



VISION 2024: Change the GAME

Medium-Term Management Plan for FY2020–2024

February 2020

Out-Sourcing!
inc.

OUTSOURCING Inc.

Ticker: 2427 (TSE First Section)

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The Need to Formulate a New Medium-Term Management Plan One Year Early



1. The rapid enactment of work style reforms in countries around the world and revisions to labor laws are making our current business model obsolete. These changes also created new business opportunities.
2. Artificial intelligence (AI), robotic process automation (RPA), and other technologies were being adopted more swiftly than we had anticipated. As a result, with some of the Group's businesses, we need to adopt an approach opposite to the one we have taken to date, such as proposing manpower saving.

The HR service business entered a new phase that we had not anticipated at the time we formulated VISION 2020 (in 2016). We decided it would be preferable to plan on a rolling basis, to dispel confusion surrounding significant changes in KPIs included in our medium- to long-term plans and share new developments in our corporate vision.

VISION 2024: Change the GAME

In addition to overturning accepted ways of thinking, **change the game** can mean “breaking away from the current state of affairs (with innovative technology, for instance)”, “changing the course of things from the bottom up”, and “completely transforming situations”.

Change the game originates with the words **game changer**, meaning a person or thing that causes a major transformation or changes the status quo.

The OUTSOURCING Group aims to be a **game changer** in the HR business amid changing legislation and shifting KPIs. We will transform our business structure with a view to expanding our fee-based business by establishing platforms.

Transition of our Medium-Term Management Plans in Response to Environmental Changes



FY2010

Full-fledged adoption of an M&A strategy to move from the manufacturing outsourcing business to other fields and to expand globally **Revenue: ¥28.4 billion**

Learning from our experience during the global financial crisis, we adopted a portfolio strategy to smooth earnings. We moved into the engineering domain and adopted a full-fledge global strategy to acquire business in emerging markets characterized by buoyant growth in internal demand.

FY2011–2014

VISION 2014: Vector to the TOP

Revenue growth: ¥28.4 billion → ¥59.4 billion

With the manufacturing sector recovering from the global financial crisis and the major earthquake, we strove to be the industry leader by becoming the company of choice for clients and job seekers. We worked to substantially increase our share in the transport equipment business, a key market that had been dominated by long-standing contractors.

FY2015–2017

VISION 2017: Vector to the New Paradigm

Revenue growth: ¥59.4 billion → ¥230.2 billion

With the power of the “made in Japan” brand waning, we adjusted our business structure to match the changing business environment. We built up operations in engineering and construction outsourcing to focus on major domestic industries that drove the paradigm shift. We also worked to expand our overseas outsourcing business as companies moved production offshore.

FY2018–2020

VISION 2020: Tackling New Frontiers

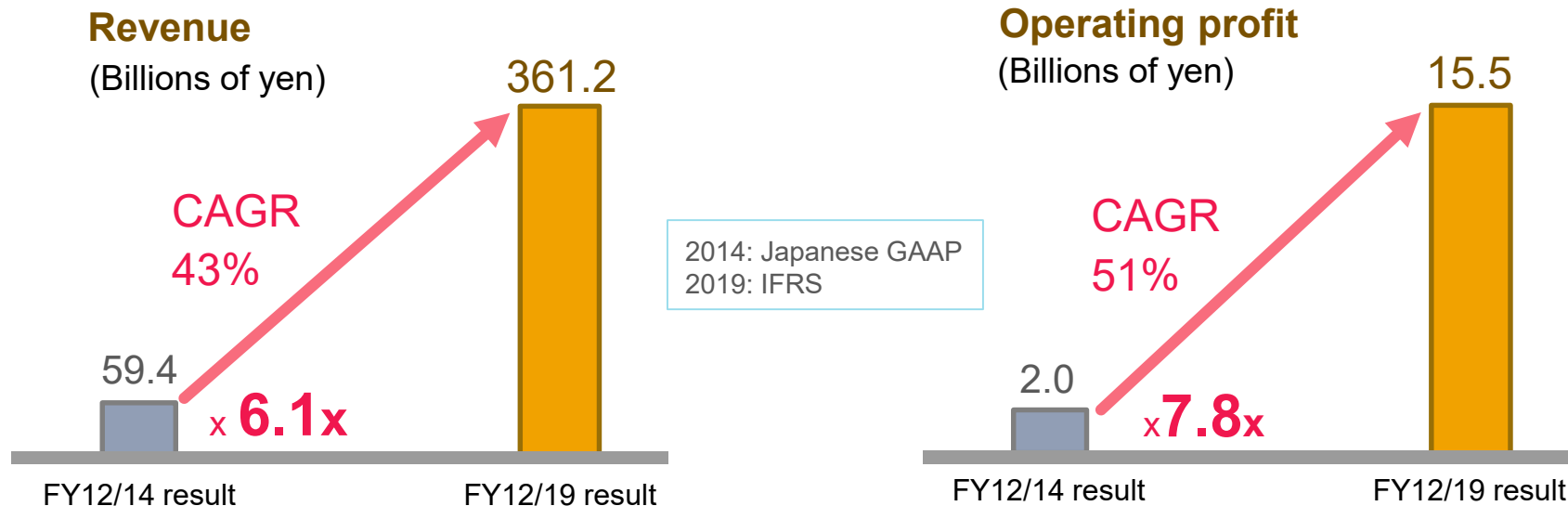
Revenue growth: ¥230.2 billion → ¥361.2 billion (as of 2019)

Japan’s working-age population is shrinking ever faster, due to a falling birthrate and aging population. Against this backdrop, we aim to ensure steady employment of Group personnel. To this end, we are working to smooth earnings by expanding our global outsourcing business into fields that are relatively unaffected by changes in the operating environment and business conditions.

We have responded to shifts in the operating environment by formulating a precise medium-term vision and launching and deploying specific strategies. The resulting changes in our business portfolio have led to ongoing increases in performance.

Note: Revenue figures are shown for the initial and final fiscal years of each medium-term management plan to indicate the growth during the plan periods.

Growth during the five years from FY2015 through FY2019



We achieved better-than-expected results thanks to growth strategies focused on smoothing performance through industry diversification in global markets. In FY2019, the highly volatile Manufacturing Outsourcing Business accounted for less than 10% of the group's operating profit.

FY2024 revenue

¥820 billion

FY2024 operating profit

¥65 billion

(Operating profit margin: 7.9%)

Note: IFRS basis

Revenue by Operating segment

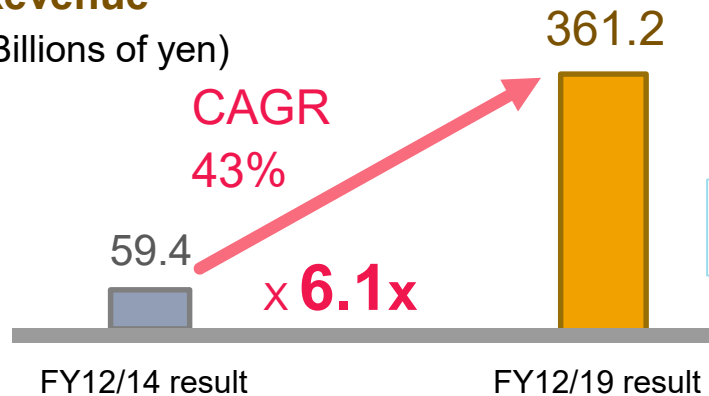
Domestic Manufacturing Outsourcing Business	¥144 billion
Domestic Engineering Outsourcing Business	¥260 billion
Domestic Service Operations Outsourcing Business	¥63 billion
Overseas Engineering Outsourcing Business	¥88 billion
Overseas Manufacturing and Service Operations Outsourcing Business	¥247 billion
Other Business	¥18 billion

Progress on Medium-Term Management Plan

Growth during the five years from FY2015 through FY2019

Revenue

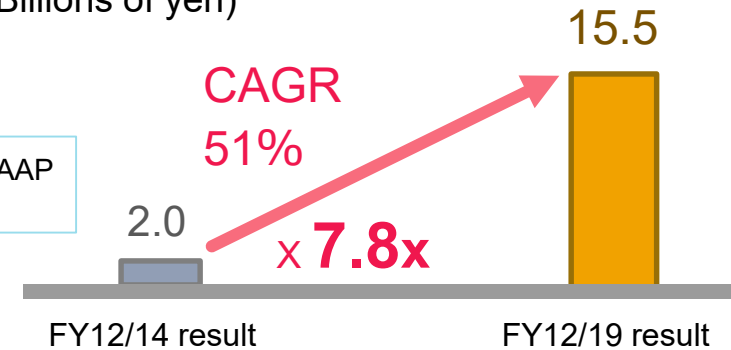
(Billions of yen)



2014: Japanese GAAP
2019: IFRS

Operating profit

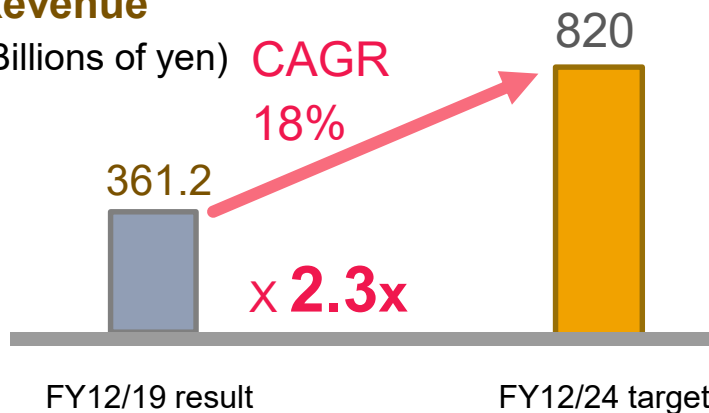
(Billions of yen)



