

Performance Results Briefing Materials

1Q FY2020

April 3, 2020

S-Pool, Inc.

First Section, Tokyo Stock Exchange (2471)

- 
- A large, faint, light blue watermark of the S-POOL logo is centered in the background of the slide.
1. 1Q FY2020 Performance Results
 2. 1Q FY2020 Overview by Business Segment
 3. FY2020 Performance Forecasts
- Message From The Representative

1Q FY2020 Overview of Settlement of Accounts

- **The year got off to a strong start, with significant improvements, particularly with respect to profits.**

Net sales	4,675 million yen (YoY change +20.3%)
Operating profit	386 million yen (YoY change +82.8%)
Net income*	302 million yen (YoY change +139.9%)

*Quarterly net income attributable to owners of the parent

1Q FY2020 Overview by Business Segment

- **The two major businesses maintained strong performance.**

[Human Resources Outsourcing Services] Net sales of **3,462 million yen** (YoY change +21.8%)

→ The call center business recorded steady growth (up 27% YoY).

[Special Needs Employment Service] Net sales of **654 million yen** (YoY change +48.6%)

→ Facility sales were stronger than expected. Management revenues also demonstrated significant growth.

FY2020 Performance Forecasts

- **Striving to reach target figures while minimizing the impact of the novel coronavirus**

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. 1Q FY2020 Performance Results



S-POOL

■ Maintaining favorable performance with strong growth, particularly with respect to profits

(Unit: million yen)

	FY2020 1Q result	FY2019 1Q result	YoY change	YoY change (%)
Net sales	4,675	3,888	+787	+20.3%
Gross profit	1,311	994	+317	+31.9%
Gross profit margin (%)	28.1%	25.6%		+2.5 pt
Selling and administrative expenses	924	783	+141	+18.1%
Selling and administrative expenses/net sales (%)	19.8%	20.1%		−0.3 pt
Operating profit	386	211	+175	+82.8%
Operating profit margin (%)	8.3%	5.4%		+2.8 pt
Ordinary profit	390	216	+173	+80.3%
Quarterly net income attributable to owners of the parent	302	125	+176	+139.9%

■ Significant improvement in earnings in the Business Solutions Segment, in which all services were profitable

(Unit: million yen)

	FY2020 1Q results			FY2019 1Q 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	1,222	307	25.2%	1,054	162	15.4%	+ 15.9%	+ 89.1%
Human Resource Solutions Segment	3,462	352	10.2%	2,842	271	9.5%	+ 21.8%	+ 29.8%
Adjustments	-8	-272	-	-8	-222	-	-	-
Total	4,675	386	8.3%	3,888	211	5.4%	+ 20.3%	+ 82.8%

【Main businesses in each segment】

Business Solutions Segment:

Outsourcing services (logistics, Special Needs Employment Service, etc.)

