Results Briefing Materials
2Q FY2021

July 2, 2021

S-Pool, Inc.

First Section, Tokyo Stock Exchange (2471)

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1. 2Q FY2021 Performance Results

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2Q FY2021 Performance Highlights

2Q FY2021 overview of accounts settlement

■ **Efforts to minimize the impact of another state of emergency resulted in new record highs.**

Net sales	**11,641 million yen** (YoY change +19.3%)
Operating profit	**1,184 million yen** (YoY change +19.5%)
Net income*	**780 million yen** (YoY change +13.4%)

* Net income attributable to owners of the parent

2Q FY2021 overview by business segment

[Human Resource Outsourcing Services]

Net sales **8,205 million yen** (YoY change +14.9%)

The call center business drove sales. Market share among major customers grew steadily.

[Special Needs Employment Service]

Net sales **1,994 million yen** (YoY change +32.7%)

While certain equipment sales transactions were pushed back to 3Q, sales showed significant growth.

FY2021 performance forecasts

■ **Continuing to set record highs and achieving stable growth under any circumstances.**

Net sales	**24,800 million yen** (YoY change +18.0%)
Operating profit	**2,500 million yen** (YoY change +12.2%)
Projected dividend	**4.1 yen** (previous term: 3.3 yen)

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2Q FY2021 Financial Results (YoY Comparison)

- Both sales and profit climbed to new record highs, despite the declaration of another state of emergency.

(Unit: million yen)

	FY2021 2Q result	FY2020 2Q result	YoY change	YoY change (%)
Net sales	**11,641**	**9,759**	**+1,882**	**+19.3%**
Gross profit	3,361	2,874	+487	+16.9%
Gross profit margin (%)	28.9%	29.5%		-0.6 pt
Selling and administrative expenses	**2,177**	**1,883**	**+294**	**+15.6%**
Selling and administrative expenses/net sales (%)	18.7%	19.3%		-0.6 pt
Operating profit	**1,184**	**991**	**+192**	**+19.5%**
Operating profit margin (%)	10.2%	10.2%		0.0 pt
Ordinary profit	**1,197**	**989**	**+208**	**+21.1%**
Quarterly net income attributable to owners of the parent	**780**	**688**	**+92**	**+13.4%**

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2Q FY2021 Financial Results (vs. Targets)

- Sales largely went according to plan. Profits exceeded initial plans from the start of the year.

(Unit: million yen)

	FY2021 2Q result	FY2021 2Q result	YoY change	YoY change (%)
Net sales	**11,641**	**11,876**	**-234**	**-2.0%**
Gross profit	3,361	3,353	+7	+0.2%
Gross profit margin (%)	28.9%	28.2%		+0.7 pt
Selling and administrative expenses	**2,177**	**2,253**	**-75**	**-3.4%**
Selling and administrative expenses/net sales (%)	18.7%	19.0%		-0.3 pt
Operating profit	**1,184**	**1,100**	**+83**	**+7.6%**
Operating profit margin (%)	10.2%	9.3%		+0.9 pt
Ordinary profit	**1,197**	**1,094**	**+103**	**+9.4%**
Quarterly net income attributable to owners of the parent	**780**	**712**	**+67**	**+9.4%**

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2Q FY2021 Results by Segment

We recorded strong results in both segments.

(Unit: million yen)

		2Q FY2021 result	2Q FY2020 result	YoY change	YoY change (%)
Net sales	Business Solutions Segment	3,458	2,644	+813	+30.8%
	Human Resource Solutions Segment	8,205	7,142	+1,062	+14.9%
	Adjustments	(22)	(27)	-	-
	Total	11,641	9,759	+1,882	+19.3%
Operating profit	Business Solutions Segment	880	740	+139	+18.9%
	Human Resource Solutions Segment	931	786	+144	+18.4%
	Adjustments	(628)	(536)	-	-
	Total	1,184	991	+192	+19.5%
Operating profit margin	Business Solutions Segment	25.5%	28.0%	-	-2.5 pt
	Human Resource Solutions Segment	11.4%	11.0%	-	+0.4 pt
	Total	10.2%	10.2%	-	0.0 pt

[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.)

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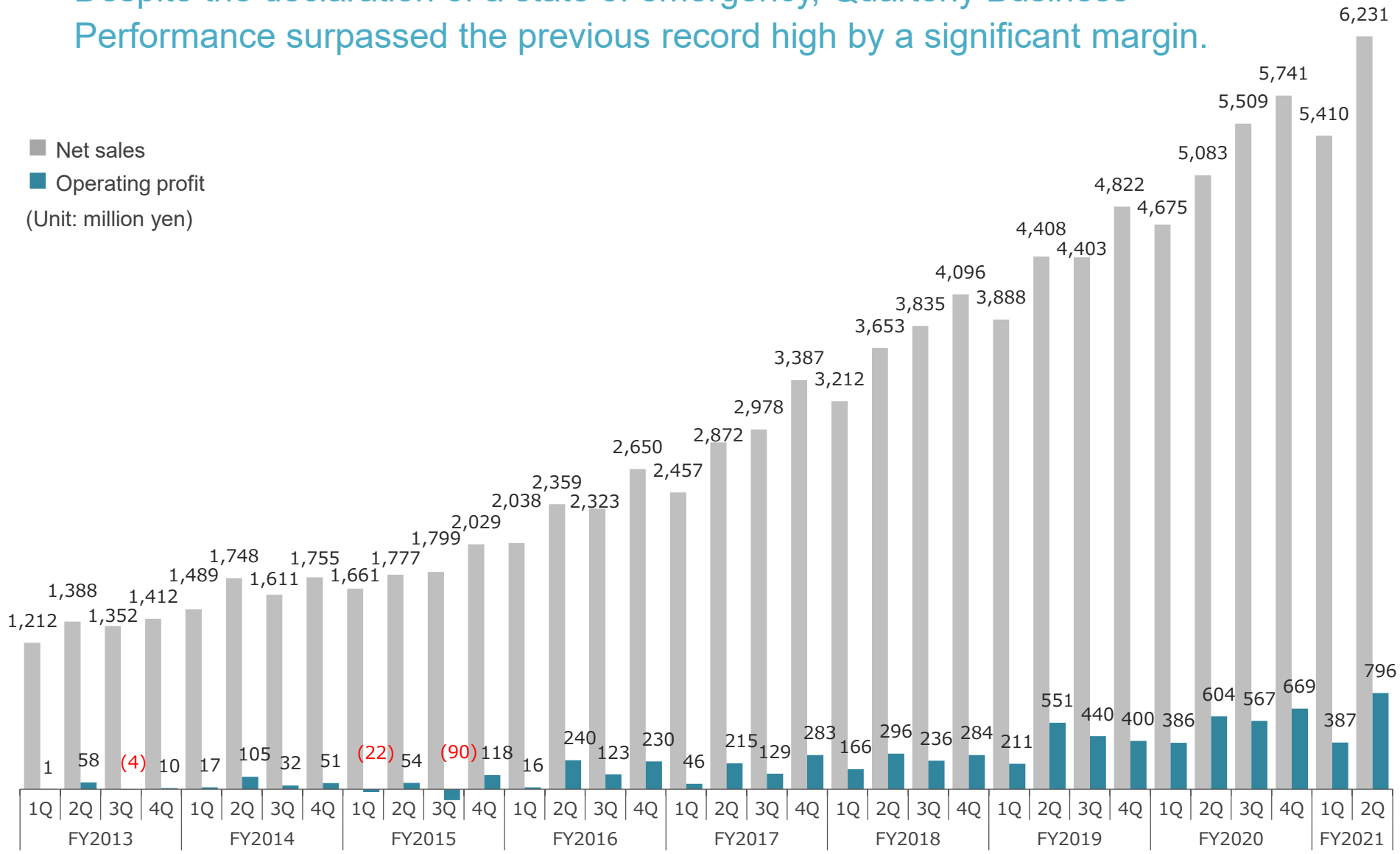
Trends in Quarterly Business Performance

- Despite the declaration of a state of emergency, Quarterly Business Performance surpassed the previous record high by a significant margin.



