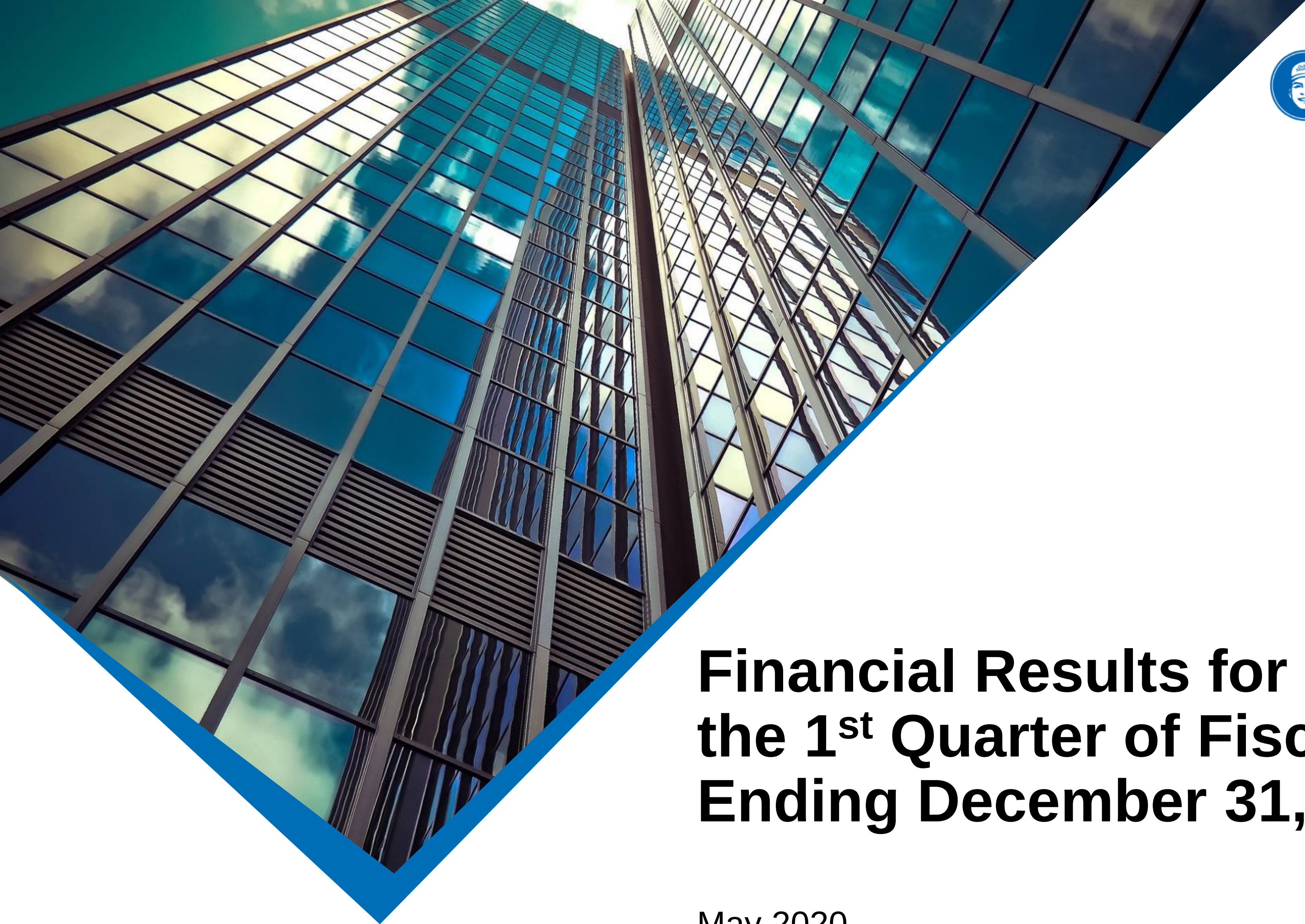


Financial Results for the 1st Quarter of Fiscal Year Ending December 31, 2020

May 2020

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

Contents

Consolidated Financial Results for 1Q FY12/20 (IFRS)

Summary

The OS group attaches great importance to smoothing out its business performance, aiming to make it insusceptible to economic fluctuations and changes in the environment. To that end, we have promoted a group strategy to expand our business in the fields that are relatively unaffected by changes in the economy such as outsourcing businesses for the U.S. military facility, for government/public institutions, and IT engineer dispatching business.

Amid this corona crisis, it is unavoidable that our current business performance is temporarily affected by the measures taken in each country such as lockdown and the suspension of economic activities. However, these impacts are "limited," and we believe that we will be able to achieve the 2021 budget of the "Medium-Term Management Plan for FY2020-2024" from the next fiscal year, taking into account the risk of a second or third wave of the novel coronavirus.

Consolidated Financial Results for 1Q FY12/20 (IFRS)

Consolidated Financial Results Summary

(¥ million)	FY12/19 1Q Actual		FY12/20 1Q Actual		YoY Change	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
Revenue	**86,404**	**100.0%**	**89,542**	**100.0%**	**3,138**	**3.6%**
Cost of sales	70,339	81.4%	72,438	80.9%	2,099	3.0%
Gross profit	**16,065**	**18.6%**	**17,104**	**19.1%**	**1,039**	**6.5%**
SG&A expenses	14,427	16.7%	15,439	17.2%	1,012	7.0%
Operating profit	**2,477**	**2.9%**	**2,549**	**2.8%**	**72**	**2.9%**
Profit before tax	1,338	1.5%	1,530	1.7%	192	14.4%
Profit for the period	627	0.7%	1,049	1.2%	422	67.2%
Profit attributable to owners of the Company	**455**	**0.5%**	**899**	**1.0%**	**444**	**97.4%**

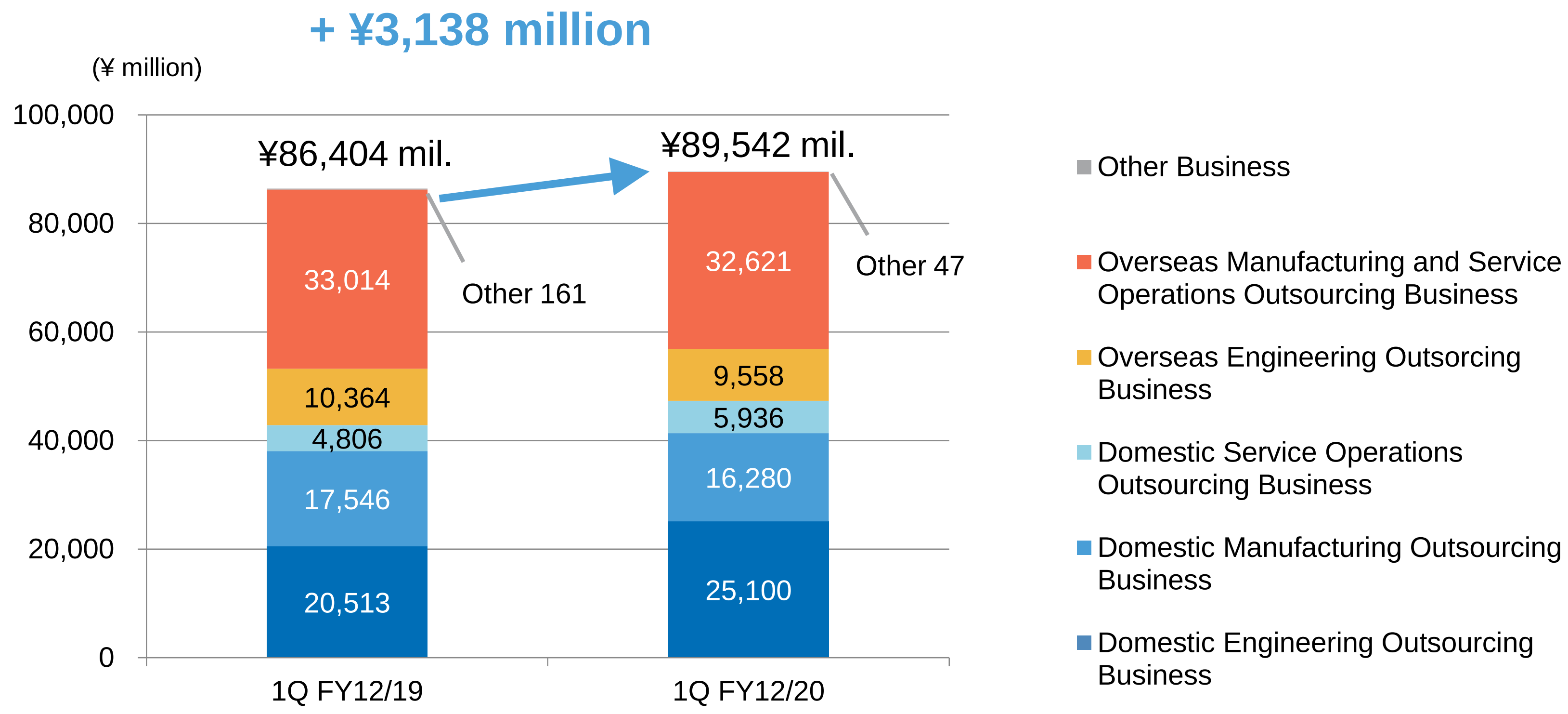
*The amounts shown are rounded off to the nearest million yen.

Consolidated Financial Results for 1Q FY12/20 (IFRS)

Highlights of Consolidated Financial Results

Revenue ¥89,542 million (+3.6% YoY)

- While various industries have been seriously damaged by the measures taken in each country to contain the spread of the coronavirus such as lockdown, the Company has also experienced negative effects. However, businesses for the U.S. military facilities, Domestic Engineering Outsourcing Business, and Overseas Service Operations Outsourcing Business related to logistics in Europe made steady progress with no negative impact. As a result, revenue came in below the initial forecast, but still posted a gain YoY and renewed a record high for 1Q.

