



Reference Materials

for the Fiscal Year Ended December 31, 2022

Feb 2023

OUTSOURCING Inc.
Securities Code: 2427/TSE Prime Section

- P. 3 OUTSOURCING Group Expansion Corporate History

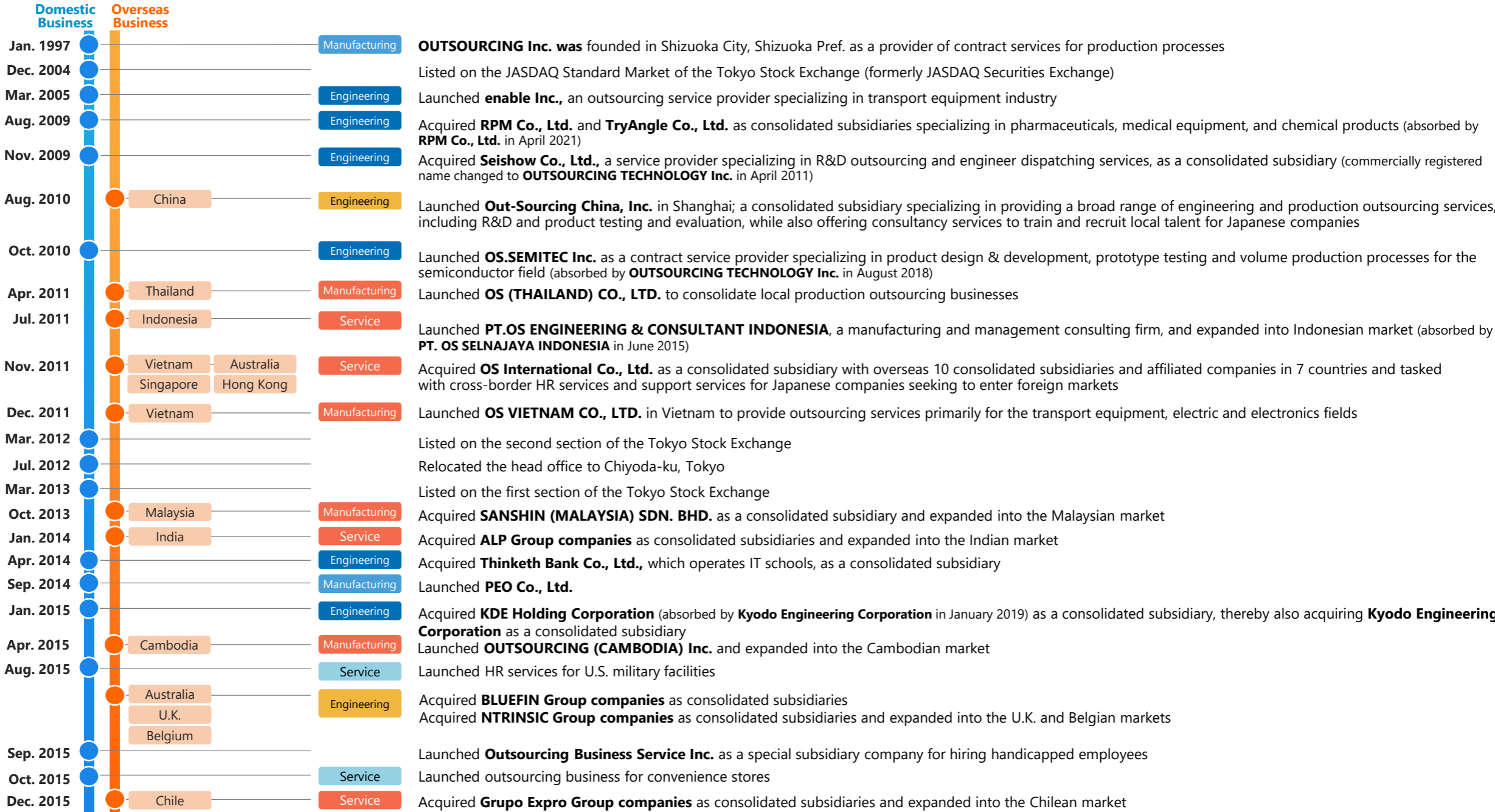
- P. 6 Environment Surrounding Domestic HR Services Industry
and Our Business Opportunities

