

Conference Material

August 2020

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

Responses to the Changes in Business Environment (Domestic HR Service Business)

Engineering Segment

The impact of COVID-19 is minor, and demand for engineers remains high. Moreover, the introduction of AI and adoption of RPA, which had already spread to companies in various fields due to an HR shortage before the pandemic, is still accelerating.

Manpower saving solutions and RPA in various types of tasks, such as routine back-office tasks and simple tasks in logistics-related work

Accelerate and further evolve our Dispatch 2.0 strategy to capture the needs of digital transformation (DX) in all fields

Environment

Client needs

Our strategy

Manufacturing Segment

With economic activity throttled due to COVID-19, labor supply-demand conditions in the manufacturing sector have been shifting from a seller's market to a buyer's market.

- Seller's market ⇒ dispatch business operators with stronger hiring capability secure orders and achieve growth.
- Buyer's market ⇒ dispatch business operators with stronger proposal-making capability secure order and achieve growth.

Proposals about systemizing cumbersome procedures involved in placing dispatched workers, which also meet clients' work-from-home needs about their back-office work

Given the current situation where only dispatch business operators with sophisticated proposal-making capability can secure dispatch contracts, we see a major shakeout taking place in the HR service industry; thereby, we will win a larger market share by surviving the shakeout, even if manufacturers fail to regain pre-pandemic production levels.

Utilize management resources including expertise in planning and developing proposals, service offerings, Group networking, business track record, etc.

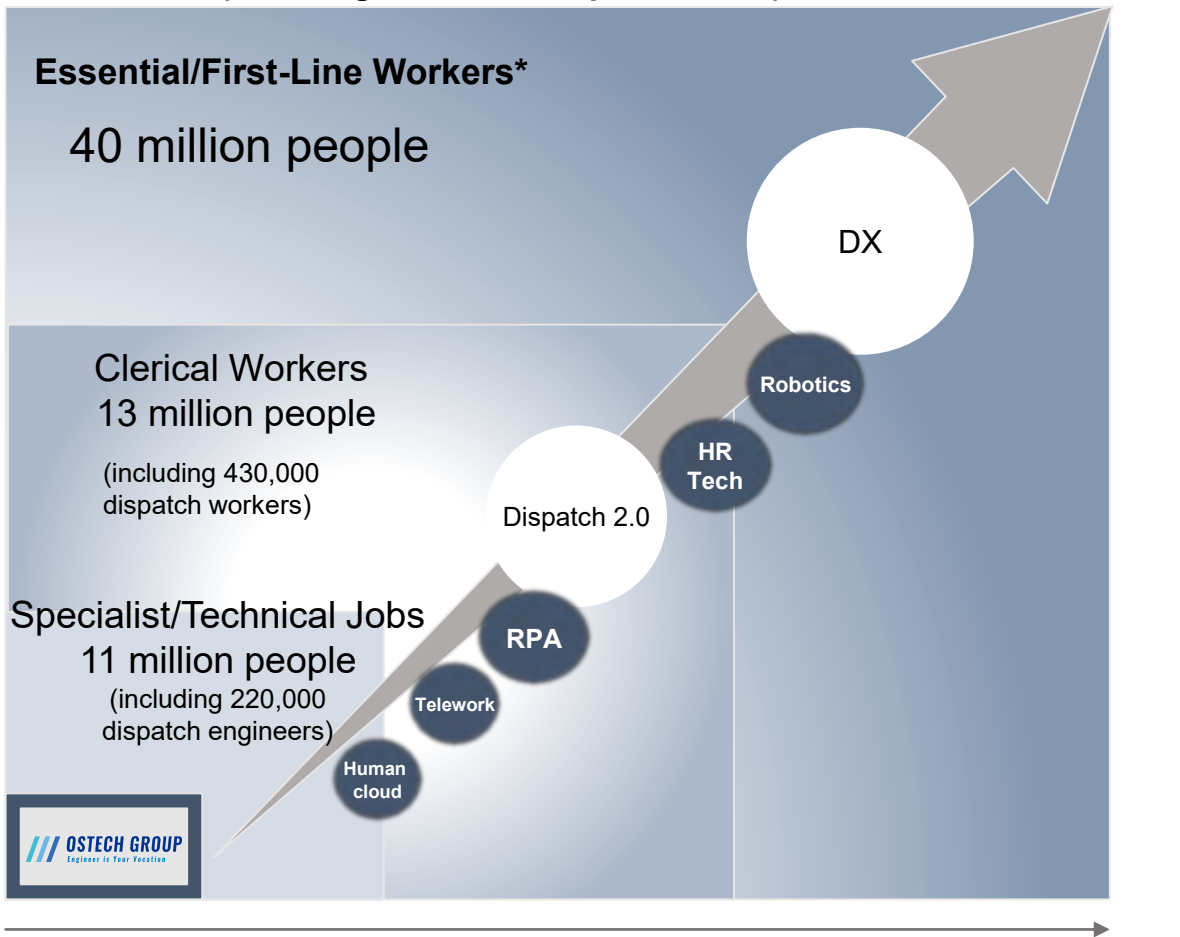
Business Opportunities for Domestic Engineering Outsourcing Business Segment during and after the Pandemic