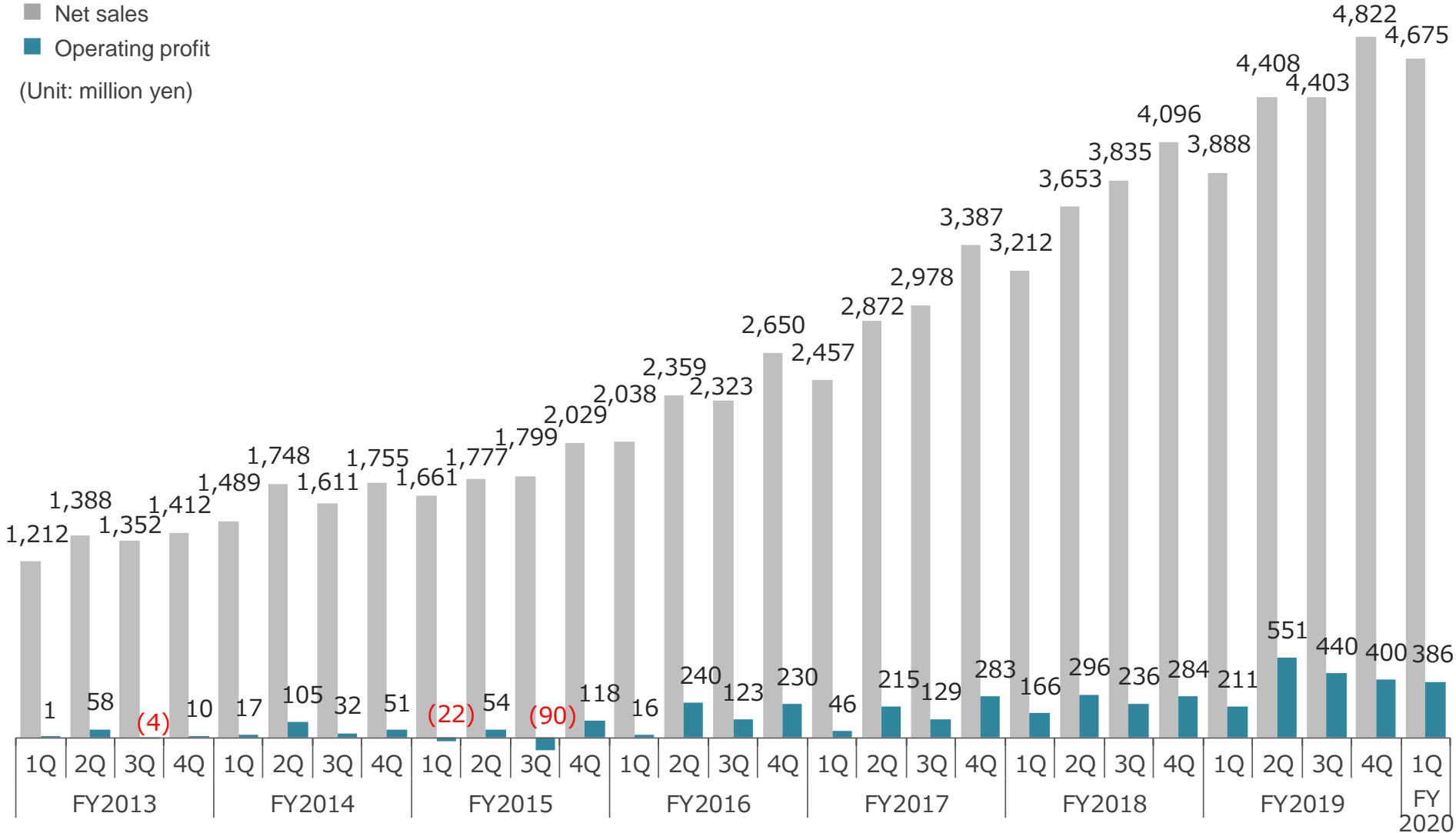
Human Resource Solutions Segment: Temporary staffing services (temporary staffing of electronics mass retailers, mobile phone shops, call centers, etc.)

Trends in Quarterly Business Performance

■ Strong start this year in 1Q, typically a slow period

■ Net sales
■ Operating profit

(Unit: million yen)



2. 1Q FY2020 Overview by Business Segment



Net sales: 3,462 million yen (YoY change +21.8 %)

The call center business maintained strong performance. Both numbers of staff deployed and newly registered staff grew steadily.

