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OUTSOURCING Inc.

FY12/17 Financial Results and Follow-up Interview

OUTSOURCING Inc., hereinafter the "Company" or the "OS Group," announced its FY12/17 financial results and held its briefing for analysts and investors. Trias Corporation conducted a follow-up interview with Chairman and CEO Haruhiko Doi. The following is a summary of those meetings.

Summary of FY12/17 Consolidated Financial Results

Following a period of robust growth in FY12/16 of revenue +66.0% YoY and operating profit +78.8% YoY, FY12/17 consolidated financial results achieved even higher growth of revenue of ¥230,172 million, +71.4% YoY, increasing by ¥95,889 million, and operating profit of ¥11,360 million, +104.2% YoY, increasing by ¥5,797 million, renewing record highs in both revenue and profits. Regarding the business environment for the period under review, aside from brief periods of yen strength due to heightened tensions in the Korean peninsula, the yen was generally weaker during the period under review, resulting in solid demand from mainstay manufacturing clients for both Domestic Engineering Outsourcing Business and Domestic Manufacturing Outsourcing Business. In addition, the domestic economy continued to recover, supporting increased demand from not only manufacturing sectors, but also service sectors including IT-related, Construction & Plant-related, etc.

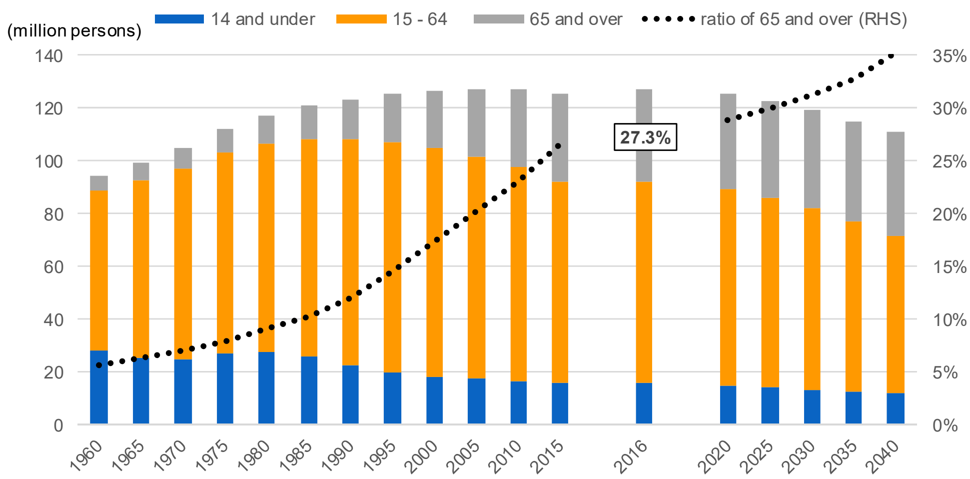
● [Table 1] FY12/17 IFRS Consolidated Results Summary

(¥ million)	FY12/16		FY12/17		FY12/17			
	Full-Year	YoY Changes	Full-Year	YoY Changes	Full-Year	YoY Changes		vs. Forecasts
	Actual	Ratio	Initial Forecasts	Ratio	Actual	Actual	Ratio	Ratio
Revenue	134,283	66.0%	213,000	58.6%	230,172	95,889	71.4%	8.1%
Cost of sales	106,519	64.9%	-	-	184,356	77,836	73.1%	-
Gross profit	27,764	70.4%	-	-	45,816	18,053	65.0%	-
Ratio of gross profit	*20.7%*	-	-	-	*19.9%*	-	-	-
SG&A expenses	21,649	63.5%	-	-	34,786	13,137	60.7%	-
Ratio of SG&A expenses	*16.1%*	-	-	-	*15.1%*	-	-	-
Operating profit	5,563	78.8%	9,500	70.8%	11,360	5,797	104.2%	19.6%
Ratio of operating profit	*4.1%*	-	*4.5%*	-	*4.9%*	-	-	-
Profit before tax	4,939	70.9%	8,900	80.2%	10,395	5,456	110.5%	16.8%
Ratio of profit before tax	*3.7%*	-	*4.2%*	-	*4.5%*	-	-	-
Profit for the period	3,448	90.7%	5,800	68.2%	6,929	3,480	100.9%	19.5%
Profit attributable to owners of the Company	3,037	73.3%	5,100	67.9%	6,180	3,142	103.4%	21.2%
Ratio of profit attributable to owners of the Company	*2.3%*	-	*2.4%*	-	*2.7%*	-	-	-

Source: Compiled by Trias Corporation from the Company IR materials
Note1: The amounts shown are rounded off to the nearest million yen.
Note2: FY12/16 actual results are retroactively adjusted to reflect provisional accounting for business combinations announced in Aug-2016 being finalized.

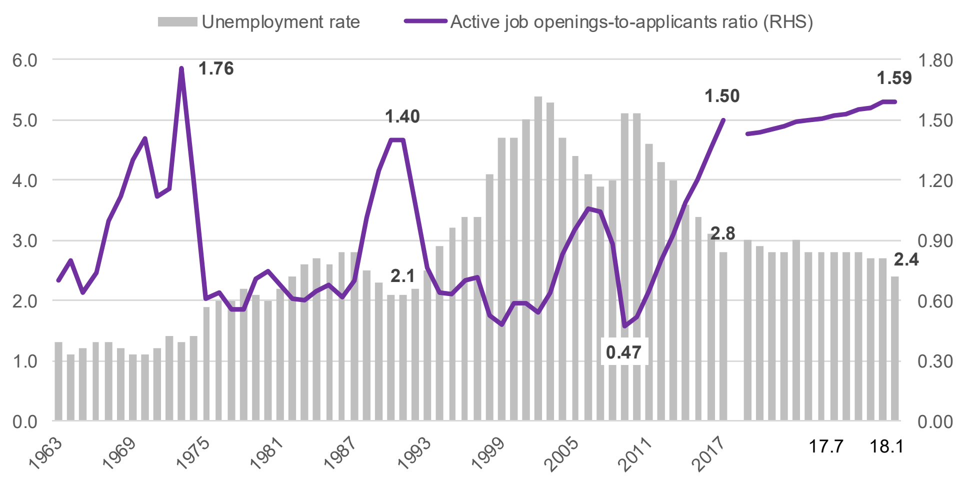
Looking at the breakdown of revenue by region, Japan revenue rose +40.5% YoY to ¥113,985 million. Part of the background for strong domestic growth is the current brisk labor market in Japan. As can be seen from Graph 1 and Graph 2, demographic factors of the declining birthrate and aging of the population have resulted in a chronic labor shortage in the domestic market. The active job openings-to-applicants ratio reached 1.59 in December, the highest level since 1973, and the tightest conditions in 44 years, exceeding the bubble era during the late eighties. Clearly, this has positive implications for contract unit prices etc. However, on the other hand, this is only part of the story. Tight labor market conditions are a double-edged sword, creating a high hurdle to secure sufficient staff to meet brisk client demand.

● [Graph 1] Japan's Workforce: Declining Birthrate and Aging Population Leading to Chronic Labor Shortages



Source: "2017 White Paper on the Aging Society", the Cabinet Office
Note: Estimate values from 2020

● [Graph 2] Tightest Labor Market in Japan Since 1973 (exceeding the bubble in the 1980s)



Source: Japan Institute for Labor Policy and Training (JILPT), data from MHLW "*Employment Referrals for General Workers*" and Ministry of Internal Affairs and Communications "*Labor Force Survey*"

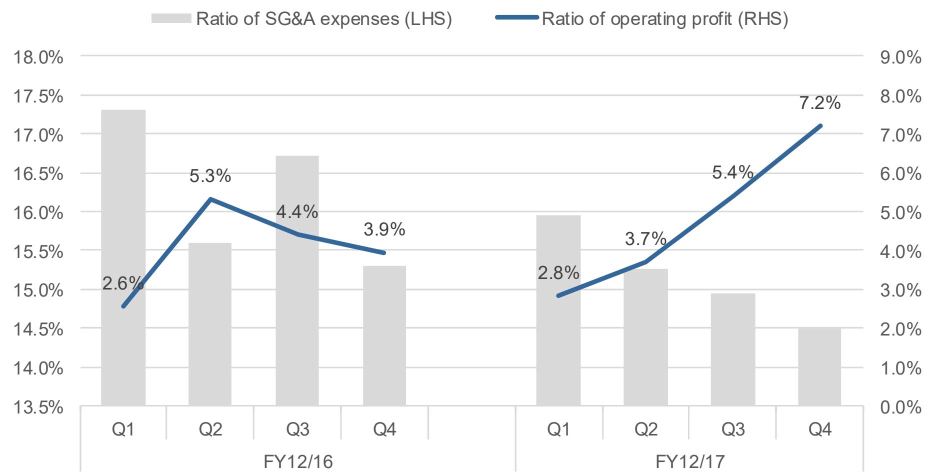
In order to secure sufficient engineers within the environment of absolute shortages, the Company is using its proprietary scheme of the Group's KEN School to train unskilled workers, achieving sustainable growth. In addition, the Company's proprietary PEO Scheme provides a solution for issues facing makers due to revised labor laws, as well as avoiding the time-consuming and increasingly costly process of hiring through recruitment media within the context of chronic shortages. The point is that the Company is using in-house developed schemes to achieve sustained growth in a difficult hiring market, without sacrificing profitability.

