

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



# Financial Results for the 1<sup>st</sup> Quarter of Fiscal Year Ending December 31, 2019

May 2019



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# Consolidated Financial Results for Q1 FY12/19 (IFRS)



# Consolidated Financial Results for Q1 FY12/19 (IFRS)

## ● Consolidated Financial Results Summary

(¥ million)	FY12/18		FY12/19		YoY	
	Q1 Actual		Q1 Actual		Changes	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
<b>Revenue</b>	<b>63,198</b>	<b>100.0%</b>	<b>86,404</b>	<b>100.0%</b>	<b>23,206</b>	<b>36.7%</b>
<b>Cost of sales</b>	50,948	80.6%	70,339	81.4%	19,391	38.1%
<b>Gross profit</b>	<b>12,250</b>	<b>19.4%</b>	<b>16,065</b>	<b>18.6%</b>	<b>3,815</b>	<b>31.1%</b>
<b>SG&amp;A expenses</b>	9,922	15.7%	14,215	16.5%	4,293	43.3%
<b>Operating profit</b>	<b>2,050</b>	<b>3.2%</b>	<b>2,689</b>	<b>3.1%</b>	<b>639</b>	<b>31.2%</b>
<b>Profit before tax</b>	1,935	3.1%	1,550	1.8%	(385)	-19.9%
<b>Profit for the period</b>	1,311	2.1%	788	0.9%	(523)	-39.9%
<b>Profit attributable to owners of the Company</b>	<b>1,186</b>	<b>1.9%</b>	<b>557</b>	<b>0.6%</b>	<b>(629)</b>	<b>-53.0%</b>

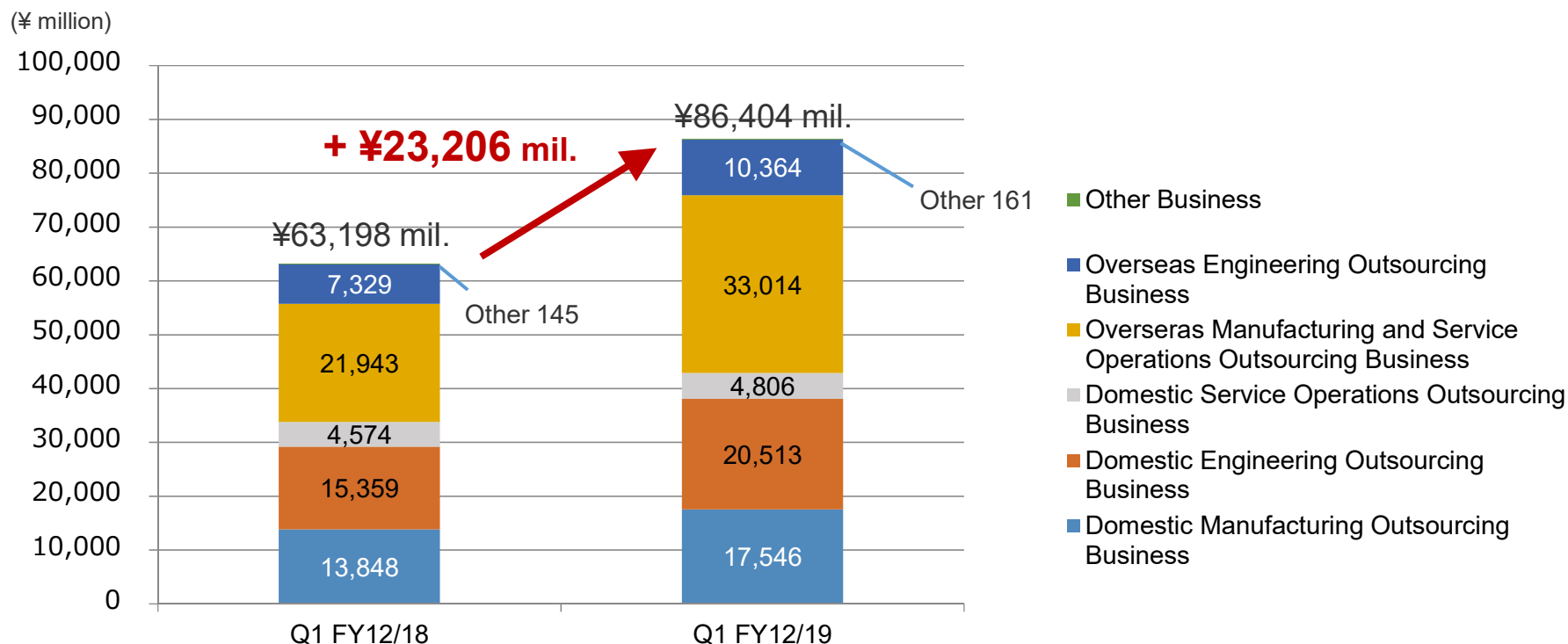
\*The amounts shown are rounded off to the nearest million yen.

# Consolidated Financial Results for Q1 FY12/19 (IFRS)

## ● Highlights of Consolidated Financial Results

**Revenue**      **¥ 86,404 million (+36.7% YoY)**

- Through generating group synergies, all segments grew and revenue exceeded initial forecast by ¥5,404 million.
  - In Japan, in addition to needs arising from revised labor laws, demand for foreign workers continued to expand.
  - Overseas, schemes for HR mobility from countries with abundant workforces to those with tight conditions expanded globally.

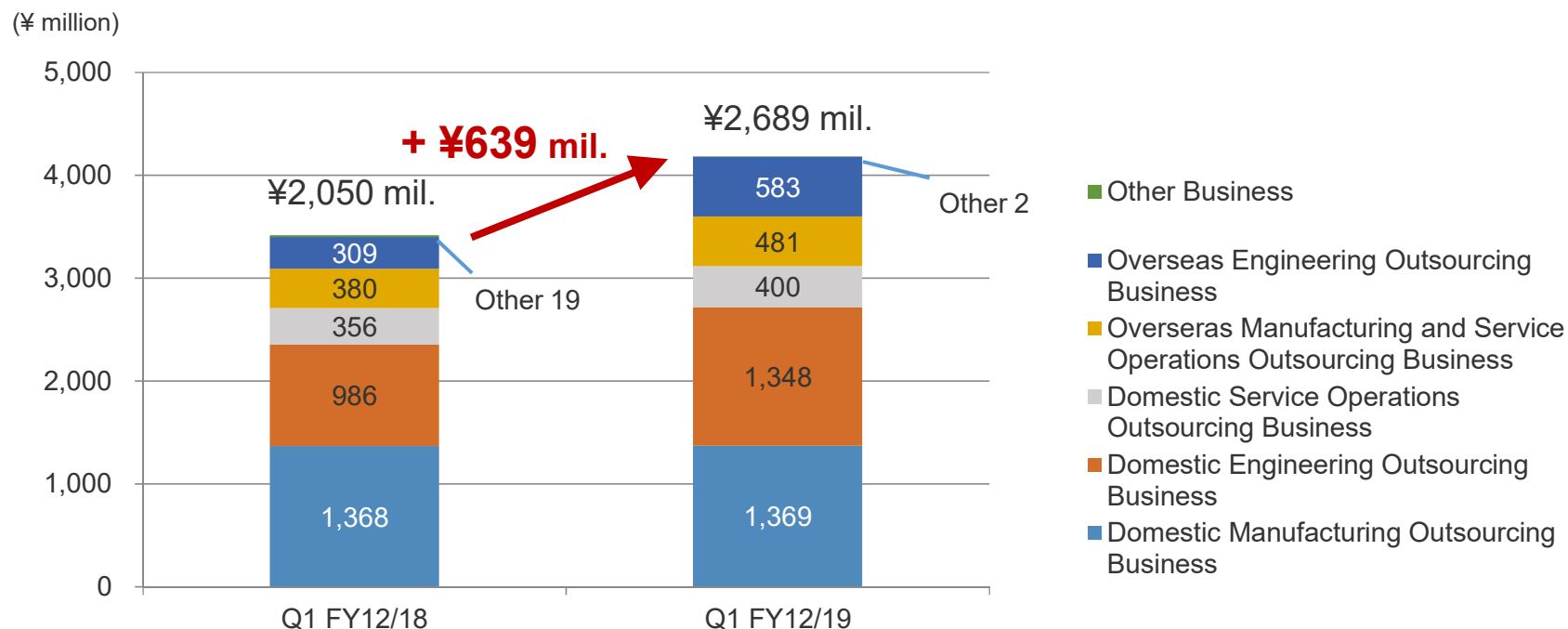


# Consolidated Financial Results for Q1 FY12/19 (IFRS)

## ● Highlights of Consolidated Financial Results

**Operating Profit      ¥ 2,689 million (+31.2% YoY)**

- Favorable orders and recruitment through differentiated strategies, offset budget shortfalls in Domestic Engineering Outsourcing and Overseas Manufacturing and Service Operations Outsourcing, with operating profit marking a new record high, exceeding initial forecast by ¥749 million.



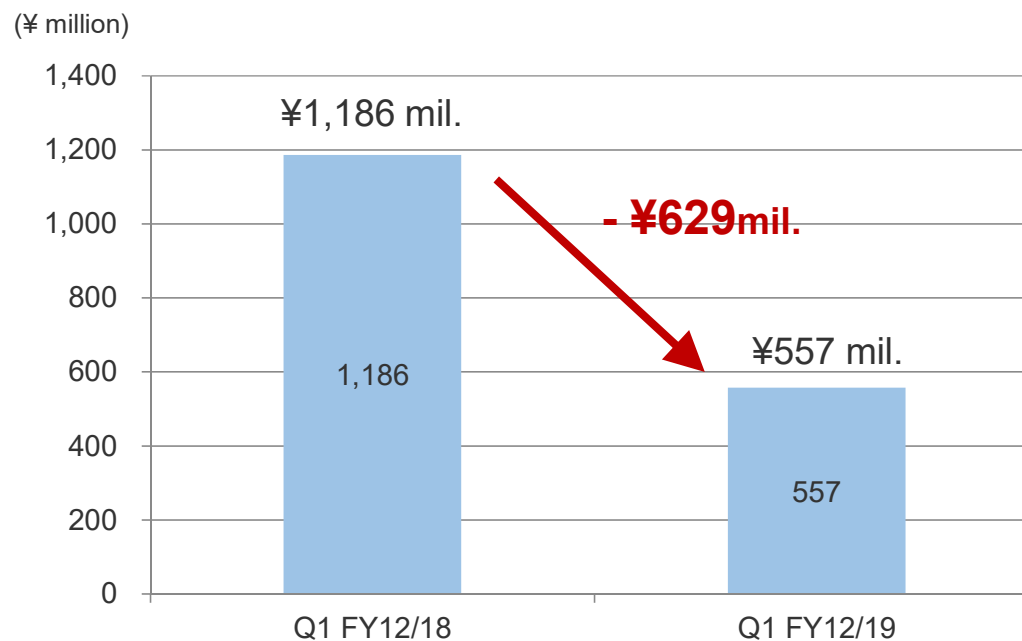
\*The operating profit adjustments (FY12/18 ¥(1,368) million and FY12/19 ¥(1,494) million) are not shown in the graph but are reflected in the total operating profit amounts.

# Consolidated Financial Results for Q1 FY12/19 (IFRS)

## ● Highlights of Consolidated Financial Results

### Profit Attributable to Owners of the Company **¥ 557 million (-53.0% YoY)**

- Q1 profit attributable to owners of the Company decreased YoY due to booking a one-time financial costs of ¥909 million for the revaluation difference in calculation of the fair value of put option liabilities as a result of stronger than initially expected financial results of companies granted put options.



# Consolidated Financial Results for Q1 FY12/19 (IFRS)

## ● Highlights of Consolidated Financial Results

### Overview by Operating Segment

#### Domestic Manufacturing Outsourcing Business<sup>\*1</sup>

Revenue: ¥ 17,546 million (+26.7% YoY)    Operating Profit: ¥ 1,369 million (+0.1% YoY)

Capturing maker needs from the Year 2018 Problem stemming from the labor shortage due to declining birthrate and revised labor laws resulted in expanded earnings.

- The PEO scheme promoted by the Company is a scheme where the Company hires fixed-term contract employees hired directly by makers, whose contracts can not be repeated beyond 5 years due to revised labor laws, as full-term employees of PEO and then dispatches them back, and it continued to grow on favorable evaluation by makers as a viable solution to long-term utilization of skilled workers.
- Since the Company's technical intern trainees in Administrative Outsourcing Business involve internships which can be extended up to a maximum 5 years and which cannot be cancelled during the contract period, this expands use in the area previously handled by fixed-term contract employees hired directly by makers.