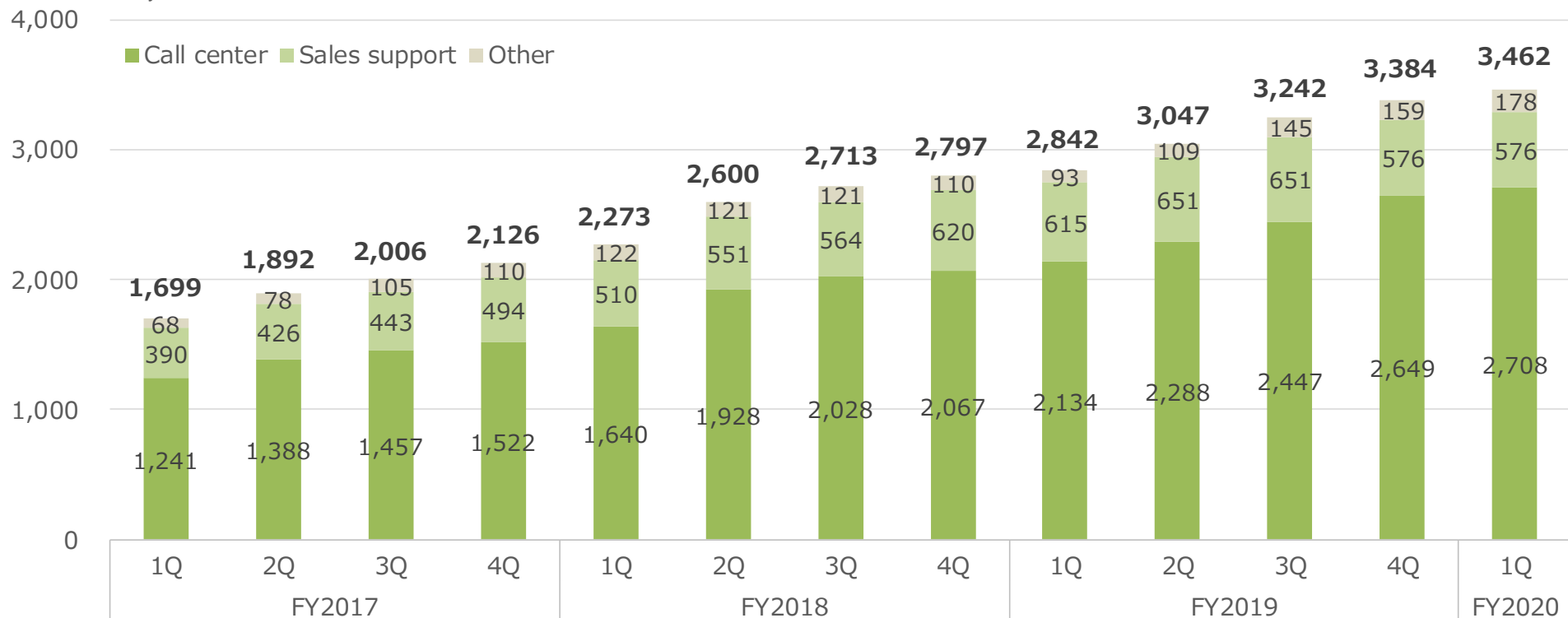
[Call centers] Net sales: 2,708 million yen (+27%); sales grew to major clients.

[Sales support] Net sales: 576 million yen (-6%); sales decreased slightly due to the termination of a major contract.

[Number of staff deployed] 5,788 staff (YoY change: +18%)

[Newly registered staff/1Q average] 3,868 staff/month (YoY change: +24%)

Unit: million yen



Net sales: 654 million yen (YoY change +48.6 %)

Equipment sales greatly exceeded projections, due to steady growth in hiring and training of staff with special needs.

[Equipment sales] 156 sections (planned: 108 sections)

