

# **Reference Materials**

## **for the 3<sup>rd</sup> Quarter of Fiscal Year**

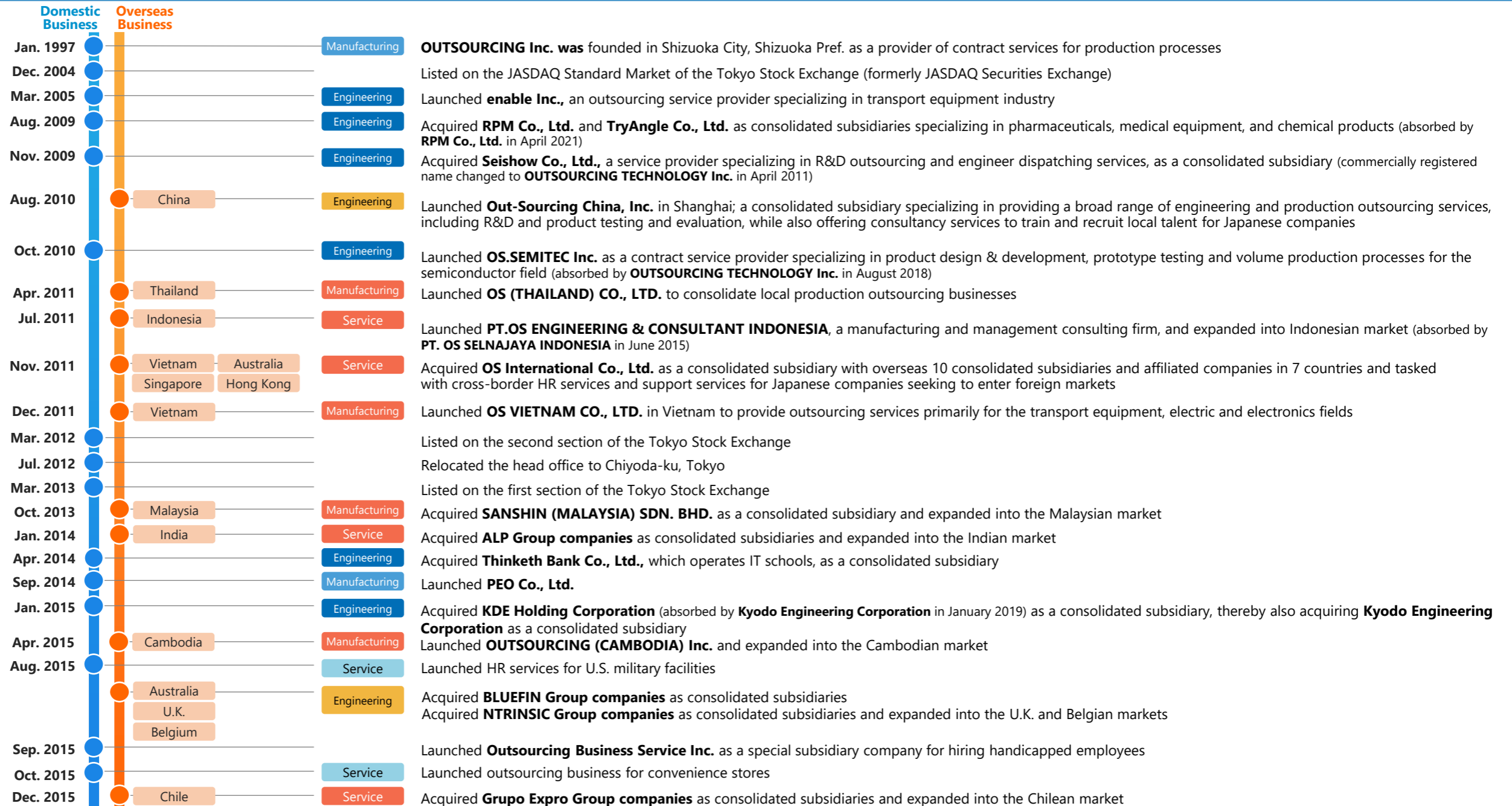
### **Ending December 31, 2022**

Nov 2022

**OUTSOURCING Inc.**  
Securities Code: 2427/TSE Prime Section

P. 3	OUTSOURCING Group Expansion Corporate History
P. 5	Medium-Term Management Plan VISION 2024: Change the GAME
P. 8	Information by Operating Segment
P. 20	Environment Surrounding Domestic HR Services Industry and Our Business Opportunities
P. 25	International Financial Reporting Standards (IFRS)

# OUTSOURCING Group Expansion Corporate History (1)



# OUTSOURCING Group Expansion Corporate History (2)

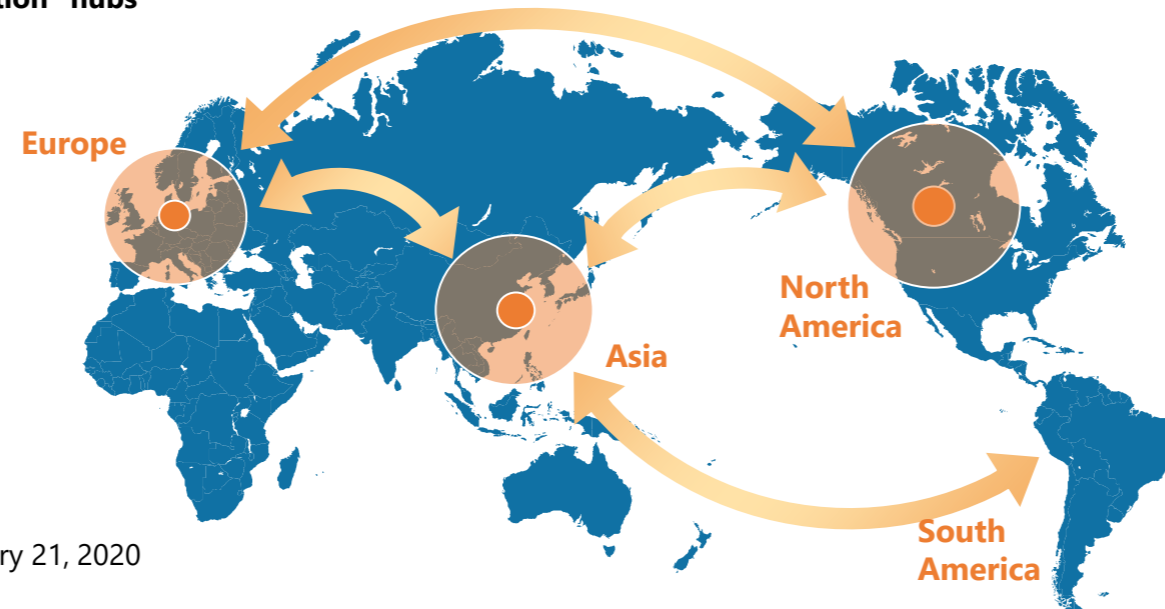




The OUTSOURCING Group aims to become a game changer\* in the HR business amid changing legislations and shifting KPIs. Through platform creation, we will transform our business structure in order to expand our fee-based business

\* game changer = a person or thing that causes a major transformation or changes the status quo

**Build a global HR mobilization network that adapts to changes in the economy and the operating environment, centered on the three major regions that serve as HR mobilization "hubs"**



(Note) Announced on February 21, 2020

## ● New Initiatives under VISION 2024

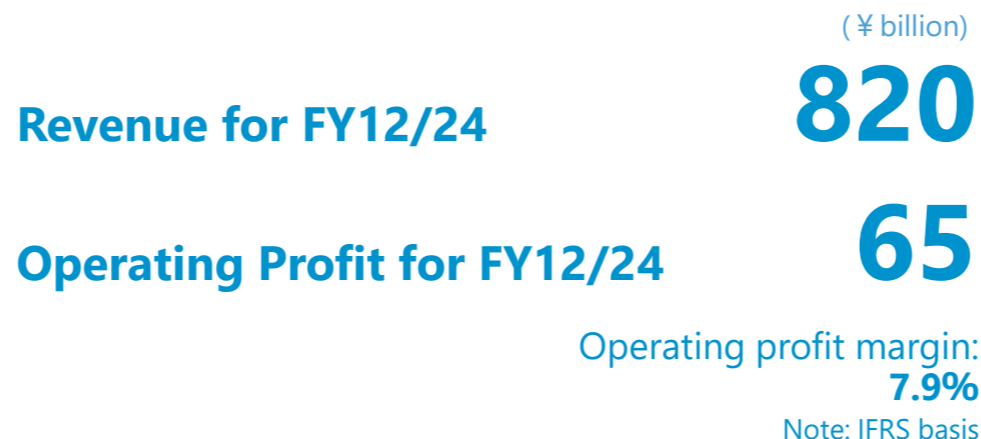
**Here, we introduce the Group's specific initiatives to promote HR mobilization from a global perspective, with the vision of "WORKING" Beyond Borders**