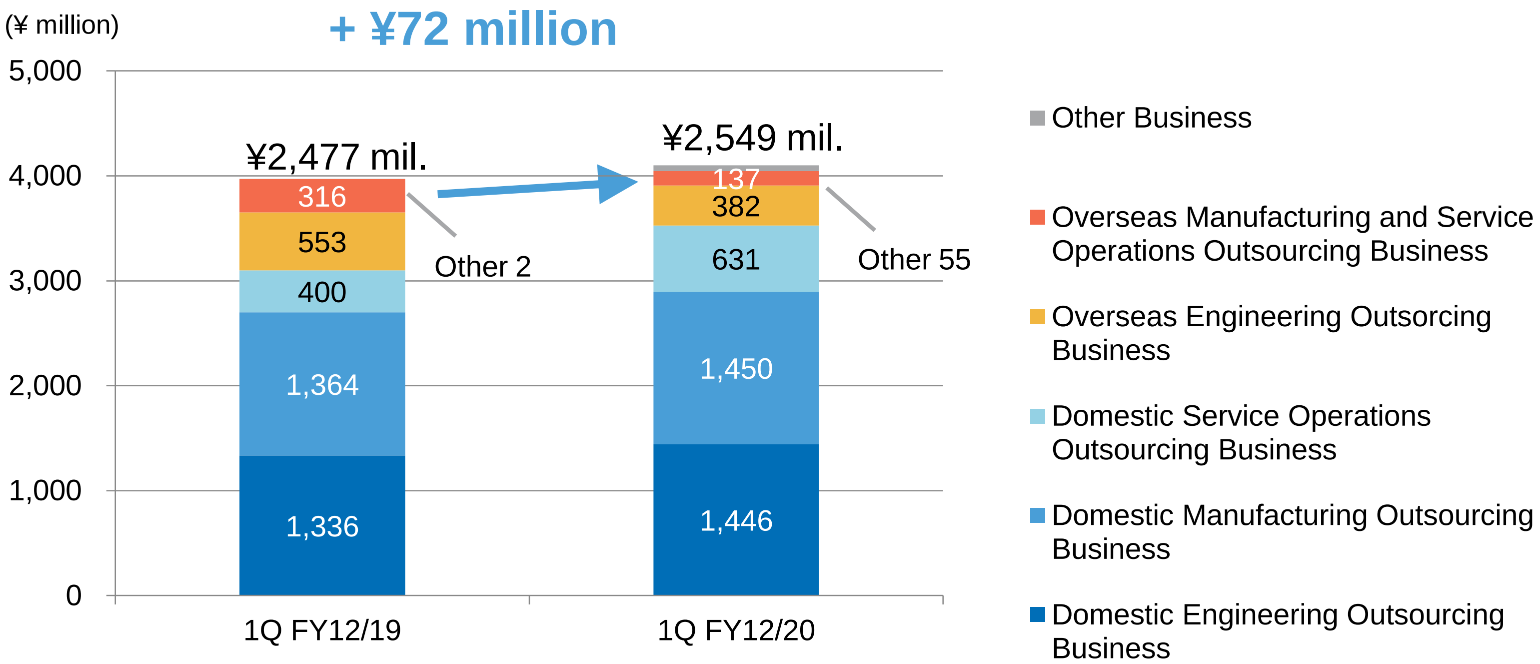


Consolidated Financial Results for 1Q FY12/20 (IFRS)

● Highlights of Consolidated Financial Results

Operating Profit ¥ 2,549 million (+2.9% YoY)

- Regulations to contain the coronavirus brought the contraction in clients' business activity in each country, and the bankruptcy of some client companies resulted in booking of a provision for doubtful accounts of about ¥100 million. As a result, operating profit posted a shortfall to the initial forecast, yet still managed to absorb this and renewed a record high for 1Q.
- Domestic Manufacturing Outsourcing Business, Domestic Engineering Outsourcing Business, and Domestic Service Operations Outsourcing Business each achieved the initial forecast by improving SG&A efficiency.



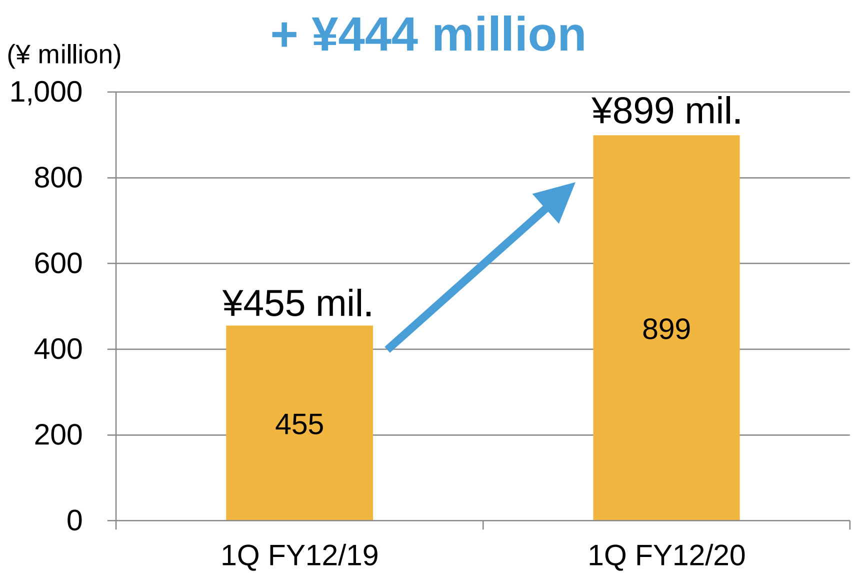
* Since budgets are set for the whole and not for each individual segment, the operating profit adjustments (1Q FY12/19 ¥(1,494) million and 1Q FY12/20 ¥(1,552) million) are not shown in the graph but are reflected in the total operating profit.

Consolidated Financial Results for 1Q FY12/20 (IFRS)

- Highlights of Consolidated Financial Results

Profit Attributable to Owners of the Company ¥ 899 million (+97.4% YoY)

- Foreign exchange loss of roughly ¥1.3 billion due to yen appreciation



Consolidated Financial Results for 1Q FY12/20 (IFRS)

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Engineering Outsourcing Business

Please refer to p.40 for the business scheme

Revenue	¥25,100 million	+22.4% YoY
Operating profit	¥1,446 million	+8.2% YoY

No. of worksite employees at term-end 16,048 (up 160)

Figure in parentheses ( ) indicates the change from the previous fiscal year

In the 1Q, the impact of the spread of coronavirus on the segment was limited. Thanks to our strategy of expanding into multiple technology fields, we secured new orders mainly from IT companies where demand for engineers is expected to keep growing, and both revenue and operating profit achieved YoY gains.

・High recognition for our KEN School engineer training programs helped us secure outsourcing orders from client companies. As a result, operating profit exceeded the initial forecast.

・Placement of foreign engineers, which we started focusing on last term, was beginning to capture client needs. However, due to the immigration restrictions imposed to halt the spread of coronavirus, new secondments to Japan have been temporarily suspended.

*Please refer to p. 16– for the impact of the spread of the novel coronavirus

Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Manufacturing Outsourcing Business

Please refer to pp.41-43 for the business scheme

Revenue	¥16,280 million	-7.2% YoY
Operating profit	¥1,450 million	+6.3% YoY

No. of worksite employees at term-end 12,909 (down 548)　No. of workers under outsourced administration at term-end 20,007 (up 1,337)

No. of placed workers 511 (down 413)

Figures in parentheses ( ) indicate the change from the previous fiscal year

Manufacturing outsourcing business was affected by the production cuts and production suspension due to the outbreak of coronavirus began in March at manufacturers in response to the disruption in global supply chains and product sales. As a result, revenue posted a YoY decrease, yet operating profit achieved a YoY increase.

・1Q revenue came in below the initial forecast due to the deterioration of the external environment; however, operating profit exceeded the forecast thanks to the increase in SG&A efficiency.

Concerning administrative outsourcing business, although the demand for technical intern trainees is high, the immigration restrictions on the departure of interns from seconding countries and on the entry of foreign nationals to Japan made it impossible for prospective interns to come to Japan after March.

・The number of workers under outsourced administration at the end of 1Q (20,007) fell short of the initial forecast by 93 due to the restrictions. However, the total number increased by 1,337 from the end of 1Q, contributing to segment earnings.

*Please refer to p. 16– for the impact of the spread of the novel coronavirus

Consolidated Financial Results for 1Q FY12/20 (IFRS)

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Service Operations Outsourcing Business

Please refer to p.44 for the business scheme

Revenue	¥5,936 million	+23.5% YoY
Operating profit	¥631 million	+58.0% YoY

For Domestic Service Operations Outsourcing Business, the impact from the spread of coronavirus was small. Earnings achieved the initial forecast, and both revenue and profit posted YoY gains.

Business for the U.S. military facilities was unaffected by the impact from the spread of coronavirus, and as a result of expanding the amount of contract surety bond required to bid on new projects, we were able to participate in bidding on large-scale projects, and new orders grew steadily.

・Profitability improved sharply as a result of projects becoming larger, with margins increasing.

Service Operations Outsourcing Business related to airports, hotels, restaurants and tourism was affected by the immigration and travel restrictions imposed in many countries from March and Japan’s stay-at-home restrictions to contain the spread of the coronavirus. However, the initial forecast was achieved.

*Please refer to p. 16– for the impact of the spread of the novel coronavirus

- Highlights of Consolidated Financial Results

Overview by Operating Segment

Overseas Engineering Outsourcing Business

Please refer to p. 45 for the business scheme

Revenue	¥9,558 million	-7.8% YoY
Operating profit	¥382 million	-31.0% YoY

Public works-related business on consignment from central and local governments was affected due to the impact from coronavirus containment restrictions.

- Debt collection business on consignment in the UK had demands from central and local governments to suspend collection, as well as stay-at-home restrictions making it difficult to conduct home collection visits. As a result, its earnings came in sharply lower than the initial forecast.
- For other public works-related business, many are operations that can be handled remotely in order to maintain government functions, and while there were some delays in securing new orders, the impact on 1Q was small.

