

# **Financial Results for the 2<sup>nd</sup> Quarter of Fiscal Year Ending December 31, 2020**

August 2020

**OUTSOURCING Inc.**  
Securities Code: 2427/TSE 1<sup>st</sup> Section

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# **Preface to Our 2Q Financial Results ⇒ 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.



## 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

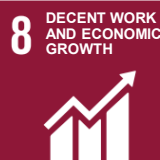
Provide quality education for jobs and operations worldwide in order to help improve people's productivity and motivation at work.



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 2Q FY12/20 (IFRS)**



# Consolidated Financial Results for 2Q FY12/20 (IFRS)

## ● Summary of 2Q FY12/20 Consolidated Financial Results

(¥ million)	FY12/19 1H Actual		FY12/20 1H Actual		YoY Change	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
<b>Revenue</b>	<b>177,585</b>	<b>100.0%</b>	<b>172,628</b>	<b>100.0%</b>	<b>(4,957)</b>	<b>-2.8%</b>
<b>Cost of sales</b>	144,732	81.5%	141,528	82.0%	(3,204)	-2.2%
<b>Gross profit</b>	<b>32,853</b>	<b>18.5%</b>	<b>31,100</b>	<b>18.0%</b>	<b>(1,753)</b>	<b>-5.3%</b>
<b>SG&amp;A expenses</b>	29,230	16.5%	29,474	17.1%	244	0.8%
<b>Operating profit</b>	<b>5,536</b>	<b>3.1%</b>	<b>3,305</b>	<b>1.9%</b>	<b>(2,231)</b>	<b>-40.3%</b>
<b>Profit before tax</b>	3,365	1.9%	2,046	1.2%	(1,319)	-39.2%
<b>Profit for the period</b>	1,799	1.0%	798	0.5%	(1,001)	-55.6%
<b>Profit attributable to owners of the Company</b>	<b>1,376</b>	<b>0.8%</b>	<b>664</b>	<b>0.4%</b>	<b>(712)</b>	<b>-51.7%</b>

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

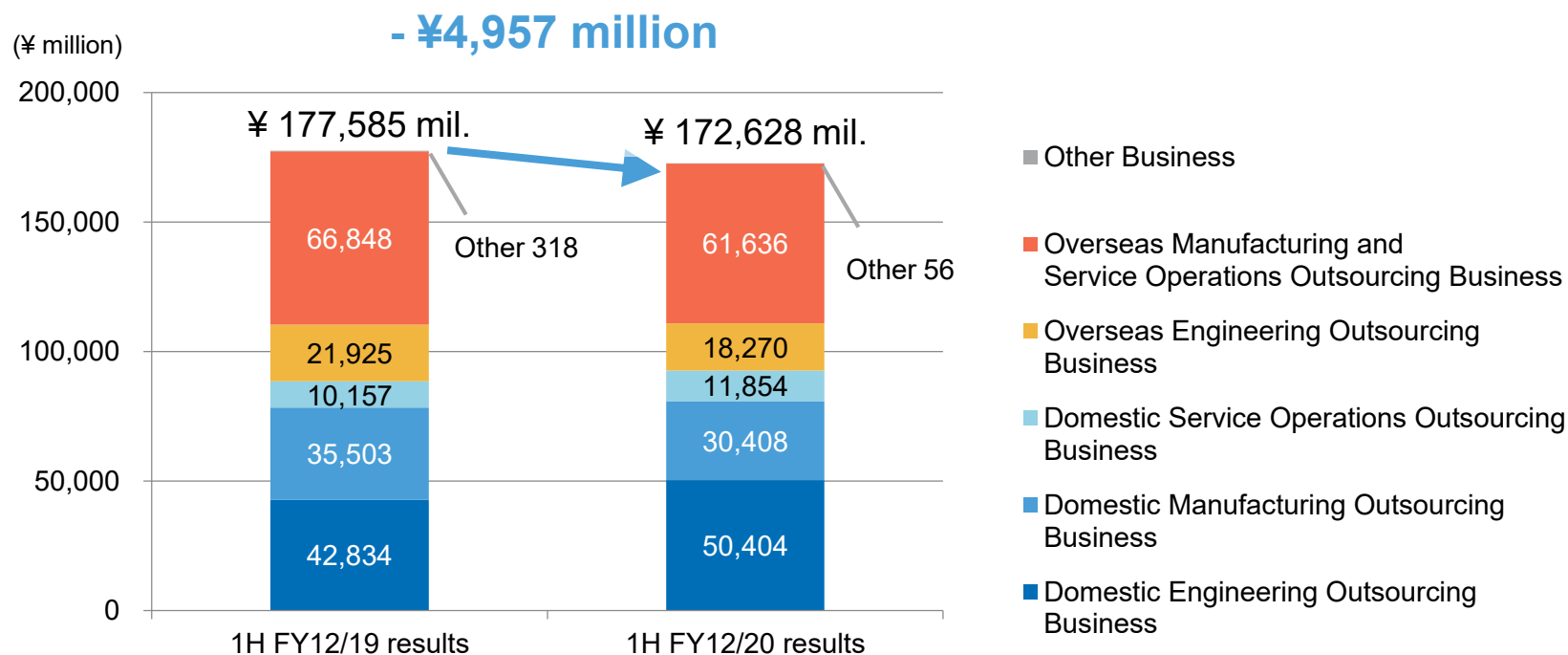
- ❑ Overall results from revenue down to each profit level declined YoY; however, we view this as a one-off event due to the pandemic. *\*Please refer to p.20 onward of this material.*



# Consolidated Financial Results for 2Q FY12/20 (IFRS)

## ● Highlights of Consolidated Financial Results

**Revenue    ¥ 172,628 million (-2.8% YoY)**



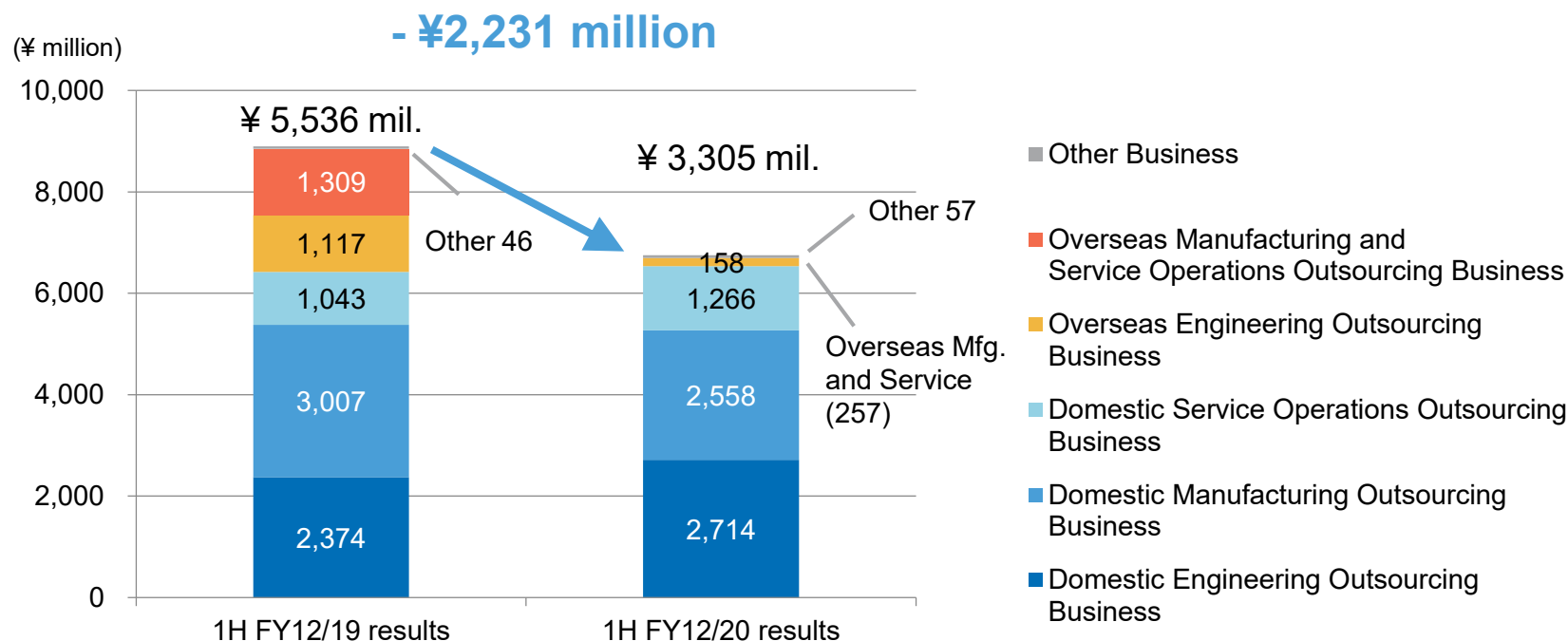
- While various industries are severely impacted due to lockdowns, etc. in each country under the COVID-19 pandemic, revenue was only down slightly YoY due to the fact that business for US military facilities in Domestic Engineering Outsourcing Business, business on consignment for governments in Overseas Engineering Outsourcing, and logistics-related HR staffing service in Overseas Service Operations Outsourcing remained unaffected.