Growth projection for the five years from FY2020 through FY2024

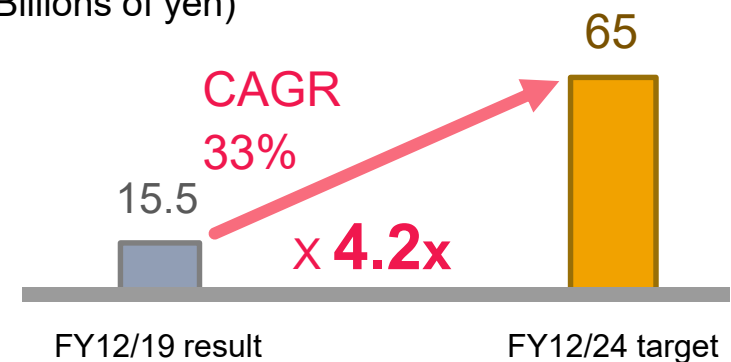
Revenue

(Billions of yen)



Operating profit

(Billions of yen)



Strategy I

Further Expand Services to Support Foreign Workers

Domestic Manufacturing Outsourcing Business, Domestic Service Operations Outsourcing Business, Overseas Service Operations Outsourcing Business

Strategy II

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

Domestic Engineering Outsourcing Business, Overseas Engineering Outsourcing Business

Strategy III

Further Expand Business Involving U.S. Military Facilities and Governments and Public Institutions to Help Smooth Operating Performance

Domestic Service Operations Outsourcing Business, Overseas Service Operations Outsourcing Business, Overseas Engineering Outsourcing Business

Strategy IV

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

Entire Group

Strategy V

Build a WBB Platform to Move Us away from Business That Relies on a Stock of Human Resources

Entire Group

Strategy VI

Pursue Financial Strategies

Entire Group

Strategy I: Further Expand Services to Support Foreign Workers

Move from the current strategy, which targets technical interns, to a broader strategy that targets all resident foreigners

Government measures to address the decline in Japan's working population

- In 2019, the government established “specified skilled worker” as a new status of residence allowing employment in areas of unskilled labor. The government has indicated its intent to bring up to 340,000 people into the country over a five-year period.

We will expand our targets by using technology to enlarge our support menu

- Support services using chatbots, call centers, and apps
- Diversify service offerings by forming alliances with companies offering services for foreigners

Enhanced support menu: International money transfers, SIM cards, lump-sum withdrawal of pension payments, airline tickets, opening of bank accounts, residences, lifestyle support, etc.

FY2024 plan targeting only technical interns

- Market size for technical interns
500,000 people
- Foreign workers supported by our services:
100,000 people



VISION 2024 plan for FY2024 targeting all resident foreigners, including exchange students

- Market size including all resident foreigners
3,100,000 people
- Foreign workers supported by our services:
300,000 people
- Operating profit:
¥6 billion

Strategy II: Increase Operating Efficiency and Save Manpower through Dispatch 2.0, Which Combines Engineers and Technologies



Move from the current engineer dispatching market to an overwhelming market with higher unit charges

Trends in the operating environment related to the dispatching of engineers

- Decreasing populations in many developed countries, as well as a chronic shortage of engineers due to competition for developing and introducing new technologies
- Growing use of robotics and AI technologies to meet demands for increased operating efficiency and manpower saving in response to the trend toward shorter working hours

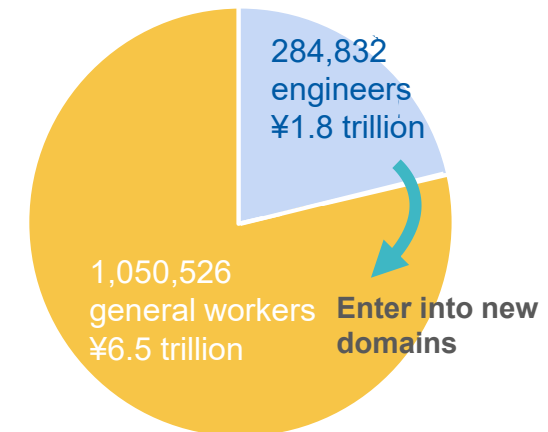
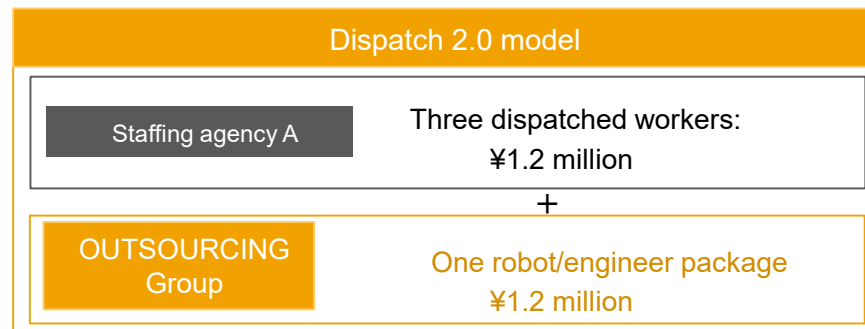
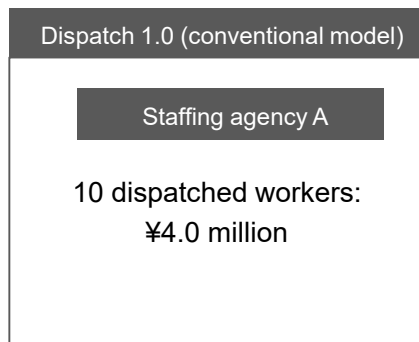
Provide engineers in combination with cutting-edge technologies (such as RPA and AI), supporting enhancement of efficiency including implementation of operation



Moving to the Dispatch 2.0 model



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



FY2019 revenue:
¥91.3 billion



FY2024 revenue target:
¥260 billion

Strategy II: Increase Operating Efficiency and Save Manpower through Dispatch 2.0, Which Combines Engineers and Technologies



Through an alliance strategy, maintaining light-management while obtaining cutting-edge technologies needed to boost efficiency

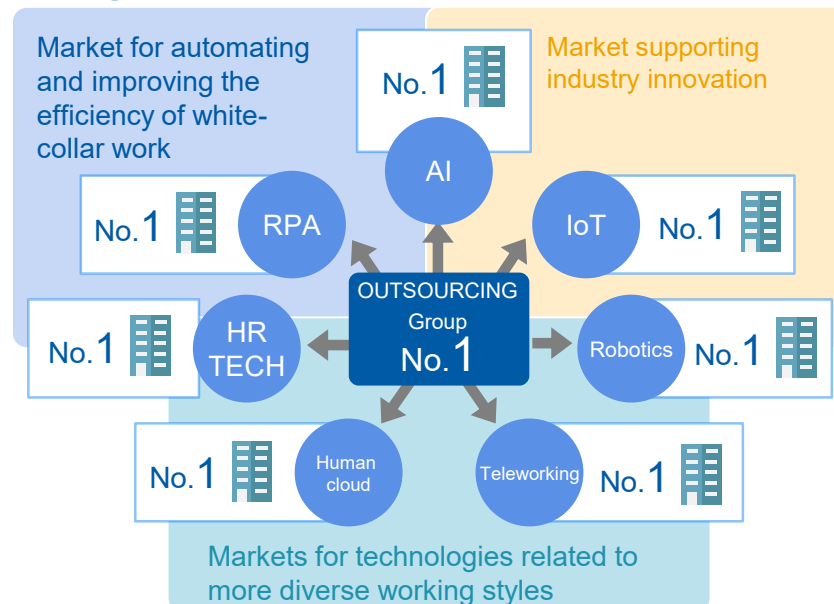
An alliance strategy to secure cutting-edge technologies in multiple industries

- The technology element of Dispatch 2.0 calls for proficiency in cutting-edge technologies in a host of fields; such development is difficult for a single company to achieve.
- Form alliances with companies that possess cutting-edge technologies and solutions, and provide Group engineers as necessary for the development and deployment of new technologies.
- Engineers with leading-edge skills command higher unit prices compared with existing engineers.

Market trend toward automation in the general dispatching domain

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

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



● Engineer dispatch targets for FY2024

	Engineers	Revenue	Operating profit	Operating margin
Existing business	34,500	¥222.5bn	¥18.3bn	8%
Dispatch 2.0	4,000	¥37.5bn	¥7.7bn	20%
Total	38,500	¥260.0bn	¥26.0bn	10%

Operating margin
in FY2019: 7.7%

Target operating margin in
FY2024: 10% or more

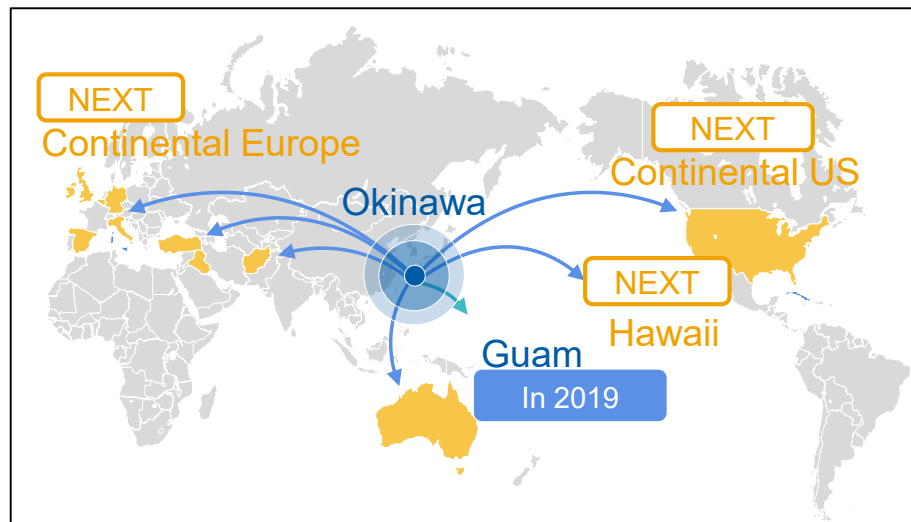
Expand business in U.S. military facilities, which is relatively insusceptible to economic fluctuations

