

Corporate Report 2022

Integrated Report 2022



OUTSOURCING Group's Purpose

What kind of business do we engage in and why?

Technology
Countries and Regions
Employment Opportunities
Education
Wage Gender
Information
Age Disabled LGBT
Generation Health Care Employment Formats Class Religion
Ethnicity Assets Economy Consumption

We are a human resource services company enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions.

The OUTSOURCING Group develops human resource services on a global scale.

A serious social problem is the existence of various inequalities, such as the gender pay gap, and the difference in labor conditions between permanent and non-permanent employees.

The Group renewed its corporate principles in August 2020 to “enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces.”

We aim to enhance the quality of life of everyone around the world and bring them happiness through working in the Group. To exert our fullest efforts into achieving these goals is our reason for being and our social responsibility.

How will we achieve such objectives?

“WORKING” Beyond Borders and Designing the “FUTURE” by Power of Work

The balance of labor-force supply and demand is different across various countries and regions in the world. Moreover, the types of personnel sought also change as time goes by. In recent years, we are seeing a growing shortage of IT human resources.

In the OUTSOURCING Group, we propose “working” beyond borders for the manufacturing outsourcing business and designing the “future” through the power of work for the engineering outsourcing business as our business vision.

We are focusing on the “future” of industry and human resources and are designing various solutions relating to human resources such as supporting cross-border employment that utilize human resource support routes between hubs spread around the world, and providing solutions to problems related to the shortage of IT human resources by offering the “Dispatch 2.0” model that offers robots and engineers as a set.

Key Issue

Increase in people seeking employment

Untapped labor force*

More than **470,000,000** persons

Source: “World Employment and Social Outlook” by ILO (2021)

*Total number of persons who don't have proper access to paid work and who are not working their desired number of hours

Continuing shortage of human resources in the IT and communications field

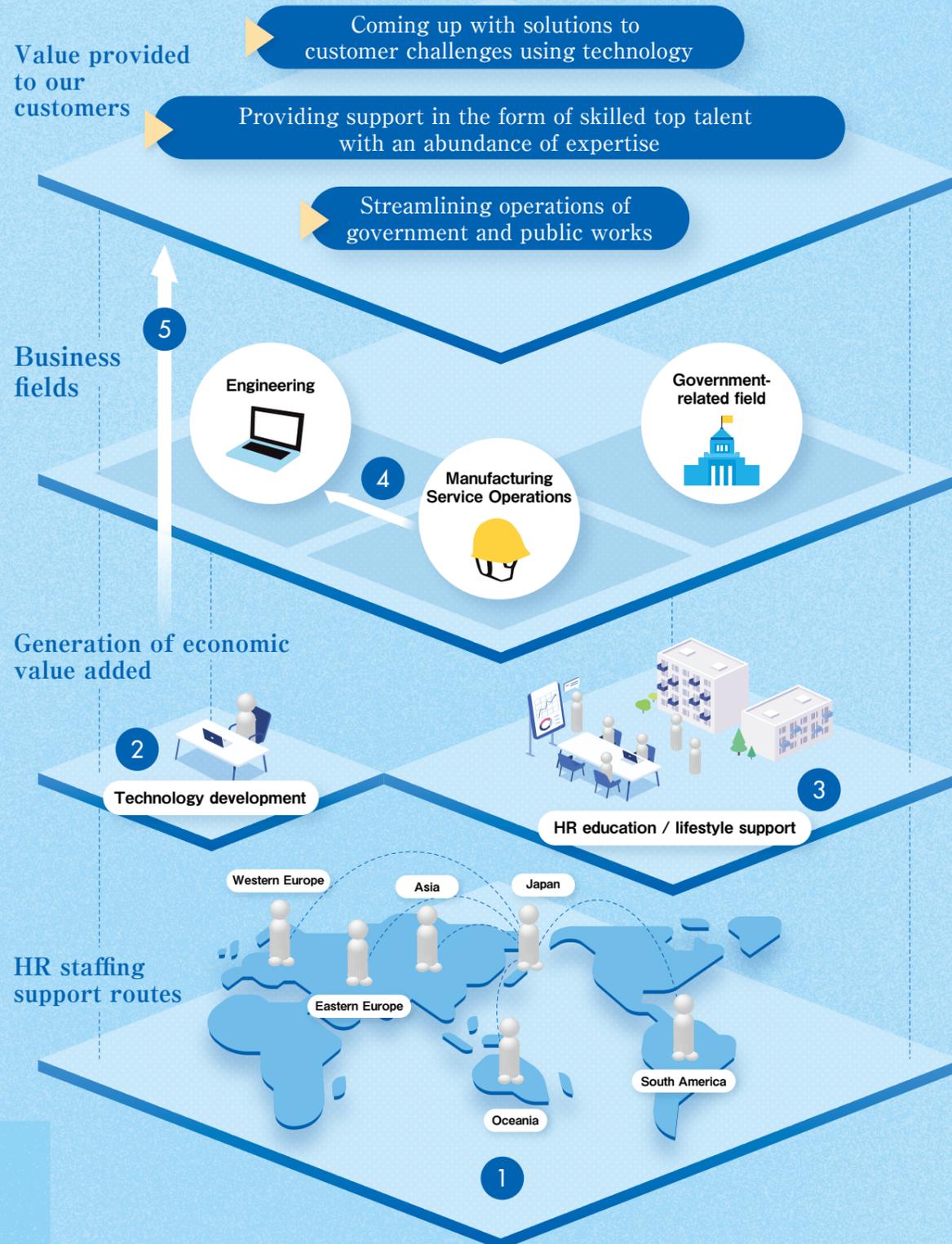
Number of insufficient IT human resources in 2030*

790,000 persons
(High level scenario)

Source: “Study on Demand and Supply of IT Human Resources” by Ministry of Economy, Trade and Industry (2019)

*On the assumption that labor productivity rises 0.7%

Business Model and Value Provided



1

Providing cross-border employment opportunities

Global human resource platform

A human resource platform that allows people who want to work to be employed beyond national borders. We help eliminate the gap between labor supply and demand globally. [P.7](#)

Foreign Worker Support

Various companies have us undertake business affairs pertaining to their acceptance of technical intern trainees particularly in Asia. We also promote efforts to harness global talent in Japan.

2

Research and development of cutting-edge technologies

We develop technologies that help improve productivity across various fields extending from streamlining to digital transformation (DX) support enlisting IT in labor-intensive industries.

3

Supporting workers at a global level

We furnish educational support for acquiring professional skills and lifestyle support for foreign technical intern trainees.

We also provide various forms of support involving aspects of workers' lives such as establishing accommodations and other living arrangements for Group companies overseas.

4

Support for career change

We facilitate career change by enabling professional skill acquisition by those lacking experience and manufacturing sector staff.

We also provide various forms of educational support ranging from fundamental application skills to highly specialized fields.

5

Utilizing cutting-edge technologies

[P.8](#)

The OUTSOURCING Group develops and provides cutting-edge technologies that improve customer operations amid a scenario of increasingly widespread use of AI and IoT technologies in various industries.

Becoming a “GAME CHANGER” in the Human Resource Business

Given that our business activities take place in our society, we need to prompt our evolution in a manner that aligns with our social surroundings. The OUTSOURCING Group will persist in achieving growth in step with society while serving as a company that is needed by society in a manner that involves deriving growth opportunities from emerging trends such as global population growth and increased industrial productivity.

Expanding a global human resource platform

We will promote a strategy of human resource mobility by tapping into population growth opportunities for the OUTSOURCING Group on an international scale over the medium to long term. We currently provide cross-border employment opportunities at our hubs in Europe, South America, and Asia.

In doing so, we achieve a stable revenue structure by curbing geopolitical and political risks in specific regions while fulfilling our social mission of seeking stability with respect to economic activities internationally by eliminating the gap between labor supply and demand.



Transitioning away from business that relies on a stock of human resources by drawing on cutting-edge technologies

We are striving to create new forms of added value by drawing on cutting-edge technologies amid a scenario of increasingly widespread use of robotic and AI technologies in various fields. We will bolster our competitive advantages by creating solutions that benefit both our customers and dispatched employees in part by offering our Dispatch 2.0 service of providing a combination of frontline staff and technologies, and by streamlining operations of dispatched employees using artificial intelligence. As we do so, we will take on the challenge of reforming the industry business model that has traditionally been a business that relies on a stock of human resources.



Challenges and initiatives

Strengthening our global network constitutes an indispensable aim in terms of providing employment opportunities across a wider range of countries and regions. We will build a global network by continuing to actively arrange mergers and acquisitions. In addition, we will also conduct human rights education within the Group, underpinned by the 10 principles of the United Nations Global Compact, thereby addressing priority issues with respect to ensuring respect for human rights of people working in countries and regions with different religions and cultures.

Challenges and initiatives

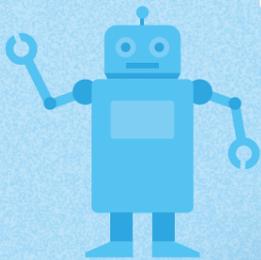
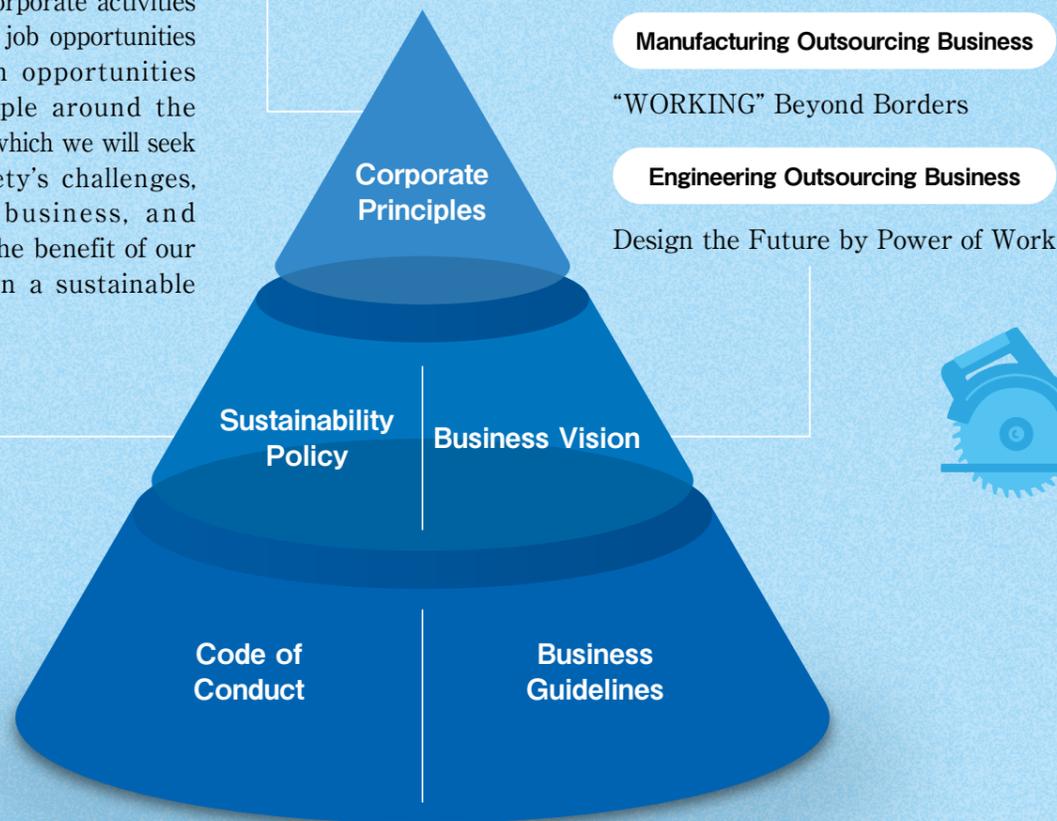
Although we have been promoting use of technology for clerical and administrative work until now, we will also seek to extend corporate solutions involving information technology and digital transformation to the realm of essential workers. Therefore, we will redouble our efforts in terms of recruiting and training IT professionals given the importance of gaining access to outstanding engineers in order to ensure that the OUTSOURCING Group achieves a presence across a wider market.



Group Mission

Enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces.

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.



Contribution to the SDGs by the OUTSOURCING Group



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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.

When editing this report, the Group references the International Integrated Reporting Framework published by the IIRC (currently Value Reporting Foundation) and strives to enhance the provision of non-financial information such as information on the Group's business models and ESG.

This Integrated Report 2022 profiles our efforts to increase the OUTSOURCING 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 plan.

Scope of report

In principle, this report contains information on OUTSOURCING Inc. and companies of the OUTSOURCING Group as of December 31, 2021. 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: September 2022

At a Glance

¥569,325 million
(IFRS)

*No less than
tenfold growth
over the last decade due to the
global strategy*

■ Revenue in Japan
■ Revenue overseas

¥42,090 million
(JGAAP)

2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Key Numbers

Number of Group companies

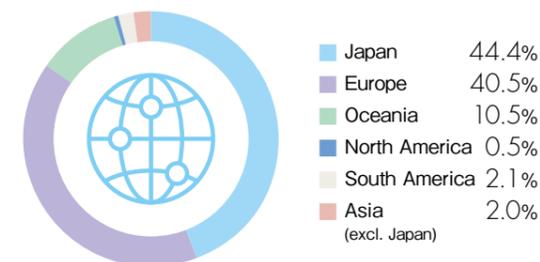


Revenue by segment

Domestic Engineering Outsourcing Business	¥123,797 million
Domestic Manufacturing Outsourcing Business	¥99,727 million
Domestic Service Operations Outsourcing Business	¥29,191 million
Overseas Engineering Outsourcing Business	¥139,799 million
Overseas Manufacturing and Service Operations Outsourcing Business	¥176,750 million

* Excluding other businesses

Composition ratio of revenue by region



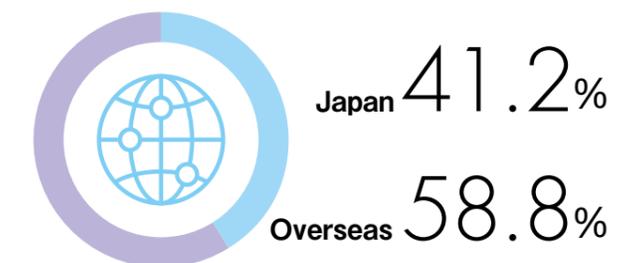
Overseas revenue ratio



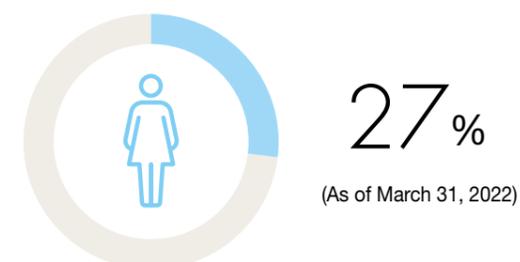
Number of dispatched employees at the end of the period



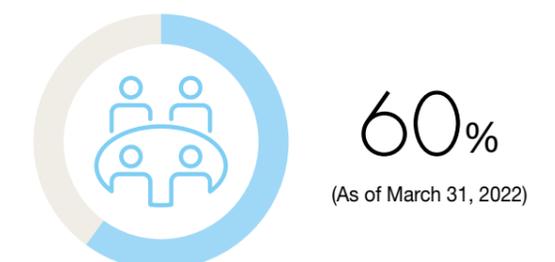
Ratio of employees in Japan and overseas



Ratio of female directors



Ratio of external directors



Top Message

With the Group having achieved greater resiliency after enduring the litmus test of the COVID-19 pandemic, I feel the need for a new Medium-Term Management Plan given changes in the business environment

Chairman and CEO

Haruhiko Doi



Inappropriate accounting practices

In preparing this year's Integrated Report, we would first like to offer our sincere apologies for the substantial concern and inconvenience caused to our stakeholders, including our shareholders, investors, and business partners, due to the inappropriate accounting that occurred last year and in previous fiscal years that were discovered.

The Company was provided with an investigation report on the inappropriate accounting practices and submitted an improvement report to the Tokyo Stock Exchange upon having compiled specific measures to prevent recurrence. The improvement report discloses improvement measures to prevent recurrence and provides a concrete timeline for implementation. It accordingly lists specific improvements that include raising compliance awareness, thoroughly implementing measures to prevent recurrence, restructuring the corporate governance system and organizational structure, strengthening the internal control division, reviewing the whistle-blowing system, reviewing internal rules on accounting treatments and finance and accounting systems, and establishing feasible business plans and budget.

Going forward, I will personally assume responsibility with respect to taking on leadership involving such matters as a member of top management, and I accordingly pledge to promote reforms geared to fostering a better corporate culture. Moreover, pages 59 and 60 of this Integrated Report provide specific details regarding our efforts to fortify our internal controls and governance structure in line with our measures to prevent recurrence and the improvement report.

Holding town hall meetings

We are taking the investigation report seriously in terms of its contention such that, "we find that the inappropriate accounting practices were caused by the presence of substantial quantitative targets set forth under a management stance of intensively seeking consistently increasing growth."

The Company is confident that doing the utmost as a business culminates in employee and corporate growth. We accordingly believe that it is possible to share this conviction with respect to business activities and across all domains. In addition, we essentially formulated quantitative targets that were achievable if we were to do our utmost, yet we were not particularly insistent that the

quantitative targets had to be achieved by any means based on a view that enlisting maximum effort to such ends was of utmost importance.

Meanwhile, there were many fiscal years in the past for which our full-year financial results greatly exceeded our full-year earnings projections set at the beginning of the fiscal year, and similarly we upwardly revised quantitative targets with respect to management indicators for the final fiscal years of past medium-term management plans. Accordingly, I think it can be said that the quantitative targets that we set were not unreasonable and that they did not result from placing too much emphasis on seeking growth. However, I sincerely regret not having been able to effectively convey to our employees the notion that "we don't insist that the quantitative targets must be achieved by any means because we feel that enlisting maximum effort to such ends is of utmost importance."

We will not exert undue pressure on divisions and business locations that do not achieve quantitative targets, going forward.

We are taking action to prevent recurrence of such inappropriate accounting practices. For instance, in mid-April I held town hall meetings during which I engaged directly with executives and employees of the

Company and Group companies at five major sites of business (Sapporo, Tokyo, Nagoya, Osaka, Fukuoka). On those occasions, I discussed implications of our lofty ideals with respect to the Group's Corporate Principles in terms of the significance of SDG and ESG management looking toward sustainability, and the notion of ensuring unfettered access to the revised whistle-blowing system. In terms of our quantitative targets, I also explained that such figures are compiled upon having drawn on frontline feedback from those directly involved with our customers.

The town hall meetings enabled me to gain access to numerous opinions that are based on workplace realities. Each and every one of these sorts of opinions and requests are currently discussed twice every month among management at the head office. Furthermore, we have begun to take concrete action toward making improvements, such as to the portion that can respond using the internal promotion of DX. This is culminating in initiatives that improve working environments, which is consequently enabling us to achieve greater productivity. Going forward, we intend to continue holding these town hall meetings.

Greater corporate resiliency and ongoing efforts with SDGs during the two years of the COVID-19 pandemic

With more than two years having elapsed since COVID-19 began to spread worldwide in early 2020, the pandemic continues to cause uncertainty while substantially affecting the international economy, particularly in the form of lockdowns and supply chain disruptions. Looking back at the impact of the pandemic on the Group over the past two years, our Manufacturing Outsourcing Business was obviously affected by suspensions of factory operations, but we succeeded in expanding the business domain (portfolio) in line with the business strategy we have promoted thus far. Meanwhile, the Engineering Outsourcing Business achieved growth despite the COVID-19 pandemic, amid a trend of promoting digital transformation (DX), combined with favorable performance by operations that include the government-related and public works-related businesses, which are less susceptible to economic volatility, and the U.S. military facilities business. I feel that the entire Group has become significantly more resilient having been through the unprecedented litmus test posed by the COVID-19 pandemic, during which we have achieved substantial growth with respect to our e-commerce-related business in Europe and have been taking on new opportunities in the essential worker domain overseas.

Meanwhile, I also sense that the last two years have



served as a period during which the Group has been gradually making progress with initiatives involving the Sustainable Development Goals (SDGs) and sustainability. The Group designated last year, 2021, as the “First Year of SDGs” and has been carrying out its “SDGs Declaration.” As such, we have drawn up and released our own materiality (priority issues) objectives and KPIs for five of the 17 SDGs advocated by the United Nations, namely those of “Providing employment opportunities,” “Providing high-quality education,” “Respecting diversity and implementing diversity management,” “Making greater efforts toward the realization of a carbon-free society,” and “Raising the productivity of all industries.” These initiatives have also involved becoming a signatory to the United Nations Global Compact advocated by the United Nations, registering as a participating company, joining the Global Compact Network Japan, which is a local organization in Japan, and subsequently becoming a signatory to a statement to act in accordance with the Women’s Empowerment Principles (WEPs).

The Company’s Corporate Principles of “enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces” align with the objectives of the SDGs in that the Group’s Corporate Principles convey the notion of achieving a society where nobody is left behind and nobody is perceived as a burden. The last two years have been a period during which we have been extensively pondering these Corporate Principles while earnestly considering the social responsibilities that should be assumed by the Group.

Under the COVID-19 pandemic, a Group company OUTSOURCING TECHNOLOGY Inc. announced its plan to hire 3,000 permanent employees during the fiscal year and train them as engineers. Not only did this entail hiring people who had lost their jobs due to the COVID-19 pandemic and students affected by lower hiring quotas for new graduates but also opened the door for companies that were struggling to maintain the employment of their employees by taking on their employees temporary.

Meanwhile, a Group company, OTTO of the Netherlands, which has six locations in Ukraine with approximately 3,000 employees, has assigned Ukrainian refugees to its operations in Poland and actively sought to hire new employees, while also focusing on supporting families of such employees.

In Japan, we have been taking steps to welcome 100 Ukrainian refugee families. In April, we launched a toll-free telephone interpretation service for Ukrainian refugees. We also opened a call center that offers interpretation services and guidance regarding concerns of everyday life,

available free of charge to Ukrainian refugees, those involved with Ukrainian refugees, local governments, and corporations. This was due to our ability to swiftly draw on expertise we have amassed in Japan through handling an overwhelming number of referrals with respect to administrative work for technical interns from overseas and other foreign nationals.

I get the impression that over the last two years we have learned that fulfilling our social responsibility calls for us to demonstrate the expertise we have developed in business thus far along with our core technologies.