The world has been entering an era where working people move dynamically across national borders. Corporate needs for workers are scattered across regions, countries, and territories. Furthermore, the nature of the labor supply-demand gap differs between each. We are working to further strengthen our management structure, promote cooperation between Group companies, and accelerate collaboration with local partners to capture the dispersed needs in a timely manner

Leverage our Group's scale of business, with our 86,000\* employees (approx.) at 199\* companies in 34 countries and regions around the world

\* As of December 2019

## ● Medium-Term Management Plan VISION 2024 (FY12/20-FY12/24) IFRS



### ● VISION 2024: Priority Measures

#### Strategy I Further Expand Support Services for Foreign Workers

- Shift from the current strategy, which targets technical intern trainees, to a broader strategy that targets all non-Japanese residents

Domestic Manufacturing Outsourcing Business

Domestic Service Operations Outsourcing Business

Overseas Service Operations Outsourcing Business

#### Strategy II Increase Operating Efficiency and Save Manpower through Dispatch 2.0, Combining Engineers & Technologies

- Shift from the current engineer dispatching market to an extremely large market with a high unit price
- Through an alliance strategy, we will maintain a low-burden management while acquiring cutting-edge technologies that are needed to boost efficiency

Domestic Engineering Outsourcing Business

Overseas Engineering Outsourcing Business

#### Strategy III Further Expand Business Involving U.S. Military Facilities & Government & Public Works Related Business to Achieve More Consistent Operating Performance

- Expand our business in U.S. military facilities, which is relatively insusceptible to economic fluctuations
- Globally expand the public works and e-commerce distribution-related businesses, which are relatively unaffected by economic fluctuations

Domestic Service Operations Outsourcing Business

Overseas Service Operations Outsourcing Business

Overseas Engineering Outsourcing Business

#### Strategy IV Turn the Growing Worldwide Population into an Opportunity by Establishing a Global HR Mobilization Network

- Take advantage of the supply/demand gap between countries with shrinking populations and labor shortages, and countries with growing populations and labor surpluses
- Build a hub-centered global HR mobilization network that adapts to changes in the economy and the operating environment

Entire Group

#### Strategy V Build a WBB\* Platform to Move Away from the Stock of Human Resources Business

- The need to establish a fee-based business model to achieve sustainable growth
- \* WBB = "WORKING" Beyond Borders

Entire Group

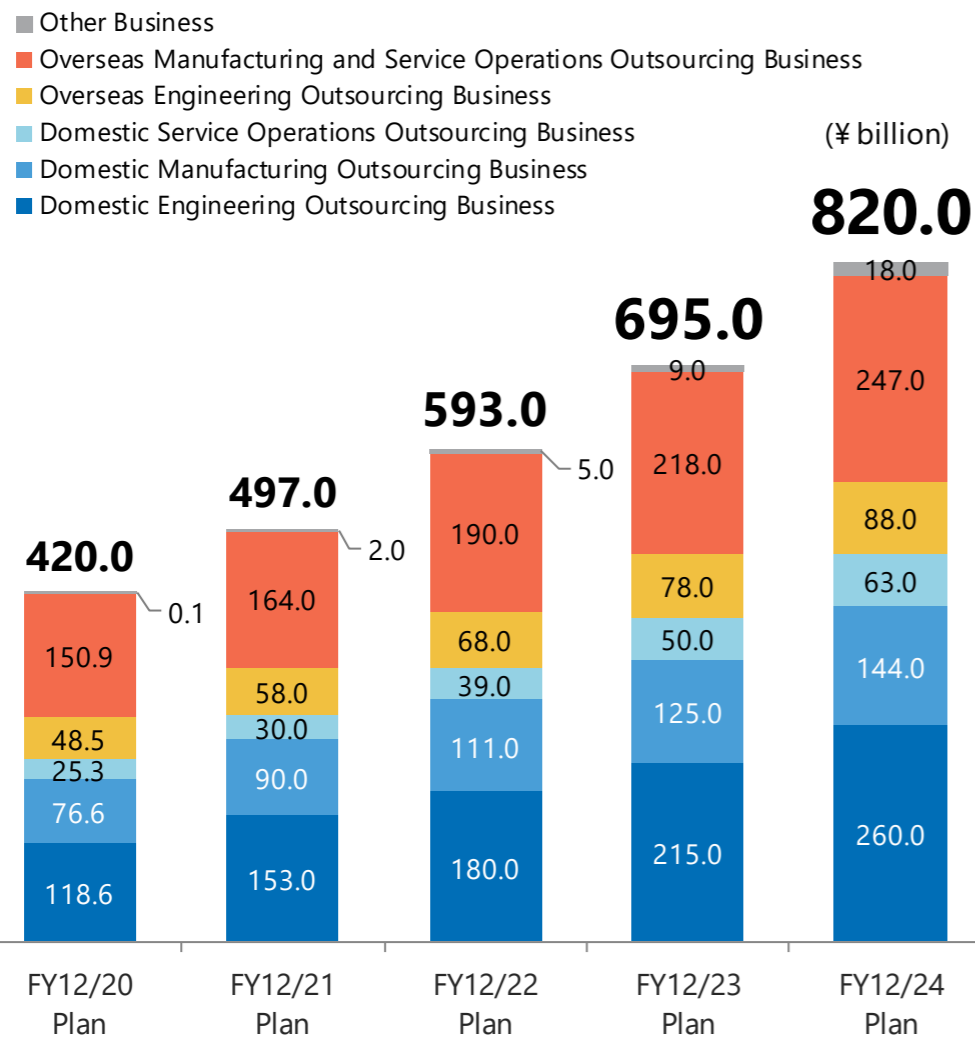
#### Strategy VI Pursue Financial Strategies

- ROE of 25% or higher, Shareholders' equity ratio of 30% or higher, Payout ratio of 30% or higher