- Business at U.S. military facilities centers on essential facility maintenance and construction

Characteristics of the U.S. military business

Barriers to entry: High	Market size (budget): Large	Volatility: Low risk	Measures to other countries: Continued	Need for leading-edge technologies: High
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- Accelerate global expansion



- Work to expand services into IT and other areas at bases in Okinawa and Guam, where we have already provided services with
- Pursue global business targeting European countries and the U.S., whose national budget is larger in scale

FY2019 revenue:
¥16.5 billion

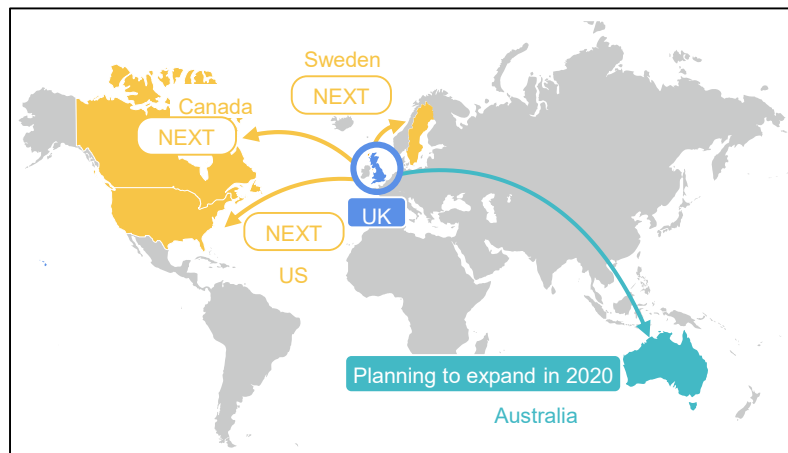


FY2024 revenue target:
¥50 billion

Expand globally the public works and e-commerce-related logistics businesses, which are relatively unaffected by economic fluctuations

- Public works business
 - Outsourced debt collection (UK)
 - Brexit related budget, amounting to ¥480 billion, being accumulated for the past 3 years, is scheduled to be released given the decision to leave the EU.
 - Outsourced recruiting of people to work in prisons (Australia)
- Outsourcing business involving airports and other transport infrastructure (Japan, Australia, Chile, Peru, Ecuador, Colombia)
- E-commerce-related logistics outsourcing business (throughout Europe, centered on the Netherlands)

Global rollout of the UK debt-collection scheme



- Expand into British Commonwealth countries, where legal frameworks are similar



Australia



Canada

- Expand into countries with large markets



US

- Expand into highly privatized markets



Sweden

FY2019 revenue:
¥93.0 billion



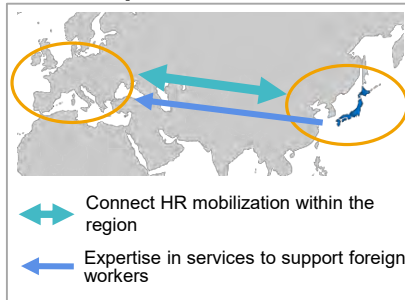
FY2024 revenue target:
¥150 billion

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

Take advantage of supply/demand gaps between countries with shrinking populations and labor shortages and countries with growing populations and labor surpluses

Target three regions as HR mobilization “hubs”

Europe



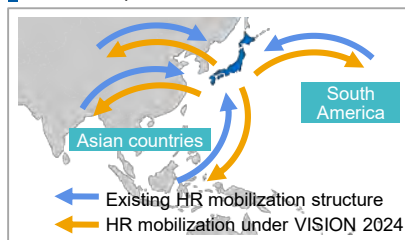
■ Network in place

A network for facilitating the flow of labor within Europe between countries with labor surpluses and those with shortages

■ Initiatives under VISION 2024

Work to expand HR mobilization from Asia, and launch support services for foreign workers in Europe like those we provide in Japan

Asia, South America



■ Network in place

HR mobilization structure to provide labor to Japan, which has a labor shortage, from other Asian countries and South America

■ Initiatives under VISION 2024

Launch HR mobilization and foreigner support services in other Asian and South American countries

North America

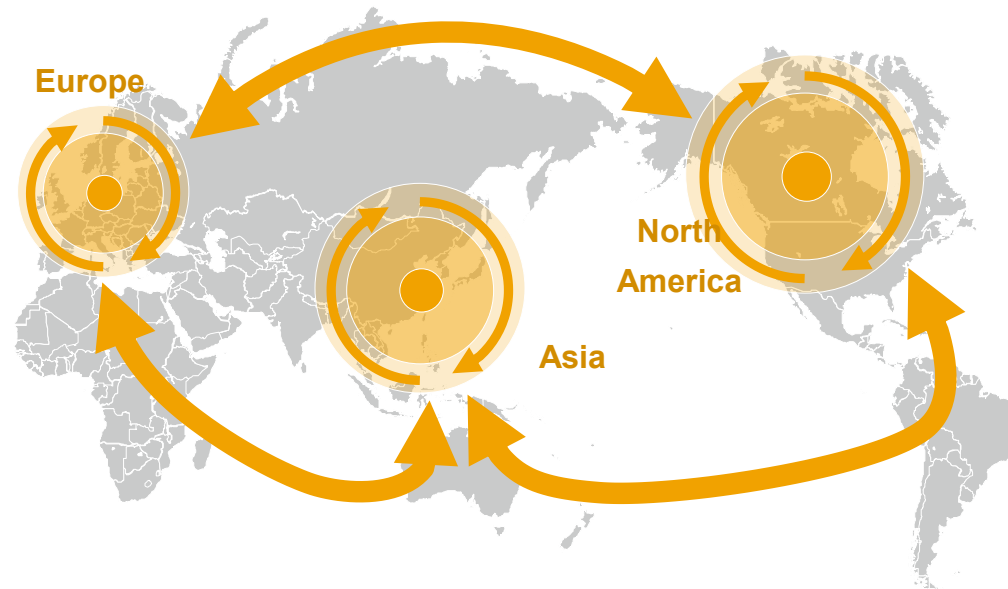


■ Initiatives under VISION 2024

Build an HR mobilization network in North America leveraging the expertise gained in Europe and Asia

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

Build a hub-centered global HR mobilization network that responds to changes in the economy and operating environment



Leverage our Group's scale of business, which encompasses some 86,000* employees at 199* companies in 34 countries and regions around the world

* As of December 2019

Under VISION 2024,

we plan to have total employment of 167,000 people by 2024.

Of this amount, in FY2024 we plan to have 26,500 people (around 16%) available for cross-border employment.

The need to establish a fee-based business model to achieve sustainable growth

Our business environment

- Save manpower by leveraging robotics and AI
- Relative rise in employment risks resulted from work style reforms

The challenge

Move us away from the growth strategy focused on expanding the stock of recruits

How to resolve

Adopt a business model with a new earnings base responsive to the changing times

The worldwide labor environment

- Demand/supply gaps widening, as some countries' populations are growing while others' are shrinking, and due to economic disparities

The challenge

A shortage of information about safe and secure movement for the growing number of job seekers and employers desiring cross-border employment

How to resolve

Provide an infrastructure that allows all people to straddle borders safely and securely

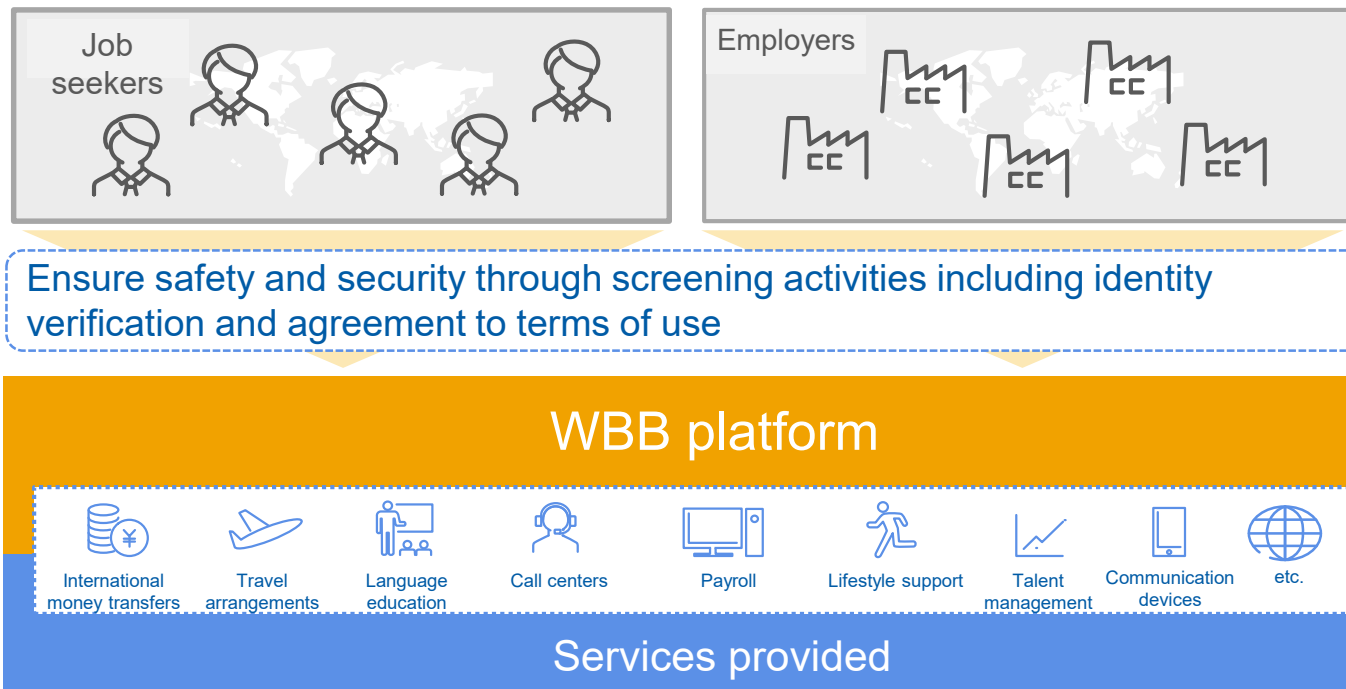
Address both challenges by building a
WBB platform

WBB: "WORKING" Beyond Borders

Strategy V: Build a WBB Platform to Move Us away from Business That Relies on a Stock of Human Resources

The WBB platform framework

- Taking advantage of the OUTSOURCING Group's economies of scale, use the WBB platform to attract job seekers and employers seeking cross-border employment situations



- VISION 2024 calls for the establishment of a WBB platform to enable the growth of fee-based business.
- Through provisional operation of the WBB platform in preparation for the next medium-term management plan, VISION 2029, we aim to generate operating profit of **¥6 billion** on fee-based business in FY2024.

