

Financial Results for the 1st Quarter of Fiscal Year Ending December 31, 2021

May 2021

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

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Our Group's Social Responsibility and Significance



Our Group's Social Responsibility and Significance

Initiatives in Social Responsibility

Due to large, worldwide changes caused by rapid globalization, significant changes have been starting to occur in what the society demands from HR service companies and their roles in society.

By redefining our management philosophy, we as the Outsourcing Group will create a framework that will allow us to contribute widely to society through our business activities.



Group Mission

Management Philosophy

Enhancing the quality of life of everyone around the world by eliminating inequalities in working condition and creating truly motivating workplaces.

We believe that every person in the world has the right to choose an occupation according to their life plan. We strive to enhance the quality of life of everyone around the world by establishing effective educational systems, developing talents who are highly demanded by the global market, and eliminating inequalities in working condition.

Sustainability Policy

The Outsourcing Group is committed to corporate activities that will create job opportunities and education opportunities for many people around the world, through which we will seek to tackle the society's challenges, develop our business, and contribute to the benefit of our stakeholders in a sustainable manner.

The OUTSOURCING Group SDGs Declaration

Our group supports the Sustainable Development Goals (SDGs) proposed by the United Nations and the SDGs Action Plan 2020 set by the Japanese government. We will contribute to the realization of a sustainable society by actively engaging in SDGs through our businesses, emphasizing ESG in business management, and conducting corporate social responsibility (CSR) activities that are rooted in the local community and country.

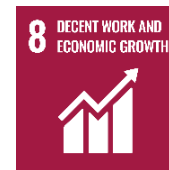
Our Group's Social Responsibility and Significance

Contribution to the SDGs

In line with the Sustainability Policy of the OUTSOURCING Group, we pledge to contribute to the realization of a sustainable society, as we set forth in the OUTSOURCING SDGs Declaration made on February 15, 2021.

Our group's management philosophy is to **enhance the quality of life of everyone around the world by eliminating inequalities in working condition and creating truly motivating workplaces.** This philosophy reflects our wish to develop globally competitive talents and eliminate inequalities in working condition through enhanced education programs, so that every person in the world can aspire toward his or her own life plan and live a rich and fulfilling life.

We are keenly aware that the essence of our business lies in solving the social issues that stand as obstacles against this philosophy. We will strive to enrich people's lives by creating **employment opportunities** and **education opportunities** for many people around the world, as well as enhancing each person's productivity through the power of technology and education. As part of this aim, we have adopted the following goals proposed by the United Nations as our priority issues and will work on contributing to the achievement of the following goals.








Our Group's Social Responsibility and Significance

Contribution to the SDGs

As concrete measures, we have identified materiality (priority issues) that we should prioritize through our business to address the issues of the SDGs, established KPIs, and are promoting efforts toward their achievement.

■ Materiality and KPIs

<p>1. Providing employment opportunities</p> <ul style="list-style-type: none"> •Non-Japanese residents contribute to solving Japan's growing labor shortage. We will provide employment support to 300,000 non-Japanese residents by 2024 and 500,000 non-Japanese residents by 2030. •Through the power of education and technology, we will successfully support the career change from labor-intensive industry worker to specialized talent of 30,000 people by 2030. 	
<p>2. Providing high-quality education</p> <ul style="list-style-type: none"> •To provide high-quality education opportunities for achieving career advancement, we will provide our global training program to a total of 300,000 users by FY2030. Through this effort, we will support employment in productive positions and contribute to increasing people's motivation at work. 	
<p>3. Respecting diversity and implementing diversity management</p> <ul style="list-style-type: none"> •As the OUTSOURCING Group, we will promote and strive toward achieving a society in which women can actively participate. We will increase the percentage of women directors (management team members) in the Group to 30% by FY2030. 	
<p>4. Making greater efforts toward the realization of a carbon-free society</p> <ul style="list-style-type: none"> •By FY2025, we will replace all vehicles used in sales activities by domestic group companies with next-generation vehicles (electric, hybrid, etc.). By 2030, 70% of the vehicles used by the entire group, including our overseas companies, will be next-generation vehicles. 	
<p>5. Raising the productivity of all industries</p> <p>By using leading-edge digital technologies and our expertise in production that we have developed through experience in various industries worldwide, we will train 100,000 people by FY2030 across the world to become specialized talents who can improve the productivity of industries. Under this scheme, we will contribute to raising the productivity of the entire world.</p>	

Our Group's Social Responsibility and Significance

Contribution to the SDGs

■ We will work on the following to address Materiality

1. Participating in initiatives

As an initiative for SDGs management, we will carefully evaluate the various organizations that support the achievement of SDGs, determine early on which organization's founding philosophy and activities match our group's views, and work toward joining the organization. After joining, we will proactively disclose and provide information pertaining to the SDGs to the organization.

2. Sharing awareness of SDGs within the OUTSOURCING Group

We will distribute the "SDGs Handbook" created by the OUTSOURCING Group to all management team members and employees of the Group as an opportunity for each member to think about how they can contribute to the SDGs as members of the society. We will also provide training to new members joining the Group so that they are provided the time to thoroughly understand the Handbook.

• In order to raise the effectiveness of these efforts, we have established a Sustainability Committee on March 25, 2021.

Chairman: Representative Director, Committee member: Executive Director and External Director,
Secretariat: One secretary general and multiple secretariat staff are selected from each department

■ Conceptual diagram of corporate governance system

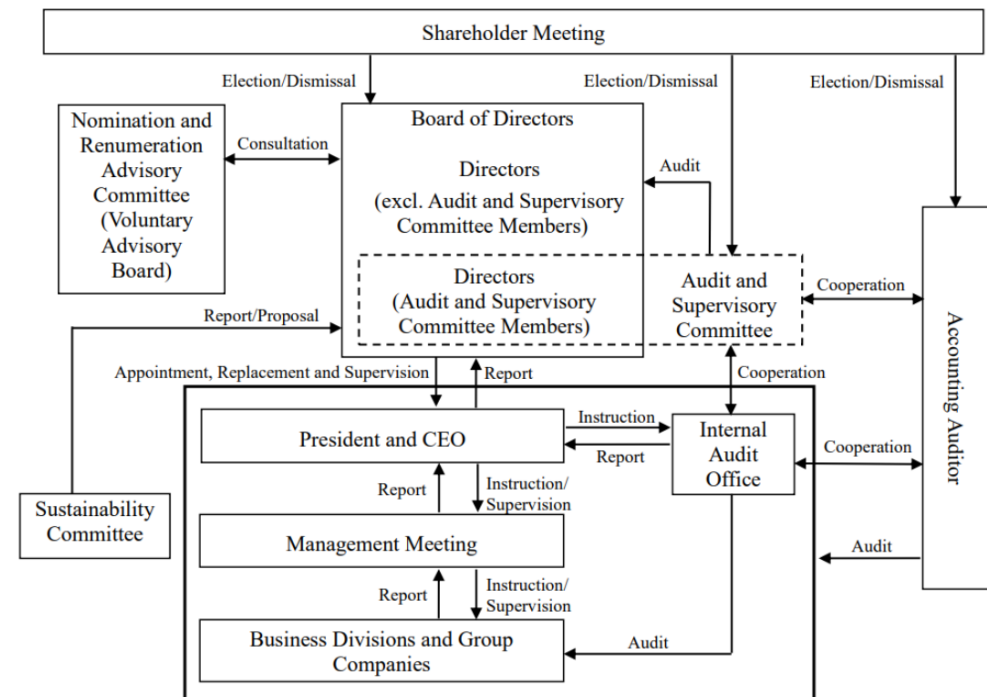
• Positioning

Established for the purpose of cross-sectional promotion of management for the Group overall from the perspective of sustainability, including efforts to achieve the goals of the SDGs and advancing the level of ESG management.

• Roles

Discuss the following matters, propose and report to the Board of Directors, monitor progress and give advice.

- * Sustainability strategy based on sustainability policy
- * Contents to be tackled as a whole company in the medium- to long- term such as sustainability materiality, KPIs, goals, etc.



Our Group's Social Responsibility and Significance

Contribution to the SDGs

- **As an initiative for SDGs management, the Company participated in GCNJ (Global Compact Network Japan) in April 2021.**

GCNJ = The organization that practices the mission / vision of the UNGC (United Nations Global Compact)

In 2021, **OUTSOURCING Inc. (hereinafter referred to as “we,” “us,” or “our”)** become a signatory to the United Nations Global Compact (UNGC) and promote adherence to the Ten Principles in 4 areas of UNGC “Human Rights, Labour, Environment, and Anti-Corruption.”

What is UNGC (United Nations Global Compact)?

An initiative to join hands between the United Nations and the private sector (companies / organizations) to build a healthy global society

An initiative to build global society in cooperation with the United Nations and Private Companies, and each company take their responsible creative leadership to participate voluntary action in order to behave as a decent citizen to achieve sustainable development.

Promote compliance with the 4 areas of UNGC “Human Rights, Labour, Environment, and Anti-Corruption.”

The Ten Principles in 4 areas of UNGC



Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.



Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.



Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and



Anti-Corruption

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

WE SUPPORT



Members (signing companies / organizations) sign **the Ten principles in 4 areas (Human Rights, Labour, Environment, and Anti-Corruption)** and declare compliance to the world.

The members who sign the UNGC agree with the Ten principles and continue to make efforts to realize them under the commitment of the top management of companies and organizations.

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)



Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Statement of Profit or Loss

(¥ billion)	FY12/20		FY12/21		YoY	
	1Q Actual Amount	1Q Actual Composition Ratio	1Q Actual Amount	1Q Actual Composition Ratio	Change Amount	Change Ratio
Revenue	89.5	100.0%	123.9	100.0%	34.4	38.4%
Cost of sales	72.4	80.9%	100.4	81.0%	28.0	38.6%
Gross profit	17.1	19.1%	23.5	19.0%	6.4	37.3%
SG&A expenses	15.5	17.3%	20.0	16.1%	4.5	28.7%
Operating profit	2.5	2.8%	5.2	4.2%	2.7	111.0%
Profit before tax	1.4	1.6%	5.5	4.4%	4.0	277.3%
Profit for the period	1.0	1.1%	3.1	2.5%	2.1	216.5%
Profit attributable to owners of the Company	0.8	0.9%	2.8	2.2%	1.9	229.1%

*Displayed in ¥billion (rounded off to the nearest ¥billion)

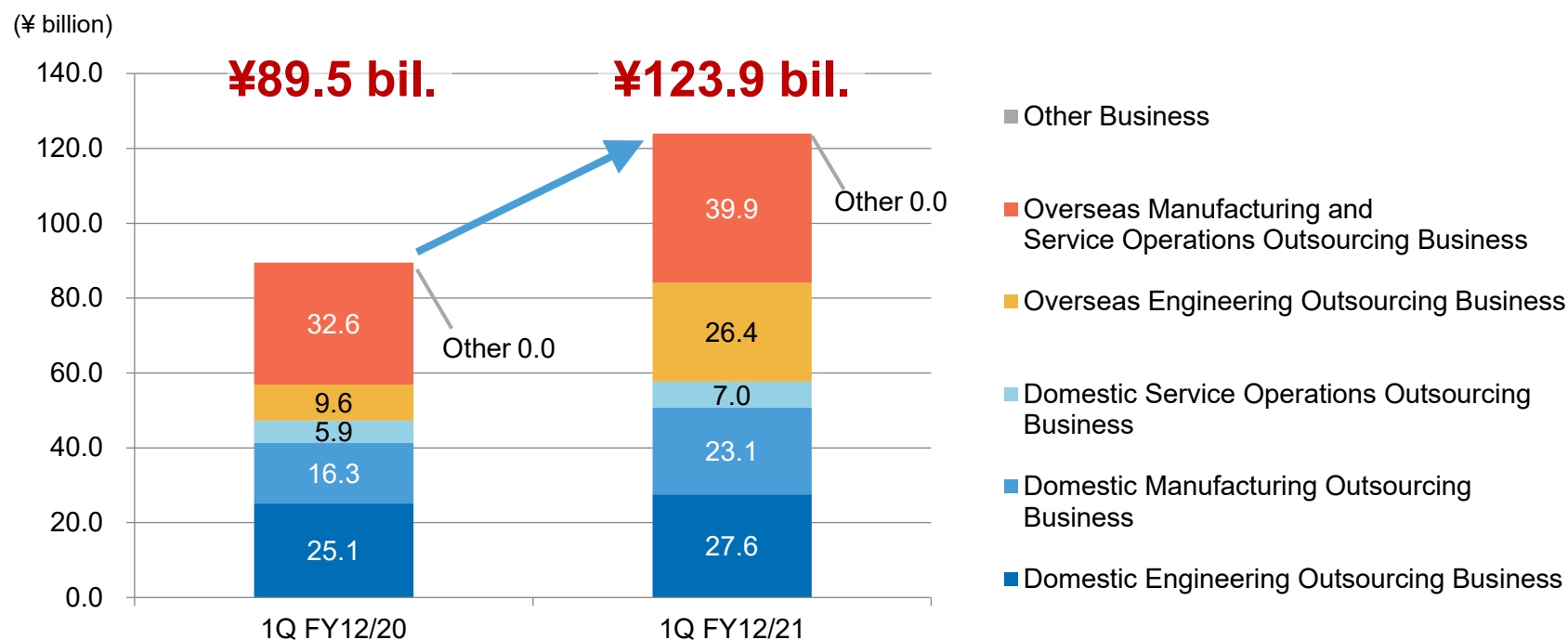
In FY12/20, we were behind the Medium-Term Management Plan due to the impact of COVID-19. However, by taking the major changes under the pandemic as a business opportunity and by improving SG&A expenses by the efficiency of remote work, it is expected that we will completely overcome it in FY12/21. We are confident that our Group has been strengthened rather than pre-COVID-19.

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Revenue

¥ 123.9 billion (+38.4% YoY)

- In domestic manufacturing dispatching business, domestic and overseas engineering dispatching business and government / public works-related business in Europe, where revenue per person is large, these businesses grew significantly because they gained a considerable advantage upon restart from the pandemic, which drove revenue growth of the entire Group to exceed initial plan and set a new quarterly record.

