


Results Briefing Materials

2Q FY2020

July 3, 2020

S-Pool, Inc.

First Section, Tokyo Stock Exchange (2471)

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1. 2Q FY2020 Performance Results
 2. 2Q FY2020 Overview by Business Segment
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S-POOL



1. 2Q FY2020 Performance Results

S-POOL

FY2020 2Q overview of settlement of accounts

■ Achieving major improvements centered on profit while overcoming COVID-19

Net sales	9,759 million yen	(YoY change +17.6%)
Operating profit	991 million yen	(YoY change +29.9%)
Net income*	688 million yen	(YoY change +38.5%)

*Quarterly net income attributable to owners of the parent

Overview of FY2020 2Q by business segment

■ Achieving major improvements centered on profit while overcoming COVID-19

Even under challenging circumstances, half of the Company's segments recorded record-high net sales and operating profit.

■ The two major businesses maintained high growth despite COVID-19. [Human Resources Outsourcing Services]

Net sales of **7,142** million yen (YoY change +21.3%)

[Special Needs Employment Services] Net sales of **1,503** million yen (YoY change +19.3%)

FY2020 forecasts

■ Striving to reach target figures while minimizing post-COVID-19 effects

Net sales	20,636 million yen	(YoY change +17.8%)
Operating profit	2,000 million yen	(YoY change +24.7%)
Projected dividend	3.3 yen	(previous term: 2 yen)

■ Substantially exceeding previous record highs for net sales and profits despite COVID-19

(Unit: million yen)

	FY2020 2Q result	FY2019 2Q result	YoY change	YoY change (%)
Net sales	9,759	8,296	+ 1,462	+ 17.6%
Gross profit	2,874	2,426	+ 448	+ 18.5%
Gross profit margin (%)	29.5%	29.2%		+0.3 pt
Selling and administrative expenses	1,883	1,663	+ 219	+ 13.2%
Selling and administrative expenses/net sales (%)	19.3%	20.0%		−0.7 pt
Operating profit	991	763	+ 228	+ 29.9%
Operating profit margin (%)	10.2%	9.2%		+1.0 pt
Ordinary profit	989	778	+ 210	+ 27.1%
Quarterly net income attributable to owners of the parent	688	496	+ 191	+ 38.5%

2Q FY2020 Financial Results (vs. Targets)

- Achieving targets despite the impact of COVID-19 thanks to an upturn centered on profits, leading to upward revision of quarterly net income attributable to owners of the parent

(Unit: million yen)

	FY2020 2Q result	FY2019 2Q result	YoY change	YoY change (%)
Net sales	9,759	9,633	+ 125	+ 1.3%
Gross profit	2,874	2,777	+ 97	+ 3.5%
Gross profit margin (%)	29.5%	28.8%		+0.7 pt
Selling and administrative expenses	1,883	1,988	− 105	− 5.3%
Selling and administrative expenses/net sales (%)	19.3%	20.6%		−1.3 pt
Operating profit	991	788	+ 202	+ 25.7%
Operating profit margin (%)	10.2%	8.2%		+2.0 pt
Ordinary profit	989	782	+ 206	+ 26.4%
Quarterly net income attributable to owners of the parent	688	509	+ 178	+ 35.0%

■ The Human Resource Solutions Segment (temporary staffing services) drove Group 1H performance

(Unit: million yen)

	FY2020 2Q results			FY2019 2Q results			YoY change in net sales	YoY change in operating profit
	Net sales	Operating profit	Operating profit margin	Net sales	Operating profit	Operating profit margin		
Business Solutions Segment	2,644	740	28.0%	2,425	673	27.8%	+ 9.0%	+ 10.0%
Human Resource Solutions Segment	7,142	786	11.0%	5,889	591	10.0%	+ 21.3%	+ 33.0%
Adjustments	(27)	(536)	-	(18)	(502)	-	-	-
Total	9,759	991	10.2%	8,296	763	9.2%	+ 17.6%	+ 29.9%

[Main businesses in each segment]

Business Solutions Segment:

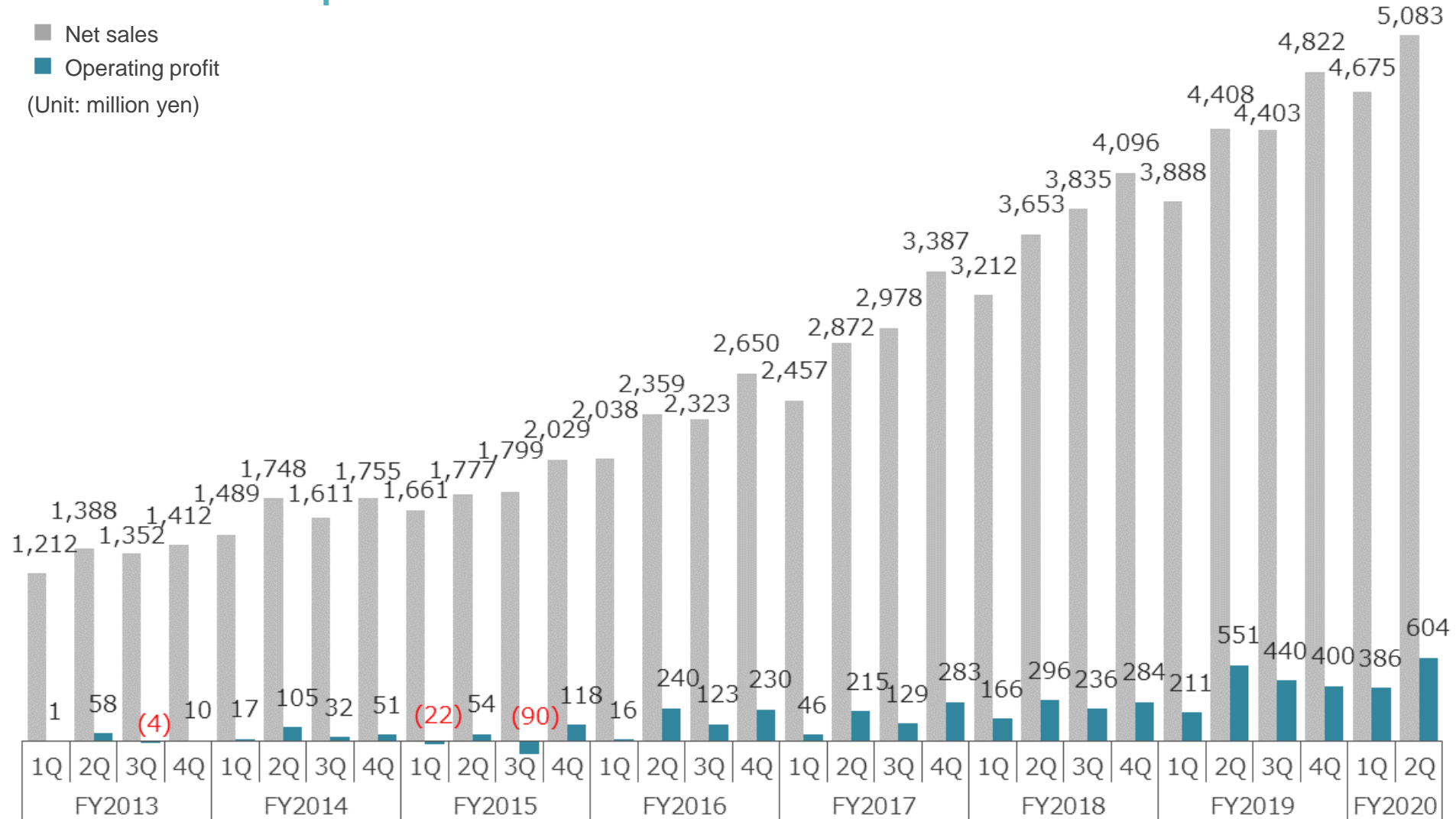
Outsourcing Services (Special Needs Employment Service, Logistics, Employment Support Service, etc.)

