expand the shareholder base.

Although basic EPS came in below the initial forecast, this was in large part due to one-off factors, so the year-end dividend for FY12/19 is left unchanged from the amount announced on February 14, 2019, which is DPS of ¥24.0

Also, with respect to year-end dividends for FY12/20, the target payout ratio is 30% as in the past, and estimated DPS is ¥27.0

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Consolidated Financial Forecasts for FY12/20 (IFRS)

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Consolidated Financial Forecasts for FY12/20 (IFRS)

Summary of FY12/19 Consolidated Financial Forecasts

(¥ million)	FY12/19 Actual				FY12/120 Forecast				YoY Change	
	1H	2H	Full-Year		1H	2H	Full-Year			
	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio	Amount	Ratio
Revenue	**177,585**	**183,664**	**361,249**	**100.0%**	**191,000**	**229,000**	**420,000**	**100.0%**	**58,751**	**16.3%**
Cost of sales	144,732	145,733	290,465	80.4%	-	-	-	-	-	-
Gross profit	**32,853**	**37,931**	**70,784**	**19.6%**	**-**	**-**	**-**	**-**	**-**	**-**
SG&A expenses	29,194	29,513	58,707	16.3%	-	-	-	-	-	-
Operating profit	**5,572**	**9,929**	**15,501**	**4.3%**	**5,900**	**15,100**	**21,000**	**5.0%**	**5,499**	**35.5%**
Finance income	52	645	697	0.2%	-	-	-	-	-	-
Finance costs	2,223	557	2,780	0.8%	-	-	-	-	-	-
Profit before tax	**3,401**	**10,077**	**13,478**	**3.7%**	**4,950**	**14,200**	**19,150**	**4.6%**	**5,672**	**42.1%**
Profit for the period	**1,826**	**7,269**	**9,095**	**2.5%**	**3,050**	**9,400**	**12,450**	**3.0%**	**3,355**	**36.9%**
Profit attributable to owners of the Company	**1,400**	**6,936**	**8,336**	**2.3%**	**2,400**	**8,750**	**11,150**	**2.7%**	**2,814**	**33.8%**

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

*2 Forex rate assumptions for the full-year consolidated earnings forecast
EUR 118.28, GBP 129.26, AUD 72.00, USD 106.32

The Company formulated a new Medium-term Management Plan (MTP) for FY2020 – FY 2024 ahead of schedule, with the aim of establishing new growth schemes different from the conventional HR business that relies on a stock of human resources in order to respond to the significantly changing business environment. In FY2020, we aim to achieve growth towards establishing a global foundation.

For details on the new Medium-term Management Plan and full-year financial forecasts for FY12/20, please refer to a separate document (Medium-term Management Plan): "VISION 2024: Change the GAME"

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Consolidated Financial Forecasts for FY12/20 (IFRS)

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

(¥ million)		FY12/19 Actual					FY12/20 Forecast						
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	1H	2H	Full-Year
Domestic Manufacturing Outsourcing Business	Revenue	17,546	17,957	17,603	17,424	70,530	16,800	18,500	20,100	21,200	35,300	41,300	76,600
	Operating profit	1,364	1,643	1,655	2,692	7,354	1,400	1,700	2,270	3,030	3,100	5,300	8,400
	No. of worksite employees at term-end	13,531	14,018	13,661	13,457	13,457	13,400	14,450	15,550	16,400	14,450	16,400	16,400
	No. of outsourcing administrative workers at term-end	12,418	13,528	16,318	18,670	18,670	20,100	22,300	28,800	35,000	22,300	35,000	35,000
	No. of placed workers	924	1,034	967	800	3,725	680	840	890	810	1,520	1,700	3,220
Domestic Engineering Outsourcing Business	Revenue	20,513	22,321	23,865	24,668	91,367	25,250	28,000	30,950	34,400	53,250	65,350	118,600
	Operating profit	1,336	1,038	2,061	2,558	6,993	1,370	960	2,570	3,400	2,330	5,970	8,300
	No. of worksite employees at term-end	13,214	15,036	15,461	15,888	15,888	16,051	18,550	19,110	19,612	18,550	19,612	19,612
Domestic Service Operations Outsourcing Business	Revenue	4,806	5,351	4,476	5,936	20,569	5,350	5,850	6,700	7,400	11,200	14,100	25,300
	Operating profit	400	643	451	662	2,156	520	680	750	850	1,200	1,600	2,800
	No. of worksite employees at term-end	2,670	2,657	2,424	2,560	2,560	2,721	3,019	3,508	4,244	3,019	4,244	4,244
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	33,014	33,834	32,742	34,618	134,208	31,830	36,700	40,000	42,370	68,530	82,370	150,900
	Operating profit	316	1,004	562	671	2,553	550	880	1,700	1,870	1,430	3,570	5,000
	No. of worksite employees at term-end	42,280	44,707	44,968	44,580	44,580	43,177	46,584	49,866	51,778	46,584	51,778	51,778
Overseas Engineering Outsourcing Business	Revenue	10,364	11,561	11,093	10,848	43,866	10,650	12,020	12,930	12,900	22,670	25,830	48,500
	Operating profit	553	589	1,107	215	2,464	600	850	1,100	1,250	1,450	2,350	3,800
	No. of worksite employees at term-end	3,280	3,718	3,600	3,468	3,468	3,892	4,127	4,255	4,326	4,127	4,326	4,326
Other Business	Revenue	161	157	130	261	709	20	30	20	30	50	50	100
	Operating profit	2	44	21	21	88	10	60	(20)	50	70	30	100
	No. of worksite employees at term-end	3	4	4	5	5	0	0	0	0	0	0	0
Adjustments	Operating profit	(1,494)	(1,866)	(1,334)	(1,413)	(6,107)	(1,700)	(1,980)	(1,870)	(1,850)	(3,680)	(3,720)	(7,400)
Total	Revenue	86,404	91,181	89,909	93,755	361,249	89,900	101,100	110,700	118,300	191,000	229,000	420,000
	Operating profit	2,477	3,095	4,523	5,406	15,501	2,750	3,150	6,500	8,600	5,900	15,100	21,000

