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To Whom It May Concern

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

OUTSOURCING Inc. (hereinafter “the Company”) hereby announces the difference between its consolidated financial forecasts for the cumulative 2nd quarter of the fiscal year ending December 31, 2022 (January 1, 2022 - June 30, 2022) released on February 18, 2022, and the actual results in the partially revised financial statements disclosed today.

Particulars

1. Difference between Consolidated Financial Forecasts and Actual Results for the Cumulative 2nd Quarter of Fiscal year ending December 31, 2022 (January 1, 2022 – June 30, 2022)

	Revenue	Operating profit	Profit before tax	Profit for the period	Profit attributable to owners of the Company	Basic earnings per share for the period
	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	JPY
Previous Forecasts (A) (Announced on February 18, 2022)	323,000	10,500	9,300	5,600	5,200	41.30
Actual Results (B)	325,132	10,910	7,644	3,891	3,898	30.96
Changes (B-A)	2,132	410	- 1,656	- 1,709	- 1,302	
Ratio (%)	0.7%	3.9%	- 17.8%	- 30.5%	- 25.0%	
Reference: Actual Results for the 2nd Quarter of Previous Fiscal Year (2Q FY 12/21)	264,639	11,538	10,836	6,425	5,614	44.58

(Note) As the provisional accounting process related to business combinations was finalized, the consolidated financial statements for 2Q FY12/21 have been retroactively adjusted.

2. Reason for the Difference

With respect to the consolidated financial results forecasts for the fiscal year ending December 31, 2022, which were announced on February 18, 2022, although revenue and operating profit exceeded the initial forecasts, profit before tax and below were significantly lower than forecasts, mainly due to the one-off financial expense recorded in the 1Q.

With regard to revenue, Overseas businesses offset the downturn in Domestic businesses affected by supply constraints. On the other hand, with regard to operating profit, Domestic and Overseas Engineering segments offset the downturn in Domestic and Overseas Manufacturing and Service Operations segments. The strategy of diversifying not only the business portfolio but also the geographic portfolio, which the Company has been promoting over the years to achieve more consistent operating performance, has been successful. In addition, foreign exchange rates have served as a favorable tailwind for the overseas businesses, as the yen is getting weaker against other currencies when compared to the projected rate used for developing the financial results forecast.

Profit before tax, profit for the period, and profit attributable to owners of the Company did not meet the initial 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 a finance cost of approximately 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 and below were significantly understated by the equivalent amount. However, now that the Group has acquired the entire shares of OTTO Group, non-recurring finance costs related to OTTO Group will not arise in the following periods. (From the second quarter onward, only changes due to exchange rates are reflected: approximately 74 million yen of foreign exchange gain is recorded in the 2Q.)

In addition, regarding the SL Group, a consolidated subsidiary in Chile, the Company has decided to conservatively record some of its assets as expenses resulting in the correction of the financial statements for the second quarter of the fiscal year ending December 31, 2022 [IFRS] (consolidated) released today. The corrected amounts were revenue -251 million yen, operating profit -719 million yen, profit before tax -719 million yen, profit for the period -719 million yen, and profit attributable to owners of the Company -397 million yen.

3. Regarding Full-Year Financial Forecasts

Regarding the forecast for consolidated financial results for the full year ending December 31, 2022, while the cumulative 2nd quarter consolidated financial results differ from the initial forecasts as noted above, the Company expects the impact of the one-time financial cost that had a significant impact in the period will diminish for the full year.

At the same time, in light of the increasing uncertainty in the business environment due to serious events affecting international affairs, such as new variants of coronaviruses spreading infections, the Ukraine crisis, the tightening of financial conditions, and persistent inflationary pressures, as well as the difficulty in precisely estimating exchange rate fluctuations, the full-year FY12/22 consolidated financial forecasts are left unchanged, with no revision at the present time.

(Disclaimer with respect to earnings and other forecasts)

The forward-looking statements, including the 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.