

Results Briefing Materials

3Q FY2020

October 2, 2020

S-Pool, Inc.

First Section, Tokyo Stock Exchange (2471)

1. 3Q FY2020 Performance Results
2. 3Q FY2020 Overview by Business Segment
3. FY2020 Business Policies/Performance Forecasts

S-POOL

FY2020 3Q overview of settlement of accounts

- **Achieving higher levels than initially planned due to the diverse consequences of COVID-19**

Net sales	15,268 million yen	(YoY change +20.2%)
Operating profit	1,559 million yen	(YoY change +29.5%)
Net income*	1,038 million yen	(YoY change +33.8%)

*Quarterly net income attributable to owners of the parent

Overview of FY2020 3Q by business segment

- **Even businesses affected by COVID-19 have recovered since bottoming out in 2Q.**

Both the Sales Support Services and Professional Human Resource Bank businesses have recovered to monthly profitability.

- **Human Resource Outsourcing Services is demonstrating strong performance for call centers, driving Group results.**

[Human Resource Outsourcing Services]

Net sales of **11,261** million yen (YoY change +23.3%)

[Special Needs Employment Service] Net sales of **2,215** million yen (YoY change +16.1%)

FY2020 forecasts

- **Boosting profits through recovery in Special Needs Employment Services equipment sales**

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)



1. 3Q FY2020 Performance Results

S-POOL

■ Exceeding previous records for net sales and profits despite COVID-19

(Unit: million yen)

	FY2020 3Q result	FY2019 3Q result	YoY change	YoY change (%)
Net sales	15,268	12,699	+ 2,568	+ 20.2%
Gross profit	4,429	3,711	+ 717	+ 19.3%
Gross profit margin (%)	29.0%	29.2%		−0.2 pt
Selling and administrative expenses	2,870	2,507	+ 362	+ 14.5%
Selling and administrative expenses/net sales (%)	18.8%	19.7%		−0.9 pt
Operating profit	1,559	1,203	+ 355	+ 29.5%
Operating profit margin (%)	10.2%	9.5%		+0.7 pt
Ordinary profit	1,557	1,211	+ 345	+ 28.5%
Quarterly net income attributable to owners of the parent	1,038	775	+ 262	+ 33.8%

3Q FY2020 Results by Segment

- The Human Resource Solutions Segment recorded growth in both sales and profit. Profit stalled in the Business Solutions Segment due to a temporary slowdown in sales of Special Needs Employment Services.

(Unit: million yen)

		FY2020 3Q results	FY2019 3Q results	YoY change	YoY change (%)
Net sales	Business Solutions Segment	4,054	3,596	+458	+12.8%
	Human Resource Solutions Segment	11,261	9,131	+2,129	+23.3%
	Adjustments	(47)	(27)	-	-
	Total	15,268	12,699	+2,568	+20.2%
Operating profit	Business Solutions Segment	1,025	1,042	-17	-1.7%
	Human Resource Solutions Segment	1,334	934	+400	+42.9%
	Adjustments	(801)	(773)	-	-
	Total	1,559	1,203	+355	+29.5%
Operating profit margin	Business Solutions Segment	25.3%	29.0%	-	-3.7pt
	Human Resource Solutions Segment	11.9%	10.2%	-	+1.7pt
	Total	10.2%	9.5%	-	+0.7pt

[Main businesses in each segment]