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Statement of Cash Flows

■ Cash decreased as funds on hand returned to pre-COVID-19 levels.

(Unit: million yen)

	FY2021 2Q	FY2020 2Q	YoY change	Main causes of changes
Cash flow from operating activities	435	578	-142	Increase in working capital, including notes and accounts receivable - trade
Cash flow from investment activities	-1,012	-1,008	-3	Purchase of property, plant, and equipment for opening farm facilities
Cash flow from financial activities	199	1,075	-875	
Balance of cash and cash equivalents	2,137	2,763	-625	

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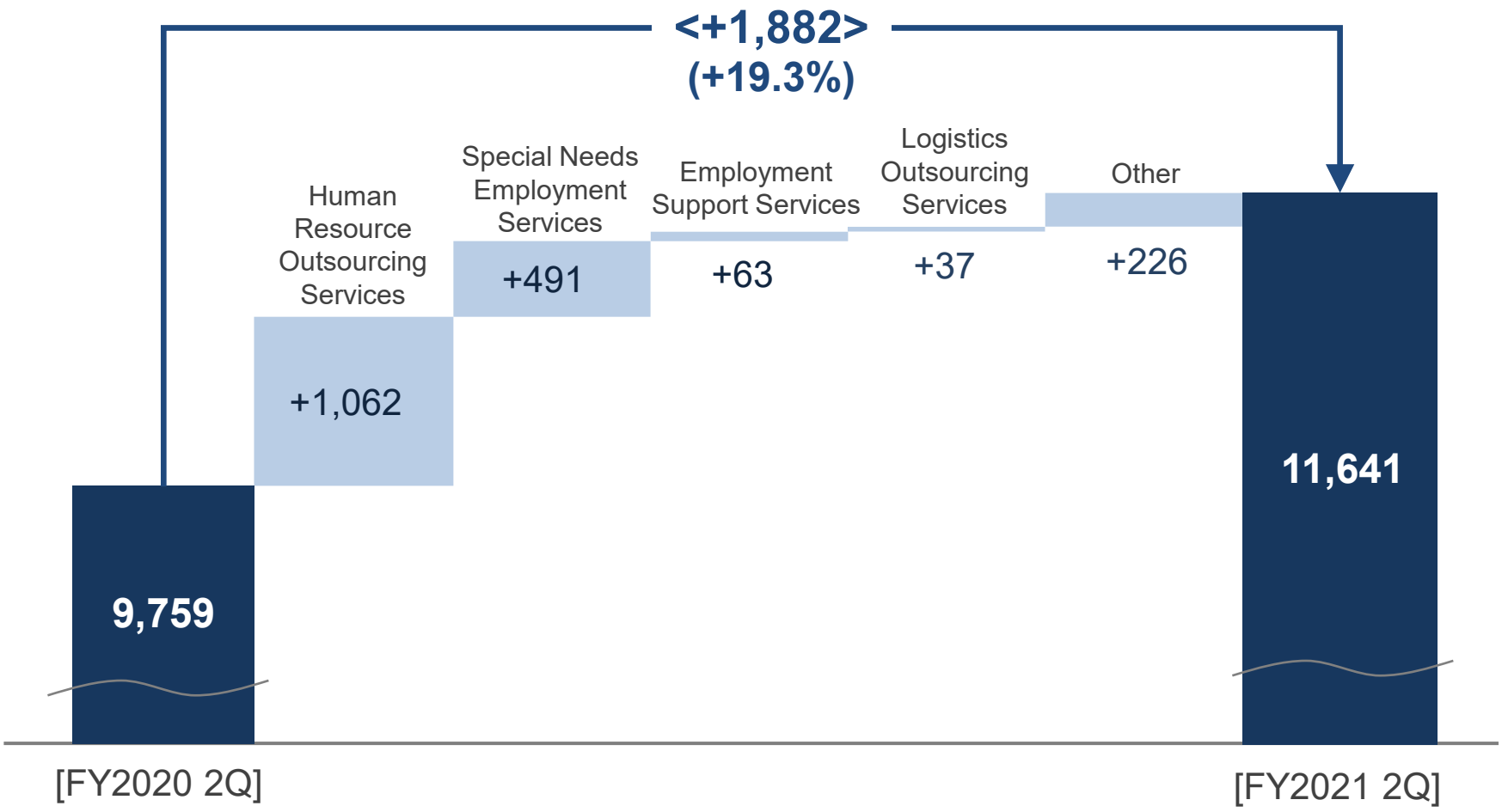
Analysis of Changes in Net Sales

- The two main business segments (Human Resource Outsourcing and Special Needs Employment) continued to drive sales.

(Unit: million yen)



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

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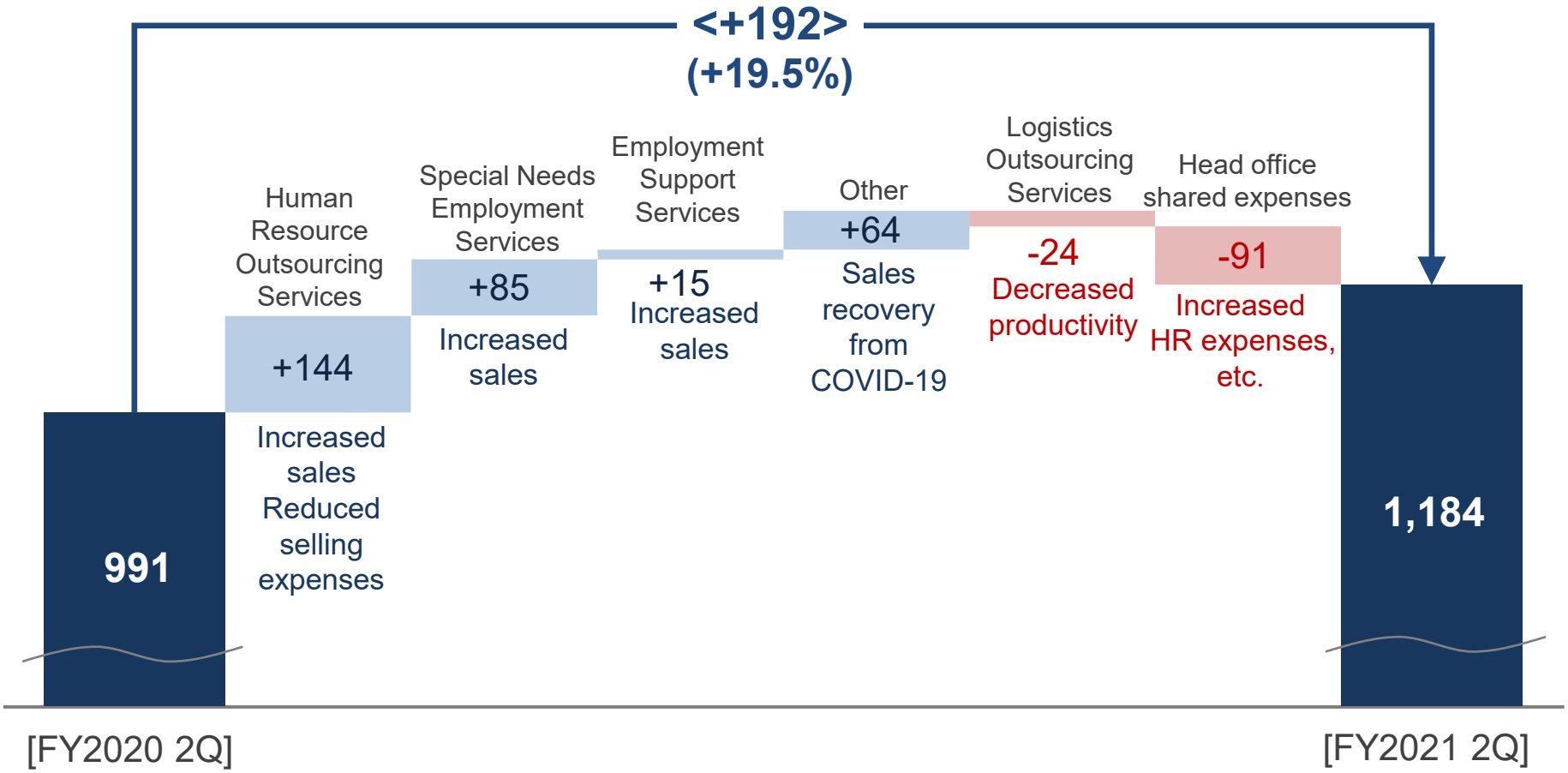
Analysis of Changes in Operating Profit

- In addition to the two main business segments, services marked by sales recovery from the COVID-19 pandemic boosted profits.

