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Consolidated Financial Results for the Three Months Ended March 31, 2022 (Under IFRS)

May 9, 2022

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Scheduled date to file quarterly securities report: May 13, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors)

(Yen amounts are rounded off to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022) a. Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2022	155,313	25.5	6,008	16.4	3,985	(30.3)	1,814	(46.7)	1,616	(47.2)	7,434	(4.9)
March 31, 2021	123,801	38.2	5,161	50.8	5,721	143.2	3,405	133.8	3,064	133.7	7,819	—

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2022	12.83	12.83
March 31, 2021	24.33	24.33

(Note) Since the provisional accounting treatments related to business combinations were finalized in the third quarter and fourth quarter of the fiscal year ended December 31, 2021, as well as in the first quarter ended March 31, 2022, the condensed quarterly consolidated financial statements for the first quarter ended March 31, 2021 were retrospectively adjusted.

b. Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Million yen	Million yen	Million yen	%	Yen
March 31, 2022	372,562	74,843	69,730	18.7	553.83
December 31, 2021	351,576	72,484	65,850	18.7	522.92

(Note) Since the provisional accounting treatments related to business combinations were finalized in the first quarter ended March 31, 2022, the consolidated financial statements for the fiscal year ended December 31, 2021, were retrospectively adjusted.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	—	0.00	—	31.00	31.00
Fiscal year ending December 31, 2022	—				
Fiscal year ending December 31, 2022 (Forecast)		0.00	—	45.00	45.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half-year	323,000	22.1	10,500	(9.0)	9,300	(14.2)	5,600	(12.8)	5,200	(7.4)	41.30
Full year	695,000	22.1	32,000	33.4	29,600	150.7	19,300	832.5	18,500	—	146.93

(Note) Revisions to the financial results forecast most recently announced: None

(Notes)

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and accounting estimates

(a) Changes in accounting policies as required by IFRS: None

(b) Changes in accounting policies due to other reasons: None

(c) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(a) Number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	125,926,800	As of December 31, 2021	125,926,800
As of March 31, 2022	23,490	As of December 31, 2021	490
Three months ended March 31, 2022	125,908,421	Three months ended March 31, 2021	125,908,810

(b) Number of treasury shares at the end of the period

(c) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

(Notes)

* This summary of quarterly financial statements is not subject to quarterly review by certified public accountants or an auditing firm.

* Statement regarding the proper use of financial forecasts and other special remarks:

(Cautions concerning forward-looking statements)

The forward-looking statements including financial forecasts in this summary are based on information currently available to OUTSOURCING Inc. (hereinafter, “the Company”) and on assumptions believed to be reasonable by the Company. These statements do not guarantee future performance of the Company, and various factors may cause the actual results to differ significantly from the forecasts. For details on the specific assumptions on which the forecasts are based and cautionary statements regarding the use of financial forecasts, please see “1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS, (3) Explanation of Forecasts Including the Consolidated Financial Results Forecasts” on page 5 of the attached documents.

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1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

(1) Overview of Consolidated Operating Results

The business environment during the three months ended March 31, 2022 (the “current period”), gradually saw signs of improvement to recover from uncertainties caused by the unprecedented COVID-19 pandemic thanks to the wide-spread vaccinations. However, pervasive uncertainty still remained as myriad events with significant repercussions on international affairs continued, such as new variants of coronaviruses spreading infections and the Ukraine crisis.

Although the economy in Japan started to pick up, the prolonged semiconductor shortage, which had been a headache even before the pandemic, disproportionately affected the recovery of major manufacturers, representing the Company’s main customers. Meanwhile, companies in the information technology (IT), construction, and service industries continued to show a strong need for hiring engineers on the back of serious labor shortage. A consistent gain in demand was also evident in the area of system engineering and digital transformation (DX). Restructuring activities, such as disposals of companies or businesses, in manufacturing and IT industries also accelerated during the current period.

