

Corporate Report 2020

Integrated Report 2020



Change the Game

Through the Human Resources
Outsourcing Business,

We Strive to Resolve Social Issues

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New Corporate Principles

**Enhancing the quality of life of everyone
around the world by eliminating inequalities in working
conditions 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 conditions.

New 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
society's challenges, develop our business, and contribute to the benefit
of our stakeholders in a sustainable manner.**

SDGs to Which the OUTSOURCING Group Is Making a Contribution



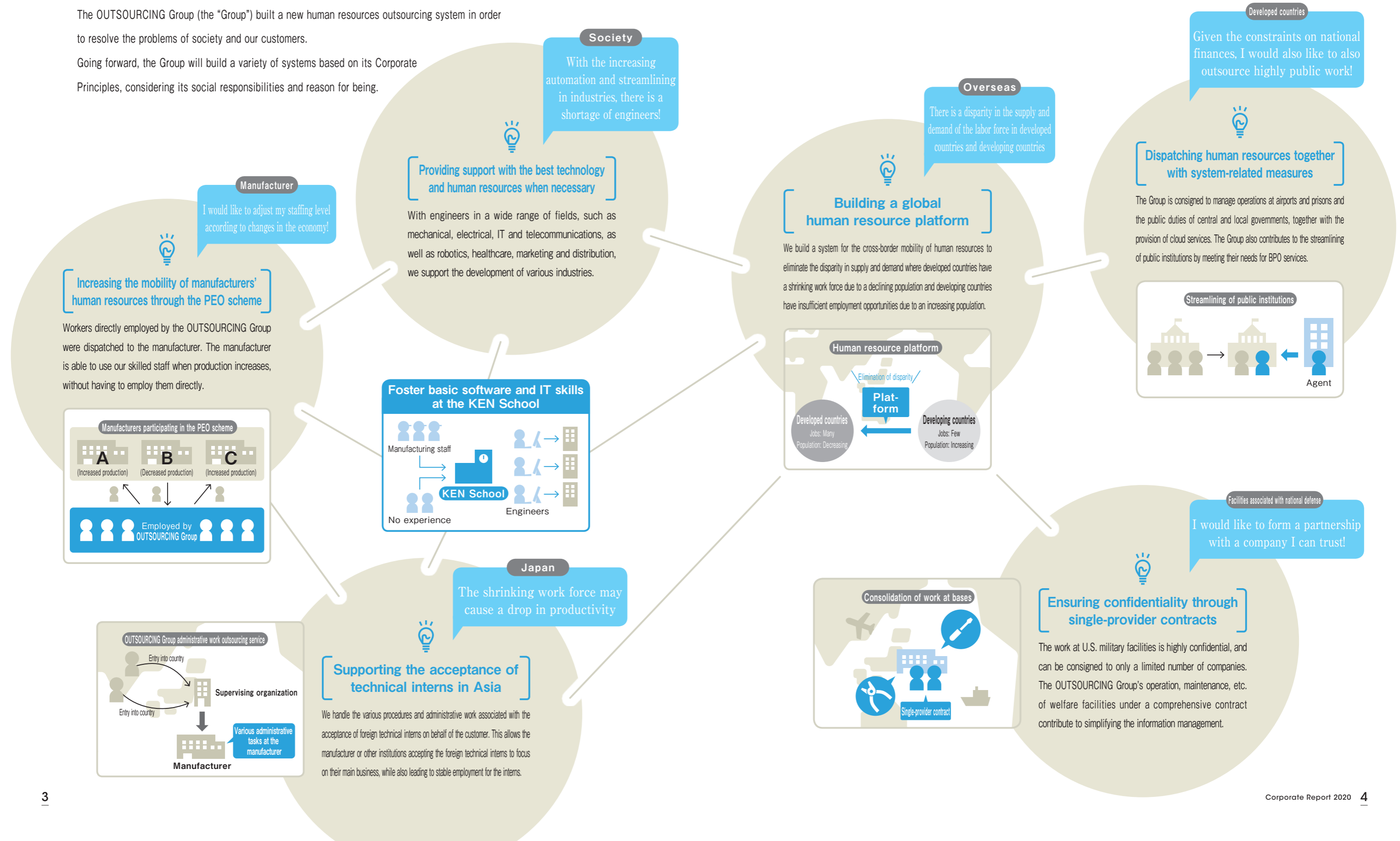
Solving the Problems of Society and Our

The OUTSOURCING Group (the "Group") built a new human resources outsourcing system in order

to resolve the problems of society and our customers.

Going forward, the Group will build a variety of systems based on its Corporate Principles, considering its social responsibilities and reason for being.

Customers by Providing Human Resources



Building a Platform for Growth Through

Ever since the establishment of the OUTSOURCING Group in 1997, we have always introduced new initiatives in response to the changing times. Through initiatives such as overseas expansion associated with globalization and engineer training accompanying the proliferation of IoT, we have changed our business fields in accordance with the social environment. In 2020, we devised our new medium-term management plan "Change the GAME," and will take on the challenge of further innovation.

Global

Since 2004

Accelerate business development into other sectors from human resource services for the manufacturing sector

Listed on the Jasdaq Securities Exchange, Inc. Expanded into administrative outsourcing and other non-manufacturing sectors, aiming to strengthen the business base.

Engineers

Since 2010

Accelerate overseas expansion, mainly through M&A

Accelerated global expansion to capture the growing markets, given the thriving economic activities in emerging markets.

Since 2010

Strengthen the engineering area to create added value

Expanded into the rapidly evolving engineering field to build a portfolio that is not affected by the business conditions in the manufacturing sector.

Global and Technology Field Expansion

Since 2018

Build a global human resource platform

Accelerated the construction of a global governance framework while aiming to build a cross-border human resource platform.

Since 2015

Expand into the service field to grow the non-manufacturing area

Launched outsourcing services for the highly public service field, which includes U.S. military facilities and government-related work, amid the steady expansion of the engineering area.

Since 2020

Take on the challenge of moving away from the existing human resources business

Shifted from a human resources stock business to a fee-based business and high value-added services.

New medium-term management plan

Change the GAME

In 2020, we started our new five-year medium-term management plan. The theme "Change the GAME" means "overturning accepted ways of thinking" and "completely transforming situations."

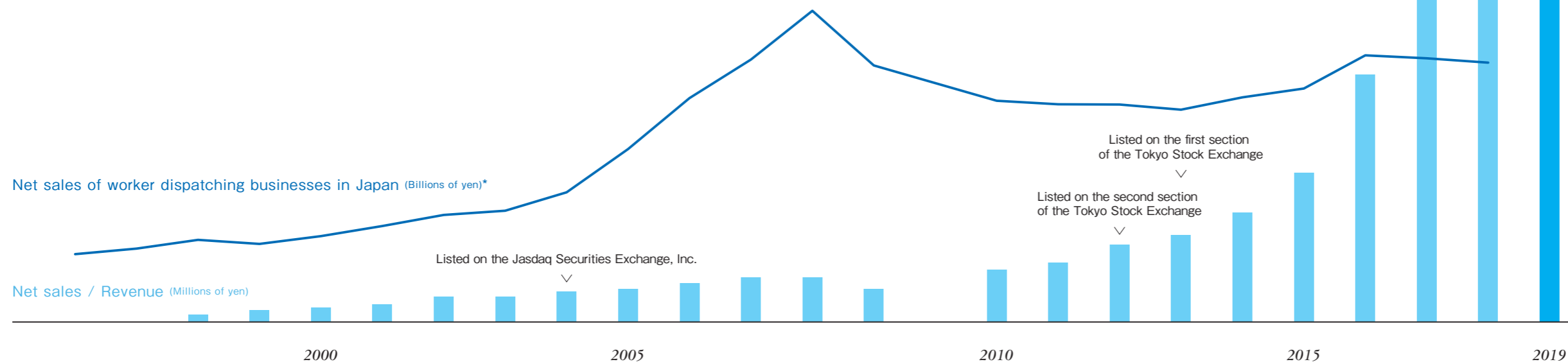
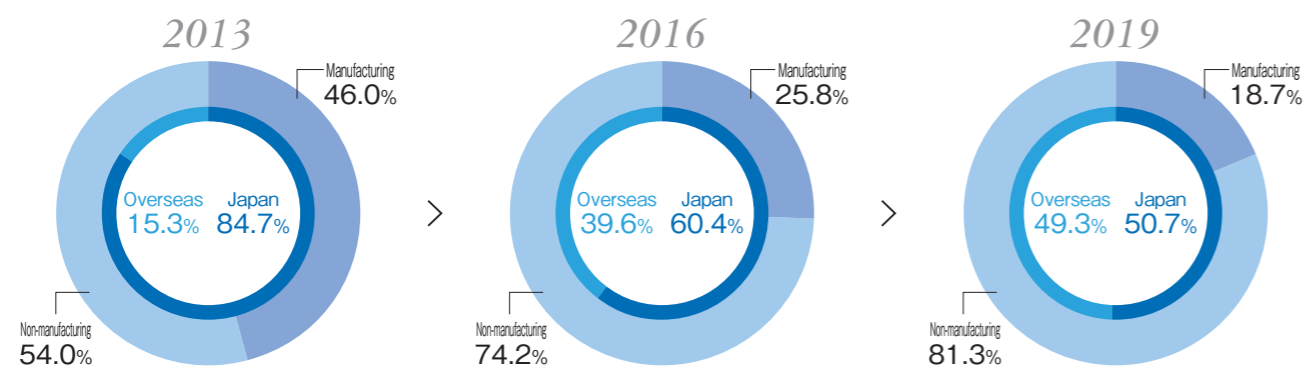
The OUTSOURCING Group aims to be a game changer in the human resources business and transform its business structure with a vision of expanding its fee-based business by establishing platforms.

Promoting the Transition to a Business Portfolio

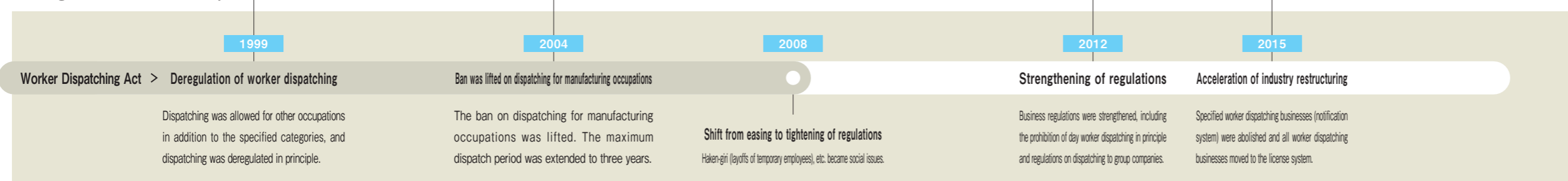
Human resource businesses are said to be easily affected by legal systems and business conditions.

To achieve steady growth given this situation, the Group shifted the business portfolio from Japan to overseas,
and from the manufacturing sector to the non-manufacturing sector, resulting in persistent growth, mainly through M&A.

Business portfolio transformation



Changes in the industry



* Source: "Worker Dispatching Business Report" of the Ministry of Health, Labour and Welfare

That Is Not Affected by Business Conditions

Changes since establishment



1

Transitioned to a portfolio that is not easily affected by changing business conditions.

2

Evolved into a global corporation with over 50% of sales overseas.

3

Competition intensified for the dispatching business in Japan due to strengthened regulations.

Our Three Strengths Developed Since Foundation

The unique strengths the Group has been developing through its active overseas expansion and diversification of portfolio up until now are our “human resources,” “technology” and “wide range of fields.”

Fields

Global expansion encompassing 34 countries and regions in the world

31 companies in Japan 168 companies overseas

* As of September 30, 2020

The global network allows the Group to mobilize human resources to countries as demand requires.

Wide range of business fields

Manufacturing Logistics IT-related Health care Public works

The Group provides human resources to a broad range of industries from the cutting-edge fields of IT and health care to fields of high public good.



Human Resources

Skilled workers provided under the PEO scheme

The Group contributes to shortening the time required by customers in the manufacturing sector for education and training.

Highly skilled human resources trained using the KEN School

The Group trains engineers and other professionals who require advanced skills such as programming, beginning with the acquisition of basic skills in software necessary for business.

Overwhelming capability to procure human resources

The Group is proficient in procuring human resources, obtaining over 2,000 new graduate employees in Japan for two years running.

Excellent management-level human resources in the overseas Group companies

The Group has a highly experienced leader class in its 165 Group companies.

Technology

High-level IT solutions that provide improvements in productivity

With software such as RPA, the Group is able to offer high value-added outsourcing.

A broad range of technological capabilities from cutting-edge technology to general-purpose technology to fulfill the needs of our customers

The Group offers a wide range of technology from developing and providing technology that assists customers with DX to developing web apps.



Resolving Social Issues Through Human Resource Mobility

Due to the drastic changes brought about by the rapid globalization of the world, the requirements of The OUTSOURCING Group contributes to resolving social issues by utilizing its three strengths of

human resource service companies have changed considerably, as has the role we play in society. “human resources,” “technology” and “fields.”

New medium-term management plan Change the GAME

Value offered

Improvement of productivity

Organizational streamlining

Highly specialized workers and
cutting-edge technology

OUTSOURCING Group

Practical education

Value offered

Employment opportunities

Educational opportunities

Governance with a global perspective

A dual focus on the fundamental concept from head office leadership and the unique approaches of global subsidiaries

Three Strengths

Wide range
of fields

Abundant human
resources

Effective technological
capability

Issues faced by developed countries

In developed countries, such as Japan, the working-age population is declining while there is growing sophistication of technology in IT and health care. This is creating a rising demand for human resources with the necessary skills for the more highly specialized fields. In addition, there are many countries facing fiscal difficulties, and in those countries, the outsourcing of businesses with high public good is growing.

Issues faced by other countries

As the population continues to increase on a global level, it is highly likely that the number of people without work opportunities will increase.

Contributing to resolving social issues

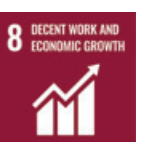
1 Provide quality education for jobs and operations worldwide in order to help improve people's productivity and motivation at work.



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



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



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



Transition to Dispatch 2.0

Provision of cutting-edge technologies in combination with human resources

Building of WBB platform

Creation of infrastructure that allows all people to cross borders freely to work

Top Message

Chairman and CEO of
OUTSOURCING Inc.

Haruhiko Doi



Becoming an enterprise capable of prevailing against any business condition

Ever since its establishment in 1997 as a human resource services company committed to serving Japan's manufacturing industry, the OUTSOURCING Group has been extending its business domain in terms of human resource services involving technology professionals in IT, R&D, pharmaceuticals and healthcare, construction, and other such realms, while also greatly improving its operating performance. Meanwhile, in recent years we have been achieving progress toward becoming an enterprise capable of prevailing against any business condition. This has involved seeking a higher proportion of business that is not susceptible to economic fluctuations. For instance, we are now overwhelmingly ranked as the top company for outsourced administrative work including labor and housing management for technical interns and other foreign nationals residing in Japan, having contracted more than 20,000 workers as of June 30, 2020, which is around tenfold that of our peer companies.

Whereas the Group has been progressing in step with growth of the Japanese economy, we also recognize the importance of expanding our human resource services globally given trends that include Japan's declining population, demographic changes and persistently low growth. As such, we have expanded into Asia, Oceania, South America, the United Kingdom and the European Union through aggressive initiatives involving mergers and acquisitions. As a result of these efforts, we have expanded our business and as of September 30, 2020 have operations in 34 countries and regions worldwide, having established a global network consisting of 31 Group companies in Japan and 168 Group companies overseas.

