

Financial Results for the 3rd Quarter of Fiscal Year Ending December 31, 2020

November 2020

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

New 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.



Our Group's Social Responsibility and Significance

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.

Priorities of our Business Activities

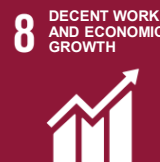
Provide quality education for jobs and operations worldwide in order to help improve people's productivity and motivation at work.



Empower women from all positions in society and provide opportunities for everyone to achieve their full potential.



Contribute to the achievement of even greater economic productivity by encouraging technological development as well as by driving innovation.



Create safe and secure employment opportunities for all by facilitating worker mobility on a global level based on the WBB.



Consolidated Financial Results for 3Q FY12/20 (IFRS)



Consolidated Financial Results for 3Q FY12/20 (IFRS)

- Summary of 3Q FY12/20 Consolidated Financial Results

(¥ million)	FY12/19		FY12/20		YoY	
	3Q YTD Actual		3Q YTD Actual		Changes	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
Revenue	267,494	100.0%	262,583	100.0%	(4,911)	-1.8%
Cost of sales	216,627	81.0%	212,818	81.0%	(3,809)	-1.8%
Gross profit	50,867	19.0%	49,765	19.0%	(1,102)	-2.2%
SG&A expenses	43,898	16.4%	44,227	16.8%	329	0.8%
Operating profit	9,998	3.7%	8,364	3.2%	(1,634)	-16.3%
Profit before tax	6,901	2.6%	5,764	2.2%	(1,137)	-16.5%
Profit for the period	3,841	1.4%	3,112	1.2%	(729)	-19.0%
Profit attributable to owners of the Company	3,325	1.2%	2,819	1.1%	(506)	-15.2%

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

- Although the revenue and profits in each category are generally down YoY, it has been judged that this is a temporary impact due to COVID-19 in the 1Q and the 2Q.

Summary

During the 1H of the current FY (Jan-Jun), the OS Group suffered severe damage from the suspension of economic activities due to self-quarantine under the declaration of a state of emergency in Japan and lockdown overseas. However, despite declines in both revenue and profits in the 3Q YTD (Jan-Sep) for Domestic Engineering Outsourcing, Domestic Manufacturing Outsourcing, Overseas Engineering Outsourcing and Overseas Service Outsourcing Businesses, the group's business performance is showing a vertical recovery due to having a major advantage upon discovering new demands that have arisen in response to the coronavirus pandemic.

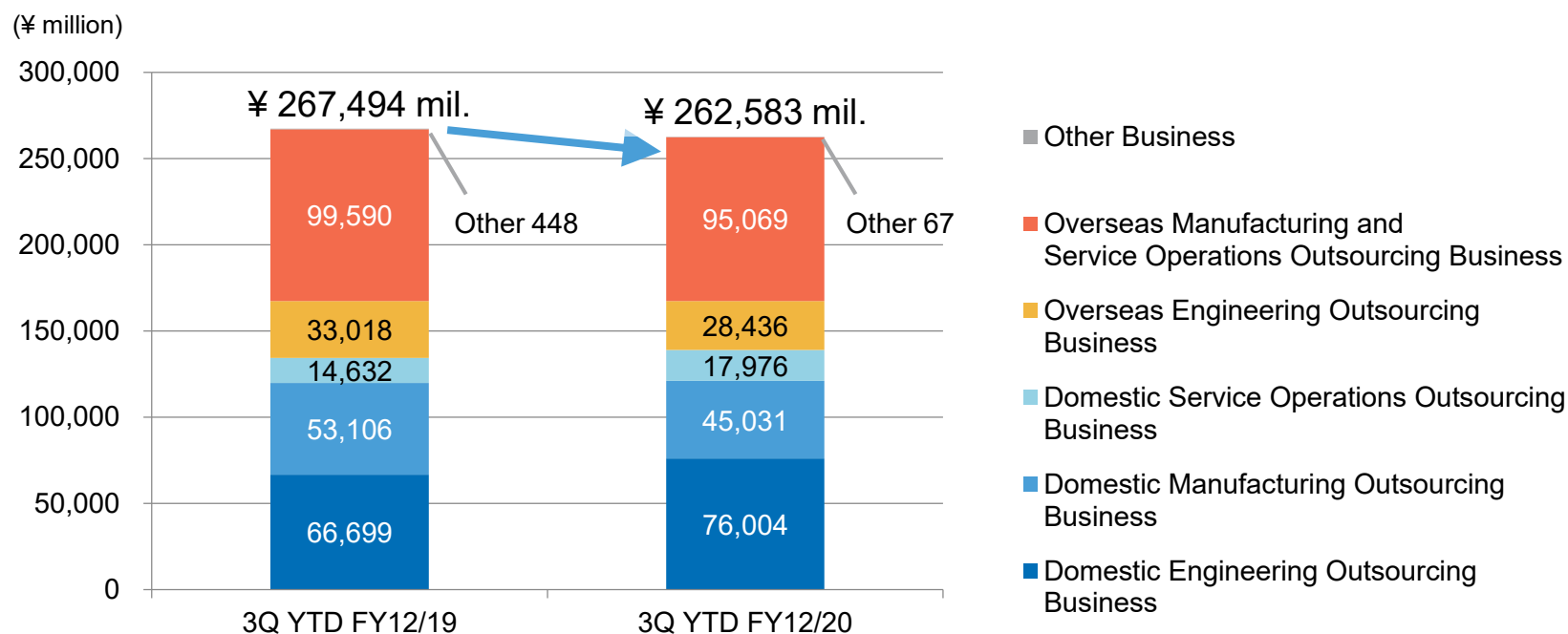
3Q results (Jul-Sep) are already showing YoY gains in revenue and profits, and both revenue and profits reached record highs in the 3Q. By 2021, we will be seeing the numbers indicated in the Medium-Term Management Plan.

Consolidated Financial Results for 3Q FY12/20 (IFRS)

- Highlights of Consolidated Financial Results

Revenue ¥ 262,583 million (-1.8% YoY)

3Q FY12/19 (Jul.-Sep.) ¥89,909 mil. ⇒ 3Q FY12/20 (Jul.-Sep.) ¥89,955 mil. +0.1%



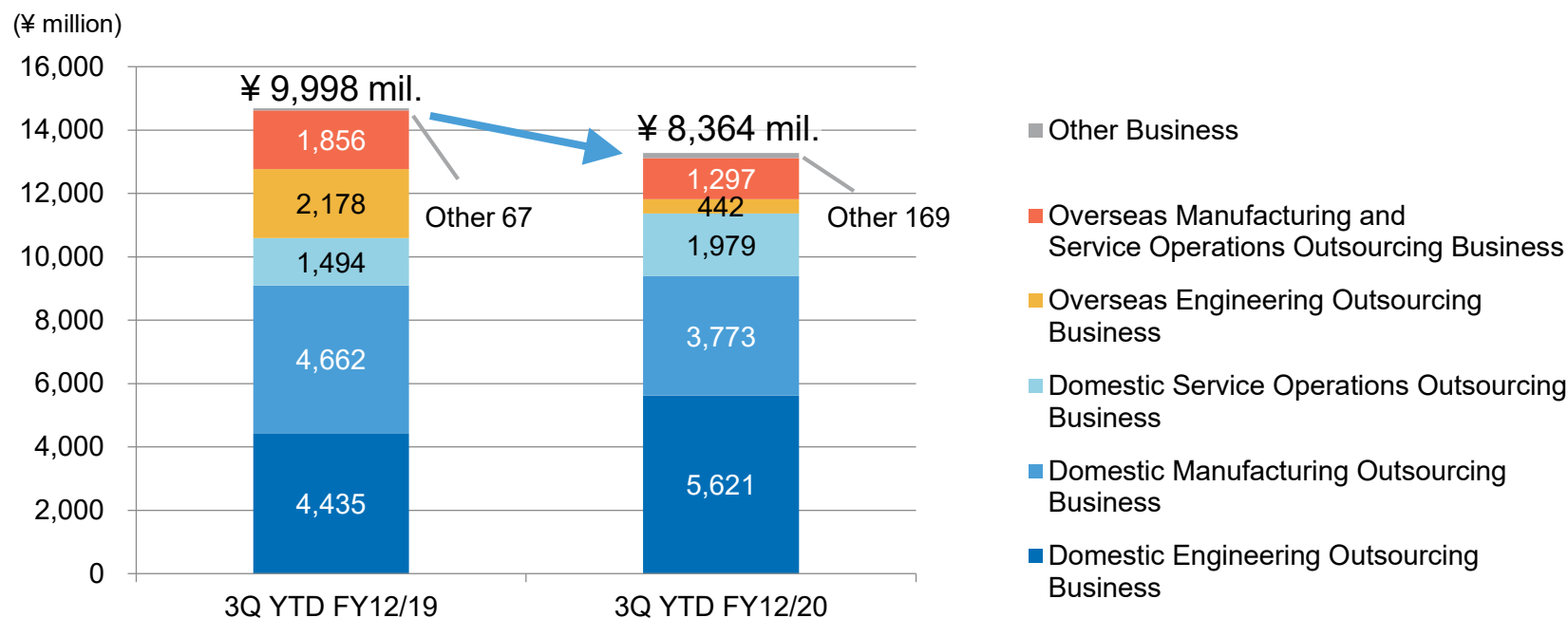
□ In the 1Q and 2Q, business performance suffered severe damage due to lockdowns and self-quarantine in countries around the world. While the 3Q YTD results were down slightly YoY, thanks to the rapid response of Group companies in Japan and overseas for normalizing remote work, they were able to discover new demands that arose in response to the pandemic, and the 3Q (Jul—Sep) results reversed to YoY gains.

Consolidated Financial Results for 3Q FY12/20 (IFRS)

● Highlights of Consolidated Financial Results

Operating Profit ¥ 8,364 million (-16.3% YoY)

3Q FY12/19 (Jul.-Sep.) ¥4,462 mil. ⇒ 3Q FY12/20 (Jul.-Sep.) ¥5,059 mil. +13.4%



* Since budgets are set for the whole and not for each individual segment, the operating profit adjustments (3Q FY12/19 ¥4,694 million and 3Q FY12/20 ¥4,917 million) are not shown in the graph but are reflected in the total operating profit.

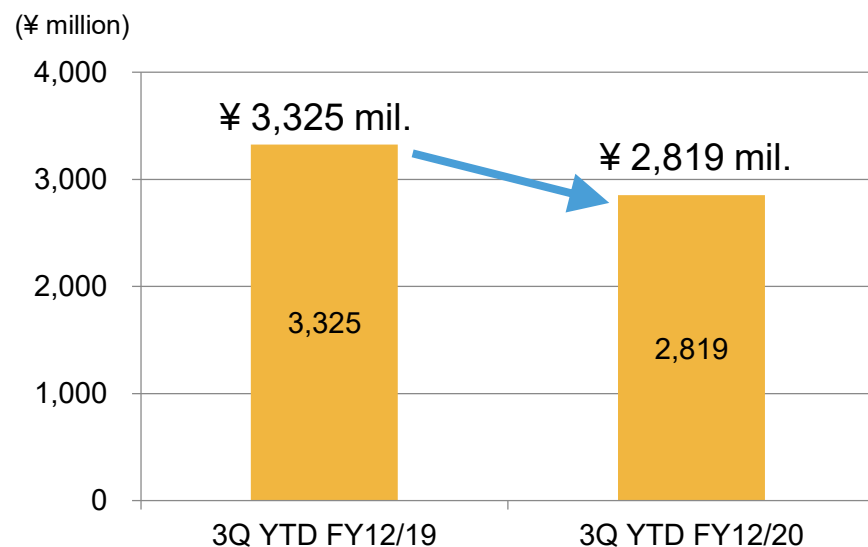
□ As with revenue, the 3Q YTD operating profit declined YoY; however, the 3Q operating profit increased YoY.

Consolidated Financial Results for 3Q FY12/20 (IFRS)

- Highlights of Consolidated Financial Results

Profit Attributable to Owners of the Company ¥ 2,819 million (-15.2% YoY)

3Q FY12/19 (Jul.-Sep.) ¥1,949 mil. ⇒ 3Q FY12/20 (Jul.-Sep.) ¥2,155 mil. +10.6%



- As with operating profit, the 3Q YTD profit attributable to owners of the Company declined YoY; however, the 3Q profit attributable to owners of the Company increased YoY.

Consolidated Financial Results for 3Q FY12/20 (IFRS)

● Highlights of Consolidated Financial Results

Revenue	¥76,004 million	+14.0% YoY
Operating profit	¥5,621 million	+26.7% YoY

Overview by Operating Segment

Domestic Engineering Outsourcing Business

No. of worksite employees at term-end 18,006 (up 179)

Figure in parentheses indicates changes from the end of the 2Q

- Thanks to the engineer dispatching business development to a wide range of fields and industry sectors, as well as KEN School schemes which provide opportunities to raise skills through training and realize career changes, the Group has a major advantage in new graduate and mid-career hiring
- Promote a “Dispatch 2.0” model which help clients increase operating efficiency
- Expect exceptional growth in the engineer dispatch industry

“Dispatch 2.0” = Providing advanced technologies and engineers as a package, including support for increasing operating efficiency for clients
(Please refer to P.38, PP.45-50.)

Impact of the pandemic and future outlook (Positive ⇒ gold Neutral ⇒ blue Negative ⇒ red)

IT-related field

- Demand for engineers is increasing along with the increasing IT demand due to the ever-increasing technological progress and the growing trend towards remote-work. **The progress has exceeded the plan** by winning orders in fields with strong IT demand such as telecommunications, education, and retail.

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

- Regarding transport equipment, despite some manufacturers reducing R&D spending, R&D has remained stable for the largest automaker. Orders from the semiconductor, electronics and electrical equipment sectors remain steady. Overall, **the progress is in line with the plan**.