In response to such business environment in Japan, the OUTSOURCING Group (the “Group”) has pursued to reinforce the growth domain by smoothing out earnings. In the manufacturing field, part of the work performed by fixed-term workers are replaced by dispatching workers under a long-term dispatch contract to mitigate the effect of production adjustment. Also, the Group continues to expand a dispatched employee management system, called “Cloud Staffing Management (CSM),” an HR tech service aiming to improve the productivity of customers through digitalizing dispatch management tasks. In the auto industry, although the supply chain disruption including semiconductor shortage has tentatively affected the production line, the demand for automobiles remains high and production is expected to catch up. Thus, when looking at the auto industry over a span of one year, the effect on the Group business is expected to ease. In the administrative work outsourcing business for technical intern trainees, the number of foreign workers under management marked 18,510 as of March 31, 2022, which continues to represent the top share in Japan, despite restrictions on entering Japan and precarious conditions of inbound flights under the COVID-19 pandemic, thanks to positive feedback from customers for the Group’s efficient and appropriate management service. In the engineering field, the Group is promoting “Dispatch 2.0,” a business model to improve efficiency and reduce manpower at the same time by combining engineers and technology. Also, the Group has developed a business scheme utilizing KEN School, one of the Group companies specialized in offering training service. KEN School provides training to people with little experience to enable them to work not only in the engineering field but also in various industries, including IT, construction, and pharma. By keeping recruitment costs at a low level while increasing the number of hiring through this scheme, the Group has successfully grown the business. Further, in April 2022, more than 3,200 new hires have joined the Group, making it one of the leading companies in hiring new graduates. Besides the manufacturing field, which is more susceptible to macroeconomic dynamics, the Group is expanding businesses that are less affected by economic fluctuations. In particular, the business with U.S. military facilities continues to see a steady growth, as renovation and maintenance services for buildings and facilities are less affected by the COVID-19 outbreak. As bidders for U.S. military construction projects are generally required to place an equivalent amount of bonds (i.e., performance guarantee insurance), the Company has successfully stretched the credit line of bonds by leveraging its creditworthiness to win large projects with high profitability.

Looking at the market overseas, the economy in developed countries gradually saw a recovery thanks to the promotion of a large-scale inoculation together with COVID-19 countermeasures; however, uncertainty still remained quite high under the following circumstances: sudden increase of geopolitical risks led by the Ukraine crisis; rise in energy price, ramping up inflationary pressures; and the quick spread of new variants of coronaviruses.

Under such business environment, the Group has continued to make all-out effort to reinforce the growth domain by smoothing out earnings for its overseas businesses. In detail, in addition to expanding outsourcing businesses in the public sector, including government projects, which are less susceptible to economic fluctuations, the Group offers engineering outsourcing service in a remote working environment. Also, the Group is rolling out a scheme to mobilize human resource at a global level from countries that have plenty of work force to those that face labor shortage. Moreover, the Group has successfully provided services to central and local governments, including digital governments, and has also expanded e-commerce logistics businesses that support lifelines. In addition, foreign exchange rates have served as a favorable tailwind for the overseas business, as yen is getting weaker against other currencies when compared to the projected rate used for developing the financial results forecast.

In January 2022, the Company signed an early purchase agreement for the remaining shares of OTTO Group

in the Netherlands. The difference between put option liability and the acquisition price of the remaining shares was recorded as finance cost of some 2.4 billion yen in the current period. As finance cost is not supposed to be reflected in tax calculations, profit before tax, profit for the period, and profit attributable to owners of parent were significantly understated by the equivalent amount. However, now that the Group is engaged to early acquire the entire shares of OTTO Group, such non-recurring finance cost related to OTTO Group will not arise in the following periods.

As a result, the Group recorded revenue of 155,313 million yen on a consolidated basis for the first quarter ended March 31, 2022, up 25.5% year-on-year, exceeding its previous high for the quarter for the 13th consecutive year. Operating profit marked 6,008 million yen, up 16.4% year-on-year, profit before tax of 3,985 million yen, down 30.3% year-on-year, and profit attributable to owners of parent of 1,616 million yen, down 47.2% year-on-year.