# Consolidated Financial Results for 2Q FY12/20 (IFRS)

## ● Highlights of Consolidated Financial Results

**Operating Profit    ¥ 3,305 million (-40.3% YoY)**



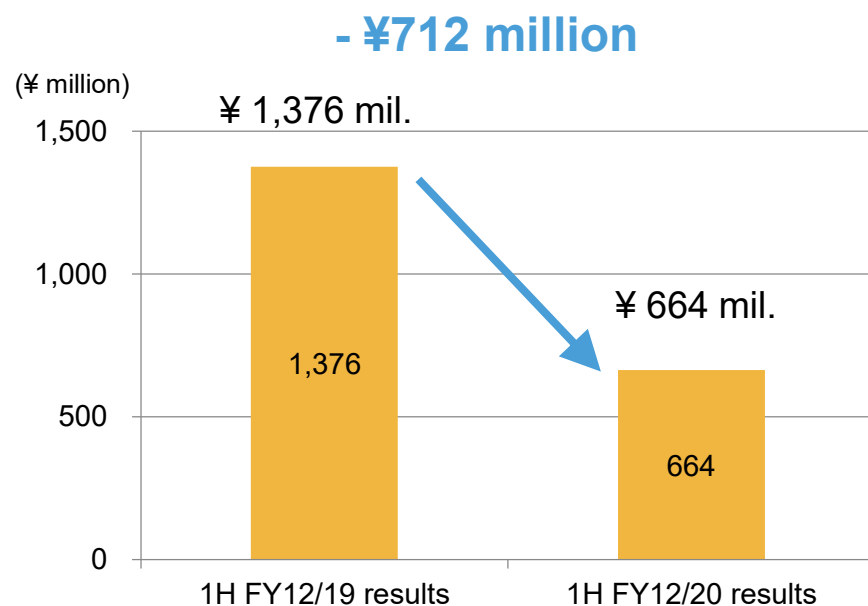
\* Since budgets are set for the whole and not for each individual segment, the operating profit adjustments (2Q FY12/19 3,360 million yen and 2Q FY12/20 3,191 million yen) are not shown in the graph but are reflected in the total operating profit.

- Gross profit decreased as a result of the decline in revenue, and on top of that, expenses such as compensation for lost worktime due to reduction of client's activities were incurred. As a result, operating profit was down YoY.

## Consolidated Financial Results for 2Q FY12/20 (IFRS)

- Highlights of Consolidated Financial Results

**Profit Attributable to Owners of the Company** ¥ 664 million (-51.7% YoY)



▣ Decreased YoY in line with the decrease in operating profit

# Consolidated Financial Results for 2Q FY12/20 (IFRS)

- Highlights of Consolidated Financial Results

## Overview by Operating Segment

### Domestic Engineering Outsourcing Business

Revenue	¥50,404 million	+17.7% YoY
Operating profit	¥2,714 million	+14.3% YoY

No. of worksite employees at term-end 17,827 (up 1,779)

Figure in parentheses indicates changes from the end of the 1Q

- Favorable expansion from IT-related and construction-related which have ongoing brisk demand for engineers
- Demands on clients for self-restraint under the COVID-19 pandemic resulted in temporary furloughs for engineers as well as delay in workplace assignment of new graduate and mid-career hires; however, they were mitigated by promotion of teleworking, government employment adjustment subsidies, and compensation for client's temporary suspension.
- Use of foreign engineers which was a focus begun last fiscal year started capturing client needs; however, new secondments have been suspended for now due to travel restrictions in each country.

# Consolidated Financial Results for 2Q FY12/20 (IFRS)

## ● Highlights of Consolidated Financial Results

### Overview by Operating Segment

#### Domestic Manufacturing Outsourcing Business

Revenue	¥30,408 million	-14.4% YoY
Operating profit	¥2,558 million	-14.9% YoY

No. of worksite employees at term-end 12,426 (down 483)   No. of workers under outsourced administration at term-end 20,102 (up 95)  
No. of placed workers 702 (down 1,256)

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

- While employment contracts for just under 1,000 workers were cancelled in the 2Q due to manufacturer's production halt and reduced operations because of COVID-19, the business has been going well thanks to semiconductor manufacturers which are not affected by the pandemic and automobile manufacturers which maintain the contracts considering restart of production.
- For the Administrative Outsourcing Business, the number of workers at the end of the 2Q increased by 95 QoQ and by 6,574 YoY, due to the extension of the existing technical intern trainees or their visa renewal to specified skilled workers.

Among all segments, only this segment experienced shortage of the operating profit in roughly 40 million yen below the revised budget; however, this was due to the Toyota Group's action in response to COVID-19 that moved holidays (4 days) from the 2H to the 1H which affected 400 million yen in operating profit. This minus supposed to be booked in the 2H but simply shifted to 1H, having no impact on full-year budget. (Without shifting this 4-day holidays, 2Q operating profit would have exceeded the revised budget.)

# Consolidated Financial Results for 2Q FY12/20 (IFRS)

## ● Highlights of Consolidated Financial Results

### Overview by Operating Segment

#### Domestic Service Operations Outsourcing Business

Revenue	¥11,854 million	+16.7% YoY
Operating profit	¥1,266 million	+21.5% YoY

- The business for US military facilities has not been affected by the pandemic, participation in bidding on large-scale projects has increased following expansion of the framework of bonded insurance (performance bond) required for bidding, and new orders expanded favorably.
  - New orders increased by 137% YoY, trending favorably
  - As a result of repair and maintenance work projects for buildings and facilities becoming large-scale, profitability increased sharply, boosting margins.
- For various service businesses related to tourism such as airports, hotels, restaurants, etc., since prospects remain uncertain due to plummeting inbound demand, we are focusing on security and building maintenance, etc..

# Consolidated Financial Results for 2Q FY12/20 (IFRS)

## ● Highlights of Consolidated Financial Results

### Overview by Operating Segment

#### Overseas Engineering Outsourcing Business

Revenue	¥18,270 million	-16.7% YoY
Operating profit	¥158 million	-85.9% YoY

- For government business in the UK, since lockdowns were lifted earlier than expected in June, it is generally trending in line with the plan.
  - For the contracted debt collection on consignment business, the central and local governments ordered suspension of debt collection, and it became difficult to conduct home collection visits due to stay-at-home orders under lockdowns, and full swing resumption will be from September.
  - For the public works-related business other than debt collection, while there have been some delays in new orders, it has been unaffected by the pandemic due to rapid response in handling work remotely in order to maintain operations, and it is progressing smoothly.
- For the dispatch business of financial systems engineers mainly in Australia, a structure for handling work remotely was put in place, and by also focusing on daily living infrastructure, it is progressing ahead of the plan, being unaffected by COVID-19.
  - Australia's IT engineering training business has received cancellations one after another from the perspective of preventing the spread of the infections.

# Consolidated Financial Results for 2Q FY12/20 (IFRS)

- Highlights of Consolidated Financial Results

## Overview by Operating Segment

### Overseas Manufacturing and Service Operations Outsourcing Business

Revenue	¥61,636 million	-7.8% YoY
Operating profit	¥(257) million	FY12/19 operating profit was ¥1,309 million

- For the Manufacturing Outsourcing Business mainly conducted in Germany, numerous manufacturers have been severely affected by the pandemic as they have curtailed productions due to lockdowns, and incurred expenses such as paid holidays or compensation for the period not available to work, to maintain employment for production recovery.
- For the Service Operations Outsourcing Business, e-commerce related logistics business in the Netherlands grew due to the development of the use of the internet globally and increased demands from stay-at-home orders under the pandemic. However, airport-related business in Australia and Chile suffered due to travel restrictions and lockdowns.



# Consolidated Financial Results for 2Q FY12/20 (IFRS)

## ● Consolidated Financial Results (Quarterly Trends)

(¥ million)	FY12/19 Actual					FY12/20 Actual	
	1Q	2Q	3Q	4Q	Full-Year	1Q	2Q
Revenue	86,404	91,181	89,909	93,755	361,249	89,542	83,086
Gross profit	16,065	16,788	18,014	19,917	70,784	17,104	13,996
Gross profit margin	18.6%	18.4%	20.0%	21.2%	19.6%	19.1%	16.8%
SG&A expenses	14,427	14,803	14,668	14,968	58,866	15,499	13,975
SG&A expenses ratio	16.7%	16.2%	16.3%	16.0%	16.3%	17.3%	16.8%
Operating profit	2,477	3,059	4,462	5,344	15,342	2,489	816
Operating profit margin	2.9%	3.4%	5.0%	5.7%	4.2%	2.8%	1.0%
Profit before tax	1,338	2,027	3,536	6,418	13,319	1,470	576
Profit before tax margin	1.5%	2.2%	3.9%	6.8%	3.7%	1.6%	0.7%
Profit attributable to owners of the Company	455	921	1,949	4,902	8,227	857	(193)
Profit attributable to owners of the Company margin	0.5%	1.0%	2.2%	5.2%	2.3%	1.0%	-0.2%

QoQ/YoY Changes	FY12/19 Actual					FY12/20 Actual	
	1Q	2Q	3Q	4Q	Full-Year	1Q	2Q
Revenue	-4.3%	5.5%	-1.4%	4.3%	16.0%	-4.5%	-7.2%
Gross profit	-17.9%	4.5%	7.3%	10.6%	13.4%	-14.1%	-18.2%
SG&A expenses	4.0%	2.6%	-0.9%	2.0%	23.3%	3.5%	-9.8%
Operating profit	-55.6%	23.5%	45.9%	19.8%	5.1%	-53.4%	-67.2%
Profit before tax	-71.8%	51.5%	74.4%	81.5%	6.1%	-77.1%	-60.7%
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 off to the nearest million yen.