Pharmaceuticals and healthcare-related field

- Orders are continuing to increase due to the growing trend in testing work and vaccines and therapeutic drugs, and **the progress is ahead of the plan**.

Construction-related

- Although there are some delays in commencement of on-site construction projects, new orders continue to grow. **The progress is in line with the plan**.

Consolidated Financial Results for 3Q FY12/20 (IFRS)

● Highlights of Consolidated Financial Results

Revenue	¥45,031 million	-15.2% YoY
Operating profit	¥3,773 million	-19.1% YoY

Overview by Operating Segment

Domestic Manufacturing Outsourcing Business

No. of worksite employees at term-end 12,264 (down 162)

No. of workers under outsourced administration at term-end 21,124 (up 1,022)

No. of placed workers 887 (down 2,038)

Numbers of worksite employees and workers under outsourced administration are being compared with the end of 2Q, while that of placed workers is with the previous year

- With the restart of manufacturing for transportation equipment, the Company has obtained an advantageous position in being able to win exclusive orders as explained below. Therefore, uncertainty regarding the restart of technical intern immigration has been dispelled, and there is a clear view toward achieving the Medium-Term Management Plan targets from the next fiscal year onward.

Impact of the pandemic and future outlook (Positive ⇒ gold Neutral ⇒ blue Negative ⇒ red)

Manufacturing dispatching and contracting

- Due to the pandemic, the market for manufacturing workers switched from a seller's market to a buyer's market, and competition with rivals changed from recruiting to order taking. The ability to come up with proposals becomes critical to win orders in this restarted market. Our "CSM" proposal has been well received by major automakers, leading us to exclusively win large-scale orders. Hence, **the progress is ahead of the plan.**

Administrative outsourcing

- The number of workers increased by 4,806 YoY, since technical intern trainees who were not able to return to their home countries because of COVID-19 have changed their status of residence to Designated Activities or Specified Skilled Worker. However, **the situation continues to be severe**, as we now foresee that cross-border movement is expected to return to normal in the next year at the earliest.

"CSM (Cloud Staffing Management)"

= System that resolves complicated work for clients (Please refer to P.39, PP.51-54)

Due to the impact of the initiative carried out by Toyota group companies to shift holidays from the 2H to the 1H under the pandemic, accumulated result of the 3Q is 1.7% short in revenue and 0.7% short in operating profit. However, without the switching of holidays, the results would have exceeded the plan, and the full-year results are headed toward a sharp recovery at present.

* The 3Q (Jul.-Sep.) plan has been achieved.

Consolidated Financial Results for 3Q FY12/20 (IFRS)

- Highlights of Consolidated Financial Results

Revenue	¥17,976 million	+22.9% YoY
Operating profit	¥1,979 million	+32.6% YoY

Overview by Operating Segment

Domestic Service Operations Outsourcing Business

- As for the business for the U.S. military facilities, orders for large-scale projects have increased thanks to the expansion of the contract surety bond (performance bond) required for participation in bidding on such projects. Going forward, we will further expand the amount of the contract surety bond as the business is rolled out globally.

Impact of the pandemic and future outlook (Positive ⇒ gold Neutral ⇒ blue Negative ⇒ red)

Business for the U.S. military facilities

- Since it can be assumed that the business will not be affected by the pandemic and the start and progress of construction projects will not be affected also, **the progress is ahead of the plan.**

Various service operations businesses

- While public-works-related is expected to grow from the 4Q onward, it is insufficient to offset the shortfall from depressed inbound-related demand caused by the pandemic, making it **difficult to achieve the plan.**

* The Company acquired EcoCityGroup Corporation as a wholly-owned subsidiary on October 8, 2020. EcoCityGroup Corporation is engaged in BPO contract work for local governments and public enterprises such as water and sewerage meter reading, fee collection clerical work, and operation of call centers for tax payment notifications. (Please refer to P.62.)

Consolidated Financial Results for 3Q FY12/20 (IFRS)

● Highlights of Consolidated Financial Results

Revenue	¥28,436 million	-13.9% YoY
Operating profit	¥442 million	-79.7% YoY

Overview by Operating Segment

Overseas Engineering Outsourcing Business

- In the U.K., since the financial conditions of central and local governments tightened under the pandemic, demand for privatization of various public services has continued to increase; the growth of government-related business is accelerating.
- In Australia, the Group's regional expansion and brand strength captured a wide range of businesses associated with the shift to essential workers in the fields including telecommunications infrastructure and public works, etc. that are less susceptible to economic fluctuation and the impact of the pandemic
- In Australia, where demand for X-Tech such as Fin-tech, Ed-tech, Agri-tech, etc. is accelerating, we are working to capture demands in such growth industries
X-Tech (cross tech) = Utilizing the power of IT to provide new value and systems to existing industries

Impact of the pandemic and future outlook (Positive ⇒ gold Neutral ⇒ blue Negative ⇒ red)

U.K.

- For the debt collection and execution business, collection of existing claims and issuance of new claims were suspended due to the impact of the pandemic; however, they have restarted in stages from the 3Q, and the Company won new orders of debt collection for the private sector. **The progress is in line with the plan.**
- The BPO, BPS and BPA businesses for government institutions, which are mainly on long-term contracts, are trending steadily thanks to their early development of remote work practices, and with special demand arising from the pandemic, **the progress is ahead of the plan.**

Oceania

- In Australia, while client cost reductions were implemented with IT consulting and dispatch, we accelerated the development of remote work practices and shifted to areas where demand can be expected even under the pandemic. As a result, **the progress is ahead of the plan.**
- The training business aims to achieve low-cost operations and to expand the deployment area by bringing educational content online. Even so, **the difficult situation is expected to continue** during this fiscal year.

Consolidated Financial Results for 3Q FY12/20 (IFRS)

● Highlights of Consolidated Financial Results

Revenue	¥95,069 million	-4.5% YoY
Operating profit	¥1,297 million	-30.1% YoY

Overview by Operating Segment

Overseas Manufacturing and Service Operations Outsourcing Business

- While the outlook for the Manufacturing Outsourcing is not the best, the Service Operations Outsourcing business mainly related to the logistics for e-commerce is seeing ongoing favorable performance with the tailwind from COVID-19 and is expected to continue to expand; hence it is expected to catch up to the Medium-Term Management Plan targets from the next fiscal year onward.

Impact of the pandemic and future outlook (Positive ⇒ gold Neutral ⇒ blue Negative ⇒ red)

Germany / Manufacturing Outsourcing (Orizon)

- There is no prospect for recovery of the business with an aircraft manufacturer which was among the top clients, and there are also restructuring costs to establish a structure which can generate profits both under the pandemic and after the pandemic. Therefore, **the progress is severe** relative to the plan.

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

- The e-commerce business is in excellent shape as the environment under the pandemic works as a major tailwind. Progress in both revenue and profits is **more than double that of the plan**.
- **The Asian payroll business** is being rolled out for major U.S. and European companies, and even under the pandemic, it is not subject to closure as a key infrastructure; therefore, the progress is **in line with the plan**.
- **For the Manufacturing Outsourcing Business in Asia**, costs to maintain employment such as leave compensation and paid leave will be significantly reduced by the easing of curtailed production and the lifting of lockdown in each country. Operating profit is expected to turn profitable in the 4Q, but progress will **remain severe** relative to the plan.
- Going forward, we expect a recovery in earnings from the growth in overseas employment-related business, following the relaxation of travel restrictions.
- **As for South America**, the airport-related business is harsh; however, the e-commerce related business for daily necessities, the supermarket related business and the facilities related business for office buildings, etc. are expected to have a favorable outlook. Additional orders for disinfection as part of the cleaning business mainly for distribution facilities in Brazil can be expected. In general, progress is **in line with the plan**.

Consolidated Financial Results for 3Q FY12/20 (IFRS)

● Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/19 Actual					FY12/20 Actual		
	1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q
Revenue	86,404	91,181	89,909	93,755	361,249	89,542	83,086	89,955
Gross profit	16,065	16,788	18,014	19,917	70,784	17,104	13,996	18,665
Gross profit margin	18.6%	18.4%	20.0%	21.2%	19.6%	19.1%	16.8%	20.7%
SG&A expenses	14,427	14,803	14,668	14,968	58,866	15,499	13,975	14,753
SG&A expenses ratio	16.7%	16.2%	16.3%	16.0%	16.3%	17.3%	16.8%	16.4%
Other operating income ^{*1}	969	1,120	1,327	1,171	4,587	1,072	1,162	1,313
Other operating expense	130	46	211	776	1,163	188	367	166
Operating profit	2,477	3,059	4,462	5,344	15,342	2,489	816	5,059
Operating profit margin	2.9%	3.4%	5.0%	5.7%	4.2%	2.8%	1.0%	5.6%
Profit before tax	1,338	2,027	3,536	6,418	13,319	1,470	576	3,718
Profit before tax margin	1.5%	2.2%	3.9%	6.8%	3.7%	1.6%	0.7%	4.1%
Profit attributable to owners of the Company	455	921	1,949	4,902	8,227	857	(193)	2,155
Profit attributable to owners of the Company margin	0.5%	1.0%	2.2%	5.2%	2.3%	1.0%	-0.2%	2.4%

QoQ/YoY Changes	FY12/19 Actual					FY12/20 Actual		
	1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q
Revenue	-4.3%	5.5%	-1.4%	4.3%	16.0%	-4.5%	-7.2%	8.3%
Gross profit	-17.9%	4.5%	7.3%	10.6%	13.4%	-14.1%	-18.2%	33.4%
SG&A expenses	4.0%	2.6%	-0.9%	2.0%	23.3%	3.5%	-9.8%	5.6%
Operating profit	-55.6%	23.5%	45.9%	19.8%	5.1%	-53.4%	-67.2%	519.9%
Profit before tax	-71.8%	51.5%	74.4%	81.5%	6.1%	-77.1%	-60.7%	544.4%
Profit attributable to owners of the Company	-86.8%	101.9%	112.0%	151.4%	10.0%	-82.5%	-122.6%	-

*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 to the nearest million yen.

Consolidated Financial Results for 3Q FY12/20 (IFRS)

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

(¥ million)		FY12/19					FY12/20		
		Actual					Actual		
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q
Domestic Engineering Outsourcing Business	Revenue	20,513	22,321	23,865	24,668	91,367	25,100	25,304	25,600
	Operating profit	1,336	1,038	2,061	2,558	6,993	1,446	1,268	2,907
	No. of worksite employees at term-end	13,214	15,036	15,461	15,888	15,888	16,048	17,827	18,006
Domestic Manufacturing Outsourcing Business	Revenue	17,546	17,957	17,603	17,424	70,530	16,280	14,128	14,623
	Operating profit	1,364	1,643	1,655	2,692	7,354	1,450	1,108	1,215
	No. of worksite employees at term-end	13,531	14,018	13,661	13,457	13,457	12,909	12,426	12,264
	No. of workers under outsourced administration at term-end	12,418	13,528	16,318	18,670	18,670	20,007	20,102	21,124
Domestic Service Operations Outsourcing Business	No. of placed workers	924	1,034	967	800	3,725	511	191	185
	Revenue	4,806	5,351	4,476	5,936	20,569	5,936	5,918	6,122
	Operating profit	400	643	451	662	2,156	631	635	713
Overseas Engineering Outsourcing Business	No. of worksite employees at term-end	2,670	2,657	2,424	2,560	2,560	2,301	1,975	1,856
	Revenue	10,364	11,561	11,093	10,848	43,866	9,558	8,712	10,166
	Operating profit	553	564	1,061	167	2,345	335	(177)	284
Overseas Manufacturing and Service Operations Outsourcing Business	No. of worksite employees at term-end	3,280	3,718	3,600	3,468	3,468	3,307	3,176	3,040
	Revenue	33,014	33,834	32,742	34,618	134,208	32,621	29,015	33,433
	Operating profit	316	993	547	657	2,513	124	(381)	1,554
Other Business	No. of worksite employees at term-end	42,280	44,707	44,968	44,580	44,580	41,683	38,136	43,719
	Revenue	161	157	130	261	709	47	9	11
	Operating profit	2	44	21	21	88	55	2	112
Adjustments	No. of worksite employees at term-end	3	4	4	5	5	0	0	0
	Operating profit	(1,494)	(1,866)	(1,334)	(1,413)	(6,107)	(1,552)	(1,639)	(1,726)
	Revenue	86,404	91,181	89,909	93,755	361,249	89,542	83,086	89,955
Total	Operating profit	2,477	3,059	4,462	5,344	15,342	2,489	816	5,059

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

Revenue by Region (¥ million)		FY12/19					FY12/20		
		Actual					Actual		
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q
Japan		43,026	45,786	46,074	48,289	183,175	47,363	45,359	46,356
Asia (excl. Japan)		3,414	3,427	3,166	3,390	13,397	2,854	1,980	2,198
Oceania		11,783	13,271	12,027	12,157	49,238	10,546	10,727	12,037
Europe		26,225	26,573	26,330	27,522	106,650	26,666	23,450	27,386
South America		1,956	2,124	2,312	2,397	8,789	2,113	1,570	1,978
Total		86,404	91,181	89,909	93,755	361,249	89,542	83,086	89,955

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

*3: Actual forex rates used in 3Q FY12/20 results (average rates for Jan-Sep. 2020)
 • EUR 120.93
 • GBP 136.67
 • AUD 72.76
 • USD 107.55

Consolidated Financial Results for 3Q FY12/20 (IFRS)