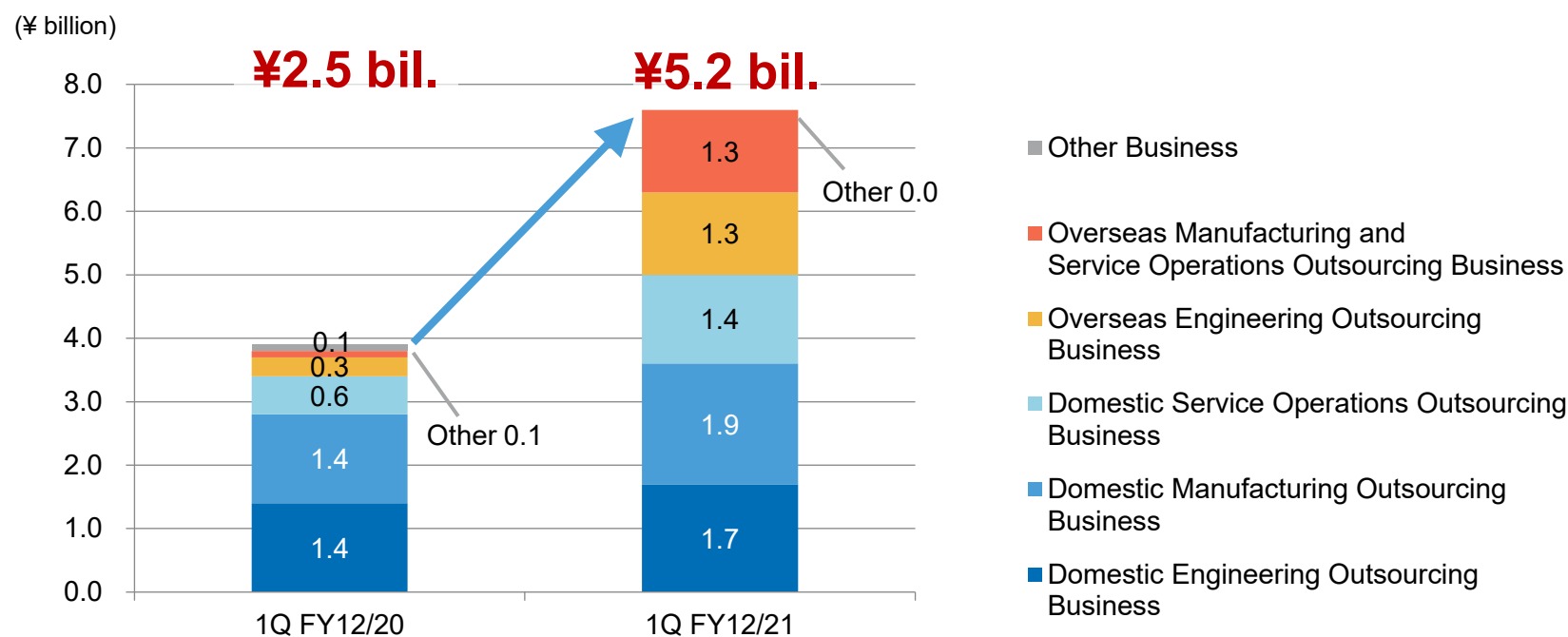


Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Operating Profit

¥ 5.2 billion (+111.0% YoY)

- In the 1Q, when the gross profit margin deteriorates due to the large number of holidays, increase in operating profit due to revenue growth, and improved operating profit margin due to each business segment securing high gross profit margin projects and decline in SG&A expenses ratio, operating profit **absorbed M&A related expense of ¥1 billion** for Ireland's CPL RESOURCES PUBLIC LIMITED COMPANY, etc., and both the amount of operating profit and operating profit margin exceeded the initial plan, setting a new record for the 1Q.



* The operating profit amount is the sum of operating profit from each business segment minus an adjustment for head office expenses (¥1.6 billion in 1Q FY12/20, ¥2.5 billion in 1Q FY12/21)

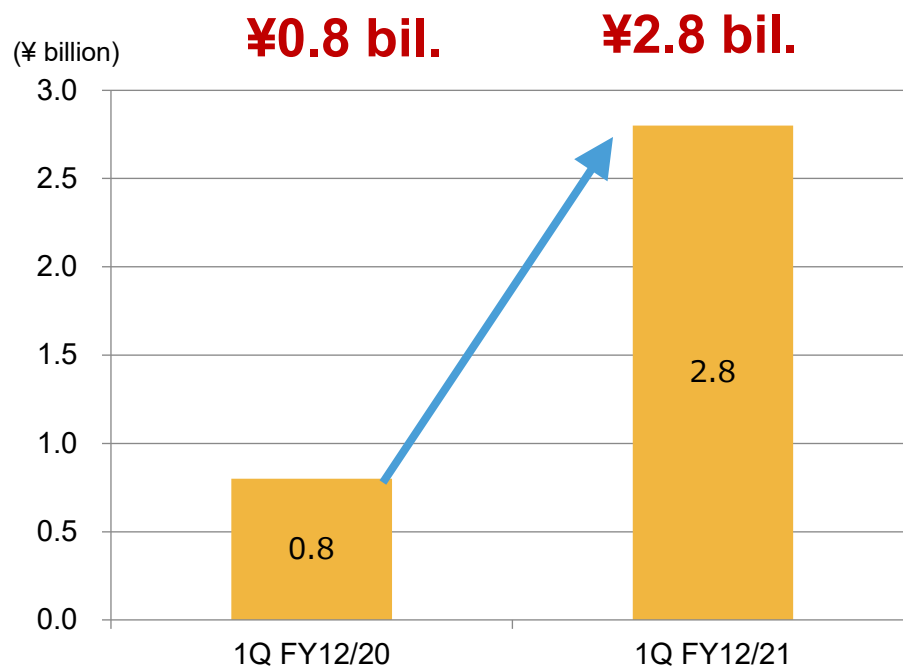
Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Profit Attributable to Owners of the Company

¥ 2.8 billion (+229.1% YoY)

- Due to the strong performance of OTTO in the Netherlands, the Company absorbed the treatment of its put option (future stock purchase price) of 840 million yen as financial expenses, and it increased by about 3.3 times YoY, setting a new record high for the 1Q.

*Put option ⇒ please refer to P.66



Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Highlights of Consolidated Financial Results

Revenue	¥27.6 billion	+9.8% YoY
Operating profit	¥1.7 billion	+18.2% YoY

Overview by Operating Segment

Domestic Engineering Outsourcing Business

No. of worksite employees at 1Q-end 18,249 (up 99)

Figure in parentheses indicates changes from the end of FY12/20

- Since establishment of the structure for dealing with COVID-19 has progressed relative to the second declaration of a state of emergency, there is no major impact, and operating rates remain at the same level as usual, and while both segment revenue and operating profit increased, operating profit in particular grew significantly due to the improved efficiency associated with operations going online, resulting in **better-than-expected performance compared with initial forecasts**.

Overview by field / area and future outlook

IT-related field

- Demand for engineers remains firm with expansion of IT demand and progress in converting to remote work, and it is expected to proceed in line with the plan due to dispatch of ICT support staff to the public sector going forward and further expansion of the scale of 5G-related businesses.

R&D-related field such as electric, electronic and transport equipment, etc.

- The gradual recovery in auto sector demand and expansion of electronic components and semiconductor sector demand is continuing, and the order environment is favorable. Cost reduction associated with switching to online training and workplace tours in compliance with the law is also contributing, and it is expected to proceed in line with the plan.

Pharmaceuticals and healthcare-related field

- Testing businesses and vaccine and therapeutic drug-related businesses are expected to remain brisk, and it is expected to trend in line with the plan, maintaining growth in both revenue and profit on increased orders.

Construction-related field

- The construction sector is recovering, and it is expected to proceed in line with the plan due to an increase in orders by strengthening the referral network of existing clients and engineers.

- 2,364 new graduates who joined the company in April are undergoing training mainly online, and the order environment is favorable, so it is expected that they will be assigned smoothly.

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Engineering Outsourcing Business

• Progress status of “Dispatch 2.0”

**All HR, robots, and software work classified as “operation”

		FY12/20 Actual	1Q FY12/21 Actual	FY12/21 Forecast	FY12/22 Plan	FY12/23 Plan	FY12/24 Plan
Dispatch 2.0	Operation	302	415	668	1,500	2,700	4,500

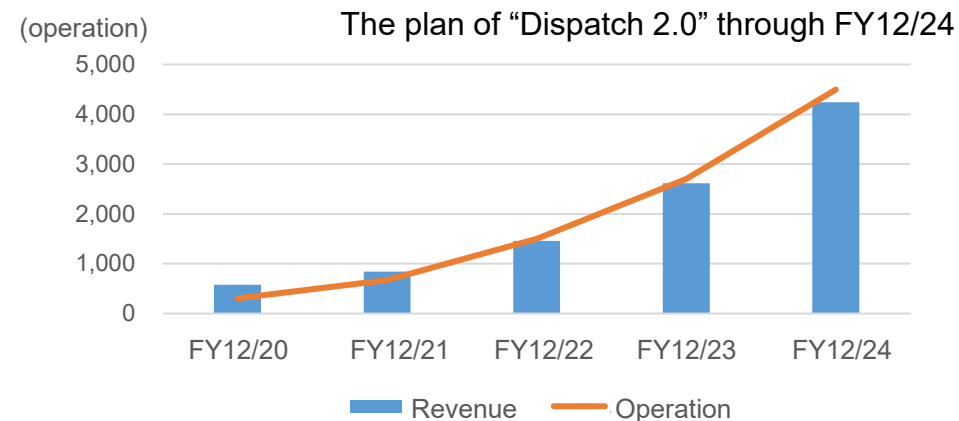
We aim to achieve **Dispatch 2.0: 668 operations** by the end of FY12/21

Business environment trend in engineer dispatch

- Many developed countries have a chronic shortage of engineers due to the declining workforce population and competition for development and introduction of new technologies.
- In order to respond to the trend toward shortened working hours, demand for raising operational efficiency and labor saving through the use of robots and AI is growing.



Dispatch 2.0 = A scheme that supplies both engineers and cutting-edge technologies such as RPA and AI that support raising operational efficiency up to operations as a set.



“Dispatch 2.0” ⇒ please refer to P.48-51

● Highlights of Consolidated Financial Results

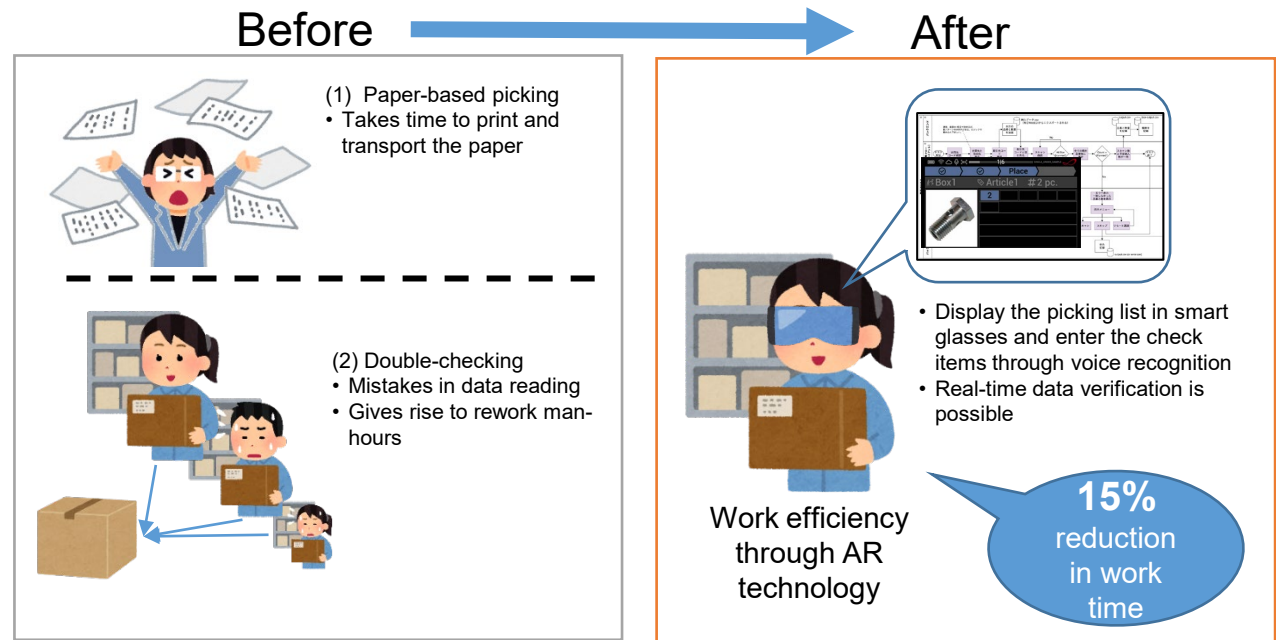
Overview by Operating Segment

Domestic Engineering Outsourcing Business

- **A case study of working together with a client company to improve operational efficiency (labor saving) through Dispatch 2.0**

▶ Appeared in The Nikkei April 26, 2021 morning edition P.5

The article image has been removed due to the expiration of the license period for article use. (May 2022)



“Dispatch 2.0,” a productivity improvement scheme that utilizes cutting-edge digital technology, has been performing well due to growing customer demand, and going forward, we will continue to expand orders by providing schemes that meet various needs

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Highlights of Consolidated Financial Results Overview by Operating Segment

Revenue	¥23.1 billion	+42.1% YoY
Operating profit	¥1.9 billion	+33.2% YoY

Domestic Manufacturing Outsourcing Business

No. of worksite employees at 1Q-end 18,614 (up 2,075)

No. of workers under outsourced administration at 1Q-end 21,942 (down 354)

No. of placed workers 360 (down 151)

Numbers of worksite employees and workers under outsourced administration are being compared with the end of FY12/20, while that of placed workers is with 1Q FY12/20

- The environment for administrative outsourcing is severe due to ongoing COVID-19 restrictions preventing technical intern trainees from entering the country; however, batch orders from differentiated proposals such as CSM for manufacturing dispatch and contract outsourcing, and incorporating those displaced by industry consolidation are trending favorably, and both segment revenue and operating profit grew significantly, **running ahead of initial forecasts**.