# Consolidated Financial Results for 2Q FY12/20 (IFRS)

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

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

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

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

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

\*3: Actual forex rates used in 2Q FY12/20 results  
(average rates for Jan-Jun. 2020)  
• EUR 119.31  
• GBP 136.40  
• AUD 71.15  
• USD 108.23

# Consolidated Financial Results for 2Q FY12/20 (IFRS)

## Summary of Consolidated Statement of Financial Position

(¥ million)	FY12/19-End		2Q-End FY12/20		vs FY12/19-End
	Amount	Composition Ratio	Amount	Composition Ratio	Amount
<b>Current assets</b>	<b>112,441</b>	<b>46.9%</b>	<b>106,693</b>	<b>45.5%</b>	<b>(5,748)</b>
Cash and cash equivalents	40,246	16.8%	35,018	14.9%	(5,228)
Trade and other receivables	51,722	21.6%	50,258	21.4%	(1,464)
Inventories	1,608	0.7%	1,826	0.8%	218
<b>Non-current assets</b>	<b>127,466</b>	<b>53.1%</b>	<b>127,752</b>	<b>54.5%</b>	<b>286</b>
Property, plant and equipment	9,421	3.9%	9,689	4.1%	268
Right-of-use assets	18,246	7.6%	16,981	7.2%	(1,265)
Goodwill	55,978	23.3%	56,381	24.0%	403
Intangible assets	20,846	8.7%	19,082	8.1%	(1,764)
Other non-current financial assets	15,891	6.6%	17,514	7.5%	1,623
<b>Total assets</b>	<b>239,907</b>	<b>100.0%</b>	<b>234,445</b>	<b>100.0%</b>	<b>(5,462)</b>
<b>Current liabilities</b>	<b>90,192</b>	<b>37.6%</b>	<b>104,876</b>	<b>44.7%</b>	<b>14,684</b>
Trade and other payables	35,033	14.6%	35,443	15.1%	410
Bonds and borrowings	20,146	8.4%	36,044	15.4%	15,898
Lease Liabilities	15,577	6.5%	15,600	6.7%	23
Income tax payables	3,922	1.6%	2,393	1.0%	(1,529)
<b>Non-current liabilities</b>	<b>84,675</b>	<b>35.3%</b>	<b>69,459</b>	<b>29.6%</b>	<b>(15,216)</b>
Bonds and borrowings	47,664	19.9%	35,355	15.1%	(12,309)
Lease Liabilities	20,120	8.4%	19,590	8.4%	(530)
Other non-current financial liabilities	6,806	2.8%	4,150	1.8%	(2,656)
<b>Total liabilities</b>	<b>174,867</b>	<b>72.9%</b>	<b>174,335</b>	<b>74.4%</b>	<b>(532)</b>
Share capital	25,187	10.5%	25,214	10.8%	27
Share premium	26,620	11.1%	26,647	11.4%	27
Treasury shares	(0)	0.0%	(0)	0.0%	-
Other share premium	(14,056)	-5.9%	(13,791)	-5.9%	265
Retained earnings	25,559	10.7%	23,390	10.0%	(2,169)
<b>Equity attributable to owners of the Company</b>	<b>60,675</b>	<b>25.3%</b>	<b>56,228</b>	<b>24.0%</b>	<b>(4,447)</b>
<b>Non-controlling interests</b>	<b>4,365</b>	<b>1.8%</b>	<b>3,882</b>	<b>1.7%</b>	<b>(483)</b>
<b>Equity</b>	<b>65,040</b>	<b>27.1%</b>	<b>60,110</b>	<b>25.6%</b>	<b>(4,930)</b>
<b>Total liabilities and equity</b>	<b>239,907</b>	<b>100.0%</b>	<b>234,445</b>	<b>100.0%</b>	<b>(5,462)</b>

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 off to the nearest million yen.

# Consolidated Financial Results for 2Q FY12/20 (IFRS)

## ● Summary of Consolidated Statement of Cash Flows

(¥ million)	FY12/19 1H Amount	FY12/20 1H Amount	YoY Change Amount
Profit before tax	3,365	2,046	(1,319)
Depreciation and amortization	5,819	5,881	62
Decrease (increase) in trade and other receivables	(2,616)	531	3,147
Increase (decrease) in trade and other payables	5,078	133	(4,945)
<b>Cash flows from operating activities</b>	<b>9,114</b>	<b>6,240</b>	<b>(2,874)</b>
Payments for purchase of business	(4,657)	(2,255)	2,402
<b>Cash flows from investing activities</b>	<b>(3,695)</b>	<b>(5,074)</b>	<b>(1,379)</b>
Increase (decrease) of borrowings	5,436	3,586	(1,850)
Dividends paid	(2,636)	(3,019)	(383)
<b>Cash flows from financing activities</b>	<b>(3,370)</b>	<b>(5,843)</b>	<b>(2,473)</b>
<b>Cash and cash equivalents at end of period</b>	<b>31,197</b>	<b>35,018</b>	<b>3,821</b>

Cash flow from operating activities:  
Decreased due to decrease in trade payables

Cash flows from financing activities:  
Reflects an increase in borrowings

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

\*2: As of the publication of this material, the Consolidated Statement of Cash Flows is undergoing audit procedures by the auditor, and it is subject to change.

## **FY12/20 Impact of COVID-19 Pandemic by Group Segment**



### Summary

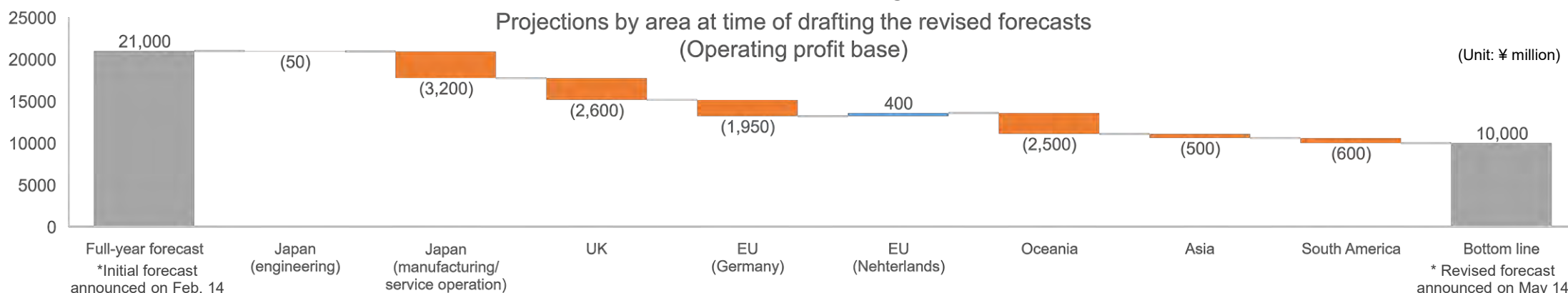
**We consider that the negative impact our Group experienced in the 2Q is temporary. In July when the 3Q started, we were fully prepared to continue the growth even amid the second or the third waves of the virus, and by the 4Q, we believe the number of employees as well as order backlogs will recover to the levels that are enough to achieve the original budget.**

**In addition to this, by taking advantage of Dispatch 2.0, sales and marketing activities, remote/online training corresponding to “New normal”, and business opportunities arise from the shakeout led by a market reset, we believe it is feasible to achieve “Medium-Term Management Plan for 2020-2024” announced in February 2020.**

# FY12/20 Impact of COVID-19 Pandemic by Group Segment

## Revised forecast drafted in April and released on May 14, 2020

\*Please refer to pp.43-45 or FY12/20 full-year forecasts



Area	Risk premises at time of drafting the revised forecasts	Follow-on developments	Changes in risk parameters*
Japan (engineering)	Incidence of delays or lost worktime due to suspending operations by clients in response to the pandemic	While utilization rates have slipped relative to annual average as a result of lost worktime and delays in worker placements, the decline is within our projection	Flat
Japan (manufacturing/service operations)	<ul style="list-style-type: none"> <li>Client suspension and adjustment of operations led by transport equipment segment</li> <li>Delay in entry of technical intern trainees and other foreign nationals due to the immigration restrictions</li> <li>Contracting operations centering on tourism/restaurant businesses</li> </ul>	<ul style="list-style-type: none"> <li>While timing of recovery differs by client, overall outlook is in line with the projections</li> <li>Duration of the travel ban is expected to last longer</li> <li>Fulfilling projected operation levels by shifting to industries not hit as hard by COVID-19</li> </ul>	Flat
UK	Delays in new orders and debt collection due to lockdown	<ul style="list-style-type: none"> <li>While the resumption of debt collection is expected to be delayed further, we see us making up for it through proactive expansion of our client bases</li> <li>Partially offset by increase in special demands and outplacement needs generated by the pandemic</li> </ul>	-180 million yen
EU	Lockdown-driven cancellations, contracting operations and decreasing cross-border workforce	The Manufacturing Outsourcing segment is stagnant, but is still better than the revised projection; retail and distribution remain sound	Flat
Oceania	<ul style="list-style-type: none"> <li>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</li> <li>Increased cancellation orders for training due to lockdown</li> </ul>	Impact has been mitigated by focusing on the dispatch of essential workers to such fields as mining, infrastructure, logistics, food, healthcare and IT-related, enabling us to catch up to the projected levels over the rest of the fiscal year	+300 million yen
Asia	Negative impact by stay-home restriction and throttled production from the spread of the pandemic	Qualified worker mobility remains hampered despite accuracy of our projection on resumed economic activity	-30 million yen
South America	Cancellation of orders and reduced production due to lockdown	Infrastructure-related businesses remains sluggish, while business for retail industry, as projected, continue to fare well as projected	Flat
Overall	—	—	+90 million yen