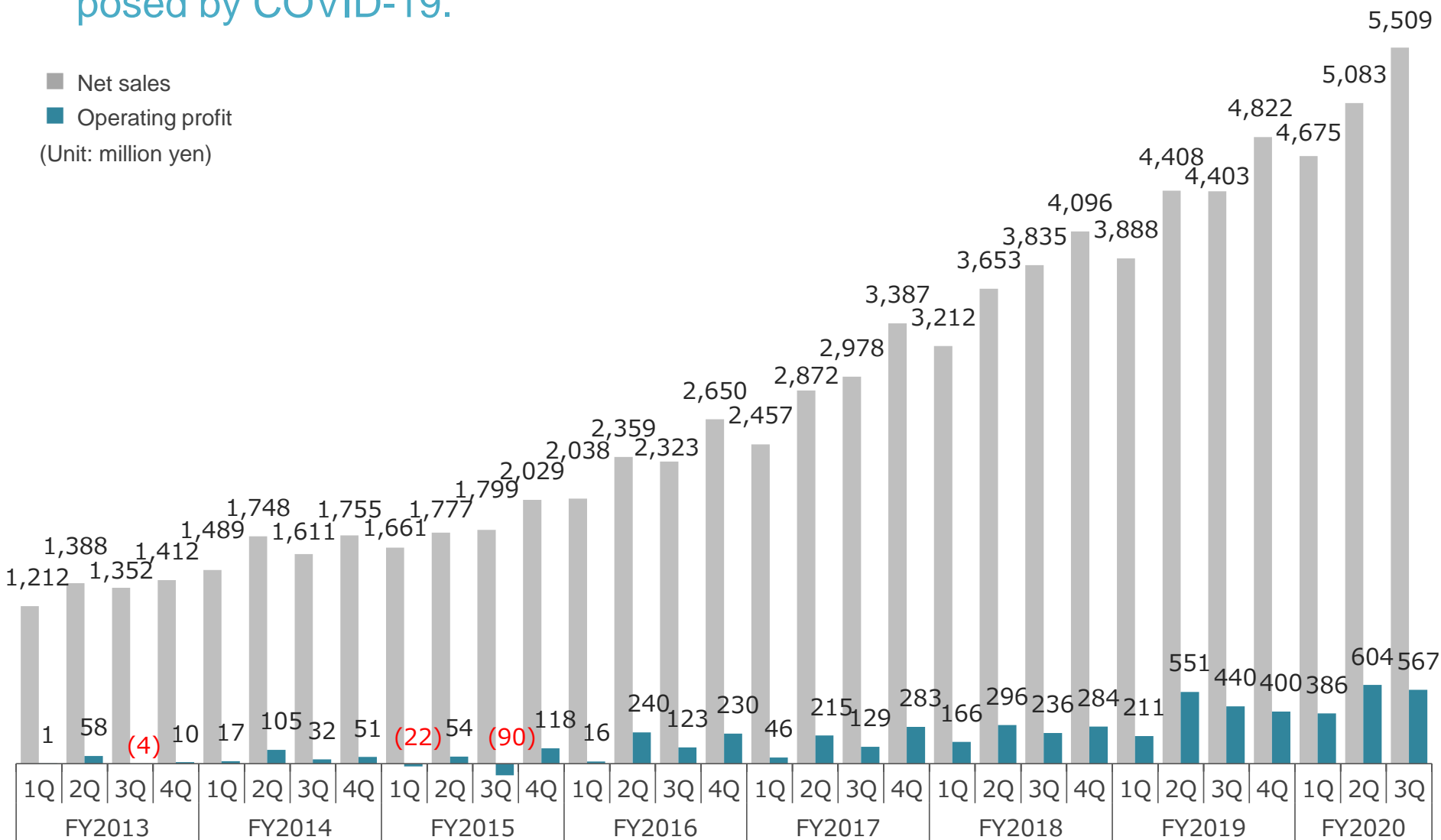
Business Solutions Segment:

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

Human Resource Solutions Segment: Temporary Staffing Services (call centers, sales support, long-term care businesses, etc.)

■ Quarterly business performance remained steady despite the challenges posed by COVID-19.

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





2. 3Q FY2020 Overview by Business Segment

S-POOL

Net sales: 11,261 million yen (YoY change: +23.3%)

The call centers business recorded significant growth from spot transactions. The sales support business showed signs of bottoming out.

[Call centers] Net sales: 8,997 million yen (+31%); Steady sales growth to both existing and new customers

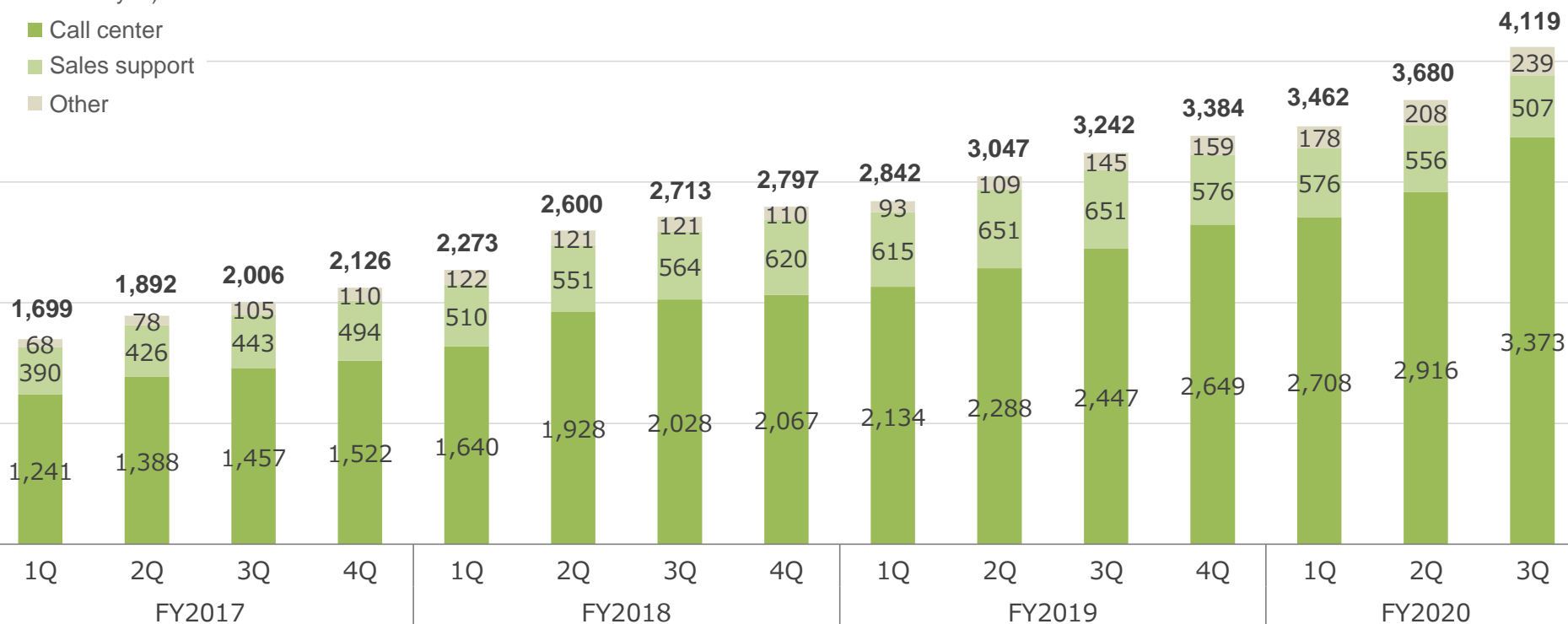
[Sales support] Net sales: 1,640 million yen (-15%); Despite continuing challenges and slow recovery, certain signs suggested a bottoming out in 3Q.