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

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

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Reference Materials

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Business Schemes in Each Business Segment of FY12/19

Domestic Manufacturing Outsourcing

- Business related to the growing demand for foreign technical intern trainees

Revisions to the Technical Intern Training Act and Immigration Control Act related to the employment of foreign workers (excerpt)

Technical Intern Training Act (Act on Proper Technical Intern Training and Protection of Technical Intern Trainees)
Enforced in November 2017

■ The maximum internship period was extended from 3 years to 5 years.

* Technical intern trainees ➡ Based on Japan's official program, the Technical Intern Training Program, manufacturers, etc. hire foreigners mainly from Asia as technical intern trainees so that after they return to their home countries when the internship is completed, they can use the skills they had acquired.

Revised Immigration Control Act (Immigration Control and Refugee Recognition Act)
Enforced in April 2019

■ This is a major shift in policy for accepting foreign workers which in the past had been limited to those with advanced skills in specialized fields, creating a new status of residence (Specified Skilled Worker) which allows employment in areas of unskilled labor.

*Specified Skilled Worker ➡ A new status of residence issued to those who have completed the Technical Intern Training Program and who satisfy immigration requirements including passing designated exams, etc.

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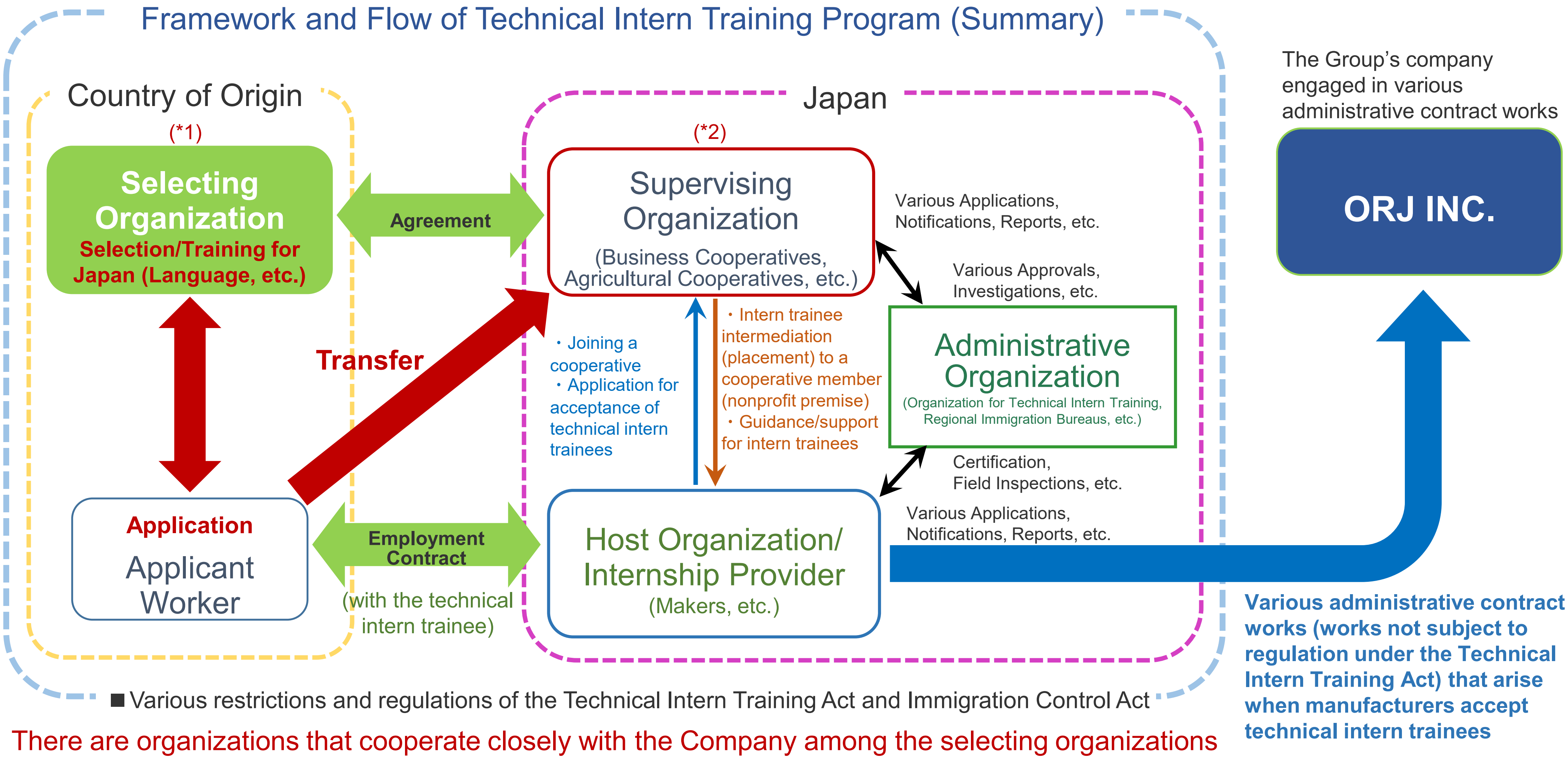
Business Schemes in Each Business Segment of FY12/19