● Summary of Consolidated Statement of Financial Position

(¥ million)	FY12/19-End		3Q-End FY12/20		vs FY12/19-End
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
Current assets	112,441	46.9%	110,749	46.0%	(1,692)
Cash and cash equivalents	40,246	16.8%	36,175	15.0%	(4,071)
Trade and other receivables	51,722	21.6%	51,867	21.5%	145
Inventories	1,608	0.7%	2,098	0.9%	490
Non-current assets	127,466	53.1%	130,072	54.0%	2,606
Property, plant and equipment	9,421	3.9%	9,810	4.1%	389
Right-of-use assets	18,246	7.6%	17,475	7.3%	(771)
Goodwill	55,978	23.3%	57,272	23.8%	1,294
Intangible assets	20,846	8.7%	19,070	7.9%	(1,776)
Other non-current financial assets	15,891	6.6%	17,462	7.3%	1,571
Total assets	239,907	100.0%	240,821	100.0%	914
Current liabilities	90,192	37.6%	112,852	46.9%	22,660
Trade and other payables	35,033	14.6%	36,666	15.2%	1,633
Bonds and borrowings	20,146	8.4%	38,630	16.0%	18,484
Lease Liabilities	15,577	6.5%	17,513	7.3%	1,936
Income tax payables	3,922	1.6%	2,328	1.0%	(1,594)
Non-current liabilities	84,675	35.3%	64,332	26.7%	(20,343)
Bonds and borrowings	47,664	19.9%	31,530	13.1%	(16,134)
Lease Liabilities	20,120	8.4%	17,797	7.4%	(2,323)
Other non-current financial liabilities	6,806	2.8%	4,325	1.8%	(2,481)
Total liabilities	174,867	72.9%	177,184	73.6%	2,317
Share capital	25,187	10.5%	25,214	10.5%	27
Share premium	26,620	11.1%	26,647	11.1%	27
Treasury shares	(0)	-0.0%	(0)	0.0%	-
Other share premium	(14,056)	-5.9%	(13,681)	-5.7%	375
Retained earnings	25,559	10.7%	25,516	10.6%	(43)
Equity attributable to owners of the Company	60,675	25.3%	59,762	24.8%	(913)
Non-controlling interests	4,365	1.8%	3,875	1.6%	(490)
Equity	65,040	27.1%	63,637	26.4%	(1,403)
Total liabilities and equity	239,907	100.0%	240,821	100.0%	914

Cash and cash equivalents:

Decreased due to payment of taxes and dividends

Bonds and borrowings:

Increased due to borrowing for business funds

Equity attributable to owners of the Company:

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

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

The Revised Full-year Consolidated Financial Forecasts (IFRS) and Dividend Forecast



The Revised Full-year Consolidated Financial Forecasts (IFRS) and Dividend Forecast

Revised Consolidated Financial Forecast (January 1, 2020 - December 31, 2020)

Since economic activities were suspended in April due to lockdowns and the declaration of a state of emergency, we suffered major damage, thus having to revise our financial forecasts. Nonetheless, **we have continued to strive to establish a group structure in which our profits are less likely to receive impact from economic fluctuation, and we were expecting a vertical recovery in earnings once economic activities started running. Since economic activities started running earlier than expected, we revised our full-year consolidated financial forecasts for FY12/20.**

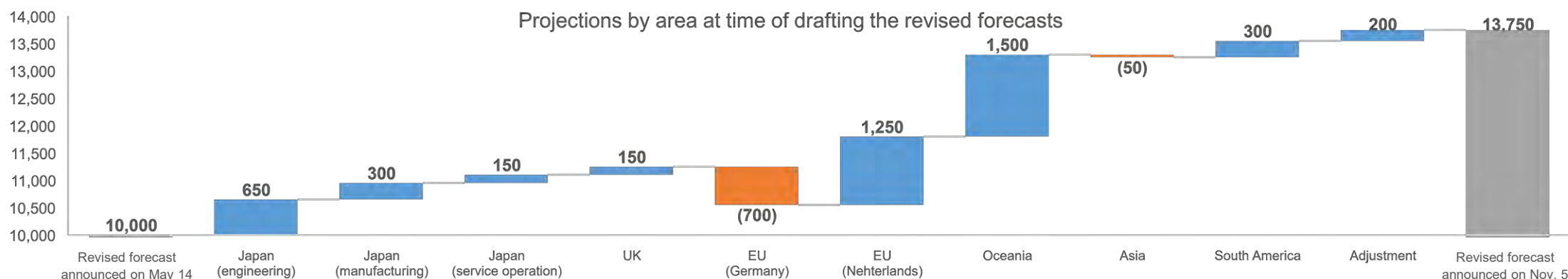
	Revenue (¥ million)	Operating profit (¥ million)	Profit before tax (¥ million)	Profit for the year (¥ million)	Profit attributable to owners of the Company (¥ million)	Basic earnings per share
Previous forecast (A) *Announced on May 14, 2020	365,000	10,000	6,800	3,600	3,000	23.83 JPY
Revised forecast (B)	365,000	13,750	9,250	4,700	3,850	30.57 JPY
Difference (B-A)	0	3,750	2,450	1,100	850	
Percentage change (%)	-	37.5	36.0	30.6	28.3	
(Reference) Results for the previous fiscal year	361,249	15,342	13,319	8,975	8,227	65.48 JPY

Note: As the provisional accounting of the business combinations was finalized, the condensed consolidated financial statement for FY12/19 was retroactively adjusted.

The Revised Full-year Consolidated Financial Forecasts (IFRS) and Dividend Forecast

Breakdown of the operating profit re-revision as of Nov. 5 (vs. the revision as of May 14)

(Unit: ¥ million)



Area	Risk premises at time of the first revision (May 14)	Progress/current status for re-revision (Nov. 5)	Changes in risk parameters*
Japan (engineering)	Delays in assignments or lost worktime due to suspended operations by clients in response to the pandemic	<ul style="list-style-type: none"> Virtually no negative impact after the declaration of a state of emergency Capturing new demand arising in the COVID-19 environment 	+ ¥650 million
Japan (manufacturing/service operations)	<ul style="list-style-type: none"> Suspension and adjustment of client's operations led by the transport equipment segment Delay in entry of technical intern trainees and other foreign nationals due to the immigration restrictions Reduced operating rates mainly due to reduced demand for tourism and restaurants serving for inbound visitors 	<ul style="list-style-type: none"> CSM introduction plan has been proceeding favorably while industry reorganization advanced along with the recovery in production. Travel restrictions are expected to extend longer than expected both in the local countries and in Japan The shift to essential worker areas is proceeding favorably 	+ ¥450 million
UK	Delays in new orders and debt collection due to lockdown	<ul style="list-style-type: none"> Debt collection resumed at the end of August making a favorable start, but there are concerns about the impact of a second lockdown Capturing special demand from COVID-19, favorable on increased outplacement demand 	+ ¥150 million
EU (Germany, Netherlands)	Cancellations due to lockdown, contracting operations, and decreasing cross-border workforce	Although the recovery in the Manufacturing Outsourcing Business is behind schedule, demand for distribution and retail is increasing more than expected	+ ¥550 million
Oceania	<ul style="list-style-type: none"> Decline in the number of dispatched workers under deteriorating business environment, and significant drop in the number of referrals with the suspension of recruitment activities Increased cancellation orders for training due to lockdown 	<ul style="list-style-type: none"> Trending favorably due to focusing on the dispatch of essential workers in mining, infrastructure, logistics, food products and healthcare-related, as well as the IT-related fields Uptake is increasing due to early completion of the switch to online training Employment-related subsidies boosted operating profit 	+ ¥1,500 million
Asia	Negative impact by stay-home restriction and throttled production from the spread of the pandemic	While relaxation of travel restrictions and curtailed production is expanding in each country, the pace is slower than expected	- ¥50 million
South America	Cancellation of orders and reduced production due to lockdown	While the airport infrastructure-related services are depressed, the retail services and the cleaning business perform favorably due to better-than-expected demand	+ ¥300 million
Overall	—	(Estimate of operating profit adjustments decreases ¥200 million = operating profit increases ¥200 million) ⇒	+ ¥3,750 million

- is negative performance figure; + is positive performance figure

The Revised Full-year Consolidated Financial Forecasts (IFRS) and Dividend Forecast

Revised dividend forecast

(1) Details of the revision

	Annual cash dividend per share				
	1Q	2Q	3Q	Year-end	Total
Previous forecast (Announced on May 14, 2020)	¥ -	¥ 0.00	¥ -	¥ 8.00	¥ 8.00
Revised forecast				10.00	10.00
Dividends paid in the current fiscal year	-	0.00	-		
Dividends paid in the previous fiscal year (FY12/19)	-	0.00	-	24.00	24.00

(2) Reasons for the revision

The Company is aware that returning profits to shareholders is an important management priority. Therefore, we maintain the consolidated payout ratio at 30% in principle while reinvesting a portion of profits toward expanding the scale of business, in order to enhance the return of profits to shareholders as well as to expand the shareholder base.

The previously announced year-end dividend forecast for FY12/20 (May 14, 2020) was set at ¥8 per share, maintaining the payout ratio at 30%, with the expectation of a certain level of recovery next fiscal year. However, as described in the revised financial forecasts on PP.20-21, profits are now expected to exceed the previous forecast; therefore, we revised up the forecast dividend by ¥2 to ¥10 per share, maintaining the payout ratio at 30%.

The Revised Full-year Consolidated Financial Forecasts (IFRS) and Dividend Forecast

- YoY Change and the Revised Full-year Consolidated Financial Forecasts for FY12/20 (IFRS) announced on November 5, 2020

(¥ million)	FY12/19				FY12/20				YoY Change	
	Actual		Actual		Forecast		Forecast			
	1H Amount	2H Amount	Full-Year Amount	Composition Ratio	Actual 1H Amount	2H Amount	Full-Year Amount	Composition Ratio	Amount	Ratio
Revenue	177,585	183,664	361,249	100.0%	172,628	192,372	365,000	100.0%	3,751	1.0%
Cost of sales	144,732	145,733	290,465	80.4%	141,528	-	-	-	-	-
Gross profit	32,853	37,931	70,784	19.6%	31,100	-	-	-	-	-
SG&A expenses	29,230	29,636	58,866	16.3%	29,474	-	-	-	-	-
Operating profit	5,536	9,806	15,342	4.2%	3,305	10,445	13,750	3.8%	(1,592)	-10.4%
Finance income	52	645	697	0.2%	606	-	-	-	-	-
Finance costs	2,223	557	2,780	0.8%	1,861	-	-	-	-	-
Profit before tax	3,365	9,954	13,319	3.7%	2,046	7,204	9,250	2.5%	(4,069)	-30.5%
Profit for the period	1,799	7,176	8,975	2.5%	798	3,902	4,700	1.3%	(4,275)	-47.6%
Profit attributable to owners of the Company	1,376	6,851	8,227	2.3%	664	3,186	3,850	1.1%	(4,377)	-53.2%

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

*2: Forex rate assumptions for full-year consolidated earnings forecast
EUR 124.70, GBP 137.31, AUD 76.48, USD 105.76.

The Revised Full-year Consolidated Financial Forecasts (IFRS) and Dividend Forecast

- Revised FY12/20 Consolidated Financial Forecasts (IFRS) by Segment announced on November 5, 2020
(Annual, Semi-Annual and Quarterly Trends)

(¥ million)		FY12/19					FY12/20				
		Actual					Actual				
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	Forecasts	
										4Q	Full-Year
Domestic Engineering Outsourcing Business	Revenue	20,513	22,321	23,865	24,668	91,367	25,100	25,304	25,600	28,996	105,000
	Operating profit	1,336	1,038	2,061	2,558	6,993	1,446	1,268	2,907	3,279	8,900
	No. of worksite employees at term-end	13,214	15,036	15,461	15,888	15,888	16,048	17,827	18,006	18,208	18,208
Domestic Manufacturing Outsourcing Business	Revenue	17,546	17,957	17,603	17,424	70,530	16,280	14,128	14,623	18,069	63,100
	Operating profit	1,364	1,643	1,655	2,692	7,354	1,450	1,108	1,215	2,077	5,850
	No. of worksite employees at term-end	13,531	14,018	13,661	13,457	13,457	12,909	12,426	12,264	16,400	16,400
	No. of workers under outsourced administration at term-end	12,418	13,528	16,318	18,670	18,670	20,007	20,102	21,124	22,300	22,300
	No. of placed workers	924	1,034	967	800	3,725	511	191	185	325	1,212
Domestic Service Operations Outsourcing Business	Revenue	4,806	5,351	4,476	5,936	20,569	5,936	5,918	6,122	6,324	24,300
	Operating profit	400	643	451	662	2,156	631	635	713	621	2,600
	No. of worksite employees at term-end	2,670	2,657	2,424	2,560	2,560	2,301	1,975	1,856	2,776	2,776
Overseas Engineering Outsourcing Business	Revenue	10,364	11,561	11,093	10,848	43,866	9,558	8,712	10,166	10,264	38,700
	Operating profit	553	564	1,061	167	2,345	335	(177)	284	258	700
	No. of worksite employees at term-end	3,280	3,718	3,600	3,468	3,468	3,307	3,176	3,040	2,844	2,844
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	33,014	33,834	32,742	34,618	134,208	32,621	29,015	33,433	38,631	133,700
	Operating profit	316	993	547	657	2,513	124	(381)	1,554	1,503	2,800
	No. of worksite employees at term-end	42,280	44,707	44,968	44,580	44,580	41,683	38,136	43,719	45,153	45,153
Other Business	Revenue	161	157	130	261	709	47	9	11	133	200
	Operating profit	2	44	21	21	88	55	2	112	31	200
	No. of worksite employees at term-end	3	4	4	5	5	0	0	0	0	0
Adjustments	Operating profit	(1,494)	(1,866)	(1,334)	(1,413)	(6,107)	(1,552)	(1,639)	(1,726)	(2,383)	(7,300)
Total	Revenue	86,404	91,181	89,909	93,755	361,249	89,542	83,086	89,955	102,417	365,000
	Operating profit	2,477	3,059	4,462	5,344	15,342	2,489	816	5,059	5,386	13,750

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

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

Status of Group Companies Whose Goodwill is Recorded on OS Account



Importance of global expansion in the HR service business

Our Group operates human resources 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 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 in Japan.**

Our Group's global strategy and policy

1. Since we see the increasing global population as a growth opportunity, our Group aims to **provide human resources services** to industries capable of sustainable growth in countries that are open to immigrants, or in other words, **industries with high demand for human resources**.
2. **In order to level business performance, which is a prerequisite of achieving truly sustainable growth, our Group is striving to create a global platform. This will enable us to expand our HR service business 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.