Accelerating DX Needs (Engineering Segment)

Proactively work on shifting into high-value-added innovation support services to reach a broader market

Total domestic workforce: 64 million workers
(including 60 million corporate hires)



* First-line workers: Refers to people who work "onsite" in such fields as manufacturing, construction, healthcare, a term mainly used by Microsoft

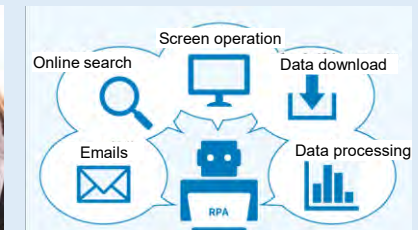
Examples of services for DX market



Readily secure HR needs by reducing the amount of human-involved work through the use of robot transporters and AR



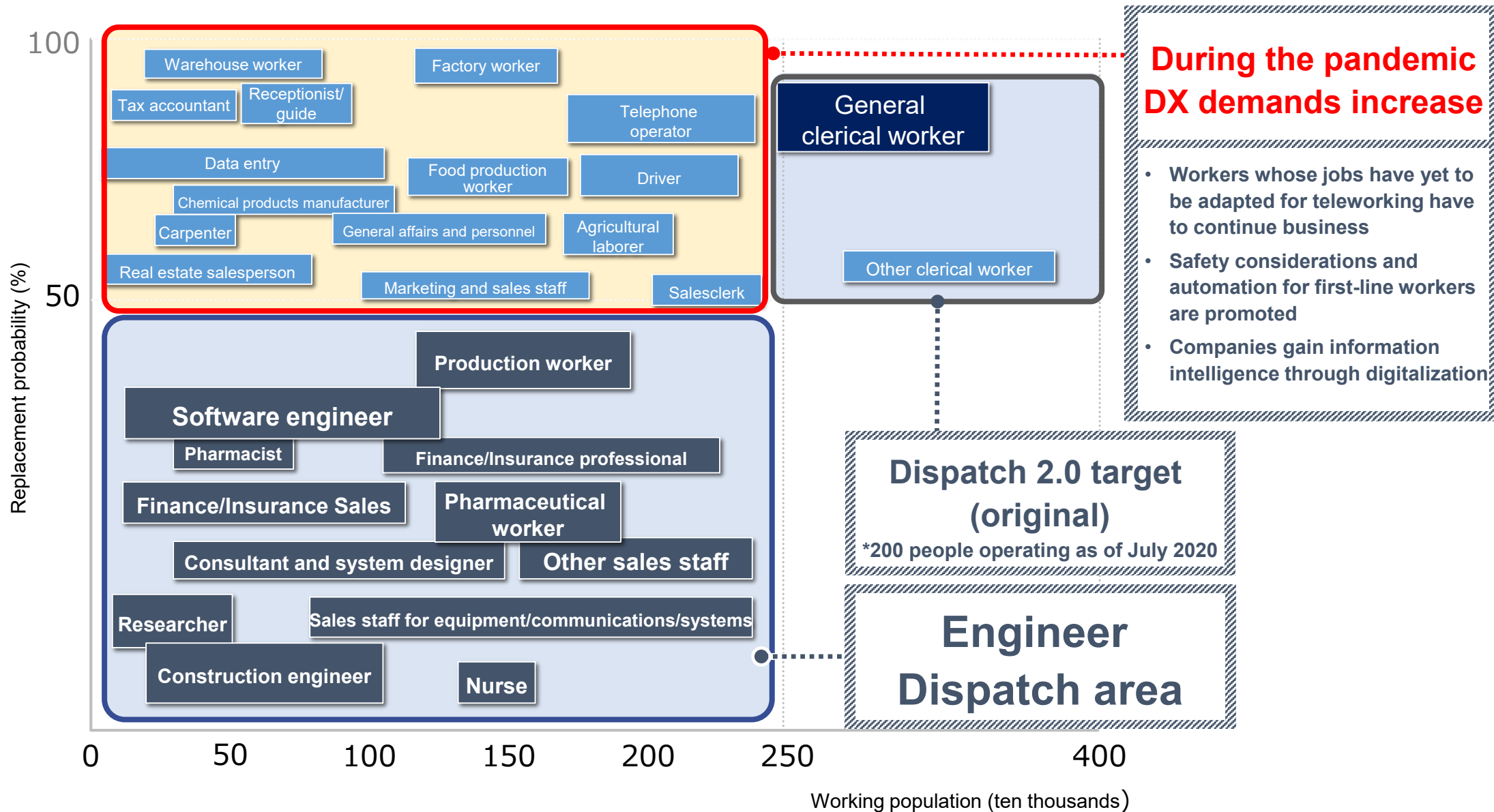
Reduce store staff at convenience stores and other retailers by adopting unmanned cash registers, display image analysis, sensor usage and other tools