Domestic Manufacturing Outsourcing

- Business related to the growing demand for foreign technical intern trainees



There are organizations that cooperate closely with the Company among the selecting organizations (*1) and supervising organizations (*2) in the figure above.

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Business Schemes in Each Business Segment of FY12/19

Domestic Manufacturing Outsourcing

- Business related to the growing demand for foreign technical intern trainees

Against the backdrop of a declining domestic workforce, deregulation has expanded for the employment of foreign workers.

- Under the Specified Skilled Worker Program, the government is targeting an acceptance of up to a maximum of 340,000 persons over 5 years starting in 2019.
- After finishing Technical Intern Training, further long-term employment is possible under the Specified Skilled Worker Program.

This deregulation and collaboration with domestic and overseas organization allows for an increased number of workers under administration as well as extending the period of administrative outsourcing contracts.

No. of persons under administrative outsourcing **The end of FY12/19 result: 18,670**

Roughly 10 times the level of competitors as of the end of 2019 actual results; and growth will accelerate going forward.

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Business Schemes in Each Business Segment of FY12/19

Domestic Engineering Outsourcing

- The KEN School scheme responding to the shortage of engineers arising from demographic factors

Technologies are constantly evolving in various industrial fields, and there is a constant shortage of engineers due to the demographic issue of population decline. Amidst these situations, we secure engineers through the KEN School scheme and maintain growth.

Through technical training programs for various industrial fields, the KEN School has established a system where inexperienced workers are recruited, trained and assigned as engineers and give opportunities to achieve career change / career advancement that fit the situation and personal preferences after assignment.
Today's younger generation tend to be less willing to make various sacrifices to become employed at a well-known company, shifting toward a preference for companies where they can pursue what they want to do rather than those with a high name recognition.

KEN School gives the Group an advantage in recruitment, leading the industry with the actual recruitment of 6,343 in FY12/19 (including 1,600 new graduates).

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Business Schemes in Each Business Segment of FY12/19

Domestic Service Operations Outsourcing

- Outsourcing for the U.S. military facilities which has high barriers to entry from the perspective of classified information protection

The OS Group's AMERICAN ENGINEERING CORPORATION (AEC) has a high level of credibility from the U.S. military. By expanding the amount of contract surety bond required for bidding through synergies with the parent, AEC has been able to increase the number of successfully-won large-scale project orders, which in turn have raised profit margins since large-scale projects are highly profitable.

■ Receives contract maintenance and construction works for highly classified aircraft hangars and HVAC facilities at domestic U.S. military facilities such as in Okinawa, etc., which are relatively less susceptible to impact from the economic cycle.

■ Orders for work on the U.S. military facilities are won through a bidding process, and it is necessary to gain a high level of credibility from the U.S. military in order to be selected as a contractor.

The Group is accelerating the development of business for the U.S. military facilities to the Pacific Rim including Hawaii and Alaska after already commencing business in Guam, aiming to secure a revenue of ¥70 billion (equivalent to the current contract surety bond) at an early stage and further expand the bond and orders.

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Business Schemes in Each Business Segment of FY12/19

Overseas Manufacturing and Service Operations Outsourcing

- Industry sector diversification over manufacturing-related business and government- and logistics-related services

Manufacturing-related business

Manufacturing Outsourcing business using technically skilled workers throughout Europe, mainly in Germany

- Revised labor laws in Germany and the U.S.-China trade frictions caused personnel reductions, but a certain level was maintained.

Government services

From the government institutions of many countries, the Group receives various public-work contracts and outsourcing works at public facilities like prisons and airports.

- Since the trend toward the privatization of public work will continue going forward in advanced countries due to fiscal constraints, the Group will expand the public-works business which is relatively less susceptible to impact from the economic cycle.

Logistics services

The Group is developing a logistics outsourcing business related to e-commerce throughout Europe, mainly in the Netherlands

- Going forward, internet-based logistics will continue to grow globally, and given its low volatility, the Group will expand the e-commerce business.

Risk is reduced through industry sector diversification over 3 businesses with differing cycles, and business know-how, infrastructure, engineers, etc., are being deployed for mutual use in Europe, Asia and Australia.