[Number of staff deployed] 5,690 staff/month (YoY change: +15%)

[Newly registered staff/1H average] 4,686 staff/month (YoY change: +19%)

(Unit: million yen)

■ Call center
■ Sales support
■ Other



Net sales: 2,215 million yen (YoY change: +16.1%)

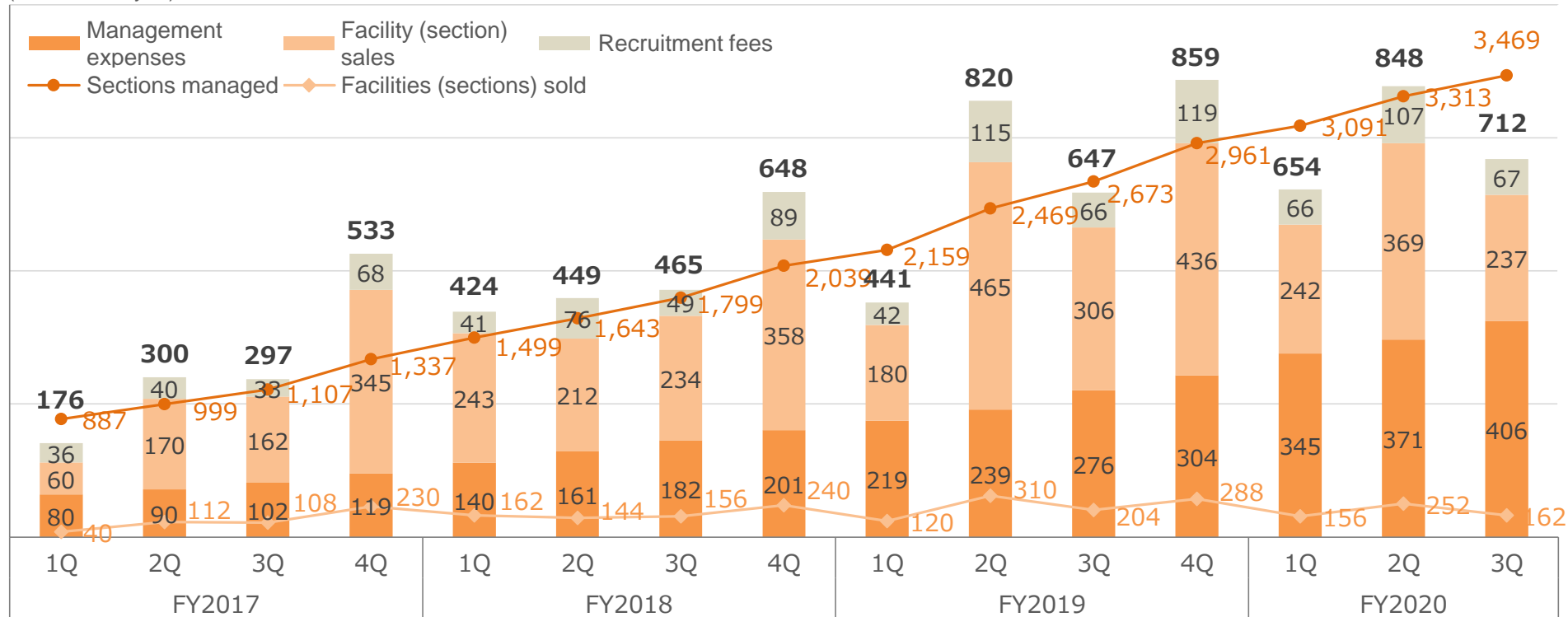
While the impact of COVID-19 continues to be felt in 3Q in sales, training, and education, a recovery has recently emerged.

[Equipment sales] 570 sections (planned: 672 sections)

[Employees (retention rate)] 1,735 persons (92%) [Customers] 290 companies

- Only 162 sections recorded sales during 3Q due to delays in deliveries at the farm in Komaki, Aichi Prefecture (planned: 222 sections).
- A balance of 456 sections vs. sales plans (1,026 sections) remains (orders received for 162 sections). We will strive to close deals with prospective customers to achieve the planned targets.

(Unit: million yen)



- The new indoor farm has begun operating. We concluded an agreement with Itabashi Ward on promoting the employment of those with disabilities. Plans call for entering the Kansai market next year.