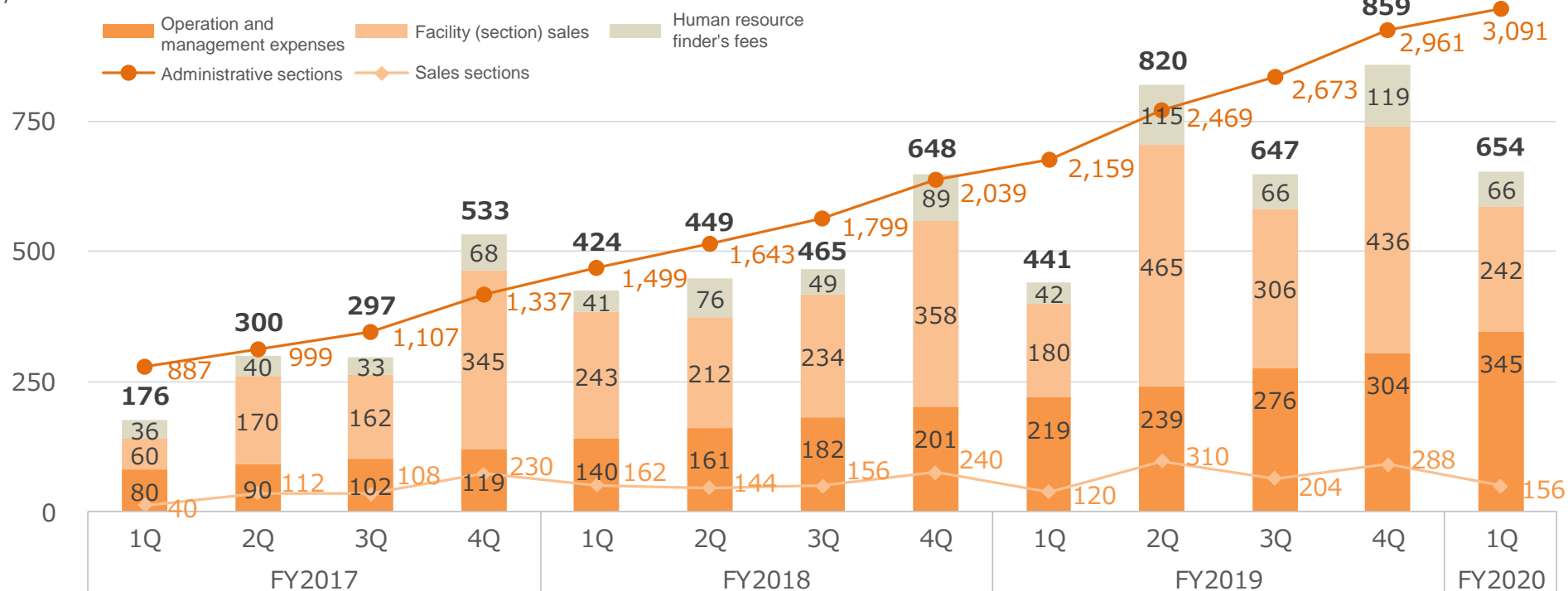
[Number of administrative sections] 3,117 sections

[Number of clients] 268

- Opening of farm facilities progressed steadily. The 18th facility opened in Tokai, Aichi Prefecture, while the 19th opened in Funabashi, Chiba Prefecture.
- Sales remained strong. The balance of orders received at the end of February 2020 stood at 384 sections.

Unit: million yen

1,000



- A location has been selected for the future indoor farm. However, given the potential repercussions of the novel coronavirus on plans to open this indoor farm in central Tokyo, we will prioritize opening and selling products from traditional outdoor (suburban) farms, which are less likely to be affected by the virus.

Facility overview

[Name]	Work Happiness Farm Plus Tokyo Itabashi
[Location]	Itabashi Ward, Tokyo
[Area]	2352.9 sqm (1174.8 sqm × 2 floors)
[Sections]	222 sections
[Opening date]	August 2020