\* Some disruption has arisen in licensing procedures etc. for administrative supervisory organizations as a result of revisions in the Technical Intern Training Act and Immigration Control Act, resulting in delays of entry visa inspection for technical intern trainees, which in turn resulted in a slight Q1 shortfall to plan of the number of the intern trainees under Administrative Outsourcing, however, the number of interns scheduled to come to Japan is running sharply ahead of plan, and is expected to catch up to plan as disruption dies down.

While there were delays in entry of technical intern trainees against initial forecasts, revenue increased by ¥46 million, and Operating Profit increased by ¥269 million due to leading investments for growth being pushed back into the Q2.

\*1 → please refer to P.24-33



# Consolidated Financial Results for Q1 FY12/19 (IFRS)

## ● Highlights of Consolidated Financial Results

### Overview by Operating Segment

#### Domestic Engineering Outsourcing Business <sup>\*2</sup>

Revenue: ¥ 20,513 million (+33.6% YoY)    Operating Profit: ¥ 1,348 million (+36.8% YoY)

Positive evaluation of schemes for career change and skill advancement became a competitive advantage in hiring, and earnings expanded.

- By establishing a scheme for engineer dispatch starting from low-end entry positions, achieved entry into a wide range of technical fields, and established a mechanism for career change in field and occupation for individual engineers whose skill sets have become no longer necessary in the current environment where the cycle for technical skills has shortened, the Company provides an opportunity to obtain new skills at KEN School.
- Established a mechanism for career advancement into high-end areas through improving skills at KEN School when technology is required over the longer term for certain fields and occupations.

RPA(Robotic Process Automation): encompasses initiatives to streamline and to automate white collar indirect and simple tasks with machine learning through artificial intelligence (AI)

From Q1 FY12/19, the Company has deployed RPA introduction support service which provides full support from RPA product selection to operation toward resolving the personnel shortage in the wake of growth in the RPA market, capturing demand.

In Q1 FY12/19, the Company made preparations for rolling out new business in the Q2 of total solutions for back office work through establishment of a new joint venture company between FUJITSU GENERAL LIMITED and OS Group subsidiary OUTSOURCING TECHNOLOGY Inc. which is the core of this business segment.

Against initial forecasts, Revenue increased by ¥513 million through favorable recruitment, however Operating Profit declined by ¥22 million due to greater than expected initial costs for RPA / back office business.

\*2 → please refer to P.34-37

# Consolidated Financial Results for Q1 FY12/19 (IFRS)

- Highlights of Consolidated Financial Results

## Overview by Operating Segment

### Domestic Service Operations Outsourcing Business <sup>\*3</sup>

Revenue: ¥ 4,806 million (+5.1% YoY)    Operating Profit: ¥ 400 million (+12.3% YoY)

Earnings expanded by winning orders for multiple large-lot projects after expanding bonded insurance required for bidding on projects within US military facilities to ¥70 billion.

- In 2019, the Company has already won project orders totaling roughly ¥20 billion (securing 89.7% of full-year revenue forecast for ¥22.3bn.)

In development to the Pacific Rim, leveraging group synergies for full swing start-up in US military facilities on Guam from the Q2 of 2019 (however, business for US military facilities on Guam will be classified under Overseas Service Operations Outsourcing Business.)

Against initial forecasts, Revenue increased by ¥306 million on the back of winning large-lot orders, and Operating Profit increased by ¥210 million on improved margins from the large-lot orders.

\*3 → please refer to P.38

# Consolidated Financial Results for Q1 FY12/19 (IFRS)

- Highlights of Consolidated Financial Results

## Overview by Operating Segment

### Overseas Manufacturing and Service Operations Outsourcing Business<sup>\*4</sup>

Revenue: ¥ 33,014 million (+50.4% YoY)    Operating Profit: ¥ 481 million (+26.7% YoY)

In addition to expanded synergies from business collaboration among European group companies, in Manufacturing Outsourcing, HR mobility business, which covers the supply/demand gap in the EU in wage disparity and workforce availability, expanded favorably, and in Service Operations Outsourcing, various outsourcing businesses related to public works in Europe and Australia also expanded favorably.

Against initial forecasts, Revenue increased by ¥3,264 million from growth in HR mobility etc., however Operating Profit declined by ¥29 million due to greater than expected one-time expenses as a result of expected January cancellations.

<sup>\*4</sup> → please refer to P.39-41

# Consolidated Financial Results for Q1 FY12/19 (IFRS)

- Highlights of Consolidated Financial Results

## Overview by Operating Segment

### Overseas Engineering Outsourcing Business <sup>\*5</sup>

Revenue: ¥ 10,364 million (+41.4% YoY)    Operating Profit: ¥ 583 million (+88.5% YoY)

Earnings expanded in Europe and Australia on growth in each of the respective businesses of BPO on consignment for central and local governments using proprietarily developed systems, various outsourced work at public facilities and consignment work for financial institutions.

BPO(Business Process Outsourcing): blanket contract

Results grew on the increased number of hires from starting a scheme for the training and assignment of engineers at an OS Group school in Australia for the ICT field for the government and financial sectors.

ICT: Information and Communications Technology

Against initial forecasts, Revenue increased by ¥1,264 million on favorable orders, and Operating Profit increased by ¥153 million.

<sup>\*5</sup> → please refer to P.42

# Consolidated Financial Results for Q1 FY12/19 (IFRS)

## ● Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/18					FY12/19
	Q1	Q2	Actual Q3	Q4	Full-Year	Actual Q1
Revenue	63,198	75,901	81,959	90,253	311,311	86,404
Gross profit	12,250	14,231	16,360	19,559	62,400	16,065
Ratio of gross profit	19.4%	18.7%	20.0%	21.7%	20.0%	18.6%
SG&A expenses	9,922	11,592	12,089	13,666	47,269	14,215
Ratio of SG&A expenses	15.7%	15.3%	14.7%	15.1%	15.2%	16.5%
Operating profit	2,050	2,858	4,375	5,790	15,073	2,689
Ratio of operating profit	3.2%	3.8%	5.3%	6.4%	4.8%	3.1%
Profit before tax	1,935	1,952	4,194	4,956	13,037	1,550
Ratio of profit before tax	3.1%	2.6%	5.1%	5.5%	4.2%	1.8%
Profit attributable to owners of the Company	1,186	883	2,080	3,547	7,696	557
Ratio of profit attributable to owners of the Company	1.9%	1.2%	2.5%	3.9%	2.5%	0.6%

QoQ/YoY Changes	FY12/18					FY12/19
	Q1	Q2	Actual Q3	Q4	Full-Year	Actual Q1
Revenue	-2.3%	20.1%	8.0%	10.1%	35.3%	-4.3%
Gross profit	-12.9%	16.2%	15.0%	19.5%	36.2%	-17.9%
SG&A expenses	5.9%	16.8%	4.3%	13.1%	35.9%	4.0%
Operating profit	-56.0%	39.4%	53.1%	32.4%	32.7%	-53.6%
Profit before tax	-55.9%	0.9%	114.9%	18.2%	25.4%	-68.7%
Profit attributable to owners of the Company	-61.0%	-25.6%	135.6%	70.5%	24.5%	-84.3%

\*The amounts shown are rounded off to the nearest million yen.

# Consolidated Financial Results for Q1 FY12/19 (IFRS)

## Financial Results by Operating Segment (Quarterly Trends)

(¥ million)	FY12/18 Actual					FY12/19 Actual	
	Q1	Q2	Q3	Q4	Full-Year	Q1	
Domestic Manufacturing Outsourcing Business	Revenue	13,848	14,937	15,853	17,664	62,302	17,546
	Operating profit	1,368	1,370	1,640	2,916	7,294	1,369
	No. of worksite employees at term-end	11,050	11,826	12,363	13,698	13,698	13,531
	No. of outsourcing administrative workers at term-end	5,554	6,716	7,467	11,225	11,225	12,418
Domestic Engineering Outsourcing Business	No. of placed workers	818	1,033	971	1,030	3,852	924
	Revenue	15,359	17,188	18,826	21,061	72,434	20,513
	Operating profit	986	1,299	1,767	3,215	7,267	1,348
Domestic Service Operations Outsourcing Business	No. of worksite employees at term-end	9,474	10,943	12,138	12,763	12,763	13,214
	Revenue	4,574	4,675	4,145	4,609	18,003	4,806
	Operating profit	356	301	387	327	1,371	400
Overseas Manufacturing and Service Operations Outsourcing Business	No. of worksite employees at term-end	2,890	2,985	2,815	3,370	3,370	2,670
	Revenue	21,943	30,159	33,748	35,714	121,564	33,014
	Operating profit	380	1,018	1,393	(142)	2,649	481
Overseas Engineering Outsourcing Business	No. of worksite employees at term-end	32,281	46,034	47,197	44,868	44,868	42,280
	Revenue	7,329	8,836	9,305	11,100	36,570	10,364
	Operating profit	309	355	484	572	1,720	583
Other Business	No. of worksite employees at term-end	2,091	2,252	2,507	3,043	3,043	3,280
	Revenue	145	106	82	105	438	161
	Operating profit	19	42	23	(31)	53	2
Adjustments	No. of worksite employees at term-end	3	3	4	4	4	3
	Operating profit	(1,368)	(1,527)	(1,319)	(1,067)	(5,281)	(1,494)
Total	Revenue	63,198	75,901	81,959	90,253	311,311	86,404
	Operating profit	2,050	2,858	4,375	5,790	15,073	2,689

Revenue by Region (¥ million)	FY12/18 Actual					FY12/19 Actual
	Q1	Q2	Q3	Q4	Full-Year	Q1
Japan	33,926	36,906	38,906	43,439	153,177	43,026
Asia (excl. Japan)	4,716	4,367	4,453	3,340	16,876	3,414
Oceania	9,149	11,133	11,347	12,821	44,450	11,783
Europe	14,057	21,785	25,456	28,357	89,655	26,225
South America	1,350	1,710	1,797	2,296	7,153	1,956
Total	63,198	75,901	81,959	90,253	311,311	86,404

\*1: The amounts shown are rounded off to the nearest million yen.  
\*2: Inter-segment transactions in revenue by region are eliminated.

# Consolidated Financial Results for Q1 FY12/19 (IFRS)

## Summary of Consolidated Statement of Financial Position

(¥ million)	FY12/18-End		Q1-End FY12/19		YoY Changes
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
<b>Current assets</b>	<b>93,636</b>	<b>51.6%</b>	<b>98,816</b>	<b>46.6%</b>	<b>5,180</b>
Cash and cash equivalents	29,451	16.2%	27,952	13.2%	(1,499)
Trade and other receivables	50,165	27.6%	50,288	23.7%	123
Inventories	1,509	0.8%	1,446	0.7%	(63)
<b>Non-current assets</b>	<b>87,941</b>	<b>48.4%</b>	<b>113,227</b>	<b>53.4%</b>	<b>25,286</b>
Property, plant and equipment	10,249	5.6%	7,959	3.8%	(2,290)
Right-of-use assets	-	-	18,702	8.8%	-
Goodwill	57,065	31.4%	57,404	27.1%	339
Intangible assets	11,288	6.2%	11,230	5.3%	(58)
Other non-current financial assets	5,378	3.0%	13,215	6.2%	7,837
<b>Total assets</b>	<b>181,577</b>	<b>100.0%</b>	<b>212,043</b>	<b>100.0%</b>	<b>30,466</b>
<b>Current liabilities</b>	<b>67,246</b>	<b>37.0%</b>	<b>86,908</b>	<b>41.0%</b>	<b>19,662</b>
Trade and other payables	32,038	17.6%	33,891	16.0%	1,853
Bonds and borrowings	14,822	8.2%	21,590	10.2%	6,768
Lease Liabilities	-	-	14,671	6.9%	-
Income tax payables	4,635	2.6%	4,245	2.0%	(390)
<b>Non-current liabilities</b>	<b>56,054</b>	<b>30.9%</b>	<b>69,064</b>	<b>32.6%</b>	<b>13,010</b>
Bonds and borrowings	39,265	21.6%	33,973	16.0%	(5,292)
Lease Liabilities	-	-	19,099	9.0%	-
Other non-current financial liabilities	11,125	6.1%	10,329	4.9%	(796)
<b>Total liabilities</b>	<b>123,300</b>	<b>67.9%</b>	<b>155,972</b>	<b>73.6%</b>	<b>32,672</b>
Share capital	25,123	13.8%	25,133	11.9%	10
Share premium	26,587	14.6%	26,566	12.5%	(21)
Treasury shares	(0)	0.0%	(0)	0.0%	0
Other share premium	(14,178)	-7.8%	(14,121)	-6.7%	57
Retained earnings	19,990	11.0%	17,883	8.4%	(2,107)
<b>Equity attributable to owners of the Company</b>	<b>55,362</b>	<b>30.5%</b>	<b>53,604</b>	<b>25.3%</b>	<b>(1,758)</b>
<b>Non-controlling interests</b>	<b>2,915</b>	<b>1.6%</b>	<b>2,467</b>	<b>1.2%</b>	<b>(448)</b>
<b>Equity</b>	<b>58,277</b>	<b>32.1%</b>	<b>56,071</b>	<b>26.4%</b>	<b>(2,206)</b>
<b>Total liabilities and equity</b>	<b>181,577</b>	<b>100.0%</b>	<b>212,043</b>	<b>100.0%</b>	<b>30,466</b>

Increased due to the start of application of IFRS 16 Leases

### IFRS 16 Leases

⇒ This accounting standard requires all leases in principle to be on Statement of Financial Position, and application commenced from January 1, 2019.

