



May 14, 2020

To Whom It May Concern

Company Name: OUTSOURCING Inc.
 Representative: Haruhiko Doi
 Chairman and CEO
 (First Section of TSE, Securities Code 2427)
 Contact: Kazuhiko Suzuki
 Executive Vice President and
 Executive General Manager
 in Charge of Business
 Management Division
 Phone: +81-3-3286-4888

Notice Regarding Revision of Consolidated Financial Forecasts and Dividend Forecast

Based on recent earnings trends, OUTSOURCING Inc. (hereinafter, “the Company”) hereby announces a revision of consolidated financial forecasts and dividend forecast for FY12/20 (January 1, 2020 – December 31, 2020) announced on February 14, 2020 as per the details below.

1. Revision of Consolidated Financial Forecasts for FY12/20

(1) Revision of Consolidated Financial Forecasts for the first half of FY12/20 (January 1, 2020 - June 30, 2020)

	Revenue	Operating profit	Profit before tax	Profit for the period	Profit attributable to owners of the Company	Basic earnings per share
	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	JPY
Previous forecast (A) (Announced on Feb. 14, 2020)	191,000	5,900	4,950	3,050	2,400	19.07
Revised forecast (B)	171,000	1,900	(400)	(1,600)	(1,700)	(13.50)
Difference (B-A)	(20,000)	(4,000)	(5,350)	(4,650)	(4,100)	
Percentage change (%)	(10.5)	(67.8)	-	-	-	
(Reference) Results for the first half of the previous fiscal year (2Q FY12/19)	177,585	5,572	3,401	1,826	1,400	11.15

(Note) As the provisional accounting of the business combinations was finalized in 2Q and 3Q FY12/19, the condensed consolidated financial statement for 2Q FY12/19 were retroactively adjusted.

(2) Revision of Consolidated Financial Forecasts for FY12/20 (January 1, 2020 - December 31, 2020)

	Revenue	Operating profit	Profit before tax	Profit for the year	Profit attributable to owners of the Company	Basic earnings per share
	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	JPY
Previous forecast (A) (Announced on Feb. 14, 2020)	420,000	21,000	19,150	12,450	11,150	88.63
Revised forecast (B)	365,000	10,000	6,800	3,600	3,000	23.83
Difference (B-A)	(55,000)	(11,000)	(12,350)	(8,850)	(8,150)	
Percentage change (%)	(13.1)	(52.4)	(64.5)	(71.1)	(73.1)	
(Reference) Results for the previous fiscal year (FY12/19)	361,249	15,501	13,478	9,095	8,336	66.35

(3) Reasons for the Revision

The global economy has been experiencing the stagnation of corporate activities, as the rapid spread of novel coronavirus (COVID-19) causes many countries to introduce an immigration ban, travel restrictions, lockdowns (city-wide shutdowns) and stay-at-home orders.

The OS Group have also been affected by this challenge: in Domestic and Overseas Manufacturing Outsourcing Business, major manufacturers have been cutting production and halting factory operations, and in public works-related Service Operations Outsourcing Business, which is less susceptible to economic fluctuations in normal times, restrictions were imposed on public debt collection due to stay-at-home orders, as well as travel restrictions have a negative effect on our service operation outsourcing business at airports.

When we formulated the previous consolidated financial forecasts for FY12/20 announced on February 14, 2020, the virus itself was unknown and the current global spread of infections was completely unexpected. Although some countries have been seeing a flattening of the infection growth curve from this April, we anticipate it will take a certain amount of time for the disruption of global supply chains to come back under control, for the restricted public works operations to resume, and for the consumer purchasing sentiments to be uplifted, and revised the financial forecasts based on the following assumptions.

- Domestic Engineering Outsourcing Business, Domestic Manufacturing Outsourcing Business, and Domestic Service Operations Outsourcing Business:

In Japan, although the spread of novel coronavirus infections has been suppressed to a fair degree, the State of Emergency Declaration remains in effect until the end of May. After that, the domestic economy will see a gradual recovery towards the end of the year. For next fiscal year, we anticipate that the operating environment will return to a state that we assumed in the Medium-Term Management Plan.

- Overseas Engineering Outsourcing Business and Overseas Manufacturing and Service Operations Outsourcing Business:

For Overseas, we assume that the economy will gradually recover from July onward. Since South America and Australia will be entering winter, we have taken into account the impact of a second outbreak wave of novel coronavirus infections and the flu. For next fiscal year, the same as for Japan, we anticipate that the operating environment will return to a state that we assumed in the Medium-Term Management Plan.

- Regarding foreign exchange rates, we used the average rate in August 2019, which was the period of the strongest yen appreciation, in our initial assumption. However, the yen strengthened against many currencies during 1Q FY12/20, and it resulted in booking foreign exchange losses of ¥1.3 billion on loans within the Group. Therefore, we decided to use the average rate in March 2020 for the remaining 2Q – 4Q of FY12/20.

2. Revision of Dividend Forecast

(1) Details of the Revision

	Annual cash dividends per share				
	1Q	2Q	3Q	Year-end	Total
Previous forecast (Announced on Feb. 14, 2020)	JPY —	JPY 0.00	JPY —	JPY 27.00	JPY 27.00
Revised forecast		0.00	—	8.00	8.00
Dividends paid in the current fiscal year	—				
Dividends paid in the previous fiscal year (FY12/19)	—	0.00	—	24.00	24.00

(2) Reasons for the Revision

The Company recognizes that returning profits to shareholders is an important management priority. Therefore, while reinvesting a portion of profits toward future business growth, we maintain a consolidated payout ratio of 30 % in principle, in order to enhance the return of profits to shareholders and expand the shareholder base.

Although we have revised our financial forecasts for FY12/20 as mentioned above, we expect a certain level of recovery in the next fiscal year and will continue pursuing the targets set in the Medium-Term Management Plan “VISION 2024,” and strive to achieve long-term growth. Regarding the FY12/20 dividend forecast, in order to secure financial resources including funds for maintaining the employment of employees and be prepared for the economic recovery, we will maintain the 30% payout ratio and set DPS at ¥8.

*Financial forecasts above are based on information available as of the announcement date of this material. Actual results may differ from the forecasts due to various factors.