The overall value of the market in which Japan's human resource services industry operates is estimated to be at around ¥2.6 trillion, which is equivalent to just a single year's growth of the global market for such services. Whereas Japan's population is clearly in decline, OUTSOURCING Inc. (the "Company") sees potential for business expansion by leveraging global population growth with the world's population poised to increase to 10.0 billion people, from 7.7 billion currently.

Due diligence for overseas expansion

We have remained mindful of the important points whenever arranging mergers and acquisitions. Our most important consideration is that of whether an M&A target company will contribute to the Group's primary objective of achieving more consistent operating performance. Another key point that we consider is that of whether the Group is able to identify the management conditions and business risks of an M&A target company by drawing expertise the Group has amassed through business it has carried out in Japan. On such grounds, we have never conducted a merger or acquisition involving an overseas company that engages in business outside the realm of the Group's business in Japan. Meanwhile, our overseas consolidated subsidiaries brought in through mergers and acquisitions have subsequently achieved organic growth. This is due to the thorough due diligence that we perform beforehand.

The Group's overseas expansion has successively generated substantial synergies. For instance, the government and public works related outsourcing business in the United Kingdom does not exist in Japan but does exist in nations that have long had close relations with the United Kingdom. As such, we were able to embark on such business in Australia and elsewhere and also have been taking steps to expand our e-commerce related human resource services offered in the Netherlands to countries besides the Netherlands where the Group maintains recruitment offices. Also, considering that there are more than 190 countries and regions in the world, we are able to greatly expand our business horizons not only by observing those nations from Japan, but also by observing the world from those countries outside of Japan. I think the Group is able to leverage its synergies by continuously taking account of the applicability in other geographic regions, and then sharing and applying its expertise in that regard.

“We aim to serve as a ‘Game Changer’
in the global human resource services industry,
from Japan to the rest of the world”

**Achieving success even during the COVID-19 pandemic
by diversifying our business portfolio
with the aim of achieving more consistent operating performance**

The pandemic of the novel coronavirus disease (COVID-19) has given rise to unprecedented uncertainty regarding the future. Accordingly, as a company whose fiscal year ends on December 31, the Company estimated the potential ramifications of the pandemic as of April 2020 on the date of releasing its financial results for the first quarter of the fiscal year ending December 31, 2020 and revised downward its consolidated financial forecasts for the full-year and the first half of the fiscal year ending December 31, 2020. However, in the settlement of accounts for the first half period (as of June 2020), we achieved positive results across the board, despite having previously anticipated losses with respect to profit before tax, profit for the period, and profit attributable to owners of the parent, thereby enabling release of sufficiently positive forecasts with respect to our outlook going forward.

With respect to our domestic outsourcing businesses (encompassing the Domestic Engineering Outsourcing Business, Domestic Manufacturing Outsourcing Business, and Domestic Service Operations Outsourcing Business), we achieved higher revenues across our domestic operations overall, driven particularly by year-on-year gains both in revenues and profits generated by the Domestic Engineering Outsourcing Business and the Domestic Service Operations Outsourcing Business. Meanwhile, operating profit before adjustments in the three segments also increased to more than ¥6.5 billion. As for our overseas businesses, we recorded an operating profit in the Overseas Engineering Outsourcing Business but an operating loss in our Overseas Manufacturing and Service Operations Outsourcing Business, thereby culminating in a slight operating loss in our overseas businesses overall amounting to approximately ¥0.1 billion.

This outcome is likely a result of having made progress in carrying out initiatives geared to achieve more consistent operating performance, which has involved diversifying our business portfolio. Moreover, we have taken action in terms of pointing our human resource services industry in the direction it needs to be headed to address the “New Normal” going forward. Accordingly, our Domestic Engineering Outsourcing Business and Domestic Manufacturing Outsourcing Business have announced new initiatives to be implemented in that regard. Meanwhile, the Group’s solutions are currently quite robust in terms of a vector approach that involves directing our expertise, creativity and innovative solutions under our “One Team” concept. I hope you will look forward to our path from this point forward as a Group whose visions are set for the future to come.

**Relationship between a lean balance sheet and goodwill
in the human resource services industry**

A distinctive feature from the standpoint of finance in the human resource services industry is that companies are able to engage in business without having to shoulder substantial assets in the financial statements. This enables such companies to take a very flexible approach to business while avoiding substantial impairment losses even if they withdraw from the new businesses upon failure, as they do not hold substantial assets such as land, buildings and factories.

On the other hand, the Group records goodwill under non-current assets because it has been aggressively carrying out mergers and acquisitions overseas. Meanwhile, although the Group’s goodwill amounts to approximately 24% of its total assets as of the settlement phase for the first half of the fiscal year ending December 31, 2020, that goodwill itself is a source for swiftly generating revenue, profit, and cash flow. Recognizing the need for greater transparency when it comes to goodwill, we are taking steps that largely entail disclosing the status of impairment risk evaluation in view of findings derived from impartial stress testing performed by the Company with respect to each consolidated subsidiary listing goodwill of at least ¥1.0 billion on the books, as detailed in our Financial Results for the 2nd Quarter of Fiscal Year Ending December 31, 2020. We will continue our efforts to gain greater understanding among our shareholders and other investors.

**Heading in a clearly defined direction
under the new medium-term management plan
“VISION 2024: Change the GAME”**

In 2020, we drew up our new medium-term management plan “VISION 2024: Change the GAME,” which remains in effect from FY2020 through FY2024 and is being implemented on a rolling basis in place of the previous medium-term management plan. Rather than holding to our medium-term management plans through to their final fiscal years, we have been implementing them on a rolling basis in terms of making upward revisions to their quantitative targets and achieving those targets early on. Meanwhile, amid a scenario of work style reforms being promoted and labor laws being amended worldwide, the business environment surrounding the Group’s business has substantially changed. As such, whereas prevailing business models in the human resource services industry are becoming obsolete on the one hand, new business opportunities are emerging on the other. Accordingly, our major aim with respect to implementing this medium-term

“We will fully set our sights on the world’s leading corporate groups by engaging in initiatives that are focused on prevailing tides of change.”



management plan on a rolling basis was to illuminate matters as to how the Group will address these developments and what sorts of guidelines the Group will implement to develop business.

These days, technology is evolving at an unimaginable pace. Given this environment, some of the Group’s businesses have been proposing manpower-savings solutions that use artificial intelligence (AI) and robotic process automation (RPA). This would seem to suggest that we are undergoing a 180-degree departure away from the propensity thus far to perceiving the human resource services industry as being one that relies on a stock of human resources. As this perception shifts, substantial changes are inevitably emerging also in terms of the all-important key performance indicators (KPIs).

Described on the following pages of this report, all six of the priority measures set forth in our latest medium-term management plan constitute strategies for achieving sustainable growth while avoiding susceptibility to economic fluctuations, and furthermore building a base for achieving robust earnings in any business environment.

I feel the key factor in whether we achieve dominance or not in the human resource services industry is that of our having achieved success in building our fee-based business and stock business approaches particularly in the platform business by around the time we have reached the end of this medium-term management plan. Having been swift in

identifying such tides of change and having taken on measures in that regard, the Group is likely to find itself in a position where it is fully setting its sights on the world’s leading corporate groups in the human resource services industry by the time it begins implementing its next medium-term management plan.

“Change the GAME” means “overturning accepted ways of thinking,” and “completely transforming situations by changing the course of things from the bottom up.” The Group is committed to serving as a “Game Changer” in the world’s human resource services industry through a process of self-transformation.

Change the GAME

The Group has responded to shifts in the operating environment by formulating a precise medium-term vision. Currently, AI, RPA, and other technologies are being adopted more swiftly than we anticipated, and the human resource services business is entering a new stage, characterized by a growing demand for labor savings. The Group is updating the medium-term management plan on a rolling basis and is giving priority to the new development of business.

The Group considers the new medium-term management plan VISION 2024: Change the GAME to be a step in our efforts to create human resource business models that flip traditional common sense on its head, build a global human resource platform, and transform our business structure with a view to expanding our fee-based business.

Former Medium-Term Management Plan

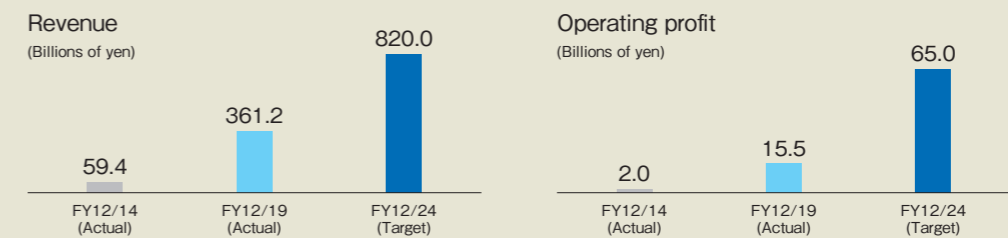
VISION 2020: Tackling New Frontiers

Expand globally outsourcing businesses into fields that are relatively unaffected by economic fluctuations

New Medium-Term Management Plan

VISION 2024: Change the GAME

Change to a business structure with a view to expanding our fee-based business by establishing human resource platforms



Priority Measures

Strategy 1

Services to Support Foreign Workers

The Group is expanding its support for foreign workers, in response to the expansion of the residency statuses of foreign workers formulated by the Japanese government in 2019. Through the use of chatbots, call centers, and other technology such as apps, the Group is enhancing the support services which include assistance in overseas remittance and opening bank accounts, help in finding housing, and support in other lifestyle-related matters for the foreign residents.

2024 KPI Number of foreign workers supported by our services 100,000 ▶ 300,000

Strategy 2

Increase Operating Efficiency and Save Manpower through Dispatch 2.0, Combining Engineers and Technologies

Against the backdrop of declining working-age populations in many developed countries, the Group will provide engineers in combination with cutting-edge technologies (such as RPA and AI), supporting the enhancement of efficiency in operations. The Group will promote diversification of its industries through alliance strategies that allow it to streamline management and obtain cutting-edge technologies.

2024 KPI Revenue from Dispatch 2.0 ¥91.3 billion ▶ ¥260.0 billion

Strategy 3

Further Expand Business Involving U.S. Military Facilities and Government and Public Works Related Business to Achieve More Consistent Operating Performance

In the business involving U.S. military facilities, which is less susceptible to economic fluctuations, the Group will work to expand services into technology fields such as IT at bases in Okinawa and Guam, where services are already established, and aim to move into other U.S. military bases in the Pacific Rim. The Group is also accelerating horizontal development on a global scale for other businesses, including debt collection, airports and other transportation infrastructure, and e-commerce related businesses.

2024 KPI Revenue from the business involving U.S. military facilities ¥16.5 billion ▶ ¥50.0 billion

Strategy 4

Turn the Growing Worldwide Population into Growth Potential by Establishing a Global Human Resource Mobilization Network

The Group will build a hub function for human resource mobility in North America based on what has already been built in Europe, Asia and South America. In addition, the Group is building a human resource mobilization network that links with these three hubs and responds to changes in the economy and operating environment on a global scale.

2024 KPI Number of hirings of mobilized human resources 26,500 (of a total planned number of hirings for 2024 of 167,000)

Strategy 5

Build a WBB Platform to Move Us Away from Business that Relies on a Stock of Human Resources

Developed countries now require a change in the human resource model, away from a stock business in light of environmental changes, such as the trend of labor saving through technology, and working-style reform. Meanwhile, as there are many countries where populations are increasing, we wish to build a human resource infrastructure that allows all people to cross borders freely.

2024 KPI Operating profit from fee-based business ¥6.0 billion

Strategy 6

Pursue Financial Strategies

The Group will work to build a robust earnings base and maintain a stable increase in dividends aimed at expanding the base of shareholders, while ensuring there is a balance with internal reserves for investment and future growth.

2024 KPI ROE of 25% or higher Equity ratio of 30% or higher Payout ratio of 30% or higher

Featured Topic **#1**

The future of human resources outsourcing

Senior Executive Director of
OUTSOURCING Inc.

Atsushi Nakamoto



We are creating new businesses drawing on the resources of the entire Group, rather than operating them individually

Sharing expertise, knowledge, and technological skills across the Group

Japan's manufacturing industry has been encountering slowing and stagnating growth for the last two years amid uncertainties with respect to U.S.-China dialogue and a worldwide economic downturn brought about by the COVID-19 outbreak emerging this fiscal year. Meanwhile, the Group has been aiming to achieve a robust earnings structure that is not susceptible to business cycles of the manufacturing industry on the assumption of the Japanese economy's sluggish growth. It has consequently generated growth as an enterprise that has attained substantial gains in earnings performance both in Japan and overseas. This is particularly the case in Japan with respect to its outsourcing business for facilities associated with national defense and support services for overseas workers; overseas with respect to government and public works related business encompassing debt collection and e-commerce-related logistics business; and financial

systems-related engineer business mainly in Australia.

At first glance it may seem that these businesses function independently as disparate operations. In reality, however, these businesses give rise to Group resources and collective strengths, particularly in terms of our thus far amassed expertise, knowledge and technological skills, as well as creditworthiness. For instance, operating at a larger scale directly culminates in higher profit margins, an example of which is our business for facilities associated with national defense carried out by a subsidiary. Having become part of the Group, the subsidiary wields a higher credit standing and is able to take part in bidding on large-scale projects with its substantially increased limit on surety bonds (performance

bonds). The subsidiary has now reached a stage whereby it is beginning to extend this business into Guam and elsewhere overseas. As for our support services for overseas workers, we have established an overwhelming presence as a front-runner in providing administrative support involving technical interns and serving as a body that facilitates registration of specified skilled workers. This is attributable to our having earned high marks from home countries of workers for our track record of developing deep ties with Japanese-affiliated companies operating local business in Southeast Asia and carrying out human resources training locally, in addition to having furnished our expertise in providing administrative support involving temporary workers employed by manufacturers in Japan since 2008. As for our debt collection business in the United Kingdom, our AI-based technologies developed by other subsidiaries in the Group have contributed to streamlining operations and increasing rates of debt collection. The Group's growth has directly translated to an increase in resources, which in turn is furthermore deployed across the Group. These are examples of where our true synergies lie.

The COVID-19 pandemic

and our mission under the medium-term management plan

Amid the prevailing COVID-19 pandemic, we have developed our Cloud Staffing Management (CSM) system for administering worker dispatch as a new service in Domestic Manufacturing Outsourcing Business. The CSM system serves as a platform of a human resource management center established by the Company as corporations increasingly resort to remote working arrangements. In that capacity, the CSM system enables companies to readily manage and coordinate operational status, performance evaluations of temporary staff and other such matters with staffing agencies. It also supports functions such as digitization of contractual documents and information on staff members. With certain major corporations having already decided to adopt our CSM services, we hope that these services will help us increase our share of the employee dispatch market and heighten our appeal to staffing agencies. Meanwhile, our new medium-term management plan calls for establishing a global human resource network and building a platform business, in conjunction with the aim of expanding business that helps us achieve more consistent operating performance. We are already mobilizing Eastern European workers to European countries where the supply of labor is tight relative to demand. We have also been sending human resources from respective Asian nations to Japan. Mobilizing human resources from geographic regions with growing populations to regions that are in short supply of workforce resources heightens the value of labor. That lends substantial economic advantage both to workers and their home countries.

Although the entire world has been temporarily affected by the COVID-19 pandemic, we believe that the medium-to long-term impact will be limited. Moreover, we will redouble our efforts to achieve our aims of establishing a global human resource mobilization network by leveraging our expertise and administrative track record with respect to mobilizing labor resources, and strengthening our business alliances by taking advantage of the Group's economies of scale and building a platform for job seekers looking for cross-border employment.