\*The amounts shown are rounded off to the nearest million yen.

# Consolidated Financial Forecasts for FY12/19 (IFRS)





# Consolidated Financial Forecasts for FY12/19 (IFRS)

## ● Summary for FY12/19 Consolidated Financial Forecasts

(¥ million)	FY12/18 Actual				FY12/19 Forecasts				YoY Changes	
	1H	2H	Full-Year		1H	2H	Full-Year		Amount	Ratio
	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio		
<b>Revenue</b>	<b>139,099</b>	<b>172,212</b>	<b>311,311</b>	<b>100.0%</b>	<b>171,000</b>	<b>214,000</b>	<b>385,000</b>	<b>100.0%</b>	<b>73,689</b>	<b>23.7%</b>
Cost of sales	112,618	136,293	248,911	80.0%	-	-	-	-	-	-
<b>Gross profit</b>	<b>26,481</b>	<b>35,919</b>	<b>62,400</b>	<b>20.0%</b>	-	-	-	-	-	-
SG&A expenses	21,514	25,755	47,269	15.2%	-	-	-	-	-	-
<b>Operating profit</b>	<b>4,908</b>	<b>10,165</b>	<b>15,073</b>	<b>4.8%</b>	<b>4,900</b>	<b>14,100</b>	<b>19,000</b>	<b>4.9%</b>	<b>3,927</b>	<b>26.1%</b>
Finance income	69	56	66	0.0%	-	-	-	-	-	-
Finance costs	1,090	1,071	2,102	0.7%	-	-	-	-	-	-
<b>Profit before tax</b>	<b>3,887</b>	<b>9,150</b>	<b>13,037</b>	<b>4.2%</b>	<b>4,200</b>	<b>13,300</b>	<b>17,500</b>	<b>4.5%</b>	<b>4,463</b>	<b>34.2%</b>
<b>Profit for the period</b>	<b>2,465</b>	<b>6,199</b>	<b>8,664</b>	<b>2.8%</b>	<b>2,600</b>	<b>8,800</b>	<b>11,400</b>	<b>3.0%</b>	<b>2,736</b>	<b>31.6%</b>
<b>Profit attributable to owners of the Company</b>	<b>2,069</b>	<b>5,627</b>	<b>7,696</b>	<b>2.5%</b>	<b>2,100</b>	<b>7,900</b>	<b>10,000</b>	<b>2.6%</b>	<b>2,304</b>	<b>29.9%</b>

\*The amounts shown are rounded off to the nearest million yen.

# Consolidated Financial Forecasts for FY12/19 (IFRS)

## ● The Company's opinion on press reports regarding economic slowdown

### Domestic Manufacturing Outsourcing Business

Personnel adjustment at times of production cuts is conducted with dispatched employees used for handling short-term fluctuations

- This area for handling fluctuations will be consolidated, however the Company has already withdrawn from this domain, moving into the domain of long-term utilization previously handled by fixed-term contract employees hired directly by makers with the PEO scheme and technical intern trainees, so our business including going forward will be less susceptible to economic slowdown.

### Domestic Engineering Outsourcing Business

New technologies are emerging one after another in various industrial fields, and demand for engineers is constantly growing

- The Company responds to demand for engineers in a wide range of industrial fields, and since it has established a scheme for career change when an individual's technology has become obsolete through curriculum at the Group's KEN School, which is favorably evaluated by job seekers, our business including going forward will be less susceptible to economic slowdown.

### Domestic Service Operations Outsourcing Business

- From the perspective of US national security, reduction of military bases in the Pacific Rim is highly unlikely, and our business including going forward will be less susceptible to economic slowdown.

### Overseas Manufacturing and Service Operations Outsourcing Business

- Overseas Manufacturing Outsourcing has made wide inroads into jobs which require skilled proficiency, and while economic slowdown affects new orders, existing business is less susceptible, and for public-related outsourcing in Service Operations Outsourcing, our business including going forward will be less susceptible to economic slowdown.

### Overseas Engineering Outsourcing Business

- Since Overseas Engineering Business is comprised of various government and public works on consignment, our business including going forward will be less susceptible to economic slowdown.

# Consolidated Financial Forecasts for FY12/19 (IFRS)

## Summary for Financial Forecasts by Operating Segment (Annual, Semi-Annual and Quarterly Trends)

(¥ million)		FY12/18					FY12/19						
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	1H	2H	Full-Year
Domestic Manufacturing Outsourcing Business	Revenue	13,848	14,937	15,853	17,664	62,302	17,500	19,500	22,200	25,400	37,000	47,600	84,600
	Operating profit	1,368	1,370	1,640	2,916	7,294	1,100	1,900	2,600	3,220	3,000	5,820	8,820
	No. of worksite employees at term-end	11,050	11,826	12,363	13,698	13,698	13,757	15,141	16,051	17,686	15,141	17,686	17,686
	No. of outsourcing administrative workers at term-end	5,554	6,716	7,467	11,225	11,225	12,729	14,690	17,230	20,000	14,690	20,000	20,000
Domestic Engineering Outsourcing Business	Revenue	15,359	17,188	18,826	21,061	72,434	20,000	23,000	25,100	27,400	43,000	52,500	95,500
	Operating profit	986	1,299	1,767	3,215	7,267	1,370	1,030	2,790	3,510	2,400	6,300	8,700
	No. of worksite employees at term-end	9,474	10,943	12,138	12,763	12,763	12,868	14,828	15,403	16,111	14,828	16,111	16,111
	No. of placed workers	818	1,033	971	1,030	3,852	840	900	920	940	1,740	1,860	3,600
Domestic Service Operations Outsourcing Business	Revenue	4,574	4,675	4,145	4,609	18,003	4,500	5,000	6,100	6,700	9,500	12,800	22,300
	Operating profit	356	301	387	327	1,371	190	370	550	690	560	1,240	1,800
	No. of worksite employees at term-end	2,890	2,985	2,815	3,370	3,370	3,169	3,819	4,328	4,891	3,819	4,891	4,891
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	21,943	30,159	33,748	35,714	121,564	29,750	32,250	38,890	38,470	62,000	77,360	139,360
	Operating profit	380	1,018	1,393	(142)	2,649	510	1,050	1,680	1,460	1,560	3,140	4,700
	No. of worksite employees at term-end	32,281	46,034	47,197	44,868	44,868	46,287	49,507	53,333	55,674	49,507	55,674	55,674
Overseas Engineering Outsourcing Business	Revenue	7,329	8,836	9,305	11,100	36,570	9,100	10,100	11,300	12,000	19,200	23,300	42,500
	Operating profit	309	355	484	572	1,720	430	640	720	610	1,070	1,330	2,400
	No. of worksite employees at term-end	2,091	2,252	2,507	3,043	3,043	3,113	3,336	3,331	3,431	3,336	3,431	3,431
Other Business	Revenue	145	106	82	105	438	150	150	210	230	300	440	740
	Operating profit	19	42	23	(31)	53	(60)	(130)	(80)	(110)	(190)	(190)	(380)
	No. of worksite employees at term-end	3	3	4	4	4	3	4	3	3	4	3	3
Adjustments	Operating profit	(1,368)	(1,527)	(1,319)	(1,067)	(5,281)	(1,600)	(1,900)	(1,770)	(1,770)	(3,500)	(3,540)	(7,040)
Total	Revenue	63,198	75,901	81,959	90,253	311,311	81,000	90,000	103,800	110,200	171,000	214,000	385,000
	Operating profit	2,050	2,858	4,375	5,790	15,073	1,940	2,960	6,490	7,610	4,900	14,100	19,000

\*1: The amounts shown are rounded off to the nearest million yen.

\*2: Inter-segment transactions in revenue by region are eliminated.

# References



# Global Development of Differentiated Businesses and HR Mobility

- HR services is a recurring stock business, and an advantage in hiring is required.

Increasing the number of effective applicants and achieving a net increase in the number enrolled is directly linked to growth of HR business.

\*Effective applicants: Applicants who were successfully hired

⇒ Since other competitors in the industry have similar job offers for the reason of taking orders in a side by side manner, the number of hires comes under pressure due to intensified hiring competition, and at the same time recruitment cost rises.

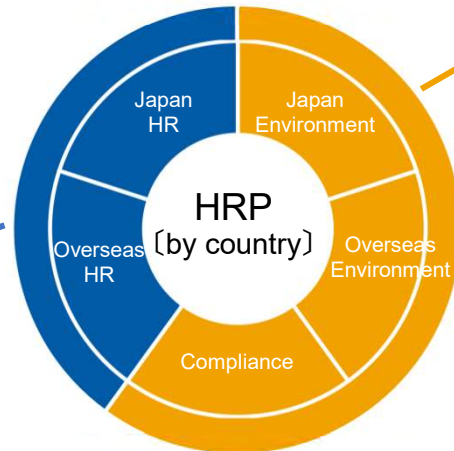


The Company has secured an overwhelming advantage in hiring through business domains not yet entered by competitors, schemes for career advancement and career change using the Group's KEN school, and global development of HR mobility.

# Global Development of Differentiated Businesses and HR Mobility

- Overview of Global HRP (Human Resource Platform)

- HRP Configuration



HR Platform

- Providing industry sectors and job types for diverse workstyles to human resources including both in Japan and overseas.

Environment Platform

- Providing a legally protected and appropriate environment for human resources in and outside of Japan as well as companies operating in and outside Japan.

### About HRP

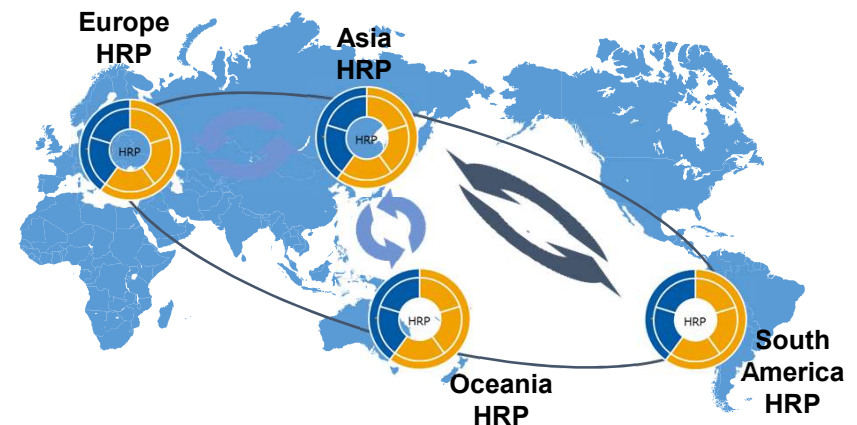
- In line with conditions in each country, using HRP established by the OS Group becomes a one-stop total solutions platform related to human resources, for not only those working in a said country, but also local people going overseas, foreigners coming to work in the said country, companies trying to procure human resources from overseas, as well as companies looking to expand overseas.