Facility overview

- [Name] Work Happiness Farm Plus Tokyo Itabashi
- [Location] Itabashi Ward, Tokyo (seven minutes' walk from JR Ukima-Funado Station)
- [Area] 2,352.9 sqm (two floors of 1,174.8 sqm each)
- [Sections] 222 sections
- [Opened] August 2020



Video report



"Opening of new S-Pool Plus indoor farm based on public-private partnership with Itabashi Ward will enhance employment of those with disabilities" (approximately four minutes)

[Broadcast August 7, 2020 by Kyodo News]

https://www.kyodo.co.jp/yawaosi-eizo/2020-08-07_2999094/

* Licensed video

- Gradual signs of normalization of sales activities have begun to emerge. A formal decision has been made on raising the statutory employment ratio next year. We will seek to ramp up to a sprint in the home stretch to achieve the planned targets.

Positive factors

- An agreement has been reached in general on raising the statutory employment ratio to 2.3% starting March 1, 2021. The number of inquiries received is rising.
- Commencement of sales from new indoor farm (Itabashi Ward, Tokyo)
- Signs of the slowing spread of COVID-19 (normalization of sales activities and employment and training of those with disabilities)
- Resumption of exhibitions, a powerful approach to securing orders (exhibition held in September)

Negative factors

- Longer lead times until receipt of orders due to the impact of working remotely
- Recent declines in corporate business results

Priority measures

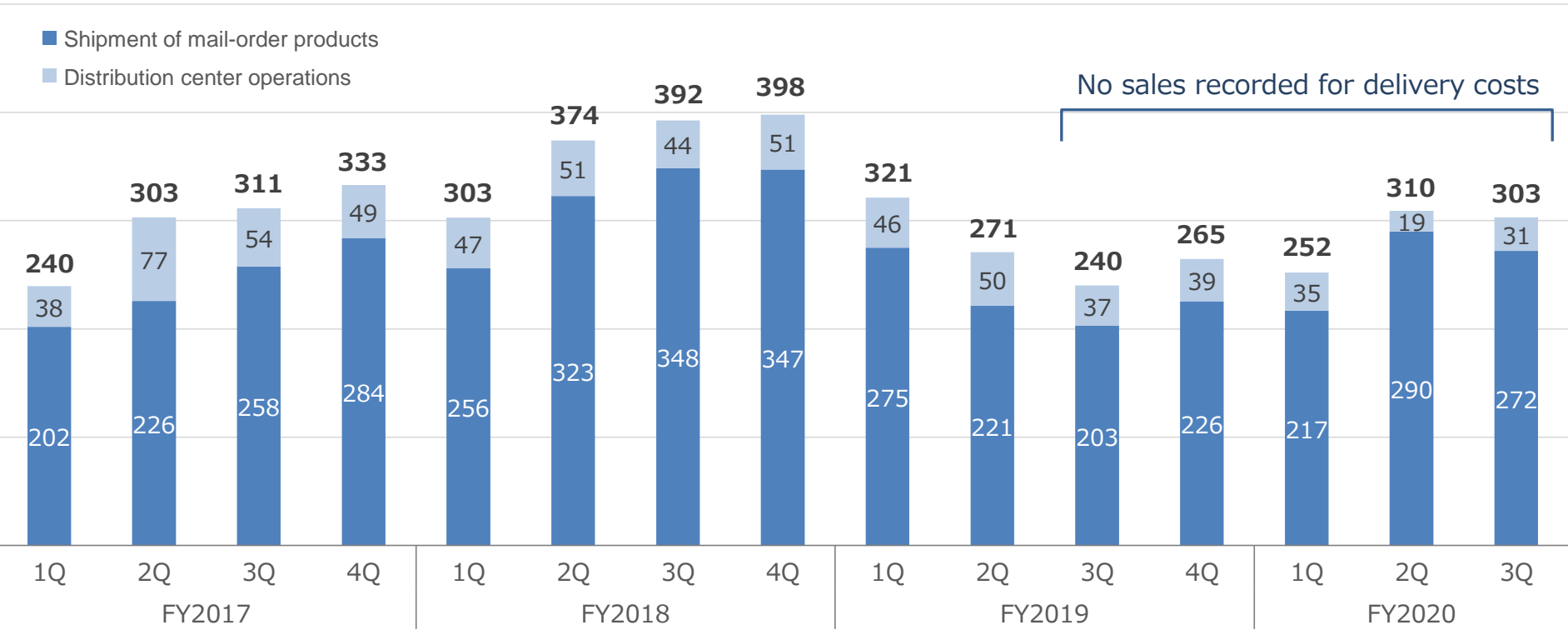
- Creating opportunities for sales discussions by strengthening inside sales
- Approaching prospective customers identified at exhibitions
- Building sales through additional orders from existing customers (mainly for the new indoor farm)
- Applying antibacterial/antiviral coatings to primary farm equipment to create environments in which people can work with peace of mind

Net sales: 867 million yen (YoY change: +4.3%)

Services related to the shipment of mail order products remain strong even with the peak period in the rearview mirror.

