



August 15, 2022

To whom it may concern

Company Name: OUTSOURCING Inc.  
Representative: Haruhiko Doi  
Chairman and CEO  
(Prime Market of TSE: Securities Code 2427)  
Contact: Masashi Umehara  
Director and Executive  
General Manager in charge  
of Corporate Management  
Division  
Phone: +81-3-3286-4888 (main)

**Notice Regarding Partial Amendments to the Consolidated Financial Results for the Six Months Ended June 30, 2022 [IFRS] (Consolidated)**

OUTSOURCING Inc. (hereinafter the “Company”) hereby announces that it has made partial amendments to the Consolidated Financial Results for the Six Months Ended June 30, 2022 [IFRS] (Consolidated), which was announced on August 5, 2022.

Since the numerical data has been amended, the amended numerical data will also be sent.

Particulars

1. Reason for the Amendments

In the account settlement procedure after the announcement of the consolidated financial results for the six months ended June 30, 2022, some of the statements have been amended, so the Company will amend the submitted consolidated financial results for the six months ended June 30, 2022.

The detailed background is as follows: the legal counsel of the SL Group, a consolidated subsidiary in Chile, has confirmed that transactions with the owner, a leasing company, are conducted at a level higher than the market price in June 2022, so it is currently investigating the matter and taking legal action. At present, the Company does not consider it necessary to revise its financial statements with this matter. However, if the Company confirms any events that should be disclosed after the completion of a thorough examination, it will promptly disclose such events. Aside from this, there was an increase in advance payments in the assets of the SL Group. In preparing the financial statements for the second quarter of the fiscal year ending December 31, 2022, some of the increased advance payments had been scrutinized and transferred to other items, including but not limited to software in progress and fixed assets, but some factors behind the increase were unknown due to lack of sufficient evidence, so the Company was confirming the details. In order to evaluate the reliability of the financial statements of the SL Group, the Company analyzed the increases and decreases in the financial statements of the SL Group as a whole, though not for all accounts, and because it was able to confirm the main reasons for the increases and decreases, it disclosed its financial results on August 5, 2022. Thereafter, in the process of the accounting auditor's quarterly review procedures, the Company carefully examined, with a broader scope, the details of each account title based on the above, and as a result, it has been decided that in addition to advance payments, some assets that could not be confirmed as assets, such as accounts receivable that are over 90 days, will be recorded as expenses conservatively. As a result, the figures in the financial statements in the second quarter report will be changed, so the consolidated financial results for the six months ended June 30, 2022 will also be amended.

2. Amendments

Due to the large number of amendments, the entire text after the amendments will be attached, and the parts that were amended will be underlined.

Disclaimer: This document is a translation of the Japanese original and does not constitute any guarantee. The Company will not compensate for any loss or damage resulting from actions taken based on this document. If there is any discrepancy between the Japanese original and this document, the Japanese original prevails.



## Consolidated Financial Results for the Six Months Ended June 30, 2022 (Under IFRS)

August 5, 2022

Company name: OUTSOURCING Inc.  
 Securities code: 2427  
 Representative: Haruhiko Doi, Chairman and CEO  
 Contact: Masashi Umehara, Director and Executive General Manager in charge of  
 Corporate Management Division  
 TEL: +81-3-3286-4888

Listing: Tokyo Stock Exchange  
 URL: <https://www.outsourcing.co.jp/en/>

Scheduled date to file quarterly securities report: August 15, 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 six months ended June 30, 2022 (From January 1, 2022 to June 30, 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	%
Six months ended												
June 30, 2022	325,132	22.9	10,910	(5.4)	7,644	(29.5)	3,891	(39.4)	3,898	(30.6)	13,920	23.5
June 30, 2021	264,639	53.4	11,538	159.6	10,836	244.9	6,425	343.8	5,614	327.2	11,275	–

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2022	30.96	30.96
June 30, 2021	44.58	44.58

(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 six months ended June 30, 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
June 30, 2022	401,020	81,052	76,326	19.0	606.10
December 31, 2021	351,939	72,458	65,824	18.7	522.71

(Note) Since the provisional accounting treatments related to business combinations were finalized in the first quarter and the second quarter of the fiscal year ending December 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	–	0.00			
Fiscal year ending December 31, 2022 (Forecast)			–	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
Full year	695,000	22.1	32,000	33.8	29,600	152.1	19,300	856.6	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 June 30, 2022	125,951,200	As of December 31, 2021	125,926,800
As of June 30, 2022	23,490	As of December 31, 2021	490
Six months ended June 30, 2022	125,912,457	Six months ended June 30, 2021	125,913,451

(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.