*Please refer to PP.63-64.

Status of Group Companies Whose Goodwill is Recorded on OS Account

Goodwill by Country

Of the total goodwill of ¥57.3 billion, overseas consolidated group companies amounts to ¥43.4 billion.

(Unit: ¥ hundred million)

Country name	Goodwill amount (as of the end of 3Q 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	61	43	35	—	—	139
Japan Total	61	43	35	—	—	139
UK	—	—	—	82	126	208
UK Total	—	—	—	82	126	208
Germany	—	—	—	—	70	70
Netherlands	—	—	—	—	49	49
EU Total	—	—	—	—	119	119
Australia	—	—	—	74	5	79
New Zealand	—	—	—	—	2	2
Oceania Total	—	—	—	74	7	81
Thailand	—	—	—	—	1	1
Vietnam	—	—	—	—	0	0
India	—	—	—	—	1	1
Malaysia	—	—	—	—	9	9
Asia (excluding Japan) Total	—	—	—	—	11	11
Chile	—	—	—	—	6	6
Brazil	—	—	—	—	2	2
South America Total	—	—	—	—	8	8
Others	—	—	—	—	7	7
Total	61	43	35	156	278	573

*Although Hoban in Australia falls under Overseas Manufacturing and Service Operation 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

(Impairment risk at the end of fiscal year)

(Individual company explanation is for those with more than ¥1 billion in goodwill)

Total goodwill in Japan **¥13.9 billion**

*Total of 28 companies including the following company

Goodwill impairment risk evaluation during stress test

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

■ No. of workers enrolled — Utilization rate

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Domestic Service Operations	American Engineering Corporation	30	Service operation business for the U.S. military facilities
	Status	Serving as a contractor for the preservation and maintenance of buildings and other facilities on the U.S. military facilities in Japan, the company is insusceptible to domestic economic fluctuations and is showing an upward growth curve.	

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

(Impairment risk at the end of fiscal year)

(Individual company explanation is for those with more than ¥1 billion in goodwill)

Goodwill impairment risk evaluation during stress test

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

*Total of 11 companies including the following 4 companies

Total goodwill in UK

¥20.8 billion

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Engineering	CDER (former J.B.W.)	76	Public debt collection business
	<p>Number of receivables</p> <p>266,700</p> <p>No impairment loss</p> <p>Mar. Jun. Sept. Dec.</p>		
Status	The debt collection activities which had been suspended by the government under the pandemic resumed from the end of August, making favorable progress in collections, and business performance tends to be recovering; however, there are concerns about the impact of a second lockdown.		

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	ALLEN LANE	23	Human resources services for public sector
	<p>No. of workers enrolled Utilization rate</p> <p>600</p> <p>No impairment loss</p> <p>Mar. Jun. Sept. Dec.</p>		
Status	Because our remote work capabilities are progressing smoothly, we expect business performance to remain within our projected growth figures.		

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

(Impairment risk at the end of fiscal year)

(Individual company explanation is for those with more than ¥1 billion in goodwill)

Goodwill impairment risk evaluation during stress test

○ : 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	46	Various contracting business for central government
	<p>Order backlog (¥ million)</p> <p>25,900</p> <p>No impairment loss</p> <p>Mar. Jun. Sept. Dec.</p>		
Status	Our performance parameters for our business for central government remain stable with remote work, and further growth is expected going forward. In addition, new orders are coming into the company now consolidated into our Group that specializes in reemployment support services as firms move to pare their workforces. Growth seen to surpass initial projections.		

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	VERACITY	53	Financial and business consultancy services
	<p>No. of nonconsolidated people enrolled</p> <p>Utilization rate</p> <p>60</p> <p>No impairment loss</p> <p>Mar. Jun. Sept. Dec.</p>		
Status	Government orders are continuing for accounting and financial consultation services and long-term contracts for new orders are on the upswing.		

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

(Impairment risk at the end of fiscal year)

**Total Goodwill
in EU**

¥11.9 billion

(Individual company explanation is for those with more than ¥1 billion in goodwill)

*Total of 2 companies listed below

Goodwill impairment risk evaluation during stress test

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

■ No. of workers enrolled — Utilization rate

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	Orizon	70	Human resources services for manufacturing sector (for machinery, transport equipment, medical-related and other fields)
	Status	While the transport equipment-related business has taken a major hit from the pandemic, it bottomed out in May and the number of workers enrolled and their utility rate is on the rebound, with the latter figure likely recovering to its pre-pandemic level in October 2020 and the former recovering in December 2020.	
Overseas Manufacturing and Service Operations	OTTO	49	E-commerce distribution-related services
	Status	Fueled by robust growth in e-commerce related businesses, OTTO has surpassed the initial 1H growth projections and is expected to overtake the figure in the 2H.	

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

(Impairment risk at the end of fiscal year)

(Individual company explanation is for those with more than ¥1 billion in goodwill)

Goodwill impairment risk evaluation during stress test

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

* Total of 7 companies including the following 3 companies

■ No. of workers enrolled — Utilization rate

Total Goodwill in Oceania

¥8.1 billion

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Engineering	BLUEFIN	12	Human resources services for IT and financial fields
	Status	While the recruitment agency services lagged in part, placed staff has been smoothly shifting to remote work, with no perceived impact from the pandemic until the 3Q.	

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Engineering	PM-P	21	Consultancy for improving business processes, corporate training services
	Status	The pandemic sparked a series of cancellations for our training services; however, because we set up an online training program and engaged in an aggressive marketing effort, we managed to regain canceled contracts and are aiming to increase new orders.	

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

(Impairment risk at the end of fiscal year)

(Individual company explanation is for those with more than ¥1 billion in goodwill)

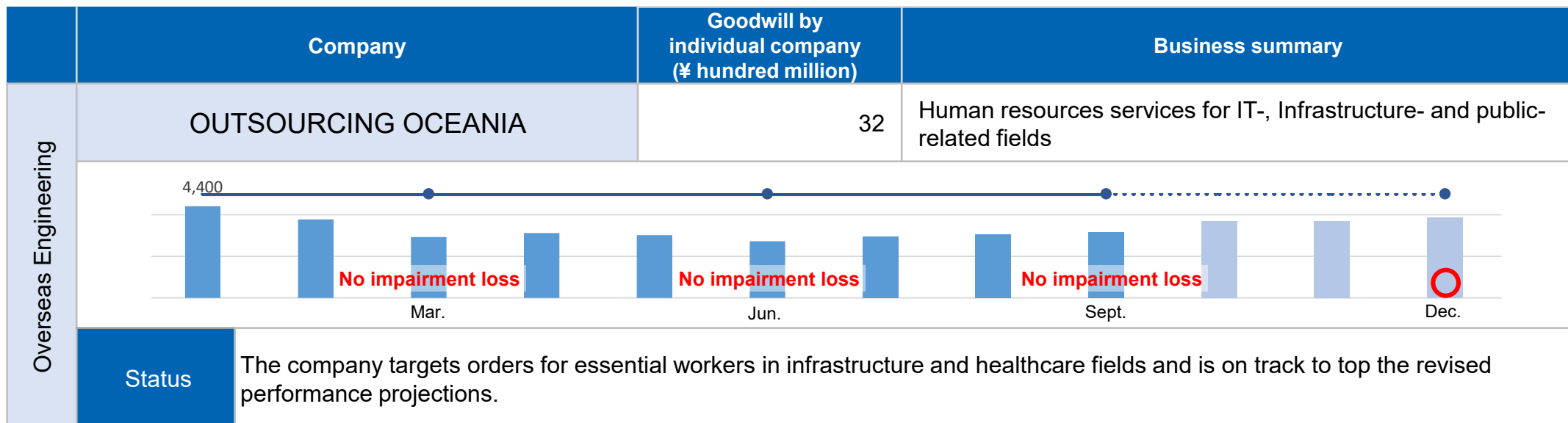
Goodwill impairment risk evaluation during stress test

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

■ No. of workers enrolled — Utilization rate



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

(Impairment risk at the end of fiscal year)

(Individual company explanation is for those with more than ¥1 billion in goodwill)

**Total Goodwill
in Asia**

¥1.1 billion

* Total of 6 companies

Goodwill impairment risk evaluation during stress test

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

■ No. of workers enrolled — Utilization rate

	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	While transactions, particularly with the transport equipment field, were hit by the pandemic, services for the medical and distribution fields trended well. Our payroll services were unaffected by the pandemic's impact, with growth expected to be in line with the initial performance projections.		

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

(Impairment risk at the end of fiscal year)

(Individual company explanation is for those with more than ¥1 billion in goodwill)

Total Goodwill in South America **¥0.8 billion**

*Total of 4 companies

Goodwill impairment risk evaluation during stress test

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

■ No. of workers enrolled — Utilization rate

	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	South America (four-company total)	8	Airport and commercial facility cleaning services, human resources services for distribution/service industry
Status	<p>While the number of registered workers and their operation in transaction with aviation-related were hit hard by the pandemic, our business servicing e-commerce and retailers such as supermarkets is faring well. In 2H, we expect the expansion of services for facilities and a recovery of the number of enrolled workers and the utilization rate to the level before the pandemic.</p>		

The Group's Advantage in Discovering New Demands in Response to COVID-19



The Group's Advantage in Discovering New Demands in Response to COVID-19

Domestic Engineering Outsourcing Business

Progress status of "Dispatch 2.0"

"Dispatch 2.0" provides advanced technology and engineers as a package for operational support to increase client operating efficiency ⇒ Please refer to PP.45-50.

		1Q FY12/20 Actual	2Q FY12/20 Actual	3Q FY12/20 Actual	4Q FY12/20 Estimate	FY12/21 Plan	FY12/22 Plan	FY12/23 Plan	FY12/24 Plan
Dispatch 2.0	Operation	52	197	251	300	668	1,500	2,700	4,500

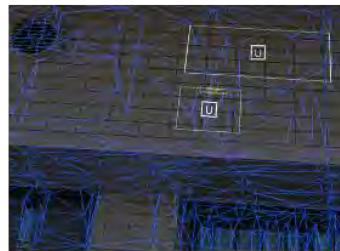


<< Case Study >>

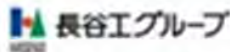
Moving into the construction industry's conversion to DX



Conventional work



One worker does the task of two!
Ledger sheets will be automatically generated!



Haseko Group and Outsourcing Technology collaborate with Microsoft Japan to promote productivity reform in construction and real estate

Remote administrator

- Onsite 3D modeling and work progress confirmation
- Document sharing with field workers
- 3D design, work report creation



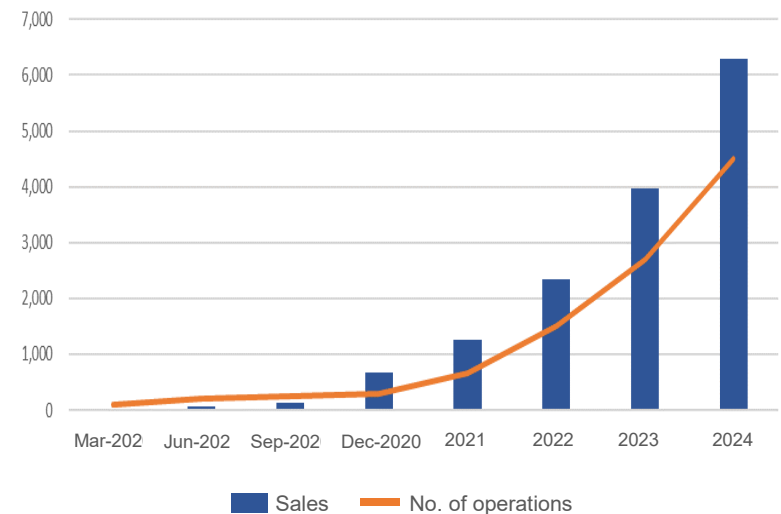
Field worker

- Creates a 3D model of the site by walking around
- Confirms and implements work instructions
- Records work content (audio, photo, video)

Haseko Corporation: No. 1 in cumulative construction of condominiums (as of the end of August 2020)



*All HR, robots, and software work classified as "operation"

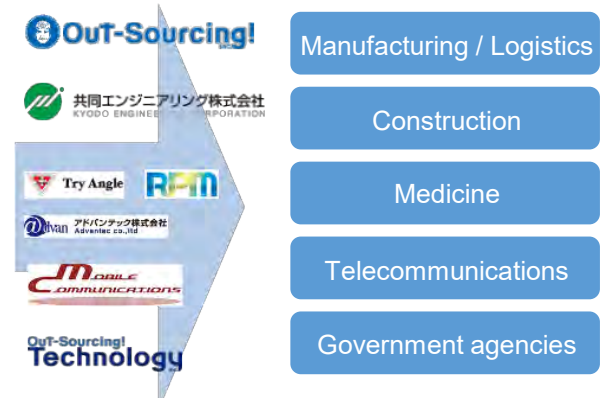


Business model

Out-Sourcing! Technology Inc.