- Distribution center utilization remains higher than planned, backed by growth in at-home consumption. [Utilization rates at the end of August 2020] 【Shinagawa Center】90% 【Tsukuba Center】95%
- Focusing on increasing sales per 3.3 square meters (securing space through relocation, replacing low profit accounts, improving productivity)

(Unit: million yen)

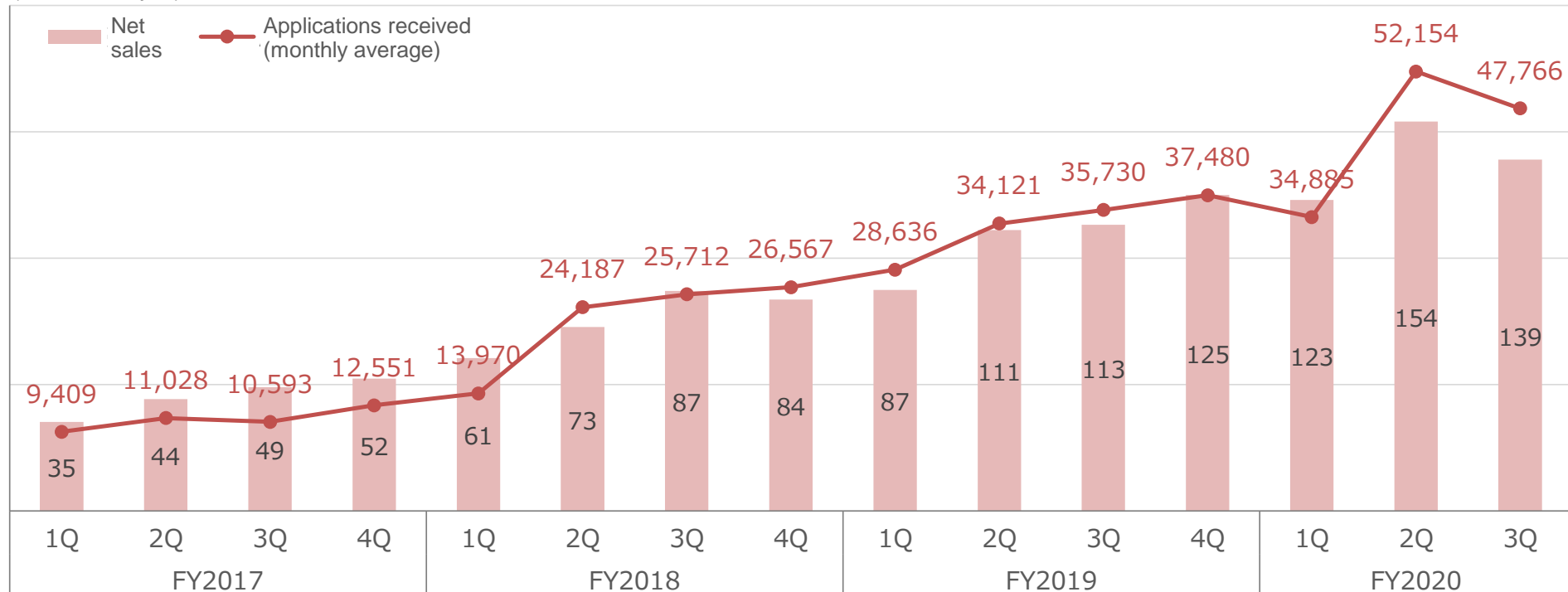


Net sales: 418 million yen (YoY change: +34.4%)

While the peak period at the start of the new fiscal year has passed, new customers have made it possible to maintain receipts at levels of 47,000 applications/month.

- Business is growing, centered on industries less impacted by COVID-19, such as supermarkets and long-term care.
- However, hiring recovery has been slow in food service businesses such as pubs. Growth here is stagnating
- We have released the Talentgram aptitude diagnostics service designed for use in part-time hiring. We will seek to offer this to existing customers.

(Unit: million yen)





3. FY2020 Business Policies/ Performance Forecasts

S-POOL

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

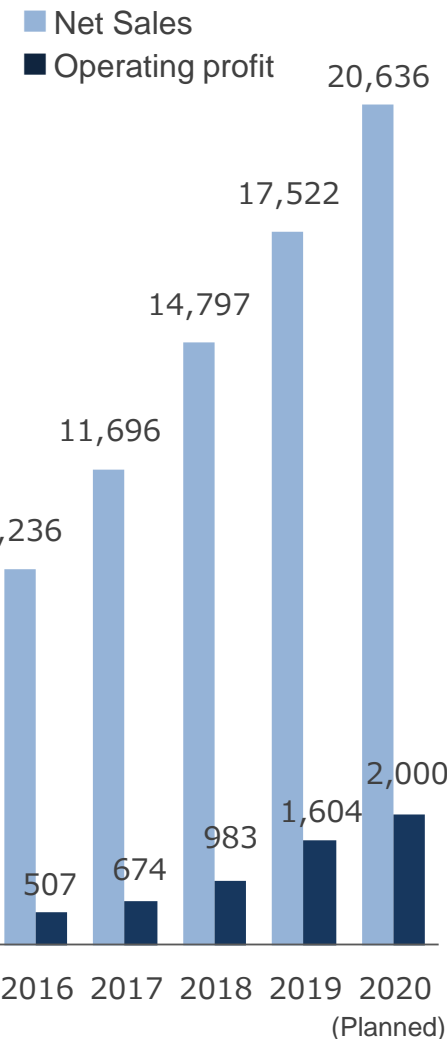
Business policies for the term ending November 2020

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

- We project new records for net sales (for the eight consecutive year) and for operating income (for the fifth consecutive year).