Overview by field / area and future outlook

Manufacturing dispatching and contracting

- The combination of the semiconductor plant fire and the Fukushima earthquake had a major impact on manufacturing activity, including a nine-day shutdown at the plant level. Revenue and operating profit were slightly behind the initial plan. However, as the number of new orders and the number of employees exceeded the plan, the number of worksite employees at the end of 1Q also exceeded the plan, and recovery production is planned in the 2H. As a result, there are no issues in achieving the initial plan.

* Please refer P.28 for some shortfalls in Domestic Manufacturing in 1Q FY12/21.

Administrative outsourcing

- Although demand for technical intern trainees is brisk mainly for food products, agriculture and construction, etc., and orders are steadily being secured, we assume that the immigration ban will start to be gradually lifted from the beginning of autumn, and while it is expected to proceed in line with the plan, a full-scale business recovery will likely be from FY12/22 onward.

“CSM (Cloud Staffing Management)” = Please refer to P.52-54 (1Q results: P.19)

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Highlights of Consolidated Financial Results

Overview by Operating Segment

Domestic Manufacturing Outsourcing Business

- Progress status of Dispatched Employee Arrangement/Management System “CSM”

*CSM eliminates various complicated tasks such as management of multiple dispatching providers and dispatch staff at manufacturers, thereby realizing expanded market share and incorporating those displaced by industry consolidation.

■ The number of manufacturers who have introduced it: 54 companies The number of users: 5,026 (as of April 16, 2021)

	Dec.-2020 Result	Jan.-2021 Result	Feb.-2021 Result	Mar.-2021 Result	Apr.-2021 Forecast	May-2021 Forecast	Jun.-2021 Forecast
Total number of users	958	1,156	1,634	1,839	3,635	4,283	5,026
Total number of users per month (net change per month)	659	198	478	205	1,796	648	743
Major car manufacturer		60	45				
IT department of a major electronics manufacturer	175	65	7	12			
Companies renting/leasing brand-name construction machines		12					
Manufacturers of major electronic devices, etc.		44		21			
Major car manufacturer	191		15	18		550	250
Major plastic product manufacturer			37	6			
Major car manufacturer			118				
Auto parts manufacturer			177				
Textile manufacturing and logistics manufacturer				105			
Electronic devices manufacturer				35			
Auto parts manufacturer					29		
Auto parts manufacturer					40		
Auto parts manufacturer					34		
Engineering and maintenance service company					66		
Food manufacturer						20	
Auto parts manufacturer						20	
Major air conditioning equipment manufacturer							56
Other firms such as major optical device manufacturers	293	17	79	8	1,627	58	437

In the 1Q, we secured a dispatch order for 800 staff from one automaker based on a CSM proposal, and it is expected to continue to perform well going forward.

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Highlights of Consolidated Financial Results

Revenue	¥7.0 billion	+17.2% YoY
Operating profit	¥1.4 billion	+115.7% YoY

Overview by Operating Segment

Domestic Service Operations Outsourcing Business

- Inbound tourism-related demand and restaurant businesses are facing a difficult business environment, but by expanding the framework for contract surety bond (performance bond) for U.S. military facilities business, profitability is improving as it has become possible to adopt a strategy of selective order acceptance of highly efficient projects. As a matter of fact, the segment revenue grew significantly, especially in operating profit, with both running **extremely favorably against initial forecasts**.

Overview by field / area and future outlook

Business for the U.S. military facilities

- There is visibility on orders for large-scale projects, a portion of which had been delayed, advancing due to deployment of the military budget on the change in U.S. administration, and it is expected to proceed in line with the plan.

Various service operations businesses

- Hotels, retail sales and restaurant-related fields, etc. will remain sluggish due to the declaration of a state of emergency and immigration restrictions for foreigners, but call centers, the e-commerce related field, and public works projects are expected to expand steadily, and overall, it is expected to proceed in line with the plan.

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Highlights of Consolidated Financial Results

Revenue	¥26.4 billion	+175.7% YoY
Operating profit	¥1.3 billion	+324.9% YoY

Overview by Operating Segment

Overseas Engineering Outsourcing Business

- In the U.K. and Ireland, earnings are expanding significantly after absorbing the impacts of lockdowns on some businesses by acquiring new projects, etc. In Oceania, the number of focus essential workers, etc. expanded steadily, and both segment revenue and operating profit increased, while operating profit in particular grew dramatically, progressing **extremely favorably against initial forecasts**.

Overview by field / area and future outlook

U.K.

- In debt collection and enforcement businesses for the central and local governments, debt collection activities have continued even after the third lockdown, and although there was some impact, they were absorbed by the acquisition of new public projects related to COVID-19, and in the wake of the announcement of the U.K. government budget (five-year expenditure plan), it is expected to proceed in line with the plan due to the increase in projects going forward.

Ireland

- Although further lockdowns will have an impact on recruiting and placing business, it is expected to proceed in line with the plan, driven by strong performance in healthcare, IT, and pharmaceuticals.

Oceania

- By focusing on essential workers in infrastructure, building construction, the government-related field, and various fields which are expected to grow post-pandemic, orders are expanding, and it is expected to proceed in line with the plan as demand for the IT-related field is also growing.
- Since the economic recovery is expected to accelerate in FY12/21 due to the government's COVID-19 containment measures, economic recovery stimulus package (support for workers and households, corporate support for maintaining employment, legal protection and financial support for business continuity), and vaccination program starting in February etc., we will unerringly capture hiring demand that will increase going forward by increasing our number of sales staff.

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Highlights of Consolidated Financial Results

Revenue	¥39.9 billion	+22.3% YoY
Operating profit	¥1.3 billion	+999.5% YoY

Overview by Operating Segment

Overseas Manufacturing and Service Operations Outsourcing Business

- The e-commerce distribution-related business mainly in the Netherlands and BPO and other businesses for local governments in the U.K. were favorable, exceeding the 1Q forecasts. In South America, various service businesses performed well. In the German manufacturing business, business performance was recovering due to new initiatives and other factors. As a matter of fact, the segment revenue grew significantly, especially in operating profit, with both running **extremely favorably against initial forecasts**.

Overview by field / area and future outlook

Germany / Manufacturing Outsourcing (Orizon)

- Despite the extension of the lockdown, needs are on a recovery trend as a whole, and there are new orders related to auto parts manufacturing in the master vendor business that we are focusing on, and it will continue to perform well going forward.

Master vendor business ⇒ A service that improves efficiency through batch outsourced contracting of logistics warehouses and call centers, etc., and managing the utilization of other dispatch agencies.

Netherlands / Service Operations Outsourcing (OTTO: e-commerce distribution-related field)

- Dispatching business for supermarkets and e-commerce distribution centers is expected to proceed in line with the plan on growth in demand boosted by the tailwind from lifestyle changes associated with COVID-19.

U.K. (Service operations for local government, etc.)

- BPO business for local governments is seeing special demand related to COVID-19 continue due to the extension of various subsidy programs, exceeding the plan in the 1Q, and it is expected to remain favorable with determination of the government budget. In addition, the recruiting and placing business is gradually recovering, and dispatch and consulting services for the central government are expected to be strong, so it is expected to proceed in line with the plan.

Asia

- Although the staff sending business is greatly affected by immigration restrictions, the Manufacturing Outsourcing Business is recovering from the impact of COVID-19, trending steadily, and Asia overall is expected to proceed in line with the plan.

South America

- Brazil revenue is expected to increase by more than 50% YoY due to winning cleaning services for major retail chains, and in Chile, growing demand for e-commerce is boosting demand for dispatch service for logistics operators, as well as demand for security and cleaning services for major retail chains and the food products industry, and South America overall is expected to proceed in line with the plan.

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

● Consolidated Financial Results (Quarterly Trends)

(¥ billion)	FY12/20					FY12/21
	1Q	2Q	Actual 3Q	4Q	Full-Year	Actual 1Q
Revenue	89.5	83.1	90.0	104.1	366.7	123.9
Gross profit	17.1	14.0	18.7	21.4	71.1	23.5
Gross profit margin	19.1%	16.8%	20.7%	20.5%	19.4%	19.0%
SG&A expenses	15.5	14.0	14.8	16.6	60.9	20.0
SG&A expenses ratio	17.3%	16.9%	16.4%	15.9%	16.6%	16.1%
Other operating income ^{*1}	1.1	1.2	1.3	1.7	5.2	1.8
Other operating expense	0.2	0.4	0.2	0.4	1.2	0.1
Operating profit	2.5	0.8	5.0	6.1	14.3	5.2
Operating profit margin	2.8%	0.9%	5.6%	5.8%	3.9%	4.2%
Profit before tax	1.4	0.5	3.7	3.5	9.1	5.5
Profit before tax margin	1.6%	0.7%	4.1%	3.3%	2.5%	4.4%
Profit attributable to owners of the Company	0.8	(0.2)	2.1	0.6	3.3	2.8
Profit attributable to owners of the Company margin	0.9%	-0.3%	2.4%	0.5%	0.9%	2.2%

QoQ/YoY Changes	FY12/20					FY12/21
	1Q	2Q	Actual 3Q	4Q	Full-Year	Actual 1Q
Revenue	-4.5%	-7.2%	8.3%	15.8%	1.5%	19.0%
Gross profit	-14.1%	-18.2%	33.4%	14.5%	0.5%	9.9%
SG&A expenses	3.7%	-9.8%	5.6%	12.0%	3.4%	20.6%
Operating profit	-53.8%	-68.1%	539.2%	20.4%	-6.5%	-14.0%
Profit before tax	-77.4%	-62.2%	573.5%	-6.2%	-31.4%	58.0%
Profit attributable to owners of the Company	-82.9%	-125.8%	-	-73.3%	-59.6%	385.9%

*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 Displayed in ¥billion (rounded off to the nearest ¥billion)

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

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

(¥ billion)		FY12/20 Actual					FY12/21 Actual
		1Q	2Q	3Q	4Q	Full-Year	1Q
Domestic Engineering Outsourcing Business	Revenue	25.1	25.3	25.6	27.8	103.8	27.6
	Operating profit	1.4	1.3	2.9	2.9	8.5	1.7
	No. of worksite employees at term-end	16,048	17,827	18,006	18,150	18,150	18,249
Domestic Manufacturing Outsourcing Business	Revenue	16.3	14.1	14.6	19.7	64.7	23.1
	Operating profit	1.5	1.1	1.2	2.2	6.0	1.9
	No. of worksite employees at term-end	12,909	12,426	12,264	16,539	16,539	18,614
	No. of workers under outsourced administration at term-end	20,007	20,102	21,124	22,296	22,296	21,942
	No. of placed workers	511	191	185	321	1,208	360
Domestic Service Operations Outsourcing Business	Revenue	5.9	5.9	6.1	6.8	24.8	7.0
	Operating profit	0.6	0.6	0.7	0.9	2.9	1.4
	No. of worksite employees at term-end	2,301	1,975	1,856	2,606	2,606	2,444
Overseas Engineering Outsourcing Business	Revenue	9.6	8.7	10.2	11.0	39.5	26.4
	Operating profit	0.3	(0.2)	0.3	0.6	1.0	1.3
	No. of worksite employees at term-end	3,307	3,176	3,040	2,729	2,729	13,393
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	32.6	29.0	33.4	38.7	133.8	39.9
	Operating profit	0.1	(0.4)	1.5	1.6	2.8	1.3
	No. of worksite employees at term-end	41,683	38,136	43,719	46,331	46,331	48,383
Other Business	Revenue	0.0	0.0	0.0	0.0	0.1	0.0
	Operating profit	0.1	0.0	0.1	0.0	0.2	(0.0)
Adjustments	Operating profit	(1.6)	(1.6)	(1.7)	(2.1)	(7.0)	(2.5)
Total	Revenue	89.5	83.1	90.0	104.1	366.7	123.9
	Operating profit	2.5	0.8	5.0	6.1	14.3	5.2

Revenue by Region (¥ billion)		FY12/20 Actual					FY12/21 Actual
		1Q	2Q	3Q	4Q	Full-Year	1Q
Japan		47.4	45.4	46.4	54.4	193.4	57.7
Asia (excl. Japan)		2.9	2.0	2.2	2.8	9.8	2.8
Oceania		10.5	10.7	12.0	11.7	45.0	12.2
Europe		26.7	23.5	27.4	32.9	110.4	48.6
South America		2.1	1.6	2.0	2.4	8.1	2.6
Total		89.5	83.1	90.0	104.1	366.7	123.9

*1: Displayed in ¥billion
(rounded off to the nearest ¥billion)

*2: Inter-segment transactions in
revenue are eliminated

*3: Actual forex rates used in 1Q FY12/21 results
(average rates for Jan.-Mar. 2021)

- EUR 127.81
- GBP 146.33
- AUD 81.95
- USD 106.09

Consolidated Financial Results Summary for 1Q FY12/21 (IFRS)