## Table of Contents for the Attached Documents

<b>1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS</b> .....	2
<b>(1) Overview of Consolidated Operating Results</b> .....	2
<b>(2) Overview of Consolidated Financial Position</b> .....	5
<b>(3) Explanation of Forecasts Including the Consolidated Financial Results Forecasts</b> .....	5
<b>2. CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES</b> .	6
<b>(1) Condensed Quarterly Consolidated Statement of Financial Position</b> .....	6
<b>(2) Condensed Quarterly Consolidated Statement of Profit or Loss</b> .....	8
<b>(3) Condensed Quarterly Consolidated Statement of Comprehensive Income</b> .....	9
<b>(4) Condensed Quarterly Consolidated Statement of Changes in Equity</b> .....	10
<b>(5) Notes to Condensed Quarterly Consolidated Financial Statements</b> .....	12
[Going Concern Assumption].....	12
[Changes in Significant Subsidiaries].....	12
[Segment Information].....	12
<b>3. SUPPLEMENTARY INFORMATION</b> .....	15

## 1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

### (1) Overview of Consolidated Operating Results

The business environment during the six months ended June 30, 2022 (the “current period”), gradually saw signs of recovery from the devastating impact of the COVID-19 pandemic. However, pervasive uncertainty still remained as myriad events with significant repercussions on international affairs continued, such as new variants of coronaviruses spreading infections, the Ukraine crisis, the tightening of financial conditions, and persistent inflationary pressures.

Although the economy in Japan saw an upward trend despite a falling yen and soaring resource prices, major manufacturers, representing the Company’s main customers, were forced to reduce the level of factory operation due to lockdowns in Shanghai as well as prolonged semiconductor shortage and other supply restrictions. 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). As a strong demand for implementing systems continued to grow, 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. The Group has now entered into a new phase through a joint project with industry leaders to develop the “Industry Standard Platform,” making the system become the de-facto industry standard platform for dispatched employee management. 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 18,660 as of June 30, 2022, which continues to represent the top share in Japan, despite limitations 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. This clearly demonstrates not only our high recruiting capability but also the Group’s excellence in marketing to find a new workplace suitable for people with little experience, on-boarding training for our people, and the ability to build a trusted relationship with client companies. Besides the manufacturing field, which is more susceptible to macroeconomic dynamics, the Group is aiming to expand businesses that are less affected by economic fluctuations. In particular, the business with U.S. military facilities continues to see a steady growth in demand for renovation and maintenance services for buildings and facilities, which 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, despite the promotion of a large-scale inoculation together with COVID-19 countermeasures, uncertainty still remained quite high under the following circumstances: sudden increase of geopolitical risks led by the Ukraine crisis, growing concerns over recession driven by inflationary pressures and further monetary tightening, and the quick spread of new variants of coronavirus.

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 first quarter ended March 31, 2022. 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, non-recurring finance cost related to OTTO Group will not arise in the following periods. In other words, only foreign exchange differences related to the transaction will be recorded in the second quarter ended June 30, 2022, and onwards. For the three months to June 30, 2022, approximately 74 million yen of foreign exchange gain is recorded.

By establishing an appropriate vision and specific business strategies in response to a rapidly changing business environment, the Group has successfully adjusted business portfolios accordingly so as to ensure sustainable business expansion. Thanks to the Group's effort in diversifying its business and regional portfolios, revenue has reached a record high for any second quarter and any first half of a fiscal year.

As a result, the Group recorded revenue of 325,132 million yen on a consolidated basis for the current period, up 22.9% year-on-year. Operating profit marked 10,910 million yen, down 5.4% year-on-year, profit before tax of 7,644 million yen, down 29.5% year-on-year, and profit attributable to owners of parent of 3,898 million yen, down 30.6% 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. In April 2022, the Group published the first-year results of KPIs in line with materiality (priority issues) for 2021 as well as the Independent Verification Report. 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 a record high in any second quarter.