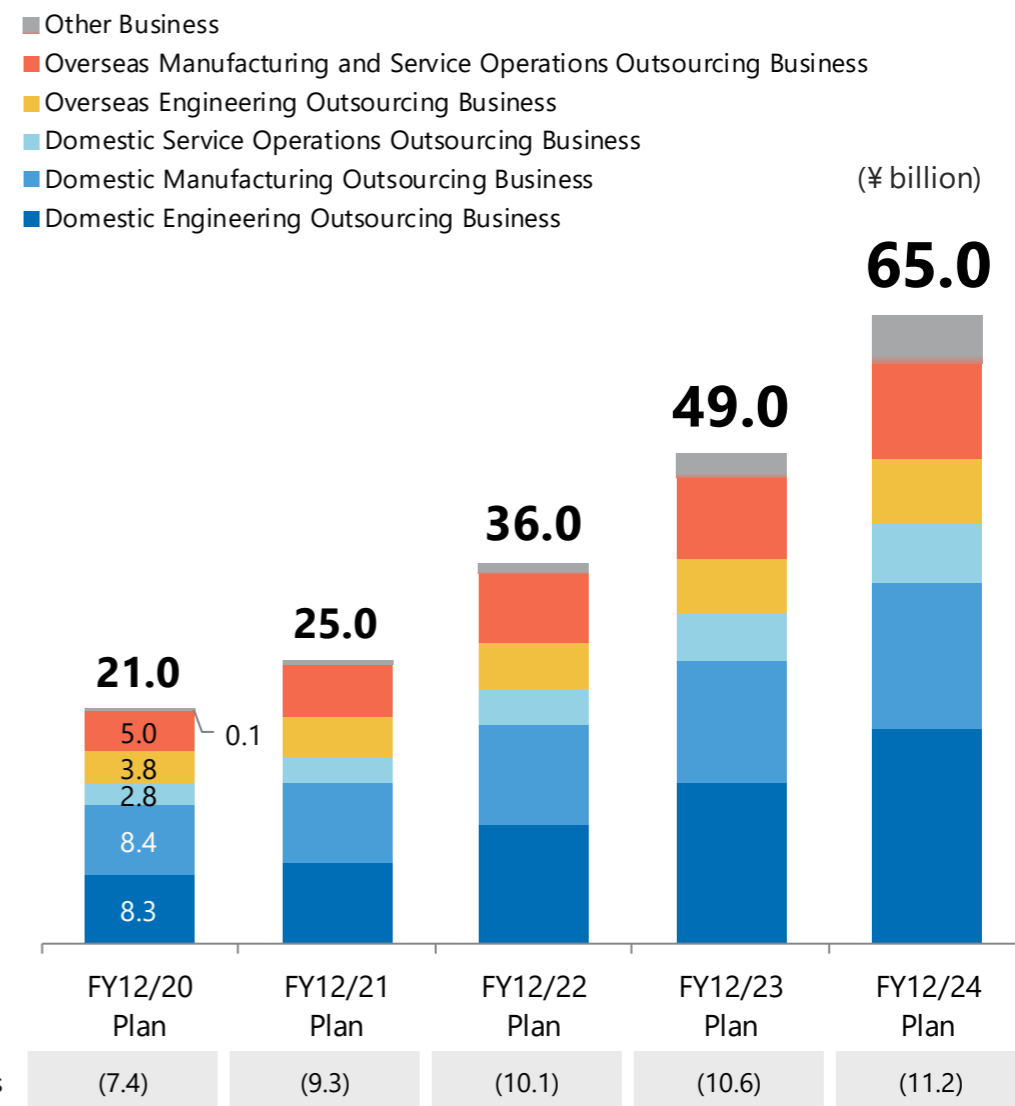
Entire Group

# Medium-Term Management Plan VISION 2024: Change the GAME (3)

## ● Revenue Plan by Operating Segment (2021-2024)



## ● Operating Profit Plan by Operating Segment (2021-2024)



Note: Since budgets are set for the whole and not for each individual segment, the operating profit adjustments are not reflected in the graph for each segment but are reflected in the total operating profit

- Industry Environment of Domestic Engineering Outsourcing Business

Environment

- Demand for IT engineers, etc. continues to expand to respond to technological innovation and to apply those new technologies in society
- Demand for the adoption of AI and RPA that originated from the office work at various companies facing the shortage of qualified labor has spread to other fields including engineering and logistics. Such demand continues to expand, as companies are taking measures to improve productivity
- COVID-19 countermeasures are permeating all companies, and demand for engineers and the shift to RPA going forward are expected to trend robustly for both manufacturers' R&D fields and non-manufacturing companies.
- Due to the revision of the dispatch law, etc., the business environment is harsh for HR service providers specializing in a specific field and smaller providers that are difficult to adapt

Our Response

- The KEN School scheme trains and places engineers in high-demand fields
- We accelerate and further develop our Dispatch 2.0 strategy to capture demand for DX (digital transformation) across the industries
- While advancing into various industries and segments, we work on creating a framework that maintains the level of utilization rate by leveraging KEN School's online training programs, and promoting M&A etc. of other HR service providers that cannot adapt



- Business Scheme of Domestic Engineering Outsourcing Business

- **The KEN School scheme is responding to the shortage of engineers due to depopulation, the issue arising from the change in social structure**

Technological innovation continues every day in various industrial fields, and amidst the chronic shortage of engineers due to the social structure, 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 change and improve their career according to the environment and the wishes of the individual.

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

- **Expand recruitment utilizing our advantages such as schemes established through KEN School**

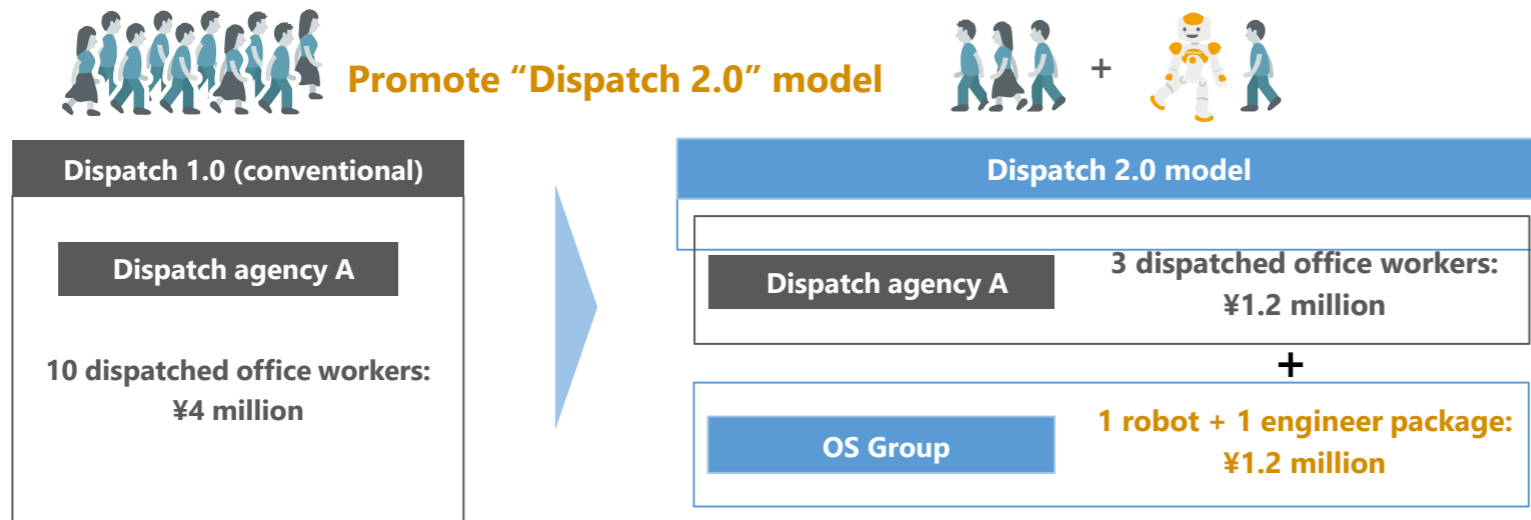
● Business Scheme of Domestic Engineering Outsourcing Business

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

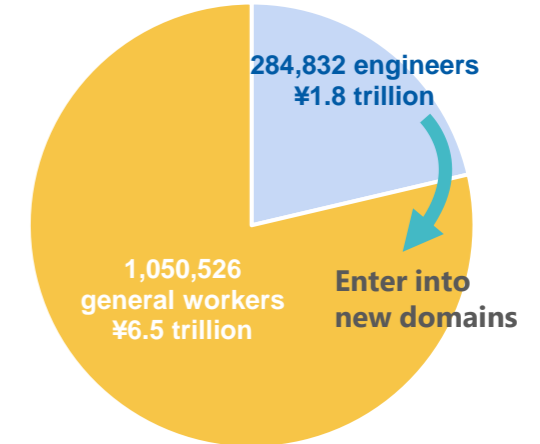
Shift from the current engineer dispatching market to an overwhelmingly large market with a higher unit price

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

■ Image of improving efficiency through "Dispatch 2.0"



Source : Ministry of Health, Labour and Welfare  
Calculated from the "Status of Worker Dispatch Business as of June 1, 2018"



- Introducing 10 dispatched employees from dispatch agency A for office work = ¥4 million / month
- Introduced a robot and an operation engineer from the OS Group = ¥1.2 million / month
- Reduced the number of dispatched employees of dispatch agency A to 3 due to the improvement of operational efficiency = ¥1.2 million / month

**Total cost reduction : ¥2.4 million / month ⇒ ¥1.6 million / month**

● Business Scheme of Domestic Engineering Outsourcing Business

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

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

Strategy of alliance building to acquire advanced technologies in multiple industries

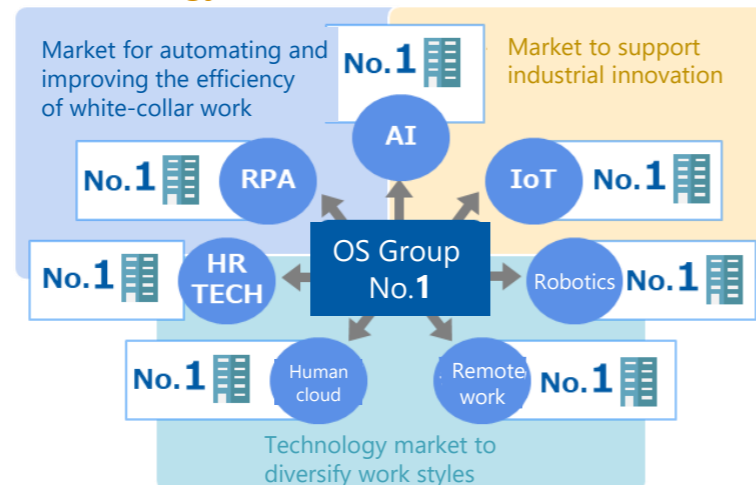
- The technology element of “Dispatch 2.0” calls for proficiency in advanced technologies in a variety of fields; such technology development is difficult for a single company to achieve
- By joining forces with companies that possess advanced technologies and solutions, the OS Group aims to provide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