# FY12/20 Impact of COVID-19 Pandemic by Group Segment

**Overview by Operating Segment** (Positive ⇒ gold    Neutral ⇒ blue    Negative ⇒ red)

## Domestic Engineering Outsourcing Business

### Impact of the pandemic and future outlook

#### IT-related

- While the pandemic forced a portion of the IT workforce to stay at home, unlike other segments, we were able to lessen the impact on operations and improve the influx of orders as we responded swiftly in shifting to remote work. By advancing remote work practices and fortifying our presence in areas such as telecom, education and retailing, **we are exceeding our performance projections.**

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

- Orders from the semiconductor, electric and electronic industries, which have sustained only minimal impact from the pandemic, remain robust. Since increasing orders from automakers that are shifting to electrification and electronification are expected, **it is progressing as projected.**

#### Pharmaceuticals and healthcare-related

- The pandemic's impact has been minimal and the demand is highly robust. Upward trend in the testing and therapeutic-medicine-related businesses brought continued growth in orders, and **it is progressing in line with our projections.**

#### Construction-related

- While the pandemic suspended nearly every project in the construction market, it is now on the rebound as the operation has been returning to normal levels, and orders are on an upswing. In spite of slight misalignment in commencement of work, the demand for workers remains vigorous, and **it is still on track with our projections.**

## Overview by Operating Segment (Positive ⇒ gold Neutral ⇒ blue Negative ⇒ red)

### Domestic Manufacturing Outsourcing Business

#### Impact of the pandemic and future outlook

##### Manufacturing dispatching and contracting

- **Growth is expected to continue as projected** by shifting our focus to food and pharmaceutical sectors, the fields less impacted by the pandemic, and by taking strategic advantage of a forthcoming shakeout in the HR service industry, as the recovery of the demands for placement which have plummeted as the pandemic swiftly throttled production, particularly among automakers, is expected to take long.

##### Administrative outsourcing

- **The situation remains dire compare to the plan** due to the ongoing immigration restrictions that has been preventing us from building up the number of workers under our outsourced administration. Although we initially expected the ban to be relaxed by September, we now see the inbound and outbound flow of foreign trainees restarting no earlier than 2021 with the onset of the pandemic's 2nd wave.

## Overview by Operating Segment (Positive ⇒ gold Neutral ⇒ blue Negative ⇒ red)

### Domestic Service Operations Outsourcing Business

#### Impact of the pandemic and future outlook

##### US military facility business

- As orders from large-scale contracts secured by tender continue to increase, free from the pandemic's impact, and the impact on the commencement and progress of new projects is seen to be minimal or even nonexistent, **it is expected to exceed our projections.**

##### Various service operations businesses

- Due to the pandemic's impact, both inbound and domestic demand for airports, restaurants, hotels and related areas have significantly decreased, making it **difficult for us to achieve our projections.**

# FY12/20 Impact of COVID-19 Pandemic by Group Segment

## Overview by Operating Segment (Positive ⇒ gold Neutral ⇒ blue Negative ⇒ red)

### Overseas Engineering Outsourcing Business

#### Impact of the pandemic and future outlook

##### UK

- For our debt collection and enforcement businesses, although the collection activities and issuance of new debt were halted due to the lockdown, they have gradually resumed from the 3Q. In addition, thanks to acquiring new debt collection businesses from the private sector, **it is on the track with the projections.**
- Having rapidly advanced our remote work capabilities, we see **growth following our planned projections** for our BPO, BPS and BPA projects for government that consist primarily of long-term contracts.

##### Oceania

- In Australia, since our clients for IT consultancy and worker placement are expected to engage in cost-cutting measures as a result of the pandemic, we have responded by expanding our remote work capabilities as well as shifting to the fields where demand is likely to remain firm and are **exceeding our projections.**
- For our training business, cancellations for our group-type training programs have continued. Although measures to recover orders by transitioning to an online training program in the 2Q have been taken, as COVID-19 outbreak is reoccurring in Australia, **it is expected to remain unfavorable condition.**

# FY12/20 Impact of COVID-19 Pandemic by Group Segment

## Overview by Operating Segment (Positive ⇒ gold Neutral ⇒ blue Negative ⇒ red)

### Overseas Manufacturing and Service Operations Outsourcing Business

#### Impact of the pandemic and future outlook

##### Germany / Manufacturing Outsourcing (Orizon)

- **Performance is in line with the plan** as the company is now trending toward a recovery by retaining employees by utilizing a government subsidy and advancing paid holidays and, at the same time, by transferring these employees to growth areas that are less susceptible to operating decline or daily necessities service infrastructure area, in order to place them after a market recovery, as a large number of companies suspended operations during the lockdown.

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

- OTTO's service for major distributors in the daily necessities service infrastructure area is **trending to surpass the projection** while the lockdown suspended almost the entire Dutch economy.

\*Note: Due to the closure of borders within Europe triggered by the pandemic, OTTO's scheme of placing workers from Central Eastern Europe in jobs with high-wage in Netherlands stagnated. However, since the number of Dutch firms employing foreigners at home plummeted during the lockdown, it is now possible for OTTO to secure workforce at a lower recruitment cost.

- Since our payroll activities in **Asia** for major European and US conglomerates were deemed an essential service, they have been exempted from the pandemic lockdown orders and are thus **performing as projected**.
- Since the automotive industry in **Thailand**, which had undergone a virtual shutdown, is not expected to recover for some time, we shifted our focus to areas such as papermaking, pharmaceuticals and retail cleaning. However, **the situation there remains unfavorable**.
- As for **South America**, as such areas as e-commerce for daily necessities, supermarket related businesses and office building facilities and the like continue to operate even amid the pandemic which, we expect, maintain our performance steady. While we anticipate growing needs for workers to clean and disinfect hospitals and other facilities, since our service for airports remains crippled, **the trendline at present is to fall short of achieving our performance projections**.

## **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 accompany hiring and achieve 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 rise 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 for it, we will achieve overwhelming growth compared to our competitors in Japan.**



### The OUTSOURCING Group's global strategy and policy

1. Since we see the rising 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, that is, **industries with high demand for human resources**.
2. **In order to level business performance, which is a precondition to achieve truly sustainable growth, our Group is striving to create a global platform enabling 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 enter 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 a 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.40-41 for additional information

# Status of Group Companies Whose Goodwill is Recorded on OS Account

## Goodwill by Country

Of the total goodwill of 56.4 billion yen, overseas consolidated group companies amounts to 42.5 billion yen.

(Unit: ¥ hundred million)

Country name	Goodwill amount (as of the end of 2Q 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	—	—	—	80	123	203
UK Total	—	—	—	80	123	203
Germany	—	—	—	—	68	68
Netherlands	—	—	—	—	48	48
EU Total	—	—	—	—	116	116
Australia	—	—	—	73	6	79
New Zealand	—	—	—	—	2	2
Oceania Total	—	—	—	73	8	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	—	—	—	—	6	6
<b>Total</b>	<b>61</b>	<b>43</b>	<b>35</b>	<b>153</b>	<b>272</b>	<b>564</b>

\*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

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

**Total goodwill in Japan** **13.9 billion yen**

\*Total of 28 companies including the following company

■ No. of workers enrolled — Utilization rate

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
Domestic Service Operations	American Engineering Corporation	30	Service operation business for US military facilities
	<p>560</p> <p>Mar. Jun. Sept. Dec.</p>		
	Status	Serving as a contractor for the preservation and maintenance of buildings and other facilities on US military facilities in Japan, the company is insusceptible to domestic economic fluctuations and continues on an upward growth curve.	

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

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

**Total goodwill  
in UK**

**20.3 billion yen**

\*Total of 11 companies including  
the following 4 companies

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 Engineering	CDER (former J.B.W.)	74	Public debt collection business
	<p>Number of receivables</p> <p>266,700</p> <p>Mar. Jun. Sept. Dec.</p>		
	Status	While the pandemic has halted debt collection operations, the government has reported plans to restart activities from September, and since new orders are piling up, we see a recovery coming although the timing may be delayed.	