Medium-term management plan

Although we are currently operating under our “VISION 2024: Change the GAME” medium-term management plan, the final fiscal year of which is the fiscal year ending December 31, 2024, the global business environment has changed significantly since that plan was drawn up. As of the fiscal year ended December 31, 2021, revenue was ¥569.3 billion, thereby exceeding the target under the medium-term management plan of ¥497.0 billion. Meanwhile, operating profit was ¥24.2 billion, which is close to the target of ¥25.0 billion despite amortization of ¥4.0 billion due to purchase price allocation (PPA) associated with M&A. As for financial results forecasts for FY2022, revenue is projected at ¥695.0 billion, which exceeds the ¥593.0 billion target under the medium-term management plan. Operating profit is projected at ¥32.0 billion, which is lower than the ¥36.0 billion target.

This is attributable to a situation where progress has not been achieved as desired with respect to many of the six priority measures presented in the medium-term management plan due to changes in world affairs surrounding business operations. For instance, results with respect to our foreign worker support services centered on technical interns have fallen short of projections. Although those services had overwhelmingly ranked at the top previously in terms of the number of workers we support, given that travel to Japan was essentially halted in FY2020 and FY2021 due to the COVID-19 pandemic, the actual number of such workers fell below the original target, which had been set on the assumption that this was a stock

revenue model of business expected to increase significantly over the last two years. Upon having closely investigated this situation where there is a disparity of roughly ¥4.4 billion between the FY2022 target and forecast for business involving foreign nationals based on operating profit, I have concluded that we need to draw up a new medium-term management plan that is better aligned with the business environment.

Amid a situation where major factors remain unchanged, we will obviously hold to our planned trajectory in terms of executing a strategy of tapping into growth potential from the world’s growing population, taking steps toward becoming a corporate entity that is capable of contending with any business environment without succumbing to economic conditions, building a human resources platform, and seeking transformation as a corporate entity aiming to expand its fee-based business. That said, we will draw up and promptly release our new medium-term management plan with initiatives to make the Company a more robust corporate entity, taking into account the prevailing business environment.

In conclusion, I would like to once again offer my apologies for the incident involving inappropriate accounting practices, while at the same time reiterating our commitment to strengthening our internal controls and governance system, serving as a corporate group that earns the trust of every stakeholder, and taking steps toward increasing our corporate value without leaving anybody behind and without burdening anyone. As such, I look forward to your ongoing support and encouragement going forward.



Director Interview | Corporate Governance



Maintaining the dual-focused governance and preventing recurrence

Director
Head of Corporate Management Division

Masashi Umehara

“J-SOX” and “MCR”

With operations in 38 countries and regions worldwide, the OUTSOURCING Group has been taking a “dual-focused governance” approach thus far, enlisting both the J-SOX internal control reporting system geared to ensuring reliability of financial reporting by listed companies in Japan, and the Group’s proprietary Minimum Control Requirements (MCR) internal control scheme. This approach involves engaging in operations in alignment with our platform led by the head office in terms of carrying out matters of accounting, global money management, and information security, and handling personnel and education systems. It also involves conducting due diligence on governance with respect to each of the Group companies, and then having those companies establish MCR schemes taking into account laws, regulations, and labor practices of

respective nations and regions, and checking progress of such initiatives.

In addition, the Company established holding companies in the two geographic regions of the United Kingdom and Australia in January 2020, and has since had management teams in each of the regions take charge of managing the holding companies. Given that this has enabled us to make swift decisions, we have accordingly entered into alliances and adopted a framework that places priority on mobility under respective business scenarios. Also, we established the holding companies with the aim of enabling business continuity in our Group operations in the event that we encounter a global crisis. However, the dual-focused governance approach and the two holding companies have managed to function flexibly even during the COVID-19 pandemic. Moreover, this arrangement has prompted growth of the Group in a

manner that enables us to address the ever-changing business environment.

Measures to prevent recurrence of improper accounting practices

Last year, however, we discovered past instances of inappropriate accounting practices involving the Company and its consolidated subsidiaries. We have accordingly corrected our financial results of previous years and sincerely apologize for having caused considerable concern and inconvenience to all stakeholders, including shareholders, companies of our customers.

Having extensively analyzed the causes of the inappropriate accounting practices and improper disclosure, we have accordingly submitted an improvement report containing measures for rectifying these issues. We are currently forging ahead with the report’s improvement measures and measures to prevent recurrence in accordance with our schedule, and we will have the Representative Director furnish explanations of progress when releasing our quarterly earnings results.

Our recent initiatives have involved appointing three new independent external directors including specialists in the field of law, strengthening the supervisory function of the Board of Directors, and having the Audit and Supervisory Committee enhance the internal audit system. We have also established a department specializing in compliance in the Legal Department and intend to increase the number of quality personnel in our accounting divisions going forward. These initiatives are intended to strengthen corporate governance in terms of systems and organizations, and our measures geared to employees are of utmost importance.

We have been holding town hall meetings while also reforming the corporate culture led by top management, and will persist with efforts that involve developing employee education and training schemes and taking steps to improve compliance awareness and knowledge. We have also made improvements

that include overhauling the whistle-blowing system by setting up three points of contact, up from the one point of contact previously, printing the purpose of the whistle-blowing system on pay slips, and making it so that the system is easy to access. These all constitute initiatives to enhance the “self-cleansing capability” of the Company.

Meanwhile, we also need to further improve mechanisms for strengthening the Group management structure amid a scenario where the need for risk management is of increasing importance to the OUTSOURCING Group as it expands into more countries and regions and business operations. We are currently requiring risk assumptions for the sake of business continuity under our Minimum Control Requirement (MCR) scheme, and will proceed in drawing up priority compliance items using this risk-based approach.

ESG management and its disclosure

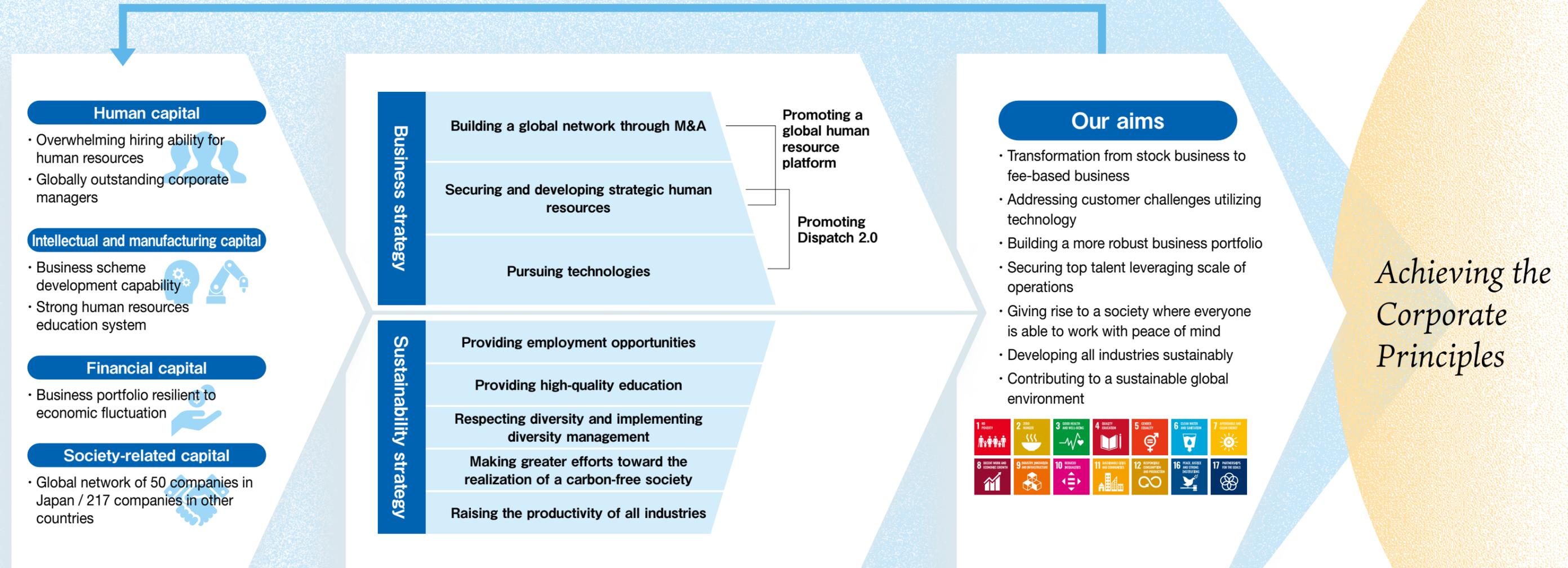
Last year, we added a Sustainability page to our corporate website. The page contains our Sustainability Policy aligned with our Corporate Principles and enables us to report the Company’s initiatives to address social issues. Given the need to engage in ESG management practices to achieve the SDG targets through our business activities, we are keenly aware that doing so will give rise to sustainability of the Company and society. Also, amid a situation where an increasing range of details must be disclosed in relation to governance, we will contend with each and every one of these requirements while endeavoring to disclose information to the satisfaction of our investors.

Finally, I would like to express our sincere gratitude to everyone for their valuable opinions and advice regarding the incidents involving inappropriate accounting practices. This will enable me to promote initiatives for responsibly preventing recurrence serving as Director in charge of compliance, and I will provide oversight of initiatives for strengthening the corporate governance system.

OUTSOURCING Group's Value-Creation Process

The OUTSOURCING Group's service to society is also broadening through its provision of human resource services to various industries across the world.

While utilizing the human resource education and training schemes and Group network we have developed up until now, we will promote ESG management and contribute to building a sustainable society.



* As of June 1, 2022 (Including the Company)

Strengthening Governance

Corporate Principles

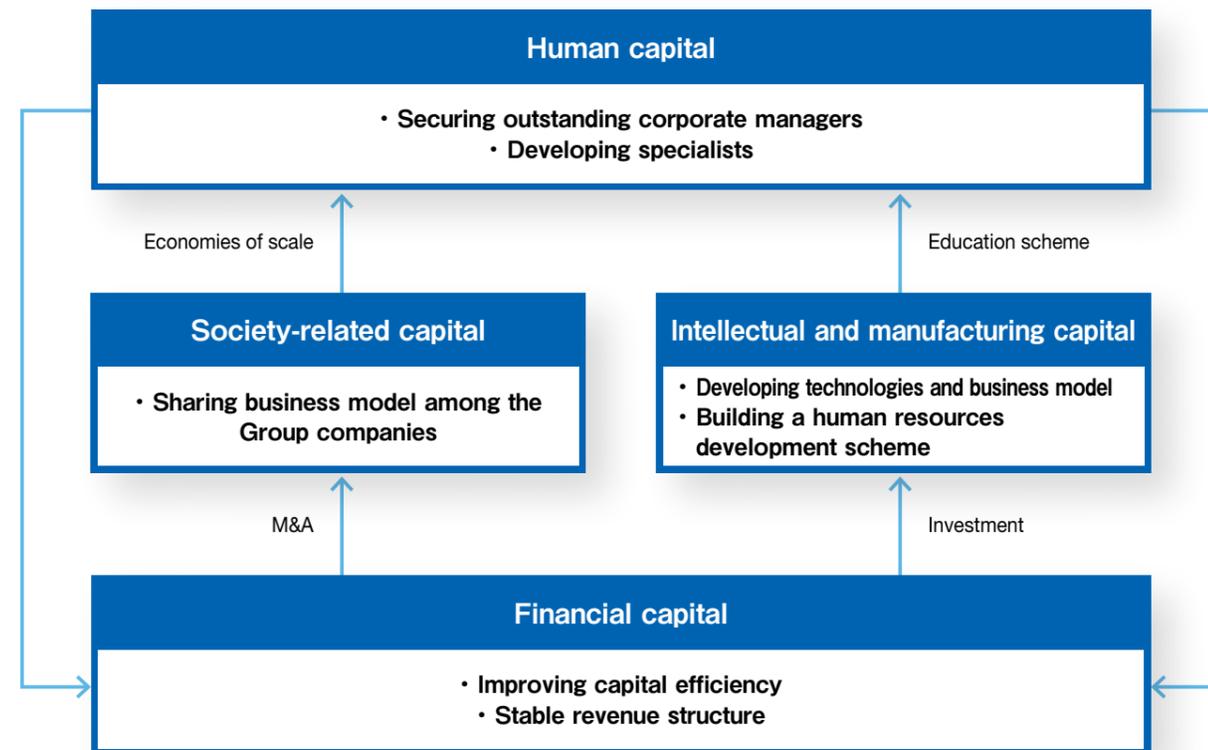
Enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces.

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.

Four Types of Capital Supporting Sustainable Growth

The OUTSOURCING Group has four sources of growth, namely its human resources (human capital), proprietary business models (intellectual and manufacturing capital), earnings platform (financial capital), and networks (society-related capital). Each of these four sources of growth is to serve as indispensable business resources for management going forward in that they are not separate elements of capital but instead are formed through reciprocal and complementary interaction. Going forward, we will continue to promote various measures to achieve our Corporate Principles in a manner that involves strengthening each of the four elements of capital to achieve greater depth.



Refining our overwhelming recruitment strengths leveraging economies of scale

Current capital The Group has been growing, particularly through mergers and acquisitions outside of Japan, and many companies operating in the Group are within the top 20 companies in their industry (on a revenue basis) in their respective country. We have the advantage of being able to engage in recruitment in a manner that leverages our economies of scale in respective countries. Our number of dispatched employees, the fundamental base of the temporary worker dispatching business, was 112,524 in 2021, which is more than double that of the year 2016.

IT solutions and professionals who provide support for such services are indispensable across all industries in developed countries. The Group's education schemes (intellectual and manufacturing capital) are a source of our recruitment strengths and are highly regarded by job seekers for facilitating their efforts involving career change and improvement.

Capital strategy Meanwhile, the need for professionals equipped with specialized skills has been expanding from developed countries to other nations. We are seeking to enhance our recruitment strengths through overseas expansion of the education scheme of Japanese Group company Thinketh Bank Co., Ltd.



Creating synergies among the Group companies

Current capital The Group has been aggressively pursuing its overseas M&A strategy, which has culminated in it achieving growth as a global corporation with 216 consolidated subsidiaries (excl. OUTSOURCING Inc.) in 38 countries and regions worldwide. Nearly all of our Group companies engage in business related to human resources, which enables lateral expansion of our business models among Group companies.

Our many Group companies provide us with a depth of excellent management-level professionals (human capital). The Group's ability to utilize the insight of the management level existing in each company is one of its biggest advantages.

Capital strategy Legal codes pertaining to the human resources business vary from one country or region to the next. As such, the Company will further promote Group governance and establish a framework capable of promptly addressing potential risks.

We will also spread the sustainable business model throughout the Group by instilling initiatives undertaken in European nations and other advanced economies with respect to sustainability to permeate across the entire Group.



Assuming leadership in the human resources business by harnessing creative strengths of our proprietary business models

Current capital Having embarked on human resource services in the manufacturing industry, the Company has developed its proprietary professional employer organization (PEO) scheme by adapting the business model widely used in the United States and elsewhere to the Japanese legal system. We are currently in the process of developing and rolling out our CSM system for managing dispatched employees by enlisting cloud systems in handling complex management operations required when orders are issued by manufacturers to dispatch human resources to multiple companies. In addition, we have various schemes within the Group, such that include human resource support routes that derive business opportunities from worldwide population growth and an education system that cultivates specialized skills in IT and other disciplines.

In so doing, we are developing competitive advantages by promptly gaining ground on social needs and serving as an industry leader in building various proprietary business models.

Capital strategy The most important aspect with respect to aiming to serve as a GAME CHANGER in the human resources business is that of building better business models while adapting to the legal systems and customs of respective countries. We will refine our business models utilizing our global information networks while identifying risks.



Building a robust management base underpinned by a reduced risk business portfolio

Current capital The Group's business portfolio encompasses a wide range of fields, including those in the engineering, logistics, and government and public works realms. Despite having encountered a temporary slump in demand for human resources in the manufacturing sector amid the unprecedented crisis posed by the COVID-19 pandemic, we have continued to achieve steady growth amid a situation where a majority of our business portfolio consists of companies in non-manufacturing sectors, thereby delivering us gains in the government and public works sector and in the field of e-commerce, which has been serving as an economic lifeline. We anticipate a heightened pace of profitability gains than pre-COVID-19, partially due to recovery in demand from inbound visitors, which had been sluggish due to the pandemic. We also have dispersed operations across different geographic areas, which lends us a revenue structure that is resistant to geopolitical risk.

Capital strategy We carry out management by continually keeping a close eye on our weighted average cost of capital (WACC) as we expand into various fields of business particularly through mergers and acquisitions. We will continue to build a more robust business portfolio while monitoring our generation of economic value added (EVA) after having channeled invested capital into our business activities.

Strengthening Human Capital

Securing and developing specialists

The OUTSOURCING Group is taking action in fulfilling its commitment to increasing productivity worldwide, which involves its global efforts through FY2030 to develop 100,000 specialists who will prompt greater industrial productivity, in alignment with the Group's materiality (priority issues) of "raising the productivity of all industries."

Management strategy

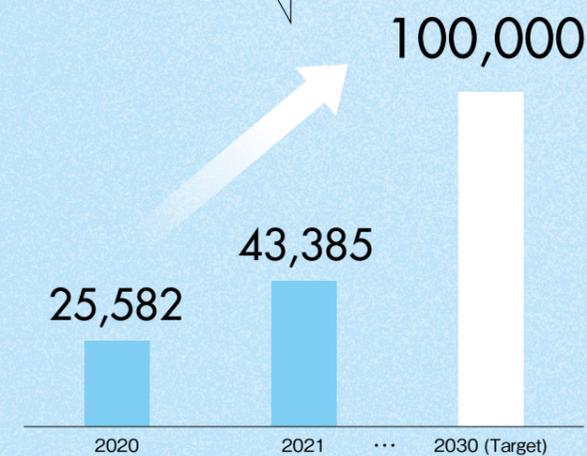
- Moving away from stock business
- Securing competitive advantages enlisting the Dispatch 2.0 model
- Tapping the market for essential workers

Human resource strategy

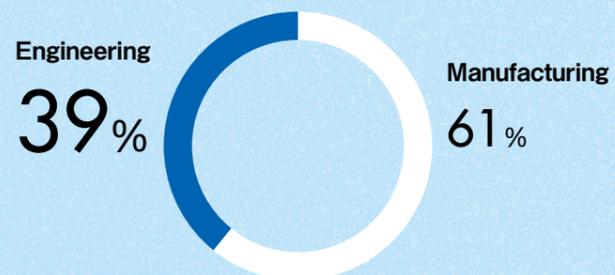
- 1 Enhancing the capacity to attract IT professionals
- 2 Facilitating career change among those lacking experience and manufacturing staff
- 3 Training engineers in specialist fields

Number of productivity growth specialists

3.9 times in 10 years



Percentages of engineering and manufacturing professionals among the number of people hired in Japan



Human resource strategy 1 Enhancing the capacity to attract IT professionals

The shortage in absolute terms of IT professionals is intensifying particularly in Japan amid rapidly mounting demand with respect to digital transformation (DX). The Group has been enlisting various means of addressing this situation. For instance, it has been engaging in large-scale recruitment drives through OUTSOURCING TECHNOLOGY Inc., which dispatches engineers specializing in R&D and handles development contracting. It has also been taking a more active approach to promoting recruitment in part by implementing the Apollo Project geared to new recruits and welcoming IT professionals who are temporarily unemployed because of the COVID-19 pandemic. During the fiscal year ended December 31, 2021, we managed to hire 8,259 professionals in Domestic Engineering.

Human resource strategy 2 Facilitating career change among those lacking experience and manufacturing staff

As a means of "providing employment opportunities," which is one of our materiality issues, we have been working to facilitate career change from labor-intensive sectors to specialist positions using the power of education and technology. Specifically, we have been taking steps to enhance our recruitment strengths while also engaging in development of IT personnel and various other professionals by using the KEN School scheme for providing inexperienced people and manufacturing staff with education regarding highly specialized skills.

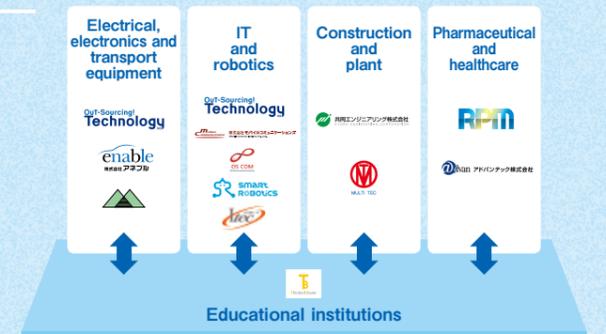
We have already rolled out the KEN School in Australia, and intend to further expand the scheme globally going forward.

KEN School scheme



Human resource strategy 3 Training engineers in specialist fields

The OUTSOURCING Group welcomes various technology companies into the Group through mergers and acquisitions. For instance, drawing on its three decades of experience of widely engaging in the business of education for individuals and corporations, Thinketh Bank Co., Ltd. has been achieving results across various industries and public institutions by leveraging its strengths in providing support from the dual perspectives of business and IT. It has been possible to place outstanding engineers in various fields by tapping into educational programs offered by Thinketh Bank.



Industry leader in establishing JSA standards for education of IT professionals

The OUTSOURCING Group has been making progress in establishing standards with respect to Japan Standards Association (JSA) certification of instructors qualified in IT education. Specifically, we are establishing a framework for ensuring quality of instruction by articulating matters such as scopes of responsibility and requisite abilities of instructors, working in conjunction with IT training providers as well as enterprises, universities, vocational schools, and other educational institutions. We seek to serve as an industry leader in the field of IT professional education amid a scenario where development of IT personnel has been attracting attention as an important social issue.