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

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

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

● Alliance strategy

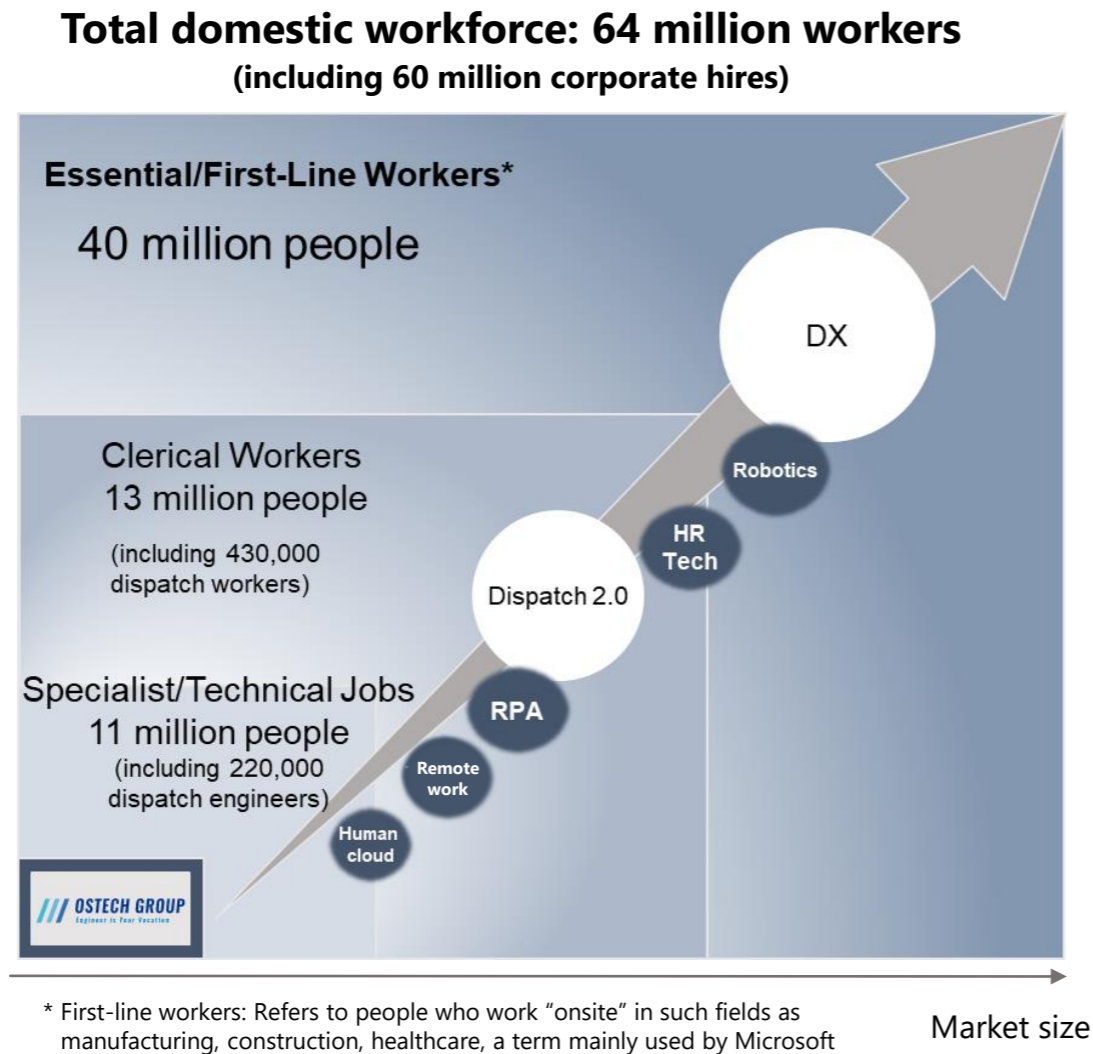


● Engineer dispatch and Dispatch 2.0 targets for FY12/24

	No. of engineers / operations
Existing business	34,500 operations
Dispatch 2.0	4,500 operations

\*All human resources, robots, and software work classified as “operation”

- 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



**Examples of services for DX market**

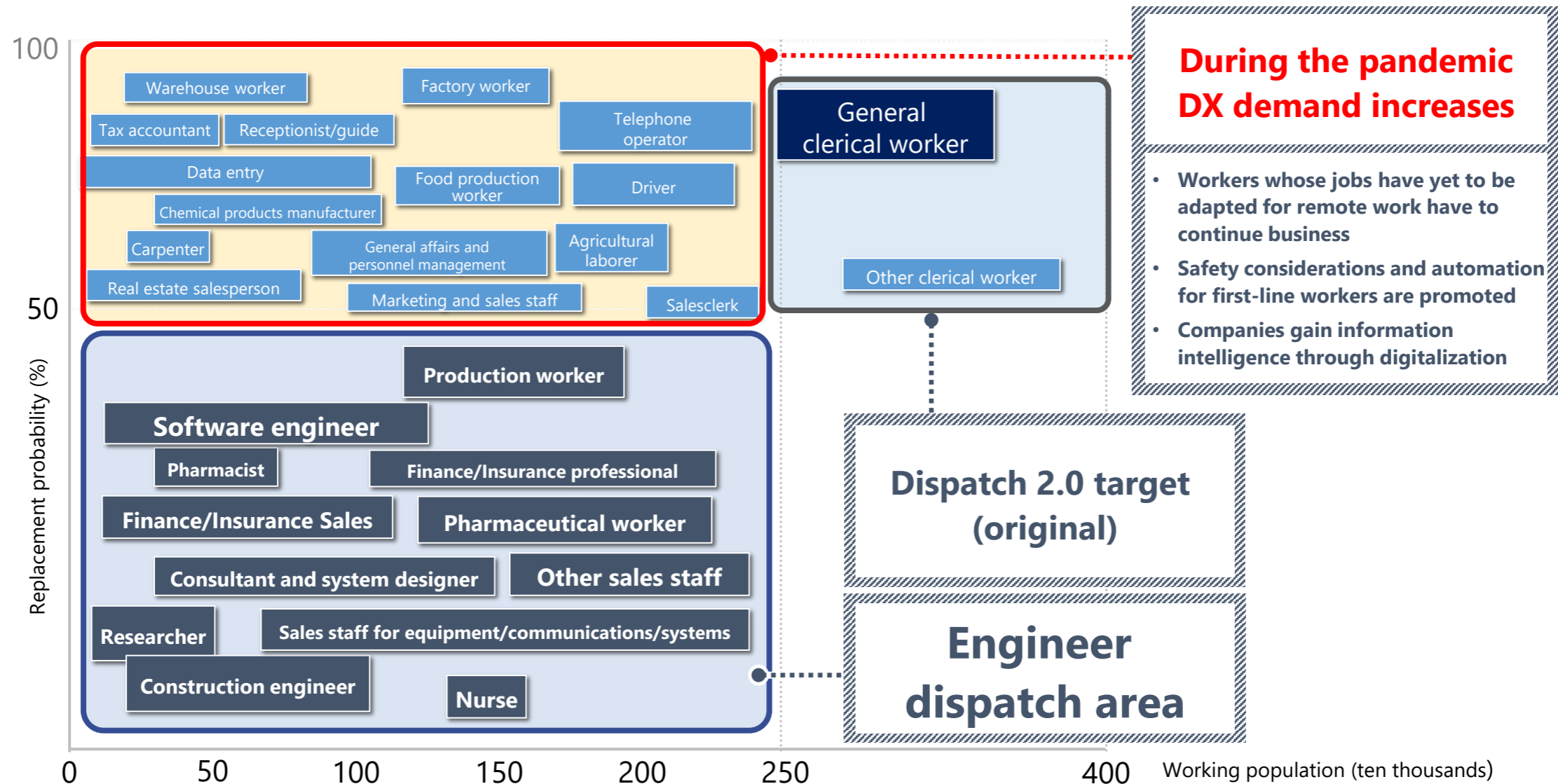
Readily secure HR needs by reducing the amount of human-involved work through the use of robot transporters and AR