Solve an HR shortage mainly by using software robots to perform routine back-office tasks

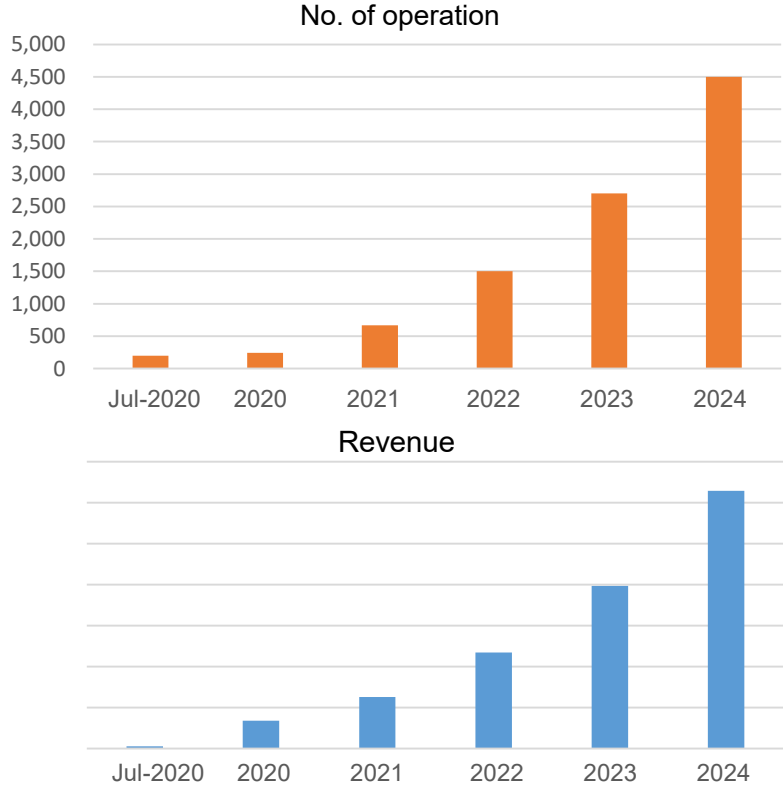
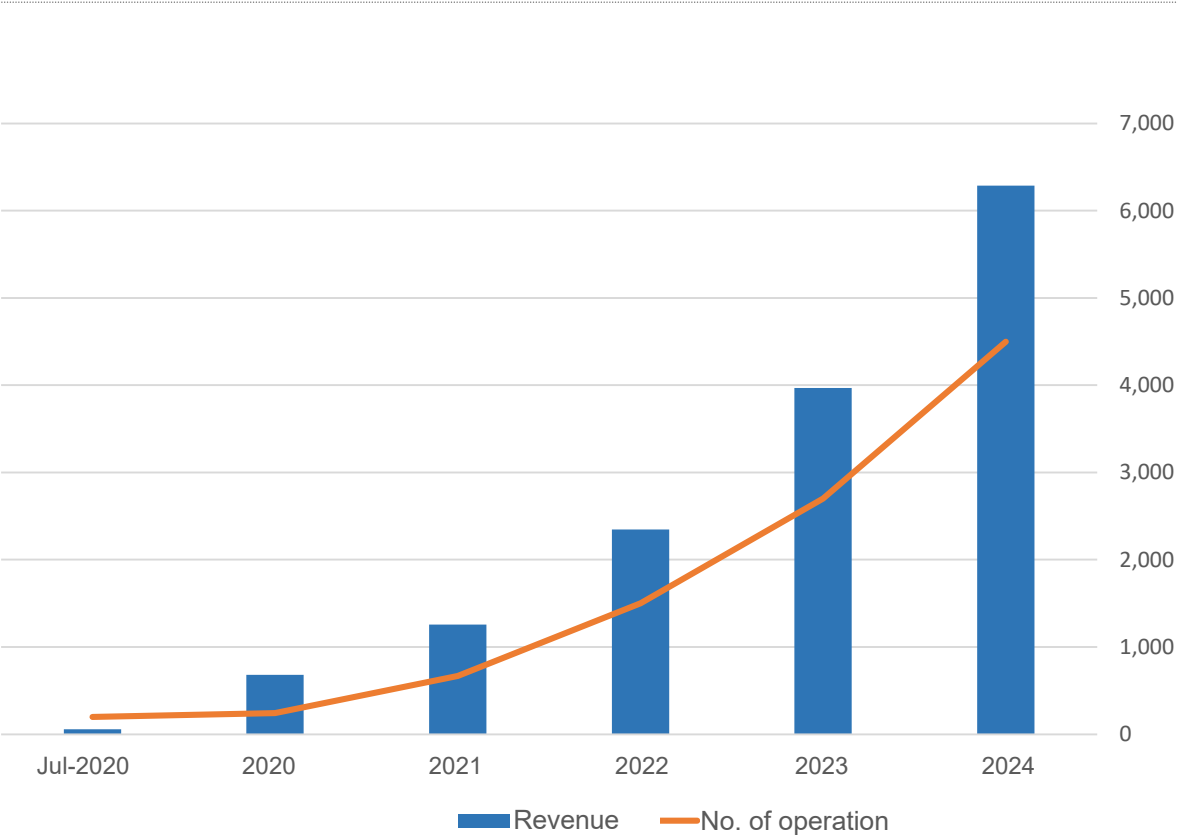
Accelerating DX Needs (Engineering Segment)

In addition to the original target of Dispatch 2.0, DX needs for first-line workers continue to grow



Post-Pandemic KPI (Engineering Segment)

		Jul-2020	2020	2021	2022	2023	2024
Dispatch 2.0	Operation	200	244	668	1,500	2,700	4,500



*All human workers, robots, and software in operation are counted as the number of “operation”

Business Opportunities for Domestic Manufacturing Outsourcing Business Segment during and after the Pandemic