Early initiatives to expand business into sectors with cycles different from manufacturing targeted raising the weight of Engineering Outsourcing Business through IT-related services and on-site supervisors for building construction and civil engineering. The next set of initiatives aimed at expanding business into sectors less susceptible to the economy, targeting service operations outsourcing business for US military facilities, which also contributed to high growth in Domestic Service Operations Outsourcing Business.

Going back to the breakdown of revenue by region, overseas revenue rose +118.5% YoY to ¥116,187 million, accounting for 50.5% of total revenue, and topping domestic revenue for the first time ever. Relative to initial forecasts, total revenue exceeded the company estimate by 8.1% (¥17,172 million), and total operating profit exceeded the company estimate by 19.6% (¥1,860 million). Overseas Manufacturing and Service Operations Outsourcing Business accounted for 44% and 39%, respectively, of the overshoot in total revenue and profits. We examine each segment in detail later, however, the drivers here were human resource services for central government agencies, BPO for public work on consignment, and agency payroll business, which are less susceptible to impact from the economy, as well as manufacturing outsourcing, with group consolidation of Orizon Holding GmbH (hereinafter "Orizon") in Germany.

A key point in understanding the high growth in operating profit is the steady decline of the ratio of SG&A expenses to revenue ("SG&A expenses ratio), which in turn is boosting the ratio of operating profit. As can be seen from Table 1 on page1, the SG&A expenses ratio declined from 16.1% in FY12/16 to 15.1% in FY12/17, which is a function of the high growth in revenue, and ratio of operating profit rose from 4.1% in FY12/16 to 4.9% in FY12/17. According to the Company, this mechanism is set to continue going forward.

● [Graph 3] Sustained High Revenue Growth Driving Down the SG&A Expenses Ratio, in Turn Boosting Ratio of Operating Profit



Source: compiled by Trias Corporation from Company IR materials.

The key takeaway from the summary of consolidated statements of financial position on page 5 is the sharp improvement in overall balance sheet metrics, with the weight of total liabilities declining and the weight of equity increasing. The equity ratio rose from 11.1% to 21.5% (equity attributable to owners of the Company ratio rose from 8.5% to 20.0%). This was largely due to the increase in share capital and share premium from the exercise of subscription rights to shares. Also, bonds and borrowings under current liabilities, which increased sharply during the previous fiscal year associated with bridge loans to fund acquisitions, were rolled into longer maturities under non-current liabilities.

● [Table 2] Summary of Consolidated Statements of Financial Position

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

Source: Compiled by Trias Corporation from the Company IR materials
Note: The amounts shown are rounded off to the nearest million yen.

Next, we look at performance trends by individual operating segment. Table 3 on page 6 provides a summary of FY12/17 consolidated financial results by operating segment. This is followed by bullet-point summaries of key developments and strategic focuses for each segment, and a graph of the quarterly earnings trend for each.

●[Table 3] FY12/17 IFRS Consolidated Results by Operating Segment

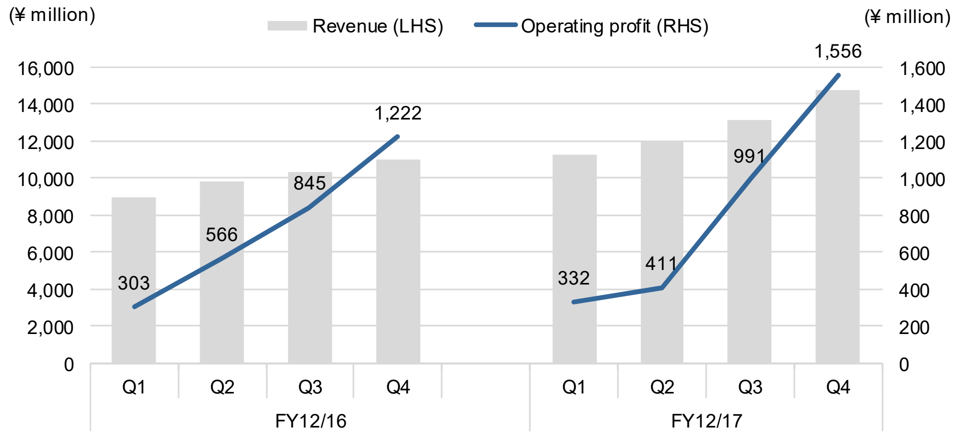
(¥ million)		FY12/16	FY12/17		FY12/17		
		Full-Year	Full-Year	YoY Changes	Full-Year	YoY Changes	
		Actual	Initial Forecasts	Ratio	Actual	Amount	Ratio
Domestic Engineering Outsourcing Business	Revenue	40,182	48,666	21.1%	51,264	11,082	27.6%
	Operating profit	2,936	3,879	32.1%	3,290	354	12.0%
	Ratio of operating profit before adjustments	*7.3%*	*8.0%*	-	*6.4%*	-	-
	No. of worksite employees at term-end	6,066	8,566	-	8,716	-	-
Domestic Manufacturing Outsourcing Business	Revenue	34,608	44,509	28.6%	46,231	11,623	33.6%
	Operating profit	1,329	2,331	75.4%	1,803	474	35.7%
	Ratio of operating profit before adjustments	*3.8%*	*5.2%*	-	*3.9%*	-	-
	No. of worksite employees at term-end	9,033	13,097	-	11,094	-	-
Domestic Service Operations Outsourcing Business	Revenue	3,470	12,101	248.7%	13,086	9,616	277.1%
	Operating profit	(258)	492	-	776	1,034	-
	Ratio of operating profit before adjustments	*-7.4%*	*4.1%*	-	*5.9%*	-	-
	No. of worksite employees at term-end	1,609	3,836	-	2,932	-	-
Domestic Administrative Outsourcing Business	Revenue	873	1,098	25.8%	1,181	308	35.2%
	Operating profit	278	702	152.5%	260	(18)	-6.7%
	Ratio of operating profit before adjustments	*31.8%*	*63.9%*	-	*22.0%*	-	-
	No. of of outsourcing administrative workers at term-end	1,478	5,900	-	5,628	-	-
Domestic Recruiting and Placing Business	Revenue	1,378	1,501	8.9%	1,763	385	28.0%
	Operating profit	647	302	-53.3%	594	(53)	-7.9%
	Ratio of operating profit before adjustments	*47.0%*	*20.1%*	-	*33.7%*	-	-
	No. of placed workers	3,689	3,751	-	3,614	-	-
Overseas Engineering Outsourcing Business	Revenue	21,022	24,845	18.2%	28,925	7,903	37.6%
	Operating profit	688	1,157	68.2%	1,232	544	-78.9%
	Ratio of operating profit before adjustments	*3.3%*	*4.7%*	-	*4.3%*	-	-
	No. of worksite employees at term-end	1,836	1,982	-	1,956	-	-
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	32,150	79,645	147.7%	87,262	55,112	171.4%
	Operating profit	1,376	3,007	118.5%	3,727	2,351	170.9%
	Ratio of operating profit before adjustments	*4.3%*	*3.8%*	-	*4.3%*	-	-
	No. of worksite employees at term-end	24,290	39,456	-	35,180	-	-
Other Business	Revenue	600	635	5.8%	460	(140)	-23.3%
	Operating profit	38	(298)	-	35	(3)	-7.9%
	Ratio of operating profit before adjustments	*6.3%*	*-46.9%*	-	*7.6%*	-	-
	No. of worksite employees at term-end	4	5	-	3	-	-
Adjustments	Operating profit	(1,471)	(2,071)	-	(357)	1,114	-
Total	Revenue	134,283	213,000	58.6%	230,172	95,889	71.4%
	Operating profit	5,563	9,500	70.8%	11,360	5,797	104.2%
	Ratio of operating profit	*4.1%*	*4.5%*	-	*4.9%*	-	-

Source: Compiled by Trias Corporation from the Company IR materials
Note: The amounts shown are rounded off to the nearest million yen.

Domestic Engineering Outsourcing Business

- Revenue ¥51,264 million (+27.6% YoY), operating profit ¥3,290 million (+12.0% YoY)
- Number of worksite employees at term-end increased 2,650 YoY (+43.7% YoY) to 8,716 from 6,066 in FY12/16
- Number of engineers in FY12/17 was 1,356 by overcoming hiring difficulty through its training scheme using the KEN School.
- Also number of new graduates in FY12/17: was 550 through hiring and training
- Hiring workers displaced due to natural attrition of industry providers unable to compete under the Revised Worker Dispatching Act

●Quarterly Earnings Trend of Domestic Engineering Outsourcing Business

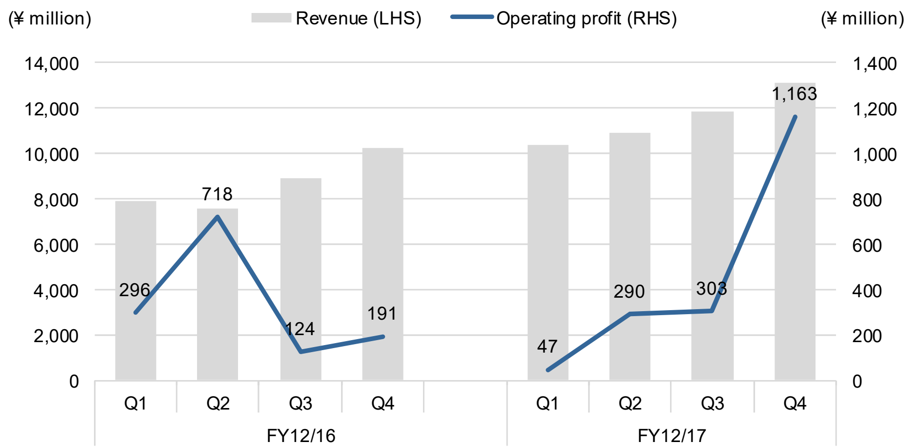


Source: compiled by Trias Corporation from Company IR materials.