(Unit: million yen)



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

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2. 2Q FY2021 Overview by Business Segment

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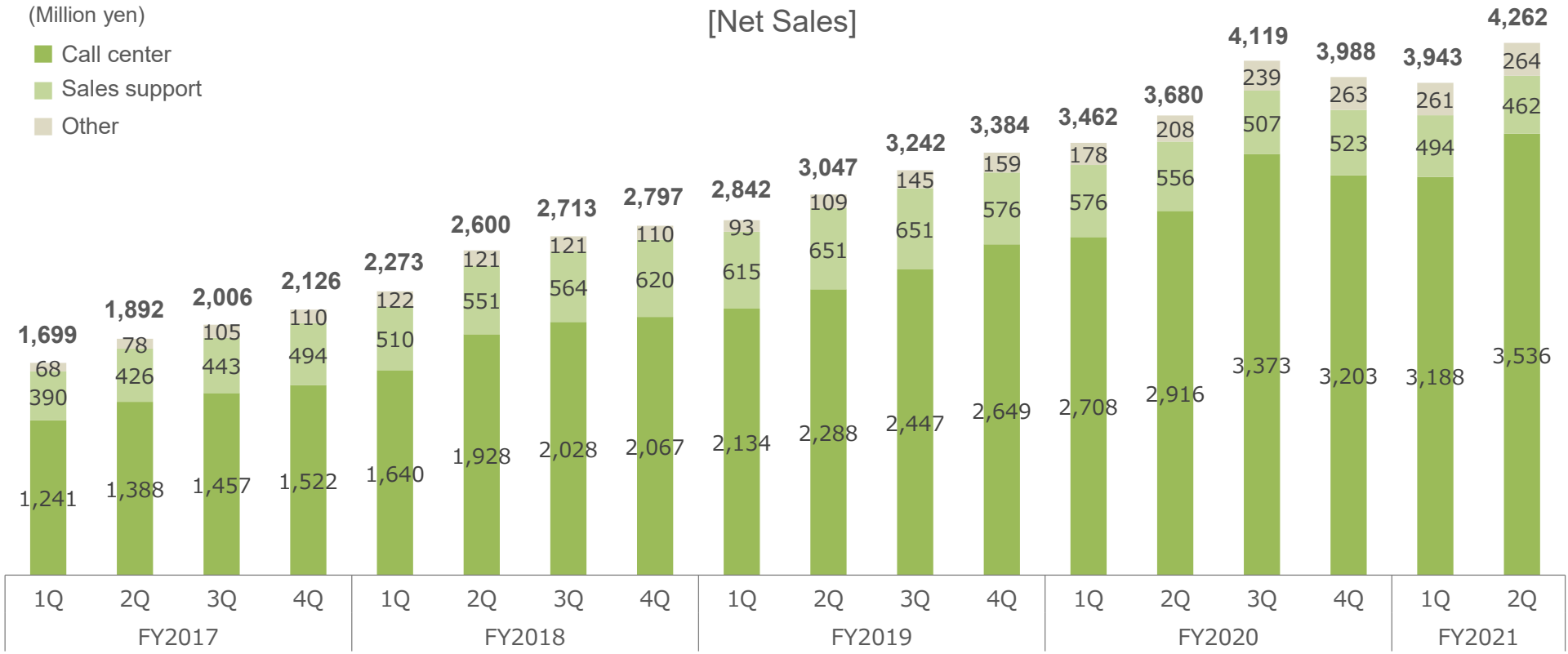
Human Resource Outsourcing Services [1H Results]

Net sales: 8,205 million yen (YoY change +14.9%)

The call center business recorded strong performance. In addition to growth in sales to major customers, we made progress in attracting new customers.

[Call centers] Net sales: 6,724 million yen (+20%); Continuing efforts in implementing the No.1 strategy led to increased sales to the three major customers.
[Sales support] Net sales: 956 million yen (-16%); The impact of the declaration of a state of emergency delayed recovery.
[Number of staff deployed] 5,841 staff/month (YoY change: +4%)
[Number of field consultants (FCs)]: 322 (YoY change: +12%)



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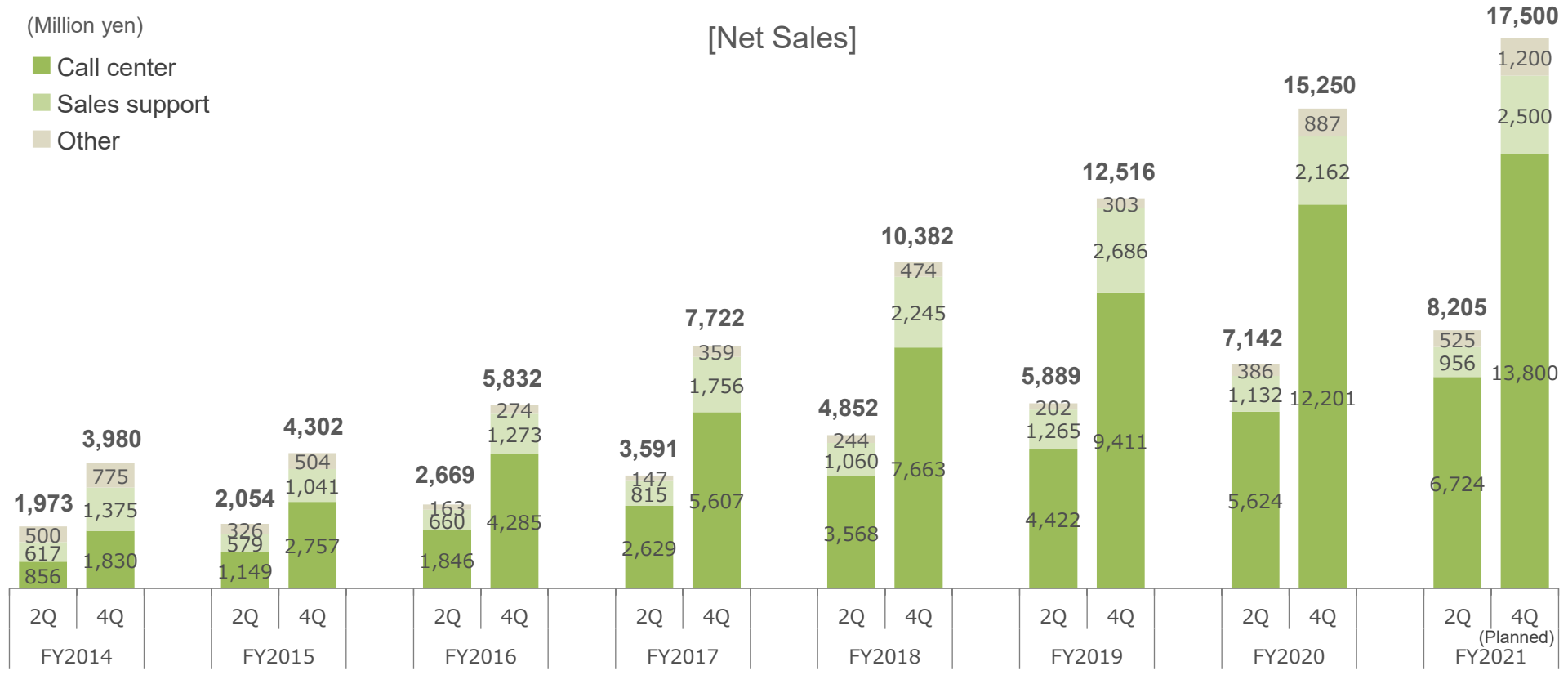
Human Resource Outsourcing Services [2H Forecasts]