Engineer dispatching for handling IT-related and finance-related systems was affected by stay-at-home restrictions etc. in each country.

- IT engineer training business in Australia, training was canceled one after another from the viewpoint of preventing the spread of infections, and results came in below the 1Q forecast.

*Please refer to p. 16– for the impact of the spread of the novel coronavirus

Consolidated Financial Results for 1Q FY12/20 (IFRS)

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Overseas Manufacturing and Service Operations Outsourcing Business

Please refer to pp. 46-47 for the business scheme

Revenue	¥32,621 million	-1.2% YoY
Operating profit	¥137 million	-56.9% YoY

Since the initial forecast for Manufacturing Outsourcing Business was based on a suppressed level, segment revenue was flat YoY however came in above the forecast. Operating profit was affected by the booking of a provision for doubtful accounts for client business failures arising as a result of the spread of coronavirus and posted a shortfall to the initial forecast as well as sharp decline YoY.

Manufacturing Outsourcing Business

Europe, which includes Germany where many of our customers are based, and Asia were affected by stay-at-home restrictions and holding down production due to the spread of coronavirus.

Service Operations Outsourcing Business

Logistics-related business for e-commerce grew due to the increased demand as a result of stay-at-home restrictions and the progress in handling global online business.

Public works-related service business was affected by the dramatic decline in the use of airport facilities due to the spread of coronavirus and by client business failures.

*Please refer to p. 16– for the impact of the spread of the novel coronavirus

Consolidated Financial Results for 1Q FY12/20 (IFRS)

● Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/19 Actual 1Q	FY12/19 Actual 2Q	FY12/19 Actual 3Q	FY12/19 Actual 4Q	FY12/19 Actual Full-Year	FY12/20 Actual 1Q
Revenue	86,404	91,181	89,909	93,755	361,249	89,542
Gross profit	16,065	16,788	18,014	19,917	70,784	17,104
Gross profit margin	18.6%	18.4%	20.0%	21.2%	19.6%	19.1%
SG&A expenses	14,427	14,767	14,607	14,906	58,707	15,439
SG&A expenses ratio	16.7%	16.2%	16.2%	15.9%	16.3%	17.2%
Operating profit	2,477	3,095	4,523	5,406	15,501	2,549
Operating profit margin	2.9%	3.4%	5.0%	5.8%	4.3%	2.8%
Profit before tax	1,338	2,064	3,597	6,480	13,478	1,530
Profit before tax margin	1.5%	2.3%	4.0%	6.9%	3.7%	1.7%
Profit attributable to owners of the Company	455	944	1,992	4,944	8,336	899
Profit attributable to owners of the Company margin	0.5%	1.0%	2.2%	5.3%	2.3%	1.0%

QoQ/YoY Changes	FY12/19 Actual 1Q	FY12/19 Actual 2Q	FY12/19 Actual 3Q	FY12/19 Actual 4Q	FY12/19 Actual Full-Year	FY12/20 Actual 1Q
Revenue	-4.3%	5.5%	-1.4%	4.3%	16.0%	-4.5%
Gross profit	-17.9%	4.5%	7.3%	10.6%	13.4%	-14.1%
SG&A expenses	4.0%	2.4%	-1.1%	2.0%	22.9%	3.6%
Operating profit	-55.6%	24.9%	46.1%	19.5%	6.2%	-52.8%
Profit before tax	-71.8%	54.2%	74.3%	80.2%	7.4%	-76.4%
Profit attributable to owners of the Company	-86.8%	107.3%	110.9%	148.3%	11.4%	-81.8%

*1 Dormitory fees received from employees at company-rented employee dormitories, which should be included in real profit, are included in other operating income.
*2 The amounts shown are rounded off to the nearest million yen.

Consolidated Financial Results for 1Q FY12/20 (IFRS)

● Financial Results by Operating Segment and Revenue by Region (Quarterly Trends)

(¥ million)		FY12/19 Actual 1Q	FY12/19 Actual 2Q	FY12/19 Actual 3Q	FY12/19 Actual 4Q	FY12/19 Actual Full-Year	FY12/20 Actual 1Q
Domestic Engineering Outsourcing Business	Revenue	20,513	22,321	23,865	24,668	91,367	25,100
	Operating profit	1,336	1,038	2,061	2,558	6,993	1,446
	No. of worksite employees at term-end	13,214	15,036	15,461	15,888	15,888	16,048
Domestic Manufacturing Outsourcing Business	Revenue	17,546	17,957	17,603	17,424	70,530	16,280
	Operating profit	1,364	1,643	1,655	2,692	7,354	1,450
	No. of worksite employees at term-end	13,531	14,018	13,661	13,457	13,457	12,909
	No. of workers under outsourced administration at term-end	12,418	13,528	16,318	18,670	18,670	20,007
	No. of placed workers	924	1,034	967	800	3,725	511
Domestic Service Operations Outsourcing Business	Revenue	4,806	5,351	4,476	5,936	20,569	5,936
	Operating profit	400	643	451	662	2,156	631
	No. of worksite employees at term-end	2,670	2,657	2,424	2,560	2,560	2,301
Overseas Engineering Outsourcing Business	Revenue	10,364	11,561	11,093	10,848	43,866	9,558
	Operating profit	553	589	1,107	215	2,464	382
	No. of worksite employees at term-end	3,280	3,718	3,600	3,468	3,468	3,307
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	33,014	33,834	32,742	34,618	134,208	32,621
	Operating profit	316	1,004	562	671	2,553	137
	No. of worksite employees at term-end	42,280	44,707	44,968	44,580	44,580	41,683
Other Business	Revenue	161	157	130	261	709	47
	Operating profit	2	44	21	21	88	55
	No. of worksite employees at term-end	3	4	4	5	5	0
Adjustments	Operating profit	(1,494)	(1,866)	(1,334)	(1,413)	(6,107)	(1,552)
Total	Revenue	86,404	91,181	89,909	93,755	361,249	89,542
	Operating profit	2,477	3,095	4,523	5,406	15,501	2,549

Revenue by Region (¥ million)	FY12/19 Actual 1Q	FY12/19 Actual 2Q	FY12/19 Actual 3Q	FY12/19 Actual 4Q	FY12/19 Actual Full-Year	FY12/20 Actual 1Q
Japan	43,026	45,786	46,074	48,289	183,175	47,363
Asia (excl. Japan)	3,414	3,427	3,166	3,390	13,397	2,854
Oceania	11,783	13,271	12,027	12,157	49,238	10,546
Europe	26,225	26,573	26,330	27,522	106,650	26,666
South America	1,956	2,124	2,312	2,397	8,789	2,113
Total	86,404	91,181	89,909	93,755	361,249	89,542

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

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

*3: Actual forex rates used in 1Q FY12/20 results (average rates for Jan-Mar 2020)
- EUR 120.08
- GBP 139.33
- AUD 71.58
- USD 108.86

Consolidated Financial Results for 1Q FY12/20 (IFRS)

Summary of Consolidated Statement of Financial Position

(¥ million)	FY12/19-End		Q1-End FY12/20		YoY Change
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	**112,441**	**47.0%**	**106,089**	**45.8%**	**(6,352)**
Cash and cash equivalents	40,246	16.8%	32,631	14.1%	(7,615)
Trade and other receivables	51,722	21.6%	50,914	22.0%	(808)
Inventories	1,608	0.7%	1,557	0.7%	(51)
Non-current assets	**126,738**	**53.0%**	**125,797**	**54.2%**	**(941)**
Property, plant and equipment	9,421	3.9%	9,502	4.1%	81
Right-of-use assets	18,246	7.6%	17,460	7.5%	(786)
Goodwill	58,073	24.3%	57,164	24.7%	(909)
Intangible assets	18,023	7.5%	16,734	7.2%	(1,289)
Other non-current financial assets	15,891	6.6%	16,937	7.3%	1,046
Total assets	**239,179**	**100.0%**	**231,886**	**100.0%**	**(7,293)**
Current liabilities	**90,192**	**37.7%**	**100,724**	**43.4%**	**10,532**
Trade and other payables	35,033	14.6%	33,841	14.6%	(1,192)
Bonds and borrowings	20,146	8.4%	33,504	14.4%	13,358
Lease Liabilities	15,577	6.5%	15,248	6.6%	(329)
Income tax payables	3,922	1.6%	2,493	1.1%	(1,429)
Non-current liabilities	**83,994**	**35.1%**	**72,283**	**31.2%**	**(11,711)**
Bonds and borrowings	47,664	19.9%	37,534	16.2%	(10,130)
Lease Liabilities	20,120	8.4%	19,833	8.6%	(287)
Other non-current financial liabilities	6,806	2.8%	5,587	2.4%	(1,219)
Total liabilities	**174,186**	**72.8%**	**173,007**	**74.6%**	**(1,179)**
Share capital	25,187	10.5%	25,199	10.9%	12
Share premium	26,620	11.1%	26,633	11.5%	13
Treasury shares	(0)	0.0%	(0)	0.0%	0
Other share premium	(14,056)	-5.9%	(14,061)	-6.1%	(5)
Retained earnings	25,667	10.7%	23,483	10.1%	(2,184)
Equity attributable to owners of the Company	**60,811**	**25.4%**	**54,633**	**23.6%**	**(6,178)**
Non-controlling interests	**4,182**	**1.7%**	**4,246**	**1.8%**	**64**
Equity	**64,993**	**27.2%**	**58,879**	**25.4%**	**(6,114)**
Total liabilities and equity	**239,179**	**100.0%**	**231,886**	**100.0%**	**(7,293)**

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

Cash and cash equivalents:

Decreased due to tax payment and dividend payment

Bonds and borrowings:

Increased due to borrowing for business funds

Equity attributable to owners of the Company:

Reflects quarterly profit attributable to owners of the Company, payment of year-end dividends, and foreign exchange effects

Impact from the Spread of the Novel Coronavirus at Present

Impact from the Spread of the Novel Coronavirus at Present

- The worldwide spread of the novel coronavirus infection

- The virus itself was unknown and the current worldwide spread of the infection was completely unexpected when we formulated FY12/20 consolidated financial forecasts.