Featured Topic **#2**

Integrating with technology

President and Representative Director of
OUTSOURCING TECHNOLOGY Inc.

Masaki Motegi

Commitment
to not only
business
growth, but
also agility



**New graduate recruitment
and KEN School**

OUTSOURCING TECHNOLOGY Inc. ("OS Tech") of the OUTSOURCING Group serves as a major associate under the Domestic Engineering Outsourcing Business, which has been achieving substantial growth in both sales and profit in recent years. In offering its technological services in areas such as design, construction and maintenance, OS Tech provides solutions involving development of corporate systems and networks. Their main focus is on dispatching engineers and development contracting involving mechanical, electronic, electrical and software technologies specifically for R&D. In providing such services, OS Tech forms professional teams that include engineers equipped with advanced technological skills in both "physical (electromechanical)" and "information technology" fields. OS Tech has 15,888 engineers, as of December 31,

2019. In recent years, the number of new graduates has increased substantially, to the point where around 2,000 new graduates joined the ranks of the overall OUTSOURCING TECHNOLOGY Group (the "OS Tech Group") in 2020. Beginning in FY2019, OS Tech also began accepting top-notch engineers who have graduated from universities classified as the top ten universities in Asia. Many new graduates have joined OS Tech amid the current situation in which companies in the industry have been struggling to secure talent due to an estimated shortage of roughly 800,000 IT engineers by 2030. The reason it was able to attract so many graduates is twofold. For one, the OS Tech Group assigns graduates to positions matching with their

desires to become engineers in specific industries or sectors, rather than seeking talent within engineer-specific occupational categories. Another major factor is the training program implemented beforehand, which incorporates specific industry or sector content. KEN School is OS Tech's proprietary educational scheme. Devised in conjunction with corporations, it produces personnel that will become a valuable asset in their respective industries and corporations, from the early phase of their employment. Individual career development is also another key advantage, as we are capable of catering to the preferences of those expressing a desire to take on challenges in other industries and sectors, since OS Tech is involved in a wide variety of industries. KEN School is beneficial in terms of facilitating changes in careers and career advancement involving professional talent engaged in the outsourcing business pertaining to non-technical positions. Meanwhile, in the OUTSOURCING Group the IT engineering training business appears to be expanding laterally, particularly given similar operations are being carried out in Australia.

**The objective of the Dispatch 2.0 business model
is offense rather than defense**

Under the new medium-term management plan, we are enlisting our Dispatch 2.0 business model which combines engineers and technology in promoting streamlining and manpower savings amid increasing awareness of artificial intelligence (AI) and robotic process automation (RPA).

OS Tech's business will not readily shift over to AI or RPA. This is due to the notion that our business that relies on a stock of human resources will be well established in OS Tech's business domain even down the road in 2030, amid a disparity between supply and demand caused by a shortage of labor as noted above. As such, we have devised our Dispatch 2.0 business model cited in the medium-term management plan for the objective of going on the offense with respect to the territory of competitors, rather than defending the existing business.

AI and RPA technologies serve as a sort of outstanding "labor force." In the realm of dispatching office staff involving large numbers of people contracted by our competitors, OS Tech will provide small numbers of engineers together with this new "labor force" as a combined package to fulfill outsourcing needs. This will enable our customers to reduce costs, which in turn will enable us to achieve greater productivity and profitability. Although OS Tech's business has not received much impact from the COVID-19 pandemic, we have determined that this is the right time to furthermore expand into the so-called "first-line workers" domain constituting comprehensive office work and general affairs. We will accordingly mount an offensive in those areas of business as envisioned under the Dispatch 2.0 business model, cited in the medium-term management plan.

Our management must remain committed not only to business growth, but also to its agility. Several years from now when employees sense that growth has been achieved, it will be crucial that they realize the speed of such growth resulted from the strategic direction, initiated investment and tactics clearly spelled out by management. With these considerations in mind, I am committed to initiating such efforts and leading OS Tech towards growth.

Interview with Vice President

Executive Vice President, Executive General Manager in charge of
Business Management Division of
OUTSOURCING Inc.

Kazuhiko Suzuki

Our “dual focus” on group governance, along with our highly transparent and comprehensive disclosure, serves as the backbone of the Group’s growth



Governance with a dual focus on “head office leadership” and “respect for autonomy” is the key to strengthening the Group’s management base

Having achieved dramatic growth, the Group currently maintains operations in 34 countries and regions worldwide and has accordingly articulated demands placed on it by society. It has also expressed initiatives it will take to address roles to be fulfilled and social responsibilities constituting its reason for being. To such ends, it has established a Group Mission encompassing its new Corporate Principles stated as, “enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces.”

We accordingly strive to strengthen the group governance which is essential in terms of the Group achieving

sustainable growth and enhancing corporate value over the medium to long term in a constantly changing business environment. Meanwhile, we also endeavor to develop the Group platform led by the head office underpinned by the aim to strengthen the Group’s management base, while concurrently promoting regional autonomy.

This involves thoroughly implementing two sets of rules. One is the J-SOX regulations mandating internal control reporting systems with respect to listed companies in Japan, and the other is the Group’s proprietary Minimum Control Requirement (MCR) internal control scheme. As for our subsidiaries, upon having conducted due diligence regarding governance, the management of respective subsidiaries establishes the MCR in alignment with the respective home country’s legal code, labor practices, etc. This is premised on the management’s extensive understanding regarding the importance of such due diligence and the Code of Corporate Conduct.

The aim of this is to promote governance without compromising our unique propensity to embrace challenges, while operating in alignment with our platform led by the head office across areas that include accounting, global fund management, IT in relation to information security and digitization of operations, as well as personnel and education systems.

Having established a holding company in the two geographic regions of the United Kingdom and Oceania (Australia) in January 2020, the management of our consolidated subsidiaries in each region has been in charge of managing the holding company since that time. We established the holding company with the aim of ensuring that we make swift judgment calls and decisions drawing on alliances within the regions so as not to miss out on business opportunities, and in order to ensure business continuity of the Group should a worldwide crisis arise in the future.

Whereas our governance that has a dual focus on head office leadership and respect for autonomy of the respective subsidiaries has been successful, as evidenced by the fact that our subsidiaries involved with M&As thus far are invariably maintaining growth trajectories, management is being called on to attain

increasingly higher standards of governance both at the head office and respective subsidiaries. Going forward, we will furthermore strive to strengthen systems of governance premised on the notion that governance should exceed standards required by legal code and as demanded by investors.

Pursuing an approach to disclosure of ensuring more substantial transparency

Rather than acquiring the entirety of shares from management when conducting a merger or acquisition culminating in conversion into a subsidiary, the Group arranges contracts equipped with options for management to acquire some of the entity’s shares after a certain time period has elapsed. We do so in hopes of fully utilizing incentive for ensuring that former leadership continues its involvement in management. Thus far, we have recorded one-time finance costs in the settlement of accounts upon reassessing the fair value of the options (put options), which means that such corporate value would be even greater after the acquisition.

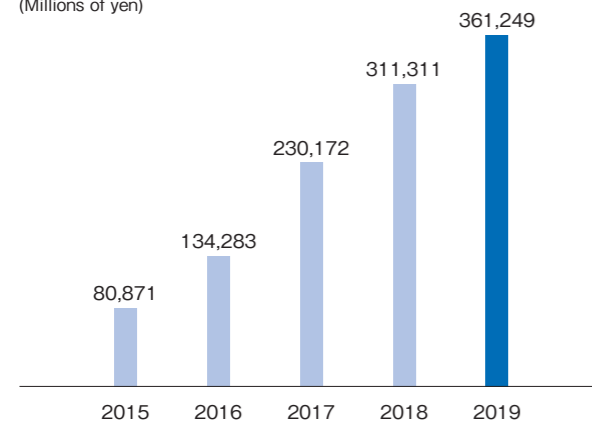
The Group does not require substantial property, plant and equipment in conducting its business. Whereas the Group has goodwill associated with M&As, it recognizes impairment losses by means of stress testing on a unitary basis, and otherwise discloses such possibilities in its financial results briefing materials. It is premised on a proper understanding as to the purport of goodwill under the International Financial Reporting Standards (IFRS) adopted by the Company, and as determined by the International Accounting Standards Board (IASB), which develops and issues IFRS.

Overseas investors account for significantly more than 30% of the Company’s shareholders, and the Company is regarded very favorably for the content and comprehensiveness of its disclosure materials by its institutional investors both in Japan and overseas. Going forward, we will persist in carrying out our approach to disclosure underpinned by the aims of timeliness and a high degree of transparency.

Financial Highlights

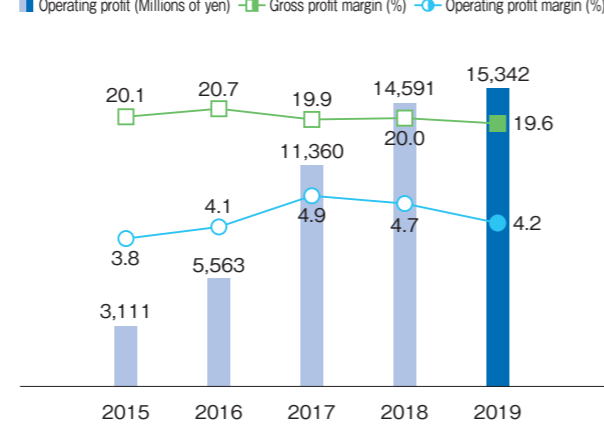
Revenue

(Millions of yen)



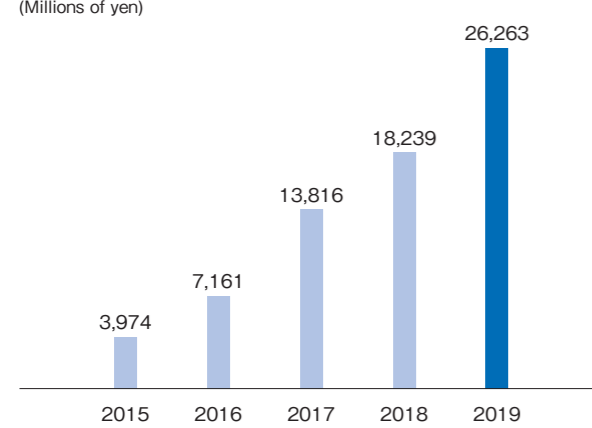
Operating profit/Gross profit margin/Operating profit margin

■ Operating profit (Millions of yen) ■ Gross profit margin (%) ● Operating profit margin (%)



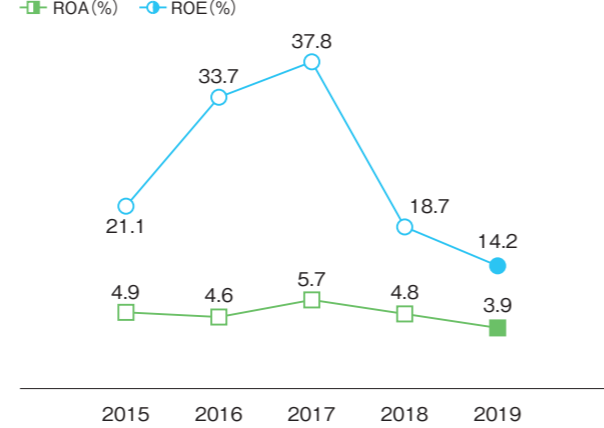
EBITDA

(Millions of yen)



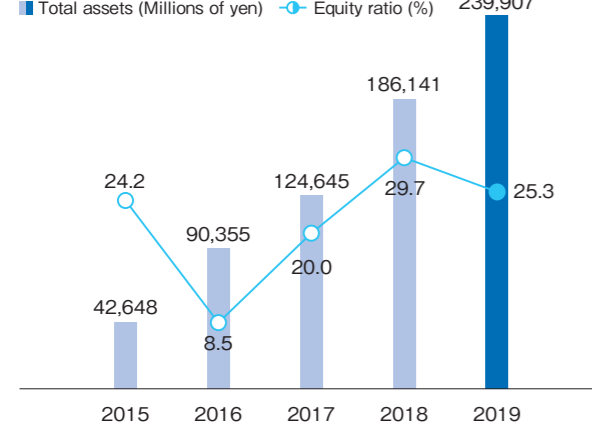
ROA/ROE

■ ROA (%) ● ROE (%)



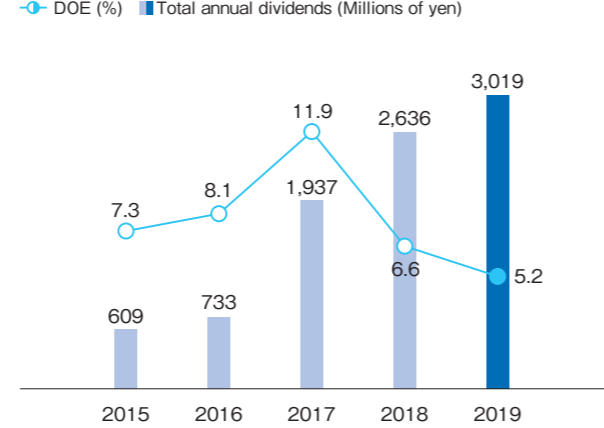
Total assets/Equity ratio

■ Total assets (Millions of yen) ● Equity ratio (%)



DOE/Total annual dividends

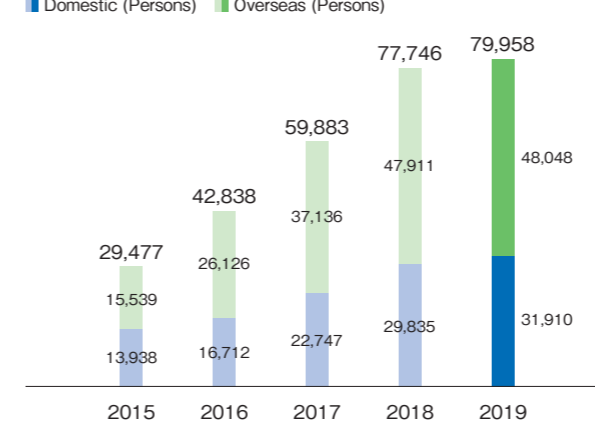
● DOE (%) ■ Total annual dividends (Millions of yen)



Non-financial Highlights

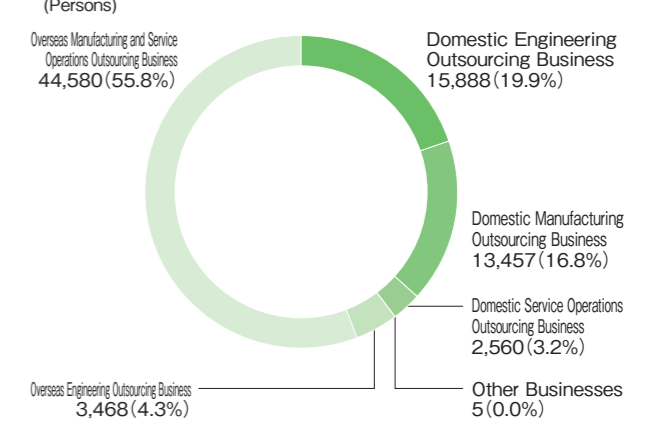
Number of dispatched employees at the end of period

■ Domestic (Persons) ■ Overseas (Persons)