Human Resource Solutions Segment: Temporary Staffing Services (temporary staffing of call centers, electronics mass retailers, mobile phone shops, etc.)

Trends in Quarterly Business Performance

■ Recording record highs in both net sales and operating profit in 2Q, the COVID-19 peak

■ Net sales
■ Operating profit
(Unit: million yen)

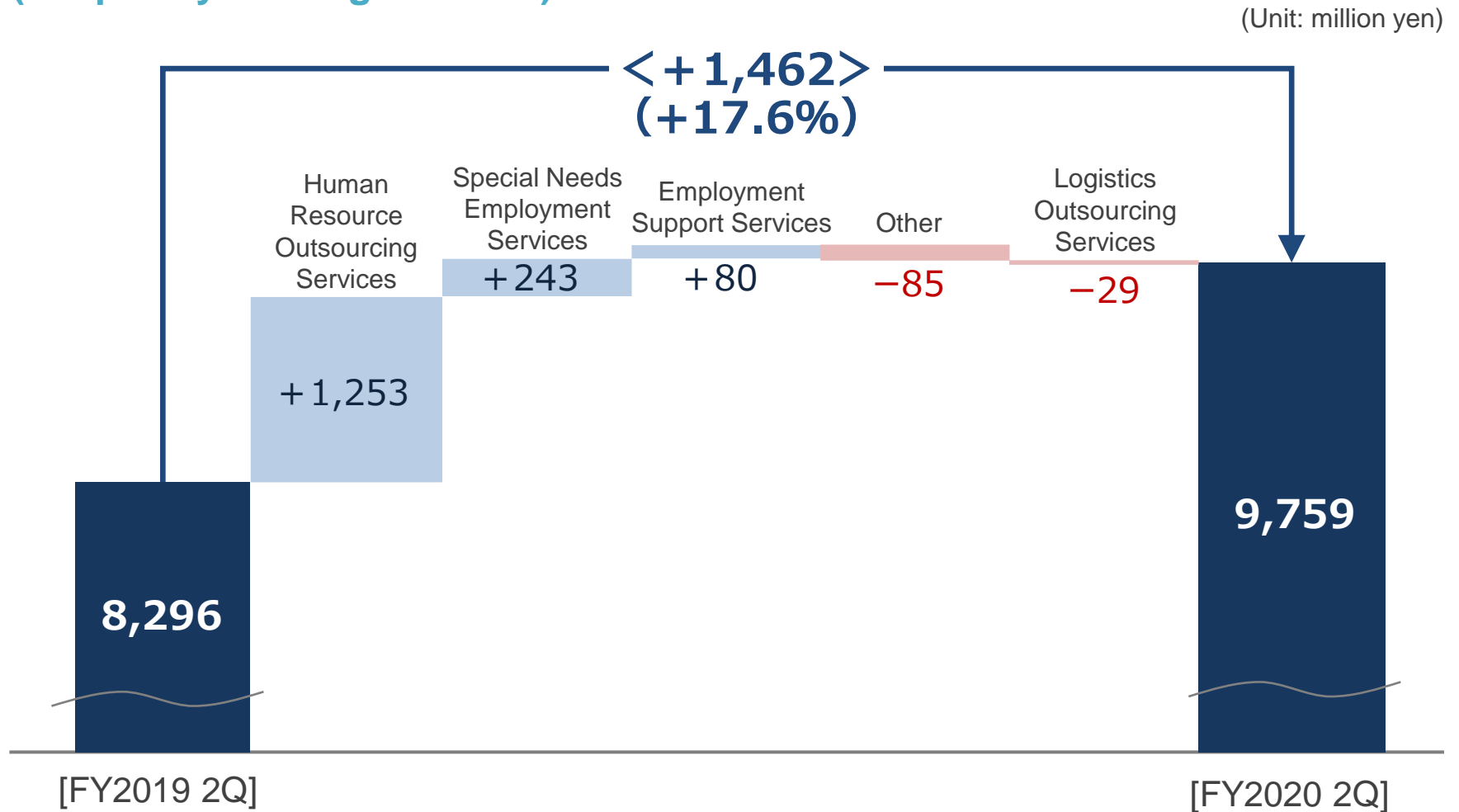


■ Building up funds on hand in preparation for potentially prolonged COVID-19 pandemic

(Unit: million yen)

	FY2020 2Q	FY2019 2Q	YoY change	Main causes of changes
Cash flow from operating activities	578	423	154	Increase in quarterly net income
Cash flow from investment activities	- 1,008	- 730	- 278	Purchase of property, plant, and equipment for opening farm facilities
Cash flow from financial activities	1,075	533	541	Increase in short-term debts
Balance of cash and cash equivalents	2,763	1,315	1,448	

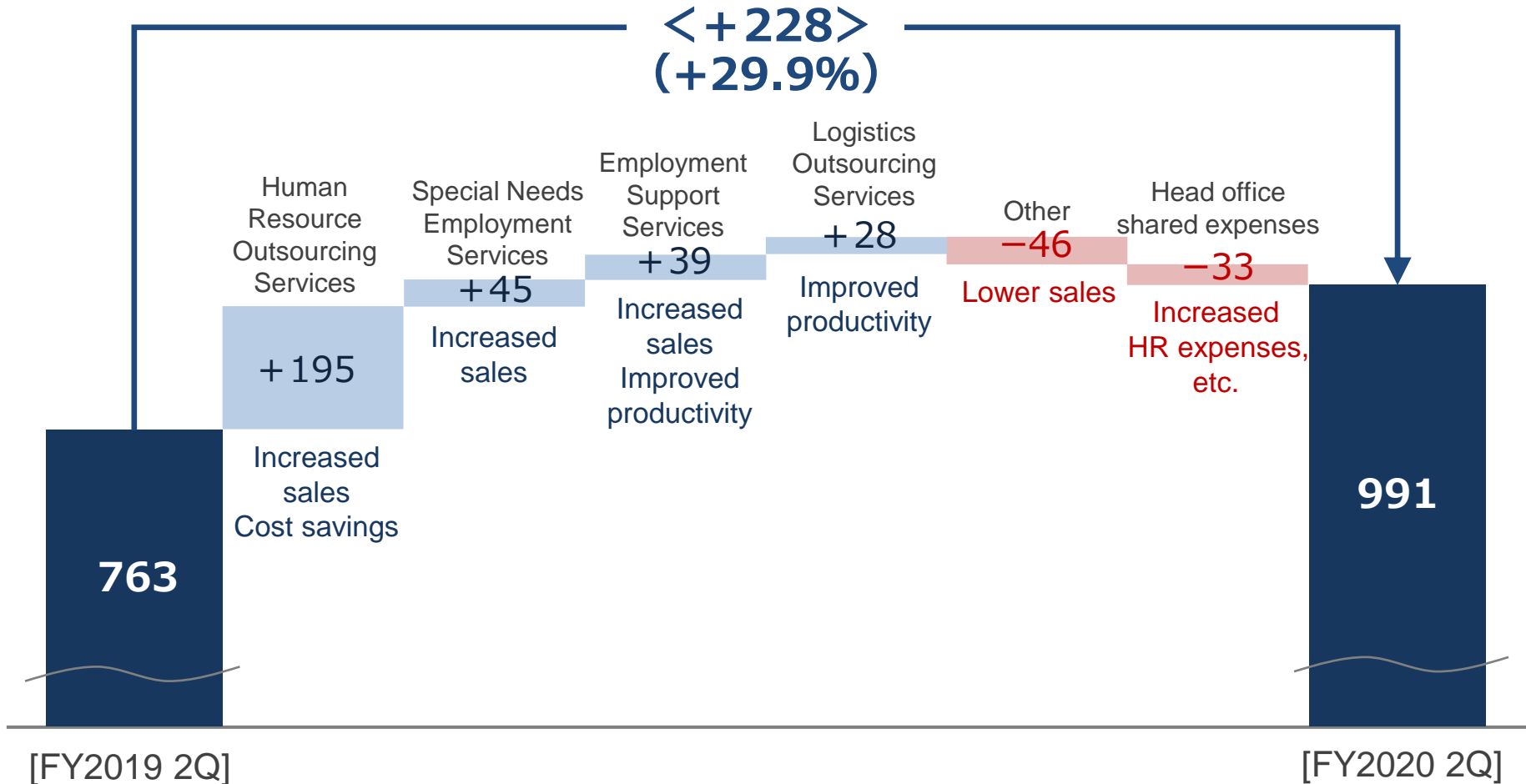
■ Significant boost from sales of Human Resource Solutions Segment (temporary staffing services)



* Other: Sales Support Services, Consultant Placement Services, etc.