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

# Information by Operating Segment (6)

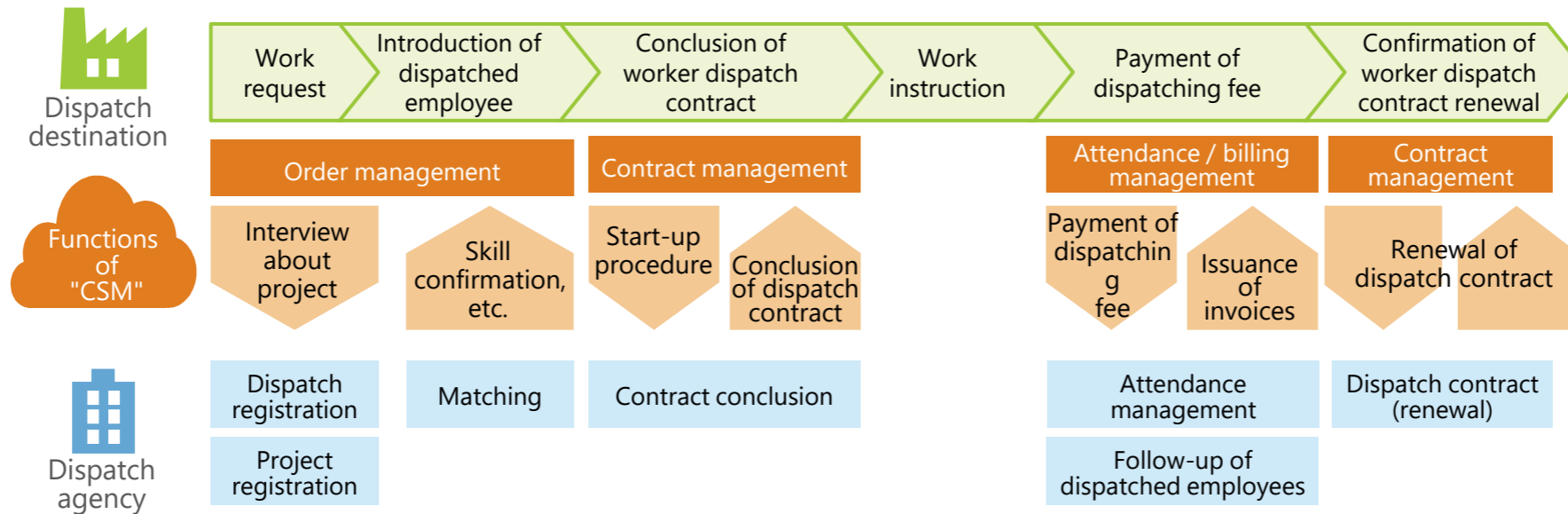
- Business Scheme of Domestic Engineering Outsourcing Business
  - In addition to the original target of “Dispatch 2.0,” we are working to capture the growing DX demand for first-line workers



Information by Operating Segment (7)

- Business Scheme of Domestic Manufacturing Outsourcing Business
  - **Provision of Dispatched Employee Management System "CSM"**

**Functions of "CSM"** ■ CSM is a system that can centrally manage various procedures in the dispatch business on the cloud.  
 \* CSM can be used for ordering, dispatch contracts, attendance management, invoicing, and staff evaluation.



**Benefits from the introduction of "CSM"**

For dispatch destination	For both	For dispatch agency
<ul style="list-style-type: none"> <li>● Reduction of contact time with dispatch agencies</li> <li>● Visualization of contract status</li> <li>● Overtime management alert</li> </ul>	<ul style="list-style-type: none"> <li>● Reduction of document storage space</li> <li>● Improved searchability of contract documents</li> <li>● Visualization of attendance</li> </ul>	<ul style="list-style-type: none"> <li>● Reduced time required to prepare contracts</li> <li>● Cost reduction such as postage charge</li> <li>● Shortening lead time until employment agreement</li> </ul>

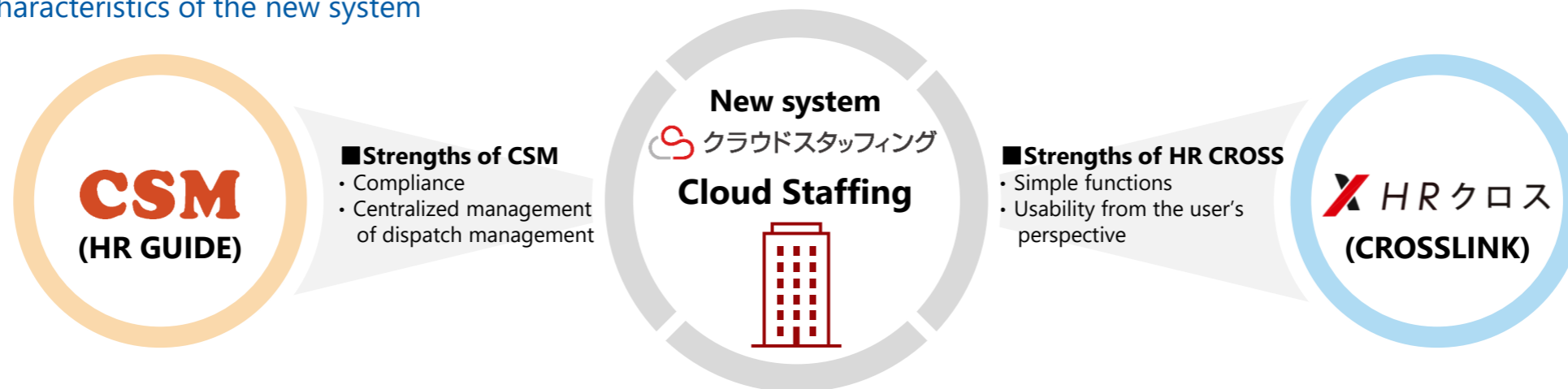
- Business Scheme of Domestic Manufacturing Outsourcing Business

- **Started discussions to develop a "joint platform" for Dispatched Employee Management System**

Background and objectives of joint platform development

- The dispatching company that has multiple dispatch destinations is put at a disadvantage, as it has to manage multiple systems adopted by each client.
- Situations that prevent the achievement of the initial objectives of improving worker dispatching industry productivity, improving working conditions, and contributing to SDGs.
- We have reached the conclusion that we should jointly develop a common platform in order to consider the current situation as a common issue for the entire industry and contribute to the worker dispatching industry as a whole, rather than sticking to individual interests.

Characteristics of the new system



**1 Functional implementation incorporating the benefits of both systems**

Cloud Staffing aims to create a system that is not only safe and secure, but also comfortable for users by incorporating the strengths of CSM and HR CROSS.

**2 System design supervised by 10 dispatching companies**

10 dispatching companies (at the time of establishment) become shareholders, and we aim to create a system that matches the actual situations by supervising the operability and functions of the system as a professional of dispatching business.

Details of this matter are described in the April 28, 2022 press release on the website of HR Guide Co., Ltd. of a Group company.

- Business Scheme of Domestic Service Operations Outsourcing Business

- **Outsourcing for U.S. military facilities that have high barriers of entry from the perspective of classified information protection**

AMERICAN ENGINEERING CORPORATION (AEC), one of the OS Group companies, has a high level of credibility from the U.S. military. By expanding the amount of contract surety bond (performance bond) required for bidding through synergies with the Group, AEC has been able to increase the number of orders for large-scale projects which have high margins and construction work periods extending over the medium-term.

- Realized high growth thanks to consignment of maintenance and construction works for facilities and equipment at domestic U.S. military bases such as in Okinawa, etc., which are relatively insusceptible to economic fluctuations and have no price competition in business fields of high barrier to entry but higher profitability.
- Orders for work on U.S. military facilities are made through a bidding process, and one must pass the strict screening process of CFIUS\* in order to participate. (AEC has already obtained an approval.)
- Has great universal know-how in estimating the bid amount and construction period.

\* CFIUS: Committee on Foreign Investment in the United States = An inter-ministerial committee of the U.S. government that examines the national security implications of foreign entries and investments in U.S. businesses, etc.