The Group places a high value on sustainable growth. As for the sustainability policy of the Group to promote Sustainable Development Goals (“SDGs”) management, the Group is committed to corporate activities that will create job opportunities and education opportunities for many people around the world, through which the Group will seek to tackle society’s challenges, develop businesses, and contribute to the benefit of stakeholders in a sustainable manner. The Group has set 2021 to be the first year to tackle SDG issues and explore SDGs management by taking bold initiatives, including the announcement of “The OUTSOURCING Group SDGs Declaration,” the establishment of a Sustainability Committee, participation as a signatory to the United Nations Global Compact (“UNGC”) and in Global Compact Network Japan, and participation as a signatory to the Women’s Empowerment Principles. The Group continues to pursue the goal of creating a system under which its business activities will widely benefit the society.

Segment results are provided below. The Group has five reportable segments, namely “Domestic Engineering Outsourcing Business,” “Domestic Manufacturing Outsourcing Business,” “Domestic Service Operations Outsourcing Business,” “Overseas Engineering Outsourcing Business,” and “Overseas Manufacturing and Service Operations Outsourcing Business.” Revenue for all of the five reportable segments successfully rose to another high in the current period.

[Domestic Engineering Outsourcing Business]

The Domestic Engineering Outsourcing Business experienced limited negative effects of the COVID-19 pandemic and continued to see a large increase in both revenue and profit from a year earlier during the current period. Particularly, the profit posted a double-digit growth, high enough to absorb upfront investment on the new hires of 2,600 or so, who are expected to join the business in April 2022. While taking the anticipated new hires into account, recruitment was carefully controlled and continued to be supported by the business scheme utilizing KEN School, which provides training to people with little experience for dispatching purposes, thereby keeping recruitment costs at a low level while increasing the number of recruited people. The number of worksite employees as of March 31, 2022, totaled 22,085, up 3,836 from a year earlier, which marked the highest in the industry despite the Group being a latecomer. The business expanded services to IT, construction, and pharma fields, identified as the focus areas to mitigate the effect of economic fluctuations in the manufacturing industry.

Based on the above, segment revenue and operating profit for the Domestic Engineering Outsourcing Business during the current period were 34,225 million yen, up 24.0% year-on-year, and 2,922 million yen, up 34.3% year-on-year, respectively.

[Domestic Manufacturing Outsourcing Business]

In the Domestic Manufacturing Outsourcing Business, dispatching and outsourcing services as well as fee-charging recruiting service of fixed-term employees in the manufacturing field were negatively affected by production adjustment on the back of semiconductor shortages and supply chain disruptions under the pandemic. Although the impact should be tentative given the expected catch-up in production, revenue declined in the current period due to factory closures and other reasons. The number of worksite employees as of March 31, 2022, totaled 21,506, up 2,892 from a year earlier, as the business controlled the recruitment on the back of a prolonged semiconductor shortage. The number of workers is expected to rise when factories resume production at full-scale. In the administrative work outsourcing business, the need for recruiting technical intern trainees continued to be stable among manufacturers, representing the Company’s main customers. That said, the business was sluggish during the current period mainly because foreign workers continued to face difficulties in entering Japan. However, thanks to positive feedback from customers for the Group’s efficient and appropriate management service, the number of

foreign workers under management marked 18,510 as of March 31, 2022, leading the Japanese market.

Based on the above, segment revenue and operating profit for the Domestic Manufacturing Outsourcing Business during the current period were 27,033 million yen, up 17.6% year-on-year, and 1,493 million yen, down 11.8% year-on-year, respectively.

[Domestic Service Operations Outsourcing Business]

The Domestic Service Operations Outsourcing Business mainly provides services to U.S. military facilities, which are less susceptible to macroeconomic dynamics, unlike businesses in the manufacturing field. The business enjoyed a steady growth during the current period by offering renovation and maintenance services for U.S. military buildings and facilities without being significantly affected by the pandemic. As bidders for U.S. military construction projects are generally required to place an equivalent amount of bonds (i.e., performance guarantee insurance), the Company successfully stretched the credit line of bonds by leveraging its creditworthiness to win large projects with high profitability. Although segment profit in the current period decreased from a year earlier, this was due to the profit being especially high for the three months ended March 31, 2021, when acceptance inspections for a number of large-scale construction projects came up around the same time. In other words, this does not indicate any deterioration in the business profitability in the current period.