■ Each business recorded steady profits even amid the COVID-19 pandemic

(Unit: million yen)







* Other: Sales Support Services, Consultant Placement Services, etc.


- The impact of COVID-19 has been limited to date.
However, COVID-19 may impact business activities in 3Q and beyond.

Business Solutions Segment

* Arrows indicate change in sales vs. initial targets

Special Needs Employment Services		<ul style="list-style-type: none"> • Special needs education and training have been delayed. Equipment (section) sales have trended downward as we move into the 3Q. • While results have fallen somewhat short of sales targets due to the above reasons, the full-year targets remain unchanged.
Logistics Outsourcing Services		<ul style="list-style-type: none"> • Distribution centers operated at full capacity temporarily due to significant growth in e-commerce sales, with consumers staying home for social distancing purposes.
Employment Support Services (OMUSUBI)		<ul style="list-style-type: none"> • Declining use by restaurants, bars, and other such establishments were offset by growing use by delivery services, supermarkets, and other businesses. The net result was progress according to plans. [↑] Delivery services, supermarkets [↓] Restaurants, bars, amusement services (karaoke, etc.)
Other		<ul style="list-style-type: none"> • Steady business contraction and delays in sales support services and consultant placement services • Sales fell by a total of approx. 120 million yen. Figures were generally about 60-70% of the figures targeted.

Human Resource Solutions Segment

Human Resource Outsourcing (staffing, referrals)		<ul style="list-style-type: none"> • Various factors reduced utilization rates, including shift adjustments in the call center business and temporary store closures in the sales support business. • While revenues declined by approx. 150 million yen, this impact was less than expected. Results exceeded targets.
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■ Donating masks to client long-term care facilities (where temporary staff are assigned)

[Donations]

Approx. 30,000 surgical masks



■ Contributing services at no charge for the COVID-19 hotline of the city of Kitami, Hokkaido


Our call center provided telephone services related to COVID-19 emergency economic stimulus measures in the city of Kitami.



■ Launching employee sharing platform to facilitate staffing adjustments among employers

Launching platform linking companies needing employees to companies with surplus employees

Supporting smooth staffing adjustments through mediation and mutual referrals at no charge



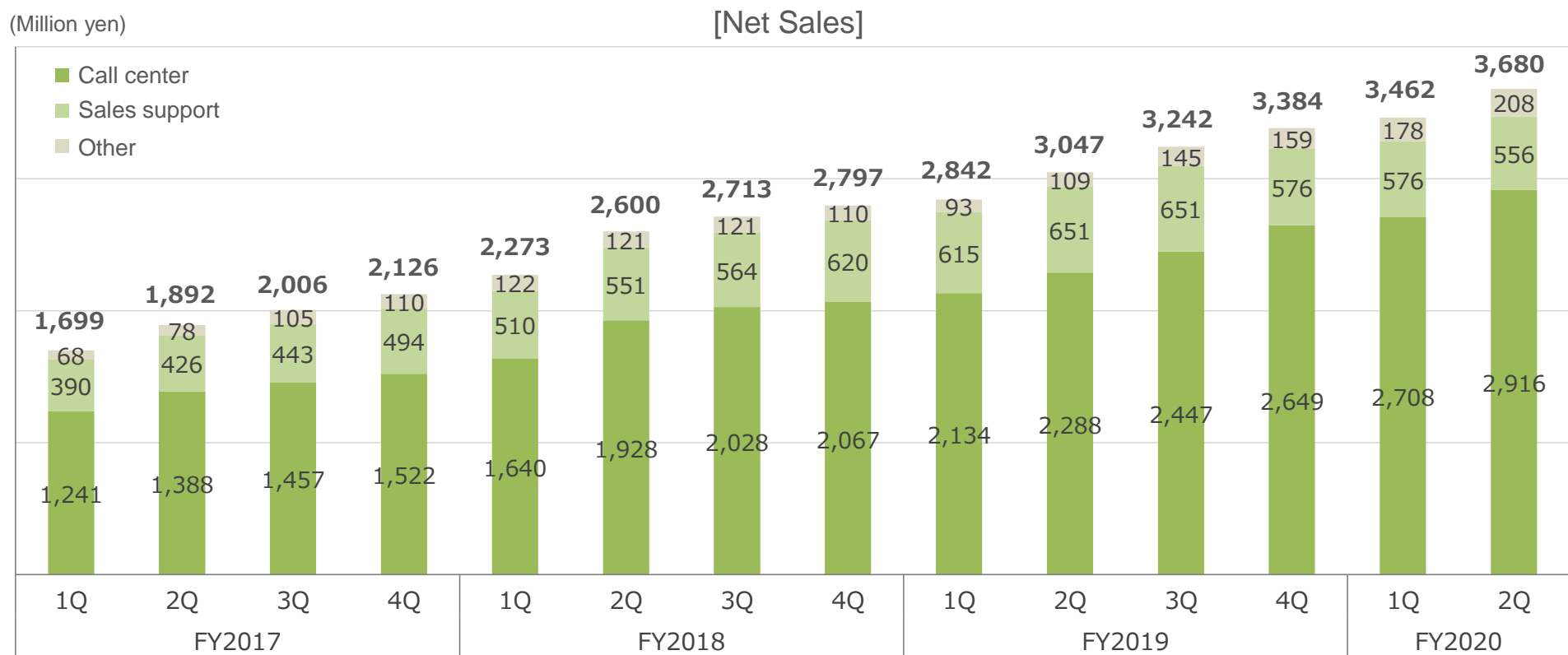
2. 2Q FY2020 Overview by Business Segment

S-POOL

Net sales: 7,142 million yen (YoY change +21.3 %)

Increasing sales and profits while minimizing the impact of COVID-19; exceeding initial targets