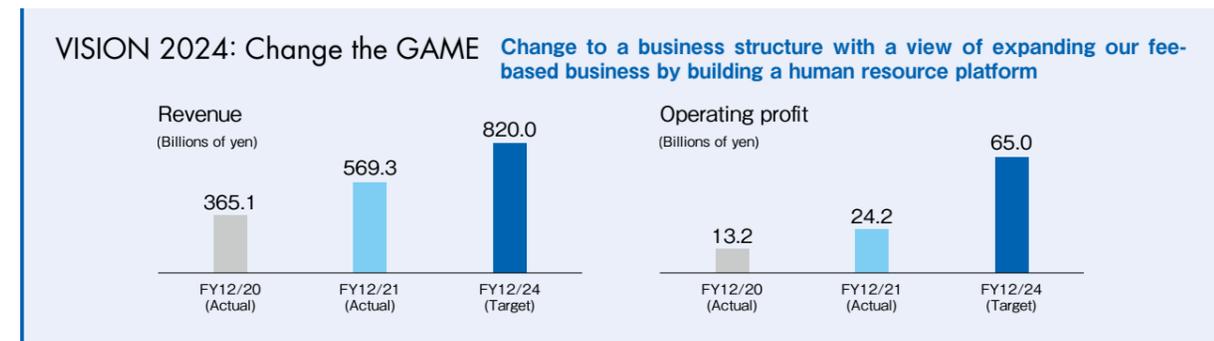


Process of establishing JSA standards

- Step 1: Establish standards that are to serve as uniform requirements with respect to matters such as scope of responsibilities and skills of instructors (March 2022)
- Step 2: Develop certification system for instructor qualifications (pending)

Medium-Term Management Plan: Change the GAME

Despite having to go through the COVID-19 pandemic over the first year of our five-year “Change the GAME” Medium-Term Management Plan launched in 2020, the OUTSOURCING Group continued to make progress in diversifying operations and regional portfolios with the aim of making its foundation for growth more resilient by smoothing out earnings performance. We managed to curb the impact of the COVID-19 pandemic, having successfully carried out those initiatives. During the second year of the plan, our revenue exceeded the target and operating profit was mostly as forecasted, despite the lingering effects of the COVID-19 pandemic. Going forward, we will more vigorously seek progress by continuing to make further refinements with respect to feasibility of the medium-term management plan.



Priority Measures

▶ Strategy 1	Further Expand Services to Support Foreign Workers	2024 KPI	Number of foreign workers supported FY12/24 plan targeting only technical intern trainees: 100,000 VISION 2024 plan for FY12/24 targeting all non-Japanese residents, including exchange students: 300,000
▶ Strategy 2	Increase Operating Efficiency and Save Manpower through Dispatch 2.0, Combining Engineers and Technologies	2024 KPI	Revenue from Dispatch 2.0 FY12/19 result: ¥91.3 billion FY12/24 plan: ¥260.0 billion
▶ Strategy 3	Further Expand the U.S. military facilities business and Government and Public Works-Related Business to Achieve More Consistent Operating Performance	2024 KPI	Revenue from the U.S. military facilities business FY12/19 result: ¥16.5 billion FY12/24 plan: ¥50.0 billion
▶ Strategy 4	Turn the Growing Worldwide Population into Growth Potential by Establishing a Global Human Resource Mobilization Network	2024 KPI	Number of hirings of mobilized human resources 26,500 (total planned number of hirings for 2024 is 167,000)
▶ Strategy 5	Build a WBB Platform to Move Away from the “Stock of Human Resources” Business	2024 KPI	Operating profit from fee-based business ¥6.0 billion
▶ Strategy 6	Pursue Financial Strategies	2024 KPI	ROE 25% or higher Equity ratio 30% or higher Payout ratio 30% or higher

▶ Strategy 1

Further Expand 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. Not only do we handle various administrative tasks that arise at manufacturers that accept technical intern trainees, but we also use chatbots, call centers, apps, and other technology to enhance support services for non-Japanese residents, including providing assistance in overseas remittance and opening bank accounts, help in finding housing, and support in other lifestyle-related matters. We employ 20,004 technical interns managed by the Group as of December 31, 2021, thereby maintaining the top ranking in Japan despite a situation where the COVID-19 pandemic has posed difficulties for technical interns in terms of initially visiting Japan and contending with provisional scheduling of return flights.

▶ Strategy 2

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

With the workforces of developed countries on a declining trend over the long term, there is a growing need to reduce manpower in back-office and other routine operations. Due to the impact of the spread of COVID-19, demand related to DX for remote work by first-line workers, which was previously considered impractical, is also expanding steadily. We have been making progress in forming alliances involving cutting-edge technologies such as those involving development of autonomous driving platforms amid mounting demand for strengthening security and infrastructure, which has moved beyond needs of remote work arrangements.

▶ Strategy 3

Further Expand the U.S. military facilities business and Government and Public Works-Related Business to Achieve More Consistent Operating Performance

With regard to the U.S. military facilities business, which is less susceptible to economic fluctuations, construction work and maintenance is given a high priority within the U.S. military, and so this work progressed steadily even during the spread of COVID-19. Meanwhile, we continued to achieve steady growth in repair and maintenance operations for buildings and facilities, which were not significantly affected by the COVID-19 pandemic. Whereas those engaging in U.S. military construction bidding are normally required to arrange a bond (performance guarantee insurance) for the same amount, we managed to expand the limits of bond by leveraging the Company’s creditworthiness, which has enabled us to win large projects with high gross profit margins.

▶ Strategy 4

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

In preparation for an era in which workers transcend national borders and move around the world, we have built hubs for human resource mobilization in Europe, Asia and South America. By the fiscal year ended December 31, 2020, we had established overseas human resource support routes to link these three hubs. This has enabled more dynamic mobilization of human resources, such as from Asia to Oceania, the Middle East or Europe, or from South America to Western Europe. The cross-border human resource mobilization has been suspended due to the spread of COVID-19. However, once the pandemic ends, the Group will proceed with providing labor-force supply from countries with abundant labor to countries with labor shortages.

▶ Strategy 5

Build a WBB Platform to Move Away from the “Stock of Human Resources” Business

With the emergence of changes in the environment such as working-style reforms and the shift towards using technology to achieve labor savings, there is a need for the human resource services industry in developed countries to move away from the “stock of human resources” model. As an example of a new business model that has been tailored to the changing times, with the aim of shifting to a fee-based business, we are building a WBB (“WORKING” Beyond Borders) platform that allows anyone to perform cross-border work, safely and securely. The WBB platform supplies the infrastructure for matching jobseekers with employers across borders and will not only allow the arranging of international money transfers and travel documents, but also provide lifestyle support for workers.

▶ Strategy 6

Pursue Financial Strategies

The goal of the Group is to enable the mobilization of human resources across borders, and in order to achieve this, it is essential that we build a global network. We have recorded one-off finance costs at fair value of put option liabilities in accordance with the International Financial Reporting Standards (IFRS) amid a scenario where OTTO of the Netherlands achieved financial results far exceeding forecasts. The one-off finance costs did not factor into tax calculations, which had a substantial effect in terms of lowering profit items below profit before tax by the same amount. However, the notion that OTTO has grown more than anticipated post-acquisition suggests that it will contribute to medium- to long-term gains in our corporate value, which essentially constitutes a positive development.

Director Interview

Domestic Engineering Outsourcing Business and Domestic Service Operations Outsourcing Business (U.S. military facilities business)



Taller and larger human resources pyramid

Senior Executive Director
Head of Technology Business Division
Head of Global Business Division

**Kazuhiko
Suzuki**

Progress of Dispatch 2.0

In FY2021, segment revenue in the Domestic Engineering Outsourcing Business increased by 19.8% year on year and operating profit increased by 32.7% amid an ongoing scenario of substantial industry-based demand for engineers. In FY2022, the segment also achieved favorable results with the utilization rate having recovered to pre-pandemic levels and revenue exceeding the initial forecast at the end of the first quarter.

Meanwhile, whereas we have been promoting the Dispatch 2.0 scheme for providing engineers in combination with advanced products equipped with AI, robotic process automation (RPA) and other cutting-edge technologies since FY2020, numerous industries are likely to require such ongoing support going forward. This comes amid a situation where there are substantial needs in relation to reducing man hours of non-office-

related business blue collar workers, which was a substantial issue covered in the “AR TAKUMI RESIDENCE” new release of July 2020, yet the office-related business, which is one of the categories subject to such provision of products and engineers, is currently encountering somewhat waning demand given corporate progress in implementing RPA now that two years have elapsed since COVID-19 began to spread (* AR TAKUMI RESIDENCE is a mixed reality (MR) solution that helps to significantly reduce workloads through the use of cameras in conducting exterior wall tile diagnostic tests in condominiums and other such structures, thereby pinpointing cracks that even veteran workers tend to overlook). In addition, the cutting-edge technologies field, which accounts for the highest number of Dispatch 2.0 operations and generates substantial net sales, has been encountering needs with respect to projects such as those involving development of autonomous driving platforms amid mounting

demand for strengthening infrastructure and security in relation to use of digital workplace (DWP) services, which have moved beyond needs of remote work arrangements. As such, we will gain ground in this regard in terms of promoting advanced technology alliances, strengthening education schemes in-house and externally, and striving to develop highly qualified professionals who are subject to market demand.

Addressing technologically advanced needs

In the Domestic Engineering Outsourcing Business, we engage in operations that encompass dispatching professional talent equipped with high degrees of expertise involving R&D and design in areas such as the transport equipment, electrical and electronic realms serving as engineering partners, while also providing technical services in areas that include design, building and maintenance of IT-based corporate systems and networks. In the pharmaceuticals and healthcare-related field, we have been providing technical support for drug R&D and clinical trials, and in the construction-related field, we have been vigorously taking on efforts that involve dispatching construction management engineers and promoting a form of digital transformation known as proptech in the real estate industry, which is behind the times in terms of adopting technologies. Our proprietary KEN School education system has enabled us to take on challenges in these wide-ranging fields of business. OUTSOURCING TECHNOLOGY Inc. already serves as Japan’s largest engineer dispatch agency in terms of worker enrollment numbers. It also boasts Japan’s top ranking in terms of its number of new graduate engineer recruits. We welcomed approximately 2,600 new graduates in spring 2022 and intend to hire approximately 3,300 employees in spring 2023. We are often asked why we can hire such a large number of new graduates amid the shortage of IT engineers. In response, our approach contrasts with that of other companies that engage in recruitment with a focus on a limited range of academic faculties and departments based on specific needs such as IT design and machine development. We take this approach to recruitment in

part because our wide range of clients causes us to draw from a wide range of academic faculties and departments, and because universities and other academic institutions have a reputation for producing new graduates who work vigorously as members of society upon having achieved growth thus far through our KEN School training.

Currently, all industries that encompass the Group’s business domain are exhibiting increasingly sophisticated needs in terms of technology. This means that we need to develop a greater capacity to contend with advanced technologies, while also taking steps in the human resources pyramid underpinning such capabilities in terms of making the pinnacle constituting high-end professionals even higher, followed by the need to increase breadth with respect to mid-level professionals. We will build a taller and larger human resources pyramid enlisting the Group’s original KEN School education system as an important resource in educating new graduates and facilitating reskilling, career change and career advancement of existing employees.

Development of the U.S. military facilities business

Next, our U.S. military facilities business in the Domestic Service Operations Outsourcing Business involves highly confidential operations. Given that the Group has cleared high barriers to entry in terms of the stringent Committee on Foreign Investment in the United States (CFIUS) screening process, we have landed stable, long-term construction projects upon having arranged a higher limit on bonds (performance guarantee insurance). American Engineering Corporation (AEC) handles this business and serves as a leading construction company in Okinawa. Last year, AEC made two companies involved in the construction of IT and low-voltage electrical systems its consolidated subsidiaries, one headquartered in Washington State and the other in Guam. We will bolster these synergies with the aims of expanding our business in Guam and the U.S. mainland where we already handle U.S. military facilities business, and furthermore extending our reach throughout the Pacific Rim.

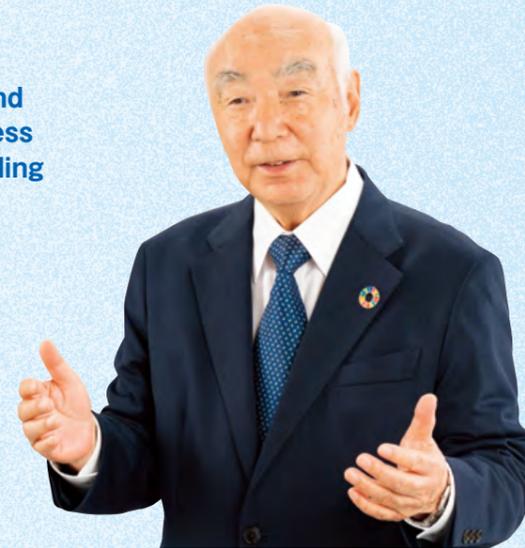
Director Interview

Domestic Manufacturing Outsourcing Business and Domestic Service Operations Outsourcing Business (Service Operations Outsourcing Business excluding U.S. military facilities business)

Further extending our core technologies amassed thus far

Director

Masashi Fukushima



Director Interview

Overseas Engineering Outsourcing Business

*Close integration across
OUTSOURCING Group
and CPL's footprint*

Director

Deputy Executive Manager of Global Technology Department

Anne Heraty



Our path amid the COVID-19 pandemic thus far and the outlook ahead

Although two years have passed since the initial outbreak of COVID-19, the business environment surrounding the Domestic Manufacturing Outsourcing Business is by no means delivering positive momentum amid effects at the outset of the year from developments that include proliferation of the Omicron variant, semiconductor shortages, and lockdowns in China. Ever since the early stages of the COVID-19 pandemic, however, HR GUIDE Co., Ltd. has been actively providing clients with its CSM systems platform for enabling cloud-based unified control of operations that include orders, worker dispatch contracts, time and attendance management, invoicing, and staff evaluations. As of March 2022, the CSM systems platform has been adopted by 116 companies and 13,055 users.

In manufacturing dispatch and outsourced contracting overall, segment financial results were largely in line with fiscal year forecasts amid a scenario where orders from industries other than the automotive sector exceeded the forecast, and despite the likelihood of automakers delaying the start of full-fledged recovery production until after the second half of this year. Going forward, we will aim to manage costs with our sights set on segment profitability, addressing challenges of the manufacturing dispatch industry overall by engaging in joint development of a shared platform in conjunction with our industry peers drawing on our CSM expertise, spurring progress, and increasing value across the entire industry.

Moreover, the Company opened the OS Semicon Center Isahaya (OSCI) semiconductor engineer training center in Isahaya-shi, Nagasaki Prefecture in April 2022. The facility

is equipped with mainstream semiconductor manufacturing equipment, thereby enabling engineers to learn about matters such as semiconductor manufacturing equipment maintenance and automated conveyance. This is currently enabling us to develop professionals who contribute to building supply chains aligned with Japan's semiconductor strategy amid our plans to have the Domestic Manufacturing Outsourcing Business segment focus its efforts on the semiconductor industry.

Meanwhile, administrative work for intern trainees such as foreign nationals, including foreign internees assigned to this segment, had been subject to substantial restrictions imposed on their entry into Japan due to the COVID-19 pandemic. However, the authorities relaxed some of those restrictions in March and June, with further easing likely going forward. We will strive to expand our operations by leveraging our track record of taking on the overwhelmingly largest number of projects in Japan involving administrative work thus far.

Noteworthy prospects in the logistics industry over the long term

In the Domestic Service Operations Outsourcing Business involving operations other than U.S. military facilities business, we have been awarded more contracts in the essential worker domain including those involving COVID-19 recuperation facilities and subsidy applications. Going forward, we hope to expand our business operations with respect to subsidy projects such as the Go To travel campaign, the tourism industry, as well as in the logistics industry from a long-term perspective.

Persisting shortage of highly skilled engineers worldwide

CPL is focused on exceptional client service and innovative talent solutions. Our capability spans the entire employment lifecycle and includes permanent, temporary and contract recruitment, recruitment process outsourcing and consulting services. We operate from ten countries across Europe. Ireland is regarded as one of the top destinations for high-value foreign direct investment with many of the world's leading brands using Ireland as a hub for their European operations. Access to skilled talent is a key reason to locate in Ireland and CPL is fortunate to count these leading global companies as our clients.

In the year to December 2021, CPL delivered strong growth in revenues, gross profit, and profit before tax. This performance reflects the laser focus of our team on continuing to grow our business, expanding our services to meet shifting market demands and managing our cost base. Growth was broad based with exceptional demand for technology, finance, and healthcare professionals. This positive momentum has continued in the current year driven by the demand for skilled talent and the acute shortages of professionals that our clients are experiencing across the markets in which we operate. We have seen consistent growth in permanent placement alongside growth in our flexible talent solutions business. As the world of work evolves particularly with the increase in remote working, both employee and employer expectations are changing. This is driving the demand for flexible workforce solutions which is a significant opportunity for CPL. We have continued to invest in strategic initiatives and our technology

capability with a planned scaling of our Enterprise Solutions business and expansion in Germany and other European locations.

Creating and maintaining a culture that reinforces CPL's values is a priority for our leadership team. It encourages our employees to do the right thing and helps drive sustainable business performance. It enables us to attract and retain the best talent in the industry and we are proud to have been placed in the top five Best Large Workplaces in Ireland and Best Workplace for Women.

The Oceania business has performed well in the year to end of December 2021 despite the challenges provided by the pandemic and a series of prolonged lockdowns in the region. Performance and activity levels to date in 2022 are strong as people and business adapt to new ways of working. The region is experiencing significant skills shortages as the "War for Talent" continues and clients face stiff competition to access the right skills across almost all professional disciplines. Permanent placement has performed strongly where speed and our quality of service differentiates us.

Clients are open to accessing talent particularly for niche skills regardless of where they are located. With closer integration across the OUTSOURCING group and our international footprint we have a unique opportunity to provide a global sourcing capability for clients for permanent, contract and project work. This is a significant opportunity as travel restrictions ease.

Our goal for 2022 is to provide another year of organic revenue and profit growth. The pipeline of opportunities is strong driven by both skills shortages and wage inflation particularly in the technology, infrastructure, and mining sectors.

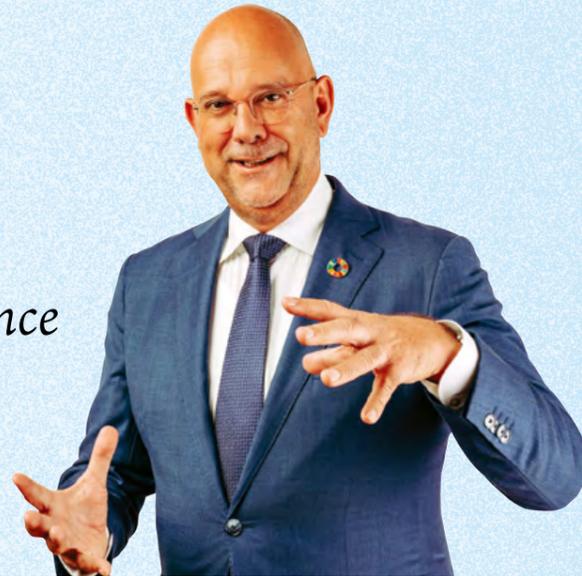
Director Interview

Overseas Manufacturing and Service Operations
Outsourcing Business

*It's all about people
—our people make the difference*

Director
Deputy Executive Manager of Global NOW Business
Department (Europe and AETB)

Franciscus van Gool



Continue to be the market leader in Europe through synergy within the OUTSOURCING Group

OTTO Work Force was founded in the year 2000. This means that we have been working on labour market shortages for 20 years. Since 2000 we have grown to become the largest international employment intermediary in the Netherlands. In 2018 we joined forces with OUTSOURCING Inc., a Japanese listed company. With this cooperation we have the possibility to use labour resources from Asia to fulfil the demand of a tightened European market. OTTO continues to grow in the local provision of employees. However, this does not mean the race has been run. On the contrary, we want to continue to grow with high quality. And we do this by distinguishing ourselves even more and profiling ourselves as a labour market specialist. We can only make the difference if our people make the difference. And what matters is not just WHAT we do, but also HOW we do it. How do we do this? Our company has seven clear core values, which together make up the word R E S P E C T. Because that's our bottom-line; that's what it all comes down to. Our entire business proposition is contingent on the respect that we have for our employees, for each other, for our customers and for the world around us. Most of our employees have to move to another country. They deserve the same treatment as people from the country in which they work. Tangibly and intangibly. Our customers, as well, deserve our respect. They make it possible for us to exist. Respect is the basis of our organization, and a daily challenge. Our target is to stay the European market leader in the field of cross-border employment services. Moreover, we are aiming for

RESULT
We work cost effective and target driven

EUROPEAN
We do not believe in borders, we believe in quality

SOCIALLY INVOLVED
We care for our colleagues and the world around us

PERFORMANCE
We always take one step further

EMPOWERMENT
We enable our employees to take responsibility

CUSTOMER EXCELLENCE
We are focused on offering the best service to our clients

TRANSPARENT
We believe in openness.

the top position in the national market in the Netherlands, Germany and Poland. In Germany we see a great opportunity for cooperation between Orizon and OTTO. Synergy effects can make the results much more positive.

As the market leader in international employment with the largest global recruitment network, OTTO delivers employees from CEE countries to the Netherlands and Germany, and from East European countries to Poland.

With the joined forces of OUTSOURCING Inc. we have the possibility to use labour resources from Asia to fulfill the demand of a tightened European market in blue and white collar.

We are working at different projects now between Asia and Europe in the Asian Europe Talent Bridge (AETB).

The motto of OTTO Work Force is "our people make the difference." Society is changing and we have to know what moves people today and tomorrow. We have to know who are our potential employees by asking ourselves questions like "What kind of life do they want to live?" "Are they looking for a job opportunity?" or for example, "Are they looking for a long term career?" Our strategy means we want to optimize our recruitment processes, to find and keep the best employees and to encourage them to work abroad. Our work is all about people. The growth of our company depends on the quality and drive of our employees. Their work is based on skills, income, accurate and timely salary payment and the appreciation they receive from us as their employer (customer service). Within the next few years the role of the employer branding, image and attractiveness will more than ever play a significant role in onboarding the right people. We will therefore offer candidates and employees divers opportunities to further and strengthen their professional skills. We will also facilitate their career growth by offering development and flexibility within current and future possibilities and offer them a perspective of long-term cooperation with the option for company, or position change. As the market leader in international employment, with the most extensive global recruitment network, OTTO provides multicultural support in all countries. Also we provided the best employee service to guarantee the best employee experience.

It's all about people.

Pursue Financial Strategies

Resilient portfolio offsets negative factors of the COVID-19 pandemic amid decline in ROE due to one-off factors

The Group has made progress in strengthening its foundation for growth by smoothing out earnings performance in both its domestic and overseas business. Specifically, we managed to set new record highs with respect to revenue and operating profit in FY2021 with the impact of the COVID-19 pandemic lingering on amid proliferation of mutant strains of the virus. This outcome suggests that we have been successfully building a system for achieving medium- to long-term growth upon having made steady progress in strengthening our foundation for growth by smoothing out earnings performance.