Based on the above, segment revenue and operating profit for the Domestic Service Operations Outsourcing Business during the current period were 8,402 million yen, up 20.7% year-on-year, and 1,092 million yen, down 18.8% year-on-year, respectively.

[Overseas Engineering Outsourcing Business]

The Overseas Engineering Outsourcing Business saw a large increase in both revenue and profit from a year earlier during the current period. Although the outsourcing business for public debt collection in the UK saw a dent in collection rates in certain areas, businesses grew at a brisk pace in Ireland and the Oceania region. As a result, the business segment results exceeded the budget. The UK public debt collection business is expecting a recovery in the coming periods.

Based on the above, segment revenue and operating profit for the Overseas Engineering Outsourcing Business during the current period were 36,731 million yen, up 39.4% year-on-year, and 1,697 million yen, up 61.8% year-on-year, respectively.

[Overseas Manufacturing and Service Operations Outsourcing Business]

In the Overseas Manufacturing and Service Operations Outsourcing Business, the e-commerce related business centered around major supermarkets in the Netherlands continued to grow. In the UK, the recruiting and placing business for governments and the Business Process Outsourcing (BPO) business for local governments performed well. In South America, security service and cleaning work for logistics and retailing companies also saw strong results. Meanwhile, segment profit went down due to the recording of impairment of goodwill of 460 million yen in the UK and 60 million yen in Brazil, and also due to extra costs required to take countermeasures against the quick spread of new variants of COVID-19.

Based on the above, segment revenue and operating profit for the Overseas Manufacturing and Service Operations Outsourcing Business during the current period were 48,907 million yen, up 22.6% year-on-year, and 755 million yen, down 45.3% year-on-year, respectively.

[Other Businesses]

Included in Other Businesses are shared service of administrative work and sign language classes provided by disabled who work for the Group's special subsidiary company, which went well during the current period.

Based on the above, segment revenue during the first quarter ended March 31, 2022, marked 15 million yen, up 11.3% year-on-year, and operating profit of 109 million yen, a significant increase when compared to operating loss of 22 million yen posted in the same quarter of last year.

(2) Overview of Consolidated Financial Position

Total assets as of March 31, 2022 were 372,562 million yen, an increase of 20,986 million yen from December 31, 2021. This is primarily attributed to an increase in trade and other receivables, right-of-use assets, and goodwill.

Total liabilities as of March 31, 2022 were 297,719 million yen, an increase of 18,627 million yen from December 31, 2021. This is primarily attributed to an increase in bonds and borrowings.

Equity as of March 31, 2022 was 74,843 million yen, an increase of 2,359 million yen from December 31, 2021, which is mainly affected by a decrease due to payment of cash dividends, more than offset by exchange differences and other reasons.

(3) Explanation of Forecasts Including the Consolidated Financial Results Forecasts

The financial results forecasts for the six months ending June 30, 2022, and the fiscal year ending December 31, 2022 have not changed from those that were originally announced on February 18, 2022.

The forecasts represent forward-looking statements determined based on information available as of the time of the creation of this document and involve uncertainties to some degree. At this moment, it is difficult for the Company to predict precisely when the COVID-19 outbreak will settle down in countries where its foreign subsidiaries are located. Also, events across the globe, including rising tensions due to the Ukraine crisis in, soaring energy prices, and unprecedented inflationary environment, are threatening the global economy to a great extent. Against this backdrop, the Company may revise the financial results forecasts, or the actual financial results may differ from the forecasts due to changes in the business situation or other reasons.

2. CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	48,334	45,759
Trade and other receivables	88,061	98,907
Inventories	2,658	2,278
Other financial assets	14,652	15,570
Other current assets	13,493	15,460
Total current assets	167,198	177,974
Non-current assets		
Property, plant, and equipment	11,611	11,972
Right-of-use assets	21,362	25,030
Goodwill	84,870	89,555
Intangible assets	37,515	38,067
Investments accounted for using equity method	221	261
Other financial assets	21,508	22,222
Other non-current assets	1,849	1,182
Deferred tax assets	5,442	6,300
Total non-current assets	184,378	194,589
Total assets	351,576	372,562

(Million yen)

	As of December 31, 2021	As of March 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	62,398	66,361
Bonds and borrowings	88,396	51,834
Lease liabilities	20,395	22,252
Other financial liabilities	9,383	11,518
Income taxes payable	4,654	3,127
Other current liabilities	27,286	26,129
Total current liabilities	212,512	181,222
Non-current liabilities		
Bonds and borrowings	15,645	70,690
Lease liabilities	27,157	30,295
Other financial liabilities	8,321	803
Retirement benefit liability	3,309	2,369
Provisions	1,212	1,275
Other non-current liabilities	735	738
Deferred tax liabilities	10,200	10,328
Total non-current liabilities	66,580	116,498
Total liabilities	279,092	297,719
Equity		
Share capital	25,230	25,230
Capital surplus	26,663	26,663
Treasury shares	(0)	(0)
Other capital surplus	(12,887)	(12,265)
Other components of equity	4,027	9,209
Retained earnings	22,819	20,894
Total equity attributable to owners of parent	65,850	69,730
Non-controlling interests	6,634	5,114
Total equity	72,484	74,843
Total liabilities and equity	351,576	372,562

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Million yen)

	For the three months ended March 31, 2021	For the three months ended March 31, 2022
Revenue	123,801	155,313
Cost of sales	<u>(100,085)</u>	<u>(126,806)</u>
Gross profit	23,716	28,508
Selling, general and administrative expenses	(20,283)	(23,984)
Other operating income	1,869	2,242
Other operating expenses	<u>(141)</u>	<u>(758)</u>
Operating profit	5,161	6,008
Finance income	1,563	924
Finance costs	(1,053)	(2,987)
Share of profit (loss) of investments accounted for using equity method	51	40
Profit before tax	<u>5,721</u>	<u>3,985</u>
Income tax expense	<u>(2,316)</u>	<u>(2,171)</u>
Profit for the period	<u><u>3,405</u></u>	<u><u>1,814</u></u>
Profit attributable to:		
Owners of parent	3,064	1,616
Non-controlling interests	<u>342</u>	<u>198</u>
Profit for the period	<u><u>3,405</u></u>	<u><u>1,814</u></u>
Earnings per share		
Basic earnings per share (Yen)	24.33	12.83
Diluted earnings per share (Yen)	24.33	12.83

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	For the three months ended March 31, 2021	For the three months ended March 31, 2022
Profit for the period	3,405	1,814
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit retirement plans	357	319
Change in fair value of equity financial assets measured at fair value through other comprehensive income	119	(79)
Total of items that will not be reclassified subsequently to profit or loss	<u>476</u>	<u>240</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	3,937	5,380
Change in fair value of debt financial assets measured at fair value through other comprehensive income	1	—
Total of items that may be reclassified subsequently to profit or loss	<u>3,937</u>	<u>5,380</u>
Other comprehensive income, net of tax	<u>4,414</u>	<u>5,620</u>
Total comprehensive income	<u><u>7,819</u></u>	<u><u>7,434</u></u>
Comprehensive income attributable to:		
Owners of parent	7,386	7,118
Non-controlling interests	433	317
Total comprehensive income	<u><u>7,819</u></u>	<u><u>7,434</u></u>

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the three months ended March 31, 2021 (From January 1, 2021, to March 31, 2021)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other capital surplus	Other components of equity	
					Exchange differences on translation of foreign operations	Change in fair value of debt financial assets measured at fair value through other comprehensive income
Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	
Balance at January 1, 2021	25,214	26,647	(0)	(13,456)	(1,518)	1
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	3,845	1
Total comprehensive income	-	-	-	-	3,845	1
Dividends	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	-
Total contributions by (distributions to) owners	-	-	-	-	-	-
Changes from business combination and others	-	-	-	548	-	-
Total changes in ownership interests in subsidiaries	-	-	-	548	-	-
Total transactions with owners	-	-	-	548	-	-
Balance at March 31, 2021	25,214	26,647	(0)	(12,908)	2,328	2