**The Group is accelerating deployment of work for U.S. military facilities to Pacific Rim, etc. concurrently with expanding business in mainland U.S. and Guam where are already advanced.**



- Business Scheme of Overseas Engineering Outsourcing Business
  - **Various consignment works from governments and local public institutions which are relatively insusceptible to economic fluctuations**
  - **Responding to the shortage of engineers by introducing the KEN School scheme**

Increasing contracts from the central and local governments in countries such as the U.K. and Australia for a variety of tasks by utilizing our proprietary system.

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

Expanding services such as dispatching, recruiting and placing, and outsourced contracting of specialized talents for the IT, pharmaceuticals, life sciences, and healthcare sectors in various European countries, mainly in Ireland.

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 KEN School in Japan, training workers with no experience or underdeveloped skills and assigning them as engineers. This secures and assigns a larger number of engineers.

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

## Information by Operating Segment (11)

- Business Scheme of Overseas Manufacturing and Service Operations Outsourcing Business
  - **Industry sector diversification over the manufacturing-related business, public works- and logistics-related services**

## Manufacturing-related business

Expanding manufacturing dispatching and outsourcing business centered on Germany throughout Europe

- Providing dispatching services from factory staff with high skill proficiency to human resources capable of testing/evaluation and process control, etc.
- Expanding the master vendor business to utilize human resources from other companies in the same industry with the aim of promoting the efficiency of HR departments of business partners.

## Public works-related service operations business

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

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

## Logistics-related service operations business

Expanding e-commerce-related distribution dispatching business centered on the Netherlands throughout Europe

- Expanding the dispatching business for low-volatility e-commerce that has rapidly spread and established in society with the COVID-19 pandemic.

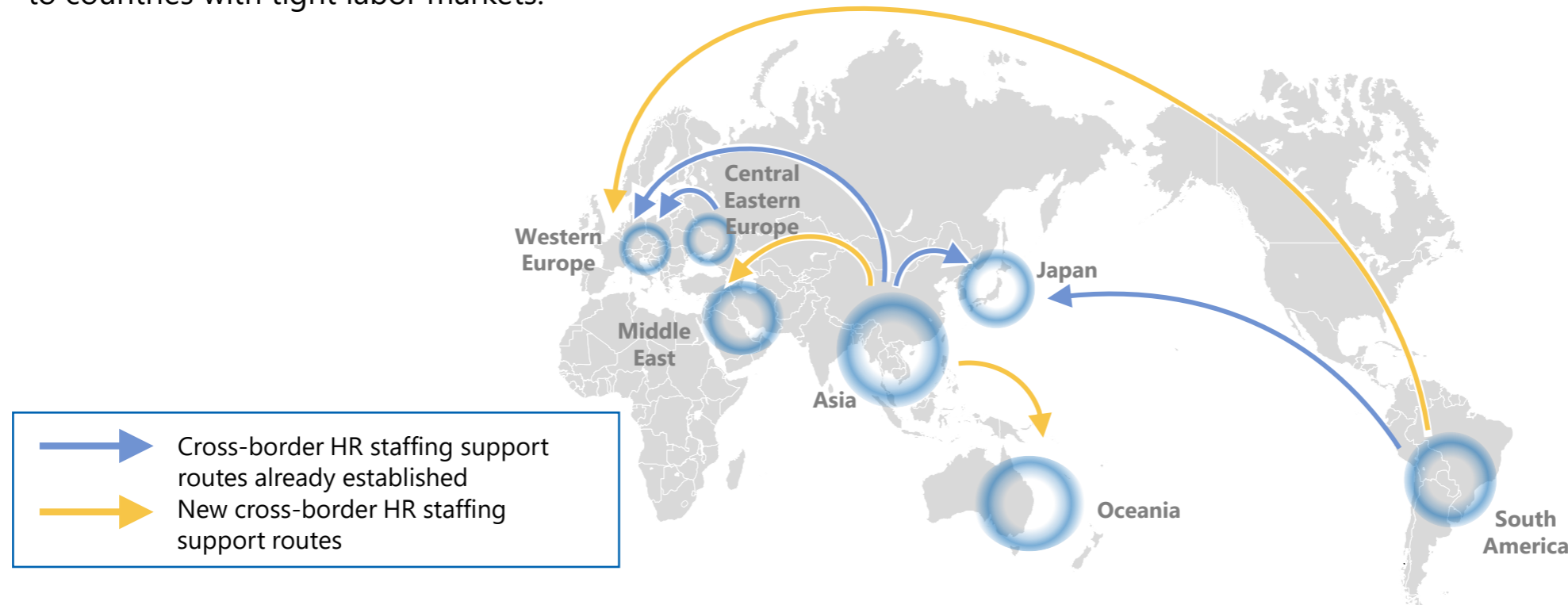
**Reducing risks through sector diversification into businesses that are in fields with different business cycles and less susceptible to the economy.**

**Rolling out mutual sharing of business know-how, infrastructure, engineers, etc., to Europe, Asia and Australia.**

## Information by Operating Segment (12)

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

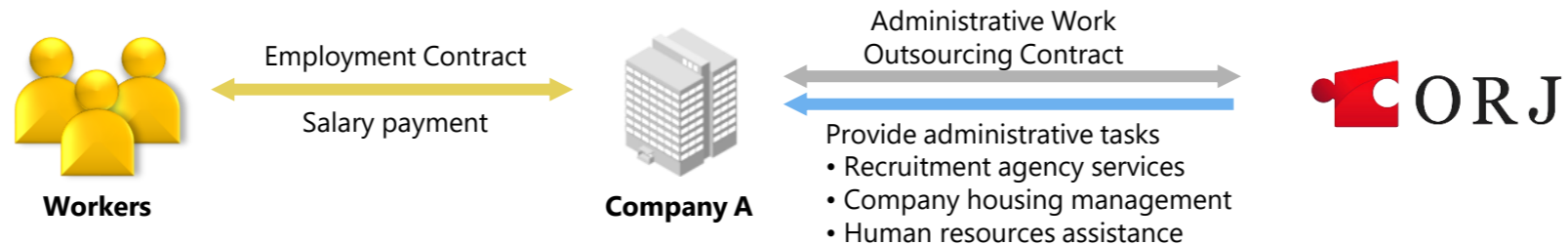
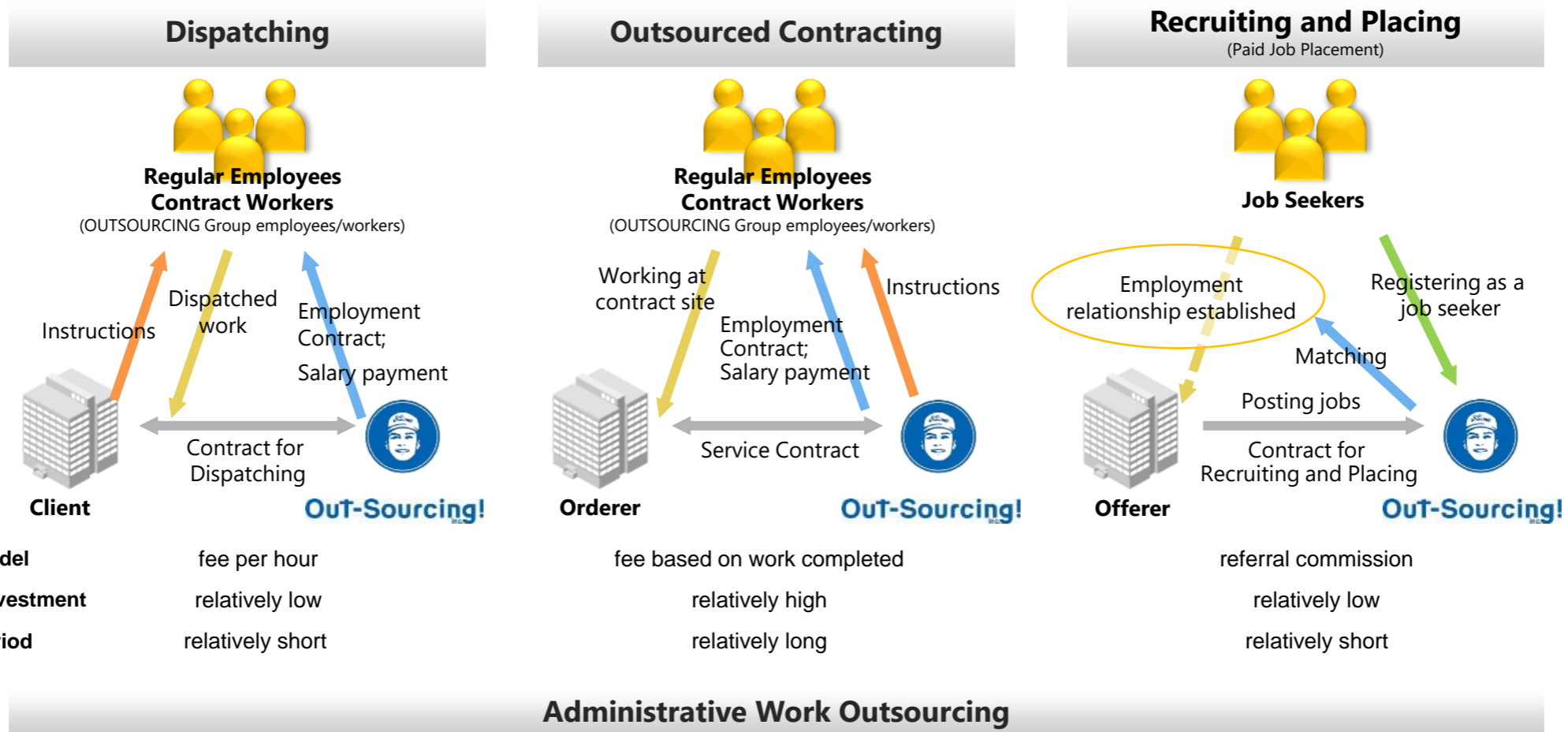
Since Japan and other developed countries in Europe are suffering from the shortage of working population due to declining birthrates and the aging population, we have been expanding the support structure to supply workforce from countries with abundant manpower such as Eastern Europe and Asia, where we have many recruitment offices, to countries with tight labor markets.