	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>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

(Individual company explanation is for those with more than 1 billion yen 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	44	Various contracting business for central government
	<p>Order backlog (¥ million)</p> <p>25,900</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	51	Financial and business consultancy services
	<p>No. of nonconsolidated people enrolled Utilization rate</p> <p>60</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

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

**Total Goodwill  
in EU**

**11.6 billion yen**

\*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	68	Human resources services for manufacturing sector (for machinery, transport equipment, medical-related and other fields)
	<p>6,500</p> <p>Mar. Jun. Sept. Dec.</p>		
	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.	
	Company	Goodwill by individual company (¥ hundred million)	Business summary
Overseas Manufacturing and Service Operations	OTTO	48	E-commerce distribution-related services
	<p>14,400</p> <p>Mar. Jun. Sept. Dec.</p>		
	Status	Fueled by robust growth in e-commerce related businesses, OTTO has surpassed 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

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

**Total Goodwill  
in Oceania**

**8.1 billion yen**

\* Total of 7 companies including  
the following 3 companies

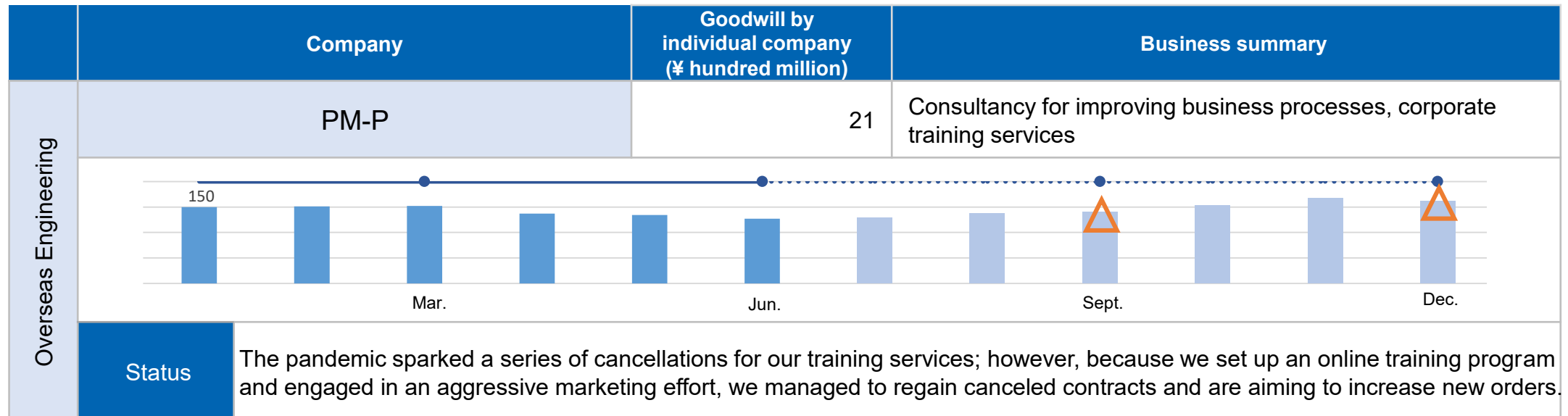
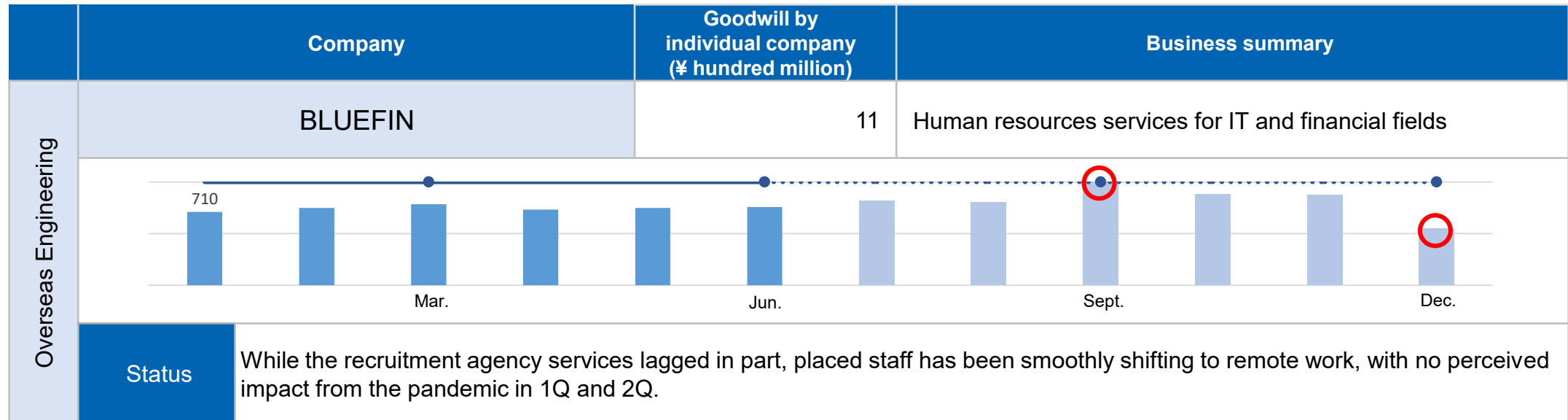
■ No. of workers enrolled — Utilization rate

Goodwill impairment risk evaluation during stress test

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

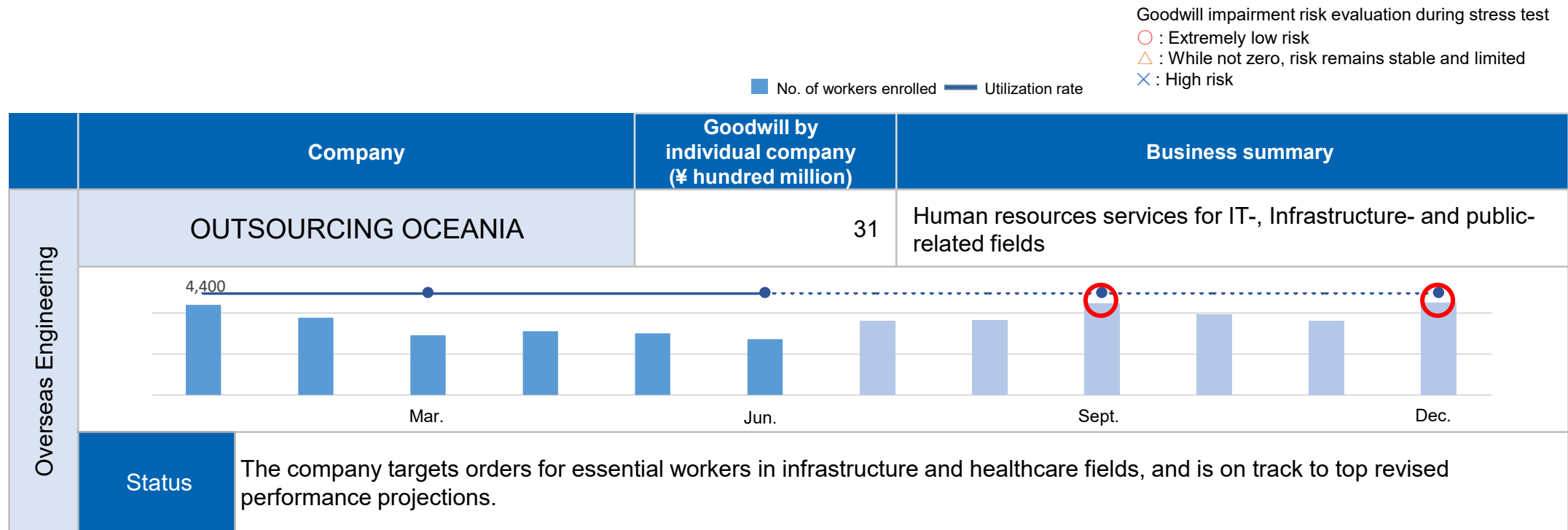
× : High risk





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

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



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

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

**Total Goodwill  
in Asia**

**1.1 billion yen**

\* 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
	<p>11,800</p> <p>Mar. Jun. Sept. Dec.</p>		
	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 initial performance projections.	

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

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

**Total Goodwill  
in South America**

**0.8 billion yen**

\*Total of 4 companies

Goodwill impairment risk evaluation during stress test

○ : Extremely low risk

△ : While not zero, risk remains stable and limited

× : High risk

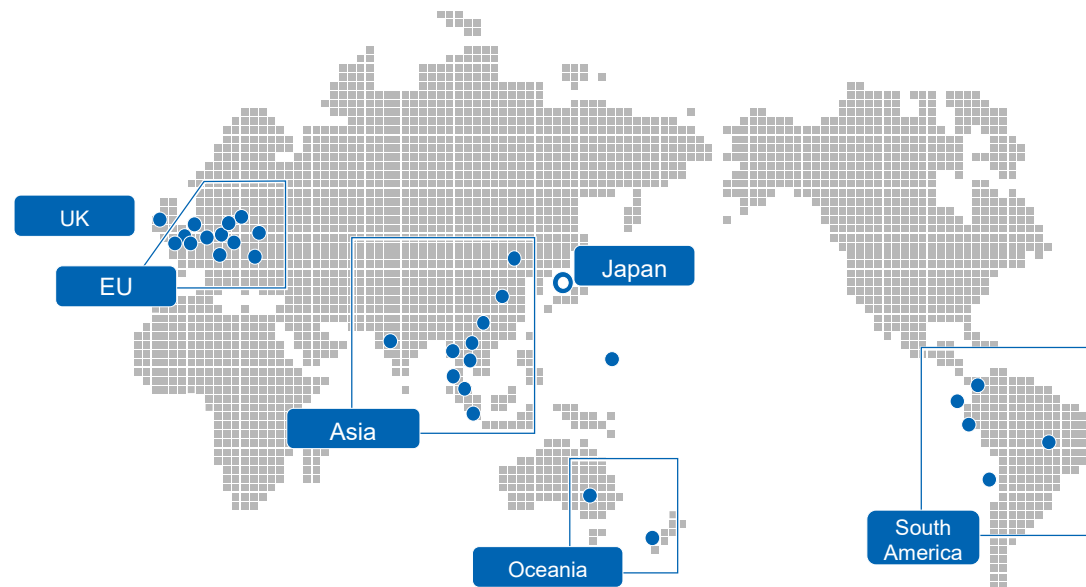
■ No. of workers enrolled — Utilization rate

	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
	<p>The chart displays the number of workers enrolled (blue bars) and the utilization rate (blue line) for South America (four-company total) from March to December. The y-axis has a mark at 6,800. The utilization rate is marked with a red circle in September and December, indicating 'Extremely low risk'.</p>		
	Status	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.	