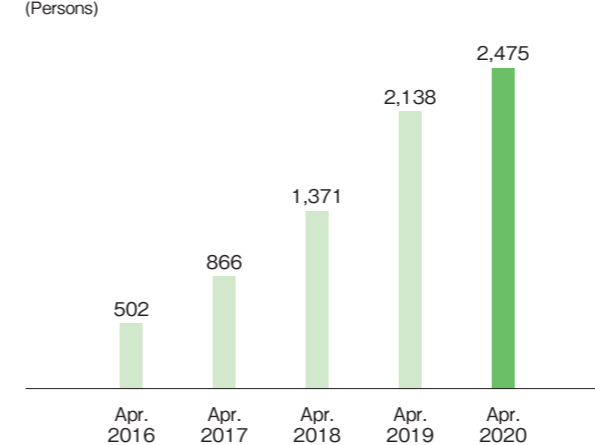
Number of dispatched employees at the end of period by segment

(Persons)



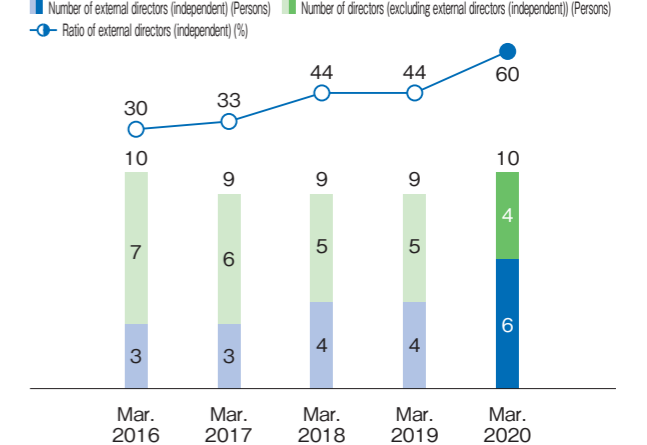
Number of new graduates hired (Domestic)

(Persons)



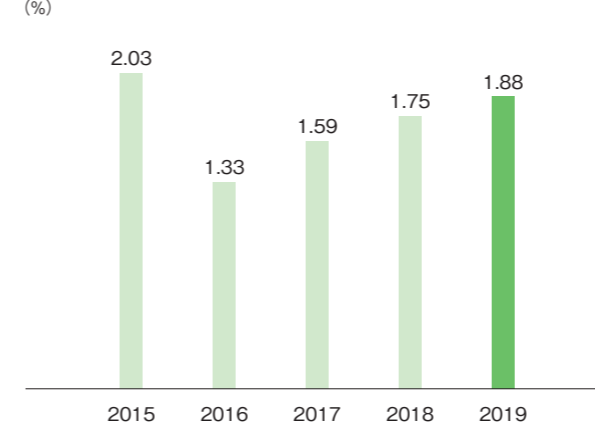
Director composition / Ratio of external directors (independent)

■ Number of external directors (independent) (Persons) ■ Number of directors (excluding external directors (independent)) (Persons)
● Ratio of external directors (independent) (%)

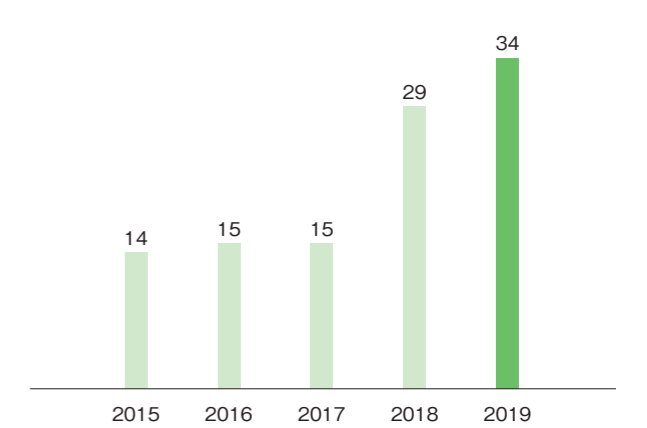


Ratio of handicapped employees (including the Group companies approved as officially certified subsidiaries)

(%)

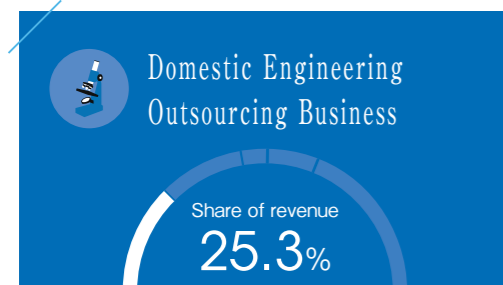


Number of countries and regions served



Business Overview of Each Segment

Note: Excludes other businesses (five Group companies amounting to 0.2% of revenue)

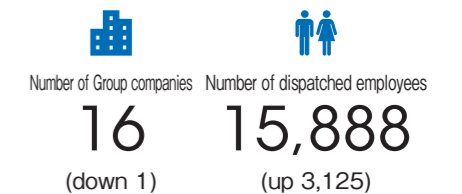


Description of business

We dispatch engineers to research and development divisions across a range of fields including mechanical design, IT, construction, and pharmaceutical and health care related. In addition to focusing on human resource development, such as developing the skills of people without experience and manufacturing staff through the education scheme of the KEN School, the Group's educational institution, we also focus on the development and introduction of the latest technologies such as AI and RPA (robotics).

Strengths

The education scheme of the KEN School puts us at an advantage. We can boast industry-leading hiring results with 2,000 new graduate hirings in April 2020 and 4,700 mid-career hirings during FY2019 among engineering-related hirings. Furthermore, beginning in FY2019, we also began hiring graduates from the top universities in Asia. Our capability in human resource acquisition and education is supporting the Group's growth.

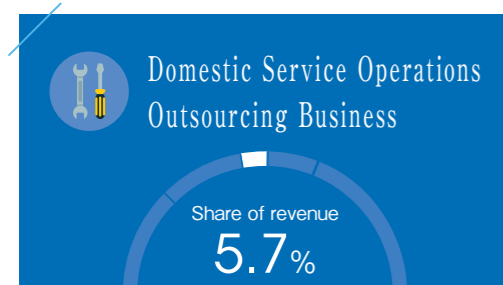
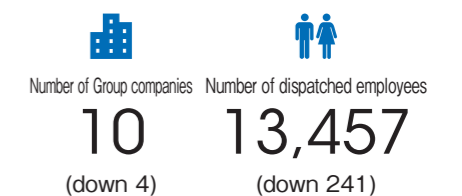


Description of business

In addition to temporary worker dispatching for manufacturing jobs and operation contracting for manufacturers, such as those in the automobile, food, semiconductor related and pharmaceutical and health care related industries, the segment also fulfills needs for various administrative work outsourcing required for accepting foreign technical interns, etc. from Asian countries residing in Japan.

Strengths

One key strength is the solid relationship of trust formed with companies using our temporary worker dispatching over a long period of time. The securing of personnel through the PEO scheme, which manufacturing companies rate highly, has been achieved, while the KEN School enables facilitating changes in careers and career advancement. We are overwhelmingly ranked as the top company (based on the Company's research) in the rapidly expanding administrative work outsourcing for enlisting foreign technical interns, etc., with the number of trainees exceeding 20,000 as of September 30, 2020.

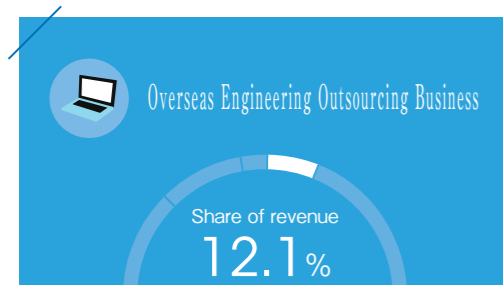
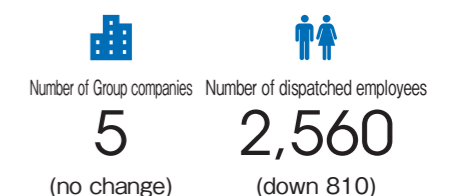


Description of business

The main-stay business involving facilities associated with national defense is currently providing various contracted maintenance services for facilities, etc., in Okinawa and Guam. We also provide various operational services for the tourism-related facilities, including airports, hotels and restaurants, as well as outsourcing services for the industrial fields such as security and building maintenance.

Strengths

Since the business involving facilities associated with national defense is highly confidential, credibility is the most important consideration when selecting service contractors, and the amount (limits) of bond (performance guarantee insurance) is a key factor in the bidding process. The subsidiaries engaged in this business have been able to expand such limits through joining the Group and have been rewarded with contracts of a far larger scale than before. The increased scale of the projects taken on in this difficult-to-enter industry has enabled the business to grow in size and increase its profit margin.

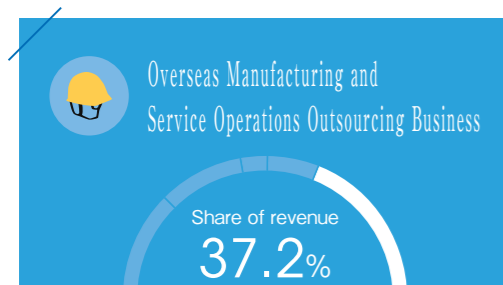
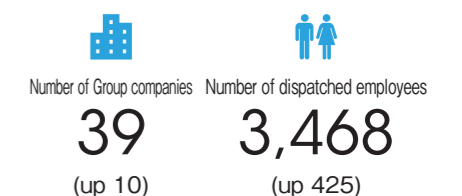


Description of business

The business mainly consists of contract work for national governments and public institutions in various countries and an outsourcing business that dispatches financial engineers, etc. In the U.K., we provide AI-based public debt collection and other schemes in our BPO business, and in Australia, we engage in an outsourcing business that dispatches IT engineers, etc. for public institutions.

Strengths

Amid the increasing use of information technology in government-related businesses, we have expanded our business areas through our M&A strategy to create a system for accepting various types of outsourced public works related business. Furthermore, in Australia, we are working on human resource development through developing a training business modeled on the KEN School.

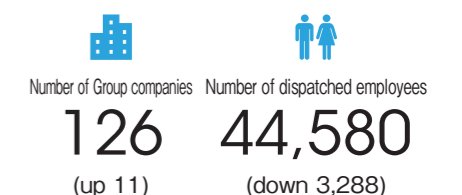


Description of business

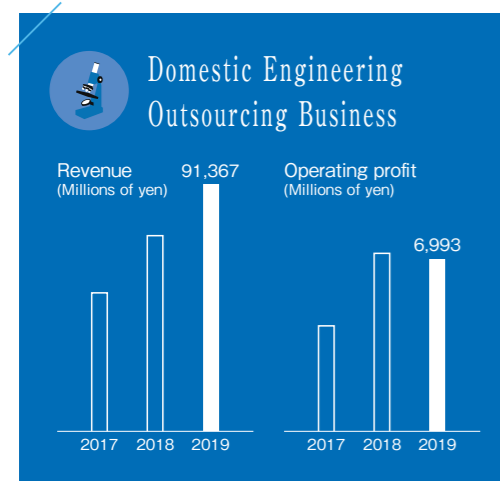
We provide manufacturing related and distribution related human resource services and dispatching and recruiting of personnel for administrative and service-related human resources, along with payroll services, and other services in Europe, Asia, South America, etc. We are also providing BPO services and temporary worker dispatching for public institutions in Europe, the United States, and Australia.

Strengths

In developed countries such as Germany, there continues to be a chronic labor shortage. One of the strengths of the Group is its human resources platform strategy, which has the capability of supplying human resources from Group companies in Eastern Europe and elsewhere. In addition, contracts for services to prisons and other public facilities from the governments and administrations of various countries and the e-commerce business for daily necessities, such as supermarket merchandise, are less susceptible to economic fluctuations and can be expected to generate stable revenues.



Growth Strategies by Segment (Domestic Business)



Business environment

The revisions of the Labor Contracts Act and the Worker Dispatching Act have further increased the need for human resource outsourcing services in the information technology and construction industries. In conjunction with the above, the standardization of dispatching businesses from the notification system to the license system has weeded out the temporary staffing agencies that used to operate under the notification system, and this has provided a tailwind for the Company's acquisition of human resources.

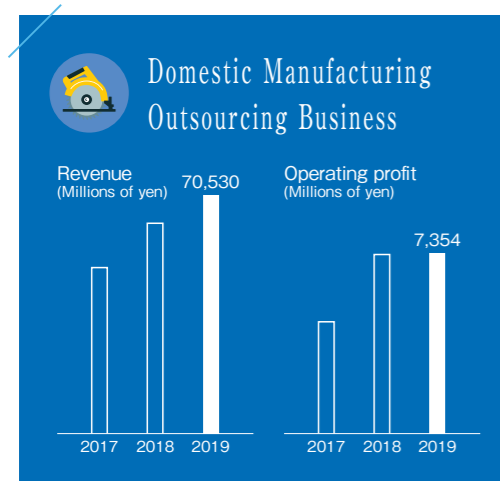
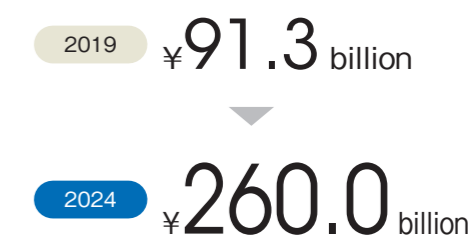
With demand growing for professional and technical jobs in Japan, there is a projected shortage of 590,000 IT engineers by 2030, or according to one prediction, as many as 800,000 engineers. Accordingly, we expect to grow further as a business that relies on a stock of human resources. On the other hand, the business environment continues to change at an alarming pace, as customers' needs for greater operational efficiency and labor savings are increasing at an accelerating rate.

Growth strategy

In addition to further expanding the engineer dispatching services that have been its focus until now, the Group will also strive to differentiate itself from competitors, by proposing solutions to meet its customers' needs for greater operational efficiency and labor savings through the Dispatch 2.0 business model, which combines human resources with cutting-edge technology. In 2020, we are focusing on capturing demand using this model, especially in office work and data entry operations. However, during the COVID-19 pandemic, we have revised our business targets and expanded our focus into the so-called first-line workers in manufacturing, construction, and medical workplaces, and we are supporting our customers' needs to realize digital transformation (DX) with high value-added innovations.

2024 Goals

Revenue



Business environment

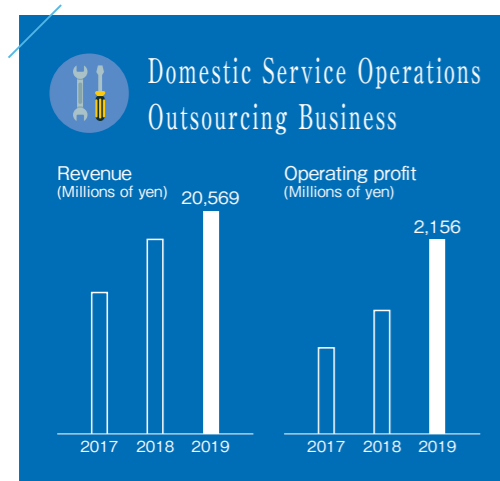
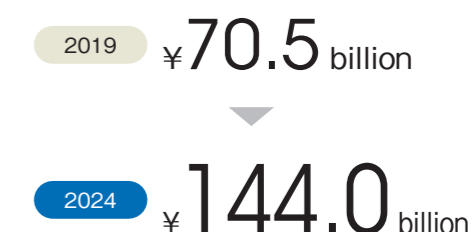
In FY2019, Japan's manufacturing sector was hit hard by the uncertainty caused by the U.S.-China trade friction. The Group, however, takes the view that this manufacturing decline in the business environment will become the norm in Japan, where the population continues to decline. As a countermeasure for the working-age population, which continues to decline in parallel with the general population, the Japanese government announced in 2019 that it would establish "Specified Skilled Worker" as a new residency status for foreigners and accept up to 340,000 people within the next five years. As a result, we expect the demand for various administrative outsourcing required for accepting foreign workers to increase even further.