Strategy VI: Pursue Financial Targets

Capital efficiency

**ROE of
25% or higher**

- Aim to maintain ROE of 25% or higher through better capital efficiency, including by building a robust earnings base and enhancing shareholder returns

Financial soundness

Shareholders' equity ratio of 30% or higher

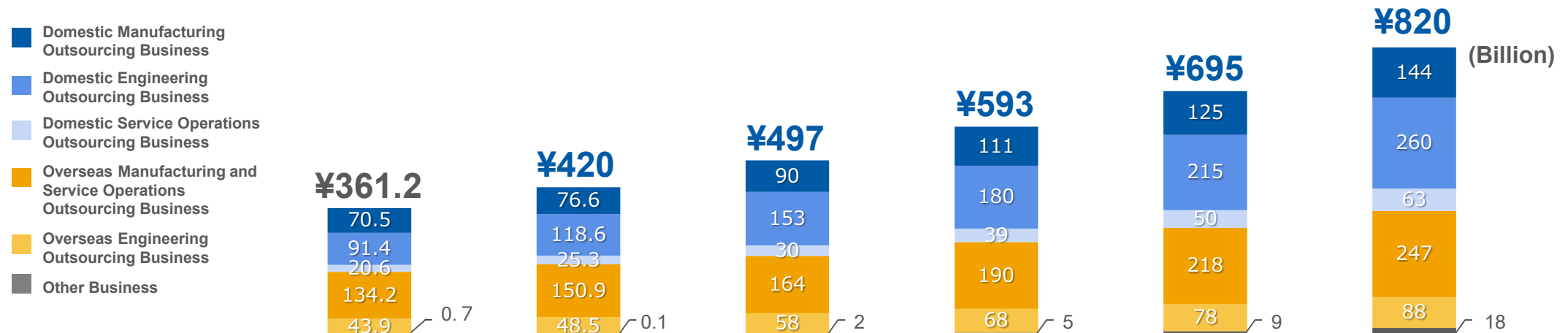
- Take into consideration the balance between greater shareholder returns and appropriate internal reserves. Target a shareholders' equity ratio of 30% or higher with a view to investing in future growth and strengthening the financial structure.

Shareholder returns

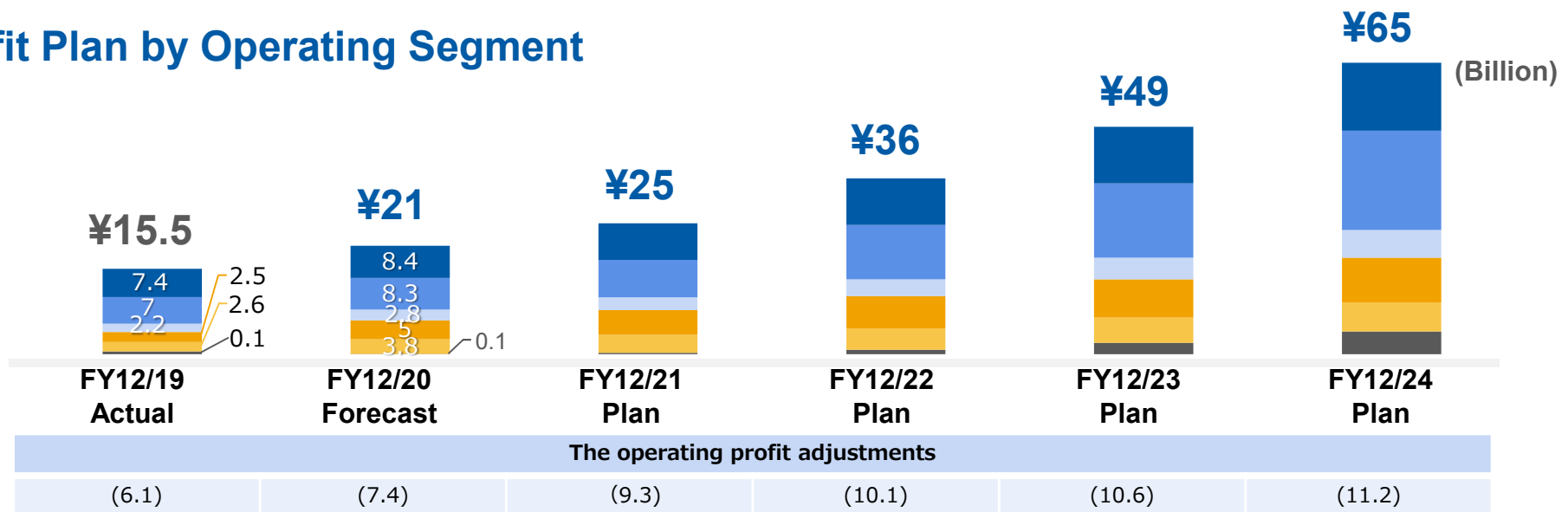
Payout ratio of 30% or higher

- To enhance shareholder returns and expand the base of shareholders, steadily increase dividends, maintaining a consolidated payout ratio of 30%, while ensuring a balance with investment in growth.

Revenue Plan by Operating Segment



Operating Profit Plan by Operating Segment



*The operating profit adjustments are not shown in the graph but are reflected in the total operating profit amounts.