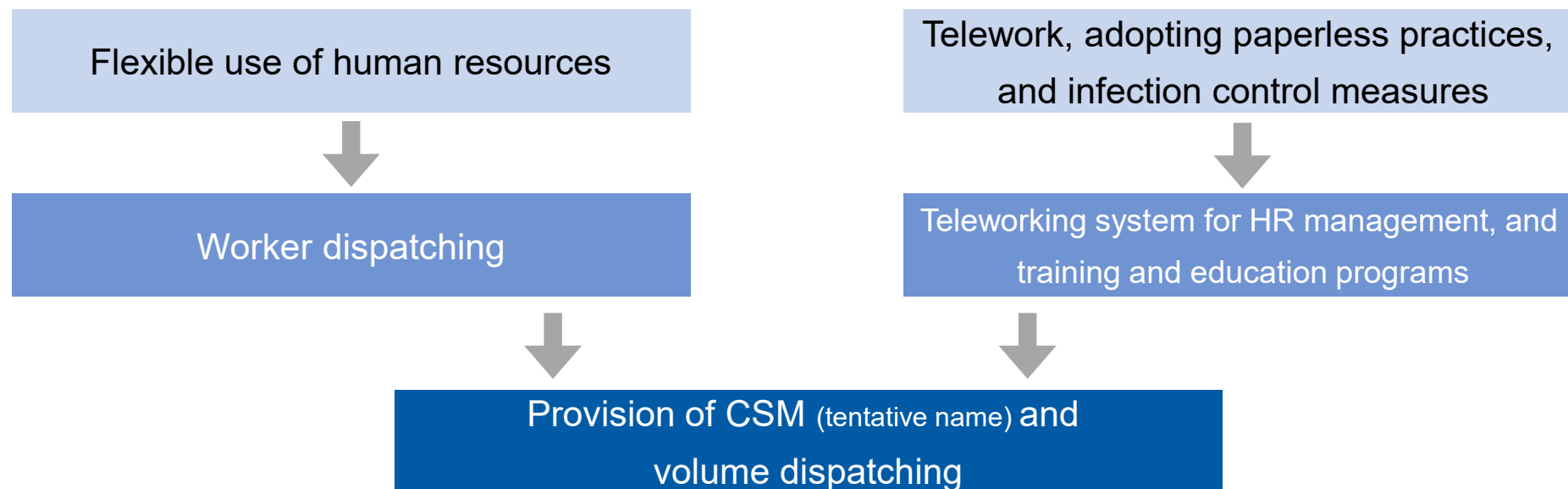


Provision of Dispatched Employee Arrangement/Management System “CSM (tentative name)” (Manufacturing Segment)

■ Impact of the pandemic on employment in the manufacturing sector

While signs of production recovery, primarily in the automobile industry, have been seen since early fall, both personnel and manufacturing departments in manufacturing companies have had to respond to various challenges they had never experienced before, from shifting to teleworking and setting up protocols for COVID-19 infection control on site. In addition, they have to work on establishing a flexible production system, on the premise that the 2nd and 3rd waves are forthcoming.

▶ Our proposal

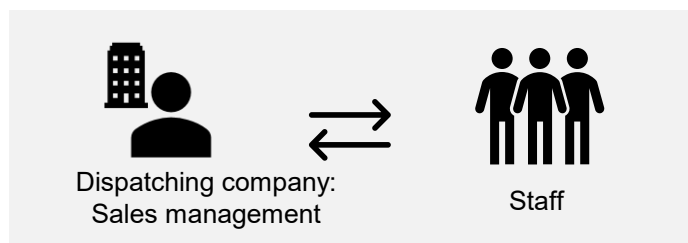
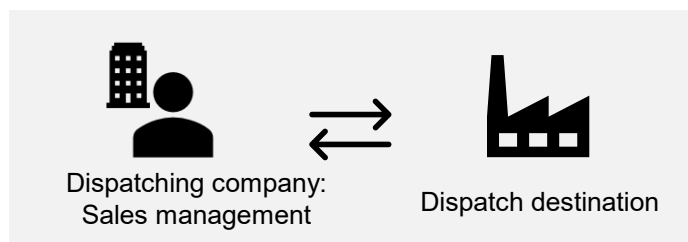


CSM: Cloud Staffing Management

Realize by utilizing our expertise in planning and developing proposals, service offerings, networking and know-how base