- The tightening of restrictions in each country to contain the spread of the novel coronavirus limited human activities, resulted in not only global corporate economic activities being severely obstructed, but also public works-related services, which is normally less susceptible to impact from the changes in the economy being badly damaged.

Please refer to the following pages for details on each business segment

Impact from the Spread of the Novel Coronavirus at Present

● Domestic Engineering Outsourcing Business

■ The automobile sector and certain regions are affected by the spread of the coronavirus

⇒ For dispatching of mechanical engineers for automobiles etc., since it is mainly based on long-term contracts with customers for projects lasts medium- to long-term, we need to find new dispatch destinations after project completions; however, demand for mechanical engineers will likely decline from the 2Q onward.

⇒ Although the number of employees on standby could increase as a result of the state of emergency declaration being extended, the loss will likely be offset to a certain extent by compensation from clients.

⇒ We plan to deal with the cancellation of contracts by changing assignment destinations among clients. Even when it is difficult to deal with the cancellation in such a way, our policy is to retain employment by utilizing such measure as subsidies etc.

⇒ Special demand for IT-related business is expected after the current spread of the coronavirus settles down, as companies will likely bring forward plans to establish remote teleworking environments and introduce ICT training.

■ Regarding the placement of about 2,000 new graduates who joined the Company this April, due to the impact of the state of emergency declaration etc., decision-making related to hiring on the customer side is behind schedule, resulting in delays in placement plans.

⇒ On the other hand, the training scheme utilizing KEN School includes online training, and the training of new graduates has been proceeding largely on schedule.

■ While the company began to capture client demands for foreign engineers, new entry to Japan has been temporarily halted due to immigration controls imposed to contain the spread of the coronavirus.

⇒ Looking ahead to the time when the spread of the coronavirus comes under control, we continue our efforts to find new clients and secure candidate personnel locally.

As a result of the circumstances above, relative to the initial full-year forecast, revenue is expected to come in 5.1% lower, and operating profit 0.6% lower

Impact from the Spread of the Novel Coronavirus at Present

● Domestic Manufacturing Outsourcing Business

- The spread of the coronavirus caused disruption of global supply chains, leading to sluggish sales by manufacturers. Many manufacturers, mainly automobiles, have been reducing production, forcing temporary employees to temporarily stop working.

  ⇒ During the period of suspension, while there is a certain amount of compensation from manufacturers, it does not cover the entire amount, resulting in a decline of revenue and deterioration of the cost of sales ratio.

  ⇒ Increasing orders from automakers to place staff suddenly stopped from February, both new orders and the orders to increase staff for our dispatching service decreased significantly.

- Contract cancellations by manufacturers were not made in the 1Q; however, there is a possibility that contracts for up to about 1,000 workers could be canceled, depending on how the situation unfolds.

  ⇒ We intend to transfer these employees to other business partners in a different segment, like logistics service, to deal with the situation. For the employees whose transfer destinations are not found, we will use employment adjustment subsidies. However, since the subsidies will not cover the entire cost, revenue could deteriorate from the 2Q onward.

- For Administrative Outsourcing Business, the immigration restrictions on the departure of interns from sending countries and on the entry of foreign nationals to Japan made it impossible for prospective interns to come to Japan after March. Consequently, plans for 2,000 interns/month in the 2Q to be pushed back to the 3Q onward.

  ⇒ Looking ahead to the time when the spread of the coronavirus comes under control, we continue our efforts to secure new intern candidates locally and conducting online training for them as needed.

  ⇒ In collaboration with local Group companies, short-term dispatching of intern candidates to local companies will be conducted.

As a result of the circumstances above, relative to the initial full-year forecast, revenue is expected to come in 19.7% lower, and operating profit 33.9% lower

Impact from the Spread of the Novel Coronavirus at Present

● Domestic Service Operations Outsourcing Business

■ Business for the U.S. military facilities is currently unaffected by the spread of the coronavirus

⇒ There is a possibility of suspension or postponement of the projects in case construction materials can not be procured due to production halt etc. or the outbreak occurs within the U.S. military base.

■ Service Operations Outsourcing Business related to airports, hotels, restaurants and tourism was affected by the immigration and travel restrictions imposed on many countries from March and Japan's stay-at-home restrictions to contain the spread of the coronavirus.

⇒ Orders which had been decided for various airport service projects have been temporarily cancelled due to the drastic plunge in the number of flights and passengers.

⇒ We are focusing on expanding logistics-related service business related to basic infrastructure including daily necessities and food products.

As a result of the circumstances above, relative to the initial full-year forecast, revenue is expected to come in 5.1% lower, and operating profit 12.5% lower

Impact from the Spread of the Novel Coronavirus at Present

Overseas Engineering Outsourcing Business

In most of the countries where we operate business activities, mandatory lockdown or the suspension of economic activities, with legal penalties for non-compliance, is imposed.

■ Public works on consignment from central and local governments etc. is affected by regulations due to the spread of the coronavirus.

⇒ For debt collection on consignment in the UK, central and local governments have made requests to curb collections in anticipation of a sharp rise of those with income instability due to stay-at-home restrictions, and those stay-at-home restrictions make it difficult to conduct home visit collection.

⇒ For other public works business, many operations can be handled remotely in order to maintain government functions, and there was not a major impact in the 1Q; however, disruption from the spread of the coronavirus has caused delays in new orders, and there is a possibility that earnings from the 2Q onward will be pushed back.

■ Engineer dispatch for IT and finance systems is affected by the impact of stay-at-home restrictions in each country.

⇒ For IT engineer training business in Australia, group training sessions were cancelled one after another from the viewpoint of preventing the spread of the coronavirus, and the plan is to commence online training in the 2Q.

⇒ Since Australia is entering the winter season, the outlook is cautious regarding the measures to contain the spread of the coronavirus and efforts to re-open economic activities. There is a possibility that plans concerning both dispatch and placement business will be delayed from the full-year forecast; however, looking ahead to the time when the spread of the coronavirus comes under control, we continue securing staff through online training.

As a result of the circumstances above, relative to the initial full-year forecast, revenue is expected to come in 28.7% lower, and operating profit 98.7% lower

Impact from the Spread of the Novel Coronavirus at Present

● Overseas Manufacturing and Service Operations Outsourcing Business

In most of the countries where we operate business activities, mandatory lockdown or the suspension of economic activities, with legal penalties for non-compliance, is imposed.

Manufacturing Outsourcing Business

■ This business is affected by the spread of the coronavirus in Europe including Germany where we have a large number of customers, and Asia.

⇒ Germany has been affected by plant shutdowns for roughly 20% of our clients, and rollback of contracts from mid-March resulted in cancellations in succession, with roughly 1,200 workers released.

⇒ After paid leave is used up, suspended employees will be shifted to the leave compensation system in Germany, but since compensation does not cover the full amount, the Company will have to pay expenses.

⇒ We are focusing on basic infrastructure industries instead of manufacturing (IT, logistics, food products-related etc.), to secure earnings through expanding orders.

Service Operations Outsourcing Business

■ Logistics business related to e-commerce is seeing demand growth mainly from daily necessities and food products due to the progress in handling global online business and stay-at-home restrictions due to the spread of coronavirus, and it is achieving steady growth mainly in the Netherlands.

■ Public works-related service business is significantly impacted by the drastic decline of users of facilities such as airports due to the spread of the coronavirus in each country.

⇒ We are focusing on orders from the mining sector, which continues to operate in Australia, South America etc., and sales and logistics types of business related to pharmaceuticals and food products.

As a result of the circumstances above, relative to the initial full-year forecast, revenue is expected to come in 12.4% lower, and operating profit 80.0% lower

Revision of Consolidated Financial Forecasts for FY12/20 (IFRS)

Revision of Consolidated Financial Forecasts for FY12/20 (IFRS)

Revision of consolidated financial forecasts for the full year ending December 31, 2020 (IFRS)

While the spread of the coronavirus in each country has begun to come under control since April, we expect that calming down the global supply chain disruptions, the resumption of provision of public works operations which is being suspended, and improvement in consumer purchasing sentiment etc. will require a certain period of time. As such we revised our consolidated forecasts.

		Revenue (¥ million)	Operating profit (¥ million)	Profit before tax (¥ million)	Profit for the year (¥ million)	Profit attributable to owners of the Company (¥ million)	Basic earnings per share
Previous forecast (A)	2Q (cumulative)	191,000	5,900	4,950	3,050	2,400	19.07 JPY
	Full-year	420,000	21,000	19,150	12,450	11,150	88.63 JPY
Revised forecast (B)	2Q (cumulative)	171,000	1,900	(400)	(1,600)	(1,700)	(13.50 JPY)
	Full-year	365,000	10,000	6,800	3,600	3,000	23.83 JPY
Difference (B-A)	2Q (cumulative)	(20,000)	(4,000)	(5,350)	(4,650)	(4,100)	
	Full-year	(55,000)	(11,000)	(12,350)	(8,850)	(8,150)	
Percentage change (%)	2Q (cumulative)	(10.5)	(67.8)	—	—	—	
	Full-year	(13.1)	(52.4)	(64.5)	(71.1)	(73.1)	
(Reference) Results for the previous fiscal year	2Q (cumulative)	177,585	5,572	3,401	1,826	1,400	11.15 JPY
	Full-year	361,249	15,501	13,478	9,095	8,336	66.35 JPY

Note: As the provisional accounting of the business combinations was finalized in 2Q and 3Q FY12/19, the condensed consolidated financial statement for 1Q FY12/19 were retroactively adjusted.

As a result of the global spread of the novel coronavirus, current business is being affected negatively, however we believe this will be significantly outweighed by the positive impact on startup of the reset market, and we commit to returning to achieve Medium-Term Management Plan targets from next term onward.