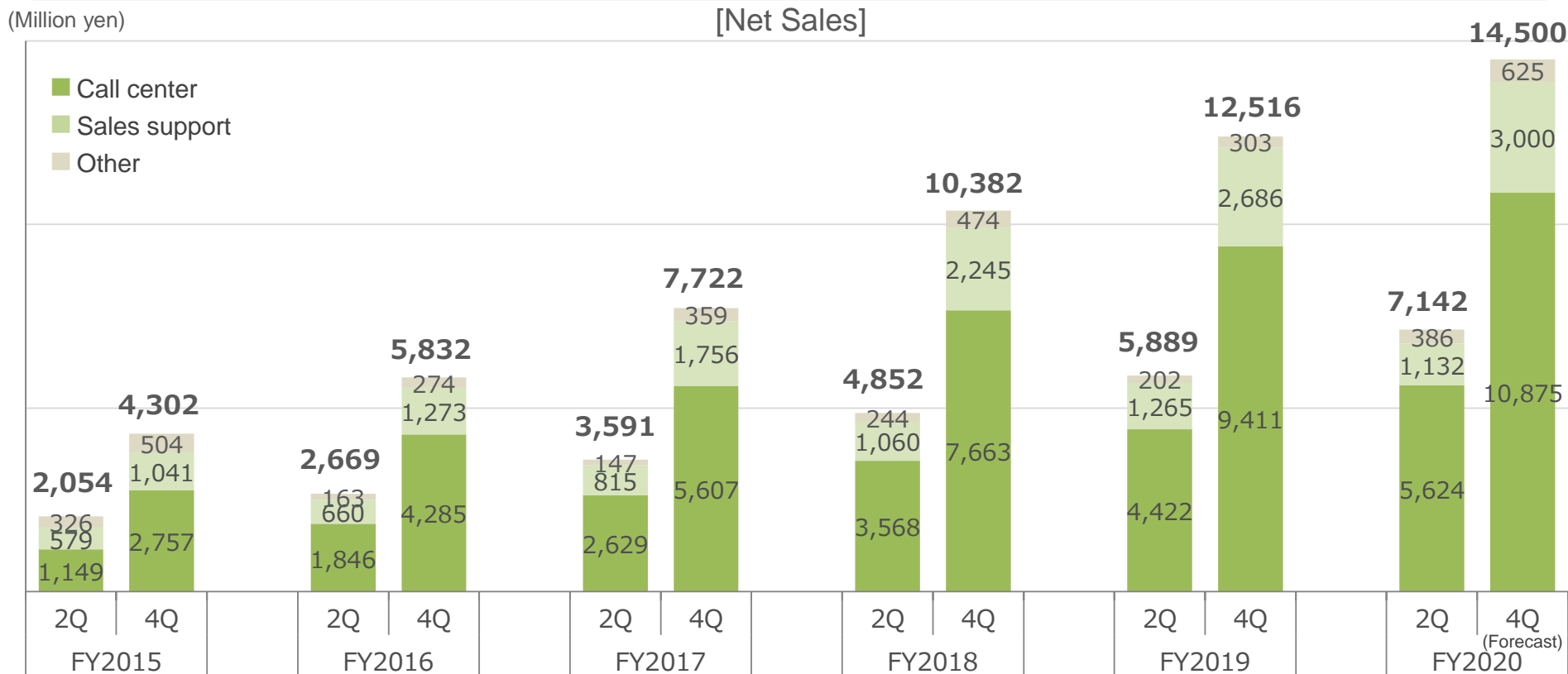
[Call centers] Net sales: 5,624 million yen (+27%); Growth in group placement led to increased sales despite COVID-19.
 [Sales support] Net sales: 1,132 million yen (-11%); Sales fell due to the significant impact of temporary store closures and reduced business hours.
 [Number of staff deployed] 5,600 staff/month (YoY change: +18%)
 [Newly registered staff/1H average] 4,460 staff/month (YoY change: +23%)



Net Sales [full year] 14,500 million yen (YoY change +15.9 %)

Prioritizing profits through strengthened cost controls and a resource focus on sectors with strong demand for human resources

- [Call Centers] Intensifying efforts targeting major customers (continuing the No. 1 strategy), expanding customer base, securing COVID-19-related business
- [Sales Support] Maintaining profit structures through organizational slimming and by enhancing sales targeting the post-COVID-19 era
- [Other] Enhancing long-term care and medical human resource services, areas in which demand remains strong, even amid COVID-19



Special Needs Employment Service [1H Results]

Net sales: 1,503 million yen (YoY change +19.3 %)

Special needs education and training have been delayed by emergency conditions. Finalization of certain equipment sales were pushed into 3Q.

[Equipment sales] 408 sections (planned: 450 sections)

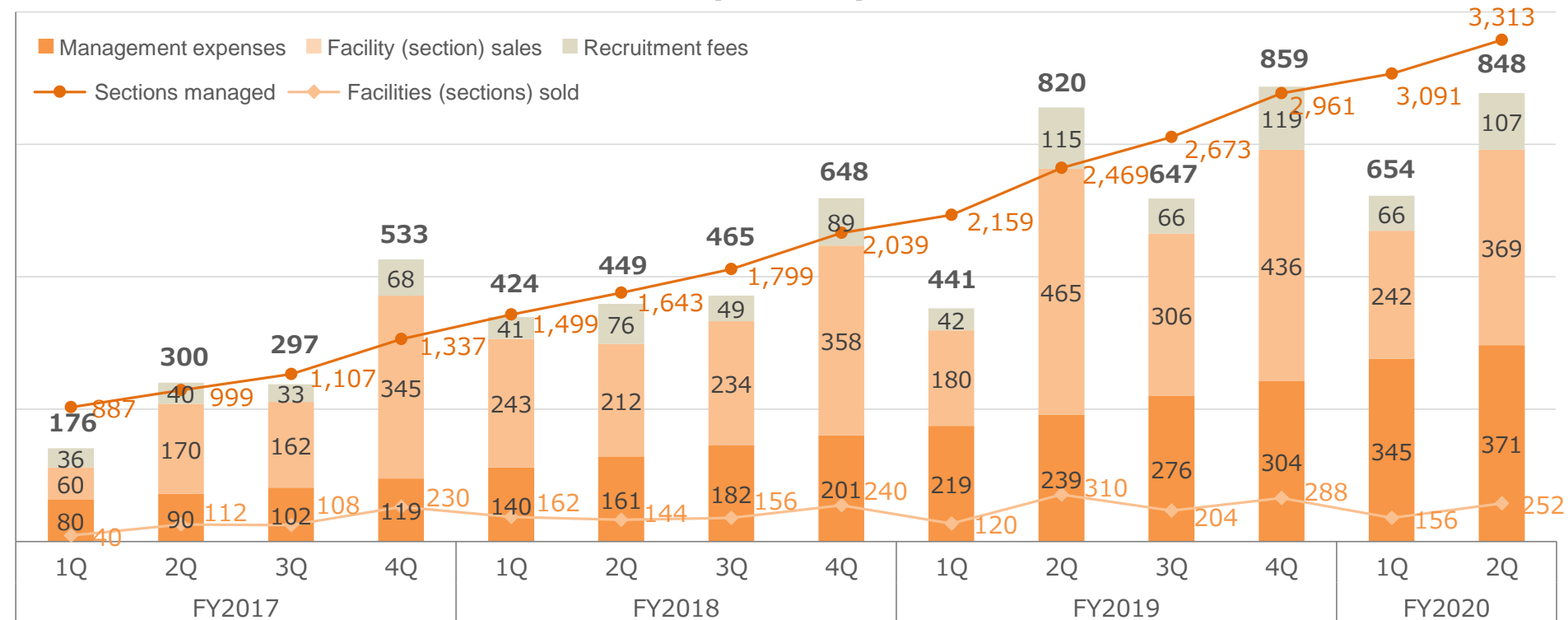
[Number of administrative sections] 3,313 sections

[Customers] 281 companies (four withdrew)

- Plans to open farm facilities proceeded according to plan. New facilities opened in Kawagoe, Saitama Prefecture, and Komaki, Aichi Prefecture (the fourth facility this year, the 21st overall).
- Sales activities stalled temporarily due to increasing use of remote working at customers. As of the end of May 2020, orders had been received for 192 sections.