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



# OS 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	UK	EU	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, US military facilities-related
Other Business	●	—	—	—	—	—	administrative outsourcing service business at a special subsidiary, etc.

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

# OS 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)
	UK	NTRINSIC Group
Non-office Worker HR Service Business	Japan	OUTSOURCING Inc., PEO Co., Ltd., OTS Inc.
	EU	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)
	UK	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 OS Group business. (Classification details have yet to be finalized at present.)**

## Reference Materials



## Reference Materials

- YoY Change and the Revised Full-year FY12/20 Financial Forecasts (IFRS) announced on May 14, 2020

(¥ million)	FY12/19				Actual 1H Amount	FY12/20				YoY Change Amount      Ratio	
	1H Amount	2H Amount	Actual			Forecast		Full-Year			
			Amount	Composition Ratio		1H Amount	2H Amount	Amount	Composition Ratio		
Revenue	177,585	183,664	361,249	100.0%	172,628	171,000	194,000	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	1,900	8,100	10,000	2.7%	(5,342)	-34.8%
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	(400)	7,200	6,800	1.9%	(6,519)	-48.9%
Profit for the period	1,799	7,176	8,975	2.5%	798	(1,600)	5,200	3,600	1.0%	(5,375)	-59.9%
Profit attributable to owners of the Company	1,376	6,851	8,227	2.3%	664	(1,700)	4,700	3,000	0.8%	(5,227)	-63.5%

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

\*2: Forex rate assumptions for full-year consolidated earnings forecast  
EUR 118.99, GBP 133.18, AUD 66.97, USD 107.41.



# Reference Materials

## ● Revised FY12/20 Financial Forecasts (IFRS) by Segment announced on May 14, 2020 (Annual, Semi-Annual and Quarterly Trends)

**Before reflecting 2Q FY12/20 Actual Results**

(¥ million)		FY12/19					FY12/20				
		Actual					Actual 1Q	Forecast			
		1Q	2Q	3Q	4Q	Full-Year		2Q	3Q	4Q	Full-Year
Domestic Engineering Outsourcing Business	Revenue	20,513	22,321	23,865	24,668	91,367	25,100	26,800	29,100	31,500	112,500
	Operating profit	1,336	1,038	2,061	2,558	6,993	1,446	804	2,550	3,450	8,250
	No. of worksite employees at term-end	13,214	15,036	15,461	15,888	15,888	16,048	18,077	18,657	19,153	19,153
Domestic Manufacturing Outsourcing Business	Revenue	17,546	17,957	17,603	17,424	70,530	16,280	14,620	14,900	15,700	61,500
	Operating profit	1,364	1,643	1,655	2,692	7,354	1,450	1,150	1,200	1,750	5,550
	No. of worksite employees at term-end	13,531	14,018	13,661	13,457	13,457	12,909	12,150	12,000	12,400	12,400
	No. of workers under outsourced administration at term-end	12,418	13,528	16,318	18,670	18,670	20,007	20,500	22,300	28,800	28,800
	No. of placed workers	924	1,034	967	800	3,725	511	227	350	700	1,788
Domestic Service Operations Outsourcing Business	Revenue	4,806	5,351	4,476	5,936	20,569	5,936	5,064	6,100	6,900	24,000
	Operating profit	400	643	451	662	2,156	631	569	500	750	2,450
	No. of worksite employees at term-end	2,670	2,657	2,424	2,560	2,560	2,301	2,440	3,190	3,720	3,720
Overseas Engineering Outsourcing Business	Revenue	10,364	11,561	11,093	10,848	43,866	9,558	6,542	9,000	9,500	34,600
	Operating profit	553	564	1,061	167	2,345	335	(532)	50	150	50
	No. of worksite employees at term-end	3,280	3,718	3,600	3,468	3,468	3,307	2,750	3,910	3,931	3,931
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	33,014	33,834	32,742	34,618	134,208	32,621	28,379	33,200	38,000	132,200
	Operating profit	316	993	547	657	2,513	124	(887)	700	1,050	1,000
	No. of worksite employees at term-end	42,280	44,707	44,968	44,580	44,580	41,683	39,075	44,241	46,782	46,782
Other Business	Revenue	161	157	130	261	709	47	53	50	50	200
	Operating profit	2	44	21	21	88	55	45	50	50	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)	(1,798)	(2,050)	(2,100)	(7,500)
Total	Revenue	86,404	91,181	89,909	93,755	361,249	89,542	81,458	92,350	101,650	365,000
	Operating profit	2,477	3,059	4,462	5,344	15,342	2,489	(649)	3,000	5,100	10,000

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

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

\*3: Regarding the revised forecasts announced on May 14, 2020, some of the numbers of worksite employees at term-end have been revised.

# Reference Materials

## ● Revised FY12/20 Financial Forecasts (IFRS) by Segment announced on May 14, 2020 (Annual, Semi-Annual and Quarterly Trends)

**After reflecting 2Q FY12/20 Actual Results**

(¥ million)		FY12/19					FY12/20				
		1Q	2Q	Actual		Full-Year	Actual		Forecast		
3Q	4Q			1Q	2Q		3Q	4Q	Full-Year		
Domestic Engineering Outsourcing Business	Revenue	20,513	22,321	23,865	24,668	91,367	25,100	25,304	29,100	31,500	112,500
	Operating profit	1,336	1,038	2,061	2,558	6,993	1,446	1,268	2,550	3,450	8,250
	No. of worksite employees at term-end	13,214	15,036	15,461	15,888	15,888	16,048	17,827	18,657	19,153	19,153
Domestic Manufacturing Outsourcing Business	Revenue	17,546	17,957	17,603	17,424	70,530	16,280	14,128	14,900	15,700	61,500
	Operating profit	1,364	1,643	1,655	2,692	7,354	1,450	1,108	1,200	1,750	5,550
	No. of worksite employees at term-end	13,531	14,018	13,661	13,457	13,457	12,909	12,426	12,000	12,400	12,400
	No. of workers under outsourced administration at term-end	12,418	13,528	16,318	18,670	18,670	20,007	20,102	22,300	28,800	28,800
	No. of placed workers	924	1,034	967	800	3,725	511	191	350	700	1,788
Domestic Service Operations Outsourcing Business	Revenue	4,806	5,351	4,476	5,936	20,569	5,936	5,918	6,100	6,900	24,000
	Operating profit	400	643	451	662	2,156	631	635	500	750	2,450
	No. of worksite employees at term-end	2,670	2,657	2,424	2,560	2,560	2,301	1,975	3,190	3,720	3,720
Overseas Engineering Outsourcing Business	Revenue	10,364	11,561	11,093	10,848	43,866	9,558	8,712	9,000	9,500	34,600
	Operating profit	553	564	1,061	167	2,345	335	(177)	50	150	50
	No. of worksite employees at term-end	3,280	3,718	3,600	3,468	3,468	3,307	3,176	3,910	3,931	3,931
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	33,014	33,834	32,742	34,618	134,208	32,621	29,015	33,200	38,000	132,200
	Operating profit	316	993	547	657	2,513	124	(381)	700	1,050	1,000
	No. of worksite employees at term-end	42,280	44,707	44,968	44,580	44,580	41,683	38,136	44,241	46,782	46,782
Other Business	Revenue	161	157	130	261	709	47	9	50	50	200
	Operating profit	2	44	21	21	88	55	2	50	50	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)	(2,050)	(2,100)	(7,500)
Total	Revenue	86,404	91,181	89,909	93,755	361,249	89,542	83,086	92,350	101,650	365,000
	Operating profit	2,477	3,059	4,462	5,344	15,342	2,489	816	3,000	5,100	10,000

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

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

\*3: Regarding the revised forecasts announced on May 14, 2020, some of the numbers of worksite employees at term-end have been revised.

## Reference Materials

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- Business Schemes in Each Business Segment

### Domestic Engineering Outsourcing Business

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

Technological innovation continues every day in various industrial fields, and amidst the chronic shortage of engineers due to the demographic factor of population decline, we 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, and after being assigned, given opportunities to realize career changes and career improvement according to the environment and the wishes of the individual.

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

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

- No. of workers recruited in 1H FY12/20: 4,080 (including approximately 2,000 new graduates hired in April)

# Reference Materials

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- Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business

- Business related to Technical Intern Training Program and Specified Skilled Worker System

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

## Technical Intern Training Act (Act on Proper Technical Intern Training and Protection of Technical Intern Trainees)

### Enforced in November 2017

- The maximum internship period was extended from 3 years to 5 years.
  - \* Technical intern trainees ➡ Based on Japan's official program, the Technical Intern Training Program, manufacturers hire foreigners mainly from Asia as technical intern trainees so that after they return to their home countries when the internship is completed, they can use the skills they acquired.