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Business Schemes in Each Business Segment of FY12/19

Overseas Manufacturing and Service Operations Outsourcing

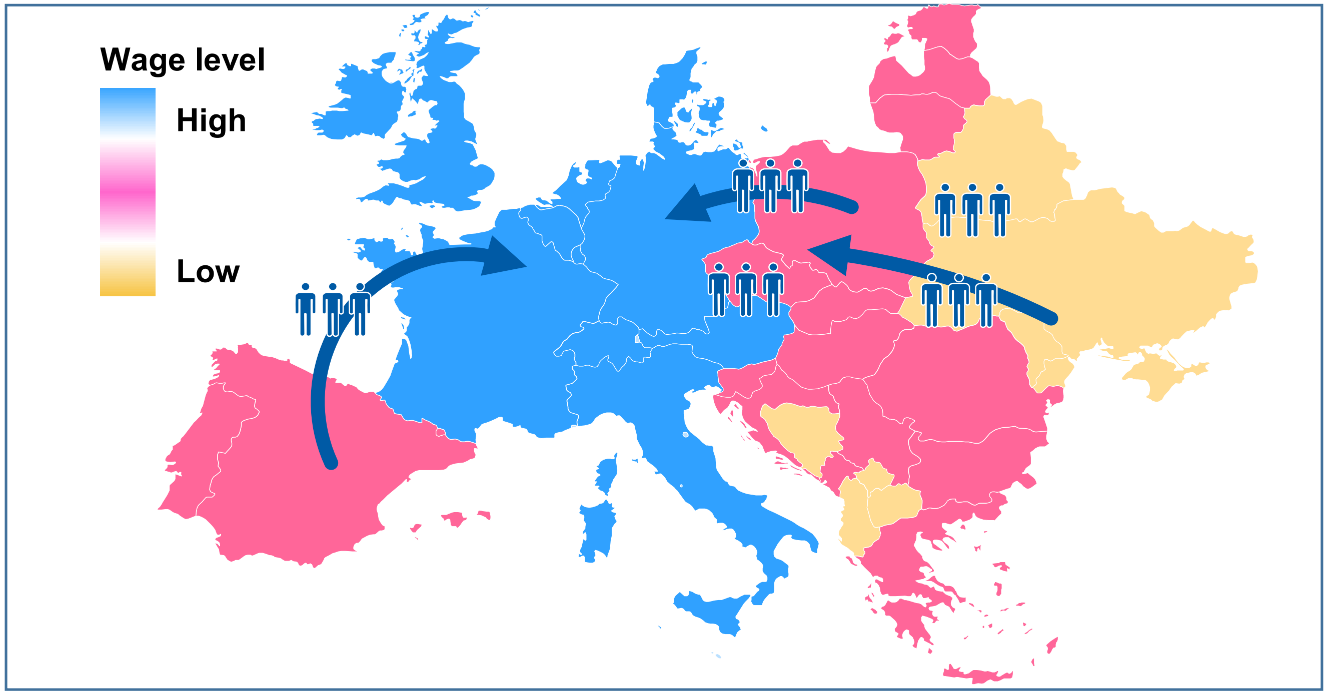
- Cross-border global HR mobilization scheme

Since Germany and the Netherlands have tight recruitment conditions due to their declining birthrate and aging population, the Group will expand the structure for supplying workforce from countries with an abundance to those with shortages, through recruitment at its many bases mainly in Eastern Europe.

HR mobilization scheme

Built a network in Europe for HR mobilization

Going forward, the Company aims to extend the global HR mobilization scheme beyond Europe to include Asia, Australia, etc.



Expanding various types of outsourcing business through cross-border HR mobilization by constructing a recruitment network across continental Europe

*Of the 44,580 persons enrolled for this segment as of the end of FY12/19, roughly 40% are attributed to HR mobilization.

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Business Schemes in Each Business Segment of FY12/19

Overseas Engineering Outsourcing

- Various contract projects outsourced from governments and local public institutions that are relatively less susceptible to impact from the economic cycle.
- Addressing the shortage of engineers by introducing the KEN School scheme

BPO = Business Process Outsourcing

The Group receives various BPO works from the central and local governments in the countries such as UK and Australia, utilizing its proprietary system.

■ By offering one-stop solutions through the expansion of business areas by all U.K. Group companies, the Group showed further growth in the market for government debt collection through the use of IoT and big data.

Outsourcing of engineers in the ICT-related and financial fields mainly for public institutions is growing in Europe and Australia.

In Australia, the Group expands a scheme similar to that of the KEN School in Japan for training workers with inexperience or low-level skills and assigning them as engineers, and secures a larger number of engineers.

Expanding business to countries around the world by utilizing business know-how, systems, and engineers

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Strengthening Group Governance

Basic approach to corporate governance

Fully embracing its responsibility as an exemplar corporate citizen to contribute to society, OUTSOURCING Inc. established the "Corporate Principles." The Company thus recognizes that, in an effort to achieve growth and enhance corporate values over the medium-to-long term in a constantly changing business environment, management must assign the utmost priority to creating a fully autonomous, highly ethical corporate governance regime that is closely monitored and routinely reviewed. The Company also recognizes that such a regime will prove invaluable in the ongoing building of trust and confidence with all its stakeholders, including shareholders, clients, local communities, and employees.