Domestic Manufacturing Outsourcing Business

- Revenue ¥46,231 million (+33.6% YoY), operating profit ¥1,803 million (+35.7% YoY)
- Number of worksite employees at term-end increased 2,061 YoY (+22.8% YoY) to 11,094 from 9,033 in FY12/16
- Number of persons enrolled in FY12/17 was 10,021 under proprietary PEO Scheme which accepts transfer of fixed-term contract employees hired directly by makers after their 5-year maximum has been reached as full-time PEO employees in response to the Revised Labor Contracts Act
- Unit contract prices are the highest in the industry reflecting full-time employment risk
- Reported operating profit is ¥1,803 million, but adjusted for holding company expenses was ¥4,995 million. This will be charged separately from next FY12/18 to clarify the true level of operating profit.

●Quarterly Earnings Trend of Domestic Manufacturing Outsourcing Business

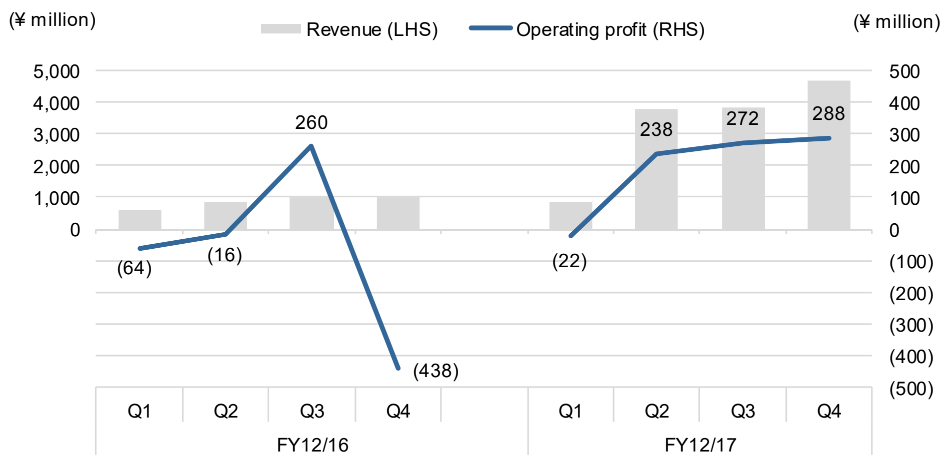


Source: compiled by Trias Corporation from Company IR materials.

Domestic Service Operations Outsourcing Business

・Revenue ¥13,086 million (+277.1% YoY), operating profit ¥776 million (turned into black)
・Number of worksite employees at term-end increased 1,323 YoY (+82.2% YoY) to 2,932 from 1,609 in FY12/16
・Expanded bonded insurance required for group subsidiary AMERICAN ENGINEERING CORPORATION (hereinafter “AEC”) to bid in auctions for maintenance and repairs of military facilities using the credit quality of the parent.
・Increased dispatching services for welfare and recreation facilities within US military bases in Japan to over 20 locations nationwide, expanding business less susceptible to impact from the economy.

●Quarterly Earnings Trend of Domestic Service Operations Outsourcing Business



Source: compiled by Trias Corporation from Company IR materials.

Domestic Administrative Outsourcing Business

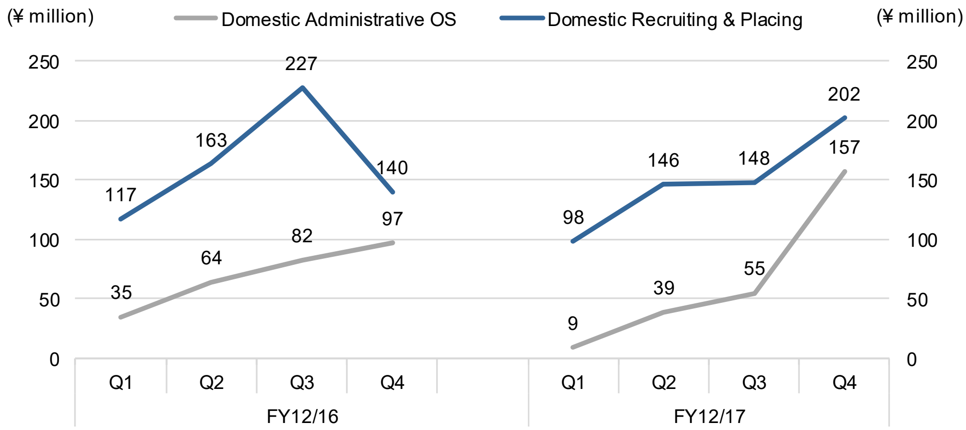
Domestic Recruiting and Placing Business

・Domestic Administrative Outsourcing Business revenue ¥1,181 million (+35.2% YoY), operating profit ¥260 million (-6.7% YoY)
・Number of outsourcing administrative workers at term-end increased +4,150 YoY (up 3.8x YoY) to 5,628 from 1,478 in FY12/16
・In response to the Revised Labor Contracts Act, makers are also introducing technical intern trainees as substitutes for fixed-term contract employees.
・A high number of 4-month training programs in preparation to come to Japan were completed in local countries through the end of the Q4, and associated transfer costs depressed profits.
・Since internships normally average 3 years, earnings are set to pick up going forward. Note that the

9-month cumulative YoY decline of -43% shrank sharply in the Q4.

- Domestic Recruiting and Placing Business revenue ¥1,763 million (+28.0% YoY), operating profit ¥594 million (-7.9% YoY)
- Number of placed workers decreased 75 YoY (-2.0% YoY) to 3,614 from 3,689 in FY12/16
- Revenue increased due to brisk demand from existing clients for production hikes.
- Operating profit declined due to high-margin auto demand shifting to PEO Scheme dispatching from recruiting and placing.

●Quarterly Operating Profit Trend for Domestic Administrative Outsourcing Business and Domestic Recruiting and Placing Business

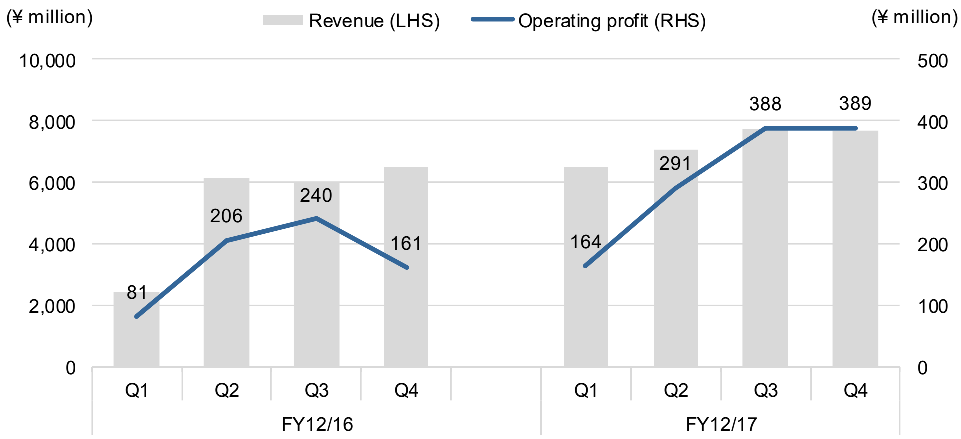


Source: compiled by Trias Corporation from Company IR materials.

Overseas Engineering Outsourcing Business

- Revenue ¥28,925 million (+37.6% YoY), operating profit ¥1,232 million (+78.9% YoY)
- Number of worksite employees at term-end: increased +120 YoY (+6.5% YoY) to 1,956 from 1,836 in FY12/16
- Work on consignment from central and local governments in the UK and Australia using proprietary systems and various outsourcing business for public facilities.
- Government-related business is less susceptible to impact from the economy.

Quarterly Earnings Trend of Overseas Engineering Outsourcing Business

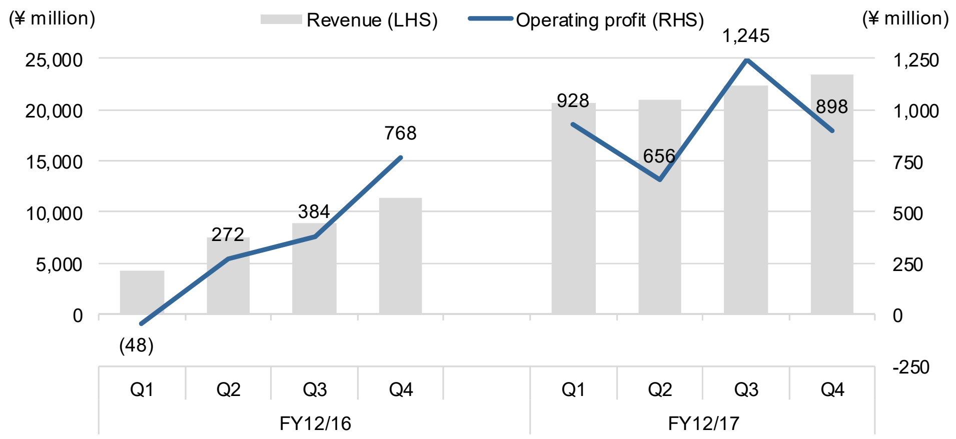


Source: compiled by Trias Corporation from Company IR materials.