Provision of Dispatched Employee Arrangement/Management System “CSM (tentative name)” (Manufacturing Segment)

Remotely controls personnel arrangement and management :
Our CSM (tentative name) platform connects people with companies



Existing challenges

- Status of staff is not visualized
- Systems to respond to frequent inquiries and requests remain analog (not computerized)
- Invisible management costs incurred

- Communication must be conveyed to each individual
- Requests are not well organized and forgotten
- Required information is not available when needed

- Procedures to evaluate dispatched employees are time-consuming.
- Difficulties in sharing analog information

Support by CSM (tentative name)

- Sharing information on staff work attendance
- Staff evaluation system
- Digitization of contract documents/invoices
- Dispatch inquiry notification

- Staff bulletin board
- Digitization of staff information
- Systematization of paid-leave management

- Staff evaluation system (at dispatch destination)
- Staff bulletin board (at dispatch destination)

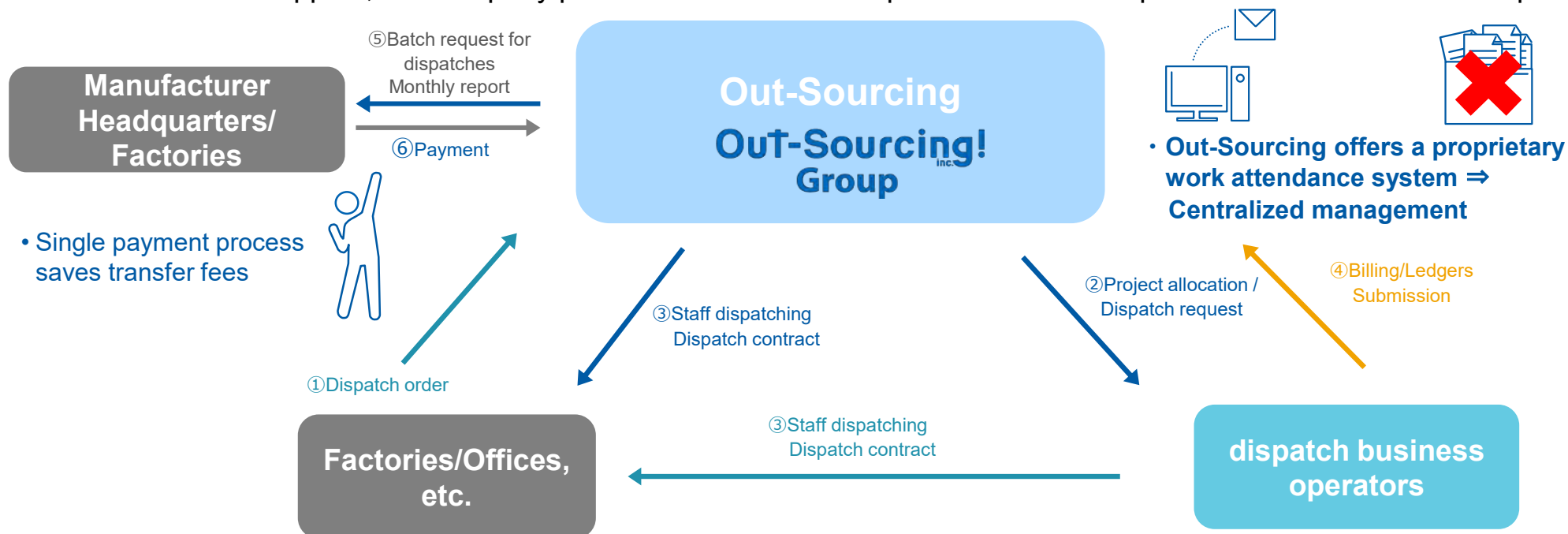
Provision of Dispatched Employee Arrangement/Management System “CSM (tentative name)” (Manufacturing Segment)

Benefits to manufacturers from the introduction of CSM (tentative name)

- | | | | |
|----------------------------|--|-------------------------------------|--|
| 1. Operational efficiency | • attendance management, billing management | 4. Reducing environmental footprint | • paperless practices, resource utilization |
| 2. Cost reduction | • simplified process for dispatch management | 5. BCP (Business Continuity Plan) | • digitization of information, business continuity |
| 3. Improved retention rate | • increased productivity | 6. Equal pay for equal work | • Centralized management of evaluation system |

In our centralized management with CSM (tentative name), we establish an HR management center to facilitate communication and coordination between companies in need of personnel and dispatch business operators, including provision of staff training (off-JT, on-JT) etc..