- Method and Objective of Constructing a Global HRP

- Build an Asian HRP through collaboration with HRP's in each Asian country
- Build HRP's in other regions around the world
- Construct a global HRP through collaboration of regional HRP's around the world

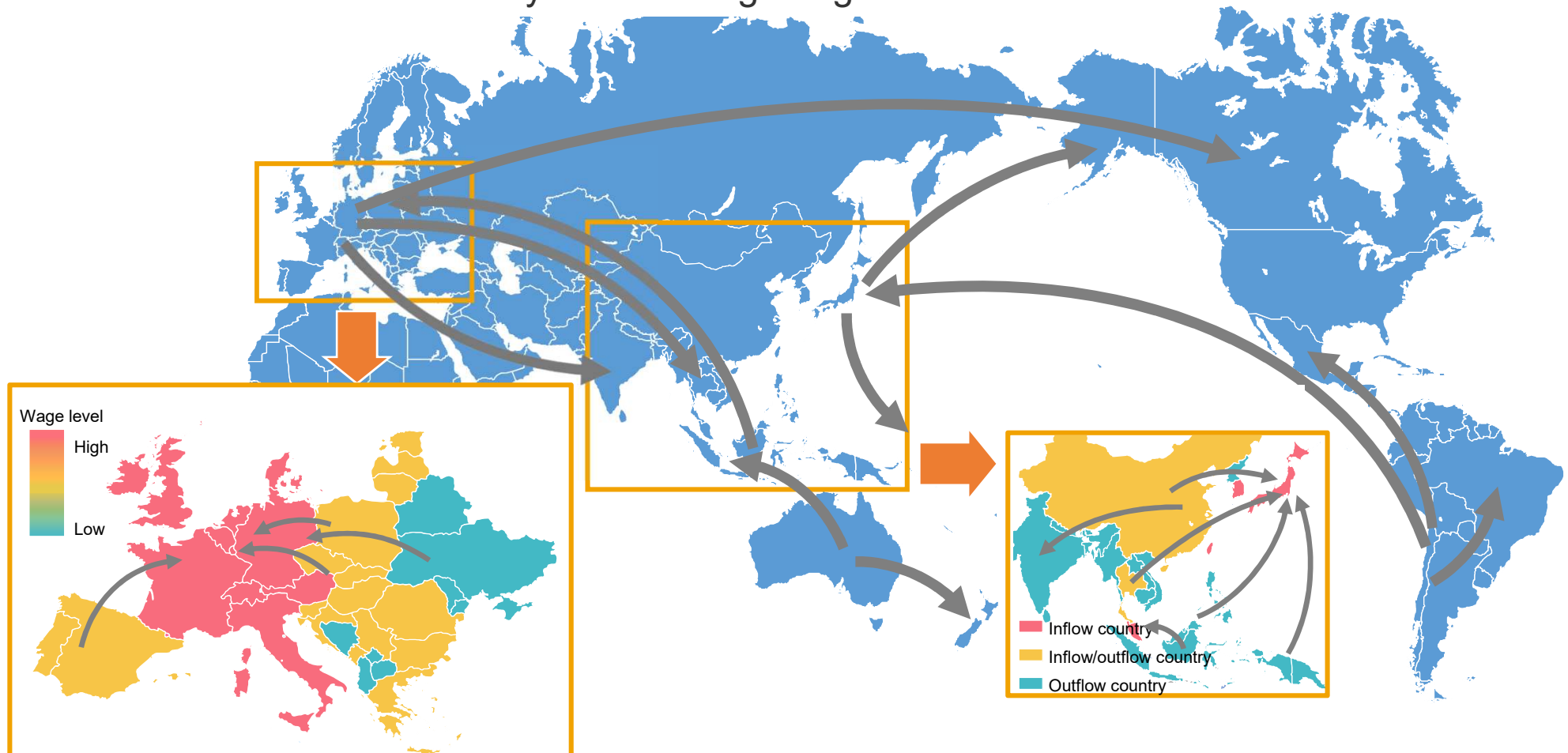
Centralize support for global mobility of workers and companies

**“WORKING” Beyond Borders**



# Global Development of Differentiated Businesses and HR Mobility

- Promotion of an HR mobility model using the global HRP



In line with progress in establishing the global HRP, accelerate HR mobility not only for the business area of Manufacturing Outsourcing, but also for the business areas of Service Operations and Engineering Outsourcing. Aim to achieve operating profit of over ¥70 billion in the next Medium-Term Management Plan to be created going forward.

# Main Business Schemes in Each Business Segment

HR services is a recurring stock business, and an advantage in hiring is required.

Business schemes meeting HR needs which are differentiated from competitors in each segment.

## ■ Domestic Manufacturing Outsourcing Business (P.24-33)

- Promoting the growing business related to use of foreign workers, expanding staff procurement by bringing staff from countries with growing populations to Japan.
- Realizing systematic and stable recruitment through the PEO scheme under which fixed-term contract employees hired directly by makers are hired as indefinite-term employees of the Company.

## ■ Domestic Engineering Outsourcing Business (P.34-37)

Established a system supported by job seekers including a scheme for starting from low-end entry positions in engineer dispatch rolled out to a wide range of technical fields, as well as schemes enabling career change and career advancement to meet prevailing market needs.

## ■ Domestic Service Operations Outsourcing Business (P.38)

While it is relatively easy to hire for stable jobs, there is a high barrier to entry for competitors for outsourcing business in US military facilities, which is now being rolled out into the Pacific Rim.

## ■ Overseas Manufacturing and Service Operations Outsourcing Business (P.39-41)

- Manufacturing: Expanding cross-border HR mobility
- Service Operations: Global development of public work related business where hiring is relatively easy being less susceptible to impact from the economy.

## ■ Overseas Engineering Outsourcing Business (P.42)

Global development of BPO business for governments where hiring is relatively easy being less susceptible to impact from the economy.



# Main Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business

(Administrative Outsourcing Business mainly of foreign workers by Group company ORJ)

Revisions of the Technical Intern Training Act and Immigration Control Act related to the use of foreign workers (excerpt).

## Technical Intern Training Act (Act on Proper Technical Intern Training and Protection of Technical Intern Trainees) Enforced in November 2017

- The maximum 3 years internship period was extended to a maximum 5 years.

\* Technical intern trainee ➡ Based on Japan's official program, the Technical Intern Training Program, makes hire foreigners mainly from Asia as technical intern trainees, and after they return to their home countries when the internship is completed, have them use the skills they acquired locally.

## Revised Immigration Control Act (Immigration Control and Refugee Recognition Act) Enforced in April 2019

- This is a major shift in policy for accepting foreign workers which in the past had been limited to those with advanced skills in specialized fields, creating new categories of status of residence (Specified Skills), allowing employment in the area of basic (blue-collar) labor.

\*Foreigners with specified skills ➡ New categories of status of residence issued to those who have completed the Technical Intern Training Program, and who satisfy immigration requirements including passing designated exams etc.

# Main Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business

(Administrative Outsourcing Business mainly of foreign workers by Group company ORJ)

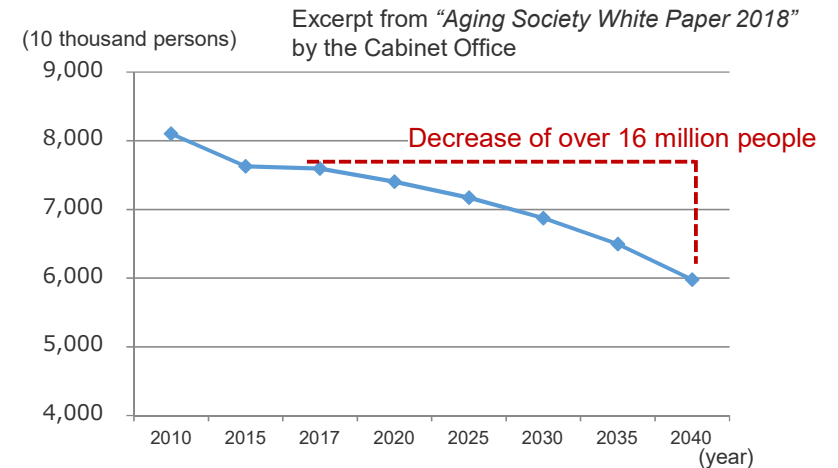
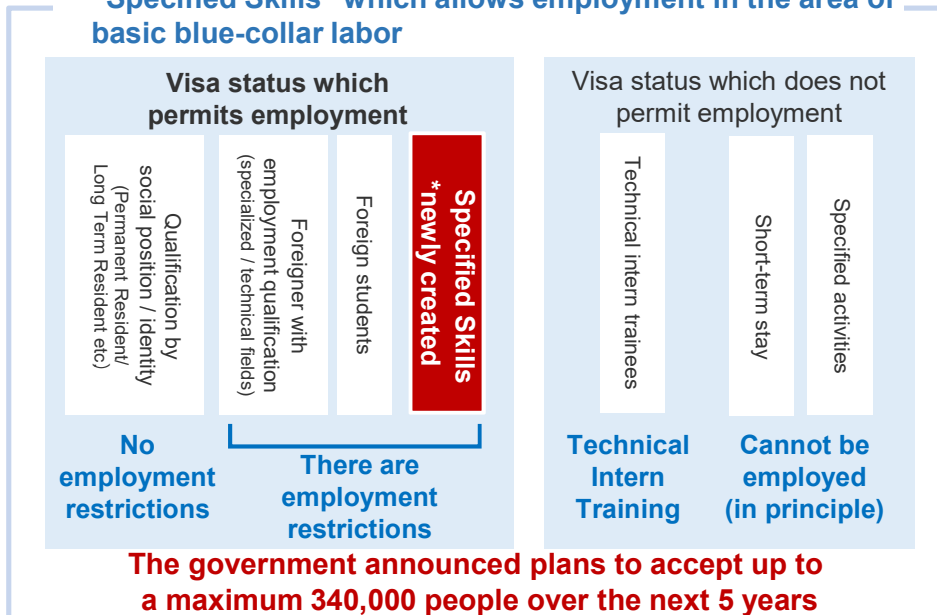
- Deregulation regarding foreign workers, advanced against the backdrop of the declining domestic workforce population
  - Population trend and future forecast for Japan's age group of 15-64 years old (productive age)

■ 1.46 million foreign workers as of October 2018

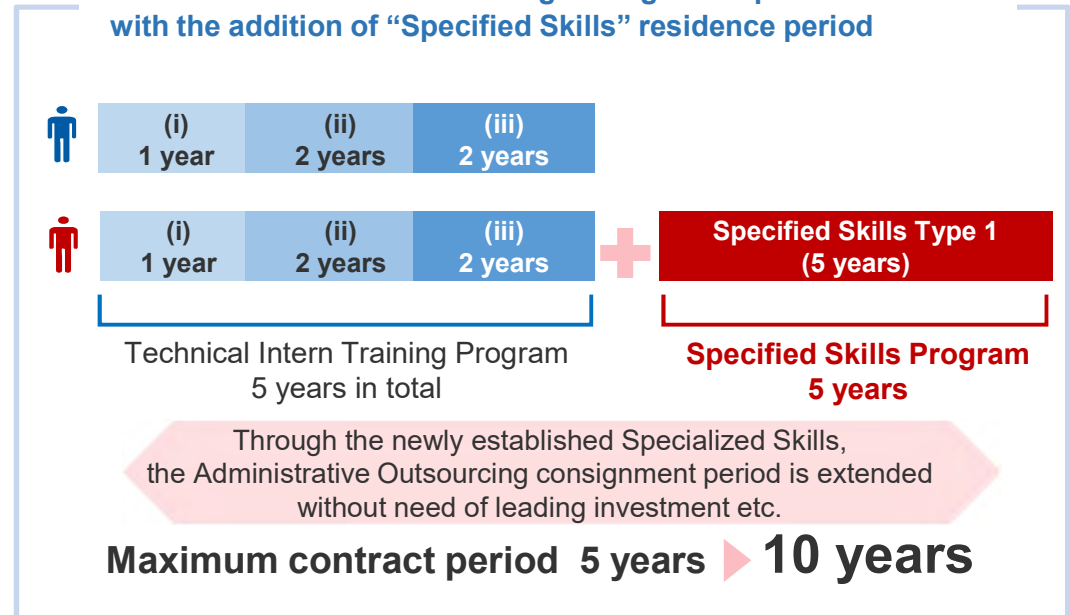
**+14.2% YoY**

From Registration Status Summary of  
"The Employment Situation of Foreigners" by MHLW

- Positioning of the new visa (residence) status program "Specified Skills" which allows employment in the area of basic blue-collar labor



- The Administrative Outsourcing consignment period is extended with the addition of "Specified Skills" residence period



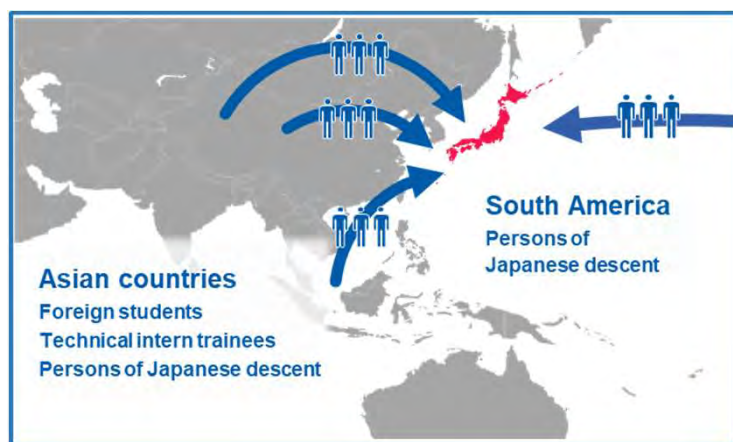
# Main Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business

(Administrative Outsourcing Business mainly of foreign workers by Group company ORJ)

Promotion of business related to use of foreign workers continues to expand through matching the needs of makers and foreign workers.