#### [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 increased more than 20% compared to the same period last year, high enough to absorb upfront investment on the new hires of 2,600 or so, who joined 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 June 30, 2022, totaled 24,571, up 3,742 from a year earlier, which marked the highest in the industry despite the Group being a latecomer. This was achieved not only because of the Group's competitiveness in hiring and training but also its excellence in marketing to find a new workplace suitable for people with little experience. 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 70,963 million yen, up 23.2% year-on-year, and 5,404 million yen, up 20.5% year-on-year, respectively.

[Domestic Manufacturing Outsourcing Business]

The Domestic Manufacturing Outsourcing Business was 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 June 30, 2022, totaled 27,000, up 6,874 from a year earlier. The aggressive hiring was pursued in anticipation of the growing demand for workers once production comes back to 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 the number of foreign workers entering Japan remained limited. However, thanks to positive feedback from customers for the Group's efficient and appropriate management service, the number of foreign workers under management marked 18,660 as of June 30, 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 57,705 million yen, up 21.5% year-on-year, and 2,956 million yen, down 15.5% 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. On the demand side, renovation and maintenance services for U.S. military buildings and facilities remained solid without being significantly affected by the pandemic. However, on the supply side, construction schedules had to be delayed due to a longer procurement lead time against a backdrop of disrupted supply chains, causing issues such as late delivery of construction materials from foreign countries. Although negatively affected by skyrocketing costs of construction materials and marine transportation due to the yen's depreciation, the Company tried to reflect such soaring costs into asking prices and make estimates as accurately as possible for bidding purposes. Accordingly, going forward, continued growth is expected for the business without deteriorating profitability.

Based on the above, segment revenue and operating profit for the Domestic Service Operations Outsourcing Business during the current period were 15,389 million yen, up 8.6% year-on-year, and 1,873 million yen, down 20.6% 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 delay in debt issuance in certain areas, the overall debt volume showed a sign of recovery. Businesses grew at a brisk pace in Ireland and the Oceania region, particularly in the recruiting and placing businesses with higher profit margins. 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 77,397 million yen, up 23.8% year-on-year, and 3,825 million yen, up 47.9% 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 mainly due to the following reasons: in the UK, impairment losses on goodwill of 285 million yen was recorded and overall costs went up due to inflation and wage increase, and in Netherlands, additional costs were incurred to counter the rapid spread of coronavirus variants. The Group believes the impairment losses on goodwill and costs for countering variants, which are now on a recovery trend, are only temporary.

Based on the above, segment revenue and operating profit for the Overseas Manufacturing and Service

Operations Outsourcing Business during the current period were 103,643 million yen, up 25.2% year-on-year, and 1,613 million yen, down 43.6% 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 current period marked 35 million yen, up 18.7% year-on-year, and operating profit posted 206 million yen, up 229.8% year-on-year.

## **(2) Overview of Consolidated Financial Position**

Total assets as of June 30, 2022 were 401,020 million yen, an increase of 49,081 million yen from December 31, 2021. This is primarily attributed to an increase in cash and cash equivalents, trade and other receivables, right-of-use assets, and goodwill.

Total liabilities as of June 30, 2022 were 319,968 million yen, an increase of 40,487 million yen from December 31, 2021. This is primarily attributed to an increase in bonds and borrowings.

Equity as of June 30, 2022 was 81,052 million yen, an increase of 8,594 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 June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	48,334	<u>53,404</u>
Trade and other receivables	88,061	<u>106,018</u>
Inventories	2,658	<u>2,296</u>
Other financial assets	14,652	<u>16,857</u>
Other current assets	13,493	<u>14,251</u>
Total current assets	167,198	<u>192,826</u>
Non-current assets		
Property, plant, and equipment	11,611	12,602
Right-of-use assets	21,362	26,526
Goodwill	83,669	97,665
Intangible assets	39,079	<u>40,220</u>
Investments accounted for using equity method	221	271
Other financial assets	21,508	23,538
Other non-current assets	1,849	848
Deferred tax assets	5,442	<u>6,525</u>
Total non-current assets	184,741	<u>208,194</u>
Total assets	<u>351,939</u>	<u>401,020</u>