On the other hand, profit attributable to owners of the parent decreased to ¥0.8 billion, which is substantially lower than the ¥1.9 billion in the previous fiscal year. This is largely attributable to a situation where although finance costs of ¥11.1 billion were recorded for the full year, those costs did not factor into tax calculations, which had a substantial effect in terms of lowering profit items below profit before tax by the same amount. The finance costs constitute the difference between put option liabilities (future purchase price of OTTO shares) that have been recorded and the cost for purchase of remaining shares, against a backdrop of strong earnings performance achieved by OTTO of the Netherlands, which handles temporary worker dispatching for e-commerce logistics. However, the Company made OTTO a consolidated subsidiary in January 2022 upon having purchased the remaining shares ahead of schedule per consultation with OTTO. Accordingly, such finance costs related to OTTO will no longer arise beginning with the first quarter of FY2022. Moreover, the notion that OTTO has grown more than anticipated post-acquisition suggests that it will contribute to medium- to long-term gains in corporate value of the Group overall. Finance costs associated with this transaction vary due to foreign exchange effects on a quarterly basis.

The circumstances prompted a year-on-year decline in ROE, which we recognize as being attributable to one-off factors.

Cost of capital reduced by promoting sustainability management

The Group is committed to the aims of addressing social challenges, achieving business growth, and contributing to its stakeholders by creating job opportunities and education opportunities for many people around the world through its business activities. This approach to sustainability management also takes aspects of our financial strategies into account.

In July 2021, the Company secured borrowings of ¥15 billion in the form of a Sustainability Linked Loan from numerous financial institutions, with Shinsei Bank serving as arranger and agent. This Sustainability Linked Loan is a loan product under which interest rates and other conditions of lending are linked to the extent to which Sustainability Performance Targets (SPTs) have been achieved. Accordingly, OUTSOURCING Inc. and companies of the OUTSOURCING Group, who constitute the borrowers, have set ambitious and meaningful SPTs related to the SDGs and ESG objectives, particularly in terms of the number of non-Japanese residents provided with employment support and the number of specialists. We have been provided with an Independent Verification Report attesting to the validity of our quantitative results pertaining to the SPTs with respect to the fiscal year ended December 31, 2021.

The Group is determined and firmly committed to carrying out sustainable economic activities from an environmental and societal standpoint in terms of promoting sustainability management and consequently increasing its corporate value against a backdrop of using such financial instruments. Going forward, the Group will persistently increase its corporate value in a manner that involves striving to reduce its cost of capital in part by pursuing financial strategies aligned with its policies in terms of promoting sustainability management.

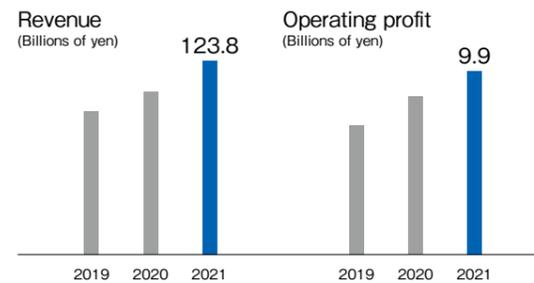
Business Overview of Each Segment

Note: Excludes other businesses (three Group companies)
The number of Group companies is current as of June 1, 2022.

	<h2>Domestic Engineering Outsourcing Business</h2>	 <p>Share of revenue 21.8%</p>	<h3>Description of business</h3> <p>Provides everything from sophisticated technology and know-how for manufacturers' design, development, test, and evaluation processes, to various solutions services, such as the building of telecommunication-related applications and e-commerce sites, core IT systems, infrastructure, and networks. It also provides outsourcing services, etc., mainly in areas requiring a high level of expertise, such as research and development operations specializing in medical and chemical fields, or design and construction management for various types of plant.</p>	 <p>Number of Group companies 16 (Up ↑ 1)</p>  <p>Number of dispatched employees 21,622 (Up ↑ 3,472)</p>
	<h2>Domestic Manufacturing Outsourcing Business</h2>	 <p>Share of revenue 17.5%</p>	<h3>Description of business</h3> <p>In addition to providing manufacturer production sites with human resource services, such as temporary worker dispatching aimed at optimizing their personnel policies, this business combines such services with the CSM system, which leverages rapidly evolving technology to manage dispatched employees, and supports improved productivity at the manufacturer. In response to the rising need for foreign workers, which is caused by the contraction of the domestic workforce in Japan, this business also provides a wide range of support services designed to lighten the burden of businesses that make use of foreigners.</p>	 <p>Number of Group companies 24 (Up ↑ 9)</p>  <p>Number of dispatched employees 21,443 (Up ↑ 4,904)</p>
	<h2>Domestic Service Operations Outsourcing Business</h2>	 <p>Share of revenue 5.1%</p>	<h3>Description of business</h3> <p>This business provides human resource services to U.S. military facilities and other government offices, call center services, logistics-related services, etc. The main focus is on expanding in areas such as those related to essential workers, which are less affected by economic fluctuations. The mainstay of the business consists of repair and maintenance operations for facilities and buildings associated with national defense, in addition to which it is receiving outsourced security and maintenance work for facilities such as airports and hotels, as well as that related to public works such as water supply.</p>	 <p>Number of Group companies 10 (Up ↑ 1)</p>  <p>Number of dispatched employees 3,349 (Up ↑ 743)</p>
	<h2>Overseas Engineering Outsourcing Business</h2>	 <p>Share of revenue 24.6%</p>	<h3>Description of business</h3> <p>At overseas Group companies, the business provides human resource services and contracted services utilizing engineering staff mainly in Europe and Australia. In the United Kingdom it conducts debt-collection services for uncollected public claims using artificial intelligence, in Ireland it engages in healthcare and IT human resources services, and in Australia it is involved mainly in contracting and human resource services in the area of ICT for government and the financial industry, as well as providing training services and human resources services aimed at the architectural and construction sectors.</p>	 <p>Number of Group companies 77 (Up ↑ 41)</p>  <p>Number of dispatched employees 14,881 (Up ↑ 12,152)</p>
	<h2>Overseas Manufacturing and Service Operations Outsourcing Business</h2>	 <p>Share of revenue 31.0%</p>	<h3>Description of business</h3> <p>At overseas group companies in Asia, South America, and Europe, the business provides manufacturing-related and distribution-related human resources outsourcing services, recruitment and dispatching of staff for manufacturing-related, distribution-related, administrative and service-related work, and payroll services. In addition, it offers BPO services and temporary worker dispatching for public institutions in Europe and Oceania and provides cross-border employment services in Europe and Asia.</p>	 <p>Number of Group companies 140 (Up ↑ 10)</p>  <p>Number of dispatched employees 51,229 (Up ↑ 4,898)</p>

Growth Strategies by Segment (As of December 31, 2021)

Domestic Engineering Outsourcing Business



Business environment

In the IT field, demand is poised to mount a recovery despite the field having been affected by restrictions on workplace attendance and postponed IT investment among business partners due to the COVID-19 pandemic. Likely developments particularly include a shift to cloud computing platforms, development of remote work environments, and growing needs in the field of cybersecurity.

In the field of R&D involving areas such as transport equipment, electricity and electronics, the outlook is favorable across all industries in terms of the prospect of increases in orders mainly from electronic component manufacturers underpinned by worldwide semiconductor demand.

In the medical field, many enterprises have apparently encountered unchanged year-on-year rates of growth, despite companies in related sectors having encountered special demand associated with COVID-19 vaccinations. Despite changes in work arrangements in FY2022, demand is poised to recover to levels on par with those prior to the pandemic.

In the field of construction, robust demand persists amid a labor shortage along with domestic construction investment exceeding ¥62 trillion. Meanwhile, the order environment looks promising.

Strengths

We derive advantages from our KEN School education scheme and boast industry-leading recruitment results with engineering-related recruitment of approximately 2,600 new graduate hires in April 2022 and plans for approximately 3,300 new graduate hires in 2023. In addition, we have strengths when it comes to our ability to flexibly shift resources to areas of growth across industries through continuing education online and career advancement support.

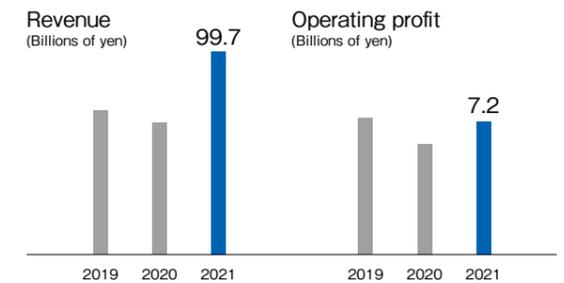
Growth of the Group is prompted by the Dispatch 2.0 model of combining human resources and technology, along with expertise we have amassed in our companies due to our worker dispatch model in the Domestic Engineering Outsourcing Business and our contracting framework.

Growth strategy

Amid a scenario of restructuring underway among human resource services providers due to developments that include revision of the Worker Dispatching Act, we will acquire talent by leveraging economies of scale of the Group's operations across a range of industries and fields, while also building mechanisms for increasing the human resources utilization rate by building mechanisms for preventing downturns in the utilization rate enlisting Ken School online training, and promoting mergers and acquisitions involving providers that have been unable to adapt to such changes.

In addition, we will accelerate and further develop our Dispatch 2.0 strategy to tap demand with respect to digital transformation across various sectors, while placing focus in the industrial domain on semiconductor devices, semiconductor manufacturing equipment, transport equipment, electronic components, and lithium-ion batteries.

Domestic Manufacturing Outsourcing Business



Business environment

In manufacturing dispatch and outsourced contracting, we are poised to encounter an increase in earnings results amid favorable performance with respect to orders from manufacturers in all fields, yet the business has been affected by another shortage of components such as those for transport equipment. Although it appears that the shortage will gradually dissipate, we will promote measures to generate more business in fields less prone to its effects given the risk of the situation may remain unresolved.

Strengths

In addition to the solid relationships of trust we have cultivated with the companies that use our temporary worker dispatching, which have been built through the PEO scheme, and the administrative work outsourcing business for technical intern trainees, etc., one of our strengths is making proposals that lead to improved productivity, such as those that use the CSM system for managing dispatched employees.

Furthermore, CSM is an information management platform that enables cloud-based unified control of orders, contractual document management, time and attendance management, staff evaluation, etc. and the Group's services in human resource technology for both staffing agencies and companies using the temporary worker dispatching are becoming a big strength for the Group.

Growth strategy

Going forward, we will seek to gain more business involving administrative work outsourcing of technical intern trainees given the likelihood that the use of such trainees by Japanese companies will increase even further amid a scenario of a diminishing workforce in Japan over the medium and long term.

We will help to give rise to a society where no one is left behind by ensuring greater convenience when it comes to the entire industry, companies using temporary workers, and temporary workers themselves. In order to do so, we will develop a joint platform with respect to a system for managing dispatched employees with aims that entail increasing productivity and improving labor environments of the temporary worker dispatching industry, which has been our objective from the beginning. Moreover, in addition to proposing systems as one of the primary future growth strategies, the Group aims to add another primary future growth strategy of engaging in the MSP (managed service provider) business under contract whereby it undertakes external human resource management operations on a bulk scale for companies using temporary workers.

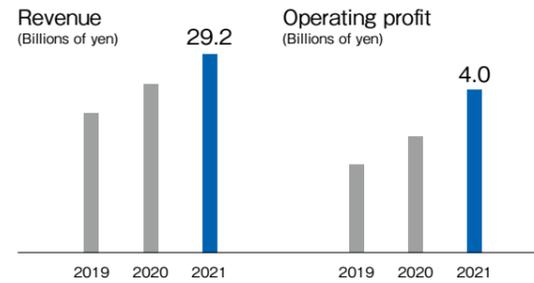
2024 Goals



2024 Goals



Domestic Service Operations Outsourcing Business



Business environment

In our U.S. military facilities business, we have managed to consistently secure sales through our order backlog of projects amassed thus far. In addition, we anticipate favorable results aligned with progress made on construction involving our order backlogs. Our initiatives to such ends have involved increasing the probability of achieving winning bids for multiple large projects slated for FY2022 as a result of putting a framework in place for enabling us to gain contracts for even larger projects by strengthening alliances with overseas companies acquired through M&A and establishing cooperative arrangements with major general contractors.

In our inbound-related Service Operations Outsourcing Business other than for U.S. military facilities, we anticipate favorable results given that our business involving call centers, security, and essential workers has remained firm even after the peak order phase at year-end, and despite sluggish performance of the inbound-related business due to factors such as contagion prevention measures for COVID-19 and immigration restrictions.

Strengths

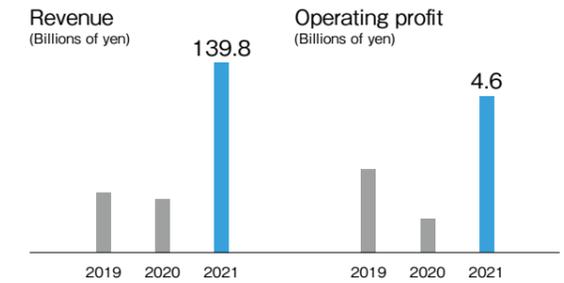
Since the business involving facilities associated with national defense is highly confidential, credibility is the most important consideration when selecting service contractors, and the limit of bond is a key factor in the bidding process. The Group companies engaged in this business have been able 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 gross profit margin.

Growth strategy

In our business involving facilities associated with national defense in Japan, whereas we are already working to expand laterally into the overseas business segment, we also continue to lay the groundwork for extending our services into technical areas such as IT and expanding into the United States 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 products, and other such items. In addition, we aim to establish a business base in areas that include business involving services for tourism-related facilities and payroll business.

Overseas Engineering Outsourcing Business



Business environment

In the United Kingdom, the debt collection business has been mounting a steady recovery amid a scenario of the COVID-19 pandemic winding down, despite delays in issuance of certain bonds due to lockdowns on several occasions. We anticipate strong results for FY2022 amid our efforts to seek more extensive expansion in the debt collection market in addition to higher debt collection agency fees.

In Ireland, we have achieved favorable earnings results, boosted by special demand related to COVID-19 (vaccinations, contact tracing services, etc.), in addition to gradual easing of restrictions imposed on movement. Going forward, we anticipate strong results despite the likelihood of special demand related to COVID-19 winding down, amid a scenario where resumption of economic activity prompts expansion of business that had been affected by the pandemic.

In Oceania, although the training business has been subject to effects of the pandemic, it has achieved robust recovery across the entire region, particularly as a result of focusing on the IT-related field and essential workers. We anticipate an increase in orders across various fields including dispatch and referral of staff for IT, construction, mining, finance, and government, due to particularly strong performance in the referrals business amid resumption of corporate recruitment activities.

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.

Growth strategy

In the United Kingdom and Australia, regional holding company structures have been set up. We will optimize resources within the Group, and accelerate the generation of revenue and cost synergies through cross-selling, etc.

In Ireland and other European nations, we will expand our services in areas that include dispatch, referral, and outsourced contracting of specialists in the IT, pharmaceuticals, life sciences, and healthcare sectors.

In the United Kingdom we will redouble our efforts with respect to contracted services involving digital transformation (DX) mainly for IT human resources services in the public sector, and in Australia we will seek to further level out our existing portfolio in part by entering the defense and healthcare sectors.

2024 Goals

Revenue

2021

¥29.2 billion

2024

¥63.0 billion

2024 Goals

Revenue

2021

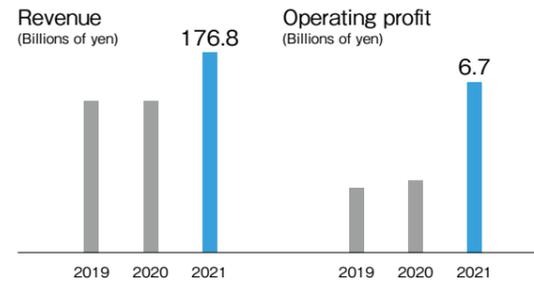
¥139.8 billion

2024

¥88.0 billion

* The figures for 2024 represent goals from before the CPL acquisition.

Overseas Manufacturing and Service Operations Outsourcing Business



I Business environment

In Germany, although we have achieved favorable results in the business of dispatching medical staff, that business was not sufficient to make up for a downturn in worker dispatch amid production cuts mainly attributable to a raw materials shortage. We hope to see production in the manufacturing sector mount a recovery amid swift stabilization of raw materials procurement and logistics.

In the Netherlands, we have achieved substantial growth with respect to the temporary worker dispatching business serving e-commerce logistics operations, which have grown rapidly due to the COVID-19 pandemic. Although this business expects a downturn when compared to temporary trends amid signs of the pandemic winding down and substantial easing of restrictions imposed against going out, we reckon that it will hold steady going forward given that e-commerce is now prevalent in society.

With respect to services for local governments in the United Kingdom, performance of the dispatching business for the government has been strong and results in the referrals business remain favorable. However, we are bound to encounter challenges going forward in securing top talent amid soaring consumer prices and rising wages. In the consulting business, we have received orders for large, multi-year projects for central government ministries and agencies, and the BPO business for local governments has been achieving steady progress in automation and robotic process automation (RPA).

I Strengths

In Western European countries such as the Netherlands and 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 Central and Eastern Europe. In addition, contracts for services to public facilities from the governments and administrations of various countries and daily necessities, such as supermarket merchandise, are less susceptible to economic fluctuations and can be expected to generate stable revenues.

I Growth strategy

In the Manufacturing Outsourcing Business, we will develop the manufacturing worker dispatch and outsourcing business enlisting skilled professionals mainly in Germany.

In the public works-related services business, we will promote various outsourcing operations involving public facilities such as prisons and airports particularly from governments and administrations of various countries, BPO services for various types of public operations, etc.

In the logistics-related services business, we will promote worker dispatching services in the Netherlands, Germany and elsewhere throughout Europe. In Brazil, we seek to expand the business of cleaning services for major logistics companies.

In the facilities business, we aim to target new customers in the realm of security-related services in Chile, Ecuador, and Colombia.

Given projections for further intensifying labor shortages in Western Europe in the future, we will arrange referrals of top talent in Asia to Western European nations and will promote the Asia European Talent Bridge Project, which serves as a temporary worker dispatching scheme that transcends geographic regions. The first step of the project will involve arranging referrals of medical professionals to the Netherlands.

ESG of OUTSOURCING Group

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2024
Goals

Revenue

2021

¥176.8 billion

2024

▶ ¥247.0 billion

Sustainability Policy

Sustainability Policy

As we develop our human resource service business globally, the Group conducts social and economic activities while engaging with people from various different countries and regions. It is essential for the growth of the Group that we gain trust from all stakeholders. Accordingly, we will strive to further promote sustainability management so that both the Group and society achieves sustainable growth, and we can create a new purpose of existence for the worker dispatching industry.

Sustainability Committee

The Group has been taking steps to achieve KPI targets associated with materiality with its sights set on addressing challenges of the Sustainable Development Goals (SDGs). In seeking to make these initiatives more effective, we have established the Sustainability Committee, which is chaired by the representative director with membership consisting of directors responsible for executing operations and external directors.

The Committee deliberates on medium- to long-term themes and the direction of the Group, including its sustainability policies/strategies and priority issues, while monitoring progress in KPIs and submitting proposals and reports to the Board of Directors.

Through its activities going forward, the Committee will further strengthen SDG and ESG activities and strive to achieve 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."

System for Promoting Sustainability



Major activities of Sustainability Committee

Policies related to ESG

At its meeting held in January 2022, the Board of Directors adopted seven policies drawn up by the Committee, including the "Policy on Anti-Bribery and Anti-Corruption" and the "Policy on Human Rights." We will promote our business activities in accordance with each of the policies, serving as a corporate group that engages in business activities globally. We post our policies and details regarding our corporate activities to the sustainability section of our website.

Tracking materiality progress

We inform the Group companies on matters regarding the five materialities (priority issues) drawn up in 2021, and track progress in that regard (progress achieved in 2021 is as presented to the right). Going forward, each of the Group companies will strengthen the framework for tracking such progress.

In-house dissemination

The "SDGs Handbook" is distributed to all Group companies and each employee in order to foster sustainability awareness. In addition, we administer comprehension tests in seven languages to every Group company employee in the Domestic Manufacturing Outsourcing Business and Domestic Service Operations Outsourcing Business.



Participating in initiatives

We have been promoting sustainability activities throughout the Group, with the year 2021 set as the Company's inaugural year for sustainability. This involved becoming a signatory to the United Nations Global Compact, the Women's Empowerment Principles (WEPs), and the Challenge to 30% in 2030 (#Here We Go 203030). Our Group companies also serve as participants in the Japan Platform for Migrant Workers towards Responsible and Inclusive Society (JP MIRAI).



In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office



Materiality and its Progress

The OUTSOURCING Group sets KPIs in alignment with its five materialities (priority issues) and tracks progress in that regard.

Materiality 1 Providing employment opportunities

- In order to contribute to resolving the social issue of Japan's shrinking labor force, we will expand the number of non-Japanese residents to which it provides employment support to 300,000 by FY2024, and 500,000 by FY2030.
- By leveraging the power of education and technology, we will support the career changes of 30,000 people by FY2030 as they shift from labor-intensive sectors to specialized areas of talent.



Total number of overseas nationals hired by the Company and total number of employees using employment support and services for overseas nationals offered by the Company

(Persons)		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2030
Number of employment support	Plan	-	23,000	39,000	131,600	303,800	400,000	600,000
	Actual	22,296	23,972	-	-	-	-	-
	Achievement rate	-	104.2%	-	-	-	-	-

Number of specialists (career changes)

(Persons)		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2030
Number of specialists (career changes)	Plan	-	2,609	5,309	8,009	10,709	13,544	30,000
	Actual	2,781	3,561	-	-	-	-	-
	Achievement rate	-	136.5%	-	-	-	-	-

* Plan: Cumulative total from 2021 to the end of the fiscal year

Materiality 2 Providing high-quality education

- To provide high-quality education opportunities for achieving career advancement, we will provide our global training program to a total of 300,000 users by FY2030. Through this effort, we will support employment in productive positions and contribute to increasing people's motivation at work.