Net Sales [full year] 17,500 million yen (YoY change +14.8%)

Targeting growth centered on the call center business, for which demand remains strong

[Call Centers]	Intensifying efforts targeting major customers (continuing the No. 1 strategy) and expanding customer base
[Sales Support]	Expanding product lineups (reduced reliance on the sale of mobile phones) and growing the kitting business for corporate customers, for which demand remains strong
[Other]	Focusing on market penetration of group-based staffing services in the long-term care domain, a sector characterized by a pronounced shortage of human resources



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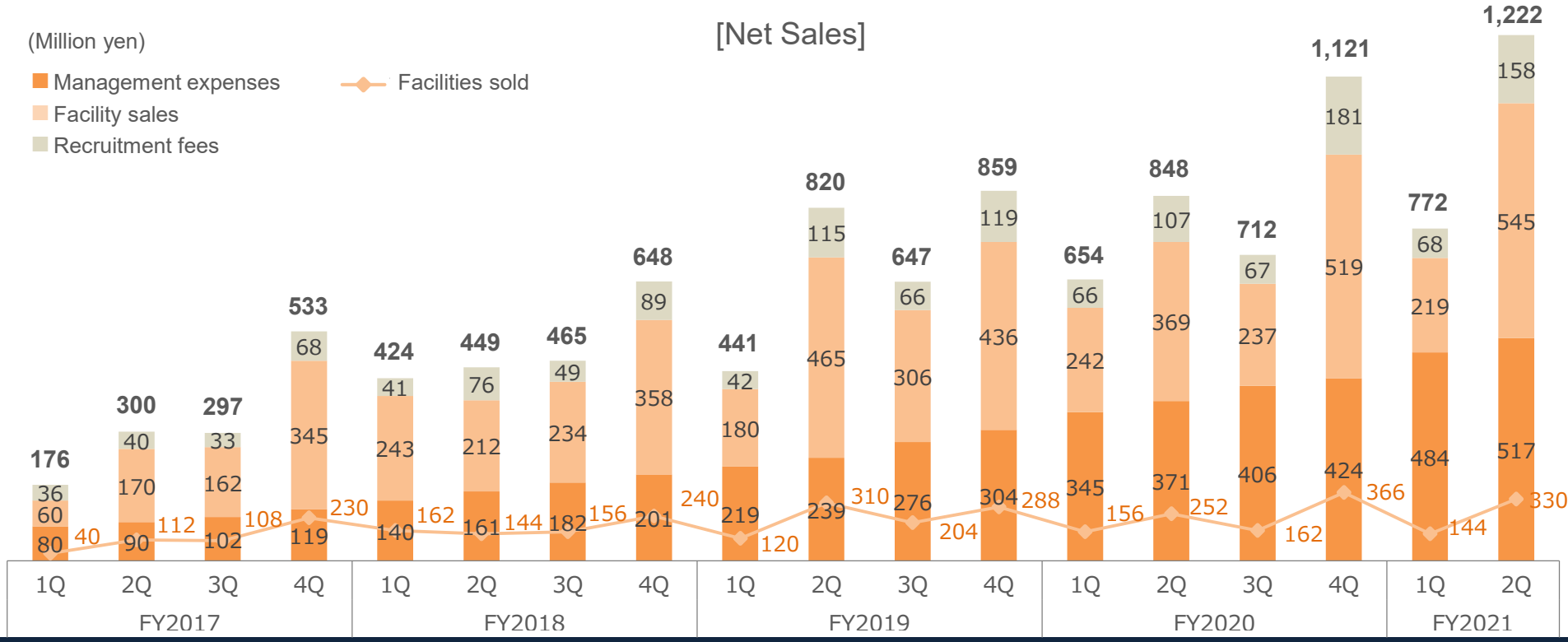
Special Needs Employment Service [1H Results]

Net sales: 1,994 million yen (YoY change +32.7%)

While certain equipment sales transactions were pushed back due to the state of emergency, corporate demand remained high, resulting in significant growth.

[2Q sales] 330 sections (planned: 351 sections) [2Q cumulative sales] 474 sections (planned: 489 sections)
[Managed] 4,267 sections [Customers] 355 companies (two companies withdrew) Cancellation rate 0.5%
[Employees] 2,133 (Retention rate 92%)

- The opening of the Nagakute farm was pushed back by delays in administrative procedures resulting from the state of emergency. This has impacted sales of 54 sections.
- Sales remained strong thanks to continued high customer demand resulting from the March increase in the statutory employment quota. Education and training also are proceeding as scheduled.



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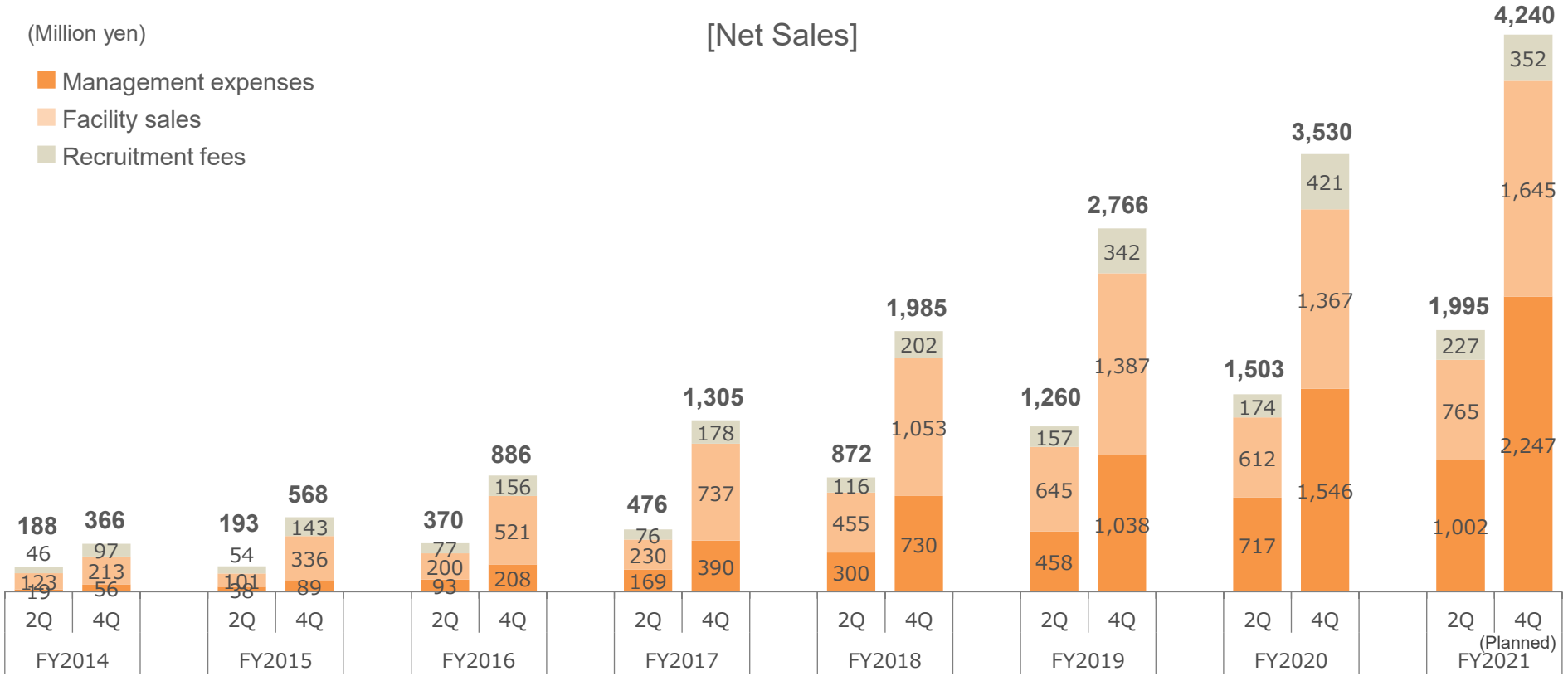
Special Needs Employment Service [2H Plans]

Net Sales [full year] 4,240 million yen (YoY change +27.1%)

Full-year sales plans have been revised upward. The pace of growth is accelerating despite COVID-19.