Revision of Consolidated Financial Forecasts for FY12/20 (IFRS)

● Assumptions for revisions of consolidated financial forecasts

○ Precondition

- In Japan, although the spread of the novel coronavirus could be suppressed to some extent, the emergency declaration continues until the end of May. We assume that the economy will gradually recover toward the end of the year and the environment next fiscal year will return to the level set in the Medium-Term Management Plan.
- In other countries, the economy is expected to recover gradually from July. Since South America and Australia will be entering winter, the effects of the new coronavirus and the flu epidemic might be added. We assume the environment next fiscal year will return to the level set in the Medium-Term Management Plan as in Japan.

○ Forex rates

The average exchange rate for March 2020 is used for the exchange rate for the revised financial forecasts for 2Q-4Q FY12/20.

<Average rates of major currencies>

・EUR	118.99
・GBP	133.18
・AUD	66.97

* For the 1Q results, the average rate from January to March is used.

Revision of Dividend Forecast

Revision of Dividend Forecast

(1) Details of the Revision

	Annual cash dividends per share				
	1Q	2Q	3Q	Year-end	Total
Previous forecast (Announced on Feb. 14, 2020)	JPY ―	JPY 0.00	JPY ―	JPY 27.00	JPY 27.00
Revised forecast		0.00	―	8.00	8.00
Dividends paid in the current fiscal year	―				
Dividends paid in the previous fiscal year (FY12/19)	―	0.00	―	24.00	24.00

(2) Reasons for the Revision

The Company recognizes returning profits to shareholders as an important management priority. Therefore, while reinvesting a portion of profits toward future business growth, we maintain a consolidated payout ratio of 30 % in principle, in order to enhance the return to shareholders and expand the shareholder base.

Although we have revised our financial forecasts for FY12/20 as mentioned above, we expect a certain level of recovery in the next fiscal year and will continue pursuing the targets set in the Medium-Term Management Plan “VISION 2024,” and strive to achieve long-term growth. Regarding the FY12/20 dividend forecast, in order to secure financial resources including funds to retain the employment of our workers and be prepared for the economic recovery, we will maintain the 30% payout ratio and set DPS at ¥8.

Year-on-Year Change and Financial Forecasts by Operating Segment after Revision (IFRS)

Year-on-Year Change and Financial Forecasts by Operating Segment after Revision (IFRS)

Year-on-Year Change after Revision

(¥ million)	FY12/19 Actual				FY12/20 Revised Forecast				YoY Change	
	1H	2H	Full-Year		1H	2H	Full-Year			
	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio	Amount	Ratio
Revenue	**177,585**	**183,664**	**361,249**	**100.0%**	**171,000**	**194,000**	**365,000**	**100.0%**	**3,751**	**1.0%**
Cost of sales	144,732	145,733	290,465	80.4%	-	-	-	-	-	-
Gross profit	**32,853**	**37,931**	**70,784**	**19.6%**	**-**	**-**	**-**	**-**	**-**	**-**
SG&A expenses	29,194	29,513	58,707	16.3%	-	-	-	-	-	-
Operating profit	**5,572**	**9,929**	**15,501**	**4.3%**	**1,900**	**8,100**	**10,000**	**2.7%**	**(5,501)**	**-35.5%**
Finance income	52	645	697	0.2%	-	-	-	-	-	-
Finance costs	2,223	557	2,780	0.8%	**-**	**-**	**-**	**-**	-	-
Profit before tax	**3,401**	**10,077**	**13,478**	**3.7%**	**(400)**	**7,200**	**6,800**	**1.9%**	**(6,678)**	**-49.5%**
Profit for the period	**1,826**	**7,269**	**9,095**	**2.5%**	**(1,600)**	**5,200**	**3,600**	**1.0%**	**(5,495)**	**-60.4%**
Profit attributable to owners of the Company	**1,400**	**6,936**	**8,336**	**2.3%**	**(1,700)**	**4,700**	**3,000**	**0.8%**	**(5,336)**	**-64.0%**

*1 The amounts shown are rounded off to the nearest million yen
*2 Forex rate assumptions for consolidated earnings forecast (revised)
EUR 118.99, GBP 133.18, AUD 66.97, USD107.41

Year-on-Year Change and Financial Forecasts by Operating Segment after Revision (IFRS)

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

(¥ million)		FY12/19					FY12/20						
		Actual					Actual	Forecasts					
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	1H	2H	Full-Year
Domestic Engineering Outsourcing Business	Revenue	20,513	22,321	23,865	24,668	91,367	25,100	26,800	29,100	31,500	51,900	60,600	112,500
	Operating profit	1,336	1,038	2,061	2,558	6,993	1,446	804	2,550	3,450	2,250	6,000	8,250
	No. of worksite employees at term-end	13,214	15,036	15,461	15,888	15,888	16,048	18,077	18,657	19,153	18,077	19,153	19,153
Domestic Manufacturing Outsourcing Business	Revenue	17,546	17,957	17,603	17,424	70,530	16,280	14,620	14,900	15,700	30,900	30,600	61,500
	Operating profit	1,364	1,643	1,655	2,692	7,354	1,450	1,150	1,200	1,750	2,600	2,950	5,550
	No. of worksite employees at term-end	13,531	14,018	13,661	13,457	13,457	12,909	12,150	12,000	12,400	12,150	12,400	12,400
	No. of workers under outsourced administration at term-end	12,418	13,528	16,318	18,670	18,670	20,007	20,500	22,300	28,800	20,500	28,800	28,800
	No. of placed workers	924	1,034	967	800	3,725	511	227	350	700	738	1,050	1,788
Domestic Service Operations Outsourcing Business	Revenue	4,806	5,351	4,476	5,936	20,569	5,936	5,064	6,100	6,900	11,000	13,000	24,000
	Operating profit	400	643	451	662	2,156	631	569	500	750	1,200	1,250	2,450
	No. of worksite employees at term-end	2,670	2,657	2,424	2,560	2,560	2,301	2,440	3,190	3,720	2,440	3,720	3,720
Overseas Engineering Outsourcing Business	Revenue	10,364	11,561	11,093	10,848	43,866	9,558	6,542	9,000	9,500	16,100	18,500	34,600
	Operating profit	553	589	1,107	215	2,464	382	(532)	50	150	(150)	200	50
	No. of worksite employees at term-end	3,280	3,718	3,600	3,468	3,468	3,307	1,910	2,423	2,465	1,910	2,465	2,465
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	33,014	33,834	32,742	34,618	134,208	32,621	28,379	33,200	38,000	61,000	71,200	132,200
	Operating profit	316	1,004	562	671	2,553	137	(887)	700	1,050	(750)	1,750	1,000
	No. of worksite employees at term-end	42,280	44,707	44,968	44,580	44,580	41,683	19,353	23,848	26,423	19,353	26,423	26,423
Other Business	Revenue	161	157	130	261	709	47	53	50	50	100	100	200
	Operating profit	2	44	21	21	88	55	45	50	50	100	100	200
	No. of worksite employees at term-end	3	4	4	5	5	0	0	0	0	0	0	0
Adjustments	Operating profit	(1,494)	(1,866)	(1,334)	(1,413)	(6,107)	(1,552)	(1,798)	(2,050)	(2,100)	(3,350)	(4,150)	(7,500)
Total	Revenue	86,404	91,181	89,909	93,755	361,249	89,542	81,458	92,350	101,650	171,000	194,000	365,000
	Operating profit	2,477	3,095	4,523	5,406	15,501	2,549	(649)	3,000	5,100	1,900	8,100	10,000

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

Response to the Impact of Novel Coronavirus Infections on the Financial Front

Response to the Impact of Novel Coronavirus Infections on the Financial Front

Measures to strengthen the financial base

■ Japan

- Request to establish a commitment line
- Request to increase the overdraft facility framework
- Utilize employment adjustment subsidies
- Application of a grace period for taxes

■ Overseas

- Utilize emergency lending programs in each country
- Utilize labor subsidies and guarantee programs
- Consider other corporate support measures

Response in the OS Group

As it is difficult to forecast the impact on the economy etc., pay attention to the status of receivables collection and cash flows of all Group companies

⇒ Based on the strengthening measures above, the Group will come together to mutually support each company

Group Strategy that Views the Market Reset Due to the Coronavirus Crisis as an Opportunity

Competitive Advantages of Domestic Engineering Outsourcing Business

■ Industry shift to the construction sector

Demand for engineers is expected to remain strong due backlogs in the construction industry even after the Olympics, so we are reallocating sales, recruitment, offices, and engineer resources within the Group to greatly expand the construction field.

- **TAM* expansion was realized by shifting resources** from areas with high volatility within the engineer dispatch business and areas with highly mature markets **to the construction field**, which has potential for deep market penetration, **aiming at achieving long-term growth**.

*Abbreviation for Total Addressable Market
"Maximum market size of a product achieved when various conditions are met"

■ Capture 5G-related demand

Going forward, various things such as remote teleworking and online medical care / training will be handled online, and there is an urgent need to strengthen the telecommunications system, so demand for engineers in the telecommunications construction field will increase.

- The Company is **targeting major share expansion as an HR services provider in this field which is less susceptible to impact from economic fluctuations** due to being essential lifeline-related. One of the Company's subsidiary, which was evolved from a group of individuals from a major telecommunications and specializes **in the telecommunications construction industry,** is making a large-scale business investment in this field.

■ Share expansion through natural attrition in the industry

- It is likely that engineer dispatch providers mainly for manufacturing clients will be unable to survive earnings deterioration due to the impact from the coronavirus crisis, and the industry will consolidate around major providers through natural attrition, and we are focusing on share expansion through industry consolidation, establishing a consolidation specialized team.

● Competitive Advantages of Domestic Engineering Outsourcing Business

■ Share expansion through securing experienced staff ahead of competitors in the labor market

・We assume that it will take roughly 6 months for dispatch utilization rates to recover after the spread of infections comes under control. While our competitors, who are active only in a single industry field, are holding off on hiring, through our strong competitive advantage of achieving diversification across industries and sectors, we are **securing talented and experienced staff ahead of the competition in a labor market which has become a buyer's market, poised to achieve rapid share expansion when the economy recovers**.