	Equity attributable to owners of parent						
	Other components of equity			Retained earnings	Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit retirement plans	Change in fair value of equity financial assets measured at fair value through other comprehensive income	Total				
Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	
Balance at January 1, 2021	-	329	(1,187)	23,229	60,448	5,998	66,446
Profit for the period	-	-	-	3,064	3,064	342	3,405
Other comprehensive income	357	119	4,322	-	4,322	91	4,414
Total comprehensive income	357	119	4,322	3,064	7,386	433	7,819
Dividends	-	-	-	(1,259)	(1,259)	(1,034)	(2,293)
Transfer to retained earnings	(357)	-	(357)	357	-	-	-
Other increase (decrease)	-	-	-	(18)	(18)	-	(18)
Total contributions by (distributions to) owners	(357)	-	(357)	(920)	(1,277)	(1,034)	(2,311)
Changes from business combination and others	-	-	-	-	548	553	1,101
Total changes in ownership interests in subsidiaries	-	-	-	-	548	553	1,101
Total transactions with owners	(357)	-	(357)	(920)	(729)	(480)	(1,210)
Balance at March 31, 2021	-	448	2,778	25,373	67,104	5,951	73,055

For the three months ended March 31, 2022 (From January 1, 2022, to March 31, 2022)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other capital surplus	Other components of equity	
					Exchange differences on translation of foreign operations	Change in fair value of debt financial assets measured at fair value through other comprehensive income
Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	
Balance at January 1, 2022	25,230	26,663	(0)	(12,887)	3,549	1
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	5,259	-
Total comprehensive income	-	-	-	-	5,259	-
Dividends	-	-	-	-	-	-
Share-based remuneration transactions	-	-	-	(5)	-	-
Transfer to retained earnings	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	-
Total contributions by (distributions to) owners	-	-	-	(5)	-	-
Changes from business combination and others	-	-	-	627	-	-
Total changes in ownership interests in subsidiaries	-	-	-	627	-	-
Total transactions with owners	-	-	-	622	-	-
Balance at March 31, 2022	25,230	26,663	(0)	(12,265)	8,807	1

	Equity attributable to owners of parent						
	Other components of equity						
	Remeasurements of defined benefit retirement plans	Change in fair value of equity financial assets measured at fair value through other comprehensive income	Total	Retained earnings	Total	Non-controlling interests	Total equity
Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	
Balance at January 1, 2022	-	477	4,027	22,819	65,850	6,634	72,484
Profit for the period	-	-	-	1,616	1,616	198	1,814
Other comprehensive income	319	(77)	5,501	-	5,501	118	5,620
Total comprehensive income	319	(77)	5,501	1,616	7,118	317	7,434
Dividends	-	-	-	(3,904)	(3,904)	(1,124)	(5,028)
Share-based remuneration transactions	-	-	-	-	(5)	-	(5)
Transfer to retained earnings	(319)	-	(319)	319	-	-	-
Other increase (decrease)	-	-	-	44	44	-	44
Total contributions by (distributions to) owners	(319)	-	(319)	(3,541)	(3,865)	(1,124)	(4,989)
Changes from business combination and others	-	-	-	-	627	(713)	(86)
Total changes in ownership interests in subsidiaries	-	-	-	-	627	(713)	(86)
Total transactions with owners	(319)	-	(319)	(3,541)	(3,238)	(1,837)	(5,075)
Balance at March 31, 2022	-	400	9,209	20,894	69,730	5,114	74,843

(5) Notes to Condensed Quarterly Consolidated Financial Statements

[Going Concern Assumption]

Not applicable.

[Changes in Significant Subsidiaries]

Not applicable.

[Segment Information]

(a) Overview of Reportable Segments

The reportable segments of the Group are its components for which discrete financial information is available and which are subject to periodical assessments by the Board of Directors to determine allocation of management resources and evaluate performance.