Overseas Manufacturing and Service Operations Outsourcing Business

- Revenue ¥87,262 million (+171.4% YoY), operating profit ¥3,727 million (+170.9% YoY)
- Number of worksite employees at term-end increased 10,890 YoY (+44.8% YoY) to 35,180 from 24,290 in FY12/16
- Service operations outsourcing includes human resource services for central government agencies, BPO for public work on consignment and agency payroll outsourcing.
- Major step toward smoothing out of overall group earnings with businesses less susceptible to the economy.
- Manufacturing outsourcing also grew sharply with the consolidation of Orizon, Germany's 8th largest staffing firm with strengths in automobile and medical sectors.
- This acquisition also achieves diversification into sectors with cycles different from conventional manufacturing.

●Quarterly Earnings Trend of Overseas Manufacturing and Service Operations Outsourcing Business



Source: compiled by Trias Corporation from Company IR materials.

Summary of FY12/18 Consolidated Financial Forecasts

First, it should be noted that the Company is making several minor changes in operating segment and client industry classifications. Since clients of Domestic Administrative Outsourcing Business and Domestic Recruiting and Placing Business are makers, those two segments are being eliminated and integrated into Domestic Manufacturing Outsourcing Business. Then for client industry sectors, “Civil Service” is being changed to “Public Works,” and “Finance” is being newly established. The Company has indicated that overseas segments will also provide disclosure under these classifications. Finally, holding company expenses that had previously been charged to Domestic Manufacturing Outsourcing Business will be booked separately from FY12/18.

For FY12/18, the Company is initially guiding for revenue of ¥290.0 billion, +26.0% YoY, and operating profit of ¥13.8 billion, +21.5% YoY. However, management has indicated that due to better-than-expected progress on revised Medium-Term Management Plan revenue and EBITDA targets, and positive surprise on the adoption speed and level of understanding of group governance initiatives by newly consolidated overseas subsidiaries, it will resume strategic M&A one year early from FY12/18, deploying the portion of management resources above Medium-Term Management Plan pledged targets to new acquisitions. According to the Company, initial operating profit forecast factors in ¥2.0 billion for due diligence associated with M&A. Since M&A transactions are either all or nothing, i.e. there is no guarantee that any potential deal will be consummated, it seems there is not much budgeted in revenue associated with new acquisitions. Therefore, any successful deals have potential to raise actual revenue and operating profit.

●[Table 4] FY12/18 IFRS Consolidated Forecasts Summary

(¥ million)	FY12/17		FY12/18		
	Full-Year	YoY Changes	Full-Year	YoY Changes	
	Actual	Ratio	Forecasts	Amount	Ratio
Revenue	230,172	71.4%	290,000	59,828	26.0%
Operating Profit	11,360	104.2%	13,800	2,440	21.5%
Ratio of operating profit	*4.9%*	-	*4.8%*	-	-
Profit before tax	10,395	110.5%	12,800	2,405	23.1%
Ratio of profit before tax	*4.5%*	-	*4.4%*	-	-
Profit for the year	6,929	100.9%	8,600	1,671	24.1%
Profit attributable to owners of the Company	6,180	103.4%	6,900	720	11.7%
Ratio of profit attributable to owners of the Company	*2.7%*	-	*2.4%*	-	-

Source: Compiled by Trias Corporation from the Company IR materials
Note: The amounts shown are rounded off to the nearest million yen.

The outlook by individual operating segment is shown in Table 5 on page 13. Domestic Engineering Outsourcing Business is expected to maintain high double-digit growth in both revenue and profit, addressing the chronic shortage of engineers through its training scheme using the Group's KEN School, hiring of new graduates, and further incorporation of engineers displaced through natural attrition in the industry due to the Revised Worker Dispatching Act. Domestic Manufacturing Outsourcing Business is also expected to maintain high double-digit growth in both revenue and profit, with ongoing growth from the PEO Scheme, and inclusion of technical intern trainees under the former Domestic Administrative Outsourcing Business being merged into this one. As mentioned earlier, holding company expenses which had been charged to this segment will be booked separately from FY12/18.

For Domestic Service Operations Outsourcing Business, dispatching for welfare and recreation facilities within US military bases in Okinawa is being rolled out to 20 bases nationwide. In addition, the increased bonded insurance framework required for AEC bidding on consignment maintenance and repair work for military facilities will support continued growth. Business related to convenience stores has been somewhat revised due to potential exposure to rising labor unit costs from a new requirement for equal pay for equal work, but a new structure is scheduled to commence from May using university students. Both overseas segments are expected to maintain high double-digit growth in both revenue and profit, largely driven by work on consignment for central and local governments, BPO for public services and agency payroll business, all of which contribute to management's key initiative for smoothing out earnings.

[Table 5] FY12/18 IFRS Consolidated Forecasts by New Operating Segment

(¥ million)		FY12/17	FY12/18		FY12/17	FY12/18
		Full-Tear	Full-Tear	YoY Changes	Composition Ratio	
		Actual	Forecasts	Ratio	Actual	Forecasts
Domestic Engineering Outsourcing Business	Revenue	51,264	69,883	36.3%	22.3%	24.1%
	Operating profit	4,294	6,399	49.0%	37.8%	46.4%
	Ratio of operating profit before adjustments	*8.4%*	*9.2%*	-	-	-
	No. of worksite employees at term-end	8,716	11,534	-	-	-
Domestic Manufacturing Outsourcing Business	Revenue	49,175	68,384	39.1%	21.4%	23.6%
	Operating profit	4,872	6,050	24.2%	42.9%	43.8%
	Ratio of operating profit before adjustments	*9.9%*	*8.8%*	-	-	-
	No. of worksite employees at term-end	11,094	15,636	-	-	-
	No. of of outsourcing administrative workers at term-end	5,628	7,989	-	-	-
	No. of placed workers	3,614	3,419	-	-	-
Domestic Service Operations Outsourcing Business	Revenue	13,086	19,872	51.9%	5.7%	6.9%
	Operating profit	956	1,342	40.4%	8.4%	9.7%
	Ratio of operating profit before adjustments	*7.3%*	*6.8%*	-	-	-
	No. of worksite employees at term-end	2,932	5,316	-	-	-
Overseas Engineering Outsourcing Business	Revenue	28,925	31,831	10.0%	12.6%	11.0%
	Operating profit	1,233	2,209	79.2%	10.9%	16.0%
	Ratio of operating profit before adjustments	*4.3%*	*6.9%*	-	-	-
	No. of worksite employees at term-end	1,956	2,113	-	-	-
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	87,262	99,263	13.8%	37.9%	34.2%
	Operating profit	3,727	4,370	17.3%	32.8%	31.7%
	Ratio of operating profit before adjustments	*4.3%*	*4.4%*	-	-	-
	No. of worksite employees at term-end	35,180	38,979	-	-	-
Other Business	Revenue	460	767	66.7%	0.2%	0.3%
	Operating profit	38	(294)	-	0.3%	-2.1%
	Ratio of operating profit before adjustments	*8.3%*	*-38.3%*	-	-	-
	No. of worksite employees at term-end	3	4	-	-	-
Adjustments	Operating profit	(357)	(6,275)	-	-	-
Total	Revenue	230,172	290,000	26.0%	100.0%	100.0%
	Operating profit	11,360	13,800	21.5%	100.0%	100.0%
	Ratio of operating profit	*4.9%*	*4.8%*	-	-	-

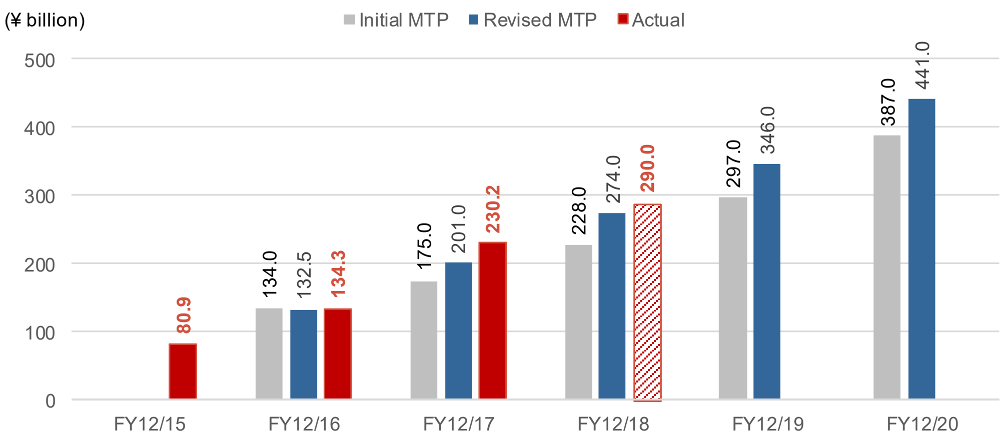
Source: Compiled by Trias Corporation from the Company IR materials
Note: The amounts shown are rounded off to the nearest million yen.