Expected total number of participants in career advancement education, etc. (including education on qualifications and product knowledge, etc.), and education programs

(Persons)		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2030
Number of participants	Plan	-	21,078	42,538	66,935	93,930	123,954	322,201
	Actual	17,664	24,631	-	-	-	-	-
	Achievement rate	-	116.9%	-	-	-	-	-

* Plan: Cumulative total from 2021 to the end of the fiscal year

Materiality 3 Respecting diversity and implementing diversity management

- As a Group, we will promote and strive to achieve the ideal of a society in which women can actively participate by increasing the percentage of women directors (management team members) in the Group to 30% by FY2030.



Materiality 4 Making greater efforts toward the realization of a carbon-free society

- By FY2025, we will replace all vehicles used in sales activities by Japanese group companies with next-generation vehicles (electric, hybrid, etc.). By FY2030, 70% of the vehicles used by the entire Group, including our overseas companies, will be next-generation vehicles.



Materiality 5 Raising the productivity of all industries

- By using leading-edge digital technologies and the expertise in production that we have accumulated across a wide range of industries around the globe, we will train 100,000 people by FY2030 across the world to become specialists who can improve the productivity of industries, thus making a contribution to raising the productivity of the entire world.



Number of productivity growth specialists

(Persons)		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2030
Number of specialists	Plan	-	42,300	48,497	54,349	58,965	63,370	100,000
	Actual	25,582	43,385	-	-	-	-	-
	Achievement rate	-	102.6%	-	-	-	-	-

* As of the end of the fiscal year (December 31)



Materiality

Making greater efforts toward the realization of a carbon-free society

Use of electric vehicles

OTTO



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.

Promoting adoption of hybrid cars

AMERICAN ENGINEERING CORPORATION

AMERICAN ENGINEERING CORPORATION started using hybrid cars in 2018. Hybrid cars are considered to be environmentally sound vehicles that are eco-friendly because they emit less than half the amount of carbon dioxide of standard cars. They are effectively powered using both a gasoline engine and an electric motor, so they use less than half the volume of gasoline as that consumed by ordinary cars. Going forward, we will continue to actively promote the adoption of hybrid cars in our fleets of company cars.

Initiatives for achieving net zero emissions

LIBERATA UK LIMITED

LIBERATA aims to achieve net zero emissions by 2040. The most recent forecast projects a decrease in carbon emissions volume to 345.4 tons carbon dioxide equivalent (tCO2e) by 2026. This constitutes a 31% reduction relative to the 2020 threshold. Going forward, LIBERATA will accelerate its efforts toward achieving the target of net zero emissions by implementing the following initiatives.

- Full implementation of ISO 14001
- Procurement of energy supplies from renewable sources
- Decarbonization of heating systems
- Increased reuse and recycling of consumables
- Increased co-location of data services to low carbon centers

2021 carbon emissions volume

Emissions	Total (tCO2e)
Scope 1	223.1
Scope 2	190.6
Scope 3 (Incl. sources)	55.0
Total emissions	468.7 (6.2% lower than baseline)

Initiatives to reduce environmental loads

CPL RESOURCES LIMITED

Based on its vision statement of "It is our aim to transform each client's business through a range of talent solutions while positively impacting the communities we work in and the lives of the people we work with," CPL proposes the strategies of Future Ready, Client First, and Total Solutions. To achieve this, CPL has formed a strong governance structure and its team actively engages in sustainability, particularly through such governance, to address issues concerning humans and the environment.

Reducing environmental impact

Under its robust governance structure, CPL, under the leadership of the CPL Green Works Team, has banned all plastics at its head office, and setting priority targets for SDGs 7, 11 and 12, is giving utmost priority to minimizing environmental impacts, through raising awareness amongst employees and other measures.

Corporate Governance System



Achieving SDG targets

- 7 AFFORDABLE AND CLEAN ENERGY** Establish best practices to ensure energy efficiency in all our offices, use renewable energy where possible and minimize our impact on climate change.
- 11 SUSTAINABLE CITIES AND COMMUNITIES** Support the overall optimization of urban systems to create inclusive, safe, sustainable, and disaster resilient cities where we operate through CSR initiatives and meaningful partnerships.
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION** Better understand the impact our consumption of products and services have and move to sustainable suppliers and products across our offices.

Three initiatives



Policy on the Environment

1. Environmental Conservation

We recognize that creating a sustainable society is important for the continuity of business activities and will proactively engage in protecting the natural environment. For instance, we will promote practical solutions such as paperless payroll statements.

2. Compliance with Environmental Regulations

We will comply with foreign and domestic environmental regulations and internal standards. In addition, we will impartially address requirements of stakeholders surrounding our business and agreements of the international community.

3. Contribution to Resolving Climate Change Issues

We will support and respect international frameworks and norms in relation to climate change. In addition, we will set targets that include those for reducing greenhouse gas emissions, contribute to realization of a carbon-free society, and remain mindful of the need to mitigate and adapt to climate change.

4. Using Resources and Energy Effectively

We will promote sustainable and efficient use of resources and energy.

5. Disclosure of Policy on the Environment

We will widely inform our employees of this Policy on the Environment and disclose such Policy externally. In addition, we will promote environmental measures that involve disclosing information to stakeholders surrounding our business.

6. Range of application

This Policy applies to the Group's officers and all employees who work within the Group (regardless of the type of employment).



Materiality Providing employment opportunities

Specialized support by HR and labor-management

In order to contribute to resolving the social issue of Japan's shrinking labor force, the Group has set a target of expanding the number of non-Japanese residents to which it provides employment support to 300,000 by FY2024, and 500,000 by FY2030. The impact of COVID-19 is continuing to cause difficulties for those attempting to visit Japan, but we predict that the number will rise over the medium- and long-term due to the contraction of Japan's workforce, so we are actively expanding businesses related to the Technical Intern Training Program and the Specified Skilled Worker System. In particular, Group company ORJ engages through specialized HR and labor-management support in various administrative tasks for host companies that arise as a result of accepting technical intern trainees. This includes hiring, labor, welfare, and health and safety, and ORJ also provides support for life in Japan, such as by performing proxy applications for official documents, and providing call centers for advice. ORJ is broadening its services to cover not only technical intern trainees but also non-Japanese residents. Going forward, the Group will continue to work on initiatives to resolve the problem of Japan's shrinking workforce, centered on ORJ.



Japanese language education in 2019

Respect for human rights and diversity

Policy on Human Rights

- 1. Performing human rights due diligence as well as grievance procedures and remedies related to human rights
- 2. Dialogue and discussion with stakeholders
- 3. Prohibition of child labor and forced labor
- 4. Prohibition of discrimination and equality of employment opportunity
- 5. Education and training
- 6. Developing systems
- 7. Range of application

This Policy applies to the Group's officers and all employees who work within the Group (regardless of the type of employment).

Employment support for indigenous people and others with emphasis on diversity RED Appointments

RED Appointments acts as an agent taking diversity of the Australian population into account. Given that it serves clients who need talent equipped with diverse backgrounds, experience and perspectives, RED Appointments accordingly focuses on actively supporting candidates who may face obstacles when searching for jobs, particularly the following people.

- Indigenous Australians
- People with disabilities
- Members of the LGBTQI community
- People from culturally and linguistically diverse backgrounds
- Candidates who are veterans of the Australian Defense Forces

RED Appointments is also focusing its efforts on increasing its ratio of female candidates given the tendency for a traditionally high ratio of male candidates.

Going forward, it will continue to engage in employment activities that give rise to the maximum number of job opportunities for all people of Australia.

Awarded Best Workplaces for Women recognition three years in a row CPL RESOURCES LIMITED

CPL has gained Best Workplaces for Women recognition over the three consecutive years since 2019 given its commitment to shaping and maintaining a positive corporate culture.

Best Workplaces for Women recognition is awarded to companies that treat their female employees equitably in terms of salaries, awards programs, training, promotion opportunities, and other such aspects of employment. Going forward, we will persist in creating workplaces where women are able to work comfortably particularly drawing on the example of CPL, which has been selected as an employer that empowers women.



Relevant data

Independent Verification Report for Sustainability Linked Loans

The Company entered into a Sustainability Linked Loan agreement in July 2021. In March 2022, E&E Solutions Inc. performed independent verification to assess the validity of the performance figures for the Sustainability Performance Targets (SPTs). The verification findings show that the Evaluation Report is consistent with the following data: number of people contracted and managed by ORJ, number of people using mobile and other services provided by ORJ, number of people using e-learning language education, etc., and number of people using WBB services and the related services (including number of non-Japanese employees).

* The Sustainability Linked Loan is a loan product that promotes the borrower's sustainability management. This loan furthermore aims to increase corporate value and realize sustainable economic activities from environmental and social perspectives by setting Sustainability Performance Targets ("SPTs") that are consistent with the borrower's overall sustainability management policy and business strategy and aligning loan terms and conditions, such as interest rates, to the borrower's performance against SPTs and motivating the borrower to achieve the SPTs.

Name	Total	Number of people contracted and managed by ORJ	Number of people using mobile and other services provided by ORJ	Number of people using e-learning language education, etc.	Number of people using WBB services and the related services	Number of non-Japanese employees
OUTSOURCING Inc.	734	-	-	0	0	734
ORJ INC.	20,704	20,595	0	0	0	109
OS POWER VIETNAM CO., LTD.	0	-	-	0	0	0
OS VIETNAM CO., LTD.	0	-	-	0	0	0
PT. OS SELNAJAYA INDONESIA	741	-	-	701	0	40
OS (THAILAND) Group	1,793	-	-	0	1,741	52
Total	23,972	20,595	0	701	1,741	935

Employee safety and security

Policy on Occupational Safety and Health

1. Systemic enhancement through development of systems for managing occupational safety and health
2. Compliance with applicable laws and regulations
3. Fostering safety awareness through education
4. Initiatives to eliminate and reduce risk
5. Setting safety and health targets and continuously improving workplace environments
6. Support for health maintenance and promotion
7. Information disclosure
8. Range of application

This Policy applies to the Group's officers and all employees who work within the Group (regardless of the type of employment).

Promoting occupational safety and health

OUTSOURCING

Instruction on preventing accidents involving falls

We provide instruction on preventing accidents involving falls. This serves as an accident prevention activity that involves informing employees on risks of age-related accidents involving falls, preventative measures, and case studies. Findings of our analysis on in-house accidents involving falls occurring from 2018 through 2020 indicate that a large number of such accidents have involved employees aged 40 and above, and that such accidents sometimes result in bone fractures and other serious injuries. This instruction extends beyond classroom lectures to include practical aspects by incorporating content such as that on bone density measurement and physical exercises.



Employees taking part in instruction session

Program for mental and physical health promotion

OUTSOURCING

OUTSOURCING publishes a monthly health newsletter. Each issue features a specific topic on themes such as lifestyle-related disease prevention and sleep, with a particular focus on mental healthcare in the recent remote work environment. Initiatives in this regard involve conducting tests to check levels of stress, setting up counseling hotlines, and otherwise expanding our framework for supporting employees in managing their mental and physical health.



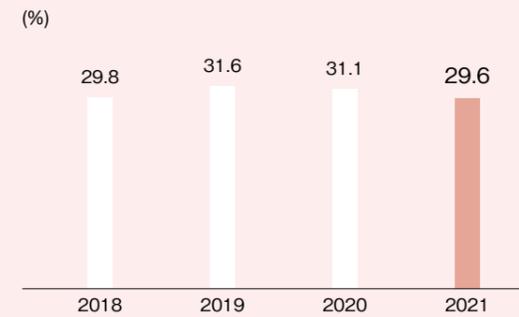
January issue of health newsletter



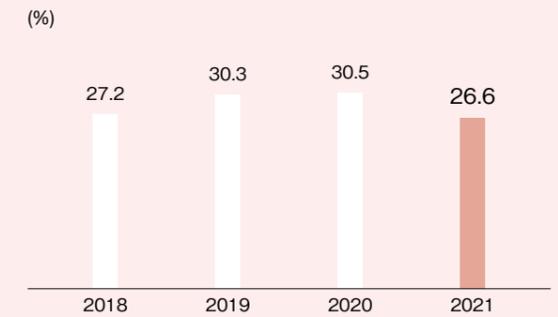
Guidance on counseling services

Relevant data

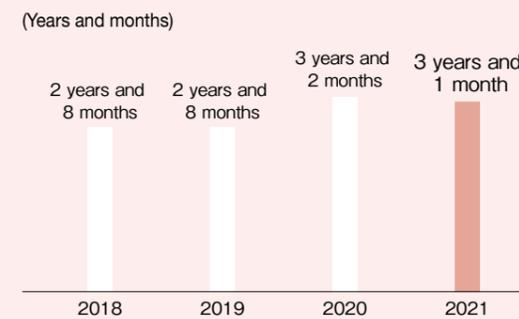
Ratio of female employees (%)



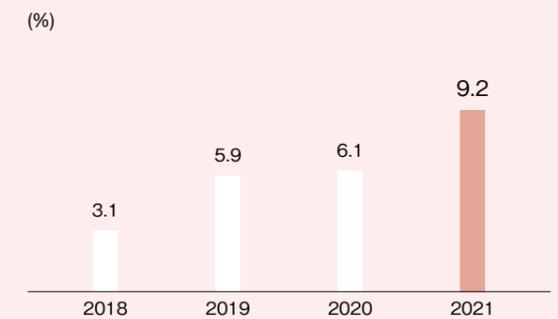
Percentage of women among new hires (%)



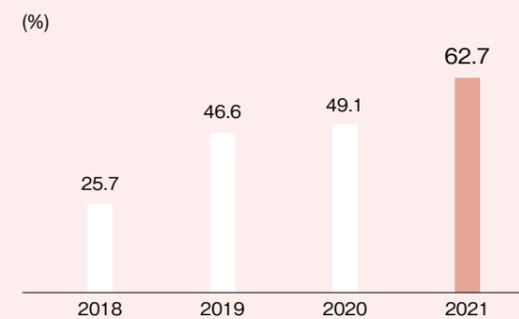
Average years of service (Years and months)



Percentage of women in managerial positions (%)



Percentage of employees taking childcare leave (%)



Percentage of annual paid leave taken (%)



Overtime work (Avg. hours/month)



Occupational accident frequency rate*

* Index that expresses the frequency of injuries or fatalities from occupational accidents.
Frequency rate = (number of injuries or fatalities / employee total hours worked) x 1,000,000





Directors



Haruhiko Doi

Chairman and CEO

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



Kazuhiko Suzuki

**Senior Executive Director
Head of Technology Business Division
Head of Global Business Division**

- 1993 Apr. Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
- 2001 Aug. Joined OUTSOURCING Inc.
- 2005 Mar. Director
- 2007 Mar. Managing Director
- 2011 Feb. Executive Vice President
- 2012 Feb. Executive Vice President, Head of Global Business Division
- 2013 June Executive Vice President, Head of Corporate Management Division
- 2018 Aug. Director, OUTSOURCING UK LIMITED (present position)
- 2019 Apr. Director, OUTSOURCING OCEANIA HOLDINGS PTY LIMITED (present position)
- 2020 Oct. Director, OUTSOURCING TALENT IRELAND LIMITED (present position)
- 2022 Jan. Senior Executive Director, Head of Manufacturing & Service Business Division, and Head of Technology Business Division, OUTSOURCING Inc. President and Representative Director, OUTSOURCING TECHNOLOGY Inc. (present position)
- 2022 Mar. Senior Executive Director, Head of Technology Business Division, and Head of Global Business Division, OUTSOURCING Inc. (present position)



Atsuko Sakiyama

External Director

- 1983 Apr. Joined Meiji Seika Kaisha, Ltd. (currently Meiji Co., Ltd.)
- 1985 Nov. Joined Yokohama YMCA, a public interest incorporated foundation
- 1988 May Joined Master Foods Co., Ltd. (currently Mars Japan Limited)
- 1993 July Joined Cartar Food Science Kabushiki Kaisha (currently Danisco Japan Ltd.)
- 1999 Jan. Director, Cartar Food Science Kabushiki Kaisha
- 2002 June Director, Danisco Japan Ltd.
- 2006 Jan. Director and Vice President, Organo Danisco Food Techno Co., Ltd. (currently Organo Food Tech Corporation)
- 2008 July Representative Director and Vice President, Genecor Kyowa Co., Ltd. (currently Danisco Japan Ltd.)
- 2010 Jan. Representative Director and President, Genecor Kyowa Co., Ltd.
- 2012 June Joined Cargill Japan Limited (currently Cargill Japan LLC)
- 2019 Aug. Founded Saki Consulting LLC, Representative Member (present position)
- 2020 Mar. External Director, OUTSOURCING Inc. (present position)

External
Independent



Hirotomo Abe

External Director

- 1980 Apr. Joined MITSUI & CO., LTD.
- 1988 Sept. Manager, Legal Department, MITSUI & CO. (BRAZIL) S.A.
- 1992 Apr. Assistant General Manager, Legal Department, MITSUI & CO. (U.S.A.), INC.
- 2002 Oct. General Manager, Legal Department, MITSUI & CO. EUROPE PLC
- 2005 May Middle Counsel and Chief Compliance Officer, Europe, Middle East, and Africa Business Unit, MITSUI & CO., LTD.
- 2009 Apr. Professor, Faculty of Law, Meiji Gakuin University
- 2011 Apr. Professor, Graduate School of Law, Hitotsubashi University
- 2019 June External Director (Audit and Supervisory Committee Member), CASIO COMPUTER CO., LTD. (present position)
- 2021 Apr. Professor Emeritus, Hitotsubashi University (present position)
- 2022 Mar. Professor, NUCB Business School (present position)
- 2022 Mar. External Director, OUTSOURCING Inc. (present position)

New appointment
External
Independent



Masashi Umehara

**Director
Head of Corporate Management Division**

- 1993 Jan. Joined NAGOYA OHARA GAKUEN
- 1999 Aug. Joined Noboru Imamoto Tax Accounting Office
- 2000 Sept. Joined Tomoyoshi Fushimi Tax Accounting Office (currently Fushimi Tax Accounting Corporation)
- 2002 Dec. Joined OUTSOURCING Inc.
- 2006 Mar. Managing Director and Head of Management Division
- 2006 Apr. Managing Director, Head of Management Division and Executive Manager of Corporate Planning Office
- 2011 Jan. General Manager of Accounting Department
- 2017 Aug. Executive Officer and General Manager of Accounting Department
- 2019 Oct. Managing Executive Officer and Deputy Head of Corporate Management Division
- 2022 Jan. Managing Executive Officer and Head of Corporate Management Division
Director, OUTSOURCING TALENT IRELAND LIMITED (present position)
- 2022 Mar. Director, Head of Corporate Management Division, OUTSOURCING Inc. (present position)

New appointment



Masashi Fukushima

Director

- 1962 Apr. Joined Sony Corporation (currently Sony Group Corporation)
- 1987 Nov. Director, Factory Manager, Taron (currently Sony Global Manufacturing & Operations Corporation)
- 1994 Nov. Senior Executive Director, Sony Senmaya (currently Sony Global Manufacturing & Operations Corporation)
- 1996 June President and Representative Director, Sony Senmaya
- 2005 Mar. Advisor, Yokogawa Rental & Lease Corporation
- 2005 May Special Advisor, Yokogawa Rental & Lease Corporation
- 2014 Mar. External Director, OUTSOURCING Inc.
- 2016 Mar. External Director (Audit and Supervisory Committee Member)
- 2017 Apr. Advisor, PRIKEN Co., Ltd.
- 2018 Mar. External Director, OUTSOURCING Inc.
- 2018 June Outside Director, Advanex Inc.
- 2022 Mar. Director, OUTSOURCING Inc. (present position)

New appointment



Yasuharu Toyoda

External Director

- 1971 Apr. Joined Toyota Motor Sales Co., Ltd. (currently TOYOTA MOTOR CORPORATION)
- 1997 Jan. Finance Officer, New United Motor Manufacturing, Inc.
- 2001 Jan. Chief Accountant, Toyota Automatic Loom Works, Ltd. (currently TOYOTA INDUSTRIES CORPORATION)
- 2001 June Director, Toyota Automatic Loom Works, Ltd. (currently TOYOTA INDUSTRIES CORPORATION)
- 2003 June Managing Director, TOYOTA INDUSTRIES CORPORATION
- 2004 June Auditor, Fuji Logistics Co., Ltd.
- 2005 June Representative Director and Senior Managing Director, TOYOTA INDUSTRIES CORPORATION
- 2006 June Senior Managing Director, TOYOTA INDUSTRIES CORPORATION
- 2010 June Representative Director and Executive Vice President, TOYOTA INDUSTRIES CORPORATION
- 2012 June President and CEO, Wanbishi Archives Co., Ltd.
- 2014 June Chairman of the Board, SKM CORPORATION
- 2018 Sept. Advisor, PEO Co., Ltd.
- 2022 Mar. External Director, OUTSOURCING Inc. (present position)

New appointment
External
Independent



Makiko Ujiie (Current family name: Ninagawa)

External Director

- 2010 Dec. Registered as an attorney at law
- 2011 Jan. Joined Umegae-Chuo Legal Profession Corporation
- 2018 Jan. Partner Lawyer, Umegae-Chuo Legal Profession Corporation (present position)
- 2021 Oct. External Auditor, ORJ INC.
- 2022 Mar. External Director, OUTSOURCING Inc. (present position)

New appointment
External
Independent



Anne Heraty

**Director
Deputy Executive Manager of Global Technology Department**

- 1985 Sept. Joined XEROX (EUROPE) LIMITED, Sales Executive
- 1987 June Joined SAVINGS & INVESTMENTS LIMITED, Sales Executive
- 1988 Aug. Joined GRAFTON RECRUITMENT, Recruitment Consultant
- 1989 Oct. Founded COMPUTER PLACEMENT LIMITED, CEO
- 1999 June Founded CPL RESOURCES PUBLIC LIMITED COMPANY (currently CPL RESOURCES LIMITED), CEO
- 2012 Oct. Non-Executive Director, 4E - FULFILLMENT.COM LIMITED (present position)
- 2019 Aug. Non-Executive Director, KINGSPAN GROUP PUBLIC LIMITED COMPANY (present position)
- 2021 Mar. Director, OUTSOURCING Inc.
- 2021 Apr. Director, OUTSOURCING TALENT IRELAND LIMITED (present position)
- 2022 Jan. Chairman, CPL RESOURCES LIMITED (present position)
- 2022 Mar. Director, Deputy Executive Manager of Global Technology Department, OUTSOURCING Inc. (present position)