Growth strategy

Due to the downward trend in manufacturing in Japan's manufacturing sector, the labor environment in domestic manufacturing is expected to shift from a seller's market to a buyer's market. As a temporary staffing company with solution capabilities, the Group will take measures to expand orders and achieve growth. Currently, in response to the COVID-19 pandemic, we have begun proposing the CSM (tentative name), a system (platform) for clerical work and communication related to the cumbersome task of dispatching workers, so that customers who use dispatch services can work from home to perform back-office operations. In the future, we plan to expand our market share by capturing contracts from companies unable to respond to working-style reforms, and to expand our provision of administrative outsourcing for foreign workers from technical interns to include foreign students and other foreign residents.

2024 Goals

Revenue



Business environment

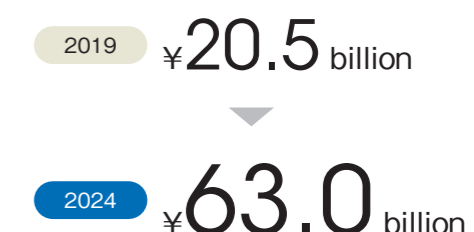
The business involving facilities associated with national defense is less susceptible to economic fluctuations, and the same can be said for our outsourcing business for public works, which has been expanding in Japan. When the COVID-19 pandemic ends, we expect to see a resurgence of stable demand such as operations at airports and in tourism-related areas such as hotels and restaurants, where inbound demand is high.

Growth strategy

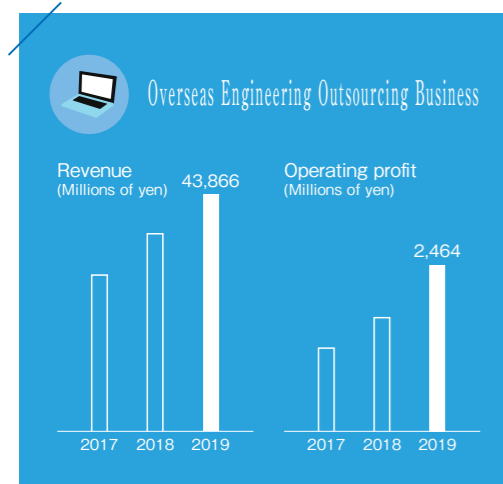
The business involving facilities associated with national defense in Japan is also being conducted in Guam, and we are already working to expand laterally into the overseas business segment. However, we are also preparing to expand our services into technical areas such as IT, and to move into the U.S. and Europe, where budgets are large. In other services, we will focus on expanding our distribution related services business centered on lifestyle infrastructure for daily necessities, food, etc. In addition, we aim to establish a business base for tourism-related facilities that are highly compatible with IR-related facilities that will open in 2025 and beyond.

2024 Goals

Revenue



Growth Strategies by Segment (Overseas Business)



Business environment

Our government-related business in the U.K. was impacted by the spread of COVID-19, but stayed in line with the plan due to the earlier-than-expected lifting of the lockdown and the quick responses of Group companies to establish remote working arrangements. In addition, we expect the demand for outsourcing businesses to continue to grow as many developed countries seek to restore fiscal health. As all industries are seeking to implement reforms through technological innovations, the securing of IT experts and other specialized human resources has become a challenge for developed countries, and the demand for technical personnel is expected to remain high in the future.

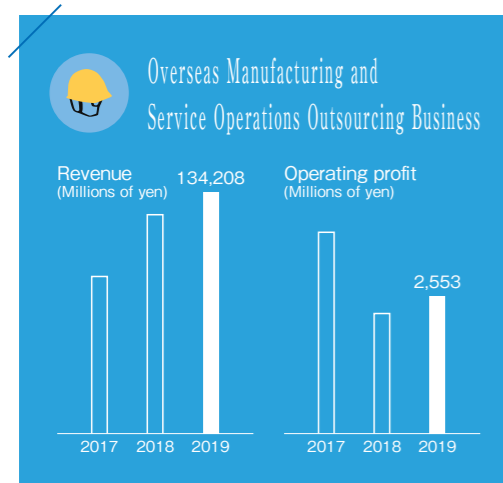
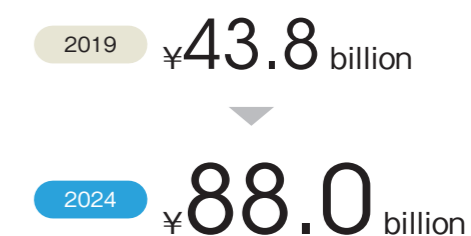


Growth strategy

The market for engineers and other professionals is estimated to be worth approximately ¥17 trillion in the three areas of Europe, APEC and North America. Simply the size of that market makes it difficult to secure human resources within their borders. We will build a hub function in North America that follows the same model as the hub functions established in Europe, Asia and South America to eliminate the disparity between supply and demand by using global engineers across national borders and work to earn the trust of our clients as a true technology partner. At the same time, in Australia, while we are streamlining the management of ten Group companies based in Australia which handle a wide range of businesses, we will strengthen our human resources through adopting the KEN School scheme used in Japan among other schemes, with the aim of establishing the No. 1 human resources-related corporate group in Oceania.

2024 Goals

Revenue



Business environment

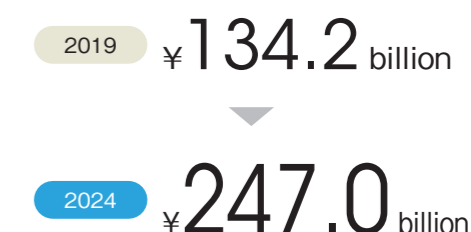
In the manufacturing outsourcing business, which is mainly operating in Germany, the temporary curbing of production by manufacturers that resulted from trade frictions between the U.S. and China and the COVID-19 lockdown had a negative impact on operating results, and the situation was similar for our airport business. However, in the Netherlands, distribution related services grew due to a growth in e-commerce demand. In addition, we expect to continue to see a future growth for private sector consignment due to the financial difficulties of developed countries, and we anticipate the demand for such projects to be solid.

Growth strategy

Germany has eased the requirements of procedures for obtaining work visas for skilled workers from abroad in an effort to alleviate labor shortages, creating an environment in which the Group's global human resource platform can function even better. We will take this opportunity to strengthen recruitment of human resources in not only Eastern European countries but also in Asia, and focus on expanding our distribution related business, including e-commerce and logistics. Furthermore, in the Netherlands, we will seek to differentiate ourselves from other companies in the industry and increase our competitive advantage by strengthening recruitment using AI and introducing virtual reality training. In the growing market of Brazil, in-principle deregulation of human resource dispatching took effect in 2017 due to its legal reform. The scale of the human resources outsourcing market has grown from ¥200.0 billion in FY2015 to ¥880.0 billion in FY2019 and is accordingly considered to be a promising market. For this reason, we have begun to establish hiring offices in five major cities in Brazil and start our approach, which will involve strengthening marketing to Japanese companies in the region, with whom the Group already has business.

2024 Goals

Revenue



Notice regarding change in segments

The Group has been providing human resource outsourcing services globally to various industries. Due to the expansion of the business, we determined that it is no longer possible to classify the information in the existing operating segments and that could impinge on the transparency of information disclosure in the future. Accordingly, we plan to begin disclosing information under new segments from the first quarter of 2021. The new segments are as shown on the right.

Former segments

Industry / Area	
Domestic Engineering Outsourcing Business	IT related / R&D related including electrical, electronic, transport equipment, etc. / pharmaceutical and healthcare related / construction related
Domestic Manufacturing Outsourcing Business	Dispatching for manufacturing jobs and contracting related / administrative operations outsourcing
Domestic Service Operations Outsourcing Business	Business for U.S. military facilities / various service businesses
Overseas Engineering Outsourcing Business	U.K. / Oceania (public works and IT)
Overseas Manufacturing and Service Operations Outsourcing Business	U.K. / Oceania (public works related BPO, dispatching and recruiting) / Germany (manufacturing) / the Netherlands (service operations) / Asia / Thailand / South America



New segments

Industry		Area				
		Japan	Oceania	U.K.	E.U.	Asia / South America
Engineer Related Business	IT-related / electrical, electronics and transport equipment related (R&D) / pharmaceutical and medical care related (R&D) / construction and plant related and others	●	●	●		
Non-office Worker Related Business	Manufacturing related / logistics and retail related / transportation infrastructure related / healthcare and nursing care related / other services related	●			●	●
Foreign Staff Support Business	-	●				
Government Related Business	Public administration related / U.S. military facilities related	●	●	●		●
Other Business	Administrative outsourcing service business at an officially certified subsidiary, etc.	●				

Initiatives for Managing SDGs

Roles to be fulfilled as a member of society

1 Support for foreign students



Many foreign students who come to Japan from developing countries are unable to focus on studying, which was their purpose for coming to the country, because they must work part-time jobs to cover living expenses due to their economic situation. The Group cooperates with the International Human resource Network Organization Foundation, which promotes the human resource development and networking support business so that people in countries around the world can live safe, secure and rich lives in peace. Through benefit-type scholarships and other assistance, such as providing academic and career counseling in various locations throughout Japan to provide support on writing resumes and handling interviews, this organization supports foreign students who will shape the future.

2 Pro bono support

We actively engage in pro bono activities as a way of contributing to society through business activities. The Company primarily carries out activities aimed at eliminating casual jobs with illegal working conditions and promoting awareness of work rules for the young people throughout Japan, including high school students and university students, operating through the general incorporated association WORK RULE (Shizuoka-shi), which carries out social contribution projects for the Company.



3 Support in local regions

As part of our support for local regions, through the officially certified subsidiary Outsourcing Business Service Inc., we donate communication boards for deaf people in the regions where that company has business locations. Through this initiative which is in its fifth year, we have donated communication boards in Tokyo and Osaka Prefectures and Tottori-shi, Kagoshima-shi and Sasebo-shi. We plan to broaden our circle of support in the future.



Spotlight

“School of Sign Language”

School of Sign Language is a sign language class for teaching Japanese Sign Language*, a language for deaf people, held by our officially certified subsidiary, Outsourcing Business Service Inc. Teaching more than 600 students each year, the school is ranked number one in Japan in terms of number of classes held and number of instructors. In addition, Outsourcing Business Service Inc. has established a dedicated website, and provides news and conducts various activities to support the child rearing of hearing children of deaf adults (CODA) through Japanese Sign Language. The Group will continue to actively support activities that assume the social responsibility and role of supporting people with disabilities and the people around them.

* Deaf people in Japan learn sign language before they learn Japanese. For that reason, Japanese Sign Language is a sign language that has different language structure from both Japanese and “Japanese signed language,” a manually coded Japanese.



Dedicated website “Tsutawaru Net”

The Group has established “Enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces” as our new Corporate Principles for 2020 while also formulating the Sustainability Policy. As a corporate group operating in the human resource services industry, each of our Group companies is promoting SDGs in order to enrich the lives of people around the world.

Creating a healthy and comfortable work environment for employees



1 Enhancing communication through online training

With the goal of enhancing communication among employees who connect with each other remotely, the Group is using Microsoft Teams™ and providing online training called Teams College. A variety of training programs are available in 25 subjects for all in-house employees, many of whom perform sales management and labor management duties. The training is conducted in one-hour sessions, or is broken down into multiple sessions that employees continuously attend, and includes preparation for various exams. We have also introduced an educational cloud service of Cornerstone Learning for in-house training as an environment for online training sessions.



2 Promoting mental health training for in-house employees

The Group provides training on mental health self-care and line care for all in-house employees, including new graduates and mid-career managers, and as a company we provide the necessary support to ensure employees can continue working in good health both mentally and physically. In addition, starting in September 2020, we introduced work-engagement training for managers and above in the Business Management Division to maintain positive mental health. Aside from that, we have established an in-house certification program called “In-House Mental Health Certification” and hold regular courses to encourage managers and above to gain better knowledge on how to care for and respond to one’s own stress and one’s subordinates’ mental health problems.

3 Supporting the acquisition of Mental Health Management Certification Class II and Class III

The Group is promoting the acquisition of Mental Health Management Certification Class II and Class III. The Mental Health Management Certification Class II (Line Care) is recognized as a company-encouraged qualification, and the Group provides support including covering costs, such as the cost of the examination and training fees for certification, and holding organization-based special exams, while promoting acquisition of the certification by providing a bonus for passing the examination. From 2013 to 2020, a total of 192 employees have acquired Mental Health Management Certification Class II (Line Care).

4 Eliminating anxieties through Japanese language education

The Group offers Japanese language training, and preparation for the Japanese-Language Proficiency Test (JLPT) to foreign in-house employees. From April 2020, we have introduced training sessions to train foreign in-house employees in beginner to intermediate Japanese levels (JLPT N5 to N2), while also providing individual training to teach them business expressions necessary for their work. Moreover, with the aim of facilitating communication with foreign employees, who are expected to increase in number in the future, we have been conducting online training on how to speak “simple Japanese” for in-house Japanese employees on a monthly basis since August 2020. The Group is working to promote diversity by deepening language understanding and reducing communication friction.

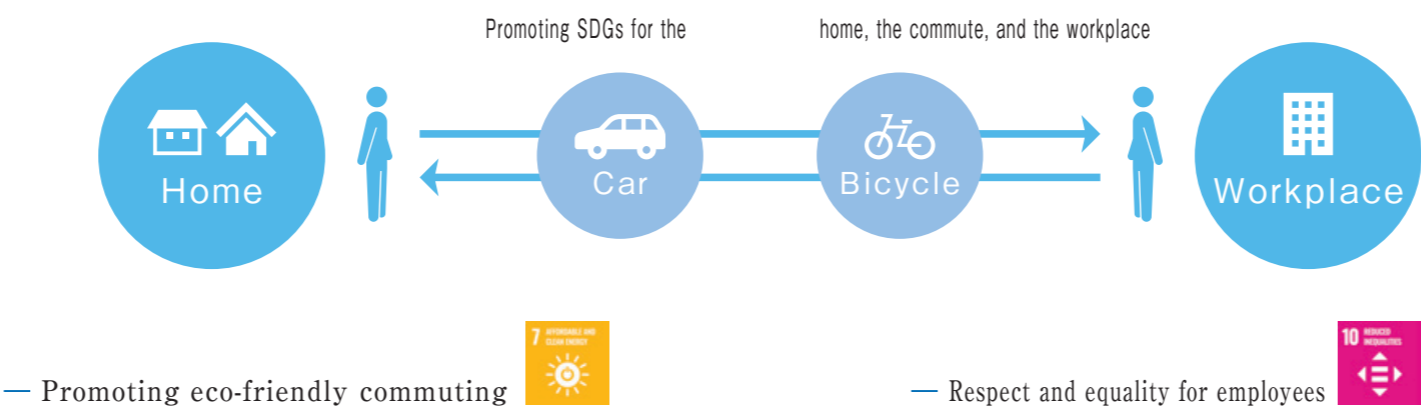
Promoting SDGs in Group companies

Initiatives of OTTO (the Netherlands) 

At OTTO, headquartered in the Netherlands, SDG projects in various fields are being carried out including the establishment of employment infrastructure and employee labor environments, as well as environmental conservation. In particular, OTTO gives serious consideration to the human rights of people working across borders and provides support conscientiously to those workers.