Shared strategy

- Case studies from 3 major companies in their respective industries
- Horizontal development of industry standard winning patterns



The Group's Advantage in Discovering New Demands in Response to COVID-19

Domestic Manufacturing Outsourcing Business

CSM (Cloud Staffing Management) is a system that resolves complicated work for clients ⇒ Please refer to PP.51-54.

- Progress status of Dispatched Employee Arrangement/Management System "CSM"

A major automobile manufacturer plans to adopt CSM from October 2020

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

We will take advantage of the introduction of CSM to extend the service delivery to the automaker's group companies and manufacturers in other industries

- Systems such as CSM have yet to be widely adopted among manufacturers, and as these systems will be linked to client systems, it is unlikely that one company uses multiple systems at the same time from the perspective of confidentiality

■ Manufacturers that have decided to introduce CSM from October 2020 to January 2021(as of October 21, 2020)

- **15 companies in total** • **1,234 users in total** (the number of users at the time of introduction; will increase in the future)

We expect CSM adoption by manufacturer will accelerate over time

	September	October	November	December	January
Total number of users	0	192	687	984	1,234
Total number of users per month	0	192	495	297	250
Major car manufacturer		178			
IT department of a major electronics manufacturer			200		
Companies renting/leasing brand-name construction machines			20		
Companies renting/leasing brand-name construction machines			1		
Manufacturer of optical equipment, etc.			4		
Manufacturers of major electronic devices, etc.					250
Major logistics company			10		
Manufacturers of major electronic devices, etc.			100		
Major battery manufacturers				20	
Major battery manufacturers			100		
Logistics company affiliated with an automobile manufacturer				57	
Major chemical product manufacturer				160	
Major confectionery maker				60	
Major textile manufacturer		14			
Major battery manufacturer			60		

NOTE: By facilitating a range of cumbersome procedures involved in placing dispatched workers on the manufacturer side, including ordering to multiple dispatch business operators, CSM will help the Group expand market share and exploit the ongoing HR placement industry shakeout as clients move to our company.

The Group's Advantage in Discovering New Demands in Response to COVID-19

Overseas Engineering Outsourcing Business

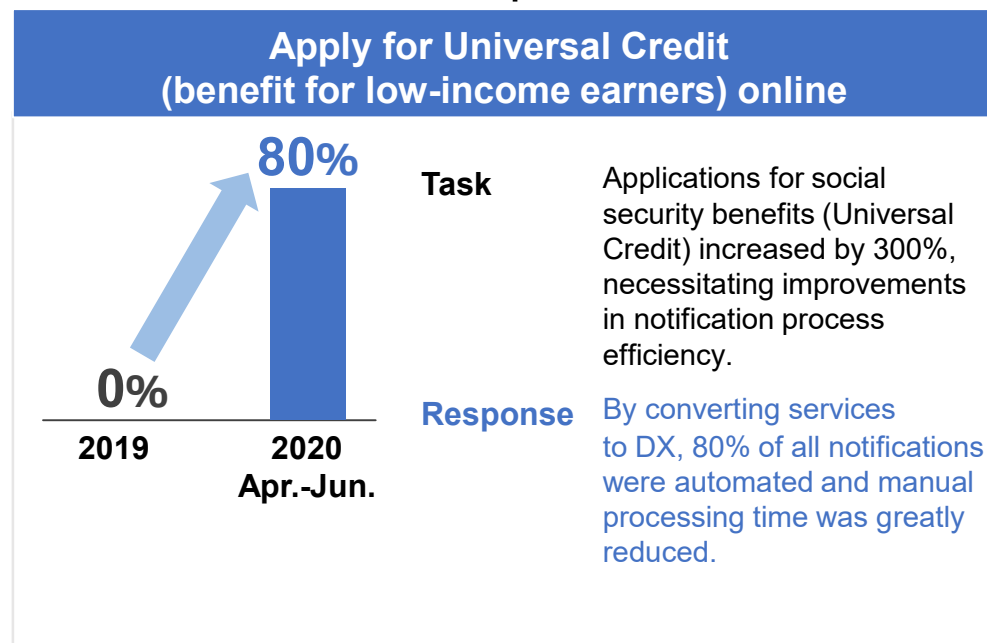
(Public works-related business in the U.K.)

- Promotion of digital government

Despite a pandemic lockdown occurring, the government's conversion to automation and DX progressed rapidly for it to continue business, thus actively adopting tech for BPO business.

We succeeded in cutting down 180 man-months and aim to secure future government outsourcing contracts by promoting DX going forward.

DX conversion example



Overseas Service Operations Outsourcing Business

(Public works-related business in the U.K.)

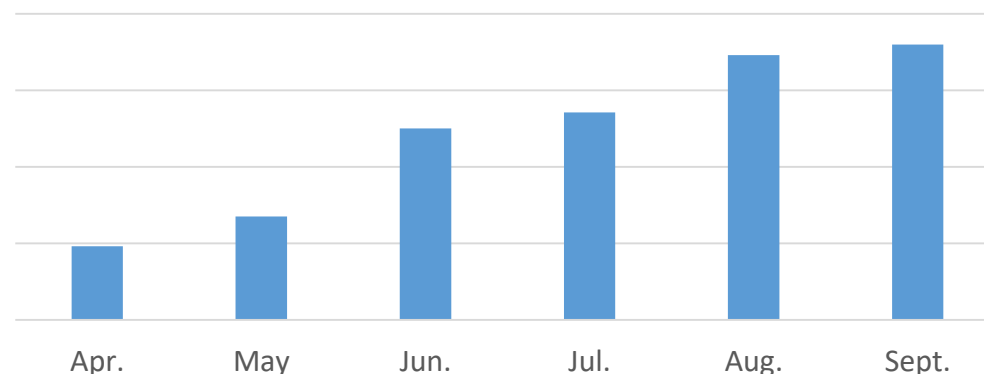
- Growth of outplacement (reemployment support) business

In the U.K., after consolidating a recession-resistant outplacement firm into the Group in April, the number of inquiries increased rapidly due to the pandemic. Future demand is expected to increase, so we are further bolstering our presence. Our operating profit has already increased by ¥50 million versus our initial forecast for this fiscal year.

Number of outplacement inquiries

Apr.	May	Jun.	Jul.	Aug.	Sept.
48	66	108	124	111	99

Revenue



The Group's Advantage in Discovering New Demands in Response to COVID-19

Overseas Service Operations Outsourcing Business

- Progress of e-commerce related logistics business
 - Services at the distribution bases (collection/delivery centers) for e-commerce, particularly in the Netherlands, as e-commerce being a pre-pandemic growth market
 - ⇒ Due to the Dutch labor shortage, we hired in workers at our recruitment bases in Eastern Europe, where wages are low.
 - After the COVID-19 outbreak and ensuing lockdown, reliance on remote work accelerated and e-commerce-related needs have expanded significantly
 - ⇒ Although we can no longer hire in Eastern Europe, we have hired many foreign nationals who have already moved to the Netherlands but have lost their jobs due to the pandemic
 - ⇒ Even after the pandemic ends, remote work will continue to expand, as will e-commerce, and our hiring in Eastern Europe could resume at any time

■ Expanding platforms that support the employment of foreign nationals

Introducing AI for worker recruitment



Expansion of VR training



Housing and transportation optimization



24-hour call center

Expansion of overseas recruitment bases (post-pandemic), etc.

■ Establishing a recruitment/in-house IT system maintenance in compliance with the law

E-commerce related logistics business	FY12/20 1Q-end			FY12/20 2Q-end			FY12/20 3Q-end			FY12/20 4Q-end (Estimate)		
	Initial forecast	Result	Difference	Initial forecast	Result	Difference	Initial forecast	Result	Difference	Initial forecast	Estimate	Difference
	8,164	9,982	1,814	9,248	11,251	2,003	9,552	12,066	2,514	9,992	13,100	3,108

- With the pandemic acting as a major tailwind, both sales and profits are expected to double compared to initial forecasts

⇒ Increase the amount of funds posted in earnout by some ¥1 billion

Earnout provision = A provision stating that the buyer of a business is to pay the seller a percentage of the acquisition price according to a calculation method agreed in advance if the business achieves certain financial targets or its performance exceeds the certain threshold within a certain period after closing an M&A transaction.

Acquisition Announcement Made on November 4, 2020



Acquisition Announcement Made on November 4, 2020

M&A in the Overseas Engineering Outsourcing Business (Tentative)

Cpl Resources plc (hereinafter “Cpl”) **Head Office: Dublin, Ireland**

On November 4, 2020, the Company and Cpl agreed on the terms of the acquisition which, subject to Craft shareholder and Irish High Court approval, will be made through the cash purchase of all issued and to-be-issued ordinary shares of Cpl (hereinafter the “Acquisition”). Cpl's board of directors has unanimously recommended that its shareholders vote in favor of the Acquisition.

■ Company Profile

- Ireland's largest human resource service company with its ordinary shares listed on the Euronext Growth Market of Euronext Dublin and AIM of the London Stock Exchange
- With a total of 45 offices in 9 countries, mainly Ireland and the United Kingdom, Germany, Czech Republic, Poland, Hungary, Slovakia, Tunisia, and the United States, Cpl has a firm network for global companies in various fields.
- FY6/20: Revenue €569,268K; Operating profit €24,978K
- Number of shares Issued: 27,745,935 shares • Established in 1990 • General accounting principles: IFRS
- Business description: Develop businesses such as dispatch, recruitment, and managed services in the field of IT, pharmaceutical & life Sciences, medical & healthcare, finance & accounting, legal & human resources, etc.

■ Scheduled Execution Date

- The Acquisition is planned to be implemented through a scheme of arrangement pursuant to Irish law.
*For the scheme of arrangement, refer to the “Notice Regarding the Proposal to Acquire the Ireland-Based Company Cpl” announced on November 4, 2020.
If the Acquisition is approved by both Cpl's shareholders and the Irish High Court, it is expected to become effective during the 1Q FY21 (January to March 2021). Detailed schedule on the Acquisition process will be promptly disclosed once it becomes finalized.

■ Acquisition Amount

- €11.25 per Cpl ordinary share

■ Acquisition Capital

- **Expected to be funded through the Company's cash reserves and financing from banks**

■ Equity Ratio after M&A

- Expected to be 24.0% before M&A ⇒ 21.0% after M&A

■ Goodwill

- Expected to be around ¥22 billion at present

Reference Materials



Reference Materials

- Industry Environment of Domestic Engineering Outsourcing Business

Environment

- Demand for IT engineers, etc. continue to expand as technology evolves swiftly and new technologies are to be widely applied 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.
- While demand for engineers took a momentary step back in the R&D field of car industry manufacturers aiming to save costs, demand for engineers and RPA has been steady among non-manufacturing companies.
- HR service providers specializing in manufacturing R&D and smaller providers without the 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 demand for digital transformation (DX) across all 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 promote taking in 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 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 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 improvement 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.

KEN School gives the Group an advantage in recruitment and contributes to the significantly high number of people hired, which is outstanding among competitors in the industry

- No. of workers recruited in the 3Q YTD FY12/20: 5,230

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 extremely large market with a higher unit price

Trends in the operating environment related to engineer dispatch

- Decreasing population in many developed countries, as well as the competition over developing and introducing new technologies, is causing a chronic shortage of engineers
- Demand for productivity improvement and manpower savings by using robotics and AI technologies is growing in response to the trend towards reduced working hours

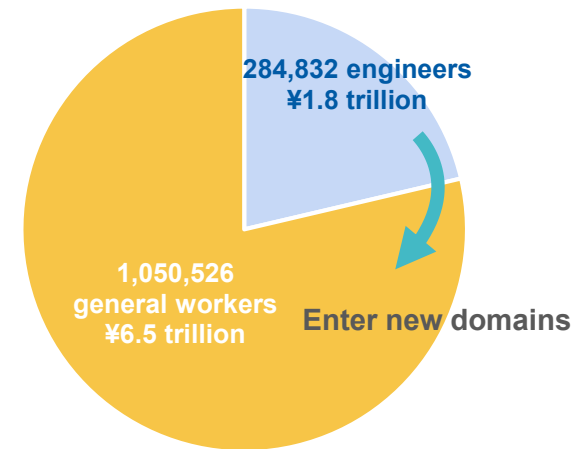
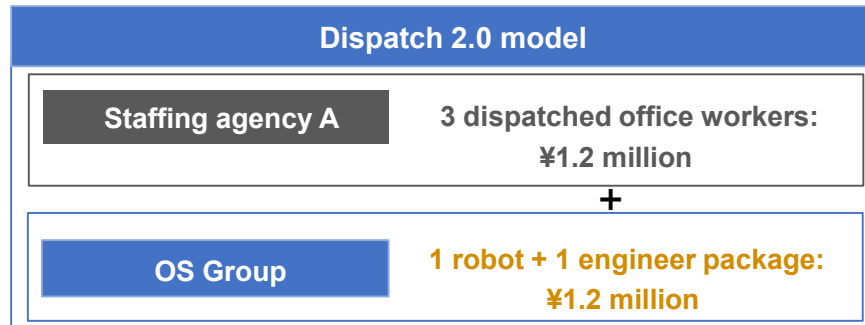
We provide the engineers and advanced technologies as RPA and AI as a package to support the improvement of efficiency, including actual operations