2020.12

VISION 2024 : Change the GAME

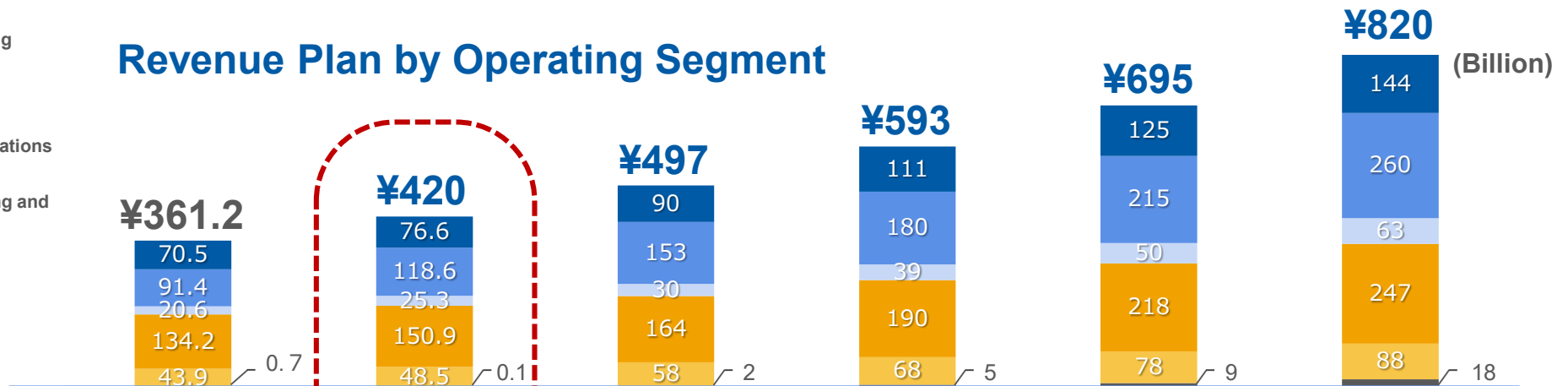
First year (FY12/20) Business Plan

Business Plan

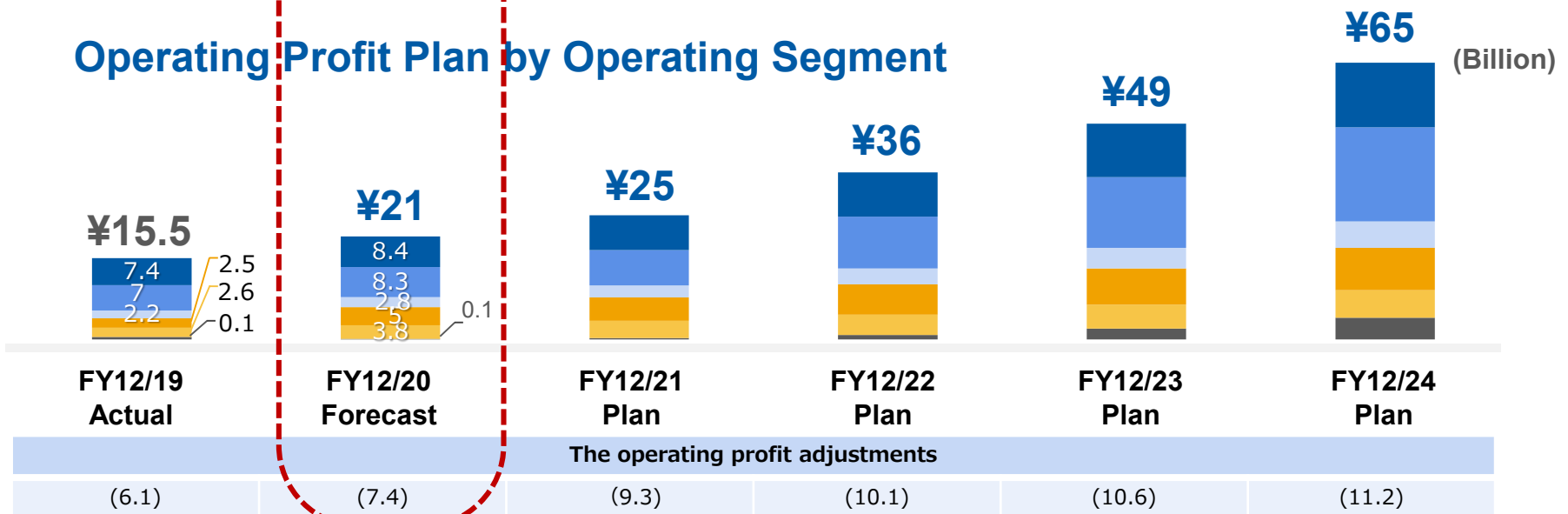
Revenue Plan • Operating Profit Plan

- Domestic Manufacturing Outsourcing Business
- Domestic Engineering Outsourcing Business
- Domestic Service Operations Outsourcing Business
- Overseas Manufacturing and Service Operations Outsourcing Business
- Overseas Engineering Outsourcing Business
- Other Business

Revenue Plan by Operating Segment



Operating Profit Plan by Operating Segment



*The operating profit adjustments are not shown in the graph but are reflected in the total operating profit amounts.

Consolidated Financial Forecasts for FY12/20 (IFRS)



Summary of FY12/20 Consolidated Financial Forecasts

(¥ million)	FY12/19 Actual				FY12/120 Forecast				YoY Change	
	1H Amount	2H Amount	Full-Year Amount	Composition Ratio	1H Amount	2H Amount	Full-Year Amount	Composition Ratio		
Revenue	177,585	183,664	361,249	100.0%	191,000	229,000	420,000	100.0%	58,751	16.3%
Cost of sales	144,732	145,733	290,465	80.4%	-	-	-	-	-	-
Gross profit	32,853	37,931	70,784	19.6%	-	-	-	-	-	-
SG&A expenses	29,194	29,513	58,707	16.3%	-	-	-	-	-	-
Operating profit	5,572	9,929	15,501	4.3%	5,900	15,100	21,000	5.0%	5,499	35.5%
Finance income	52	645	697	0.2%	-	-	-	-	-	-
Finance costs	2,223	557	2,780	0.8%	-	-	-	-	-	-
Profit before tax	3,401	10,077	13,478	3.7%	4,950	14,200	19,150	4.6%	5,672	42.1%
Profit for the period	1,826	7,269	9,095	2.5%	3,050	9,400	12,450	3.0%	3,355	36.9%
Profit attributable to owners of the Company	1,400	6,936	8,336	2.3%	2,400	8,750	11,150	2.7%	2,814	33.8%

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

*2 Forex rate assumptions for the full-year consolidated earnings forecast
EUR 118.28, GBP 129.26, AUD 72.00, USD 106.32

Transition from the expansion strategy through PEO scheme

- VISION2020 included the growth strategy focused on PEO scheme which addresses the problems emerged after the revisions to labor laws

Benefits of PEO scheme for manufacturing companies

- Revised labor laws imposes the employment-term limitation (maximum 5 years) on fixed-term direct employees of manufacturing companies. By transferring those employees as regular employees of our group (after their employment-term at client companies), the scheme mitigates the employment risk that client companies are to take.

Benefits of PEO scheme for our group

- Our group achieved a tremendous growth by incorporating these fixed-term workers, who were employed by manufacturers in the areas with low production-fluctuation risk, into our pool of dispatch workers, and saving the recruiting costs.

work style reform

- Limits to growth through PEO scheme
 - Trends toward shorter working hours lead to a lower sales per head, which increases the risk that the cost of transferring fixed-term employees of manufacturers to our group, and make the scheme unprofitable.

Growth strategy that fits with the business environment changed through revisions to labor laws and work style reforms

- 1 Expand services to support foreign workers such as management and administration operations support and living support
- 2 Increase the market share by absorbing vendors who cannot correspond to working style reform

Domestic Manufacturing Outsourcing Business

1 Expand services to foreign workers such as management and administration operations support and living support






- Established “Specified Skilled Worker” as a new status of residence in April 2019 and “Designated Activities (No. 46)” in May 2019 to increase the number of accepted foreign human resources, extend the period of stay, and diversify the types of jobs that they can engage in

Expanding the applicable industry type under administrative operations support services

- Although support services for technical interns are provided mainly in the manufacturing field, we aim to break into the nursing, food service industry, and other markets with significant labor shortage by using specified skilled workers, foreign students, interns and other foreign human resources.

Expanding lifestyle support services

- Expand the variety of support services that can be provided, not only to technical interns, but also to all foreign human resources.

		
Remittance card	SIM card	Interpreting services
		Resolution and consultation of issues in daily life, incidents, injuries, illnesses, troubles with neighbors, etc.
Contract handling	24h multi-language call center	Etc.



Aiming to higher business performance by providing support services to foreign workers so that **they can live safely without worries**

No. of people supported by our administrative support

FY2019
18,670

FY2020
35,000

Domestic Manufacturing Outsourcing Business

2 Increase the market share by absorbing vendors who cannot correspond to working style reform

Challenges faced by manufacturers with regulations on the limit of overtime work and with equal pay for equal work for dispatched workers

- Cost increase due to revised treatments for non-regular workers
- Complicated contract/billing procedures with staffing agencies triggered by the introduction of individual evaluation of temporary workers

Challenges for staffing agencies specialized in manufacturing (except for OS)

- Decrease in revenue and profit due to shorter working hours
- Rise in operation cost resulted from working style reform

Market environment

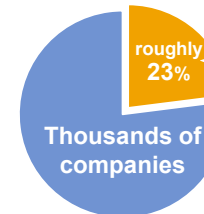
Size



FY2018
2.4 trillion yen

It will be difficult to expand the market going forward with the declining population in Japan and the manpower saving encouraged on-site.

Share

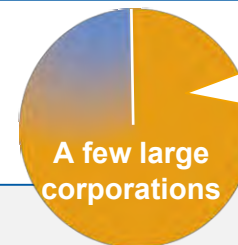


The top ten companies own approx. 23% of the market.

Requirements to thrive through industry restructuring

- Capability in hiring Japanese and foreigners
- Know-how to improve the added value of human resources with post-recruitment training
- Know-how to improve efficiency by providing advanced technologies
- Having business and financial foundations that can resolve various issues

Currently, only a few big corporations, including the OS Group, meet all these requirements.



Only companies that can resolve issues survive; the others are weeded out and consolidated into a few big corporations

Large corporations eat up SMEs and human resources, leading to the oligopolization of the market which is worth more than two trillion yen.

Estimated gain from the industry restructuring in FY2020

2,500 workers

Domestic Engineering Outsourcing Business

Demand for engineers with specialized skills

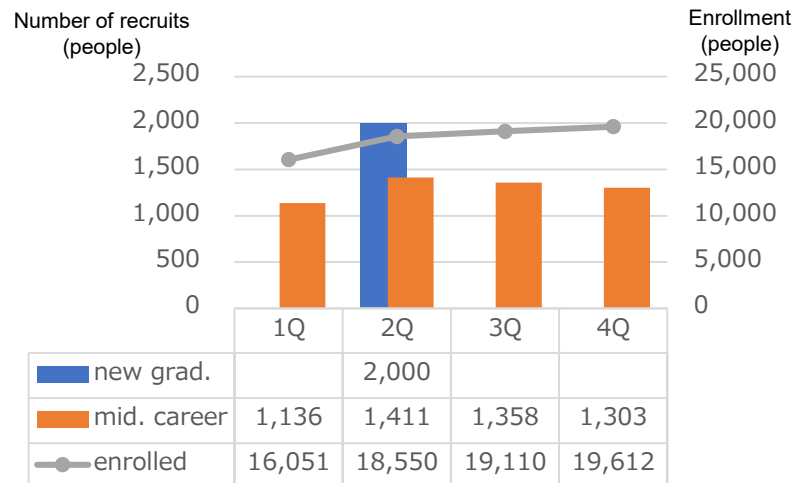
-Number of insufficient professionals in 2030: 1.7 million

- The demand for engineers with specialized skills will increase, with the labor shortage in 2030.
- Expected labor shortage: 590,000 IT-engineers, and civil engineers for expected construction works which are worth for 6.3 trillion yen
- The OS Group works on recruiting a wide range of engineers including foreigners, new graduates and mid-careers.