Note: As the main supplier, our company provides a more efficient point-of-contact for parties involved in worker dispatching.



Note: Our centralized management service business integrates the operating know-how of each Group company.

A major automobile manufacturer is going to adopt CSM (tentative name) from October 2020.

- CSM (tentative name) is based on a commercially available cloud system and customized by our group companies working in concert, for the arrangement/management of dispatched employees.
- Upon conclusion of a 6-month trial period, the manufacturer or dispatch business operators will be billed with monthly per-person fees based on a consultation

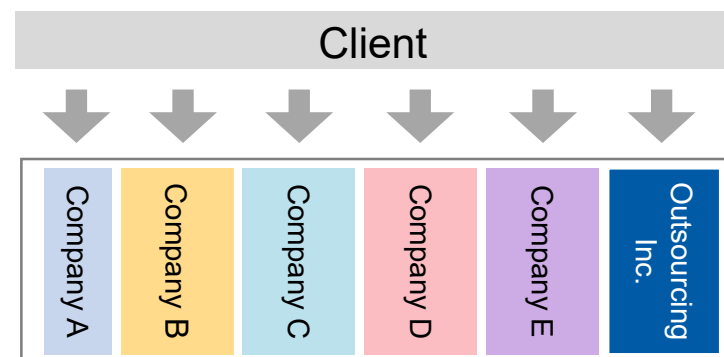
We will take advantage of the introduction of CSM (tentative name) to extend the service delivery to the automaker’s group companies and manufacturers in other industries

- Systems such as CSM (tentative name) have not been widely adopted in the manufacturing division, and it is unlikely that one company uses multiple systems at the same time

Provision of Dispatched Employee Arrangement/Management System “CSM (tentative name)” (Manufacturing Segment)

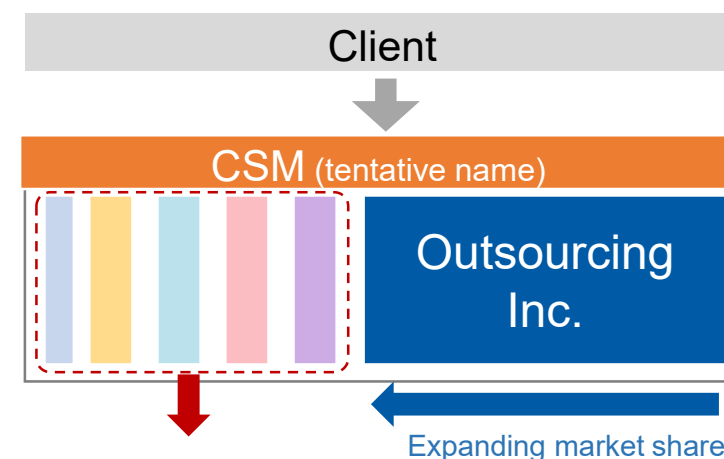
Current status

Traditionally, we have been one of dispatch business operators that receives orders from clients



After introducing CSM (tentative name)