Specific Activities

Formulate a global governance policy and strengthen the group management structure

Purpose of formulation: To maintain the soundness of the entire Group under a basic policy of corporate governance for OUTSOURCING Inc. and its group companies

7 Basic Policies:
1) Roles and responsibilities of the Board of Directors
2) Risk management
3) Approval reporting rules
4) Regular reports to the parent company
5) Internal reporting system
6) Internal audit by the parent company
7) Education and training

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Strengthening Group Governance

Strengthening the Group’s management structure through the global governance policy

Business Management Group Platform (Finance/Accounting, IT)

- Strengthen the consolidated accounting process/work
- Promotion of strategic Global Cash Management
- Promotion of the global information security infrastructure project

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Strengthening Group Governance

2019 Priority Measures

Minimizing risks by strictly implementing rules

- Establish an environment for e-learning-based lectures and recognition tests on the global governance policy, OUTCOURCING Group Code of Corporate Ethics and Conduct and the anti-corruption policy in order to further instill these rules in the Group
- Independent risk management through internal controls (OS Group Minimum Control Requirement)
- Expansion of the internal reporting system (enhancement of the existing system in Asia and Oceania, and establishing the system in Europe and South America)
- Strengthen the consolidated accounting system: early settlement and stabilization
- Promote establishment of a group information systems security infrastructure

Early recognition of risks through governance due diligence

- Create a system for governance due diligence in the M&A process
- Handle the adoption of the J-SOX internal controls

Promote establishment of the Global Risk Management System

- Establish the Global Risk Management System for prevention and recurrence prevention in accordance with the expansion of the Group's scale and regions

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Strengthening Group Governance

Promote the introduction of OS Group Minimum Control Requirement (MCR) (1)

Purpose of introducing the MCR

- To be able to minimize operational risks even for small- and medium-sized overseas group companies that are not subject to the internal control evaluation (J-SOX)

Points for successful implementation of the MCR

- In order for the top management of each group company to understand the actual situation of their own operation systems and to be able to formulate and implement strengthening measures as required, 6 stages have been established, where explanation, creation, validation and confirmation have been repeated in order to promote deeper understanding and encourage actions.
- By establishing the MCR and a separation of duties (SOD) checklist conforming to the details of each group company's business, potential risks can be specified more realistically, preventing efforts from becoming just a paper shuffling exercise.

Stages for creating the Minimum Control Requirement (MCR)

Stage 0
Introduction and explanation of the MCR by the Company

Stage 1
Each group company starts creating the MCR

Stage 2
Integrated support from MCR creation to completion by the Company

Stage 3
The MCR introduced into each group company's own business

Self-assessment stage

Stage 4
Guidance on the self-assessment method by the Company

Final Stage
Periodic self-assessment and reporting by each group company selected each year by the Company on important controls

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Strengthening Group Governance

Promote the introduction of OS Group Minimum Control Requirement (MCR) (2)

MCR introduction progress status (as of December 31, 2019)

Stage	Subjects	Current status	Schedule going forward		
			Introduction explanation → start creation	Method explanation for self-assessment	Self-assessment results report
Stage 0	3 companies	Briefing session schedule under adjustment	Apr.-Jun. 2020		
Stage 1	0 company	Start creation			
Stage 2	1 company	Creating MCR documents under the guidance of the Company's Business Management Division		Mar. 2020	
Stage 3	6 companies	Introduced by each group company to their own operations, confirming controls and division of duties, making improvements as required			Jan.-Feb. 2020
Stage 4	1 company	In the process of self-assessment, scheduled to report after completion			Jan. 2020
Final Stage	7 companies	Dec. 2019 Self-assessment report completed			

- During Q4 FY19, 2 new companies completed self-assessment reports, and the Company has finished checking them.
- The Company will continue efforts to promote advancing the stage of each company, as well as activities directed at newly joined group companies, striving to minimize the potential occurrence of operational risks.

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Supplemental Information: Domestic Recruitment Plan for FY12/20

Annual and Semi-Annual Trends

		FY12/19 Actual			FY12/20 Forecast		
		1H	2H	Full-Year	1H	2H	Full-Year
Manufacturing	**No. of workers recruited (persons)**	**4,534**	**3,284**	**7,818**	**3,830**	**5,392**	**9,222**
	Recruitment unit price (¥/worker)	85,450	57,705	73,796	68,026	72,254	70,498
Engineering	**No. of workers recruited (persons)**	**3,991**	**2,352**	**6,343**	**4,547**	**2,661**	**7,208**
	Recruitment unit price (¥/worker)	324,149	579,798	418,944	470,406	605,912	520,431
Service Operations	**No. of workers recruited (persons)**	**1,959**	**1,281**	**3,240**	**1,776**	**2,668**	**4,444**
	Recruitment unit price (¥/worker)	23,095	37,880	28,940	33,769	25,869	29,026
Recruiting and Placing	**No. of workers recruited (persons)**	**1,958**	**1,767**	**3,725**	**1,520**	**1,700**	**3,220**
	Recruitment unit price (¥/worker)	174,674	134,879	155,797	246,609	214,440	229,625