(Million yen)

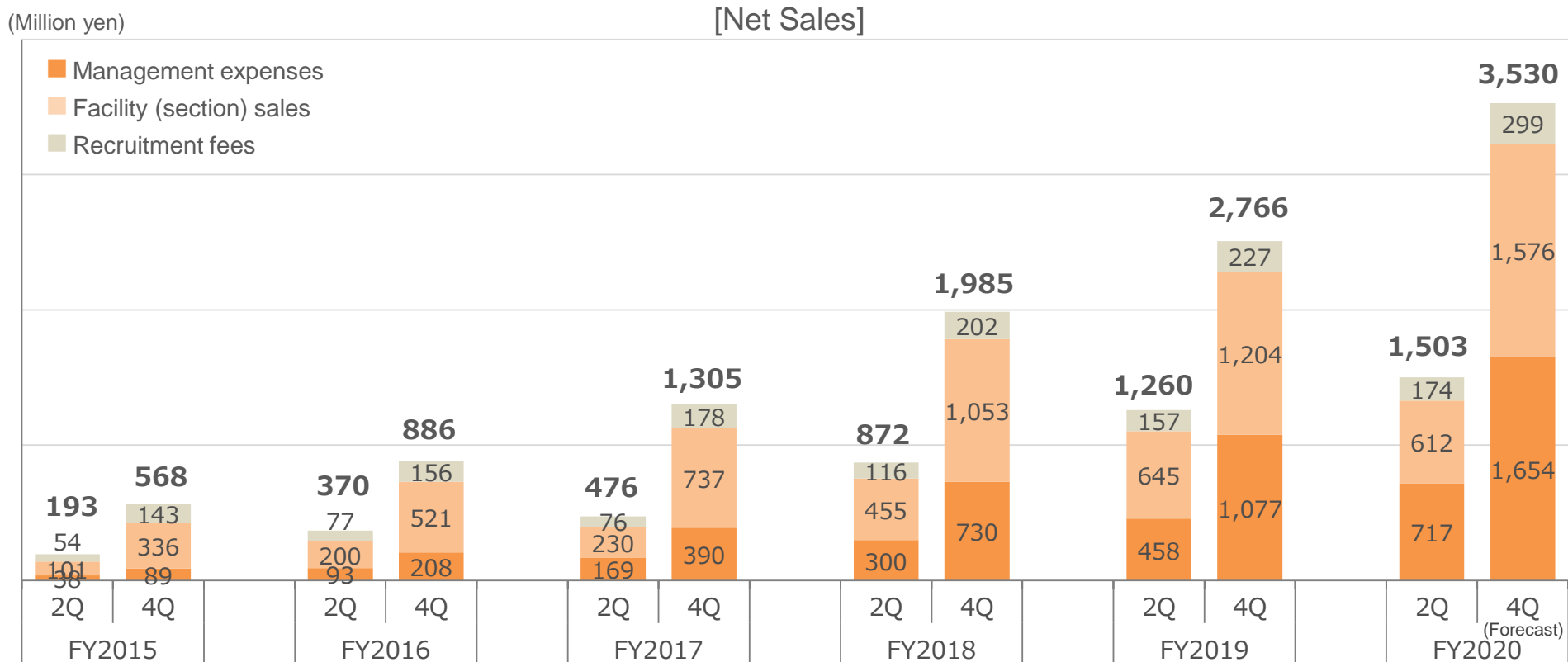
[Net Sales]



Net Sales [full year] 3,530 million yen (YoY change +27.6 %)

There is no major change in customer needs at present; proceeding steadily with preparations to achieve full year targets.

- No change in full-year sales target of 1,026 sections (3Q: 222 sections; 4Q: 396 sections)
- Steady progress in opening outdoor farm facilities. Site selection is complete for the fifth facility, to open during 4Q of this year.
- A new indoor farm facility is slated to open in 4Q. A cooperative agreement was concluded with Itabashi Ward on June 11, and preparations for opening are accelerating.



Net sales: 562 million yen (YoY change -4.9%)

Significant growth in shipment of mail order products, backed by strong demand from consumers staying home for social distancing purpose

[Shipment of mail order products] 507 million yen (YoY change +2%)

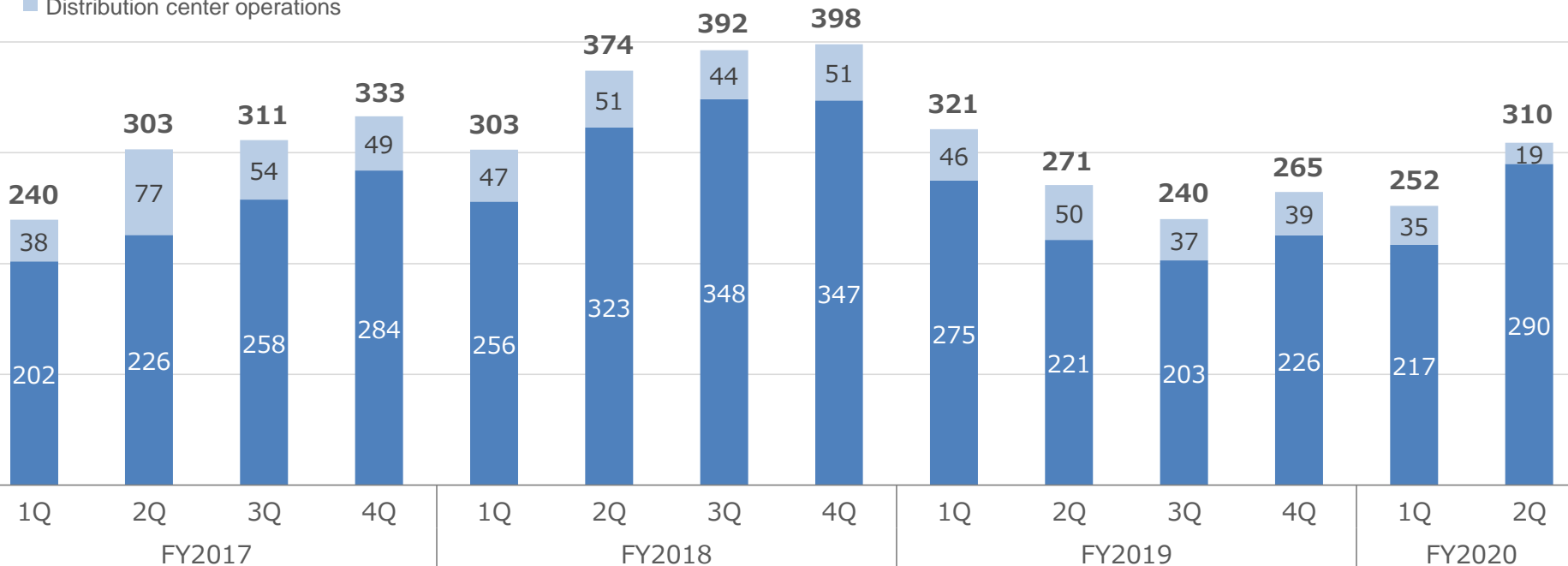
[Distribution center operations] 54 million yen (YoY change -43%)

- Sales for shipment of mail order products were down approx. 330 million yen due to changes affecting shipping cost advances. Real sales rose significantly.
- Distribution center operations fell dramatically due to COVID-19 (because major clients are department stores).

(Million yen)

[Net Sales]