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

### Enforced in April 2019

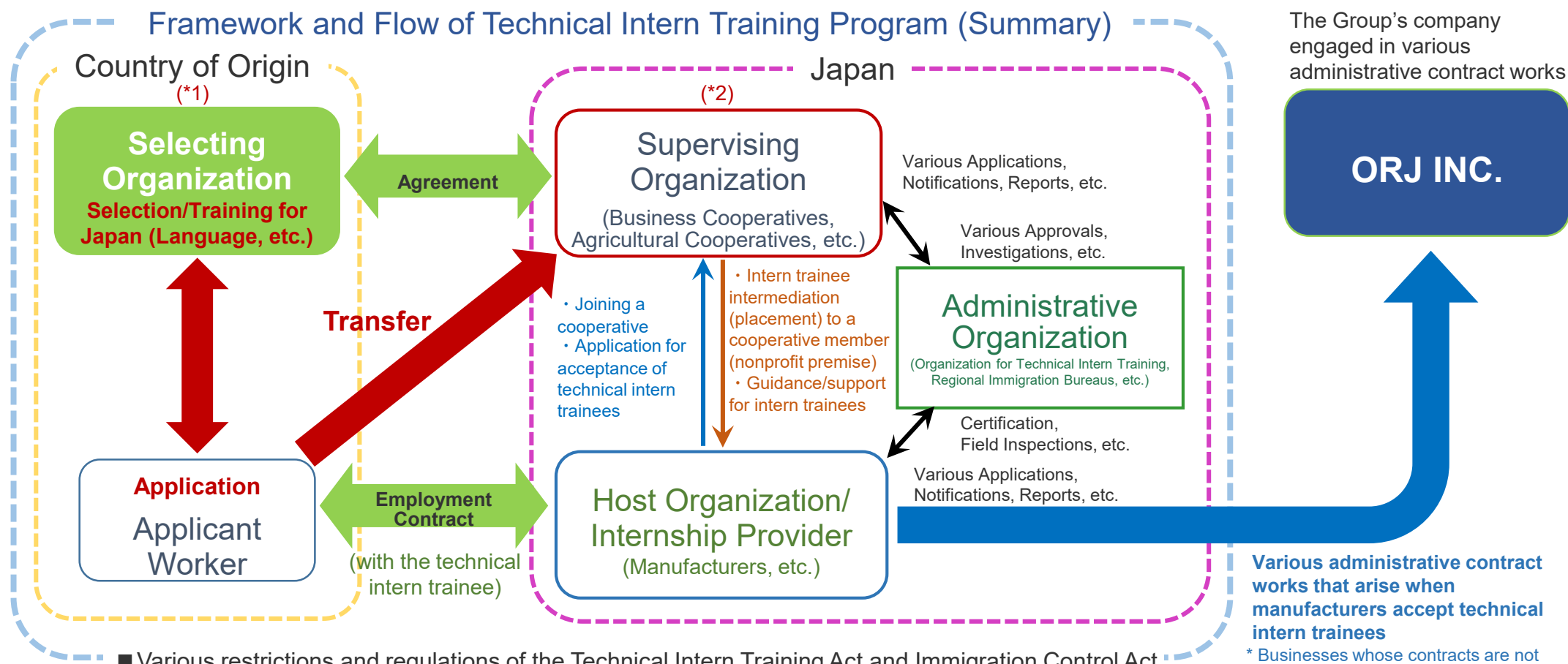
- This is a major shift in policy for accepting foreign workers which in the past had been limited to those with advanced skills in specialized fields, creating a new category of status of residence (Specified Skilled Worker), allowing employment in the area of basic labor works.
  - \* Specified Skilled Worker ➡ A new category of status of residence issued to those who have completed the Technical Intern Training Program, and who satisfy immigration requirements including passing designated exams, etc.

# Reference Materials

## ● Business Schemes in Each Business Segment

### Domestic Manufacturing Outsourcing Business

- Business related to Technical Intern Training Program and Specified Skilled Worker System



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

# Reference Materials

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- Business Schemes in Each Business Segment

## Domestic Manufacturing Outsourcing Business

- Business related to Technical Intern Training Program and Specified Skilled Worker System

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

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

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

Number of contracted administrative operations **The end of 2Q FY12/20 result: 20,102**

**The number is over 10 times the level of competitors.**

\*Due to the global spread of COVID-19, new entry into Japan has been suspended since March 2020.

# Reference Materials

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- Business Schemes in Each Business Segment

## Domestic Service Operations Outsourcing Business

- Outsourcing for US military facilities which has high barriers to entry from the perspective of classified information protection.

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

- Receives contract maintenance and construction works for highly classified aircraft hangars and HVAC facilities at domestic US military facilities such as in Okinawa, etc., which are relatively less susceptible to impact from the economic cycle.
- Orders for work on US military facilities are won through a bidding process, and it is necessary to gain 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

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## ● Business Schemes in Each Business Segment

### Overseas Engineering Outsourcing Business

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

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

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

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

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

Establish holding company structures for Group companies in the UK 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

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## ● Business Schemes in Each Business Segment

### 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

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.

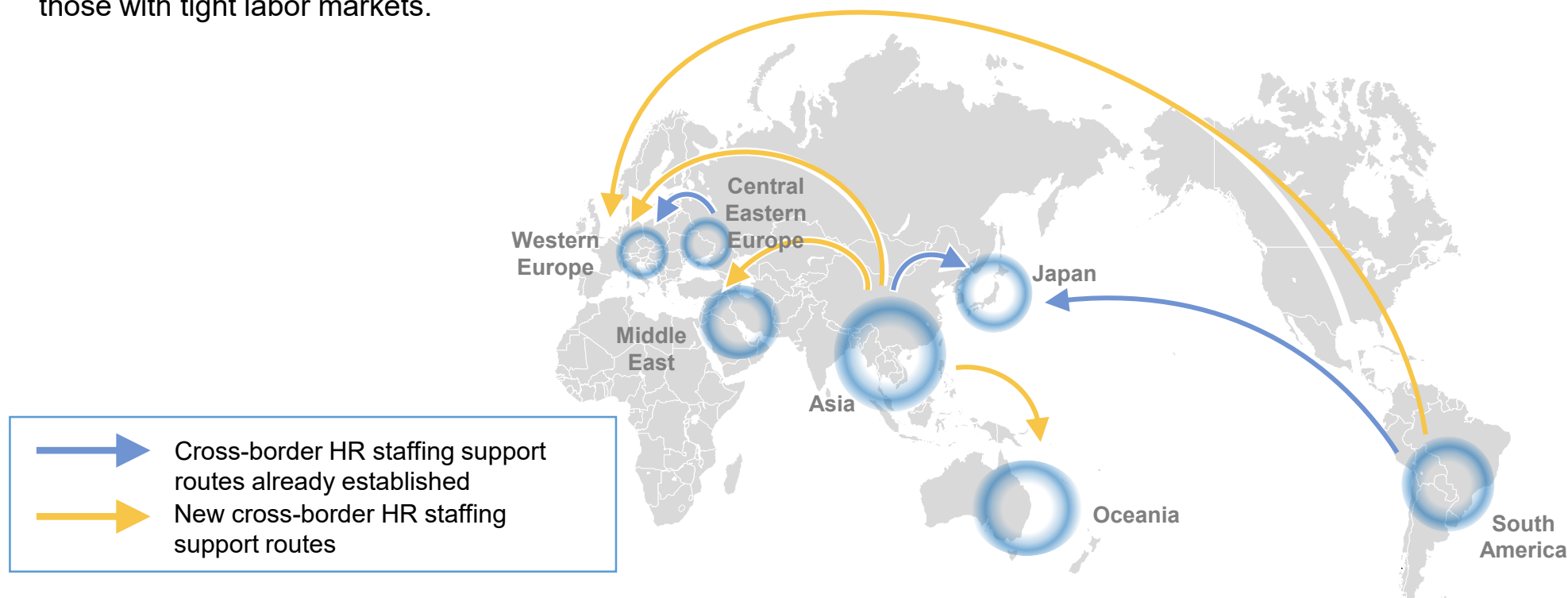
# Reference Materials

- Business Schemes in Each Business Segment

## Overseas Manufacturing and Service Operations Outsourcing Business

- Global utilization of the growing worldwide population

Since, 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, and expanding the support structure to supply workforce from countries with abundant workforces to those with tight labor markets.