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OUTSOURCING Group Expansion Corporate History

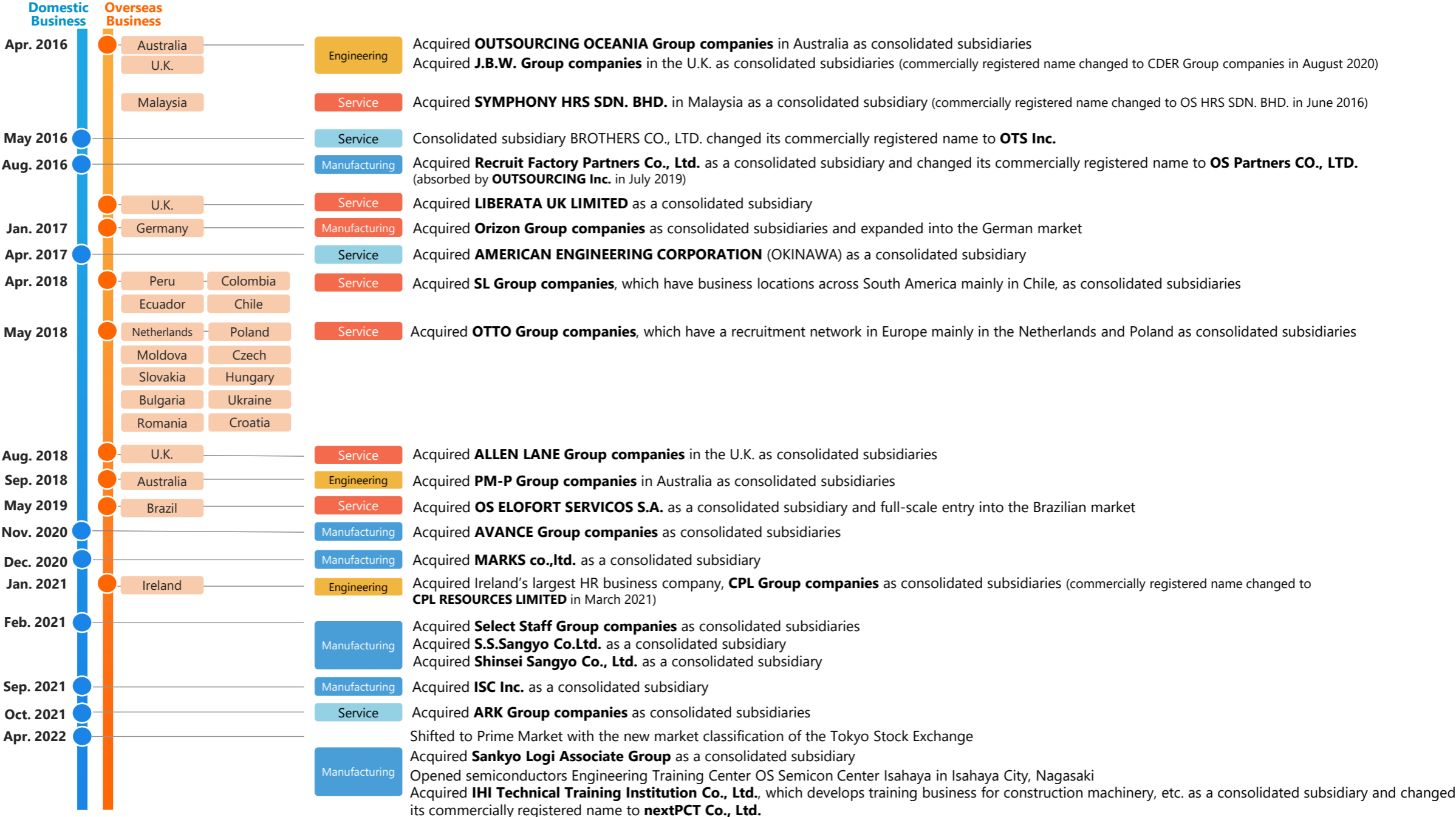
OUTSOURCING Group Expansion Corporate History