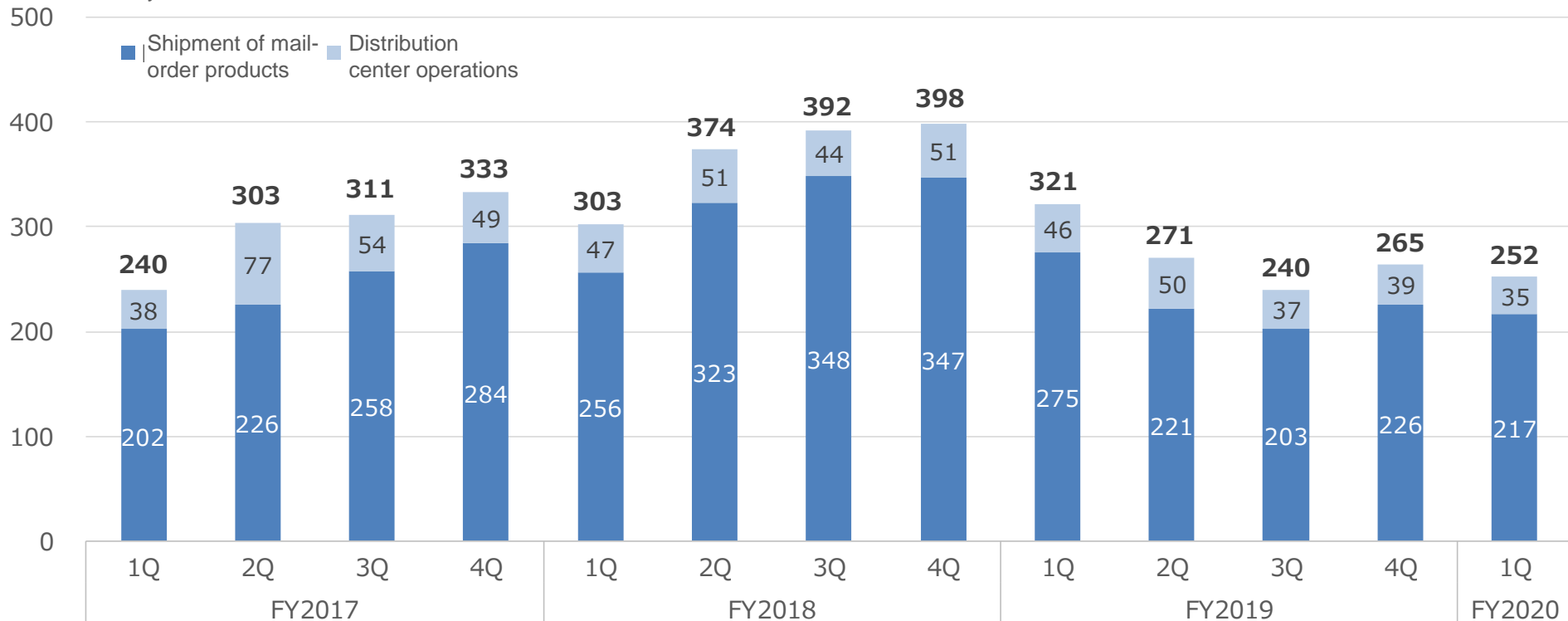
- We plan to apply the revenue structure model of an outdoor farm.
- We plan to increase prices (equipment sales and operation management costs) by 10-20% (in response to higher costs).
- Delays in the supply of parts from China may delay construction.
- To prepare for possible delays, we will increase the number of new outdoor farms planned from 3 to 5.
- If the opening is delayed, we will achieve the goals set in the initial plans (1,026 sections) by increasing sales of outdoor farms.

Net sales: 252 million yen (YoY change -21.4%)

While net sales remained largely unchanged, since this is a slow time of year, we secured an increase in operating profits.

- The impact of reduced revenues due to a change in advance payment of delivery costs was approximately 200 million yen YoY. However, effective revenues increased.
Utilization rate as of end of February 2020: Shinagawa Center: 70%; Tsukuba Center: 85%
- We are currently focusing on maximizing revenues by increasing utilization rates at existing centers.