(Million yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	62,398	73,250
Bonds and borrowings	88,396	57,237
Lease liabilities	20,395	23,601
Other financial liabilities	9,383	1,761
Income taxes payable	4,654	3,296
Other current liabilities	27,286	27,937
Total current liabilities	<u>212,512</u>	<u>187,082</u>
Non-current liabilities		
Bonds and borrowings	15,645	84,628
Lease liabilities	27,157	32,685
Other financial liabilities	8,321	973
Retirement benefit liability	3,309	2,011
Provisions	1,212	1,229
Other non-current liabilities	735	756
Deferred tax liabilities	10,590	10,603
Total non-current liabilities	<u>66,970</u>	<u>132,886</u>
Total liabilities	279,481	319,968
Equity		
Share capital	25,230	25,245
Capital surplus	26,663	26,678
Treasury shares	(0)	(0)
Other capital surplus	(12,887)	(12,208)
Other components of equity	4,052	13,426
Retained earnings	22,767	23,186
Total equity attributable to owners of parent	<u>65,824</u>	<u>76,326</u>
Non-controlling interests	6,634	4,726
Total equity	<u>72,458</u>	<u>81,052</u>
Total liabilities and equity	<u><u>351,939</u></u>	<u><u>401,020</u></u>

**(2) Condensed Quarterly Consolidated Statement of Profit or Loss**

(Million yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Revenue	264,639	<u>325,132</u>
Cost of sales	<u>(214,681)</u>	<u>(266,130)</u>
Gross profit	49,958	<u>59,002</u>
Selling, general and administrative expenses	(41,711)	<u>(50,850)</u>
Other operating income	3,671	4,575
Other operating expenses	<u>(380)</u>	<u>(1,817)</u>
Operating profit	11,538	<u>10,910</u>
Finance income	2,056	788
Finance costs	(2,814)	(4,104)
Share of profit (loss) of investments accounted for using equity method	56	50
Profit before tax	10,836	<u>7,644</u>
Income tax expense	<u>(4,411)</u>	<u>(3,753)</u>
Profit for the period	<u>6,425</u>	<u>3,891</u>
Profit attributable to:		
Owners of parent	5,614	<u>3,898</u>
Non-controlling interests	811	<u>(7)</u>
Profit for the period	<u>6,425</u>	<u>3,891</u>
Earnings per share		
Basic earnings per share (Yen)	44.58	<u>30.96</u>
Diluted earnings per share (Yen)	44.58	<u>30.96</u>

**(3) Condensed Quarterly Consolidated Statement of Comprehensive Income**

(Million yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Profit for the period	6,425	<u>3,891</u>
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit retirement plans	244	471
Change in fair value of equity financial assets measured at fair value through other comprehensive income	25	(273)
Total of items that will not be reclassified subsequently to profit or loss	<u>269</u>	<u>198</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	4,581	<u>9,831</u>
Change in fair value of debt financial assets measured at fair value through other comprehensive income	0	—
Total of items that may be reclassified subsequently to profit or loss	<u>4,581</u>	<u>9,831</u>
Other comprehensive income, net of tax	<u>4,850</u>	<u>10,029</u>
Total comprehensive income	<u>11,275</u>	<u>13,920</u>
Comprehensive income attributable to:		
Owners of parent	10,399	<u>13,743</u>
Non-controlling interests	876	<u>177</u>
Total comprehensive income	<u>11,275</u>	<u>13,920</u>