Founding - 2015



OUTSOURCING Group Expansion Corporate History

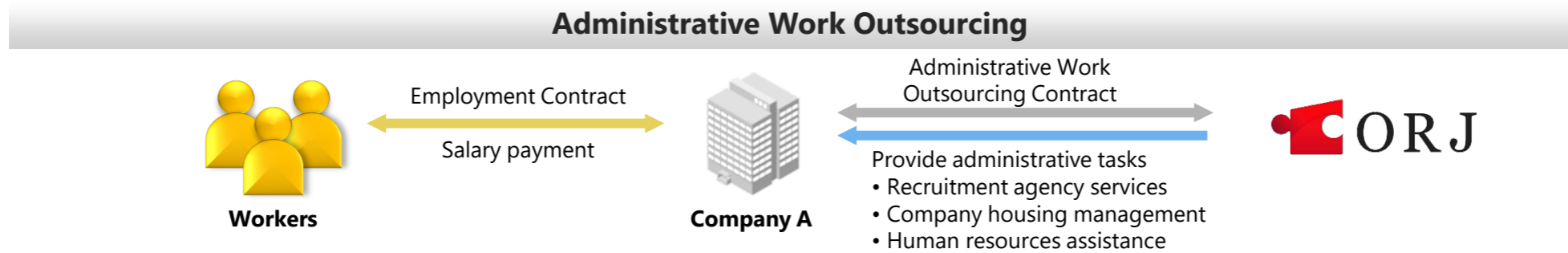
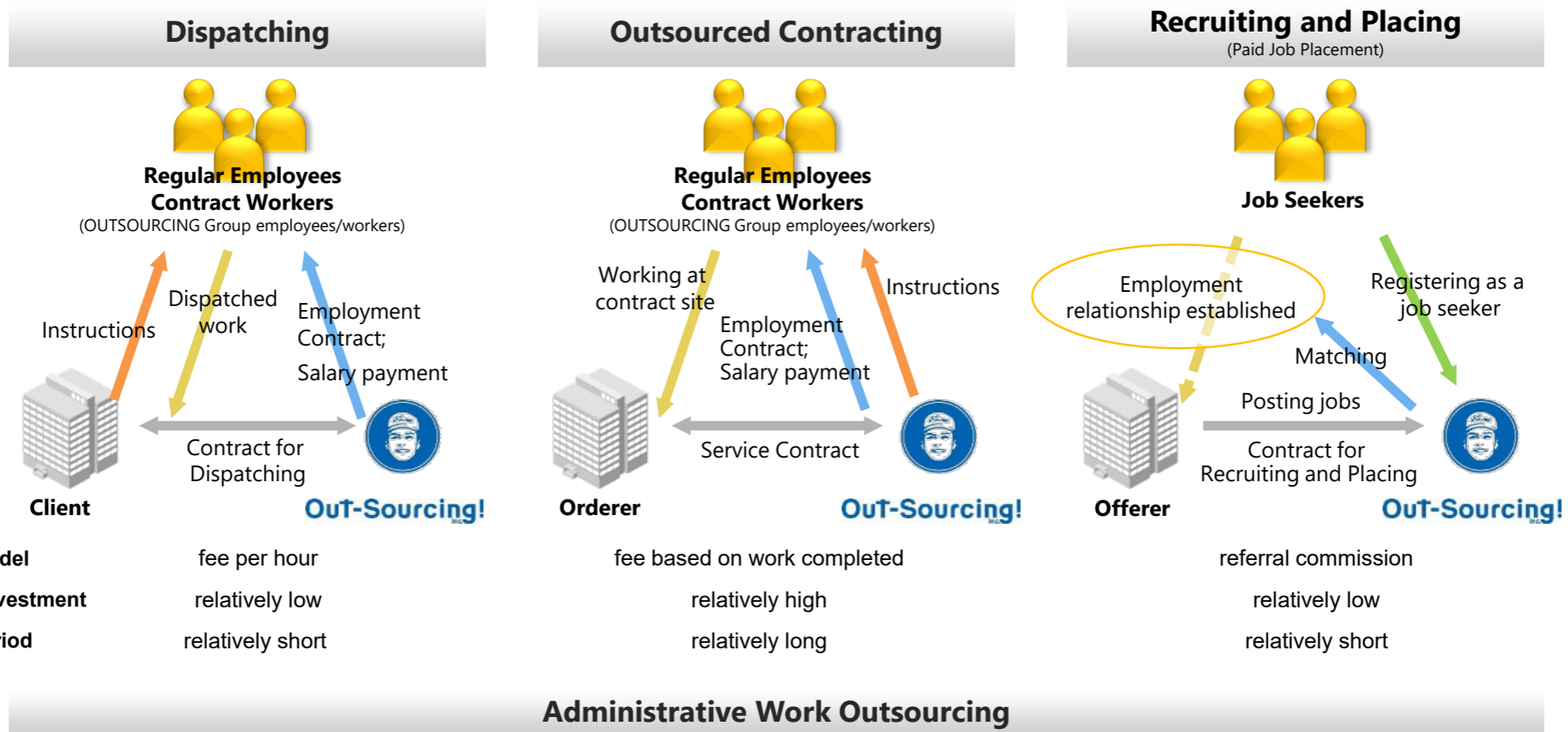
2016 - Present