- The OS Group has already established a proprietary recruitment network and utilization scheme for countermeasures by makers to the domestic workforce shortage to expand use of foreign exchange students, technical intern trainees and those of Japanese descent from Asia, as well as those of Japanese descent from South America.
- OS Group business related to the use of foreign workers
  - When a maker hires technical intern trainees, those with specified skills coming to Japan or those of Japanese descent, they are sent by Group companies handling Japanese language training locally, and various administrative work on consignment after they arrive in Japan including arrangement of dormitories, and support for language and daily living etc.
  - The OS Group is also broadly engaged in directly hiring persons of Japanese descent and foreign exchange students for use in dispatch and subcontracting, as well as HR placement to makers etc.



- Actual number of persons under Administrative Outsourcing

**End of FY12/18 11,225 persons**

- Centering around ORJ which is a pioneer in the field of Administrative Outsourcing Business, the Group will go after the market for expanded use of foreign workers, leveraging its competitive advantages.

**End of FY12/23**

**Aiming at over 100,000 persons  
for business related to the use of foreign workers**

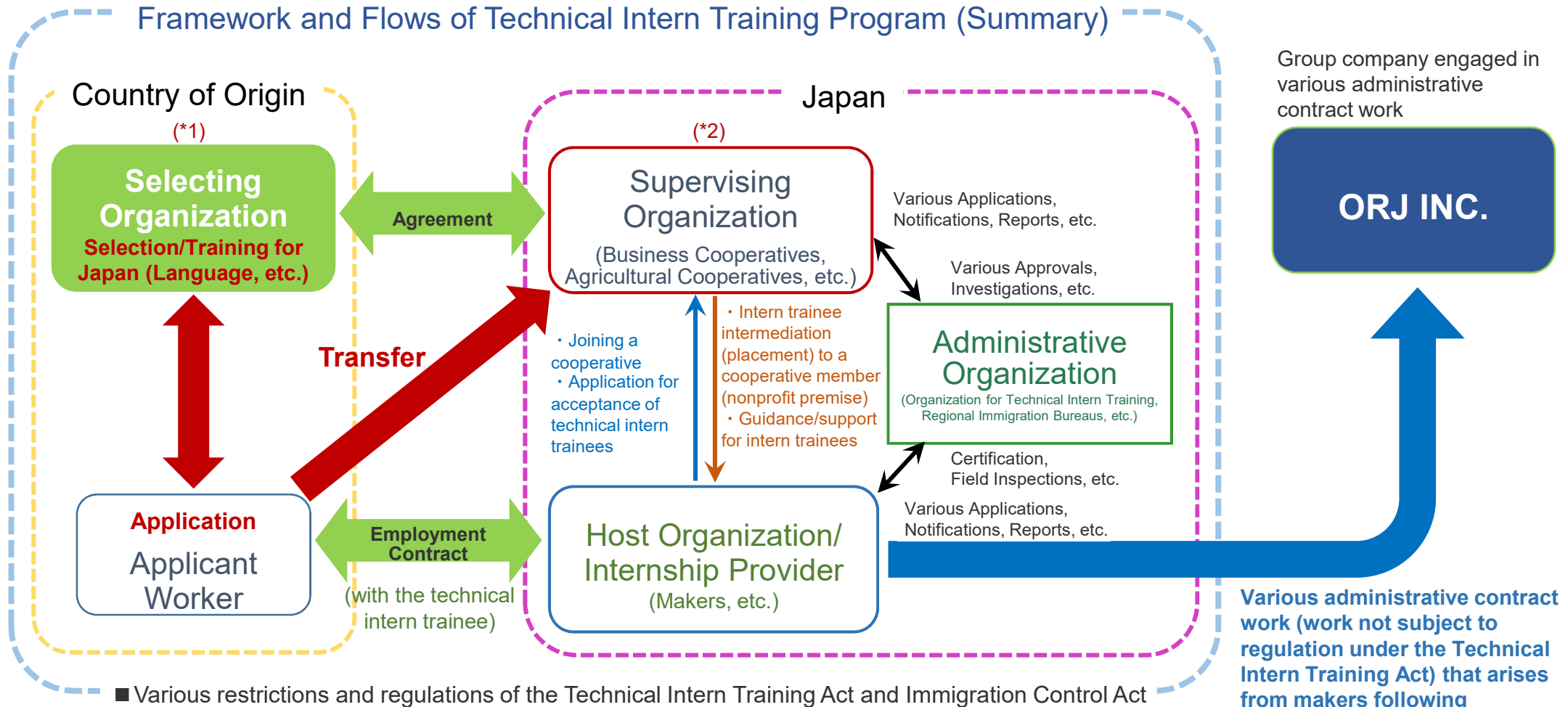
# Main Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business

(Administrative Outsourcing Business mainly of foreign workers by Group company ORJ)

## Current status of the Technical Intern Training Program

### Framework and Flows of Technical Intern Training Program (Summary)



There are organizations that cooperate closely with the Company at the selecting organizations (\*1) and supervising organizations (\*2) in the figure above.






# Main Business Schemes in Each Business Segment


## Domestic Manufacturing Outsourcing Business

(Administrative Outsourcing Business mainly of foreign workers by Group company ORJ)


- ❑ Provide **“compliant comprehensive support”** to makers related to hiring foreign workers
- ❑ Provide **“an employment environment and living environment with safety and peace of mind”** to foreign workers

**Country of origin**  
(Asian countries, South America)


-  Actual work explanation, interview
-  Japanese language training
-  Training on Japanese culture and daily life
-  Document application support
-  Departure support



Before coming to Japan  
Japanese language training



Training on Japanese culture and daily life



Departure and immigration support

**Japan**

-  Interpretation, translation
-  Support for company housing and meals
-  Multilingual call center
-  Handling problems and daily living consultation
-  Support for international money transfers
-  Consultation contact for foreigners coming to Japan (administrative consignment)
-  Japanese culture and regional coexistence (various recreational planning)



Training by ORJ's Japanese language center



Daily living support in cooperation with government organizations



Recreation with local residents

- The OS Group emphasizes service and training which serve as a bridge between foreigners coming to Japan, employment acceptance firms and local communities.

### The achievements of “service” and “training” by pioneer ORJ in Administrative Outsourcing Business

As the disappearance of technical intern trainees become a problem, ORJ has only a small number of disappearances, and the gap of the rate of disappearance with the market average continues to expand every year.



**This is proof of the high value-added nature of ORJ's business**

\*Comparison with Ministry of Justice data

# Main Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business (PEO Scheme)

### Summary of Revised Labor-related Laws (excerpt)

#### The Revised Labor Contracts Act Enforced in April 2013

- Requiring employers to convert fixed-term contracts to regular employments when requested by fixed-term contract employees after 5 consecutive years of services.

■ Marked “2018 Problem”

#### The Revised Worker Dispatching Act Enforced in September 2015

- Dispatch business operators are required to implement employment stabilization measures (asking dispatch clients to employ them directly, etc.) for dispatch workers on completion of the dispatch period (partly obligation for best efforts).
- Abolished specified occupations which had no term limits for use on dispatching, and limiting the use of all fixed-term contract employees employed by dispatch business operators to a maximum of 3 years at the same workplace.
- No restriction on period for regular worker dispatching
- For dispatch business operators, planned education and training for dispatched workers and career consulting for those who desire it become mandatory.
- Specified worker dispatching undertaking (notification system) is abolished, and all worker dispatching undertakings come under a license system (The terms of license permissions are tightened).

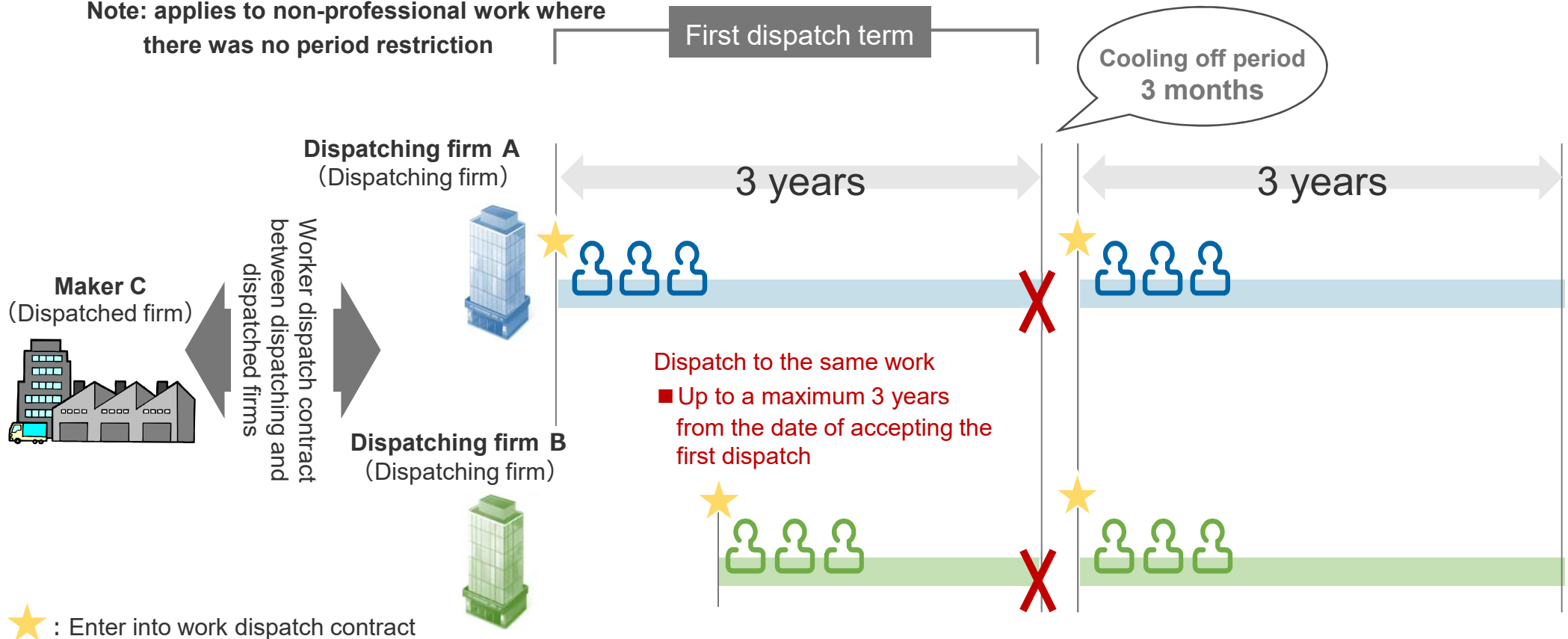
- ◇ The Revised Worker Dispatching Act creates obligations for dispatch agencies with a view toward forcing out bad actors as well as relaxing the period restriction for dispatching full-time employees.
- ◇ The objective of the Revised Labor Contracts Act is to restrain unstable employment for all companies.

# Main Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business (PEO Scheme)

### Term Limit BEFORE Revision

Note: applies to non-professional work where there was no period restriction



Dispatch at the same worksite must be totally completed by the end of 3 years, and having a period of no dispatch employees (cooling off period) of over 3 months before restart is stipulated.