■ Establish an online training system to significantly expand training opportunities and gain an overwhelming recruitment universe

Due to the spread of the coronavirus, we are moving up the schedule for the shift to an online training system which had been already started.

Shifting from group training only conducted on-site at schools, we are rolling out training nationwide through live streaming, with face-to-face follow-up roughly once a week.

We are implementing a training curriculum in virtual space using our own proprietary AR / VR technology to ensure the quality of remote training.

・**By forming an overwhelming universe** through a digital twin training system through live streaming and AR / VR training, **we are making a large contribution toward addressing the medium- to long-term chronic shortage of engineers which will still be an issue after the spread of the virus comes under control, and expanding market share**.

Group Strategy that Views the Market Reset Due to the Coronavirus Crisis as an Opportunity

- Competitive Advantages of Domestic Manufacturing Outsourcing Business

■ Changes in the labor market and shift in our strategy

The labor market changed from a seller's market to a buyer's market delineated by the spread of coronavirus (which we expect to be around 6 months to 1 year), and we **have shifted our emphasis from hiring strategy to order-winning strategy**.

■ Order-winning strategy that considers the production reset due to the coronavirus crisis as a major business opportunity

Shifting to contracting is necessary for manufacturing HR service providers **to meet the challenge of "equal pay for equal work"** which went into effect in April 2020

Until now, multiple providers participated in a line in operation, **making contracting difficult; however, the reset due to the coronavirus crisis provides a major opportunity**.

The result of interviews with various manufacturers is that **a vertical startup of manufacturing operations is expected around September-November this fiscal year**.

・Temporarily assign workers, who are needed for the time of the vertical startup, to public-works related logistics, which we accepted consignment in consideration of its financial advantage, and aim to secure revenue while maintaining employment

・Secure staff which have technical production skills from major electronics and automobile manufacturers, in order to boost our shift to contracting

・**Rapidly expand our shares in the market** by assigning retained workers at the time of the vertical startup at manufacturers, and then **concentrating outsourced works at production lines in the Company,** and **realize both shifting to contracting works for multiple manufactures and resolving the issue of "equal pay for equal work" at the same time**

Although contracting work brings a major benefit for many manufacturers, the number of the HR service providers which have the requisite contracting ability, hiring capacity, compliance, HR training ability and labor management structure, other than the Company, is extremely limited, so there will be a major opportunity for the Company to concentrate outsourced works at production line through contracting.

Competitive Advantages of Domestic Manufacturing Outsourcing Business

■ Expanding share of Administrative Outsourcing

In the past, the shortage of staff due to population decline has been an issue **in the workplace for nursing care,** and the shortage has become more pronounced due to the spread of coronavirus, and after the spread of infection comes under control, **we aim to increase share through the employment of technical intern trainees**.

- Toward increasing the number of interns from Islamic regions such as Indonesia, etc., in order to meet the requirements for daily religious customs, we are working in conjunction with local governments for the proper preparation of halal food, as well as promoting construction of prayer rooms and Mosques.

By utilizing IT-infrastructure, which is difficult for many supervising organizations to handle, local recruitment activities of host companies accepting interns can be handled remotely from Japan, and Japanese language training can be conducted online in the country of origin.

- After the spread of infection comes under control, it is expected that it will take time for local organizations and Japan supervising organizations which are not affiliated with the Company to resume seconding and accepting interns; however, the OS Group (including Asia) can handle a vertical restart of activities and greatly expand share.

Group Strategy that Views the Market Reset Due to the Coronavirus Crisis as an Opportunity

Competitive Advantages of Each Business Segment Other than Aforementioned Segments

■ Domestic Service Operations Outsourcing Business

- When customer demand recovers, we will **expand market share by making assignments with industry-leading hiring capability including the employment of foreign exchange students**.
- We are expanding share by incorporating competitors experiencing business difficulties; however, we expect inbound-related demand to recover from October onward, but the timing is still under review.

■ Overseas Engineering Outsourcing Business

- By **putting Australian Group companies,** which are strategically diversified by sector, **under a holding company structure**, it is now possible to win long-term large-scale investment projects planned by the government in infrastructure, education, etc., after the spread of infection comes under control, and we will **expand share through combined use of company resources**.
- We will capture share in sectors with early recovery through having Group company engineers obtain skills of other sectors in training and development business.
- Since the demand for human resources is expected to grow in the public sector, which prioritizes functions during emergencies, we are leveraging our transaction base with U.K. central and local governments, acquiring and assigning staff from private companies whose business is deteriorating, thereby expanding share of public sector business.
- We are expanding share through incorporating business of firms in various fields that are expected to withdraw due to business deterioration.

■ Overseas Manufacturing and Service Operations Outsourcing Business

- In Germany, while proceeding with business structural reforms, we are focusing on **winning orders from strong industries** (mechanical engineering, medical-related, IT, food retail-related, for which the Group has know-how), **to achieve share expansion**.
- We acquired the ability to respond to terminations for companies in all industries by incorporating an outplacement (re-employment support) firm in the U.K. into the Group in April.
- When customer demand recovers, we will expand share with the staff whose employment was maintained through subsidy programs in each country as well as by restarting hiring leveraging global HR mobilization.
- We expect an early recovery of earnings by taking advantage of the revision of the Worker Dispatch Law and of the increased number of quality customers including those in the strong industries mentioned above, which are less likely to be affected by economy.

Reference Materials

Business Schemes in Each Business Segment

Domestic Engineering Outsourcing

・The KEN School scheme responding to the shortage of engineers arising from demographic factors

Technological innovation continues every day in various industrial fields, and amidst the chronic shortage of engineers due to the demographic factor of population decline, we continue working to achieve growth through the KEN School scheme.

KEN School has established a system where inexperienced workers are recruited, trained through education programs in various industrial fields, and assigned as engineers, and after being assigned, given opportunities to realize career changes and career improvement according to the environment and the wishes of the individual.

Today's younger generation tend to be less willing to make various sacrifices to become employed at a well-known company, shifting toward a preference for companies where they can pursue what they want to do rather than those with a high name recognition.

KEN School gives the Group an advantage in recruitment and boasts the prominent number hired in the industry

1. No. of workers recruited in 1Q FY12/20: 1,155
2. No. of new graduates hired in April 2020: roughly 2,000

Business Schemes in Each Business Segment

Domestic Manufacturing Outsourcing

・Business related to the growing demand for foreign technical intern trainees

Revisions of the Technical Intern Training Act and Immigration Control Act related to the employment 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 internship period was extended from 3 years to 5 years.

＊ Technical intern trainees ➡ Based on Japan's official program, the Technical Intern Training Program, manufacturers hire foreigners mainly from Asia as technical intern trainees so that after they return to their home countries when the internship is completed, they can use the skills they acquired.

Revised Immigration Control Act (Immigration Control and Refugee Recognition Act)

Enforced in April 2019

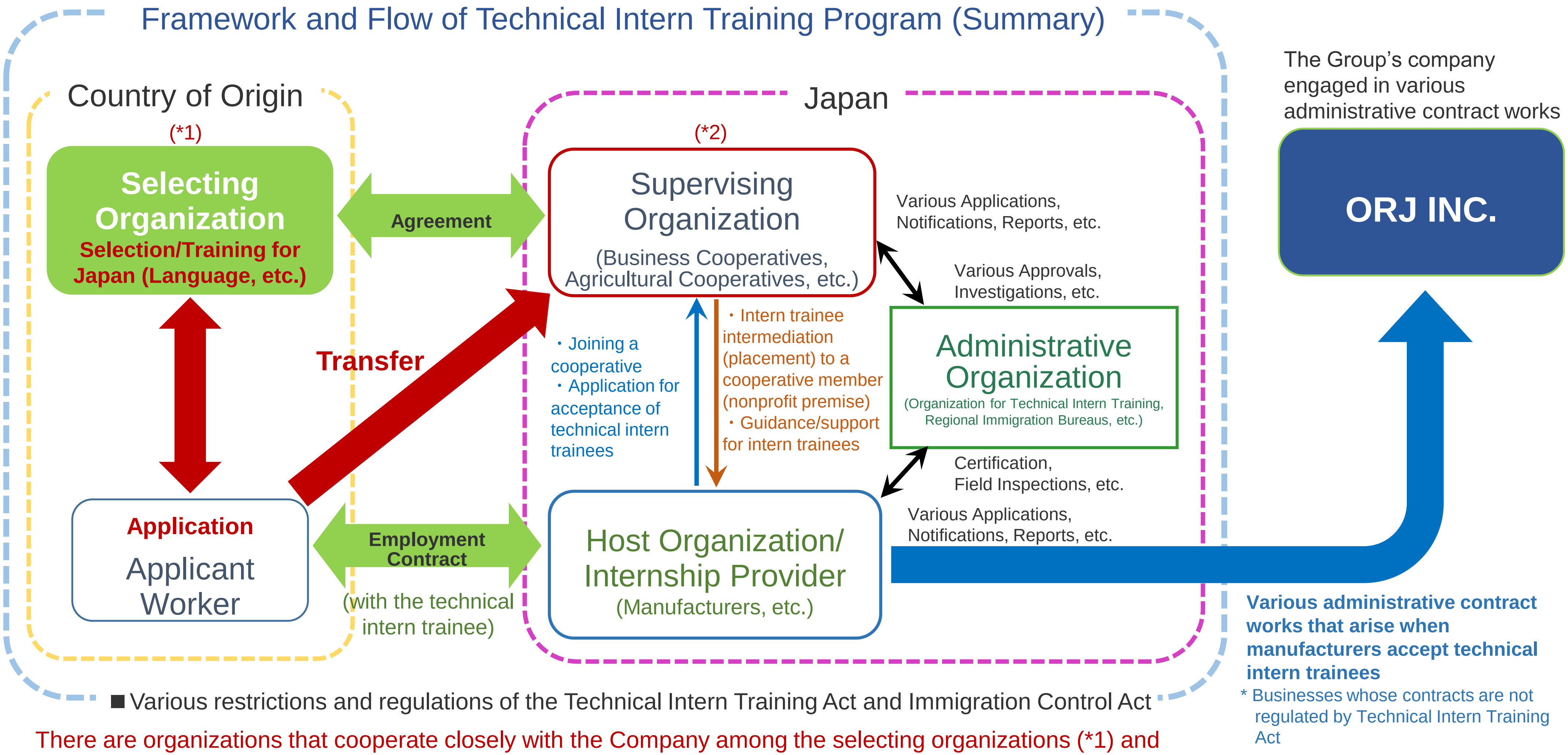
■ This is a major shift in policy for accepting foreign workers which in the past had been limited to those with advanced skills in specialized fields, creating a new category of status of residence (Specified Skilled Worker), allowing employment in the area of basic labor works.