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

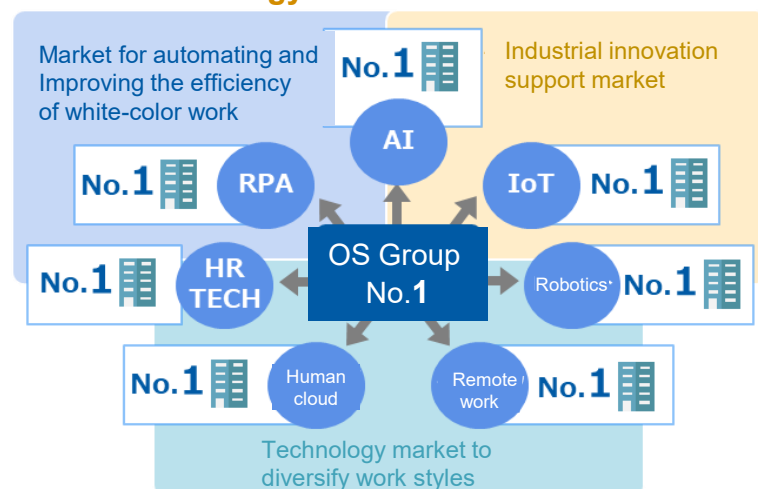
- The technology element of “Dispatch 2.0” calls for proficiency in advanced technologies in a variety of fields; such technology development is difficult for a single company to achieve.
- By joining forces with companies that possess advanced technologies and solutions, the OS Group aims to provide 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 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

Operating profit margin **7.7%**

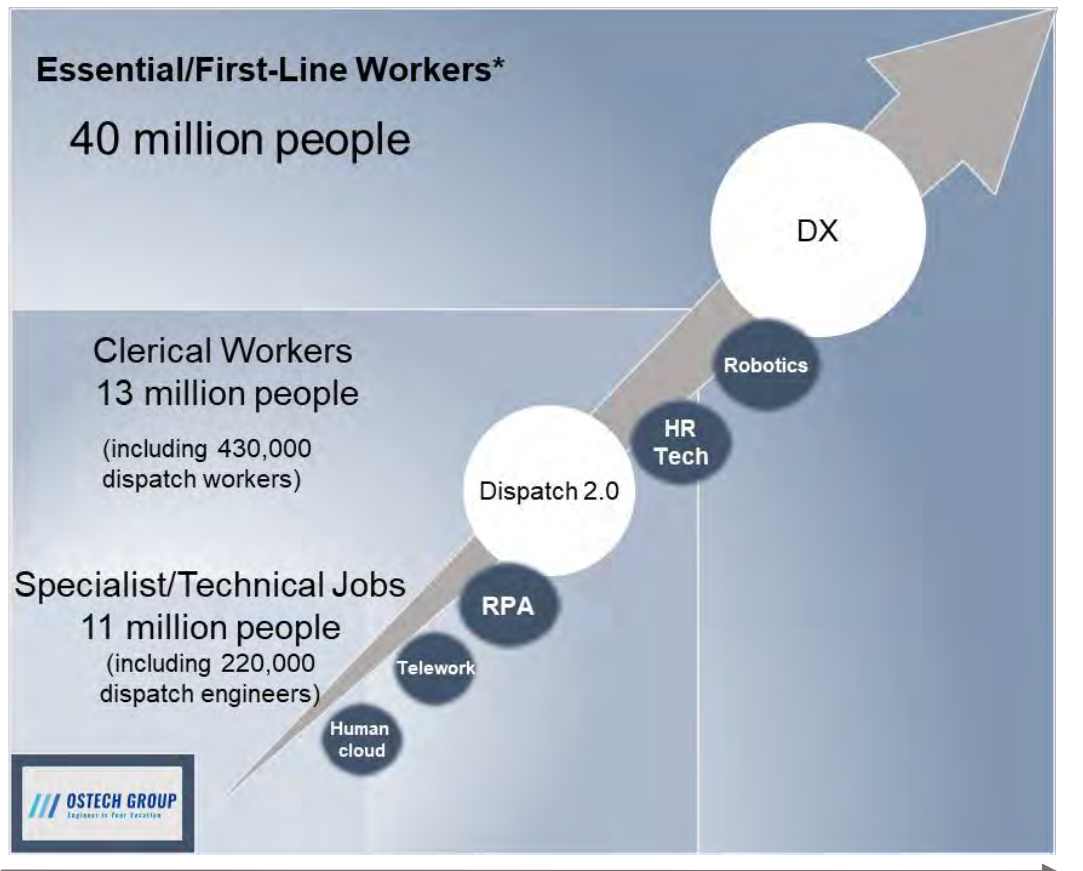
FY12/24 Target

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)

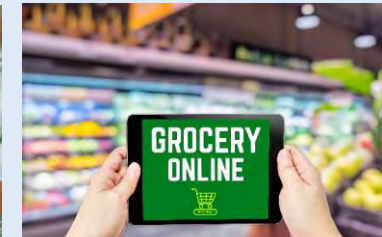


* First-line workers: Refers to people who work "onsite" in such fields as manufacturing, construction, healthcare, a term mainly used by Microsoft

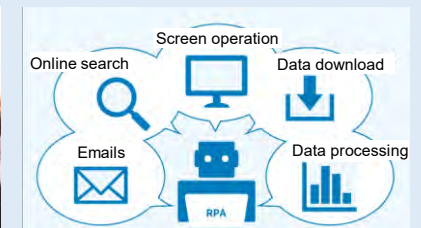
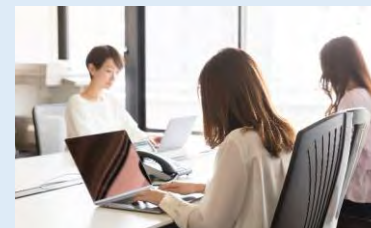
Examples of services for DX market



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

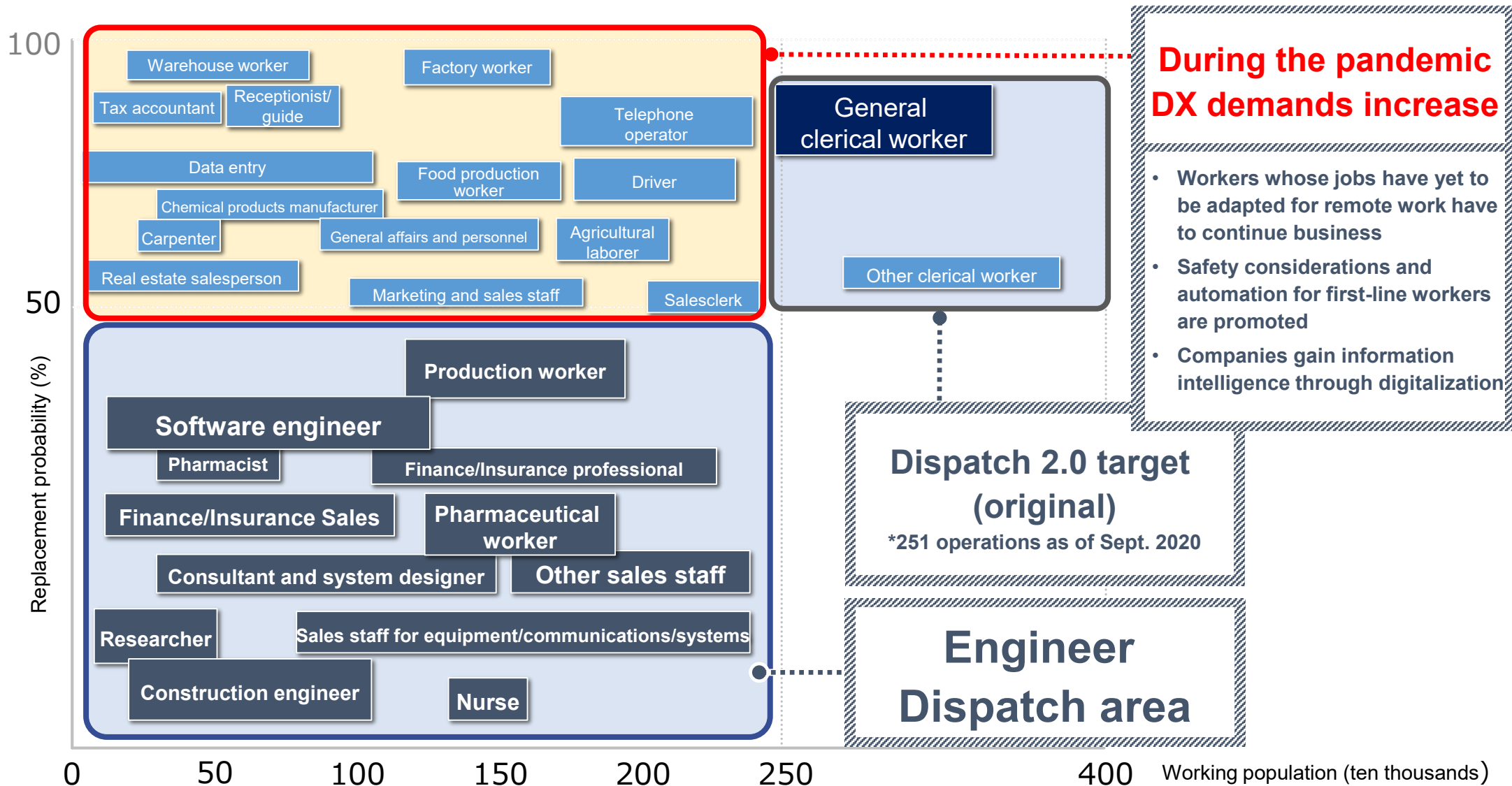


Solve an HR shortage mainly by using software robots to perform routine back-office tasks

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

- Industry Environment of Domestic Manufacturing Outsourcing Business

Environment

- Labor supply-demand conditions in the manufacturing sector shift from a seller's market to a buyer's market
 - Seller's market⇒Dispatch business operators could have received orders from manufacturers if they had hiring capacity and abundant human resources
 - Buyer's market⇒Only dispatch business operators with proposal development capability can receive orders
- With their back-office work and other functions being performed through remote work, clients must deal with various cumbersome procedures involved in placing dispatched workers

Our Response

- In the current environment, only dispatch business operators with exceptional proposals can secure placement contracts, which has led to an industry shakeout. By providing solutions including CSM to clients, we will take in other vendors and expand market share

Taking in peers in the same industry during the HR service industry shakeout ⇒ Please refer to PP.60-62
(including the Domestic Services Operation Outsourcing Business)

Reference Materials

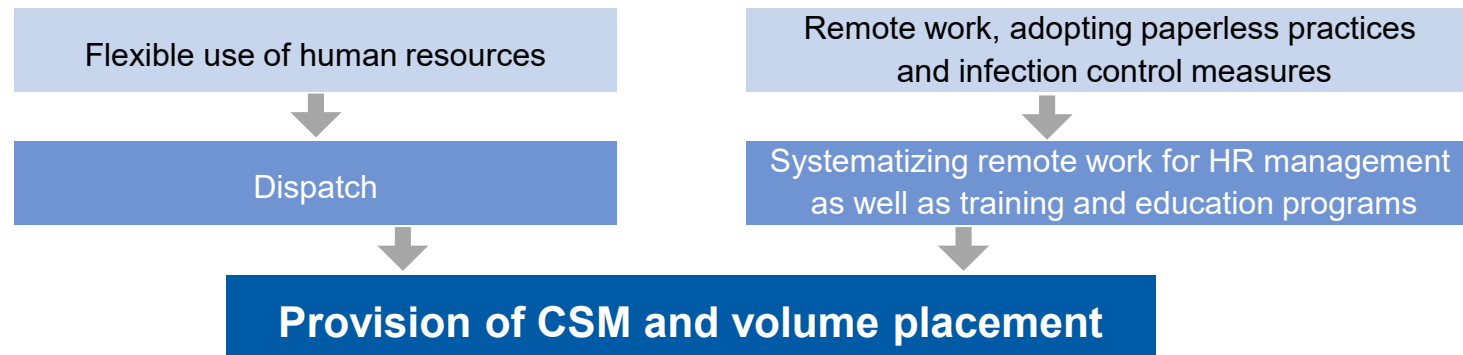
● Business Scheme of Domestic Manufacturing Outsourcing Business

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

■ Impact of the pandemic on the manufacturing sector

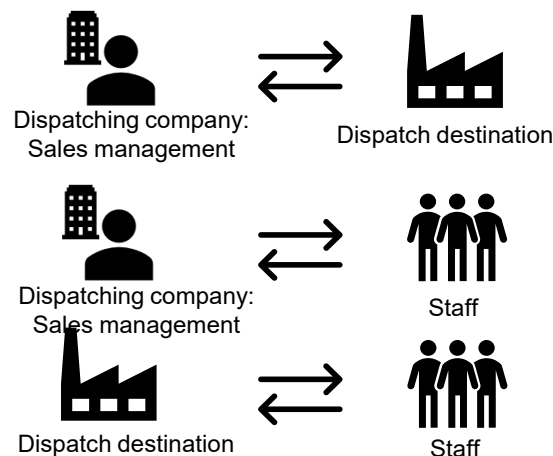
Despite signs of a production recovery primarily in the auto industry, personnel and manufacturing divisions in manufacturing companies have had to respond to challenges they had never experienced before, from remote work to setting up protocols for infection controls onsite. In addition, they had to 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

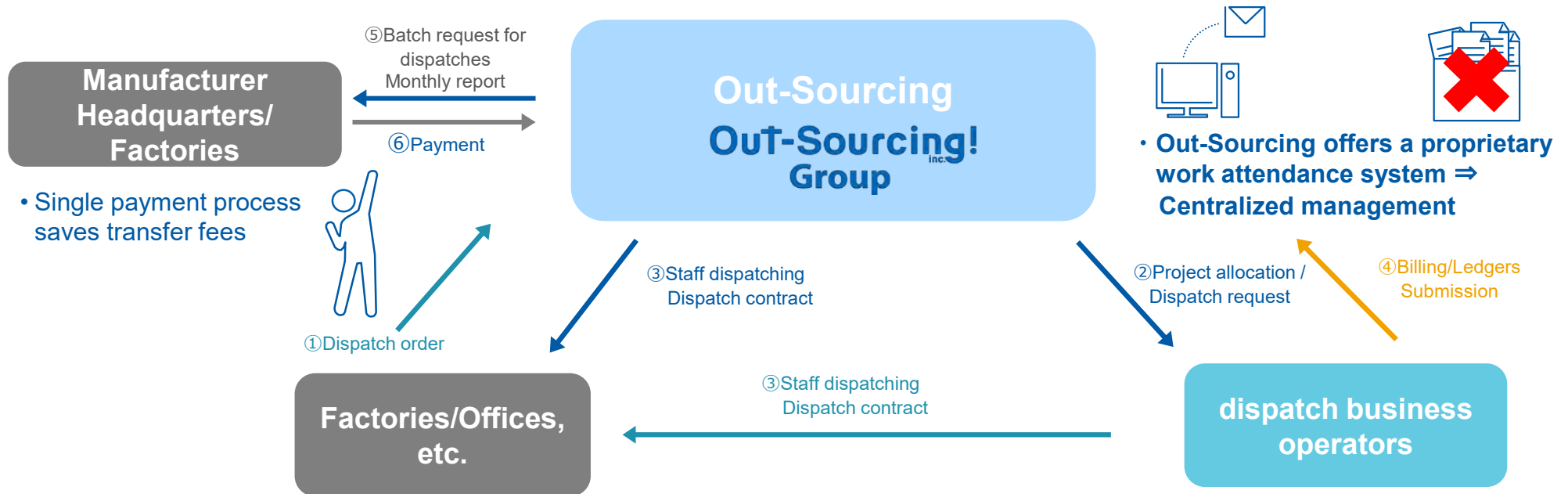
- Provision of Dispatched Employee Arrangement/Management System “CSM”

Benefits to 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 a more efficient point-of-contact for parties involved in worker dispatching.