Environment Surrounding Domestic HR Services Industry and Our Business Opportunities

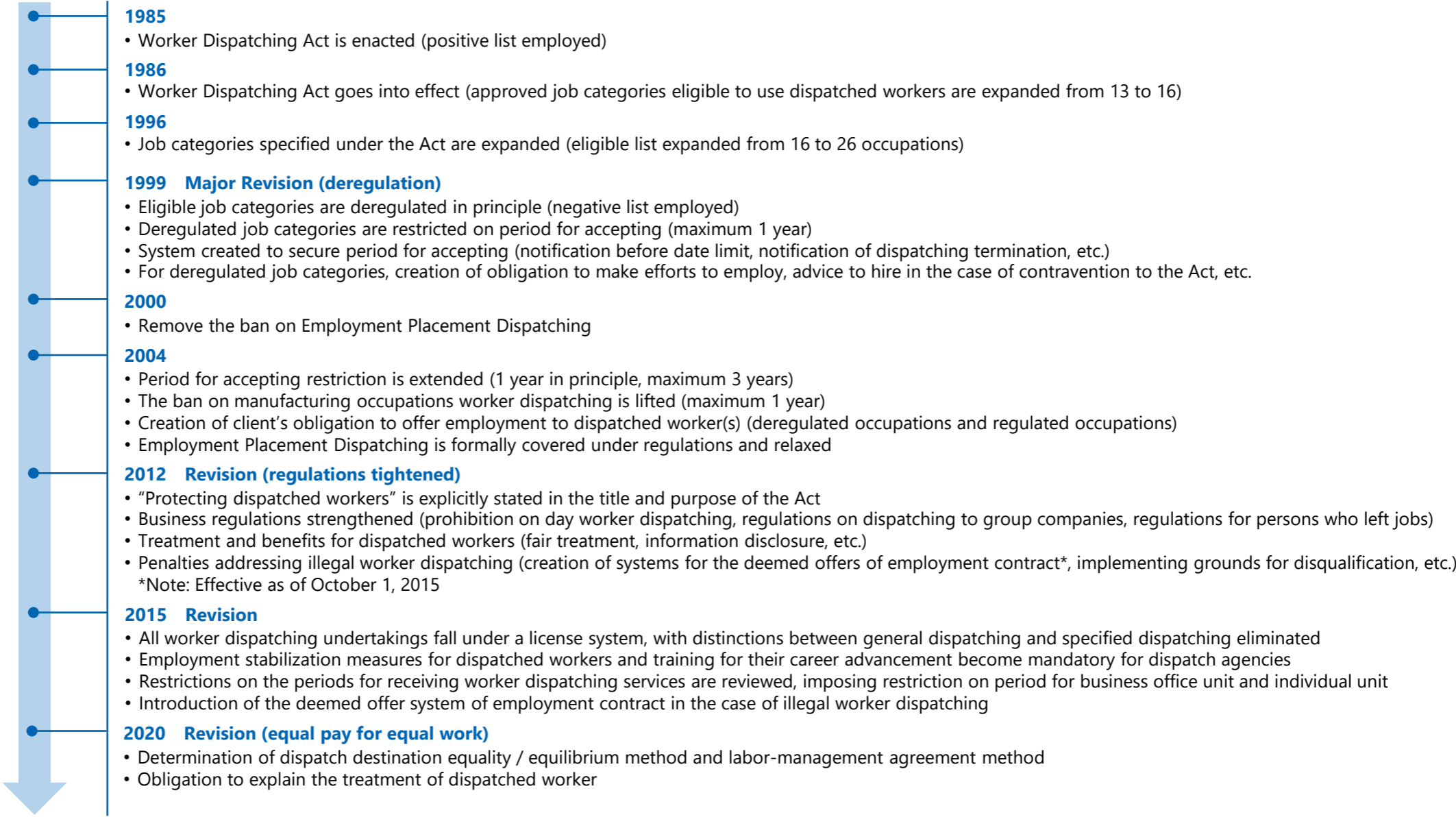
Major Employment Formats