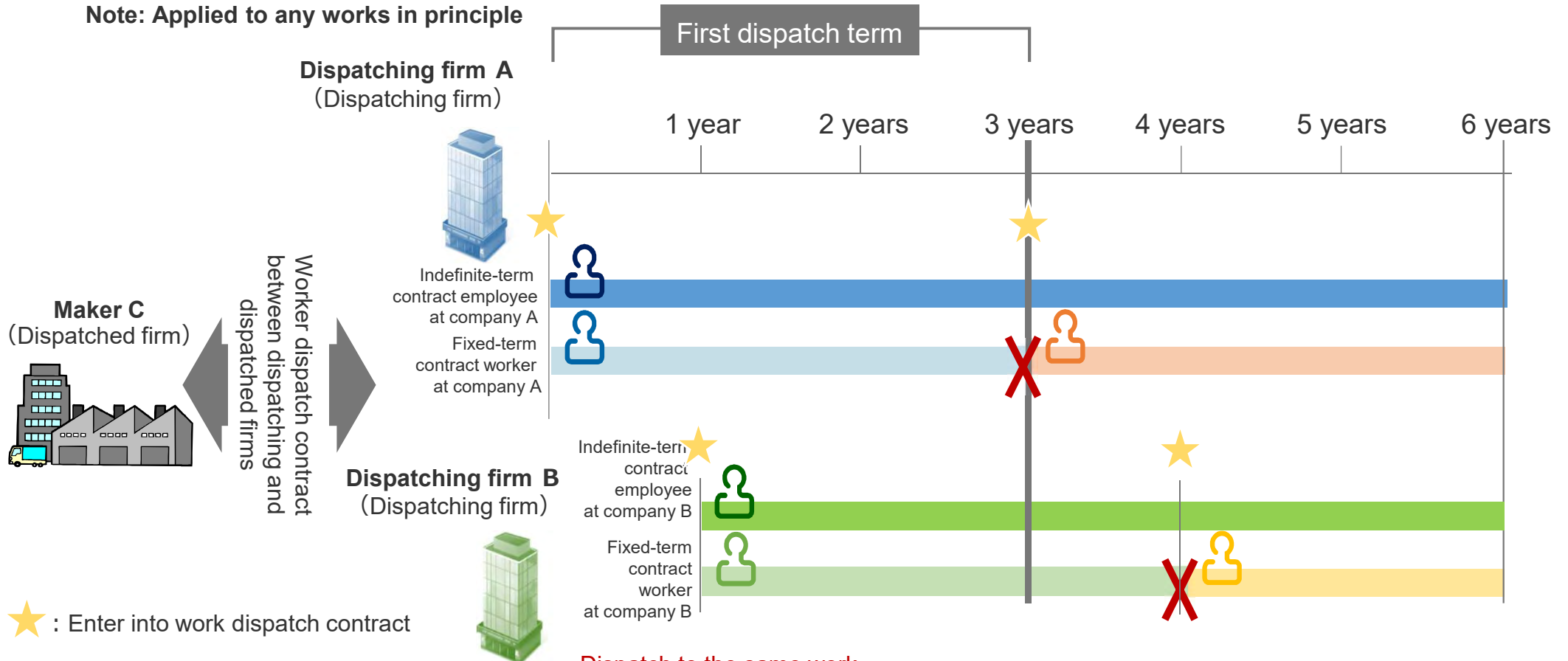
Note: even if dispatched employees or the dispatching firm are changed, it is still considered continuous dispatch.

# Main Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business (PEO Scheme)

### Term Limit AFTER Revision

Note: Applied to any works in principle



#### Dispatch to the same work

- No term limit for indefinite-term contract dispatching
- 3 years limit for fixed-term contract worker dispatching

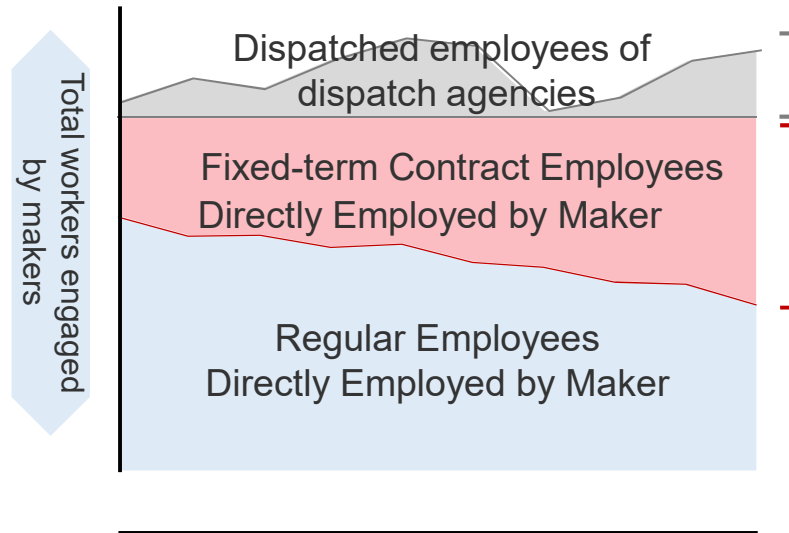
Note: When the worker is changed, continued dispatch to the same work is allowed without cooling-off period.



# Main Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business (PEO Scheme)

Entering the direct employment area of makers through establishing the PEO scheme

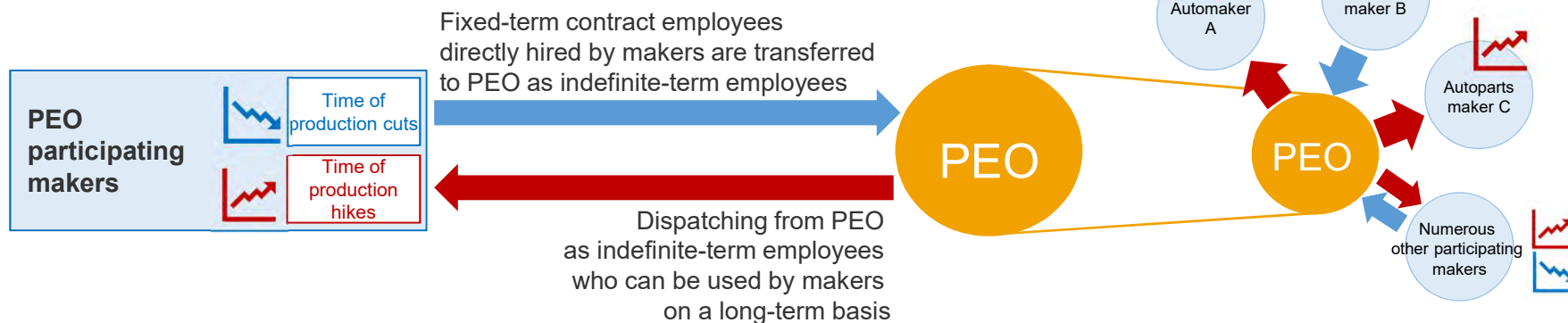


- Traditional business area of temporary dispatch agencies which have no strategy and conduct employment adjustment based on production fluctuations.
- Due to the “2018 Problem for Employment” stemming from revised labor-related laws, continuity risk arose for direct employment of fixed-term contract employees hired by makers.

The OS Group devised and established the PEO scheme to resolve employment continuity risk for fixed-term contract employees hired by makers.

As a result of numerous makers participating in the PEO scheme, the OS Group has been able to shift over to the area of long-term utilization previously handled by repetitive contracts of fixed-term contract employees hired by makers.

### Overview of the PEO scheme



Through accepting hiring of fixed-term contract employees as indefinite-term contract employees under the PEO scheme, the Company is expanding business in an area less susceptible to the impact of economic fluctuation.

# Main Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business (PEO Scheme)

### Benefits/demerits from PEO scheme

Fixed-term contract employees hired directly by makers are hired as indefinite-term employees of the OS Group's PEO.

#### [Benefits from PEO Scheme]

- Recruitment media expenses for hiring which have risen due to the labor shortage are not required.
- Since fixed-term contract employees for long-term use by makers are being converted to indefinite-term employee dispatching, contract periods with makers are getting longer.
- Since the Company is taking the employment risk of making employees indefinite-term, contract unit prices with makers are roughly 30% higher relative to those of competitors on the presumption of short-term use of dispatching.

#### [Demerits from PEO Scheme]

- Since this is employment of indefinite-term employees, even when the economy deteriorates and clients for dispatching disappear, employment must be maintained.
- Due to the Revised Worker Dispatching Act being enforced in 2015, since makers are expanding use of dispatched workers which has become more convenient, the PEO Scheme will not be able to grow from 2021 onward.



Along with promoting the PEO Scheme from 2015, the Company developed entry on a global scale into fields which have a different business cycle from manufacturing, and into new markets which are less susceptible to the economy with the aim of resolving demerits of PEO, which is leading to high growth for the Company.

# Main Business Schemes in Each Business Segment

## Domestic Engineering Outsourcing Business

### Industry Environment for Domestic Engineering Outsourcing

Maker demand for R&D engineers is growing from development competition for new technologies such as autonomous driving, electric vehicles, etc.

AI: Artificial Intelligence IoT: Internet of Things (connecting everything to the Internet)


Demand for engineers in ICT, AI, IoT etc. is growing from telecom carriers, network home appliances etc.

Demand for system engineers is growing due to rapidly evolving enterprise systems for the finance and retail industries etc.

Demand is growing in the pharmaceutical industry for R&D staff for new drugs for cancer and intractable diseases etc.

Demand is growing for on-site supervisory engineers for building construction projects such as for the Tokyo Olympics, and civil engineering projects under the National Resilience Plan.

...etc.



Demand for engineers continues to grow over the long term as new technologies continue to emerge one after another in various industrial fields.

# Main Business Schemes in Each Business Segment

## Domestic Engineering Outsourcing Business

Resolving the issue of tight recruitment relative to ongoing growth in demand for engineers

- Establishing many hiring schemes for engineers where demand remains high even in economic downturns



### Hiring new graduates

*Introduction and use of an intern system*

**Hiring over 1,500 individuals per year**



### Hiring inexperienced people

*Establishing and strengthening the training system*

**Hiring over 1,500 individuals per year**



### Hiring experienced people (mid-career hires)

*Establishing and strengthening a staff procurement scheme*

**Hiring over 3,000 individuals per year**

\*Also focusing on hiring foreign engineers mainly from Asia, hiring 250 in 2018, bringing the number enrolled over 1,000, targeting to hire 700 in 2019

With the establishment and reinforcement of various measures for the procurement of effective applicants and the realization of a monthly leaving rate of 1.5%, the Company is targeting a net YoY increase in the number of enrolled staff of over 3,300 people at the end of FY12/19.

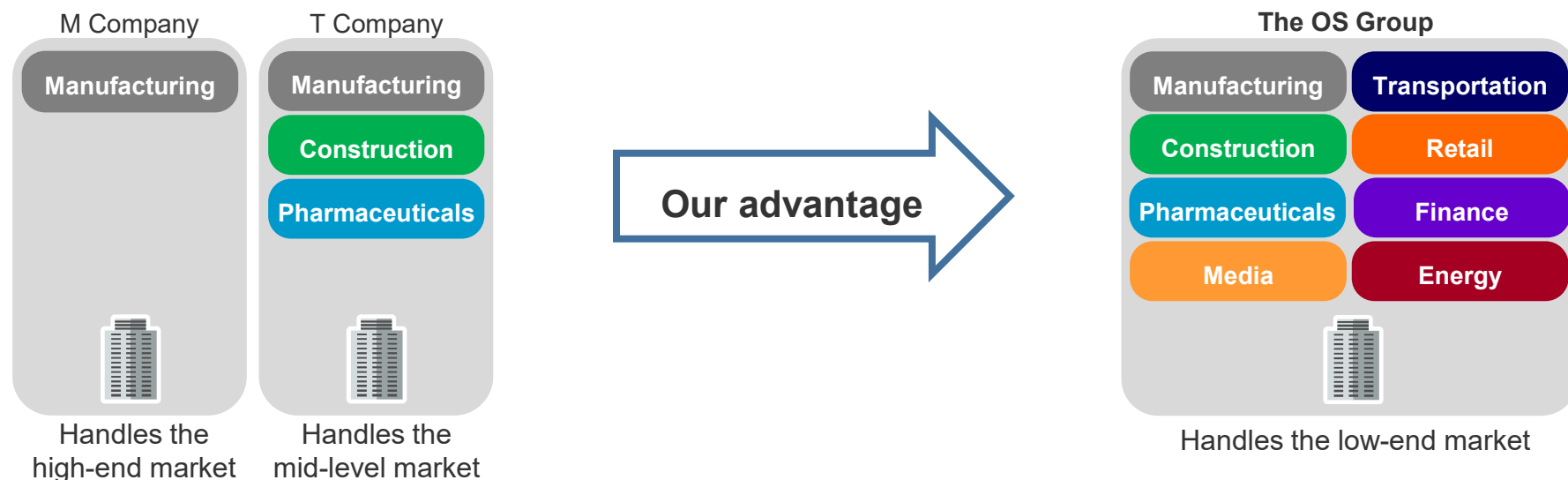
# Main Business Schemes in Each Business Segment

## Domestic Engineering Outsourcing Business

Resolving the issue of tight recruitment relative to ongoing growth in demand for engineers

- High evaluation of various schemes for career change and skills advancement etc. is a competitive advantage in hiring.

Reason for the increase in the number of our effective applicants



- The OS Group handles the low-end market in various industrial fields, and achieve raising staff technical skills through KEN School.
- In the present environment where the cycle for required technical skills has shortened, when technical skills acquired by engineers themselves become obsolete or unnecessary, the OS Group has established a mechanism for career change through acquiring skills in a new technical field at the KEN School.
- Initiatives for in-house services using state-of-the-art technologies (AR TAKUMI, AI, Tapia, etc.) are creating a branding effect for job seekers.