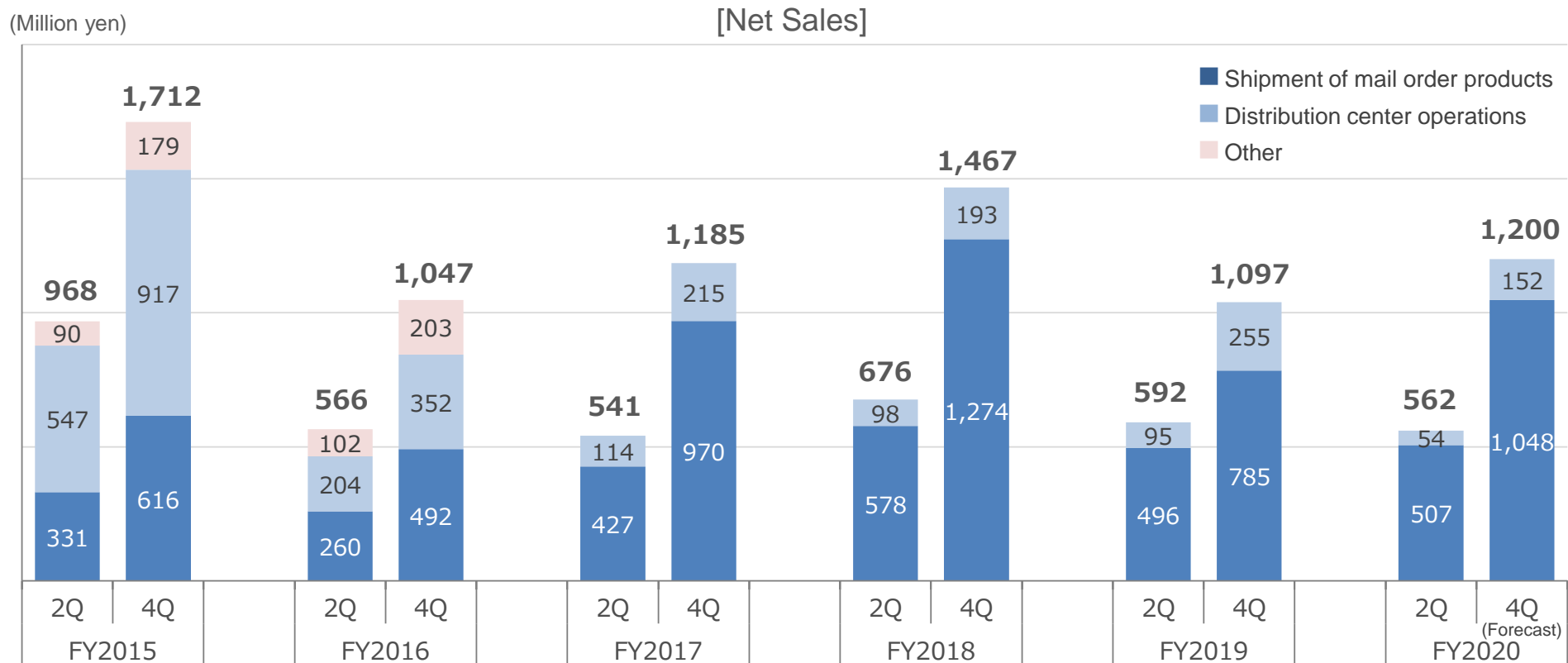
■ Shipment of mail-order products
■ Distribution center operations



Net Sales [full year] 1,200 million yen (YoY change +9.4%)

The scheduled opening of new centers has been postponed. The focus for now is on maximizing profits at existing centers.

- Maintaining high utilization rates at existing centers, securing utilization space through relocation
- [Current utilization rates at end of May 2020] [Shinagawa Center] 100% [Tsukuba Center] 100%
- Increasing net sales per unit of floor area (replacing low-profit sites and increasing productivity through business improvements)

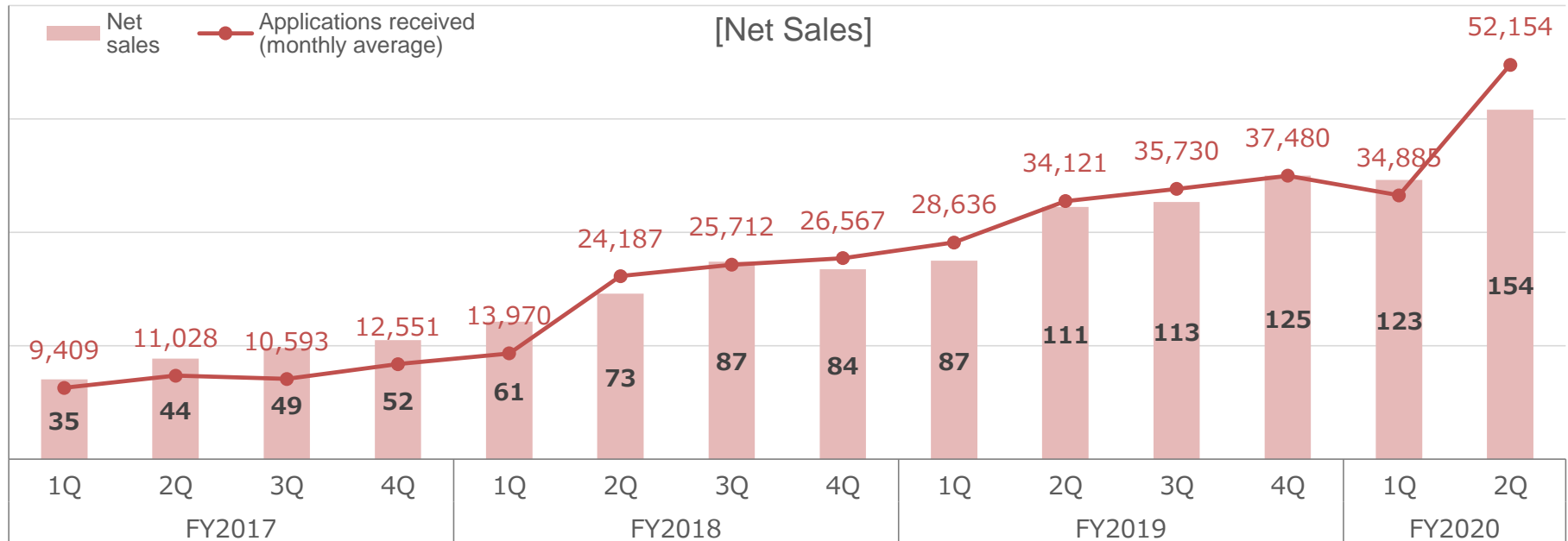


1H

Net Sales: 278 million yen (YoY change +40.4%)

Applications received continued to grow in 2Q despite COVID-19, reaching a new record high (approx. 58,593) in April.

- Growth in applications from supermarkets and delivery services offset declines in applications from restaurants, bars, and amusement facilities (e.g., karaoke).
- Opening of new center (the fifth in total) in Hirosaki, Aomori Prefecture in April in response to business growth



2H

Net Sales [full year]: 600 million yen (YoY change +37.4%)

- Targeting upselling through deployment of new services (e.g., Web interview services and aptitude diagnostics) for the post-COVID-19 era
- Enhancing new sales centered on businesses that perform well despite COVID-19

■ Planning responses based on conservative outlook of prolonged pandemic rather than optimistic quick resolution scenario

Business Solutions Segment

Special Needs Employment Services	<ul style="list-style-type: none"> Responding to decreased opportunities for sales discussion due to increased use of remote working by customers → Revising sales methods, enhancing inside sales, development of more elite sales teams
Logistics Outsourcing Services	<ul style="list-style-type: none"> Postponing the opening of new centers and prioritizing profitability improvements at existing centers Focusing on minimum necessary investments in logistics systems during this period
Employment Support Services (OMUSUBI)	<ul style="list-style-type: none"> Deployment of new services (e.g., Web interview services and aptitude diagnostics) for the post-COVID-19 era Enhancing sales centered on businesses that perform well despite COVID-19
Other	<p>[Sales Support] Launching anti-virus coating services in anticipation of lengthy wait for demand recovery</p> <p>[Companywide] Curtailing investment (postponing certain system investments until the next period)</p>

Human Resource Solutions Segment

Human Resource Outsourcing Services (staffing, referral)	<p>[Call Centers] Intensifying efforts targeting major customers, expanding the customer base, securing COVID-19-related business</p> <p>[Sales Support] Maintaining profit structures through organizational slimming</p> <p>[Other] Enhancing long-term care and medical human resource services, areas where demand for human resources is strong</p>
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■ Backdrop to the launch of these services

[Need for replacement business]

S-POOL's sales support business faces a weak recovery trend because it focuses primarily on in-person sales campaigns.

[Presence of large numbers of potential customers]

Many of the Group's customers own multiple facilities that require measures to limit the spread of COVID-19.

■ Anti-virus coating

This service can cut the risk of contact exposure to viruses and bacteria. It involves spraying special-purpose antiviral/antibacterial chemicals on surfaces people are likely to touch, rendering them harmless. Treated surfaces maintain their antiviral/antibacterial effects for one year.