- In response to strong business performance, sales targets have been revised upward (from 1,035 sections to more than 1,100 sections).
- We have made the decision to open the new Itabashi (indoor) farm in November. The number of farms slated to open this period has increased from six to seven.
- The development of new services in fields other than agriculture has begun as part of efforts to establish a real-world platform for special needs employment.



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Logistics Outsourcing Services [1H Results]

Net sales: 599 million yen (YoY change +6.6%)

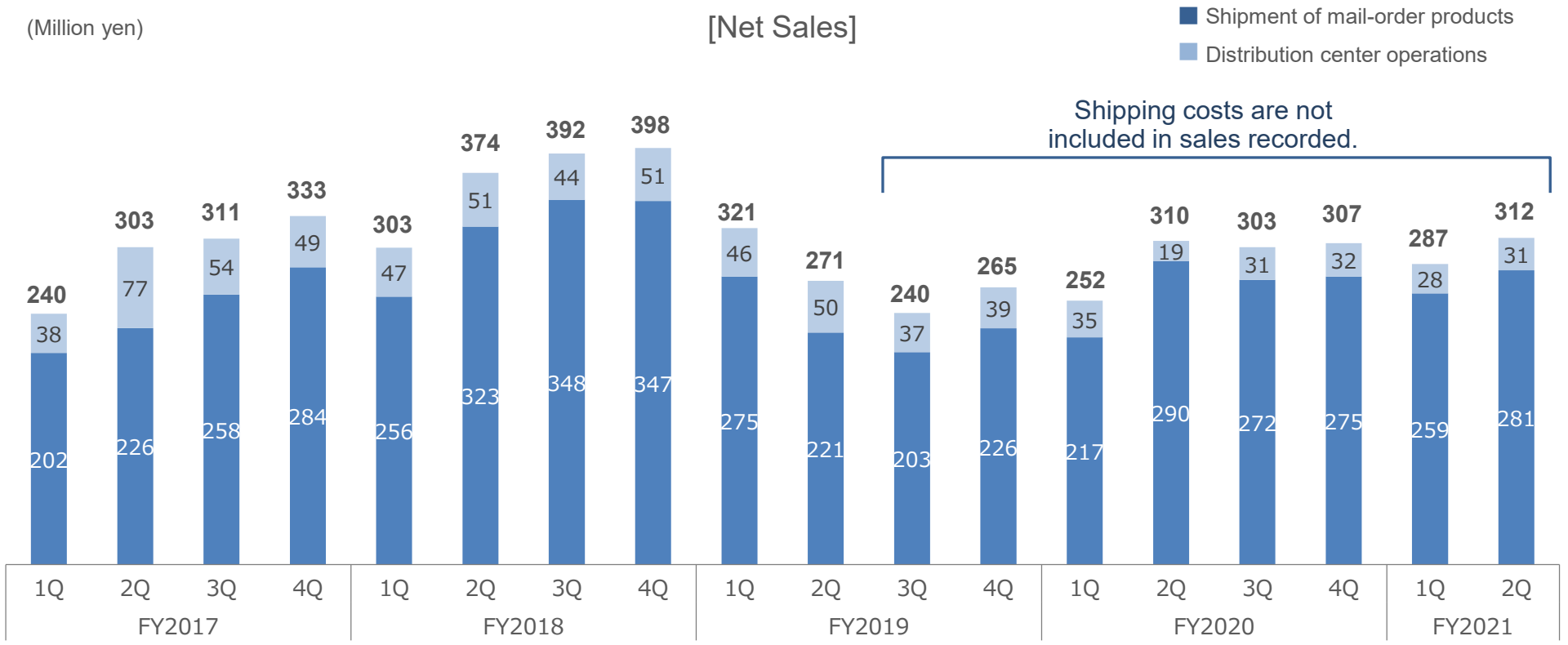
Profits fell despite sales growth. Improvements are urgently needed.

[Shipment of mail order products] 540 million yen (YoY change +6%)
[Distribution center operations] 59 million yen (YoY change +7%)

- While sales of services involving shipments of mail order products increased, profitability declined because many sales were for low-profit services. Overall productivity declined.
- Distribution center operations have been slow to recover from the impact of the states of emergency, since distribution mainly involves department stores.

(Million yen)

[Net Sales]



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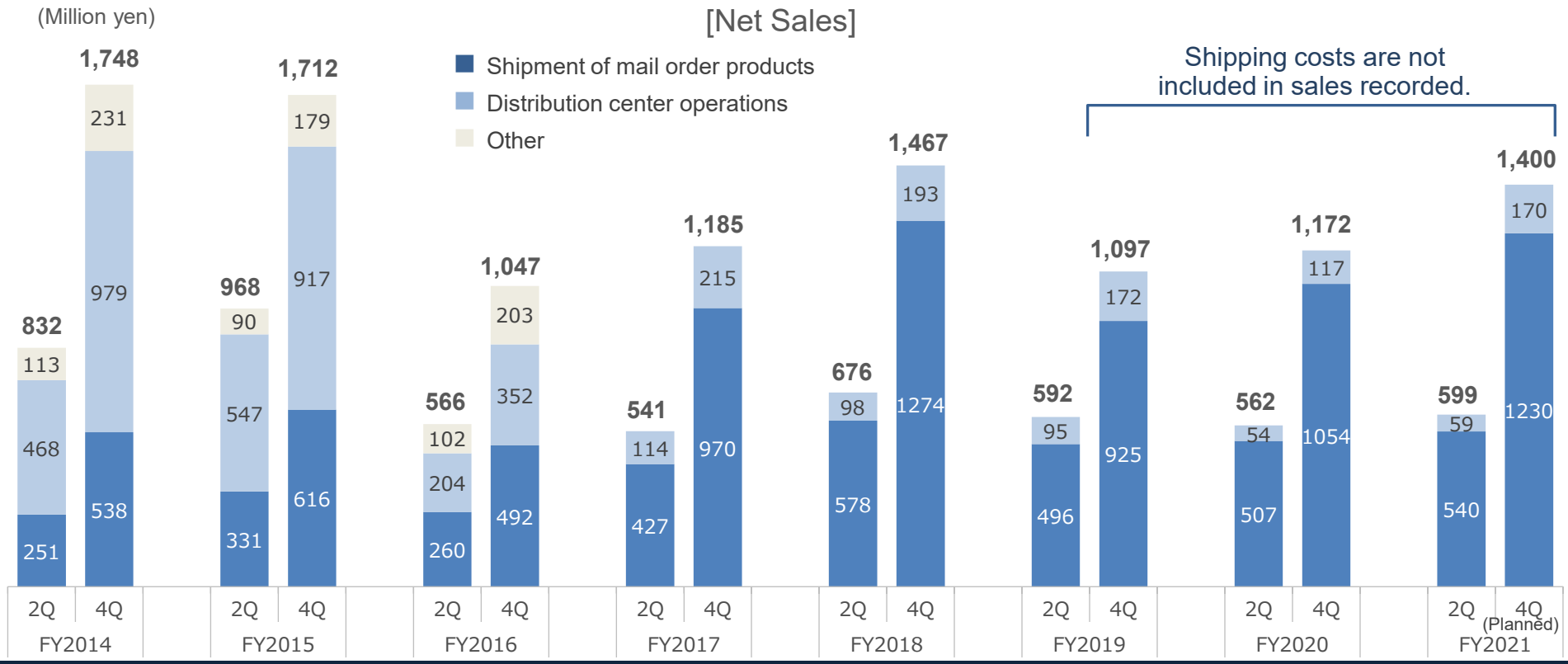
Logistics Outsourcing Services [2H Plans]