Quarterly Trends

		FY12/19 Actual					FY12/20 Forecast				
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	Full-Year
Manufacturing	**No. of workers recruited (persons)**	**2,046**	**2,488**	**1,582**	**1,702**	**7,818**	**1,548**	**2,282**	**2,686**	**2,706**	**9,222**
	Recruitment unit price (¥/worker)	126,977	51,301	61,884	53,821	73,796	76,672	62,161	74,448	70,076	70,498
Engineering	**No. of workers recruited (persons)**	**1,155**	**2,836**	**1,201**	**1,151**	**6,343**	**1,136**	**3,411**	**1,358**	**1,303**	**7,208**
	Recruitment unit price (¥/worker)	598,655	212,352	630,609	526,779	418,944	1,040,371	280,585	627,734	583,170	520,431
Service Operations	**No. of workers recruited (persons)**	**1,070**	**889**	**569**	**712**	**3,240**	**906**	**870**	**1,141**	**1,527**	**4,444**
	Recruitment unit price (¥/worker)	27,456	17,846	33,576	41,319	28,940	27,032	40,791	28,491	23,910	29,026
Recruiting and Placing	**No. of workers recruited (persons)**	**924**	**1,034**	**967**	**800**	**3,725**	**680**	**840**	**890**	**810**	**3,220**
	Recruitment unit price (¥/worker)	196,934	154,781	171,402	90,731	155,797	301,804	201,927	223,121	204,903	229,625

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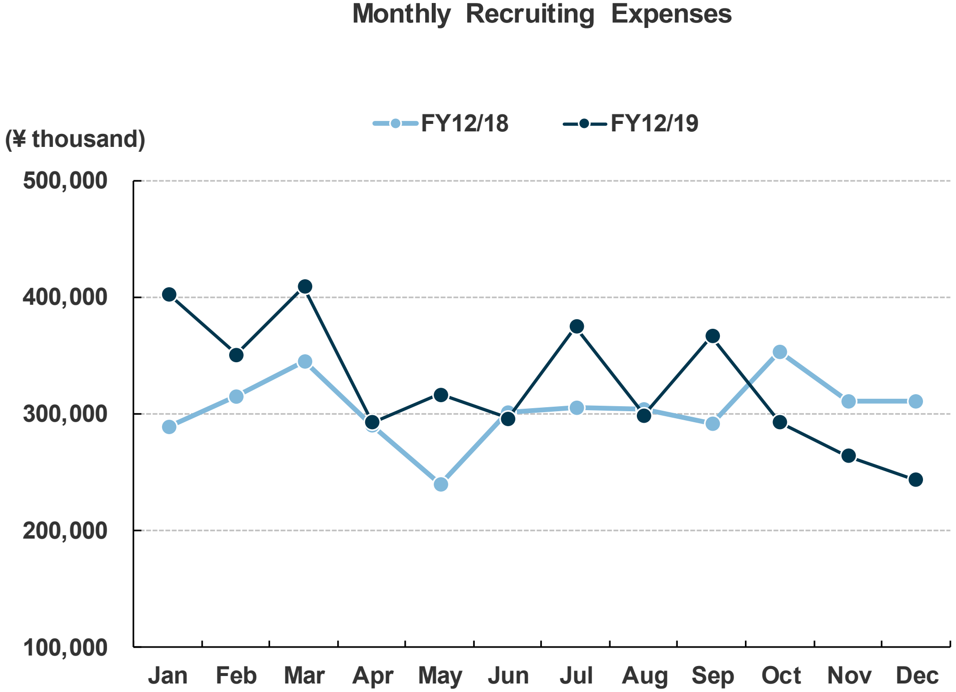
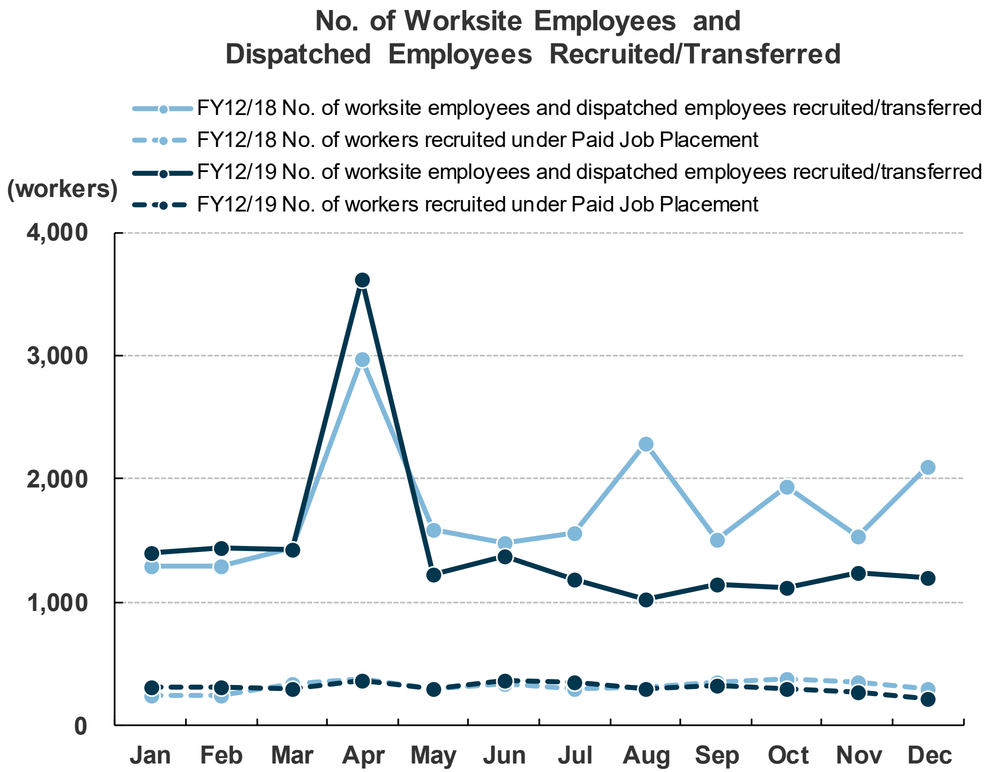
Supplemental Information:
Trends in the Recruited Number of Workers and Recruiting Expenses in Japan