■ Future deployment

Beginning service provision centered on the Group's existing customers

Customers of Sales Support Services, Employment Support Services, and Temporary Staffing Services
(restaurants and bars, amusement facilities, retail facilities, long-term care/eldercare facilities, hot springs facilities and fitness centers, etc.)

- **We acquired 70% of stock in Blue Dot Green, part of efforts to grow our businesses in the environmental field in addition to the social domains in which we are already active.**

[Name]	Blue Dot Green Inc.
[Established]	November 2011
[Line of business]	Carbon offset provider
[Net sales]	278 million yen (results in FY ending March 2019)
[Strengths]	Significant expertise in calculations involving CO2 emissions and creation of carbon credits



- **COVID-19 has spurred major changes in public outlook worldwide, prompting movement toward an age characterized by ethical thinking.**



COVID-19 has strengthened the global movement toward recycling-oriented and more sustainable societies.

Increasing emphasis on governments, companies, and individuals reflecting and acting on what they can do will lead to more proactive efforts to address Sustainable Development Goals (SDGs).

These changes will encourage corporations to adopt a more proactive approach to environmental action and results and prompt companies to reduce CO2 emissions themselves, in place of merely purchasing emissions credits.

All this increases the potential for the dramatic broadening of applications for Blue Dot Green's expertise.



3. 3Q FY2020 Performance Forecasts

Medium-term management plan

Promoting well-balanced portfolio management resistant to environmental changes

High social contributions

Resistant to business cycle changes

High barriers to entry

Providing highly profitable services with high added value

Aiming to achieve 10% operating profit margin by the term ending November 2020

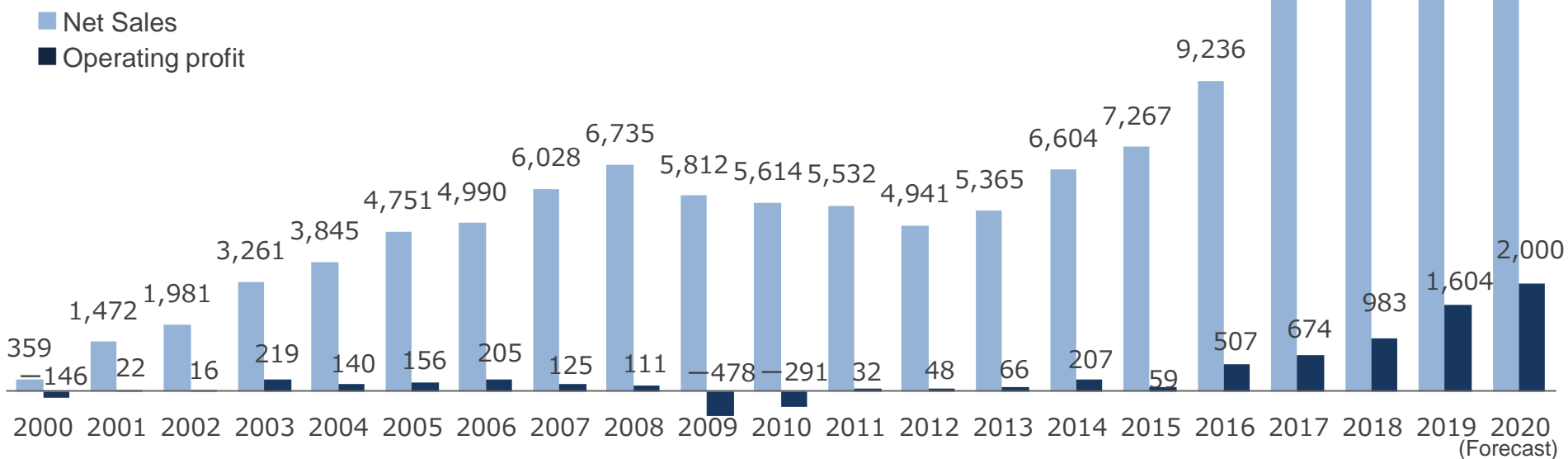
Business policies for the term ending November 2020

Promoting management focused on high ROE

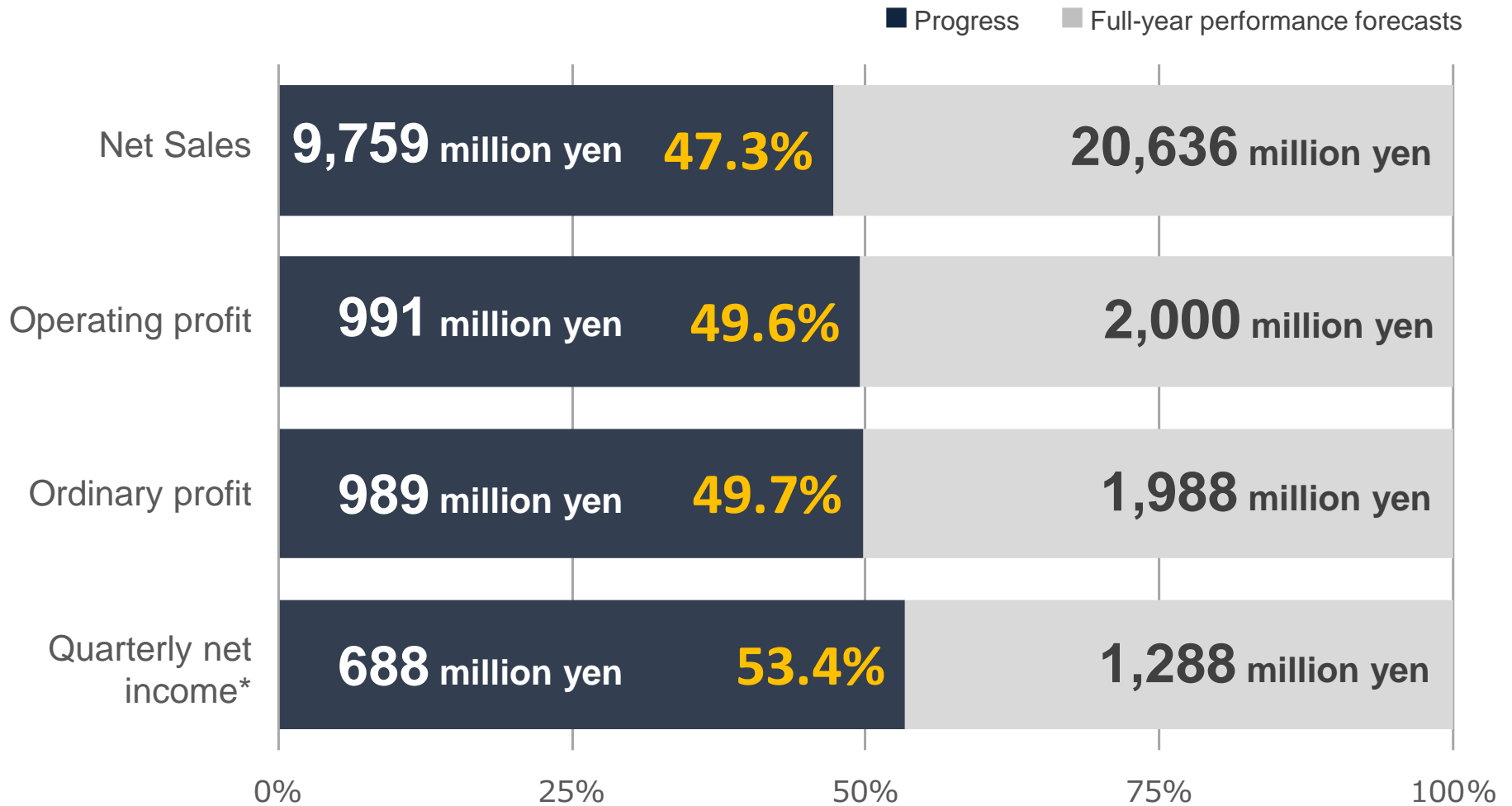
- I. Building stable foundations for earnings and securing new earnings opportunities**
 - Further strengthening earnings potential by enhancing existing services and deploying new services
- II. Promoting investment with an eye toward future growth**
 - Advancing business and capital investments and studies of capital tie-ups to generate future growth for the Group
- III. Expanding IT investment (strengthening IT infrastructure and improving business efficiency)**
 - Continually improving business efficiency based on AI, robotic process automation (RPA), and other technologies

■ Striving to reach target figures while minimizing post-COVID-19 effects

		(YoY change)
Net Sales	20,636 million yen	(+17.8%)
Operating profit	2,000 million yen	(+24.7%)
Ordinary profit	1,988 million yen	(+22.3%)
Quarterly net income attributable to owners of the parent	1,288 million yen	(+19.0%)



■ Performance in 1H significantly exceeded targets, particularly with regard to profits. We continue to make steady progress toward our targets.