Net Sales [full year] 1,400 million yen (YoY change +19.0%)

Prioritizing improvements in the profitability of existing centers and postponing opening of new centers

- Opening of new centers will be postponed as we prioritize profitability improvements.
- Focusing on improving existing centers (e.g., replacing low-profit centers, improving workplaces, improving productivity through automation)
- Achieving carbon neutrality at distribution centers via carbon offsets; setting the future goal of carbon neutrality free of offsets



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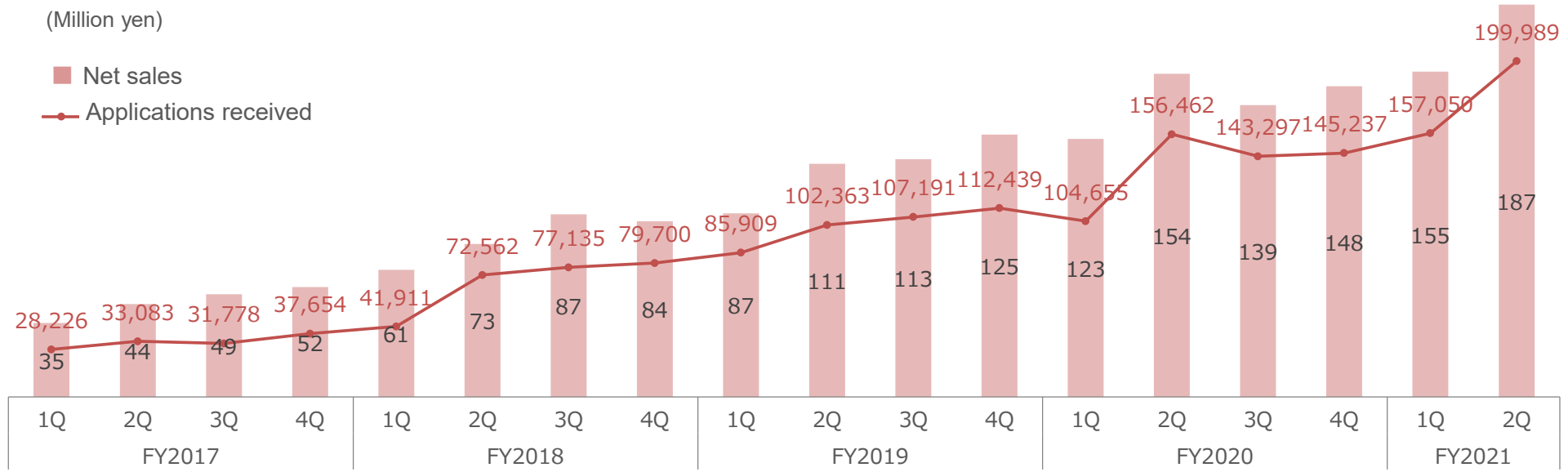
OMUSUBI Employment Support Service

1H

Net Sales: 342 million yen (YoY change +22.9%)

While sales grew significantly in the wake of the COVID-19 pandemic, momentum was dampened by the state of emergency.

- 2Q sales surpassed the previous record high by a significant margin due to the busy season and increase in customers.
- Recruitment activity, particularly in the food service industry, stagnated due to the renewed state of emergency.



2H

Net Sales [full year]: 690 million yen (YoY change +22.0%)

- The impact of shortened business hours in the food-service industry is expected to persist in the 3Q.
- Enhancing new sales centered on businesses that perform well despite COVID-19

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Environmental Management Support Services (Blue Dot Green)

1H

Net sales: 81 million yen

Difficulties in credit sales were offset by the consulting business. We expect to achieve planned profits for this period based on orders already received.

- Credit sales have been far below planned levels due to difficulties in purchasing due to significant price increases.
- Support for CDP* responses grew considerably in the consulting business, backed by growing ESG investment.
- We expect to achieve planned profits this period based on orders already received in the consulting business. Most of these orders are scheduled for delivery in 3Q.

*Carbon Disclosure Project:

British nonprofit organization that investigates and evaluates corporate efforts to address greenhouse gas emissions and climate change

2H

Net sales (full-year): 235 million yen

Moving forward with rapid development of new services while maintaining profits in the consulting business

- The consulting business is focusing on support for environmental disclosure based on TCFD,* a prime market requirement.
- Moving forward with programs to share decarbonization and environmental technologies to support corporate CO2 reductions

*Task Force on Climate-related Financial Disclosures:

A framework for disclosing financial information related to corporate climate change initiatives and impacts

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[New Business] Shared BPO Services for Local Governments

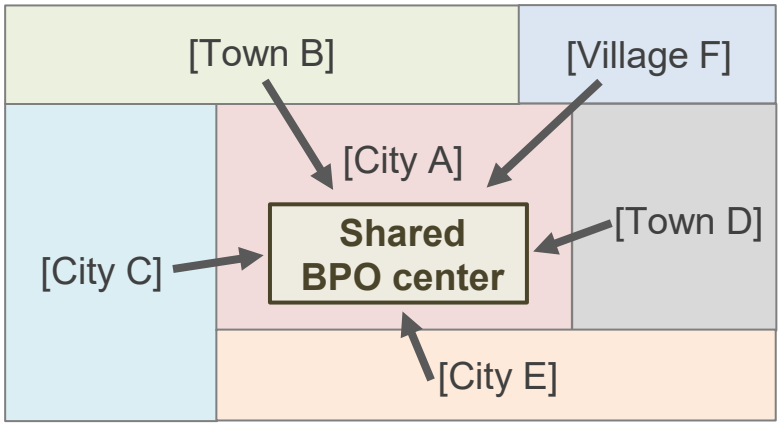
Leveraging our connections with local governments and know-how to launch shared business-process outsourcing (BPO) services for local governments

Shared BPO center

Taxation | Disaster prevention | Childcare | Healthcare | Living infrastructure

Centralization of the handling of inquiries and administrative processing for local governments

Joint use of regional BPO centers by multiple municipalities



Two orders have been received in Kitami area, Hokkaido and Daisen area, Akita Prefecture. Negotiations are underway with multiple local governments.