AR TAKUMI: A pioneering platform to realize a remote collaborative work environment developed and provided by the OS Group utilizing AR (augmented reality) technology

AI: Development and incorporation of artificial intelligence for various products and services

Tapia: Development and embedding of programs in accordance with applications and objectives of robot business

**These various systems and initiatives have been rated highly by both new graduate and general hires, and the number of effective applicants is increasing sharply.**

# Main Business Schemes in Each Business Segment

## Domestic Engineering Outsourcing Business

### Resolving the issue of tight recruitment relative to ongoing growth in demand for engineers

■ High evaluation of various schemes for career change and skills advancement etc. is a competitive advantage in hiring

◎ Strengthening the hiring, training and assignment of new graduates

By further enrichment of diversified technical fields and deployment of various in-house services, the OS Group will aim to raise recognition and corporate value, increasing the number of hires, shortening the period of the pre-assignment training cost center phase at the KEN School toward early contribution to earnings.

◎ Expanding the scheme for using engineer training curriculum jointly developed by the OS group's KEN School and partner firms in various fields such as Advantec for telecom carriers, leading general contractors and pharmaceuticals makers.

- Through mid-career hiring of inexperienced people and those with low technical skills, after 2 months of training using the KEN School and Advantec's curriculum, trainees are placed at appropriate sites on slightly lower contract unit prices.
- Training is continued after assignment, officially making a career change as an engineer after 1 year, and contract unit prices are hiked by 30%.

◎ Securing staff displaced through industry consolidation as a result of the Revised Worker Dispatching Act

Specified dispatching which allowed engaging in dispatching business through just registering disappeared, and since an estimated 80% of dispatch agencies will be unable to acquire a dispatch license due to all becoming subject to a license system and more stringent requirements, the OS Group is expanding incorporation of those displaced through industry consolidation.

**Overcome the issue that engineer dispatch agencies cannot grow much due to tight recruitment and expand the scale of business.**

# Main Business Schemes in Each Business Segment

## Domestic Service Operations Outsourcing Business

### Strengthening outsourcing business within US military facilities

- The Company is promoting business that is less susceptible to impact from the economic cycle including maintenance and construction contracts for facilities and equipment at US military facilities in Okinawa and throughout Japan as well as outsourcing operations and dispatch for welfare and recreation facilities, and is proceeding to roll out this same business in the Pacific Rim.

Orders for projects within US military facilities are awarded through the form of bids, and in order to become a selected provider, it is necessary to have strong connections with the US military.

- The Company acquired AMERICAN ENGINEERING CORPORATION (AEC) which has strong connections with the US military, through M&A.
- Bonded insurance required by AEC to bid on projects was expanded through the credit rating of the Company, resulting in increased orders from US military facilities.

The Company is expanding work for US military facilities to the Pacific Rim including Hawaii and Alaska etc. (will be classified as Overseas Service Operations Outsourcing), aiming at securing orders as soon as possible for project revenue equivalent to the expanded bonded insurance framework for ¥70 billion, aiming at further expanding the bonded insurance framework and orders.

Since Okinawa has many industries with large seasonal fluctuations, stable work related to the US military is welcomed by job seekers.

# Main Business Schemes in Each Business Segment

## Overseas Manufacturing and Service Operations Outsourcing Business Strengthening global development of human resources and business

### ■ Manufacturing: Expanding cross-border HR mobility

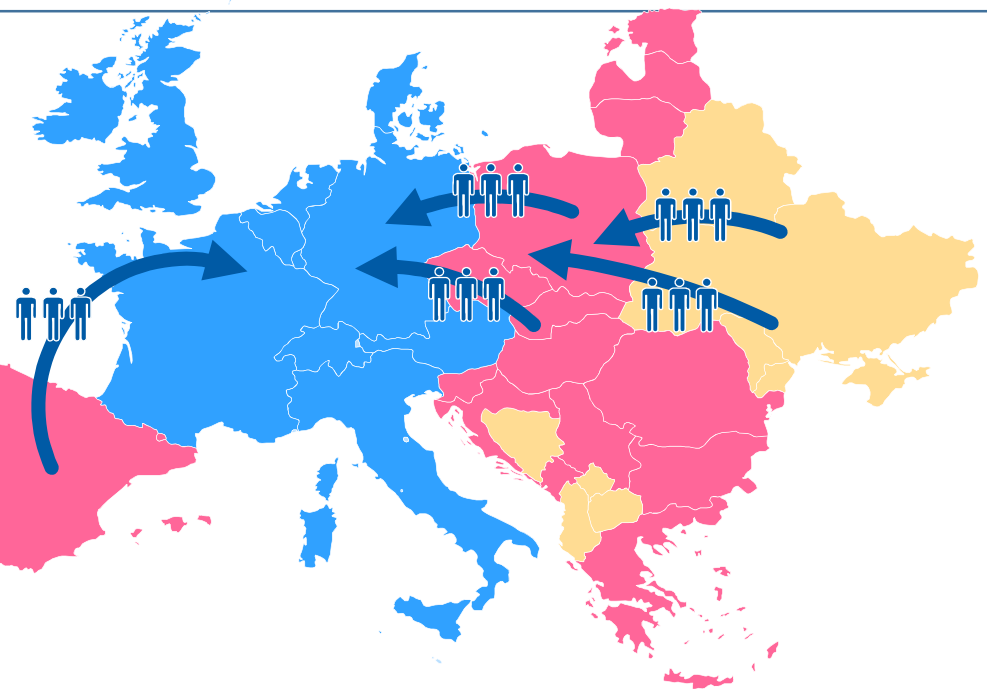
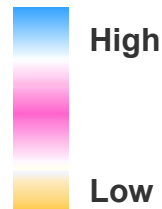
The OS Group is developing Manufacturing Outsourcing Business in Germany, however, the declining birthrate and aging society coupled with the strong economy have resulted in tight recruitment.

⇒ In order to strengthen the recruitment system, the Company acquired OTTO Holding B.V. (OTTO Group) through M&A which has many bases mainly in Eastern Europe and has the ability to supply workers to countries which have labor force shortages such as Germany, the Netherlands, Poland.

### Strategy in Europe

- I. Supply workforce from EU countries in Central and Eastern Europe which have high unemployment rates and low wage levels to countries with low unemployment rates and high wage levels such as Germany and the Netherlands
- II. Supply workforce from non-EU countries which have high unemployment rates and low wage levels to countries like Poland with low unemployment rates and relatively high wage levels

Wage level



Expand cross-border manufacturing outsourcing business through establishment of a recruitment network across the continent of Europe.



# Main Business Schemes in Each Business Segment

Overseas Manufacturing and Service Operations Outsourcing Business  
 Strengthening global development of human resources and business

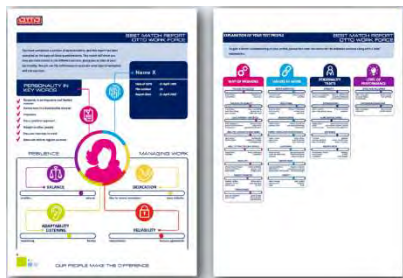
■ Manufacturing: Expanding cross-border HR mobility

Recruitment system for HR mobility and various measures after recruitment

## Local recruitment activities



Recruitment activities using digital tools and AI



Occupation matching using big data



Registrants of each branch office



Hiring through a network with local individual business owners (brokers)

Use of local networks

## Pre-employment training



Work training using VR



Strengthening work rules in native languages using digital tools



License acquisition course

## Support after starting employment



Arrangement and provision of living quarters



Pickup support



Multilingual help desk



Feedback from workers and clients

## Main Business Schemes in Each Business Segment

### Overseas Manufacturing and Service Operations Outsourcing Business

Strengthening global development of human resources and business

- Service Operations: Global development of public work related business

Entering markets which have reduction of public servants and privatization of public work that are growing among developed countries due to fiscal constraints, etc., and expanding the scale of business

- Taking on various outsourcing contract projects for public facilities such as prisons and airports from public institutions of many countries



Leveraging the knowhow, infrastructure and engineers, etc. of public works related projects in Australia and New Zealand, accelerating development in Europe, Asia and South America.

Since public works related projects are stable business less susceptible to the economic cycle, it is possible to select effective applicants from many job seekers.

- Service Operations: Rolling out business for US military facilities to the Pacific Rim

Reduction in scale is highly unlikely from a national security perspective, and development of this business for US military facilities which is less susceptible to impact from the economic cycle will seek to leverage Group synergies.



Since Guam, where the Company is entering into, has a labor shortage, workers will be procured from nearby Asian countries which has an abundance of people through mobility.

# Main Business Schemes in Each Business Segment

## Overseas Manufacturing and Service Operations Outsourcing Business

Strengthening global development of human resources and business

- Global development of government BPO business

Entering markets which have reduction of public servants and privatization of public work that are growing among developed countries due to fiscal constraints, etc., and expanding the scale of business.

- Taking on contract BPO business for various types of work from UK central and local governments using proprietarily developed systems.
- Providing one-stop solutions through UK Group companies, where their business scale ranked no.2 in 2018 in the public debt collection market, expected to become no.1 in 2019.
- In Oceania expanding outsourcing business of ICT engineers for mainly public institutions.

Expanding development by utilizing business knowhow, systems and engineers, etc., to Commonwealth countries and countries whose government and administration structure are close to the U.K.

Commonwealth: A loose confederation of 53 member countries based on friendship and cooperative relationships comprised of the UK and colonies which became independent of the former British empire now on equal footing

Since BPO business taken on contract from governments is less susceptible to impact from the economy, it is easy to secure effective applicants.

In Oceania, a similar scheme to that of KEN School in Japan was initiated in September 2018 for training inexperienced people and those with low skills for assignment as engineers, targeting further expansion of effective applicants.

## Targeted Revenue Levels for Formulating the Next Medium-Term Management Plan

The OUTSOURCING Group has no intention to compete under the old dispatch business model in Japan which does not require reinvestment funds, fighting over tiny growth while building up excess cash.



- In Japan  
In Manufacturing and Engineering Outsourcing Businesses, enter new outsourcing businesses that respond to changes in the environment as well as in client needs, accelerating growth in fields which can expect long-term demand for engineers and foreigners, toward becoming the dominant domestic firm.
- Overseas  
Through global HR mobilization in manufacturing and engineering, target capturing the opportunity as world population increases from the current 7.5 billion to 10 billion, accelerate global development of government and public works related business, aiming at higher growth than in Japan.
- For outsourcing business for US military facilities  
Roll out business which previously had only been in Japan to the Pacific Rim, targeting stable, long-term growth.

As a way toward our long-term goal of becoming the world's No.1 Outsourcing firm, the Company will target achieving operating profit of over ¥70 billion in the next Medium-Term Management Plan being created going forward.

Until now we have put forward a target of achieving revenue over ¥1 trillion, however since it is meaningless if revenue grows but profits do not follow, we are revising our target to achieving operating profit over ¥70 billion.

# Strengthening Group Governance

- Basic approach to corporate governance

Fully embracing its responsibility as an exemplar corporate citizen to contribute to society, OUTSOURCING Inc. established the "Corporate Principles." The Company thus recognizes that, in an effort to achieve growth and enhance corporate value over the medium-to-long term in a constantly changing business environment, management must assign the utmost priority to creating a fully autonomous, highly ethical corporate governance regime that is closely monitored and routinely reviewed. The Company also recognizes that such a regime will prove invaluable in the ongoing building of trust and confidence with all its stakeholders, including shareholders, clients, local communities and employees.



Specific Activities

- Formulate global governance policy and strengthen group management structure

Purpose of formulation: For determining the basic policy of corporate governance of OUTSOURCING Inc. and its group companies, establishing a relationship of trust with stakeholders, and aiming to improve growth and corporate value of the Group based on autonomy and ethics.

- 7 Basic Policies:
- 1) Role and responsibilities of the Board of Directors
  - 2) Risk management
  - 3) Approval reporting rules
  - 4) Regular reports to the parent company
  - 5) Internal reporting system
  - 6) Internal audit by the parent company
  - 7) Education and training

# Strengthening Group Governance

- Strengthening the Group's management structure through global governance policy



## Medium-Term Targets

- Subject

Sustainable evolution of the global governance system to support persistent growth

- Milestones by fiscal year

2019: Minimize risks by implementing rules and early recognition of risks through governance due diligence

2020: Establish the Global Risk Management System

2021: Sustainable evolution of the system according to regional and business area expansion

## 2019 Priority Measures

### ● Minimizing risks by implementing rules

- Using e-learning, take lectures on global governance policy, OUTSOURCING Group code of corporate ethics and conduct, and anti-corruption policy and establish a recognition test environment, promoting further penetration
- Independent risk management through internal controls (group internal control standards)
- Expansion of internal reporting (enhancement of existing systems in Asia and Oceania, and deployment to Europe and South America)
- Strengthen the consolidated accounting system; early settlement and stabilization
- Promotion of establishing group information systems security infrastructure

### ● Early recognition of risks through governance due diligence

- Create a system for governance due diligence in the M&A process
- Handle creation of J-SOX internal controls (in the event a target company arises)

### ● Promote establishment of the Global Risk Management System

- Establish the Global Risk Management System for prevention and recurrence prevention based on expansion of the Group's scale and regions



# Regarding Employment in Japan

## Legal Definition of Employment

The Civil Code stipulates that “an employment contract shall become effective when one of the parties promises to the other party that he/she will engage in work and the other party promises to pay remuneration for the same,” and both parties have equal standing.