#### (4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021 (From January 1, 2021, to June 30, 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	-	-	-	-	4,516	0
Total comprehensive income	-	-	-	-	4,516	0
Issuance of new shares	15	15	-	-	-	-
Dividends	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	-
Total contributions by (distributions to) owners	15	15	-	-	-	-
Changes from business combination and others	-	-	-	609	-	-
Total changes in ownership interests in subsidiaries	-	-	-	609	-	-
Total transactions with owners	15	15	-	609	-	-
Balance at June 30, 2021	25,229	26,662	(0)	(12,847)	2,998	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
Balance at January 1, 2021	-	329	(1,187)	23,229	60,448	5,998	66,446
Profit for the period	-	-	-	5,614	5,614	811	6,425
Other comprehensive income	244	24	4,785	-	4,785	66	4,850
Total comprehensive income	244	24	4,785	5,614	10,399	876	11,275
Issuance of new shares	-	-	-	-	30	-	30
Dividends	-	-	-	(1,259)	(1,259)	(1,126)	(2,385)
Transfer to retained earnings	(244)	-	(244)	244	-	-	-
Other increase (decrease)	-	-	-	(12)	(12)	-	(12)
Total contributions by (distributions to) owners	(244)	-	(244)	(1,027)	(1,241)	(1,126)	(2,367)
Changes from business combination and others	-	-	-	6	615	454	1,068
Total changes in ownership interests in subsidiaries	-	-	-	6	615	454	1,068
Total transactions with owners	(244)	-	(244)	(1,021)	(626)	(672)	(1,299)
Balance at June 30, 2021	-	353	3,354	27,822	70,220	6,201	76,421

For the six months ended June 30, 2022 (From January 1, 2022, to June 30, 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)	3,574	1
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	9,643	-
Total comprehensive income	-	-	-	-	9,643	-
Issuance of new shares	15	15	-	-	-	-
Dividends	-	-	-	-	-	-
Share-based remuneration transactions	-	-	-	(5)	-	-
Transfer to retained earnings	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	-
Total contributions by (distributions to) owners	15	15	-	(5)	-	-
Changes from business combination and others	-	-	-	684	-	-
Total changes in ownership interests in subsidiaries	-	-	-	684	-	-
Total transactions with owners	15	15	-	679	-	-
Balance at June 30, 2022	25,245	26,678	(0)	(12,208)	13,217	1

	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, 2022	-	477	4,052	22,767	65,824	6,634	72,458
Profit for the period	-	-	-	3,898	3,898	(7)	3,891
Other comprehensive income	471	(269)	9,845	-	9,845	184	10,029
Total comprehensive income	471	(269)	9,845	3,898	13,743	177	13,920
Issuance of new shares	-	-	-	-	30	-	30
Dividends	-	-	-	(3,904)	(3,904)	(1,343)	(5,247)
Share-based remuneration transactions	-	-	-	-	(5)	-	(5)
Transfer to retained earnings	(471)	-	(471)	471	-	-	-
Other increase (decrease)	-	-	-	(46)	(46)	-	(46)
Total contributions by (distributions to) owners	(471)	-	(471)	(3,479)	(3,925)	(1,343)	(5,268)
Changes from business combination and others	-	-	-	-	684	(742)	(58)
Total changes in ownership interests in subsidiaries	-	-	-	-	684	(742)	(58)
Total transactions with owners	(471)	-	(471)	(3,479)	(3,241)	(2,085)	(5,326)
Balance at June 30, 2022	-	208	13,426	23,186	76,326	4,726	81,052

## (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 six months ended June 30, 2021 (From January 1, 2021 to June 30, 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	57,594	47,511	14,170	62,528	82,807	264,609	29	264,639	—	264,639
Intersegment revenue (Note 3)	1,584	1,449	120	545	841	4,539	805	5,344	(5,344)	—
Total	59,178	48,959	14,290	63,073	83,648	269,148	834	269,983	(5,344)	264,639
Cost of sales and other income (expenses)	(54,693)	(45,462)	(11,931)	(60,487)	(80,789)	(253,361)	(772)	(254,134)	1,033	(253,100)
Segment profit (Operating profit)	4,485	3,498	2,359	2,586	2,859	15,787	62	15,849	(4,311)	11,538
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	2,056
Finance costs	—	—	—	—	—	—	—	—	—	(2,814)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	56
Profit before tax	—	—	—	—	—	—	—	—	—	10,836