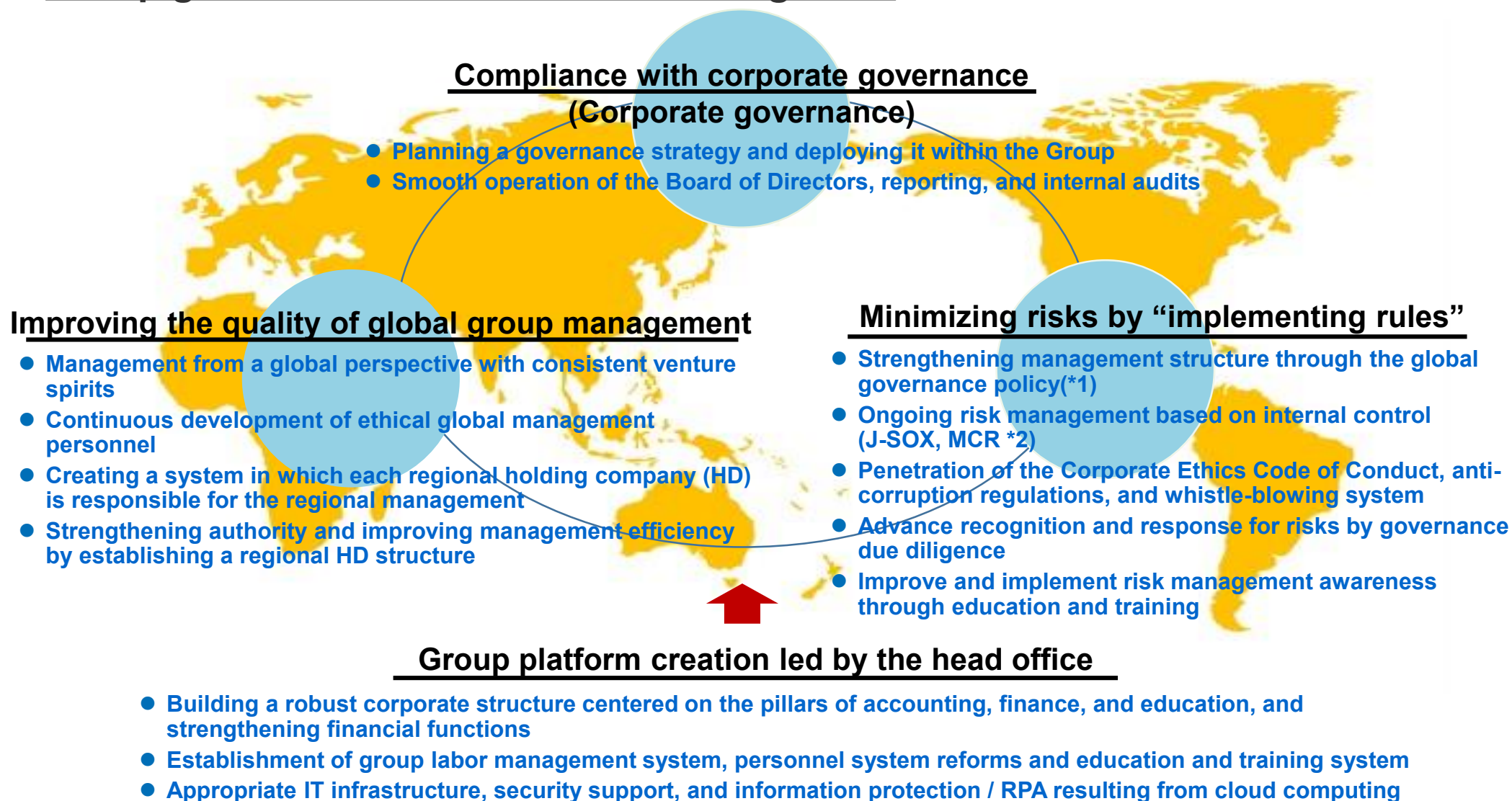
**Expand business by leveraging the growing worldwide population through a cross-border global HR mobilization network**

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

# Reference Materials

## ● 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)

### **(\*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 Actual			Actual 1H	FY12/20 Forecast	
		1H	2H	Full-Year		2H	Full-Year
Engineering	No. of workers recruited (persons)	3,991	2,352	6,343	4,080	2,580	6,755
	Recruitment unit price (¥/worker)	324,149	579,798	418,944	442,400	624,935	525,495
Manufacturing	No. of workers recruited (persons)	4,534	3,284	7,818	2,746	3,222	5,939
	Recruitment unit price (¥/worker)	85,450	57,705	73,796	104,445	79,660	92,075
Service Operations	No. of workers recruited (persons)	1,959	1,281	3,240	894	2,227	3,212
	Recruitment unit price (¥/worker)	23,095	37,880	28,940	30,002	21,663	27,186
Recruiting and Placing	No. of workers recruited (persons)	1,958	1,767	3,725	702	1,050	1,788
	Recruitment unit price (¥/worker)	174,674	134,879	155,797	339,715	156,938	226,212

## ● Quarterly Trends

		FY12/19 Actual					FY12/20				
		1Q	2Q	3Q	4Q	Full-Year	Actual 1Q	2Q	Forecast 3Q	4Q	Full-Year
Engineering	No. of workers recruited (persons)	1,155	2,836	1,201	1,151	6,343	1,155	2,925	1,301	1,279	6,755
	Recruitment unit price (¥/worker)	598,655	212,352	630,609	526,779	418,944	994,573	224,362	655,237	594,113	525,495
Manufacturing	No. of workers recruited (persons)	2,046	2,488	1,582	1,702	7,818	1,411	1,335	1,456	1,766	5,939
	Recruitment unit price (¥/worker)	126,977	51,301	61,884	53,821	73,796	136,396	70,676	84,177	75,936	92,075
Service Operations	No. of workers recruited (persons)	1,070	889	569	712	3,240	505	389	993	1,234	3,212
	Recruitment unit price (¥/worker)	27,456	17,846	33,576	41,319	28,940	51,347	2,293	23,584	20,118	27,186
Recruiting and Placing	No. of workers recruited (persons)	924	1,034	967	800	3,725	511	191	350	700	1,788
	Recruitment unit price (¥/worker)	196,934	154,781	171,402	90,731	155,797	395,779	189,723	167,681	151,567	226,212

### 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)

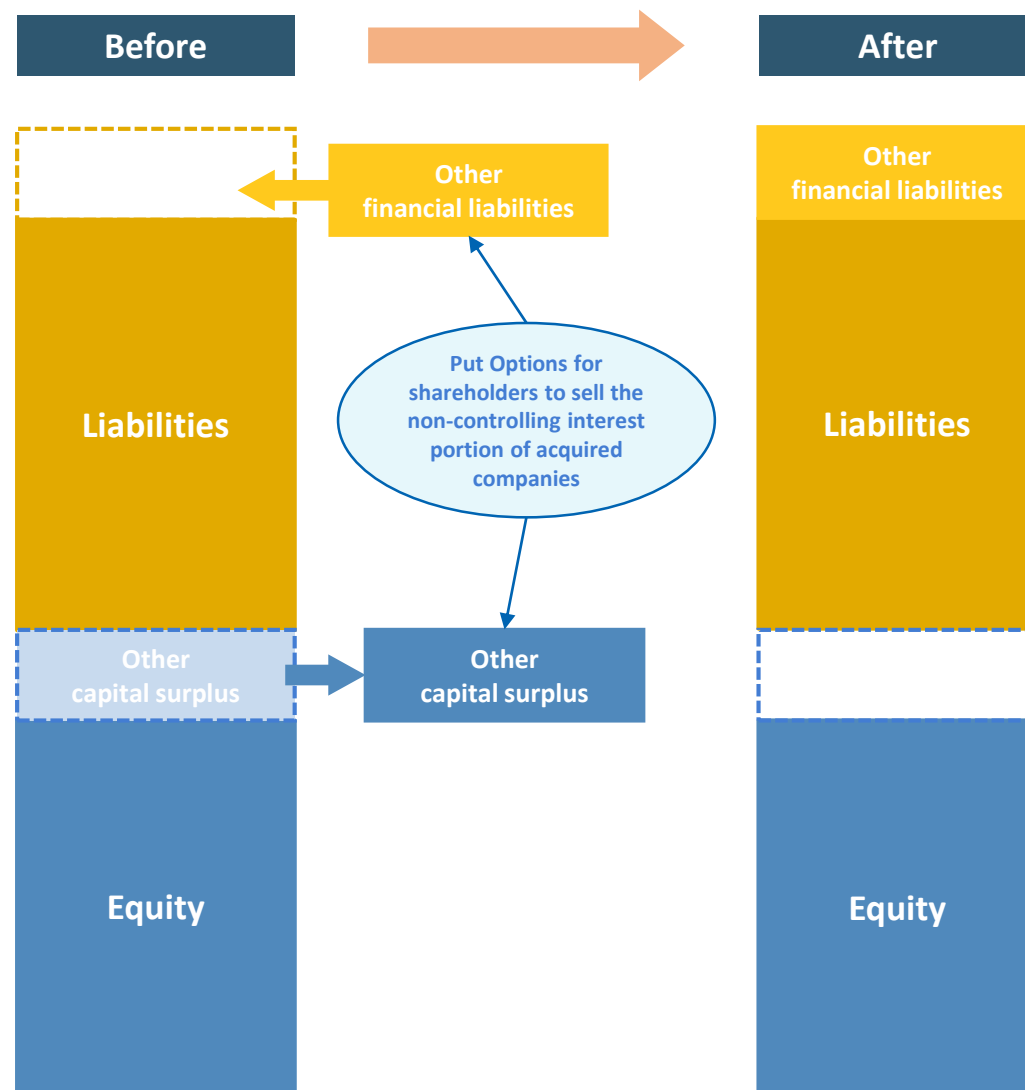
- In cases where put options for NCI are granted, related to M&A

### 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

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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

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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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