Consolidated Statement of Financial Position

¥ billion)	FY12/20-End		1Q-End FY12/21		YoY Change
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	160.8	53.1%	154.8	46.5%	(6.0)
Cash and cash equivalents	81.7	27.0%	45.9	13.8%	(35.9)
Trade and other receivables	56.2	18.6%	83.2	25.0%	27.0
Inventories	1.8	0.6%	1.8	0.5%	0.0
Non-current assets	142.1	46.9%	178.1	53.5%	36.0
Property, plant and equipment	10.8	3.6%	12.2	3.7%	1.4
Right-of-use assets	17.5	5.8%	18.2	5.5%	0.7
Goodwill	63.4	20.9%	98.1	29.5%	34.7
Intangible assets	20.7	6.8%	21.3	6.4%	0.6
Other financial assets	18.8	6.2%	19.8	5.9%	1.0
Total assets	302.9	100.0%	332.9	100.0%	30.0
Current liabilities	151.9	50.2%	166.8	50.1%	14.9
Trade and other payables	41.3	13.6%	53.7	16.1%	12.3
Bonds and borrowings	68.1	22.5%	68.0	20.4%	(0.1)
Lease Liabilities	16.8	5.5%	17.4	5.2%	0.6
Income taxes payable	4.4	1.4%	3.2	0.9%	(1.2)
Non-current liabilities	82.7	27.3%	91.7	27.6%	9.0
Bonds and borrowings	43.2	14.3%	52.5	15.8%	9.3
Lease Liabilities	20.6	6.8%	21.9	6.6%	1.3
Other financial liabilities	5.5	1.8%	5.0	1.5%	(0.6)
Total liabilities	234.7	77.5%	258.5	77.7%	23.9
Share capital	25.2	8.3%	25.2	7.6%	—
Capital surplus	26.6	8.8%	26.6	8.0%	—
Treasury shares	(0.0)	0.0%	(0.0)	0.0%	—
Other share premium	(13.5)	-4.4%	(12.9)	-3.9%	0.5
Retained earnings	25.8	8.5%	27.6	8.3%	1.8
Equity attributable to owners of the Company	63.0	20.8%	69.3	20.8%	6.3
Non-controlling interests	5.2	1.7%	5.0	1.5%	(0.2)
Equity	68.2	22.5%	74.4	22.3%	6.2
Total liabilities and equity	302.9	100.0%	332.9	100.0%	30.0

*Displayed in ¥billion (rounded off to the nearest ¥billion)

Cash and cash equivalents:

Decreased for funds to acquire the shares of Ireland's CPL

Trade and other receivables:

Increased due to the growing numbers of group companies and expansion of business scale

Goodwill:

Increased for funds to acquire the shares of Ireland's CPL, etc

Trade and other payables:

Increased due to the growing numbers of group companies and expansion of business scale

Equity attributable to owners of the Company:

Reflects profit attributable to owners of the Company, financial year end dividend payment, and the effect of foreign exchange rate changes

Consolidated Financial Forecasts for FY12/21 (IFRS)



Consolidated Financial Forecasts for FY12/21 (IFRS)

● Consolidated Financial Forecasts

■ Management indicators targeted as of the end of FY12/21
ROE : 18.6% Equity ratio : 22.8%

(¥ billion)	FY12/20 Actual				FY12/21 Forecast				YoY Change	
	1H	2H	Full-Year		1H	2H	Full-Year		Amount	Ratio
	Amount	Amount	Amount	Composition Ratio	Amount	Amount	Amount	Composition Ratio		
Revenue	172.6	194.1	366.7	100.0%	240.0	288.0	528.0	100.0%	161.3	44.0%
Cost of sales	141.5	154.1	295.6	80.6%	-	-	-	-	-	-
Gross profit	31.1	40.0	71.1	19.4%	-	-	-	-	-	-
SG&A expenses	29.5	31.3	60.9	16.6%	-	-	-	-	-	-
Operating profit	3.3	11.1	14.3	3.9%	7.9	17.2	25.1	4.8%	10.8	75.1%
Finance income	0.6	0.3	0.9	0.2%	-	-	-	-	-	-
Finance costs	1.9	4.3	6.1	1.7%	-	-	-	-	-	-
Profit before tax	2.0	7.1	9.1	2.5%	7.0	14.5	21.4	4.1%	12.3	134.1%
Profit for the period	0.8	3.3	4.1	1.1%	4.2	10.0	14.2	2.7%	10.1	247.4%
Profit attributable to owners of the Company	0.6	2.7	3.3	0.9%	3.5	9.3	12.8	2.4%	9.5	285.0%

*1: Displayed in ¥billion (rounded off to the nearest ¥billion)

*2: Forex rate for full-year consolidated financial forecast
 • EUR 117.38
 • GBP 133.98
 • AUD 67.83
 • USD 107.96

Consolidated Financial Forecasts for FY12/21 (IFRS)

● Financial Forecasts by Operating Segment (Annual, Semi-Annual and Quarterly Trends)

*Please refer to P.18 for some shortfalls in Domestic Manufacturing in 1Q FY12/21.

(¥ billion)		FY12/20					FY12/21					
		Actual					Forecast	Actual	Forecast	Forecast	Forecast	Forecast
		1Q	2Q	3Q	4Q	Full-Year	1Q	1Q	2Q	3Q	4Q	Full-Year
Domestic Engineering Outsourcing Business	Revenue	25.1	25.3	25.6	27.8	103.8	27.8	27.6	31.8	33.9	37.0	130.5
	Operating profit	1.4	1.3	2.9	2.9	8.5	1.6	1.7	1.5	3.1	3.4	9.5
	No. of worksite employees at term-end	16,048	17,827	18,006	18,150	18,150	18,200	18,249	20,700	21,000	21,300	21,300
Domestic Manufacturing Outsourcing Business	Revenue	16.3	14.1	14.6	19.7	64.7	23.2	23.1	25.1	27.3	30.0	105.6
	Operating profit	1.5	1.1	1.2	2.2	6.0	2.1	1.9	2.4	2.4	3.0	9.8
	No. of worksite employees at term-end	12,909	12,426	12,264	16,539	16,539	18,500	18,614	19,600	20,500	21,500	21,500
	No. of workers under outsourced administration at term-end	20,007	20,102	21,124	22,296	22,296	22,000	21,942	24,000	26,000	28,000	28,000
	No. of placed workers	511	191	185	321	1,208	397	360	506	659	645	2,207
Domestic Service Operations Outsourcing Business	Revenue	5.9	5.9	6.1	6.8	24.8	7.1	7.0	7.8	8.0	8.2	31.0
	Operating profit	0.6	0.6	0.7	0.9	2.9	0.7	1.4	0.7	0.9	0.9	3.1
	No. of worksite employees at term-end	2,301	1,975	1,856	2,606	2,606	2,623	2,444	3,268	3,635	3,970	3,970
Overseas Engineering Outsourcing Business	Revenue	9.6	8.7	10.2	11.0	39.5	21.0	26.4	27.7	31.1	30.9	110.7
	Operating profit	0.3	(0.2)	0.3	0.6	1.0	1.0	1.3	1.4	1.7	1.6	5.6
	No. of worksite employees at term-end	3,307	3,176	3,040	2,729	2,729	10,709	13,393	10,899	12,135	12,088	12,088
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	32.6	29.0	33.4	38.7	133.8	32.9	39.9	35.6	39.8	41.8	150.0
	Operating profit	0.1	(0.4)	1.5	1.6	2.8	0.6	1.3	1.3	2.4	2.3	6.5
	No. of worksite employees at term-end	41,683	38,136	43,719	46,331	46,331	47,415	48,383	48,864	55,364	57,024	57,024
Other Business	Revenue	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.2
	Operating profit	0.1	0.0	0.1	0.0	0.2	0.1	(0.0)	0.1	0.1	0.1	0.2
Adjustments	Operating profit	(1.6)	(1.6)	(1.7)	(2.1)	(7.0)	(2.8)	(2.5)	(2.4)	(2.2)	(2.2)	(9.6)
Total	Revenue	89.5	83.1	90.0	104.1	366.7	112.0	123.9	128.0	140.1	148.0	528.0
	Operating profit	2.5	0.8	5.0	6.1	14.3	3.1	5.2	4.9	8.2	9.0	25.1

*1: Displayed in ¥billion (rounded off to the nearest ¥billion)

*2: Inter-segment transactions in revenue are eliminated

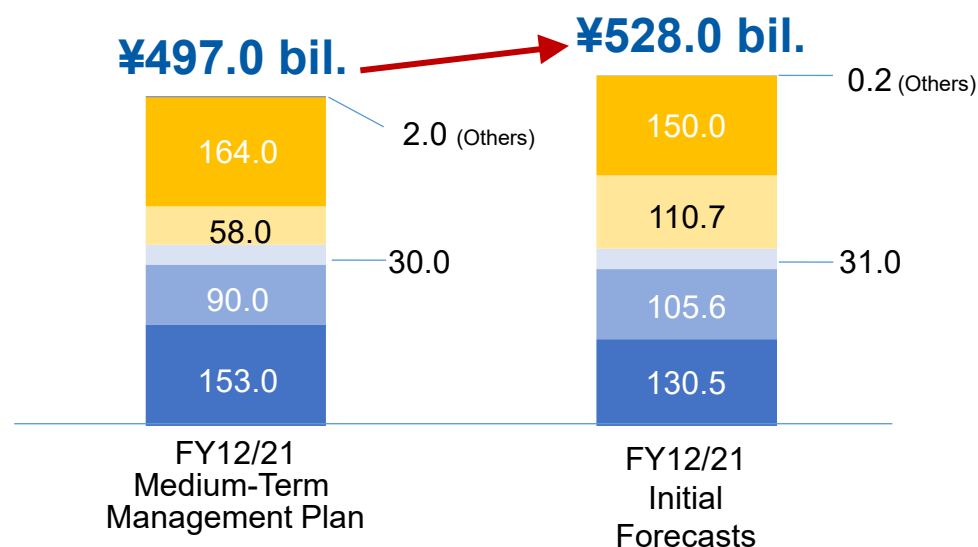
Consolidated Financial Forecasts for FY12/21 (IFRS)

● Comparison between the FY12/21 Initial Forecasts and the Medium-Term Management Plan

- Due to the impact of COVID-19, both FY12/20 revenue and operating profit fell behind the targets in the Medium-Term Management Plan. However, we will surpass them in FY12/21 and achieve the five-year Medium-Term Management Plan until FY12/24.

Revenue

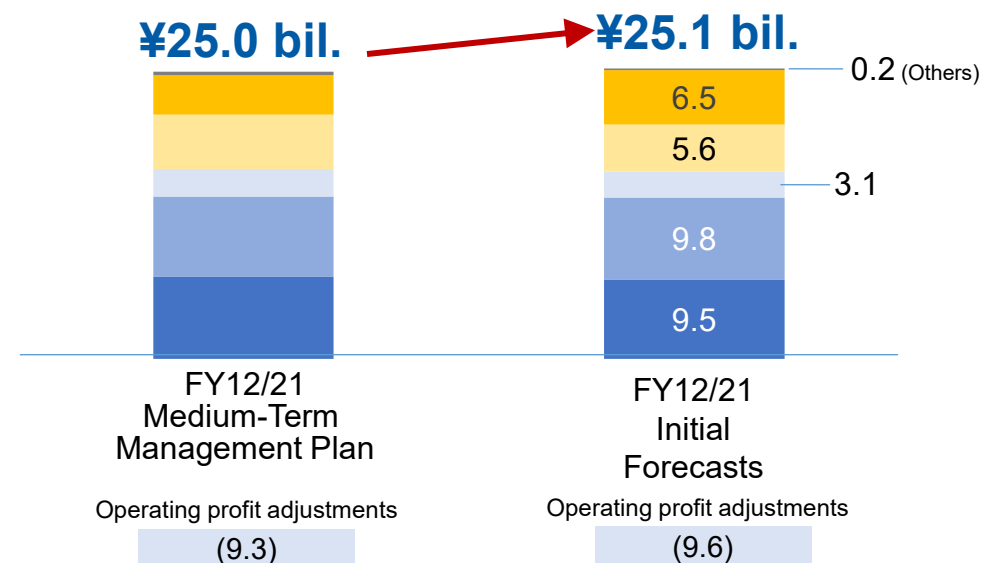
(¥ billion)



Operating Profit

(¥ billion)

*The operating profit amount is the sum of each segment profits minus the adjustment for head office expenses



Status of Group Companies Whose Goodwill is Recorded on OS Account



- **Virtually almost all of the goodwill was generated by M&A to acquire the management resources necessary for global expansion**

Importance of global expansion in the HR service business

Our Group operates HR service businesses.

We are engaged in what we call a “stock business” which accompanies hiring and achieves growth by dispatching more workers. Since the Japanese population is rapidly decreasing, **the prospect for long-term growth in the Japanese market alone is gloomy.**

In contrast, the global population **now at 7.7 billion is projected to increase to 10 billion.** **Our Group views this population increase as a growth opportunity. We have proactively pushed into markets overseas through M&A, recording a significant amount of goodwill in the process. However, in exchange, we will achieve overwhelming growth compared to our competitors.**

Our Group's global strategy and policy

1. Since we see the increasing global population as a growth opportunity, our Group aims to **provide HR services to** industries capable of sustainable growth in countries that are open to immigrants, or in other words, **industries with demand for human resources.**
2. **In order to level business performance, which is a prerequisite of achieving sustainable growth, our Group is striving to create a global platform. This will enable us to expand our HR service business globally by entering fields with different business cycles or fields relatively insusceptible to economic fluctuations.**
3. **We will not jump into a business that falls outside the realm of the management expertise our Group has built up over the years.**



Our Group's global business is an HR service business developed and refined in Japan and, as such, our Group portfolio is not comprised of industries to which we provide services.

Status of Group Companies Whose Goodwill is Recorded on OS Account

Goodwill by Country

Of the total goodwill of ¥98.1 billion, overseas consolidated Group companies amounts to ¥73.5 billion.

(Unit: ¥ hundred million)

Country name	Goodwill amount (as of the end of 4Q FY12/20)					Total Amount by Country
	Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business	
Japan Total	68	126	51	—	—	245
U.K. Total	—	—	—	77	142	219
Germany	—	—	—	—	73	73
Netherlands	—	—	—	—	51	51
Ireland	—	—	—	266	—	266
EU Total	—	—	—	266	124	390
Australia	—	—	—	93	6	99
New Zealand	—	—	—	—	2	2
Oceania Total	—	—	—	93	8	101
Thailand	—	—	—	—	1	1
Vietnam	—	—	—	—	0	0
India	—	—	—	—	1	1
Malaysia	—	—	—	—	10	10
Asia (excluding Japan) Total	—	—	—	—	12	12
Chile	—	—	—	—	6	6
Brazil	—	—	—	—	0	0
South America Total	—	—	—	—	6	6
Others	—	—	—	—	7	7
Total	68	126	51	436	299	981

*Although Hoban in Australia falls under Overseas Manufacturing and Service Operations Business, since it is recognized as part of the goodwill group of Outsourcing Oceania (Clicks, Index, Hoban, Outsourcing Oceania) and cannot be separated independently, Hoban has been tentatively included in Overseas Engineering Outsourcing Business.