Unit: million yen

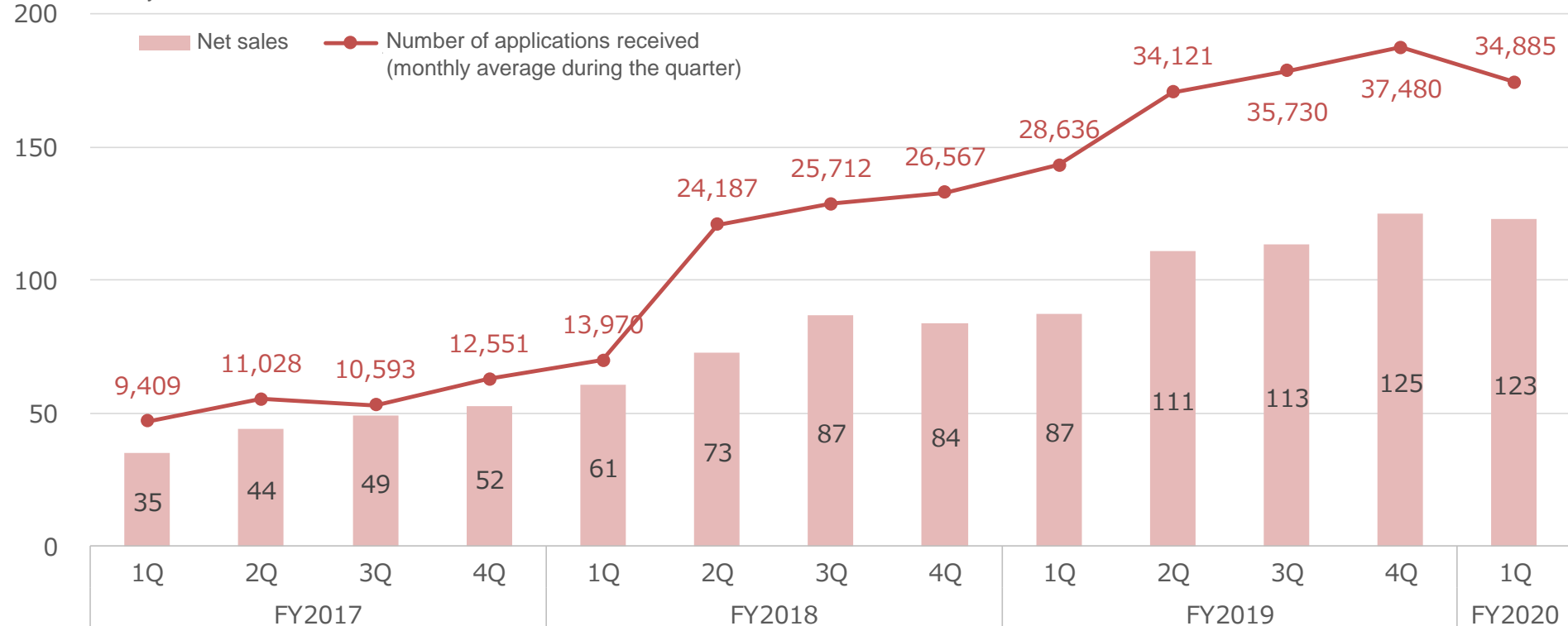


Net sales: 123 million yen (YoY change +41.5%)

The impact to date from the coronavirus has been relatively minor. We expect to exceed 40,000 transactions in April.

- Despite the minor decrease in numbers of applications received in what is typically a slow time of the year, revenues grew at a steady pace.
- We are strengthening our alliance with HR tech firms to enhance our service menu.
ZENKIGEN (Web-based interviews), ClipLine (video manuals),
Mental Health Technologies (preventive mental health care)

Unit: million yen



- **The impact on business performance at the moment is limited. Nevertheless, future developments may broaden the impact. With this in mind, we will do our best to maintain a watchful and responsive course of management.**

Business Solutions Segment

Special Needs Employment Service	Orders received remain strong. Farm operations continue as usual. Although there should be a small impact, staffing demand may be curtailed or postponed in case conditions persist for an extended period.
Logistics Outsourcing Services	No major change in logistics center utilization rates (both positive and negative factors involved) Positive: Increased use of mail order due to increasing numbers of people staying home Negative: Product deliveries to some customers have been delayed due to disorder in China.
Employment Support Service] [OMUSUBI]	The impact at this time is minor. It remains possible certain industries will cut back on or postpone hiring.
Others	Sales support services saw some promotional campaigns cancelled or reduced. Net sales are expected to fall by 30-50 million yen in February-April.