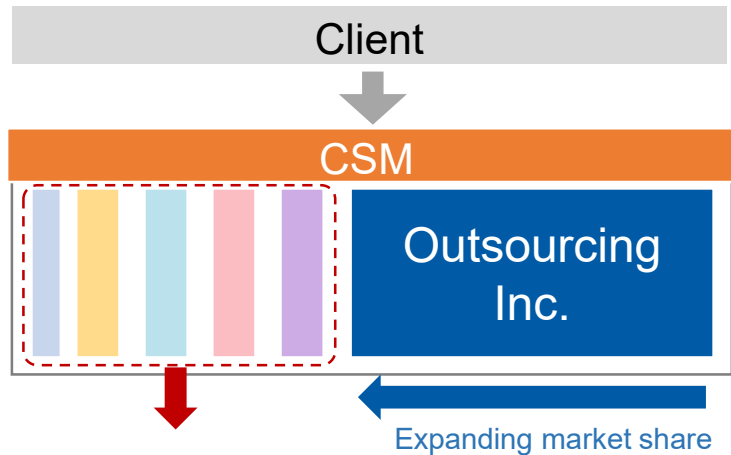
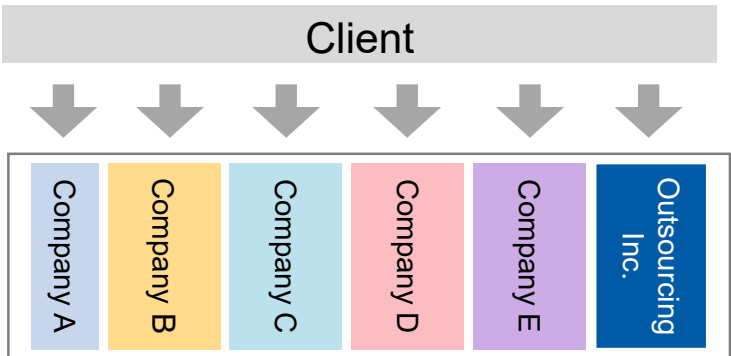
Note: Our centralized management service business integrates the operating know-how of each Group company.

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



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

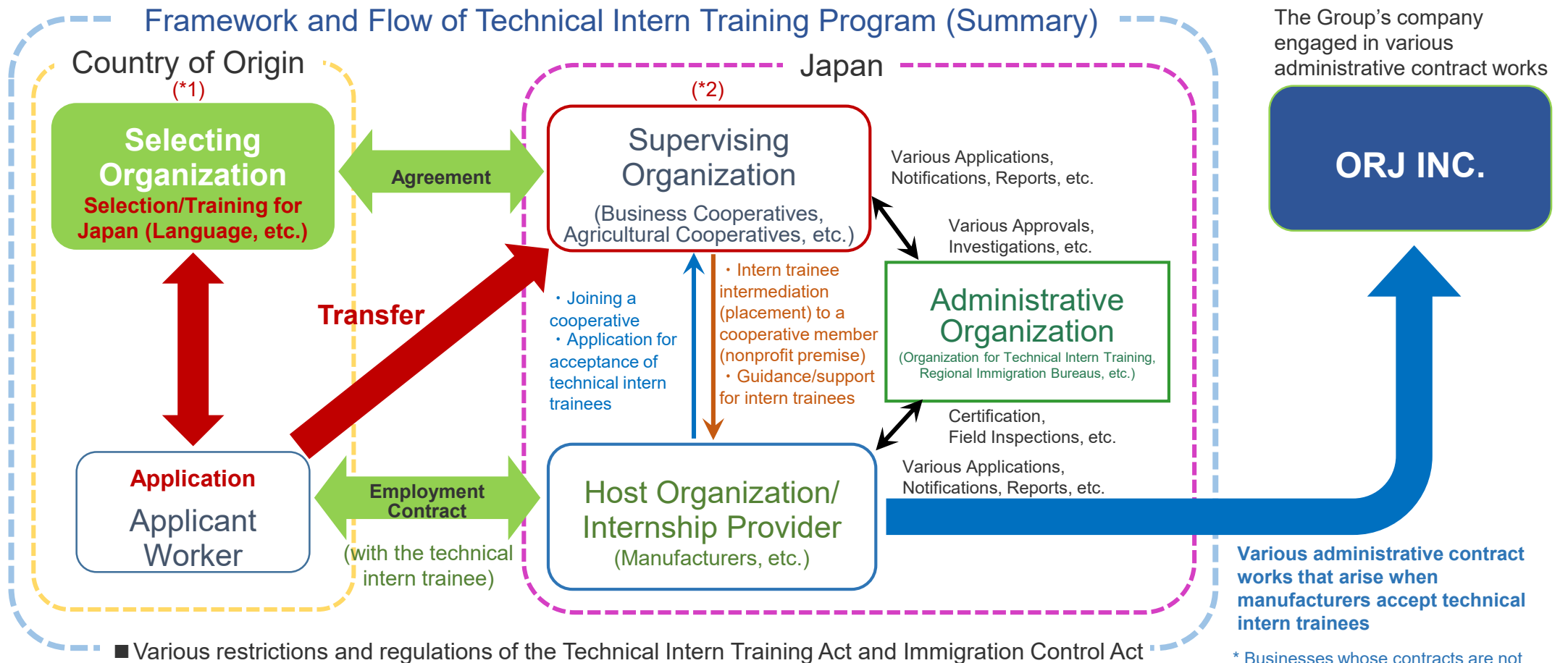
After introducing CSM

Obtain the largest share of the market by proposing and introducing CSM as well as by taking in dispatch business operators who do not survive the shakeout.

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 domestic workforce declines in the medium-to-long term



There are organizations that cooperate closely with the Company among the selecting 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 US 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 US 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 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 US military facilities such as in Okinawa, etc., which are relatively less susceptible to receiving 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 yen 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 the 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.

Establish holding company structures for Group companies in the U.K. and Australia, optimize resources within the group, and accelerate 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 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 related service operation business

From government institutions and administrations of each country, the Group takes on consignment of various outsourcing public work 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.

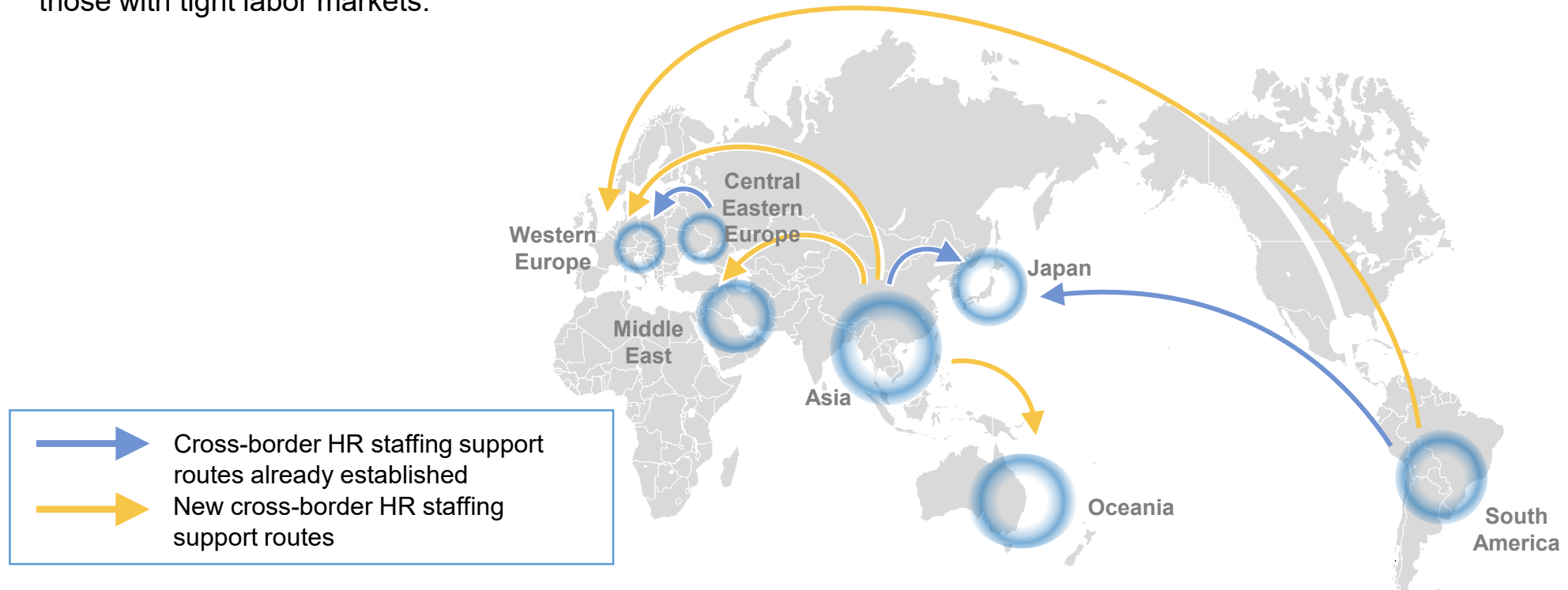
Reducing risk through sector diversification in three fields with different business cycles, and rolling out mutual sharing of business know-how, infrastructure, engineers, etc., to Europe, Asia and Australia

*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

Because in Japan and other developed countries in Europe, the workforce population is in tight supply due to declining birthrates and aging population, we are recruiting mainly in Eastern Europe and Asia, where the Group has many recruitment offices. We are 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

- M&A in Domestic Manufacturing Outsourcing Business
(taking in peers in the same industry during the industry shakeout)

Career Group 【Four companies: Career Agent Co., Ltd. (Saitama Prefecture); Career Contract Co., Ltd. (Ibaraki Prefecture); Career File Co., Ltd. (Fukuoka Prefecture); and Career Incubator Co., Ltd. (Saitama Prefecture)】

Acquired as wholly-owned subsidiaries on October 1, 2020

⇒ The four companies provide manufacturing placement services mainly to the pharmaceutical and food industries based on a profit-oriented management policy, while focusing on responding to law revisions and thorough compliance. They have already accumulated many excellent local companies as clients.



Synergy with the Group

- ⇒
- The Career group will further expand the range of their business operations by utilizing the Group's management resources including recruitment and sales strengths
 - By bringing in the Career group, the Group will strengthen its capability to respond to client needs of hiring workers locally in small lots and promote smoothing out earnings by making its performance less susceptible to business cycles of specific client bases

Reference Materials

- M&A in Domestic Manufacturing Outsourcing Business
(taking in peers in the same industry during the industry shakeout)

AVANCE HOLDINGS Co., Ltd.

