



July 31, 2020

To Whom It May Concern

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Notice Regarding the Difference between Consolidated Financial Forecasts and Actual Results for the First Half of the Fiscal Year Ending December 31, 2020

OUTSOURCING Inc. (hereinafter “the Company”) hereby announces the difference between its consolidated financial forecasts for the first half of the fiscal year ending December 31, 2020 (January 1, 2020 – June 30, 2020) announced on May 14, 2020, and actual results announced today as per the details below.

1. Difference between Consolidated Financial Forecasts and Actual Results for the First Half of Fiscal Year Ending December 31, 2020 (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
Previous Forecasts (A) (Announced on May 14, 2020)	Million yen 171,000	Million yen 1,900	Million yen (400)	Million yen (1,600)	Million yen (1,700)	Million yen (13.50)
Actual Results (B)	172,628	3,305	2,046	798	664	5.27
Changes (B-A)	1,628	1,405	2,446	2,398	2,364	
Percentage change (%)	1.0	73.9	-	-	-	
Reference: Actual Results for the First Half of Previous Fiscal Year (2Q Fiscal 2019)	177,585	5,536	3,365	1,799	1,376	10.95

(Note) As the provisional accounting related to business combinations was finalized in FY2019 Q3 and FY2020 Q2, the condensed consolidated financial statements for FY2019 Q2 were retrospectively adjusted.

2. Reason for the Difference

Regarding consolidated financial results for 2Q FY12/20, relative to the revised financial forecasts announced on May 14, 2020, revenue came in slightly higher, and all profit came in sharply ahead of the forecasts. While profit before tax and below were forecasted to be loss, all profits came in as profit.

Regarding revenue, total consolidated revenue came essentially in line with the forecast. Although Domestic Manufacturing Outsourcing Business came in below forecast due to stagnation of manufacturing activities and restrictions on travel under the coronavirus pandemic, business for US military facilities, the main business in Domestic Service Operations Outsourcing Business, was not significantly affected by the coronavirus pandemic and came in sharply ahead of the forecast, offsetting the shortfall in Domestic Manufacturing. While Domestic Engineering Outsourcing Business came in below forecast due to reduced overtime hours and absence of work following the declaration of a state of emergency, Overseas Engineering Outsourcing Business came in sharply ahead of the forecast, absorbing the shortfall in Japan. We believe that the Company's strategy of diversifying business and geographic portfolios, which has always been aimed at smoothing out financial performance, has borne fruit in the face of unprecedented uncertainty.

Regarding operating profit, we were forced to make a considerably conservative forecast under strict and widespread lockdown measures implemented overseas out of concerns for further deterioration of the coronavirus pandemic. Under these circumstances, concerted efforts by Group companies to curtail SG&A expenses resulted in operating profit coming in sharply ahead of the revised forecast.

Regarding profit before tax, conservative foreign exchange rate assumptions were adopted, since many currencies were experiencing yen appreciation when the revised forecast was announced; however, the yen did not appreciate as much as expected, and foreign exchange loss came in below expectations. As a result, profit before tax came in sharply ahead of forecast.

Similarly profit for the period and profit attributable to owners of the Company also came in sharply ahead of forecast mainly due to the fact that profit before tax sharply exceeded forecast.

3. Regarding Full-Year Financial Forecasts

While 1H consolidated financial results for both revenue and profits came in ahead of revised forecasts as mentioned above, in light of growing uncertainties going forward, including concerns about a second wave of the novel coronavirus infections on a global scale, full-year FY12/20 consolidated financial forecasts are left unchanged, with no revision at the present time.

(Note) The financial forecasts above are based on the best available information as of the announcement date of this material, and actual financial results may differ from forecast figures due to various factors in the future.