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3. FY2021 Business Policies/ Performance Forecasts

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Basic Policies and the New Medium-term Management Plan

Basic policy

Promoting well-balanced portfolio management resistant to environmental change

- High social contributions
- Resistant to business cycle changes
- High added value

Medium-term management plan

January 13, 2021

[Theme] Creating both social value and economic value

[Numerical plans] FY2025: Net sales of **41** billion yen, operating profit of **5** billion yen

[Management strategies]

Business Strategy (i)	Maintaining organic growth by building on existing businesses
Business Strategy (ii)	Securing growth opportunities in new business domains
Organizational Strategy	Enhancing management foundations based on ESG

[Financial strategies] FY2025

Consolidated dividend payout ratio of **30**% or more
Maintaining high ROE

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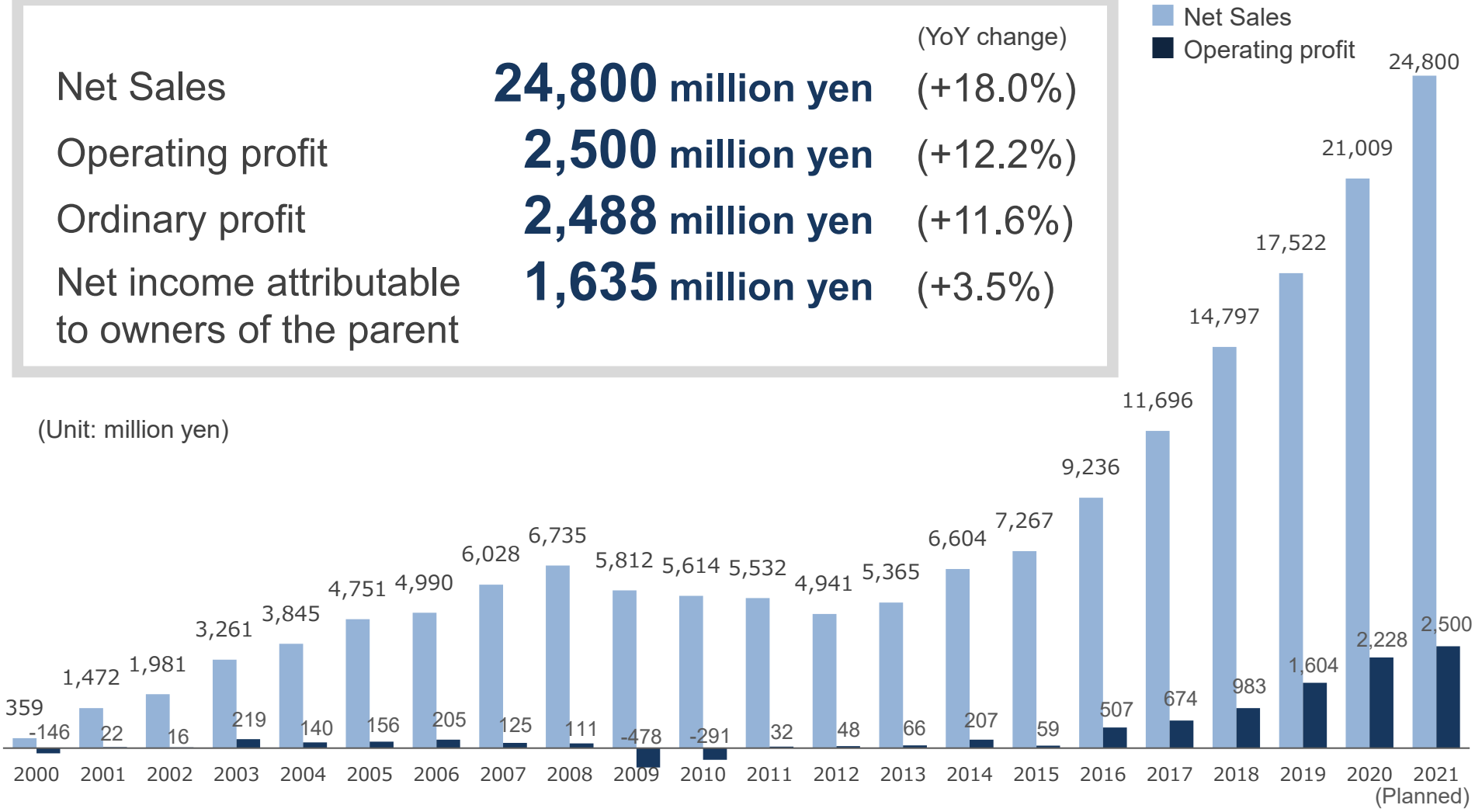
FY2021 Performance Forecasts

- We expect new record highs thanks to growth in net sales for the ninth consecutive term and growth in operating profit for the sixth consecutive term.

		(YoY change)
Net Sales	**24,800 million yen**	(+18.0%)
Operating profit	**2,500 million yen**	(+12.2%)
Ordinary profit	**2,488 million yen**	(+11.6%)
Net income attributable to owners of the parent	**1,635 million yen**	(+3.5%)



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FY2021 Performance Forecasts (Details)

(Unit: million yen)

	FY2021 planned	FY2020 actual	YoY change	YoY change (%)
Net sales	**24,800**	**21,009**	**+3,790**	**+18.0%**
Gross profit	7,106	6,377	+729	+11.4%
Gross profit margin (%)	28.7%	30.4%		-1.7 pt
Selling and administrative expenses	**4,606**	**4,148**	**+458**	**+11.0%**
Selling and administrative expenses/net sales (%)	18.6%	19.7%		-1.1 pt
Operating profit	**2,500**	**2,228**	**+271**	**+12.2%**
Operating profit margin (%)	10.1%	10.6%		-0.5 pt
Ordinary profit	**2,488**	**2,229**	**+258**	**+11.6%**
Net income attributable to owners of the parent	**1,635**	**1,580**	**+55**	**+3.5%**

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FY2021 Performance Forecasts by Segment

(Unit: million yen)

		FY2021 planned	FY2020 actual	YoY change	YoY change (%)
Net sales	Business Solutions Segment	7,408	5,825	+1,582	+27.2%
	Human Resource Solutions Segment	17,500	15,250	+2,249	+14.8%
	Adjustments	(108)	(65)	-	-
	Total	24,800	21,009	+3,790	+18.0%
Operating profit	Business Solutions Segment	1,873	1,619	+254	+15.7%
	Human Resource Solutions Segment	1,930	1,757	+172	+9.8%
	Adjustments	(1,303)	(1,148)	-	-
	Total	2,500	2,228	+271	+12.2%
Operating profit margin	Business Solutions Segment	25.3%	27.8%	-	-2.5 pt
	Human Resource Solutions Segment	11.0%	11.5%	-	-0.5 pt
	Total	10.1%	10.6%	-	-0.5 pt

[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.)

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4. Dividend Policy/Dividend Plan
Stock Information

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ESG External Assessment

- High evaluations earned from the world's leading ESG assessment agencies
  Selected as a component for inclusion into FTSE Russell's FTSE4Good Index Series for the first time

FTSE Russell [UK]

FTSE Russell Rating earned in the top 21%
Selected as a component for inclusion into FTSE Russell's FTSE4Good Index Series for the first time

FTSE Blossom Japan

M S C I [US]