TOPICS: M&A Review Ahead of Resuming M&A Activities in FY12/18

FY12/17 was positioned as a year to consolidate the large acquisitions made in recent years ahead of the next big step forward, including strengthening groupwide corporate governance. One of the key messages from FY12/17 results was that progress on Medium-Term Management Plan targets is now running nicely ahead of schedule, as can be seen in Graph 4 and 5 on page 14, and that the Company intends to deploy the portion above pledged returns into frontloaded investments for future growth, resuming M&A activities one year early from FY12/18. Management's long-term vision is aiming at becoming the No.1 global human resource services provider, and it often useful along the way to look back on progress in M&A transactions to date, which may help provide some clues regarding future targets.

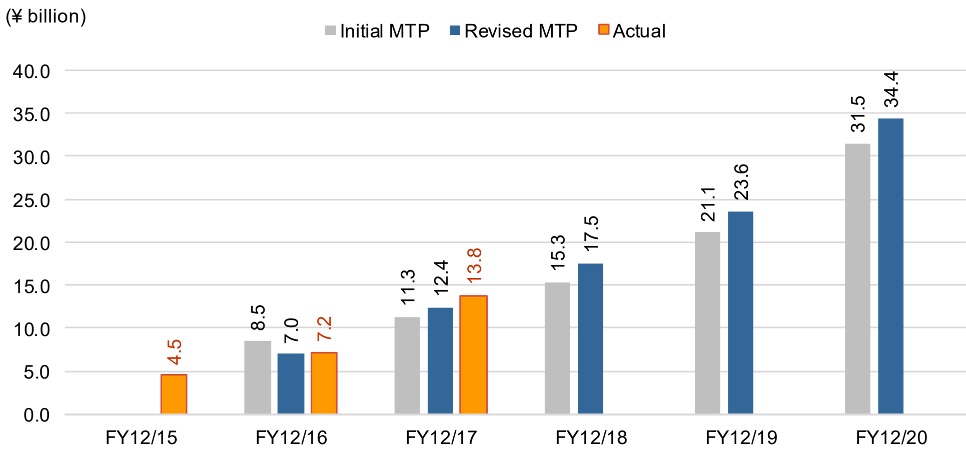
The objective of this TOPICS section is to overlay the acquisitions into classifications by core strategy initiatives, to review them in the context of the historical timeline, and then to examine the earnings results generated from those transactions, with the aim of identifying clues to new target direction going forward.

●[Graph 4] Trend of Revised MTP Revenue Targets and Actual Results



Source: compiled by Trias Corporation from Company IR materials.
Note: FY12/18 is initial guidance.

●[Graph 5] Trend of Revised MTP EBITDA Targets and Actual Results

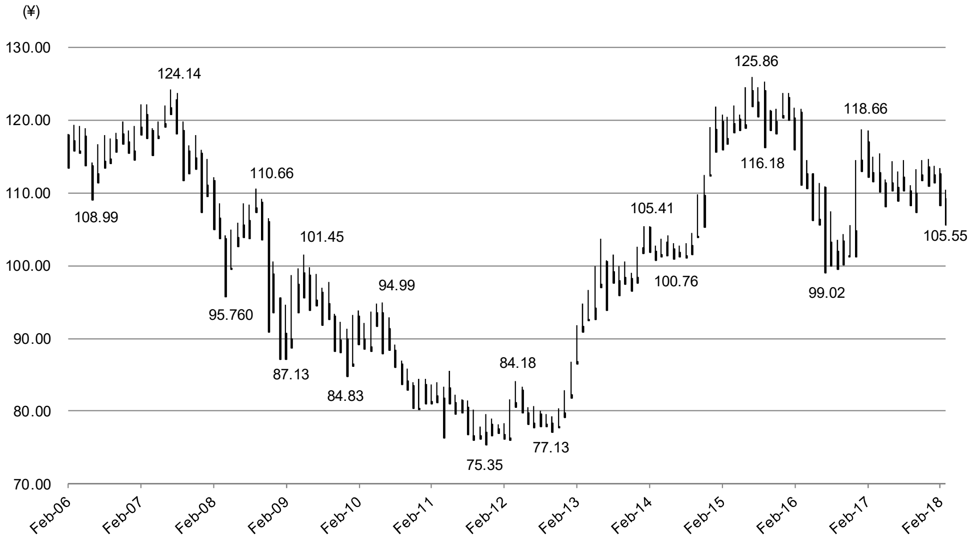


Source: compiled by Trias Corporation from Company IR materials.

With that in mind, the period for the purpose of this analysis is from FY12/11 onward, currently in the third Medium-Term Management Plan within that period. First, we travel back in time to FY12/10. The Company was just recovering from the difficult period in FY12/09 in the heart of the financial crisis, when net sales declined -25.6% YoY, and operating profit posted an operating loss. FY12/10 was marked by a V-shaped recovery in net sales, +58.0% YoY, and operating profit returning to the black. However, as of the end of FY12/10, 100% of net sales were still in Japan, and blue-collar Production Outsourcing Business still accounted for 95.2% of total sales. That was only 7 years ago. At the same, as can be seen in Graph 6 on page 15, the 'Super Yen' had become a persistent driver that was steadily forcing more and more manufacturers to shift production overseas. The Great East Japan Earthquake that resulted in the shutdown of all nuclear power on the grid only strengthened the shift of production offshore.

On a medium-term view, domestic makers felt further justification from within the outlook for global population rising from 7 billion to 10 billion, that the highest growth profile is in Asia, and population growth combined with the rise in standards of living point to attractive future markets, which stands in stark contrast to Japan's growth potential limited by demographic constraints.

●[Graph 6] 2010 Issues: 'Super Yen' in the wake of the financial crisis prompting manufacturers to shift production bases overseas



Source: Bloomberg L. P.

The inescapable conclusion was that the business was highly exposed to Domestic Manufacturing Outsourcing Business declining, and diversification of the business portfolio was an urgent priority. Table 6 on page 16 provides a summary of the evolution over time of management's thinking on core strategy initiatives as put forward in 3 medium-term management plans.

Then with that as the backdrop, our analysis in Table 7 on page 17 classifies M&A transactions into 5 main categories: ❶ Overseas Manufacturing Outsourcing Business (building an ASEAN human resource network to add fluidity/mobility to supply staff where needed and source staff from available surplus markets, as well as diversify by region and manufacturing sector), ❷ Domestic Engineering Outsourcing Business (in addition to manufacturing-related R&D, prototype design, etc., diversifying into sectors with cycles different from manufacturing, specifically IT and construction), ❸ Overseas Engineering Outsourcing Business (human resource services for IT engineers and other white-collar professions, consignment work for central and local governments), ❹ Domestic Service Operations Outsourcing Business (sectors less susceptible to the economy, specifically US military facilities and convenience stores), and ❺ Overseas Service Operations Outsourcing Business (public work, BPO for public services and agency payroll services, etc.).

●[Table 6] Review of Medium-Term Management Plans Since 2011

Medium-Term Management Plans	Core Strategy Growth Initiatives
● Vision 2014: Vector to the Top <announced Jul-2011>	**Reduce dependence on Domestic Manufacturing Outsourcing** → Increase the weight of Engineering Outsourcing Business ❶ Target new businesses with different cycles from manufacturing: IT ❷ Capture special reconstruction demand: Construction Engineering → Increase the weight of International Business ❸ Establish an ASEAN-based human resource network in Asia
● Vision 2017: Vector to the New Paradigm <announced Feb-2015>	**Expand upon efforts to diversify the business portfolio** → Target opportunities from legal/regulatory changes ❶ Proprietary PEO Scheme shifting out of short-term production domain → Increase the weight of Engineering Outsourcing Business ❷ Secure IT engineers through scheme using the KEN School → Capture Olympics-related, national projects/aging infra, urban redev. ❸ Restructure/strengthen construction & civil engineering outsourcing → Identify new businesses less susceptible to the economy ❹ Domestic Services OS in US military facilities, convenience stores ❺ Overseas Services OS in BPO, public work on consignment, etc. → Strengthen Asia HR network through intern trainee program ❻ Conclude tie-ups with overseas governments, build infrastructure
● Vision 2020: Tackling New Frontiers <announced Aug-2016> <targets revised up Dec-2016>	**Roll out diversification measures globally, strengthen governance** → 2016 positioned for deploying strategic M&A on a global scale ❶ M&A-related investment funds exceeded ¥43 billion incl. Orizon and a portion of AEC), effectively completing the initial growth platform Debt increased, and equity ratio dipped to 8.5% → 2017 positioned for consolidating the Group ahead of the next level ❷ Including the equity financing from January, get equity ratio back over 20%, strengthen global governance → 2018-2020 resuming strategic M&A, targeting lateral synergies ❸ FY12/18 fortify financial position, seek to expand group synergies ❹ FY12/19 implement M&A on same scale as 2016 (¥50 billion revenue) ❺ Long-term Vision: FY12/23 revenue of ¥1 trillion

Source: compiled by Trias Corporation from Company IR materials.