The Labor Contracts Act stipulates that “a labor contract is established by agreement between a Worker and an Employer on the basis that the Worker will work by being employed by the Employer and the Employer will pay wages for such work,” however, in the real world, since employers are positioned advantageously while workers are subordinate, under the special laws of the Labor Standards Act and Labor Contracts Act, etc., mandatory criteria and provisions related to labor contracts (= employment contracts) are established to protect workers.

## Main Names and Forms of Employment

- Regular employees, indefinite-term contract employees, regularly employed employees  
Form of employment where employment contracts do not specify fixed terms, and both workers and employers enter the agreement under the assumption of long-term employment with the aim of raising skills, etc.
- Non-regular employees, fixed-term contract employees, non-regularly employed employees  
Form of employment where employment contracts specify fixed terms, and both workers and employers enter the agreement under the assumption that when the term is completed, if needs require, fixed-term employment can be renewed, however, at times when there is a surplus of workers, employment contracts can be cancelled or terminated

# Domestic Recruitment Plan for FY12/19

## Annual and Semi-Annual Trends

		FY12/18 Actual			FY12/19 Forecasts		
		1H	2H	Full-Year	1H	2H	Full-Year
Manufacturing	<b>No. of workers recruited (persons)</b>	<b>4,329</b>	<b>5,694</b>	<b>10,023</b>	<b>5,239</b>	<b>5,946</b>	<b>11,185</b>
	Recruitment unit price (¥/worker)	78,465	57,543	66,580	99,295	68,613	82,984
Engineering	<b>No. of workers recruited (persons)</b>	<b>3,188</b>	<b>3,081</b>	<b>6,269</b>	<b>3,895</b>	<b>2,517</b>	<b>6,412</b>
	Recruitment unit price (¥/worker)	346,184	405,164	375,171	315,445	565,444	413,581
Service Operations	<b>No. of workers recruited (persons)</b>	<b>2,559</b>	<b>2,177</b>	<b>4,736</b>	<b>2,554</b>	<b>3,037</b>	<b>5,591</b>
	Recruitment unit price (¥/worker)	19,123	17,006	18,150	27,580	20,148	23,543
Recruiting and Placing	<b>No. of workers recruited (persons)</b>	<b>1,851</b>	<b>2,001</b>	<b>3,852</b>	<b>1,740</b>	<b>1,860</b>	<b>3,600</b>
	Recruitment unit price (¥/worker)	155,620	131,796	143,244	158,096	154,964	156,478

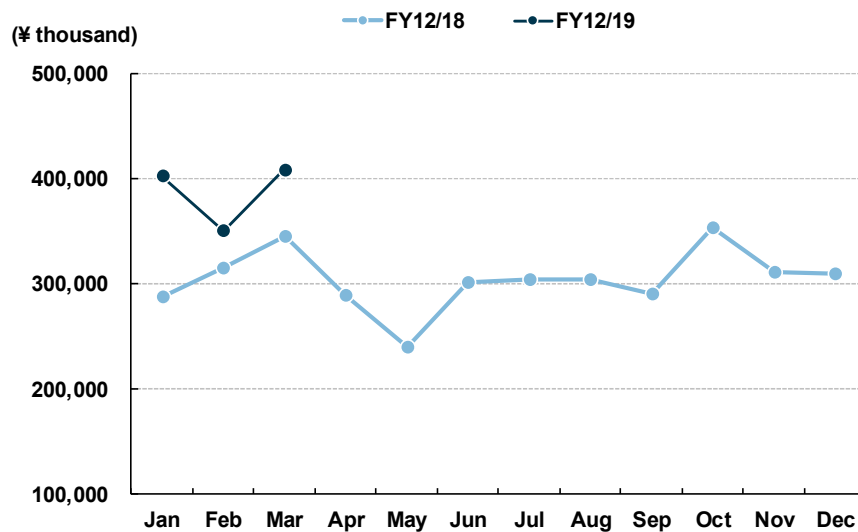
## Quarterly Trends

		FY12/18 Actual					Full-Year	Actual Q1	FY12/19 Forecasts			
		Q1	Q2	Q3	Q4	Q2			Q3	Q4	Full-Year	
Manufacturing	<b>No. of workers recruited (persons)</b>	<b>1,681</b>	<b>2,648</b>	<b>2,308</b>	<b>3,386</b>	<b>10,023</b>	<b>2,046</b>	<b>3,251</b>	<b>3,081</b>	<b>2,865</b>	<b>11,185</b>	
	Recruitment unit price (¥/worker)	101,105	64,093	78,574	43,208	66,580	126,977	72,090	68,184	69,075	82,984	
Engineering	<b>No. of workers recruited (persons)</b>	<b>1,017</b>	<b>2,171</b>	<b>1,835</b>	<b>1,246</b>	<b>6,269</b>	<b>1,155</b>	<b>2,730</b>	<b>1,198</b>	<b>1,319</b>	<b>6,412</b>	
	Recruitment unit price (¥/worker)	610,174	222,519	299,054	561,433	375,171	598,655	211,164	602,249	532,016	413,581	
Service Operations	<b>No. of workers recruited (persons)</b>	<b>1,338</b>	<b>1,221</b>	<b>1,226</b>	<b>951</b>	<b>4,736</b>	<b>1,070</b>	<b>1,416</b>	<b>1,406</b>	<b>1,631</b>	<b>5,591</b>	
	Recruitment unit price (¥/worker)	19,229	19,007	18,721	14,795	18,150	27,456	24,263	21,934	18,608	23,543	
Recruiting and Placing	<b>No. of workers recruited (persons)</b>	<b>818</b>	<b>1,033</b>	<b>971</b>	<b>1,030</b>	<b>3,852</b>	<b>924</b>	<b>900</b>	<b>920</b>	<b>940</b>	<b>3,600</b>	
	Recruitment unit price (¥/worker)	162,725	149,994	152,800	111,995	143,244	196,934	168,292	159,074	150,942	156,478	

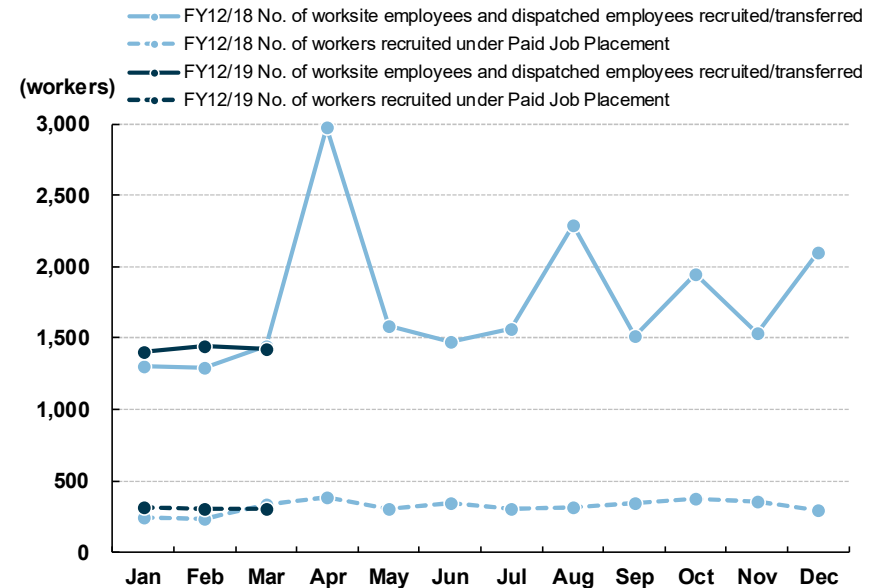
# Trends in Recruited Number of Workers and Recruiting Expenses in Japan

## ● Monthly Trends (Consolidated)

Monthly Recruiting Expenses



No. of Worksite Employees and Dispatched Employees Recruited/Transferred



FY12/18	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
No. of worksite employees and dispatched employees recruited/transferred	1,298	1,291	1,447	2,971	1,590	1,479	1,568	2,289	1,512	1,944	1,538	2,101
No. of workers recruited under Paid Job Placement	240	239	339	383	305	345	302	319	350	374	358	298
Recruiting expenses (¥ thousand)	288,522	315,618	345,201	289,861	239,816	301,282	305,234	304,662	291,537	353,810	311,238	310,225

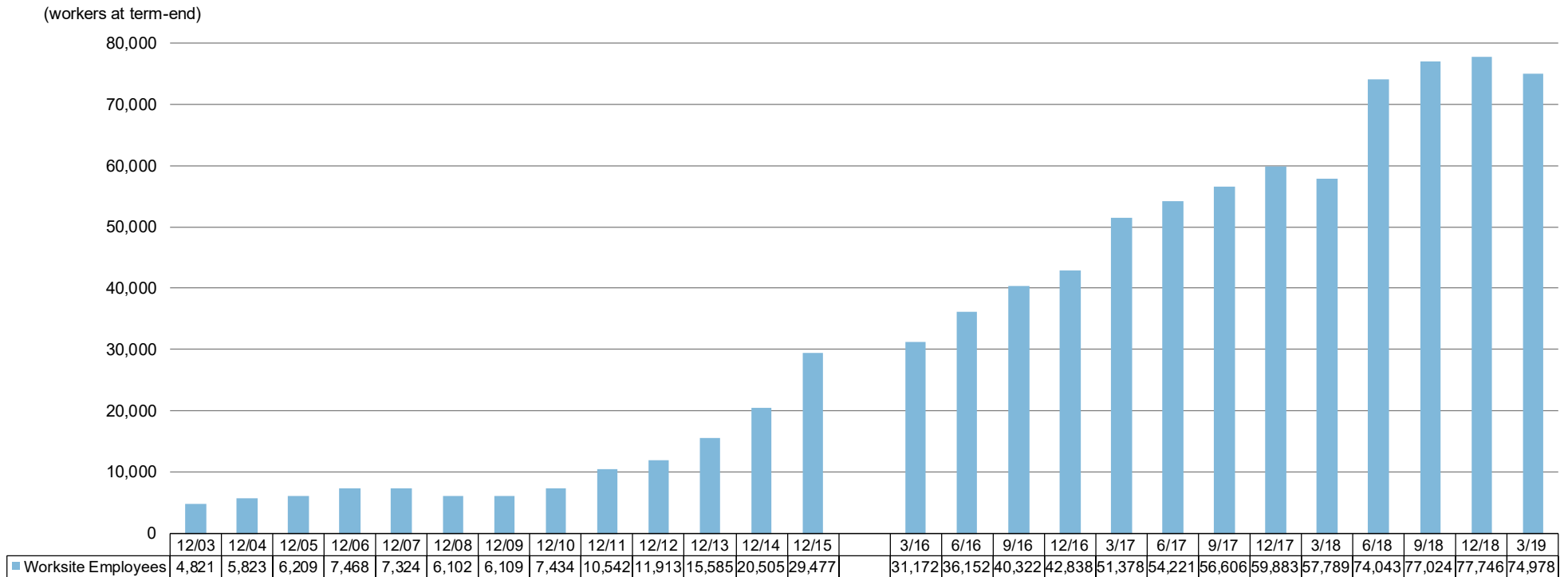
  

FY12/19	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
No. of worksite employees and dispatched employees recruited/transferred	1,406	1,440	1,425									
No. of workers recruited under Paid Job Placement	313	309	302									
Recruiting expenses (¥ thousand)	402,799	350,888	408,900									

\*Total number of recruited workers and recruiting expenses in Japan (Worker Dispatching and Contracting, Recruiting and Placing, and Engineering)

# Trends in Number of Worksite Employees and Dispatched Workers

- Quarterly Trends (Consolidated)
  - ▣ Up to FY12/15: Annual trend
  - ▣ From FY12/16: Quarterly trend



\*Worksite employees are those working at clients' worksites, including currently active dispatched workers.

## Legal Disclaimer

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These materials contain forward-looking statements concerning earnings estimates and Company plans, which are based upon the best available information at the present time. Therefore, actual results may differ from plan and estimate values due to various factors in the future. Note that descriptions in these materials are as of the date on this document (or date specified separately therein), and they are subject to change without advanced notice. Also, information described in this document other than corporate information of the Group is quoted by the Company from publicly available sources, but which has not been verified as to the accuracy or appropriateness by the Company, nor does it represent an assurance of them.

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