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To Whom It May Concern

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Notice Regarding the Difference between Consolidated Financial Forecasts and Actual Results for the Cumulative Second Quarter

OUTSOURCING Inc. (hereinafter “the Company”) hereby announces the difference between its consolidated financial forecasts for the cumulative 2nd quarter of the fiscal year ending December 31, 2021 (January 1, 2021 June 30, 2021) announced on February 15, 2021, and actual results announced today as per the details below.

Particulars

1. Difference between Consolidated Financial Forecasts and Actual Results for the Cumulative 2nd Quarter of Fiscal 2021 (January 1, 2021 – June 30, 2021)

	Revenue	Operating profit	Profit before tax	Profit for the period	Profit attributable to owners of the Company	Basic earnings per share for the period
	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	JPY
Previous Forecasts (A) (Announced on February 15, 2020)	240,000	7,900	6,950	4,200	3,500	27.79
Actual Results (B)	264,712	11,994	10,990	6,472	5,632	44.72
Changes (B-A)	24,712	4,094	4,040	2,272	2,132	
Ratio (%)	10.3	51.8	58.1	54.1	60.9	
Reference: Actual Results for the 2nd Quarter of Previous Fiscal Year (2Q Fiscal 2020)	172,628	3,254	1,995	757	624	4.95

(Note) As the provisional accounting process related to business combinations was finalized, the consolidated financial statements for 2Q FY12/20 have been retroactively adjusted.

2. Reason for the Difference

Regarding the consolidated financial results for 2Q FY12/21, relative to the revised financial forecasts announced on February 15, 2021, both revenue and profits exceeded financial forecasts as the business performance had progressed steadily.

In terms of revenue, overseas revenue significantly exceeded financial forecasts, which contributed to the growth of financial results for the entire Group. In the Overseas Engineering Outsourcing Business, the CPL Group, the largest HR business company in Ireland, which was grouped in January, performed well for the IT and pharmaceutical industries. Furthermore, in addition to the expansion of IT-related demand in Australia, the focus strategies for infrastructure and construction industries were more than planned. In the Overseas Manufacturing and Service Operation Business, in addition to a recovery of healthcare-related dispatching business in Germany, online shopping-related business centered on major supermarkets in the Netherlands, remained strong. In South America, logistics businesses were brisk in line with growing demand for e-commerce, and cleaning operations for retailers were also strong. In foreign exchange, better performance was also supported by yen's depreciation in general compared to the assumed exchange rates at the time of forecasts prepared.

Operating profit exceeded the financial forecasts in all business segments except for the Domestic Manufacturing Outsourcing Business, which was affected by temporary production adjustment in the automobile industry due to a shortage of semiconductors. Overseas, operating profit also exceeded the financial forecasts, mainly due to growth in revenue for the reasons mentioned above. In Japan, especially the U.S. military facilities business for the Domestic Service Operations Outsourcing Business, the renovation and maintenance of buildings and facilities contributed significantly to the increase in profits.

Profit before tax, profit for the period, and profit attributable to owners of the Company were similarly well above the financial forecasts, mainly due to a significant increase in operating profit.

The financial results of the OTTO Group in the Netherlands has greatly exceeded the plan, and the fair value of put option (*) liabilities has been revalued, and a one-off financial expense of approximately 1.9 billion yen has been recorded in accordance with IFRS accounting treatment. This one-off financing expense was not included in the tax calculation and had a significant impact on each profit below profit before tax, depressing them by the same amount. Nevertheless, the fact that the OTTO Group has achieved a growth beyond the plan after the acquisition is an inherently very positive outcome, which we believe that it will contribute to improved corporate value over the medium- to long-term.

Each profit below profit before tax has absorbed this one-off financial expense of approximately 1.9 billion yen and is still achieving a significant increase.

* Put option: The OUTSOURCING Group is active in M&A. Primarily in the case of acquiring owner-managed companies, the Company may refrain from acquiring 100% of the shares upfront, allowing the owner (the seller) to participate in management and hand over control in three to five years to ensure smooth post-merger integration (PMI). In this situation, put options are at times issued on the remaining shares so that the shareholder(s) has/have the right to sell the shares to the Company at a price linked to the earnings performance of the issuing company. Under IFRS accounting rules, the expected future purchase price of the shares is recorded as a financial liability (put option liability) and the total amount is deducted from the capital. Put option liabilities are periodically revalued (marked to market) and the difference between the new and previous valuation is recorded in the statement of income as a valuation gain or loss. Put option liabilities equate to the purchase price of the remaining shares. However, the OUTSOURCING Group calculates the purchase price with an earnings-linked formula, which means the purchase price increases if the issuing company's earnings performance is better than expected. Consequently, the difference between the previous valuation and the valuation after marking to market increases if an acquired company's earnings performance far exceeds the forecast, resulting in downward pressure on profit at profit before tax level and below.

3. Regarding Full-Year Financial Forecasts

While the 1H consolidated financial results largely exceeded the initial forecasts as mentioned above, in light of uncertain factors, such as increasing uncertainties on the future of the business climate due to the rapid expansion of COVID-19 variants on a global scale and the difficulty of accurately estimating exchange rate fluctuations, the full-year FY12/21 consolidated financial forecasts are left unchanged, with no revision at the present time.

(Disclaimer with respect to earnings and other forecasts)

The forward-looking statements including earnings forecast contained in this document are based on information currently available to the Company, and certain assumptions that the Company believes are reasonable. Accordingly, the Company can give no assurance that such statements will prove to be correct. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of factors.