● [Table 7] M&A Timeline of Major Corporate Events by Strategy

Overseas Manufacturing and Service Operations Outsourcing	
2010.8	Established Out-Sourcing China, Inc. (Shanghai)
2011.4	Established OS (THAILAND) CO., LTD.
2011.8	Established PT. OS SELNAJAYA INDONESIA
2011.11	**Acquired Faro group**
2011.11	Established OS VIETNAM CO., LTD.
2013.10	**Acquired SANSHIN (MALAYSIA) SDN. BHD.**
2014.1	**Acquired ALP CONSULTING LIMITED and DATACORE TECHNOLOGIES PRIVATE LIMITED**
2014.12	**Acquired CELCO (THAILAND) CO., LTD.**
2015.4	Established OUTSOURCING (CAMBODIA) Inc.
2015.12	**Acquired GE group companies (Chile)**
2017.1	**Acquired Orizon Holding GmbH group companies in Germany**

Domestic Engineering Outsourcing (IT, constraction)	
2009.3	**Through absorption of FREE WORK CO., LTD. acquired DAISEI ENGINEERING Co., Ltd.**
2009.11	**Acquired Seishow Co., Ltd.***
2010.10	Established OS.SEMITEC Inc.
2011.9	**Acquired GIM* Inc.**
2012.1	**Acquired Asuka Creation Co., Ltd.***
2012.7	**Acquired Grayscale Co., Ltd.***
2013.1	**Acquired Computer System Laboratory Co., Ltd.***
2014.4	**Acquired Thinketh Bank Co., Ltd.**
2014.5	**Acquired NexM Communications Inc.***
2015.1	**Acquired Kyodo Engineering Corporation**
	*current OUTSOURCING TECHNOLOGY Inc.

Domestic Service Operations Outsourcing (military facilities, CVS)	
2015.1	Established IOD Inc.
2015.10	**Acquired ISE INTERNATIONAL Co.,Ltd.**
2017.4	**Acquired AMERICAN ENGINEERING CORPORATION (OKINAWA)**

Overease Engineering Outsourcing (IT,public work)	
2015.8	**Acquired BLUEFIN group companies in Australia**
2015.8	**Acquired NTRINSIC HOLDINGS LIMITED and group companies in the UK, Belgium and France**
2016.4	**Acquired J.B.W. group companies**
2016.4	**Acquired THE BEDDISON group companies**

Overseas Service Operations Outsourcing (public work, BPO)	
2016.4	**Acquired THE BEDDISON group companies in Australia**
2016.4	**Acquired SYMPHONY HRS SDN. BHD. (current OS HRS SDN. BHD.) in Malaysia and group companies in India and Europe**
2016.8	**Acquired ALLEN LANE GROUP HOLDINGS LIMITED (current VERACITY OSI UK LIMITED) and LIBERATA UK LIMITED**

Source: compiled by Trias Corporation from Company IR materials and press releases.

● [Table 8] Business Descriptions of Acquisitions by Core Strategies

ASEAN network, region/sector diversity	Business Description
OS International Co., Ltd.	Cross-border human resource services with licenses to operate in 7 countries
SANSHIN (MALAYSIA) SDN. BHD. (Malaysia)	Electronic equipt. EMS
ALP group companies (India)	IT engineer dispatching, mfg. dispatching, payroll services
GE group companies (Chile)	Mfg. dispatching, BPO
Orizon group companies (Germany)	Mfg. dispatching (strength in mechanical eng, aviation, medical), BPO

Domestic Engineering (IT, construction)	Business Description
OUTSOURCING TECHNOLOGY Inc.	R&D OS, engineer dispatching, IT and telecom system engineers
Thinketh Bank Co., Ltd.	IT training, KEN School for engineers and unskilled workers
Kyodo Engineering Corporation	Management of construction and plant on-site supervisor engineers

Overseas Engineering (IT, public work)	Business Description
BLUEFIN group companies (Australia)	Human resource services for IT engineering, risk/operations, banking, marketing
NTRINSIC group companies (UK, Belgium)	System engineers (strength in Oracle systems)
J.B.W. group companies (UK)	Debt collection outsourcing for UK central and local governments
THE BEDDISON group companies (Australia)	Human resource services for IT engineering

Domestic Services OS (military facilities, CVS)	Business Description
AMERICAN ENGINEERING CORPORATION	Eng. construction and maintenance services for US military facilities (strength in HVAC and electrical systems)

Overseas Services (public work, BPO)	Business Description
THE BEDDISON group companies (Australia)	Human resource services for outsourcing of prison and airport security, staffing for central and local governments, HR consulting, hotel services
OS HRS SDN. BDH. (Malaysia)	Agency payroll services
VERACITY OSI UK LIMITED, LIBERATA UK LIMITED (UK)	Accounting outsourcing and BPO for public services

Source: compiled by Trias Corporation from Company IR materials and press releases.

The key takeaways from this analysis are that management has remained focused and thoroughly committed, without deviation, to execution on its core strategy growth initiatives through various forms of diversification, and that these various initiatives have evolved and expanded over time. For example, in the case of Overseas Manufacturing Outsourcing Business, back in 2010-2011, the initial motivation was to follow its key maker clients overseas, which then evolved into creating an human resource network that can free up liquidity of human resources throughout the region, sourcing staff from markets with available surplus to supply markets with high demand, and then the focus expanded to diversifying production outsourcing clients and regions on a global scale.

In the case of Domestic Engineering Outsourcing Business, back in 2010-2011, in the wake of the financial crisis, the motivation at the time was to identify opportunities to pick up companies with exposure to sectors with cycles different from manufacturing, and the Company specifically identified IT and telecom systems engineers, and construction/plant engineers. The Company made a steady series of IT acquisitions, later consolidating them under OUTSOURCING TECHNOLOGY Inc. to streamline the administration function. Over time, the chronic shortage of engineers became increasingly more apparent as the economy recovered under Abenomics, and in the spring of 2014, the Company acquired the operator of KEN School, a leading IT learning center, and developed the idea of taking displaced mid-career unskilled workers and giving them the required IT training in response to the chronic shortage of engineers.

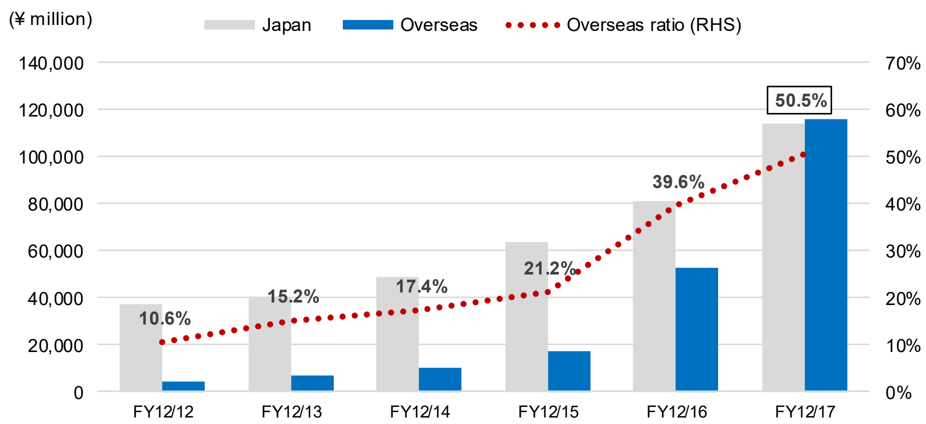
The next stage of natural progression was moving from sectors with business cycles different from manufacturing, to identifying sectors less susceptible to the economy in general. In Japan, the Company identified outsourcing work for US military facilities, and convenience stores. For Overseas Engineering Outsourcing Business, after adding IT system engineers to the portfolio, the Company took notice of the rapid trend toward outsourcing various public services to the private sector, particularly among members of the Commonwealth of Nations, starting with the UK and Australia. In the UK, the Company acquired J.B.W. GROUP, which has a proprietary system for debt collection for the UK central and local governments. In Australia, for Overseas Service Operations Outsourcing Business, the Company acquired the BEDDISON Group companies, which include human resource services for security for airports and prisons, as well as human resource consulting for the central and local governments. In addition, SYMPHONY HRS SDN. BHD. (current OS HRS SDN. BHD.) in Malaysia does agency payroll services for a number of multinational corporations, and ALLEN LANE GROUP (current VERACITY OSI UK LIMITED) and LIBERATA in the UK do various BPO for public services. During 2016, the Company deployed over ¥43.0 billion toward announced strategic M&A deals (the Orizon and AEC transactions closed in 2017).

During our interview with Chairman and CEO Doi, he used the term “smoothing out” repeatedly as an overriding principle driving core strategies. The various aforementioned diversification strategies are a means to an end with the ultimate objective of smoothing out earnings through even the worst economic downturns. Mr. Doi sees high potential for another major reset of the domestic economy within the next 5 years, and believes current brisk conditions in Japan’s labor markets, especially engineering, are being somewhat inflated by 1) widespread R&D efforts in the automobile sector for the high number of new PHV/EV model launches in the pipeline, and 2) measures in response to Revised Worker Dispatching Act, both of which he anticipates will have run their course by around the time of the 2020 Tokyo Olympics. Therefore, despite the current strong domestic market, diversification and “smoothing out” still remain an urgent priority.