Number of direct employees in FY2020 (plan)

Revenue Plan

FY2020 ¥118.6 billion
※FY2019 actual ¥91.4 billion



New graduate recruitment

2,000 to join in April 2020
※FY2019 results 1,600

Mid-career recruitment

5,200 annual recruitment
※FY2019 results 4,700

Number of direct employees by segment (plan)

	2019	2020	2021	2022	2023	2024	Growth rate (2019 to 2024)
IT-related	3,637	4,600	6,000	7,200	8,700	10,500	289%
Construction-related	2,438	3,100	3,800	4,400	5,400	6,200	254%
Mechanical and electrical-related	8,455	10,000	12,500	14,500	16,800	19,000	225%
Medical-related	1,358	1,912	2,200	2,400	2,600	2,800	206%
Total engineering group	15,888	19,612	24,500	28,500	33,500	38,500	242%

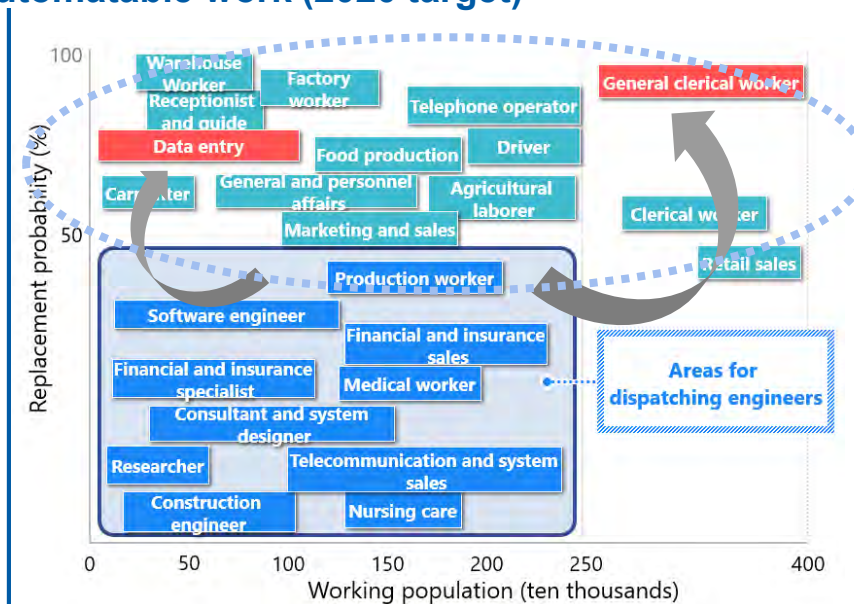
(Unit: Person)

Domestic Engineering Outsourcing Business

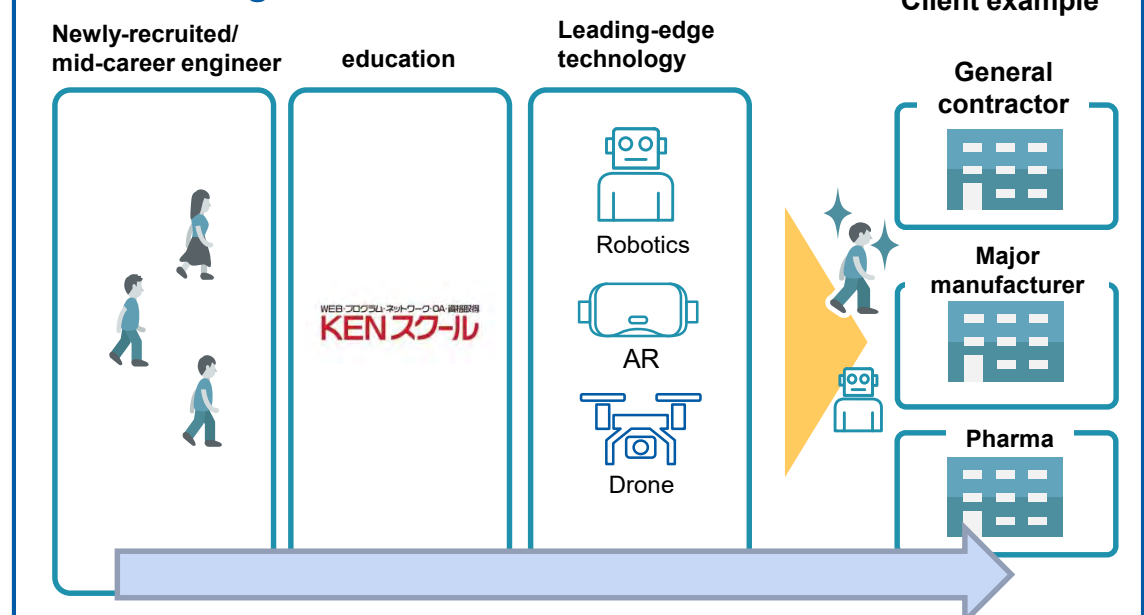
Dispatch 2.0

- Increase the added value of workers by teaching cutting-edge technology at KEN school mainly to inexperienced workers, and automate simple tasks by utilizing the resources of OS Group's client companies.
- In FY2020, expand business, targeting "office work" and "data entry work" areas

Automatable work (2020 target)



From recruitment to placement of advanced engineers



Number of advanced engineers (plan)

	(Unit: Person)				
	2020	2021	2022	2023	2024
Number of advanced engineers	115	530	1,230	2,300	4,000

Domestic Service Operations Outsourcing Business

Policy change in Domestic Service Operation Business

■ Measures of VISION2020

In addition to business for U.S. military facilities, actively promoted one-stop management center business for shops such as convenience stores, which need to secure personnel from various temp-staff agencies. The one-stop management center business covers all the required processes when introducing temporary workers (ranging from coordination with temp-staff agencies, arrangement/training of workers, payroll).

■ Progress

Decided to shrink the business as neither increase in margin, nor sustainable growth is expected, because convenience stores, whose profitability is relatively low in principle, have no room to pay higher fees to temp-staff agencies even after the law revision causing “equal pay for equal work” boosted wages for temporary workers, ended up higher cost for staffing agencies.

VISION 2024

Priorities in VISION2024

1

Expanding business for U.S. military facilities

- Increasingly larger line of contract surety bond will allow us to go into more attracting markets such as North America.

2

Enhancing business in Tourism

- Strengthening business in tourism by taking advantage of expected higher demands for labor forces thank to increasing inbound tourists and opening of IR related facilities.

Domestic Service Operations Outsourcing Business

1 Expanding business for U.S. military facilities

Market environment for the U.S. military

- The U.S. has increased its military budget for the maintenance of its military forces and antiterrorism measures in response to countries like China and Russia, allocated 718 billion USD in 2020, an increase of 3% from 2019. Especially, the budget for construction is up 2.5% to 9.9 billion USD.
- We plan to conduct M&As, joint ventures with leading general contractors, etc. to expand our existing maintenance areas and win large-scale construction projects.
- Labor shortage is also evident in the private sector, so we increase the number by using the human resources network of the OS Group.

Top 5 countries in which the U.S. Department of Defense is spending its military construction budget

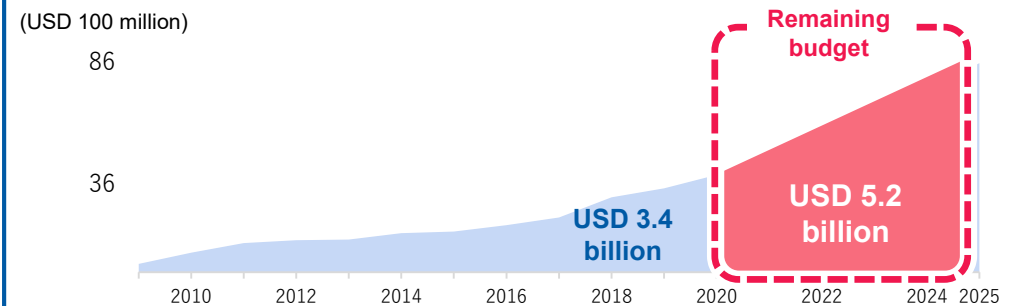
	Country	Budget amount (USD 1,000)
1	United States of America	\$ 17,781,589
2	Germany	\$ 1,199,143
3	Guam state	\$ 913,436
4	Korea	\$ 883,269
5	Japan	\$ 868,900

Source: Department of Defense

Market environment for Guam relocation

Relocation budget

- The relocation was supposed to be completed in 2020, but it has been pushed back to 2025 due to budget adjustments and delays in the plan.
- Of the overall budget of USD 8.6 billion, USD 3.4 billion has already been spent and the remaining USD 5.2 billion is expected to be spent in the next five years.



Source: Materials published on 2/4/2020 by the Ministry of Defense

The U.S. military is a stable market with low volatility which is hard to break into;
we aim to further expand our business globally based on the experiences we've had at various locations.

Work not yet undertaken as of Dec 2019	2020	1Q	2Q	3Q	4Q	Full Year
2 7 7	Revenue (billion Yen)	4.5	4.7	5.0	5.3	19.5
4 3 5	Number of works	535	563	666	766	1,551

Domestic Service Operations Outsourcing Business

2 Enhancing business in Tourism

- The tourism industry has not implemented sufficient technology to save the manpower, so the industry is still having the issue of labor shortage.
- There is a trend of increasing dependency on foreigners due to the various acts enforced on the expanded use of foreigners as the country's workforce.
- The government will adopt an inbound measure to prevent domestic economics stagnation and contraction

The government's goal for the number of foreign visitors

40 million in FY2020 ▶ 60 million in FY2030

■ Targeted tourism-related facilities in FY2020



We aim to have 10,000 workers belonging to OS in 2024 in tourist facilities, whose consistency with IR related facilities schedule to be completed in 2025 or later is high, and establish business foundation for a business in IR facilities, each will generates 20,000 - 30,000 employments.

Domestic business environment in the tourism field

- Declining birth rate and aging population
- Labor shortage
- Work style reform
- Increase of foreign visitors to Japan
- Revision of laws towards the employment of foreigners

The establishment of inbound policies and the measures for integrated resorts (IR) has stimulated tourism-related areas, and we will try to expand business services by employing foreigners (such as foreign students, interns, and specified skilled workers) as a workforce.