Major Employment Formats for Our Domestic Outsourcing Business



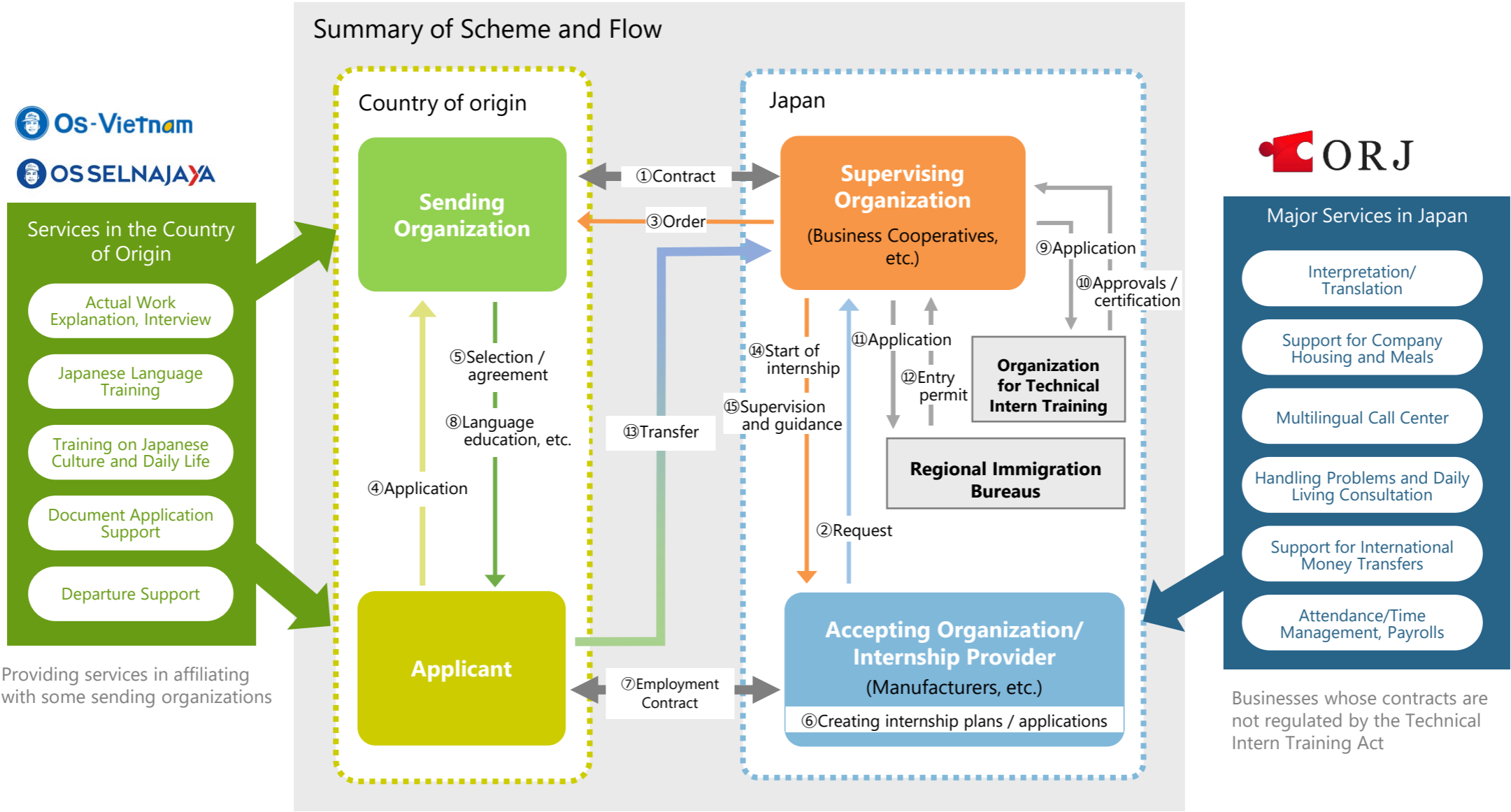
History of Legal and Regulatory Framework