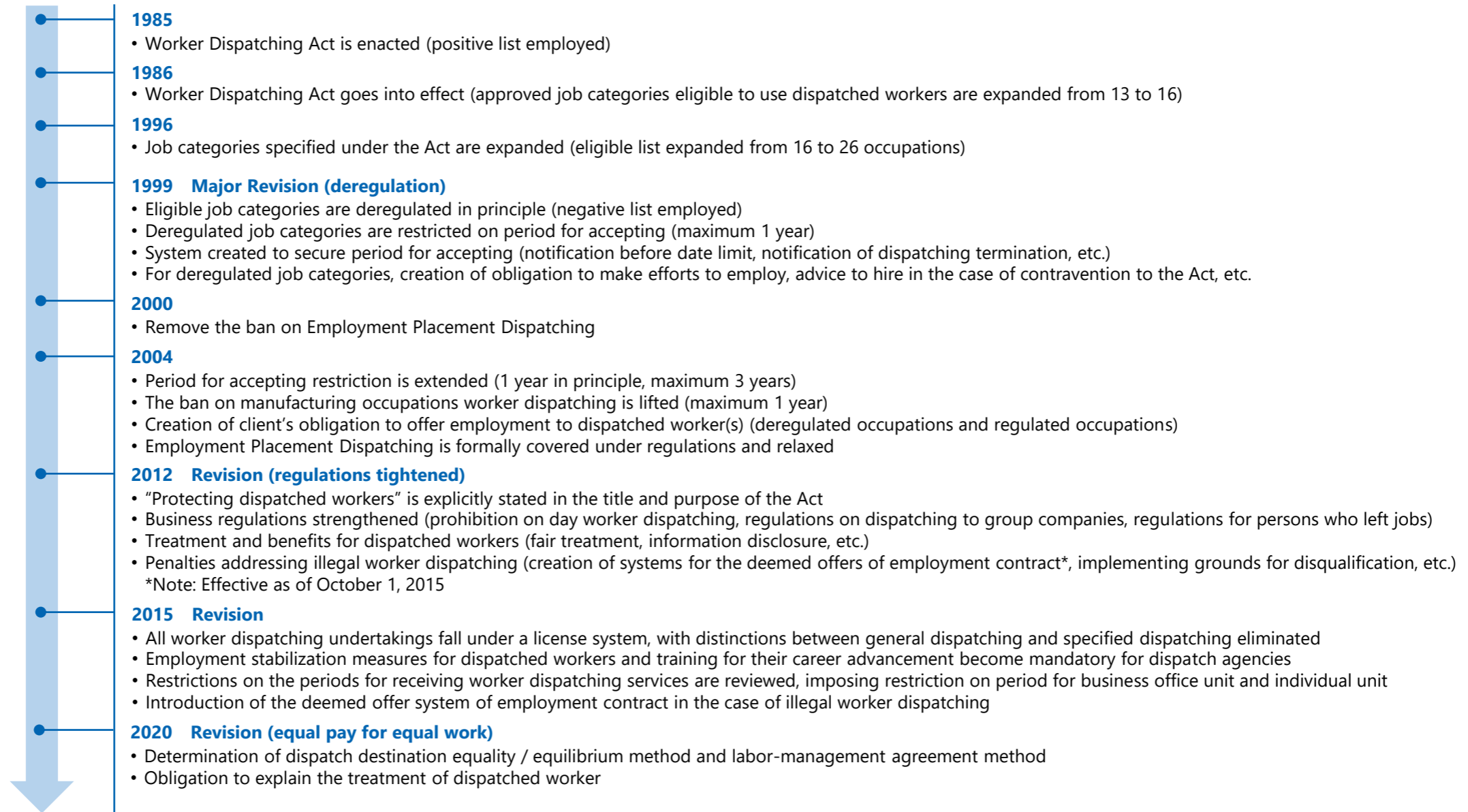
**Expand business by leveraging the growing worldwide population through a cross-border global HR mobilization network**