Number of workers for Tourist-related facilities

FY2020, the first year **1,500**

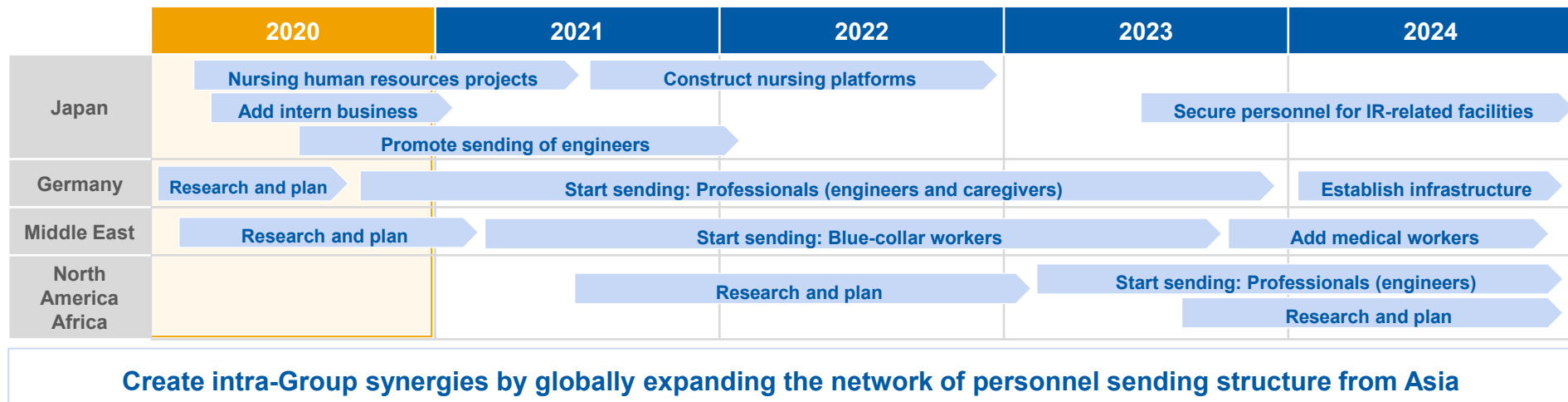
Overseas Manufacturing and Service Operations Outsourcing Business

Increasing the number of technical interns and specified skilled workers from Asian countries and job categories they are to be landed.

- Indonesia: Increase the parameter of technical intern candidates by expanding training facilities and increasing the number of people with nursing licenses.
 - India: Obtain candidates by establishing our own sending organization and partnering with medical schools.
 - Vietnam: Add Japanese curriculum in nursing schools.
 - Philippines: Obtain candidates by building an alliance and forming a capital tie-up with large, trustworthy sending organizations.
- Focused job category : **Nursing care** (3,000 workers/year **Establishing a foundation to build sending frameworks**)

Sending workers from Asia to Germany

- Germany is tightening regulations on worker dispatch, but the policies on foreign workers are becoming lenient, so we will built a foundation to send workers from Asia to Germany.
- Indonesia and Vietnam: Start providing German language education to qualified workers with a bachelor's degree or equivalent or who possess a certain level of skills.



Number of cross-border workers in FY2020

10,000

Enhancing businesses in Germany

Business environment

- Headwind against the dispatch business: Acceleration of direct employment by customers with the tightening of regulations for dispatch laws (implementation of equal pay and limits on the maximum dispatch duration)
- Sluggish growth in manufacturing industries: Impact of the U.S.-China trade frictions and Brexit
- Revision to laws: Easing up on procedures for working visa applications for skilled workers from abroad in order to alleviate chronic labor shortage (planned in March 2020)

Important measures in FY2020

■ Countermeasures for law-revisions

- Expand businesses that are not affected by equal pay
 - Human resource services for skilled workers (use personnel from Eastern Europe and Asia)
⇒ Provide skilled workers such as electricians, machinists, etc.
- Reinforce proposal services to large-scale users (key accounts)
 - Obtain and expand human resource requirements that have not been addressed in other areas than production lines

■ Expand businesses into non-manufacturing industries

- Increase warehouse businesses such as e-commerce, supermarket chain, and logistics
 - Partner with group companies and invite workers from Eastern Europe and Asia, because of the difficulty in securing personnel for these job types within Germany

■ Improve the efficiency of each office and reinforce the structure

- Improve efficiency by closing and consolidating sales and recruitment offices
- Improve the skills of personnel in sales offices by reviewing the internal training program

Enhance staff recruitment from Asia, in addition to Eastern Europe.



Result in FY2019

The result fell far short of the initial target due to labor law revisions which caused the lower utilization rate among temporary workers, longer paid-holidays and increased fee related lay-off.

Operating profit
¥120M

Forecast in FY2020

By implementing the above-mentioned measures,

Operating profit
¥840M

Strengthening the distribution industry in the Netherlands

Business environment

- Development of the e-commerce market and increase of distribution centers
- Chronic labor shortage in the Netherlands market
- Revision of laws to extend the upper limit of the contract period for fixed-term employment

Expand dispatch services in response to the increase in logistics offices of distribution centers, etc., triggered by the revision of relevant laws.

Important measures in 2020

- Further improve the platform to support foreign workers regardless of their country of origin

Implement AI for recruitment



Expand VR training



Optimize housing and pickup services



24h call center

Expand overseas recruitment offices, etc.

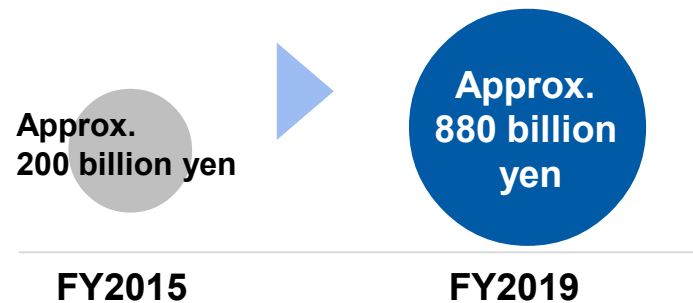
- Prepare recruitment and internal IT system in response to the revision of laws

Although HR business is expected to shrink in the Netherlands due to the economic slowdown, thanks to the above key measures, OS group forecasts

FY2020 Revenue
110% growth

Commencing and enhancing the dispatch business in Brazil

■ Market size of the human resources business



- Worker dispatch is deregulated in principle with the revision of the law in Nov. 2017.
- Out of a working population of 105 million, 0.63 million people (approx. 0.6%) work in human resources-related companies.

The dispatch of workers, which few companies have been using, is expected to grow rapidly in the expanding human resources business market with the revision of laws.

■ Entering the human resources dispatch business

- We will start a staffing agency by using the resources of OS Elofort, the local group company that operates in the janitorial service industry including cleaning and managing facilities, with the aim of obtaining the market share in the expanding market.

Major policies in FY2020

- Establish recruitment offices in five major cities to strengthen the recruitment of dispatched employees.
- OS Elofort will strengthen its sales towards supermarkets with its cleaning services in 25 states in Brazil.
- The OS Group will strengthen its sales to approx. 40 local Japanese firms with which we have international relationships.

Number of dispatched employees in FY2020

2,000

Number of dispatched employees in FY2024

12,000

Overseas Engineering Outsourcing Business (Partially Includes Overseas Manufacturing and Service Operations Outsourcing Business)



A strong framework development that complements each other and shifts the “individual” to the “Group”



UK public work

With the victory of the Conservative party at the 2019 UK general election held in December, the local political situation is expected to stabilize, bringing business opportunities to public works.

It is time to demonstrate the total power of the Group that covers downstream to upstream operations.



Human resources business in Oceania

Strengthening human resources businesses for public works and professionals with the aim of becoming the top human resources group company in the Oceanic region.

Currently, we are covering many areas with ten brands.

It is time to increase the management efficiency as a group and create synergy.

Ra nk	Company name
1	Company A
2	Company B
3	Company C
4	Company D
5	Company E
6	Company F
7	Outsourcing Group
8	Company G
9	Company H
10	Company I

Market size
AUD 20 billion

In order to realize higher growth rate as a group rather than pursuing individual growth, amid increasing needs for prompt decision making by managements to cope with risk managements and growth opportunities in regions with rapidly-changing environment...

We launched a holding company in the UK and Oceanic region from January 1, 2020.

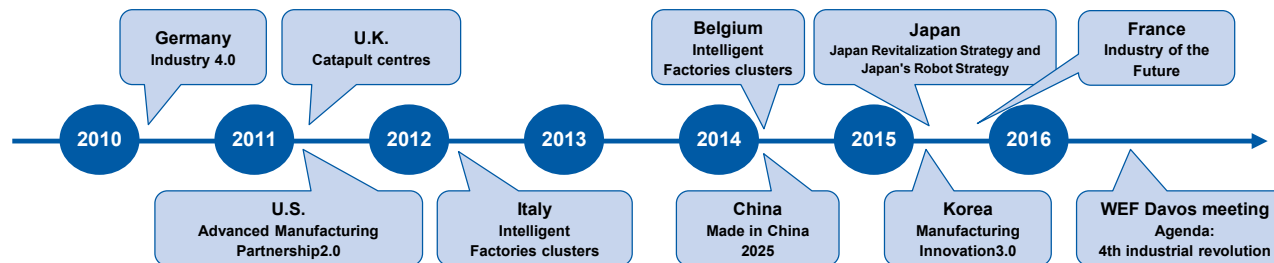
Overseas Engineering Outsourcing Business (Partially Includes Overseas Manufacturing and Service Operations Outsourcing Business)

Measures for the 4th industrial revolution

Every industry needs
to be revolutionized

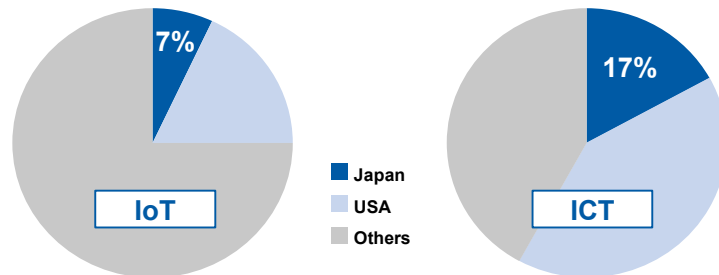
- Every industry around the world needs to respond to technological innovations.
- Challenges businesses face today have been globalized, and there is an increasing needs for global solutions
- Respond to technological advances on a global scale by hiring technical experts