Monthly Trends (Consolidated)





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	2,971	1,590	1,479	1,568	2,289	1,512	1,944	1,538	2,101
No. of workers recruited under Paid Job Placement	240	239	339	383	305	345	302	319	350	374	358	298
Recruiting expenses (¥ thousand)	288,522	315,618	345,201	289,861	239,816	301,282	305,234	304,662	291,537	353,810	311,238	310,225

FY12/19	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
No. of worksite employees and dispatched employees recruited/transferred	1,406	1,440	1,425	3,616	1,226	1,371	1,186	1,025	1,141	1,119	1,242	1,204
No. of workers recruited under Paid Job Placement	313	309	302	372	299	363	349	296	322	302	274	224
Recruiting expenses (¥ thousand)	402,799	350,888	408,900	292,607	316,761	296,409	374,660	299,049	366,404	292,530	264,033	243,369

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

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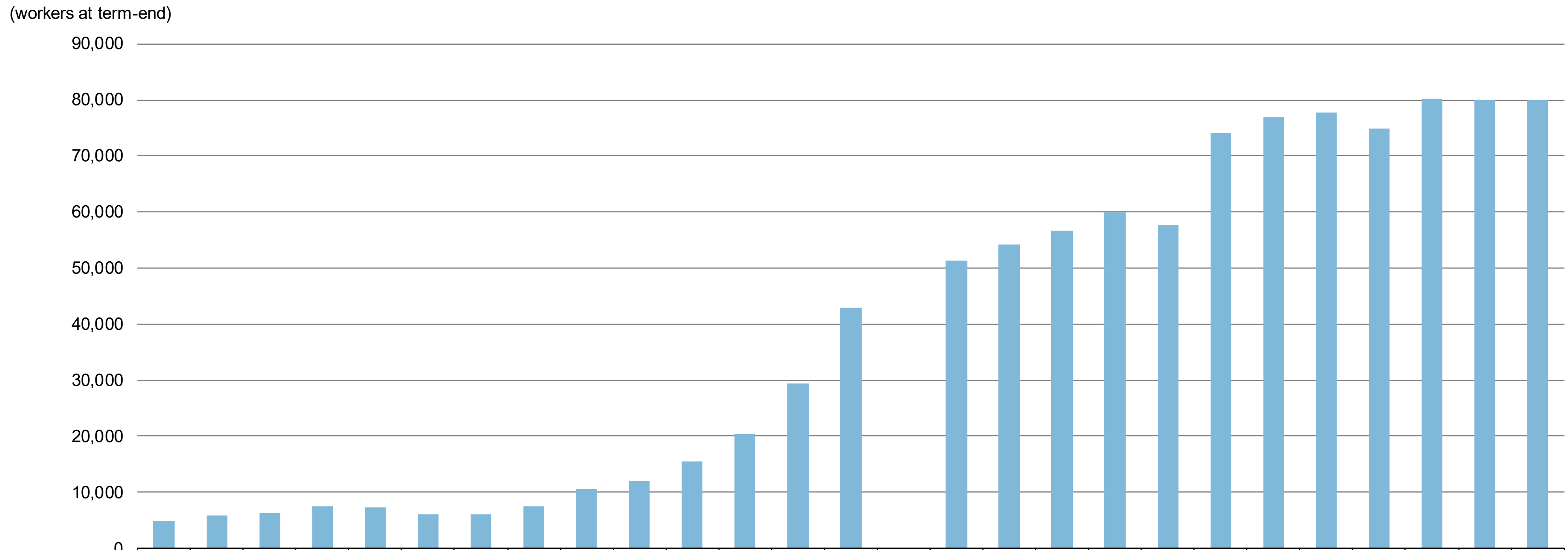
Supplemental Information: Trends in the Number of Worksite Employees and Dispatched Workers

- Trends (Consolidated)
  - Up to FY12/16: Annual trend
  - From FY12/17: Quarterly trend



	12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16		3/17	6/17	9/17	12/17	3/18	6/18	9/18	12/18	3/19	6/19	9/19	12/19
Worksite Employees	4,821	5,823	6,209	7,468	7,324	6,102	6,109	7,434	10,542	11,913	15,585	20,505	29,477	42,838		51,378	54,221	56,606	59,883	57,789	74,043	77,024	77,746	74,978	80,140	80,118	79,958

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

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Supplemental Information:
Impacts of IFRS Standard Change (IFRS 16 “Leases”) on the Group

Change in IFRS 16 “Leases”

- ✓ International Financial Reporting Standards (IFRS) based companies are required to recognize the right of use as an asset and to record lease liabilities for all lease transactions except for short-term and low-value assets lease under IFRS 16 from the fiscal year beginning January 1, 2019, onward as determined by the International Financial Reporting Council (IASB) (depreciate lease asset rather than recording lease fees as expense).