# Environment Surrounding Domestic HR Services Industry and Our Business Opportunities (1): Major Employment Formats

## Major Employment Formats for Our Domestic Outsourcing Business

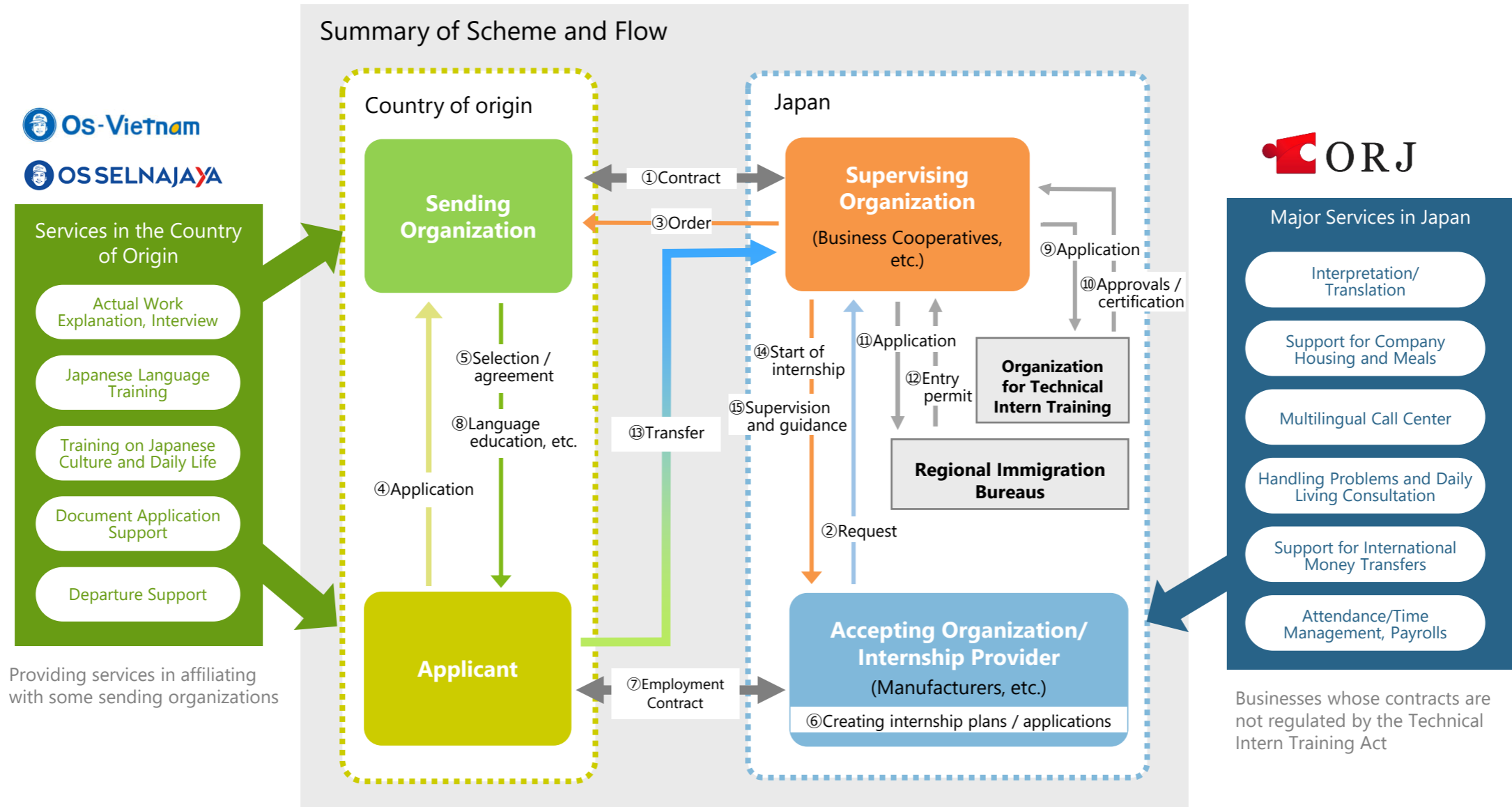


## ● Revisions to the Worker Dispatching Act



# Environment Surrounding Domestic HR Services Industry and Our Business Opportunities (3): Outline of Technical Intern Training Program (1)

- **Outline of Technical Intern Training Program (Current)**



## ● Related Organizations

### Sending Organization

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

### Applicant

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

### Administrative Organization

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

### Supervising Organization

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

### Accepting Organization/ Internship Provider

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

# Environment Surrounding Domestic HR Services Industry and Our Business Opportunities (4): Outline of Foreign National Residence Status (Visa Status) and Potential for OUTSOURCING Group

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

### Employment Support Activities from Proprietary Scholarship Program(\*)

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

### Latent Market for ORJ Administrative Outsourcing Service for Technical Intern Trainees

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

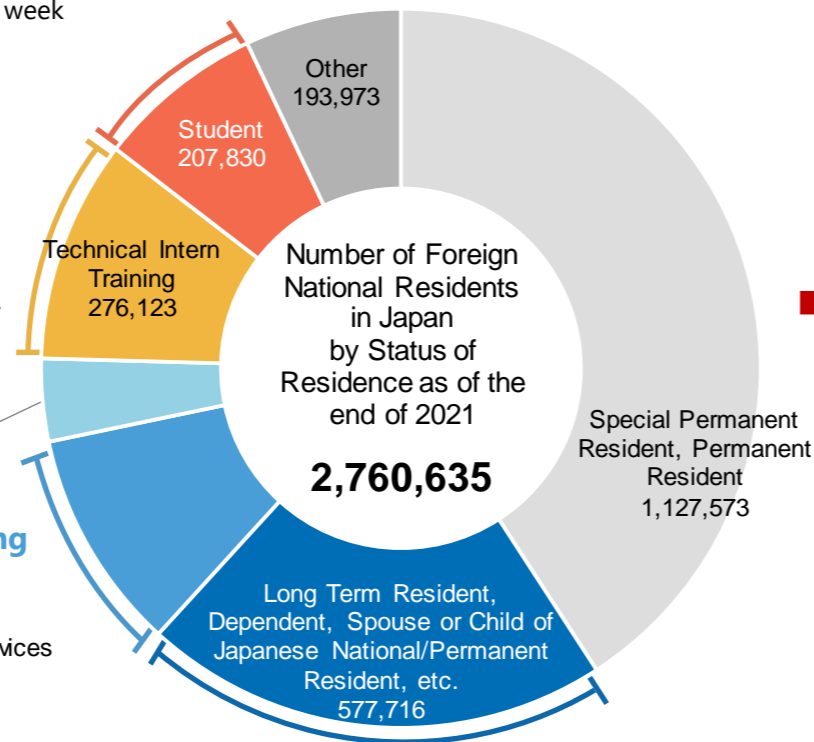
Skilled Labor, Business Manager, Intra-Company Transferee, Instructor, Highly Skilled Professional  
102,680

### Latent Markets for Engineering Outsourcing Business

Engineer/Specialist in Humanities/International Services  
274,740

### Latent Markets for Manufacturing Outsourcing and Engineering Outsourcing Business

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



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

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

#### Specified Skilled Worker (i)

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

5 years in total

#### Specified Skilled Worker (ii)

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

Renewable, can bring family members along

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



### Change in IFRS 16 (Lease accounting)

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

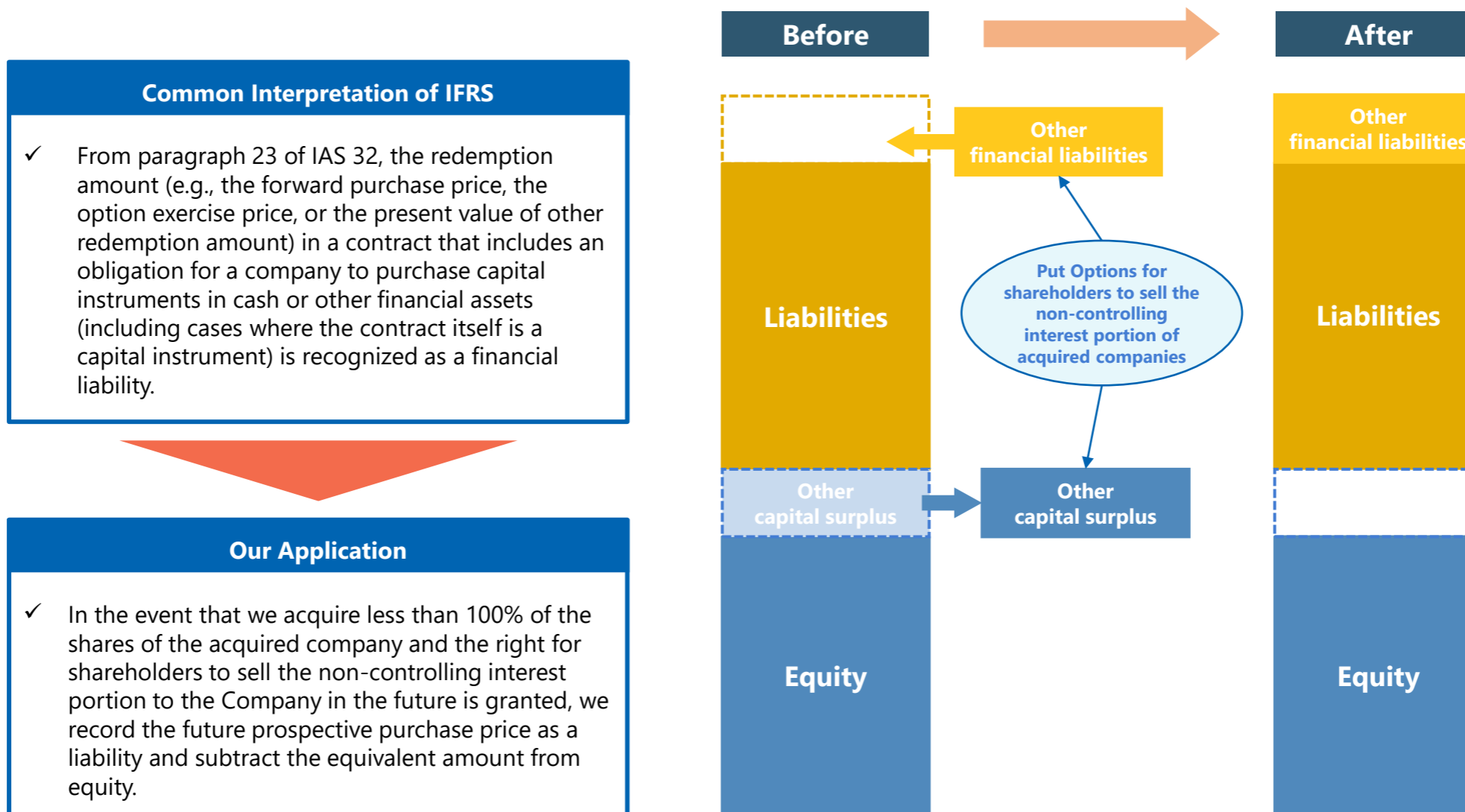


### Impacts of Change in IFRS 16 (Lease accounting)

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

# International Financial Reporting Standards (IFRS) (2): Treatment of Put Options over Non-Controlling Interests (IAS 32)

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



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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