The Group consists of segments categorized by description of business, with five reportable segments, namely “Domestic Engineering Outsourcing Business,” “Domestic Manufacturing Outsourcing Business,” “Domestic Service Operations Outsourcing Business,” “Overseas Engineering Outsourcing Business,” and “Overseas Manufacturing and Service Operations Outsourcing Business.”

Major operations of each segment are as follows:

Domestic Engineering Outsourcing Business:

Subsidiaries of the Company provide the following: services to offer sophisticated technologies and know-how to assist manufacturers in their design/development and experiment/evaluation processes; development of telecommunication-related applications for websites, smartphones, etc., as well as development of e-commerce websites; various solution services for and development of foundational IT systems, infrastructure, and networks; outsourcing services for research and development operations specializing in medical- and chemical-related areas; services to offer expertise and know-how for construction management/design as well as for the design, construction, management, and the like of various plants; and IT schools.

Domestic Manufacturing Outsourcing Business:

The Company and its subsidiaries offer services to realize better production efficiencies by providing technologies and management know-how in response to manufacturers’ needs for outsourcing manufacturing processes. In addition, the Company and its subsidiaries offer comprehensive consignment services covering everything from outsourced recruitment of fixed-term employees to be directly employed by customers (fee-charging recruiting service), administrative work outsourcing including labor management and housing management for fixed-term employees, technical intern trainees, international students, etc., and job hunting support for workers whose employment terms have expired.

Domestic Service Operations Outsourcing Business:

Subsidiaries of the Company offer services to government offices such as U.S. military facilities and services for logistics companies and call centers.

Overseas Engineering Outsourcing Business:

Overseas subsidiaries of the Company offer dispatch and recruiting services of specialists, mainly in Europe and Australia, in the following areas: IT, finance, pharmaceuticals, life science, medicine, and healthcare. Government debt collection service using artificial intelligence is also provided.

Overseas Manufacturing and Service Operations Outsourcing Business:

Overseas subsidiaries of the Company mainly offer human resource services for manufacturing-related production outsourcing, dispatching and recruiting of personnel for administrative and service-related work, and payroll services in Asia, South America, Europe, and other areas. In addition, they offer other services, including BPO services and temporary worker dispatching for public institutions in Europe and Australia as well as cross-border employment services in Europe and Asia.

Other Business:

Subsidiaries of the Company provide administrative outsourcing services and the like.

(b) Segment Revenues and Results

Revenues and results by reportable segment are as shown below. Segment profit figures are based on operating profit.

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

	Reportable Segment					Total	Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business					
	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen
Revenue										
Revenue from external customers	27,597	22,992	6,960	26,353	39,884	123,787	13	123,801	—	123,801
Intersegment revenue (Note 3)	722	602	51	260	420	2,055	372	2,427	(2,427)	—
Total	28,319	23,595	7,011	26,613	40,304	125,842	385	126,228	(2,427)	123,801
Cost of sales and other income (expenses)	(26,144)	(21,903)	(5,666)	(25,564)	(38,923)	(118,200)	(407)	(118,607)	(33)	(118,640)
Segment profit (Operating profit)	2,176	1,691	1,345	1,049	1,382	7,643	(22)	7,621	(2,460)	5,161
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	1,563
Finance costs	—	—	—	—	—	—	—	—	—	(1,053)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	51
Profit before tax	—	—	—	—	—	—	—	—	—	5,721

(Note 1) The category “Other Business” is an operating segment that is not included among the reportable segments, in which subsidiaries of the Company engage in administrative outsourcing services and the like.

(Note 2) The adjustment of segment profit of (2,460) million yen includes acquisition-related cost related to business combinations of (747) million yen, corporate expenses of (1,664) million yen, profits or losses not allocated to any specific operating segment, and elimination of intersegment transactions.

(Note 3) Intersegment revenues are based on prevailing market prices.