Impacts of the IFRS 16 “Leases” Change

- ✓ Increase in total assets by recording lease assets, which result in a worsening of the equity ratio and other financial indicators
- ✓ More complicated accounting process

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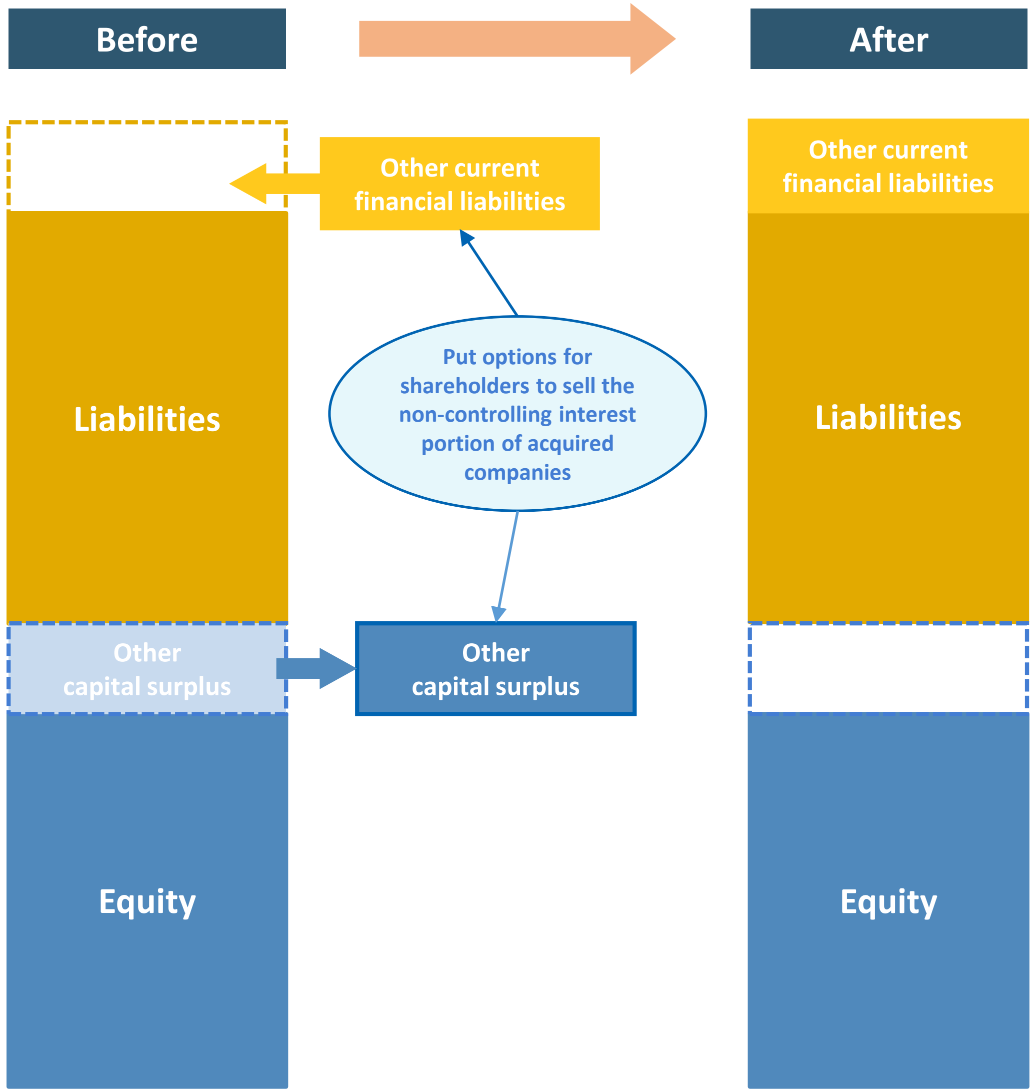
In cases where put options for NCI are granted in an M&A

Common Interpretation of IAS

- ✓ From paragraph 23 of IAS 32, parent must recognize a financial liability when it has an obligation to pay cash in the future to purchase the minority's shares, even if the payment of that cash is conditional on the option being exercised by the holder

Our Application

- ✓ In the event that we acquire less than 100% of the shares of acquired companies and the right for shareholders to sell the non-controlling interest portion to the Company in the future is granted, we will record the future prospective purchase price as a liability and subtract the equivalent amount from equity.



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Note

The consolidated financial statements from FY12/18 onward have been revised retroactively following the finalization of the provisional accounting treatment for the business combination conducted in FY12/18.

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Legal Disclaimer

This material contains forward-looking statements concerning earnings estimates and the Company's plans, which are based upon the best available information at the present time. Therefore, actual results may differ from the plan and estimate values due to various factors in the future. Note that the contents of this material are as of the date of this document (or a date specified separately therein) and are subject to change without advance notice. Also, information described in this presentation other than corporate information of the Group has been compiled by the Company from publicly available sources and has not been verified as to the accuracy or appropriateness by the Company, nor does it represent an assurance of them.

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