Status of Group Companies Whose Goodwill is Recorded on OS Account: Japan

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

Total goodwill in Japan **¥24.5 billion**

*Total of 37 companies including the following 5 companies

Goodwill impairment risk evaluation from looking at future forecasts

- : Extremely low risk
- △ : While not zero, risk remains stable and limited
- × : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Domestic Manufacturing	AVANCE Group	36	Human Resources business for Japanese descent for the manufacturing sector
	Status	Amidst immigration restrictions, the hiring of persons of Japanese descent holding visas which permit entry and persons of Japanese descent residing in Japan is steadily increasing, and since demand mainly for major clients in the electronic components-related field is expected to post firm growth, the risk of impairment is extremely low.	
Domestic Service Operations	EcoCity Group	16	Outsourced contracting business from local governments
	Status	Mainly water meter reading work and call center outsourced contracting business from local governments, a steady trend is expected despite the pandemic, and the risk of impairment is extremely low.	

The amount of goodwill for AVANCE Group and EcoCity Group is a provisionally calculated amount because it takes time to figure out client-related assets, etc. and the allocation of acquisition costs has not been completed.

Status of Group Companies Whose Goodwill is Recorded on OS Account: Japan

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

Goodwill impairment risk evaluation from looking at future forecasts

- : Extremely low risk
- △ : While not zero, risk remains stable and limited
- × : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Domestic Manufacturing	S.S.Sangyo Co.Ltd.	16	Human Resources business for the manufacturing sector
	Status	While there was impact on the airport-related business due to the pandemic, major clients in the transport equipment-related field and the electronic components-related field are not experiencing a major impact, and a steady earnings trend is expected, where the risk of impairment is extremely low.	

The amount of goodwill for S.S.Sangyo is a provisionally calculated amount because it takes time to figure out client-related assets, etc. and the allocation of acquisition costs has not been completed.

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Domestic Service Operations	AMERICAN ENGINEETING CORPORATION	30	Service operation business for the U.S. military facilities
	Status	Since it is construction and maintenance work for building structures and equipment of US military facilities, it is posting stable growth unaffected by the economy, and the risk of impairment is extremely low.	

Status of Group Companies Whose Goodwill is Recorded on OS Account: Japan

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

Goodwill impairment risk evaluation from looking at future forecasts

- : Extremely low risk
- △ : While not zero, risk remains stable and limited
- × : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Domestic Manufacturing	PEO Construction Machinery Operators Training Center Co., Ltd.	16	Technical training business for construction machinery, etc.
	<p>No. of students</p> <p>2020/1Q 2020/2Q 2020/3Q 2020/4Q 2021/1Q 2021/2Q 2021/3Q 2021/4Q</p>		
	Status	Although urban driving schools are partially affected by the pandemic, overall demand remains high and the risk of impairment is extremely low.	

The amount of goodwill for PEO Construction Machinery Operators Training Center is a provisionally calculated amount because it takes time to figure out client-related assets, etc. and the allocation of acquisition costs has not been completed.

Status of Group Companies Whose Goodwill is Recorded on OS Account: U.K.

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

Total goodwill
in U.K.

¥21.9 billion

*Total of 11 companies including
the following 4 companies

Goodwill impairment risk evaluation from looking at
future forecasts

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Engineering	CDER (former J.B.W.)	74	Public debt collection business
	<p>No. of claims</p> <p>2020/1Q 2020/2Q 2020/3Q 2020/4Q 2021/1Q 2021/2Q 2021/3Q 2021/4Q</p> <p>No impairment loss</p>		
	Status	Lockdowns in the U.K. where vaccinations are progressing are being steadily relaxed, and the debt collection business is steadily continuing, so the risk of impairment is extremely low.	
Overseas Manufacturing and Service Operations	ALLEN LANE	26	Human Resources services for public sector
	<p>No. of operating workers</p> <p>2020/1Q 2020/2Q 2020/3Q 2020/4Q 2021/1Q 2021/2Q 2021/3Q 2021/4Q</p> <p>No impairment loss</p>		
	Status	The Dispatching business mainly for the central government is driving a strong recovery. While the recruiting and placing business will take time to recover, because the growing dispatching business can offset this, the risk of impairment is extremely low.	

Status of Group Companies Whose Goodwill is Recorded on OS Account: U.K.

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

Goodwill impairment risk evaluation from looking at future forecasts

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	LIBERATA	51	Various contracting business for central government
	Status	<p>Since the BPO business for the government is mainly on medium- to long-term contracts, a stable trend is expected to continue going forward, and with the extension and expansion of the U.K. subsidy program, the number of subsidy-related services consigned will increase from the initial plan, and the risk of impairment is extremely low.</p>	

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	VERACITY	58	Financial and business consultancy services
	Status	<p>For the consulting business for the government, all existing contracts are continuing to be handled remotely, and the budgets of each ministry and agency have been fixed by the announcement of the U.K. government's five-year expenditure plan, and since COVID-19-related and Brexit-related projects are expected to increase, the risk of impairment is extremely low.</p>	

Status of Group Companies Whose Goodwill is Recorded on OS Account: EU

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

**Total Goodwill
in EU**

¥39.0 billion

*Total of 3 companies listed below

Goodwill impairment risk evaluation from looking at future forecasts

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	Orizon	73	Human Resources services for manufacturing sector (for machinery, transport equipment, medical-related and other fields)
	Status	While lockdowns have been extended, the gradual economic recovery trend mainly in the manufacturing sector continues, and both revenue and profits are trending virtually in line with budget, and in addition, focus on new businesses are also trending favorably due to orders secured in the 1Q, so the risk of impairment is extremely low.	

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	OTTO	51	E-commerce distribution-related services
	Status	Since the e-commerce-related service business is expected to continue a favorable earnings trend, the risk of impairment is extremely low.	

Status of Group Companies Whose Goodwill is Recorded on OS Account: EU

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

Goodwill impairment risk evaluation from looking at future forecasts

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Engineering	CPL RESOURCES	266	Engineer Human Resources business for the IT, pharmaceuticals, life sciences and healthcare sectors
	Status	Although the impact of COVID-19 remains for the recruiting and placing business, the dispatching business is favorable, and going forward, further growth in the dispatching business is expected from strengthening the healthcare sector etc., so the risk of impairment is extremely low.	

The amount of goodwill for CPL is a provisionally calculated amount because it takes time to figure out client-related assets, etc. and the allocation of acquisition costs has not been completed.

*CPL RESOURCES = Head office: Ireland ⇒ Please refer to P.60

Status of Group Companies Whose Goodwill is Recorded on OS Account: Oceania

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

**Total Goodwill
in Oceania**

¥10.1 billion

*Total of 9 companies including
the following 3 companies

Goodwill impairment risk evaluation from looking at
future forecasts

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Engineering	BLUEFIN	14	Human resources services for IT and financial fields
	Status	While actively expanding into the fields of government-related, IT, finance and marketing, SG&A expenses are maintaining the appropriate level, and since it is expected to trend in line with the plan for the full-year, the risk of impairment is extremely low.	

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Engineering	PM-P	24	Consultancy for improving business processes, corporate training services
	Status	The Training business is expected to see demand recover from continuing the switch to online in response to COVID-19 and resuming offline training from the 2Q onward; however, it is still in the process of recovering from the decline through 3Q FY12/20, and since the risk of impairment has not been eliminated, 2Q-4Q are designated as △.	

Status of Group Companies Whose Goodwill is Recorded on OS Account: Oceania

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

Goodwill impairment risk evaluation from looking at future forecasts

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Engineering	OUTSOURCING OCEANIA	36	Human resources services for IT-, Infrastructure- and public-related fields
	<p>No. of operating workers</p> <p>2020/1Q 2020/2Q 2020/3Q 2020/4Q 2021/1Q 2021/2Q 2021/3Q 2021/4Q</p>		
	Status	Along with the economic recovery following various COVID-19 measures by the Australian government, growth is expected from focusing on the IT-related field and essential workers etc., so the risk of impairment is extremely low.	

Status of Group Companies Whose Goodwill is Recorded on OS Account: Asia

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

**Total Goodwill
in Asia**

¥1.2 billion

*Total of 6 companies

Goodwill impairment risk evaluation from looking at future forecasts

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	Asia (six-company total)	11	Human resources services for manufacturing sector, payroll service
	Status	Although the staff sending business was impacted by travel restrictions, the domestic business in each country overall is trending steadily, and since earning expansion is expected with payroll business in Asia where market growth is also expected going forward, the risk of impairment is extremely low.	

Status of Group Companies Whose Goodwill is Recorded on OS Account: South America

(Risk of impairment for FY12/21)

(Individual company explanations are for those with more than ¥1 billion in goodwill)

Total Goodwill in South America **¥0.6 billion**

*Total of 4 companies

Goodwill impairment risk evaluation from looking at future forecasts

- : Extremely low risk
- △ : While not zero, risk remains stable and limited
- × : High risk

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	South America (four-company total)	6	Airport and commercial facility maintenance and cleaning services, human resources services for distribution/service industry
Status	<p>In countries in South America, earnings turned around due to focus on expanding distribution in the e-commerce-related field and medical care facilities-related business, and security and cleaning services for major retail chains, and since they are expected to continue to grow steadily going forward, the risk of impairment is extremely low.</p>		

Reference Materials



Reference Materials

● Industry Environment of Domestic Engineering Outsourcing Business

Environment

- Demand for IT engineers, etc. continues to expand to respond to technological innovation and to apply those new technologies in society
- Demands for the adoption of AI and RPA that originated from the office work at various companies facing the shortage of qualified labor have spread to other fields including engineering and logistics. Such demands continue to expand, as companies are taking control measures against COVID-19 and other infectious diseases.
- COVID-19 countermeasures are permeating all companies, and demand for engineers and the shift to RPA going forward are expected to trend robustly for both manufacturers' R&D fields and non-manufacturing companies.
- HR service providers specializing in manufacturing R&D and smaller providers without financial reserves are being shaken out of the industry

Our Response

- The KEN School scheme trains and places engineers in high-demand fields
- We accelerate and further hone our Dispatch 2.0 strategy to capture demands for digital transformation (DX) across the industries
- While advancing into various industries and segments, we work on creating a framework that maintains the level of utilization rate, by leveraging the KEN School's online training programs and promoting incorporation of other HR service providers who failed to survive the industry shakeout

Reference Materials

- **Business Scheme of Domestic Engineering Outsourcing Business**

- The KEN School scheme is responding to the shortage of engineers due to depopulation, the issue arising from demographic factors

Technological innovation continues every day in various industrial fields, and amidst the chronic shortage of engineers due to the declining population, we maintain growth by securing engineers 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. Upon being assigned, they are given opportunities to realize career changes and career improvements according to the environment and the wishes of the individual.

Today's younger generation tends to be less willing to make various sacrifices to become employed at a well-known company. They are shifting towards a preference for companies where they can pursue their calling in life rather than aim for a high name value.

- **Expand recruitment utilizing our advantage of schemes established through KEN School**

Reference Materials

- Business Scheme of Domestic Engineering Outsourcing Business

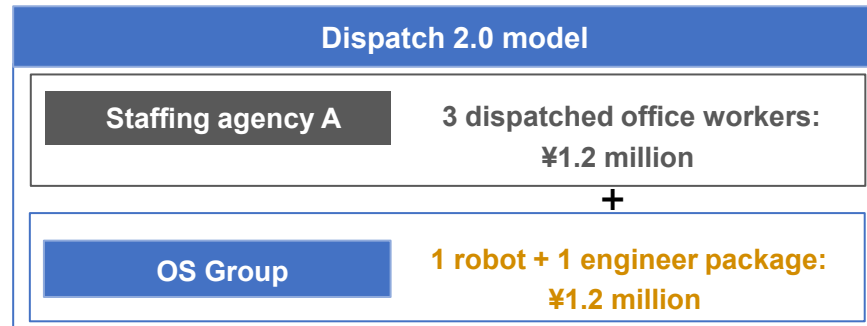
- Increase operating efficiency and save manpower through “Dispatch 2.0,” a business model which combines engineers and technology

Shift from the current engineer dispatching market to an overwhelming large market with a higher unit price

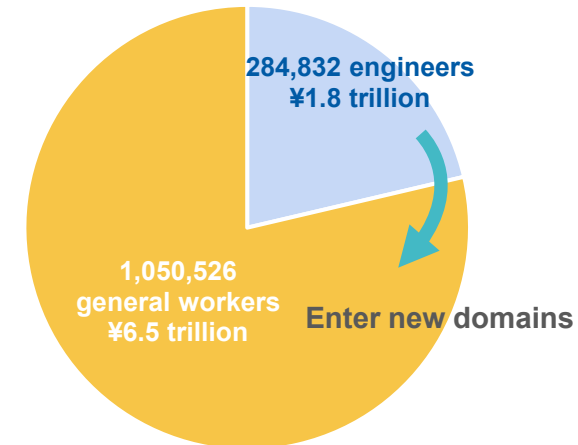
We provide the engineers and advanced technologies such as RPA and AI as a package to support the improvement of efficiency, including actual operations



Promote “Dispatch 2.0” model



Source : Ministry of Health, Labor and Welfare
Calculated from the “Status of Worker Dispatch Business as of June 1, 2018”



Reference Materials

● Business Scheme of Domestic Engineering Outsourcing Business

- Increase operating efficiency and save manpower through “**Dispatch 2.0**,” a business model which combines engineers and technology

Acquire advanced technologies needed to boost efficiency while maintaining a low-burden management through strategic alliances

Strategy of alliance building to acquire advanced technologies in multiple industries