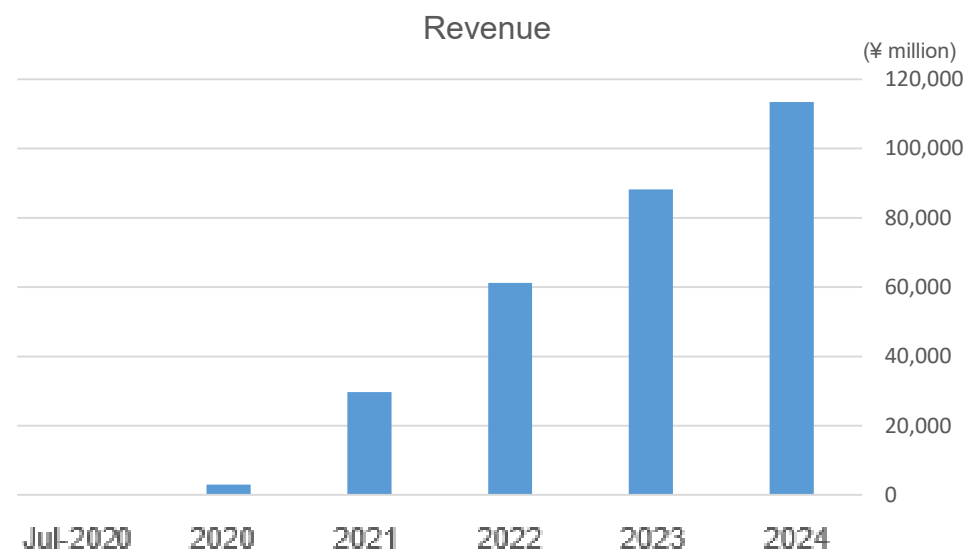
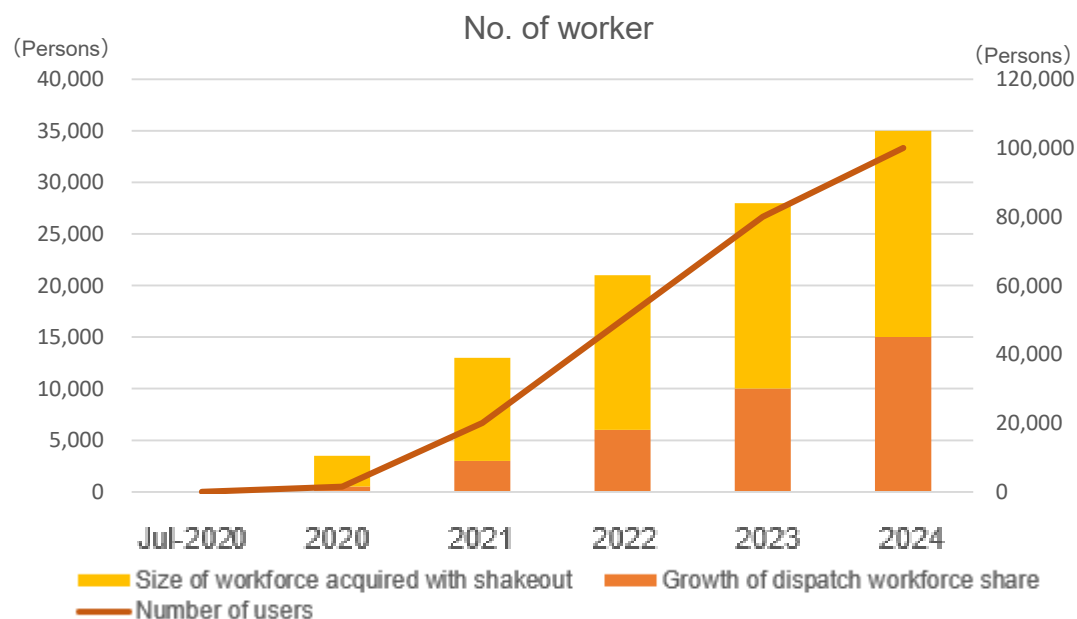
Obtain the largest share of the market by proposing and introducing CSM (tentative name) as well as by absorbing peers in the same industry that do not survive the shakeout.



Absorbing competitors weakened by the loss of market share.

Post-Pandemic KPI (Manufacturing Segment)

		Jul-2020	2020	2021	2022	2023	2024
Effect of CSM (tentative name)	Number of users	0	1,500	20,000	50,000	80,000	100,000
	Growth of dispatch workforce share (persons)	0	500	3,000	6,000	10,000	15,000
	Size of workforce acquired with shakeout (persons)	0	3,000	10,000	15,000	18,000	20,000
	Revenue (¥ million)	0	3,000	29,700	61,200	88,200	113,400



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