Differences in measures and prioritized areas for the 4th industrial revolution among major countries



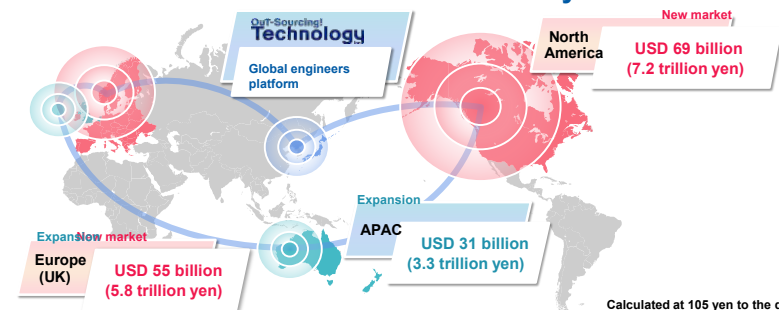
Source: "Analysis on the Industrial Structure of the Fourth Industrial Revolution, and Surveys and Research on the Current Situation and Issues Related to the Development of IoT, AI, Etc." by the Ministry of Internal Affairs and Communications (2017)

Number of engineers in the world



Source: "IT International Competitiveness Index" by the Ministry of Internal Affairs and Communications

Entering the technology-related and professional markets, which are worth 17 trillion yen



Each country only has access to limited information and human resources
and cannot be a real technological partner for clients

Build a platform for global engineers and professionals

Consolidated Financial Forecasts for FY12/20 (IFRS)



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

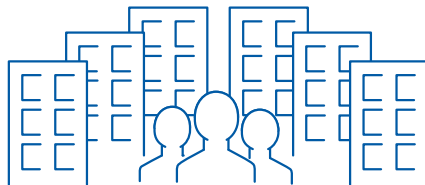
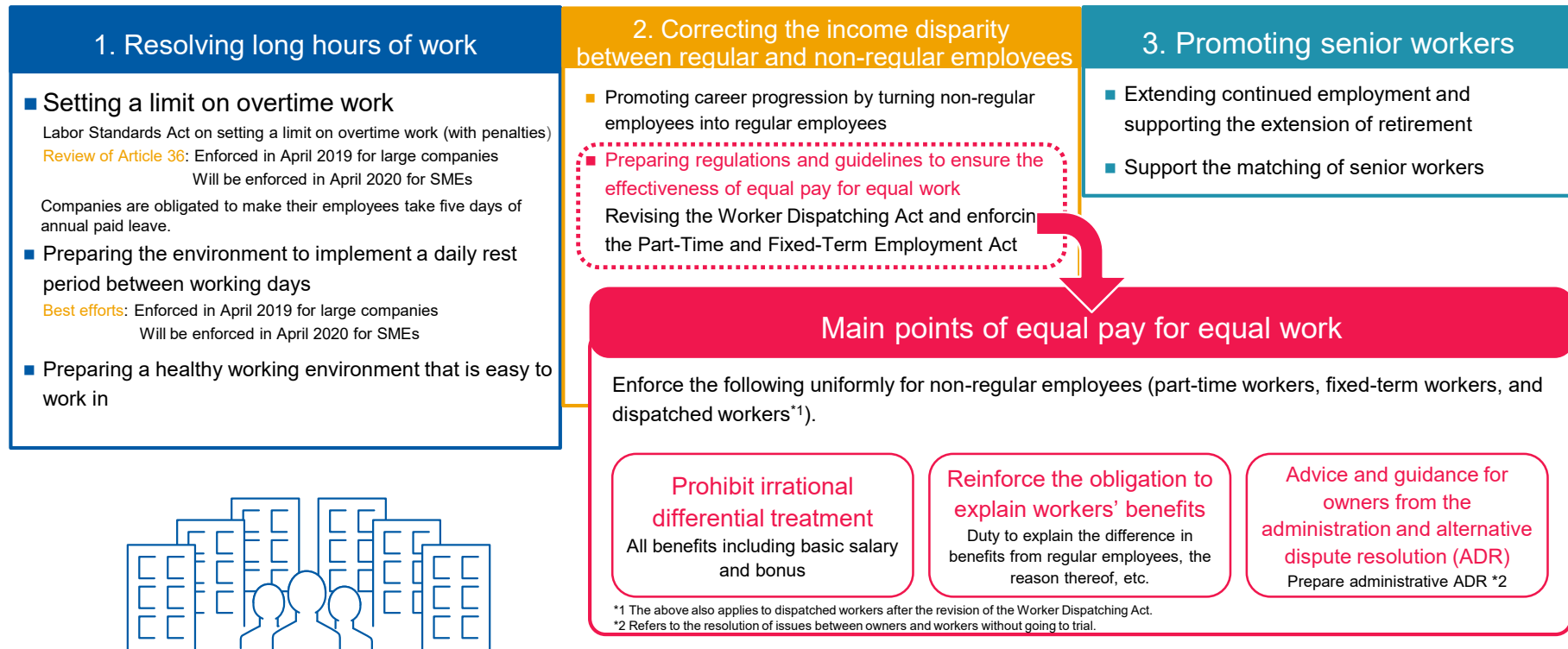
¥ million)		FY12/19 Actual					FY12/20 Forecast						
		Q1	Q2	Q3	Q4	Full-Year	Q1	Q2	Q3	Q4	1H	2H	Full-Year
Domestic Manufacturing Outsourcing Business	Revenue	17,546	17,957	17,603	17,424	70,530	16,800	18,500	20,100	21,200	35,300	41,300	76,600
	Operating profit	1,364	1,643	1,655	2,692	7,354	1,400	1,700	2,270	3,030	3,100	5,300	8,400
	No. of worksite employees at term-end	13,531	14,018	13,661	13,457	13,457	13,400	14,450	15,550	16,400	14,450	16,400	16,400
	No. of outsourcing administrative workers at term-end	12,418	13,528	16,318	18,670	18,670	20,100	22,300	28,800	35,000	22,300	35,000	35,000
	No. of placed workers	924	1,034	967	800	3,725	680	840	890	810	1,520	1,700	3,220
Domestic Engineering Outsourcing Business	Revenue	20,513	22,321	23,865	24,668	91,367	25,250	28,000	30,950	34,400	53,250	65,350	118,600
	Operating profit	1,336	1,038	2,061	2,558	6,993	1,370	960	2,570	3,400	2,330	5,970	8,300
	No. of worksite employees at term-end	13,214	15,036	15,461	15,888	15,888	16,051	18,550	19,110	19,612	18,550	19,612	19,612
Domestic Service Operations Outsourcing Business	Revenue	4,806	5,351	4,476	5,936	20,569	5,350	5,850	6,700	7,400	11,200	14,100	25,300
	Operating profit	400	643	451	662	2,156	520	680	750	850	1,200	1,600	2,800
	No. of worksite employees at term-end	2,670	2,657	2,424	2,560	2,560	2,721	3,019	3,508	4,244	3,019	4,244	4,244
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	33,014	33,834	32,742	34,618	134,208	31,830	36,700	40,000	42,370	68,530	82,370	150,900
	Operating profit	316	1,004	562	671	2,553	550	880	1,700	1,870	1,430	3,570	5,000
	No. of worksite employees at term-end	42,280	44,707	44,968	44,580	44,580	43,177	46,584	49,866	51,778	46,584	51,778	51,778
Overseas Engineering Outsourcing Business	Revenue	10,364	11,561	11,093	10,848	43,866	10,650	12,020	12,930	12,900	22,670	25,830	48,500
	Operating profit	553	589	1,107	215	2,464	600	850	1,100	1,250	1,450	2,350	3,800
	No. of worksite employees at term-end	3,280	3,718	3,600	3,468	3,468	3,892	4,127	4,255	4,326	4,127	4,326	4,326
Other Business	Revenue	161	157	130	261	709	20	30	20	30	50	50	100
	Operating profit	2	44	21	21	88	10	60	(20)	50	70	30	100
	No. of worksite employees at term-end	3	4	4	5	5	0	0	0	0	0	0	0
Adjustments	Operating profit	(1,494)	(1,866)	(1,334)	(1,413)	(6,107)	(1,700)	(1,980)	(1,870)	(1,850)	(3,680)	(3,720)	(7,400)
Total	Revenue	86,404	91,181	89,909	93,755	361,249	89,900	101,100	110,700	118,300	191,000	229,000	420,000
	Operating profit	2,477	3,095	4,523	5,406	15,501	2,750	3,150	6,500	8,600	5,900	15,100	21,000

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

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

Working style reform and equal pay for equal work

■ Three pillars of working style reform



Increase the rate of wages from the official notice and statistics

1. Concept of base salary, bonus, allowances, etc., from basic wages
Standard value by work type X Skills / Experience adjustment index X Regional index
2. Commutation cost - Basic: General commuting allowance is calculated at 72 yen per hour.
3. Retirement fee - Basic: The amount obtained after multiplying the base salary and bonus by 6% is considered to be the retirement fee in general.

[Additional reference: Skills and experience adjustment index]

0 year	100.0%	3 years	131.9%
1 year	116.0%	5 years	138.8%
2 years	126.9%	10 years	163.5%
		20 years	204.0%

This material contains forward-looking statements concerning earnings estimates and the Company's plans, which are based upon the best available information at the present time. Therefore, actual results may differ from the plan and estimate values due to various factors in the future. Note that the contents of this material are as of the date of this document (or a date specified separately therein) and are subject to change without advance notice. Also, information described in this presentation other than corporate information of the Group has been compiled by the Company from publicly available sources and has not been verified as to the accuracy or appropriateness by the Company, nor does it represent an assurance of them.

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