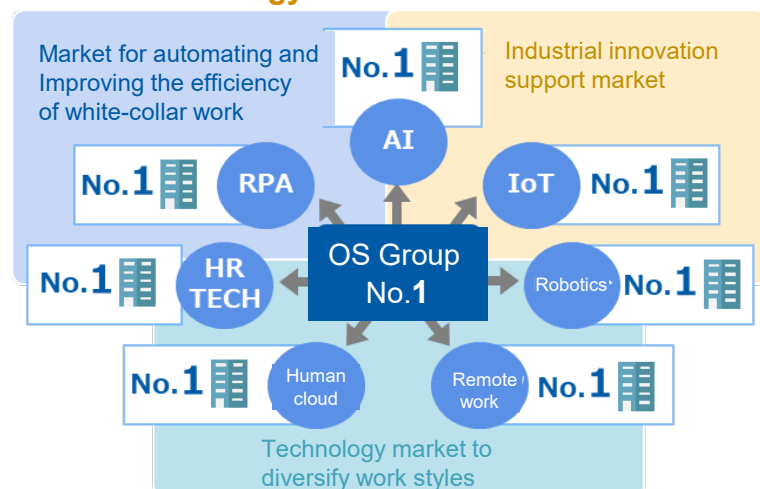
- The technology element of “Dispatch 2.0” calls for proficiency in advanced technologies in a variety of fields; such technology development is difficult for a single company to achieve
- By joining forces with companies that possess advanced technologies and solutions, the OS Group aims to provide them with the Group’s engineers that are necessary for the development and deployment of new technologies
- Advanced-level engineers have higher unit prices than standard engineers

The likelihood of the general dispatching domain to be automated is high

- Operations in non-technical domains are easier to automate
- Global market for general workers is worth approximately ¥25 trillion

Boost earnings by transitioning from the engineer dispatch market to the “Dispatch 2.0” model and by increasing the number of alliances

● Alliance strategy



● Engineer dispatch targets for FY12/24

	No. of engineers	Revenue	Operating profit	Operating profit margin
Existing business	34,500	¥222.5 bil.	¥18.3 bil.	8%
Dispatch 2.0	4,000	¥37.5 bil.	¥7.7 bil.	20%
Total	38,500	¥260 bil.	¥26.0 bil.	10%

FY12/19 Result (before Promotion)

Operating profit margin **7.7%**

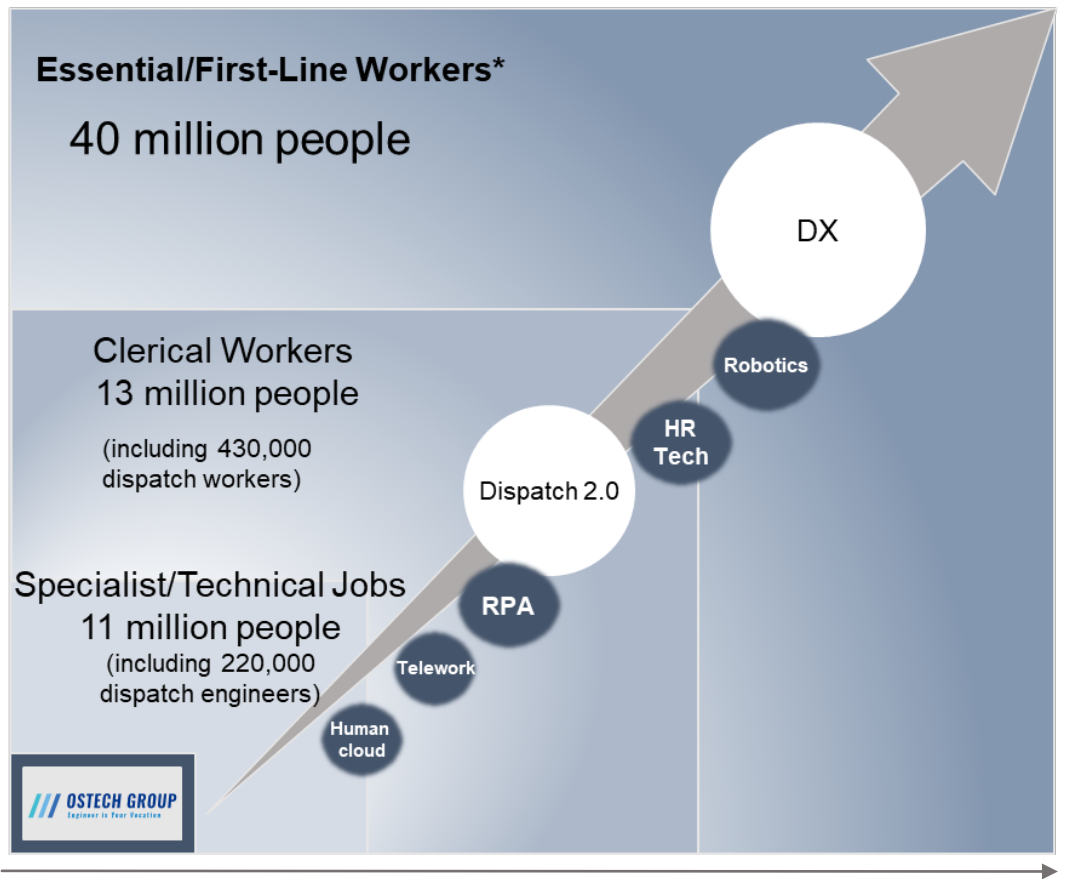
FY12/24 Target

Operating profit margin **over 10%**

Reference Materials

- Business Scheme of Domestic Engineering Outsourcing Business
 - Expand the high-value-added innovation support scheme provided by Dispatch 2.0 in a much broader market

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

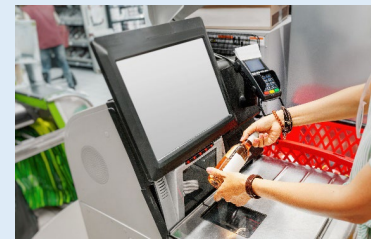


* First-line workers: Refers to people who work "onsite" in such fields as manufacturing, construction, healthcare, a term mainly used by Microsoft

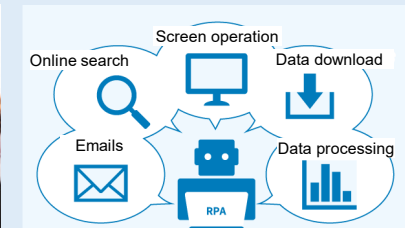
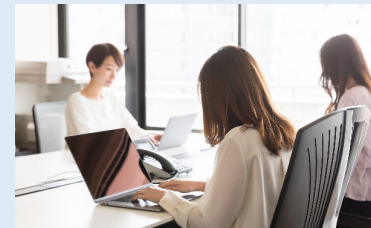
Examples of services for DX market



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



Reduce store staff at convenience stores and other retailers by adopting unmanned cash registers, displaying image analysis, using sensors, and other tools

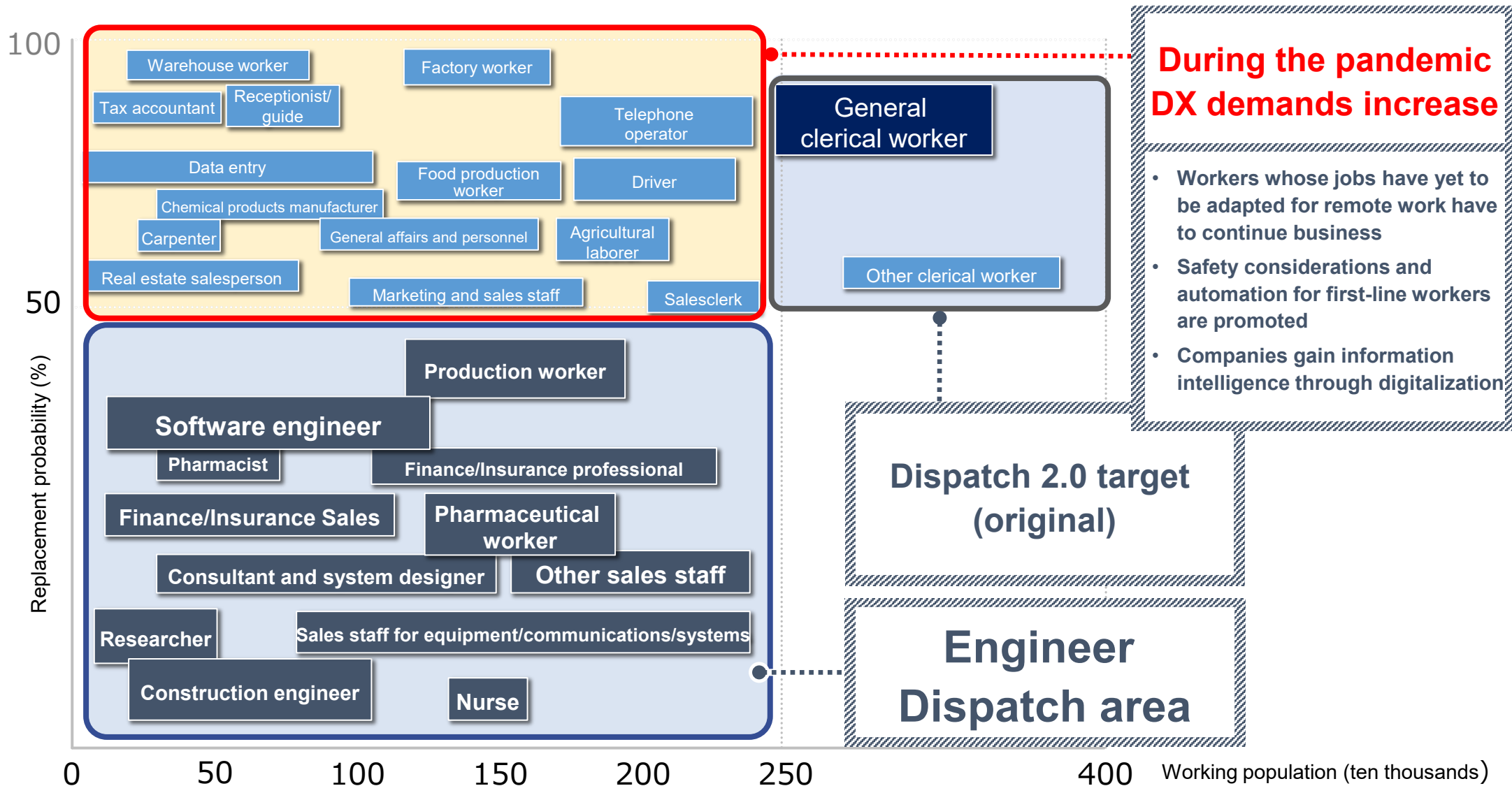


Solve an HR shortage mainly by using software robots to perform routine back-office tasks

Reference Materials

- Business Scheme of Domestic Engineering Outsourcing Business

- In addition to the original target of Dispatch 2.0, we are working to capture the growing DX demands for first-line workers



Reference Materials

● Business Scheme of Domestic Manufacturing Outsourcing Business

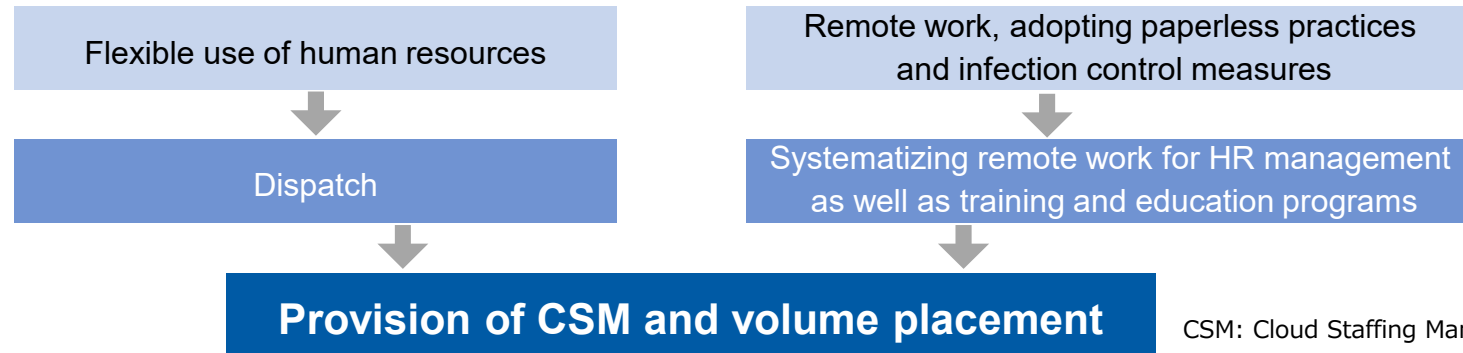
• Provision of Dispatched Employee Arrangement/Management System “CSM”

CSM (Cloud Staffing Management) is a system that resolves complicated work for clients

■ Impact of the pandemic on the manufacturing sector

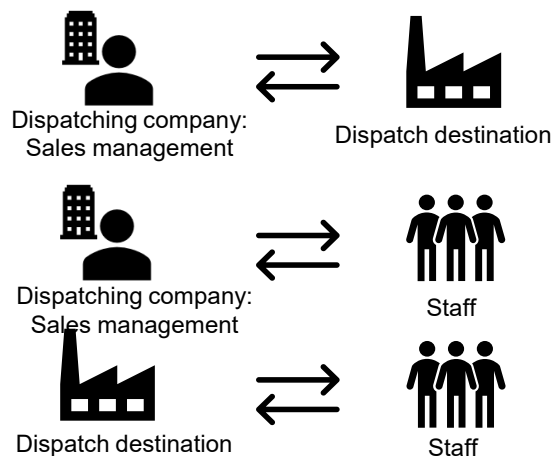
Despite signs of a production recovery primarily in the automobile industry, personnel and manufacturing divisions in manufacturing companies have had to respond to challenges they had never experienced before, from remote work to setting up protocols for infection controls onsite. In addition, they had to work on establishing a flexible production system on the premise that the pandemic will continue