＊ Specified Skilled Worker ➡ A new category 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.

Business Schemes in Each Business Segment

Domestic Manufacturing Outsourcing

・Business related to the growing demand for foreign technical intern trainees



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

- Business Schemes in Each Business Segment

Domestic Manufacturing Outsourcing

・Business related to the growing demand for foreign technical intern trainees

Against the backdrop of a declining domestic workforce, deregulation has expanded for the employment of foreign workers.

- Under the Specified Skilled Worker Program, the government is targeting an acceptance of up to a maximum of 340,000 persons over the 5 year period starting in 2019.
- After finishing Technical Intern Training, further long-term employment is possible under the Specified Skilled Worker Program.

This deregulation and collaboration with domestic and overseas organization allows for an increased number of workers under administration as well as extending the period of administrative outsourcing contracts.

No. of persons under administrative outsourcing **The end of 1Q FY12/20 result: 20,007**

The number is over 10 times the level of competitors, and growth will accelerate going forward.

*Due to the global spread of the novel coronavirus, new entry into Japan has been suspended since March 2020

● Business Schemes in Each Business Segment

Domestic Service Operations Outsourcing

・Outsourcing for the U.S. military facilities which has high barriers to entry from the perspective of classified information protection.

The OS Group's AMERICAN ENGINEERING CORPORATION (AEC) has a high level of credibility from the U.S. military. By expanding the amount of contract surety bond required for bidding through synergies with the parent, AEC has been able to increase the number of successfully-won large-scale project orders which have high profit margins.

■ Receives contract maintenance and construction works for highly classified aircraft hangars and HVAC facilities at domestic U.S. military facilities such as in Okinawa, etc., which are relatively less susceptible to impact from the economic cycle.

■ Orders for work on the U.S. military facilities are won through a bidding process, and it is necessary to gain a high level of credibility from the U.S. military in order to be selected as a contractor.

The Group is accelerating deployment of work for the U.S. military facilities to Hawaii and Alaska after already commencing business in Guam, aiming to secure revenue worth ¥70 billion equivalent to the current contract surety bond at an early stage, targeting further expansion of the allotment and orders.

Business Schemes in Each Business Segment

Overseas Engineering Outsourcing

- Various consignment work from governments and local public institutions which is less susceptible to impact from the economic cycle
- Addressing the shortage of engineers by introducing the KEN School scheme

BPO = Business Process Outsourcing

The Group receives various BPO works from the central and local governments in the countries such as U.K. and Australia, utilizing its proprietary system.

- By offering one-stop solutions through the expansion of business areas by all U.K. Group companies, the Group showed further growth in the market for government debt collection through the use of IoT and big data.

Outsourcing of engineers in the ICT-related and financial fields mainly for public institutions is growing in Europe and Australia.

In Australia, the Group expands a scheme similar to that of the KEN School in Japan for training workers with inexperience or low-level skills and assigning them as engineers, and secures a larger number of engineers.

Expanding business to countries around the world by utilizing business know-how, systems, and engineers

*Due to the global spread of the novel coronavirus, deployment of engineers globally has been suspended since March 2020

Business Schemes in Each Business Segment

Overseas Manufacturing and Service Operations Outsourcing

- Industry sector diversification over manufacturing-related business and government- and logistics-related services

Manufacturing related business

Manufacturing related outsourcing business using technically skilled workers throughout Europe, mainly in Germany

- ■ Aiming to expand the range of workers from factory staff with high skill proficiency to more advanced staff such as for testing / evaluation and process control etc.

Public works business

From government institutions and administrations of each country, the Group takes on consignment of various outsourcing public work such as at public facilities like prisons and airports.

- ■ Outsourcing of public projects and public works to the private sector is growing due to financial budget difficulties in developed countries

Logistics services

The Group is developing a logistics outsourcing business related to e-commerce throughout Europe, mainly in the Netherlands.

- ■ Internet-based logistics are expanding growth globally, and given its low volatility, the Group will expand the e-commerce business.

Reducing risk through sector diversification in three businesses with different business cycles, and rolling out mutual sharing of business know-how, infrastructure, engineers, etc., to Europe, Asia and Australia

*Due to the global spread of the novel coronavirus, deployment of engineers globally has been suspended since March 2020

- Business Schemes in Each Business Segment

Overseas Manufacturing and Service Operations Outsourcing

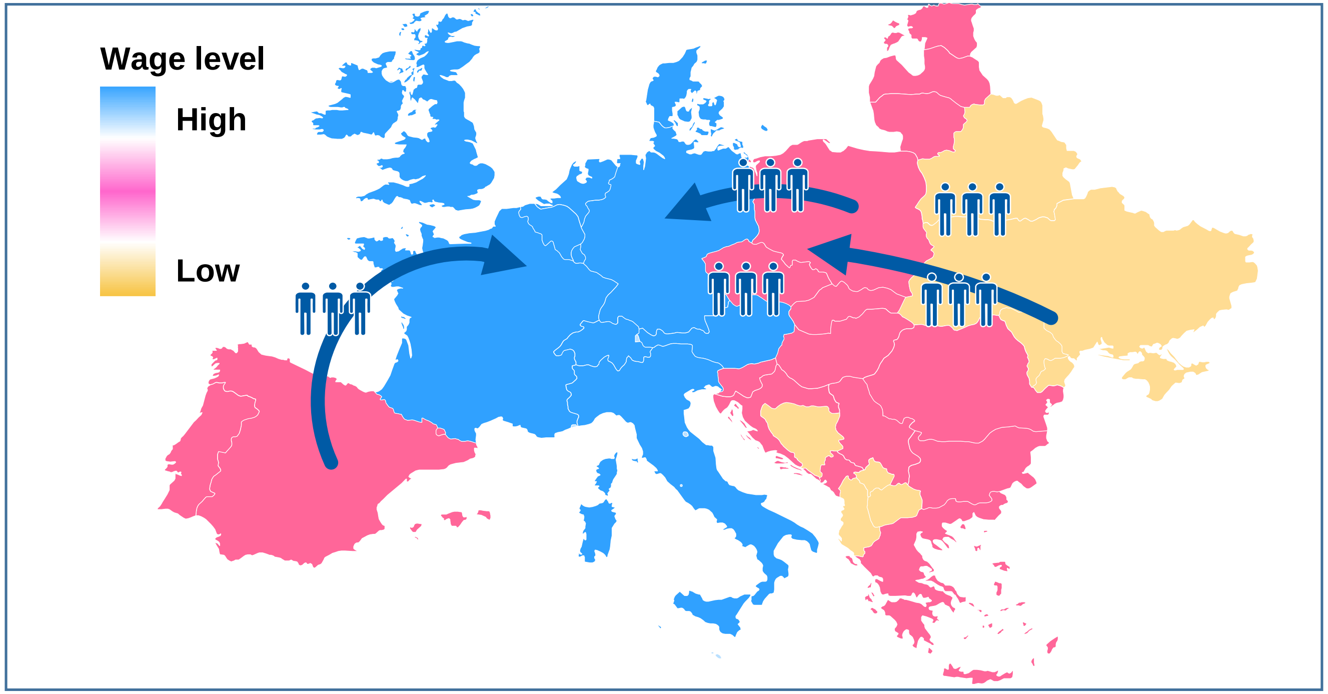
・Cross-border global HR mobilization scheme

Since Germany and the Netherlands have tight recruitment conditions due to their declining birthrate and aging population, the Group will expand the structure for supplying workforce from countries with an abundance to those with shortages, through recruitment at its many bases mainly in Eastern Europe.

HR mobilization scheme

Built a network in Europe for HR mobilization

Going forward, the Company aims to extend the global HR mobilization scheme beyond Europe to include Asia, Australia, etc.