Net Sales	20,636 million yen	(YoY change) (+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%)

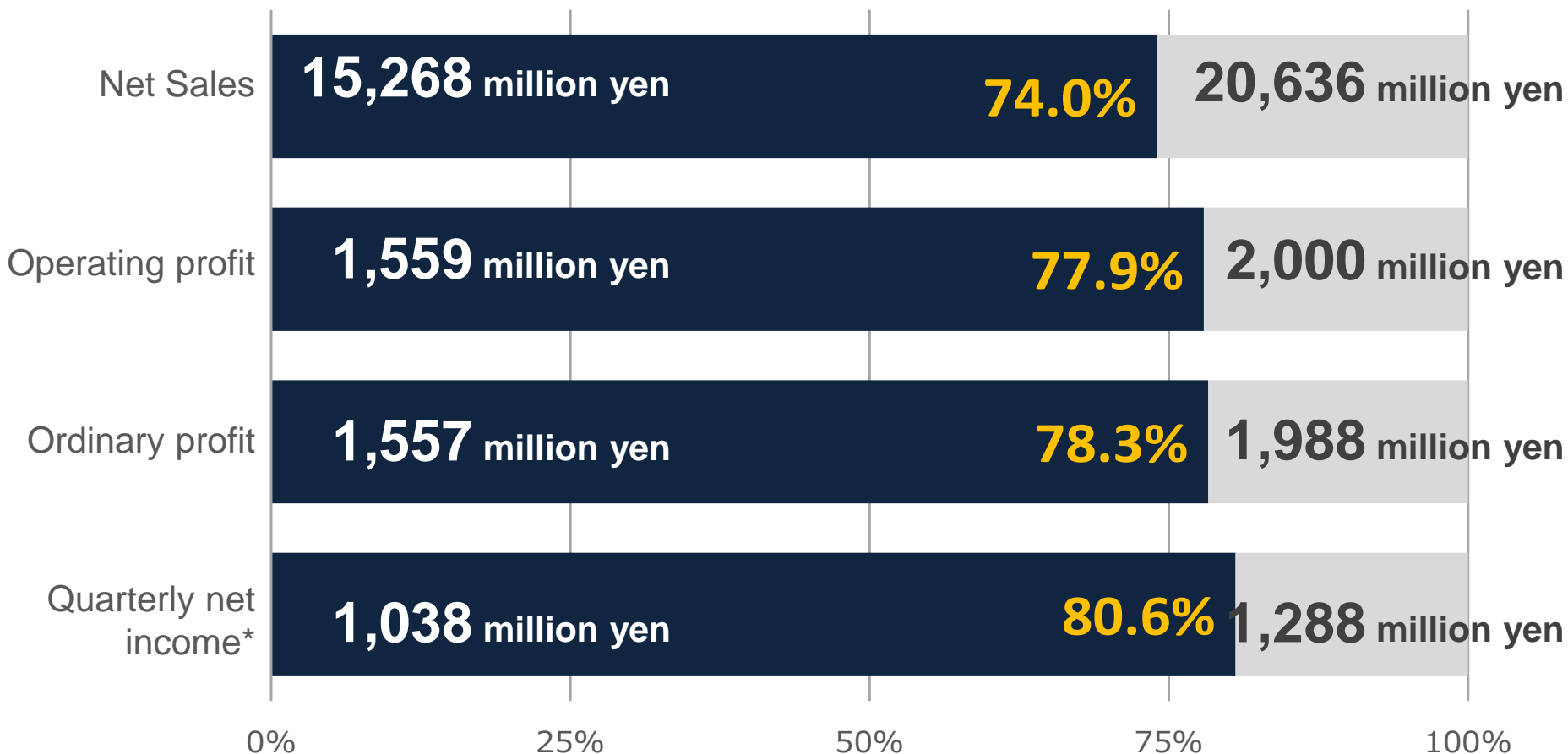


(Unit: million yen)

	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%
Quarterly net income attributable to owners of the parent	1,288	1,082	+205	+19.0%

■ We continue to make steady progress toward our targets.

■ Progress ■ Full-year performance forecasts



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

FY2020 Business Performance Forecasts by Segment



(Unit: million yen)

		FY2020 planned	FY2019 actual	YoY change	YoY change (%)
Net sales	Business Solutions Segment	6,214	5,043	+ 1,171	+23.2%
	Human Resource Solutions Segment	14,500	12,516	+ 1,984	+15.9%
	Adjustments	(78)	(37)	-	-
	Total	20,636	17,522	+3,114	+17.8%
Operating profit	Business Solutions Segment	1,808	1,514	+294	+19.4%
	Human Resource Solutions Segment	1,410	1,183	+227	+19.1%
	Adjustments	(1,217)	(1,093)	-	-
	Total	2,000	1,604	+396	+24.7%
Operating profit margin	Business Solutions Segment	29.1%	30.0%	-	-0.9pt
	Human Resource Solutions Segment	9.7%	9.5%	-	+0.2pt
	Total	9.7%	9.2%	-	+0.5pt

[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 (call centers, sales support, long-term care businesses, etc.)