— Establishment and provision of quality housing  


Due to a shortage of comfortable quality housing in the Netherlands, OTTO is cooperating with external partners to establish housing for foreign national workers that exceeds the minimum standard for quality housing in that country set by SNF (Stichting Normering Flexwonen). When developing housing, it is OTTO's policy to engage in dialog with the neighboring community to ensure a positive relationship with residents of the local region. Numerous dispatched employees arriving from outside the country begin life in the Netherlands by first living in the housing provided by OTTO.




— Promoting eco-friendly commuting

OTTO continually reviews employee housing, believing the distance between home and the workplace should not exceed 15 kilometers. One reason to keep that distance as short as possible is to promote the use of electric bicycles for commuting. Even when car or bus shuttle services are provided, OTTO encourages eco-friendly driving methods that keep the engine revolutions and torque down.




— Respect and equality for employees 

Cross-border mobility of labor benefits both the country of origin and the accepting country. OTTO has established the seven core values "RESPECT" to express the importance of showing respect to employees, customers, and related parties in order to maintain a positive relationship among the parties. "RESPECT" includes respect for stakeholders. Especially for employees, "RESPECT" embodies not only health maintenance, but also equal pay, job skills training, the opportunity to build connections, provision of clear contracts, remuneration, safe and positive work environments and development, and personal growth.

— Enhancing satisfaction among dispatched employees 

In order to hire excellent human resources and keep them employed for the long term, OTTO conducts a monthly satisfaction survey of its clients and dispatched employees, believing in the importance of providing its dispatched employees with rewarding jobs and fair salaries. The satisfaction level among employees is remaining high even during the COVID-19 pandemic. There is also a support hotline for employees that is operated 24/7.



Seven core values "RESPECT"

RESULT	We are cost effective and target driven
EUROPEAN	We do not believe in borders, we believe in quality
SOCIALLY INVOLVED	We care for our colleagues and for the world around us
PERFORMANCE	We always take one step further
EMPOWERMENT	We enable our people to take responsibility
CUSTOMER EXCELLENCE	We are focused on offering the best service to our clients
TRANSPARENT	We believe in openness

Initiatives of ORJ INC. (Japan) 




— Providing employment and lifestyle support for foreign interns and workers

As an island nation, Japan is behind other developed countries in developing an employment (intern) environment for foreign nationals, such as foreign technical interns. Serving as a bridge between foreign workers and Japanese companies, ORJ provides companies with know-how on accepting foreign interns and workers, as well as daily support for foreigners through its 24/7 multilingual call center. In addition, ORJ is promoting the creation of a healthy and secure society by collaborating with Group companies and dispatching organizations throughout Asia to build a mechanism for eliminating human resource brokers who exploit foreign technical interns with unfair commissions.

Spotlight

Participation in Japan Platform for Migrant Workers toward Responsible and Inclusive Society

In November 2020, ORJ participated in the Japan Platform for Migrant Workers toward Responsible and Inclusive Society for which the Japan International Cooperation Agency (JICA) and the Global Alliance for Sustainable Supply Chain (ASSC) serve as secretariat. Towards 2030, the target year of the SDGs, companies and organizations that agree with and practice the platform's "Code of Conduct" that meets international standards have come together under this platform. They are working to protect the rights of foreign workers and improve their working and living conditions so that Japan can become the country of choice for foreign workers.



ORJ became an official member of ASSC in November 2020.

CSR activities of Group companies (brief summaries)



	OUTSOURCING Inc.	Participation in Japan Association for Management of Training and Education (JAMOTE)
	OUTSOURCING Inc.	Promotion of sports through an affiliation contract with female professional golfer Momoka Miura
	OUTSOURCING Inc.	Participation in charity projects through The Prince's Foundation
	OUTSOURCING Inc.	Cooperation, as a member of Keidanren, in the Keidanren Nature Conservation Fund, which strives to create an environment where the business community can work to protect nature
	OUTSOURCING Inc.	Continuous sponsorship of Tohoku Kodomohaku (Children's Expo) since immediately after the Great East Japan Earthquake
	AMERICAN ENGINEERING CORPORATION (OKINAWA)	Provision of Christmas meals, etc. to junior soldiers
	AMERICAN ENGINEERING CORPORATION (OKINAWA)	Provision of financial assistance for tuition and rent subsidies for children to go to college through Jido Jiritsu Shien-Kai (Children's Self-Reliance Support Association)
	AMERICAN ENGINEERING CORPORATION (OKINAWA)	Donation for free schooling for children subject to prejudicial discrimination due to US military personnel/Japanese mixed parentage
	AMERICAN ENGINEERING CORPORATION (OKINAWA)	Donation to Holiday Food Gift Card Program
	Orizon Group	Support for local animal shelters
	Orizon Group	Sponsor of ski jumping and alpine skiing events for the 2018/19 season in Germany and Croatia
	Orizon Group	Support for multiple kindergartens and projects for children
	Orizon Group	Donation of beverage container deposits to global support organizations for education-related projects
	CDER Group	Environmental conservation and safety inspection activities for the local community by the debt collection agents
	CDER Group	Support for a cancer research charity
	LIBERATA Group	Participation by employees in volunteer activities on an annual basis through volunteer programs
	LIBERATA Group	Holding of events to provide sports and cultural experiences for underprivileged children
	LIBERATA Group	Participation in local charities (food banks)
	LIBERATA Group	Provision of information on housing, local taxes, energy saving, environment, health, etc. for Pensioner Day
	LIBERATA Group / CLICKS RECRUIT (AUSTRALIA) PTY LTD, etc.	Fund-raising activities for various causes (fund-raising for private non-profit organizations)
	CLICKS RECRUIT (AUSTRALIA) PTY LTD	Support for people needing guide dogs through fund-raising activities
	CLICKS RECRUIT (AUSTRALIA) PTY LTD	Support for job search activities for women (persons who identify as women), and support for women's social advancement
	CLICKS RECRUIT (AUSTRALIA) PTY LTD	Distribution of food for homeless people through food events and donation of bicycles to underprivileged children
	HOBAN RECRUITMENT PTY LTD	Provision of training for unemployed persons and new immigrants, and explanation of work at HOBAN
	HOBAN RECRUITMENT PTY LTD	Participation as a sponsor in an organization providing employment and hiring plans for Aboriginal people

	HOBAN RECRUITMENT PTY LTD	Support for an organization that provides shelter and rehabilitation assistance to those in need of social help
	BLUEFIN Group	Support for a blindness prevention charity, cancer research organization, and children's hospital
	BLUEFIN Group	Support for an organization assisting homeless people
	OUTSOURCING OCEANIA HOLDINGS PTY LIMITED	Support for an organization providing relief to the poor
	MARBLE Group	Support for a residential facility for children with illnesses and their families
	MARBLE Group	Broad ranging support of socially disadvantaged youth aged 12-21 including job search guidance
	PM-P Group	Support for a volunteer organization that helps injured and neglected animals who have nowhere else to go
	PM-P Group	Support for an organization for people with mental illness assisting in identification, prevention, treatment, and mental and physical wellbeing
	KINETIC EMPLOYMENT LIMITED	Donation of Christmas presents for local underprivileged children and clothes for church groups

Spotlight

— Contributing to society through sports

Sponsoring The Royal Windsor Cup in the U.K.

Since 2018, the Company has been a title sponsor of The Royal Windsor Cup, the most globally renown and venerable polo tournament and an event that the British Royal Family holds much affection for. The Company shares sponsorship with Guards Polo Club, which runs the event.

With respect to the sponsorship, Guards Polo Club has highly praised the Company's initiatives regarding diversity stating, "OUTSOURCING Inc. focuses on various welfare activities and not only supports them as a company, but also assembles new businesses that grow as a company while planning and thinking together with people with a wide range of disabilities." In 2018, the event became the world's first polo tournament to have the play-by-play coverage in sign language.

About The Royal Windsor Cup

The Royal Windsor Cup, the most historic of club polo tournaments is sponsored by Guards Polo Club, Europe's largest polo club, which was founded in 1955 by Prince Philip, Duke of Edinburgh. The event was held in 2020 while observing social distancing as a measure against the spread of COVID-19.

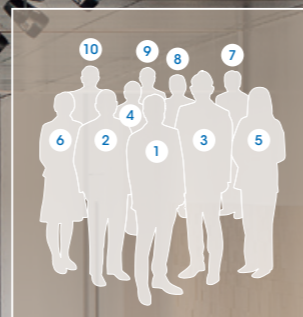


The grand final of the event was held in the presence of Queen Elizabeth and Prince Philip, Duke of Edinburgh. (Photo taken in 2019)

Special Activity

Corporate Governance

— Directors



1 Haruhiko Doi Chairman and CEO (Representative Director)

May	1987	Founded Chubu Sougou, President and Representative Director
Nov.	1989	Founded Real Time, President and Representative Director
Apr.	1992	Founded Work System Engineer, President and Representative Director
Jan.	1993	Founded Real Time Kanto, President and Representative Director
Feb.	1993	Founded Real Time Shizuoka, President and Representative Director
Oct.	1995	Founded Real Time Hokuriku, President and Representative Director
Jan.	1997	Founded OUTSOURCING Inc., President and Representative Director
May	2000	Founded Accent, President and Representative Director
Dec.	2000	Director, Accent
Nov.	2005	Founded Trillion, President and Director (present position)
Mar.	2009	Chairman, OUTSOURCING Inc.
Dec.	2010	Chairman and CEO, OUTSOURCING Inc. (present position)

2 Kazuhiko Suzuki Executive Vice President Head of Business Management Division

Apr.	1993	Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
Aug.	2001	Joined OUTSOURCING Inc.
Mar.	2005	Director
Mar.	2007	Managing Director
Feb.	2011	Executive Vice President
Feb.	2012	Executive Vice President, General Manager in charge of Global Business Division
June	2013	Executive Vice President, Head of Business Management Division (present position)

3 Atsushi Nakamoto Senior Executive Director Head of Manufacturing & Service Business Division Head of Technology Business Division

Apr.	2000	Joined ACTIS Corporation
Apr.	2002	Joined ACTIS Career Support
Nov.	2005	Joined OUTSOURCING Inc., Executive Officer, Fourth Branch Manager
Jan.	2011	Executive Officer, Head of Strategic Recruitment Management Division
May	2013	Executive Officer, Deputy Head of Sales Division
Sept.	2013	Managing Executive Officer, Deputy Head of Sales Division
Mar.	2016	Director, Deputy Head of Manufacturing Division and Deputy Head of Strategic Business Division
Nov.	2016	Director, Head of Manufacturing Division and Head of Strategic Business Division
Jan.	2017	Director, Head of Manufacturing & Service Business Division
Mar.	2017	Senior Executive Director, Head of Manufacturing & Service Business Division
Mar.	2019	Senior Executive Director, Head of Manufacturing & Service Business Division, and Head of Technology Business Division (present position)

4 Masashi Fukushima External Director New appointment External Independent

Apr.	1962	Joined Sony Corporation
Nov.	1987	Director, Factory Manager, Taron (currently Sony Global Manufacturing & Operations Corporation)
Nov.	1994	Senior Executive Director, Sony Senmaya (currently Sony Global Manufacturing & Operations Corporation)
June	1996	President and Representative Director, Sony Senmaya
Mar.	2005	Advisor, Yokogawa Rental & Lease Corporation
May	2005	Special Advisor, Yokogawa Rental & Lease Corporation
Mar.	2014	External Director, OUTSOURCING Inc.
Mar.	2016	External Director (Audit and Supervisory Committee Member), OUTSOURCING Inc.
Apr.	2017	Advisor, PRIKEN Co., Ltd. (present position)
Mar.	2018	External Director, OUTSOURCING Inc. (present position)
June	2018	Outside Director, Advanex Inc.

5 Hideyo Nakano External Director New appointment External

Apr.	1982	Joined Sony Corporation
Oct.	1986	Joined Swiss Bank Securities Corporation (currently UBS Securities Japan Co., Ltd.)
June	1987	Joined SocGen Securities Limited (currently SOCIETE GENERALE SECURITIES JAPAN LIMITED)
Apr.	1989	Joined Citibank, N.A. (seconded to Cititrust and Banking Corporation)
Nov.	1991	Vice President, Cititrust and Banking Corporation
Oct.	1993	Senior Portfolio Manager and Head of Private Investment, Cititrust and Banking Corporation
June	1996	Joined Gartmore Asset Management (Japan) Ltd. (currently Janus Henderson Investors (Japan) Limited)
Jan.	2000	Director and Head of Investment Division, FuNNeX Asset Management Inc.
July	2003	Joined Star Capital Partners Kabushiki Kaisha
Mar.	2004	Founded Trias Corporation, CEO (present position)

6 Atsuko Sakiyama External Director New appointment External Independent

Apr.	1983	Joined Meiji Seika Kaisha, Ltd. (currently Meiji Co., Ltd.)
Nov.	1985	Joined Yokohama YMCA, a public interest incorporated foundation
May	1988	Joined Master Foods Co., Ltd. (currently Mars Japan Limited)
July	1993	Joined Cartar Food Science Kabushiki Kaisha (currently Danisco Japan Ltd.)
Jan.	1999	Director, Cartar Food Science Kabushiki Kaisha
June	2002	Director, Danisco Japan Ltd.
Jan.	2006	Director and Vice President, Organo Danisco Food Techno Co., Ltd. (currently Organo Food Tech Corporation)
July	2008	Representative Director and Vice President, Genencor Kyowa Co., Ltd. (currently Danisco Japan Ltd.)
Jan.	2010	Representative Director and President, Genencor Kyowa Co., Ltd.
June	2012	Joined Cargill Japan Limited
Aug.	2019	Founded Saki Consulting LLC, Representative Member (present position)

— Audit and Supervisory Committee Member

7 Ichiro Otani External Director (full-time Audit and Supervisory Committee Member) External Independent

8 Hiroshi Otaka External Director (Audit and Supervisory Committee Member) External Independent

9 Hideo Shiwa External Director (Audit and Supervisory Committee Member) New appointment External Independent

10 Masaru Namatame External Director (Audit and Supervisory Committee Member) New appointment External Independent

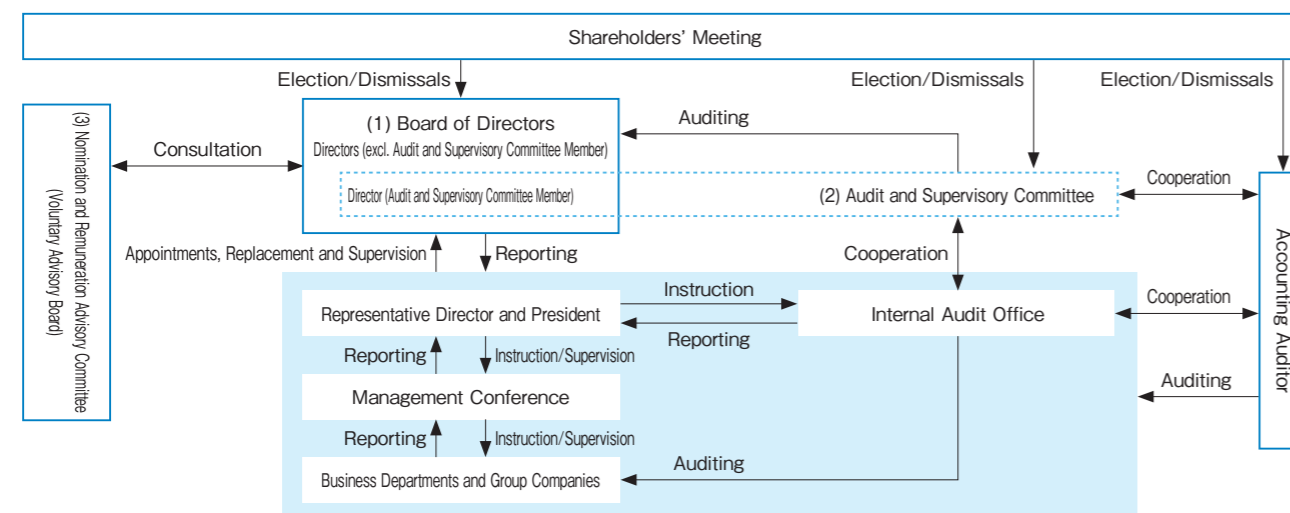
Basic Concept of Corporate Governance

Fully embracing its responsibility as an exemplar corporate citizen to contribute to society, the Company established the "Corporate Principles." The Company thus recognizes that, in an effort to achieve growth and enhance corporate value 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 system that is closely monitored and routinely reviewed. The Company also recognizes that such a system will prove invaluable in the ongoing building of trust and confidence with all its stakeholders, including shareholders, clients, local communities and employees. Towards this end, the Company has disclosed the frameworks of its corporate governance system in its "Corporate Governance Guidelines," and will continue to enhance and fortify this system through various initiatives going forward.