Expanding each type of outsourcing business through cross-border HR mobilization by constructing a recruitment network across continental Europe

*Due to the global spread of the novel coronavirus, cross-border HR mobilization has been suspended since March 2020

- Strengthening Group Governance (i)

Group governance to achieve dramatic growth

Compliance with corporate governance (Corporate governance)

- Planning a governance strategy and deploying it within the Group
- Smooth operation of the Board of Directors, reporting, and internal audits

Improving the quality of global group management

- Management from a global perspective with consistent venture spirits
- Continuous development of ethical global management personnel
- Creating a system in which each regional holding company (HD) is responsible for the regional management
- Strengthening authority and improving management efficiency by establishing a regional HD structure

Minimizing risks by "implementing rules"

- Strengthening management structure through the global governance policy(*1)
- Ongoing risk management based on internal control (J-SOX, MCR *2)
- Penetration of the Corporate Ethics Code of Conduct, anti-corruption regulations, and whistle-blowing system
- Advance recognition and response for risks by governance due diligence
- Improve and implement risk management awareness through education and training

Group platform creation led by the head office

- Building a robust corporate structure centered on the pillars of accounting, finance, and education, and strengthening financial functions
- Establishment of group labor management system, personnel system reforms and education and training system
- Appropriate IT infrastructure, security support, and information protection / RPA resulting from cloud computing

● Strengthening Group Governance (ii)

2020 Priority Measures

From January 1, 2020, Interregional business operations started with the local HDs in the UK and Oceania

→ **Promote regional autonomy through the following activities in order to ensure business continuity in the event of a global crisis**

◆Improvement of global group management quality

Objective: accelerate management decision-making / improve efficiency through autonomous management

- Further disseminate the OS Group management philosophy to top managements of Group companies
- Clearly stating the area of discretion (approval authority / sphere of responsibility) and introducing compensation / evaluation scheme for regional HDs to take charge of management
- Perform regular status checks and verification by both the head office and local HDs to formulate and promote measures necessary for quality improvement

◆Minimizing risks by implementing rules

Objective: prevent problems from occurring in advance by thoroughly implementing the rules

- Continuous maintenance of internal control (J-SOX and MCR)

  (*2) MCR (Minimum Control Requirement) is an internal control scheme unique to the OS group. It is an autonomous internal control that each group company selects and prepares risk management items from the template created by the Head Office Business Administration Headquarters, and each company's management conducts self-inspection by mutual inspection between divisions. It contributes to raise awareness of risks in management by coordinating with the Head Office.
- E-learning to further spread the rules such as the Corporate Ethics Code of Conduct
- Global expansion of the whistle-blowing system (the system has already been introduced in Asia and Oceania, and is currently being rolled out to South America)
- Applying the results of governance due diligence, introduce MCR internal control to launch risk management as soon as possible after M&A

◆Group platform creation led by the head office

Objective: Strengthen the Group management base

- Accounting: streamlining and speeding up consolidated settlement operations and introducing systems to overseas companies
- Finance: strengthening financial functions / global fund management initiatives
- IT: strengthening information security measures assuming cracking due to malware infection
- IT: digitization and automation of operations
- HR: create human resource development / education / training system that combines personnel strategies of all Group companies

● Strengthening Group Governance (iii)

(*1) Strengthening the management structure along with the global governance policy

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 enhance corporate values 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.

Specific Activities

Formulate the global governance policy and strengthen the group management structure

Purpose of formulation: to maintain the soundness of the entire Group, under the basic policy of corporate governance of OUTSOURCING Inc. and its group companies

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

Supplemental Information: Domestic Recruitment Plan for FY12/20

Annual and Semi-Annual Trends

		FY12/19 Actual			FY12/20 Forecast		
		1H	2H	Full-Year	1H	2H	Full-Year
Engineering	**No. of workers recruited (persons)**	**3,991**	**2,352**	**6,343**	**4,175**	**2,580**	**6,755**
	Recruitment unit price (¥/worker)	324,149	579,798	418,944	464,045	624,935	525,495
Manufacturing	**No. of workers recruited (persons)**	**4,534**	**3,284**	**7,818**	**3,168**	**4,760**	**7,928**
	Recruitment unit price (¥/worker)	85,450	57,705	73,796	91,593	32,140	55,897
Service Operations	**No. of workers recruited (persons)**	**1,959**	**1,281**	**3,240**	**985**	**2,228**	**3,213**
	Recruitment unit price (¥/worker)	23,095	37,880	28,940	39,666	21,657	27,179
Recruiting and Placing	**No. of workers recruited (persons)**	**1,958**	**1,767**	**3,725**	**738**	**1,050**	**1,788**
	Recruitment unit price (¥/worker)	174,674	134,879	155,797	324,771	255,680	284,198

Quarterly Trends

		FY12/19 Actual					FY12/20 Actual	FY12/20 Forecasts			
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	Full-Year
Engineering	**No. of workers recruited (persons)**	**1,155**	**2,836**	**1,201**	**1,151**	**6,343**	**1,155**	**3,020**	**1,301**	**1,279**	**6,755**
	Recruitment unit price (¥/worker)	598,655	212,352	630,609	526,779	418,944	994,573	261,144	655,237	594,113	525,495
Manufacturing	**No. of workers recruited (persons)**	**2,046**	**2,488**	**1,582**	**1,702**	**7,818**	**1,411**	**1,757**	**2,200**	**2,560**	**7,928**
	Recruitment unit price (¥/worker)	126,977	51,301	61,884	53,821	73,796	136,396	55,613	33,415	31,044	55,897
Service Operations	**No. of workers recruited (persons)**	**1,070**	**889**	**569**	**712**	**3,240**	**505**	**480**	**993**	**1,234**	**3,213**
	Recruitment unit price (¥/worker)	27,456	17,846	33,576	41,319	28,940	51,347	27,382	23,576	20,113	27,179
Recruiting and Placing	**No. of workers recruited (persons)**	**924**	**1,034**	**967**	**800**	**3,725**	**511**	**227**	**350**	**700**	**1,788**
	Recruitment unit price (¥/worker)	196,934	154,781	171,402	90,731	155,797	395,779	164,926	307,819	229,610	284,198

Supplemental Information:
Impacts of IFRS Standard Change (IFRS 16 “Leases”)

Change in IFRS 16 “Leases”

- ✓ International Financial Reporting Standards (IFRS) based companies are required to recognize the right of use as an asset and to record lease liabilities for all lease transactions except for short-term and low-value assets lease under IFRS 16 from fiscal year beginning January 1, 2019 onward as determined by the International Financial Reporting Council (IASB) (Depreciate lease asset rather than recording lease fees as expense)

Impacts of IFRS 16 “Leases” Change

- ✓ Increase in total assets by recording lease assets, which results in deterioration of financial indicators, including equity ratio
- ✓ More complicated accounting process

Supplemental Information:
Treatment of put options over non-controlling interests (IAS 32)

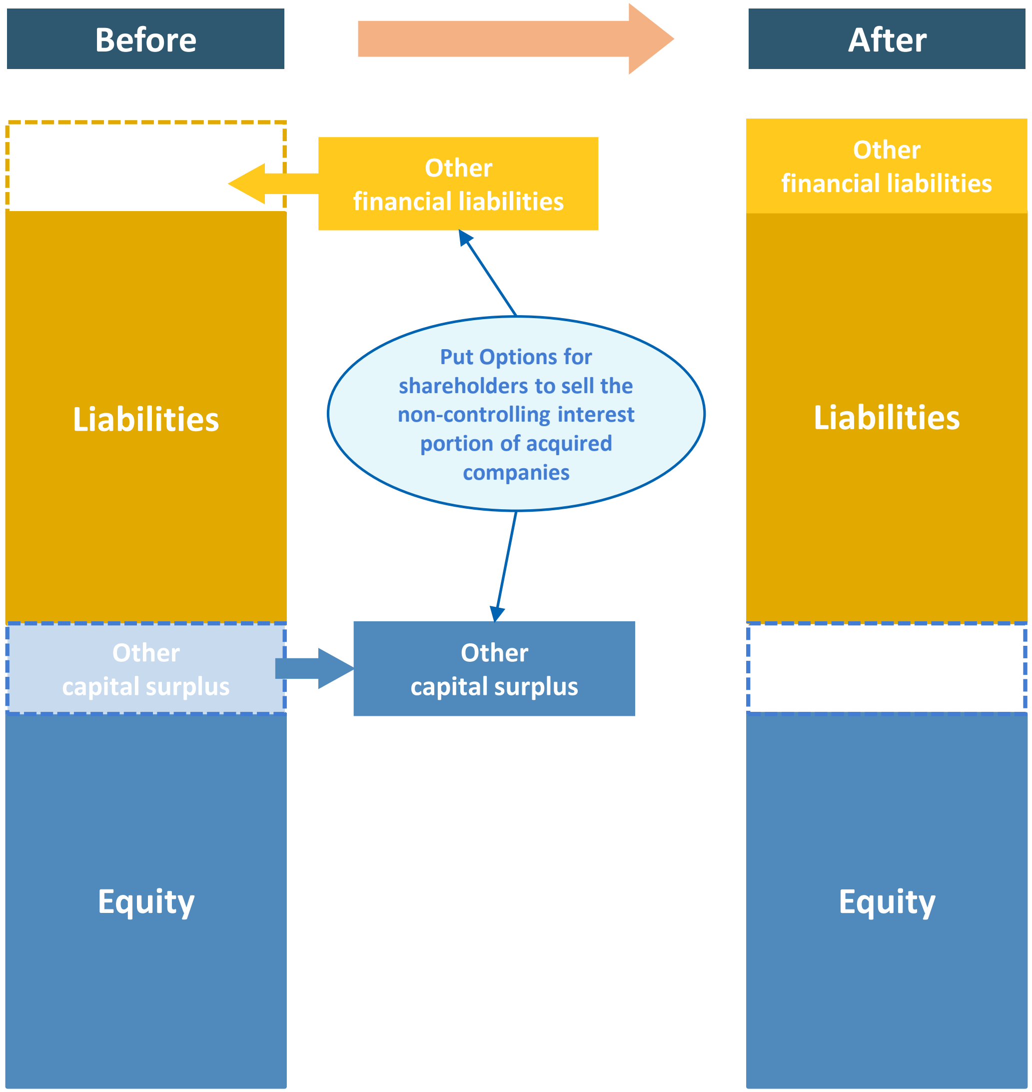
- In cases where put options for NCI are granted, related to M&A

Common Interpretation of IAS

✓ From paragraph 23 of IAS 32, parent must recognize a financial liability when it has an obligation to pay cash in the future to purchase the minority's shares, even if the payment of that cash is conditional on the option being exercised by the holder.

Our Application

✓ In the event that we acquired less than 100% of the shares of acquired companies 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.



Note

The consolidated financial statements for 2Q and 3Q FY12/19 have been revised retroactively following the finalization of the provisional accounting treatment for the business combination conducted in FY12/19.

Legal Disclaimer

This material contains forward-looking statements such as earnings estimates and plans made by the Company, which are based upon the best available information as of the date of the presentation of this material. Therefore, the actual results may differ from the plan and the estimate values due to various factors in the future. Note that the contents of this material are relevant as of the date of this document (or a date specified separately therein) and are subject to change without advance notice. Also, the information described in this presentation other than corporate information of the Group has been compiled by the Company based on publicly available sources, and we have not verified and will not guarantee the accuracy or appropriateness of such information.

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