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To All Concerned Parties

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Notification Regarding Revision of Consolidated Results Forecast and Posting of Extraordinary Losses

The Company hereby gives notification of the decision made at today's meeting of the Board of Directors to revise the forecast of business results for the fiscal year ending March 2019 (April 1, 2018 to March 31, 2019) released on November 6, 2018 and to post extraordinary losses. There will be no change to the dividend forecast as a result of these decisions.

Details

1. Revision of Consolidated Results Forecast for the Fiscal Year Ending March 31,2019 (April 1, 2018 to March 31, 2019)

	Net Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecast (A)	(million yen) 112,800	(million yen) 5,300	(million yen) 5,400	(million yen) 3,100	(JPY) 44.98
Newly announced revised forecast (B)	115,000	5,500	5,500	–7,300	–105.92
Difference (B–A)	2,200	200	100	–10,400	
Percentage difference (%)	2.0	3.8	1.9	–	
(Ref) Actual result for year ended Mar. 2018	109,800	5,290	5,343	3,407	49.44

2. Reason for Revision

The Company is expected to post goodwill impairment losses at overseas subsidiaries as extraordinary losses, so has decided to revise the results forecast for the full year. It should be noted that, due to the strong performance of the domestic consolidated companies, consolidated net sales, operating profit and ordinary profit are expected to exceed the previous forecast.

3. Posting of Extraordinary Losses

(1) Details of extraordinary losses (goodwill impairment losses)

With the aim of building a global outsourcing services structure through the strengthening of its Asia business, as declared in its Business Strategy 2018, the Company added SPi CRM, Inc. (now Inspiro Relia, Inc.) and Infocom Technologies, Inc. (these two companies are referred to below collectively as the "Inspiro Group"), which provide CRM services primarily in the Philippines, as consolidated subsidiaries in September 2016. In doing so, it significantly reinforced its business promotion structure in English-speaking regions, centering on the growing Asia-Pacific region and North America. The Inspiro Group's clients are primarily in the United States and the Philippines. As well as encouraging the autonomous growth of the Inspiro Group, the Company has been cultivating new clients, particularly among global corporations, with taking advantage of its network.

On the other hand, the environment surrounding the Inspiro Group's major clients has, in recent times, become increasingly severe. Businesses from those clients are expected to decline, and the move by some clients toward shared management of call centers, the area in which they contract services from the Group, is also expected to result in a decline in net sales. These expected phenomena will have a severe impact on the Inspiro Group's results. Further, in regards to the use of the Company's network to cultivate new clients, while some progress has been made, it is expected to take some time to expand it into a scale that will contribute to business results, and it is becoming increasingly difficult to realize the plan that was envisaged at the time of the acquisitions. Based on these changes in the business environment, the Company conducted a review of the Inspiro Group's business plan, as a result of which it was determined that it would take considerable time to recoup the entire investment in the Inspiro Group. It is now anticipated, therefore, that goodwill impairment losses of 10,247 million yen will be posted as extraordinary losses in the end-of-fiscal-year consolidated results.

(2) Impact on profit/loss result

In the consolidated closing results, as stated above, the Company expects to post goodwill impairment losses of 10,247 million yen from the goodwill that was generated with the acquisition of the shares of the Inspiro Group, a consolidated subsidiary of the Company.

Further, in non-consolidated results, because the substantive value of the shares, etc. of the Inspiro Group, a consolidated subsidiary of the Company, is expected to fall as a result of the aforementioned impact, the Company expects to post affiliated company equity write-off of 10,553 million yen. However, this will be eliminated in the consolidated results, so will have no impact on consolidated business results.

4. Dividend Forecast (no change)

As per the "Notice Concerning a Change in Dividend Policy" of May 12, 2017, in light of the impact on net income of goodwill amortization expenses with no cash outflow resulting from the Inspiro Group's addition as a consolidated subsidiary, as well as the state of the Company's cash flow and cash and deposits, the Company intends to provide a return based on the amount of consolidated profit attributable to the owners of the parent, after placing the goodwill amortization expenses related to the Inspiro Group back into that amount. The dividend payout ratio for that return will be around 45%.

In addition to the fact that the extraordinary losses announced at this time are a one-off, non-cash expense, after comprehensive consideration of the Company's business performance, cash flow, and cash and deposits situation, the Company has decided not to change the projected dividend (year-end per share dividend: 18 yen per share; annual: 36 yen per share) announced in the Summary of Financial Results for the Year Ended March 31, 2018 on May 11, 2018. In future as well, the Company intends to provide a return in accordance with the aforementioned dividend policy. However, the Company will review its dividend policy flexibly in the event of any major changes in the business environment.

5. Future outlook

As per the "Notice Concerning the Formulation of Business Strategy 2020" of November 6, 2018, the Company Group has declared the promotion of overseas business as one of its "four innovations," and will continue in its aim to become a global out-sourcing partner for corporate clients that is competitive in the Asia-Pacific region. The services offered by the Inspiro Group remain of high quality, and, considering the Inspiro Group as an important consolidated subsidiary, the Company will continue to strengthen the Group's profit expansion and management structure. The Company also notes that there is no change to the quantitative target of the Business Strategy 2020, namely a margin for operating income before amortization of goodwill of 8% for the year ending March 2021, and will continue to strive toward the achievement of its goals.

* Results projections are based on currently available information. Due to a variety of factors, the figures for actual results may vary from the projected figures.