[Translation]

February 18, 2022

To Whom It May Concern

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Notice Regarding the Difference between Consolidated Financial Forecasts and Actual Results

OUTSOURCING Inc. (hereinafter "the Company") hereby announces the difference between its consolidated financial forecasts for FY12/21 (January 1, 2021 - December 31, 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 FY12/21 (January 1, 2021 - December 31, 2021)

	Revenue	Operating profit	Profit before tax	Profit for the year	Profit attributable to owners of the Company	Basic earnings per share for the year
	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	JPY
Previous forecasts (A) (Announced on February 15, 2021)	528,000	25,100	21,400	14,200	12,800	101.66
Actual results (B)	569,325	24,186	12,003	2,204	832	6.60
Changes (B-A)	41,325	(914)	(9,397)	(11,996)	(11,968)	
Ratio (%)	7.8%	-3.6%	-43.9%	-84.5%	-93.5%	
Reference: actual results for the previous fiscal year (FY12/20)	365,135	13,282	7,741	2,667	1,910	15.17

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

2. Reason for the difference

Regarding the consolidated financial results for FY12/21, relative to the financial forecasts announced on February 15, 2015, although revenue exceeded the forecast and operating profit landed almost in line with the forecast, profit before tax and below were significantly lower than forecasts mainly due to IFRS accounting (one-off financial expense recording) due to the business performance of the acquired company exceeding the plan.

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With regard to revenue, the downturn in the domestic business was offset by the upside in the overseas business. The Company’s strategy of diversifying business portfolios and geographic portfolios, which has always been aimed at achieving more consistent operating performance, has been successful. However, in Japan, where the operating profit margin tends to be higher than that of the global dispatching market, operating profit decreased slightly due to the intensifying human resource shortage, which led to upfront investments in recruiting and offering expenses, and the impact of production adjustments in the auto industry due to the semiconductor shortage.

Profit before tax, profit for the year, and profit attributable to owners of the Company posted a shortfall to financial forecasts. This is because the financial results of the OTTO Group in the Netherlands has greatly exceeded the plan, the fair value of put option (*) liabilities has been revalued, and a one-off financial expense of approximately JPY11.1 billion has been recorded in accordance with IFRS accounting. 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 the Company believes that it will contribute to improved corporate value over the medium- to long-term. In January 2022, the Company entered into a contract for the early acquisition of remaining shares. This one-off financial expense will not be incurred after making it a wholly-owned subsidiary scheduled for the fiscal year ending December 2022.

* 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 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 forecast, resulting in downward pressure on profit at profit before tax level and below.

Regarding the year-end dividend for FY12/21, while basic earnings per share for the year came in below initial forecast, and while the appropriate dividend based on payout ratio might be JPY2.00, the impact of the one-off factor is significant, as mentioned above. Going forward, recognizing that growth can be maintained for the medium- to long-term, the initial forecast for year-end dividend per share of JPY31.00 is unchanged.

(Disclaimer with respect to earnings and other forecasts)

[Translation]

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.