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

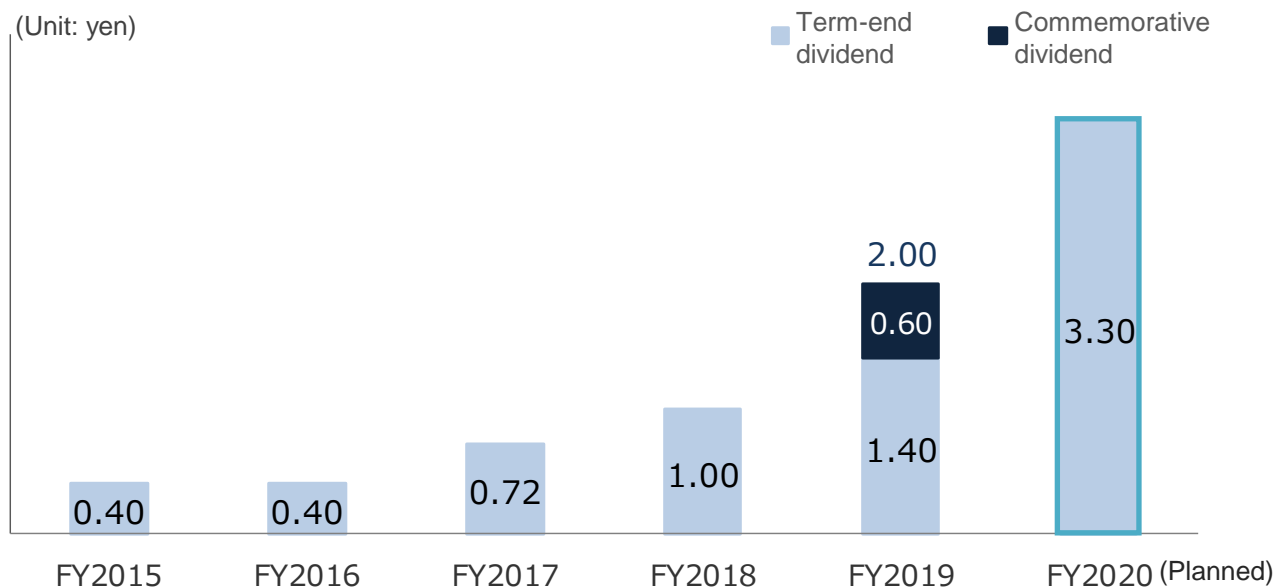
Dividend policy

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










Name	S-Pool, Inc.
Origin of name	‘Pool’ (combination) of Solutions / Systems / Staff / Social / Share
Head office	6F, Akihabara Dai Building, 1-18-13 Sotokanda, Chiyoda-ku, Tokyo, Japan
Capital	372,200,000 yen (end of August, 2020)
Established	December 1, 1999
Representative	Sohei Urakami, Chairman of the Board, President, and Representative Director
Directors	Director: Hideaki Sato (CPA) Director: Naoshi Arai Outside Director: Toru Akaura Outside Director: Nao Miyazawa (attorney) Outside Director: Kazuhiko Nakai (CPA)
Listed exchange	First Section, Tokyo Stock Exchange (Securities Code: 2471)
Number of employees	833 persons (end of August, 2020)
Facilities	48 locations (end of September, 2020)

■ Two main services account for 87% of consolidated net sales:

Business Solutions Business (29%)	Human Resource Solution Business (71%)
<p>■ Special Needs Employment Services [2.8 billion yen]</p> <ul style="list-style-type: none"> • Operating rental farms for use by companies employing exclusively people with disabilities • Employment support services (training and introduction to employment opportunities for people with disabilities) 	<p>■ Human Resource Outsourcing Services [12.5 billion yen]</p> <ul style="list-style-type: none"> • Temporary staffing/referral services <ul style="list-style-type: none"> Sales and marketing staff (e.g., smartphones, home electronics) Office staff (call centers, offices) Long-term care, nursing, childcare staff
<p>■ Logistics Outsourcing Services [1.1 billion yen]</p> <ul style="list-style-type: none"> • e-Commerce shipping agent services, cross border e-commerce services • Distribution center operations <p>■ Sales Support Services [520 million yen]</p> <ul style="list-style-type: none"> • Sales promotion support, merchandising operations • Operational support (promotional campaigns, promotions, trial operation) <p>■ Employment Support Services [440 million yen]</p> <ul style="list-style-type: none"> • OMUSUBI <p>■ New businesses [240 million yen]</p> <ul style="list-style-type: none"> • Professional human resource bank (consultant staffing services) 	

* Sales figures and segment sales percentages are based on FY2019 results.