● Revisions to the Worker Dispatching Act



Outline of Technical Intern Training Program (1)

● Outline of Technical Intern Training Program (Current)



Outline of Technical Intern Training Program (2)

● Related Organizations

Sending Organization

- In order to properly convey those wishing to become intern trainees to the supervising organization, it is necessary to conform to related laws and ordinances in Japan.
- Revenue is comprised of commissions from intern trainees themselves and the supervising organizations (there are regulations for the calculation method and collection details, etc.).

Applicant

- After receiving training in advance including the Japanese language, etc. for at least 4 months in the home country, the candidate comes to Japan and is employed as an intern trainee after 1 month of training.
- The Technical Intern Training Program in principle is for completion of the internship period, and it is possible to secure stable income during the internship period.
- [There were roughly 276,000 technical intern trainees in Japan at the end of 2021, and the government announced a policy to expand that to 650,000.](#)

Administrative Organization

- Regional Immigration Bureaus grant permission to enter and stay, the Organization for Technical Intern Training approves supervising organizations and internship plans based on laws and regulations, and in coordination with other government agencies, provides supervision and guidance regarding human rights violations, unpaid wages, etc.

Supervising Organization

- In order for business cooperatives and agricultural cooperatives etc. to act as an employment mediator (for placement) between internship providers and interns, they are approved by conforming to various strict approval standards on the premise of being non-profit (subject to cancellation for violations, with preferential treatment for excellent supervising organizations).
- Internship providers are billed for intern trainee administrative work, guidance on various applications/report filings and creating internship plans.

**Accepting Organization/
Internship Provider**

- Private enterprises and organizations such as manufacturers are certified by creating technical intern training plans for each intern trainee, but they are required to conform to certification standards for suitability to accept interns, and there are measures for certification cancellation, etc. for violations after the internship period has started.
- [Manufacturers are expanding the acceptance of intern trainees.](#)
⇒ Since internships can be continued with the same person for 1 year, 3 years or 5 years, practical training is possible in a stable period.

Outline of Foreign National Residence Status (Visa Status) and Potential for OUTSOURCING Group

Foreign National Residence Status (Visa Status) Related to OS Group, Newly Established Specified Skilled Worker Status

Employment Support Activities from Proprietary Scholarship Program(*)

Part-time jobs for foreign students are limited to within 28 hours per week

Latent Market for ORJ Administrative Outsourcing Service for Technical Intern Trainees

International cooperation toward developing countries through skill transfer is the objective; returning home after the internship and conveying the skills learned to the home country is the premise.