Well now that we have organized the Company’s major M&A deals since 2011 into 5 core strategy growth initiatives, let’s examine the impact they have had on the Company’s earnings. Graph 7 below and Table 9 on page 20 show that over the last 5 years, total revenue has grown at 40.5% CAGR, which is broken down as Japan +24.8% per annum, and overseas +92.0% per annum, with overseas revenue nearly doubling every year, and the weight of overseas accounting for 50.5% in FY12/17.

Noteworthy is that both Japan and overseas revenue posted high double-digit growth during that period, one measure that the Company’s initiatives are working.

●[Graph 7] Trend of Consolidated Revenue by Region (¥ million, %)



Source: compiled by Trias Corporation using Company data.

●[Table 9] Trend of Consolidated Revenue by Region

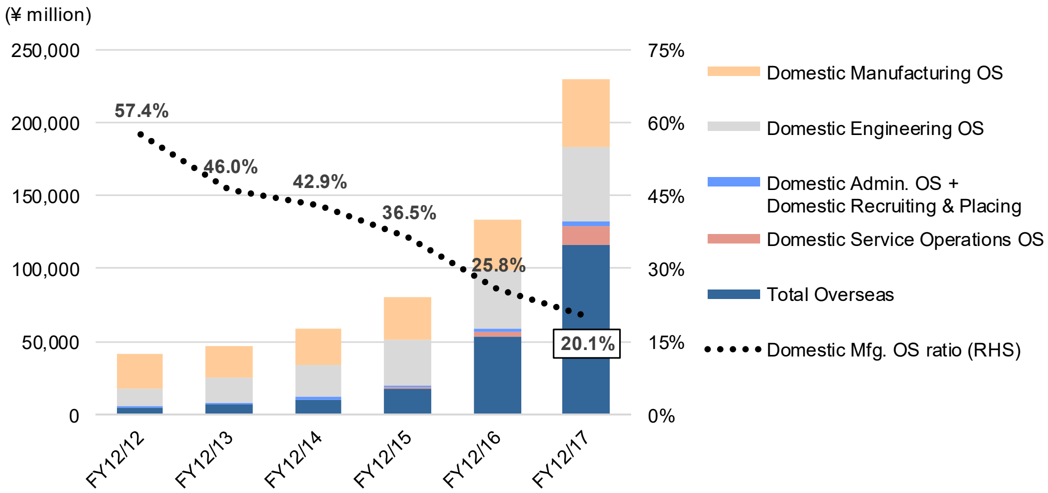
(¥ million)	FY12/12 J-GAAP	FY12/13 J-GAAP	FY12/14 J-GAAP	FY12/15 J-GAAP	FY12/16 IFRS	FY12/17 IFRS	5-Year CAGR
TOTAL REVENUE	42,090	47,384	59,421	80,860	134,283	230,172	40.5%
• Japan	37,634	40,163	49,074	63,678	81,111	113,985	24.8%
• Total Overseas	4,456	7,220	10,346	17,181	53,172	116,187	92.0%
• Asia/Oceania	4,456	7,220	10,346	15,468	40,274	57,223	66.6%
• Other	-	-	-	1,713	12,898	58,964	-
• Asia (ex-Japan)	-	-	-	13,222	13,195	18,772	-
• Oceania	-	-	-	2,246	27,079	38,451	-
• Europe	-	-	-	1,365	8,997	54,127	-
• South America	-	-	-	347	3,901	4,837	-
[composition ratio]							
TOTAL REVENUE	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
• Japan	89.4%	84.8%	82.6%	78.8%	60.4%	49.5%	
• Total Overseas	10.6%	15.2%	17.4%	21.2%	39.6%	50.5%	
• Asia/Oceania	10.6%	15.2%	17.4%	19.1%	30.0%	24.9%	
• Other	-	-	-	2.1%	9.6%	51.7%	
• Asia (ex-Japan)	-	-	-	16.3%	9.8%	8.2%	
• Oceania	-	-	-	2.8%	20.2%	16.7%	
• Europe	-	-	-	1.7%	6.7%	23.5%	
• South America	-	-	-	0.4%	2.9%	2.1%	

Source: compiled by Trias corporation from company YUHO financial statements

Note: The amounts shown are rounded down for FY12/12-FY12/15 and rounded off to the nearest million yen for FY12/16 and FY12/17

Graph 8 below and Table 10 on page 21 show the trend by operating segment. The stated objective has been to reduce the weight of Domestic Manufacturing Outsourcing Business (long-term target is under 10%), and it has in fact declined every year since 95% in FY12/10 to 20% in FY12/17. However, even with this sharp decline in the composition ratio, Domestic Manufacturing Outsourcing Business revenue still grew at 5-year CAGR of +13.8% per annum. This is likely another indicator that the Company's strategies are working. The Company is growing the business overall, and, lowering the risk profile at the same time through raising exposure to sectors less susceptible to changes in the economy.

●[Graph 8] Trend of Consolidated Revenue by Operating Segment



Source: compiled by Trias Corporation using Company data.

● [Table 10] Trend of Consolidated Revenue by Operating Segment and Client Industries

(¥ million)	FY12/12 J-GAAP	FY12/13 J-GAAP	FY12/14 J-GAAP	FY12/15 J-GAAP	FY12/16 IFRS	FY12/17 IFRS	5-Year CAGR
TOTAL REVENUE	42,090	47,384	59,421	80,860	134,283	230,172	40.5%
Japan	37,634	40,163	49,074	63,678	81,111	113,985	24.8%
• Domestic Engineering Outsourcing (OS)	**12,260**	**17,079**	**22,036**	**31,552**	**40,182**	**51,264**	**33.1%**
Electrical & Electronics Equipt.	2,301	2,299	3,042	5,334	6,992	10,553	35.6%
Transport Equipt.	4,108	5,126	6,946	8,473	10,148	12,391	24.7%
IT-related	2,769	5,674	8,335	9,982	13,564	15,835	41.7%
Construction & Plant-related	-	441	576	4,319	5,134	6,568	-
Others	3,082	3,539	3,137	3,444	4,344	5,917	13.9%
• Domestic Manufacturing OS	**24,178**	**21,812**	**25,478**	**29,468**	**34,608**	**46,231**	**13.8%**
Electrical & Electronics Equipt.	5,320	4,158	6,774	8,857	11,831	18,123	27.8%
Transport Equipt.	7,623	6,558	8,680	11,532	12,377	14,498	13.7%
Others	11,235	11,096	10,024	9,079	10,400	13,610	3.9%
• Domestic Service Operations OS	**-**	**-**	**-**	**1,083**	**3,470**	**13,086**	**-**
Retail	-	-	-	837	1,668	1,729	-
Civil Service	-	-	-	133	778	9,628	-
Others	-	-	-	112	1,024	1,729	-
• Domestic Administrative OS	614	603	601	537	873	1,181	14.0%
• Domestic Recruiting and Placing	427	477	779	871	1,378	1,763	26.4%
Total Overseas	**4,456**	**7,220**	**10,346**	**17,181**	**53,172**	**116,187**	**92.0%**
• Overseas Engineering OS	-	-	-	3,832	21,022	28,925	-
• Overseas Manufacturing and Service Operations OS	-	-	-	13,349	32,150	87,262	-
[composition ratio]							
TOTAL REVENUE	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Japan	89.4%	84.8%	82.6%	78.8%	60.4%	49.5%	
• Domestic Engineering Outsourcing (OS)	**29.1%**	**36.1%**	**37.1%**	**39.0%**	**29.9%**	**22.3%**	
Electrical & Electronics Equipt.	5.5%	4.9%	5.1%	6.6%	5.2%	4.6%	
Transport Equipt.	9.8%	10.8%	11.7%	10.5%	7.6%	5.4%	
IT-related	6.6%	12.0%	14.0%	12.3%	10.1%	6.9%	
Construction & Plant-related	-	0.9%	1.0%	5.3%	3.8%	2.8%	
Others	7.3%	7.5%	5.3%	4.3%	3.2%	2.6%	
• Domestic Manufacturing OS	**57.4%**	**46.0%**	**42.9%**	**36.5%**	**25.8%**	**20.1%**	
Electrical & Electronics Equipt.	12.6%	8.8%	11.4%	11.0%	8.9%	7.9%	
Transport Equipt.	18.1%	13.8%	14.6%	14.3%	9.2%	6.3%	
Others	26.7%	23.4%	16.9%	11.2%	7.7%	5.9%	
• Domestic Service Operations OS	**-**	**-**	**-**	**1.3%**	**2.6%**	**5.7%**	
Retail	-	-	-	1.0%	1.2%	0.8%	
Civil Service	-	-	-	0.2%	0.6%	4.2%	
Others	-	-	-	0.1%	0.8%	0.7%	
• Domestic Administrative OS	1.5%	1.3%	1.0%	0.7%	0.7%	0.5%	
• Domestic Recruiting and Placing	1.0%	1.0%	1.3%	1.1%	1.0%	0.8%	
Total Overseas	**10.6%**	**15.2%**	**17.4%**	**21.2%**	**39.6%**	**50.5%**	
• Overseas Engineering OS	-	-	-	4.7%	15.7%	12.6%	
• Overseas Manufacturing and Service Operations OS	-	-	-	16.5%	23.9%	37.9%	

Source: compiled by Trias corporation from company YUHO financial statements
Note: The amounts shown are rounded down for FY12/12-FY12/15 and rounded off to the nearest million yen for FY12/16 and FY12/17

Outlook for FY12/18 M&A

As mentioned earlier, initial operating profit forecast for FY12/18 of ¥13,800 million (+21.5% YoY) factors in ¥2.0 billion for M&A-related due diligence expense, with not much revenue/profit contribution from any potential new acquisitions. Therefore, there is potential upside from the contribution of successful M&A transactions in FY12/18. As can be seen from Graph 5 on page 14, EBITDA in FY12/17 was ¥13.8 billion (+92.9% YoY), and initial forecast for FY12/18 is ¥17.5 billion (+26.7% YoY).