(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 (4,311) million yen includes acquisition-related cost related to business combinations of (790) million yen, corporate expenses of (3,455) 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 six months ended June 30, 2022 (From January 1, 2022 to June 30, 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	70,963	57,705	15,389	77,397	<u>103,643</u>	<u>325,097</u>	35	<u>325,132</u>	—	<u>325,132</u>
Intersegment revenue (Note 3)	1,248	4,046	169	365	878	6,706	1,009	7,715	(7,715)	—
Total	72,211	61,752	15,557	77,762	<u>104,521</u>	<u>331,803</u>	1,044	<u>332,847</u>	(7,715)	<u>325,132</u>
Cost of sales and other income (expenses)	(66,807)	(58,796)	(13,684)	(73,937)	<u>(102,908)</u>	<u>(316,132)</u>	(838)	<u>(316,970)</u>	2,748	<u>(314,222)</u>
Segment profit (Operating profit)	5,404	2,956	1,873	3,825	<u>1,613</u>	<u>15,671</u>	206	<u>15,877</u>	(4,967)	<u>10,910</u>
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	788
Finance costs	—	—	—	—	—	—	—	—	—	(4,104)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	50
Profit before tax	—	—	—	—	—	—	—	—	—	<u>7,644</u>

(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 (4,967) million yen includes acquisition-related cost related to business combinations of (480) million yen, corporate expenses of (4,481) 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 six months ended June 30, 2022, is as follows:

Name of Segment	For the six months ended June 30, 2022		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Domestic Engineering Outsourcing Business	70,963	21.9	23.2
Electrical & Electronics	11,610	3.6	26.0
Transport Equipment	13,197	4.1	14.1
Pharm. & Chemicals	6,185	1.9	28.1
IT-related	23,233	7.1	25.8
Construction & Plant-related	9,971	3.1	17.7
Others	6,768	2.1	34.2
Domestic Manufacturing Outsourcing Business	57,705	17.7	21.5
Electrical & Electronics	15,915	4.9	6.3
Transport Equipment	22,913	7.0	9.7
Pharm. & Chemicals	3,260	1.0	9.4
Metals & Construction Materials	3,178	1.0	48.6
Foods	1,888	0.6	11.4
Others	10,552	3.2	118.2
Domestic Service Operations Outsourcing Business	15,389	4.7	8.6
Retail	76	0.0	(24.8)
Public Works	13,171	4.0	2.1
Others	2,142	0.7	83.2
Overseas Engineering Outsourcing Business	77,397	23.8	23.8
Electrical & Electronics	235	0.1	2.2
Transport Equipment	1,498	0.5	3.0
Pharm. & Chemicals	14,705	4.5	31.6
IT-related	15,662	4.8	17.7
Metals & Construction Materials	69	0.0	11.7
Construction & Plant-related	1,796	0.6	(7.0)
Foods	2	0.0	(69.4)
Retail	2,631	0.8	51.3
Public Works	29,740	9.1	21.5
Finance	6,058	1.9	46.7
Others	5,000	1.5	24.6
Overseas Manufacturing and Service Operations Outsourcing Business	<u>103,643</u>	31.9	<u>25.2</u>
Electrical & Electronics	10,517	3.2	20.7
Transport Equipment	8,292	2.6	39.8
Pharm. & Chemicals	1,380	0.4	(31.4)
IT-related	2,035	0.6	5.2
Metals & Construction Materials	1,363	0.4	(17.3)
Construction & Plant-related	<u>3,974</u>	<u>1.2</u>	<u>110.1</u>
Foods	2,882	0.9	6.1
Retail	31,845	9.8	8.5
Public Works	15,434	4.8	(1.2)
Finance	1,112	<u>0.4</u>	(14.7)
Others	24,809	7.6	112.1
Other Business	35	0.0	18.7
<b>Total</b>	<u><b>325,132</b></u>	<b>100.0</b>	<u><b>22.9</b></u>

(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 six months ended June 30, 2022		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Japan	144,092	44.3	20.8
Europe	131,427	40.4	23.1
Oceania	33,849	10.4	24.2
North America	<u>2,244</u>	<u>0.7</u>	<u>533.4</u>
South America	7,284	<u>2.3</u>	30.4
Asia (excl. Japan)	6,236	1.9	15.7
Total	<u>325,132</u>	100.0	<u>22.9</u>

(Note) Intersegment transactions are offset and eliminated.