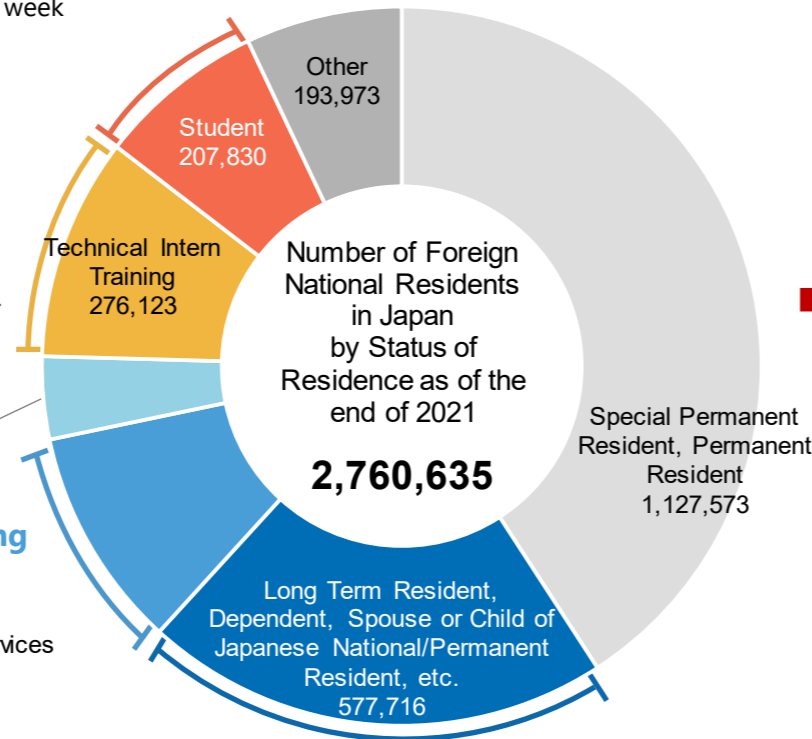
Skilled Labor, Business Manager, Intra-Company Transferee, Instructor, Highly Skilled Professional
102,680

Latent Markets for Engineering Outsourcing Business

Engineer/Specialist in Humanities/International Services
274,740

Latent Markets for Manufacturing Outsourcing and Engineering Outsourcing Business

Source: Compiled by the Company from the Ministry of Justice's "Regarding the number of foreign nationals in residence as of the end of 2021"



In order to resolve critical labor shortages concerning specified fields, raise productivity, and realize HR development reform, the Specified Skilled Worker status has been newly established since April 1, 2019 (targeting to receive up to a maximum of 345,150 over 5 years).

⇒ Latent markets for Manufacturing Outsourcing, Engineering Outsourcing, and ORJ Administrative Outsourcing Service

Specified Skilled Worker (i)

Foreign nationals with a level of skill that can be put to use immediately for a certain degree of work without receiving special training

5 years in total

Specified Skilled Worker (ii)

Foreign nationals who can oversee operations as supervisors and who can put to work expert skills

Renewable, can bring family members along

Note* Through the International Human resource Network Organization Foundation (IHNO), scholarships are paid to foreign students who work while studying. They provide support for foreign students from overseas studying and living in Japan, and for job hunting after graduation.

International Financial Reporting Standards (IFRS)

Impacts of IFRS 16 “Leases” on OUTSOURCING Group

Change in IFRS 16 (Lease accounting)

- ✓ According to the decision of the International Accounting Standards Board (IASB), companies complying with International Financial Reporting Standards (IFRS) are required under IFRS 16 to recognize lease (right of use) as an asset and record lease liabilities for all lease transactions except for short-term and low-value assets lease from fiscal year beginning January 1, 2019 onward. (Lease assets are subject to depreciation instead of being recorded as expense)

Impacts of Change in IFRS 16 (Lease accounting)

- ✓ Total assets increase by bringing lease on the balance sheet as an asset, which results in deterioration of financial indicators, including equity ratio
- ✓ Accounting process becomes more complicated

Treatment of Put Options over Non-Controlling Interests (IAS 32)