According to the Company, one guideline for deployment of M&A investment financed with debt is debt up to 3.5x EBITDA, while targeting equity ratio above 20%. Therefore, the Company will be comfortable with debt up to roughly ¥60.0 billion for FY12/18. Also, knock on wood, so far the

Company has had zero impairment losses from the major acquisitions to date.

Regarding targets going forward, Mr. Doi mentioned two high priority areas. The first is in the area of outsourcing business for US military facilities. According to the Company, dispatching business for welfare and recreation facilities within US military bases is worth up to roughly ¥400-500 million per base, so times 20 bases in Japan limits maximum upside to roughly ¥8-10 billion. AEC's business in Okinawa is roughly ¥10 billion (strength in engineering work for HVAC and electrical facilities), and since it was consolidated from last April, the budget for FY12/17 was ¥7.6 billion. However, using the parent's available credit, FY12/17 the Company increased the amount of available bonded insurance required by AEC to bid on maintenance and repair projects, successfully winning a big order, so relative to budget, AEC revenue in FY12/17 exceeded ¥10 billion. The target through FY12/20 is ¥60 billion.

In addition to the required bonded insurance, apparently it is also essential to have contacts inside the US military as a valuable source of information regarding upcoming projects, etc. According to the Company, almost all of the private contractors in this space were established by ex-members of various branches of service within the US military. In the case of AEC, the management connection is with the US Navy. Therefore, as business is rolled out from bases within Japan to bases in the Pacific Rim from Guam to Alaska and California, the Company is keen to acquire firms with connections to the US Air Force and US Army.

The second area is in the rapid increase of outsourcing public services to the private sector, targeting synergies with existing business in the UK and Australia.

From a longer term perspective, Mr. Doi notes that under the backdrop of consensus estimates for world population to increase from 7 billion to 10 billion, supply/demand imbalances are emerging between countries which require technology and workforce, and those which have an abundance of each. Toward resolution of this problem, the OS Group is aiming at creating a new business base which generates benefits for both companies that use the workers and the workers themselves by offering solutions for cross-border global workforce mobility.

As part of this initiative, the Company announced on March 30, 2018 that the Board of Directors resolved to acquire 56% of the shares outstanding in OTTO Holding B.V. (head office: the Netherlands, hereinafter "OTTO", or the "OTTO Group"), which boasts the 8th largest net sales in the human resource industry in the Netherlands, and the 6th largest in Poland, making it a consolidated subsidiary (share transfer scheduled to be conducted on May 2, 2018).

Under the backdrop of the EU's characteristics of free movement of people, goods, capital and services, OTTO has carved out a certain niche position in the field of cross-border employment services mainly in the Netherlands and Poland. According to the Company, OTTO supplies workforce to the Netherlands and Germany through its recruitment network in Central and Eastern European countries, and has also created a channel for supplying workforce from the Ukraine and Moldova to Poland through concluding labor agreements.

Through generating synergies with the OTTO Group's roughly 40 companies, the OS Group is establishing a human resource recruitment network in Europe, and is promoting cross-border mobility of human resources, not only in Europe, but on a global scale. FY12/18 is shaping up to be another year of exciting developments from M&A activities.

References

Consolidated Key Financial Data

No. of shares issued	Dec-17	101,968,000
No. of treasury shares	Dec-17	490
Market value (¥mn)	16-Apr-18	192,720
BPS (¥)	Dec-17	244.76
ROE (%)	Dec-17	37.8
ROA (%)	Dec-17	5.7
PER (times) FY12/18 fcst.	16-Apr-18	175.3
PCFR (times) FY12/17 actual	16-Apr-18	22.3
PBR (times) FY12/17 actual	16-Apr-18	7.7
Share price (¥)	16-Apr-18	1,890
Unit share (shares)	16-Apr-18	100
Average daily volume (shs)	16-Apr-18	1,576,251

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

Total assets (¥mn)	Dec-17	124,645
Equity attributable to owners of the Company (¥mn)	Dec-17	24,958
Interest-bearing debt (¥mn)	Dec-17	(*) 50,347
Ratio of equity attributable to owners of the Company to total assets (%)	Dec-17	20.0
Ratio of interest-bearing debt (%)	Dec-17	201.7
Free cash flows (¥mn)	Dec-17	1,634

ROE = Profit attributable to owners of the Company / Averaged equity attributable to owners of the Company
ROA = Profit attributable to owners of the Company / Averaged total assets
PCFR = Market value / (Profit attributable to owners of the Company + Depreciation)
Ave. daily vol. = Ave. daily vol. (from 16-Apr-17 to 16-Apr-18)
Interest-bearing debts* ratio = I.B.D. / Equity attributable to owners of the Company
Free cash flows = Operating CF + Investment CF
*Incl. current portion of accounts payable-installment purchase

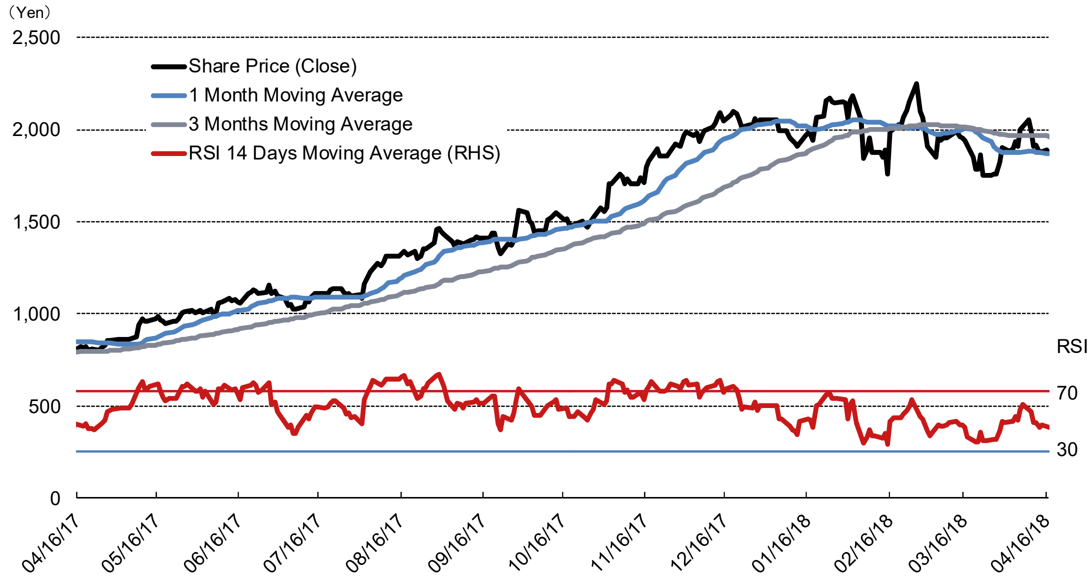
Consolidated Financial Results

Consolidated (¥million) J-GAAP	Net Sales	Operating Income	Ordinary Income	-	Profit Attributable to Owners of Parent	EPS (¥)	DPS (¥)
FY12/14	59,421	2,010	2,197	-	1,317	17.96	7.00
FY12/15	80,860	3,125	3,225	-	1,810	22.03	7.00
FY12/16	134,482	3,737	3,380	-	664	7.62	8.40

IFRS	Revenue	Operating Profit	Profit Before Tax	Profit for the Year	Profit for the Year Attributable to Owners of the Parent	EPS (¥)	DPS (¥)
FY12/17	230,172	11,360	10,395	6,929	6,180	62.53	19.00
1H Fy12/18 fcst.	130,000	3,700	3,200	1,700	1,100	10.78	-
FY12/18 full year fcst.	290,000	13,800	12,800	8,600	6,900	67.66	21.00

Note 1: FY12/18 forecasts announced on February 14, 2018.
Note 2: The amounts shown are rounded off to the nearest million yen.
Note 3: The Company conducted a 5 for 1 split of common shares on October 1, 2017. The calculations of EPS and DPS are based on the assumption that the 5 for 1 stock split was conducted at the beginning of the fiscal year ended December31, 2014.

Stock Price Charts and RSI (April 16, 2017 – April 16, 2018)



Source: Prepared by Trias Corp. with Bloomberg data.
Note: RSI, Relative Strength Index, is the index representing the ratio of overbought or oversold share prices. In general, over 70 in RSI shows overbought share price range, while below 30 shows oversold share price range.
RSI=averaged share price appreciation for N days÷(averaged share price appreciation for N days +averaged share price decline for N days) x100