* Quarterly net income: Quarterly net income attributable to owners of the parent

Business Performance Forecasts by Segment

(Unit: million yen)

	FY2020 planned			FY2019 actual			YoY change in net sales	YoY change in operating profit
	Net sales	Operating profit	Operating profit margin	Net sales	Operating profit	Operating profit margin		
Business Solutions Segment	6,214	1,808	29.1%	5,043	1,514	30.0%	+ 23.2%	+ 19.4%
Human Resource Solutions Segment	14,500	1,410	9.7%	12,516	1,183	9.5%	+ 15.9%	+ 19.1%
Adjustments	- 78	- 1,217	-	- 37	- 1,093	-	-	-
Total	20,636	2,000	9.7%	17,522	1,604	9.2%	+ 17.8%	+ 24.7%

[Main businesses in each segment]

Business Solutions Segment:

Outsourcing Services (Special Needs Employment Service, Logistics, Employment Support Service, etc.)

Human Resource Solutions Segment: Temporary Staffing Services (temporary staffing of call centers, electronics mass retailers, mobile phone shops, etc.)



4. Dividend Policy/Dividend Plan

S-POOL

- **Returns to shareholders will be strengthened through a change in the dividend policy, resulting in a major increase in dividends.**

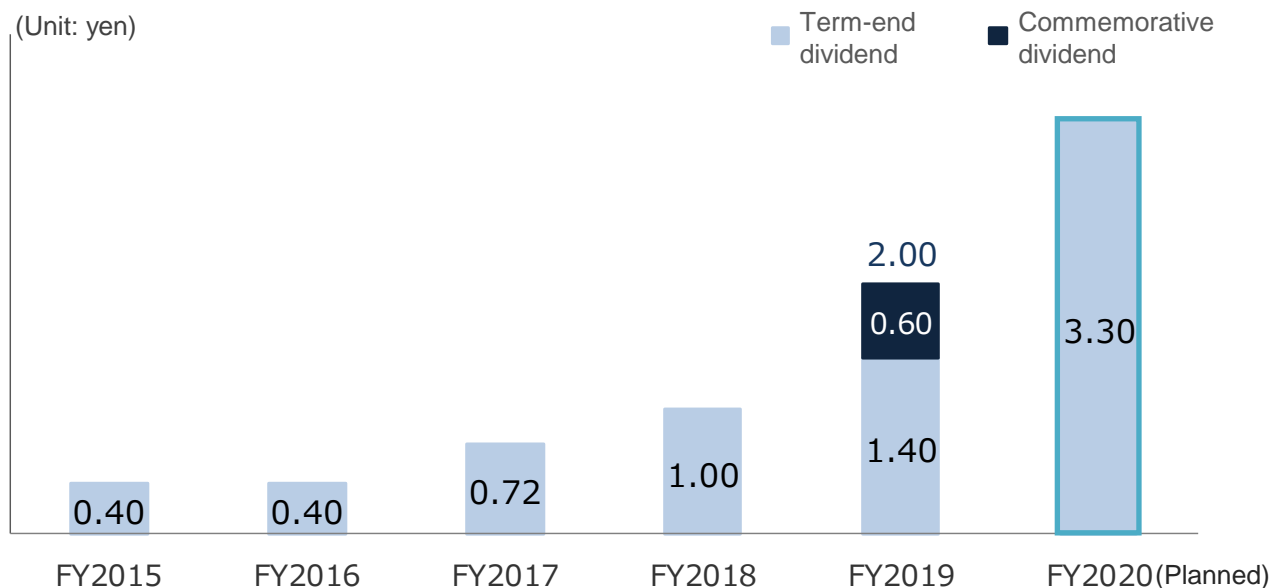
Dividend policy

Paying dividends targeting consolidated payout ratio of 20%

In addition, even if earnings decrease, dividends will not be reduced to levels at which the consolidated payout ratio decreases by more than 60% on a single-year basis.

Even while giving top priority to business investment for growth, we will seek to achieve stable and continuous growth in dividends while accounting for capital efficiency and strengthening our financial foundations.

Dividends in the term starting November 2020





S-Pool, Inc.

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Forecasts of business results and other forward-looking statements contained in this document are based on information available to the Company at the time of release. Actual results may vary due to various factors. No promise or guarantee is provided regarding future figures or measures.

【 S-Pool, Inc. 】

Origin of the name

Pool of Strategy, Solution, System and Staff

Established

December 1999

Employees

819 persons

Number of Office

46 locations

Executives



※Half of whom are external directors ※Consist of 2 CPAs and 1 lawyer

Parent company

[Holding Company & New Business Development]

S-Pool, Inc.



Subsidiary company

[Temporary Staffing Service]

S-Pool Human Solutions, Inc.



[Special Needs Employment Services]

S-Pool Plus, Inc.



[Logistics Outsourcing Services]

S-Pool Logistics, Inc.



[Sales Support Service]

S-Pool Sales Support, Inc.



[Employment Support Service]

S-Pool Link, Inc.



■ We generate 87% of consolidated net sales from 2 core services

Business Solution (29%)	Human Resources Solution (71%)
<ul style="list-style-type: none"> ■ <u>Special Needs Employment Service</u> (2.8 billion yen) <ul style="list-style-type: none"> • Support for companies seeking to employ persons with disabilities • Job training for disabilities ■ <u>Logistics Outsourcing Service</u> (1.1 billion yen) <ul style="list-style-type: none"> • Outsourcing service for distributing products sold over the Internet • Logistic center operation agency ■ <u>Sales Support Service</u> (520 million yen) <ul style="list-style-type: none"> • Sales promotion • Support for Marketing Operations ■ <u>Employment Support Service</u> (440 million yen) <ul style="list-style-type: none"> • Answering services for part-time job application "OMUSUBI" ■ <u>New Business</u> (240 million yen) <ul style="list-style-type: none"> • Job placement services for senior professionals 	<ul style="list-style-type: none"> ■ <u>Temporary Staffing Service</u> (12.5 billion yen) <ul style="list-style-type: none"> • Call Center Operations Supervisor / Phone operator • Support For Sales Retail personnel / Sales personnel • Specialist Services Nurse / Nursery teacher / career

※The above sales for each service is the rack record of FY 2019. And the "%" indicates the sales ratio by segment.

(Unit: million yen)

	FY2020 planned	FY2019 actual	YoY change	YoY change (%)
Net sales	20,636	17,522	+3,114	+17.8%
Gross profit	6,122	5,214	+907	+17.4%
Gross profit margin (%)	29.7%	29.8%		-0.1 pt
Selling and administrative expenses	4,121	3,610	+511	+14.2%
Selling and administrative expenses/net sales (%)	20.0%	20.6%		-0.6 pt
Operating profit	2,000	1,604	+396	+24.7%
Operating profit margin (%)	9.7%	9.2%		+0.5 pt
Ordinary profit	1,988	1,626	+362	+22.3%
Net income attributable to owners of the parent	1,288	1,082	+205	+19.0%