Franciscus van Gool

**Director
Deputy Executive Manager of Global NOW Business Department (Europe and AETB)**

- 1998 Jan. Joined Scherpenhuizen B.V., Commercial Director
- 1999 Mar. Founded OTTO Holding B.V., Director and Chairman (present position)
- 2003 Nov. Founded OTTO Work Force B.V., Director and CEO (present position)
- 2022 Mar. Director, Deputy Executive Manager of Global NOW Business Department (Europe and AETB), OUTSOURCING Inc. (present position)

New appointment



Hideyo Nakano

External Director

- 1982 Apr. Joined Sony Corporation (currently Sony Group Corporation)
- 1986 Oct. Joined Swiss Bank Securities Corporation (currently UBS Securities Japan Co., Ltd.)
- 1987 June Joined SocGen Securities Limited (currently SOCIETE GENERALE SECURITIES JAPAN LIMITED)
- 1989 Apr. Joined Citibank, N.A. (seconded to Cititrust and Banking Corporation)
- 1991 Nov. Vice President, Cititrust and Banking Corporation
- 1993 Oct. Senior Portfolio Manager and Head of Private Investment, Cititrust and Banking Corporation
- 1996 June Joined Gartmore Asset Management (Japan) Ltd. (currently Janus Henderson Investors (Japan) Limited)
- 2000 Jan. Director and Head of Investment Division, FuNNeX Asset Management Inc.
- 2003 July Joined Star Capital Partners Kabushiki Kaisha
- 2004 Mar. Founded Trias Corporation, CEO (present position)
- 2020 Mar. External Director, OUTSOURCING Inc. (present position)
- 2021 June External Director, HOCHIKI CORPORATION (present position)

External

Directors (Audit and Supervisory Committee Members)



Ichiro Otani

External Director (full-time Audit and Supervisory Committee Member)

- 1980 Apr. Joined MITSUI & CO., LTD.
- 1996 June General Manager, Foods Department, MITSUI & CO. (U.S.A.), INC., San Francisco Office
- 2000 Dec. Vice President and General Manager, Foods Department, MITSUI & CO. (CANADA) LTD., Vancouver Office
- 2006 Apr. Deputy General Manager, Grain and Fats Products Department, Food Business Unit, MITSUI & CO., LTD., Tokyo Head Office
- 2007 Apr. General Manager and Unit Leader, Food Resources, Food Products & Retail Division, MITSUI & CO. EUROPE PLC
- 2013 June President and Representative Director, KONAN UTILITY CO., LTD.
- 2018 Mar. External Director (full-time Audit and Supervisory Committee Member), OUTSOURCING Inc. (present position)
- 2018 Apr. Auditor, OUTSOURCING TECHNOLOGY Inc.
- 2018 May Supervisory Board Member, OTTO Holding B.V. (present position)
- 2019 Apr. Director (Audit and Supervisory Committee Member), OUTSOURCING TECHNOLOGY Inc.
- 2021 Aug. Auditor, AVANCE CORPORATION (present position)

External
Independent



Masaru Namatame

External Director (full-time Audit and Supervisory Committee Member)

- 1978 Apr. Joined Hitachi, Ltd.
- 2002 June General Manager of Corporate Planning and Administration Department, Broadcasting and Communication Systems Development Division, Hitachi, Ltd.
- 2004 Feb. General Manager of Internal Auditing Office, Hitachi, Ltd.
- 2010 June Director and General Manager of Business Administration Division, Kokusan Denki Co., Ltd. (currently MAHLE Electric Drives Japan Corporation)
- 2014 Mar. Managing Director and General Manager of Business Administration Division, Kokusan Denki Co., Ltd.
- 2016 Apr. Full-time Auditor, Hitachi Consumer Marketing, Inc. (currently Hitachi Global Life Solutions, Inc.)
- 2018 Aug. Full-time Auditor, identity Inc.
- 2019 June External Auditor, Fujibo Holdings, Inc. (present position)
- 2020 Mar. External Director (Audit and Supervisory Committee Member), OUTSOURCING Inc.
- 2020 Sept. External Auditor, Inbound Platform Corp. (present position)
- 2022 Mar. External Director (full-time Audit and Supervisory Committee Member), OUTSOURCING Inc. (present position)
- Auditor, PEO Construction Machinery Operators Training Center Co., Ltd.
- Auditor, S.S.Sangyo Co.Ltd. (present position)

External
Independent



Hiroshi Otaka

External Director (Audit and Supervisory Committee Member)

- 1967 Apr. Joined Yamakawa Industrial Co., Ltd. (currently UNIPRES CORPORATION)
- 1999 June Director, General Manager, General Accounting Department, Yamakawa Industrial Co., Ltd.
- 2005 Apr. Advisor, Yamakawa Industrial Co., Ltd.
- 2005 June Full-time Auditor, Yamakawa Industrial Co., Ltd.
- 2010 Mar. External Auditor (full-time Auditor), OUTSOURCING Inc.
- 2016 Mar. External Director (full-time Audit and Supervisory Committee Member)
- Auditor, OUTSOURCING TECHNOLOGY Inc.
- 2018 Jan. Auditor, GLocal Co., Ltd. (currently OUTSOURCING TECHNOLOGY Inc.)
- 2018 Mar. External Director (Audit and Supervisory Committee Member), OUTSOURCING Inc. (present position)
- 2022 Mar. Auditor, PEO Co., Ltd. (present position)

External
Independent



Hideo Shiwa

External Director (Audit and Supervisory Committee Member)

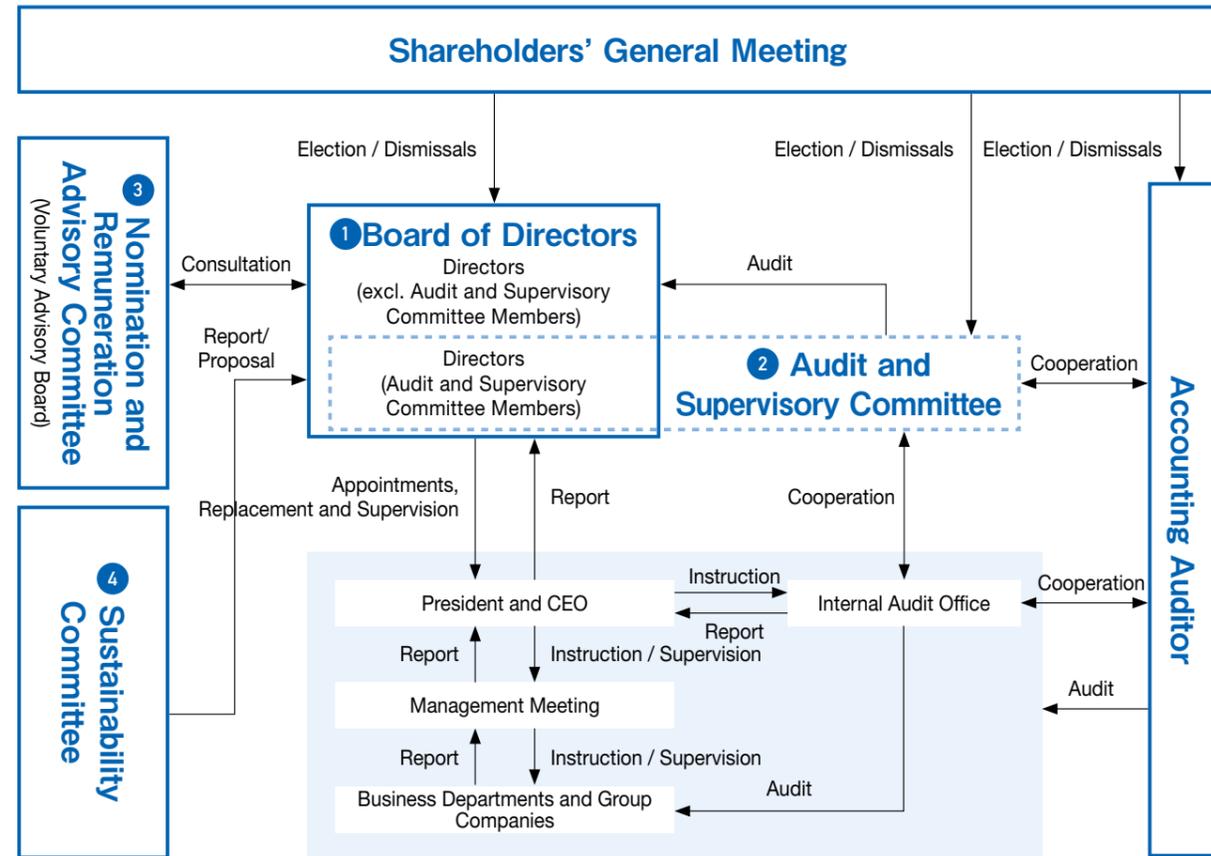
- 1978 Apr. Joined Fujikura Electric Wire Corporation (currently Fujikura Ltd.)
- 2010 Apr. Executive Officer and Responsible for International Business Division, Automotive Products Division, Fujikura Ltd.
- 2013 Apr. Managing Executive Officer and Deputy Chief of Electronics Business Company, Fujikura Ltd.
- 2014 Apr. Managing Executive Officer, Chief of Real Estate Business Company and Deputy Chief of Corporate Staff Unit, Fujikura Ltd.
- 2014 June Director, Managing Executive Officer, Chief of Real Estate Business Company and Deputy Chief of Corporate Staff Unit, Fujikura Ltd.
- 2016 Apr. Director and Senior Managing Executive Officer, Fujikura Ltd.
- 2016 June Senior Managing Executive Officer, Fujikura Ltd.
- 2018 Apr. Full-time Auditor, Fujikura Ltd.
- 2020 Mar. External Director (Audit and Supervisory Committee Member), OUTSOURCING Inc. (present position)
- 2020 June External Auditor, Oki Electric Industry Co., Ltd. (present position)
- 2022 Mar. Director (Audit and Supervisory Committee Member), OUTSOURCING TECHNOLOGY Inc. (present position)

External
Independent

Corporate Governance System

The Company adopted the system of a company with an Audit and Supervisory Committee in order to strengthen the supervisory function of the Board of Directors, secure impartiality and transparency of management and realize greater efficiency.

In addition to internal directors well-versed in the state of the industry and the Group's operations, persons with abundant management experience and specialist expertise are nominated for election as external directors for the purpose of securing an effective supervisory function for decision making and execution of duties that is based on a wider field and carried out with objectivity and transparency.



1 Board of Directors

* Number of meetings held and attendance rate are the number of meetings held and attendance rate of FY2021.

Chairperson: Haruhiko Doi, Ratio of external directors: 60%, Number of meetings held: 19 times, Attendance rate for all directors: 100%

As of March 30, 2022, the Company's Board of Directors consists of 15 directors, including nine external directors, who convene once a month to examine, evaluate and decide on matters stipulated under the 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.

Out of external directors who carry out objective and neutral oversight functions from an independent perspective, all eight external directors who meet the requirements for independent officer as defined by the Tokyo Stock Exchange are registered as independent external directors.

2 Audit and Supervisory Committee

* Number of meetings held and attendance rate are the number of meetings held and attendance rate of FY2021.

Chairperson: Ichiro Otani, Ratio of external directors: 100%, Number of meetings held: 21 times, Attendance rate of all Audit and Supervisory Committee Members: 100%

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 execution of duties by directors 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, and complies 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 Corporate Management Division, which is an internal control department of the Company, as well as with the General Affairs, Legal, and Accounting Departments, to improve the efficacy of the auditing process.

3 Nomination and Remuneration Advisory Committee

* Number of meetings held and attendance rate are the number of meetings held and attendance rate of FY2021.

Chairperson: Hiroto Abe, Ratio of external directors: 80%, Number of meetings held: 7 times, Attendance rate of all Nomination and Remuneration Advisory Committee Members: 100%

The Nomination and Remuneration Advisory Committee is a voluntary body consisting of five members (including four external directors) with an independent external director as its chairperson as of March 30, 2022. 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.

4 Sustainability Committee

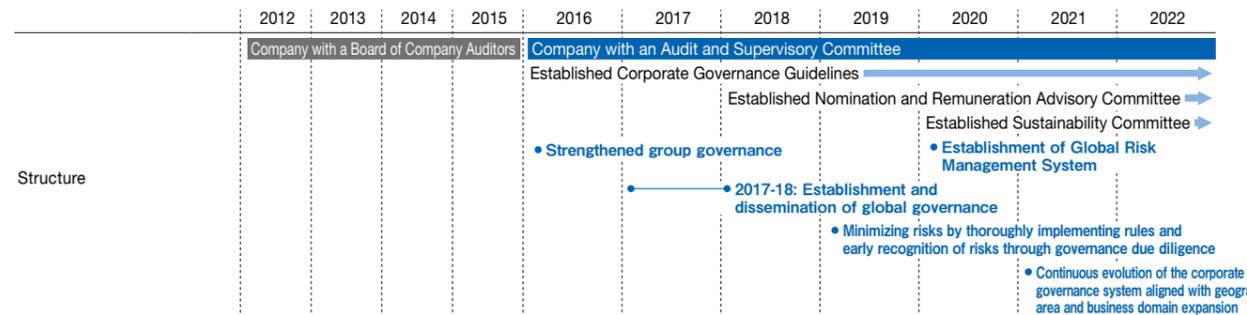
* Number of meetings held and attendance rate are the number of meetings held and attendance rate of FY2021.

Chairperson: Haruhiko Doi, Ratio of external directors: 33%, Number of meetings held: 4 times, Attendance rate of all Sustainability Committee Members: 100%

The Sustainability Committee is a voluntary body consisting of six members (including two external directors) with the Representative Director as its chairperson as of March 30, 2022. The purpose of the Sustainability Committee is to promote management with an awareness of sustainability across all companies in the Group, including initiatives to achieve SDGs and a more sophisticated ESG approach in management. The Committee deliberates on the Group's sustainability policies/strategies, priority issues and other medium- to long-term themes and directions, as well as the monitoring of the progress of KPIs, and brings the matter up to the Board of Directors.

Corporate governance system

The Company has been strengthening its corporate governance system in line with business conditions thus far. Going forward, we will continue to make changes that enable us to build an optimal corporate governance system in response to circumstances of the Company, the external environment, and other such factors.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Term of office of directors	2 years				1 year (All directors up for re-election annually)						
Term of office of Audit and Supervisory Committee Members (Auditors)	4 years				2 years						
Directors (Persons)	5	6	6	6	10	9	9	9	10	11	15
[of which are external directors] (Persons)			1	1	3	3	4	4	7	7	9
[of which are independent officers] (Persons)			1	1	3	3	4	4	6	6	8
[of which are Audit and Supervisory Committee Members] (Persons)					4	4	4	4	4	4	4
[of which are external Audit and Supervisory Committee Members] (Persons)					3	3	3	3	4	4	4
[of which are female officers] (Persons)									2	3	4
[of which are foreign nationals] (Persons)										1	2
Auditors (Persons)	3	3	3	3							
[of which are external Auditors] (Persons)	3	3	2	2							
[of which are independent officers] (Persons)	1	1	2	2							

* We are proceeding with a comprehensive review of our organizational design with our sights set on transitioning to the company with a nominating committee, etc. These details reflect the status of the corporate governance framework upon conclusion of the ordinary general meeting of shareholders of each year.

Director composition and skills

Name	Skills matrix						
	International experience	Corporate management	Industry knowledge	Sales and marketing	Finance and accounting	Auditing	Legal/risk management
Haruhiko Doi (Chairman and CEO)	○	○	○	○			
Kazuhiko Suzuki (Senior Executive Director)	○	○	○		○		○
Masashi Umehara (Director)		○	○		○		
Masashi Fukushima (Director)	○	○	○	○		○	
Anne Heraty (Director)	○	○	○	○			
Franciscus van Gool (Director)	○	○	○				
Atsuko Sakiyama (External Director)	○	○		○			
Hiroto Abe (External Director)	○					○	○
Yasuharu Toyoda (External Director)	○	○			○	○	
Makiko Ujiie (Current family name: Ninagawa) (External Director)						○	○
Hideyo Nakano (External Director)	○	○		○	○		
Ichiro Otani (External Director (full-time Audit and Supervisory Committee Member))	○	○		○		○	○
Masaru Namatame (External Director (full-time Audit and Supervisory Committee Member))	○	○			○	○	
Hiroshi Otaka (External Director (Audit and Supervisory Committee Member))	○	○			○	○	
Hideo Shiwa (External Director (Audit and Supervisory Committee Member))	○	○			○	○	○

Reasons for appointment as external directors and overview of expected role

Name	Reasons for appointment as external directors and overview of expected role
Atsuko Sakiyama (External Director)	She has a wealth of broad expertise in corporate management, organizational operations, finance, and human resource development through years of experience in different business fields and other industries. Based on her high level of knowledge, especially in communication with overseas organizations, she has provided comments at the meetings of the Board of Directors, etc. of the Company from an independent standpoint and a viewpoint that is not bound by conventional frameworks. The Company believes that she can be expected to play an appropriate role in supervising the Company's business execution.
Hiroto Abe (External Director)	He has multifaceted perspectives and expert knowledge, such as knowledge in domestic and overseas legal affairs and internal control, not only from his global viewpoints gained through experience working overseas at a major general trading company, but also from his research work as a graduate school professor in the field of law. The Company expects that he will not only play a role of providing advice and governance to the Company's management from his original perspective gained from his deep insight and abundant practical leadership experience, but will also lead to the further strengthening of corporate governance and compliance.
Yasuharu Toyoda (External Director)	He has a longstanding career as a management leader at a major automotive manufacturer, and has deep insight with regard to corporate management and organizational operation. He has also served in important positions in the management divisions for both finance and accounting, and has abundant experience as a check on the sales division from the perspective of head office functions. The Company believes that not only can he be expected to further strengthen the management system of the Company, but that he will also play a role of providing supervision and governance for the Company's business execution.
Makiko Ujiie (External Director) (Current family name: Ninagawa)	She has an abundance of practical experience and expert insight in corporate law, M&A, financial law, among other fields as a lawyer. Accordingly, the Company believes that she can be expected to further strengthen corporate governance and compliance through contributing to strengthening the decision-making function and supervisory function of the Company's Board of Directors from the viewpoint of enhancing the Company's corporate value. Moreover, although she has not been involved in corporate management other than as an External Director or an External Auditor in the past, the Company believes that she is capable of appropriately performing her role as External Director based on the aforementioned reasons.
Hideyo Nakano (External Director)	She has long been involved in operations closely related to financial markets and capital markets, mainly at foreign-affiliated financial institutions. She also has an abundance of experience and a broad range of insight as a corporate manager. During her tenure as an external director of the Company, she has provided comments to improve the Company's corporate value based on her experience as a corporate manager and her knowledge as a securities analyst with a thorough understanding of the securities and capital markets. The Company believes she is able to further strengthen the management system by having her provide advice on the Company's overall management from the perspective of improving corporate value.
Ichiro Otani (External Director (full-time Audit and Supervisory Committee Member))	He engaged in the resolution of material business matters at companies he previously served. Additionally, he is qualified as both qualified internal auditor and certified internal auditor, and has experiences of auditing subsidiaries as an auditor. As such, he has an abundance of knowledge and experience relating to internal controls systems and auditing. The Company believes that he can continue to play a role in providing advice and governance based on his deep knowledge.
Masaru Namatame (External Director (full-time Audit and Supervisory Committee Member))	He has many years of experience of working in the position responsible for accounting and finance in domestic and overseas businesses at the companies he served, and has a wealth of knowledge and experience in internal control, auditing, and overall business management. The Company believes that he can continue to play a role in providing advice and governance based on his deep knowledge.
Hiroshi Otaka (External Director (Audit and Supervisory Committee Member))	Having served as Director and Auditor, he has an abundance of knowledge and experience relating to corporate financial analysis and business management in general. The Company believes that he can continue to play a role in providing advice and governance based on his deep knowledge.
Hideo Shiwa (External Director (Audit and Supervisory Committee Member))	He has many years of experience working in the accounting department at a company he served, has broad knowledge and experience in IT systems, IR, legal affairs, and audit operations, and has abundant management experiences at domestic and overseas business operating companies. The Company believes that he can continue to play a role in providing advice and governance based on his deep knowledge.

Providing information to external directors

Provision of important documents in advance

Reducing information access disparities between internal directors and external directors to the extent possible is essential in order to ensure maximum performance of external directors who assume functions of auditing and supervising the Board of Directors.

As such, we seek to improve deliberations of the Board of Directors by distributing agenda documents in advance and having the Secretariat hold preliminary briefing sessions. In addition to furnishing explanations of key points and details regarding each proposal, we also strive to provide forums for ensuring more extensive understanding of developments thus far, backgrounds of items to be resolved, and other such details mainly with respect to M&As and other important matters.

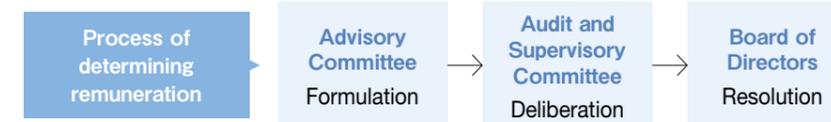
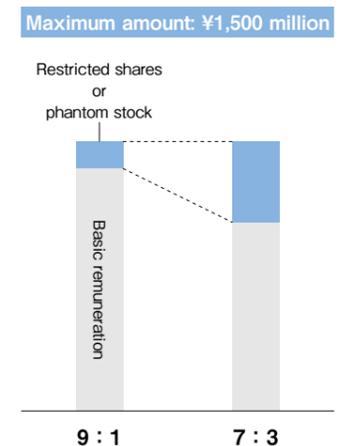
Promoting involvement in important meeting bodies

We arrange for observer participation and sharing of materials with respect to Management Meetings and other major meetings with the aim of ensuring that external directors more effectively engage in management supervision, and also with respect to each Group company's meetings of the Board of Directors with the aim of facilitating more extensive operational understanding of each company.

Directors' remuneration plan

The Advisory Committee decides the amount of Directors' remuneration, taking into account corporate performance and economic value that has been generated by business activities stipulated in the Corporate Governance Guidelines. Those amounts are then determined by resolution of the Board of Directors, upon deliberation by the Audit and Supervisory Committee.