To become a subsidiary in November 2020
(additional acquisition of 43% of issued shares to hold total 51% with 8% OS acquired)

⇒ The AVANCE group has established networks and connections to invite persons of Japanese descent, mainly from Brazil to work in Japan, for over 30 years and is trusted by governments and the community of Japanese descendants

FY3/20 (AVANCE CORPORATION, non-consolidated)

Net sales: ¥13,716 million

Operating profit: ¥337 million



Synergy with the Group

- ⇒ • In Japan, use of foreign workers is steadily growing due to the declining labor force population in Japan over the medium to long term; we aim to strengthen the AVANCE Group's business and management foundations by actively and flexibly using the OS Group's client base and sales force
- The Group will leverage the AVANCE Group's knowhow and the Group's HR mobilization scheme to not only invite overseas workers to Japan, but also to establish a HR mobilization network in Europe, the Middle East, North America and other regions in the future; it will also serve as a core infrastructure for our WBB* platform

***WBB = “WORKING” Beyond Borders**

This is a platform for workers who travel under the HR mobilization scheme can do so in a consistently safe and secure manner

- The OS Group's medium-term growth strategy is to lay the foundations for new business hubs that do not accompany employment and we are working to develop and provide it as a platform

Reference Materials

- M&A in Domestic Manufacturing Outsourcing Business
(promotion of performance leveling)

EcoCity Group [Two companies: EcoCityGroup Corporation and its wholly owned subsidiary, EcoCityService Corporation]

Acquired as wholly-owned subsidiaries on October 8, 2020

⇒ Entrusted by local governments and public enterprises, EcoCityService handles meter reading work of water and sewage charges, collection of charges clerical work, tax payment notification call center operation and other roles as a BPO. Since the contracts of these works run for multiple years, the company has a stable revenue base and has achieved 17 consecutive years of sales growth since it was launched in 2003



Synergy with the Group

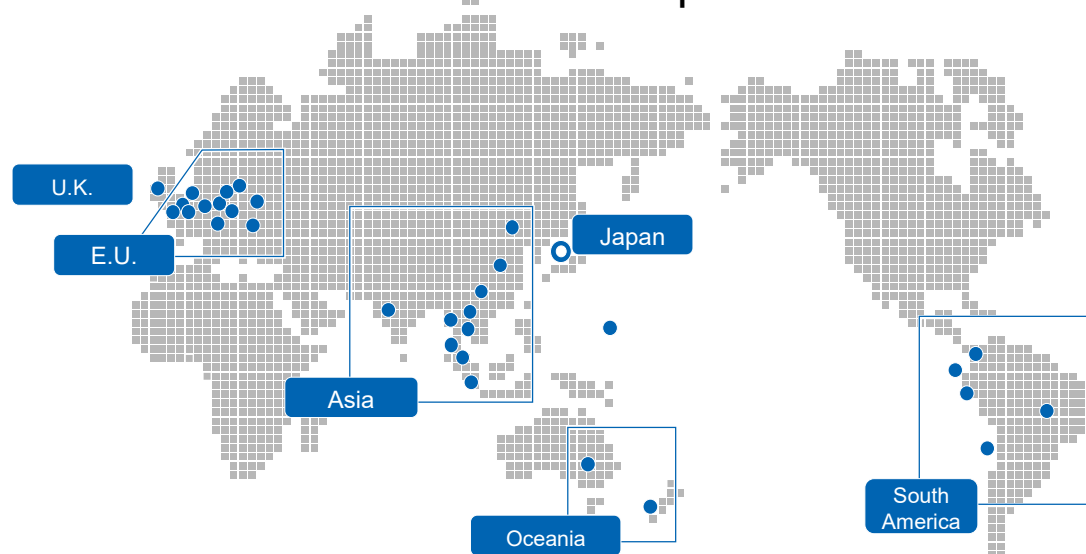
- ⇒ • Expand the range of our Group's public-work related businesses in Japan by utilizing our Group's management resources to promote widely EcoCityServices' BPO business for public agencies
- In the future, we will promote DX conversion of domestic public debt collection business by utilizing proprietary AI that streamlines the public debt collection business of the existing U.K. Group companies

*** Our Group is engaged in business performance leveling by expanding its presence in public works outsourcing business that has a different business cycle from the highly volatile manufacturing outsourcing business and is less susceptible to economic fluctuations**

- In developed countries, the central and local governments actively outsource public services to the private sector. Our Group is engaged in the debt collection agency services for the central and local governments, BPO, BPS and other public sector outsourcing ranging from upstream to downstream services in the U.K. market
- In Japan, the privatization of public works has emerged from its seed stage to actual growth phase, as the number of staff at a local government is on the decline while the administrative needs of residents are diversifying

Reference Materials

- The Group's Global Expansion is Focused Only on HR Service Business, about Which We have Developed and Refined Know-how in Japan



Classification	Japan	Oceania	U.K.	E.U.	Asia	South America	Covered Industry Sectors
Engineering HR Service Business	●	●	●	—	—	—	IT-related, electrical/electronics/transport equipment (R&D) pharmaceutical/medical care (R&D) construction/plant, others
Non-office Worker HR Service Business	●	—	—	●	●	●	manufacturing, logistics/retail transportation infrastructure, medical care/nursing care, other service operations
Foreign Staff Support Business	●	—	—	—	—	—	—
Government Outsourcing Business	●	●	●	—	●	—	government-related, U.S. military facilities-related
Other Business	●	—	—	—	—	—	administrative outsourcing service business at a special subsidiary, etc.

We are considering to apply these new classifications from the 1Q FY12/21 in order for our shareholders to better understand the Group businesses. (Classification details have yet to be finalized at present.)

Reference Materials

- The Group's Global Expansion is Focused Only on HR Service Business, about Which We have Developed and Refined Know-how in Japan

Business Portfolio by Region

New business classifications	Region	Main Group companies
Engineering HR Service Business	Japan	OUTSOURCING TECHNOLOGY Inc., Mobile Communications Co. Ltd., enable Inc., RPM Co., Ltd., TryAngle Co., Ltd., Advantec Co.,Ltd., Kyodo Engineering Corporation, Thinketh Bank Co., Ltd.
	Oceania	BLUEFIN Group, PM-P Group, OUTSOURCING OCEANIA Group (CLICKS, INDEX)
	U.K.	NTRINSIC Group
Non-office Worker HR Service Business	Japan	OUTSOURCING Inc., PEO Co., Ltd., OTS Inc.
	E.U.	Orizon Group, OTTO Group
	Asia	OS VIETNAM, OS (THAILAND), PT.OS SELNAJAYA INDONESIA, SANSHIN (MALAYSIA), OUTSOURCING (CAMBODIA), FARO Group, OS HRS Group, ALP Group (ALP, DATACORE)
	South America	GRUPOEXPRO Group, SL Group, OS ELOFORT Group, HELPNET Group
Foreign Staff Support Business	Japan	ORJ INC.
Government Outsourcing Business	Japan	AMERICAN ENGINEERING CORPORATION (OKINAWA), Oshima Shokai Co.,Ltd., ORION CONSTRUCTION
	Oceania	OUTSOURCING OCEANIA Group (HOBAN)
	U.K.	CDER Group (former J.B.W. Group), LIBERATA Group, VERACITY, ALLEN LANE
Other Business	Japan	Outsourcing Business Service Inc.

We are considering to apply these new classifications from 1Q FY12/21 in order for our shareholders to better understand the Group businesses. (Classification details have yet to be finalized at present.)

Reference Materials

- Strengthening Group Governance (i)

Group governance to achieve dramatic growth



Reference Materials

● 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

Reference Materials

- Strengthening Group Governance (iii)

Continued sustainment of internal control (J-SOX and MCR)

◆ Introduction of J-SOX to regional HD

Purpose: Response to regional HD becoming an evaluation target company of J-SOX

- As a regional HD based on consolidated financial statements, OSUK has been engaged in adopting an internal control reporting system ever since it became a company subject to so-called J-SOX evaluation from FY 2020. Currently, based on the head office model, we are preparing RCMs (risk control matrixes) at both the HD and subsidiary levels (preparation of internal control documents and compilation of accuracy credibility), which will then be audited after November to evaluate preparatory and operational merit.

◆ Continued sustainment of MCR (as of October 31, 2020)

Purpose: Self-risk oversight of J-SOX internal control non-target company management

Stage	Subjects	Current status	Schedule going forward		
			Briefing on implementation → document creation starts	Documentation produced, self-inspection	Self-evaluation results report
Stage 0	3 companies	Setting of briefing schedule work in progress	After spring 2021		
Stage 1	0 companies	Start of Production			
Stage 2	1 company	Creating MCR documents under the guidance of the Company's Business Management Division		By Dec. 2020	
Stage 3	6 companies	To be adopted by each Group company in accordance with their own operational needs, after confirming controls and division of work, and making improvements as required			By Mar. 2021
Stage 4	2 companies	Self-evaluation work in progress; report scheduled after completion			By Dec. 2020
Final Stage	7 companies	Second self-evaluation report completed			

- As of October 2020, 7 companies have completed the second self-evaluation reports and the Company has finished reviewing them; 2 companies still being evaluated.
- The 3 companies in stage 0 are scheduled to begin after the situation allows individual onsite guidance.
- For each company in stages 2 to 4, we periodically confirm their progress and provide guidance remotely.

Reference Materials

- Strengthening Group Governance (iv)

(*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 FY12/20

● Annual and Semi-Annual Trends

		FY12/19			FY12/20		
		1H	Actual		1H	Forecast	
			2H	Full-Year		2H	Full-Year
Engineering	No. of workers recruited (persons)	3,991	2,352	6,343	4,080	2,296	6,376
	Recruitment unit price (¥/worker)	324,149	579,798	418,944	442,400	591,102	495,947
Manufacturing	No. of workers recruited (persons)	4,534	3,284	7,818	2,746	3,775	6,521
	Recruitment unit price (¥/worker)	85,450	57,705	73,796	104,445	81,590	91,215
Service Operations	No. of workers recruited (persons)	1,959	1,281	3,240	894	1,000	1,894
	Recruitment unit price (¥/worker)	23,095	37,880	28,940	30,002	24,137	26,905
Recruiting and Placing	No. of workers recruited (persons)	1,958	1,767	3,725	702	510	1,212
	Recruitment unit price (¥/worker)	174,674	134,879	155,797	339,715	163,445	265,542

● Quarterly Trends

		FY12/19					FY12/20				
		1Q	2Q	Actual			1Q	Actual		Forecasts	
				3Q	4Q	Full-Year		2Q	3Q	4Q	Full-Year
Engineering	No. of workers recruited (persons)	1,155	2,836	1,201	1,151	6,343	1,155	2,925	1,150	1,146	6,376
	Recruitment unit price (¥/worker)	598,655	212,352	630,609	526,779	418,944	994,573	224,362	725,192	523,199	495,947
Manufacturing	No. of workers recruited (persons)	2,046	2,488	1,582	1,702	7,818	1,411	1,335	1,358	2,417	6,521
	Recruitment unit price (¥/worker)	126,977	51,301	61,884	53,821	73,796	136,396	70,676	85,170	192,342	91,215
Service Operations	No. of workers recruited (persons)	1,070	889	569	712	3,240	505	389	465	535	1,894
	Recruitment unit price (¥/worker)	27,456	17,846	33,576	41,319	28,940	51,347	2,293	26,572	11,781	26,905
Recruiting and Placing	No. of workers recruited (persons)	924	1,034	967	800	3,725	511	191	185	325	1,212
	Recruitment unit price (¥/worker)	196,934	154,781	171,402	90,731	155,797	395,779	189,723	164,914	52,848	265,542

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 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 under IFRS 16 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 increases 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)

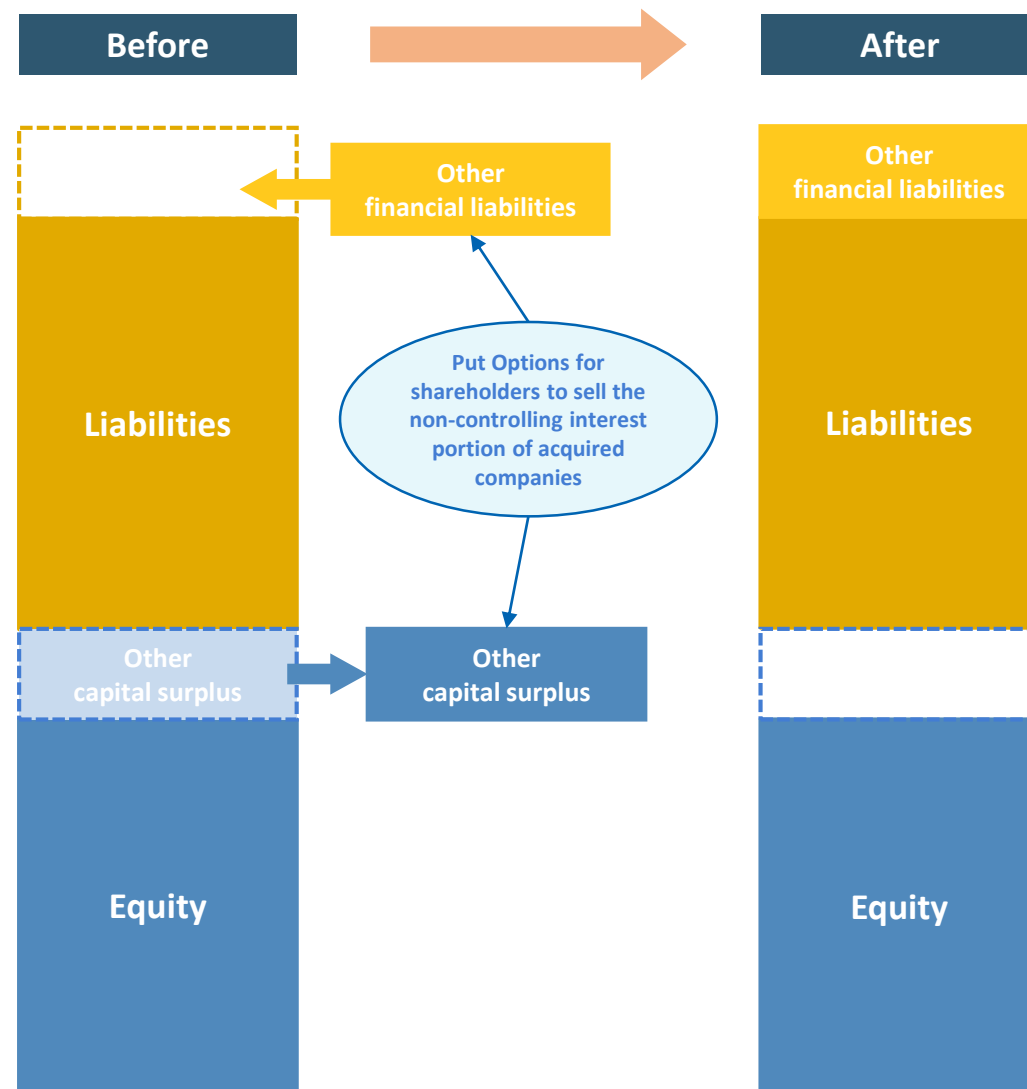
- In cases where put options for NCI are granted, related to M&A

Common Interpretation of 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

As the provisional accounting of the business combinations in FY12/19 was finalized, the consolidated financial statements from FY12/19 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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