Human Resource Solutions Segment

Temporary Staffing and Recruitment Services	The impact at this time is minor. However, we have observed trends toward postponing new hiring in the call center business and the contraction of certain operations in the sales support business.
---------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

3. FY2020 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 FY 2020

FY 2020 Business Policies

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

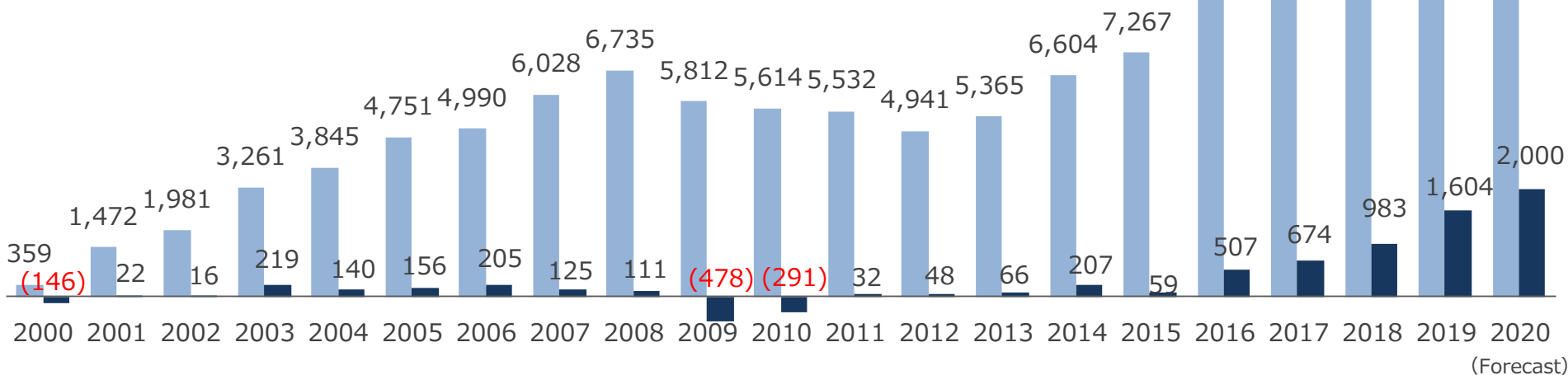
■ Growth expected in net sales for the eighth consecutive term and in operating profit for the fifth consecutive term

(Unit: million yen)

Net sales	20,636	million yen	(YoY change +17.8%)
Operating profit	2,000	million yen	(YoY change +24.7%)
Ordinary profit	1,988	million yen	(YoY change +22.3%)
Net income*	1,288	million yen	(YoY change +19.0%)

*Quarterly net income attributable to owners of the parent

■ Net sales
■ Operating profit



(Forecast)

FY2020 Performance Forecasts by Half

(Unit: million yen)

	FY2020 planned		FY2019 actual	
	1H	2H	1H	2H
Net sales	9,633	11,002	8,296	9,225
Gross profit	2,777	3,344	2,426	2,788
Gross profit margin (%)	28.8%	30.4%	29.2%	30.2%
Selling and administrative expenses	1,988	2,132	1,663	1,947
Selling and administrative expenses/net sales (%)	20.6%	19.4%	20.0%	21.1%
Operating profit	788	1,212	763	841
Operating profit margin (%)	8.2%	11.0%	9.2%	9.1%
Ordinary profit	782	1,206	778	847
Net income attributable to owners of the parent	509	778	496	585

FY2020 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 (logistics, Special Needs Employment Service, etc.)