▶ Our proposal



CSM: Cloud Staffing Management

▶ Solving issues by CSM



Existing challenges	Support by CSM
<ul style="list-style-type: none"> • Status of staff is not visualized • Systems to respond to frequent inquiries and requests remain analog (not computerized) • Invisible management costs incurred 	<ul style="list-style-type: none"> • Sharing information on staff work attendance • Staff evaluation system • Digitization of contract documents/invoices • Dispatch inquiry notification
<ul style="list-style-type: none"> • Communication must be conveyed to each individual • Requests are not well organized and forgotten • Required information is not available when needed 	<ul style="list-style-type: none"> • Staff bulletin board • Digitization of staff information • Systematization of paid-leave management
<ul style="list-style-type: none"> • Procedures to evaluate dispatched employees are time-consuming • Difficulties in sharing analog information 	<ul style="list-style-type: none"> • Staff evaluation system (at dispatch destination) • Staff bulletin board (at dispatch destination)

Reference Materials

● Business Scheme of Domestic Manufacturing Outsourcing Business

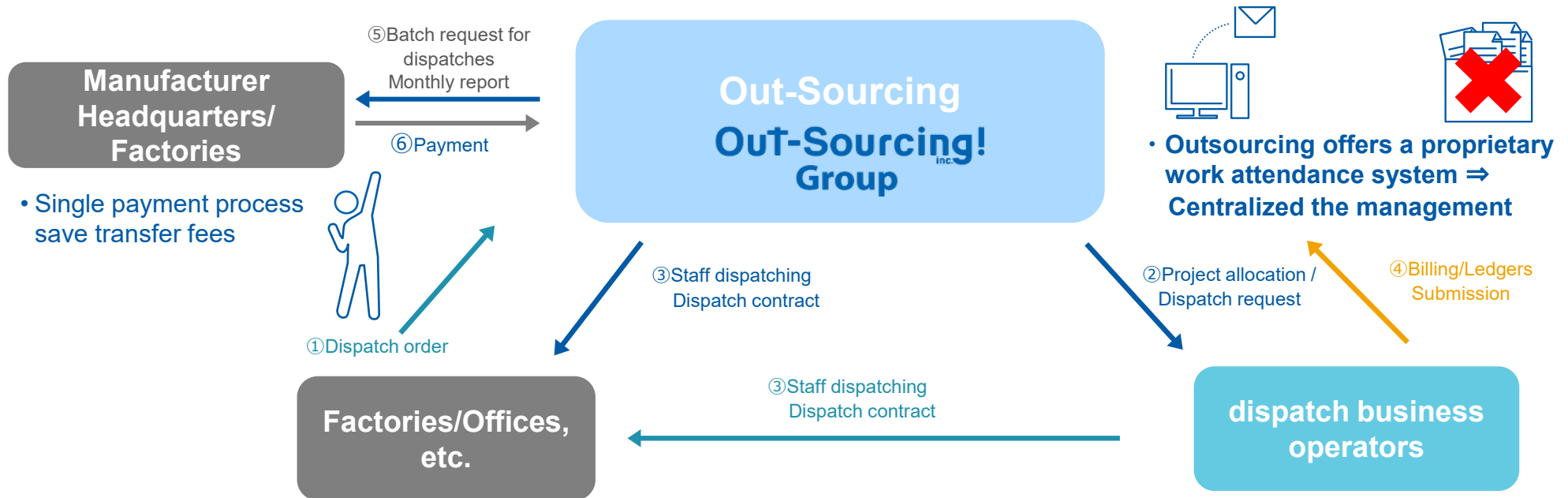
- Provision of Dispatched Employee Arrangement/Management System “CSM”

Benefits for manufacturers from the introduction of CSM

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

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

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



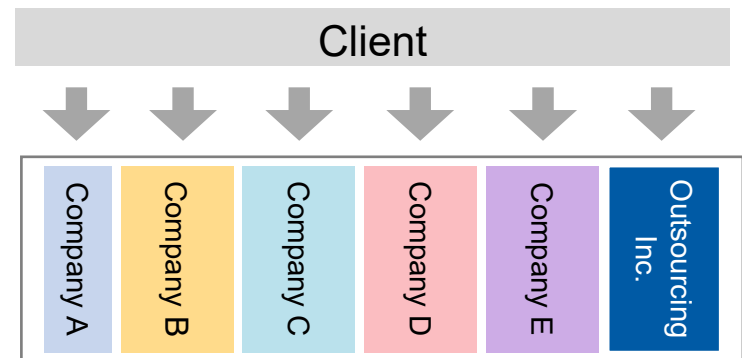
Note: Our centralized management service business integrates the operating know-how of each Group company.

Reference Materials

- Business Scheme of Domestic Manufacturing Outsourcing Business
 - Provision of Dispatched Employee Arrangement/Management System “CSM”

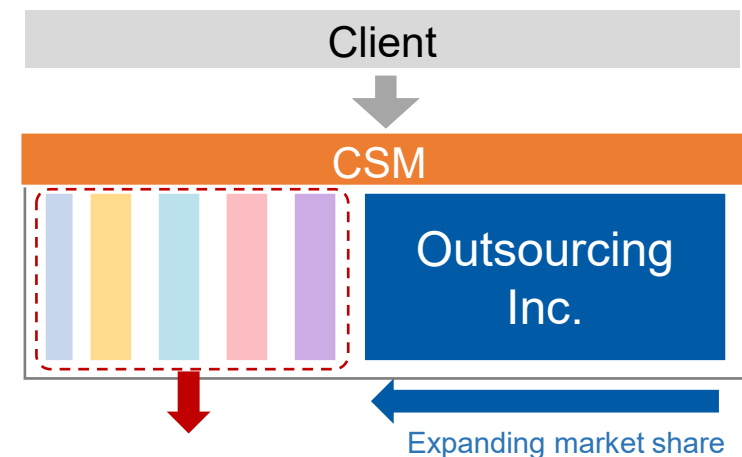
Current status

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



After introducing CSM

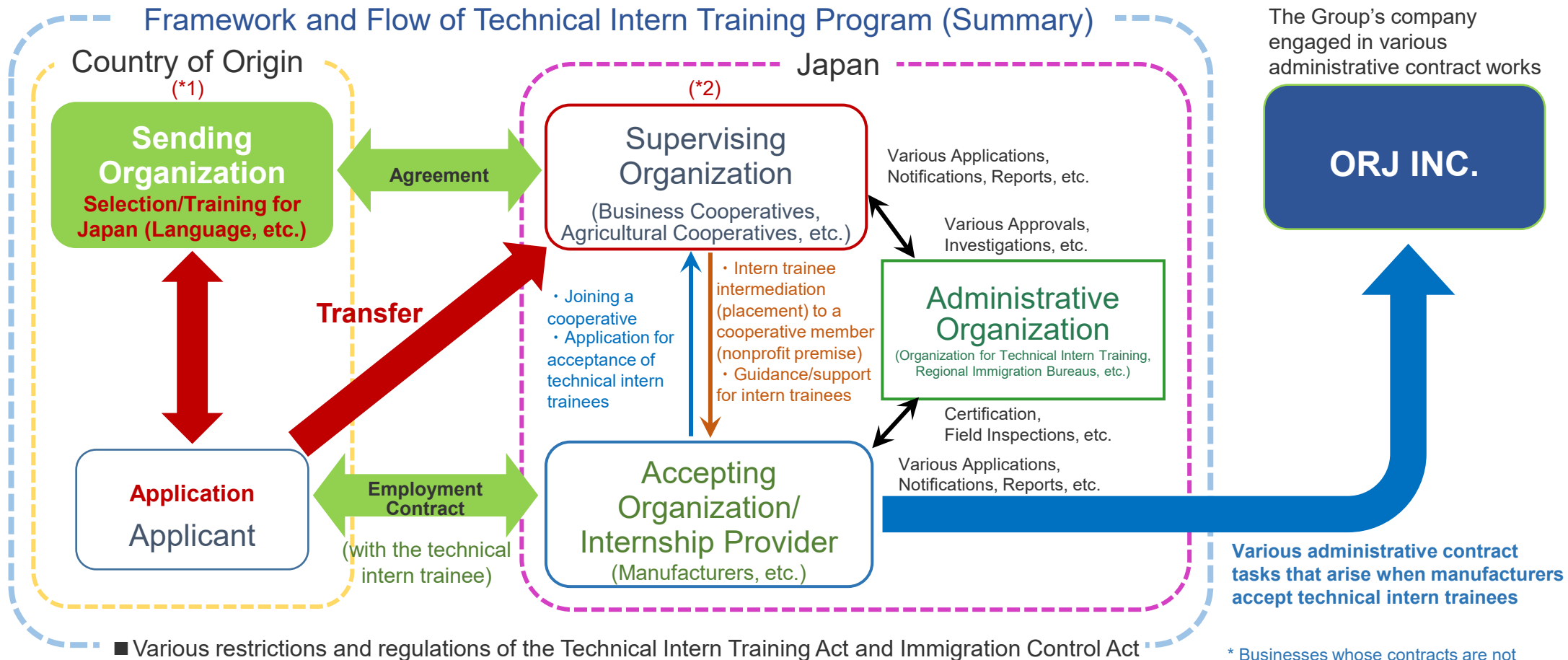
Through CSM proposals and execution, achieving earnings growth by increasing dispatch share and incorporating those displaced through industry consolidation



Taking in competitors who are weakened by the loss of market share.

Reference Materials

- Business Scheme of Domestic Manufacturing Outsourcing Business
 - Business related to Technical Intern Training Program and Specified Skilled Worker System
 Currently, the entry of foreign nationals to Japan remains difficult due to the impact of the pandemic, but the business will expand as the domestic workforce declines in the medium- to long-term



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

* Businesses whose contracts are not regulated by the Technical Intern Training Act

Reference Materials

- Business Scheme of Domestic Service Operations Outsourcing Business

- Outsourcing for U.S. military facilities that have high barriers of 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 (performance bond) required for bidding through synergies with the Group, AEC has been able to increase the number of orders for large-scale projects which have high margins and construction work periods extending over the medium-term.

- Receives contract for maintenance and construction works for highly classified aircraft hangars and HVAC facilities at domestic US military facilities such as the one in Okinawa, etc., which are relatively less susceptible to impact from the economic cycle.
- Orders for work on US military facilities are won through a bidding process, and one must obtain a high level of credibility from the US military in order to be selected as a contractor.

The Group is accelerating deployment of work for US military facilities to Hawaii and Alaska after already commencing business in Guam, aiming to secure revenue worth approx. ¥80 billion equivalent to the current contract surety bond (performance bond) at an early stage, targeting further expansion of the allotment and orders.

Reference Materials

- Business Scheme of Overseas Engineering Outsourcing Business

- Various consignment work from governments and local public institutions which is relatively insusceptible to economic fluctuations
- Addressing the shortage of engineers by introducing the KEN School scheme

Increasing contracts from the central and local governments in countries such as the U.K. and Australia for a variety of tasks by utilizing our 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. This secures and assigns a larger number of engineers.

We have already established holding company structures for Group companies in the U.K. and Australia, optimizing resources within the group, and accelerating revenue synergies and cost synergies from cross-selling, etc.

*Due to the global spread of COVID-19, deployment of engineers globally has been suspended since March 2020.

Reference Materials

- **Business Scheme of Overseas Manufacturing and Service Operations Outsourcing Business**

- Industry sector diversification over the manufacturing-related business, 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 work-related service operation business

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

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

Logistics related service operation business

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

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

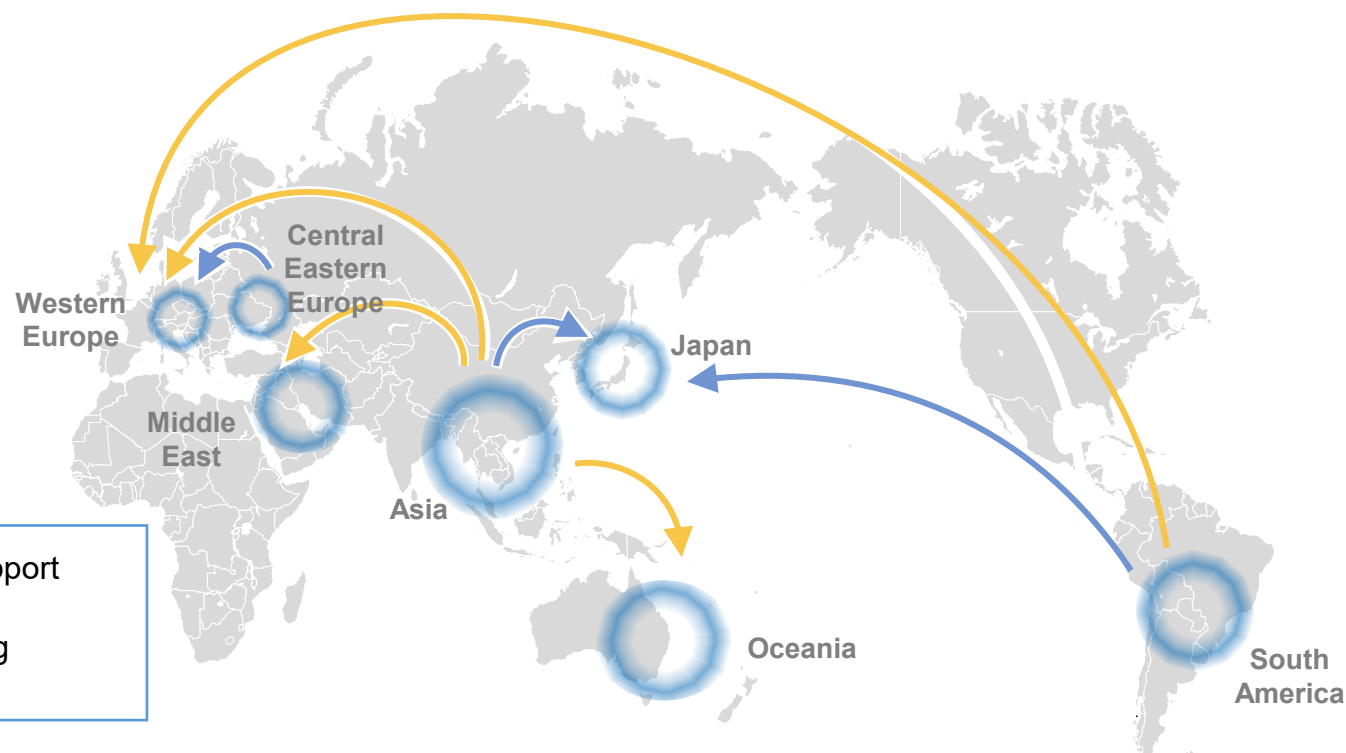
We have been reducing risks through sector diversification in fields with different business cycles, and rolling out mutual sharing of business know-how, infrastructure, engineers, etc., to Europe, Asia and Australia

*Due to the global spread of COVID-19, deployment of engineers globally has been suspended since March 2020.