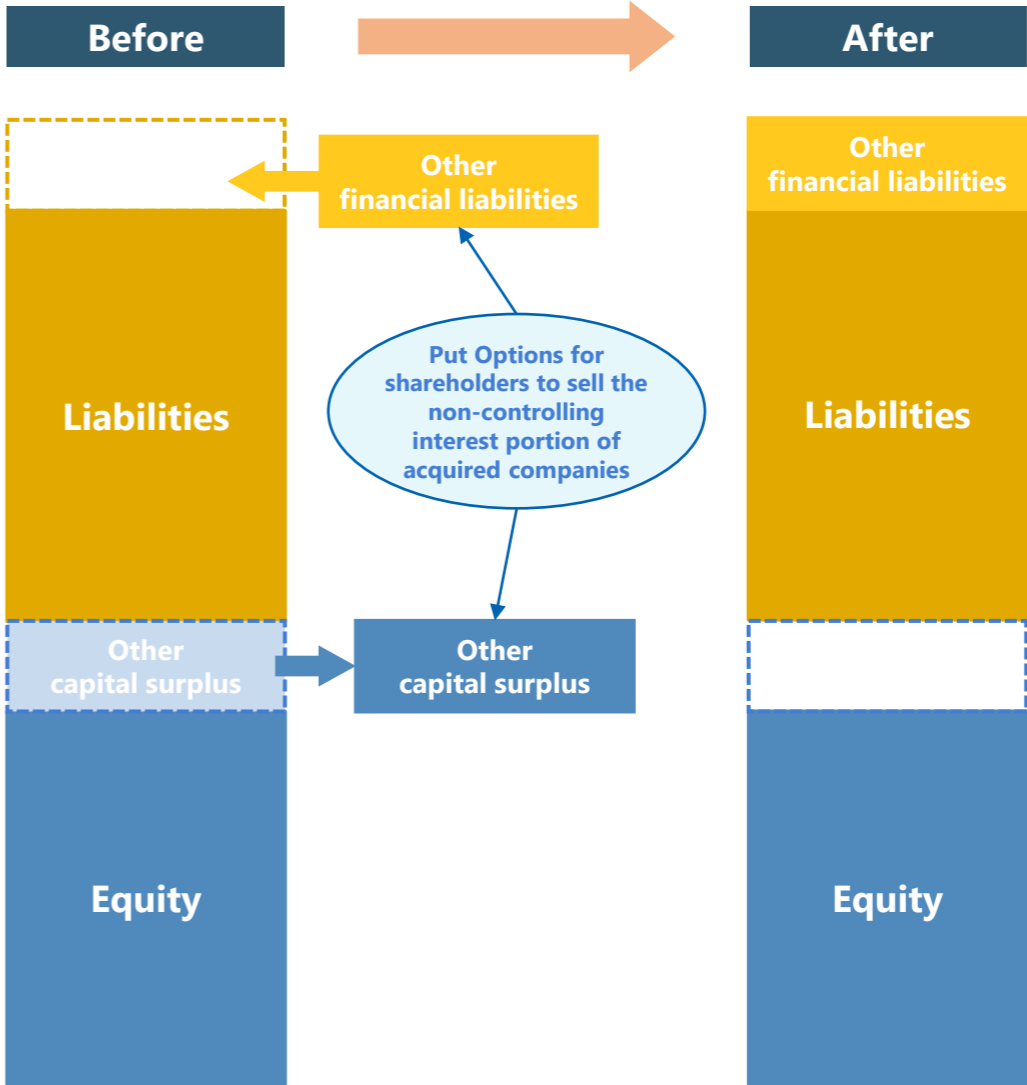
Common Interpretation of IFRS

- ✓ From paragraph 23 of IAS 32, the redemption amount (e.g., the forward purchase price, the option exercise price, or the present value of other redemption amount) in a contract that includes an obligation for a company to purchase capital instruments in cash or other financial assets (including cases where the contract itself is a capital instrument) is recognized as a financial liability.



Our Application

- ✓ In the event that we acquire less than 100% of the shares of the acquired company and the right for shareholders to sell the non-controlling interest portion to the Company in the future is granted, we record the future prospective purchase price as a liability and subtract the equivalent amount from equity.



Legal Disclaimer

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