For Directors (excluding Audit and Supervisory Committee Members and external directors), the Company grants restricted share-based remuneration or monetary remuneration linked to the Company's share price (phantom stock), with the aims of providing them with incentive to increase the Company's corporate value over the medium to long term and sharing value with shareholders. The ratio of basic remuneration to restricted shares or phantom stock is generally determined within 9:1 to 7:3, after taking into consideration the director's position and the details of duties.



Evaluation of effectiveness of the Board of Directors

The Company evaluates and analyzes the effectiveness of the entire Board of Directors once per year with the aim of improving the effectiveness of the Board of Directors and strengthening corporate governance. In FY2021, a third-party evaluator administered questionnaires on Board of Directors composition and operation, management strategies, risk management, and other such matters, and performed evaluation and analysis. We will strive to improve the effectiveness of the Board of Directors by reporting evaluation results to the Board of Directors and discussing such findings.

Implementation method: Questionnaire format
Implementation timing: Each year in February
Evaluation method: Each item evaluated on a scale of 1 to 5



Anti-corruption

Policy on Anti-Bribery and Anti-Corruption

The Group has established its Policy on Anti-Bribery and Anti-Corruption consisting of the following content.

- | | | |
|---|---|--|
| 1. Prohibition of corrupt practices and all acts in complicity with corrupt practices | 3. Measures for business partners and intermediaries | 7. Actions to address violations, etc. |
| 2. Compliance with relevant anti-corruption standards and laws and regulations | 4. Compliance system | 8. Range of application |
| | 5. Training and education | |
| | 6. Points of contact for whistle-blowing and consultation | |

Anti-corruption training

The OUTSOURCING Group emphasizes the establishment and operation of a legal compliance system as stated in the OUTSOURCING Group Code of Corporate Ethics and Conduct and the global governance policy, and as part of those efforts, focuses on preventing corruption. To ensure compliance, in addition to appropriate management in accordance with anti-corruption regulations for subsidiaries and associates to prohibit all forms of bribery and other types of corruption, the Group has also established a system for continually conducting employee training using e-learning, etc.

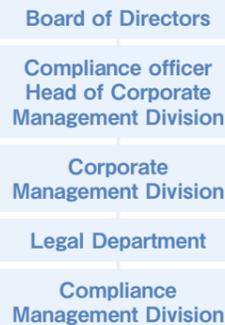
Compliance

Restructuring the compliance system

The OUTSOURCING Group's divisions and Group companies have been primarily endeavoring to comply with labor laws and regulations. In June 2022, the Company's Legal Department spearheaded efforts to restructure the compliance system centered on the Company, upon having determined that compliance should have extensive reach including financial accounting. Restructuring of the compliance system involved the following initiatives.

- | | |
|--|---|
| <ul style="list-style-type: none"> Establishment of a director in charge of compliance Establishment of a compliance-related meeting forum Establishment of a department specializing in compliance | <ul style="list-style-type: none"> Assignment of a position responsible for compliance to each division of OUTSOURCING Inc. Implementation of monitoring by the accounting department |
|--|---|

Compliance system



Publication of compliance articles in group newsletters "Ratoon"

We are seeking to instill compliance awareness with respect to important topics related to compliance and internal controls. This has involved drawing up an annual plan, publishing it as an article in the Group's monthly Ratoon newsletter beginning in April 2022, and persistently communicating such information. We are also considering the possibility of timely dissemination of information on changes to laws and regulations, case studies of compliance violations, and other such details.



Creation of compliance guidebooks and compliance training

Although compliance is important, employees are of the impression that it is somewhat abstract and find it difficult to imagine specific compliance-related actions. In June 2022, the Company's General Affairs Department prepared a compliance guidebook and compliance violation case studies given this situation, and accordingly released and distributed it in e-text format to officers and employees of the Company and Group companies in Japan.

In addition, we have set the stage prior to establishing the compliance training system under development. In early March 2022, we implemented training for directors of the Company and Group companies in Japan, then beginning in May 2022, we have been successively providing other officers and employees with various forms of compliance training based on the training system. Considering the nature of this training, it is likely that we will call on expert lecturers including certified public accountants, attorneys at law, and university professors of law to cover topics related to internal controls and accounting.

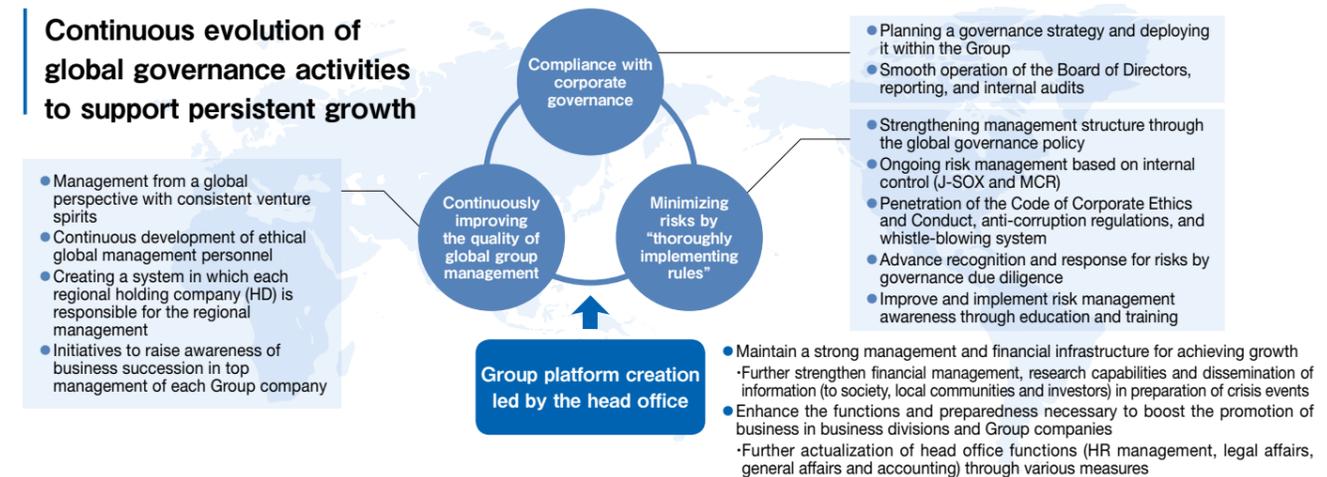


Compliance training

Strengthening Group Governance

Mergers and acquisitions accompanying overseas business expansion are crucial with respect to facilitating growth of the OUTSOURCING Group as it encounters growth potential underpinned by the world's increasing population. On the other hand, each of the Group companies must build its own governance framework based on the determined global governance policy amid a reality where companies are exposed to different business risks depending on their country and industry. We have 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.

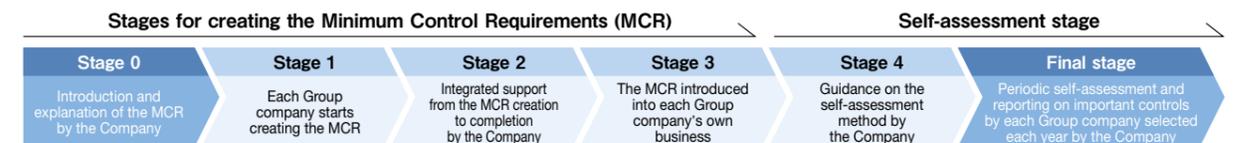
Continuous evolution of global governance activities to support persistent growth



Internal control for promoting both J-SOX and MCR (Minimum Control Requirements)

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. Since it is each Group company's ability to continue as a going concern that supports the initiatives for sustainability of the Group, such ability is essential for stable management, and therefore, from FY2020, the third year of MCR's introduction, the Group has added "business continuity" as a control item, and will make efforts to further strengthen initiatives. Currently, companies comprising 60% or more of consolidated revenue are subject to J-SOX, and companies comprising the remaining 40% are adopting MCR.



Medium-term priority measures

- | | |
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| <ul style="list-style-type: none"> Continuously improving the quality of global group management
Objective: Accelerate management decision-making / Improve efficiency through autonomous management Further disseminate the Group's Corporate Principles to top managements of Group companies Strengthen filters during M&A through governance due diligence (including human rights due diligence) with awareness of sustainability Improve awareness of business succession by adding to MCR* evaluation items | <ul style="list-style-type: none"> Group platform creation led by the head office
Objective: Strengthen the Group management base Accounting: Streamline and speed up consolidated settlement operations and introduce systems to overseas companies Finance: Strengthen financial functions / consider global fund management initiatives IT: Achieve cybersecurity management that supports business growth based on the new Corporate Principles IT: Leverage cutting-edge digital technology to transform Group services and business models HR: Create a human resource development / education / training system that combines personnel strategies of all Group companies HR: Foster a sense of unity and Group engagement through the development of the "CQ Project" for inter-cultural understanding and create Group strength |
| <ul style="list-style-type: none"> Minimizing risks by thoroughly implementing 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 rules such as the Code of Corporate Ethics and Conduct Through webinars, expand adoption of the anti-corruption regulations and whistle-blowing system to new Group companies and repeatedly conduct training at existing companies | |

* MCR (Minimum Control Requirement) is an internal control scheme unique to the Group. Under this autonomous internal control scheme, each Group company selects and prepares risk management items based on the template created by the head office, and each company's management conducts a self-inspection by mutual inspection between divisions. It contributes to raising awareness of risks in management by coordinating with the head office.

Risk Management

Risks and measures

	Risks	Measures
Impact from Natural Disasters, Etc.	<ul style="list-style-type: none"> • Risk that the Group's business activities will become subject to restrictions, and operating results will be affected in the event of the progression of climate change, war, terrorism or cyberattacks by computer viruses, an outage or malfunctioning of information systems and telecommunications networks caused by the above-mentioned events, or in the event of an epidemic involving a powerful new infectious disease, etc. 	<ul style="list-style-type: none"> • By conducting business globally in 38 countries and regions without limiting business activities to a specific region, the Group is reducing the potential financial impact from the situation in a single country. Furthermore, in terms of resilience against pandemics, etc., the Group is working on business opportunities arising from the COVID-19 pandemic such as the provision of outsourcing services in fields that support lifelines such as e-commerce-related logistics businesses and offering DX (digital transformation) solutions.
Developing Overseas Business	<ul style="list-style-type: none"> • Risk of foreign exchange volatility, political instability, including conflicts, acts of terrorism and kidnappings, uncertainty of economic activity, differences in cultures and religions, local clashes between laborers and management, etc. • Risk of impediments related to overseas business practices • Risk of political, legal, and other types of impediments such as regulations on investment, regulations related to the repatriation of profits to the home country, nationalization of local industries, export/import controls, changes in the foreign exchange system, and changes in the tax system and tax rates 	<ul style="list-style-type: none"> • A law that regulates contract labor does not exist; however, according to the standards for the classification of worker dispatching services and contract labor work (hereinafter, "Official Notice No. 37"), worker dispatching and contract labor are clearly classified separately. The Group has prepared "The Group's Interpretation Standard for Official Notice No. 37" focused on stable employment, and through its utilization, is avoiding the risk of disguised contract labor and promoting contract labor that meets compliance standards. • The Group's overseas outsourcing businesses place the highest priority on fully complying with all local laws and regulations, utilizing the services of major law firms in each country to fulfill this responsibility. The Group is also focusing on global governance project activities and strengthening governance of overseas group companies.
Laws and Regulations and their Potential Changes	<ul style="list-style-type: none"> • Risk of the enactment of new laws and amendments or changes in their interpretation in response to changes in social conditions in Japan or overseas, or any divergence of views between the Group and any regulating authority, that may affect the operating results of the Group 	<ul style="list-style-type: none"> • The Group operates under the assumption that it is prone to economic downturns across all industries given the nature of undertaking the variable portion of manufacturers' mass production lines. As such, the Group makes itself less susceptible to effects of business conditions by seeking well-balanced diversification with respect to client industries.
Impact of Business Conditions of Client Industries, etc.	<ul style="list-style-type: none"> • Risk related to fluctuations in production of a manufacturer's mass production line 	<ul style="list-style-type: none"> • In addition to the Group's global recruiting network, the Group is strengthening various types of branding through cooperation with local universities, etc. • In the hiring process, the Group works to secure its necessary staff by pursuing an efficient placement of advertisements through region analysis and media analysis of recruitment advertising, introducing a real-time interview scheduling system and matching system, and online job interviews, and regularly training its recruitment staff, thus reducing any inefficiency in each step from application to hiring.
Securing of Necessary Staff	<ul style="list-style-type: none"> • Risk of the Group's operating results incurring adverse effects due to loss of potential orders and rising costs as a result of repeating recruitment efforts under a scenario where the Group finds itself unable to secure the number of workers to meet demand. Such scenario could arise under situations that include rising customer needs gaining at a pace far exceeding expectations, other companies in the same industry undertaking recruiting activities that are more effective than the Group's by spending more on advertising, or the Group finds itself unable to respond to technological innovation such as that involving AI or the advent of alternatives such as those involving social networking services 	<ul style="list-style-type: none"> • The Group's targets of M&A deals are limited to the human resource business field and companies engaged in business for which the Group cannot make management decisions based on its know-how are excluded from the scope of M&A deals. • The Group makes sure to perform due diligence on the companies that are the targets of M&A deals, recognize the risks in advance, and examine both profitability and probability of recovering the investment.
M&A and Capital Tie-Ups, etc.	<ul style="list-style-type: none"> • Risk that adequate controls cannot be put in place for the management, business and assets of the targets of M&A deals and capital tie-ups • Risk that outflow/decline of the client base and staff of the acquired company may occur, thereby leading to initially expected synergies not being fully realized 	<ul style="list-style-type: none"> • The Group takes orders from across a broad spectrum of fields ranging from the engineering division of manufacturers in the research and development phase to the manufacturing division in the mass production phase, and is in a position to acquire highly confidential information including manufacturers' research on new technologies, development of new products, and production plans. The Group is aware of the major risks related to information leaks and unauthorized access to the information and has established an information protection system and carefully manages the information it possesses, which includes implementing the best information security measures, formulating the OUTSOURCING Group Code of Corporate Ethics and Conduct, personal information protection guidelines, and in-house rules and thoroughly educating Group employees of these items.
Information Management and Information System	<ul style="list-style-type: none"> • Risk that critical information is divulged or leaked and, as a result, the Group becomes liable for damage compensation • Risk that loss of trust has a serious impact on the Group's business results • Risk that information systems experience major problems for any of various reasons, including a natural disaster, accident and cyberattack, such as a computer virus or unauthorized access 	<ul style="list-style-type: none"> • The Group aims to transform from a stock business to a fee-based business, and the current medium-term management plan is positioned to build the foundation for this transformation. Although the development of cross-border human resource businesses may be delayed due to the COVID-19 pandemic, the Group will use flexible management strategies, such as revising the medium-term management plan.
Medium-Term Management Plan	<ul style="list-style-type: none"> • Risk that the goals of the plan are not achieved for various reasons 	<ul style="list-style-type: none"> • Based on an impairment risk assessment for goodwill in consideration of the financial condition of Group companies, the Group reduces impairment risk by recognizing goodwill for each Group company in Japan, the United Kingdom, the EU, Oceania, Asia and South America and other measures, excluding Group companies that have a high risk.
Impairment of Goodwill	<ul style="list-style-type: none"> • Risk that the Group's operating results are significantly affected as a result of recognizing impairment of goodwill. 	<ul style="list-style-type: none"> • The Group aims for a shareholders' equity ratio of 30% or higher in the medium-term management plan and, by investing in future growth and strengthening the financial structure while taking into consideration the financial leverage balance with appropriate internal reserves, reduces each financial risk and promotes sustainable growth. • On December 28, 2021, the Group received an investigation report from an external investigation committee, and as of February 10, 2022, the Group obtained consent from major financing institutions with which the Group has entered into a syndicate loan agreement, that they would not exercise their rights of claim for forfeiture of the benefit of time regarding an incident involving inappropriate accounting practices at 17 Group companies.
Financial	<ul style="list-style-type: none"> • Risk that if there is an increase in borrowings, etc., this could impact the financial position of the Group • Risk of not being able to raise the required funds as envisioned because of a deterioration in business performance or financial position or changes in financial conditions • Risk that if there is a sudden and major change in interest rates, this could increase the burden of interest payments and impact the financial position • Risk of an increase or decrease in shareholder capital from translation adjustments due to exchange rate fluctuations • Risk of a change in the amount of gains or losses for the fiscal year when translated into yen 	<ul style="list-style-type: none"> • The Group has positioned strengthening the compliance system and internal control system as an important management issue in order to ensure compliance with laws, regulations, rules, etc. The Group provides appropriate disclosures and guidance for the employees of the various Group companies and has implemented necessary preventive measures to sever connections with antisocial forces and detect and prevent misconduct.
Lawsuits, etc.	<ul style="list-style-type: none"> • Risk of unexpected troubles with or lawsuits involving users, clients, employees, or other third parties • Risk of lawsuits related to patents or other types of intellectual property • Risk of a massive cost of responding to lawsuits and damage to the brand image, etc., which could have an impact on the Group's businesses and financial results 	

Corporate Governance Reform

In relation to corrections made to annual earnings reports, quarterly earnings reports, annual securities reports and quarterly securities reports of past fiscal years, the Company has submitted to the Tokyo Stock Exchange, Inc. an improvement report stating the background to the situation and improvement measures pursuant to Article 502, paragraph 3 of the Securities Listing Regulations. The following is an outline of the improvement measures presented in the improvement report.

We wish to offer our sincere apologies to our shareholders, investors and other stakeholders for the substantial inconvenience and concern caused by the need to make corrections to our financial results of previous years due to this incident. We deeply regret this situation given the profound responsibility we are to assume as a listed company. While taking this matter solemnly, the Company will strive to restore trust of its stakeholders by raising compliance mindset throughout the Group through steady implementation of measures to prevent recurrence.

Clarifying management responsibilities

As of January 17, 2022, disciplinary action was taken with respect to three directors of the Company and two directors of OUTSOURCING TECHNOLOGY Inc. regarding their management responsibility toward the parties involved in this incident.

Reform of the corporate culture led by top management

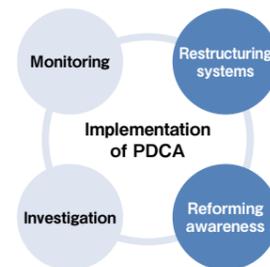
We believe that this incident was caused by a corporate culture of insistence on urging continuous growth in conjunction with issues involving the internal control system, against a backdrop of such incidents having occurred at multiple companies within the Group. In reforming this corporate culture, top management will foster a corporate culture of seeking sound growth while assigning top priority to compliance by providing continuous encouragement to the executives and employees of the Group. This will entail communicating the message that compliance serves as the most important factor with respect to corporate management and that substantive growth leads to greater corporate value, which is welcomed by stakeholders.

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| <ul style="list-style-type: none"> 1. Establishment of the Recurrence Prevention Committee 2. Holding town hall meetings with top management at each site | <ul style="list-style-type: none"> 3. Publication of comments by top management in the group newsletter 4. Improving communications between employees |
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Raising compliance awareness and thorough implementation of measures to prevent recurrence

We have not sufficiently implemented awareness-raising activities and disseminated information as an organization regarding compliance, given that the Group's compliance system has been inadequate relative to the scale of the enterprise and the nature of its business. We find that this situation had given rise to deficient awareness of compliance among our executives and employees which culminated in the occurrence of this incident.

Going forward, we will build a compliance system to which sufficient management resources are allocated, and will furthermore strive to instill the importance of compliance among all employees by systematically, actively, and persistently implementing compliance activities throughout the entire Group.



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| <ul style="list-style-type: none"> 1. Compliance promotion system, etc. 2. Instilling compliance awareness and reforming awareness 3. Compliance training 4. Identifying priority compliance items and considering management measures | <ul style="list-style-type: none"> 5. Implementation of monitoring by the accounting division 6. Compliance awareness survey among executives and employees |
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Strengthening our management system

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| <ul style="list-style-type: none"> 1. Reviewing internal control | <ul style="list-style-type: none"> 2. Appointment of talented managers and highly specialized personnel |
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Restructuring the corporate governance system and organizational structure

<ul style="list-style-type: none"> 1. Strengthening supervisory function by the Board of Directors 2. Strengthening audit functions by the Audit and Supervisory Committee, etc. 	<ul style="list-style-type: none"> 3. Realizing appropriate allocation of authorities by strengthening the management system 4. Expansion of personnel in the accounting division and securing of high-quality human resources
<p>Invitation of new independent external directors</p> <p>6 → 8</p>	<p>Composition changes to the Audit and Supervisory Committee</p> <p>1 full-time, 3 part-time → 2 full-time, 2 part-time</p>

Strengthening the internal control division

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| <ul style="list-style-type: none"> 1. Expansion of personnel in administrative divisions and securing of high-quality human resources 2. Strengthening global governance through continued reinforcement of self-risk management by the top management of each Group company based on the MCR led by the Company's Corporate Management Division | <ul style="list-style-type: none"> 3. Enhancement of internal audit system |
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Revising the whistle-blowing system

In order to ensure that the Group's self-cleansing mechanisms take effect and that employees can use the system with peace of mind, the Company's Legal Department will spearhead efforts that involve overhauling the whistle-blowing system and the domestic internal reporting regulations, while also focusing on employee awareness activities.

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| <ul style="list-style-type: none"> 1. Review of the whistle-blowing system and establishment of a point of contact independent of management 2. Sharing information on the contents of reports to Audit and Supervisory Committee Members 3. Dissemination of the whistle-blowing system and handling rules by posting information on the internal newsletters, salary statements, etc. | <ul style="list-style-type: none"> 4. Consideration of remuneration system and in-house leniency system 5. Establishment of the Group whistle-blowing regulations |
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Revising the internal accounting rules and the accounting system

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| <ul style="list-style-type: none"> 1. Review and clarification of accounting rules in collaboration with external experts 2. Operational fraud prevention by renovating current core systems | <ul style="list-style-type: none"> 3. Fraud detection through the introduction of financial and journal data analysis tools |
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Establishing feasible business plans and budget

We will overhaul the PDCA cycle of budgetary management in drawing up feasible budgets and will have the Corporate Management Division serve as the division in charge of budgetary management in spearheading efforts to draw up rules on budgetary management by the end of August 2022. Specific measures in this regard are as follows.