■ S-Pool develops new businesses to be spun off as future subsidiaries.

Parent company	<p>[Business holding company and new business development]</p> <p>S-Pool, Inc.</p>	
Group member companies	<p>[Human Resource Outsourcing Services (staffing, referral)]</p> <p>S-Pool Human Solutions, Inc.</p>	
	<p>[Special Needs Employment Services]</p> <p>S-Pool Plus, Inc.</p>	
	<p>[Logistics Outsourcing Services]</p> <p>S-Pool Logistics, Inc.</p>	
	<p>[Sales Support Services]</p> <p>S-Pool Sales Support, Inc.</p>	
	<p>[Employment Support Services]</p> <p>S-Pool Link, Inc.</p>	
	<p>[Environmental Management Support Services]</p> <p>blue dot green Inc.</p>	



[Group head office] Akihabara



Human Resource Outsourcing Services

Shinjuku Head Office, Sapporo Odori, Sapporo Kitaguchi, Sapporo Minamiguchi, Sendai, Shinjuku 3-chome, Shinjuku Minamiguchi, Ikebukuro, Yokohama, Yokohama Nishiguchi, Nagoya, Osaka Umeda, Osaka Ekimae, Hakata Ekimae, Tenjin, Naha, Chatan, Kitami Applications Reception Center



Employment Support Services

[Main facilities] Akihabara, Osaka
[Entry centers] Kitami, Hirosaki, Komatsushima, Nichinan, Saito



Logistics Outsourcing Services

[Front office] Akihabara
[Distribution centers] Shinagawa, Tsukuba



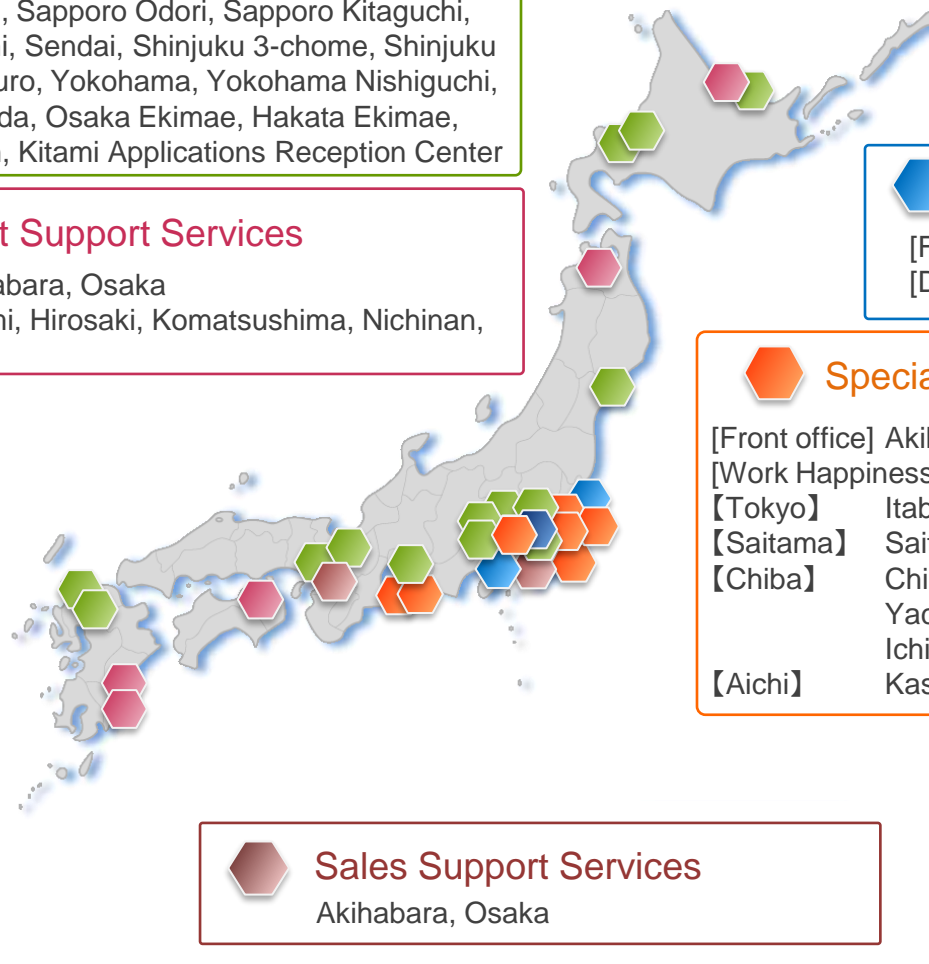
Special Needs Employment Services

[Front office] Akihabara
[Work Happiness Farm]
【Tokyo】 Itabashi
【Saitama】 Saitama (Iwatsuki), Kawagoe
【Chiba】 Chiba (Wakaba ①②, Hanamigawa), Matsudo, Yachiyo, Funabashi ①②③, Kashiwa ①②, Ichihara ①②, Mobara ①②
【Aichi】 Kasugai, Komaki, Tokai, Toyoake, Miyoshi



Sales Support Services

Akihabara, Osaka





S-Pool, Inc.

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