MSCI ESG RATINGS AA

CCC | B | BB | BBB | A | AA | AAA

MSCI ESG Rating earned of AA, the second highest of seven ratings

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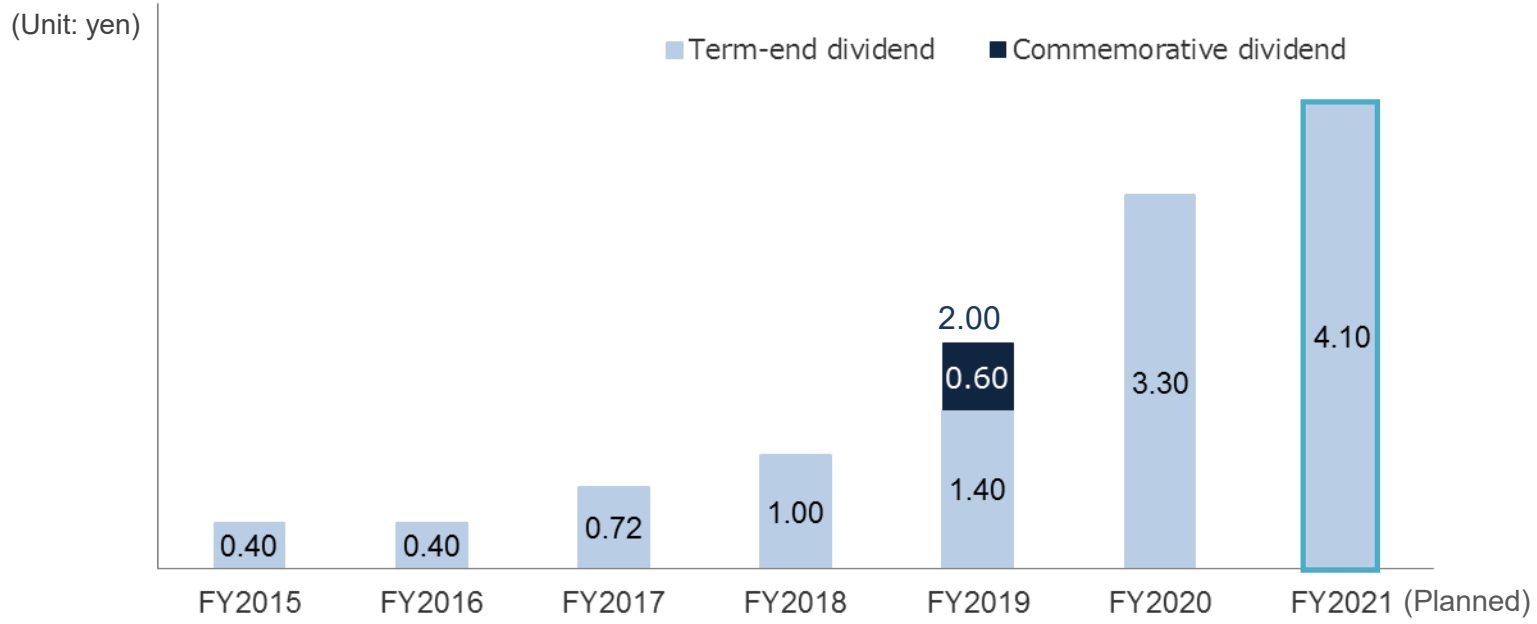
Dividend Policy/Dividend Plan

Dividend plan

Plans call for a 4.1 yen dividend for FY2021.



Dividend policy

We will seek to achieve stable and continuous growth in dividends while accounting for capital efficiency and strengthening our financial foundations.

Paying dividends targeting consolidated payout ratio of 20%
(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.)

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Major Shareholders (as of May 31, 2021)

Number of shareholders: 7,256 (November 30, 2020: 9,041 shareholders)

Share of institutional shareholders: 62.1% (November 30, 2020: 54.2%)

Rank	Name	Number of shares held	Percentage of shares held
1	Custody Bank of Japan, Ltd. (Trust Account)	9,950,300	12.59%
2	Sohei Urakami	8,809,700	11.15%
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	6,385,200	8.08%
4	NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON TREATY ACCOUNT 15.315 PCT	4,070,000	5.15%
5	Custody Bank of Japan, Ltd. (Trust Account 9)	2,779,500	3.52%
6	Toru Akaura	2,736,100	3.46%
7	Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	2,564,000	3.25%
8	Hideaki Sato	1,968,400	2.49%
9	S-Pool Employee Stock Ownership Program	1,462,500	1.85%
10	BNP Paribas Securities Services Luxembourg/Jasdec Securities/Ucits Assets	1,147,800	1.45%

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Supplemental Materials

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[Reference] Company Overview

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
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	Consolidated: 945 persons (as of May 31, 2021)
Facilities	52 locations

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[Reference] Business Segments

Two main services account for 88% of consolidated net sales:

Business Solutions Business (29%)

Special Needs Employment Services [3.34 billion yen]
- 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)

Logistics Outsourcing Services [1.17 billion yen]
- e-Commerce shipping agent services, cross border e-commerce services
- Distribution center operations

Sales Support Services [410 million yen]
- Sales promotion support, merchandising operations
- Operational support (promotional campaigns, promotions, trial operation)

Employment Support Services [560 million yen]
- OMUSUBI Employment Support Service

Environmental Management Support Services [120 million yen]
- CO2 emissions calculation support, carbon credit brokering support

New businesses [230 million yen]
- Professional human resource bank (consultants staffing services)

Human Resource Solution Business (71%)

Human Resource Outsourcing Services [15.25 billion yen]
- Temporary staffing/referral services
  Sales and marketing staff (e.g., smartphones, home electronics)
  Office staff (call centers, offices)
  Long-term care, nursing, childcare staff

* Sales figures and segment sales percentages are based on FY2020 results.

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[Reference] List of Group Member Companies

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

Parent company

[Business holding company and new business development]
S-Pool, Inc.

Group member companies

[Human Resource Outsourcing Services]
S-Pool Human Solutions, Inc.

[Special Needs Employment Services]
S-Pool Plus, Inc.

[Logistics Outsourcing Services]
S-Pool Logistics, Inc.

[Sales Support Services]
S-Pool Sales Support, Inc.

[Employment Support Services]
S-Pool Link, Inc.

[Environmental Management Support Services]
Blue Dot Green Inc.

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[Reference] Group Network

[Group head office] Akihabara

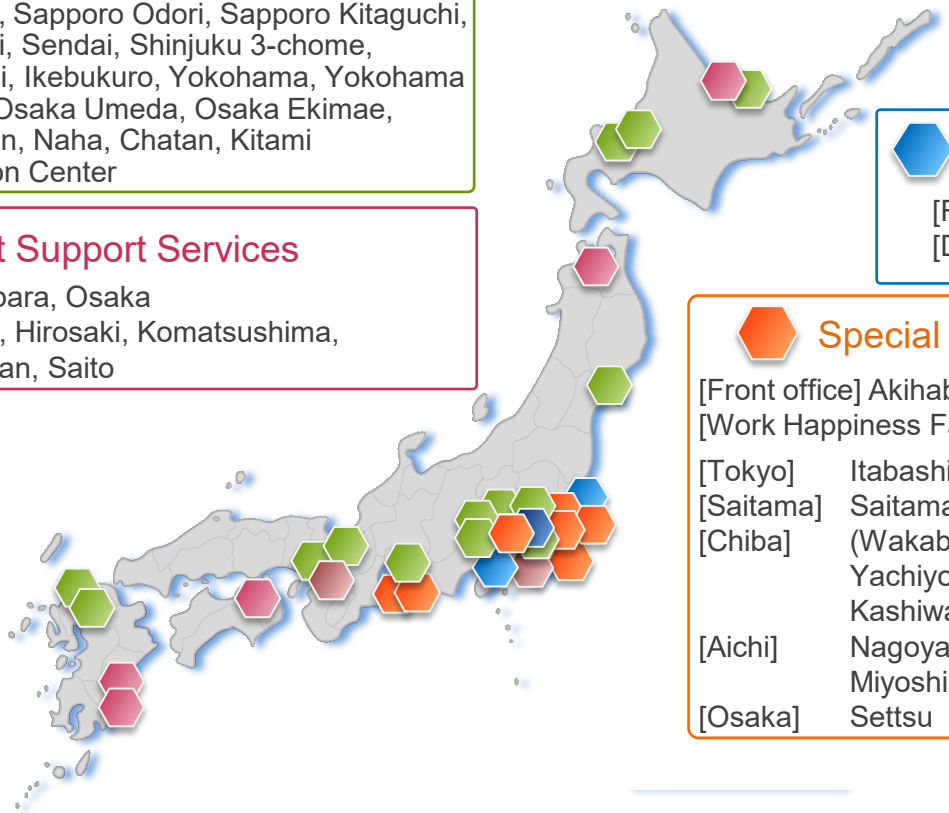
Human Resource Outsourcing Services

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 Farms] 26 farms

[Tokyo]	Itabashi
[Saitama]	Saitama (Iwatsuki), Kawagoe, Koshigaya
[Chiba]	(Wakaba (i) (ii), Hanamigawa), Matsudo, Yachiyo, Funabashi (i) (ii) (iii), Kashiwa (i) (ii) (iii), Ichihara (i) (ii), Mobara (i) (ii)
[Aichi]	Nagoya, Kasugai, Komaki, Tokai, Toyoake, Miyoshi
[Osaka]	Settsu



Sales Support Services

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