Corporate Governance System

In order to further enhance the auditing and oversight functions of the Board of Directors and directors, having been granted approval at the ordinary general meeting of shareholders held on March 25, 2016, the Company made a transition from being a company with a Board of Company Auditors to a company with an Audit and Supervisory Committee.

With this transition to a company with an Audit and Supervisory Committee, the Company aims to further strengthen the supervisory function of the Board of Directors, secure impartiality and transparency of management and raise overall efficiency.



(1) Board of Directors

As of March 26, 2020, the Company's Board of Directors consists of ten directors, including seven external directors, who convene once a month to examine, evaluate and decide on matters stipulated under the Companies Act, and other laws and regulations of Japan as well as important management issues. Board directors are also responsible for examining the policies and plans, as well as the status of the policies and plans being executed, with regards to management and corporate operations. The Board may also meet at any time it deems necessary. Regarding the six external directors who carry out the function of objective and neutral oversight of management from an independent perspective, they are independent external directors who meet the requirements for independent directors as defined by and registered under the Tokyo Stock Exchange.

(2) Audit and Supervisory Committee

This Committee consists of four directors, including four external directors, who, as members of the Audit and Supervisory Committee, determine the Committee's audit policies, annual audit schedule and other related matters in addition to monitoring the status of the directors' execution of responsibility and preparing reports relevant to this task. The Committee also determines agendas regarding elections, dismissals and refusals of reappointment of accounting auditors proposed to the general meeting of shareholders in compliance with the laws and regulations of Japan, the articles of incorporation and the Audit and Supervisory Committee rules. By convening Audit and Supervisory Committee meetings both routinely and as necessary, the Committee shares information among its members and confirms the progress of its audit plans by examining important issues to be discussed, reporting audit contents, exchanging opinions and so forth. In an effort to enhance overall coordination, the Audit and Supervisory Committee exchanges information timely with the Group's Internal Audit Office as well as the accounting auditors. The Committee works closely with the Business Management Division, which is an internal control department of the Company, as well as with the General Affairs, Legal and General Accounting Departments, to improve the efficacy of the auditing process.

(3) Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee is a voluntary body consisting of five members (including three external directors) with an external director as its chairperson as of March 26, 2020. The Nomination and Remuneration Advisory Committee deliberates on matters such as education and training pertaining to the Chief Executive Officer (CEO) succession planning, remuneration of directors (excluding directors who are Audit and Supervisory Committee Members) and appointment or dismissal of directors (excluding Audit and Supervisory Committee Members) and brings the matter up to the Board of Directors.

— Director Interview (Audit and Supervisory Committee Member)

Building foundations for sustainable growth as a global company

The Company had previously been focused mainly on domestic business; however, ever since its expansion to overseas locations, there has been an increasing necessity for us to implement governance on a global basis. As we diversify our business, our approach to managing operations must embrace a more flexible way of thinking and greater understanding of different cultures, in a manner that transcends differences in gender, nationality and religion. We have furthermore entered an era that requires our corporate governance to address such changes. We have made progress in reinforcing our governance framework with respect to addressing such needs. This year, we have newly appointed two female External Directors and two External Audit and Supervisory Committee Members. These individuals bring extensive experience in corporate management and are veterans who have been involved in business transcending different cultures, diverse religions and gender boundaries. In order to expand globally, the Company must have solid corporate governance and compliance, and develop human resources that will help enable it to become a company equipped to serve as a world leader. Last year, we accordingly established the Advisory Committee, which has embarked on discussions regarding the development of successors. Going forward, we believe that the notion of achieving future growth will hinge on the extent to which we take a highly transparent approach to corporate management and exhibit integrity underpinning such efforts. The Audit and Supervisory Committee maintains high aspirations in terms of its determination to sustain and support such growth.



Ichiro Otani

— External Director Interview

Corporate governance capable of eliciting the strengths of OUTSOURCING Inc.

I was appointed to serve as an External Director of the Company in March 2020.

The notion of achieving worldwide growth while adhering to the venture spirit inherent in OUTSOURCING Inc. and its strengths calls for resilient corporate governance enlisting an approach of entrusting others yet closely monitoring them. This gives rise to the need for: the Corporate Principles of "enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces," and the full adoption of our unique corporate culture. To achieve this, it is important to maintain communication and implement globally-focused personnel strategies for arranging placements of human resources who can handle assignments both in Japan and overseas.

Furthermore, my longstanding experience of having been employed by global corporations tells me that empowering women is crucial if we are to achieve true internationalization. We accordingly need to help create an environment suitable for such aims and initiate development of more female managers.

In order for the OUTSOURCING Group to achieve further growth going forward, it is critical that we develop a more international approach to management and engage in corporate governance globally, based on certain rules.

I remain committed to doing whatever I can in terms of helping the Company enhance its approach to corporate governance consistent with OUTSOURCING Inc., by utilizing the experience I have gained through working with global corporations.

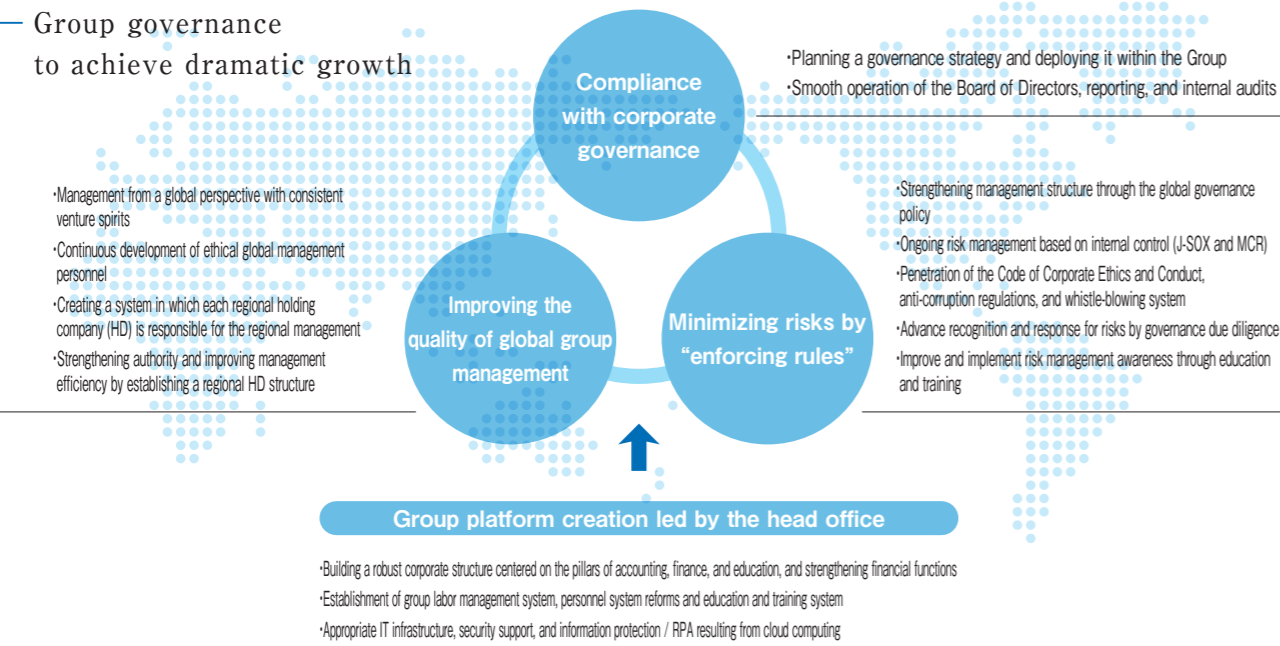


Atsuko Sakiyama

Strengthening Group Governance

Mergers and acquisitions accompanying overseas business expansion are crucial with respect to facilitating growth of the Group as it encounters growth potential underpinned by the world's increasing population. On the other hand, each of the companies within the Group must build its own governance framework based on the determined Group governance policy amid a reality where companies are exposed to different business risks depending on their country and industry. The Company has been working to strengthen governance throughout the Group by establishing a definition of group governance necessary to achieve dramatic growth going forward and setting priority measures for respective years.

Group governance to achieve dramatic growth



Promotion of the Minimum Control Requirements (MCR)

In line with its business development worldwide, the Group has been actively adopting the MCR with the aim of minimizing its operational risk even when it comes to its small and medium-sized Group companies overseas that are not subject to internal control evaluation (J-SOX). We engage in repeated explanation, creation, verification, and confirmation over our six-stage approach to adopting the MCR, so that the top management of each Group company can formulate and implement the requisite strengthening measures.

Stages for creating the Minimum Control Requirements (MCR)				Self-assessment stage	
Stage 0	Stage 1	Stage 2	Stage 3	Stage 4	Final stage
Introduction and explanation of the MCR by the Company	Each Group company starts creating the MCR	Integrated support from the MCR creation to completion by the Company	The MCR introduced into each Group company's own business	Guidance on the self-assessment method by the Company	Periodic self-assessment and reporting on important controls by each Group company selected each year by the Company
Stage	Subjects	Current status		Schedule going forward	
Stage 0	3 companies	Briefing session schedule under adjustment		Introduction explanation → start creation Document creation & self-assessment Self-assessment results report	
Stage 1	0 companies	Start creation		After spring 2021	
Stage 2	1 company	Creating MCR documents under the guidance of the head office's Business Management Division		By Dec. 2020	
Stage 3	6 companies	To be introduced by each Group company in accordance with their own operational needs, after confirming controls and division of work, and making improvements as required		By Mar. 2021	
Stage 4	2 companies	Self-assessment work in progress; report scheduled after completion		By Dec. 2020	
Final stage	7 companies	Second self-assessment report completed			

2020 Priority Measures for Global Governance

Interregional business operations started with the regional holding companies in the UK and Oceania

As of September 30, 2020, the Group has 31 Group companies domestically in Japan, 168 Group companies overseas, and business locations in 34 countries and regions. Human resource services call for swift managerial decisions on addressing changes in business environments of different regions, amid varying circumstances depending on geographic area given that provision of such services hinges on legal systems of respective nations. Therefore, our regional holdings in the United Kingdom and Oceania began establishing administrative frameworks in January 2020, and accordingly maintain such frameworks which enable regional management to oversee our holdings.

1 Improving the quality of global group management

Objective Accelerate management decision-making / improve efficiency through autonomous management

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

2 Minimizing risks by enforcing rules

Objective Prevent problems from occurring in advance by enforcing rules

- Continuous maintenance of internal control (J-SOX and MCR)
- E-learning to further disseminate regulations such as the Code of Corporate Ethics and 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)
- Upon applying the governance due diligence results, MCR internal control will be introduced to launch risk management immediately after M&A.

Strengthening the management structure based on the Group governance policy

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) Whistle-blowing system 6) Internal audit by the parent company 7) Education and training

3 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 unauthorized access due to malware infection / digitization and automation of operations
- HR: create human resource development / education / training system that combines personnel strategies of all Group companies

Key Financial Trends

		Japanese GAAP							IFRS*1				
		(Fiscal years ended December 31)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Key Financial Summary													
Net sales / Revenue	(Millions of yen)	24,148	17,964	28,386	32,397	42,090	47,384	59,421	80,871	134,283	230,172	311,311	361,249
Gross profit	(Millions of yen)	4,495	3,386	6,007	6,738	8,472	9,281	11,963	16,290	27,764	45,816	62,400	70,784
Gross profit margin	(%)	18.6	18.9	21.2	20.8	20.1	19.6	20.1	20.1	20.7	19.9	20.0	19.6
EBITDA	(Millions of yen)	1,335	24	1,414	864	1,513	1,784	2,827	3,974	7,161	13,816	18,239	26,263
Operating profit	(Millions of yen)	1,113	(150)	1,173	563	1,000	1,202	2,010	3,111	5,563	11,360	14,591	15,342
Operating profit margin	(%)	4.6	(0.8)	4.1	1.7	2.4	2.5	3.4	3.8	4.1	4.9	4.7	4.2
Ordinary profit / Profit before tax	(Millions of yen)	1,134	22	1,401	702	1,153	1,357	2,197	2,890	4,939	10,395	12,555	13,319
Profit attributable to owners of the parent	(Millions of yen)	641	(215)	760	194	641	1,122	1,316	1,752	3,037	6,180	7,480	8,227
Depreciation / Depreciation and amortization	(Millions of yen)	(222)	(174)	(240)	(301)	(512)	(581)	(817)	(892)	(1,624)	(2,481)	(3,672)	(10,921)
Total assets	(Millions of yen)	6,051	9,365	10,707	11,921	13,866	20,343	24,132	42,648	90,355	124,645	186,141	239,907
Total net assets / Total equity	(Millions of yen)	2,657	2,933	3,475	3,670	4,511	5,915	7,569	11,040	10,001	26,757	60,657	65,040
Interest-bearing liabilities	(Millions of yen)	1,014	3,472	2,818	3,342	4,502	7,233	6,641	13,815	48,138	50,347	56,956	103,507
ROE (Return on equity / Return on equity attributable to owners of the parent)	(%)	27.6	(8.0)	24.6	5.8	17.0	23.8	21.6	21.1	33.7	37.8	18.7	14.2
ROA (Return on assets)	(%)	11.0	(2.8)	7.6	1.7	5.0	6.6	5.9	4.9	4.6	5.7	4.8	3.9
D/E ratio	(times)	40.0	121.6	84.7	97.1	110.2	135.8	96.5	133.9	625.3	201.7	103.2	170.6
Equity ratio / Total equity attributable to owners of the parent to total assets	(%)	41.9	30.5	31.1	28.9	29.5	26.2	28.5	24.2	8.5	20.0	29.7	25.3
Payout ratio	(%)	11.9	(42.6)	13.7	59.3	18.0	16.8	39.0	32.8	24.1	30.4	30.3	36.7
DOE (Dividends on equity / Dividends on equity attributable to owners of the parent)	(%)	4.6	2.7	3.1	3.0	3.0	3.9	3.8	7.3	8.1	11.9	6.6	5.2
Net cash provided by (used in) operating activities	(Millions of yen)	547	(465)	765	412	1,062	1,298	2,284	1,887	1,246	10,132	8,496	22,560
Net cash provided by (used in) investing activities	(Millions of yen)	(927)	(8)	436	(274)	(755)	(1,982)	(1,351)	(4,326)	(28,717)	(8,498)	(30,018)	(8,572)
Net cash provided by (used in) financing activities	(Millions of yen)	179	668	(1,121)	319	697	1,800	(930)	5,362	31,688	5,389	32,442	(3,207)
Cash and cash equivalents at end of year	(Millions of yen)	591	1,634	1,713	2,166	3,248	4,520	4,671	7,501	11,746	19,108	29,451	40,246
Per Share Data*2													
Basic earnings per share attributable to owners of the parent	(Yen)	10.82	(3.02)	10.49	2.69	8.89	15.50	17.96	21.33	34.85	62.53	69.42	65.48
Net assets per share / Equity attributable to owners of the parent per share	(Yen)	45.04	38.36	46.17	47.68	56.64	73.34	92.73	118.51	88.20	244.76	439.81	482.34
Annual dividend per share	(Yen)	1.28	1.28	1.44	1.60	1.60	2.60	7.00	7.00	8.40	19.00	21.00	24.00