For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

	Reportable Segment					Total	Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business					
	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen
Revenue										
Revenue from external customers	34,225	27,033	8,402	36,731	48,907	155,298	15	155,313	—	155,313
Intersegment revenue (Note 3)	490	721	88	197	434	1,930	490	2,419	(2,419)	—
Total	34,715	27,754	8,490	36,928	49,340	157,228	505	157,733	(2,419)	155,313
Cost of sales and other income (expenses)	(31,793)	(26,262)	(7,398)	(35,231)	(48,585)	(149,269)	(396)	(149,664)	359	(149,305)
Segment profit (Operating profit)	2,922	1,493	1,092	1,697	755	7,959	109	8,068	(2,060)	6,008
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	924
Finance costs	—	—	—	—	—	—	—	—	—	(2,987)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	40
Profit before tax	—	—	—	—	—	—	—	—	—	3,985

(Note 1) The category “Other Business” is an operating segment that is not included among the reportable segments, in which subsidiaries of the Company engage in administrative outsourcing services and the like.

(Note 2) The adjustment of segment profit of (2,060) million yen includes acquisition-related cost related to business combinations of (58) million yen, corporate expenses of (2,024) million yen, profits or losses not allocated to any specific operating segment, and elimination of intersegment transactions.

(Note 3) Intersegment revenues are based on prevailing market prices.

3. SUPPLEMENTARY INFORMATION

Revenue by segment and by industry for the three months ended March 31, 2022, is as follows:

Name of Segment	For the three months ended March 31, 2022		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Domestic Engineering Outsourcing Business	34,225	22.1	24.0
Electrical & Electronics	5,494	3.5	27.2
Transport Equipment	6,525	4.2	13.5
Pharm. & Chemicals	2,909	1.9	34.4
IT-related	11,492	7.4	29.1
Construction & Plant-related	4,756	3.1	15.1
Others	3,049	2.0	30.5
Domestic Manufacturing Outsourcing Business	27,033	17.4	17.6
Electrical & Electronics	7,735	5.0	8.6
Transport Equipment	11,592	7.4	12.4
Pharm. & Chemicals	1,608	1.0	7.4
Metals & Construction Materials	1,521	1.0	42.7
Foods	889	0.6	11.1
Others	3,688	2.4	68.7
Domestic Service Operations Outsourcing Business	8,402	5.4	20.7
Retail	38	0.0	(26.8)
Public Works	7,234	4.7	14.3
Others	1,130	0.7	94.7
Overseas Engineering Outsourcing Business	36,731	23.6	39.4
Electrical & Electronics	128	0.1	(1.1)
Transport Equipment	746	0.5	21.5
Pharm. & Chemicals	6,810	4.4	54.7
IT-related	7,712	5.0	36.4
Metals & Construction Materials	23	0.0	(25.0)
Construction & Plant-related	807	0.5	4.8
Retail	1,181	0.7	53.5
Public Works	14,030	9.0	33.4
Finance	2,786	1.8	56.9
Others	2,510	1.6	48.4
Overseas Manufacturing and Service Operations Outsourcing Business	48,907	31.5	22.6
Electrical & Electronics	5,370	3.5	27.7
Transport Equipment	3,983	2.6	38.4
Pharm. & Chemicals	1,134	0.7	22.8
IT-related	947	0.6	7.8
Metals & Construction Materials	602	0.4	(24.7)
Construction & Plant-related	2,065	1.3	148.5
Foods	1,396	0.9	(31.7)
Retail	15,650	10.1	10.3
Public Works	7,437	4.8	(1.2)
Finance	705	0.4	11.5
Others	9,618	6.2	93.3
Other Business	15	0.0	11.3
Total	155,313	100.0	25.5

(Note 1) Intersegment transactions are offset and eliminated.

(Note 2) Segments are classified based on the similarity of types and nature of businesses.

Revenue by region is as follows:

Region	For the three months ended March 31, 2022		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Japan	69,675	44.9	21.0
Europe	62,940	40.5	29.4
Oceania	15,213	9.8	24.4
North America	1,092	0.7	—
South America	3,581	2.3	37.2
Asia (excl. Japan)	2,812	1.8	1.9
Total	155,313	100.0	25.5

(Note) Intersegment transactions are offset and eliminated.