Reference Materials

- Business Scheme of Overseas Manufacturing and Service Operations Outsourcing Business
 - Global utilization of the growing worldwide population

Since in Japan and other developed countries in Europe are suffering from the shortage of the workforce population due to declining birthrates and aging population, we are recruiting mainly in Eastern Europe and Asia, where the Group has many recruitment offices, expanding the support structure to supply workforce from countries with abundant workforces to those with tight labor markets.



Expand business by leveraging the growing worldwide population through a cross-border global HR mobilization network

*Due to the global spread of COVID-19, development of a cross-border HR mobilization network has been suspended since March 2020.

Reference Materials

● Progress status of the acquisition of CPL (Overseas Engineering Outsourcing Business segment)

CPL RESOURCES PLC (hereinafter “CPL”) Headquarter: Dublin, Ireland *Joined the Group on January 21, 2021

■ Company Profile

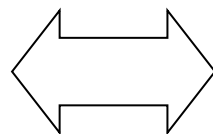
- FY6/20: Revenue (€000) 569,268, Operating Profit (€000) 24,978, Employees approx. 10,000
 - Maintains governance capabilities conforming to the audit and other standards of the Euronext Dublin Growth and London Stock Exchange AIM markets.
 - Has 45 offices in 9 countries mainly in Ireland and the U.K. (also Germany, the Czech Republic, Poland, Hungary, Slovakia, Tunisia and the US).
 - Has built solid customer relationships with global firms across various industries.
- *The company is engaged in HR services including temporary dispatch and referral management of professionals across various sectors including IT, pharmaceuticals, life sciences, medical and healthcare, finance and accounting, legal and HR.

<Strategic Background and Progress Status for Capturing New Demand>

For Overseas Engineering Outsourcing Business, we adopted a holding company structure in the U.K. based on the judgment that it is necessary to make timely management decisions by responding to growth opportunities and risks in each region where changes in the environment can be volatile. At the same time, in line with our M&A policy from the perspective of raising specialized expertise and technological innovation, we acquired Ireland’s CPL RESOURCES which services blue-chip clients globally, making it a new Group member.

Strengths of CPL RESOURCES

- Excellent management team
- Global blue-chip client network



Strengths of OUTSOURCING Inc.

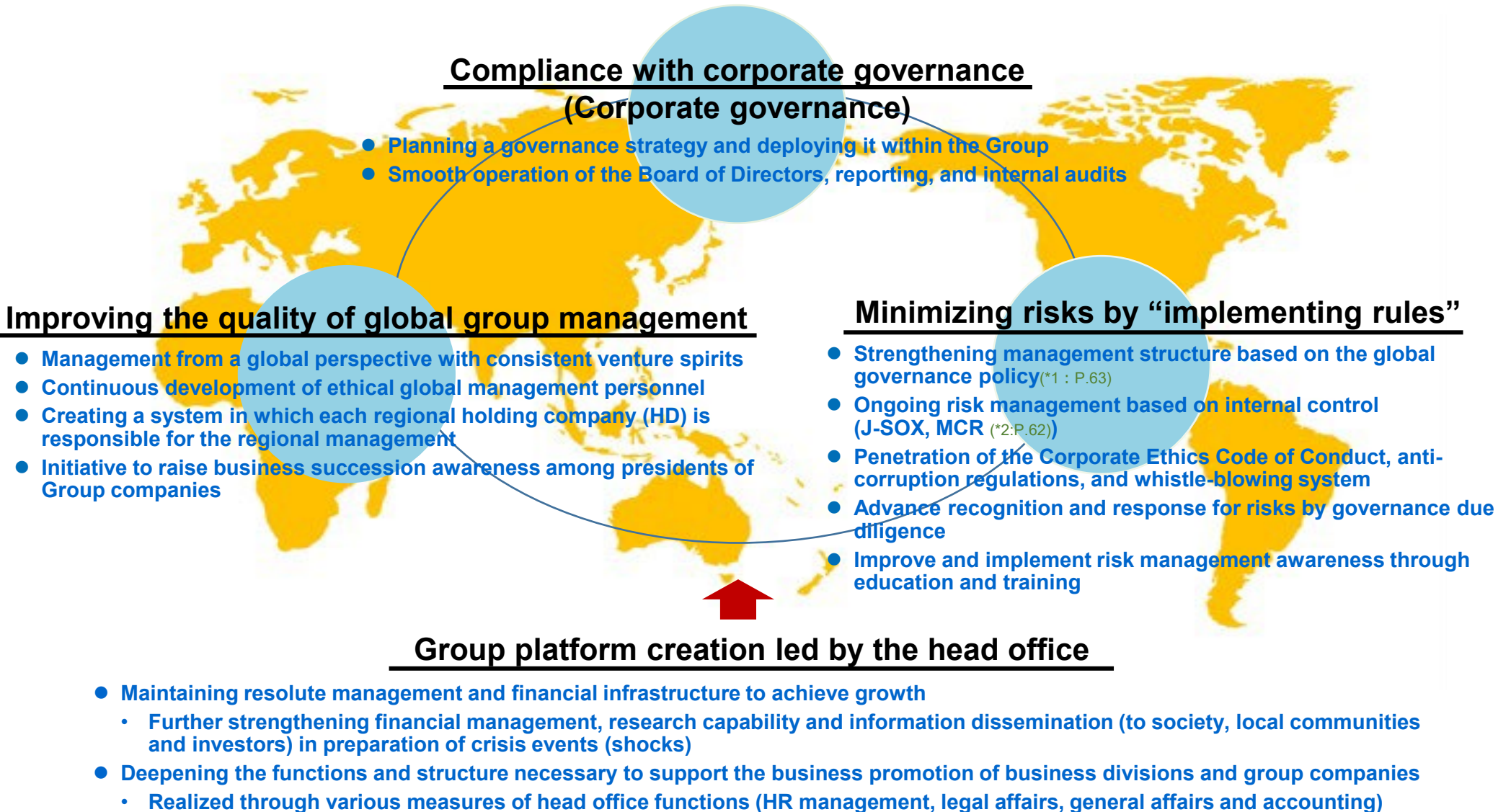
- Synergies with Group companies in the U.K.
- Business development of HR mobilization on a global scale

- ◎ Through CPL and the Company’s networks (global including the U.K.), we will accelerate **construction of a platform for engineering specialized human resources** by strengthening the global client base while aiming to incorporate and share cutting-edge technology by mutually refining our expertise and technology through the flow of human resources.
- ◎ Also, from the perspective of SDGs (sustainable development goals), we will expand opportunities for global diversity recruitment in the post COVID-19 world through business expansion and contribute to the economy

Reference Materials

● Strengthening Group Governance (i)

Evolution of Group governance to support persistent growth



Reference Materials

● Strengthening Group Governance (ii)

Medium-Term Priority Measures

"Responding to management quality improvement and business succession by strengthening the management base and reducing risk"

→ 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
- Strengthening filters during M&A through governance due diligence (including human rights due diligence) in awareness of sustainability
- Improving awareness of business succession by adding to MCR (*2) evaluation items

◆ 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 Management Division, 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 Code of Corporate Ethics and Conduct
- Anti-Corruption Policy and an internal reporting system will be deployed to new Group companies and training will be repeated to existing companies through webinars

◆ 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 / considering global fund management initiatives
- IT: realization of cyber security management that supports business growth based on the new corporate principles
- IT: leveraging cutting-edge digital technology to transform Group services and business models
- HR: create human resource development / education / training system that combines personnel strategies of all Group companies
- HR: fostering a sense of unity and Group engagement through the development of the "CQ Project" for inter-cultural understanding and creating Group strength

Reference Materials

- Strengthening Group Governance (iii)

(*1) Strengthening the management structure based on 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 "Management Philosophy." 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 in order to build sustainable relationships of trust with all the 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, as 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 FY12/21

● Annual and Semi-Annual Trends

		FY12/20			FY12/21		
		1H	2H	Full-Year	1H	2H	Full-Year
Engineering	No. of workers recruited (persons)	4,080	2,326	6,406	4,500	2,500	7,000
	Recruitment unit price (¥000/worker)	442	683	530	441	807	572
Manufacturing	No. of workers recruited (persons)	2,746	4,001	6,747	5,704	6,208	11,912
	Recruitment unit price (¥000/worker)	104	121	114	109	97	103
Service Operations	No. of workers recruited (persons)	894	967	1,861	1,256	1,488	2,744
	Recruitment unit price (¥000/worker)	30	25	28	21	19	20
Recruiting and Placing	No. of workers recruited (persons)	702	506	1,208	903	1,304	2,207
	Recruitment unit price (¥000/worker)	340	230	294	239	222	229

● Quarterly Trends

		FY12/20					Actual	FY12/21				
		1Q	2Q	3Q	4Q	Full-Year		1Q	2Q	3Q	4Q	Full-Year
Engineering	No. of workers recruited (persons)	1,155	2,925	1,150	1,176	6,406	1,384	3,400	1,200	1,300	7,000	
	Recruitment unit price (¥000/worker)	995	224	725	642	530	684	290	868	751	572	
Manufacturing	No. of workers recruited (persons)	1,411	1,335	1,358	2,643	6,747	2,606	3,405	3,259	2,949	11,912	
	Recruitment unit price (¥000/worker)	136	71	85	139	114	142	100	99	95	103	
Service Operations	No. of workers recruited (persons)	505	389	465	502	1,861	449	765	712	776	2,744	
	Recruitment unit price (¥000/worker)	51	2	27	24	28	35	16	18	19	20	
Recruiting and Placing	No. of workers recruited (persons)	511	191	185	321	1,208	360	506	659	645	2,207	
	Recruitment unit price (¥000/worker)	396	190	165	268	294	281	213	229	215	229	

Change in IFRS 16 (Lease accounting)

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



Impacts of Change in IFRS 16 (Lease accounting)

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

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

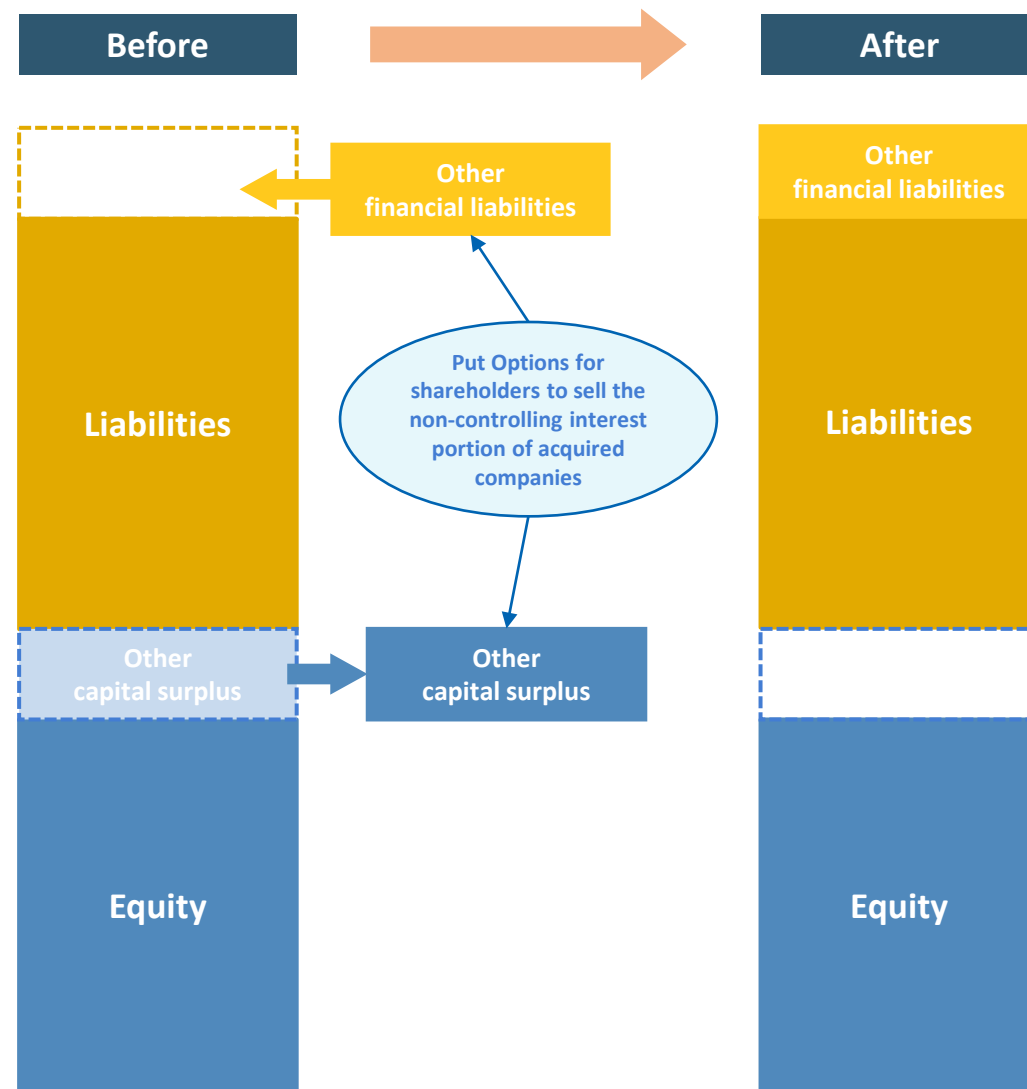
- In cases where put options for NCI are granted, related to M&A

Common Interpretation of IFRS

✓ 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

As the provisional accounting of the business consolidation in FY12/20 were finalized, the consolidated financial statements from FY12/20 onward were retrospectively adjusted.

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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