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

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

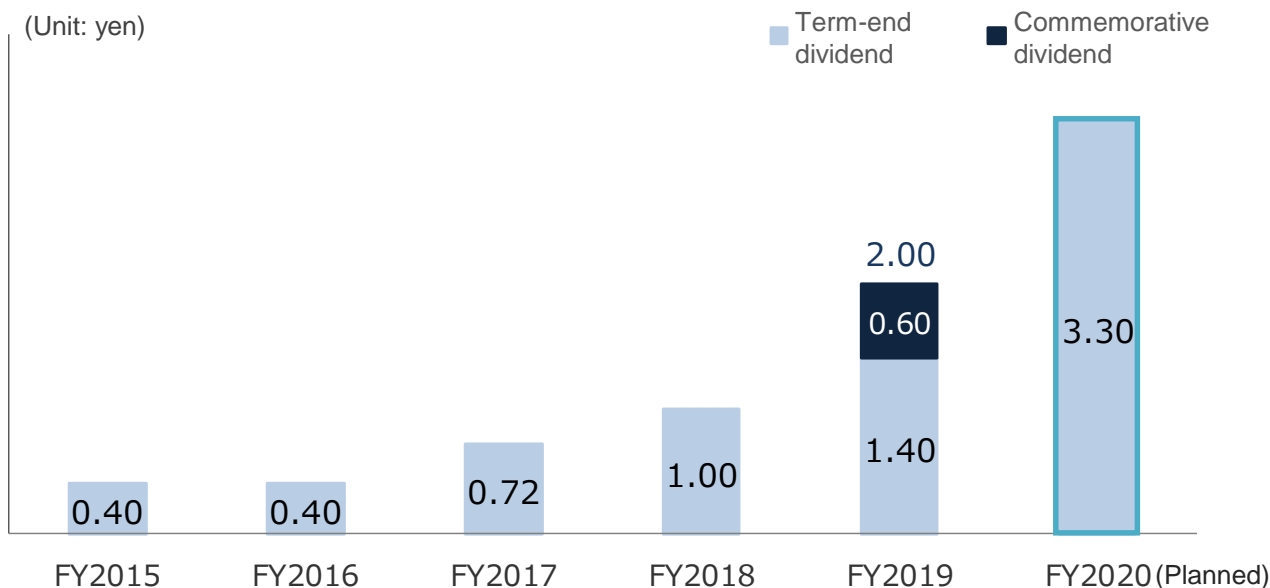
Dividend Policy

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.

FY 2020 Dividend Plan



The rapid spread of the novel coronavirus (COVID-19) has led to growing concerns about its future impact on the global economy.

The impact on our business performance to date has been limited.

Depending on future trends, the impact may be significant.

Since the 2008 global financial crisis, we have sought to transform our business structure into one highly resistant to environmental changes while creating services needed by society.

We believe that it is at times like this that we will demonstrate our strengths.

We will overcome these trying times by reflecting sincerely on how we can contribute to the world as a social company that helps solve social challenges and by taking action accordingly.

Our entire organization will work as one to meet the expectations of both shareholders and investors. We appreciate your continued support.

Sohei Urakami,
Chairman of the Board, President, and Representative Director
S-Pool, Inc.



S-Pool, Inc.

【Contact】 Investor Relations at the President's Office TEL: +81-3-6853-9411
E-mail: kouhou@spool.co.jp

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

732 persons

Number of Office

42 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%)

■ Special Needs Employment Service

(2.8 billion yen)

- Support for companies seeking to employ persons with disabilities
- Job training for disabilities

■ Logistics Outsourcing Service (1.1 billion yen)

- Outsourcing service for distributing products sold over the Internet
- Logistic center operation agency

■ Sales Support Service (520 million yen)

- Sales promotion
- Support for Marketing Operations

■ Employment Support Service (440 million yen)

- Answering services for part-time job application "OMUSUBI"

■ New Business (240 million yen)

- Job placement services for senior professionals

Human Resources Solution (71%)

■ Temporary Staffing Service

(12.5 billion yen)

- 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%