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| <ul style="list-style-type: none"> 1. Formulation of budget with high feasibility based on actual budget analysis and understanding of causes 2. Scrutiny of the validity of preconditions for budget formulation | <ul style="list-style-type: none"> 3. Improvement of budget accuracy through analysis using KPIs |
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Termination of an illegal hotbed of dealing

In principle, the contracts for transactions (including transactions via other subsidiaries) that are likely to become hotbeds of fraud involved in the Incident, have been terminated.

External Director Appointment



Hirotomoto Abe

Thoroughly adhering to management policy that assigns top priority to compliance

I served for many years at a general trading company where I amassed experience largely through my role as person in charge of legal affairs and compliance at the company's overseas locations. I find that competent work hinges on compliance. That was a lesson learned from an incident of impropriety I encountered in my previous position. I came to the realization that whereas some employees in a business setting struggle with the gap between compliance and reality, it is possible to achieve quality business by eliminating

workplace uncertainties by thoroughly adhering to management policy that place top priority on compliance.

The Company enlists the Corporate Principles of eliminating inequalities in recruiting and working conditions and creating truly motivating workplaces. This serves as a noble goal for achieving the Sustainable Development Goals, with respect to which the Company declares a mission of enabling people to find happiness through social transformation. What's important is that we achieve these objectives by ensuring compliance. This is also the wish of the investors, business partners, employees and other

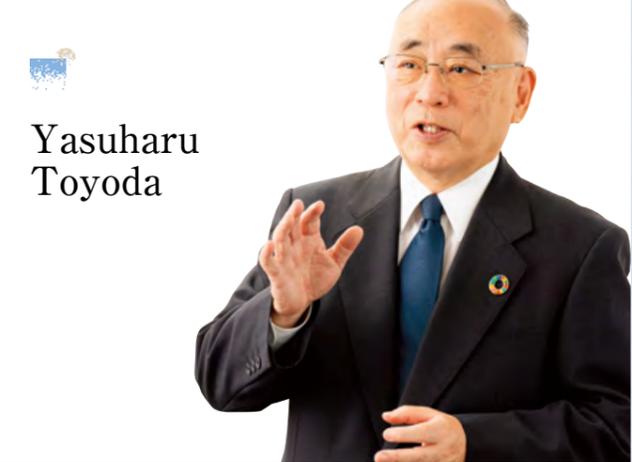
stakeholders who sustain the Company's business. I believe that in order to meet these expectations, we must further strengthen the Company's corporate governance and internal control systems. The Company's management enlists the support of numerous Group companies located in Japan and overseas. As such, I would like to propose measures geared to further strengthening the global corporate governance system required by the Company from a perspective of fairness and objectivity.

Increasing corporate value over the medium to long term

Last year, an incident involving inappropriate accounting practices became evident despite the Company having long taken an active approach with respect to all principles of Japan's Corporate Governance Code in seeking to create a fully autonomous, highly ethical corporate governance system. Given that the Company now regards the notion of ensuring effective corporate governance as a matter of urgency, we are currently taking earnest action to strengthen our corporate governance system to prevent recurrence based on recommendations of a third-party

committee's investigative report regarding the incident. Serving as an external director, I intend to soundly perform my fundamental role of supervising management from a standpoint independent of the management team. When it comes to overall management, I will actively express unbiased opinions unencumbered by in-house norms, in a manner that involves drawing on the experience I have amassed in areas that include business management, accounting and finance, while also enlisting a defensive posture based on quantitative factors. In addition, I will take action to develop effective corporate governance aligned with realities of the Company with respect to Company-wide initiatives for reforming compliance awareness and

maintaining the internal control system. The Company cites as its Corporate Principles the aim of "enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces." In that regard, it is possible for us to concurrently address social challenges and achieve sustainable business growth. The Company wields the capacity to adapt to change and power that has driven its worldwide growth. To achieve our Corporate Principles, I will provide my support to facilitate the Company's ability to appropriately take risks and help enable our management team to fully leverage our advantages under an effective system of corporate governance.



Yasuharu Toyoda



Makiko Ujiie
(Current family name: Ninagawa)

Providing active commentary on business strategy, M&As, and the corporate governance system

I have been providing services as an attorney at a law firm in Osaka since registering as an attorney-at-law in 2010. My law practice has involved handling M&As, corporate legal affairs, and banking law, actively taking on caseloads that entail arranging capital and business partnerships accompanying capital increase through third-party allotment by listed companies and working with tender offers and providing consultation on an extensive scope of legal issues and business matters for entities ranging from SMEs to listed companies.

On the basis of that background, I have been appointed to serve as an external director of the Company. I feel that the Group is a powerful enterprise with substantial growth potential derived from its development of business in anticipation of social change along with its aggressive M&A strategy. In addition, 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" truly resonates with me given that the issue of labor disparities constitutes a key challenge that must be addressed considering the significance of work in people's lives and the prevailing social landscape. I understand that I have been appointed to serve as an

external director for the purpose of strengthening the supervisory function of the Board of Directors drawing on my expert knowledge and experience primarily in relation to legal affairs and risk management, due to concerns regarding inappropriate accounting practices. Therefore, I stand committed to carrying out my professional duties as a director in a manner that involves appropriately identifying risks such as those associated with business strategy and M&As, stating my opinions at meetings of the Board of Directors, and strengthening the corporate governance system particularly by actively providing commentary while seeking to secure and enhance corporate value and common interests of shareholders.

Key Financial Trends

	(Fiscal year ended December 31)	Japanese GAAP					IFRS ¹						
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Key financial summary													
Net sales / Revenue	(Millions of yen)	28,386	32,397	42,090	47,384	59,421	80,871	134,283	230,172	311,311	360,874	365,135	569,325
Gross profit	(Millions of yen)	6,007	6,738	8,472	9,281	11,963	16,290	27,764	45,816	62,400	70,257	70,374	107,088
Gross profit margin	(%)	21.2	20.8	20.1	19.6	20.1	20.1	20.7	19.9	20.0	19.5	19.3	18.8
EBITDA	(Millions of yen)	1,414	864	1,513	1,784	2,827	3,974	7,161	13,816	18,239	24,715	25,548	39,344
Operating profit	(Millions of yen)	1,173	563	1,000	1,202	2,010	3,111	5,563	11,360	14,591	13,798	13,282	24,186
Operating profit margin	(%)	4.1	1.7	2.4	2.5	3.4	3.8	4.1	4.9	4.7	3.8	3.6	4.2
Ordinary profit / Profit before tax	(Millions of yen)	1,401	702	1,153	1,357	2,197	2,890	4,939	10,395	12,555	11,956	7,741	12,003
Profit attributable to owners of the parent	(Millions of yen)	760	194	641	1,122	1,316	1,752	3,037	6,180	7,480	7,330	1,910	832
Depreciation / Depreciation and amortization	(Millions of yen)	(240)	(301)	(512)	(581)	(817)	(892)	(1,624)	(2,481)	(3,672)	(10,917)	(12,266)	(15,158)
Total assets	(Millions of yen)	10,707	11,921	13,866	20,343	24,132	42,648	90,355	124,645	186,141	239,485	302,901	350,934
Total net assets / Total equity	(Millions of yen)	3,475	3,670	4,511	5,915	7,569	11,040	10,001	26,757	60,657	63,892	66,446	72,464
Interest-bearing liabilities	(Millions of yen)	2,818	3,342	4,502	7,233	6,641	13,815	48,138	50,347	56,956	103,507	148,610	151,593
ROE (Return on equity / Return on equity attributable to owners of the parent)	(%)	24.6	5.8	17.0	23.8	21.6	21.1	33.7	37.8	18.7	12.8	3.2	1.3
ROA (Return on assets)	(%)	7.6	1.7	5.0	6.6	5.9	4.9	4.6	5.7	4.8	3.4	0.7	0.3
D/E ratio	(Times)	84.7	97.1	110.2	135.8	96.5	133.9	625.3	201.7	103.2	173.9	245.8	229.8
Equity ratio / Total equity attributable to owners of the parent to total assets	(%)	31.1	28.9	29.5	26.2	28.5	24.2	8.5	20.0	29.7	24.9	20.0	18.8
Payout ratio	(%)	13.7	59.3	18.0	16.8	39.0	32.8	24.1	30.4	30.3	41.1	65.9	469.7
DOE (Dividends on equity / Dividends on equity attributable to owners of the parent)	(%)	3.1	3.0	3.0	3.9	3.8	7.3	8.1	11.9	6.6	5.3	2.1	6.2
Net cash provided by (used in) operating activities	(Millions of yen)	765	412	1,062	1,298	2,284	1,887	1,246	10,132	8,496	22,560	22,498	28,872
Net cash provided by (used in) investing activities	(Millions of yen)	436	(274)	(755)	(1,982)	(1,351)	(4,326)	(28,717)	(8,498)	(30,018)	(8,572)	(8,720)	(38,373)
Net cash provided by (used in) financing activities	(Millions of yen)	(1,121)	319	697	1,800	(930)	5,362	31,688	5,389	32,442	(3,207)	26,905	(25,985)
Cash and cash equivalents at end of year	(Millions of yen)	1,713	2,166	3,248	4,520	4,671	7,501	11,746	19,108	29,451	40,246	81,720	48,334

Per share data²

Basic earnings per share attributable to owners of the parent	(Yen)	10.49	2.69	8.89	15.50	17.96	21.33	34.85	62.53	69.42	58.34	15.17	6.60
Net assets per share / Equity attributable to owners of the parent per share	(Yen)	46.17	47.68	56.64	73.34	92.73	118.51	88.20	244.76	439.81	473.22	480.09	523.77
Annual dividend per share	(Yen)	1.44	1.60	1.60	2.60	7.00	7.00	8.40	19.00	21.00	24.00	10.00	31.00

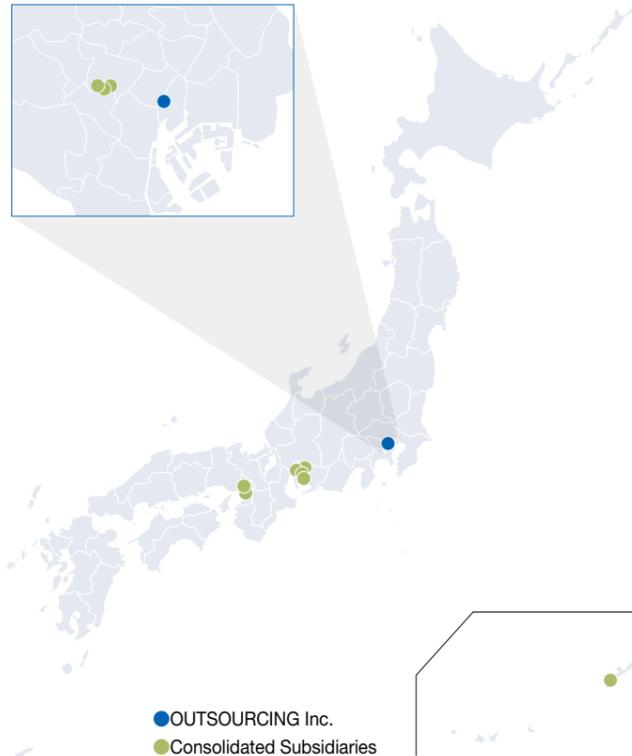
¹ In line with the finalization of provisional accounting treatments related to a business combination, part of the consolidated financial statements was retrospectively restated.

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 June 1, 2022)

Domestic Business Locations

Domestic Consolidated Subsidiaries: **50**
(Including the Company)



Kanto Area

- **OUTSOURCING Inc.**
- RPM Co., Ltd.
- OUTSOURCING TECHNOLOGY Inc.
- Thinketh Bank Co., Ltd.
- Kyodo Engineering Corporation
- OTS Inc.
- OSBS Inc.
- PEO Construction Machinery Operators Training Center Co., Ltd.

Kinki Area

- ORJ INC.
- Advantec Co.,Ltd.

Chubu Area

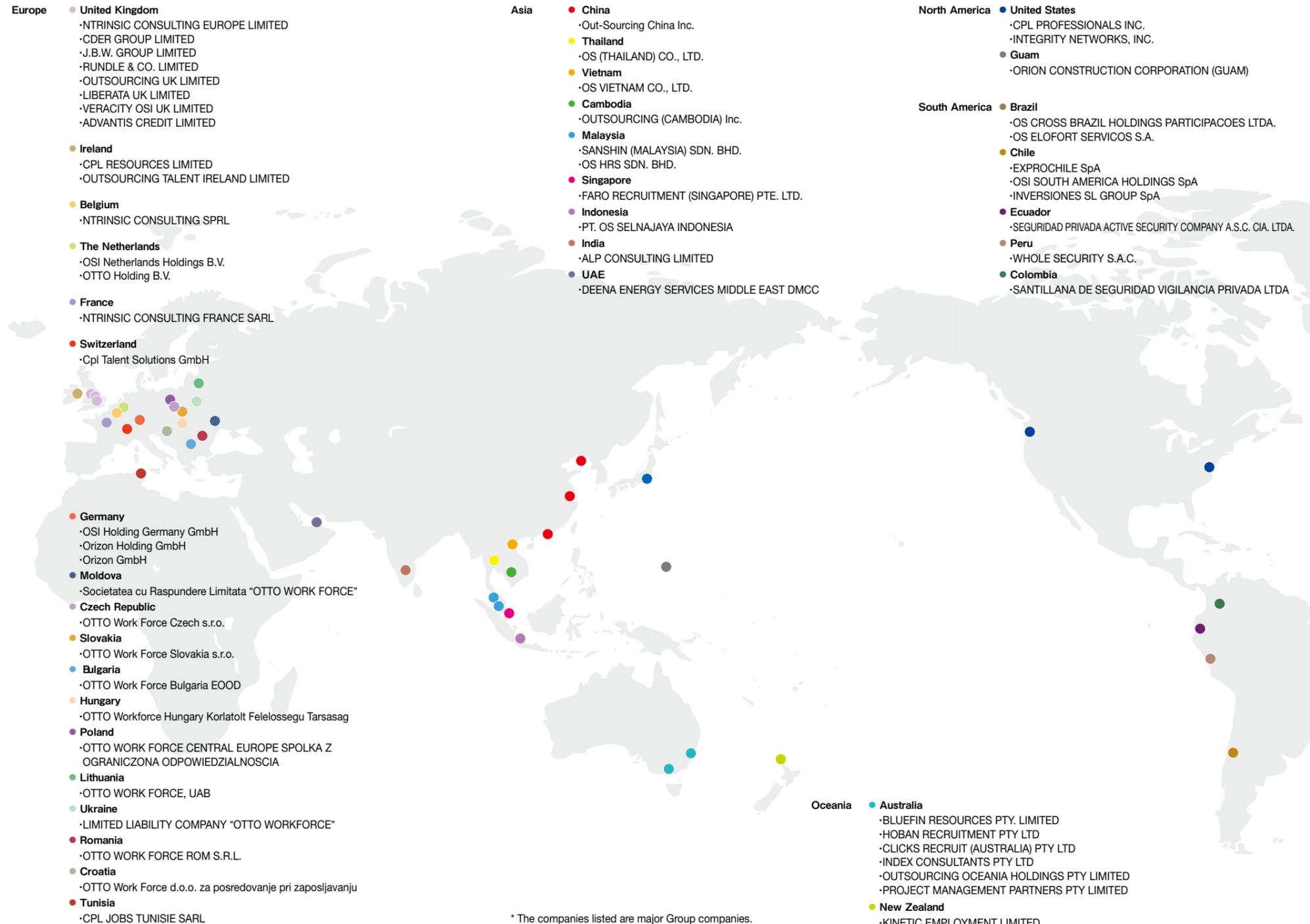
- PEO Co., Ltd.
- enable Inc.
- AVANCE CORPORATION
- S.S.Sangyo Co.Ltd.

Okinawa Area

- AMERICAN ENGINEERING CORPORATION

Overseas Business Locations

Overseas Consolidated Subsidiaries: **217**



Corporate Profile and Share Information (As of December 31, 2021)

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	121,153 (consolidated)
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 (As of March 29, 2022)

Chairman and CEO	Haruhiko Doi
Senior Executive Director	Kazuhiko Suzuki
Director	Masashi Umehara
Director	Masashi Fukushima
Director	Anne Heraty
Director	Franciscus van Gool
External Director	Atsuko Sakiyama
External Director	Hiroto Abe
External Director	Yasuharu Toyoda
External Director	Makiko Ujiie <small>(Current family name: Ninagawa)</small>
External Director	Hideyo Nakano
External Director	Ichiro Otani*
External Director	Masaru Namatame*
External Director	Hiroshi Otaka*
External Director	Hideo Shiwa*

* Director who is an Audit and Supervisory Committee Member

Status of Shares

Total number of authorized shares	160,000,000 shares
Total number of issued shares	125,926,800 shares
Total number of shareholders	45,765

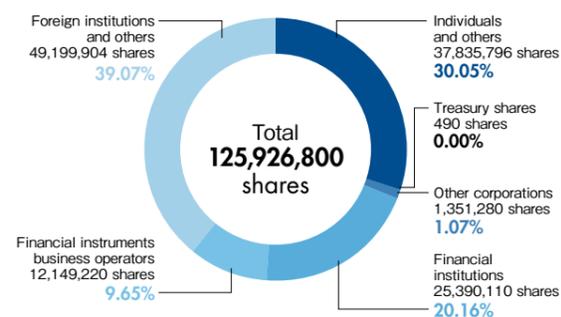
Share Information

Securities code	2427
Listing	First section of the Tokyo Stock Exchange <small>(Listed on the Prime Market effective from April 2022)</small>
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 <small>(Note) Upon decision to furnish the interim dividend</small>
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation
Accounting Auditor	Deloitte Touche Tohmatsu LLC

Major Shareholders

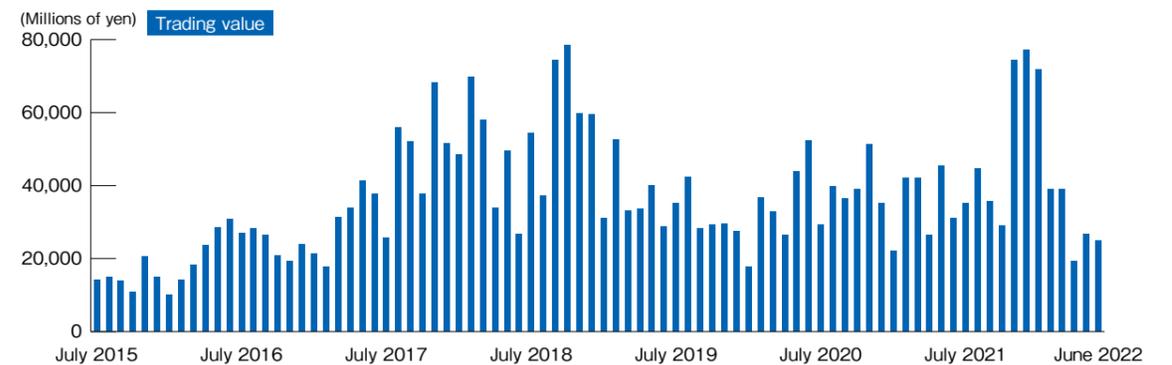
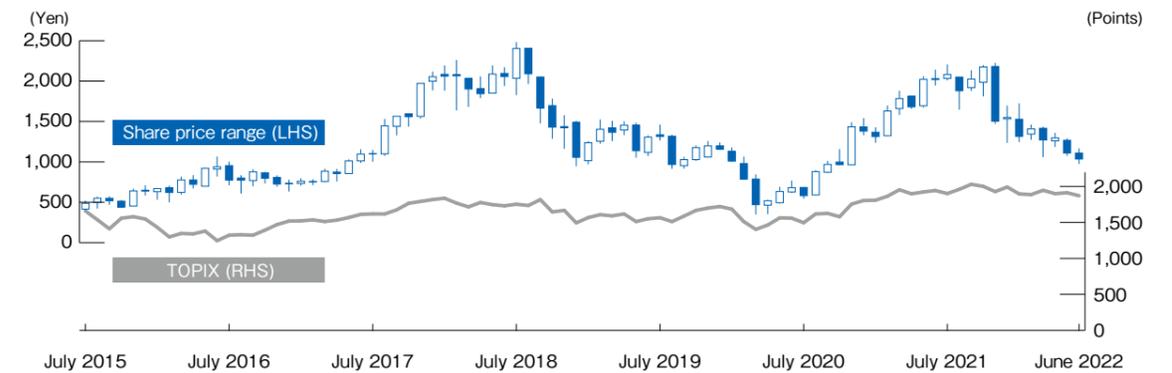
Name of shareholder	Number of shares held	Shareholding ratio (%)
Haruhiko Doi	15,767,200	12.52
THE MASTER TRUST BANK OF JAPAN, LTD. <small>(Trust Account)</small>	14,693,500	11.67
CUSTODY BANK OF JAPAN, LTD. <small>(Trust Account)</small>	6,553,300	5.20
JP MORGAN CHASE BANK 385635	4,704,958	3.74
JP MORGAN CHASE BANK 380072	3,632,900	2.88
THE BANK OF NEW YORK MELLON 140051	2,927,000	2.32
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2,914,090	2.31
SMBC NIKKO SECURITIES INC.	2,792,100	2.22
JPMorgan Securities Japan Co., Ltd.	2,354,341	1.87
THE BANK OF NEW YORK MELLON SA/NV 10	2,300,000	1.83

Shareholding by Shareholder Category



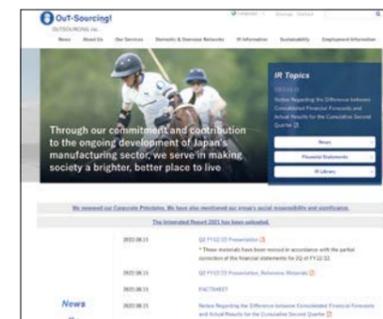
Share Price Range and Trading Value (As of June 30, 2022)

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.



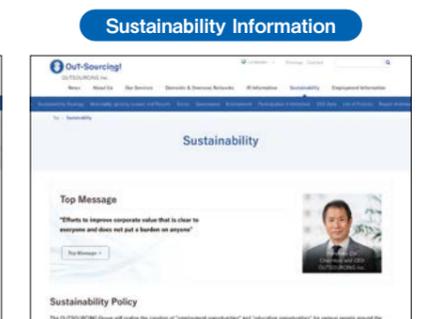
The Company's website provides the latest information regarding general activities of Group companies.

<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 sustainability policy and activity reports of the Group as a whole, is posted.

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