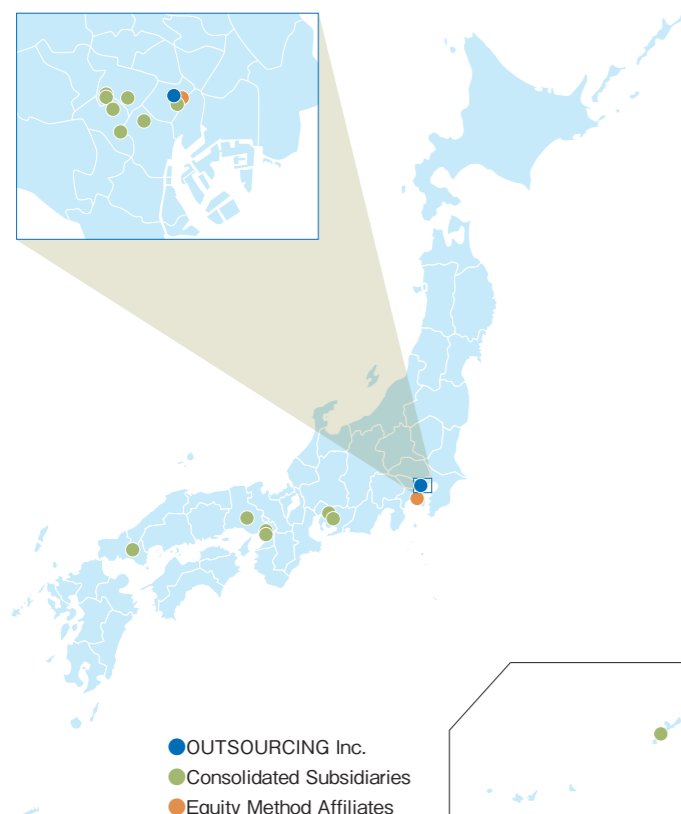
*1 In line with the finalization of provisional accounting treatments related to a business combination, part of the consolidated financial statements were retrospectively restated.

*2 The Company conducted a 100-1 share split of ordinary shares in 2010 and a 5-1 share split of ordinary shares in 2017. The figures for the per share information take the share splits into account.

Network (As of September 30, 2020)

Domestic Business Locations

Domestic Consolidated Subsidiaries: 31



Kanto Area

- **OUTSOURCING Inc.**
- Oomura Industrial Co., Ltd.
- Outsourcing Quest Inc.
- RPM Co., Ltd.
- TryAngle Co., Ltd.
- OUTSOURCING TECHNOLOGY Inc.
- Thinketh Bank Co., Ltd.
- Kyodo Engineering Corporation
- Mobile Communications Co., Ltd.
- OS Capital Partners Inc.
- KEN Technology Co., Ltd.
- OUTSOURCING Communications Co., Ltd.
- OTS Inc.
- Outsourcing Business Service Inc.
- PEO Construction Machinery Operators Training Center Co., Ltd.
- FUJITSU GENERAL OS TECHNOLOGY LIMITED

Kinki Area

- ORJ INC.
- OS LOGITEC Co., Ltd.
- Advantec Co., Ltd.

Chubu Area

- PEO Co., Ltd.
- enable Inc.

Chugoku Area

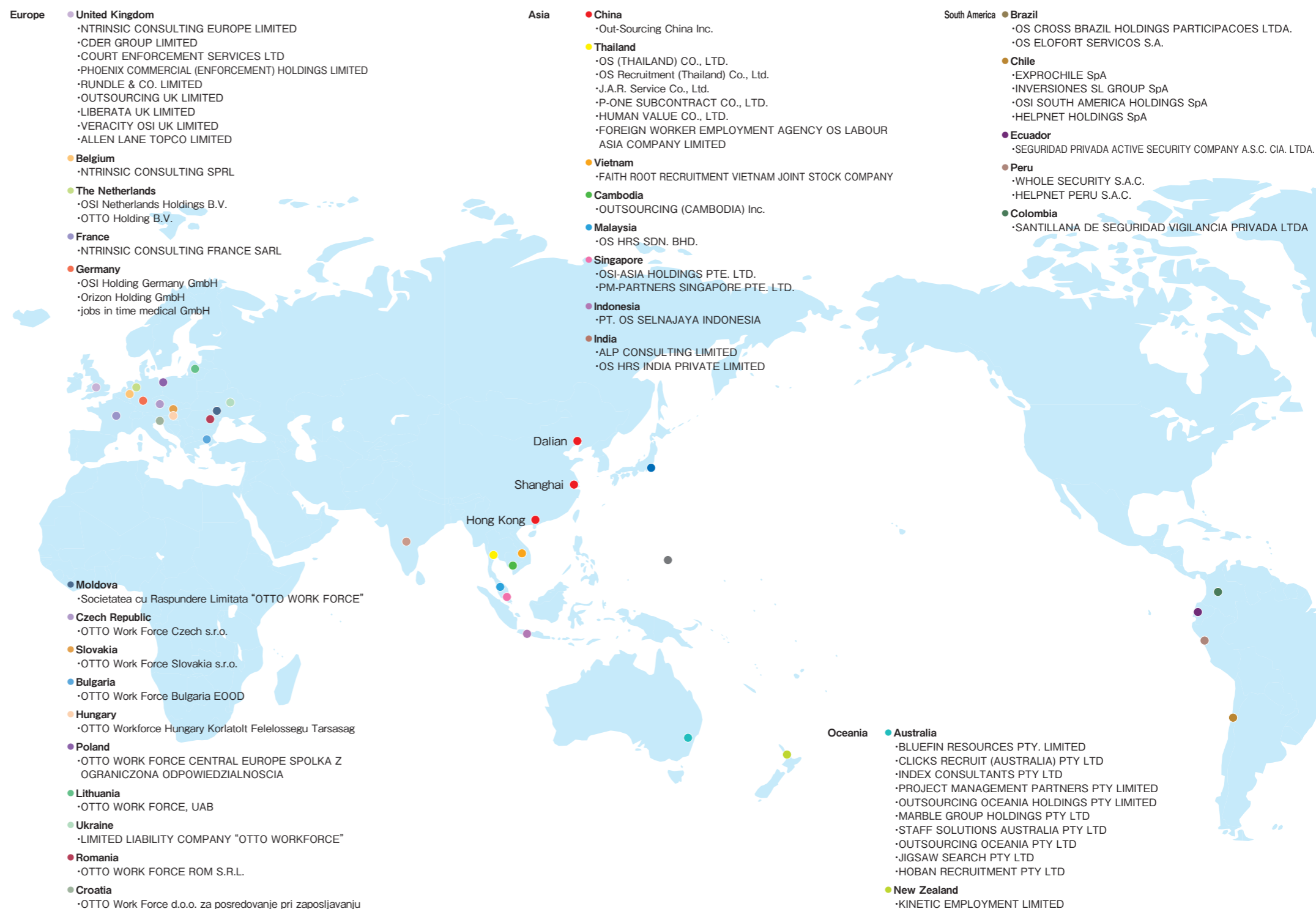
- Oshima Shokai Co., Ltd.

Okinawa Area

- AMERICAN ENGINEERING CORPORATION (OKINAWA)

Overseas Business Locations

Overseas Consolidated Subsidiaries: 168



* The companies listed are major Group companies.

Corporate Profile and Share Information (As of September 30, 2020)

— Corporate Information

Company name	OUTSOURCING Inc.
Established	January 1997
Head office	Marunouchi Trust Tower Main 19F, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005 Japan
Number of employees (group)	85,105 (consolidated)
Subsidiaries and associates	Domestic group companies 31 companies Overseas group companies 168 companies
Main business	Domestic Engineering Outsourcing Business Domestic Manufacturing Outsourcing Business Domestic Service Operations Outsourcing Business Overseas Engineering Outsourcing Business Overseas Manufacturing and Service Operations Outsourcing Business
Memberships	KEIDANREN (Japan Business Federation)
Website	https://www.outsourcing.co.jp/en/

— Officers

Chairman and CEO	Haruhiko Doi
Executive Vice President	Kazuhiko Suzuki
Senior Executive Director	Atsushi Nakamoto
External Director	Masashi Fukushima
External Director	Hideyo Nakano
External Director	Atsuko Sakiyama
External Director	Ichiro Otani*
External Director	Hiroshi Otaka*
External Director	Hideo Shiwa*
External Director	Masaru Namatame*

* Director who is an Audit and Supervisory Committee Member

— Shareholder Memo

Securities code	2427
Listing	First section of the Tokyo Stock Exchange
Fiscal year	From January 1 to December 31
Ordinary general meeting of shareholders	March
Record date for year-end dividends	December 31
Record date for interim dividends	June 30
	(Note) Upon decision to furnish the interim dividend
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation
Accounting Auditor	Deloitte Touche Tohmatsu LLC

— Major Shareholders (As of June 30, 2020)

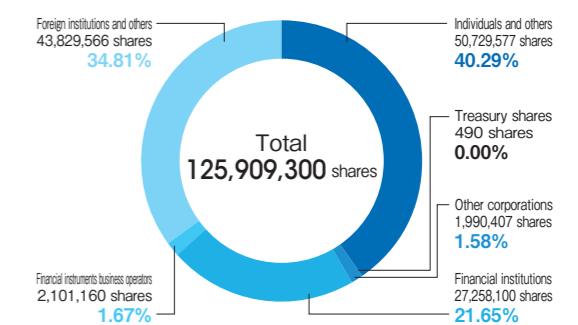
Name of shareholder	Number of shares held	Shareholding ratio (%)
Haruhiko Doi	15,761,400	12.52
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Account)	9,075,100	7.21
JP MORGAN CHASE BANK 385632	6,027,804	4.79
THE BANK OF NEW YORK MELLON 140051	5,951,100	4.73
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account)*	5,689,000	4.52
JPMCB OMNIBUS US PENSION TREATY JASDEC 380052	2,949,700	2.34
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	2,620,338	2.08
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account-9)*	2,614,400	2.08
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Account-5)*	2,249,900	1.79
THE BANK OF NEW YORK 133612	2,085,300	1.66

*JAPAN TRUSTEE SERVICES BANK, LTD. changed its trade name to CUSTODY BANK OF JAPAN, LTD. on July 27, 2020.

— Status of Shares (As of June 30, 2020)

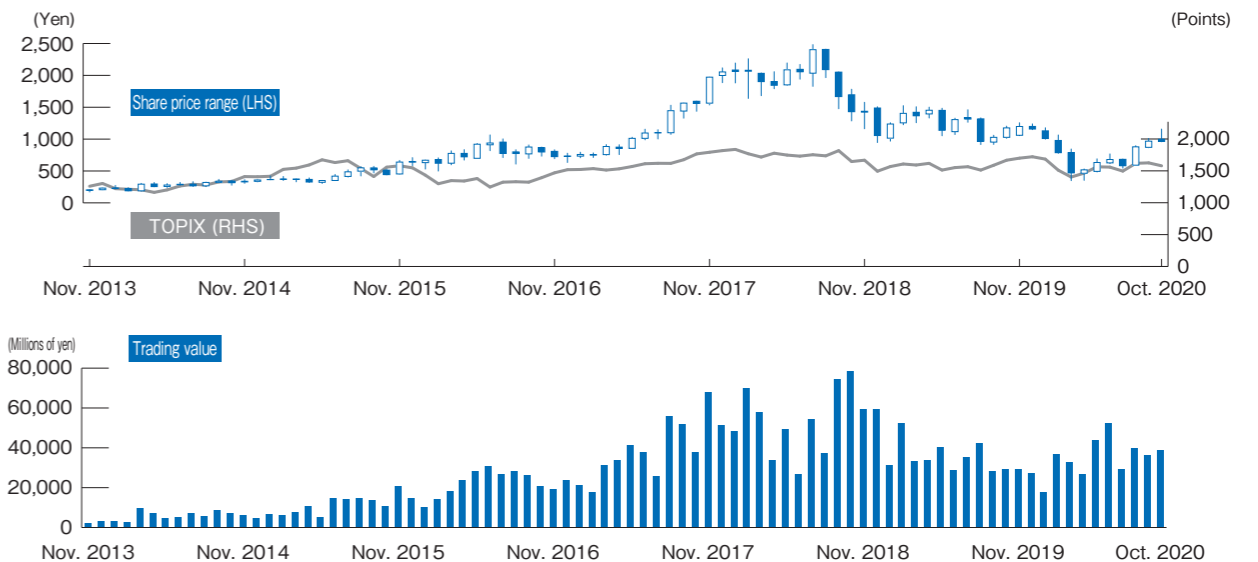
Total number of authorized shares	160,000,000 shares
Total number of issued shares	125,909,300 shares
Total number of shareholders	35,537

— Shareholding by Shareholder Category (As of June 30, 2020)



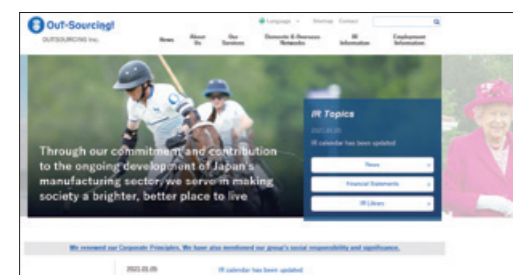
— Share Price Range and Trading Value (As of October 31, 2020)

Note: The Company conducted a 5-1 share split of ordinary shares on October 1, 2017, and the data shows figures that were adjusted accordingly.



IR Contact Information
Marunouchi Trust Tower Main 19F 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005 Japan
E-mail: os-ir@outsourcing.co.jp

Detailed information for investors, information related to sustainability, and the latest information is available on the Company's website.



The Company's website provides the latest information regarding general activities of Group companies.

<https://www.outsourcing.co.jp/en/>



Financial results, as well as IR explanatory materials, Internal Control Reports, etc. are posted.

<https://www.outsourcing.co.jp/en/ir/>



Information on corporate initiatives, such as the CSR basic policy and compliance system of the Group as a whole, is posted.

<https://www.outsourcing.co.jp/en/company/csr/policy/>

— Editorial Policy

The OUTSOURCING Group seeks to build longstanding relationships of trust with its various stakeholders and has accordingly adopted a policy whereby it shall promptly, accurately, and impartially convey not only information of a legal nature but also information deemed necessary for its stakeholders. This Integrated Report 2020 profiles our efforts to increase the Group's corporate value over the medium to long term and encompasses our latest developments with a focus on initiatives being promoted on the basis of our "Change the GAME" medium-term management strategy.

■ Scope of report

In principle, this report contains information on OUTSOURCING Inc. and the 200 companies of the OUTSOURCING Group as of December 31, 2019. Explanatory notes have been provided with respect to other details that are outside the aforementioned scope.

■ Disclaimer regarding forward-looking statements

This report contains certain forward-looking statements not constituting historical fact made on the basis of future predictions and plans regarding the Group. These forward-looking statements involve risks, uncertainties and other such factors that may cause actual results, operating performance and other outcomes to vary from predictions cited within the report.

■ Date of publication: December 2020